

KCE ELECTRONICS KCE TB

THAILAND / ELECTRONIC COMPONENT

HOLD

UNCHANGED

Slower demand recovery than previously anticipated

- Management decreased its 2024 revenue and margin targets after slower demand recovery than previously thought.
- KCE expected a recovery in 2H24 and would resume its factory expansion after a delay last year.
- Decrease profit estimate and TP to THB43. Retain HOLD rating while monitoring recovery.

TARGET PRICE	THB43.00
CLOSE	THB40.50
UP/DOWNSIDE	+6.2%
PRIOR TP	THB60.00
CHANGE IN TP	-28.3%
TP vs CONSENSUS	-15.9%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	16,344	16,483	18,214	19,707
Net profit	1,720	2,037	2,400	2,665
EPS (THB)	1.45	1.72	2.03	2.25
vs Consensus (%)	-	16.2	5.9	5.1
EBITDA	2,944	3,517	4,086	4,504
Recurring net profit	1,569	2,037	2,400	2,665
Core EPS (THB)	1.33	1.72	2.03	2.25
Chg. In EPS est. (%)	nm	(22.3)	(20.3)	nm
EPS growth (%)	(31.2)	29.8	17.8	11.1
Core P/E (x)	30.5	23.5	19.9	22.1
Dividend yield (%)	2.7	3.2	3.8	4.2
EV/EBITDA (x)	16.5	13.8	12.2	11.2
Price/book (x)	3.5	3.4	3.2	3.1
Net debt/Equity (%)	3.6	4.0	14.1	17.5
ROE (%)	11.6	14.6	16.6	17.6

4Q23 profit missed estimates due to longer-than-expected shutdown

At an analyst meeting yesterday (February 14, 2024), management disclosed that 4Q23 revenue (-5.4% q-q, -11.4% y-y) missed estimates due to the low season of multilayer PCB sales. Also, KCE shut down its factory for 15 days for maintenance and inventory clearing, higher than the usual five-day maintenance shutdown. It resulted in outstanding orders of cUSD8m, which KCE should gradually deliver in 1Q24. Given 4Q23, the 2023 net profit dropped 26% y-y to THB1,720m.

Decrease 2024 revenue and margin targets after slow demand recovery

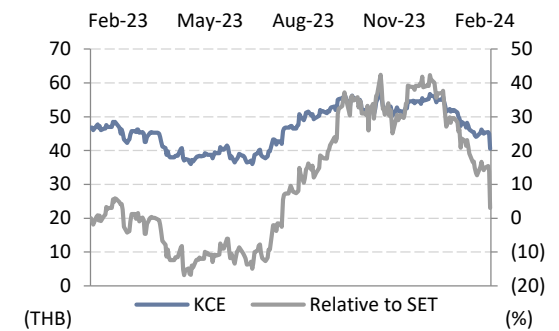
We view that the longer-than-expected maintenance shutdown was due mainly to demand, which was yet to recover. Meanwhile, management guided a gloomy 1H24 outlook and expected a 2H24 recovery from a new business, which it is discussing with customers. Since the existing business should not recover quickly, management has lowered its 2024 revenue growth target to 4-7% y-y from 8-12% y-y. Also, it has cut its gross margin target to 24% from 26-27% to factor in lower-than-expected economies of scale and production efficiency. However, it would resume construction of its new factory at Rojana in 2H24 (from 2023) to finish in 2025 for a test run as early as 2026. In this regard, KCE planned an investment of cTHB900m in 2024 before increasing it to THB3.7b in 2025.

Cut 2024-25E profit by 20-22% but a y-y growth likely due to a low base

We have slashed our 2024-25E net profit by 20-22% to THB2b (+18.4% y-y) and THB2.4b (+17.8% y-y), respectively. Although we maintain our bullish view of the HDI outlook that it would continue to grow in line with EV sales, it is already running at a 100% capacity and generated y-y flat revenue of USD113m (24% of total revenue) in 2023. Hence, it needs to wait for the new factory at Rojana to be up and running since 50% of its first phase will be HDI production lines. Meanwhile, the demand for internal combustion engine cars is weak, and it accounts for 50% of the revenue.

