UOBKayHian

Sector – Update | Thailand

Monday, 31 August 2026

Electronics

Despite Persistent Cost Headwinds, 2H26 Earnings Should Improve

Highlights

- Electronics earnings are expected to improve hoh in 2H26, supported by the strong semiconductor cycle in 2026-2027.
- For KCE, we see a clear earnings outlook for 2H26-1Q27 due to the successful pass-through of higher costs to customers.
- We believe DELTA's valuation already priced in concerns of a margin squeeze over raw material shortages in 2Q26, ahead of a 2H26 earnings recovery.
- We upgrade DELTA to BUY.
- We maintain MARKET WEIGHT, with KCE and DELTA as our top picks.

Analysis

- **The electronics sector faced strong headwinds in 2Q26, especially DELTA and KCE.** The electronics companies under our coverage (DELTA, KCE, HANA) posted a net profit of Bt6.67b (+37.8% yoy, -29.1% qoq). Sales came in at Bt74.13b (+40% yoy, +7% qoq). Despite HANA and KCE's earnings significantly beating consensus by 68% and 30%, respectively, softer sector earnings were mainly dragged by DELTA's disappointing 2Q26 earnings which were a 30% miss due to raw material shortages (MOSFETs and diodes). DELTA contributed 88% of sector sales and 91% of earnings.
- **DELTA: Earnings are expected to recover in 2H26, in line with DELTA's Taiwan outlook.** We forecast 2H26 earnings to improve 15% hoh to Bt17.3b (vs Bt15.2b in 1H26), with gross margin improving to 29.4% (vs 26.8% in 2Q26). we expect earnings to recover in 2H26, driven by: a) 5% of delayed orders shifting into 2H26; b) a normalisation in product mix from 2Q26; c) lower rush-order and secondary-market sourcing costs; and d) the absence of a one-time inventory provision that reduced 2Q26 gross margin by 1.5ppts. In addition, DELTA is currently trading below its 2021-24 average forward PE of 73x, a period before DELTA gained data centre exposure, making the current valuation attractive as a trading opportunity.
- **KCE: Higher PCB prices support earnings visibility over the next three quarters.** KCE's earnings are expected to be the strongest among electronics peers especially in terms of qoq growth in 3Q26, supported by two rounds of PCB price increases in 2H26 and a strong volume outlook from market share gains in 2H26-2027. We forecast KCE's 2H26 earnings to improve 112% hoh to Bt1.08b (from Bt0.51b), driven by strong PCB volume growth of around 9% qoq in 3Q26 and higher average selling prices (ASP), with the first 9-10% price increase starting in 3Q26 and a second 9-10% increase in 4Q26-2027. In addition, KCE should be able to mitigate some cost headwinds relative to peers, supported by internal laminate sourcing from Thai Laminate Manufacturer Co. (TLM), which supplies 70% of KCE's laminate needs.

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MARKET WEIGHT (Maintained)

Segmental Rating

Segment	Rating
Electronics	MARKET WEIGHT (Maintained)

Source: Bloomberg, UOB Kay Hian

Sector Picks

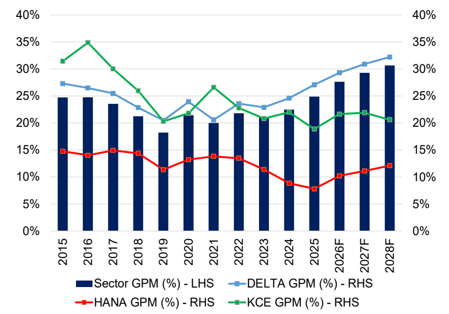
Company	Ticker	Rec	Share Price (Bt)	Target Price (Bt)
DELTA	DELTA TB	BUY	246.0	300.0
KCE	KCE TB	BUY	57.0	65.0
HANA	HANA TB	BUY	46.75	54.0

