

Siam Wellness Group

(SPA.BK/SPA TB)

Outperform • Initiate

Price as of 17 Sep 2020	6.50
12M target price (Bt/shr)	9.50
Unchanged/Revised up(down)(%)	N.A.
Upside/downside (%)	46.2

Key messages

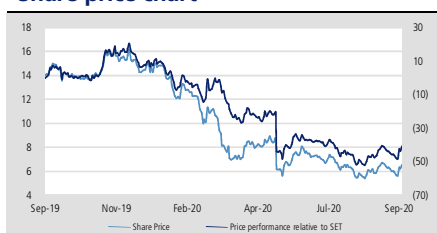
We initiate coverage on SPA with a rating of Outperform as i) we foresee path to earnings recovery, in tandem with our tourist arrivals assumptions, ii) the financial risk is expected to be manageable, and iii) the competitive landscape is expected to be lower post-COVID-19, amid fragmented industry. We expect SPA to report a net loss of Bt168mn in 2020F and then rebound to a net profit of Bt86mn in 2021F and Bt224mn in 2022F. Our target price is Bt9.50.

Trading data

Mkt cap (Btbn/US\$m)	5.6/139		
Outstanding shares (mn)	855		
Foreign ownership (mn)	10		
3M avg. daily trading (mn)	2		
52-week trading range (Bt)	5.4 – 16.3		
Performance (%)	3M	6M	12M
Absolute	-11.0	-19.8	-53.9
Relative	-5.0	-29.6	-40.6

Quarterly EPS

EPS	Q1	Q2	Q3	Q4
2018	0.07	0.06	0.06	0.06
2019	0.07	0.06	0.08	0.08
2020	0.01	(0.09)		

Share price chart


Source: SET

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The Spartan
Event

Initiate coverage.

Impact
A fully-integrated spa operator, with a proven track record

SPA operates a fully-integrated spa business under five brands; RarinJinda, Let's Relax, Baan Suan Massage, Stretch Me, and Face care. The company has a proven track record with 5-year CAGR revenue growth of 19% (2015-2019), outpacing the industry growth of 8%. Through continued expansion and a strong presence in the eyes of tourists, its market share has risen from 2% in 2015 to 4% in 2019.

Expect earnings to rebound in 2021-22F

We expect the number of tourist arrivals to recover from 6.7mn in 2020F to 14mn in 2021F and 32mn in 2022F. In the short-term, domestic demand should propel the spa business to reach the EBITDA breakeven in 4Q20F. Meanwhile, net profit breakeven is expected to be seen in mid-2021F, in tandem with a meaningful recovery in international tourist arrivals (Figure 28). As a result, we forecast SPA to report a net loss of Bt168mn in 2020F, and then see a rebound to net profits of Bt86mn in 2021F and Bt224mn in 2022F.

To coming up roses post-COVID

Amid the ongoing COVID-19 outbreak, we believe SPA tends to have a more buffer compared with local peers due to its higher-than-peers of profitability as well as its ability to keep the costs at bay. In addition, we foresee a lower competitive landscape of Thai spa business post-COVID and the potential achievement for gaining more market share as several local competitors are now struggling to sustain their business operations.

Financial risks to be manageable

D/E ratio (excluding TFRS16) is expected to remain manageable at 0.3x in 2020F (vs its debt covenant of 1.5x). In the worst-case scenario, we expect the business operation to survive by more than 1-year assuming no spa revenue contribution.

Valuation & Action

We recommend investors to ignore the short- to mid-term hiccups as the abnormal earnings prospects in 2020-1H21F will not truly reflect the underlying value of the company. We initiate coverage on SPA with a rating of Outperform and a target price of Bt9.50, based on 2022F 40.4x PE. Note that we have already factored in a 1-year discount by its WACC of 11.2%.

Risks

Prolonged COVID-19 outbreak.

Key financials and valuations

	Dec - 18A	Dec-19	Dec - 20F	Dec - 21F	Dec - 22F
Revenue (Btmn)	1,134	1,384	504	899	1,249
Gross Profit (Btmn)	384	441	(34)	230	420
SG&A (Btmn)	152	163	130	126	155
Net Profit (Btmn)	206	245	(168)	86	224
Normalized Profit (Btmn)	206	245	(168)	86	224
EPS (Bt)	0.2	0.3	(0.2)	0.1	0.3
Normalized EPS (Bt)	0.2	0.3	(0.2)	0.1	0.3
DPS (Bt)	0.2	0.0	0.0	0.0	0.1
EPS Growth (%)	17.4	19.4	(168.4)	(151.2)	160.7
Normalized EPS Growth	17.4	19.4	(168.4)	(151.2)	160.7
P/E (X)	31.1	33.7	(32.6)	63.7	24.4
P/B (X)	6.6	7.3	5.7	5.2	4.6
EV/EBITDA (X)	10.9	9.0	87.4	14.1	9.1
Net Debt to Equity (%)	22.3	14.6	30.4	21.9	15.6
Dividend Yield (%)	2.0	0.3	0.0	0.0	1.4
Return on Average Equity (%)	21.2	21.7	(17.4)	8.2	18.7

Source: Company data, KGI Research

Key investment themes

Path to recovery

SPA's earnings visibility should continue to see a path to recovery as we expect the number of international tourist arrivals to recover from 6.7mn in 2020F to 14mn in 2021F and 32mn in 2022F coupled with the company's attempt to focus more on domestic demand. We also believe its key customers (e.g. China, Hong Kong, and Taiwan) are from the key countries expected to be in the anticipated travel bubble from 2021F onwards. Overall, we recommend investors to look beyond the short- to mid-term earnings hiccups as the abnormal earnings prospects in 2020-1H21F will not truly reflect the long-term underlying value of the company as well as the potential long-term growth after the COVID-19 outbreak.

Earnings visibility

We expect SPA to report a net loss of Bt168mn in 2020F (vs 1H20 net loss of Bt76mn), and then rebound to net profits of Bt86mn in 2021F and Bt224mn in 2022F. The key pressure in 2020F would be the business interruptions during 2Q20 (Figure 4). However, earnings momentum is expected to improve from 3Q20F onwards given: i) easing of the local lockdown since June 2020, ii) cost savings leading to lower EBITDA breakeven threshold (Figure 12), and iii) attempt to focus on domestic demand by launching promotional campaigns as well as raising brand awareness.

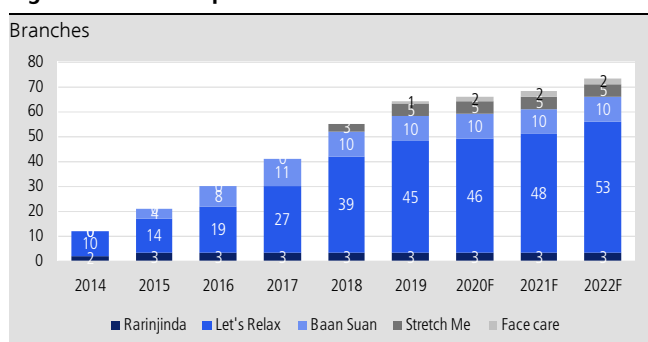
Overall, we expect EBITDA breakeven to be seen in 4Q20F, while net profit breakeven should be reached in mid-2021F, in tandem with a meaningful recovery in international tourist arrivals.

