


6 August 2014
Electronic Components
KCE
KCE Electronics

Current	Previous	Close
BUY	BUY	42.00

2015 TP	Exp Return	Support	Resistance	CGR 2013
48.00	+ 14.3%	41.50-41	42.50-43.50	

Consolidated earnings

BT (mn)	2012	2013	2014E	2015E
Normalized earnings	57	1,052	1,833	2,026
Net profit	712	1,174	1,833	2,026
Normalized EPS (Bt)	0.12	2.19	3.12	3.45
Reported EPS (Bt)	1.51	2.44	3.12	3.45
% Reported EPS growth	439.1	62.0	27.7	10.6
Dividend (Bt)	0.55	0.75	0.97	1.07
BV/share (Bt)	6.23	7.07	9.36	11.74
EV/EBITDA (x)	36.47	15.29	11.85	10.54
PER (x)	351.0	19.2	13.5	12.2
PER (x) - normalized	27.9	17.2	13.5	12.2
PBV (x)	6.7	5.9	4.5	3.6
Dividend yield (%)	1.3	1.8	2.3	2.5
YE No. of shares (million)	473	480	587	587
No. of share - full dilution	492	578	587	587
Par (Bt)	1.0	1.0	1.0	1.0

Source: Company data, FSS estimates
2Q14 revenue and net profit hit new high, in line
2Q14 net profit matches estimates

KCE's 2Q14 net profit hit a new high of Bt479mn (+9.1% Q-Q, +143.1% Y-Y), which nearly matches our estimates of Bt478mn. Excluding FX gain of 34mn, the company's normalized earnings are equal to Bt445mn, implying increases of 8.3% Q-Q, a fifth Q-Q gain, and 87.8% Y-Y. Such gains were made possible by purchase orders which remain strong in line with the European auto industry which continued to recover. In 2Q14, U.S. dollar-denominated revenue hit new high of US\$87.2mn (+2.6% Q-Q, +14.7% Y-Y). KCE ran at full capacity and recorded low defect rate. As a result, gross margin remained wide at 31.4%, the highest in the technology sector.

Maintain net profit estimates and TP

KCE's 1H14 normalized earnings are equal to Bt856mn (+118.9% Y-Y), which is sufficient to secure 47% of our full-year estimates. Looking ahead, we expect the company's normalized earnings to continue to grow and hit a new high in 3Q14. Although KCE currently runs at full capacity, we believe that revenue will continue to grow because the company has inventory that was produced in 1Q14 and is ready to be shipped to customers during the technology industry's high season. Furthermore, we predict that KCE's normalized earnings will decrease in 4Q14 due to seasonal factors. With that, we maintain our 2014E normalized earnings at Bt1.8bn (+74% Y-Y). Moreover, we project that KCE's normalized earnings will continue to increase 11% Y-Y in 2015 because we expect the company's capacity to increase by 30% after Phase 1 of a new factory starts to operate in October 2014. Note that such factory is scheduled to be completed in March 2015 and KCE has set an aggressive target for that factory to break even starting from 2Q15. We maintain our 2015 TP at Bt48 (PE 14x), implying an upside potential of 14.3% from the current share price. KCE has announced an interim DPS of Bt0.4 for its performance in 1H14, implying dividend yield of 1%. The stock will go XD on August 18 and the dividend will be paid on September 4. Finally, we retain our BUY rating on KCE.

2Q14 Earnings Results

(Bt mn)	2Q14	1Q14	%Q-Q	2Q13	%Y-Y
Revenues	2,819	2,765	2.0	2,262	24.6
Cost of services	1,932	1,893	2.1	1,698	13.8
Gross profit	886	872	1.6	563	57.4
SG&A	417	443	-5.9	302	38.1
Interest expense	34	32	6.3	44	-22.7
Normalized earnings	445	411	8.3	237	87.8
Net profit	479	439	9.1	197	143.1
EPS	0.869	0.890	-2.4	0.428	103.0
Defect Rate (%)	4.2	3.9	0.3	4.6	-0.4
Gross margin (%)	31.4	31.5	-0.1	24.9	6.5
Norm earnings margin (%)	15.8	14.9	0.9	10.5	5.3
Net profit margin (%)	17.0	15.9	1.1	8.7	8.3

Comment

- U.S. dollar-denominated revenue hit a new high at US\$87.2mn (+2.6% Q-Q, +14.7% Y-Y) thanks to strong purchase orders, in line with the recovering European auto industry.
- Gross margin remained wide after defect rate continued to be low and KCE ran at full capacity.
- SG&A expenses-to-revenues ratio declined Q-Q owing to a decline in impairment expense on assets that were damaged by floods.

