KCE (Thailand) (KCE TB)

Management Guides A Strong 4Q26-2027 Outlook; More Attractive Valuation Presents Trading Opportunities

Highlights

- KCE reported a 3Q26 net profit of Bt485m (+63% yoy, +76% qoq) last Thursday. Despite the strong earnings growth, the earnings miss was mainly due to the floods in late 3Q26.
- The tone during the analyst meeting was slightly positive. Management expects to raise PCB prices by 13-15% qoq in 4Q26 (vs its previous guidance of 8-10%), with a further 8-10% increase expected in 2027.
- We upgrade KCE to BUY with a target price of Bt70.00, as we see trading buy opportunities in 4Q26-1Q27. Its current valuation appears more attractive following the recent semiconductor sector sell-off.

Analysis

- **Strong 3Q26 earnings driven by higher PCB prices, but missed expectations due to minor order delays caused by floods in late-September and higher raw material prices.** KCE reported a 3Q26 net profit of Bt485m (+63% yoy, +76% qoq), below our and consensus estimates by 8% and 5%. Total revenue came in at Bt3.91b (+13.6% yoy, +9.5% qoq), below our and consensus estimates by 5% and 7% respectively. Overall, despite the strong earnings growth, the earnings miss was mainly due to: a) temporary logistics issues caused by the floods in late-3Q26, which delayed some orders into 4Q26, and b) a lower-than-expected gross margin of 22.4% (vs management's 2H26 guidance of 24-25%) due to continued increases in the prices of raw materials during the quarter, which are expected to be passed on to customers via higher PCB prices in the next quarter. Currently, KCE's backlog stands at around 9% of sales (Bt330m). The backlog of finished goods that was delayed from 3Q26 (accounting for 3.2% of sales) is expected to be delivered in 4Q26.
- **Tone was slightly positive; 4Q26 earnings is expected to be strong, driven by expected second PCB price increase of 13-15% qoq and strong volume shipments.** Overall, the tone during the analyst meeting was slightly positive. 4Q26 earnings are expected to be very strong as management has guided for sales growth of 24-27% qoq in 4Q26, driven by a 13-15% qoq increase in PCB prices (vs previous 8-9% qoq guidance) and 10% qoq growth in PCB shipment volumes, supported by expected market share gains. Higher PCB price increases in 4Q26 reflect a continued increase in raw maw material, which rose every month by 15-25% mom during 3Q26. Qtd, management has received orders totalling 7.6m sf (vs 6.3m sf in 3Q26), but targets shipments of only 7m sf due to the ongoing raw material constraints and the usual five-day factory shutdown ahead of the New Year holiday.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	14,832.8	13,074.7	15,307.5	19,354.3	18,591.0
EBITDA	2,566.7	1,856.6	2,578.4	4,067.5	3,796.8
Operating profit	1,455.0	725.0	1,460.3	2,767.7	2,305.3
Net profit (rep./act.)	1,648.5	832.7	1,630.8	2,622.1	2,147.7
Net profit (adj.)	1,648.5	832.7	1,630.8	2,622.1	2,147.7
EPS	1.4	0.7	1.4	2.2	1.8
PE (x)	41.8	82.7	42.2	26.3	32.1
P/B (x)	5.0	5.2	5.2	4.5	4.1
EV/EBITDA (x)	11.8	16.3	11.8	8.9	9.0
Dividend yield (%)	2.1	2.1	2.1	2.1	2.1
Net margin (%)	11.1	6.4	10.6	13.6	11.6
Net debt/(cash) to equity (%)	(2.9)	(3.8)	(2.1)	35.6	20.6
Interest cover (x)	49.6	50.9	53.2	26.0	17.2
Consensus net profit	n.a	n.a	1,385.8	2,174.3	2,388.7
UOBKH/Consensus (x)	n.a	n.a	1.2	1.2	0.9

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

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BUY (Upgraded)

Share Price	Bt58.25
Target Price	Bt70.00
Upside	20.17%
Previous TP	Bt80.00

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

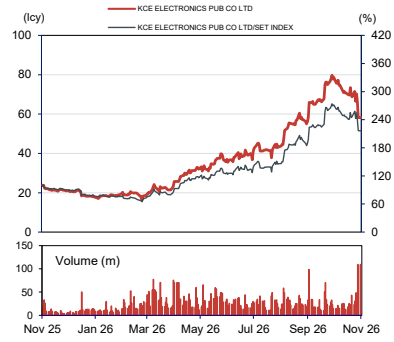
Major Shareholders (%)

MR. Pitharn Ongkosit	15.95
Thai NVDR Company Limited	11.93

Balance Sheet Metrics

FY26 NAV/Share (Bt)	11.3
FY26 Net Debt/Share (Bt)	(0.2)

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.

