

# KCE Electronics

(KCE.BK/KCE TB)\*

## Neutral • Downgraded

Price as of 11 Nov 2020	35.75
12M target price (Bt/shr)	38.00
Unchanged/Revised up(down)(%)	8.6
Upside/downside (%)	6.3

### Key messages

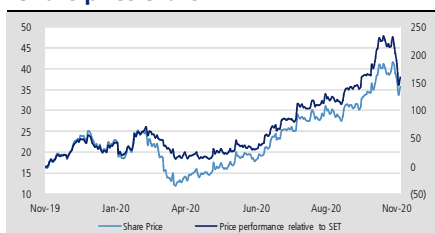
Despite a positive outlook from management (sales growth 15% and GPM 27% in 2021), risk from uncontrolled factors including the baht appreciation and copper price are wide open. Coupled with 6% upside to our new end-2021 target price of Bt38.00, based on unchanged PER of 30.0x (+1.25 S.D its historical average), we downgrade KCE to Neutral, from Outperform. A trading opportunity for good earnings in 4Q20 is possible.

Mkt cap (Btbn/US\$mn)	42/1,051
Outstanding shares (mn)	1,175
Foreign ownership (mn)	274
3M avg. daily trading (mn)	17
52-week trading range (Bt)	12.0 – 41.5
Performance (%)	3M 6M 12M
Absolute	19.2 120.7 109.1
Relative	19.3 110.2 152.8

### Quarterly EPS

	1Q	2Q	3Q	4Q
2018	0.46	0.48	0.48	0.30
2019	0.23	0.14	0.22	0.21
2020	0.36	0.06	0.21	

### Share price chart



Source: SET

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## Risk from baht and copper ahead

### Event

Analyst meeting.

### Impact

#### A good earnings outlook in the fourth quarter...

KCE's 4Q20 earnings are expected to grow both YoY and QoQ on the back of rising sales and gross margin expansion. The company targets 4Q20 sales to grow 13-17% YoY which would put 2020 sales at US\$370mn (vs our current assumption of US\$350mn). Thanks to a better utilization rate (from ~60% in 3Q20 to ~100% in 4Q20), GPM is expected to expand to ~25%. This would put 2020 gross margin at 22% (in-line with our current assumption).

#### ...as well as 2021 outlook

The company maintains its 2021 sales growth target at 15% YoY, which is in line with our current assumption. However, the company plans to operate two factories, compared to our current assumption of three factories. As a result, utilization rate for 2021 would increase to ~100% and offer gross margin expansion. Note that management targets 2021 gross margin at 27.0%. However, we foresee risk from the baht appreciation and rising copper prices and believe it will be a challenge for management to achieve its targets.

#### Fine-tune assumption and earnings revision

We fine-tune our assumptions by i) revising up sales in US dollar terms ~6% in 2020-2021 to reflect good order momentum in 4Q20, ii) revising FX assumption from Bt31.9/US\$ to Bt31.5/US\$ in 2020 and Bt30.9/US\$ in 2021, and iii) revising up 2021 GPM by 1ppts (from 23.5% to 24.5%) to capture the better utilization rate from running two plants. In sum, we inched up 2020-2021 earnings by 2 – 10%.

### Valuation & Action

We upgrade our end-2021 target price to Bt38.00, from Bt35.00, based on unchanged PER at 30.0x (+1.25 S.D its historical average). Despite good earnings visibility in 4Q20-2021 with core earnings growth of 12% and 50%, the risks from the baht strengthening and rising copper price remain uncontrolled factors. Coupled with limited upside to our target price, we downgrade KCE to Neutral, from Outperform. The anticipated good earnings in 4Q20 could offers some trading opportunity.

### Risks

Natural disasters, unplanned plant shutdowns, customers shifting to other suppliers, raw material shortages, and baht appreciation (our assumption is Bt31.5/US\$ in 2020 and Bt30.9/US\$ in 2021-2022).

### Key financials and valuations

Year end Dec 31	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (Btmn)	13,982	12,097	11,644	13,109	13,932
Gross profit (btmn)	3,631	2,454	2,562	3,212	3,243
SG&A (Btmn)	1,804	1,569	1,519	1,711	1,804
Net profit (Btmn)	2,015	934	1,128	1,476	1,431
Normalized profit (Btmn)	1,763	879	982	1,476	1,431
EPS (Bt)	1.7	0.80	0.96	1.26	1.22
Normalized EPS (Btmn)	1.5	0.75	0.84	1.26	1.22
DPS (Btmn)	1.1	0.7	0.6	0.9	0.9
EPS growth (%)	(20.8)	(53.6)	20.7	30.8	(3.0)
Normalized EPS growth (%)	(24.7)	(50.2)	11.7	50.3	(3.0)
P/E (X)	17.5	32.7	42.7	28.4	29.3
P/B (X)	2.6	2.4	3.4	3.3	3.2
EV/EBITDA (X)	10.3	14.4	18.1	15.9	16.4
Net debt to Equity (%)	13.7	9.3	(5.0)	(7.5)	(12.9)
Dividend yield (%)	4.2	2.9	1.8	2.6	2.6
Return on Equity (%)	17.3	7.9	9.4	11.9	11.1

Source: Company data, KGI Research

\*The Company may be issuer of Derivative Warrants on these securities.

