

Electronics

4Q25 Earnings To Fall qoq; 2026 Outlook Clouded By Macro And Cost Pressures Despite Data Centre Resilience

Highlights

- Earnings are expected to soften qoq in 4Q25 due to the low season, a strong baht, firmer copper prices and tariff overhang.
- We upgrade DELTA to HOLD, downgrade KCE to SELL, and maintain HOLD on HANA.
- We maintain MARKET WEIGHT on the sector as strong exposure to data centres would be offset by higher copper prices and a strong baht in 2026.
- We have no top pick, but see trading opportunities for DELTA due to its strong earnings relative to peers. We set DELTA's target price at Bt170.00 (1.0SD), but share price could have a trading range of 0.5-1.5SD (Bt144.00-196.00).

Analysis

- Sector entering a period of softer qoq earnings momentum in 4Q25 due to strong baht, higher copper prices and tariff overhang.** We estimate the combined 4Q25 sales of Delta Electronics (DELTA), HANA Microelectronics (HANA) and KCE Electronics (KCE) at Bt67.7b (+34% yoy, +9% qoq), still mainly driven by continued strength in the data centre (DC) segment, particularly for DELTA which accounted for 87% of Thailand's total electronics sales. Despite solid yoy growth, qoq sales momentum is expected to soften (3Q25: +17% qoq), reflecting seasonal weakness at DELTA and KCE. HANA's earnings remain under pressure from weak demand in 4Q25. As a result, we estimate the sector's core net profit at Bt6.4b (+218% yoy, -5.4% qoq) in 4Q25.
- DELTA still propelled by DCs in 2026; KCE faces headwinds from stronger copper prices; HANA expected to bottom out in 2H26.** We expect DELTA to still be driven by a strong DC performance in 2026, while automobile-related semiconductor players like KCE remain weak. KCE's gross profit margin is likely to be capped by firmer copper prices in 2026, despite automation benefits over 4Q25-1H26, with the full benefit not expected to materialise until 3Q26. On the other hand, HANA's operating profit should remain weak in 1H26 due to a heavy operating loss at its subsidiary Power Master Semiconductor Co (PMS), which is likely to drag HANA's earnings through 1H26. For its diversification into Korea and India, management expects operating losses to narrow more quickly in 2H26 if its products are well received.
- DELTA for tactical trade; KCE and HANA still at risk of bottoming out.** KCE's valuation downside appears limited, as the copper price outlook has been largely priced in. We expect copper prices to remain at around US\$13,500/tonne in 2026, supported by a better demand-supply balance due to tighter supply conditions. However, it is still too early to accumulate KCE on expectations of a bottoming out, given the ongoing uncertainty over longer-term copper demand and the potential risk of US tariffs on refined copper in 1H26. We also view a meaningful re-rating of HANA as premature, with no sign of a demand recovery and continued operating losses at PMS in 1H26. We recommend DELTA as a tactical trade within a Bt144.00-196.00 range.

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Peer Comparison

Company	Rec	Price 14 Jan 26 (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	Net Profit 2025F (Btm)	2026F (Bt m)	PE 2025F (x)	2026F (x)	EPS Growth 2026F(%)	P/B 2026F (x)	Yield Company	ROE Rec
DELTA TB	HOLD	160.00	170.00	6.3	65,605	24,130	29,576	88.4	67.3	22.6	17.0	0.5	27.7
KCE TB	SELL	17.30	14.00	(19.1)	622	921	763	24.1	26.5	(17.2)	1.5	6.9	5.6
HANA TB	HOLD	15.60	15.40	(1.3)	411	595	821	24.3	16.3	38.0	0.5	4.8	3.0
Avg					66,716	25,646	31,190	84.6	64.9	21.5	16.8	0.6	27.3

Source: UOB Kay Hian

MARKET WEIGHT (Maintained)

