Siam Wellness Group (SPA TB) - BUY, Price Bt8.55, TP Bt11.00

Results Comment

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Strong recovery in 2Q22 as expected

- SPA reported Bt29m net loss in 2Q22, improved in both y-y and q-q comparisons. Stronger spa service revenue given a small resumption of foreign tourists was the key diver during the quarter. This improvement was in-line with our expectation.
- Total revenue increased 496% y-y to Bt132m since there was a full lockdown to prevent Covid-19 widespread last year. It also improved 20% q-q from higher spa service revenue given resumption of foreign tourists to the country and more visits by local customers.
- Gross profit turned positive, for the first quarter since the start of Covid-19 pandemic in Thailand in 1Q20, at Bt11m in 2Q22 as higher revenue base now could cover fixed costs of rental fee and depreciation expense.
- SG&A expense was at Bt32m in 2Q22, increased 48% y-y and 27% q-q, as SPA did more marketing campaign and gave out more promotional discounts to improve shop visits. Having said that, SG&A-to-sales ratio was well controlled at 23.8% in 2Q22, from 22.6% in 1Q22.
- We maintain our positive view and our BUY rating on SPA, expecting earnings recovery momentum continues into 2H22F given rising number of foreign tourist arrivals to Thailand. Recap that over 75% of SPA's revenue came from the tourists in 2019 (pre-Covid).

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	22	13	77	110	132
Gross profit	**(53)**	**(43)**	**(12)**	**(19)**	**11**
SG&A	21	19	27	25	32
Operating profit	(74)	(62)	(39)	(44)	(20)
EBITDA	**9**	**21**	**41**	**32**	**55**
Other income	1	2	3	4	2
Other expense					
Interest expense	11	11	11	10	11
Profit before tax	**(84)**	**(71)**	**(47)**	**(50)**	**(29)**
Income tax	(3)	(0)	(1)	4	(0)
Equity & invest. income					
Minority interests		0	(0)		
Extraordinary items	(6)	(7)		(3)	
Net profit	**(87)**	**(78)**	**(46)**	**(57)**	**(29)**
Normalized profit	**(81)**	**(71)**	**(46)**	**(54)**	**(29)**
EPS (Bt)	(0.10)	(0.09)	(0.05)	(0.07)	(0.03)
Normalized EPS (Bt)	(0.09)	(0.08)	(0.05)	(0.06)	(0.03)

Income Statement				6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	20	496	42	577	939
Gross profit	**na**	**na**	na	**91**	**251**
SG&A	27	48	51	110	134
Operating profit	na	na	na	(19)	118
EBITDA	**72**	**538**	30	**291**	**425**
Other income	(57)	42	83	7	11
Other expense					
Interest expense	4	(5)	44	48	42
Profit before tax	**na**	**na**	na	**(61)**	**87**
Income tax	na	na			14
Equity & invest. income					
Minority interests				0	0
Extraordinary items					
Net profit	**na**	**na**	na	**(61)**	**74**
Normalized profit	**na**	**na**	na	**(61)**	**74**
EPS (Bt)	na	na	na	(0.07)	0.09
Normalized EPS (Bt)	na	na	na	(0.07)	0.09

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	114	116	110	85	110
A/C receivable	8	7	15	20	15
Inventory	33	31	28	26	28
Other current assets	53	51	50	60	53
Investment					
Fixed assets	1,016	976	947	976	971
Other assets	1,224	1,134	1,108	1,036	954
Total assets	**2,449**	**2,315**	**2,258**	**2,202**	**2,131**
S-T debt	49	85	114	47	73
A/C payable	37	37	37	54	51
Other current liabilities	220	218	223	230	217
L-T debt	422	416	407	510	524
Other liabilities	979	893	858	801	735
Minority interest	0	0	0	0	0
Shareholders' equity	**742**	**664**	**618**	**561**	**532**
Working capital	4	(0)	6	(8)	(8)
Total debt	470	502	522	557	597
Net debt	**356**	**385**	**412**	**471**	**486**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	(29.4)	(82.9)	(4.9)	100.0	496.1
Operating profit growth	na	na	na	na	na
EBITDA growth	(47.4)	(15.4)	na	144.4	538.0
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	(236.4)	(327.8)	(16.0)	(17.4)	8.5
Operating margin	(332.1)	(474.6)	(50.9)	(40.0)	(15.3)
EBITDA margin	38.5	158.0	53.0	28.8	41.2
Norm net margin	(364.0)	(541.9)	(59.5)	(49.3)	(22.1)
D/E (x)	0.6	0.8	0.8	1.0	1.1
Net D/E (x)	0.5	0.6	0.7	0.8	0.9
Interest coverage (x)	0.8	1.9	3.8	3.0	5.0
Interest rate	9.6	9.0	8.4	7.7	7.5
Effective tax rate	3.6	0.5	2.4	(7.9)	0.4
ROA	(12.8)	(11.9)	(8.0)	(9.7)	(5.4)
ROE	(41.2)	(40.2)	(28.7)	(36.8)	(21.4)

Sources: Company data, Thanachart estimates

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