

KCE ELECTRONICS KCE TB

THAILAND / ELECTRONIC COMPONENT

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สัญญาณเศรษฐกิจโลกถดถอย

- ผู้บริหารส่งสัญญาณว่าลูกค้ากำลังชะลอคำสั่งซื้อจากสภาวะเศรษฐกิจโลกถดถอย
- เราปรับลดประมาณการกำไรปกติปี 2023 ของเราลง 23% มาอยู่ที่ 1.8 พัน ลบ. (-21% y-y)
- คงแนะนำถือที่ราคาเป้าหมายใหม่ที่ 35.5 บาท

TARGET PRICE	THB35.50
CLOSE	THB37.25
UP/DOWNSIDE	-4.7%
PRIOR TP	THB50.00
CHANGE IN TP	-29.0%
TP vs CONSENSUS	-9.7%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	18,456	16,444	17,677	19,180
Net profit	2,317	1,823	2,152	2,583
EPS (THB)	1.96	1.54	1.82	2.19
vs Consensus (%)	-	(11.3)	(14.1)	(14.5)
EBITDA	3,622	3,210	3,663	4,203
Core net profit	2,281	1,823	2,152	2,583
Core EPS (THB)	1.93	1.54	1.82	2.19
Chg. In EPS est. (%)	-	(23.3)	(25.4)	(21.5)
EPS growth (%)	1.7	(20.1)	18.1	20.0
Core P/E (x)	19.3	24.2	20.5	17.0
Dividend yield (%)	4.3	3.1	3.7	4.4
EV/EBITDA (x)	12.9	14.2	12.5	10.9
Price/book (x)	3.3	3.2	3.1	2.9
Net debt/Equity (%)	19.9	10.2	11.8	12.4
ROE (%)	17.0	13.4	15.3	17.6

กำไรปกติ 1Q23 ต่ำสุดในรอบ 10 ไตรมาส

KCE รายงานกำไรสุทธิ 1Q23 ที่ 345 ลบ. (-31% q-q, -41% y-y) เมื่อหักกำไรจากอัตราแลกเปลี่ยน 31 ลบ. กำไรปกติอยู่ที่ 314 ลบ. (-38% q-q, -44% y-y) ต่ำสุดในรอบ 10 ไตรมาส รายได้ในรูปเงินเหรียญสหรัฐ ลดลง 7% q-q และ 13.4% y-y จากการลดลงของรายได้ที่ไม่เกี่ยวข้องกับ PCB และราคาขาย HDI (-2.3% q-q, -8.3% y-y) เราผิดหวังกับอัตรากำไรขั้นต้นที่ลดลงจากต้นทุนต่อหน่วยที่สูงจากวัตถุดิบที่ซื้อมาในช่วงเงินบาทอ่อนค่า นอกจากนั้นแล้วต้นทุนค่าโสหุ้ยยังเพิ่มขึ้นด้วย ส่วนมากจากต้นทุนค่าสาธารณูปโภคที่สูงขึ้น โดยอัตราการใช้กำลังการผลิตจริงใน 1Q23 ลดลงมาอยู่ที่ 79% (เทียบกับ 90-95% ใน 1Q22) จากอุปสงค์ในตลาดที่ชะลอตัวลง

ผู้บริหารส่งสัญญาณความต้องการชะลอตัว

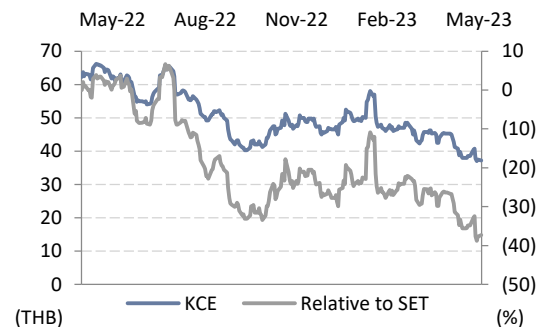
เรามีมุมมองเชิงลบจากที่ประชุมนักวิเคราะห์เมื่อวันที่ 10 พ.ค. 2023 ผู้บริหารระบุว่าลูกค้ากำลังชะลอคำสั่งซื้อ ในขณะที่ตลาดโดยรวมไม่สดใสจากสภาวะเศรษฐกิจโลกถดถอย ผู้บริหารจะปรับลดประมาณการรายได้ปี 2023 ของบริษัท (จาก +4-6% y-y) เราคาดว่ารายได้ 2Q23 จะทรงตัว q-q แต่ลดลง 15% y-y ซึ่งน่าจะทำให้ได้อัตราการใช้กำลังการผลิตที่ต่ำใกล้เคียงกับใน 1Q23 ในขณะที่ต้นทุนค่ากำไรปกติ 2Q23 ที่ 390 ลบ. (+13% q-q, -32% y-y)

