

# CH.KARNCHANG CK TB

## THAILAND / CONSTRUCTION SERVICES

# BUY

## Construction cycle enters upswing

- คาด Backlog ของ CK เร่งขึ้นทำสถิติสูงสุดใหม่ในปี 2023
- เราประเมินกำไรปกติปี 2023 ที่ 1.4 พันลบ. (+62% y-y) หนุนจากธุรกิจก่อสร้างที่ฟื้นตัวขึ้นและการเติบโตของบริษัทที่รวม
- แนะนำซื้อที่ราคาเป้าหมาย 26 บาท (SoTP)

TARGET PRICE	THB26.00
CLOSE	THB21.00
UP/DOWNSIDE	+23.8%
TP vs CONSENSUS	-5.8%

### มุมมองเชิงบวกจากที่ประชุมนักวิเคราะห์

เรามีมุมมองเชิงบวกจากที่ประชุมนักวิเคราะห์ของ CK เมื่อวันที่ 4 เม.ย. ผู้บริหารมั่นใจต่อแนวโน้มโดยรวมของบริษัท ที่แข็งแกร่งตั้งแต่ปี 2023 เป็นต้นไปจากธุรกิจก่อสร้างกลับมาฟื้นตัวขึ้นต่อเนื่องในช่วง 7 ปีข้างหน้าจากงานในมือที่เร่งขึ้น ส่วนบริษัทที่รวมของ CK ผู้บริหารเชื่อว่า BEM จะเซ็นสัญญารถไฟฟ้ายาสีลมในช่วง 2H23 และ TTW จะสามารถต่อสัญญา PTW ก่อนสิ้นสุดในเดือน ต.ค. 23

### คาดการณ์ในมือของ CK จะทำสถิติสูงสุดใหม่ในปีนี้

CK มีมูลค่างานในมืออยู่ที่ 56 พันลบ. ณ สิ้นปี 2022 ก่อนเร่งขึ้นทำสถิติสูงสุดใหม่ที่ 150 พันลบ. ภายในกลางปีนี้ และ 260 พันลบ. ภายในสิ้นปี จากการเซ็นสัญญาโครงการใหม่ประกอบด้วย 1) โรงไฟฟ้าพลังน้ำหลวงพระบาง (มูลค่า 98 พันลบ.) ซึ่งคาด CK จะสามารถบันทึกรายได้ก่อสร้างที่ค่าสูงกว่า 1.8 พันลบ. เมื่อ CKP ประกาศเซ็นสัญญาอย่างเป็นทางการซึ่งคาดในเดือนเม.ย. นี้ และ 2) รถไฟฟ้าสายสีส้มมูลค่า 109 พันลบ. แบ่งงานก่อสร้างฝั่งตะวันตกและงานระบบสาธารณูปโภค (M&E) ซึ่งคาดเริ่มงานก่อสร้างในช่วง 1H24 นอกจากนี้ ในปี 2024 CK ยังวางแผนยื่นประมูลงาน Double Deck และงาน M&E สำหรับรถไฟฟ้าสายสีม่วงใต้ ซึ่งคาดจะช่วยเพิ่มงานในมือเป็นระดับมากกว่า 300 พันลบ. ภายในปี 2024 และเพียงพอต่อการรับรู้รายได้ไปอีก 7 ปีข้างหน้า

### แนวโน้มผลประกอบการปี 2023 สดใ้ขึ้น

เราประเมินกำไรปกติปี 2023 จะก้าวกระโดด 62% y-y เป็น 1.4 พันลบ. ซึ่งเป็นระดับสูงสุดในรอบ 4 ปี โดยเราคาดการณ์จากการก่อสร้างที่ 20.7 พันลบ. (+14% y-y) ใกล้เคียงกับเป้าหมายของ CK หลัก ๆ มาจากความคืบหน้าของโครงการรถไฟทางคู่ และรถไฟฟ้าสายสีม่วงใต้ รวมถึงการเริ่มงานโรงไฟฟ้าพลังน้ำหลวงพระบาง นอกจากนี้ ผลการดำเนินงานของบริษัท ยังได้แรงหนุนจากการเติบโตของผลประกอบการของบริษัทที่รวม โดยเฉพาะ BEM ที่คาดเร่งขึ้นตามการฟื้นตัวของปริมาณรถบนทางด่วนและผู้โดยสารรถไฟฟ้า

### แนะนำซื้อที่ราคาเป้าหมาย 26 บาท

เราแนะนำซื้อ CK ที่ราคาเป้าหมาย 26 บาท (SoTP) ซึ่งมาจากธุรกิจก่อสร้างและบริษัทย่อย (BEM, CKP, และ TTW) เรามองว่าปัจจัยบวกต่อราคาหุ้นจะมาจาก การเซ็นสัญญาโครงการใหญ่ซึ่งจะผลักดันการเร่งขึ้นของรายได้เป็น S-Curve ต่อเนื่องในช่วง 7 ปีข้างหน้า อีกทั้ง จุดแข็งเหนือคู่แข่งของ CK คือพอร์ตการลงทุนที่แข็งแกร่งทั้งส่วนแบ่งกำไร (BEM, CKP) และเงินปันผลรับ (TTW)

With this report, we transfer coverage of CK to Thanyatorn Songwutti.



