

Al-`Aqar Healthcare REIT

(5116 | AQAR MK) Main | REIT

Disposal of Jeta Gardens Aged Care Facility

KEY INVESTMENT HIGHLIGHTS

- Disposal of Jeta Gardens Aged Care Facility
- Neutral on the disposal
- Minimal earnings impact
- Earnings forecast maintained
- Maintain **NEUTRAL** with an unchanged TP of **RM1.25**

Disposal of Jeta Gardens Aged Care Facility. Al-`Aqar Healthcare REIT (Al-`Aqar) announced that Al Aqar Australia Pty Ltd, a wholly-owned subsidiary of Al-`Aqar had on 12 December 2023 entered into a land sale contract with Principal Healthcare Finance Trust and DPG Services Pty Ltd to dispose of the lands and buildings of Jeta Gardens Aged Care Facility in Australia for a cash consideration of AUD24.4m (RM74.9m). The disposal is expected to complete in 2HFY24.

Neutral on the disposal. We are neutral on the disposal as Al-`Aqar has been looking to divest the asset in Australia to eliminate its risk exposure to the changes in the aged care industry in Australia. The disposal consideration of AUD24.4m is slightly above latest net book value of AUD23.44m. Nevertheless, net disposal consideration is expected to be at AUD20.5m. Upon completion of the disposal, Al-`Aqar estimates to recognize disposal loss of RM3.4m. Nevertheless, Al-`Aqar intends to utilize the proceed from disposal for healthcare asset acquisitions in Malaysia. Note that Al-`Aqar earmarked 77% of the proceeds which is ~RM58m for capital recycling or redemption of its financing facilities.

Minimal earnings impact. Upon completion of the disposal, annual rental income loss is expected to be at RM4.7m which is at 4% of our FY24 rental estimates which we think is minimal. Nevertheless, the loss of income could potentially cushion by asset acquisition. Meanwhile, we make no changes to our earnings forecast pending completion of the asset disposal.

Maintain NEUTRAL with an unchanged TP of RM1.25. We maintain our TP at RM1.25. Our TP is based on Dividend Discount Model. We maintain our **NEUTRAL** call on Al-`Aqar as we continue to see tepid earnings outlook for Al-`Aqar. Meanwhile, net distribution yield is estimated at 5.7%.


Maintain NEUTRAL
Unchanged Target Price: RM1.25

RETURN STATISTICS

Price @ 13 th Dec 2023 (RM)	1.24
Expected share price return (%)	0.8
Expected dividend yield (%)	5.7
Expected total return (%)	6.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.6	-1.3
3 months	-0.8	-1.5
12 months	0.8	3.3

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	122	120	119
Net Rental Income	115	112	111
Profit Before Tax	70	69	71
Core Net Income	68	69	71
Core EPU (sen)	7.77	7.83	8.07
Net DPU (sen)	7.80	7.80	7.90
Dividend Yield	5.66%	5.66%	5.73%

KEY STATISTICS

FBM KLCI	1,448.04
Issue shares (m)	756.49
Estimated free float (%)	38.38
Market Capitalisation (RM'm)	1,041.10
52-wk price range	RM1.09-RM1.35
3-mth average daily volume (m)	0.08
3-mth average daily value (RM'm)	0.10
Top Shareholders (%)	
Lembaga Tabung Haji	14.72
Employees Provident Fund Board	13.48
KWAP	7.79
Amanah Saham Nasional Bhd	7.49
Pusat Pakar Tawakal	6.51

Analyst

 Jessica Low Jze Tieng
 jessica.low@midf.com.my

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Gross Revenue	114	110	122	120	119
Net Rental Income	104	115	112	111	0
Profit Before Tax	73	60	70	69	71
Net Income	74	60	68	69	71
Core Net Income	68	72	68	69	71
Core EPU (sen)	9.2	9.5	7.8	7.8	8.1
Core PER (x)	13.4	13.1	16.0	15.8	15.4
NAV/unit (RM)	1.28	1.28	1.12	1.13	1.14
P/NAV (x)	0.97	0.97	1.11	1.10	1.09
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Investment properties	1538	1721	1799	1871	1889
Total non-current assets	1538	1721	1799	1871	1889
Islamic fixed deposits with licensed banks	41	55	57	58	59
Cash and cash equivalents	49	41	47	50	59
Other assets	37	50	34	50	62
Total Assets	1665	1867	1936	2030	2070
Islamic financing	684	856	749	755	740
ST Borrowings	0	0	0	0	0
Other Liabilities	36	40	209	286	334
Total Liability	720	896	958	1042	1075
Unitholders' capital	731	756	756	756	756
Other Equity	214	215	222	231	239
Total unitholders' fund	945	971	978	988	995
Equity + Liability	1665	1867	1936	2030	2070
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flows from operating activities					
Net income before taxation	73	60	70	69	71
Net cash from operating activities	89	89	90	92	95
Cash flows from investing activities					
Acquisition of investment properties	0	-167	0	0	0
Net cash used in investing activities	1	-170	1	1	0
Cash flows from financing activities					
Net cash from/(used in) financing activities	-81	87	-84	-87	-85
Net increase/(decrease) in cash and cash equivalents	8	7	7	5	10
Cash and cash equivalent at 1 January	83	90	96	104	108
Cash and cash equivalent at 1 December	90	96	104	108	118
Profitability Margins	2021A	2022A	2023E	2024F	2025F
Net rental income margin	91.3%	104.3%	91.8%	92.6%	0.0%
Core net income margin	59.7%	64.9%	55.6%	57.1%	59.3%
ROE	7.2%	7.4%	7.0%	6.9%	7.1%
ROA	4.1%	3.8%	3.5%	3.4%	3.4%

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology