



OKP HOLDINGS | HOLD

MARKET CAP: USD 131M

AVG DAILY TURNOVER: USD 0.1M

23 Jul 2012
Company Update

POSSIBLE DELAY IN NEW PROJECT

- **2Q12 PATMI sank 55% YoY**
- **Likely execution delay in new project**
- **Revenue ramp up will still happen**

Another disappointing quarter

OKP Holdings (OKP) reported its 2Q12 financials. Revenue fell 17% YoY to S\$23.6m and PATMI sank 55% to S\$3.1m. Management said the fall in revenue is due to slower revenue recognition from some recently awarded projects. Also, OKP's 2Q12 gross margin contracted by 15.1ppt to 24% because its gross margin in 2Q11 was boosted by a more profitable project, which has since been completed. For the rest of 2012, management guided that revenue recognition is likely to remain slow and gross margin should remain in the range of low twenties. In addition, management did not recommend an interim dividend, compared to last year's \$0.01/share.

Order book remains robust

OKP's current gross order book of S\$341.6m remains robust. It was boosted by new contracts secured year-to-date worth a total of S\$93m, including the design-and-build project to expand the CTE/TPE/SLE interchange worth \$75.3m. While management has not confirmed this, it is likely that this project has experienced some execution delays, resulting in the slower recognition of revenue in 2Q12. Despite the delays, the execution of this expressway project is still expected to ramp up by the end of this year.

Management reiterates focus

Despite OKP's recent foray into property development, via its 10%-stake in CS Amber Development to redevelop the former Amber Towers, management reiterated OKP's focus on its core business of public construction and maintenance projects. In addition, OKP will likely bid for larger and more complex civil engineering projects going forward so as to increase its profitability.

Maintain HOLD

We further reduce our FY12F revenue and PATMI estimates of OKP by 18% and 38% respectively to S\$98.7m and S\$12.2m. Since the revenue recognition of recently awarded projects will eventually pick up, coupled with our 12-month investment horizon, we maintain our fair value estimate of S\$0.53/share and **HOLD** rating on OKP.

Key financial highlights

Year ended Dec 31 (S\$m)	FY10	FY11	FY12F	FY13F
Revenue	139.9	109.8	98.7	119.4
EBITDA	20.5	31.8	15.1	18.3
Depreciation & amortisation	-2.5	-2.7	-2.3	-2.5
PATMI	17.0	26.6	12.2	14.7
EPS (S cents)	6.5	9.0	4.0	4.8
Cons. EPS (S cts)	na	na	7.0	8.6
EBIT margin (%)	14.4	28.6	14.7	14.8
Net profit margin (%)	12.1	24.2	12.4	12.3
ROE (%)	24.6	30.1	12.8	13.5
P/NTA (x)	2.5	1.9	1.8	1.5

HOLD (maintain)

Fair value	S\$0.53
add: 12m dividend forecast	S\$0.01
versus: Current price	S\$0.54
12m total return forecast	0%

Analysts

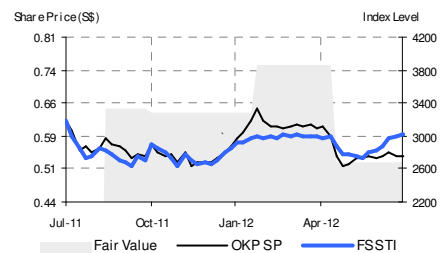
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Key information

Market cap. (m)	S\$165.1 / USD131.3
Avg daily turnover (m)	S\$0.2 / USD0.1
Avg daily vol. (m)	0.3
52-wk range (S\$)	0.515 - 0.66
Free float (%)	30.0
Shares o/s. (m)	305.8
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%

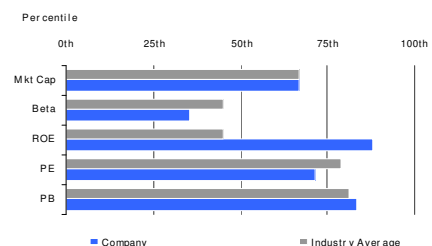
Relative total return	1m	3m	12m
Company (%)	0	-8	-8
STI-adjusted (%)	-6	-10	-8

