

OKP Holdings

Strong contract flows

BUY

Strong contract momentum

Following the release of our update on OKP (*Eyeing more O&G deals dated 14 June*), the company has announced two additional contract deals worth \$7.8m. On 18th June, OKP clinched a PUB contract worth \$2.9m to improve drainage associated facilities in the western and eastern watersheds of Singapore; the contract is expected to be completed in December 2008. The second contract was announced on 3rd July to provide final premix surfacing, reinstatement and ancillary works at Tuas View for JTC. The contract, beginning 15th July, is worth S\$4.9m and will take 12 months to complete.

Order book stands at \$164m

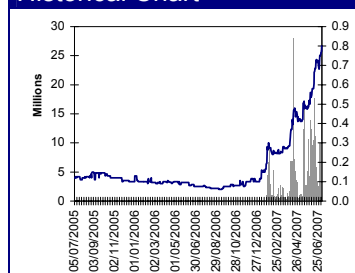
Based on these two contracts, OKP's orderbook status is now at \$164m, of which 67% will be recognised in FY07. Contract split to be recognised in FY07 between private vs. government contracts is 68:32. As a result, we are looking at a marginal increase in FY07 NPAT of \$9.5m (EPS 6.3 cents).

Maintain Buy; re-rating TP based on 15x FY07 PE

At current valuations, OKP is now trading at 12.5x FY07 PE (non-cash 10.5x FY07 PE). We believe that the company's re-rating story is not over as more O&G deals from the Middle East may provide further upside in FY08/FY09. In addition, valuation is also undemanding vis-à-vis the peer range of 20x FY07 PE. Using a 25% discount to peers to factor in liquidity size effect, we see fair value at 15x FY07 PE. We are raising our target price to \$0.95; Buy maintained.

Price	\$0.79
Target	\$0.95
ST Index	3567.01

Historical Chart



Stock Information

Bloomberg ticker code	OKP SP
Reuters ticker code	5CF.SI
Market cap (\$m)	118.4
52-week high (\$)	0.795
52-week low (\$)	0.060
Shares issued (m)	149.9
6m avg. daily vol (m)	1.3
Free float (%)	23.1
Major Shareholders (%)	
Or Kim Peow – Exec. Dir	(61.3)
Ang Beng Tin – Exec. Dir	(1.96)

Key Indicators – FY06

Gross Margin (%)	14.3
Operating Margin (%)	7.5
ROE (%)	20.1
ROA (%)	10.0
Current Ratio (x)	1.6
Net Debt/Equity (%)	Net Cash
Interest cover (x)	52
BVPS (S c)	15.4
P/B (x)	5.1

Analyst:
 Geraldine Eu
 Geraldineeu@kimeng.com
 (65) 6432 1469

www.kelive.com

Co. REg No. : 198700034E
 MICA (P): 269/11/2006

Year End Dec	2004	2005	2006	2007F
Sales (\$m)	72.7	61.4	73.3	109.9
Pretax profit (\$m)	1.7	0.5	5.4	11.9
Net profit (\$m)	1.6	0.3	4.1	9.5
EPS (cts)	1.1	0.2	3.0	6.3
EPS growth (%)	11.0	(81.7)	1354.0	107.9
PER (x)	68.9	377.3	25.95	12.5
Ex.Cash PER (x)	69.6	679.2	26.5	10.5
EV/EBITDA (x)	31.9	52.5	15.2	7.3
DPS (cts)	0.5	0.0	1.5	2.8
Yield (%)	0.6	-	1.9	3.6

