CH. Karnchang (CK TB)

Stable Margins; Strong Backlog Despite Project Delays

Highlights

- We attended CK's analyst meeting, which had a neutral tone.
- Project delays may weigh on near-term growth, but CK's strong backlog and upcoming infrastructure pipeline support earnings visibility.
- Maintain BUY with an unchanged target price of Bt27.00.

Analysis

- **Neutral tone from the meeting.** We attended CH. Karnchang's (CK) 2Q26 analyst meeting, which had a neutral tone. The company maintained its gross margin target of 7-8% and revenue over Bt40b for 2026.
- **Gross margins are expected to be maintained at 7-8%.** The pick-up in 2Q26 construction gross margin from 7.4% in 1Q26 to 8.1% in 2Q26 was driven by three factors: a) better product mix, b) projects that were almost completed and had K-value (a formula to adjust payments costs change), and c) better cost management. However, CK does not expect 2H26 gross margin to remain at the high levels seen in 2Q26, with the company expecting 2H26 gross profit margin to return to the 7-8% range.
- **Healthy backlogs despite no new orders signed.** At the end of 2Q26, CK had a backlog of Bt146.3b, with no new projects signed during the quarter. According to CK, many target projects are expected to be delayed by around one quarter from the timeline that was set during the 1Q26 analyst meeting. CK expects around four projects that could potentially be open for bidding in 2026, including Double Deck (Ngam Wong Wan-Rama 9), Motorway M5, Suvarnabhumi Airport East Expansion, and SRT Double Track Phase 2 (Chumphon-Surat Thani, Surat Thani-Hat Yai-Songkhla, and Hat Yai Junction-Padang Besar), with total project value expected to exceed Bt184b. However, given the delays in project progress, we expect only M5 and Suvarnabhumi Airport East Expansion, with a combined value of around Bt43b, to open for bidding this year. The other projects are likely to be postponed and open for bidding in 1H27.
- **Share of profit increased.** Profit contribution from Bangkok Expressway and Metro (BEM) increased significantly to Bt404m from Bt276m in 2Q25, mainly due to lower elimination of intercompany transactions. As some deferred profit from both new and existing projects has been recognised, the amount of profit subject to elimination was lower than the historical average. The company sees no significant impact on CK's earnings from this accounting adjustment.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	37,457.9	43,967.3	45,920.6	46,546.9	51,162.2
EBITDA	1,748.5	2,671.6	2,390.1	2,528.8	2,593.1
Operating profit	894.7	1,721.8	1,615.2	1,768.4	1,845.7
Net profit (rep./act.)	1,445.9	3,328.2	2,442.0	2,620.5	2,762.7
Net profit (adj.)	1,445.9	2,666.5	2,442.0	2,620.5	2,762.7
EPS	0.8	1.6	1.4	1.6	1.6
PE (x)	22.5	12.2	13.3	12.4	11.8
P/B (x)	1.3	1.2	1.0	0.9	0.8
EV/EBITDA (x)	46.6	28.2	28.9	26.1	25.2
Dividend yield (%)	1.6	2.3	2.2	2.4	2.6
Net margin (%)	3.9	7.6	5.3	5.6	5.4
Net debt/(cash) to equity(%)	170.8	135.0	101.4	82.4	73.0
Interest cover (x)	1.1	1.6	1.6	1.9	2.0
Consensus net profit	n.a	n.a	2,294.0	2,418.8	2,619.8
UOBKH/Consensus (x)	n.a	n.a	1.1	1.1	1.0

Source: CH. Karnchang, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Bt19.20
Target Price	Bt27.00
Upside	40.63%

Stock Data

Sector	Industrials
Bloomberg ticker	CK TB
Shares issued (m)	1,680.4
Market cap (Btm)	30,582.5
Market cap (US$m)	921.0
3-mth avg daily t'over (US$m)	6.9

Price Performance (%)

52-week high/low				Bt20.2/Bt11.2
1mth	3mth	6mth	1yr	YTD
(6.7)	2.8	43.3	35.8	52.9

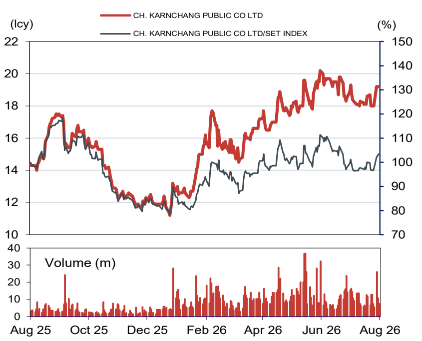
Major Shareholders (%)

Mahasiri Siam Company Limited	14.40
Ch. Karnchang Holding Co., Ltd.	10.12

Balance Sheet Metrics

FY26 NAV/Share (Bt)	18.5
FY26 Net Debt/Share (Bt)	18.7

Price Chart



Source: Bloomberg

Company Description

CK is the leading 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 to diversify its long-term revenue.

- **Large-scale projects could proceed despite possible budget delays.** Regarding next year's government budget, CK noted that there is a possibility that the budget could be pushed out further. However, for large-scale projects, the government could borrow to finance the investment if it decides to proceed. Given that some projects have already been delayed for quite some time, we believe the government should proceed with the next phase, which supports our view that these projects could eventually be opened for bidding, although the timing would depend on the government's priorities.
- **Exploring entry into data centres.** Although CK has not yet entered the data centre market, it has started to identify suitable projects, gather information, and study the business model, particularly as CK has no prior experience in data centre construction and therefore needs to assess project efficiency. CK is mainly interested in data centre projects backed by financially strong and reliable sponsors. In the initial stage, CK expects to participate mainly as a construction contractor.

2Q26 Results Recap

Year to 31 Dec (Btm)	2Q26	1Q26	2Q25	qoq%	yoy%
Revenue from construction	11,339	12,163	10,730	-6.8%	5.7%
Operating income	102	100	107	1.3%	-5.2%
Profit from investments in associates	467	296	594	58.0%	-21.4%
Extraordinary items	-	-	-	n.a.	n.a.
Core profit	191	98	151	94.6%	26.6%
Net profit	800	329	863	143.1%	-7.2%
Ratio (%)					
Gross margin	8.1%	7.4%	7.9%		
SG&A % to sales	5.0%	4.7%	4.9%		
EBIT margin	4.0%	3.5%	3.8%		
Net profit margin	7.0%	2.7%	8.0%		

Source: CH. Karnchang, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of Bt27.00.** The target price is based on 18.7x 2026F PE, in line with its five-year historical average. We remain positive about CK's outlook, supported by its strong backlog and resilient cost management, which should help limit the impact of higher construction costs. In addition, the current political environment along with the continued approval of mega projects by the Cabinet should provide further support for long-term growth.

Earnings Revision/Risk

- We finetune our 2026-28 earnings forecasts by -0.2%, 0.8%, and -1.3% respectively to reflect the better-than-expected 2Q26 performance.

Share Price Catalyst

- Continues to maintain gross margin above 7%.
- If CK secures new project awards in 2H26, we expect its backlog to resume growth.
- Continued success in securing new project awards.

Environment, Social, Governance (ESG) Updates

CG Report: 5
SET ESG Rating: AA

Environmental

- 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.

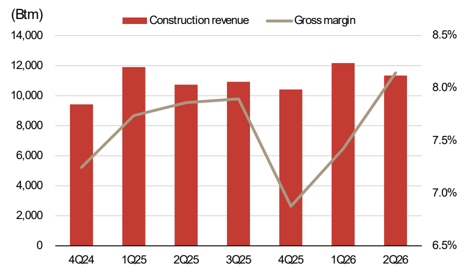
Social

- 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

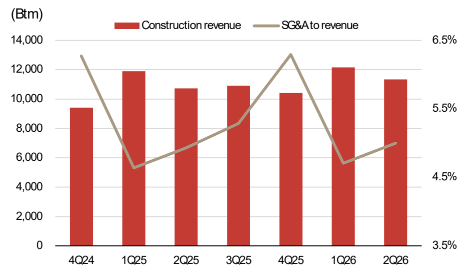
- CK has social policies and practices that focus on economic operations, community engagement, and development.