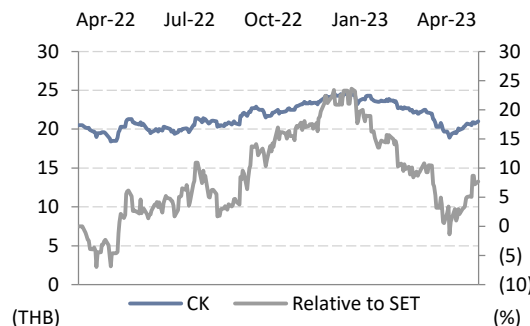
**Thanyatorn Songwutti**

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### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	18,097	20,696	31,720	37,517
Net profit	1,105	1,427	2,394	2,769
EPS (THB)	0.65	0.84	1.41	1.63
vs Consensus (%)	-	(12.5)	1.8	6.5
EBITDA	1,438	1,641	2,444	2,856
Core net profit	882	1,427	2,394	2,769
Core EPS (THB)	0.52	0.84	1.41	1.63
EPS growth (%)	783.4	61.8	67.7	15.7

Core P/E (x)	40.3	24.9	14.9	12.8
Dividend yield (%)	1.2	1.6	2.7	3.1
EV/EBITDA (x)	52.3	44.6	30.1	25.7
Price/book (x)	1.5	1.4	1.4	1.3
Net debt/Equity (%)	160.3	146.6	139.8	131.4
ROE (%)	3.6	5.8	9.4	10.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	6.6	(10.6)	1.4
Relative to country (%)	7.0	(5.1)	7.4
Mkt cap (USD m)	1,021		
3m avg. daily turnover (USD m)	3.4		
Free float (%)	65		
Major shareholder	Trivisvavet Family (32%)		
12m high/low (THB)	24.80/17.90		
Issued shares (m)	1,693.90		

Sources: Bloomberg consensus; FSSIA estimates

## Investment thesis

In 2019-22, CK's core profit was below THB1b from construction operating losses and a shrinking backlog due to fewer new projects. Moreover, its share of profits from BEM plunged due to the Covid-19 situation.

However, we think that CK is on the road to better performance in 2023. CK's overall operations this year should be driven by the construction business recovery, solid backlog prospects, and promising earnings from its associates, especially from BEM's expected higher 2023 profit following the traffic and ridership recovery.

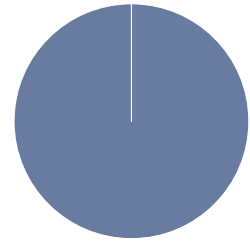
## Company profile

CH. Karnchang (CK) was incorporated in 1972 as construction contractor by accepting engagements from government agencies, state enterprises and private entities. The Company has experience and expertise in engineering and construction of all categories, such as infrastructure construction work. Moreover, the company has invested in the comprehensive infrastructure project development business include Bangkok Expressway and Metro (BEM TB, BUY, TP THB11.5), CK Power (CKP TB, BUY, TP THB6.5), and TTW (TTW TB, NR).

[www.ch-karnchang.co.th](http://www.ch-karnchang.co.th)

## Principal activities (revenue, 2022)

■ Construction services - 100.0 %

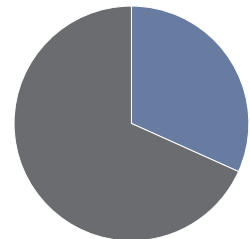


Source: CH.Karnchang

## Major shareholders

■ Trivisvavet Family - 31.7 %

■ Others - 68.3 %



Source: CH.Karnchang

## Catalysts

Contracts for new projects, especially the Luang Prabang hydropower plant and the Orange Line, and higher expected contributions from associates, are key potential growth drivers.

## Risks to our call

Key downside risks to our SoTP-based TP include 1) delays in signing of the Luang Prabang hydropower plant and Orange Line projects; 2) fewer new projects than expected; 3) political uncertainty; 4) delays in construction; 5) labour shortages; 6) higher raw material and labour costs; and 7) intense competition.

## Event calendar

Date	Event
May 2023	1Q23 results announcement

## Key assumptions

	2023E	2024E	2025E
Construction revenue (THB m)	20,696	31,720	37,517
GPM (%)	7.7	7.7	7.7
SG&A to sales (%)	9.2	8.0	5.2
Associates (THB m)	1,954	2,154	2,225
Dividend income (THB m)	465	465	465

Source: FSSIA estimates

## Earnings sensitivity

- For every 5% increase in revenue, we estimate 2023 net profit to rise by 5.9%, and vice versa, all else being equal.
- For every 0.25% increase in GPM, we estimate 2023 net profit to rise by 2.3%, and vice versa, all else being equal.
- For every 2% increase in SG&A, we estimate 2023 net profit to fall by 2.8%, and vice versa, all else being equal.

