

**HOLD** (Unchanged)

Change in Numbers

**TP: Bt 40.00**

(From: Bt 45.00)

**Upside : 6.0%**

**12 SEPTEMBER 2024**

# KCE Electronics Pcl (KCE TB)

## Two new negatives

Intense competition in lower-layer PCBs and the strengthening baht lead us to cut our earnings estimates for KCE by 6/10/9% for 2024-26F. We maintain our HOLD call on KCE, seeing it as fairly priced at 23/20x PE in 2024-25F against EPS growth of 25/13/12% in 2024-26F.



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### Cutting earnings; still a HOLD

We maintain our HOLD rating on KCE with a lower DCF-based 12-month TP (2025F base year) of Bt40.0 (from Bt45.0). *First*, more intense competition in the lower-layer PCB segment and faster-than-expected baht strengthening lead us to cut our earnings estimates for KCE by 6/10/9% in 2024-26F. *Second*, KCE is seeing a trend of rising HDI orders, but there is a risk of capacity constraints in the near term. *Third*, we expect 2H24F earnings to improve by only 6% y-y and 4% h-h due to these challenges. *Fourth*, cost-saving strategies remain on track, with more likely next year. *Lastly*, at 23/20x 2024-25F P/E vs. EPS growth of 25/13/12%, KCE appears fairly valued to us.

### Rising competition in low-layer PCB segment

KCE's 2Q24 US\$ PCB revenue grew only 1.5% y-y despite 2Q23 being a low base. The weak growth in 2Q24 was due to a 5% y-y drop in orders for lower-layer PCBs (65% of EBIT). KCE expects total US\$ revenues to remain flat in 3Q24. Though HDI sales (35% of EBIT) are still growing, we expect sales of lower-layer PCBs to fall further. The competition is due to lower-cost producers in China being increasingly competitive in supplying the low-cost EV supply chain and gaining market share. EU car makers are also reducing quality requirements for non-critical components that can use lower-layer Chinese-made PCBs. We project KCE's US\$ PCB revenue to grow -6/+5/+7% in 2024-26F.

### Short-term hiccup but bright future for HDI

High-margin, high-density interconnector (HDI) PCBs are KCE's key focus, and the products continue to see strong demand amid growing high-tech car functions. However, KCE has short-term capacity constraints that will limit order growth in 2H24F. In 2Q24, its HDI sales grew 17% y-y, and it ran at near full capacity. KCE is adding new HDI machinery, but the inspection could take five to six months due to the extensive testing required by EU car brands. KCE plans to increase HDI capacity by over 20% next year and to run at over 80% utilization with strong pending orders. Due to the stringent qualifications, KCE does not anticipate significant competition from Chinese producers.

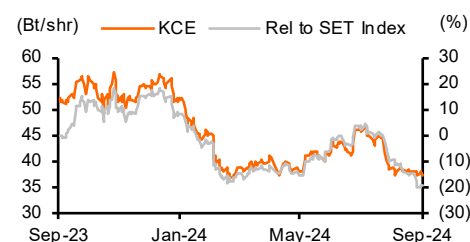
### Pressure from strong baht

KCE is a net export company. It benefits from a weak baht and vice versa. Due to the prospect of faster and more aggressive Fed funds rate cuts later this year into next year, the US\$ has weakened against other currencies, including the baht. Our baht house view is revised to Bt35.4/33.9/33.5 (from Bt36.3/35.7/34.9) per US\$ in 2024-26F. Our earnings sensitivity analysis suggests that each 1% appreciation in the baht's value against the US\$ would reduce its earnings by 3.0%. The current level is Bt33.6/US\$.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	16,344	15,470	15,834	16,968
Net profit	1,720	1,954	2,198	2,468
Consensus NP	—	2,168	2,353	2,593
Diff frm cons (%)	—	(9.9)	(6.6)	(4.8)
Norm profit	1,569	1,954	2,198	2,468
Prev. Norm profit	—	2,090	2,439	2,699
Chg frm prev (%)	—	(6.5)	(9.9)	(8.6)
Norm EPS (Bt)	1.3	1.7	1.9	2.1
Norm EPS grw (%)	(31.2)	24.5	12.5	12.3
Norm PE (x)	28.4	22.8	20.3	18.1
EV/EBITDA (x)	16.5	14.3	12.6	11.1
P/BV (x)	3.3	3.0	2.8	2.5
Div yield (%)	1.6	1.8	2.0	2.3
ROE (%)	11.6	13.7	14.1	14.5
Net D/E (%)	2.8	(3.6)	(7.7)	(15.5)

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price: (Bt) as of 12-Sep-24	37.75
Market Cap (US\$ m)	1,323.0
Listed Shares (m shares)	1,182.1
Free Float (%)	60.9
Avg. Daily Turnover (US\$ m)	10.9
12M Price H/L (Bt)	57.25/36.75
Sector	Electronics
Major Shareholder	Ongkosit Family 23.5%

Sources: Bloomberg, Company data, Thanachart estimates

## Reaffirming HOLD

**We maintain our HOLD call  
and cut our TP to  
Bt40/share**

We reaffirm our HOLD rating on shares of KCE Electronics Pcl (KCE) with a lower DCF-based TP, using a 2025F base year, of Bt40/share (from Bt45).

