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## OCK's TNS segment, tower portfolio expected to drive growth

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**OCK Group Bhd**  
**(Jan 3, 60.5 sen)**

**Initiate coverage with buy and a target price (TP) of 75 sen:**

We like OCK Group Bhd for its strong growth prospects at its telecommunication network services (TNS) segment, driven by several tailwinds in the domestic telecommunication infrastructure market. Alongside that, the group is also steadily growing its recurring income base via expansion of its regional tower portfolio as well as acquisition of more solar farms.

We see several factors driving healthy growth for OCK's TNS and tower businesses in Malaysia over the next few years led by the implementation of the RM21.6 billion National Fiberisation and Connectivity Plan (NFCP); spectrum allocation for 700MHz; new capital expenditure cycle for 5G; and potential favourable regulation changes.

OCK's management had earlier indicated that it is looking at a spin-off listing or partial stake divestment for the group's tower business. This would help to unlock the value of OCK, given the higher valuation usu-

**The company is looking at a spin-off listing or partial stake divestment for its tower business.**

ally ascribed to tower business (11-13 times enterprise value-to-earnings before interest, taxes, depreciation and amortisation [EV/Ebitda]) relative to its current valuation of only 6.3 times EV/Ebitda). Furthermore, this would also help to improve OCK's financials and ability to fund future growth, thus enabling the tower business to expand faster.

OCK's TP is pegged at 20 times financial year 2020 forecast earnings per share, which is at a 20% discount to the Malaysian telecommunication sector average given OCK's relatively smaller market capitalisation.

Downside risks to our call include unfavourable changes in regulatory policy and steep rise in steel and metal-related prices. — *AllianceDBS Research, Jan 3*

#### OCK Group Bhd

FYE DEC (RM MIL)	2018A	2019F	2020F	2021F
Revenue	457	493	532	572
Ebitda	101	140	151	158
Pre-tax profit	44.2	50.1	58.8	63.9
Net profit	24.3	29.6	34.3	38.0
Net profit (pre ex)	24.3	29.6	34.3	38.0
EPS (sen)	2.79	3.08	3.58	3.96
EPS pre ex (sen)	2.79	3.08	3.58	3.96
EPS growth (%)	(1)	11	16	11
EPS growth pre ex (%)	(1)	11	16	11
Diluted EPS (sen)	2.66	3.02	3.39	3.69
BV per share (sen)	56.8	60.8	65.2	70.0
PER (x)	21.9	19.8	17.0	15.4
PER pre ex (x)	21.9	19.8	17.0	15.4
P/CF (x)	21.3	7.1	6.8	6.4
EV/Ebitda (x)	9.4	7.1	6.5	6.2
P/BV (x)	1.1	1.0	0.9	0.9
Net debt/equity (x)	0.8	0.7	0.6	0.6
ROAE (%)	5.0	5.5	5.7	5.9

Sources: Company, Bloomberg Finance LP