

27 February 2024

Company Note

Rating

HOLD

(Downgraded from BUY)

Company

Siam Wellness Group

Bloomberg

SPA TB

SET

SPA

Exchange

SET

Sector

Mai Industry

Earnings meets estimates; downgrade to HOLD

12mth price target (THB) **15.10**

Current price (23/02/2024)	13.80
Upside/Downside	9.42%
CG rating	3
ESG rating	n.a.
Thai CAC	n.a.

Share summary

Issue shares :	(m shrs)	855
Market capitalization:	(THB bn)	11.8
	(USD bn)	0.3
Avg. Daily Turnover:	(THBm)	26
	(USDm)	0
Foreign Limit/Actual	(%)	49/7
Free Float:	(%)	56
NVDR:	(%)	3

Share price / rel. to SET



Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
SPA	14.1	15.0	20.0
SET	4.1	4.0	-26.6

Major Shareholders

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

Source: SET

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Core earnings for 4Q were in line at Bt82m

SPA reported a net profit of Bt140m, including Bt55m in tax revenue. Stripping out the tax revenue, core earnings were Bt82m, in line with our estimate. We flag that there are limited EPS catalysts from 2025F onwards as the low base effect will dissipate, capacity is near 'full' utilization at 85-90%, and the tax benefit from loss carry forward will end in 3Q24F. In 2023, SPA had 72 branches (vs. 68 in 2022), generating a record high EBIT of Bt305m (vs. Bt298m in 2019 at 63 branches). We downgrade our rating to Hold as upside is tight after the stock outperformed the SET by 11% over the past 3 months. Note that SPA plans to pay a 2:1 stock dividend to maintain its liquidity and financial position, with XD date on 26 April 2024.

Quarterly revenue at Bt386m (+41% YoY, flat QoQ)

Revenue in 4Q23 surged 41% YoY to Bt386m, backed by strong spa business operations, but was flat QoQ due to capacity limitations as the staff u-rate had already reached near full potential at above 85% with staff numbering around 1,200 (the pre-pandemic level). Meanwhile the addition of two branches during 4Q, raising the total from 70 to 72, resulted in a slight fall in GPM to 31.2% from 32.0% in 3Q23. Still, the company's D/E ratio has decreased significantly to 1.41x from 3.25x in 2022 (only 0.69x if not employing TFRS16), which is still very manageable.

We base our TP on DCF

We downgrade our rating for SPA to HOLD from BUY with an unchanged target price of Bt15.1, based on the DCF method (WACC of 7.4% with terminal growth of 2.5%).

Forecasts and ratios

Year Ended December 31	2021	2022	2023	2024E	2025E
Sales (THBm)	168	711	1,446	1,791	1,947
EBITDA (THBm)	75	275	581	693	704
Net profit (THBm)	-287	-88	332	347	373
Net Profit (% chg from prev)	nm.	nm.	0	0	0
EPS (THB)	-0.34	-0.10	0.39	0.41	0.44
EPS (% YoY)	37.1	-69.3	-477.3	4.4	7.6
EPS vs Cons (%)	nm	nm	nm	nm	nm
PER (X)	-22.4	-85.1	35.5	34.0	31.6
Yield (%)	0.0	0.0	1.1	1.2	1.3
P/BV (X)	19.1	20.7	13.1	10.6	8.7
EV/EBITDA (X)	83.5	26.8	na.	16.1	15.4
ROE (%)	-37.6	-14.8	45.2	34.4	30.3

