

KCE Electronics Pcl (KCE TB) - SELL, Price Bt57.00, TP Bt40.00**Results Comment**

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Weaker-than-expected 4Q22 results

- KCE's norm earnings were Bt507m, fell 21% y-y and 16% q-q. Earnings were weaker than our and consensus' expectation. Key miss was very low gross margin amid the rapid baht appreciation.
- US dollar revenues were 128m, flat y-y and q-q. This was despite the low base effect. We suspect soft figure was due to soft car sales during the quarter.
- Gross margin fell to 21.1% in 4Q22 vs. 25.3% in 4Q21 due mainly to higher raw material price. The margin fell from 24.3% in 3Q22 due to the impact from the rapid baht appreciation.
- SG&A to sales was 11.6% vs. 9.6% last year due to KCE's higher expense from new production line.
- We maintain SELL on KCE.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	(Bt m)	q-q%	y-y%	% 2022F	2022A	2023F
Revenue	4,198	4,533	4,667	4,634	4,622	Revenue	(0)	10	98	18,456	19,450
Gross profit	1,062	1,035	1,064	1,125	978	Gross profit	(13)	(8)	96	4,202	4,722
SG&A	401	479	450	523	536	SG&A	3	34	109	1,988	1,910
Operating profit	661	556	614	602	441	Operating profit	(27)	(33)	86	2,214	2,812
EBITDA	922	822	875	878	721	EBITDA	(18)	(22)	87	3,295	4,094
Other income	72	53	63	54	123	Other income	129	72	279	294	107
Other expense	0	0	0	0	0	Other expense					
Interest expense	12	12	17	19	24	Interest expense	24	105	74	72	111
Profit before tax	721	598	660	637	541	Profit before tax	(15)	(25)	95	2,435	2,808
Income tax	71	35	54	22	32	Income tax	45	(55)	62	144	251
Equity & invest. income	5	5	4	5	4	Equity & invest. income	(20)	(20)	101	19	19
Minority interests	(9)	(10)	(9)	(5)	(6)	Minority interests	na	na	na	(29)	(6)
Extraordinary items	55	32	(30)	41	(7)	Extraordinary items	na	na	na	36	0
Net profit	701	590	572	655	500	Net profit	(24)	(29)	98	2,317	2,570
Normalized profit	646	558	602	614	507	Normalized profit	(17)	(21)	97	2,281	2,570
EPS (Bt)	0.60	0.50	0.49	0.56	0.43	EPS (Bt)	(24)	(29)	99	1.96	2.18
Normalized EPS (Bt)	0.55	0.47	0.51	0.52	0.43	Normalized EPS (Bt)	(17)	(21)	97	1.93	2.18

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	(%)	4Q21	1Q22	2Q22	3Q22	4Q22
Cash & ST investment	2,482	2,217	1,831	1,078	1,153	Sales grow th	22.8	32.7	32.0	22.3	10.1
A/C receivable	4,394	4,893	5,080	5,130	4,900	Operating profit grow th	51.1	22.9	7.8	(5.0)	(33.2)
Inventory	4,841	4,811	4,987	5,287	4,908	EBITDA grow th	31.1	24.2	0.1	(0.5)	(21.9)
Other current assets	76	64	85	113	119	Norm profit grow th	59.0	29.6	7.7	2.1	(21.4)
Investment	195	198	184	188	190	Norm EPS grow th	59.0	29.6	7.7	2.1	(21.4)
Fixed assets	8,979	9,223	9,096	8,967	8,864	Gross margin	25.3	22.8	22.8	24.3	21.1
Other assets	983	914	907	879	860	Operating margin	15.7	12.3	13.2	13.0	9.6
Total assets	21,951	22,321	22,170	21,641	20,993	EBITDA margin	22.0	18.1	18.7	19.0	15.6
S-T debt	2,538	2,572	3,268	3,171	2,911	Norm net margin	15.4	12.3	12.9	13.3	11.0
A/C payable	4,246	4,039	3,845	3,965	3,249	D/E (x)	0.3	0.3	0.3	0.3	0.3
Other current liabilities	164	190	89	63	84	Net D/E (x)	0.1	0.1	0.2	0.2	0.2
L-T debt	1,117	1,046	1,091	1,077	904	Interest coverage (x)	78.6	69.6	51.9	45.4	29.9
Other liabilities	444	429	434	438	401	Interest rate	1.4	1.3	1.7	1.8	2.4
Minority interest	62	72	62	50	56	Effective tax rate	9.9	5.9	8.2	3.5	5.9
Shareholders' equity	13,380	13,974	13,381	12,877	13,389	ROA	12.2	10.1	10.8	11.2	9.5
Working capital	4,990	5,665	6,222	6,451	6,559	ROE	19.8	16.3	17.6	18.7	15.5
Total debt	3,654	3,618	4,359	4,248	3,814						
Net debt	1,172	1,400	2,528	3,170	2,662						

Sources: Company data, Thanachart estimates

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