

BUY (Unchanged)

TP: Bt 48.00 (From: Bt 60.00)

Change in Numbers

Upside : 21.5%

23 APRIL 2024

KCE Electronics Pcl (KCE TB)

Bad news in the price

We maintain our BUY on KCE as we see its 32% share price fall from 2023 peak reflecting its slow business turnaround. Despite slower sales growth, we expect the low earnings base last year and cost-saving measures to push EPS growth by 47/20% in 2024-25F.



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Earnings cuts, but still a turnaround

Due to slower sales growth momentum, we have cut our earnings estimates for KCE by 14/10/6% in 2024-26F and lowered our DCF-based TP (2024F base year) to Bt48 (from Bt60). However, we maintain our BUY call on the stock. *First*, we still expect strong EPS growth of 47/20/11% in 2024-26F. Despite assuming only low-single-digit sales growth p.a., we expect margin expansion from cost-saving measures and the operating leverage effect. *Second*, the delay in a US rate cut is keeping the baht weak, and this is positive for KCE, where we estimate a 1% weaker baht would boost earnings by 2.5%. Our house view is still Bt35.2/US\$ this year vs. Bt37.0 YTD. *Lastly*, KCE's share price has fallen by 32% from its peak in 2023 and we believe this has reflected its weaker business turnaround momentum. KCE trades on 20x PE vs. a still strong earnings growth outlook.

Cost-saving measures

KCE plans to reduce production costs by Bt250m p.a. in 2024-25, or about 30% of its earnings base in 2023. Measures include installing over 100 automated PCB printing machines to replace workers and producing about one-third of its chemicals in-house. KCE began installing machines early this year, and it expects cost savings to materialize from 2H24.

Auto structural trends still positive

Despite a cyclical threat from the global economic slowdown, KCE is still heavily exposed to the auto industry, which has positive structural trends. First, global car sales still look set to grow over time, with economic growth around the world enabling more people to afford cars. Second, there is a megatrend of growing amounts of electronic parts in cars. On top of those trends, we expect KCE to continue to gain auto PCB market share due to its cost efficiency. Exhibit 8 shows KCE outperforming global automotive electronic growth over the past six years.

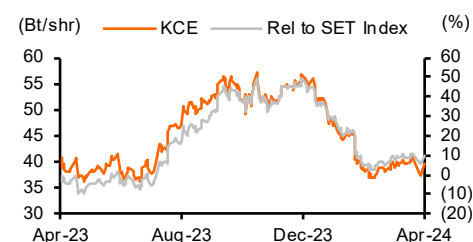
1Q24F preview

We expect KCE's 1Q24F normalized earnings to come in at Bt470m, up 50% y-y from the low base and 3% q-q. The key driver has been margin expansion from growing sales, cost savings, and the weak baht. KCE expects its gross margin to expand further due to its cost-saving measures mentioned above. Despite the market's worries regarding global car sales momentum, KCE still foresees some order growth in 2Q24.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	16,344	17,513	18,631	19,489
Net profit	1,720	2,303	2,768	3,080
Consensus NP	—	2,097	2,400	2,694
Diff frm cons (%)	—	9.8	15.4	14.3
Norm profit	1,569	2,303	2,768	3,080
Prev. Norm profit	—	2,689	3,084	3,290
Chg frm prev (%)	—	(14.3)	(10.2)	(6.4)
Norm EPS (Bt)	1.3	1.9	2.3	2.6
Norm EPS grw (%)	(31.2)	46.8	20.2	11.3
Norm PE (x)	29.8	20.3	16.9	15.2
EV/EBITDA (x)	17.3	13.4	11.3	9.8
P/BV (x)	3.4	3.1	2.8	2.5
Div yield (%)	1.5	2.0	2.4	2.7
ROE (%)	11.6	16.0	17.3	17.3
Net D/E (%)	2.8	(0.6)	(5.5)	(15.5)

PRICE PERFORMANCE



COMPANY INFORMATION

Price: (Bt) as of 23-Apr-24	39.50
Market Cap (US\$ m)	1,260.1
Listed Shares (m shares)	1,182.1
Free Float (%)	59.1
Avg. Daily Turnover (US\$ m)	10.4
12M Price H/L (Bt)	57.25/36.00
Sector	Electronics
Major Shareholder	Ongkosit Family 23.5%

Sources: Bloomberg, Company data, Thanachart estimates

Earnings cuts but still a BUY

Cutting our earnings

Due to slower sales growth momentum, we have cut our earnings estimates for KCE Electronics Pcl (KCE) by 14/10/6% over 2024-26F and lowered our DCF-based 12-month TP (2024F base year) to Bt48/share (from Bt60).