See our assumptions in Exhibit 1 below.

### Ex 1: Our Assumptions

	2020	2021	2022	2023	2024F	2025F	2026F
Year-end capacity (million sq ft per month)	2.7	3.0	3.3	4.0	4.0	4.7	0.0
Year-end capacity growth (%)	0.0	11.1	10.0	21.2	0.0	17.5	0.0
Effective capacity (million sq ft per month)	2.7	2.8	3.2	3.5	3.7	4.1	4.7
Effective capacity growth (%)	0.0	1.9	17.3	7.8	6.7	10.8	14.6
Global car sales growth (%)	(15.0)	3.0	(2.6)	7.0	2.0	7.0	5.0
US\$ sales growth (%)	(5.3)	25.9	11.1	(10.1)	(7.1)	7.1	8.4
- HDI growth (%)	30.5	27.7	67.2	0.5	5.0	20.0	10.0
- Non-HID growth (%)	(16.7)	25.7	(4.0)	(13.2)	(8.0)	3.5	4.0
Baht/US\$ assumption	31.3	32.0	35.1	34.8	35.4	33.9	33.5
Baht sales growth (%)	(4.7)	29.6	23.6	(10.1)	(5.3)	2.4	7.2
HDI proportion (%)	16.5	16.7	25.9	28.8	33.6	36.0	38.0
Gross margin (%)	21.8	26.6	22.8	20.8	24.5	25.7	25.9
SG&A to sales (%)	12.6	11.1	10.8	10.9	11.6	11.5	11.0

Sources: Company data, Thanachart estimates

### Ex 2: Assumption Revisions

	2021	2022	2023	2024F	2025F	2026F
<b>Sales (Bt m)</b>						
- New	14,938	18,456	16,344	15,470	15,834	16,968
- Old				15,654	16,212	17,226
- Change (%)				(1.2)	(2.3)	(1.5)
<b>Gross margin (%)</b>						
- New	26.6	22.8	20.8	24.5	25.7	25.9
- Old				24.6	26.7	26.9
- Change (ppt)				(0.1)	(1.0)	(1.0)
<b>SG&amp;A/sales (%)</b>						
- New	11.1	10.8	10.9	11.6	11.5	11.0
- Old				10.9	11.2	10.8
- Change (ppt)				0.7	0.3	0.2
<b>Normalized profit (Bt m)</b>						
- New	2,237	2,281	1,569	1,954	2,198	2,468
- Old				2,090	2,439	2,699
- Change (%)				(6.5)	(9.9)	(8.6)

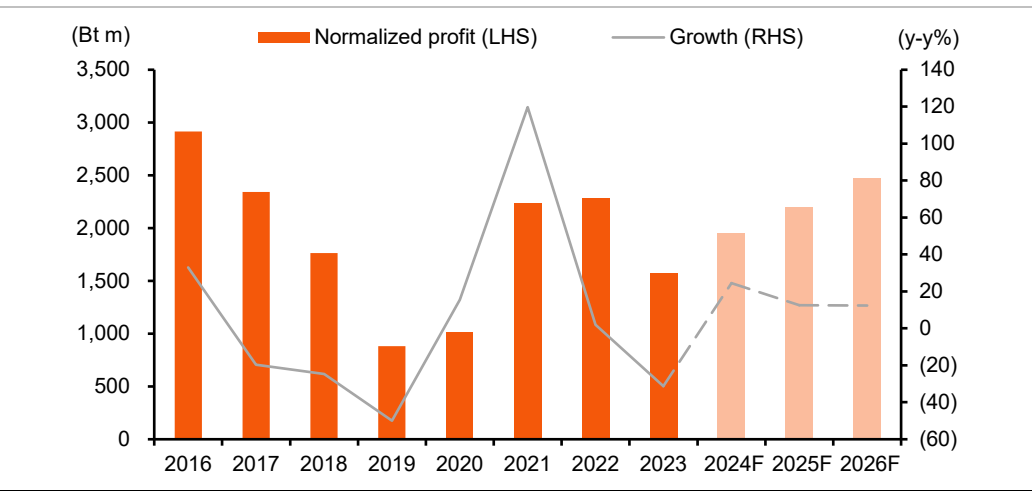
Sources: Company data, Thanachart estimates

