

BUY (Unchanged)

Company update

TP: Bt 20.00

Upside : 19.0%

(Unchanged)

26 JANUARY 2026

# Hana Micro Electronics (HANA TB)

## A relief factor

HANA is moving from production to outsourcing of its PMS products and anticipates cost savings in 1H26. We expect this to unlock HANA's share price from its current distressed level amid concerns over PMS's prolonged losses. We reaffirm our BUY call on HANA.



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### First step in value unlocking; BUY

We reaffirm our BUY call on HANA with an unchanged DCF-based TP (2026F base year) of Bt20.0/share. *First*, HANA is switching the production of Power Master (PMS) chips to an outsourcing model with OEM Chinese producers. This should result in cost savings from 1H26F. *Second*, HANA is seeing improving orders for its PCB assembly and IC packaging businesses after three straight years of decline. *Third*, despite its loss-making PMS business, HANA overall generates positive operating cash flow, and the outsourcing model reduces its capex spending risk. *Lastly*, we foresee the first step in unlocking value arising from PMS outsourcing, followed by its exit from the PMS business, which we expect in 2028F. We see the first-step unlocking pushing up HANA's share price from our distressed or breakup value calculation of Bt17.4 (see Exhibit 8).

### PMS restructuring begins

Since 2019, HANA has invested over Bt4.0bn in Korean PMS facilities for its silicon (Si) and SiC chip business. PMS incurred losses of Bt1.0-1.2bn p.a. in 2024-25F, on our estimate, due to its revenue scale being too low and product prices falling amid oversupply in China. HANA has decided to stop its own production and will outsource to a factory in China by 1H26. We expect the losses to fall from Bt1.2bn in 2025F to Bt0.8/0.4bn in 2026-27F, with no further loss in 2028F, when we assume HANA exits the business. HANA booked a Bt1.7bn impairment for its Korean facilities in 2024. We estimate another Bt1.0bn in 4Q25F.

### Traditional businesses see some light

HANA is among the world's top 40 EMS producers specializing in IC packaging and PCB assembly with factories in Thailand, China, and Cambodia. It also has an RFID tire tag factory in the US. HANA's revenue fell 3/7/12% in 2022-25F due to the global slowdown and the loss of some Chinese customers who exited China amid the US trade conflict. However, HANA has started to see new orders coming in with revenue improvement from the middle of this year. We believe the improving demand is driven by a new end product cycle that requires AI-embedded products. We estimate sales growth of 3/3/2% in 2026-28F.

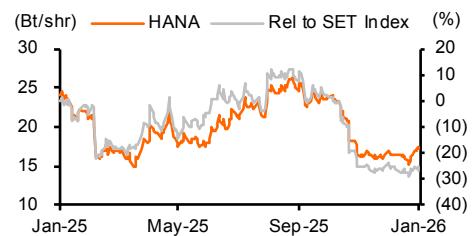
### Bt17.4 breakup value provides a cushion

We calculate HANA's breakup value at Bt17.4/share, which comprises: 1) Bt13.1 cash and cash equivalents, 2) Bt3.3 IC and PCBA factories in Thailand, 3) Bt1.3 inventory at an 80% discount, 4) Bt5.0 receivables, and 5) the subtraction of Bt5.3 for its total liabilities. We exclude the value from PMS in Korea, IC packaging and PCBA in China and Cambodia, and the US RFID business. The breakup value provides a cushion against downside in the share price.

### COMPANY VALUATION

VALUATION	2024A	2025F	2026F	2027F
Sales	24,801	20,432	21,045	21,676
Net profit	(634)	588	757	1,176
Consensus NP	—	760	969	1,132
Diff frm cons (%)	—	(22.6)	(21.9)	3.9
Norm profit	1,072	588	757	1,176
Prev. Norm profit	—	589	758	1,177
Chg frm prev (%)	—	(0.1)	(0.1)	(0.1)
Norm EPS (Bt)	1.2	0.7	0.9	1.3
Norm EPS grw (%)	(50.3)	(45.1)	28.7	55.2
Norm PE (x)	13.9	25.3	19.6	12.7
EV/EBITDA (x)	2.4	2.6	1.7	0.9
P/BV (x)	0.5	0.5	0.5	0.5
Div yield (%)	4.5	2.0	2.5	4.0
ROE (%)	3.8	2.2	2.8	4.2
Net D/E (%)	(35.1)	(37.1)	(40.0)	(44.3)

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price: (Bt) as of 26-Jan-26	16.80
Market Cap (US\$ m)	478.6
Listed Shares (m shares)	885.4
Free Float (%)	63.1
Avg. Daily Turnover (US\$ m)	11.3
12M Price H/L (Bt)	26.25/14.90
Sector	Electronics
Major Shareholder	OMAC (HK) Limited 19.5%

Sources: Bloomberg, Company data, Thanachart estimates

## Reaffirming BUY

We reaffirm our **BUY** rating on HANA with a TP of Bt20/share

We reiterate our BUY call on shares of Hana Microelectronics Pcl (HANA) with an unchanged DCF-based TP (2026F base year) of Bt20/share.

### Ex 1: Our Assumptions

	2019	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F
Utilization (%)	67.2	63.4	79.7	83.1	80.8	73.3	64.6	66.7	68.6	69.9
<b>Total US\$ sales (% growth)</b>	<b>3.4</b>	<b>(6.0)</b>	<b>20.4</b>	<b>4.1</b>	<b>(2.8)</b>	<b>(6.6)</b>	<b>(11.8)</b>	<b>3.0</b>	<b>3.0</b>	<b>2.0</b>
Gross margin (%)	10.7	13.2	13.8	13.5	12.4	8.8	7.8	9.2	11.2	13.7
SG&A to sales (%)	5.3	6.1	5.5	6.3	6.1	6.8	8.0	7.4	7.4	7.4
EBIT Margin (%)	8.7	5.4	6.9	7.8	7.2	6.2	(0.2)	1.8	3.8	6.3

