



14 FEB, 2020

China Unicom partnership could help OCK develop a presence with 5G

The Edge Financial Daily, Malaysia

Page 1 of 2

China Unicom partnership could help OCK develop a presence with 5G

OCK Group Bhd (Feb 13, 64 sen)

Maintain market perform with an unchanged target price of 58.5 sen:

On Wednesday, OCK Group Bhd announced that the group had acquired a 100% equity interest in Solar System & Power Sdn Bhd (SSP) for a purchase consideration of RM12.5 million. SSP is principally involved in the research and development as well as production of solar and renewable energy. From what we have gathered, SSP is believed to own solar farms with 2MW capacity.

We are positive on this development as it is the materialisation of OCK's plan to expand its green energy and power segment. The group had raised RM52.3 million via private placement to bolster its own portfolio of eleven solar farms with a total 5.9MW solar energy production capacity. In December 2019, RM31.6 million went to the acquisition of Green Leadership Sdn Bhd which added 3.3MW capacity. The balance of the proceeds is likely to be used to fund this latest acquisition.

While these acquisitions should be earnings-accretive, their overall contribution to the group could be minimal as the green energy and power segment only makes up less than 10% of revenue and profit before tax respectively. Nonethe-

less, this diversification is in line with the management's plan to spin off its tower business operations (OCK SEA Towers) in the near future. That said, we opine the group could see steady momentum spilling over from the National Fiberisation and Connectivity Plan in the building of much-needed infrastructure. On the flip side, the recent partnership with China Unicom could help the group develop a presence with the introduction of fifth-generation (5G) applications in the country, with trial deployment runs in Penang currently. Our discounted cash flow assumptions are based on a weighted average cost of capital of 9.5% while also leaving our earnings estimates unchanged in this note. The group should continue to operate in a stable and sustainable operating environment, but its merits may have already been priced in at the current share price level. Excitement would probably emerge from more solid developments in the monetisation of OCK SEA Towers. In the meantime, the lack of dividend expectations may also leave investors wanting more.

Risks to our call include: i) faster/slower-than-expected expansion of tower portfolios; and ii) higher/lower-than-expected operating margins. — *Kenanga Research, Feb 13*

OCK Group Bhd

FYE DEC (RM MIL)	2018A	2019E	2020E
Turnover	457.2	495.3	557.0
Ebitda	99.8	113.9	125.3
Ebit	62.7	71.7	79.5
PBT	44.2	51.2	55.1
Net profit	24.3	30.7	33.1
Core Patami	26.7	30.7	33.1
Consensus (NP)	-	29.7	32.6
Core EPS (sen)	3.1	3.5	3.4
Core EPS growth (%)	8.3	15.1	-2.1
BVPS (RM)	0.5	0.5	0.5
PER (x)	19.9	17.3	17.7
PBV (x)	1.2	1.1	1.2
Net gearing (x)	0.9	0.8	0.7

Source: Kenanga Research



14 FEB, 2020

China Unicom partnership could help OCK develop a presence with 5G

The Edge Financial Daily, Malaysia

Page 2 of 2

SUMMARIES

OCK Group Bhd (Feb 13, 64 sen) Maintain market perform with an unchanged target price of 58.5 sen: On Wednesday, OCK Group Bhd announced that the group had acquired a 100% equity interest in Solar System & Power Sdn Bhd (SSP) for a purchase consideration of RM12.5 million. SSP is principally involved in the research and development as well as production of solar and renewable energy.