

OCK Group Bhd

Within expectations

Summary

- OCK Group Bhd (OCK) 4QFY21 net profit improved 7.0% YoY to RM6.8m, mainly due to higher contribution from the green energy and power solution segment, coupled with the lower effective tax rate. Revenue for the quarter, however, fell 2.1% YoY to RM135.7m. An interim dividend of 0.5 sen per share, payable on 25th March 2022 was declared.
- For FY21, cumulative net profit was relatively flat against FY20 at RM25.9m. Revenue for the year rose 2.4% YoY to RM484.2m. The reported earnings are within expectations, making up to 96.5% of our net profit forecast of RM26.9m and 97.5% of consensus forecast of RM26.6m.
- As of 4QFY21, OCK owns and manages over 4,600 telco sites in ASEAN regional with Malaysia (800 sites), Myanmar (1,100 sites) and Vietnam (2,700 sites) that will provide stream of recurring income over the long term. We expect the numbers to ramp up for 2022 alongside with OCK's expansion plans.
- Moving forward, the progressive 5G services rollout by Digital Nasional Berhad (DNB) to target 36.0% of high-density areas including in major cities in Johor, Selangor, Penang, Sabah and Sarawak in 2022 is largely on track. This will provide an opportunity for OCK to tap into the deployment of 4,000-5,000 5G telecommunication sites in 2022. Meanwhile, OCK's outstanding orderbook of RM280.0m will keep the group busy over the next 2 years.
- On the overseas ventures, OCK remains committed to drive the tenancy ratio in Vietnam by deploying more aggressive marketing strategy through brownfield expansions. Myanmar's expansion plan has also resume after being impacted by the imposition of martial law, with the focus now on delivery of existing orders on hand.
- On the green energy segment, OCK is operating 11.3MW of solar farms. Moving forward, the aforementioned segment will be boosted by 18 new net energy metering (NEM) rooftop solar project in Terengganu with 1.8MW capacity per annum for over a 25-year lease term that is expected to be operational by 3Q22.

Quarterly performance

FYE Dec (RM m)	4QFY20	3QFY21	4QFY21	QoQ (%)	YoY (%)	FY20	FY21	YoY (%)
Revenue	138.7	118.7	135.7	14.3	(2.1)	473.1	484.2	2.4
EBITDA	38.2	37.5	43.2	15.2	13.3	148.1	152.0	2.6
PBT	10.3	8.5	10.7	25.7	4.1	35.1	38.7	10.2
PAT	8.2	6.5	10.4	59.1	26.4	30.5	33.1	8.4
Core PATMI	6.4	5.0	6.8	36.9	7.0	25.9	25.9	0.0
Reported PATMI	6.4	5.0	6.8	36.9	7.0	25.9	25.9	0.0
Core EPS (sen)	0.7	0.5	0.7	36.9	7.0	2.8	2.8	0.0
EBITDA margin (%)	32.4	28.0	28.0			31.3	31.4	
PBT margin (%)	7.7	8.4	8.0			7.4	8.0	
Core PATMI margin (%)	4.6	6.0	5.2			5.5	5.4	

Results Note – 4QFY21

Kenneth Leong
kennethleong@msec.com.my
(603) 22012100

BUY (from Hold)

Share price	RM0.40
Target price	RM0.50
Previous TP	RM0.50
Capital upside	25.0%
Dividend return	1.9%
Total return	26.9%

Company profile

Provision of telecommunications 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)	421.8
52W High/Low	0.55/0.39
Est. Free float	42.6%
Beta (x)	0.5
3-mth avg vol ('000)	913.9
Shariah compliant	Yes

Major shareholders

	%
Aliran Armada Sdn Bhd	30.9
LTAT	10.2
EPF	7.7

Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-8.0	-14.0	-20.0
Relative	-11.8	-17.1	-19.6

Earnings summary

FYE (Dec)	FY21	FY22f	FY23f
PATMI (m)	25.9	34.6	39.6
EPS (sen)	2.5	3.3	3.8
P/E (x)	16.3	12.2	10.7

Relative performance chart



Valuation & Recommendation

- Given that the reported earnings are largely in line, we made no changes to our earnings forecast. Following the recent weakness in share price, we upgraded OCK to **BUY** (from Hold) with a target price of RM0.50 (unchanged).
- We adopt a 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 9.5%, 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 FY22f.
- Risks to our recommendation include rising raw material costs. OCK's business is heavily dependent on steel that accounts for slightly below 40.0% of the group's costs of construction in FY21. Any project delay could also impact its income growth and cash flow as the group is operating in a capital-intensive industry.

