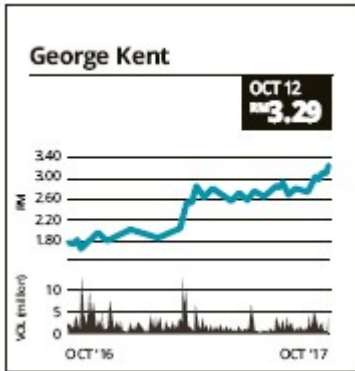


# GEORGE KENT (M) BHD

By Hong Leong Investment Bank Rating: Overweight Target price: RM3.75

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GEORGE Kent announced that it has entered into a pre-consortium agreement with Siemens in relation to the KL-Singapore High Speed Rail (HSR) project.



Under the agreement, George Kent and Siemens will form an engineering, procurement and construction preconsortium 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) said the AssetsCo will need to fund and build the systems portion (which excludes civil works) of the HSR and rolling stock.

“We gather that the AssetsCo portion will comprise RM20bil of the overall RM60bil HSR cost. To get its returns on investment, we understand 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.”

The research house said it is positive on this recent news as 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 LRT extension systems, MRT2 track works and LRT3 project delivery partners role. George Kent’s huge net cash pile of RM395mil will come in handy for the AssetsCo bid.

“Siemens will likely be the lead partner in the consortium for the AssetsCo bid and has significant global experience in rail jobs including rolling stock, automation systems and electrification.”

Should the consortium fail to win the AssetsCo tender, the research house went on to emphasise that George Kent can still potentially participate in the HSR systems work via subcontracts from the winner.