



# OKP HOLDINGS | HOLD

MARKET CAP: USD 126M

AVG DAILY TURNOVER: USD 0.1M

27 Mar 2013  
Company Update

## REVENUE VISIBILITY BUT MARGIN COMPRESSION

- **4Q12 in line**
- **Partner for potential MRT jobs**
- **Revenue to be sustained**

### 4Q12 in line

To recap, 4Q12/FY12 results were generally in line with our expectations. While FY12 net income of S\$104.5m (-5% YoY) was 5% lower than our estimate, PATMI of S\$12.4m (-53% YoY) was 6% higher than what we expected. The lacklustre results were due to a weak economy, price competition and climbing labour costs. OKP declared a first and final dividend of 1.5 S cents/share, lower than the 2 S cents that we and the street had expected. FY12 dividend translates into a yield of 2.9%. We believe that management is conserving cash to increase its flexibility to tender for government projects.

### Solid order book

OKP's extensive experience in public-sector construction and maintenance projects and its reputation for on-time delivery has secured it an order book of around S\$377m (as of Feb), which stretches till 3Q 2015. However, we expect that, going forward, OKP gross profit margin will shrink below the 22% it registered for FY12, due to increasing manpower costs and growing competition.

### Found partner for MRT jobs

Management indicated that it has found an established foreign partner with which it can jointly compete for work on the new MRT lines, an attractive source of construction demand over the next few years. Having noted that there is increasing foreign competition in the MRT job space, management also expressed that demand for other public construction work in Singapore is strong enough to sustain OKP's revenues for at least the next few years, even if it does not win any MRT contracts.

### Maintain HOLD

Following a change in analyst, we have adjusted our forecasts for OKP's FY13 and FY14 performance. Applying a P/E multiple of 11x to FY13F EPS, we derive a FV of S\$0.48/share, slightly higher than our previous FV of S\$0.46/share. We maintain our **HOLD** rating on OKP.

#### Key financial highlights

Year ended Dec 31 (S\$m)	FY11	FY12	FY13F	FY14F
Revenue	109.8	104.5	137.8	163.2
Cost of sales	-66.6	-81.0	-108.9	-130.6
Other inc.	1.0	2.7	1.6	1.6
PATMI	26.6	12.4	13.5	14.3
EPS (S-cents)	8.7	4.0	4.4	4.7
Cons. EPS (S cts)	na	na	5.0	5.8
PER (x)	5.8	12.5	11.6	10.9
P/NAV (x)	1.7	1.6	1.4	1.3
ROE (%)	33.8	13.4	13.1	12.4
Net profit margin (%)	24.2	11.8	9.8	8.8

## HOLD (maintain)

Fair value	S\$0.48
add: 12m dividend forecast	S\$0.02
versus: Current price	S\$0.505
<b>12m total return forecast</b>	<b>-1%</b>

#### Analysts

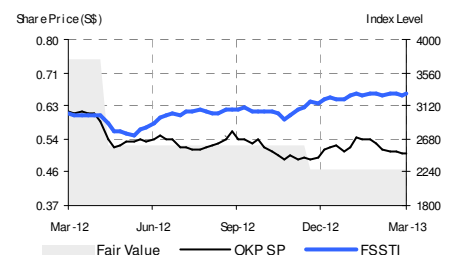
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#### Key information

Market cap. (m)	S\$155.8 / USD125.5
Avg daily turnover (m)	S\$0.1 / USD0.1
Avg daily vol. (m)	0.1
52-wk range (S\$)	0.485 - 0.635
Free float (%)	30.6
Shares o/s. (m)	308.4
Exchange	SGX
BBRG ticker	OKP SP
Reuters ticker	OKPH.SI
ISIN code	5CF
GICS Sector	Industrials
GICS Industry	Constr. & Eng.
Top shareholder	OKP Inv. - 54.7%

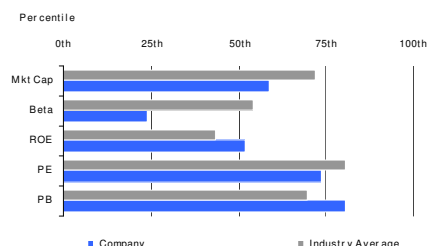
Relative total return	1m	3m	12m
Company (%)	-4	2	-17
STI-adjusted (%)	-5	-2	-31

#### 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

**Company financial highlights**

Income statement

Year ended Dec 31 (\$m)	FY11	FY12	FY13F	FY14F
Revenue	109.8	104.5	137.8	163.2
Cost of sales	-66.6	-81.0	-108.9	-130.6
Other inc.	1.0	2.7	1.6	1.6
Admin expenses	-11.9	-11.0	-14.6	-17.2
Finance costs	-0.1	-0.1	-0.1	-0.1
Other op. cost	0.0	-0.2	0.0	0.0
PBT	32.2	14.8	15.9	16.9
Tax	-5.6	-2.2	-2.4	-2.6
PAT	26.5	12.5	13.5	14.3
PATMI	26.6	12.4	13.5	14.3

Balance sheet

As at Dec 31 (\$m)	FY11	FY12	FY13F	FY14F
Cash and cash equivalents	92.5	54.0	68.9	84.0
Trade and other receivables	29.4	30.9	40.8	48.3
Investment properties	1.7	4.8	4.8	4.8
Total assets	148.3	137.5	163.2	186.5
Current financial liabilities	0.6	0.5	0.6	0.6
Non-current financial liabilities	0.5	0.9	0.9	0.9
Total liabilities	60.3	41.1	54.5	64.6
Equity attrib. to co.'s eq. holders	88.2	96.3	108.7	121.9
Minority interests	-0.1	0.1	0.1	0.1
Total equity and liabilities	148.3	137.5	163.2	186.5

Cash flow statement

Year ended Dec 31 (\$m)	FY11	FY12	FY13F	FY14F
PBT	32.2	14.8	15.9	16.9
Total change in working capital	-25.9	-19.5	3.2	2.6
Cash tax paid	-3.4	-5.4	-2.4	-2.6
Cash flow from operations	5.5	-7.2	20.0	20.6
Cash flow from investing	-4.6	-24.7	-4.3	-4.3
Cash flow from financing	-8.4	-6.6	-5.9	-6.3
Change in cash	-7.6	-38.5	9.9	10.1
Opening balance	100.1	87.4	54.0	68.9
Other adjustments	0.0	5.0	5.0	5.0
Ending balance	92.5	54.0	68.9	84.0

Key rates & ratios

	FY11	FY12	FY13F	FY14F
EPS (S-cents)	8.7	4.0	4.4	4.7
NAV per share (S-cents)	28.9	31.4	35.3	39.6
PER (x)	5.8	12.5	11.6	10.9
P/NAV (x)	1.7	1.6	1.4	1.3
Gross profit margin (%)	39.3	22.4	21.0	20.0
Net profit margin (%)	24.2	11.8	9.8	8.8
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash
Dividend yield (%)	5.9	3.0	4.0	4.0
ROE (%)	33.8	13.4	13.1	12.4
ROA (%)	17.6	8.7	9.0	8.2

Sources: Company, OIR forecasts

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