

BUY (Unchanged)

Company update

TP: Bt 23.00 (Unchanged)

Upside : 32.2%

Ch. Karnchang Pcl (CK TB)

Undervalued

We reiterate our BUY call on CK, viewing the stock as undervalued, trading below our Bt23/share TP. The value of CK's investment in associates of Bt18.0/share now exceeds its share price, implying the market assigns no value to its construction business, which is growing.

Reiterating BUY with a TP of Bt23

This is a part of *Construction Sector – In a new earnings cycle*, dated 19 May 2026. We reiterate our BUY call on CK. **First**, CK is undervalued in our view, trading below its DCF-derived, SOTP-based 12-month TP (2026F base year) of Bt23/share. Of that, the value of its investments in associated companies is Bt18.0 per share, exceeding CK's current share price. This implies that the market is assigning no value to its construction business, which we believe is unjustified. **Second**, CK is a play on Thailand's new construction cycle, as it is one of the few contractors eligible to bid for the government's potential Bt775bn worth of megaprojects over 2026-28F. **Third**, we believe its 2026-28F earnings CAGR of 7% p.a. is well secured, supported by revenue recognition from its high existing backlog, potential new infrastructure projects, and recurring dividend and equity income contributions from associates.

7% p.a. EPS CAGR looks secured

We estimate CK's EPS growth at 5%/7%/11% y-y in 2026-28F. We expect revenue growth of 4-8% y-y over the same period, driven by higher revenue recognition from its Bt169bn of backlog at end-2025 (4x 2026F revenue). It also has a high chance of securing Bt35bn in construction work for the double-deck expressway project and Bt27bn in system installation work for the South Purple Line from its 42%-owned Bangkok Expressway & Metro (BEM TB, BUY, Bt5.2). Moreover, we expect CK to win a share of the government's Bt775bn infrastructure projects planned for tender in 2026-28F. Management is not overly concerned about the recent rise in building material prices, as the firm has been stockpiling materials since the early stages of the Iran war. We therefore maintain our gross margin assumption of 8.3% in 2026-28F (vs. 8.0% in 1Q26).

Stable income from associates

CK has diversified its business into infrastructure investments that generate recurring income. Its investments include BEM, 19%-owned TTW (TTW TB, unrated, Bt9.3), and 30%-owned CK Power (CKP TB, BUY, Bt2.26). These associates not only provide dividend and equity income of Bt2.6bn-2.8bn p.a. over 2026-28F, but they also generate construction opportunities for CK via their new projects. BEM is negotiating with the government to operate the double-deck expressway and the South Purple Line projects.

Debt deleveraging

CK's stronger cash flow generation and debt repayments from its associates have supported deleveraging, allowing its net D/E ratio to decline from 1.7x in 2024 to 1.0x at end-1Q26. Given its debenture covenant ratio of 3x and an investment portfolio value of Bt46bn at current market prices, we believe cash call and liquidity risks are no longer a concern.


SAKSID PHADTHANARAK

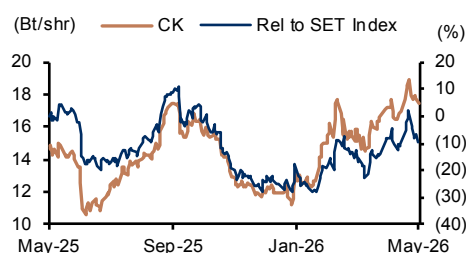
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COMPANY VALUATION

Y/E Dec (Bt m)	2025A	2026F	2027F	2028F
Sales	44,277	45,823	47,515	51,217
Net profit	3,328	2,619	2,791	3,101
Consensus NP	—	2,396	2,596	2,492
Diff frm cons (%)	—	9.3	7.5	24.4
Norm profit	2,501	2,619	2,791	3,101
Prev. Norm profit	—	2,625	2,803	3,101
Chg frm prev (%)	—	(0.2)	(0.4)	0.0
Norm EPS (Bt)	1.48	1.55	1.65	1.83
Norm EPS grw (%)	73.0	4.7	6.6	11.1
Norm PE (x)	11.8	11.3	10.6	9.5
EV/EBITDA (x)	29.7	26.0	24.5	21.4
P/BV (x)	1.0	1.0	0.9	0.9
Div yield (%)	2.6	3.1	3.3	3.7
ROE (%)	9.3	9.0	9.0	9.4
Net D/E (%)	132.3	108.3	94.9	82.9

