KCE (Thailand) (KCE TB)

Stronger Volume Momentum And A Second Round Of PCB Price increases To Support 2H26-2027 Earnings

Highlights

- Positive surprise from a second round of PCB price increases in 4Q26-2027 and strong volume outlook in 2H26-2027.
- Management guided for aggressive PCB sales growth of 20% yoy in 2027, driven by a second 9-10% increase in PCB prices and 10% volume growth from market share gain.
- We upgrade KCE to BUY with a higher target price of Bt60.0, as we roll over our valuation to 2027 and turn positive on stronger 2H26-2027 earnings outlook.

Analysis

- **Stronger-than-expected 2Q26 earnings driven by sales beat and higher prepreg & laminate contribution**. KCE (Thailand) (KCE) reported a net profit of Bt275.9m (+51% yoy, +18% qoq) on 11 Aug 26, above our and Bloomberg estimates by 30% and 28%, respectively. Sales of Bt3.58b (+8.8% yoy, +15% qoq) were 8% and 6% above our and Bloomberg estimates, supported by special-grade High-Density Interconnect (HDI) printed circuit boards (PCBs) and prepreg & laminate sales of Bt446m (+155% yoy, +140% qoq) from Panasonic orders. Prepreg & laminate contributed 12% of 2Q26 sales, but growth is expected to slow after the sharp increase in 2Q26.
- **Gross margin beat expectations despite elevated raw material costs**. Gross margin came in at 18.9%, above our and Bloomberg estimates of 18.0-18.2%, supported by a better special-grade PCB mix, earlier-than-guided partial PCB price pass-through, and internal laminate sourcing from Thai Laminate Manufacturer Co. (TLM) of 70% of KCE needs.
- **Stronger volume momentum and PCB price increases to support 2H26-2027 earnings**. Overall, we expect KCE's 2H26 earnings to be stronger than previously expected, particularly 19% qoq growth in PCB sales in 3Q26 (9-10% PCB price increase and 8-9% qoq shipment volume growth), before remaining broadly flat qoq in 4Q26 due to the usual seasonal slowdown from factory closures during the Christmas period. Although 4Q sales have typically declined qoq, KCE expects PCB shipment volumes to remain strong in October-November. For 2027, we expect KCE's sales to grow 15% yoy, driven by around 17% growth in PCB sales, supported by market share gains as KCE offers price increases at the lower end of the industry range.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	14,832.8	13,074.7	15,148.8	17,411.0	17,701.4
EBITDA	2,566.7	1,856.6	2,679.2	3,139.8	3,076.6
Operating profit	1,455.0	725.0	1,445.2	1,775.9	1,593.1
Net profit (rep./act.)	1,648.5	832.7	1,594.0	1,903.4	1,766.3
Net profit (adj.)	1,648.5	832.7	1,594.0	1,903.4	1,766.3
EPS	1.4	0.7	1.4	1.6	1.5
PE (x)	30.1	59.6	31.2	26.1	28.1
P/B (x)	3.6	3.8	3.7	3.4	3.2
EV/EBITDA (x)	11.8	16.3	11.2	10.1	10.0
Dividend yield (%)	2.9	2.9	2.9	2.9	2.9
Net margin (%)	11.1	6.4	10.5	10.9	10.0
Net debt/(cash) to equity (%)	(2.9)	(3.8)	(5.6)	7.0	0.8
Interest cover (x)	49.6	50.9	64.5	74.9	68.5
Consensus net profit	n.a	n.a	1,173.2	1,533.5	1,815.3
UOBKH/Consensus (x)	n.a	n.a	1.4	1.2	1.0

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

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BUY (Upgraded)

Share Price	Bt47.75
Target Price	Bt60.00
Upside	25.65%
Previous TP	Bt40.00

Stock Data

Sector	Information Technology
Bloomberg ticker	KCE TB
Shares issued (m)	1,182.1
Market cap (Btm)	56,444.7
Market cap (US$m)	1,703.5
3-mth avg daily t'over (US$m)	32.7

