

COMPANY UPDATE

CH Karnchang (CK TB)

Optimistic On Core Operations; Upside Expected In 2H25 Earnings

Despite no new orders being signed, we remain optimistic about CK's core business in 2H25, supported by a solid backlog and healthy gross margin. We also foresee upside risk to our earnings forecast from the sale of shares in LPCL during 2H25. Moreover, CK is trading at an undemanding valuation. Maintain BUY. Target price: Bt20.20.

WHAT'S NEW

- **Analyst meeting after 2Q25 results.** We attended CH Karnchang's (CK) analyst meeting to review its 2Q25 results and obtain an update on its business outlook.

STOCK IMPACT

- **3Q25 earnings outlook.** CK's earnings are expected to decline yoy and qoq due to high bases, although operations should remain healthy. Construction revenue is expected to stay above Bt10b per quarter, supported by progress on ongoing projects. Gross margin is also anticipated to exceed the company's 7% target, driven by a favourable revenue mix. However, earnings are likely to be hindered by weaker equity income, as CK Power (CKP) and Luang Prabang Power (LPCL) are expected to benefit less from forex gains despite entering their high season.
- **Sale of LPCL shares will provide upside risk.** The sale of shares in LPCL to TTW, reducing the stake from 20% to 10%, is expected to be completed in 2H25. CK is expected to book a gain of Bt700m-800m (before tax) from the transaction, including gains from the share sale and reclassification of the remaining shares, representing an upside risk to our earnings forecasts. The fair value changes of the remaining share (10%) will be recognised through other comprehensive income (OCI).
- **Healthy backlog despite no new orders signed.** The company did not secure any new orders in 1H25. However, CK's backlog remains healthy at approximately Bt190b, providing earnings visibility. CK continues to focus on, and has potential involvement in, upcoming 2025 bids, including the Red Line (Rangsit-Thammasat), Motorway M5, and High-Speed Train Phase 2. Nonetheless, we foresee the Double Deck project as CK's top priority, with management expecting to sign the new order later this year.
- **Announced interim dividend.** CK has announced a Bt0.20/share interim dividend, implied a yield of approximately 1.4%. The ex-dividend date is scheduled for 27 Aug 25.

KEY FINANCIALS

Year to 31 Dec (Btm)	2023	2024	2025F	2026F	2027F
Net turnover	36,485	37,458	42,129	44,198	45,751
EBITDA	2,033	1,749	2,442	2,374	2,442
Operating profit	916	895	1,498	1,401	1,441
Net profit (rep./act.)	1,501	1,446	1,775	2,065	2,287
Net profit (adj.)	1,462	1,446	1,775	2,065	2,287
EPS (Bt)	0.9	0.9	1.0	1.2	1.4
PE (x)	16.7	16.9	13.7	11.8	10.7
P/B (x)	1.0	0.9	0.9	0.8	0.8
EV/EBITDA (x)	34.8	40.4	28.9	29.8	28.9
Dividend yield (%)	2.1	2.1	2.6	3.2	3.5
Net margin (%)	4.1	3.9	4.2	4.7	5.0
Net debt/(cash) to equity (%)	187.5	170.6	164.5	156.9	148.1
Interest cover (x)	1.6	1.1	1.4	1.4	1.4
Consensus net profit	-	-	1,692	1,910	2,155
UOBKH/Consensus (x)	-	-	1.05	1.08	1.06

Source: CH Karnchang, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt14.40
Target Price	Bt20.20
Upside	+40.3%

COMPANY DESCRIPTION

CK is the second largest contractor in Thailand with experience in building mass transit systems, water treatment and hydro-electric dams. The company has equity stakes in many infrastructure companies in order to diversify its long-term revenue.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	CK TB
Shares issued (m):	1,680.4
Market cap (Btm):	24,197.1
Market cap (US\$m):	744.3
3-mth avg daily t'over (US\$m):	1.3

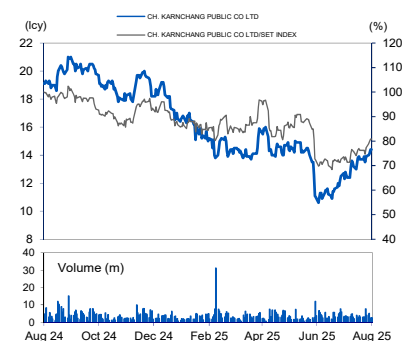
Price Performance (%)

