# KCE Electronics Pcl (KCE TB) - HOLD, Price Bt59.75, TP Bt67.00

**Results Comment**

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## Weaker-than-expected 1Q22 results

- KCE's norm earnings in 1Q22 came in at Bt558m, increased 30% y-y but fell 8% q-q. The earnings were weaker than expected on cost level.
- USD sales were $138m, +33% y-y and 8% q-q. Stronger revenues were on the back of higher orders amid higher demand for electronic-based auto parts and KCE's capacity expansion.
- Gross margin was the disappointing area. It was 23% in 1Q22 vs. 25% in 1Q21 and 25% in 4Q21. This was due to the full quarter of high loss ratio from its capacity expansion since 4Q21. The hiccup was due to the technical issue of the new capacity.
- SG&A to sales was 10.6% vs. 11.8% in 1Q21 and 9.6% in 4Q21. The ratio fell y-y on operating leverage impact but fell q-q on the full-quarter of higher fixed cost from the new capacity while efficiently remained low.
- So far, the hiccup has been solved and KCE expects for a significant improvement in 2Q22.

| **Income Statement** | | | | | (consolidated) |
|---|---|---|---|---|---|
| **Yr-end Dec (Bt m)** | **1Q21** | **2Q21** | **3Q21** | **4Q21** | **1Q22** |
| Revenue | 3,415 | 3,536 | 3,789 | 4,198 | 4,533 |
| **Gross profit** | **855** | **1,027** | **1,029** | **1,062** | **1,035** |
| SG&A | 402 | 457 | 395 | 401 | 479 |
| Operating profit | 453 | 570 | 634 | 661 | 556 |
| **EBITDA** | **662** | **874** | **883** | **922** | **822** |
| Other income | 40 | 64 | 27 | 72 | 53 |
| Other expense | 0 | 0 | 0 | 0 | 0 |
| Interest expense | 10 | 13 | 9 | 12 | 12 |
| **Profit before tax** | **482** | **621** | **652** | **721** | **598** |
| Income tax | 49 | 56 | 45 | 71 | 35 |
| Equity & invest. income | 4 | 4 | 4 | 5 | 5 |
| Minority interests | (7) | (11) | (9) | (9) | (10) |
| Extraordinary items | 73 | 59 | 2 | 55 | 32 |
| **Net profit** | **503** | **618** | **604** | **701** | **590** |
| **Normalized profit** | **430** | **559** | **602** | **646** | **558** |
| EPS (Bt) | 0.43 | 0.53 | 0.51 | 0.60 | 0.50 |
| Normalized EPS (Bt) | 0.37 | 0.48 | 0.51 | 0.55 | 0.47 |

| **Income Statement** | | | 3M as | | |
|---|---|---|---|---|---|
| **(Bt m)** | **q-q%** | **y-y%** | **% 2022F** | **2022F** | **2023F** |
| Revenue | 8 | 33 | 25 | 18,227 | 19,835 |
| **Gross profit** | **(3)** | **21** | **19** | **5,472** | **6,296** |
| SG&A | 19 | 19 | 23 | 2,065 | 2,081 |
| Operating profit | (16) | 23 | 16 | 3,407 | 4,214 |
| **EBITDA** | **(11)** | **24** | **18** | **4,613** | **5,497** |
| Other income | (26) | 34 | 51 | 105 | 107 |
| Other expense | | | | | |
| Interest expense | 1 | 14 | 14 | 87 | 85 |
| **Profit before tax** | **(17)** | **24** | **17** | **3,425** | **4,237** |
| Income tax | (51) | (29) | 11 | 306 | 379 |
| Equity & invest. income | (5) | 24 | 27 | 18 | 19 |
| Minority interests | na | na | 198 | (5) | (6) |
| Extraordinary items | (42) | (56) | na | 0 | 0 |
| **Net profit** | **(16)** | **17** | **19** | **3,131** | **3,871** |
| **Normalized profit** | **(14)** | **30** | **18** | **3,131** | **3,871** |
| EPS (Bt) | (16) | 17 | 19 | 2.65 | 3.28 |
| Normalized EPS (Bt) | (14) | 30 | 18 | 2.65 | 3.28 |

