KCE ELECTRONICS
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The Director and Manager
The Stock Exchange of Thailand

Re: Information on First 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 first quarter of 2024 based on reviewed consolidated financial statements for the three-month period ended March 31, 2024. The Group's sales are total at Bt3,779.7 million with a net profit of Bt515.4 million, compared to Bt4,024.9 million total sales and Bt345.5 million net profit in the first quarter of 2023. A summary of the Company's operating performance in the first quarter of 2024 and 2023 is shown in the following table:

Operating performance

[Amount: in Million Baht]	1Q24	4Q23	*%Change* Q-o-Q [1Q24 VS. 4Q23]	1Q23	*%Change* Y-o-Y [1Q24 VS. 1Q23]
FX: THB/USD	35.5683	35.4481		33.7117	
FX: THB/EUR	38.4396	38.0072		36.0673	
Sales Revenue	3,779.7	4,094.5	-7.69	4,024.9	-6.09
[Sales Revenue, USD	$106.3	$115.5	-8.00	$119.4	-10.99]
Cost of Sales	2,905.6	3,177.5		3,235.5	
Gross margin, (%)	23.1%	22.4%		19.6%	
Selling & Administration	422.0	420.5	+0.36	480.4	-12.16
Operating profit *	420.8	464.4	-9.39	314.2	+33.94
Net Profit	515.4	478.4	+7.73	345.5	+49.18
Net Profit Margin (%)	13.6%	11.7%		8.6%	

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

Sales Revenue

Consolidated sales revenue of 1Q24 in Baht terms was reported at Bt3,779.7 million, declining 7.69% Q-o-Q and 6.09% Y-o-Y, while sales revenue in USD terms also decreased by 8.0% and 10.99% Q-o-Q and Y-o-Y respectively. In 1Q24, there was an annual sale prices adjustment, resulting in a decrease in revenue of approximately Bt50 million. However, the company benefited positively from the weakening of the Thai Baht against the US Dollar has resulted in increased revenue recognition in Baht terms, amounting to approximately 156.27 million Baht, compared to the same period in the previous year (Table 1).

In 1Q24, the overall volume of PCB shipments for sale increased by 1.72% Q-o-Q but decreased by 2.53% Y-o-Y. Customer demand for products remains sluggish due to the ongoing global economic downturn, leading to a decrease in orders for PCB products in all categories except Special Grade PCB (HDI), which still experiences increased demand. In this quarter, the volume of HDI PCB shipments increased by 17.63% compared to 4Q23 (Table 5). Additionally, the company still has a backlog order of approximately 8.7 million US dollars, mainly consisting of HDI PCBs, due to ongoing challenges in increasing the efficiency of HDI product manufacturing. HDI production requires advanced techniques and expertise. Furthermore, towards the end of March, there was a delay in booking shipping vessels and flights due to special Easter holidays in Europe, causing some products to be postponed for shipment to the next quarter.

Cost of Sales and Gross Profit

The gross profit margin in 1Q24 was 23.1% of sales, which is an improvement compared to both Q-o-Q and Y-o-Y, where the gross profit margin was 22.4% and 19.6%, 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 the year. The company has started testing new machinery with superior technology in this quarter. For raw material costs, the price of copper, the main raw material, has decreased. This has resulted in a reduction in product costs by approximately 0.19% from 4Q23 and by about 0.66% 1Q23 (Table 2).

For production overheads, electricity costs, which are the main expenses in manufacturing, have been adjusted since January 2024, resulting in an increase in electricity costs by approximately 16% compared to 4Q23. The company is currently undergoing machinery upgrades to reduce electricity usage, aiming for ongoing cost reduction. However, the new electricity rate is still lower than the rate in 1Q23, which saw a significantly higher adjustment. Consequently, electricity costs in this quarter are approximately 24% lower than in 1Q23. Additionally, the company has not fully utilized its production capacity overall due to delayed customer orders. The actual production in this quarter accounts for approximately 74% of the factory's production capacity. Meanwhile, the company has fixed production overheads such as employee salaries, depreciation, and maintenance costs for machinery, which also affect the gross margin.