Slash TP to THB43 with continued monitoring of recovery despite bottoming out

Similarly, we have cut our 2024 TP to THB43 from THB60 after de-rating our PE target to 25x (-0.5 SD) from 27x (its historical average). In the short term, we expect a profit recovery in 1Q24 to THB516m (+8% q-q, +50% y-y). We maintain our view that the profit has passed its trough. However, the recovery is slower than previously thought. Hence, continued monitoring is essential. We reaffirm our HOLD rating on a limited upside of only 6%. Besides, KCE is entering a crucial investment period from 2024 to 2026, funded mainly by its internal cash flow and bank loans.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(22.1)	(21.0)	(13.8)
Relative to country (%)	(20.5)	(20.9)	2.8
Mkt cap (USD m)	1,324		
3m avg. daily turnover (USD m)	10.4		
Free float (%)	0		
Major shareholder	Ongkosit Group (34%)		
12m high/low (THB)	57.50/35.50		
Issued shares (m)	1,182.06		

Sources: Bloomberg consensus; FSSIA estimates


Sureeporn Teewasuwet

 Fundamental Investment Analyst on Securities; License no. 040694
 sureeporn.t@fssia.com, +66 2646 9972

Investment thesis

We have a more cautious view of the 2024 recovery outlook since 4Q23 purchase orders recovered slower than expected. Also, the global economy remains volatile while interest rates hover high. Management has cut its 2024 revenue growth target to 4-7% y-y from 8-12% y-y and its gross margin target to 24% from 26-27% to reflect lower economies of scale.

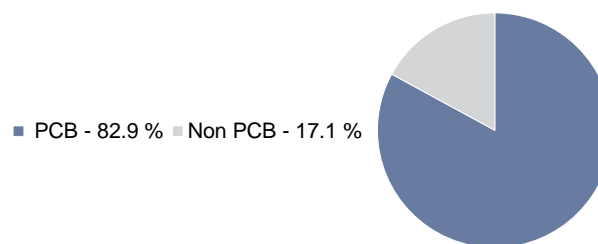
KCE has postponed the construction plan of its new factory at Rojana to 2H24 from 2023 due to a slow demand recovery outlook. Once it completes the factory in 2025, it could begin a test run as early as 2026.

Company profile

KCE produces and distributes printed circuit boards (PCB). Its key customer base is in the auto industry, which accounts for 70% of total revenue. The remaining 30% are in consumer and industrial. At the end of 2023, KCE earned 49.4% of its revenue from exports to Europe, followed by the U.S. (22.9%), China (12.6%), and Asia (5.1%), while its domestic sales represented 10%.

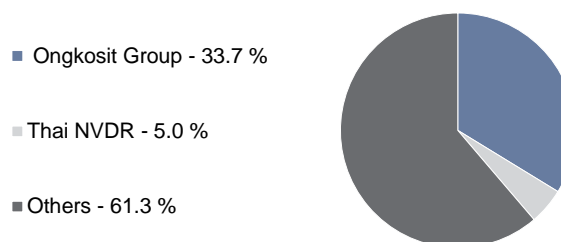
www.kcethai.in.th

Principal activities (revenue, 2023)



Source: KCE Electronics

Major shareholders



Source: KCE Electronics

Catalysts

Potential catalysts for KCE's earnings growth in 2024 include 1) a global economic recovery and faster global auto sales recovery than expected, 2) a decline in raw material prices, 3) higher production efficiency due to an increased utilization rate, and 4) successful capacity expansion as planned.

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-than-expected increase or decrease in raw material costs, 3) a stronger or weaker-than-expected THB, and 4) a minimum wage increase or a labor shortage.

Event calendar

Date	Event
May 2024	1Q24 results announcement

Key assumptions

	2024E	2025E	2026E
Sales volume (sq.ft.mn)	30.1	33.2	35.8
ASP (USD per sq.ft.)	13.9	14.0	14.2
Total revenue (USD m)	499	552	597
FX rate (USD/THB)	33.0	33.0	33.0
Gross margin (%)	23.5	24.0	24.4

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in USD revenue, we estimate 2024 net profit to rise by 0.9%, and vice versa, all else being equal.
- For every THB1/USD increase, we estimate 2024 net profit to fall by 6.5%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2024 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 2024 net profit to fall by 1.8%, and vice versa, all else being equal.

Source: FSSIA estimates

Exhibit 1: 4Q23 earnings result

	4Q22	1Q23	2Q23	3Q23	4Q23	----- Change -----		2022	2023	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	4,622	4,025	3,898	4,326	4,095	(5.4)	(11.4)	18,456	16,344	(11.4)
Cost of sales	3,645	3,236	3,152	3,375	3,177	(5.9)	(12.8)	14,254	12,941	(9.2)
Gross profit	978	789	746	951	917	(3.6)	(6.2)	4,202	3,403	(19.0)
SG&A	467	480	415	458	420	(8.2)	(9.9)	1,919	1,774	(7.5)
Operating profit	511	309	330	493	497	0.7	(2.8)	2,283	1,629	(28.7)
Interest expense	24	24	29	27	24	(12.3)	(0.4)	72	104	44.0
Tax expense	32	25	24	33	49	47.8	53.4	144	131	(8.4)
Other gain (Loss)	(7)	31	56	49	14	(71.2)	(301.4)	36	150	314.9
Reported net profit	500	345	376	520	478	(7.9)	(4.4)	2,317	1,720	(25.8)
Core profit	507	314	320	471	464	(1.3)	(8.5)	2,281	1,569	(31.2)

