

CH.KARNCHANG CK TB

THAILAND / CONSTRUCTION SERVICES

BUY

UNCHANGED

4Q23 profit should grow y-y amid a better 2024 outlook

- We expect a 4Q23 net profit of THB150m, up 33% y-y due mainly to the progress of the Luang Prabang power plant project and a higher profit sharing from BEM and CKP but down 77% q-q due to subsidiaries.
- The government will push for more auctions, including expressways, the Red Line, and double-track railways this year.
- Maintain 2024E profit growth of 25% y-y and our BUY rating at our TP of THB26.

| | |
|-----------------|-----------|
| TARGET PRICE | THB26.00 |
| CLOSE | THB21.40 |
| UP/DOWNSIDE | +21.5% |
| PRIOR TP | THB26.00 |
| CHANGE IN TP | UNCHANGED |
| TP vs CONSENSUS | -1.7% |

KEY STOCK DATA

| YE Dec (THB m) | 2022 | 2023E | 2024E | 2025E |
|----------------------|--------|--------|--------|--------|
| Revenue | 18,097 | 35,736 | 40,460 | 41,825 |
| Net profit | 1,105 | 1,485 | 1,862 | 2,019 |
| EPS (THB) | 0.65 | 0.88 | 1.10 | 1.19 |
| vs Consensus (%) | - | (3.1) | (6.1) | (14.6) |
| EBITDA | 1,438 | 2,697 | 2,983 | 3,077 |
| Recurring net profit | 882 | 1,436 | 1,862 | 2,019 |
| Core EPS (THB) | 0.52 | 0.85 | 1.10 | 1.19 |
| Chg. In EPS est. (%) | - | - | - | - |
| EPS growth (%) | 783.4 | 62.7 | 29.7 | 8.4 |
| Core P/E (x) | 41.1 | 25.2 | 19.5 | 18.0 |
| Dividend yield (%) | 1.2 | 1.6 | 2.1 | 2.2 |
| EV/EBITDA (x) | 52.8 | 27.7 | 25.3 | 24.5 |
| Price/book (x) | 1.5 | 1.5 | 1.4 | 1.3 |
| Net debt/Equity (%) | 160.3 | 146.2 | 144.5 | 139.2 |
| ROE (%) | 3.6 | 5.9 | 7.3 | 7.6 |

4Q23 profit should increase y-y but drop q-q due to subsidiaries

We anticipate a 4Q23 net profit of THB150m (-77% q-q, +33% y-y). The q-q plunge should come from an absence of dividends earned from TTW and a lower profit sharing from BEM and CKP. However, it would increase y-y, supported by construction revenue, which should increase (+3% q-q, +135% y-y) to THB9.2b due mainly to the progress of the Luang Prabang power plant project, the Den Chai double-track railway, the South Purple Line, and profit sharing from associates. It should equal THB407m, up 69% y-y but down 32% q-q in line with the seasonality of BEM and CKP. However, the gross margin should decrease to 6.5% from 7.4%-7.7% in 3Q23-4Q22 in line with the increased realization of the Luang Prabang power plant project. Also, SG&A should surge due to employee bonuses. Therefore, we expect the 2023 net profit to end at THB1.5b (+35% y-y), in line with our estimate.

Supports from a high backlog and growth of subsidiaries

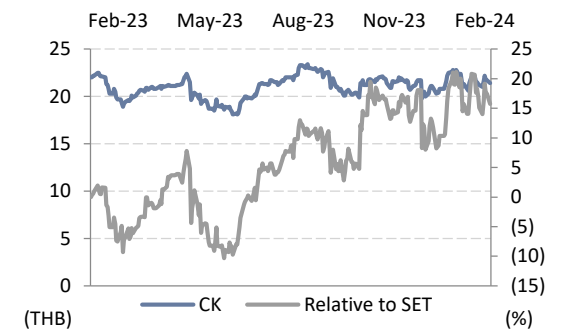
We expect the end-2023 backlog at THB130b, equal to its three-year revenue. It should come mainly from the Luang Prabang power plant project, the South Purple Line, and the Denchai double-track railway. We maintain our 2024E net profit of THB1.86b (+25% y-y) in line with revenue, which should increase to THB40b (+13% y-y). Also, the profit sharing from associates would jump by 16% y-y due to BEM, which reported higher traffic and ridership from economic activities and project development along the train line, and CKP after the El Nino effect eased. Meanwhile, we anticipate a limited impact from a minimum wage hike since CK sub-contracts 60-70% of its costs and pays higher than the minimum wage.

The government's push for new investments provides an opportunity for additional contract signing

In 2024, the government will push for more investment in infrastructure projects. In particular, potential projects for auction include 1) the Chatuchot - Lam Luk Ka expressway, which has civil works of THB19b and expected TOR sales in April, 2) three extensions of the Red Line with a combined value of THB22b waiting for cabinet approval, and 3) the Khon Kaen - Nong Khai double-track railway (THB30b) with an expected auction in 2Q24. Besides, CK also has the potential to take on projects, such as the Double Deck project through BEM, which expects clarity late this year, and the Orange Line, which is waiting for a ruling from the Supreme Administrative Court in 2Q24.

Maintain our top BUY call in the contractor sector at our TP of THB26

We reaffirm our TP of THB26 (SOTP). Also, we retain our BUY rating on an improved outlook of the contractor unit and support from the investment growth of its subsidiaries. The progress of new auctions would provide a catalyst for the share price. In the short term, investors should monitor the Chatuchot - Lam Luk Ka expressway project in April.



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|---------|--------------------------|-------------|
| Absolute (%) | (6.1) | 0.0 | (3.2) |
| Relative to country (%) | (4.5) | 0.0 | 16.0 |
| Mkt cap (USD m) | | | 1,010 |
| 3m avg. daily turnover (USD m) | | | 1.5 |
| Free float (%) | | | 65 |
| Major shareholder | | Trivisvavet Family (32%) | |
| 12m high/low (THB) | | | 23.50/17.80 |
| Issued shares (m) | | | 1,693.90 |

Sources: Bloomberg consensus; FSSIA estimates


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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 path 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.