We cut our earnings due to the strong baht and lower non-HDI PCB orders

We discuss below our reasoning:

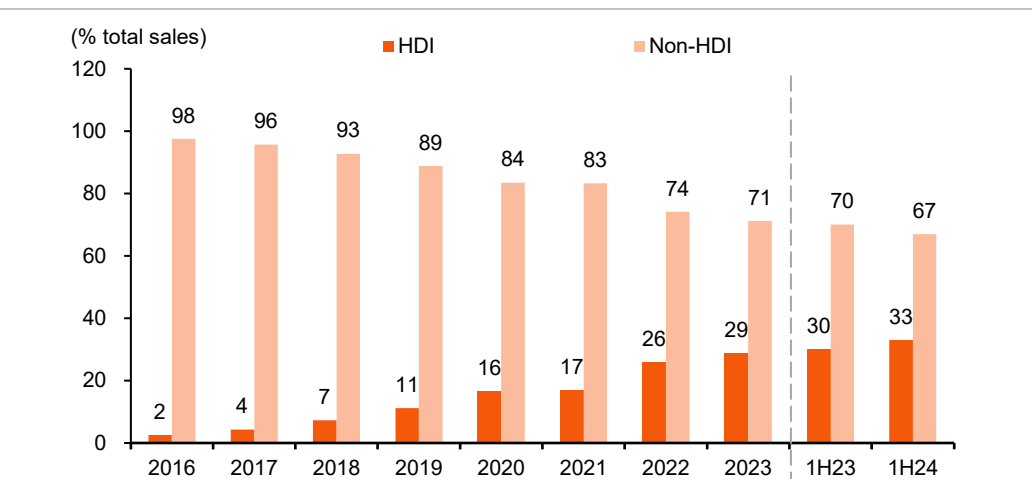
**First**, we cut our earnings estimates for KCE by 6/10/9% in 2024-26F due to falling orders for non-HDI PCB products and a stronger-than-expected baht against the US dollar.

Ex 3: Earnings Trend



There has been a weak outlook for KCE's non-HDI PCBs, particularly in the lower-layer segment. While global car sales have lost some momentum, especially in KCE's focus markets of the EU and the US, there has been intense competition from low-cost Chinese PCB manufacturers, whose rise coincides with the growth of China's EV market.

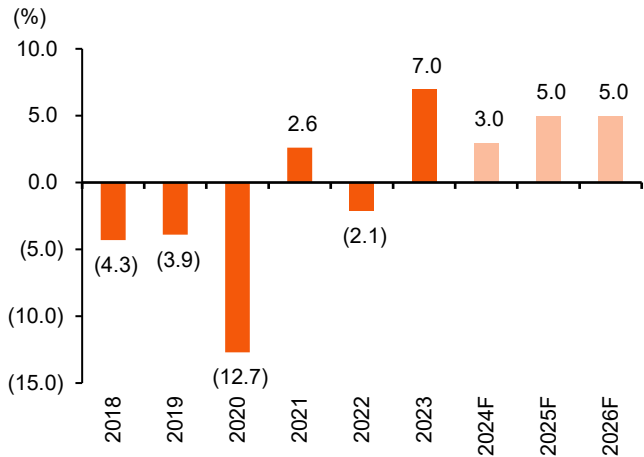
Ex 4: KCE's PCB Milestones



As lower-layer PCBs are used in non-critical car components, such as fans, EU car brands are opting for lower-cost alternatives.

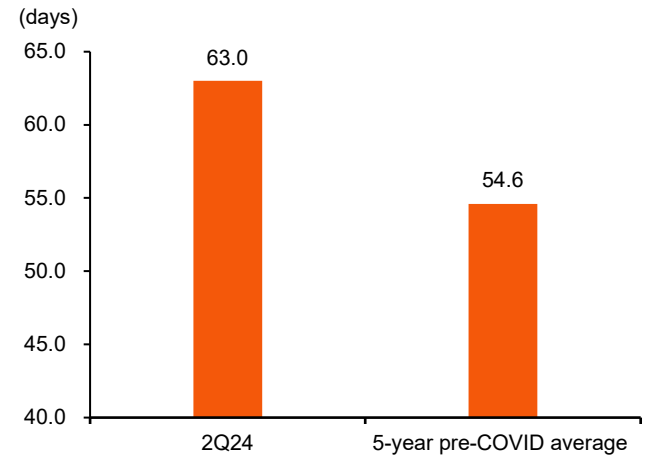
Exhibit 6 shows global car sales moderating amid soft consumer spending in major markets this year. The inventory-to-sales ratio at KCE’s end-clients, EU and US car makers, has also been higher than historical levels, although not significantly.