Source: Bloomberg, UOB Kay Hian

Electronics Sector Sales Outlook

Source: UOB Kay Hian

Electronics Sector Margin Outlook



Source: UOB Kay Hian

Peer Comparison

Company	Rec*	Price 28 Aug 26 (Bt)	Target Price (Bt)	Upside To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2025F (%)	ROE 2025F (%)	Market Cap. (S$m)
DELTA TB	BUY (Upgraded)	246.0	300.00	21.95	12/25	87.0	94.3	69.6	0.4	30.0	92,538
KCE TB	BUY	57.0	65.00	14.04	12/25	25.8	42.3	33.2	2.1	11.9	2,031
HANA TB	BUY	46.75	54.00	15.50	12/25	21.5	37.5	23.9	2.1	4.2	1,248

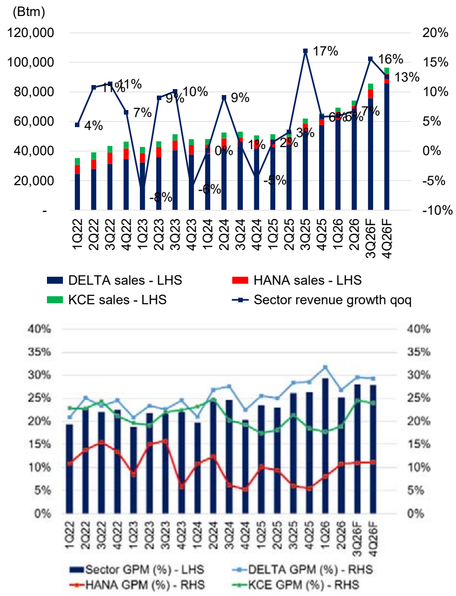
Source: Bloomberg, UOB Kay Hian

- **HANA on the recovery path in 2H26.** We believe Power Master Semiconductor Co. (PMS) losses will continue to narrow in 2H26, as management views the strong sales achieved in 2Q26 as a new baseline. We forecast HANA 2H26 core profit will contribute 70% of our 2026 forecast or Bt300m-320m/quarter in 2H26 (vs -Bt11m in 1Q26, 278m in 2Q26, or 134% hoh in 2H26). We expect core earnings to remain on a recovery path in 2H26-2027 due to the positive outlook for PMS in 2H26 and AI-related projects beginning mass production in 3Q26, while a more meaningful contribution from AI-exposed assembly is expected in 2027. We remain positive on HANA's 2027 earnings outlook, with a three-year earnings CAGR of 37%, supported by its shift from legacy assembly toward the AI supply chain.
- **Looking ahead into 2H26, earnings should improve.** Strong data centre demand during the current buildout phase has led to raw material shortages and longer equipment lead times. Even so, we expect the electronics sector's earnings to recover in 2H26 and contribute 56% of our full-year forecast. **For DELTA,** higher sourcing costs from the secondary market reduced gross margin by around 0.5ppt and delayed some orders, but the impact should ease in 3Q26. Our view is in line with Delta Taiwan's guidance, which expects both sales and margins to recover in 2H26. Management also said supply issues from Yangzhou Yangjie Electronic Technology, a supplier of MOSFETs and diodes, started to improve by mid-3Q26 after EU sanctions in 2Q26. **For KCE**, although most of its PCB business serves the automotive market, the company should still benefit indirectly from strong AI demand. Some fibreglass suppliers have shifted capacity to AI-related products, causing tighter supply for traditional non-AI PCBs. Most PCB raw material costs have risen consecutively since early-26 (30-40% of cost increase in 1H26 and further increase in 3Q26), but KCE absorbed 50% of raw material costs in 1H26 before passing through the higher costs to customers. For HANA, 2H26 earnings should remain stable and continue to recover. We expect AI-related assembly projects to support earnings from 2027 onward. We remain positive on HANA's 2027-28 outlook as its traditional Electronics Manufacturing Services (EMS) business moves into the AI supply chain and starts to gain AI exposure.