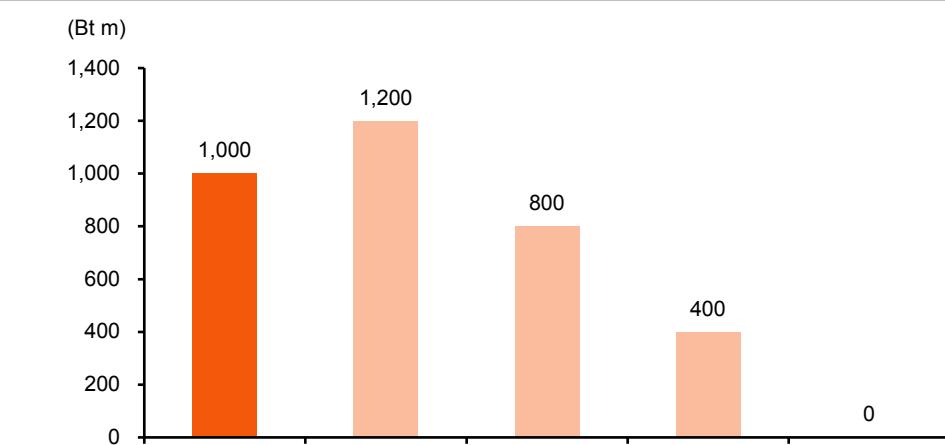
Sources: Company data, Thanachart estimates

**Start of PMS restructuring to unlock HANA from its distressed value**

**First**, PMS business restructuring. HANA has decided to stop production of the Power Master (PMS) chip-making business at its own factory in China and move production to outsourced, lower-cost Chinese factories to cut production costs. Completion is targeted for 1H26, and HANA expects PMS losses to fall from about Bt1.2bn in 2025F. We see this as the first stage in unlocking HANA's share price from our distressed or breakup value calculation of Bt17.4/share. We expect PMS losses to fall to Bt0.8/Bt0.4bn in 2026–27F, with no further losses in 2028F, when we assume HANA will exit the business.

We recap that HANA has invested over Bt4.0bn in Korean PMS facilities since 2019 for its standard silicon (Si) and high-end silicon carbide (SiC) businesses. However, HANA has not been able to penetrate the Chinese EV market as planned due to its low revenue scale amid an oversupply of Si and SiC in China that led to aggressive industry pricing competition. The PMS business made losses of Bt1.0/Bt1.2bn p.a. in 2024–25F, on our estimate. HANA does not expect to be able to penetrate the Chinese EV market at this time, but it still plans to pursue new customers in non-EV segments, hoping that falling Si and SiC chip prices will make them more attractive. HANA mentioned that if the restructuring is unsuccessful, it would consider exiting operations. Overall, we view the PMS cost restructuring as the first step to reduce losses. We expect HANA to exit PMS business in 2028F.

Note that HANA booked a Bt1.7bn impairment of its Korean facilities in 9M25, and we estimate another Bt1.0bn in 4Q25F.

**Ex 2: We Expect PMS's Loss To Fall**

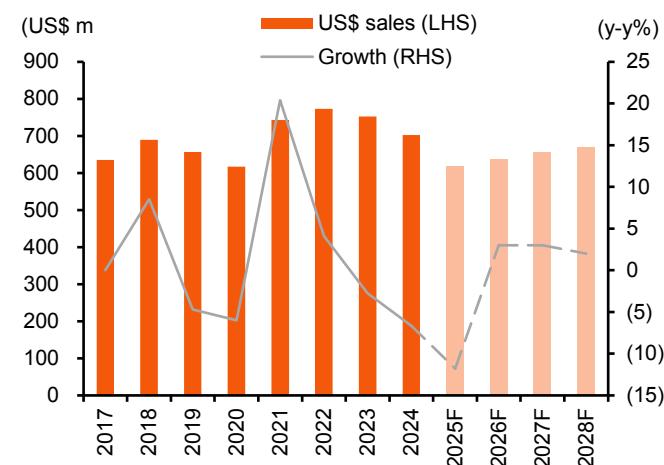
Sources: Company data, Thanachart estimates

**Key business is seeing some light**

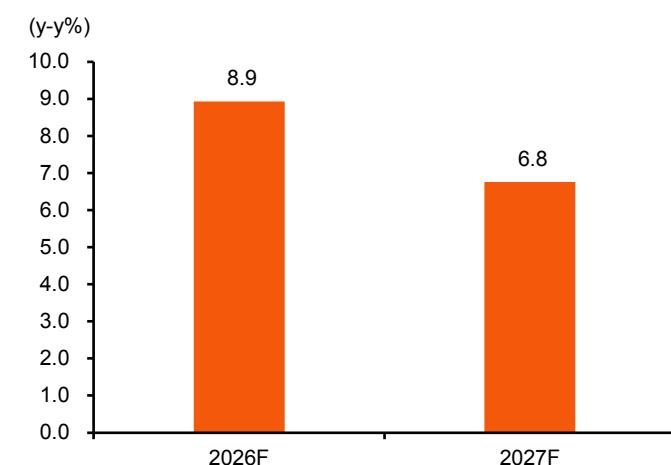
**Second**, HANA is among the world's top 40 EMS producers, specializing in IC packaging and PCB assembly, with factories in Thailand, China, and Cambodia. It also has an RFID factory for tire tags in the US. HANA's revenue fell 3/7/12% in 2022–25F due to the global economic slowdown and the loss of some Chinese customers that exited China amid the US trade conflict.

However, HANA has started to see new orders coming in, with a revenue improvement from the middle of this year. While consumer-based product makers, e.g., smartphones and computers, including cars, are releasing new orders that incorporate in-trend AI functions, industrial-based products, despite being in non-AI areas, also indirectly benefit from significant global AI investment due to increasing demand for supporting equipment used in traditional industrial products.

We estimate sales growth of 3/3/2% in 2026–28F. Exhibit 4 shows that the Bloomberg consensus expects some recovery in HANA's IC packaging and PCB assembly peers as well.