Figure 1: Key assumptions

	2017	2018	2019	2020F	2021F	2022F
Total core revenue (Bt mn)	948	1,134	1,384	504	899	1,249
Revenue from sales	87	87	90	81	110	132
Revenue from services	861	1,047	1,293	423	790	1,117
Growth of total revenue (%)	30.7	19.7	22.0	(63.5)	78.3	38.9
Growth of sales revenue (%)	20.8	0.9	3.4	(10.0)	35.0	20.0
Growth of services revenue (%)	31.8	21.6	23.5	(67.3)	86.6	41.5
Total gross margin (%)	34.6	33.9	31.9	(6.7)	25.6	33.6
Gross margin from sales (%)	36.8	45.6	48.7	52.0	55.0	60.0
Gross margin from services (%)	34.4	32.9	30.7	(18.0)	21.5	30.5
SG&A-to-sales (%)	13.8	13.4	11.7	25.8	14.0	12.4
Net profit (Bt mn)	175	206	245	(167.8)	86	224
YoY growth (%)	24.3	17.4	19.4	(168.4)	(151.2)	160.7
D/E (excluding TFRS16)	0.35	0.22	0.15	0.30	0.22	0.16
DPS	0.12	0.15	0.03	0.00	0.00	0.09
SSSG (%)	24	16	16	(65)	85	31
No. of total spa branches	41	55	64	66	68	73

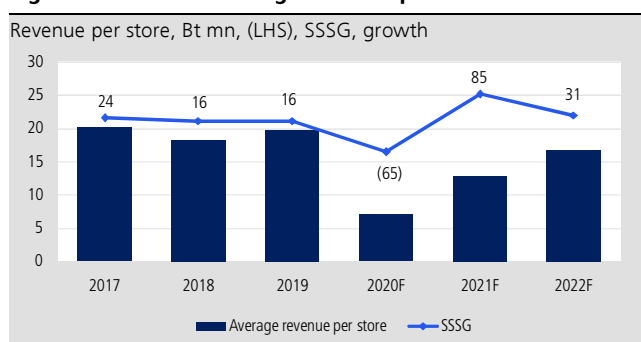
Source: Company data, KGI Research

Figure 2: Branch expansion



Source: Company data, KGI Research

Figure 3: SSSG and average revenue per store



Source: Company data, KGI Research

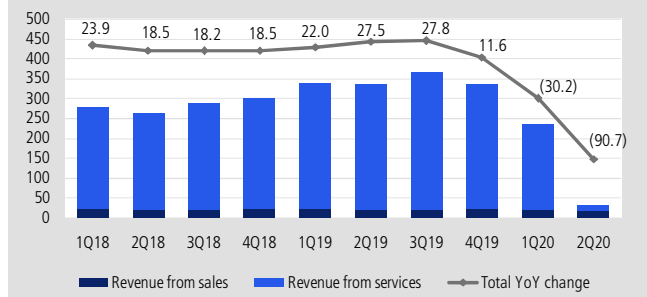
Figure 4: Recap of SPA's 2Q20 results

Bt mn	2Q20	2Q19	YoY (%)	1Q20	QoQ (%)	2020F	2019	YoY (%)
Total revenue	31	337	(90.7)	238	(86.8)	504	1,384	(63.5)
Revenue from sales	17	21	(16.4)	21	(15.7)	81	90	(10.0)
Revenue from services	14	317	(95.5)	217	(93.5)	423	1,293	(67.3)
Total gross Profit	(50)	98	(151.3)	37	(235.1)	(34)	441	(107.7)
SG&A	27	46	(41.7)	30	(12.4)	(130)	(163)	(19.9)
Operating EBIT	(76)	58	(232.3)	13	(705.2)	(157)	298	(152.7)
Operating EBITDA	(23)	85	(127.1)	82	(128.0)	54	416	(87.0)
Pre-tax Profit	(82)	55	(249.3)	4	(2,145.6)	(177)	288	(161.6)
Current taxation	(1)	7		(0)		9	(42)	
Minorities	-	(0)		-		0	(1)	
Extraordinary items	-	-		-		-	-	
Net Profit	(81)	47	(270.8)	4	(1,953.4)	(168)	245	(168.4)
Normalized profit	(81)	47	(270.8)	4	(1,953.4)	(168)	245	(168.4)
EPS (Bt) - fully diluted	(0.09)	0.06	(270.8)	0.01	(1,953.4)	(0.20)	0.29	(168.4)
Normalized EPS (Bt)	(0.09)	0.06	(270.8)	0.01	(1,953.4)	(0.20)	0.29	(168.4)
Percent	2Q20	2Q19	YoY (ppts)	1Q20	QoQ (ppts)	2020F	2019	YoY (ppts)
Total gross margin	(159.3)	29.0	(188.2)	15.6	(174.9)	(6.7)	31.9	(38.6)
Gross margin from sales	64.5	39.6	24.8	46.7	17.7	52.0	48.7	3.3
Gross margin from services	(433.0)	28.3	(461.3)	12.7	(445.6)	(18.0)	30.7	(48.7)
EBIT margin	(241.7)	17.0	(258.7)	5.3	(247.0)	(31.1)	21.5	(52.7)
EBITDA margin	(73.3)	25.3	(98.5)	34.7	(107.9)	10.7	30.0	(19.3)
SG&A/sales	84.3	13.5	70.8	12.7	71.5	25.8	11.7	14.1

Source: Company data, KGI Research

Figure 5: Quarterly revenue

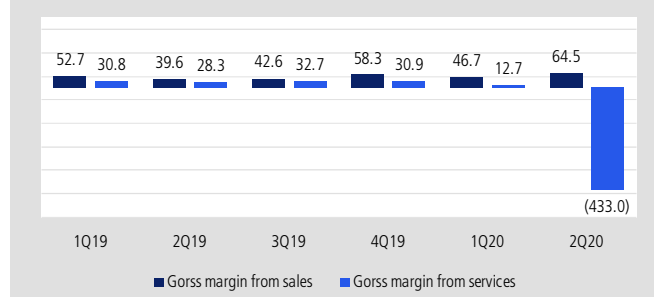
Revenue from sales and services, Btmn (LHS); Ttotal YoY growth, percent



Source: Company data, KGI Research

Figure 6: Quarterly gross margins

Percent

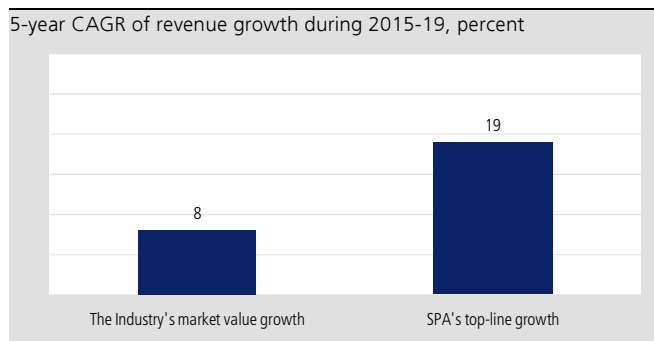


Source: Company data, KGI Research

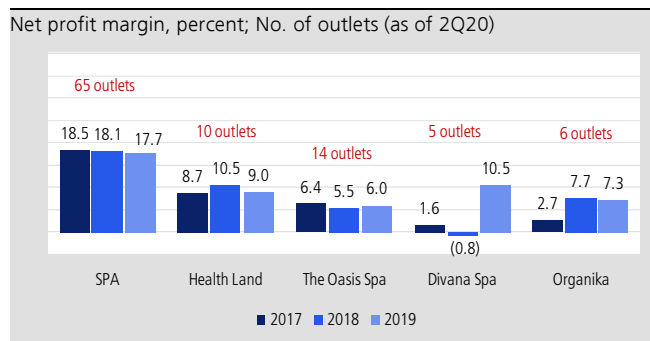
Best of the bunch business performance, compared with key competitors

SPA is one of the fastest-growing spa operators in Thailand, proven by its revenue growth during the past five years of 19% p.a. outpacing the industry growth of 8% (Figure 7). The company has also increased its market share from 2% in 2015 to 4% in 2019, propelled by: i) continued expansion by approximately 10 outlets per year, ii) SSSG expansion, and iii) its strong presence in the eyes of tourists, especially Chinese. In terms of profitability, its net profit margin during the past three years ranged between 17-19%, outperforming the average of local peers at around 7%, driven by achieving more economy of scale and better cost control, especially SG&A expenses.

