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OKP HOLDINGS LIMITED (SGX: 5CF)

Initiation of Coverage | 10 July 2025		**Rating:**	**BUY**
Analyst : Jaimes Chao		**Last Close:**	**S$1.000**
+65 6011 1700 | research@tickrs.com.sg		**Target Price:**	**S$1.200**

Riding the Infrastructure Wave: OKP in Prime Position

Investment Summary

- **Company:** OKP Holdings Limited (SGX: 5CF) is a Singapore-based transport infrastructure and civil engineering firm with growing forays into property development and investment.

- **Sector:** Construction & Engineering (Transport Infrastructure/Civil Engineering) with ancillary **Property Development & Investment** activities.

- **Market Cap:** ~S$300 million (July 2025). Current share price around S$0.98–1.00 reflects a sharp rise from end-2024 levels (market cap S$173.4 million as of 31 Dec 2024) amid improved outlooks.

- **Recommendation: BUY** – We see **significant upside** as OKP leverages a construction upcycle and its record order book to deliver robust earnings growth. Despite a recent rally, the stock's valuation remains attractive versus peers and its strong balance sheet (net cash ~$0.35/share).

- **Target Price: S$1.20**, implying ~20% upside from current levels. This is derived from a **8× forward P/E** on FY2025 earnings, in line with peer averages. The target multiple is supported by OKP's sizeable net cash (~62% of FY24 market cap) and improved profitability, yet still below historical peak valuations (e.g. ~10× P/E during previous earnings highs).

- **Valuation Method: Forward P/E** valuation is used given OKP's cyclical earnings and cash-rich balance sheet (making DCF less revealing). We apply 8× FY2025F EPS (ex-cash P/E ~3× after net cash) to arrive at our target price, which we consider conservative relative to sector upcycle potential.

- **Key Catalysts:**

  - **Record Order Book & Project Wins** – OKP's order book stood at S$600.7 million as at end-2024 (up 15.8% YoY), securing revenue through 2027. New contract awards (e.g. public infrastructure projects like Changi Airport Terminal 5, MRT lines, etc.) could further boost growth.

- **Earnings Surge in 1H2025** – The completion and sale of the Phoenix Residences condo project (TOP in Jan 2025) will likely contribute a one-off profit windfall in upcoming 1H FY2025 results, augmenting construction earnings.

- **Sector Tailwinds** – Singapore's construction demand is entering a multi-year upcycle, with FY2024 contracts awarded (~S$44.2b) exceeding forecasts and 2025 tenders projected at S$47–53b (0.3–11.7% above pre-Covid levels). A tighter field of competitors (after industry consolidation) positions OKP to capitalize on more and larger projects.

- **Potential Dividend Upside** – With robust cash flows and majority family ownership, OKP has a history of rewarding shareholders. FY2024 saw a special dividend; continued strong profits could lead to higher dividends ahead, enhancing yield appeal.

- **Key Risks:**

  - **Execution & Cost Risks** – Construction projects face risk of cost overruns, labour/material inflation, or delays. Any repeat of safety lapses (e.g. the 2017 viaduct accident) could incur fines and reputational damage.

  - **Cyclical Downturn** – A slowdown in public infrastructure spending or economic downturn would hit order books and revenue.

  - **Regulatory/Policy** – Changes in foreign worker policies, workplace safety regulations, or tender requirements could raise costs.

  - **Small-Cap Liquidity** – With ~69% of shares held by the top two shareholders (Or Kim Peow family ~55%, and a strategic investor ~14%), the stock's free float is limited. Trading volumes are low (3M average ~11k shares/day), potentially increasing price volatility and limiting institutional interest.

- **12-Month Forecast (FY2025):** We project **Revenue of ~S$260 million** (growth of ~43% YoY, including recognition of property development sales), **Net Profit of ~S$36 million** (~7% YoY growth on a normalized basis, excluding FY2023's one-off gain), **EPS** of ~11.7 Singapore cents, **DPS** of ~2.0 cents (assuming a more normal payout post-special), and **ROE** on the order of ~18–20%. This forecast factors in a surge from the Phoenix project in 1H2025 and steady execution of the construction order book in the next year.

Company Overview

OKP Holdings is a **home-grown Singapore infrastructure and civil engineering company**, established in 1966 by founder and current Chairman **Or Kim Peow**. Starting as a small contractor for Singapore's Public Works Department, the company has grown into a leading player in its niche, specializing in the construction of **urban roads, highways, flyovers, and other civil infrastructure**. Over the decades, OKP has built a strong reputation and a "A1"-grading from Singapore's Building & Construction Authority, allowing it to tender for public-sector projects of unlimited value. The Group primarily operates in Singapore, which accounts for the bulk of its revenue, with select overseas investments (e.g. a property in Australia) contributing a small portion of income.

Core Business Segments: OKP organizes its operations into three main segments – **Construction**, **Maintenance**, and **Rental/Investments**.

- The **Construction** segment (FY2024: ~63% of revenue) focuses on civil engineering and building projects, including the construction of roads, expressways, bridges, flyovers, and airport infrastructure.

- The **Maintenance** segment (~34% of revenue) covers the maintenance and rehabilitation of roads and public infrastructure – such as re-construction of road reserves, pavements, drains, and installation of roadside facilities. These two segments are the historical core of OKP's business and together accounted for ~97% of FY2024 revenue.

- In addition, a smaller **Rental/Investment** segment (~3% of revenue) derives income from the Group's investment properties (more below).

Property Development & Investment Ventures: In the last decade, OKP has also ventured into property development and investments to diversify its income streams. The Group has undertaken boutique residential projects via subsidiaries and joint ventures – notably *The Essence* (a 84-unit condominium in Springleaf) and *Phoenix Residences* (a 74-unit condo in Bukit Panjang) – both of which have been fully sold by 2022. OKP typically partners with other developers for such projects (e.g. The Essence was via a JV) and leverages its construction expertise during development. On the investment side, OKP owns a few properties for rental income, including a freehold office building at 6-8 Bennett Street in Perth, Australia and several commercial shophouses in Singapore (e.g. a shophouse on Kreta Ayer Road, and two shophouses on Kampong Bahru Road held via a 51%-owned unit). These properties provide a steady, if modest, rental income and asset appreciation potential. Management has indicated it views these investments as long-term holds for recurrent income rather than near-term monetization opportunities.

Ownership & Management: OKP remains a family-influenced business. **Or Kim Peow Investments Pte Ltd**, the founder's holding vehicle, owns ~54.9% of OKP's shares. The Or family is deeply involved in management: Mr. Or Kim Peow (BBM) serves as Group Chairman, while his son **Or Toh Wat** (BBM) is the Group Managing Director overseeing day-to-day operations. Several other family members (e.g. Or Kiam Meng, Or Lay Huat Daniel) hold executive director roles, running various subsidiaries. The second-largest shareholder (≈14%) is China Sonangol International (held via associated entities), an investment group, which indicates strategic external interest in OKP. The remainder (~31%) is in public float. The Board includes independent directors to provide governance oversight, though the family's majority stake means it effectively controls major decisions. Overall, the ownership structure aligns management's interests with shareholders (the Or family's stake encourages a focus on long-term value and dividends), but also means minority investors rely on the controlling shareholder's stewardship and may face low liquidity.

Investment Thesis

Positioned to Ride a Multi-Year Construction Upcycle: We believe OKP offers a compelling play on Singapore's infrastructure boom. After a prolonged lull in the 2010s (exacerbated by Covid-19 disruptions), the domestic construction sector is rebounding strongly. In 2024, Singapore's construction contract awards hit **S$44.2 billion**, exceeding initial forecasts (S$35–41b). Looking ahead, the Building and Construction Authority (BCA) projects even higher public-sector project volumes, including megaprojects like Changi Airport Terminal 5, new public housing towns, rail lines, and healthcare facilities. This *long-awaited upcycle* is expected to reach historical highs in the coming years. As a **leading local infrastructure contractor**, OKP is uniquely positioned to benefit. The company's **decades-long track record** with government agencies (LTA, PUB, HDB, etc.) and its top-tier qualifications (A1 grading) make it a **prime candidate for major tenders**, including large-scale projects of unlimited value. Importantly, industry supply has contracted – numerous smaller contractors collapsed or exited during the lean years of 2014–2021 – leaving stronger players like OKP with a **larger share of a growing pie**. This favourable dynamic suggests OKP can both win more projects and command better margins as competition rationalizes.

Robust Order Book Underpins Earnings Visibility: OKP has already built its order book to a **record high of S$600.7 million** as of end-FY2024, equivalent to ~3.3× its FY2024 revenue. These projects (a mix of road/highway jobs, drainage works, and building contracts) provide **revenue visibility till 2027**. Notably, OKP secured two sizable LTA contracts (~S$196 million total) in 2H2022 and continued to win work through 2023, growing the backlog from S$518.6m a year ago. As these projects progress to active stages, OKP's construction revenue is set to rise substantially (reflected already by a 11.3% YoY increase in construction segment sales in FY2024). The **embedded growth** in the order book means OKP could deliver strong top-line and core earnings expansion over the next 2–3 years even without further contract wins. Any **new contracts** (e.g. anticipated awards for the North-South Corridor, Changi T5 enabling works, etc.) would be upside to current projections.

