

KCE ELECTRONICS

THAILAND / ELECTRONIC COMPONENT

KCE TB**BUY**

UNCHANGED

TARGET PRICE	THB33.00
CLOSE	THB28.00
UP/DOWNSIDE	+17.9%
PRIOR TP	THB46.00
CHANGE IN TP	-28.3%
TP vs CONSENSUS	-9.6%

Expect gradual recoveries in 2025

- Management expects the automotive industry in 2025 to recover slower than previously anticipated as they continue focusing on cost-saving.
- With core profit likely passing the lowest profit of this year in 3Q24, we expect 4Q24 to grow q-q.
- Cut 2024E-25E earnings and lowered TP to THB33.

Automotive industry recovery for 2025 remains slow

The management provided an outlook for the automotive industry in 2025, where they expect it to recover slower than previously anticipated. As a result, they target revenue growth of only 0-5% y-y. This has led to a delay in the operation of its new factory at Rojana to 2Q26 instead of late 2025 to 1Q26 (construction has not yet begun). However, KCE is upgrading machinery for HDI (High-Density Interconnect) and expects this to be completed by 2Q25, which should increase its HDI production capacity by 30%. Since HDI orders remain stronger than Multilayer PCB, they should support revenue recovery in 2H25.

Extended cost-saving focus in 2025

Given a lackluster market environment, KCE will focus on continuous cost-saving efforts in 2025, including upgrading machinery and producing chemicals internally, which began partially in 2024. They will also reduce the workforce by 16-20% to 4,000-4,200 employees by replacing employees who leave with more automation. Management has set an ambitious 2025 gross margin target of 26%, up from 22.7% for 2024E.

Likely passing the lowest profit of this year in 3Q24

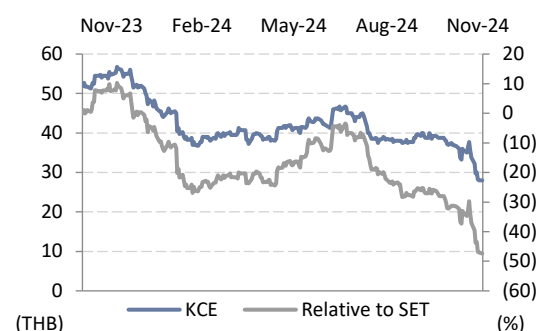
In the short term, we expect 4Q24 revenue to decline further by 5-7% q-q due to the low season and the machinery upgrades, resulting in a longer-than-usual production shutdown. However, we expect the 4Q24 gross margin to recover to 22.5% from 20.2% in 3Q24 and 22.4% in 4Q23, as the Thai Baht stabilizes or weakens slightly. Initially, we estimate 4Q24 core profit at THB406m (+5.1% q-q, -12.5% y-y). We believe KCE has already passed the lowest point for the year in 3Q24.

Cut 2024E-25E net profit and TP to THB33

We have decreased our 2024E-25E net profit by 19% and 16.4%, to THB1.77b and THB1.95b, respectively, to reflect a slower-than-expected recovery in the automotive industry. We expect 2025 profit to grow by 9.9% y-y, driven mainly by an improved gross margin from a low base in 2024 and benefits from cost-saving initiatives. As a result, we have slashed our TP to THB33 (from THB46), adjusting our PE ratio target to 20x (-1.25 SD). However, the stock price has fallen by 28% over the past two months, reflecting weaker earnings in 3Q24.

