

KCE ELECTRONICS KCE TB

THAILAND / ELECTRONIC COMPONENT

FSSIA ESG rating



HOLD

FROM BUY

TARGET PRICE	THB60.00
CLOSE	THB55.50
UP/DOWNSIDE	+8.1%
PRIOR TP	THB52.00
CHANGE IN TP	+15.4%
TP vs CONSENSUS	+13.8%

Restocking starts while costs decrease

- We expect 3Q23 profit to recover q-q due to customers' restocking and a higher utilization rate.
- 4Q23 profit would climb to the peak of this year, breaking its seasonal pattern. However, it should grow y-y, the first in five quarters.
- We raise our profit estimate and TP. However, KCE rallied quickly. Hence, we recommend BUY on weakness.

Expect 3Q23 profit to recover strongly q-q but decrease y-y due to its high base last year

We expect 3Q23 profit at THB489m (+30% q-q, -25.3% y-y). It should recover q-q due to customers' restocking and a high season. However, it should decrease y-y due to a high base last year before customers' destocking. In particular, USD revenue should increase 10% q-q and fall 2.2% y-y. Also, the utilization rate would rise to 83% from 79% in 2Q23 while material prices decreased. They should support a gross margin recovery to 22% from 19.1% in 2Q23. However, it would remain below 3Q22 at 24.3% due to a lower utilization rate and higher production costs than last year.

4Q23 profit should rise to the peak of this year, breaking its seasonal pattern

If 3Q23 is in line, the 9M23 net profit will equal THB1.21b (-33.3% y-y). We anticipate 9M23 revenue growth and gross margin at -12% y-y and 20.3%, respectively. In 4Q23, the profit looks likely to recover better than our previous estimate. We expect revenue to grow q-q, breaking its seasonal pattern since purchase orders only resumed in 3Q23. Also, we anticipate positive impacts from Baht weakness, full-quarter lower electricity bills, and extended decreases in raw material costs, which would raise its production efficiency. Initially, we expect 4Q23 profit to hit the highest point of this year at THB618m (+26% q-q, +24% y-y).

Increase our profit estimate under conservative assumptions

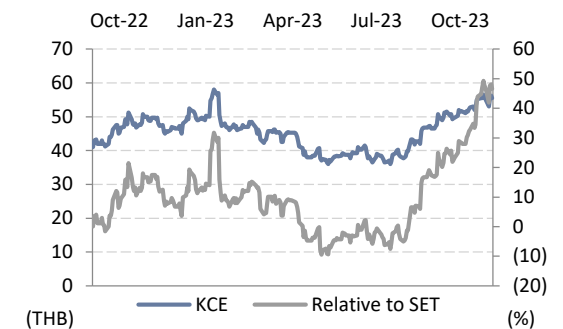
Management remains confident about its 2024 gross margin target of 26-27% due to improved production efficiency, decreased raw material costs, and lower electricity bills. In this regard, the gross margin recovery should increase in 1H24 and 2H24. We retain our conservative 2024E revenue growth of c5-10% y-y while maintaining our cautious view of the global economy and the persistently high-interest rate environment. Since 4Q23 recovery is likely to be better than expected and we have a more positive stance about the gross margin, we raise our 2023-25E profit by c5.2%/6.9%/7%, respectively. Although the profit would drop by 19% y-y in 2023, it should grow by 40% y-y in 2024, assuming the gross margin at 25.5%, lower than management's target.

Recommend HOLD/BUY on weakness after quick rallies

We increase our 2024 TP to THB60 from THB52 after re-rating our PE target to 27x (still below its five-year historical average of 29x) from 25x (-0.5 SD), which implies a PEG of 1x. Although we have a more bullish view of the short- and mid-term growth outlook, the stock rallied rapidly. Since our new TP has an upside of just 8.1%, we recommend HOLD or BUY on weakness.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	18,456	16,825	17,703	19,297
Net profit	2,317	1,873	2,620	3,012
EPS (THB)	1.96	1.58	2.22	2.55
vs Consensus (%)	-	5.3	8.2	11.1
EBITDA	3,622	3,189	4,144	4,645
Recurring net profit	2,281	1,786	2,620	3,012
Core EPS (THB)	1.93	1.51	2.22	2.55
Chg. In EPS est. (%)	-	5.2	6.9	7.0
EPS growth (%)	1.7	(21.7)	46.7	15.0
Core P/E (x)	28.8	36.7	25.0	21.8
Dividend yield (%)	2.9	2.2	3.0	3.4
EV/EBITDA (x)	18.9	21.1	16.2	14.5
Price/book (x)	4.9	4.7	4.5	4.3
Net debt/Equity (%)	19.9	11.1	10.8	10.8
ROE (%)	17.0	13.1	18.5	20.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	6.7	54.2	37.9
Relative to country (%)	13.7	58.5	48.3
Mkt cap (USD m)			1,813
3m avg. daily turnover (USD m)			17.0
Free float (%)			0
Major shareholder		Ongkosit Group (33%)	
12m high/low (THB)			58.50/35.50
Issued shares (m)			1,181.97

