

August 13, 2024

The Director and Manager
The Stock Exchange of Thailand

Re: Information on Second Quarter of 2024 Operating Results

KCE Electronics PCL has the pleasure of reporting the operating results of the Company and its subsidiaries ("the Group") for the second quarter of 2024 based on reviewed consolidated financial statements for the three-month period ended June 30, 2024. The Group's revenue are total at Bt4,246.1 million with a net profit of Bt635.1 million, compared to Bt3,999.0 million total revenue and Bt376.2 million net profit in the second quarter of 2023. A summary of the Company's operating performance in the second quarter of 2024 and 2023 is shown in the following table:

Operating performance

[Amount: in Million Baht]	2Q24	1Q24	<i>%Change</i> Q-o-Q [2Q24 VS. 1Q24]	2Q23	<i>%Change</i> Y-o-Y [2Q24 VS. 2Q23]
FX: THB/USD	36.5593	35.5683		34.3134	
FX: THB/EUR	39.1615	38.4396		37.1808	
Total Revenue	4,246.1	3,925.3	+8.17	3,999.0	+6.18
Sales Revenue	4,011.9	3,779.7	+6.14	3,897.8	+2.93
[Sales Revenue, USD	\$109.7	\$106.3	+3.27	\$113.6	-3.39]
Cost of Sales	3,017.7	2,905.6		3,152.2	
Gross margin, (%)	24.8%	23.1%		19.1%	
Selling & Administration	545.1	422.0	+29.16	415.2	+31.26
Operating profit *	530.8	419.8	+26.44	321.8	+64.96
Net Profit	635.1	515.4	+23.22	376.2	+68.82
Net Profit Margin (%)	15.8%	13.6%		9.7%	

[Remark * Excludes foreign exchange rate effects and special exceptional items]

Total Revenue

The total consolidated revenue of 2Q24 was reported at Bt4,246.1 million, increasing 8.17% and 6.18% Q-o-Q and Y-o-Y respectively. This total revenue includes Bt4,011.9 million from product sales and Bt234.2 million from other income. The other income in 2Q24 increased from Bt145.5 million in 1Q24 and from 101.2 million in 2Q23. When comparing 2Q24 to 2Q23, the major increase in other income was due to a gain of Bt144.5 million from the sale of assets, including the sale of land and building of a subsidiary's old factory in the Bangpoo Industrial Estate.



Sales Revenue

Consolidated sales revenue of 2Q24 in Baht terms was reported at Bt4,011.9 million, increasing 6.14% Q-o-Q and 2.93% Y-o-Y. In USD terms, sales revenue increased by 3.27% Q-o-Q but decreased by -3.39% Y-o-Y. The change in the FX rate of THB against the USD and Euro during the period resulted in a gain in revenue recognition in Thai Baht terms of Bt82.55 million Q-o-Q and Bt189.91 million Y-o-Y. (Table 1).

The total volume of PCB shipments for sales in 2Q24 increased by 1.77% Q-o-Q and 6.87% Y-o-Y. Shipments for special grade PCB (HDI) increased by 3.61% compared to 1Q24, and significantly increased by 33.76% compared to the same period last year, indicating a market demand trend towards special grade (HDI) products. However, when considering the sales value during the same period last year, the increase rate of HDI was 16.88%, which is lower than the rate of volume growth due to heightened price competition resulting mainly from the oversupply situation in the PCB market. (Table 5)

As of the end of June 2024, the company still has a backlog of orders totaling approximately 5.9 million USD. Additionally, some products, valued at around 2.1 million USD, were delayed in delivery due to customer shipment authorization issues; these will contribute to revenue in 3Q24. The company remains focused on clearing all backlog orders, most of which are special-grade PCBs, by increasing manufacturing efficiency to boost HDI capacity.

Cost of Sales and Gross Profit

The gross profit margin in 2Q24 was 24.8% of sales, increased from 23.1% and 19.1% Q-o-Q and Y-o-Y, respectively. This improvement is a result of the favorable impact of foreign exchange rates and the initiating process changes include efficiency enhancements as part of the cost reduction plan for this year.