Figure 1 : Order book to be recognised in FY07

Projects to be recognised in FY07	Customer	Date of commencement	Date of completion	Contract Value (\$m)	Carried Forward (\$m)
ROAD & BUILDING CONSTRUCTION					
Final Premix Surfacing, Tuas View, Phase 5	JTC Commonwealth	July-05	January-07	7.5	
Rota International Airport Runway - Phase 1	Ports Authority	October-05	May-07	14.8	
Civil and Related works for Tank Foundation	Rotary	February-06	October-07	48.1	
Bukit Villas Phase 1-9 @ Woodlands Road	Far East Org	March-06	March-08	9.9	
Singapore Parallel Train - Clearance works	Exxon Mobil	May-06	May-07	3.9	
Single Storey Workshops Pandan Crescent	Tiong Woon	August-06	January-07	1.3	
Proposed Design & construction of Chua Chu Kang O&G project	Nparks Oil Company	September-06 January-07	August-07 November-07	2.7 40.1	
Isotherm plant on Jurong Island	ITRO Pte Ltd	March-07	December-07	3.0	
Civil Works for Bio-diesel	Natural Fuel	May-07	Nov-07	3.0	
Subtotal for the year					79.0
ROAD MAINTENANCE					
Supply & Application of Protective Coating(Batch 1) Painting and Cleaning of Rd Related Facilities for A period	LTA	February-06	August-06	3.6	
Maintenance of Expressway	LTA	April-06	March-08	12.8	
Painting and Cleansing of Road related West Car Park improvements @ Tampines and repair of existing roads	LTA	April-06	March-08	10.9	
Drainage Associated Facilities in the Western and Eastern Watersheds of Singapore	LTA	April-06	March-08	13.4	
Tuas View	HDB	January-07	May-08	2.6	
	PUB	Jun-07	Dec-08	2.9	
	JTC	July-07	July-08	4.9	
Subtotal for the year					30.9
Total					109.9

Source: Company data, KELive estimates

Figure 2: Relative Valuation

Peers	Ticker	Price (\$)	Year End	Px/Bk (X) FY06	Px/Bk (X) FY07	Net margin (%)	ROE (%) FY07	PER (X) FY06	PER (X) FY07	Mkt Cap USD
TIONG WOON	TWC SP	1.10	Jun	4.1	1.2	15.7	14.6	42.3	26.2	244.3
TAT HONG	TAT SP	2.07	Mar	3.7	3.0	16.4	23.4	21.3	11.9	675.8
ROTARY ENGIN.	RTRY SP	1.22	Dec	4.9	4.0	8.3	28.2	19.7	14.5	455.8
AUSGROUP	AUSG SP	1.81	Jun	-	-	6.4	29.1	37.6	27.8	469.1
<i>Average</i>								<i>30.2</i>	<i>20.1</i>	
OKP HOLDINGS	OKP SP	0.79	Dec	5.1	3.8	8.6	34.4	26.0	12.5	77.9

Source: Bloomberg, KELive estimates

INTERIM PERFORMANCE (\$m)

6 months to (\$ m)	Dec 06	Dec 05	% YoY	Jun 05	%HoH
Turnover	39.9	24.7	62%	33.4	19%
Operating Profit	4.7	-0.7	-773%	0.8	498%
Pretax Profit	4.6	1.3	270%	0.7	536%
Net Profit	3.5	-2.0	-281%	0.6	487%
EPS Cents	2.6	-1.4	-281%	0.4	487%
<i>Key ratios</i>					
Operating Margin	12%	-3%	nm	2%	+100bp
Pretax Margin	12%	-3%	nm	2%	+100bp
Net Margin	9%	-8%	nm	2%	+70bp

PROFIT & LOSS (\$m)

Year end Dec	2004	2005	2006	2007F
Turnover	72.7	61.4	73.3	109.9
COGS	(67.3)	(57.8)	(62.8)	(91.9)
Gross Profit	5.4	3.7	10.4	18.1
Other Operating Income	0.4	0.9	0.6	0.6
Distribution Costs	0.0	0.0	0.0	0.0
Administration Expenses	(4.0)	(3.9)	(5.4)	(6.4)
Other Operating	(0.0)	(0.0)	(0.1)	(0.2)
Operating Profit	1.9	0.6	5.5	12.1
Interest Expense	(0.2)	(0.1)	(0.1)	(0.1)
Associates	(0.0)	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0
Pretax Profit	1.7	0.5	5.4	11.9
Taxation	(0.2)	(0.2)	(1.3)	(2.1)
Minority Interests	0.0	0.0	0.1	(0.3)
Net Profit	1.6	0.3	4.1	9.5
EPS (¢)	1.1	0.2	3.0	6.3
EPS Growth	11.0%	-81.7%	1354.0%	107.9%
Gross DPS (¢)	0.5	0.0	1.5	2.8
Sales Growth	28.1%	-15.5%	19.2%	50.0%
Gross Profit Growth	-24.4%	-32.7%	185.0%	73.0%
Operating Profit Growth	-33.6%	-67.7%	786.8%	120.8%
Pretax Profit Growth	-36.1%	-70.3%	953.6%	122.8%
Net Profit Growth	11.0%	-81.7%	1354.0%	128.6%
Gross Margin	7.5%	6.0%	14.3%	16.4%
Operating Margin	2.6%	1.0%	7.5%	11.0%
Pretax Margin	2.4%	0.8%	7.3%	10.9%
Effective Tax Rate	8.8%	45.9%	24.2%	18.0%
Interest Cover (x)	10.6	5.7	52.0	93.0
Dividend Cover (x)	2.3	-	2.0	2.2

