

November 8, 2022

The Director and Manager
The Stock Exchange of Thailand

Re: Information on Third Quarter of 2022 Operating Results

KCE Electronics PCL has the pleasure of reporting the operating results of the Company and its subsidiaries ("the Group") for the third quarter of 2022 based on reviewed consolidated financial statements for the three-month period ended September 30, 2022. The Group's sales and net profit totaled Bt4,633.9 million and Bt655.2 million, respectively, compared to Bt3,789.0 million and Bt604.1 million in the third quarter of 2021. A summary of the Company's operating performance in the third quarter of 2022 and 2021 is shown in the following table:

Operating performance

[Amount in Million Baht]	3Q22	2Q22	<u>%Change</u> Q-o-Q [3Q22 VS. 2Q22]	3Q21	<u>%Change</u> Y-o-Y [3Q22 VS. 3Q21]
FX: THB/USD	36.2510	34.2695		32.8026	
FX: THB/EUR	36.2969	36.2798		38.4724	
Sales Revenue, THB	4,633.9	4,667.4	-0.72%	3,789.0	+22.3%
Sales Revenue, USD	\$127.8	\$136.2	-6.15%	\$115.5	+10.67%
Cost of Sales	3,508.8	3,603.2		2,759.8	
Gross margin, (%)	24.3%	22.8%		27.2%	
Selling & Administration	523.1	489.5	+6.86%	395.3	+32.33%
Operating profit *	614.9	601.6	+2.22%	601.7	+2.19%
Net Profit	655.2	571.9	+14.57%	604.1	+8.47%
	14.1%	12.3%		15.9%	

[Remark * Excludes foreign exchange rate effects and non-operating loss]

Sales Revenue

Consolidated sales revenue in Baht terms in 3Q22 was reported at Bt4,633.9 million, representing a slightly decrease of 0.72% Q-o-Q but increase 22.30% Y-o-Y, while sales revenue in USD terms decreased by 6.15% Q-o-Q but increased 10.67% Y-o-Y. The weakened THB against the US dollar in the period resulted in a gain in revenue recognition in Thai Baht terms of Bt177.7 million and Bt287.6 million in Q-o-Q and Y-o-Y, respectively (Table 1). Nevertheless, sales revenue was adversely impacted by unrealized consignment sales of Bt328.3 million (Table 3)

The decrease in volume of PCB sales of 3.93 % Q-o-Q was due mainly to customers demand pushed out the order of Multi-layer PCB as a result of the slowing global economy. However, the special grade PCB (HDI) demand still continue growth. The proportion of products mixed, especially PCB of Special Grade (HDI) increased by 90.92% Y-o-Y and continued to increase 7.37% from the previous quarter. (Table 5)

Although the decreased volume sold Q-o-Q of Multi-layer PCB, there were a growth of the special grade PCB (HDI) to cover which included Back Log Order on hand. The transportation logistics problem by the shortage of shipping containers still not be normal, caused to some sale push out and impact to higher inventory due to delay in shipments. The lower revenue impact from unrealized consignment sales was another factor for higher inventory balance in this period.

Cost of Sales and Gross Profit

The gross profit margin as a percentage of sales in 3Q22 was 24.3%, decreased from 27.2% of the same period in last year which due to the higher raw material cost in year 2022. But 3Q22 gross profit margin increased from 22.8% of 2Q22 mainly due to the favorable impact of foreign exchange rates and the lower cost of material. The key material, Copper prices started to decrease in September, however it was partially flowed into the cost of goods sold in 3Q22 due to the usage of old stock material at high rate. As a result, the effect from Copper usage led to lower cost of goods sold by 1.14% and 0.80% Q-o-Q and Y-o-Y respectively. (Table 2) For the manufacturing overhead, the electricity charge still adjusted to higher rate in this period.

Administrative and Selling Expenses

Total selling, general, and administrative expenses amounted to Bt523.1 million in 3Q22, or 11.3% of sales, an increase from Bt489.5 million or 10.5% of sales in 2Q22 and Bt395.3 million or 10.4% of sales in the same period of the previous year.

Selling expense amounted to Bt164.4 million in 3Q22, or 3.6% of sales, increased from Bt149.8 million or 3.2% of sales in 2Q22 and Bt132.0 million or 3.5% of sales in the same period of previous year. Selling expense mainly increased in line with higher sales and a change in portion of freight cost carried by the customers. Administrative expense amounted to Bt358.7 million or 7.7% of sales in 3Q22, increased from Bt339.7 million or 7.3% of sales in 2Q22 and Bt263.3 million or 6.9% of sales in the same period of previous year, which related mainly to staff costs, R&D expense, loss from non-used asset sold included asset impairment amounted Bt21.8 million in this period.

