

31 May 2018 | 1QFY18 Results Review

AmanahRaya REIT

Maiden contribution from Vista Tower


INVESTMENT HIGHLIGHTS

- **1QFY18 earnings missed estimates**
- **Higher revenue from Vista offset by increase in expenses**
- **FY18F CNI trimmed by 9.8% to RM37.0m to factor in higher property expenses**
- **Maintain BUY with adjusted TP of RM0.94 (previously RM0.96)**

1QFY18 earnings missed estimates. AmanahRaya REIT's (ARREIT) core net income (CNI) of RM8.2m missed our forecast, making up 19.9% of our full year estimates. Comparison to consensus estimate is unavailable. ARREIT announced distribution per unit (DPU) of 1.35sen for 1QFY18, which is slightly below our expectation.

Higher revenue from Vista offset by increase in expenses. CNI for 1QFY18 dipped 2.0% to RM8.2m yoy although revenue jumped 44.1% to RM21.9m. The climb in ARREIT's revenue is mainly due to the contribution from Vista Tower, which had started since 16 January this year. It is however neutralised by the increase in property expenses from major repair and refurbishment cost incurred mainly for HELP University, Selayang Mall and Holiday Villa Langkawi. Compared to the previous quarter, CNI improved 20.2% mainly due to the addition of Vista Tower as revenue surged 45.4%.

FY18F CNI trimmed by 9.8% to RM37.0m to factor in higher property expenses. Property expenses increased to RM4.1m from RM1.3m previously due to the major refurbishment cost from HELP University. Non-property expenses mainly from financing expenses also rose during the period. We had factored in higher interest rate for this year following the recent OPR hike.

Maintain BUY with adjusted TP of RM0.94 (previously RM0.96). Due to the adjustment in our earnings estimates and expenses assumption, our DDM-derived (required rate of return: 7.7%, terminal growth rate: 1%) TP has been adjusted to RM0.94. We maintain our BUY recommendation on ARREIT for its diversified assets base. Dividend yield of ARREIT is also attractive at 6.8%. 

Maintain BUY

Adjusted Target Price (TP): RM0.94
(previously RM0.96)

RETURN STATS	
Price (30 th May 2018)	RM0.835
Target Price	RM0.94
Expected Share Price Return	12.1%
Expected Dividend Yield	6.8%
Expected Total Return	+18.9%
STOCK INFO	
KLCI	1,719.28
Bursa / Bloomberg	5127/AARET MK
Board / Sector	Main/REIT
Syariah Compliant	No
Issued shares (mil)	573.22
Market cap. (RM'm)	478.64
Price over NA	0.66
52-wk price Range	RM0.88-RM0.98
Beta (against KLCI)	0.48
3-mth Avg Daily Vol	0.05m
3-mth Avg Daily Value	RM0.04m
Major Shareholders	
Amanah Raya Bhd	47.31%
KDA Capital Malaysia	15.0%
Perbadanan Kemajuan Negeri Selangor	5.65%

Investment Statistics

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	61.9	57.4	60.4	91.9	124.1
Net Rental Income	58.1	53.3	97.2	81.7	105.7
Profit Before Tax	59.7	40.5	74.3	37.0	42.0
Net Income	59.7	40.5	74.4	37.0	42.0
Core Net Income	37.0	35.3	31.8	37.0	42.0
Basic EPU (sen)	10.41	7.07	13.00	6.45	7.32
Core EPU (sen)	6.45	6.16	5.50	6.45	7.32
Gross Dividend (sen)	6.30	5.90	5.50	6.25	7.10
Net Dividend (sen)	5.67	5.31	4.95	5.63	6.39
Net Distribution Yield	6.4%	6.0%	5.6%	6.8%	7.7%
Core PER	13.81	14.44	16.18	12.87	11.33
NAV per unit	1.19	1.20	1.27	1.77	0.99
P/NAV (x)	0.75	0.74	0.70	0.47	0.84
Core ROE	5.4%	5.2%	4.6%	3.6%	7.4%
Core ROA	3.4%	3.4%	2.2%	2.0%	2.3%

