11 May 2024

Company Note

Rating

BUY

(Unchanged)

Company

Siam Wellness Group

Bloomberg	SET	Exchange	Sector
SPA TB	SPA	SET	Mai Industry

Tourist arrivals, low base spark YoY growth

12mth price target (THB)	10.50
	(from Bt15.10)
Current price (10/05/2024)	8.00
Upside/Downside	31.25%
CG rating	3
ESG rating	n.a.
Thai CAC	n.a.

Share summary

Issue shares :	(m shrs)	1,282
Market capitalization:	(THB bn)	6.8
	(USDbn)	na.
Avg. Daily Turnover:	(THBm)	27
	(USDm)	na.
Foreign Limit/Actual	(%)	49/8
Free Float:	(%)	57
NVDR:	(%)	2

Share price / rel. to SET

Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
SPA	-39.9	-38.5	-29.8
SET	-3.9	-7.2	-23.5

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

Source: SET

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Operating profit meets estimates, reflects limited growth opportunities

SPA reported a 1Q24 net profit of Bt74m (+47% YoY, -47% QoQ), including a Bt4.5m gain from the fair value of receivables, while operating profit was in line at Bt96m (+59% YoY, +3% QoQ). The big YoY growth was supported by strong tourist arrivals and the low base effect, while the limited QoQ growth was due to the current high level of staff utilization (no. of branches remained unchanged QoQ at 72). We have revised our 2024F earnings down by 10% and TP to Bt10.5 to reflect a higher effective tax rate and the 2:1 stock dividend, respectively.

Sales grew 3% QoQ to Bt394m

Sales arrived at Bt394m in 1Q24, up 24% YoY on low base effect, but was up only +3% QoQ, in line with estimates, as branch count stood unchanged at 72 branches (vs. 70 in 1Q23 and 72 in 4Q23). GPM was also in line at 33.4%, expanded by 220bps QoQ thanks to higher operating leverage. With SG&A to sales well controlled at 10.3% compared to 11.3% in 4Q23, operating profit reached Bt96m with OPM at 24.4%, a record high level. Note that the effective tax rate returned to a normalized level of 20.6% in 1Q.

We base our TP on DCF

We maintain our BUY rating with a revised TP of Bt10.5 (from Bt15.1 previously) to reflect the company's recent 2:1 stock dividend whereby the no. of shares was increased to 1,282m (from 855m previously). Note that the stock dividend is being done in order to move into the SET (from the MAI market currently). Our TP is 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 %*	*-9.9 %*	*-3.5%*	*-3.5 %*
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	32.8	28.5	26.9
Yield (%)	0.0	1.9	1.2	1.4	1.5
P/BV (X)	12.0	7.6	8.6	7.2	6.2
EV/EBITDA (X)	26.8	16.8	na.	13.1	12.7
ROE (%)	-14.8	45.2	29.9	27.6	24.8

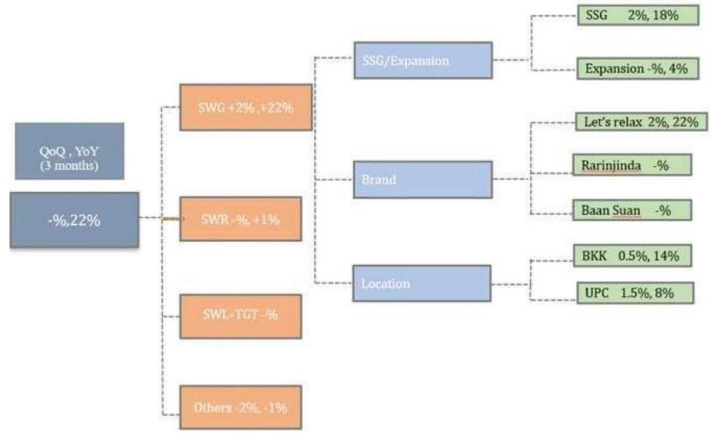
Source: Company data, TISCO estimates

Figure 1. Earnings review 1Q24; operating profit was in line

Bt,m	1Q24	1Q23	YoY	4Q23	QoQ
Sale revenue	394	320	*23.0%*	386	*2.1%*
Cost of sales and services	262	232	*13.1%*	265	*-1.2%*
Gross Profit	132	88	*48.9%*	120	*9.5%*
S&A Expenses	41	35	*16.3%*	43	*-6.4%*
EBIT	**96**	**59**	*62.7%*	**91**	*5.8%*
EBITDA	**162**	**132**	*22.4%*	**156**	*4.0%*
Interest expense	8	15	*-44.6%*	9	*-6.3%*
Net Profit before Tax	88	44	*98.9%*	82	*7.1%*
Net Profit Bef Extra	**69**	**43**	*63.2%*	**82**	*-15.7%*
Net Profit	**74**	**50**	*46.6%*	**140**	*-47.1%*
EPS (Bt)	**0.08**	**0.05**	*63.2%*	**0.16**	*-47.1%*
Gross margin	33.4%	27.6%		31.2%	
SG&A to sales	10.3%	10.9%		11.3%	
EBIT margin	24.3%	18.4%		23.5%	
Net margin	18.8%	15.8%		22.3%	

Source: Company data

Figure 2. Sales growth breakdown



Source: Company data

Figure 3. Changes to key assumptions

Bt,m	2024F			2025F		
	Old	New	% Chg	Old	New	% Chg
Sale Revenue	1,791	1,791	0.0	1,947	1,947	0.0
Gross margin (%)	33.1	33.1	0.0	33.6	33.6	0.0
SG&A	11.8	11.8	0.0	11.8	11.8	0.0
Net profit	347	312	-9.9	373	360	-3.5
EPS (Bt)	0.41	0.24	-39.9	0.44	0.28	-35.7

Source: TISCO Research estimates

Siam Wellness Group

Rating : BUY

Bloomberg:	**SPA TB**	**Target price (THB)**	**10.50**	**Market Capitalization**
		Current Price (THB)	**8.00**	**THBbn** 6.8
		52-week Range	**6.8-9.87**	**USDbn** na.

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	10,260	10,260	10,260
Enterprise value (THBm)	9,157	10,838	10,667	10,338	10,024
Valuation Metrics					
P/E (x)	-85.1	30.2	32.8	28.5	26.9
P/BV (x)	12.0	7.6	8.6	7.2	6.2
FCF Yield (%)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	1.9	1.2	1.4	1.5
EV/Sales (x)	10.4	6.7	na.	4.7	4.4
EV/EBITDA (x)	26.8	16.8	na.	13.1	12.7
EV/EBIT (x)	-157.8	34.9	na.	21.8	20.0
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.