

Siam Wellness Group (SPA TB) - BUY, Price Bt12.20, TP Bt13.00**Results Comment**

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Stronger-than-expected 2Q23 profit

- SPA reported Bt60m net profit in 2Q23, improved significantly from a loss in 2Q22 and grew 42% q-q in a like-for-like basis. This came in stronger than our and the market's expectations. Higher spa revenue from recovering number of foreign tourists in Thailand was the major earnings growth driver.
- Total revenue was at Bt356m in 2Q23, up 169% y-y and 11% q-q, mainly driven by higher visits from foreign tourist clients despite the quarter was the low season for Thai tourism. Rising number of Chinese tourists was one of the key drivers.
- Gross margin rose to 29.3% in 2Q23, from 27.6% in 1Q23 and 8.5% in 2Q22, backed by higher utilization rate in both its spa shops and hotel, and a service price hike since late last year.
- Total SG&A expense increased 10% y-y but declined 1% q-q to Bt35m in 2Q23, implying better SG&A-to-sale ratio of 9.8% this quarter, vs. 10.9% in 1Q23 and 23.8% in 2Q22.
- EBITDA grew 156% y-y and 10% q-q to B140m in 2Q23, in-line with strong revenue recovery.
- As SPA's norm profit in 1H23 already made up 63% of our full-year forecast, we see a significant upside to our numbers.
- We maintain BUY on SPA, expecting its recovering earnings momentum continues in 2H23F supported by growing number of foreign tourists in Thailand, especially the Chinese which contributed over 50% of SPA's revenue pre-Covid.

Income Statement				(consolidated)	
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23
Revenue	132	196	273	320	356
Gross profit	11	28	60	88	104
SG&A	32	33	34	35	35
Operating profit	(20)	(5)	26	53	70
EBITDA	55	75	108	127	140
Other income	2	2	2	6	2
Other expense					
Interest expense	11	14	15	15	12
Profit before tax	(29)	(16)	13	44	59
Income tax	(0)	(1)	(1)	1	(1)
Equity & invest. income			(0)	(0)	(0)
Minority interests			(0)	(0)	(0)
Extraordinary items				8	
Net profit	(29)	(15)	14	50	60
Normalized profit	(29)	(15)	14	42	60
EPS (Bt)	(0.03)	(0.02)	0.02	0.06	0.07
Normalized EPS (Bt)	(0.03)	(0.02)	0.02	0.05	0.07

Balance Sheet				(consolidated)	
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23
Cash & ST investment	110	131	185	201	180
A/C receivable	15	19	30	37	37
Inventory	28	31	38	38	39
Other current assets	53	50	19	28	30
Investment					
Fixed assets	971	971	1,031	1,008	991
Other assets	954	1,174	1,117	770	703
Total assets	2,131	2,375	2,419	2,081	1,980
S-T debt	73	121	170	129	77
A/C payable	51	78	94	99	97
Other current liabilities	217	236	246	215	215
L-T debt	524	475	442	428	378
Other liabilities	735	948	898	591	534
Minority interest	0	0	0	0	0
Shareholders' equity	532	517	569	619	680
Working capital	(8)	(29)	(26)	(24)	(21)
Total debt	597	597	612	557	455
Net debt	486	465	427	356	274

Sources: Company data, Thanachart estimates

Income Statement		6M as			
(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Revenue	11	169	58	1,171	1,414
Gross profit	18	832	51	376	520
SG&A	(1)	10	46	151	163
Operating profit	30	na	55	225	357
EBITDA	10	156	50	536	661
Other income	(61)	24	59	13	16
Other expense					
Interest expense	(17)	14	58	47	36
Profit before tax	35	na	54	192	337
Income tax	na	na	2	30	52
Equity & invest. income	na		na		
Minority interests	na		na	(0)	(0)
Extraordinary items			na		
Net profit	19	na	68	162	285
Normalized profit	42	na	63	162	285
EPS (Bt)	19	na	68	0.19	0.33
Normalized EPS (Bt)	42	na	63	0.19	0.33

Financial Ratios					
(%)	2Q22	3Q22	4Q22	1Q23	2Q23
Sales grow th	496.1	1,401.8	253.0	191.1	169.1
Operating profit grow th	na	na	na	na	na
EBITDA grow th	538.0	264.5	162.3	300.0	155.7
Norm profit grow th	na	na	na	na	na
Norm EPS grow th	na	na	na	na	na
Gross margin	8.5	14.3	22.1	27.6	29.3
Operating margin	(15.3)	(2.3)	9.6	16.7	19.6
EBITDA margin	41.2	38.3	39.4	39.6	39.2
Norm net margin	(22.1)	(7.7)	5.0	13.3	16.9
D/E (x)	1.1	1.2	1.1	0.9	0.7
Net D/E (x)	0.9	0.9	0.7	0.6	0.4
Interest coverage (x)	5.0	5.5	7.0	8.5	11.3
Interest rate	7.5	9.2	10.2	10.2	9.8
Effective tax rate	0.4	7.3	(6.9)	3.3	(1.4)
ROA	(5.4)	(2.7)	2.3	7.5	11.8
ROE	(21.4)	(11.4)	10.1	28.6	37.0

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