Administrative and Selling Expenses

In 1Q24, total selling and administrative expenses amounted to Bt422.0 million in 1Q24, accounting for 11.2% of sales, slightly higher than Bt420.5 million, which accounted for 10.3% of sales in 4Q23, but lower than Bt480.4 million, which accounted for 11.9% of sales in the same period of the previous year.

Selling expense for this quarter amounted to Bt117.2 million, or 3.1% of sales, slightly lower than Bt119.3 million or 2.9% of sales in 4Q23, and significantly lower than Bt149.9 million or 3.7% of sales in the same period of previous year. Selling expense mainly decreased from sale commission and freight costs, which vary with the decreased sales volume, including changes in portion of freight cost carried by the customers.

Administrative expense amounted to Bt304.8 million or 8.1% of sales, increased from Bt301.2 million or 7.4% of sales in 4Q23 but decreased from Bt330.6 million or 8.2% of sales in the same period of previous year. The main reason of changes compared to the previous quarter are the employee expenses, which increased due to the adjustment of the annual salary rate, while the reduction is due to the adjustment of retirement benefits reserve for employees. For the change in administrative expenses compared to the same period in the previous year, employee expenses have decreased due to the reduction in the number of employees.

Net Profit

The Group reported a consolidated net profit of Bt515.4 million in 1Q24, representing an increase of 7.73% and 49.18 % Q-o-Q and Y-o-Y respectively. Operating profit in 1Q24 totaled Bt420.8 million (excluding a gain on the foreign currency exchange rate of Bt94.57 million), representing a decrease of 9.39% Q-o-Q due to lower revenue in 1Q24, but increase 33.94% Y-o-Y as a result of lower costs from material and electricity costs reduction, production efficiency improvement and gain from exchange rate. In addition, the performance in 1Q24 incurred an income tax expense of Bt64.2 million, which increased from Bt49.3 million in 4Q23 and from Bt25.0 million in the same period of the previous year because tax benefits from BOI expired in 4Q23.

In summary, the improved profit in this quarter is attributed to the decreased raw material prices and cost management in production to increase profitability, despite sales not growing due to the global economic slowdown. This includes enhancing production efficiency to meet the increased demand for HDI PCB products. Additionally, this quarter benefited from the positive impact of exchange rate fluctuations, resulting in a basic earnings per share of Bt0.44 for 1Q24.

Total Asset

Total assets as of March 31, 2024, amounted to Bt19,303.4 million, consisting of current assets of Bt10,327.2 million, net property, plant and equipment of Bt7,992.7 million, intangible assets of Bt121.2 million, contract costs assets of Bt367.0 million, investment property of Bt152.8 million, goodwill of Bt153.5 million, investments in associates of Bt36.1 million; deferred tax assets of Bt116.8 million and other non-current assets of Bt36.2 million.

Total assets increase by Bt110.1 million from Bt19,193.3 million at the end of 2023, was due mainly to an increase in cash of Bt288.1 million, an increase in the value of trade receivable and other receivable of Bt30.0 million, a decrease in inventory of Bt9.5 million, a decrease in other current financial and other current assets of Bt61.0 million, a decrease in the value of property, plant and equipment of Bt131.8 million, and a decrease in intangible assets of Bt9.5 million.

Total Liabilities

Total liabilities decreased by Bt432.7 million from Bt5,444.0 million at the end of 2023 to Bt5,011.4 million as of March 31, 2024; was due mainly to short-term debt and long term loan from the financial institution decreased Bt847.0 million, trade and other current payables increased Bt347.3 according to payment on due term, and an increase in corporate income tax accrual of Bt62.3 million due to end period of a BOI certificate in 4Q66 caused of higher Tax expense.

As of March 31, 2024, Net Interest-bearing Debt to Equity ratio was 0.10 times compared to 0.16 times as of December 31, 2023 as a result of lower debts and higher equity from this quarter profit.

