

February 24, 2025

The Director and Manager

The Stock Exchange of Thailand

Management Discussion and Analysis

In FY2024, the company undertook significant strategic initiatives to enhance its sales operations and market positioning. These actions were aimed at strengthening business expansion, improving market control, and driving operational efficiency across the group.

Key Strategic Changes in FY2024

1. Establishment of a New Subsidiary – Circuit Holding Co.,Ltd.

In October 2024, the company established Circuit Holding Co., Ltd., a new subsidiary with a registered capital of Bt200 million. The objective of this entity is to invest in new businesses and/or form strategic partnerships in projects that align with the company's long-term business direction and growth strategy. This move reflects the company's commitment to diversifying its business portfolio and exploring new growth opportunities.

2. Strengthening distribution channel through strategic investment in Sale Distribution Companies

Also in October 2024, the group, through its subsidiary Circuit Holding Co., Ltd., invested in International Circuits Limited (ICL), a company incorporated under the laws of the United Kingdom, by acquiring 100% of its shares and voting interests. With this acquisition, the group obtained full control of ICL, which operate as a sales agent for foreign markets in Europe. The total investment value amounted to Bt784.1 million. (GBP 17.9 million)

This investment serves multiple strategic objectives:

- Enhancing sales operations by allowing the company to take direct control over pricing strategies and customer engagement.
- Strengthening market resilience by enabling agile adaptation to industry disruptions and intense competition.
- Maximizing synergy within the group, particularly in logistics, selling, and administrative cost management, to improve operational efficiency and enhance the company's overall financial performance.

Looking ahead, the group, through its subsidiary Circuit Holding Co., Ltd., plans to acquire another sales distribution entity in Germany by entering into an agreement to purchase 100% of the shares of KCE Printed Circuit Boards GmbH, a distributor of PCBs in Germany and Europe. The total investment value



is expected to be approximately Bt380 million (EUR 10.65 million). The acquisition transaction is scheduled to be completed by Q2 2025.

This strategic move will grant the company full control over sales distribution in Europe, facilitating deeper market penetration and stronger support for customers in the region. This expansion aligns with the company's broader strategy of strengthening its global sales network and reinforcing its leadership in the PCB market.

These strategic actions mark a transformative shift in the company's sales and investment approach, reinforcing its positioning for sustainable growth and competitive advantage in the global electronics market.

3. Strategic Expansion of Key Raw Material Supply

In November 2024, the company's subsidiary, Thai Laminate Manufacturer Co.,Ltd. (TLM), which specializes in producing key raw materials for PCB products, acquired land in Hi-Tech Industrial Estate, Ayutthaya, with a total investment value of Bt99 million. This investment is part of a strategic expansion plan to support the future growth of the PCB business by ensuring a stable and efficient supply of essential materials.

By securing this new location, TLM aims to enhance production capacity, supply chain resilience, and operational efficiency to meet the increasing demand for advanced PCB manufacturing. This move will further strengthen the company's competitive edge and long-term sustainability in the global market.

4. Restructuring by acquisition of the entire business of KCE International Co.,Ltd.

In August 2024, the company fully merged the business of KCE International Co., Ltd. (KCEI) through a complete business transfer. This transaction did not affect the direct or indirect shareholding proportions in the company's subsidiaries and associated companies and was treated as an internal corporate restructuring under common control, having no impact on the company's operations or financial status.

Additionally, the company sold the land and building of KCEI's old factory at the Bangpoo Industrial Estate because the facility was too small to support the new production process technology. This divestiture was part of the company's asset management strategy and contributed to an increase in gains on assets sold during the year.



FY2024 Operating Result

For KCE Electronics PCL's the financial performance of the fiscal year 2024, based on the audited consolidated financial statement ended on 31st December 2024, the company and its subsidiaries reported the group's total revenue at Bt15,210.4 million, with Bt1,648.5 million net profit (11.1% of sales), compared to 2023's performance showing Bt16,683.4 million of total sales with Bt1,719.6 million net profit (10.5% of sales). The comparison of operating performance between FY24 vs FY23 is shown in the following table:

Operating performance

[Amount: in Million Baht]	Y2024	Y2023	<u>%Change</u> Y-o-Y [2024 VS. 2023]	Y2022	<u>%Change</u> Y-o-Y [2023 VS. 2022]
FX: THB/USD	35.1849	34.6159		34.8192	
FX: THB/EUR	37.9936	37.2871		36.5020	
Total Revenue	15,210.4	16,683.4	-8.83	18,786.6	-11.20
Sales Revenue	14,832.9	16,343.6	-9.24	18,456.3	-11.45
[Sales Revenue, USD	\$421.6	\$472.1	-10.71	\$530.1	-10.93]
Cost of Sales	11,571.2	12,940.6		14,254.4	
Gross margin (%)	22.0%	20.8%		22.8%	
Selling & Administration	1,806.6	1,774.1	+1.83	1,988.5	-10.78
Operating profit *	1,538.5	1,569.4	-1.97	2,280.9	-31.20
Net Profit	1,648.5	1,719.6	-4.14	2,317.2	-25.79
Net Profit margin (%)	11.1%	10.5%		12.6%	

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

Total Revenue

The total consolidated revenue of FY24 was reported at Bt15,210.4 million, decreasing 8.8% Y-o-Y. This total revenue includes Bt14,832.9 million from product sales and Bt377.6 million from other income. In FY24, the company's other income increased from Bt339.7 million in FY23, primarily driven by gains from asset sales. However, the impact of foreign exchange fluctuations led to a decrease in recognized foreign exchange gains compared to the previous year.

A key contributor to the increase in other income was the Bt119.9 million gain recorded from the sale of assets, including the sale of an old factory owned by a subsidiary. This transaction reflects the company's strategic asset management approach, optimizing resources to support future growth and operational efficiency.

In summary, other income consists of the following key items:

[Amount: in Million Baht]	<u>FY24</u>	<u>FY23</u>	<u>FY22</u>
Profit from sale of assets	119.9	0	0
Profit from exchange rates	56.9	153.4	105.8
Other income	<u>200.8</u>	<u>186.3</u>	<u>224.4</u>
Total other income	<u>377.6</u>	<u>339.7</u>	<u>330.2</u>

Sales Revenue

Consolidated sales revenue in THB decreased from Bt16,343.6 million in FY23 to Bt14,832.9 million in FY24, representing a decline of 9.24% Y-o-Y, while sales revenue in USD decreased by 10.71% Y-o-Y, from USD 472.1 million in FY23 to USD 421.6 million in FY24 due to the fluctuation of FX rate, resulting a positive impact of revenue recognition in THB at Bt194 Million compared to FY23.

FY24 was a challenging year as global market demand remained sluggish, with negative growth in the automotive segment directly impacting the company's sales. As a result, the total PCB sales volume declined by 5.48% Y-o-Y.

Despite these challenges, the company saw continued positive momentum in high-value products, particularly special-grade PCBs such as HDI. HDI sales grew by 9.01% Y-o-Y, reflecting increasing demand for advanced technology PCBs. Additionally, the company closed the year with a backlog of orders worth approximately Bt185 million, primarily HDI products awaiting production and delivery in the upcoming year. Notably, HDI products accounted for 25% of total PCB sales volume in FY24, highlighting their growing significance in the product portfolio. One contributing factor to lower sales volume despite having a backlog of orders was the machinery transition process during the year. The company undertook a major initiative to remove old machinery, install new equipment, and conduct testing, which resulted in a temporary reduction in production volume during this transition period.

Another factor impacting sales was a one-time adjustment due to the acquisition of a sales distribution company in the UK. As this entity transitioned into a subsidiary, the company had to adjust revenue back to be inventory for shipments to the UK sales office, which had not yet been sold to end customers. This adjustment reduced recognized revenue by Bt109 million in FY24, but this amount will be recognized as revenue in the next period.

Regarding sales pricing, while total PCB sales volume declined by 5.48% Y-o-Y, total sales revenue decreased by 8.38%, primarily due to intensified market competition. With an oversupply in the market, customers increased pressure on pricing, leading to greater price reduction requests across the supply chain. (Table 5)

In response to these market challenges, the company placed a strong emphasis on cost reduction initiatives. This included optimizing production efficiency, adopting new technologies to lower operational costs, and streamlining the supply chain. These measures were implemented to enhance profitability and maintain competitiveness despite pricing pressures in the market.

Cost of Sales and Gross Profit

In FY24, the company faced significant cost challenges due to a substantial decrease in sales volumes, which directly impacted production line utilization. The actual capacity utilization dropped to 71%, compared to 77% in FY23. This decline resulted in higher fixed overhead costs in manufacturing, including depreciation, machinery and facility repair and maintenance expenses, and employee costs for operational support, making cost control as a key focus for the year.