Source: FSSIA estimates

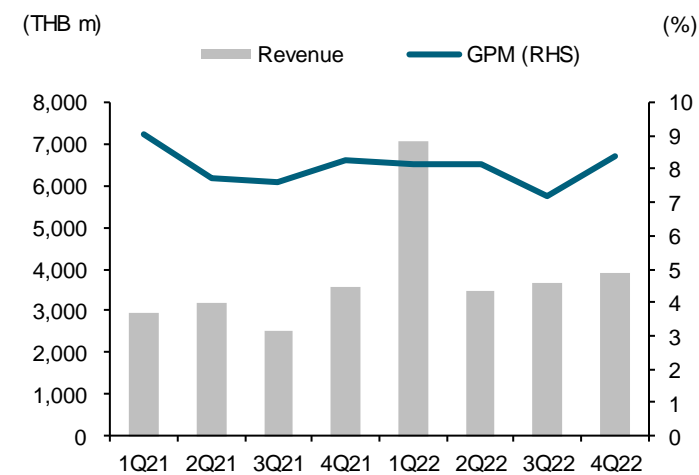


## Exhibit 1: 4Q22 results summary

	4Q21	1Q22	2Q22	3Q22	4Q22	Change		2021	2022	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Total revenue	3,557	7,039	3,474	3,663	3,920	7.0	10.2	12,199	18,097	48.3
Cost of sales	3,301	6,449	3,230	3,414	3,617	5.9	9.6	11,235	16,711	48.7
Gross profit	257	590	244	248	303	22.1	18.1	963	1,386	43.9
SG&A	501	469	496	480	481	0.2	(3.9)	1,915	1,927	0.6
Operating profit	(244)	122	(252)	(232)	(178)	n/a	n/a	(951)	(541)	n/a
Other income	261	244	452	422	224	(46.9)	(14.4)	1,415	1,341	(5.2)
Interest expense	339	330	363	355	362	2.0	6.7	1,386	1,411	1.8
Tax expense	(13)	(4)	(5)	(19)	8	n/a	n/a	(38)	(21)	na
Associates	190	84	468	736	241	(67.2)	26.9	1,088	1,530	40.6
Reported net profit	105	121	300	571	112	(80.3)	7.4	906	1,105	22.0
Core profit	(175)	121	300	536	(75)	n/a	n/a	100	882	783.4
<b>Key ratios (%)</b>						<b>(ppt)</b>	<b>(ppt)</b>			<b>(ppt)</b>
Gross margin	7.2	8.4	7.0	6.8	7.7	1.0	0.5	7.9	7.7	(0.2)
SG&A / Sales	14.1	6.7	14.3	13.1	12.3	(0.8)	(1.8)	15.7	10.6	(5.0)
Operating margin	(6.9)	1.7	(7.3)	(6.3)	(4.5)	1.8	2.3	(7.8)	(3.0)	4.8
Net margin	2.9	1.7	8.6	15.6	2.9	(12.7)	(0.1)	7.4	6.1	(1.3)
Norm margin	(4.9)	1.7	8.6	14.6	(1.9)	(16.6)	3.0	0.8	4.9	4.1