Valuation/Recommendation

- **DELTA: Upgrade to BUY with an unchanged target price of Bt300.0.** Our target price is based on 84x 2027F PE, implying nearly +1.6SD above its five-year mean or a 15% premium to the 2021-2024 average forward PE of 73x. Previously, we expected DELTA's near-term valuation to remain pressured by a lower margin profile due to raw material shortage and higher royalty fee.
- However, currently, we see a trading opportunity as current valuation is trading at around 70x forward PE or a 5% discount to its 2021-24 average forward PE which is before it received data centre exposure. Currently, DELTA's exposure to data centres is approaching 55-60%.
- **KCE: Maintain BUY with a higher target price of Bt65.00 as we see clear earnings visibility in the next three quarters.** Our higher target price is based on 38.0 2027F PE, near +1.25SD above its five-year mean (from 1.0SD). We like KCE's strong 2H26 earnings outlook, supported by clear earnings visibility as KCE is able to pass through higher PCB prices to customers in 3Q26 and 4Q26-2027.
- We are less bullish on KCE's valuation above +1.5SD, or above Bt70/share, which we view as expensive. Such a valuation was last justified during the 2019-22 earnings upcycle, when KCE delivered a three-year earnings CAGR of 35%. We currently forecast a three-year earnings CAGR of 31% in 2025-28, but with a lower operating margin due to raw material shortages.
- **HANA: Maintain BUY with a target price of Bt54.00, as it is on the recovery path in 2H26.** Our target price is based on 36x 2027F PE (near +1.25SD above its five-year mean), implying 1.8x P/B (+0.5SD above its five-

Electronics Sector Sales And Margin (Quarter)



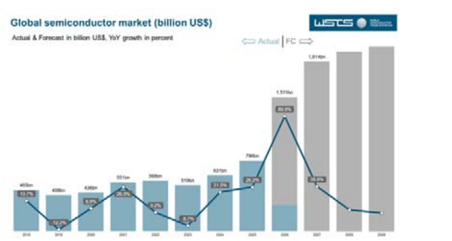
Source: UOB Kay Hian

Peers Comparison (Bloomberg Estimate)