PRICE PERFORMANCE

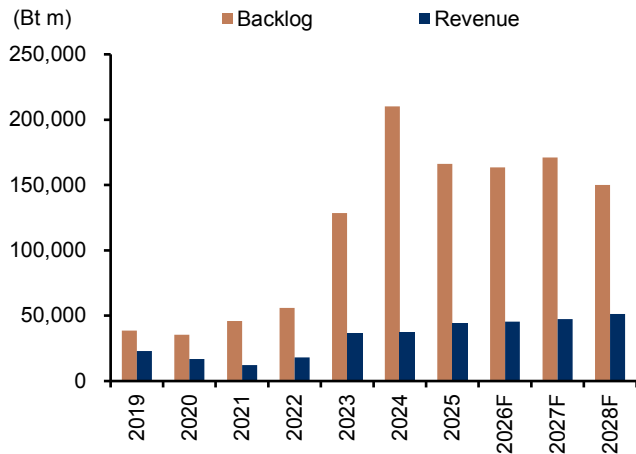


COMPANY INFORMATION

Price as of 18-May-26 (Bt)	17.40
Market Cap (US\$ m)	902.4
Listed Shares (m shares)	1,693.9
Free Float (%)	67.8
Avg. Daily Turnover (US\$ m)	3.8
12M Price H/L (Bt)	18.90/10.60
Sector	Construction
Major Shareholder	Trivisvavet group 32%

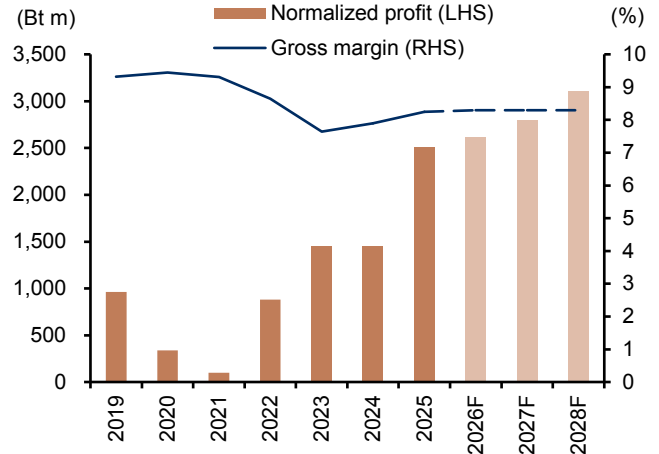
Sources: Bloomberg, Company data, ttb wealth estimates

Ex 1: CK's Backlog And Revenue



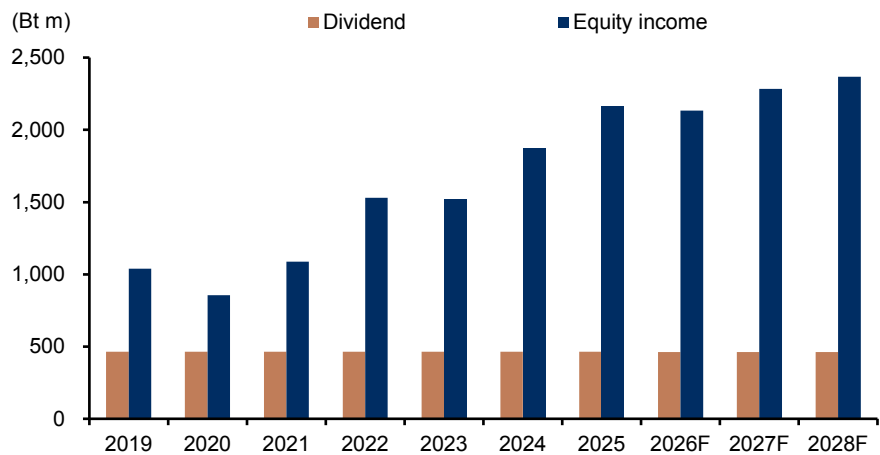
Sources: Company data, ttb wealth estimates