- **Management continued to guide aggressive sales growth in 2027, driven by higher PCB prices and volume**. Although management and the market still believe that the fiberglass shortage will ease in mid-27, management remains positive on a PCB upcycle. Management has raised 2027 sales growth guidance to 35-40% yoy (vs its previous guidance of 20% yoy), supported by a 15% growth in PCB shipment volumes and 20-25% in PCB price increases. Despite automotive demand remaining soft, sales remained strong. Gross margin is also expected to improve to 27-30% in 2027.
- **Multilayer PCB to drive growth amid tight HDI material supply.** Strong earnings growth is expected in 4Q26-2027, although raw material availability continues to constrain the product mix. Management expects a higher contribution from multilayer PCB, as KCE is able to secure sufficient materials for these products, while HDI materials remain tight. Soft special-grade PCB sales in 3Q26 reflected longer material lead times from suppliers outside KCE's vertically integrated supply chain, such as Nan Ya and Shengyi. These constraints limit KCE's ability to convert existing HDI orders into shipments.
- **While the current fiberglass shortage remains severe, a potential supply easing keeps our 2H27-2028 forecasts conservative.** The PCB pricing mechanism remains unchanged - KCE absorbs higher raw material costs during the quarter before passing them on to customers through higher PCB prices in the following quarter. Conversely, easing fiberglass shortages would initially benefit margins through lower material costs, before lower PCB prices take effect in the following quarter. We therefore remain cautious on management's aggressive guidance as the shortage could ease from 2H26 into 2028. We forecast 2027 sales growth of 27% yoy (vs management guidance of 35-40%) and a gross margin of 26% (vs 27-30%).
- **Rojana factory expansion back on track, reflecting management's confidence in the ongoing PCB upcycle**. Management is expecting to receive board approval for the Rojana factory expansion, reflecting confidence that the PCB upcycle is not over yet, with utilisation of existing capacity expected to ramp up to nearly 80% in 4Q26. Construction of the new factory is expected to begin as early as 4Q26 and will take around 12 months to complete. The first phase is expected to add around 1m sf/month of PCB capacity (equivalent to 28% of existing capacity), split equally between HDI and multilayer PCB (50:50). Total investment for the first phase is estimated at Bt8.5b, with 15-20% financed by internal funds and the remaining 80-85% through bank loans.

Valuation/Recommendation

- **We upgrade to BUY, with a lower target price of Bt70.00 (from Bt80.00).** Our higher target price is based on 32.0x 2027F PE (+0.5SD above its five-year mean) from 1.5SD. We apply a lower valuation multiple as the strong earnings visibility highlighted in our 2Q26 outlook has already been priced in.

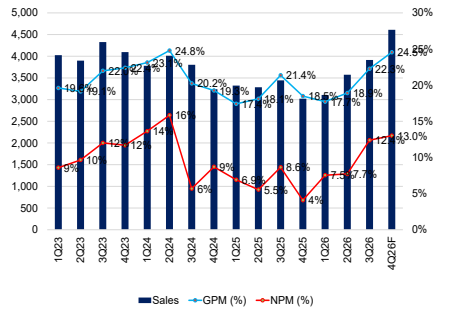
- **The recent semiconductor sell-off offers a more attractive trading BUY opportunity as the PCB upcycle continues.** Following the global semiconductor sell-off, we believe that KCE's current valuation of 60x trailing PE, 30x forward PE has becoming more attractive again and presents trading opportunities since the PCB cycle is not over yet. Currently, we forecast earnings to grow 96%/61%/-18% yoy in 2026-28 respectively or three-year CAGR of 37% from 2026-28. Although we remain cautious on the fiberglass shortage situation in 2H27, a second and third PCB price increase in 4Q26 and 2027 provide continued earnings visibility in 4Q26-1H27.

