

# Singapore Equity Explorer

## OKP Holdings

Bloomberg: OKP SP | Reuters: OKPH.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

14 Mar 2017

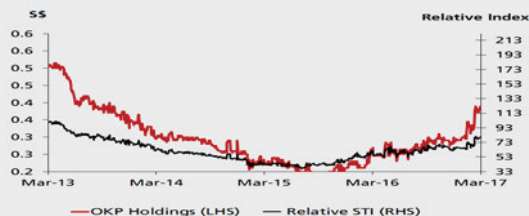
**NOT RATED S\$0.39** STI : 3,147.15

Closing price as of 13 Mar 2017

Return \*: 2

Risk: Moderate

Potential Target 12-mth\* : 12-Month S\$0.45 (16% upside)

**Analyst**Lee Keng LING +65 6682 3703  
leekeng@dbs.com**Price Relative****Forecasts and Valuation**

| FY Dec (\$m)         | 2015A | 2016A | 2017F | 2018F |
|----------------------|-------|-------|-------|-------|
| Revenue              | 103   | 111   | 125   | 145   |
| EBITDA               | 8.32  | 17.2  | 18.5  | 19.4  |
| Pre-tax Profit       | 7.61  | 16.5  | 14.9  | 15.8  |
| Net Profit           | 7.00  | 14.3  | 13.0  | 13.8  |
| Net Pft (Pre Ex.)    | 7.00  | 14.3  | 13.0  | 13.8  |
| EPS (S cts)          | 2.27  | 4.65  | 4.20  | 4.46  |
| EPS Pre Ex. (S cts)  | 2.27  | 4.65  | 4.20  | 4.46  |
| EPS Gth (%)          | 176   | 105   | (10)  | 6     |
| EPS Gth Pre Ex (%)   | 176   | 105   | (10)  | 6     |
| Diluted EPS (S cts)  | 2.27  | 4.65  | 4.20  | 4.46  |
| Net DPS (S cts)      | 1.10  | 2.00  | 1.68  | 1.78  |
| BV Per Share (S cts) | 33.9  | 37.1  | 39.6  | 42.3  |
| PE (X)               | 17.2  | 8.4   | 9.3   | 8.7   |
| PE Pre Ex. (X)       | 17.2  | 8.4   | 9.3   | 8.7   |
| EV/EBITDA (X)        | 8.2   | 2.8   | 3.0   | 2.4   |
| Net Div Yield (%)    | 2.8   | 5.1   | 4.3   | 4.6   |
| P/Book Value (X)     | 1.1   | 1.1   | 1.0   | 0.9   |
| Net Debt/Equity (X)  | CASH  | CASH  | CASH  | CASH  |
| ROAE (%)             | 6.9   | 13.1  | 10.9  | 10.9  |

ICB Industry : Industrials

ICB Sector: Construction &amp; Materials

Principal Business: OKP Holdings Limited is involved in the construction and maintenance of roads in Singapore.

**Stable road**

- **Leading infrastructure and civil engineering company**
- **Healthy net orderbook; steady industry outlook with strong project pipeline**
- **60% of market cap backed by net cash; founder owns majority stake. Possibility of privatisation?**
- **Fair value of S\$0.45, based on 11x FY17F PE, in line with peers**

**The Business**

**Leading home-grown infrastructure and civil engineering company.** Started by Founder and Chairman, Mr Or Kim Peow in 1966, OKP specialises in the construction of roads, bridges and other infrastructures. Most of its projects are from the public sector, awarded by Land Transport Authority (LTA) and Public Utilities Board (PUB).

**Healthy net orderbook; steady industry outlook with strong project pipeline.** OKP's current net orderbook is about S\$330m, with project pipeline extending till 2019. The Building and Construction Authority (BCA) estimated the total construction contracts to be awarded in 2017 to be between S\$28bn and S\$35bn, with about 70% from the public sector, higher than the S\$26.06bn contracts awarded in 2016. Upcoming major projects include the North-South Corridor and construction of new MRT lines.

**Strong net cash position; founder owns majority stake.**

**Possibility of privatisation?** Mr Or Kim Peow and family own about 60% stake in OKP. Given 60% of its current market capitalisation is backed by net cash, which works out to be 23 Scts per share, there is no necessity to tap the equity market to raise funds. We would not rule out the possibility of the founding family privatising the group.

**The Stock**

**Fair value of S\$0.45.** We believe a 11x FY17F PE valuation is fair, based on peer average for the construction stocks listed on SGX. TP works out to S\$0.45 per share, which translates to an upside of 15% from the current price. To be conservative, we assume no new contract wins in our forecasts. Dividend yield is attractive at prospective yield of about 4%.