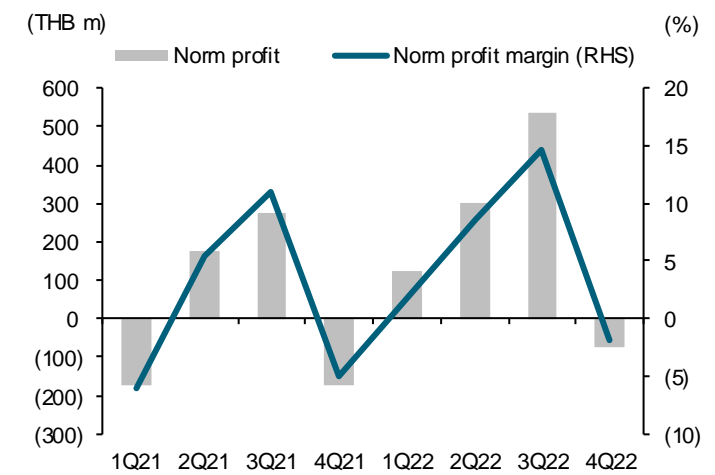
Sources: CK; FSSIA's compilations

## Exhibit 2: Quarterly revenue and GPM



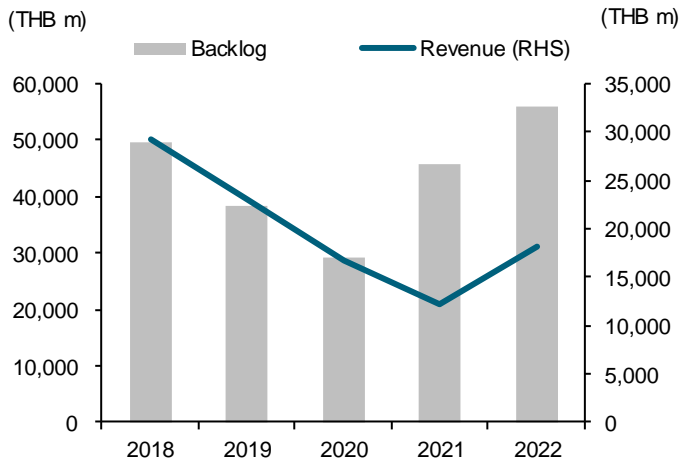
Sources: CK; FSSIA's compilations

## Exhibit 3: Quarterly norm profit and norm profit margin



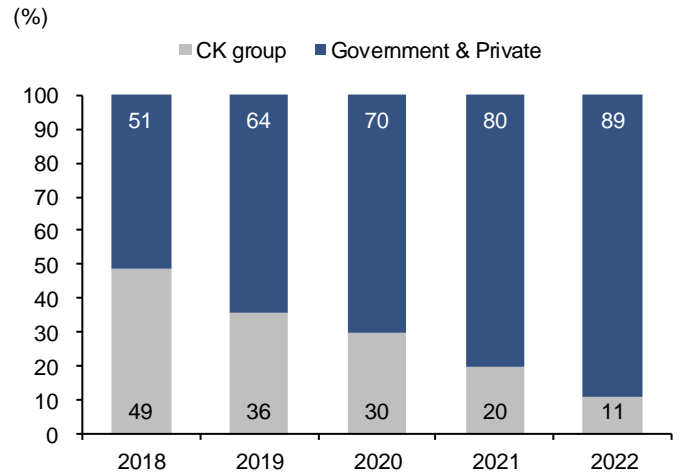
Sources: CK; FSSIA's compilations

**Exhibit 4: Yearly backlog and revenue**



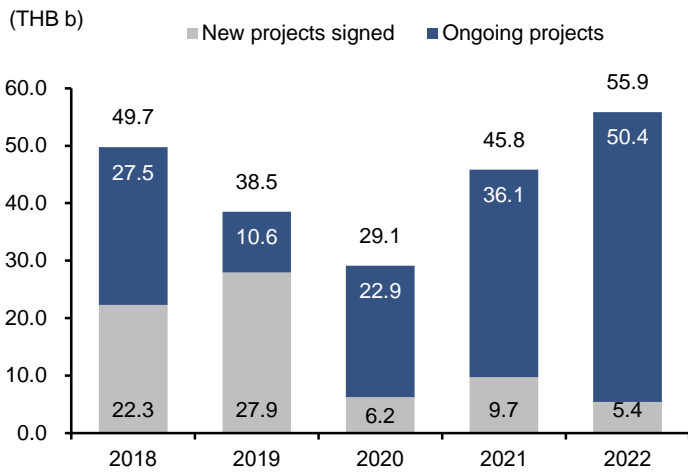
Sources: CK; FSSIA's compilations

**Exhibit 5: Yearly backlog by contract type**



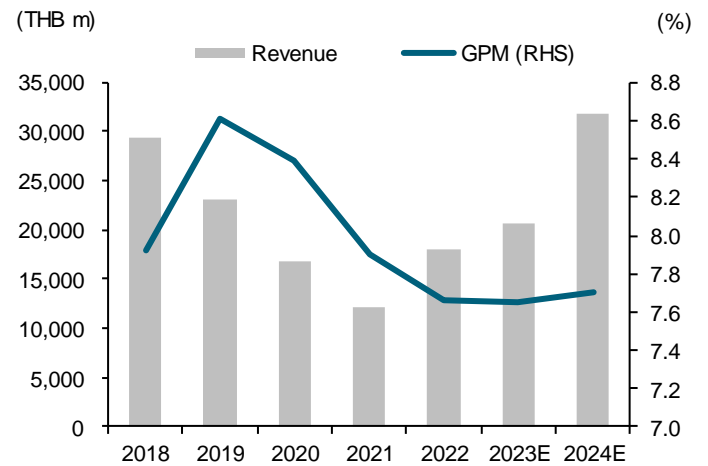
Sources: CK; FSSIA's compilations

**Exhibit 6: New projects signed**



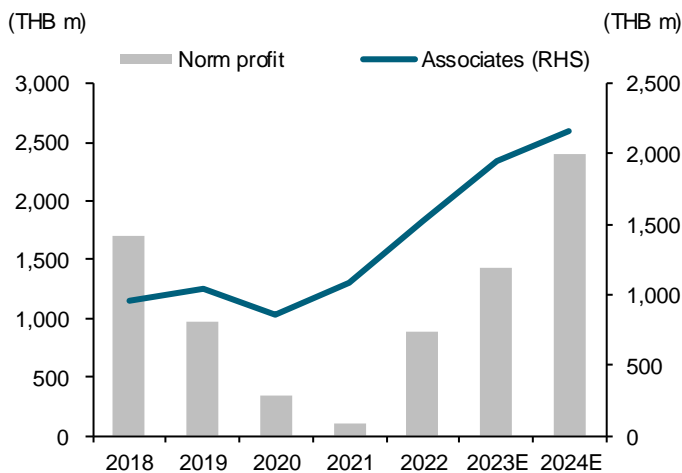
Sources: CK; FSSIA's compilations

**Exhibit 7: Yearly revenue and GPM**



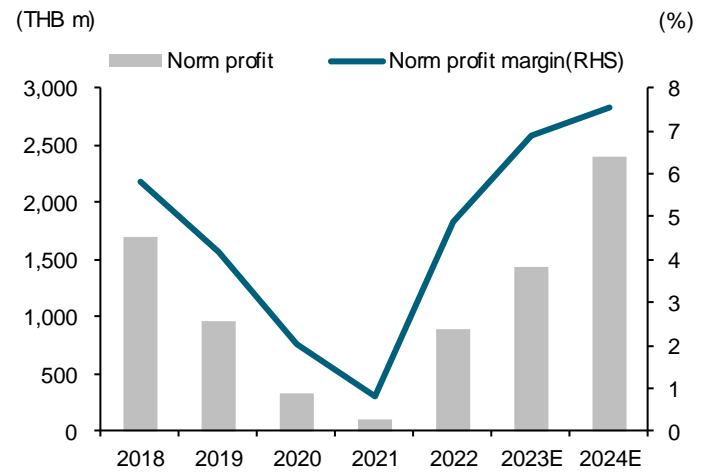
Sources: CK; FSSIA estimates

**Exhibit 8: Yearly norm profit and associates**



Sources: CK; FSSIA estimates

**Exhibit 9: Yearly norm profit and norm profit margin**



Sources: CK; FSSIA estimates

Exhibit 10: Backlog at end-2022

	Projects	Contract Amount (MB)	Progress (%)	Remaining Backlog (MB)
1.	MRT Purple Line (South) : Contract 1,2 *	18,148	4.5%	17,340
2.	MRT Blue Line : Contract 6, M&E Systems	25,440	99.7%	1,791
3.	MRT Orange Line (East) : Contract 1,2,5 *	26,884	89.4%	2,726
4.	Double Track : Donchai - Chiang Rai - Chiang Khong : Contract 2,3 *	22,812	5.1%	21,694
5.	Expressway Rama III - Dao Kanong : Contract 4	6,286	91.9%	518
6.	King Chulalongkorn Hospital : Integrated Medical Center Building	2,019	64.0%	727
7.	H.R.H.Princess Chulabhorn's Commemorating : Learning & Research Contra	3,777	32.0%	2,508
8.	Water Transmission Tunnel : Bangmod - Samrong Pumping Station	4,677	32.0%	3,180
9.	Bang Ban - Bang Sai Flood Drainage Canal , Contract 4	3,065	9.4%	2,777
10.	Other Projects	144,745	93.8%	2,546
<b>Total</b>		<b>257,652</b>		<b>55,867</b>

Note: \* Projects by JV

Source: CK

Exhibit 11: Key projects targeted in 2023-2024

Double Deck	35,000 MB	<ul style="list-style-type: none"> <li>Ongoing negotiation with EKAT</li> <li>PPP process expected to conclude in Q2 2024</li> </ul>	Backlog = 326,713
MRT Purple Line (South) : M&E Work	27,000 MB	<ul style="list-style-type: none"> <li>PPP process &amp; contract signing expected in Q3 2024</li> <li>Negotiation expected to begin in 2024</li> </ul>	
MRT Orange Line (West) : Civil + M&E Work	108,216 MB	Awaiting Cabinet approval to be signed by Q3 2023	Backlog = 264,713
MRT Purple Line & Blue Line (MRT Work)	1,630 MB	To be signed by April 2023	Backlog = 155,497
National Highway No. 118 Chiang Mai - Chiang Rai (Section 3)	800 MB	To be signed by April 2023	
Luang Prabang Hydropower	98,000 MB	To be announced by April 2023	
Existing Backlog	55,867 MB	Ongoing work	Backlog = 55,867

