

15 May 2023

## Company Note

Rating

**BUY**

(Unchanged)

Company

# Siam Wellness Group

Bloomberg SET Exchange Sector  
SPA TB SPA SET Mai Industry

**Better than our estimates**

<b>12mth price target (THB)</b>	<b>12.50</b>
Current price (12/05/2023)	11.30
Upside/Downside	10.62%
CG rating	4
ESG rating	n.a.
Thai CAC	n.a.

### Share summary

Issue shares :	(m shrs)	855
Market capitalization:	(THB bn)	9.7
	(USDbn)	na.
Avg. Daily Turnover:	(THBm)	28
	(USDm)	na.
Foreign Limit/Actual	(%)	49/2
Free Float:	(%)	56
NVDR:	(%)	2

### Share price / rel. to SET



Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
SPA	0.9	-2.6	58.0
SET	-8.0	-17.3	-14.7

### Major Shareholders

	%
Mr.Wiboon Utsahajit	11.11
Mr.Prasert Jiravanstit	10.33
Mrs.Pranee Suphawatanakiat	8.66

Source: SET

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### Positive surprise on greater GPM and lower opex

SPA reported a net profit of Bt50.5m, beating our estimate and Bloomberg consensus by 80% and 68%, respectively. Stripping out a Bt7.9m gain from rental contract changes, core profit totaled Bt42.5m (vs Bt28m estimates), up 211% QoQ on better-than-expected GPM and lower OPEX. With 1Q23A earnings accounting for 23% of our full year forecast, we maintain our 2023F and our Buy rating, projecting a strong recovery trend going forward from the resumption of Chinese tourists.

### Strong revenue as anticipated

Revenue arrived in line at Bt320m (+191% YoY, +17% QoQ), marking a 17-quarter high, supported by an above-80% staff utilization rate, thanks to strong tourist momentum and full recognition of the company's 7-8% price hikes since Nov'22. Subsequently, GPM expanded to 27.6% (vs. 26.0% estimated) from 22.1% in 1Q22 on better economies of scale. SG&A expense to sales, meanwhile, fell to a normal level of 10.9% from 12.6% in 4Q22.

### Expect further growth QoQ in 2Q23F

We expect to see further growth QoQ in 2Q23F from strong momentum in revenue growth and expansion of new branches and the sleep lab venture. In the meantime, SPA should benefit from its superior ability to recruit therapists vs small standalone competitors.

### We base our TP on DCF

We maintain our BUY rating with an unchanged TP of Bt12.5. We base our TP on the DCF method (WACC of 7.8% with terminal growth of 2.5%). Key risks are lower-than-expected tourist arrivals and political uncertainties.

### Forecasts and ratios

Year Ended December 31	2021	2022	2023E	2024E	2025E
Sales (THBm)	168	711	1,452	1,659	1,763
EBITDA (THBm)	75	275	634	638	640
Net profit (THBm)	-287	-88	220	262	293
<i>Net Profit (% chg from prev)</i>	<i>nm.</i>	<i>nm.</i>	<i>0</i>	<i>0</i>	<i>0</i>
EPS (THB)	-0.34	-0.10	0.26	0.31	0.34
EPS (% YoY)	37.1	-69.3	-349.8	19.1	11.8
<i>EPS vs Cons (%)</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>
PER (X)	-22.4	-85.1	43.9	36.9	33.0
Yield (%)	0.0	0.0	0.9	1.1	1.2
P/BV (X)	15.6	18.2	12.9	10.5	8.7
EV/EBITDA (X)	83.5	26.5	na.	13.6	13.2
ROE (%)	-37.6	-15.3	34.3	31.3	28.8

