KASIKORNTHAI EQUITY ANALYSIS

หลักทรัพย์กสิกรไทย 开泰证券 KASIKORN SECURITIES

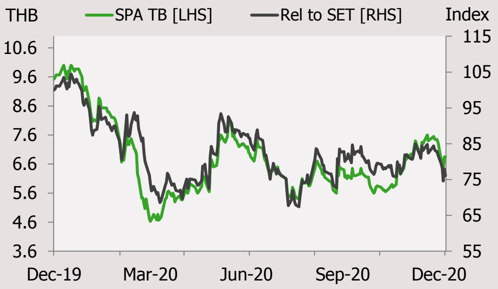
Siam Wellness Group PCL

SPA TB		Outperform
Target Price	**Bt**	**9.30**
Price (25/12/2020)	**Bt**	**6.85**
Upside	**%**	**35.77**
Valuation		**DCF**
Sector		**Services**
Market Cap	**Btm**	**5,857**
30-day avg turnover	**Btm**	**169.59**
No. of shares on issue	**m**	**855**
CG Scoring		**Very Good**
Anti-Corruption Indicator		**N/A**

Investment fundamentals

Year-end Dec 31	2019A	2020E	2021E	2022E
Company Financials				
Revenue (Btmn)	1,384	430	659	1,214
Core profit (Btmn)	242	(188)	(131)	140
Net profit (Btmn)	246	(188)	(131)	140
Net EPS (Bt)	0.43	(0.22)	(0.15)	0.16
DPS (Bt)	0.00	0.00	0.00	0.07
BVPS (Bt)	1.99	1.12	0.97	1.06
Net EPS growth (%	19.64	n.m.	n.m.	n.m.
ROA (%)	17.05	(9.61)	(5.62)	6.07
ROE (%)	23.40	(18.00)	(14.74)	16.15
Net D/E (x)	0.03	1.29	1.54	1.21
Valuation				
P/E (x)	33.60	(31.15)	(44.56)	41.80
P/BV (x)	7.30	6.12	7.09	6.44
EV/EBITDA (x)	19.97	188.49	68.02	16.80
Dividend yield (%)	n.a.	0.00	0.00	0.96

SPA TB rel SET performance



Source: Bloomberg (All figures in THB unless noted.)

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28 December 2020
Kasikorn Securities Public Company Limited

Relax, Refresh, Recharge

- **We initiate coverage of SPA with an Outperform rating and a DCF-based target price of Bt9.30.**
- **We consider SPA a proxy of the tourism sector as 75% of its revenue contributed from tourists, which will benefit from COVID-19 vaccines.**
- **Although we expect earnings to return to the 2019 level in 2023, we expect no cash call and D/E to remain the covenant level.**

Investment Highlights

- **Thai tourism proxy.** We consider SPA a proxy of the tourism sector as 75% of revenue is generated by foreign tourists. We thus expect SPA to be among the stocks to benefit from the rollout of COVID-19 vaccines, and expect earnings to return to the 2019 level by 2023. We maintain our assumption that a COVID-19 vaccine will start to be distributed in Thailand around mid-2021, while the government will allow immunity tourist into the country by 1Q21. We expect China and East Asia will be the first group of foreign tourists allowed. We expect SPA to benefit the most from a recovery of Chinese tourists as this group accounts for 55% of SPA's revenue, which is the highest revenue proportion compared to other tourism stocks.
- **Opportunity to gain market share during the COVID-19 pandemic.** We foresee an opportunity for SPA to gain more market share during the COVID-19 epidemic as SPA's industry is dominated by individual companies or SMEs, which have a weaker competitive advantage in terms of financial position. We do not expect operators will be able to reopen their businesses immediately as they will need to rehire or train therapists. We expect SPA to continue its domestic expansion in 2021-22 and estimate the number of branches will increase from 65 in 2020 to 67 in 2022. We expect SPA will expand through hotels, which will help reduce its capex from Bt15-20mn per branch to Bt5mn.
- **Balance sheet has remained strong.** Despite the negative impact caused by the COVID-19 outbreak, we expect SPA will be able to keep its D/E ratio below the debt covenant level. SPA reported a 2019 D/E of 0.34x, below the first covenant level of 1.5x, and we expect it to increase to 1.58x due to the impact of the new TFRS 9 & 16 accounting standards and the COVID-19 pandemic. This is still below the new covenant level of 2x, which was raised by lenders. We expect SPA to have sufficient cash flow in 2021 given a lack of inbound tourists during the period. SPA currently has cash on hand of Bt50mn and unutilized credit facilities of Bt70-80mn, while we estimate average cash burn of Bt10mn per month in 3Q20. Note that we estimate cash burn of around Bt16mn per month during the full lockdown period that occurred in April 2020.

Valuation and Recommendation

- We derive our end-2021 target price for SPA of Bt9.30 based on the DCF methodology using a WACC of 10.5% and terminal growth rate of 3%. Our target price implies a PBV multiple of 9.1x, which is 0.5SD above the five-year average Bloomberg consensus 12-month forward PBV.
- We see SPA as another option for investing in the tourism sector. SPA is currently trading around 0.5SD below its five-year average Bloomberg consensus 12-month forward PBV, while the stock fell 29% YTD and underperformed the SET by 25%.

Investment highlights

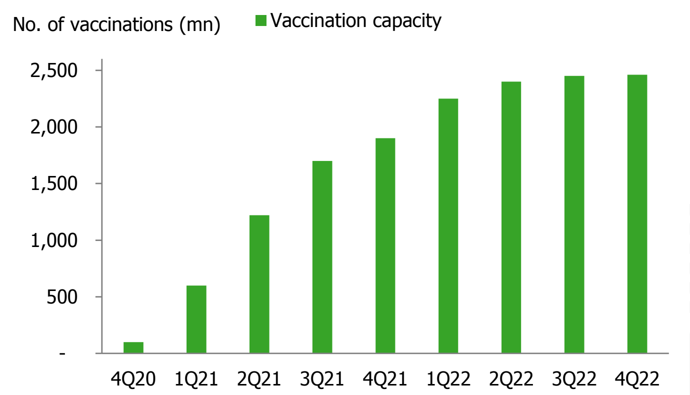
Thai tourism proxy

Revenue contribution from foreign customers

We consider SPA a proxy of the tourism sector as 75% of revenue is generated by foreign tourists, 55% of which are Chinese, 10% Japanese and Korean, 3% from other Asian countries, 5% from western countries, and 2% from the Middle East. We thus expect SPA to benefit from the rollout of COVID-19 vaccines and expect earnings to return to the 2019 level by 2023. Note that we estimate 7mn and 27mn inbound tourists in 2021-22 and a return to the 2019 level in 2023. We do not expect a second COVID-19 outbreak in Thailand to have a significant impact on 2021 inbound tourists as long as the planned distribution and rollout of vaccines remains track.

