

Siam Wellness Group (SPA TB) - BUY, Price Bt7.0, TP Bt10.0**Results Comment**

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Strong 3Q24 profit, in-line

- SPA reported Bt87m normalized profit (excluding Bt5m one-off impairment cost) in 3Q24, up 6% y-y and 41% q-q in a like-for-like basis, backed by increasing spa service revenue after a strong recovery of tourism industry despite there was no more tax benefits recognized this year. The profit came in-line with our forecast, but sizably beat the market's expectation.
- Total revenue increased 11% y-y and 11% q-q to Bt425m, driven mainly by higher number of foreign tourists in Thailand which is the key customer base for SPA.
- Gross profit grew stronger at 13% y-y and 21% q-q to Bt139m in 3Q24, thanks to operating leverage benefit from growing revenue. Gross margin returned to its pre-Covid level at 32.7% in 3Q24, from 29.9% in 2Q24 and 32.0% in 3Q23.
- SG&A expense rose 17% y-y and 6% q-q to Bt42m in 3Q24. Having said that, it came with stronger revenue, such that SG&A-to-sale ratio was well maintained at 10.0% this quarter, compared to 10.5% in 2Q24 and 9.4% in 3Q23.
- EBITDA grew 6% y-y and 16% q-q with EBITDA margin rose to 38.6% in 3Q24, from 36.8% in 2Q24 and 40.2% in 3Q23.
- SPA is still in a net-cash position, at -0.12x net D/E, supported by strong cash generation from its core operations while the company continued to pay down its debts raised to survive the Covid-19 crisis during 2021-23.
- We maintain BUY on SPA, expecting its performance to be stronger in 4Q24F which is the high season for Thai tourism and likely carry-over tax benefits to be recognized.

Income Statement		(consolidated)				
Yr-end Dec (Bt m)	3Q23	4Q23	1Q24	2Q24	3Q24	
Revenue	384	386	394	382	425	
Gross profit	123	120	132	114	139	
SG&A	36	41	36	40	42	
Operating profit	87	80	96	74	97	
EBITDA	154	145	162	141	164	
Other income	5	14	5	9	18	
Other expense						
Interest expense	10	9	8	8	8	
Profit before tax	82	85	92	76	106	
Income tax	(0)	1	18	14	20	
Equity & invest. income	(0)	(1)	(0)	(0)		
Minority interests	(0)	(0)	(0)		(0)	
Extraordinary items		56			(5)	
Net profit	81	140	74	62	82	
Normalized profit	81	84	74	62	87	
EPS (Bt)	0.10	0.16	0.09	0.05	0.06	
Normalized EPS (Bt)	0.10	0.10	0.09	0.05	0.07	

Balance Sheet		(consolidated)				
Yr-end Dec (Bt m)	3Q23	4Q23	1Q24	2Q24	3Q24	
Cash & ST investment	146	252	257	262	260	
A/C receivable	28	30	33	29	25	
Inventory	43	43	47	47	49	
Other current assets	39	38	34	41	49	
Investment						
Fixed assets	975	954	935	926	987	
Other assets	645	656	605	618	701	
Total assets	1,876	1,973	1,909	1,923	2,071	
S-T debt	43	43	42	41	27	
A/C payable	102	124	127	94	124	
Other current liabilities	212	209	202	203	206	
L-T debt	221	271	161	150	100	
Other liabilities	536	425	403	409	508	
Minority interest	0	0	0	0	0	
Shareholders' equity	761	901	975	1,025	1,107	
Working capital	(31)	(51)	(48)	(18)	(50)	
Total debt	265	314	203	192	127	
Net debt	119	61	(54)	(70)	(133)	

Sources: Company data, Thanachart estimates

Income Statement		9M as				
(Bt m)	q-q%	y-y%	% 2024F	2024F	2025F	
Revenue	11	11	71	1,703	1,911	
Gross profit	21	13	75	512	627	
SG&A	6	17	75	158	163	
Operating profit	30	12	75	355	464	
EBITDA	16	6	68	684	790	
Other income	88	237	161	20	32	
Other expense						
Interest expense	5	(22)	75	31	27	
Profit before tax	39	30	80	343	469	
Income tax	36	na	227	23	70	
Equity & invest. income			na			
Minority interests		na	na	(0)	(0)	
Extraordinary items			na			
Net profit	33	0	68	320	399	
Normalized profit	41	6	69	320	399	
EPS (Bt)	33	(33)	79	0.25	0.31	
Normalized EPS (Bt)	41	(29)	81	0.25	0.31	

Financial Ratios						
(%)	3Q23	4Q23	1Q24	2Q24	3Q24	
Sales grow th	96.0	41.3	23.0	7.3	10.6	
Operating profit grow th	na	204.1	78.9	6.8	11.6	
EBITDA grow th	105.4	34.5	27.6	0.8	6.2	
Norm profit grow th	na	512.0	74.2	2.5	6.4	
Norm EPS grow th	na	512.0	74.2	(31.7)	(29.1)	
Gross margin	32.0	31.2	33.4	29.9	32.7	
Operating margin	22.6	20.6	24.3	19.5	22.8	
EBITDA margin	40.2	37.5	41.1	36.8	38.6	
Norm net margin	21.2	21.7	18.8	16.1	20.4	
D/E (x)	0.3	0.3	0.2	0.2	0.1	
Net D/E (x)	0.2	0.1	(0.1)	(0.1)	(0.1)	
Interest coverage (x)	15.3	16.5	19.7	18.6	20.7	
Interest rate	11.2	12.2	12.7	15.3	19.9	
Effective tax rate	(0.1)	1.0	19.5	18.9	18.5	
ROA	16.9	17.4	15.2	12.9	17.4	
ROE	45.3	40.2	31.5	24.7	32.5	

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