Source: CK

Exhibit 12: Other potential projects

Motorway & Expressway		Double Track	
NW Motorway Bang Khun Thian - Bang Sue Trunk	48,000	Awaiting Cabinet Approval	Bidding in Q4 2023
EW Motorway	25,500	Under Feasibility Study by EKAT	
NW Motorway Bangkok - Bang Pa In	24,450	Awaiting Cabinet Approval	Bidding in Q4 2023
Expressway Chalong Bat extension (Chalong - Lam Luk Ka Road)	18,800	Cabinet Approval	Bidding in Q4 2023
Expressway Kiatu Patong	6,440	Tender Submission on 7 Apr 2023	
<b>Total</b>	<b>129,210</b>		
Airport		Red Line Extension	
Don Mueang Phase 5 Expansion	37,000	Cabinet Approval	Bidding in Q2 2024
Samratthani East Expansion	10,000	Cabinet Approval	Bidding in Q4 2023
Chiang Mai Airport Expansion	15,000	Awaiting Cabinet Approval	Bidding in Q2 2024
Runway 2 U-Thant Airport	18,000	Cabinet Approval	Bidding in Q4 2023
<b>Total</b>	<b>78,000</b>		
		Other Projects	
		Samratthani Hospital Building	10,000
		<b>Total</b>	<b>10,000</b>
<b>Total 346,620 MB</b>			

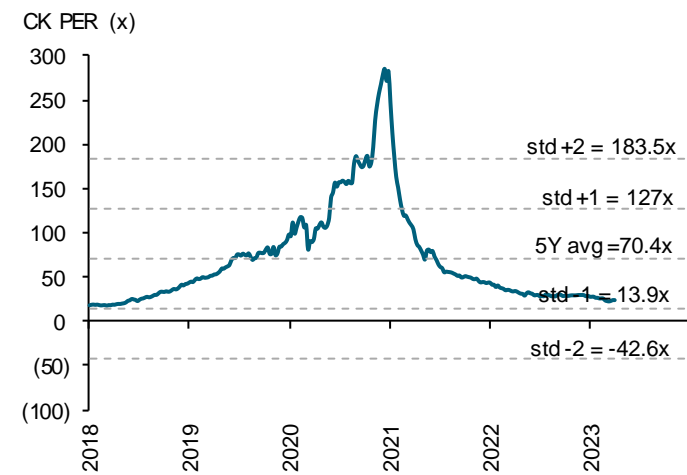
Source: CK

**Exhibit 13: SoTP-based valuation**

	Target EV/EBITDA	Holding	TP	Discount	EV	Per share
	(x)	(%)	(THB/shr)	(%)	(THB m)	(THB)
Construction	12				14,115	8.3
Subsidiaries						
BEM TB		33.37	11.5	25	59,587	35.2
CKP TB		30.00	6.5	25	18,827	11.1
TTW TB		19.40	10.0	25	6,217	4.0
Less net debt					54,562	32.2
<b>SoTP</b>					<b>44,184</b>	<b>26.08</b>

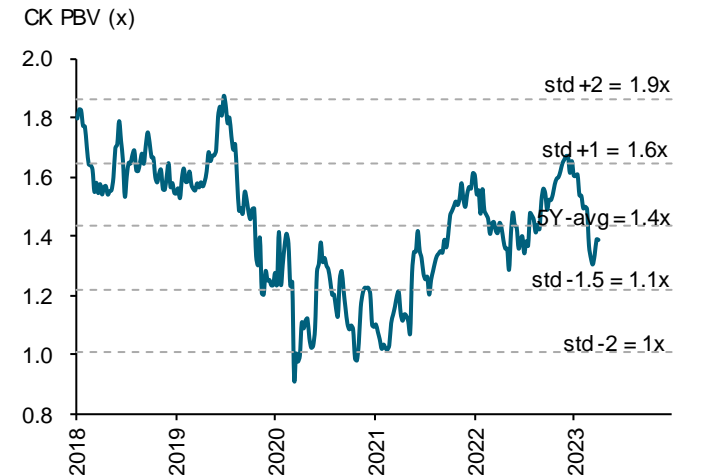
Source: FSSIA estimates

**Exhibit 14: Historical P/E band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 15: Historical P/BV band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 16: Peer comparisons as of 10 April 2023**

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		DivYld		ROE		PBV	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
Seafoo	SEAFKO TB	BUY	3.64	4.70	29	78	23.5	17.2	2.1	2.9	7.9	10.3	1.8	1.7
CH Karnchang	CK TB	BUY	21.00	26.00	24	1,021	24.9	14.9	1.6	2.7	5.8	9.4	1.4	1.4
Sino-Thai Engineering	STEC TB	n/a	12.40	n/a	n/a	551	17.5	15.0	2.6	3.7	6.0	6.6	1.0	0.9
Pylon	PYLON TB	n/a	4.26	n/a	n/a	93	15.3	14.0	3.3	3.6	17.1	18.7	2.8	2.8
<b>Average</b>						<b>1,743</b>	<b>20.3</b>	<b>15.2</b>	<b>2.4</b>	<b>3.2</b>	<b>9.2</b>	<b>11.2</b>	<b>1.8</b>	<b>1.7</b>

