Al-`Aqar Healthcare REIT

(5116 | AQAR MK) REIT| REIT

Maintain BUY

Higher earnings in 9MFY22

***Unchanged* Target Price: RM1.38**

KEY INVESTMENT HIGHLIGHTS

- **9MFY22 core net income within expectation**
- **Stable earnings**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM1.38**

9MFY22 core net income within expectation. Al-'Aqar Healthcare REIT (Al-'Aqar) 9MFY22 core net earnings of RM55.2m came in within our expectation, making up 77% of our full year forecast. Al-'Aqar announced third interim income distribution of 2sen per unit (ex-date: 15 December 2022), bringing cumulative income distribution to 6sen per unit in 9MFY22.

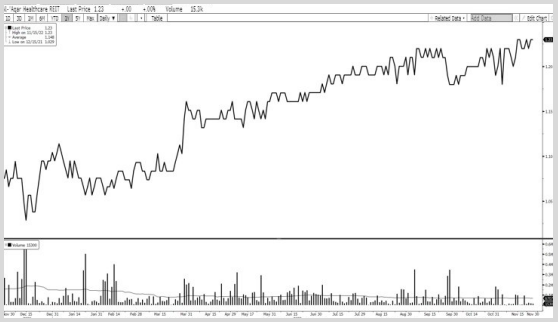
Higher earnings in 9MFY22. Sequentially, 3QFY22 core net income eased marginally to RM17.9m (-3.8%qoq) despite topline was little-changed as earnings were dragged by higher Islamic financing cost (-12.5%qoq) as a result of higher financing rate. On yearly basis, 3QFY22 core net income was higher at RM17.9m (+15%yoy), bringing cumulative 9MFY22 core net income to RM55.2m (+9.03%yoy). The higher earnings were mainly due to lower rental support to tenants which mitigated lower rental income. Note that Al-'Aqar renewed 15-year lease of 6 properties at lower rate. Besides, earnings growth was also helped by lower financing cost (-10.3%yoy) as a result of lower sukuk rate.

Earnings forecast maintained. We maintain our earnings forecast for FY22/23F as 9MFY22 earnings came in within expectation. We see earnings outlook for Al-'Aqar to remain stable in the near-term due to defensive earnings from its healthcare assets which should help to offset higher financing cost.

Maintain BUY with an unchanged TP of RM1.38. We maintain our TP for Al-'Aqar at RM1.38, based on Dividend Discount Model. We remain positive on Al-'Aqar for stable outlook of healthcare assets which provide stable rental income in the long term. Meanwhile, distribution yield is estimated at 6.0%.

RETURN STATISTICS	
Price @ 25 Nov 2022 (RM)	1.23
Expected share price return (%)	12.2
Expected dividend yield (%)	6.0
Expected total return (%)	**18.2**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	1.7	2.4
3 months	3.4	4.8
12 months	-3.1	3.2

KEY STATISTICS	
FBM KLCI	1,486.54
Syariah compliant	Yes
F4BGM Index	N/A
ESG Grading Band (Star rating)	N/A
Issue shares (m)	735.99
Estimated free float (%)	39.01
Market Capitalisation (RM'm)	905
52-wk price range (RM)	RM1.09- RM1.27
Beta vs FBM KLCI (x)	0.40
3-mth average daily volume (m)	0.07
3-mth average daily value (RM'm)	0.09
Top Shareholders (%)	
Lembaga Tabung Haji	14.34
Employees Provident Fund Board	11.31
KWAP	8.88
Amanah Saham Nasional Bhd	8.54
Pusat Pakar Tawakal	7.43

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INVESTMENT STATISTICS

FYE Dec	FY19A	FY20A	FY21A	FY22F	FY23F
Revenue	106.1	108.7	114.1	113.1	111.3
Net Rental Income	100.9	102.6	108.2	106.0	104.0
Profit Before Tax	76.1	13.6	72.8	72.5	69.6
Net Income	76.2	12.6	73.5	71.0	68.1
Core Net Income	63.1	56.8	68.1	71.0	68.1
Basic EPS (sen)	10.35	1.71	9.99	9.64	9.26
Core EPS (sen)	8.57	7.71	9.25	9.64	9.26
Gross Dividend (sen)	7.50	6.81	7.80	8.19	8.33
Net Dividend (sen)	6.75	6.13	7.02	7.37	7.50
Net Distribution Yield	5.5%	5.0%	5.8%	6.0%	6.1%
Core PER	14.23	15.82	13.19	12.66	13.18
NAV per unit	1.30	1.28	1.28	1.31	1.32
P/NAV (x)	0.94	0.95	0.95	0.93	0.92
Core ROE	6.6%	6.0%	7.2%	7.4%	7.0%
Core ROA	3.8%	3.4%	4.1%	4.2%	4.1%

Source: MIDF Research

AL AQAR HEALTHCARE REIT: 3QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY22	%YoY	%QoQ	FY22	%YoY
Gross rental income	27.4	-4.4%	0.4%	82.0	-5.9%
Net rental income	25.9	-4.6%	0.4%	77.4	-6.4%
Profit before tax	17.6	15.3%	-3.9%	54.9	8.4%
Profit after tax	17.6	15.3%	-3.9%	54.9	8.38%
Core net income	17.9	15.4%	-3.8%	55.2	9.03%
Realised EPU (sen)	2.4	15.7%	-3.9%	7.5	8.8%
Core EPU (sen)	2.4	15.9%	-3.8%	7.5	9.4%
Gross DPU (sen)	2.0	0.0%	0.0%	6.0	0.0%

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 *rise* 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 *fall* 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