COM7 Pcl. (COM7 TB) - BUY, Price Bt33.25, TP Bt37.00

Results Comment

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Soft 2Q22 slightly beat expectation

- Norm earnings were Bt620m in 2Q22, increased by 6% y-y but fell 21% q-q due to a seasonal impact and falling demand in 2Q22.
- Results beat our expectation by 6% but were 14% below consensus' expectation.
- Sales increased by 25% y-y and fell only 2% q-q. Aside from COM7's market share gain via same-store-sales and new stores, very aggressive promotional activities for very weak demand products were reason. Soft demand was due to an abnormally COVID-led high base last year. .
- Gross margin fell slightly to 13.2% from 13.4% in 2Q21.
- SG&A to sales increased to 8.0% in 7.6% in 2Q21 despite higher volume due to COM7's aggressive promotion as mentioned earlier.
- COM7 opened 45 stores in 1H22 from 1,000 ended 2021. It is trying to open more than the plan of 150 new stores this year despite soften industry's demand.
- COM7 expects a stronger 3Q22F due to lower promotional and inventory provisioning expenses as it has depleted most of very weak demand products in 2Q22.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	11,535	10,069	17,558	14,646	14,420
Gross profit	**1,550**	**1,506**	**2,232**	**2,002**	**1,904**
SG&A	875	852	1,149	1,045	1,153
Operating profit	674	654	1,083	957	750
EBITDA	**869**	**851**	**1,287**	**1,160**	**948**
Other income	4	6	15	17	23
Other expense	0	0	0	0	0
Interest expense	12	14	13	18	24
Profit before tax	**666**	**647**	**1,085**	**955**	**749**
Income tax	104	107	216	190	132
Equity & invest. income	23	23	28	20	2
Minority interests	2	(2)	2	1	0
Extraordinary items	(0)	10	8	(3)	1
Net profit	**587**	**571**	**907**	**783**	**620**
Normalized profit	**587**	**560**	**899**	**786**	**619**
EPS (Bt)	0.24	0.24	0.38	0.33	0.26
Normalized EPS (Bt)	0.24	0.23	0.37	0.33	0.26

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(2)	25	50	57,663	64,472
Gross profit	**(5)**	**23**	**53**	**7,400**	**8,391**
SG&A	10	32	54	4,055	4,237
Operating profit	(22)	11	51	3,345	4,154
EBITDA	**(18)**	**9**	**52**	**4,071**	**4,958**
Other income	37	480	125	32	36
Other expense					
Interest expense	33	99	48	88	48
Profit before tax	**(22)**	**12**	**52**	**3,290**	**4,142**
Income tax	(30)	28	52	615	774
Equity & invest. income	(89)	(91)	22	100	102
Minority interests	(94)	(96)	64	2	2
Extraordinary items	na	na	na	0	0
Net profit	**(21)**	**6**	**51**	**2,776**	**3,471**
Normalized profit	**(21)**	**5**	**51**	**2,776**	**3,471**
EPS (Bt)	(21)	6	51	1.16	1.45
Normalized EPS (Bt)	(21)	5	51	1.16	1.45

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	1,719	1,689	1,851	1,003	1,285
A/C receivable	1,224	1,538	2,707	2,708	2,920
Inventory	3,983	4,464	6,208	7,519	6,619
Other current assets	319	435	1,120	1,572	790
Investment	718	744	774	796	1,494
Fixed assets	542	583	615	685	721
Other assets	2,453	2,414	2,691	2,690	3,427
Total assets	**10,957**	**11,866**	**15,966**	**16,973**	**17,255**
S-T debt	2,230	3,336	3,801	5,166	5,566
A/C payable	3,307	2,788	5,106	3,887	3,644
Other current liabilities	754	551	844	965	2,119
L-T debt	0	0	0	0	0
Other liabilities	837	786	914	870	758
Minority interest	28	30	16	15	15
Shareholders' equity	**3,802**	**4,376**	**5,285**	**6,071**	**5,154**
Working capital	1,900	3,214	3,809	6,340	5,895
Total debt	2,230	3,336	3,801	5,166	5,566
Net debt	**511**	**1,647**	**1,950**	**4,163**	**4,281**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	48.9	12.2	41.1	22.4	25.0
Operating profit growth	109.1	53.3	64.8	42.1	11.3
EBITDA growth	93.4	39.1	63.1	34.0	9.1
Norm profit growth	115.0	50.2	52.6	39.9	5.4
Norm EPS growth	7.5	(24.9)	(23.7)	39.9	5.4
Gross margin	13.4	15.0	12.7	13.7	13.2
Operating margin	5.8	6.5	6.2	6.5	5.2
EBITDA margin	7.5	8.4	7.3	7.9	6.6
Norm net margin	5.1	5.6	5.1	5.4	4.3
D/E (x)	0.6	0.8	0.7	0.8	1.1
Net D/E (x)	0.1	0.4	0.4	0.7	0.8
Interest coverage (x)	71.8	62.2	100.1	63.9	39.3
Interest rate	2.5	2.0	1.4	1.6	1.8
Effective tax rate	15.5	16.6	19.9	19.9	17.7
ROA	21.5	19.6	25.8	19.1	14.5
ROE	57.2	54.8	74.5	55.4	44.1

Sources: Company data, Thanachart estimates

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