Price Performance (%)

52-week high/low				Bt47.8/Bt16.5
1mth	3mth	6mth	1yr	YTD
7.9	48.1	152.6	85.4	162.4

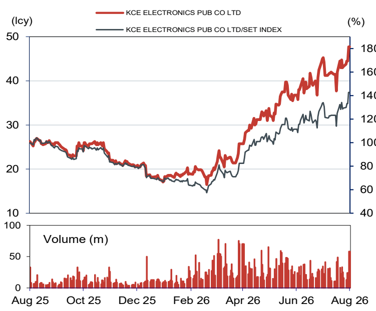
Major Shareholders (%)

Mr. Pitharn Ongkosit	15.83
Thai NVDR Company Limited	6.90

Balance Sheet Metrics

FY26 NAV/Share (Bt)	11.3
FY26 Net Debt/Share (Bt)	(0.6)

Price Chart



Source: Bloomberg

Company Description

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

- Strong 2H26-2027 earnings outlook despite raw material shortage. We forecast 2H26 earnings to contribute 68% of our 2026 full-year forecast, reflecting very strong earnings momentum outlook driven by robust shipment volumes guidance, gross margin improving toward management's 25% guidance (vs 18.4% in 1H26), and higher PCB prices. KCE expects customer order fulfilment to remain stable, despite having only 1-2 months of fibreglass inventory and about three months of copper inventory. Utilisation rates are expected to increase from 65% to about 70% in 2H26.
- Second-round PCB price increases and AI-driven fibreglass shortages support KCE's 2H26-2027 outlook. We are positive on the second round of PCB price increases, particularly as KCE mainly serves the automotive segment rather than the AI segment amid a soft automotive outlook in 2026. KCE expects strong volume growth in 3Q26-2027 from market share gains, as its PCB price increase remains at the lower end of the industry range, while TLM, its subsidiary, helps secure copper-clad laminate (CCL) amid the global fibreglass shortage. The shortage has been driven partly by suppliers shifting capacity toward AI-related fibreglass demand, reducing traditional non-AI fibreglass capacity from about 100% to 60%. While industry supply is expected to gradually ease in 2027-30 as new capacity comes online, we remain conservative on 2028 earnings due to potential normalisation in fibreglass tightness. As a result, KCE should continue to benefit from the AI-related supply imbalance in 2H26-2027 from gaining market shares and already absorb some raw material costs (low gross margin base in 1H26) before rising PCB prices in 2H26-2027.

Valuation/Recommendation

- We upgraded KCE to BUY again, with a higher target price of Bt60.00 (from Bt40.00). Our higher target price is based on 36.5x 2027F PE, near +1.0SD above its five-year mean, as we roll forward our valuation to 2027. While we are less bullish on valuations re-rating above +1.0SD of KCE's PE band and maintain the same PE multiple, the stronger-than-expected 2H26-2027 earnings outlook should provide additional upside in 2H26-1H27.
- We turn positive again on the earnings outlook, as: a) KCE is able to implement a second round of PCB price increases in 4Q26-2027; and b) we raise our gross margin assumption as KCE guides for strong PCB shipment volumes, supported by market share gains from offering PCB price increases at the lower end of the industry range.
- 2027 valuations at or above +1.25SD to +1.50SD (Bt62.00-64.00/share) appear expensive. These levels were last justified during the 2019-22 earnings upcycle, when KCE a three-year earnings CAGR of 35% for 2019-22, compared with our current projection of a three-year earnings CAGR of 28% for 2025-28.

Earnings Revision/Risk

- We revised up our 2026-2028 earnings forecast by 26%/31%/21% respectively, due to strong volume shipment and higher PCB prices.

Share Price Catalyst

- Stronger-than-expected sales and gross margin.

Environment, Social, Governance (ESG) Updates

Environmental

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

Social

- Employees at all levels receive 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.