SEGMENT BREAKDOWN

Year end Dec	2004	2005	2006	2007F
Road and Building	54.1	48.8	53.3	79.0
Road Maintenance	18.6	12.7	20.2	30.9
Revenue	72.7	61.4	73.3	109.9
Road and Building	74%	79%	73%	72%
Road Maintenance	26%	21%	28%	28%
% breakdown	100%	100%	100%	100%
Road and Building	65%	-10%	9%	48%
Road Maintenance	-23%	-32%	60%	53%
Revenue Growth	28%	-15%	19%	50%

Sources: Company data, KE estimates
BALANCE SHEET (\$m)

As at Dec	2004	2005	2006	2007F
Current Assets	31.5	25.4	37.4	49.6
Cash & ST Invt	11.9	12.8	14.7	21.0
Receivables	14.3	10.0	21.5	24.2
Project in Progress	5.3	2.6	1.2	4.4
Others	0.0	0.0	0.0	0.0
Fixed Assets	7.2	6.7	7.8	11.0
Associates	0.1	0.0	0.0	0.0
Investments	0.8	0.8	0.8	0.8
Other Assets	1.8	1.8	1.8	1.8
Total Assets	41.3	34.7	47.8	63.2
Current Liabilities	20.8	14.8	23.2	29.2
ST Borrowings	1.9	0.6	0.8	0.7
Payables	18.4	14.1	20.9	27.1
Others	0.4	0.2	1.5	1.5
LT Loans	1.3	0.9	1.5	1.2
Deferred Liabilities	0.3	0.4	0.3	0.3
Total Liabilities	22.4	16.1	25.0	30.7
Share Capital	13.6	13.6	15.0	17.2
Reserves	5.3	4.9	7.7	15.2
Minority Interests	0.0	(0.0)	(0.0)	0.0
Total Equity + MI	18.9	18.5	22.7	32.4
Debtors Turnover (days)	60	68	75	73
Stock Turnover (days)	22	23	10	9
Creditors Turnover	68	85	88	84
Current Ratio (x)	1.5	1.7	1.6	1.7
Net Debt/Equity (x)	-46.1%	-60.9%	-54.5%	-59.2%
Total Debt/Equity (x)	17.0%	8.1%	10.2%	5.7%
NBV/Share (\$ c)	5.27	12.36	15.41	20.50
ROE	8.5%	1.5%	20.1%	34.4%
ROA	4.1%	0.8%	10.0%	17.1%

CASH FLOW (\$m)

Year end Dec	2004	2005	2006	2007F
Pretax Profit	1.7	0.5	5.4	11.9
Depreciation	1.6	1.4	1.5	1.6
(Profit)/Loss on Sale of A	0.0	0.0	0.0	0.0
Associates Profits	(0.0)	0.0	0.0	0.0
Tax Paid	(0.8)	(0.4)	(0.0)	(2.1)
Change in Working capital	1.7	2.6	(3.3)	0.4
Operating Cash Flow	4.1	4.1	3.6	11.7
Net Capex	(1.8)	(0.9)	(2.7)	(4.7)
Associates & Investments	0.1	0.1	0.0	0.0
Change in Other Assets	0.0	0.0	(0.0)	0.0
Investing Cash Flow	(1.7)	(0.9)	(2.7)	(4.7)
Change in Share Capital	0.0	0.0	(0.0)	2.3
Net Change in Debt	0.0	0.0	0.9	(0.6)
Dividends Paid	(0.6)	(0.7)	0.0	(2.0)
Others	0.0	0.0	0.1	(0.3)
Financing Cash Flow	(0.8)	(2.4)	1.0	(0.6)
Net Cash Flow	1.5	0.8	1.9	6.4
Cash/(Debt) at Beg of Yr	10.4	11.9	12.8	14.7
Cash/(Debt) at End of Yr	11.9	12.8	14.7	21.0

