

OKP Holdings Limited

(OKP SP / 5CF.SI)

On track for a record year on solid contract wins and widening margins

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Investment Highlights

- Projects secured in the past three years underpin margins.** Gross margin expanded 6.8 percentage points to 37.6%. Management linked the relatively high margin to the projects won over the past three years, while the results also highlighted better execution and project-stage profit recognition. In-house manpower is the principal cost driver, with relatively limited subcontracting. We therefore view workforce productivity and utilisation as central to sustaining profitability.
- FY26 is poised to be a record year.** First-half earnings are ahead of a simple half-year run rate, while operating cash flow rose 84.0% to S\$32.2m. This supports reinvestment alongside the 0.6-cent special interim dividend. The subsequent S\$21.0m operational property acquisition, with potential accommodation for up to 800 workers, fits OKP's reliance on its own workforce.
- Government programmes support order replenishment.** The S\$797.9m backlog extends through 2031 and represents approximately 3.6 times FY25 revenue. Beyond management's positive outlook, public plans for about 55,000 BTO flats over 2025–2027, a 1,300km cycling network and Friendly Streets in all towns by 2030 point to sustained demand for neighbourhood connectivity. These programmes align with OKP's commuter infrastructure expertise; tender opportunities and margins will depend on competition and execution.
- Cash is being recycled into operating capacity.** The 455 Jalan Ahmad Ibrahim site (JTC lease with 27.5 years left; in-principle approval for an 800-worker dormitory) supports the shift to in-house delivery that cut 1H26 cost of sales by 1.7% on 9.0% higher revenue.

Valuation & Action.

We reiterate our **OUTPERFORM** rating with a lower 12-month DCF-based target price of **S\$1.22**, using a 12.0% WACC and 2.0% terminal growth rate. This implies 100.3% upside. The record order book supports earnings visibility, while our forecasts incorporate the operational property purchase without assuming dormitory cost savings.

Risks.

Key downside risks include (i) margin pressure from heightened competition and input cost inflation; (ii) slower-than-expected ramp of new contracts or projects; and (iii) execution risk on overseas expansion plans.

OUTPERFORM

Last close (S\$)	0.61
12M Target Price (S\$)	1.22
Previous TP (S\$)	1.31
Previous Recommendation	OP
Upside / (Downside) (%)	100.3%

TRADING DATA

Market Cap (S\$m)	327.68
Issued Shares (m)	537.18
3M Avg Daily Vol (m)	0.44
3M Avg Daily Val (S\$m)	0.32
Free Float (%)	30.33

MAJOR SHAREHOLDERS (%)

Or Kim Peow Investment	64.08
Ginko-AGT Global Growth	6.51
China Sonangol International	4.89

Financials & Key Operating Statistics

YE Dec (S\$'mn)	2024	2025	2026F	2027F	2028F
Revenue	181.8	223.5	262.0	335.4	330.8
PATMI	33.7	44.3	53.2	71.7	74.2
EPS (S\$ cents)	10.98	14.42	9.90	13.35	13.82
EPS growth (%)	n/a	31.3%	(31.3%)	34.8%	3.5%
DPS (S\$ cents)	1.50	2.50	2.60	2.02	2.10
Div Yield (%)	1.8%	3.0%	3.2%	2.5%	2.5%
Net Profit Margin (%)	18.5%	19.8%	20.3%	21.4%	22.4%
Net Gearing (%)	(49.5%)	(56.4%)	(60.9%)	(66.7%)	(71.3%)
P/E (x)	7.5x	5.7x	8.3x	6.2x	6.0x
P/B (x)	2.2x	1.9x	1.6x	1.3x	1.1x

Source: Company data, KGI Research estimates

Financials & Business Updates

Ontrack to a record year

OKP's strong 1H26 and management's confidence in a record FY26 reinforce our positive investment view. PATMI rose 43.9% YoY to S\$27.5m on revenue growth of 9.0% to S\$113.8m, reaching 57.4% of our existing full-year earnings forecast. At the briefing, management attributed relatively high margins to projects secured over the past three years and confirmed a current order book of S\$797.9m extending through 2031. The combination of profitable project execution and expected growth in government work supports the earnings outlook.

