

SELL (From: BUY)

Change in Recommendation

TP: Bt 24.00 (From: Bt 26.50)

Downside : 40.7%

Hana Micro Electronics Pcl (HANA TB)

Head over heels

We downgrade HANA to SELL as the recent share price spike has lifted its PE to 46/38x in 2026-27F. We view this valuation as expensive, even if everything goes right. Factoring in new AI-related orders, we also have to account for the preceding capex and its weak 1Q26 results.


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Head over heels valuation; downgrading to SELL

We downgrade HANA to SELL (from Buy). **First**, HANA looks overpriced to us at 46/38/32x PE in 2026-28F. Even in our blue-sky scenario where everything goes right with its three new AI-related projects, 2028F PE would still be high at 20x. **Second**, while we do not see high visibility of new AI orders, HANA has to incur new capex of Bt2.2bn, which poses a new investment risk. **Third**, besides the new capex, expenses have risen ahead of new orders, as evidenced by its disappointing 1Q26 earnings, which fell 53% y-y and 33% q-q. **Fourth**, of the three potential new AI-related projects, we see visibility for only one. We cut our earnings by 12-45% in 2026-28F to reflect its weaker-than-expected 1Q26 results, which are partially offset by new AI orders. Our DCF-based 12-month TP (2026F base year) does not fall much to Bt24.0 (from Bt26.5) as we expect HANA to exit PMS in 2029F when loss-contribution to HANA will cease.

Three potential new AI orders

HANA expects to win 3 new orders: 1) packaging for solid-state cooling products, 2) SiC chip production for solid-state transformers, and 3) PCB assembling (PCBA) for data-quality checking devices. They are for use in AI data centers. HANA expects production from 2H26, and #1 and #3 to be its top-five customers, representing ~15% of total sales in 2027, on our estimate. The #2 project will likely take longer to become sales. We are confident in #3 as it is already being used for non-AI products. We are not confident in #1 and #2 as solid-state cooling and transformer products still lack usage in AI data centers. The market size of AI solid-state products is <US\$0.5bn, or <5% of existing non-solid-state products.

New expenses and capex

We believe HANA will incur a new round of capex of Bt2.2bn this year to be invested in new machinery, mainly for #1 products above, for its new customer, Phononic, with sales expected in 2H26. As Phononic's products are newly invented, HANA needs new packaging machines. HANA plans to focus on packaging solid-state cooling for high-bandwidth memory and GPUs in AI data centers. They are in the introduction phase for data center users. For #2 and #3, HANA plans to use existing capacities in Thailand and Korea. However, we see a risk of rising losses at HANA's SiC business in Korea after an estimated Bt0.9bn loss last year. HANA earlier planned to scale down its SiC business due to cutthroat pricing and unsuccessful Chinese EV penetration.

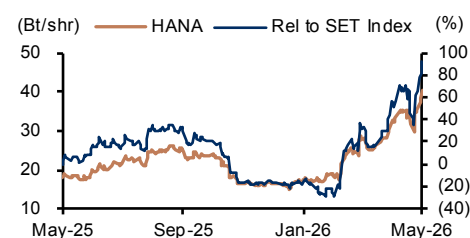
Existing business has bottomed out

HANA's US\$ sales from its core EMS business fell 19% in 2025 from 2022 due to weak demand for traditional electronics products and falling market share in China and the US. From a low base, sales grew 1% y-y in 1Q26. We project 3% p.a. growth in 2026-28F, with global GDP growth.

COMPANY VALUATION

VALUATION	2025A	2026F	2027F	2028F
Sales	20,563	20,936	23,029	23,720
Net profit	671	773	932	1,132
Consensus NP	—	890	1,316	1,624
Diff frm cons (%)	—	(13.2)	(29.1)	(30.3)
Norm profit	679	773	932	1,132
Prev. Norm profit	—	873	1,368	2,043
Chg frm prev (%)	—	(11.5)	(31.9)	(44.6)
Norm EPS (Bt)	0.77	0.87	1.05	1.28
Norm EPS grw (%)	(41.9)	13.8	20.6	21.5
Norm PE (x)	52.8	46.4	38.5	31.7
EV/EBITDA (x)	14.0	13.4	12.0	10.0
P/BV (x)	1.4	1.4	1.3	1.3
Div yield (%)	2.5	1.1	1.3	1.6
ROE (%)	2.5	2.9	3.5	4.2
Net D/E (%)	(43.8)	(41.9)	(40.5)	(45.9)

