

Executive Summary

Revenue from sales and services in 3Q23 amounted to 16,320.9 million baht, increased by 9.6% (YoY) but fell short of the 20% target. Due to the renovation of the closed branch in 2Q23 and its gradual reopening in 3Q23, the revenue is not at its full capacity. Additionally, revenue from the ADEPT business unit, engaged in wholesale trade, suffered a setback as sales of Realme branded products were discontinued. In 3Q22, the income from this particular brand amounted to 455.0 million baht. Meanwhile, sales of alternative brands have not been able to fully compensate for the lost revenue.

Gross profit ratio in 3Q23 was 13.4% compared to 13.8% (YoY), marking a 0.4% reduction. The primary reason is the product mix, where the proportion of lower-margin products outweighs the higher-margin ones. Additionally, the sales of high-margin products did not meet the expectations. Also, there were provisions set aside for outdated iPhone 14 stock (Demo models) due to their scheduled timeframe. Notably, during the same period in the previous year, the provisions for outdated iPhone 13 were in Q4.

Selling expenses amounted to 1,109.8 million baht, compared to 940.1 million baht (YoY), an increase of 169.7 million baht (+18.1%). The primary reason for this increase is the addition of 205 new branches compared to the previous year, bringing the total number of branches to 1,318 in 3Q23, up from 1,113 in 3Q22. More than half of these new branches are BeBePhone stores, leading to a full recognition of all associated expenses in this quarter. (employee expenses, rental, depreciation, and more)

Loss from impairment of financial assets amounted to 37.3 million Baht, indicating losses attributed to allowance for doubtful due to the uncertain debt recovery from the Ufund business, involving leasing products during 3Q22. The company has been gradually recording loss entries from impairment of financial assets in accordance with TFRS9. In the upcoming quarters, the loss from the impairment of financial assets is expected to gradually decrease and return to a suitable level. However, the company remains diligent in its debt reservation practices, exercising caution and vigilance to cope with uncertainties that may arise. This proactive approach in setting aside provisions for potential losses ensures that the company is well-prepared to navigate any uncertainties and maintain financial stability. Since Ufund altered its operational approach and improved approval processes to reduce risk burdens in 4Q23, the company has consistently observed an improvement in the quality of debtors. Recognizing the positive trend, the company is committed to maintaining debtor quality at an appropriate level under its risk management policy. This reflects a proactive stance in adapting to changing business conditions and ensuring the ongoing improvement of debt-related practices.

In 3Q23, the company's **total financial costs** amount to 69.5 million baht, increasing by 44.5 million baht compared to the previous year at 25.0 million baht. The main reasons for this increase were twofold: 1) Higher interest expenses due to the adjustments in the interest rate policy 2) Short-term loans were acquired to serve as working capital for purchasing goods and expanding branches. However, the company is actively working to reduce inventory, including negotiating with suppliers to extend credit terms. This effort aims to maintain a suitable level of remaining goods and financial costs.

In summary, the factors mentioned above resulted in a **net profit** of 630.4 million baht in 3Q23, representing 3.8% of total revenue. This is a decrease compared to the previous year, where the net profit was 732.8 million Baht, reflecting a reduction of 102.4 million baht, or (-14.0%).

Significant Events in 3Q23

Com7 Holding Company Limited (Subsidiary)

Gold Integrate Company Limited In September, Com7 Holding Co., Ltd. made a joint investment in "Gold Integrated Co., Ltd." holding a 40% share from the registered equity of 1,000,000 common shares, each valued at 100 Baht per share. The company fully paid for these shares in September 2023 to engage in the electric car distribution business under the brand 'Aion'. Initially, the company expects to establish more than 10 electric car showrooms by 2024.

3Q23 Financial Summary

Revenue

Revenue from sales and services amounted to 16,320.9 million Baht, increasing by 9.6% (YoY). The growth rate is slightly lower than anticipated. The overall growth of revenue from existing branches (Same Store Sales Growth) increased by 9.3% (excluding renovated or closed branches with incomplete quarter days in the calculation). This growth was propelled by various factors, including:

- 1) Revenue from branches that underwent renovations in the previous quarter and gradually reopened in this quarter has not fully contributed to the current quarter's earnings.
- 2) Revenue from the ADEPT, wholesale business, was impacted as sales of Realme branded products were discontinued. In the previous year, the revenue generated from Realme amounted to 455.0 million Baht. However, in 3Q23, the sales of alternative brands to compensate for the lost revenue have not yet been successful.

The main positive factor came from the smartphone segment, with the launch of new products in 3Q23 from various brands, such as Samsung, Oppo, Xiaomi, Vivo, and particularly the iPhone 15. Thailand became the first country to continuously distribute the iPhone New Series for the second consecutive year, contributing to an increased quantity of units sold for the company. Despite a delayed first day of sales by one week compared to the iPhone 14. Additionally, the reopening of branches that underwent renovations in the previous quarter proceeded according to the planned schedule, allowing them to resume operations in the current quarter.

