



# OKP HOLDINGS | BUY

MARKET CAP: USD 158M

AVG DAILY TURNOVER: USD 3M

 12 Feb 2011  
Company Update

## RECORD EARNINGS AND HEALTHY NEAR TERM PROSPECTS

- **Strong 4Q finish**
- **Track record will help to replenish order book**
- **Healthy balance sheet can help OKP grow**

### Excellent finish brings FY11 profit to record high.

OKP reported a solid 4Q and rounded up a good year for the group. 4Q's revenue (S\$23.2m) fell 21.6% YoY as the group finished off major projects. But as the group wrapped up its CTE project (design and build contract), the higher margins also came through on gross and net profits. Last quarter's gross profit (S\$15.0m) and net profit (S\$9.5m) improved 50.2% and 107.7% YoY respectively. On a full year basis, gross and net margins were also helped by the strong 4Q and reached 39% and 24% respectively. Overall, OKP's record earnings for FY11 (S\$26.6m) were 18% above our estimate and 21% above consensus and it announced a final dividend of S\$0.03/share, or yield of 4.6%.

### More projects down the road.

The CTE contract played a big part in helping OKP achieve this performance and the group has another similar contract for work on TPE on its order book. Given successful completion of CTE, we believe the group is well placed to add more of the same in future. On top of road projects (such as expansion of KPE and construction of New Lornie Road) likely to be awarded this year, the government will spend ~S\$750m over the next five years on drainage projects. Therefore, we believe OKP face fairly healthy near-term prospects and they should be able to replenish their order book (~S\$248.6m).

### Looking for growth.

On top of what it is already capable of, we believe OKP's balance sheet (c.S\$91m net cash) gives it opportunities for further growth. Property development is a possibility (as the group has signaled its intent in last year's EGM) given cash balance and China Sonangol partnership. We also understand from management that the group will be evaluating acquisitions to add to its existing construction capabilities.

### Maintain BUY.

We continue to like OKP's track record, exposure to government spending and growth possibilities. Applying a 7.5x P/E peg to FY12 earnings (adjusted for higher margin assumptions for different project mix), we derive a new fair value of S\$0.75 (previous FV S\$0.64), maintain **BUY**.

#### Key financial highlights

Year Ended Dec 31 (S\$m)	FY10	FY11	FY12F	FY13F
Revenue	139.9	109.8	197.3	208.6
EBITDA	23.3	35.3	40.2	42.1
Depreciation & amortization	-2.8	-3.2	-3.1	-3.1
PATMI	16.9	26.5	30.5	32.0
EPS (S cents)	6.4	8.7	10.0	10.5
Cons. EPS (S cts)	na	na	8.5	10.4
EBIT margin (%)	14.6	29.3	18.8	18.7
Net profit margin (%)	12.1	24.1	15.5	15.4
ROE (%)	24.5	30.1	27.9	24.5
P/NTA (x)	2.9	2.3	1.8	1.6

## BUY (maintain)

Fair value	S\$0.75
add: 12m dividend forecast	S\$0.03
versus: Current price	S\$0.66
<b>12m total return forecast</b>	<b>20%</b>

#### Analysts

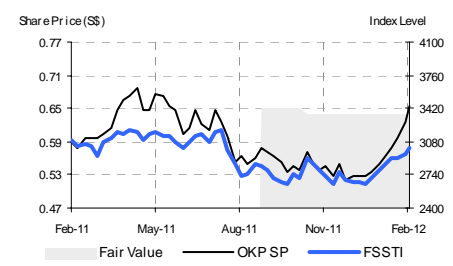
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#### Key information

Market cap. (m)	S\$200 / USD158
Avg daily turnover (m)	S\$3 / USD3
Avg daily vol. (m)	5.4
52-wk range (S\$)	0.515 - 0.685
Free float (%)	29.9
Shares o/s. (m)	305.3
Exchange	SGX
BBRG ticker	OKP SP
Reuters ticker	OKPH.SI
ISIN code	5CF
GICS Sector	Industrials
GICS Industry	Constr. & Eng.
Top shareholder	OKP Invest. - 55.2%

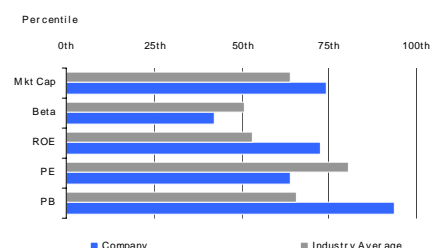
Relative total return	1m	3m	12m
Company (%)	19	20	23
STI-adjusted (%)	11	13	22

