

From Formosa with love

- Continued internal drivers from lower cost, product mix shift, and new factories
- Margin improvement will be stacked up with certainty
- Initiated with Buy and a TP of THB7.9

Stand as one of the most beneficiaries on plant relocations

CCET is one of the most beneficiaries of global relocation to the South in response to the intensifying geopolitical tensions between China and US and the rising risks of US import tariff hikes and technology bans that have disrupted global supply chains of electronics and semiconductor industries. We project CCET's net profit growth to continue in 2025E-27E on both internal (product mix, lower cost) and external drivers (strong industry demand).

2025E's a growth year after a transformative 2024 year

2024 is CCET's transformative year to turn from a local to regional/global EMS company, benefiting from windfall demands from production and order relocations. CCET's net profit jumped by 133% y-y to THB2.6b in 2024, driven by improving net profit margin from 0.74% in 2023 to 1.77% in 2024.

Net profit growth is still rosy

We project net profit growth of 14% CAGR in 2024-27E, rising from THB2.6b in 2024 to THB3.3b-THB3.9b in 2025E-27E. Key drivers are 1) rising demands from continued production and order relocations and higher FDIs; and 2) better product mix with more high-margin products; and 3) improving net profit margin from 1.8% in 2024 to 2.2%-2.3% in 2025E-27E on lower interest expense and higher equity income.

Margin improvement on sound strategies and industry growth

We project CCET's net profit margin to improve from 1.8% in 2024 to 2.2%-2.3% in 2025E-27E on lower interest expense and higher equity income. In 2024, CCET's net profit margin rose from 0.74% in 2023 to 1.77% in 2024 (+1.02% pts), coming from 1) +0.09% pts from gross profit margin to 5.30% in 2024; 2) +0.16% pts from lower SG&A to sales to 2.81% in 2024; 3) +0.73% pts from lower interest expense to revenue to 0.77% in 2024 thanks to debt repayment using the capital increase funds; 4) +0.14% pts from higher equity income (-THB59m in 2023 to THB237m in 2024); and 5) -0.11% pts from higher tax expense.

Initiated coverage with BUY and TP of THB7.9

We set CCET's TP at THB7.9, based on 30x 2025E P/E. With solid, visible net profit growth outlook and improving profitability, we think CCET deserves to trade at premium valuation, which we justify at 25-30x P/E range. However, we decide to apply an upper P/E of 30x to reflect CCET's improving earnings growth and visibility thanks to its timely and well-implemented growth strategies (product mix shift, new factories open, debt repayment, and lower SG&A) to timely capitalize on global demand growth uptrend.

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ESG Rating : n.a.

CG Rating : n.a.

BUY

Target Price 12M (THB)	7.90
VS. BB Consensus TP (%)	-6.5%
Share Price (THB)	6.15
Upside/Downside	+28.5%

Share Data

Market Cap (THB m)	64,267.52
Par (THB)	1.00
Free Float (%)	32.74
Issued shares (m shares)	10,450

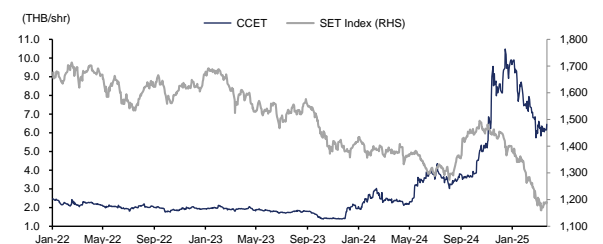
Financial forecast

YE Dec (THB m)	2024	2025E	2026E	2027E
Revenue	147,363	150,948	157,868	168,548
Net profit	2,603	3,290	3,588	3,854
Core net profit	2,603	3,290	3,588	3,854
vs Consensus (%)		(7.4)	(16.1)	(23.7)
Net profit growth (%)	133.3	26.4	9.0	7.4
Core net profit growth (%)	133.3	26.4	9.0	7.4
EPS (THB)	0.21	0.26	0.29	0.31
Core EPS (THB)	0.21	0.26	0.29	0.31
Chg from previous (%)		0.00	0.00	0.00
DPS (THB)	0.15	0.13	0.14	0.15
P/E (x)	48.41	23.31	21.38	19.91
P/BV (x)	4.86	2.72	2.55	2.38
ROE (%)	1.49	2.14	2.34	2.51
Dividend yield (%)	10.03	12.16	12.30	12.36

Source: Financial Statement and Globlex securities

Share Price Performance (%)

	1M	3M	6M	YTD
Stock	(10.22)	(32.42)	64.44	(39.11)
Market	(8.59)	(20.10)	102.83	(28.05)
12M High/Low (THB)				11.00 / 2.18



Major Shareholders (%) as of

Kinpo Electronics. Inc.	49.99
Far Eastern International Bank	15.84
KGI Asia Limited	15.10

Company Profile

The manufacturer for the electronics products. Main products are computer peripheral and telecommunication products.