Gross Profit

In 3Q23, there was a total gross profit of 2,179.6 million Baht, accounting for 13.4% of the total revenue. This figure declined from the same quarter in the previous year, which stood at 13.8%. The main reason behind this decline was attributed to the product mix, where the proportion of lower-margin products outweighs the higher-margin ones. Additionally, the sales volume of high-profit-margin products did not meet expectations. During this quarter, there was a provision for outdated iPhone 14 (Demo units) due to the completion of the timeframe. In the equivalent period of the previous year, the provision for outdated iPhone 13 was in 4Q22.

Expenses

SG&A expenses totaled 1,342.7 million baht, accounting for 8.2% of the total revenue, compared to the previous year's expenses of 1,130.9 million baht, equivalent to 7.5% of the revenue. This proportion increase of 0.7% primarily consists of:

- **Selling expenses** were 1,109.8 million baht, accounting for 6.8% of the revenue. This reflected an increase of 169.7 million baht, equal to 18.1% (YoY). The primary reason for this increase is the addition of 205 new branches compared to the previous year, bringing the total number of branches to 1,318 in this quarter, up from 1,113 in the previous year. More than half of these new branches are BeBePhone stores, leading to a full recognition of all associated expenses in this quarter. (employee expenses, rental, depreciation, and more)
- **Administration expenses** amounted to 232.9 million Baht, representing 1.4% of the total revenue, compared to 1.3% in the previous year. In 3Q22, there was a special item, which was the recording of adjustments to the rights of use for closed branches, contributing 32.0 million baht to the income side. Excluding this item, the proportion of expenses in the previous year would be 1.5%. On the other hands, in 3Q23, there were adjustments to some estimated expenses that had been reserved since the beginning of the year but did not materialize, amounting to 20 million baht. When adding back this adjustment, the proportion of expenses for this quarter would be around 1.5%, which is close to the levels observed in previous quarters. For the upcoming quarters, the company is committed to controlling administration expenses to maintain a consistent expense ratio.

Loss from impairment of financial assets amounted to 37.3 million Baht, indicating losses attributed to allowance for doubtful due to the uncertain debt recovery from the Ufund business, involving leasing products during 3Q22. The company has been gradually recording loss entries from impairment of financial assets in accordance with TFRS9. In the upcoming quarters, the loss from the impairment of financial assets is expected to gradually decrease and return to a suitable level.

Financial costs amounted to 69.5 million Baht, increasing by 44.5 million Baht from the previous year's 25.0 million Baht. This increase is primarily due to two factors: 1) increased loan interest costs following the interest rate policy adjustments and 2) Short-term loans used as working capital for purchasing goods and expanding branches. The company is actively working to reduce inventory, including negotiating with suppliers to extend credit terms, aiming to maintain an appropriate level of inventory and financial costs

Net Profit

Net profit amounted to 630.4 million Baht, representing 3.8% of the total revenue, a 14.0% decrease from the previous year. This decline is consistent with the reduction in gross profit and the increase in the aforementioned expenses.

Financial position (compare to the ending of FY22)

As of September 2023, the total assets increased by 12.9% from the end of the year 2022, reaching 20,831.6 million baht. Total current assets amounted to 14,408.2 million baht, an increase of 13.8%, driven by a rise in net inventory due to preparations for distribution in the upcoming period.

Total liabilities amounted to 13,239.3 million baht, increasing by 18.2%. The primary reason was the short-term loans from financial institutions, which rose by 34.0%. This was primarily utilized for branch expansion and payment of merchandise costs.

Cash flow

In 9M23, cash flow from operating activities (after income tax) amounted to 706.4 million Baht. Cash outflows for investments totaled 618.6 million Baht, with the primary expenditure being branch expansion, amounting to 641.3 million baht. The cash flow used in financing activities was 453.9 million baht. In summary, the business's cash flow as of September 30, 2023, amounted to 936.8 million baht.

Cash Cycle

The company's cash cycle stands at 42 days, increased from the end of December 2022, due to an increase in the days sales of inventory. This is attributed to the reception of goods during the end of 3Q23 to prepare for distribution in the following month.

Statement of Comprehensive Income (Consolidated)