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	16,344	15,136	14,661	15,687
Net profit	1,720	1,777	1,953	2,235
EPS (THB)	1.45	1.50	1.65	1.89
vs Consensus (%)	-	(5.1)	(4.8)	(1.3)
EBITDA	2,944	3,145	3,535	3,960
Recurring net profit	1,569	1,746	1,953	2,235
Core EPS (THB)	1.33	1.48	1.65	1.89
Chg. In EPS est. (%)	-	(15.2)	(16.4)	(16.2)
EPS growth (%)	(31.2)	11.2	11.9	14.5
Core P/E (x)	21.1	19.0	16.9	14.8
Dividend yield (%)	3.9	4.0	4.4	5.1
EV/EBITDA (x)	11.4	10.6	9.8	8.9
Price/book (x)	2.4	2.3	2.3	2.2
Net debt/Equity (%)	3.6	1.6	8.9	12.5
ROE (%)	11.6	12.5	13.6	15.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(24.3)	(26.8)	(44.3)
Relative to country (%)	(22.4)	(34.3)	(45.7)
Mkt cap (USD m)	951		
3m avg. daily turnover (USD m)	11.0		
Free float (%)	0		
Major shareholder	Ongkosit Group (34%)		
12m high/low (THB)	57.50/27.25		
Issued shares (m)	1,182.06		

Sources: Bloomberg consensus; FSSIA estimates

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Investment thesis

We have a negative outlook from the latest analyst meeting. Management has given a short-term view indicating that 3Q24 revenue may only remain stable q-q due to declining purchasing power and a dull automotive industry. Therefore, management has lowered its 2024 PCB revenue growth target to 2-3% y-y from 4-7% y-y.

The management also provided an outlook for the automotive industry in 2025, where they expect it to recover more slowly than previously anticipated. As a result, they target revenue growth of only 0-5% y-y. This has led to a delay in the operation of the new factory at Rojana to 2Q26 instead of late 2025 to 1Q26 (construction has not yet begun).

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 2023. In particular, KCE is a supplier to the fast-growing electric vehicle (EV) market. Its crucial export markets include Europe (49.4% of total revenue in 2023), followed by the US (22.9%), China (12.6%), and Asia (5.1%), with Thailand representing 10.1%.

www.kcethai.in.th

Principal activities (revenue, 2023)

■ PCB - 82.9 %	■ Non PCB - 17.1 %
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Source: KCE Electronics

Major shareholders

■ Ongkosit Group - 33.7 %
■ Thai NVDR - 5.0 %
■ Others - 61.3 %

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 risks to our P/E-based TP include 1) slower-than-expected global economic and car sales recoveries; 2) lower-than-expected decrease in raw material costs; 3) a weaker-than-expected THB; and 4) a minimum wage increase or a labor shortage.

Event calendar

Date	Event
February 2025	4Q24 results announcement

Key assumptions

	2024E	2025E	2026E
Sales volume (sq.ft.mn)	28.4	31.3	35.1
ASP (USD per sq.ft.)	13.5	13.6	13.8
Total revenue (USD m)	430	444	475
Gross margin (%)	22.7	24.0	25.0

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in USD revenue, we estimate 2025 net profit to rise by 0.9%, and vice versa, all else being equal.
- For every THB1/USD increase, we estimate 2025 net profit to fall by 6.5%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2025 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 2025 net profit to fall by 1.8%, and vice versa, all else being equal.

