



# OKP HOLDINGS | HOLD

MARKET CAP: USD 123.9M

AVG DAILY TURNOVER: USD 0.1M

11 Dec 2012  
Company Update

## STEADY REVENUE STREAM AHEAD, BUT MARGINS LIKELY TO SHRINK

- **S\$385.9m order book stretches to 3Q 2015**
- **No MRT projects yet due to stiff competition**
- **Current pipeline should sustain revenues**

### Good revenue visibility, robust order book

We met OKP Holdings' management recently to discuss its prospects for 2013. OKP's robust order book (S\$385.9m as at 1 Nov) gives the group excellent revenue visibility over the next two years. Its extensive experience in public-sector construction and maintenance projects and its reputation for on-time delivery has secured OKP a steady pipeline of work that currently stretches to 3Q 2015.

### Looking for JV partners for MRT jobs, but plenty of other work

Still, OKP has found it difficult to compete with bigger, foreign rivals for work on the new MRT lines, an attractive source of construction demand over the next few years. OKP is now exploring possible tie-ups with other firms to improve its chances of securing such work. But management stressed that the projected demand for other public construction work in Singapore is strong enough to sustain OKP's revenues for the next three to five years, at least, even if it fails to win any MRT jobs. However, we expect its gross profit margins to shrink from 20-25% now to <20% in future, due to the increased competition from foreign firms and rising manpower costs.

### Property venture encouraging, but still nascent

OKP's first foray into property development in June (through a 10% stake in a China Sonangol Group subsidiary to redevelop the former Amber Towers site) is an encouraging move to supplement its main construction business. Given OKP's cautious approach so far, however, we do not expect property development to contribute significantly to the group in the near future.

### Maintain HOLD, fair value cut to S\$0.46/share

We have adjusted our forecasts for OKP's FY12 and FY13 performance and lowered our fair value estimate for the group from S\$0.53/share to S\$0.46/share, or 11x its projected FY13 earnings. While its FY12 financial performance is likely to be lacklustre (based on its 9M12 results so far), we expect OKP's share price to be supported over the coming months as it recognises more revenue from its current pipeline of projects. We maintain our **HOLD** rating on OKP.

#### Key financial highlights

Year ended Dec 31 (\$m)	FY10	FY11	FY12F	FY13F
Revenue	139.9	109.8	110.2	120.2
Cost of sales	-107.5	-63.6	-82.1	-89.6
Other inc.	0.9	1.0	1.6	1.6
PATMI	17.0	26.6	11.7	12.7
EPS (S-cents)	6.4	8.7	3.8	4.1
Cons. EPS (S cts)	na	na	4.0	6.4
PER (x)	7.8	5.7	12.9	12.0
P/NAV (x)	1.9	1.7	1.6	1.5
ROE (%)	24.6	30.1	12.5	12.6
Net profit margin (%)	12.1	24.2	10.6	10.5

## HOLD (maintain)

Fair value	S\$0.46
add: 12m dividend forecast	S\$0.02
versus: Current price	S\$0.495
<b>12m total return forecast</b>	<b>-3%</b>

#### Analysts

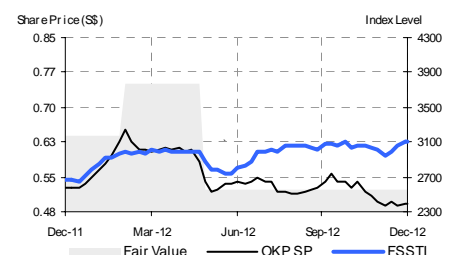
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#### Key information

Market cap. (m)	S\$151.5 / USD123.9
Avg daily turnover (m)	S\$0.1 / USD0.1
Avg daily vol. (m)	0.2
52-wk range (S\$)	0.485 - 0.66
Free float (%)	30.1
Shares o/s. (m)	306.1
Exchange	SGX
BBRG ticker	OKP SP
Reuters ticker	OKPH.SI
ISIN code	5CF
GICS Sector	Industrials
GICS Industry	Constr. & Eng.
Top shareholder	OKP Inv. - 55.1%

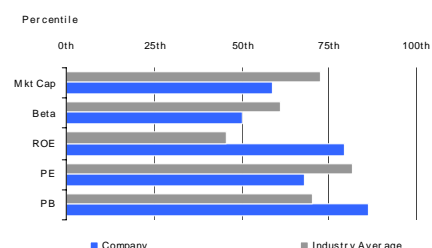
Relative total return	1m	3m	12m
Company (%)	-1	-7	-2
STI-adjusted (%)	-5	-10	-21

#### Price performance chart



Sources: Bloomberg, OIR estimates

#### Industry-relative metrics



Note: Industry universe defined as companies under identical GICS classification listed in the same exchange.  
Sources: Bloomberg, OIR estimates

OCBC Investment Research  
Singapore Equities

**Company financial highlights**

Income statement

Year ended Dec 31 (\$m)	FY10	FY11	FY12F	FY13F
Revenue	139.9	109.8	110.2	120.2
Cost of sales	-107.5	-63.6	-82.1	-89.6
Other inc.	0.9	1.0	1.6	1.6
Admin expenses	-9.6	-11.9	-12.1	-13.2
Finance costs	-0.2	-0.1	-0.1	-0.1
Other op. cost	-0.2	0.0	0.0	0.0
PBT	20.4	32.2	14.2	15.4
Tax	-3.6	-5.6	-2.5	-2.7
PAT	16.9	26.5	11.7	12.7
PATMI	17.0	26.6	11.7	12.7

Balance sheet

As at Dec 31 (\$m)	FY10	FY11	FY12F	FY13F
Cash and cash equivalents	100.1	92.5	93.8	102.9
Trade and other receivables	28.4	29.4	29.5	32.2
Development properties	0.0	0.0	0.0	0.0
Investment properties	1.5	1.7	1.7	1.7
Total assets	153.1	148.3	169.3	182.1
Current financial liabilities	0.9	0.6	0.6	0.6
Non-current financial liabilities	0.9	0.5	0.5	0.5
Total liabilities	84.1	60.1	75.5	81.8
Total equity	69.0	88.2	93.8	100.3
Total equity and liabilities	153.1	148.3	169.3	182.1

Cash flow statement

Year ended Dec 31 (\$m)	FY10	FY11	FY12F	FY13F
PBT	20.4	32.2	14.2	15.4
Total change in working capital	18.7	-25.9	15.3	3.6
Cash tax paid	-2.7	-3.4	-2.5	-2.7
Cash flow from operations	39.1	5.5	30.4	20.0
Cash flow from investing	-8.0	-4.6	-23.0	-4.6
Cash flow from financing	-8.3	-8.4	-6.2	-6.2
Change in cash	22.8	-7.6	1.2	9.2
Opening balance	72.3	100.1	92.5	93.8
Other adjustments	0.0	0.0	0.0	0.0
Ending balance	100.1	92.5	93.8	102.9

Key rates & ratios

	FY10	FY11	FY12F	FY13F
EPS (S-cents)	6.4	8.7	3.8	4.1
NAV per share (S-cents)	26.0	28.9	30.7	32.8
PER (x)	7.8	5.7	12.9	12.0
P/NAV (x)	1.9	1.7	1.6	1.5
Gross profit margin (%)	23.1	42.1	22.5	22.5
Net profit margin (%)	12.1	24.2	10.6	10.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	10.1	6.1	4.0	4.0
ROE (%)	24.6	30.1	12.5	12.6
ROA (%)	11.1	17.9	6.9	7.0

Sources: Company, OIR forecasts

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