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

We have a bullish view of the 2H23-2024 recovery outlook. Although the global economy remains volatile and interest rates remain high, destocking nearly ends. Also, some customers have resumed restocking. Meanwhile, upstream-to-downstream operators start to be more cautious. Hence, there should be no oversupply or overbooking problems in the future. Since chemical-related raw material prices decreased, it should help support 3Q23-4Q23 revenue and gross margin recoveries.

The new factory at Rojana should start operating from 2025 onwards. It would result in a significantly higher HDI capacity, in line with the target to raise its revenue contribution from HDI to 30-40% in the next three years from 26% at the end of 2022.

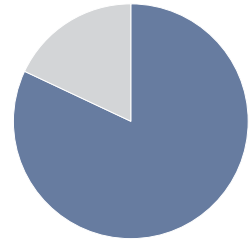
Company profile

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)

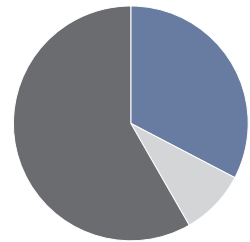
■ PCB - 82.0 % ■ Non PCB - 18.0 %



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) sooner- or later-than-expected global economic and car sales recoveries; 2) higher- or lower-than-expected increase or decrease in raw material costs; 3) a stronger or weaker-than-expected increase or decrease in THB; and 4) a minimum wage increase or a labor shortage.

Event calendar

Date	Event
November 2023	3Q23 results announcement 3Q23 analyst meeting

Key assumptions

	2023E	2024E	2025E
Sales volume (sq.ft.mn)	29.7	31.4	33.9
ASP (USD per sq.ft.)	13.5	13.7	14.0
Special PCB sales (USD m)	124	136	150
Total revenue (USD m)	488	536	585
FX rate (USD/THB)	33.0	33.0	33.0
Gross margin (%)	21.3	25.5	26.0

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: 3Q23 earnings preview

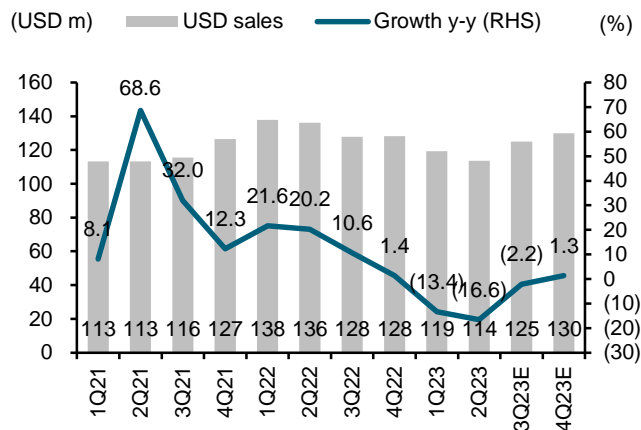
	3Q22	4Q22	1Q23	2Q23	3Q23E	----- Change -----		9M22	9M23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	4,634	4,622	4,025	3,898	4,250	9.0	(8.3)	13,834	12,173	(12.0)
Cost of sales	3,509	3,645	3,236	3,152	3,315	5.2	(5.5)	10,610	9,703	(8.5)
Gross profit	1,125	978	789	746	935	25.4	(16.9)	3,224	2,470	(23.4)
SG&A	523	467	480	415	434	4.4	(17.1)	1,452	1,329	(8.5)
Operating profit	602	511	309	330	502	51.8	(16.7)	1,772	1,141	(35.6)
Interest expense	19	24	24	29	29	0.2	49.9	48	81	69.7
Tax expense	22	32	25	24	26	9.1	17.2	111	75	(32.7)
Other gain (Loss)	41	(7)	31	56	0	<i>nm</i>	<i>nm</i>	43	87	101.9
Reported net profit	655	500	345	376	489	30.1	(25.3)	1,817	1,211	(33.3)
Core profit	637	507	314	320	489	52.9	(23.1)	1,796	1,124	(37.4)

