

KCE Electronics Pcl (KCE TB) - HOLD

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Analyst Meeting**More headwinds**

- **KCE adjusted down its margin expectation**
 - **Cannot pass on higher costs**
 - **Weak demand continues**
 - **We see downside**
- KCE held an analyst meeting yesterday. After the disappointing 4Q25, KCE indicated that cost pressures are likely to persist into 1H26F and now expects margins to come in lower than previously planned. The company also sees longer-term risks from EU car brands losing market share to lower-priced Chinese EV brands.
- We recap that KCE's US\$ PCB revenue fell 8% y-y in 4Q25, which the company attributed to the shutdown of an older production line as it transitions to a new, more efficient line expected to be completed in early 2026. KCE expects 1Q26F US\$ PCB revenue to grow by around 4%.
- Longer term, KCE sees structural risks from its key end-customer base of EU car brands losing share to cheaper Chinese EV brands. The company does not plan to enter the China EV supply chain, likely due to intense pricing competition. Instead, KCE is working to expand its PCB offerings into non-automotive segments, including military and industrial applications such as smart factory products. However, KCE still needs to adjust and enhance its PCB technology to meet the requirements of these new segments and has not yet provided any potential revenue contribution. Currently, automotive accounts for about 75% of KCE's sales, while non-automotive contributes around 25%.
- On the cost side, KCE expects continued pressure from rising copper prices, its key raw material, and a strong baht into 1H26F. KCE expects its gross margin to stay at about 18% in 1Q26, flat q-q, from 20% expected earlier. Copper prices are now around US\$13,000/tonne, approximately 18% higher than the 4Q25 average. We estimate that every 1% increase in copper prices would negatively impact KCE's bottom line by about 0.5%. KCE does not plan to raise selling prices, as the company believes maintaining prices is more important in the current weak demand environment.
- KCE needs greater cost savings than the originally planned 3–4% to offset rising costs amid persistently weak demand. However, there are no clear implementation plans or timelines at this stage.
- We see downside to both our and consensus' numbers.

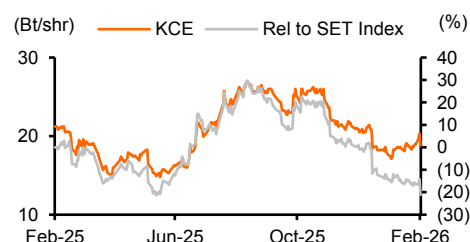
Key Valuations

Y/E Dec (Bt m)	2025A	2026F	2027F	2028F
Revenue	13,075	14,502	15,573	16,221
Net profit	833	1,789	1,917	1,949
Norm net profit	785	1,789	1,917	1,949
Norm EPS (Bt)	0.7	1.5	1.6	1.6
Norm EPS gr (%)	(52.6)	128.0	7.2	1.6
Norm PE (x)	28.3	12.4	11.6	11.4
EV/EBITDA (x)	11.9	7.5	6.9	6.5
P/BV (x)	1.7	1.6	1.5	1.5
Div. yield (%)	6.4	6.9	7.4	7.5
ROE (%)	5.8	13.0	13.3	13.2
Net D/E (%)	(4.0)	(12.3)	(14.4)	(16.8)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	18.80
Target price (Bt)	16.00
Market cap (US\$ m)	715
Avg daily turnover (US\$ m)	8.2
12M H/L price (Bt)	27.00/14.80

Price Performance

Source: Bloomberg

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