



# Mega Lifesciences PCL.

## First quarter 2016 (1Q16)

SET Opportunity Day  
06<sup>th</sup> June 2016



# 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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# Agenda



- 1Q16 Financial Highlights
- Future Outlook
- Q&A

# What we do...



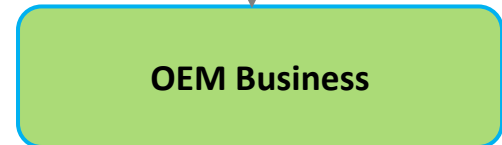
## Mega Lifesciences PCL



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.

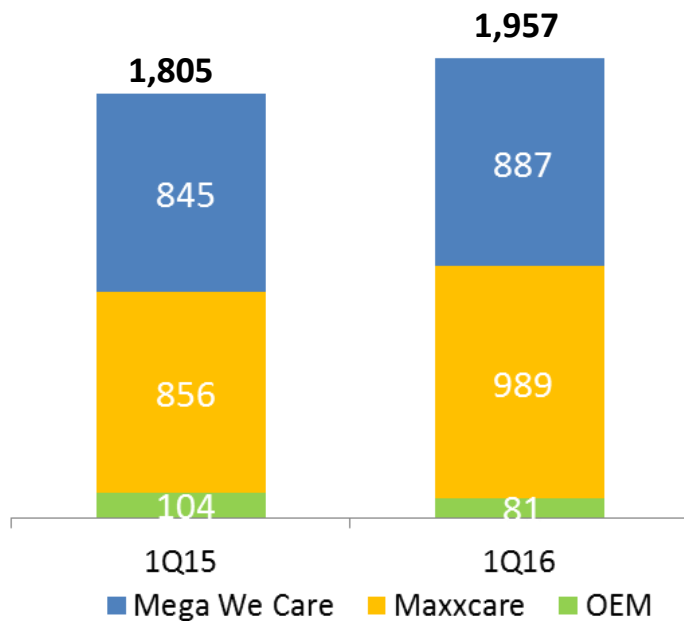


In addition to manufacturing our own branded products, our manufacturing facilities in Thailand and Australia accept various production orders from third-party customers.

# 1Q16 revenue grew at 8.5% YoY.



## Revenue (THBmn)



- **Overall revenue** growth in 1Q16 was 8.5%, mainly driven by Maxxcare™ business.
- **Mega We Care™ branded products revenue** grew by 5.1% YoY in 1Q16. Southeast Asia largely remained flat.
- **Maxxcare™ distribution business revenue** was higher by 15.6% YoY in 1Q16. All markets in distribution business reported growth.
- **OEM revenue** was down by 22.6% YoY in 1Q16. Slow down in Thailand business and lower exports resulted in decline.

# A closer look at revenue growth



## Consolidated revenue by segments

<i>Figures in THBmn</i>				Revenue mix	
	1Q15	1Q16	YoY Gr.	1Q15	1Q16
Mega We Care™	845	887	5.1%	46.8%	45.3%
Maxxcare™	856	989	15.6%	47.4%	50.6%
OEM	104	81	(22.6%)	5.8%	4.1%
<b>Total</b>	<b>1,805</b>	<b>1,957</b>	<b>8.5%</b>	<b>100.0%</b>	<b>100.0%</b>

## Mega We Care™ revenue by geography

<i>Figures in THB mn</i>	1Q15	1Q16	YoY Gr.
Southeast Asia	683	690	1.0%
Africa	90	92	2.0%
Others	71	105	48.2%
<b>Total</b>	<b>845</b>	<b>887</b>	<b>5.1%</b>

