

10 March 2021

Company Note

Rating

BUY

(Unchanged)

12mth price target (THB) Current price (10/03/2021) Upside/Downside CG rating ESG rating ESG rating Thai CAC 11.00 (from Bt9.50) 9.05 22% ESG 100 Thai CAC

Share summary Issue shares: (m shrs) 855.0 Market capitalization: (THB bn) 7.7 (USDbn) 0.3 Avg. Daily Turnover: (THBm) 20.7 (USDm) 0.7 Foreign Limit/Actual (%) 49/1 Free Float: (%) 55.8 NVDR: (%) 1.8

Share price / rel. to SET Bt 14 12 10 8 6 4 2 0 Mar-20 May-20 Jul-20 Sep-20 Nov-20 Jan-21 Mar-21

Source: Bloomberg Finance LP			
Performance (%)	1m	3m	12m
SPA	20.81	23.29	-19.64
SET	4.56	7.81	11.49

SET Rebased

-SPA

Major Shareholders	%
Mr.Wiboon Utsahajit	11.11
Mr.Prasert Jiravanstit	10.91
Mrs.Pranee Suphawatanakiat	9.25
Source: SET	

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Company

Siam Wellness Group

Bloomberg SET Exchange Sector SPA TB SPA MAI Services

Positive developments

Expect to see recovery QoQ through 2021F after bottoming in 1Q21

We remain positive on SPA's road to recovery as visibility on Covid-19 vaccine distribution progress improves. This improvement should coincide with easing of Thailand's quarantine policy and re-opening of the country in 2H21. Moreover, capital increase risk has been reduced as the company has already been granted a Bt90m soft loan from the government. These funds should be sufficient to extend SPA's operations under the worst-case scenario of no tourists until 1Q22. We maintain our Buy rating as the expected strong tourist arrivals in 4Q21 should result in a return to profitable operations.

In a fairly solid position

SPA's robust balance sheet (net cash) before Covid-19 and its recent Bt90m soft loan from the government should give it up to Bt200m in cash, keeping the risk of capital raising from shareholders quite low. We estimate a cash burn rate of Bt10m per month in 1Q21 but believe the company's Wellness Me loyalty program will help attract more local customers and improve the company's financial situation. In addition, SPA plans to launch a new business related to health and wellness to grow its local customer base in 2H21. The company sees no issues with bringing back all 1,000 of its therapists when the market normalizes.

Hemp oil massage and related products to launch 3Q21

With hemp interest booming, SPA plans to jump on the train with downstream services such as CBD-infused massage & spa and products such as hemp tea and pillow spray. These products will be aimed at helping with anxiety, stress, insomnia, and skin elasticity. We see scope for this segment to create more value added for SPA with higher revenue and ASP in the future.

Our TP is based on DCF

We base our TP on the DCF method (WACC 7.8% with terminal growth of 3%). Key catalysts are i) travel bubble/ vaccine passport progress, ii) broader branch openings, and iii) Covid-19 vaccine progress. Key risk is lower-than-expected tourist arrivals.

Forecasts and ratios					
Year ended Dec 31	2019	2020	2021F	2022F	2023F
Sales (THBm)	1,384	427	632	906	1,452
EBITDA (THBm)	416	17	123	354	453
Net profit (THBm)	245	(209)	(76)	143	246
Net Profit (% chg from prev)			n.a.	n.a.	n.a.
EPS (THB)	0.43	(0.24)	(0.09)	0.17	0.29
EPS (% YoY)	19.4	n.a.	n.a.	287.7	72.5
EPS vs Cons (%)			(8.4)	2.3	3.6
PER (X)	18.2	n.a.	n.a.	46.3	31.3
Yield (%)	1.1%	n.a.	n.a.	0.7	1.3
P/BV (X)	6.8	6.2	9.3	7.9	6.6
EV/EBITDA (X)	19.2	430.4	73.6	24.9	18.9
ROE (%)	23.8	(20.5)	(8.8)	15.8	23.1