Amid the ongoing COVID-19 outbreak, we believe SPA has more of a buffer than local competitors partly due to its higher-than-peers profitability and its ability to keep costs at bay. In addition, we expect to see a temporarily lower competitive landscape for Thailand's spa business after the COVID-19 outbreak as management guidance suggests several local competitors are now unable to sustain their business operations.

Figure 7: Revenue growth comparison (2015-2019)


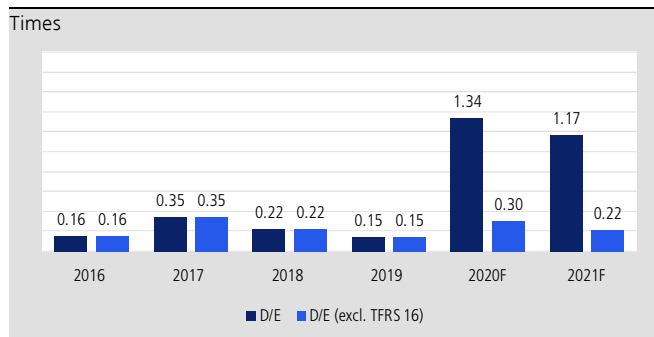
Source: Company data, KGI Research

Figure 8: Net profit margin comparison


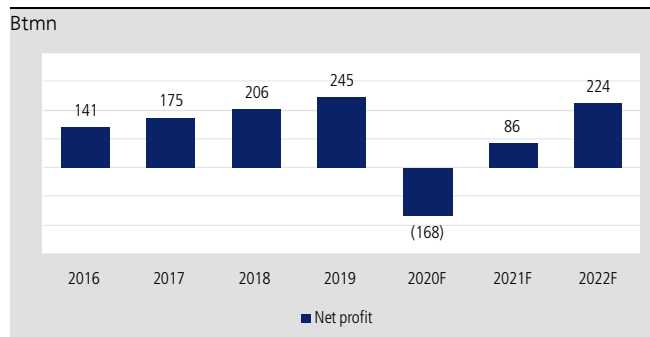
Source: DBD, KGI Research

Financial risks to remain manageable

SPA's financial risk is expected to remain manageable with expected D/E ratio (excluding TFRS16) of 0.30x in 2020F (vs its debt covenant of 1.5x). Assuming the company raises its debt to meet the debt covenant threshold, it should imply the company will have sizable cash on hand of more than Bt1.3bn. In the worst-case scenario, we believe the business operation would survive more than one year assuming no revenue contribution from spa business at all.

Figure 9: D/E


Source: Company data, KGI Research

Figure 10: Net profit momentum


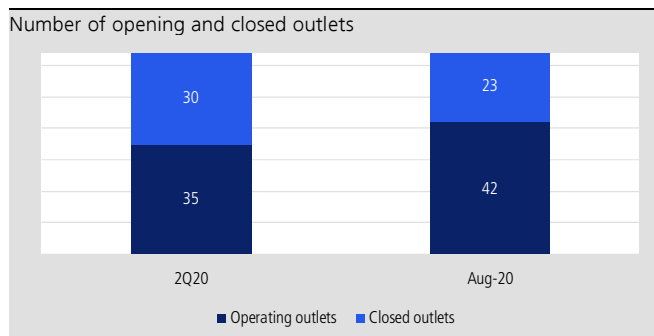
Source: Company data, KGI Research

Lower breakeven threshold to support path to recovery

Prior to COVID-19, the EBITDA breakeven point was 60% of utilization. However, the breakeven threshold has come down to 40-50% utilization after conducting several cost saving programs (e.g. lower rental expense by negotiating with landlords and salary cost control).

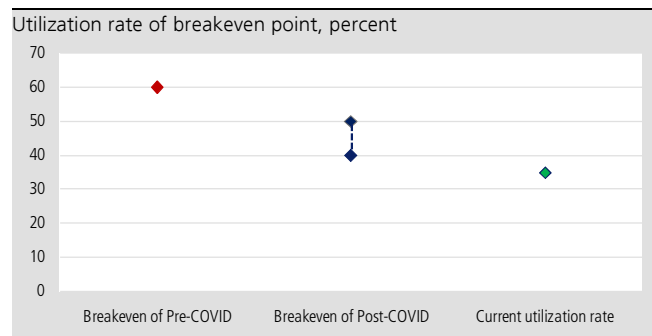
As of August 2020, SPA has already re-opened 42 outlets of its spa business (70% of the total outlets), increasing from 35 outlets as of end-2Q20. We expect the company may consider re-opening all outlets during 1Q20F. So far, the utilization rate has ramped up to 35%, propelled by domestic demand, and we expect EBITDA to exceed its EBITDA breakeven point from 4Q20F onwards.

Figure 11: Re-opening plan for the spa business



Source: Company data, KGI Research

Figure 12: EBITDA breakeven point

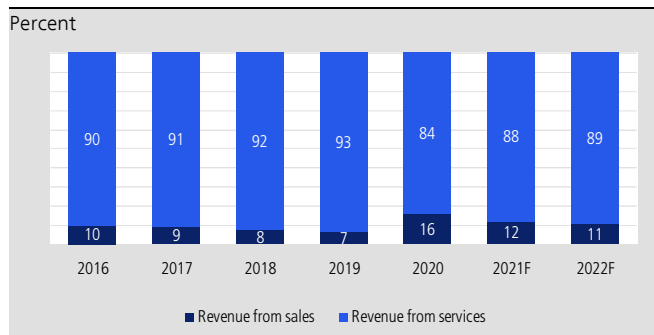


Source: Company data, KGI Research

Potential growth from sales of spa-related products

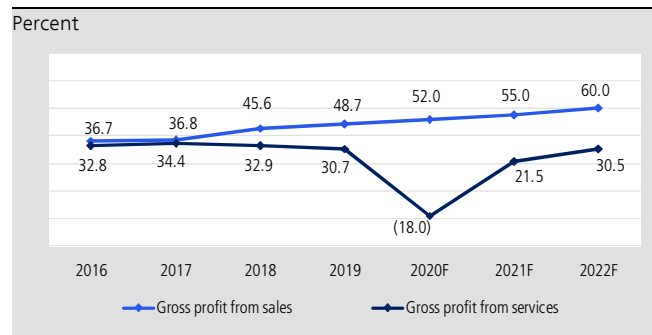
During the COVID-19 outbreak, the company has continued to develop its spa-related products under "LRL" (Let's Relax Lifestyle) and Dr. Spiller brands aiming to grow sales through e-commerce channels. Although revenue from sales of spa products is expected to account for 12-16% of total revenue in 2020-21F, we believe this will partly mitigate the downside risks amid a more resilient performance and relatively higher gross profit margin (Figure 14).

Figure 13: Revenue breakdown



Source: Company data, KGI Research

Figure 14: Gross margins breakdown by products



Source: Company data, KGI Research

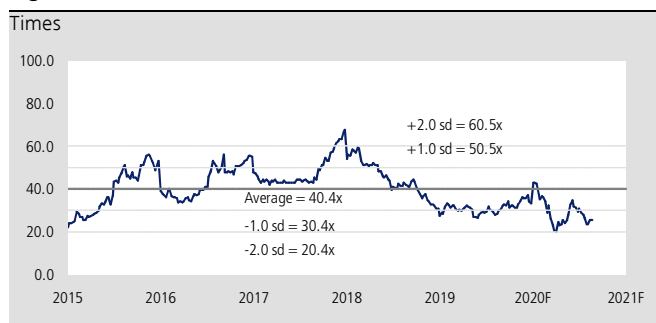
Valuation and Recommendation

We believe the share price performances of tourism-related stocks will rely on hopes for recovery. Looking ahead, a flow of good news should continue to come in and we expect the market to shift its focus to the longer-term earnings recovery, rather than the short- to mid-term hiccups. To avoid an abnormal earnings base in 2020-21F, we value the fundamental target price using the earnings base in 2022F with a 1-year discount with its WACC.