In addition to lower utilization rates, raw material costs also exerted pressure on overall cost performance. The price of copper, the primary material in PCB production, began rising from Q2 2024 through year-end, leading to an increase in copper-related production costs by approximately 0.43% of sales year-over-year. (Table 2)

Given these uncontrollable external factors, including the market slowdown and rising material costs, the company implemented comprehensive cost reduction measures across all operations. Key initiatives included:

- Optimizing production processes by integrating new advanced technologies, reducing both power consumption and manpower requirements.
- Enhancing production efficiency, leading to lower defect rates and improved throughput.
- Reducing chemical supply costs through process improvements and supplier optimization.

Despite the challenging market environment, the company's cost control efforts helped sustain profitability, the company achieved a slight improvement in gross profit margin to 22.0% in FY24, compared to 20.8% in the previous year. While sales volumes declined, these initiatives contributed to maintaining stable financial performance, reflecting the company's commitment to operational efficiency and resilience in a dynamic industry landscape.

Sales and Administrative Expenses

In FY24, selling, general and administrative expenses totaled Bt1,806.6 million, representing 12.18% of sales, an increase from FY23, when expenses were Bt1,774.1 million, or 10.86% of sales.

Selling expenses in FY24 amounted to Bt458.3 million, accounting for 3.09% of sales, slightly decreasing from FY23, where they stood at Bt515.2 million, or 3.15% of sales. The reduction in major selling expenses, including sales commissions, transportation, freight, and packing costs, was in line with the decline in sales volume.

Meanwhile, administrative expenses totaled Bt1,348.3 million, or 9.09% of sales, compared to Bt1,259.0 million, or 7.70% of sales in FY23. The increase in administrative costs was primarily due to additional consolidation expenses related to newly established subsidiaries in the UK and Thailand, including legal service costs associated with mergers, totaling Bt51.0 million. Additionally, there was a loss on the sale of old assets and impairment of non-used machinery, amounting to Bt64.7 million, as part of the machinery replacement initiative aimed at improving the production process.

Net Profit

As a result of lower revenue as per mention above, the Group reported a consolidated net profit of Bt1,648.5 million in FY24, which represented a decrease of 4.14% Y-o-Y. Operating profit in FY24 totaled Bt1,538.5 million (excluding a gain on foreign currency exchange rate of Bt56.9 million, net gain/loss on asset sold and impairment amount Bt55.2 million and oversea withholding tax of dividend receipt Bt2.1 million), representing a decrease of 1.97% Y-o-Y. This resulted in basic earnings per share of Bt1.39 compared to Bt1.45 per share in 2023.

Total Asset

Total assets as of December 31, 2024, amounted to Bt18,415.7 million, consisting of current assets Bt8,955.5 million and non-current assets Bt9,460.2 million that consisting of property plant and equipment of Bt7,645.4 million, net intangible assets of Bt631.4 million, contract costs assets of Bt339.8 million, investment property of Bt151.1 million, goodwill of Bt450.4 million, investments in associates of Bt33.0 million, deferred tax assets of Bt123.1 million and other non-current assets of Bt86.1 million.

In FY24, total assets decreased by Bt777.6 million, primarily due to:

- A reduction in cash by Bt200.7 million, resulting from loan payments and new investments.
- A decline in trade and other receivables by Bt732.7 million, reflecting lower sales volumes.
- A strategic reduction in inventory by Bt117.5 million, aligning with decreased market demand.
- A decrease in net property, plant, and equipment (PP&E) by Bt479.1 million, as depreciation expenses exceeded capital expenditures (CAPEX), which amounted to Bt609 million. The company carefully evaluated investments in new machinery and equipment to enhance production efficiency, while also purchasing new land to support subsidiary expansion plans.

On the other hand, total assets increased due to the acquisition of a sales distribution office in the UK, which led to:

- An increase in goodwill by Bt296.8 million.
- The recognition of customer relationships as an intangible asset, valued at Bt564.5 million.

Total Liabilities

Total liabilities decreased by Bt846.4 million, from Bt5,444.0 million at the end of 2023 to Bt4,597.6 million as of December 31, 2024 mainly due to a decrease of short-term and long-term debt of Bt1,092.2 million according to repayment schedule, an increase of trade and other current payables of Bt114.6 million due to other payable balance of share purchase amount Bt170.9 million and increasing of account payable for machinery and equipment purchase, and an increase of deferred tax liabilities of Bt130.9 million as a part of UK acquisition due to customer relationship amortization.

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

Shareholders' Equity

Total shareholders' equity as of December 31, 2024, according to the KCE consolidated financial statement amounted to Bt13,818.1 million, increased Bt68.8 million from December 31, 2023 due mainly to operating profit of the year amounted Bt1,634.1 million, net with dividend payment of Bt1,565.3 million.