In comparing main raw material costs between 2Q24 and 1Q24, the price of copper began to increase in 2Q24. However, this did not significantly impact the actual cost of goods sold in 2Q24 because we utilized lower-cost materials that were already in stock. When comparing 2Q24 to 2Q23, the current copper prices are lower. The impact of copper usage on product costs increased by approximately 0.20% of sales Q-o-Q and decreased by 0.63% of sales Y-o-Y. (Table 2)

Regarding production overheads, electricity costs, which are the main expenses in manufacturing, remained at the same rate as 1Q24 but were lower than the rate in 2Q23. This resulted in reduced overhead costs compared to the same quarter last year. The company has not fully utilized its production capacity due to the slow growth of the global market. The actual production capacity in 2Q24 was at 73%, compared to 74% in 1Q24 and 77% in 2Q23, which still bears the burden of fixed production costs. However, with a focus on cost control and production efficiency improvements, as well as the positive impact from the FX rates, the gross profit margin increased this quarter.

Administrative and Selling Expenses

Total selling, general, and administrative expenses amounted to Bt545.1 million in 2Q24, or 13.6% of sales, significantly higher than Bt422.0 million or 11.2% of sales in 1Q24, and higher than Bt415.2 million or 10.7% of sales in the same period of the previous year.

Selling expense amounted to Bt128.1 million in 2Q24, or 3.2% of sales, higher than Bt117.2 million or 3.1% of sales in 1Q24 and slightly higher than Bt127.0 million or 3.3% of sales in the same period of previous year. Selling expense mainly increased from sale commission in line with higher sales and a change in portion of freight cost carried by the customers including the higher freight rate from changing mode from sea to air freight due to container shortage for some shipments to serve the customers.



In 2Q24, administrative expenses amounted to Bt416.9 million, representing 10.4% of sales. This is a significant increase compared to Bt304.8 million or 8.1% of sales in 1Q24 and Bt288.3 million or 7.4% of sales in the same period of previous year. The major increase came from recording a loss on asset impairment amounting to Bt76.6 million. This is an accounting provision for damaged and unused machinery, which is related to the gradual implementation of new technology at the current factory, as well as the machinery and spare parts from the old factory in the Bangpoo Industrial Estate, which has already been sold. Additionally, there were major expenses related to increased employee costs due to the annual salary adjustments and the adjustment of the annual bonus provision.

Net Profit

The Group reported a consolidated net profit of Bt635.1 million in 2Q24, representing an increase of 23.22% Q-o-Q and 68.82% Y-o-Y. Operating profit in 2Q24 totaled Bt530.8 million (excluding a gain on the foreign currency exchange rate of Bt46.3 million, special transactions in the quarter for gain on old factory sold Bt144.2 million, assets impairment and loss on assets sold Bt84.2 million, and oversea withholding tax of dividend receipt Bt2.1 million), representing an significant increase of 26.44% and 64.96% Q-o-Q and Y-o-Y respectively.

In summary, the significant increase in profitability was driven by the gain on the sale of the subsidiary's old factory, which was recorded as other income in the consolidated financial report this quarter, the improvement in operating profit due to cost reduction enhancements, and the benefit from the positive impact of exchange rate fluctuations, resulting in a basic earnings per share of Bt0.54 for 2Q24.

Total Asset

Total assets as of June 30, 2024, amounted to Bt18,880.8 million, consisting of current assets of Bt10,155.3 million, net property, plant and equipment of Bt7,757.2 million, intangible assets of Bt111.7 million, contract costs assets of Bt359.3 million, investment property of Bt152.2 million, goodwill of Bt153.5 million, investments in associates of Bt26.0 million; deferred tax assets of Bt130.0 million and other non-current assets of Bt35.5 million.

Total assets decreased by Bt312.5 million from Bt19,193.3 million at the end of 2023, was due mainly to a decrease in the value of property, plant and equipment of Bt367.3 million and a decrease in intangible asset by Bt19 million, attributed to higher depreciation than the additional investment in assets (CAPEX), a decrease in assets held for sale of Bt14.7 million as these assets were sold within the quarter, a decrease of other current financial assets by Bt51.4 million due to cash flow hedge accounting adjustments, and a decrease in cash by Bt31.5 million. There were an increase of accounts receivable by Bt130.4 million, driven by higher revenue, and an increase of inventory by Bt48.2 million, primarily due to products waiting for customer shipment authorization, which is partially impacted by current sea and air freight shortages.