<http://research.kgi.com>; Bloomberg: KGIT <GO> Please see back page for disclaimer

Figure 1: Earnings revisions

Btmn	2020F			2021F		
	Revised	Previous	% chg	Revised	Previous	% chg
Revenue	11,644	11,172	4.2	13,109	12,810	2.3
Gross profit	2,562	2,458	4.2	3,212	3,010	6.7
SG&A	1,519	1,458	4.2	1,711	1,652	3.5
Net profit	1,128	1,045	7.9	1,476	1,338	10.3
<b>Normalized profit</b>	<b>982</b>	<b>967</b>	<b>1.5</b>	<b>1,476</b>	<b>1,338</b>	<b>10.3</b>
Key financial ratio	Revised	Previous	ppts chg	Revised	Previous	ppts chg
GPM	22.0	22.0	0.0	24.5	23.5	1.0
SG&A to sales	13.1	13.1	0.0	13.1	12.9	0.2
Key assumption	Revised	Previous	% chg	Revised	Previous	% chg
Sales in US\$mn	370	350	5.5	424	402	5.6
Exchange rate (Bt/US\$)	31.5	31.9	(1.3)	30.9	31.9	(3.1)

Source: KGI Research

Figure 2: Sensitivity of GPM to changes in FX and copper price

GPM (Percent)		Exchange rate (Bt/US\$)							
		28.5	29.0	29.5	30.0	30.5	31.0	31.5	32.0
Copper (US\$/ton)	4,739	22.5	23.2	23.9	24.6	25.3	26.0	26.7	27.4
	5,265	22.0	22.7	23.4	24.1	24.8	25.5	26.2	26.9
	5,850	21.5	22.2	22.9	23.6	24.3	25.0	25.7	26.4
	6,500	21.0	21.7	22.4	23.1	23.8	24.5	25.2	25.9
	7,150	20.5	21.2	21.9	22.6	23.3	24.0	24.7	25.4
	7,865	20.0	20.7	21.4	22.1	22.8	23.5	24.2	24.9
	8,652	19.5	20.2	20.9	21.6	22.3	23.0	23.7	24.4

Source: KGI Research

Figure 3: Sensitivity of 2021-EPS and 2021 target price to changes in FX and GPM

2021-EPS		Exchange rate (Bt/US\$)										
		28.0	28.5	29.0	29.5	30.0	30.5	31.0	31.5	32.0	32.5	33.0
Gross margin (percent)	20.0	0.70	0.71	0.73	0.74	0.75	0.77	0.78	0.79	0.80	0.82	0.83
	20.5	0.75	0.76	0.78	0.79	0.80	0.82	0.83	0.85	0.86	0.87	0.89
	21.0	0.80	0.81	0.83	0.84	0.86	0.87	0.89	0.90	0.92	0.93	0.95
	21.5	0.84	0.86	0.88	0.89	0.91	0.92	0.94	0.96	0.97	0.99	1.00
	22.0	0.89	0.91	0.93	0.94	0.96	0.98	0.99	1.01	1.03	1.04	1.06
	22.5	0.94	0.96	0.98	0.99	1.01	1.03	1.05	1.07	1.08	1.10	1.12
	23.0	0.99	1.01	1.03	1.05	1.06	1.08	1.10	1.12	1.14	1.16	1.18
	23.5	1.04	1.06	1.08	1.10	1.12	1.14	1.16	1.17	1.19	1.21	1.23
	24.0	1.09	1.11	1.13	1.15	1.17	1.19	1.21	1.23	1.25	1.27	1.29
	24.5	1.14	1.16	1.18	1.20	1.22	1.24	1.26	1.28	1.31	1.33	1.35
	25.0	1.18	1.21	1.23	1.25	1.27	1.29	1.32	1.34	1.36	1.38	1.40
	25.5	1.23	1.26	1.28	1.30	1.32	1.35	1.37	1.39	1.42	1.44	1.46
	26.0	1.28	1.31	1.33	1.35	1.38	1.40	1.42	1.45	1.47	1.50	1.52
	26.5	1.33	1.36	1.38	1.40	1.43	1.45	1.48	1.50	1.53	1.55	1.58
27.0	1.38	1.40	1.43	1.46	1.48	1.51	1.53	1.56	1.58	1.61	1.63	

End-2021 TP (PER 30.0X)		Exchange rate (Bt/US\$)										
		28.0	28.5	29.0	29.5	30.0	30.5	31.0	31.5	32.0	32.5	33.0
Gross margin (percent)	20.0	21.0	21.4	21.8	22.2	22.6	23.0	23.4	23.7	24.1	24.5	24.9
	20.5	22.4	22.8	23.3	23.7	24.1	24.5	25.0	25.4	25.8	26.2	26.7
	21.0	23.9	24.3	24.8	25.2	25.7	26.1	26.6	27.0	27.5	27.9	28.4
	21.5	25.3	25.8	26.3	26.8	27.2	27.7	28.2	28.7	29.2	29.6	30.1
	22.0	26.8	27.3	27.8	28.3	28.8	29.3	29.8	30.3	30.8	31.3	31.8
	22.5	28.2	28.8	29.3	29.8	30.4	30.9	31.4	32.0	32.5	33.0	33.5
	23.0	29.7	30.3	30.8	31.4	31.9	32.5	33.0	33.6	34.2	34.7	35.3
	23.5	31.2	31.7	32.3	32.9	33.5	34.1	34.7	35.2	35.8	36.4	37.0
	24.0	32.6	33.2	33.8	34.4	35.1	35.7	36.3	36.9	37.5	38.1	38.7
	24.5	34.1	34.7	35.3	36.0	36.6	37.2	37.9	38.5	39.2	39.8	40.4
	25.0	35.5	36.2	36.9	37.5	38.2	38.8	39.5	40.2	40.8	41.5	42.1
	25.5	37.0	37.7	38.4	39.1	39.7	40.4	41.1	41.8	42.5	43.2	43.9
	26.0	38.5	39.2	39.9	40.6	41.3	42.0	42.7	43.4	44.2	44.9	45.6
	26.5	39.9	40.7	41.4	42.1	42.9	43.6	44.3	45.1	45.8	46.6	47.3
27.0	41.4	42.1	42.9	43.7	44.4	45.2	46.0	46.7	47.5	48.2	49.0	