**Risks:** Shortage of manpower, cost overrun for projects.

**At A Glance**

|                           |            |
|---------------------------|------------|
| Issued Capital (m shrs)   | 308        |
| Mkt. Cap (S\$m/US\$m)     | 120 / 85.0 |
| Major Shareholders (%)    |            |
| Or Kim Peow Inv           | 54.7       |
| China Sonangol            | 14.0       |
| Free Float (%)            | 83.0       |
| 3m Avg. Daily Val (US\$m) | 0.03       |

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

\*This Equity Explorer report represents a preliminary assessment of the subject company, and does not represent initiation into DBSV's coverage universe. As such DBSV does not commit to regular updates on an ongoing basis. The rating system is distinct from stocks in our regular coverage universe and is explained further on the back page of this report.

## REVENUE DRIVERS

**Leading home-grown infrastructure and civil engineering company.** Started by Founder and Chairman, Mr Or Kim Peow in 1966, OKP specialises in the construction of airport runways and taxiways, expressways, flyovers, vehicular bridges, urban and arterial roads, airport infrastructure and oil and gas-related infrastructure for petrochemical plants and oil storage terminals. The group has two core business divisions – Construction and Maintenance. It tenders for both public and private civil engineering, as well as infrastructure construction projects, primarily in Singapore.

The company's Construction segment, which contributes about 80% to total revenue, relates to the construction of urban and arterial roads, expressways, vehicular bridges, flyovers and buildings, airports infrastructure and oil and gas-related infrastructure for petrochemical plants and oil storage terminals. The remaining 20% is from the Maintenance segment, which relates to re-construction work performed on roads, road reserves, pavements, footpaths and kerbs, guardrails, railings, drains, signboards as well as bus bays and shelters.

**Owns 10% stakes in two residential properties.** On the property development front, the group has embarked on its first project with freehold residential development, Amber Skye, with a 10% stake in the developer. The 109-unit Amber Skye development is expected to receive Temporary Occupation Permit (TOP) soon. To date, about 14 units have been sold. OKP also holds a 10% stake in the developer of an Executive Condominium (EC), Lake Life, in Jurong. Lake Life, which received TOP in December 2016, has been fully sold. The Property segment contributed S\$2.5m (or 27%) to the group's FY16 pretax earnings of S\$9.4m.

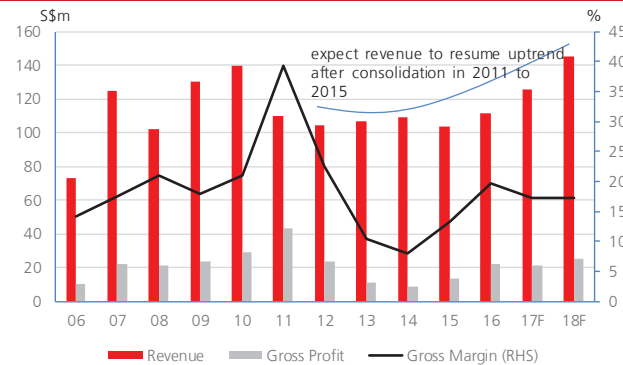
**Margin improvement.** Better project management such as proper site planning, detailed planning in the construction processes, effective site management and tighter cost controls, such as minimising construction material wastage at site has led to gross margin improvement to 19.7% in FY16, from 12.3% in FY15 and 8.0% in FY14.

## COST STRUCTURE

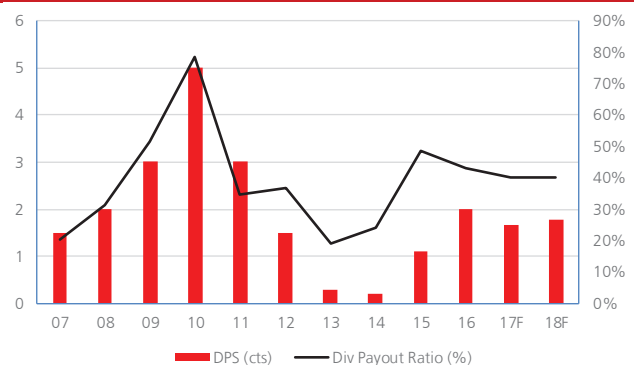
**Main raw materials – steel and concrete, make up 15% of total costs.** Steel and concrete, including sand and cement, accounts for about 15% of the total cost of works, while labour, another key component for the labour-intensive construction industry, accounts for about 30% of total costs. OKP also sub-contracted some of the components of the jobs it secured, like piling and prefabrication work, which are not its key expertise, to other contractors. Sub-contract works make up about 40% of total costs.

**Minimal impact from fluctuation in raw material prices.** Public projects tend to have fluctuation clauses embedded in the contracts. As the majority of OKP's contracts are from the public sector, there is minimal impact on OKP's bottom line, from the wide swing in raw material prices.

