

10 April 2024

Company Note

Rating

BUY

(Upgraded from HOLD)

Company

Siam Wellness Group

Bloomberg
SPA TB

SET
SPA

Exchange
SET

Sector
Mai Industry

Upside re-opens; upgrade to BUY

12mth price target (THB) 15.10

Current price (09/04/2024)	13.40
Upside/Downside	12.69%
CG rating	3
ESG rating	n.a.
Thai CAC	n.a.

Share summary

Issue shares :	(m shrs)	855
Market capitalization:	(THB bn)	11.5
	(USD bn)	0.3
Avg. Daily Turnover:	(THBm)	29
	(USDm)	0
Foreign Limit/Actual	(%)	49/8
Free Float:	(%)	57
NVDR:	(%)	3

Share price / rel. to SET



Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
SPA	-2.9	8.9	18.6
SET	-3.0	-4.6	-24.3

Major Shareholders

	%
Mr. Wiboon Utsahajit	11.21
Mr. Prasert Jiravanstit	9.72
Mrs. Pranee Suphawatanakiat	8.51

Source: SET

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Upgrade to Buy as upside re-opens

We are upbeat on SPA's earnings for 1Q24e, projecting Bt83m, up 65% YoY on the back of higher staff utilization rate amid strong recovery in tourists and opening of new branches. With share price having corrected by 10% from its recent high in Feb, we see an opportunity to re-enter SPA and thus upgrade our rating from Hold to Buy. Further upside could come from more aggressive branch expansion and revenue streams from new business segments, including massage schools and spa products.

Expect 1Q core profit of Bt83m (+96% YoY, +1% QoQ)

Sales are expected to reach Bt396m in 1Q24e, up 24% YoY on low base effect and 3% QoQ on impact from Chinese New Year and the full recognition of two new branches added in late 4Q23: i) Let's Relax Grande Center Point Surawong and ii) Let's Relax Courtyard by Marriot Suvarnabhumi. GPM is projected to widen to 32.2% from 27.6% in 1Q23 and 31.2% in 4Q23 as a higher staff utilisation rate should improve operating leverage. Moreover, interest expenses are likely to decrease significantly from SPA's strategy to change some lease agreements into revenue-sharing deals.

New revenue streams could help sustain momentum

Management's revenue target of Bt1.7bn for 2024F is quite achievable, in our view, and in line with our estimates. In addition to its organic growth (+5-10 branches pa), we think the market would be excited by new revenue streams that could sustain revenue growth momentum from 2025F-onwards. We currently see a few opportunities, including i) massage schools, ii) turnaround of the Sleep Clinic biz, and iii) expansion of spa products.

We base our TP on DCF

We upgrade our rating to BUY from HOLD with an unchanged 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	2022	2023	2024E	2025E	2026E
Sales (THBm)	711	1,446	1,791	1,947	2,048
EBITDA (THBm)	275	581	693	704	701
Net profit (THBm)	-88	332	347	373	396
Net Profit (% chg from prev)	0 %	0 %	0 %	0 %	0 %
EPS (THB)	-0.10	0.39	0.41	0.44	0.46
EPS (% YoY)	-69.3	-477.3	4.4	7.6	6.2
EPS vs Cons (%)	nm	nm	nm	nm	nm
PER (X)	-85.1	30.2	33.1	30.7	28.9
Yield (%)	0.0	1.2	1.2	1.3	1.4
P/BV (X)	20.1	12.7	10.3	8.5	7.2
EV/EBITDA (X)	26.8	16.8	na.	14.9	14.5
ROE (%)	-14.8	45.2	34.4	30.3	26.9

Source: Company data, TISCO estimates

Figure 1. Earnings preview: 1Q24F

Bt, m	1Q24F	1Q23	YoY%	4Q23	QoQ%
Sale revenue	396	320	23.7%	386	2.6%
Cost of sales and services	268	232	15.8%	265	1.1%
Gross Profit	128	88	44.2%	120	6.0%
S&A Expenses	42	35	21.4%	43	-2.3%
EBIT	93	59	58.8%	91	3.2%
EBITDA	160	132	21.3%	156	3.0%
Interest expense	8	15	-46.1%	9	-9.0%
Net Profit before Tax	85	44	94.1%	82	4.5%
Net Profit Bef Extra	83	43	96.1%	82	1.3%
Net Profit	83	50	65.3%	140	-40.4%
EPS (Bt)	0.10	0.05	96.1%	0.16	-40.4%
Gross margin	32.2%	27.6%		31.2%	
SG&A to sales	10.7%	10.9%		11.3%	
EBIT margin	23.6%	18.4%		23.5%	
Net margin	21.1%	15.8%		22.3%	

Source: TISCO Research estimates

Siam Wellness Group

Rating : BUY

Bloomberg:	SPA TB	Target price (THB)	15.10	Market Capitalization	
		Current Price (THB)	13.40	THBbn	11.5
		52-week Range	10.2-14.8	USDbn	0.3
Fiscal year end 31-Dec	2022	2023	2024E	2025E	2026E
Financial Summary					
EPS (THB)	-0.10	0.39	0.41	0.44	0.46
DPS (THB)	0.00	0.16	0.16	0.17	0.19
BVPS (THB)	0.67	1.05	1.30	1.58	1.87
Weighted average shares (m)	855	855	855	855	855
Average market cap (THBm)	7,492	10,019	11,457	11,457	11,457
Enterprise value (THBm)	9,157	10,838	11,937	11,609	11,286
Valuation Metrics					
P/E (x)	-85.1	30.2	33.1	30.7	28.9
P/BV (x)	20.1	12.7	10.3	8.5	7.2
FCF Yield (%)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	1.2	1.2	1.3	1.4
EV/Sales (x)	10.4	6.7	na.	5.4	5.0
EV/EBITDA (x)	26.8	16.8	na.	14.9	14.5
EV/EBIT (x)	-157.8	34.9	na.	24.8	22.8
Income Statement (THBm)					
Sales revenue	711	1,446	1,791	1,947	2,048
Gross profit	80	436	592	653	688
EBITDA	275	581	693	704	701
Depreciation	312	276	287	252	223
Amortisation	0	0	0	0	0
EBIT	-47	279	381	424	447
Net interest income(expense)	2	2	2	2	2
Associates/affiliates	0	-1	1	3	5
Exceptionals/extraordinaries	0	18	0	0	0
Other pre-tax income/(expense)	9	25	21	23	25
Profit before tax	-87	259	381	439	466
Income tax expense	1	-55	34	66	70
Minorities	0	0	0	0	0
Other post-tax income/(expense)	0	0	0	0	0
Net profit	-88	332	347	373	396
Cash Flow (THBm)					
Cash flow from operations	335	549	659	631	625
Net Capex	-395	-58	-160	-150	-142
Free cash flow	-60	491	498	480	483
Equity raised/(bought back)	0	0	5	10	11
Dividends paid	0	0	-133	-139	-149
Net inc/(dec) in borrowings	131	-798	-5	-31	-27
Other investing/financing cash flows	0	0	0	0	0
Net cash flow	40	67	365	311	307
Change in working capital	111	12	25	6	6
Balance Sheet (THBm)					
Cash and other liquid assets	185	252	617	928	1,235
Tangible fixed assets	1,031	954	827	726	645
Goodwill/intangible assets	5	6	7	8	9
Associates/investments	0	0	0	0	0
Other assets	971	471	471	471	471
Total assets	2,419	1,973	2,212	2,429	2,660
Interest bearing debt	1,034	444	439	435	432
Other liabilities	6	5	5	6	6
Total liabilities	1,850	1,072	1,097	1,080	1,064
Shareholders' equity	569	901	1,115	1,349	1,596
Minorities	0	0	0	0	0
Total shareholders' equity	569	901	1,115	1,349	1,596
Net debt	1,665	820	480	152	-171
Key Company Metrics					
Sales growth (%)	324.4	103.3	23.9	8.7	5.2
EPS growth (%)	-69.3	-477.3	4.4	7.6	6.2
EBITDA Margin (%)	38.7	40.2	38.7	36.2	34.2
EBIT Margin (%)	-6.6	19.3	21.3	21.8	21.8
Payout ratio (%)	0.0	40.0	40.0	40.0	40.0
ROE (%)	-14.8	45.2	34.4	30.3	26.9
Capex/sales (%)	55.5	4.0	9.0	7.7	6.9
Capex/depreciation (x)	1.3	0.2	0.6	0.6	0.6
Net debt/equity (x)	2.9	0.9	0.4	0.1	0.0
Net interest cover (x)	29.8	-133.2	-181.5	-202.0	-213.0

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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