ปรับลดประมาณการกำไรปกติปี 2023; คาดว่ากำไรจะลดลงแรงถึง 21% y-y

ถ้าผลประกอบการ 2Q23 ออกมาตามคาด รายได้ของ KCE ในช่วง 1H23 จะลดลง 12.5% y-y ในขณะที่กำไรปกติอยู่ที่ 705 ลบ. (-39% y-y) เพราะฉะนั้นเราจึงปรับลดประมาณการกำไรปกติปี 2023 ของเราลง 23% มาอยู่ที่ 1.8 พัน ลบ. (-21% y-y) ซึ่งน่าจะสะท้อนการฟื้นตัวของรายได้ที่ช้ากว่าคาดและต้นทุนการผลิตที่สูงเกินคาด นอกจากนี้แล้วบริษัท ยังเลื่อนแผนดำเนินงานเชิงพาณิชย์ของโรงงานแห่งที่ 3 ไปอยู่ในช่วง 4Q24-1H25 จาก 3Q24 เนื่องจากผู้บริหารต้องการเห็นคำสั่งซื้อที่ดีก่อน

ปรับลดค่า P/E เป้าหมายและราคาเป้าหมายเป็น 35.5 บาท

เราปรับลดราคาเป้าหมายเป็น 35.5 จาก 50 บาทโดยมีสมมติฐานจากค่า P/E เป้าหมายใหม่ที่ 23x ของค่า 2023E P/E (-0.5 SD) โดยปรับลดลงจาก 25x ในระยะสั้นเรามีมุมมองเชิงลบต่อแนวโน้มกำไรที่ตกต่ำของบริษัท ในช่วงที่เหลือของปีนี้ ในขณะที่เราคาดว่ากำไรปกติปี 2024 จะกลับมาโต 18% y-y จากการฟื้นตัวของเศรษฐกิจโลก เราคงแนะนำถือ



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(17.7)	(20.3)	(39.7)
Relative to country (%)	(14.9)	(14.3)	(38.0)
Mkt cap (USD m)	1,304		
3m avg. daily turnover (USD m)	13.2		
Free float (%)	0		
Major shareholder	Ongkosit Group (33%)		
12m high/low (THB)	66.75/35.75		
Issued shares (m)	1,181.97		

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 16 พฤษภาคม 2023

Investment thesis

In the short term, we have a negative view on KCE's 2Q23 net profit, expecting a drop y-y due to a lower purchase order volume. On a full-year basis, we revise down our 2023E net profit by 23% to THB1.8b (-21% y-y).

However, we think KCE's mid-to-long-term prospects remain bullish, in line with EV growth in the future. The company has a plan to expand its production capacity by 1 million sq ft/month (+27% from current capacity). The plant construction and installation of machinery should be completed within 18-20 months, with operations expected to start in 2H24. We believe this new factory will support the company's growth in 2025 onward.

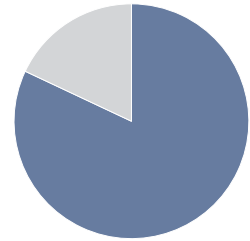
Company profile

KCE produces and distributes printed circuit boards (PCB). Its key customer base comes from manufacturers of automotive electronic equipment, which accounted for 70% of total revenue in 2022. In particular, KCE is a supplier to the fast-growing electric vehicle (EV) market. Its crucial export markets include Europe (48.5% of total revenue in 2022), followed by the US (23.9%), China (13.2%), and Asia (5.9%), with Thailand representing 8.5%.

www.kcethai.in.th

Principal activities (revenue, 2022)

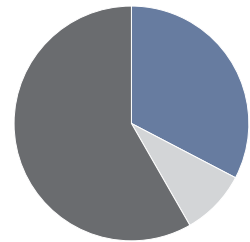
■ PCB - 82.0 % ■ Non PCB - 18.0 %



Source: KCE Electronics

Major shareholders

■ Ongkosit Group - 32.7 %
 ■ Thai NVDR - 9.1 %
 ■ Others - 58.3 %



Source: KCE Electronics

Catalysts

Potential catalysts for KCE's earnings growth in 2023 are 1) a stronger global economy and the recovery of the automotive industry; 2) a decline in raw material costs; and 3) a faster-than-expected capacity expansion.

Risks to our call

Downside and upside risks to our P/E-based TP include 1) a slower or faster-than-expected automotive recovery; 2) a potential rise or fall in raw material costs; and 3) a stronger or weaker-than-expected THB against USD.

