CH. Karnchang (CK TB)

2Q26 Results Preview: Earnings To Recover qoq, Supported By Dividend Income Despite Weaker Associate Income

BUY (Maintained)	
Share Price	Bt18.10
Target Price	Bt22.00
Upside	21.55%
Previous TP	Bt20.40

Analyst(s)
Thanawat Thangchadakorn
thanawat@uobkayhian.co.th
(662) 090 3360

Assistant Analyst(s)
Panjarat Thaweesriprasert

Highlights

- We expect CK to report a net profit of Bt694m, down 19.6% yoy but up 110.9% qoq.
- A healthy backlog continues to support medium-term revenue visibility.
- Maintain BUY and target price of Bt22.00 (previously Bt20.40).

2Q26 Results Preview

Year to 31 Dec (Btm)	2Q26F	1Q26	2Q25	qoq%	yoy %
Revenue from construction	12,238	12,163	10,730	0.6%	14.1%
Operating income	107	100	107	6.3%	-0.4%
Profit from investments in associates	461	296	594	56.1%	-22.3%
Extraordinary items	-	-	-		
Core profit	100	98	151	1.3%	-34.1%
Net profit	694	329	863	110.9%	-19.6%
Percent	2Q26F	1Q26	2Q25		
Gross margin	7.4%	7.4%	7.9%		
SG&A to sales	4.8%	4.7%	4.9%		
EBIT margin	3.4%	3.5%	3.8%		
Net margin	5.6%	2.7%	8.0%		

Source: CH. Karnchang, UOB Kay Hian

Analysis

- **2Q26 earnings expected to rise yoy and qoq.** CH. Karnchang (CK) is projected to report a 2Q26 net profit of Bt694m, down 19.6% yoy but up 110.0% qoq, primarily due to lower equity income from associates, as CK Power could record a forex loss. Core profit is expected to come in at Bt100m, down 34.0% yoy but up 1.3% qoq.
- **Construction revenue up yoy but stable qoq.** We expect CK to recognise construction revenue of Bt12.24b in 2Q26, up 0.6% qoq and 14.0% yoy, driven by continued construction progress on key projects, particularly the Orange Line and the Luang Prabang Hydroelectric Power Project. Although no new contracts were signed in 2Q26, the backlog could remain strong at Bt145b.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	37,457.9	43,967.3	46,614.5	46,688.1	51,303.4
EBITDA	1,748.5	2,671.6	2,410.8	2,685.5	2,770.4
Operating profit	894.7	1,721.8	1,635.9	1,925.1	2,023.0
Net profit (rep./act.)	1,445.9	3,328.2	2,364.4	2,598.5	2,794.0
Net profit (adj.)	1,445.9	2,666.5	2,364.4	2,598.5	2,794.0
EPS	0.8	1.6	1.4	1.5	1.6
PE (x)	21.2	11.5	13.0	11.8	11.0
P/B (x)	1.2	1.1	1.0	0.9	0.8
EV/EBITDA (x)	46.6	28.2	28.8	24.6	23.6
Dividend yield (%)	1.7	2.5	2.3	2.5	2.7
Net margin (%)	3.9	7.6	5.1	5.6	5.4
Net debt/(cash) to equity(%)	170.8	135.0	103.3	83.2	73.5
Interest cover (x)	1.1	1.6	1.6	2.0	2.1
Consensus net profit	n.a	n.a	2,312.9	2,394.2	2,620.0
UOBKH/Consensus (x)	n.a	n.a	1.0	1.1	1.1

Source: CH. Karnchang, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Industrials
Bloomberg ticker:	CK TB
Shares issued (m):	1,680.4
Market cap (Btm):	30,414.4
Market cap (US$m):	915.9
3-mth avg daily t'over (US$m):	6.7

Price Performance (%)

52-week high/low: Bt20.7/Bt11.1

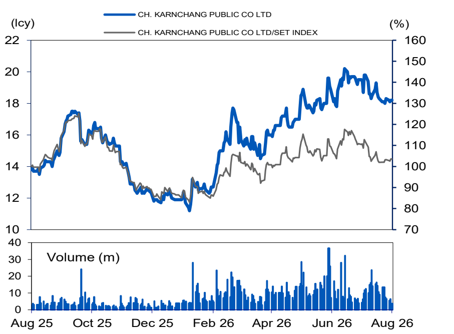
1mth	3mth	6mth	1yr	YTD
(7.2)	2.3	47.2	39.2	52.1

Major Shareholders	%
Mahasiri Siam Company Limited	14.40
Ch. Karnchang Holding Co., Ltd.	10.12
Thai NVDR Company Limited	9.16

Balance Sheet Metrics

FY26 NAV/Share (Bt)	18.4
FY26 Net Debt/Share (Bt)	19.0

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 diversity its long-term revenue.

