COM7 Pcl. (COM7 TB) - BUY, Price Bt36.25, TP Bt47.50

Results Comment

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Strong 1Q22 results were in line

- COM7 reported Bt786m earnings in 1Q22, + 40% y-y but fell 12% from the record earnings in 4Q21. The earnings were in line with our expectation.
- The y-y growth was strong to us given 1Q21 was a high base quarter on delayed iPhone sales from 4Q20 to 1Q21. The current iPhone was launched in 4Q21.
- Sales grew 22% y-y mainly on market share gain via both same-store-sales and new stores expansion. Over 50% of COM7's stores last year were opened in 4Q21.
- Gross margin was 13.6% vs. 13.0% in 1Q21 and 12.7% in 4Q21 on lower contribution of iPhones due to reasons mentioned earlier.
- SG&A to sales was 7.1% vs. 7.4% in 1Q21 and 6.5% in 4Q21 due to operating leverage impact.
- So far in 2Q22, sales remained flat from 1Q22 despite 2Q is normally a weaker quarter. COM7 is planning to open at least 150 stores this year vs. 90 last year. This should help it to continue gaining market share.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	11,963	11,535	10,069	17,558	14,646
Gross profit	**1,558**	**1,550**	**1,506**	**2,232**	**2,002**
SG&A	885	875	852	1,149	1,045
Operating profit	673	674	654	1,083	957
EBITDA	**865**	**869**	**851**	**1,287**	**1,160**
Other income	3	4	6	15	17
Other expense	0	0	0	0	0
Interest expense	9	12	14	13	18
Profit before tax	**666**	**666**	**647**	**1,085**	**955**
Income tax	128	104	107	216	190
Equity & invest. income	23	23	23	28	20
Minority interests	0	2	(2)	2	1
Extraordinary items	4	(0)	10	8	(3)
Net profit	**566**	**587**	**571**	**907**	**783**
Normalized profit	**562**	**587**	**560**	**899**	**786**
EPS (Bt)	0.24	0.24	0.24	0.38	0.33
Normalized EPS (Bt)	0.23	0.24	0.23	0.37	0.33

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(17)	22	25	59,128	66,113
Gross profit	**(10)**	**28**	**25**	**7,884**	**8,945**
SG&A	(9)	18	27	3,838	4,029
Operating profit	(12)	42	24	4,046	4,916
EBITDA	**(10)**	**34**	**24**	**4,771**	**5,713**
Other income	10	560	51	33	36
Other expense					
Interest expense	41	96	22	83	35
Profit before tax	**(12)**	**43**	**24**	**3,995**	**4,918**
Income tax	(12)	49	25	747	920
Equity & invest. income	(28)	(14)	20	100	102
Minority interests	(47)	213	61	2	2
Extraordinary items	na	na	na	0	0
Net profit	**(14)**	**38**	**23**	**3,350**	**4,102**
Normalized profit	**(13)**	**40**	**23**	**3,350**	**4,102**
EPS (Bt)	(14)	38	23	1.40	1.71
Normalized EPS (Bt)	(13)	40	23	1.40	1.71

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	1,607	1,719	1,689	1,851	1,003
A/C receivable	922	1,224	1,538	2,707	2,708
Inventory	4,715	3,983	4,464	6,208	7,519
Other current assets	248	319	435	1,120	1,572
Investment	697	718	744	774	796
Fixed assets	529	542	583	615	685
Other assets	2,155	2,453	2,414	2,691	2,690
Total assets	**10,873**	**10,957**	**11,866**	**15,966**	**16,973**
S-T debt	1,712	2,230	3,336	3,801	5,166
A/C payable	3,070	3,307	2,788	5,106	3,887
Other current liabilities	786	754	551	844	965
L-T debt	0	0	0	0	0
Other liabilities	870	837	786	914	870
Minority interest	18	28	30	16	15
Shareholders' equity	**4,416**	**3,802**	**4,376**	**5,285**	**6,071**
Working capital	2,568	1,900	3,214	3,809	6,340
Total debt	1,712	2,230	3,336	3,801	5,166
Net debt	**105**	**511**	**1,647**	**1,950**	**4,163**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	46.9	48.9	12.2	41.1	22.4
Operating profit growth	111.7	109.1	53.3	64.8	42.1
EBITDA growth	71.5	93.4	39.1	63.1	34.0
Norm profit growth	124.0	115.0	50.2	52.6	39.9
Norm EPS growth	12.0	7.5	(24.9)	(23.7)	39.9
Gross margin	13.0	13.4	15.0	12.7	13.7
Operating margin	5.6	5.8	6.5	6.2	6.5
EBITDA margin	7.2	7.5	8.4	7.3	7.9
Norm net margin	4.7	5.1	5.6	5.1	5.4
D/E (x)	0.4	0.6	0.8	0.7	0.8
Net D/E (x)	0.0	0.1	0.4	0.4	0.7
Interest coverage (x)	93.5	71.8	62.2	100.1	63.9
Interest rate	2.5	2.5	2.0	1.4	1.6
Effective tax rate	19.2	15.5	16.6	19.9	19.9
ROA	22.4	21.5	19.6	25.8	19.1
ROE	54.3	57.2	54.8	74.5	55.4

Sources: Company data, Thanachart estimates

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