Event calendar

Date	Event
August 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Sales volume (sq.ft. m)	29.9	32.3	35.4
ASP (USD per sq.ft.)	13.6	13.8	14.1
Special PCB sales (USD m)	124	136	150
Total revenue (USD m)	498	536	581
FX rate (USD/THB)	33.0	33.0	33.0
Gross margin (%)	22.0	23.0	24.0

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in USD revenue, we estimate 2023 net profit to rise by 0.9%, and vice versa, all else being equal.
- For every THB1/USD increase, we estimate 2023 net profit to fall by 6.5%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2023 net profit to rise by 3.4%, and vice versa, all else being equal.
- For every 0.2% increase in SG&A to sales, we estimate 2023 net profit to fall by 1.8%, and vice versa, all else being equal.

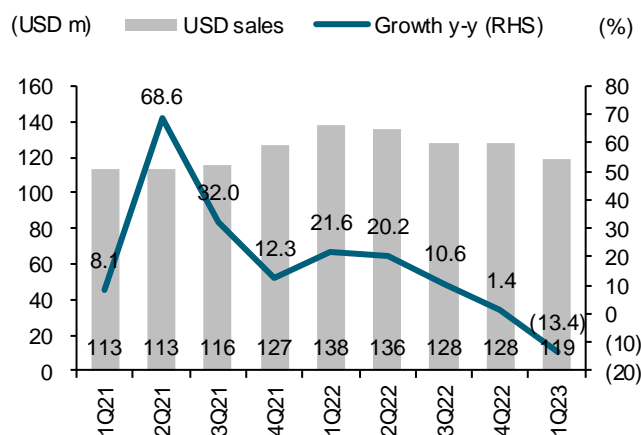
Source: FSSIA estimates

Exhibit 1: 1Q23 earnings results

	1Q22	2Q22	3Q22	4Q22	1Q23	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales	4,533	4,667	4,634	4,622	4,025	(12.9)	(11.2)
Cost of sales	3,498	3,603	3,509	3,645	3,236	(11.2)	(7.5)
Gross profit	1,035	1,064	1,125	978	789	(19.3)	(23.7)
SG&A	479	450	523	467	480	3.0	0.3
Operating profit	556	614	602	511	309	(39.6)	(44.5)
Interest expense	12	17	19	24	24	(2.2)	99.4
Tax expense	35	54	22	32	25	(22.1)	(28.4)
Other gain (Loss)	32	(30)	41	(7)	31	nm	(2.5)
Reported net profit	590	572	655	500	345	(30.9)	(41.4)
Core profit	558	602	637	507	314	(38.1)	(43.7)
Key ratios (%)						(ppt)	(ppt)
Gross margin	22.8	22.8	24.3	21.1	19.6	(1.5)	(3.2)
SG&A / Sales	10.6	9.6	11.3	10.1	11.9	1.8	1.4
Operating margin	12.3	13.2	13.0	11.1	7.7	(3.4)	(4.6)
Net margin	13.0	12.3	14.1	10.8	8.6	(2.2)	(4.4)
Core margin	12.3	12.9	13.7	11.0	7.8	(3.2)	(4.5)
Operating statistics (USD m)							
PCB sales	113	113	111	98	103	4.9	(9.0)
Non-PCB sales	25	23	17	30	16	(45.5)	(33.4)
Total sales	138	136	128	128	119	(6.9)	(13.4)
Europe sales	53	51	59	48	52	7.3	(3.3)
USA sales	26	29	26	23	24	2.2	(9.3)
Asia sales	7	7	6	6	5	(4.7)	(17.0)
China sales	14	16	14	13	12	(4.1)	(12.8)
Thailand sales	13	10	6	8	10	20.3	(23.9)
02-layer sales	12	11	9	9	9	4.3	(23.8)
04-layer sales	48	47	42	37	37	(0.3)	(23.7)
06-layer sales	27	28	30	24	26	8.1	(5.5)
Special (HDI) sales	26	28	29	29	32	9.2	21.3