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 27-May-26 (Bt)	40.50
Market Cap (US\$ m)	1,101.0
Listed Shares (m shares)	885.4
Free Float (%)	62.5
Avg. Daily Turnover (US\$ m)	21.4
12M Price H/L (Bt)	38.25/15.10
Sector	Electronics
Major Shareholder	OMAC (HK) Limited 19.5%

Sources: Bloomberg, Company data, ttb wealth estimates

Downgrading to SELL

*We downgrade our call on
HANA to SELL*

We downgrade our rating for Hana Microelectronics Pcl (HANA TB) to SELL (from Buy) with a lower DCF-based 12-month TP (2026F base year) of Bt24.0/share (from Bt26.5).

Ex 1: Our Assumptions

	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
US\$ sales (% growth)	(4.7)	(6.0)	20.4	4.1	(2.8)	(6.6)	(10.9)	3.0	10.0	3.0
Gross margin (%)	10.7	13.2	13.8	13.5	12.4	8.8	8.6	10.2	10.4	10.9
SG&A to sales (%)	5.4	6.3	6.0	6.2	6.2	6.1	7.6	8.8	8.5	8.2
Net margin (%)	7.3	9.3	9.6	8.8	7.7	4.4	3.3	3.7	4.0	4.8
New businesses										
PMS Si & SiC (Bt m)					No disclosure		(900)	(700)	(900)	(600)
AI: solid state cooling packaging for Phononic (% sales contribution)								1	2	2
AI: PCBA for data quality checking devices (% sales contribution)								2	5	5

Sources: Company data, ttb wealth estimates

Ex 2: Earnings Revisions

	2023	2024	2025	2026F	2027F	2028F
Sales (US\$ m)						
- New	752	702	625	644	709	730
- Old				663	699	720
- Change (%)				(2.8)	1.4	1.4
Sales (Bt m)						
- New	26,152	24,801	20,563	20,936	23,029	23,720
- Old				21,015	22,359	23,030
- Change (%)				(0.4)	3.0	3.0
Gross margin (%)						
- New	12.4	8.8	8.6	10.2	10.4	10.9
- Old				9.6	11.4	13.9
- Change (ppt)				0.6	(1.0)	(3.0)
SG&A/sales (%)						
- New	6.1	7.6	7.8	8.8	8.5	8.2
- Old				7.8	7.4	7.0
- Change (ppt)				1.1	1.1	1.2
Normalized profit (Bt m)						
- New	2,008	1,089	679	773	932	1,132
- Old				873	1,368	2,043
- Change (%)				(11.5)	(31.9)	(44.6)

Sources: Company data, ttb wealth estimates

Looks expensive to us even in our blue-sky scenario

First, HANA now looks overpriced to us as its share price has run up by 168% from its low this year to trade at 46/38/32x PE in 2026-28F, mainly reflecting the market's expectation for its three new AI projects. Even under our blue-sky scenario where everything goes right with these three new AI-related projects, we would still not consider its PE to be at an attractive level, trading at 20x in 2028F.

Ex 3: Not Cheap In Any Scenario

	Normalized profits (Bt m)				PE (x)		
	2025	2026F	2027F	2028F	2026F	2027F	2028F
Annualized 1Q26 earnings	679		412			87.0	
Our base case		773	932	1,132	46.4	38.5	31.7
Our blue-sky case		835	1,500	1,800	42.9	23.9	19.9

Sources: Company data, ttb wealth estimates

We see one good-visibility new AI project...out of three

Second, HANA expects to secure three new AI orders and will need to embark on a new round of capex of Bt2.2bn. Of the three potential new AI data center-related products — packaging for solid-state cooling products, SiC chip production for solid-state transformers, and 3) PCB assembly (PCBA) for data-quality checking devices — we see visibility only for PCBA products.

