



# Mega Lifesciences PCL.

Six months ending 2015 (1H15)

SET Opportunity Day  
2<sup>nd</sup> September 2015



# Agenda



- 1H15 Financial Highlights
- Future Outlook
- Q&A

# What we do...



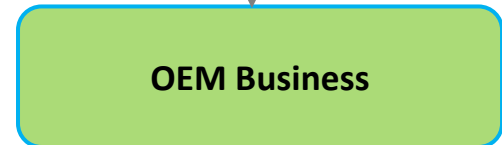
## Mega Lifesciences PCL



We develop, manufacture, market and sell our own brand of market leading nutraceutical products, prescription pharmaceutical products and OTC products, which are sold in 31 developing countries.



We market, sell and distribute various branded prescription pharmaceutical products, OTC and consumer products in Myanmar, Vietnam and Cambodia. Our clients include leading domestic and international pharmaceutical and consumer goods companies.

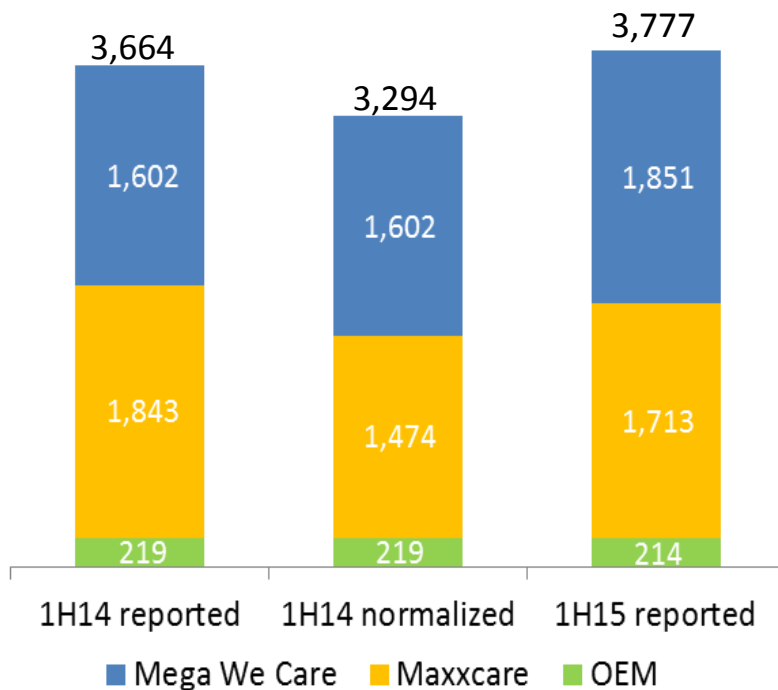


In addition to manufacturing our own branded products, our manufacturing facilities in Thailand and Australia accept various production orders from third-party customers.

# 1H15 revenue grew at 14.7% YoY (normalized basis<sup>1</sup>)



## Revenue (THB mn)



- **Overall revenue** was higher by 14.7% YoY (normalized basis) and 3.1% YoY (reported basis) in 1H15.
- **Mega We Care™ branded products revenue** grew by 15.5% YoY in 1H15, mainly driven by Southeast Asia which was up by 20.8% YoY.
- **Maxxcare™ distribution business revenue** on normalized basis was higher by 16.2% YoY in 1H15; on reported basis revenue was down by 7.1% YoY, given the discontinuance of one of our principal in Myanmar (as reported in our 3Q14 and 4Q14 MD&As).
- **OEM revenue** was down by 2.4% YoY in 1H15.

1. Maxxcare™ distribution business revenue growth in 1H15 is normalized by excluding the revenue attributable to one of our principal in 1H14 whose business was discontinued since 4Q14.