Ex 1: Assumption Revisions

	2021	2022	2023	2024F	2025F	2026F
Sales (Bt m)						
New	14,938	18,456	16,344	17,513	18,631	19,489
Old				18,639	19,736	20,379
Change (%)				(6.0)	(5.6)	(4.4)
Gross margin (%)						
New	26.6	22.8	20.8	24.4	26.2	26.9
Old				25.5	26.7	27.0
Change (ppt)				(1.1)	(0.4)	(0.1)
SG&A/sales (%)						
New	11.1	10.8	10.9	10.8	10.8	10.5
Old				10.3	10.3	10.2
Change (ppt)				0.5	0.5	0.3
Normalized profit (Bt m)						
New	2,237	2,281	1,569	2,303	2,768	3,080
Old				2,689	3,084	3,290
Change (%)				(14.3)	(10.2)	(6.4)

Sources: Company data, Thanachart estimates

Maintaining our BUY rating

However, we maintain our BUY rating on the shares of KCE.

We expect earnings growth of 47/20/11% in 2024-26F

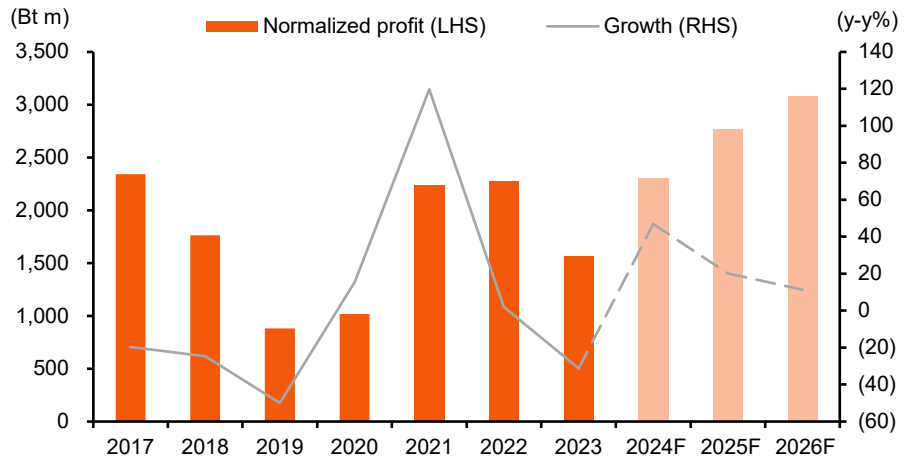
We still estimate KCE's normalized earnings to grow by 47/20/11% in 2024-26F, led by margin expansion and single-digit sales growth.

Ex 2: Our Assumptions

	2020	2021	2022	2023	2024F	2025F	2026F
Year-end capacity (million sq ft per month)	2.7	3.0	3.3	4.0	4.0	4.7	0.0
Year-end capacity growth (%)	0.0	11.1	10.0	21.2	0.0	17.5	0.0
Effective capacity (million sq ft per month)	2.7	2.8	3.2	3.5	3.7	4.1	4.7
Effective capacity growth (%)	0.0	1.9	17.3	7.8	6.7	10.8	14.6
Global car sales growth (%)	(15.0)	3.0	(2.6)	7.0	2.0	7.0	5.0
US\$ sales growth (%)	(5.3)	25.9	11.1	(10.9)	5.9	8.9	7.1
Baht/US\$ assumption	31.3	32.0	35.1	34.8	35.2	34.4	33.6
Baht sales growth (%)	(4.7)	29.6	23.6	(10.1)	7.2	6.4	4.6
HDI proportion (%)	16.0	20.0	25.9	33.2	33.6	36.0	38.0
Gross margin (%)	21.8	26.6	23.4	20.8	24.4	26.2	26.9
SG&A to sales (%)	12.6	11.1	10.8	10.9	10.8	10.8	10.5

