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Good growth prospects expected for OCK on Myanmar Tower profit

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/ The Edge Financial Daily

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April 18, 2017 11:42 am MYT

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OCK Group Bhd

(April 17, 87 sen)

Maintain buy with a higher target price (TP) of RM1.05: We continue to like OCK Group Bhd for its good growth prospects underpinned by maiden profit contribution from Myanmar Tower Co. Additionally, OCK aims to build another 200 to 300 towers in Vietnam while working on increasing tenancy ratio from 1.26 times to 1.3 times by end 2017. All in all, we raise 2017 to 2019 core net profit by 4% to 6%, after incorporating holding company management fee and rental income (which turned positive in 2016).

OCK can deliver about 620 and 650 units of towers to Telenor Myanmar in first quarter 2017 (1Q17) and 2Q17 respectively. Additionally, we expect management to complete the handover of 920 towers by year end. To recap, the delay was due to Telenor's network replanning process in early 2016. At this juncture, a dozen new coordinates have been identified and OCK is undertaking site surveys.

We expect Myanmar Tower earnings to pour in from first quarter of financial year 2017 (1QFY17) onwards, after three quarters of start-up losses in 2016 (nine months of FY16: -RM2.3 million). In fact, the Myanmar Tower turned in a small profit in 4QFY16. We estimate the Myanmar Tower could lift 1QFY17's net profit by RM1.1 million, thereby contributing about 13% of FY17's net profit.

We also expect the government-owned incumbent Myanmar Post and Telecommunication (MPT) to ramp up network expansion plans as the Myanmar government focuses on wide network expansion in the coming years. We gather that MPT is interested in at least 100 of OCK's tower sites and is aiming to sign long-term lease agreements (10- to 12-year tenure) within the next few months. — *UOB KayHian*, April 17

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