Source: KGI Research

Figure 4: Key assumptions

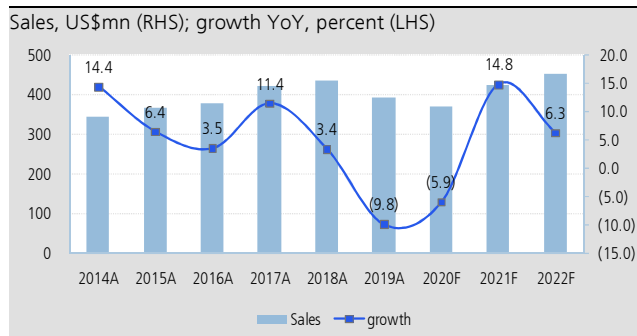
Assumption	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Sales	US\$mn	365	378	421	436	393	370	424	451
Sales growth	%YoY	6.4	3.5	11.4	3.4	(9.8)	(5.9)	14.8	6.3
Gross margin	Percent	31.4	34.9	30.0	26.0	20.3	22.0	24.5	23.3
Exchange rate	Bt/US\$	34.1	36.5	33.7	32.1	30.8	31.5	30.9	30.9

Source: KGI Research

**Figure 5: Company profile**

KCE Electronics PCL (KCE), originally known as Kuang Charoen Electronics Company Limited, was listed on November 5, 1985, with initial registered capital of Bt12mn. The company's core business is to produce and distribute custom printed circuit boards (PCBs), which are manufactured from copper clad laminate under the KCE trademark. KCE's PCB products are well-known and used in a variety of applications such as automotive, industrial, computer, and telecom system. Its customers include some of the world's biggest names.