Analysis of performance

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

(Unit: Million)

Currency	FY 2024		FY 2023		Effect 2024/2023		FY 2022		Effect 2023/2022	
	Rates	Sales	Rates	Sales	%	Gain (Loss)	Rates	Sales	%	Gain (Loss)
USD	35.2107	\$263.98	34.5979	\$314.30	1.8	161.79	34.8835	\$356.76	(0.8)	(89.76)
EUR	37.9936	€46.67	37.2871	€37.30	1.9	32.97	36.5020	€39.75	2.2	29.29
JPY	0.2221	¥0.06	0.2446	¥0.09	(9.2)	0.00	0.2677	¥0.23	(8.6)	0.00
CNY	4.8447	¥111.72	4.8473	¥116.32	(0.1)	(0.28)	5.1414	¥121.93	(5.7)	(34.21)
Total effect					M Baht	194.48			M Baht	(94.68)

Table 2: Raw material prices and purchased volume

Key Material		FY 2024		FY 2023		Effect 2024/2023		FY 2022		Effect 2023/2022	
		Unit price	Volume	Unit price	Volume	%	'000 US\$	Unit price	Volume	%	'000 US\$
Copper Foil (KCE)	KG.	\$11.80	1,680,127	\$11.49	1,731,618	2.70	521.76	\$12.86	1,883,241	(10.69)	(2,380.63)
Copper Foil (TLM)	KG.	\$11.61	1,917,132	\$11.32	1,734,503	2.49	541.52	\$13.26	2,030,313	(14.59)	(3,355.68)
Copper Anode	KG.	\$9.81	1,961,404	\$9.11	1,796,400	7.73	1,380.46	\$9.44	2,093,200	(3.56)	(603.85)
Fiber glass	METRE	\$0.47	11,790,262	\$0.52	13,344,733	(10.19)	(625.00)	\$0.76	17,902,396	(31.82)	(3,240.26)
						Total US\$	1,818.74			Total US\$	(9,580.42)

The effect from price change of copper usage on product sales increased about 0.43 % Y-o-Y in 2024.

Table 3: Consignment Sales

(Amount: in Million Baht)

	FY 2024			FY 2023		
	Stock Filling	Usage	Unrealized revenue (Higher Usage)	Stock Filling	Usage	Unrealized revenue (Higher Usage)
Total Q1	1,145.6	1,147.4	(1.7)	889.0	993.7	(104.8)
Total Q2	1,113.6	1,089.5	24.1	876.2	869.9	6.3
Total Q3	889.8	960.9	(71.1)	1,025.0	985.1	39.9
Total Q4	792.3	922.9	(130.7)	1,081.2	1,032.5	48.8
Total Year	3,941.3	4,120.6	(179.4)	3,871.4	3,881.2	(9.8)



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

								%Increase/(Decrease)	
								Y-o-Y	Q-o-Q
Region		Y2023	1Q24	2Q24	3Q24	4Q24	Y2024	Y24 / Y23	4Q24 / 3Q24
EUROPE	SALES-USD	193,986,870	53,262,527	51,323,989	45,561,417	39,104,614	189,252,548	(2.44)	(14.17)
	VOLUME-SQFT	13,223,752	3,722,424	3,611,564	3,039,597	2,593,986	12,967,571	(1.94)	(14.66)
USA	SALES-USD	89,865,667	18,443,874	20,422,688	21,014,606	17,104,910	76,986,077	(14.33)	(18.60)
	VOLUME-SQFT	6,473,605	1,424,369	1,598,635	1,614,860	1,348,041	5,985,905	(7.53)	(16.52)
ASIA (Excl.CHINA)	SALES-USD	20,074,864	3,679,935	4,297,941	4,120,387	4,437,820	16,536,083	(17.63)	7.70
	VOLUME-SQFT	1,509,852	290,640	339,666	317,993	329,936	1,278,235	(15.34)	3.76
CHINA	SALES-USD	49,327,586	9,545,474	10,098,865	8,320,069	8,343,464	36,307,871	(26.39)	0.28
	VOLUME-SQFT	3,625,332	760,599	818,234	661,473	668,592	2,908,898	(19.76)	1.08
LOCAL	SALES-USD	39,615,529	9,465,598	8,547,380	11,819,587	11,030,873	40,863,438	3.15	(6.67)
	VOLUME-SQFT	3,576,581	858,831	813,605	1,085,215	954,426	3,712,078	3.79	(12.05)
TOTAL-USD		392,870,515	94,397,407	94,690,863	90,836,066	80,021,681	359,946,017	(8.38)	(11.91)
TOTAL-SQFT		28,409,123	7,056,863	7,181,704	6,719,139	5,894,981	26,852,688	(5.48)	(12.27)