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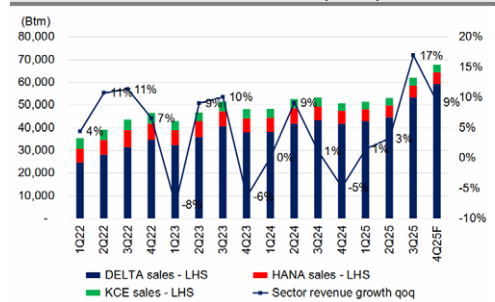
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Sector Picks (Tactical Trading)

Company	Ticker	Rec	Share Price 9 Jan 26	Target Price (Bt)
DELTA	DELTA TB	HOLD	165.0	170.0

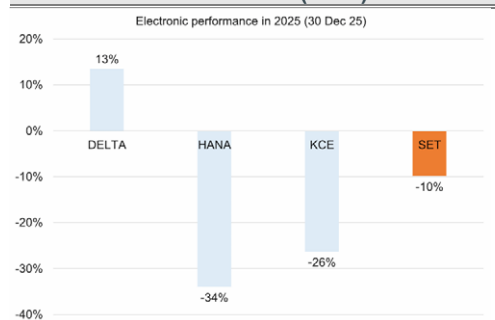
Source: Bloomberg, UOB Kay Hian

Thailand Electronics Sales (Btm)



Source: UOB Kay Hian

Electronics Performance (2025)



Source: UOB Kay Hian

- **The global trade outlook is challenging in 2026, but we expect the electronics sector to remain resilient, buoyed by DC demand.** Despite the challenging global trade outlook this year due to the full realisation of tariff impacts this year and a higher base from front-loading in 2025, we still maintain a **MARKET WEIGHT** stance on Thailand's electronics sector, as it should remain relatively resilient. Historically, electronics has played a major role in Thailand's export structure, contributing 16%/18%/21% of total exports in 2023-24 and 11M25 respectively.

DELTA – STRONG MOMENTUM BUT PRICED VALUATION

- **4Q25 preview: Strong DC momentum but with softer qoq growth due to seasonality and a strong baht.** We estimate DELTA's 4Q25 net profit at Bt6.6b (+205% yoy, -12% qoq), mainly driven by continued strength in the company's DC segment. However, following a sharp acceleration in DC growth in early-25, DELTA's earnings growth momentum is likely to be soft qoq in 4Q25-1Q26 due to: a) seasonality, as 4Q-1Q is typically a low season with long holiday periods; and b) a higher comparison base following robust DC growth in early-25. As a result, we project 4Q25 sales of Bt59.2b (+42% yoy, +11% qoq) and gross profit margin (GPM) of 27.0% (3Q25: 28.3%).
- **2026 forecast: Earnings to still be driven by DCs in 2026; liquid cooling slated to be introduced in 1Q26.** We expect DELTA's sales to grow 23% yoy in 2026 (2025F: 22% yoy), mainly propelled by strong DC growth of 48% yoy in 2026 (vs management guidance of 15-20% top-line growth and 40-50% DC growth in 2026). DELTA's gross profit margin should be structurally supported in the long term by a more favourable product mix, underpinned by rising DC exposure, in our view.

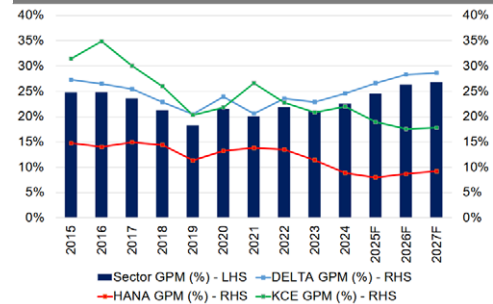
KCE – HIGH COPPER PRICES AND UNCERTAINTY OVER ADDITIONAL COPPER DEMAND CAP GROSS PROFIT MARGIN UPSIDE OUTLOOK IN 2026