Figure 1: Top-line breakdown

Segment	Revenue 1H26 (S\$m)	Revenue YoY	Gross margin 1H25	Gross margin 1H26
Construction	79.4	9.5%	39.0%	43.4%
Maintenance	33.2	11.0%	9.5%	24.7%
Rental income	1.1	(40.9%)	56.0%	11.2%
Group	113.8	9.0%	30.8%	37.6%

Source: Company, KGI Research

Construction gross profit rose 21.9% to S\$34.4m and maintenance gross profit increased 190.5% to S\$8.2m. Management attributes the relatively high margins to projects secured over the past three years; the results also cite better execution and project-stage profit recognition. In-house manpower is the main cost driver, with relatively limited subcontracting, making workforce productivity and utilisation central to profitability. Maintenance was the swing factor. Its gross profit nearly tripled to S\$8.2m (19% of group gross profit, from 9%) as margin rose 15.2ppt on better execution and projects moving into stages with higher profit recognition. Rental gross profit fell 88% to S\$0.1m with 6–8 Bennett Street (Perth) still vacant.

Management highlighted its expertise in cycling paths and covered walkways and described commuter infrastructure contracts as offering faster cash recycling and lower risk than mega projects. It also clarified that maintenance work is generally tendered separately. We therefore see execution capability and disciplined bidding as more important than pursuing revenue growth alone.

Robust order book and delivery capabilities

The order book of S\$797.9m is 3.4x LTM revenue, 35.7% above the FY25 year-end level and 5% above the S\$760.7m at our initiation. Awards of S\$252.6m in 1H26 were 2.2x 1H26 revenue, and with Dawson Road, 2026 awards of S\$343.2m equal 1.5x FY25 revenue. All three are LTA contracts, which supports visibility but concentrates exposure. Dawson Road covers the Kay Siang Road extension, road widening, bus-stop shelters, covered linkways and cycling paths; straight-lined over 42 months it adds about S\$26m of revenue a year, or about 11% of FY26F revenue.

Separately, BCA identified OKP subsidiary Eng Lam Contractors as the recipient of JTC's first NEC4 target-cost contract, for infrastructure works at CleanTech Park in Jurong Innovation District. The contract allows parties to share cost savings or overruns. This offers a route to reward delivery efficiency, while retaining exposure to project costs; it is not an assured margin uplift or an additional award to add to the reported backlog.

Figure 2: Net construction order book

Date	Project	Contract (S\$m)	Order book after (S\$m)	Remarks
31 Dec 2025	FY25 year-end	–	588.0	Projects extend to 2031
Mar 2026	LTA: commuter infrastructure, Jurong Region Line	87.3	627.2	60 months from 27 Feb 2026

Date	Project	Contract (\$m)	Order book after (\$m)	Remarks
May 2026	LTA: lift shafts and commuter infrastructure at 30 pedestrian overhead bridges	165.3	760.7	48 months from 25 May 2026
30 Jun 2026	1H26 results	–	727.3	
13 Aug 2026	LTA: Dawson Road network (Kay Siang Road extension; Tanglin and Kay Siang Road widening)	90.6	797.9	42 months from Aug 2026

Source: Company, KGI Research

Workforce investment and financial capacity

The S\$21.0m acquisition of 455 Jalan Ahmad Ibrahim, completed on 8 October using internal cash, adds storage, maintenance and fabrication capacity. In-principle approvals allow part of the property to become a dormitory for up to 800 workers. This fits OKP's reliance on its own workforce and could improve accommodation and deployment certainty. Conversion costs and savings remain unquantified, with no material FY26 EPS or NTA-per-share impact expected by management.

The accommodation investment also sits within a changing supply backdrop. MOM plans around 48,300 beds from six purpose-built dormitory sites by the early 2030s, alongside 16,000 beds from four quick-build dormitories in 2027. We view OKP's site primarily as an operational investment: expanding market supply means persistent rental inflation should not be assumed when estimating its eventual savings.

