

Company Name : OCK Group Berhad
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OCK faces better prospects in second half

OCK Group Bhd
(Sept 3, RM1.47)

Maintain buy with target price of RM1.65: We remain optimistic over OCK's prospects for the second half of financial year 2014 ending Dec 31 (2HFY14) as management has guided that revenue from site maintenance from a major cellular company involving 3,800 sites and maiden revenue from its Indonesian acquisition will begin this month.

In addition, other notable jobs that will keep the group busy are mechanical and engineering works for two contracts worth RM54 million, fibre trenching work in Cambodia (RM20 million), as well as engineering, procurement and construction works for three solar rooftop farms (RM8 million).

While the Malaysian Communications and Multimedia Commission (MCMC) is taking its time with regard to the awards for the construction of 1,000 new telecommunication towers (the first phase will involve 400 sites), management indicated that MCMC may make an announcement on this matter this month.

In any case, OCK has an order book of 70 telecommunication sites to be fulfilled by year-end, thus expanding its portfolio to 310 from 240.

We gather from management that OCK is in discussions with a local partner in Myanmar to explore the possibility of entering the telecommunication tower business there. Prospects look positive in Myanmar, considering that Norway's Telenor Group, one of the only two telecommunication licence holders in Myanmar, has set an ambitious 90% population coverage target by 2016, which implies a huge need to roll out new telecommunication sites.

We maintain our "buy" call on OCK, with an unchanged target price of RM1.65, based on a target FY15 price-earnings ratio of 18.5 times. We like OCK for its: (i) strong growth prospects; (ii) diversification into less developed foreign markets; (iii) growing recurring revenue base; and (iv) above-industry average return on equity.

— RHB Research, Sept 3