# KCE (Thailand) (KCE TB)

## 2Q26 Expected To Be The Weakest Quarter Before Earnings Improve In 2H26, But Upside Remains Limited

## Highlights

- We expect KCE to report a 2Q26 net profit of Bt212m (+16% yoy, -10% qoq), marking its weakest quarter this due to continued cost headwinds.
- 2H26 earnings could improve, as KCE could raise PCB prices by 10-12% for most customers in 3Q26.
- Downgrade to HOLD with the higher target price of Bt40.00, as we believe the share price has largely priced in the 2H26 earnings recovery. We view Bt45.00-50.00 per share as a stretched valuation range in 2H26.

**HOLD** (Downgraded)

| | |
|---|---|
| Share Price | Bt41.75 |
| Target Price | Bt40.00 |
| Upside | -4.19% |
| Previous TP | Bt36.00 |

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**2Q26 Results Preview**

| Year to 31 Dec (Btm) | 2Q26F | 2Q25 | 1Q26 | yoy% | qoq% |
|---|---|---|---|---|---|
| Revenue | 3,305 | 3,285 | 3,107 | 0.6 | 6.4 |
| Gross profit | 601 | 595 | 550 | 1.0 | 9.1 |
| Operating profit | 204 | 160 | 177 | 27.9 | 15.2 |
| Operating EBITDA | 522 | 438 | 439 | 19.2 | 18.9 |
| Net profit | 212 | 182 | 234 | 16.3 | (9.6) |
| EPS | 0.18 | 0.16 | 0.20 | 16.3 | (9.6) |
| Gross profit margin (%) | 18.2 | 18.1 | 17.7 | 0.1 | 0.5 |
| EBITDA margin (%) | 15.8 | 13.3 | 14.1 | 2.5 | 1.7 |
| Operating margin (%) | 6.2 | 4.9 | 5.7 | 1.3 | 0.5 |
| Net profit margin (%) | 6.4 | 5.5 | 7.5 | 0.9 | (1.1) |

*Source: KCE, UOB Kay Hian*

**Stock Data**

| | |
|---|---|
| GICS sector | Information Technology |
| Bloomberg ticker: | KCE TB |
| Shares issued (m): | 1,182.1 |
| Market cap (Bt$m): | 38,417.9 |
| Market cap (US$m): | 1,173.3 |
| 3-mth avg daily t'over (US$m): | 20.7 |

**Price Performance (%)**

52-week high/low: Bt32.5/Bt14.8

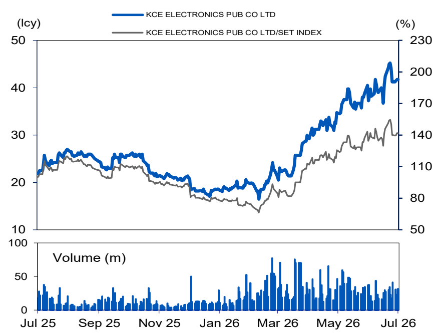
| 1mth | 3mth | 6mth | 1yr | YTD |
|---|---|---|---|---|
| 50.7 | 70.6 | 27.7 | 84.3 | 77.2 |

| Major Shareholders | % |
|---|---|
| MR. Pitharn Ongkosit | 15.83 |
| Thai NVDR Company Limited | 6.90 |
| MR. ATHASIDH ONGKOSIT | 6.31 |

**Balance Sheet Metrics**

| | |
|---|---|
| FY26 NAV/Share (XX$) | 11.3 |
| FY26 Net Debt/Share (XX$) | (0.6) |

**Price Chart**




*Source: Bloomberg*

**Company Description**

KCE Electronics manufactures and distributes printed circuit boards under the KCE trademark. The company mainly focuses on the automobile PCB segment.