We expect domestic demand to help support the company’s earnings to reach EBITDA breakeven in 4Q20F, while a meaningful recovery in international tourist arrivals in mid-2021F, especially for Chinese, will be a plus to the longer-term catalysts.

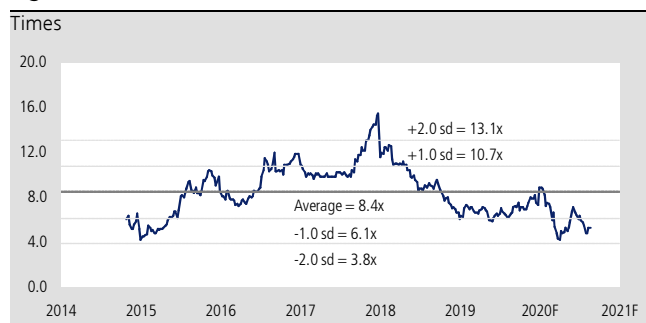
We initiate coverage on SPA with a rating of Outperform and a target price of Bt9.50, based on 2022F 40.4x PE, which is in line with its long-term mean. Note that we have already factored in a 1-year discount with WACC of 11.2%.

Figure 15: Forward PE (2022F)



Source: Company data, KGI Research

Figure 16: PB band



Source: Company data, KGI Research

Company Overview

Siam Wellness Group operates health spa, spa-related, and hospitality businesses. For the spa business, there are five main brands including i) RarinJinda Wellness Spa (5-star spa service), ii) Let's Relax (4-star spa service), iii) Baan Suan Massage (3-star spa service), iv) Stretch Me (stretching studio), and v) Face Care by Let's Relax (facial spa). As of 2Q20, the company has 60 branches in Thailand and 5 branches overseas.

RarinJinda: A 5-star spa service (Wellness Spa) located in hotels or tourist destinations. The place is arranged to have a good atmosphere, beautiful view or landscaped surrounding in tandem with services. The brand additionally offers relaxing and therapeutic treatments that combine advanced spa technologies with Thai massage (e.g. Quartz Bed, Hydrotherapy Pool, and Vichy Shower).

Let's Relax: A 4-star spa service (Day Spa), generally located in easy access areas. Let's Relax integrates services with the technique of massage derived from the science of the West and the East to create unique experiences. Key services include Thai massage, Aromatherapy Oil Massage, Back & Shoulder Massage, Body Scrub, Floral Bath, and Onsen.

Baan Suan Massage: A 3-star spa service (Neighborhood Massage) located in local areas. Baan Suan Massage normally provides shorter periods of service lasting 1 or 2 hours and generally focuses on domestic demand.

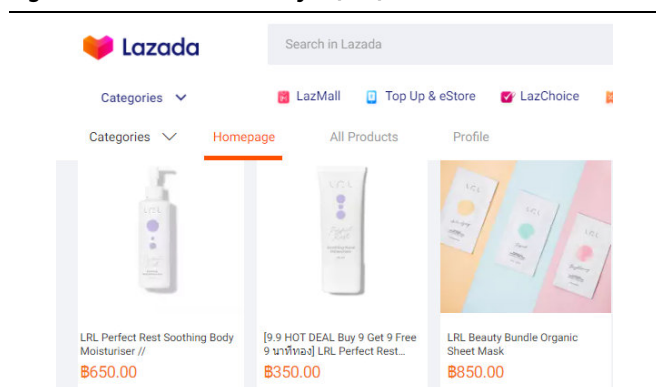
Figure 17: Spa brands

	RarinJinda	Let's Relax	Baan Suan Massage	Stretch me	Face Care by Let's Relax
Services	5-star spa	4-star spa	3-star spa	Stretching studio	Facial spa
No. of branches in Thailand	3	41	10	5	1
No. of branches in overseas		5			
CAPEX/branch	Bt25mn	Bt15-20mn	Bt10mn	Bt5-7mn	Bt5-7mn
Average spending	Bt2,050/pax	Bt1,100/pax	Bt500/pax	Bt1,450/pax	Bt1,200/pax
Annual revenue per branch (2019)	Bt17mn	Bt25mn	Bt8mn	Bt2.5mn	Bt6mn

Source: Company data, KGI Research

Apart from the spa business, the company also operates spa-related businesses ranging from upstream to downstream consisting of i) spa products under Siam Wellness Lab, ii) an educational institute-type school under Siam Wellness Education, and iii) hotel and restaurant.

Figure 18: Let's Relax Lifestyle (LRL)



Source: Company data, Lazada, KGI Research

Figure 19: Thai massage school



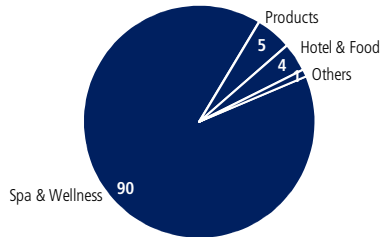
Source: Company data, KGI Research

Revenue breakdown and profitability

Breaking down total revenue by business, spa & wellness contributed the major portion, accounting for 90% of the total revenue in 2019. Meanwhile, Let's Relax is the flagship brand for its spa business, contributing 89% of the company's total spa revenue. In terms of profitability, Let's Relax has a higher-than-average gross profit margin ranging around 30-35% partly due to achieving better economies of scale, while other brands' gross margins range between 20-25%.

Figure 20: Total revenue breakdown by business (2019)

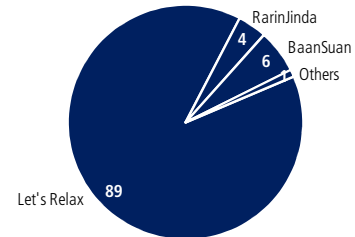
Percent



Source: Company data, KGI Research

Figure 21: Spa revenue breakdown by brands (2019)

Percent



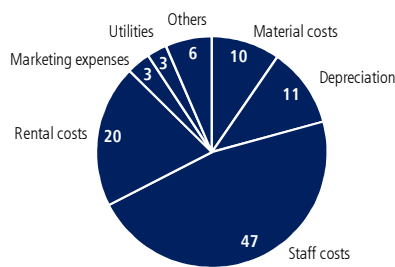
Source: Company data, KGI Research

Cost breakdown

As spa is a labor-intensive business, staff costs contributed the largest portion accounting for 47% of total costs in 2019, followed by rental cost at 20%. Currently, a massage therapist receives revenue sharing of 18-20% coupled with a minimum guarantee. As of end-2019, the company has approximately 1,500 therapists including massage therapists, stretching specialists and facial technicians stationed at various branches of the spa and wellness business.

Figure 22: Cost structure (2019)

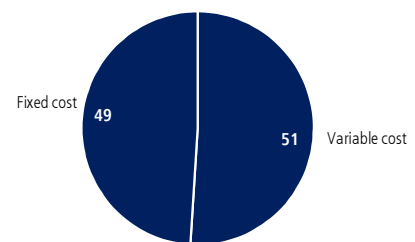
Percent



Source: Company data, KGI Research

Figure 23: Cost breakdown by type

Percent



Source: Company data, KGI Research

Target clients

Prior to the COVID-19 outbreak, SPA's key customers included i) China / Hong Kong / Taiwan (55% of the total spa revenue), ii) Thailand (25%), and ii) Korea and Japan (10%). As a result, revenue visibility in the past was highly tied to the outlook for international tourist arrivals, especially Chinese. However, management guidance suggests the company will focus more on the domestic market by launching marketing campaigns and raising brand awareness.

