



# George Kent shares continue to rise on news of High-Speed Rail tender bid

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**PETALING JAYA:** George Kent (Malaysia) Bhd's share price continued to rise today on news of its intention to take on the Kuala Lumpur-Singapore High Speed Rail (HSR) project. At market close, the stock was up six sen to RM3.29, with 2.88 million shares traded.

On Wednesday, George Kent announced that it had entered into a pre-consortium agreement with Siemens, whereby both parties will form an engineering, procurement and construction pre-consortium to bid for the development, financing, construction, technical operations and maintenance of the HSR, collectively termed as the "AssetsCo Tender".

Hong Leong Investment Bank (HLIB) Research is positive on the tender bid as getting the AssetsCo role will further elevate George Kent's prominence in the rail system scene and its net cash pile of RM395 million will come in handy for the AssetsCo bid.

As for its track record, George Kent is undertaking the LRT extension systems, MRT2 track works and LRT3 project delivery partner (PDP) role.

HLIB Research said from its understanding, AssetsCo will need to fund and build the systems portion of the HSR and rolling stock. "We gather that the AssetsCo portion will comprise RM20 billion of the overall RM60 billion HSR cost."

To get its returns on investment, HLIB Research understands that AssetsCo will receive several payments which include availability payments, train lease fee, currency and indexation, energy strategy and based on other key performance indicators.

HLIB Research noted that Siemens will likely be the lead partner in the consortium for the AssetsCo bid and it has significant global experience in rail jobs, including rolling stock, automation systems and electrification.

"Should the consortium fail to win the AssetsCo tender, George Kent can still potentially participate in the HSR systems work via subcontracts from the winner."

The AssetsCo tender is expected to be called by year-end. The construction of the HSR is scheduled to take place from 2018 to 2025 and operations to begin in 2026.

HLIB Research believes George Kent 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 return on equity of 24%, three-year projected earnings compound annual growth rate of 12% and net cash position of 70 sen per share."

The research house is maintaining a "buy" call on George Kent with a target price of RM3.75.

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