Sources: Company data, Thanachart estimates

Ex 3: Normalized Earnings Growth

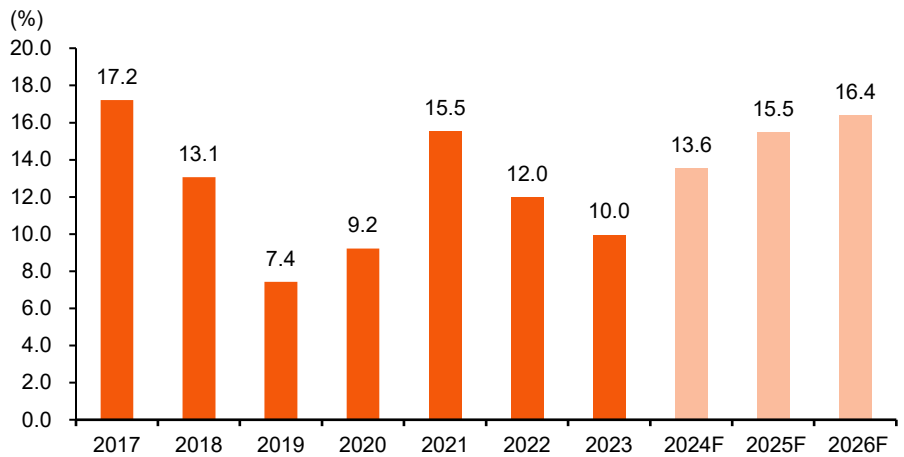


Sources: Company data, Thanachart estimates

Rising EBIT margin

Margin-wise, we estimate KCE's EBIT margin to widen to 14/15% in 2024-25F, up from 10% in 2023, when KCE was pressured by the negative operating leverage impact amid falling sales during the global slowdown. Although we expect its US\$ sales to increase by only 4% this year, we expect KCE's internal cost savings, the weak baht against US\$, and some operating leverage impact to help lift its margin. We expect 6/9% US\$ sales growth in 2025F and foresee a more positive impact from higher utilization.

Ex 4: EBIT Margin



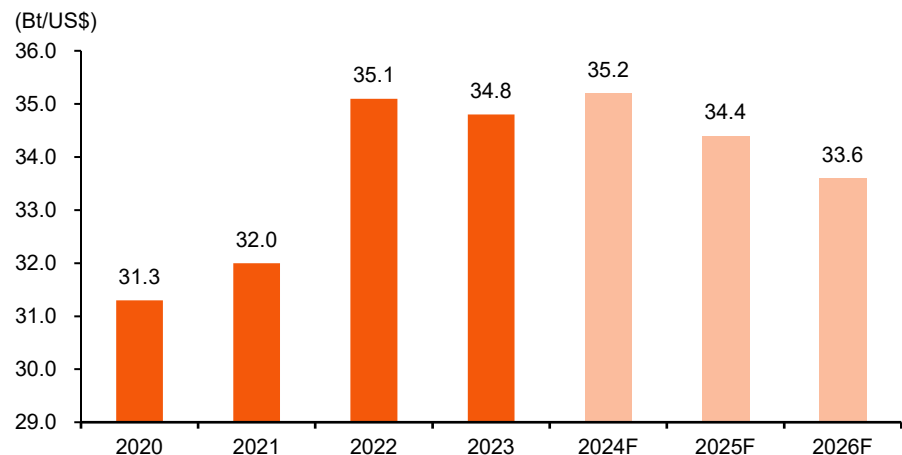
Sources: Company data, Thanachart estimates

Internal cost savings: KCE expects internal cost savings of Bt250m p.a. in 2024-25F, or 34% of its 2023 earnings base as a result of:

- 1) Making chemical PCBs in-house (from outsourcing previously). Chemicals account for over 20% of COGS. Their price surged during the global commodities shortage in 2022, and KCE decided to learn how to produce them. KCE plans to produce about one-third of its chemicals this year and more next year. It has already received approval to do so from customers. Although KCE has yet to reveal the process, the company is known to be one of the few global PCB makers focusing on vertical integration, e.g., having its own laminate factory, which gives it a cost advantage.
- 2) Integrating about 100 automated PCB printing machines to use fewer workers going forward. This also helps to reduce production lead time, production waste and other consumer products, and utility expenses. KCE has been installing machinery since early this year.

Weak baht against US\$: As a company that is new to exporting, KCE benefits when the baht weakens against the US\$. The exchange rate stands at Bt37.0/US\$1 YTD. Our house view assumptions are US\$35.2/34.4 in 2024-25F. Our sensitivity analysis suggests that each 1% weakening of the baht would lead to 2.5% upside to our earnings.

Ex 5: Our Baht/US\$ Assumptions



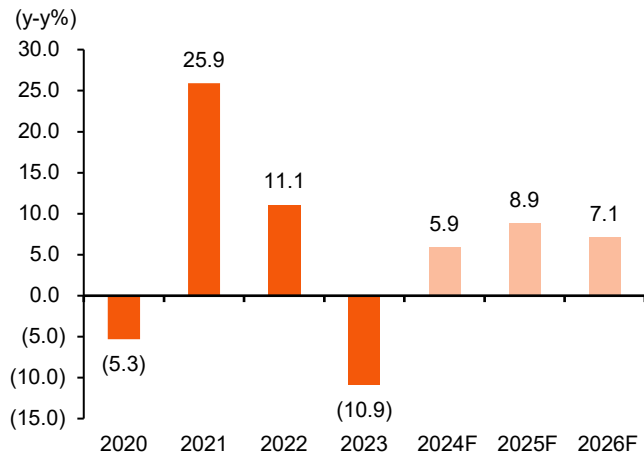
Sources: Bloomberg, Thanachart estimates

Operating leverage impact: Due to 11% US\$ sales plunge in 2023, KCE's production utilization level fell to only 80%, compared to its 90% five-year average. We expect improving sales and, therefore, a better utilization level.

Slow revenue recovery this year

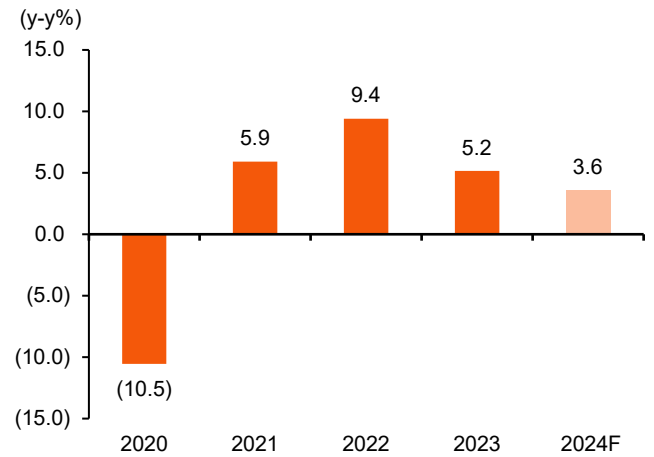
Revenue-wise, KCE has adjusted down its US\$ sales growth forecast for this year to 5% from 10% earlier. This aligns with the forecasted growth of leading EU and US car makers, KCE's key end customers. Although global car sales continue to grow, concerns about global uncertainty have led carmakers to reduce their orders. We expect KCE's US\$ sales to grow by 6/9% in 2024-25F.

Ex 6: KCE's US\$ Sales Growth



Sources: Company data; Thanachart estimates

Ex 7: End Clients' Growth



Source: Bloomberg

Note: End customers include leading listed EU and US car manufacturers

Still enjoying a structural growth trend

A structural growth trend

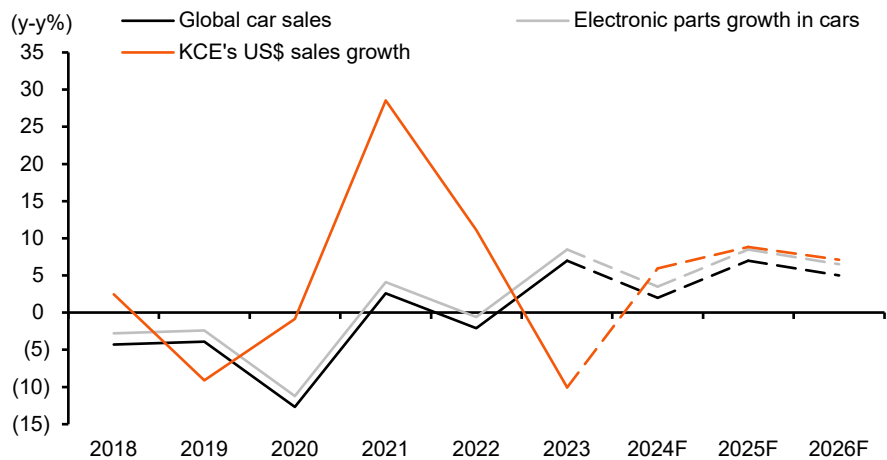
KCE continues to enjoy a structural global growth trend, in our view.