Ex 4: Three AI Projects Timeline

End products	HANA's role	Expect to commercialize from:
Solid-state cooling for HBM and GPU in AI data centers	Packaging	3Q26
Solid state transformer for AI data center	SiC chip production	2Q27
Data quality checking device	PCB assembly	3Q26

Sources: Company data, ttb wealth estimates

Chip packaging for solid-state cooling is the largest investment

Packaging for solid-state cooling products: for its new customer, Phononic. We believe this project accounts for a large part of HANA's Bt2.2bn capex plan this year. We believe Phononic has successfully developed solid-state cooling devices for AI data center applications to address the limitations of existing liquid cooling systems, specifically the inability to precisely control temperatures at individual chip-level hotspots in real time. Currently, the solid-state cooling industry market size for AI data centers is only <US\$0.5bn or <5% of the existing liquid cooling product market size.

Ex 5: Where HANA Is In Phononic's Product Lines

We believe Phononic focused products are:	Application	Product stage	Criticality of the targeted function in AI data centers	Requirement of Phononic products	HANA's role
- Cooling solution for high-speed data transmission	- Maintaining temperatures for signal stability in data centers	- Commercialized	- Small function	- Mandatory	- Not disclosed
- Solid-state cooling for HBM and GPU	- Controlling temperatures in AI data centers' key parts of HBM and GPU	- Development	- Key function	- Optional	- Won orders for packaging service
- Cooling solution for Co-packaged optics (CPO)	- Controlling temperatures in new chip assembly technology for AI data centers	- Development	- Very small but to be larger	- Preferred	- In early discussions

Sources: Company data, ttb wealth estimates

The solid-state cooling system uses electrical power and small cooling components to remove heat from chips, rather than relying solely on liquid coolant flow. The system targets small hotspot areas that existing liquid cooling systems cannot efficiently reach. As the products are still in the early stages, HANA needs to invest in new machining equipment and packaging capabilities for this work. We estimate Phononic's revenues were still at around US\$50m. We believe its key products are **cooling solutions for high-speed data transmission modules** in AI data centers, designed to control temperature and maintain signal stability. Recently, we believe Phononic has been developing **solid-state cooling solutions for the most critical parts of high-bandwidth memory (HBM) and GPUs** used in AI servers, where heat is extremely high as they process massive volumes of data simultaneously at very high speed, concentrating it in a very small area. These products are still in the early stages of commercialization. We believe HANA plans to focus on packaging work for these HBM and GPU cooling devices. Currently, HBM and GPU chips are primarily cooled by liquid cooling systems, including direct-to-chip and cold-plate solutions. These systems are already designed to cool high-heat areas closely, and so far do not have a problem reaching the main chip surfaces of HBM stacks and GPU dies.

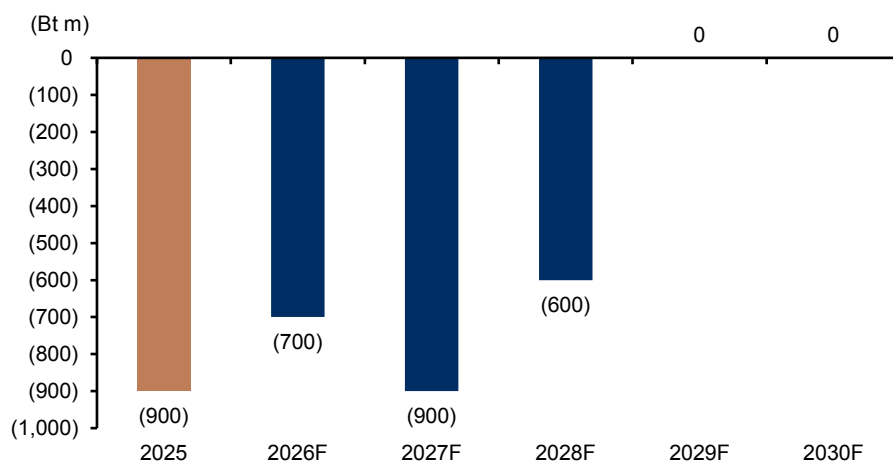
However, it is believed that solid-state cooling (e.g., Phononic's products) can improve cooling performance by thermally separating the HBM and GPU so each can run at its optimal temperature independently, reducing thermal throttling and enabling higher sustained performance. That said, the solid-state technology still faces challenges related to relatively high power consumption, cooling efficiency at scale, and higher cost compared with existing liquid cooling systems. At the same time, existing liquid cooling makers are also improving their technologies, including better cold plate design and more precise cooling capability. As products remain in the development stage while there is competition from other larger makers of key liquid cooling systems, e.g., Vertiv, CoolIT Systems, Asetek, and larger solid-state product makers, e.g., Laird Thermal Systems, Ferrotec, we do not yet view this project as a high-visibility earnings driver for HANA, while there remains a risk from early-stage investment in new machinery and production capability.