3Q26 Earnings Results

(Bt)	3Q26	3Q25	2Q26	yoy (%)	qoq (%)
Revenue	3,913	3,444	3,575	13.6	9.5
Gross profit	871	736	676	18.5	28.9
SG&A	427	474	450	(9.8)	(5.1)
Operating profit	445	262	226	69.6	96.7
Operating EBITDA	739	533	482	38.6	53.2
Other income	95	69	90	37.0	5.1
Net profit	455	290	233	56.8	94.8
Core profit	485	297	276	63.0	75.6
EPS	0.41	0.25	0.24	63.0	75.6
%				ppts	ppts
Gross margin	22.3	21.4	18.9	0.9	3.4
SG&A to sales	10.9	13.8	12.6	(2.8)	(1.7)
Operating margin	11.4	7.6	6.3	3.7	5.0
EBITDA margin	18.9	15.5	13.5	3.4	5.4
Net profit margin	12.4	8.6	7.7	3.7	4.7
Core profit margin	11.6	8.4	6.5	3.2	5.1

Source: UOB Kay Hian

Operating Performance Forecast



Source: UOB Kay Hian

Operation Statistics

Layer breakdown	2023	2024	2025	1Q26	2Q26	3Q26
1) Sales by Layer (US$ m)						
Sales - 02 Layer	39.2	34.6	31.9	7.4	7.1	8.4
yoy	*0%*	*-12%*	*-8%*	*-9%*	*-11%*	*-3%*
qoq				*3%*	*-3%*	*17%*
Sales - 04 Layer	141.5	128.6	121.7	30.8	32.2	36.9
yoy	*-19%*	*-9%*	*-5%*	*-3%*	*3%*	*20%*
qoq				*10%*	*5%*	*15%*
Sales - 06+ Layer	99.1	80.9	79.2	19.6	19.7	20.5
yoy	*-9%*	*-18%*	*-2%*	*-6%*	*-2%*	*-4%*
qoq				*18%*	*1%*	*4%*
Sales - Special Grade	113.7	115.9	94.4	25.3	26.7	26.1
yoy	*1%*	*2%*	*-19%*	*8%*	*20%*	*-3%*
qoq				*16%*	*5%*	*-2%*
Total sales by layer (US$m)	**393**	**360**	**327**	**83**	**86**	**92**
	-9%	*-9%*	*-9%*	*-1%*	*5%*	*5%*
				13%	*3%*	*7%*
2) Volume (m SQFT)						
Volume - 02 Layer	4.1	3.7	3.5	0.8	0.8	0.8
yoy	*-1%*	*-10%*	*-6%*	*-11%*	*-13%*	*-17%*
qoq				*2%*	*-2%*	*0%*
Volume - 04 Layer	12.1	11.2	10.8	2.7	2.9	3.0
yoy	*-18%*	*-7%*	*-3%*	*-5%*	*3%*	*9%*
qoq				*11%*	*5%*	*4%*
Volume - 06+ Layer	6.0	5.2	5.2	1.3	1.3	1.2
yoy	*-9%*	*-14%*	*1%*	*-5%*	*-2%*	*-13%*
qoq				*24%*	*-3%*	*-7%*
Volume - Special Grade	6.2	6.7	5.3	1.4	1.5	1.3
yoy	*1%*	*9%*	*-21%*	*3%*	*12%*	*-11%*
qoq				*13%*	*4%*	*-12%*
Total volume (m SQFT)	**28.4**	**26.9**	**24.9**	**6.3**	**6.4**	**6.3**
yoy	*-10%*	*-5%*	*-7%*	*-4%*	*1%*	*-4%*
qoq				*13%*	*2%*	*-2%*