Ex 5: Global Car Sales



Sources: Company data; Thanachart estimates

Ex 6: Inventory Not Excessive



Sources: Company data; Thanachart estimates  
Note: Listed EU and US car makers include Volk, Daimler, BMW, Ford, GM and others

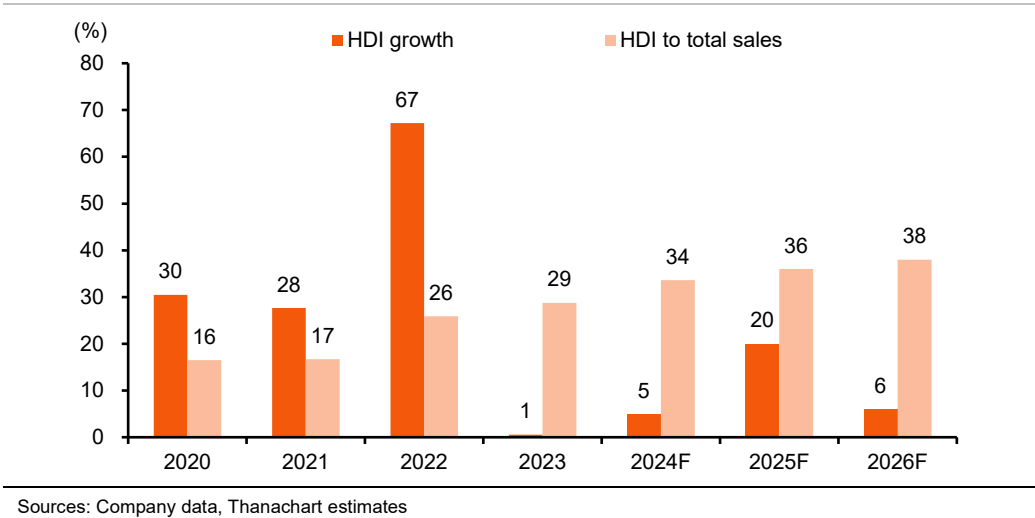
Strong HDI orders with near-term capacity constraints

**Second**, KCE has been successful in expanding its High-Density Interconnector (HDI) PCB business. With increased competition in lower-layer PCBs and demand shifting toward HDI due to the rising sophistication of electronic functions in cars, KCE has focused on HDI, which grew to 33% of sales 2Q24 from 7% in 2018.

Orders have exceeded KCE’s expectations, leading to near-term capacity constraints in 2H24. KCE’s HDI segment grew 17% y-y in 1H24, and the company is already operating near full capacity. KCE has placed orders for new machinery, but due to the extensive client testing requirements, it will likely take five to six months to complete capacity expansion. KCE plans to increase HDI capacity by 20% next year and expects to maintain high utilization due to strong order flows.

KCE does not foresee significant competition from Chinese players in the HDI segment, as quality is crucial for HDI, which is used in critical car components like safety sensors. Thanks to its cost advantage, KCE also looks well-positioned against high-tier EU and US PCB manufacturers producing HDI.

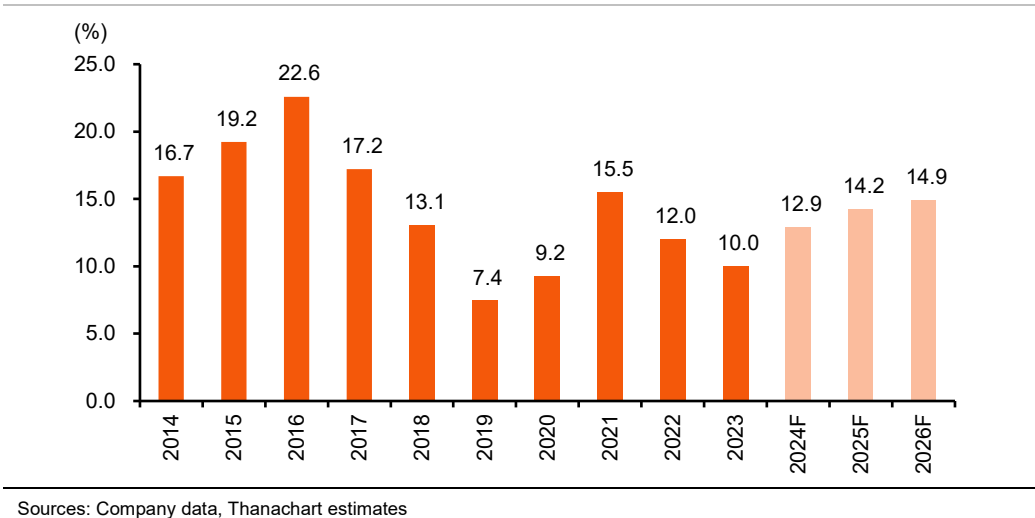
Ex 7: Strong HDI Growth



Cost savings proceeding as planned.

