Small Cap Research

BUY (Unchanged)

Change in Numbers

TP: Bt 11.00 (From: Bt 10.00)

Upside : 52.8%

29 NOVEMBER 2024

Siam Wellness Group Pcl (SPA TB)

Strong growth continues

SPA is no longer just a play on Chinese tourists as its earnings have surpassed the pre-COVID level despite them not fully returning. We see expansion opportunities driving a 21% EPS GAGR in 2025-27F. SPA also returned to a net cash position in 3Q24. We reaffirm BUY.

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Thanachart Securities

Good growth outlook

We reaffirm our BUY rating on SPA, projecting a robust 21% EPS CAGR over 2025-27F. ***First,*** SPA is resuming its expansion pace of 10 new branches p.a. this year after total number of branches stayed at 70 branches since the COVID pandemic began in 2020. ***Second,*** we estimate higher profitability from larger-scale shops in prime locations and better staff utilization. ***Third,*** interest expense is falling since SPA has turned net cash again from a peak net D/E ratio of 0.7x in 2022. We thus expect SPA to resume paying a cash dividend this year, given its much stronger balance sheet. Our DCF-based 12-month TP (2025F base year) rises to Bt11/share (from Bt10) on earnings upgrades and faster expansion pace assumption.

Strong demand from diversified client base

SPA is still seeing overwhelming demand from both locals and foreign tourists. Its client base is now diversified and no longer relies heavily on Chinese tourists. Pre-COVID (2019), Chinese comprised 55% of its revenue base vs. the locals at 25%. As of 9M24, the mix had changed to 35% Thais and 40% Chinese, with tourists of other nationalities rising to 25%, including Indians and Middle Easterners as new client groups. Despite no expansion over the years, SPA's earnings surpassed its pre-COVID level by 10% in 2023. Since its branches is now at nearly full utilization, we assume SPA opening 10 new branches p.a. to ride on a Chinese tourist recovery. As most of the branches will likely be the larger-scale Let's Relax shops in Bangkok and key tourist cities, we expect 17/14/11% revenue growth in 2025-27F from its branch expansion with 4% p.a. higher revenue per branch.

Improving margin

Despite already surpassing its pre-COVID level, we project SPA's net margin to rise further to 23% in 2027F, from 19% in 2024F. This is driven by 1) its ability to raise service prices to offset rising rental and utility costs, 2) its enhanced online booking system boosting staff utilization through more efficient therapist rotation across branches, and 3) scale benefits from branch expansion. Note that a higher net margin boosts its earnings base but not much on ROE, which we project to remain stable at 32% over 2024-27F, as SPA is winding down its gearing over those years.

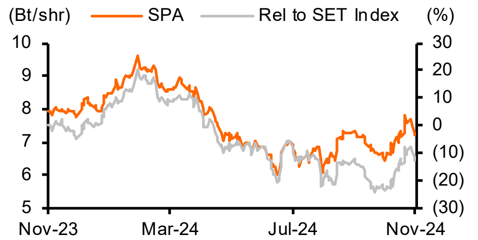
Returning to net cash

SPA became a net cash company again in 3Q24 with a net D/E ratio of -0.1x vs. its peak of 0.7x in 4Q22. Despite low gearing, ROE is high at 33% in 2025F. Its Bt200-250m of annual capex in 2025-27F accounts for only one-third of its EBITDA. Therefore, even with potential investments to expand its wellness service portfolio, we believe SPA can resume its cash dividend this year, and we assume a 40% payout over 2024-26F.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	1,446	1,711	2,000	2,284
Net profit	332	325	403	495
Consensus NP	—	302	358	413
Diff frm cons (%)	—	*7.7*	*12.6*	*19.9*
Norm profit	268	325	403	495
Prev. Norm profit	—	320	399	474
Chg frm prev (%)	—	*1.6*	*1.1*	*4.4*
Norm EPS (Bt)	0.3	0.3	0.3	0.4
Norm EPS grw (%)	na	(18.9)	23.9	22.6
Norm PE (x)	23.0	28.4	22.9	18.7
EV/EBITDA (x)	11.0	14.0	12.0	10.1
P/BV (x)	6.8	8.4	6.8	5.5
Div yield (%)	1.9	1.4	1.7	2.1
ROE (%)	36.4	32.5	32.8	32.6
Net D/E (%)	6.8	(5.4)	(14.8)	(24.4)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 29-Nov-24 (Bt)	7.20
Market Cap (US$ m)	269.2
Listed Shares (m shares)	1,282.5
Free Float (%)	57.7
Avg Daily Turnover (US$ m)	0.7
12M Price H/L (Bt)	9.60/6.00
Sector	Tourism
Major Shareholder	Jiravanstit family 14.52%