Sources: Bloomberg; FSSIA estimates

## Financial Statements

CH.Karnchang

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	12,199	18,097	20,696	31,720	37,517
Cost of goods sold	(10,541)	(16,073)	(18,462)	(28,623)	(33,970)
<b>Gross profit</b>	<b>1,658</b>	<b>2,024</b>	<b>2,234</b>	<b>3,097</b>	<b>3,547</b>
Other operating income	1,415	1,341	1,315	1,265	1,265
Operating costs	(1,915)	(1,927)	(1,908)	(1,917)	(1,955)
<b>Operating EBITDA</b>	<b>1,158</b>	<b>1,438</b>	<b>1,641</b>	<b>2,444</b>	<b>2,856</b>
Depreciation	(695)	(638)	(651)	(654)	(658)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>463</b>	<b>800</b>	<b>991</b>	<b>1,790</b>	<b>2,198</b>
Net financing costs	(1,386)	(1,411)	(1,472)	(1,469)	(1,494)
Associates	1,088	1,530	1,955	2,155	2,225
Recurring non-operating income	1,088	1,530	1,955	2,155	2,225
Non-recurring items	806	222	0	0	0
<b>Profit before tax</b>	<b>971</b>	<b>1,142</b>	<b>1,473</b>	<b>2,477</b>	<b>2,929</b>
Tax	(38)	(21)	(29)	(64)	(141)
<b>Profit after tax</b>	<b>933</b>	<b>1,121</b>	<b>1,444</b>	<b>2,412</b>	<b>2,788</b>
Minority interests	(28)	(16)	(17)	(18)	(19)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>906</b>	<b>1,105</b>	<b>1,427</b>	<b>2,394</b>	<b>2,769</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(806)</b>	<b>(222)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>100</b>	<b>882</b>	<b>1,427</b>	<b>2,394</b>	<b>2,769</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.06	0.52	0.84	1.41	1.63
Reported EPS	0.53	0.65	0.84	1.41	1.63
DPS	0.25	0.25	0.34	0.57	0.65
Diluted shares (used to calculate per share data)	1,694	1,694	1,694	1,694	1,694
<b>Growth</b>					
Revenue (%)	(27.2)	48.3	14.4	53.3	18.3
Operating EBITDA (%)	(24.1)	24.2	14.1	48.9	16.8
Operating EBIT (%)	(42.0)	72.8	23.8	80.7	22.8
Recurring EPS (%)	(70.4)	783.4	61.8	67.7	15.7
Reported EPS (%)	48.0	22.0	29.2	67.7	15.7
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	7.9	7.7	7.7	7.7	7.7
Gross margin of key business (%)	7.9	7.7	7.7	7.7	7.7
Operating EBITDA margin (%)	9.5	7.9	7.9	7.7	7.6
Operating EBIT margin (%)	3.8	4.4	4.8	5.6	5.9
Net margin (%)	0.8	4.9	6.9	7.5	7.4
Effective tax rate (%)	3.9	1.8	2.0	2.6	4.8
Dividend payout on recurring profit (%)	424.0	48.0	40.0	40.0	40.0
Interest cover (X)	1.1	1.7	2.0	2.7	3.0
Inventory days	167.4	161.3	165.2	110.8	91.8
Debtor days	88.7	48.6	48.0	42.2	47.2
Creditor days	83.3	57.0	62.2	55.5	61.8
Operating ROIC (%)	2.7	4.2	5.1	8.8	9.8
ROIC (%)	1.9	2.8	3.6	4.7	5.2
ROE (%)	0.4	3.6	5.8	9.4	10.2
ROA (%)	1.5	2.4	3.1	4.0	4.3
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Construction services	12,199	18,097	20,696	31,720	37,517
Others					

Sources: CH.Karnchang; FSSIA estimates



## Financial Statements

CH.Karnchang

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	100	882	1,427	2,394	2,769
Depreciation	695	638	651	654	658
Associates & minorities	331	377	366	364	363
Other non-cash items	-	-	-	-	-
Change in working capital	(1,109)	(2,237)	412	(2,126)	(1,844)
<b>Cash flow from operations</b>	<b>16</b>	<b>(340)</b>	<b>2,856</b>	<b>1,286</b>	<b>1,946</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(1,346)	-	(207)	(646)	(644)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	-	233	-	-	-
<b>Cash flow from investing</b>	<b>(1,346)</b>	<b>233</b>	<b>(207)</b>	<b>(646)</b>	<b>(644)</b>
Dividends paid	-	(509)	(588)	(976)	(1,127)
Equity finance	(821)	(2,031)	15	20	(44)
Debt finance	827	2,835	(1,790)	200	0
Other financing cash flows	531	-	-	-	-
<b>Cash flow from financing</b>	<b>537</b>	<b>295</b>	<b>(2,362)</b>	<b>(755)</b>	<b>(1,171)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(793)</b>	<b>187</b>	<b>286</b>	<b>(115)</b>	<b>130</b>
Free cash flow to firm (FCFF)	55.04	1,303.02	4,120.78	2,108.55	2,795.44
Free cash flow to equity (FCFE)	27.94	2,727.35	859.02	840.05	1,301.34

### Per share (THB)

FCFF per share	0.03	0.77	2.43	1.24	1.65
FCFE per share	0.02	1.61	0.51	0.50	0.77
Recurring cash flow per share	0.66	1.12	1.44	2.01	2.24