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

								%Increase / (Decrease)	
								Y-o-Y	Q-o-Q
Product-Mix		Y2023	1Q24	2Q24	3Q24	4Q24	Y2024	Y24 / Y23	4Q24 / 3Q24
02 Layer	SALES-US\$	39,169,836	9,320,699	8,377,024	9,047,875	7,850,281	34,595,880	(11.68)	(13.24)
	VOLUME-SQFT	4,127,290	989,820	916,347	963,127	834,369	3,703,663	(10.26)	(13.37)
04 Layer	SALES-US\$	141,513,525	33,114,532	34,621,904	32,580,199	28,242,087	128,558,723	(9.15)	(13.32)
	VOLUME-SQFT	12,089,900	2,909,160	3,055,690	2,821,451	2,449,201	11,235,501	(7.07)	(13.19)
06 + Layer	SALES-US\$	99,064,594	20,996,634	20,192,629	20,602,575	19,069,991	80,861,830	(18.37)	(7.44)
	VOLUME-SQFT	6,030,180	1,326,585	1,312,297	1,337,169	1,220,376	5,196,427	(13.83)	(8.73)
Special Grade	SALES-US\$	113,122,560	30,965,542	31,499,306	28,605,416	24,859,321	115,929,585	2.48	(13.10)
	VOLUME-SQFT	6,161,753	1,831,298	1,897,372	1,597,392	1,391,036	6,717,097	9.01	(12.92)
TOTAL-USD		392,870,515	94,397,407	94,690,863	90,836,066	80,021,681	359,946,017	(8.38)	(11.91)
TOTAL-SQFT		28,409,123	7,056,863	7,181,704	6,719,139	5,894,981	26,852,688	(5.48)	(12.27)

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 Y2024	71% 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 Y2024	Bt 606 million (exclude Rojana New Factory)
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CAPEX Plan for Rojana New Plant

Project Plan	(Million Baht)	Y2025	Y2026	Y2027	Total
Factory Building		300	2,450	850	3,600
Machine and Equipment		-0-	2,050	1,310	3,360
Total Plan (as of December 31, 2024)		300	4,500	2,160	6,960

Actual investment as of December 31, 2024	Bt 45.1 million (Design and Land Preparation)
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Strategic Expansion and New Factory Development Update

Over the past year, the company has carefully assessed its expansion plans, particularly the construction of a new PCB factory. While initially planned, the project was put on hold due to a slowdown in market demand, especially in the automotive sector, which accounts for over 80% of total sales. Additionally, the company identified water supply constraints at Rojana Industrial Park, which have been under discussion. This has led to a redesign of the water usage and recycling system to ensure environmental sustainability in the new facility.

Despite these temporary delays, the company has continued to develop and test new PCB manufacturing technologies to meet the increasing demand for more complex and high-tech products. The lower market demand in 2024 provided a strategic opportunity to upgrade and transition machinery at the existing factory. Although this shift impacted unit production during the transition, it was a proactive move to ensure optimal efficiency and technological readiness for future growth. This early adaptation will enable the company to move quickly once construction of the new factory begins, ensuring the best layout and production flow for the latest manufacturing processes.

As part of the company’s commitment to expansion and long-term growth, the new PCB factory remains a key priority. Additionally, in preparation for the expansion of PCB production, the company’s subsidiary, which produces key materials such as Laminate and Prepreg, has acquired new land in Hi-Tech Industrial Estate, Ayutthaya, near the current PCB factory and Rojana area. This strategic investment is intended to support the growing PCB industry and strengthen the supply chain.

A key milestone in this project is that the new PCB factory has been approved under the Thailand Board of Investment (BOI) scheme, as part of the key electronics sector promotion initiative. This investment incentive provides significant benefits, including tax exemptions and other privileges, further reinforcing the company's strong growth potential for the future.

Looking ahead, with the current market outlook and the increasing demand for HDI PCBs, the company plans to initiate construction of the new PCB factory in the second half of 2025. The new facility is expected to take approximately 1.5 years to complete construction and install machinery before becoming operational. Further updates will be provided as developments progress.

Forwarded for your information

Sincerely yours,



(Mrs. Voraluksana Ongkosit)

Executive Vice Chairperson