- **Gross margin stable qoq.** We expect gross margin to remain stable qoq at 7.4% but decline from 7.9% in 2Q25 due to higher contribution from lower-margin projects. The company indicated that the impact from the Middle East conflict should be limited, with the main effect coming from fuel costs which are expected to be 1-2% (fuel accounts for approximately 8% of COGS). Meanwhile, raw material costs are likely to remain largely unaffected, as prices for several projects have been locked in from the outset. Looking ahead, we foresee 2026 gross margin remaining within management's guidance of 7-8%. Meanwhile, SG&A-to-sales is forecast to remain broadly stable qoq.
- **Profit from associates to drop qoq but decline yoy.** In 2Q26, we expect CK to recognise equity income from associates of Bt461m from Bangkok Expressway and Metro and CKPower (CKP), up 56.0% yoy but down 22.0% qoq, mainly due to forex losses at CKP resulting from the depreciation of the baht. CK will also recognise a dividend income of Bt232m from TTW in the quarter.
- **Potential data centre construction opportunity.** Given CK's long track record as one of Thailand's leading contractors, its top 3 market position, and extensive expertise in both civil and system works, we view CK as a potential beneficiary of future data centre construction opportunities. However, participation in such projects is likely to depend on environmental requirements and project economics.

Valuation/Recommendation

- **Maintain BUY with a target price of Bt22.00 (previously Bt20.40),** based on 1.2x 2026F P/B, in line with its five-year historical average. We remain positive on 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

- Risks: a) Delay in construction, b) higher material costs, c) political instability, and d) delayed project biddings.

Share Price Catalyst

- Better-than-expected gross margin on a higher proportion of high-margin works.
- 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.

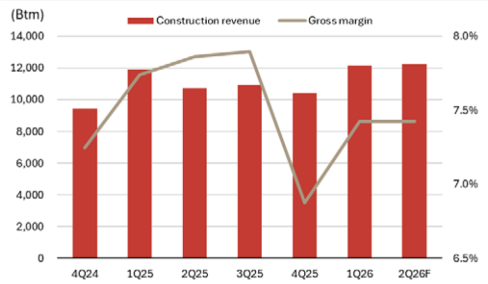
Social

- 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

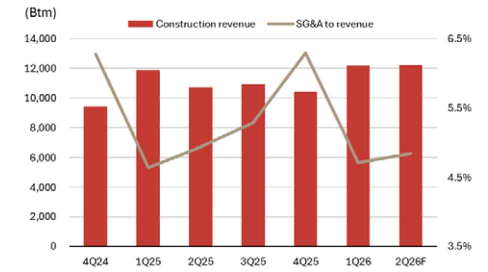
- CK has social policies and practices that focus on economic operations, community engagement, and development.

Revenue And Gross Margin



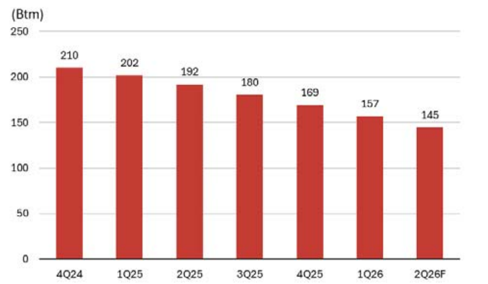
Source: CH. Karnchang, UOB Kay Hian

Revenue And SG&A to revenue



Source: CH. Karnchang, UOB Kay Hian

Backlog



Source: CH. Karnchang, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	43,967	46,614	46,688	51,303
EBITDA	2,672	2,411	2,685	2,770
Deprec. & amort.	950	775	760	747
EBIT	1,722	1,636	1,925	2,023
Total other non-operating income	465	464	464	464
Associate contributions	2,160	1,951	1,795	1,869
Net interest income/(expense)	(1,710)	(1,463)	(1,349)	(1,308)
Pre-tax profit	3,464	2,588	2,836	3,049
Tax	(109)	(188)	(206)	(221)
Minorities	(27)	(35)	(31)	(33)
Net profit	3,328	2,364	2,599	2,794
Net profit (adj.)	2,666	2,364	2,599	2,794

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	13,975	15,570	14,324
Other current assets	40,443	38,304	38,354	41,969
Total assets	117,075	118,984	120,490	122,732
ST debt	12,407	12,407	12,407	12,407
Other current liabilities	37,517	37,901	37,891	38,557
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	31,200	34,559	38,101
Minority interest	544	579	610	643
Total liabilities & equity	117,075	118,984	120,490	122,732

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	(4,011)	5,612	3,330	626
Pre-tax profit	3,464	2,588	2,836	3,049
Tax	(109)	(188)	(206)	(221)
Deprec. & amort.	950	775	760	747
Working capital changes	2,095	(1,690)	(60)	(2,948)
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)	4,205	1,595	(1,246)
Beginning cash & cash equivalent	10,256	9,770	13,975	15,570
Ending cash & cash equivalent	9,770	13,975	15,570	14,324

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	6.1	5.2	5.8	5.4
Pre-tax margin	7.9	5.6	6.1	5.9
Net margin	7.6	5.1	5.6	5.4
Growth				
Net profit (adj.)	84.4	(11.3)	9.9	7.5
Leverage				
Debt to total capital	166.5	145.4	126.0	109.2
Debt to equity	169.7	148.1	128.3	111.1
Net debt/(cash) to equity	135.0	103.3	83.2	73.5
Interest cover	1.6	1.6	2.0	2.1