

BUY (Unchanged)**TP: Bt 30.00**

(From: Bt 28.00)

Change in Numbers

Upside: 25.5%

7 OCTOBER 2024

COM7 Pcl. (COM7 TB)**Good iPhone demand**

COM7 saw orders for the new iPhone 16 in the first two weeks of its launch grow by 10% over the iPhone 15 last year. Despite the lack of revenue from the new iPhone in 3Q24F, we still expect COM7's earnings to resume their y-y growth pace from 3Q24F. Reaffirm BUY.

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Continued recovery; reaffirming BUY

We reaffirm our BUY on COM7 with a higher DCF-based TP (2025F base year), of Bt30 (from Bt28). *First*, COM7 saw orders for the new iPhone 16 in the first two weeks of its launch grow 10% over the iPhone 15 last year. iPhones account for 40% of COM7's total revenues. *Second*, with a new replacement cycle starting after three years of weak demand, we project COM7's earnings to grow 26% y-y in 2H24F and 22/15% in 2025-26F. That would be an improving trend from the 7% y-y growth in 2Q24. *Third*, COM7 continues to launch stores aggressively, leading to both sales growth and margin improvement. We fine-tune up our earnings estimates by 4-5% p.a. in 2024-26F. *Lastly*, COM7 looks inexpensive to us, trading at 15x PE in 2025F against strong EPS growth and 37-38% ROE in 2024-26F.

Can still gain market share

Thailand's IT and smartphone demand contracted 5/12% in 2022-23 and 3% y-y in 1Q24 before growing 3% y-y in 2Q24. But COM7's sales grew 23/11% in 2022-23 and 13% y-y in 1H24. In 3Q24F, we expect its sales to grow at a high single-digit level despite shipment of the new iPhone slipping to October this year vs. September last year. With a full quarter of iPhone sales, we estimate COM7's sales to grow 15% y-y in 4Q24F. From a big-picture perspective, we estimate COM7's sales growth to be 10-12% vs. 3-5% in terms of industry demand growth in 2024-26F. We forecast 180-190 new stores p.a.

Margin improvement

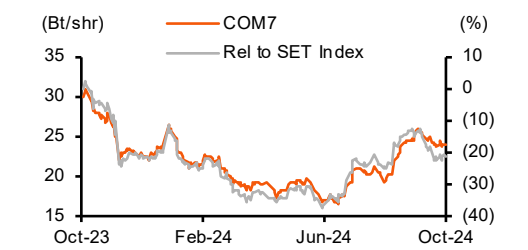
Despite its sales growth in 2022-23, COM7 suffered a margin contraction due to high promotional expenses, rising interest rates, and losses from new businesses. Its net margin fell from 5.0% in 2021 to 4.3% in 2023, with the low point at 3.5% in 2H23. Its margin recovered to 4.2% in 1H24 due to lower promotional expenses as market conditions improved and because of lower losses from its new businesses. COM7 has also reduced the size of its new stores to optimize returns. We estimate its net margin at 4.2-4.8% in 2024-26F.

Quarterly earnings outlook

COM7's earnings reached a trough in 4Q23 at Bt667m. It started to turn around q-q in 1Q24 at Bt821m, which still represented a 6% y-y drop. The first y-y turnaround was in 2Q24 when it made a Bt752m profit, growing 7% y-y. 3Q is usually the lowest season of the year as buyers await new phone models, and 4Q is the highest season. We estimate COM7's earnings in 3Q24F at Bt650m, growing by 6% y-y. Then, when the new iPhone gets delivered, we project its 4Q24F earnings at Bt1.0bn, growing by 57% y-y.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	69,559	78,093	87,319	95,957
Net profit	2,857	3,256	3,969	4,555
Consensus NP	—	3,155	3,535	4,030
Diff frm cons (%)	—	3.2	12.3	13.0
Norm profit	2,974	3,256	3,969	4,555
Prev. Norm profit	—	3,101	3,791	4,396
Chg frm prev (%)	—	5.0	4.7	3.6
Norm EPS (Bt)	1.2	1.4	1.7	1.9
Norm EPS grw (%)	(2.2)	9.5	21.9	14.8
Norm PE (x)	19.3	17.6	14.5	12.6
EV/EBITDA (x)	13.8	13.0	10.9	9.5
P/BV (x)	7.1	6.0	5.1	4.3
Div yield (%)	2.9	3.3	4.1	4.7
ROE (%)	39.1	37.1	38.1	36.8
Net D/E (%)	80.7	57.4	45.3	30.9

PRICE PERFORMANCE**COMPANY INFORMATION**

Price as of 7-Oct-24 (Bt)	23.90
Market Cap (US\$ m)	1,714.9
Listed Shares (m shares)	2,400.0
Free Float (%)	49.4
Avg Daily Turnover (US\$ m)	8.3
12M Price H/L (Bt)	31.00/16.50
Sector	Commerce
Major Shareholder	Khun Sura Kanittavikul 25.05%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P15



Reaffirming BUY

We reaffirm our BUY call

We reaffirm our BUY rating on COM7 Pcl (COM7) with a higher DCF-based 12-month TP, using a 2025F base year, of Bt30/share (up from Bt28). We discuss our reasoning below:

Ex 1: 12-month DCF-based TP Calculation Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal Value
EBITDA	5,307	6,040	6,951	7,808	8,668	9,452	9,961	10,592	11,260	11,966	12,744	—
Free cash flow	2,909	3,613	4,165	4,995	5,602	6,278	6,894	7,351	7,837	8,356	8,458	113,162
PV of free cash flow	2,901	3,029	3,196	3,508	3,601	3,694	3,623	3,524	3,427	3,333	3,078	41,176
Risk-free rate (%)	3.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	9.2											
Terminal growth (%)	2.0											
Enterprise value - add investments	78,089											
Net debt (2024F)	5,584											
Minority interest	141											
Equity value	72,365											
# of shares	2,400											
Target price/share (Bt)	30											

Sources: Company data, Thanachart estimates

We fine-tune up our earnings estimates by 3-5% in 2024-26F. Our assumptions are shown below:

Ex 2: Our Assumptions

	2019	2020	2021	2022	2023	2024F	2025F	2026F
# of stores	787	911	1,000	1,160	1,356	1,536	1,726	1,906
Sales growth from incremental stores (%)	8	5	7	9	5	6	7	5
Same-store sales growth (%)	12	7	30	14	6	6	5	5
Total sales growth (%)	20	12	37	23	11	12	12	10
Gross margin (%)	13.2	12.6	13.4	13.1	13.2	13.2	13.2	13.3
SG&A to sales (%)	8.8	8.0	7.2	7.3	7.9	8.1	7.7	7.6
EBIT margin (%)	4.5	4.6	6.0	6.1	5.3	5.1	5.5	5.7

Sources: Company data, Thanachart estimates

Ex 3: Earnings Revision

	2021	2022	2023	2024F	2025F	2026F
Sales (Bt m)						
- New	51,126	62,733	69,559	78,093	87,319	95,957
- Old				76,319	85,333	93,773
- Change (%)				2.3	2.3	2.3
Gross margin (%)						
- New	13.4	13.4	13.2	13.2	13.2	13.3
- Old				13.1	13.1	13.3
- Change (ppt)				0.1	0.1	—
SG&A/sales (%)						
- New	7.2	7.3	7.9	8.1	7.7	7.6
- Old				7.7	7.4	7.3
- Change (ppt)				0.4	0.4	0.4
Normalized profit (Bt m)						
- New	2,670	3,040	2,974	3,256	3,969	4,555
- Old				3,101	3,791	4,396
- Change (%)				5.0	4.7	3.6

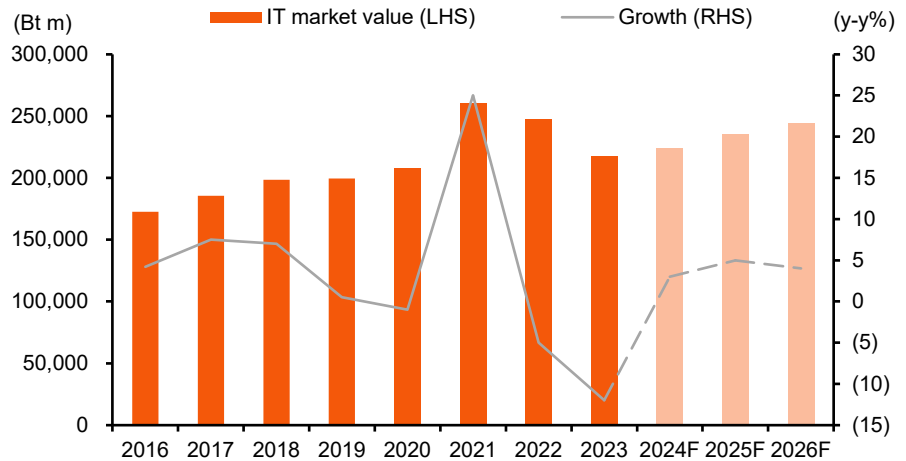
Sources: Company data, Thanachart estimates

Good iPhone demand

First: Strong iPhone demand. iPhone is COM7's largest revenue contributor at 40% of total revenue. COM7 saw orders for the new iPhone 16 rise over 10% y-y in the first two weeks following its mid-September launch compared to the iPhone 15's launch last year.

Note that iPhone orders in the US fell by about 10% y-y. We believe COM7 saw stronger demand due to:

- 1) Stronger replacement demand in Thailand. Smartphone shipments in Thailand fell by a combined 17% in 2022-23F vs. 11% in the US, likely because the global slowdown has impacted Thais more significantly due to lower income levels. Therefore, Thailand's replacement demand is more robust due to the low base impact.

Ex 4: Thailand IT Demand Has Fallen Sharply

Sources: Company data, Thanachart compilation

2) COM7's continued market share gains, which we discuss below:

Continued market share gains

Second, continued market share gains. Thailand's smartphone and IT demand fell by 5/12% in 2022-23 and 3% in 1Q24 before growth resumed at 3% in 2Q24. COM7's sales grew 23/11% in 2022-23 and 13% in 1H24.

We estimate that COM7's market share in the mobile and IT sectors grew from 17% in 2019 to 32% in 2023. Over these years, same-store sales (SSS) grew by an average of 14% p.a., while store expansion was also at 7% p.a. COM7 is currently the largest mobile and IT store chain in Thailand.

The mobile industry is segmented into 35% retail store chains like COM7, 30% telecom operator-owned stores, and 35% independent stores. The market remains highly fragmented, with many smaller players, which leaves COM7 with rooms for further market share gains. While detailed market data isn't available for the IT segment, we note that COM7 is the only retail chain selling both mobile and IT products in its stores, which gives it a key advantage in scale and draws more foot traffic.

Looking ahead, we project COM7's market share to increase from 32% in 2023 to 35-39% in 2024-26F, driven by SSS growth of 5% p.a., and store expansion of 6% p.a. during those years. Over the long term, we expect COM7's market share to reach 42% by 2028F.

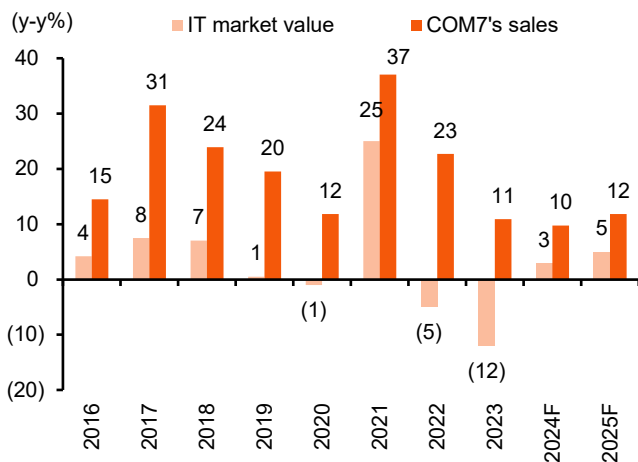
In an industry with slim margins and relatively high fixed costs (like rent and labor), COM7's expanding market share enables it to benefit from economies of scale, which in turn improves its margins. See Exhibit14. Exhibit 7 shows that while its competitors' margins have weakened, COM7's net margin has improved over time.

