

COMPANY RESULTS

COM7 (COM7 TB)

3Q24: Earnings In Line; Better-than-expected 4Q24 Earnings Outlook

COM7 reported a 3Q24 net profit of Bt709m, up 15.9% yoy, in line with our and market expectations. The key driver was the top-line growth momentum. Looking forward, we expect a short-term positive sentiment on the share price from the strong Oct 24 sales momentum, driven by both government stimuli and pent-up demand from Sep 24. Maintain HOLD. Target price: Bt29.00.

3Q24 RESULTS

Year to 31 Dec (Btm)	3Q23	2Q24	3Q24	yoy (%)	qoq (%)
Sales and services	16,321	18,394	17,983	10.2	(2.2)
Gross profit	2,180	2,485	2,397	10.0	(3.5)
SG&A	1,363	1,524	1,493	9.5	(2.1)
Operating EBIT	817	961	905	10.8	(5.8)
Interest expense	70	75	88	26.0	16.6
Core profit	593	756	694	17.1	(8.1)
Net profit	611	752	709	15.9	(5.8)
Percent	2Q23	1Q24	2Q24	yoy (ppts)	qoq (ppts)
Gross margin	13.4	13.5	13.3	(0.0)	(0.2)
SG&A to sales	8.3	8.3	8.3	(0.0)	0.0
Net profit margin	3.7	4.1	3.9	0.2	(0.1)

Source: COM7, UOB Kay Hian

- Earnings in line.** COM7 reported 3Q24 net profit of Bt709m, up 15.9% yoy but down 5.8% qoq, in line with our and market expectations. The 3Q24 earnings growth were from a top-line growth of 10.2% yoy, driven by the smartphone sales improvement from both Android and Apple. The yoy profitability momentum remains unchanged on both gross margin and SGA-to-sales.
- 3Q24 gross profit margin came in flattish yoy.** 3Q24 gross profit margin remained flattish yoy at 13.33% (from 13.35% in 3Q23), compared to 1Q24 and 2Q24 where the gross profit margin decreased by 1% per quarter on a yoy basis.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	62,733	69,559	78,535	85,352	92,200
EBITDA	4,767	4,670	5,056	5,581	5,976
Operating profit	3,987	3,721	3,966	4,353	4,610
Net profit (rep./act.)	3,038	2,857	3,216	3,536	3,760
Net profit (adj.)	3,038	2,857	3,216	3,536	3,760
EPS (Bt)	1.3	1.2	1.3	1.5	1.6
PE (x)	21.7	23.1	20.5	18.7	17.6
P/B (x)	9.2	8.2	6.3	5.5	4.8
EV/EBITDA (x)	15.3	15.7	14.5	13.1	12.2
Dividend yield (%)	2.7	2.5	2.9	3.2	3.4
Net margin (%)	4.8	4.1	4.1	4.1	4.1
Net debt/(cash) to equity (%)	66.8	93.5	78.4	71.6	66.5
Interest cover (x)	46.3	20.1	16.1	16.0	16.4
ROE (%)	48.8	37.6	34.8	31.4	29.2
Consensus net profit	-	-	3,155	3,535	4,030
UOBKH/Consensus (x)	-	-	1.02	1.00	0.93

Source: COM7, Bloomberg, UOB Kay Hian

n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

HOLD

(Maintained)

Share Price	Bt27.50
Target Price	Bt29.00
Upside	5.45%
(Previous TP)	Bt21.70

COMPANY DESCRIPTION

COM7 is leading retailers in IT products such as laptops, desktop computers, mobile phones, tablets, related accessories and product repair services. COM7 is the largest IT chain store in term of branches. COM7 distributes IT products via its own branches.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	COM7 TB
Shares issued (m):	2,400.0
Market cap (Btm):	66,000.0
Market cap (US\$m):	1,913.0
3-mth avg daily t'over (US\$m):	9.4

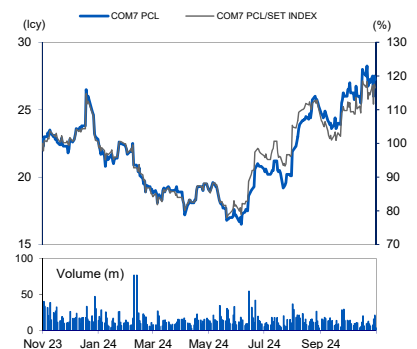
Price Performance (%)

52-week high/low	Bt32.75/Bt16.50			
1mth	3mth	6mth	1yr	YTD
5.8	36.8	42.5	24.4	15.5