## Analysis

- **Raw material cost pressure is expected to make 2Q26 the weakest quarter of 2026.** We expect KCE (Thailand) (KCE) to report a 2Q26 net profit of Bt212m (+16% yoy, -10% qoq), marking the lowest quarterly earnings of the year before improving in 2H26. Sales are forecast to rise qoq to Bt3.31b (+0.6% yoy, +6.4% qoq), supported by a 5% depreciation of the Thai baht qoq and a full quarter resumption of gold-plated PCB production. However, earnings are projected to remain soft as continued raw material cost pressure is likely to keep gross margin broadly flat at 18.2% in 2Q26 (vs 17.7% in 1Q26), primarily due to a 16% increase in the average copper price to US$12,878/tonne in 1Q26, given the three-month lag.

**Key Financials**

| Year to 31 Dec (Btm) | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Net turnover | 14,832.8 | 13,074.7 | 14,149.7 | 15,021.7 | 15,789.7 |
| EBITDA | 2,566.7 | 1,856.6 | 2,392.8 | 2,593.7 | 2,785.8 |
| Operating profit | 1,455.0 | 725.0 | 1,158.9 | 1,321.9 | 1,468.4 |
| Net profit (rep./act.) | 1,648.5 | 832.7 | 1,265.4 | 1,449.8 | 1,609.1 |
| Net profit (adj.) | 1,648.5 | 832.7 | 1,265.4 | 1,449.8 | 1,609.1 |
| EPS | 1.4 | 0.7 | 1.1 | 1.2 | 1.4 |
| PE (x) | 30.1 | 59.6 | 39.2 | 34.2 | 30.8 |
| P/B (x) | 3.6 | 3.8 | 3.7 | 3.5 | 3.3 |
| EV/EBITDA (x) | 11.8 | 16.3 | 12.6 | 11.5 | 10.6 |
| Dividend yield (%) | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 |
| Net margin (%) | 11.1 | 6.4 | 8.9 | 9.6 | 10.2 |
| Net debt/ to equity (%) | (2.9) | (3.8) | (5.1) | (6.6) | (8.4) |
| Interest cover (x) | 49.6 | 50.9 | 57.6 | 61.9 | 62.0 |
| Consensus net profit | n.a | n.a | 958.1 | 1,127.7 | 1,295.4 |
| UOBKH/Consensus (x) | n.a | n.a | 1.3 | 1.3 | 1.2 |

*Source: KCE (Thailand), Bloomberg, UOB Kay Hian*

- **Automotive PCB pricing power remains limited compared with AI PCB.** According to Reuters, prices of some AI-related PCBs have increased 30-40% mom since April in several PCB manufacturing earnings calls, driven by strong AI server demand and tight supplies of key raw materials (fiberglass, copper foil, laminate). Although we are positive that KCE is able to raise PCB prices by 10-12% in 2H26 after absorbing cost pressure in 1H26, we expect the increase to be at the lower end of the range, as the company primarily serves the automotive segment rather than the AI server market. While the PCB raw-material shortage is expected to ease in 2027-30 due to capacity expansions by several companies, downside risk remains, as stronger-than-expected input costs could pressure KCE's gross margin if the company is unable to fully offset them through automotive PCB price increases.
- **On the road of recovery in 2H26.** While 1H26 earnings are likely to be soft, we expect a strong earnings recovery in 2H26, with gross margin improving to around 21% following the implementation of PCB price increases. We forecast 2H26 earnings contributing 63% to our 2026 forecast, supported by KCE passing through higher costs to customers through 10-12% PCB price increases. Based on guidance, the price adjustment is expected to cover around 75% of customers in 3Q26, with the remaining 25% implemented in 4Q26.

## Valuation/Recommendation

- **Downgrade to HOLD with a higher target price of Bt40.00.** Our higher target price is based on 39.5x 2026F PE (+1.00SD above its eight-year mean), as 2H26 earnings are strong, driven by passing through higher costs to customers through 10-12% PCB price increases, and positive momentum from KCE's Tier 1 customers and peers into 2027.
- **2H26 earnings recovery already priced in.** Despite our projected earnings CAGR of 25% during the 2025-28 earnings upcycle, we view valuations above +1.0SD as a stretched valuation zone in 2H26. Our forecast remains below the 35% earnings CAGR achieved during the 2019-22 upcycle, which benefitted from higher gross margins, whereas the current upcycle is constrained by higher raw material costs.
- We view valuations above Bt45 per share or 1.00SD (from average EPS of 2026 and 2027) as an unattractive zone in 2H26. We believe the next earnings catalyst is likely to emerge in 4Q26, when KCE negotiates 2027 PCB selling prices with customers.

