

KCE (Thailand) (KCE TB)

3Q26 Earnings Expected To Be Strong, Driven By Higher Volume And PCB Prices, But We Are More Cautious On Valuation

Highlights

- We expect KCE to post strong earnings of Bt507m (+71% yoy, +84% qoq), driven by strong sales volume and higher PCB prices.
- Humanoid robot projects offer long-term diversification potential, but are unlikely to contribute meaningfully to earnings over the next several years in our forecasts.
- Downgrade to HOLD with a target price of Bt80.00, as the automotive PCB earnings cycle with a 35% CAGR in 2026-28 appears largely priced in.
- Further valuation re-rating requires new earnings catalysts that could deliver incremental earnings upside on top of the existing earnings upcycle.

3Q26 Results Preview

Year to 31 Dec (Btm)	3Q26F	3Q25	2Q26	yoy (%)	qoq (%)
Revenue	4,134	3,444	3,575	20.0	15.7
Gross profit	1,000	736	676	36.0	48.0
Operating profit	496	262	226	89.3	119.5
Net profit	507	297	276	70.6	83.9
EPS	0.43	0.25	0.24	70.6	83.9
Gross margin (%)	24.2	21.4	18.9	2.8	5.3
SG&A to sales (%)	10.2	12.3	11.8	(2.0)	(1.6)
Operating margin (%)	12.0	7.6	6.3	4.4	5.7
EBITDA margin (%)	18.8	15.5	13.5	3.3	5.3
Net profit margin (%)	12.3	8.6	7.7	3.6	4.6

Source: Bloomberg, UOB Kay Hian

Analysis

- 3Q26 earnings are expected to be strong, driven by strong sales volume and higher PCB prices.** We expect 3Q26 net profit of Bt507m (+71% yoy, +84% qoq), similar to the previous outlook. Strong 3Q26 earnings should be driven mainly by strong sales growth. We estimate 3Q26 sales at Bt4.13b (+20% yoy, +16% qoq), driven by a 9% qoq increase in PCB shipment volume, based on management's latest guidance, and a 9% increase in PCB ASPs in 3Q26 as KCE (Thailand) (KCE) will start to increase PCB prices for customers to reflect higher raw material costs, including those related to the fiberglass shortage.
- Gross margin could improve significantly in 2H26, driven by higher PCB prices, market share gains and economies of scale.** We expect gross margin to significantly improve from a low base to 24.2% in 3Q26 before remaining flat in 4Q26 due to the low season (vs18.3% in 1H26, 25.0% guidance in 2H26), driven by higher PCB ASPs, market share gains and higher PCB shipment volumes, as well as economies of scale. Our 9M26 earnings account for 67% of our full-year forecast.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	14,832.8	13,074.7	15,100.9	17,425.7	17,715.8
EBITDA	2,566.7	1,856.6	2,517.7	3,483.9	3,234.6
Operating profit	1,455.0	725.0	1,418.0	2,267.8	1,908.9
Net profit (rep./act.)	1,648.5	832.7	1,556.0	2,343.1	2,047.5
Net profit (adj.)	1,648.5	832.7	1,556.0	2,343.1	2,047.5
EPS	1.4	0.7	1.3	2.0	1.7
PE (x)	53.6	106.1	56.8	37.7	43.2
P/B (x)	6.4	6.7	6.6	5.9	5.4
EV/EBITDA (x)	11.8	16.3	11.9	9.1	9.5
Dividend yield (%)	1.6	1.6	1.6	1.6	1.6
Net margin (%)	11.1	6.4	10.3	13.4	11.6
Net debt/(cash) to equity (%)	(2.9)	(3.8)	(5.4)	5.9	(0.8)
Interest cover (x)	49.6	50.9	60.6	83.1	72.0
Consensus net profit	n.a	n.a	1,385.8	2,174.3	2,388.7
UOBKH/Consensus (x)	n.a	n.a	1.1	1.1	0.9

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

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HOLD (Downgraded)

Share Price	Bt74.75
Target Price	Bt80.00
Upside	7.02%
Previous TP	Bt65.00

Stock Data

Sector	Information Technology
Bloomberg ticker	KCE TB
Shares issued (m)	1,182.1
Market cap (Btm)	88,361.1
Market cap (US\$m)	2,645.5
3-mth avg daily t'over (US\$m)	47.3