Ex 5: COM7's Market Share



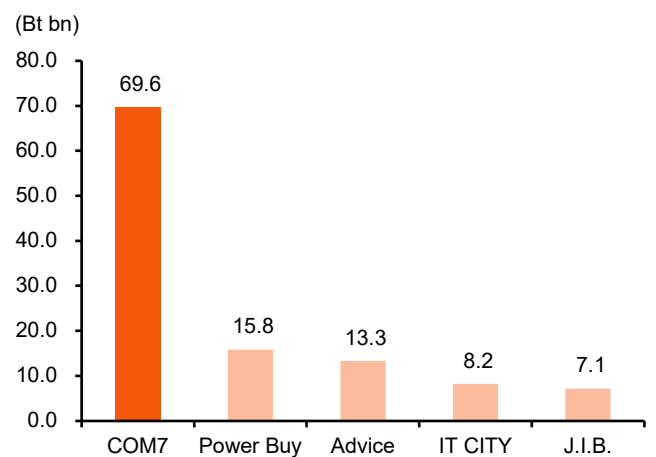
Sources: Company data, BOL, Thanachart compilation, Thanachart estimates

Ex 6: COM7 Vs. Industry



Sources: Company data, BOL, Thanachart compilation, Thanachart estimates

Ex 7: Larger Revenue Size In 2023



Sources: BOL, Company data

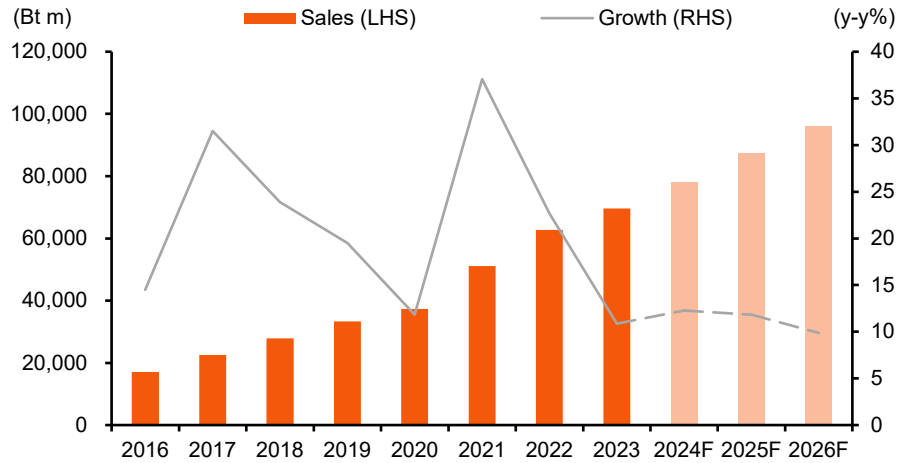
Ex 8: Net Margin Vs. Peers

(%)	2015	2016	2017	2018	2019	2020	2021	2022	2023
COM7	1.8	2.4	2.7	3.2	3.5	3.7	5.0	4.8	4.3
Average main peers' net margin	0.4	1.0	1.8	1.3	1.3	1.6	2.7	1.8	1.0
- Advice	0.7	na	2.8	1.2	1.2	2.1	3.1	1.4	1.3
- CSC	0.1	na	1.3	2.2	0.7	na	na	na	na
- IT CITY	0.5	0.3	1.1	0.6	na	na	2.4	0.0	0.5
- Jaymart	-	-	3.8	na	1.3	1.2	2.6	4.0	1.5
- J.I.B.	0.2	0.3	0.4	0.7	0.8	1.5	2.5	0.9	0.5
- Power Buy	0.6	2.3	1.3	1.8	2.3	na	na	na	na

Sources: BOL, Company data

We forecast COM7’s sales growth of 12/12/10% in 2024-26F. Growth is expected to still come from both same-store-sales growth and store expansion.

Ex 9: COM7’s Sales Growth Outlook



Sources: Company data, Thanachart estimates

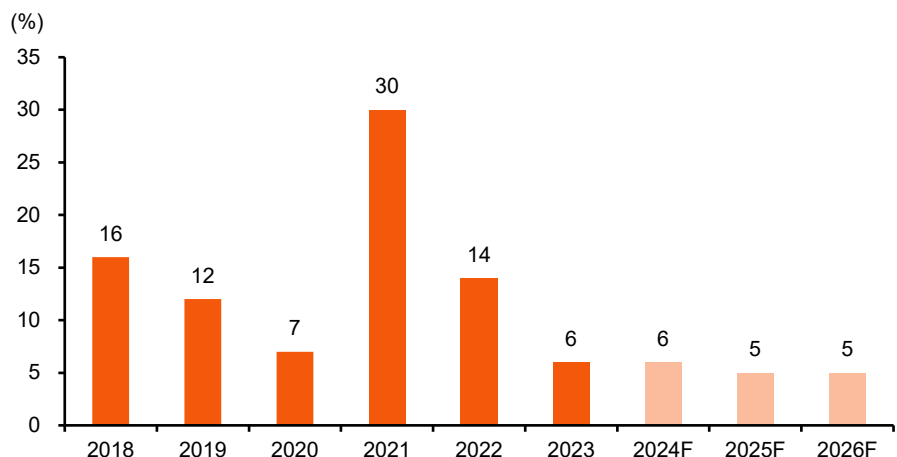
We discuss below COM7’s market share drivers:

SSS remain the key growth driver

Same-store sales (SSS) growth: COM7 benefits from its large-format stores that sell both mobile and IT products, attracting more foot traffic. Its main stores in malls average 150 sqm, 30-50% larger than most competitors, which typically focus on mobile or IT products. With more space, COM7 can offer a wider variety of mobile phones, tablets, and computers, as well as trending IoT-based products. COM7’s stores are more spacious and comfortable compared to other retailers, which helps them attract and retain customers.

We believe competitors find it difficult to replicate COM7’s strategy. The industry has moved past its peak growth phase and has faced demand challenges over the past two years. For smaller competitors to adopt COM7’s format, they would need to more than double their store sizes and increase inventory, requiring significant capital investment, which is risky in an industry known for its thin margins.

