

Com7 PCL (COM7 TB)

Android and iPhone launches to boost 2H23E profit

BUY on strong profit growth and upside from EVs

We reiterate BUY on COM7 due to its strong 2H23E outlook and potential upside to earnings from EV sales. Our DCF-based TP is unchanged at THB37 (7.4% WACC, 3.0% TG). We expect core profit to rise from THB729m in 2Q23 to THB821m in 3Q23E and THB1.0b in 4Q23E thanks to shop expansion and smartphone launches. We forecast FY22-25E revenue CAGR of 16% as we expect the company to continue gaining market share from small unorganised players.

Strong profit outlook for 3-4Q23E

We forecast 3Q23E core profit of THB821m (+15% YoY, +13% QoQ) on the back of THB17.7b revenue (+19% YoY, +11% QoQ), supported by shop expansion and smartphone launches by Android brands. We also expect provision for bad debt at Ufund (loans for Apple products) to decline from THB44m in 2Q23 to THB20m in 3Q23E as NPLs have dipped below 4% since Mar'23. Then, 4Q23E core profit should be THB1.0b (+11% YoY, +23% QoQ) thanks to iPhone 15 and Apple Watch launches in mid-Sep.

Gaining market share from small players

In 2022, telecom operators owned 37% smartphone market share, followed by major IT retailers' 35% and small players' 28%. We expect COM7 (20% market share) to continue gaining market share from small players over the next 3 years thanks to strong shop brands (Banana and Studio7), more product variety, exclusive Android smartphones, and strong e-commerce platforms. MWG's number of IT retail shops in Vietnam also implies that there is still a lot of room for COM7's shop expansion in Thailand.

Long-term upside from EV sales

In Sep'23, Gold Integrate (40%-owned by COM7), became an official reseller of Aion cars in Thailand. While online consumers' responses have largely been negative towards Aion Y Plus (i.e. too expensive), partnering with No. 2 EV brand in China provides potential upside of 2-4% to COM7's earnings from FY24E onwards, in our view. Light capex burden and strong EV sales growth in Thailand lead us to forecast >40% ROIC for the JV.

FYE Dec (THB m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	51,126	62,733	73,312	85,387	97,753
EBITDA	3,922	4,687	5,157	6,438	7,474
Core net profit	2,630	3,029	3,431	4,056	4,806
Core EPS (THB)	1.10	1.26	1.43	1.69	2.00
Core EPS growth (%)	76.5	15.1	13.3	18.2	18.5
Net DPS (THB)	1.00	0.75	0.64	0.76	0.90
Core P/E (x)	37.3	26.9	21.9	18.5	15.6
P/BV (x)	18.6	11.4	8.5	6.6	5.2
Net dividend yield (%)	2.4	2.2	2.0	2.4	2.9
ROAE (%)	57.6	48.8	42.6	40.1	37.1
ROAA (%)	20.9	17.2	15.8	15.6	16.3
EV/EBITDA (x)	25.8	18.4	16.2	13.0	11.2
Net gearing (%) (incl perps)	36.8	49.7	77.1	61.9	47.6
Consensus net profit	-	-	3,435	3,982	4,506
MIBG vs. Consensus (%)	-	-	(0.8)	1.9	6.7

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BUY

Share Price	THB 31.25
12m Price Target	THB 37.00 (+21%)
Previous Price Target	THB 37.00

Company Description

COM7, Thailand's largest IT chain store in terms of branches, distributes laptops, desktop computers, mobile phones, tablets and accessories.

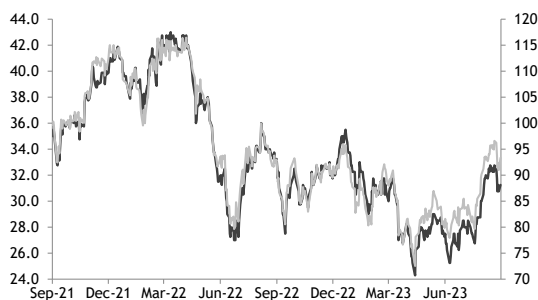
Statistics

52w high/low (THB)	35.50/24.30
3m avg turnover (USDm)	9.5
Free float (%)	49.1
Issued shares (m)	2,400
Market capitalisation	THB75.0B
	USD2.1B

Major shareholders:

Sura Kanittavikul	25.1%
Pongsak Thamathataree	22.5%
Thai NVDR	5.4%

Price Performance



	-1M	-3M	-12M
Absolute (%)	4	13	(5)
Relative to index (%)	4	15	1

Source: FactSet

MWG - Mobile World Investment Corporation
(MWG VN, CP VND55,000, Not Rated)

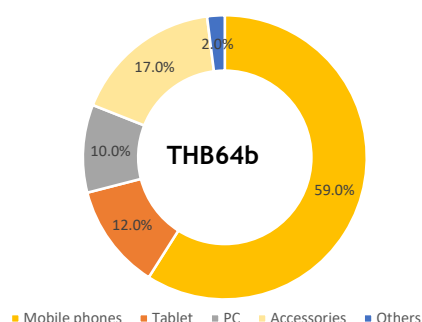
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Value Proposition

- COM7 is the largest IT retail chain in Thailand in terms of outlets (c.1.2k shops at the end of FY22) and revenue.
- Its shop brands include Banana, Kingkong Phone and Studio 7 (Apple-only products). It also manages shops for Samsung, Oppo, Vivo, Huawei and Xiaomi.
- Low user penetration rates of 5G-compatible smartphones and tablets in Thailand imply room for the industry to grow.
- Growth drivers for COM7 are new products (i.e. electrical appliances and loans for IT products), store expansion (including standalone shops and consignments) and e-commerce sales.

FY22 revenue breakdown by product type

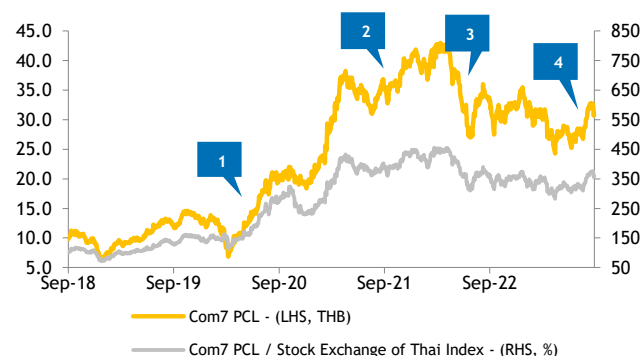
Revenue breakdown in 2022



Source: Company

Price Drivers

Historical share price trend



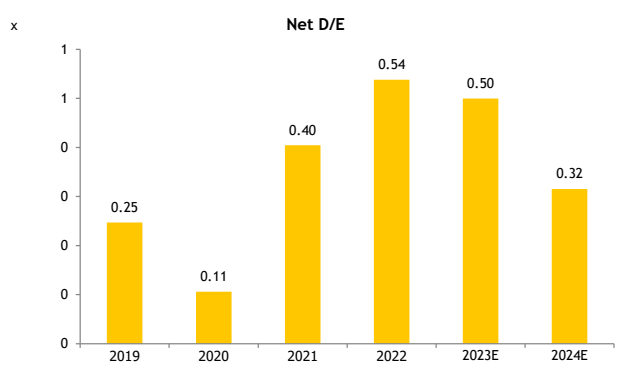
Source: Company, MST

- COM7's net profit continued growing during the global pandemic thanks to strong inventory management, pop-up stores and e-commerce sales.
- Strong demand for iPhones, tablets, PCs and accessories continued in FY21.
- Share price correction came as investors expect demand for consumer electronics products to fade once the pandemic is over.
- Double-digit revenue growth in 1-2Q23 led to share price recovery.