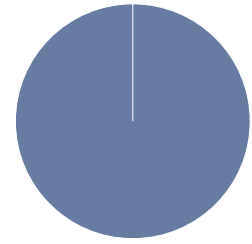
Company profile

CH. Karnchang (CK) was incorporated in 1972 as a construction contractor. 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, which includes Bangkok Expressway and Metro (BEM TB, NR), CK Power (CKP TB, NR), and TTW (TTW TB, NR) as associated companies.

www.ch-karnchang.co.th

Principal activities (revenue, 2022)

■ Construction services - 100.0 %

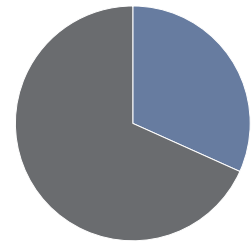


Source: CH.Karnchang

Major shareholders

■ Trivisvavet Family - 31.7 %

■ Others - 68.3 %



Source: CH.Karnchang

Catalysts

Contracts for new projects, especially the 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 the 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 |
|------------------|---------------------------|
| 29 February 2024 | 4Q23 results announcement |

Key assumptions

| | 2023E | 2024E | 2025E |
|------------------------------|--------|--------|--------|
| Construction revenue (THB m) | 35,736 | 40,460 | 41,825 |
| GPM (%) | 7.2 | 7.4 | 7.4 |
| SG&A to sales (%) | 5.4 | 8.0 | 4.7 |
| Associates (THB m) | 1,371 | 1,595 | 1,681 |
| Dividend income (THB m) | 465 | 465 | 465 |

Source: FSSIA estimates

Earnings sensitivity

- For every 5% increase in revenue, we estimate 2024 net profit to rise by 6.4%, and vice versa, all else being equal.
- For every 0.25% increase in GPM, we estimate 2024 net profit to rise by 4.3%, and vice versa, all else being equal.
- For every 5% increase in SG&A, we estimate 2024 net profit to fall by 4.2%, and vice versa, all else being equal.
- For every 5% increase in share profit from associates, we estimate 2024 net profit to rise by 4.3 %, and vice versa, all else being equal.

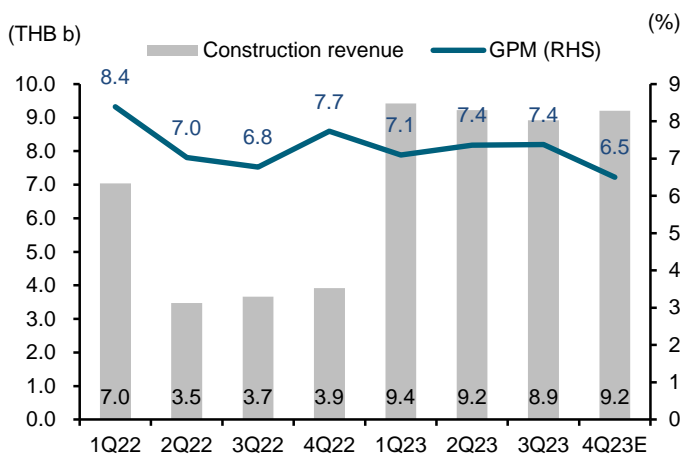
Source: FSSIA estimates

Exhibit 1: 4Q23 results preview

| | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23E | Change | |
|-----------------------|---------|---------|---------|---------|---------|--------------|--------------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q%) | (y-y%) |
| Total revenue | 3,920 | 9,425 | 9,220 | 8,925 | 9,200 | 3.1 | 134.7 |
| Cost of sales | 3,617 | 8,756 | 8,541 | 8,267 | 8,602 | 4.1 | 137.8 |
| Gross profit | 303 | 669 | 679 | 658 | 598 | (9.1) | 97.3 |
| SG&A | 481 | 495 | 470 | 533 | 540 | 1.4 | 12.2 |
| Operating profit | (178) | 174 | 209 | 125 | 58 | (53.7) | na |
| Other income | 224 | 217 | 545 | 440 | 208 | (52.7) | (7.0) |
| Interest expense | 362 | 396 | 474 | 480 | 480 | 0.0 | 32.6 |
| Tax expense | 8 | (10) | (23) | (19) | (24) | na | na |
| Associates | 241 | 200 | 255 | 595 | 407 | (31.6) | 68.7 |
| Reported net profit | 112 | 217 | 486 | 641 | 150 | (76.6) | 33.3 |
| Core profit | (75) | 169 | 486 | 641 | 150 | (76.6) | na |
| Key ratios (%) | | | | | | (ppt) | (ppt) |
| Gross margin | 7.7 | 7.1 | 7.4 | 7.4 | 6.5 | (0.9) | (1.2) |
| SG&A / Sales | 12.3 | 5.2 | 5.1 | 6.0 | 5.9 | (0.1) | (6.4) |
| Operating margin | (4.5) | 1.9 | 2.3 | 1.4 | 0.6 | (0.8) | 5.2 |
| Net margin | 2.9 | 2.3 | 5.3 | 7.2 | 1.6 | (5.6) | (1.2) |
| Norm margin | (1.9) | 1.8 | 5.3 | 7.2 | 1.6 | (5.6) | 3.5 |