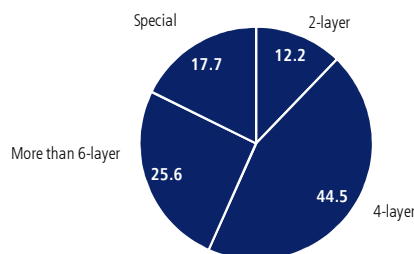
Source: Company data

**Figure 7: Sales assumption**


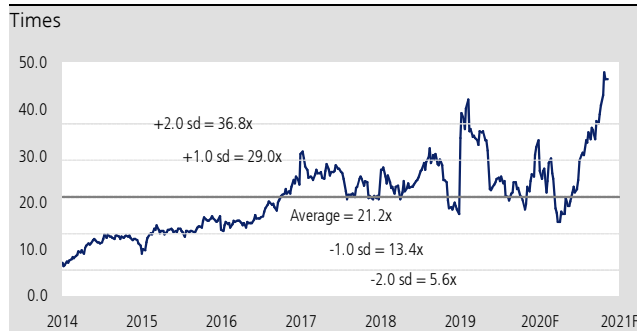
Source: Company data, KGI Research

**Figure 9: Sales breakdown by product**

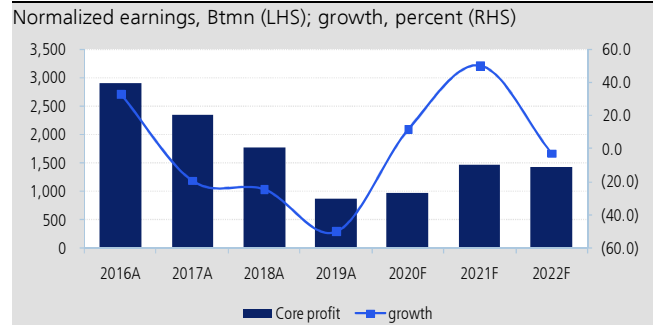
Percent



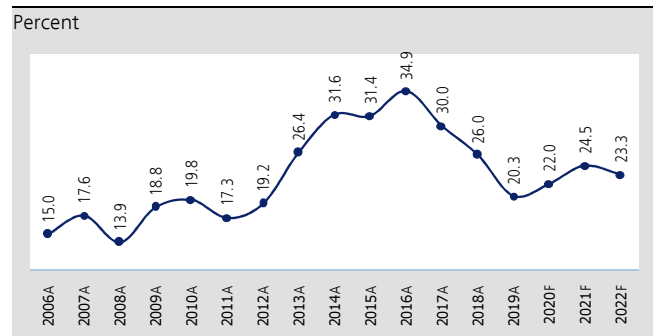
Source: Company data, KGI Research

**Figure 11: PER**


Source: KGI Research

**Figure 6: Core profit**


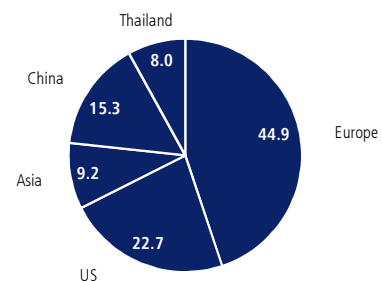
Source: Company data, KGI Research

**Figure 8: Gross margin assumption**


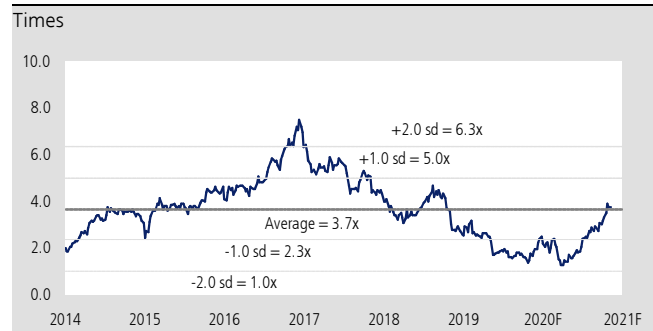
Source: Company data, KGI Research

**Figure 10: Sales breakdown by location**

Percent



Source: Company data, KGI Research

**Figure 12: PBV**


Source: KGI Research

# Quarterly Income Statement

	Mar-18A	Jun-18A	Sep-18A	Dec-18A	Mar-19A	Jun-19A	Sep-19A	Dec-19A	Mar-20A	Jun-20A	Sep-20A
<b>Income Statement (Btmn)</b>											
<b>Revenue</b>	<b>3,440</b>	<b>3,643</b>	<b>3,690</b>	<b>3,209</b>	<b>3,114</b>	<b>2,993</b>	<b>3,088</b>	<b>2,902</b>	<b>3,260</b>	<b>2,127</b>	<b>2,722</b>
Cost of good sold	2,551	2,629	2,692	2,479	2,457	2,425	2,450	2,311	2,478	1,741	2,204
<b>Gross profit</b>	<b>889</b>	<b>1,014</b>	<b>998</b>	<b>730</b>	<b>657</b>	<b>568</b>	<b>638</b>	<b>591</b>	<b>782</b>	<b>387</b>	<b>518</b>
Operating expense	466	471	464	403	403	372	422	372	430	322	309
Other income	27	18	31	15	20	21	23	28	22	21	25
<b>Operating profit</b>	<b>450</b>	<b>561</b>	<b>565</b>	<b>342</b>	<b>274</b>	<b>217</b>	<b>239</b>	<b>246</b>	<b>375</b>	<b>85</b>	<b>234</b>
Depreciation of fixed asset	230	235	240	250	244	246	248	240	262	261	261
<b>Operating EBITDA</b>	<b>680</b>	<b>796</b>	<b>805</b>	<b>592</b>	<b>518</b>	<b>463</b>	<b>487</b>	<b>486</b>	<b>636</b>	<b>346</b>	<b>495</b>
<b>Non-Operating income</b>	<b>66</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Interest income	0	0	0	0	0	0	0	0	0	0	0
Other non-op. income	66	0	0	0	0	0	0	0	0	0	0
<b>Non-Operating expense</b>	<b>(29)</b>	<b>(28)</b>	<b>(31)</b>	<b>(22)</b>	<b>(16)</b>	<b>(16)</b>	<b>(15)</b>	<b>(14)</b>	<b>(12)</b>	<b>(16)</b>	<b>(17)</b>
Interest expense	(29)	(28)	(31)	(22)	(16)	(16)	(15)	(14)	(12)	(16)	(17)
Other non-op. expense	0	0	0	0	0	0	0	0	0	0	0
Equity income	4	5	7	7	5	5	5	4	4	3	1
Pre-tax profit	557	569	584	374	284	209	267	274	444	70	288
Current taxation	(10)	(6)	(16)	(16)	(12)	(2)	(8)	(18)	(15)	5	(34)
Minorities	5	5	8	2	3	4	4	4	5	3	4
Extra items	66	31	42	47	20	(41)	38	38	78	(2)	70
<b>Net profit</b>	<b>542</b>	<b>558</b>	<b>560</b>	<b>356</b>	<b>269</b>	<b>159</b>	<b>255</b>	<b>252</b>	<b>425</b>	<b>71</b>	<b>250</b>
<b>Normalized profit</b>	<b>410</b>	<b>527</b>	<b>517</b>	<b>309</b>	<b>248</b>	<b>200</b>	<b>217</b>	<b>214</b>	<b>347</b>	<b>73</b>	<b>180</b>
EPS (Bt)	0.5	0.5	0.5	0.3	0.2	0.1	0.2	0.2	0.4	0.1	0.2
Normalized EPS (Bt)	0.3	0.4	0.4	0.3	0.2	0.2	0.2	0.2	0.3	0.1	0.2
<b>Margin (%)</b>											
Gross profit margin	25.8	27.8	27.0	22.8	21.1	19.0	20.7	20.4	24.0	18.2	19.0
Operating EBIT margin	13.1	15.4	15.3	10.7	8.8	7.3	7.7	8.5	11.5	4.0	8.6
Operating EBITDA margin	19.8	21.8	21.8	18.5	16.6	15.5	15.8	16.7	19.5	16.3	18.2
Net profit margin	15.7	15.3	15.2	11.1	8.6	5.3	8.3	8.7	13.0	3.4	9.2
<b>Growth (%YoY)</b>											
Revenue growth	(2.7)	(0.6)	2.5	(5.4)	(9.5)	(17.9)	(16.3)	(9.5)	4.7	(28.9)	(11.9)
Operating EBIT growth	(32.1)	(16.0)	(8.7)	(43.9)	(39.1)	(61.3)	(57.7)	(28.1)	36.6	(60.8)	(2.2)
Operating EBITDA growth	(22.7)	(10.5)	(4.3)	(29.0)	(23.9)	(41.8)	(39.5)	(17.9)	22.8	(25.3)	1.6
Net profit growth	(18.2)	(17.0)	(8.6)	(40.5)	(50.4)	(71.5)	(54.4)	(29.2)	58.2	(55.1)	(2.0)
Normalized profit growth	(34.2)	(14.4)	(8.8)	(44.1)	(39.5)	(62.1)	(58.1)	(30.7)	39.7	(63.3)	(17.1)