Sources: Company data, KE estimates

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Singapore

Kim Eng Securities Pte Ltd
Kim Eng Research Pte Ltd
9 Temasek Boulevard
#39-00 Suntec Tower 2
Singapore 038989

Tel: +65 6336 9090
Fax: +65 6339 6003

LAU Wai Kwok (sales)
lauwk@kimeng.com

Sebastian HENG (research)
sebastianheng@kimeng.com

London

Kim Eng Securities (London) Ltd
6/F, 20 St. Dunstan's Hill
London EC3R 8HY, UK

Tel: +44 20 7621 9298
Dealers' Tel: +44 20 7626 2828
Fax: +44 20 7283 6674

David PIRKIS (sales)
dpirkis@kimeng.co.uk

Geoff HO (sales)
gho@kimeng.co.uk

James JOHNSTONE (sales)
jjohnstone@kimeng.co.uk

New York

Kim Eng Securities USA Inc
406, East 50th Street
New York, NY 10022, U.S.A.

Tel: +1 212 688 8886
Fax: +1 212 688 3500

Sunny YOON
syoon@kesusa.com

Jeffrey S. SEO
jseo@kesusa.com

Lucy CHUAH
lchuah@kesusa.com

Lynda KOMMEL-BROWNE
lkommel@kesusa.com

Jonathan NASSER
jnasser@kesusa.com

South Korea

Kim Eng Research Pte Ltd
Korea Branch Office
10th Floor, Seoul Finance Center,
84 Taepyung-ro 1-ka,
Chung-ku,
Seoul, Korea 100-768

Tel: +82 2 6730 1550
Fax: +82 2 6730 1564

Taiwan

Yuanta Core Pacific Securities
11/F, No 225, Nanking East Rd
Section 3
Taipei, Taiwan

Tel: +886 2 2717 6391
Fax: +886 2 2545 6394

Arthur LO (sales)
arthur.lo@yuanta.com.tw

Gary CHIA (sales)
gary.chia@yuanta.com.tw

Hong Kong

Kim Eng Securities (HK) Ltd
Level 30,
Three Pacific Place,
1 Queen's Road East,
Hong Kong

Tel: +852 2268 0800
Fax: +852 2877 0104

Ray LUK (sales)
rluk@kimeng.com.hk

Stephen BROWN (research)
stephenbrown@kimeng.com.hk

Thailand

Kim Eng Securities (Thailand)
Public Company Limited
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road, Pathumwan,
Bangkok 10330, Thailand

Tel: +66 2 658 6300
Fax: +66 2 658 6384

Vikas KAWATRA (sales)
vkawatra@kimeng.co.th

Ron GARCHA (sales)
ron@kimeng.co.th

David BELLER (research)
david.b@kimeng.co.th

Indonesia

PT Kim Eng Securities
9/F, Deutsche Bank Bldg
Jl. Imam Bonjol 80
Jakarta 10310, Indonesia

Tel: +62 21 3983 1360
Fax: +62 21 3983 1361

Kurnia SALIM (sales)
ksalim@kimeng.co.id

Katarina SETIAWAN (research)
ksetiawan@kimeng.co.id

Philippines

ATR-Kim Eng Securities Inc.
17/F, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: +63 2 849 8888
Fax: +63 2 848 5738

Lorenzo ROXAS (sales)
lorenzo_roxas@atr.com.ph

Ed BANCOD (research)
ed_bancod@atr.com.ph

Malaysia

Kim Eng Research Sdn Bhd
16/F, Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia

Tel: +603 2141 1555
Fax: +603 2141 1045

YEW Chee Yoon (research)
cheeyoon@kimengkl.com

South Asia Sales Trading

Connie TAN
connie@kimeng.com
Tel: +65 6333 5775
US Toll Free: +1 866 406 7447

North Asia Sales Trading

Vivian LAU
vivianlau@kimeng.com.hk
Tel: +852 2268 0800
US Toll Free: +1 866 598 2267

North America Sales Trading

Howard KEUM
hkeum@kesusa.com
Tel: +1 212 688 8886



Ong Seng Yeow Director, Retail Research
SINGAPORE EQUITY RESEARCH