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KUALA LUMPUR (Nov 3): Highbase Strategic Sdn Bhd, an oil and gas (O&G) maintenance services provider, is expected to contribute approximately 30% to 35% of GFM Services Bhd's total revenue and bottom line from the financial year ending Dec 31, 2024 (FY2024), the integrated facilities management services provider said.

This follows the share sale agreement signed between GFM and Noor Jasni Zakaria and Norliza Mohd for the group to acquire the remaining 51% equity interest in Highbase for a consideration of RM18.2 million.

In a Bursa Malaysia filing on Friday, GFM said that the acquisition will result in Highbase becoming its wholly-owned subsidiary, as the group had already owned 49% equity interest in the company back in June 2023.

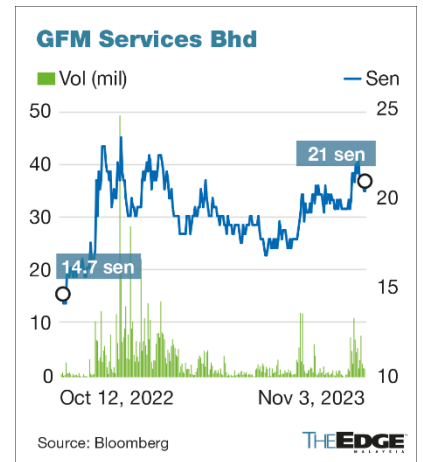
“The acquisition of the remaining stake in Highbase marks a key milestone for the group,” said Ruslan Nordin, the group managing director of GFM, in a statement accompanying the announcement.

“When GFM first invested in the company back in December 2019, we recognised its synergistic potential, although it was a distressed asset with operational and financial challenges.

“Since undergoing a successful restructuring to strengthen its financials, Highbase transformed into a profitable company in FY2022, with improvements in cash flow, operational efficiency, and overall financial performance,” he said.

According to GFM, Highbase's revenue surged over the last three years to RM28.1 million in FY2022, with a compound annual growth rate of 95%, from RM7.4 million in FY2020.

"Highbase was a distressed asset with operational and financial challenges. Nonetheless, it has intrinsic value, backed by a viable contract from Petronas. In FY2022, Highbase turned a profit of RM1.16 million, following a regularisation exercise to strengthen its financial conditions," said Ruslan in a written response to *The Edge's* questions on Friday.



Notably, Highbase currently holds Petronas' Integrated Turnaround Main Mechanical and Maintenance Mechanical Static (TA4MS) contract in collaboration with Mun Siong Engineering Ltd, with the current outstanding value being RM171.4 million.

This contract, effective until 2024 with an option to extend until 2029, provides a strong foundation for Highbase's future growth, said GFM.

Following the completion of the acquisition, GFM will fully consolidate Highbase's earnings, contributing to the group's overall profitability starting in FY2024. In FY2022, Highbase recorded RM28.13 million in revenue, compared with RM16.89 million in FY2021.

The higher revenue translated into a profit before tax of RM1.77 million in FY2022, compared with a pre-tax loss of RM1.36 million in FY2021. Highbase also recorded a profit after tax of RM1.16 million last year, compared with a net loss of RM1.24 million in the preceding financial year.

Explaining the losses at Highbase in FY2021, Ruslan said that the company experienced cash flow challenges that affected the working capital for operations, human resources, vendors and work performance.

“While Highbase held a viable contract from Petronas, it had to address the financial and operational issues to ensure it is sustainable and profitable,” said Ruslan.

He added that with GFM’s support, Highbase underwent a restructuring that led to an improved overall performance in FY2022.

The proposed acquisition aligns with GFM’s strategic objectives and future plans, as it paves the way for further expansion into the O&G operation and maintenance sector, the group stated.

GFM is optimistic about Highbase’s future prospects, saying that it will benefit from increased activities at the Pengerang Integrated Complex (PIC).

“The PIC is expected to undergo a major plant turnaround and shutdown in the third quarter of 2025, where overall utilisation will increase significantly. Highbase’s earnings are projected to increase, in line with higher activities, boosting the contribution to GFM,” added Ruslan.

The purchase consideration of RM18.2 million will be entirely satisfied by GFM taking on the debt of Highbase’s sellers.

Upon assumption, the debt will be settled in cash, funded by GFM’s internal funds. Prior to the proposed acquisition, GFM had subscribed to 20 million redeemable convertible preference shares in Highbase for an aggregate consideration of RM20 million.

Therefore, the acquisition of the rest of the shares in Highbase will allow GFM to offer indirect financial support to Highbase, and ensure the continuity of its operations, while at the same time safeguarding its investments in the company.

The board of GFM is optimistic that the proposed acquisition will contribute positively to the GFM group’s earnings, after taking into consideration Highbase’s prospects and growth potential.

At the close on Friday, GFM was trading at 21 sen per share, up half a sen or 2.44%, translating into a market capitalisation of RM141.54 million.