Total Liabilities

Total liabilities decreased by Bt657.1 million from Bt5,444.0 million at the end of 2023 to Bt4,786.9 million as of June 30, 2024; was due mainly to short-term debt and long term loan from the financial institution decreased by Bt1,083.8 million, a decrease in contract liability by Bt36.4 million, which was the deposit for assets held for sale as these assets were sold, trade and other current payables increased by Bt440.4 million according to payment on due term, and an increase in corporate income tax accrual of Bt23.4 million due to end period of a BOI certificate in 4Q66 caused of higher Tax expense.

As of June 30, 2024, Net Interest-bearing Debt to Equity ratio was 0.08 times compared to 0.16 times as of December 31, 2023 as a result of lower debts and higher equity from this quarter profit and dividend paid.



Shareholders' Equity

As of June 30, 2024, shareholders' Equity was Bt14,093.9 million, an increase of Bt344.7 million from Bt13,749.3 million as of December 31, 2023 due mainly to operating profit from the period, and annual dividend payment.

Analysis of performance

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

(Unit: Million)

Currency	2Q 2024		1Q 2024		Q-o-Q Effect		2Q 2023		Y-o-Y Effect	
	Rates	Sales	Rates	Sales	%	Gain (Loss)	Rates	Sales	%	Gain (Loss)
USD	36.5593	\$71.39	35.5683	\$67.36	2.8	70.75	34.3134	\$75.95	6.5	160.34
EUR	39.1615	€12.53	38.4396	€13.00	1.9	9.05	37.1808	€9.46	5.3	24.82
JPY	0.2314	¥0.02	0.2371	¥0.00	(2.4)	0.00	0.2474	¥0.07	(6.5)	0.00
CNY	5.0001	¥31.12	4.9117	¥29.20	1.8	2.75	4.8476	¥30.76	3.1	4.75
Total effect					M Baht	82.55			M Baht	189.91

Table 2: Raw material prices and purchased volume

Key Material		2Q 2024		1Q 2024		Q-o-Q Effect		2Q 2023		Y-o-Y Effect	
		Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$
Copper Foil (KCE)	KG.	\$11.35	398,554	\$11.08	422,275	2.47	109.12	\$11.86	393,498	(4.28)	(202.37)
Copper Foil (TLM)	KG.	\$11.29	610,702	\$10.94	438,091	3.25	217.16	\$11.72	499,045	(3.69)	(264.10)
Copper Anode	KG.	\$10.02	553,600	\$8.90	497,600	12.55	618.64	\$9.23	442,200	8.57	437.99
Fiber glass	METRE	\$0.47	3,413,180	\$0.47	2,293,428	(0.02)	(0.27)	\$0.52	4,133,965	(10.51)	(187.02)
						Total US\$	944.65			Total US\$	(215.50)

The effect from copper usage on product sales price was increased about 0.20 % to sales Q-o-Q and decreased 0.63 % to sales Y-o-Y

Table 3: Consignment Sales

(Amount: in Million Baht)

	2Q 2024			2Q 2023		
	Stock Filling	Usage	Unrealized revenue (Higher Usage)	Stock Filling	Usage	Unrealized revenue (Higher Usage)
April	375.8	379.9	(4.1)	200.4	256.4	(56.0)
May	372.1	335.4	36.7	337.0	311.0	26.0
June	365.7	374.1	(8.4)	338.7	302.5	36.2
Total 2Q	1,113.6	1,089.4	24.2	876.1	869.9	6.2



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

								%Increase/(Decrease)	
								Y-o-Y	Q-o-Q
Region		2Q23	3Q23	4Q23	Y2023	1Q24	2Q24	2Q24 / 2Q23	2Q24 / 1Q24
EUROPE	SALES-USD	45,139,841	51,118,787	46,177,105	193,986,870	53,262,527	51,323,989	13.70	(3.64)
	VOLUME-SQFT	3,058,072	3,496,967	3,125,782	13,223,752	3,722,424	3,611,564	18.10	(2.98)
USA	SALES-USD	22,437,449	20,493,284	22,998,151	89,865,667	18,443,874	20,422,688	(8.98)	10.73
	VOLUME-SQFT	1,619,267	1,575,556	1,664,129	6,473,605	1,424,369	1,598,635	(1.27)	12.23
ASIA (Excl.CHINA)	SALES-USD	4,876,625	5,308,574	4,414,084	20,074,864	3,679,935	4,297,941	(11.87)	16.79
	VOLUME-SQFT	371,945	400,764	333,200	1,509,852	290,640	339,666	(8.68)	16.87
CHINA	SALES-USD	12,778,825	13,917,400	10,215,066	49,327,586	9,545,474	10,098,865	(20.97)	5.80
	VOLUME-SQFT	923,058	1,018,064	811,582	3,625,332	760,599	818,234	(11.36)	7.58
LOCAL	SALES-USD	8,038,156	11,511,899	10,518,502	39,615,529	9,465,598	8,547,380	6.34	(9.70)
	VOLUME-SQFT	747,984	1,020,234	1,002,841	3,576,581	858,831	813,605	8.77	(5.27)
TOTAL-USD		93,270,896	102,349,944	94,322,908	392,870,515	94,397,407	94,690,863	1.52	0.31
TOTAL-SQFT		6,720,326	7,511,585	6,937,535	28,409,123	7,056,863	7,181,704	6.87	1.77