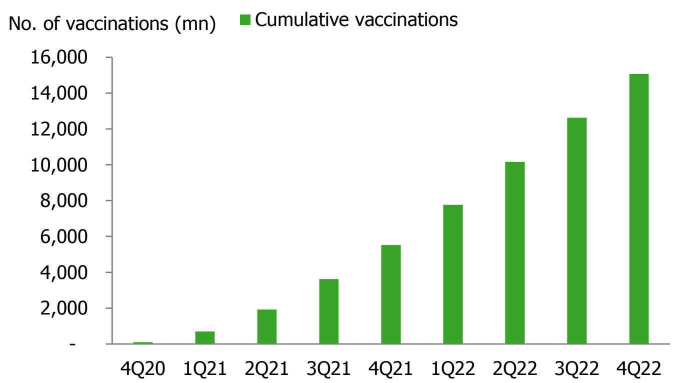
We maintain our assumption that a COVID-19 vaccine will begin distribution in Thailand in mid-2021 and that the government will begin to allow immunity tourists into the country in 1Q21. We estimate 5.5bn vaccinations to be distributed globally in 2021, or 70% of the global population (7.8bn) and expect it the number to reach 10bn in 1H22.

Fig 1 Estimated vaccination capacity



Source: KS Research

Fig 2 Estimated cumulative vaccinations



Source: KS Research

To benefit the most from Chinese tourists

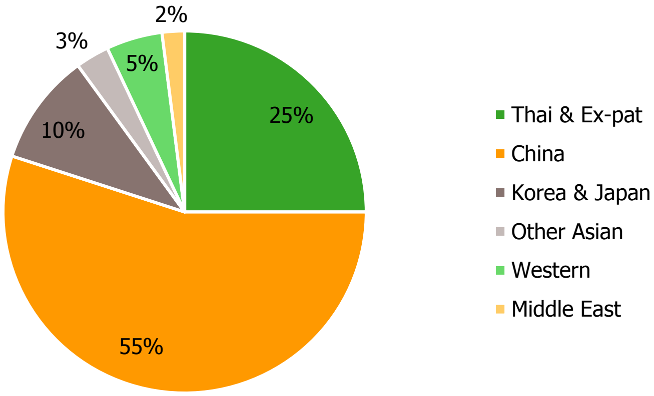
We expect SPA to benefit the most from a recovery of Chinese tourists as it accounts for 55% of SPA's revenue (Fig 4), which is the highest revenue proportion compared to other tourism stocks (Fig 3). Note that we expect Chinese and East Asians to be the first group of foreign tourists allowed into the country, while Asian customers (excluding Thais & ex-pats) account for 68%. We thus expect SPA's operations to post a stronger recovery compared to other tourism stocks under our coverage.

Fig 3 Revenue contribution from Chinese tourists

	AOT	AWC	CENTEL	DTC	ERW	MINT	VRANDA	SPA
Percentage of Chinese revenue	22%	18%	15%	8%	13%	15%	9%	**55%**

Source: Company data, KS Research

Fig 4 Spa revenue breakdown by region



Source: Company data, KS Research

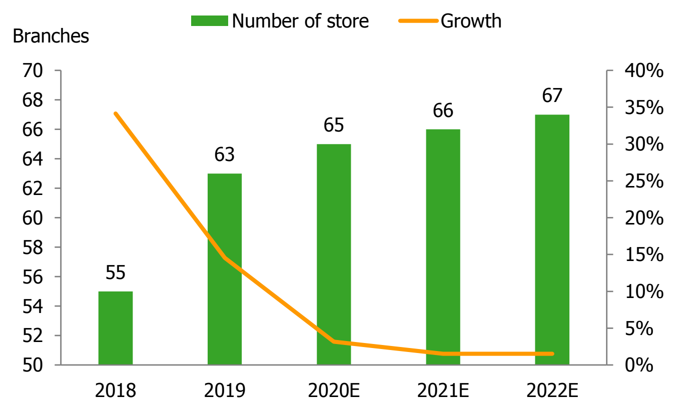
Opportunity to gain market share during COVID-19 pandemic

Store expansion to continue in 2021-22

We foresee an opportunity for SPA to gain more market share during the COVID-19 epidemic as SPA's industry dominated by individual operators or SMEs, who have a weaker competitive advantage in terms of financial position compared to listed companies such as SPA. We therefore expect some spa operators in the market during the pandemic, while we do not expect they will be able to return to business immediately as they will need to rehire or train therapists. Note that SPA is opening a massage training school operated by a subsidiary so to ensure personnel adhere to the company's standards and to accommodate expansion, which will ensure the company will not face a shortage of therapists.

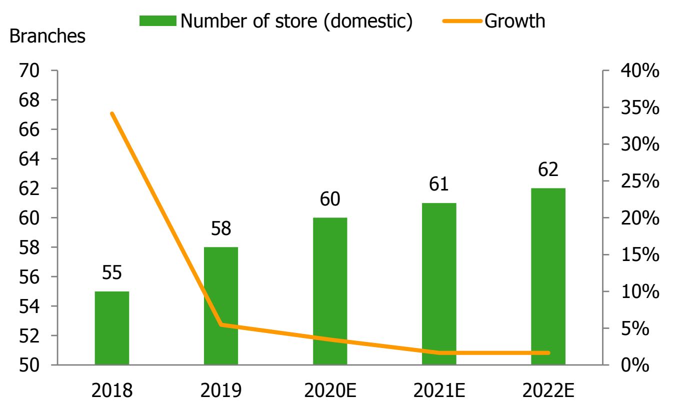
We expect SPA to continue its domestic expansion in 2021-22 despite the impact of the COVID-19 pandemic. We estimate the number of branches to increase from 65 in 2020 to 67 in 2022. We expect SPA will expand through the hotel channel, which will help reduce capex from Bt15-20mn per Let's Relax branch to Bt5mn as SPA will select properties that are fully furnished and invest only in equipment. We believe this business model will enable SPA to gain market share from hotel spa operators and reduce capex in 2021-22.

