



19 FEB, 2024

OCK Group Bhd Buy. Target price: RM0.65

The Sun, Malaysia

OCK Group Bhd Buy. Target price: RM0.65



Source: Bloomberg, RHB Research

OCK is slated to announce its full-year (FY23) results on Feb 27. We expect a sterling close, with double-digit QoQ and YoY growth in Q4'23 revenue and core Patami supported by stronger project revenue recognition and the steady growth of the tower-leasing and site maintenance businesses. Full-year revenue and earnings should hit record highs, with the telco network services (TNS) unit (9M'23: 86% of revenue) contributing the bulk of growth. Given the improved showing, we do not rule out a nominal dividend (which has not been factored in by the consensus). OCK last dished out dividends in FY21 totalling RM0.005 per share.

Orderbook at RM250 million as at end-Dec 2023. This comprised National Digital Network (Jendela, RM105 million) and other (RM145 million) projects. Upside would come from new Jendela Phase 2 awards, which are yet to be unveiled.

The refinancing of USD-denominated debt (Q3'23: RM260 million) from the proceeds of a new sukuk facility (RM700 million) would translate into significant interest savings of RM14-15 million for the group from FY24F onwards. The sukuk also offers financing headroom for new renewable energy/solar-type projects it is pursuing. OCK currently owns 29 solar farms (14MW in combined capacity) via the feed-in-tariff and net energy metering schemes.

We see latent value in the group's tower-leasing unit (OCK SEA Towers) with towerco EBITDA making up 70% of group EBITDA. Assuming the towerco business is valued at 7-12x EBITDA (at a discount or in parity with regional peers), the towerco could be valued at RM600 million-RM1.3 billion, implying a valuation uplift of RM0.20-0.85 sen based on our estimates.

Keep BUY and SOP-based TP of RM0.65, 20% upside.