**Ex 3: Already A Low Base Of Sales**

Sources: Company data; Thanachart estimates

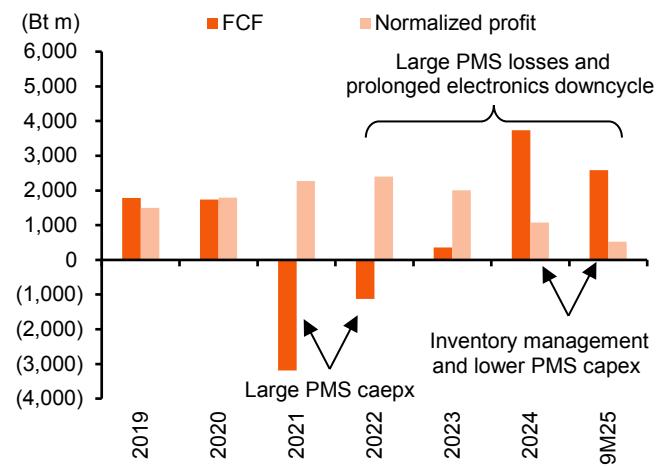
**Ex 4: Improvement Expected Across the Board**

Source: Bloomberg

**HANA remains cash flow-positive despite earnings being under pressure**

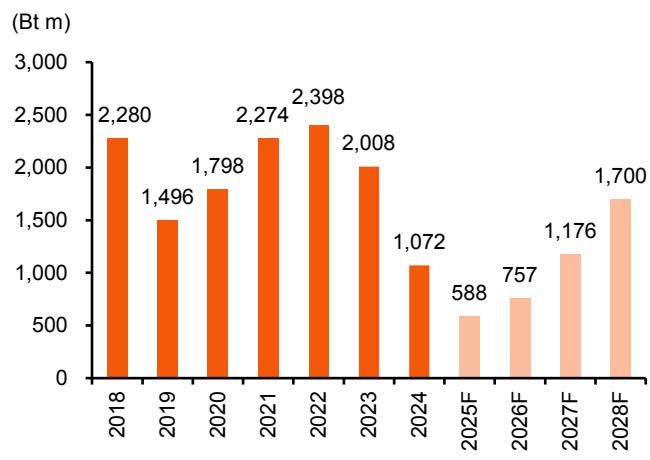
Thirdly, due to the PMS business's large loss and the prolonged downcycle of its traditional business, HANA's net profit fell by 52% y-y to Bt527m. Its free cash flow is much stronger at Bt2.6bn in 9M25, as HANA has been actively improving its working capital strategy and has stopped capex for PMS. With lower PMS losses and no further fall in traditional electronics orders, we estimate earnings growth of -45/29/55/45% in 2025-28F.

#### Ex 5: Cash Flow From Operation Vs. Profits



Sources: Company data; Thanachart estimates

#### Ex 6: Earnings Outlook



Sources: Company data; Thanachart estimates

**HANA is trading below our distressed value estimate of Bt17.4/share**

Lastly, HANA's share price has fallen below our calculation of its breakup or distressed asset value of Bt17.4/share.

#### Ex 7: Share Price Has Fallen Sharply



Source: Bloomberg

Our breakup value for HANA excludes businesses facing significant challenges from its book value of Bt30.3/share as of 3Q25. The book value comprises:

- 1) Bt13.1 from cash and cash equivalents.
- 2) Bt5.0 from receivables.
- 3) Bt2.2 from PCB assembly (PCBA) Thailand.
- 4) Bt2.2 from IC packaging (IC) Thailand (estimated).
- 5) Bt5.3 from overseas operations (Si and SiC chip-making in South Korea for Chinese customers (PMS), RFID tire tags in the US (HTI), IC and PCBA in China, and PCBA in Cambodia).
- 6) Bt6.6 from inventory.
- 7) Bt1.2 from other assets (e.g., a 49% stake in FT1 with PTT group, which operates SiC raw material production to serve HANA's Si and SiC business, and loans to other companies).
- 8) A subtraction of Bt5.3 for its total liabilities.

**Our breakup value is  
Bt17.4/share**

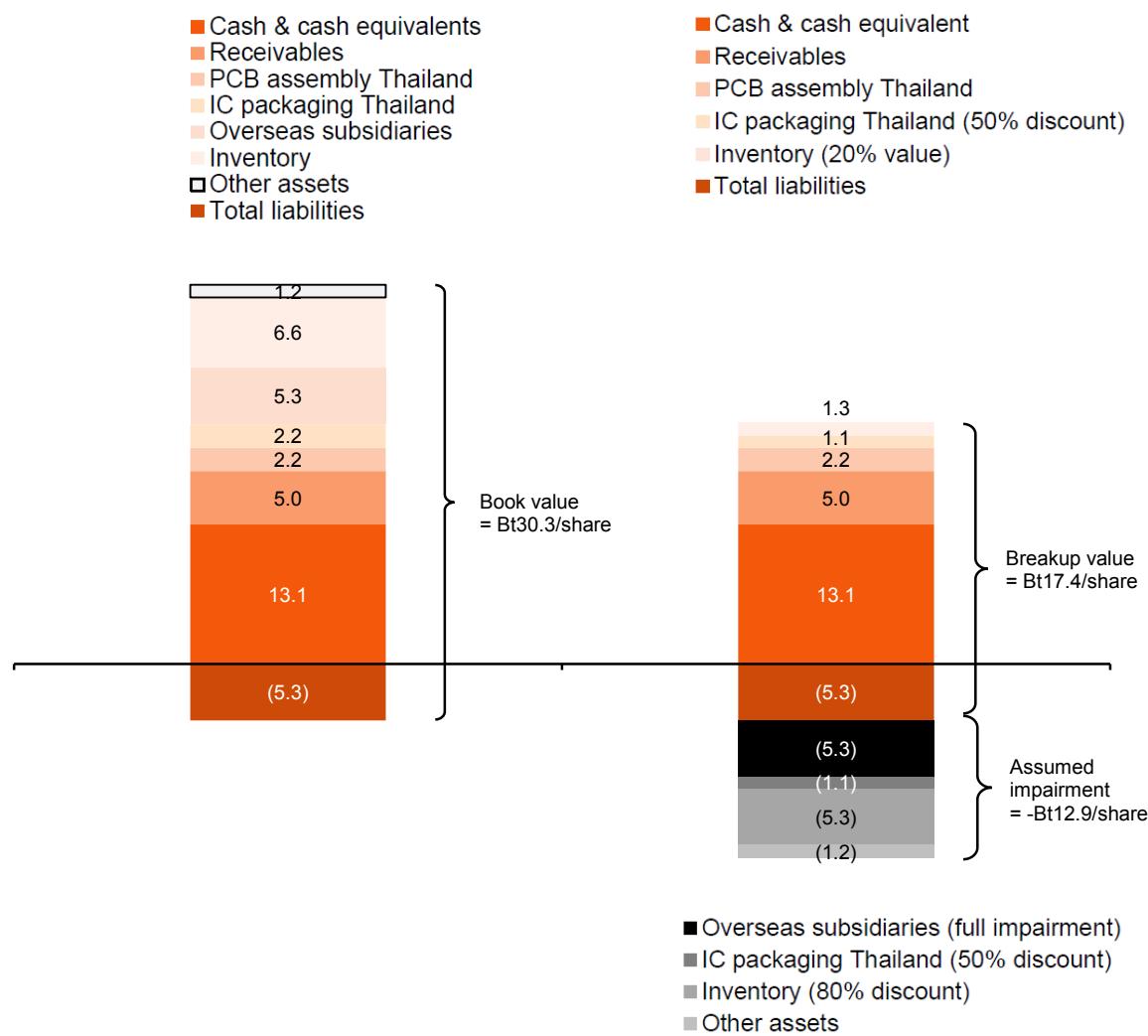
**We calculate its distressed value at Bt17.4/share, which includes:**

