

GFM Services acquires rest and service area project firm for RM23 mil

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KUALA LUMPUR (Feb 15): Facilities management group GFM Services Bhd is acquiring the entire stake in Era Gema Bina Sdn Bhd for RM23 million to expand into the highway rest and service area (RSA) business.

Era Gema has been awarded the rights by the Malaysian Highway Authority (Lembaga Lebuhraya Malaysia, LLM) to undertake the proposed development of an RSA on a 1.74 hectares (ha) land located at Sungai Muda, Penang.

The acquisition comes with plans for GFM to position as the facility manager of the premise upon completion by 2027.

In its filing, GFM said Era Gema's business complements its core competency in the provision of integrated facilities management services.

The 1.74ha land for Sungai Muda RSA comprises 1.4ha freehold land owned by Era Gema, and 0.34ha from the existing lay-by known as R&R Sungai Muda (Northbound), which will be upgraded and incorporated as an integrated development, according to GFM.

With the proposed acquisition, GFM will be able to develop, operate and maintain the Sungai Muda RSA, situated along the northbound lane of the PLUS Malaysia Bhd's North-South Expressway (NSE).

In a separate statement, GFM group managing director Ruslan Nordin said the group has been "actively exploring" the RSA business "due to its significant growth potential".

Furthermore, Ruslan said GFM will also benefit from multiple recurring income streams from the Sungai Muda RSA, including retail rentals, sales surcharge, and operations of the petrol station.

"We are excited to tap into this opportunity, as Era Gema has secured the initial approvals to develop the RSA. This significantly expedites our progress, allowing us to commence development earlier," he said.

According to GFM, the project of constructing the Sungai Muda RSA is slated to commence in 2025 and is expected to be completed within a two-year timeframe.

The estimated land and development cost of the RSA is approximately RM78 million, which GFM said will be financed via a combination of internal funds, and/or through capital market fund raising.

The group, which is planning to transfer from the ACE Market of Bursa Malaysia to the Main Market, is acquiring Era Gema from Noorida Noor and Norhaslini Norzaid.

Barring any unforeseen circumstances, the proposed acquisition is expected to be completed by the end of 2024.

This is the second acquisition announced by GFM in recent months.

Back in November, GFM acquired the remaining 51% it does not own in oil and gas (O&G) maintenance services provider Highbase Strategic Sdn Bhd for RM18.2 million. The company booked a net profit of RM1.16 million in the financial year ended Dec 31, 2022 (FY2022), on revenue of RM28.1 million.

As at end-September, GFM had cash of RM93.83 million against short- and long-term borrowings of RM28.48 million and RM241.35 million. Net gearing stood at 99.7%, while retained earnings stood at RM93.83 million.

In 9MFY2023, GFM net profit rose 28% to RM16.5 million or 2.39 sen per share, from RM12.89 million or 2.28 sen per share on cost optimisation measures, while revenue rose 0.86% to RM97.88 million, from RM97.04 million.

Shares of GFM closed half a sen up or 2.22% to 23 sen, giving it a market capitalisation of RM155.5 million.