



# Oiltek International Ltd

Dancing in Latin America

SINGAPORE | ENGINEERING | UPDATE

1 November 2024

- Oiltek announced a RM45.5mn contract in Latin America. This brings the total number of contracts secured this year to RM197.8mn and a record outstanding order book of RM400.9mn, or two years of FY23 revenue. The project involves refining palm and soybean oil.
- We believe the current wave of orders includes more turnkey projects and an investment cycle underway in Latin America. Colombia is the 4th largest palm oil producer in the world. The 22% growth in production has raised the demand for downstream capacity.
- We maintain our BUY recommendation and FY24e earnings. The target price of S\$0.70 is unchanged and pegged to 15x PE FY24e. The growth in palm oil production in Latin America is driving a surge in downstream capacity. Oiltek is a global leader in palm oil process technology, including refining, fractionation, and phytonutrient extraction. The new area of growth is renewable energy. The expected spike in sustainable aviation fuel production from 1.5mn tonnes in 2024 to potentially 51mn by 2030 is another opportunity.

## BUY (Maintained)

CLOSING PRICE	SGD 0.565
FORECAST DIV	SGD 0.018
TARGET PRICE	SGD 0.700
TOTAL RETURN	27.1%

### COMPANY DATA

Bloomberg CODE:	OTEK SP Equity
O/S SHARES (MN) :	143.0
MARKET CAP (USD mn / SGD mn) :	61 / 81
52 - WK HI/LO (SGD) :	0.57 / 0.2
3M Average Daily T/O (mn) :	0.09

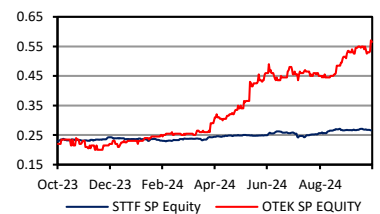
### MAJOR SHAREHOLDERS

Koh Brothers Group Ltd	68.1%
Yong Khai Weng	6.3%

### TOTAL PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	10.7	23.7	178.1
STTF RETURN	0.3	6.2	15.5

### 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)	21.6	14.7	12.1	9.6	
Dividend Yield	2.1%	2.8%	3.2%	3.5%	
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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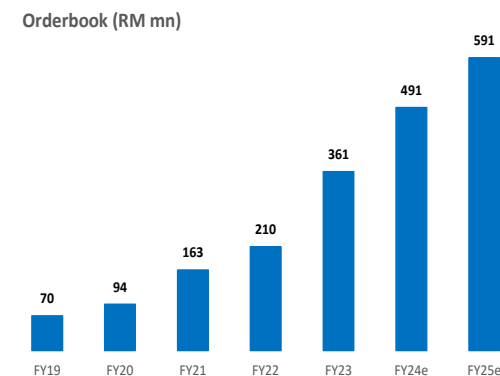
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## Key Highlights

**Compounding of the order book.** Oiltek's order book has compounded at an annual rate of 51% over the past four years, from 2019 to 2023. Our year-end target for the order book is unchanged at RM491mn (Figure 1). New orders secured this year are RM197.8mn, still below the record RM322.1mn in 2023.

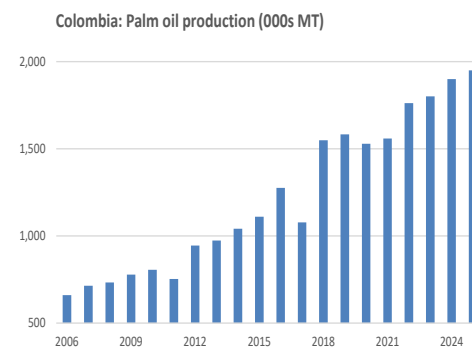
**New opportunities in Latin America.** Colombia is the 4<sup>th</sup> largest producer of palm oil globally. After a lull during the pandemic, production has returned to growth with a 22% rise to 1.9mn MT over the past 3 years (Figure 2). The jump in production will require more downstream processing capacity. The global market share of Colombia's production remains tiny at around 2%. However, there is huge potential. According to Fedepalma, the government has identified 5mn ha of land (Malaysia: ~3.3mn ha) suitable for palm without the need for deforestation.

Figure 1: Continued growth in order book



Source: The Company, PSR

Figure 2: Demand for downstream capacity will rise in tandem



Source: USDA, Bloomberg, PSR

Maintain BUY with an unchanged TP of S\$0.70

## 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

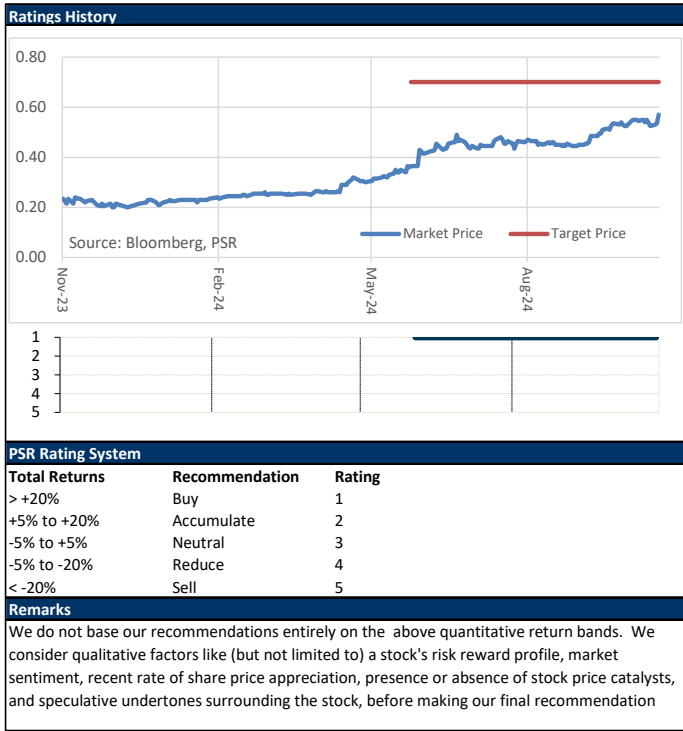
Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/E (X)	24.4	21.6	14.7	12.1	9.6
P/B (X)	6.9	5.3	4.2	3.2	2.4
EV/EBITDA (X)	15.7	15.4	6.5	4.5	2.6
Dividend Yield	1.9%	2.1%	2.8%	3.2%	3.5%

### 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

<b>Key Ratios</b>					
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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