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	17,891	18,625	18,141	18,247	18,352
Less: Accumulated depreciation	(5,996)	(6,798)	(7,204)	(7,764)	(8,327)
<b>Tangible fixed assets (net)</b>	<b>11,895</b>	<b>11,827</b>	<b>10,936</b>	<b>10,482</b>	<b>10,025</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	50,910	49,847	49,947	50,047	50,147
Cash & equivalents	6,772	6,960	7,246	7,131	7,261
A/C receivable	2,273	2,549	2,897	4,441	5,252
Inventories	6,094	8,112	8,601	8,783	8,311
Other current assets	4,930	5,436	6,309	9,616	11,355
<b>Current assets</b>	<b>20,069</b>	<b>23,057</b>	<b>25,053</b>	<b>29,971</b>	<b>32,179</b>
Other assets	546	420	441	463	486
<b>Total assets</b>	<b>83,421</b>	<b>85,151</b>	<b>86,377</b>	<b>90,963</b>	<b>92,838</b>
Common equity	25,669	24,026	24,883	26,319	27,981
Minorities etc.	439	440	455	476	431
<b>Total shareholders' equity</b>	<b>26,108</b>	<b>24,466</b>	<b>25,338</b>	<b>26,795</b>	<b>28,412</b>
Long term debt	36,634	37,991	37,662	37,842	37,842
Other long-term liabilities	2,931	2,651	3,058	3,513	3,463
<b>Long-term liabilities</b>	<b>39,565</b>	<b>40,642</b>	<b>40,720</b>	<b>41,355</b>	<b>41,305</b>
A/C payable	2,174	2,850	3,440	5,270	6,233
Short term debt	6,721	8,199	6,738	6,758	6,758
Other current liabilities	8,853	8,994	10,141	10,785	10,130
<b>Current liabilities</b>	<b>17,748</b>	<b>20,043</b>	<b>20,319</b>	<b>22,813</b>	<b>23,121</b>
<b>Total liabilities and shareholders' equity</b>	<b>83,421</b>	<b>85,151</b>	<b>86,377</b>	<b>90,963</b>	<b>92,838</b>
Net working capital	2,270	4,253	4,226	6,785	8,556
Invested capital	65,621	66,347	65,550	67,778	69,214

\* Includes convertibles and preferred stock which is being treated as debt

### Per share (THB)

Book value per share	15.15	14.18	14.69	15.54	16.52
Tangible book value per share	15.15	14.18	14.69	15.54	16.52

### Financial strength

Net debt/equity (%)	140.1	160.3	146.6	139.8	131.4
Net debt/total assets (%)	43.9	46.1	43.0	41.2	40.2
Current ratio (x)	1.1	1.2	1.2	1.3	1.4
CF interest cover (x)	2.0	2.9	1.7	2.0	2.3

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>356.2</b>	<b>40.3</b>	<b>24.9</b>	<b>14.9</b>	<b>12.8</b>
<b>Recurring P/E @ target price (x) *</b>	<b>441.0</b>	<b>49.9</b>	<b>30.9</b>	<b>18.4</b>	<b>15.9</b>
Reported P/E (x)	39.3	32.2	24.9	14.9	12.8
Dividend yield (%)	1.2	1.2	1.6	2.7	3.1
Price/book (x)	1.4	1.5	1.4	1.4	1.3
Price/tangible book (x)	1.4	1.5	1.4	1.4	1.3
EV/EBITDA (x) **	62.7	52.3	44.6	30.1	25.7
EV/EBITDA @ target price (x) **	70.0	58.2	49.7	33.5	28.6
EV/invested capital (x)	1.1	1.1	1.1	1.1	1.1

\* Pre-exceptional, pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non-operating income

Sources: CH.Karnchang; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

**Rating** regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Thanyatorn Songwutti FSS International Investment Advisory Securities Co., Ltd

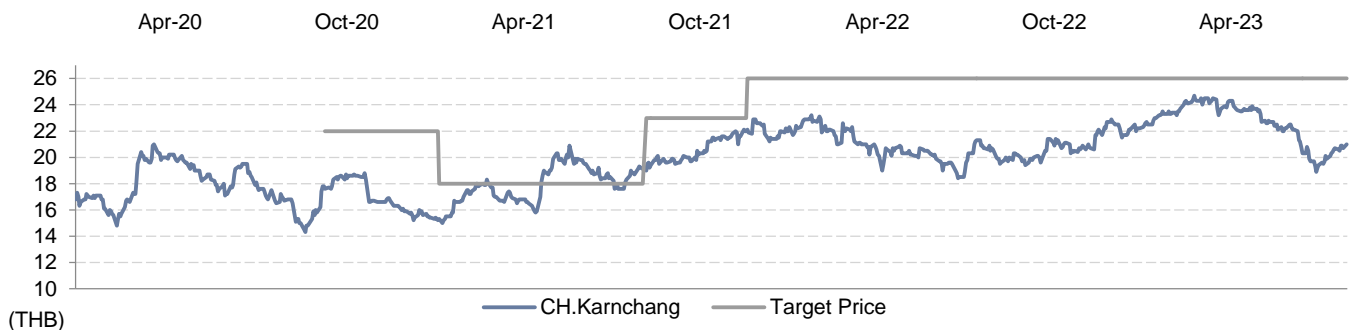
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

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### History of change in investment rating and/or target price

#### CH.Karnchang (CK TB)



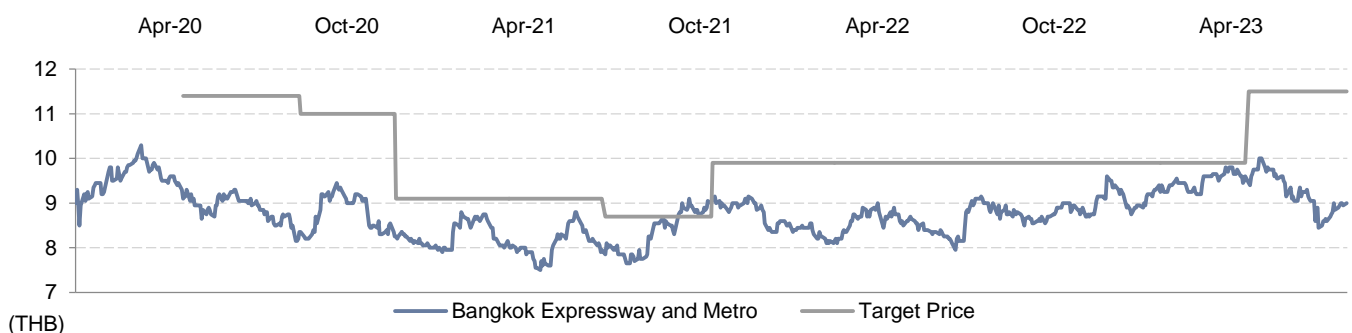
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
12-Nov-2020	BUY	22.00	13-Aug-2021	BUY	23.00	-	-	-
18-Feb-2021	BUY	18.00	10-Nov-2021	BUY	26.00			