Operating cash flow of S\$32.2m covered 117% of PATMI. June-end net cash excluding pledged deposits, after bank debt and leases, was S\$166.4m, providing capacity for project working capital and the subsequent property purchase. The 0.6-cent special interim dividend implies S\$3.2m of distributions. Rental income remains a weaker area: revenue fell 40.9% to S\$1.1m amid Perth vacancies and renovations, with enhancement works expected to complete in phases through 2027.

Figure 3: Property purchase at a glance

Item	Detail
Asset	455 Jalan Ahmad Ibrahim, Singapore 639936: part single-storey, part two-storey factory
Price	S\$21.0m excluding GST, equal to Savills' valuation at 1 Jul 2026 (direct comparison); about S\$1,755 per sqm of GFA
Tenure	JTC lease of 30 years from 1 May 2024, about 27.5 years remaining; assigned by Crown Beverage Cans Singapore (unrelated) with JTC consent
Size	Land about 17,160 sqm; GFA about 11,965 sqm
Use	Storage of materials and equipment, plant maintenance and repair, fabrication; in-principle approvals to convert part to a dormitory for up to 800 workers
Funding and timing	Internal cash; completed 8 Oct 2026 (price, GST, stamp duty and costs fully paid)
Company view of impact	No material impact on FY26 NTA or EPS per share

Outlook

Overall economic growth remains healthy

Singapore's 3Q26 GDP rose 5.4% YoY and 1.1% sequentially on a seasonally adjusted basis. MAS expects continued near-term expansion, followed by moderation as the AI cycle eases during 2027, while major infrastructure construction continues. It also flags elevated energy prices and upside inflation risks. In our view, public infrastructure spending supports OKP's demand visibility, but fuel, materials and labour costs still require close control.

Construction upswing cycle continues

BCA projects S\$47bn–S\$53bn of construction contract awards in 2026 and an annual average of S\$39bn–S\$46bn over 2027–2030. Output, measured by certified progress payments, is forecast at S\$43bn–S\$46bn in 2026. The lower medium-term award range argues for sustained activity rather than uninterrupted industry growth; mega projects also extend beyond OKP’s core market.

Housing and neighbourhood connectivity provide more direct opportunities. HDB plans about 55,000 BTO flats over 2025–2027, including 19,600 in 2026. MOT targets around 1,300km of cycling paths by 2030, connecting homes to stations and amenities, while LTA plans Friendly Streets in all towns by 2030. Together, these programmes support demand for paths, crossings and road improvements, consistent with management’s expectation of more government work. Contract timing and OKP’s share remain dependent on tenders.

Upbeat outlook but conservative guidance

Management’s briefing confidence in a record FY26 is supported by the S\$797.9m order book and profitable projects secured over the past three years. However, at the April AGM, management cautioned that a 30% gross margin might not be sustainable, despite confidence in secured projects; future tender margins depend on demand and competition. We therefore see strong near-term earnings visibility, while allowing for margin normalisation as the project mix changes.

Valuation

We reiterate OUTPERFORM with a lower 12-month target price of S\$1.22. The record order book supports earnings visibility, while our FY26 forecasts of S\$262.0m revenue and S\$53.2m PATMI allow for gross margin moderation to 33.3% from 37.6% in 1H26. Our DCF valuation assumes a 12.0% WACC and 2.0% terminal growth rate. We raise our WACC from 10.0% to 12.0% to reflect the risk of a renewed interest-rate hiking cycle and a higher required return amid increased volatility in Singapore small- and mid-cap equities.

