

14 March 2023

Company Note

Rating

BUY

(Unchanged)

Company

Siam Wellness Group

 Bloomberg SET Exchange Sector
 SPA TB SPA SET Mai Industry

Recovery intact

12mth price target (THB)	12.5
Current price (13/03/2023)	10.2
Upside/Downside	22.55%
CG rating	4
ESG rating	ESG100
Thai CAC	Certified

Share summary

Issue shares :	(m shrs)	854.99
Market capitalization:	(THB bn)	8.97
	(USDbn)	0.25
Avg. Daily Turnover:	(THBm)	34.44
	(USDm)	0.99
Foreign Limit/Actual	(%)	49/2
Free Float:	(%)	56.32
NVDR:	(%)	2.86

Major Shareholders	%
Mr.Wiboon Utsahajit	11.11
Mr.Prasert Jiravanstit	10.33
Mrs.Pranee Suphawatanakiat	9.13

Source: SET

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Summary of conference call with management

We joined a conference call with SPA's management during which Mr. Narun Wiwattanakrai and CFO Ms. Yonlawan Eiamalongkorn provided details on the company's 4Q22 results and outlook.

Highlights from the event follow below

1. In 2022, Let's Relax contributed 85% of total revenue, followed by Baan Suan at 10%, Rarinjinda at 2% and others 3%. Tourists accounted for 50% while Thai & Expats were 50%.
2. We noticed that avg. spending increased across all key segments, specifically Rarinjinda at Bt1,600/pax and Let's Relax at Bt1,250/pax from Bt1,500/pax and Bt1,150/pax in 3Q22, respectively.
3. Staff headcount in 2022 was roughly 70% of the 2019 level.
4. The Middle East represents a new high-potential customer group that management put significant effort into last year.
5. Key obstacle in the industry now is lack of therapists. SPA has a competitive advantage here due to having its own training school.
6. Sleep lab is now launching a soft opening and thus whether it can be successful has yet to be seen.
7. SPA plans to open 5 branches in 2023F; it has already secured 4 locations, including one at Grande Center Point Surawong. Another 3 will be under the operating model.
8. In 1QTD, staff utilization rate reached over 80% with tourists already accounting for 55% of the contribution. Key customer groups are Mainland China/HK/Taiwan accounting for 10%, followed by Middle East, Korea, and Japan. Support has come from a 10% increase in no. of therapists to 900 (still down vs. 1,200 in 2019).
9. Already discontinued all franchise branches in Cambodia due to business difficulties.
10. In 1Q23, management will pay roughly Bt45m in debt given the increased liquidity amid business recovery.
11. Due to tax loss carry forward, we expect SPA to pay a significantly lower income tax, which should help offset the increase in interest expense.

Our view

We reiterate our Buy rating with a revised TP of Bt12.5. We base our TP on the DCF method (WACC of 7.8% with terminal growth of 2.5%). Key risk is lower-than-expected tourist arrivals

Note: Swift Report is intended for timely analyst comment to recent events/breaking news

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 Corporate Governance Report of Thai Listed Companies 2022	Score Range	Level	Description
	90 - 100	5	Excellent
	80 - 89	4	Very Good
	70 - 79	3	Good
	60 - 69	2	Satisfactory
	50 - 59	1	Pass
	< 50	n.a.	n.a.
	N/R	Does not appear in the CGR report	

Anti-Corruption Progress Indicator :

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 27, 2022) are categorized into :

Certified :	Companies certified by CAC.
Declared :	Companies that have declared their intention to join CAC.
Ensure its compliance by parent company	Ensure its compliance by parent company The company declares that its parent company is under the Bribery Act or other similar laws that required parent company to be responsible for bribery act of its overseas subsidiaries. Such responsibilities shall include the establishment of policy, practices and investigation and ensure that its subsidiaries regularly comply with the policy and practices.
n.a.	Not intention to join CAC. / no policy

Disclaimer

The disclosure of the Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 27, 2022)

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ESG Rating

The Thaipt ESG Index is designed to represent the performance of the selected Thai listed companies that are constituents of the ESG100 Universe, the 100 outstanding performers in terms of Environmental, Social and Governance (ESG) listed in Thai stock market (Both SET and mai), assessed by ESG Rating company, a whole subsidiary of Thaipt Institute.

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