Source: SETSMART, SET

From Formosa with love

2025E's a growth year after a transformative 2024

CCET is one of the most beneficiaries of global relocation to the South in response to the intensifying geopolitical tensions between China and US and the rising risks of US import tariff hikes and technology bans that have disrupted global supply chains of electronics and semiconductor industries.

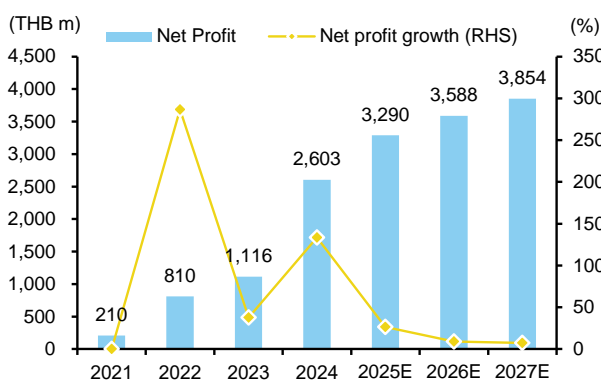
As a leading Electronics Manufacturing Service (EMS) company, CCET has been “ready” to serve any ad hoc or long-term demand growths, whether from the production relocations or order shifts from other countries in response to the different risks for each country.

2024 is CCET's transformative year to turn from a local EMS to regional/global EMS company, benefiting from the windfall demands from plant relocations and order increases as a result of customers moving their orders away from certain country, particularly China and Vietnam.

CCET's net profit jumped by 133% y-y to THB2.6b in 2024, driven by improving net profit margin from 0.74% in 2023 to 1.77% in 2024 on the back of higher gross profit margin from 5.21% in 2023 to 5.3% in 2024. But the most manifest improvement in CCET's profitability is its sharp decline in SG&A to sales, which plunged from 2.97% in 2023 to 2.81% in 2024, down 16% pts vs net profit margin up by 102% pts in 2024.

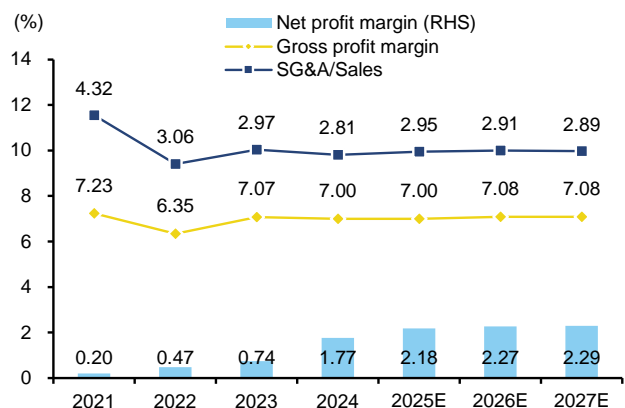
We project net profit growth of 14% CAGR in 2024-27E, rising from THB2.6b in 2024 to THB3.3b/THB3.6b/THB3.9b in 2025E-27E. Key drivers are 1) rising demands from continued production and order relocations and higher FDIs; and 2) better product mix with more high-margin products; and 3) improving net profit margin from 1.8% in 2024 to 2.2%-2.3% in 2025E-27E on lower interest expense and higher equity income.

Exhibit 1: Net profit and net profit growth



Sources: CCET; Globlex Research

Exhibit 2: Net profit margin, gross profit margin, SG&A to sales



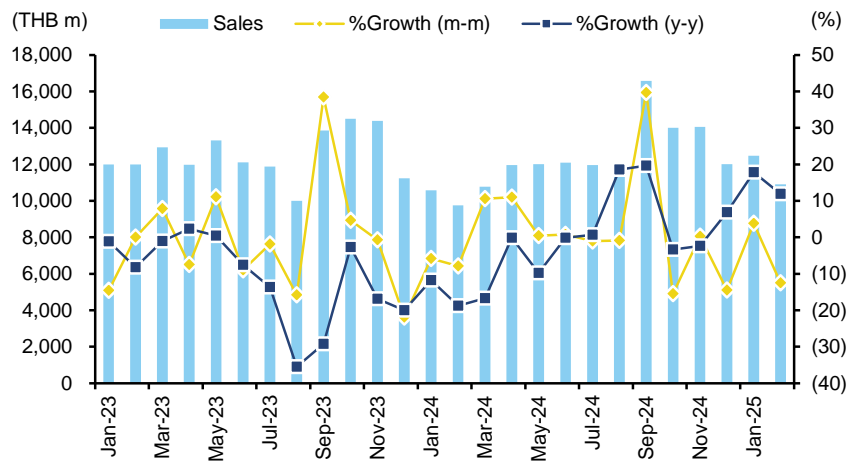
Sources: CCET; Globlex Research

Rising demands on continued relocations and FDIs

Unlike 20214 when CCET’s new factories remain mostly incomplete, we expect CCET to fully benefit from the higher sales volumes from its new factories in Mahachi and Phetburi, both now in operations.