## Earnings Revision/Risk

- We revised up our 2026-28 earnings forecasts by 5%/7%/11% from our previous conservative assumptions, driven by: a) a higher USD/THB assumption of 33 (vs 32 previously), b) a higher gross margin assumption from passing through higher raw material costs to customers, and c) more stable copper prices in 3Q26.

## Share Price Catalyst

- **Catalyst:** Stronger-than-expected gross margins and sales.

## Environment, Social, Governance (ESG) Updates

### Environmental

- **Reduce energy consumption.** The company set goals to reduce electricity purchased for consumption by 10% in 2030.

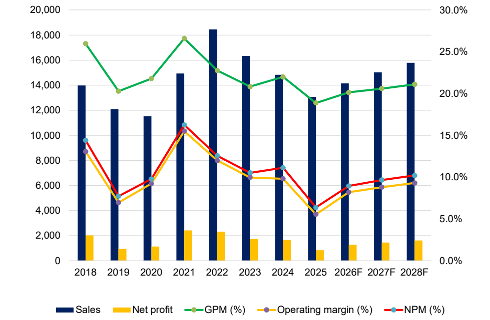
### Social

- Employees at all levels receive regular training and development support, with clear initiatives in place to reduce the voluntary employee turnover rate.

### Governance

- The company has set clear goals to conduct its business transparently and fairly, while maintaining responsibility toward all stakeholders.

### Sales, Gross margin, Operating margin, Net Profit Margin




Source: UOB Kay Hian, Bloomberg

### Cost Breakdown And Raw Material Shortage Issue

| 6 Bottlenecks for PCB shortage from raw material shortage | Problem | Forecast recovery |
|---|---|---|
| 1) PPE/ PPO resin | Production disruption at the largest single PPE source<br>SABIC is 70% of global PPE supplier | 6-9 months (H2 2026 – H1 2027 |
| *PPE = PPO (polyphenylene oxide) is the resin backbone for the mid-loss and low-loss laminate systems<br>Use in 5G infrastructure, AI servers, automotive radar and high-speed networking. | | |
| 2) T-Glass and Q-Glass | Nittobo (Nitto Boseki / 日東紡, Tokyo Stock Exchange 3110) holds approximately 90% of the global T-glass market and 60-70% of NE-glass per TrendForce industry analysis.<br>Glass fiber increase 20% in Aug 2025, 20-30% in April | New facilities slated to come online from late 2026, with full impact by 2028. |
| 3) HVLP / HVLP5 copper foil | AI demand pre-booking output.<br>Mitsui Kinzoku >90% premium premium grade. | Structural price shift firm through 2027+. |
| *Standard copper foil prices rose with the metal:<br>Mitsui Kinzoku +12%, Mitsubishi Gas Chemical +30% on resin-coated foil, both effective April 2026. | | |
| 4) Tungsten carbide drills | PCB mechanical drilling uses Tungsten as raw material, but Tungsten market repricing 2025-2026. | Higher floor through 2030. |
| 5) Electronic-grade chemistry | Sulfuric acid and feedstock tightening. | Through 2026 minimum. |
| 6) CCL plant equipment | Small set of Japanese/German tool makers<br>Expansion demand exceeds toolmaker output. | Equipment lead times ~2 years. |

| KCE cost | % of COGS |
|---|---|
| Raw materials and consumables used | 54% |
| Laminate 20%, Prepreg, 9%, Copper foil 8% which included copper content | |
| Other is Copper Anode, Gold, Chemical | |
| Employee benefit expenses | 19% |
| Utility expenses | 8% |
| Depreciation of PPE, Investment properties and ROU | 8% |
| Repair and maintenance expenses | 3% |
| Commission expense | 0% |
| Freight charge | 1% |
| Others | 8% |
| | **100%** |
| *Copper and Fiber glass content | **22%** |
| * Every 10% increase in copper price, GPM decrease 1.8% | |

Source: UOB Kay Hian, Highleap Electronics Report.