52-week high/low			Bt21.10/Bt10.20	
1mth	3mth	6mth	1yr	YTD
15.2	(3.4)	(5.3)	(22.6)	(25.0)

Major Shareholders

	%
Mahasiri Siam	14.3
CH.KARNCHANG HOLDING	10.2
Thai NVDR Company Limited	6.9
FY25 NAV/Share (Bt)	16.45
FY25 Net Debt/Share (Bt)	27.06

PRICE CHART



Source: Bloomberg

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2025 RESULTS RECAP

Year to 31 Dec (Btm)	2024	1Q25	2Q25	yoy %	qoq %	1H24	1H25	yoy %
Sales and services	9,206	11,900	10,730	16.6	(9.8)	18,664	22,629	21.2
Operating EBIT	232	482	503	116.6	4.4	523	986	88.5
Equity income	342	267	594	73.5	122.8	508	861	69.5
Core profit	28	69	202	614.5	192.4	17	271	1,499.3
Net profit	488	282	863	76.8	205.7	609	1,145	88.0
Percent	2024	1Q25	2Q25	yoy ppt	qoq ppt	1H24	1H25	yoy %
Gross margin	7.2	7.7	7.9	0.7	0.1	7.4	7.8	0.4
SG&A to sales	5.9	4.7	5.0	(0.9)	0.3	2.4	1.9	(0.5)
EBIT margin	2.5	4.1	4.7	2.2	0.6	2.8	4.4	1.6
Net margin	5.3	2.4	8.0	2.7	5.7	3.3	5.1	1.8

Source: CK, UOB Kay Hian

- **2Q25 earnings beat expectations.** CK reported a net profit of Bt863m in 2Q25, up 77% yoy and 206% qoq. The results were above our and consensus expectations due to higher-than-expected other revenue. In 1H25, construction revenue rose 21% yoy, driven by construction progress in ongoing projects, although no new orders were signed during the period. Gross margin improved to 7.8% in 1H25 from 7.4% in 1H24, supported by a favourable revenue mix with a higher proportion of high-margin projects. In addition, equity income came in at Bt594m, up 70% yoy, mainly supported by stronger performance from CKP and LPCL.

EARNINGS REVISION/RISK

- a) Delayed construction, higher material costs, minimum wage hikes.
- b) Political instability and delayed project biddings.

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of Bt20.20**, based on 1.2x 2025F P/B. We are optimistic about CK's operation in 2H25, underpinned by its backlog. Meanwhile, we foresee potential upside risk to our earnings forecasts from the sale of shares in LPCL, with limited downside risk from the Global Minimum Tax. Additionally, CK is trading at an undemanding valuation.

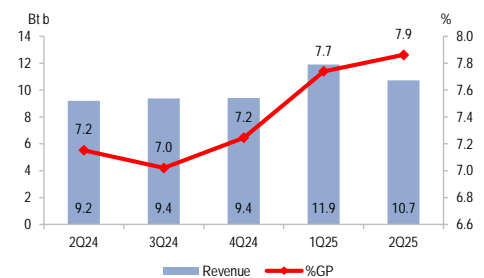
SHARE PRICE CATALYST

- Higher-than-expected gross margin due to an increasing proportion of high-margin works and effective management of construction materials.
- Additional backlog from winning new projects.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

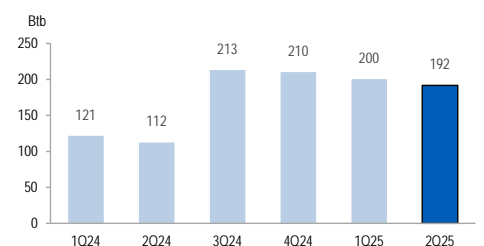
CG Report: 5
SET ESG Rating: AA
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - CK is committed to being environmentally responsible and complying with laws while continuously improving its environmental management systems. CK prioritises the use of environmentally friendly materials and disposes of unused materials properly. • Social <ul style="list-style-type: none"> - CK has social policies and practices that focus on economic operations, community engagement, and development. It is committed to social stewardship and showcases the company's efforts towards beneficial CSR activities and employee management. • Governance <ul style="list-style-type: none"> - CK prioritises clear leadership roles, sustainable value creation, and responsible ESG practices. The company recently revamped its risk management based on consulting firm recommendations to strengthen its foundation for meeting operational goals.