Key Ratios (%)						(ppt)	(ppt)			
Gross margin	21.1	19.6	19.1	22.0	22.4	0.4	1.2	22.8	20.8	(1.9)
SG&A to Sales	10.1	11.9	10.7	10.6	10.3	(0.3)	0.2	10.4	10.9	0.5
Operating margin	11.1	7.7	8.5	11.4	12.1	0.7	1.1	12.4	10.0	(2.4)
Net margin	10.8	8.6	9.7	12.0	11.7	(0.3)	0.9	12.6	10.5	(2.0)
Core margin	11.0	7.8	8.2	10.9	11.3	0.5	0.4	12.4	9.6	(2.8)

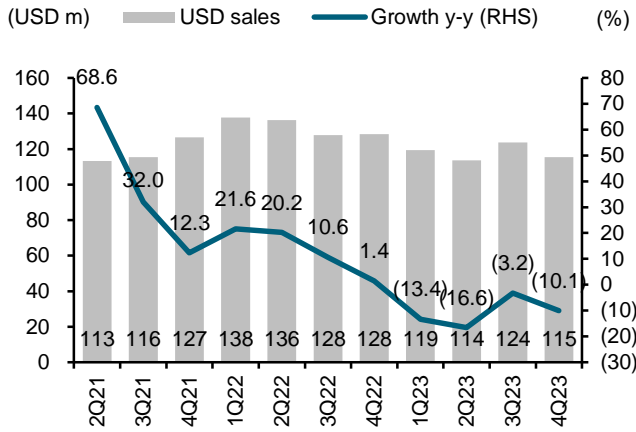
Operating statistics (USD m)										
PCB sales	98	103	93	102	94	(7.8)	(3.9)	435	393	(9.6)
Non-PCB sales	30	16	20	21	21	(1.3)	(30.2)	95	79	(17.0)
Total sales	128	119	114	124	115	(6.7)	(10.1)	530	472	(10.9)

Europe sales	48	52	45	51	46	(9.7)	(3.9)	211	194	(7.9)
USA sales	23	24	22	20	23	12.2	(1.8)	104	90	(13.5)
Asia sales	6	5	5	5	4	(16.8)	(23.2)	26	20	(21.5)
China sales	13	12	13	14	10	(26.6)	(21.1)	57	49	(13.9)
Thailand sales	8	10	8	12	11	(8.6)	32.6	37	40	6.6
02-layer sales	9	9	10	10	10	(3.7)	15.2	39	39	(0.4)
04-layer sales	37	37	33	38	34	(11.3)	(8.3)	174	142	(18.7)
06-layer sales	24	26	23	28	23	(18.4)	(4.3)	109	99	(8.9)
Special (HDI) sales	29	32	27	26	28	6.6	(3.4)	113	113	0.5

Average selling price (USD/sq.ft)										
02-layer	9.3	9.8	9.4	9.4	9.3	(1.0)	0.3	9.5	9.5	0.2
04-layer	11.7	12.0	11.8	11.6	11.4	(1.4)	(2.5)	11.9	11.7	(1.4)
06-layer	16.8	16.6	16.3	16.4	16.5	0.6	(1.9)	16.5	16.4	(0.4)
Special (HDI)	18.7	18.3	19.0	18.1	18.1	(0.5)	(3.3)	18.5	18.4	(0.8)

