

OCK Group Bhd

Expansions of tower portfolio on track

Summary

- OCK Group Bhd (OCK) near term outlook remain upbeat, supported by the strong long-term recurring income from owning and managing over 5,300 telco sites across Vietnam, Myanmar, and Malaysia. Meanwhile, the group is also beefing up the renewable energy segment through the participation of Net Energy Metering (NEM) programme.
- Recall that as of end-1QFY23, OCK owns and manages over 5,300 telco sites across Vietnam, Myanmar, and Malaysia. Moving forward, we believe OCK may register more than 6,000 telco sites by end-2023, driven by additions of new telco sites, particularly in Vietnam. The move is in line with the group's aspiration to be one of the leading telecommunication network services (TNS) providers in the ASEAN region. As at end-1Q23, OCK is equipped with an outstanding TNS orderbook of more than RM320.0m.
- While regional markets may see gradual expansion in the number of tower portfolio, we reckon that growth on the local front to emanate from the execution of projects under the JENDELA plan which is to boost digital connectivity. Under the Phase 2 of JENDELA programme, OCK will be eyeing a slice of the government allocation of RM725.0m from Budget 2023 to provide internet coverage to over the remainder 3% of populated area and it aims to achieve 9.0m fibre premises passed by the end-2025.
- Meanwhile, we believe OCK is also well positioned to leverage onto Malaysian government target to expedite the 5G rollout to achieve 80.0% 5G population coverage by the end-2023. As at 31st July 2023, 5G coverage in populated areas stood at approximately 66.8%.
- Elsewhere, OCK is committed to beef up the renewable energy segment with the construction of 3.2MW solar project that is slated for commercial operations by 4Q23. The group also will participate in renewable energy-related projects such as Corporate Green Power Program (CGPP) and is actively seeking to acquire additional solar sites.
- Still, we are ceasing coverage on OCK due to reallocation of internal resources. Our last recommendation on OCK was **BUY** with a fair value at RM0.48. We derived our target price through sum-of-parts (SOP) approach as we valued its telecommunication network services and green energy & power solutions business segments on a discounted cash flow approach (key assumptions include a WACC of 7.3%, terminal growth rate of 3.0%). Meanwhile, we ascribed a target PER of 13.0x to both its fully-diluted trading and mechanical & electrical engineering services businesses, based on their potential earnings contribution in FY23f.

Ceasing Coverage Note

Kenneth Leong
kennethleong@msec.com.my
(603) 2201 2100

BUY

Share price	RM0.43
Target price	-
Previous TP	RM0.48
Capital upside	11.6%
Dividend return	1.7%
Total return	13.3%

Company profile

Provision of telecommunication network services as well as green energy and power solutions

Stock information

Bursa Code	0172
Bloomberg ticker	OCK MK
Listing market	Main
Share issued (m)	1,054.5
Market Cap (m)	453.4
52W High/Low	0.46/0.375
Est. Free float	42.4%
Beta (x)	0.5
3-mth avg vol ('000)	1,377.6
Shariah compliant	Yes

Major shareholders

	%
Aliran Armada Sdn Bhd	34.8
LTAT	9.6
Phillip Capital Management	5.0

Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	7.5	10.3	6.2
Relative	4.8	7.9	8.9

Earnings snapshot

FYE (Dec)	FY22	FY23f	FY24f
PATMI (m)	32.8	37.5	46.8
EPS (sen)	3.1	3.6	4.4
P/E (x)	13.8	12.1	9.7