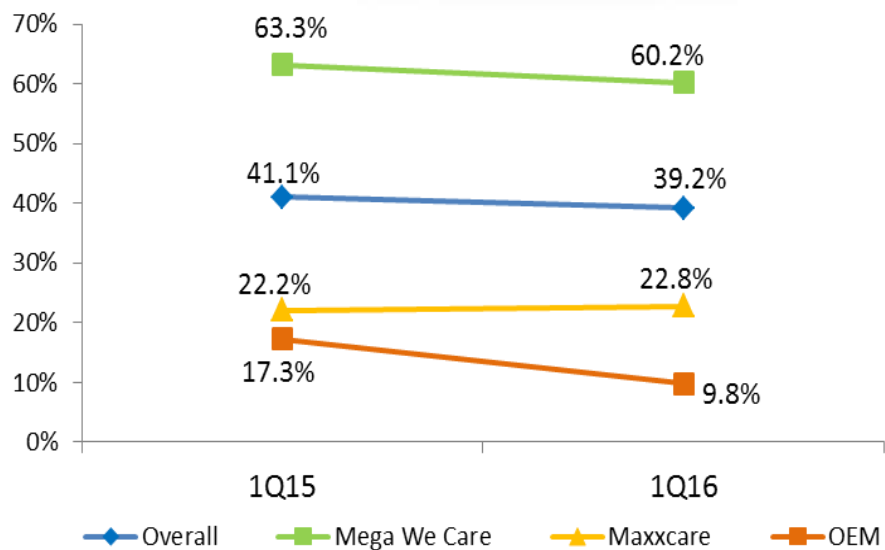
Others include Commonwealth of Independent States (CIS), Latin America, Middle East and other countries.

- Southeast Asia continued to be the largest market for Mega We Care™, contributing 77.8% of Mega We Care™ revenue in 1Q16, followed by Africa at 10.4%.
- Mega We Care™ revenue growth of 5.1% YoY in 1Q16 was mainly a result of higher primary sales in Peru. Thailand and Myanmar were sluggish in 1Q16 but are expected to pick up during the year. Despite slowdown in Nigeria, Africa was up given growth in other African markets.
- Maxxcare™ revenue increased to 51% of the overall operating revenue in 1Q16 compared to 47% in 1Q15 thereby changing the revenue mix compared to previous year.

# Improvement in overall gross margins



Gross margins (%)



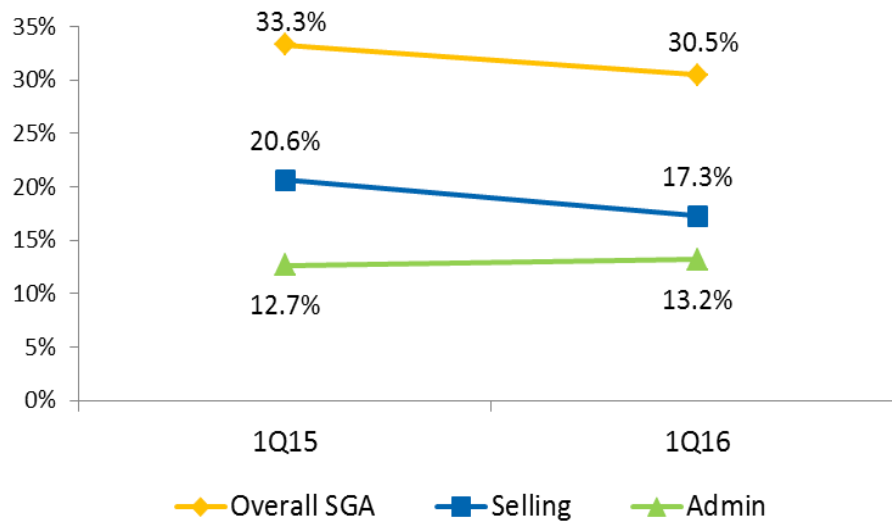
- **Overall gross margin** was 39.2% in 1Q16 compared to 41.1% in 1Q15. Reduction was mainly a result of lower gross margins in Mega We Care™ business and change in revenue mix, given a higher proportion of Maxxcare™ revenue in the overall operating revenue of 1Q16.
- **Looking by segments:**
  - Mega We Care™ gross margin was 60.2% in 1Q16 compared to 63.3% in 1Q15. Decline was mainly a result of lower output resulting in higher overheads charge. Gross margins are expected to improve as the demand for products increase during the year.
  - Maxxcare™ gross margins largely remained maintained at 22.8% in 1Q16.
  - OEM business gross margin in 1Q16 mainly declined as a result of lower sales.