In 2024, CCET’s monthly revenue growths y-y were mostly negative with 8 out of 12 months negative growths and only 4 months seeing positive growths in July (+0.7% y-y), August (+18.6% y-y), September (+19.6% y-y), and December (+6.9% y-y), bringing 2024 revenue growth to -2% y-y.

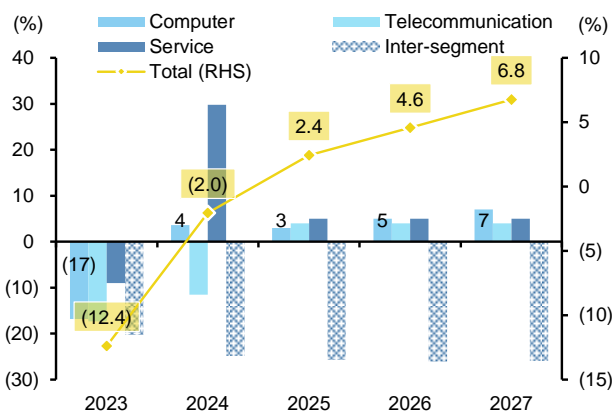
Exhibit 3: Sales growth m-m and y-y



Sources: CCET

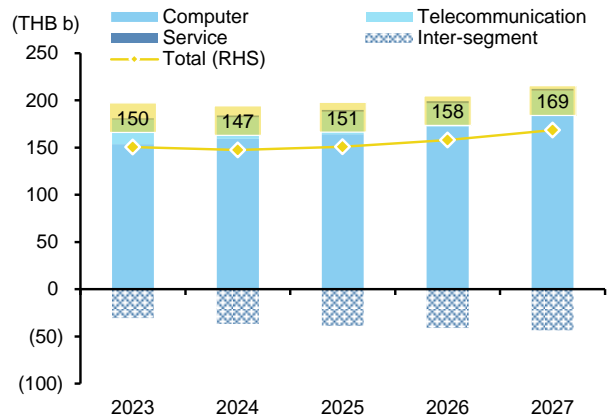
We project quarterly sales revenue to grow y-y by 3-7% for computer, 4% for telecommunication, 5% for service, in 2025E-27E, resulting in aggregate revenue growth of 2% in 2025E, 5% in 2026E, and 7% in 2027E.

Exhibit 4: Revenue growth by segment (%)



Sources: CCET; Globlex Research

Exhibit 5: Revenue breakdown by segment



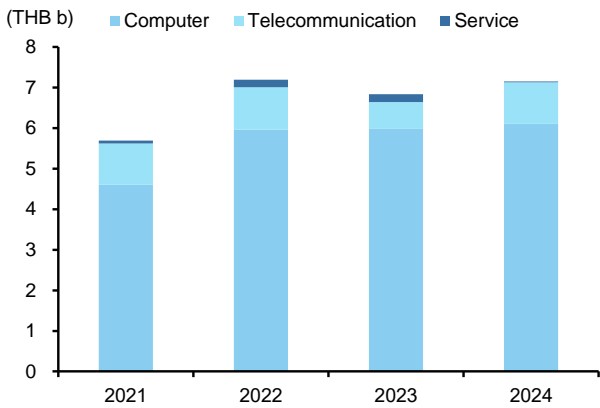
Sources: CCET; Globlex Research

Better product mix

CCET had a capital increase of THB6.9b (USD178m) in 2023 to fund its four new factories, comprising one factory in Mahachai, Samutsakorn and three factories in Phetchaburi. CCET’s new plants are targeted to produce new product lines such as smart wearables, automotive, and EV-related smart home products. In 2022, CCET has a total production capacity of 172m units, representing a production utilization rate at 88%.

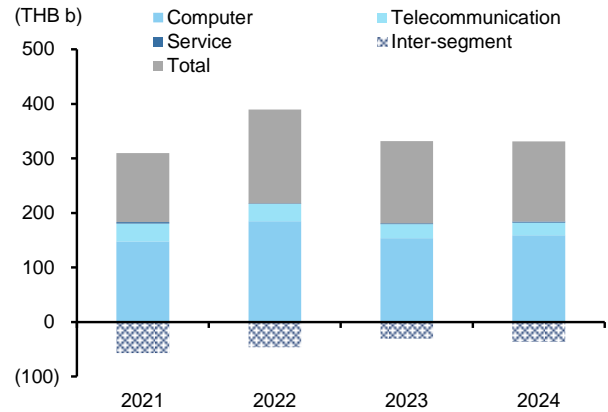
With a projected demand drop of 13% y-y for global Hard Disk Drive (HDD) in 2025E due to the demand substitution for HDD-to-SDD as a result of the industry trends towards more cloud service customers and AI technology. CCET is constructing additional SSD factories, expected to expand in tandem with AI-related technologies. Despite a higher price per Gigabyte for SSD over HDD due to costlier materials, SSDs’ advantage still outpace HDD’s as SSDs use electronic circuitry to store data vs HDDs use magnetic disks, resulting in SSDs’ higher processing speed of than that of HDDs.

