

Friday, 30 May 2025

OCK Group

Telco Services Still Sluggish

By Kylie Chan Sze Zan kylichan@kenanga.com.my

OCK's 15MFY25 results was above our expectation, but fell short of consensus. Revenue from the Telecommunication Network Services (TNS) segment remained sluggish – weighing on bottomline despite a lower operating cost base. We revised our forecasts to reflect the change in FYE to 30 June - lifting our 18MFY25F profit to RM45.8m and 12MFY26F profit to RM29.4m. We raised our TP slightly to RM0.39 (from RM0.38) while maintaining our MARKET PERFORM call.

Surpassed our expectations but missed consensus. 15MFY25 core net profit of RM37.5m exceeded our expectations but disappointed consensus - accounting for 92% of our pro-rated (to account for change in financial year to 30 Jun) full-year forecast and 73% of the consensus estimate. The variance versus our forecast was mainly due to higher-than-expected contribution from the M&E engineering services segment,

Leaner cost base insufficient to uplift profit. The 12% YoY 15MFY25 topline contraction (when compared against the same period last year) was primarily due to lower contribution from TNS (-9% YoY). To a smaller extent, weakness at the green energy & power (GEP) segment (-28% YoY) exacerbated topline decline.

While YTD EBITDA margin remained largely stable, topline weakness flowed through to bottomline – offsetting the benefits of higher interest income (>3x YoY), lower finance costs (-15% YoY), and reduced depreciation charges (-2.3% YoY).

Only segment with YTD growth was M&E. This was reflected in weaker YTD segmental PBT performance across the board except for the M&E engineering services segment - where pretax profit surged more than fourfold on the back of a 74% increase in revenue.

Second 5G network tenders in the pipeline. U Mobile has selected Huawei and ZTE as its technology partners for the roll-out of Malaysia's second 5G network (NW2). Huawei will handle deployments in Peninsular Malaysia, while ZTE will manage East Malaysia. The company aims to achieve 80% coverage of populated areas (COPA) by 2HCY26, with plans to expand to 90% within the following 12 months. We understand that to meet these targets, U Mobile will deploy approximately 7,000 5G sites for NW2. However, only 20% (1,400 sites) will be entirely new builds, with the majority being upgrades to existing infrastructure.

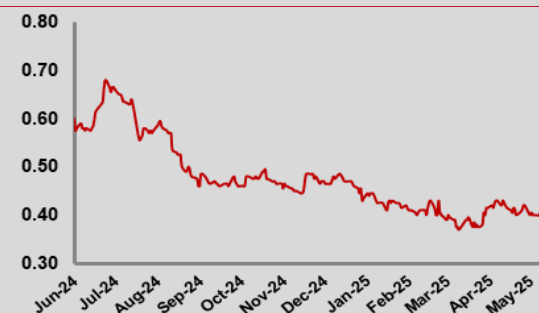
OCK vying for contracts for the second 5G network. OCK stands to benefit from the NW2 rollout through its involvement in tower leasing, 5G in-building coverage solutions, telco equipment installation, and site works. OCK has submitted bids for NW2 that include the supply of 5G radio equipment, along with commissioning, network optimization, and maintenance services. We have yet to factor in NW2 job wins in our forecasts, suggesting potential upside to earnings.

Forecasts. We revised our FY25F/26F earnings to reflect OCK's change in financial year-end to 30 June (from FYE Dec). Consequently, our 18MFY25F earnings forecast is raised to RM45.8m (from RM27.9m based on 12MFY25F, FYE Dec). Meanwhile, our 12MFY26F profit forecast is adjusted to RM29.4m (from RM30.1m under 12MFY25F, FYE Dec).