- 1) Bt13.1 of cash and cash equivalents.
- 2) Bt2.2 from PCBA Thailand. Despite weak industry demand during the downcycle, the company continues to operate at over 70% utilization and remains profitable.
- 3) Bt1.1 from IC Thailand at a 50% discount. The business faces weaker demand in its focused segments. With utilization falling to 40%, it is making some losses. We still value it at 50% because the weakness is due to the industry downcycle — HANA hasn't lost customers and does not face intense competition.
- 4) Bt1.3 for inventory at an 80% discount. We conservatively include only the estimated value of finished goods and raw materials for IC Thailand. We exclude other businesses' raw materials, given the challenging outlook.
- 5) Bt5.0 from receivables.
- 6) A subtraction of Bt5.3 for its total liabilities.

**We exclude Bt12.9 of value from:**

- 1) Bt1.1 from IC Thailand (the other 50% discount mentioned above) and an assumed full impairment of Bt2.4/share from HANA's overseas subsidiaries, i.e., IC and PCBA China, PCBA in Cambodia, and RFID in the US. These make up HANA's traditional business, which is facing a prolonged industry downcycle and intense competition and has turned loss-making. Although we see potential upside if the industry upcycle is stronger than we currently expect, we conservatively assume the full impairment of these assets.
- 2) Bt2.9/share for the assumed full impairment of HANA's PMS business in Korea. We do not expect the business to become a success as mentioned above.
- 3) Bt5.3 from inventory (the other 80% discount mentioned above).
- 4) Bt1.2 from other assets — we assume the complete impairment of FT1 following our practice of deducting the PMS business's value.

**Ex 8: Our Breakup Value Is Bt17.4/share**



Sources: Company data, Thanachart estimates

Note: HANA's overseas subsidiaries include IC and PCBA in China, PCBA in Cambodia, RFID tire tags in the US, and Si and SiC chip-making in Korea.

**Ex 9: 12-month DCF-based TP Calculation, Using A Base Year Of 2026F**

(Bt m)	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	2036F	Terminal value
EBITDA excl. depreciation from right of use	2,241	2,701	3,275	3,251	3,188	3,120	3,070	3,045	3,044	3,036	3,062	—
Free cash flow	1,480	1,897	2,523	1,489	1,507	1,436	1,379	175	157	131	234	1,728
PV of free cash flow	1,476	1,415	1,624	828	723	595	493	54	42	30	47	343
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.3											
WACC (%)	15.8											
Terminal growth (%)	2.0											
Enterprise value - add investments	7,669											
Net debt (2025F)	(10,097)											
Minority interest	—											
Equity value	17,766											
# of shares (m)	885											
<b>Target price/share (Bt)</b>	<b>20</b>											

Sources: Company data, Thanachart estimates

Note: EBITDA excludes the new TFRS16 accounting standard's financial lease impact

**Valuation Comparison****Ex 10: Valuation Comparison With Regional Peers**

Name	BBG code	Market	EPS growth		— PE —		— P/BV —		EV/EBITDA		— Div. yield —	
			25F	26F	(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)
TTM Technologies Inc	TTMI US	USA	42.5	24.1	39.0	31.4	6.0	5.6	22.9	20.4	na	na
Chin-Poon Industrial	2355 TT	Taiwan	(34.6)	(31.6)	21.2	31.0	0.9	0.9	7.9	7.7	2.2	1.5
Tripod Technology Corp	3044 TT	Taiwan	25.3	19.3	18.5	15.5	3.6	3.3	10.0	8.7	3.3	4.0
CMK Corp	6958 JP	Japan	(30.6)	(29.7)	14.1	20.0	0.5	0.5	7.2	6.0	3.9	2.9
Meiko Electronics	6787 JP	Japan	28.3	10.8	13.1	11.8	2.0	1.7	9.0	7.5	1.0	1.1
Delta Electronics	DELTA TB*	Thailand	35.2	51.4	99.8	65.9	24.8	19.5	68.9	45.8	0.3	0.5
Hana Microelectronics	HANA TB*	Thailand	(45.1)	28.7	25.3	19.6	0.5	0.5	2.6	1.7	2.0	2.5
KCE Electronics	KCE TB*	Thailand	3.1	4.9	12.5	12.0	1.5	1.5	7.7	7.2	6.9	7.2
<b>Average</b>			<b>3.0</b>	<b>9.7</b>	<b>30.4</b>	<b>25.9</b>	<b>5.0</b>	<b>4.2</b>	<b>17.0</b>	<b>13.1</b>	<b>2.8</b>	<b>2.8</b>