Third, cost-saving initiatives are progressing as planned. KCE expects to save about Bt300m this year and another Bt300m next year. Savings include an in-house mix of chemicals for PCB and replacing workers with automation.

Ex 8: EBIT Expansion



**KCE looks fairly priced to us**

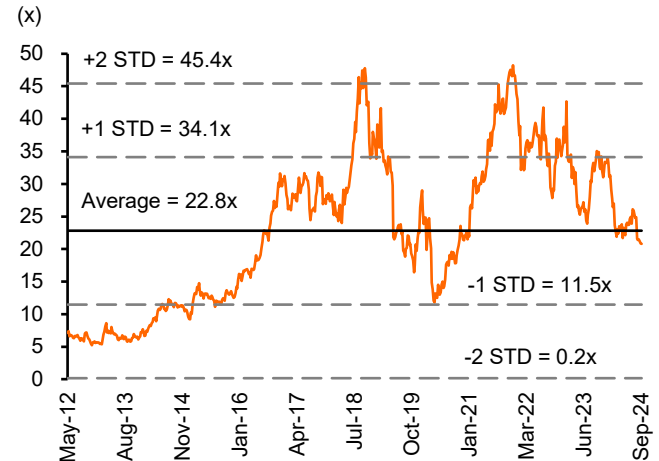
**Lastly**, we view KCE as fairly priced, given our projections of 25/13/12% EPS growth in 2024-26F and PE multiples of 23/20x in 2024-25F.

**Ex 9: Share Price Trend**



Source: Bloomberg

**Ex 10: Historical Forward PE**



Sources: Bloomberg Thanachart estimates

**Ex 11: 12-month DCF-based TP Calculation Using A Base Year of 2025F**

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal value
EBITDA	3,435	3,776	4,089	4,492	4,943	5,484	6,094	6,655	7,337	7,927	8,548	—
Free cash flow	1,484	2,404	2,765	3,246	3,639	4,113	4,649	5,290	5,996	6,521	7,085	83,826
PV of free cash flow	1,224	1,800	1,880	2,003	2,039	2,093	2,073	2,132	2,184	2,147	2,109	24,950
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	10.1											
Terminal growth (%)	2.0											
Enterprise value - add investments	48,229											
Net debt (2024F)	390											
Minority interest	61											
Equity value	47,778											
# of shares (m)	1,182											
<b>Target price/share (Bt)</b>	<b>40</b>											

Sources: Company data, Thanachart estimates

Note: \* We assume full dilution impact from outstanding ESOP shares

Valuation Comparison

Ex 12: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		— Div. yield —	
			24F	25F	24F	25F	24F	25F	24F	25F	24F	25F
			(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
TTM Technologies Inc	TTMI US	USA	15.4	20.2	11.6	9.7	1.2	1.1	7.0	6.4	na	na
Chin(Poon Industrial	2355 TT	Taiwan	70.3	1.5	12.4	12.3	0.9	0.9	na	na	7.3	7.4
Tripod Technology Corp	3044 TT	Taiwan	37.4	13.9	12.4	10.9	2.1	1.9	5.7	5.1	4.6	5.4
CMK Corp	6958 JP	Japan	(21.3)	44.5	7.6	5.3	0.4	0.4	4.2	3.2	4.0	5.7
Meiko Electronics	6787 JP	Japan	18.7	20.6	11.5	9.5	1.4	1.2	8.0	7.0	1.2	1.4
SVI Pcl	SVI TB	Thailand	51.2	1.0	12.1	12.0	2.1	1.9	9.5	9.6	2.6	2.6
Delta Electronics	DELTA TB*	Thailand	21.5	45.6	60.2	41.3	15.7	12.5	46.6	32.5	0.6	1.0
Hana Microelectronics	HANA TB*	Thailand	(18.1)	24.9	19.4	15.6	1.1	1.1	8.4	7.0	2.6	3.2
KCE Electronics	KCE TB*	Thailand	24.5	12.5	22.8	20.3	3.0	2.8	14.3	12.6	1.8	2.0
Average			22.2	20.5	18.9	15.2	3.1	2.6	13.0	10.4	3.1	3.6

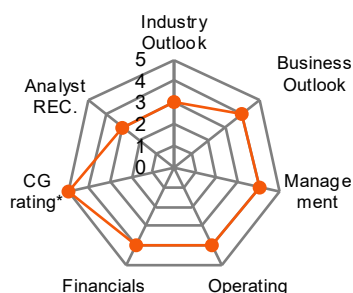
Source: Bloomberg  
Note: \*Thanachart estimates, using Thanachart normalized EPS  
Based on 12 September 2024 closing prices

## COMPANY DESCRIPTION

KCE Electronics Public Company Limited (KCE) and its subsidiaries manufacture and export double-sided and multi-layer printed circuit boards (PCBs) under the KCE trademark. The company has five manufacturing bases: three PCB factories, one laminate factory, and one chemical factory, and it has four locations in Thailand. KCE is one of the leading global suppliers of PCBs to the automotive sector, and these account for more than 70% of its total sales.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Sustainable earnings from the automotive sector.
- Completed upstream to downstream business integration.
- Lowest-cost automotive PCB manufacturer.

