



Oiltek International Ltd

Earnings up 58%, dividends up 68%



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SINGAPORE | ENGINEERING | 2H24 RESULTS

- FY24 Revenue and PATMI were ahead of expectations at 103%/115% of our FY24e forecast. 2H24 PATMI jumped 58% YoY to RM19.4mn, largely driven by expansion in gross margins. Geographical mix and project timing raised 2H24 gross margins by 7% points YoY to 27.4%.
- FY24 dividend per share rose 68% YoY to 2.7 cents. Net cash contracted to RM106mn due to a delayed settlement of RM80mn which was collected in January 2025. 2H24 earnings were negatively impacted by RM3.2mn of bad debt provisions in line with the rise in trade debtors.
- We raised our FY25e earnings by 19% to RM35mn from higher gross margins. Our revenue was raised a modest 3%. Our target price is raised to S\$1.48 (prev. S\$1.19) as we roll over our valuations to FY25e. We reduced our valuations from 22x to 20x forward PE in line with the recent decline in engineering peers. We think Oiltek should command a premium over the industry's 18x PE for its growth profile, stronger balance sheet and high ROE. Oiltek is securing more refinery orders as plantation output and acreage grow outside SE Asia. Another driver is growing investments in renewable energy including biodiesel and sustainable aviation fuel.

Results at a glance

| RM '000 | 2H24 | 2H23 | YoY | Comments |
|---------------|---------|---------|--------|--|
| Revenue | 129,838 | 124,387 | 4.4% | Completion of major project. |
| - Indonesia | 62,636 | 100,713 | -37.8% | |
| - Malaysia | 48,549 | 14,371 | 237.8% | Refining and fractionalization projects. |
| - Africa | 14,306 | 5,088 | 181.2% | |
| Gross profit | 35,581 | 25,589 | 39.0% | |
| Other gains | 959 | -1,864 | n.m. | |
| Allowances | -3,182 | 243 | n.m. | |
| PATMI | 19,365 | 12,270 | 57.8% | |
| Gross Margins | 27.4% | 20.6% | 6.8% | Geographic mix and project completion. |
| DPS - Final | 1.80 | 1.600 | 12.5% | Around 44% payout ratio. |
| Orderbook | 354,900 | 361,000 | -1.7% | |

Source: Company, PSR

The Positive

+ Margins continue to climb. Gross margins expanded almost 7% points YoY to 4-year highs. Primary drivers were better geographic mix, operating leverage, cost savings and completion of projects where margins tend to be revised upwards.

The Negative

- Order book and revenue momentum slower. Revenue growth slowed to 4% YoY from 1H24's 31%. Order book has contracted after the stellar RM322mn new orders in FY23 (FY24: RM207mn new orders). We expect the order book to be replenished from refinery and biodiesel contracts. The focus in FY24 has been to complete the huge order book secured over the past 2 years.

Outlook

We remain upbeat on new orders to be secured this year. We are assuming RM280mn of new projects in FY25e. Areas of opportunity are biodiesel capacity in Indonesia and Malaysia and refining facilities in South America. The company continues to target recurrent revenue opportunities in the region as a source of long-term earnings growth.

Maintain BUY with a higher TP of S\$1.48 (prev. S\$1.19)

Our FY25e earnings raised 19% to RM35mn.

14 February 2025

BUY (Maintained)

| | |
|---------------|-----------|
| CLOSING PRICE | SGD 1.180 |
| FORECAST DIV | SGD 0.032 |
| TARGET PRICE | SGD 1.480 |
| TOTAL RETURN | 28.1% |

COMPANY DATA

| | |
|--------------------------------|----------------|
| Bloomberg CODE: | OTEK SP Equity |
| O/S SHARES (MN) : | 143.0 |
| MARKET CAP (USD mn / SGD mn) : | 125 / 169 |
| 52 - WK HI/LO (SGD) : | 1.24 / 0.23 |
| 3M Average Daily T/O (mn) : | 0.26 |

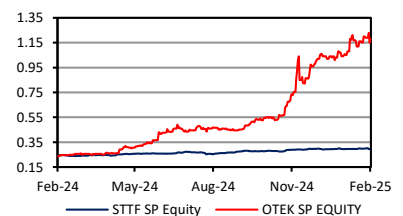
MAJOR SHAREHOLDERS

| | |
|------------------------|-------|
| Koh Brothers Group Ltd | 68.1% |
| Yong Khai Weng | 6.3% |

TOTAL PERFORMANCE (%)

| | 1MTH | 3MTH | YTD |
|-------------|------|------|------|
| COMPANY | 10.6 | 57.5 | 10.6 |
| STTF RETURN | 1.8 | 5.1 | 2.6 |