We believe Phononic is also developing **cooling solutions for co-packaged optics (CPO)**. CPO is a next-generation AI data center design that places the components responsible for sending and receiving data signals directly next to AI chips, rather than in a separate module, in order to improve data transfer speed and reduce power consumption. This results in higher heat density within a smaller area, which could increase the need for localized solid-state cooling alongside liquid cooling systems. HANA mentioned it is in the midst of discussions regarding this work. We have not included this potential upside in our forecasts for now, as the AI data center technology landscape is evolving rapidly, and it remains too early to assess how widely or quickly CPO adoption will materialize.

SiC chip production: solid demand but excess supply risk

SiC chip production for solid-state transformers: HANA plans to produce high-heat-resistant SiC chips for the end product, solid-state transformers. HANA has yet to disclose the customer name. We see SiC transformers as mandatory products in the newly developed power system for AI data centers, which require 800V power distribution, up from the current 48V. Given much higher voltage requirements, the transformer system will need to switch from conventional silicon chips to higher-heat-resistant materials such as SiC. However, our concern is still that the SiC industry itself remains in an excess-supply situation. We recap that the SiC products were introduced during the rising EV boom in prior years, and, due to the low barriers to entry for making them, this led to cutthroat pricing, with key makers incurring losses. We estimate HANA made about a Bt0.9bn loss from the SiC business in 2025 and earlier planned to scale it down.

Ex 6: Our SiC Loss Assumptions



Sources: Company data, ttb wealth estimates

PCBA for AI looks very solid

PCBA for data-quality-checking devices: We are confident in this product, as it is already used for data-quality checking in non-AI devices. We do not expect HANA to have difficulty making them.

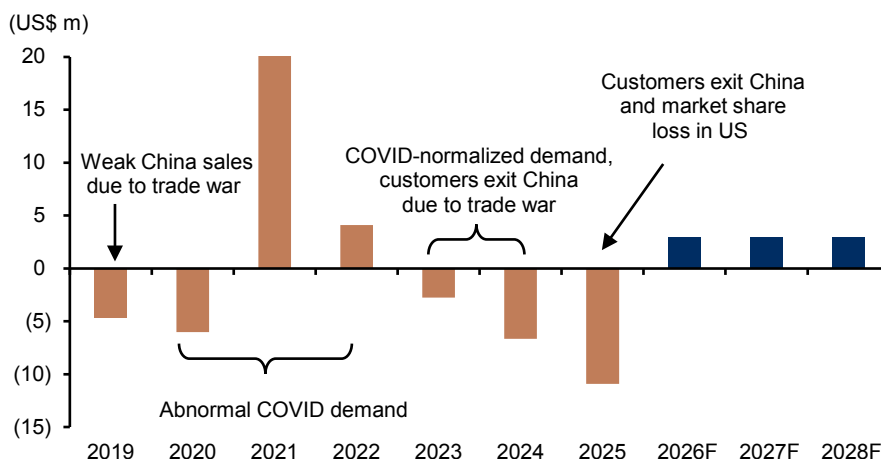
Our case analysis

HANA expects #1 and #3 to become top-five customers, accounting for 15% of total sales in 2027 on our estimate, while #2 is likely to take longer to see meaningful sales. For the aforementioned reasons, we factor in #1 and #3 at 7% of HANA's 2027 sales. For #2, we factor in HANA's prolonged SiC losses due to our concern over the cutthroat pricing risk in the SiC market. We estimate HANA's earnings to rise from Bt0.6bn in 2025 to Bt1.1bn in 2028F based on this assumption. In our blue-sky case, where everything goes right with the three AI products, we expect HANA's profits to reach Bt2.0bn in 2028F.

