

30 November 2018 | 3QFY18 Results Review

AmanahRaya REIT

Earnings missed slightly

INVESTMENT HIGHLIGHTS


- **9MFY18 earnings missed slightly**
- **CNI for the period climbed 4.8% to RM26.2m**
- **3QFY18 CNI rose 2.7%yoy to RM8.7m**
- **Maintain BUY with adjusted TP of RM0.91 (previously RM0.94)**

9MFY18 earnings missed slightly due to higher than expected expenses. AmanahRaya REIT's core net income (CNI) of RM26.2m came in slightly below our full year forecast, making up 72% of our full year estimates. 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 1.35 sen for 3QFY18, bringing ytd DPU to 4.65 sen.

CNI for the period climbed 4.8% to RM26.2m mainly due to the new contribution from Vista Tower since January. 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 nine months surged by 54.2% to RM69.9m in-line with the new income from Vista Tower. However, CNI did not rise as much as the jump in revenue because of higher financing cost and increase in property expenses. Property expenses increased by RM8.5m to RM12.6m during the cumulative period mainly due to major repair and refurbishment cost at HELP University, Selayang Mall and Holiday Villa as well as the inclusion of Vista Tower to its portfolio.

3QFY18 CNI rose 2.7%yoy to RM8.7m primarily because of the rental income from Vista Tower while revenue increased by 63.1%yoy to RM24.4m. Sequentially, CNI fell by 7.3% despite revenue that increased by 3.8% mainly due to higher property and non-property expenses.

Earnings for FY18F/FY19F trimmed by 3.0%/7.9% to RM35.9m/RM38.7m in view of the higher than expected property and non-property expenses.

Maintain BUY with adjusted TP of RM0.91 (previously RM0.94) in tandem with the revision of our earnings estimates. Our DDM-derived valuation (required rate of return: 7.7%, terminal growth rate: 1%) is unchanged. We maintain our BUY recommendation on ARREIT for its diversified assets base. Dividend yield of ARREIT is also attractive at 6.6%. 

Maintain BUY

Adjusted Target Price (TP): RM0.91
(previously RM0.94)

RETURN STATS	
Price (29 th November 2018)	RM0.835
Target Price	RM0.91
Expected Share Price Return	+9.0%
Expected Dividend Yield	+6.6%
Expected Total Return	+15.6%
STOCK INFO	
KLCI	1,696.34
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	0.60
52-wk price Range	RM0.82-RM0.94
Beta (against KLCI)	0.47
3-mth Avg Daily Vol	0.10m
3-mth Avg Daily Value	RM0.09m
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	35.9	38.7
Net Income	59.7	40.5	74.4	35.9	38.7
Core Net Income	37.0	35.3	31.8	35.9	38.7
Basic EPU (sen)	10.41	7.07	13.00	6.27	6.75
Core EPU (sen)	6.45	6.16	5.50	6.27	6.75
Gross Dividend (sen)	6.30	5.90	5.50	6.08	6.55
Net Dividend (sen)	5.67	5.31	4.95	5.48	5.89
Net Distribution Yield	6.6%	6.2%	5.8%	6.6%	7.1%
Core PER	13.26	13.87	16.18	13.31	12.37
NAV per unit	1.19	1.20	1.27	1.77	0.99
P/NAV (x)	0.72	0.71	0.67	0.47	0.84
Core ROE	5.4%	5.2%	4.6%	3.5%	6.8%
Core ROA	3.4%	3.4%	2.2%	2.0%	2.1%

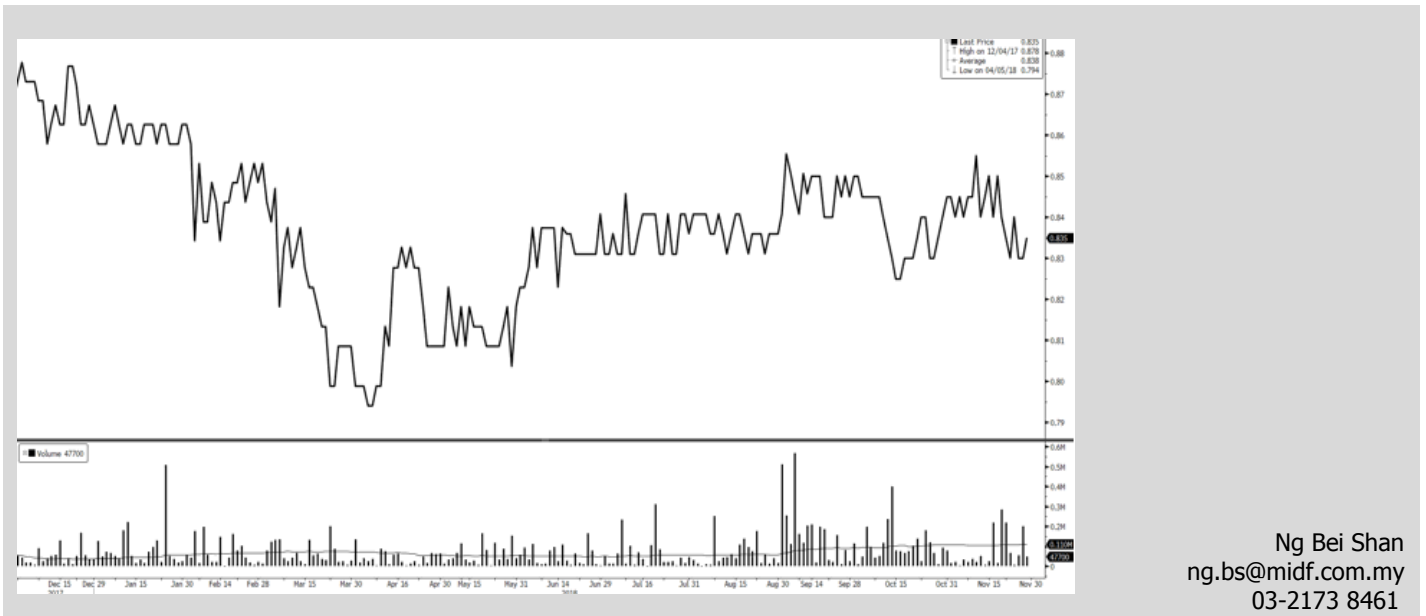
Source: Company, MIDF Research

AmanahRaya REIT: 3QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY18	%YoY	%QoQ	9MFY18	%YoY
Gross Revenue	24.4	63.1%	3.8%	69.9	54.2%
Total Trust Income	19.8	41.0%	-78.2%	130.4	212.8%
Income Before Tax	8.7	2.7%	-89.1%	96.3	287.7%
Income After Tax	8.7	2.7%	-89.1%	96.3	285.6%
Core Net Income	8.7	2.7%	-7.3%	26.2	4.8%
Basic EPS (sen)	1.5	2.7%	-89.1%	16.8	285.6%
Core EPS (sen)	1.5	2.7%	-7.3%	4.6	4.8%
Gross DPS (sen)	1.4	-3.5%	-30.4%	4.6	11.3%

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.