

Al-`Aqar Healthcare REIT

(5116 | AQAR MK) REIT | REIT

Maintain BUY

Stable earnings outlook

Unchanged Target Price: RM1.52

KEY INVESTMENT HIGHLIGHTS

- **1QFY20 earnings within expectation**
- **Lower sequential earnings**
- **Topline growth negated by higher expenses**
- **Earnings forecasts maintained**
- **Maintain BUY with unchanged TP of RM1.52**

1QFY20 earnings within expectation. Al-`Aqar Healthcare REIT (Al-`Aqar) 1QFY20 core net income of RM15.5m came in within our expectation, making up 23% of our full year estimate.

Lower sequential earnings. On sequential basis, Al-`Aqar recorded marginally lower core net income of RM15.5m (-1.7%qoq) mainly due to higher administrative expenses and higher financing cost. Note that financing cost increased by 11.1%qoq due to drawdown of additional Islamic financing in December 2019.

Topline growth negated by higher expenses. On yearly basis, Al-`Aqar recorded higher topline of RM RM28.2m (+6.5%yoy) mainly due to income contribution from KPJ Batu Pahat Specialist Hospital which was acquired in December 2019 and annual increment on rental income. Nevertheless, net income eased by 2.9%yoy as a result of higher administrative expenses (+198%yoy) and higher financing cost (+17.1%yoy).

Maintain BUY with unchanged TP of RM1.52. We make no changes to our earnings forecasts for FY20/21F. We expect stable earnings outlook for Al-`Aqar due to rent renewal of 6 and 14 assets in FY20 and FY21 respectively. We maintain our TP of RM1.52 for Al-`Aqar, based on DDM valuation. Distribution yield is attractive at 5.3%.

RETURN STATISTICS

Price @ 29 May 2020 (RM)	1.35
Expected share price return (%)	12.6
Expected dividend yield (%)	5.3
Expected total return (%)	17.9

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-3.6	-7.9
3 months	-2.9	-0.1
12 months	-4.9	6.5

KEY STATISTICS

FBM KLCI	1473.25
Syariah compliant	Yes
Issue shares (m)	735.99
Market Capitalisation (RM'm)	41.64
52-wk price range (RM)	993.58
Beta vs FBM KLCI (x)	RM1.19 - RM1.65
Monthly velocity (%)	0.34
Monthly volatility (%)	0.00
3-mth average daily volume (m)	7.25
3-mth average daily value (RM'm)	0.19
Top Shareholders (%)	0.26
Johor Corp	
Lembaga Tabung Haji	14.34
Employees Provident Fund Board	10.41

Analyst(s)

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INVESTMENT STATISTICS

FYE Dec	FY17A	FY18A	FY19A	FY20F	FY21F
Revenue	99.6	102.6	106.1	108.7	113.7
Net Rental Income	93.2	96.6	100.9	102.0	106.9
Profit Before Tax	86.2	92.3	76.1	64.6	68.9
Net Income	84.6	91.4	76.2	63.1	67.4
Core Net Income	59.9	61.0	63.1	63.1	67.4
Basic EPS (sen)	11.62	12.48	10.35	8.57	9.16
Core EPS (sen)	8.22	8.36	8.57	8.57	9.16
Gross Dividend (sen)	7.70	7.83	7.50	8.02	8.61
Net Dividend (sen)	6.93	7.05	6.75	7.22	7.75
Net Distribution Yield	5.1%	5.2%	5.0%	5.3%	5.7%
Core PER	16.43	16.15	15.75	15.75	14.75
NAV per unit	1.26	1.30	1.31	1.34	1.37
P/NAV (x)	1.08	1.04	1.03	1.01	0.99
Core ROE	6.5%	6.4%	6.5%	6.4%	6.7%
Core ROA	3.8%	3.9%	3.8%	3.7%	4.0%

Source: MIDF Research

AL AQAR HEALTHCARE REIT: 1QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY20	%YoY	%QoQ	FY20	%YoY
Gross rental income	28.2	6.5%	5.6%	28.2	6.5%
Net rental income	26.7	6.1%	6.0%	26.7	6.1%
Profit before tax	15.5	-2.9%	-46.2%	15.5	-2.9%
Profit after tax	15.5	-2.9%	-46.3%	15.5	-2.87%
Core net income	15.5	-2.9%	-1.7%	15.5	-2.87%
Realised EPU (sen)	2.1	-2.9%	-46.3%	2.1	-2.9%
Core EPU (sen)	2.1	-2.9%	-1.7%	2.1	-2.9%
Gross DPU (sen)	0.0	N/A	N/A	0.0	N/A

Source: Company, MIDF Research

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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.