

SECTOR UPDATE

Construction – Thailand

Update On Project Bidding Activity

Although public project bidding activity was relatively quiet in the first half of the year, we expect a meaningful recovery in the second half, driven by accelerated budget disbursements and progress in several large-scale infrastructure projects. Maintain **OVERWEIGHT**. Our stock pick is **STECON**.

WHAT'S NEW

- **Public project bidding activity expected to increase in 2H25.** Since the beginning of 2025, public project bidding activity has remained subdued, as evidenced by a low investment budget disbursement rate of only 33.6% as of 23 May 25. However, the outlook for 2H25 is improving, supported by a likely acceleration in budget disbursements and progress in key infrastructure initiatives. Several large-scale transportation projects are moving closer to being put up for tender, which should help revive sector momentum. Notable upcoming bids include the Red Line suburban railway extension (Rangsit–Thammasat University), the Thai-Chinese High-Speed Rail Phase 2 (Nakhon Ratchasima–Nong Khai), and the M5 Motorway extension. These projects, scheduled for bidding between mid- and late-25, are expected to provide a positive boost to sector sentiment.

ESSENTIALS

- **CH. Karnchang (CK).** Since the beginning of 2025, CK has not signed any new contracts, which is in line with the currently subdued public project bidding activity. However, CK is not under pressure to urgently secure new contracts, as it currently has a robust backlog of over Bt200b, sufficient to support revenue recognition for at least the next 4–5 years. Looking ahead to 2H25, the company could secure additional work from Double Deck expressway, valued at more than Bt35b, which is currently pending review by the Public-Private Partnership (PPP) Committee before being submitted to the Cabinet for approval. In addition, CK is looking to participate in further public infrastructure tenders, particularly in rail and road projects, which are expected to gradually open for bidding this year.
- **Stecon Group (STECON).** STECON started 2025 on a strong note. In 1Q25, the company signed a private sector data centre project worth over Bt15b, and it plans to sign the M7 Motorway extension project (connecting to U-Tapao Airport), valued at Bt2.7b, within 2Q25. We believe STECON remains on track to achieve its new order target of Bt50b for 2025, supported by an improving outlook for public project tenders in 2H25, as well as the company's strategy to further expand its private sector portfolio, with an additional Bt40b targeted. Key focus areas include data centres, renewable energy, infrastructure, and commercial buildings, which will help drive medium- to long-term backlog growth and support steady revenue recognition going forward.

ACTION

- **Maintain OVERWEIGHT on the sector.** In addition to our positive view on the earnings outlook for both CK and STECON in 2Q-3Q25, we also believe the sector will further benefit from improving sentiment driven by an expected increase in public project tenders. STECON is our stock pick, supported by earnings visibility and potential to achieve its targeted new orders for 2025.

PEER COMPARISON

| Company | Rec. | Last Price (Bt) | Target Price (Bt) | Upside Downside (%) | Market Cap (US\$m) | Net Profit 2025F (Btm) | 2026F (Bt m) | PE 2025F (x) | 2026F (x) | EPS Growth 2025F(%) | P/B 2025F (x) | Yield 2025F (%) | EV/EBITDA 2025F (%) |
|-----------|------|-----------------|-------------------|---------------------|--------------------|------------------------|--------------|--------------|-----------|---------------------|---------------|-----------------|---------------------|
| CK TB | BUY | 14.90 | 20.20 | 35.6 | 763 | 1,775 | 2,065 | 14.2 | 12.2 | 22.8 | 0.9 | 2.5 | 30.7 |
| STECON TB | BUY | 7.40 | 9.00 | 21.6 | 340 | 926 | 1,143 | 12.2 | 9.9 | 139.3 | 0.7 | 4.1 | 7.7 |
| Sector | | | | | 1,103 | 2,701 | 3,208 | 13.5 | 11.4 | | 0.8 | 3.0 | 23.6 |

Source: Respective companies, UOB Kay Hian

OVERWEIGHT

(Maintained)

STOCK PICKS

| Ticker | Rec | Current Price (Bt) | Target Price (Bt) |
|-----------|-----|--------------------|-------------------|
| STECON TB | BUY | 7.40 | 9.00 |

Source: Bloomberg, UOB Kay Hian

ANALYST(S)