Key Ratios (%)					(ppt)		(ppt)			
Gross margin	24.3	21.1	19.6	19.1	22.0	2.9	(2.3)	23.3	20.3	(3.0)
SG&A to Sales	11.3	10.1	11.9	10.7	10.2	(0.5)	(1.1)	10.5	10.9	0.4
Operating margin	13.0	11.1	7.7	8.5	11.8	3.3	(1.2)	12.8	9.4	(3.4)
Net margin	14.1	10.8	8.6	9.7	11.5	1.9	(2.6)	13.1	9.9	(3.2)
Core margin	13.7	11.0	7.8	8.2	11.5	3.3	(2.2)	13.0	9.2	(3.8)

Operating statistics (USD m)										
PCB sales	111	98	103	93	100	7.2	(9.5)	337	296	(12.0)
Non-PCB sales	17	30	16	20	25	23.0	44.9	65	62	(5.3)
Total sales	128	128	119	114	125	10.0	(2.2)	402	358	(10.9)

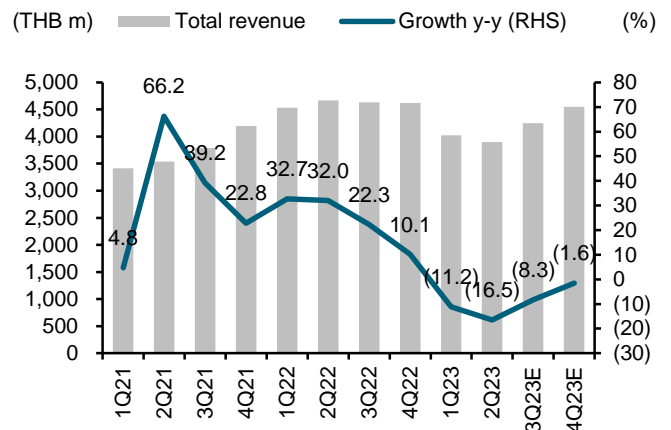
Sources: KCE, FSSIA estimates

Exhibit 2: Quarterly USD sales and growth



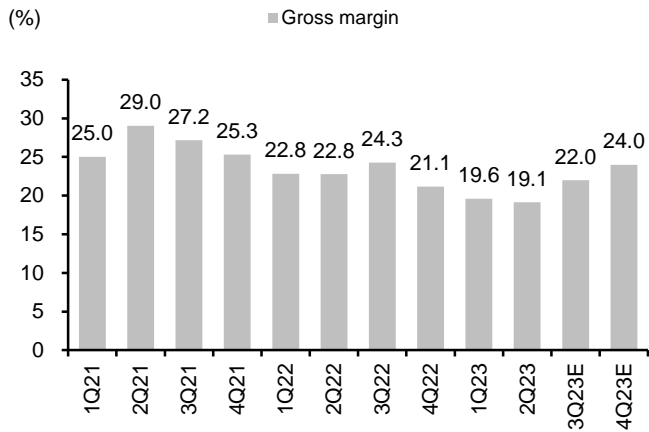
Sources: KCE, FSSIA estimates

Exhibit 3: Quarterly total revenue and growth



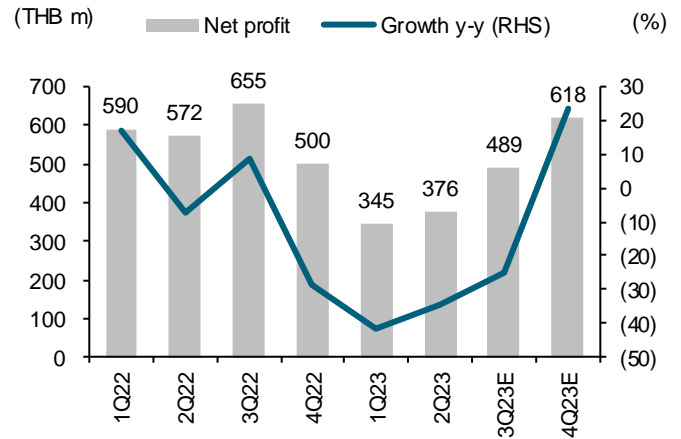
Sources: KCE, FSSIA estimates

Exhibit 4: Quarterly gross margin



Sources: KCE, FSSIA estimates

Exhibit 5: Quarterly net profit and growth



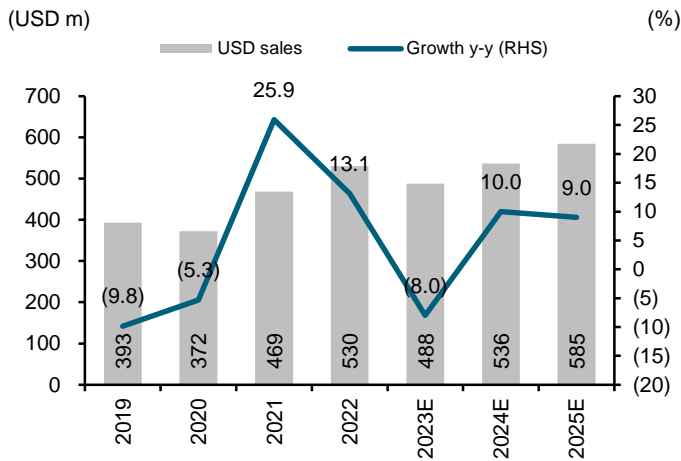
Sources: KCE, FSSIA estimates

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 sale value (THB m)	16,825	17,703	19,297	16,444	17,677	19,180	2.3	0.1	0.6
Costs	13,242	13,189	14,279	12,958	13,346	14,385	2.2	(1.2)	(0.7)
Gross profit	3,584	4,514	5,017	3,486	4,331	4,795	2.8	4.2	4.6
SG&A expense	1,800	1,912	2,026	1,842	1,909	2,014	(2.2)	0.1	0.6
Interest expense	87	90	86	90	93	89	(2.9)	(3.2)	(2.8)
Reported net profit	1,873	2,620	3,012	1,698	2,450	2,814	10.3	6.9	7.0
Core profit	1,786	2,620	3,012	1,698	2,450	2,814	5.2	6.9	7.0
Key ratios (%)									
Total revenue growth	(8.8)	5.2	9.0	(10.9)	7.5	8.5	2.1	(2.3)	0.5
Net profit growth	(19.2)	39.9	15.0	(26.7)	44.3	14.9	7.5	(4.4)	0.1
Core profit growth	(21.7)	46.7	15.0	(25.6)	44.3	14.9	3.9	2.4	0.1
Gross margin	21.3	25.5	26.0	21.2	24.5	25.0	0.1	1.0	1.0
SG&A to sales	10.7	10.8	10.5	11.2	10.8	10.5	(0.5)	0.0	0.0
Net margin	11.1	14.8	15.6	10.3	13.9	14.7	0.8	0.9	0.9
Core margin	10.6	14.8	15.6	10.3	13.9	14.7	0.3	0.9	0.9
Operating statistics (THB m)									
Sales volume (m sq.ft.)	29.7	31.4	33.9	29.9	32.3	35.4	(0.8)	(2.6)	(4.4)
ASP (USD per sq.ft.)	13.5	13.7	14.0	13.6	13.8	14.1	(0.2)	(0.7)	(0.7)
Total revenue (USD m)	487.7	536.5	584.7	498.3	535.7	581	(2.1)	0.1	0.6
FX rate (THB/USD)	34.5	33.0	33.0	33.0	33.0	33.0	4.5	0.0	0.0