Exhibit 6: Net profit breakdown by segment



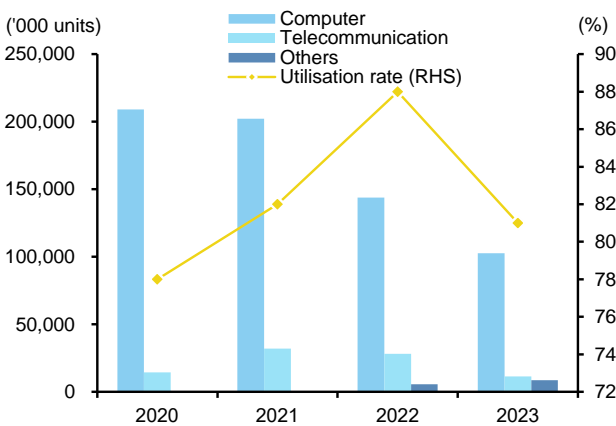
Sources: CCET

Exhibit 7: Revenue breakdown by segment



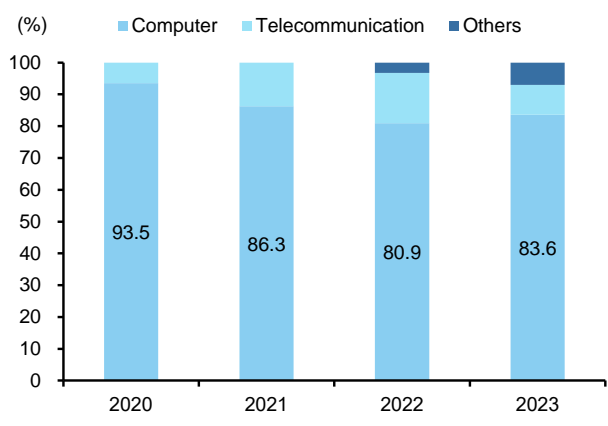
Sources: CCET

Exhibit 8: Sales volume breakdown by segment



Sources: CCET

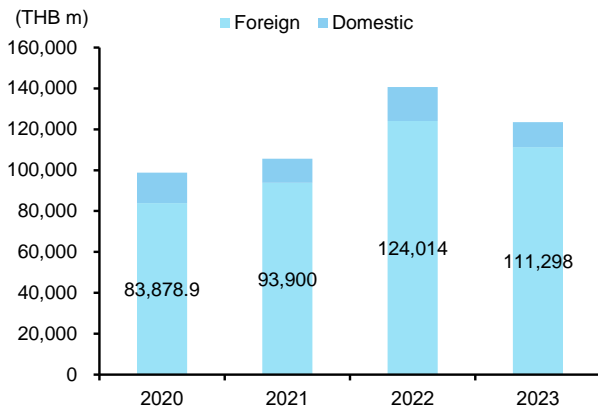
Exhibit 9: Sales volume breakdown by segment (%)



Sources: CCET

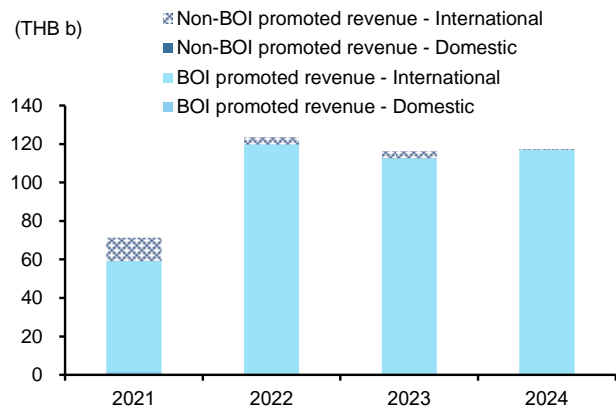
Unlike its local and global electronics peers, CCET generates most of its revenue from domestic market, which ranges from 85%-90% in 2020-23. Hence, the risk for US tariff hikes for CCET will be small, if not turning into upsides under the circumstance that the production and order relocations will further accelerate to Thailand to avoid the tariff.

