



# Oiltek International Ltd

## Earnings growth of 50% YoY

### SINGAPORE | ENGINEERING | RESULTS

- 1H24 PATMI jumped 50% YoY to RM10.3mn and 44% of our FY24e forecast. Earnings is running ahead of our 21% growth estimate in FY24e. Revenue recognition is dependent on delivery schedule and not seasonal. The company paid a maiden interim dividend of 0.9 cents.
- Order-book grew 9.9% YoY to RM405mn or two years of current revenue. Revenue from Africa and America in 1H24 jumped 4-fold to RM14.6mn. New orders secured this year was RM132.8mn.
- We maintain our FY24e earnings and BUY recommendation. Our target price of S\$0.70 is unchanged and pegged to 15x PE FY24e, a discount to engineering peers. The stock is trading at 2.4x EV/EBITDA FY24e with net cash of RM104mn. We see multiple growth drivers for Oiltek. Biodiesel blending is growing, consumption for palm oil resilient and further downstream processing into palm oil fractionation and phytonutrients extraction is underway. The largest opportunity will be the usage of palm oil mill effluent for sustainable aviation fuel.

#### Results at a glance

SGD '000	1H24	1H23	YoY	Comments
Revenue	100,454	76,727	30.9%	Growth in line with order-book.
Gross profit	19,513	13,652	42.9%	
General and admin.	(9,036)	(7,830)	15.4%	
PATMI	10,278	6,850	50.0%	
Gross Margins	19.4%	17.8%	1.6%	Better product and geographic mix.
DPS - Interim (cts)	0.900	0.000	n.m	Around 44% payout ratio.

Source: Company, PSR

#### The Positive

**+ PATMI doubled over the past two years.** Over the past two years, earnings have doubled from RM4.7mn to RM10.3mn. Earnings growth is supported by margin expansion, operating leverage, and revenue growth. Growth over the past two years was with minimal capex, only RM0.77mn. Margins expanded from better product and geographic mix.

#### The Negative

**- Slower order book secured.** New orders secured this year were RM132.8mn. This compares with RM219.9mn last year. Nevertheless, the order book remains robust. It has increased 9.9% from RM368.5mn to RM405.1mn. The current order book provides visibility for two years of annualised revenue.

#### Outlook

Oiltek provides good visibility of earnings for the next two years. We expect the order book to grow further, with customers expanding their refining and biodiesel capacity and moving further downstream into fractionalisation and phytonutrients. The expansion is not only in traditional markets such as Indonesia and Malaysia but also in Africa and South America. Indonesia is the largest market, with 61% of revenue. The largest opportunity will be the extension into sustainable aviation fuel facilities.

#### Maintain BUY with an unchanged TP of S\$0.70

Our FY24e earnings are unchanged at RM23.2mn PATMI.

7 August 2024

#### BUY (Maintained)

CLOSING PRICE	SGD 0.445
FORECAST DIV	SGD 0.018
TARGET PRICE	SGD 0.700
TOTAL RETURN	61.3%

#### COMPANY DATA

Bloomberg CODE:	OTEK SP Equity
O/S SHARES (MN) :	143.0
MARKET CAP (USD mn / SGD mn) :	48 / 64
52 - WK HI/LO (SGD) :	0.51 / 0.19
3M Average Daily T/O (mn) :	0.31

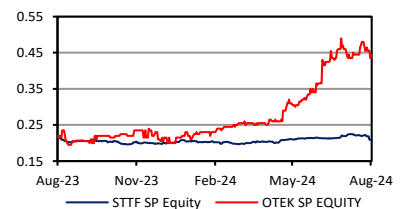
#### MAJOR SHAREHOLDERS

Koh Brothers Group Ltd	68.1%
Yong Khai Weng	6.3%

#### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(5.4)	47.7	108.1
STTF RETURN	(4.6)	(0.7)	2.8

