

Company Name : OCK Group Berhad
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RHB Research Says OCK Group Is A “Buy”

PETALING JAYA: RHB Research Institute Sdn Bhd has initiated coverage on OCK group Bhd, telecommunications network services provider, with a "buy" rating and a fair value value of RM1.65.

Its analyst Lim Tee Yang sees strong growth opportunities for the group in the leasing of telco sites, which, along with its growing green energy business, offers steady recurring income.

"Management is also pursuing growth outside of Malaysia, both organically and inorganically. OCK could see a boost to its profile upon transferring to the Main Market in Q4'14," he said in research note last Friday.

OCK Group has diversified its business into renewable energy, and intends to build up its recurring revenue base mainly from leasing telco sites and selling solar energy.

Lim said OCK's management sees plenty of growth opportunities as a telco site owner. OCK now owns 240 telco sites and is targeting 300 telco sites by year-end.

"Going forward, we think Telekom Malaysia Bhd entry into P1 (TM intends to invest RM1 billion in P1 for long-term evolution (LTE) roll-out) is positive for OCK," he said.

Lim also noted that group is also looking to capture a slice of the telco site maintenance market that also offers recurring revenue.

He mentioned that the proposed acquisition of PT Putra Mulia Telecommunication (PMT) should give OCK exposure to the fast growing tower market in Indonesia.

OCK is currently in the process of acquiring PMT for RM21.25 million and Lim was told that OCK expects this exercise to be completed by Q3'14.

Lim was made to understand that OCK is keen for a slice of the 1,000 telco sites announced by the Government during Budget 2014.

"While we expect bidding to be competitive, OCK is a Tier-1 player in providing telco network services, and has a solid track record," he said.

It also learnt that OCK is keenly looking out for more engineering, procurement and construction (EPC) projects related to solar plants.

Besides that, OCK has been producing solar energy since Oct 2013 with its maiden 1 megawatt (MW) solar plant in Kelantan.

"In the medium term, OCK is targeting to generate 30MW worth of solar energy," he said.

OCK's green energy and power solutions (GEPS) division is the second largest driver to OCK's revenue, contributing 29% of FY13's revenue.

Lim forecast OCK's net profit to grow at a compound annual growth rate (CAGR) of 52% from FY13-15, on the back of strong revenue growth in its traditional telecommunication network services through new contracts for network deployment and contracting work for building telco universal service provision (USP)-related sites.

In particular, Lim expect the group's recurring revenue base within the telecommunication network services (estimated at 10% of telecommunication network services' FY14 revenue) to grow gradually as OCK builds up its telco site portfolio.