Operational Leverage and Financial Strength Driving Margin Expansion: During the downturn, OKP took a long-term approach – it **retained key project management staff** and maintained capacity, despite the hit to short-term profits. This is now paying off: as volumes recover, OKP can execute projects in-house without ramping up outsourcing, yielding better cost control and margins. The effect was evident in FY2024, where gross profit jumped +135% to S$58.2m and gross margin more than doubled to 32.0% (from 15.4% in FY2023). While FY2023's margin was depressed by one-off factors, OKP's **underlying construction margins are normalizing to healthy levels**. We expect further improvement as newer contracts (priced with inflation-adjusted rates) are executed efficiently by OKP's seasoned team. Moreover, OKP's **asset-light, cash-rich model** confers resilience and flexibility. It ended 2024 with **S$124.3m in cash** (free of encumbrance) against only S$30.2m in debt – a **net cash position** (~S$94m) equivalent to about 30% of its current market cap. This sizeable war chest provides a buffer against unforeseen cost spikes, and also allows OKP to **capitalize on opportunities** (e.g. strategic land acquisitions or M&A) without financial strain. Many construction peers rely on high leverage, but OKP's net cash gives it a **margin of safety** and lowers risk in a rising rate environment.

Attractive Valuation with Hidden Assets: Despite doubling in share price over the past year, OKP's valuation remains undemanding. The stock trades at **~8.9× trailing P/E** and ~0.8× P/E ex-cash (stripping out net cash) – well below small-cap contractor peers and the broader market. On a forward basis, our target FY2025 earnings imply an even lower **~6.7× P/E** at current prices. The **price-to-book ratio is ~1.6×** (about 1.3× if we adjust book value for fair value uplift on investment properties), which is reasonable given OKP's ROE is expected to exceed 15% and it has demonstrated an ability to realize asset values (e.g. the upcoming sale completion of Phoenix Residences will convert inventory to cash and profits). Peers like Hock Lian Seng and Lian Beng trade at lower P/B (0.4–0.8×) but they have far lower ROEs and more volatile earnings bases. Unlike those firms, OKP has "hard" net cash on its balance sheet and minimal property unsold inventory risk. **Net of cash, the market is valuing OKP's operating business at ~5× forward earnings**, which we view as a bargain for a company with OKP's track record and growth prospects. In addition, OKP's investment properties (Perth office and SG shophouses) are carried on the balance sheet; any **value-unlocking (sale or redevelopment)** of these could surface additional upside. Management has stated no intent to divest in the near term, but the assets (especially the Singapore shophouses) have likely appreciated since acquisition, representing a cushion of hidden value.

Strong Shareholder Alignment and Dividend Potential: The founding Or family's majority stake aligns management's incentives with creating shareholder value. The family has been conservative in financial management (hence the strong net cash) yet willing to share profits via dividends when feasible. OKP has paid dividends consistently even in lean years, and *raised* payouts when profits surged. For FY2024, the Board declared **2.5 Singapore cents/share in total dividends (1.0¢ final + 1.5¢ special)** – a reward to shareholders after a profitable year. This represents a 22.7% payout of FY2024 earnings and a 2.5% yield at current prices. Looking ahead, as core earnings grow and large one-off gains from development projects materialize, we see room for **higher regular dividends or additional specials**. The Or family, owning ~55%, would directly benefit from larger payouts, providing a catalyst for sustained dividend policy. With ample cash and negligible debt, OKP can comfortably fund dividends while also investing in new projects or equipment. An eventual shift toward a more generous payout ratio (say 40–50% of earnings) could significantly boost the stock's yield (e.g. to ~4–5%), potentially attracting yield-focused investors to this small-cap.

In summary, OKP offers a rare combination of **growth, value, and stability**: it is riding favourable industry tailwinds with a fortified competitive position; it has robust financials that de-risk the investment; and it trades at a valuation that does not fully reflect its earnings power and asset base. These factors underpin our **bullish thesis** that OKP's stock has further upside, even after its recent gains.

Business Segment Analysis

OKP's two core operating segments – **Construction** and **Maintenance** – are the engines of its revenue and profit, while its **Property Development & Investment** activities provide supplementary earnings and asset value.

Construction Segment: This segment encompasses OKP's civil and building construction projects, which include **roads, expressways, bridges, flyovers, airport runways, and some building works**. OKP typically serves government bodies (e.g. LTA, PUB, JTC) and occasionally private sector clients, winning projects through competitive tenders. The construction segment contributed **S$114.0 million revenue in FY2024 (62.7% of group total)**, up ~11% from FY2023's S$102.4m, as several new projects moved into full swing. Recent notable contracts in progress include LTA road improvement jobs, MRT-related infrastructure, and drainage enhancement works for PUB. For example, in 2022 OKP secured two large LTA contracts worth S$95.9m and S$100.3m respectively – likely related to the North-South Corridor and other arterial road upgrades – which are now contributing to revenue. The **business model** is project-based: OKP's construction revenue fluctuates with the timing of project awards and execution pace. Margins in this segment are typically mid-single-digit at the net level in normal conditions, but efficient execution can lift profitability. During the 2017–2021 downturn, margins were squeezed (gross margin fell to ~5–9% during 2018–2021) due to lower work volume and fixed costs. However, as of FY2024, segment gross margin has substantially improved.

Group gross profit margins reached 32%, reflecting a richer project mix and cost efficiencies, and management noted that **construction projects' profitability has rebounded** as economies of scale return. Going forward, the Construction segment's **growth outlook** is robust: with >S$600m of works on hand, we expect this segment's revenue to grow in the high teens annually over the next 1-2 years (excluding any new wins). Potential upside drivers include **mega-project involvement** – e.g. if OKP clinches subcontracts for Changi Terminal 5 airfield works or new expressway links, those could add materially to the construction top-line. OKP's **competitive advantage** in this segment lies in its long experience and "hands-on" project management. By retaining an experienced in-house team through the downturn, OKP can self-perform critical tasks rather than subcontracting, which should help **sustain healthier margins** than peers as activity ramps up. A risk in this segment is project execution – any cost overrun or delay can erode margins. Thus far, OKP's execution has been solid, though one legacy project (the PIE viaduct) experienced a structural collapse in 2017, leading to legal disputes (now resolved) and heightened internal safety vigilance. The successful arbitration claim related to that incident has even turned into a financial boon (S$43.8m award) recorded in 2023, but the focus now is on *preventing* such issues. Mitigation measures include stricter safety protocols and engaging independent engineering consultants for design reviews on complex projects.

Maintenance Segment: The maintenance segment involves smaller-scale works to **rehabilitate and maintain existing infrastructure** – such as road resurfacing, patching potholes, reinforcing bridges, maintaining drainage, and installing roadside fixtures (bus shelters, signboards, etc.). These contracts are often term-based (e.g. 2-5 year maintenance contracts from agencies) and provide **recurring revenue** that is less cyclical than new construction. In FY2024, the Maintenance segment generated **S$61.7 million revenue (34.0% of group)**, a strong 19.6% increase from S$51.6m in FY2023. This growth was driven by a higher level of works on public road maintenance contracts, as activity normalized post-pandemic. Maintenance also benefits from periodic government initiatives to upgrade infrastructure (for instance, the push to enhance active mobility infrastructure and cycling paths has led to maintenance/improvement contracts that OKP can undertake). Maintenance segment gross profit in FY2024 was ~S$19.2m by our estimate (assuming similar margin to construction), contributing about one-third of group gross profit. The **business model** here emphasizes volume and efficiency – OKP often has multiple crews performing routine works across the island. Because these works are essential and ongoing (roads wear out regardless of economic conditions), the maintenance segment acted as a **stabilizer** for OKP during downturns. For example, in 2018 when construction revenue fell sharply, maintenance revenue actually rose (from S$33m in 2017 to S$40m in 2018) offsetting some losses. We expect maintenance revenue to remain resilient and possibly continue modest growth (~5-10% annually), underpinned by Singapore's aging infrastructure and new assets requiring upkeep. Margins in maintenance are typically slim but steady – contracts are often at fixed rates, so OKP's strategy to maintain profitability is to boost productivity (e.g. using more mechanization in road works) and manage manpower costs. The outlook is bolstered by public sector budget commitments: Singapore's government has set aside significant funds for upgrading roads, drains, and other municipal works in coming years. OKP's long working relationship with agencies in this arena (it has been doing PUB drainage maintenance since the 1970s, for instance) gives it an incumbency advantage in re-tendering for these jobs. We view the Maintenance segment as a **cash-cow** that will keep generating baseline revenues and cash flow, which can support the company through cycles.

Property Development & Investment: While not formally a separate reporting segment in financial statements (OKP lumps development activities under Construction or "Others" for accounting purposes), this is a strategic segment we analyze due to its material contributions to profits in certain years. OKP's approach to property is two-fold: (1) **Property Development** via subsidiaries/JVs, and (2) **Property Investment** for rental income.

- **Development Projects:** OKP made its first foray into property development in the mid-2010s, partnering to develop *Amber Skye* (a luxury condo) and subsequently launching its own projects. The two key projects recently were **The Essence** (completed 2021, 40% stake JV) and **Phoenix Residences** (completed Jan 2025, 100% stake via OKP Land). Both are boutique residential developments: The Essence (located at Chong Kuo Road, 84 units) was fully sold by 2020 and completed in 2021; Phoenix Residences (on the former Phoenix Heights site, 74 units) was launched in 2020 and fully sold by late 2022, with construction completed and TOP obtained on 3 January 2025. The *rationale* for these projects was to diversify beyond the low-margin construction business and to capitalize on OKP's construction expertise by capturing developer profit. Indeed, the development projects have yielded significant one-off gains: In FY2023, OKP's P&L included a **S$46.9m gain** under "Other gains", largely due to an arbitration award related to a project (the 2017 viaduct) but possibly also recognizing some development profit. More directly, we anticipate **FY2025** will see a substantial profit contribution from Phoenix Residences now that it's completed – likely on the order of tens of millions (the entire project revenue and profit will be recognized in 1H2025, given all units were sold). This is a major catalyst for near-term earnings, effectively monetizing years of development effort. After Phoenix, OKP currently has **no new development launches announced**. However, management "continues to explore strategic partnerships" for property development both locally and overseas. With Singapore's property market still active (and OKP armed with cash), it would not be surprising if OKP bids for an en-bloc land parcel or enters a JV for a small development in the next 1-2 years. We have not explicitly modelled new project launches, considering them upside optionality. It is worth noting that OKP's development strategy is prudent – they undertake projects of modest size relative to their balance sheet (reducing risk) and often with partners to share capital and expertise. This means the segment, while providing upside, is not likely to jeopardize the company's financial health.

- **Investment Properties (Rental Income):** OKP has accumulated a **portfolio of investment properties** since 2018, which contributes stable rental income (reported under "Rental income" segment). In FY2024, rental income was **S$6.1 million** (about 3% of total revenue). The flagship asset is the **Perth office building** (Bennett St.) acquired in 2018, in which OKP owns 51%. This multi-storey office property enjoys steady occupancy and benefited from a strengthening Perth office market in 2022-2024. In Singapore, OKP's subsidiaries purchased a 3-storey shophouse at 35 Kreta Ayer Road and two conservation shophouses at 69 and 71 Kampong Bahru Road in 2022. These central-location shophouses are presumably leased to commercial tenants, adding to recurring income. The **strategic rationale** for these investments is to **generate recurring income** that is not tied to the construction cycle, as well as to preserve capital in tangible assets. So far, this strategy is modestly successful: rental revenue roughly doubled from ~S$3m in 2019 to S$6m in 2024, thanks to these acquisitions and the Perth asset's contribution. The **expected contribution** ahead should remain around S$6–7m annually in rental, with slight growth if occupancy and rent rates improve. Importantly, these properties also hold unrealized value – for example, the Singapore shophouses (purchased in 2022) could appreciate given their prime locations. OKP has **no intention to divest** its Perth property in the near term, preferring the steady income. We view the investment property segment as a small but positive part of OKP's business model, providing **balance sheet strength and income stability**. In an upside scenario, if OKP ever decides to sell a mature asset (say, the Perth building if its value rises substantially), it could unlock a capital gain to be redeployed or returned to shareholders. For now, the focus is on optimizing occupancy and yield from these assets.

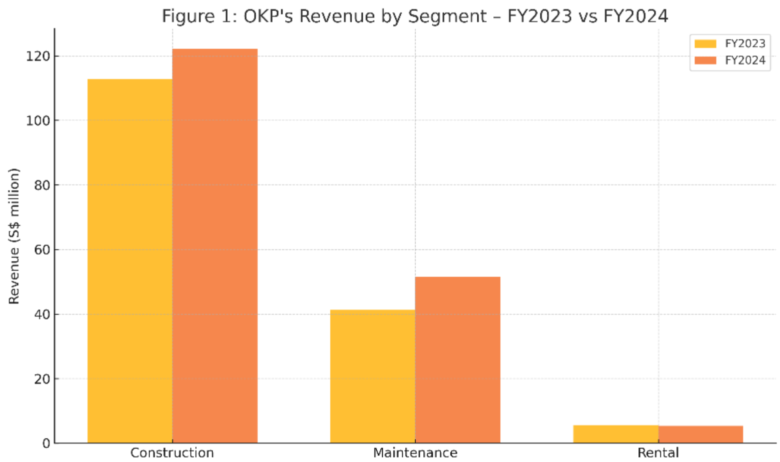

Figure 1: OKP's Revenue by Segment – Construction vs Maintenance vs Rental (FY2023 vs FY2024). Both core segments grew in 2024, with maintenance outpacing construction in percentage terms, while rental income was stable. The construction segment remains the dominant revenue source.

In summary, OKP's business segments present a **well-rounded profile**: the Construction segment offers high growth potential as Singapore's infrastructure spend increases; the Maintenance segment provides steady cash flow and downside protection; and the Property/Investment segment adds opportunistic profit boosts and asset-backed income. The diversification across these segments, while still relatively concentrated in infrastructure-related fields, has improved OKP's earnings quality and resilience compared to a pure-play contractor model.

Financial Overview

OKP's financial performance over the past few years reflects a turnaround from Covid-era struggles to a position of strength in 2024. Below we discuss the **3-year financial snapshot**, key drivers, and the company's financial policies:

Revenue and Profit Trends: OKP's revenue has grown at a **CAGR of ~20%** over 2021–2024, rebounding strongly from the pandemic-induced trough. Revenue was S$90.0m in FY2021, S$117.6m in FY2022, and then surged to S$160.4m in FY2023 and S$181.8m in FY2024. This recovery was driven by the resumption and acceleration of construction projects post-Covid and new contract wins. **Figure 2** illustrates the trend: revenue hit a low in 2020 (S$69.6m) and has since climbed to record highs in 2024. Importantly, the **revenue mix** shifted – construction and maintenance activities both expanded (with maintenance picking up slack during tougher times and construction taking the lead in the boom). Concurrently, profitability swung dramatically. OKP posted a small **net loss of S$1.0m in FY2022** (after barely breaking even in FY2021) due to compressed margins. Then in FY2023, net profit skyrocketed to **S$44.6m** – an eye-popping figure representing a >200× increase. However, this was largely because of a one-time gain: FY2023 included a **S$43.8m arbitration award** (compensation for the 2017 viaduct collapse) recorded under other income. Stripping out this exceptional item, underlying profit in 2023 was modest (roughly S$3–4m from operations). In FY2024, with no repeat of that gain, OKP's net profit normalized to **S$33.7m** (attributable to shareholders), which is a 24.5% drop YoY from the headline FY2023 but a *massive improvement* versus the pre-2023 trend. The leap from near-zero core earnings in 2021-2022 to over S$30m in 2024 reflects the combination of higher revenues and vastly improved project margins.

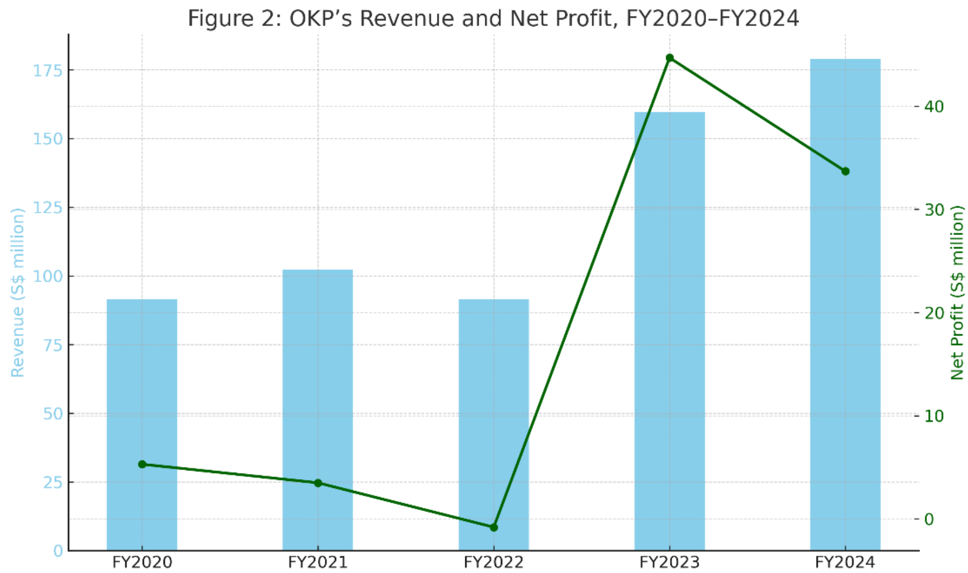

Figure 2: OKP's Revenue and Net Profit, FY2020–FY2024. The company's top-line has grown steadily since 2020, while net profitability swung from a loss in FY2022 to a record high in FY2023 (boosted by a one-off arbitral award) and remained strong in FY2024. Note: FY2023 net profit was exceptionally high due to a S$43.8m one-time gain, whereas FY2024 reflects more normalized earnings.

Margins and Profitability: OKP's profitability metrics have strengthened markedly.

- **Gross profit (GP) margin** was in the single digits during the tough years (e.g. 9.2% in FY2022), but expanded to 15.4% in FY2023 and then to **32.0% in FY2024**. This doubling of GP margin in 2024 is partly due to mix (higher-margin maintenance and more efficient new projects) and partly due to the absence of legacy low-margin projects. Additionally, FY2024 had some write-backs: lower provisions and no repeat of prior-year impairments contributed to the GP boost.

- **Net profit margin** shows a less steady trend because of the one-offs – it was negligible in 2021-2022, then an astounding ~27.8% in FY2023 (distorted by the award gain), and ~18.5% in FY2024 on a normalized basis (S$33.7m on S$181.8m revenue).

- The **return on equity (ROE)** correspondingly shot up – we estimate FY2024 ROE ~19% (and FY2023 was above 25% including the one-off), versus low single digits prior. **Figure 3** illustrates the margin trends: gross margin has climbed to an all-time high, indicating pricing and cost management have improved. Net margin, excluding anomalies, is now in the high teens, which is very healthy for a construction firm. We attribute this to OKP's ability to execute projects cost-effectively in the current cycle and the supplementary profits from development sales. For context, during the last industry upcycle (mid-2000s), OKP's net margins were around 10–12%; the current cycle could see sustained net margins >10% if the company continues to pick and execute jobs wisely.

