

# Amanahraya REIT

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

**Maintain NEUTRAL**

## Lower earnings

**Revised Target Price: RM0.73**  
(Previously RM0.79)


### KEY INVESTMENT HIGHLIGHTS

- **FY19 earnings missed forecast**
- **Lower earnings in FY19**
- **Earnings forecast reduced**
- **Maintain Neutral with a lower TP of RM0.73**

**FY19 earnings missed forecast.** Amanahraya REIT's (AARET) FY19 core net income came in below our estimates at 89% of our full year forecast. No comparison is available. The negative deviation could be attributed to the higher-than-expected property expenses. A DPU of 1.7 sen was announced, bringing cumulative DPS to 6.2 sen.

**Lower earnings in FY19.** AARET recorded lower core net income of RM5.2m (-42.7%yoy) for 4QFY19, bringing cumulative core net income to RM32.4mn (-7.4%yoy). Note that we have excluded fair value gains of investment properties in our core net income calculations. The lower earnings were in line with lower topline (-2%yoy) which was owing to loss of rental income from Holiday Villa Alor Star and Wisma AIC that are vacant which mitigate the contribution from Vista Tower. Meanwhile, the lower borrowing cost (-7.9%yoy) had partially helped in earnings due to settlement of term loan and reduction of Overnight Policy Rate (OPR). Nevertheless, trust expenses were higher by +11.6%yoy in FY19.

**Earnings forecast reduced.** We reduce our FY20/21F forecast by 1.3%/1.4% as we trim our property expenses forecast. We expect earnings outlook for AARET to be neutral.

**Maintain Neutral with a lower TP of RM0.73.** Corresponding to our earnings downward revision, our TP for AARET is revised to RM0.73 from RM0.79. Our valuation is based on DDM. We maintain Neutral on AARET as we continue to believe the growth prospect of AARET will be subdued in the near-term. Meanwhile, gross distribution yield of AARET is attractive at 7.7%. 

### RETURN STATISTICS

Price @ 10 <sup>th</sup> February 2020 (RM)	0.725
Expected share price return (%)	0.7
Expected dividend yield (%)	7.7
<b>Expected total return (%)</b>	<b>8.4</b>

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-2.0	1.1
3 months	-2.0	-0.6
12 months	-13.7	-5.5

### KEY STATISTICS

FBM KLCI	1,542.80
Syariah compliant	No
Issue shares (m)	573.22
Estimated free float (%)	41.79
Market Capitalisation (RM'm)	415.58
52-wk price range	RM0.75 -0.86
Beta vs FBM KLCI (x)	0.43
Monthly velocity (%)	11.02
Monthly volatility (%)	3.39
3-mth average daily volume (m)	0.20
3-mth average daily value (RM'm)	0.15
Top Shareholders (%)	
Amanah Raya Bhd	47.31
KDA Capital Malaysia	15.00
Perbadanan Kemajuan Negeri Selangor	5.65

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## INVESTMENT STATISTICS

FYE Dec (RM m)	FY17	FY18	FY19	FY20F	FY21F
Gross Revenue	60.4	91.9	95.9	98.2	98.8
Net Rental Income	97.2	81.7	79.7	85.2	85.3
Net Investment Income	74.3	35.9	40.3	37.2	37.0
Net Income	74.4	35.9	35.5	37.2	37.0
Core Net Income	31.8	35.9	32.4	37.2	37.0
Realised EPU (sen)	13.00	6.27	6.19	6.48	6.46
Core EPU (sen)	5.50	6.27	5.65	6.48	6.46
Gross DPU (sen)	5.50	6.08	6.20	6.29	6.27
Net DPU (sen)	4.95	5.48	5.58	5.66	5.64
Net Distribution Yield	5.8%	7.6%	7.7%	7.8%	7.8%
Core PER	16.18	11.56	12.84	11.18	11.22
NAV per unit	1.27	1.77	1.93	1.94	1.95
P/NAV	0.67	0.41	0.38	0.37	0.37
Core ROE	4.6%	3.5%	2.9%	3.3%	3.3%
Core ROA	2.2%	2.0%	1.7%	1.9%	1.9%

Source: Company, MIDFR

## Amanahraya REIT: 4QFY19 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY19	%YoY	%QoQ	FY19	%YoY
Gross Revenue	23.9	-14.5%	-0.7%	95.9	-2.0%
Total Trust Income	21.2	-12.4%	10.8%	79.7	-48.5%
Income Before Tax	13.1	49.5%	43.6%	40.3	-61.7%
Income After Tax	8.4	-155.3%	-8.5%	35.5	-56.3%
Core Net Income	5.2	-40.3%	-42.7%	32.4	-7.4%
Basic EPS (sen)	1.5	-155.3%	-8.5%	6.2	-56.3%
Core EPS (sen)	0.9	-40.3%	-42.7%	5.6	-7.4%
Gross DPS (sen)	1.7	17.2%	13.3%	6.2	1.8%

Source: Company, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	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

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.