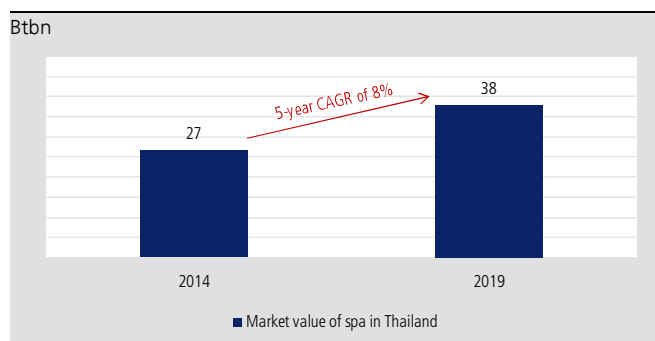
Industry outlook

Largest spa operator in Thailand

According to Creative Spa & Wellness Thailand, the market for Thailand's spa business was worth Bt38bn in 2019 with a 5-year growth rate of 8% p.a.. The market value ranked sixteenth in the world for spa business. Currently, there are more than 40,000 spa outlets in Thailand and only 2,053 businesses have been certified by the Ministry of Public Health with proven business standards. SPA is the largest spa operator in Thailand with a market share of 4% in 2019 (growing from 2% in 2015), while other players' shares are largely fragmented.

Over the longer-term (post-COVID 19), we expect Thailand's spa business to continue to gain positive momentum due to the growing trend in tandem with tourism industry. In addition, Thailand has earned a reputation as Asia's spa capital, and recently received the consideration of the registration of the intangible cultural heritage in 2019 by UNESCO. This should bring positive sentiment to Thai massage as well as increase interest among foreigners.

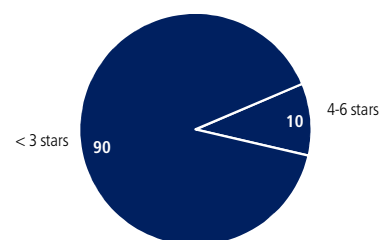
Figure 24: Market value of spa industry in Thailand



Source: Company data, Thailand Creative Economic Agency, KGI Research

Figure 25: Spa business in Thailand breakdown by type of service

Percent



Source: Company data, KGI Research

Tourist arrivals to plunge to 6.7mn in 2020F

We expect the number of international tourist arrivals to come in at 6.7mn in 2020F, decreasing 83% YoY (vs our previous forecast of 13mn, decreasing 67% YoY).

In 4Q20, the number of international tourist arrivals is likely to see no meaningful signs of recovery as several hurdles are expected to remain i) global isolation rules, ii) fears of imported cases, and iii) international MICE market unlikely to restart. However, we have a positive view on the government's attempt to launch the Special Tourist Visa scheme (STV) in October 2020 as trial and error should lead to better solutions from 2021F onwards.

Figure 26: Thailand's quarterly tourist arrivals in 2020F

No. of tourist arrivals	1Q20	2Q20	3Q20F	4Q20F	12M20
Total tourist arrivals	6,691,574	0	0	7,289	6,691,574
YoY change (%)	(38.0)	(100.0)	(100.0)	(99.9)	(83.2)

Source: KGI Research

Expect more progress on travel bubbles in 1Q21F

We expect travel bubbles for leisure to see more progress in 1Q21F as the tourism sector has played a vital role in the Thai economy and lessons learned in the trial stage will let the government find optimal solutions. However, the government may selectively implement travel bubbles with only low-risk countries with proven track records of low or no cases of local COVID-19 transmission due to limited stage quarantines .

For the travel bubbles, we foresee potentially ten countries with better track records in controlling the pandemic (Figure 27). On a positive note, some of the potential countries (e.g. China, Taiwan, and Korean) contributed significant revenue proportions to SPA's top-line, which should propel a strong recovery once travel bubbles for leisure are selectively implemented.

Figure 27: Average daily new COVID-19 cases for the 10 potential travel bubble countries

	Market share in 2019	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
China	27.6%	2,401	93	57	6	22	87	78	21
Malaysia	10.5%	1	84	111	59	29	11	12	25
Korea	4.7%	101	221	33	23	44	49	182	182
Laos	4.6%	0	0	0	0	0	0	0	0
Japan	4.5%	7	56	405	89	58	490	1,100	540
Vietnam	2.6%	0	6	2	2	1	5	17	2
Cambodia	2.3%	0	3	0	0	1	3	1	0
Taiwan	2.0%	1	9	4	0	0	1	1	1
Australia	1.9%	1	146	73	14	19	275	302	78
Myanmar	0.9%	0	1	5	2	3	1	28	74

Source: KGI Research

Tourists arrivals expected to recover in 2021F to 14mn (+109% YoY)

In our base case assumption, we assume a tangible plan for travel bubbles for leisure to kick-off in 1Q21F and confidence for travelling to be seen from 3Q21F onwards (such as vaccination and no local transmission in several countries). Hence, we expect the number of international tourist arrivals in 2021F to rebound to 14mn, increasing 109% YoY

Figure 28: Quarterly tourist arrivals

Base case	Travel bubbles 1Q21F	2Q21F	Contained 3Q21F	4Q21F	Total
Potential 10 countries	93,478	1,682,266	4,046,532	4,401,944	10,224,221
Others	20,079	50,498	1,041,285	2,677,449	3,789,311
Total tourist arrivals	113,557	1,732,764	5,087,817	7,079,393	14,013,532

Source: KGI Research

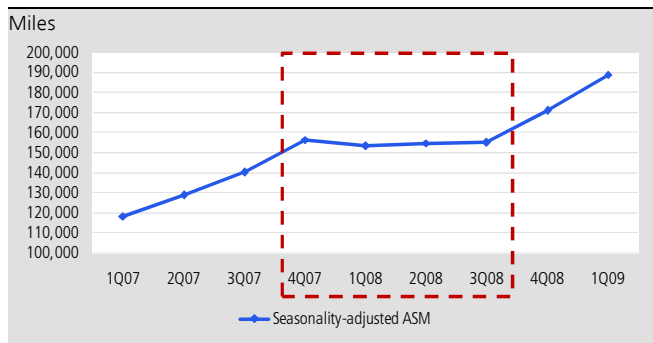
Tourist arrivals in 2022F may be partly hampered by airlines' capacities

In 2022F, we believe the number of international tourist arrivals may not return to the 2019 level (39.8mn) due to the constraint over air-traffic capacity.

During the financial crisis in 2008, US air traffic capacity, measured in available seat miles (ASM), took about 2-3 quarters to come back to the pre-crisis level. At the same time, some US firms temporarily lost global market share which implied market share can be allocated to other less affected firms or countries. However, the crisis this time seems to be totally different due to the widespread impact affecting global capacity at the same time as well as more concern over bankruptcies in the airline industry.

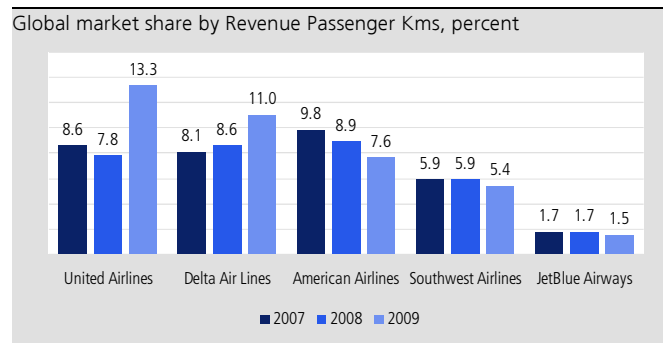
For KGI's house view assumption, we preliminarily expect the number of international tourist arrivals in 2022 to come in at around 32mn, or about 80% of the traffic during pre-COVID.

