

12 April 2023

Company Note

Rating

BUY

(Unchanged)

Company

Siam Wellness Group

Bloomberg SET Exchange Sector
SPA TB SPA SET Mai Industry

Hitting its stride in 1Q23F

12mth price target (THB)	12.50
Current price (11/04/2023)	11.20
Upside/Downside	11.61%
CG rating	4
ESG rating	n.a.
Thai CAC	n.a.

Share summary

Issue shares :	(m shrs)	854
Market capitalization:	(THB bn)	9.3
	(USDbn)	0.2
Avg. Daily Turnover:	(THBm)	31
	(USDm)	0
Foreign Limit/Actual	(%)	49/2
Free Float:	(%)	56
NVDR:	(%)	2

Share price / rel. to SET



Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
SPA	6.6	-2.6	53.4
SET	-5.4	-9.2	-18.4

Major Shareholders

	%
Mr.Wiboon Utsahajit	11.11
Mr.Prasert Jiravanstit	10.33
Mrs.Pranee Suphawanakiat	8.66

Source: SET

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Recovery in full swing this year

We expect to see further recovery in SPA's operation on all fronts this year, enhanced by a new 'sleep lap' service that targets new customer groups. SPA has now turned cash-positive and is paying a normal level of interest as of March. We believe SPA will have fewer issues recruiting therapists than the industry given that it now has its own training school and offers a better remuneration program compared to other stand-alone players.

Expect 1Q earnings of Bt28m, up 105% QoQ

Quarterly revenue is projected to reach Bt326m (+196% YoY, +19% QoQ), a 17-quarter high. Support should come from staff u-rate staying above 80%, thanks to strong tourist momentum (55% contribution) and full recognition of the company's 7-8% price hike from Nov '22. We expect GPM to further expand to 26.0% from 22.1% in 4Q22 on better economies of scale. We note that the sleep lap service presents upside to performance but may require some time to gain momentum. The current no. of therapists is already back to roughly 900-1,000 (still down vs. 1,200 in 2019).

We base our TP on DCF

We maintain our BUY rating with an unchanged TP of Bt12.5. We base our TP on the DCF method (WACC of 7.8% with terminal growth of 2.5%). Key risks are lower-than-expected tourist arrivals and political uncertainties.

Forecasts and ratios

Year Ended December 31	2021	2022	2023E	2024E	2025E
Sales (THBm)	168	711	1,452	1,659	1,763
EBITDA (THBm)	75	275	634	638	640
Net profit (THBm)	-287	-88	220	262	293
Net Profit (% chg from prev)	nm.	nm.	0	0	0
EPS (THB)	-0.34	-0.10	0.26	0.31	0.34
EPS (% YoY)	37.1	-69.3	-349.8	19.1	11.8
EPS vs Cons (%)	nm	nm	nm	nm	nm
PER (X)	-22.4	-85.1	43.6	36.6	32.7
Yield (%)	0.0	0.0	0.9	1.1	1.2
P/BV (X)	15.5	18.1	12.8	10.4	8.6
EV/EBITDA (X)	83.5	26.5	na.	13.4	13.1
ROE (%)	-37.6	-15.3	34.3	31.3	28.8

Source: Company data, TISCO estimates

Figure 1. Earnings preview for 1Q23F

Bt, m	1Q23F	1Q22	YoY%	4Q22	QoQ%
Sale revenue	326	110	196.3%	273	19.4%
Cost of sales and services	241	129	86.8%	213	13.5%
Gross Profit	85	-19	<i>n.a.</i>	60	40.2%
S&A Expenses	39	29	33.8%	34	12.6%
EBIT	46	-44	<i>n.a.</i>	28	64.3%
EBITDA	128	32	303.5%	110	17.1%
Interest expense	17	10	63.3%	15	10.1%
Net Profit before Tax	29	-54	<i>n.a.</i>	13	129.9%
Net Profit Bef Extra	28	-57	<i>n.a.</i>	14	104.9%
Net Profit	28	-57	<i>n.a.</i>	14	104.9%
EPS (Bt)	0.03	-0.07	<i>n.a.</i>	0.02	104.9%
Gross margin	26.0%	-17.4%		22.1%	
SG&A to sales	11.8%	26.2%		12.6%	
EBIT margin	14.2%	-39.9%		10.3%	
Net margin	8.6%	-52.2%		5.0%	

Source: TISCO Research estimates

Siam Wellness Group
Rating : BUY

Bloomberg:	SPA TB	Target price (THB)	12.50	Market Capitalization	
		Current Price (THB)	11.20	THBbn	9.3
		52-week Range	6.9-12.5	USDbn	0.2

