

Amanahraya REIT

(5127 | AARET MK) Real Estate | Real Estate Investment Trust

Maintain NEUTRAL

Anticipating a challenging year

Revised Target Price: RM0.68
(Previously RM0.73)

KEY INVESTMENT HIGHLIGHTS

- **1QFY20 earnings within but coming quarters may be weaker**
- **CNI declined by -4.4%yoy as revenue dropped -5.3%yoy**
- **Earnings forecast revised as we expect weaker year-on-year CNI**
- **Maintain Neutral with a lower TP of RM0.68**


1QFY20 earnings within but coming quarters may be weaker.

Amanahraya REIT's (AARET) 1QFY20 core net income (CNI) of RM8.7m met our full year expectation at 23%. No dividend was announced this quarter as the REIT manager reduces its payout frequency from quarterly to semi-annually. This was due to the uncertainties in face of the Covid-19 outbreak. Although 1QFY20 CNI met our expectation, we expect a softer year-on-year CNI amid the Covid-19 pandemic and a more challenging operating environment that could adversely impact its rental income.

CNI declined by 4.4%yoy as revenue dropped by 5.3%yoy.

AARET recorded lower core net income of RM8.7m (-4.4yoy) for the first quarter, as revenue came in at RM22.6m. The lower rental income was attributed to the loss of settlement income. Property expenses increased by +29.9%yoy to RM4.8m due to refurbishment cost and maintenance expenses incurred at Vista Tower, Selayang Mall and Dana 13. This was partially offset by lower borrowing cost which fell to RM7.2m from RM8.4m in 2019 following the settlement of Affin Term Loan and the lower overnight policy rate.

Earnings forecast revised as we expect weaker yoy CNI. In view of the challenging rental market outlook, we do not rule out potentially lower rental income in-line with the overall industry trend of supporting tenants by extending rental rebates or other forms of assistance. As such, we revise our FY20E earnings estimate downwards by -12.6% and FY21F CNI by -7.6%. We are also assuming lower rental reversions.

Maintain Neutral with a lower TP of RM0.68 (previously RM0.73). Corresponding to our earnings downward revision, our TP for AARET is revised to RM0.68 from RM0.73. We maintain Neutral on AARET as we continue to believe the growth prospect of AARET will be subdued in the near-term. However, this is supported by a decent net distribution yield of 7.2%. 

RETURN STATISTICS

Price @ 23 rd June 2020 (RM)	0.685
Expected share price return (%)	-0.2
Expected dividend yield (%)	7.2
Expected total return (%)	7.0

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	3.0	-1.8
3 months	12.3	2.1
12 months	-19.4	-10.4

KEY STATISTICS

FBM KLCI	1507.04
Syariah compliant	No
Issue shares (m)	573.22
Estimated free float (%)	43.55
Market Capitalisation (RM'm)	392.66
52-wk price range	RM0.5 - RM0.85
Beta vs FBM KLCI (x)	0.72
Monthly velocity (%)	0.00
Monthly volatility (%)	3.39
3-mth average daily volume (m)	0.17
3-mth average daily value (RM'm)	0.11
Top Shareholders (%)	
Kumpulan Wang Bersama	47.50
KDA Capital Malaysia	15.00
Perbadanan Kemajuan Negeri Selangor	5.65

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INVESTMENT STATISTICS

FYE Dec (RM m)	FY18A	FY19A	FY20E	FY21F	FY22F
Gross Revenue	91.9	95.9	93.6	96.0	99.4
Net Rental Income	81.7	79.7	80.6	82.4	85.3
Net Investment Income	35.9	40.3	32.5	34.2	37.4
Net Income	35.9	35.5	32.5	34.2	37.4
Core Net Income	35.9	32.4	32.5	34.2	37.4
Realised EPU (sen)	6.27	6.19	5.67	5.97	6.51
Core EPU (sen)	6.27	5.65	5.67	5.97	6.51
Gross DPU (sen)	6.08	6.20	5.50	5.79	6.31
Net DPU (sen)	5.48	5.58	4.95	5.21	5.68
Net Distribution Yield	8.0%	8.1%	7.2%	7.6%	8.3%
Core PER	10.92	12.13	12.08	11.47	10.53
NAV per unit	1.77	1.93	1.94	1.95	1.97
P/NAV	0.39	0.36	0.35	0.35	0.35
Core ROE	3.5%	2.9%	2.9%	3.1%	3.3%
Core ROA	2.0%	1.7%	1.7%	1.8%	1.9%

Source: Company, MIDFR

Amanahraya REIT: 1QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY20	%YoY	%QoQ	3MFY20	%YoY
Gross Revenue	22.6	-5.3%	-5.6%	22.6	-5.3%
Total Trust Income	17.7	-11.7%	-16.4%	17.7	-11.7%
Income Before Tax	8.7	-4.4%	-33.6%	8.7	-4.4%
Income After Tax	8.7	-4.4%	4.2%	8.7	-4.4%
Core Net Income	8.7	-4.4%	66.2%	8.7	-4.4%
Basic EPS (sen)	1.5	-4.4%	4.2%	1.5	-4.4%
Core EPS (sen)	1.5	-4.4%	66.2%	1.5	-4.4%
Gross DPS (sen)	0.0	NM	NM	0.0	NM

Source: Company, MIDFR

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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.