

**RELATIVE VALUATION OF COM7 PUBLIC COMPANY
LIMITED**

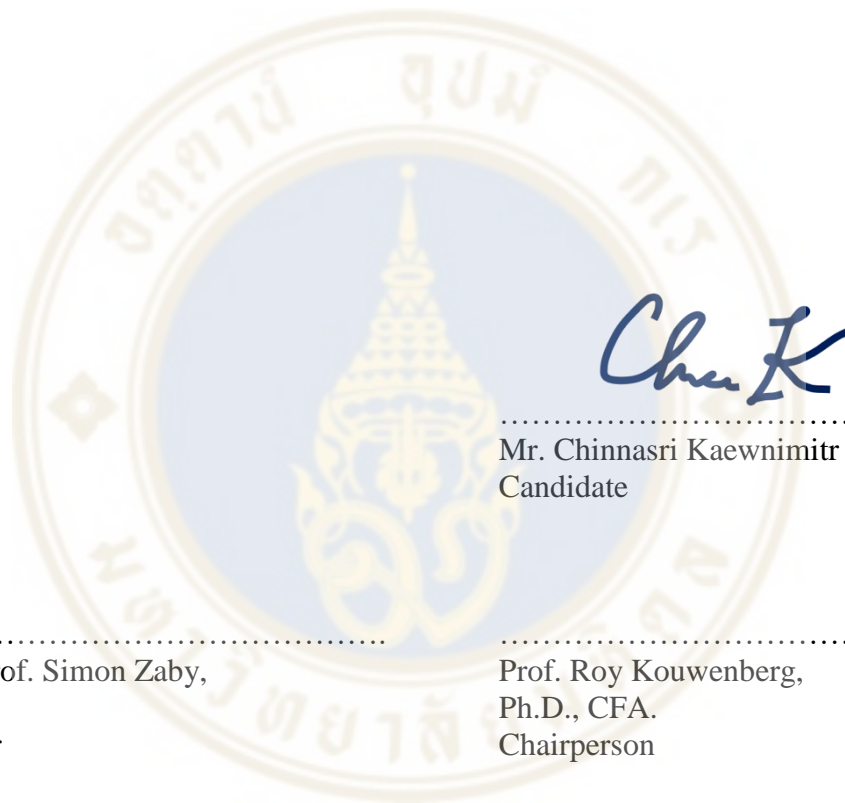


**A THEMATIC PAPER SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
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entitled
**RELATIVE VALUATION OF COM7 PUBLIC COMPANY
LIMITED**

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ABSTRACT

This valuation report purposes to figure out the target price of COM7 Public Company Limited (COM7) by relative valuation method with COM7, one of the most biggest IT products company in Thailand. According to the results based on Trailing and Forward Price Earning (PE) and Price-to-Book Value (PBV) multiples method, on 25 April 2022. The target price of COM7 for the year ended 2022 should be 41.5 Baht per Share and for the year ended 2023 should be 48.79 Baht per Share by using the average price of each band. Both of the target prices from the result is closed to the current price of 42.25 Baht on 15 March 2022.

The recommendation would be that the investors should “HOLD” the shares. The year ended 2022, the price of shares tend to be the same as the target price and even in the year ended 2023.

KEY WORDS: COM7 / Valuation / Relative Valuation / Thailand / IT product

42 pages

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LIST OF ABBREVIATIONS



COM7	COM7 Public Company Limited
IT	Information Technology
CAGR	Compound Annual Growth Rate
SET	The Stock Exchange of Thailand
B2C	Business to Consumer
B2B	Business to business
CEO	Chief Executive Officer
BOD	Board of Directors
SEC	Securities and Exchange Commission
AGM	Annual General Meeting of Shareholders
GDP	Gross Domestic Product
4P	Products, Price, Place, and Promotion
PE	Price Earning
PBV	Price-to-Book Value

CHAPTER I

ABOUT COM7

In this chapter, overall information on the target valuation company will be introduced focusing on its main business portfolio and previous financial performance. The company's vision, mission and goals will be followed to examine its business plan in the future. Detailed information on its revenue/growth sources will be summarized based on its annual report, which would be essential to understand its business model. Analysis on the company's ownership structure with major shareholders information will be one of key factors to gain meaningful insight on its management and governance. Lastly, the company's latest decision on dividends will be introduced to explain current stock price change in the market.

1.1 Overview

COM7 Public Company Limited (COM7) is one of the retail giants in Thailand, dealing in various Information Technology (IT) products such as mobile devices, laptop computers and accessories manufactured and imported from abroad. The company has around 1,000 shops nationwide especially at the high consumer traffic areas such as large shopping malls, and currently has begun to focus on online sales as well. It has developed strong strategic relationships with many global IT product manufacturers, especially Apple, and currently has been trying to find new partners such as Xiaomi from China. (Annual report & related market news)

Previous 3 years, COM7 has shown remarkable performance in terms of revenue growth, profitability. Its total revenue showed double digit growth during previous years, and it recorded 37% of revenue growth in 2021. The company's Compound Annual Growth Rate (CAGR) of total revenue during the last 5 years was 24.3%. In terms of profitability, COM7's net profit margin was not that impressive in

the past, however, the company improved to 5.1% of net profit margin in 2021, which jumped up more than double compared to 2016. (Figure 1.1)

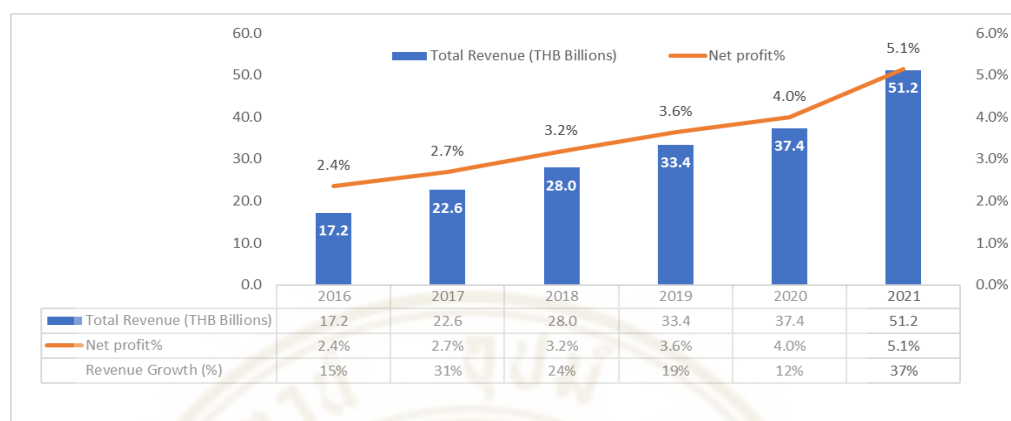


Figure 1.1 COM7's Revenue, Profit History

Source: SET SMART

COM7 has a policy to pay dividends to shareholders at a rate of not less than 40% of the net profit after deducting corporate income tax and allocating legal reserves based on the Company's separate financial statements. (2020 Annual report) And it actually has paid dividends more than 40% during the previous years and its dividend yield has never dropped below 1 during the years. (Table 1.1)

Table 1.1 COM7's annual Payout Ratio and Dividend Yield

	2016	2017	2018	2019	2020	2021
Payout Ratio	44.4%	49.3%	47.0%	49.3%	64.2%	45.6%
Dividend Yield	1.15	1.53	2.26	1.89	2.05	1.22

Source: SET SMART

Thanks to its business growth and financial improvement, COM7's stock price overperformed the market during the previous years, and the price skyrocketed since 2020, jumping from 13.4 in March 2020 to 81.8 by the end of February 2021. So, its stock price went up by more than 600% in only one year, while The Stock Exchange of Thailand (SET) index improved 162% during the period. (Figure 1.2)

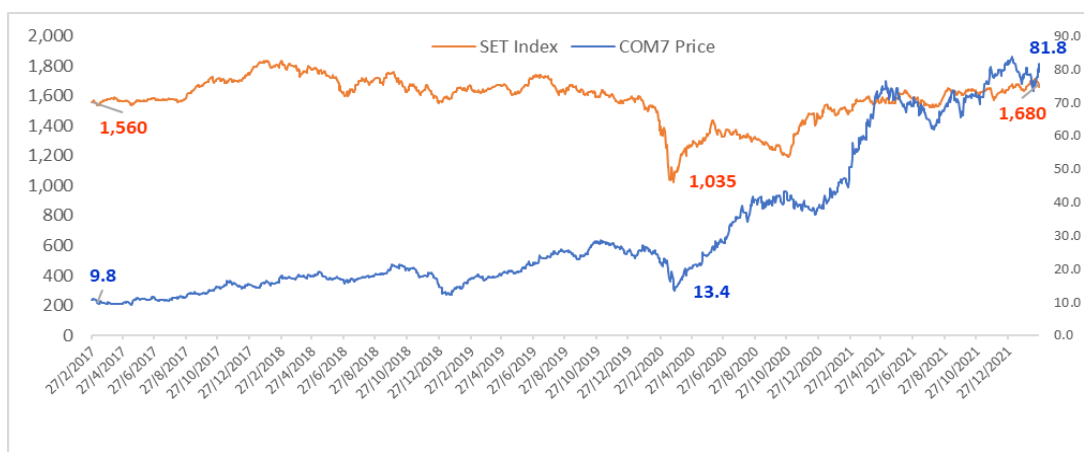


Figure 1.2 COM7's Price & SET Index history

Source: Yahoo Finance, Investing.com

1.2 Vision, Mission, and Goals

COM7 has declared its vision as “to be a leader in the modern technology products distribution with the excellent service management by our proficient team.” (2020 Annual Report). To achieve its vision, the company defined its missions as 1. Improve the quality, efficiency, and service strategies of each business to be able to compete effectively 2. Give importance to the development of employees and personnel’s quality and efficiency 3. Focus on expanding service channels that reach customers in all areas of the country 4. Seek new business opportunities for the future and create appropriate added value.