Source: Bloomberg

Note: \*Thanachart estimates, using Thanachart normalized EPS

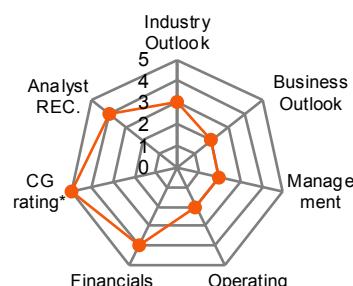
Based on 26 January 2026 closing prices

## COMPANY DESCRIPTION

Hana Microelectronics Pcl (HANA) is an electronics manufacturing service (EMS) company, producing electronic components for original equipment manufacturers (OEM). The company offers three services for its clients: Printed Circuit Board Assembly (PCBA), Integrated Circuit Assembly and Test (IC), and Microdisplay. HANA has five manufacturing bases in Thailand, China, Cambodia, and the US.

Source: Thanachart

## COMPANY RATING



## Rating Scale

Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

## S — Strength

- Well-established production facilities.
- A highly capable and experienced management team that has been working together for over a decade.
- High net cash position and no financial leverage.

## O — Opportunity

- In-house developed production processes lowering production costs.
- Expanding to value-added and higher-margin industries such as the automotive and medical sectors.
- Capacity expansion allows the company to boost revenues when demand recovers.

## W — Weakness

- Capital-intensive business, particularly machinery.
- Depends to a large extent on global demand for electronic components.
- Competing on a global scale with other big EMS players.

## T — Threat

- Unexpected external events (i.e. flooding, political turmoil) can disrupt HANA's operations.
- New developments in the fast-changing technology industry can significantly dent demand for its products.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	17.05	20.00	17%
Net profit 25F (Bt m)	760	588	-23%
Net profit 26F (Bt m)	969	757	-22%
Consensus REC	BUY: 3	HOLD: 11	SELL: 3

## HOW ARE WE DIFFERENT FROM THE STREET?

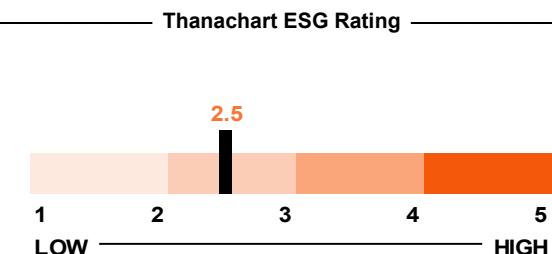
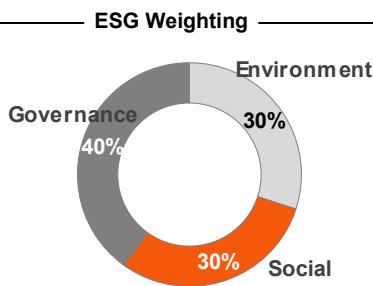
- Our earnings forecasts are lower than the Bloomberg consensus which we attribute to us having a more conservative view on HANA's key business's industry cycle.
- However, our TP is higher which we believe is due to us assuming the cessation of PMS in 2028F which will lower HANA's long-term earnings pressure.

## RISKS TO OUR INVESTMENT CASE

- A weaker-than-expected improvement in the global semiconductor industry would represent the key downside risk to our earnings projections and TP.
- Weaker-than-expected impacts from global trade and geopolitical issues represent another downside risk to our earnings forecasts.
- Worse-than-expected execution of R&D projects represents another downside risk to our earnings forecasts.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	Thanachart ESG Rating (1.0-5.0)	MSCI (CCC-AAA)	ESG Book (0-100)	CG Rating (0-5)
HANA	YES	AAA	-	2.48	0	60.82	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 "terms of use" toward the back of this report.

## ESG Summary

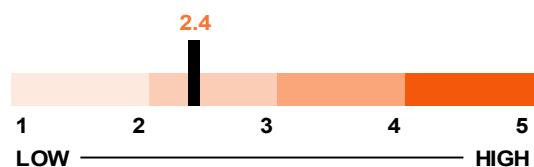


- HANA is a global top-40 Electronics Manufacturing Services (EMS) company. It provides IC packaging and PCB assembly services to brand owners and Tier 1 & 2 suppliers for end products, including smartphones, computers, automobiles, and industrial electronic products.
- We assign a moderate-to-low ESG score of 2.5 to HANA, below the electronics sector average of 2.6. The drag is its 2.3 Governance (G) score and 2.4 Environmental (E) score. Its Social (S) score is 2.9, and we consider it moderate.
- For the E pillar, HANA does not have a clear roadmap for emissions reduction. The past reductions were driven by cost-saving programs rather than ESG objectives. However, HANA's effective management of water and waste helps keep the E score from being too low.
- HANA's S score is moderate at 2.9. HANA provides good support for employee safety and product quality. However, reductions in employee skill development budgets offer a negative outlook. Social contribution remains limited.
- We assign a low G score of only 2.3, reflecting a poor track record of investments in new business ventures and a non-ideal board structure.

Sector: Technology | Electronic Components

We assign a low 2.4 E score to HANA, compared with the sector average of 2.9. While the prior year's environmental improvements were indirect benefits of HANA's cost-saving programs, HANA lacks an overall environmental roadmap.

Thanachart Environment (E) Rating



## ENVIRONMENT

## Our Comments

- GHG Emission Management
- Energy & Fuel Management
- Water Management

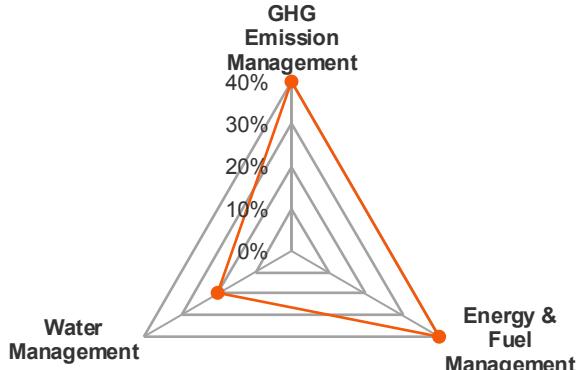
- We assign a low Environmental (E) score of 2.4 to HANA, compared with the 2.9 sector average. HANA lacks long-term net-zero emissions targets and a clear environmental roadmap for carbon and energy management, which are crucial factors for the Environment factor, and this more than offsets HANA's good water and waste management.

