

KCE Electronics Pcl (KCE TB) - HOLD

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Earnings Preview**Earnings Preview**

- **2Q25F will likely miss expectations**
 - **Still soft orders**
 - **Cost savings help**
 - **Maintain HOLD**
- We expect KCE to report normalized earnings of Bt220m, falling by 59% y-y but improving by 24% q-q. Earnings will likely be below our previous expectations as weak orders offset the success of internal cost savings.
- US\$ revenues likely fell by 7% y-y but improved by 4% q-q from the low base. KCE expects some improvement in orders in 3Q25 but visibility remains limited. Risks remain from the global slowdown and intense competition from Chinese car brands on KCE's focused EU car brands and from Chinese lower-tier PCB makers on KCE itself.
- Gross margin likely to come in at 18.0% vs. 24.8% in 2Q24 and 17.4% in 1Q25. The margin continues to fall from the high base last year amid negative operating leverage with KCE's utilization level falling to 70% from 80% last year. The margin likely improved from last quarter thanks to KCE's cost savings.
- KCE's cost savings include shifting to partial in-house production of chemicals for PCBs from previous outsourcing and replacing labor with machineries.
- Looking forward, KCE expects additional savings into 2H25, but the company is aware of the difficulty getting back to its earnings base of Bt400-500m level without significant order improvements.
- We see downside to our earnings and maintain HOLD on KCE.

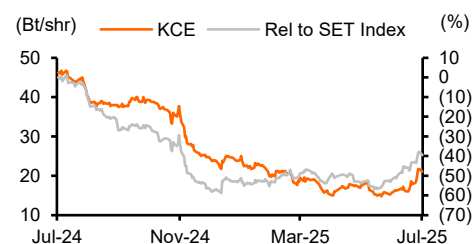
Key Valuations

Y/E Dec (Bt m)	2024A	2025F	2026F	2027F
Revenue	14,833	14,014	14,502	15,573
Net profit	1,648	1,706	1,789	1,917
Norm net profit	1,655	1,706	1,789	1,917
Norm EPS (Bt)	1.4	1.4	1.5	1.6
Norm EPS gr (%)	5.5	3.1	4.9	7.2
Norm PE (x)	15.0	14.6	13.9	12.9
EV/EBITDA (x)	9.4	9.0	8.4	7.8
P/BV (x)	1.8	1.8	1.7	1.7
Div. yield (%)	5.7	5.9	6.2	6.6
ROE (%)	12.1	12.3	12.6	13.3
Net D/E (%)	(3.3)	(9.2)	(12.3)	(14.4)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	21.00
Target price (Bt)	16.00
Market cap (US\$ m)	762
Avg daily turnover (US\$ m)	6.0
12M H/L price (Bt)	46.75/14.80

Price Performance

Source: Bloomberg

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