UOBKayHian

Strategy | Thailand

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Strategy

AI Export Curbs: Near-term Noise, Long-term Opportunity

Investment Highlights

- We expect limited impact on Thailand data centre investments (electronics, utilities, industrial estates and construction), as the restrictions could potentially delay projects rather than lead to cancellations.
- Utilities face limited earnings risks, while industrial estates may see delays in land sales and transfers. Construction projects remain largely unaffected, while electronics stocks could face short-term sentiment pressure despite limited fundamental impact.
- We recommend accumulating fundamentally strong stocks, particularly GULF, WHA, STECON, DELTA and HANA.

Analysis

- **New US restrictions raise concerns over data centre investments.** The US has introduced new restrictions on advanced AI chip exports and access to AI computing services from overseas data centres. The measures aim to prevent Chinese companies from using data centres outside China to bypass US export controls. Thailand is among five countries facing additional licensing requirements, alongside Malaysia, Singapore, Indonesia and Brazil.
- **The impact depends on the type of data centre business.** We divide data centres into three categories: a) Traditional data centres (low risk): Mainly serve banks, businesses and cloud storage providers. They generally use CPUs, memory and storage systems rather than advanced AI chips; b) Colocation (low to moderate risk): Operators provide space, electricity and cooling, while customers install their own servers. The impact depends on whether customers use restricted AI chips; and c) AI computing (higher risk): These businesses use advanced GPUs for AI training and other AI applications. They face greater restrictions, particularly when providing computing services to Chinese customers. US hyperscaler may qualify for certain exemptions.
- **Limited impact on data centre investments and related sectors.** We expect the new US restrictions to delay rather than cancel data centre projects. Thailand's BOI has approved 42 projects with 3,400MW of IT load, equivalent to 3.7-4.3GW of potential electricity demand. Chinese investors account for 24% of projects, but not all require advanced AI chips. Utilities should see minimal earnings impact, while industrial estates may face delays in land sales and transfers. Construction projects remain largely unaffected. Electronics stocks may face short-term sentiment pressure, but fundamental risks appear limited, particularly for DELTA and HANA.

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Top Picks

Company	Ticker	Data Centre / AI Investment Exposure
GULF Development	GULF TB	Power demand growth from data centre investments
Wha Corporation	WHA TB	Industrial land, power and water supply for data centres
STECON	STECON TB	Data centre construction and co-investment
DELTA	DELTA TB	Power supply and cooling solutions for AI data centres
HANA	CCET TB	High-density PCBA and thermal cooling solutions for AI applications

Ratings and target prices to be confirmed by the covering analysts.
Source: UOB Kay Hian

Key Recommendations

Company	Ticker	Rec	Share Price (Bt)	Target Price (Bt)
GULF Development	GULF TB	BUY	62.50	80.00
Wha Corporation	WHA TB	BUY	4.96	6.10
STECON	STECON TB	BUY	17.20	26.50
DELTA	DELTA TB	BUY	185.50	280.0
HANA	HANA TB	BUY	44.60	56.00

Source: Bloomberg

Peer Comparison

Company	Ticker	Rec	Price 16 Nov 26 (Bt)	Target Price (Bt)	Upside To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (S$m)	Price/ NAV ps (x)
B.Grimm Power	BGRIM TB*	BUY	21.90	26.00	18.72	12/25	34.1	21.8	21.1	2.0	5.4	1,709	1.6
Global Power Synergy	GPSC TB*	BUY	52.75	60.00	13.74	12/25	23.2	23.9	20.9	2.8	5.2	4,453	1.3
Gulf Development	GULF TB*	BUY	62.50	80.00	28.00	12/25	11.0	24.4	23.5	2.1	9.6	27,956	2.6
Ratch Group	RATCH TB	BUY	37.00	44.00	18.92	12/25	12.9	11.4	10.2	4.5	6.8	2,409	0.9
Amata Corporation	AMATA TB	BUY	27.10	38.00	40.22	12/25	9.9	6.5	7.8	5.8	14.7	933	1.2
Wha Corporation	WHA TB	BUY	4.96	6.10	22.98	12/25	14.4	17.9	13.8	3.4	9.9	2,220	1.9
STECON	STECON TB	BUY	17.20	26.50	54.07	12/25	13.9	13.6	16.8	3.0	11.1	771	1.5
Delta Electronics (Thailand)	DELTA TB	BUY	185.50	280.00	50.94	12/25	93.2	71.0	53.7	0.5	30.1	69,278	19.3
Kce Electronics	KCE TB	BUY	57.00	70.00	22.81	12/25	80.9	41.3	25.7	2.1	12.2	2,017	5.0
Hana Microelectronics	HANA TB	BUY	44.60	56.00	25.56	12/25	73.5	35.4	27.9	2.2	4.2	1,182	1.5