### O — Opportunity

- Potential penetration of the Japanese market.
- Positive growth outlook in the automotive electronics industry.
- Expanding into other industries, such as industrial and high-end consumer products.

### W — Weakness

- Capital-intensive business, particularly for machinery.
- Revenue still concentrated with a few large customers.

### T — Threat

- Unexpected external events (i.e. floods, political turmoil) could disrupt KCE's operations.
- Delay in construction of factories could significantly affect the time frames for the qualification process by customers.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	46.50	40.00	-14%
Net profit 24F (Bt m)	2,168	1,954	-10%
Net profit 25F (Bt m)	2,353	2,198	-7%
Consensus REC	BUY: 12	HOLD: 6	SELL: 0

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our TP is lower than the Bloomberg consensus number, which we attribute to us having a more conservative assumption for growth in global car sales.

Sources: Bloomberg consensus, Thanachart estimates

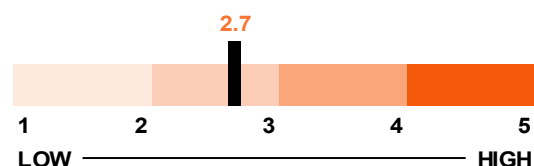
## RISKS TO OUR INVESTMENT CASE

- A slower-than-expected turnaround in the global automotive market presents the key downside risk to our projections and TP.
- Lower-than-expected copper prices is a key upside risk to our estimates.
- Drastic currency fluctuations with a strong Thai baht relative to the US\$ present another downside risk to our numbers.

Source: Thanachart

KCE is among the world's top ten largest manufacturers of printed circuit boards (PCB). Its factories release some greenhouse gases, and it implements measures to reduce emissions. However, our ESG score for KCE is 2.7, which is moderate as its overall ESG targets and plans aren't yet clear.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
KCE	-	-	-	-	65.12	60.91	24.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "term of use" in the following back page.

## Factors

## Our Comments

## ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- KCE is a global manufacturer of printed circuit boards (PCB) with two factories in operation in Thailand. Its factories release certain amounts of greenhouse gases (GHG) and other pollutants. KCE says it has been implementing various measures to reduce emissions. However, the company has yet to provide clear targets and plans to achieve those goals.
- KCE uses logistics management software to calculate the most fuel-efficient routes for transportation to reduce air pollution.
- KCE is changing many office-related products, e.g., copy paper, toner, LED tubes and refrigerators, to be more environmentally friendly.
- KCE has discontinued using foam in its product packaging and switched toward recycled paper to reduce hazardous waste.

## SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- KCE has a policy to discontinue relationships with suppliers that violate labor rights, e.g., those that use child workers.
- The company provides health and accident insurance for employees and health insurance for their families.
- KCE has been active in providing aid, such as food and drinking water, to those in need, e.g., flooding and COVID victims.

GOVERNANCE &  
SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- KCE has a nine-member board of directors (BOD), which we consider appropriate for the size and scope of its business. Of the nine members, three are independent directors. There are three female board members. Eight members, including the chairman, have a stake in KCE.
- KCE has diversified its products from just PCBs for the auto sector, which now account for around 70% of total revenues. The rest is from the consumer, industrial, and medical sectors.
- KCE has been active in developing automation to reduce the size of its workforce, although the process has been gradual.