Source: KGI Research

## Balance Sheet

As of 31 Dec (Btmn)	2018	2019	2020F	2021F	2022F
<b>Total Assets</b>	<b>18,121</b>	<b>16,501</b>	<b>16,578</b>	<b>17,117</b>	<b>17,418</b>
<b>Current Assets</b>	<b>7,969</b>	<b>6,640</b>	<b>7,597</b>	<b>8,260</b>	<b>9,131</b>
Cash&ST Investment	1,383	957	2,402	2,492	2,959
Inventories	3,192	2,622	2,239	2,440	2,636
Account Receivable	3,273	2,973	2,871	3,232	3,435
Other	122	88	85	95	101
<b>Non-current Assets</b>	<b>10,152</b>	<b>9,861</b>	<b>8,981</b>	<b>8,857</b>	<b>8,287</b>
LT Investment	205	199	191	215	229
Net Fixed Assets	9,364	8,918	8,233	8,067	7,472
Others	583	744	557	575	586
<b>Total Liabilities</b>	<b>6,114</b>	<b>4,739</b>	<b>4,408</b>	<b>4,393</b>	<b>4,352</b>
<b>Current liabilities</b>	<b>5,196</b>	<b>3,651</b>	<b>3,597</b>	<b>3,800</b>	<b>3,942</b>
Account Payable	2,796	2,293	2,239	2,440	2,636
ST borrowing	2,202	1,067	1,067	1,067	1,067
Others	199	292	291	293	239
<b>Long-term liabilities</b>	<b>918</b>	<b>1,088</b>	<b>811</b>	<b>593</b>	<b>411</b>
Long-term debts	659	724	465	206	0
Others	259	364	346	386	411
<b>Shareholders' Equity</b>	<b>12,007</b>	<b>11,762</b>	<b>12,170</b>	<b>12,724</b>	<b>13,065</b>
Common stock	586	586	586	586	586
Capital surplus	1,907	1,907	1,907	1,907	1,907
Retained earnings	9,448	9,231	9,639	10,193	10,534
Preferred stock	0	0	0	0	0

Source: KGI Research

## Key Ratios

Year to 31 Dec	2018	2019	2020F	2021F	2022F
<b>Growth (%YoY)</b>					
Sales	(1.5)	(13.5)	(3.8)	12.6	6.3
OP	(24.5)	(49.1)	16.2	41.5	(3.5)
EBITDA	(13.8)	(34.1)	9.8	13.4	(4.9)
NP	(20.8)	(53.6)	20.7	30.8	(3.0)
Normalized profit	(24.7)	(50.2)	11.7	50.3	(3.0)
EPS	(20.8)	(53.6)	20.7	30.8	(3.0)
Normalized EPS	(24.7)	(50.2)	11.7	50.3	(3.0)
<b>Profitability (%)</b>					
Gross margin	26.0	20.3	22.0	24.5	23.3
Operating margin	13.7	8.1	9.8	12.3	11.1
EBITDA margin	22.5	17.1	19.6	19.7	17.6
Net margin	14.4	7.7	9.7	11.3	10.3
ROAA	11.2	5.4	6.8	8.8	8.3
ROAE	17.3	7.9	9.4	11.9	11.1
<b>Stability</b>					
Gross debt/equity (%)	50.9	40.3	36.2	34.5	33.3
Net debt/equity (%)	13.7	9.3	(5.0)	(7.5)	(12.9)
Interest coverage (x)	20.0	17.9	17.9	27.7	32.3
Interest&ST debt coverage (x)	0.9	1.0	1.1	1.4	1.4
Cash flow interest coverage (x)	25.0	36.5	37.8	36.0	44.1
Cash flow/interest&ST debt (x)	1.2	2.0	2.4	1.9	1.9
Current ratio (x)	1.5	1.8	2.1	2.2	2.3
Quick ratio (x)	0.9	1.1	1.5	1.5	1.6
Net debt (Btmn)	1,646	1,092	(611)	(960)	(1,686)
<b>Per share data (Bt)</b>					
EPS	1.7	0.8	1.0	1.3	1.2
Normalized EPS	1.5	0.7	0.8	1.3	1.2
CFPS	2.3	1.9	2.3	1.8	1.8
BVPS	10.2	10.0	10.4	10.8	11.1
Sales/share	11.9	10.3	9.9	11.2	11.9
EBITDA/share	2.7	1.8	1.9	2.2	2.1
DPS	1.1	0.7	0.6	0.9	0.9
<b>Activity</b>					
Asset turnover (x)	0.8	0.7	0.7	0.8	0.8
Days of receivables	85	90	90	90	90
Days of inventory	113	99	90	90	90
Days of payable	99	87	90	90	90
Cash cycle	99	102	90	90	90

