

## OCK Group Bhd

### Company Update

## TRADING BUY

Current Price	<b>RM 0.81</b>
Consensus Price	<b>RM 0.97</b>
Target Price	<b>RM 0.93</b>

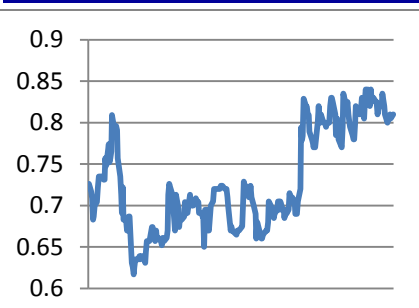
### Key Statistics

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)	0.86/0.592
Avg Trading Volume (3-mth)	1,601,361
Est Free Float (m)	294.9
YTD Returns (%)	20.0
Beta (x)	1.25

### Major Shareholders (%)

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

### 1-Year Share Price Performance



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## Making a Mark in Myanmar

We reiterate our Trading Buy call with a fair value of RM0.93 based on a fully diluted FY16 EPS of 3.7sen pegged with 25x PER. We like OCK as the group is the largest telecommunications support services provider in Malaysia and the group is constantly looking to expand their business locally and overseas. We are speculating that OCK will be able to secure the construction of more telecommunication towers when the next phase of coverage expansion opens up.

We were invited to Myanmar recently to witness the signing ceremony for the syndicated loan by OCK Yangon Co. Ltd. The USD40.2mil loan was to finance the construction of 920 telecommunications towers within Myanmar. The loan was signed by OCK group's wholly-owned subsidiary OCK Yangon Pte Ltd with the Yangon branches of OCBC Bank Ltd, Malayan Banking Bhd, United Overseas Bank and Bangkok Bank Plc.

This syndicated loan is the first offshore loan by onshore banks in Myanmar. The syndicated term loan facility worth USD40.2mil is one of the largest loans by onshore foreign banks since Myanmar opened up its financial sector to foreign banks last year.

**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

Every telco in Myanmar is required by regulators to commit to providing at least 75-85% geographical coverage throughout the country by 2017 as the country currently looks set to undergo rapid development of its infrastructure. Telenor's 5 year target is to reach 90% population coverage and 9,000 base stations throughout Myanmar. We estimate that Telenor will have to increase the number of its base station towers by an approximate of 2,000 towers either by building new towers or by CoLo (Co-Location) to achieve the target. This opens up to more job opportunities for OCK Yangon after the initial 920 towers as the country currently looks set to undergo rapid development of its infrastructure.

During our short trip in Myanmar, we managed to visit the site of one of the already erected towers in Myanmar. The tower site was one that was completed and leased to one of the major telecommunication operators in Myanmar, Telenor Myanmar Ltd. To-date, OCK has already managed to roll out approximately 50 towers and has plans to increase the pace of roll-out to an estimate of 150 sites per month. The group is currently on track to complete the 920 towers by end of the year.

The telecommunication towers are based on a build and lease basis. Therefore, OCK will own the towers erected and will be able to lease it to other telecommunication operators other than Telenor. Based on the masters service agreement signed, Telenor will enjoy 2 months of exclusivity for every tower built with a discount in rental for every other tenant signed with OCK. Once the exclusivity period is over, OCK is allowed to lease the towers to other telco providers in Myanmar. This is a win-win situation for both the telecommunication operators and OCK. The rental rates will be lower with every new tenant and OCK will benefit from a higher rental income hence increasing their recurring income pool.

**Appendix**



Source: Inter-pacific

## 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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