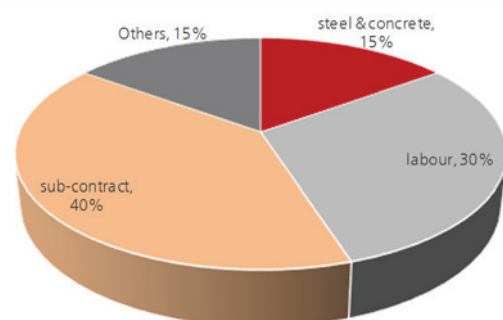
## Revenue, gross profit and gross margin trend



## DPS vs dividend payout ratio



## Cost of works breakdown



Source: Company, DBS Bank

## GROWTH PROSPECTS

### Healthy net orderbook of S\$330m with visibility till 2029.

OKP's current net orderbook is about S\$330m, with project pipeline extending till 2019. These are mainly public projects, awarded by Land Transport Authority (LTA) and Public Utilities Board (PUB), including a S\$143.9m contract for the construction of sheltered link ways.

**Steady industry outlook with strong project pipeline.** The Building and Construction Authority (BCA) estimated the total construction contracts to be awarded in 2017 to be between S\$28bn and S\$35bn, with about 70% from the public sector, higher than the S\$26.06bn contracts awarded in 2016. Average construction demand is projected to be between S\$26bn and S\$35bn annually for 2018 and 2019.

**North-South Corridor key project.** Upcoming major projects include the North-South Corridor and construction of new MRT lines. The LTA is expected to call for tenders for the construction of the 21.5-km North-South Corridor (NSC), to connect towns in the northern region to the city centre. The NSC will be Singapore's first integrated transport corridor featuring continuous bus lanes and cycling trunk routes. Other major projects in the pipeline are the second phase of the Deep Tunnel Sewerage System, Circle Line 6, Jurong Regional Line and Cross Island Line and various infrastructure developments for Changi Airport Terminal 5.

**Reputable clients from both public and private sectors.** The group's clients include, from the public sector, the Housing & Development Board, JTC Corporation, LTA, National Parks Board, PUB and Urban Redevelopment Authority. In the private sector, clients include the Changi Airport Group and ExxonMobil. As the bulk of OKP's contracts are from the public sector, receivables would not pose an issue for the group.

**Strong balance sheet provides cushion from adverse economic conditions.** OKP has been in a net cash position. As at 31 December 2016, net cash accounted for 60% of its market capitalisation, which works out to be 23 Scts per share. This helps to buffer the group against any adverse economic condition, especially for the cyclical and competitive construction sector. The strong cash position also bodes well for the group in tendering for big projects.

**Founder and family own majority stake. Possibility of privatisation?** Founder Mr Or Kim Peow, together with his family, own about 60% stake in OKP. Given that the group is in a strong net cash position, there is no necessity to tap the equity market to raise funds. We would not rule out the possibility of the founding family privatising the group.

## MANAGEMENT & STRATEGY

**Managed by founder and family members.** Mr Or Kim Peow, is the founder of the group. He is responsible for overseeing the overall management and strategic development of the group. He is supported by his sons, Mr Or Toh Wat, Mr Or Kiam Meng and Mr Or Lay Huat Daniel, and nephew, Mr Oh Enc Nam.

### Current Key Contracts

| LTA projects   | Value     |
|--|-----------|
| Road resurfacing works along seven major expressways   | S\$54.7m  |
| Construction of viaduct from Tampines Expressway to Pan Island Expressway (Westbound) and Upper Changi Road East | S\$94.6m  |
| Improvement of road-related facilities, road structures and road safety schemes in the East region of Singapore  | S\$19.7m  |
| Construction of sheltered link ways under the Walk2Ride Programme  | S\$143.9m |
| Widening of Tanah Merah Coast Road   | S\$37.3m  |
| PUB projects   |           |
| Improvement of drainage system along Geylang   | S\$18m    |
| Drainage improvement works   | S\$9.8m   |
| Construction of Stamford diversion canal   | S\$50.6m  |
| Improvement to Roadside Drains at Balestier road   | S\$19.2m  |
| JTC projects   |           |
| Infrastructure works at Punggol  | S\$19.3m  |
| Construction of roads, drains, sewers and soil improvement works contract at Tuas                                | S\$20.4m  |