2Q26 Earnings Results

(Bt)	2Q26	2Q25	1Q26	yoy (%)	qoq (%)
Revenue	3,575	3,285	3,107	8.8	15.0
Gross profit	676	595	550	13.6	22.8
Operating profit	226	160	177	41.6	27.6
Other income	90	50	101	79.7	(10.9)
Operating EBITDA	226	438	439	(48.4)	(48.5)
Net profit	276	182	234	51.5	17.8
EPS	0.24	0.16	0.20	51.5	17.8
%				ppts	ppts
Gross margin	18.9	18.1	17.7	0.8	1.2
EBITDA margin	6.3	13.3	14.1	(7.0)	(7.8)
Operating margin	6.3	4.9	5.7	1.5	0.6
SG&A to sales	11.8	12.8	13.6	(1.0)	(1.8)
Net profit margin	7.7	5.5	7.5	2.2	0.2

Source: UOB Kay Hian

S&P Global Light Vehicle Forecast Production (Monthly Update)

June 2026 forecast					
Region	2024	2025	2026F	2027F	2028F
Europe	17,174,845	17,047,600	16,757,315	16,769,240	17,010,525
		-1%	-2%	0%	1%
Greater China	30,087,168	33,095,001	31,784,660	32,166,163	32,058,009
		10%	-4%	1%	0%
Japan/Korea	11,980,053	12,102,526	11,787,663	11,347,893	11,240,654
		1%	-3%	-4%	-1%
Middle East/Africa	2,350,009	2,430,967	1,850,298	2,167,055	2,423,304
		3%	-24%	17%	12%
North America	15,449,571	15,265,165	14,994,373	15,016,726	15,281,755
		-1%	-2%	0%	2%
South America	2,961,973	3,056,800	3,103,254	3,339,217	3,480,327
		3%	2%	8%	4%
South Asia	9,590,255	10,100,266	10,401,107	10,807,516	11,726,382
		5%	3%	4%	9%
Total	**89,593,874**	**93,098,325**	**90,678,670**	**91,613,810**	**93,220,956**
yoy		4%	-3%	1%	2%

Source: UOB Kay Hian

PCB Sales Breakdown By Layer

Sales Breakdown (Btm)	2023	2024	2025	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26
Layer (Rev : USDm)									
Sales - 02 Layer	39	35	32	8.1	8.1	8.7	7.2	7.4	7.1
Sales - 04 Layer	142	129	122	31.6	31.3	30.8	28.0	30.8	32.2
Sales - 06+ Layer	99	81	79	21.0	20.2	21.3	16.7	19.6	19.7
Sales - Special Grade	114	116	94	23.4	22.3	26.8	21.9	25.3	26.7
Total Sales (USD)	**393**	**360**	**327**	**84**	**82**	**88**	**74**	**83**	**86**
yoy (%)	-9%	-9%	-9%	-11%	-14%	-4%	-8%	-1%	5%
qoq (%)				5%	-3%	7%	-16%	13%	3%
Volume (m SQFT)									
Volume - 02 Layer	4.1	3.7	3.49	0.9	0.9	0.9	0.8	0.8	0.8
Volume - 04 Layer	12.1	11.2	10.85	2.9	2.8	2.7	2.5	2.7	2.9
Volume - 06+ Layer	6.0	5.2	5.23	1.4	1.3	1.4	1.1	1.3	1.3
Volume - Special Grade	6.2	6.7	5.33	1.4	1.3	1.4	1.2	1.4	1.5
Total volume (m SQFT)	**28**	**27**	**24.9**	**6.5**	**6.3**	**6.5**	**5.6**	**6.3**	**6.4**
yoy	-10%	-5%	-7%	-7%	-12%	-3%	-6%	-4%	1%
qoq				11%	-3%	3%	-14%	13%	2%
Price per SQFT (USD/SQFT)									
Price - 02 Layer	9.5	9.3	9.2	9.0	9.1	9.3	9.2	9.3	9.2
Price - 04 Layer	11.7	11.4	11.2	11.0	11.2	11.3	11.3	11.3	11.3
Price - 06+ Layer	16.4	15.6	15.1	14.8	15.2	15.2	15.4	14.6	15.1
Price - Special Grade	18.5	17.3	17.7	17.3	17.1	18.5	17.7	18.1	18.3
Total USD/SQFT	**13.85**	**13.40**	**13.14**	**12.9**	**13.0**	**13.5**	**13.3**	**13.3**	**13.4**
Sales Breakdown (Btm)	**2023**	**2024**	**2025**	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**
Sales by Country (Rev : USDm)									
Europe	194	189	161	41	42	44	34	41	43
America	90	77	76	20	17	20	19	22	21
Asia (ex. China)	20	17	17	4	5	4	4	4	5
China	49	36	29	8	7	7	7	5	5
Local	40	41	44	11	10	12	11	12	12
Sales (US$m)	**393**	**360**	**327**	**84**	**82**	**88**	**74**	**83**	**86**