Fig 5 Number of stores



Source: Company data, KS Research

Fig 6 Number of domestic stores



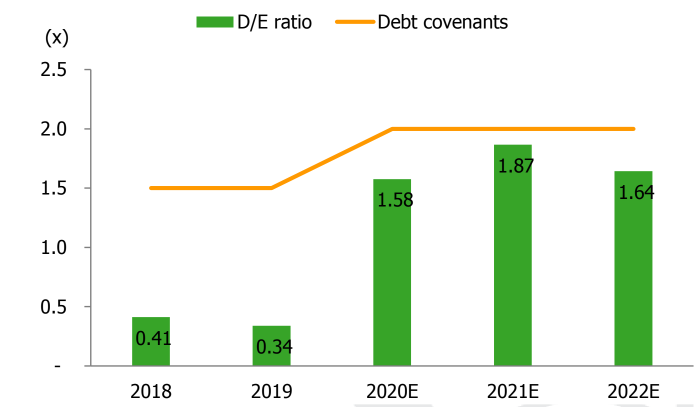
Source: Company data, KS Research

Balance sheet to remain strong

D/E still below debt covenant

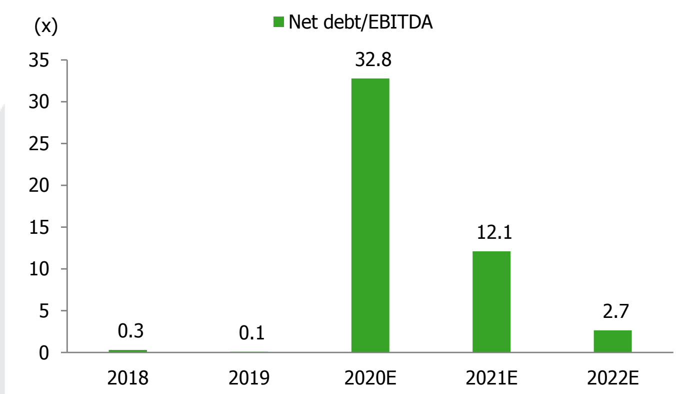
Despite the negative impact from the COVID-19 outbreak, we expect SPA will be able to keep its D/E ratio below the debt covenant level of 1.5x. The company reported a 2019 D/E of 0.34x, below the covenant. We expect it will increase to 1.58x in 2020 due to the new accounting standard (TFRS 9 & 16) and the COVID-19 pandemic, which is still below the new covenant level of 2x after its lender raised it according to the new accounting standard. We expect the D/E ratio to rise to 1.87x in 2021 and decline to 1.64x in 2022 when we expect SPA will post a net profit after a loss during 2020-21E period. We therefore do not believe there is a risk of a cash call.

Fig 6 D/E ratio



Source: Company data, KS Research

Fig 7 Net debt/EBITDA ratio



Source: Company data, KS Research

Cash flow in 2021 to be sufficient

We expect SPA to have sufficient cash flow in 2021 given a lack of inbound tourists during the period. SPA currently has cash on hand of Bt50mn and unutilized credit facilities of Bt70-80mn, while we estimate average cash burn of Bt10mn per month in 3Q20. Note that we estimate cash burn of around Bt16mn per month during the full lockdown period in April 2020.

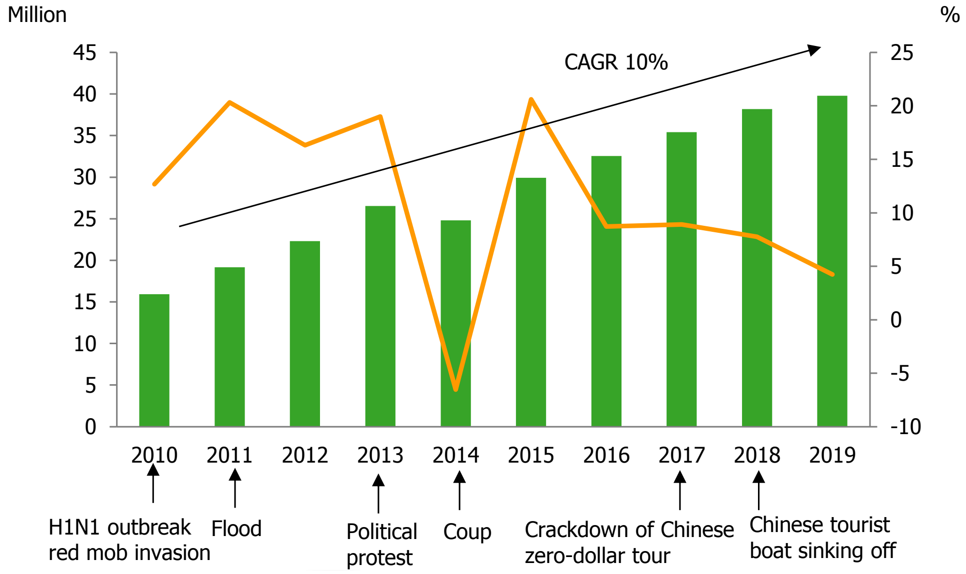
Industry highlights

Tourist arrivals bottomed out in 2020

Inbound tourists posted solid growth the past 10 years

According to the Department of Tourism, tourist arrivals grew by a CAGR of 10% in 2010-19, or from 15.9mn to 39.8mn, despite a sharp 6.5% drop-off due to the 2014 coup. The main driver was an increase in the number of Chinese tourists, which rose from 1.1mn in 2010 to 11mn in 2019, representing a 10-year growth CAGR of 27%. Note that Chinese tourists accounted for 28% of total international arrivals in 2019, while Europeans accounted for 17%, even with negative growth in 5 out of 12 months in 2018.