Net Profit

The Group reported a consolidated net profit of Bt655.2 million in 3Q22, which represented an increase of 14.57% and 8.47 % Q-o-Q and Y-o-Y respectively. Operating profit in 3Q22 totaled Bt614.9 million (excluding a gain on foreign currency exchange rate of Bt40.9 million and a loss from fair value of financial investment of Bt0.6 million), representing an increase of 2.22% Q-o-Q and 2.19% Y-o-Y.

The improvement in profitability was driven by benefit from the weaken THB, higher product mix of special grade products (HDI) and a decline in the price of Copper. This resulted in basic earnings per share of Bt0.55 for 3Q22.

Total Asset

Total assets as of September 30, 2022, amounted to Bt21,641.3 million, consisting of current assets of Bt11,607.0 million, property, plant and equipment of Bt8,967.4 million, intangible assets of Bt179.8 million, contract costs assets of Bt379.0 million, investment property of Bt155.2 million, goodwill of Bt153.5 million, investments in associates of Bt33.7 million; deferred tax assets of Bt119.8 million and other non-current assets of Bt45.9 million.

A decrease in assets of Bt309.4 million from Bt21,950.7 million at the end of 2021, was due mainly to a decrease in cash of Bt888.3 million, an increase in the value of trade receivable and other receivable of Bt735.2 million, an increase in inventory of Bt445.5 million, a decrease in other current financial asset of Bt516.3 million, an increase in other current asset of Bt36.8 million, a decrease in contract costs of Bt15.9 million, a decrease in the value of property, plant and equipment of Bt11.3 million and a decrease in other non-current assets of Bt95.1 million.

Total Liabilities

Total liabilities increased from Bt8,508.6 million at the end of 2021 to Bt8,714.4 million as of September 30, 2022; short-term debt and long term loan from the financial institution increased, trade and other current payables decreased according to payment on due term.

As of September 30, 2022, Net Interest-bearing Debt to Equity ratio was 0.33 times compared to 0.27 times as of December 31, 2021 as a result of higher debts and lower equity.

Shareholders' Equity

As of September 30, 2022, shareholders' Equity was Bt12,926.9 million, a decrease of Bt515.2 million from Bt13,442.1 million as of December 31, 2021 due mainly to operating profit from the period, dividend payment and an additional paid-up capital from ESOP.

Analysis of performance

Table 1: Foreign currency exchange rates and sales in foreign currency

Currency	3Q 2022		2Q 2022		Q-o-Q Effect		3Q 2021		Y-o-Y Effect	
	Rates	Sales	Rates	Sales	%	Gain(Loss) M Baht	Rates	Sales	%	Gain(Loss) M Baht
USD	36.2510	\$87.62	34.2695	\$88.48	5.8	173.61	32.8026	\$73.50	10.5	302.13
EUR	36.2969	€9.97	36.2798	€9.28	0.0	0.17	38.4724	€9.93	(5.7)	(21.69)
JPY	0.2579	¥0.02	0.2648	¥0.05	(2.6)	0.00	0.0000	¥0.00	0.0	0.00
CNY	5.2561	¥33.04	5.1388	¥35.04	2.3	3.88	5.0407	¥25.19	4.3	7.12
Total Effect						177.66				287.56

Table 2: Raw material prices and purchased volume

	3Q 2022		2Q 2022		Q-o-Q Effect		3Q 2021		Y-o-Y Effect		
	Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$	
Copper Foil (KCE) KG.	\$12.27	440,965	\$13.76	577,738	(10.84)	(658.26)	\$14.31	541,051	(14.23)	(897.61)	
Copper Foil (TLM) KG.	\$12.69	378,895	\$14.74	387,784	(13.92)	(777.31)	\$15.57	867,335	(18.52)	(1,092.75)	
Copper Anode KG.	\$8.68	577,200	\$10.41	477,000	(16.61)	(997.92)	\$10.01	438,000	(13.27)	(766.34)	
Fiber glass METRE	\$0.74	3,768,140	\$0.81	4,662,532	(8.39)	(255.10)	\$0.73	5,324,705	1.48	40.64	
						Total USD				Total USD	
							(2,688.59)				(2,716.06)

The effect from copper usage on product sales price was about -1.14% Q-o-Q and -0.80% Y-o-Y.