Source: Company, DBS Bank

### Key Management Team

|   |  |
|---|--|
| Mr Or Kim Peow, <i>Founder &amp; Group Chairman</i> | Mr Or Kim Peow has more than 56 years of experience in the infrastructure and civil engineering business, he is responsible for overseeing the overall management and strategic development of the group. Mr Or founded the group in 1966 and was instrumental in growing and steering it through major changes in its history. He continues to be active, playing an advisory role in the group's strategic development and planning. |
| Mr Or Toh Wat, <i>Group Managing Director</i>       | Mr Or Toh Wat has more than 24 years of experience in the construction industry. He is responsible for setting the group's corporate directions and strategies, and overseeing the day-to-day management and business development of the group.  |
| Mr Or Kiam Meng, <i>Exec. Director</i>              | Joining the group in 1985, Mr Or Kiam Meng has more than 30 years of experience in the construction industry. He oversees the daily site management and operations of Or Kim Peow Contractors (Pte) Ltd, one of the group's principal subsidiaries.  |
| Mr Or Enc Nam, <i>Exec. Director</i>                | Joining the group in 1978, Mr Oh Enc Nam has more than 36 years of experience in the construction industry. He is responsible for the day-to-day management and overall operations of Eng Lam Contractors Co. (Pte) Ltd, one of the group's principal subsidiaries.  |
| Mr Or Lay Huat, Daniel, <i>Exec. Director</i>       | Mr Or Lay Huat, Daniel, is currently responsible for the group's business development and corporate communications.  |

Source: Company, DBS Bank

## Segmental Breakdown

| FY Dec                          | 2013A       | 2014A       | 2015A       | 2016A       | 2017F       | 2018F       |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Revenues (\$m)</b>           |             |             |             |             |             |             |
| Construction                    | 78.7        | 71.1        | 77.6        | 90.5        | 100         | 116         |
| Maintenance                     | 28.3        | 38.4        | 25.7        | 20.6        | 25.1        | 29.0        |
| <b>Total</b>                    | <b>107</b>  | <b>109</b>  | <b>103</b>  | <b>111</b>  | <b>125</b>  | <b>145</b>  |
| <b>Gross Profit (\$m)</b>       |             |             |             |             |             |             |
| Construction                    | 11.0        | (3.7)       | 6.56        | 12.6        | 14.0        | 16.3        |
| Maintenance                     | 0.19        | 12.4        | 7.21        | 9.37        | 7.52        | 8.71        |
| <b>Total</b>                    | <b>11.2</b> | <b>8.76</b> | <b>13.8</b> | <b>21.9</b> | <b>21.6</b> | <b>25.0</b> |
| <b>Gross Profit Margins (%)</b> |             |             |             |             |             |             |
| Construction                    | 14.0        | (5.2)       | 8.5         | 13.9        | 14.0        | 14.0        |
| Maintenance                     | 0.7         | 32.4        | 28.0        | 45.5        | 30.0        | 30.0        |
| <b>Total</b>                    | <b>10.4</b> | <b>8.0</b>  | <b>13.3</b> | <b>19.7</b> | <b>17.2</b> | <b>17.2</b> |

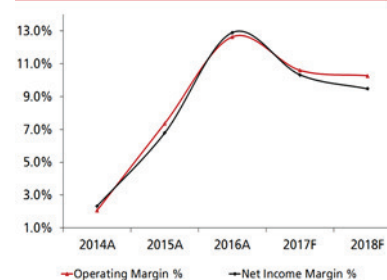
Expect bulk of S\$330m net orderbook to be booked in FY17F and FY18F

High margins in FY16 due to completion of a few high margins maintenance projects. Expect margins to normalise going forward

