

KCE Electronics Pcl (KCE TB) - HOLD

News Update

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Acquiring Distributor

- **KCE will acquire its key European distributor**
- **Aiming for a direct customer access**
- **We see limited impact on our forecasts.**
- **Maintain HOLD.**

KCE has announced plans to acquire one of its primary distributors in the UK in 4Q24 to improve efficiency and direct access to its European customer base. We expect minimal impact on our numbers.

- KCE will spend EUR23m to acquire International Circuit Limited (ICL), the holding company for its PCB distributor, Thorncombe Street LLP. Thorncombe currently serves 30% of KCE's customers.
- ICL Group generated EUR2.5m in net profit and EUR3.0m in EBITDA, with a net cash position of EUR4.0m. The acquisition implies around 10x P/E and 7x EV/EBITDA, which appears fairly priced for PCB distributors, in our view.
- ICL Group's profits accounted for approximately 6% of KCE's 2023 profits. Despite ICL Group's reputation as a leading automotive PCB distributor, KCE aims to access its customers directly, bypassing the distributor model.
 - First, KCE plans to eliminate distributor pricing margins, allowing automotive customers to benefit from lower prices and increasing KCE's competitiveness.
 - Second, KCE also believes that removing the ICL brand, which is strongly associated with automotive PCB, will facilitate entry into new sectors such as aerospace.
- Vertical integration is a growing trend among European PCB firms, driven by the need to reduce pricing amid a soft automotive market.
- We expect limited impact on our earnings forecast.

Despite the recent share price decline, we reiterate our HOLD rating with the TP under review, as we remain cautious about weaker-than-expected car sales in KCE's key European and U.S. markets due to ongoing consumer spending softness.

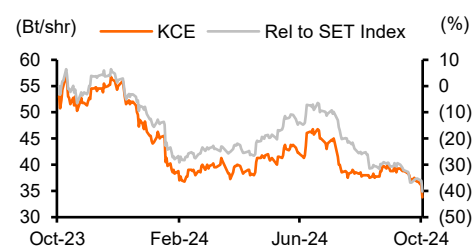
Key Valuations

Y/E Dec (Bt m)	2023	2024F	2025F	2026F
Revenue	16,344	15,470	15,834	16,968
Net profit	1,720	1,954	2,198	2,468
Norm net profit	1,569	1,954	2,198	2,468
Norm EPS (Bt)	1.3	1.7	1.9	2.1
Norm EPS gr (%)	(31.2)	24.5	12.5	12.3
Norm PE (x)	25.4	20.4	18.2	16.2
EV/EBITDA (x)	14.8	12.8	11.2	9.8
P/BV (x)	2.9	2.7	2.5	2.2
Div. yield (%)	1.8	2.0	2.3	2.6
ROE (%)	11.6	13.7	14.1	14.5
Net D/E (%)	2.8	(3.6)	(7.7)	(15.5)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	33.75
Target price (Bt)	40.00
Market cap (US\$ m)	1,181
Avg daily turnover (US\$ m)	11.1
12M H/L price (Bt)	57.25/36.00

Price Performance

Source: Bloomberg

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