Figure 29: US air traffic capacity



Source: Company data, KGI Research

Figure 30: Global market share by RPKs



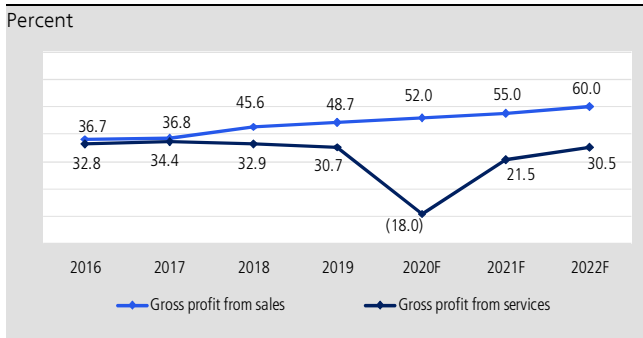
Source: Company data, KGI Research

Figure 31: Company profile

Siam Wellness Group Plc. (SPA) is one of the largest spa operators in Thailand. It operates health spas, spa-related products, and hospitality businesses. For the spa business, there are five main brands: i) RarinJinda Wellness Spa (5-star spa service), ii) Let's Relax (4-star spa service), iii) Baan Suan Massage (3-star spa service), iv) Stretch Me (stretching studio), and v) Face Care by Let's Relax (facial spa).

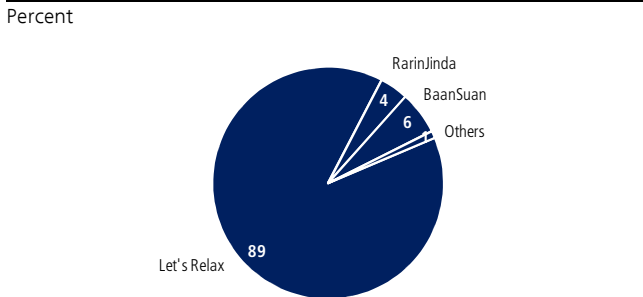
Source: Company data

Figure 33: Margins



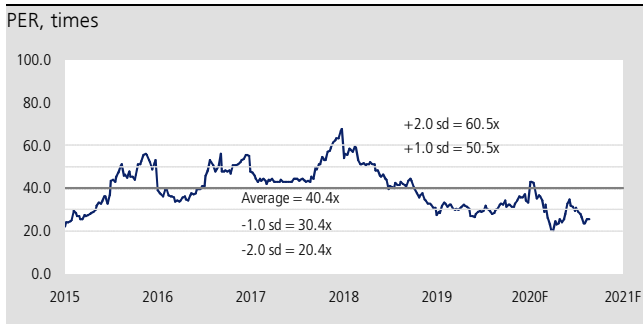
Source: Company data, KGI Research

Figure 35: Spa revenue breakdown by brands



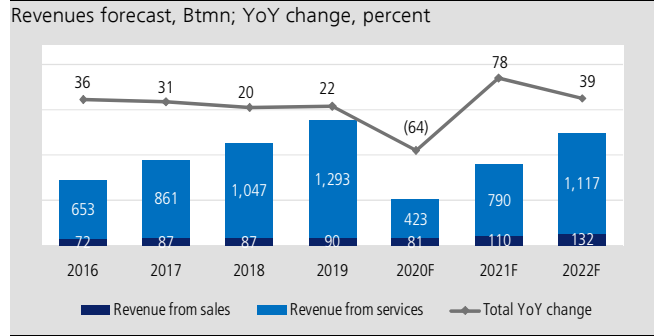
Source: Company data, KGI Research

Figure 37: Company trading PER



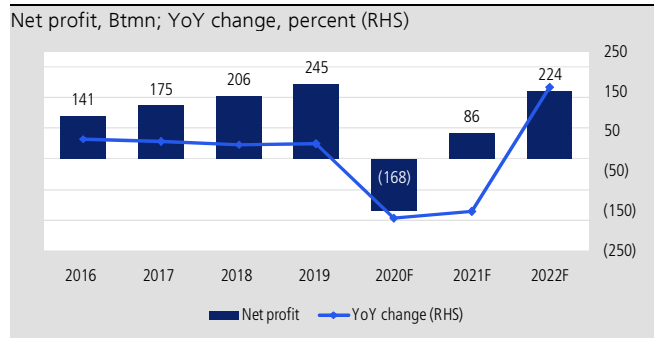
Source: KGI Research

Figure 32: Revenue forecast



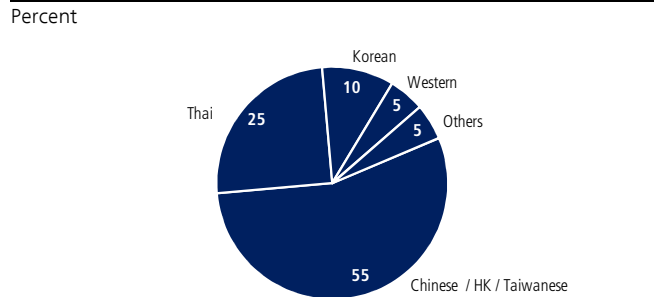
Source: Company data, KGI Research

Figure 34: Net profit



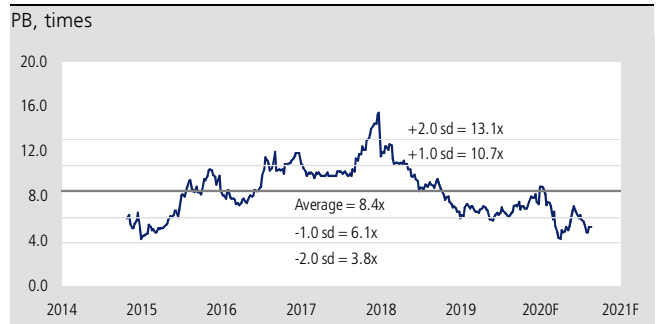
Source: Company data, KGI Research

Figure 36: Spa revenue breakdown by customers



Source: Company data, KGI Research

Figure 38: Company trading PB



Source: KGI Research

Quarterly Income Statement

	Mar-17A	Jun-17A	Sep-17A	Dec-17A	Mar-18A	Jun-18A	Sep-18A	Dec-18A	Mar-19A	Jun-19A	Sep-19A	Dec-19A	Mar-20A	Jun-20A
Income Statement (Bt mn)														
Revenue	225	223	243	256	279	265	288	303	341	337	368	338	238	31
Cost of Goods Sold	(142)	(148)	(161)	(170)	(174)	(176)	(191)	(209)	(231)	(240)	(245)	(227)	(201)	(82)
Gross Profit	84	76	83	86	105	89	97	93	110	98	122	111	37	(50)
Operating Expense	(31)	(33)	(32)	(35)	(37)	(37)	(37)	(41)	(42)	(46)	(42)	(33)	(30)	(27)
Other incomes	0	0	0	0	0	0	0	0	4	5	4	(14)	5	0
Operating Profit	53	43	51	51	67	52	60	52	72	57	84	64	12	-77
Depreciation of fixed asset	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(27)	(31)	(28)	(32)	(27)	(70)	(53)
Operating EBITDA	73	67	74	76	100	82	88	85	103	85	116	111	82	(23)
Non-Operating Income	0	0	0	0	0	0	0	0	0	0	0	(0)	1	1
Interest Income	0	0	0	0	0	0	0	0	0	0	0	(0)	1	1
Other Non-op Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Operating Expense	(1)	(1)	(2)	(3)	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(2)	(9)	(6)
Interest Expense	(1)	(1)	(2)	(3)	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(2)	(9)	(6)
Other Non-op Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity Income/(Loss)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	54	47	53	52	67	57	61	56	70	55	81	81	4	(82)
Current Taxation	(9)	(7)	(8)	(6)	(11)	(8)	(9)	(7)	(11)	(7)	(13)	(10)	0	1
Minorities	0	0	0	(0)	0	0	0	(0)	(0)	(0)	2	(2)	0	0
Extraordinary items	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Profit	45	40	44	46	56	48	52	49	59	47	70	69	4	(81)
Normalized Profit	45	40	44	46	56	48	52	49	59	47	70	69	4	(81)
EPS (Bt)	0.05	0.05	0.05	0.05	0.07	0.06	0.06	0.06	0.07	0.06	0.08	0.08	0.01	(0.09)
Normalized EPS (Bt)	0.05	0.05	0.05	0.05	0.07	0.06	0.06	0.06	0.07	0.06	0.08	0.08	0.01	(0.09)
Margins														
Gross profit margin	37.1	33.9	34.0	33.7	37.5	33.6	33.7	30.8	32.3	29.0	33.3	32.9	15.6	(159.3)
Operating EBIT margin	23.5	19.2	20.9	20.0	24.1	19.8	20.9	17.1	21.3	17.0	22.9	19.1	5.0	(243.5)
Operating EBITDA margin	32.2	30.2	30.6	29.6	35.8	31.0	30.4	28.2	30.4	25.3	31.5	32.9	34.7	(73.3)
Net profit margin	20.0	18.1	18.1	17.8	20.1	18.3	18.1	16.2	17.3	14.0	19.0	20.5	1.8	(256.1)
Growth (YoY)														
Revenue growth	31.5	30.5	26.5	34.3	23.9	18.5	18.2	18.5	22.0	27.5	27.8	11.6	(30.2)	(90.7)
Operating EBIT growth	36.0	28.4	8.3	58.8	26.9	21.9	18.4	1.8	7.7	9.7	40.1	24.1	(83.5)	(233.5)
Operating EBITDA growth	28.7	35.7	16.9	48.2	37.6	21.6	17.7	12.9	3.6	4.0	32.3	30.1	(20.3)	(127.1)
Net profit growth	28.1	31.5	9.2	31.5	24.4	20.0	17.9	7.7	5.2	(2.4)	34.8	40.8	(92.6)	(270.8)
Normalized profit growth	28.1	31.5	9.2	31.5	24.4	20.0	17.9	7.7	5.2	(2.4)	34.8	40.8	(92.6)	(270.8)