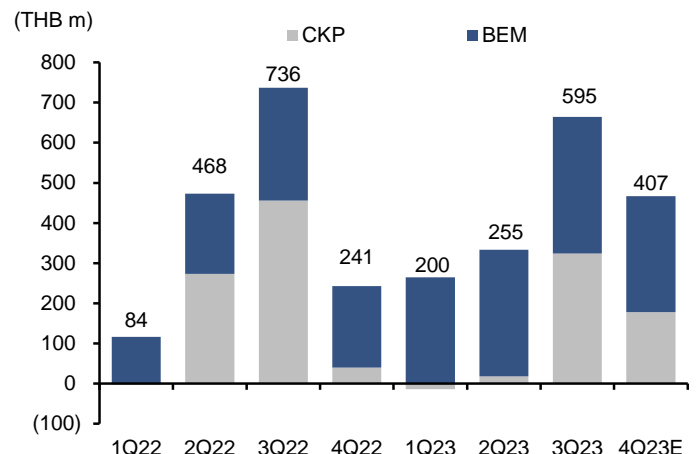
Sources: CK; FSSIA estimates

Exhibit 2: Quarterly revenue and GPM



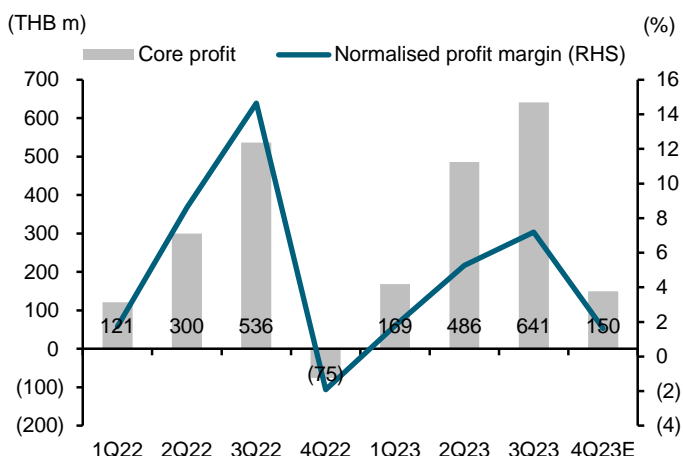
Sources: CK; FSSIA estimates

Exhibit 3: Quarterly associates



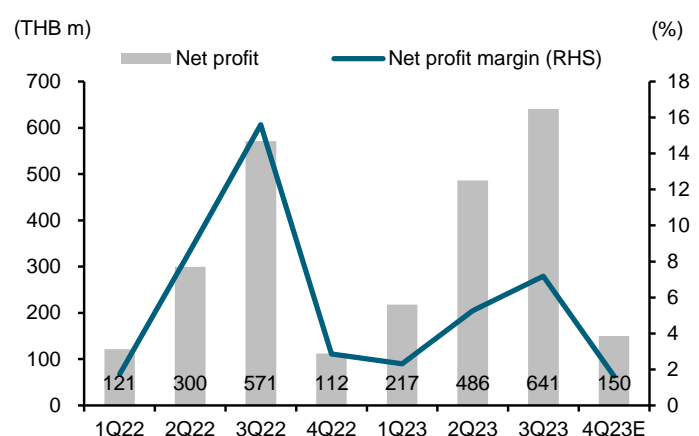
Sources: CK; FSSIA estimates

Exhibit 4: Quarterly core profit and normalised profit margin



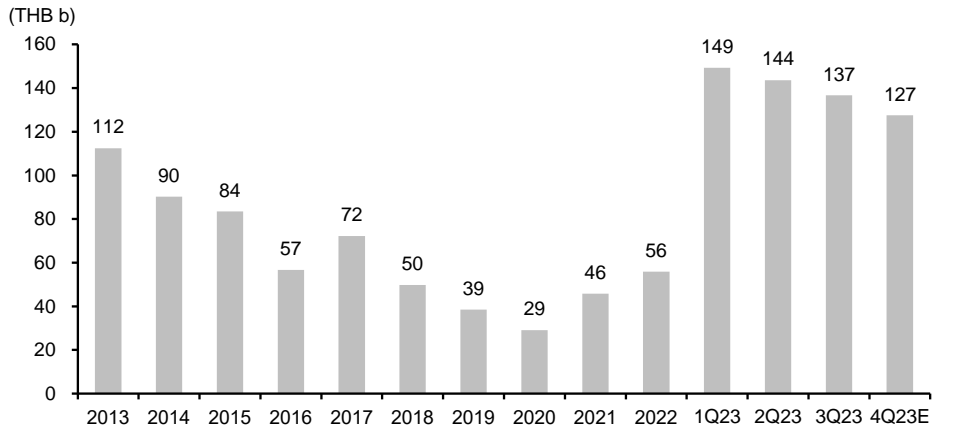
Sources: CK; FSSIA estimates

Exhibit 5: Quarterly net profit and NPM



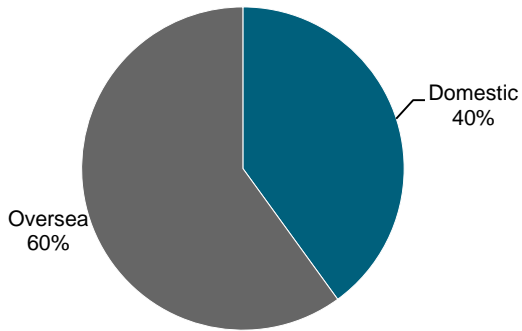
Sources: CK; FSSIA estimates

Exhibit 6: Backlog



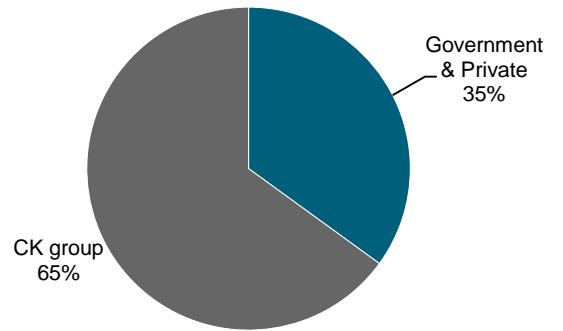
Sources: CK; FSSIA estimates

Exhibit 7: Backlog breakdown by region



Sources: CK; FSSIA's compilations

Exhibit 8: Backlog breakdown by type of project



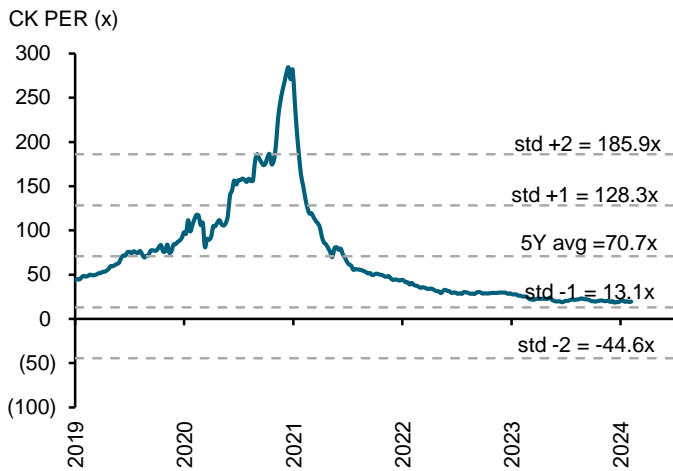
Sources: CK; FSSIA's compilations

Exhibit 9: Key projects targeted in 2024

| Projects | Construction Value (MB) | Project Owner | Project Progress | Activities | | | |
|--|-------------------------|---------------|------------------------------|---|-------|-------|-------|
| | | | | Q4/23 | Q1/24 | Q2/24 | Q3/24 |
| MRT Orange Line : Taling Chan - Thailand Cultural Centre (Western Extension) | 109,216 | MRTA | Considerations for Proposals | Signing & Construction | | | |
| Red Line : Taling chan - Salaya | 10,670 | SRT | Cabinet Approved | Waiting for a New Cabinet Continues the Project | | | |
| Red Line : Taling chan - Siriraj Hospital | 4,694 | | | | | | |
| Red Line : Rangsit - Thammasat University | 6,469 | | | | | | |
| Red Line : Bang Sue Hua Mark & Bang Sue - HuaLamphong (Missing Link) | 44,158 | | | | | | |