#### Price performance chart



Sources: Bloomberg, OIR estimates

#### Industry-relative metrics



Note: Industry universe defined as companies under identical GICS classification listed in exchanges in Asia Pacific.  
Sources: Bloomberg, OIR estimates



**Exhibit 1: Quarterly financial highlights**

	4Q10	4Q11	% Chg	3Q111	% Chg
	(S\$m)	(S\$m)	(YoY)	(S\$m)	(QoQ)
Revenue	29.6	23.2	-21.6%	25.5	-8.9%
Cost of works	-19.6	-8.2	-58.3%	-17.2	-52.5%
Gross profit	10.0	15.0	50.2%	8.3	81.9%
Other income	0.5	0.3	-38.9%	0.3	1.5%
Administrative expenses	-5.0	-3.7	-24.8%	-2.8	33.6%
Other expenses	-0.1	0.0	nm	0.1	nm
Finance expenses	0.0	0.0	nm	0.0	nm
Profit before tax	5.5	11.6	111.0%	5.8	97.8%
Income tax expense	-0.9	-2.1	127.9%	-1.0	114.2%
Net profit	4.6	9.5	107.7%	4.9	94.6%
Non controlling interests	-0.1	0.0	nm	0.0	nm
Shareholders' profit/(loss)	4.6	9.5	105.4%	4.9	95.3%

Sources: Company financials

**Company financial highlights**

Income statement

Year Ended Dec 31 (\$m)	FY10	FY11	FY12F	FY13F
Revenue	139.9	109.8	197.3	208.6
EBITDA	23.3	35.3	40.2	42.1
Depreciation & amortization	-2.8	-3.2	-3.1	-3.1
EBIT	20.4	32.2	37.1	38.9
Net interest	0.0	0.0	0.0	0.0
Associates and JVs	0.0	0.0	0.0	0.0
Others	0.9	1.0	0.0	0.0
Profit before tax	20.4	32.2	37.1	38.9
Income tax expense	-3.6	-5.6	-6.6	-6.9
PATMI	16.9	26.5	30.5	32.0

Balance sheet

As at Dec 31 (\$m)	FY10	FY11	FY12F	FY13F
Bank and cash balances	100.1	92.5	119.2	130.3
Other current assets	31.1	31.6	44.3	34.7
Property, plant, and equipment	17.0	18.7	22.1	24.8
Total assets	153.1	148.3	191.1	195.4
Debt	1.8	1.1	1.1	1.1
Current liabilities excluding debt	81.9	58.5	81.3	65.8
Total liabilities	84.2	60.3	83.1	67.6
Shareholders equity	68.9	88.1	108.0	127.8
Minority interests	-0.1	-0.1	-0.1	-0.1
Total equity and liabilities	153.1	148.3	191.1	195.4

Cash flow statement

Year Ended Dec 31 (\$m)	FY10	FY11	FY12F	FY13F
Op profit before working cap. chg.	20.1	31.6	37.1	38.9
Working cap, taxes and int	18.7	-20.4	16.7	1.0
Net cash from operations	39.1	5.6	43.8	29.2
Purchase of PP&E	-6.4	-4.8	-6.5	-5.8
Other investing flows	-1.7	0.1	0.0	0.0
Investing cash flow	-8.1	-4.7	-6.5	-5.8
Financing cash flow	-8.3	-8.4	-10.6	-12.2
Net cash flow	22.8	-7.6	26.7	11.1
Cash at beginning of year	72.3	100.1	92.5	119.2
Cash at end of year	100.1	92.5	119.2	130.3

Key rates & ratios

	FY10	FY11	FY12F	FY13F
EPS (S cents)	6.4	8.7	10.0	10.5
NTA per share (S cents)	22.6	28.9	35.4	41.9
EBIT margin (%)	14.6	29.3	18.8	18.7
Net profit margin (%)	12.1	24.1	15.5	15.4
P/E (x)	10.2	7.5	6.5	6.2
P/NTA (x)	2.9	2.3	1.8	1.6
EV/EBITDA (x)	3.2	3.0	2.0	1.6
Dividend yield (%)	7.7	4.6	5.4	5.6
ROE (%)	24.5	30.1	27.9	24.5
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash

Sources: Company, OIR forecasts

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