Source: Company data, FSS Research
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Bangkok

Sindhorn 2

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Sindhorn 3

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Sukhumvit 21

50 GMM Grammy Place
15th Floor, Sukhumvit 21 Road,
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Bangkok

Asoke

159 Sermit Tower 17th Floor,
Soi Sukumvit 21, Sukhumvit Road,
Klongtey North, Wattana,
Bangkok

Silom

191 Silom Complex Building
Unit 2,3-1 21st Floor, Silom Road,
Silom, Bangrak,
Bangkok

Fortune Town

1 Fortune Town Building,
23rd Floor, Zone B3,
Rachadapisek Road, Dindaeng,
Bangkok

Italthai Tower

2034/52 Italthai Tower,
11st Floor, Unit 11-07/01,
New Petchburi Road, Bangkok,
Huaykwang, Bangkok

Thaisummit Tower 1

1768 Thaisummit Tower Building,
2nd Floor, New Petchburi Road,
Bangkapi, Huaykwang,
Bangkok

Thaisummit Tower 2

1768 Thaisummit Tower Building,
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Bangkok

Pinklao 1

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Building, Room 1404, 14th Fl.,
Baromratchonnane Road,
Arunamarin, Bangkoknoi, Bangkok

Pinklao 2

7/3 Central Tower B, Pinklao,
Room 1408, 14th Floor,
Baromratchonnane Road,
Arunamarin, Bangkoknoi, Bangkok

Pinklao 3

7/3 Central Tower B, Pinklao,
16th Floor, Baromratchonnane
Road, Arunamarin, Bangkoknoi,
Bangkok

Central Rattatibet

68/127 Moo 8 Rattatibet Road,
Tumbon Banggrasor,
Aumhoe Muang,
Nonthaburi

Ladprao

555 Rasa Tower 2, 11st Floor,
Unit 1106, Phaholyothin Road,
Chatuchak, Bangkok

Prachachuen

105/1 B Building, 4th Floor,
Thessabansongkhrao Road,
Ladyao, Jutajak, Bangkok

Bangna

1093 Tower 1 Office, 19th Floor,
Room 1093/105 Moo 12,
Bangna-Trad Road, Bangna,
Bangkok

Bangkapi

3105 N Mark Building, 3rd Floor,
Room A3 R02, Ladprao Road,
Klongjan, Bangkapi, Bangkok

Rang sit

1/832 Phaholyothin 60
Kukod, Lumlookka
Pratumthane

Nakornpathom

28/16-17 Yingpao Road,
Tumbon Sanamjan,
Aumhoe Muang, Nakornpathom

Chonburi

44 Vacheraprakran Road,
Tumbon Bangplasoi,
Aumhoe Muang, Chonburi

Samutsakorn

1045/16-17 Vichienchodok,
Tumbon Mhachai, Aumhoe
Meungsamutsakorn, Samutsakorn

Chachoengsao

233-233/2 1st Floor, Moo 12,
Sukprayoon Road,
Tumbon Namuang, Aumhoe
Muang, Chachoengsao

Chiangmai 1

308 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Chiangmai 2

310 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Khonkaen 1

311/16 2nd Floor, Klangmeung
Road, Tumbon Nai Meung,
Aumhoe Meung,
Khonkaen

Khonkaen 2

26/9 Moo 7 2nd Floor,
Srijan new Road, Tumbon
Nai Meung, Aumhoe Meung,
Khonkaen

Measai

119 Moo 10,
Tumbon Maesai,
Aumhoe Muang, Cheangrai

Hatyai 1

200/222, 200/224, 200/226
Juldis Hadyai Plaza, 2nd Floor,
Building, Niphat Uthit 3 Road,
Aumhoe Hadyai, Songkhla

Hatyai 2

106 Prachathipat Road,
Aumhoe Hadyai, Songkhla

Hatyai 3

200/222, 200/224, 200/226
Juldis Hadyai Plaza, 2nd Floor,
Building, Niphat Uthit 3 Road,
Aumhoe Hadyai, Songkhla

Phuket

22/18 Vanish Plaza Shopping
Mall, Luangporwatchalong Road,
Tumbon Talad Yai,
Aumhoe Meung, Phuket

Suratthani

173/83-84 Moo 1
Watpho-Bangyai Road.,
Tumbon Makamtia,
Aumhoe Mueang, Suratthani

Krabi

223/20 Mharaj Road,
Tumbon Paknam,
Aumhoe Meung, Krabi

Pattane

300/69-70 Moo 4,
Tumbon Ruramirae,
Aumhoe Meung, Pattane

Udonthani

104/6, 2 fl., ICBC Bank Tower
Udon Dusadee Road,
Tumbon Mak Khaeng,
Aumhoe Muang Udon Thani,
Udon Thani

Khonkaen

4/6, 2 fl., ICBC Bank Tower
Khang Meung Road,
Tumbon Nai Meung,
Aumhoe Meung Khonkaen,
Khonkaen

Trang

59/28 Huaiyod Road,
Tumbon Thaptieng,
Aumhoe Meungtrang, Trang

Analyst - Finansia Syrus Securities

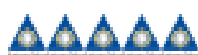
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Natapon	Khamthakreaau	Derivatives	0-2646-9820	natapon.k@fnsyus.com
Mathee	Rumphasakul	Global Market	0-2646-9805	mathee.r@fnsyus.com

Recommendation Definitions

BUY	The latest close is below our target price and the estimated upside is 10% or more.
HOLD	The latest close is below our target price and the estimated upside is 0-10%.
SELL	The latest close is above our target price.
TRADING BUY	The latest close is above our target price but the price is expected to be driven by short-term positive factors
OVERWEIGHT	The estimated return is higher than the market average.
NEUTRAL	The estimated return is the same as the market average.
UNDERWEIGHT	The estimated return is lower than the market average

Note: The expected return may change as market risks increase or decline.