Exhibit 10: Sales revenue by domestic and overseas



Sources: CCET

Exhibit 11: Sales revenue breakdown by segment



Sources: CCET

Margin improvement underway

We project CCET's net profit margin to improve from 1.8% in 2024 to 2.2%-2.3% in 2025E-27E on lower interest expense and higher equity income. In 2024, CCET's net profit margin rose from 0.74% in 2023 to 1.77% in 2024 (+1.02% pts)

+0.09% pts from gross profit margin from 5.21% in 2023 to 5.30% in 2024.

+0.16% pts from lower SG&A to sales from 2.97% in 2023 to 2.81% in 2024

+0.73% pts from lower interest expense to revenue from 1.50% in 2023 to 0.77% in 2024 thanks to debt repayment using the capital increase funds

+0.14% pts from higher equity income (-THB59m in 2023 to THB237m in 2024)

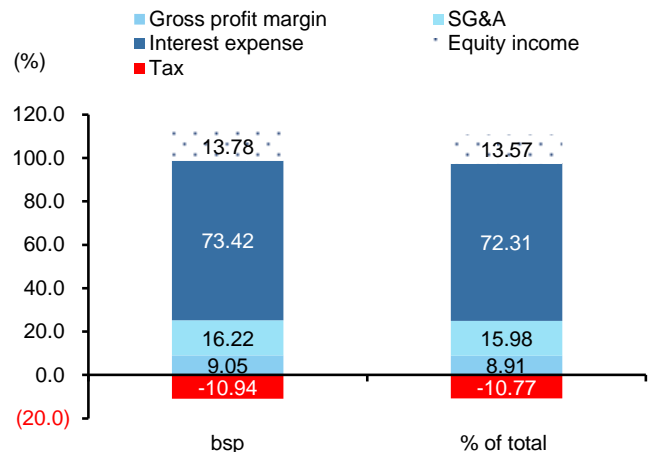
-0.11% pts from higher tax expense

Exhibit 12: Analysis of net profit margin improvement in 2024

Net profit margin improvement in 2024	% pts	% bsp	% of total
Gross profit margin	0.09	9.05	8.91
SG&A	0.16	16.22	15.98
Interest expense	0.73	73.42	72.31
Equity income	0.14	13.78	13.57
Tax	(0.11)	(10.94)	(10.77)
Net profit margin improvement	1.02	101.53	100.00

Sources: CCET; Globlex Research

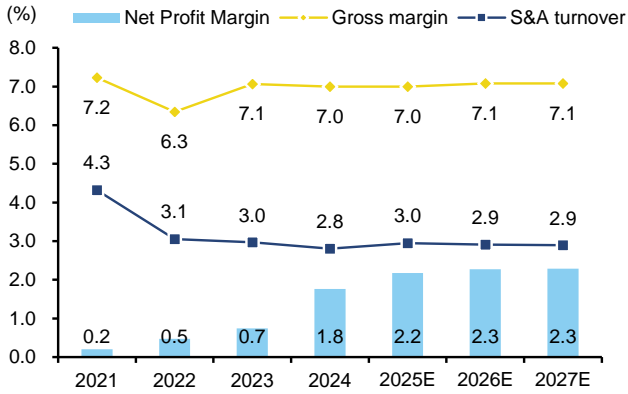
Exhibit 13: Net profit margin improvement breakdown by % basis points (bps) and % of total margin improvement



Sources: CCET; Globlex Research

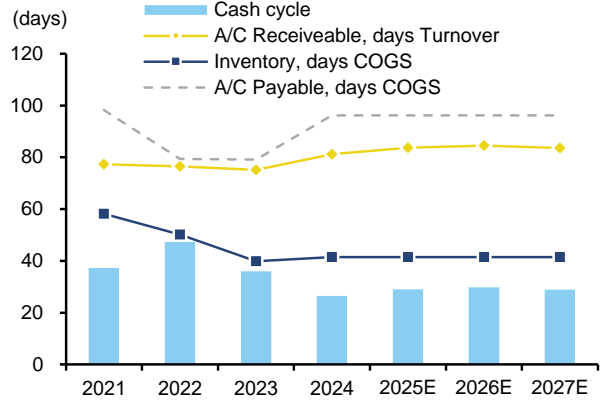
In 2025E-27E, the key improvement in net profit margin will come from improving gross profit margins, lower interest rate, and higher equity income that will result in a well-managed cash cycle day of 27-28 days.