The Company’s goal for the next five years is to maintain its leadership in the retail business of IT products, smartphones, and digital products and expand the market share of each product category. Besides, there are plans to expand the storefront by new product categories, such as scooter stores, gaming stores, IoT stores, accessories stores, and modern fashion. So, even during the Covid-19 pandemic, the company kept expanding its IT stores by opening more than 200 new shops from 2020 to 2021. Previously, the company mainly focused on operating stores in large shopping malls, however, now it is planning to expand to outside malls, by opening stand-alone shops with more enlarged shop size. (Analysis report, Thanachart Securities)

Finally, COM7 aims to reach 30% market share of Thailand IT market in the near future, up from 15% at present. The company plans to drive the revenue growth from expanding new shops and online sales volume. (Bangkok Post) Com7 plans to have 1,500 shops over the longer term, and bring other home appliances to customers such as TV, washing machine, vacuum cleaner, and small home devices, to diversify its sales portfolio in the near future.

1.3 Sources of Revenues and Growth

COM7 has 4 types of business models, which are Business to Consumer (B2C) retail business, Business to Business (B2B), Service Business, and Online Retail Business. Most of the company's revenue came from its retail shops, which accounted for 93% of sales and service revenue in FY 2020. The company didn't break down its revenue by product group and segment in its annual report, however, it is estimated that mobile phone accounts for 56% of the company's whole sales revenue, followed by tablet 15%, accessories & watches 14%, laptop 12%, desktop 2%, and other services 1%. (Analyst report, Pi Research)

Currently, the Company's branches cover 75 provinces from 77 provinces in Thailand, and operates under the brand of BaNANA, Studio7, BKK, KingKong Phone, and other brand shops. The shops are divided into four types, i.e., retail IT products, Apple brand stores, stores that focus on selling mobiles, and other brand shops. The company has a strong relationship with Xiaomi as well, and has the exclusive right to sell Xiaomi's product in Thailand, except for smartphones.

COM7 has many B2B customers as well, including educational institutions in Thailand. The Company calls this business "Commercial and Education." (2020 Annual Report) It is a direct sale to a general corporation that is a legal entity, including the universities and schools. With the rapid growth of IT products that are more efficient and sophisticated, the business and education sectors need to acquire and modernize equipment and technology. The Company sees such demand in all departments, such as small, medium, and large businesses or government organizations, and views an opportunity to sell and business expansion. Therefore, there is a department for this particular business.

The Company is providing after-sales service as well. As of December 2020, the company had 28 iCare branches, which was the operator with the largest number of Apple-certified iCare service centers in Thailand. iCare provides repair services for Apple-branded products, including iPod, iPhone, iPad, iMac, MacBook. (2020 Annual Report). COM7 also operates repair services for TRUE customers, under the service shops named TRUE by Com7.

Lastly, now the company looks for the online retail business as a future sales channel, by establishing an online ordering channel under the name www.bnn.in.th. Selling products online will help strengthen the Company's retail business. The online shop distributes IT products, Apple products, smartphones, tablets, notebooks, gadgets, computer accessories, smart watches, and it covers various global brands such as Apple, Asus, Acer, Toshiba, Dell, Samsung, Lenovo, Microsoft, HP, JBL, and many more from leading national distributors. (2020 Annual Report)

1.4 Management and Governance

COM7 was founded in 1997 and became a listed company in 2015. The company's Chief Executive Officer (CEO) is Mr. Sura Kanittaweekul, who has been managing the company since starting business in 1997 and most of the executive team have worked with him for a long time. Currently Mr. Sura is the company's number one shareholder, with 25.05% of total issued shares as of April 2022. He has reduced his shareholding proportion from 32.72% in 2015 to 25.05% in 2020. (SET SMART)

However, there is still a certain risk that Mr. Sura and the other major shareholders have the power to manage and control almost all of the major voting rights. The sum of top 10 major shareholders is exceeding 67% (Table 1.2), and many of major individual investors are in close relationship with Mr. Sura. Mr. Pongsak Thammathataree, the second largest shareholder with 19.98 of total shares, is a pure investor who purchased COM7 stocks from 2017 and is well-known as an investment partner of Mr. Sura. Thus, investors should be aware of management risk regarding the owner's governance matters.

Table 1.2 COM7's Major Shareholders

Rank	Major Shareholders	Nationality	# Shares (Shares)	% Shares
1	Mr. Sura Khanittaweekul	THAI	300,655,200	25.05
2	Mr. Pongsak Thammathataree	THAI	239,723,500	19.98
3	Thai NVDR Company Limited	THAI	79,723,991	6.64
4	MR. BUNCHA PHANTUMKOMOL	THAI	50,796,800	4.23
5	Ms. Aree Preechanukul	THAI	40,600,000	3.38
6	STATE STREET EUROPE LIMITED	BRITISH	25,669,825	2.14
7	MR. AMNUEY PICHITPONGCHAI	THAI	21,052,000	1.75
8	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	BRITISH	19,459,100	1.62
9	Maybank Securities	THAI	15,873,000	1.32
10	Ms. Orawan Wichienkawee	THAI	15,137,900	1.26
			808,691,316	67.37

Source: SETSMART

COM7 itself, also realizes the importance of a balance of power in management. So, the company set a policy on the Board of Directors (BOD) operation. The BOD of COM7 consists of 7 members, including four directors from the company's internal executives and three independent external directors. (Table 1.3) It is in line with the regulation of the Office of the Securities and Exchange Commission (SEC), which forces a listed company to have more than one-third of independent directors in BOD.

Table 1.3 Board of Directors

Board of Directors	Position	% Shares
Mr. Siripong Sombutsiri	Chairman, Independent director, Chairman of the audit committee	None
Mr. Sura Khanittaweekul	Chief executive officer, Director	25.05
Miss Aree Preechanukul	Director	3.38
Mr. Kritchawat Voravanich	Director	1.07
Mr. Kongsak Bannasathitgul	Director	0.03
Mr. Kashpol Chulajata	Independent director, Audit committee	None
Mr. Somboon Aueatchasai	Independent director, Audit committee	None

Source: SETSMART

The BOD is responsible for setting policies and overseeing the executives' operations at the policy level. It monitors the performance of the management in quarterly board meetings. The results of the Company's performance are required to be reported, especially financial goals and plans to be following the prescribed strategy. Besides, the BOD has appointed various sub-committees to supervise the company's business, including Audit Committee and Risk Management Committee which are independent from the executive committee led by Mr. Sura. (2020 Annual Report)

1.5 Latest News - Stock Dividends Payment Decision

On 7th of March 2022, COM7 announced an important decision that the Board of Directors approved to propose to the 2022 Annual General Meeting of Shareholders (AGM) to consider and approve the payment of the dividends in the form of stock dividends and cash dividends. (COM7's official press release) Previously, the company has kept 1.2 billions of common shares with book value of 0.25 THB, and from the announcement, it will pay a stock dividend at the payout ratio of 1 existing shares to 1 dividend share. And the cash dividend will be paid at the rate of 1 THB per share for 1.2 billion shares.

Above decision should be regarded as relatively large stock dividends, aiming to keep its existing cash for the further investment in the future. And since the total market value of the firm will not be changed while the number of shares doubled after the decision, the dilution effect followed immediately, similar to stock splits. Thus, the stock price of the company dropped to 42.55 THB right after the announcement. The valuation and target price analysis in this report will be based on the newly adjusted stock price.

CHAPTER II

EXTERNAL FACTORS ON COM7'S BUSINESS

In this chapter, it is indicated the macroeconomic analysis which explains the trend of Thailand's Gross Domestic Product (GDP) and the effect of Covid-19 crisis which would affect the industry. In terms of industry analysis, it will indicate the Thai population who tend to be IT commerce customers separated into 2 groups as smartphone users and IT devices users. Lastly, in terms of Competitors, it will indicate peer selections as IT commerce market shares, 4Ps table, and 5 Years CAGR among the peers.

2.1 Macroeconomic Analysis

According to the figure below, since 2012 to 2019, Thai economy tends to be slightly increased about 22.7% which would be shown that Thai economy became great. It would be that the stable growth came from Thailand policy supporting the E-commerce market which had a significant positive impact on the GDP of Thailand. However, in 2020, the GDP of Thailand declined by -6.1%. It would be that there is a Covid-19 pandemic which has a significant impact on the economy. As Thai government regulation against Covid-19 and the regulation around the world as locking down the country. It would provide a negative impact for the whole world, especially the country which has revenue that rely on tourism activity as Thailand. Because of this, from 2020, the consumption of Thailand will decrease. People as citizens of Thailand tend to save more money due to the pandemic situation. However, the analysts said that the GDP of Thailand would be increased from the pandemic recovery.

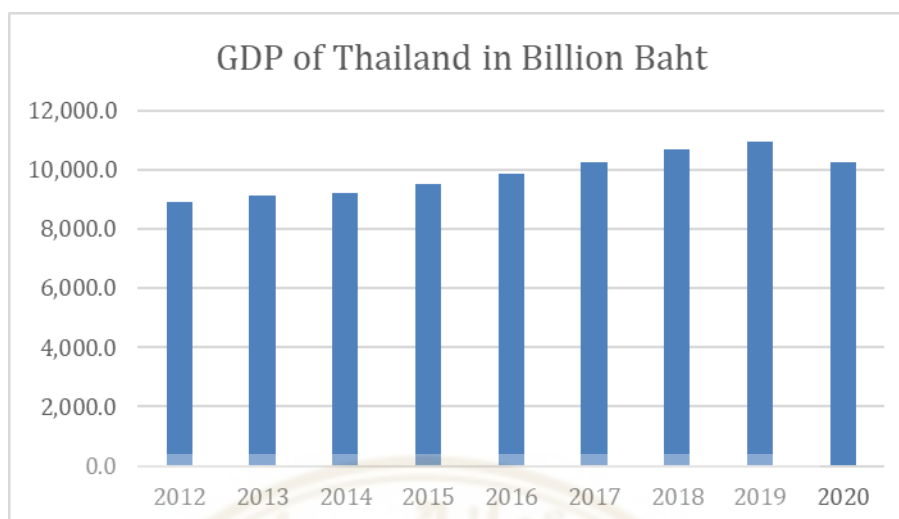


Figure 2.1 GDP of Thailand in Billion THB

Source: Office of the National Economic and Social Development Council

According to Figure 2.2, it is indicated that Thailand tourism would be the important key of the GDP. There is a large number of revenues from tourism. In 2019, before Covid-19 crisis, Thai GDP had the revenue from tourism by 3,077 billion THB. Compared to Thai GDP, it would be a huge number by 30%. However, in 2020, Thailand had a Covid-19 crisis which affected GDP negatively. The revenue from tourism decreased by 65.4% or only 1,064.39 billion THB left. However, in 2020, Most of Thai households had a decline in their income by 80% of the households in rural areas (The World Bank, 2020). Overall, Covid-19 crisis would have a negative effect on overall industries in Thailand.