REVENUE AND GROSS MARGIN



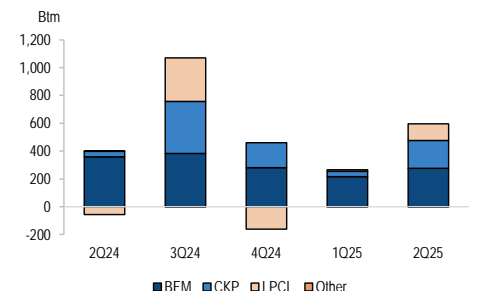
Source: CK, UOB Kay Hian

BACKLOG



Source: CK, UOB Kay Hian

SHARE OF PROFIT FROM INVESTMENTS



Source: CK, UOB Kay Hian

P/B BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Net turnover	37,458	42,129	44,198	45,751
EBITDA	1,749	2,442	2,374	2,442
Deprec. & amort.	854	944	972	1,001
EBIT	895	1,498	1,401	1,441
Total other non-operating income	465	467	470	472
Associate contributions	1,875	1,652	1,997	2,163
Net interest income/(expense)	(1,581)	(1,690)	(1,723)	(1,696)
Pre-tax profit	1,654	1,927	2,145	2,381
Tax	(119)	(102)	(30)	(43)
Minorities	(89)	(50)	(50)	(50)
Net profit	1,446	1,775	2,065	2,287
Net profit (adj.)	1,446	1,775	2,065	2,287

BALANCE SHEET

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Fixed assets	11,358	11,518	11,636	11,733
Other LT assets	55,590	55,380	56,235	56,971
Cash/ST investment	10,256	8,561	8,548	8,958
Other current assets	35,897	30,767	32,278	33,412
Total assets	113,102	106,227	108,697	111,075
ST debt	16,419	16,395	16,395	16,395
Other current liabilities	29,216	20,217	21,118	21,860
LT debt	38,039	38,009	38,009	38,009
Other LT liabilities	2,949	3,129	3,283	3,398
Shareholders' equity	25,910	27,859	29,224	30,694
Minority interest	569	619	669	719
Total liabilities & equity	113,102	106,227	108,697	111,075

CASH FLOW

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Operating	7,963	(1,100)	2,479	2,946
Pre-tax profit	1,654	1,927	2,145	2,381
Tax	(119)	(102)	(30)	(43)
Deprec. & amort.	854	944	972	1,001
Working capital changes	(10,280)	5,780	(1,198)	(899)
Non-cash items	16,029	(9,649)	589	507
Other operating cashflows	1,701	1,652	1,997	2,163
Investing	(3,482)	(714)	(1,791)	(1,720)
Capex (growth)	(277)	(1,105)	(1,091)	(1,098)
Investments	(3,253)	(387)	(391)	(395)
Others	48	778	(310)	(226)
Financing	(2,039)	119	(701)	(817)
Dividend payments	(508)	(566)	(701)	(817)
Proceeds from borrowings	(1,148)	(55)	0	0
Others/interest paid	(383)	740	0	0
Net cash inflow (outflow)	2,442	(1,695)	(14)	410
Beginning cash & cash equivalent	7,814	10,256	8,561	8,548
Ending cash & cash equivalent	10,256	8,561	8,548	8,958

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	4.7	5.8	5.4	5.3
Pre-tax margin	4.4	4.6	4.9	5.2
Net margin	3.9	4.2	4.7	5.0
Net profit (adj.)	1.4	1.6	1.9	2.1
Growth				
Turnover	2.7	12.5	4.9	3.5
EBITDA	(14.0)	39.7	(2.8)	2.9
Pre-tax profit	(1.4)	16.6	11.3	11.0
Net profit	(3.7)	22.8	16.4	10.7
Net profit (adj.)	(1.1)	22.8	16.4	10.7
EPS	(1.1)	22.8	16.4	10.7
Leverage				
Debt to total capital	67.3	65.6	64.5	63.4
Debt to equity	210.2	195.3	186.2	177.2
Net debt/(cash) to equity	170.6	164.5	156.9	148.1
Interest cover (x)	1.1	1.4	1.4	1.4

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