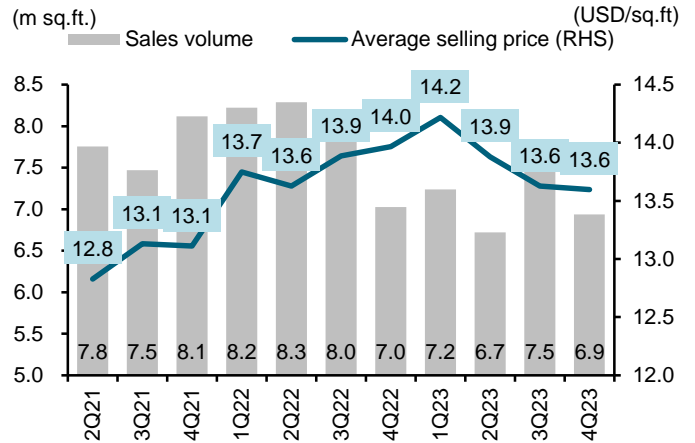
Sources: KCE, FSSIA's compilation

Exhibit 2: Quarterly total USD revenue and growth



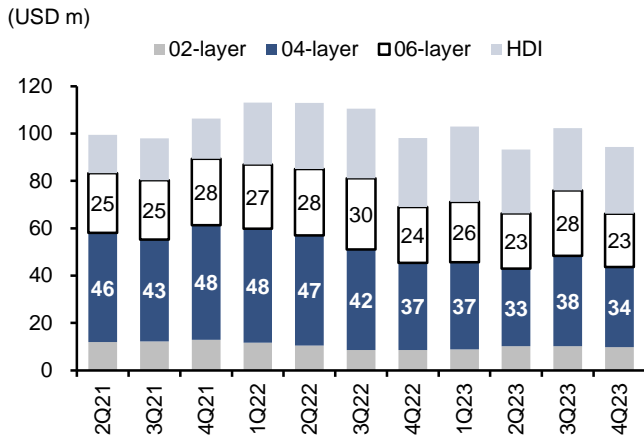
Source: KCE

Exhibit 3: Quarterly total USD revenue and growth



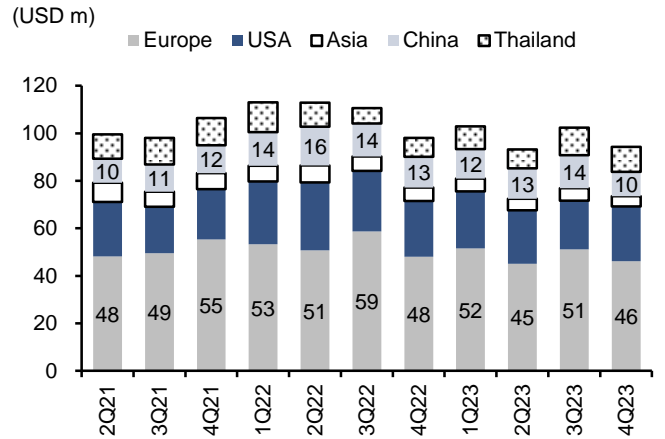
Source: KCE

Exhibit 4: Revenue breakdown by product



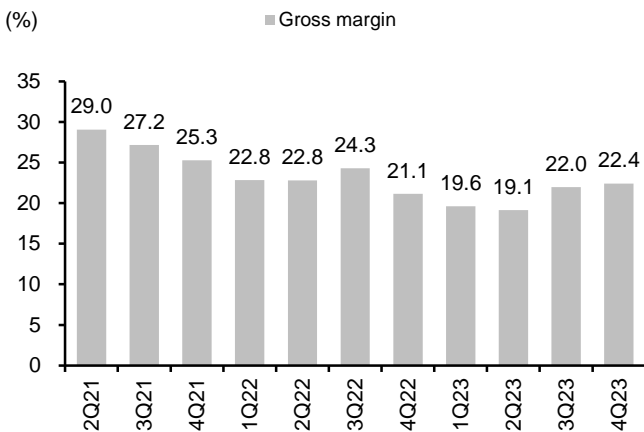
Source: KCE

Exhibit 5: Revenue breakdown by region



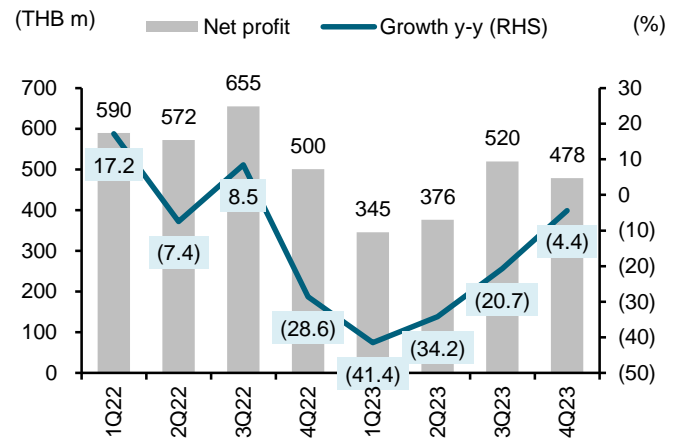
Source: KCE

Exhibit 6: Quarterly gross margin



Source: KCE

Exhibit 7: Quarterly net profit and growth



Source: KCE

Exhibit 8: Change of key assumptions for KCE

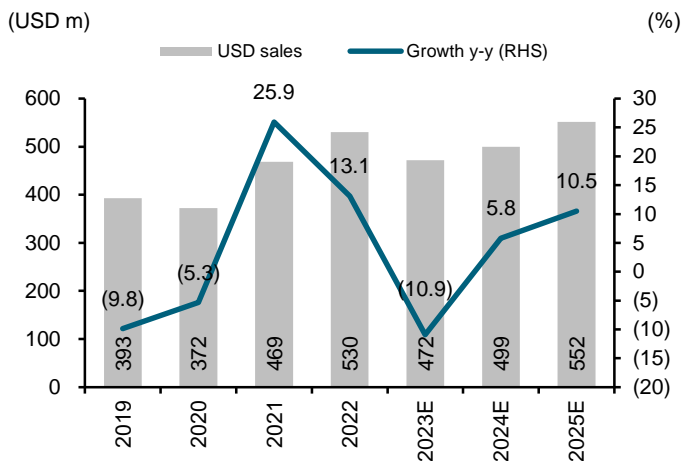
	Current			Previous			Change		
	2023 (THB m)	2024E (THB m)	2025E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023 (%)	2024E (%)	2025E (%)
Total sale value (THB m)	16,344	16,483	18,214	16,825	17,703	19,297	(2.9)	(6.9)	(5.6)
Costs	12,941	12,609	13,842	13,242	13,189	14,279	(2.3)	(4.4)	(3.1)
Gross profit	3,403	3,873	4,371	3,584	4,514	5,017	(5.0)	(14.2)	(12.9)