Sources: Thanachart, Company data

## INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	18,456	16,344	15,470	15,834	16,968
Cost of sales	14,254	12,941	11,680	11,765	12,573
<b>Gross profit</b>	<b>4,202</b>	<b>3,403</b>	<b>3,790</b>	<b>4,069</b>	<b>4,395</b>
% gross margin	22.8%	20.8%	24.5%	25.7%	25.9%
Selling & administration expenses	1,988	1,774	1,800	1,818	1,870
<b>Operating profit</b>	<b>2,214</b>	<b>1,629</b>	<b>1,990</b>	<b>2,251</b>	<b>2,525</b>
% operating margin	12.0%	10.0%	12.9%	14.2%	14.9%
Depreciation & amortization	1,082	1,096	1,094	1,184	1,252
<b>EBITDA</b>	<b>3,295</b>	<b>2,724</b>	<b>3,084</b>	<b>3,435</b>	<b>3,776</b>
% EBITDA margin	17.9%	16.7%	19.9%	21.7%	22.3%
Non-operating income	294	190	182	186	189
Non-operating expenses	0	0	0	0	0
Interest expense	(72)	(104)	(59)	(58)	(42)
<b>Pre-tax profit</b>	<b>2,435</b>	<b>1,715</b>	<b>2,113</b>	<b>2,379</b>	<b>2,672</b>
Income tax	144	131	169	190	214
<b>After-tax profit</b>	<b>2,292</b>	<b>1,583</b>	<b>1,944</b>	<b>2,188</b>	<b>2,459</b>
% net margin	12.4%	9.7%	12.6%	13.8%	14.5%
Shares in affiliates' Earnings	19	14	15	16	16
Minority interests	(29)	(28)	(5)	(6)	(7)
Extraordinary items	36	150	0	0	0
<b>NET PROFIT</b>	<b>2,317</b>	<b>1,720</b>	<b>1,954</b>	<b>2,198</b>	<b>2,468</b>
<b>Normalized profit</b>	<b>2,281</b>	<b>1,569</b>	<b>1,954</b>	<b>2,198</b>	<b>2,468</b>
EPS (Bt)	2.0	1.5	1.7	1.9	2.1
Normalized EPS (Bt)	1.9	1.3	1.7	1.9	2.1

Earnings growing from a low base

## BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<b>ASSETS:</b>					
Current assets:	11,079	10,079	10,153	10,777	11,724
Cash & cash equivalent	1,153	1,818	2,500	3,000	3,400
Account receivables	4,900	4,379	4,145	4,242	4,546
Inventories	4,908	3,793	3,423	3,448	3,685
Others	119	90	85	87	93
Investments & loans	190	185	185	185	185
Net fixed assets	8,864	8,124	8,742	9,272	8,869
Other assets	860	804	783	820	894
<b>Total assets</b>	<b>20,993</b>	<b>19,193</b>	<b>19,863</b>	<b>21,054</b>	<b>21,672</b>
<b>LIABILITIES:</b>					
Current liabilities:	6,244	4,562	4,086	3,957	3,276
Account payables	3,249	2,728	2,463	2,480	2,651
Bank overdraft & ST loans	2,173	1,280	1,138	1,012	367
Current LT debt	738	425	378	336	122
Others current liabilities	84	128	107	128	136
<b>Total LT debt</b>	<b>904</b>	<b>503</b>	<b>447</b>	<b>397</b>	<b>144</b>
Others LT liabilities	401	380	380	402	441
<b>Total liabilities</b>	<b>7,548</b>	<b>5,444</b>	<b>4,913</b>	<b>4,756</b>	<b>3,861</b>
Minority interest	56	61	66	72	79
Preferreds shares	0	0	0	0	0
Paid-up capital	591	591	591	591	591
Share premium	2,157	2,161	2,161	2,161	2,161
Warrants	1	0	0	0	0
Surplus	(34)	(39)	(39)	(39)	(39)
<b>Retained earnings</b>	<b>10,675</b>	<b>10,976</b>	<b>12,172</b>	<b>13,514</b>	<b>15,020</b>
Shareholders' equity	13,389	13,689	14,885	16,227	17,732
<b>Liabilities &amp; equity</b>	<b>20,993</b>	<b>19,193</b>	<b>19,863</b>	<b>21,054</b>	<b>21,672</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Earnings before tax	2,435	1,715	2,113	2,379	2,672
Tax paid	(220)	(126)	(180)	(185)	(210)
Depreciation & amortization	1,082	1,096	1,094	1,184	1,252
Chg In working capital	(1,569)	1,116	338	(104)	(370)
Chg In other CA & CL / minorities	(115)	89	11	29	14
<b>Cash flow from operations</b>	<b>1,613</b>	<b>3,890</b>	<b>3,375</b>	<b>3,303</b>	<b>3,358</b>
Capex	(924)	(313)	(1,667)	(1,667)	(800)
Right of use	6	(15)	(20)	(20)	(20)
ST loans & investments	0	0	0	0	0
LT loans & investments	5	5	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	14	(28)	(3)	(43)	(64)
<b>Cash flow from investments</b>	<b>(899)</b>	<b>(351)</b>	<b>(1,690)</b>	<b>(1,730)</b>	<b>(884)</b>
Debt financing	266	(1,453)	(246)	(217)	(1,111)
Capital increase	10	4	0	0	0
Dividends paid	(2,399)	(1,441)	(758)	(856)	(962)
Warrants & other surplus	80	17	0	0	0
<b>Cash flow from financing</b>	<b>(2,042)</b>	<b>(2,873)</b>	<b>(1,004)</b>	<b>(1,074)</b>	<b>(2,074)</b>
<b>Free cash flow</b>	<b>688</b>	<b>3,577</b>	<b>1,708</b>	<b>1,636</b>	<b>2,558</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Normalized PE (x)	19.6	28.4	22.8	20.3	18.1
Normalized PE - at target price (x)	20.7	30.1	24.2	21.5	19.2
PE (x)	19.3	26.0	22.8	20.3	18.1
PE - at target price (x)	20.4	27.5	24.2	21.5	19.2
EV/EBITDA (x)	14.3	16.5	14.3	12.6	11.1
EV/EBITDA - at target price (x)	15.2	17.5	15.2	13.4	11.8
P/BV (x)	3.3	3.3	3.0	2.8	2.5
P/BV - at target price (x)	3.5	3.5	3.2	2.9	2.7
P/CFO (x)	27.7	11.5	13.2	13.5	13.3
Price/sales (x)	2.4	2.7	2.9	2.8	2.6
Dividend yield (%)	4.2	1.6	1.8	2.0	2.3
FCF Yield (%)	1.5	8.0	3.8	3.7	5.7
<b>(Bt)</b>					
Normalized EPS	1.9	1.3	1.7	1.9	2.1
EPS	2.0	1.5	1.7	1.9	2.1
DPS	1.6	0.6	0.7	0.8	0.9
BV/share	11.3	11.6	12.6	13.7	15.0
CFO/share	1.4	3.3	2.9	2.8	2.8
FCF/share	0.6	3.0	1.4	1.4	2.2