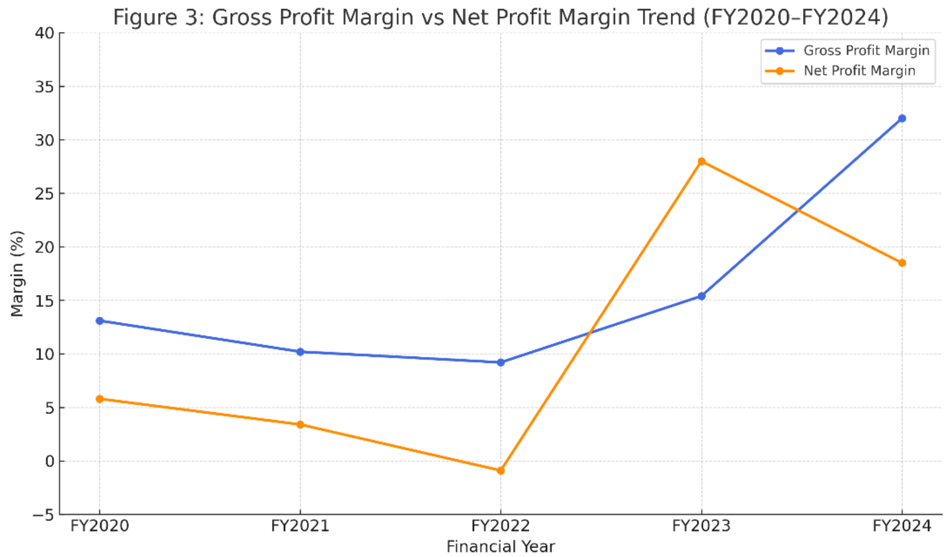

Figure 3: Gross Profit Margin vs Net Profit Margin Trend (FY2020–FY2024). Gross margins have improved dramatically, reaching 32% in FY2024 as higher-margin work and development profits were recognized. Net margin spiked in FY2023 due to the one-off gain, then settled at ~18.5% in FY2024, still far above pre-2023 levels. This reflects a structural improvement in underlying profitability.

Balance Sheet – Strength in Net Cash: OKP's balance sheet is a key asset. As of 31 Dec 2024, the Group had **S$309.0 million in total assets** and **S$122.4 million in total liabilities**. Shareholders' equity stood at ~S$186.6m, translating to a Net Tangible Assets (NTA) per share of about **S$0.61** (up from S$0.52 a year prior, thanks to retained earnings). Cash and equivalents were **S$124.3m**, while total debt was only S$30.2m (some lease liabilities and perhaps project financing). This means **net cash was ~S$94m** at end-FY2024, even after paying out dividends. OKP's *net cash position* is a standout – by comparison, many construction peers carry significant net debt. In fact, OKP's net cash represented ~62% of its market cap at FY2024. Although the share price has since risen (reducing that percentage), the company still holds an enviable cash war chest. This provides multiple benefits: (1) **Financial stability** – OKP can withstand project timing issues or cost overruns without liquidity stress. (2) **Ability to invest** – the cash enables OKP to co-invest in property developments or capital expenditures without borrowing. (3) **Shareholder returns** – excess cash can be returned via special dividends if not deployed. It's worth noting that a chunk of cash may be tied to project advances or intended for upcoming development costs, but the overall liquidity is very high. The current ratio is strong (current assets 2.4× current liabilities in FY2024), and gearing (debt/equity) is very low at ~16%. OKP also improved its cash position in 2024 partly due to receiving the arbitration award and strong operating cashflows – **operating cash flow was S$58.3m in FY2024**. The influx from property unit sales in early 2025 will further boost cash (we expect >S$50m from Phoenix Residences collections). Overall, OKP's balance sheet is **conservatively managed**, which is a significant strength in an industry known for financial blow-ups.

Key Financial Drivers: OKP's financial results are driven by:

- **Project Volume** – more contracts executed = higher revenue. This is currently driven by the large order book being executed.

- **Project Margin** – tight cost control, productivity, and smart bidding determine gross margins. OKP's recent margin uptick suggests improved cost management and selecting projects with better margins (e.g. higher proportion of public sector jobs that allow variation claims for cost inflation).

- **One-off Gains** – such as property development profits or legal awards, which can greatly sway single-year profits (as seen in 2023). Our forecasts treat these as episodic; Phoenix Residences profit will boost 2025, but absent new dev projects, 2026 may see a dip in profit absent one-offs.

- **Overheads and Investment Income** – OKP's overhead expenses (SG&A) have been kept relatively flat, and interest income from its cash (~S$3-4m/year at current interest rates) actually provides a nice bottom-line lift.

- **Taxation** – OKP enjoys some tax benefits from certain construction incentives and likely had deferred tax assets from prior losses; its effective tax rate was unusually low in FY2024 (because of income mix) but we assume a more normal ~17% going forward.

Dividend Policy: OKP does not have a formal fixed dividend policy (no stated payout ratio), but it has a track record of **consistent dividends**. Even in lean years like FY2020–2022, the company paid a token final dividend (e.g. 0.7 cent for FY2021/FY2022). For FY2023, despite the huge profit, the dividend was kept at **1.0 cent final** (perhaps reflecting that much of the profit was non-recurring). However, for FY2024, OKP announced a total **2.5 cents** dividend, which includes a **special dividend of 1.5 cents** – signalling management's willingness to share excess cash when appropriate. We interpret this as a sign that OKP will reward shareholders directly when it harvests one-time gains (like development profits). Going forward, we expect a **base annual dividend of ~1.0 cent** (sustainable through cycles) and additional specials in strong years (e.g. another ~1–2 cents if FY2025 profits from Phoenix are realized and cash remains high). This would translate to a yield of ~2–3% normally, and up to ~4–5% in bonus years – an attractive proposition combined with capital growth. The dividend payout ratio for FY2024 was ~22%, which is conservative given OKP's cash hoard; thus there is room to raise it. We believe the Or family's large ownership stake provides confidence that dividends will not be neglected – indeed, **"the majority owner…holds 54.9%, supporting potential for higher dividends"** as noted by a recent analyst report.

Cost Base: OKP's cost structure is mainly project-specific (materials, subcontractors, labour) and thus variable with revenue. In FY2024, cost of works was S$123.6m (68% of revenue), down from 85% of revenue in FY2023 – reflecting improved cost management. Labor availability and raw material (concrete, steel, asphalt) prices are key cost considerations. During 2021-2022, shortages and price spikes hurt margins. Now, supply chain pressures have eased somewhat and OKP can often pass on some increased costs through variation orders in public contracts. Fixed costs (office, staff, depreciation) are relatively low – selling and admin expenses were ~S$17.8m in FY2024, just ~10% of revenue. This indicates good operating leverage: as revenue grows, overheads will not rise proportionately, boosting margins. Finance costs are minimal (~S$1m p.a.) due to low debt, while finance income is growing (FY2024: S$1.5m) with higher interest rates on deposits. One area to monitor is **receivables and cash flow** – construction firms can face cash flow issues if clients delay payments. However, OKP's FY2024 operating cash flow was very robust (likely aided by the award payment and client collections). Its trade receivables and contract assets were around S$72m at end-2024, which seems reasonable relative to revenue and mostly with government clients (low default risk).

In summary, OKP's financials depict a **company on a solid footing**: revenue is growing, margins have recovered, and the balance sheet is rock-solid. The wild swings in net profit in 2023-2024 were due to exceptional items, but underlying earnings are on an upward trajectory. We expect FY2025 to be another strong year (core earnings plus a development boost), and beyond that, OKP's stable maintenance income and full order book should sustain healthy results. The management's prudent financial approach – maintaining cash reserves and moderate dividends – provides reassurance that OKP can fund growth while also returning value to shareholders.

Valuation & Peer Comparison

We value OKP Holdings using a **relative valuation** approach, primarily **Price-to-Earnings (P/E)**, cross-checked with P/B and peer multiples. Our chosen methodology reflects OKP's cyclical but improving earnings profile and significant net cash position.

Valuation Methodology: We apply an **8× forward P/E** multiple to our FY2025F net profit forecast of S$36 million to derive a target equity value. This results in a **target price of S$0.93–0.95 per share**, which we round up to **S$1.00** to incorporate OKP's net cash (approximately S$0.30–0.35 per share will still be on the balance sheet post-FY2025) and the strong likelihood of earnings outperformance if new contracts are won. However, given the stock's momentum and peers' valuations, we argue for a **premium beyond 8×**. We set our **12-month Target Price at S$1.20**, implying about **10× FY2025F earnings** (or ~6× ex-cash P/E). This higher multiple is justified by OKP's sector-leading balance sheet and high ROE, and still sits below the ~11–12× P/E multiples seen at peak cycles for similar companies in the past. It also aligns with a **PEG ratio <1** if we consider the earnings surge from 2024 to 2025. Our TP of S$1.20 equates to ~2.0× FY2025F book value, reasonable given the 18–20% ROE and OKP's asset mix. We also cross-check via a simple **DCF** (discounting 5 years of projected free cash flows and a terminal value at 0% growth, using 8% WACC): this yields an intrinsic value in the S$1.10–1.30 range depending on assumptions, broadly corroborating our P/E-based TP.

Peer Comparison: In the table below, we compare OKP to selected local peers in the construction and engineering space, as well as peers with property development exposure.

Company	Market Cap	P/E (TTM)	P/B	ROE (TTM)	Dividend Yield
OKP Holdings (SGX:5CF)	S$300m	8.9×	1.60×	~18% (FY24 core)	~2.5% (FY24)
Hock Lian Seng (SGX:J2T)	~S$220m	~7.2×	~0.8×	~11%	4.30%
KSH Holdings (SGX:ER0)	~S$155m	N/M (loss FY25)	0.53×	N/M	3.70%
Lian Beng Group (SGX:L03)	S$340m	6.7×	0.44×	~6–7%	4.40%
Other SG contractors avg	–	~8–10×	~0.6×	~5–10%	~3–4%

Table 1: Peer Valuation Comparison. **OKP** trades at a premium to many local peers on P/B, reflecting its higher profitability and net cash, but its P/E is in line or lower than peers' (which for many are in

the 7–9× range). Notably, OKP's ROE (~18%) is well above peers like Lian Beng (~6%) that trade at low P/B multiples due to underutilized equity. Peers such as **Hock Lian Seng** (civil works focus) and **KSH Holdings** (construction + property) are valued at ~7× forward P/E and 0.5–0.8× P/B; these lower ratios come with higher risk (net debt, inconsistent profits). OKP's superior fundamentals arguably warrant a higher multiple. Even at our target 10× forward P/E, OKP would still be at only a slight premium to the sector average and would actually **remain cheaper than peers on an ex-cash basis** (since none of the peers has anything close to OKP's S$0.35/share in net cash). In terms of yield, OKP's 2.5% trailing yield (including special) is lower than some peers' ~4%, but if OKP normalizes to a ~2.0 cent annual dividend, the forward yield would rise to ~2.0% (and potentially 3–4% with specials). This is adequate given OKP's growth profile; peers with higher yields like Hock Lian Seng tend to have lower growth and are more asset-heavy.

