



# OKP HOLDINGS | HOLD

MARKET CAP: USD 129M

AVG DAILY TURNOVER: USD 0.2M

28 Jun 2012  
Company Update

## FORAY INTO PROPERTY DEVELOPMENT

- **10% stake investment in CSLP**
- **Better utilise strong net cash position**
- **Will only invest in minority stakes**

### 10% stake investment in CSLP

OKP Holdings (OKP) announced it has subscribed for 111,111 ordinary shares, or a 10% stake, at S\$1/share of CS Land Properties Pte. Ltd. (CSLP), a wholly-owned subsidiary of the China Sonangol group. As part of the investment agreement, OKP will use part of its S\$90m net cash position to provide CSLP with a loan facility of up to S\$20m for a maximum period of six years and at an annual interest rate of 2% above SIBOR. CSLP has already drawn down ~S\$18.4m of this loan facility.

### Redeveloping Amber Towers

On top of the increased collaboration between OKP and the China Sonangol Group, a substantial shareholder with a 14.1% stake in OKP, the investment in CSLP paves the way for OKP's maiden foray into property development. CSLP is seeking to redevelop the site at the former Amber Towers, which it acquired at a cost of S\$161.6m, into a premium condominium project. The acquisition price translates into a psf ppr of S\$1,118 and the 40,708 sq ft freehold site can be redeveloped to a GFA of ~145,000 sq ft.

### OKP's strategy in property development

Instead of deviating from its core business of public infrastructure construction, management previously stated it is going into property development so as to better utilise its strong net cash position. Furthermore, it will only invest in minority stakes in property developing JVs in order to limit its exposure to this more volatile sector. However, the S\$20m loan facility OKP is providing to CSLP will invariably increase its risk exposure. Nevertheless, the loan's interest rate is favourable to OKP, and OKP or its associates are likely receive the relevant construction contract.

### Maintain HOLD

OKP said the investment in CSLP is not expected to have any material impact on its financials for FY12. Thus, we maintain our **HOLD** rating on OKP and our fair value estimate of S\$0.53/share.

#### Key financial highlights

Year Ended Dec 31 (S\$m)	FY10	FY11	FY12F	FY13F
Revenue	139.9	109.8	120.5	126.5
EBITDA	20.5	31.8	24.2	28.3
Depreciation & amortisation	-0.4	-0.4	-0.4	-0.4
PATMI	17.0	26.6	19.8	23.3
EPS (S cents)	5.9	8.9	6.4	7.5
Cons. EPS (S cts)	na	na	7.7	9.1
EBIT margin (%)	14.4	28.6	19.8	22.0
Net profit margin (%)	12.1	24.2	16.4	18.4
ROE (%)	24.6	30.1	19.4	19.3
P/NTA (x)	2.1	1.9	1.6	1.4

## HOLD (maintain)

Fair value	S\$0.53
add: 12m dividend forecast	S\$0.02
versus: Current price	S\$0.54
<b>12m total return forecast</b>	<b>2%</b>

#### Analysts

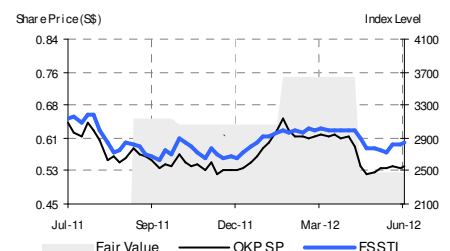
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#### Key information

Market cap. (m)	S\$165.1 / USD129.3
Avg daily turnover (m)	S\$0.2 / USD0.2
Avg daily vol. (m)	0.4
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	Construction & Engineering
Top shareholder	OKP Invest. - 55.2%

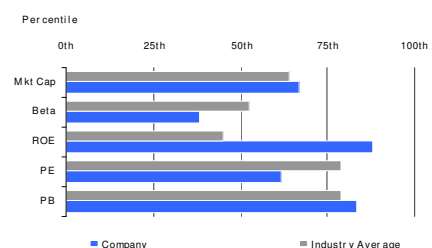
Relative total return	1m	3m	12m
Company (%)	3	-11	-7
STI-adjusted (%)	0	-7	-4

#### 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	120.5	126.5
EBITDA	20.5	31.8	24.2	28.3
Depreciation & amortisation	-0.4	-0.4	-0.4	-0.4
EBIT	20.1	31.4	23.8	27.9
Net interest	0.0	0.1	0.2	0.3
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	23.9	28.2
Income tax expense	-3.6	-5.6	-4.1	-4.9
PATMI	17.0	26.6	19.8	23.3

Balance sheet

As at Dec 31 (\$m)	FY10	FY11	FY12F	FY13F
Bank and cash balances	101.8	94.7	119.9	138.8
Other current assets	31.1	31.6	38.2	40.1
Property, plant, and equipment	17.0	18.7	19.7	21.1
Total assets	153.1	148.3	181.1	203.4
Debt	1.8	1.1	1.4	1.4
Current liabilities excluding debt	82.3	59.1	77.9	81.5
Total liabilities	84.2	60.3	79.3	83.0
Shareholders equity	69.0	88.2	102.0	120.6
Minority interests	-0.1	-0.1	-0.2	-0.2
Total equity and liabilities	153.1	148.3	181.1	203.4

Cash flow statement

Year Ended Dec 31 (\$m)	FY10	FY11	FY12F	FY13F
Op profit before working cap. chg.	23.0	34.6	27.1	31.5
Working cap, taxes and int	16.0	-29.3	8.1	-3.2
Net cash from operations	39.0	5.3	35.2	28.3
Purchase of PP&E	-6.4	-4.8	-1.5	-1.8
Other investing flows	0.0	0.0	0.0	0.0
Investing cash flow	-6.4	-4.8	-1.5	-1.8
Financing cash flow	-8.4	-7.6	-8.6	-7.5
Net cash flow	24.1	-7.1	25.2	18.9
Cash at beginning of year	77.7	101.8	94.7	119.9
Cash at end of year	101.8	94.7	119.9	138.8

KEY RATES & RATIOS

	FY10	FY11	FY12F	FY13F
EPS (S cents)	5.9	8.9	6.4	7.5
NTA per share (S cents)	25.3	28.3	32.8	38.9
EBIT margin (%)	14.4	28.6	19.8	22.0
Net profit margin (%)	12.1	24.2	16.4	18.4
P/E (x)	8.3	6.0	8.3	7.1
P/NTA (x)	2.1	1.9	1.6	1.4
EV/EBITDA (x)	2.1	2.2	1.9	1.0
Dividend yield (%)	10.3	5.6	4.2	4.9
ROE (%)	24.6	30.1	19.4	19.3
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash

Sources: Company, OIR forecasts

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