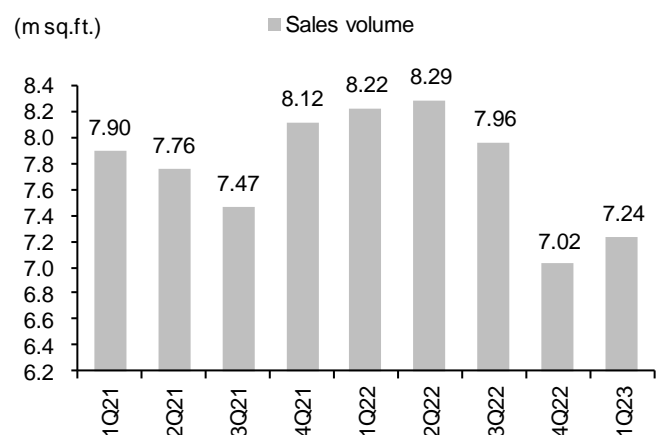
Source: KCE

Exhibit 2: Quarterly USD revenue and growth



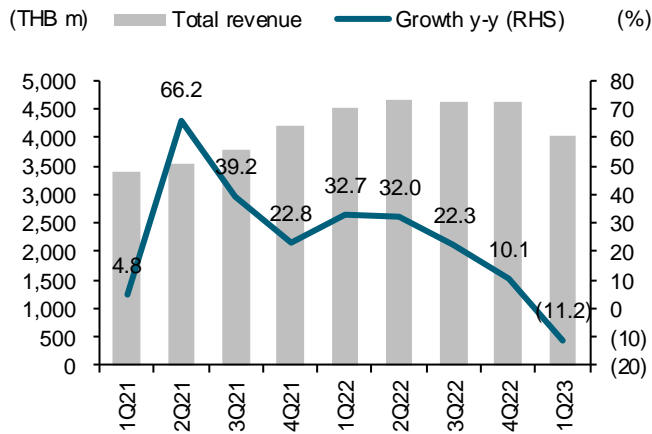
Sources: KCE; FSSIA's compilation

Exhibit 3: Quarterly sales volume



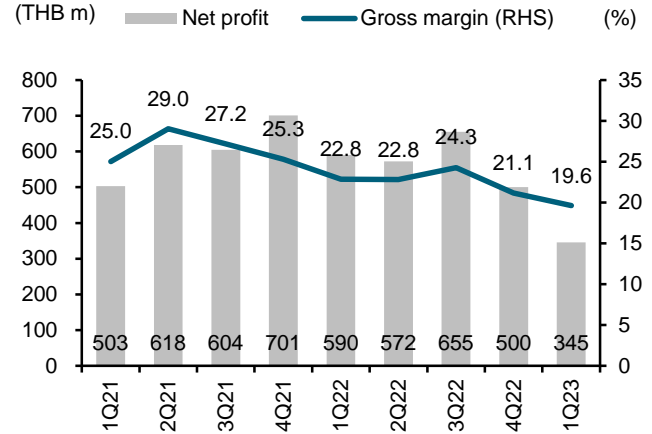
Sources: KCE; FSSIA's compilation

Exhibit 4: Quarterly THB revenue and growth



Sources: KCE; FSSIA's compilation

Exhibit 5: Quarterly net profit and gross margin



Sources: KCE; FSSIA's compilation

Exhibit 6: Key assumptions for KCE

	Current			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Total sales value (THB m)	16,444	17,677	19,180	18,368	20,205	22,629	(10.5)	(12.5)	(15.2)
Costs	12,826	13,611	14,576	14,088	15,154	16,926	(9.0)	(10.2)	(13.9)
Gross profit	3,618	4,066	4,603	4,280	5,051	5,703	(15.5)	(19.5)	(19.3)
SG&A expense	1,842	1,909	2,014	1,929	2,121	2,376	(4.5)	(10.0)	(15.2)
Interest expense	90	93	89	71	122	117	26.1	(24.1)	(24.2)
Reported net profit	1,823	2,152	2,583	2,378	2,883	3,290	(23.3)	(25.4)	(21.5)
Core profit	1,823	2,152	2,583	2,378	2,883	3,290	(23.3)	(25.4)	(21.5)
Key ratios (%)									
Total revenue growth	(10.9)	7.5	8.5	(0.5)	10.0	12.0	(10.4)	(2.5)	(3.5)
Net profit growth	(21.3)	18.1	20.0	2.6	21.2	14.1	(23.9)	(3.1)	5.9
Core profit growth	(20.1)	18.1	20.0	4.2	21.2	14.1	(24.3)	(3.1)	5.9
Gross margin	22.0	23.0	24.0	23.3	25.0	25.2	(1.3)	(2.0)	(1.2)
SG&A to sales	11.2	10.8	10.5	10.5	10.5	10.5	0.7	0.3	0.0
Net margin	11.1	12.2	13.5	12.9	14.3	14.5	(1.8)	(2.1)	(1.0)
Norm margin	11.1	12.2	13.5	12.9	14.3	14.5	(1.8)	(2.1)	(1.0)
Operating statistics (THB m)									
Sales volume (m sq.ft.)	29.9	32.3	35.4	33.7	36.3	39.9	(11.2)	(11.1)	(11.2)
ASP (USD per sq.ft.)	13.6	13.8	14.1	13.6	13.8	14.1	(0.4)	0.2	(0.0)
Total revenue (USD m)	498	536	581	557	612	686	(10.5)	(12.5)	(15.3)
FX rate (THB/USD)	33.0	33.0	33.0	33.0	33.0	33.0	0.0	0.0	0.0

