



ALERT

Thailand

Siam Wellness Group

(SPA.BK/SPA TB)

Outperform · Maintained

Price as of 10 Aug 2022	8.55
12M target price (Bt/shr)	9.40
Unchanged/Revised up(down)(%)	Unchanged
Upside/downside (%)	9.9

Key messages

SPA reported a 2Q22 net loss of Bt29mn (+66% YoY, +49% QoQ). The result beat our expectation by 23% due mainly to higher-than-expected spa revenue. Looking ahead, we expect earnings momentum to accelerate in 2H22, while setting up a JV with Amara Asia should act as a long-term catalyst. We re-iterate a rating of Outperform with a target price of Bt9.40.

Napat Vorajanyavong
66.2658.8888 Ext. 8857
napatv@kgi.co.th

2Q22 earnings review: Beat our expectation by 23%

Event

2Q22 earnings review.

Impact

Significant improvement to net loss of Bt29mn (+66% YoY, +49% QoQ)

SPA reported a 2Q22 net loss of Bt29mn (+66% YoY, +49% QoQ). The result was 23% (or Bt9mn) above our expectation due mainly to higher-than-expected spa revenue. The strong improvements YoY and QoQ were backed by improving confidence over the COVID-19 situation. Note that around 90% of the company's spa branches were operating at the end of 2Q22, up from around 80% in 1Q22.

Total revenue in 2Q22 came in at Bt132mn (+496% YoY, +20% QoQ), comprised of: i) revenue from spa business of Bt115mn (+673% YoY, +67% QoQ), and ii) revenue from product sales of Bt17mn (+136% YoY, -58% QoQ). Revenue from spa business improved both YoY and QoQ in line with increasing customer traffic (SSSG at 441% in 2Q22). Meanwhile, revenue from product sales plunged QoQ as sales of COVID-19 Antigen Test Kits (ATKs) declined. In terms of profitability, EBIT margin hit a multi-quarter high of -14.0% (+340ppts YoY, +22ppts QoQ) amid better economies of scale.

JV with Amara Asia to operate Sleep Clinic and develop cannabis products

SPA has established Siam Wellness Amara Company Limited, a JV with Amara Asia Co.,Ltd. Total registered capital was at Bt1mn, with SPA holding a 51% stake (source of investment was from internal cash flow). The objectives are to: i) operate Sleep Clinic consulting on sleep quality, and ii) developing various cannabis products for medical purposes. We take a positive view on the JV though concrete revenue contribution should come in the medium-to-long-term.

Valuation & action

Looking ahead, we expect earnings momentum to accelerate in 2H22, while benefits from economies of scale are expected to be seen in 2H22 amid strong growth in international tourist arrivals. We re-iterate a rating of Outperform with a target price of Bt9.40, based on 45.8x PE or +0.5SD to its long-term mean.

Risks

Longer-than-expected COVID-19 outbreak.