Source: FSSIA estimates

Exhibit 1: Changes in key assumptions for KCE

	Current			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total sale value (THB m)	15,136	14,661	15,687	15,530	16,721	18,845	(2.5)	(12.3)	(16.8)
Costs	11,700	11,142	11,765	11,788	12,574	14,134	(0.7)	(11.4)	(16.8)
Gross profit	3,436	3,519	3,922	3,743	4,147	4,711	(8.2)	(15.1)	(16.8)
SG&A expense	1,710	1,583	1,694	1,677	1,806	2,035	2.0	(12.3)	(16.8)
Interest expense	59	89	100	64	104	117	(6.7)	(14.3)	(14.3)
Reported net profit	1,777	1,953	2,235	2,200	2,335	2,666	(19.3)	(16.4)	(16.2)
Core profit	1,746	1,953	2,235	2,059	2,335	2,666	(15.2)	(16.4)	(16.2)
Key ratios (%)									
Total revenue growth	(7.4)	(3.1)	7.0	(5.0)	7.7	12.7			
Net profit growth	3.3	9.9	14.5	28.0	6.1	14.2			
Core profit growth	11.2	11.9	14.5	31.2	13.4	14.2			
Gross margin	22.7	24.0	25.0	24.1	24.8	25.0	(1.4)	(0.8)	0.0
SG&A to sales	11.3	10.8	10.8	10.8	10.8	10.8	0.5	0.0	0.0
Net margin	11.7	13.3	14.2	14.2	14.0	14.1	(2.4)	(0.6)	0.1
Core margin	11.5	13.3	14.2	13.3	14.0	14.1	(1.7)	(0.6)	0.1
Operating statistics (THB m)									
Sales volume (m sq.ft.)	28.4	31.3	35.1	28.4	31.3	35.1	0.0	0.0	0.0
ASP (USD per sq.ft.)	13.5	13.6	13.8	13.5	13.6	13.8	0.0	0.0	0.0
Total revenue (USD m)	430.1	444.3	475.4	440.0	492	554.3	(2.2)	(9.7)	(14.2)
FX rate (THB/USD)	35.2	33.0	33.0	35.3	34.0	34.0	(0.3)	(2.9)	(2.9)

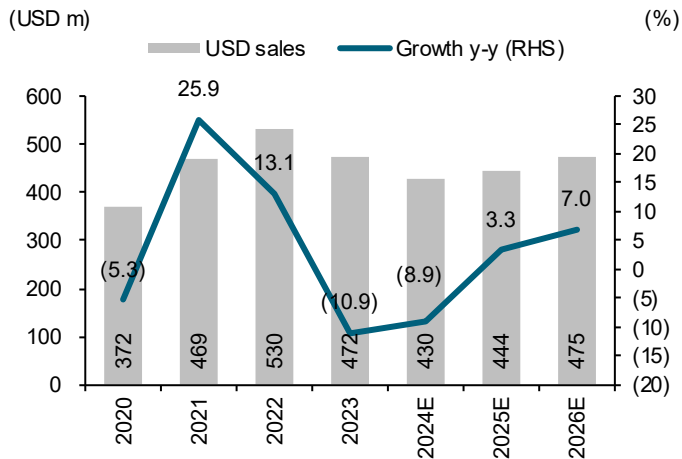
Source: FSSIA estimates

Exhibit 2: KCE – 4Q24 earnings preview

	1Q24	2Q24	3Q24	4Q24E	Change		2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	3,780	4,012	3,802	3,543	(6.8)	(13.5)	16,344	15,136	(7.4)
Cost of sales	2,906	3,018	3,033	2,746	(9.5)	(13.6)	12,941	11,700	(9.6)
Gross profit	874	994	769	797	3.6	(13.1)	3,403	3,436	1.0
SG&A	422	461	418	407	(2.6)	(3.1)	1,774	1,710	(3.6)
Operating profit	452	533	351	390	11.0	(21.5)	1,629	1,725	5.9
Interest expense	15	18	10	10	1.7	(58.3)	104	59	(42.8)
Tax expense	64	28	0	22	nm	(56.1)	131	110	(16.5)
Other gain (Loss)	95	107	(170)	0	nm	nm	150	31	(79.2)
Reported net profit	515	635	216	406	87.7	(15.1)	1,720	1,777	3.3
Core profit	421	528	386	406	5.1	(12.5)	1,569	1,746	11.2
Key Ratios (%)									
					(ppt)	(ppt)			
Gross margin	23.1	24.8	20.2	22.5	2.3	0.1	20.8	22.7	1.9
SG&A to Sales	11.2	11.5	11.0	11.5	0.5	1.2	10.9	11.3	0.4
Operating margin	12.0	13.3	9.2	11.0	1.8	(1.1)	10.0	11.4	1.4
Net margin	13.6	15.8	5.7	11.5	5.8	(0.2)	10.5	11.7	1.2
Core margin	11.1	13.2	10.2	11.5	1.3	0.1	9.6	11.5	1.9
Operating statistics (USD m)									
PCB sales	94	95	91	87	(4.0)	(7.5)	393	367	7.9
Non-PCB sales	12	15	19	17	(10.8)	(19.3)	79	63	45.5
Total sales	106	110	110	104	(5.2)	(9.7)	472	430	13.1

