


Kenanga maintains market perform on GKent, TP lowered to 84.5 sen

ANALYST REPORTS

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KUALA LUMPUR: [George Kent \(M\) Bhd](#)  's core net profit of RM59.4mil for the nine months to Sept 30 came in below expectations, said Kenanga research.

"We believe the negative deviation is mainly due to lower-than-expected construction billings progress for its other on-going projects, i.e.hospitals," it said.

According to the research house 9M19 revenue declined 29%, dragging its core net profit down 21%.

Revenue for the engineering division dropped 33% as George Kent did not have any project handovers as compared to the previous year. In the metering division, the change in government could have affected sales, which slowed during the period.

A second interim dividend of 1.5 sen brought year-to-date dividends declared to 3.5 sen, which Kenanga said was in line with its full-year expectation of 5.5 sen.

The research house is positive over George Kent's successful negotiation with the government to convert its project delivery partner (PDP) role for the LRT3 to a fixed price contract of RM11.9bil, which brings its outstanding order book to about RM5.5bil.

"While its near-term prospects seem less exciting arising from the delays in LRT3, we believe this particular project would be one of GKENT-MRCB JV's strongest job-profile in the future should they are able to complete it with at a lower cost and within schedule, which would strengthen their foothold in the rail infrastructure scene in the future."

Kenanga said it reduced its FY19-20E earnings by 15%-13% after factoring in slower billings from its existing projects.

It removed its order book replenishment assumptions by RM350mil as it expects George Kent to focus on the execution of the LRT3. It also lowered its dividend from 5.5 sen to five sen.

The research house maintained market perform on the counter with a lower target price of 84.5 sen from RM1.20 previously as the LRT3 is included as part of the construction division, from under PDP.

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