Source: Company data, TISCO Research estimates



Siam Wellness Group (SPA)						Rating: Buy
Bloomberg: SPA TB		arget price urrent Price		11.00 9.05		Market Capitalization THBm 7,738
	52	2-week Ran	ige	5.4 - 11.2		USDm 251
Fiscal year end 31-Dec	2019	2020	2021F	2022F	2023F	
Income Statement (THBm)						Company profile
Sales and Service Incomes	1,384	427	632	906	1,452	
Cost of Sales and Services	943	507	567	594	959	SPA operates the business of wellness spa and other
Gross Profit	441	-80	65	311	493	related businesses. There are four main business
S&A Expenses Interest Expense	163 10	119 21	120 43	114 42	183 40	operations: 1.Spa: The spa business under the brands "Let's
Net Result of Inv. in Asso.	0	0	0	0	0	Relax" "RarinJinda Wellness Spa" and "Baansuan Massage".
Interest Income	0	2	0	0	0	2.Hotel and Restaurant: A boutique hotel resort in Chiang
Income Tax from Operations	45	-2	-13	25	43	Mai under the name "RarinJinda Wellness Spa Resort" and
Net (Profit) Loss of M.I.	3	0	0	0	0	a restaurant under the name "Deck 1" and "D Bistro". 3.Sale
Net Profit before Extra. Items	245	-209	-76	143	246	of Spa Products: Distributes and sells spa related products
Extra items	0	0	0	0	0	under the brand "Blooming". 4. School of Traditional Thai
Net Profit	245	-209	-76	143	246	Massage: Operates a school of traditional Thai massage
Cash Flow (THBm)						under the name "Blooming Thai Massage School" to train
Net Profit	288	-211	-89	168	289	therapist staff in massage and spa services to support SPA's
Depreciation and Amortization	118	206	170	144	123	business expansion.
Change in working capital	-51	52	62	19	20	business expunsion.
Cash flow from operations (CFO)	325	33	156	306	390	Valuation
Investment	0	0	0	0	0	
Capex	-161	-141	72	-20	-20	We based our target price on a DCF approach (WACC 7.6%,
Cash Flows from Investing (CFI)	-215	-132	72	-20	-20	Terminal growth 3%) with the underlying assumption of Risk
Debt financing	-51	178	-142	-24	-22	free 1.1%, Risk premium 8.4%.
Dividend paid Share capital and premium	-86 -1	-17 0	0	0 0	-57 0	
Cash Flows from Financing (CFF)	-1 -137	161	- 142	- 24	- 79	
Net cash increase/Decrease	-137 -27	62	86	262	291	
Balance Sheet (THBm)						
Current Assets	289	231	296	565	884	
Current Liabilities	245	361	327	346	387	
Total Assets	1,516	2,632	2,422	2,567	2,782	
Total Liabilities Minority Interest	384 0	1,727 0	1,593 0	1,595 0	1,621 0	
Total Equity	1,132	905	829	972	1,161	
Paid-up Capital	143	214	214	214	214	
Share Premium	279	279	279	279	279	
Warrant	0	0	0	0	0	
Retained Earnings	666	368	292	435	624	
Equity Adjustment	0	0	0	0	0	
Key Company Metrics Sales growth (%)	22.0 -	69.1	48.1	43.3	60.4	
Net Profit growth (%)	19.4	n.a.	n.a.	n.a.	72.5	
Gross Margin (%)	31.9 -	18.7	10.3	34.4	34.0	
SG&A to sale (%)	11.7	27.8	19.0	12.6	12.6	
EBITDA Margin (%)	30.0	3.9	19.5	39.1	31.2	Risk
Net Margin (%)	17.7 -	49.0	-12.0	15.7	16.9	
ROE (%)	23.4 -	20.5	-8.8	15.8	23.1	Key downside risks: i) Delay of re-opening the
ROA (%)	17.0 - 0.2	10.1	-3.0	5.7	9.2	country ii)Political disruptions iii)tourism-
Net debt/equity (x) Net interest cover (x)	28.4 -	1.8 8.8	1.7 -1.1	1.2 5.0	0.7 8.2	impacting events.
	20.4	0.0	1.1	5.0		
Key Assumptions SPA	1,263	349	524	765	1,296	
Spa products	70	61	73	84	95	
SSSG (%)	16.0	-75.6	33.3	50.0	70.0	
GPM - SPA (%)	30.2	-32.4	5.0	31.5	32.0	
GPM - Spa products (%)	60.0	59.0	58.0	58.0	58.0	
Quaterly Results (THBm) Sales and Service Incomes	4Q19 338	1Q20 238	2Q20 31	3Q20 76	4Q20 81	
Cost of Sales and Services	227	238	82	76 98	127	
Gross Profit	111	37 -	50		45	
S&A Expenses	33	30	27	30	31	
Interest Expense	2	9	6	3	5	
Net Result of Inv. in Asso.			-	-	-	
Net hesalt of liv. III 7550.	-					I and the second
Interest Income	-	1	1	0	1	
	- - 14 -	1 0 -	1 1	0 1 -	1	
Interest Income Income Tax from Operations Net (Profit) Loss of M.I.	- - 14 - 1			1 -	1	Sontanawoot Ratchatrakul
Interest Income Income Tax from Operations Net (Profit) Loss of M.I. Net Profit before Extra. Items			1 - 81	1 -		+66 (2) 633 524
Interest Income Income Tax from Operations Net (Profit) Loss of M.I.	1	0 -	- 1	1 - - - 55 -	1	

Source: Company data, TISCO Research estimates



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	Score Range	Level	Description
บรรษัทภิบาลแห่งชาติ National CG Committee	90 - 100	5	Excellent
	80 - 89	4	Very Good
	70 - 79	3	Good
	60 - 69	2	Satisfactory
Corporate Governance Report	50 - 59	1	Pass
of Thai Listed Companies 2020	< 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 November 19, 2020) are categorised into: Certified: Companies certified by CAC. Declared: Companies that have declared their intention to join CAC. 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. Not intention to join CAC. / no policy

Disclaime

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 November 19, 2020)

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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