List (Unit : Million Baht)	Q3/2023		Q3/2022		YoY	
	Amount	%	Amount	%	Amount	%
Revenue from sales and services	16,320.9	100.0%	14,888.4	98.8%	1,432.5	9.6%
Cost of sales and services	14,141.3	86.6%	12,812.9	85.0%	1,328.4	10.4%
Gross profit	2,179.6	13.4%	2,075.5	13.8%	104.1	5.0%
Other income	7.9	0.0%	183.2	1.2%	(175.3)	(95.7%)
Total revenues	16,328.8	100.0%	15,071.6	100.0%	1,257.2	8.3%
Selling expenses	1,109.8	6.8%	940.1	6.2%	169.7	18.1%
Administrative expenses	232.9	1.4%	190.8	1.3%	42.1	22.1%
Loss from impairment of financial assets	37.3	0.3%	16.8	0.2%	20.5	122.0%
Other losses	4.2	0.0%	157.8	1.0%	(153.6)	(97.3%)
Profit before finance costs, share of profit or loss from an associate, and income tax	803.3	4.9%	953.2	6.3%	(149.9)	(15.7%)
Finance costs	69.5	0.4%	25.0	0.2%	44.5	178.0%
Profit before share of profit or loss from an associate, and income tax	733.8	4.5%	928.2	6.1%	(194.4)	(20.9%)
Share of profit from an associate	5.8	0.0%	3.1	0.0%	2.7	87.1%
Profit before income tax	739.6	4.5%	931.3	6.1%	(191.7)	(20.6%)
Income tax	109.2	0.7%	198.5	1.3%	(89.3)	(45.0%)
Profit for the period	630.4	3.8%	732.8	4.8%	(102.4)	(14.0%)
Profit owners of the parent	611.4	3.7%	724.7	4.8%	(113.3)	(15.6%)

Branch Expansion in Q3/2023: The Company had 1,318 branches, expanding 156 branches compared to the end of 2022 (the end of Y2022 : 1,162 branches) consisting of BaNANA, Bb, B-Play, BKK, BeBePhone, E-quip, Franchise, iCare, KingKong Phone, Studio7, True Shop by Com7, U-Store, Dr.Pharma, PetPaw and Brand shop.

Revenue structure categorized by business groups

List (Unit : Million Baht)	Q3/2023		Q3/2022		YoY	
	Amount	%	Amount	Amount	%	Amount
Retail Business	15,873.5	97.3%	14,480.3	97.3%	1,393.2	9.6%
Other	447.4	2.7%	408.1	2.7%	39.3	9.6%
Revenue from sales and services	16,320.9	100.0%	14,888.4	100.0%	1,432.5	9.6%

Statement of Financial Position

The Consolidated Statement of Financial Position as of 30 September 2023 compared to the One as of 31 December 2022

List (Unit : Million Baht)	Financial Information		Increase (Decrease)	
	3Q23	Y2022	MB.	%
Cash and cash equivalents	964.6	1,335.3	(370.7)	(27.8%)
Short-term investments in debt instruments	25.0	15.0	10.0	66.7%
Trade and other receivables	3,450.7	3,009.1	441.6	14.7%
Current portion of finance lease receivables	394.8	492.4	(97.6)	(19.8%)
Financial assets measured at fair value	109.4	285.3	(175.9)	(61.7%)
Derivatives - Warrants	0.0	56.1	(56.1)	(100.0%)
Short-term loans to related parties	6.3	6.3	0.0	0.0%
Inventories	9,215.2	7,333.0	1,882.2	25.7%
Other current assets	242.2	123.0	119.2	96.9%
Total current assets	14,408.2	12,655.5	1,752.7	13.8%
Restricted deposits with financial institutions	52.5	30.4	22.1	72.7%
Trade and other receivables	0.0	31.7	(31.7)	(100.0%)
Finance lease receivables	173.7	129.0	44.7	34.7%
Financial assets measured at fair value	721.4	826.6	(105.2)	(12.7%)
Long-term investments in debt instruments	69.4	0.0	69.4	N/A
Investments in associates	1,657.3	1,517.1	140.2	9.2%
Property and equipment	1,261.2	873.5	387.7	44.4%
Right-of-use assets	982.7	949.2	33.5	3.5%
Intangible assets	166.9	147.9	19.0	12.8%
Goodwill	382.8	382.8	0.0	0.0%
Deferred tax assets	229.9	274.9	(45.0)	(16.4%)
Other non-current assets	725.6	637.4	88.2	13.8%
Total non-current assets	6,423.4	5,800.5	622.9	10.7%
Total assets	20,831.6	18,456.0	2,375.6	12.9%
Bank overdrafts and short-term loans from financial institutions	6,973.0	5,203.9	1,769.1	34.0%
Trade and other payables	4,858.1	4,203.0	655.1	15.6%
Current portion of lease liabilities	483.8	472.7	11.1	2.3%
Current income tax payable	44.2	566.0	(521.8)	(92.2%)
Other current liabilities	102.7	17.3	85.4	493.6%
Total current liabilities	12,461.8	10,462.9	1,998.9	19.1%
Total non-current liabilities	777.6	741.2	36.4	4.9%
Total Liabilities	13,239.4	11,204.1	2,035.3	18.2%
Total Equity	7,592.2	7,251.9	340.3	4.7%
Total Liabilities and Equity	20,831.6	18,456.0	2,375.6	12.9%

Liquidity Ratio

The Company's liquidity mainly came from the ability to turnover inventories, accounts receivable billing, and repayment to the trade payables.

Liquidity Ratio	3Q23	Y2022
Day Sales Outstanding	18.0	18.0
Days Sales of Inventory	53.0	46.0
Days Payable Outstanding	29.0	31.0
Cash Cycle	42.0	33.0

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