Key financials and valuations

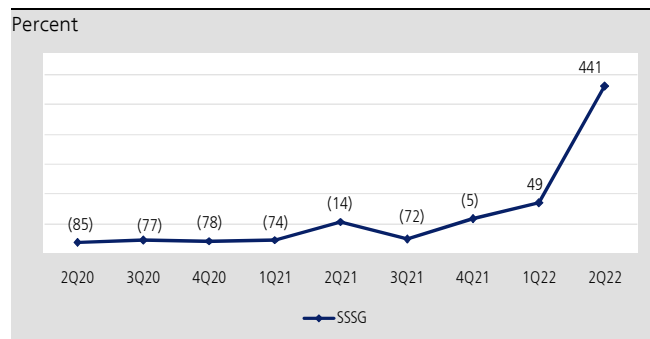
	Dec - 19A	Dec - 20A	Dec - 21A	Dec - 22F	Dec - 23F
Revenue (Btmn)	1,384	427	168	439	907
Gross Profit (Btmn)	441	(80)	(151)	66	353
SG&A (Btmn)	163	119	108	112	122
Net Profit (Btmn)	245	(209)	(287)	(80)	175
Normalized Profit (Btmn)	245	(209)	(287)	(80)	175
EPS (Bt)	0.3	(0.2)	(0.3)	(0.1)	0.2
Normalized EPS (Bt)	0.3	(0.2)	(0.3)	(0.1)	0.2
DPS (Bt)	0.0	0.0	0.0	0.0	0.0
EPS Growth (%)	19.4	N.A.	(37.1)	72.1	N.A.
Normalized EPS Growth	19.4	N.A.	(37.1)	72.1	N.A.
P/E (X)	33.7	(28.4)	(20.1)	(91.5)	41.9
P/B (X)	7.3	6.6	9.3	13.6	10.3
EV/EBITDA (X)	13.4	313.2	66.9	35.1	13.0
Net Debt to Equity (%)	14.6	43.2	84.3	107.8	55.6
Dividend Yield (%)	0.3	0.0	0.0	0.0	0.0
Return on Average Equity (%)	21.7	(23.1)	(46.4)	(14.8)	24.5

Source: Company data, KGI Securities Research

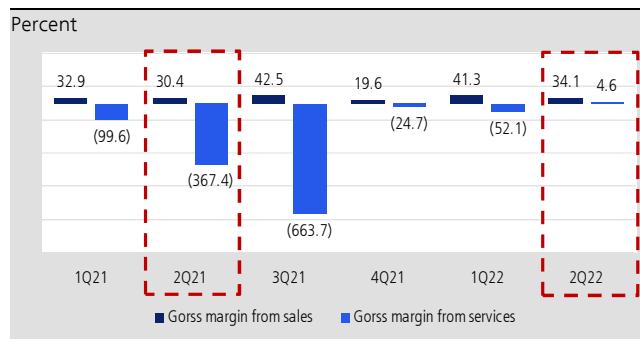
Figure 1: SPA's 2Q22 earnings review

Bt mn	2Q22	2Q21	YoY (%)	1Q22	QoQ (%)	1H22	1H21	YoY (%)
Total revenue	132	22	496.1	110	20.4	242	77	213.9
Revenue from sales	17	7	136.1	41	(57.8)	58	16	263.0
Revenue from services	115	15	672.7	69	66.7	184.2	61.2	201.0
Total gross Profit	11	(53)	121.4	(19)	158.6	(8)	(96)	91.7
SG&A	32	27	15.7	25	26.9	56	53	(7.2)
Operating EBIT	(19)	(79)	76.4	(40)	53.5	(58)	(146)	59.9
Net Profit	(29)	(87)	66.3	(57)	49.0	(87)	(163)	46.8
Percent	2Q22	2Q21	YoY (ppts)	1Q22	QoQ (ppts)	1H22	1H21	YoY (ppts)
Total gross margin	8.5	(236.4)	244.9	(17.4)	25.9	(3.3)	(124.0)	120.7
Gross margin from sales	34.1	30.4	3.7	41.3	(7.2)	39.1	31.7	7.4
Gross margin from services	4.6	(367.4)	372.0	(52.1)	56.8	(16.7)	(164.8)	148.1
EBIT margin	(14.0)	(353.6)	339.5	(36.2)	22.2	(24.1)	(188.9)	164.8
SG&A/sales	23.8	122.7	(98.9)	22.6	1.2	23.3	68.1	(44.9)

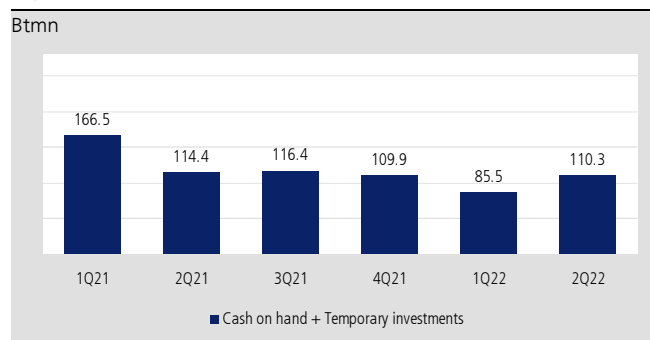
Source: Company data, KGI Securities Research

