OKP Holdings ---------- NOT COVERED

Paving the road for orderbook growth

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- OKP is a Grade A1 civil engineering contractor with a track record of 51 years. Its current orderbook consists mainly of smaller construction and maintenance projects of Singapore's roadworks and land infrastructure. OKP also specialises in airport and oil and gas infrastructure projects. Full report
- Management is positive on the government's expectation for a pick up in public infrastructure spending from S$18.3 bn in FY17 to S$30 bn in FY20, as margins tend to be more attractive when the overall contract value available for tender is higher, given less competitive pressure.
- Its current net orderbook of S$330 mn extends till 2019, with majority to be recognised in 2017-18. Management is positive on the prospects of winning new tenders, and will likely target larger and more complicated projects where margins are more attractive.
- OKP sits on a net cash position of S$72 mn, making up 56%/63% of market cap/NAV. The stock trades on a FY17E dividend yield of 4.8% and FY17E PE of 10.4x (ex-cash PE of 4.3x) based on consensus estimates and market cap/orderbook of 0.39x.

(OKP SP/OKPH.SI)	
Company name	OKP Hldgs
Current price (S$)	0.42
Mkt cap (S$ mn)	128
Daily trad vol - 6m avg (mn)	0.09
Daily trad val - 6m avg (S$ mn)	0.03
Key shareholder:	Or Kim Peow Invmts (55%)

YE December	FY14A	FY15A	FY16A	FY17E	FY18E
Revenue (S$ mn)	109.5	103.3	111.1	125.0	145.0
EBITDA (S$ mn)	(0.8)	9.9	15.7	18.5	19.4
PAT (S$ mn)	2.5	7.0	14.3	13.0	13.8
EBITDA margin (%)	(0.7)	9.6	14.2	14.8	13.4
Net margin (%)	2.3	6.8	12.9	10.4	9.5
EPS growth (%)	(82.6)	176.8	104.8	(14.0)	25.0
P/E (x)	50.6	18.3	8.9	10.4	8.3
Dividend yield (%)	0.2	2.7	4.8	4.8	4.8
P/B (x)	1.3	1.2	1.1	1.0	1.0
RoE (%)	(2.2)	6.9	13.1	10.0	10.9
Net debt(cash)/equity (%)	(32.3)	(49.8)	(62.5)	(53.6)	(56.8)

Source: Company data, Bloomberg, IBES

Civil engineering contractor with high roadworks exposure

OKP is a BCA-categorised Grade A1 civil engineering contractor that is allowed to tender for Singapore public sector projects of unlimited value. OKP's main customers include public sector agencies such as the PUB, LTA, Changi Airport and JTC. Its current orderbook consists mainly of projects related to construction and maintenance of public roads, drains and walkways. OKP has completed civil engineering projects that span across airport runways, civil construction works for petrochemical plants and oil storage terminals, roadworks and land infrastructure maintenance and construction works on Singapore's walkways and expressways. OKP's civil engineering business broadly operates under two segments: (1) construction and (2) maintenance.

Since 2012, OKP has also ventured into property development and investment, and currently has 10% stakes in the *Amber Skye* residential development (14 out of 109 units sold; TOP in Apr-17) and the *LakeLife* EC project (fully sold; TOP in Dec-16). HLS' share of profit from the property projects was S$2.5 mn in FY16.

Management is positive on the government's expectation for a pick up in infrastructure spending, as margins tend to be more attractive when the overall contract value available for tender is higher, given less competitive pressure. OKP's net order book as at Dec-16 stands at S$330 mn, with projects extending till 2019, although most will be recognised in 2017-18. While its current orderbook is made up of projects below S$150 mn each, management commented that it has the scalability to take on larger projects.

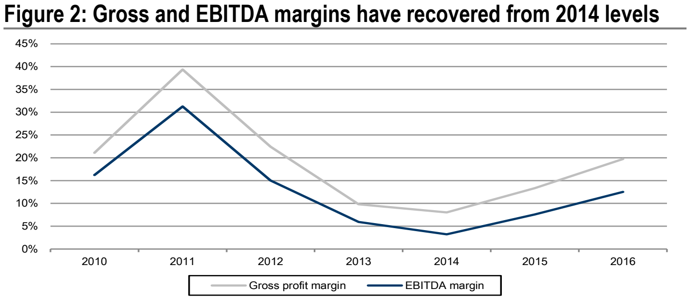
Figure 1: Net orderbook of S$330 mn extending till Nov-19

Project	Client	Value (S$ mn)	Completion
Public Utilities Board (PUB) projects			
Construction of Stamford diversion canal	PUB	50.6	Dec-17
Bukit Timah canal improvement	PUB	146.5	May-18
Drain improvement works	PUB	27.8	Dec-18
Land Transport Authority (LTA) projects			
Widening of Tanah Merah Coast Road	LTA	37.3	May-17
Improvement of roads in the East	LTA	19.7	May-17
Road resurfacing works for seven expressways	LTA	54.7	Jun-18
Walk2Ride Programme	LTA	143.9	Feb-19
Construction of viaduct from TPE to PIE	LTA	94.6	Nov-19
Jurong Town Corporation (JTC) projects			
Roads and drains at Tuas South	JTC	20.4	Jan-17
Roads and drains at Punggol Road	JTC	19.3	Oct-17

Source: Company data

Gross/EBITDA margins have recovered from the 2014 lows to 20%/13% in 2016 respectively, driven by the recognition of higher margin maintenance contracts. Going forward, management is positive on the prospects of winning new tenders and will target larger and more complicated projects which involve the design process as well, where margins are more attractive.

Figure 2: Gross and EBITDA margins have recovered from 2014 levels



Source: Company data

Net cash position of S$72 mn provides opportunity to tender for new projects

OKP sits on a net cash position of S$72 mn, making up 56%/63% of market cap/NAV, providing opportunities to tender for large contracts, as working capital needs for civil engineering projects is generally low. Key challenges are the lack of qualified professional engineers in the industry, foreign competition for large projects and rising labour costs, management noted.

Companies Mentioned *(Price as of 06-Apr-2017)*

OKP Holdings (OKPH.SI, S$0.415)

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