Ch. Karnchang Pcl (CK TB) - BUY, Price Bt12.90, TP Bt21.00

Results Comment

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Strong 3Q25 profit beat

- CK reported a normalized profit of Bt925m in 3Q25, up 37% y-y and 7% q-q. The profit was stronger than what we had expected. Its strong earnings growth was mainly driven by higher sales, gross margin, and equity income. Including the Bt814m gain from the sale of Luang Prabang Power shares and the mark-to-market gain on the remaining 10% stake, CK reported a net profit of Bt1.7bn in 3Q25.
- Its 9M25 earnings account for 107% of our full-year forecast, so we see an upside risk to our 225F earnings forecast.
- We still like CK given 1) its secured revenue growth from the record-high backlog, 2) its high earnings contribution from its associates, 3) its cheap valuation with the share trading at a 55% discount on its subsidiaries' market value, and 4) its high potential projects such as the double-deck expressway and the M&E work for the South Purple Line.
- CK's revenue grew 16% y-y in 3Q25. The major projects that contributed to its revenue included the Luang Prabang Power Plant, the South Purple Line, the Den Chai-Chiang Rai-Chiang Khong double-track railway, and the M&E work for the Orange Line. We estimate its backlog to remain at Bt181bn at end 3Q25.
- Given a higher proportion of revenue from the high-margin projects, its gross margin improved to 8.6% in 3Q25 vs. 7.7% in 3Q24. Its SG&A expenses increased by only 5% y-y given its better cost management and operating leverage benefits.
- Its equity income increased by 1% y-y and 25% q-q in 3Q25 mainly due to higher profit contribution from CKP.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**3Q24**	**4Q24**	**1Q25**	**2Q25**	**3Q25**
Revenue	9,449	9,482	11,970	10,813	11,000
Gross profit	**726**	**751**	**991**	**927**	**941**
SG&A	555	596	556	534	583
Operating profit	171	155	435	393	358
EBITDA	**386**	**374**	**662**	**638**	**599**
Other income	395	102	141	455	405
Other expense	0	0	0	0	0
Interest expense	587	671	507	551	546
Profit before tax	**(21)**	**(414)**	**69**	**297**	**218**
Income tax	24	38	35	32	27
Equity & invest. income	735	632	267	594	743
Minority interests	(15)	(18)	(19)	4	(8)
Extraordinary items	333	(333)	0	0	814
Net profit	**1,008**	**(171)**	**282**	**863**	**1,739**
Normalized profit	**675**	**162**	**282**	**863**	**925**
EPS (Bt)	0.59	(0.10)	0.17	0.51	1.03
Normalized EPS (Bt)	0.40	0.10	0.17	0.51	0.55

Income Statement			9M as		
(Bt m)	**q-q%**	**y-y%**	**% 2025F**	**2025F**	**2026F**
Revenue	2	16	79	42,712	44,285
Gross profit	**2**	**30**	**81**	**3,519**	**3,649**
SG&A	9	5	71	2,349	2,436
Operating profit	(9)	109	101	1,170	1,213
EBITDA	**(6)**	**55**	**85**	**2,242**	**2,297**
Other income	(11)	2	87	1,145	1,170
Other expense				0	0
Interest expense	(1)	(7)	73	2,184	1,965
Profit before tax	**(27)**	**na**	**444**	**132**	**418**
Income tax	(15)	13	70	136	256
Equity & invest. income	25	1	80	2,014	2,046
Minority interests	na	na	na	(70)	(73)
Extraordinary items		144	163	500	0
Net profit	**102**	**73**	**118**	**2,439**	**2,135**
Normalized profit	**7**	**37**	**107**	**1,939**	**2,135**
EPS (Bt)	102	73	118	1.44	1.26
Normalized EPS (Bt)	7	37	107	1.14	1.26

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**3Q24**	**4Q24**	**1Q25**	**2Q25**	**3Q25**
Cash & ST investment	10,731	10,188	11,924	12,930	11,239
A/C receivable	6,692	5,472	6,457	6,117	6,972
Inventory	11,070	11,710	8,858	6,073	4,230
Other current assets	13,522	18,783	19,278	19,357	22,535
Investment	45,816	45,718	47,758	50,188	50,049
Fixed assets	9,917	9,520	9,355	9,182	9,002
Other assets	11,670	11,710	12,465	12,547	12,522
Total assets	**109,419**	**113,102**	**116,095**	**116,395**	**116,550**
S-T debt	10,398	16,395	17,812	14,135	12,994
A/C payable	5,419	4,376	6,203	5,210	6,227
Other current liabilities	21,825	24,864	22,699	23,064	25,442
L-T debt	41,381	38,009	40,234	44,309	40,336
Other liabilities	2,839	2,979	2,811	2,927	2,980
Minority interest	554	569	584	542	549
Shareholders' equity	**27,002**	**25,910**	**25,752**	**26,208**	**28,023**
Working capital	12,344	12,806	9,113	6,981	4,976
Total debt	51,780	54,403	58,046	58,443	53,330
Net debt	**41,048**	**44,215**	**46,122**	**45,513**	**42,091**

Financial Ratios					
(%)	**3Q24**	**4Q24**	**1Q25**	**2Q25**	**3Q25**
Sales growth	5.1	5.6	25.7	16.6	16.4
Operating profit growth	(10.9)	124.6	77.7	118.6	109.4
EBITDA growth	(22.4)	14.2	44.4	65.2	55.3
Norm profit growth	5.3	3.7	133.3	76.8	37.1
Norm EPS growth	5.3	3.7	133.3	76.8	37.1
Gross margin	7.7	7.9	8.3	8.6	8.6
Operating margin	1.8	1.6	3.6	3.6	3.3
EBITDA margin	4.1	3.9	5.5	5.9	5.4
Norm net margin	7.1	1.7	2.4	8.0	8.4
D/E (x)	1.9	2.1	2.2	2.2	1.9
Net D/E (x)	1.5	1.7	1.8	1.7	1.5
Interest coverage (x)	0.7	0.6	1.3	1.2	1.1
Interest rate	4.3	5.1	3.6	3.8	3.9
Effective tax rate	(115.2)	(9.1)	50.7	10.8	12.5
ROA	2.6	0.6	1.0	3.0	3.2
ROE	10.2	2.5	4.4	13.3	13.6

Sources: Company data, Thanachart estimates

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