MARKET PERFORM ↔

Price: RM0.405
Target Price: RM0.39 ↑

Share Price Performance



KLCI 1,518.98
YTD KLCI chg -7.5%
YTD stock price chg -16.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	OCK MK EQUITY
Market Cap (RM m)	425.7
Shares Outstanding	1,051.1
52-week range (H)	0.69
52-week range (L)	0.36
3-mth avg. daily vol.	1,759,531
Free Float	57%
Beta	1.1

Major Shareholders

Aliran Armada Sdn Bhd	32.1%
Kaf Investment Funds	4.9%
Norges Bank	2.9%

Summary Earnings Table

FYE Jun^ (RM m)	2024	2025F*	2026F
Revenue	722.8	955.7	631.3
EBITDA	206.2	276.2	191.9
EBIT	95.3	111.8	73.9
PBT	57.0	72.5	49.4
Net Profit (NP)	36.5	45.8	31.2
Core PATAMI	35.2	45.8	31.2
Consensus (NP)	-	42.8	45.6
Earnings Revision	-	64%	4%
Core EPS (sen)	3.6	4.3	2.9
Core EPS Growth (%)	3.2	18.4	-31.9
DPS (sen)	1.0	1.5	1.0
BVPS (RM)	0.7	0.7	0.7
Core PER (x)	11.2	9.5	13.9
PBV (x)	0.6	0.6	0.6
Net Gearing (x)	0.8	0.7	0.7
Div. Yield (%)	2.5	3.7	2.5

^FYE changed from Dec to Jun from FY24
*18-month period



Friday, 30 May 2025

Valuation. We raised our target price to RM0.39 (from RM0.38) as we roll forward our valuation base year to FY26F - based on unchanged valuation of 5.7x EV/EBITDA. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4)

Investment case. Besides NW2, notable avenues for OCK’s expansion and order book replenishment in the near-to-medium term include: (i) Universal Service Provision (USP) projects under the Malaysian Communications and Multimedia Commission (MCMC) (e.g. fiber-to-the-home (FTTH) deployment for army camps, upgrade of WiFi access points across Malaysian universities), (ii) data center-related projects in Malaysia involving power solutions and fiber connectivity, (iii) new digital business (e.g. cloud solutions, smart city infrastructure, and managed connectivity services), (iv) 5G network roll-out in Laos, and (v) acquisition of brownfield towers in Vietnam. However, it remains uncertain whether these opportunities can fully offset OCK’s order book decline stemming from the near completion of Malaysia’s first 5G network and JENDELA Phase 1 - both of which likely contributed to OCK’s record earnings in FY22–23. Maintain **MARKET PERFORM**.

Risks to our call include: (i) unfavorable regulatory changes, (ii) absence or lower-than-expected returns on its redeemable preferential share (RPS) investment in a 116MW large-scale solar plant in Kedah, and (iii) country and political risks at frontier markets where OCK has presence.

Results Highlights

FYE Jun (RM m)	5Q	4Q	QoQ	1Q	YoY	15M	15M	YoY
	FY25	FY25	Chg	FY25*	Chg	FY25	FY23*	Chg
Revenue	135.7	165.8	-18.2%	166.0	-18.2%	786.1	890.6	-11.7%
EBITDA	45.8	48.1	-4.8%	51.7	-11.4%	237.3	270.0	-12.1%
Depreciation	(27.3)	(27.6)	-1.2%	(26.6)	2.7%	(134.3)	(137.6)	-2.3%
Net Finance Costs	(6.4)	(7.8)	-17.1%	(8.8)	-26.6%	(37.1)	(49.1)	-24.5%
JV	0.0	0.0	nm	0.0	nm	0.0	0.0	nm
EI	(1.1)	0.9	>-100%	(0.5)	118.7%	0.1	(7.0)	>-100%
Pretax Profit	11.0	13.6	-19.5%	15.8	-30.7%	66.0	76.3	-13.6%
Taxation	(3.0)	(3.7)	-20.7%	(3.6)	-17.9%	(16.4)	(17.7)	-7.3%
Minority Interest	(2.5)	(1.9)	33.5%	(2.0)	25.9%	(11.1)	(9.0)	23.6%
PATAMI	5.5	8.0	-31.4%	10.2	-46.2%	38.5	49.6	-22.5%
Core Net Profit	6.6	7.1	-7.4%	10.7	-38.6%	38.4	56.6	-32.2%
Core EPS (sen)	0.6	0.7	-6.4%	1.0	-38.8%	3.6	5.4	-32.6%
DPS (sen)	0.0	0.5	nm	0.0	nm	1.2	1.0	21.0%
EBITDA margin	33.7%	29.0%		31.1%		30.2%	30.3%	
PBT Margin	8.1%	8.2%		9.5%		8.4%	8.6%	
Core Net margin	4.8%	4.3%		6.5%		4.9%	6.4%	
Effective Tax Rate	26.9%	27.4%		22.8%		24.9%	23.2%	

