

COM7 Pcl. (COM7 TB) - BUY, Price Bt30.50, TP Bt39.00**Results Comment**

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Stronger-than-expected 3Q22 results

- COM7 reported net earnings of Bt725m. Excluding extraordinary items, norm earnings were Bt722m, growing 29% y-y and 17% q-q. The earnings exceeded our expectation.
- There were three one-time items: 1) Bt126m from fair value adjustment of COM7's investment in the security warrant, 2) Bt93m loss from the write-off of its BKK store brand. COM7 plans to change BKK stores to the higher-value focused BNN stores. 3), Bt54m provision from its newly acquired insurance business.
- Sales increased by 48% y-y and 3% q-q. Despite IT products demand fell around 20% from last year, COM7 gained market share via both same-store-sales and new store expansion. The early released of the new iPhone also helped.
- Gross margin fell to 13.9% from 15.0% last year. The margin was very high last year as COM7 didn't need promotions to push sales amid the COVID-led extraordinary demand. The gross margin increased from 13.2% in 2Q22 amid changes in product mix.
- SG&A to sales fell to 7.7% from 8.5% last year and 8.0% in 2Q22 due mainly to operating leverage impact.
- We expect 4Q22F to be a stronger quarter due to the seasonal impact.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	10,069	17,558	14,646	14,420	14,888	Revenue	3	48	71	61,937	69,259
Gross profit	1,506	2,232	2,002	1,904	2,075	Gross profit	9	38	74	8,131	9,004
SG&A	852	1,149	1,045	1,153	1,289	SG&A	12	51	79	4,406	4,613
Operating profit	654	1,083	957	750	786	Operating profit	5	20	67	3,725	4,391
EBITDA	851	1,287	1,160	948	981	EBITDA	3	15	69	4,451	5,195
Other income	6	15	17	23	163	Other income	609	2,415	593	34	38
Other expense	0	0	0	0	0	Other expense					
Interest expense	14	13	18	24	25	Interest expense	4	83	75	90	52
Profit before tax	647	1,085	955	749	924	Profit before tax	23	43	72	3,669	4,377
Income tax	107	216	190	132	198	Income tax	50	85	76	686	819
Equity & invest. income	23	28	20	2	3	Equity & invest. income	42	(86)	25	100	102
Minority interests	(2)	2	1	0	(8)	Minority interests	na	na	(360)	2	2
Extraordinary items	10	8	(3)	1	4	Extraordinary items	430	(62)	na	0	0
Net profit	571	907	783	620	725	Net profit	17	27	69	3,085	3,662
Normalized profit	560	899	786	619	721	Normalized profit	16	29	69	3,085	3,662
EPS (Bt)	0.24	0.38	0.33	0.26	0.30	EPS (Bt)	17	27	69	1.29	1.53
Normalized EPS (Bt)	0.23	0.37	0.33	0.26	0.30	Normalized EPS (Bt)	16	29	69	1.29	1.53

Balance Sheet						Financial Ratios					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(%)	3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	1,689	1,851	1,003	1,285	1,397	Sales grow th	12.2	41.1	22.4	25.0	47.9
A/C receivable	1,538	2,707	2,708	2,920	3,211	Operating profit grow th	53.3	64.8	42.1	11.3	20.2
Inventory	4,464	6,208	7,519	6,619	8,234	EBITDA grow th	39.1	63.1	34.0	9.1	15.3
Other current assets	435	1,120	1,572	790	902	Norm profit grow th	50.2	52.6	39.9	5.4	28.7
Investment	744	774	796	1,494	1,497	Norm EPS grow th	(24.9)	(23.7)	39.9	5.4	28.7
Fixed assets	583	615	685	721	786	Gross margin	15.0	12.7	13.7	13.2	13.9
Other assets	2,414	2,691	2,690	3,427	3,575	Operating margin	6.5	6.2	6.5	5.2	5.3
Total assets	11,866	15,966	16,973	17,255	19,604	EBITDA margin	8.4	7.3	7.9	6.6	6.6
S-T debt	3,336	3,801	5,166	5,566	7,261	Norm net margin	5.6	5.1	5.4	4.3	4.8
A/C payable	2,788	5,106	3,887	3,644	4,093	D/E (x)	0.8	0.7	0.8	1.1	1.1
Other current liabilities	551	844	965	2,119	1,091	Net D/E (x)	0.4	0.4	0.7	0.8	0.9
L-T debt	0	0	0	0	0	Interest coverage (x)	62.2	100.1	63.9	39.3	39.2
Other liabilities	786	914	870	758	738	Interest rate	2.0	1.4	1.6	1.8	1.6
Minority interest	30	16	15	15	77	Effective tax rate	16.6	19.9	19.9	17.7	21.5
Shareholders' equity	4,376	5,285	6,071	5,154	6,345	ROA	19.6	25.8	19.1	14.5	15.6
Working capital	3,214	3,809	6,340	5,895	7,352	ROE	54.8	74.5	55.4	44.1	50.2
Total debt	3,336	3,801	5,166	5,566	7,261						
Net debt	1,647	1,950	4,163	4,281	5,863						

Sources: Company data, Thanachart estimates

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