Thanyatorn Songwutti started covering this stock from 12-Nov-2020

Price and TP are in local currency

Source: FSSIA estimates

#### Bangkok Expressway and Metro (BEM TB)



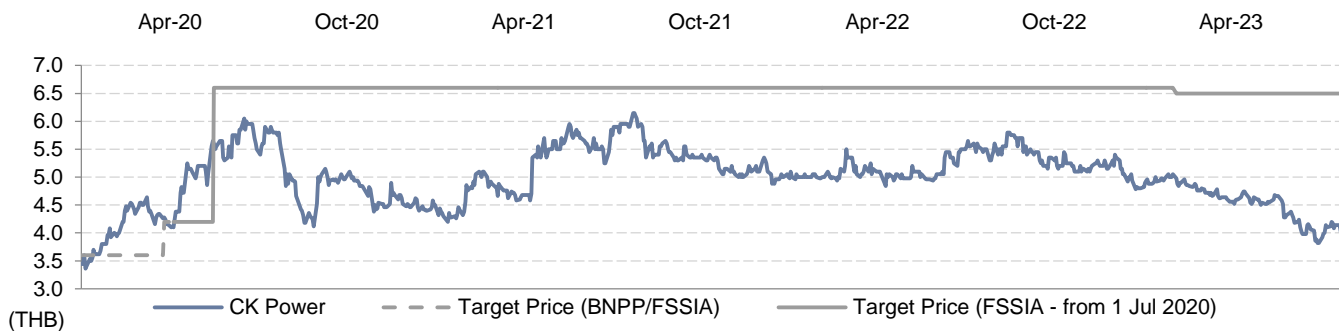
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
13-Jul-2020	BUY	11.40	25-Feb-2021	BUY	9.10	13-Jan-2023	BUY	11.50
22-Oct-2020	BUY	11.00	09-Jul-2021	BUY	8.70			
12-Jan-2021	HOLD	9.10	11-Oct-2021	BUY	9.90			

Naruedom Mujjalinkool started covering this stock from 13-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

**CK Power (CKP TB)**



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
13-Apr-2020	HOLD	3.60	04-Aug-2020	BUY	6.60	-	-	-
23-Jun-2020	HOLD	4.20	11-Nov-2022	BUY	6.50	-	-	-

Siriluck Pinthusoonthorn started covering this stock from 23-Jun-2020

Price and TP are in local currency

Source: FSSIA estimates

**Seafco (SEAFKO TB)**



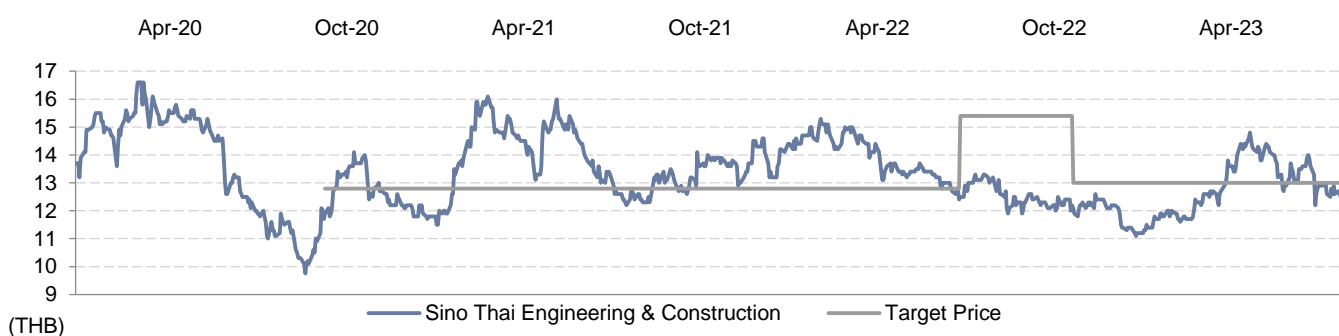
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
04-Apr-2023	BUY	4.70	-	-	-	-	-	-

Thanyatorn Songwutti started covering this stock from 04-Apr-2023

Price and TP are in local currency

Source: FSSIA estimates

**Sino Thai Engineering & Construction (STEC TB)**



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
12-Nov-2020	HOLD	12.80	12-May-2022	BUY	15.40	17-Aug-2022	HOLD	13.00

Songklod Wongchai started covering this stock from 12-Nov-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
CH.Karnchang	CK TB	THB 21.00	BUY	Key downside risks to our SoTP-based TP include 1) delays in signing of the Luang Prabang hydropower plant and Orange Line projects; 2) fewer new projects than expected; 3) political uncertainty; 4) delays in construction; 5) labour shortages; 6) higher raw material and labour costs; and 7) intense competition.
Bangkok Expressway and Metro	BEM TB	THB 9.00	BUY	The key downside risks to our SoTP-based TP are 1) traffic and ridership recovering more slowly than our expectations; and 2) the company not winning the new mass transit project bids.
CK Power	CKP TB	THB 4.02	BUY	The downside risks to our SoTP-based TP include lower-than-expected demand for electricity in Thailand and lower-than-expected water supply for hydro projects.
Seafco	SEAFKO TB	THB 3.64	BUY	Downside risks to our P/BV-based TP include 1) fewer new projects than expected; 2) fewer projects up for bidding than expected; 3) political uncertainty; 4) delays in construction; 5) labour shortages; 6) higher raw material and labour costs; and 7) intense competition.
Sino Thai Engineering & Construction	STEC TB	THB 12.40	HOLD	Downside risks to our P/E-based TP are 1) a weaker than expected construction margin; and 2) more project construction delays than our expectation.

Source: FSSIA estimates

### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 10-Apr-2023 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.