Source: Respective companies, UOB Kay Hian **local platform*

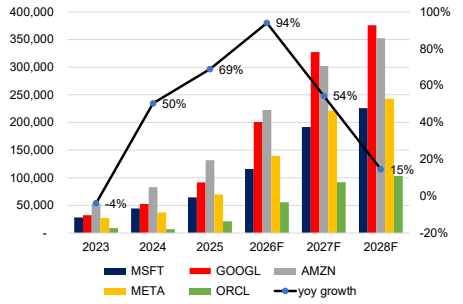
Thailand Utility Sector

- **Potential impact on electricity demand should be limited.** Thailand's BOI has approved 42 data centre projects in 2024-26, with total IT load of around 3,400MW. This translates into 3.7-4.3GW of total electricity demand, assuming PUE of 1.10-1.25x, or around 10-12% of Thailand's peak power demand. Chinese investors account for 10 projects (24%), but not all Chinese-owned data centres use advanced AI chips. We believe only a small portion of the pipeline is likely to be affected. Assuming 30% of capacity is exposed and 30% of that capacity is delayed, the potential impact would be around 333MW-387MW. Therefore, we expect the restrictions to mainly affect advanced AI computing rather than traditional data centre operations. The main risk is that some future data centre projects may be delayed.
- **We maintain our positive long-term view for data centre electricity demand.** We see no cut on consensus earnings forecasts for GULF, GPSC, BGRIM or RATCH. Feedback from GULF and GPSC also suggests that the direct impact should be very limited. In our view, Thailand's new Category 9 electricity tariff, grid capacity and project completion schedules are more important factors for future electricity demand than the US chip restrictions. We continue to see data centres as a key long-term growth driver for Thai utilities. Given the limited impact of the US AI chip restrictions on existing earnings and long-term data centre demand, we believe the market reaction may be overdone.
- **GULF (BUY/Target: Bt80.00) – Limited impact:** Management indicated that most of its data centre customers are US companies, while new projects mainly target US hyperscalers. Chinese customers generally use CPUs and memory rather than advanced AI GPUs. We therefore expect limited impact on its existing operations and future expansion plans.
- **GPSC (BUY/Target: Bt60.00) – Very limited impact:** GPSC currently has no data centre customers. The company is in talks with potential customers from several countries for around 250MW of electricity demand, but no agreements have been signed. Most customers are waiting for Thailand's new Category 9 electricity tariff before making investment decisions.
- **BGRIM (BUY/Target: Bt26.00) – Limited impact:** BGRIM is involved in a 96MW data centre project with Digital Edge, a Singapore-based colocation operator backed by US investor Stonepeak. The project was previously reported as fully booked. However, we still need to confirm whether its customers use advanced AI GPUs. At this stage, we see no clear signs of project delays.
- **RATCH (BUY/Target: Bt44.00) – Minimal near-term impact:** RATCH is exploring potential data centre projects of around 300MW. These projects are still future growth opportunities and do not contribute to current earnings. Any impact would mainly be a possible delay in future investments.

Industrial Estates Sector

- **Limited direct impact but potential near-term overhang.** We expect the new US restrictions on advanced AI semiconductor exports to have a limited direct impact on industrial estate operators. However, additional regulatory scrutiny could prolong investment decisions for certain data centre projects. This may affect the timing of future land sales and transfers.
- **Maintain OVERWEIGHT on the sector.** We remain positive on Thailand's industrial estate sector despite the new US restrictions. The measures primarily target advanced AI computing and access by restricted end users rather than conventional data centre operations. While certain projects may face additional licensing requirements, we expect the impact to be concentrated in investment decisions and project timelines. Based on current information, we see limited evidence of changes to investment plans. We therefore expect a near-term sentiment overhang rather than a material impact on earnings. Nevertheless, potential delays in land transfers remain a key risk to monitor.