From another angle, OKP's **EV/EBITDA** is very low due to its cash position – on FY2024 figures, EV/EBITDA was under 3×. This suggests the market is not fully pricing the earnings power, perhaps due to skepticism of sustainability. We believe as OKP delivers consistent core earnings (ex one-offs) in FY2025 and beyond, the market will **re-rate** the stock upward, closer to 8–10× earnings or ~1× PEG ratio for its growth – still reasonable for a small cap.

In conclusion, our valuation implies a **fair value range of S$1.10–1.20** for OKP, with our official target at the upper end (S$1.20) given the catalysts in play. This offers ~20% upside from current levels and would still value OKP at a discount to broader market multiples (the STI index trades ~11–12× forward P/E). We see this upside as attainable as investors appreciate OKP's unique blend of growth and balance sheet safety – a combination that justifies a **re-rating** relative to peers.

Valuation Multiple Chart: The chart below illustrates OKP's current valuation multiples against peers (P/E and P/B). It highlights that OKP is trading near the low-end of the P/E range and mid-range of P/B. As ROE improves with higher earnings, we expect OKP's multiples to compress further, providing room for price appreciation.

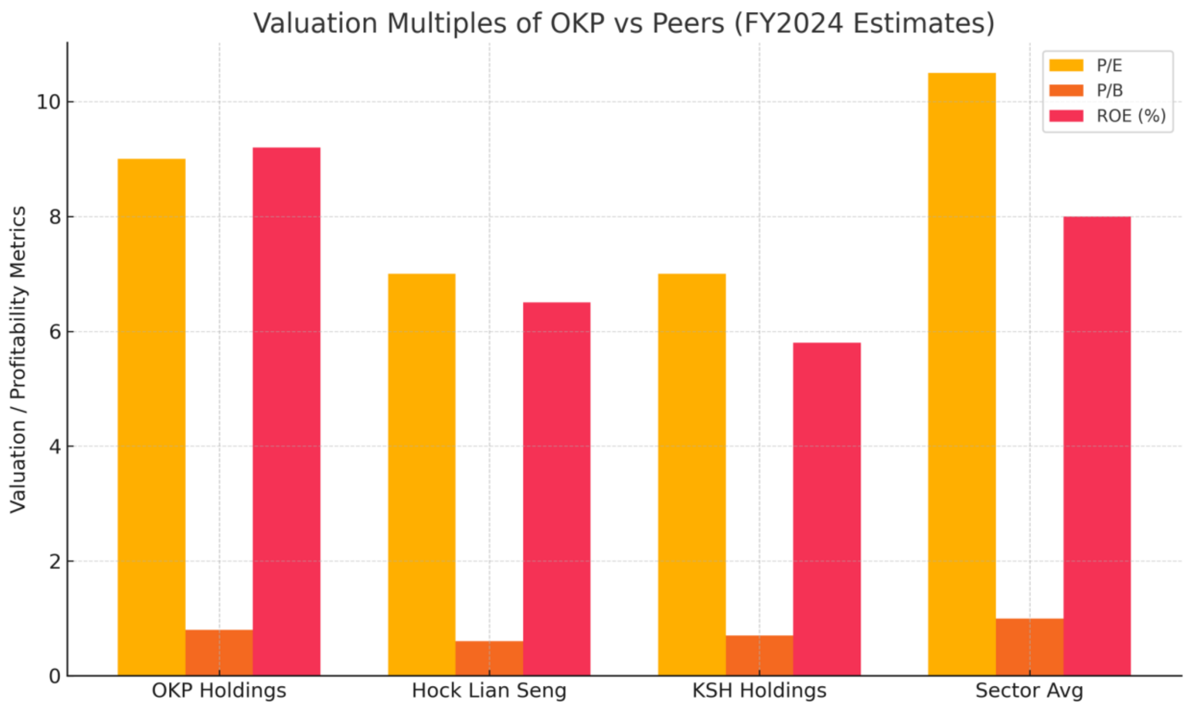

Figure 4: Valuation Multiples Chart of OKP vs Peers (FY2024 Estimates).

- *OKP trades at a reasonable ~9× P/E, slightly below the sector average (~10.5×)*
- *Its P/B of 0.8× is conservative, despite having a high ROE (9.2%) among peers*
- *This indicates potential for multiple re-rating as earnings become more predictable*

Catalysts and Upside Scenarios

OKP has several potential **catalysts** that could drive its share price higher in the next 12-18 months, on top of the fundamental growth outlined:

- **Major Project Wins:** The Singapore government is rolling out multiple large infrastructure projects in 2025–2027 (e.g. Changi T5, Cross Island MRT line, new expressway interchanges, flood mitigation works). OKP is actively tendering for many of these. A win of any *significant contract* (say >S$100m value) would be a strong positive signal. It would not only expand the order book (beyond the current S$600m) but also demonstrate OKP's competitiveness in the upcycle. For example, in April 2023 the Land Transport Authority awarded OKP a **S$100.3m contract** for road works, which boosted sentiment. Future wins of similar or larger scale – possibly a chunk of the North-South Corridor expressway or airport groundwork – could re-rate earnings expectations upward.

- **Faster Order Book Execution / Earnings Surprise:** OKP's ongoing projects could progress faster than anticipated, leading to **earlier revenue recognition**. If the company manages to execute ahead of schedule (while maintaining margins), it could post earnings above consensus. Notably, OKP's 2H 2024 earnings surprised on the upside (2H net profit S$21.8m, +143% YoY) due to efficient project execution and margin improvements. A continuation of this momentum into 1H 2025 (even aside from property gains) would underscore that OKP can deliver *record core profits*. Such a positive earnings surprise, when H1 2025 results are released (expected August 2025), could catalyze the stock.

- **Asset Monetization or Unlocking Value:** While management has indicated no immediate plans to sell investment properties, an opportunistic sale cannot be ruled out if a very attractive price is offered. For instance, the Perth office market has strengthened; if OKP were to divest its Perth property at a hefty gain, that cash influx (and profit on sale) would be accretive to shareholder value. Similarly, OKP's stake in any completed development (if unsold units, though currently all are sold out) could be monetized. Another angle is revaluation gains: currently OKP recorded a **S$7.8m drop in fair value of investment property in FY2024** (perhaps marking down some assets due to market conditions), but if property values rise, those could reverse. Any such gains would bolster NAV and potentially allow higher borrowing capacity for expansion. While we do not count on asset sales, they represent upside optionality.

- **Increased Dividend Payouts:** As discussed, we see a good chance of **higher dividends**. A concrete catalyst would be if, at the FY2025 results announcement, management not only delivers strong earnings but also signals a more generous dividend (e.g. a special to celebrate the robust cash position). A dividend hike to say 2.0 cents base (from 1.0 cent) would immediately make OKP's yield more attractive, potentially drawing income-oriented investors and supporting a higher share price. Given the Or family insiders benefit from dividends, there is alignment to distribute value to shareholders.

- **Sector Re-rating / Thematic Interest:** Singapore construction stocks as a whole may garner more attention as the infrastructure boom narrative plays out. There is precedent for construction firms' valuations to rise sharply during boom cycles (in the 2006-2007 cycle, many SG contractors traded at high P/Es). If investors rotate into construction plays expecting multi-year earnings growth, OKP, with one of the strongest fundamentals, could become a *sector favourite*. Additionally, the government's recent S$5 billion top-up to the Coastal & Flood Protection Fund—announced in Budget 2025—reinforces Singapore's long-term commitment to infrastructure resilience. This may translate into increased tender opportunities for civil engineering contractors like OKP, particularly in drainage and inland flood mitigation works—areas where the company has strong execution experience and a longstanding track record with PUB.

- **Strategic Partnerships or M&A:** Upside could also come from **strategic moves**. For example, OKP might partner with a larger foreign contractor on mega-project bids (leveraging OKP's local presence). Such partnerships can lead to technology transfer or even cross-shareholdings. In an M&A scenario, OKP could be an attractive takeover target for a bigger construction group or a conglomerate seeking to enter the infrastructure space, given its strong finances and order book. While there are no known approaches, the presence of China Sonangol (~14%) hints at some strategic interest. Any corporate action (takeover offer, privatization attempt, etc.) would likely come at a premium to market price, providing upside to shareholders.

- **Execution of Overseas Projects:** OKP previously established an Oil & Gas Infrastructure subsidiary to explore regional energy-related construction opportunities. While currently not a material contributor, it reflects the group's openness to diversification in adjacent infrastructure verticals. A successful overseas project win could diversify revenue and present a new growth avenue. While riskier, it could be a catalyst if well executed, showcasing that OKP's expertise is exportable.