- **4Q25 preview: Soft earnings, returning closer to 2Q25 levels due to usual year-end shutdown and cost pressure.** We expect KCE to report a net profit of Bt206m (-27% yoy, -31% qoq) in 4Q25. The qoq decline is mainly attributed to a seasonal slowdown in sales to Bt3.35b (+3.4% yoy, -3% qoq) due to the usual factory shutdown towards the year-end and the copper price hikes in 4Q25. We believe the automation uplift is insufficient to offset near-term copper cost pressure in 4Q25-2026.
- **2026 forecast: Automobile semiconductor outlook to remain soft in 2026, but to be driven by product mix changes, especially special grade PCBs.** According to S&P Global Mobility projection, global light vehicle production is expected to be broadly flat in 2026 before resuming growth in 2027. We expect KCE's sales to grow at a single-digit rate of 4% yoy in 2026, in line with management guidance. Management indicated that around one-third of the growth will come from automobile PCB customers, while the remaining two-thirds will be driven by other customer segments. Based on our estimate, a copper price of US\$13,500 per tonne is likely to offset the potential gross profit margin uplift from automation from 2H26 onwards (about 3.5ppt). The market believes potential US tariffs on refined copper in 1H26 pose an upside risk to copper demand in 2026. The US Commerce Secretary is expected to make a recommendation on copper tariffs to the White House by Jun 26 (possibly sooner).

HANA – LIKELY TO BOTTOM OUT IN 2H26 BUT TOO EARLY FOR RE-RATING IN THE NEAR TERM

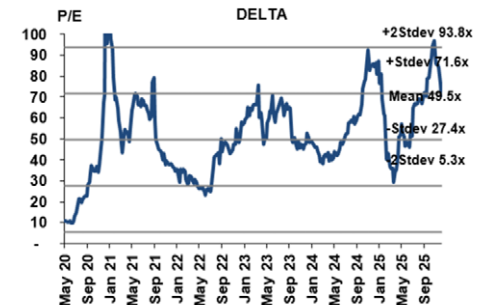
- **4Q25 preview: Weak demand continued to pressure 4Q25 earnings.** We forecast a 4Q25 core net profit of Bt66m (+514% yoy, +74% qoq) for HANA, mainly lifted by non-core recurring items and a low base last year,

Thailand Electronics Gross Profit Margin (%) In 2015-27F (%)



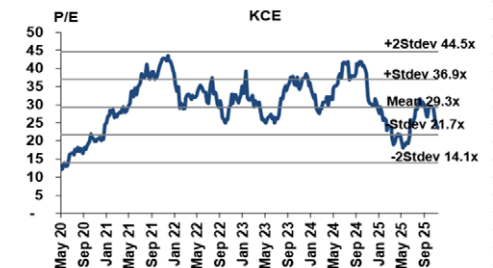
Source: UOB Kay Hian

DELTA's Five-year Forward PE Band



Source: Bloomberg, UOB Kay Hian

KCE's Five-year Forward PE Band



Source: Bloomberg, UOB Kay Hian

HANA's Five-year Forward PE Band



Source: Bloomberg, UOB Kay Hian

rather than a meaningful improvement in core operations. Core operations face persistently negative operating margins, particularly for silicon carbide (SiC) at PMS' Korean integrated circuit (IC) plant, and are the key drag on earnings in 4Q25-1H26 despite having potentially contributed roughly 1.4% to sales in 2025.

- **2026 forecast: PCBA sales likely to be flat, IC to begin gradual recovery in 2Q26, with PMS improving in 2H26.** Printed circuit board assembly (PCBA) sales (contributing about 62% of total sales in 2025) are expected to edge down qoq in 4Q25. Operations at the Lamphun plant remain healthy, driven by automobile, industrial, medical and commercial demand, while the Jiaxing plant in China benefits from easing customer concerns as tariff-related tensions dwindle. Meanwhile, the Cambodia plant is likely to face higher freight costs due to the Thailand-Cambodia border conflict, which management expects to ease in 2H26.

Outsourced semiconductor assembly & test (OSAT): IC sales (about 34% of sales in 2025) are expected to remain soft, as a major customer is anticipated to recover only in late-1Q26.