Sources: Bloomberg, Company data, Thanachart estimates

Strong growth continues

We reaffirm our BUY on SPA for its 21% EPS CAGR over 2025-27F

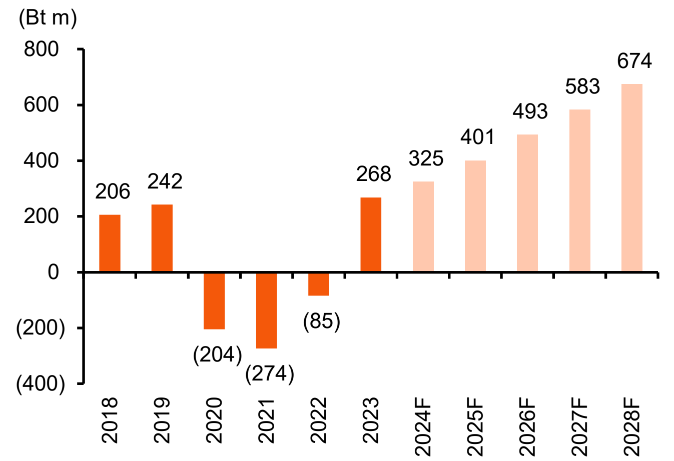
We reaffirm our BUY recommendation on shares of Siam Wellness Group Pcl (SPA) as we expect its strong earnings growth momentum to continue at an estimated three-year EPS CAGR of 21% over 2025-27F, supported by three key factors:

- **First,** we expect SPA to open 10 new Let's Relax outlets, its flagship traditional Thai massage shop, annually over 2025-27F to capture underserved demand from both the locals and the increasing number of foreign tourists visiting Thailand.
- **Second,** we project SPA's profitability to improve with more openings of large-scale shops in major malls and prime tourism locations, better staff utilization from an enhanced booking system, and scale benefits, including operating leverage.
- **Third,** as SPA has been repaying debts raised to survive the COVID-19 crisis during 2021-22, we estimate the company to return to a net cash position again with a -0.1x net D/E ratio this year from its 0.7x peak in 2022. We see this much stronger balance sheet lowering its interest costs and strengthening its capability to resume paying cash dividends. We assume a 40% dividend payout in 2024-26F.

Our rolled-over TP rises to Bt11/share after marginal earnings upgrades

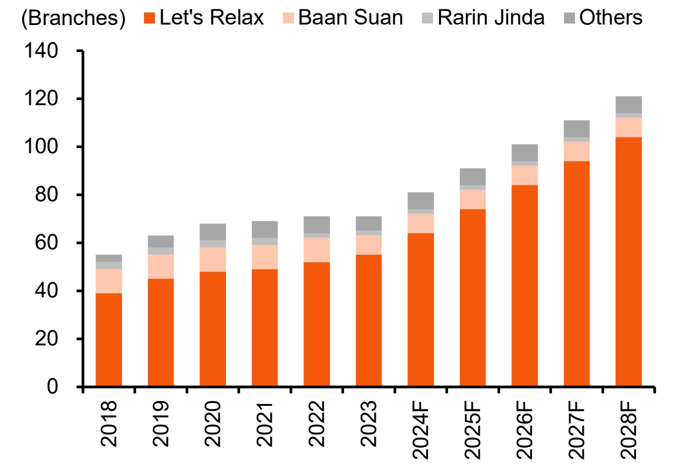
We fine-tune our earnings estimates for SPA up by 1-4% over 2024-26F to reflect stronger-than-expected revenue from non-Chinese customers during the past year and its faster-than-expected debt repayment pace. Our DCF-based TP is therefore lifted to Bt11/share (from Bt10) after the upgrades. We foresee SPA's strong earnings in 4Q24F, driven by the high season of Thai tourism and the recognition of tax loss carryforward benefits, being its key near-term share price catalyst.