Exhibit 14: Profitability



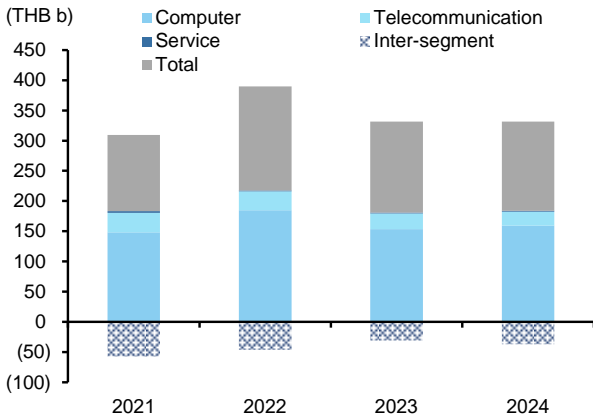
Sources: CCET; Globlex Research

Exhibit 15: Cash cycle



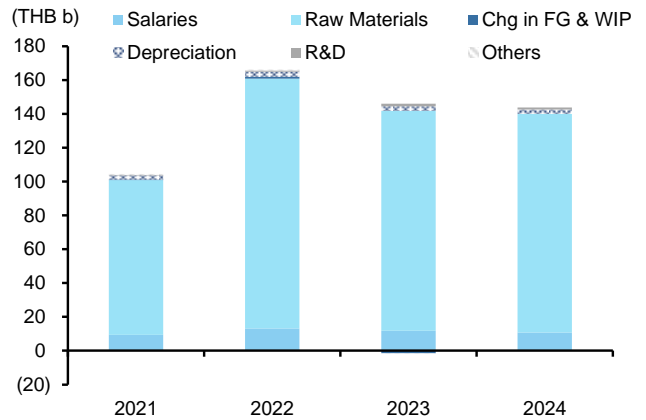
Sources: CCET; Globlex Research

Exhibit 16: Revenue structure



Sources: CCET

Exhibit 17: Cost structure



Sources: CCET

Financials: solid as a rock

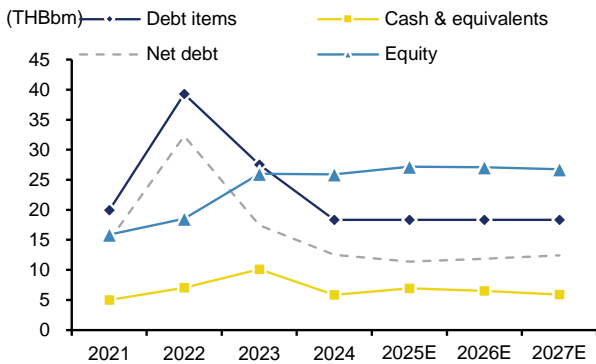
With improvements in asset turnover, net profit margin, and higher leverage, we project ROE to rise from 10% in 2024 to 14.2% in 2025E, 16.4% in 2026E, and 18.5% in 2027E, potentially leading to valuation rerating to 25-30x P/E, in our view.

Exhibit 18: Dupont analysis

	2021 (THB m)	2022 (THB m)	2023 (THB m)	2024 (THB m)	2025E (THB m)	2026E (THB m)	2027E (THB m)
Sales	104,446	171,716	150,441	147,363	162,578	179,343	197,815
Total assets	64,071	96,543	85,838	83,012	88,117	92,188	96,484
Asset Turnover (x)	1.63	1.78	1.75	1.78	1.85	1.95	2.05
Operating profit	566	2,707	3,366	3,670	4,299	5,067	5,741
OPM (%)	0.5	1.6	2.2	2.5	2.6	2.8	2.9
Net profit	210	810	1,116	2,603	3,783	4,437	4,978
NPM (%)	0.2	0.5	0.7	1.8	2.3	2.5	2.5
Shareholders' equity	7,929	17,187	22,265	25,958	26,546	27,139	26,915
Leverage	8.1	5.6	3.9	3.2	3.3	3.4	3.6
ROE (%)	2.6	4.7	5.0	10.0	14.2	16.4	18.5

