

1 February 2024

## Company Note

Rating

**BUY**

(Unchanged)

Company

# Siam Wellness Group

Bloomberg SET Exchange Sector  
SPA TB SPA SET Mai Industry

## Another record high expected for 4Q23F

<b>12mth price target (THB)</b>	<b>15.10</b>
Current price (31/01/2024)	12.70
Upside/Downside	18.90%
CG rating	3
ESG rating	n.a.
Thai CAC	n.a.

### Share summary

Issue shares :	(m shrs)	855
Market capitalization:	(THB bn)	10.9
	(USDbn)	0.3
Avg. Daily Turnover:	(THBm)	27
	(USDm)	0
Foreign Limit/Actual	(%)	49/6
Free Float:	(%)	56
NVDR:	(%)	2

### Share price / rel. to SET



Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
SPA	5.8	10.4	7.6
SET	-4.8	-1.1	-19.1

### Major Shareholders

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

Source: SET

### Sontanawoot Ratchatrakul

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### Strong earnings momentum to continue through 2024F

We project SPA's net profit for 4Q23F at Bt86m, another record quarterly high. We maintain our BUY rating for SPA with high conviction it can generate 25% EPS growth in 2024F, as foreign tourist arrivals hit their stride and the company's tax shield provides additional support. The company has lifted its sales target for this year to Bt1.7bn (from Bt1.6bn previously) which is in line with our estimate. However, there are limited EPS catalysts from 2025F onwards as the low base effect dissipates, capacity nears 'full' utilization at 85-90%, and the tax benefit from loss carry forward ends in 3Q24F. Management sees Chinese customers accounting for 40-45% of total in 2024F compared to 30% in 2023F and 55% pre-Covid-19.

### 4Q23F core profit projected at Bt86m, up 11% QoQ on sales

We expect revenue to gradually increase at 5.7% QoQ to Bt406m in 4Q, backed by strong staff u-rate of above 85% amid Chinese hiccup in Oct23 with staff numbering around 1,200 (the same level as pre-Covid-19). Performance was supported by two new branches opening (bringing total to 70 branches) and steady inflows of EU, India, and Middle-East tourists. GPM should stay high at 32.6% vs. 32.0% in 3Q23. With OPEX to remain at 10.6% to sales, EBIT margin should widen to 23.4% from 22.8% in 3Q23.

### Outlook remains bright through '24F, but new catalysts will be needed

Earnings are expected to reach a record high in 1Q24F on the back of i) strong Chinese arrivals (TAT projects no. of Chinese tourists at 7.5-8m, up 100% from 2023F, and ii) 5 new branches. We project an upbeat 25% YoY EPS growth for 2024F, but acknowledge the need for new EPS growth drivers from 2025F-onwards, besides the +5 branches pa expansion plan. Capacity is likely to be fully utilized in 2024F while the Sleep Lab arm is still figuring out its product-market fit amid the return of income tax to 20% in 4Q24F. Hence, we believe overseas expansion and more aggressive marketing of spa products will eventually be necessary (but challenging).

### We base our TP on DCF

We maintain our BUY rating with a TP of Bt15.1 based on the DCF method (WACC of 7.4% with terminal growth of 2.5%).

### Forecasts and ratios

Year Ended December 31	2021	2022	2023E	2024E	2025E
Sales (THBm)	168	711	1,466	1,791	1,947
EBITDA (THBm)	75	275	589	658	681
Net profit (THBm)	-287	-88	275	344	371
<b>Net Profit (% chg from prev)</b>	<b>nm.</b>	<b>nm.</b>	<b>0</b>	<b>0</b>	<b>0</b>
EPS (THB)	-0.34	-0.10	0.32	0.40	0.43
EPS (% YoY)	37.1	-69.3	-412.6	25.2	7.7
<b>EPS vs Cons (%)</b>	<b>nm</b>	<b>nm</b>	<b>5.2</b>	<b>6.0</b>	<b>(1.7)</b>
PER (X)	-22.4	-85.1	39.5	31.5	29.3
Yield (%)	0.0	0.0	1.0	1.3	1.4
P/BV (X)	17.6	19.1	12.9	10.1	8.3
EV/EBITDA (X)	83.5	26.8	na.	15.5	14.6
ROE (%)	-37.6	-14.8	38.9	35.8	31.0

Source: Company data, TISCO estimates

Figure 1. Earnings preview 4Q23F

Bt, m	4Q23F	4Q22	YoY%	3Q23	QoQ%
Sale revenue	406	273	48.5%	384	5.7%
Cost of sales and services	273	213	28.6%	261	4.7%
Gross Profit	132	60	118.6%	123	7.6%
S&A Expenses	43	34	25.6%	40	7.1%
<b>EBIT</b>	<b>95</b>	<b>28</b>	<b>236.7%</b>	<b>88</b>	<b>8.5%</b>
<b>EBITDA</b>	<b>166</b>	<b>110</b>	<b>51.3%</b>	<b>155</b>	<b>6.9%</b>
Interest expense	8	15	-47.5%	10	-19.8%
Net Profit before Tax	87	13	580.6%	77	12.2%
<b>Net Profit Bef Extra</b>	<b>86</b>	<b>14</b>	<b>530.5%</b>	<b>78</b>	<b>11.1%</b>
<b>Net Profit</b>	<b>86</b>	<b>14</b>	<b>530.5%</b>	<b>81</b>	<b>5.6%</b>
<b>EPS (Bt)</b>	<b>0.10</b>	<b>0.02</b>	<b>530.5%</b>	<b>0.09</b>	<b>11.1%</b>
Gross margin	32.6%	22.1%		32.0%	
SG&A to sales	10.6%	12.6%		10.5%	
EBIT margin	23.4%	10.3%		22.8%	
Net margin	21.2%	5.0%		21.2%	