Source: Company, Kenanga Research

* Comparison based on same period in previous CY

Friday, 30 May 2025

Segmental Highlights								
FYE Dec (RM m)	5Q FY25	4Q FY25	QoQ Chg	1Q FY25*	YoY Chg	15M FY25	15M FY23*	YoY Chg
Segmental Revenue								
Telecommunication Network	130.1	159.3	-18.4%	150.2	-13.4%	741.5	813.8	-8.9%
Green Energy and Power	5.8	8.8	-34.6%	17.6	-67.3%	54.5	75.2	-27.6%
Trading	6.9	7.2	-4.7%	5.9	15.5%	26.9	33.2	-19.0%
M&E Engineering Services	11.8	6.5	81.2%	3.0	293.4%	36.4	20.9	74.2%
Elimination	(18.8)	(16.4)	14.8%	(10.8)	73.8%	(73.4)	(52.6)	39.7%
Total	135.7	165.5	-18.0%	166.0	-18.2%	785.8	890.6	-11.8%
Segmental PBT								
Telecommunication Network	12.2	14.8	-17.5%	9.6	126.6%	59.0	71.4	-17.4%
Green Energy and Power	0.4	1.2	-69.0%	3.5	10.5%	6.9	12.4	-44.2%
Trading	1.2	2.3	-46.3%	0.8	153.5%	5.1	6.9	-25.6%
M&E Engineering Services	1.5	0.2	755.2%	0.2	627.8%	8.7	1.9	>100%
Investment Hold Co. & Elim	(4.3)	(4.8)	-10.1%	1.6	-263.9%	(13.7)	(16.4)	-16.1%
Total	11.0	13.6	-19.5%	15.8	69.3%	66.0	76.3	-13.6%
Segmental PBT Margin								
Telecommunication Network	9.4%	9.3%		6.4%		8.0%	8.8%	
Green Energy and Power	6.5%	13.6%		20.1%		12.7%	16.5%	
Trading	17.6%	31.3%		13.3%		19.0%	20.6%	
M&E Engineering Services	12.6%	2.7%		7.9%		23.8%	9.3%	
Investment Holding Company	22.9%	29.2%		-15.1%		18.7%	31.2%	
Total	8.1%	8.2%		9.5%		8.4%	8.6%	

Source: Company, Kenanga Research

Friday, 30 May 2025

Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RMm)	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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
STOCKS UNDER COVERAGE																	
AXIATA GROUP BHD	MP	2.06	2.15	4.4%	18,922.1	Y	12/2025	5.2	5.5	-44.0%	5.6%	39.6	37.5	1.0	2.3%	11.0	5.3%
CELCOMDIGI BHD	OP	3.86	4.50	16.6%	45,283.6	Y	12/2025	16.1	17.9	5.4%	11.5%	24.0	21.5	2.8	11.6%	13.0	3.4%
MAXIS BHD	MP	3.63	3.80	4.7%	28,434.2	Y	12/2025	18.4	18.7	1.5%	1.5%	19.7	19.4	4.7	24.0%	16.0	4.4%
OCK GROUP BHD	MP	0.405	0.380	-6.2%	425.7	Y	06/2025	3.9	2.7	30.1%	-31.9%	10.3	15.2	0.7	6.4%	2.0	4.9%
TELEKOM MALAYSIA BHD	OP	6.59	8.15	23.7%	25,290.7	Y	12/2025	47.4	47.6	-11.8%	0.4%	13.9	13.9	2.3	17.3%	33.0	5.0%
TIME DOTCOM BHD	OP	5.30	5.91	11.5%	9,798.7	Y	12/2025	26.3	28.9	11.1%	10.0%	20.2	18.4	2.6	12.6%	32.0	6.0%
SECTOR AGGREGATE					128,155.0					-6.7%	5.0%	20.9	19.9	2.3	12.4%		4.8%

Source: Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Corporate Social Responsibility	★	★	★		
	Management/Workforce Diversity	★	★	☆		
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
	SPECIFIC	Cyber Security	★	★	☆	
Employee Training		★	★	★		
Energy Efficiency		★	★	★		
Digital Transformation		★	★	☆		
Protection of Customer Data		★	★	☆		
OVERALL		★	★	★		

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

Friday, 30 May 2025

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