Financial Metrics

- We forecast FY22-25E net profit CAGR of 18% on revenue CAGR of 17%.
- The 3-year revenue CAGR of 16.5% should be supported by 21.0% CAGR for sales of mobile phones.
- We forecast net-debt-to-equity ratio to fall from 0.54x at end-FY22 to 0.52x at end-FY23E thanks to positive FCFF of THB1.1b

Net D/E ratio



Source: Company

Swing Factors

Upside

- Sales of used smartphones.
- Revenue from drug stores (Dr.Pharma), shops of pet food and accessories (Pet Paw).

Downside

- Failure of standalone shops.
- Political instability, which could lead to lower consumer spending.

Risk Rating & Score ¹	19.5
Score Momentum ²	-1.2
Last Updated	31 May 2023
Controversy Score ³ (Updated: 18 Jun 2023)	NA

Business Model & Industry Issues

- COM7 has stated that it focuses on achieving United Nation's Sustainable Development Goals. Out of the 17 Goals, five were environmental, nine were social and three were related to governance.
- In 2022, the company came up with sustainability strategy for the first time. The strategy comprises i) Bright Economy (quality products and services), ii) Bright Life (responsibility for society and stakeholders) and iii) Bright Earth (environmentally operations).
- COM7 has quantitative ESG goals for solar power production (140,000 kWh/year) and reduction of water usage (10% reduction per year).

Material E issues

- The goal for 2021-24 is to maintain the amount of electricity generated from solar power at the minimum of 140,000 kWh/year and reduce the energy consumed from the Metropolitan Electricity Authority by 2% each year.
- In 2022, the company produced 137,594 kWh from solar power, slightly below the target of 140,000 kWh and the production level of 145,939 kWh in 2021.
- COM7 used 12,218 cubic metres of water in 2022, up 66% YoY due to the cancellation of Work From Home policy.

Key G metrics and issues

- There are seven board members, including three independent directors and four executive members. There is one woman on the board.
- The executive committee has eight people, three of which are female.
- In FY21, COM7 paid THB64m compensation to executives (+5.3% YoY). The compensation accounted for 2.1% of FY21 net profit.
- COM7 has stated that it emphasises on treating workers with fairness and equality and promoting good quality of work environment.
- In 2022, the company received a 5-star rating or "Excellent" from the National CG Committee. It received a Corporate Governance (CG) score of 93% in 2022, up from 92% in 2021 and 87% in 2020.

Material S issues

- COM7 has said it adheres to doing business with fairness. The company respects human rights and customers, business partners, competitors and employees.
- For consumers, COM7 focuses on delivering quality products and services. The company has iCare service centres for Apple products. iCare received a customer satisfaction score of 96% in 2022, up from 94% in 2020 and 2021.
- COM7 hired 38 people with disabilities in 2022, up from 33 in 2021 and 30 in 2020.
- Products are certified by the Industrial Product Standards panel and passed the telecommunication equipment and equipment standards issued by the Office of the National Broadcasting and Telecommunications Commission.

¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Quantitative Parameters (Score: 35)						
	Particulars	Unit	2020	2021	2022	CPALL TB (2022)
E	Scope 1 GHG emissions	tCO ₂ e	NA	NA	NA	435,377
	Scope 2 GHG emissions	tCO ₂ e	NA	NA	NA	1,501,380
	Total	tCO₂e	NA	NA	NA	1,936,757
	Scope 3 GHG emissions	tCO ₂ e	NA	NA	NA	13,191,695
	Total	tCO₂e	NA	NA	NA	15,128,452
	Total CO ₂ emission intensity	tCO ₂ e/rev THB m	NA	NA	NA	2.27
	Electricity Consumption per Area	kWh/sq m	NA	140.81	153.19	NA
	Power generation from renewable sources of % of total electricity usage	%	NA	8.5%	7.3%	3.3%
	Water consumption per employee	cubic metre/person	NA	33.04	56.99	274.52
	Reduction of paper box usage as a result of reusing	boxes	NA	NA	67,600	NA
S	Total solid waste generated	tons	NA	NA	NA	207,702
	% of women in workforce	%	NA	NA	52.0%	64.5%
	% of women in management roles	%	NA	NA	40.0%	36.8%
	Customer Satisfaction score	%	94.0%	94.0%	96.0%	NA
	Employee training hours	hours/person/year	NA	6.0	6.0	30.20
G	Employee turnover rate at branch	%	30.0%	19.6%	22.9%	3.94
	Compensations to directors and executives as % of net profit	%	3.8%	2.3%	2.1%	3.6%
	CG score by the National CG Committee	%	87.0%	92.0%	93.0%	>90%
	Independent directors on board	%	29%	43%	43%	38%
	Women directors on board	%	14.3%	14.3%	14.3%	6%

Qualitative Parameters (Score: 33)	
a) Is there an ESG policy in place? Is there a standalone ESG Committee or is it part of the Risk committee?	<i>There is Sustainable Organization Development Policy, and there is Good Governance Committee.</i>
b) Is the senior management salary linked to fulfilling ESG targets?	<i>Criteria for determining the remuneration of Chief Executive Officer include: i) increasing competitiveness; and ii) sustainable business operations in the long run.</i>
c) Does the company have a policy for e-waste? Also is it exploring possibilities for e-waste collection and sustainable disposal considering its business?	<i>COM7 does not have e-waste policy, and it is not exploring opportunities of e-waste collection. The company does clearance sales from time to time to reduce inventory.</i>
d) Does the company have a mechanism to capture Scope 3 emissions? Which parameters are captured?	<i>The mechanism to capture Scope 3 emissions is currently being studied.</i>
e) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?	<i>1) reduce water use by 10% each year (i.e. posters encouraging employees to turn off the taps); 2) waste water treatment in accordance with the law; and 3) renewable energy usage.</i>

Target (Score: 100)		
Particulars	Target	Achieved in 2022
Employ disabled people	1% of workforce	1.0%
Employee participation in training programme by 2024	>80%	NA
Employee turnover at the head office by 2024	<20%	29.2%
Employee turnover at branches by 2024	<35%	22.9%
Solar power production	140,000 kWh per year	137,504 kWh
Reduction of water consumption	10% annual decline	66% YoY increase
Impact		
NA		
Overall Score: 51		
As per our ESG matrix, COM7 (COM7 TB) has overall score of 51.		

ESG score	Weights	Scores	Final Score
Quantitative	50%	35	18
Qualitative	25%	33	8
Target	25%	100	25
Total			51

As per our ESG assessment, COM7's lack of data collection and long-term goals in the environmental aspects have offset the high scores in its social and governance aspects. COM7's overall ESG score is 51, in-line with Maybank universe's average ESG rating of 50.