## Income Statement (\$m)

| FY Dec                      | 2013A       | 2014A       | 2015A       | 2016A       | 2017F       | 2018F       |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Revenue                     | 107         | 109         | 103         | 111         | 125         | 145         |
| Cost of Goods Sold          | (95.8)      | (101)       | (89.5)      | (89.2)      | (104)       | (120)       |
| <b>Gross Profit</b>         | <b>11.2</b> | <b>8.76</b> | <b>13.8</b> | <b>21.9</b> | <b>21.6</b> | <b>25.0</b> |
| Other Opng (Exp)/Inc        | (5.8)       | (6.5)       | (6.2)       | (7.9)       | (8.3)       | (10.1)      |
| <b>Operating Profit</b>     | <b>5.38</b> | <b>2.25</b> | <b>7.60</b> | <b>14.0</b> | <b>13.3</b> | <b>14.9</b> |
| Other Non Opg (Exp)/Inc     | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Associates & JV Inc         | 0.0         | 0.0         | 0.07        | 2.55        | 1.70        | 1.00        |
| Net Interest (Exp)/Inc      | (0.1)       | (0.1)       | (0.1)       | (0.1)       | (0.1)       | (0.1)       |
| Exceptional Gain/(Loss)     | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Pre-tax Profit</b>       | <b>5.32</b> | <b>2.20</b> | <b>7.61</b> | <b>16.5</b> | <b>14.9</b> | <b>15.8</b> |
| Tax                         | (0.5)       | 0.34        | (0.6)       | (2.2)       | (2.0)       | (2.1)       |
| Minority Interest           | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Preference Dividend         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Net Profit</b>           | <b>4.81</b> | <b>2.54</b> | <b>7.00</b> | <b>14.3</b> | <b>13.0</b> | <b>13.8</b> |
| Net Profit before Except.   | 4.81        | 2.54        | 7.00        | 14.3        | 13.0        | 13.8        |
| EBITDA                      | 8.61        | 5.24        | 8.32        | 17.2        | 18.5        | 19.4        |
| <b>Growth</b>               |             |             |             |             |             |             |
| Revenue Gth (%)             | 2.4         | 2.3         | (5.7)       | 7.6         | 12.9        | 15.8        |
| EBITDA Gth (%)              | (52.7)      | (39.1)      | 58.8        | 107.2       | 7.2         | 5.0         |
| Opg Profit Gth (%)          | (63.8)      | (58.1)      | 237.1       | 84.8        | (5.3)       | 12.2        |
| Net Profit Gth (Pre-ex) (%) | (61.6)      | (47.2)      | 175.9       | 104.7       | (9.7)       | 6.2         |
| <b>Margins &amp; Ratio</b>  |             |             |             |             |             |             |
| Gross Margins (%)           | 10.4        | 8.0         | 13.3        | 19.7        | 17.2        | 17.2        |
| Opg Profit Margin (%)       | 5.0         | 2.1         | 7.4         | 12.6        | 10.6        | 10.3        |
| Net Profit Margin (%)       | 4.5         | 2.3         | 6.8         | 12.9        | 10.3        | 9.5         |
| ROAE (%)                    | 5.0         | 2.6         | 6.9         | 13.1        | 10.9        | 10.9        |
| ROA (%)                     | 3.5         | 1.9         | 5.2         | 9.5         | 7.7         | 7.7         |
| ROCE (%)                    | 4.9         | 2.2         | 6.7         | 10.8        | 9.4         | 9.9         |
| Div Payout Ratio (%)        | 19.2        | 24.3        | 48.4        | 43.0        | 40.0        | 40.0        |
| Net Interest Cover (x)      | 91.8        | 42.0        | 122.5       | 194.9       | 184.5       | 207.0       |

## Margins Trend



Contribution from the property segment. More than half of LakeLife's contribution already booked in FY16

Source: Company, DBS Bank

**Quarterly / Interim Income Statement (\$Sm)**

| FY Dec                  | 3Q2015      | 4Q2015      | 1Q2016      | 2Q2016      | 3Q2016      | 4Q2016      |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Revenue                 | 24.2        | 24.5        | 24.6        | 24.0        | 28.1        | 34.5        |
| Cost of Goods Sold      | (21.2)      | (20.7)      | (21.6)      | (19.9)      | (24.0)      | (23.7)      |
| <b>Gross Profit</b>     | <b>3.02</b> | <b>3.84</b> | <b>2.96</b> | <b>4.11</b> | <b>4.08</b> | <b>10.8</b> |
| Other Oper. (Exp)/Inc   | (1.9)       | (1.8)       | (1.2)       | (1.3)       | (2.0)       | (3.9)       |
| <b>Operating Profit</b> | <b>1.12</b> | <b>2.07</b> | <b>1.80</b> | <b>2.83</b> | <b>2.08</b> | <b>6.85</b> |
| Other Non Opg (Exp)/Inc | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Associates & JV Inc     | (0.1)       | 0.07        | 0.09        | 0.18        | 0.22        | 2.55        |
| Net Interest (Exp)/Inc  | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Exceptional Gain/(Loss) | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Pre-tax Profit</b>   | <b>1.06</b> | <b>2.13</b> | <b>1.87</b> | <b>2.99</b> | <b>2.27</b> | <b>9.38</b> |
| Tax                     | (0.1)       | (0.2)       | 0.0         | (0.5)       | (0.3)       | (1.4)       |
| Minority Interest       | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Net Profit</b>       | <b>1.00</b> | <b>1.93</b> | <b>1.85</b> | <b>2.49</b> | <b>1.98</b> | <b>8.02</b> |
| Net profit bef Except.  | 1.00        | 1.93        | 1.85        | 2.49        | 1.98        | 8.02        |
| EBITDA                  | 1.24        | 2.98        | 2.05        | 3.17        | 2.46        | 10.2        |

**Revenue Trend**



**Growth**

|                    |        |       |        |       |        |       |
|--------------------|--------|-------|--------|-------|--------|-------|
| Revenue Gth (%)    | (11.0) | 1.2   | 0.2    | (2.1) | 16.8   | 22.8  |
| EBITDA Gth (%)     | (62.6) | 141.0 | (31.3) | 54.8  | (22.3) | 313.7 |
| Opg Profit Gth (%) | (62.7) | 84.4  | (13.2) | 57.2  | (26.5) | 229.9 |
| Net Profit Gth (%) | (66.2) | 94.0  | (4.2)  | 34.3  | (20.6) | 305.9 |

