

10 August 2024

Company Note

Rating

BUY

(Unchanged)

Company

Siam Wellness Group

Bloomberg

SPA TB

SET

SPA

Exchange

MAI

Sector

Services

Slightly below estimates

12mth price target (THB) 10.50

Current price (09/08/2024)	6.50
Upside/Downside	61.54%
CG rating	3
ESG rating	n.a.
Thai CAC	n.a.

Share summary

Issue shares :	(m shrs)	1,282
Market capitalization:	(THB bn)	8.3
	(USD bn)	na.
Avg. Daily Turnover:	(THBm)	24
	(USDm)	na.
Foreign Limit/Actual	(%)	49/9
Free Float:	(%)	57
NVDR:	(%)	2

Share price / rel. to SET



Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
SPA	2.4	-19.2	-45.8
SET	-11.5	-19.5	-31.8

Major Shareholders

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

Source: SET

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Results miss estimates due to weak GPM

SPA reported a 2Q24 net profit of Bt62m (+3% YoY, -17% QoQ), missing our estimate and Bloomberg consensus by 5% and 11%, respectively, mainly due to lower-than-expected GPM of 29.9% (vs. 33% TISCOe). Some cushion came from higher other income of Bt7.7m (vs. Bt1.6m in 2Q23 and Bt3.6m in 1Q24). The limited YoY growth was due to the limited branch expansion, while the QoQ decline was due to seasonal effects. We maintain our BUY rating with an unchanged TP as earnings in 2H24F should accelerate on branch expansion and price hikes.

Sales grew 7% YoY but slipped 3% QoQ to Bt394m due to seasonality

Sales arrived at Bt382m for 2Q24, up 7% YoY on low base effect, but down 3% QoQ, in line with estimates, as branch count stood unchanged at 72 (vs. 70 in 2Q23 and 72 in 4Q23). However, GPM contracted 350bps QoQ to 29.9% due to a lower U-rate amid wage adjustments. With SG&A to sales well controlled at 10.5% compared to 10.3% in 1Q24, net profit reached Bt62m with NPM at 16.1%, contracting from 16.9% in 2Q23 and 18.8% in 1Q24.

Maintain forecasts, staying upbeat on 2H24F

Though 1H24A accounted for only 44% of our 2024F, we maintain our earnings forecasts as SPA is instituting price adjustments for selected packages and will aggressively add 7-8 branches in 2H24F (there was no expansion in 1H24). Indeed, there will be three new Let's Relax branches in 3Q24: i) the Holiday Inn Phuket Karon, ii) Centara Ao Nang, and iii) Centara Anda Dhevi Krabi, all via operating contract agreements. This is in addition to SPA's plans to open 3-4 more branches in 2H24F, including two in Bangkok and one in Chiangmai (company's own investments).

We base our TP on DCF

We maintain our BUY rating with a TP of Bt10.5, 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	312	360	382
Net Profit (% chg from prev)	nm. %	nm. %	nm. %	nm. %	nm. %
EPS (THB)	-0.10	0.39	0.24	0.28	0.30
EPS (% YoY)	-69.3	-477.3	-37.3	15.2	6.2
EPS vs Cons (%)	nm	nm	nm	nm	nm
PER (X)	-85.1	30.2	26.5	23.0	21.7
Yield (%)	0.0	2.4	1.5	1.7	1.8
P/BV (X)	9.7	6.1	7.0	5.8	5.0
EV/EBITDA (X)	26.8	16.8	na.	10.3	9.9
ROE (%)	-14.8	45.2	29.9	27.6	24.8

