

OKP Holdings Ltd

OKP-performance

SINGAPORE | CONSTRUCTION | NON-RATED NOTE

OKP Holdings posted its FY16 results after market closed on 23rd February 2016 and we attended the company's results briefing on the following day.

We view the group as **Stable** given its growing order book which will provide revenue visibility that is expected to last till 2019. Its strong balance sheet (net cash position: \$52.1 million) will also help the group to tide through current uncertainties in the economic environment. However, there could be further impairments on its property development, Amber Skye, amid the sluggish property market.

These are the key takeaways from OKP Holdings' FY16 results briefing.

Results at a glance

(SGD mn)	FY15	FY14	y-y (%)	Comments
Revenue	103.3	109.5	(5.7)	Mainly due to 33% decline in contributions from maintenance segment
Gross profit	13.8	8.8	56.8	Completion of higher margin maintenance projects
Profit before income tax	7.6	2.2	245.5	
Net profit	7.0	2.5	180.0	
EPS	2.27	0.82	176.8	The group has declared a total dividend per share of 1 cent (0.7 cent common, 0.3 cent special)

Source: Company, Phillip Securities Research (Singapore)

Analyst briefing key takeaways

Growth in order book provides revenue visibility. Net order book has grown 12% to \$344 million in FY15 from \$296.8 million, while the group has secured 7 contracts worth \$301.1 million. These contracts are mainly public sector projects secured from government entities including LTA, PUB and JTC. The current net order book is expected to provide revenue visibility till 2019.

Lacklustre sales in Amber Skye property development project amid the sluggish property market. Sales in Amber Skye, a luxury condominium development project located in district 15, which the group has a 10% stake in, continues to be below expectations. Till date, 90% of the units are unsold. The group posted an effective \$0.65 million impairment on the property valuations in FY15 (based on its 10% stake), and we believe further impairments on the property are likely as the property market remains weak and other developers continue to cut prices on unsold units.

Potential opportunities in large scale infrastructure projects and higher public spending in construction. The BCA has projected that construction contracts could grow 26% to \$34 billion from \$27 billion in 2016, mainly attributable to higher public spending. In addition, several large scale public transport infrastructure projects such as the Thomson-East Coast MRT line, North-South Expressway and Terminal 5 at Changi Airport are expected to be out for public tendering in 2016. With OKP's longstanding and sound track record demonstrated in previous projects, the group is well-positioned to tap on these opportunities.

25 February 2016

Non-rated

LAST DONE PRICE	SGD 0.235
FORECAST DIV	N/A
TARGET PRICE	N/A
TOTAL RETURN	N/A

COMPANY DATA

O/S SHARES (MN) :	308
MARKET CAP (USD mn / SGD mn) :	51 / 72
52 - WK HI/LO (SGD) :	0.25 / 0.18
3M Average Daily T/O (mn) :	0.03

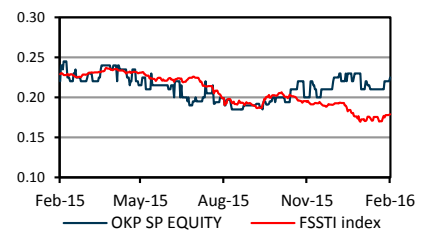
MAJOR SHAREHOLDERS (%)

OR KIM PEOW INVESTMENTS	54.7%
CHINA SONANGOL INT S	14.0%
KIM PEOW OR	0.3%
BENG TIN ANG	0.1%
LAY HUAT OR	0.1%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	7.1	12.5	3.2
STI RETURN	3.8	(7.6)	(19.2)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar	FY13	FY14	FY15
Revenue (SGD mn)	107.0	109.5	103.3
Gross Profit (SGD mn)	11.2	8.8	13.8
Net Profit (SGD mn)	4.7	2.5	7.0
P/E (x)	22.1	31.1	9.6
DPS (Cents)	6.9	7.4	7.5
Distribution Yield, %	0.9	0.4	4.4

Source: Company Data, PSR est.

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