

OCK Group Bhd

Results Update

BUY

Current Price	RM 0.81
Consensus Price	RM 0.99
Target Price	RM 0.93

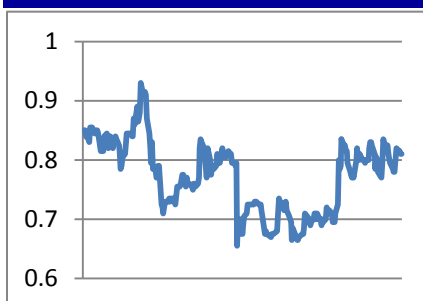
Key Statistics

Bloomberg Ticker	OCK MK
Masa Ticker / Stock Code	0172
Shares Issued (m)	792.2
Market Capitalisation (RM'm)	641.7
52 Week Hi/Lo Price (RM)	0.84/0.592
Avg Trading Volume (3-mth)	2,262,039
Est Free Float (m)	396.4
YTD Returns (%)	20.0
Beta (x)	1.24

Major Shareholders (%)

Aliran Armada Sdn Bhd	39.82
Lembaga Tabung Angkatan Tentera	13.65
He Swee Hong	3.14

1-Year Share Price Performance



Analyst: Wong Ling Ling
Email: wongll@interpac.com.my

A Better Start

We maintain our TRADING BUY call with a target price of RM0.93 based on a fully diluted EPS of 3.7 sen pegged with a 25x PER. Our forecast is that there will be a 25% growth in earnings in FY16. We expect the share price to react to the jump in earnings this year. We expect the earnings to increase as telecommunication companies will expand and upgrade their infrastructure to accommodate fast rising data usage.

Results Review

OCK's revenue clocked in at RM78.4mil in the first quarter of FY16 where revenues improved by 39.6%YoY from RM56.16mil. The group also recorded a profit after tax of RM4.5mil which shows an improvement of 12.5%YoY from RM4.03mil in first quarter FY15. However, the group's revenue fell by 27.7% QoQ when compared with fourth quarter FY15 which had clocked in at RM108.4mil. Nevertheless, OCK's net profit for the quarter dropped by 63.1% from RM12.2mil. This is due to the higher revenue from telecommunications network services in the last quarter as the telecommunication operators completed their network rollout plans. OCK's PBT margin fell by 20%YoY from 9.2% to 7.3%. While PAT margin also dropped by almost a fifth from 7.2% to 5.8%, OCK's results for 1Q2016 is the best first quarter financial results they had since listing.

Table 1 : Earnings Forecasts

FYE 31st Dec	2014	2015	2016 (F)	2017 (F)	2018 (F)
Revenue (m)	185.9	318.6	392.7	481.6	548.3
Pretax Profit (m)	23.8	38.1	45.6	55.5	61.4
Profit After Tax (m)	17.1	27.1	33.5	41.6	49.2
EPS (sen)	2.2	3.4	4.3	5.3	6.3
Pretax Margin (%)	12.8	11.9	11.6	11.5	11.2
PAT Margin (%)	9.2	8.5	8.6	8.9	8.5
PER (x)	37.6	23.7	18.9	15.2	12.9
DPS (sen)	N/A	N/A	0.6	0.6	0.6
Dividend Yield (%)	N/A	N/A	0.8	0.8	0.8
ROE (%)	7.8	10.8	11.8	11.5	7.5
ROA (%)	5.6	5.0	6.3	7.1	7.5
Net Gearing Ratio (%)	Net Cash	Net Cash	15.7	13.7	9.7
BV/Share	0.24	0.44	0.39	0.46	0.54
Price/Book Ratio (x)	3.1	1.7	1.9	1.6	1.3
Diluted EPS (sen) *	1.61	2.6	3.7*	4.5*	5.2*
Diluted PER (x)*	50.16	32.58	21.9	18.0	15.6

Source: Company and Inter-Pacific

*assumes full conversion of warrants and a yield of 4% on the conversion proceeds

