18 July 2024

Company Note

Rating

BUY

(Unchanged)

Company

Siam Wellness Group

Bloomberg	SET	Exchange	Sector
SPA TB	SPA	SET	Mai Industry

Aggressive expansion in 2H24e as tourism kicks into gear

12mth price target (THB)	10.50
Current price (17/07/2024)	6.10
Upside/Downside	72.13%
CG rating	3
ESG rating	n.a.
Thai CAC	n.a.

Share summary

Issue shares :	(m shrs)	1,282
Market capitalization:	(THB bn)	7.8
	(USDbn)	0.2
Avg. Daily Turnover:	(THBm)	24
	(USDm)	0
Foreign Limit/Actual	(%)	49/7
Free Float:	(%)	57
NVDR:	(%)	2

Share price / rel. to SET

Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
SPA	-12.2	-52.7	-47.9
SET	-2.6	-12.0	-26.5

Major Shareholders	%
Mr.Wiboon Utsahajit	11.21
Mr.Prasert Jiravanstit	9.72
Mrs.Pranee Suphawatanakiat	8.51

Source: SET

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Earnings to slow with onset of low season

We are still upbeat on SPA's core earnings for 2Q24e, projecting Bt65m, up 14% YoY on the back of a higher staff utilization rate amid a strong recovery in tourists. The 29% correction in shares over the last 3 months should sufficiently reflect the seasonal weakness for SPA in 2Q24e and substantial dilution from the 2:1 stock dividend (part of SPA's plan to move to the SET from MAI). The company's expansion plans for this year will kick off in July with 3 new operating contracts. With 1H24e accounting for around 45% of our 2024e, we maintain our forecasts and Buy rating.

Expect 2Q core profit of Bt65m (+14% YoY, -6% QoQ)

Sales are expected to reach Bt375m in 2Q24e, up 5% YoY on low base effect but down 5% QoQ on seasonal weakness and lack of any branch additions. We expect staff u-rate to be around 80-81%, down QoQ from 83% in 1Q24. But GPM should widen to 33.0% from 29.3% in 2Q23 as a higher staff utilization rate YoY will improve operating leverage. Another positive is interest expenses, which are likely to fall significantly thanks to SPA's strategy to change some lease agreements into revenue-sharing deals.

Majority of 2024 expansion to be in 2H24

SPA announced today that it will open new 3 Let's Relax branches in Jul-Aug at i) the Holiday Inn Phuket Karon, ii) Centara Ao Nang, and iii) Centara Anda Dhevi Krabi, all via operating contract agreements. This is in addition to SPA's plans to open 3-4 more branches in 2H24F, including two in Bangkok and one in Chiangmai (company's own investments). On the flip side, we expect SPA to discontinue its Sleep Lab venture with Amara Group and hence book a small loss from the business.

We base our TP on DCF

We maintain BUY rating with an unchanged of Bt10.5 based on the DCF method (WACC of 7.4% with terminal growth of 2.5%).

Forecasts and ratios

Year Ended December 31	2022	2023	2024E	2025E	2026E
Sales (THBm)	711	1,446	1,791	1,947	2,048
EBITDA (THBm)	275	581	693	704	701
Net profit (THBm)	-88	332	312	360	382
Net Profit (% chg from prev)	*0 %*	*0 %*	*0 %*	*0 %*	*0 %*
EPS (THB)	-0.10	0.39	0.24	0.28	0.30
EPS (% YoY)	-69.3	-477.3	-37.3	15.2	6.2
EPS vs Cons (%)	*nm*	*nm*	*nm*	*nm*	*nm*
PER (X)	-85.1	30.2	25.0	21.7	20.5
Yield (%)	0.0	2.5	1.6	1.8	2.0
P/BV (X)	9.2	5.8	6.6	5.5	4.7
EV/EBITDA (X)	26.8	16.8	na.	9.6	9.2
ROE (%)	-14.8	45.2	29.9	27.6	24.8

Source: Company data, TISCO estimates

Figure 1. SPA earnings preview 2Q24F

Bt, m	2Q24F	2Q23	YoY%	1Q24	QoQ%
Sale revenue	375	356	*5.3%*	394	*-4.8%*
Cost of sales and services	251	252	*-0.2%*	262	*-4.2%*
Gross Profit	124	104	*18.4%*	132	*-6.1%*
S&A Expenses	38	37	*2.1%*	41	*-6.4%*
EBIT	**89**	**69**	*28.9%*	**96**	*-6.8%*
EBITDA	**154**	**139**	*10.8%*	**162**	*-4.7%*
Interest expense	7	12	*-40.2%*	8	*-10.1%*
Net Profit before Tax	82	57	*43.9%*	88	*-6.5%*
Net Profit Bef Extra	**65**	**58**	*13.5%*	**69**	*-5.7%*
Net Profit	**65**	**60**	*8.9%*	**74**	*-11.5%*
EPS (Bt)	**0.08**	**0.07**	*13.5%*	**0.08**	*-5.7%*
Gross margin	33.0%	29.3%		33.4%	
SG&A to sales	10.1%	10.4%		10.3%	
EBIT margin	23.8%	19.4%		24.3%	
Net margin	17.5%	16.9%		18.8%	