Figure 2: SSSG


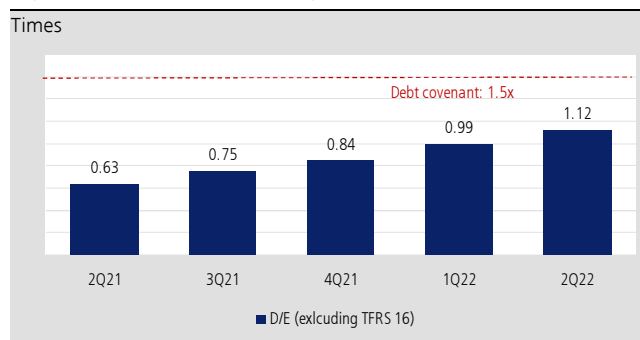
Source: Company data, KGI Securities Research

Figure 3: Quarterly gross margin


Source: Company data, KGI Securities Research

Figure 4: Cash on hand


Source: Company data, KGI Securities Research

Figure 5: D/E ratio (excluding TFRS 16)


Source: KGI Securities Research

Corporate Governance Report of Thai Listed Companies

 Companies with Excellent CG Scoring					
Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	EGCO	ELECTRICITY GENERATING	PTTEP	PTT EXPLORATION AND PRODUCTION
ADVANC	ADVANCED INFO SERVICE	GFPT	GFPT	PTTGC	PTT GLOBAL CHEMICAL
AMA	AMA MARINE	GGC	GLOBAL GREEN CHEMICALS	PYLON	PYLON
AMATA	AMATA CORPORATION	GPSC	GLOBAL POWER SYNERGY	QH	QUALITY HOUSES
ANAN	ANANDA DEVELOPMENT	HANA	HANA MICROELECTRONICS	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
AOT	AIRPORTS OF THAILAND	HMPRO	HOME PRODUCT CENTER	RS	RS
AP	ASIAN PROPERTY DEVELOPMENT	INTUCH	SHIN CORPORATION	SCB	THE SIAM COMMERCIAL BANK
BANPU	BANPU	IRPC	IRPC	SCC	THE SIAM CEMENT
BCP	THE BANGCHAK PETROLEUM	IVL	INDORAMA VENTURES	SCCC	SIAM CITY CEMENT
BCPG	BCPG	KBANK	KASIKORN BANK	SEAFCO	SEAFCO
BDMS	BANGKOK DUSIT MEDICAL SERVICES	KCE	KCE ELECTRONICS	SMPC	SAHAMITR PRESSURE CONTAINER
BEC	BEC WORLD	KKP	KIATNAKIN BANK	SPALI	SUPALAI
BEM	BANGKOK EXPRESSWAY AND METRO	KTB	KRUNG THAI BANK	SPRC	STAR PETROLEUM REFINING
BGRIM	B. GRIMM POWER	KTC	KRUNGTHAI CARD	SVI	SVI
BPP	BANPU POWER	LH	LAND AND HOUSES	TACC	T.A.C. CONSUMER
BTS	BTS GROUP HOLDINGS	LPN	L.P.N. DEVELOPMENT	TCAP	THANACHART CAPITAL
CENTEL	CENTRAL PLAZA HOTEL	MAKRO	SIAM MAKRO	THCOM	THAICOM
CK	CH. KARNCHANG	MBK	MBK	TISCO	TISCO FINANCIAL GROUP
CKP	CK POWER	MINT	MINOR INTERNATIONAL	TOP	THAI OIL
CPALL	CP ALL	MTC	MUANGTHAI CAPITAL	TRUE	TRUE CORPORATION
CPF	CHAROEN POKPHAND FOODS	PLANB	PLAN B MEDIA	TTB	TMBTHANACHART BANK
CPN	CENTRAL PATTANA	PSH	PRUKSA HOLDING	VGI	VGI GLOBAL MEDIA
DELTA	DELTA ELECTRONICS (THAILAND)	PTG	PTG ENERGY	WHA	WHA CORPORATION
DTAC	TOTAL ACCESS COMMUNICATION	PTT	PTT	WHAUP	