Ex 10: Same-Store-Sales Growth

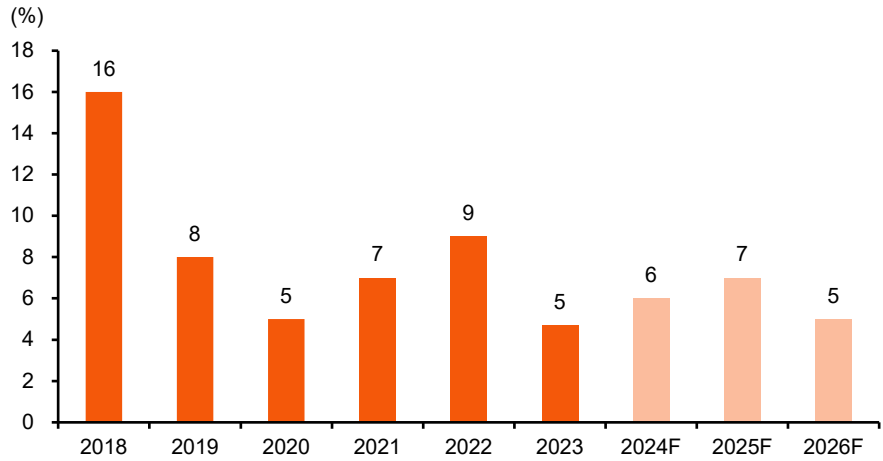


Sources: Company data, Thanachart estimates

Still expanding new stores

Store expansion: As of 2Q24, COM7 operated 1,382 Stores. Despite already having a presence in over 70% of leading shopping malls such as Central, COM7 still sees potential for more store openings. Thanks to its multiple brands, COM7 can open more than one store in each mall without cannibalizing sales. In fact, it has been shown that opening multiple stores in the same mall does not negatively affect sales, as each store targets different customer groups (see Exhibit 11). COM7 has even managed to operate two stores of the same brand in some larger malls without hurting performance.

Ex 11: Growth From New Store



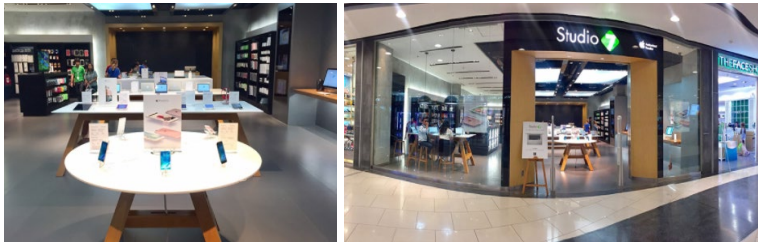
Sources: Company data, Thanachart estimates

Ex 12: COM7 Shops

Banana



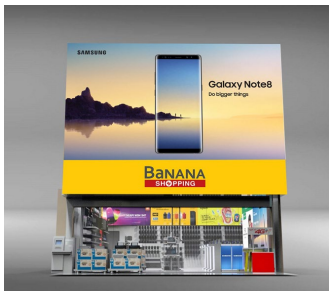
Studio7



Kingkong



Franchise



Xiaomi

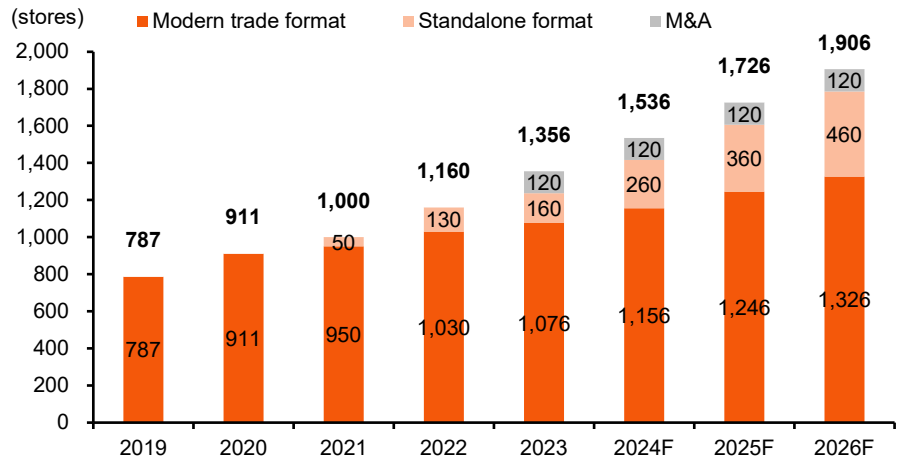


Source: Company data

COM7 plans to open at least 150 new stores this year. The plan is for roughly half of these new stores to follow its standalone format, which the company believes will drive growth.

COM7 is working to reduce the size of its standalone stores to cut unnecessary expenses, but the company doesn't expect this to reduce its revenue base. The standalone format was initially intended to accommodate larger products like home appliances. However, COM7 has canceled its plans to sell these products due to the risk of requiring aggressive credit terms for consumer sales.

Ex 13: Store Openings



Sources: Company data, Thanachart estimates

Ex 14: COM7 Standalone Format



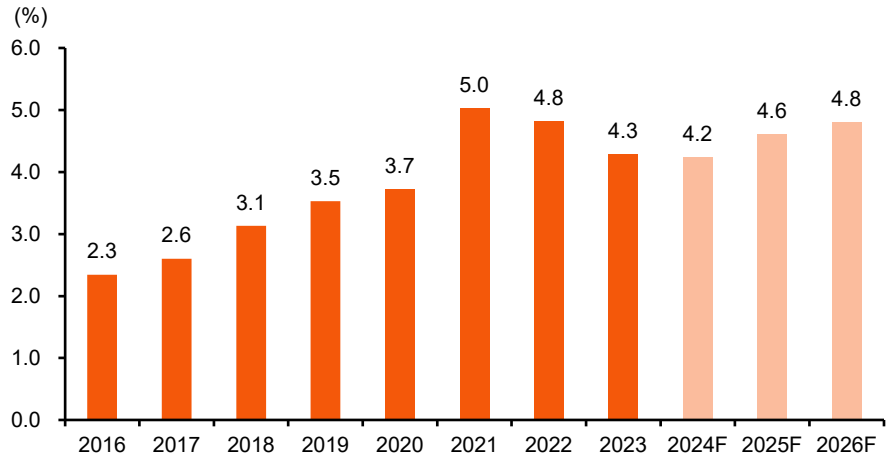
Source: Company data

We believe margin has troughed

Third, margin improvement. Despite sales growth in 2022-23, COM7’s margin dropped from 5.0% in 2021 to 4.3% in 2023, hitting a low of 3.3% in 4Q23. The margin pressure was caused by rising promotional expenses amid weak IT demand, losses from new businesses, and increasing interest rates. Margin recovered to 4.1% in 2Q24. Thanks to recovering demand, COM7 has reduced promotional expenses and is also rightsizing its new standalone format to reduce costs further. This does not imply a lower revenue base, as the previously larger stores were initially designed to accommodate larger items like home appliances, which COM7 no longer plans to sell.

