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GEORGE KENT (M) BHD

By RHB Research

Buy

Target price: RM4.16

RHB Research Bhd expects George Kent's financial performance to remain anchored by its strong orderbook of RM5.8bil.

The research house pointed out that George Kent's orderbook replenishment outlook remained positive in 2018 on the back of the East Coast Rail Link and KL-Singapore High Speed Rail projects.

Additionally, the company is eyeing two hospital projects that were recently proposed in Budget 2018.

RHB said it had revised up its financial year 2018, 2019 and 2020 earnings forecasts by 14%, 12% and 12%, respectively, on a quicker orderbook recognition and higher margins.

For the first nine-month financial year 2018 (FY18), George Kent posted profit after tax and minority interests (PATAMI) of RM72.5mil, which was 67% of RHB' full-year forecast.

In terms of revenue, George Kent's first nine-month FY18 revenue increased by 8.4% y-o-y to RM444mil on the back of its engineering and metering segments, which posted higher revenues of 2.7% and 27.3% to RM325mil and RM119mil, respectively.

RHB has maintained a "buy" call on George Kent stocks with a higher target price of RM4.16 from RM3.78 previously, with a total return of 26%.

It is valuing the stock on sum-of-part basis, price-earnings ratio of 15 times on FY19 forecast PATAMI of RM131.5mil plus net audited cash as at Jan 31, 2017 of RM373mil, to derive its RM4.16 target price.