Ch. Karnchang Pcl (CK TB) - BUY, Price Bt18.00, TP Bt22.50

Results Comment

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2Q26 profit slightly below our forecast

- CK reported a normalized profit of Bt800m in 2Q26, down 7% y-y but up 143% q-q, slightly below our expectations. The y-y drop was mainly due to lower equity income, while the q-q growth was driven by dividend income from its 19%-owned TTW (TTW TB, Bt10.5, not rated). Excluding dividend and equity income, construction earnings rose 8% y-y, supported by higher construction revenue, stable gross margin, and economies of scale.
- 6M26 earnings make up 43% of our full-year forecast. Even though we believe our construction earnings growth remains intact, we see downside risk to our equity income projection.
- However, we maintain our BUY on CK given: 1) construction earnings growth from its high backlog, 2) high earnings contribution from associates, 3) attractive valuation at 12x PE, 1x P/BV, and 49% discount to subsidiaries' market value, and 4) potential construction projects.
- CK's revenue grew 6% y-y in 2Q26, mainly driven by higher revenue recognition from its Bt157bn backlog at end-1Q26. The major projects that contributed to its revenue included the Luang Prabang Power Plant, the South Purple Line, the Den double-track railway, and the Orange Line.
- Despite higher building material prices, gross margin improved to 8.8% in 2Q26 vs. 8.6% in 2Q25. We believe this was supported by low-cost material inventory and efficient cost management.
- SG&A expenses increased 7% y-y, in line with sales growth. While other income declined by 35% y-y, mainly due to lower interest income, interest expense also fell 31% y-y following debt repayments.
- Equity income fell 21% y-y, mainly due to a lower earnings contribution from its 30%-owned associate, CK Power (CKP TB, Bt2.5, SELL).

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q25	3Q25	4Q25	1Q26	2Q26
Revenue	10,813	11,000	10,494	12,243	11,420
Gross profit	**927**	**941**	**794**	**982**	**1,004**
SG&A	534	583	662	577	572
Operating profit	393	358	133	405	432
EBITDA	**638**	**599**	**370**	**617**	**652**
Other income	455	405	258	76	298
Other expense	0	0	0	0	0
Interest expense	551	546	497	416	382
Profit before tax	**297**	**218**	**(107)**	**65**	**348**
Income tax	32	27	14	26	17
Equity & invest. income	594	743	557	296	467
Minority interests	4	(8)	(5)	(6)	3
Extraordinary items	0	814	13	0	0
Net profit	**863**	**1,739**	**444**	**329**	**800**
Normalized profit	**863**	**925**	**431**	**329**	**800**
EPS (Bt)	0.51	1.03	0.26	0.19	0.47
Normalized EPS (Bt)	0.51	0.55	0.25	0.19	0.47

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2026F	2026F	2027F
Revenue	(7)	6	52	45,823	47,515
Gross profit	**2**	**8**	**52**	**3,803**	**3,944**
SG&A	(1)	7	48	2,383	2,518
Operating profit	7	10	59	1,421	1,425
EBITDA	**6**	**2**	**53**	**2,409**	**2,462**
Other income	291	(35)	41	906	899
Other expense					
Interest expense	(8)	(31)	49	1,644	1,637
Profit before tax	**432**	**17**	**60**	**683**	**687**
Income tax	(34)	(46)	32	137	137
Equity & invest. income	58	(21)	36	2,130	2,262
Minority interests	na	(24)	na	(70)	(73)
Extraordinary items	na	na	na	0	0
Net profit	**143**	**(7)**	**43**	**2,606**	**2,738**
Normalized profit	**143**	**(7)**	**43**	**2,606**	**2,738**
EPS (Bt)	143	(7)	43	1.54	1.62
Normalized EPS (Bt)	143	(7)	43	1.54	1.62

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q25	3Q25	4Q25	1Q26	2Q26
Cash & ST investment	12,930	11,239	9,770	11,853	9,596
A/C receivable	6,117	6,972	6,615	6,369	6,322
Inventory	6,073	4,230	4,305	3,796	3,570
Other current assets	19,357	22,535	29,523	24,055	24,799
Investment	50,188	50,049	51,385	52,173	52,343
Fixed assets	9,182	9,002	8,982	8,939	8,825
Other assets	12,547	12,522	6,495	7,631	7,642
Total assets	**116,395**	**116,550**	**117,075**	**114,818**	**113,098**
S-T debt	14,135	12,994	12,407	12,399	12,016
A/C payable	5,210	6,227	6,365	7,692	5,819
Other current liabilities	23,064	25,442	31,152	32,298	33,334
L-T debt	44,309	40,336	35,329	30,063	28,429
Other liabilities	2,927	2,980	3,131	3,059	3,123
Minority interest	542	549	544	549	526
Shareholders' equity	**26,208**	**28,023**	**28,148**	**28,758**	**29,851**
Working capital	6,981	4,976	4,555	2,473	4,074
Total debt	58,443	53,330	47,736	42,462	40,445
Net debt	**45,513**	**42,091**	**37,966**	**30,608**	**30,849**

Financial Ratios					
(%)	2Q25	3Q25	4Q25	1Q26	2Q26
Sales growth	16.6	16.4	10.7	2.3	5.6
Operating profit growth	118.6	109.4	(14.4)	(6.9)	10.1
EBITDA growth	65.2	55.3	(1.2)	(6.7)	2.2
Norm profit growth	76.8	37.1	165.9	16.6	(7.2)
Norm EPS growth	76.8	37.1	165.9	16.6	(7.2)
Gross margin	8.6	8.6	7.6	8.0	8.8
Operating margin	3.6	3.3	1.3	3.3	3.8
EBITDA margin	5.9	5.4	3.5	5.0	5.7
Norm net margin	8.0	8.4	4.1	2.7	7.0
D/E (x)	2.2	1.9	1.7	1.4	1.3
Net D/E (x)	1.7	1.5	1.3	1.0	1.0
Interest coverage (x)	1.2	1.1	0.7	1.5	1.7
Interest rate	3.8	3.9	3.9	3.7	3.7
Effective tax rate	10.8	12.5	(13.6)	40.1	5.0
ROA	3.0	3.2	1.5	1.1	2.8
ROE	13.3	13.6	6.1	4.6	10.9

Sources: Company data, ttb wealth estimates

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