

Siam Wellness Group (SPA TB) - BUY, Price Bt11.00, TP Bt11.50**Results Comment**

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Recovery trend continued in 3Q22

- SPA reported lower net loss to Bt15m in 3Q22, continued its sequential recovery trend supported by resumption of foreign tourists in the country. We expect this improving business outlook to carry on into next year.
- Total revenue recovered to Bt196m in 3Q22 which was 58% of its pre-Covid level (2019), from 36% in 2Q22 and 4% in 3Q21. SPA cites increasing demand from both local customers and foreign tourists, after an easing Covid-19 situation in Thailand, as its key drivers.
- Gross profit was positive at Bt28m, which implies 14.3% gross margin. The margin was still below its pre-Covid range of 30-35% as the revenue base yet reached its normalized level.
- SG&A was well maintained at Bt33m in 3Q22, up 70% y-y and 3% q-q those are much lower paces than revenue recovery. SG&A-to-sales ratio improved to 16.6%, from 23.8% in 2Q22.
- We expect SPA to finally turn profit in 4Q22F driven by rising number of foreign tourists which contributed to 75% of its pre-Covid revenues, branch expansion, and service prices hike.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	13	77	110	132	196	Revenue	48	1,402	72	610	1,013
Gross profit	(43)	(12)	(19)	11	28	Gross profit	149	na	na	103	285
SG&A	19	27	25	32	33	SG&A	3	70	79	112	143
Operating profit	(62)	(39)	(44)	(20)	(5)	Operating profit	na	na	na	(9)	142
EBITDA	21	41	32	55	75	EBITDA	38	265	53	302	453
Other income	2	3	4	2	2	Other income	19	16	59	13	17
Other expense						Other expense					
Interest expense	11	11	10	11	14	Interest expense	26	25	71	49	43
Profit before tax	(71)	(47)	(50)	(29)	(16)	Profit before tax	na	na	na	(45)	117
Income tax	(0)	(1)	4	(0)	(1)	Income tax	na	na			18
Equity & invest. income						Equity & invest. income					
Minority interests	0	(0)				Minority interests				0	0
Extraordinary items	(7)		(3)			Extraordinary items					
Net profit	(78)	(46)	(57)	(29)	(15)	Net profit	na	na	na	(45)	99
Normalized profit	(71)	(46)	(54)	(29)	(15)	Normalized profit	na	na	na	(45)	99
EPS (Bt)	(0.09)	(0.05)	(0.07)	(0.03)	(0.02)	EPS (Bt)	na	na	na	(0.05)	0.12
Normalized EPS (Bt)	(0.08)	(0.05)	(0.06)	(0.03)	(0.02)	Normalized EPS (Bt)	na	na	na	(0.05)	0.12
Balance Sheet						Financial Ratios					
(consolidated)						(%)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22		3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	116	110	85	110	131	Sales grow th	(82.9)	(4.9)	100.0	496.1	1,401.8
A/C receivable	7	15	20	15	19	Operating profit grow th	na	na	na	na	na
Inventory	31	28	26	28	31	EBITDA grow th	(15.4)	na	144.4	538.0	264.5
Other current assets	51	50	60	53	50	Norm profit grow th	na	na	na	na	na
Investment						Norm EPS grow th	na	na	na	na	na
Fixed assets	976	947	976	971	971	Gross margin	(327.8)	(16.0)	(17.4)	8.5	14.3
Other assets	1,134	1,108	1,036	954	1,174	Operating margin	(474.6)	(50.9)	(40.0)	(15.3)	(2.3)
Total assets	2,315	2,258	2,202	2,131	2,375	EBITDA margin	158.0	53.0	28.8	41.2	38.3
S-T debt	85	114	47	73	121	Norm net margin	(541.9)	(59.5)	(49.3)	(22.1)	(7.7)
A/C payable	37	37	54	51	78	D/E (x)	0.8	0.8	1.0	1.1	1.2
Other current liabilities	218	223	230	217	236	Net D/E (x)	0.6	0.7	0.8	0.9	0.9
L-T debt	416	407	510	524	475	Interest coverage (x)	1.9	3.8	3.0	5.0	5.5
Other liabilities	893	858	801	735	948	Interest rate	9.0	8.4	7.7	7.5	9.2
Minority interest	0	0	0	0	0	Effective tax rate	0.5	2.4	(7.9)	0.4	7.3
Shareholders' equity	664	618	561	532	517	ROA	(11.9)	(8.0)	(9.7)	(5.4)	(2.7)
Working capital	(0)	6	(8)	(8)	(29)	ROE	(40.2)	(28.7)	(36.8)	(21.4)	(11.4)
Total debt	502	522	557	597	597						
Net debt	385	412	471	486	465						

Sources: Company data, Thanachart estimates

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