Revenue And Gross Margin



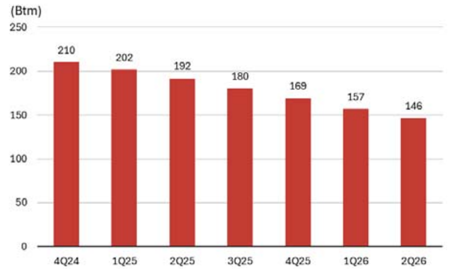
Source: CH. Karnchang, UOB Kay Hian

Revenue And SG&A To Revenue



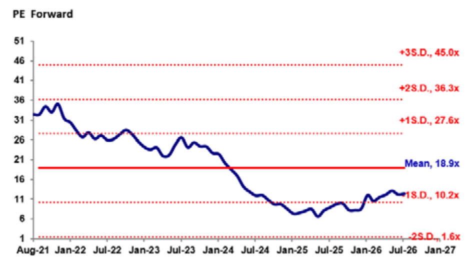
Source: CH. Karnchang, UOB Kay Hian

Backlog



Source: CH. Karnchang, UOB Kay Hian

PE



Source: CH. Karnchang, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	43,967	45,921	46,547	51,162
EBITDA	2,672	2,390	2,529	2,593
Deprec. & amort.	950	775	760	747
EBIT	1,722	1,615	1,768	1,846
Total other non-operating income	465	465	465	465
Associate contributions	2,160	1,956	1,797	1,871
Net interest income/(expense)	(1,710)	(1,496)	(1,326)	(1,332)
Pre-tax profit	3,464	2,540	2,705	2,850
Tax	(109)	(73)	(58)	(61)
Minorities	(27)	(26)	(26)	(26)
Net profit	3,328	2,442	2,620	2,763
Net profit (adj.)	2,666	2,442	2,620	2,763

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	10,650	10,492	10,352	10,227
Other LT assets	56,213	56,213	56,213	56,213
Cash/ST investment	9,770	14,484	15,759	14,476
Other current assets	40,443	37,760	38,252	41,867
Total assets	117,075	118,949	120,576	122,782
ST debt	12,407	12,407	12,407	12,407
Other current liabilities	37,517	37,798	37,893	38,561
LT debt	35,358	33,794	31,920	29,921
Other LT liabilities	3,103	3,103	3,103	3,103
Shareholders' equity	28,148	31,279	34,654	38,175
Minority interest	544	569	595	621
Total liabilities & equity	117,075	118,950	120,572	122,789

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	(4,011)	6,121	3,010	589
Pre-tax profit	3,464	2,540	2,705	2,850
Tax	(109)	(73)	(58)	(61)
Deprec. & amort.	950	775	760	747
Working capital changes	2,095	(1,248)	(397)	(2,947)
Non-cash items	(10,358)	4,127	0	0
Other operating cashflows	(53)	0	0	0
Investing	(3,006)	158	139	126
Capex (growth)	709	157	139	125
Investments	(688)	0	0	0
Others	(3,028)	1	0	0
Financing	6,531	(1,564)	(1,874)	(1,998)
Dividend payments	(588)	0	0	0
Issue of shares	0	0	0	0
Proceeds from borrowings	(3,176)	(1,564)	(1,874)	(1,998)
Loan repayment	(322)	0	0	0
Others/interest paid	10,618	0	0	0
Net cash inflow (outflow)	(487)	4,715	1,275	(1,284)
Beginning cash & cash equivalent	10,256	9,770	14,484	15,759
Ending cash & cash equivalent	9,770	14,484	15,759	14,476

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	6.1	5.2	5.4	5.1
Pre-tax margin	7.9	5.5	5.8	5.6
Net margin	7.6	5.3	5.6	5.4
Growth				
Net profit (adj.)	84.4	(8.4)	7.3	5.4
Leverage				
Debt to total capital	166.5	145.1	125.8	109.1
Debt to equity	169.7	147.7	127.9	110.9
Net debt/(cash) to equity	135.0	101.4	82.4	73.0
Interest cover	1.6	1.6	1.9	2.0