

08 May 2024

OCK Group

Venture into New Laos Market

By Kylie Chan Sze Zan | kyliechan@kenanga.com.my

OCK has entered into a 15-year build-and-lease tower agreement with Best Telecom Co. Ltd. This is the Group's maiden foray into Laos, which plans to roll out 5G services by year-end. We are positive on OCK's success in penetrating this emerging market with robust growth prospects. We maintain our forecasts, TP of RM0.80 and OUTPERFORM call.

Starting off with several clusters at Vientiane. Best Telecom was recently awarded the 5G spectrum in Laos and is actively planning to launch its nationwide 5G network by end-2023. To kick start the deployment, OCK was awarded with several site clusters located within the metropolitan area of Vientiane and a few major cities. The group believes that it is able to replicate its success in Vietnam in Laos given similarities between both markets.

Given that this agreement is still at the preliminary stage, we understand that the actual number of tower sites to be deployed have not been finalized. This is given the need to conduct site surveys and feasibility studies prior to actual roll-out.

Expanding its ASEAN footprint. We are positive on OCK's success in penetrating this emerging market with robust growth prospects. This will add to the group's target to expand its tower portfolio in various markets, including Malaysia (150-200 towers) and Vietnam (c.500 towers). We also believe there is minimal counter party risk as we understand that Laos' Ministry of Finance is one of the key shareholders in Best Telecom.

Forecasts. Maintained pending finalization of salient agreement terms.

Valuations. We also keep our TP of RM0.80 based on 7x FY24F EV/EBITDA. This is at a discount to our valuation of 8x ascribed to AXIATA's towerco (Edotco), to reflect OCK's relatively smaller size. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 3).

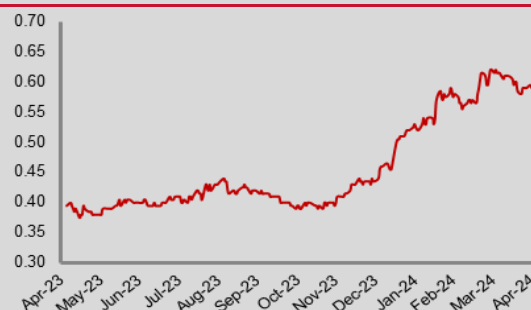
Investment case. We continue to be optimistic on OCK given that: (i) it is a strong contender for JENDELA Phase 2 and 5G roll-out projects in ASEAN, (ii) it has strong earnings visibility as 57% of its top line emanates from recurring income derived mainly from telco tower leasing and network management contracts, and (iii) earnings may receive a boost from new power management contracts for data centers. Maintain **OUTPERFORM**.

Risks to our call include: (i) unfavourable regulatory changes, (ii) delayed roll-out of 5G infrastructure, and (iii) country and political risks at frontier markets where OCK operates.

OUTPERFORM ↔

Price: **RM0.64**
Target Price: **RM0.80** ↔

Share Price Performance



KLCI 1,605.68
YTD KLCI chg 10.4%
YTD stock price chg 47.1%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker OCK MK Equity
Market Cap (RM m) 677.2
Shares Outstanding 1,058.1
52-week range (H) 0.65
52-week range (L) 0.38
3-mth avg. daily vol. 4,007,739
Free Float 72%
Beta 0.5

Major Shareholders

Lembaga Tabung Angka 9.6%
Aliran Armada Sdn Bhd 7.2%
Phillip Capital Mana 2.8%

Summary Earnings Table

FYE Dec (RM m)	2023	2024F	2025F
Revenue	724.6	789.8	815.4
EBITDA	218.3	227.5	248.7
EBIT	107.3	113.6	122.9
PBT	60.5	82.6	91.7
Net Profit (NP)	39.4	58.2	60.0
Core PATAMI	45.9	58.2	60.0
Consensus (NP)	-	54.0	58.9
Earnings Revision	-	-	-
Core EPS (sen)	4.4	5.5	5.7
Core EPS Growth	24.6	26.6	3.2
DPS (sen)	1.0	1.5	1.5
BVPS (RM)	0.7	0.7	0.7
PER (x)	14.1	11.2	10.8
PBV (x)	0.9	0.9	0.8
Net Gearing (x)	0.9	0.8	0.7
Div. Yield (%)	1.6	2.4	2.4



08 May 2024

Income Statement

FYE Dec (RM m)	2021	2022	2023	2024F	2025F
Revenue	488	617	725	790	815
EBITDA	161	191	218	227	249
Depreciation	(96)	(109)	(111)	(114)	(126)
EBIT	65	82	107	114	123
Net Interest Exp	(24)	(30)	(40)	(31)	(31)
Associates	(0)	(0)	0	0	0
Exceptionals	(3)	(4)	(6)	0	0
Profit Before Tax	38	48	60	83	92
Taxation	(5)	(10)	(14)	(17)	(21)
Minority Interest	(7)	(6)	(7)	(8)	(11)
PATAMI	25	33	39	58	60
Core Net Profit	29	37	46	58	60