Ex 2: CK's Gross Margin And Earnings



Sources: Company data, ttb wealth estimates

Ex 3: CK's Dividend And Equity Income



Sources: Company data, ttb wealth estimates

Ex 4: CK's SOTP Value

BBG code	% holding	Fair value (Bt m)	15% discount (Bt m)	Share price (Bt/share)	Market value (Bt m)
TTW TB	19.4%	6,967	5,922	9.3	7,199
BEM TB	42.3%	51,676	43,924	5.2	33,589
CKP TB	30.0%	12,194	10,365	2.3	5,512
Total		70,836	60,211		46,300
Construction enterprise value		16,604			
Proportionate net debt		(8,215)	(29,751)		
Proportionate minority interest		(118)	(426)		
Equity value		8,293	30,034		
Per CK share (Bt)		5.0	18.0		

Sources: Company data, ttb wealth estimates

Ex 5: Our New Work Assumptions

(Bt bn)	2025	2026F	2027F
Beginning backlog	210.2	166.2	163.5
New work			
Double-deck expressway project		35.0	
Siriraj International Medical Institute project		7.7	
High-speed railway projects			24.0
Double-track railway projects			4.0
M&E work for South Purple Line project			27.0
Realized revenue	(44.0)	(45.4)	(47.4)
Ending backlog	166.2	163.5	171.2

Sources: Company data, ttb wealth estimates

COMPANY DESCRIPTION

Ch. Karnchang Pcl (CK) is one of Thailand's leading contractors and developers of basic infrastructure. It has more than 30 years of experience in constructing large-scale infrastructure, building complexes, and general civil work. The company has also been investing in government concession projects to expand its operations and generate steady, long-term income.

Source: ttb wealth

COMPANY RATING



Rating Scale

Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: ttb wealth; *CG Rating

TTB WEALTH'S SWOT ANALYSIS

S — Strength

- One of the Big Four contractors in Thailand and categorized as class-A in terms of being qualified to bid for most large-scale investments.
- Business diversification into infrastructure investments to stabilize its long-term earnings.

O — Opportunity

- Thailand is in an infrastructure investment cycle.
- Its exposure to high-potential projects abroad, especially hydroelectric work in Laos.

W — Weakness

- Most of CK's revenues come from projects it has to bid for, and there are no guarantees it will win these bids.
- CK's interest expenses are high, leading to a significant risk of earnings losses if revenues fall.
- The construction business is labour-intensive, so there are risks of higher labor costs and labor shortages.

T — Threat

- The government's time-consuming implementation processes could cause delays to Thailand's infrastructure investment.
- Volatility in building material prices is another risk.

CONSENSUS COMPARISON

	Consensus	ttb wealth	Diff
Target price (Bt)	21.88	23.00	5%
Net profit 26F (Bt m)	2,396	2,619	9%
Net profit 27F (Bt m)	2,596	2,791	8%
Consensus REC	BUY: 12	HOLD: 2	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2026-27F earnings are 8-9% higher than the Bloomberg consensus estimates, which we believe is due to us having more aggressive new work and sales assumptions.
- Our SOTP-based TP is also 5% higher than that of other brokers, following our higher earnings forecasts.

Sources: Bloomberg consensus, ttb wealth estimates

RISKS TO OUR INVESTMENT CASE

- The key downside risk to our call would be if the government's infrastructure investment projects cannot be implemented, as this would likely prompt us to adjust our new work value assumptions downward.
- Building material expenses account for 50-60% of CK's total costs. Therefore, adverse price fluctuations pose a secondary downside risk to our earnings forecasts.
- The weak economy could have a significant negative impact on consumer confidence and new investments.