SG&A expense	1,774	1,780	1,912	1,800	1,912	2,026	(1.5)	(6.9)	(5.6)
Interest expense	104	109	133	87	90	86	19.4	21.7	54.5
Reported net profit	1,720	2,037	2,400	1,873	2,620	3,012	(8.2)	(22.3)	(20.3)
Core profit	1,569	2,037	2,400	1,786	2,620	3,012	(12.1)	(22.3)	(20.3)

Key ratios (%)									
Total revenue growth	(11.4)	0.9	10.5	(8.8)	5.2	9.0	(2.6)	(4.4)	1.5
Net profit growth	(25.8)	18.4	17.8	(19.2)	39.9	15.0	(6.6)	(21.5)	2.9
Core profit growth	(31.2)	29.8	17.8	(21.7)	46.7	15.0	(9.5)	(16.9)	2.9
Gross margin	20.8	23.5	24.0	21.3	25.5	26.0	(0.5)	(2.0)	(2.0)
SG&A to sales	10.9	10.8	10.5	10.7	10.8	10.5	0.2	0.0	0.0
Net margin	10.5	12.4	13.2	11.1	14.8	15.6	(0.6)	(2.4)	(2.4)
Core margin	9.6	12.4	13.2	10.6	14.8	15.6	(1.0)	(2.4)	(2.4)

Operating statistics (THB m)									
Sales volume (m sq.ft.)	28.4	30.1	33.2	29.7	31.4	33.9	(4.2)	(4.2)	(2.2)
ASP (USD per sq.ft.)	13.8	13.9	14.0	13.5	13.7	14.0	2.3	1.3	0.3
Total revenue (USD m)	472.1	499.5	551.9	487.7	536.5	585	(3.2)	(6.9)	(5.6)
FX rate (THB/USD)	34.5	33.0	33.0	34.5	33.0	33.0	0.0	0.0	0.0