First, global car sales should continue to grow organically alongside global economic growth over time.

Second, there is increasing demand for electronic parts in cars, which helps parts makers like KCE to grow their sales faster than the global figure.

Third, KCE has been shown to outperform global electronic parts makers thanks to its low-cost structure, which includes centralized production centers and vertical integration.

Ex 8: KCE Vs. Auto Electronic Parts Vs. Global Car Sales



Sources: Company data, Thanachart compilation, Thanachart estimates

Ex 9: KCE's Margins Vs. Peers'

	TTM Technologies TTMI US	Meiko Electronics 6787 JP	CMK Corp 6958 JP	Chin-poon Industrial 2355 TT	KCE Electronics KCE TB
Revenues (US\$ m)					
2023A	2,233	1,237	620	537	477
2024F	2,334	1,203	593	557	505
2025F	2,467	1,322	629	613	550
2026F	na	1,448	630	676	589
Normalized profits (US\$ m)					
2023A	140	65	14	24	45
2024F	152	68	17	36	65
2025F	172	75	27	40	80
2026F	na	88	38	37	92
Gross margin (%)					
2023A	18.5	15.6	15.1	13.1	20.8
2024F	19.8	17.1	na	14.9	24.4
2025F	20.3	17.4	na	15.2	26.2
2026F	na	17.4	na	14.0	26.9
Net margin (%)					
2023A	2.1	5.3	2.2	4.3	9.7
2024F	6.3	5.7	2.8	6.4	13.1
2025F	6.7	5.7	4.3	6.5	14.8
2026F	na	6.0	5.5	5.5	15.8
ROE (%)					
2023A	na	12.8	2.9	4.8	11.6
2024F	na	12.0	4.7	7.6	16.0
2025F	na	11.8	7.3	8.4	17.3
2026F	na	12.6	9.3	na	17.3

Sources: Bloomberg, Company data, Thanachart estimates

Ex 10: 12 Month DCF-based TP Calculation Using A Base Year of 2024F

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal value
EBITDA	3,470	4,067	4,445	4,725	5,244	5,964	6,732	7,562	8,459	9,428	9,442	—
Free cash flow	1,275	1,829	3,118	3,405	3,986	4,547	5,223	5,958	6,752	7,609	8,225	97,302
PV of free cash flow	1,275	1,508	2,335	2,315	2,461	2,548	2,658	2,656	2,720	2,771	2,708	28,961
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	9.6											
Terminal growth (%)	2.0											
Enterprise value (add investments)	57,365											
Net debt (2023)	390											
Minority interest	61											
Equity value	56,914											
# of shares (m)	1,182											
Target price/share (Bt)	48											

Sources: Company data, Thanachart estimates

Note: * We assume a full dilution impact from outstanding ESOP shares

Valuation Comparison

Ex 11: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		— Div. yield —	
			24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)	24F (%)	25F (%)
TTM Technologies Inc	TTMI US	USA	na	13.0	9.8	8.7	0.9	0.9	6.2	5.6	na	na
Chin(Poon Industrial	2355 TT	Taiwan	58.8	6.6	13.2	12.4	1.0	0.9	4.5	1.6	5.0	5.7
Tripod Technology Corp	3044 TT	Taiwan	27.1	22.0	12.8	10.5	1.9	1.8	5.7	5.0	4.4	5.4
CMK Corp	6958 JP	Japan	57.1	48.3	13.7	9.2	0.6	0.6	7.2	5.4	2.1	3.3
Meiko Electronics	6787 JP	Japan	16.1	9.9	12.2	11.1	1.4	1.3	9.2	7.5	1.2	1.2
SVI Pcl	SVI TB	Thailand	26.0	10.0	12.4	11.2	1.9	1.7	10.6	9.6	2.8	3.1
Delta Electronics	DELTA TB*	Thailand	12.5	10.0	43.7	39.7	10.8	9.2	33.5	29.9	0.8	1.0
Hana Microelectronics	HANA TB*	Thailand	(25.4)	10.3	20.8	18.8	1.1	1.1	8.9	7.9	2.4	2.7
KCE Electronics	KCE TB*	Thailand	46.8	20.2	20.3	16.9	3.1	2.8	13.4	11.3	2.0	2.4
Average			27.4	16.7	17.7	15.4	2.5	2.3	11.0	9.3	2.6	3.1