Source: KGI Research

## Profit & Loss

Year to Dec 31 (Btmn)	2018	2019	2020F	2021F	2022F
<b>Revenue</b>	<b>13,982</b>	<b>12,097</b>	<b>11,644</b>	<b>13,109</b>	<b>13,932</b>
Cost of good sold	10,351	9,644	9,082	9,897	10,689
<b>Gross profit</b>	<b>3,631</b>	<b>2,454</b>	<b>2,562</b>	<b>3,212</b>	<b>3,243</b>
Operating expense	1,804	1,569	1,519	1,711	1,804
Other income	92	92	93	105	111
<b>Operating Profit</b>	<b>1,919</b>	<b>977</b>	<b>1,135</b>	<b>1,606</b>	<b>1,550</b>
Depreciation of fixed asset	955	978	986	966	895
<b>Operating EBITDA</b>	<b>2,873</b>	<b>1,954</b>	<b>2,121</b>	<b>2,572</b>	<b>2,445</b>
<b>Non-operating income</b>	<b>66</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Interest income	0	0	0	0	0
Other non-op income	66	0	0	0	0
<b>Non-operating expense</b>	<b>(110)</b>	<b>(61)</b>	<b>(72)</b>	<b>(58)</b>	<b>(48)</b>
Interest expense	(110)	(61)	(72)	(58)	(48)
Other non-op expense	0	0	0	0	0
<b>Equity income/(loss)</b>	<b>22</b>	<b>19</b>	<b>9</b>	<b>10</b>	<b>11</b>
<b>Pretax profit</b>	<b>2,083</b>	<b>1,034</b>	<b>1,219</b>	<b>1,558</b>	<b>1,513</b>
Current taxation	(49)	(41)	(73)	(62)	(61)
Minorities	19	15	17	20	21
Extra item	186	56	146	0	0
<b>Net profit</b>	<b>2,015</b>	<b>934</b>	<b>1,128</b>	<b>1,476</b>	<b>1,431</b>
<b>Normalized profit</b>	<b>1,763</b>	<b>879</b>	<b>982</b>	<b>1,476</b>	<b>1,431</b>
EPS (Bt)	1.7	0.8	1.0	1.3	1.2
Normalized EPS (Bt)	1.5	0.7	0.8	1.3	1.2

Source: KGI Research

## Cash Flow

Year to Dec 31 (Btmn)	2018	2019	2020F	2021F	2022F
<b>Operating cash flow</b>	<b>2,746</b>	<b>2,232</b>	<b>2,720</b>	<b>2,098</b>	<b>2,133</b>
Net profit	2,015	934	1,128	1,476	1,431
Depreciation&Amortization	955	978	986	966	895
Change in working capital	(224)	320	606	(344)	(193)
Others					
<b>Investment cash flow</b>	<b>(740)</b>	<b>(500)</b>	<b>(293)</b>	<b>(824)</b>	<b>(314)</b>
Net CAPEX	(809)	(532)	(300)	(800)	(300)
Change in LT investment	72	6	7	(24)	(14)
Change in other assets	(3)	26	0	0	0
<b>Free cash flow</b>	<b>2,006</b>	<b>1,732</b>	<b>2,428</b>	<b>1,274</b>	<b>1,819</b>
<b>Financing cash flow</b>	<b>(1,763)</b>	<b>(2,157)</b>	<b>(983)</b>	<b>(1,185)</b>	<b>(1,352)</b>
Change in share capital	0	0	0	0	0
Net change in debt	(481)	(978)	(263)	(263)	(262)
Change in other liabs	(1,282)	(1,180)	(720)	(922)	(1,090)
<b>Net cash flow</b>	<b>243</b>	<b>(425)</b>	<b>1,445</b>	<b>90</b>	<b>467</b>