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

Exhibit 1: Quarterly financial highlights

	2Q11	2Q12	% Chg	1Q11	% Chg
	(S\$m)	(S\$m)	(YoY)	(S\$m)	(QoQ)
Revenue	28.3	23.6	-16.7%	25.0	-5.5%
Cost of sales	-17.1	-17.8	4.1%	-19.7	-9.5%
Gross profit/(loss)	11.2	5.7	-48.6%	5.2	9.4%
SG&A expenses	-2.8	-2.1	-24.5%	-1.4	48.5%
Depreciation	-0.1	-0.2	88.4%	-0.1	92.5%
EBIT	8.2	3.4	-58.4%	3.7	-7.7%
Interest expense	0.0	0.0	-7.7%	0.0	-11.1%
Interest income	0.1	0.2	196.4%	0.1	87.4%
Exceptional items	0.1	0.2	276.3%	-0.1	N/A
Profit/(loss) before taxation	8.3	3.8	-54.5%	3.6	4.4%
Taxation	-1.4	-0.7	-51.0%	-0.6	22.4%
Profit/(loss) after tax	6.9	3.1	-55.2%	3.1	1.0%
Non-controlling interests	0.0	0.0	-50.0%	0.0	0.0%
Shareholders' profit/(loss)	6.9	3.1	-55.2%	3.1	1.0%

Sources: Company financials

Company financial highlights

Income statement

Year ended Dec 31 (\$m)	FY10	FY11	FY12F	FY13F
Revenue	139.9	109.8	98.7	119.4
EBITDA	20.5	31.8	15.1	18.3
Depreciation & amortisation	-2.5	-2.7	-2.3	-2.5
EBIT	20.1	31.4	14.5	17.6
Net interest	0.0	0.1	0.2	0.1
Associates and JVs	0.0	0.0	0.0	0.0
Others	0.3	0.6	0.1	0.0
Profit before tax	20.4	32.2	14.8	17.8
Income tax expense	-3.6	-5.6	-2.6	-3.1
PATMI	17.0	26.6	12.2	14.7

Balance sheet

As at Dec 31 (\$m)	FY10	FY11	FY12F	FY13F
Bank and cash balances	101.8	94.7	71.2	85.5
Other current assets	31.1	31.6	52.8	60.1
Property, plant, and equipment	17.0	18.7	19.8	20.6
Total assets	153.1	148.3	147.2	169.7
Debt	1.8	1.1	1.4	1.4
Current liabilities excluding debt	82.3	59.1	50.4	60.0
Total liabilities	84.2	60.3	51.8	61.4
Shareholders equity	69.0	88.2	95.6	108.4
Minority interests	-0.1	-0.1	-0.1	-0.1
Total equity and liabilities	153.1	148.3	147.2	169.7

Cash flow statement

Year ended Dec 31 (\$m)	FY10	FY11	FY12F	FY13F
Op profit before working cap. chg.	23.0	34.6	17.6	20.8
Working cap, taxes and int	16.0	-29.3	-32.6	-0.7
Net cash from operations	39.0	5.3	-15.0	20.1
Purchase of PP&E	-6.4	-4.8	-2.1	-1.5
Other investing flows	0.0	0.0	0.0	0.0
Investing cash flow	-6.4	-4.8	-2.1	-1.5
Financing cash flow	-8.4	-7.6	-6.5	-4.3
Net cash flow	24.1	-7.1	-23.6	14.4
Cash at beginning of year	77.7	101.8	94.7	71.2
Cash at end of year	101.8	94.7	71.2	85.5

Key rates & ratios

	FY10	FY11	FY12F	FY13F
EPS (S cents)	6.5	9.0	4.0	4.8
NTA per share (S cents)	25.3	28.3	30.7	34.9
EBIT margin (%)	14.4	28.6	14.7	14.8
Net profit margin (%)	12.1	24.2	12.4	12.3
P/E (x)	8.3	6.0	13.5	11.3
P/NTA (x)	2.5	1.9	1.8	1.5
EV/EBITDA (x)	3.2	2.2	6.3	4.4
Dividend yield (%)	10.3	5.6	2.6	3.1
ROE (%)	24.6	30.1	12.8	13.5
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash

Sources: Company, OIR forecasts

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