Source: Bloomberg

Note: *Thanachart estimates, using Thanachart normalized EPS

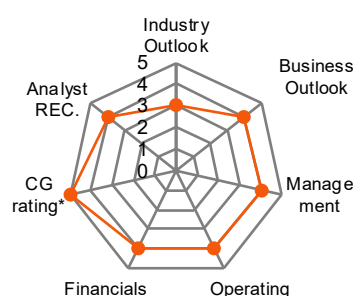
Based on 23 April 2024 closing prices

COMPANY DESCRIPTION

KCE Electronics Public Company Limited (KCE) and its subsidiaries manufacture and export double-sided and multi-layer printed circuit boards (PCBs) under the KCE trademark. The company has five manufacturing bases: three PCB factories, one laminate factory and one chemical factory in four locations in Thailand. KCE is one of the leading global suppliers of PCBs to the automotive sector, and these account for more than 70% of its total sales.

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

- Sustainable earnings from the automotive sector.
- Completed upstream to downstream business integration.
- Lowest-cost automotive PCB manufacturer.

O — Opportunity

- Potential penetration of the Japanese market.
- Positive growth outlook in the automotive electronics industry.
- Expanding into other industries such as industrial and high-end consumer products.

W — Weakness

- Capital-intensive business, particularly for machinery.
- Revenue still concentrated with a few large customers.

T — Threat

- Unexpected external events (i.e. floods, political turmoil) could disrupt KCE's operations.
- Delays in construction of factories could significantly affect the time frames for the qualification process by customers.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	46.08	48.00	4%
Net profit 24F (Bt m)	2,097	2,303	10%
Net profit 25F (Bt m)	2,400	2,768	15%
Consensus REC	BUY: 9	HOLD: 9	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecast and TP are higher than the consensus, which we believe is due to us having a more bullish view about KCE's lower expenses and revenue trend.

Sources: Bloomberg consensus, Thanachart estimates

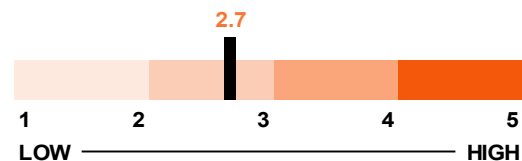
RISKS TO OUR INVESTMENT CASE

- A slower-than-expected turnaround in the global automotive market represents the key downside risk to our projections and TP.
- A significant rise in copper-related prices presents a secondary downside risk to our estimates.
- Drastic currency fluctuations with a strong Thai baht relative to the US\$ present another downside risk to our numbers.

Source: Thanachart

KCE is among the world's top-10 largest manufacturers of printed circuit boards (PCBs). Its factories release some greenhouse gases, and it implements measures to reduce emissions. However, our ESG score for KCE is 2.7, which is moderate as its overall ESG targets and plans aren't yet clear.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
KCE	-	-	-	-	53.82	61.91	24.00	-	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 "term of use" in the following back page.

Factors	Our Comments
<p>ENVIRONMENT</p> <ul style="list-style-type: none"> Environmental Policies & Guidelines Energy Management Carbon Management Water Management Waste Management 	<ul style="list-style-type: none"> KCE is a global manufacturer of printed circuit boards (PCBs) with two factories in operation in Thailand. Its factories release certain amounts of greenhouse gases (GHG) and other pollutants. KCE says it has been implementing various measures to reduce emissions. However, the company has yet to provide clear targets and plans to achieve those goals. KCE uses logistics management software to calculate the most fuel-efficient routes for transportation to reduce air pollution. KCE is changing many office-related products, e.g., copy paper, toner, LED tubes, and refrigerators, to be more environmentally friendly. KCE has discontinued the use of foam in its product packaging and has switched toward recycled paper to reduce hazardous waste.
<p>SOCIAL</p> <ul style="list-style-type: none"> Human Rights Staff Management Health & Safety Product Safety & Quality Social Responsibility 	<ul style="list-style-type: none"> KCE has a policy to discontinue relationships with suppliers that violate labor rights, e.g., those that use child workers. The company provides health and accident insurance for employees and health insurance for their families. KCE has been active in providing aid, such as food and drinking water to those in need, e.g., flooding and COVID victims.
<p>GOVERNANCE & SUSTAINABILITY</p> <ul style="list-style-type: none"> Board Ethics & Transparency Business Sustainability Risk Management Innovation 	<ul style="list-style-type: none"> KCE has a nine-member board of directors (BOD) which we consider an appropriate size for the size and scope of its business. Of the nine members, three are independent directors. There are three female board members. Eight members, including the chairman, have a stake in KCE. KCE has diversified its products from just PCBs for the auto sector, which now account for around 70% of total revenues. The rest is from the consumer, industrial, and medical sectors. KCE has been active in developing automation to reduce the size of its workforce, although the process has been gradual.