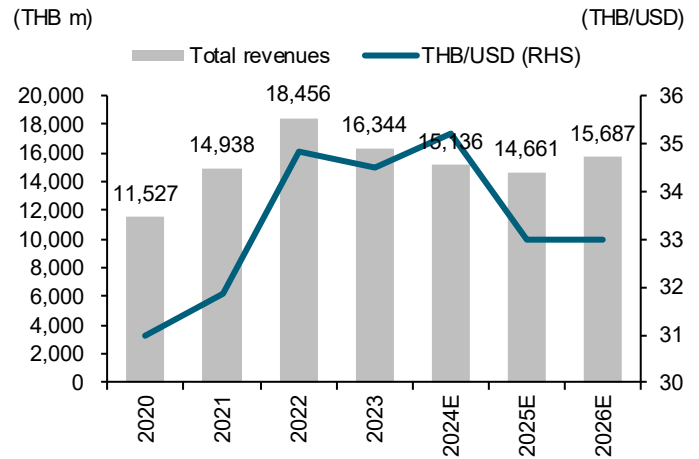
Sources: KCE, FSSIA estimates

Exhibit 3: USD sales and growth



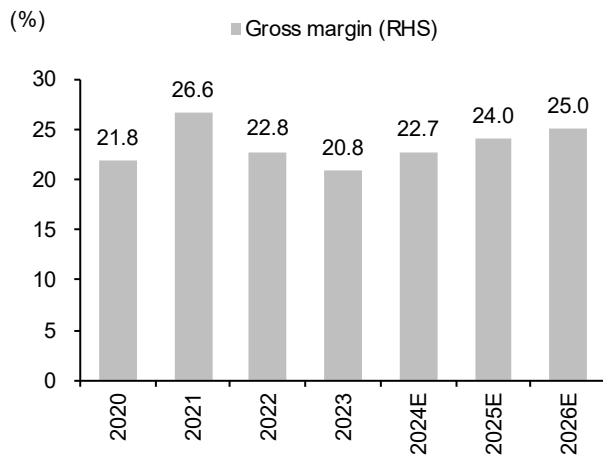
Sources: KCE, FSSIA estimates

Exhibit 4: Total revenue and THB/USD



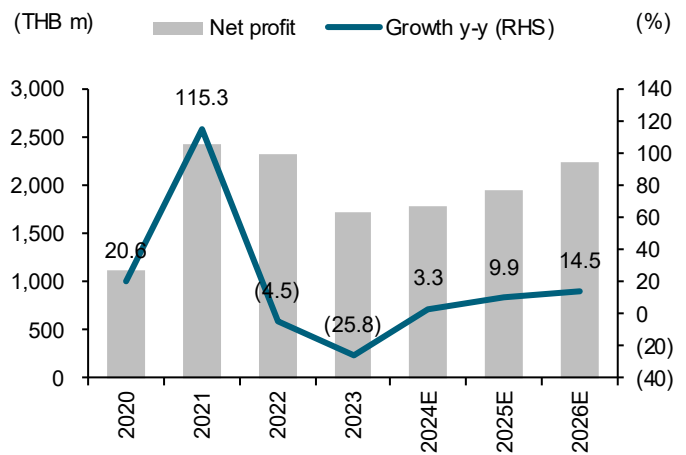
Sources: KCE, FSSIA estimates

Exhibit 5: Gross margin



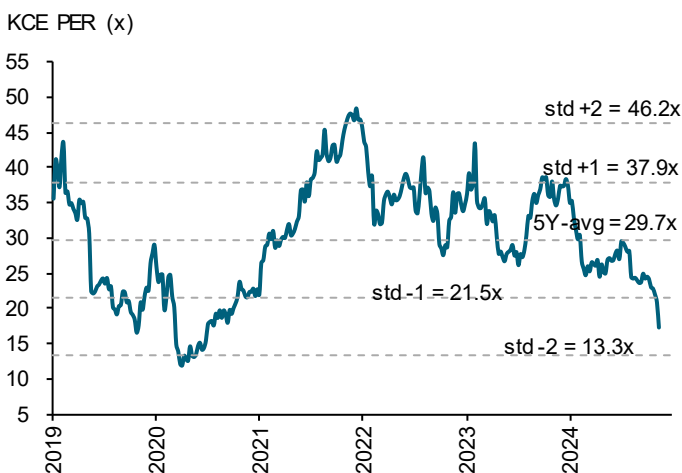
Sources: KCE, FSSIA estimates

Exhibit 6: Net profit and growth



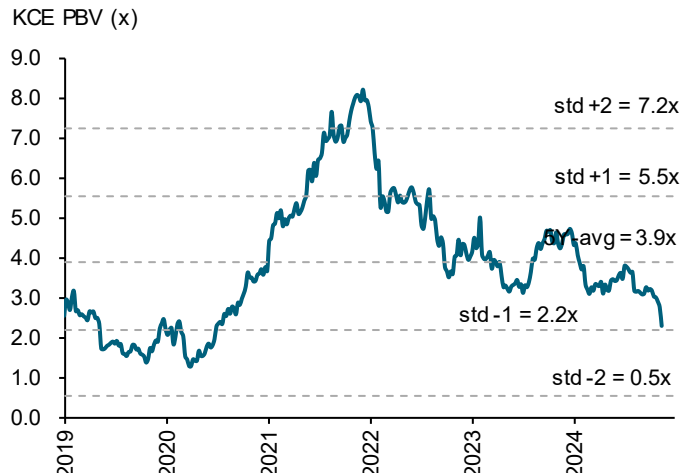
Sources: KCE, FSSIA estimates

Exhibit 7: Historical P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 8: 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	15,136	14,661	15,687
Cost of goods sold	(14,254)	(12,941)	(11,700)	(11,142)	(11,765)
Gross profit	4,202	3,403	3,436	3,519	3,922
Other operating income	224	190	194	191	204
Operating costs	(1,919)	(1,774)	(1,710)	(1,583)	(1,694)
Operating EBITDA	3,622	2,944	3,145	3,535	3,960
Depreciation	(1,114)	(1,126)	(1,226)	(1,409)	(1,529)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	2,508	1,818	1,920	2,126	2,432
Net financing costs	(72)	(104)	(59)	(89)	(100)
Associates	19	14	18	19	21
Recurring non-operating income	19	14	18	19	21
Non-recurring items	36	150	31	0	0
Profit before tax	2,490	1,879	1,909	2,056	2,352
Tax	(144)	(131)	(110)	(81)	(93)
Profit after tax	2,347	1,747	1,800	1,975	2,259