#### PRICE VS. STTF



Source: Bloomberg, PSR

#### KEY FINANCIALS

Y/E Dec RM (mn)	FY22	FY23	FY24e	FY25e
Revenue	164	201	250	320
EBITDA	13.9	23.0	29.3	37.6
Net Profit	12.7	19.1	23.2	29.2
EPS (SGD cents)	2.6	3.8	4.7	5.9
P/E (X)	17.0	11.6	9.5	7.6
Dividend Yield	2.7%	3.6%	4.0%	4.5%
ROE	28.8%	31.5%	29.7%	28.6%
ROA	12.4%	12.4%	11.5%	12.2%

Source: Company, PSR

#### VALUATION METHOD

15x PE Multiple FY24e

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## Financials

### Income Statement

Y/E Dec, RM mn	FY21	FY22	FY23	FY24e	FY25e
<b>Revenue</b>	<b>100.6</b>	<b>163.7</b>	<b>201.1</b>	<b>250.4</b>	<b>319.9</b>
Gross profit	23.6	30.6	39.2	50.3	65.6
<b>EBITDA</b>	<b>12.4</b>	<b>13.9</b>	<b>23.0</b>	<b>29.3</b>	<b>37.6</b>
Depreciation & amortisation	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
<b>EBIT</b>	<b>12.3</b>	<b>13.7</b>	<b>22.8</b>	<b>29.0</b>	<b>37.4</b>
Other income	0.1	2.2	1.3	1.7	1.3
Other gain / (losses)	0.7	1.8	1.4	0.2	0.2
Profit before tax	13.0	17.7	25.5	31.0	38.9
Taxation	(3.3)	(5.0)	(6.4)	(7.7)	(9.7)
Minority interest	-	-	-	-	-
<b>PATMI</b>	<b>9.7</b>	<b>12.7</b>	<b>19.1</b>	<b>23.2</b>	<b>29.2</b>

### Per share data (SGD Cents)

Y/E Mar	FY21	FY22	FY23	FY24e	FY25e
EPS, Reported	2.31	2.61	3.84	4.66	5.86
DPS	1.09	1.20	1.60	1.80	2.00
BVPS	0.08	0.11	0.14	0.18	0.23

### Cash Flow

Y/E Dec, RM mn	FY21	FY22	FY23	FY24e	FY25e
<b>CFO</b>					
<b>Profit before tax</b>	<b>13.0</b>	<b>17.7</b>	<b>25.5</b>	<b>31.0</b>	<b>38.9</b>
Adjustments	0.4	0.9	(2.6)	(1.5)	(1.1)
WC changes	(2.7)	4.2	51.0	(2.1)	5.7
Cash generated from ops	10.7	22.8	73.9	27.4	43.5
Tax paid	(3.5)	(4.2)	(5.1)	(6.0)	(8.4)
<b>Cashflow from ops</b>	<b>7.2</b>	<b>18.6</b>	<b>68.8</b>	<b>21.4</b>	<b>35.1</b>
<b>CFI</b>					
CAPEX, net	(0.0)	(0.4)	(0.3)	(0.4)	(0.5)
Others	-	-	0.0	-	-
<b>Cashflow from investments</b>	<b>(0.0)</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>(0.5)</b>
<b>CFE</b>					
Share issuance, net	-	16.0	-	-	-
Dividends	(14.4)	(8.9)	(5.9)	(2.3)	(2.6)
Others	(0.9)	(0.5)	-	-	-
<b>Cashflow from financing</b>	<b>(15.2)</b>	<b>6.6</b>	<b>(5.9)</b>	<b>(2.3)</b>	<b>(2.6)</b>
Net change in cash	(8.1)	24.8	62.6	18.7	32.0
<b>CCE, end</b>	<b>42.9</b>	<b>67.4</b>	<b>132.5</b>	<b>151.2</b>	<b>183.2</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Dec, RM mn	FY21	FY22	FY23	FY24e	FY25e
<b>ASSETS</b>					
Trade and other receivables	17.0	11.4	26.9	39.5	50.5
Cash	42.9	67.4	132.5	151.2	183.2
Inventories	9.0	6.0	5.7	16.7	21.4
Others	10.3	34.2	16.4	6.5	2.3
<b>Total current assets</b>	<b>79.1</b>	<b>119.0</b>	<b>181.5</b>	<b>213.9</b>	<b>257.3</b>
PPE	2.9	3.2	3.3	3.5	3.8
Others	0.2	0.3	0.5	0.5	0.5
<b>Total non-current assets</b>	<b>3.1</b>	<b>3.5</b>	<b>3.8</b>	<b>4.0</b>	<b>4.2</b>
<b>Total Assets</b>	<b>82.2</b>	<b>122.5</b>	<b>185.2</b>	<b>217.9</b>	<b>261.6</b>
<b>LIABILITIES</b>					
Accounts payable	31.2	44.4	38.4	50.1	67.2
Bank borrowings	-	-	-	-	-
Other payables	15.9	23.1	77.4	77.4	77.4
Others	0.8	1.6	1.7	1.7	1.7
<b>Total current liabilities</b>	<b>47.9</b>	<b>69.0</b>	<b>117.5</b>	<b>129.2</b>	<b>146.3</b>
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>47.9</b>	<b>69.0</b>	<b>117.5</b>	<b>129.2</b>	<b>146.3</b>
<b>Equity</b>					
Share capital	83.9	98.6	98.6	98.6	98.6
<b>Shareholder Equity</b>	<b>34.4</b>	<b>53.5</b>	<b>67.7</b>	<b>88.7</b>	<b>115.3</b>