Kasemsun Koonnara

+66 2 659 8027

kasemsun@uobkayhian.co.th

PUBLIC PROJECTS IN PIPELINE

| Public Projects In Pipeline | Value (Btb) | Bidding Progress or Time Line | Expected Award/Sign | Target |
|---|-------------|-------------------------------|---------------------|-------------|
| Motorways and Expressways | | | | |
| Double Deck Expressway (Rama 9 – Ngam Wong Wan) | 35 | Awaiting Approval | 2H25 | CK |
| Western Outer Ring Road - Bang Bua Thong (M9) | 56 | 2Q-3Q25 | 4Q25 | CK/STECON |
| Rangsit- Bang pa - in (M5) | 28 | Jul-25 | 4Q25 | CK/STECON |
| The Intercity Motorway No.7 – Extension to U-Tapao Airport (M7) | 5 | 1Q25 | 2Q25 | STECON |
| Prasertmanukit-Outer Ring Road East (N2) | 17 | - | 2025 | CK/STECON |
| Kratuu-Patong | 18 | - | 2025 | STECON |
| Railways | | | | |
| Chira Junction - Ubon Ratchathani | 43 | 2H25 | 1H26 | CK/STECON |
| High Speed Train Phase 2 : Ko Rai Nong Khai | 235 | 1H25 | 2H25 | CK |
| Pak nam Pho - Den Chai | 78 | 2H25 | 1H26 | CK/STECON |
| Hat Yai - Padang Besar | 8 | 2H25 | 1H26 | CK |
| Chumphon - Surat Thani | 29 | 2H25 | 1H26 | CK |
| Surat Thani - Hat Yai junction-Song Kla | 64 | 2H25 | 1H26 | CK/STECON |
| Den Chai - Chiang Mai | 63 | 2H25 | 1H26 | CK |
| Mass Transit | | | | |
| Red Line : Taling chan - Siriraj Hospital - Salaya | 15 | 2H25 | 1H26 | CK/STECON |
| Red Line : Rangsit - Thammasat University | 6 | May - Sep 25 | 2H25 | CK/STECON |
| Brown Line : Khae Rai - Lumsalee | 42 | - | - | STECON/UNIQ |
| Airports | | | | |
| Bangkok International Airport Phase 3 | 35 | 4Q25 | 1H26 | CK/STECON |
| Suvarnabhumi Airport (East) | 11 | 4Q25 | 1H26 | CK/STECON |
| Chiang Mai Airport Expansion | 20 | 4Q25 | 1H26 | CK/STECON |

Source: CK, STECON, UOB Kay Hian

- **Market opportunity from investment in data centres.** We see investment in the data centre sector as a key driver of construction sector growth. By end-1Q25, the BOI had approved 27 data centre projects worth Bt240.6b, along with a Bt126.8b data hosting project, bringing total approved investment to Bt367.4b. These phased investments, expected over the next 2–3 years, should benefit contractors with data centre expertise by expanding their private sector work and diversifying revenue, which is especially valuable amid the ongoing uncertainty in public project bidding.

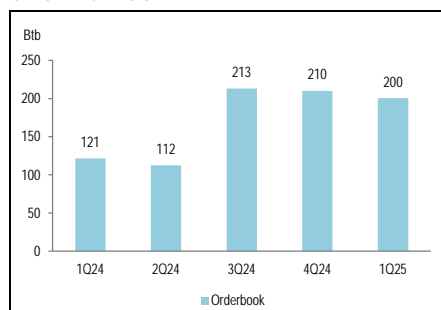
SECTOR CATALYSTS

- An increase in public infrastructure project bidding and updates on new mega projects.

RISKS

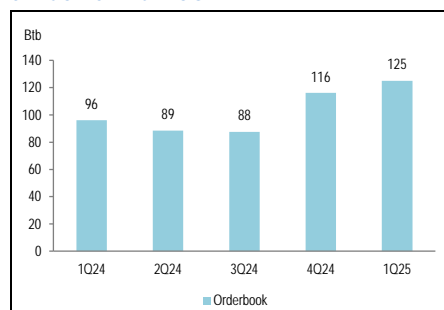
- Political issue such as changes in the Cabinet.
- Delays in project bidding and implementation.
- Minimum wage hikes and higher costs.

CK'S BACKLOG



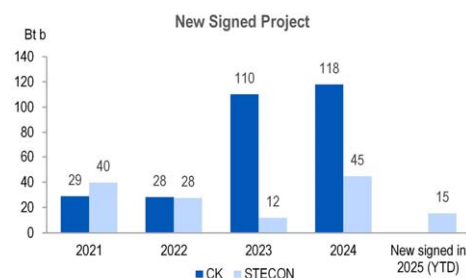
Source: CK, UOB Kay Hian

STECON'S BACKLOG



Source: STECON, UOB Kay Hian

NEW SIGNED PROJECTS



Source: CK, STECON, UOB Kay Hian

INVESTMENT IN DATA CENTRES

| Company | Origin | Value (Btb) |
|---------------------------------------|-----------------|---------------|
| Amazon Web | U.S. | 190 |
| ByteDance | Singapore/China | 126.8 |
| GIB-BlackRock & CP Group | U.S./Thailand | 100-175 |
| Beijing Haoyang Cloud&Data Technology | China | 72.7 |
| Google | U.S. | 32.76 |
| GDS IDC Services | Singapore/China | 28 |
| Nex tDC | Australia | 13.76 |
| GSA Data Center | Thailand | 13.5 |
| Microsoft | U.S. | Not available |

Note: includes only investment over Bt10b and key players.

Source: BOI, UOB Kay Hian

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