Ex 1: Earnings Surpass Pre-COVID And Are Growing



Sources: Company data, Thanachart estimates

Ex 2: Resumption Of Branch Expansion



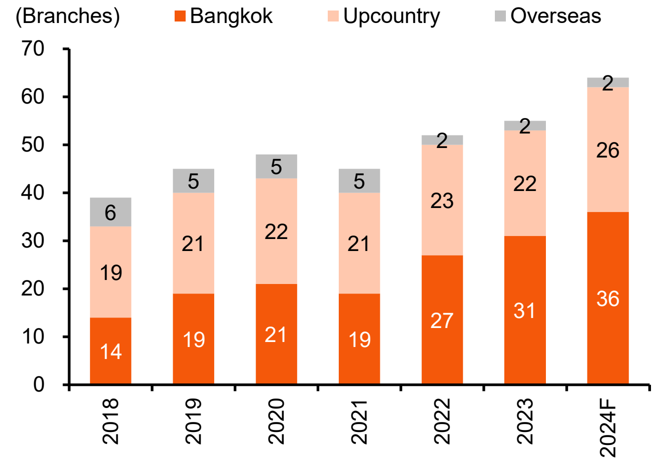
Sources: Company data, Thanachart estimates

Overwhelming demand

SPA is resuming its branch expansion to serve overwhelming demand

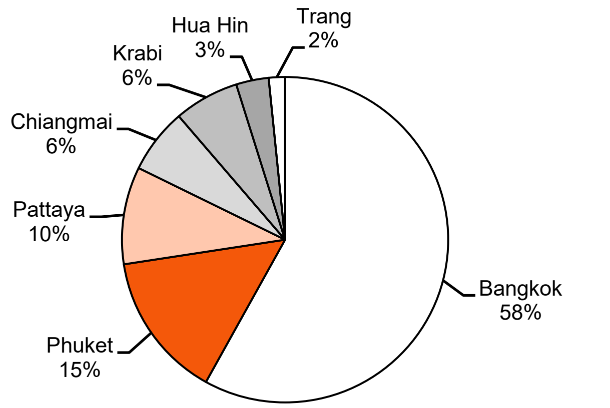
SPA has resumed its usual branch expansion pace of 10 new outlet openings this year after its total number of shops was frozen at 70 branches (68 domestic + 2 overseas) during 2019-23, when the company was in a fully conservative mode to survive the COVID-19 crisis. We expect this momentum to continue at 10 new shop openings p.a. in 2025-27F, supported by two key factors. **First,** demand for Thai massage services remains underserved, particularly in prime CBD areas in Bangkok and downtown tourism cities for locals and foreign tourists. We see SPA's success in opening three or more of its flagship Let's Relax outlets within a 200-300 meter radius of Ratchadamri and Sukhumvit roads in Bangkok and Pattaya, with high utilization, as proof of the strong demand in strategic locations. We expect the ongoing development of large-scale department stores and mixed-use projects in Bangkok and key tourist provinces to unlock more opportunities for SPA to expand its outlets.

Ex 3: Increasing Its Flagship Let's Relax Shops



Sources: Company data, Thanachart estimates

Ex 4: Let's Relax Outlets Breakdown By Location (2024F)



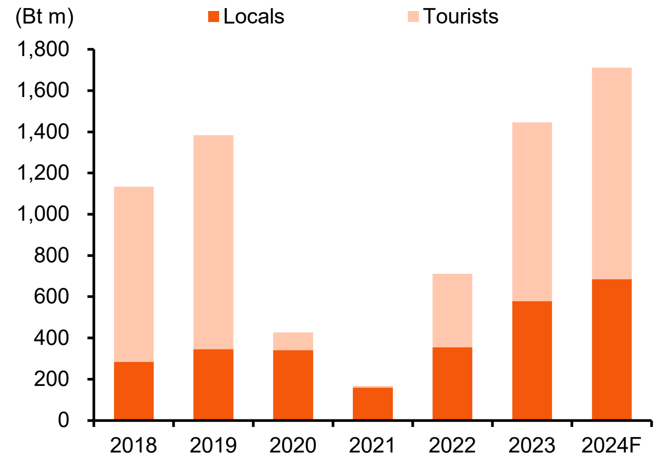
Source: Company data

Rising number of foreign tourists is another revenue growth driver

Second, even though foreign tourists, who have been its key customer group, contributing over 75% of its revenue base in 2019, have not yet fully recovered from the pre-COVID period, especially from China, the average utilization rate of SPA's massage outlets was nearly full at around 85% in 1H24. This has been driven by SPA's success in expanding its customer base to include tourists from the Middle East and India, which has offset the negative impact of the sluggish recovery in the number of Chinese tourists. Based on our in-house assumptions for the number of foreign tourists increasing from 35m in 2024F (12% below 2019) to 45m in 2027F (11% higher than 2019), this rising number of tourists offers strong support for SPA in ramping up utilization of its new branches. Looking deeper, Chinese tourists made up 55% of its revenue base in 2019, so we believe a recovery of Chinese arrivals back to its pre-COVID peak (in 2019) of 11m visitors, from 7.0m in 2024F (36% below pre-COVID) would be a significant positive driver for SPA's operations.

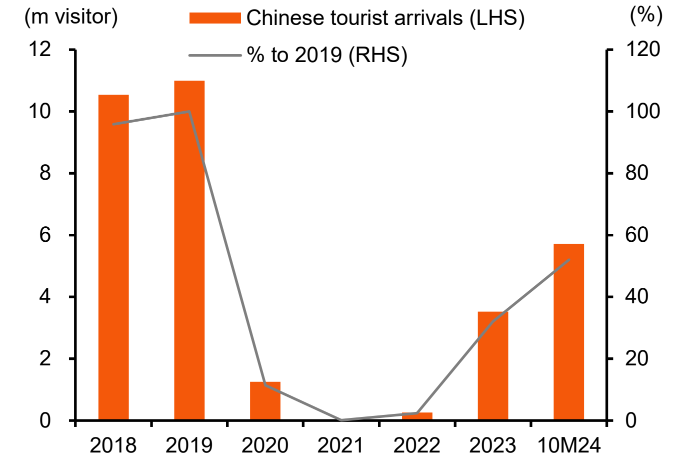
Based on our assumption of branch expansion from 80 branches in 2024F to 110 in 2027F and our estimate of 4% p.a. higher revenue per branch during those years, driven mainly by the increasing number of foreign tourists, we project SPA's revenue to grow by 17/14/11% over 2025-27F.

Ex 5: Growing Revenues From Both Locals And Tourists



Sources: Company data; Thanachart estimates

Ex 6: Chinese Yet To Fully Rebound From Pre-COVID



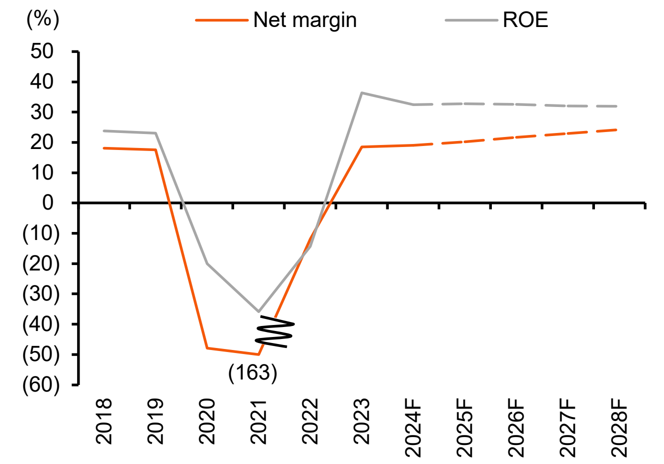
Sources: Tourism Authority of Thailand (TAT)

Improving margin

Profitability is also improving

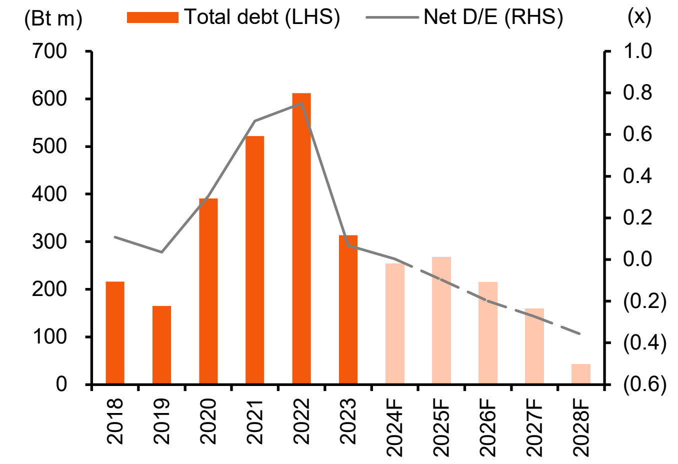
We also expect SPA's profitability to improve over the next three years. Its net margin has already surpassed the pre-COVID level, rising to 19% in 2024F vs. 18% in 2019, and we project it to increase further to 23% in 2027F, driven by three factors. 1) SPA can still steadily raise service prices to offset its shops' increasing rental and utility expenses. 2) SPA has successfully developed and raised the adoption of its online booking system, which allows the company to enhance the utilization of its therapists through the rotation of the staff between branches to match demand. 3) Thanks to the strong brand popularity of Let's Relax among foreign tourists, offering a good magnet to attract tourist traffic for malls and tourist areas, SPA can secure larger shop spaces with favorable rental terms from landlords, boosting scale and operating leverage benefits for its new shops. However, this may not be fully reflected in its ROE trend since SPA is now in a deleveraging phase.