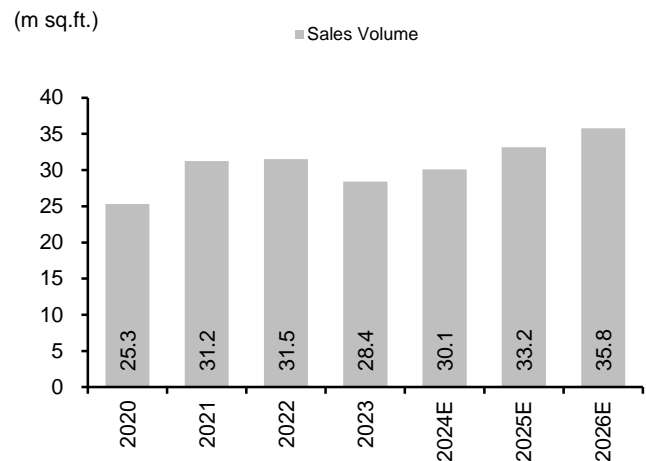
Source: FSSIA estimates

Exhibit 9: Yearly USD revenue and growth



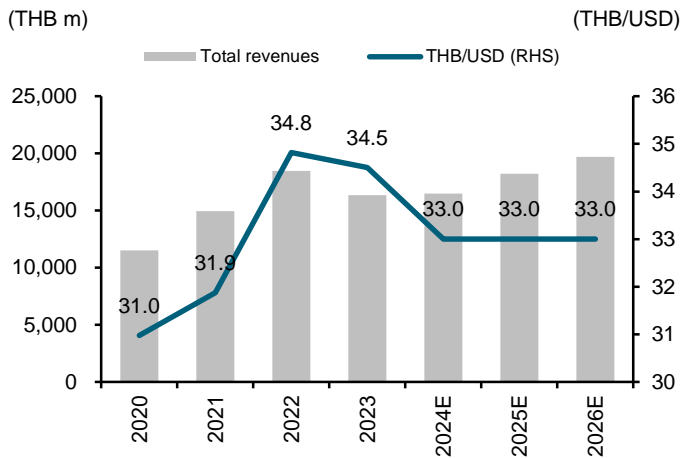
Sources: KCE; FSSIA estimates

Exhibit 10: Yearly sales volume



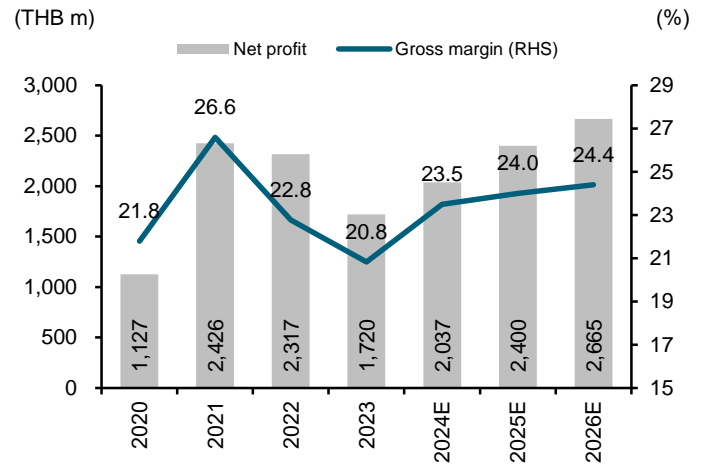
Sources: KCE; FSSIA estimates

Exhibit 11: Yearly total revenue and THB/USD



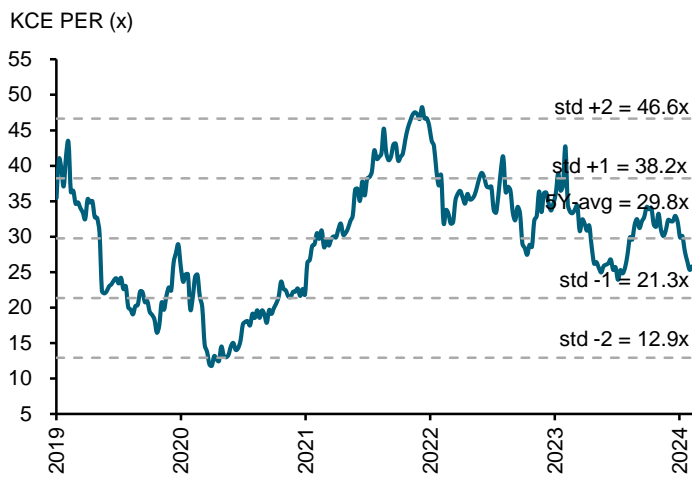
Sources: KCE; FSSIA estimates

Exhibit 12: Yearly net profit and gross margin



Sources: KCE; FSSIA estimates

Exhibit 13: Historical P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 14: Historical P/BV band