Relative performance chart



Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
Revenue	473.5	488.2	617.1	653.9	693.2	Cash	79.5	98.9	72.6	91.4	93.7
EBITDA	153.1	173.9	166.2	186.0	211.8	Receivables	189.2	166.6	268.2	268.7	275.4
EBIT	64.8	65.2	75.1	82.8	95.6	Inventories	61.1	63.4	86.8	84.9	102.8
Net finance income/ (cost)	(28.7)	(27.2)	(26.6)	(28.0)	(27.7)	PPE	597.0	681.7	758.2	830.4	922.1
Associates & JV	(0.0)	(0.0)	(0.0)	-	-	Others	478.7	454.6	462.9	461.2	465.2
Profit before tax	36.2	38.0	48.4	54.7	67.9	Assets	1,405.6	1,465.2	1,648.7	1,736.7	1,859.3
Tax	(4.6)	(5.4)	(10.0)	(10.9)	(13.6)	Debts	598.6	603.1	761.4	761.6	762.4
Net profit	31.6	32.6	38.5	43.8	54.3	Payables	144.7	148.9	116.5	134.9	137.5
Minority interest	4.6	7.2	5.7	6.3	7.5	Others	39.6	39.3	45.9	71.5	136.3
Core earnings	27.0	25.4	32.8	37.5	46.8	Liabilities	783.0	791.3	923.7	968.0	1,036.3
Diluted core earnings	-	-	-	43.2	52.4	Shareholder's equity	537.5	597.2	639.2	683.0	737.3
Exceptional items	-	-	-	-	-	Minority interest	85.1	76.7	85.7	85.7	85.7
Reported earnings	27.0	25.4	32.8	37.5	46.8	Equity	622.6	673.9	724.9	768.7	823.0
Cash Flow Statement						Valuation & Ratios					
FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
Profit before taxation	36.2	38.0	48.4	54.7	67.9	Core EPS (sen)	2.6	2.4	3.1	3.6	4.4
Depreciation & amortisation	84.0	86.7	102.9	103.2	116.3	Diluted Core EPS (sen)	-	-	-	3.3	4.0
Changes in working capital	(57.8)	(107.5)	223.9	(21.6)	25.4	P/E (x)	16.8	17.9	13.8	12.1	9.7
Share of JV profits	-	-	-	-	-	Diluted P/E (x)	-	-	-	13.1	10.8
Taxation	(8.7)	(9.5)	(7.9)	(10.9)	(13.6)	DPS (sen)	-	0.5	-	0.8	0.8
Others	28.7	27.6	35.8	30.0	30.0	Dividend yield	0.0%	1.2%	0.0%	1.7%	1.7%
Operating cash flow	179.8	168.1	30.7	146.1	144.4	BVPS (RM)	0.59	0.64	0.69	0.73	0.78
Net capex	(98.8)	(108.8)	(103.7)	(177.7)	(185.4)	P/B (x)	0.7	0.7	0.6	0.6	0.6
Others	13.5	(39.9)	32.8	30.0	30.0	EBITDA margin	32.3%	35.6%	26.9%	28.4%	30.6%
Investing cash flow	(85.4)	(148.7)	(70.9)	(147.7)	(155.4)	EBIT margin	13.7%	13.4%	12.2%	12.7%	13.8%
Changes in borrowings	(57.9)	4.4	158.7	(0.1)	0.8	PBT margin	7.6%	7.8%	7.8%	8.4%	9.8%
Issuance of shares	-	-	-	-	-	PAT margin	6.7%	6.7%	6.2%	6.7%	7.8%
Dividends paid	-	(3.3)	(9.1)	(7.9)	(7.9)	Core PAT margin	5.7%	5.2%	5.3%	5.7%	6.7%
Others	(59.3)	(42.2)	51.4	20.0	20.0	ROE	5.0%	4.3%	5.1%	5.5%	6.3%
Financing cash flow	(60.6)	(45.6)	42.3	12.1	12.1	ROA	1.9%	1.7%	2.0%	2.2%	2.5%
Net cash flow	33.9	(26.1)	2.2	10.5	1.2	Net gearing	83.4%	74.8%	95.0%	87.2%	81.3%
Forex	(0.1)	3.1	(2.9)	-	-						
Others	-	-	-	-	-						
Beginning cash	25.2	59.0	35.9	35.2	45.7						
Ending cash	59.0	35.9	35.2	45.7	46.9						

Disclaimer

Research analyst(s) of MSSB whom produced this report hereby certifies that the views expressed in this report accurately reflect his/her personal opinions about all of the subject corporation(s) and securities in this report. He/She does not carry out, whether for himself/herself or on behalf of MSSB or any other persons did not receive and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. As of the report date, the analyst whom prepared this report does not have any interest in the following securities covered in this report, unless otherwise stated.

As of **Tuesday, 22 Aug, 2023**, the analyst(s), Kenneth Leong, whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.

Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned