

# GFM on stronger footing after KPMD acquisition

## **BUSINESS NEWS**

Saturday, 23 Feb 2019

By Daljit Dhesi



With the recent acquisition of KP Mukah Development Sdn Bhd (KPMD), GFM Services Bhd is now on a stronger financial footing as the purchase of the university concessionaire is set to catalyse and ramp up the group's future earnings.

Billed as the group's game changer, the acquisition will provide GFM with a positive recurring income to at least until 2035 and boost its outstanding orderbook to RM1.4bil.

Group managing director Ruslan Nordin (*pic*) tells StarBizWeek the acquisition of the university concession will strengthen the group's bottom line with recurring income for GFM over the next 17 years.

“Our entry into the concession business enables us to move up the value chain and widen our service lines. It also provides a platform for us to bid for more projects that are able to churn out long-term recurring income,” he adds.

He notes that KPMD is a good buy as its earnings are attractive and as a university concession, the revenue streams are long-term and stable even in a volatile economic condition. KPMD’s net profit for the fiscal year ended Dec 31, 2017 stood at RM18.3mil, almost doubling GFM’s RM9.9mil for the period.

“With the consolidation of KPMD’s earnings starting from December 2018, among others, we expect commendable financial performance for 2018. Besides this, new contract wins, renewal of contracts with higher rates as well as enhanced operational efficiencies is set to drive earnings,” he adds.

GFM bought the entire equity stake in KPMD for RM122.5mil in November last year. KPMD holds a 23-year concession awarded by the government of Malaysia and Universiti Teknologi Mara (UiTM) which entails three years of the design and construction of UiTM Mukah campus in Sarawak and 20 years for the provision of facilities management services ending 2035.

With the purchase of KPMD, GFM’s gearing is expected to increase to around 4.0 times from 0.3 times currently. Does this mean that it will create a dent on the group’s earnings? Ruslan says the gearing level is manageable as the concession provides recurring cash flows that are stable and predictable. “We are confident that we can meet our debt obligations,” he says.

Fresh from clinching RM69mil worth of contracts from Bank Negara, GFM is now strategising for further expansion.

After raising RM19mil from private placement and establishing a RM300mil sukuk programme, Ruslan says the group now has a war chest to acquire strategic targets. For the third quarter ended September 30, 2018, GFM’s cash and bank balances stood at close to RM23mil.

The integrated facilities management service provider is undertaking what it describes as vertical integration in the mergers and acquisitions (M&As) sphere. Ruslan says besides tenders, the group will expand via vertical integration by buying assets and owning it as well as buying over service providers that complements GFM group’s business.

“We have some potential clients which we are closely looking at to render our facilities management services. They are not just in the Klang Valley but nationwide. GFM will continue to actively bid for new contracts from both public and private sectors to expand our portfolio. We currently have an outstanding orderbook of RM1.4bil with an average tenure of three to five years.

“In terms of tenders, the group currently has a tenderbook worth RM700mil, with a success rate of about 14% as at Dec 31, 2018.

“GFM aims to maintain a 100% contract renewal and extension rate by delivering quality and timely service to existing clients,” he adds. Last year, the ACE-listed company successfully renewed nine out of nine contracts that were up for renewal. GFM is currently involved in the pre-construction phase of the Bukit Bintang City Centre (BBCC) for the provision of preliminary facilities management consultancy services.

“We are well positioned to gain competitive advantage in securing the subsequent full-scale contract for the such services for BBCC once construction is completed,” Ruslan says.

BBCC is joint-venture development by the Employees Provident Fund, ECO WORLD DEVELOPMENT GROUP Bhd and UDA Holdings Bhd. The mixed residential and commercial development is situated on a 19.4-acre former Pudu Prison site in KL, with a total gross build-up area of 6.7 million sq ft and a gross development value of RM8.7bil.

On GFM’s competitive strength, he says the group has proven track record of 19 years providing financial management services for reputable clients in various major sectors.

Some of the notable buildings GFM manages are Toyo Engineering Workers Camp in RAPID Pengerang, Johor, Sabah State Administration Centre, Lembaga Kemajuan Ikan Malaysia (LKIM) Deep Sea Fishery Port, Sarawak, the Customs, Immigration and Quarantine (CIQ) Complex, Johor.

Besides this, he adds that GFM is also focusing on the development of new technologies, such as the Internet of Things (IoT), to accelerate growth. GFM has embarked on pilot projects for the IoT technology at some of our servicing sites and will progressively roll-out IoT initiatives at its other main sites, Ruslan notes.

The use of IoT solutions enables facility managers and building owners to monitor and manage building performance data more effectively. This will lead to potential cost savings and enhanced building performance efficiency, he says.

Source:

<https://www.thestar.com.my/business/business-news/2019/02/23/gfm-on-stronger-footing-after-kpmd-acquisition>