**Margins**

|                        |      |      |      |      |      |      |
|------------------------|------|------|------|------|------|------|
| Gross Margins (%)      | 12.5 | 15.7 | 12.1 | 17.1 | 14.5 | 31.3 |
| Opg Profit Margins (%) | 4.6  | 8.5  | 7.3  | 11.8 | 7.4  | 19.9 |
| Net Profit Margins (%) | 4.1  | 7.9  | 7.5  | 10.4 | 7.0  | 23.3 |

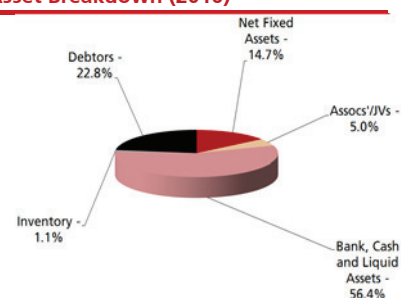
High margins in 4Q16 due to completion of a few high-margins projects

Source: Company, DBS Bank

**Balance Sheet (\$Sm)**

| FY Dec                        | 2013A      | 2014A      | 2015A      | 2016A      | 2017F      | 2018F      |
|-------------------------------|------------|------------|------------|------------|------------|------------|
| Net Fixed Assets              | 19.1       | 18.5       | 18.2       | 19.4       | 17.9       | 16.4       |
| Invt in Associates & JVs      | 3.12       | 3.26       | 3.64       | 6.58       | 8.28       | 9.28       |
| Other LT Assets               | 37.3       | 36.8       | 32.5       | 31.8       | 31.8       | 31.8       |
| Cash & ST Invt                | 37.6       | 34.0       | 54.7       | 74.7       | 68.5       | 76.9       |
| Inventory                     | 5.54       | 5.95       | 4.24       | 1.50       | 1.79       | 2.07       |
| Debtors                       | 31.9       | 34.1       | 24.5       | 30.2       | 42.2       | 48.8       |
| Other Current Assets          | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| <b>Total Assets</b>           | <b>135</b> | <b>133</b> | <b>138</b> | <b>164</b> | <b>171</b> | <b>185</b> |
| ST Debt                       | 0.74       | 0.72       | 0.95       | 1.12       | 1.12       | 1.12       |
| Creditor                      | 33.7       | 31.3       | 29.3       | 43.7       | 42.3       | 48.7       |
| Other Current Liab            | 0.47       | 0.17       | 0.55       | 1.95       | 1.96       | 2.08       |
| LT Debt                       | 2.00       | 1.51       | 1.64       | 2.03       | 2.03       | 2.03       |
| Other LT Liabilities          | 0.99       | 0.56       | 0.63       | 0.95       | 0.95       | 0.95       |
| Shareholder's Equity          | 96.7       | 98.3       | 105        | 114        | 122        | 130        |
| Minority Interests            | 0.05       | 0.05       | 0.0        | 0.0        | 0.0        | 0.0        |
| <b>Total Cap. &amp; Liab.</b> | <b>135</b> | <b>133</b> | <b>138</b> | <b>164</b> | <b>171</b> | <b>185</b> |
| Non-Cash Wkg. Capital         | 3.34       | 8.58       | (1.2)      | (14.0)     | (0.3)      | 0.09       |
| Net Cash/(Debt)               | 34.8       | 31.8       | 52.1       | 71.5       | 65.4       | 73.8       |
| Debtors Turn (avg days)       | 107.2      | 110.1      | 103.5      | 89.8       | 105.3      | 114.3      |
| Creditors Turn (avg days)     | 138.6      | 121.3      | 124.5      | 150.6      | 156.4      | 142.2      |
| Inventory Turn (avg days)     | 18.0       | 21.5       | 20.9       | 11.8       | 6.0        | 6.0        |
| Asset Turnover (x)            | 0.8        | 0.8        | 0.8        | 0.7        | 0.7        | 0.8        |
| Current Ratio (x)             | 2.2        | 2.3        | 2.7        | 2.3        | 2.5        | 2.5        |
| Quick Ratio (x)               | 2.0        | 2.1        | 2.6        | 2.2        | 2.4        | 2.4        |
| Net Debt/Equity (X)           | CASH       | CASH       | CASH       | CASH       | CASH       | CASH       |
| Net Debt/Equity ex MI (X)     | CASH       | CASH       | CASH       | CASH       | CASH       | CASH       |
| Capex to Debt (%)             | 6.3        | 43.1       | 52.8       | 59.9       | 63.5       | 63.5       |