1. Strong profit outlook in 2H23E

1.1 We expect a profit rebound in 3Q23E

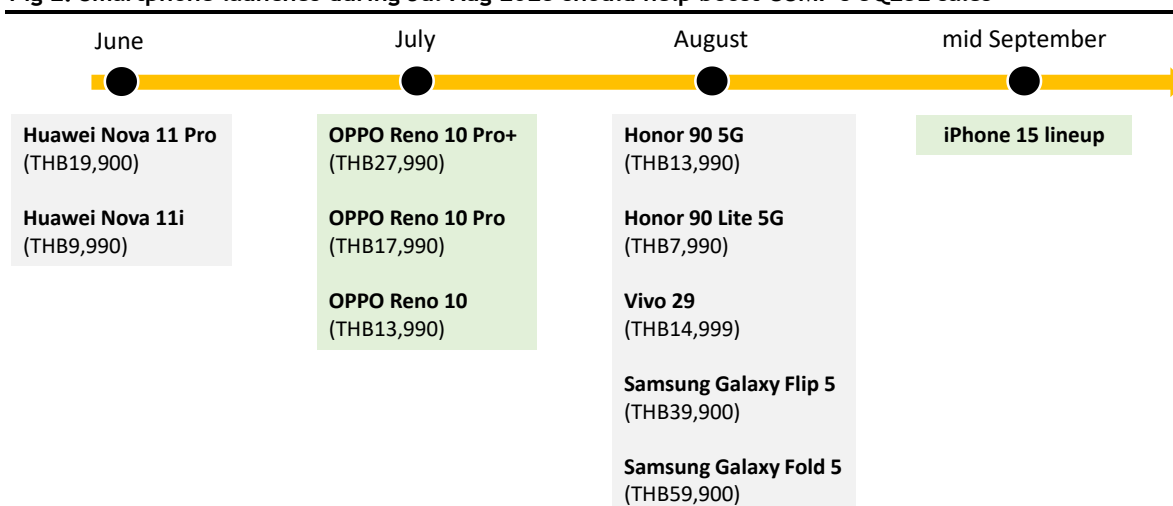
We forecast 3Q23E core profit of THB821m (+15% YoY, +13% QoQ) on the back of THB17.7b revenue (+19% YoY, +11% QoQ), supported by shop expansion and smartphone launches by Android brands. Samsung, Huawei, OPPO and Vivo launched new smartphones (from mid-range to flagship models) during Jun-Aug.

Fig 1: We forecast 3Q23E core profit of THB821m (+15% YoY, +13% QoQ)

Unit: THB m	3Q22	2Q23	3Q23E	YoY	QoQ	2023E	YoY	9M23E as % of FY23E
Revenue from sales and services	14,888	15,990	17,717	19.0%	10.8%	73,312	16.9%	69.5%
Cost of sales and services	- 12,813	- 13,665	- 15,219	18.8%	11.4%	- 63,122	16.3%	69.3%
Gross profit	2,075	2,325	2,498	20.4%	7.4%	10,190	20.8%	70.6%
Other income	163	46	30	-81.6%	-34.4%	74	-70.2%	115.1%
Share of profits of investments in associates and JV	3	7	10	222.4%	35.8%	83	85.0%	75.3%
SG&A exp	- 1,132	- 1,378	- 1,408	24.3%	2.1%	- 5,645	21.7%	72.1%
Other gains/(losses)	- 153	75	20	-100.0%	-100.0%	38	-58.1%	-58.1%
EBIT	956	925	1,110	16.1%	20.1%	4,511	14.6%	14.6%
Finance costs	- 25	- 53	- 63	153.5%	18.7%	- 192	86.1%	81.4%
EBT	931	871	1,047	12.4%	20.2%	4,320	12.7%	69.3%
Income tax expense	- 198	- 149	- 207	4.5%	39.3%	- 847	10.2%	63.8%
Net profit	733	722	840	14.6%	16.2%	3,472	13.3%	70.6%
Minority interest	8	18	18	NA	0.0%	66	154.7%	N/A
Net profit to owners of the parent company	725	704	821	13.3%	16.7%	3,406	12.1%	70.4%
Extra item	9	25	-					
Core net profit	716	729	821	14.7%	12.7%	3,431	13.3%	70.7%
Gross margin	13.9%	14.5%	14.1%			13.9%		
SG&A to revenue	-7.6%	-8.6%	-7.9%			-7.7%		
EBIT margin	6.4%	5.8%	0.0%			6.2%		
Effective tax rate	-21.6%	-17.9%	-20.0%			-20.0%		
Core net margin	4.8%	4.6%	4.6%			4.7%		

Source: MST

Fig 2: Smartphone launches during Jul-Aug 2023 should help boost COM7's 3Q23E sales



Source: MST

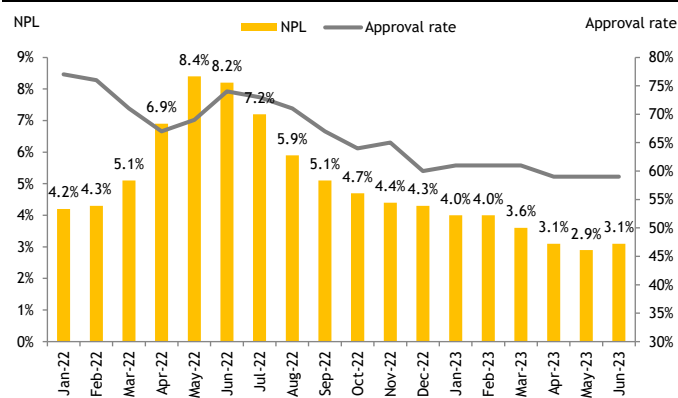
The QoQ revenue increase of 11% should also be supported by reopening of shops after renovation. COM7 closed 40 prime-area shops for renovation, resulting in THB1.1b opportunity cost in terms of lost revenue in 2Q23. By end-2Q23, over 20 shops under the renovation programme had resumed operation. According to COM7, all 40 shops will reopen by end-Sep (ready for 4Q high season of smartphone sales).

Provision for bad debt to drop in 3Q23E

We also expect provision for bad debt at UFund (loans for Apple products) to decline from THB44m in 2Q23 to THB20m in 3Q23E as NPLs have dipped below 4% since Mar'23.

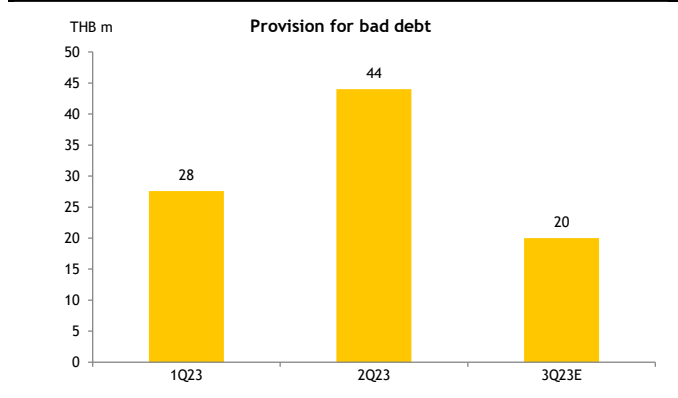
COM7 stated that the high provision for bad debt during 1-2Q23 stemmed from loans for Apple products in 4Q22 when the company was experimenting with loans for university students without any down payments. Having learned from the experience, COM7 now requires a minimum down payment of 10% and collected more data for its credit-scoring system. Management has guided a more prudent lending standard should lead to lower provisions for bad debts in 2H23E.

Fig 3: NPLs at UFund dipped below 4% since Mar'23



Source: Company, MST

Fig 4: Provisions for bad debt

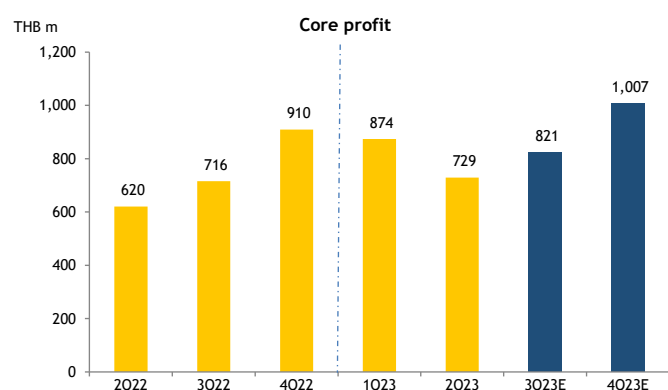


Source: Company, MST

1.2 4Q, an iPhone quarter

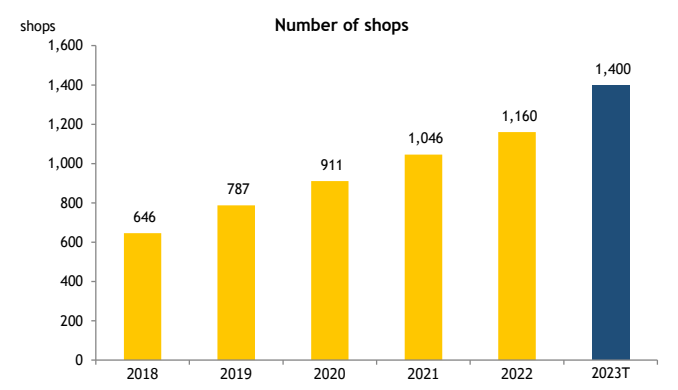
4Q23E core profit should be THB1.0b (+11% YoY, +23% QoQ) thanks to iPhone 15 and Apple Watch launches in mid-Sep. In 4Q22, COM7 generated THB910m core profit amid the global shortages of iPhone 14 Pro and Pro Max models during Nov-Dec 2022 (Covid-19 restrictions disrupted the assembly facilities in China). Without any shortages of iPhone 15 models, THB1.0b core profit in 4Q23E should be achievable.

Fig 5: 2Q23 was likely the profit trough for FY23E



Source: Company, MST

Fig 6: COM7 aims for 1,400 shops by the end of 4Q23



Source: Company, MST

2. Gaining market share from small players

2.1 Solid track record of market share gains

In 2022, telecom operators (ADVANC, TRUE and DTAC) owned 37% smartphone market share, followed by major IT retailers' 35% and small players' 28%. Major IT retailers in the smartphone market were COM7, Jaymart, IT City, TG Cellular World (not listed), SPVI, and Copperwired.

COM7's market share has jumped from 12% in FY20 to 20% in FY22 largely at the expense of small players, which saw their market share shrink from 41% to 28% over the same period. We believe COM7's competitive advantages against small unorganised players are: i) strong shop brands (Banana and Studio7); ii) more product variety within shops; iii) exclusive Android smartphone models in Banana shops; and iv) strong online sales channels (bnn.in.th and studio7thailand.com).

Other stocks mentioned

ADVANC - Advanced Info Service (ADVANC TB, CP THB222, BUY, TP THB250)

TRUE - True Corporation (TRUE TB, CP THB7.55, BUY, TP THB8.0)

DTAC - Total Access Communication (de-listed)

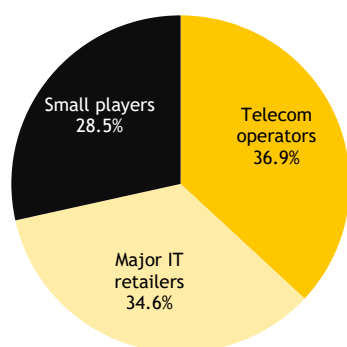
Jaymart (JMART TB, CP THB22.5, Non rated)

IT City (IT TB, CP THB4.08, Non rated)

SPVI (SPVI TB, CP THB5.0, Non rated)

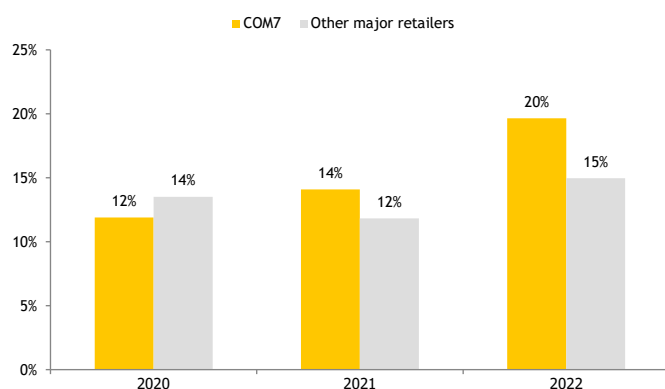
Copperwired (CPW TB, CP THB3.02, Non rated)

Fig 7: Smartphone market share by type of retailer in 2022



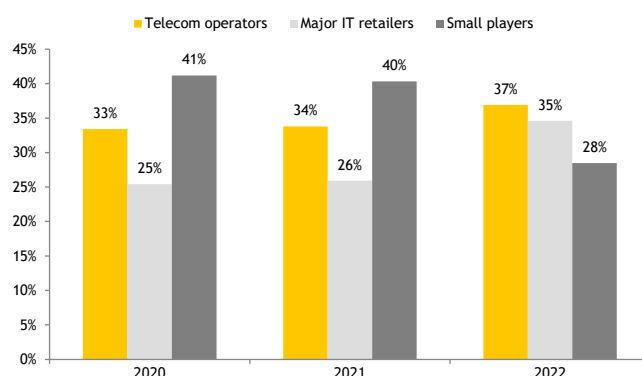
Source: IDC, Company, MST

Fig 9: Smartphone market shares (COM7 vs other major retailers)



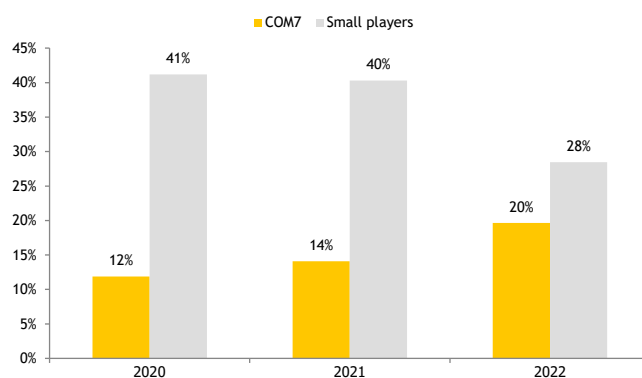
Source: IDC, Company, MST

Fig 8: Smartphone market share by type of retailer



Source: IDC, Company, MST

Fig 10: Smartphone market shares (COM7 vs small unorganised players)

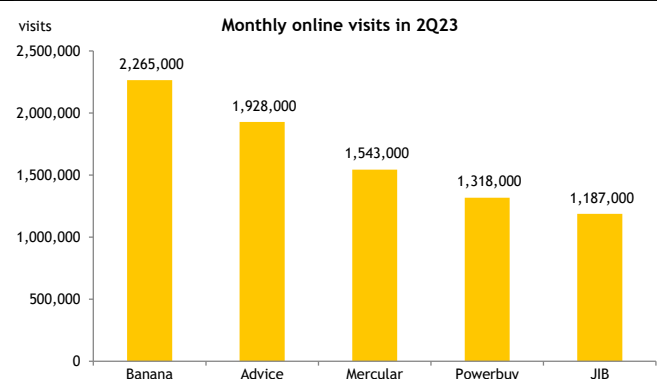


Source: IDC, Company, MST

Banana's online ranking rose from No.4 to No.1

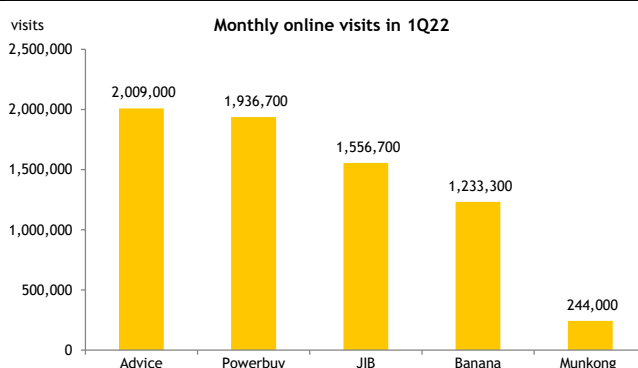
COM7's online channels, bnn.in.th and BNN mobile application, had 2.3m monthly visits in 2Q23, making Banana the No.1 e-commerce platform in the consumer electronics category in Thailand. The 2Q23 monthly visits increased by 84% from the 1Q22 number of 1.2m (Banana was No.4). We believe the improved ranking stems from the launches of: i) BNN app in 3Q22; and ii) click-and-collect services in 2023. We forecast FY23 online sales revenue to grow by 30% YoY and account for 5% of total revenue.

