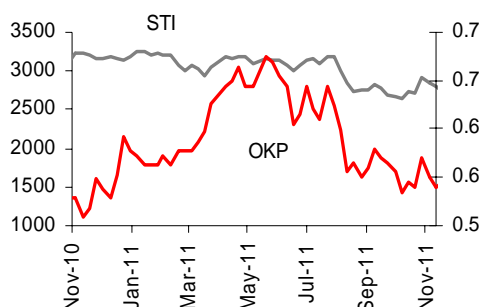


1 December 2011

Maintain

BUY

Previous Rating: BUY

Current Price: S\$0.525
Fair Value: S\$0.640


Reuters Code	OKPH.SI
ISIN Code	5CF
Bloomberg Code	OKP SP
Issued Capital (m)	305
Mkt Cap (S\$m / US\$m)	160 / 125
Major Shareholders	
Or Kim Peow Investment	55.2%
China Sonangol Int	14.1%
Free Float (%)	29.9%
Daily Vol 3-mth ('000)	200
52 Wk Range	0.509 - 0.685

S\$m	FY10	FY11F	FY12F	FY13F
Revenue	139.9	132.0	197.6	211.7
EBITDA	23.3	30.5	37.6	39.7
EPS (S\$)	0.064	0.074	0.093	0.099
P/E (x)	8.2	7.1	5.6	5.3
P/NTA (x)	2.3	1.9	1.6	1.4

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OKP Holdings Limited

Near-term prospects to remain healthy

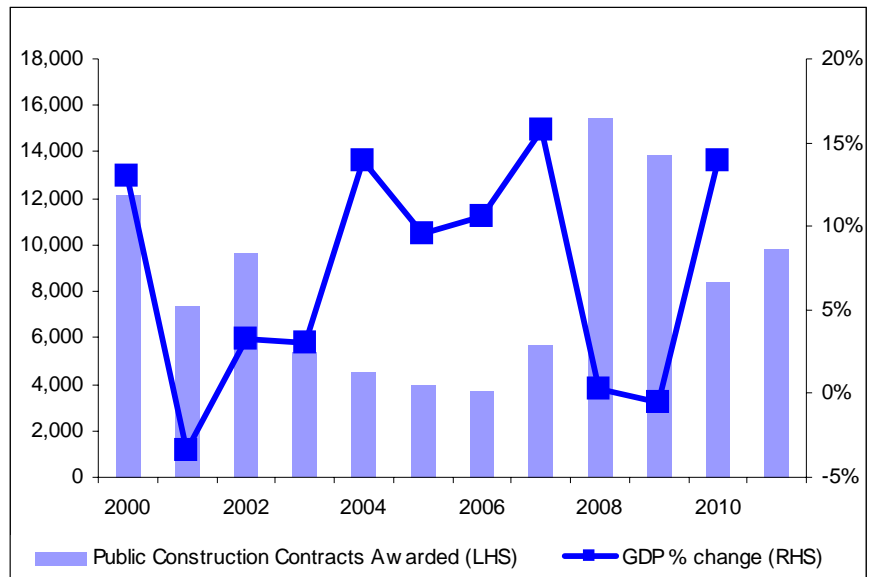
Pressing ahead with work on new tenders. We recently caught up with OKP's management for an update of their outlook of 2012 and also as a check of our contract win assumptions for the next two years. From speaking with them, we understand that the group has been working on a number of tenders. Given its high tender success rate (c.94% success rate for tenders the group participated in during 2010) and track record, we believe that the group will be successful in some of its tenders, and add more contracts in the near future. OKP's current order book already offers revenue visibility till 2014. More contract wins will provide more assurance to our view that OKP's project pipeline will continue to grow.

Exposure to government spending. Majority of OKP's projects are government-related and LTA is a major customer. As it stands, the government has already shown commitment to several projects to expand the island's road network. An example is the acquisition of the Rochor site, making way for the construction of the 21km North South Expressway. Besides the projects already in the pipeline, we believe there may be more to come. Based on recent history, the government typically increased its construction spending during periods of low economic growth. Following recent downward revision of Singapore's GDP growth forecast, we believe there is an increased likelihood that the government will look to increase its spending. This will be positive for OKP's near-term prospects.