Key business has bottomed out from a low base

Third, HANA's key business has bottomed out: HANA's US\$ sales from its core EMS business fell 19% in 2025 from 2022 due to weak demand for traditional electronics products and falling market share in China and the US. From the low base, its US\$ sales stopped falling and grew 1% y-y in 1Q26. We estimate 3% p.a. growth in 2026-28F, along with global GDP growth.

Ex 7: Key Business Bottomed Out



Sources: Company data, ttb wealth estimates

Ex 8: 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	1,844	2,086	2,324	2,413	3,228	3,259	3,289	3,318	3,345	3,372	3,390	—
Free cash flow	(16)	616	2,151	2,290	2,521	2,541	2,560	2,577	2,592	2,607	2,872	10,183
PV of free cash flow	(16)	444	1,315	1,188	1,110	950	812	694	592	505	473	1,422
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.3											
WACC (%)	17.8											
Terminal growth (%)	2.0											
Enterprise value - add investments	9,710											
Net debt (2025)	(11,518)											
Minority interest	—											
Equity value	21,228											
# of shares (m)	885											
Target price/share (Bt)	24.0											

Sources: Company data, ttb wealth estimates

Valuation Comparison

Ex 9: Valuation Comparison With Regional Peers

Name	BBG code	Market	EPS growth		— PE —		— P/BV —		EV/EBITDA		— Div. yield —	
			26F (%)	27F (%)	26F (x)	27F (x)	26F (x)	27F (x)	26F (%)	27F (%)	26F (%)	27F (%)
TTM Technologies Inc	TTMI US	USA	47.6	39.3	54.3	38.9	10.0	8.2	33.5	25.7	na	na
Chin-Poon Industrial	2355 TT	Taiwan	10.8	54.3	35.3	22.9	1.4	1.3	11.0	9.4	2.9	3.2
Tripod Technology Corp	3044 TT	Taiwan	31.0	33.0	20.6	15.5	4.5	4.0	11.0	8.9	3.1	4.0
CMK Corp	6958 JP	Japan	(52.8)	26.3	26.3	20.8	0.6	0.6	6.8	6.1	2.1	2.2
Meiko Electronics	6787 JP	Japan	23.7	29.6	40.4	31.2	6.6	5.6	21.1	17.1	0.4	0.4
Delta Electronics	DELTA TB*	Thailand	60.3	58.9	113.3	71.3	35.2	25.9	82.2	52.3	0.3	0.5
Hana Microelectronics	HANA TB*	Thailand	13.8	20.6	46.4	38.5	1.4	1.3	13.4	12.0	1.1	1.3
KCE Electronics	KCE TB*	Thailand	128.0	7.2	24.1	22.5	3.0	2.9	15.1	14.1	3.6	3.8
Average			32.8	33.7	45.1	32.7	7.8	6.2	24.3	18.2	1.9	2.2

Source: Bloomberg

Note: * ttb wealth estimates, using ttb wealth normalized EPS

Based on 27 May 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: ttb wealth

TTB WEALTH'S SWOT ANALYSIS

S — Strength

- Well-established production facilities.
- Highly capable and experienced management team who have 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.

CONSENSUS COMPARISON

	Consensus	ttb wealth	Diff
Target price (Bt)	36.72	24.00	-35%
Net profit 26F (Bt m)	890	773	-13%
Net profit 27F (Bt m)	1,316	932	-29%
Consensus REC	BUY: 13	HOLD: 4	SELL: 2

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings and TP are lower than the consensus' which we attribute to us having a more cautious view on the visibility of HANA's new AI customers.

Sources: Bloomberg consensus, ttb wealth estimates

COMPANY RATING



Rating Scale

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

Source: ttb wealth; *CG Rating

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

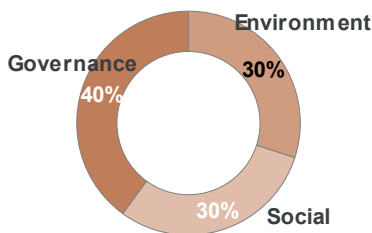
- Unexpected external events (i.e. flooding, political turmoil) can disrupt HANA's operations.
- New developments in the fast-changing technology industry can significantly dent demand for its products.