Major Shareholders

Mr. Sura Kanitaweekul.	25.05
Mr. Pongsak Thammatharee	19.87
Thai NVDR	8.41
FY24 NAV/Share (Bt)	4.35
FY24 Net Debt/Share (Bt)	3.41

PRICE CHART



Source: Bloomberg

ANALYST(S)

Kampon Akaravarinchai
 +662 659 8031
 kampon@uobkayhian.co.th

STOCK IMPACT

- Better-than-expected 4Q24 earnings momentum.** The management guided good overall sales growth, with the Oct 24 iPhone 16 sales momentum up 27% yoy compared to the iPhone 15 sales last year. The key drivers were: a) the shortfall of iPhone 16 sales in Sep 24 (down 18% yoy compared to iPhone 15 sales in Sep 23) due to the supply shortages, with more supply to come in 4Q24; and b) better spending on low- to mid-priced smartphones, with COM7 positively benefitting from the government's Bt10,000 cash handout policy. In addition, the gross margin improved yoy in Oct 24, thanks to the low base effect in 4Q23. We expect COM7's 4Q24 earnings to come in at Bt900-950m. However, we still need to monitor the Nov-Dec 24 sales momentum as we expect the two key catalysts on Oct 24 sales to be a short-term benefit to consumer spending.
- Expect 2025 earnings to grow 10% yoy.** Overall, the drivers for 2025 core profit will be from the better top-line following the new iPhone sales and improvement in gross margin from a low base in 1H25. The company will benefit from a narrowing loss of other retail formats such as PetPaw and Dr. Pharms. Also, the exit of electronics sales in the Index Living Mall should positively benefit the company. One thing to keep in mind is the slower new store openings as this might reflect the higher competition and less room for the smartphone store format due to the intensifying competition in this segment.

EARNINGS REVISION/RISK

- We fine-tuned our 2024-25 earnings by 4.7% and 3.7% respectively.

EARNINGS REVISION

(Btm)	2024F			2025F		
	New	Previous	Change	New	Previous	Change
Total revenue	78,535	78,825	-0.4%	85,352	85,320	0.0%
Net profit	3,216	3,070	4.7%	3,536	3,409	3.7%
Net profit margin	4.1%	3.9%	0.21	4.2%	4.0%	0.15

Source: COM7, UOB Kay Hian

VALUATION/RECOMMENDATION

- Maintain HOLD with a higher target price of Bt29.00.** Our target price is pegged to 2025F PE target of 19.8x, equivalent to its five-year mean from 2017-19 and 2022-24, excluding the abnormal period of the COVID-19 pandemic during 2020-21. We re-rated COM7 PE to its mean from the better-than-expected earnings momentum in 4Q24 and 2025. We expect short-term positive sentiment from the strong earnings momentum in 4Q24. However, we are still cautious on long-term growth given the high penetration of smartphones and intensifying competition.

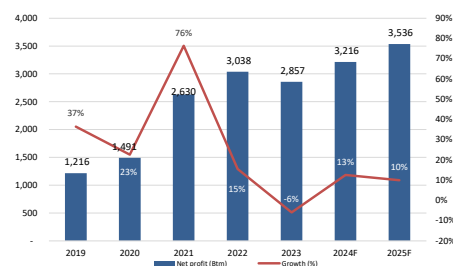
SHARE PRICE CATALYST

- a) Better-than-expected 2H24 SSSG due to AI smartphone, b) more significant contribution from its new businesses, and c) strong gross margin improvement in 1H24.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

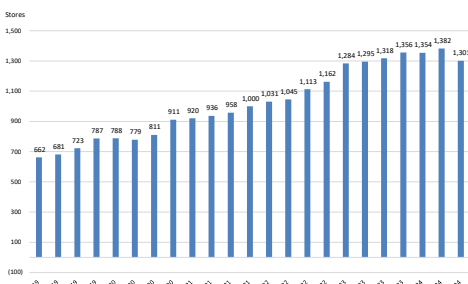
CG Report: 5
SET ESG Rating: A
<ul style="list-style-type: none"> Environmental <ul style="list-style-type: none"> - Net zero. COM7 aims to be a net zero company by 2050. - COM7 places emphasis on the Sustainable Development Goals (SDG) by giving priority to Material Topics in order to create sustainable value for all stakeholders. Social <ul style="list-style-type: none"> - The company focuses on personnel development to train both ethical and talented employees. It pledges to improve employees' skills through lifelong learning. Governance <ul style="list-style-type: none"> - Good governance practices. COM7 is committed to operating its business in accordance with good corporate governance policy. COM7 received the "Excellent" rating on good corporate governance from the Thai Institute of Directors (IOD).