Minority interests	(29)	(28)	(23)	(22)	(24)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	2,317	1,720	1,777	1,953	2,235
Non-recurring items & goodwill (net)	(36)	(150)	(31)	0	0
Recurring net profit	2,281	1,569	1,746	1,953	2,235
Per share (THB)					
Recurring EPS *	1.93	1.33	1.48	1.65	1.89
Reported EPS	1.96	1.45	1.50	1.65	1.89
DPS	1.60	1.11	1.13	1.24	1.42
Diluted shares (used to calculate per share data)	1,182	1,182	1,182	1,182	1,182
Growth					
Revenue (%)	23.6	(11.4)	(7.4)	(3.1)	7.0
Operating EBITDA (%)	1.8	(18.7)	6.8	12.4	12.0
Operating EBIT (%)	(0.5)	(27.5)	5.6	10.7	14.4
Recurring EPS (%)	1.6	(31.2)	11.2	11.9	14.5
Reported EPS (%)	(4.8)	(25.8)	3.3	9.9	14.5
Operating performance					
Gross margin inc. depreciation (%)	22.8	20.8	22.7	24.0	25.0
Gross margin exc. depreciation (%)	28.8	27.7	30.8	33.6	34.7
Operating EBITDA margin (%)	19.6	18.0	20.8	24.1	25.2
Operating EBIT margin (%)	13.6	11.1	12.7	14.5	15.5
Net margin (%)	12.4	9.6	11.5	13.3	14.2
Effective tax rate (%)	5.8	7.0	5.7	4.0	4.0
Dividend payout on recurring profit (%)	82.9	83.3	76.3	75.0	75.0
Interest cover (X)	35.0	17.7	32.6	24.2	24.4
Inventory days	135.4	134.4	121.9	117.3	111.9
Debtor days	91.9	103.6	102.8	99.1	91.9
Creditor days	104.1	92.3	92.2	99.6	100.7
Operating ROIC (%)	13.4	10.0	11.2	11.7	12.2
ROIC (%)	12.6	9.4	10.6	11.1	11.6
ROE (%)	17.0	11.6	12.5	13.6	15.0
ROA (%)	11.0	8.4	9.4	10.2	11.0