Ex 7: Improving Net Margin Trend



Sources: Company data, Thanachart estimates

Ex 8: SPA Turned Net Cash This Year



Sources: Company data, Thanachart estimates

We expect SPA to resume its cash dividend as it is turning net cash in 2024F

SPA's financial position has significantly strengthened over the past few years, turning net cash in 3Q24. During the COVID-19 pandemic, SPA's total debt peaked at Bt612m in 2022, up from Bt165m in 2019, as the company needed to borrow heavily to survive nearly two years of shop closures when it had minimal cash inflows. Since its operating cashflow turned positive again in 2023, SPA has aggressively repaid the debt, reducing it to Bt127m in 3Q24, compared to our estimates of Bt260m in cash on hand and Bt654m of EBITDA in 2024F. With its balance sheet now robust at a -0.1x net D/E ratio in 2024F, from its 0.7x peak in 2022, and growing cash flow from operations, we believe SPA is well positioned to resume its cash dividend, assuming a 40% payout during 2024-26F. We estimate Bt0.75bn-1.00bn in EBITDA for SPA over 2025-27F against Bt250m of annual capex for its branch expansion. This implies ample cash for SPA to pay dividends while also searching for opportunities to invest in more wellness businesses to expand its service portfolio.

Ex 9: 12-month DCF-based TP Calculation, Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal value
EBITDA excl. depre from right of use	606	724	841	954	1,035	1,115	1,199	1,287	1,379	1,475	1,575	—
Free cash flow	323	422	520	718	790	861	935	1,012	1,093	1,178	1,267	20,398
PV of free cash flow	302	371	428	554	571	551	556	559	560	560	525	8,454

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	0.8
WACC (%)	6.7
Terminal growth (%)	2.0
Enterprise value - add investments	13,992
Net debt (2024F)	(60)
Minority interest	–
Equity value	14,052
# of shares (m)	1,282
Target price/share (Bt)	**11.00**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 10: Valuation Comparison With Regional Peers

Name	BBG Code	Country	EPS growth 24F (%)	EPS growth 25F (%)	PE 24F (%)	PE 25F (%)	P/BV 24F (%)	P/BV 25F (%)	EV/EBITDA 24F (%)	EV/EBITDA 25F (%)	Div Yield 24F (%)	Div Yield 25F (%)
Hongkong & Shanghai	45 HK	Hong Kong	(21.6)	41.7	60.6	42.8	1.8	1.7	10.7	8.6	na	na
Shangri-La Asia	69 HK	Hong Kong	(7.2)	27.1	na	na	na	na	na	na	na	na
Genting Malaysia Bhd	GENM MK	Malaysia	54.3	37.8	18.2	13.2	1.0	1.0	6.9	6.5	7.2	7.5
Mirvac Group	MGR AU	Australia	na	(10.4)	16.0	17.9	0.8	0.8	15.0	15.7	4.9	4.2
Indian Hotels	IH IN	India	2.7	28.4	87.1	67.8	12.4	10.3	50.6	40.6	0.2	0.2
Mandarin Oriental Int'l	MAND SP	Singapore	na	na	na	na	na	na	na	na	na	na
Hotel Shilla	008770 KS	South Korea	(76.8)	294.0	75.2	19.1	2.5	2.2	18.2	12.1	0.6	0.6
Resorttrust Inc	4681 JP	Japan	(4.8)	13.8	20.8	18.3	2.5	2.2	10.2	9.1	1.8	2.0
Central Plaza Hotel	CENTEL TB*	Thailand	31.3	26.8	34.7	27.3	2.5	2.4	12.2	10.7	1.2	1.6
Erawan Group	ERW TB*	Thailand	7.0	10.4	22.9	20.8	2.5	2.3	11.4	10.8	2.5	1.9
Minor International	MINT TB*	Thailand	14.0	16.7	23.0	19.7	1.9	1.8	6.1	5.7	1.6	2.0
Siam Wellness Group	SPA TB*	Thailand	(18.9)	23.9	28.4	22.9	8.4	6.8	14.0	12.0	1.4	1.7
Average			**(2.0)**	**46.4**	**38.7**	**27.0**	**3.6**	**3.1**	**15.5**	**13.2**	**2.4**	**2.4**