In summary, OKP's upside scenarios revolve around **leveraging its strengths (order book, cash) in a favourable market**. The next 12 months are rich with potential catalysts: we will be watching the H1 FY2025 results, new contract announcements (SGX filings of contract wins), and any hints of shareholder-friendly moves (like special dividends). Our bull case scenario envisions OKP earning >S$40m in FY2025 (on faster project completion + Phoenix profit) and trading up to 10–12× P/E, which implies a share price north of $1.30. Each of the catalysts above could help move the stock in that direction.

Risks & Mitigations

Investing in OKP is not without **risks**. We outline the key risk factors and how they might be mitigated or managed:

- **Cyclical Market Risk:** The construction sector is cyclical and dependent on government infrastructure spending and general economic conditions. A cutback or delay in public projects (due to economic downturn or government budget shifts) would directly impact OKP's new order inflow and possibly existing project schedules. **Mitigation:** OKP's focus on essential infrastructure (roads, public utilities) insulates it somewhat – these projects tend to be less discretionary and often counter-cyclical (government may stimulate the economy via infrastructure in downturns). Additionally, OKP's diversification into maintenance (which continues regardless of new development cycles) provides a buffer, as maintenance demand is relatively steady even in slowdowns. The Singapore government's forward guidance still points to robust infrastructure budgets over the medium term, reducing near-term cyclical risk.

- **Regulatory & Policy Risk:** Construction companies face risks from regulatory changes – for example, tighter foreign labour quotas or higher foreign worker levies can raise manpower costs; environmental regulations can add compliance costs; changes in contract policies (like pay-when-paid clauses or shorter tender validity) can affect profitability. Also, public tenders are subject to political scrutiny and any lapses (safety, corruption) can lead to debarment. **Mitigation:** OKP closely adheres to regulations and has a strong compliance record. It actively engages industry bodies and government agencies, giving feedback on policy changes. OKP has also improved productivity (e.g. mechanization) to reduce reliance on manual labour, thus partly mitigating labour quota risks. The company's **long-standing relationship with authorities** and clean governance track record (no corruption issues) mean it is unlikely to face punitive actions like debarment. However, it remains vigilant – for instance, if migrant worker policies tighten, OKP would adjust by hiring more local staff or subcontracting segments.

- **Execution & Project Risk:** Each construction project carries execution risks: cost overruns (from poor site management or rising input prices), delays (which can incur Liquidated Damages penalties), design or engineering errors, or accidents. OKP, like any contractor, is exposed to these. The most notable example was the **2017 PIE viaduct collapse**, where a structural failure caused a fatal accident. This led to a worksite shutdown, legal liabilities, and reputational damage – OKP's subsidiary was fined S$1 million and two staff were jailed for negligence. While OKP eventually recovered costs via arbitration, such incidents are serious risks. **Mitigation:** In the wake of that incident, OKP **strengthened its safety and quality protocols** significantly. It conducts more rigorous risk assessments, engages independent engineering reviewers for critical works, and has enhanced training for staff to follow safety procedures. The company's safety record since 2017 has been incident-free, suggesting lessons learned. On cost control, OKP uses prudent budgeting and contingencies in bids, and maintains good relationships with suppliers to secure materials at stable prices. A lot of contract cost risk is also managed via contract terms – many government contracts allow for some variation orders if scope changes or for fluctuation claims if material prices move beyond certain ranges. Still, execution risk can never be fully eliminated; we take some comfort in OKP's extensive experience (nearly 60 years) which likely helps it foresee and mitigate common project issues.

- **Commodity and Inflation Risk:** Construction inputs (steel, cement, asphalt, diesel) and labour wages can be volatile. Recent global inflation raised costs, which could squeeze margins if not passed through. **Mitigation:** OKP has been increasingly **locking in key input prices** through forward procurement and bulk purchasing. It also benefits from government contracts that include escalation clauses or allow variations for extreme cost changes. The Group's healthy margins in FY2024 indicate it navigated the worst of the inflation shock successfully. Additionally, its net cash position means it can absorb temporary cost overruns without financial distress. We also note that inflation has been moderating in Singapore (core inflation back under 2% as of early 2025), easing this risk going forward.

- **Foreign Exchange Risk:** OKP's core operations are in SGD, but it has some exposure to foreign currencies – notably the Australian dollar (AUD) from the Perth property rental, and possibly USD for certain equipment purchases or investments. A stronger SGD relative to these currencies could reduce translated income or increase import costs. **Mitigation:** The FX exposure is fairly limited in scope. Rental income in AUD (~A$ rent) is largely matched by AUD expenses (property maintenance, local loan if any). The company could hedge this via forward contracts if needed, but given the relatively small magnitude (~S$6m revenue in AUD), it might simply accept the natural hedge (assets in AUD). For imports, OKP usually procures in SGD from local distributors, so major FX swings are not directly its burden. Overall, FX risk is not a major concern for OKP's financials.

- **ESG and Safety Compliance:** Environmental, Social, and Governance factors are increasingly important. Construction is a carbon- and waste-intensive industry; contractors are under pressure to adopt greener practices (recycling materials, reducing noise/dust, etc.). Socially, worker welfare and safety are paramount – any serious safety lapse can halt projects and harm reputation. Governance-wise, transparency and corruption-free operations are essential to win public contracts. **Mitigation:** OKP has demonstrated commitment to ESG through annual sustainability reports (FY2024 Sustainability Report highlights its initiatives in waste management, worker safety, and community engagement). The company received bizSAFE Level Star and ISO certifications for safety and environmental management, indicating adherence to high standards. After the 2017 accident, OKP doubled down on safety – it now boasts a strong safety record (no fatalities since, regular safety audits). These efforts mitigate ESG-related risks and also make OKP a more credible contender for contracts where safety track record is a criterion.

- **Small-Cap Stock Risks (Liquidity & Concentration):** With a relatively small market cap and low free float, OKP's stock can be illiquid. The bid-ask spreads may be wide and large investors could move the price significantly if they enter or exit. Additionally, the concentration of ownership (family and one strategic investor hold ~69%) means minority shareholders have limited influence, and the stock could potentially be taken private or subject to corporate actions that minorities must go along with. **Mitigation:** Investors should be aware of liquidity when building a position (possibly accumulate over time). The upside of the ownership structure is that the controlling family has a long-term vested interest and has treated minority shareholders fairly (e.g. by paying dividends and not engaging in dilutive actions). The presence of China Sonangol as a significant shareholder could even provide downside support (as they might accumulate on dips). That said, the lack of liquidity is a risk for those who may need to exit quickly – one mitigant is that as OKP's fundamentals shine, liquidity often improves (e.g. trading volume has picked up as share price climbed, indicating growing investor attention).

In summary, while OKP faces the typical risks of a construction firm (cyclical demand, project execution, cost inflation), it is **better positioned than many peers to manage these risks**. A strong balance sheet and a recurring maintenance division give it resilience, and management has shown prudence in risk management (e.g. halting aggressive expansion when times were tough, investing in safety). We have a close eye on the safety and execution aspects in particular – any repeat of an incident like 2017 would be a red flag. However, given the steps taken, we see that as low probability. We believe the **risk-reward remains favourable**: the key risks are identifiable and being mitigated, while the upside catalysts are compelling.

Management & Governance

Management Team: OKP is led by a hands-on and experienced management team, largely drawn from the founding family. **Mr. Or Kim Peow**, the founder, serves as Group Executive Chairman. Now in his 80s, Mr. Or has over five decades of industry experience and was awarded the Public Service Medal (BBM) for his contributions. He remains actively involved in strategic decisions. The day-to-day operations are overseen by his son, **Mr. Or Toh Wat**, who is the Group Managing Director. Mr. Or Toh Wat joined the business in the 1990s and has steered OKP through multiple cycles, focusing on modernizing the company's project management and expanding into new areas like property. He too received a BBM national award for public service – indicating a reputable standing in the community. Other executive directors include **Mr. Or Kiam Meng** (likely another family member) and **Mr. Or Lay Huat (Daniel)**, as well as long-serving executives like **Mr. Ang Beng Tin** and **Mr. Oh Kim Poy**, who head various subsidiaries. The presence of multiple Or family members in executive roles ensures a strong alignment of interests and continuity of the company's culture, though it also means key management positions are not as diversified externally.
At the project level, OKP's operations are carried out by its two wholly-owned contracting arms – *Or Kim Peow Contractors (Pte) Ltd* and *Eng Lam Contractors Co (Pte) Ltd*, each led by seasoned industry professionals (some of whom, like Encik Nam Oh and Mr. Yew Whatt Or, are Executive Directors on the board). The **technical capabilities** of the team are well-recognized: OKP has won multiple LTA and PUB awards for project excellence over the years (for example, awards for safety and environmental excellence on work sites).

Board & Governance: OKP's Board of Directors comprises 9 directors, blending the executive team with independent oversight. Aside from the 5-6 executive directors (the Or family and key execs mentioned), there are **3 Independent Non-Executive Directors**: Mr. Choy Wei Hsien (Lead Independent), Mr. Tay Peng Huat, and Mr. Ting Seng Kiong. These independents bring professional expertise in finance and industry – for instance, Mr. Choy is a finance professional, and Mr. Tay has engineering background. The board committees (Audit, Nominating, Remuneration) are chaired by independents, providing checks and balances in line with SGX corporate governance code. Given the family's majority control, the independent directors' role is crucial to protect minority shareholders' interests. There have been no reported governance scandals; OKP's related-party transactions (if any, such as dealings with Or family entities) are minimal or conducted at arm's length as per annual report disclosures. The company's external auditors are Ernst & Young, a Big-4 firm, which adds credibility to its financial reporting.