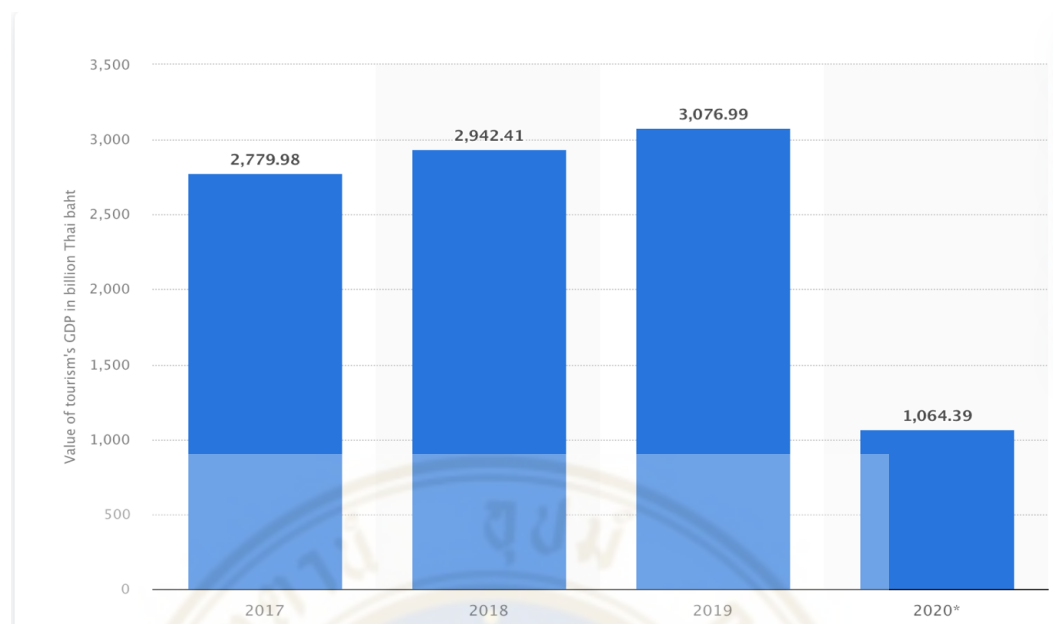


Figure 2.2 Value of tourism's GDP in billion Thai THB Source: Statista

2.2 Industry Analysis

As the innovative era, all of the people around the world have started to use IT devices for their life daily as using smartphones, laptop, and internet for send message or information over the time. It probably means that most people tend to consume IT devices more and more nowadays, especially smartphones. Smart phones literally become necessary products, the same as food or clothing.

In Thailand, as the observation of national statistical office of Thailand in 2020, it is indicated that the population of Thai citizen who are above 6 years old which is total of 63.8 million people uses smartphone around 60.5 million (94.8%), internet around 49.7 million (77.8%), and computers or laptop around 16.8 million (26.4%). It would indicate that IT devices especially smartphones tends to be necessary product for Thai people.

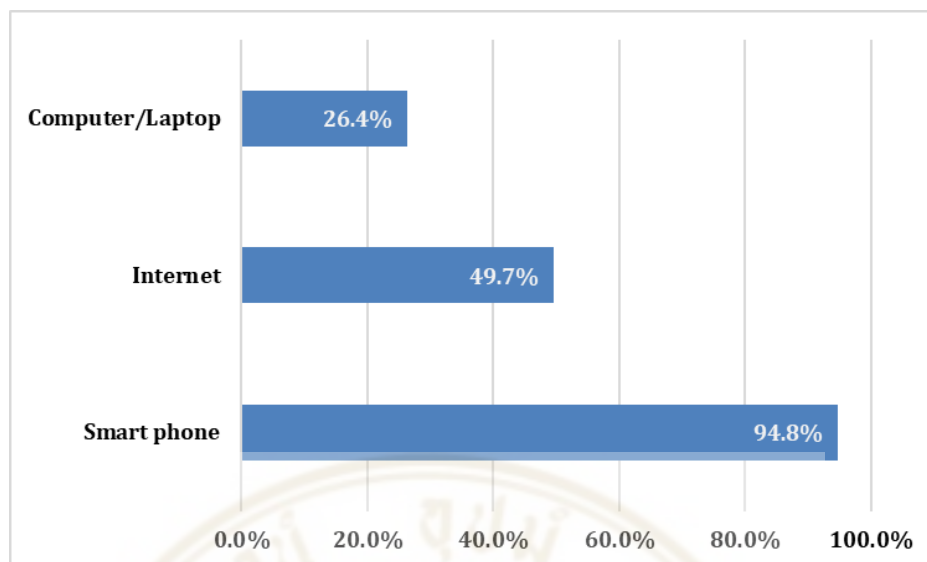


Figure 2.3 The population of IT users in Thailand

Source: National Statistical Office of Thailand

According to the figure of sales performance of mobile phones in Thailand, since 2007 to 2014, the sales performance of mobile phones had drastically increased. It would be indicated that mobile phone was on the trend among Thai people especially young people. It would be because touchable smartphones would become popular as iPhone or Samsung phones. Most of users would be excited new innovation and wanted to become to be users.

However, from 2015 to 2020, sales performance of mobile phones has drastically declined, it would be that the smartphone market tends to mature as most people would spend less for new phones. Smart phones which they had purchased were still usable. The lifespan of smartphones was extended.

On the contrary, since 2021, sales performance of mobile phones tends to increase. It may be because of the covid-19 pandemic, most people tend to spend more on smartphones to handle the government regulation of virus pandemic as social distancing. Most of the operating places as working offices or schools have to be shut down. Most people have to stay safe in their home. Because of this, IT devices such as smartphones really play an important role during the pandemic. Most people have to do their daily activity through the internet because of social distancing regulation such as working and studying online.

Sales Performance of Mobile Phones in Thailand

% Y-O-Y Retail Volume Growth 2007-2026

6.5%

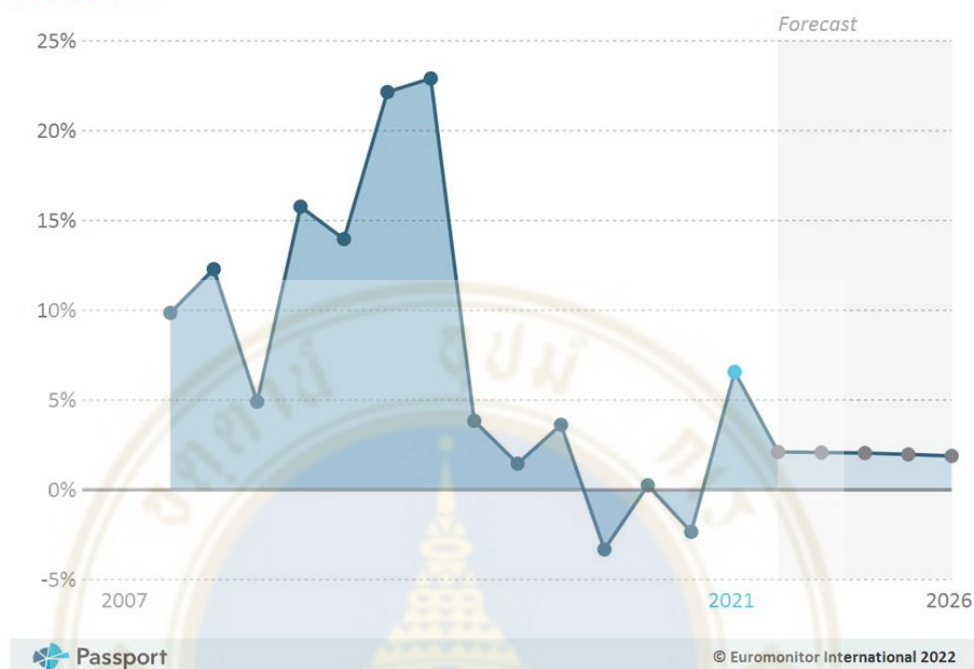


Figure 2.4 Sales Performance of Mobile Phones in Thailand

Source: Euromonitor

In term of sales performance of computers and peripherals in Thailand, since 2007 to 2012, the sales performance was increased. It might be cause of new innovation technology in computer or laptop. Most of Thai people might to purchase it for upgrade their computer for using in daily life as working or wanted to be on the trend. However, since 2013, the sales performance would become to drastically decrease. It would be that a new innovative smartphone would become a computer or laptop instead or the life spans of computer and laptop still be existing. Moreover, smartphones would be cheaper and more portable than computers, and during the pandemic situation, most people would want to save more money by purchasing smartphones instead of computers or laptops.