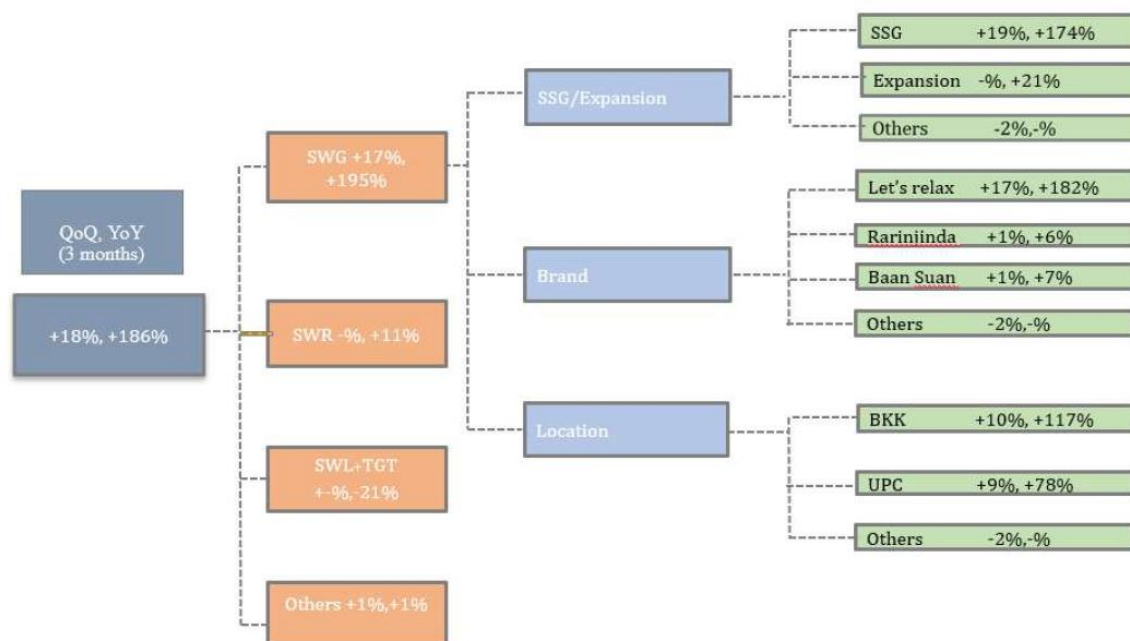
Source: Company data, TISCO estimates

Figure 1. Earnings review 1Q23

Bt, m	1Q23	1Q22	YoY%	4Q22	QoQ%
Sale revenue	320	110	191.1%	273	17.3%
Cost of sales and services	232	129	79.5%	213	9.0%
Gross Profit	88	-19	-562.4%	60	46.3%
S&A Expenses	35	29	21.0%	34	1.9%
<b>EBIT</b>	<b>59</b>	<b>-44</b>	<b>-234.1%</b>	<b>28</b>	<b>108.5%</b>
<b>EBITDA</b>	<b>132</b>	<b>32</b>	<b>315.6%</b>	<b>110</b>	<b>20.6%</b>
Interest expense	15	10	42.6%	15	-3.9%
Net Profit before Tax	44	-54	-181.0%	13	244.5%
<b>Net Profit Bef Extra</b>	<b>43</b>	<b>-57</b>	<b>-174.1%</b>	<b>14</b>	<b>211.6%</b>
<b>Net Profit</b>	<b>50</b>	<b>-57</b>	<b>-187.9%</b>	<b>14</b>	<b>269.5%</b>
<b>EPS (Bt)</b>	<b>0.05</b>	<b>-0.07</b>	<b>-174.1%</b>	<b>0.02</b>	<b>211.6%</b>
Gross margin	27.6%	-17.4%		22.1%	
SG&A to sales	10.9%	26.2%		12.6%	
EBIT margin	18.4%	-39.9%		10.3%	
Net margin	15.8%	-52.2%		5.0%	

Source: Company data

Figure 2. SSSG breakdown



Source: Company data

**Siam Wellness Group**
**Rating : BUY**

<b>Bloomberg:</b>	<b>SPA TB</b>	<b>Target price (THB)</b>	<b>12.50</b>			<b>Market Capitalization</b>
		<b>Current Price (THB)</b>	<b>11.30</b>			<b>THBbn</b>
		<b>52-week Range</b>	<b>7.15-12.5</b>			<b>9.7</b>
						<b>USDbn</b>
						<b>na.</b>

