

OSK Holdings Bhd

Solid start for FY24

Summary

- **Within expectations.** For 1QFY24, OSK recorded core PATMI of RM122.9m (+25.7% QoQ, +6.8% YoY). The core PATMI came in within expectations, accounting to 25.9% and 24.6% of ours and consensus estimates.
- **QoQ.** Despite the decline of the revenue for the quarter by -13.1%, core PATMI jumped 25.7% as the softer performance in Property, Industries and Hospitality was offset by the stronger profits coming from the Financial Services and Investment Holding segments due to higher interest income from the higher average loan portfolio recorded in 1Q24 and favorable contribution by RHB amounting to RM74.7m for the quarter.
- **YoY.** The core PATMI increased 6.8% in tandem with the rising revenue contributed by all the business segments except the Hospitality and Investment Holdings divisions.
- **Outlook.** Going forward, the Property segment will provide sustainable revenue with unbilled sales of RM1.1bn, while the Group's total land bank of 1,898 acres with GDV of RM16.2bn will remain as one of the significant contributors to OSK's performance. The Industries segment is expected to improve in 2H24 amid rising demand from data centers and utility companies. Besides, the Financial Services segment should perform better with the support of loan disbursements from various product offerings.

Valuation & Recommendation

- **Forecast.** Remain unchanged at RM474.3m and RM503.1m for FY24-25f.
- **Upgrade to BUY with revised TP at RM1.96.** We upgrade OSK to BUY (from Hold) and raise the TP higher to RM1.96 (18.1% upside) as we roll over to FY24f as we adopt a sum-of-parts valuation by pegging higher multiple of 1.0x (from 0.8x) to its financial services and property development book value as we believe the latter could be tagging the upcycle in the property sector amid the rising demand for data centers, while the construction, industries & hospitality segments are valued through P/E multiple of 9.0x based on their earnings potential in FY24f.
- **Investment risks include** weaker-than-expected property sales which may put a brake onto the progress of future launches. Potential default by their borrowers may result in slower contribution from the capital financing business segment.

Quarterly performance

FYE Dec (RM 'm)	1QFY23	4QFY23	1QFY24	QoQ (%)	YoY (%)
Revenue	333.2	423.5	367.9	(13.1)	10.4
PBT	126.0	140.5	140.9	0.3	11.8
PAT	115.8	98.5	123.2	25.1	6.4
Core PATMI	115.1	97.8	122.9	25.7	6.8
Reported PATMI	115.1	97.8	122.9	25.7	6.8
Core EPS (sen)	5.6	4.7	6.0	25.7	6.8
PBT margin (%)	37.8	33.2	38.3		
Core PATMI margin (%)	34.5	23.1	33.4		

Source: Malacca Securities

Results Note – 1QFY24

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BUY (from Hold)

Share price	RM1.66
Target price	RM1.96
Previous TP	RM1.49
Capital upside	18.1%
Dividend return	4.2%
Total return	22.3%

Company profile

Primarily involved in manufacturing of cables and wires for automotive and medical industries as well as medical devices

Stock information

Bursa Code	5053
Bloomberg ticker	OSK MK
Listing market	MAIN
Share issued (m)	2062.1
Market Cap (m)	3237.5
52W High/Low	1.72 / 0.98
Est. Free float (%)	33.9
Beta (x)	0.9
3-mth avg vol ('000)	1890.5
Shariah compliant	No

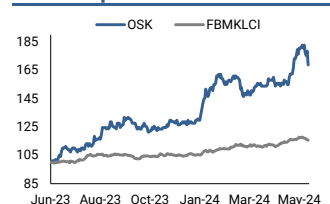
Major shareholders

	%
Yellow Rock	50.1
EPF	2.0
Tan Sri Ong Leong Huat	2.0

Earnings snapshot

FYE (Dec)	FY23	FY24f	FY25f
PATMI (m)	467.0	474.3	503.1
EPS (sen)	22.6	23.0	24.4
P/E (x)	7.1	7.2	6.8

Relative performance chart



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As of **Wednesday, 05 Jun, 2024**, the analyst(s), Loui Low Ley Yee, whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.

Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