Fig 11: Banana's e-commerce platforms were No.1 in 2Q23



Source: Similarweb, MST

Fig 12: Banana's e-commerce platforms were No.4 in 1Q22

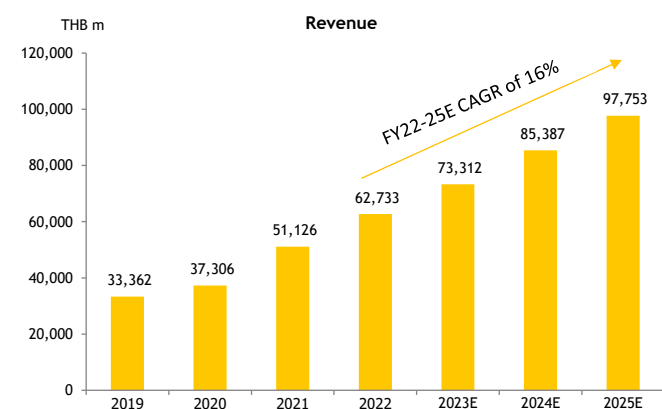


Source: Similarweb, MST

2.2 COM7 to continue gaining market share from small players

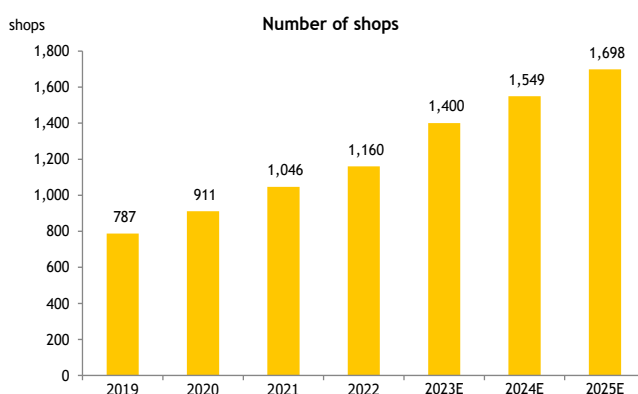
We forecast FY22-25E revenue CAGR of 16%; we expect COM7 to continue gaining market share from small unorganised players on the back of aggressive shop expansion. By the end of FY25E, we expect COM7 to have 1,698 shops, up from 1,160 at the end of FY22. The new shops will come in three formats, namely convention shop (inside shopping malls), standalone shop (outside shopping malls) and franchise.

Fig 13: We forecast FY22-25E revenue CAGR of 16% on the back of COM7's market share gains



Source: Company, MST

Fig 14: We expect COM7 to end FY25E with 1,698 shops, up from 1,160 at the end of FY22



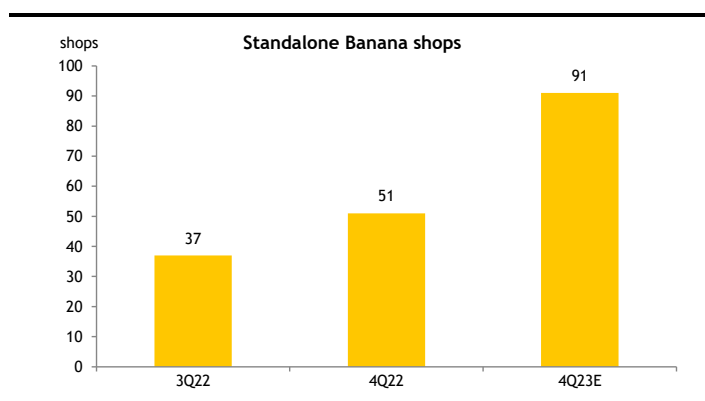
Source: Company, MST

Standalone shops to account for 40% of new shops pa

COM7 plans to open 120 Banana shops this year, of which 40-50 will be standalone shops. CEO Sura Khanittaweekul expects the standalone format (shops outside department stores) to account for 40% of shop openings over the next few years. Standalone format includes community malls, gas stations and shop clusters. Standalone format has lower breakeven point than shopping-mall format mainly due to lower rental costs.

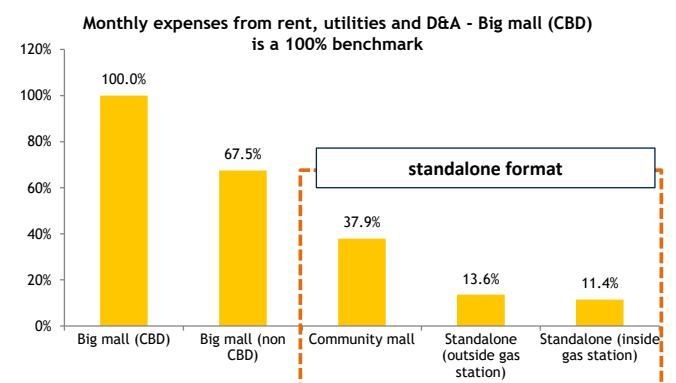
On 18 May 2023, management disclosed that monthly rent per sqm for standalone shops ranges from THB300 to THB1,000, in line with our estimates (report dated 15 Mar) and lower than the rental costs of THB800 - THB4,000/sqm for shops in conventional malls. Lower rental and depreciation expenses make up for lower customer traffic when compared to shops in shopping malls, allowing standalone shops to become profitable.

Fig 15: COM7's standalone shops



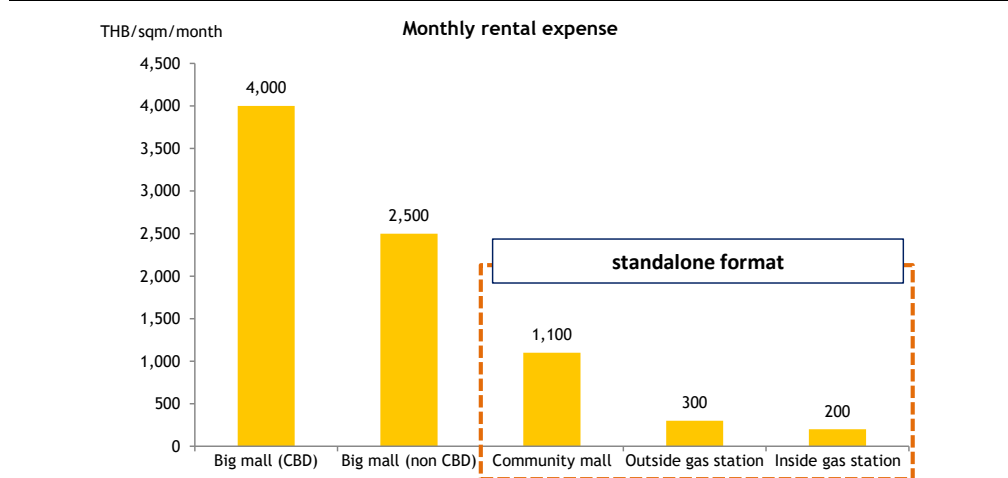
Source: Company, MST

Fig 16: Standalone outlets have much lower breakeven points than shops in big shopping malls (Bangkok examples)



Source: Company, MST

Fig 17: MST's estimated shop rents in Bangkok



Source: Company, MST

Shop clusters for COM7's shops

Shop 'cluster' is a standalone format where COM7 will have 3-5 shops on a single land plot. At least two shops in a cluster will belong to COM7 (Banana, BebePhone, Pet Paw and Dr. Pharma) while the remaining 1-3 shops from other companies (i.e. a convenience store, a coffee shop, and a fitness gym) could help bring in more traffic.

Fig 18: Example of a shop cluster by COM7



Source: Company, MST

Franchise model for small markets

Some rural areas might not have sufficient demand for a Banana standalone shop; COM7 could introduce franchisees to such markets. At the end of 2Q23, the company had 172 Banana shops under the franchise format.

Fig 19: Shop breakdown as of end-2Q23



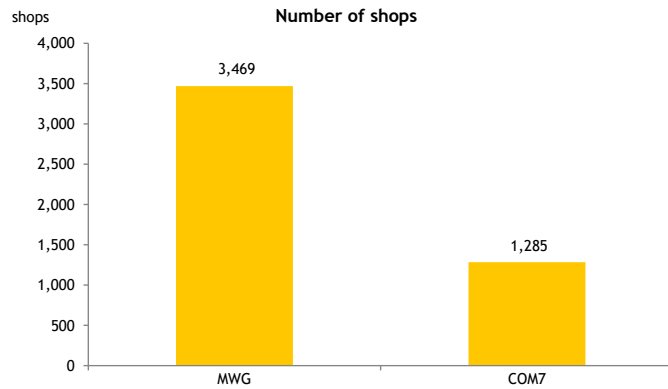
Source: Company, MST

2.3 Plenty of room for shop expansion

MWG's number of IT retail shops in Vietnam also implies that there is still a lot of room for COM7's shop expansion in Thailand. MWG has three shop brands for consumer electronics products, namely Dien May Xanh (smartphones, laptops and home appliances), thegioididong (smartphones, accessories and other IT devices) and Topzone (Apple products).

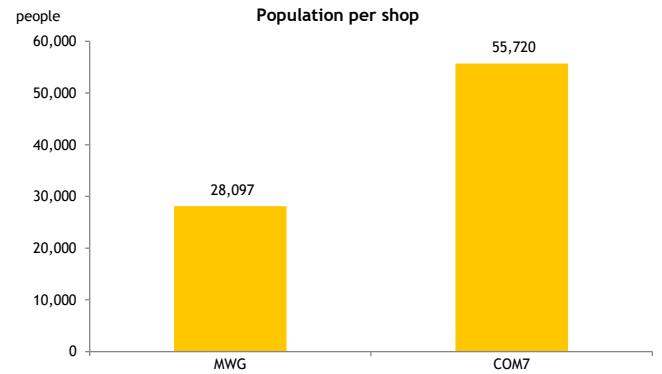
At the end of 2Q23, MWG had 3,469 consumer electronics shops. Given Vietnam's population of 94m, the population per MWG store was 28k, 50% lower than Thai population per COM7 store of 56k. Lower shop saturation in Thailand implies plenty of room for shop expansion by COM7.

Fig 20: Number of consumer electronics shops as of end-2Q23 (MWG vs COM7)



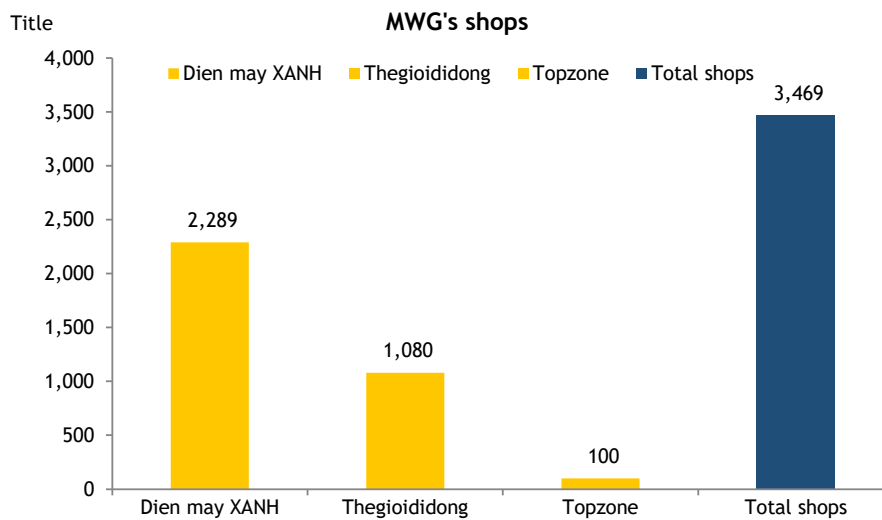
Source: Company, MST

Fig 21: Population per shop (MWG in Vietnam vs COM7 in Thailand)



Source: Company, World Bank, MST

Fig 22: Number of MWG's shops by brand as of end-2Q23



Source: Company, MST

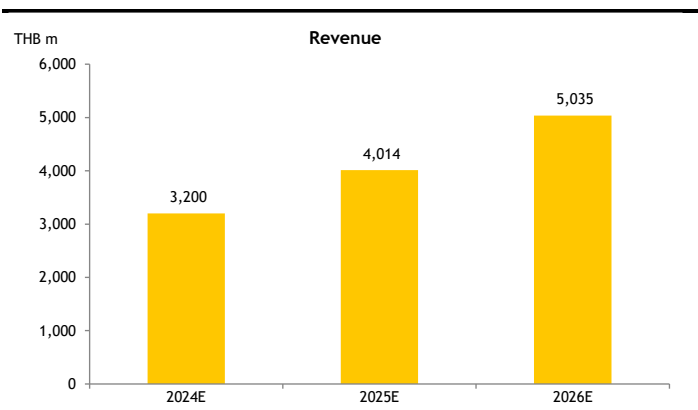
3. Long-term earnings upside from EV

3.1 Gold Integrate, COM7's joint venture in EV business

On 7 Sep, Gold Integrate was announced as one of the four official resellers of GAC's Aion cars in Thailand. COM7 has 40% stake in the JV while GAC (2238 HK, CP HKD3.98, not rated) owns the remaining 60% stake. During 7M23, Aion sold 250,000 EVs in China (+120% YoY), making it the No. 2 player (BYD [1211 HK, CP HKD247, not rated] was No.1).

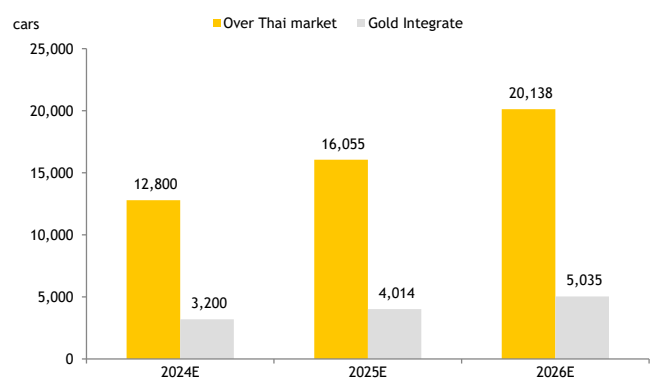
We view the partnership with Aion as a long-term upside as EV sales are growing fast in Thailand (8M22 EV unit sales jumped 822% YoY). Aion launched Aion Y Plus, its first model in Thailand, on 9 Sep 2023, and it plans to launch 3 models per year. The EV business implies potential upside of 2% to FY24E core profit; key assumptions are 3,200 unit sales at an average selling price of THB1m/unit by Gold Integrate and 6% net margin. We have not included any share of profit from Gold Integrate into our forecasts.