Sources: Company data, Thanachart estimates

Note: * Thanachart estimates, using normalized EPS

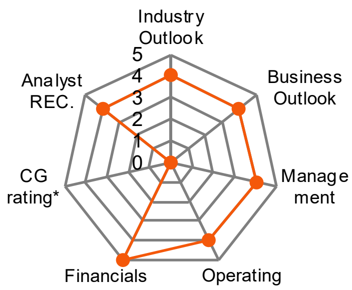
Based on 29 November 2024 closing prices

COMPANY DESCRIPTION

Siam Wellness Group Pcl (SPA) runs wellness spas and other related businesses, with four main operations: 1) Spas under the brands "Let's Relax", "Rarinjinda Wellness Spa" & "Baan Suan Massage". 2) Hotel & Restaurants: A boutique resort hotel in Chiang Mai under the name "Rarin-Jinda Wellness Spa Resort" and the “Deck 1” and “D Bistro” restaurants. 3) Spa products: Distributes and sells spa-related products under the "Blooming" brand. 4) Traditional Thai massage school "Blooming Thai Massage School" to train therapists in massage and spa services to support its business expansion.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	**5**
Good	**4**
Fair	**3**
Weak	**2**
Very Weak	**1**
None	**0**

Source: Thanachart; * No CG Rating

THANACHART’S SWOT ANALYSIS

S — Strength

- Strong brand recognition, especially among Chinese and other Asian tourists.
- Its own upstream business helps provide sufficient therapists and products for rapid expansion.
- Asset-light business model.

W — Weakness

- Relies heavily on branch expansion to grow, due to limited capacity of service hours per shop.
- Highly dependent on tourist traffic

O — Opportunity

- Gaining market share from smaller local players via organic and inorganic expansion.
- Adding more wellness services and new treatments as bundled packages to increase ticket size.
- Expansion of its business overseas.

T — Threat

- Extraordinary and uncontrollable events, i.e., geopolitical disturbances, natural disasters, etc. could disrupt its operations and decrease tourist traffic.
- Large network but only a small management team

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	9.32	11.00	18%
Net profit 24F (Bt m)	302	325	8%
Net profit 25F (Bt m)	358	403	13%
Consensus REC	**BUY: 9**	**HOLD: 1**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F earnings forecasts are 8% and 13% higher than the Bloomberg consensus numbers, which we believe is due to our more bullish view on SPA’s revenue trajectory.
- Our more positive view on SPA’s growth potential is likely the reason for our TP being 18% higher than the Street’s

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- A slower-than-expected resumption of tourists to Thailand would be the key downside risk to our bullish view on SPA.
- A slower pace of branch expansion represents another downside risk to our earnings forecasts.
- Any events causing a downturn in Thailand’s tourism industry, e.g., involving politics, the global economy, or natural disasters, would be negative for our numbers.

Source: Thanachart

SPA

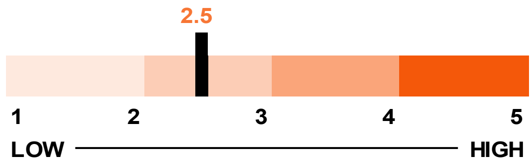
Siam Wellness Group Pcl

Sector: MAI | Services

ESG & Sustainability Report

SPA runs 70 wellness shops in Thailand and two franchise shops abroad as of 2023. Social aspects are a key component of its ESG plans, as labor is the major ingredient of its services. Customer health is always another major concern. To maintain good service hygiene, SPA has to balance its potential harm to the environment, i.e., waste and water. We maintain its ESG score at 2.5 as its policies still lack details.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
SPA	-	-	-	-	-	-	-	-	0.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
Note: Please see third party on "terms of use" toward the back of this report.