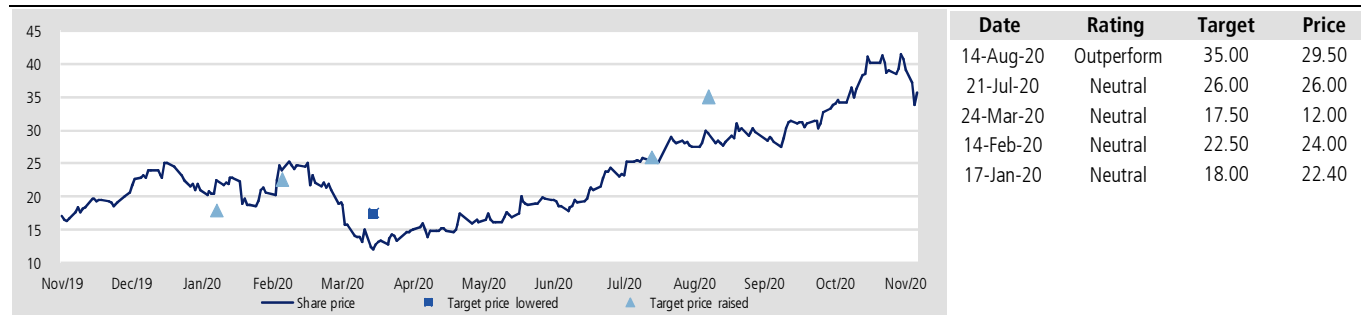
Source: KGI Research

## Rates of Return on Invested Capital

Year	1 - $\frac{\text{COGS}}{\text{Revenue}}$	+ $\frac{\text{Depreciation}}{\text{Revenue}}$	+ $\frac{\text{Operating expense}}{\text{Revenue}}$	=	Operating margin
2018	74.0%	6.8%	12.9%		6.2%
2019	79.7%	8.1%	13.0%		-0.8%
2020F	78.0%	8.5%	13.1%		0.5%
2021F	75.5%	7.4%	13.1%		4.1%
2022F	76.7%	6.4%	13.0%		3.9%
Year	1/ $\frac{\text{Working capital}}{\text{Revenue}}$	+ $\frac{\text{Net PPE}}{\text{Revenue}}$	+ $\frac{\text{Other assets}}{\text{Revenue}}$	=	Capital Turnover
2018	(0.0)	0.7	0.6		0.8
2019	0.0	0.7	0.6		0.7
2020F	0.1	0.7	0.7		0.7
2021F	(0.0)	0.6	0.7		0.8
2022F	(0.0)	0.5	0.7		0.8
Year	1/ $\frac{\text{Operating margin}}{\text{Operating margin}}$	x $\frac{\text{Capital turnover}}{\text{Capital turnover}}$	x $\frac{\text{Cash tax rate}}{\text{Cash tax rate}}$	=	After-tax return on Inv. capital
2018	6.2%	0.8	2.3%		0.1%
2019	-0.8%	0.7	3.9%		0.0%
2020F	0.5%	0.7	6.0%		0.0%
2021F	4.1%	0.8	4.0%		0.1%
2022F	3.9%	0.8	4.0%		0.1%

Source: KGI Research

# KCE Electronics PCL – Recommendation & target price history



Source: KGI Research

# Corporate Governance Report of Thai Listed Companies



## Companies with Excellent CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	IRPC	IRPC	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
AMATA	AMATA CORPORATION	IVL	INDORAMA VENTURES	ROBINS	ROBINSON DEPARTMENT STORE
ANAN	ANANDA DEVELOPMENT	KBANK	KASIKORNBANK	SAMART	SAMART CORPORATION
AOT	AIRPORTS OF THAILAND	KCE	KCE ELECTRONICS	SAMTEL	SAMART TELCOMS
AP	ASIAN PROPERTY DEVELOPMENT	KKP	KIATNAKIN BANK	SCB	THE SIAM COMMERCIAL BANK
BANPU	BANPU	KTB	KRUNG THAI BANK	SCC	THE SIAM CEMENT
BCP	THE BANGCHAK PETROLEUM	KTC	KRUNGTHAI CARD	SCCC	SIAM CITY CEMENT
BCPG	BCPG	LPN	L.P.N. DEVELOPMENT	SPALI	SUPALAI
BTS	BTS GROUP HOLDINGS	MAKRO	SIAM MAKRO	SPRC	STAR PETROLEUM REFINING
CK	CH. KARNCHANG	MBK	MBK	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
CKP	CK POWER	MINT	MINOR INTERNATIONAL	SVI	SVI
CPN	CENTRAL PATTANA	MONO	MONO TECHNOLOGY	TCAP	THANACHART CAPITAL
DELTA	DELTA ELECTRONICS (THAILAND)	MTC	MUANGTHAI CAPITAL	THAI	THAI AIRWAYS INTERNATIONAL
DTAC	TOTAL ACCESS COMMUNICATION	NYT	NAMYONG TERMINAL	THCOM	THAI COM
EGCO	ELECTRICITY GENERATING	PLANB	PLAN B MEDIA	TISCO	TISCO FINANCIAL GROUP
GFPT	GFPT	PSH	PRUKSA HOLDING	TMB	TMB BANK
GPSC	GLOBAL POWER SYNERGY	PTT	PTT	TOP	THAI OIL
GUNKUL	GUNKUL ENGINEERING	PTTEP	PTT EXPLORATION AND PRODUCTION	TRUE	TRUE CORPORATION
HANA	HANA MICROELECTRONICS	PTTGC	PTT GLOBAL CHEMICAL	WHA	WHA CORPORATION
HMPRO	HOME PRODUCT CENTER	PYLON	PYLON		
INTUCH	SHIN CORPORATION	QH	QUALITY HOUSES		