Valuation summary

- The DCF implies enterprise value of S\$521.4m and equity value of S\$656.4m, including S\$135.0m FY25 closing net cash, across 537.2m shares. The property acquisition is reflected in forecast cash flows and is not deducted again from this net cash bridge.
- Our forecasts include the property purchase and associated depreciation, without assuming dormitory cost savings. The target price implies 14.7x FY26F earnings, close to the S\$1.22 valuation from the model's 15.0x P/E cross-check and offers 100.3% upside from S\$0.61.
- DCF sensitivity indicates S\$1.09–S\$1.42 per share at WACC of 11.0–13.0% and terminal growth of 1.0–3.0%. Slower contract execution or greater margin pressure would weaken the investment case.

Figure 4: DCF Model

DCF VALUATION		<u>Projected</u>				
<i>All amounts in 'S\$ unless otherwise stated</i>						
<i>Year ended 31 Dec</i>		FY2026F	FY2027F	FY2028	FY2029	FY2030
EBIT		62,196,735	83,048,877	85,313,260	79,888,812	52,874,562
Tax rate		15.0%	15.0%	15.0%	15.0%	15.0%
EBIT (1-T)		52,895,195	70,711,652	72,636,378	68,025,597	45,063,485
(+) D&A		6,591,008	6,269,683	5,955,062	5,680,670	5,400,185
(-) Change in NWC		(4,468,420)	(6,788,300)	(5,324,150)	(3,250,927)	6,522,375
(-) Capex		(26,177,600)	(3,354,364)	(3,308,115)	(2,993,264)	(1,965,055)
Free Cash Flow		28,840,183	66,838,671	69,959,175	67,462,076	55,020,990
Free Cash Flow to Firm		28,840,183	66,838,671	69,959,175	67,462,076	55,020,990
Terminal Value						561,214,099
Total FCFF to be Discounted		28,840,183	66,838,671	69,959,175	67,462,076	616,235,089
PV of Free Cash Flow		25,750,163	53,283,380	49,795,559	42,873,369	349,668,339
Enterprise Value		521,370,809				
(-) Debt		26,724,883				
(+) Cash		161,735,189				
Equity Value		656,381,115				
Diluted Shares Outstanding ('000)		537,182,531				
Fair Value / Share (S\$)		1.222				
Current Share Price (S\$)		0.610				
Upside / (Downside)		100.3%				
SENSITIVITY: FAIR VALUE / SHARE (S\$)						
<i>WACC \ Terminal g</i>		1.0%	1.5%	2.0%	2.5%	3.0%
11.00%		1.253	1.289	1.328	1.372	1.422
11.50%		1.206	1.237	1.272	1.311	1.354
12.00%		1.163	1.191	1.222	1.256	1.294
12.50%		1.123	1.149	1.176	1.207	1.240
13.00%		1.087	1.110	1.135	1.162	1.192

Source: KGI Research

Financial Summary

INCOME STATEMENT (S\$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	181,752	223,465	261,968	335,436	330,811
Cost of sales	(123,571)	(151,028)	(174,618)	(220,796)	(214,455)
Gross profit	58,181	72,436	87,350	114,640	116,356
Selling & distribution	-	-	-	-	-
Administrative expenses	(17,791)	(20,554)	(23,572)	(29,511)	(28,443)
Other operating expenses	3,255	5,488	5,009	4,190	3,355
EBITDA	43,645	57,370	68,788	89,319	91,268
Depreciation & amortisation	(6,138)	(6,158)	(6,591)	(6,270)	(5,955)
Operating profit (EBIT)	37,508	51,213	62,197	83,049	85,313
Net finance income / (cost)	549	218	412	1,441	2,157
Other gains / (losses)	-	-	-	-	-
Profit before tax	38,057	51,431	62,609	84,490	87,470
Tax expense	(5,287)	(7,850)	(9,419)	(12,794)	(13,241)
Minority interests	935	674	-	-	-
Net profit (PATMI)	33,705	44,255	53,190	71,696	74,229
EPS (S\$ cents)	10.98	14.42	9.90	13.35	13.82
DPS (S\$ cents)	1.50	2.50	2.60	2.02	2.10