Factors	Our Comments
ENVIRONMENT – **Environmental Policies & Guidelines** – **Energy Management** – **Carbon Management** – **Water Management** – **Waste Management**	▪ SPA runs a spa and wellness services business that does not emit much greenhouse gas (GHG). This is likely why the company has yet to set clear targets and plans for overall environmental management. ▪ SPA is increasing the portion of eco-friendly materials and reducing plastics used in its service equipment and spa products to lower non-recyclable and chemical waste, targeting to cut the use of non-eco-friendly materials by 15% annually. ▪ We believe SPA could introduce more water-management policies or water-treatment programs since various washing and cleaning steps are required to maintain the hygiene of its shops and services.
SOCIAL – **Human Rights** – **Staff Management** – **Health & Safety** – **Product Safety & Quality** – **Social Responsibility**	▪ SPA has routine internal meetings for its staff (e.g., therapists, and front-office reception) to receive feedback on issues they may encounter in their daily work, ensure their voices are heard, and involve them in the company's business plan. ▪ SPA pays on a pay-per-job basis (revenue sharing) with a minimum daily guarantee to its therapists while it provides routine training for all staff. ▪ The company helps create jobs for local communities. It targets recruiting locals to make up 50% of its staff at its provincial shops.
GOVERNANCE & SUSTAINABILITY – **Board** – **Ethics & Transparency** – **Business Sustainability** – **Risk Management** – **Innovation**	▪ SPA has a total of nine members on its board of directors, four of whom are female. ▪ SPA is strongly committed to providing sufficient operational data to the public to protect the rights and benefits of all of its stakeholders. ▪ SPA has set up committees to ensure data privacy for its clients as it needs to record various health data. SPA uses a protected digital platform at its shops while continuously educating its staff to maintain a high awareness of privacy issues. ▪ SPA's revenue dependency on foreign tourists is over 70%, so it has high-risk exposure to the tourism industry in Thailand. ▪ SPA continuously introduces new wellness services to expand its customer base while also improving its services, both in treatment processes and with product innovations.

Sources: Thanachart, Company data

Revenues surpassed pre-COVID levels and are still growing with expansion

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	711	1,446	1,711	2,000	2,284
Cost of sales	631	1,010	1,166	1,343	1,511
Gross profit	**80**	**436**	**546**	**657**	**772**
% gross margin	11.3%	30.2%	31.9%	32.8%	33.8%
Selling & administration expenses	123	147	163	174	185
Operating profit	**(43)**	**289**	**382**	**483**	**587**
% operating margin	-6.0%	20.0%	22.3%	24.1%	25.7%
Depreciation & amortization	312	276	271	269	290
EBITDA	**269**	**565**	**654**	**752**	**877**
% EBITDA margin	37.8%	39.1%	38.2%	37.6%	38.4%
Non-operating income	10	27	40	47	55
Non-operating expenses	0	0	0	0	0
Interest expense	(50)	(46)	(29)	(25)	(24)
Pre-tax profit	**(83)**	**270**	**393**	**504**	**618**
Income tax	2	1	68	101	124
After-tax profit	**(85)**	**269**	**325**	**403**	**495**
% net margin	-11.9%	18.6%	19.0%	20.2%	21.7%
Shares in affiliates' Earnings	(0)	(1)	0	0	0
Minority interests	(0)	(0)	(0)	(0)	(0)
Extraordinary items	(3)	64	0	0	0
NET PROFIT	**(88)**	**332**	**325**	**403**	**495**
Normalized profit	**(85)**	**268**	**325**	**403**	**495**
EPS (Bt)	(0.1)	0.4	0.3	0.3	0.4
Normalized EPS (Bt)	(0.1)	0.3	0.3	0.3	0.4

Much stronger balance sheet as SPA is turning net cash this year

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	272	363	350	516	681
Cash & cash equivalent	185	252	250	400	550
Account receivables	30	30	38	44	50
Inventories	38	43	48	55	62
Others	19	38	14	17	19
Investments & loans	0	0	0	0	0
Net fixed assets	1,031	954	1,027	1,148	1,260
Other assets	1,117	656	641	663	685
Total assets	**2,419**	**1,973**	**2,018**	**2,327**	**2,626**
LIABILITIES:					
Current liabilities:	510	376	368	399	424
Account payables	94	124	160	184	207
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	170	43	19	20	14
Others current liabilities	246	209	189	195	203
Total LT debt	**442**	**271**	**171**	**179**	**127**
Others LT liabilities	898	425	377	389	400
Total liabilities	**1,850**	**1,072**	**916**	**967**	**951**
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	214	214	321	321	321
Share premium	279	279	279	279	279
Warrants	0	0	0	0	0
Surplus	79	79	(28)	(28)	(28)
Retained earnings	**(3)**	**329**	**530**	**788**	**1,103**
Shareholders' equity	569	901	1,102	1,360	1,675
Liabilities & equity	**2,419**	**1,973**	**2,018**	**2,327**	**2,626**