Major Shareholders: As noted, **Or Kim Peow Investments Pte Ltd** holds ~54.7% and is essentially the Or family's holding vehicle. The second largest block (~13.98%) is held by Ms. Fung Yuen Kwan Veronica, who is associated with China Sonangol interests. Market data suggests China Sonangol (a diversified resource and investment group) at one point directly held ~14% but it appears the stake registration is now under Ms. Fung (who has ties to that group). This stake was acquired around 2010s when China Sonangol invested in OKP, possibly eyeing joint ventures or simply as a portfolio investment. The presence of this strategic investor can be a double-edged sword: on one hand, it provided capital and an endorsement of OKP's value; on the other, if their strategic priorities change, they might sell down (though no indication of that currently). The remaining ~31% of shares are widely held by retail investors and a few local fund managers. Insider ownership by the Or family strongly aligns with long-term value creation – their personal wealth is tied to OKP's stock performance, suggesting they will avoid dilutive equity issuance and maintain dividend flows.

Succession and Talent: A potential concern for family companies is succession planning. Mr. Or Kim Peow is advanced in age and has already transitioned executive power to his son, Or Toh Wat, who has been MD for many years and is in his 50s – a relatively young and energetic leader. There may even be third-generation family involvement in lower management ranks (though not public). From what we observe, the transition has been smooth and the company has professionalized many roles while retaining family guidance. Key man risk is mitigated by the broader leadership team – for example, the Group Financial Controller, Ms. Ong Wei Wei, handles financial management and reporting, and is not a family member, ensuring professional financial oversight. The culture at OKP is described as conservative and quality-focused, which often starts from the top.

Reputation and Track Record: OKP has received a "BB++" corporate rating from DP Information (now part of Experian), reflecting its moderate credit standing in the local SME landscape. The group has also been recognized with accolades such as the Enterprise 50 Award, underscoring its reputation among Singapore's top-performing homegrown businesses. It is often cited in SGX "fastest growing companies" lists during boom years. The handling of the 2017 accident – OKP cooperated fully with authorities, took responsibility (its subsidiary pleaded guilty leading to the fine) – showed accountability in governance. Moreover, the pursuit of arbitration against the design consultant (CPG) which resulted in the S$43.8m award demonstrates management's tenacity in protecting shareholder interests when wronged. That award essentially recouped costs from the incident, minimizing economic damage to OKP. This episode has effectively transformed a difficult chapter into an opportunity for reflection, financial recovery, and potential enhancement of corporate governance practices.

On the ESG front, OKP's **Sustainability Report 2024** highlights board oversight of sustainability and sets targets for safety (e.g. zero fatalities, which they achieved), environmental compliance (zero incidents of non-compliance, achieved), and social contributions. OKP has minimal environmental footprint beyond project sites (where it complies with regulations), and it engages in community initiatives via charity donations and hiring local staff. We do not see any material ESG controversies around OKP beyond the safety incident which has been addressed.

In terms of **transparency**, OKP's investor relations are decent – they provide timely SGX announcements, quarterly updates (until SGX removed mandatory quarterly reporting; now semi-annual), and fairly detailed annual reports. The company also engages with investors via annual general meetings and occasionally at investor conferences or "Investors Day" events (for instance, SGX did a "10 in 10" Q&A with OKP's CEO in March 2025). The coverage by local brokerage (Lim & Tan initiated in Apr 2025) indicates growing interest and OKP's willingness to be visible to the investment community.

Overall Governance Quality: We assess OKP's governance as **satisfactory**, with room for improvement mainly in board diversity (it remains family-heavy). The risk of any governance failure (fraud, misreporting) appears low: projects are mainly with government clients that enforce accountability, and the books are audited by a top firm. The controlling family's incentives align with treating the business as a long-term going concern (no indication of tunnelling or egregious related-party deals). Minority shareholders have largely been treated fairly, evidenced by the equal dividend per share (no special class of shares) and the opportunity to participate in rights issues historically when they occurred (none in recent years, as OKP has not needed equity fundraising).

Privatization Watch: Singapore's equity market has seen a wave of take-private transactions in recent years, particularly among family-controlled companies trading below intrinsic value. While

OKP has not signalled any such intent, its concentrated ownership, strong cash reserves, and relatively low trading liquidity place it within the profile of past privatization candidates. A potential take-private scenario could crystallize value for shareholders at a premium, but would also end public participation in the company's long-term growth. Investors should be mindful of this control dynamic when evaluating governance alignment.

In conclusion, OKP's management and governance inspire confidence. The Or family's stewardship has been largely positive for the company's fortunes, combining traditional values with adaptive strategies (e.g. diversification to property). As investors, we take comfort in management's strong alignment with shareholders — demonstrated through significant insider ownership, a consistent focus on safety and quality, and disciplined capital management (including a robust balance sheet and regular dividend payouts). Looking ahead, we will monitor succession planning, particularly whether Mr. Or Toh Wat brings in professional managers or grooms next-generation leadership, while ensuring that OKP continues to uphold high standards of governance as it scales.

Conclusion & Recommendation

Investment Thesis Recap: OKP Holdings offers a compelling investment case as a **beneficiary of Singapore's infrastructure boom with strong fundamentals to match**. The company has transformed from weathering a difficult period (2020–2022) to entering an earnings upcycle, backed by a record order book, expanding profit margins, and opportunistic gains from property development. Its unique attributes – a **cash-rich balance sheet, decades of execution expertise, and a lean cost structure – position it ahead of peers** in capturing the multi-year increase in public construction demand. Sector consolidation has thinned out competition, enabling survivors like OKP to command a larger market share and negotiate better project terms. Meanwhile, management's prudent stewardship (e.g. maintaining low debt and retaining talent) means OKP can capitalize fully on the upturn without balance sheet constraints.

Financial Outlook: Over the next 12-18 months, we expect OKP to post **robust financial results**. FY2025 is likely to see **record revenue** (we forecast ~$250+ million) as major projects contribute, and **strong net profit** in the S$35–40 million range even excluding one-offs, which would be the highest core earnings in OKP's history. Including the one-time development profit from Phoenix Residences in 1H2025, reported earnings could be higher. Even as that one-off fades in 2026, we anticipate core construction and maintenance profits will continue on an upward trajectory, thanks to the sustained high order book and improved margins. OKP's **return on equity** should stabilize in the high teens, reflecting efficient use of capital given its asset-light model (excess cash not withstanding). Notably, OKP's **ROE of ~16–18%** is well above the cost of equity, creating value for shareholders. The company's capital allocation is balanced – it is investing in growth (bidding new projects, open to new property ventures) while also returning cash via dividends. We foresee dividend yields normalizing around ~3% with potential spikes when specials are declared, adding to total return.

Valuation & Recommendation: With the stock around S$0.98–1.00, OKP trades at an undemanding valuation of ~8.8× trailing P/E and 1.6× P/B. Stripping out net cash, the core business trades at ~5× FY2024 earnings – a bargain given its growth prospects and quality. We have valued OKP at **S$1.20 per share** (12-month target), based on a conservative 8–10× forward earnings multiple and supported by peer comparisons and asset value considerations. This target is at the upper range of recent street estimates (Lim & Tan Securities' initiation in April 2025 pegged fair value at S$0.93 on 8× P/E, which the stock has since surpassed). Our higher target multiple reflects our confidence in

OKP's **earnings resilience and cash backing**. At S$1.20, OKP would still trade at a reasonable ~10× FY25e P/E, a slight discount to the broader market and in line with the sector once adjusting for its cash. The upside to our target is roughly +20% in price, and including dividends (we expect ~2.0–2.5 cents in the next year) total return could approach +23%.

Given this attractive upside and the company's fundamentally low-risk profile (net cash, stable government clientele), we assign a **"BUY" recommendation** on OKP Holdings. The risk-reward is skewed favourably: downside appears limited by asset backing (NTA of ~$0.61 provides a floor – the stock traded near 0.8× book at its lows, implying ~S$0.50 as a strong support in worst-case scenarios), while upside could be higher than our base case if catalysts materialize (as discussed, a major win or substantially higher dividend could push the stock beyond S$1.20). Even after a strong rally in 1H2025, we believe OKP's stock has **further room to run** as the market has yet to fully price in the company's earnings growth and improved quality of earnings.

Investment Action: We recommend investors **accumulate OKP's shares** at current levels, with a price objective of S$1.20 in the next 12 months. For income investors, OKP provides a growing dividend stream underpinned by cash-rich books. For growth or value investors, it offers an earnings growth story at a value price. Our recommendation assumes no severe downturn in construction activity; key things to monitor will be tender win rates, project execution (especially margins), and management's capital allocation (e.g. any large investments or acquisitions should be scrutinized for fit and return). Barring unforeseen negatives, we see OKP as a solid **small-cap BUY**, poised to deliver shareholder value through both **earnings uplift and capital return**.

Conclusion: In a market where many companies either have growth but no yield, or yield but no growth, OKP stands out by offering both. The company is on track for *record revenues and solid profits* in the coming year, fuelled by Singapore's development needs, and it has shown a commitment to share the gains with investors. With strong leadership at the helm, a sterling balance sheet, and multiple irons in the fire (core construction, maintenance, and property upside), OKP is well-equipped to navigate challenges and seize opportunities. We thus conclude that OKP Holdings is an **attractive investment at current valuations**, and we reiterate our **BUY rating with a S$1.20 target**, representing confidence in the 12-month outlook and beyond.

Appendices

Appendix A: 12-Month Financial Forecast (FY2025F)

Metric	FY2024 Actual	FY2025 Forecast	Change (YoY)	Notes
Revenue	S$181.8 million	S$260.0 million	43%	Construction revenue rises ~20%; one-time property dev revenue (~S$70–80m from Phoenix TOP); maintenance +5%.
Net Profit (attributable)	S$33.7 million	S$36.0 million	+7% (normalised)	Underlying growth from higher construction GP; includes ~$20m net profit from Phoenix dev, offset by absence of FY24's fair value losses.
Earnings per Share (EPS)	11.0 cents	11.7 cents	6%	Based on 307.0m shares. High EPS despite share count as profit grows.
Dividend per Share (DPS)	2.5 cents (incl. special)	2.0 cents (proj.)	–	We assume a 1.0¢ final + 1.0¢ special for FY25, slightly lower total than FY24's to be conservative. Payout ~17% of profit.
Return on Equity (ROE)	~18%	~19%	+1 ppt	Equity base rises with retained earnings; net margin ~14% on higher revenue (property dev skews margins).

