



DMG & Partners Research CONSTRUCTION

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Construction

A road builder and contractor providing building construction and civil engineering services for public and private sectors.

Stock Profile/Statistics

Bloomberg Ticker	OKP SP
STI	2,977.20
Issued Share Capital (m)	305.3
Market Capitalisation (S\$m)	195.4
52 week H L Price (S\$)	0.685 0.515
Average Volume ('000)	375.0
YTD Returns (%)	20.8
Net gearing (%)	Net cash
Altman Z-Score	3.27
ROCE/WACC	2.27
Beta (x)	0.93
Book Value/share (S\$)	28.90

Major Shareholders (%)

Or Kim Peow and family	55.8
China Sonangol International	14.13
Ang Beng Tin	0.11
Oh Enc Nam	0.04
Chen Seow Phun	0.01

Share Performance (%)

Month	Absolute	Relative
1m	14.29%	6.28%
3m	16.36%	10.32%
6m	14.29%	9.19%
12m	14.76%	18.55%

6-month Share Price Performance



4Q11 Results Review

Private Circulation Only

OKP HOLDINGS

BUY	GO
Price	S\$0.64
Previous	S\$0.80
Target	S\$0.80

Ending on a high note

OKP Holdings' (OKP) 4Q11 earnings more than doubled YoY, hitting S\$9.5m, bringing full year earnings to S\$26.6m (+56.7%). The result was 25% above ours and consensus' expectations. Looking forward, OKP is set to benefit from major public works ranging from drainage to road-widening projects and new expressway construction. With a cash hoard of S\$92.5m (net cash of 29.9S¢ per share) and a financially strong partner like China Sonangol (CS), OKP's earnings may be given a boost with property development. We lift our FY12 earnings by 14.4% to S\$27m on the back of sustained construction demand. Valuation remains attractive - net of cash, OKP's FY12 P/E falls to 3.9x (peers at 6.6x). Maintain BUY and TP of S\$0.80, based on a target P/E of 5.8x (net cash).

A record year. OKP's 4Q11 earnings grew 105% YoY to S\$9.5m, on the back of lower administrative expenses and significantly higher gross margins at 64.8% (4Q10: 33.8%, 3Q11: 32.4%). Full year earnings grew 56.7% to S\$26.6m. The company declared a final dividend of 2S¢/share, bringing full year payout to 3S¢/share, translating to a dividend yield of 4.7%.

May move into property development. CS has acquired Amber Towers in the eastern part of Singapore and we believe OKP could be slated either to jointly develop the property together and/or go in as a contractor. With the company reducing its dividend payout, from 5S¢ in FY10 to 3S¢ in FY11 despite FY11 being a record year of profitability, we interpret it as an indication that OKP is conserving cash to enter into property development.

Positive sector outlook; raising earnings forecasts. OKP has a healthy order book of S\$248.6m (S\$309.9m as at FY10), to be fulfilled by FY14. Some projects up for grabs include the new dual four-lane Lornie Road in Bukit Brown and the various road/expressway widening for e.g. KPE/ TPE widening/expansion. On the back of a positive sector outlook, we raise our FY12 earnings to S\$27m in FY12 (+14.4%), and S\$29.8m in FY13 (+10.2% YoY).

FYE Dec (S\$m)	FY09	FY10	FY11	FY12F	FY13F
Turnover	130.0	139.9	109.8	124.3	158.5
Net profit	14.4	17.0	26.6	27.0	29.8
% chg YoY	52.7%	17.4%	56.7%	1.8%	10.2%
Consensus	-	-	-	26.5	31.7
EPS (S¢)	6.1	5.9	8.9	8.8	9.6
DPS (S¢)	3.0	5.0	3.0	3.0	3.0
Div Yield	4.7%	7.8%	4.7%	4.7%	4.7%
ROE	29.2%	26.5%	33.8%	28.8%	27.3%
ROA	14.5%	12.3%	17.6%	16.9%	15.4%
P/E (x)	10.6	9.8	7.2	7.3	6.6
P/B (x)	2.6	2.4	2.1	2.0	1.7

Source: Company data and DMG estimates

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Results Table (\$m)

