

10 March 2021

Company Note

Rating

BUY

(Unchanged)

Company

Siam Wellness Group

Bloomberg

SET

Exchange

Sector

SPA TB

SPA

MAI

Services

Positive developments

12mth price target (THB)

11.00

(from Bt9.50)

Current price (10/03/2021)

9.05

Upside/Downside

22%

CG rating

4

ESG rating

ESG100

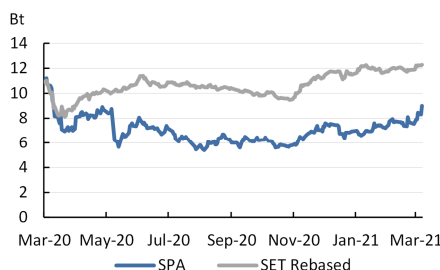
Thai CAC

n/a

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



Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
SPA	20.81	23.29	-19.64
SET	4.56	7.81	11.49

Major Shareholders

	%
Mr.Wiboon Utsahajit	11.11
Mr.Prasert Jiravanstit	10.91
Mrs.Pranee Suphawanakiat	9.25

Source: SET

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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	Target price (THB)	11.00		Market Capitalization	
	Current Price (THB)	9.05		THBm	7,738
	52-week Range	5.4 - 11.2		USDm	251

Fiscal year end 31-Dec	2019	2020	2021F	2022F	2023F
Income Statement (THBm)					
Sales and Service Incomes	1,384	427	632	906	1,452
Cost of Sales and Services	943	507	567	594	959
Gross Profit	441	-80	65	311	493
S&A Expenses	163	119	120	114	183
Interest Expense	10	21	43	42	40
Net Result of Inv. in Asso.	0	0	0	0	0
Interest Income	0	2	0	0	0
Income Tax from Operations	45	-2	-13	25	43
Net (Profit) Loss of M.I.	3	0	0	0	0
Net Profit before Extra. Items	245	-209	-76	143	246
Extra items	0	0	0	0	0
Net Profit	245	-209	-76	143	246

Cash Flow (THBm)					
Net Profit	288	-211	-89	168	289
Depreciation and Amortization	118	206	170	144	123
Change in working capital	-51	52	62	19	20
Cash flow from operations (CFO)	325	33	156	306	390
Investment	0	0	0	0	0
Capex	-161	-141	72	-20	-20
Cash Flows from Investing (CFI)	-215	-132	72	-20	-20
Debt financing	-51	178	-142	-24	-22
Dividend paid	-86	-17	0	0	-57
Share capital and premium	-1	0	0	0	0
Cash Flows from Financing (CFF)	-137	161	-142	-24	-79
Net cash increase/Decrease	-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	384	1,727	1,593	1,595	1,621
Minority Interest	0	0	0	0	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
Net Margin (%)	17.7	-49.0	-12.0	15.7	16.9
ROE (%)	23.4	-20.5	-8.8	15.8	23.1
ROA (%)	17.0	-10.1	-3.0	5.7	9.2
Net debt/equity (x)	0.2	1.8	1.7	1.2	0.7
Net interest cover (x)	28.4	-8.8	-1.1	5.0	8.2

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

Quarterly Results (THBm)					
	4Q19	1Q20	2Q20	3Q20	4Q20
Sales and Service Incomes	338	238	31	76	81
Cost of Sales and Services	227	201	82	98	127
Gross Profit	111	37	50	22	45
S&A Expenses	33	30	27	30	31
Interest Expense	2	9	6	3	5
Net Result of Inv. in Asso.	-	-	-	-	-
Interest Income	-	1	1	0	1
Income Tax from Operations	14	0	1	1	1
Net (Profit) Loss of M.I.	1	-	-	-	-
Net Profit before Extra. Items	69	4	81	55	78
Extra items	-	-	-	-	-
Net Profit	69	4	81	55	78

Source: Company data, TISCO Research 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 7.6%, Terminal growth 3%) with the underlying assumption of Risk-free 1.1%, Risk premium 8.4%.

Risk

Key downside risks: i) Delay of re-opening the country ii) Political disruptions iii) tourism-impacting events.

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	Score Range	Level	Description
 <p>Corporate Governance Report of Thai Listed Companies 2020</p>	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 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	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 November 19, 2020)

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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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