

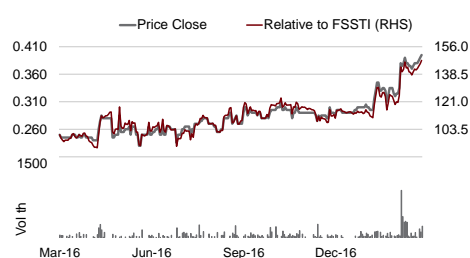
Eyes on the Ground

Singapore

NON RATED



Current price:	S\$0.40
Consensus Tgt Price:	S\$
Up/downside:	N/A
Reuters:	OKPH.SI
Bloomberg:	OKP SP
Market cap:	US\$86.14m
	S\$121.8m
Average daily turnover:	US\$0.02m
	S\$0.03m
Current shares o/s:	308.4m
Free float:	30.6%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	21.5	36.2	46.3
Relative (%)	19.2	29.8	35.9

Major shareholders	% held
Or Kim Peow Investme	54.7
China Sonangol Int S	14.0
Kim Peow Or	0.3

OKP Holdings Ltd

Road warrior

- Leading civil engineering specialist with strong customer base and reliable track record of profitability.
- S\$330m order book (as of end FY16) with pipeline till FY19.
- Potential pick-up in construction activity from private and public sectors.
- 60% of market cap backed by net cash, with 5.0% historical dividend yield.
- Currently trades at 8.6x (ex-cash 3.6x) historical P/E, below peers' average of 11.3x.

The local guy behind Singapore's extensive infrastructure

We visited OKP management last week, a civil engineering specialist with 50 years' track record and well-established customer base comprising of the Public Utilities Board (PUB), Land Transport Authority (LTA), Jurong Town Corporation (JTC), Changi Airport Group and ExxonMobil. Notable projects that yielded better gross margins (vs OKP's norm of 12-15%) include infrastructure works for airport and maintenance projects for roadside drains.

Consistency is the key to success, according to management

OKP has had topline of over S\$100m since FY07, as well as a track record of profitability since listing in 2002. As at end FY16, it has an order book of S\$330m which offers revenue visibility to FY19, according to management, as new projects generally take three years for completion. We saw an uptick in FY16's gross margin to 19.7% (FY15: 13.3%), attributed to more efficient cost management and projects of higher complexity. ~70% of its existing order book relates to such design and build projects.

JV/associates' contribution is a swing factor

FY16 net profit more than doubled to S\$14.3m from FY15's S\$7m, boosted by S\$3m contribution from a joint venture. This was largely due to the sale of units of the Jurong Lakelife EC development, of which about 45% remains to be recognised upon handover. Management believes stronger traction in the sale of its other property development (10% stake), Amber Skye, could result in greater associates' earnings contribution.

Higher construction demand in Singapore

According to the Building and Construction Authority (BCA) of Singapore, the total value of construction contracts to be awarded in 2017F is estimated to be S\$28bn-35bn (vs 2016's total construction demand of S\$26bn), of which c.70% of the construction demand will be accounted for by the public sector. The recent easing of property cooling measures could boost private sector sentiment and encourage developers to add on more land sites, based on a recent report by our Singapore property research team.

Net cash, positive operating cashflow and 5.0% dividend yield

OKP's management says it is committed to rewarding shareholders with consistent dividend payout. The company declared FY16 DPS of 2 Scts, translating into 5.0% dividend yield and 43% payout ratio. The company currently has a net cash/share of S\$0.23 and recorded operating cashflow of S\$28.1m in FY16 (FY15: S\$20.1m) with minimal capex needs.

Challenges and opportunities

Apart from increasing competition in the industry that may erode margins, management cited rising labour expenses (current workforce of 800 workers) as a constant challenge for the industry, which they can mitigate by passing on the cost inflation to their customers. With net cash of S\$72m as at end-FY16, OKP is looking out for better yielding investments and development projects.

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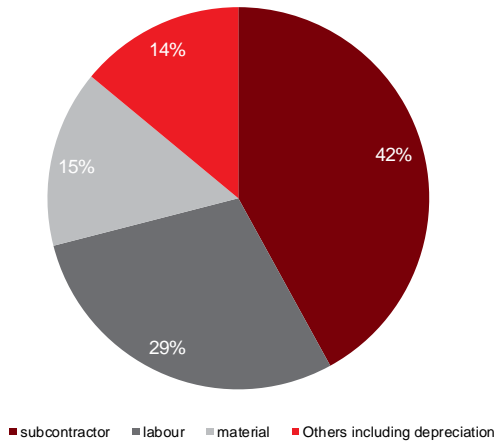
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Financial Summary