NET PROFIT AND GROWTH



Source: COM7, UOB Kay Hian

TOTAL STORES



Source: COM7

PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	69,559	78,535	85,352	92,200
EBITDA	4,670	5,056	5,581	5,976
Deprec. & amort.	948	1,090	1,228	1,366
EBIT	3,721	3,966	4,353	4,610
Total other non-operating income	(35)	125	141	144
Associate contributions	67	49	61	80
Net interest income/(expense)	(232)	(314)	(348)	(364)
Pre-tax profit	3,522	3,827	4,207	4,470
Tax	(588)	(604)	(663)	(702)
Minorities	(77)	(7)	(8)	(8)
Net profit	2,857	3,216	3,536	3,760
Net profit (adj.)	2,857	3,216	3,536	3,760

CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	909	1,237	3,665	3,447
Pre-tax profit	3,522	3,827	4,207	4,470
Tax	(588)	(604)	(663)	(702)
Deprec. & amort.	948	1,090	1,228	1,366
Associates	(67)	(49)	(61)	(80)
Working capital changes	(2,338)	(3,303)	(1,023)	(1,488)
Non-cash items	(636)	227	(83)	(198)
Other operating cashflows	67	49	61	80
Investing	(1,650)	(1,120)	(2,175)	(1,806)
Capex (growth)	(1,475)	(1,589)	(1,604)	(1,801)
Investment	1,794	1,764	1,788	1,820
Others	(1,969)	(1,295)	(2,359)	(1,825)
Financing	1,244	(360)	(1,487)	(1,656)
Dividend payments	(1,800)	(1,680)	(1,929)	(2,121)
Proceeds from borrowings	3,243	422	443	465
Loan repayment	0	0	0	0
Others/interest paid	(199)	898	0	0
Net cash inflow (outflow)	504	(244)	4	(15)
Beginning cash & cash equivalent	1,357	1,860	1,616	1,620
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	1,860	1,616	1,620	1,605

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	3,324	3,823	4,200	4,635
Other LT assets	3,210	2,785	3,383	3,419
Cash/ST investment	1,860	1,616	1,620	1,605
Other current assets	14,582	17,356	18,872	20,874
Total assets	22,976	25,580	28,075	30,533
ST debt	8,980	9,402	9,845	10,310
Other current liabilities	5,096	4,794	5,204	5,520
LT debt	401	401	401	401
Other LT liabilities	311	355	383	414
Shareholders' equity	8,047	10,447	12,053	13,691
Minority interest	141	182	189	197
Total liabilities & equity	22,976	25,580	28,075	30,533

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	6.7	6.4	6.5	6.5
Pre-tax margin	5.1	4.9	4.9	4.8
Net margin	4.1	4.1	4.1	4.1
ROA	13.6	13.2	13.2	12.8
ROE	37.6	34.8	31.4	29.2
Leverage				
Debt to total capital	53.4	48.0	45.6	43.5
Debt to equity	116.6	93.8	85.0	78.2
Net debt/(cash) to equity	93.5	78.4	71.6	66.5
Interest cover (x)	20.1	16.1	16.0	16.4

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Securities (Thailand) Public Company Limited (“UOBKHST”), which is a licensed corporation providing Securities Brokerage, Securities Dealing, Underwriting, Derivative Agent and Financial Advisory in Thailand.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKHST. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKHST may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKHST and its connected persons (as defined in Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 and the Securities and Exchange Act of Thailand) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report (“Information”) has been obtained or derived from sources believed by UOBKHST to be reliable. However, UOBKHST makes no representation as to the accuracy or completeness of such sources or the Information and UOBKHST accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKHST and its associate may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKHST and its connected persons are subject to change without notice. UOBKHST reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKHST, its associates and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKHST, its associate and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKHST may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the “Subject Business”); and (4) UOBKHST may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report is prepared by UOBKHST, a company authorized, as noted above, to engage in securities and derivative activities in Thailand. UOBKHST is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKHST (whether directly or through its US registered broker dealer affiliate named below) to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). All US persons that receive this document by way of distribution from or which they regard as being from UOBKHST by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc (“UOBKHUS”), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKHST.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority (“FINRA”) and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKHST who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKHST or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKHST's total revenues, a portion of which are generated from UOBKHST's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia. Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Securities (Thailand) Public Company Limited. All rights reserved.

<http://www.utrade.co.th>