## Companies with Very Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	CPALL	CP ALL	SAWAD	SIRISAWAD POWER 1979
AMA	AMA MARINE	DCC	DYNASTY CERAMIC	SCI	SCI ELECTRIC
BA	BANGKOK AIRWAYS	EPG	EASTERN POLYMER GROUP	SCN	SCAN INTER
BBL	BANGKOK BANK	ERW	THE ERWAN GROUP	SEAFICO	SEAFICO
BDMS	BANGKOK DUSIT MEDICAL SERVICES	GLOBAL	SIAM GLOBAL HOUSE	SIRI	SANSIRI
BEC	BEC WORLD	GLOW	GLOW ENERGY	TFG	THAIFOODS GROUP
BEM	BANGKOK EXPRESSWAY AND METRO	GULF	GULF ENERGY DEVELOPMENT	TICON	TICON INDUSTRIAL CONNECTION
BGRIM	B. GRIMM POWER	LH	LAND AND HOUSES	TKN	TAOKAENOI FOOD & MARKETING
BPP	BANPU POWER	M	MK RESTAURANT GROUP	TOA	TOA PAINT (THAILAND)
CBG	CARABAO GROUP	MAJOR	MAJOR CINEPLEX GROUP	THAI WAH	THAI WAH
CENTEL	CENTRAL PLAZA HOTEL	MALEE	MALEE SAMPRAN	WHAUP	WHA UTILITIES AND POWER
CHG	CHULARAT HOSPITAL	NOK	NOK AIRLINES		
COM7	COM7	RS	RS		



## Companies with Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
BCH	BANGKOK CHAIN HOSPITAL	SAPPE	SAPPE	UNIQ	UNIQUE ENGINEERING AND CONSTRUCTION
BH	BUMRUNGRAD HOSPITAL	SF	SIAM FUTURE DEVELOPMENT	WORK	WORKPOINT ENTERTAINMENT
EKH	EKACHAI MEDICAL CARE	SQ	SAHAKOL EQUIPMENT		
LPH	LADPRAO GENERAL HOSPITAL	TPCH	TPC POWER HOLDING		

## Companies classified Not in the three highest score groups

Stock	Company name	Stock	Company name	Stock	Company name
CMAN	CHEMEMAN				

Source: www.thai-iod.com

**Disclaimer:** The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of such survey result.

## Anti-corruption Progress Indicator

### Level 5: Extended

Stock	Company name	Stock	Company name	Stock	Company name
CPN	CENTRAL PATTANA	SCC	THE SIAM CEMENT		

### Level 4: Certified

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	IFEC	INTER FAR EAST ENGINEERING	SVI	SVI
BBL	BANGKOK BANK	KBANK	KASIKORN BANK	TCAP	THANACHART CAPITAL
DCC	DYNASTY CERAMIC	KKP	KIATNAKIN BANK	TISCO	TISCO FINANCIAL GROUP
DRT	DIAMOND ROOFING TILES	KTB	KRUNG THAI BANK	TMB	TMB BANK
EGCO	ELECTRICITY GENERATING	MINT	MINOR INTERNATIONAL		
ERW	THE ERWAN GROUP	SCB	THE SIAM COMMERCIAL BANK		

### Level 3: Established

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	DTAC	TOTAL ACCESS COMMUNICATION	PACE	PACE DEVELOPMENT CORPORATION
ANAN	ANANDA DEVELOPMENT	GFPT	GFPT	PS	PRUKSA REAL ESTATE
AP	ASIAN PROPERTY DEVELOPMENT	GL	GROUP LEASE	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
BA	BANGKOK AIRWAYS	GLOW	GLOW ENERGY	ROBINS	ROBINSON DEPARTMENT STORE
BDMS	BANGKOK DUSIT MEDICAL SERVICES	GPSC	GLOBAL POWER SYNERGY	SAMART	SAMART CORPORATION
BIGC	BIG C SUPERCENTER	HMPRO	HOME PRODUCT CENTER	SPALI	SUPALAI
BJCHI	BJC HEAVY INDUSTRIES	KTC	KRUNGTHAI CARD	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
CENDEL	CENTRAL PLAZA HOTEL	LPN	L.P.N. DEVELOPMENT	TASCO	TIPCO ASPHALT
CHG	CHULARAT HOSPITAL	MAKRO	SIAM MAKRO	TMT	THAI METAL TRADE
CK	CH. KARNCHANG	MODERN	MODERNFORM GROUP	TPCH	TPC POWER HOLDING
CKP	CK POWER	NOK	NOK AIRLINES	WHA	NOK AIRLINES

### Level 2: Declared

Stock	Company name	Stock	Company name	Stock	Company name
AOT	AIRPORTS OF THAILAND	GUNKUL	GUNKUL ENGINEERING	QH	QUALITY HOUSES
BH	BUMRUNGRAD HOSPITAL	ILINK	INTERLINK COMMUNICATION	TRT	TIRATHAI
GLOBAL	SIAM GLOBAL HOUSE	MTLS	MUANGTHAI LEASING	TVO	THAI VEGETABLE OIL

### Level 1: Committed

Stock	Company name	Stock	Company name	Stock	Company name
CBG	CARABAO GROUP	RS	RS	SAWAD	SIRISAWAD POWER 1979
MAJOR	MAJOR CINEPLEX GROUP				

### No progress

Stock	Company name	Stock	Company name	Stock	Company name
BCH	BANGKOK CHAIN HOSPITAL	CPALL	CP ALL	WORK	WORKPOINT ENTERTAINMENT
BEM	BANGKOK EXPRESSWAY AND METRO	LPH	LADPRAO GENERAL HOSPITAL		

Source: www.cgthailand.org

**Disclaimer:** The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of the assessment result.



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Rating	Definition
Outperform (OP)	The stock's excess return over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan)..
Neutral (N)	The stock's excess return over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan)
Under perform (U)	The stock's excess return over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Not Rated (NR)	The stock is not rated by KGI.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.  <i>Excess return = 12M target price/current price-</i>
Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.

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