CASH FLOW STATEMENT (S\$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	32,770	43,581	53,190	71,696	74,229
Depreciation & amortisation	6,138	6,158	6,591	6,270	5,955
Working capital changes	11,272	(14,504)	(4,468)	(6,788)	(5,324)
Tax paid	5,287	7,850	9,419	12,794	13,241
Other operating items	2,862	303	(8,281)	(12,187)	(12,829)
Operating cash flow	58,328	43,387	56,450	71,785	75,272
Capex	(3,987)	(2,565)	(26,178)	(3,354)	(3,308)
Acquisitions / disposals	88	3,743	15,046	-	-
Other investing items	(485)	(1,127)	4,455	31	31
Investing cash flow	(4,385)	50	(6,676)	(3,323)	(3,277)
Net debt drawdown / (repayment)	(5,135)	(5,017)	(15,402)	(3,000)	(3,000)
Dividends paid	(4,604)	(7,674)	(13,967)	(10,875)	(11,255)
Equity issuance / (buyback)	-	-	-	-	-
Other financing items	(1,555)	870	(1,237)	(638)	(443)
Financing cash flow	(11,295)	(11,820)	(30,606)	(14,513)	(14,698)
Net change in cash	42,648	31,617	19,169	53,949	57,298
Beginning cash	81,745	124,311	161,735	180,904	234,853
Ending cash	124,394	155,928	180,904	234,853	292,150

BALANCE SHEET (S\$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash & equivalents	130,775	161,735	180,904	234,853	292,150
Trade receivables	18,638	17,696	23,422	27,570	27,190
Inventories	1,233	1,447	1,435	919	906
Other current assets	23,226	53,838	44,535	57,024	56,238
Current assets	173,872	234,716	250,295	320,366	376,485
Property, plant & equipment	41,530	38,664	58,171	55,274	52,645
Intangibles & goodwill	1,688	1,854	1,836	1,817	1,799
Other non-current assets	91,873	74,869	70,445	70,445	70,445
Non-current assets	135,090	115,387	130,451	127,535	124,888
Total assets	308,962	350,103	380,746	447,901	501,373
Trade payables	39,011	47,465	52,568	60,273	55,609
Short-term borrowings	12,024	23,956	8,554	5,554	2,554
Other current liabilities	24,480	22,547	24,266	25,895	24,056
Current liabilities	75,515	93,968	85,388	91,722	82,219
Long-term borrowings	18,158	2,769	2,769	2,769	2,769
Other non-current liabilities	12,220	13,949	13,949	13,949	13,949
Non-current liabilities	30,378	16,717	16,717	16,717	16,717
Total liabilities	105,894	110,685	102,106	108,439	98,936
Shareholders' equity	186,594	223,159	262,382	323,203	386,178
Minority Interest	16,474	16,259	16,259	16,259	16,259
Total equity	203,068	239,418	278,640	339,462	402,437

KEY RATIOS & VALUATION	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue growth (%)	13.3%	23.0%	17.2%	28.0%	(1.4%)
Gross margin (%)	32.0%	32.4%	33.3%	34.2%	35.2%
EBITDA margin (%)	24.0%	25.7%	26.3%	26.6%	27.6%
Net profit margin (%)	18.5%	19.8%	20.3%	21.4%	22.4%
ROE (%)	16.6%	18.5%	19.1%	21.1%	18.4%
ROA (%)	10.9%	12.6%	14.0%	16.0%	14.8%
Net debt / equity (x)	(0.5x)	(0.6x)	(0.6x)	(0.7x)	(0.7x)
Net debt / EBITDA (x)	(2.3x)	(2.4x)	(2.5x)	(2.5x)	(3.1x)
Dividend payout (%)	13.7%	17.3%	26.3%	15.2%	15.2%
P/E (x)	7.5x	5.7x	8.3x	6.2x	6.0x
EV/EBITDA (x)	7.1x	5.4x	4.5x	3.5x	3.4x
P/NAV (x)	2.2x	1.9x	1.6x	1.3x	1.1x
Dividend yield (%)	1.8%	3.0%	3.2%	2.5%	2.5%

Source: Company, KGI Research estimates

KGI's Ratings

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Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
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