# A closer look at revenue growth



## Consolidated revenue by segments

## Revenue mix (reported basis)

<i>Figures in THBmn</i>	2Q14	1Q15	2Q15	Reptd YoY Gr.	Nrmlzd. YoY Gr.	1H14	1H15	Reptd YoY Gr.	Nrmlzd. YoY Gr.	2Q14	1Q15	2Q15	1H14	1H15
Mega We Care™	864	845	1,006	16.5%	16.5%	1,602	1,851	15.5%	15.5%	44%	47%	51%	44%	49%
Maxxcare™	974	856	856	(12.0%)	11.1%	1,843	1,713	(7.1%)	16.2%	50%	47%	43%	50%	45%
OEM	121	104	109	(9.8%)	(9.8%)	219	214	(2.4%)	(2.4%)	6%	6%	6%	6%	6%
<b>Total</b>	<b>1,959</b>	<b>1,805</b>	<b>1,972</b>	<b>0.7%</b>	<b>12.3%</b>	<b>3,664</b>	<b>3,777</b>	<b>3.1%</b>	<b>14.7%</b>	100%	100%	100%	100%	100%

## Mega We Care™ revenue by geography

<i>Figures in THB mn</i>	2Q14	1Q15	2Q15	YoY Gr.	1H14	1H15	YoY Gr.
Southeast Asia	690	683	831	20.4%	1,253	1,514	20.8%
Africa	101	90	107	6.4%	191	197	3.6%
CIS	28	20	22	(21.1%)	63	42	(33.0%)
Others	45	51	46	3.2%	95	97	2.4%
<b>Total</b>	<b>864</b>	<b>845</b>	<b>1,006</b>	<b>16.5%</b>	<b>1,602</b>	<b>1,851</b>	<b>15.5%</b>

CIS: Common Wealth of Independent States

Though not a significant contributor to the overall revenue of the company, continuing social unrest in Ukraine (CIS) and Yemen (Others) impacted the revenue growth in 1H15.

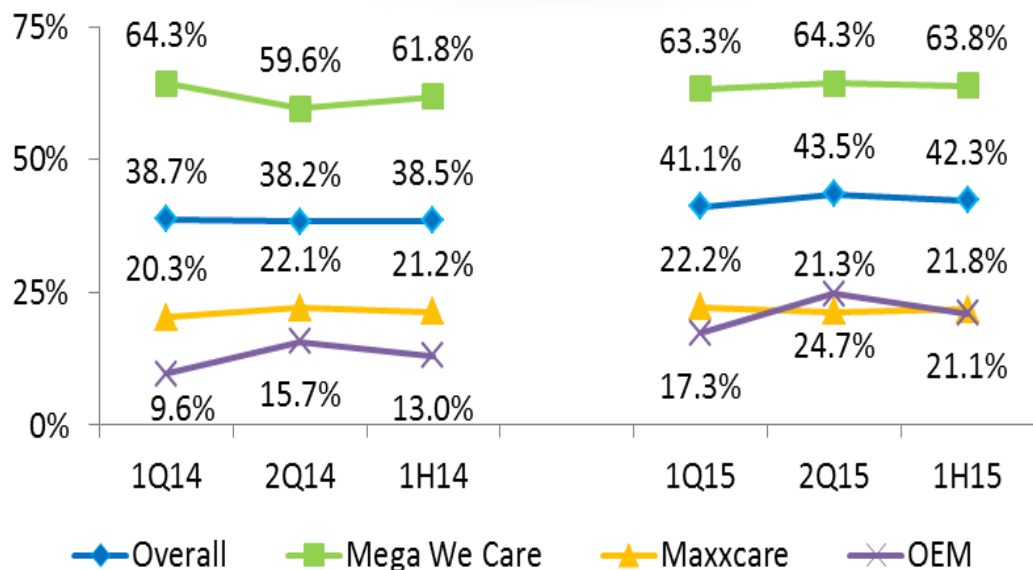
Southeast Asia continued to be the largest market for Mega We Care™, contributing 81.8% of Mega We Care™ revenue in 1H15, followed by Africa at 10.7%.

African countries reported lower growth in 1H15, given depreciation of Nigerian (NGN) and Ghanaian (GCD) currencies by 16% and 28%, respectively against THB (cross currency rates); at constant currency rate, the in-market sales for Africa was up by 25.3% YoY in 1H15.