Table 3: Consignment Sales

(Amount: in Million Baht)

	3Q 2022			3Q 2021		
	Stock Filling	Usage	Unrealized revenue	Stock Filling	Usage	Unrealized revenue
July	407.1	267.6		272.0	274.5	
August	510.7	314.8		278.9	271.1	
September	388.1	395.2		324.4	233.2	
Total	1,305.9	977.6	328.3	875.3	778.8	96.5

Table 4: Sales and volume sold, by Region (PCB Sales @ Factory price)

								% Incr/(Decrease)	
		3Q21	4Q21	Y2021	1Q22	2Q22	3Q22	Y-o-Y 3Q22 / 3Q21	Q-o-Q 3Q22 / 2Q22
EUROPE	SALES-USD	49,485,008	55,326,006	201,967,735	53,283,059	50,729,981	58,630,336	18.48	15.57
	VOLUME-SQFT	3,593,464	4,077,479	15,008,342	3,716,868	3,614,205	4,107,352	14.30	13.64
USA	SALES-USD	19,591,108	21,222,004	85,196,877	26,393,499	28,538,080	25,589,092	30.62	(10.33)
	VOLUME-SQFT	1,508,082	1,625,687	6,760,446	1,887,429	2,117,280	1,862,264	23.49	(12.04)
ASIA (Excl.CHINA)	SALES-USD	6,388,856	6,678,146	29,405,945	6,594,961	7,156,109	6,087,512	(4.72)	(14.93)
	VOLUME-SQFT	417,417	476,338	2,031,777	476,359	526,442	433,107	3.76	(17.73)
CHINA	SALES-USD	11,477,305	11,768,473	44,036,301	14,242,003	16,301,497	13,767,777	19.96	(15.54)
	VOLUME-SQFT	909,134	888,617	3,508,669	1,038,809	1,138,870	983,257	8.15	(13.66)
LOCAL	SALES-USD	11,120,838	11,433,218	42,332,228	12,538,025	10,216,914	6,473,253	(41.79)	(36.64)
	VOLUME-SQFT	1,040,481	1,049,409	3,929,676	1,103,044	890,677	575,839	(44.66)	(35.35)
TOTAL	SALES-USD	98,063,114	106,427,848	402,939,086	113,051,547	112,942,581	110,547,970	12.73	(2.12)
	VOLUME-SQFT	7,468,578	8,117,530	31,238,910	8,222,508	8,287,474	7,961,819	6.60	(3.93)

Table 5: Sales and volume sold, by Product mix (PCB Sales @ Factory price)

Product Mix								% Incr/(Decrease)	
		3Q21	4Q21	Y2021	1Q22	2Q22	3Q22	Y-o-Y 3Q22 / 3Q21	Q-o-Q 3Q22 / 2Q22
02	SALES-USD	12,296,268	12,925,668	50,426,764	11,696,539	10,520,906	8,557,634	(30.40)	(18.66)
	VOLUME-SQFT	1,384,886	1,395,206	5,624,999	1,205,843	1,137,172	890,541	(35.70)	(21.69)
04	SALES-USD	42,957,897	48,458,562	182,032,446	48,196,469	46,507,866	42,480,998	(1.11)	(8.66)
	VOLUME-SQFT	3,677,211	4,076,689	15,702,998	4,021,972	3,917,977	3,582,703	(2.57)	(8.56)
06 +	SALES-USD	25,032,248	28,011,543	103,182,851	26,986,638	27,993,761	30,162,167	20.49	7.75
	VOLUME-SQFT	1,551,497	1,738,632	6,490,002	1,624,592	1,711,969	1,856,235	19.64	8.43
Special	SALES-USD	17,776,701	17,032,075	67,297,025	26,171,900	27,920,048	29,347,171	65.09	5.11
	VOLUME-SQFT	854,984	907,002	3,420,911	1,370,101	1,520,356	1,632,340	90.92	7.37
TOTAL-USD		98,063,114	106,427,848	402,939,086	113,051,547	112,942,581	110,547,970	12.73	(2.12)
TOTAL-SQFT		7,468,578	8,117,530	31,238,910	8,222,508	8,287,474	7,961,819	6.60	(3.93)

Table 6: KCE Lat Krabang Plant - Capacity (Maximum)

1Q 2022 – 4Q 2022 2.10 million Sq.ft./month

Table 7: Capital Expenditure

CAPEX Plan - Y2022	Bt 1,500 million Bt 1,000 million /Rojana Plant Construction Bt 500 million /Capacity Expansion
Actual Spend- 9 months Y2022	Bt 494.3 million /Capacity Expansion

For the new factory investment plan at Rojana Industrial Park, The Board of Directors' meeting of KCE Electronics Public Company Limited No.11/2022 held on November 8, 2022 passed a resolution approving the acquisition of assets for investment in a new factory and machinery for PCB manufacturing project. The new factory with a capacity of 1 million sq.ft/ month will be located at Rojana Industrial Park, Ayutthaya province on the land owned by the Company. The value of the investment project includes the estimated construction cost of the factory building, the installation of the facility system, the purchase of machinery, equipment and manufacturing support equipment and other expenses, total Bt 8,060 million. The production capacity will increase from current 2.1 million sq.ft/month to 3.1 million sq.ft/month by investing in new and modern technology to increase production efficiency in order to support the continued growth of both existing and new customer orders. The factory construction is expected to start in January 2023 which estimated timeline to finish by 18-20 months.

Forwarded for your information

Sincerely yours,



(Mrs. Voraluksana Ongkosit)
Executive Vice Chairperson