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
PCB	15,134	13,554	12,919	12,479	13,352
Non PCB	3,323	2,790	2,216	2,182	2,335

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	1,746	1,953	2,235
Depreciation	1,114	1,126	1,226	1,409	1,529
Associates & minorities	-	-	-	-	-
Other non-cash items	(19)	(14)	(78)	(19)	(21)
Change in working capital	(1,186)	832	643	799	(255)
Cash flow from operations	2,191	3,513	3,536	4,141	3,488
Capex - maintenance	-	-	-	-	-
Capex - new investment	(993)	(402)	(2,000)	(3,660)	(2,400)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	121	76	16	3	(7)
Cash flow from investing	(872)	(325)	(1,984)	(3,657)	(2,407)
Dividends paid	(2,322)	(1,419)	(1,333)	(1,465)	(1,676)
Equity finance	10	4	0	0	0
Debt finance	173	(1,150)	(150)	733	399
Other financing cash flows	(2)	(1)	(1)	(1)	(1)
Cash flow from financing	(2,141)	(2,566)	(1,484)	(733)	(1,279)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	60	0	0
Net other adjustments	0	0	60	0	0
Movement in cash	(821)	622	128	(248)	(198)
Free cash flow to firm (FCFF)	1,391.42	3,291.81	1,611.13	572.93	1,180.95
Free cash flow to equity (FCFE)	1,490.66	2,036.57	1,460.55	1,216.21	1,478.01

Per share (THB)

FCFF per share	1.18	2.78	1.36	0.48	1.00
FCFE per share	1.26	1.72	1.24	1.03	1.25
Recurring cash flow per share	2.86	2.27	2.45	2.83	3.17

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	1,895	1,647	1,448
A/C receivable	4,900	4,379	4,147	3,816	4,083
Inventories	4,908	3,793	3,205	3,053	3,223
Other current assets	127	141	136	132	141
Current assets	11,079	10,079	9,383	8,647	8,896
Other assets	138	122	106	103	110
Total assets	20,993	19,193	19,256	20,768	21,895
Common equity	13,389	13,689	14,133	14,621	15,180
Minorities etc.	56	61	60	58	57
Total shareholders' equity	13,445	13,749	14,192	14,679	15,237
Long term debt	910	515	525	1,058	1,350
Other long-term liabilities	395	367	303	308	329
Long-term liabilities	1,305	882	828	1,366	1,679
A/C payable	3,249	2,728	2,564	2,747	2,901
Short term debt	2,915	1,748	1,596	1,902	1,999
Other current liabilities	80	85	76	73	78
Current liabilities	6,244	4,562	4,236	4,723	4,979
Total liabilities and shareholders' equity	20,993	19,193	19,256	20,768	21,895
Net working capital	6,606	5,499	4,848	4,180	4,468
Invested capital	16,520	14,613	14,721	16,300	17,467

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

Per share (THB)

Book value per share	11.33	11.58	11.96	12.37	12.84
Tangible book value per share	11.06	11.34	11.72	12.13	12.60