Shareholders' Equity

As of March 31, 2024, shareholders' Equity was Bt14,292.0 million, an increase of Bt542.7 million from Bt13,749.3 million as of December 31, 2023 due mainly to operating profit from the period.

Analysis of performance

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

(Unit: Million)

	1Q 2024		4Q 2023		Q-o-Q Effect		1Q 2023		Y-o-Y Effect	
Currency	Rates	Sales	Rates	Sales	%	Gain (Loss)	Rates	Sales	%	Gain (Loss)
USD	35.5683	$67.36	35.4481	$74.74	0.3	8.10	33.7117	$82.88	5.5	125.07
EUR	38.4396	€13.00	38.0072	€9.38	1.1	5.62	36.0673	€9.33	6.6	30.84
JPY	0.2371	¥0.00	0.2339	¥0.02	1.4	0.00	0.2530	¥0.00	(6.3)	0.00
CNY	4.9117	¥29.20	4.8711	¥27.36	0.8	1.19	4.8993	¥24.38	0.3	0.36
Total effect					**M Baht**	14.91			**M Baht**	156.27

Table 2: Raw material prices and purchased volume

Key Material		1Q 2024		4Q 2023		Q-o-Q Effect		1Q 2023		Y-o-Y Effect	
		Unit price	Volume	Unit price	Volume	%	'000 US$	Unit price	Volume	%	'000 US$
Copper Foil (KCE)	KG.	$11.08	422,275	$11.32	419,764	(2.17)	(103.65)	$11.63	520,181	(4.79)	(235.31)
Copper Foil (TLM)	KG.	$10.94	438,091	$10.90	391,077	0.34	16.02	$11.34	524,296	(3.59)	(178.40)
Copper Anode	KG.	$8.90	497,600	$8.78	425,400	1.36	59.64	$9.34	508,400	(4.68)	(217.35)
Fiber glass	METRE	$0.47	2,293,428	$0.48	3,397,696	(2.43)	(26.64)	$0.55	3,519,816	(15.71)	(199.39)
						Total US$	(54.63)			Total US$	(830.45)

The effect from copper usage on product sales price was decrease about 0.19 Q-o-Q and 0.66 Y-o-Y

Table 3: Consignment Sales

(Amount: in Million Baht)

	1Q 2024			1Q 2023		
	Stock Filling	Usage	Unrealized revenue (Higher Usage)	Stock Filling	Usage	Unrealized revenue (Higher Usage)
January	383.5	416.7	(33.2)	270.9	437.9	(167.0)
February	385.2	360.2	25.0	295.4	295.7	(0.3)
March	377.0	370.5	6.5	322.6	260.1	62.5
Total 1Q	1,145.7	1,147.4	(1.7)	888.9	993.7	(104.8)

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

Region		1Q23	2Q23	3Q23	4Q23	Y2023	1Q24	%Increase/(Decrease) Y-o-Y 1Q24 / 1Q23	%Increase/(Decrease) Q-o-Q 1Q24 / 4Q23
EUROPE	SALES-USD	51,551,137	45,139,841	51,118,787	46,177,105	193,986,870	53,262,527	3.32	15.34
	VOLUME-SQFT	3,542,932	3,058,072	3,496,967	3,125,782	13,223,752	3,722,424	5.07	19.09
USA	SALES-USD	23,936,782	22,437,449	20,493,284	22,998,151	89,865,667	18,443,874	(22.95)	(19.80)
	VOLUME-SQFT	1,614,653	1,619,267	1,575,556	1,664,129	6,473,605	1,424,369	(11.78)	(14.41)
ASIA	SALES-USD	5,475,581	4,876,625	5,308,574	4,414,084	20,074,864	3,679,935	(32.79)	(16.63)
(Excl.CHINA)	VOLUME-SQFT	403,943	371,945	400,764	333,200	1,509,852	290,640	(28.05)	(12.77)
CHINA	SALES-USD	12,416,295	12,778,825	13,917,400	10,215,066	49,327,586	9,545,474	(23.12)	(6.55)
	VOLUME-SQFT	872,628	923,058	1,018,064	811,582	3,625,332	760,599	(12.84)	(6.28)
LOCAL	SALES-USD	9,546,972	8,038,156	11,511,899	10,518,502	39,615,529	9,465,598	(0.85)	(10.01)
	VOLUME-SQFT	805,522	747,984	1,020,234	1,002,841	3,576,581	858,831	6.62	(14.36)
TOTAL-USD		102,926,767	93,270,896	102,349,944	94,322,908	392,870,515	94,397,407	(8.29)	0.08
TOTAL-SQFT		7,239,678	6,720,326	7,511,585	6,937,535	28,409,123	7,056,863	(2.53)	1.72