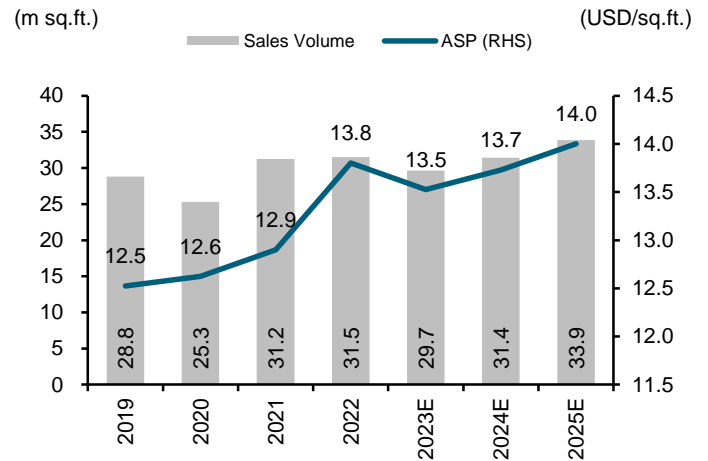
Source: FSSIA estimates

Exhibit 7: Yearly USD sales and growth



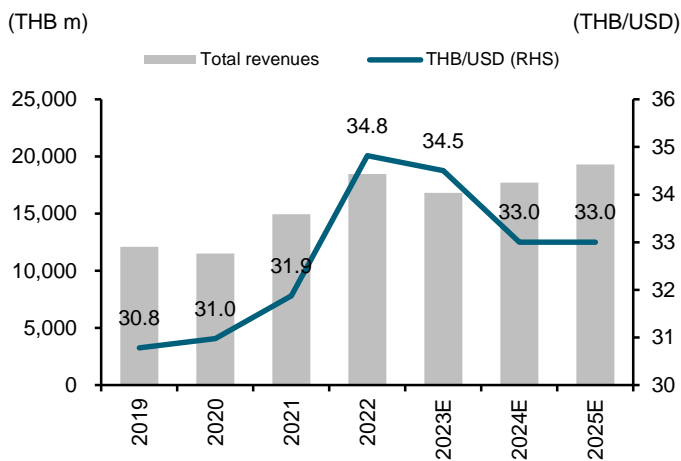
Sources: KCE, FSSIA estimates

Exhibit 8: Yearly sales volume and ASP



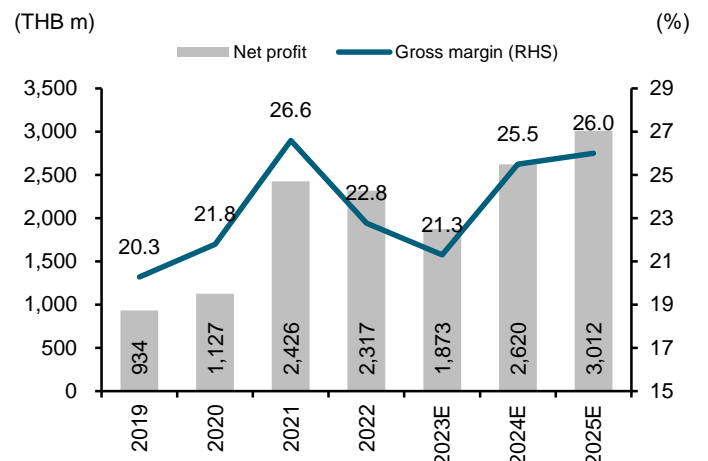
Sources: KCE, FSSIA estimates

Exhibit 9: Yearly total revenue and THB/USD



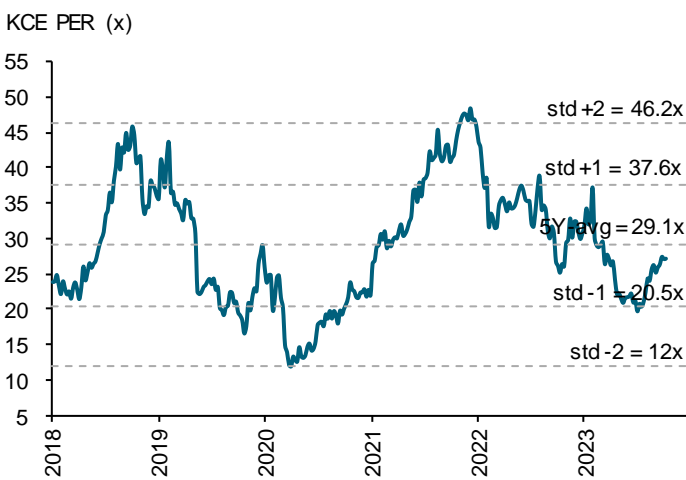
Sources: KCE, FSSIA estimates

Exhibit 10: Yearly net profit and gross margin



Sources: KCE, FSSIA estimates

Exhibit 11: Historical P/E band



Sources: Bloomberg, FSSIA's compilation

Exhibit 12: 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	16,825	17,703	19,297
Cost of goods sold	(10,965)	(14,254)	(13,242)	(13,189)	(14,279)
Gross profit	3,973	4,202	3,584	4,514	5,017
Other operating income	202	224	202	248	270
Operating costs	(1,656)	(1,919)	(1,800)	(1,912)	(2,026)
Operating EBITDA	3,559	3,622	3,189	4,144	4,645
Depreciation	(1,040)	(1,114)	(1,204)	(1,294)	(1,384)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	2,519	2,508	1,985	2,850	3,261
Net financing costs	(44)	(72)	(87)	(90)	(86)
Associates	17	19	14	19	19
Recurring non-operating income	17	19	14	19	19
Non-recurring items	190	36	87	0	0
Profit before tax	2,683	2,490	1,999	2,779	3,194
Tax	(221)	(144)	(104)	(138)	(159)
Profit after tax	2,461	2,347	1,895	2,641	3,035
Minority interests	(35)	(29)	(22)	(21)	(23)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	2,426	2,317	1,873	2,620	3,012
