

**Safe Fertility Group (SAFE TB) - BUY, Price Bt14.1, TP Bt16.5****Results Comment**

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**Weak 3Q24 results as expected**

- SAFE reported net profit of Bt30m in 3Q24, down 51% y-y and 36% q-q. This was in line with our earnings forecast but it was below the Street's earnings forecast.
- The weak y-y and q-q earnings were due to falling numbers of treatment cycles as a result of a large number of patients rushing to receive treatment in 3Q23-1Q24 because they want their children to be born in the Year of Dragon.
- SAFE's total revenue declined by 13% y-y and 10% q-q to Bt193m in 3Q24. Revenue from fertility treatment services declined by 14% y-y and 12% q-q to Bt148m in 3Q24. Revenue from embryo and fetal genetic testing services declined by 19% y-y and 13% q-q to Bt39m in 3Q24. Meanwhile, revenue from skin care and aesthetic business grew by 142% y-y and 103% q-q to Bt6m in 3Q24.
- SAFE's gross margin declined to 52% in 3Q24 from 55.7% in 3Q23 and 55.3% in 2Q24 due to falling revenue. SG&A to sales increased to 32.1% in 3Q24 from 23.2% in 3Q23 and 30.1% in 2Q24 due to weak revenue and rising marketing expenses.
- 9M24 earnings accounted for 77% of our full-year earnings forecast. Looking into 4Q24, we estimate SAFE's earnings to decline y-y but increase q-q. The y-y drop is expected due to the high base effect in 4Q23. The q-q growth is expected due to rising number of patients.
- A 23% drop in share price YTD suggests that SAFE looks inexpensive to us, trading at a 19.7x PE in 2025F. We maintain BUY.

Income Statement						(consolidated)					
Yr-end Dec (Bt m)	3Q23	4Q23	1Q24	2Q24	3Q24						
Revenue	223	219	251	215	193						
<b>Gross profit</b>	<b>124</b>	<b>119</b>	<b>147</b>	<b>119</b>	<b>100</b>						
SG&A	52	65	63	65	62						
Operating profit	72	53	84	54	38						
<b>EBITDA</b>	<b>87</b>	<b>71</b>	<b>99</b>	<b>70</b>	<b>54</b>						
Other income	1	4	1	5	2						
Other expense	0	(1)	0	(0)	(0)						
Interest expense	1	1	1	1	1						
<b>Profit before tax</b>	<b>73</b>	<b>57</b>	<b>84</b>	<b>58</b>	<b>39</b>						
Income tax	12	5	18	12	11						
Equity & invest. income	0	0	0	0	0						
Minority interests	0	0	0	1	1						
Extraordinary items	(0)	0	0	(0)	1						
<b>Net profit</b>	<b>61</b>	<b>53</b>	<b>67</b>	<b>47</b>	<b>30</b>						
<b>Normalized profit</b>	<b>61</b>	<b>53</b>	<b>67</b>	<b>47</b>	<b>29</b>						
EPS (Bt)	0.22	0.17	0.22	0.15	0.10						
Normalized EPS (Bt)	0.22	0.17	0.22	0.15	0.10						

Balance Sheet						(consolidated)					
Yr-end Dec (Bt m)	3Q23	4Q23	1Q24	2Q24	3Q24						
Cash & ST investment	757	1,251	1,328	1,336	1,364						
A/C receivable	30	23	31	31	29						
Inventory	67	65	54	48	37						
Other current assets	231	232	233	234	236						
Investment	0	0	0	0	0						
Fixed assets	133	151	144	141	150						
Other assets	146	171	167	163	164						
<b>Total assets</b>	<b>1,364</b>	<b>1,894</b>	<b>1,958</b>	<b>1,952</b>	<b>1,981</b>						
S-T debt	0	0	0	0	0						
A/C payable	109	85	77	69	86						
Other current liabilities	32	40	49	38	22						
L-T debt	0	0	0	0	0						
Other liabilities	93	110	108	106	105						
Minority interest	5	4	4	15	14						
<b>Shareholders' equity</b>	<b>1,125</b>	<b>1,654</b>	<b>1,720</b>	<b>1,724</b>	<b>1,754</b>						
Working capital	(11)	3	9	10	(19)						
Total debt	0	0	0	0	0						
<b>Net debt</b>	<b>(757)</b>	<b>(1,251)</b>	<b>(1,328)</b>	<b>(1,336)</b>	<b>(1,364)</b>						

Sources: Company data, Thanachart estimates

Income Statement				9M as			
(Bt m)	q-q%	y-y%	% 2024F	2024F	2025F		
Revenue	(10)	(13)	76	868	984		
<b>Gross profit</b>	<b>(16)</b>	<b>(19)</b>	<b>76</b>	<b>480</b>	<b>542</b>		
SG&A	(4)	19	74	255	282		
Operating profit	(29)	(47)	79	225	260		
<b>EBITDA</b>	<b>(22)</b>	<b>(38)</b>	<b>78</b>	<b>287</b>	<b>322</b>		
Other income	(65)	39	68	12	13		
Other expense	na			0	0		
Interest expense	(3)	17	65	4	5		
<b>Profit before tax</b>	<b>(33)</b>	<b>(46)</b>	<b>78</b>	<b>232</b>	<b>269</b>		
Income tax	(14)	(12)	83	49	55		
Equity & invest. income				0	0		
Minority interests	(25)	75	59	3	3		
Extraordinary items	na	na		0	0		
<b>Net profit</b>	<b>(36)</b>	<b>(51)</b>	<b>77</b>	<b>187</b>	<b>217</b>		
<b>Normalized profit</b>	<b>(37)</b>	<b>(52)</b>	<b>77</b>	<b>187</b>	<b>217</b>		
EPS (Bt)	(36)	(55)	77	0.61	0.72		
Normalized EPS (Bt)	(37)	(56)	77	0.61	0.72		

Financial Ratios					
(%)	3Q23	4Q23	1Q24	2Q24	3Q24
Sales growth	21.7	29.1	33.7	(1.8)	(13.5)
Operating profit growth	45.5	38.0	51.7	(12.0)	(46.8)
EBITDA growth	31.3	32.5	41.9	(8.7)	(37.8)
Norm profit growth	56.0	65.7	84.1	(10.2)	(52.0)
Norm EPS growth	24.8	22.7	70.3	(16.9)	(55.6)
Gross margin	55.7	54.2	58.4	55.3	52.0
Operating margin	32.4	24.4	33.4	25.2	19.9
EBITDA margin	39.0	32.4	39.6	32.4	28.1
Norm net margin	27.4	24.0	26.6	21.8	15.2
D/E (x)	-	-	-	-	-
Net D/E (x)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)
Interest coverage (x)	111.8	72.5	104.0	74.8	59.6
Interest rate	na	na	na	na	na
Effective tax rate	16.7	8.7	20.9	21.3	27.3
ROA	17.8	12.9	13.9	9.6	5.9
ROE	21.6	15.1	15.8	10.9	6.7

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