Sources: Company data, Thanachart estimates

Capex is comfortably covered by its operating cash flow

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	(83)	270	393	504	618
Tax paid	(0)	(3)	(66)	(102)	(123)
Depreciation & amortization	312	276	271	269	290
Chg In w orking capital	32	25	23	11	10
Chg In other CA & CL / minorities	53	(39)	(24)	4	4
Cash flow from operations	**313**	**529**	**598**	**687**	**800**
Capex	(211)	(46)	(189)	(244)	(249)
Right of use	(210)	347	(156)	(160)	(166)
ST loans & investments	0	(17)	26	0	0
LT loans & investments	0	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	54	(448)	(34)	3	2
Cash flow from investments	**(367)**	**(164)**	**(352)**	**(400)**	**(413)**
Debt financing	90	(298)	(123)	9	(58)
Capital increase	0	0	107	0	0
Dividends paid	0	(1)	(124)	(146)	(180)
Warrants & other surplus	39	1	(107)	0	0
Cash flow from financing	**129**	**(298)**	**(248)**	**(137)**	**(237)**
Free cash flow	**102**	**483**	**409**	**443**	**551**

Its 23x 2025F PE looks attractive against strong growth and high ROE

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	na	23.0	28.4	22.9	18.7
Normalized PE - at target price (x)	na	35.1	43.3	35.0	28.5
PE (x)	na	18.5	28.4	22.9	18.7
PE - at target price (x)	na	28.3	43.3	35.0	28.5
EV/EBITDA (x)	24.5	11.0	14.0	12.0	10.1
EV/EBITDA - at target price (x)	36.6	16.7	21.5	18.5	15.6
P/BV (x)	10.8	6.8	8.4	6.8	5.5
P/BV - at target price (x)	16.5	10.4	12.8	10.4	8.4
P/CFO (x)	19.7	11.6	15.4	13.4	11.5
Price/sales (x)	13.0	6.4	5.4	4.6	4.0
Dividend yield (%)	0.0	1.9	1.4	1.7	2.1
FCF Yield (%)	1.7	7.8	4.4	4.8	6.0
(Bt)					
Normalized EPS	(0.1)	0.3	0.3	0.3	0.4
EPS	(0.1)	0.4	0.3	0.3	0.4
DPS	0.0	0.1	0.1	0.1	0.2
BV/share	0.7	1.1	0.9	1.1	1.3
CFO/share	0.4	0.6	0.5	0.5	0.6
FCF/share	0.1	0.6	0.3	0.3	0.4

Sources: Company data, Thanachart estimates

ROE appears sustainable at above 30%

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	324.4	103.3	18.3	16.9	14.2
Net profit (%)	na	na	(2.0)	23.9	22.6
EPS (%)	na	na	(34.7)	23.9	22.6
Normalized profit (%)	na	na	21.6	23.9	22.6
Normalized EPS (%)	na	na	(18.9)	23.9	22.6
Dividend payout ratio (%)	0.0	35.8	40.0	40.0	40.0
Operating performance					
Gross margin (%)	11.3	30.2	31.9	32.8	33.8
Operating margin (%)	(6.0)	20.0	22.3	24.1	25.7
EBITDA margin (%)	37.8	39.1	38.2	37.6	38.4
Net margin (%)	(11.9)	18.6	19.0	20.2	21.7
D/E (incl. minor) (x)	1.1	0.3	0.2	0.1	0.1
Net D/E (incl. minor) (x)	0.7	0.1	(0.1)	(0.1)	(0.2)
Interest coverage - EBIT (x)	na	6.3	13.26	19.40	24.7
Interest coverage - EBITDA (x)	5.3	12.3	22.7	30.2	36.8
ROA - using norm profit (%)	na	12.2	16.3	18.6	20.0
ROE - using norm profit (%)	na	36.4	32.5	32.8	32.6
DuPont					
ROE - using after tax profit (%)	na	36.6	32.5	32.8	32.6
- asset turnover (x)	0.3	0.7	0.9	0.9	0.9
- operating margin (%)	na	21.9	24.7	26.5	28.1
- leverage (x)	3.9	3.0	2.0	1.8	1.6
- interest burden (%)	254.3	85.4	93.2	95.3	96.3
- tax burden (%)	na	99.5	82.8	80.0	80.0
WACC (%)	6.7	6.7	6.7	6.7	6.7
ROIC (%)	(4.1)	28.9	32.9	37.0	40.5
NOPAT (Bt m)	(43)	288	317	386	470
invested capital (Bt m)	996	963	1,042	1,159	1,266

Sources: Company data, Thanachart estimates

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Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an “Overweight” sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. “Underweight” is used when we have SELLs on majority of the stocks we cover by market cap. “Neutral” is used when there are relatively equal weightings of BUYs and SELLs.

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