Sources: Company data, Thanachart estimates

*KCE is fairly priced, in our view*

## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate</b>					
Sales (%)	23.6	(11.4)	(5.3)	2.4	7.2
Net profit (%)	(4.5)	(25.8)	13.6	12.5	12.3
EPS (%)	(4.5)	(25.8)	13.6	12.5	12.3
Normalized profit (%)	2.0	(31.2)	24.5	12.5	12.3
Normalized EPS (%)	2.0	(31.2)	24.5	12.5	12.3
Dividend payout ratio (%)	81.6	41.2	41.2	41.2	41.2
<b>Operating performance</b>					
Gross margin (%)	22.8	20.8	24.5	25.7	25.9
Operating margin (%)	12.0	10.0	12.9	14.2	14.9
EBITDA margin (%)	17.9	16.7	19.9	21.7	22.3
Net margin (%)	12.4	9.7	12.6	13.8	14.5
D/E (incl. minor) (x)	0.3	0.2	0.1	0.1	0.0
Net D/E (incl. minor) (x)	0.2	0.0	(0.0)	(0.1)	(0.2)
Interest coverage - EBIT (x)	30.7	15.7	33.8	38.9	60.7
Interest coverage - EBITDA (x)	45.7	26.2	52.4	59.3	90.8
ROA - using norm profit (%)	10.6	7.8	10.0	10.7	11.6
ROE - using norm profit (%)	17.0	11.6	13.7	14.1	14.5
<b>DuPont</b>					
ROE - using after tax profit (%)	17.1	11.7	13.6	14.1	14.5
- asset turnover (x)	0.9	0.8	0.8	0.8	0.8
- operating margin (%)	13.6	11.1	14.0	15.4	16.0
- leverage (x)	1.6	1.5	1.4	1.3	1.3
- interest burden (%)	97.1	94.3	97.3	97.6	98.5
- tax burden (%)	94.1	92.3	92.0	92.0	92.0
WACC (%)	9.6	9.6	9.6	10.1	10.1
ROIC (%)	14.3	9.4	13.0	14.4	15.5
NOPAT (Bt m)	2,083	1,504	1,831	2,071	2,323
invested capital (Bt m)	16,051	14,079	14,347	14,972	14,966

Sources: Company data, Thanachart estimates

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

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**Note:** Thanachart Capital Pcl (TCAP) holds an 89.96% of Thanachart Securities (TNS). TCAP holds a 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 combinedly hold a 60% stake in THANI.

**Note:** Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.35% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG ) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

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**Note:** Thanachart Securities Public Company Limited (TNS) acts as an underwriter of “Debentures of MUANGTHAI CAPITAL PUBLIC COMPANY LIMITED No. 7/2024 (B.E. 2567) tranche 1-3 which its maturity at 2026-28 (B.E. 2569-71)”, therefore investors need to be aware that there could be conflicts of interest in this research.

**Disclosure of Interest of Thanachart Securities****Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Euroasia Total Logistics Pcl (ETL TB).

### Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. 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 the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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