

19 February 2018 | 4QFY17 Results Review

AmanahRaya REIT

Bigger portfolio with Vista

Maintain BUY

Higher Target Price (TP): RM1.12
(previously RM1.09)


INVESTMENT HIGHLIGHTS

- **FY17 earnings missed estimates**
- **Higher ytd expenses led to 10% decline of core net profit**
- **Including contribution from Vista Tower**
- **Maintain BUY with higher TP of RM1.12 (previously RM1.09)**

FY17 earnings missed estimates. AmanahRaya REIT's (ARREIT) FY17 core net income of RM31.8m missed our forecast, making up 93% of our full year estimates. Comparison to consensus estimate is unavailable. ARREIT announced distribution per unit (DPU) of 1.32sen for 4QFY17, bringing total DPU to 5.50 sen for FY2017.

Higher expenses led to 10% decline of core net profit. FY17 topline improved by 5.3%yoy to RM60.4m, driven by income contribution from newly acquired assets namely Deluge Factory in Johor, Toshiba TEC in Bandar Glenmarie, and Contraves Building in Cyberjaya. However, core net income for FY17 fell by 10.0%yoy to RM31.8m, mainly due to higher property and non-property expenses. Property expenses jumped by 76% to RM7.2m from RM4.1m a year before due to higher major repair cost for the HELP University asset. Income after tax was higher by 83% due to the jump in fair value of its assets amounting to RM42.6m.

Including contribution from Vista Tower. We have included the contribution from Vista Tower at The Intermark into our earnings assumption and raised our FY18F CNI estimate by 6.2% to RM41.0m to account for the earnings contribution from Vista Tower. The acquisition was completed in January. Recall that the purchase was announced in September 2017. ARREIT had announced to buy the 63-storey Grade A office tower for RM455m. The iconic building is strategically located at Jalan Tun Razak.

Maintain BUY with higher TP of RM1.12 (previously RM1.09). Due to the adjustment in our earnings estimates from the addition of Vista Tower, we increase our TP from to RM1.12. Our TP is based on DDM model (required rate of return: 7.7%, terminal growth rate: 1%). We maintain our BUY recommendation on ARREIT for its diversified assets base. Dividend yield of ARREIT is also attractive at 7.0%. 

RETURN STATS	
Price (15 Feb 2017)	RM0.89
Target Price	RM1.12
Expected Share Price Return	26.1%
Expected Dividend Yield	7.0%
Expected Total Return	33.1%
STOCK INFO	
KLCI	1,838.28
Bursa / Bloomberg	5127/AARET MK
Board / Sector	Main/REIT
Syariah Compliant	No
Issued shares (mil)	573.22
Market cap. (RM'm)	510.17
Price over NA	0.70
52-wk price Range	RM0.88-RM0.98
Beta (against KLCI)	0.41
3-mth Avg Daily Vol	0.06m
3-mth Avg Daily Value	RM0.05m
Major Shareholders	
Amanah Raya Berhad	47.31%
KDA Capital Malaysia	15.0%
Perbadanan Kemajuan Negeri Selangor	5.65%

Investment Statistics

FYE Dec	FY14A	FY15A	FY16A	FY17A	FY18F
Revenue	57.2	61.9	57.4	60.4	91.9
Net Rental Income	53.9	58.1	53.3	97.2	83.8
Profit Before Tax	107.2	59.7	40.5	74.3	41.0
Net Income	107.2	59.7	40.5	74.4	41.0
Core Net Income	33.9	37.0	35.3	31.8	41.0
Basic EPU (sen)	18.71	10.41	7.07	13.00	7.15
Core EPU (sen)	5.91	6.45	6.16	5.50	7.15
Gross Dividend (sen)	6.50	6.30	5.90	5.50	6.93
Net Dividend (sen)	5.85	5.67	5.31	4.95	6.24
Net Distribution Yield	6.6%	6.4%	6.0%	5.6%	7.0%
Core PER	15.06	13.81	14.44	16.18	12.45
NAV per unit	1.15	1.19	1.20	1.27	1.35
P/NAV (x)	0.78	0.75	0.74	0.70	0.66
Core ROE	5.1%	5.4%	5.2%	4.6%	5.3%
Core ROA	3.1%	3.4%	3.4%	2.2%	2.6%

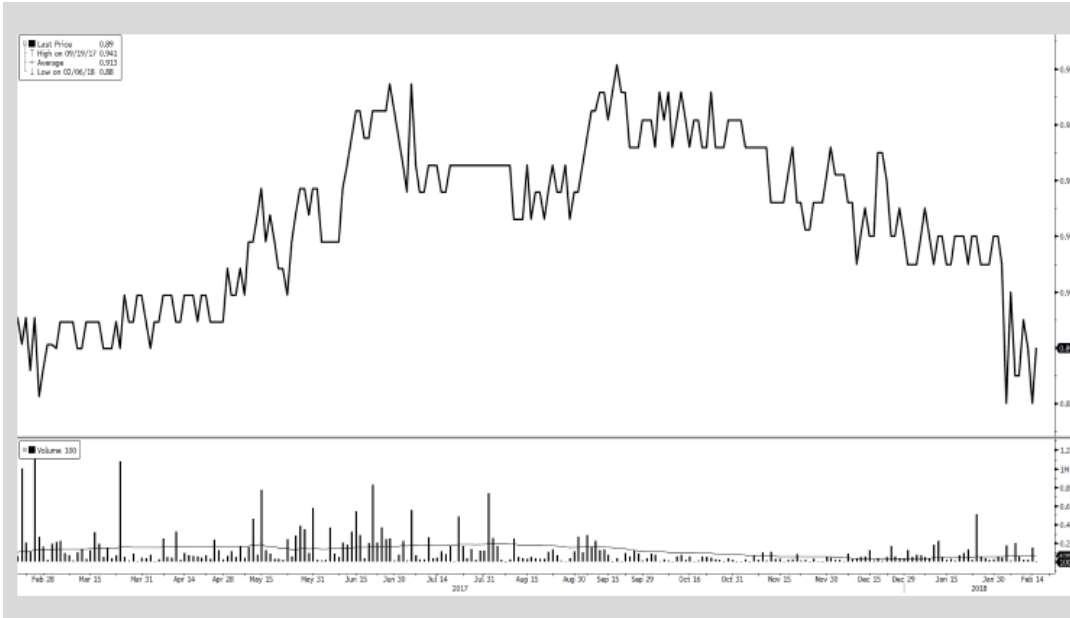
Source: Company, MIDF Research

AmanahRaya REIT: 4QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY17	%YoY	%QoQ	FY17	%YoY
Gross Revenue	15.1	5.6%	0.8%	60.4	5.3%
Total Trust Income	55.5	199.1%	294.5%	97.2	60.4%
Income Before Tax	49.4	264.9%	485.2%	74.3	83.1%
Income After Tax	49.4	264.9%	485.2%	74.4	83.5%
Core Net Income	6.8	-18.4%	-19.5%	31.8	-10.0%
Basic EPS (sen)	8.6	264.9%	485.2%	13.0	83.5%
Core EPS (sen)	1.2	-18.4%	-19.5%	5.5	-10.0%
Gross DPS (sen)	1.3	-5.6%	-4.2%	5.5	-6.5%

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.