Ticker	Name	PE Current	PE 2026F	PE 2027F	EPS 2025	EPS 2026	EPS 2027	GM 2025	GM 2026F
DELTA TB	DELTA ELECTRONICS THAI PCL	109.9	94.8	68.9	2.0	2.8	3.8	27.1	29.
DELTA regional peers									
2308 TT	DELTA ELECTRONICS INC	56.2	43.5	27.6	23.1	40.5	64.0	34.3	36.
2301 TT	LITE-ON TECHNOLOGY CORP	32.0	25.5	19.2	6.6	10.7	14.2	22.9	25.
6412 TT	CHICONY POWER TECHNOLOGY CO	12.7	14.2	11.4	5.2	5.4	6.8	16.9	16.
6282 TT	ACBEL POLYTECH INC	37.3			0.2			25.7	
VRT US	VERTIV HOLDINGS CO-A	60.4	40.9	30.1	3.5	6.7	9.1	36.3	38.
ETN US	EATON CORP PLC	43.7	32.0	27.3	10.5	13.5	15.8	37.6	36.
SU FP	SCHNEIDER ELECTRIC SE	34.8	29.1	24.5	7.4	10.2	12.1	42.1	42.
Data Centre demand indicator									
NVDA US	NVIDIA CORP	33.5	24.4	16.9	4.9	9.0	13.0	71.1	74.
2330 TT	TAIWAN SEMICONDUCTOR MANUFA	27.2	22.0	16.8	66.3	107.0	140.3	59.9	66.
2382 TT	QUANTA COMPUTER INC	14.4	12.4	10.3	19.5	26.7	32.0	7.0	4.
2317 TT	HON HAI PRECISION INDUSTRY	16.1	13.3	10.6	13.6	18.4	23.2	6.1	6.
FLEX US	FLEX LTD	45.9	25.5	17.0	2.4	4.7	7.1	9.2	9.
KCE PCB and automotive peers									
KCE TB	KCE ELECTRONICS PUB CO LTD	70.8	48.8	34.0	0.7	1.1	1.6	18.9	21.
6958 JT	CMK CORP	13.4	27.6	19.6	56.5	26.0	36.5	14.9	
6787 JT	MEIKO ELECTRONICS CO LTD	22.4	16.2	12.2	758.6	1,064.4	1,416.3	21.0	21.
2355 TT	CHIN-POON INDUSTRIAL CO LTD	22.0	20.9	18.1	1.6	2.0	2.3	11.5	11.
SCE GR	SCHWEIZER ELECTRONIC AG	3.1		44.3	1.3	(1.2)	0.1	4.4	6.
PCB peers									
ATS AV	AUSTRIA TECHNOLOGIE & SYSTEM	113.0	19.4	14.8	(1.1)	8.0	10.5	11.4	26.
TTMI US	TTM TECHNOLOGIES	55.1	26.0	18.2	1.7	4.8	6.9	20.7	23.
KCE customer and their peers (tier 1 customer)									
AMV0 GY	AUMOVIO SE		259.5	8.4	(6.5)	0.1	4.2	18.5	19.
FR FP	VALEO	17.5	10.5	7.8	0.8	1.4	1.8	20.2	19.
6902 JT	DENSO CORP	11.8	11.9	10.3	163.0	158.3	183.9	15.5	15.
1003Z GR	ZF FRIEDRICHSHAFEN AG				(4.5)			14.3	
HANA peers									
HANA TB	HANA MICROELECTRONICS PCL	73.0	47.4	30.3	0.8	1.0	1.6	7.8	10.
CCET TB	CAL-COMP ELECTRONICS THAILAN	42.9	34.5	28.3	0.2	0.3	0.3	5.1	5.
SMT TB	STARS MICROELECTRONICS THAI				(0.1)			3.6	
HANA regional peers									
3711 TT	ASE TECHNOLOGY HOLDING CO LT	42.3	31.3	20.9	9.4	18.8	28.19	17.7	21.
FLEX US	FLEX LTD	45.9	25.5	17.0	2.4	4.7	7.08	9.2	9.
CLS US	CELESTICA INC	32.0	27.7	15.8	7.2	11.2	19.71	12.1	11.
AMKR US	AMKOR TECHNOLOGY INC	24.5	21.4	19.7	1.5	2.6	2.78	14.0	17.
ON US	ON SEMICONDUCTOR	50.3	24.7	17.5	0.3	3.2	4.54	33.1	40.
IFX GY	INFINEON TECHNOLOGIES AG	61.2	32.4	20.2	0.8	1.7	2.78	39.2	41.
HANA demand indicator									
TXN US	TEXAS INSTRUMENTS INC	41.2	32.6	26.9	5.5	8.3	10.13	57.0	60.
NXPI US	NXP SEMICONDUCTORS NV	19.4	15.1	12.5	8.0	15.1	18.22	54.7	58.

Source: UOB Kay Hian

WTST's Global Semiconductor Forecast



Source: UOB Kay Hian, World Semiconductor Trade Statistics (WSTS) (June forecast) year mean). While the near-term outlook may be less exciting than in the previous two quarters, as the latest analyst meeting mainly provided updates confirming that existing AI-related projects remain on track rather than introducing new projects. Currently, HANA is under a cash balance measure (level 1) from 24 Aug 26 to 11 Sep 26.

- We remain positive on HANA's longer-term outlook as its assembly business continues to shift toward the AI supply chain, while management expects additional customers for its solid-state cooling project in the future. Together with the continued semiconductor upcycle and improving PMS business, we expect earnings to remain on a strong growth trajectory in 2026-28, with a three-year CAGR of 37% over 2025-28.

Sector Catalyst/Risk

- Stronger-than-expected sales and margin in 2H26-2027.

Earnings revision

- We revised up KCE's 2027-28 earnings forecast by 5-7%, reflecting our more positive outlook on a better product mix from Advanced Driver Assistance Systems (ADAS) for EVs. Our view is supported by favorable European and U.S. PMIs above 50 points.
- We fine-tuned HANA's 2026 earnings forecast up by 3%.

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