 Companies with Very Good CG Scoring					
Stock	Company name	Stock	Company name	Stock	Company name
BAM	BANGKOK COMMERCIAL ASSET MANAGEMENT	GULF	GULF ENERGY DEVELOPMENT	SAPPE	SAPPE
BBL	BANGKOK BANK	JMT	JMT NETWORK SERVICES	SAWAD	SRI SAWAD POWER 1979
CBG	CARABAO GROUP	LPH	LADPRAO GENERAL HOSPITAL	SINGER	SINGER THAILAND
CHG	CHULARAT HOSPITAL	M	MK RESTAURANT GROUP	SPA	SIAM WELLNESS GROUP
COM7	COM7	MAJOR	MAJOR CINEPLEX GROUP	TFG	THAIFOODS GROUP
DOHOME	DOHOME	MEGA	MEGA LIFESCIENCES	TKN	TAOKAENOI FOOD & MARKETING
ERW	THE ERWAN GROUP	NETBAY	NETBAY	ZEN	ZEN CORPORATION GROUP
GLOBAL	SIAM GLOBAL HOUSE	OSP	OSOTSPA		

 Companies with Good CG Scoring					
Stock	Company name	Stock	Company name	Stock	Company name
BCH	BANGKOK CHAIN HOSPITAL	ESSO	ESSO (THAILAND)	SF	SIAM FUTURE DEVELOPMENT
BH	BUMRUNGRAD HOSPITAL	HUMAN	HUMANICA	SISB	SISB
EKH	EKACHAI MEDICAL CARE	RBF	R&B FOOD SUPPLY	TPCH	TPC POWER HOLDING

Companies classified Not in the three highest score groups					
Stock	Company name	Stock	Company name	Stock	Company name
IIG	I&I GROUP	OR	PTT OIL AND RETAIL BUSINESS	STGT	SRI TRANG GLOVES (THAILAND)
KEX	KERRY EXPRESS (THAILAND)	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION		

Source: www.thai-iod.com

Disclaimer: The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of such survey result.

Anti-corruption Progress Indicator

Level 5: Extended

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	GLOBAL	SIAM GLOBAL HOUSE	QH	QUALITY HOUSES
ANAN	ANANDA DEVELOPMENT	GPSC	GLOBAL POWER SYNERGY	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
BBL	BANGKOK BANK	HMPRO	HOME PRODUCT CENTER	ROBINS	ROBINSON DEPARTMENT STORE
BCH	BANGKOK CHAIN HOSPITAL	IRPC	IRPC	SCC	THE SIAM CEMENT
BDMS	BANGKOK DUSIT MEDICAL SERVICES	KBANK	KASIKORN BANK	SIRI	SANSIRI
BIGC	BIG C SUPERCENTER	KCE	KCE ELECTRONICS	SPALI	SUPALAI
CK	CH. KARNCHANG	KKP	KIATNAKIN BANK	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
DCC	DYNASTY CERAMIC	KTB	KRUNG THAI BANK	TCAP	THANACHART CAPITAL
DELTA	DELTA ELECTRONICS (THAILAND)	LPH	LADPRAO GENERAL HOSPITAL	TISCO	TISCO FINANCIAL GROUP
DRT	DIAMOND ROOFING TILES	PACE	PACE DEVELOPMENT CORPORATION	TMT	THAI METAL TRADE
EGCO	ELECTRICITY GENERATING	PTT	PTT	TOP	THAI OIL
GFPT	GFPT	PTTGC	PTT GLOBAL CHEMICAL		