Source: KGI Research

Balance Sheet

As of 31 Dec (Bt mn)	2018	2019	2020F	2021F	2022F
Total Assets	1,369	1,516	2,394	2,456	2,598
Current Assets	176	289	289	351	410
Cash & ST Investment	111	126	224	242	223
Inventories	31	40	33	45	48
Account Receivable	24	37	14	30	42
Others	10	47	5	9	12
Non-current Assets	1,194	1,227	2,106	2,105	2,188
LT Investment	8	24	25	25	25
Net fixed Assets	1,067	1,083	1,009	982	1,043
Others	118	120	1,072	1,097	1,119
Total Liabilities	399	384	1,430	1,406	1,403
Current Liabilities	224	245	233	237	252
Account Payable	83	97	60	74	92
ST Borrowing	90	85	148	116	96
Others	51	63	26	46	64
Long-term Liabilities	175	139	1,197	1,169	1,150
Long-term Debts	126	80	145	113	91
Others	49	59	1,052	1,056	1,059
Shareholders' Equity	970	1,132	964	1,050	1,196
Common Stock	143	143	214	214	214
Capital Surplus	279	279	279	279	279
Retained Earnings	505	666	427	513	659

Source: KGI Research

Key Ratios

Year to 31 Dec	2018	2019	2020F	2021F	2022F
Growth (%YoY)					
Sales	19.7	22.0	(63.5)	78.3	38.9
OP	17.1	20.3	(158.9)	(163.5)	154.2
EBITDA	19.3	20.2	(87.0)	509.9	52.5
NP	17.4	19.4	(168.4)	(151.2)	160.7
Normalized Profit	17.4	19.4	(168.4)	(151.2)	160.7
EPS	17.4	19.4	(168.4)	(151.2)	160.7
Normalized EPS	17.4	19.4	(168.4)	(151.2)	160.7
Profitability (%)					
Gross Margin	33.9	31.9	(6.7)	25.6	33.6
Operating Margin	20.4	20.1	(32.5)	11.6	21.2
EBITDA Margin	30.5	30.0	10.7	36.7	40.3
Net Margin	18.1	17.7	(33.3)	9.6	17.9
ROAA	15.0	16.2	(7.0)	3.5	8.6
ROAE	21.2	21.7	(17.4)	8.2	18.7
Stability					
Gross Debt/Equity (%)	41.1	33.9	148.4	133.9	117.3
Net Debt/Equity (%)	22.3	14.6	30.4	21.9	15.6
Interest Coverage (x)	28.3	28.4	(7.8)	5.5	14.6
Interest & ST Debt Coverage (x)	2.5	3.1	(0.9)	0.8	2.5
Cash Flow Interest Coverage (x)	37.8	23.8	4.5	13.7	23.5
Cash Flow/Interest & ST Debt (x)	3.4	2.6	0.5	2.1	3.9
Current Ratio (x)	0.8	1.2	1.2	1.5	1.6
Quick Ratio (x)	0.6	1.0	1.1	1.3	1.4
Net Debt (Bt mn)	136.9	112.8	1,119.4	1,037.5	963.6
Per Share Data (Bt)					
EPS	0.2	0.3	(0.2)	0.1	0.3
Normalized EPS	0.2	0.3	(0.2)	0.1	0.3
CFPS	0.4	0.3	0.1	0.3	0.5
BVPS	1.1	1.3	1.1	1.2	1.4
SPS	1.3	1.6	0.6	1.1	1.5
EBITDA/Share	0.4	0.5	0.1	0.4	0.6
DPS	0.2	0.0	0.0	0.0	0.1
Activity					
Asset Turnover (x)	0.8	0.9	0.2	0.4	0.5
Days Receivables	7.6	9.8	9.9	12.2	12.2
Days Inventory	15.1	15.5	22.0	24.5	21.1
Days Payable	40.6	37.5	40.6	40.6	40.6
Cash Cycle	-17.9	-12.2	-8.6	-3.9	-7.3

Source: KGI Research

Profit & Loss

Year to Dec 31 (Bt mn)	2018	2019	2020F	2021F	2022F
Revenue	1,134	1,384	504	899	1,249
Cost of Goods Sold	(750)	(943)	(538)	(669)	(829)
Gross Profit	384	441	(34)	230	420
Operating Expenses	(152)	(163)	(130)	(126)	(155)
Other Incomes	0	0	0	0	0
Operating Profit	232	279	(164)	104	265
Depreciation of fixed assets	(96)	(118)	(211)	(213)	(221)
Operating EBITDA	346	416	54	330	504
Non-Operating Income	0	0	0	0	0
Interest Income	0	0	0	0	0
Other Non-op Income	0	0	0	0	0
Non-Operating Expense	(9)	(10)	(20)	(21)	(19)
Interest Expense	(9)	(10)	(20)	(21)	(19)
Other Non-op Expense	0	0	0	0	0
Equity Income/(Loss)	0	0	0	0	0
Pretax Profit	241	288	(177)	96	263
Current Taxation	(35)	(42)	9	(10)	(39)
Minorities	0	1	(0)	0	0
Extraordinaries items	0	0	0	0	0
Net Profit	206	245	(168)	86	224
Normalized Profit	206	245	(168)	86	224
EPS (Bt)	0.24	0.29	(0.20)	0.10	0.26
Normalized EPS (Bt)	0.24	0.29	(0.20)	0.10	0.26

Source: KGI Research

Cash Flow

Year to 31 Dec (Bt mn)	2018	2019	2020F	2021F	2022F
Operating Cash Flow	334	249	90	291	454
Net Profit	206	245	(168)	86	224
Depreciation & Amortization	96	118	211	213	221
Change in Working Capital	33	(114)	47	(9)	8
Others					
Investment Cash Flow	(285)	(141)	(1,097)	(209)	(301)
Net CAPEX	(306)	(136)	(90)	(213)	(304)
Change in LT Investment	(0)	(15)	(1,000)	0	0
Change in Other Assets	1	(0)	0	0	0
Free Cash Flow	49	108	(1,007)	82	153
Financing Cash Flow	(36)	(135)	1,128	(64)	(121)
Change in Share Capital	0	0	71	0	0
Net Change in Debt	(46)	(51)	1,128	(64)	(42)
Change in Other LT Liab.	50	(1)	0	(0)	(0)
Net Cash Flow	13	(27)	121	18	31