Key Financial Data

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f	FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f
Revenue	473.4	473.5	484.2	529.9	556.4	Cash	133.4	79.5	98.0	88.1	94.5
EBITDA	141.8	151.7	156.4	173.5	183.4	Receivables	240.8	189.2	183.7	174.2	182.9
EBIT	69.6	63.8	64.9	72.3	77.6	Inventories	66.2	63.4	66.1	65.6	69.7
Net finance income/ (cost)	(30.1)	(28.7)	(26.1)	(21.0)	(20.4)	PPE	511.5	597.0	674.4	705.7	739.0
Associates & JV	0.6	(0.0)	-	-	-	Others	461.1	473.8	454.2	445.0	436.1
Profit before tax	40.1	35.1	38.7	51.3	57.2	Assets	1,413.0	1,402.9	1,476.4	1,478.7	1,522.2
Tax	(8.5)	(4.7)	(5.7)	(8.2)	(9.2)	Debts	656.5	598.6	605.5	578.1	521.0
Net profit	31.6	30.5	33.0	43.1	48.1	Payables	142.7	144.7	158.1	163.5	169.8
Minority interest	3.1	4.6	7.1	8.5	8.4	Others	29.0	38.1	37.4	28.6	74.9
Core earnings	28.5	25.9	25.9	34.6	39.7	Liabilities	828.2	781.4	801.0	770.2	765.7
Diluted core earnings	-	-	29.6	38.3	43.4	Shareholder's equity	521.7	536.4	592.0	625.0	673.1
Exceptional items	-	-	-	-	-	Minority interest	63.0	85.1	83.4	83.4	83.4
Reported earnings	28.5	25.9	25.9	34.6	39.7	Equity	584.7	621.5	675.4	708.4	756.5
Cash Flow Statement						Valuation & Ratios					
FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f	FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f
Profit before taxation	40.1	35.1	38.7	51.3	57.2	Core EPS (sen)	2.71	2.46	2.46	3.28	3.76
Depreciation & amortisation	69.3	84.0	87.0	101.2	105.9	Diluted Core EPS (sen)	-	-	2.24	2.91	3.29
Changes in working capital	(41.8)	(57.8)	(25.7)	(15.0)	6.9	P/E (x)	14.8	16.3	16.3	12.2	10.6
Share of JV profits	-	-	-	-	-	Diluted P/E (x)	-	-	17.8	13.8	12.1
Taxation	(11.7)	(8.7)	(6.2)	(8.2)	(9.2)	DPS (sen)	-	-	-	0.5	0.8
Others	-	-	-	-	-	Dividend yield	0.0%	0.0%	0.0%	1.3%	1.9%
Operating cash flow	151.4	179.9	185.8	171.2	187.0	BVPS (RM)	0.55	0.59	0.64	0.67	0.72
Net capex	8.4	65.7	28.0	(10.0)	(10.0)	P/B (x)	0.7	0.7	0.6	0.6	0.6
Others	-	-	-	-	-	EBITDA margin	29.9%	32.0%	32.3%	32.7%	33.0%
Investing cash flow	(138.6)	(98.8)	(135.3)	(137.2)	(143.8)	EBIT margin	14.7%	13.5%	13.4%	13.6%	13.9%
Changes in borrowings	160.8	(57.9)	6.9	(27.4)	(57.1)	PBT margin	8.5%	7.4%	8.0%	9.7%	10.3%
Issuance of shares	-	-	(0.9)	-	-	PAT margin	6.7%	6.4%	6.8%	8.1%	8.6%
Dividends paid	-	-	(3.3)	7.9	7.9	Core PAT margin	6.0%	5.5%	5.4%	6.5%	7.1%
Others	-	-	-	-	-	ROE	5.5%	4.8%	4.4%	5.5%	5.9%
Financing cash flow	(7.8)	(60.6)	(46.5)	(39.9)	(39.3)	ROA	2.0%	1.8%	1.8%	2.3%	2.6%
Net cash flow	5.0	20.5	4.0	(5.9)	3.9	Net gearing	89.5%	83.5%	75.1%	69.2%	56.4%
Forex	0.3	(0.1)	8.4	(0.1)	(0.1)						
Others	-	-	-	-	-						
Beginning cash	20.8	26.2	46.6	59.0	53.1						
Ending cash	26.2	46.6	59.0	53.1	56.9						

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