Fig 23: Revenue forecasts for Gold Integrate



Source: Company, MST

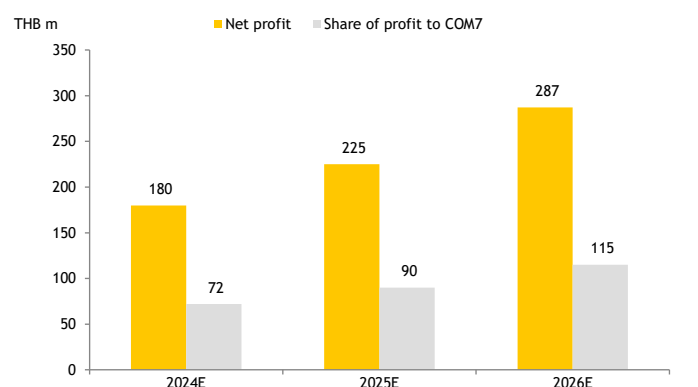
Fig 24: Unit sales forecasts for Aion EVs (Overall Thai market vs Gold Integrate)



Source: Company, MST

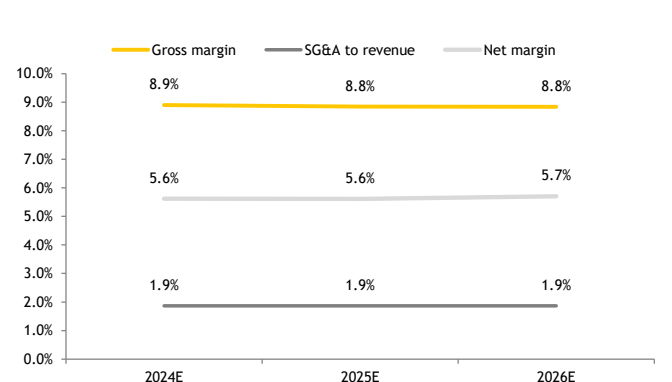
As COM7 will focus on opening Aion shops in shopping malls, the capex burden should be light. We estimate shop capex at THB179m for 30 outlets during FY23-24E; 40% stake in Gold Integrate will then translate to only THB72m capex burden for COM7. The low capex leads us to forecast >40% ROIC in the long run.

Fig 25: Gold Integrate's net profit and share of profit to COM7



Source: Company, MST

Fig 26: Gold Integrate's profitability ratios




Source: Company, MST

3.2 Lukewarm launch of Aion Y Plus

GAC launched Aion Y Plus in Thailand on 9 Sep 2023 at the prices of THB1.07m for 490km model and THB1.3m for 550km model. The THB1m unit price implied that Y Plus was a direct competitor with BYD Atto 3, MG ZS EV X and MG ES. Online reaction to the launch of Aion Y Plus was mostly negative as consumers had expected the price to be lower than that of BYD Atto 3. The Atto 3 has been the best-selling EV model in Thailand with 14k unit sales (33% market share) in 8M23.

Fig 27: EV comparison



Model	Aion Y Plus	BYD Atto 3 Std	MG ZS EV X	MG ES
Motor	150 kW	150 kW	130 kW	130 kW
Battery capacity	63.2 kWh	49.92 kWh	50.3 kWh	51 kWh
Driving range, according to NEDC	490 km	410 km	403 km	412 km
Size in mm (width x length x height)	4,535 x 1,870 x 1,650	4,455 x 1,875 x 1,615	4,323 x 1,809 x 1,649	4,600 x 1,818 x 1,543
Starting price (THB)	1,069,900	1,099,990	1,023,000	959,000

Source: Company, MST

Consumers were also worried about after-sale services partly because they were unaware that purchasing Aion cars from Gold Integrate would give them access to 90 FIT Auto branches (PTT's car maintenance service centres) across the country.

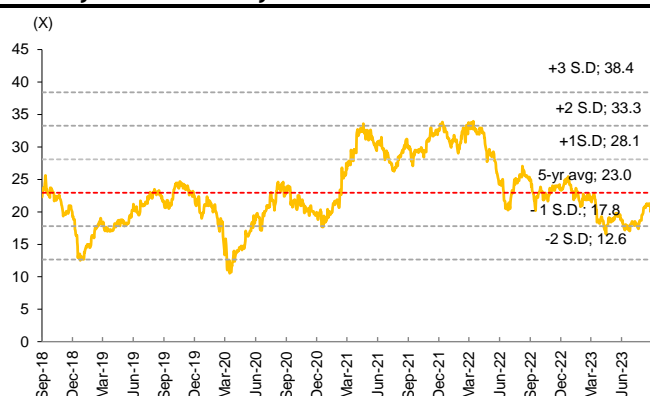
Given upcoming c.20 EV models in 4Q23 and the expiry of tax subsidies for imported EVs in Dec 2023, we expect Aion to lower the selling prices of Y Plus models to boost unit sales.

4. Valuation and recommendation

Reiterate BUY on strong outlook in the short and long terms

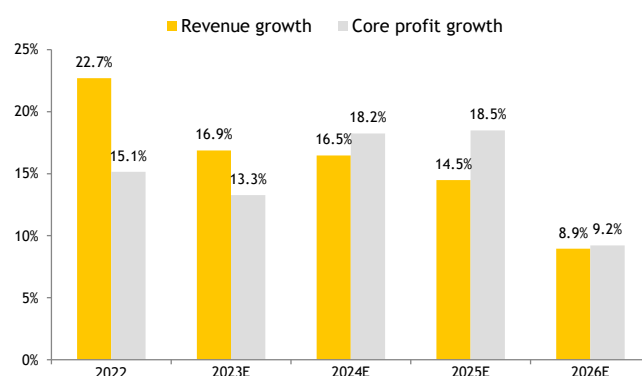
We reiterate BUY on COM7 due to: i) strong 2H23E outlook; ii) FY22-25E core profit CAGR of 17%; and iii) upside from new businesses (i.e. PetPaw, Dr.Pharma, home appliances and Gold Integrate). Our DCF-based TP is unchanged at THB37 (7.4% WACC, 3.0% terminal growth). COM7 is trading at 18x FY24E P/E, 21% lower than the 5-year mean of 1-year-forward P/E of 23x.