Sales Performance of Computers and Peripherals in Thailand

% Y-O-Y Retail Volume Growth 2007-2026

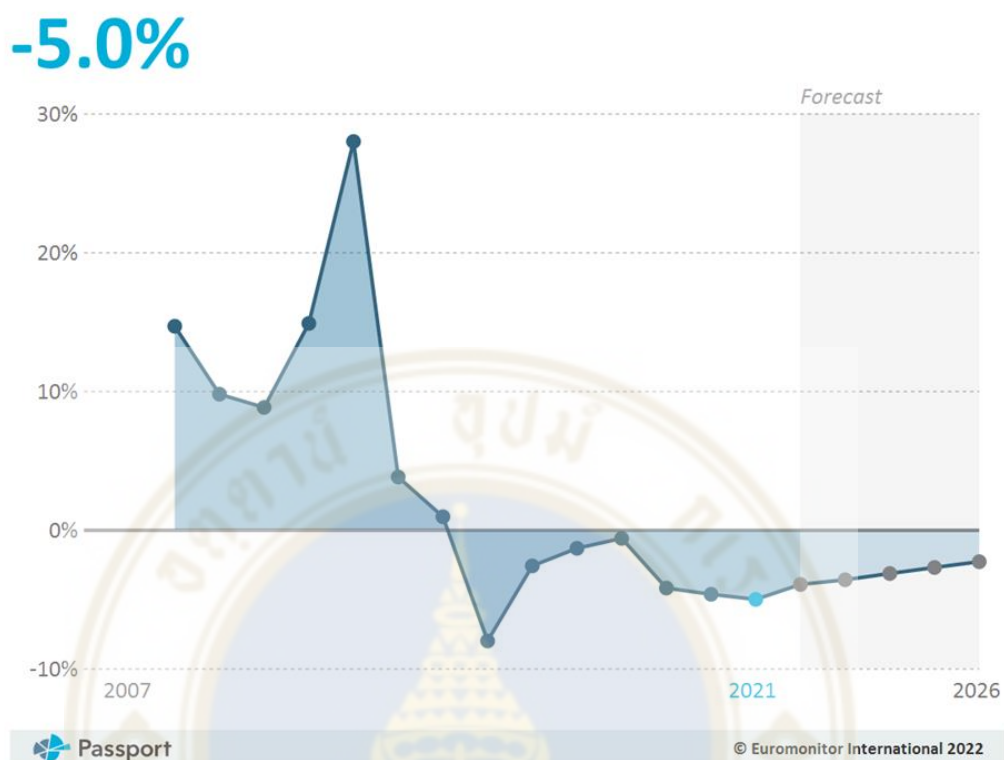


Figure 2.5 Sales Performance of Computers and Peripherals in Thailand

Source: Euromonitor

2.3 Peer Selection

According to the Thai IT commerce market share, it is indicated the market share of IT commerce market as IT devices retailers in Thailand in 2020. Therefore, It could be separated the company which provided IT commerce service in the top tier as the list followings, the first top companies in the market are COM7 and SYNEX which are equally total of 10% of market share value, second company is ADVANC or AIS which is 9% of market share value, third both companies Power Buy and TRUE which is 6% of market share value, forth companies is both of DTAC and JMART which are equally 2% of market share value, lastly, SPVI, CPW, IT City, and The Power is equally 1% of market share value, and the rest as other small companies is equally 50% of total market share value.

THAI IT COMMERCE MARKET SHARES

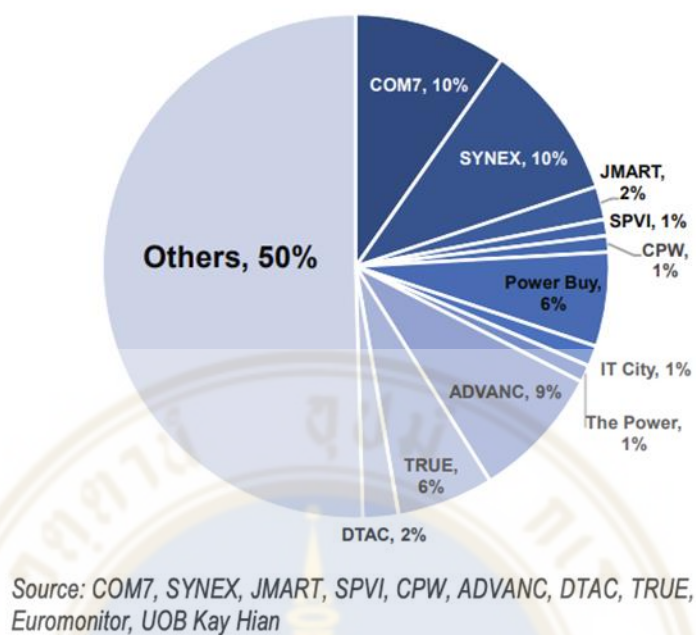


Figure 2.6 Thai IT Commerce Market Shares

Moreover, for peer selection analysis, it could be assigned into 2 main groups as direct peers and indirect peers. In terms of indirect peer group, it could be explained that the company list in this group is main competitors of COM7 company, these provide IT commerce service or IT devices retailer as the main business as the followings, SYNEX, Power Buy, JMART, SPVI, CPW, IT City, and The Power.

As the second group is an indirect peer group, it could be explained that the companies following in this group conduct other business as the main business as providing telecommunication service. There are the following companies: TRUE, ADVANC or AIS, and DTAC. These provide telecommunication service as the main business and also provides IT commerce or IT devices retailers service as well.

However, as the figure of Thai IT commerce market shares, COM7 operates the business very well in the market compared to the others. It can reach the first top in the market by 10% of the market share value. It could be indicated that the company conducts their strategy well. They try to maintain the high-quality standard of service and also keep distributing the branch around the country. Moreover, in 2021, The

company sets the objective that it will expand the branch into 1,000 branches both of center and upside country as well.

SYNNEX (SYNEX)

SYNNEX provides IT commerce retailers and services to more than 50 brands. It focuses on the local market as Thailand. It conducts the business by operating their own shop and cooperating with partnership as the shop in supermarkets around the country. In 2020, there are more than 6,000 distribution channels in Thailand and South Asia regions and they also generated revenue and profit by 32,149 million THB and 642 million THB respectively (SYNEX annual report, 2020). Because of this. It would be assigned to the main competitors for COM7. It can reach the first top list in the Thai IT commerce market shares as well as COM& company by 10% of the total of Thai IT commerce market shares.

Jay Mart (JMART)

Jay Mart is an IT commerce retailer similar to COM7 especially focusing on mobile phones and devices which expand more than 200 branches around the country. It also provides Omi-channels as offline and online channels. In 2020, it could generate revenue and profit by 9,609 million THB and 796 million THB respectively (JMART annual report, 2020). It can reach the fourth top of Thai IT commerce market shares. It could be that Jay Mart try to expand the market and has a strong partnership as AIS.

SPVI

SPVI conducts the main business as becoming the representative for Apple products by operating through iStudio, iBeat, U-store, and also conducts iCenter which has the same standard service as Apple service. It focuses on the local market by expanding the market into 57 branches around the country in 2020. It could generate revenue and profit by 745 million THB and 12 million THB respectively (SPVI annual report, 2020). In terms of Thai IT commerce market share, SPVI can reach by 1% of total market shares.

Copperwired (CPW)

Copperwired conducts the main business as becoming the representative for Apple products by operating through iStudio which is providing Apple products and services. Moreover, it also provides digital lifestyle products which are conducted

through Dotlife shop. It focuses on the local market by expanding the market into 47 branches around the country in 2020. It could generate revenue and profit by 3,338 million THB and 54 million THB respectively (CPW annual report, 2020). In terms of Thai IT commerce market share, Copperwired can reach by 1% of total market shares.

IT City (IT)

IT City company is providing IT commerce service or IT devices retailers same as COM7 especially focusing on computers and smartphones which expand more than 127 branches around the country. In 2020, IT City could generate revenue and profit by 2,006 million THB and 11 million THB respectively. In terms of Thai IT commerce market share, IT City can reach by 1% of total market shares.

Advanced Info Service or AIS (ADVANC)

Advanced Info Service or AIS is providing the main business as telecommunication and conducting IT commerce as a sub business. Therefore, it would be assigned to an indirect peer. It operates its own shop as AIS. In 2020, it could generate revenue from IT commerce by 25,851 million THB (ADVANC annual report, 2020). In terms of Thai IT commerce market share, it can reach 9% of total market shares as the second top of the group.

TRUE

TRUE company is providing the main business as telecommunication and conducting IT commerce as a sub business. Therefore, TRUE company would be assigned to an indirect peer. TRUE company provides IT devices by their own shop as TRUE shop which has more than 300 branches around the country. In 2020, TRUE could generate revenue from IT commerce by 16,886 million THB. In terms of Thai IT commerce market share, TRUE can reach 6% of total market shares as the third top of the group.

2.4 Comparing 4Ps among Peers

Table 2.1 illustrates the 4Ps as Products, Price, Place, and Promotion among the peers. It would indicate the difference of business identity and the strength of each company clearly by the following. Firstly, in terms of products, COM7 shows the ability of focusing on reaching all of the target customers by separating to 2 groups by opening

iStudio for Apple users and Banana stores for other brands users which would be the strength compared to others. Secondly, in terms of price, most IT products retailers tend to provide the same price except IT City. Thirdly, in terms of place, COM7 could distribute the branches more than 1,000 which is above than the average rate among the peers. Lastly, in terms of promotion, COM7 has the contract with Apple Company to be the representative of the Apple retailers and it also provides the special price with software programs to engage the sales which would be the strength among the peers. Overall, COM7 key success of IT commerce leader would be that it can generate and operate the business well above the average rate among the peers.