Source: ttb wealth

INCOME STATEMENT

FY ending Dec (Bt m)	2024A	2025A	2026F	2027F	2028F
Sales	37,721	44,277	45,823	47,515	51,217
Cost of sales	34,742	40,624	42,019	43,571	46,966
Gross profit	2,979	3,653	3,803	3,944	4,251
% gross margin	7.9%	8.3%	8.3%	8.3%	8.3%
Selling & administration expenses	2,229	2,334	2,383	2,518	2,612
Operating profit	750	1,318	1,421	1,425	1,639
% operating margin	2.0%	3.0%	3.1%	3.0%	3.2%
Depreciation & amortization	854	950	989	1,037	1,085
EBITDA	1,604	2,268	2,409	2,462	2,724
% EBITDA margin	4.3%	5.1%	5.3%	5.2%	5.3%
Non-operating income	1,049	1,259	906	899	917
Non-operating expenses	0	0	0	0	0
Interest expense	(2,020)	(2,100)	(1,631)	(1,599)	(1,543)
Pre-tax profit	(222)	477	696	725	1,013
Income tax	119	109	139	145	203
After-tax profit	(340)	368	557	580	810
% net margin	-0.9%	0.8%	1.2%	1.2%	1.6%
Shares in affiliates' Earnings	1,875	2,160	2,133	2,283	2,369
Minority interests	(89)	(27)	(70)	(73)	(78)
Extraordinary items	0	827	0	0	0
NET PROFIT	1,446	3,328	2,619	2,791	3,101
Normalized profit	1,446	2,501	2,619	2,791	3,101
EPS (Bt)	0.85	1.96	1.55	1.65	1.83
Normalized EPS (Bt)	0.85	1.48	1.55	1.65	1.83

We estimate 5-11% y-y earnings growth in 2026-28F...

...driven by higher revenue recognition from its backlog value and high gross margin

BALANCE SHEET

FY ending Dec (Bt m)	2024A	2025A	2026F	2027F	2028F
ASSETS:					
Current assets:	46,154	50,213	47,127	49,095	52,141
Cash & cash equivalent	10,188	9,770	10,000	10,000	10,000
Account receivables	5,472	6,615	6,905	7,160	7,718
Inventories	11,710	4,305	4,029	4,775	5,147
Others	18,783	29,523	26,193	27,161	29,277
Investments & loans	54,961	55,716	56,716	57,716	58,716
Net fixed assets	9,520	8,982	8,793	8,556	8,271
Other assets	2,467	2,165	2,243	2,328	2,508
Total assets	113,102	117,075	114,879	117,696	121,637
LIABILITIES:					
Current liabilities:	45,635	49,924	49,784	52,159	55,120
Account payables	4,376	6,365	6,562	7,879	9,136
Bank overdraft & ST loans	4,371	880	2,157	2,045	1,941
Current LT debt	12,024	11,527	9,837	9,323	8,852
Others current liabilities	24,864	31,152	31,228	32,912	35,190
Total LT debt	38,009	35,329	31,152	29,523	28,033
Others LT liabilities	2,979	3,131	3,325	3,449	3,717
Total liabilities	86,623	88,384	84,261	85,131	86,869
Minority interest	569	544	614	686	764
Preferreds shares	0	0	0	0	0
Paid-up capital	1,694	1,694	1,694	1,694	1,694
Share premium	4,869	4,869	4,869	4,869	4,869
Warrants	0	0	0	0	0
Surplus	1,510	1,094	1,094	1,094	1,094
Retained earnings	17,836	20,490	22,347	24,222	26,346
Shareholders' equity	25,910	28,148	30,005	31,879	34,003
Liabilities & equity	113,102	117,075	114,879	117,696	121,637

Sources: Company data, ttb wealth estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2024A	2025A	2026F	2027F	2028F
Earnings before tax	(222)	477	696	725	1,013
Tax paid	(114)	(116)	(135)	(147)	(201)
Depreciation & amortization	854	950	989	1,037	1,085
Chg In working capital	(3,694)	8,251	183	316	327
Chg In other CA & CL / minorities	11,625	2,374	1,321	3,003	2,529
Cash flow from operations	8,449	11,935	3,054	4,934	4,753
Capex	(87)	(412)	(800)	(800)	(800)
Right of use	24	4	(5)	(5)	(5)
ST loans & investments	(38)	(4,145)	4,213	0	0
LT loans & investments	(3,471)	(755)	(1,000)	(1,000)	(1,000)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(333)	711	120	44	93
Cash flow from investments	(3,905)	(4,596)	2,528	(1,761)	(1,712)
Debt financing	(1,121)	(6,667)	(4,589)	(2,256)	(2,064)
Capital increase	0	0	0	0	0
Dividends paid	(508)	(588)	(762)	(917)	(977)
Warrants & other surplus	(511)	(502)	0	0	0
Cash flow from financing	(2,140)	(7,758)	(5,351)	(3,173)	(3,041)
Free cash flow	4,544	7,339	5,582	3,173	3,041