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

| Y/E Dec RM (mn) | FY23 | FY24 | FY25e | FY26e |
|-----------------|-------|-------|-------|-------|
| Revenue | 201 | 230 | 293 | 331 |
| EBITDA | 23.0 | 36.9 | 44.3 | 51.0 |
| Net Profit | 19.1 | 29.6 | 35.0 | 39.8 |
| EPS (SGD cents) | 3.8 | 6.3 | 7.4 | 8.4 |
| P/E (X) | 30.8 | 18.8 | 15.9 | 14.0 |
| Dividend Yield | 1.4% | 2.3% | 2.7% | 2.9% |
| ROE | 31.5% | 39.0% | 35.0% | 29.9% |
| ROA | 12.4% | 14.8% | 14.9% | 14.4% |

Source: Company, PSR

VALUATION METHOD

20x PE Multiple FY25e

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Financials

Income Statement

| Y/E Dec, RM mn | FY22 | FY23 | FY24 | FY25e | FY26e |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 163.7 | 201.1 | 230.3 | 293.4 | 331.4 |
| Gross profit | 30.6 | 39.2 | 55.1 | 66.9 | 73.9 |
| EBITDA | 13.9 | 23.0 | 36.9 | 44.3 | 51.0 |
| Depreciation & amortisation | (0.2) | (0.2) | (0.4) | (0.3) | (0.3) |
| EBIT | 13.7 | 22.8 | 36.5 | 44.0 | 50.7 |
| Other income | 2.2 | 1.3 | 3.4 | 2.4 | 2.1 |
| Other gain / (losses) | 1.8 | 1.4 | 2.6 | 0.2 | 0.2 |
| Profit before tax | 17.7 | 25.5 | 42.5 | 46.6 | 53.0 |
| Taxation | (5.0) | (6.4) | (9.9) | (11.7) | (13.3) |
| Minority interest | - | - | - | - | - |
| PATMI | 12.7 | 19.1 | 29.6 | 35.0 | 39.8 |

Per share data (SGD Cents)

| Y/E Mar | FY22 | FY23 | FY24 | FY25e | FY26e |
|---------------|------|------|------|-------|-------|
| EPS, Reported | 2.61 | 3.84 | 6.27 | 7.40 | 8.41 |
| DPS | 1.20 | 1.60 | 2.70 | 3.20 | 3.40 |
| BVPS | 0.11 | 0.14 | 0.18 | 0.24 | 0.32 |

Cash Flow

| Y/E Dec, RM mn | FY22 | FY23 | FY24 | FY25e | FY26e |
|----------------------------------|--------------|---------------|---------------|--------------|--------------|
| CFO | | | | | |
| Profit before tax | 17.7 | 25.5 | 39.5 | 46.6 | 53.0 |
| Adjustments | 0.9 | (2.6) | (2.0) | (2.2) | (1.9) |
| WC changes | 4.2 | (90.9) | (45.0) | 44.6 | 1.5 |
| Cash generated from ops | 22.8 | (68.0) | (7.5) | 89.1 | 52.7 |
| Tax paid | (4.2) | (5.1) | (4.2) | (9.2) | (11.1) |
| Cashflow from ops | 18.6 | (73.2) | (11.7) | 79.9 | 41.6 |
| CFI | | | | | |
| CAPEX, net | (0.4) | (0.3) | (0.7) | (0.5) | (0.5) |
| Others | - | 0.0 | 0.1 | - | - |
| Cashflow from investments | (0.4) | (0.3) | (0.6) | (0.5) | (0.5) |
| CCF | | | | | |
| Share issuance, net | 16.0 | - | - | - | - |
| Dividends | (8.9) | (5.9) | (12.1) | (3.9) | (4.6) |
| Others | (0.5) | - | - | - | - |
| Cashflow from financing | 6.6 | (5.9) | (12.1) | (3.9) | (4.6) |
| Net change in cash | 24.8 | (79.3) | (24.4) | 75.5 | 36.5 |
| CCE, end | 209.3 | 132.5 | 108.1 | 183.6 | 220.1 |