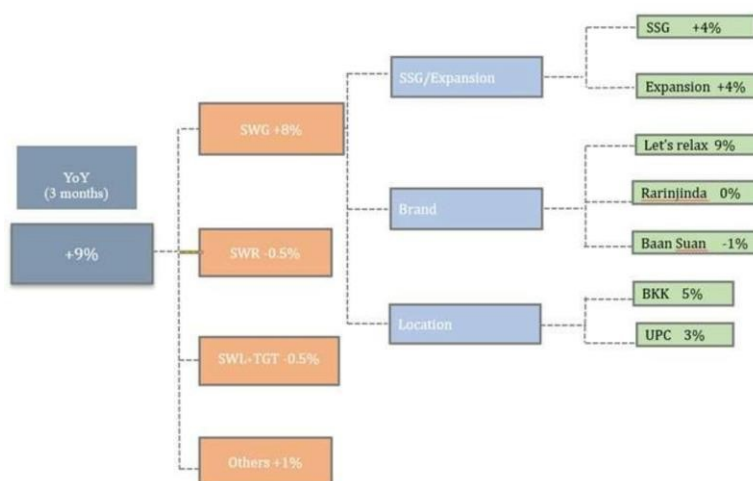
Source: Company data, TISCO estimates

Figure 1. Earnings review 2Q24; GPM came in below estimates

Bt,m	2Q24	2Q23	YoY	1Q24	QoQ
Sale revenue	382	356	7.3%	394	-3.0%
Cost of sales and services	268	252	6.4%	262	2.2%
Gross Profit	114	104	9.5%	132	-13.1%
S&A Expenses	40	37	7.5%	41	-1.5%
EBIT	84	69	20.7%	96	-12.7%
EBITDA	150	139	7.7%	162	-7.4%
Interest expense	8	12	-39.0%	8	-8.2%
Net Profit before Tax	76	57	33.7%	88	-13.1%
Net Profit Bef Extra	62	58	6.8%	69	-11.3%
Net Profit	62	60	2.5%	74	-16.7%
EPS (Bt)	0.07	0.07	6.8%	0.08	-11.3%
Gross margin	29.9%	29.3%		33.4%	
SG&A to sales	10.5%	10.4%		10.3%	
EBIT margin	21.9%	19.4%		24.3%	
Net margin	16.1%	16.9%		18.8%	

Source: Company data

Figure 2. SSSG breakdown for 2Q24



Source: Company data

Siam Wellness Group

Rating : BUY

Bloomberg:	SPA TB	Target price (THB)		10.50		Market Capitalization	
		Current Price (THB)		6.50		THBbn	8.3
		52-week Range		5.9-9.87		USDbn	na.
Fiscal year end 31-Dec		2022	2023	2024E	2025E	2026E	
Financial Summary							
EPS (THB)		-0.10	0.39	0.24	0.28	0.30	
DPS (THB)		0.00	0.16	0.10	0.11	0.12	
BVPS (THB)		0.67	1.05	0.93	1.11	1.29	
Weighted average shares (m)		855	855	1,282	1,282	1,282	
Average market cap (THBm)		7,492	10,019	8,272	8,272	8,272	
Enterprise value (THBm)		9,157	10,838	8,679	8,351	8,037	
Valuation Metrics							
P/E (x)		-85.1	30.2	26.5	23.0	21.7	
P/BV (x)		9.7	6.1	7.0	5.8	5.0	
FCF Yield (%)		0.0	0.0	0.1	0.1	0.1	
Dividend Yield (%)		0.0	2.4	1.5	1.7	1.8	
EV/Sales (x)		10.4	6.7	na.	3.7	3.4	
EV/EBITDA (x)		26.8	16.8	na.	10.3	9.9	
EV/EBIT (x)		-157.8	34.9	na.	17.1	15.5	
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	69	79	84	
Minorities		0	0	0	0	0	
Other post-tax income/(expense)		0	0	0	0	0	
Net profit		-88	332	312	360	382	
Cash Flow (THBm)							
Cash flow from operations		335	549	623	618	611	
Net Capex		-395	-58	-160	-150	-142	
Free cash flow		-60	491	463	468	469	
Equity raised/(bought back)		0	0	5	10	11	
Dividends paid		0	0	-133	-125	-144	
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	340	312	298	
Change in working capital		111	12	24	7	6	
Balance Sheet (THBm)							
Cash and other liquid assets		185	252	688	1,001	1,299	
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	2,283	2,501	2,724	
Interest bearing debt		1,034	444	439	435	432	
Other liabilities		6	5	5	6	6	
Total liabilities		1,850	1,072	1,095	1,079	1,063	
Shareholders' equity		569	901	1,188	1,422	1,660	
Minorities		0	0	0	0	0	
Total shareholders' equity		569	901	1,188	1,422	1,660	
Net debt		1,665	820	407	78	-236	
Key Company Metrics							
Sales growth (%)		324.4	103.3	23.9	8.7	5.2	
EPS growth (%)		-69.3	-477.3	-37.3	15.2	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	29.9	27.6	24.8	
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	0.3	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.

Disclaimer: Bloomberg ESG Disclosure Scores rate companies on their level of disclosure of ESG data Bloomberg offers four disclosure scores, for overall ESG, as well as Environmental, Social, and Governance such as energy consumption, board composition, and workforce accidents.

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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