Non-recurring items & goodwill (net)	(190)	(36)	(87)	0	0
Recurring net profit	2,237	2,281	1,786	2,620	3,012
Per share (THB)					
Recurring EPS *	1.90	1.93	1.51	2.22	2.55
Reported EPS	2.06	1.96	1.58	2.22	2.55
DPS	1.60	1.60	1.20	1.66	1.91
Diluted shares (used to calculate per share data)	1,178	1,182	1,182	1,182	1,182
Growth					
Revenue (%)	29.6	23.6	(8.8)	5.2	9.0
Operating EBITDA (%)	60.0	1.8	(11.9)	29.9	12.1
Operating EBIT (%)	115.5	(0.5)	(20.8)	43.6	14.4
Recurring EPS (%)	118.7	1.7	(21.7)	46.7	15.0
Reported EPS (%)	114.4	(4.8)	(19.2)	39.8	15.0
Operating performance					
Gross margin inc. depreciation (%)	26.6	22.8	21.3	25.5	26.0
Gross margin exc. depreciation (%)	33.6	28.8	28.5	32.8	33.2
Operating EBITDA margin (%)	23.8	19.6	19.0	23.4	24.1
Operating EBIT margin (%)	16.9	13.6	11.8	16.1	16.9
Net margin (%)	15.0	12.4	10.6	14.8	15.6
Effective tax rate (%)	8.3	5.8	5.2	5.0	5.0
Dividend payout on recurring profit (%)	84.3	82.9	79.7	75.0	75.0
Interest cover (X)	58.0	35.0	23.0	32.0	38.1
Inventory days	136.7	135.4	140.4	133.3	127.8
Debtor days	92.5	91.9	98.2	87.8	86.3
Creditor days	123.3	104.1	98.8	100.0	95.9
Operating ROIC (%)	15.6	13.4	10.5	15.1	16.4
ROIC (%)	14.5	12.6	9.9	14.3	15.5
ROE (%)	17.6	17.0	13.1	18.5	20.3
ROA (%)	11.7	11.0	8.9	12.7	13.9
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
PCB	12,846	15,134	13,841	14,233	15,656
Non PCB	2,092	3,323	2,984	3,471	3,641