Level 4: Certified

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	ERW	THE ERAWAN GROUP	SAPPE	SAPPE
AP	ASIAN PROPERTY DEVELOPMENT	GLOW	GLOW ENERGY	SAWAD	SRISAWAD POWER 1979
BA	BANGKOK AIRWAYS	GUNKUL	GUNKUL ENGINEERING	SCB	THE SIAM COMMERCIAL BANK
BANPU	BANPU	ILINK	INTERLINK COMMUNICATION	SCN	SCAN INTER
BCP	THE BANGCHAK PETROLEUM	KTC	KRUNGTHAI CARD	SEAFICO	SEAFICO
BH	BUMRUNGRAD HOSPITAL	LH	LAND AND HOUSES	SVI	SVI
BJCHI	BJC HEAVY INDUSTRIES	LPN	L.P.N. DEVELOPMENT	TASCO	TIPCO ASPHALT
CBG	CARABAO GROUP	MAKRO	SIAM MAKRO	TKN	TAOKAENOI FOOD & MARKETING
CENTEL	CENTRAL PLAZA HOTEL	MALEE	MALEE SAMPRAN	TMB	TMB BANK
CHG	CHULARAT HOSPITAL	MINT	MINOR INTERNATIONAL	TRT	TIRATHAI
CKP	CK POWER	MODERN	MODERNFORM GROUP	TRUE	TRUE CORPORATION
CPF	CHAROEN POKPHAND FOODS	NOK	NOK AIRLINES	TVO	THAI VEGETABLE OIL
CPN	CENTRAL PATTANA	PTTEP	PTT EXPLORATION AND PRODUCTION		
DTAC	TOTAL ACCESS COMMUNICATION	PYLON	PYLON		

Level 3: Established

Stock	Company name	Stock	Company name	Stock	Company name
BEM	BANGKOK EXPRESSWAY AND METRO	MTLS	MUANGTHAI LEASING	SPRC	STAR PETROLEUM REFINING
CPALL	CP ALL	SCI	SCI ELECTRIC		

No progress

Stock	Company name	Stock	Company name	Stock	Company name
AOT	AIRPORTS OF THAILAND	BPP	BANPU POWER	FN	FN FACTORY OUTLET
BCPG	BCPG	BTS	BTS GROUP HOLDINGS	TPCH	TPC POWER HOLDING

Source: www.cgthailand.org

Disclaimer: The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of the assessment result.

KGI Locations

China	Shanghai	Room 1507, Park Place, 1601 Nanjing West Road, Jingan District, Shanghai, PRC 200040
	Shenzhen	Room 24D1, 24/F, A Unit, Zhen Ye Building, 2014 Bao'annan Road, Shenzhen, PRC 518008
Taiwan	Taipei	700 Mingshui Road, Taipei, Taiwan Telephone 886.2.2181.8888 · Facsimile 886.2.8501.1691
Hong Kong		41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong Telephone 852.2878.6888 Facsimile 852.2878.6800
Thailand	Bangkok	8th - 11th floors, Asia Centre Building 173 South Sathorn Road, Bangkok 10120, Thailand Telephone 66.2658.8888 Facsimile 66.2658.8014
Singapore		4 Shenton Way #13-01 SGX Centre 2 Singapore 068807 Telephone 65.6202.1188 Facsimile 65.6534.4826

KGI's Ratings

Rating	Definition
Outperform (OP)	The stock's excess return over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan)..
Neutral (N)	The stock's excess return over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan)
Under perform (U)	The stock's excess return over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Not Rated (NR)	The stock is not rated by KGI.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances. <i>Excess return = 12M target price/current price-</i>
Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.

Disclaimer

KGI Securities (Thailand) Plc. ("The Company") disclaims all warranties with regards to all information contained herein. In no event shall the Company be liable for any direct, indirect or any damages whatsoever resulting from loss of income or profits, arising by utilization and reliance on the information herein. All information hereunder does not constitute a solicitation to buy or sell any securities but constitutes our sole judgment as of this date and are subject to change without notice.