

Al-`Aqar Healthcare REIT

(5116 | AQAR MK) REIT | REIT

Attractive upside

KEY INVESTMENT HIGHLIGHTS


- **FY19 earnings within expectation**
- **Marginally lower sequential earnings**
- **Higher earnings in FY19**
- **Earnings forecast maintained**
- **Upgrade Buy from Neutral with a higher TP of RM1.52**

FY19 earnings within expectation. Al-`Aqar Healthcare REIT (Al-`Aqar) FY19 core net income of RM63.1m came in within our expectation, meeting 103% of our full year estimate. Note that we have excluded fair value adjustment on properties of RM13m in our core net income calculation. Al-`Aqar announced final DPU of 2.02sen per unit, bringing total DPU to 7.75 sen.

Marginally lower sequential earnings. 4QFY19 core net income came in higher at RM15.8m (-2.2%qoq) on sequential basis. The marginally lower earnings were due to higher maintenance cost of properties (+198%qoq). Meanwhile, gearing of Al-`Aqar increased marginally to 0.39x in 4QFY19 from 0.38x in 3QFY19.

Higher earnings in FY19. 4QFY19 core net income inched up 15.1%yoy to RM15.8m, bringing full year core net income to RM63.1m (+3.37%yoy) in FY19. Gross rental income was higher at RM106.1m (+3.4%yoy) in FY19, thanks to contribution from KPJ Healthcare University College, Nilai (KPJUC).

Earnings forecast maintained. We make no changes to our earnings forecast for FY20F. We also introduce our earnings forecast for FY21F. We expect earnings outlook for FY20 and FY21 to be positive, underpinning by rent renewal of 6 and 14 assets respectively.

Upgrade Buy from Neutral with a higher TP of RM1.52. We revise our TP for Al-`Aqar to RM1.52 from RM1.49 as we rollover our base year to FY20. Our target price is based on DDM valuation. We upgrade Al-`Aqar to Buy from Neutral as we see attractive upside from the current share price. Earnings outlook for Al-`Aqar remains positive while distribution yield is attractive at 5.2%. 

Upgrade to BUY

(Previously NEUTRAL)

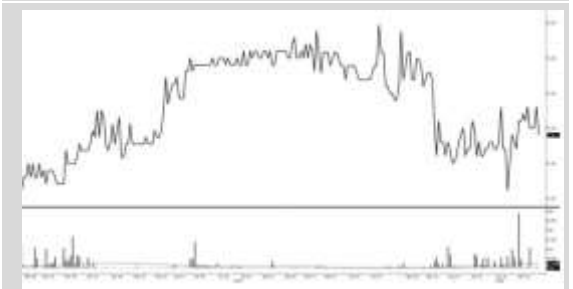
Revised Target Price: RM1.52

(Previously RM1.49)

RETURN STATISTICS

Price @ 25 February 2020 (RM)	1.38
Expected share price return (%)	10.1
Expected dividend yield (%)	5.2
Expected total return (%)	15.3

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-0.7	4.1
3 months	1.5	-3.9
12 months	0.8	15.9

KEY STATISTICS

FBM KLCI	1,500.88
Syariah compliant	Yes
Issue shares (m)	4973.65
Market Capitalisation (RM'm)	1,106
52-wk price range (RM)	RM1.19 - RM1.65
Beta vs FBM KLCI (x)	0.32
Monthly velocity (%)	11.02
Monthly volatility (%)	7.25
3-mth average daily volume (m)	0.24
3-mth average daily value (RM'm)	0.33
Top Shareholders (%)	
Johor Corp	41.09
Lembaga Tabung Haji	14.34
Employees Provident Fund Board	9.63

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	5.0%	5.1%	4.9%	5.2%	5.6%
Core PER	16.79	16.50	16.10	16.10	15.07
NAV per unit	1.26	1.30	1.31	1.34	1.37
P/NAV (x)	1.10	1.06	1.05	1.03	1.01
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: 4QFY19 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY19	%YoY	%QoQ	FY19	%YoY
Gross rental income	26.7	3.0%	-0.1%	106.1	3.4%
Net rental income	25.2	3.2%	-0.4%	100.9	4.4%
Profit before tax	28.8	-35.9%	78.8%	76.1	-17.5%
Profit after tax	28.8	-34.5%	78.9%	76.2	-16.65%
Core net income	15.8	15.1%	-2.2%	63.1	3.37%
Realised EPU (sen)	3.9	-34.5%	78.9%	10.3	-17.1%
Core EPU (sen)	2.1	15.1%	-2.2%	8.6	2.5%
Gross DPU (sen)	2.0	N/A	N/A	7.8	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.