China Sonangol partnership may bear fruit soon. OKP's partnership with China Sonangol (CS) has already resulted in the group gaining a construction contract for Angullia Park. As CS moves towards completion of the acquisition of Amber Towers, we believe this may present another possible area of collaboration between them. Given OKP's strong balance sheet (net cash of c.S\$94.7m as of 3QFY11) and its intent to diversify into property development (resolution passed after Sep. 2010's EGM), we see possibility of OKP participating in the Amber Towers project, alongside CS. In addition, we also believe OKP stands to win more residential construction contracts through this, given that their current working relationship.

Maintain BUY. Given OKP's order book of more than S\$400m and its gainful position if Singapore government increases infrastructure spending, we continue to believe that the near-term prospects of OKP should remain healthy. We also like OKP's above peers' margins and undemanding valuations. We re-iterate our **BUY** rating and maintain our fair value estimate at S\$0.64, implying potential upside of c.22%.

Exhibit 1: Public construction contracts awarded vs. GDP % change



Source: Building & Construction Authority, Singapore Department of Statistics

Exhibit 1 shows a sharp spike in amount of public contracts handed out during the most recent downturn. A similar, but smaller spike was also seen during 2002.

OKP Holdings Limited

EARNINGS FORECAST					BALANCE SHEET				
Year Ended December 31 (\$m)	FY10	FY11F	FY12F	FY13F	Year Ended December 31 (\$m)	FY10	FY11F	FY12F	FY13F
Revenue	139.9	132.0	197.6	211.7	Bank and cash balances	100.1	105.2	124.0	131.0
EBITDA	23.3	30.5	37.6	39.7	Other current assets	31.1	34.2	42.4	33.0
Depreciation & amortization	-2.8	-3.2	-3.1	-3.1	Property, plant, and equipment	17.0	19.4	22.7	25.4
EBIT	20.4	27.3	34.5	36.6	Total assets	153.1	163.6	193.9	194.3
Net interest	0.0	0.0	0.0	0.0	Debt	1.8	1.1	1.1	1.1
Associates and JVs	0.0	0.0	0.0	0.0	Current liabilities excluding debt	81.9	77.9	91.4	76.1
Others	0.9	0.7	0.0	0.0	Total liabilities	84.2	79.6	93.1	77.8
Profit before tax	20.4	27.3	34.5	36.6	Shareholders equity	68.9	84.0	100.9	116.5
Income tax expense	-3.6	-4.8	-6.1	-6.5	Minority interests	-0.1	-0.1	-0.1	-0.1
PATMI	16.9	22.5	28.4	30.1	Total equity and liabilities	153.1	163.6	193.9	194.3
CASH FLOW					KEY RATES & RATIOS				
Year Ended December 31 (\$m)	FY10	FY11F	FY12F	FY13F		FY10	FY11F	FY12F	FY13F
Op profit before working cap. chg.	20.1	27.0	34.5	36.6	EPS (\$)	0.064	0.074	0.093	0.099
Working cap, taxes and int	18.7	-2.4	11.4	0.6	NTA per share (\$)	0.23	0.28	0.33	0.38
Net cash from operations	39.1	18.6	36.8	27.3	EBIT margin (%)	14.6%	20.7%	17.5%	17.3%
Purchase of PP&E	-6.4	-5.6	-6.5	-5.8	Net profit margin (%)	12.1%	17.1%	14.4%	14.2%
Other investing flows	-1.7	0.4	0.0	0.0	P/E (x)	8.2	7.1	5.6	5.3
Investing cash flow	-8.1	-5.3	-6.5	-5.8	P/NTA (x)	2.3	1.9	1.6	1.4
Financing cash flow	-8.3	-8.3	-11.5	-14.5	EV/EBITDA (x)	1.8	1.8	1.0	0.8
Net cash flow	22.8	5.1	18.8	7.0	Dividend yield (%)	9.5%	7.2%	9.0%	9.6%
Cash at beginning of year	72.3	100.1	105.2	124.0	ROE (%)	24.5%	26.8%	28.1%	25.8%
Cash at end of year	100.1	105.2	124.0	131.0	Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company data, OIR estimates

SHAREHOLDING DECLARATION:

The analyst/analysts who wrote this report holds NIL shares in the above security.

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- For companies with less than S\$150m market capitalization, OIR's Buy = More than 30% upside from the current price; Hold = Trade within +/- 30% from the current price; Sell = More than 30% downside from the current price.

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For OCBC Investment Research Pte Ltd



Carmen Lee
Head of Research

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