

# Siam Wellness Group

## Earnings exceed estimate

### Record high quarterly net profit of Bt56.2m, up 24% YoY

SPA's net profit of Bt56.2m (+24% YoY, +23% QoQ) beat our estimate by 3% due mainly to improved GPM.

**Revenue grew 24% YoY on the back of strong tourist arrivals:** Revenue jumped 24% YoY to Bt279m on the back of strong tourist arrivals in 1Q18 (15.4% YoY) despite no new domestic branches.

**GPM rose to 10-quarter high of 37.5%** vs 34.0% in 4Q17 when some branches underwent renovation. SPA also realized upfront fees from two overseas branches (Phnom Penh and Qingdao). In addition, the company booked no additional fixed costs in 1Q18 since there was no new branch openings which helped boost GPM.

**SG&A increased 22.5% YoY in line with revenue growth:** this resulted in a quite stable SG&A to sales ratio both YoY and QoQ at 13.4%.

### Maintain HOLD due to stretched valuation

We maintain our HOLD rating with an unchanged TP of Bt18 (DCF-based, WACC 8.4%, TG 5%). The stock is currently trading at a rich valuation of 43x and 35x PER in 2018-19 and offers little upside, in our view.

## Rating

## HOLD

(unchanged)

### 12 month Target Price

**Bt18.00**

Current Price (14/05/2018) Bt18.20

CG Rating 3

Thai CAC n/a

Sector SERVICE (mai)

Sector PER (x) n.a.

### Financial Summary

Year	2017	2018F	2019F	2020F
Net Profit (Bt,m)	175	245	297	343
EPS (Bt)	0.31	0.43	0.52	0.60
EPS Growth (%)	24.3	39.9	21.0	15.7
PER (x)	47.06	42.79	35.37	30.58
PBV (x)	10.92	11.26	9.28	7.74
Div Yield (%)	0.7	0.9	1.1	1.3

Source : TISCO Research

Figure 1. Result Comment

Bt, m	1Q18	1Q17	YoY%	4Q17	QoQ%	3M18	3M17	YoY%
Sale revenue	279	225	23.9%	256	9.2%	279	225	23.9%
Cost of sales and services	174	142	23.0%	170	2.9%	174	142	23.0%
Gross Profit	105	84	25.3%	86	21.6%	105	84	25.3%
S&A Expenses	37	31	22.5%	35	6.9%	37	31	22.5%
<b>EBIT</b>	<b>69</b>	<b>55</b>	<b>25.3%</b>	<b>54</b>	<b>26.6%</b>	<b>69</b>	<b>55</b>	<b>25.3%</b>
Interest expense	2	1	118.1%	3	-13.8%	2	1	118.1%
Net Profit before Tax	67	54	23.6%	52	28.6%	67	54	23.6%
<b>Net Profit Bef Extra</b>	<b>56.2</b>	<b>45.2</b>	<b>24.4%</b>	<b>45.6</b>	<b>23.2%</b>	<b>56.2</b>	<b>45.2</b>	<b>24.4%</b>
<b>Net Profit</b>	<b>56.2</b>	<b>45.2</b>	<b>24.4%</b>	<b>45.6</b>	<b>23.2%</b>	<b>56.2</b>	<b>45.2</b>	<b>24.4%</b>
<b>EPS (Bt)</b>	<b>0.10</b>	<b>0.08</b>	<b>24.4%</b>	<b>0.08</b>	<b>23.2%</b>	<b>0.10</b>	<b>0.08</b>	<b>24.4%</b>
Gross margin	37.5%	37.1%		34.0%				
SG&A to sales	13.4%	13.6%		13.1%				
EBIT margin	24.7%	24.4%		22.3%				
Net margin	20.1%	20.0%		18.1%				

Source: SPA

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Corporate Governance Report  
of Thai Listed Companies 2017

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 February 1, 2018) are categorised 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 February 1, 2018)

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