We estimate COM7's net margin will improve to 4.2/4.6/4.8% in 2024-26F.

Ex 15: Net Margin Has Recovered



Sources: Company data, Thanachart estimates

Inexpensive, in our view

Inexpensive for its earnings growth and quality in our view

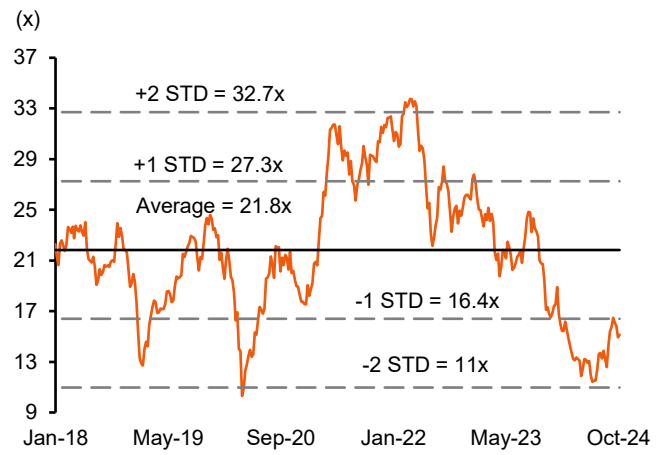
With its share price falling by 27% from the peak in 2023, we see COM7's valuation as expensive at 18/15x PE in 2024-25F vs. 10/22/15 % EPS growth in 2024-26F.

Ex 16: Share Price Has Fallen



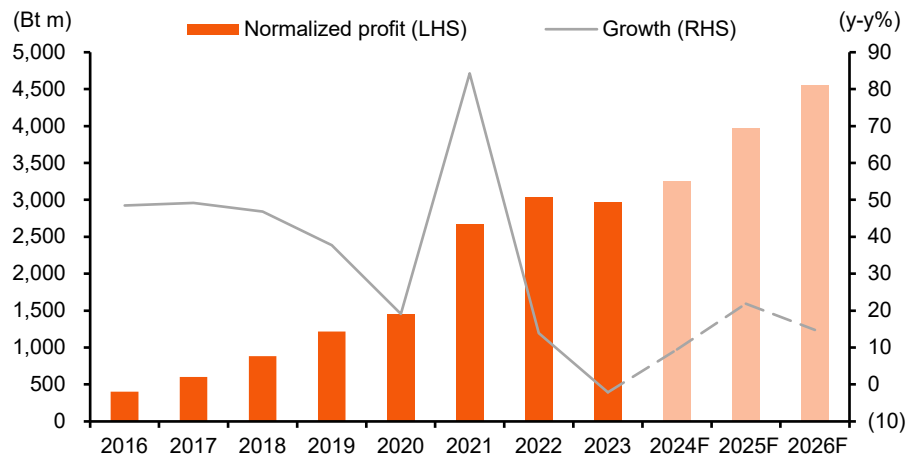
Source: Bloomberg

Ex 17: De-Rated PE



Sources: Bloomberg, Thanachart estimates

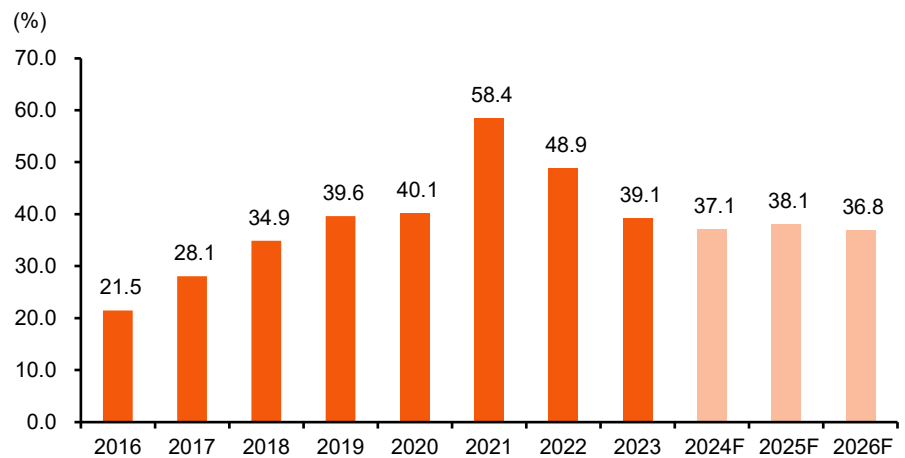
Ex 18: EPS Growth Outlook



Sources: Company data, Thanachart estimates

COM7 also remains a highly profitable company to us, despite a difficult year in 2024F at 37%.