Price Performance (%)

52-week high/low				Bt79.8/Bt16.5
1mth	3mth	6mth	1yr	YTD
15.0	68.9	179.4	187.5	310.7

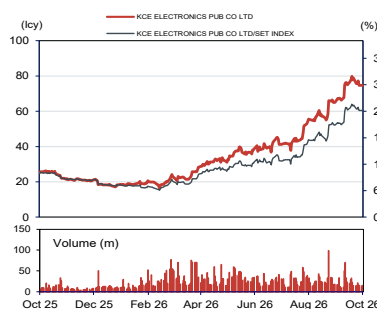
Major Shareholders (%)

MR. Pitham Ongkosit	15.95
Thai NVDR Company Limited	11.93

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 under the KCE trademark. The company mainly focuses on the automobile PCB segment.

- **We believe humanoid robot shipments will remain at an early stage in 2027-30.** We believe the humanoid robot market will remain at an early stage of development over the next several years, with more meaningful mass adoption expected after 2030. According to IDC, global humanoid robot shipments are expected to exceed 750,000 units by 2030, while China continues to dominate the market, accounting for 80-90% of global shipments in 2025-26.
- **Humanoid robot projects with Tesla could provide a long-term diversification opportunity rather than a meaningful earnings contribution during 2026-30.** Tesla, a potential customer for KCE if ongoing discussions materialise, is currently producing only several hundred Optimus units per week, targeting around 1,000 units/week by end-26 (equivalent to an annualised production rate of 52,000 units). Given the industry's relatively early stage of development and the time required to scale up production, we believe it is still too early to expect a meaningful earnings contribution to KCE over the next several years. As a result, even under our bull-case assumptions for Tesla's humanoid robot project, supported by KCE's expertise in special-grade and automotive PCBs, which could enable the company to capture a significant portion of PCB content per robot, we believe the earnings contribution would remain below mid-single digits during 2027-30.

Valuation/Recommendation

- **We downgrade to HOLD, with a target price of Bt80.00 (from Bt65.00).** Our higher target price is based on 40.2x 2027F PE (+1.5SD above its five-year mean). We believe the current valuation of 43x forward PE and 100x trailing PE has already been priced in the strong 2H26 outlook and PCB earnings visibility through 2027 and potential humanoid projects with Tesla.
- However, sustaining a valuation above its previous cycle (when it achieved a three-year CAGR of 35% at its peak) would depend on clearer long-term growth prospects from diversification beyond automotive or additional customer wins.
- **Although KCE should trade higher than regional peers, further re-rating requires additional earnings upside or new customers to align with KCE's diversified strategy.** Although we believe KCE can trade at a premium valuation relative to regional peers from market shares gain and its vertical integration with Thai Laminate Manufacturer Co, a further valuation re-rating beyond current levels would require additional earnings visibility or new projects that could provide incremental earnings upside on top of the existing earnings upcycle in 2026-28.

Earnings Revision/Risk

- We revised our 2026-28 earnings by -5%/+15%/+10% respectively. Lower earnings in 2026 should be attributable to the seasonal slowdown in 4Q26. We revised up our 2027-28 earnings forecasts to reflect strong PCB sales, higher gross margin assumption from economies of scale and a positive view of additional high-density interconnect capacity expansion.

Share Price Catalyst

- Higher sales and margins.

Environment, Social, Governance (ESG) Updates

Environmental

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

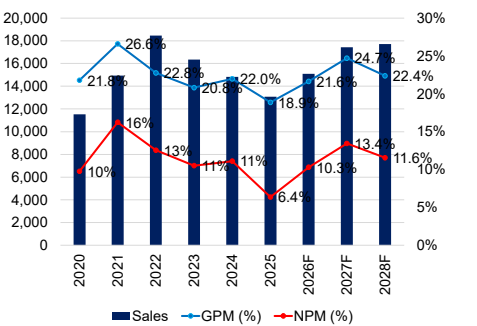
Social

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

Governance

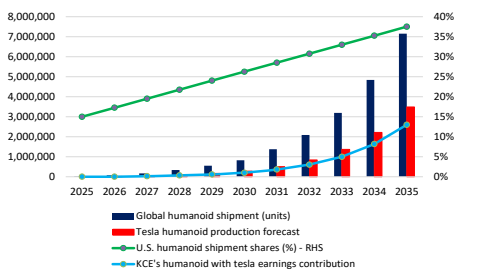
- The company has set clear goals to conduct its business transparently and fairly, while maintaining responsibility towards all stakeholders.