Fiscal year end 31-Dec	2021	2022	2023E	2024E	2025E
Financial Summary					
EPS (THB)	-0.34	-0.10	0.26	0.31	0.34
DPS (THB)	0.00	0.00	0.10	0.12	0.14
BVPS (THB)	0.72	0.62	0.88	1.08	1.30
Weighted average shares (m)	855	855	855	855	855
Average market cap (THBm)	6,419	7,492	9,576	9,576	9,576
Enterprise value (THBm)	7,948	8,918	10,682	10,408	10,143
Valuation Metrics					
P/E (x)	-22.4	-85.1	43.6	36.6	32.7
P/BV (x)	15.5	18.1	12.8	10.4	8.6
FCF Yield (%)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.9	1.1	1.2
EV/Sales (x)	37.5	10.2	na.	5.1	4.7
EV/EBITDA (x)	83.5	26.5	na.	13.4	13.1
EV/EBIT (x)	-24.4	-156.0	na.	24.9	22.1
Income Statement (THBm)					
Sales revenue	168	711	1,452	1,659	1,763
Gross profit	-151	80	480	549	594
EBITDA	75	275	634	638	640
Depreciation	327	312	312	270	237
Amortisation	0	0	0	0	0
EBIT	-259	-47	300	345	378
Net interest income(expense)	2	2	2	2	2
Associates/affiliates	0	0	0	0	0
Exceptionals/extraordinaries	0	0	0	0	0
Other pre-tax income/(expense)	5	9	20	22	24
Profit before tax	-295	-87	260	311	348
Income tax expense	-9	1	39	47	52
Minorities	0	0	-2	-2	-3
Other post-tax income/(expense)	0	0	0	0	0
Net profit	-287	-88	220	262	293
Cash Flow (THBm)					
Cash flow from operations	-81	268	592	543	538
Net Capex	-30	-179	-169	-162	-156
Free cash flow	-111	89	423	381	382
Equity raised/(bought back)	0	0	0	5	10
Dividends paid	0	0	0	-88	-105
Net inc/(dec) in borrowings	101	4	120	-64	-57
Other investing/financing cash flows	0	0	0	0	0
Net cash flow	-5	93	544	230	220
Change in working capital	8	44	59	9	6
Balance Sheet (THBm)					
Cash and other liquid assets	110	202	745	972	1,189
Tangible fixed assets	947	814	671	563	482
Goodwill/intangible assets	4	5	6	7	8
Associates/investments	0	0	0	0	0
Other assets	946	946	946	946	946
Total assets	2,258	2,159	2,601	2,728	2,868
Interest bearing debt	937	941	940	928	918
Other liabilities	10	10	11	12	12
Total liabilities	1,639	1,628	1,850	1,804	1,756
Shareholders' equity	618	530	750	924	1,112
Minorities	0	0	0	0	0
Total shareholders' equity	618	530	750	924	1,112
Net debt	1,529	1,426	1,106	832	567
Key Company Metrics					
Sales growth (%)	-60.7	324.4	104.2	14.2	6.3
EPS growth (%)	37.1	-69.3	-349.8	19.1	11.8
EBITDA Margin (%)	45.0	38.7	43.7	38.5	36.3
EBIT Margin (%)	-154.3	-6.6	20.7	20.8	21.4
Payout ratio (%)	0.0	0.0	40.0	40.0	40.0
ROE (%)	-37.6	-15.3	34.3	31.3	28.8
Capex/sales (%)	18.0	25.2	11.6	9.8	8.8
Capex/depreciation (x)	0.1	0.6	0.5	0.6	0.7
Net debt/equity (x)	2.5	2.7	1.5	0.9	0.5
Net interest cover (x)	128.0	29.8	-191.3	-219.8	-240.7

Source: Company data, TISCO 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 7.8%, Terminal growth 2.5%) with the underlying assumption of Risk-free 3.2%, Risk premium 6.4%.

Risk

Key downside risks: i) Lower no.of tourist arrival ii)Political disruptions iii)tourism-impacting events.

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ESG Disclosure Score

	2020	2021
Overall ESG Disclosure Score	n.a.	n.a.
Environment	n.a.	n.a.
GHG Scope 1 (thousands of metric tonnes)	n.a.	n.a.
GHG Scope 2 Location-based (thousands of metric tonnes)	n.a.	n.a.
GHG Scope 3 (thousands of metric tonnes)	n.a.	n.a.
Electricity used (thousands of megawatt hours)	n.a.	n.a.
Total waste (thousands of metric tonnes)	n.a.	n.a.
Water consumption (thousands of cubic meters)	n.a.	n.a.
Social	n.a.	n.a.
Pct Women in Workforce (%)	n.a.	n.a.
Lost Time Incident Rate - Employees (per 100 employees)	n.a.	n.a.
Number of Employees - CSR (number of people)	n.a.	n.a.
Employees Turnover Pct (%)	n.a.	n.a.
Total Hours Spent by Firm - Employee Training (hours)	n.a.	n.a.
Governance	n.a.	n.a.
Size of the Board	n.a.	n.a.
Number of Non-executive Directors on Board	n.a.	n.a.
Number of Board Meetings for the Year	n.a.	n.a.
Board Mtg Attendance (%)	n.a.	n.a.
Number of Female Executives	n.a.	n.a.
Number of Women on Board	n.a.	n.a.

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To review the fully transparent methodology, calculation of disclosure scores for any company and compare a company's scores vs. its peers, see ESG Disclosure Score Model in Bloomberg.

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 Corporate Governance Report of Thai Listed Companies 2022	Score Range	Level	Description
	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 October 27, 2022) are categorized 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 October 27, 2022)

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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