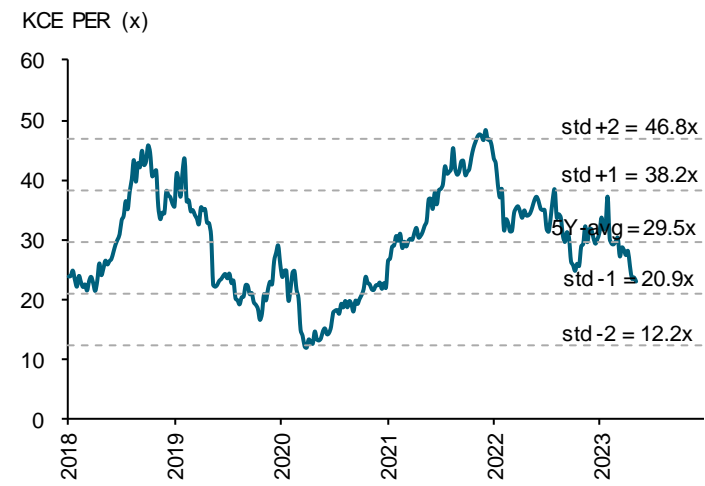
Source: FSSIA estimates

Exhibit 7: Peers comparison

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
Thailand														
KCE Electronics	KCE TB	HOLD	37.25	35.50	(5)	1,304	24.2	20.5	13.4	15.3	3.2	3.1	14.2	12.5
Hana Microelectronics	HANA TB	HOLD	40.00	60.00	50	953	13.3	12.3	9.9	10.2	1.3	1.2	6.9	6.5
Delta Electronics (Thailand)	DELTA TB	REDUCE	81.75	560.00	585	30,193	5.8	5.4	29.5	26.9	1.6	1.3	4.2	3.7
SVI	SVI TB	n/a	7.75	n/a	n/a	494	11.8	10.4	20.4	20.0	2.3	2.0	10.8	9.8
Cal-Comp Electronics	CCET TB	n/a	2.06	n/a	n/a	357	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Stars Microelectronics	SMT TB	n/a	4.14	n/a	n/a	103	12.9	11.5	15.4	16.1	2.0	1.8	6.0	5.9
Thailand average						33,404	13.6	12.0	17.7	17.7	2.1	1.9	8.4	7.7
Regional														
Chin-Poon industrial	2355 TT	n/a	30.00	n/a	n/a	387	22.6	16.1	3.4	4.6	0.7	0.7	4.4	3.9
Zhen Ding Technology	4958 TT	n/a	105.00	n/a	n/a	3,227	9.1	7.5	10.2	11.9	1.0	0.9	3.8	3.2
Gigabyte Technology	2376 TT	n/a	135.50	n/a	n/a	2,795	13.1	10.5	17.8	19.5	2.2	2.0	8.8	6.8
Unimicron Technology	3037 TT	n/a	156.00	n/a	n/a	7,714	14.3	10.1	19.1	22.8	2.6	2.2	6.6	4.6
Nan Va Printed Circuit Board	8046 TT	n/a	281.00	n/a	n/a	5,892	15.9	11.3	22.0	26.8	3.3	2.9	8.3	6.1
Kingboard Holdings	148 HK	n/a	23.55	n/a	n/a	3,331	4.1	3.6	10.1	10.7	0.4	0.4	4.0	3.4
Avary Holding Shenzhen	002938 CH	n/a	22.94	n/a	n/a	7,660	10.4	9.2	16.7	16.8	1.7	1.5	5.6	5.0
Suzhou Dongshan Precision	002384 CH	n/a	24.46	n/a	n/a	6,016	13.9	11.3	16.4	17.0	2.2	1.9	9.0	7.7
Shengyi Technology	600183 CH	n/a	14.82	n/a	n/a	4,984	15.7	13.1	14.1	15.6	2.3	2.0	10.7	9.3
Shennan Circuits	002916 CH	n/a	73.07	n/a	n/a	5,391	19.3	16.4	15.5	16.4	2.9	2.5	11.9	10.1
Shenzhen Kinwong Electronics	603228 CH	n/a	21.95	n/a	n/a	2,675	14.3	11.7	14.4	15.4	2.1	1.8	n/a	n/a
TTM Technologies	TTMI US	n/a	12.11	n/a	n/a	1,291	13.7	9.8	8.5	11.7	0.9	0.9	7.3	5.9
Regional average						51,362	13.9	10.9	14.0	15.8	1.9	1.6	7.3	6.0
Overall average						84,766	13.8	11.2	15.1	16.3	1.9	1.7	7.7	6.5