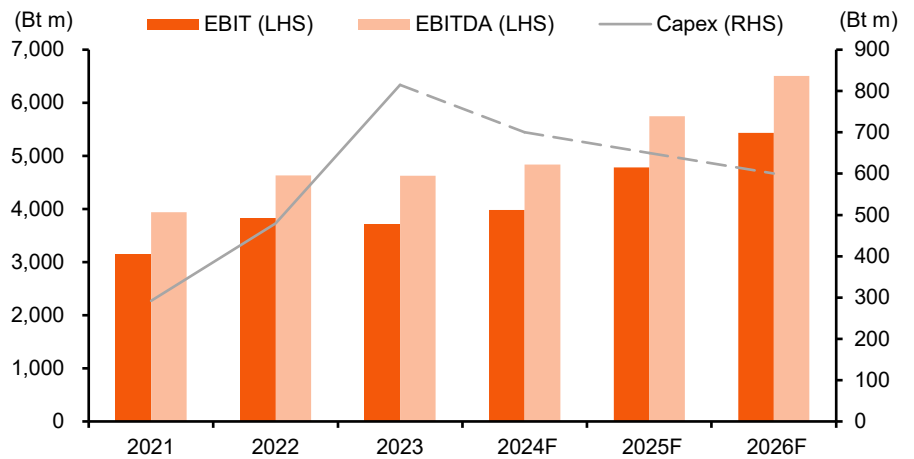
Ex 19: ROE Has Also Recovered



Sources: Company data, Thanachart estimates

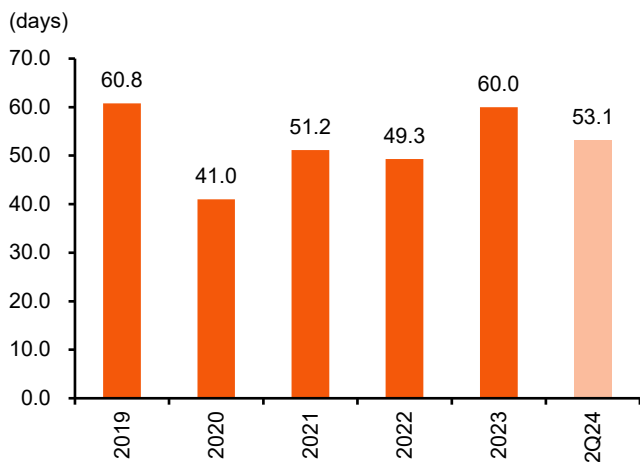
Financially, its net D/E ratio is not high to us, at 0.7x D/E in 2Q24. COM7's inventory days have also been falling. This aligns with the recovering demand trend. Lower inventory helps lower the need for promotional expenses.

Ex 20: EBITDA, EBIT And Capex



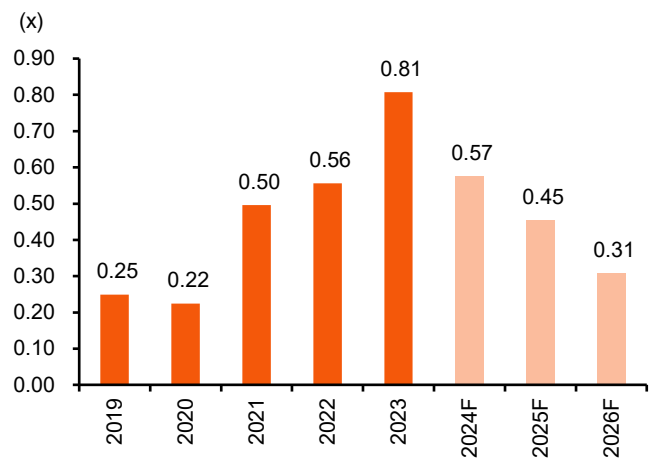
Sources: Company data, Thanachart estimates

Ex 21: Inventory Days Has Improve



Sources: Company data, Thanachart estimates

Ex 22: Net D/E Not At A High Level



Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 23: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		Div yield	
			24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)
Marks & Spencer Group	MKS LN	UK	12.6	9.2	14.1	12.9	2.1	1.9	6.8	6.5	1.4	2.0
J Sainsbury	SBRY LN	UK	4.0	11.0	12.9	11.6	1.0	0.9	5.1	4.9	4.6	5.0
Tesco	TSCO LN	UK	12.5	8.0	13.7	12.7	2.2	2.1	7.2	7.0	3.6	3.9
Carrefour SA	CA FP	France	0.9	17.3	8.3	7.1	0.9	0.9	5.5	5.1	6.0	6.2
Aeon	8267 JP	Japan	5.1)	18.1	71.7	60.8	3.2	3.1	10.6	10.1	1.0	1.0
Lotte Shopping	023530 KS	S. Korea	(11.0)	47.8	12.2	8.2	0.2	0.2	8.8	8.7	6.2	6.4
Shinsegae	004170 KS	S. Korea	39.7	11.8	5.2	4.7	0.4	0.3	6.6	6.3	2.6	2.7
Amore Pacific Group	002790 KS	S. Korea	95.7	4.9	10.2	9.7	0.7	0.6	6.9	5.2	1.7	1.6
Wal-Mart Stores	WMT US	USA	10.5	11.0	33.0	29.8	7.2	6.5	16.4	15.1	1.0	1.1
Home Depot Inc	HD US	USA	(0.7)	4.4	27.2	26.1	61.6	31.8	18.4	17.6	2.2	2.3
Berli Jucker *	BJC TB	Thailand	8.0	7.0	19.8	18.5	0.8	0.8	11.1	10.7	3.5	3.8
COM7 *	COM7 TB	Thailand	9.5	21.9	17.6	14.5	6.0	5.1	13.0	10.9	3.3	4.1
CP All*	CPALL TB	Thailand	33.3	17.5	24.9	21.2	4.7	4.2	9.8	8.8	2.0	2.4
CP Axtra *	CPAXT TB	Thailand	24.7	18.0	30.9	26.2	1.1	1.1	12.4	11.5	2.3	2.7
Central Pattana *	CPN TB	Thailand	13.9	8.0	18.8	17.4	2.9	2.7	13.3	12.5	2.9	3.0
Central Retail Corp. *	CRC TB	Thailand	7.2	11.3	22.6	20.3	2.7	2.5	8.2	7.7	1.8	2.0
Dohome Pcl *	DOHOME TB	Thailand	47.8	41.0	42.7	30.3	2.6	2.4	22.8	19.6	0.1	0.1
Siam Global House *	GLOBAL TB	Thailand	11.2	16.0	29.3	25.2	3.4	3.1	22.5	19.9	1.2	1.4
Home Product*	HMPRO TB	Thailand	1.6	10.7	21.5	19.4	5.4	5.1	12.0	11.1	3.7	4.1
Average			17.9	15.5	23.0	19.8	5.7	4.0	11.4	10.5	2.7	2.9

Sources: Company data, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth

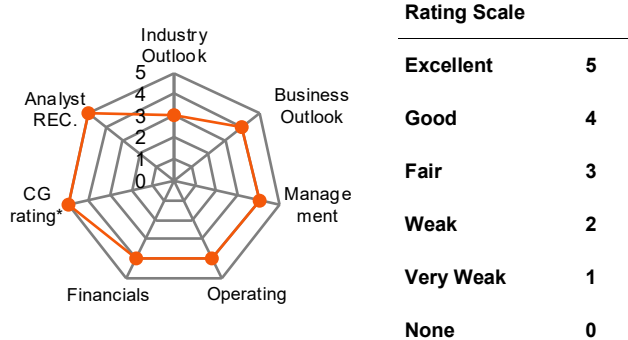
Based on 7 October 2024 closing prices

COMPANY DESCRIPTION

Com7 Pcl (COM7) runs a chain of retail outlets that imports, retails, and distributes computers and IT-related products in Thailand. The company offers smartphones, tablets, notebooks, and computers. COM7 also offers computer components, such as CPUs, hard drives, networks, and accessories.