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

Product-Mix		1Q23	2Q23	3Q23	4Q23	Y2023	1Q24	%Increase /(Decrease) Y-o-Y 1Q24 / 1Q23	%Increase /(Decrease) Q-o-Q 1Q24 / 4Q23
02 Layer	SALES-US$	8,918,068	10,174,524	10,227,495	9,849,749	39,169,836	9,320,699	4.51	(5.37)
	VOLUME-SQFT	906,034	1,080,811	1,084,469	1,055,976	4,127,290	989,820	9.25	(6.26)
04 Layer	SALES-US$	36,763,402	32,799,032	38,127,775	33,823,316	141,513,525	33,114,532	(9.93)	(2.10)
	VOLUME-SQFT	3,059,487	2,784,205	3,288,568	2,957,640	12,089,900	2,909,160	(4.91)	(1.64)
06 + Layer	SALES-US$	25,503,162	23,348,307	27,651,833	22,561,292	99,064,594	20,996,634	(17.67)	(6.94)
	VOLUME-SQFT	1,540,282	1,436,815	1,686,050	1,367,033	6,030,180	1,326,585	(13.87)	(2.96)
Special	SALES-US$	31,742,136	26,949,032	26,342,841	28,088,551	113,122,560	30,965,542	(2.45)	10.24
Grade	VOLUME-SQFT	1,733,875	1,418,495	1,452,498	1,556,885	6,161,753	1,831,298	5.62	17.63
TOTAL-USD		102,926,767	93,270,896	102,349,944	94,322,908	392,870,515	94,397,407	(8.29)	0.08
TOTAL-SQFT		7,239,678	6,720,326	7,511,585	6,937,535	28,409,123	7,056,863	(2.53)	1.72

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 1Q2024	74% to available capacity

Table 7: Capital Expenditure

CAPEX Plan - Y2024	**Bt 737 million** (exclude Rojana New Factory)
Consisted of	Bt 563 million /Efficiency Improvement of Lat Krabang Plant Bt 41 million /Efficiency Improvement of HiTech Plant Bt 133 million /Efficiency Improvement of Thai Laminate

Actual investment in 1Q2024	Bt 117.4 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 31 March 2024)	300	5,900	760	6,960

Actual investment as of March 31, 2024	Bt 43.1 million	(Design and Land Preparation)

After considering the market situation in the electronics industry, which is still sluggish in the first half of this year, the Company has decided to postpone the construction of the new factory at the Rojana Industrial Park to around the end of the year. This is to ensure that the construction plan aligns appropriately with the market conditions. It is expected that the market growth trend will improve around the fourth quarter of this year. The construction plan has been revised to keep up with future advancements in manufacturing technology. There have been studies and testing of new, more advanced machinery, focusing on incorporating new innovations to ensure the new factory is modern and able to meet customer demands efficiently. The goal is to have high production efficiency, reduce energy consumption, and use resources efficiently in an environmentally friendly manner to promote sustainable industry practices. Further information about the project and future business expansion opportunities will be provided in the future.

Forwarded for your information.

Sincerely yours,

(Mrs. Voraluksana Ongkosit)
Executive Vice Chairperson

บริษัท เคซีอี อีเลคโทรนิคส์ จำกัด (มหาชน)
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