

GFM acquires KPMD to boost order book to RM1.5b

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KUALA LUMPUR (Jan 26): GFM Services Bhd's proposed purchase of KP Mukah Sdn Bhd (KPMD), which holds a university concession, will boost its order book to about RM1.5 billion in total while generating stable cashflow.

The integrated facilities management services provider entered into a conditional share sale agreement today with property developer Kumpulan Parabena Sdn Bhd (KPSB) for the 100% acquisition of KPMD for RM130 million, it said in a filing with Bursa Malaysia.

KPMD, a special purpose vehicle (SPV) of KPSB, is the lessor of an infrastructure facility and provider of maintenance services for Universiti-Institut Teknologi Mara (UiTM) Mukah.

GFM said the planned acquisition of KPMD would enhance its revenue and enable it to gain immediate access into a profitable facilities management company with a UiTM and government-awarded concession that lasts till Sept 17, 2035.

“The concession comprises three years for construction and 20 years for provision of facilities management services,” it said, adding that it expects recurring income and cash flow streams over the remaining tenure of the concession.

In a separate statement, GFM said KPMD has been collecting lease rental, asset maintenance and management charges from UiTM since the completion of construction in 2015.

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

“In addition to the revenue derived from providing FM services, GFM will also be entitled to the lease rental income and availability charges,” it added.

Its managing director Ruslan Nordin said the group has identified growth via mergers and acquisitions as one of its key components in its plan since its January 2017 listing.

“We are thrilled to announce this maiden acquisition within our first year of being a listed company,” he added.

The group is moving up the value chain by enlarging its scope into a full-scale build, lease and transfer concession holder, Ruslan said.

“This strategic acquisition represents a game-changer for GFM and a unique opportunity for us to accelerate our financial growth. The acquisition will boost our order book to about RM1.5 billion in total, and generate a new stream of stable cash flow that ensures long-term earnings visibility,” he said.

The purchase consideration of RM130 million carries a price-to-earnings ratio of 7.3 times, and the acquisition will be funded by a combination of internal funds, equity financing and borrowings.

As at Sept 30, 2017, GFM was in a net cash position and has ample room to gear up to fund this acquisition.

UiTM Mukah is GFM’s second private financing initiative contract in Sarawak and serves as a learning and research centre for UiTM Sarawak.

The campus can accommodate up to 2,000 students and covers an area of approximately 64 acres.

This acquisition is in line with GFM’s aim to raise its participation in managing the government’s non-core assets and businesses.

“Although GFM manages a diverse range of assets, it has an established track record in managing education facilities.

To date, GFM has been involved in providing facilities management services for four out of 12 UiTM campuses that are under the PFI scheme in Malaysia,” it said.

The group might use its internal funds and/or equity financing and/or borrowings to fund the planned acquisition.

Barring unforeseen circumstances, the submission to the relevant authorities on the planned deal would be made within two months.

At closing, GFM shares rose two sen or 3.01% to 68.5 sen for a market capitalisation of RM293.25 million.

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