



DMG & Partners Research CONSTRUCTION

Lynette Tan
+65 6232 3895
lynette.tan@sg.oskgroup.com

Terence Wong, CFA
+65 6232 3896
terence.wong@sg.oskgroup.com

Construction

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

Stock Profile/Statistics

	OKP SP
Bloomberg Ticker	STI
STI	3044.7
Issued Share Capital (m)	305.9
Market Capitalisation (S\$m)	160.6
52 week H L Price (S\$)	0.66 0.51
Average Volume ('000)	91.6
YTD Returns (%)	(0.9)
Net gearing (%)	Net cash
Altman Z-Score	4.2
ROCE/WACC	2.4
Beta (x)	0.9
Book Value/share (S¢)	29.1

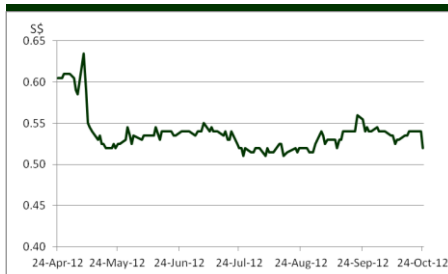
Major Shareholders (%)

Or Kim Peow and family	55.8
China Sonangol International	14.1

Share Performance (%)

Month	Absolute	Relative
1m	-6.3	-5.6
3m	0.0	-1.5
6m	-14.0	-16.4
12m	-7.1	-17.4

6-month Share Price Performance



Corporate Update

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OKP HOLDINGS

	NEUTRAL	📉
Price	S\$0.525	
Previous Target	S\$0.80	
Target	US\$0.55	

FY13 should be better

3Q revenue was up 11.8% YoY to S\$28.5m, as some of its design and build related construction projects progressed to the more active construction phase (i.e. increased billings). This was somewhat offset by lower revenue from the maintenance segment. OKP's healthy order book of S\$346.1m, which is expected to last till 2015, would help maintain its growth. We believe OKP's expertise in the construction of transport infrastructure places it in a good position to benefit from the government's pipeline of projects in this sector. Given that the projects in FY12 are generally of a lower margin compared with those in FY11, we are estimating earnings of S\$11.4m for FY12 and S\$15.4m for FY13. OKP is currently trading at 7.2x FY13 P/E on an ex-cash basis (peer average: 6x). Hence, we downgrade our recommendation to NEUTRAL with a TP of S\$0.55, taking into account our net cash estimate, and ascribing a P/E of 6.5x.

Outlook remains positive, backed by the pipeline of government projects. Although competition remains keen in this sector, OKP has built up its sound reputation in infrastructure and civil engineering works. This would help give it some advantage over its competition. Growth would still be driven by public sector projects, as OKP continues to explore opportunities in the private sector (property development and the oil and gas sectors). In addition, as more on-going projects progress on to be in the active phase of construction in FY13, this would also help boost revenue growth.

Not too worried about loss from associate. OKP recorded a small loss from associate (\$9,000) due to operating expenses incurred for a JV to develop a residential project at Amber (it's maiden property venture). We would not be too concerned with this loss as OKP only has a 10% stake in the JV.

Strong balance sheet. OKP has a strong balance sheet with net cash position of S\$49.9m (or 16.3 S¢/share) as at end 3Q12. This places it in a good position to tender for new projects.

FYE Dec (S\$m)	FY09	FY10	FY11	FY12F	FY13F
Turnover	130.0	139.9	109.8	101.9	142.2
Net profit	14.4	17.0	26.6	11.4	15.4
% chg YoY	52.7%	17.4%	56.7%	-57.2%	35.7%
Consensus	-	-	-	-	-
EPS (S¢)	6.1	5.9	8.9	3.7	5.0
DPS (S¢)	3.0	5.0	3.0	3.0	3.0
Div Yield (%)	4.7	7.8	4.7	5.7	5.7
ROE (%)	29.2	26.5	33.8	12.9	17.1
ROA (%)	14.5	12.3	17.6	7.7	9.9
P/E (x)	8.7	8.1	5.8	14.3	10.5
P/B (x)	2.5	2.3	2.1	2.2	2.1

Source: Company data and DMG estimates

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Figure 1: Quarterly financials

Year Ended Dec(S\$m)	3Q12	3Q11	% Chge YoY	2Q12	% Chge QoQ	Comments
Revenue	28.5	25.5	11.8%	23.6	20.8%	Revenue growth was mainly due to more projects reaching active construction phase.
Cost of Sales	(22.0)	(17.2)	28.0%	(17.8)	23.5%	Projects had lower margins
Gross Profit	6.4	8.3	-21.9%	5.7	12.4%	
Other income	0.4	0.3	18.5%	0.4	-9.7%	
Administrative expenses	(3.6)	(2.8)	29.4%	(2.4)	52.6%	Higher staff costs
Other operating expenses	(0.1)	0.1	-165.0%	0.0	-425.0%	
Operating Profit	3.2	5.9	-46.0%	3.8	-17.0%	
Finance expenses	(0.0)	(0.0)	-23.1%	(0.0)	-16.7%	
Share of associate	(0.0)	-	100.0%	-	100.0%	JV was set up in 2Q12
Profit before income tax	3.1	5.8	-46.3%	3.8	-17.2%	
Income tax expense	(0.7)	(1.0)	-26.3%	(0.7)	0.0%	
Minority Interests	(0.0)	(0.0)	-66.7%	(0.0)	0.0%	
Net profit	2.4	4.9	-50.2%	3.1	-21.2%	
GPM	22.6%	32.4%		24.3%		
PATMI margin	8.5%	19.2%		13.1%		

Source: Company data

FINANCIALS

Year End Dec (\$m)					
Income Statement					
	FY09	FY10	FY11	FY12F	FY13F
Revenue	130.0	139.9	109.8	101.9	142.2
Cost of sales	(106.6)	(110.4)	(66.6)	(78.4)	(110.9)
Other income	1.5	0.9	1.0	1.6	1.7
Operating Expenses	(7.6)	(9.8)	(12.0)	(11.2)	(14.3)
Other credits / (charges)	0.0	0.0	0.0	0.0	0.0
Finance costs (net)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
Profit before tax	17.1	20.4	32.2	13.7	18.6
Tax	(2.7)	(3.6)	(5.6)	(2.4)	(3.3)
Profit including minority interest	14.4	16.9	26.5	11.3	15.4
Minority interest	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)
Profit attributable to equity holders	14.4	17.0	26.6	11.4	15.4

Balance Sheet					
	FY09	FY10	FY11	FY12F	FY13F
Cash	77.7	100.1	92.5	69.0	76.2
Other current assets	28.1	31.1	31.6	33.8	44.1
Fixed assets	13.6	17.0	18.7	19.5	20.4
Non-current assets	2.9	4.9	5.5	24.1	23.2
Total assets	122.4	153.1	148.3	146.4	163.8
Current liabilities	60.0	81.9	58.5	57.3	69.8
Debt	2.7	1.8	1.1	1.1	1.0
Other long term liabilities	0.2	0.4	0.6	0.7	0.7
Total liabilities	62.9	84.2	60.3	59.0	71.5
Shareholders equity	58.9	69.0	88.2	87.5	92.5
Minority interest	0.6	(0.1)	(0.1)	(0.1)	(0.2)
Total equity	59.5	68.9	88.1	87.4	92.3
Total equity and liabilities	122.4	153.1	148.3	146.4	163.8

Cash Flow					
	FY09	FY10	FY11	FY12F	FY13F
Operating cash flow before working capital changes	19.6	22.9	34.6	17.2	22.5
Working capital changes	27.6	18.7	(25.9)	(0.3)	1.4
Other operating cashflow	(2.5)	(2.6)	(3.2)	(2.6)	(3.4)
Net cash from operations	44.7	39.1	5.5	14.3	20.4
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)	(0.1)	(0.0)
Other financing cashflow	4.2	(7.0)	(7.5)	(27.9)	(8.4)
Net cash from financing activities	2.6	(8.3)	(8.4)	(28.0)	(8.5)
Net incr. in cash	42.3	22.8	(7.6)	(18.4)	7.2
Cash at beginning	29.9	72.3	95.0	87.4	69.0
Cash at end of year	72.3	95.0	87.4	69.0	76.2

Margins	FY09	FY10	FY11	FY12F	FY13F
Gross profit	18.0%	21.1%	39.3%	23.0%	22.0%
Pre-Tax	13.2%	14.6%	29.3%	13.5%	13.1%
Net Profit	11.1%	12.1%	24.2%	11.2%	10.8%

Growth	FY09	FY10	FY11	FY12F	FY13F
Revenue	27.7%	7.6%	-21.5%	-7.2%	39.6%
Pre-Tax	39.9%	19.5%	57.3%	-57.2%	35.7%
Net Profit	52.7%	17.4%	56.7%	-57.2%	35.7%
Tax rate	15.6%	17.4%	17.5%	-17.5%	-17.5%

Source: Company data and DMG estimates

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DMG & Partners Research Pte. Ltd. (Reg. No. 200808705N)

Kuala Lumpur	Hong Kong	Singapore
Malaysia Research Office OSK Research Sdn. Bhd. 6 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : +(60) 3 9207 7688 Fax : +(60) 3 2175 3202	OSK Securities Hong Kong Ltd. 12 th Floor, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908	DMG & Partners Securities Pte. Ltd. 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211
Jakarta	Shanghai	Phnom Penh
PT OSK Nusadana Securities Indonesia Plaza CIMB Niaga, 14th Floor, Jl. Jend. Sudirman Kav.25, Jakarta Selatan 12920, Indonesia. Tel : (6221) 2598 6888 Fax : (6221) 2598 6777	OSK (China) Investment Advisory Co. Ltd. Room 6506, Plaza 66 No.1266, West Nan Jing Road 200040 Shanghai China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633	OSK Indochina Securities Limited No. 1-3, Street 271, Sangkat Toeuk Thla, Khan Sen Sok, Phnom Penh, Cambodia Tel: (855) 23 969 161 Fax: (855) 23 969 171
Bangkok		
OSK Securities (Thailand) PCL 191, Silom Complex Building 16th Floor, Silom Road, Silom, Bangrak, Bangkok 10500 Thailand Tel: +(66) 2200 2000 Fax : +(66) 2632 0191		