### Valuation Ratios

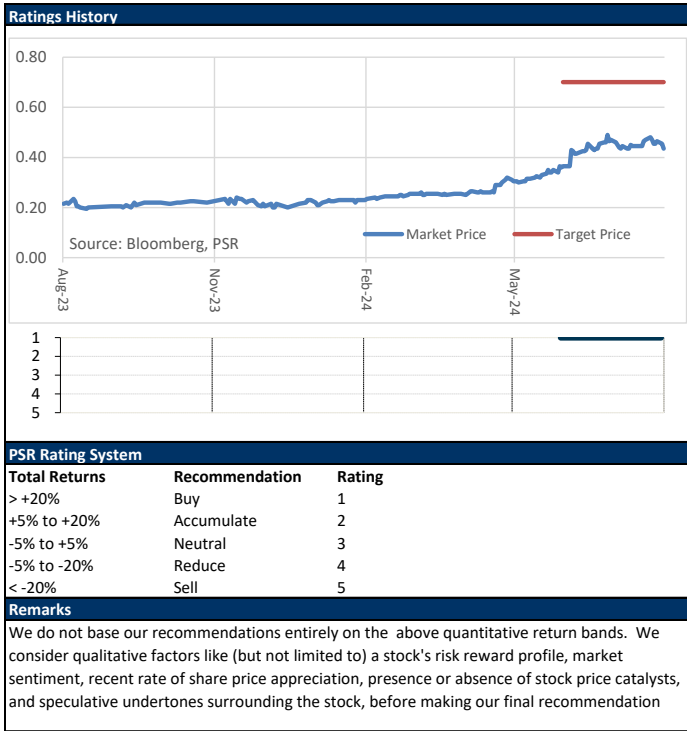
Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/E (X)	19.2	17.0	11.6	9.5	7.6
P/B (X)	5.4	4.1	3.3	2.5	1.9
EV/EBITDA (X)	11.6	11.1	3.9	2.4	1.0
Dividend Yield	2.5%	2.7%	3.6%	4.0%	4.5%

### Growth & Margins

<b>Growth</b>					
Revenue	15.0%	62.7%	22.8%	24.5%	27.7%
EBITDA	-23.7%	11.8%	65.6%	27.4%	28.7%
EBIT	-23.4%	11.7%	66.1%	27.5%	28.8%
PATMI	-19.5%	30.5%	50.9%	21.5%	25.7%
<b>Margins</b>					
Gross margin	23.4%	18.7%	19.5%	20.1%	20.5%
EBITDA margin	12.3%	8.5%	11.4%	11.7%	11.8%
EBIT margin	12.2%	8.4%	11.3%	11.6%	11.7%
Net profit margin	9.6%	7.7%	9.5%	9.3%	9.1%

### Key Ratios

ROE	28.4%	28.8%	31.5%	29.7%	28.6%
ROA	13.0%	12.4%	12.4%	11.5%	12.2%
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Net Debt/EBITDA (X)	n.a.	n.a.	n.a.	n.a.	n.a.



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