RISKS TO OUR INVESTMENT CASE

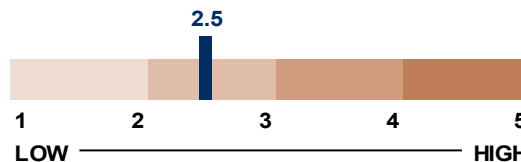
- A stronger-than-expected improvement in the global semiconductor industry would represent the key upside risk to our projections and TP.
- Stronger-than-expected orders of new AI projects would represent another upside risk to our investment case.

Source: ttb wealth

ESG Weighting



ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	ttb wealth 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

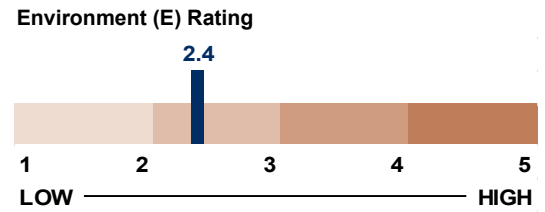
Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI) MSCI ESG Research LLC, ESG Book, Thai IOD (CG rating)
 Note: Please see third party on "terms of use" toward the back of this report.



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. Past reductions were driven by cost-saving programs rather than ESG objectives. However, HANA's effective management of water and waste helps keep its 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.

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.



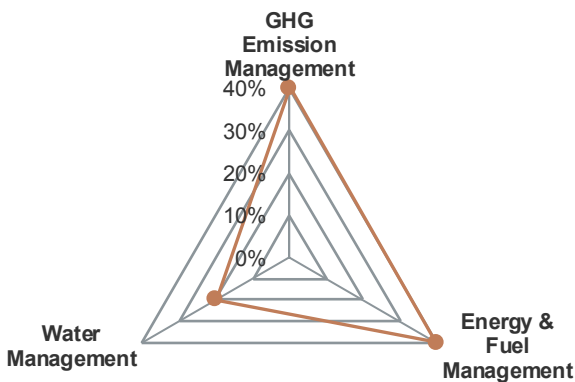
ENVIRONMENT

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 E 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 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.

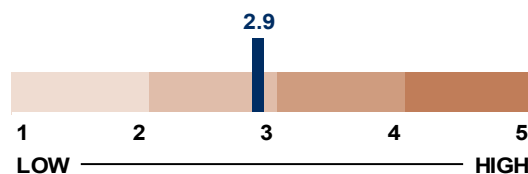
SCALE WEIGHTING



Sources: ttb wealth, Company data

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.

Social (S) Rating

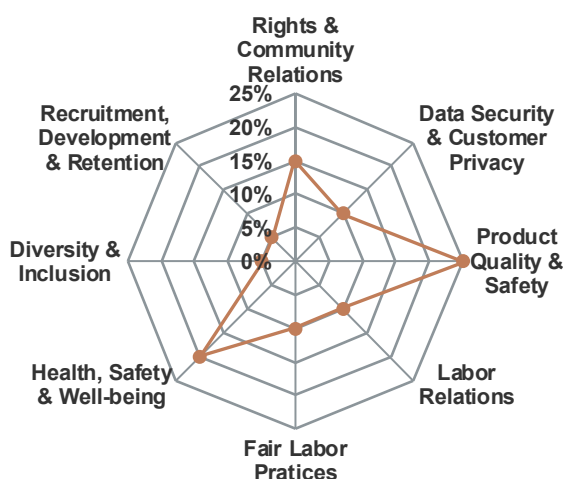


SOCIAL Our Comments

- 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

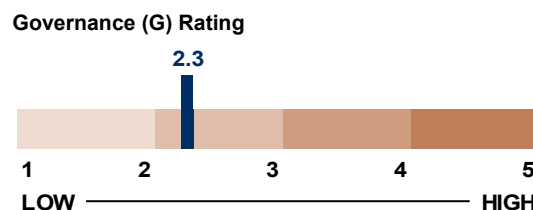
- We assign a decent 2.9 S score to HANA, which is above the sector average of 2.7. The score reflects compliance with standard social requirements and a strong track record of business operations. In our view, the weak areas are investments in workforce development and community activities.
- **Health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

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.



