Siam Wellness Group (SPA TB) - SELL, Price Bt6.35, TP Bt5.50

Results Comment

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Another loss making quarter in 2Q21, in-line

- SPA reported a normalized loss, excluding Bt6m provision expense, at Bt81m in 2Q21. This comes in-line with our expectation as its spa shops were fully closed since late April from the Covid-19 lockdown measure.
- Total revenue was at Bt22m, down 29% y-y and 60% q-q as its spa services were prohibited by the government's measure to prevent Covid-19 pandemic.
- Due to the fixed costs from depreciation and rental expenses, gross profit was negative at Bt53m in 2Q21.
- SG&A expense increased 3% y-y, but down 16% q-q to Bt21m in 2Q21. The higher expense y-y was since its management team decided not to receive any salary in 2Q20.
- We expect SPA to still report a loss in 3Q21F since its shops are still being closed by stricter Covid-19 measures by the government. We now expect a turnaround for SPA to be in 1H22F. We thus maintain SELL.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Revenue	31	76	81	55	22
Gross profit	**(50)**	**(22)**	**(45)**	**(43)**	**(53)**
SG&A	21	30	31	25	21
Operating profit	(71)	(52)	(77)	(69)	(74)
EBITDA	**11**	**24**	**4**	**13**	**9**
Other income	1	1	2	1	1
Other expense					
Interest expense	6	3	5	11	11
Profit before tax	**(76)**	**(54)**	**(79)**	**(78)**	**(84)**
Income tax	0	1	(1)	(2)	(3)
Equity & invest. income					
Minority interests				0	
Extraordinary items	(5)				(6)
Net profit	**(81)**	**(55)**	**(78)**	**(76)**	**(87)**
Normalized profit	**(76)**	**(55)**	**(78)**	**(76)**	**(81)**
EPS (Bt)	(0.09)	(0.06)	(0.09)	(0.09)	(0.10)
Normalized EPS (Bt)	(0.09)	(0.06)	(0.09)	(0.09)	(0.09)

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(60)	(29)	42	186	589
Gross profit	**na**	**na**	**na**	**(167)**	**91**
SG&A	(16)	3	41	113	135
Operating profit	na	na	na	(280)	(43)
EBITDA	**(34)**	**(22)**	**47**	**46**	**271**
Other income	(1)	111	63	4	10
Other expense			na		
Interest expense	3	103	45	50	26
Profit before tax	**na**	**na**	**na**	**(325)**	**(60)**
Income tax	na	na	na		
Equity & invest. income			na		
Minority interests			na		
Extraordinary items		na	na		
Net profit	**na**	**na**	**na**	**(325)**	**(60)**
Normalized profit	**na**	**na**	**na**	**(325)**	**(60)**
EPS (Bt)	na	na	na	(0.38)	(0.07)
Normalized EPS (Bt)	na	na	na	(0.38)	(0.07)

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	206	82	115	166	114
A/C receivable	22	18	22	21	8
Inventory	44	45	9	9	9
Other current assets	95	62	86	78	77
Investment					
Fixed assets	1,050	1,077	1,075	1,042	1,016
Other assets	1,231	1,209	1,326	1,275	1,224
Total assets	**2,648**	**2,493**	**2,632**	**2,591**	**2,449**
S-T debt	106	78	103	307	49
A/C payable	56	54	45	41	37
Other current liabilities	192	192	213	220	220
L-T debt	254	228	288	167	422
Other liabilities	1,002	959	1,078	1,028	979
Minority interest	0	0	0	0	0
Shareholders' equity	**1,038**	**983**	**905**	**829**	**742**
Working capital	10	9	(13)	(11)	(20)
Total debt	360	306	391	473	470
Net debt	**154**	**224**	**277**	**307**	**356**

Financial Ratios					
(%)	2Q20	3Q20	4Q20	1Q21	2Q21
Sales growth	(90.7)	(79.3)	(75.9)	(76.9)	(29.4)
Operating profit growth	na	na	na	na	na
EBITDA growth	(86.2)	(78.4)	(95.8)	(83.1)	(22.4)
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	(159.3)	(28.3)	(55.5)	(78.6)	(236.4)
Operating margin	(224.8)	(68.1)	(94.2)	(124.7)	(332.1)
EBITDA margin	35.0	31.6	5.5	23.6	38.5
Norm net margin	(241.1)	(72.1)	(95.7)	(138.1)	(364.0)
D/E (x)	0.3	0.3	0.4	0.6	0.6
Net D/E (x)	0.1	0.2	0.3	0.4	0.5
Interest coverage (x)	2.0	8.8	1.0	1.2	0.8
Interest rate	7.2	3.3	5.3	10.2	9.6
Effective tax rate	(0.2)	(1.5)	1.9	3.0	3.6
ROA	(11.3)	(8.6)	(12.2)	(11.6)	(12.8)
ROE	(27.9)	(21.8)	(33.0)	(35.1)	(41.2)

Sources: Company data, Thanachart estimates

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