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

								%Increase/(Decrease)	
								Y-o-Y	Q-o-Q
Product-Mix		2Q23	3Q23	4Q23	Y2023	1Q24	2Q24	2Q24 / 2Q23	2Q24 / 1Q24
02 Layer	SALES-US\$	10,174,524	10,227,495	9,849,749	39,169,836	9,320,699	8,377,024	(17.67)	(10.12)
	VOLUME-SQFT	1,080,811	1,084,469	1,055,976	4,127,290	989,820	916,347	(15.22)	(7.42)
04 Layer	SALES-US\$	32,799,032	38,127,775	33,823,316	141,513,525	33,114,532	34,621,904	5.56	4.55
	VOLUME-SQFT	2,784,205	3,288,568	2,957,640	12,089,900	2,909,160	3,055,690	9.75	5.04
06 + Layer	SALES-US\$	23,348,307	27,651,833	22,561,292	99,064,594	20,996,634	20,192,629	(13.52)	(3.83)
	VOLUME-SQFT	1,436,815	1,686,050	1,367,033	6,030,180	1,326,585	1,312,297	(8.67)	(1.08)
Special Grade	SALES-US\$	26,949,032	26,342,841	28,088,551	113,122,560	30,965,542	31,499,306	16.88	1.72
	VOLUME-SQFT	1,418,495	1,452,498	1,556,885	6,161,753	1,831,298	1,897,372	33.76	3.61
TOTAL-USD		93,270,896	102,349,944	94,322,908	392,870,515	94,397,407	94,690,863	1.52	0.31
TOTAL-SQFT		6,720,326	7,511,585	6,937,535	28,409,123	7,056,863	7,181,704	6.87	1.77

Table 6: KCE - Production Capacity

Maximum Capacity:

1Q 2024 – 4Q 2024 2.10 million Sq.ft./month for Lat Krabang Plant
 1Q 2024 – 4Q 2024 1.50 million Sq.ft./month for HiTech Ayutthaya Plant

Actual Capacity Utilization in 2Q 2024	73% to available capacity
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Table 7: Capital Expenditure

CAPEX Plan - Y2024

Bt 780 million (exclude Rojana New Factory)

Consisted of

Bt 493 million /Efficiency Improvement of Lat Krabang Plant

Bt 105 million /Efficiency Improvement of HiTech Plant

Bt 182 million /Efficiency Improvement of Thai Laminate

Actual investment in 1ST Half year 2024 Bt 204.4 million (exclude Rojana New Factory)

CAPEX Plan for Rojana New Plant

Project Plan (Million Baht)	Y2024	Y2025	Y2026	Total
Factory Building	300	2,900	400	3,600
Machine and Equipment	-0-	3,000	360	3,360
Total Plan (as of June 30, 2024)	300	5,900	760	6,960

Actual investment as of June 30, 2024 Bt 43.9 million (Design and Land Preparation)

The global PCB market experienced slow growth in the first half of 2024, with an oversupply situation affecting most product segments. However, overall market conditions suggest that the current pace of destocking should lead to fully normalized inventories by the second half of 2024. Despite these challenges, the special grade PCB (HDI) continues to show a growth trend. In response to customer product developments, the company is improving its manufacturing processes with new high-tech machinery to accommodate these changes. From testing this advanced machinery, the company plans to invest in new machinery to improve processes and efficiency at existing factories, which will serve as a foundation for the development of the new factory. Regarding the new factory at the Rojana Industrial Park, the company plans to commence piling construction around 4Q24. Further information about this project and future business expansion opportunities will be provided in due course.

Forwarded for your information.

Sincerely yours,

(Mrs. Voraluksana Ongkosit)
Executive Vice Chairperson

