


George Kent target price raised on upcoming mega rail projects

ANALYST REPORTS

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KUALA LUMPUR: Hong Leong Investment Bank Research has raised its target price for [George Kent \(M\) Bhd](#)  to RM3.90 as it believes the group is in prime position to participate in upcoming mega rail projects such as the Kuala Lumpur-Singapore High Speed Rail (HSR) and East Coast Rail Link (ECRL).

The research house said on Wednesday that while there was no change to its earnings forecast, it raised its target price slightly from RM3.75 to RM3.90 after rolling over its valuation horizon from mid-FY19 to end-FY19.

“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 said in a note.

HLIB Research added that the group also had solid financials with above industry return on equity (ROE) of 24%, three-year projected earnings compounded annual growth rate (CAGR) of 12% and net cash position of 68 sen per share (20% of market cap).

George Kent had registered RM127.1mil in revenue and RM31.3mil in core earnings for the third quarter of FY18.

It declared an interim dividend per share of 2 sen.

Despite flattish engineering revenue for the nine-month period, the research house noted that profit before tax increased 17% on-year as margin expanded from 19% to 21.7%.

"We believe the margin expansion was likely due to the booking of variation order (VO) works for the LRT extension which should mostly be completed in FY18," it said.

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