Balance Sheet

FYE Dec (RM m)	2021	2022	2023	2024F	2025F
Fixed Assets	682	758	813	818	814
Intangible Assets	183	187	193	193	193
Other Fixed Assets	194	209	195	195	195
Inventories	63	87	113	118	121
Receivables	167	268	301	335	349
Other Curr Assets	94	70	159	159	159
Cash	82	70	229	256	305
Total Assets	1465	1649	2004	2074	2136
Payables	149	116	148	168	175
ST Borrowings	264	228	186	337	284
Other ST Liability	35	48	46	46	46
LT Borrowings	179	348	646	495	548
Other LT Liability	165	183	182	182	182
Net Assets	674	725	796	846	901
S'holders' Equity	597	639	703	745	789
Minority Interests	77	86	93	101	112
Total Equity	674	725	796	846	901

Cashflow Statement

FYE Dec (RM m)	2021	2022	2023	2024F	2025F
Operating CF	168	31	172	192	218
Investing CF	(149)	(71)	(177)	(118)	(122)
Financing CF	(46)	42	190	(47)	(47)
Change In Cash	(26)	2	186	27	49
Free CF	54	(57)	77	74	96

Financial Data & Ratios

FYE Dec	2021	2022	2023	2024F	2025F
Growth					
Revenue	3.1%	26.4%	17.4%	9.0%	3.2%
EBITDA	4.6%	18.8%	14.2%	4.2%	9.3%
EBIT	-0.1%	26.2%	30.2%	5.9%	8.2%
PBT	5.1%	27.4%	24.9%	36.6%	11.0%
Core Net Profit	-1.9%	28.1%	24.6%	26.6%	3.2%
Profitability					
EBITDA margin	33.0%	31.0%	30.1%	28.8%	30.5%
EBIT Margin	13.4%	13.4%	14.8%	14.4%	15.1%
PBT Margin	7.8%	7.8%	8.3%	10.5%	11.2%
Core Net Margin	5.9%	6.0%	6.3%	7.4%	7.4%
Effective Tax Rate	14.3%	20.6%	23.3%	20.0%	23.0%
ROA	2.0%	2.4%	2.5%	2.9%	2.8%
ROE	5.1%	6.0%	6.8%	8.0%	7.8%
DuPont Analysis					
Net Margin	5.9%	6.0%	6.3%	7.4%	7.4%
Assets Turnover (x)	0.3	0.4	0.4	0.4	0.4
Leverage Factor (x)	2.2	2.3	2.5	2.5	2.4
ROE	5.1%	6.0%	6.8%	8.0%	7.8%
Leverage					
Debt/Asset (x)	0.2	0.3	0.3	0.3	0.2
Debt/Equity (x)	0.5	0.7	0.8	0.7	0.6
Net Debt (RM m)	360	506	603	576	528
Net Debt/Equity (x)	0.6	0.8	0.9	0.8	0.7
Valuations					
Core EPS (sen)	2.7	3.5	4.4	5.5	5.7
DPS (sen)	0.5	0.0	1.0	1.5	1.5
BV/share (RM)	0.6	0.6	0.7	0.7	0.7
Core PER (x)	22.5	17.6	14.1	11.2	10.8
Div. Yield (%)	0.8	0.0	1.6	2.4	2.4
PBV (x)	1.1	1.0	0.9	0.9	0.8
EV/EBITDA (x)	5.7	5.4	6.0	5.7	5.7

Source: Kenanga Research

Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)		ROE		Net Div. (sen)		Net Div. Yld.	
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.
Stocks Under Coverage																					
AXIATA GROUP BHD	OP	2.91	3.05	4.8%	26,719.4	Y	12/2024	7.2	7.2	21.2%	0.6%	40.7	40.4	1.5	3.0%	10.0	3.4%				
CELCOMDIGI BHD	OP	4.10	5.83	42.2%	48,099.2	Y	12/2024	17.2	18.9	6.1%	10.1%	23.8	21.6	2.9	12.3%	13.8	3.4%				
MAXIS BHD	OP	3.60	5.30	47.2%	28,195.5	Y	12/2024	16.7	17.9	6.2%	7.2%	21.6	20.2	4.9	22.7%	20.0	5.6%				
OCK GROUP BHD	OP	0.640	0.795	24.2%	677.2	Y	12/2024	5.1	5.2	26.8%	3.1%	12.7	12.3	1.0	8.0%	1.5	2.3%				
TELEKOM MALAYSIA BHD	OP	6.26	7.22	15.3%	24,023.6	Y	12/2024	45.5	46.1	-13.4%	1.4%	13.8	13.6	2.4	17.9%	23.0	3.7%				
SECTOR AGGREGATE					127,714.8																

Source: Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	★
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	☆		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Cybersecurity & Data Privacy	★	★	☆		
	Digitalisation & Innovation	★	★	☆		
	Supply Chain Management	★	★	★		
	Talent Management	★	★	★		
	Customer Satisfaction	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

25 February 2022

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my