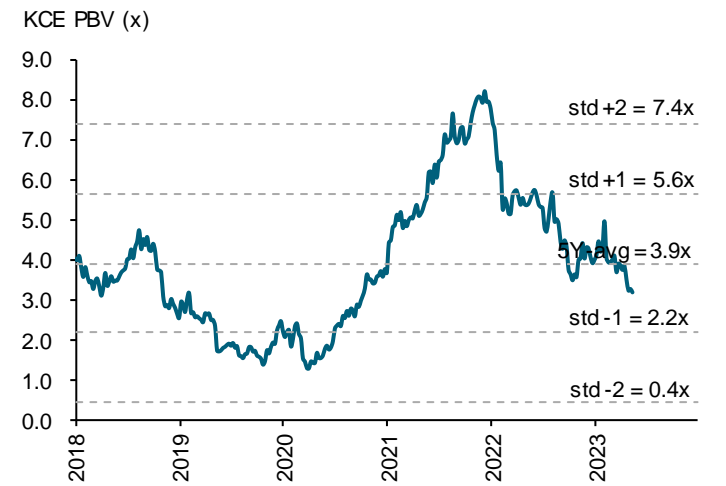
Sources: Bloomberg, FSSIA's compilation

Exhibit 8: Historical P/E band



Sources: Bloomberg, FSSIA's compilation

Exhibit 9: Historical P/BV band



Sources: Bloomberg, FSSIA's compilation

Financial Statements

KCE Electronics

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	14,938	18,456	16,444	17,677	19,180
Cost of goods sold	(9,925)	(13,140)	(11,622)	(12,317)	(13,192)
Gross profit	5,012	5,316	4,822	5,360	5,987
Other operating income	202	224	230	212	230
Operating costs	(1,656)	(1,919)	(1,842)	(1,909)	(2,014)
Operating EBITDA	3,559	3,622	3,210	3,663	4,203
Depreciation	(1,040)	(1,114)	(1,204)	(1,294)	(1,384)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	2,519	2,508	2,006	2,369	2,819
Net financing costs	(44)	(72)	(90)	(93)	(89)
Associates	17	19	21	21	23
Recurring non-operating income	17	19	21	21	23
Non-recurring items	190	36	0	0	0
Profit before tax	2,683	2,490	1,937	2,297	2,754
Tax	(221)	(144)	(96)	(114)	(137)
Profit after tax	2,461	2,347	1,841	2,184	2,617
Minority interests	(35)	(29)	(19)	(32)	(35)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	2,426	2,317	1,823	2,152	2,583
Non-recurring items & goodwill (net)	(190)	(36)	0	0	0
Recurring net profit	2,237	2,281	1,823	2,152	2,583
Per share (THB)					
Recurring EPS *	1.90	1.93	1.54	1.82	2.19
Reported EPS	2.06	1.96	1.54	1.82	2.19
DPS	1.60	1.60	1.16	1.37	1.64
Diluted shares (used to calculate per share data)	1,178	1,182	1,182	1,182	1,182
Growth					
Revenue (%)	29.6	23.6	(10.9)	7.5	8.5
Operating EBITDA (%)	60.0	1.8	(11.4)	14.1	14.8
Operating EBIT (%)	115.5	(0.5)	(20.0)	18.1	19.0
Recurring EPS (%)	118.7	1.7	(20.1)	18.1	20.0
Reported EPS (%)	114.4	(4.8)	(21.3)	18.0	20.0
Operating performance					
Gross margin inc. depreciation (%)	26.6	22.8	22.0	23.0	24.0
Gross margin of key business (%)	26.6	22.8	22.0	23.0	24.0
Operating EBITDA margin (%)	23.8	19.6	19.5	20.7	21.9
Operating EBIT margin (%)	16.9	13.6	12.2	13.4	14.7
Net margin (%)	15.0	12.4	11.1	12.2	13.5
Effective tax rate (%)	8.3	5.8	4.9	5.0	5.0
Dividend payout on recurring profit (%)	84.3	82.9	75.0	75.0	75.0
Interest cover (X)	58.0	35.0	22.6	25.8	32.1
Inventory days	136.7	135.4	143.3	128.8	128.2
Debtor days	92.5	91.9	99.4	86.9	86.5
Creditor days	123.3	104.1	100.7	96.6	96.1
Operating ROIC (%)	15.6	13.4	10.7	12.6	14.2
ROIC (%)	14.5	12.6	10.1	11.9	13.5
ROE (%)	17.6	17.0	13.4	15.3	17.6
ROA (%)	11.7	11.0	9.2	10.7	12.2
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
PCB	12,846	15,134	13,626	14,648	15,820
Non PCB	2,092	3,323	2,818	3,029	3,360