| Double Track : Khonkaen – Nong Khai | 28,759 | SRT | To Submit to MOT | Waiting for a New Cabinet Approval | | | |
| Double Track : Chira Junction – Ubonratchathani | 36,000 | SRT | To Submit to MOT | Under MOT Process | | | |
| Double Track : Pak nam Pho – Den Chai | 62,800 | SRT | To Submit to MOT | Under MOT Process | | | |
| Chalongrat Expressway Extension (Chatuchote – Lam Luk Ka Section) | 20,333 | EXAT | Cabinet Approved | TOR & EIA Process | | | |
| Double Deck Expressway (Rama 9 – Ngam Wong Wan) | 35,000 | EXAT | Waiting for cabinet approval | Preparing EIA Report | | | |
| Motorway : Western Outer Ring Road - Bang Khun Thian - Bang Bua Thong (M9) | 46,000 | DOH | Submit to PPP Board | Waiting for a New Cabinet Approval | | | |
| Mortorway : Nakhon Pathom - Cha-am (M8) | 61,000 | DOH | Preparing PPP Report | Revised EIA Process | | | |
| Motorway : Rangsit- Bang pa - in (M5) | 25,000 | DOH | Preparing PPP Report | Waiting for a New Cabinet Approval | | | |
| Suvarnabhumi International Airport (East Expansion) | 7,830 | AOT | Cabinet Approved | Design Process | | | |
| Bangkok International Airport Phase 3 | 36,829 | AOT | Cabinet Approved | Survey & Design Process | | | |
| Bridge over Songkhla Lake | 4,829 | DOR | EIA Approved | Waiting for a New Cabinet Approval | | | |
| Koh Lanta Bridge 2 (Lanta Island - Krabi Mainland) | 1,800 | DOR | EIA Approved | Waiting for a New Cabinet Approval | | | |
| Ramathibodi Hospital, Yothi Medical Innovation District | 10,020 | MU | Cabinet Approved | Under TOR Process | | | |
| Total | 551,407 | | | | | | |

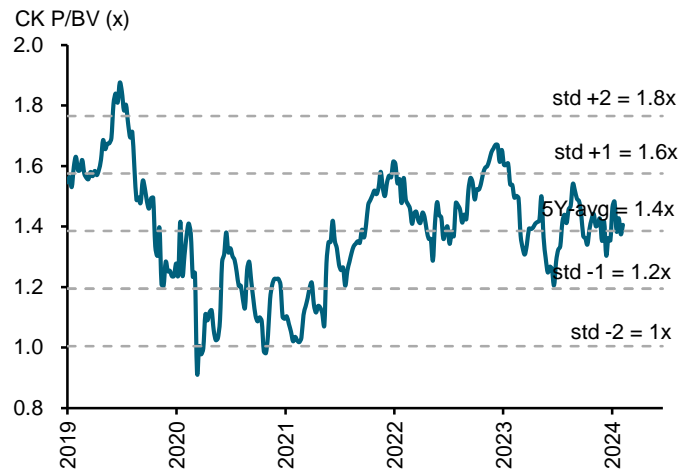
Source: CK

Exhibit 10: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 11: Historical P/BV band