Financial strength

Net debt/equity (%)	19.9	3.6	1.6	8.9	12.5
Net debt/total assets (%)	12.8	2.6	1.2	6.3	8.7
Current ratio (x)	1.8	2.2	2.2	1.8	1.8
CF interest cover (x)	35.5	24.5	59.3	55.9	39.6

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	14.5	21.1	19.0	16.9	14.8
Recurring P/E @ target price (x) *	17.1	24.9	22.3	20.0	17.5
Reported P/E (x)	14.3	19.2	18.6	16.9	14.8
Dividend yield (%)	5.7	3.9	4.0	4.4	5.1
Price/book (x)	2.5	2.4	2.3	2.3	2.2
Price/tangible book (x)	2.5	2.5	2.4	2.3	2.2
EV/EBITDA (x) **	9.9	11.4	10.6	9.8	8.9
EV/EBITDA @ target price (x) **	11.5	13.4	12.5	11.4	10.3
EV/invested capital (x)	2.2	2.3	2.3	2.1	2.0

* 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

★ ★ ★

Exhibit 9: FSSIA ESG score implication

45.77 /100

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 10: ESG – peer comparison

	FSSIA	Domestic ratings						Global ratings						Bloomberg	
	ESG score	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; FSSIA's compilation

Exhibit 11: 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 12: 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.																			
SET ESG Ratings List (SETESG) by The Stock Exchange of Thailand (SET)	SET ESG 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 SETESG 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. SETESG Index is extended from the SET ESG Ratings 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%). <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 Sustainabilitys	The Sustainabilitys' 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. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></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><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</td><td rowspan="3">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></tr><tr><td>B</td><td>1.429-2.856</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

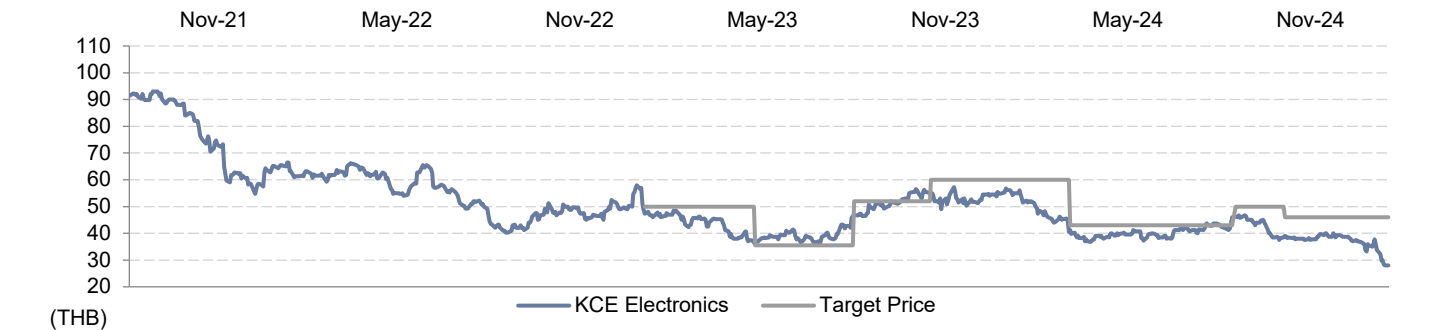
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History of change in investment rating and/or target price

KCE Electronics (KCE TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Feb-2023	HOLD	50.00	16-Oct-2023	HOLD	60.00	19-Aug-2024	BUY	46.00
16-May-2023	HOLD	35.50	14-Feb-2024	HOLD	43.00			
10-Aug-2023	BUY	52.00	05-Jul-2024	BUY	50.00			

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 28.00	BUY	Downside risks to our P/E-based TP include 1) slower-than-expected global economic and car sales recoveries; 2) lower-than-expected decrease in raw material costs; 3) a weaker-than-expected in THB; and 4) a minimum wage increase or a labour 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 18-Nov-2024 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.