Sources: Thanachart, Company data

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	18,456	16,344	17,513	18,631	19,489
Cost of sales	14,254	12,941	13,238	13,740	14,245
Gross profit	4,202	3,403	4,275	4,891	5,244
% gross margin	22.8%	20.8%	24.4%	26.2%	26.9%
Selling & administration expenses	1,988	1,774	1,899	2,008	2,051
Operating profit	2,214	1,629	2,376	2,883	3,193
% operating margin	12.0%	10.0%	13.6%	15.5%	16.4%
Depreciation & amortization	1,082	1,096	1,094	1,184	1,252
EBITDA	3,295	2,724	3,470	4,067	4,445
% EBITDA margin	17.9%	16.7%	19.8%	21.8%	22.8%
Non-operating income	294	190	182	186	189
Non-operating expenses	0	0	0	0	0
Interest expense	(72)	(104)	(65)	(70)	(44)
Pre-tax profit	2,435	1,715	2,493	2,999	3,338
Income tax	144	131	199	240	267
After-tax profit	2,292	1,583	2,293	2,759	3,071
% net margin	12.4%	9.7%	13.1%	14.8%	15.8%
Shares in affiliates' Earnings	19	14	15	16	16
Minority interests	(29)	(28)	(5)	(6)	(7)
Extraordinary items	36	150	0	0	0
NET PROFIT	2,317	1,720	2,303	2,768	3,080
Normalized profit	2,281	1,569	2,303	2,768	3,080
EPS (Bt)	2.0	1.5	1.9	2.3	2.6
Normalized EPS (Bt)	1.9	1.3	1.9	2.3	2.6

With multiple supporting factors, we expect strong earnings growth

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	11,079	10,079	11,168	12,121	12,903
Cash & cash equivalent	1,153	1,818	2,500	3,000	3,400
Account receivables	4,900	4,379	4,692	4,991	5,221
Inventories	4,908	3,793	3,880	4,027	4,175
Others	119	90	97	103	107
Investments & loans	190	185	185	185	185
Net fixed assets	8,864	8,124	8,742	9,272	8,869
Other assets	860	804	880	953	1,013
Total assets	20,993	19,193	20,975	22,531	22,971
LIABILITIES:					
Current liabilities:	6,244	4,562	4,773	4,640	3,526
Account payables	3,249	2,728	2,791	2,897	3,003
Bank overdraft & ST loans	2,173	1,280	1,398	1,198	279
Current LT debt	738	425	464	398	93
Others current liabilities	84	128	119	147	152
Total LT debt	904	503	549	470	109
Others LT liabilities	401	380	426	465	497
Total liabilities	7,548	5,444	5,748	5,574	4,133
Minority interest	56	61	66	72	79
Preferreds shares	0	0	0	0	0
Paid-up capital	591	591	591	591	591
Share premium	2,157	2,161	2,161	2,161	2,161
Warrants	1	0	0	0	0
Surplus	(34)	(39)	(39)	(39)	(39)
Retained earnings	10,675	10,976	12,449	14,172	16,046
Shareholders' equity	13,389	13,689	15,162	16,885	18,759
Liabilities & equity	20,993	19,193	20,975	22,531	22,971