Sources: Bloomberg, FSSIA estimates

Financial Statements

KCE Electronics

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	18,456	16,344	16,483	18,214	19,707
Cost of goods sold	(14,254)	(12,941)	(12,609)	(13,842)	(14,899)
Gross profit	4,202	3,403	3,873	4,371	4,809
Other operating income	224	190	198	219	236
Operating costs	(1,919)	(1,774)	(1,780)	(1,912)	(2,069)
Operating EBITDA	3,622	2,944	3,517	4,086	4,504
Depreciation	(1,114)	(1,126)	(1,226)	(1,409)	(1,529)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	2,508	1,818	2,291	2,677	2,976
Net financing costs	(72)	(104)	(109)	(133)	(151)
Associates	19	14	19	19	21
Recurring non-operating income	19	14	19	19	21
Non-recurring items	36	150	0	0	0
Profit before tax	2,490	1,879	2,201	2,563	2,846
Tax	(144)	(131)	(131)	(127)	(141)
Profit after tax	2,347	1,747	2,070	2,436	2,705
Minority interests	(29)	(28)	(33)	(36)	(39)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	2,317	1,720	2,037	2,400	2,665
Non-recurring items & goodwill (net)	(36)	(150)	0	0	0
Recurring net profit	2,281	1,569	2,037	2,400	2,665
Per share (THB)					
Recurring EPS *	1.93	1.33	1.72	2.03	2.25
Reported EPS	1.96	1.45	1.72	2.03	2.25
DPS	1.60	1.11	1.29	1.52	1.69
Diluted shares (used to calculate per share data)	1,182	1,182	1,182	1,182	1,182
Growth					
Revenue (%)	23.6	(11.4)	0.9	10.5	8.2
Operating EBITDA (%)	1.8	(18.7)	19.5	16.2	10.2
Operating EBIT (%)	(0.5)	(27.5)	26.0	16.9	11.1
Recurring EPS (%)	1.6	(31.2)	29.8	17.8	11.1
Reported EPS (%)	(4.8)	(25.8)	18.4	17.8	11.1
Operating performance					
Gross margin inc. depreciation (%)	22.8	20.8	23.5	24.0	24.4
Gross margin exc. depreciation (%)	28.8	27.7	30.9	31.7	32.2
Operating EBITDA margin (%)	19.6	18.0	21.3	22.4	22.9
Operating EBIT margin (%)	13.6	11.1	13.9	14.7	15.1
Net margin (%)	12.4	9.6	12.4	13.2	13.5
Effective tax rate (%)	5.8	7.0	5.9	5.0	5.0
Dividend payout on recurring profit (%)	82.9	83.3	75.0	75.0	75.0
Interest cover (X)	35.0	17.7	21.2	20.2	19.9
Inventory days	135.4	134.4	116.2	106.4	107.5
Debtor days	91.9	103.6	98.5	92.7	91.4
Creditor days	104.1	92.3	88.0	90.7	96.7
Operating ROIC (%)	13.4	10.0	13.2	14.0	14.0
ROIC (%)	12.6	9.4	12.4	13.3	13.3
ROE (%)	17.0	11.6	14.6	16.6	17.6
ROA (%)	11.0	8.4	11.1	12.3	12.6
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
PCB	15,134	13,554	13,798	15,358	16,727
Non PCB	3,323	2,790	2,685	2,856	2,980

Sources: KCE Electronics; FSSIA estimates

Financial Statements

KCE Electronics

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	2,281	1,569	2,037	2,400	2,665
Depreciation	1,114	1,126	1,226	1,409	1,529
Associates & minorities	-	-	-	-	-
Other non-cash items	(19)	(14)	(19)	(19)	(21)
Change in working capital	(1,186)	832	218	210	(391)
Cash flow from operations	2,191	3,513	3,462	3,999	3,782
Capex - maintenance	-	-	-	-	-
Capex - new investment	(993)	(402)	(2,000)	(3,660)	(2,400)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	121	76	6	(12)	(10)
Cash flow from investing	(872)	(325)	(1,994)	(3,672)	(2,410)
Dividends paid	(2,322)	(1,419)	(1,527)	(1,800)	(1,999)
Equity finance	10	4	0	0	0
Debt finance	173	(1,150)	(93)	720	409
Other financing cash flows	(2)	(1)	(1)	(1)	(1)
Cash flow from financing	(2,141)	(2,566)	(1,621)	(1,081)	(1,591)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(821)	622	(153)	(754)	(220)
Free cash flow to firm (FCFF)	1,391.42	3,291.81	1,577.69	460.41	1,522.68
Free cash flow to equity (FCFE)	1,490.66	2,036.57	1,374.84	1,045.96	1,779.31

Per share (THB)

FCFF per share	1.18	2.78	1.33	0.39	1.29
FCFE per share	1.26	1.72	1.16	0.88	1.51
Recurring cash flow per share	2.86	2.27	2.74	3.21	3.53

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	19,658	18,912	20,912	24,572	26,972
Less: Accumulated depreciation	(10,779)	(10,758)	(11,984)	(13,392)	(14,921)
Tangible fixed assets (net)	8,878	8,154	8,928	11,180	12,051
Intangible fixed assets (net)	323	284	284	284	284
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	575	554	554	554	554
Cash & equivalents	1,145	1,767	1,614	860	641
A/C receivable	4,900	4,379	4,516	4,741	5,129
Inventories	4,908	3,793	3,455	3,792	4,082
Other current assets	127	141	148	164	177
Current assets	11,079	10,079	9,733	9,557	10,029
Other assets	138	122	115	127	138
Total assets	20,993	19,193	19,615	21,702	23,056
Common equity	13,389	13,689	14,198	14,798	15,464
Minorities etc.	56	61	60	58	57
Total shareholders' equity	13,445	13,749	14,257	14,856	15,521
Long term debt	910	515	586	1,058	1,350
Other long-term liabilities	395	367	330	382	414
Long-term liabilities	1,305	882	916	1,440	1,764
A/C payable	3,249	2,728	2,764	3,413	3,674
Short term debt	2,915	1,748	1,596	1,902	1,999
Other current liabilities	80	85	82	91	99
Current liabilities	6,244	4,562	4,442	5,406	5,771
Total liabilities and shareholders' equity	20,993	19,193	19,615	21,702	23,056
Net working capital	6,606	5,499	5,273	5,193	5,616
Invested capital	16,520	14,613	15,155	17,338	18,643