Fig 8 Tourist arrivals and growth



Source: Department of Tourism, KS Research

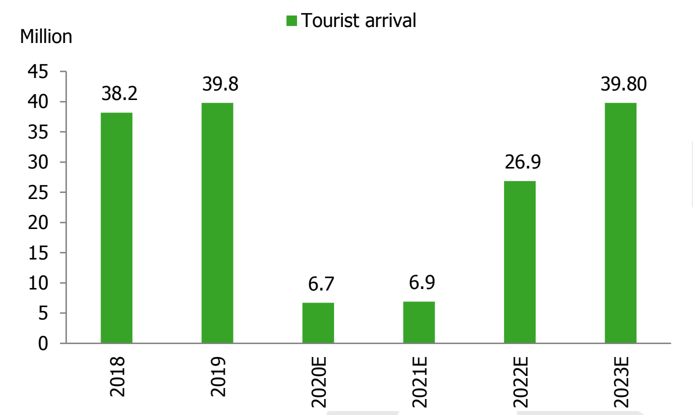
Expect inbound tourists to return to the 2019 level in 2023

We expect a recovery of domestic tourism will support SPA's operation and be a key expansion and growth driver. We have a positive view of tourist arrivals going forward after having bottomed out in 2Q20. We expect the government will allow immunity tourists into the country in 1Q21, and we maintain our assumption that Thailand will be able to start distributing a COVID-19 vaccine in mid-2021.

We maintain our 2020 tourist arrival estimate of 7mn but lower our 2021-22 estimates from 11mn and 29mn to 7mn and 27mn, respectively, to reflect our more conservative view due to the impact of the second COVID-19 outbreak.

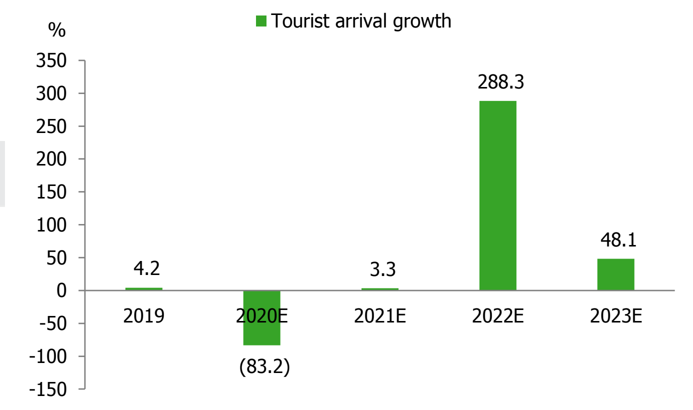
We estimate inbound tourists in 2020-22 of -83%/+3%/+288%. The deep decline in 2020 mainly reflects the impact of the COVID-19 outbreak. We expect a slight improvement of 3% in 2021 as 2M20 tourist arrivals already accounted for 88% of our 2020 full-year estimate while we expect almost no inbound tourists after April. We expect strong growth in 2022 as we expect 5.5bn vaccinations to be distributed globally in 2021, which accounts for 70% of the global population (7.8bn), while we expect the number of tourists to return to the 2019 level in 2023. Note that we expect Asian tourists to be the first group to be allowed into the country.

Fig 9 Tourist arrival estimates



Source: Company data, KS Research

Fig 10 Estimated tourist arrival growth



Source: Company data, KS Research

Due to the second outbreak of COVID-19 in Thailand, we expect the government will tighten its immigration system. We expect the government will start to allow immunity tourists into the country in April 2021, and therefore expect 2Q21 inbound tourists to recover by 5% from 2Q19, while we expect a recovery rate of 30% in 4Q21. Note that we expect a strong rebound of tourist arrivals in 2022 with growth of 288% YoY and expect the number of tourists in 2Q22 to be only 10% lower compared to 4Q19. Meanwhile, we expect inbound tourists to return to the 2019 level in 2023.

Fig 11 2020-23 inbound tourist estimates

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019 tourist arrival	**3.72**	**3.60**	**3.47**	**3.20**	**2.73**	**3.05**	**3.33**	**3.47**	**2.90**	**3.04**	**3.36**	**3.93**	**39.80**
Growth	5.3%	1.5%	-0.6%	3.2%	-0.4%	1.3%	4.7%	7.4%	10.1%	12.5%	5.9%	2.5%	4.2%
2020 tourist arrival	**3.81**	**2.06**	**0.82**	**-**	**-**	**-**	**-**	**-**	**-**	**0.00**	**0.00**	**0.00**	**6.70**
Discount to 2019	2.5%	-42.8%	-76.4%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-83.2%
2021 tourist arrival	**0.04**	**0.04**	**0.03**	**0.16**	**0.14**	**0.15**	**0.67**	**0.69**	**0.87**	**1.22**	**1.34**	**1.57**	**6.92**
Discount to 2019	-99.0%	-99.0%	-99.0%	-95.0%	-95.0%	-95.0%	-80.0%	-80.0%	-70.0%	-60.0%	-60.0%	-60.0%	3.3%
2022 tourist arrival	**1.86**	**1.80**	**1.74**	**1.92**	**1.64**	**1.83**	**2.33**	**2.43**	**2.03**	**2.74**	**3.02**	**3.54**	**26.87**
Discount to 2019	-50.0%	-50.0%	-50.0%	-40.0%	-40.0%	-40.0%	-30.0%	-30.0%	-30.0%	-10.0%	-10.0%	-10.0%	288.3%
2023 tourist arrival	**3.72**	**3.60**	**3.47**	**3.20**	**2.73**	**3.05**	**3.33**	**3.47**	**2.90**	**3.04**	**3.36**	**3.93**	**39.80**
Discount to 2019	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	48.1%

Source: Company data, KS Research

Strong growth potential with only a 4% market share

We estimate overall revenue of the domestic spa industry in 2019 was Bt35bn, which is owned mainly by individual operators or SMEs. Based on SPA's 2019 revenue of Bt1.4bn, we estimate it had a domestic market share of just 4%, which implies it has strong growth potential. We expect the company to gain market after COVID-19 by leveraging its competitive advantage in terms of strong financial position and experience, while SPA's branding, hygiene and strict will enable SPA to gain customers and create confidence during the COVID-19 epidemic. Note that we expect some spa operators may have to exit or close due to the COVID-19 pandemic due to the absence of foreign tourists.