Power Master Semiconductor Co: PMS' losses are expected to continue weighing on earnings from now till mid-26, driven by weak silicon carbide (SiC) demand and intense price competition in China, making PMS a key drag on HANA's earnings in 1H26. To mitigate this, management plans to implement a "China-for-China" strategy, with silicon mass production starting in 4Q25 and SiC mass production commencing around mid-26 in China. Concurrently, HANA plans to start foundry services for Korean customers by 2Q26, having signed an initial silicon contract covering around one-third of HANA's capacity, with ramp-up scheduled for late-2Q26. If the products are well received, HANA expects operating losses to narrow more quickly in 2H26.

Sector Catalyst/Risk

- **DELTA:** Higher-than-expected DC demand.
- **KCE:** Faster-than-expected recovery in the automobile segment sometime in 2027. Downside risks include higher-than-expected copper prices.
- **HANA:** Quicker-than-expected turnaround in PMS.

Valuation/Recommendation

- **We upgrade DELTA to HOLD due to strong DC performance but pricey valuation.** We upgrade DELTA to HOLD from SELL with a higher target price of Bt170.00, based on 72x 2026F PE, implying +1.0SD to its five-year mean. Among Thai electronics names, we like DELTA's fundamentals the most as: a) it has met the "Rule of 40%" conditions in 2026 (revenue growth + EBITDA margin), and b) it has a strong DC and earnings outlook as we project a two-year CAGR of 19.5% and 20.1% in sales and net profit respectively in 2025-27F. However, valuation remains expensive, reflecting a scarcity premium as Thailand offers limited listed proxies for AI and DC investments.
- **KCE and HANA remain at risk of bottoming out.** We downgrade KCE to SELL with a target price of Bt14.00 (from Bt31.00), based on 21.7x 2027F PE, implying -1.0SD to its five-year mean and discounted to the 2026 fair value with an 11% cost of equity. Persistently copper price volatility is expected to cap gross profit margin expansion in 2026. However, it is still too early to accumulate KCE on expectations of a bottoming out, given the ongoing uncertainty over longer-term copper demand and the potential risk of US tariffs on refined copper in 1H26. On the other hand, we also view a meaningful re-rating of HANA as premature, with no sign of a demand recovery and continued operating losses in the PMS segment in 1H26. As a result, we maintain HOLD with a lower target price of Bt15.40 (from Bt28.00), based on 15.0x 2027F PE, equivalent to -1SD to its five-year mean and a discount to the 2026 fair value with 11% cost of equity.

Electronics Preview (4Q25F)

	4Q25F	qoq (%)	yoy (%)
Revenue (Btm)			
DELTA	59,150	11.2	41.7
HANA	5,160	-2.5	-7.5
KCE	3,349	-2.7	3.4
Total	67,660	9.2	33.8
Gross margin (%)			
DELTA	27.6	(0.7)	5.9
HANA	6.3	0.3	0.7
KCE	18.8	(2.5)	2.1
Average	25.6	-1.9	25.6
Core profit (Btm)			
DELTA	6,083	-4.8	256.3
HANA	66	73.6	514.1
KCE	222	-27.1	-23.0
Total	6,371	-5.4	217.5

Source: Bloomberg, UOB Kay Hian

Electronics Earnings Revision (2025-26F)

	2025	%Chg	2026	%Chg
Revenue (Btm)				
DELTA	199,590	9.3	245,342	20.7
HANA	20,906	-4.4	21,567	-6.2
KCE	13,403	-4.4	13,915	-3.8
Total	233,900	7.1	280,825	16.7
Gross margin (%)				
DELTA	26.8	1.3	28.3	2.3
HANA	8.0	(1.8)	8.7	(1.3)
KCE	19.0	(0.1)	17.6	(4.0)
Total	24.7	1.1	26.3	2.1
Core profit (Btm)				
DELTA	21,986	10.0	29,076	22.7
HANA	715	-14.0	821	-30.3
KCE	951	-11.6	793	-40.6
Total	23,652	8.0	30,689	17.1
Gross margin				
DELTA	53,462	6,909	69,432	16,594
HANA	1,666	(476)	1,873	(425)
KCE	2,540	(123)	2,442	(667)
Total	57,667.9	6,309.1	73,747.3	15,502

Source: Bloomberg, UOB Kay Hian

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