Electronics Sector - Overweight

News Update

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2Q26 wrap-up; strong 2H26F expected

- **2Q26: Mixed results**
- **2H26F: strong guidance across the companies**
- **DELTA sees highest growth from a low base**
- **HANA to begin AI roadmap**

The three electronics stocks under our coverage reported mixed results in 2Q26. HANA saw the largest improvement from falling losses of its long-pressured PMS chip-making business. DELTA reported weaker-than-expected results due to a supply shortage. KCE's good results were driven by non-core businesses, while its core PCB business remained soft. However, all three companies expect much better growth in 2H26F.

HANA (BUY)

- HANA reported 82% y-y and 169% q-q earnings growth in 2Q26. We had anticipated its earnings would bottom out last year and rebound this year, but the turnaround has been far stronger than expected due to the sharp fall in losses of the PMS chip-making business by about half to Bt100m after HANA stopped its own production and hired a low-cost Chinese chip maker for production. Its key business also grew 5% y-y from a low base after three years of weakness. We see the lower PMS loss as a sustainable earnings improvement.
- 2H26F outlook: HANA expects new orders used in AI data centers for 1) packaging for solid-state cooling devices and 2) PCBA for data-quality-checking devices. HANA expects to start production of both products in 2H26F and for them to become among its top-five customers, at around 20% of total sales in 2027F, on our estimate. Given the risk that the products still have limited adoption in AI data centers, we factor them at 3/7% of HANA's sales in 2026-27F. However, this should still support good growth anyway, and we forecast 55/56% earnings growth in 2026-27F.

DELTA (BUY)

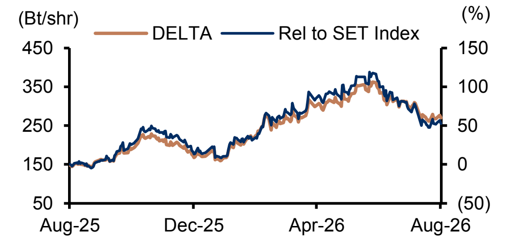
- DELTA's earnings missed expectations, with 36% y-y growth but a 31% q-q decline due to a shortage of raw materials used in AI power-management products amid strong global AI capex. One of DELTA's key suppliers was affected by European sanctions, preventing DELTA from purchasing materials from the supplier. The shortage of key high-margin products also pressured DELTA's EBIT margin, while raw material prices increased. DELTA mentioned that AI data-center customers have maintained their orders due to strong AI demand, while alternative suppliers remain limited given Delta Group's leading market share in key power supply unit products for AI data centers.

Ex 1: Stock Rating And TP

	Rating	Price Current (Bt)	Price Target (Bt)
DELTA	BUY	264.00	420.00
HANA	BUY	49.00	48.00
KCE	SELL	55.50	31.00

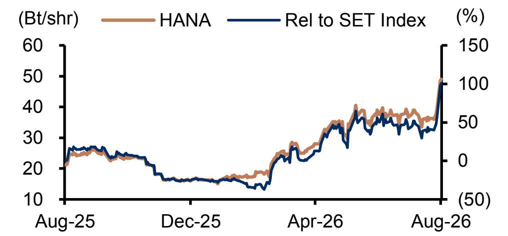
Sources: Bloomberg, ttb wealth estimates

DELTA - Price Performance



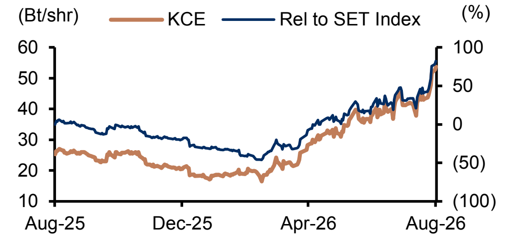
Source: Bloomberg

HANA - Price Performance



Source: Bloomberg

KCE - Price Performance



Source: Bloomberg

- 2H26F outlook: DELTA mentioned that it secured new suppliers in July and maintained its expectation to deliver the backlog, implying 50% h-h US$ sales growth in 2H26F. Sales in July were so far on track, although DELTA did not provide details. DELTA also expects its margin to improve, as sufficient supply should allow it to resume deliveries of key high-margin AI products. DELTA is negotiating selling-price increases with customers, which should be concluded in 2H26F, given that this is normal industry practice. Note that according to Delta Taiwan's July monthly sales, the power-management business, which reflects DELTA TH's core business for AI data-center power-management products, grew 59% y-y and 18% m-m. Growth was only 0% m-m in April, 0.5% in May, and 3.0% in June due to a key supplier being under EU sanctions.

KCE (SELL)

- KCE's 35% y-y and 34% q-q earnings growth in 2Q26 beat our expectations because of unusually strong demand for non-PCB products, e.g. laminate, due to strong AI demand. KCE's key PCB sales remained sluggish amid weak EU car sales. EBIT margin expanded due to cost-saving strategies and the weak baht.
- 2H26F outlook: KCE expects strong PCB demand to begin in 2H26F, when it expects to gain market share from Chinese PCB competitors after they raised more selling prices amid the global PCB shortage. We maintain our view that the benefit will be short-lived once additional PCB supply begins to resume, although the company does not expect competition to resume. We recap that, over the previous three years, KCE faced structural challenges from weak EU car demand among its key customers, which caused them to source more PCBs from cheaper Chinese PCB makers despite KCE's higher-quality PCB products. We forecast 84/54% earnings growth in 2026-27F but a 4-5% p.a. decline from 2028F.

Ex 2: Quarterly Earnings

(y-y%)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26
DELTA	53.8	13.2	29.6	6.7	17.9	39.5	24.0	(48.3)	23.9	(24.2)	16.2	201.2	82.5	36.4
HANA	(26.1)	24.3	(20.1)	(52.4)	21.7	(38.5)	(86.5)	(70.0)	(44.2)	(69.9)	50.3	78.5	(53.1)	82.0
KCE	(43.7)	(47.3)	(23.4)	(8.4)	33.1	66.5	(18.4)	(56.7)	(58.3)	(66.3)	(24.5)	(31.6)	2.9	34.8

Source: Company data

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