Financial highlights

Expect earnings to return the 2019 level in 2023

Expect earnings bottomed out in 2020

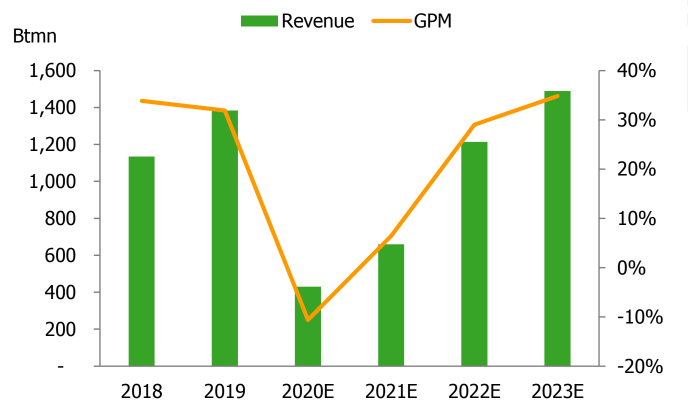
We estimate SPA to post net losses in 2020 and 2021 of Bt188mn and Bt133mn and turn to a net profit of Bt140mn in 2022. We expect earnings to increase to Bt268mn in 2023, or 9% higher compared to the 2019 level. Note that we expect the number of inbound tourists to be a key earnings driver for SPA.

We expect SPA to report a net loss of Bt188mn in 2020E due to the impact of the COVID-19 epidemic, as more than 75% of revenue is generated from foreign visitors. Note that the company reported that its 2Q20 revenue declined by 90% YoY due to the government's lockdown in April and the absence of tourist arrivals, while 3Q20 revenue decreased by a lower rate of 79% YoY, which implies that Thai customers returned to using SPA's services. We expect SPA's strategy to focus on domestic customers by offering discount packages and royalty programs will result in market share gain during the pandemic. We have a positive view of the company's cost control measures after it reported that opex declined by more than 50% during 2Q20-3Q20.

Although we expect tourist arrivals in 2021 to increase by just 3% YoY, we expect SPA to report a lower loss of Bt131mn, or 30% lower YoY, as we expect Chinese tourists to be the first group the government will allow to enter the country. Note that revenue from Chinese tourists accounts for 55% of SPA's total revenue.

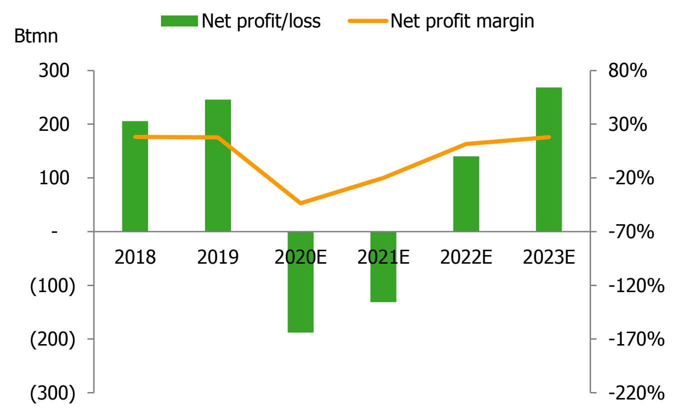
We expect earnings to turn to the black in 2022 of Bt140mn driven mainly by a strong recovery of inbound tourists of 288% YoY. We base this on the assumption cumulative vaccinations reach 15bn in 2022, which is almost 2x the global population. We estimate earnings of Bt268mn in 2023, or growth of 92% YoY and 9% higher than the 2019 net profit.

Fig 12 Revenue and GPM



Source: Company data, KS Research

Fig 13 Earnings and net profit margin



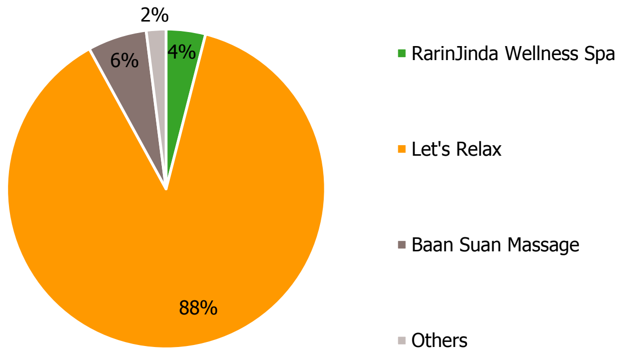
Source: Company data, KS Research

Revenue generated mainly from Let's Relax

SPA has more than 60 branches (60 domestic, 5 overseas) and five brands: 1) RerinJinda Wellness Spa; 2) Let's Relax; 3) Baan Suan Massage; 4) Stretch Me; and 5) Face Care. Based on 2019 revenue, we expect Let's Relax to contribute more than 88% of total revenue as it has 45 branches, the highest number compared to the other four, while we estimate Baan Suan Massage to contribute 6% of total revenue from its 10 branches. Note that RarinJinda contributed 4% of total revenue in 2019.

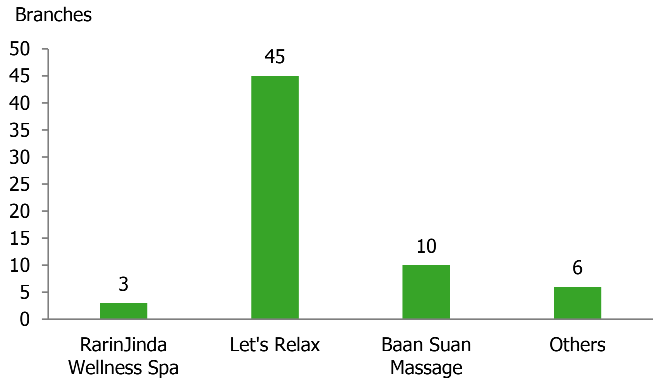
We estimate the number of branches to increase from 65 in 2020 to 67 in 2022 through the hotel channel in order to lower capex.