### Peer Comparison

| | | PE | | | EPS | | | GPM (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | | Current | 2026F | 2027F | 2025 | 2026F | 2027F | 2025 | 2026F |
| DELTA TB | DELTA ELECTRONICS THAI PCL | 131.5 | 96.8 | 73.5 | 1.99 | 3.0 | 4.1 | 27.1 | 31.2 |
| | | | | | | 53% | 34% | | |
| KCE TB | KCE ELECTRONICS PUB CO LTD | 59.3 | 44.9 | 35.2 | 0.7 | 0.9 | 1.2 | 18.9 | 19.8 |
| | | | | | | 31% | 29% | | |
| HANA TB | HANA MICROELECTRONICS PCL | 111.4 | 36.3 | 24.3 | 0.76 | 1.0 | 1.6 | 7.8 | 9.8 |
| | | | | | | 36% | 51% | | |
| CCET TB | CAL-COMP ELECTRONICS THAILAN | 47.2 | 34.4 | 28.1 | 0.2 | 0.3 | 0.3 | 5.1 | 5.2 |
| | | | | | | 30% | 23% | | |
| **KCE closest peers (PCB and automotive)** | | | | | | | | | |
| 6958 JT | CMK CORP | 11.3 | 24.6 | 17.5 | 56.5 | 26.0 | 36.5 | 14.9 | |
| | | | | | | -54% | 40% | | |
| 6787 JT | MEIKO ELECTRONICS CO LTD | 31.0 | 22.1 | 16.6 | 758.6 | 1,064.4 | 1,416.3 | 21.0 | 21.4 |
| | | | | | | 40% | 33% | | |
| 2355 TT | CHIN-POON INDUSTRIAL CO LTD | 25.0 | 25.7 | 19.7 | 1.6 | 1.7 | 2.2 | 11.5 | 10.7 |
| | | | | | | 3% | 31% | | |
| SCE GR | SCHWEIZER ELECTRONIC AG | 3.2 | | 24.7 | 1.3 | (1.2) | 0.2 | 4.4 | 6.9 |
| | | | | | | -190% | 118% | | |
| **Other PCB manufacturing peers** | | | | | | | | | |
| ATS AV | AUSTRIA TECHNOLOGIE & SYSTEM | | 21.7 | 18.9 | (1.1) | 7.4 | 8.5 | 11.4 | 25.0 |
| | | | | | | 766% | 15% | | |
| TTMI US | TTM TECHNOLOGIES | 70.5 | 33.1 | 25.1 | 1.7 | 4.0 | 5.3 | 20.7 | 22.6 |
| | | | | | | 133% | 32% | | |
| **KCE's Tier 1 Customer** | | | | | | | | | |
| AMV0 GY | AUMOVIO SE | | 13.6 | 7.3 | (6.5) | 2.6 | 4.7 | 18.5 | 19.3 |
| | | | | | | 139% | 82% | | |
| FR FP | VALEO | 15.5 | 9.7 | 6.9 | 0.8 | 1.3 | 1.8 | 20.2 | 20.5 |
| | | | | | | 61% | 40% | | |
| 6902 JT | DENSO CORP | 12.2 | 12.1 | 10.6 | 163.0 | 164.6 | 187.9 | 15.5 | 15.6 |
| | | | | | | 1% | 14% | | |

Source: UOB Kay Hian, Highleap Electronics Report.