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



SG&A expenses (% of operating revenue)



- SG&A in absolute terms remained flat in 1Q16. It was 30.5% of operating revenue in 1Q16 as compared to 33.3% in 1Q15. Given spending in the ensuing quarters; we expect FY16 SG&A to remain around 32% to 33%.
- SG&A spending in 1Q16 included THB 1.9mn towards new projects.



# Summarized income statement



<i>Figures in THB mn</i>	1Q15	1Q16	YoY Gr.
Operating Revenue	1,805	1,957	8.5%
Gross profits	742	767	3.4%
<i>Gross margin (%)</i>	<i>41.1%</i>	<i>39.2%</i>	
Selling and Admin. exp (SGA)	601	597	(0.7%)
<i>SGA (% to Operating revenue)</i>	<i>33.3%</i>	<i>30.5%</i>	
EBITDA	164	189	15.4%
Profit before tax	126	148	17.7%
Net Profit	106	114	7.0%
Add: SGA for new projects	-	2	<i>na</i>
Adjusted net profit	106	116	8.9%

- Net profit in 1Q16 was THB 114mn, higher by 7% YoY. Increase in net profits was mainly a result of growth in revenue and stable SG&A expenses. Net profits in 1Q16 were slightly impacted by higher income tax charge of 22.9% compared to the rate of 16% for FY15. The tax rate for FY16 is expected to remain close to the levels of FY15.
- Net profits in 1Q16 at a tax charge of 16% would have been THB 124mn, up by 17% YoY.

# Key balance sheet elements and cash flows

## Key Balance sheet elements:

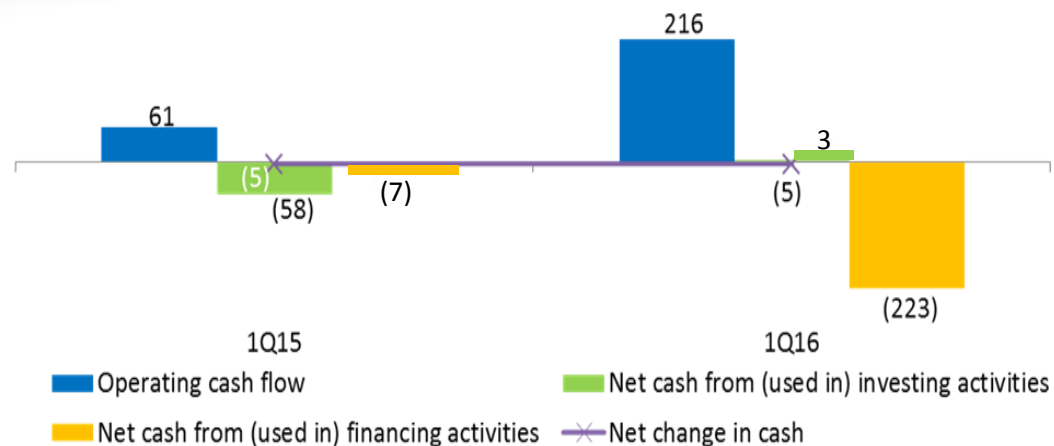
Figures in THB mn

	Dec'15	Mar'16
Cash and bank balance <sup>1</sup>	1,467	1,461
Debt	(719)	(489)
Net cash	748	972
Fixed assets capex spent	181	14
IBD/Equity (# times)	0.17	0.11
<b>Core working capital:</b>		
Average receivable days	97	90
Average inventory days	147	136
Average payable days	115	99
Cash cycle (days)	129	127

Cash cycle for the period ending Mar'16 was 127 days compared to 129 days as at Dec'15. Improvement in receivable and inventory days was partly offset by reduction in trade payable days. Out of 136 days of Inventory as at Mar'16, inventory of finished goods and raw material at factory accounted for 32 days.