Fig 14 Revenue breakdown by brand (2019)



Source: Company data, KS Research

Fig 15 Number of stores (YTD)



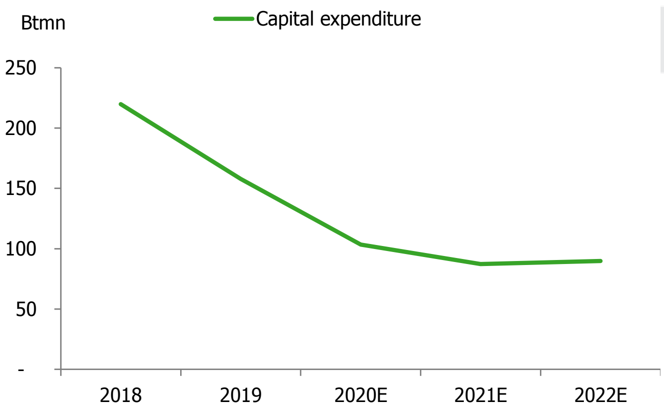
Source: Company data, KS Research

Expect 2021-22 capex to remain low

Light asset expansion during the COVID-19 pandemic

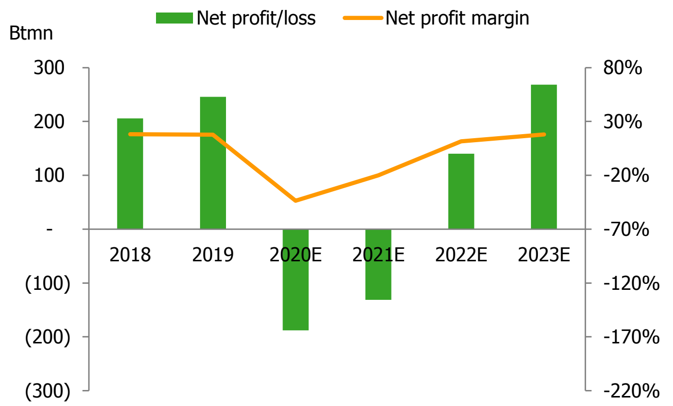
We estimate 2020 capex of Bt104mn, which is 34% lower than that in 2019, and expect capex to remain low in 2021 and 2022 at Bt87mn and Bt90mn. We expect SPA to continue to expand in hotels, which will reduce capex from Bt15-20mn per branch to Bt5mn, as SPA will select properties that are fully furnished and invest only in equipment. Note that we expect its D/E ratio to increase to 1.87x in 2021 and decline to 1.64x in 2022, which is below its debt covenant of 2x.

Fig 16 Estimated 2020-22 capex



Source: Company data, KS Research

Fig 17 Net debt/equity and interest coverage ratio



Source: Company data, KS Research

Valuation

Estimate an end-2021 target price of Bt9.30

Based on the DCF methodology using a WACC of 10.5%

We derive our end-2021 target price for SPA of Bt9.30 derived from the DCF methodology using a WACC of 10.5% and a terminal growth rate of 3%. Our target price implies a PBV multiple of 9.1x, which is 0.5SD above the five-year average Bloomberg consensus 12-month forward PBV.

Fig 18 WACC

WACC	
Cost of debt (%)	4.5%
Tax rate (%)	20.0%
After-tax cost of debt (%)	3.6%
Risk free rate in the related market (%)	3.0%
Market risk premium (%)	8.0%
Assumed Beta	1.3
Cost of equities (%)	13.4%
% of debt financing	30.0%
WACC	**10.47%**

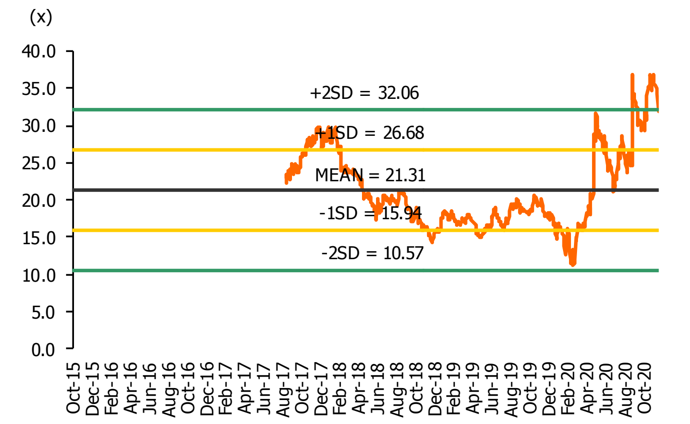
Source: KS Research

Fig 19 Free cash flow

DCF Valuation	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	212	250	298	(166)	(109)	186	335	391	451	508	567	630	697	768
Tax	31	35	45	-	-	25	47	56	65	73	81	91	100	110
EBIT(1-Tax)	182	214	253	(166)	(109)	161	288	335	387	435	486	539	596	657
Depreciation	77	96	118	204	214	229	245	271	298	325	352	379	416	453
change in WC	(74)	(0)	(60)	(25)	4	20	(4)	7	8	3	9	4	4	5
Debt injection														
Equity injection														
Capex	(246)	(220)	(158)	(104)	(87)	(90)	(127)	(130)	(132)	(135)	(138)	(141)	(144)	(147)
FCFF	**88**	**91**	**273**	**(41)**	**13**	**279**	**410**	**470**	**545**	**622**	**690**	**773**	**864**	**959**

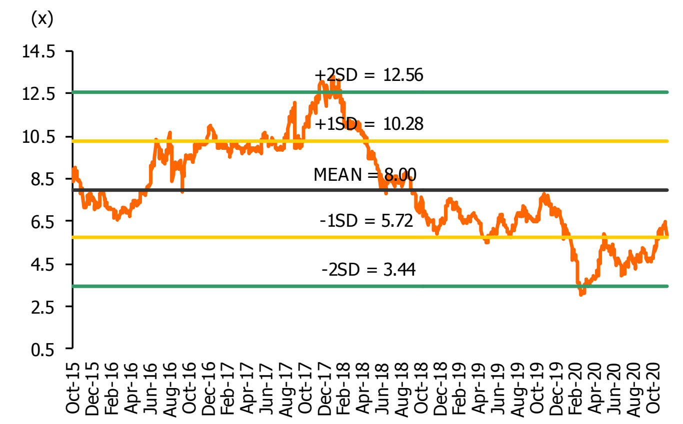
Source: KS Research

Fig 20 FWD EV/EBITDA band



Source: Bloomberg, KS Research

Fig 21 FWD PBV band



Source: Bloomberg, KS Research

Still trading below the 5-year average PBV

Based on our forecast, SPA currently trades roughly 0.5SD below its five-year average Bloomberg consensus 12-month forward PBV, while the stock decline by 29% YTD and underperformed the SET by 25%. We expect Chinese tourists to return in 2021 and provide a key share price catalyst and thus expect a stronger earnings recovery compared to other tourism stocks under our coverage as the tourist segment accounted for 55% of SPA's total revenue in 2019.

