

GFM eyes long-term earnings

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MD: KP Mukah acquisition will boost order book to RM1.5bil, sustain company until 2035

PETALING JAYA: Integrated facilities management (IFM) firm GFM Services Bhd, which has proposed to acquire concession holder KP Mukah Development Sdn Bhd (KPMD) for RM130mil, is optimistic that the move will help boost the company's earnings over the long term.

GFM managing director Ruslan Nordin (*pic*) said the acquisition is in line with the company's strategy to grow via mergers and acquisitions.

"The acquisition of KPMD will boost our order book to RM1.5bil and sustain us until 2035," he told StarBiz in an interview.

KPMD holds a concession awarded by the Malaysian Government and Universiti Teknologi Mara (UiTM), which entails the design, build and construction of UiTM Mukah campus in Sarawak and the delivery of facilities management services.

In a statement on Friday, the company said the concession period is for a tenure of 23 years, which commenced in September 2012 until September 2035.

“Subsequent to the completion of construction in 2015, KPMD collects lease rental, asset maintenance and management charges from UiTM.

“As GFM is the current facilities management provider for UiTM Mukah, this acquisition is therefore complementary and synergistic to GFM’s core business.

“In addition to the revenue derived from providing facilities management services, GFM will also be entitled to the lease rental income and availability charges,” the company said.

With the acquisition of KPMD, Ruslan said GFM gains direct access to the concession and is entitled to its future cash flow and earnings, hence positively enhancing the company’s income.

He said the acquisition would be financed via a combination of debt equities and internal funds.

“We are in a net cash position, so if we want to gear up, it shouldn’t be a problem,” said Ruslan.

He said the company currently has to date 25 ongoing projects.

According to research and consultancy firm Frost & Sullivan, GFM’s current market share stood at 6.3% in the IFM education segment and 3.7% in the Government sector.

According to reports, the company had set a year-on-year revenue growth target of 9% for 2017.

“We expect growth in 2018 to be better than 2017, as earnings from KPMD-related jobs should be realised by the third quarter of our current financial year.

In a filing with Bursa Malaysia on Friday, GFM said the IFM market has experienced decent growth over the last five years, albeit on the decreasing scale due to the

unfavourable negative sentiment in the overall economy, with a compounded annual growth rate (CAGR) of 7.91% between the years 2013 and 2017.

“IFM services are beginning to be widely accepted and this has led to a paradigm shift in the way businesses are operated today.

“IFM not only drives efficiency and reduces excessive and unnecessary costs incurred by inefficient facility maintenance processes, it also allows for flexibility and scalability of human resources within the supporting divisions.

“With the increase in awareness on the benefits of IFM, the outlook for players in the market appears to be promising.”

Citing Frost & Sullivan, GFM said the local IFM market is expected to earn increased revenues from RM4.79bil in 2017 to RM7.43bil in 2022, recording a CAGR of 9.17%.

“The projected growth in demand is expected to be driven by a number of factors. Among them include the increasing demand from the public sector.

“The healthcare end-user sector in Malaysia is a major contributor with about 40.85% of total market share to total revenues generated from IFM services in 2017.”

In addition to the public sector, GFM said the private sector is also becoming increasingly receptive towards accepting IFM services.

“As industries become increasingly competitive due to the entrance of foreign competitors, companies are sourcing for methods in order to reduce operational costs, be it corporate restructuring or outsourcing.

“Companies can typically reduce their operation and occupancy cost by an estimated 15% to 20% through IFM services.”

GFM was listed on the Ace Market of Bursa Malaysia on Jan 9, 2017 via the reverse takeover of AsiaEP Resources.

For its third quarter ended Sept 30, 2017, net profit decreased to RM1.8mil from RM2.7mil in the preceding quarter.

As it was the company’s third interim financial report, there was no comparative figures for the previous year’s corresponding quarter as no interim financial report was prepared for the third quarter of 2016.

In its notes accompanying its third quarter 2017 earnings, GFM said the drop in its third quarter net profit (compared with the preceding quarter) was due to higher costs incurred at one of its projects and higher corporate exercise expenses during the quarter.

Third quarter 2017 revenue remained comparable at RM25.3mil from RM26mil in the preceding quarter.

For the cumulative nine-month period ended Sept 30, 2017, the group reported a net profit of RM6.4mil and revenue of RM75mil.

SOURCE:

<https://www.thestar.com.my/business/business-news/2018/01/29/gfm-eyes-longterm-earnings/>