FYE Dec (S\$m)	FY12	FY13	FY14	FY15	FY16
Revenue	104.5	107.0	109.5	103.3	111.1
Operating EBITDA	14.9	5.4	2.3	10.8	19.5
Recurring Net Profit	12.4	4.8	2.5	7.0	14.3
Core EPS (Scts)	4.0	1.6	0.8	2.3	4.6
Core EPS Growth (%)	-55%	-61%	-47%	176%	105%
FD Core P/E (x)	9.9	25.6	48.6	17.6	8.6
DPS (Scts)	1.50	0.30	0.10	1.10	2.00
Dividend Yield (%)	3.8%	0.8%	0.3%	2.8%	5.0%
Net Gearing (%)	-54.5%	-36.0%	-32.3%	-49.8%	-62.5%
P/BV (x)	1.3	1.3	1.3	1.2	1.1
Recurring ROE (%)	13.4%	5.0%	2.6%	6.9%	13.1%

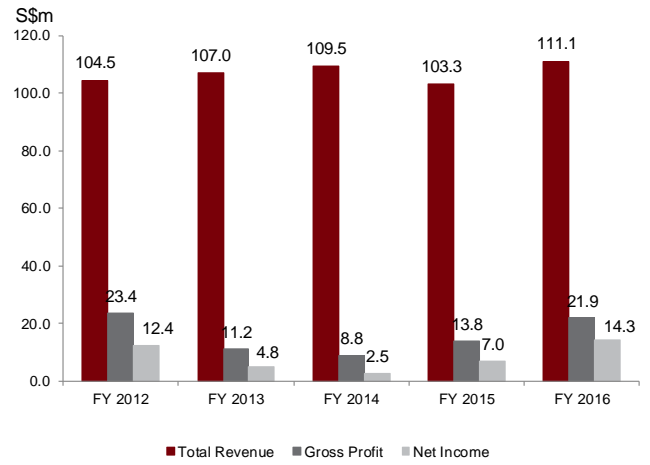
SOURCE: COMPANY DATA, CIMB

Figure 1: FY16's breakdown of cost of works (%)



SOURCES: CIMB, COMPANY REPORTS

Figure 2: Profitability suffered in FY13-14 due to higher sub-contracting costs and low-margin work



SOURCES: CIMB, COMPANY REPORTS

Figure 3: Peers Comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	Historical PE (x)	Historical PBV (x)	Recurring ROE (%)	Dividend Yield (%)
OKP Holdings Ltd	OKP SP	Not Rated	0.40	na	91	8.6	1.08	13.1	5.00
Hock Lian Seng Holdings Ltd	HLSH SP	Not Rated	0.61	na	218	8.6	1.36	13.7	4.13
KSH Holdings Ltd	KSHH SP	Not Rated	0.55	na	177	4.0	0.81	14.1	6.45
Wee Hur Holdings Ltd	WHUR SP	Not Rated	0.25	na	159	13.0	0.67	7.1	6.12
Lian Beng Group Ltd	LBG SP	Not Rated	0.54	na	189	2.6	0.48	12.6	3.74
Lum Chang Holdings Ltd	LCH SP	Not Rated	0.37	na	98	4.7	0.66	7.2	5.48
Koh Brothers Group Ltd	KOH SP	Not Rated	0.29	na	83	4.3	0.45	5.4	1.75
TEE International Ltd	TEE SP	Not Rated	0.19	na	66	11.2	0.94	4.3	1.76
Tiong Seng Holdings Ltd	TSNG SP	Not Rated	0.26	na	82	7.6	0.46	5.0	1.96
TA Corp Ltd	TACL SP	Not Rated	0.29	na	99	na	0.68	-7.0	3.45
Keong Hong Holdings Ltd	KHHL SP	Not Rated	0.43	na	70	2.8	0.87	39.9	8.14
BBR Holdings S Ltd	BBR SP	Not Rated	0.20	na	43	53.8	0.50	-6.4	2.01
Simple average (exclude OKP)						11.3	0.72	8.7	4.09

SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2016		
1626 companies under coverage for quarter ended on 31 December 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	5.4%
Hold	29.6%	1.4%
Reduce	11.6%	0.4%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016.

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BGP** - Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** - Good, n/a, **BH** - Good, Declared, **BIGC** - Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Good, n/a, **GFPT** - Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Very Good, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Declared, **ICHI** – Very Good, Declared, **INTUCH** - Excellent, Certified, **ITD** – Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Declared, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Declared, **M** – Very Good, Declared, **MAJOR** - Good, n/a, **MAKRO** – Good, Declared, **MALEE** – Very Good, Declared, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Declared, **MEGA** – Very Good, Declared, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Very Good, Declared, **PSH** – not available, n/a, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Declared, **RATCH** – Excellent, Certified, **ROBINS** – Very Good, Declared, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** - Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Very Good, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, Declared, **TCAP** – Excellent, Certified, **THAI** – Very Good, Declared, **THANI** – Very Good, Declared, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Very Good, Certified, **TICON** – Very Good, Declared, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Very Good, Declared, **TTW** – Very Good, Declared, **TU** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand’s Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

CIMB Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.