Source: UOB Kay Hian

Bottlenecks For PCB shortage

6 Bottlenecks for PCB shortage from raw material	Problem	Forecast recovery
1) PPE/ PPO resin	Production disruption at the largest single PPE source 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 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. 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. Mitsui Kinzoku >90% premium premium grade.	Structural price shift firm through 2027+.
*Standard copper foil prices rose with the metal: 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 Expansion demand exceeds toolmaker output.	Equipment lead times ~2 years.

Source: UOB Kay Hian, Highleap Electronics Report.

Eight-Year Forward PE Band

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	13,075	15,149	17,411	17,701
EBITDA	1,857	2,679	3,140	3,077
Deprec. & amort.	1,132	1,234	1,364	1,483
EBIT	725	1,445	1,776	1,593
Total other non-operating income	264	390	396	429
Associate contributions	12	13	13	13
Net interest income/(expense)	(36)	(42)	(42)	(45)
Pre-tax profit	965	1,807	2,142	1,990
Tax	(106)	(187)	(213)	(198)
Minorities	(26)	(26)	(26)	(26)
Net profit	833	1,594	1,903	1,766
Net profit (adj.)	833	1,594	1,903	1,766

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	8,819	9,089	11,833	11,415
Other LT assets	534	527	550	553
Cash/ST investment	1,969	2,047	483	1,371
Other current assets	6,608	7,796	8,438	8,578
Total assets	17,930	19,459	21,304	21,917
ST debt	1,055	882	1,082	1,082
Other current liabilities	2,618	4,166	4,614	4,160
LT debt	415	415	415	415
Other LT liabilities	646	548	559	571
Shareholders' equity	13,136	13,382	14,576	15,633
Minority interest	60	66	58	56
Total liabilities & equity	17,930	19,459	21,304	21,917

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	2,537	2,701	3,231	2,799
Pre-tax profit	965	879	2,142	1,990
Tax	(90)	(87)	(213)	(198)
Deprec. & amort.	1,132	1,350	1,364	1,483
Working capital changes	393	370	(229)	(599)
Non-cash items	127	201	180	136
Other operating cashflows	11	(13)	(13)	(13)
Investing	(936)	(227)	(4,258)	(1,175)
Capex (growth)	(603)	(1,508)	(4,133)	(1,085)
Investments	28	0	0	0
Others	(361)	1,282	(125)	(90)
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	955	(1,564)	887
Beginning cash & cash equivalent	1,566	1,093	2,047	483
Ending cash & cash equivalent	1,969	2,047	483	1,371

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	14.2	17.7	18.0	17.4
Pre-tax margin	7.4	11.9	12.3	11.2
Net margin	6.4	10.5	10.9	10.0
Growth				
Net profit (adj.)	(49.5)	91.4	19.4	(7.2)
Leverage				
Debt to total capital	11.1	9.6	10.2	9.5
Debt to equity	11.2	9.7	10.3	9.6
Net debt/(cash) to equity	(3.8)	(5.6)	7.0	0.8
Interest cover	50.9	64.5	74.9	68.5