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	1,786	2,620	3,012
Depreciation	1,040	1,114	1,204	1,294	1,384
Associates & minorities	-	-	-	-	-
Other non-cash items	(17)	(19)	(14)	(19)	(19)
Change in working capital	(1,769)	(1,186)	1,333	(196)	(445)
Cash flow from operations	1,490	2,191	4,309	3,699	3,932
Capex - maintenance	-	-	-	-	-
Capex - new investment	(1,932)	(993)	(1,800)	(1,800)	(1,800)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(72)	121	37	(6)	(11)
Cash flow from investing	(2,005)	(872)	(1,763)	(1,806)	(1,811)
Dividends paid	(1,181)	(2,322)	(1,423)	(1,965)	(2,259)
Equity finance	98	10	0	0	0
Debt finance	1,184	173	(326)	95	32
Other financing cash flows	36	(2)	(32)	(1)	(1)
Cash flow from financing	137	(2,141)	(1,781)	(1,871)	(2,229)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(377)	(821)	765	22	(108)
Free cash flow to firm (FCFF)	(470.45)	1,391.42	2,632.92	1,982.63	2,206.56
Free cash flow to equity (FCFE)	705.95	1,490.66	2,188.12	1,986.65	2,150.95

Per share (THB)

FCFF per share	(0.40)	1.18	2.23	1.68	1.87
FCFE per share	0.60	1.26	1.85	1.68	1.82
Recurring cash flow per share	2.77	2.86	2.52	3.30	3.70

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	1,909	1,931	1,823
A/C receivable	4,394	4,900	4,149	4,365	4,758
Inventories	4,841	4,908	4,353	4,336	4,695
Other current assets	592	127	118	106	116
Current assets	11,794	11,079	10,529	10,739	11,391
Other assets	203	138	118	124	135
Total assets	21,951	20,993	21,003	21,724	22,804
Common equity	13,380	13,389	13,808	14,463	15,216
Minorities etc.	62	56	55	54	53
Total shareholders' equity	13,442	13,445	13,863	14,517	15,269
Long term debt	1,126	910	858	819	901
Other long-term liabilities	435	395	337	372	405
Long-term liabilities	1,561	1,305	1,195	1,191	1,306
A/C payable	4,246	3,249	3,265	3,252	3,521
Short term debt	2,543	2,915	2,596	2,676	2,573
Other current liabilities	159	80	84	89	135
Current liabilities	6,948	6,244	5,945	6,017	6,229
Total liabilities and shareholders' equity	21,951	20,993	21,003	21,724	22,804
Net working capital	5,423	6,606	5,271	5,467	5,912
Invested capital	15,580	16,520	15,744	16,452	17,325

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

Per share (THB)

Book value per share	11.36	11.33	11.69	12.24	12.87
Tangible book value per share	11.05	11.06	11.43	11.98	12.61

Financial strength

Net debt/equity (%)	12.7	19.9	11.1	10.8	10.8
Net debt/total assets (%)	7.8	12.8	7.4	7.2	7.2
Current ratio (x)	1.7	1.8	1.8	1.8	1.8
CF interest cover (x)	61.4	35.5	46.9	43.2	46.8