1. Cash and bank balance includes term deposits with banks.

## Cash flow (THBmn)



- Operating activities generated THB 216mn of cash in 1Q16 compared to THB 61mn in 1Q15. Increase was led by improvement in working capital.
- In 1Q16, net cash inflow from investing activities was THB 3mn. Net inflow was mainly a result of interest received on term despots being higher than spending of THB 14mn towards acquisition of property, plant and equipment.
- Net cash outflow from financing activities in 1Q16 was mainly a result of repayment of working capital loans of THB 197mn and long term loans of THB 19mn.

# Future Outlook... – A look at history



## Consistent revenue growth and profit generation over years

Figures in THB mn

	2010	2011	2012	2013	2014	2015	CAGR
Operating Revenue	4,159	4,857	5,965	7,034	7,730	7,945	13.8%
Gross profit	2,011	2,309	2,633	2,959	3,105	3,406	11.1%
Selling and Admin. exp (SGA)	1,461	1,756	1,980	2,236	2,471	2,660	12.7%
SGA (% to revenue)	35.1%	36.1%	33.2%	31.8%	32.0%	33.5%	na
EBITDA	558	657	800	888	787	986	12.0%
EBITDA (% optg.revenue)	13.4%	13.5%	13.4%	12.6%	10.2%	12.4%	na
EBIT	490	589	723	789	655	841	11.4%
Net Profit	368	456	578	624	548	696	13.6%