Source: TISCO Research estimates

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

<b>Bloomberg:</b>	SPA TB	<b>Target price (THB)</b>	<b>15.10</b>			<b>Market Capitalization</b>
		<b>Current Price (THB)</b>	<b>12.70</b>			<b>THBbn</b>
		<b>52-week Range</b>	<b>9.75-13.5</b>			<b>10.9</b>
						<b>USDbn</b>
						<b>0.3</b>

**Fiscal year end 31-Dec**

	2021	2022	2023E	2024E	2025E
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**Financial Summary**

EPS (THB)	-0.34	-0.10	0.32	0.40	0.43
DPS (THB)	0.00	0.00	0.13	0.16	0.17
BVPS (THB)	0.72	0.67	0.99	1.26	1.53
Weighted average shares (m)	855	855	855	855	855
Average market cap (THBm)	6,419	7,492	10,859	10,859	10,859
Enterprise value (THBm)	7,948	9,157	11,749	11,493	11,236

**Valuation Metrics**

P/E (x)	-22.4	-85.1	39.5	31.5	29.3
P/BV (x)	17.6	19.1	12.9	10.1	8.3
FCF Yield (%)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	1.0	1.3	1.4
EV/Sales (x)	37.6	10.4	na.	5.7	5.1
EV/EBITDA (x)	83.5	26.8	na.	15.5	14.6
EV/EBIT (x)	-24.4	-157.8	na.	26.8	23.5

**Income Statement (THBm)**

Sales revenue	168	711	1,466	1,791	1,947
Gross profit	-151	80	448	592	653
EBITDA	75	275	589	658	681
Depreciation	327	312	282	253	230
Amortisation	0	0	0	0	0
EBIT	-259	-47	290	381	424
Net interest income(expense)	2	2	2	2	2
Associates/affiliates	0	0	-1	1	3
Exceptionals/extraordinaries	0	0	14	0	0
Other pre-tax income/(expense)	5	9	18	21	23
Profit before tax	-295	-87	262	378	436
Income tax expense	-9	1	1	34	65
Minorities	0	0	0	0	0
Other post-tax income/(expense)	0	0	0	0	0
Net profit	-287	-88	275	344	371

**Cash Flow (THBm)**

Cash flow from operations	-81	335	592	609	608
Net Capex	-30	-395	-194	-220	-200
Free cash flow	-111	-60	398	389	408
Equity raised/(bought back)	0	0	0	5	10
Dividends paid	0	0	0	-110	-138
Net inc/(dec) in borrowings	101	131	-608	-37	-33
Other investing/financing cash flows	0	0	0	0	0
Net cash flow	-5	40	192	242	237
Change in working capital	8	111	49	11	7

**Balance Sheet (THBm)**

Cash and other liquid assets	110	185	392	634	872
Tangible fixed assets	947	1,031	943	909	879
Goodwill/intangible assets	4	5	6	7	8
Associates/investments	0	0	0	0	0
Other assets	946	971	569	569	569
Total assets	2,258	2,419	2,126	2,347	2,561
Interest bearing debt	937	1,034	567	560	554
Other liabilities	10	6	6	6	6
Total liabilities	1,639	1,850	1,282	1,268	1,249
Shareholders' equity	618	569	844	1,079	1,312
Minorities	0	0	0	0	0
Total shareholders' equity	618	569	844	1,079	1,312
Net debt	1,529	1,665	890	634	377

**Key Company Metrics**

Sales growth (%)	-60.7	324.4	106.1	22.2	8.7
EPS growth (%)	37.1	-69.3	-412.6	25.2	7.7
EBITDA Margin (%)	45.0	38.7	40.2	36.7	35.0
EBIT Margin (%)	-154.3	-6.6	19.8	21.3	21.8
Payout ratio (%)	0.0	0.0	40.0	40.0	40.0
ROE (%)	-37.6	-14.8	38.9	35.8	31.0
Capex/sales (%)	18.0	55.5	13.2	12.3	10.3
Capex/depreciation (x)	0.1	1.3	0.7	0.9	0.9
Net debt/equity (x)	2.5	2.9	1.1	0.6	0.3
Net interest cover (x)	128.0	29.8	-184.5	-242.6	-269.9

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 7.4%, Terminal growth 2.5%) with the underlying assumption of Risk-free 3.1%, 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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	Score Range	Level	Description
 <b>Corporate Governance Report of Thai Listed Companies 2023</b>	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 31, 2023) 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 31, 2023)

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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