Source: TISCO Research estimates

Siam Wellness Group

Rating : BUY

Bloomberg:	**SPA TB**	**Target price (THB)**	**10.50**	**Market Capitalization**
		Current Price (THB)	**6.10**	**THBbn** 7.8
		52-week Range	**5.9-9.87**	**USDbn** 0.2

Fiscal year end 31-Dec	2022	2023	2024E	2025E	2026E
Financial Summary					
EPS (THB)	-0.10	0.39	0.24	0.28	0.30
DPS (THB)	0.00	0.16	0.10	0.11	0.12
BVPS (THB)	0.67	1.05	0.93	1.11	1.29
Weighted average shares (m)	855	855	1,282	1,282	1,282
Average market cap (THBm)	7,492	10,019	7,823	7,823	7,823
Enterprise value (THBm)	9,157	10,838	8,230	7,902	7,588
Valuation Metrics					
P/E (x)	-85.1	30.2	25.0	21.7	20.5
P/BV (x)	9.2	5.8	6.6	5.5	4.7
FCF Yield (%)	0.0	0.0	0.1	0.1	0.1
Dividend Yield (%)	0.0	2.5	1.6	1.8	2.0
EV/Sales (x)	10.4	6.7	na.	3.5	3.2
EV/EBITDA (x)	26.8	16.8	na.	9.6	9.2
EV/EBIT (x)	-157.8	34.9	na.	16.0	14.5
Income Statement (THBm)					
Sales revenue	711	1,446	1,791	1,947	2,048
Gross profit	80	436	592	653	688
EBITDA	275	581	693	704	701
Depreciation	312	276	287	252	223
Amortisation	0	0	0	0	0
EBIT	-47	279	381	424	447
Net interest income(expense)	2	2	2	2	2
Associates/affiliates	0	-1	1	3	5
Exceptionals/extraordinaries	0	18	0	0	0
Other pre-tax income/(expense)	9	25	21	23	25
Profit before tax	-87	259	381	439	466
Income tax expense	1	-55	69	79	84
Minorities	0	0	0	0	0
Other post-tax income/(expense)	0	0	0	0	0
Net profit	-88	332	312	360	382
Cash Flow (THBm)					
Cash flow from operations	335	549	623	618	611
Net Capex	-395	-58	-160	-150	-142
Free cash flow	-60	491	463	468	469
Equity raised/(bought back)	0	0	5	10	11
Dividends paid	0	0	-133	-125	-144
Net inc/(dec) in borrowings	131	-798	-5	-31	-27
Other investing/financing cash flows	0	0	0	0	0
Net cash flow	40	67	340	312	298
Change in working capital	111	12	24	7	6
Balance Sheet (THBm)					
Cash and other liquid assets	185	252	688	1,001	1,299
Tangible fixed assets	1,031	954	827	726	645
Goodwill/intangible assets	5	6	7	8	9
Associates/investments	0	0	0	0	0
Other assets	971	471	471	471	471
Total assets	2,419	1,973	2,283	2,501	2,724
Interest bearing debt	1,034	444	439	435	432
Other liabilities	6	5	5	6	6
Total liabilities	1,850	1,072	1,095	1,079	1,063
Shareholders' equity	569	901	1,188	1,422	1,660
Minorities	0	0	0	0	0
Total shareholders' equity	569	901	1,188	1,422	1,660
Net debt	1,665	820	407	78	-236
Key Company Metrics					
Sales growth (%)	324.4	103.3	23.9	8.7	5.2
EPS growth (%)	-69.3	-477.3	-37.3	15.2	6.2
EBITDA Margin (%)	38.7	40.2	38.7	36.2	34.2
EBIT Margin (%)	-6.6	19.3	21.3	21.8	21.8
Payout ratio (%)	0.0	40.0	40.0	40.0	40.0
ROE (%)	-14.8	45.2	29.9	27.6	24.8
Capex/sales (%)	55.5	4.0	9.0	7.7	6.9
Capex/depreciation (x)	1.3	0.2	0.6	0.6	0.6
Net debt/equity (x)	2.9	0.9	0.3	0.1	0.0
Net interest cover (x)	29.8	-133.2	-181.5	-202.0	-213.0

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
Overall ESG Disclosure Score	**n.a.**	**n.a.**
Environment	**n.a.**	**n.a.**
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.
Social	**n.a.**	**n.a.**
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.
Governance	**n.a.**	**n.a.**
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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บรรษัทภิบาลแห่งชาติ
National CG Committee

Corporate Governance Report of Thai Listed Companies 2023

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 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.