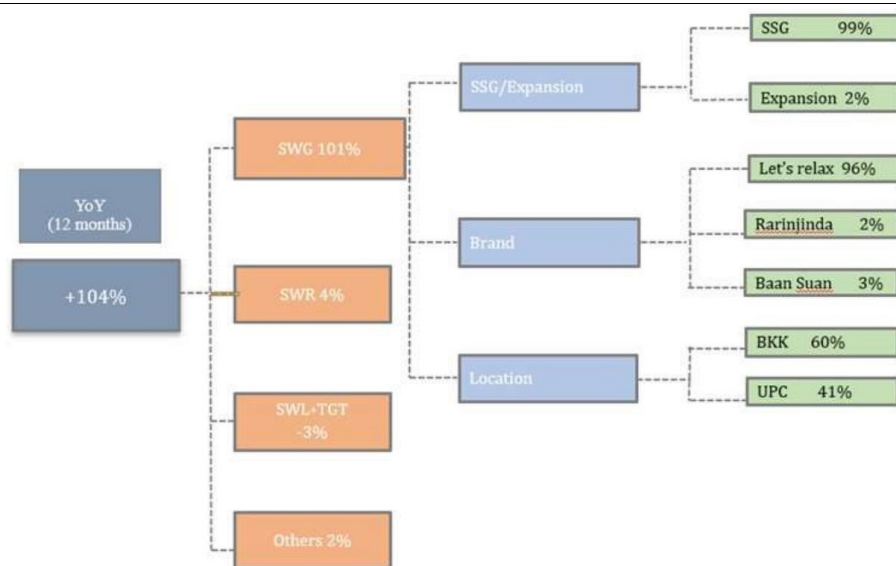
Source: Company data, TISCO estimates

Figure 1. Earnings review: 4Q23

Bt, m	4Q23	4Q22	YoY	3Q23	QoQ
Sale revenue	386	273	41.3%	384	0.5%
Cost of sales and services	265	213	24.9%	261	1.7%
Gross Profit	120	60	99.0%	123	-2.0%
S&A Expenses	43	34	26.6%	40	8.1%
EBIT	91	28	220.9%	88	3.4%
EBITDA	156	110	42.0%	155	0.4%
Interest expense	9	15	-43.1%	10	-13.1%
Net Profit before Tax	82	13	540.2%	77	5.5%
Net Profit Bef Extra	82	14	503.2%	78	6.3%
Net Profit	140	14	925.7%	81	71.9%
EPS (Bt)	0.10	0.02	503.2%	0.09	6.3%
Gross margin	31.2%	22.1%		32.0%	
SG&A to sales	11.3%	12.6%		10.5%	
EBIT margin	23.5%	10.3%		22.8%	
Net margin	36.3%	5.0%		21.2%	

Source: Company data

Figure 2. SSG breakdown



Source: Company data

Siam Wellness Group

Rating : Hold

Bloomberg:	SPA TB	Target price (THB)	15.10	Market Capitalization	
		Current Price (THB)	13.80	THBbn	11.8
		52-week Range	9.75-13.8	USDbn	0.3

Fiscal year end 31-Dec

2021 2022 2023 2024E 2025E

Financial Summary

EPS (THB)	-0.34	-0.10	0.39	0.41	0.44
DPS (THB)	0.00	0.00	0.16	0.16	0.17
BVPS (THB)	0.72	0.67	1.05	1.30	1.58
Weighted average shares (m)	855	855	855	855	855
Average market cap (THBm)	6,419	7,492	11,799	11,799	11,799
Enterprise value (THBm)	7,948	9,157	12,619	12,279	11,951

Valuation Metrics

P/E (x)	-22.4	-85.1	35.5	34.0	31.6
P/BV (x)	19.1	20.7	13.1	10.6	8.7
FCF Yield (%)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	1.1	1.2	1.3
EV/Sales (x)	37.6	10.4	na.	6.2	5.6
EV/EBITDA (x)	83.5	26.8	na.	16.1	15.4
EV/EBIT (x)	-24.4	-157.8	na.	29.3	25.6

Income Statement (THBm)

Sales revenue	168	711	1,446	1,791	1,947
Gross profit	-151	80	436	592	653
EBITDA	75	275	581	693	704
Depreciation	327	312	276	287	252
Amortisation	0	0	0	0	0
EBIT	-259	-47	279	381	424
Net interest income(expense)	2	2	2	2	2
Associates/affiliates	0	0	-1	1	3
Exceptionals/extraordinaries	0	0	18	0	0
Other pre-tax income/(expense)	5	9	25	21	23
Profit before tax	-295	-87	259	381	439
Income tax expense	-9	1	-55	34	66
Minorities	0	0	0	0	0
Other post-tax income/(expense)	0	0	0	0	0
Net profit	-287	-88	332	347	373

Cash Flow (THBm)

Cash flow from operations	-81	335	549	659	631
Net Capex	-30	-395	-58	-160	-150
Free cash flow	-111	-60	491	498	480
Equity raised/(bought back)	0	0	0	5	10
Dividends paid	0	0	0	-133	-139
Net inc/(dec) in borrowings	101	131	-798	-5	-31
Other investing/financing cash flows	0	0	0	0	0
Net cash flow	-5	40	67	365	311
Change in working capital	8	111	12	25	6

Balance Sheet (THBm)

Cash and other liquid assets	110	185	252	617	928
Tangible fixed assets	947	1,031	954	827	726
Goodwill/intangible assets	4	5	6	7	8
Associates/investments	0	0	0	0	0
Other assets	946	971	471	471	471
Total assets	2,258	2,419	1,973	2,212	2,429
Interest bearing debt	937	1,034	444	439	435
Other liabilities	10	6	5	5	6
Total liabilities	1,639	1,850	1,072	1,097	1,080
Shareholders' equity	618	569	901	1,115	1,349
Minorities	0	0	0	0	0
Total shareholders' equity	618	569	901	1,115	1,349
Net debt	1,529	1,665	820	480	152

Key Company Metrics

Sales growth (%)	-60.7	324.4	103.3	23.9	8.7
EPS growth (%)	37.1	-69.3	-477.3	4.4	7.6
EBITDA Margin (%)	45.0	38.7	40.2	38.7	36.2
EBIT Margin (%)	-154.3	-6.6	19.3	21.3	21.8
Payout ratio (%)	0.0	0.0	40.0	40.0	40.0
ROE (%)	-37.6	-14.8	45.2	34.4	30.3
Capex/sales (%)	18.0	55.5	4.0	9.0	7.7
Capex/depreciation (x)	0.1	1.3	0.2	0.6	0.6
Net debt/equity (x)	2.5	2.9	0.9	0.4	0.1
Net interest cover (x)	128.0	29.8	-133.2	-181.5	-202.0

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 7.4%, Terminal growth 2.5%) with the underlying assumption of Risk-free 3.1%, 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 2023	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 31, 2023) 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 31, 2023)

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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