Source: UOB Kay Hian

Regional Peers Comparison

		PE			EPS			GPM (%)	OPM
		Current	2026F	2027F	2025	2026F	2027F	2025	2026F	%
DELTA TB	DELTA ELECTRONICS THAI PCL	73.1	69.0	48.5	1.99	2.6 29%	3.6 42%	27.1	28.8	14.2
KCE TB	KCE ELECTRONICS PUB CO LTD	61.7	47.7	29.9	0.7	1.2 74%	1.9 60%	18.9	21.4	7.6
HANA TB	HANA MICROELECTRONICS PCL	55.9	33.7	21.2	0.78	1.1 40%	1.8 68%	7.8	10.6	2.8
CCET TB	CAL-COMP ELECTRONICS THAILAN	35.3	25.4	22.4	0.2	0.5 47%	0.3 13%	5.1	5.2	1.8
KCE closest peers (PCB and automotive)										
6668 JT	CMK CORP	15.0	14.3	11.8	56.5	44.1 -22%	53.3 21%	14.9		2.8
6787 JT	MEIKO ELECTRONICS CO LTD	15.0	10.7	7.7	379.3	579.9 53%	802.1 38%	21.0		10.2
2355 TT	CHIN-POON INDUSTRIAL CO LTD	24.9			1.6			11.5		3.0
SCE GR	SCHWEIZER ELECTRONIC AG			39.3	1.3	(1.2) -190%	0.1 110%	4.4	6.9	(3.8)
Other PCB manufacturing peers										
ATS AV	AUSTRIA TECHNOLOGIE & SYSTEM	22.4	11.6	7.9	(1.1)	9.1 919%	13.4 47%	11.4	27.9	3.7
TTMI US	TTM TECHNOLOGIES	25.9	13.4	8.0	1.7	5.0 187%	8.4 69%	20.7	23.9	9.1
KCE's Tier 1 Customer										
AMVO GY	AUMOVIO SE			8.2	(6.5)	(1.6) 75%	3.9 342%	18.5	19.3	(0.4)
FR FP	VALEO	13.3	8.3	6.4	0.8	1.3 60%	1.7 30%	20.2	20.0	3.9
6902 JT	DENSO CORP	11.5	12.1	10.3	163.0	153.9 -6%	181.0 18%	15.5	14.9	7.3

Source: UOB Kay Hian

Earnings Revision/Risk

- We revised our 2026-28 earnings by 2%/13%/5% respectively, to reflect our higher assumptions.

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.

Five-Year Forward PE Band



Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	**13,075**	**15,308**	**19,354**	**18,591**
EBITDA	1,857	2,578	4,067	3,797
Deprec. & amort.	1,132	1,118	1,300	1,492
EBIT	725	1,460	2,768	2,305
Total other non-operating income	264	418	320	320
Associate contributions	12	12	12	12
Net interest income/(expense)	(36)	(48)	(156)	(221)
Pre-tax profit	**965**	**1,842**	**2,943**	**2,416**
Tax	(106)	(183)	(293)	(240)
Minorities	(26)	(28)	(28)	(28)
Net profit	**833**	**1,631**	**2,622**	**2,148**
Net profit (adj.)	833	1,631	2,622	2,148

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	8,819	9,062	15,187	14,678
Other LT assets	534	528	569	562
Cash/ST investment	1,969	1,575	2,451	3,395
Other current assets	6,608	8,337	10,541	9,753
Total assets	**17,930**	**19,503**	**28,748**	**28,387**
ST debt	1,055	882	1,082	1,382
Other current liabilities	2,618	4,210	4,935	4,183
LT debt	415	415	6,815	5,456
Other LT liabilities	646	548	559	571
Shareholders' equity	13,136	13,382	15,294	16,733
Minority interest	60	66	62	62
Total liabilities & equity	**17,930**	**19,503**	**28,748**	**28,387**

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	**2,537**	**2,202**	**2,577**	**3,838**
Pre-tax profit	965	879	2,943	2,416
Tax	(90)	(87)	(293)	(240)
Deprec. & amort.	1,132	1,350	1,300	1,492
Working capital changes	393	(130)	(1,541)	47
Non-cash items	127	201	180	136
Other operating cashflows	11	(12)	(12)	(12)
Investing	**(936)**	**(742)**	**(7,251)**	**(1,000)**
Capex (growth)	(603)	(1,366)	(7,450)	(1,002)
Investments	28	0	0	0
Others	(361)	624	199	2
Financing	**(1,198)**	**(978)**	**5,550**	**(1,894)**
Dividend payments	(1,447)	(1,418)	(709)	(709)
Issue of shares	0	0	0	0
Proceeds from borrowings	306	(173)	6,600	(1,059)
Others/interest paid	(57)	614	(341)	(126)
Net cash inflow (outflow)	**403**	**483**	**875**	**944**
Beginning cash & cash equivalent	**1,566**	**1,093**	**1,575**	**2,451**
Ending cash & cash equivalent	**1,969**	**1,575**	**2,451**	**3,395**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	14.2	16.8	21.0	20.4
Pre-tax margin	7.4	12.0	15.2	13.0
Net margin	6.4	10.6	13.6	11.6
Growth				
Net profit (adj.)	(49.5)	95.8	60.8	(18.1)
Leverage				
Debt to total capital	11.1	9.6	51.4	40.7
Debt to equity	11.2	9.7	51.6	40.9
Net debt/(cash) to equity	(3.8)	(2.1)	35.6	20.6
Interest cover	50.9	53.2	26.0	17.2

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