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

Per share (THB)

Book value per share	11.33	11.58	12.01	12.52	13.08
Tangible book value per share	11.06	11.34	11.77	12.28	12.84

Financial strength

Net debt/equity (%)	19.9	3.6	4.0	14.1	17.5
Net debt/total assets (%)	12.8	2.6	2.9	9.7	11.7
Current ratio (x)	1.8	2.2	2.2	1.8	1.7
CF interest cover (x)	35.5	24.5	31.9	36.3	28.7

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	21.0	30.5	23.5	19.9	18.0
Recurring P/E @ target price (x) *	22.3	32.4	25.0	21.2	19.1
Reported P/E (x)	20.7	27.8	23.5	19.9	18.0
Dividend yield (%)	4.0	2.7	3.2	3.8	4.2
Price/book (x)	3.6	3.5	3.4	3.2	3.1
Price/tangible book (x)	3.7	3.6	3.4	3.3	3.2
EV/EBITDA (x) **	14.0	16.5	13.8	12.2	11.2
EV/EBITDA @ target price (x) **	14.8	17.5	14.6	13.0	11.9
EV/invested capital (x)	3.1	3.3	3.2	2.9	2.7

* 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

45.77 /100
Exhibit 15: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	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.
★★	>19-39	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 16: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	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	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
DELTA	87.59	Y	Y	Y	5.00	5.00	Certified	Low	68.81	AA	--	91.19	74.00	4.15	--
HANA	56.35	--	Y	Y	5.00	5.00	Certified	Negligible	56.93	BBB	--	44.01	31.00	1.81	--
KCE	45.77	--	--	--	5.00	5.00	Certified	Medium	52.70	--	--	61.53	16.00	2.16	52.98

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation
Exhibit 17: 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	No	No	No	No	No	No	No	Yes
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	Yes	Yes	Yes	Yes	Yes	Yes	Yes
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

Sources: Bloomberg; FSSIA's compilation

Exhibit 18: 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
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
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	No	No	No	No	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	—	1,650	2,232	2,612
Social								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Consumer data protection policy	No	No	No	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
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	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	—	—	—	—	1
Total recordable incident rate - employees	3	1	1	1	1	1	1	—
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
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	Yes	Yes	Yes	Yes	Yes	Yes	Yes
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	Yes	Yes	Yes	Yes	Yes	Yes	Yes
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 (50-59), 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%). <i>(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.)</i>	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. <i>(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.)</i>	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 Sustainability	The Sustainability's 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. <i>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.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored.																												
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.	<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> <p>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.</p>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																		
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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="0"> <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> </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. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																													
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.																												

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**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

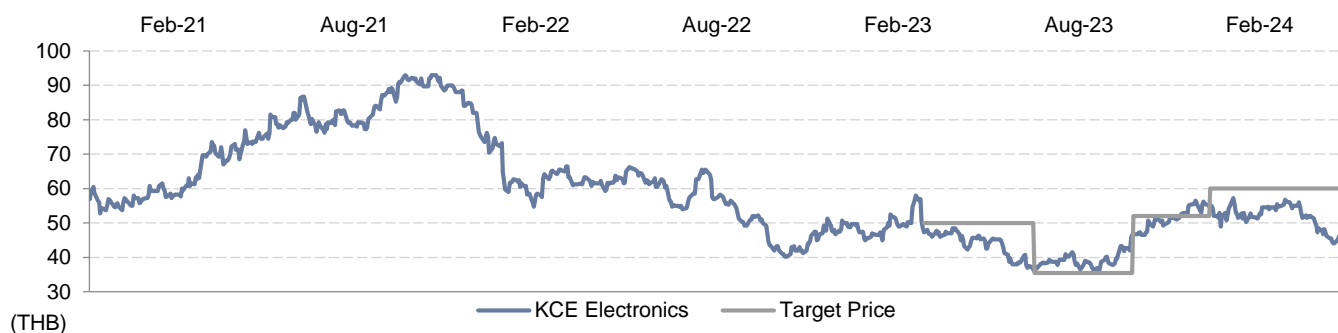
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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	10-Aug-2023	BUY	52.00	-	-	-
16-May-2023	HOLD	35.50	16-Oct-2023	HOLD	60.00			

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 40.50	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-than-expected increase or decrease in raw material costs, 3) a stronger or weaker-than-expected 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 Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 14-Feb-2024 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.