# Improvement in overall gross margins



Gross margins (%)

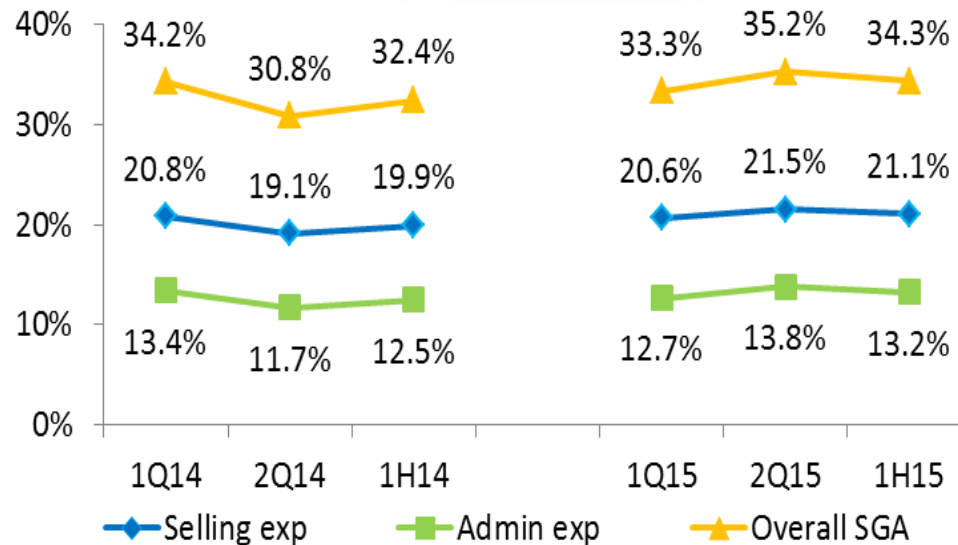


- Overall gross margins** in 1H15 was 42.3% compared to 38.5% in 1H14; improvement in overall gross margins was mainly led by growth in Mega We Care™ revenue resulting in better revenue mix (Mega We Care™ proportion in overall revenue increased from 44% in 1H14 to 49% in 1H15) and improved Mega We Care™ gross margins, from 61.8% in 1H14 to 63.8% in 1H15.
- Looking by segments:** Mega We Care™ gross margin improvement from 61.8% in 1H14 to 63.8% in 1H15 was mainly driven by growth in Mega We Care™ revenue resulting in improved efficiencies due to higher output and savings in raw material cost. Maxxcare™ gross margins remained stable in 1H15. OEM gross margins improved due to customer-mix and certain cost optimisation measures implemented in Australia.

# SG&A impacted by one time charge....



SGA expenses (% of operating revenue)



- SG&A for 1H15 was 34.3% of operating revenue as compared to 32.4% in 1H14. There was a one-time charge of THB16.8mn towards provision against receivables in 1H15.
- We expect SG&A by the year end to remain close to FY14 levels.

# Summarized income statement

<i>Figures in THBmn</i>	2Q14	1Q15	2Q15	YoY Gr.	1H14	1H15	YoY Gr.
Operating Revenue	1,959	1,805	1,972	0.7%	3,664	3,777	3.1%
Gross profits	749	742	857	14.4%	1,410	1,599	13.4%
<i>Gross margin (%)</i>	38.2%	41.1%	43.5%		38.5%	42.3%	
Selling and Admin. exp (SGA)	604	601	695	15.1%	1,188	1,296	9.1%
<i>SGA (% to Operating revenue)</i>	30.8%	33.3%	35.2%		32.4%	34.3%	
EBITDA	187	164	242	29.4%	284	405	42.8%
Profit before tax	149	126	203	36.3%	209	328	56.8%
Net Profit	129	106	165	28.2%	186	272	46.5%

- Net profit in 1H15 was THB 272mn, higher by 46.5% YoY. Increase in net profits was driven by improvement in overall gross margins (a result of increase in Mega We Care™ revenue and improved Mega We Care™ gross margins) and net forex gains driven by THB depreciation. 1H15 net profits after adjusting for the one-time SG&A charge towards receivables would have been THB 289mn.
- Net profits without forex impact would be THB 267mn in 1H15 compared to THB 208mn in 1H14, an increase of THB 58mn or 28% YoY.



# Key balance sheet elements and cash flows

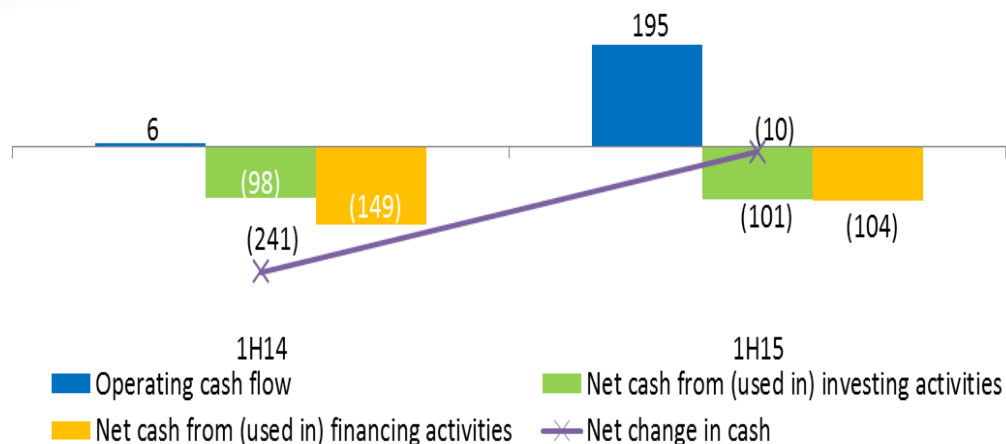
## Key Balance sheet elements:

<i>Figures in THBmn</i>	Dec'14	June'15
Cash and cash equivalents <sup>1</sup>	1,281	1,266
Debt	(567)	(698)
Net cash	714	568
Fixed asset capex spent	160	96
IBD/Equity (# times)	0.14	0.17
<b>Core working capital:</b>		
Average receivable days	90	106
Average inventory days	130	138
Average payable days	100	114
Cash cycle (days)	120	130

Cash cycle increased from 120 days in Dec'14 to 130 days in June'15; increase mainly driven by stocking of raw materials to take benefit of lower prices and THB depreciation resulting in higher receivables.

1. Cash and cash equivalents includes term deposits with banks.

## Cash flow (THBmn)



- Operating activities generated THB 195mn of cash in 1H15 compared to THB 6mn in 1H14. Increase in net profits and improvement in overall working capital led to the increase of operating cash in 1H15.
- In 1H15, net cash used in investing activities was THB 101mn. Out of this amount, THB 37.5mn was towards the acquisition of land in Australia as part of overall investment plan for future expansion, THB 34.5mn towards maintenance capex for Thailand manufacturing facility and THB 9.5mn for improvement in information systems.
- In 1H15, net cash outflow from financing activities was THB 104mn, mainly arising from payment of FY14 final dividends amounting to THB 216.3mn which was partially offset by increase in short term loans of THB 155mn.

# Future Outlook...

## To double our revenue and net profits in 5 years

### Mega We Care™ branded products business:

- MEGA expects to build growth by expansion of customer base in its existing underpenetrated developing markets, new product launches and new countries. Recovery in Thailand, stable forex rates and no further deterioration in Ukraine and Yemen would help improvement in Mega We Care™ business.
- Products sold in 31 underpenetrated markets with significant growth opportunities.
- 226 existing products, 815 product registrations across the world.
- Market leading positions in Indochina and the new markets in Africa.
- Going by emerging trends in consumer health care, prevention of disease rather than cure is the way forward ..... a sunrise industry.
- Strong pipeline of 60 products under registrations and 73 products under development.
- 19 new products expected to be launched in 2H15 - Nutra (2) and prescription (17).
- No major capex planned as manufacturing capacity recently doubled to meet growth requirements for the next 5 years. An amount of THB 94mn to be paid towards the acquisition of land in Bangkok as part of future expansion plan in addition to the normal maintenance capex.
- A strong balance sheet.
- Fundamental growth drivers are already in place to help deliver the expected growth organically. Any acquisitions would help further accelerate the growth.



# Future Outlook...

(Contd.)

## To double our revenue and net profits in 5 years

### Maxxcare™ distribution business :

- Well poised to capture the strong growth potential offered by Myanmar, given MEGA's leadership position as a distributor of pharma and consumer products.
- Leading multinational and regional companies as its principals.
- Other markets are growing with the industry.
- MEGA has adequately invested in infrastructure, latest technology and other resources to meet the growth requirements.

*While we endeavour to double our revenue and profits in 5 years, growth may not be a straight line up due to the nature of the industry and the markets we are in. Occasional disruptions, caused by economic, political and other factors, may occur.*



# Q&A

# Disclaimer



The presentation contains forward-looking statements which are based on MEGAs' current expectations, estimates and projections about its industry, management's beliefs and certain assumptions made by MEGA.

These forward-looking statements are subject to various risks and uncertainties. No assurance is given that future events will occur or that our assumptions are correct. Actual results may differ materially from those projected.

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