

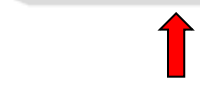
**HLIB Retail Research**

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**Company description:** OCK has 4 major business divisions, namely Telecommunication Network Services (TNS), Trading of Telco and Network Products, Green Energy and Power Solutions, as well as M&E Engineering Services. Today, OCK is the largest TNS (TNS) provider in Malaysia and a rapidly-growing regional independent Tower Company ("TowerCo").

**Technical Risk Profile**



**Financials and technical snapshots**

Last price (RM)	0.575
52Wk High	0.82
52Wk Low	0.40
Outlook (4-6 weeks)	Upside bias amid bullish C up with handle formation
Daily RSI	56
Daily Stochastics	37
Daily MACD	0.01
Average volumes (3M)	5.12m
S1/S2	0.55 / 0.53
R1/R2	0.60 / 0.675
LT Technical Objective (RM)	0.70
Upside reward (%)	21.7
Stop Loss	0.52
Downside risk (%)	-9.6
HLIB Institutional TP (RM)	N/A
Bloomberg TP (RM)	0.77
Trading period (max)	4 Weeks
BVPS (RM)	0.49
P/BV (times)	1.17

Source: HLIB, Bloomberg

**OCK Group**

**The largest telco services provider in Malaysia with expanding regional footprints**

We like OCK for its: i) Strong focus in driving recurring revenues via the regionalisation of its TowerCo business and riding on the passive infrastructure sharing trend; ii) Robust pipeline of LTE deployments/ fiberisation projects locally; iii) Potential value unlocking from the spinoff of its TowerCo assets in the longer-term to ease stretched balance sheet. OCK is trading at attractive risk-reward profile of at 19.9x FY19E P/E (20% below 5Y average 25x) and 1.17x P/B (47% below 5Y average 2.2x), supported by a positive FY18-20 EPS CAGR of 15%. Technically, the stock is poised to retest RM0.60-0.70 upside targets amid potential cup with handle formation.

**Figure #1 Daily chart: Cup with handle formation signals bullish continuation pattern to retest RM0.60-0.70 levels**



**The largest telecommunication network services (TNS) provider in Malaysia.** OCK provides a full range of turnkey solutions for TNS ranging from network planning, design and optimisation to energy management as well as infrastructure management. With these comprehensive end-to-end solutions coupled with its vast expertise in the latest technology knowledge, the group has a strong competitive edge against its peers. Meanwhile, with all these capabilities, the group is able to act as a one-stop centre for telecommunication operators in its efforts to expand, upgrade, consolidate or manage their network infrastructures.

The TNS segment (contributed ~85% to its revenue) is benefiting from the rising outsourcing managed services trend from the local Mobile Network Operators (MNOs), who are set to expand and upgrade their 4G LTE network coverage coupled with the implementation of the National Fiber Optic and Connectivity plan. The Group is also optimistic about the regional network expansion plans undertaken by the local major telco and growing its recurring revenue business via own-build and acquiring existing tower-sites operators in ASEAN, underpinned by its major regional footprints in Indonesia, Cambodia, Myanmar, Vietnam and China.

**Strong growth in Asean countries especially in Myanmar and Vietnam to meet 4G as well as 5G network standards in the long term.** As at January 2019, OCK has completed and owns 930 towers in Myanmar with 1.42x tenancy ratio and more than 500 (telecommunication sites) outstanding order-book to be rolled out. On the Vietnam operation's front, OCK owns more than 2.5k telecommunication towers to date (with tenancy ratio of 1.3x). Upon the completion of the outstanding order book, the Group will own a telco tower portfolio of more than 4400 units across Myanmar, Vietnam and Malaysia. Overall, OCK's business models offer significant scalability on

the back of the growing trend among the telecom operators to outsource their passive assets to retain margin. This is positive for the Group since it is currently managing more than 28,000 telco sites in Malaysia and Indonesia. To date, regional revenue contributed 39% of the group's total turnover vs. 34% a year ago, while revenue that derived from recurring stream basis stood at 47% (or RM214m) vs. 41% a year ago.

**Renewable-energy industry.** Apart from focusing on the telecommunication business, OCK is sourcing for more business and/ or investment opportunities in the sustainable energy sector (only contributed ~7% to its revenue) that is rapidly growing in demand. The Group is optimistic with recent announcement from the government to open tender for the 3rd round of the 500MW large-scale solar projects worth an estimated value of RM2bn.

**A bullish cup with handle pattern is in the making to spur prices to retest RM0.60-0.70 levels.** OCK is trading at 19.7x FY19E P/E (21% below 5Y average 25x) and 1.16x P/B (47% below 5Y average 2.2x), providing sufficient margin of safety to cushion further sharp downside risks in share price. The stock is in the midst of forming a cup with handle pattern, which is a bullish continuation pattern that marks a consolidation period followed by a breakout. A decisive breakout above immediate resistance of RM0.60 will spur prices higher towards RM0.675 (76.4% FR) and our LT goal of RM0.70 psychological barrier. Conversely, failure to hold near RM0.55 (7 Mar low) and RM0.54 (38.2% FR) may weaken share prices lower towards RM0.50 levels. Cut-loss at RM0.52.

**Figure #2 Financial Results**

FYE 31 Dec	2016	2017	2018	2019E	2020E
Revenue (RM'm)	402	492	457	498	552
Core PATAMI (RM'm)	26.6	24.6	26.7	32.8	35.6
Enlarged shrs	1,136	1,136	1,136	1,136	1,136
Core EPS (sen)	2.3	2.2	2.4	2.9	3.1
P/E (x)	24.5	26.5	24.5	19.9	18.3
DPS (sen)	0.6	1.0	-	-	-
DY (%)	1.0	1.7	-	-	-

Source: Bloomberg

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<b>BUY</b>	Expected absolute return of +10% or more over the next 12-months.
<b>HOLD</b>	Expected absolute return of -10% to +15% over the next 12-months.
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## Sector rating definitions

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