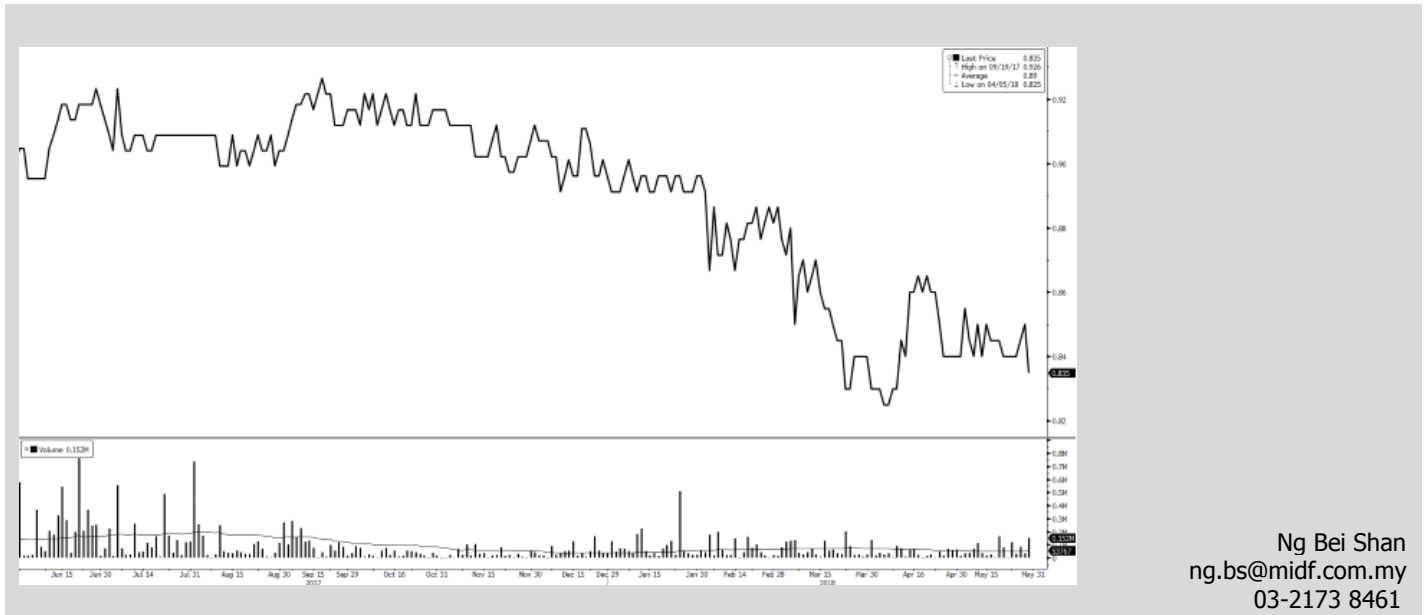
Source: Company, MIDF Research

AmanahRaya REIT: 1QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY18	%YoY	%QoQ	3MFY18	%YoY
Gross Revenue	21.9	44.1%	45.4%	21.9	44.1%
Total Trust Income	86.7	515.3%	56.3%	86.7	515.3%
Income Before Tax	75.3	802.7%	52.5%	75.3	802.7%
Income After Tax	75.3	802.7%	52.5%	75.3	802.7%
Core Net Income	8.2	-2.0%	20.2%	8.2	-2.0%
Basic EPS (sen)	13.1	802.7%	52.5%	13.1	802.7%
Core EPS (sen)	1.4	-2.0%	20.2%	1.4	-2.0%
Gross DPS (sen)	1.4	-5.6%	0.7%	1.4	-5.6%

Source: Company, MIDF Research

Daily Price Chart



Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.