

Siam Wellness Group (SPA TB) - BUY, Price Bt14.0, TP Bt16.0

Results Comment

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Lower-than-expected 4Q18's profit

- SPA reported a net profit of Bt49m in 4Q18, up 8% y-y but down 5% q-q, lower than our and the market's expectations. The miss was from a ramp-up of utilization rate in its new branches could not offset additional overhead costs. Full-year 2018's profit made up 95% of our forecast. We thus see a slight downside to our numbers.
- Total revenues of Bt303m in 4Q18 increased 18% y-y and 5% q-q, resulted as a 20% y-y revenues growth in 2018. The y-y growth was from continuing branch expansion, which more than offset pressures from Thai tourism slowdown during the period. The q-q growth was from a high tourism season.
- Gross margin was weaker-than-expected at 30.8% in 4Q18, vs 33.7% both in 3Q18 and 4Q17, mainly due to a heavy branch expansion this quarter (5 of 9 new branches in 2018). Ramp up of these new branches was also slower than the usual rate, since there is a pressure from hiccup of Thai tourism.
- SG&A increased 18% y-y, corresponding to its continuous business expansion (both in number of branches and type of services). A rise 12% q-q was due to a bonus payment quarter. SG&A-to-sales ratio maintained at 13.7% compared to the same quarter last year, but increased from 12.8% in 3Q18.
- SPA announces an annual dividend of Bt0.15/share (42% payout ratio) with an XD date on 4 April 2019, and a payment date on 26 April 2019.
- Looking forward, we maintain our positive view on the growth of SPA's businesses and earnings. Ramping up utilization of new branches opened in 2H18 is contributing leverage benefits. Consolidation of nail spa business 'Chaba' (already profit making) is a top up to its earnings base this year. With recovering of Thai tourism in 1Q19, we reaffirm BUY.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q17	1Q18	2Q18	3Q18	4Q18	(Bt m)	q-q%	y-y%	% 2018F	2018A	2019F
Revenue	256	279	265	288	303	Revenue	5	18	99	1,134	1,414
Gross profit	86	105	89	97	93	Gross profit	(4)	8	93	384	522
SG&A	35	37	37	37	41	SG&A	12	18	99	152	187
Operating profit	51	67	52	60	52	Operating profit	(14)	2	90	232	335
EBITDA	72	89	75	84	79	EBITDA	(6)	9	90	328	454
Other income	3	2	7	3	7	Other income	100	91	106	18	20
Other expense						Other expense			na		
Interest expense	3	2	2	2	2	Interest expense	(3)	(14)	111	9	7
Profit before tax	52	67	57	61	56	Profit before tax	(8)	8	90	241	348
Income tax	6	11	8	9	7	Income tax	(22)	14	70	35	70
Equity & invest. income						Equity & invest. income			na		
Minority interests	(0)			(0)	(0)	Minority interests	na	na	na	(0)	(0)
Extraordinary items						Extraordinary items			na		
Net profit	46	56	48	52	49	Net profit	(5)	8	95	206	278
Normalized profit	46	56	48	52	49	Normalized profit	(5)	8	95	206	278
EPS (Bt)	0.08	0.10	0.08	0.09	0.09	EPS (Bt)	(5)	8	95	0.36	0.49
Normalized EPS (Bt)	0.08	0.10	0.08	0.09	0.09	Normalized EPS (Bt)	(5)	8	95	0.36	0.49
Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q17	1Q18	2Q18	3Q18	4Q18	(%)	4Q17	1Q18	2Q18	3Q18	4Q18
Cash & equivalent	143	185	110	94	111	Sales growth	34.3	23.9	18.5	18.2	18.5
A/C receivable	12	16	21	17	24	Operating profit growth	58.8	26.9	21.9	18.4	1.8
Inventory	28	30	28	29	31	EBITDA growth	50.8	26.5	22.3	18.7	9.2
Other current assets	8	18	13	12	10	Norm profit growth	31.5	24.4	20.0	17.9	7.7
Investment						Norm EPS growth	31.5	24.4	20.0	17.9	7.7
Fixed assets	889	880	920	973	1,067	Gross margin	33.7	37.5	33.6	33.7	30.8
Other assets	95	101	113	119	126	Operating margin	20.0	24.1	19.8	20.9	17.1
Total assets	1,176	1,230	1,206	1,245	1,369	EBITDA margin	28.2	32.0	28.5	29.3	26.0
S-T debt	77	79	77	77	90	Norm net margin	17.8	20.1	18.3	18.1	16.2
A/C payable	86	75	74	88	83	D/E (x)	0.3	0.3	0.3	0.2	0.2
Other current liabilities	44	104	50	41	51	Net D/E (x)	0.2	0.1	0.1	0.1	0.1
L-T debt	185	169	152	134	126	Interest coverage (x)	29	41.1	32.9	37.9	36.5
Other liabilities	29	32	33	35	49	Interest rate	3.6	3.4	3.8	4.0	4.0
Minority interest	0	0	0	0	0	Effective tax rate	12.2	15.9	14.6	15.2	12.8
Shareholders' equity	755	771	819	871	970	ROA	15.8	18.7	15.9	17.0	15.0
Working capital	(46)	(30)	(25)	(41)	(29)	ROE	24.9	29.4	24.3	24.6	21.3
Total debt	263	247	229	211	216						
Net debt	120	62	119	117	105						

Sources: Company data, Thanachart estimates

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