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	29.2	28.8	36.7	25.0	21.8
Recurring P/E @ target price (x) *	31.6	31.1	39.7	27.1	23.5
Reported P/E (x)	26.9	28.3	35.0	25.0	21.8
Dividend yield (%)	2.9	2.9	2.2	3.0	3.4
Price/book (x)	4.9	4.9	4.7	4.5	4.3
Price/tangible book (x)	5.0	5.0	4.9	4.6	4.4
EV/EBITDA (x) **	18.9	18.9	21.1	16.2	14.5
EV/EBITDA @ target price (x) **	20.4	20.3	22.7	17.5	15.6
EV/invested capital (x)	4.3	4.1	4.3	4.1	3.9

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

Sources: KCE Electronics; FSSIA estimates

KCE Electronics PCL (KCE TB)

FSSIA ESG rating

36.85 /100
Exhibit 13: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	80-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★☆	60-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★☆☆	40-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★☆☆☆	20-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★☆☆☆☆	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 14: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	61.4	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	59.3	5.15	4.14	4.16	4.84	4.70	3.56	Medium	52.11	BB	17.11	57.13	62.51	3.41	31.94
DELTA	79.66	Y	Y	Y	5.00	5.00	Certified	Low	68.81	AA	--	91.19	74.00	4.15	--
HANA	47.25	--	Y	Y	5.00	5.00	Certified	Negligible	56.93	BBB	--	44.01	31.00	1.81	--
KCE	36.85	--	--	--	5.00	5.00	Certified	Medium	52.70	--	--	61.53	16.00	2.16	52.98
SVI	16.25	--	--	--	5.00	4.00	Certified	--	--	--	--	--	18.00	2.00	49.49

Sources: [SETTRADE.com](https://settrade.com); FSSIA's compilation
Exhibit 15: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	1.34	1.35	1.35	1.36	1.37	1.70	2.06	2.16
BESG environmental pillar score	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00
BESG social pillar score	0.80	0.80	0.80	0.80	0.80	1.44	1.45	1.58
BESG governance pillar score	4.64	4.67	4.67	4.77	4.83	4.83	4.71	4.90
ESG disclosure score	40.30	41.69	40.30	40.64	46.82	53.50	54.91	52.98
Environmental disclosure score	19.21	19.21	19.21	19.21	33.59	49.50	53.76	52.13
Social disclosure score	20.44	24.61	20.44	21.46	25.63	29.78	29.78	25.60
Governance disclosure score	81.10	81.10	81.10	81.10	81.10	81.10	81.10	81.10
Environmental								
Emissions reduction initiatives	Yes	No	No	No	No	No	No	No
Climate change policy	No	No	No	No	No	No	No	No
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	No	No	No	No
GHG scope 1	—	—	—	—	—	—	3	3
GHG scope 2 location-based	—	—	—	—	—	—	64	70
GHG Scope 3	—	—	—	—	—	—	—	—
Carbon per unit of production	—	—	—	—	—	—	4	4
Biodiversity policy	No	No	No	No	No	No	No	No
Energy efficiency policy	Yes	No	No	No	No	No	No	No
Total energy consumption	—	—	—	—	—	121	152	163
Renewable energy use	—	—	—	—	—	1	2	4
Electricity used	—	—	—	—	—	112	140	152
Fuel used - natural gas	—	—	—	—	—	850	1,100	1,130
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	No	No	No	No	No	No	No
Hazardous waste	6	8	9	12	8	3	5	—
Total waste	7	11	13	15	12	13	17	20
Waste recycled	—	—	—	—	—	11	15	16
Waste sent to landfills	—	—	—	—	—	2	3	3
Environmental supply chain management	Yes	No	No	No	No	No	No	No
Water policy	Yes	No	No	No	No	No	No	No
Water consumption	—	—	—	—	—	1,650	2,232	2,612