Table 2.1 4Ps Comparison table

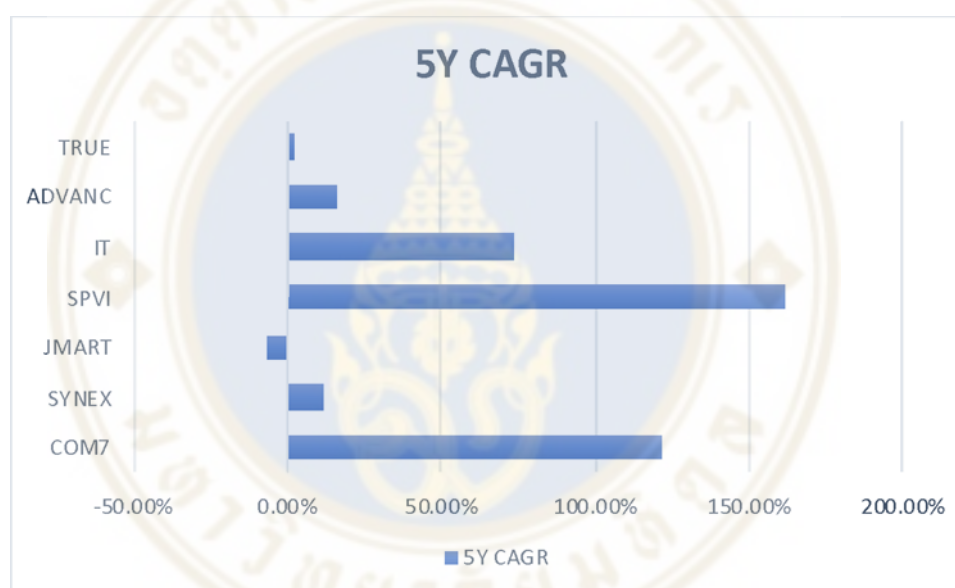
	Product	Price	Place	Promotion
COM7	Focused on 2 groups as iStudio and Banana and iCare service for repairing Apple Product	Average on the market	More than 1,000 branches	Sales discounting for software and additional advices
SYNEX	Focused on software and IT advices	Average on the market	More than 6,000 distribution channels	Special price for business customers
JMART	Focused on mobile phones and IT devices commerce	Average on the market	more than 200 branches	Seasonal sales discounting
SPVI	Focused on only Apple products	Average on the market	57 branches	Sales discounting for specific customer targets
IT	Focused on IT devices products	Lower than the market	127 branches	Seasonal sales discounting

Source: COM7 Annual report, 2020

Table 2.1 4Ps Comparison table (cont.)

	Product	Price	Place	Promotion
ADVANC	The number of IT product is less than others	Average on the market	More than 1,000 branches	Sales discounting with telecommunication contracts
TRUE	The number of IT product is less than others	Average on the market	around 300 branches	Sales discounting with telecommunication contracts

Source: COM7 Annual report, 2020

**Figure 2.7 5 Years CARG**

Source: SET SMART

According to Figure 2.7, it is indicated the ability to generate the revenue in 5 years among the peers by 5 Years CAGR, SPVI shows the highest 5 Years CAGR by 161.9% which indicates that SPVI is the greatest ability of generating revenue and business growth. However, COM7 also generates very well by getting the 5 Years CAGR above the average rate among the peers which shows that COM7 tends to grow up in the future. It can reach around 121.74% of 5 Years' CAGR. Concluding, COM7 would be attractive for the investors in the near future.

CHAPTER III

VALUATION

In this chapter, it will be shown how the relative valuation related to measuring the value of the company as COM7. Due to relative valuation, it is a method that very useful and tool measuring the value of an asset of the company (Sham Gad, 2022). It related to use similar assets of the company itself for comparing which differs with Discount Cash Flow method. According to the information below, it would indicate the relative valuation method as the followings, PE ratio, P/BV ratio.

3.1 Multiple Band

For figure out that the current price is reasonable or not, it would be considered by analyzing the historical data as analyzing the PE ratio and P/BV ratio both of trailing and forward which is observed from 2016-2022 relied on Multiple Band as the followings.

3.1.1 Trailing PE and Forward PE Band

According to the Figure 3.1, PE ratio is common tools for measuring the worth of company. It could be indicated the price of company with the earning per share. As the figure 3.1 is indicated the trailing PE band during January 2017 -2022. It is shown that the average of 22.22. Since 2017-2020, the trend tends to be stable. However, During 2021 – 2022, the trend tend to be significantly increased over +2SD (30.33). It would reflect that the company performance was very well even it was Covid-19 occurred. Tangsiri (2020) said that the good performance would be occurred because it develop the marketing plan as focusing online channel and expand the stores to Upcountry area. Moreover, new product as iPhone 12 was coming would be the factors that increase the company performance as well. However, On March 2022, the trend tends to be drastically decreased below than -1SD(18.17), it would be that the company

change the payout policy which would dilute the price of the company and the price of company would be undervalued but later on that the PE ratio tends to be reached the average.

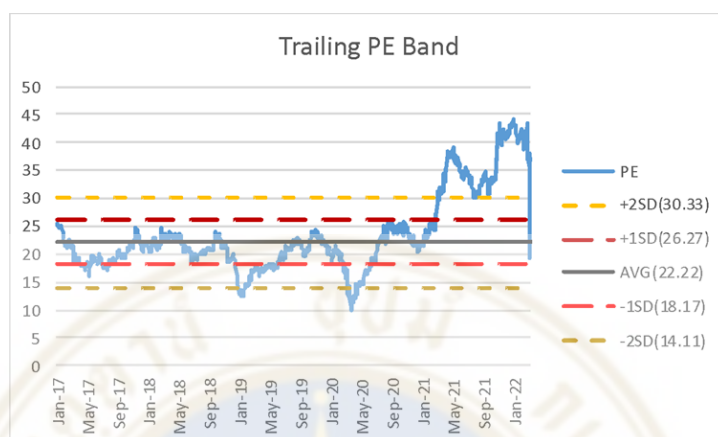


Figure 3.1 Trailing PE Band (January 2017 – March 2022)

Source: SET SMART

In terms of the Figure 3.2, it is indicated the forward PE tends to be the same as trailing PE trend. However, the average forward PE price (23.60) would be more than trailing PE price (22.22). It would be indicated that there is high expectation of EPS in the next 12 months. The investors would assure that the company performance would be keep being well.

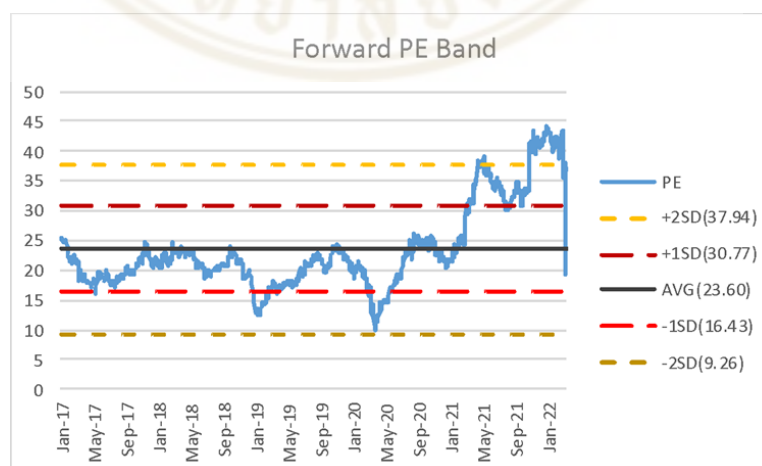


Figure 3.2 Forward PE Band (January 2017 – March 2022)

Source: SET SMART

3.1.2 Trailing P/BV and Forward P/BV

P/BV is also the tools which measure the worth of the company as reflecting the price of stock by calculated with Book value. It would be more accurate than PE ratio because Book value is stable (Bualuang Digital Advisor, 2018). However, as the Figure 3.3, the trailing P/BV trend movement tends to be same as PE ratio. During 2021-2022, it was drastically increased over +2SD(18.34). Which means during the time, the worth of company stock tends to be overvalued. However, the lasted, the trend tends to be within average (10.81).

<https://knowledge.bualuang.co.th/knowledge-base/stocksignal-pbv/>

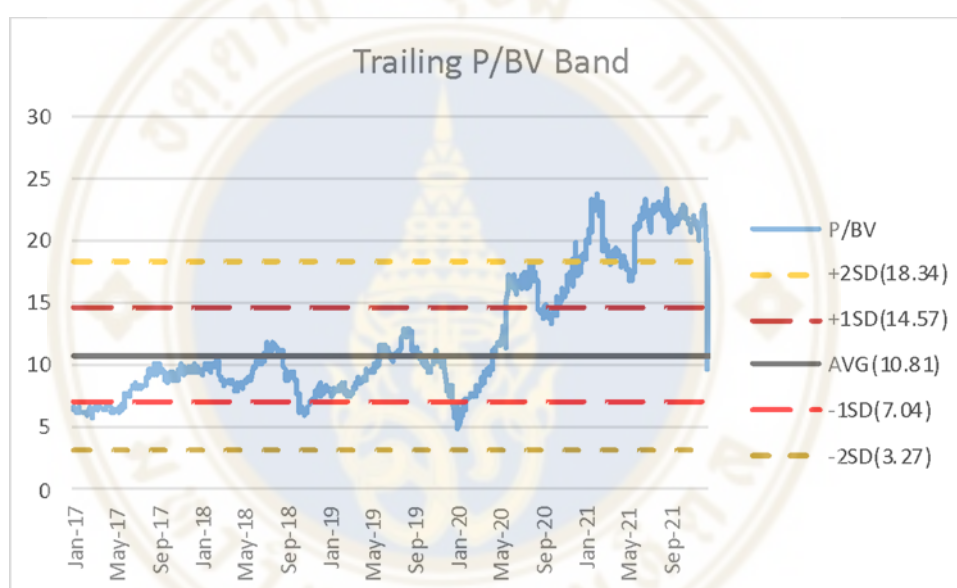


Figure 3.3 Trailing P/BV Band (January 2017 – March 2022)

Source: SET SMART

In terms of Forward P/BV Band, it is also indicated that the trend movement also the same as the trailing trend as relying on the historical data. During 2021 – 2022, the price of the company stock tends to be overvalued and the lasted trend tends to be drop below than the average (12.16).