Sources: KCE Electronics; FSSIA estimates

Financial Statements

KCE Electronics

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	2,237	2,281	1,823	2,152	2,583
Depreciation	1,040	1,114	1,204	1,294	1,384
Associates & minorities	-	-	-	-	-
Other non-cash items	(17)	(19)	(21)	(21)	(23)
Change in working capital	(1,769)	(1,186)	1,222	(353)	(413)
Cash flow from operations	1,490	2,191	4,228	3,071	3,531
Capex - maintenance	-	-	-	-	-
Capex - new investment	(1,932)	(993)	(1,800)	(1,800)	(1,800)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(72)	121	40	(9)	(11)
Cash flow from investing	(2,005)	(872)	(1,760)	(1,809)	(1,811)
Dividends paid	(1,181)	(2,322)	(1,367)	(1,614)	(1,937)
Equity finance	98	10	0	0	0
Debt finance	1,184	173	(414)	105	38
Other financing cash flows	36	(2)	(32)	(1)	(1)
Cash flow from financing	137	(2,141)	(1,813)	(1,510)	(1,900)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(377)	(821)	655	(248)	(180)
Free cash flow to firm (FCFF)	(470.45)	1,391.42	2,557.25	1,355.04	1,808.85
Free cash flow to equity (FCFE)	705.95	1,490.66	2,022.25	1,365.99	1,756.79

Per share (THB)

FCFF per share	(0.40)	1.18	2.16	1.15	1.53
FCFE per share	0.60	1.26	1.71	1.16	1.49
Recurring cash flow per share	2.77	2.86	2.54	2.90	3.34

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	17,020	16,777	18,577	20,377	22,177
Less: Accumulated depreciation	(8,020)	(7,899)	(9,103)	(10,397)	(11,781)
Tangible fixed assets (net)	8,999	8,878	9,474	9,980	10,396
Intangible fixed assets (net)	365	323	307	307	307
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	590	575	575	575	575
Cash & equivalents	1,966	1,145	1,800	1,552	1,372
A/C receivable	4,394	4,900	4,055	4,359	4,729
Inventories	4,841	4,908	4,217	4,475	4,792
Other current assets	592	127	115	106	115
Current assets	11,794	11,079	10,186	10,492	11,008
Other assets	203	138	115	124	134
Total assets	21,951	20,993	20,657	21,477	22,420
Common equity	13,380	13,389	13,815	14,353	14,998
Minorities etc.	62	56	55	54	53
Total shareholders' equity	13,442	13,445	13,869	14,406	15,051
Long term debt	1,126	910	858	819	905
Other long-term liabilities	435	395	329	371	403
Long-term liabilities	1,561	1,305	1,187	1,190	1,308
A/C payable	4,246	3,249	3,163	3,356	3,594
Short term debt	2,543	2,915	2,356	2,436	2,333
Other current liabilities	159	80	82	88	134
Current liabilities	6,948	6,244	5,601	5,881	6,061
Total liabilities and shareholders' equity	21,951	20,993	20,657	21,477	22,420
Net working capital	5,423	6,606	5,142	5,495	5,908
Invested capital	15,580	16,520	15,612	16,481	17,320

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	11.36	11.33	11.69	12.14	12.69
Tangible book value per share	11.05	11.06	11.43	11.88	12.43

Financial strength

Net debt/equity (%)	12.7	19.9	10.2	11.8	12.4
Net debt/total assets (%)	7.8	12.8	6.8	7.9	8.3
Current ratio (x)	1.7	1.8	1.8	1.8	1.8
CF interest cover (x)	61.4	35.5	43.7	35.2	41.1

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	19.6	19.3	24.2	20.5	17.0
Recurring P/E @ target price (x) *	18.7	18.4	23.0	19.5	16.2
Reported P/E (x)	18.1	19.0	24.1	20.5	17.0
Dividend yield (%)	4.3	4.3	3.1	3.7	4.4
Price/book (x)	3.3	3.3	3.2	3.1	2.9
Price/tangible book (x)	3.4	3.4	3.3	3.1	3.0
EV/EBITDA (x) **	12.8	12.9	14.2	12.5	10.9
EV/EBITDA @ target price (x) **	12.2	12.3	13.5	11.9	10.4
EV/invested capital (x)	2.9	2.8	2.9	2.8	2.7

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: KCE Electronics; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) "**Sustainability Investment List (THSI)**" by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >15% by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

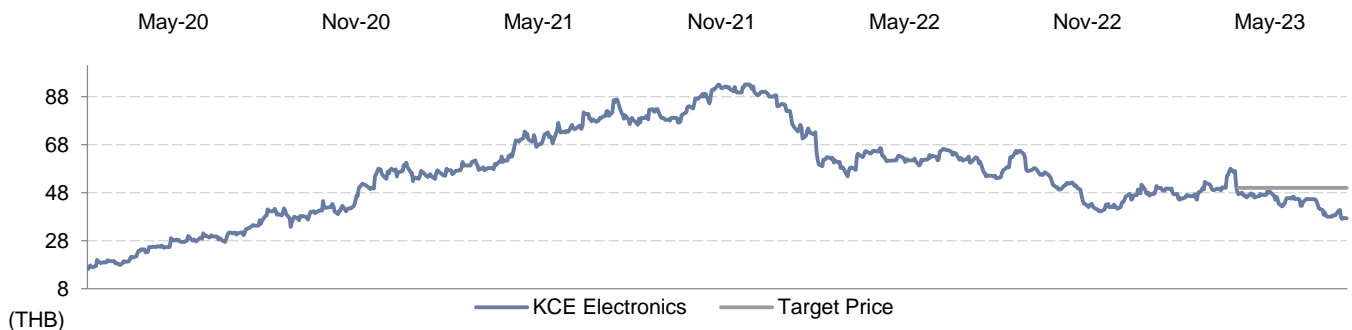
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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History of change in investment rating and/or target price