Operating Performance Forecast



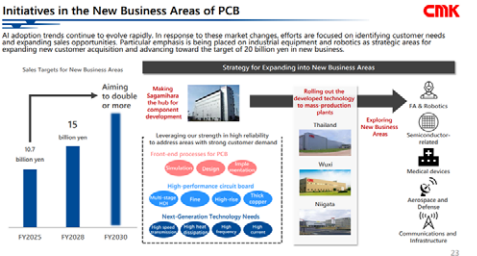
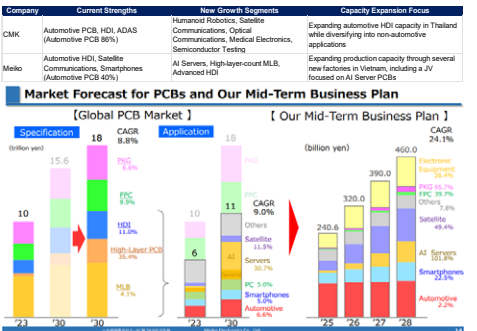
Source: UOB Kay Hian

Earnings Contribution From Humanoid Project With Tesla



Source: UOB Kay Hian

Both Meiko And CMK Plan To Diversify Into Other PCB Segments



Source: UOB Kay Hian

Five-Year Forward PE Band



Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	13,075	15,101	17,426	17,716
EBITDA	1,857	2,518	3,484	3,235
Deprec. & amort.	1,132	1,100	1,216	1,326
EBIT	725	1,418	2,268	1,909
Total other non-operating income	264	390	396	429
Associate contributions	12	10	10	10
Net interest income/(expense)	(36)	(42)	(42)	(45)
Pre-tax profit	965	1,776	2,631	2,303
Tax	(106)	(194)	(262)	(229)
Minorities	(26)	(26)	(26)	(26)
Net profit	833	1,556	2,343	2,047
Net profit (adj.)	833	1,556	2,343	2,047

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	2,537	2,716	3,510	2,925
Pre-tax profit	965	879	2,631	2,303
Tax	(90)	(87)	(262)	(229)
Deprec. & amort.	1,132	1,350	1,216	1,326
Working capital changes	393	382	(245)	(600)
Non-cash items	127	201	180	136
Other operating cashflows	11	(10)	(10)	(10)
Investing	(936)	(807)	(4,067)	(1,080)
Capex (growth)	(603)	(1,408)	(4,253)	(1,086)
Investments	28	0	0	0
Others	(361)	602	186	6
Financing	(1,198)	(978)	(850)	(835)
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)	614	(341)	(126)
Net cash inflow (outflow)	403	932	(1,407)	1,010
Beginning cash & cash equivalent	1,566	1,093	2,025	617
Ending cash & cash equivalent	1,969	2,025	617	1,627

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	8,819	9,123	12,135	11,876
Other LT assets	534	526	550	553
Cash/ST investment	1,969	2,025	617	1,627
Other current assets	6,608	7,771	8,445	8,585
Total assets	17,930	19,445	21,747	22,641
ST debt	1,055	882	1,082	1,082
Other current liabilities	2,618	4,153	4,618	4,163
LT debt	415	415	415	415
Other LT liabilities	646	548	559	571
Shareholders' equity	13,136	13,382	15,015	16,354
Minority interest	60	66	58	56
Total liabilities & equity	17,930	19,446	21,747	22,641

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	14.2	16.7	20.0	18.3
Pre-tax margin	7.4	11.8	15.1	13.0
Net margin	6.4	10.3	13.4	11.6
Growth				
Net profit (adj.)	(49.5)	86.9	50.6	(12.6)
Leverage				
Debt to total capital	11.1	9.6	9.9	9.1
Debt to equity	11.2	9.7	10.0	9.2
Net debt/(cash) to equity	(3.8)	(5.4)	5.9	(0.8)
Interest cover	50.9	60.6	83.1	72.0

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