- **Carbon and energy management:** Since 2022, HANA has implemented cost-saving programs that led to improvements in environmental metrics. Cost savings were in areas of increased production automation and production efficiency improvements to reduce production waste expenses, and the installation of rooftop solar panels to reduce electricity expenses, resulted in an 18% reduction in carbon emissions in 2024 from 2020 levels (vs. a 40% target by 2030), and a 14% reduction in energy consumption in 2024 from 2020 levels (vs. a 40% target by 2030).

- However, while earlier improvements in pollutant reduction and energy usage stemmed from cost-saving programs, HANA mentioned that it does not have many cost-saving strategies left. HANA also has not shown meaningful direct investment to reduce emissions. In the area of carbon management, HANA has low Scope 1 emissions (direct emissions from combustion) due to its business nature, which relies on electricity rather than combustion processes. However, for Scope 2 emissions, HANA uses a large amount of electricity, but the renewable power usage accounted for only 5.4% of total electricity consumption in 2024. There is no reporting of Scope 3 emissions (supply chain and production life cycle), which is typically a significant focus area for an EMS company. In the area of energy management, HANA spent only about 0.42% of revenue on renewable energy investment in 2024, and there is no clear further goal for renewable investments.

- **Water and waste management:** HANA has performed well in water and waste management, which is a support factor for its E score. HANA has also adopted recycling technologies for water and waste management. Water withdrawal declined by 51% in 2024 from 2022, exceeding the 20% reduction target. Landfill waste declined by 58% in 2024, exceeding the 40% reduction target. Good water and waste management results are unable to offset the concerning outlook for management of carbon and energy, which are more material environmental factors.

## SCALE WEIGHTING

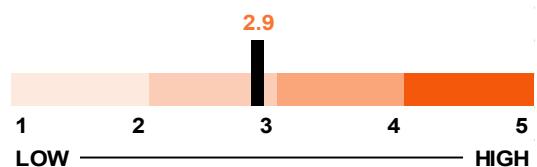


Sources: Thanachart, Company data

Sector: Technology | Electronic Components

We assign a decent 2.9 S score to HANA, compared to the sector average of 2.7. HANA complies with the standard requirements of most social angles and has a strong operational track record. However, it lacks a solid commitment to talent development and social impact.

Thanachart Social (S) Rating



## SOCIAL

## Our Comments

- Human Rights & Community Relations
- Data Security & Customer Privacy
- Product Quality & Safety
- Labor Relations
- Fair Labor Practices
- Health, Safety & Well-being
- Diversity & Inclusion
- Recruitment, Development & Retention

▪ We assign a decent 2.9 S score to HANA, which is above the sector average of 2.7. The score reflects compliance with standard social requirements and a strong track record of business operations. In our view, the weak areas are investments in workforce development and community activities.

▪ **Health & Safety:** This is a strong area, in our view. HANA integrates employee well-being directly into its remuneration structure, explicitly targeting healthcare improvement for its workforce. Safety performance is good with zero lost-time injury incidents in 2024, indicating effective industrial safety management. The company strictly adheres to strict industrial standards.

▪ **Product Safety & Quality:** This is also a strong area due to a robust framework of international certifications. HANA has secured ISO 9001 (Quality Management), IATF 16949 (Automotive Quality), and ISO 13485 (Medical Devices). There have been no customer product claims or fines for product failures. HANA runs two factories in Thailand, two in China, one in Cambodia, one in the US and another one in Korea, and there haven't been any major incidents over the past 10 years.

▪ **Staff Management:** This area needs improvement in our view. While HANA meets baseline requirements – achieving targeted training hours (57 hours/employee vs. 50-hour KPI), a retention rate within its target, and maintaining balanced skill development across technical, quality, and management domains – the company lacks strategic targets and plans for talent investment. Training expenditure per employee fell 75% y-y in 2024, implying an underinvestment in human capital in the fast-moving electronics sector.

▪ **Social Responsibility:** HANA maintains standard-level CSR engagement. The company is active in providing scholarships (Bt4.1m in 2024), career assistance for persons with disabilities (three projects), community smart farm initiatives, and health support to local hospitals. However, the monetary value of these contributions is too small to drive a meaningful social impact, in our view.

## SCALE WEIGHTING

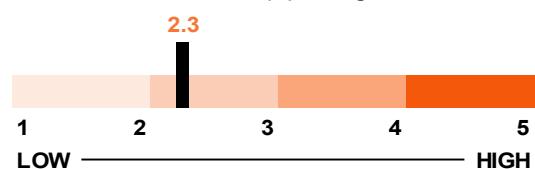


Sources: Thanachart, Company data

Sector: Technology | Electronic Components

We assign a low 2.3 G score to HANA, compared to the sector average of 2.4. The score reflects a weak track record of new business ventures, leading to weak earnings and impairments. HANA has a decent but not ideal board structure and meets standard committee requirements.

Thanachart Governance (G) Rating



## GOVERNANCE &amp; SUSTAINABILITY

## Our Comments

- Business Model and Innovation
- Leadership and Governance
- Board Structure
- Audit committee
- Renumeration
- Ethics & Compliance
- Risk Committee

- We assign a low 2.3 G score to HANA, below the sector average of 2.4. The score reflects a weak track record of investments in new business ventures. In other areas, HANA meets standards, but not at best-practice levels.