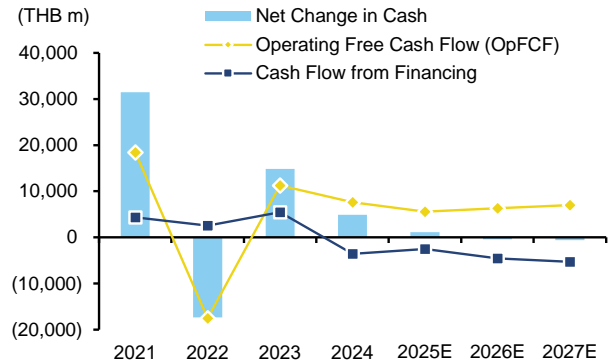
Sources: CCET; Globlex Research

Exhibit 19: Debt, cash, and equity



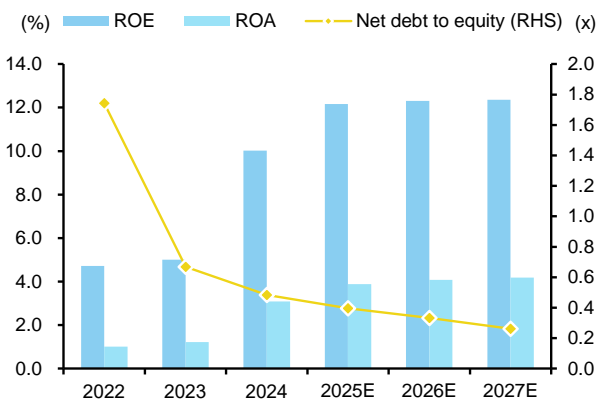
Sources: CCET; Globlex Research

Exhibit 20: Net change in cash, FCF



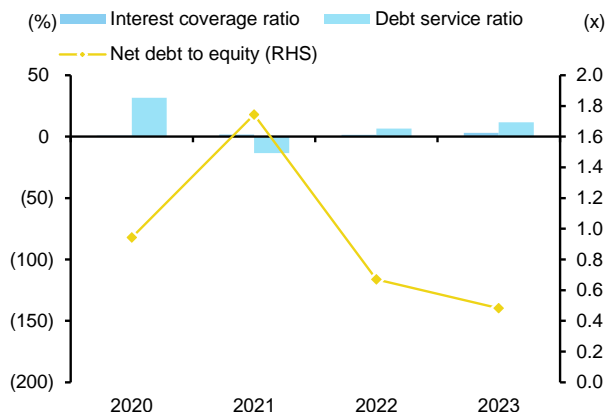
Sources: CCET; Globlex Research

Exhibit 21: ROE, ROA, net debt to equity



Sources: CCET; Globlex Research

Exhibit 22: Interest coverage ratio, debt service ratio



Sources: CCET; Globlex Research

Initiated with Buy and a TP of THB7.9

We set CCET's TP at THB7.9, based on 30x 2025E P/E. With solid, visible net profit growth outlook and improving profitability, we think CCET deserves to trade at premium valuation, which we justify at 25-30x P/E range. However, we decide to apply an upper P/E of 30x to reflect CCET's improving earnings growth and visibility thanks to its timely and well-implemented growth strategies (product mix shift, new factories open, debt repayment, and lower SG&A) to timely capitalize on global demand growth uptrend.

Exhibit 23: Valuation and TP

P/E (x)	EPS (THB/share)		
	2025E	2026E	2027E
	0.26	0.29	0.31
25	6.6	7.2	7.7
26	6.9	7.5	8.0
27	7.1	7.8	8.3
28	7.4	8.1	8.7
29	7.6	8.3	9.0
30	7.9	8.6	9.3
31	8.2	8.9	9.6
32	8.4	9.2	9.9

Sources: CCET; Globlex Research

Balance sheet (THB m)					
Year ending Dec	2023	2024	2025E	2026E	2027E
Current assets					
Cash & ST investment	10,085	5,831	7,184	8,316	9,931
Account receivable	30,984	32,784	34,628	36,557	38,616
Inventories	15,290	15,590	15,969	16,686	17,815
Others	7,949	8,498	8,705	9,104	9,720
Non-current assets					
Net fixed assets	17,638	16,478	15,855	15,301	14,610
Others	3,891	3,831	3,831	3,831	3,831
Total Assets	85,838	83,012	86,172	89,795	94,523

Current liabilities					
Account payable	30,293	36,122	37,000	38,662	41,279
ST borrowing	12,727	5,998	5,998	5,998	5,998
Others	1,375	1,252	1,252	1,252	1,252
Long-term liabilities					
Long-term debts	14,776	12,352	12,352	12,352	12,352
Others	441	1,214	1,214	1,214	1,214
Total liabilities	59,611	56,938	57,815	59,477	62,094
Paid-up capital	10,450	10,450	10,450	10,450	10,450
Retained earnings	11,562	12,646	14,939	16,881	18,941
Others	4,003	2,805	2,805	2,805	2,805
Minority interest	212	172	162	181	232
Shareholders' equity	26,226	26,074	28,356	30,318	32,429