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 | 35,736 | 40,460 | 41,825 |
| Cost of goods sold | (11,235) | (16,711) | (33,163) | (37,466) | (38,730) |
| Gross profit | 963 | 1,386 | 2,573 | 2,994 | 3,095 |
| Other operating income | 1,415 | 1,341 | 1,420 | 1,300 | 1,300 |
| Operating costs | (1,915) | (1,927) | (1,946) | (1,966) | (1,975) |
| Operating EBITDA | 1,158 | 1,438 | 2,697 | 2,983 | 3,077 |
| Depreciation | (695) | (638) | (651) | (654) | (658) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT | 463 | 800 | 2,047 | 2,328 | 2,420 |
| Net financing costs | (1,386) | (1,411) | (1,812) | (1,869) | (1,873) |
| Associates | 1,088 | 1,530 | 1,371 | 1,595 | 1,681 |
| Recurring non-operating income | 1,088 | 1,530 | 1,371 | 1,595 | 1,681 |
| Non-recurring items | 806 | 222 | 49 | 0 | 0 |
| Profit before tax | 971 | 1,142 | 1,655 | 2,054 | 2,228 |
| Tax | (38) | (21) | (71) | (92) | (109) |
| Profit after tax | 933 | 1,121 | 1,585 | 1,962 | 2,119 |
| Minority interests | (28) | (16) | (100) | (100) | (100) |
| Preferred dividends | 0 | 0 | 0 | 0 | 0 |
| Other items | - | - | - | - | - |
| Reported net profit | 906 | 1,105 | 1,485 | 1,862 | 2,019 |
| Non-recurring items & goodwill (net) | (806) | (222) | (49) | 0 | 0 |
| Recurring net profit | 100 | 882 | 1,436 | 1,862 | 2,019 |
| Per share (THB) | | | | | |
| Recurring EPS * | 0.06 | 0.52 | 0.85 | 1.10 | 1.19 |
| Reported EPS | 0.53 | 0.65 | 0.88 | 1.10 | 1.19 |
| DPS | 0.25 | 0.25 | 0.35 | 0.44 | 0.48 |
| Diluted shares (used to calculate per share data) | 1,694 | 1,694 | 1,694 | 1,694 | 1,694 |
| Growth | | | | | |
| Revenue (%) | (27.2) | 48.3 | 97.5 | 13.2 | 3.4 |
| Operating EBITDA (%) | (24.1) | 24.2 | 87.5 | 10.6 | 3.2 |
| Operating EBIT (%) | (42.0) | 72.8 | 155.8 | 13.8 | 3.9 |
| Recurring EPS (%) | (70.4) | 783.4 | 62.7 | 29.7 | 8.4 |
| Reported EPS (%) | 48.0 | 22.0 | 34.4 | 25.4 | 8.4 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | 7.9 | 7.7 | 7.2 | 7.4 | 7.4 |
| Gross margin exc. depreciation (%) | 13.6 | 11.2 | 9.0 | 9.0 | 9.0 |
| Operating EBITDA margin (%) | 9.5 | 7.9 | 7.5 | 7.4 | 7.4 |
| Operating EBIT margin (%) | 3.8 | 4.4 | 5.7 | 5.8 | 5.8 |
| Net margin (%) | 0.8 | 4.9 | 4.0 | 4.6 | 4.8 |
| Effective tax rate (%) | 3.9 | 1.8 | 4.3 | 4.5 | 4.9 |
| Dividend payout on recurring profit (%) | 424.0 | 48.0 | 41.4 | 40.0 | 40.0 |
| Interest cover (X) | 1.1 | 1.7 | 1.9 | 2.1 | 2.2 |
| Inventory days | 167.4 | 161.3 | 129.3 | 129.7 | 98.4 |
| Debtor days | 88.7 | 48.6 | 38.6 | 48.1 | 50.3 |
| Creditor days | 83.3 | 57.0 | 49.5 | 63.0 | 65.7 |
| Operating ROIC (%) | 2.7 | 4.2 | 9.6 | 10.0 | 10.0 |
| ROIC (%) | 1.9 | 2.8 | 4.1 | 4.5 | 4.7 |
| ROE (%) | 0.4 | 3.6 | 5.9 | 7.3 | 7.6 |
| ROA (%) | 1.5 | 2.4 | 3.2 | 3.5 | 3.8 |

* Pre-exceptional, pre-goodwill and fully diluted

| Revenue by Division (THB m) | 2021 | 2022 | 2023E | 2024E | 2025E |
|-----------------------------|--------|--------|--------|--------|--------|
| Construction services | 12,199 | 18,097 | 35,736 | 40,460 | 41,825 |
| 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 | 1,436 | 1,862 | 2,019 |
| Depreciation | 695 | 638 | 651 | 654 | 658 |
| Associates & minorities | 331 | 377 | 449 | 446 | 444 |
| Other non-cash items | - | - | - | - | - |
| Change in working capital | (1,109) | (2,237) | (381) | (2,207) | (1,538) |
| Cash flow from operations | 16 | (340) | 2,154 | 756 | 1,582 |
| Capex - maintenance | - | - | - | - | - |
| Capex - new investment | (1,346) | - | (207) | (646) | (644) |
| Net acquisitions & disposals | - | - | - | - | - |
| Other investments (net) | - | 233 | - | - | - |
| Cash flow from investing | (1,346) | 233 | (207) | (646) | (644) |
| Dividends paid | - | (509) | (645) | (845) | (907) |
| Equity finance | (821) | (2,031) | 346 | (179) | (126) |
| Debt finance | 827 | 2,835 | (1,790) | 200 | 0 |
| Other financing cash flows | 531 | - | - | - | - |
| Cash flow from financing | 537 | 295 | (2,089) | (824) | (1,033) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 0 | 0 | 0 |
| Net other adjustments | 0 | 0 | 0 | 0 | 0 |
| Movement in cash | (793) | 187 | (142) | (715) | (96) |
| Free cash flow to firm (FCFF) | 55.04 | 1,303.02 | 3,758.35 | 1,978.47 | 2,810.41 |
| Free cash flow to equity (FCFE) | 27.94 | 2,727.35 | 156.88 | 309.47 | 937.21 |