- **Business Sustainability and Innovation:** This is a weak area, in our view. *First*, HANA's core EMS business of IC packaging and PCB assembly is in the highly competitive electronics contracting business in the lower value chain of the semiconductor industry. Being at the tail end of the supply chain, HANA faces constant price-reduction pressure from customers. *Second*, HANA has attempted to diversify its business into the higher-value chain but its business ventures do not have a good track record. The latest example is its investment in Si and SiC chip making for EV components, which is facing fierce price competition. There is a risk that HANA may need to exit this business. Prior to that, HANA invested in a factory in the US producing RFID tire-tag business and the business is making losses. Its IC packaging factory in China is also making losses.

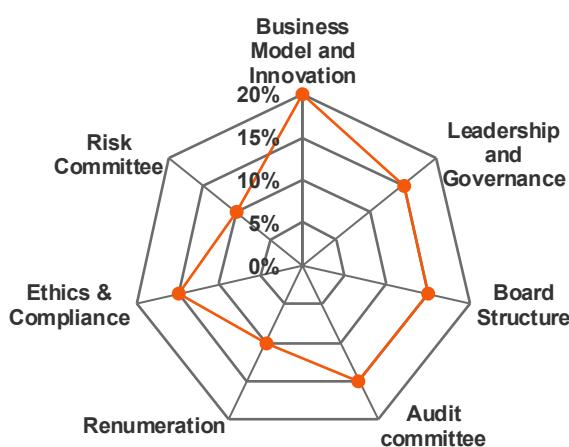
- **Risk Management:** This is an area that is also linked to business sustainability above. When business ventures don't pay off, they are also linked to risk management. An example is aggressive brownfield capacity expansions in Ayutthaya and China during the COVID-19 electronics boom. The factories are now running at low utilization rates.

- **Board Structure:** HANA's board structure isn't ideal but not weak, in our view. The board chairman is an independent director and is separate from the CEO role. However, only 50% of its eight-member board are independent board members vs. the ideal ratio of two-thirds.

- **Committees:** HANA has the required committees, including audit, risk management, and renumeration.

- **Ethics & Transparency:** HANA has a clean compliance record with zero reported cases of corruption, conflicts of interest, or code of conduct violations in 2024. The company has held CAC (Thailand's Private Sector Collective Action Coalition Against Corruption) certification. The Audit Committee found no internal control deficiencies, and external auditors raised no concerns.

## SCALE WEIGHTING



Sources: Thanachart, Company data

**Earnings look set to improve from lower SiC losses**

#### INCOME STATEMENT

FY ending Dec (Bt m)	2023A	2024A	2025F	2026F	2027F
Sales	26,152	24,801	20,432	21,045	21,676
Cost of sales	22,911	22,607	18,833	19,104	19,246
<b>Gross profit</b>	<b>3,241</b>	<b>2,194</b>	<b>1,599</b>	<b>1,941</b>	<b>2,430</b>
% gross margin	12.4%	8.8%	7.8%	9.2%	11.2%
Selling & administration expenses	1,631	1,691	1,635	1,557	1,604
<b>Operating profit</b>	<b>1,610</b>	<b>503</b>	<b>(36)</b>	<b>384</b>	<b>826</b>
% operating margin	6.2%	2.0%	-0.2%	1.8%	3.8%
Depreciation & amortization	1,702	1,777	1,842	1,865	1,883
<b>EBITDA</b>	<b>3,312</b>	<b>2,280</b>	<b>1,806</b>	<b>2,249</b>	<b>2,709</b>
% EBITDA margin	12.7%	9.2%	8.8%	10.7%	12.5%
Non-operating income	536	707	736	482	514
Non-operating expenses	0	0	0	0	0
Interest expense	(52)	(64)	(13)	(5)	(4)
<b>Pre-tax profit</b>	<b>2,094</b>	<b>1,145</b>	<b>687</b>	<b>861</b>	<b>1,336</b>
Income tax	85	86	82	103	160
<b>After-tax profit</b>	<b>2,008</b>	<b>1,059</b>	<b>604</b>	<b>757</b>	<b>1,176</b>
% net margin	7.7%	4.3%	3.0%	3.6%	5.4%
Shares in affiliates' Earnings	0	13	(16)	0	0
Minority interests	0	0	0	0	0
Extraordinary items	(248)	(1,706)	0	0	0
<b>NET PROFIT</b>	<b>1,761</b>	<b>(634)</b>	<b>588</b>	<b>757</b>	<b>1,176</b>
<b>Normalized profit</b>	<b>2,008</b>	<b>1,072</b>	<b>588</b>	<b>757</b>	<b>1,176</b>
EPS (Bt)	2.1	(0.7)	0.7	0.9	1.3
Normalized EPS (Bt)	2.4	1.2	0.7	0.9	1.3

#### BALANCE SHEET

FY ending Dec (Bt m)	2023A	2024A	2025F	2026F	2027F
<b>ASSETS:</b>					
Current assets:					
Cash & cash equivalent	23,159	22,419	21,876	22,959	24,697
Account receivables	8,893	10,745	10,360	11,160	12,660
Inventories	5,178	4,481	3,747	3,917	4,094
Others	8,969	7,096	7,688	7,799	7,857
Investments & loans	119	98	81	83	86
Net fixed assets	72	528	897	1,267	1,637
Other assets	11,534	9,169	7,924	6,456	4,995
<b>Total assets</b>	<b>35,306</b>	<b>32,516</b>	<b>31,046</b>	<b>31,028</b>	<b>31,672</b>
<b>LIABILITIES:</b>					
Current liabilities:					
Account payables	5,034	4,098	2,923	2,766	2,729
Bank overdraft & ST loans	3,391	3,026	2,470	2,453	2,418
Current LT debt	1,419	849	259	120	114
Others current liabilities	24	47	0	0	0
Others current liabilities	201	176	194	194	197
<b>Total LT debt</b>	<b>203</b>	<b>334</b>	<b>4</b>	<b>2</b>	<b>2</b>
Others LT liabilities	922	1,005	931	651	640
<b>Total liabilities</b>	<b>6,159</b>	<b>5,438</b>	<b>3,858</b>	<b>3,419</b>	<b>3,371</b>
Minority interest	0	0	0	0	0
Preferred shares	0	0	0	0	0
Paid-up capital	885	885	885	885	885
Share premium	6,231	6,231	6,231	6,231	6,231
Warrants	0	0	0	0	0
Surplus	359	(375)	(375)	(375)	(375)
<b>Retained earnings</b>	<b>21,672</b>	<b>20,337</b>	<b>20,447</b>	<b>20,868</b>	<b>21,560</b>
Shareholders' equity	29,147	27,078	27,188	27,608	28,301
<b>Liabilities &amp; equity</b>	<b>35,306</b>	<b>32,516</b>	<b>31,046</b>	<b>31,028</b>	<b>31,672</b>