Fig 22 Stock price performance

Hotel	End-2019	25-Dec-20	YTD return	Relative return
AWC	5.85	4.78	-18.3%	-13.1%
CENTEL	25.00	23.60	-5.6%	0.3%
DTC	9.70	7.75	-20.1%	-15.1%
ERW	5.95	3.70	-37.8%	-33.9%
MINT	35.73	26.00	-27.2%	-22.7%
VRANDA	8.50	6.05	-28.8%	-24.3%
Aviation				
AOT	74.25	62.50	-15.8%	-10.5%
AAV	2.24	2.50	11.6%	18.6%
BA	6.95	6.75	-2.9%	3.2%
THAI	6.85	3.32	-51.5%	-48.5%
SPA	**9.67**	**6.85**	**-29.2%**	**-24.7%**
SET	1,580	1,486	-5.9%	

Source: Company data, KS Research

Risk factors

Fluctuations of tourist arrivals. As the majority of SPA's revenue is generated by foreign tourists, a decrease in the number of tourists will have a direct impact on the company's operations. Although Thai tourist arrivals posted solid growth in the last 10 years, there are some factors that could significantly impact confidence in travel for tourism, such as terrorism, a disease epidemic, natural disaster, civil unrest and a global economic recession. Such factors not only affected Thailand but spread and dampened tourism industries in other countries. We believe these risks could be mitigated by increasing the proportion of domestic customers in order to reduce the risk of relying on any particular group of customer.

Competition. Stiff competition in the spa industry especially from downstream and upstream markets which could lead to price competition and thereby negatively impact the profitability company's profitability. However, SPA is positioning its service to compete with the upstream market but with prices that are more attractive than its competitors, which are 5-star hotels. It is also establishing its places of service to cater specifically to its target market and to be convenient for customers to access, such as close to mass transit stations or tourist attractions. The company also provides customers the ability to book spa services and make payment via the Internet. This system enables the company to effectively management its personnel.

Renewal of lease agreements. Most of SPA's branches are under lease contract. We therefore foresee a risk of lease agreements at any of its branches not being renewed, which could result in lost income. However, the company enters into lease agreements that stipulate SPA can renew lease agreements for 9-12 years (three-year lease renewable another three years and then renewable another three years and/or renewable for an additional three years) to reduce the risk of investing in leased branches. Leasing a branch's premises instead of purchasing it provides flexibility in operating its business, such as the ability to manage expansion costs or reducing the size of premises so as to maximize returns for stakeholders. The company has good relations with its lessors by maintaining premises in good order and complying with the terms and conditions of a lease agreement. SPA is thus able to consistently renew leases with its lessors. If the company is unable to secure a lease renewal agreement for any particular branch, the company would be able to procure a location to establish a new branch.

Shortage of therapists. A shortage of therapists may materially impact SPA's business. To cope with this, company allocates a suitable number of therapists depending on the number of customers. It also provides staff welfare benefits, such as minimum guarantee for personnel who work at newly-opened branches. The provision of personnel living quarters and taking out life assurance policies for therapists, etc., helps instill confidence in the company so that they will remain with the company for a long time. The company also opening a massage training school operated by a subsidiary to ensure the company's standards are maintained, ensure there are sufficient personnel to meet the company's expansion plans, and to replace personnel who resigned to ensure the company does not experience a shortage of therapists in the future.

Company profile

Siam Wellness Group Pcl

Background

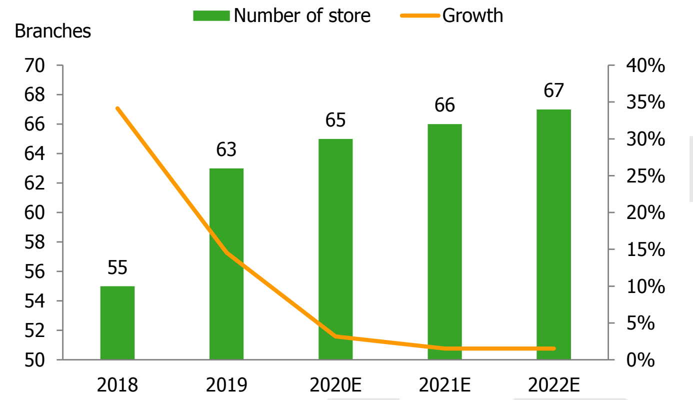
Siam Wellness Group Pcl was established in 1998 in Chiang Mai province to provide customers a memorable massage experience and to transform Thai massage into a widely accepted and transparent industry. SPA has more than 20 years of experience in the spa business. It opened its first branch under the Let's Relax brand in Chiang Mai's Night Bazaar, which offered only foot reflexology and Thai massage. Today, with an asset portfolio valued at Bt5.9bn (as of Dec 25, 2020), SPA has more than 60 branches (60 domestic, 5 overseas) under five different brands that enables the company to access every customer group.

- ⇒ **RarinJinda Wellness Spa:** a 5-star Premium and Innovative Wellness Spa situated in 5-star Hotels and resorts targets the upper segment. It is fully equipped with the latest spa technology and facilities at high international standards offering relaxing and therapeutic spa treatments.
- ⇒ **Let's Relax:** a 4-star boutique day spa situated in shopping malls, hotels as well as standalone locations in tourist areas targeting the upper middle segment. Its spa service aims at balancing the body and soul using equipment, products, and treatments of a high quality and experienced and well-trained therapists.
- ⇒ **Baan Suan Massage:** a 3-star neighborhood massage outlet located in standalone locations in highly populated areas targeting the middle segment. It offers relaxing massage therapy for local consumers.
- ⇒ **Stretch me by Let's Relax:** a stretching studio providing stretching and trigger point pressuring for guests of any lifestyle, such as office, sport or travelers by certified therapists.
- ⇒ **Face Care by Let's Relax:** a sophisticated facial spa dedicated to facial treatments using aloe vera.

