Headline	George Kent seen registering record earnings in FY18	
MediaTitle	The Sun	
Date	07 Dec 2017	
Section	Business	
Page No	15	
Language	English	
Journalist	N/A	
Frequency	Daily	


M'sian October exports rise 18.9% year on year

George Kent seen registering record earnings in FY18

PETALING JAYA: George Kent (Malaysia) Bhd, whose net profit rose 20.79% for the third quarter ended Oct 31, 2017, is expected to deliver record high earnings for the financial year ending Jan 31, 2018 (FY18).

Kenanga Research said the group's results were broadly in line with its estimates and expects a stronger performance in the fourth quarter ending Jan 31, 2018 (4Q18).

The second interim dividend of 2 sen declared brings the nine-month period dividend to 4.5 sen, and is on track to meet its full-year expectations of 7.8 sen.

"Its order book stands at RM5.7 billion (inclusive of Light Rail Transit Line 3 or LRT3) providing earnings visibility for the next two to three years, and coupled with growth in metering division, we believe that George Kent is set to deliver another record high earnings in FY18," it said in its report yesterday.

In addition, it believes that LRT3 will see an upward revision in construction cost of RM9 billion due to higher building material and labour, which would be a key re-rating catalyst for George Kent, as they will be benefiting from the 6% project delivery partner (PDP) fees.

It maintained its "outperform" call and RM3.65 target price with key re-rating catalysts being potential cost escalation in the LRT3 project.

Meanwhile, Hong Leong Investment Bank (HLIB) Research said the group is a key rail play with exposure to LRT3 and Mass Rapid Transit Line 2.

"We believe it is in a prime position to participate in upcoming mega rail projects such as the East Coast Rail Line and Kuala Lumpur-Singapore High Speed Rail (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 68 sen per share (20% of market cap)," it said in its report.

HLIB Research said George Kent has yet to book in any significant PDP fees for the LRT3 as of end 3Q18. However, share of joint venture profits from PDP role increased 81% year-on-year to RM8.9 million, which was mostly due to reimbursables for initial works undertaken.

"Thus far, six viaduct and one depot packages for the LRT3 have been awarded totaling RM7.1 billion. Recognition of the PDP fees should gain traction in FY19."

HLIB Research maintained its "buy" call on the stock and raised its target price to RM3.90 from RM3.75 previously.

In October, George Kent said it will be partnering Siemens Aktiengesellschaft, Germany and Siemens Pte Ltd, Singapore for the HSR tender.