Fig 28: COM7 is trading at 18x FY24E P/E, 21% lower than the 5-year mean of 1-year-forward P/E of 23x



Source: Bloomberg, MST

Fig 29: Core profit growth



Source: Company, MST

Fig 30: We have a DCF-based TP of THB37.0 (7.4% WACC, 3.0% terminal growth)

Unit: THB m	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Cashflow from operations after lease-related payment	2,134	2,859	3,827	4,431	5,056	5,310	5,753
CAPEX							
Building improvement and equipment	- 819	- 812	- 672	- 551	- 557	- 418	- 421
Intangible assets	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00	- 25.00
Total capex	- 844	- 837	- 697	- 576	- 582	- 443	- 446
Share of profit from associates (proxy for cash flows)	78	82	82	82	82	82	82
Investment in associates							
Investment in subsidiaries	-	-	-	-	-	-	-
Free cash flow to firm (FCFF)	1,368	2,104	3,212	3,937	4,556	4,950	5,390
Discount period	0	1	2	3	4	5	6
							7
PV of FCFF		1,959	2,785	3,179	3,425	3,465	3,513
Sum of PV of FCFF		95,000					
Net debt/(cash) at end-FY24E		7,427.36					
Other current and non-current investment		1,127.0					
Equity value		88,700					
# of shares		2400.0					
TP (THB/sh)		37.00					
Current price (THB/sh)		30.75					
Upside to target price		20.3%					
Terminal growth	3.0%						
Net debt at end-FY23E	7,185						
Equity at cost	8,827						
Total	16,012						
Cost of debt	2.7%						
After-tax cost of debt	2.1%						
Cost of equity	11.7%						
Risk-free rate	3.0%						
Market return	10.40%						
Beta	1.17						
Debt weight	45%						
Equity weight	55%						
WACC	7.4%						

Source: Company, MST

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	30.1	27.8	22.0	18.5	15.6
Core P/E (x)	37.3	26.9	21.9	18.5	15.6
P/BV (x)	18.6	11.4	8.5	6.6	5.2
P/NTA (x)	19.5	11.9	8.8	6.8	5.3
Net dividend yield (%)	2.4	2.2	2.0	2.4	2.9
FCF yield (%)	0.3	1.5	nm	3.1	4.1
EV/EBITDA (x)	25.8	18.4	16.2	13.0	11.2
EV/EBIT (x)	32.3	22.2	18.8	15.7	13.3

INCOME STATEMENT (THB m)

Revenue	51,126.4	62,732.6	73,312.0	85,387.3	97,752.8
EBITDA	3,922.1	4,686.7	5,156.5	6,438.3	7,474.2
Depreciation	(775.3)	(780.5)	(712.9)	(1,097.8)	(1,201.3)
Amortisation	(12.2)	(15.8)	(15.8)	(15.8)	(15.8)
EBIT	3,134.6	3,890.4	4,427.8	5,324.7	6,257.1
Net interest income /(exp)	(47.9)	(103.0)	(191.7)	(264.1)	(260.9)
Associates & JV	96.5	45.1	83.4	77.7	82.2
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	3,183.2	3,832.4	4,319.5	5,138.2	6,078.4
Income tax	(554.7)	(768.6)	(847.2)	(1,012.1)	(1,199.2)
Minorities	1.9	(26.1)	(66.4)	(69.8)	(73.2)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	2,630.4	3,037.7	3,405.9	4,056.4	4,805.9
Core net profit	2,630.4	3,028.8	3,430.8	4,056.4	4,805.9

BALANCE SHEET (THB m)

Cash & Short Term Investments	1,850.6	1,603.3	1,815.1	1,872.9	1,669.5
Accounts receivable	3,248.1	4,240.2	5,495.5	6,805.3	7,986.4
Inventory	6,207.9	7,333.1	8,992.7	10,272.4	11,760.1
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	614.9	873.5	1,577.8	1,946.8	2,229.8
Intangible assets	173.7	147.9	157.1	166.2	175.4
Investment in Associates & JVs	773.7	1,517.1	1,600.5	1,678.1	1,760.3
Other assets	3,096.9	3,447.4	4,586.5	5,132.7	5,622.9
Total assets	15,965.7	19,162.5	24,225.0	27,874.6	31,204.4
ST interest bearing debt	3,801.0	5,203.9	8,700.0	9,000.0	8,600.0
Accounts payable	5,630.5	5,382.2	5,243.9	5,939.9	6,627.2
LT interest bearing debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	1,234.0	1,324.0	1,357.0	1,417.0	1,406.0
Total Liabilities	10,665.0	11,910.6	15,300.8	16,356.9	16,632.9
Shareholders Equity	5,284.9	7,154.5	8,826.8	11,420.2	14,474.1
Minority Interest	15.9	97.4	97.4	97.4	97.4
Total shareholder equity	5,300.8	7,251.9	8,924.2	11,517.7	14,571.5
Total liabilities and equity	15,965.7	19,162.5	24,225.0	27,874.6	31,204.4

CASH FLOW (THB m)

Pretax profit	3,183.2	3,832.4	4,319.5	5,138.2	6,078.4
Depreciation & amortisation	787.5	796.3	728.7	1,113.6	1,217.1
Adj net interest (income)/exp	42.6	91.7	191.7	264.1	260.9
Change in working capital	(2,795.2)	(2,223.7)	(3,937.1)	(2,290.4)	(2,344.3)
Cash taxes paid	(465.2)	(688.9)	(847.2)	(1,012.1)	(1,199.2)
Other operating cash flow	(147.1)	(72.4)	(83.4)	(77.7)	(82.2)
Cash flow from operations	605.7	1,735.4	372.3	3,135.9	3,930.7
Capex	(325.1)	(521.5)	(994.5)	(843.8)	(836.7)
Free cash flow	280.6	1,213.8	(622.2)	2,292.1	3,094.0
Dividends paid	(1,198.5)	(1,200.0)	(1,800.0)	(1,532.6)	(1,825.4)
Equity raised / (purchased)	0.0	(484.3)	0.0	0.0	0.0
Change in Debt	2,518.5	1,397.1	3,496.1	300.0	(400.0)
Other invest/financing cash flow	(815.8)	(1,254.1)	(862.1)	(1,001.6)	(1,072.0)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	784.7	(327.5)	211.8	57.9	(203.4)

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	37.0	22.7	16.9	16.5	14.5
EBITDA growth	63.1	19.5	10.0	24.9	16.1
EBIT growth	76.6	24.1	13.8	20.3	17.5
Pretax growth	74.6	20.4	12.7	19.0	18.3
Reported net profit growth	76.5	15.5	12.1	19.1	18.5
Core net profit growth	76.5	15.1	13.3	18.2	18.5
Profitability ratios (%)					
EBITDA margin	7.7	7.5	7.0	7.5	7.6
EBIT margin	6.1	6.2	6.0	6.2	6.4
Pretax profit margin	6.2	6.1	5.9	6.0	6.2
Payout ratio	91.2	59.3	45.0	45.0	45.0
DuPont analysis					
Net profit margin (%)	5.1	4.8	4.6	4.8	4.9
Revenue/Assets (x)	3.2	3.3	3.0	3.1	3.1
Assets/Equity (x)	3.0	2.7	2.7	2.4	2.2
ROAE (%)	57.6	48.8	42.6	40.1	37.1
ROAA (%)	20.9	17.2	15.8	15.6	16.3
Liquidity & Efficiency					
Cash conversion cycle	20.2	29.9	40.2	45.7	47.5
Days receivable outstanding	15.0	21.5	23.9	25.9	27.2
Days inventory outstanding	40.1	44.9	46.6	47.2	47.1
Days payables outstanding	34.9	36.5	30.3	27.4	26.9
Dividend cover (x)	1.1	1.7	2.2	2.2	2.2
Current ratio (x)	1.2	1.2	1.2	1.3	1.4
Leverage & Expense Analysis					
Asset/Liability (x)	1.5	1.6	1.6	1.7	1.9
Net gearing (%) (incl perps)	36.8	49.7	77.1	61.9	47.6
Net gearing (%) (excl. perps)	36.8	49.7	77.1	61.9	47.6
Net interest cover (x)	65.4	37.8	23.1	20.2	24.0
Debt/EBITDA (x)	1.0	1.1	1.7	1.4	1.2
Capex/revenue (%)	0.6	0.8	1.4	1.0	0.9
Net debt/ (net cash)	1,950.4	3,600.6	6,884.9	7,127.1	6,930.5

Source: Company; Maybank IBG Research

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Historical recommendations and target price: Com7 PCL (COM7 TB)



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