Revenue and net profit CAGR for past 5 years at 14%

## Healthy growth in key segmental revenue over years

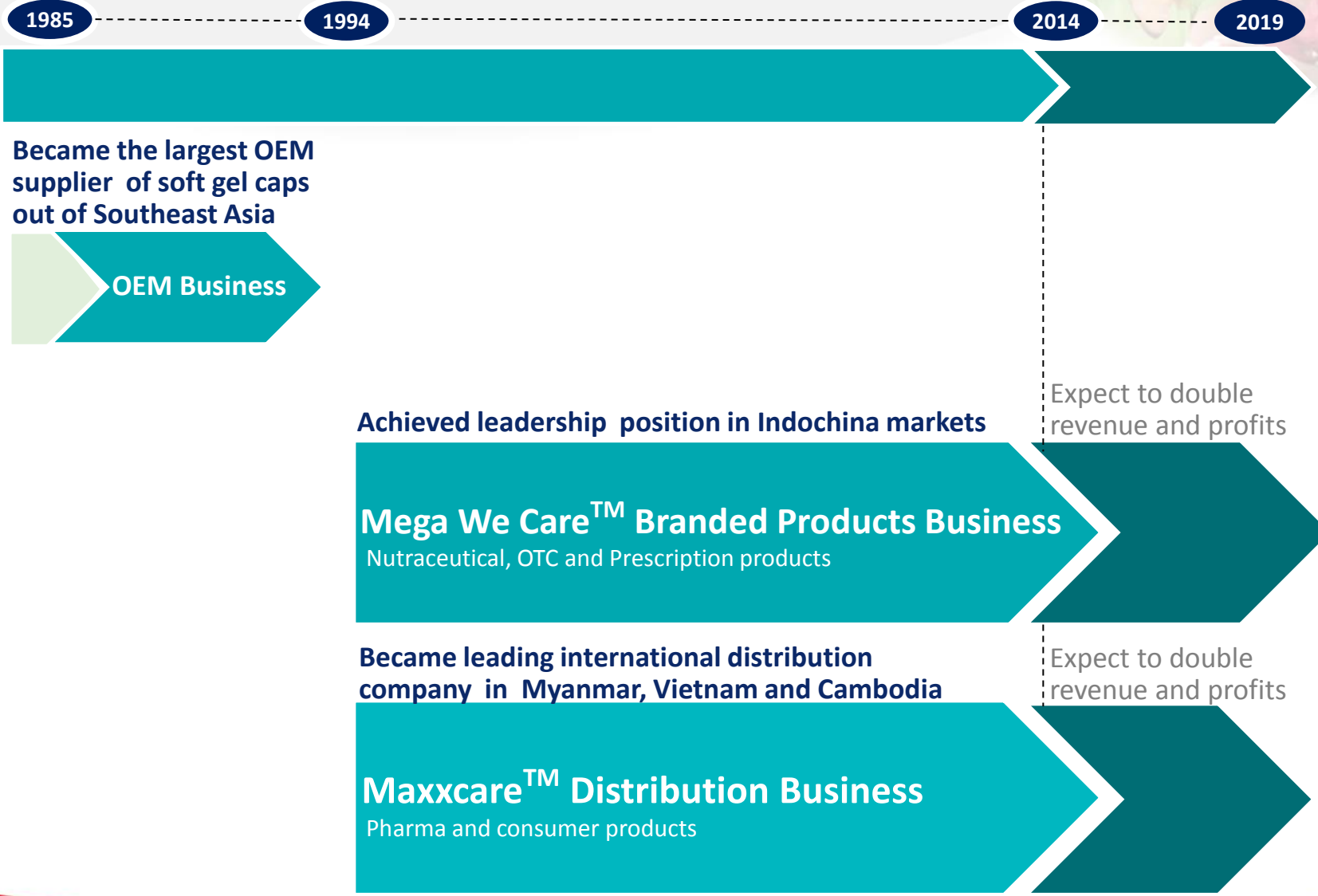
Figures in THBmn

Operating revenue	2010	2011	2012	2013	2014	2015	CAGR
Mega We Care™	1,978	2,297	2,700	3,428	3,612	3,907	14.6%
Maxxcare™	1,765	2,117	2,767	3,132	3,694	3,558	15.1%
OEM	417	443	498	473	424	480	2.9%
<b>Total</b>	<b>4,159</b>	<b>4,857</b>	<b>5,965</b>	<b>7,034</b>	<b>7,730</b>	<b>7,945</b>	<b>13.8%</b>

Key Segmental revenue CAGR for past 5 years at 15%

# Future Outlook...

The future of our past and present ....



# Future Outlook...

(Contd.)

## 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.
- Market leading positions in Indochina and the new markets in Africa.
- The underpenetrated markets of Indochina and Sub-Saharan Africa to drive future growth.
- Going by emerging trends in consumer health care, prevention of disease rather than cure is the way forward ..... a sunrise industry.
- Strong pipeline of 56 products under registrations and 69 products under development.
- No major capex planned as manufacturing capacity recently doubled to meet growth requirements for the next 5 years. However, a net outflow of THB 70mn is expected in medium term towards the purchase of land next to our existing manufacturing facility in Bangkok to support future expansion. In addition, maintenance and improvement capex would continue to be incurred every year.
- 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 latest technology and other resources to meet the growth requirements. Alongside, MEGA is exploring opportunities to construct its own warehouse and office space on leased land in Myanmar to create state-of-art infrastructure to compliment future growth needs. The proposal is subject to clearance from respective regulatory authorities. Once the approval is available the capex of THB 540mn would be spent in 2 years. We will share more details on spending and progress of project in due course.

*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.*

# Future Outlook...

(Contd.)

## Widening Reach of Human Wellness

Global burden of disease has shifted to chronic disease. More than 60% of the deaths globally are occurring due to chronic disease as per WHO. Emerging nations are the worst affected. As per WHO 80% of chronic disease deaths are occurring in emerging nations.

Modern lifestyle and rapid urbanization has brought lot of changes in society such as sedentary lifestyle, easy access to food, food advertising etc which has had a direct impact on Human health.

Mega is in the business of Human wellness... we are in business related to health.

We want to extend our commitment to human health and wellness by investing in building a holistic center for human health based on natural and traditional methods of healing. This holistic center will focus on bringing knowledge and expertise in the field of Ayurveda, Diet & Nutrition based healing to the general population of Thailand & Southeast Asia.

Out of a capex of THB 70mn planned towards creation of necessary infrastructure for this business ; THB 30mn has already been spent till date.

This project is expected to commercialize by 4Q16.





# Q&A