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► **GEORGE KENT (M) BHD**

FYE JAN	FY17	FY18E	FY19F	FY20F
<b>REVENUE</b> (RM mil)	599	650	630	626
<b>CORE PATAMI</b> (RM mil)	94	101	113	130
<b>CORE EPS</b> (sen)	16.6	18.0	20.1	23.1
<b>PE</b> (x)	20.4	18.8	16.8	14.6

## George Kent's PBT, margin increase on upcoming mega rail project

**► Recommendation:**  
**Buy**  
TARGET Price: RM3.90  
by Hong Leong Investment Bank Bhd (Dec 6)

**Results**  
GEORGE Kent (M) Bhd (GKent) registered 3QFY18 results with revenue coming in at RM127.1m and core earnings of RM31.3m.  
Cumulative 9MFY18 revenue amounted to RM444.1m (+8% YoY) while core earnings totalled RM76.2m (+34% YoY).

**Deviation**  
The company's 9M core earnings accounted for 75% of our full-year forecast which is within expectations, but were slightly behind consensus at 68%.

**Dividends**  
Interim DPS of two sen was declared (YTD: 5.5 sen).

**Highlights**  
Despite flattish engineering revenue for the 9M period, profit before tax (PBT) increased 17% YoY as margin expanded from 19% to 21.7%. We believe the margin expansion was likely due to the booking of variation order works for the light rail transit (LRT) extension which should mostly be completed in FY18.  
**LRT3 contracts roll out.** We understand that as of end 3QFY18, GKent has yet to book in any significant project delivery partner (PDP) fees for the Line 3 (LRT3). While this is the case, share of joint-venture profits increased 81% YoY to RM8.9m, which was mostly due to reimbursables for initial works undertaken. Thus far, six viaduct and one depot packages for the LRT3 has been awarded totalling RM7.1b. Recognition of the PDP fees should gain traction in FY19.  
**Metering a star performer.**

For the 9M period, metering revenue rose 27% YoY and PBT by a larger quantum of 60%. PBT margin expanded from 20.6% to 25.8% due to higher margin garnered from orders in Selangor, Singapore and Nepal.

**Risk**  
Delays in the rollout of LRT3 would be the key risk.

**Rating Maintain 'Buy'**  
GKent is a key rail play with exposure to the LRT extension, 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 Link and Kuala Lumpur-Singapore High-speed Rail.  
While there are no changes to our earnings forecast, we raise our target price slightly from RM3.75 to RM3.90 after rolling over our valuation horizon from mid-FY19 to end-FY19.

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