Fig 23 Business overviews

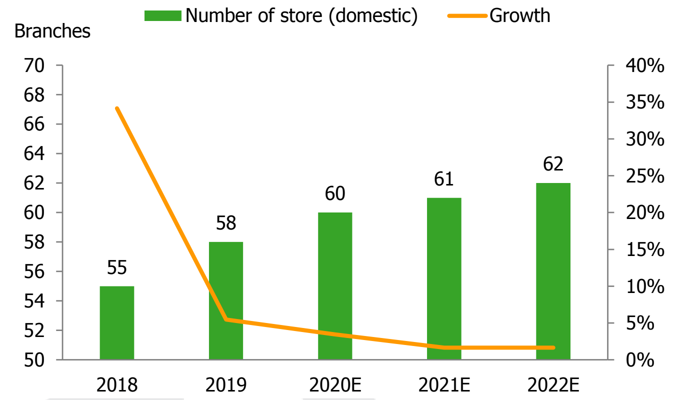
Source: Company data

Fig 24 Number of stores



Source: Company data, KS Research

Fig 25 Number of domestic stores



Source: Company data, KS Research

Fig 26 Breakdown of brands and locations

Brands	Bangkok	Upcountry	Domestic	Overseas	Total
RarinJinda	2	1	3		3
Let's Relax	19	21	40	5	45
Baan Suan Massage	7	3	10		10
Others	5	1	6		6
Total	**33**	**26**	**59**	**5**	**64**

Source: Company data, KS Research

Year-end 31 Dec

Income Statement (Btmn)	2018A	2019A	2020E	2021E	2022E
Revenue	1,134	1,384	430	659	1,214
Cost of sales and services	-750	-943	-476	-617	-862
Gross Profit	384	441	-46	43	352
SG&A	-152	-163	-120	-152	-166
Other income	18	19	0	0	0
EBIT	250	302	-166	-109	186
EBITDA	346	416	38	105	414
Interest expense	-9	-10	-22	-22	-21
Equity earnings	0	0	0	0	0
EBT	241	291	-188	-131	165
Income tax	-35	-45	0	0	-25
NPAT	206	246	-188	-131	140
Minority Interest	-0	0	0	0	0
Core Profit	206	242	-188	-131	140
Extraordinary items	0	4	0	0	0
FX gain (loss)	0	0	0	0	0
Reported net profit	206	246	-188	-131	140
Balance Sheet (Btmn)					
Cash & equivalents	79	53	50	24	123
ST investments	32	73	1	1	1
Accounts receivable	24	37	18	22	27
Inventories	31	40	45	44	47
Other current assets	10	86	61	63	64
Total current assets	176	289	176	154	262
Investment in subs & others	8	9	0	0	0
Fixed assets-net	1,067	1,083	1,039	975	908
Other assets	118	135	1,181	1,156	1,161
Total assets	1,369	1,516	2,396	2,284	2,331
Short-term debt	90	80	157	164	160
Accounts payable	83	97	54	64	91
Other current assets	51	68	47	45	48
Total current liabilities	224	245	258	273	299
Long-term debt	126	80	1,128	1,131	1,067
Other liabilities	49	59	53	54	55
Total liabilities	399	384	1,439	1,458	1,422
Paid-up capital	143	143	214	214	214
Share premium	279	279	279	279	279
Reserves & others, net	61	61	62	62	62
Retained earnings	488	650	403	271	355
Minority interests	0	0	0	0	0
Total shareholders' equity	970	1,132	957	826	910
Total equity & liabilities	1,369	1,516	2,396	2,284	2,331
Key Assumptions					
Number of branches (Domestic)	41	55	58	60	61
Sales revenue	63	70	62	67	70
Service revenue	1,071	1,314	368	593	1,144

Cashflow (Btmn)	2018A	2019A	2020E	2021E	2022E
Net profit	206	246	-188	-131	140
Depreciation & amortization	96	118	204	214	229
Change in working capital	-0	-60	-25	4	20
Others	17	22	402	-67	-264
CF from operation activities	318	325	393	21	125
Capital expenditure	-220	-158	-104	-87	-90
Investment in subs and affiliates	0	0	0	0	0
Others	0	-57	-54	-60	-70
CF from investing activities	-219	-215	-158	-148	-160
Cash dividend	-40	-86	0	0	0
Net proceeds from debt	-46	-50	140	34	-76
Capital raising	0	0	0	0	0
Others	-0	-2	-377	67	210
CF from financing activities	-86	-137	-238	101	134
Net change in cash	13	-27	-2	-26	99
Key Statistics & Ratios					
Per share (Bt)					
Reported EPS	0.36	0.43	-0.22	-0.15	0.16
Core EPS	0.36	0.43	-0.22	-0.15	0.16
DPS	0.15	0.00	0.00	0.00	0.07
BV	1.70	1.99	1.12	0.97	1.06
EV	7.65	9.73	8.29	8.34	8.14
Free Cash Flow	0.17	0.29	0.34	-0.08	0.04
Valuation analysis					
Reported P/E (x)	20.71	22.41	-31.15	-44.56	41.80
Core P/E (x)	20.71	22.75	-31.15	-44.56	41.80
P/BV (x)	4.39	4.87	6.12	7.09	6.44
EV/EBITDA (x)	12.62	13.35	188.49	68.02	16.80
Price/Cash flow (x)	13.38	16.94	14.89	284.90	46.85
Dividend yield (%)	2.01	0.00	0.00	0.00	0.96
Profitability ratios					
Gross margin (%)	33.87	31.88	-10.62	6.45	29.01
EBITDA margin (%)	30.49	30.04	8.74	15.89	34.13
EBIT margin (%)	22.03	21.80	-38.62	-16.59	15.30
Net profit margin (%)	18.13	17.78	-43.69	-19.93	11.54
ROA (%)	16.16	17.05	-9.61	-5.62	6.07
ROE (%)	23.84	23.40	-18.00	-14.74	16.15
Liquidity ratios					
Current ratio (x)	0.78	1.18	0.68	0.56	0.88
Quick ratio (x)	0.60	0.66	0.27	0.17	0.51
Leverage Ratios					
Liabilities/Equity ratio (x)	0.41	0.34	1.50	1.77	1.56
Net debt/EBITDA (x)	0.30	0.08	32.79	12.12	2.66
Net debt/equity (x)	0.11	0.03	1.29	1.54	1.21
Int. coverage ratio (x)	28.25	28.77	-7.61	-4.97	8.90
Growth					
Revenue (%)	19.69	21.99	-68.90	53.23	84.12
EBITDA (%)	19.28	20.18	-90.95	178.53	295.52
Reported net profit (%)	17.37	19.64	-176.44	30.10	206.62
Reported EPS (%)	17.37	19.64	-150.96	30.10	206.62
Core profit (%)	17.37	17.87	-177.59	30.10	206.62
Core EPS (%)	17.37	17.87	-151.73	30.10	206.62

Source: Company, KS estimates

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