Sources: Bloomberg; FSSIA's compilation

Exhibit 16: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
BESG ESG Score	1.34	1.35	1.35	1.36	1.37	1.70	2.06	2.16
ESG Disclosure Score	40.30	41.69	40.30	40.64	46.82	53.50	54.91	52.98
Social								
Human rights policy	Yes	No	No	No	No	No	No	No
Policy against child labor	Yes	No	No	No	No	No	No	No
Quality assurance and recall policy	Yes	No	No	No	No	No	No	No
Consumer data protection policy	Yes	No	No	No	No	No	No	No
Equal opportunity policy	Yes	No	No	No	No	No	No	No
Gender pay gap breakout	No	No	No	No	No	No	No	No
Pct women in workforce	—	—	—	—	—	52	46	52
Pct disabled in workforce	—	—	—	—	—	—	—	—
Business ethics policy	Yes	No	No	No	No	No	No	No
Anti-bribery ethics policy	Yes	No	No	No	No	No	No	No
Health and safety policy	Yes	No	No	No	No	No	No	No
Lost time incident rate - employees	—	—	—	—	—	—	—	1
Total recordable incident rate - employees	3	1	1	1	1	1	1	—
Training policy	Yes	No	No	No	No	No	No	No
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	2,388	2,696	1,021	1,042	1,019	984	974	1,049
Employee turnover pct	—	—	—	—	—	11	10	11
Total hours spent by firm - employee training	176,855	198,156	187,310	229,906	83,545	33,247	44,164	67,795
Social supply chain management	Yes	No	No	No	No	No	No	No
Governance								
Board size	9	9	9	9	9	9	9	9
No. of independent directors (ID)	3	3	3	3	3	3	3	3
No. of women on board	4	3	3	3	3	3	3	3
No. of non-executive directors on board	6	6	6	6	6	6	6	6
Company conducts board evaluations	Yes	No	No	No	No	No	No	No
No. of board meetings for the year	12	12	12	12	12	13	12	12
Board meeting attendance pct	99	97	97	94	95	96	99	99
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	35	36	37	38	39	40	41	42
Age of the oldest director	78	79	80	81	82	74	75	76
No. of executives / company managers	9	9	10	10	10	10	10	11
No. of female executives	2	2	2	3	3	3	3	3
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	3	3	3	3	3	3	3	3
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	4	4	5	5	6	5	4	5
Audit meeting attendance %	100	92	100	100	83	100	75	93
Size of compensation committee	3	3	3	3	3	3	3	3
No. of ID on compensation committee	2	2	2	2	2	2	2	2
No. of compensation committee meetings	2	2	2	2	3	2	3	1
Compensation meeting attendance %	100	100	100	83	89	100	100	100
Size of nomination committee	3	3	3	3	3	3	3	3
No. of nomination committee meetings	2	2	2	2	3	2	3	1
Nomination meeting attendance %	100	100	100	83	89	100	100	100
Sustainability governance								
Verification type	No	No	No	No	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																												
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																												
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > 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.																												
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																												
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. 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 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 scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																												
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. (Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including 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 document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																												
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																		
NEGL	Low	Medium	High	Severe																										
0-10	10-20	20-30	30-40	40+																										
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																												
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td>Leader:</td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td>Average:</td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570			A	5.714-7.142			BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285			B	1.429-2.856			CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																													
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. (Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)																													
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																													
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																												
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																												

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

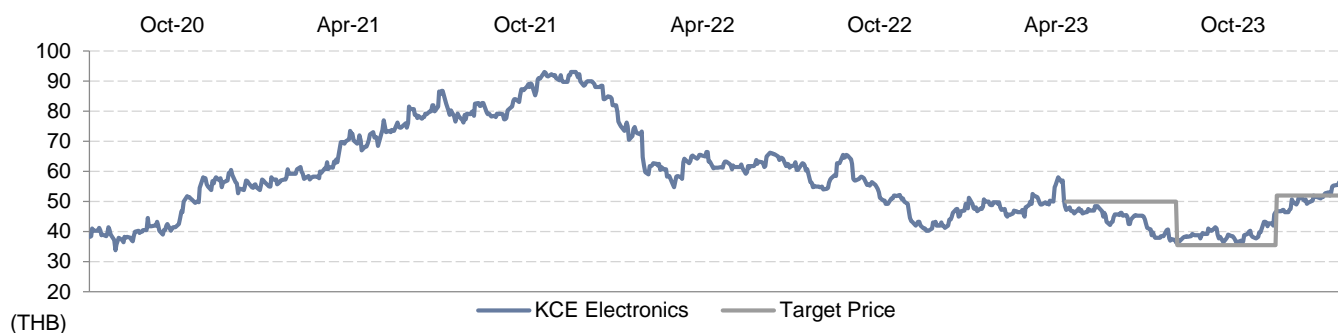
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History of change in investment rating and/or target price

KCE Electronics (KCE TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Feb-2023	HOLD	50.00	16-May-2023	HOLD	35.50	10-Aug-2023	BUY	52.00

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
KCE Electronics	KCE TB	THB 55.50	HOLD	Downside and upside risks to our P/E-based TP include 1) sooner- or later-than-expected global economic and car sales recoveries; 2) higher- or lower-than-expected increase or decrease in raw material costs; 3) a stronger or weaker-than-expected increase or decrease in THB; and 4) a minimum wage increase or a labor shortage.

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 Finasia Syrus Securities Public Company Limited.

All share prices are as at market close on 12-Oct-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.