VALUATION

FY ending Dec	2024A	2025A	2026F	2027F	2028F
Normalized PE (x)	20.38	11.8	11.3	10.6	9.5
Normalized PE - at target price (x)	26.94	15.6	14.9	14.0	12.6
PE (x)	20.38	8.86	11.3	10.6	9.5
PE - at target price (x)	26.94	11.71	14.9	14.0	12.6
EV/EBITDA (x)	45.9	29.7	26.0	24.5	21.4
EV/EBITDA - at target price (x)	51.9	33.9	29.9	28.4	24.9
P/BV (x)	1.1	1.0	1.0	0.9	0.9
P/BV - at target price (x)	1.5	1.4	1.3	1.2	1.1
P/CFO (x)	3.5	2.5	9.7	6.0	6.2
Price/sales (x)	0.8	0.7	0.6	0.6	0.6
Dividend yield (%)	1.7	2.6	3.1	3.3	3.7
FCF Yield (%)	15.4	24.9	18.9	10.8	10.3
(Bt)					
Normalized EPS	0.85	1.48	1.55	1.65	1.83
EPS	0.85	1.96	1.55	1.65	1.83
DPS	0.30	0.45	0.54	0.58	0.64
BV/share	15.30	16.62	17.71	18.82	20.07
CFO/share	4.99	7.05	1.80	2.91	2.81
FCF/share	2.68	4.33	3.30	1.87	1.80

Sources: Company data, ttb wealth estimates

CK's valuation is attractive in our view with the shares trading at a 36% discount to its associates' market value

FINANCIAL RATIOS

FY ending Dec	2024A	2025A	2026F	2027F	2028F
Growth Rate					
Sales (%)	2.7	17.4	3.5	3.7	7.8
Net profit (%)	(3.7)	130.2	(21.3)	6.6	11.1
EPS (%)	(3.7)	130.2	(21.3)	6.6	11.1
Normalized profit (%)	(0.4)	73.0	4.7	6.6	11.1
Normalized EPS (%)	(0.4)	73.0	4.7	6.6	11.1
Dividend payout ratio (%)	35.1	22.9	35.0	35.0	35.0
Operating performance					
Gross margin (%)	7.9	8.3	8.3	8.3	8.3
Operating margin (%)	2.0	3.0	3.1	3.0	3.2
EBITDA margin (%)	4.3	5.1	5.3	5.2	5.3
Net margin (%)	(0.9)	0.8	1.2	1.2	1.6
D/E (incl. minor) (x)	2.1	1.7	1.4	1.3	1.1
Net D/E (incl. minor) (x)	1.7	1.3	1.1	0.9	0.8
Interest coverage - EBIT (x)	0.4	0.6	0.9	0.9	1.1
Interest coverage - EBITDA (x)	0.8	1.1	1.5	1.5	1.8
ROA - using norm profit (%)	1.4	2.2	2.3	2.4	2.6
ROE - using norm profit (%)	5.6	9.3	9.0	9.0	9.4
DuPont					
ROE - using after tax profit (%)	na	1.4	1.9	1.9	2.5
- asset turnover (x)	0.4	0.4	0.4	0.4	0.4
- operating margin (%)	na	5.8	5.1	4.9	5.0
- leverage (x)	4.1	4.3	4.0	3.8	3.6
- interest burden (%)	(12.3)	18.5	29.9	31.2	39.6
- tax burden (%)	na	77.1	80.0	80.0	80.0
WACC (%)	7.3	7.3	7.3	7.3	7.3
ROIC (%)	1.0	1.5	1.7	1.8	2.1
NOPAT (Bt m)	750	1,017	1,136	1,140	1,311
invested capital (Bt m)	70,125	66,114	63,151	62,769	62,830

We expect net D/E ratio to fall further to 1.1x in 2026F and 0.9x in 2027F from 1.7x in 2024

Sources: Company data, ttb wealth estimates

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