



5 March 2020

## Result Comment

Rating

**Under Review**

Company

# Siam Wellness Group

Bloomberg SET Exchange Sector  
SPA TB SPA mai Services

## Core earnings misses

12mth price target (THB)	Under Review
Current price (04/03/2020)	Bt10.9
Upside/Downside	n.a.
CG rating	4
ESG rating	ESG100
Thai CAC	n/a

### Share summary

Issue shares:	570.0m
Par Value:	Bt0.25
Market capitalization:	Bt6.2bn
	US\$0.2bn
Avg. Daily Turnover:	Bt13.4m
	US\$0.4m
Foreign Limit/Actual (%)	49/4
Free Float:	54.8%
NVDR:	3.6%

### Financial Summary

Year	2018	2019	2020F	2021F
Net Profit (Bt,m)	206	245	285	334
EPS (Bt)	0.36	0.43	0.50	0.59
EPS Growth (%)	17.4	19.4	16.3	17.1
PER (x)	39.9	33.4	20.5	17.4
PBV (x)	9.6	6.8	4.5	3.9
Div Yield (%)	1.0	1.1	1.5	1.6

Source: TISCO Research Estimates

### Results miss on revenue slowdown

SPA reported a net profit of Bt69m, a slight 4% miss vs. our expectation of Bt72m due to slightly lower-than-expected revenue. However, GPM was in line while significant reduction in admin expenses helped prop up bottom line. SPA also announced a dividend payment of Bt0.03/share and 2:1 share dividend, XD on May 12, 2020.

### Reported net profit of Bt69m (+40% YoY, -2% QoQ)

Revenue was weaker-than-expected at Bt368m, up 22% YoY from expansion, from 55 to 64 branches, and the government's Chim-Shop-Chai stimulus, but down 4% QoQ on seasonality and absence of CHABA. As expected, GPM improved significantly to 32.1% from 30.8% in 4Q18 as Stretch Me started to reach break-even, but was still down from 33.2% due to higher fixed cost associated with the branch expansion. SG&A fell heavily, down 7-14% YoY and QoQ, from several accounting adjustments, which in turn allowed NPM to mount to 18.7%

### Outlook for 1H20F is weak due to Covid-19

SPA stands to see direct impact from the Covid-19 outbreak as tourists from mainland China/HK/Taiwan account for 55% of revenue, followed by Korea/Japan at 10%, Western tourists at 5%, other Asian countries at 3% and Middle East at 2%. Our sensitivity analysis shows that every month international tourists are absent, SPA's 2020F revenue is impacted by Bt79m (see figure 2).

### Under Review

We put our forecasts and recommendation Under Review as we assess the impact of Covid-19 on Thailand's tourism industry.

**Figure 1. Reported 4Q19 net profit of Bt69m (+40% YoY, -2% QoQ)**

Bt, m	4Q19	4Q18	YoY	3Q19	QoQ
Sale revenue	368	303	21.5%	384	-4.2%
Cost of sales and services	250	209	19.3%	256	-2.5%
Gross Profit	118	93	26.5%	128	-7.5%
S&A Expenses	39	41	-6.8%	45	-14.3%
EBIT	85	58	45.5%	87	-2.2%
Interest expense	2	2	3.3%	3	-27.1%
Net Profit before Tax	83	56	47.2%	84	-1.3%
Net Profit Bef Extra	69	49	40.6%	70	-1.9%
Net Profit	69	49	40.1%	70	-2.3%
EPS (Bt)	0.12	0.09	40.1%	0.12	-2.3%
Gross margin	32.1%	30.8%		33.2%	
SG&A to sales	10.5%	13.7%		11.7%	
EBIT margin	23.1%	19.3%		22.7%	
Net margin	18.7%	16.2%		18.3%	

Source: Company data

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**2020F Impact assessment - our current assumptions**

Assuming Bt1,000 for average spending per customer and 1.26m for total number of customers as a baseline, we have conducted a sensitivity analysis of the impact on revenue, EPS and TP from the absence of particular tourist segments for a certain period of time. We note that current market price assumes tourist decline impact will last 5-6 months.

**Figure 2. Sensitivity analysis**

Period	Impact to 2020F revenue			%change to 2020F Revenue			%change to 2020F EPS			%change to 2020 TP		
	All international tourist, China/HK/Taiwan,			All international tourist, China/HK/Taiwan,			All international tourist, China/HK/Taiwan,			All international tourist, China/HK/Taiwan,		
	All	75%	55%	All	75%	55%	All	75%	55%	All	75%	55%
1m	105	79	58	-6%	-5%	-4%	-6%	-5%	-3%	15.1	15.4	15.6
2m	211	158	116	-13%	-10%	-7%	-13%	-9%	-7%	14.1	14.6	15.0
3m	316	237	174	-19%	-14%	-11%	-19%	-14%	-10%	13.0	13.8	14.4
4m	421	316	232	-26%	-19%	-14%	-25%	-19%	-14%	12.0	13.0	13.9
5m	526	395	289	-32%	-24%	-18%	-32%	-24%	-17%	11.0	12.3	13.3
6m	632	474	347	-38%	-29%	-21%	-38%	-29%	-21%	9.9	11.5	12.7

Source : TISCO Research Estimates

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	Score Range	Level	Description
 <p><b>Corporate Governance Report of Thai Listed Companies 2019</b></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 30, 2018) 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 30, 2018)

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