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	2,435	1,715	2,493	2,999	3,338
Tax paid	(220)	(126)	(201)	(230)	(265)
Depreciation & amortization	1,082	1,096	1,094	1,184	1,252
Chg In working capital	(1,569)	1,116	(338)	(341)	(271)
Chg In other CA & CL / minorities	(115)	89	2	28	14
Cash flow from operations	1,613	3,890	3,049	3,640	4,068
Capex	(924)	(313)	(1,667)	(1,667)	(800)
Right of use	6	(15)	(20)	(20)	(20)
ST loans & investments	0	0	0	0	0
LT loans & investments	5	5	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	14	(28)	(54)	(62)	(57)
Cash flow from investments	(899)	(351)	(1,741)	(1,748)	(877)
Debt financing	266	(1,453)	202	(345)	(1,585)
Capital increase	10	4	0	0	0
Dividends paid	(2,399)	(1,441)	(830)	(1,046)	(1,206)
Warrants & other surplus	80	17	0	0	0
Cash flow from financing	(2,042)	(2,873)	(627)	(1,391)	(2,791)
Free cash flow	688	3,577	1,383	1,973	3,268

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	20.5	29.8	20.3	16.9	15.2
Normalized PE - at target price (x)	24.9	36.2	24.6	20.5	18.4
PE (x)	20.2	27.2	20.3	16.9	15.2
PE - at target price (x)	24.5	33.0	24.6	20.5	18.4
EV/EBITDA (x)	15.0	17.3	13.4	11.3	9.8
EV/EBITDA - at target price (x)	18.0	21.0	16.3	13.7	12.1
P/BV (x)	3.5	3.4	3.1	2.8	2.5
P/BV - at target price (x)	4.2	4.1	3.7	3.4	3.0
P/CFO (x)	29.0	12.0	15.3	12.8	11.5
Price/sales (x)	2.5	2.9	2.7	2.5	2.4
Dividend yield (%)	4.1	1.5	2.0	2.4	2.7
FCF Yield (%)	1.5	7.7	3.0	4.2	7.0
(Bt)					
Normalized EPS	1.9	1.3	1.9	2.3	2.6
EPS	2.0	1.5	1.9	2.3	2.6
DPS	1.6	0.6	0.8	1.0	1.1
BV/share	11.3	11.6	12.8	14.3	15.9
CFO/share	1.4	3.3	2.6	3.1	3.4
FCF/share	0.6	3.0	1.2	1.7	2.8

Sources: Company data, Thanachart estimates

KCE's PE is not expensive, in our view

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	23.6	(11.4)	7.2	6.4	4.6
Net profit (%)	(4.5)	(25.8)	33.9	20.2	11.3
EPS (%)	(4.5)	(25.8)	33.9	20.2	11.3
Normalized profit (%)	2.0	(31.2)	46.8	20.2	11.3
Normalized EPS (%)	2.0	(31.2)	46.8	20.2	11.3
Dividend payout ratio (%)	81.6	41.2	41.2	41.2	41.2
Operating performance					
Gross margin (%)	22.8	20.8	24.4	26.2	26.9
Operating margin (%)	12.0	10.0	13.6	15.5	16.4
EBITDA margin (%)	17.9	16.7	19.8	21.8	22.8
Net margin (%)	12.4	9.7	13.1	14.8	15.8
D/E (incl. minor) (x)	0.3	0.2	0.2	0.1	0.0
Net D/E (incl. minor) (x)	0.2	0.0	(0.0)	(0.1)	(0.2)
Interest coverage - EBIT (x)	30.7	15.7	36.5	41.4	72.0
Interest coverage - EBITDA (x)	45.7	26.2	53.3	58.5	100.3
ROA - using norm profit (%)	10.6	7.8	11.5	12.7	13.5
ROE - using norm profit (%)	17.0	11.6	16.0	17.3	17.3
DuPont					
ROE - using after tax profit (%)	17.1	11.7	15.9	17.2	17.2
- asset turnover (x)	0.9	0.8	0.9	0.9	0.9
- operating margin (%)	13.6	11.1	14.6	16.5	17.4
- leverage (x)	1.6	1.5	1.4	1.4	1.3
- interest burden (%)	97.1	94.3	97.5	97.7	98.7
- tax burden (%)	94.1	92.3	92.0	92.0	92.0
WACC (%)	9.6	9.6	9.6	10.1	10.1
ROIC (%)	14.3	9.4	15.5	17.6	18.4
NOPAT (Bt m)	2,083	1,504	2,186	2,652	2,938
invested capital (Bt m)	16,051	14,079	15,073	15,950	15,839

Sources: Company data, Thanachart estimates

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

Moody's ESG Solutions

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

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Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Moshi Moshi Retail Corporation Pcl. (MOSHI TB) and Euroasia Total Logistics Pcl (ETL TB).

Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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