Per share (THB)

| | | | | | |
|-------------------------------|------|------|------|------|------|
| FCFF per share | 0.03 | 0.77 | 2.22 | 1.17 | 1.66 |
| FCFE per share | 0.02 | 1.61 | 0.09 | 0.18 | 0.55 |
| Recurring cash flow per share | 0.66 | 1.12 | 1.50 | 1.75 | 1.84 |

| 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) |
| Tangible fixed assets (net) | 11,895 | 11,827 | 10,936 | 10,482 | 10,025 |
| Intangible fixed assets (net) | 0 | 0 | 0 | 0 | 0 |
| Long-term financial assets | - | - | - | - | - |
| Invest. in associates & subsidiaries | 50,910 | 49,847 | 49,947 | 50,047 | 50,147 |
| Cash & equivalents | 6,772 | 6,960 | 6,818 | 6,103 | 6,007 |
| A/C receivable | 2,273 | 2,549 | 5,003 | 5,664 | 5,856 |
| Inventories | 6,094 | 8,112 | 14,923 | 11,240 | 9,295 |
| Other current assets | 4,930 | 5,436 | 10,821 | 12,238 | 12,648 |
| Current assets | 20,069 | 23,057 | 37,565 | 35,245 | 33,805 |
| Other assets | 546 | 420 | 441 | 463 | 486 |
| Total assets | 83,421 | 85,151 | 98,889 | 96,237 | 94,464 |
| Common equity | 25,669 | 24,026 | 24,917 | 26,034 | 27,246 |
| Minorities etc. | 439 | 440 | 786 | 607 | 481 |
| Total shareholders' equity | 26,108 | 24,466 | 25,703 | 26,641 | 27,727 |
| Long term debt | 36,634 | 37,991 | 37,662 | 37,842 | 37,842 |
| Other long-term liabilities | 2,931 | 2,651 | 5,306 | 4,496 | 3,873 |
| Long-term liabilities | 39,565 | 40,642 | 42,968 | 42,338 | 41,715 |
| A/C payable | 2,174 | 2,850 | 5,969 | 6,744 | 6,971 |
| Short term debt | 6,721 | 8,199 | 6,738 | 6,758 | 6,758 |
| Other current liabilities | 8,853 | 8,994 | 17,511 | 13,756 | 11,293 |
| Current liabilities | 17,748 | 20,043 | 30,218 | 27,258 | 25,022 |
| Total liabilities and shareholders' equity | 83,421 | 85,151 | 98,889 | 96,237 | 94,464 |
| Net working capital | 2,270 | 4,253 | 7,267 | 8,642 | 9,534 |
| Invested capital | 65,621 | 66,347 | 68,592 | 69,634 | 70,193 |

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

Per share (THB)

| | | | | | |
|-------------------------------|-------|-------|-------|-------|-------|
| Book value per share | 15.15 | 14.18 | 14.71 | 15.37 | 16.08 |
| Tangible book value per share | 15.15 | 14.18 | 14.71 | 15.37 | 16.08 |

Financial strength

| | | | | | |
|---------------------------|-------|-------|-------|-------|-------|
| Net debt/equity (%) | 140.1 | 160.3 | 146.2 | 144.5 | 139.2 |
| Net debt/total assets (%) | 43.9 | 46.1 | 38.0 | 40.0 | 40.9 |
| Current ratio (x) | 1.1 | 1.2 | 1.2 | 1.3 | 1.4 |
| CF interest cover (x) | 2.0 | 2.9 | 1.2 | 1.5 | 1.8 |

| Valuation | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|--------------|-------------|-------------|-------------|-------------|
| Recurring P/E (x) * | 363.0 | 41.1 | 25.2 | 19.5 | 18.0 |
| Recurring P/E @ target price (x) * | 441.0 | 49.9 | 30.7 | 23.6 | 21.8 |
| Reported P/E (x) | 40.0 | 32.8 | 24.4 | 19.5 | 18.0 |
| Dividend yield (%) | 1.2 | 1.2 | 1.6 | 2.1 | 2.2 |
| Price/book (x) | 1.4 | 1.5 | 1.5 | 1.4 | 1.3 |
| Price/tangible book (x) | 1.4 | 1.5 | 1.5 | 1.4 | 1.3 |
| EV/EBITDA (x) ** | 63.3 | 52.8 | 27.7 | 25.3 | 24.5 |
| EV/EBITDA @ target price (x) ** | 70.0 | 58.2 | 30.6 | 27.9 | 27.0 |
| 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

CH Karnchang PCL (CK TB)

FSSIA ESG rating

38.06 /100
Exhibit 12: FSSIA ESG score implication

| Rating | Score | Implication |
|--------|------------------|--|
| ★★★★★ | >79-100 | Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability. |
| ★★★★☆ | >59-79 | A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers. |
| ★★★☆☆ | >39-59 | Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually. |
| ★★☆☆☆ | >19-39 | Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable. |
| ★☆☆☆☆ | 1-19 | The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC. |

