

**BUY** (Unchanged)

CGR Scoring Rating



Share price: THB38.00  
 Target price: THB55.50 (from 50.00)

Chatchai Jindarat

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### Stock Information

**Description :** The core business of the Company is the production and distribution of painted circuit boards (PCBs) manufactured from an epoxy glass copper lead laminate. The Company is now able to produce high quality and complex multilayer boards. The PCB is the foundation component of computers, automotive industry, telecommunication devices and most electronic equipment.

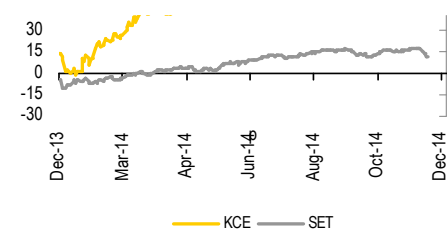
Ticker :	KCE
Shares Issued (m):	565
Market Cap (THB m)	21,455
Market Cap (USD m)	653.75
3-mth Avg Daily Turnover (THB m)	30.11
SET INDEX	1,526.81
Free float (%)	57.31

<b>Major Shareholders :</b>	%
Aongkosit Family	34.75
Thai Nvdr	5.30

### Key Indicators

ROE – annualised (%)	31.0
Net cash (THB m):	-7,039
NTA/shr (THB):	10.2
Interest cover (x):	12.5

### Historical Chart



### Performance

52-week High/Low	THB 43.25/THB 19.90				
	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	-5.6	-7.3	4.8	75.1	61.7
Relative (%)	-3.1	-4.0	0.0	57.1	37.5

## KCE electronics (KCE)

### Lowest PE with the strongest growth

Earnings tend to slow in 4Q14, but this is just the effect of seasonal factors. In 2015, KCE growth will be driven by the start-up of a new plant in 1Q15. We have revised up our 2015 revenue forecast by 5% to factor in additional capacity from the new plant and following an amendment of our Baht assumption to THB33/USD from THB32.50/USD. This means our new TP is THB55.50 implying a low PER2015 of 9.6x, the lowest in the sector. We recommend a BUY call on our 2015 top pick.

**Earnings to slow in 4Q on seasonality, revenue from new plant to enter in 1Q15.** Earnings will slow and will be poorer than estimated due to the delayed start-up of the new plant to Jan 2015. Currently, the new plant is complete and just waiting for a quality test. As KCE has not yet booked any depreciation or any revenue except the utility and staff expenses from the new plant, we have revised down our 2014 earnings slightly by 3% to THB1.758b (+67% YoY). 9M14 earnings represent 75% of our yearly forecast. We expect 4Q14 earnings of THB420-450m, showing a growth of at least 22% YoY.

**Revising up our 2015 earnings forecast and amending the Baht assumption.** We have revised our revenue in Baht in 2015 by 5% (+14% YoY) as management is confident the revenue growth will achieve the yearly target of +20%, supported by a growing auto industry, new consumption and ICT products orders. The new plant's expenses will only affect revenue in 1H15 but overall performance will remain healthy. Moreover, when the new plant breaks even in 3Q15, GPM should improve and earnings should reach a new high. We have also amended our THB/USD assumption to THB33/USD from THB32.50/USD, meaning our revenue forecast in Baht increases by 5.3%, driving the norm profit forecast up by 6.4% to THB2.24b (+27% YoY). A plunge in oil prices will lower operation costs, especially the electricity cost.

**Upgraded TP, still a low PE, a BUY call is kept.** Following an upward earnings revision, the 2015EPS is THB3.97. Yesterday's share price implies a low 2015PER of 9.6x vs DELTA's 15.2x, SVI's 13.7x and SMT's 9.8x. Based on a PER of 14x, the new TP is THB55.50. Given 46% upside, we reiterate a BUY call. KCE is a high-growth stock with a stable earnings stream. A significant rise in share price with limited liquidity could lead to a par split. We recommend investors to switch investment from DELTA and SVI to KCE.

### KCE – Summary Earnings Table

FYE: Dec 31 (THB m)	2012	2013	2014F	2015F	2016F
Revenue	6,478	9,294	11,034	13,014	13,728
EBITDA	887	1,987	2,579	3,472	4,005
Recurring Net Profit	57	1,052	1,758	2,240	2,453
Net profit	712	1,174	1,758	2,240	2,453
EPS (THB)	1.51	2.31	3.11	3.97	4.18
EPS growth (%)	436.6	53.2	34.7	27.5	5.2
DPS (THB)	0.55	0.75	1.15	1.47	1.54
PER	317.27	18.34	12.21	9.58	9.10
EV/EBITDA (x)	22.87	9.81	8.41	6.01	5.04
Div Yield (%)	1.45	1.97	3.03	3.86	4.06
P/BV(x)	5.84	4.44	3.79	3.03	2.55
Net Gearing (%)	179.7	118.3	138.2	71.1	58.3
ROE (%)	23.1	28.5	31.0	31.6	28.1
ROA (%)	3.9	11.8	13.3	16.0	15.3
Cons. Net Profit (THB m)	-	-	1,962	2,184	2,508

Source: Company reports and MBKET.