Cloud Provider Capital Expenditure Forecast (Bloomberg)



Source: Bloomberg

- **WHA (BUY/Target: Bt6.10).** Based on our channel check, most existing data centre operators at WHA's industrial estates are US-based. Its prospective customer pipeline includes operators from the US, China, Australia, Singapore and Japan. Non-US customers generally do not require the most advanced AI chips, while Chinese operators typically use Chinese-made alternatives. Furthermore, Chinese customers account for a relatively small portion of the current pipeline at less than 100 rai. We expect a limited impact at this stage, although some projects involving advanced AI computing or cloud services may face additional regulatory assessment.
- **AMATA (BUY/Target: Bt38.00).** AMATA has around 200 rai of potential data centre land sales under negotiation, including two potential expansion projects in Chonburi involving existing customers. Its current data centre customer base is split roughly equally between US and non-US operators, while prospective customers are primarily Singapore-based. Management indicated that the main concern for data centre investments remains utility availability rather than the new US restrictions. Furthermore, Thailand's data centre market is still in its early stages, with limited adoption of advanced AI chips. However, the potential impact on colocation operators will depend on their end customers and future computing requirements. We therefore expect a limited direct impact on AMATA at this stage.

Construction Service Sector

- **Limited impact on construction sector.** We expect the new US restrictions on advanced AI chip exports to have a limited direct impact on Thailand's construction sector. STECON's data centre projects are primarily associated with US-based operators, while CK currently has no data centre projects in its pipeline.
- **STECON (BUY/Target: Bt26.50).** We expect the new US restrictions to have a limited direct impact on STECON's data centre business, as most customers are US-based operators. The company currently has four data centre projects under construction with a combined contract value of Bt20.2b. It is also bidding for three additional projects worth Bt49.8b. Management expects no impact on ongoing construction projects and a very limited impact on future contract bidding given its predominantly US-based customer base. Furthermore, the company expects no impact on its co-invested data centre project in Bang Pakong, as construction has been completed and operations are scheduled to commence in 4Q26. We therefore expect a limited impact on STECON's earnings and future contract opportunities.

Thailand Electronics Sector

- **Limited fundamental impact, but near-term sentiment overhang.** We believe the new restrictions could raise market concerns over potential delays in data centre investments in ASEAN, particularly GPU deployments, which could affect demand for power electronics and cooling solutions. Overall, we believe DELTA will face the largest sentiment impact, given its current data centre revenue exposure of around 55-60%, followed by HANA, which we expect to have data centre revenue exposure of 5-10% in 2027. Meanwhile, we expect limited impact on KCE, as its business remains focused on automotive PCBs (around 75% of sales), humanoid projects and potential new customers in military, communications and industrial applications.
- **DELTA (BUY/Target: Bt280.00). W**e currently see no clear earnings impact that would warrant revisions to our forecasts, but believe the new restrictions could create a near-term overhang on the stock. However, we expect limited additional downside to DELTA's valuation from this development, as we believe its valuation already reflects a cautious view on slowing capex growth next year, as well as our conservative outlook on DELTA’s gross margin recovery due to inventory provision risks over the next two quarters. The major upside risk to DELTA's valuation is a faster-than-expected easing of

inventory provision risks, which could ease concerns over the magnitude of DELTA's gross margin recovery.

- **HANA (BUY/Target: Bt56.00).** We expect limited impact on HANA, given that sales contributions from its two AI-related projects are expected to roughly 10% in 2027 (vs 6% in 3Q26). Solid-state cooling is expected to contribute a mid-single-digit percentage of sales in 2027, while high-density PCBA will be used for testing optical transceivers (roughly 5% of sales in 2027). However, we believe the key investment story following its 3Q26 results remains the margin recovery in the IC business, strong PCBA sales growth and the outlook for improving performance of the Power Master business.
- **KCE (BUY/Target: Bt70.00).** We see limited impact on KCE. We believe the key investment story is that the market has become more cautious about KCE's execution risk following its aggressive volume growth guidance in 2027, particularly due to increasing difficulties in sourcing raw materials for special-grade HDI products compared with multi-layer PCB, which caused overall PCB volumes and product mix to miss expectations in 3Q26. However, we view KCE more as a trading opportunity rather than a long-term investment, as the market has become increasingly cautious about the potential easing of the fibreglass shortage in 2027 for non-AI applications and 2028 for AI-related applications. Nevertheless, we believe KCE's vertical integration with TLM provides an advantage amid the fibreglass shortage, while the second round of PCB price increases in 4Q26 and the third round in 1Q27 suggest that the PCB upcycle is not over yet.

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