Source: KGI Research

Rates of Return on Invested Capital

Year	1-	COGS Revenue	+	Depreciation Revenue	+	Operating Exp. Revenue	=	Operating Margin
2018		66.1%		8.5%		13.4%		12.0%
2019		68.1%		8.5%		11.7%		11.6%
2020F		106.7%		41.9%		25.8%		-74.4%
2021F		74.4%		23.7%		14.0%		-12.2%
Year	1/	Working Capital Revenue	+	Net PPE Revenue	+	Other Assets Revenue	=	Capital Turnover
2018		(0.0)		0.9		0.3		0.9
2019		0.0		0.8		0.3		0.9
2020F		0.1		2.0		2.7		0.2
2021F		0.1		1.1		1.6		0.4
Year		Operating Margin	x	Capital Turnover	x	Cash Tax Rate	=	After-tax Return on Inv. Capital
2018		12.0%		0.9		14.7%		1.5%
2019		11.6%		0.9		14.5%		1.5%
2020F		-74.4%		0.2		5.0%		-0.8%
2021F		-12.2%		0.4		10.0%		-0.4%

Source: KGI Research

Siam Wellness Group – Recommendation & target price history



Source: KGI Research

Corporate Governance Report of Thai Listed Companies



Companies with Excellent CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
EGCO	ELECTRICITY GENERATING	KTB	KRUNG THAI BANK	TISCO	TISCO FINANCIAL GROUP
KBANK	KASIKORN BANK	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING		
KKP	KIATNAKIN BANK	SCB	THE SIAM COMMERCIAL BANK		



Companies with Very Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	ERW	THE ERAWAN GROUP	SCC	THE SIAM CEMENT
AOT	AIRPORTS OF THAILAND	GFPT	GFPT	SPALI	SUPALAI
AP	ASIAN PROPERTY DEVELOPMENT	IFEC	INTER FAR EAST ENGINEERING	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
BBL	BANGKOK BANK	LPN	L.P.N. DEVELOPMENT	SVI	SVI
BH	BUMRUNGRAD HOSPITAL	MINT	MINOR INTERNATIONAL	TASCO	TIPCO ASPHALT
BIGC	BIG C SUPERCENTER	PS	PRUKSA REAL ESTATE	TCAP	THANACHART CAPITAL
CK	CH. KARNCHANG	QH	QUALITY HOUSES	TMB	TMB BANK
CPALL	CP ALL	ROBINS	ROBINSON DEPARTMENT STORE	TRUE	TRUE CORPORATION
CPN	CENTRAL PATTANA	RS	RS		
DRT	DIAMOND ROOFING TILES	SAMART	SAMART CORPORATION		



Companies with Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
CENTEL	CENTRAL PLAZA HOTEL	HMPRO	HOME PRODUCT CENTER	MAKRO	SIAM MAKRO
DCC	DYNASTY CERAMIC	ILINK	INTERLINK COMMUNICATION	MODERN	MODERNFORM GROUP
GL	GROUP LEASE	KTC	KRUNGTHAI CARD	TRT	TIRATHAI
GLOW	GLOW ENERGY	MAJOR	MAJOR CINEPLEX GROUP	TVO	THAI VEGETABLE OIL

Companies classified Not in the three highest score groups

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	CHG	CHULARAT HOSPITAL	NOK	NOK AIRLINES
ANAN	ANANDA DEVELOPMENT	CKP	CK POWER	PACE	PACE DEVELOPMENT CORPORATION
BA	BANGKOK AIRWAYS	DTAC	TOTAL ACCESS COMMUNICATION	SAWAD	SRI SAWAD POWER 1979
BCH	BANGKOK CHAIN HOSPITAL	GLOBAL	SIAM GLOBAL HOUSE	TMT	THAI METAL TRADE
BDMS	BANGKOK DUSIT MEDICAL SERVICES	GPSC	GLOBAL POWER SYNERGY	TPCH	TPC POWER HOLDING
BEM	BANGKOK EXPRESSWAY AND METRO	GUNKUL	GUNKUL ENGINEERING	WHA	WHA CORPORATION
BJCHI	BJC HEAVY INDUSTRIES	LPH	LADPRAO GENERAL HOSPITAL	WORK	WORKPOINT ENTERTAINMENT
CBG	CARABAO GROUP	MTLS	MUANGTHAI LEASING		

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
CPN	CENTRAL PATTANA	SCC	THE SIAM CEMENT		

Level 4: Certified

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	IFEC	INTER FAR EAST ENGINEERING	SVI	SVI
BBL	BANGKOK BANK	KBANK	KASIKORN BANK	TCAP	THANACHART CAPITAL
DCC	DYNASTY CERAMIC	KKP	KIATNAKIN BANK	TISCO	TISCO FINANCIAL GROUP
DRT	DIAMOND ROOFING TILES	KTB	KRUNG THAI BANK	TMB	TMB BANK
EGCO	ELECTRICITY GENERATING	MINT	MINOR INTERNATIONAL		
ERW	THE ERAWAN GROUP	SCB	THE SIAM COMMERCIAL BANK		

Level 3: Established

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	DTAC	TOTAL ACCESS COMMUNICATION	PACE	PACE DEVELOPMENT CORPORATION
ANAN	ANANDA DEVELOPMENT	GFPT	GFPT	PS	PRUKSA REAL ESTATE
AP	ASIAN PROPERTY DEVELOPMENT	GL	GROUP LEASE	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
BA	BANGKOK AIRWAYS	GLOW	GLOW ENERGY	ROBINS	ROBINSON DEPARTMENT STORE
BDMS	BANGKOK DUSIT MEDICAL SERVICES	GPSC	GLOBAL POWER SYNERGY	SAMART	SAMART CORPORATION
BIGC	BIG C SUPERCENTER	HMPRO	HOME PRODUCT CENTER	SPALI	SUPALAI
BJCHI	BJC HEAVY INDUSTRIES	KTC	KRUNGTHAI CARD	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
CENDEL	CENTRAL PLAZA HOTEL	LPN	L.P.N. DEVELOPMENT	TASCO	TIPCO ASPHALT
CHG	CHULARAT HOSPITAL	MAKRO	SIAM MAKRO	TMT	THAI METAL TRADE
CK	CH. KARNCHANG	MODERN	MODERNFORM GROUP	TPCH	TPC POWER HOLDING
CKP	CK POWER	NOK	NOK AIRLINES	WHA	NOK AIRLINES

Level 2: Declared

Stock	Company name	Stock	Company name	Stock	Company name
AOT	AIRPORTS OF THAILAND	GUNKUL	GUNKUL ENGINEERING	QH	QUALITY HOUSES
BH	BUMRUNGRAD HOSPITAL	ILINK	INTERLINK COMMUNICATION	TRT	TIRATHAI
GLOBAL	SIAM GLOBAL HOUSE	MTLS	MUANGTHAI LEASING	TVO	THAI VEGETABLE OIL

Level 1: Committed

Stock	Company name	Stock	Company name	Stock	Company name
CBG	CARABAO GROUP	RS	RS	SAWAD	SRI SAWAD POWER 1979
MAJOR	MAJOR CINEPLEX GROUP				

No progress

Stock	Company name	Stock	Company name	Stock	Company name
BCH	BANGKOK CHAIN HOSPITAL	CPALL	CP ALL	WORK	WORKPOINT ENTERTAINMENT
BEM	BANGKOK EXPRESSWAY AND METRO	LPH	LADPRAO GENERAL HOSPITAL		

Source: www.cgthailand.org

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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)..
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