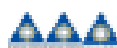
Thai Institute of Directors Association (IOD) - Corporate Governance Report Rating 2013



										Score Range	Rating	Description
										100-90		Excellent
ADVANC	BROOK	EGCO	KKP	PR	RS	SIM	TCAP	TRC		80-89		Very Good
AOT	BTS	ERW	KTG	PRANDA	S&J	SIS	THAI	TRUE		70-79		Good
ASIMAR	CIMBT	GRAMMY	LPN	PS	SAMART	SITHAI	THCOM	TTW		60-69		Satisfactory
BAFS	CK	HANA	MCOT	PSL	SAMTEL	SNC	THRE	TVO		50-59		Pass
BANPU	CPF	HEMRAJ	MINT	PTT	SAT	SPALI	TIP	UV		<50		n/a
BAY	CPN	ICC	NKI	PTTEP	SC	SPI	TISCO	VGI				
BBL	CSL	INTUCH	NOBLE	PTTGC	SCB	SSI	TKT	WACOAL				
BCP	DRT	IRPC	PAP	QH	SCC	SSSC	TMB					
BECL	DTAC	IVL	PG	RATCH	SCSMG	SVI	TNITY					
BKI	EASTW	KBANK	PHOL	ROBINS	SE-ED	SYMC	TOP					



2S	ASK	CFRESH	ESSO	IFEC	LH	MFEC	PB	RASA	SPCG	THANA	TPIPL	UMS
ACAP	ASP	CGS	FE	INET	LHBANK	MODERN	PDI	SABINA	SPPT	THANI	TRT	UP
AF	AYUD	CHOW	FORTH	ITD	LHK	MTI	PE	SAMCO	SSF	THIP	TRU	UPOIC
AHC	BEC	CM	GBX	JAS	LIVE	NBC	PF	SCCC	STANLY	TICON	TSC	UT
AIT	BFIT	CNT	GC	JUBILE	LOXLEY	NCH	PJW	SCG	STEC	TIPCO	TSTE	VIBHA
AKP	BH	CPALL	GFPT	KBS	LRH	NINE	PM	SEAFCO	SUC	TK	TSTH	VIH
AMANAH	BIGC	CSC	GL	KCE	LST	NMG	PPM	SFP	SUSCO	TLUXE	TTA	VNG
AMARIN	BJC	DCC	GLOW	KGI	MACO	NSI	PPP	SIAM	SYNTEC	TMILL	TTCL	VNT
AMATA	BLA	DELTA	GOLD	KKC	MAJOR	NWR	PREB	SINGER	TASCO	TMT	TUF	YUASA
AP	BMCL	DTC	GSTEL	KSL	MAKRO	OCC	PRG	SIRI	TCP	TNL	TWFP	ZMICO
APCO	BWG	ECL	GUNKUL	KWC	MBK	OFM	PT	SKR	TF	TOG	TYM	
APCS	CCET	EE	HMPRO	L&E	MBKET	OGC	PYLON	SMT	TFD	TPC	UAC	
ASIA	CENTEL	EIC	HTC	LANNA	MFC	OISHI	QTC	SNP	TFI	TPCORP	UMI	



A	ARIP	CI	DRACO	GFM	IT	LEE	NIPPON	QLT	SMIT	TBSP	TNPC	UPF
AAV	AS	CIG	EA	GJS	JMART	MATCH	NNCL	RCI	SMK	TCCC	TOPP	UWC
AEC	BAT-3K	CITY	EARTH	GLOBAL	JMT	MATI	NTV	RCL	SOLAR	TEAM	TPA	VARO
AEONTS	BCH	CMR	EASON	HFT	JTS	MBAX	OSK	ROJNA	SPC	TGCI	TPP	VTE
AFC	BEAUTY	CNS	EMC	HTECH	JUTHA	MDX	PAE	RPC	SPG	TIC	TR	WAVE
AGE	BGT	CPL	EPCO	HYDRO	KASET	PRINC	PATO	SCBLIF	SIRICHA	TIES	TTI	WG
AH	BLAND	CRANE	F&D	IFS	KC	MJD	PICO	SCP	SSC	TIW	TVD	WIN
AI	BOL	CSP	FNS	IHL	KCAR	MK	PL	SENA	STA	TKS	TVI	WORK
AJ	BROCK	CSR	FOCUS	ILINK	KDH	MOONG	POST	SF	SUPER	TMC	TWZ	
AKR	BSBM	CTW	FPI	INOX	KTC	MPIC	PRECHA	SGP	SVOA	TMD	UBIS	
ALUCON	CHARAN	DEMCO	FSS	IRC	KWH	MSC	PRIN	SIMAT	SWC	TMI	UEC	
ANAN	CHUO	DNA	GENCO	IRCP	LALIN	NC	Q-CON	SLC	SYNEX	TNDT	UOBKH	

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