GOVERNANCE & SUSTAINABILITY

Our Comments

- Business Model and Innovation
- Leadership and Governance
- Board Structure
- Audit committee
- Remuneration
- 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 remuneration.
- **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: ttb wealth, Company data

INCOME STATEMENT

FY ending Dec (Bt m)	2024A	2025A	2026F	2027F	2028F
Sales	24,801	20,563	20,936	23,029	23,720
Cost of sales	22,607	18,787	18,805	20,632	21,135
Gross profit	2,194	1,776	2,130	2,397	2,585
% gross margin	8.8%	8.6%	10.2%	10.4%	10.9%
Selling & administration expenses	1,509	1,570	1,850	1,957	1,945
Operating profit	685	206	280	439	640
% operating margin	2.8%	1.0%	1.3%	1.9%	2.7%
Depreciation & amortization	1,777	1,526	1,570	1,653	1,690
EBITDA	2,462	1,732	1,844	2,086	2,324
% EBITDA margin	9.9%	8.4%	8.8%	9.1%	9.8%
Non-operating income	538	563	581	591	616
Non-operating expenses	0	0	0	0	0
Interest expense	(65)	(13)	(13)	(28)	(38)
Pre-tax profit	1,159	756	848	1,002	1,218
Income tax	83	51	59	70	85
After-tax profit	1,076	705	789	932	1,132
% net margin	4.3%	3.4%	3.8%	4.0%	4.8%
Shares in affiliates' Earnings	13	(26)	(16)	0	0
Minority interests	0	0	0	0	0
Extraordinary items	(1,722)	(7)	0	0	0
NET PROFIT	(634)	671	773	932	1,132
Normalized profit	1,089	679	773	932	1,132
EPS (Bt)	(0.77)	0.76	0.87	1.05	1.28
Normalized EPS (Bt)	1.32	0.77	0.87	1.05	1.28

Low earnings visibility in our view

BALANCE SHEET

FY ending Dec (Bt m)	2024A	2025A	2026F	2027F	2028F
ASSETS:					
Current assets:	22,419	22,335	22,583	24,572	26,867
Cash & cash equivalent	10,745	11,993	12,160	13,160	15,160
Account receivables	4,481	4,091	4,165	4,582	4,719
Inventories	7,096	5,803	5,809	6,373	6,528
Others	98	448	449	457	460
Investments & loans	528	460	394	328	261
Net fixed assets	9,169	8,084	8,762	8,357	7,070
Other assets	399	279	276	286	286
Total assets	32,516	31,159	32,015	33,543	34,484
LIABILITIES:					
Current liabilities:	4,098	3,807	4,460	5,931	6,260
Account payables	3,026	3,156	3,159	3,466	3,550
Bank overdraft & ST loans	849	475	1,061	2,206	2,454
Current LT debt	47	0	0	0	0
Others current liabilities	176	176	239	259	256
Total LT debt	334	0	16	34	37
Others LT liabilities	1,005	1,033	1,083	616	608
Total liabilities	5,438	4,840	5,559	6,581	6,906
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	(375)	(1,082)	(1,082)	(1,082)	(1,082)
Retained earnings	20,337	20,286	20,423	20,929	21,545
Shareholders' equity	27,078	26,319	26,456	26,962	27,578
Liabilities & equity	32,516	31,159	32,015	33,543	34,484

Still has a decent balance sheet, based on our estimates

Sources: Company data, Ttb wealth estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2024A	2025A	2026F	2027F	2028F
Earnings before tax	1,159	756	848	1,002	1,218
Tax paid	(94)	(65)	(55)	(69)	(83)
Depreciation & amortization	1,777	1,526	1,564	1,647	1,684
Chg In working capital	2,207	1,812	(77)	(674)	(208)
Chg In other CA & CL / minorities	(7)	(32)	39	3	(18)
Cash flow from operations	5,041	3,997	2,319	1,909	2,592
Capex	677	(399)	(2,200)	(1,200)	(356)
Right of use	9	42	6	6	6
ST loans & investments	0	(371)	0	0	0
LT loans & investments	(455)	68	66	66	66
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(1,579)	228	9	(517)	(44)
Cash flow from investments	(1,348)	(433)	(2,119)	(1,645)	(328)
Debt financing	(406)	(885)	602	1,162	252
Capital increase	0	0	0	0	0
Dividends paid	(664)	(664)	(636)	(426)	(516)
Warrants & other surplus	(771)	(766)	0	0	0
Cash flow from financing	(1,841)	(2,315)	(33)	736	(264)
Free cash flow	3,693	3,564	200	264	2,264