<b>Fiscal year end 31-Dec</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Financial Summary</b>					
EPS (THB)	-0.34	-0.10	0.26	0.31	0.34
DPS (THB)	0.00	0.00	0.10	0.12	0.14
BVPS (THB)	0.72	0.62	0.88	1.08	1.30
Weighted average shares (m)	855	855	855	855	855
Average market cap (THBm)	6,419	7,492	9,662	9,662	9,662
Enterprise value (THBm)	7,948	8,918	10,767	10,494	10,229
<b>Valuation Metrics</b>					
P/E (x)	-22.4	-85.1	43.9	36.9	33.0
P/BV (x)	15.6	18.2	12.9	10.5	8.7
FCF Yield (%)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.9	1.1	1.2
EV/Sales (x)	37.6	10.2	na.	5.2	4.8
EV/EBITDA (x)	83.5	26.5	na.	13.6	13.2
EV/EBIT (x)	-24.4	-156.0	na.	25.1	22.4
<b>Income Statement (THBm)</b>					
Sales revenue	168	711	1,452	1,659	1,763
Gross profit	-151	80	480	549	594
EBITDA	75	275	634	638	640
Depreciation	327	312	312	270	237
Amortisation	0	0	0	0	0
EBIT	-259	-47	300	345	378
Net interest income(expense)	2	2	2	2	2
Associates/affiliates	0	0	0	0	0
Exceptionals/extraordinaries	0	0	0	0	0
Other pre-tax income/(expense)	5	9	20	22	24
Profit before tax	-295	-87	260	311	348
Income tax expense	-9	1	39	47	52
Minorities	0	0	-2	-2	-3
Other post-tax income/(expense)	0	0	0	0	0
Net profit	-287	-88	220	262	293
<b>Cash Flow (THBm)</b>					
Cash flow from operations	-81	268	592	543	538
Net Capex	-30	-179	-169	-162	-156
Free cash flow	-111	89	423	381	382
Equity raised/(bought back)	0	0	0	5	10
Dividends paid	0	0	0	-88	-105
Net inc/(dec) in borrowings	101	4	120	-64	-57
Other investing/financing cash flows	0	0	0	0	0
Net cash flow	-5	93	544	230	220
Change in working capital	8	44	59	9	6
<b>Balance Sheet (THBm)</b>					
Cash and other liquid assets	110	202	745	972	1,189
Tangible fixed assets	947	814	671	563	482
Goodwill/intangible assets	4	5	6	7	8
Associates/investments	0	0	0	0	0
Other assets	946	946	946	946	946
Total assets	2,258	2,159	2,601	2,728	2,868
Interest bearing debt	937	941	940	928	918
Other liabilities	10	10	11	12	12
Total liabilities	1,639	1,628	1,850	1,804	1,756
Shareholders' equity	618	530	750	924	1,112
Minorities	0	0	0	0	0
Total shareholders' equity	618	530	750	924	1,112
Net debt	1,529	1,426	1,106	832	567
<b>Key Company Metrics</b>					
Sales growth (%)	-60.7	324.4	104.2	14.2	6.3
EPS growth (%)	37.1	-69.3	-349.8	19.1	11.8
EBITDA Margin (%)	45.0	38.7	43.7	38.5	36.3
EBIT Margin (%)	-154.3	-6.6	20.7	20.8	21.4
Payout ratio (%)	0.0	0.0	40.0	40.0	40.0
ROE (%)	-37.6	-15.3	34.3	31.3	28.8
Capex/sales (%)	18.0	25.2	11.6	9.8	8.8
Capex/depreciation (x)	0.1	0.6	0.5	0.6	0.7
Net debt/equity (x)	2.5	2.7	1.5	0.9	0.5
Net interest cover (x)	128.0	29.8	-191.3	-219.8	-240.7

Source: Company data, TISCO estimates

**Company profile**

SPA operates the business of wellness spa and other related businesses. There are four main business operations: 1.Spa: The spa business under the brands "Let's Relax" "RarinJinda Wellness Spa" and "Baansuan Massage". 2.Hotel and Restaurant: A boutique hotel resort in Chiang Mai under the name "RarinJinda Wellness Spa Resort" and a restaurant under the name "Deck 1" and "D Bistro". 3.Sale of Spa Products: Distributes and sells spa related products under the brand "Blooming". 4.School of Traditional Thai Massage: Operates a school of traditional Thai massage under the name "Blooming Thai Massage School" to train therapist staff in massage and spa services to support SPA's business expansion.

**Valuation**

We based our target price on a DCF approach (WACC 7.8%, Terminal growth 2.5%) with the underlying assumption of Risk-free 3.2%, Risk premium 6.4%.

**Risk**

Key downside risks: i) Lower no.of tourist arrival ii)Political disruptions iii)tourism-impacting events.

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**ESG Disclosure Score**

	2020	2021
<b>Overall ESG Disclosure Score</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Environment</b>	<b>n.a.</b>	<b>n.a.</b>
GHG Scope 1 (thousands of metric tonnes)	n.a.	n.a.
GHG Scope 2 Location-based (thousands of metric tonnes)	n.a.	n.a.
GHG Scope 3 (thousands of metric tonnes)	n.a.	n.a.
Electricity used (thousands of megawatt hours)	n.a.	n.a.
Total waste (thousands of metric tonnes)	n.a.	n.a.
Water consumption (thousands of cubic meters)	n.a.	n.a.
<b>Social</b>	<b>n.a.</b>	<b>n.a.</b>
Pct Women in Workforce (%)	n.a.	n.a.
Lost Time Incident Rate - Employees (per 100 employees)	n.a.	n.a.
Number of Employees - CSR (number of people)	n.a.	n.a.
Employees Turnover Pct (%)	n.a.	n.a.
Total Hours Spent by Firm - Employee Training (hours)	n.a.	n.a.
<b>Governance</b>	<b>n.a.</b>	<b>n.a.</b>
Size of the Board	n.a.	n.a.
Number of Non-executive Directors on Board	n.a.	n.a.
Number of Board Meetings for the Year	n.a.	n.a.
Board Mtg Attendance (%)	n.a.	n.a.
Number of Female Executives	n.a.	n.a.
Number of Women on Board	n.a.	n.a.

*Disclaimer: Bloomberg ESG Disclosure Scores rate companies on their level of disclosure of ESG data Bloomberg offers four disclosure scores, for overall ESG, as well as Environmental, Social, and Governance such as energy consumption, board composition, and workforce accidents.*

*To review the fully transparent methodology, calculation of disclosure scores for any company and compare a company's scores vs. its peers, see ESG Disclosure Score Model in Bloomberg.*

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 <b>Corporate Governance Report of Thai Listed Companies 2022</b>	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)

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, TISCO Securities Company Limited does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.

### ESG Rating

The Thaipat 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 Thaipat Institute.

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