**INCOME STATEMENT (THB m)**

<b>FY December</b>	<b>2013</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>
Revenue	9,294	11,034	13,014	13,728
EBITDA	1,828	2,475	3,406	3,939
Depreciation & Amortisation	651	610	960	1,312
<b>Operating Profit (EBIT)</b>	<b>1,349</b>	<b>2,009</b>	<b>2,512</b>	<b>2,694</b>
Interest (Exp)/Inc	-171	-161	-208	-171
Associates	(13)	(40)	-	-
One-offs	33	0	0	0
<b>Pre-Tax Profit</b>	<b>1,165</b>	<b>1,808</b>	<b>2,304</b>	<b>2,523</b>
Tax	-16	-18	-23	-25
Minority Interest	-8	-32	-41	-45
<b>Net Profit</b>	<b>1,174</b>	<b>1,758</b>	<b>2,240</b>	<b>2,453</b>
<b>Recurring Net Profit</b>	<b>1,052</b>	<b>1,758</b>	<b>2,240</b>	<b>2,453</b>
Revenue Growth %	43.5	18.7	17.9	5.5
EBITDA Growth (%)	177.7	35.4	37.6	15.7
EBIT Growth (%)	234.9	47.4	27.6	7.2
Net Profit Growth (%)	64.7	49.8	27.5	9.5
Recurring Net Profit Growth (%)	1,759.2	67.1	27.5	9.5
Tax Rate %	1.0	1.0	1.0	1.0

**CASH FLOW (THB m)**

<b>FY December</b>	<b>2013</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>
Profit before taxation	1,165	1,808	2,304	2,523
Depreciation	651	610	960	1,312
Net interest receipts/(payments)	-171	-161	-208	-171
Working capital change	-500	-417	-148	-63
Cash tax paid	-16	-18	-23	-25
Others (incl'd exceptional items)	1,002	427	-228	-19
<b>Cash flow from operations</b>	<b>2,131</b>	<b>2,249</b>	<b>2,657</b>	<b>3,557</b>
Capex	-1,624	-3,110	-694	-1,538
Disposal/(purchase)	0	0	1	2
Others	8	171	-1	0
<b>Cash flow from investing</b>	<b>-1,616</b>	<b>-2,939</b>	<b>-694</b>	<b>-1,536</b>
Debt raised/(repaid)	-188	1,149	-966	62
Equity raised/(repaid)	118	421	1	116
Dividends (paid)	-278	-494	-719	-858
Interest payments	-171	-161	-208	-171
Others	9	161	209	173
<b>Cash flow from financing</b>	<b>-509</b>	<b>1,075</b>	<b>-1,683</b>	<b>-679</b>
Change in cash	5	386	280	1,341

Source: Company reports and MBKET

**BALANCE SHEET (THB m)**

<b>FY December</b>	<b>2013</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>
Fixed Assets	5,539	8,436	8,171	8,397
Other LT Assets	277	106	107	107
Cash/ST Investments	405	791	1,070	2,410
Other Current Assets	5,063	5,420	6,392	6,743
<b>Total Assets</b>	<b>11,284</b>	<b>14,753</b>	<b>15,740</b>	<b>17,657</b>
ST Debt	4,069	5,439	4,743	5,003
Other Current Liabilities	2,206	3,012	3,553	3,747
LT Debt	783	562	292	94
Other LT Liabilities	116	74	72	70
Minority Interest	20	0	1	2
Shareholders' Equity	4,091	5,666	7,079	8,740
<b>Total Liabilities-Capital</b>	<b>11,284</b>	<b>14,753</b>	<b>15,740</b>	<b>17,657</b>
Share Capital (m)	508	565	565	587
Gross Debt/(Cash)	4,861	7,830	5,035	5,097
Net Debt/(Cash)	4,456	7,039	3,965	2,687
Working Capital	-807	-2,240	-833	402
BVPS	8.55	10.04	12.54	14.88

**RATES & RATIOS**

<b>FY December</b>	<b>2013</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>
Gross margin %	26.4	31.5	32.2	32.3
EBITDA Margin %	19.7	22.4	26.2	28.7
Op. Profit Margin %	12.7	16.9	18.8	19.1
Net Profit Margin %	12.6	15.9	17.2	17.9
ROE %	28.5	31.0	31.6	28.1
ROA %	11.8	13.3	16.0	15.3
Net Margin Ex. EI %	11.3	15.9	17.2	17.9
Dividend Cover (x)	3.1	2.7	2.7	2.7
Interest Cover (x)	7.9	12.5	12.1	15.8
Asset Turnover (x)	0.8	0.7	0.8	0.8
Asset/Debt (x)	1.6	1.6	1.8	2.0
Debtors Turn (days)	126.3	126.3	126.3	126.3
Creditors Turn (days)	85.3	85.3	85.3	85.3
Inventory Turn (days)	52.8	52.9	52.9	52.9
Net Gearing %	118.8	138.2	71.1	58.3
Debt/ EBITDA (x)	3.9	3.7	2.5	2.3
Debt/ Market Cap (x)	0.4	0.4	0.4	0.4