Key ratios					
Year ending Dec	2023	2024	2025E	2026E	2027E
Growth (%YoY)					
Sales	(12.4)	(2.0)	2.4	4.6	6.8
Operating profit	9.1	0.1	(0.9)	7.7	7.2
EBITDA	9.1	0.1	(0.9)	7.7	7.2
Net profit	37.7	133.3	26.4	9.0	7.4
Core net profit	37.7	133.3	26.4	9.0	7.4
EPS	37.7	133.3	26.4	9.0	7.4
Core EPS	37.7	133.3	26.4	9.0	7.4
Profitability (%)					
Gross margin	7.1	7.0	7.0	7.1	7.1
Operation margin	4.1	4.2	4.0	4.2	4.2
EBITDA margin	4.1	4.2	4.0	4.2	4.2
Net margin	0.7	1.8	2.2	2.3	2.3
ROE	5.0	10.0	12.2	12.3	12.4
ROA	1.2	3.1	3.9	4.1	4.2
Stability					
Interest bearing debt/equity (x)	1.0	0.7	0.6	0.6	0.6
Net debt/equity (x)	0.7	0.5	0.4	0.3	0.3
Interest coverage (x)	1.5	3.2	4.0	4.0	4.0
Interest & ST debt coverage (x)	0.2	0.5	0.5	0.6	0.6
Cash flow interest coverage (x)	0.2	0.1	0.1	0.1	0.1
Current ratio (x)	1.4	1.4	1.5	1.5	1.6
Quick ratio (x)	0.9	0.9	0.9	1.0	1.0
Net debt (THB m)	17,417	12,519	11,165	10,034	8,419
Activity					
Asset turnover (X)	1.8	1.7	1.7	1.7	1.8
Days receivables	75.2	81.2	83.7	84.5	83.6
Days inventory	39.9	41.5	41.5	41.5	41.5
Days payable	79.1	96.2	96.2	96.2	96.2
Cash cycle days	36.0	26.5	29.1	29.8	28.9

Profit & loss (THB m)					
Year ending Dec	2023	2024	2025E	2026E	2027E
Revenue	150,441	147,363	150,948	157,868	168,548
Cost of goods sold	(139,807)	(137,053)	(140,382)	(146,688)	(156,618)
Gross profit	10,633	10,310	10,566	11,180	11,930
Operating expenses	(4,471)	(4,140)	(4,454)	(4,600)	(4,876)
Operating profit	6,163	6,170	6,113	6,580	7,054
EBIT	3,366	3,670	3,690	4,027	4,362
Depreciation	(2,796)	(2,500)	(2,423)	(2,554)	(2,692)
EBITDA	6,163	6,170	6,113	6,580	7,054
Non-operating income	491	74	674	748	781
Other incomes	372	257	281	320	316
Other non-op income	119	(183)	393	428	464
Non-operating expense	(2,407)	(1,022)	(922)	(1,007)	(1,091)
Interest expense	(2,264)	(1,136)	(922)	(1,007)	(1,091)
Other non-op expense	(143)	113	0	0	0
Equity income/(loss)	(59)	237	257	269	288
Pre-tax Profit	1,391	2,958	3,698	4,038	4,341
Extraordinary items					
Current taxation	(284)	(395)	(447)	(490)	(527)
Minorities	8	40	40	40	40
Net Profit	1,116	2,603	3,290	3,588	3,854
Core net profit	1,116	2,603	3,290	3,588	3,854
EPS (THB)	0.09	0.21	0.26	0.29	0.31
Core EPS (THB)	0.09	0.21	0.26	0.29	0.31

Cash flow (THB m)					
Year ending Dec	2023	2024	2025E	2026E	2027E
Operating cash flow	9,692	6,988	2,986	3,499	4,033
Net profit	1,116	2,603	3,290	3,588	3,854
Depre. & amortization	2,796	2,500	2,423	2,554	2,692
Change in working capital	7,174	3,058	(1,522)	(1,324)	(1,097)
Others	(1,394)	(1,173)	(1,205)	(1,318)	(1,416)
Investment cash flow	6,677	5,641	2,341	2,767	3,400
Net CAPEX	(1,784)	(1,339)	(10)	(10)	(9)
Change in LT investment	8,461	6,980	2,351	2,777	3,409
Change in other assets	0	0	0	0	0
Free cash flow	16,369	12,628	5,328	6,266	7,433
Financing cash flow	(13,288)	(16,883)	(3,974)	(5,134)	(5,818)
Change in share capital	7,378	0	0	0	0
Net change in debt	62	(40)	(10)	19	51
Dividend paid	(499)	(998)	(998)	(1,645)	(1,794)
Others	(20,229)	(15,845)	(2,966)	(3,508)	(4,075)
Net cash flow	3,081	(4,254)	1,353	1,132	1,615

Per share (THB)					
EPS	0.09	0.21	0.26	0.29	0.31
Core EPS	0.09	0.21	0.26	0.29	0.31
CFPS	0.31	0.41	0.45	0.49	0.52
BVPS	2.09	2.08	2.26	2.42	2.58
Sales/share	12.06	11.81	12.10	12.66	13.51
EBITDA/share	0.49	0.49	0.49	0.53	0.57
DPS	0.06	0.15	0.13	0.14	0.15
Valuation					
P/E (x)	na	48.41	23.31	21.38	19.91
P/BV (x)	na	4.86	2.72	2.55	2.38
Dividend yield (%)	na	1.49	2.14	2.34	2.51
Dividend payout ratio (%)	67.09	71.89	50.00	50.00	50.00

GENERAL DISCLAIMER

Analyst Certification

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.