

03 September 2018 | 2QFY18 Results Review

AmanahRaya REIT

1HFY18 profit in-line

Maintain BUY

Unchanged Target Price (TP): RM0.94


INVESTMENT HIGHLIGHTS

- **1HFY18 earnings within expectation**
- **CNI for the period rose 5.9% to RM17.5m due to contribution from Vista tower**
- **2QFY18 CNI up by 14.1%yoy to RM9.4m**
- **Maintain BUY with unchanged TP of RM0.94**

1HFY18 earnings within expectation. AmanahRaya REIT's (ARREIT) core net income (CNI) of RM17.5m came in largely within our full year forecast, making up 47% of our full year estimate. Our CNI excludes valuation gain of RM67.1m and fair value gain of RM3m from the disposal of the Silverbird factory. Comparison to consensus estimate is unavailable. ARREIT announced distribution per unit (DPU) of 1.93sen for 2QFY18, bringing ytd DPU to 3.3 sen, which is broadly in-line.

CNI for the period rose 5.9% to RM17.5m due to contribution from Vista Tower. Vista Tower had started contribution since mid-January this year. During the period, ARREIT has also sold off its Silverbird factory in Shah Alam for RM105m, which led to a RM3m fair value gain from the disposal. Revenue for the first half jumped by 49.8% to RM45.5m in tandem with the additional income from Vista Tower. CNI did not rise as much as the hike in revenue because of higher financing cost and increase in property expenses. HELP University, Selayang Mall and Holiday Villa Langkawi had incurred major repair and refurbishment cost during the period.

2QFY18 CNI up by 14.1%yoy to RM9.4m primarily because of the rental income from Vista tower and lower finance cost for the quarter due to repayment of debt following the sale of the Silverbird factory. Revenue increased by 55.5%yoy to RM23.5m. Sequentially, CNI increased by 14.5% as revenue increased by 7.2%qoq primarily attributed to the full quarter impact from Vista Tower.

Maintain BUY with unchanged TP of RM0.94 as we make no changes to our earnings estimates and expenses assumption. Our DDM-derived valuation (required rate of return: 7.7%, terminal growth rate: 1%) is retained. We maintain our BUY recommendation on ARREIT for its diversified assets base. Dividend yield of ARREIT is also attractive at 6.6%. 

RETURN STATS	
Price (30 Aug 2018)	RM0.855
Target Price	RM0.94
Expected Share Price Return	+9.9%
Expected Dividend Yield	+6.6%
Expected Total Return	+16.5%
STOCK INFO	
KLCI	1,819.66
Bursa / Bloomberg	5127/AARET MK
Board / Sector	Main/REIT
Syariah Compliant	No
Issued shares (mil)	573.22
Market cap. (RM'm)	490.10
Price over NA	0.62
52-wk price Range	RM0.82-RM0.96
Beta (against KLCI)	0.45
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	6.6%	6.2%	5.8%	6.6%	7.5%
Core PER	13.3	13.9	16.2	13.3	11.7
NAV per unit	1.19	1.20	1.27	1.77	0.99
P/NAV (x)	0.72	0.71	0.67	0.48	0.86
Core ROE	5.4%	5.2%	4.6%	3.6%	7.4%
Core ROA	3.4%	3.4%	2.2%	2.0%	2.3%

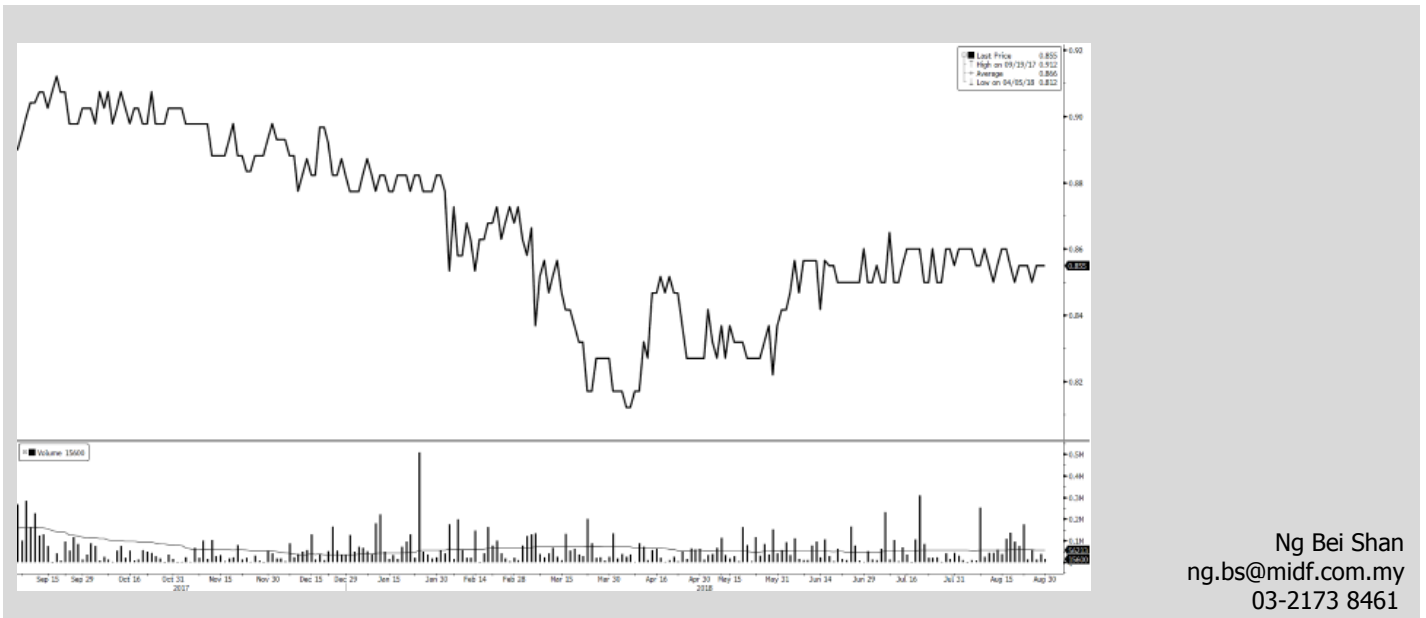
Source: Company, MIDF Research

AmanahRaya REIT: 2QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY18	%YoY	%QoQ	FY18	%YoY
Gross Revenue	23.5	55.5%	7.2%	45.5	49.8%
Total Trust Income	91.1	571.9%	366.7%	110.6	300.2%
Income Before Tax	79.5	885.8%	873.1%	87.7	434.3%
Income After Tax	79.5	869.5%	873.1%	87.7	429.9%
Core Net Income	9.4	14.1%	14.5%	17.5	5.9%
Basic EPS (sen)	13.9	869.5%	873.1%	15.3	429.9%
Core EPS (sen)	1.6	14.1%	14.5%	3.1	5.9%
Gross DPS (sen)	1.9	44.8%	43.7%	3.3	18.8%

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.