Source: Thanachart

COMPANY RATING



Source: Thanachart; * CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Strong distribution channels nationwide
- More products and brands
- Diversification into higher-margin businesses
- Leverage effect from better utilization of assets
- Apple's largest distributor in Thailand

O — Opportunity

- 4G to 5G migration
- Improving economy
- Increasing speed and bandwidth usage
- New development technology

W — Weakness

- Low-margin retail business
- Risk from obsolete inventory

T — Threat

- Fierce competition in handsets and IT-related products
- Fast-moving technological advances
- Rising competition from new entrants

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	24.01	30.00	25%
Net profit 24F (Bt m)	3,155	3,256	3%
Net profit 25F (Bt m)	3,535	3,969	12%
Consensus REC	BUY: 6	HOLD: 4	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our TP is higher than the Bloomberg consensus number, which we attribute to our having a more aggressive view of the IT industry's outlook and COM7's market share gains.

Sources: Bloomberg consensus, Thanachart estimates

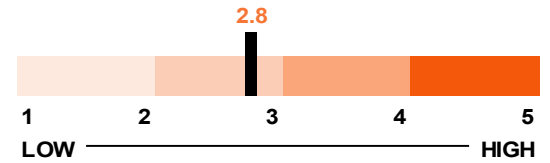
RISKS TO OUR INVESTMENT CASE

- More competition in the existing retail business would be the key downside risk to our call.
- A worse-than-expected economy and lower IT-related demand would represent secondary downside risks.

Source: Thanachart

COM7 is Thailand's largest retailer of consumer IT products. Given the nature of its business, COM7 doesn't generate much greenhouse gas or waste. However, our ESG score for COM7 is moderate at 2.8, reflecting low emissions but still unclear targets for ESG reduction plans.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
COM7	YES	YES	-	-	46.34	48.42	32.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
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Factors	Our Comments
<p>ENVIRONMENT</p> <ul style="list-style-type: none"> Environmental Policies & Guidelines Energy Management Carbon Management Water Management Waste Management 	<ul style="list-style-type: none"> COM7 is the largest retailer of IT products in Thailand. The nature of its business doesn't create much greenhouse gas (GSG) emissions or waste from its production process. COM7 has identified key environmental areas it plans to improve, but it still hasn't set out big-picture targets for overall environmental issues. The company has geared itself toward using solar power products to increase renewable electricity usage. COM7's office buildings also follow the Green Building design. COM7 has implemented campaigns for employees to conserve water, and its usage has started falling. COM7 is using more paper bags for its customers.
<p>SOCIAL</p> <ul style="list-style-type: none"> Human Rights Staff Management Health & Safety Product Safety & Quality Social Responsibility 	<ul style="list-style-type: none"> COM7 has a well-balanced workforce, with around 50% being female and the rest male. COM7 has well-defined employee training programs, and its employee turnover ratio has also fallen over the years. COM7 tries to boost employee morale by periodically rewarding those who have been identified as doing good deeds. COM7 provides IT products such as computers and tablets for study for those in need, e.g., students in underdeveloped areas.
<p>GOVERNANCE & SUSTAINABILITY</p> <ul style="list-style-type: none"> Board Ethics & Transparency Business Sustainability Risk Management Innovation 	<ul style="list-style-type: none"> COM7 has a seven-member board of directors (BOD) that we consider appropriate for the company's size and the scope of its business. Two of the seven members are independent directors, and only two are women. Although it only offers IT products, COM7's products are highly diversified in terms of function, including computers, tablets, smartphones, and other lifestyle gadgets. COM7 has been diversifying into the pharmaceutical, home appliance, motorcycle financing, and debt-management businesses. The company has yet to reveal a succession plan.

Source: Thanachart

INCOME STATEMENT

*Strong sales growth
despite the weak industry*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	62,733	69,559	78,093	87,319	95,957
Cost of sales	54,298	60,354	67,780	75,805	83,193
Gross profit	8,435	9,205	10,313	11,514	12,764
% gross margin	13.4%	13.2%	13.2%	13.2%	13.3%
Selling & administration expenses	4,600	5,484	6,328	6,733	7,332
Operating profit	3,835	3,721	3,985	4,781	5,432
% operating margin	6.1%	5.3%	5.1%	5.5%	5.7%
Depreciation & amortization	796	908	853	967	1,074
EBITDA	4,631	4,629	4,838	5,748	6,505
% EBITDA margin	7.4%	6.7%	6.2%	6.6%	6.8%
Non-operating income	58	82	140	140	140
Non-operating expenses	0	0	125	140	154
Interest expense	(103)	(232)	(285)	(244)	(208)
Pre-tax profit	3,790	3,571	3,965	4,817	5,518
Income tax	769	588	652	792	908
After-tax profit	3,021	2,984	3,312	4,024	4,610
% net margin	4.8%	4.3%	4.2%	4.6%	4.8%
Shares in affiliates' Earnings	45	67	20	20	21
Minority interests	(26)	(77)	(76)	(76)	(76)
Extraordinary items	(2)	(117)	0	0	0
NET PROFIT	3,038	2,857	3,256	3,969	4,555
Normalized profit	3,040	2,974	3,256	3,969	4,555
EPS (Bt)	1.3	1.2	1.4	1.7	1.9
Normalized EPS (Bt)	1.3	1.2	1.4	1.7	1.9

*Earnings turnaround has
begun*

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	12,655	16,443	16,359	17,940	19,347
Cash & cash equivalent	1,636	2,229	1,025	1,025	1,025
Account receivables	3,009	3,472	3,897	4,358	4,789
Inventories	7,333	9,922	11,143	12,254	13,221
Others	678	820	294	303	312
Investments & loans	1,517	1,665	1,812	1,959	2,107
Net fixed assets	873	1,392	1,674	1,819	1,832
Other assets	3,410	3,477	3,463	3,449	3,390
Total assets	18,456	22,976	23,309	25,168	26,675
LIABILITIES:					
Current liabilities:	10,463	14,076	12,994	12,990	12,386
Account payables	4,203	4,916	5,521	6,279	6,891
Bank overdraft & ST loans	5,204	8,437	6,309	5,979	5,011
Current LT debt	0	0	0	0	0
Others current liabilities	1,056	723	1,164	732	484
Total LT debt	462	401	300	284	238
Others LT liabilities	280	311	292	326	359
Total liabilities	11,204	14,789	13,586	13,600	12,983
Minority interest	97	141	217	217	293
Preferreds shares	0	0	0	0	0
Paid-up capital	600	600	600	600	600
Share premium	899	899	899	899	899
Warrants	0	0	0	0	0
Surplus	621	836	836	836	836
Retained earnings	5,034	5,712	7,171	9,016	11,064
Shareholders' equity	7,154	8,047	9,506	11,350	13,399
Liabilities & equity	18,456	22,976	23,309	25,168	26,675

