12 November 2024

Company Note

Rating

BUY

(Unchanged)

Company

Siam Wellness Group

Bloomberg	SET	Exchange	Sector
SPA TB	SPA	SET	Mai Industry

Results beat estimates as sales hit new high

12mth price target (THB)	10.50
Current price (12/11/2024)	7.00
Upside/Downside	50.00%
CG rating	na.
ESG rating	n/a
Thai CAC	n/a

Share summary

Issue shares :	(m shrs)	1,282
Market capitalization:	(THB bn)	9.0
	(USDbn)	0.3
Avg. Daily Turnover:	(THBm)	25
	(USDm)	0
Foreign Limit/Actual	(%)	49/11
Free Float:	(%)	57
NVDR:	(%)	1

Share price / rel. to SET

Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
SPA	0.0	7.7	-42.6
SET	-1.7	11.4	4.0

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

Source: SET

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Aggressive branch expansion to bolster growth

SPA reported a 3Q24 net profit of Bt82m (Flat YoY, +33% QoQ), beating our estimate and Bloomberg consensus by 15% and 12%, respectively, on i) slightly higher-than-expected sales and GPM and ii) higher other income of Bt16m (vs. Bt5m in 3Q23 and Bt8m in 2Q24) due to the recognition of expired vouchers. While core profit exculding Bt5m associated with closing Srilanta branch was Bt87m (+12% YoY, +41% QoQ). The growth was driven by a stronger top line following the addition of 6 branches to 77 branches total. We maintain our BUY rating with unchanged TP as earnings in 4Q24F should accelerate from branch expansion and potential price hikes.

Sales grew 11% YoY to Bt425m, a new record high

Sales arrived at Bt425m (vs. Bt414m TISCOe) in 3Q24, up 11% YoY thanks to SSSG of 8% and the addition of 7 new branches. Overall, the tourist segment is still growing well, especially those from China, while new customer segments like the Middle East, EU and India are gaining momentum. Subsequently, GPM came in at 32.7% (vs. 32.2% TISCOe), an impressive level that is close to the pre-pandemic level of 33-35%. SG&A to sales was well controlled at 10.0% compared to 10.5% in 3Q23. Excluding a Bt5m one-time expense associated with branch closure at, EBIT reached Bt114m (+31% YoY, +37% QoQ).

Entering peak season in 4Q24F; forecasts maintained

We maintain our earnings forecasts as there will be price adjustment for selected packages and another 2 branches opening in 4Q24F (note that there was no expansion in 1H24). Hence, we now estimate that net profit in 4Q24F will be around Bt95m (+10% YoY, +16% QoQ). Excluding the impact of TFRS16, the D/E of SPA has already decreased to 0.31x after the company steadily paid back its L-T loans over the past few quarters.

We base our TP on DCF

We maintain our BUY rating with a TP of Bt10.5. Our TP is 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	28.7	25.0	23.5
Yield (%)	0.0	2.2	1.4	1.6	1.7
P/BV (X)	10.5	6.6	7.6	6.3	5.4
EV/EBITDA (X)	26.8	16.8	na.	11.3	10.9
ROE (%)	-14.8	45.2	29.9	27.6	24.8

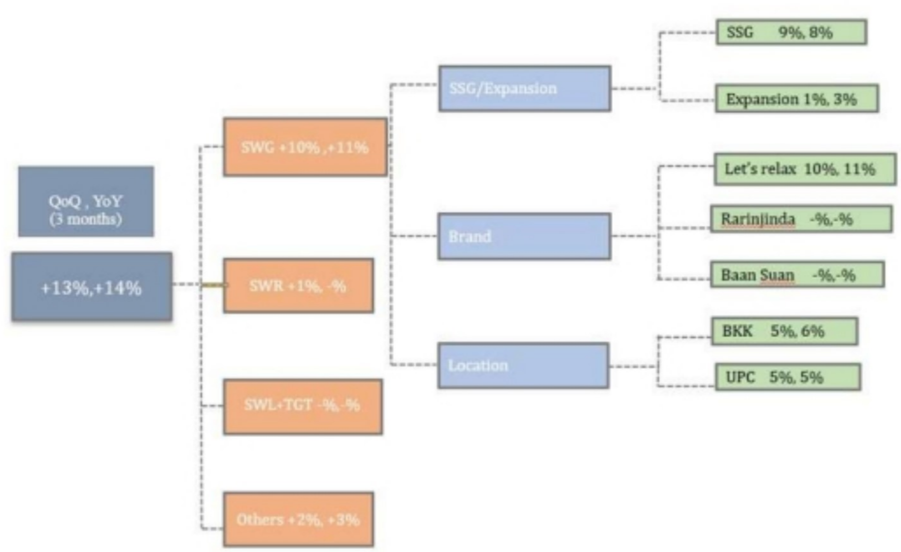
Source: Company data, TISCO estimates

Figure 1. Earnings review 3Q24; beat estimates

Bt,m	3Q24	3Q23	YoY	2Q24	QoQ
Sale revenue	425	384	*10.6%*	382	*11.1%*
Cost of sales and services	286	261	*9.4%*	268	*6.6%*
Gross Profit	139	123	*13.2%*	114	*21.5%*
S&A Expenses	42	40	*5.5%*	40	*5.9%*
EBIT	**114**	**88**	*30.5%*	**84**	*36.7%*
EBITDA	**181**	**155**	*16.8%*	**150**	*21.0%*
Interest expense	8	10	*-21.7%*	8	*4.7%*
Net Profit before Tax	106	77	*37.3%*	76	*39.8%*
Net Profit Bef Extra	**87**	**78**	*11.9%*	**62**	*40.7%*
Net Profit	**82**	**81**	*0.3%*	**62**	*32.6%*
EPS (Bt)	**0.10**	**0.09**	*11.9%*	**0.07**	*40.7%*
No. of branches	77	70		72	
Gross margin	32.7%	32.0%		29.9%	
SG&A to sales	10.0%	10.5%		10.5%	
EBIT margin	26.9%	22.8%		21.9%	
Net margin	19.2%	21.2%		16.1%	

Source: Company data

Figure 2. Revenue breakdown 3Q24



Source: Company data

Siam Wellness Group

Rating : BUY

Bloomberg: SPA TB	**Target price (THB)**	**10.50**	**Market Capitalization**
	Current Price (THB)	**7.00**	**THBbn** 9.0
	52-week Range	**5.9-9.87**	**USDbn** 0.3

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	8,977	8,977	8,977
Enterprise value (THBm)	9,157	10,838	9,385	9,056	8,742
Valuation Metrics					
P/E (x)	-85.1	30.2	28.7	25.0	23.5
P/BV (x)	10.5	6.6	7.6	6.3	5.4
FCF Yield (%)	0.0	0.0	0.1	0.1	0.1
Dividend Yield (%)	0.0	2.2	1.4	1.6	1.7
EV/Sales (x)	10.4	6.7	na.	4.1	3.7
EV/EBITDA (x)	26.8	16.8	na.	11.3	10.9
EV/EBIT (x)	-157.8	34.9	na.	18.7	17.1
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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	Score Range	Level	Description
	90 - 100	5	Excellent
	80 - 89	4	Very Good
	70 - 79	3	Good
	60 - 69	2	Satisfactory
Corporate Governance Report	50 - 59	1	Pass
of Thai Listed Companies 2023	< 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.