| **Balance Sheet** | | | | | (consolidated) |
|---|---|---|---|---|---|
| **Yr-end Dec (Bt m)** | **1Q21** | **2Q21** | **3Q21** | **4Q21** | **1Q22** |
| Cash & ST investment | 2,770 | 2,758 | 2,492 | 2,482 | 2,217 |
| A/C receivable | 3,739 | 3,886 | 4,169 | 4,394 | 4,893 |
| Inventory | 2,697 | 3,323 | 3,962 | 4,841 | 4,811 |
| Other current assets | 80 | 74 | 83 | 76 | 64 |
| Investment | 191 | 185 | 191 | 195 | 198 |
| Fixed assets | 8,081 | 8,112 | 8,697 | 8,979 | 9,223 |
| Other assets | 950 | 1,016 | 955 | 983 | 914 |
| **Total assets** | **18,507** | **19,354** | **20,548** | **21,951** | **22,321** |
| S-T debt | 1,444 | 1,931 | 2,144 | 2,538 | 2,572 |
| A/C payable | 2,855 | 3,084 | 4,000 | 4,246 | 4,039 |
| Other current liabilities | 138 | 107 | 121 | 164 | 190 |
| L-T debt | 1,012 | 984 | 1,115 | 1,117 | 1,046 |
| Other liabilities | 427 | 432 | 431 | 444 | 429 |
| Minority interest | 59 | 60 | 59 | 62 | 72 |
| **Shareholders' equity** | **12,573** | **12,757** | **12,677** | **13,380** | **13,974** |
| Working capital | 3,581 | 4,125 | 4,130 | 4,990 | 5,665 |
| Total debt | 2,455 | 2,915 | 3,259 | 3,654 | 3,618 |
| **Net debt** | **(314)** | **157** | **767** | **1,172** | **1,400** |

| **Financial Ratios** | | | | | |
|---|---|---|---|---|---|
| **(%)** | **1Q21** | **2Q21** | **3Q21** | **4Q21** | **1Q22** |
| Sales growth | 4.8 | 66.2 | 39.2 | 22.8 | 32.7 |
| Operating profit growth | 28.5 | 783.2 | 203.4 | 51.1 | 22.9 |
| EBITDA growth | 7.0 | 169.6 | 89.5 | 31.1 | 24.2 |
| Norm profit growth | 19.7 | 663.0 | 234.4 | 59.0 | 29.6 |
| Norm EPS growth | 19.5 | 661.3 | 234.4 | 59.0 | 29.6 |
| | | | | | |
| Gross margin | 25.0 | 29.0 | 27.2 | 25.3 | 22.8 |
| Operating margin | 13.3 | 16.1 | 16.7 | 15.7 | 12.3 |
| EBITDA margin | 19.4 | 24.7 | 23.3 | 22.0 | 18.1 |
| Norm net margin | 12.6 | 15.8 | 15.9 | 15.4 | 12.3 |
| | | | | | |
| D/E (x) | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 |
| Net D/E (x) | (0.0) | 0.0 | 0.1 | 0.1 | 0.1 |
| Interest coverage (x) | 63.8 | 68.9 | 99.2 | 78.6 | 69.6 |
| Interest rate | 1.7 | 1.9 | 1.2 | 1.4 | 1.3 |
| Effective tax rate | 10.2 | 9.0 | 7.0 | 9.9 | 5.9 |
| ROA | 9.6 | 11.8 | 12.1 | 12.2 | 10.1 |
| ROE | 14.0 | 17.6 | 18.9 | 19.8 | 16.3 |

Sources: Company data, Thanachart estimates

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