Sources: Company data, Thanachart estimates

**Still has a decent balance sheet, based on our estimates**

## CASH FLOW STATEMENT

FY ending Dec (Bt m)	2023A	2024A	2025F	2026F	2027F
Earnings before tax	2,094	1,145	687	861	1,336
Tax paid	(103)	(97)	(86)	(104)	(158)
Depreciation & amortization	1,702	1,777	1,842	1,865	1,883
Chg In working capital	(480)	2,207	(415)	(297)	(270)
Chg In other CA & CL / minorities	(264)	(7)	20	(4)	(2)
<b>Cash flow from operations</b>	<b>2,949</b>	<b>5,024</b>	<b>2,047</b>	<b>2,321</b>	<b>2,789</b>
Capex	(2,759)	677	(500)	(300)	(325)
Right of use	275	9	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	0	(455)	(370)	(370)	(370)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(72)	(1,562)	(116)	(373)	(105)
<b>Cash flow from investments</b>	<b>(2,556)</b>	<b>(1,331)</b>	<b>(986)</b>	<b>(1,043)</b>	<b>(799)</b>
Debt financing	1,342	(406)	(967)	(142)	(6)
Capital increase	4,588	0	0	0	0
Dividends paid	(845)	(664)	(479)	(336)	(483)
Warrants & other surplus	(219)	(771)	0	0	0
<b>Cash flow from financing</b>	<b>4,866</b>	<b>(1,841)</b>	<b>(1,446)</b>	<b>(478)</b>	<b>(489)</b>
<b>Free cash flow</b>	<b>190</b>	<b>5,701</b>	<b>1,547</b>	<b>2,021</b>	<b>2,464</b>

## VALUATION

FY ending Dec	2023A	2024A	2025F	2026F	2027F
Normalized PE (x)	6.9	13.9	25.3	19.6	12.7
Normalized PE - at target price (x)	8.2	16.5	30.1	23.4	15.1
PE (x)	7.9	na	25.3	19.6	12.7
PE - at target price (x)	9.4	na	30.1	23.4	15.1
EV/EBITDA (x)	2.0	2.4	2.6	1.7	0.9
EV/EBITDA - at target price (x)	2.8	3.6	4.2	3.0	1.9
P/BV (x)	0.5	0.5	0.5	0.5	0.5
P/BV - at target price (x)	0.6	0.7	0.7	0.6	0.6
P/CFO (x)	4.7	3.0	7.3	6.4	5.3
Price/sales (x)	0.6	0.6	0.7	0.7	0.7
Dividend yield (%)	6.0	4.5	2.0	2.5	4.0
FCF Yield (%)	1.4	38.3	10.4	13.6	16.6
<b>(Bt)</b>					
Normalized EPS	2.4	1.2	0.7	0.9	1.3
EPS	2.1	(0.7)	0.7	0.9	1.3
DPS	1.0	0.8	0.3	0.4	0.7
BV/share	32.9	30.6	30.7	31.2	32.0
CFO/share	3.6	5.7	2.3	2.6	3.1
FCF/share	0.2	6.4	1.7	2.3	2.8

Sources: Company data, Thanachart estimates

In expensive, in our view

## FINANCIAL RATIOS

FY ending Dec	2023A	2024A	2025F	2026F	2027F
<b>Growth Rate</b>					
Sales (%)	(3.7)	(5.2)	(17.6)	3.0	3.0
Net profit (%)	(16.2)	na	na	28.7	55.2
EPS (%)	(18.3)	na	na	28.7	55.2
Normalized profit (%)	(16.3)	(46.6)	(45.1)	28.7	55.2
Normalized EPS (%)	(18.3)	(50.3)	(45.1)	28.7	55.2
Dividend payout ratio (%)	50.3	(104.8)	50.0	50.0	50.0
<b>Operating performance</b>					
Gross margin (%)	12.4	8.8	7.8	9.2	11.2
Operating margin (%)	6.2	2.0	(0.2)	1.8	3.8
EBITDA margin (%)	12.7	9.2	8.8	10.7	12.5
Net margin (%)	7.7	4.3	3.0	3.6	5.4
D/E (incl. minor) (x)	0.1	0.0	0.0	0.0	0.0
Net D/E (incl. minor) (x)	(0.2)	(0.4)	(0.4)	(0.4)	(0.4)
Interest coverage - EBIT (x)	31.1	7.8	na	72.8	207.0
Interest coverage - EBITDA (x)	63.9	35.4	140.7	426.4	678.8
ROA - using norm profit (%)	6.2	3.2	1.9	2.4	3.8
ROE - using norm profit (%)	7.6	3.8	2.2	2.8	4.2
<b>DuPont</b>					
ROE - using after tax profit (%)	7.6	3.8	2.2	2.8	4.2
- asset turnover (x)	0.8	0.7	0.6	0.7	0.7
- operating margin (%)	8.2	4.9	3.4	4.1	6.2
- leverage (x)	1.2	1.2	1.2	1.1	1.1
- interest burden (%)	97.6	94.7	98.2	99.4	99.7
- tax burden (%)	95.9	92.5	88.0	88.0	88.0
WACC (%)	15.8	15.8	15.8	15.8	15.8
ROIC (%)	7.5	2.1	(0.2)	2.0	4.4
NOPAT (Bt m)	1,544	465	(32)	338	727
invested capital (Bt m)	21,900	17,564	17,091	16,570	15,757

Sources: Company data, Thanachart estimates

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90-100		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
Below		N/A

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