

OCK stamping its mark in Asean

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http://www.thestar.com.my/~media/online/2017/03/17/18/48/p8_bizd_mm_1803_p8a_mm_1.ashx/?w=620&h=413&crop=1&hash=218664041321094EBAC98FEA06D26C9F18B11D92



Ooi: 'The Myanmar telecom industry remains a growing greenfield telecom market, and this industry is expected to grow aggressively for many years, creating a demand for telecom towers until it (telecom industry) achieves maturity stage.'

Telecom tower company makes strong entry into Myanmar and Vietnam

[OCK Group Bhd](#), which builds and leases telecommunications towers, has been making impressive forays into the region.

While an Asean growth strategy is a chosen route of many Malaysian companies, many struggle to succeed, considering the numerous unforeseen challenges present in those markets.

But in its fourth quarter ended Dec 31, 2016 (Q4 FY16), OCK reported a revenue of RM112.74mil and a profit after tax and minority interests (PATAMI) of RM11.18mil, of which RM1mil was contributed by its Myanmar operations.

That may not be much but is indicative of the company's ability to make its investments work.

What is also impressive is that OCK, along with its local partner King Royal Technologies Co Ltd, managed to successfully build over 600 telecom towers across Yangon to date.

The equity structure of OCK's Myanmar joint venture with King Royal Technologies has not been disclosed.

OCK first ventured into Myanmar back in 2013, via OCK Yangon Pte Ltd. Hence, the three-year journey is showing signs of fruition.

All towers were built for Norwegian telecom giant Telenor, which is a pioneer in the Myanmar telecom market.

Planning and rollout of the telecom towers commenced last January.

OCK has plans to build another 300-odd towers but for now those plans are on hold, as the group awaits Telenor Myanmar's relocation of telecom tower locations.

OCK targets to complete construction of the remaining sites by the third quarter of this year.

OCK group managing director Sam Ooi Chin Khoon tells *StarBizWeek* that the telecommunications market in Myanmar has been well organised and implemented by the Myanmar government.

"The Myanmar telecom industry remains a growing greenfield telecom market, and this industry is expected to grow aggressively for many years, creating a demand for telecom towers until it (telecom industry) achieves maturity stage.

"OCK, being a tower company, will be able to tap into this growth," says Ooi.

There are a total of 10,000 to 11,000 telecom towers in Myanmar, inclusive of those owned by OCK.

According to Ooi, Myanmar requires another 10,000 to 15,000 new telecom towers.

As for active telecom tower companies in Myanmar, there are a total of six to seven companies.

Local telecom giant [Axiata Group Bhd](#) has a controlling stake in edotco Myanmar Ltd, which has 1,250 towers.

OCK has been strategically expanding its telecom service business across the Asean region, specifically seeking to penetrate key emerging economies.

But how risky will its Myanmar foray be, considering that it is a country that only recently opened its doors to foreign investors?

Ooi says they are appreciative of the support given to them by the Myanmar government but he adds: “However, we would like that the Myanmar government continues to create a highly conducive environment for foreign investors to invest in Myanmar, with the objective to develop the Myanmar nation into the next phase.

“Any negative changes to foreign investment regulations will reduce confidence of foreign investors.”

OCK’s Yangon joint venture is currently in talks with foreign mobile operator Ooredoo on co-locations, to be both second and third tenants of OCK’s towers.

Telenor and Qatar-based Ooredoo are the two foreign players to win licenses in 2014 to develop networks in Myanmar.

There are a total of three mobile operators in Myanmar.

Note that Telenor Myanmar’s site exclusivity will end after the two-month handover.

Local mobile operator Myanmar Post & Telecommunications is already the second tenant of OCK’s towers.

About 14 months after its Myanmar venture was sealed, OCK completed the acquisition of Southeast Asia Telecommunications Holdings Pte Ltd (Seath), which is Vietnam’s largest independent tower company.

Its Vietnam venture was first announced last August but the deal was finally completed two months ago.

OCK's 60%-owned subsidiary, OCK Vietnam Towers Pte Ltd, forked out US\$50mil (RM203.85mil) in cash for Seath.

Seath owns 1,983 telecom towers in Vietnam.

OCK intends to focus on maximising Seath's margins and reduce operational costs.

"This is a brownfield acquisition as the towers have already been built and are generating revenue.

"Hence, the full year revenue will be reflected in our FY17 financial results," says Ooi.

There are approximately 70,000 towers owned by mobile operators in Vietnam.

From this total, independent telecom tower companies own 10,000 towers.

OCK targets to build 200 to 250 towers per year to grow its number of towers in Vietnam.

While the telecom tower business is the key contributor of revenue to the group, OCK also operates solar farms in Malaysia and provide mechanical and electrical engineering services.

In FY16, the telecom tower business contributed 88.2% of the group's revenue, followed by solar at 9.2%.

The group is looking to grow its solar business. It began as a solar engineering, procurement and construction (EPC) company in 2014, building a 10MW solar farm in Sepang.

It currently owns seven small solar farms on rooftops and land, churning out a total capacity of 5.3MW.

Two solar farms producing 0.6MW are under construction this year.

OCK will be bidding for more solar EPC projects, especially those awarded by the government.

“We have also found opportunities for renewable energy businesses in Bangladesh and Sri Lanka, though these are still in exploratory stages,” says Ooi.

49-year-old Ooi, who is the founder and major shareholder of OCK with a 37.05% stake, has an ambitious vision for OCK – to own a total of 5,000 telecom towers in the region by 2019 to 2021. That vision, he says, is on track.

To date, the group owns 190 towers in Malaysia, and will continue to build an estimated 70 to 100 more sites in Malaysia.

Capital expenditure wise, OCK has earmarked US\$70mil for the construction of 920 towers in Myanmar, of which two-third have been built.

As for its Vietnam expansion, the group has allocated US\$5mil to US\$8mil.

Both Myanmar and Vietnam will help OCK grow its recurring income by an estimated 30% to 35% this year.

Last year, OCK’s recurring income grew from 17% to 20%.

The group’s earnings before interest, taxes, depreciation and amortisation (EBITDA) margin for its telecom tower business is an impressive 45% to 50%.

Its growth story is why the stock trades at price-earnings multiple of close to 30 times. All four research houses tracking the stock have a “buy” call on OCK, according to *Bloomberg* data.

The group registered a revenue of RM407.11mil and PATAMI of RM25.8mil in FY16.

This was an increase of 28.9% and 0.8%, respectively, from the previous year.

As of Dec 31, 2016, OCK had cash and bank balances of RM111.93mil and loan and borrowings of RM70.06mil, while its net assets per share increased from 43 sen to 50 sen.

“Going forward, mobile operators will focus on enterprise businesses, such as mobile apps and the Internet of Things (IoT).

“Mobile operators are cutting down operational cost by outsourcing their projects, adopting an asset-light structure by getting third parties like OCK to build sites and lease to them.

“Moreover, there will be demand for more stations as mobile operators prepare to transit to 5G networks in the future,” Ooi says.

Read more at <http://www.thestar.com.my/business/business-news/2017/03/18/ock-stamping-its-mark-in-asean/#P3ra3dMMAzfpISbB.99>