Sources: FSSIA estimates

Exhibit 13: ESG – peer comparison

| | FSSIA ESG score | ----- Domestic ratings ----- | | | | | | ----- Global ratings ----- | | | | | | --- Bloomberg --- | |
|----------|-----------------------|------------------------------|-------------|------|-------------|--------------|-----------|----------------------------|-------------|------|---------|-----------|---------------|-------------------|---------------------|
| | | DJSI | SET THSI | THSI | CG score | AGM level | Thai CAC | Morningstar ESG risk | ESG Book | MSCI | Moody's | Refinitiv | S&P Global | ESG score | Disclosure score |
| SET100 | 69.20 | 5.34 | 4.40 | 4.40 | 4.76 | 4.65 | 3.84 | Medium | 51.76 | BBB | 20.87 | 58.72 | 63.91 | 3.72 | 28.17 |
| Coverage | 67.12 | 5.11 | 4.15 | 4.17 | 4.83 | 4.71 | 3.53 | Medium | 52.04 | BB | 16.97 | 56.85 | 62.09 | 3.40 | 31.94 |
| CK | 38.06 | -- | -- | -- | 5.00 | 4.00 | -- | High | 50.15 | BB | -- | 43.93 | 22.00 | 2.13 | 43.16 |
| ITD | 14.63 | -- | -- | -- | 4.00 | 4.00 | -- | Severe | -- | -- | -- | -- | 13.00 | -- | -- |
| STEC | 39.73 | -- | -- | -- | 5.00 | 5.00 | -- | Severe | 62.52 | BBB | -- | 36.51 | 22.00 | 1.64 | 37.87 |
| SYNTEC | 36.38 | -- | -- | Y | 5.00 | 5.00 | Certified | -- | 53.14 | -- | -- | 37.86 | -- | -- | -- |
| NWR | 24.97 | -- | -- | -- | 4.00 | 5.00 | Certified | -- | 47.79 | -- | -- | -- | -- | -- | -- |

Sources: SETTRADE.com; FSSIA's compilation
Exhibit 14: ESG score by Bloomberg

| FY ending Dec 31 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|--------------|--------------|--------------|--------------|
| ESG financial materiality scores - ESG score | — | — | 1.93 | 2.13 |
| BESG environmental pillar score | — | — | 0.00 | 0.10 |
| BESG social pillar score | — | — | 4.64 | 5.11 |
| BESG governance pillar score | — | — | 3.08 | 3.14 |
| ESG disclosure score | 32.81 | 33.67 | 38.17 | 43.16 |
| Environmental disclosure score | 0.91 | 0.91 | 6.10 | 20.48 |
| Social disclosure score | 16.26 | 18.83 | 27.15 | 27.78 |
| Governance disclosure score | 81.10 | 81.10 | 81.10 | 81.10 |
| Environmental | | | | |
| Emissions reduction initiatives | No | No | Yes | Yes |
| Climate change policy | No | No | No | No |
| Climate change opportunities discussed | No | No | No | No |
| Risks of climate change discussed | No | No | No | No |
| GHG scope 1 | — | — | — | — |
| GHG scope 2 location-based | — | — | 2 | 2 |
| GHG Scope 3 | — | — | — | — |
| Carbon per unit of production | — | — | — | — |
| Biodiversity policy | No | No | No | No |
| Energy efficiency policy | Yes | Yes | Yes | Yes |
| Total energy consumption | — | — | 643 | 3 |
| Renewable energy use | — | — | — | — |
| Electricity used | — | — | 643 | 3 |
| Fuel used - natural gas | — | — | — | — |

Sources: Bloomberg; FSSIA's compilation

Exhibit 15: ESG score by Bloomberg (cont.)

| FY ending Dec 31 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|----------------|----------------|----------------|----------------|
| Fuel used - crude oil/diesel | No | No | No | No |
| Waste reduction policy | Yes | Yes | Yes | Yes |
| Hazardous waste | — | — | — | — |
| Total waste | — | — | — | — |
| Waste recycled | — | — | — | — |
| Waste sent to landfills | — | — | — | — |
| Environmental supply chain management | No | No | No | Yes |
| Water policy | No | No | No | No |
| Water consumption | — | — | — | — |
| Social | | | | |
| Human rights policy | Yes | Yes | Yes | Yes |
| Policy against child labor | No | No | No | Yes |
| Quality assurance and recall policy | Yes | Yes | Yes | Yes |
| Consumer data protection policy | No | No | No | No |
| Equal opportunity policy | Yes | Yes | Yes | Yes |
| Gender pay gap breakout | No | No | No | No |
| Pct women in workforce | — | — | 18 | 26 |
| Pct disabled in workforce | — | — | — | — |
| Business ethics policy | Yes | Yes | Yes | Yes |
| Anti-bribery ethics policy | Yes | Yes | Yes | Yes |
| Health and safety policy | Yes | Yes | Yes | Yes |
| Lost time incident rate - employees | 0 | 0 | 0 | 0 |
| Total recordable incident rate - employees | 0 | 0 | 0 | — |
| Training policy | No | No | No | Yes |
| Fair remuneration policy | No | No | No | No |
| Number of employees – CSR | — | 2,380 | 2,124 | 2,304 |
| Employee turnover pct | — | — | — | — |
| Total hours spent by firm - employee training | — | — | 13,785 | 17,303 |
| Social supply chain management | No | No | No | Yes |
| Governance | | | | |
| Board size | 10 | 9 | 10 | 10 |
| No. of independent directors (ID) | 4 | 3 | 4 | 4 |
| No. of women on board | 1 | 1 | 1 | 1 |
| No. of non-executive directors on board | 4 | 3 | 4 | 4 |
| Company conducts board evaluations | Yes | Yes | Yes | Yes |
| No. of board meetings for the year | 7 | 7 | 7 | 8 |
| Board meeting attendance pct | 100 | 100 | 100 | 100 |
| Board duration (years) | 3 | 3 | 3 | 3 |
| Director share ownership guidelines | No | No | No | No |
| Age of the youngest director | 45 | 46 | 47 | 43 |
| Age of the oldest director | 82 | 80 | 81 | 82 |
| No. of executives / company managers | 17 | 16 | 14 | 14 |
| No. of female executives | 2 | 2 | 2 | 1 |
| Executive share ownership guidelines | No | No | No | No |
| Size of audit committee | 3 | 3 | 3 | 3 |
| No. of ID on audit committee | 3 | 3 | 3 | 3 |
| Audit committee meetings | 4 | 4 | 4 | 4 |
| Audit meeting attendance % | 100 | 100 | 100 | 100 |
| Size of compensation committee | 4 | 3 | 3 | 3 |
| No. of ID on compensation committee | 3 | 1 | 1 | 1 |
| No. of compensation committee meetings | 2 | 2 | 3 | 4 |
| Compensation meeting attendance % | 100 | 100 | 100 | 100 |
| Size of nomination committee | 4 | 3 | 3 | 3 |
| No. of nomination committee meetings | 2 | 2 | 3 | 4 |
| Nomination meeting attendance % | 100 | 100 | 100 | 100 |
| Sustainability governance | | | | |
| Verification type | No | No | No | No |

