OKP HOLDINGS

BUY

Share Price:	**S$0.78**
Target Price:	**S$1.03**
Upside:	**+32.1%**

COMPANY DESCRIPTION

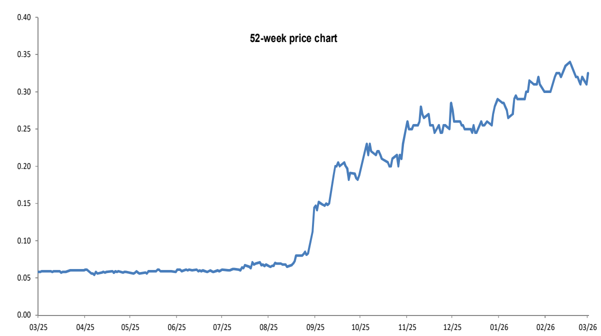
OKP Holdings Limited (OKP) and its subsidiary corporations are a leading transport infrastructure and civil engineering group in Singapore. The Group specialises in the construction of airport runways and taxiways, expressways, flyovers, vehicular bridges, urban and arterial roads, airport infrastructure, and oil and gasrelated infrastructure for petrochemical plants and oil storage terminals.

Name	**OKP HOLDINGS**
Bloomberg Code	**OKP SP EQUITY**
3M Avg Daily Trading Vol (K)	**624.7**
3M Avg Daily Trading Val (S$'000)	**483.1**
Major Shareholder / Holdings	**Or Family (54.9%)**
Shares Outstanding (m)	**537.3**
Market Capitalisation (S$m)	**419.1**
52 week Share Price High/Low	**S$0.89 / S$0.28**

STOCK PRICE PERFORMANCE

	1M	3M	12M
Absolute Return (%)	-3.1	19.0	182.1

PRICE CHART



Source : Bloomberg

OKP continues to ride construction upcycle

OKP Holdings reported FY25 NPAT of S$44.2mln, beating our forecasts by 9.2%, mainly due to much stronger execution in 2H where gross margins continue to remain strong at 33.8%. This is particularly impressive for a construction player, given that industry gross margins typically trend below 30%. Earnings visibility remains firm as OKP progressively runs down its FY25 order book of S$588mln, and while construction is inherently lumpy, we do not expect margins to decline in the near to medium term.

Instead, current profitability levels suggest that super-normal margins are being sustained amid the ongoing infrastructure upcycle. Op. cash flow generation continues to be strong, allowing OKP to build its cash war chest to S$161.7mln (c.37% of market cap), providing both downside protection and flexibility for opportunistic investments. On the back of improved earnings, OKP declared a total dividend of 2.0 cts/share post bonus issue (0.7ct normal and 1.3ct special dividend), representing close to a 40%yoy increase and reflecting management's confidence in earnings sustainability.

As such, we continue to maintain a BUY recommendation on OKP with a **revised target price of S$1.03** (previously S$0.94), pegged to an unchanged 11x FY26PE, with an increased estimated FY26F profit of S$50mln. Potential rerating catalysts would include **order book wins, continued margin expansion and higher dividends**. On an **ex-cash basis, OKP trades at only ~4.6x FY26F earnings** and we expect its cash war chest to continue growing given its exposure to government clients with reliable payment profiles and a consistent execution track record.

Solid profitability and exceptional margins.
In 2H25, OKP Holdings recorded revenue of S$119.1mln(+10.5% YoY), mainly due to higher recognition from existing infrastructure projects as work progressed into more active construction phases, as well as contributions from newly secured contracts. Gross margins improved to 33.8% as project execution remained tight and cost control was disciplined. With a higher revenue base, operating leverage kicked in, lifting NPAT to S$25.1mln from S$21.8mln a year ago. We note that OKP's gross margins have consistently outperformed the broader Singapore construction sector, where typical margins range between below 30% for most listed peers. OKP's ability to sustain margins above 30% is a testament to its selective tendering strategy, in-house capabilities, and the predominantly public-sector nature of its project base, which carries lower counterparty risk and more predictable payment schedules.

KEY FINANCIALS

Dec YE	FY23	FY24	FY25	FY26F	FY27F
Revenue (S$mln)	160	182	223	253	284
Gross Profit (S$mln)	25	58	72	82	88
Gross Margin (%)	15.4	32.0	32.4	32.4	31.0
Net Profit (S$mln)	45	34	44.3	50	54
Adj. EPS (S cts)	8.3	6.3	8.2	9.3	10.0
PE (x)	9.4	12.4	9.5	8.4	7.8
Ex Cash PE (x)	8.0	9.2	6.3	4.6	3.5
PB (x)	2.5	2.1	1.8	1.6	1.4
ROE (%)	27.6	18.1	19.8	19.1	17.8
Adj. Dividend Per Share	1.1	1.4	2.0	2.3	2.5
Dividend Yield (%)	1.5	1.8	2.6	3.0	3.2
Payout Ratio	13.8	22.8	24.3	25.0	25.0

Source: Lim & Tan Research

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Macro remains strong; **Multi year construction upcycle**
Looking ahead, the pipeline remains substantial. Under the government's LTA Master Plan 2040, the LTA has committed to building 1,300km of cycling paths by 2030 and expanding the network further by 2040. With approximately 730km completed thus far, significant additional contracts are expected to be awarded over the coming years. Given OKP's deep track record in cycling paths, this creates a multi-year runway of tender opportunities that plays directly to OKP's demonstrated competitive advantage. Other than cycling paths, the broader construction pipeline remains robust, driven by major civil engineering projects such as the Cross Island Line, extensive drainage improvement works, and the continued expansion of Singapore's rail and road infrastructure.

Net cash position supports future expansion.
OKP remains in a net cash position, boasting a war chest of S$161.7mln on the back of strong operating cash flow from it's strong government paymasters. With a sizeable order book and strong liquidity, the balance sheet remains well positioned to support larger and more complex infrastructure projects going forward. We believe that through its wholly owned subsidiaries, OKP Contractors and Eng Lam Contractors, both of which hold A1 grading that qualifies the Group to tender for public sector projects of unlimited value, OKP is well placed to compete for and secure higher value and more technically demanding projects without relying on excessive leverage as opportunities arise.

Huge bump of c.40% increase in dividends.
Beyond the 3-for-4 bonus issue aimed at boosting liquidity and broadening the shareholder base, OKP has hiked its total dividend by roughly 40% to 2 cents per share, comprising a 0.7-cent final and a 1.3-cent special payout (post bonus). Even with this significant jump, the payout ratio sits at a conservative 24.3%, suggesting the company has plenty of headroom to scale up distributions even further in the future. This low payout ratio, combined with a robust net cash position, gives management significant flexibility to reward shareholders as they continue to work through their record-high order book.

Prudent and Experienced Mgmt Team.
OKP's real edge lies in its management team, whose decision to keep core capabilities in-house during the market downturn is now paying off as volumes recover and provide serious operating leverage. By staying hands-on at job sites and maintaining a tight grip on execution, they've managed to deliver superior margins while staying ahead of the competition. This mix of discipline and foresight has positioned the company perfectly to ride the current construction boom, earning them a reputation as a go-to contractor. A prime example of this trust came in July 2025, when the LTA tapped OKP to rebuild the section of Tanjong Katong Road South that had collapsed, which is a clear nod to their reliability and technical expertise.

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