### Five-Year Forward PE Band


Source: UOB Kay Hian, Bloomberg

## Profit & Loss

| Year to 31 Dec (Btm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Net turnover | 13,075 | 14,150 | 15,022 | 15,790 |
| EBITDA | 1,857 | 2,393 | 2,594 | 2,786 |
| Deprec. & amort. | 1,132 | 1,234 | 1,272 | 1,317 |
| EBIT | 725 | 1,159 | 1,322 | 1,468 |
| Total other non-operating income | 264 | 310 | 346 | 379 |
| Associate contributions | 12 | 13 | 13 | 13 |
| Net interest income/(expense) | (36) | (42) | (42) | (45) |
| Pre-tax profit | 965 | 1,440 | 1,638 | 1,815 |
| Tax | (106) | (148) | (163) | (180) |
| Minorities | (26) | (26) | (26) | (26) |
| Net profit | 833 | 1,265 | 1,450 | 1,609 |
| Net profit (adj.) | 833 | 1,265 | 1,450 | 1,609 |

## Balance Sheet

| Year to 31 Dec (Btm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Fixed assets | 8,819 | 9,089 | 8,753 | 9,129 |
| Other LT assets | 534 | 517 | 525 | 533 |
| Cash/ST investment | 1,969 | 1,986 | 2,427 | 2,754 |
| Other current assets | 6,608 | 6,574 | 7,580 | 7,810 |
| Total assets | 17,930 | 18,165 | 19,286 | 20,225 |
| ST debt | 1,055 | 882 | 1,082 | 1,082 |
| Other current liabilities | 2,618 | 2,872 | 3,049 | 3,079 |
| LT debt | 415 | 415 | 415 | 415 |
| Other LT liabilities | 646 | 548 | 559 | 571 |
| Shareholders' equity | 13,136 | 13,382 | 14,122 | 15,022 |
| Minority interest | 60 | 66 | 58 | 56 |
| Total liabilities & equity | 17,930 | 18,165 | 19,286 | 20,225 |

## Cash Flow

| Year to 31 Dec (Btm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Operating | 2,537 | 2,645 | 2,072 | 2,863 |
| Pre-tax profit | 965 | 879 | 1,638 | 1,815 |
| Tax | (90) | (87) | (163) | (180) |
| Deprec. & amort. | 1,132 | 1,350 | 1,272 | 1,317 |
| Working capital changes | 393 | 314 | (843) | (212) |
| Non-cash items | 127 | 201 | 180 | 136 |
| Other operating cashflows | 11 | (13) | (13) | (13) |
| Investing | (936) | (232) | (1,094) | (1,800) |
| Capex (growth) | (603) | (1,508) | (961) | (1,712) |
| Investments | 28 | 0 | 0 | 0 |
| Others | (361) | 1,276 | (132) | (88) |
| Financing | (1,198) | (1,519) | (537) | (737) |
| Dividend payments | (1,447) | (1,418) | (709) | (709) |
| Issue of shares | 0 | 0 | 0 | 0 |
| Proceeds from borrowings | 306 | (173) | 200 | 0 |
| Others/interest paid | (57) | 72 | (28) | (27) |
| Net cash inflow (outflow) | 403 | 893 | 441 | 327 |
| Beginning cash & cash equivalent | 1,566 | 1,093 | 1,986 | 2,427 |
| Ending cash & cash equivalent | 1,969 | 1,986 | 2,427 | 2,754 |

## Key Metrics

| Year to 31 Dec (%) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Profitability | | | | |
| EBITDA margin | 14.2 | 16.9 | 17.3 | 17.6 |
| Pre-tax margin | 7.4 | 10.2 | 10.9 | 11.5 |
| Net margin | 6.4 | 8.9 | 9.6 | 10.2 |
| Growth | | | | |
| Net profit (adj.) | (49.5) | 52.0 | 14.6 | 11.0 |
| Leverage | | | | |
| Debt to total capital | 11.1 | 9.6 | 10.6 | 9.9 |
| Debt to equity | 11.2 | 9.7 | 10.6 | 10.0 |
| Net debt/(cash) to equity | (3.8) | (5.1) | (6.6) | (8.4) |
| Interest cover | 50.9 | 57.6 | 61.9 | 62.0 |