**Asset Breakdown (2016)**



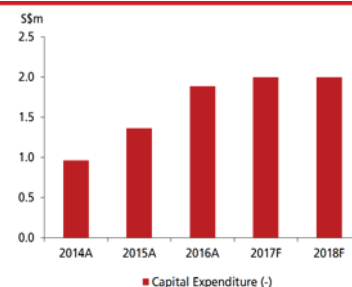
Source: Company, DBS Bank

## Cash Flow Statement (\$\$m)

| FY Dec                  | 2013A        | 2014A        | 2015A        | 2016A        | 2017F        | 2018F        |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Pre-Tax Profit          | 5.32         | 2.20         | 7.61         | 16.5         | 14.9         | 15.8         |
| Dep. & Amort.           | 3.23         | 2.99         | 0.65         | 0.66         | 3.50         | 3.50         |
| Tax Paid                | (2.0)        | (0.4)        | (0.2)        | (0.4)        | (2.0)        | (2.0)        |
| Assoc. & JV Inc/(loss)  | 0.0          | 0.0          | (0.1)        | (2.6)        | (1.7)        | (1.0)        |
| Chg in Wkg.Cap.         | (6.2)        | (5.0)        | 10.0         | 12.2         | (13.7)       | (0.5)        |
| Other Operating CF      | (1.8)        | (1.0)        | 2.19         | 1.90         | 0.0          | 0.0          |
| <b>Net Operating CF</b> | <b>(1.5)</b> | <b>(1.1)</b> | <b>20.3</b>  | <b>28.3</b>  | <b>1.03</b>  | <b>15.9</b>  |
| Capital Exp.(net)       | (0.2)        | (1.0)        | (1.4)        | (1.9)        | (2.0)        | (2.0)        |
| Other Invts.(net)       | (0.1)        | (0.2)        | (0.5)        | 0.0          | 0.0          | 0.0          |
| Invts in Assoc. & JV    | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Div from Assoc & JV     | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Other Investing CF      | (8.5)        | 0.58         | 3.99         | (0.1)        | 0.0          | 0.0          |
| <b>Net Investing CF</b> | <b>(8.8)</b> | <b>(0.6)</b> | <b>2.12</b>  | <b>(2.0)</b> | <b>(2.0)</b> | <b>(2.0)</b> |
| Div Paid                | (4.6)        | (0.9)        | (0.6)        | (4.6)        | (5.2)        | (5.5)        |
| Chg in Gross Debt       | (0.7)        | (0.9)        | (1.0)        | (1.6)        | 0.0          | 0.0          |
| Capital Issues          | 0.24         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Other Financing CF      | (0.1)        | (0.1)        | (0.2)        | 0.54         | 0.0          | 0.0          |
| <b>Net Financing CF</b> | <b>(5.2)</b> | <b>(1.9)</b> | <b>(1.8)</b> | <b>(5.6)</b> | <b>(5.2)</b> | <b>(5.5)</b> |
| Currency Adjustments    | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Chg in Cash             | (15.4)       | (3.6)        | 20.6         | 20.6         | (6.2)        | 8.40         |
| Opg CFPS (S cts)        | 1.54         | 1.24         | 3.32         | 5.21         | 4.78         | 5.31         |
| Free CFPS (S cts)       | (0.5)        | (0.7)        | 6.12         | 8.55         | (0.3)        | 4.51         |

Source: Company, DBS Bank

## Capital Expenditure



## VALUATIONS

**Currently trading at slightly above -1SD valuations.** At FY17F PE of 9.3x, OKP current trades at slightly above its -1SD of 7x based on 12-month rolling forward PE. Earnings has recovered from the challenging period in 2013-2015, whereby the group reported >\$10m in earnings for each period. We believe an 11x FY17F PE valuation is fair, based on peer average for the construction stocks listed on SGX. Fair value works out to S\$0.45 per share, which translates to an upside of 15% from the current price. To be conservative, we assume no new contract wins in our forecasts.

## Risk Assessment: Moderate

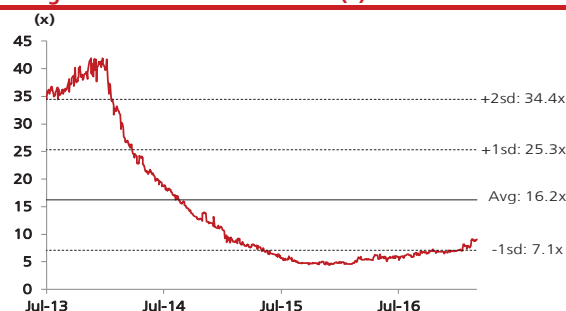
| Category       | Risk Rating<br>1 (Low) - 3 (High) | Wgt | Wgtd Score |
|----------------|-----------------------------------|-----|------------|
| Earnings       | 2                                 | 40% | 0.8        |
| Financials     | 1                                 | 20% | 0.2        |
| Shareholdings  | 1                                 | 40% | 0.4        |
| <b>Overall</b> |                                   |     | <b>1.4</b> |

**Expect consistent dividend payout.** In view of its huge cash hordes, we expect OKP to continue paying healthy dividends. We have assumed a 40% dividend payout ratio for FY17F and FY18F, which works out to 1.6 Scts and 1.7 Scts respectively, giving a yield of 4.3% for FY17F and 4.6% for FY18F.