Table 2: OKP FY2025 Forecast vs FY2024 Actual. We project strong revenue growth driven by order book execution and the one-time recognition of Phoenix Residences sales. Net profit rises modestly on a reported basis (as FY2024 had some one-offs like arbitration award and fair value loss that

roughly netted out), but core operating profit sees a big jump. We forecast a slightly lower total dividend as management might reserve some windfall for future use, but there is upside if they repeat a large special dividend. ROE remains high, reflecting efficient capital use and profitability.

Appendix B: Segment Revenue & Profit Model (FY2024 & FY2025F)

Segment	FY2024 Revenue (S$m)	FY2024 Gross Profit (S$m)	FY2025F Revenue (S$m)	FY2025F Gross Profit (S$m)
Construction	114	~35.0 (est)	140	42
Maintenance	61.7	~19.0 (est)	65	19.5
Rental/Investment	6.1	4.0 (est)	6.5	4
Core Business Total	**181.8**	**58**	**211.5**	**65.5**
Property Development (one-off)	0	0	~50.0	~25.0 (50% margin)
Grand Total	**181.8**	**58**	**261.5**	**90.5**

Table 3: Segment-wise model for revenue and gross profit. **Construction** is expected to grow ~23% in FY25 as large projects contribute more (North-South Corridor, etc.) and new wins possibly kick in late-year. We model construction GP margin ~30% (slightly lower than FY24's 31% for group, since FY24 benefitted from catch-up variations). **Maintenance** grows modestly (~5%) with steady contracts; we assume similar GP margin ~30%. **Rental** inch up slightly (Perth occupancy, minor rent increases). The **Property Development** line reflects the recognition of Phoenix Residences: we assume ~S$50m revenue (conservative, could be higher if average selling price ~S$1.3k psf on ~40k sqm GFA) and ~S$25m gross profit (assuming ~50% gross margin typical for a sold-out small development). This drives the spike in total GP in FY25. Note: FY2024's overall GP (S$58.2m) included some one-offs (write-back of loss allowance ~S$3m), so core GP was ~S$55m. Our model shows core GP rising to ~S$65.5m, reflecting better operating leverage. Segment profit (after overhead allocation) would follow similar proportions, with development profit mostly flowing to pre-tax profit directly.

Appendix C: Historical Financial Summary (FY2022–FY2024)

(S$'000)	FY2022	FY2023	FY2024
Revenue	117,576	160,392	181,752
Gross Profit	10,818	24,722	58,181
Gross Margin	9.20%	15.40%	32.00%
Net Profit (reported)	235	47,419 (44,619 attrib.)	32,804 (33,705 attrib.)
Net Margin	0.20%	29.6% (27.8% attrib.)	18.0% (18.5% attrib.)
EPS (basic)	(0.33) cent	14.5 cents	11.0 cents (est.)
Dividends per share	0.7 cent (final)	1.0 cent (final)	2.5 cents (1.0¢ final + 1.5¢ special)
Cash & Equivalents	29,877	81,681	124,339
Total Debt	36,711	31,991	30,183
Net Cash/(Debt)	-6,834	49,690	94,156
Total Equity	122,008	161,714	186,594
Order Book (ongoing)	454,100	518,600	600,700

Table 4: OKP Holdings Key Financials for FY2022–FY2024. Note the significant turnaround from FY2022 (essentially breakeven net profit) to FY2023 (record profit largely due to a one-off gain), and

the sustained high performance in FY2024 (core operations improved greatly). The balance sheet data highlight the jump in cash by FY2024 (from arbitration award and cash from operations) and the consistently low debt. Order book figures are as at beginning of the subsequent year. *Sources: Company Annual Reports/SGX results announcements.*

Appendix D: 5-Year Financial Highlight *(Source: Company FY2024 Annual Report)*

	2024 $'000	2023 $'000	2022 $'000	2021 $'000	2020 $'000
FOR THE YEAR					
Revenue - Construction	113,953	102,409	81,920	56,560	46,065
Revenue - Maintenance	61,736	51,604	29,456	26,405	17,244
Revenue - Rental income	6,063	6,379	6,270	7,070	6,318
Total revenue	181,752	160,392	117,646	90,035	69,627
Revenue - Construction (% of total revenue)	62.7%	63.8%	69.7%	62.8%	66.2%
Revenue - Maintenance (% of total revenue)	34.0%	32.2%	25.0%	29.3%	24.7%
Revenue - Rental income (% of total revenue)	3.3%	4.0%	5.3%	7.9%	9.1%
Gross profit	58,181	24,721	10,818	6,793	7,376
Gross profit (%)	32.0%	15.4%	9.2%	7.5%	10.6%
Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA)	46,244	58,301	6,756	9,890	9,805
EBITDA margin (%)	25.4%	36.3%	5.7%	11.0%	14.1%
Finance expense	2,049	2,065	1,569	1,138	1,163
Depreciation of property, plant and equipment	6,136	5,098	4,629	4,278	4,179
Amortisation of intangible assets	2	16	18	26	30
Profit before income tax	38,057	51,122	540	4,448	4,433
Profit before income tax (%)	20.9%	31.9%	0.5%	4.9%	6.4%
Net profit	32,770	47,449	164	4,235	3,955
Net profit (%)	18.0%	29.6%	0.1%	4.7%	5.7%
Profit after income tax and non-controlling interests (PATMI)	33,705	44,619	(1,019)	1,515	3,293
PATMI Margin (%)	18.5%	27.8%	(0.9%)	1.7%	4.7%
AT YEAR END					
Current assets	173,871	123,125	69,476	76,325	103,065
Total assets	308,962	259,476	204,901	203,134	197,079
Current liabilities	75,515	55,139	44,174	37,321	38,549
Total liabilities	105,894	90,013	81,187	77,862	59,026
Total debt (ie bank borrowings & lease liabilities)	30,183	31,991	36,711	40,424	31,601
Shareholders' equity	186,594	161,715	118,759	121,708	122,144
Total equity	203,068	169,463	123,714	125,272	123,183
Operating cashflow	58,328	75,250	(6,557)	(5,992)	18,694
Cash and cash equivalents	130,775	87,639	25,970	51,031	79,097
Net tangible assets	201,380	167,773	122,008	123,547	121,432
Net order book	600,670	518,591	358,182	329,258	254,027
Net order book - Construction	438,510	383,423	301,693	280,237	186,802
Net order book - Maintenance	162,160	135,168	56,489	49,021	67,225
Net order book - Total	600,670	518,591	358,182	329,258	254,027
Net order book - Construction (%)	73.0%	73.9%	84.2%	85.1%	73.5%
Net order book - Maintenance (%)	27.0%	26.1%	15.8%	14.9%	26.5%
Number of shares (excluding treasury shares) ('000)	306,961	306,961	306,961	306,961	306,961
Adjusted weighted average number of ordinary shares					
- Basic ('000)	306,961	306,961	306,961	306,961	307,468
- Fully diluted ('000)	306,961	306,961	306,961	306,961	307,468
Share price at year end (cents)	32.50	21.50	15.50	19.50	17.80
Market capitalisation as at 31 December	99,762	65,997	47,579	59,857	54,639
Capital expenditure	8,885	7,308	8,638	7,198	12,495

	2024	2023	2022	2021	2020
FINANCIAL RATIOS					
Profitability					
Revenue growth (%)	13.3%	36.3%	30.7%	29.3%	(14.5%)
PATMI growth (%)	(24.5%)	4,478.7%	(167.3%)	(54.0%)	971.2%
Return on assets (%) (PATMI/Total assets)	10.9%	17.2%	(0.5%)	0.7%	1.7%
Return on equity (%) (PATMI/Ave shareholders equity)	19.4%	31.8%	(0.8%)	1.2%	2.7%
Liquidity					
Current ratio (times)	2.3	2.2	1.6	2.0	2.7
Cash as per share (cents)	42.6	28.6	8.5	16.6	25.8
Net tangible assets per share (cents)	65.6	54.7	39.7	40.2	39.6
Leverage					
Total debt to equity ratio (times) (Total debt/Total equity)	0.1	0.2	0.3	0.3	0.3
Interest cover (times) (EBITDA/Finance expense)	22.6	28.2	4.3	8.7	8.4
Investors' Ratios					
Earnings per share (cents)					
- Basic	10.98	14.54	(0.33)	0.49	1.1
- Fully diluted	10.98	14.54	(0.33)	0.49	1.1
Gross dividend per share (cents) - ordinary	1.0	1.2	0.7	0.7	0.7
Gross dividend per share (cents) - special	1.5	0.8	0.0	0.0	0.0
Total gross dividend per share (cents) (DPS)	2.5	2.0	0.7	0.7	0.7
Gross dividend yield (%) based on year end share price	7.7%	9.3%	4.5%	3.6%	3.9%
Gross dividend payout (%) (DPS/Basic EPS)	22.8%	13.8%	(212.1%)	142.9%	65.4%
Productivity					
Number of employees	960	871	861	812	788
Revenue/employee ($'000)	189.3	184.1	136.6	110.9	88.4

Footnote:
OKP's shareholder register, as published on SGX filings, lists both ***China Sonangol International Limited*** *and* ***Fung Yuen Kwan Veronica*** *as holders of approximately* ***14%****, under names that suggest related holdings—indicating a direct link in ownership structures.* *OKP Holdings Limited - Shareholders*

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