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BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
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## THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2014

THANINSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2014								
★★★★★ Excellent		HEMKAJ	PAP	RS	SNC	Score Range	Number of Logo	Description
ADVANC	CIMBT	ICC	PG	S&J	SPALI			
AOT	CK	INTUCH	PHOL	SAMART	SPI	90-100	★★★★★	Excellent
ASIMAR	CPF	IRPC	PR	SAMTEL	SSI	80-89	★★★★	Very Good
BAFS	CPN	IVL	PRANDA	SAT	SSSC	70-79	★★★	Good
BANPU	CSL	KBANK	PS	SC	SM	60-69	★★	Satisfactory
BAY	DRT	KKP	PSL	SCB	SYMC	50-59	★	Pass
BBL	DTAC	KTB	PTT	SCC	TCAP	Lower than 50	No logo given	N/A
BCP	EASTW	LPN	PTTEP	SCSMG	THAI			
BECL	EGCO	MCOT	PTTGC	SE-ED	THCOM	TIT	TRC	UV
BKI	ERW	MINT	QH	SIM	THRE	TMB	TRUE	VGI
BROOK	GRAMMY	NKI	RATCH	SIS	TIP	TNITY	TTW	WACOAL
BTS	HANA	NOBLE	ROBINS	SITHAI	TISCO	TOP	TVO	
★★★★ Very Good								
2S	BH	EE	JUBILE	MBK	PF	SINGER	THANI	TTCL
ACAP	BIGC	EIC	KBS	MBKET	PJW	SIRI	THIP	TUF
AF	BJC	ESSO	KCE	MFC	PM	SKR	TICON	TWFP
AHC	BLA	FE	KGI	MFEC	PPM	SMT	TIPCO	TYM
AIT	BMCL	FORTH	KKC	MODERN	PPP	SNP	TK	UAC
AKP	BWG	GBX	KSL	MTI	PREB	SPCG	TLUXE	UMI
AMANAHA	CCET	GC	KWC	NBC	PRG	SPPT	TMILL	UMS
AMARIN	CENTEL	GFPT	L&E	NCH	PT	SSF	TMT	UP
AMATA	CFRESH	GL	LANNA	NINE	PYLON	STANLY	TNL	UPOIC
AP	CGS	GLOW	LH	NMG	QTC	STEC	TOG	UT
APCO	CHOW	GOLD	LHBANK	NSI	RASA	SUC	TPC	VBHA
APCS	CM	GSTEL	LHK	NWR	SABINA	SUSCO	TPCORP	VH
ASIA	CNT	GUNKUL	LIVE	OCC	SAMCO	SYNTEC	TPICL	VNG
ASK	CPALL	HMPRO	LOXLEY	OFM	SCCC	TASCO	TRT	VNT
ASP	CSC	HTC	LRH	OGC	SCG	TCP	TRU	YUASA
AYUD	DCC	IFEC	LST	OISHI	SEAFCO	TF	TSC	ZMICO
BEC	DELTA	INET	MACO	PB	SFP	TFD	TSTE	
BFIT	DTC	ITD	MAJOR	PDI	SIAM	TFI	TSTH	
						THANA	TTA	
★★★ Good								
A	BGT	DEMCO	HTECH	KWH	PAE	SIMAT	TIC	UEC
AAV	BLAND	DNA	HYDRO	LALIN	PATO	SLC	TIES	UOBKH
AEC	BOL	DRACO	IFS	LEE	PICO	SMIT	TIW	UPF
AEONTS	BROCK	EA	IHL	MATCH	PL	SMK	TKS	UWC
AFC	BSBM	EARTH	ILINK	MATI	POST	SOLAR	TMC	VARO
AGE	CHARAN	EASON	INOX	MBAX	PRECHA	SPC	TMD	VTE
AH	CHUO	BMC	IRC	MDX	PRIN	SPG	TMI	WAVE
AI	CI	EPCO	IRCP	PRINC	Q-CON	SRICHA	TNDT	WVG
AJ	CIG	F&D	IT	MUD	QLT	SSC	TNPC	WIN
AKR	CITY	FNS	JMART	MK	RCI	STA	TOPP	WORK
ALUCON	CMR	FOCUS	JMT	MOONG	RCL	SUPER	TPA	
ANAN	CNS	FPI	JTS	MPIC	ROJNA	SVOA	TPP	
ARIP	CPL	FSS	JUTHA	MSC	RPC	SWC	TR	
AS	CRANE	GENCO	KASET	NC	SCBLIF	SYNEX	TTI	
BAT-3K	CSP	GFM	KC	NIPPON	SCP	TBSP	TVD	
BCH	CSR	GJS	KCAR	NNCL	SENA	TCCC	TM	
BEAUTY	CTW	KDH	KTC	NTV	SF	TEAM	TWZ	
		HFT	KTC	OSK	SGP	TGCI	UBIS	

Source: Thai Institute of Directors (IOD)

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