## Risks

**Shortage of manpower, cost overrun.** Shortage of skilled and experienced manpower in this tight labour market could affect the completion and delivery of projects within schedule. Cost overrun is another key challenge for the group.

## Rolling 12-month forward PE ratio (x)



## Peers' Comparisons

| Company                             | Market Cap (SGD m) | Px Last Date | PE (Act)    | PE (Yr 1)   | PE (Yr 2)   | P/BV (x)   | Operating Margin (%) | Net Margin (%) | Dividend Yield (%) | ROE (%)    |
|-------------------------------------|--------------------|--------------|-------------|-------------|-------------|------------|----------------------|----------------|--------------------|------------|
| OKP Holdings                        | 119                | 0.385        | 8.3         | 9.2         | 8.6         | 1.1        | 20%                  | 13%            | 5.2                | 13.1       |
| <b>Contractors</b>                  |                    |              |             |             |             |            |                      |                |                    |            |
| United Eng                          | 1,849              | 2.90         | 27.3        | 25.0        | 24.0        | 0.9        | 6%                   | 6%             | 1.7                | 1.6        |
| Wee Hur Holdings                    | 229                | 0.25         | 104.7       | 9.4         | 0.7         | 14%        | 11%                  | 2.4            | 7.0                |            |
| Yongnam Holdings                    | 97                 | 0.21         | (10.1)      | 5.5         | 0.3         | -12%       | -10%                 | -              | (12.8)             |            |
| Lian Beng Group                     | 283                | 0.54         | 4.1         | 3.7         | 0.5         | 5%         | 23%                  | 3.7            | 22.1               |            |
| KSH Hold                            | 251                | 0.55         | 6.0         | 4.7         | 4.4         | 0.8        | 7%                   | 25%            | 4.8                | 24.3       |
| Soilbuild Constr                    | 147                | 0.22         | 12.3        |             | 1.6         | 4%         | 3%                   | 4.5            | 15.3               |            |
| Koh Brothers                        | 125                | 0.29         | 16.9        |             | 0.4         | 5%         | 4%                   | 1.2            | 6.6                |            |
| HLS Hldg                            | 306                | 0.60         | 10.2        | 18.2        | 17.1        | 1.3        | 34%                  | 30%            | 4.2                | 17.3       |
| Lum Chang Hldgs                     | 141                | 0.37         | 9.2         |             | 0.7         | 8%         | 7%                   | 5.5            | 17.1               |            |
| CSC Hldgs                           | 49                 | 0.02         | (1.8)       | 3.4         | 0.3         | -1%        | -2%                  | -              | (2.8)              |            |
| Ley Choon Group                     | 32                 | 0.05         | 0.4         |             | 3.0         | -50%       | -58%                 | -              | -                  |            |
| PUC                                 | 362                | 0.65         | 80.6        | 16.1        | 16.1        | 1.3        | 7%                   | 3%             | 5.8                | 13.5       |
| Swee Hong                           | 36                 | 0.01         | 0.7         |             | 11.5        | -15%       | -15%                 | -              | -                  |            |
| King Wan Corp                       | 60                 | 0.17         | (3.3)       |             | 0.8         | -12%       | -18%                 | -              | (18.3)             |            |
| BBR Holdings                        | 62                 | 0.20         | (7.6)       |             | 0.5         | 1%         | 0%                   | 2.0            | 2.5                |            |
| T T J Holdings                      | 128                | 0.37         | 5.0         |             | 1.0         | 23%        | 19%                  | 4.7            | 24.2               |            |
| Tiong Seng                          | 115                | 0.25         | 8.8         |             | 0.5         | 4%         | 2%                   | 3.2            | 9.4                |            |
| KORI Holdings                       | 47                 | 0.47         | 18.3        |             | 1.0         | 3%         | 3%                   | 1.1            | 3.9                |            |
| <b>Contractors average (ex OKP)</b> |                    |              | <b>12.3</b> | <b>10.8</b> | <b>15.4</b> | <b>0.8</b> | <b>2.2%</b>          | <b>2.1%</b>    | <b>3.6</b>         | <b>8.3</b> |

Source: DBS Bank, Bloomberg Finance L.P.