

KCE Electronics Pcl (KCE TB) - HOLD, Price Bt73.25, TP Bt89.00**Results Comment**

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Decent 4Q21, in line

- 4Q21 norm earnings came in at BT645m, increased 59% y-y and 7% q-q. The results were in line with our expectation but miss the consensus' by 12%.
- USD sales were 127m, + 12% y-y and 10% q-q due to KCE's new orders from both existing and new clients amid the strong demand for cars and KCE's market share gain.
- Gross margin of 25.3% in 4Q21 increased from 24.2% in 4Q20 due to higher volume and a higher mix of high-margin products, but fell from 27.2% in 3Q21. We suspect due to an increased in defect rates from its new machines.
- SG&A to sales fell to 9.6% from 11.4% in 4Q20 and 10.4% in 3Q21 due to operating leverage impact.
- Despite having fallen, we expect for consensus' earnings downgrade momentum and thus a negative sentiment for share price.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Revenue	3,418	3,415	3,536	3,789	4,198	Revenue	11	23	101	14,938	17,968
Gross profit	826	855	1,027	1,029	1,062	Gross profit	3	29	94	3,973	5,916
SG&A	389	402	457	395	401	SG&A	1	3	90	1,656	2,081
Operating profit	437	453	570	634	661	Operating profit	4	51	97	2,317	3,836
EBITDA	704	662	874	883	922	EBITDA	4	31	95	3,341	5,087
Other income	26	40	64	27	72	Other income	170	177	202	202	102
Other expense	0	0	0	0	0	Other expense					
Interest expense	13	10	13	9	12	Interest expense	32	(7)	58	44	100
Profit before tax	451	482	621	652	721	Profit before tax	11	60	102	2,475	3,838
Income tax	43	49	56	45	71	Income tax	57	68	134	221	279
Equity & invest. income	3	4	4	4	5	Equity & invest. income	28	101	169	17	11
Minority interests	(5)	(7)	(11)	(9)	(9)	Minority interests	na	na	696	(35)	(6)
Extraordinary items	(26)	73	59	2	55	Extraordinary items	2,174	na	na	190	0
Net profit	381	503	618	604	701	Net profit	16	84	107	2,426	3,564
Normalized profit	406	430	559	602	646	Normalized profit	7	59	99	2,237	3,564
EPS (Bt)	0.32	0.43	0.53	0.51	0.60	EPS (Bt)	16	84	108	2.06	3.02
Normalized EPS (Bt)	0.35	0.37	0.48	0.51	0.55	Normalized EPS (Bt)	7	59	99	1.90	3.02

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & ST investment	2,347	2,770	2,758	2,492	2,482	Sales grow th	17.8	4.8	66.2	39.2	22.8
A/C receivable	3,174	3,739	3,886	4,169	4,394	Operating profit grow th	100.1	28.5	783.2	203.4	51.1
Inventory	2,594	2,697	3,323	3,962	4,841	EBITDA grow th	50.4	7.0	169.6	89.5	31.1
Other current assets	69	80	74	83	76	Norm profit grow th	89.7	19.7	663.0	234.4	59.0
Investment	187	191	185	191	195	Norm EPS grow th	89.3	19.5	661.3	234.4	59.0
Fixed assets	8,107	8,081	8,112	8,697	8,979	Gross margin	24.2	25.0	29.0	27.2	25.3
Other assets	898	950	1,016	955	983	Operating margin	12.8	13.3	16.1	16.7	15.7
Total assets	17,377	18,507	19,354	20,548	21,951	EBITDA margin	20.6	19.4	24.7	23.3	22.0
S-T debt	1,670	1,444	1,931	2,144	2,538	Norm net margin	11.9	12.6	15.8	15.9	15.4
A/C payable	2,458	2,855	3,084	4,000	4,246	D/E (x)	0.2	0.2	0.2	0.3	0.3
Other current liabilities	88	138	107	121	164	Net D/E (x)	(0.0)	(0.0)	0.0	0.1	0.1
L-T debt	676	1,012	984	1,115	1,117	Interest coverage (x)	56.0	63.8	68.9	99.2	78.6
Other liabilities	423	427	432	431	444	Interest rate	2.0	1.7	1.9	1.2	1.4
Minority interest	52	59	60	59	62	Effective tax rate	9.4	10.2	9.0	7.0	9.9
Shareholders' equity	12,010	12,573	12,757	12,677	13,380	ROA	9.5	9.6	11.8	12.1	12.2
Working capital	3,311	3,581	4,125	4,130	4,990	ROE	13.8	14.0	17.6	18.9	19.8
Total debt	2,346	2,455	2,915	3,259	3,654						
Net debt	(1)	(314)	157	767	1,172						

Sources: Company data, Thanachart estimates