

KNM to buy rival for RM2bil

It seeks to acquire the foreign firm next year

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PETALING JAYA: Process equipment maker KNM Group Bhd is seeking to acquire a foreign rival early next year in a deal worth some RM2bil, according to analysts who attended the company's briefing on Wednesday.

Analysts said KNM was looking at one of the few global players with expertise to work with exot-

ic material to make process equipment used in gold extraction, as well as sulphur extraction from sour crude oil.

However, details of the proposed deal remained sketchy, pending a formal announcement by the company.

The planned acquisition "could boost our profit (estimate) for next year by 24%, although various risk factors remain," OSK Investment Bank senior vice-president Chris

Eng wrote in an update on the company yesterday.

He had previously projected KNM would register a net profit of RM339mil in the financial year ending Dec 31, 2008 (FY08) and RM411mil in FY09, based on the company's present operations.

"The major acquisitions in 2006 have all turned around from their previous loss-making positions,"

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KNM order book stands at RM2.5bil

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Eng noted, adding that KNM's acquisition record "is still excellent" despite a few hiccups.

KNM held a briefing for analysts on Wednesday to provide earnings guidance and update them on the group's most recent financial performance.

The company had been quoted as saying on various occasions that it would consider mergers and acquisitions to gain new technology and expand its business.

Over the past two years, it had acquired specialised equipment makers in Italy and Australia.

Currently, high-end process equipment comprised some 31% of

KNM's product mix, while low-end products accounted for 11%, according to OSK's estimates.

KNM told the analysts that the group's current order book value had expanded 19% from end-September to RM2.5bil currently. The jobs usually take an average 18 months to complete.

Oil and gas made up 47% of its order book, followed by petrochemicals 28% and minerals 17%, while the rest were from various sources.

Meanwhile, KNM is bidding for some RM11bil worth of projects, most of them in the oil and gas sector.

Shares in KNM fell from a record to close yesterday at RM7.40, down

20 sen. At this level, the company was valued at RM7.7bil.

The stock has risen 25% over the past two weeks, boosted by strong third-quarter results and inclusion into a widely tracked regional index.

For the three months ended Sept 30, KNM made a net profit of RM61mil against RM28mil in the previous corresponding period, while revenue swelled to RM386mil from RM252mil previously.

ECMLibra Avenue noted in its report that KNM was financially strong and was currently in net cash position. But, given the size of the planned acquisition, the company is likely to a make cash call, either by selling bonds or rights shares.