Table 2: Income Statement Highlights

RM (mil)	1Q FY15	1Q FY16	YoY Change (%)	4Q FY15	1Q FY16	QoQ Change (%)
Revenue	56.2	78.4	39.7	108.4	78.4	(27.7)
PAT	5.2	5.7	11.0	17.4	5.74	(67.0)
PBT	4.0	4.5	12.4	12.2	4.5	(63.1)
PBT Margin (%)	9.2	7.3	(20.6)	16.0	7.3	(54.4)
PAT Margin (%)	7.2	5.8	(19.5)	11.3	5.8	(48.9)

Source: Company

Table 3: Segment Revenues

Revenue (RM'mil)	Q1 FY15	Q1 FY16	YoY Change (%)	Q4 FY15	Q1 FY16	QoQ Change (%)
Telecommunication Network Services	37.3	61.2	64.1	268.8	61.2	(77.2)
Green Energy and Power Solutions	12.4	10.4	(16.2)	24.4	10.4	(57.3)
Trading	1.9	1.5	(24.9)	10	1.5	(85.5)
M&E Engineering Services	4.5	5.4	18.4	15.3	5.4	(65.1)
Total	56.2	78.4	39.6	318.6	78.4	(75.4)

Table 4: Segment Profit After Tax

PAT (RM'mil)	Q1 FY15	Q1 FY16	YoY Change (%)	Q4 FY15	Q1 FY16	QoQ Change (%)
Telecommunication Network Services	3.1	4.2	33.4	13.0	4.2	(67.9)
Green Energy and Power Solutions	0.6	0.4	(26.5)	-0.4	0.4	(214.1)
Trading	0.1	0.3	210.6	1.0	0.3	(67.9)
M&E Engineering Services	0.3	0.1	(47.8)	0.4	0.1	(68.0)
Investment Holding Company	0.0	-0.5	N/A	-1.6	-0.5	(68.3)
Total	4.0	4.5	12.5	12.5	4.5	(63.7)

Source: Company

Benefit from Telecommunication Companies' Expansion Plans

The first quarter's PAT was only 13.4% of our FY16 forecast but we remain hopeful as major telecommunications companies are planning to enhance their infrastructure to accommodate the surging usage of data and to expand their coverage to cover more parts of Malaysia. OCK should be able to benefit from its expansion plans by obtaining more Telecommunication Network Service projects from major telcos. In line with established patterns, telcos typically pack in a pronounced bunching of orders into the last quarter of each calendar year that aims to exhaust the year's budget allocation. We expect CY2016 to be no different.

Ratings System

Ratings:	Description:
BUY	Total return is expected to exceed 15% in the next 12 months
NEUTRAL	Total return is expected to be between above -15% to 15% in the next 12 months
SELL	Total return is expected to be below -15% in the next 12 months

Abbreviation

Abbreviation	Definition	Abbreviation	Definition
PER	Price Earnings Ratio	CAGR	Compounded Annual Growth Rate
PEG	PER to Growth	CAPEX	Capital Expenditure
EPS	Earnings per Share	DPS	Dividend per Share
FYE	Financial Year End	ROA	Return on Asset
FY	Financial Year	ROE	Return on Equity
CY	Calendar Year	PBT	Profit Before Tax
MoM	Month-on-Month	PAT	Profit After Tax
QoQ	Quarter-on-Quarter	EV	Enterprise Value
YoY	Year-on-Year	EBIT	Earnings Before Interest And Tax
YTD	Year-to-Date	EBITDA	EBIT Depreciation & Amortisation
p.a.	Per Annum	WACC	Weighted Average Cost of Capital
DCF	Discounted Cash Flow	NTA	Net Tangible Asset
FCF	Free Cash Flow	BV	Book Value
NAV	Net Asset Value		

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Inter-Pacific Research SdnBhd (449005-X)
West Wing, Level 13,
Berjaya Times Square,
No.1, JalanImbi,
55100 Kuala Lumpur
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