KCE Electronics (KCE TB)



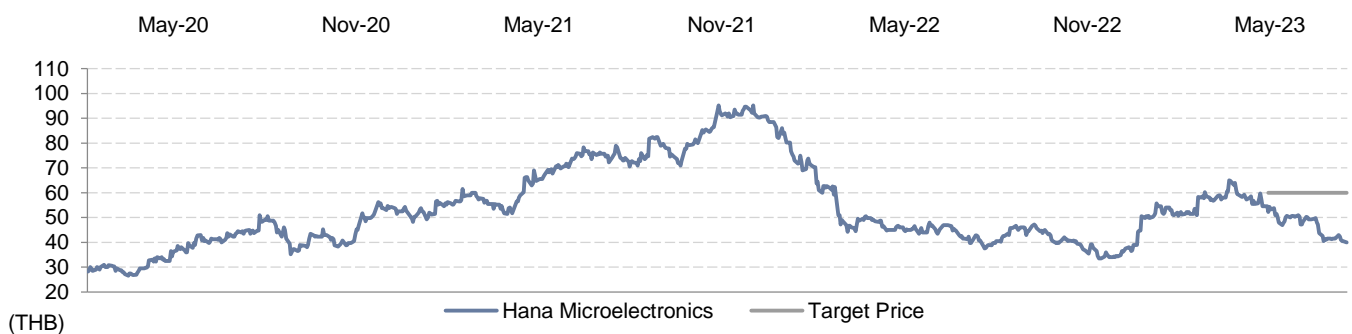
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Feb-2023	HOLD	50.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 09-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Hana Microelectronics (HANA TB)



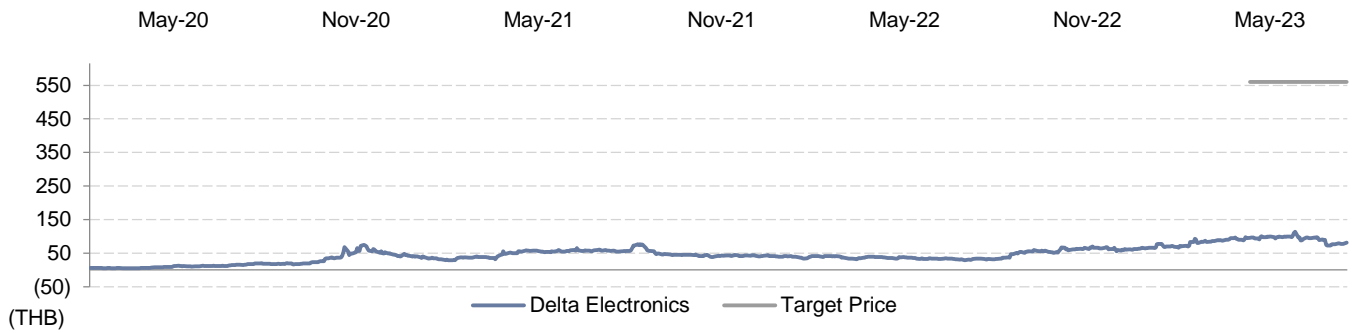
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
07-Mar-2023	HOLD	60.00	-	-	-	-	-	-

Sureeporn Teewasuwet covering this stock from 07-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Delta Electronics (DELTA TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
17-Feb-2023	REDUCE	560.00	-	-	-	-	-	-

Sureporn Teewasuwet started covering this stock from 17-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
KCE Electronics	KCE TB	THB 37.25	HOLD	Downside and upside risks to our P/E-based TP include 1) a slower or faster-than-expected automotive recovery; 2) a potential rise or fall in raw material costs; and 3) a stronger or weaker-than-expected THB against USD.
Hana Microelectronics	HANA TB	THB 40.00	HOLD	Downside and upside risks to our P/E-based TP include 1) a slower or faster-than-expected consumption recovery; 2) a potential rise or fall in raw material costs; and 3) a stronger or weaker-than-expected THB against USD.
Delta Electronics	DELTA TB	THB 81.75	REDUCE	Upside risks to our P/E-based TP include 1) higher-than-expected global EV car sales; 2) lower-than-expected raw material costs; and 3) a weaker-than-expected THB against USD.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 15-May-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.