

George Kent in prime position for HSR: analysts

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By Farah Adilla (/authors/farah-adilla) - October 12, 2017 @ 1:48pm

KUALA LUMPUR: George Kent (Malaysia) Bhd's tie-up with German engineering giant Siemens AG has thrust the group to a prime spot to secure the AssetCo role for the Kuala Lumpur-Singapore high speed rail (HSR), analysts said.

The AssetCo tender - covering the HSR project's development, financing, construction, technical operations and maintenance - will be called by December, according to project owners MyHSR Corp Sdn Bhd and Land Transport Authority of Singapore.

Hong Leong Investment Bank Bhd (HLIB) said getting the AssetsCo role will further elevate George Kent's prominence in the rail system's scene.

Track record wise, George Kent is undertaking the light rail transit extension systems, Mass Rapid Transit Line 2 track works and LRT3 project delivery partner role.

Besides that, HLIB said the group's net cash pile of RM395 million will come in handy for the AssetsCo bid.

"George Kent is a key rail play with exposure to the LRT extension, LRT3 and MRT2. We believe it is in a prime position to participate in upcoming mega rail projects such as the ECRL and HSR.

"It also boasts solid financials with above industry ROE (return on equity) of 24 per cent, three year projected earnings CAGR (compound annual growth rate) of 12 per cent and net cash position of 70 sen per share," it said.

George Kent yesterday announced that it had signed a pre-consortium agreement with Siemens Aktiengesellschaft, Germany and Siemens Pte Ltd of Singapore for the HSR tender.

Both parties will form an engineering, procurement and construction pre-consortium to prepare a joint offer via a special purpose company. The SPC will bid for the development, financing, construction and technical operation and maintenance of the HSR.

HLIB has maintained its "buy" call on George Kent with an unchanged target price of RM3.75.

RHB Research thinks the consortium has a fair chance in securing the tender.

"We view Siemens as a strong partner for George Kent in bidding for the HSR engineering, procurement and construction (EPC) tender by the AssetsCo, i.e a privately-financed assets company.

"Siemens has a good track record in delivering safe and reliable HSR systems globally," it said.

RHB Research continues to favour George Kent as a proxy play for the domestic rail-related investments push.

"Our current earnings forecasts are largely anchored by George Kent's existing strong orderbook of RM5.9 billion, which translates into a strong orderbook-to-revenue coverage ratio of 10 times," it added.