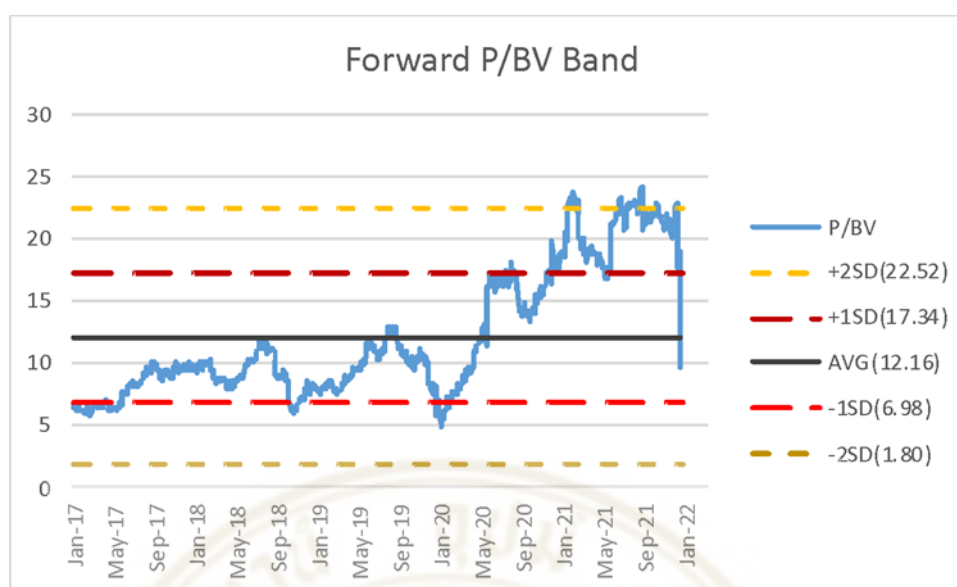


Figure 3.4 Forward P/BV Band (January 2017 – 2022)

Source: SET SMART

3.2 Peer Multiples

In order to the peer multiples, the selection of peers is based on the market segmentation information above, all of the peers is located and focused on the local market as Thailand. Most of the peers selected is under IT commerce market. However, there is separated into 2 groups as direct peers and indirect peers. In terms of direct peers as SYNEX, JMART, SPVI, CPW, and IT, those are operating the main business as focusing on IT devices as smart phone and laptop which same as COM7. Most of the company in this group could generate earning, income, and cash flow same level as COM7. Moreover, the other group as indirect peers which is ADVANCE and TRUE, those are operating IT devices commerce as the sub business. Both companies are focusing on telecommunication as the main business. Therefore, both companies would a bit huge than COM7.

Table 3.1 Peer Group Multiples

Company Name	Market Cap	Closing Price	Trailing		Forward	
			P/E	P/BV	P/E	P/BV
COM7	50,700	42.25	33.01	11.76	33.44	12.04
SYNEX	21,395	25.25	18.59	3.72	19.52	3.90
JMART	75,006	53.75	58.74	4.04	47.80	4.31
SPVI	2,600	6.5	19.72	2.93	21.74	3.02
CPW	3,090	5.15	23.01	2.26	26.87	2.84
IT	5,825	15.9	31.44	1.38	36.83	1.61
ADVANC	698,872	235	19.57	9.85	19.83	9.99
TRUE	164,171	4.92	65.30	1.40	55.56	1.45
Peer Average			33.67	4.67	32.70	4.89
Peer Median			27.22	3.33	30.15	3.46
Peer Max			65.30	11.76	55.56	12.04
Peer Min			18.59	1.38	19.52	1.45

Source: SET SMART

According to the Table 3.1, it is indicated the market capital, closing price in Thai Baht, Trailing P/E, P/BV, and Forward P/E, P/BV among COM7 and peer group. All of information is retrieved since 2017-2022. COM7 market capital is the most huge among direct peers by 50,700 Million Baht. However, ADVANC has the most number of market capital among peer group by 698,872 Million Baht because it is also operated telecommunication as well. In terms of the lasted stock price which is on March 15,2022. JMART stock price is the most expensive among the peer group by 53.75 Baht and CPW stock price is the most cheap by 5.15 Baht. As trailing P/E, the company which has the maximum rate among the group is TRUE by 65.3 times and the minimum rate is own by SYNEX with 18.59 times. Peer Average and Median are 33.67 and 27.22 respectively. COM7 could generate trailing P/E by 33.01 which under the average a bit and above the median rate. As Trailing P/BV, the average and median rate are 4.67 and 3.33 respectively. COM7 has the highest number among the group by 11.76 times and IT has the lowest number by 1.38 times, it is indicated that COM7 could generate the earning capability well in long term. As the forward P/E, it is indicated the same as

trailing P/E that TRUE has the highest number by 55.56 times and SYNEX has the lowest number by 19.52. However, COM7 could generate better than the average and median rate by 33.44 compared to 32.70 times and 30.15 times respectively. As forward P/BV, COM7 also could generate with the highest number by 12.04 times and TRUE could generate with the lowest number by 1.45 times. The average and median rate are 4.89 times and 3.46 times.

Table 3.2 Actual and Forecast EPS and Book values of COM7 2021-2023

	2021	2022F	2023F
EPS	2.19	2.31	2.72
Book value	3.65	4.93	5.76

Source : Maybank (2021)

As the Table 3.2, it is indicated the EPS and Book values per share of COM7 which is retrieved from the expert organization as Maybank (2021). It will be used for calculating P/E and P/BV in the future by multiples method.

Table 3.3 Multiples for P/E and P/BV in 2021 - 2023

	Trailing		Forward		Average
	P/E	P/BV	P/E	P/BV	
Multiples	27.22	3.33	30.15	3.46	16.04
2021	59.62	12.15	66.03	12.63	37.61
2022F	62.89	16.40	69.65	17.06	41.50
2023F	74.05	19.17	82.01	19.93	48.79

According the Table 3.3, it is shown the result of calculating by multiples method since 2021 – 2023 by figuring out the P/E and P/BV and then figuring out the average price for the target price in 2021 and forecast the target price in 2022 and 2023. Therefore, it is indicated that the target price in 2021 is 37.61 Baht compared to the actual price in the end of 2021 which is 40.8 Baht, it is below than the actual price. However, in 2022. The forecast price in the end of the year would be 41.5 Baht compared to the current price as 42.25 Baht on March 15, 2022, it is indicated that the

forecast price tends to be accurate. Moreover, in 2023, the forecast price will be 48.79 Baht which explained that the investors will ensure the ability of generating in the company.

3.2.1 Sensitivity and Scenario Analysis

In this part, Sensitivity and Scenario Analysis, it will indicate the variable factors which would change the estimated price, P/E, and P/BV of the company. For figuring out the alternative result, it would be used by other rate not only peer median as the peer maximum rate and minimum rate of multiples value which has been figured out already in the Table 3.1. Moreover, there is also created the best scenario as EPS and Book values per share has increased by 10% and the worst scenario as decreased by 10% for finding out the alternative results as much as it could be.

Table 3.4 Multiples for P/E and P/BV with the various rates in 2021 – 2023

		Trailing		Forward		Average
		P/E	P/BV	P/E	P/BV	
Multiple	max	65.30	11.76	55.56	12.04	36.17
	median	27.22	3.33	30.15	3.46	16.04
	min	18.59	1.38	19.52	1.45	10.24
2021	max	143.01	42.94	121.67	43.95	87.89
	median	59.62	12.15	66.03	12.63	37.61
	min	40.71	5.05	42.74	5.30	23.45
2022F	max	150.85	57.99	128.34	59.37	99.14
	median	62.89	16.40	69.65	17.06	41.50
	min	42.94	6.82	45.09	7.16	25.50
2023F	max	177.62	67.76	151.12	69.36	116.46
	median	74.05	19.17	82.01	19.93	48.79
	min	50.56	7.97	53.09	8.37	30.00

According to the Table 3.4, it is indicated the result with the various rates as maximum rates, average rates, and minimum rates since 2021 – 2023. As the table 3.1, it is indicated that P/BV rate of COM7 is the highest compared to others among the peer

group. Therefore, it is probability that COM7's estimated price should be calculated with the highest rate for more accurate. For the result, COM7 estimated price in 2021 - 2023 would be 87.89, 99.14 and 116.46 Baht respectively. The average price estimated would be above from the actual price so far. It would be that P/E of COM7 is the same rate with the median rate. Moreover, the lowest price of COM7 estimated in 2021 – 2023 would be 23.45, 25.50, and 30 Baht respectively which would be more close to the actual price than the highest rates.

Table 3.5 The Alternative Price Estimated of Best Scenario and Worst Scenario

Best scenario (+10%)				Worst scenario (-10%)			
	2021	2022F	2023F		2021	2022F	2023F
EPS	2.41	2.54	2.99	EPS	1.97	2.08	2.45
Book value	4.02	5.42	6.34	Book value	3.29	4.44	5.18

During the Covid-19 situation, there would be various factors that could affects the estimated price and the performance of the company. Therefore, it should be created the alternative scenario as the best case which EPS and BVPS are increased by 10% due to the reason that COM7 could adapt well in generate the revenue more on online channel as Tangsiri (2020) mentioned. However, there would be that the crisis would affect the company performance negatively as it should be created the worst case by decreased 10% in EPS and BVPS as there are calculated on the Table 3.5

Table 3.6 The Alternative Price Estimated of Best Scenario

	Best scenario (+10%)				
	Trailing		Forward		Average
	P/E	P/BV	P/E	P/BV	
Multiples	27.22	3.33	30.15	3.46	16.04
2021	65.58	13.36	72.63	13.89	41.37
2022F	69.17	18.04	76.61	18.77	45.65
2023F	81.45	21.08	90.21	21.93	53.67

According to the Table 3.6, it is indicated the result from the best case by increased 10% which is shown that in 2021, the estimated average price is 41.37 Baht which is higher than the actual price with 40.8 Baht a bit. It would should that the investor would expect the company performance lower than the best case. In 2022 – 2023, the estimated average price would be 45.65 Baht and 53.67 Baht respectively compared to the current price at March 15, 2022 with 42.25 Baht. It shows that the company performance would be developed in the future. The investors would assure in the company.

Table 3.7 The Alternative Price Estimated of Worst Scenario

	Worst scenario (-10%)				Average
	Trailing		Forward		
	P/E	P/BV	P/E	P/BV	
Multiples	27.22	3.33	30.15	3.46	16.04
2021	53.66	10.93	59.43	11.37	33.85
2022F	56.60	14.76	62.68	15.35	37.35
2023F	66.64	17.25	73.81	17.94	43.91

According to the Table 3.7, it is indicated the result from the worst case by decreased 10% which is shown that in 2021, the estimated average price is 33.85 Baht which is lower than the actual price with 40.8 Baht a bit. In 2022 – 2023, the estimated average price would be 37.35 Baht and 43.91 Baht respectively compared to the current price at March 15, 2022 with 42.25 Baht. It shows that the result from the worst case tends to be missed far from the actual price. Therefore, calculating from the worst case would not be a good idea for estimating the target price.

Table 3.8 The Estimated Highest Price and Lowest Price from the Sensitivity and Scenario Analysis

	2021	2022F	2023F
Highest Prices	87.89	99.14	116.46
Lowest Prices	23.25	25.50	30.00

According to the Table 3.8 it is indicated the highest price and lowest price from the sensitivity and scenario analysis. The highest price estimated would be 87.89, 99.14, and 116.46 Baht respectively, and the lowest prices would be 23.25, 25.5, and 30 Baht respectively.

3.3 Regression Model Analysis

Regression model is the statistic tool which used for figure out the relationship between dependent variable and independent variable and then created the equation for estimating the dependent variable by using historical data. For finding out the estimating price by using regression model, it would calculating by the independent variables as Book values per share and Earning per share and it could be assumed for the dependent variable as the target price.

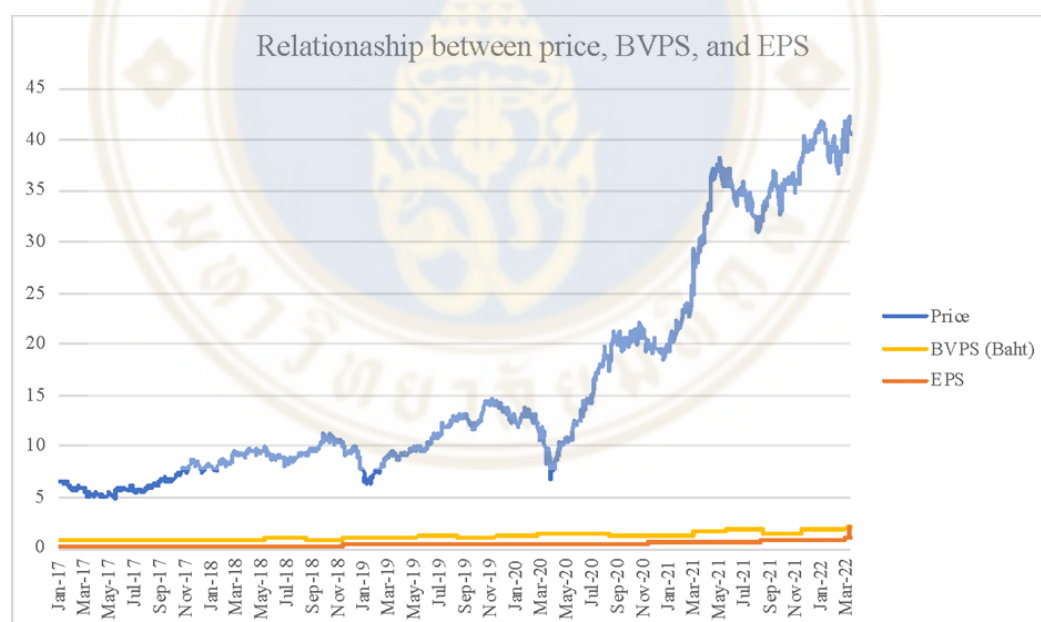


Figure 3.5 The Relationship Between Price, BVPS, and EPS

Source: SET SMART

As the Figure 3.5, it is indicated the relationship trend plot graph between the price, EPS, and BVPS. The trend of price tends to be increased. However, other variables as EPS and BVPS tends to be stable compared to the price trend. It could be

assumed that there would be other variable as external variables would affects the price, not only EPS and BVPS.

Table 3.9 The Regression Model Result for The Price

	Price
EPS	39.179
	[27.43]**
BVPS (Baht)	3.294
	[3.24]**
Constant	-5.642
	[8.25]**
Observations	1267
R-squared	0.87
Absolute value of t statistics in brackets	
* significant at 5%; ** significant at 1%	

As the Table 3.9, it is indicated the result of the regression model. It could be created for the equation for estimating the target price by the followings.

$$Price = 39.179(EPS) + 3.294(BVPS) - 5.642$$

Where, Price = the target price in Baht

EPS = Earnings per Share in Baht

BVPS = Book Values per Share in Baht

According to the equation from the regression model, it would be assumed that EPS and BVPS have positive impacts on the target price with the statistical significance. When EPS is increased by 1 Baht, the price would be increased by 39.179 Baht. When BVPS is increased by 1 Baht, the price would be increased by 3.294 Baht. R-square is 0.87 which is closed to 1, it is indicated that the model tends to be fitted for estimation.

Table 3.10 The Regression Model Result from The Equation for The Prices

	2021	2022F	2023F
EPS	2.19	2.31	2.72
Book value	3.65	4.93	5.76
Price	92.19	101.10	119.90

According to the Table 3.10, it is indicated the result for estimated the price by using the regression equation. When the variables as EPS and BVPS is plugged into the equation, it could be estimated the target price from 2021 – 2023 as 92.19 Baht, 101.1 Baht, and 119.9 Baht respectively. As the estimated price from the regression model, these would be higher than the multiple method result. Therefore, using the regression model for estimating the target price would be more caution rather than multiple method.

Table 3.11 The Regression Model Result for The Change in Price

	ln(Price)
ln(EPS)	1.023
	[22.14]**
ln(BVPS (Baht))	0.164
	[1.80]
Constant	3.495
	[60.06]**
Observations	1267
R-squared	0.86
Absolute value of t statistics in brackets	
* significant at 5%; ** significant at 1%	

As the Table 3.11, it is indicated the result of the regression model. For figure out the percentage change in the variables, it should be taken the variables by logarithm. Therefore, it could be created for the equation for estimating the change in target price by the followings.

$$\ln(\text{Price}) = 1.023(\ln(\text{EPS})) + 0.164(\ln(\text{BVPS})) + 3.495$$

Where, $\ln(\text{Price})$ = the change percentage in target price

$\ln(\text{EPS})$ = the change percentage in Earnings per Share

$\ln(\text{BVPS})$ = the change percentage in Book Values per Share

According to the equation from the regression model, it would be assumed that the change in EPS and BVPS have positive impacts on the change in target price with the statistical significance. When the change in EPS is increased by 1 times, the price would be increased by 1.023 times. When BVPS is increased by 1 times, the price would be increased by 16.4 percent. R-square is 0.86 which is closed to 1, it is indicated that the model tends to be fitted for estimation.

Concluding, When the variables as the percent change in EPS and BVPS is plugged into the equation, it could be estimated when EPS and BVPS is increased by 1%, the price would be increased by 1.023% and 0.164% respectively in the future. As the estimated the percent change in price from the regression model, these would be indicated that EPS and BVPS have a slightly positive impact on the percent change in price. The investor would really respect in EPS and BVPS. As the result, the experts estimated that EPS and BVPS would be increased in 2022 and 2023. Therefore, the price in the future will be increased as well.

CHAPTER IV

INVESTMENT RISKS AND DOWNSIDE POSSIBILITIES

In this chapter, it would be shown and explained the risk of the investment in this company. There are several risks that would impact the company as both external risks and internal risks. Most of the information in this chapter would be retrieved from the annual report of COM7 2020.

4.1 Operational Risk

4.1.1 Inventory Risk

As COM7 operates the main business as retailing IT products, it has to maintain an adequate inventory for selling overtime. However, IT products are always developed in technology for consumer behavior. Therefore, there would be a risk of the obsolete product and as a result, there would be higher administrative costs that may impact the company's revenue.

4.1.2 Competition Risk

As the information above indicates the high competition in the IT commerce market. The company has to import and retail IT products such as laptops, desktop computers, mobile phones, related accessories, etc. There is also a highly competitive business in the upstream. Therefore, the company has to develop the product and continually launch new products to meet consumers' needs overtime to compete for market share. The company earns about 80% of the total revenue from the products sales. Suppose there is a situation of intense competition in the market or new entrepreneurs with high potential to compete, it may have a significant impact on all of the company's operations. However, as the information above, the company can operate

the business very well compared to the other competitors. If it occurs, the company could handle it well.

4.1.3 Branch Expansion Risk

As the company's main business is IT products retailing, the main channel for distributing products is in the stores and pop-up stores. Therefore, the company has a policy to continuously expand the branches for increasing opportunities and distribution channels to reach the target customers around the country as much as possible. In 2018-2020, the company had 378, 787, and 911 branches, respectively and plan to expand the branches up to 1,000 in the near future both in the central area and upcountry area. The company has to hold the risks if the new stores' operating results are not as expected or deviating from the projections. It would be the loss of a huge fund in the company.

4.2 Sustainability Risk

The company is still focusing on sustainability issues by integrating them with the company's business operations. Therefore, there are several risk factors related to sustainability such as climate change risk factors, Environmental conservation awareness, and Personal Data or Human right risk as the following.

4.2.1 Climate Change Risk

Global climate change as the global warming crisis affects both the natural and human environment around the world. It would impact the economy, society, and environment which are related to sustainable development. Climate change from global warming has a result in various risks and affecting the business operations in many ways as the following. Due to affecting social and health, Climate change issue has an impact on human health and human living. It would provide diseases from minor to death from the heat increased as heat exhaustion and heat stroke, infectious diseases, and various tropical diseases. As a result, there are new diseases such as SARS, bird flu, Ebola, including allergic disease. Moreover, there would also be an impact on the body's immune system, causing disease resistance to decrease and be easily infectious.

Moreover, there would be an impact on the economic factors. Climate change would have an impact on the overall economy as the economic growth which might be that it would possibly affect production costs, competitiveness, and sustainability in the company operation in the future.

4.2.2 Environmental conservation awareness risk

Environmental conservation awareness is on the trend both at the global and national levels. As a result, most consumers become more aware of environmental impacts causing social trends and consumer behavior to change significantly. It might affect the business of the company in the future because consumers are more concerned with environmental products using and reducing the use of plastics. Moreover, entrepreneurs tend to adjust their products to contain more environmental ingredients and it would be the factors that have changed consumer behavior.

4.2.3 Personal Data or Human right risk

The risk of personal data breaches or human rights Personal Data Protection Act B.E 2563 (2020) or PDPA (Personal Data Protection Act), which has been enforced on 27 May 2020, both private and public sectors (individuals or juristic persons). The customer's information is considered personal. The consent of the data subject must be obtained. Without such consent, it may be an offense to infringe the privacy rights of the customer's personal information. If there is a leak of information or the data, there may be a loss of credibility, an opportunity cost, and a disadvantage in competition in the market and trade, including confidence and customer trust.

4.3 Emerging Risk

Because there are always changes in various factors. Therefore, the company must continually look for emerging risk factors to ensure that the company can handle the risk which would occur in the future and immediately before they affect the company's business operations. However, there are 2 main risks which would significantly affect the business now as cyber threats risk and Covid-19 risk as the following.

4.3.1 Cyber Threats Risk

Cyber Threats risk is the risk that the company should prepare to deal with all the time which have various forms such as network attacks, Enterprise Resource Planning (ERP) attacks, data destruction by unauthorized persons, or misuse of information. These can affect the company's business because the main business of the company is IT devices commerce and IT services. If these risks affect the company, it will ruin the company's reputation. Moreover, the company would carry a large amount of customers' information. Therefore, this risk would be literally significant for the company.

4.3.2 COVID-19 Risk

Due to the coronavirus situation 2019 in early March 2020, the government had implemented a lockdown regulation. Because of this, the company had temporarily closed the stores and service in Bangkok and some provinces. From March 22, 2019 to May 2020, the branches were gradually closed 289- 460 branches from 789 branches, respectively. This crisis has affected the company in terms of income.

4.4 Securities Holders Risk

Because the company does not issue other types of securities, it has to run the policy that paying dividends to shareholders at a rate of not less than 40% of the net profit after deducting income tax and allocating legal reserves based on the company's separate financial statements. However, the company would decide to pay dividends different from the policies, which will depend on the performance and expand the company's business, including economic conditions.

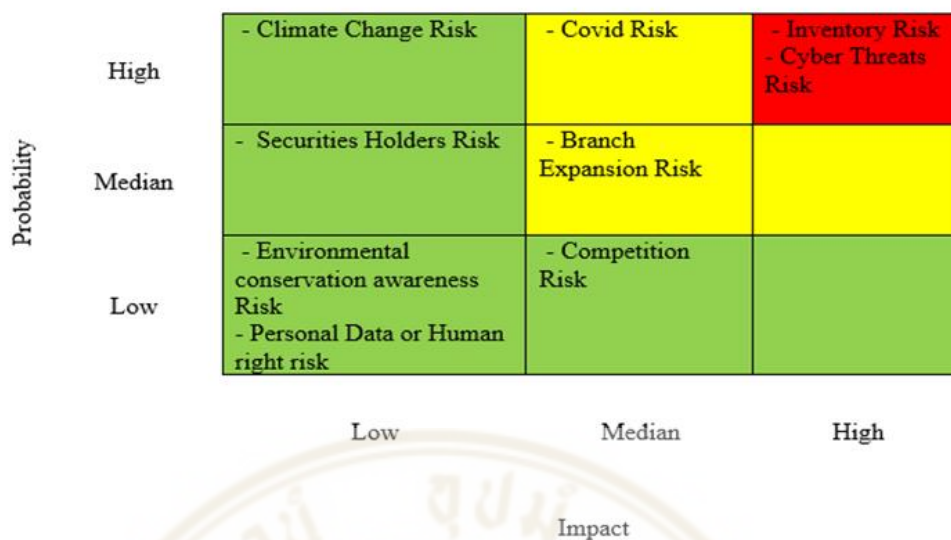


Figure 4.1 Risk Matrix



CHAPTER V

INVESTMENT SUMMARY

In this chapter, it would be shown the summaries in terms of the valuation analysis and report. It is included the analysis report of multiples valuation and the regression model. For the summary report, it would be help the investors to make the decision in terms of hold, buy, and sell the stocks of COM7 company.

Table 5.1 Target Price Summaries

	Multiples	Regression
2022	41.5	101.1
2023	48.79	119.9

As the Table 5.1, it is indicated the estimated target price both of multiples valuation and regression model. The average estimated price of multiples valuation is figured out by 41.5 Baht and 48.79 Baht in 2022 and 2023 respectively which is closed to the current price by March 15, 2022 with 42.25 Baht. However, in terms of regression model estimation, it is figured out by 101.1 Baht and 119.9 Baht in 2022 and 2023 respectively, these are literally far from the current price. Therefore, the multiples valuation method would be more accurate and reasonable for estimating the price than the regression model method.

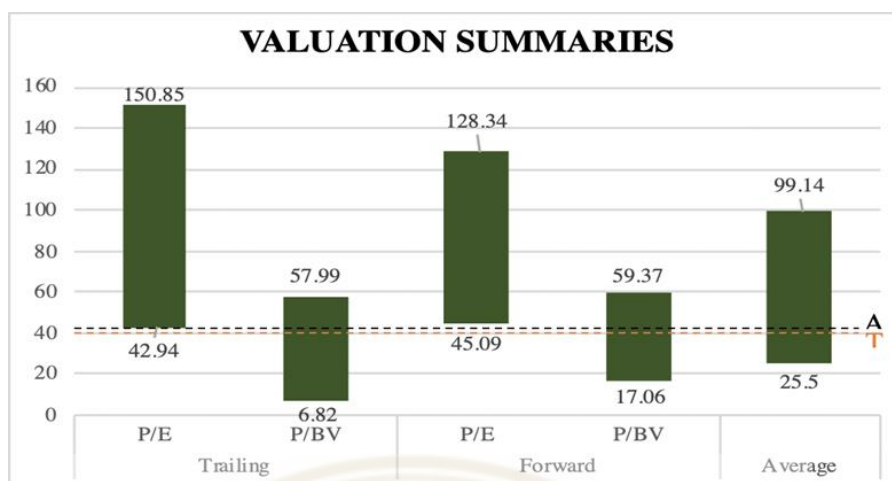


Figure 5.1 Valuation Summaries

As the Figure 5.1, it is indicated the valuation summary from the overall analysis multiples valuation which more reasonable than the regression model method. It is shown that the range price of highest rate and lowest rate from trailing P/E and P/BV, forward P/E and P/BV, and the average of these. As it is indicated the range of trailing P/E and forward P/E. it is obviously higher than the actual price and the estimated target price from the average range. However, in terms of the range of trailing P/BV and forward P/BV, it is more closed to the actual price and the target price. Therefore, it would be more helpful for estimating than compared to P/E. In terms of the average range, the highest rate would be huge higher than the actual price and the target price because it is figured out from the highest rate of trailing P/E and forward P/E. However, the average rate would be really closed to the actual price which is lower a bit. As the result, it is shown that the estimated target price with 41.5 Baht is slightly lower than the current price on March 15, 2022 with 42.25 Baht. It would be concluded that the price of COM7 company would be undervalued or the price would be risen up in the end of 2022. Moreover, as the regression model result from the Table 3.10 and the experts estimation, it is indicated that the price would be increased.

Therefore, for making the decision of stock purchasing, the result would indicated that the actual price would be slightly increased continuously. The investors would hold the stock and keep watching the situation wisely.

- End of Report -

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Appendix A: SWOT Analysis

COM7 has shown remarkable growth during past years, and its strength came from nationwide distribution channels with attractive store locations, various IT products of global top brands, close relationships with famous manufacturers, and a strong long-served management team in the company. However, its business nature is low-margin retail service and there are risks from obsolete inventory when the sales forecast was incorrect. Limited business portfolio with focusing only IT products also could be the weakness of COM7. Externally, expected recovery of the domestic economy after Covid-19 pandemic could be an opportunity for the company. New technology such as foldable mobile devices, 5G migration trend and broader usage of IT devices are also external opportunities to COM7. Of course, competition in the Thai IT market is fierce, and the growth of online channels such as Lazada, Shopee could be a threat to the company.

Strength	Weakness
<ul style="list-style-type: none"> ▪ Nationwide distribution channels ▪ Attractive store location with high traffic ▪ Various IT products and brands ▪ Close relationship with Manufacturers ▪ Strong, long-served management team 	<ul style="list-style-type: none"> ▪ Low-margin retail business ▪ Risk from obsolete inventory ▪ Limited business portfolio
Opportunity	Threat
<ul style="list-style-type: none"> ▪ Recovery of domestic Economy ▪ New mobile device technology ▪ 4G to 5G migration ▪ Broader usage of IT devices (e.g. Education, Entertainment, Business) 	<ul style="list-style-type: none"> ▪ Fierce competition in the market ▪ Growth of Online channels ▪ Slowed IT market growth