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	3,790	3,571	3,965	4,817	5,518
Tax paid	(491)	(1,037)	(351)	(904)	(789)
Depreciation & amortization	796	908	853	967	1,074
Chg In working capital	(2,251)	(2,338)	(1,042)	(815)	(786)
Chg In other CA & CL / minorities	111	91	152	(386)	(355)
Cash flow from operations	1,954	1,196	3,577	3,680	4,662
Capex	(479)	(815)	(700)	(650)	(600)
Right of use	(322)	(662)	(100)	(100)	(100)
ST loans & investments	270	(35)	534	0	0
LT loans & investments	(743)	(147)	(147)	(147)	(147)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(911)	(150)	(341)	(313)	(295)
Cash flow from investments	(2,186)	(1,810)	(755)	(1,210)	(1,142)
Debt financing	1,185	3,173	(2,229)	(346)	(1,014)
Capital increase	300	0	0	0	0
Dividends paid	(1,200)	(1,788)	(1,797)	(2,124)	(2,506)
Warrants & other surplus	(268)	(176)	0	0	0
Cash flow from financing	17	1,208	(4,027)	(2,470)	(3,520)
Free cash flow	1,474	381	2,877	3,030	4,062

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	18.9	19.3	17.6	14.5	12.6
Normalized PE - at target price (x)	23.7	24.2	22.1	18.1	15.8
PE (x)	18.9	20.1	17.6	14.5	12.6
PE - at target price (x)	23.7	25.2	22.1	18.1	15.8
EV/EBITDA (x)	13.3	13.8	13.0	10.9	9.5
EV/EBITDA - at target price (x)	16.4	17.0	16.0	13.4	11.7
P/BV (x)	8.0	7.1	6.0	5.1	4.3
P/BV - at target price (x)	10.1	8.9	7.6	6.3	5.4
P/CFO (x)	29.4	48.0	16.0	15.6	12.3
Price/sales (x)	0.9	0.8	0.7	0.7	0.6
Dividend yield (%)	3.1	2.9	3.3	4.1	4.7
FCF Yield (%)	2.6	0.7	5.0	5.3	7.1
(Bt)					
Normalized EPS	1.3	1.2	1.4	1.7	1.9
EPS	1.3	1.2	1.4	1.7	1.9
DPS	0.8	0.7	0.8	1.0	1.1
BV/share	3.0	3.4	4.0	4.7	5.6
CFO/share	0.8	0.5	1.5	1.5	1.9
FCF/share	0.6	0.2	1.2	1.3	1.7

Sources: Company data, Thanachart estimates

*Inexpensive PE in our view
against its growth and
profitability prospects*

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	22.7	10.9	12.3	11.8	9.9
Net profit (%)	15.5	(5.9)	14.0	21.9	14.8
EPS (%)	15.5	(5.9)	14.0	21.9	14.8
Normalized profit (%)	13.9	(2.2)	9.5	21.9	14.8
Normalized EPS (%)	13.9	(2.2)	9.5	21.9	14.8
Dividend payout ratio (%)	59.3	58.8	58.8	58.8	58.8
Operating performance					
Gross margin (%)	13.4	13.2	13.2	13.2	13.3
Operating margin (%)	6.1	5.3	5.1	5.5	5.7
EBITDA margin (%)	7.4	6.7	6.2	6.6	6.8
Net margin (%)	4.8	4.3	4.2	4.6	4.8
D/E (incl. minor) (x)	0.8	1.1	0.7	0.5	0.4
Net D/E (incl. minor) (x)	0.6	0.8	0.6	0.5	0.3
Interest coverage - EBIT (x)	37.2	16.0	14.0	19.6	26.2
Interest coverage - EBITDA (x)	45.0	19.9	17.0	23.6	31.3
ROA - using norm profit (%)	17.7	14.4	14.1	16.4	17.6
ROE - using norm profit (%)	48.9	39.1	37.1	38.1	36.8
DuPont					
ROE - using after tax profit (%)	48.6	39.3	37.7	38.6	37.3
- asset turnover (x)	3.6	3.4	3.4	3.6	3.7
- operating margin (%)	6.2	5.5	5.4	5.8	6.0
- leverage (x)	2.8	2.7	2.6	2.3	2.1
- interest burden (%)	97.4	93.9	93.3	95.2	96.4
- tax burden (%)	79.7	83.5	83.5	83.5	83.5
WACC (%)	8.9	8.9	8.9	9.2	9.2
ROIC (%)	38.6	27.8	22.7	26.5	27.4
NOPAT (Bt m)	3,057	3,109	3,329	3,994	4,538
invested capital (Bt m)	11,184	14,656	15,090	16,588	17,623

Sources: Company data, Thanachart estimates

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BB - BBB - A	AVERAGE : A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	LEADER: A company leading its industry in managing the most significant ESG risks and opportunities

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

Moody's ESG Solutions

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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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1. MSCI (CCC- AAA)
2. Arabesque S-Ray (0-100)

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SET has created a Thailand Sustainability Investment (THSI) list since 2015 for using as an alternative investment in the high performance ESG stocks for investors while, supporting the sustainable Thai companies. SET defines the sustainable companies as the companies that embrace risk management, supply chain management and innovations together with responsibility for environmental, social and governance aspects

As a result, SET has created the SETTHSI for the purpose of indicating the price of these sustainable companies that pass the market capital size and liquidity criteria.

Arabesque S-Ray®

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Score range	Description
CCC - B	LAGGARD: A company lagging its industry based on its high exposure and failure to manage significant ESG risks
BB - BBB - A	AVERAGE : A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	LEADER: A company leading its industry in managing the most significant ESG risks and opportunities

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90-100		Excellent
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