VALUATION

FY ending Dec	2024A	2025A	2026F	2027F	2028F
Normalized PE (x)	30.68	52.8	46.4	38.5	31.7
Normalized PE - at target price (x)	18.18	31.3	27.5	22.8	18.8
PE (x)	na	53.4	46.4	38.5	31.7
PE - at target price (x)	na	31.7	27.5	22.8	18.8
EV/EBITDA (x)	9.7	14.0	13.4	12.0	10.0
EV/EBITDA - at target price (x)	4.2	5.6	5.5	5.0	3.7
P/BV (x)	1.3	1.4	1.4	1.3	1.3
P/BV - at target price (x)	0.8	0.8	0.8	0.8	0.8
P/CFO (x)	6.6	9.0	15.5	18.8	13.8
Price/sales (x)	1.4	1.7	1.7	1.6	1.5
Dividend yield (%)	1.9	2.5	1.1	1.3	1.6
FCF Yield (%)	11.1	9.9	0.6	0.7	6.3
(Bt)					
Normalized EPS	1.32	0.77	0.87	1.05	1.28
EPS	(0.77)	0.76	0.87	1.05	1.28
DPS	0.75	1.00	0.44	0.53	0.64
BV/share	30.58	29.73	29.88	30.45	31.15
CFO/share	6.11	4.51	2.62	2.16	2.93
FCF/share	4.48	4.03	0.23	0.30	2.56

Sources: Company data, Ttb wealth estimates

Expensive PE, in our view

FINANCIAL RATIOS

FY ending Dec	2024A	2025A	2026F	2027F	2028F
Growth Rate					
Sales (%)	(5.2)	(17.1)	1.8	10.0	3.0
Net profit (%)	na	na	15.1	20.6	21.5
EPS (%)	na	na	15.1	20.6	21.5
Normalized profit (%)	(45.8)	(37.7)	13.8	20.6	21.5
Normalized EPS (%)	(47.1)	(41.9)	13.8	20.6	21.5
Dividend payout ratio (%)	(104.8)	131.9	50.0	50.0	50.0
Operating performance					
Gross margin (%)	8.8	8.6	10.2	10.4	10.9
Operating margin (%)	2.8	1.0	1.3	1.9	2.7
EBITDA margin (%)	9.9	8.4	8.8	9.1	9.8
Net margin (%)	4.3	3.4	3.8	4.0	4.8
D/E (incl. minor) (x)	0.0	0.0	0.0	0.1	0.1
Net D/E (incl. minor) (x)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)
Interest coverage - EBIT (x)	10.6	15.8	21.5	15.9	16.6
Interest coverage - EBITDA (x)	38.1	132.8	141.8	75.7	60.4
ROA - using norm profit (%)	3.2	2.1	2.4	2.8	3.3
ROE - using norm profit (%)	3.9	2.5	2.9	3.5	4.2
DuPont					
ROE - using after tax profit (%)	3.8	2.6	3.0	3.5	4.2
- asset turnover (x)	0.7	0.6	0.7	0.7	0.7
- operating margin (%)	4.9	3.7	4.1	4.5	5.3
- leverage (x)	1.2	1.2	1.2	1.2	1.2
- interest burden (%)	94.7	98.3	98.5	97.3	96.9
- tax burden (%)	92.8	93.3	93.0	93.0	93.0
WACC (%)	17.8	17.8	17.8	17.8	17.8
ROIC (%)	2.9	1.1	1.8	2.7	3.7
NOPAT (Bt m)	636	193	261	409	595
invested capital (Bt m)	17,564	14,801	15,374	16,042	14,910

Sources: Company data, Ttb wealth 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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