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

| ESG score | Methodology | Rating | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|----------------|---|-----------|-------------|----------|-------------|------------|-------------|-----------------|---|-----------|-------------|----------|-------------|------------|-------------|-----------------|---|
| The Dow Jones Sustainability Indices (DJSI) By S&P Global | The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion. | Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe. | | | | | | | | | | | | | | | | | | | |
| Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET) | THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years. | To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > 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. | | | | | | | | | | | | | | | | | | | |
| CG Score by Thai Institute of Directors Association (Thai IOD) | An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations. | Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%). | | | | | | | | | | | | | | | | | | | |
| AGM level By Thai Investors Association (TIA) with support from the SEC | It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. 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 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 scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79. | | | | | | | | | | | | | | | | | | | |
| Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC) | The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. (Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including 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 document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements. | | | | | | | | | | | | | | | | | | | |
| Morningstar Sustainalytics | The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews. | A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table> | NEGL | Low | Medium | High | Severe | 0-10 | 10-20 | 20-30 | 30-40 | 40+ | | | | | | | | | |
| NEGL | Low | Medium | High | Severe | | | | | | | | | | | | | | | | | |
| 0-10 | 10-20 | 20-30 | 30-40 | 40+ | | | | | | | | | | | | | | | | | |
| ESG Book | The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis. | The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance. | | | | | | | | | | | | | | | | | | | |
| MSCI | MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td rowspan="3">Leader:</td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td rowspan="3">Average:</td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table> | AAA | 8.571-10.000 | Leader: | leading its industry in managing the most significant ESG risks and opportunities | AA | 7.143-8.570 | A | 5.714-7.142 | BBB | 4.286-5.713 | Average: | a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers | BB | 2.857-4.285 | B | 1.429-2.856 | CCC | 0.000-1.428 | Laggard: | lagging its industry based on its high exposure and failure to manage significant ESG risks |
| AAA | 8.571-10.000 | Leader: | leading its industry in managing the most significant ESG risks and opportunities | | | | | | | | | | | | | | | | | | |
| AA | 7.143-8.570 | | | | | | | | | | | | | | | | | | | | |
| A | 5.714-7.142 | | | | | | | | | | | | | | | | | | | | |
| BBB | 4.286-5.713 | Average: | a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers | | | | | | | | | | | | | | | | | | |
| BB | 2.857-4.285 | | | | | | | | | | | | | | | | | | | | |
| B | 1.429-2.856 | | | | | | | | | | | | | | | | | | | | |
| CCC | 0.000-1.428 | Laggard: | lagging its industry based on its high exposure and failure to manage significant ESG risks | | | | | | | | | | | | | | | | | | |
| Moody's ESG solutions | Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term. | | | | | | | | | | | | | | | | | | | | |
| Refinitiv ESG rating | Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. (Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.) | | | | | | | | | | | | | | | | | | | | |
| S&P Global | The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100. | | | | | | | | | | | | | | | | | | | | |
| Bloomberg | ESG Score | Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best. | | | | | | | | | | | | | | | | | | | |
| Bloomberg | ESG Disclosure Score | Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point. | | | | | | | | | | | | | | | | | | | |

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"; 2) "AGM Level"; 3) "Thai CAC"; and 4) THSI. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

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Thanyatorn Songwutti FSS International Investment Advisory Securities Co., Ltd

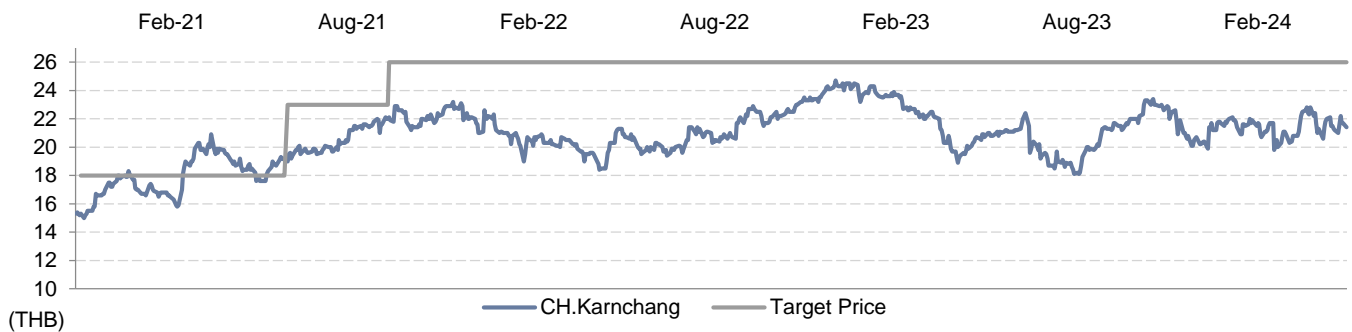
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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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 |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 18-Feb-2021 | BUY | 18.00 | 13-Aug-2021 | BUY | 23.00 | 10-Nov-2021 | BUY | 26.00 |

Thanyatorn Songwutti started covering this stock from 11-Apr-2023

Price and TP are in local currency

Source: FSSIA estimates

| Company | Ticker | Price | Rating | Valuation & Risks |
|--------------|--------|-----------|--------|--|
| CH.Karnchang | CK TB | THB 21.40 | BUY | Key downside risks to our SoTP-based TP include 1) delays in the 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. |

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.

All share prices are as at market close on 12-Feb-2024 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.