Year Ended Dec	4Q10	4Q11	% Chge YoY	3Q11	% Chge QoQ	Comments
Revenue	29.6	23.2	-21.6%	25.5	-8.9%	Lower YoY with higher degree of completion of existing projects and a lower percentage of revenue recognised from a few newly awarded projects.
Cost of Sales	-19.6	-8.2	-58.3%	-17.2	-52.5%	
Gross Profit	10.0	15.0	50.2%	8.3	81.9%	Increase YoY due to variation orders on a few projects, better project management in certain design-and-build construction projects and tighter cost controls.
Other income	0.5	0.3	-38.9%	0.3	1.5%	Down YoY due to decrease in the fair value gain on an investment property.
Administrative expenses	-5.0	-3.7	-24.8%	-2.8	33.6%	Decrease YoY due to lower directors' remuneration.
Other operating expenses	-0.1	0.0	-51.6%	0.1	-138.8%	
Operating Profit	5.5	11.6	110.1%	5.9	97.4%	
Finance expenses	0.0	0.0	-29.7%	0.0	0.0%	Down YoY with repayment of finance leases.
Profit before income tax	5.5	11.6	111.0%	5.8	97.8%	
Income tax expense	-0.9	-2.1	127.9%	-1.0	114.2%	
Minority Interests	-0.1	0.0	-41.4%	0.0	1266.7%	
Net profit attributable to shareholders	4.6	9.5	105.4%	4.9	95.3%	

Source: Company data

FINANCIALS

Year End Dec (\$m)					
Income Statement					
	FY09	FY10	FY11	FY12F	FY13F
Revenue	130.0	139.9	109.8	124.3	158.5
Cost of sales	(106.6)	(110.4)	(66.6)	(80.8)	(111.0)
Other income	1.5	0.9	1.0	1.1	1.1
Operating Expenses	(7.6)	(9.8)	(12.0)	(12.0)	(12.7)
Other credits / (charges)	0.0	0.0	0.0	0.0	1.0
Finance costs (net)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
Profit before tax	17.1	20.4	32.2	32.5	36.9
Tax	(2.7)	(3.6)	(5.6)	(5.5)	(6.1)
Profit including minority interest	14.4	16.9	26.5	27.0	30.8
Minority interest	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)
Profit attributable to equity holders	14.4	17.0	26.6	27.0	30.8

Balance Sheet					
	FY09	FY10	FY11	FY12F	FY13F
Cash	77.7	100.1	92.5	114.0	148.7
Other current assets	28.1	31.1	31.6	32.4	40.7
Fixed assets	13.6	17.0	18.7	19.5	20.4
Non-current assets	2.9	4.9	5.5	5.5	5.5
Total assets	122.4	153.1	148.3	171.4	215.3
Current liabilities (excl. debt)	60.0	81.9	58.5	69.8	94.3
Debt	2.7	1.8	1.1	1.2	1.2
Other long term liabilities	0.2	0.4	0.6	0.9	1.2
Total liabilities	62.9	84.2	60.3	71.8	96.7
Shareholders equity	58.9	69.0	88.2	99.7	118.9
Minority interest	0.6	(0.1)	(0.1)	(0.2)	(0.2)
Total equity	59.5	68.9	88.1	99.5	118.6
Total equity and liabilities	122.4	153.1	148.3	171.4	215.3

Cash Flow					
	FY09	FY10	FY11	FY12F	FY13F
Operating cash flow before working capital changes	19.6	22.9	34.6	35.9	39.6
Working capital changes	27.6	18.7	(25.9)	10.5	15.7
Other operating cashflow	(2.5)	(2.6)	(3.2)	(5.8)	(6.4)
Net cash from operations	44.7	39.1	5.5	40.6	48.9
Net cash from investing activities	(5.0)	(8.0)	(4.7)	(4.8)	(4.8)
Net change in debt	(1.6)	(1.2)	(0.9)	0.0	0.0
Other financing cashflow	4.2	(7.0)	(7.5)	(9.3)	(9.4)
Net cash from financing activities	2.6	(8.3)	(8.4)	(9.3)	(9.3)
Net incr. in cash/cash equivalents	42.3	22.8	(7.6)	26.5	34.8
Cash at beginning of year	29.9	72.3	95.0	87.4	114.0
Cash at end of year	72.3	95.0	87.4	114.0	148.7

Margins	FY09	FY10	FY11	FY12F	FY13F
Gross profit	18.0%	21.1%	39.3%	35.0%	30.0%
Pre-Tax	13.2%	14.6%	29.3%	26.2%	22.6%
Net Profit	11.1%	12.1%	24.2%	21.8%	18.8%

Growth	FY09	FY10	FY11	FY12F	FY13F
Revenue	27.7%	7.6%	-21.5%	13.2%	27.5%
Pre-Tax	39.9%	19.5%	57.3%	1.2%	10.2%
Net Profit	52.7%	17.4%	56.7%	1.8%	10.2%
Tax rate	15.6%	17.4%	17.5%	17.0%	17.0%

Source: Company data and DMG estimates

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

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