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

| Y/E Dec, RM mn | FY22 | FY23 | FY24 | FY25e | FY26e |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| ASSETS | | | | | |
| Trade and other receivables | 11.4 | 26.9 | 87.3 | 44.0 | 49.7 |
| Cash | 67.4 | 132.5 | 106.1 | 181.7 | 218.2 |
| Inventories | 6.0 | 5.7 | 0.9 | 5.9 | 6.6 |
| Others | 34.2 | 16.4 | 18.1 | 18.1 | 18.1 |
| Total current assets | 119.0 | 181.5 | 212.5 | 249.7 | 292.6 |
| PPE | 3.2 | 3.3 | 3.6 | 3.9 | 4.1 |
| Others | 0.3 | 0.5 | 0.4 | 0.4 | 0.4 |
| Total non-current assets | 3.5 | 3.8 | 4.1 | 4.3 | 4.5 |
| Total Assets | 122.5 | 185.2 | 216.5 | 254.0 | 297.2 |
| LIABILITIES | | | | | |
| Accounts payable | 44.4 | 36.8 | 55.3 | 61.6 | 69.6 |
| Bank borrowings | - | - | - | - | - |
| Other payables | 23.1 | 79.0 | 72.9 | 72.9 | 72.9 |
| Others | 1.6 | 1.7 | 4.0 | 4.0 | 4.0 |
| Total current liabilities | 69.0 | 117.5 | 132.2 | 138.6 | 146.5 |
| Total non-current liabilities | - | - | - | - | - |
| Total Liabilities | 69.0 | 117.5 | 132.2 | 138.6 | 146.5 |
| Equity | | | | | |
| Share capital | 98.6 | 98.6 | 98.6 | 98.6 | 98.6 |
| Shareholder Equity | 53.5 | 67.7 | 84.3 | 115.4 | 150.6 |

Valuation Ratios

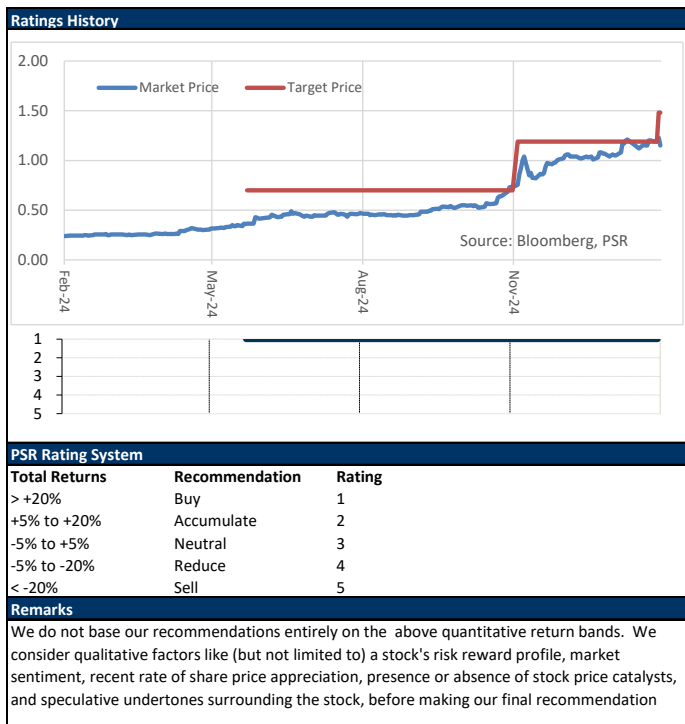
| Y/E Dec | FY22 | FY23 | FY24 | FY25e | FY26e |
|----------------|------|------|------|-------|-------|
| P/E (X) | 45.2 | 30.8 | 18.8 | 15.9 | 14.0 |
| P/B (X) | 11.0 | 8.7 | 6.6 | 4.8 | 3.7 |
| EV/EBITDA (X) | 37.5 | 19.8 | 12.3 | 8.5 | 6.7 |
| Dividend Yield | 1.0% | 1.4% | 2.3% | 2.7% | 2.9% |

Growth & Margins

| Growth | | | | | |
|-------------------|-------|-------|-------|-------|-------|
| Revenue | 62.7% | 22.8% | 14.5% | 27.4% | 13.0% |
| EBITDA | 11.8% | 65.6% | 60.5% | 20.1% | 15.2% |
| EBIT | 11.7% | 66.1% | 60.3% | 20.5% | 15.2% |
| PATMI | 30.5% | 50.9% | 55.0% | 18.0% | 13.7% |
| Margins | | | | | |
| Gross margin | 18.7% | 19.5% | 23.9% | 22.8% | 22.3% |
| EBITDA margin | 8.5% | 11.4% | 16.0% | 15.1% | 15.4% |
| EBIT margin | 8.4% | 11.3% | 15.9% | 15.0% | 15.3% |
| Net profit margin | 7.7% | 9.5% | 12.9% | 11.9% | 12.0% |

Key Ratios

| | | | | | |
|---------------------|----------|----------|----------|----------|----------|
| ROE | 28.8% | 31.5% | 39.0% | 35.0% | 29.9% |
| ROA | 12.4% | 12.4% | 14.8% | 14.9% | 14.4% |
| 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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