Al-`Aqar Healthcare REIT

(5116 | AQAR MK) REIT| REIT

Maintain BUY

Positive long-term prospect

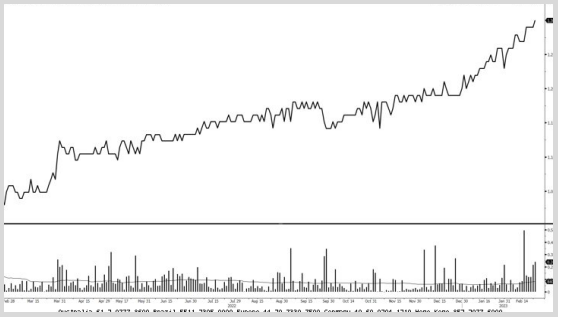
***Unchanged* Target Price: RM1.38**

KEY INVESTMENT HIGHLIGHTS

- **FY22 core net income within expectation**
- **Stable earnings growth in FY22**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM1.38**

RETURN STATISTICS	
Price @ 24 Feb 2023 (RM)	1.29
Expected share price return (%)	7.0
Expected dividend yield (%)	5.5
Expected total return (%)	**12.5**

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	1,456.80
Syariah compliant	Yes
F4BGM Index	N/A
ESG Grading Band (Star rating)	N/A
Issue shares (m)	756
Estimated free float (%)	39.01
Market Capitalisation (RM'm)	976
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	8.31
Pusat Pakar Tawakal	7.22

FY22 core net income within expectation. Al-'Aqar Healthcare REIT (Al-'Aqar) FY22 core net earnings of RM71.5m came in within our expectation, making up 100% of our forecast. Al-'Aqar distributed final income distribution of 2.1sen per share for 4QFY22, bringing total income distribution to 8.1sen per unit in FY22. That implies gross distribution yield of 6.3%.

Stable earnings growth. Sequentially, 4QFY22 core net income eased to RM16.5m (-7.8%qoq) despite higher topline (+3.1%qoq) as earnings was dragged by higher Islamic financing cost (+14.9%qoq). Al-'Aqar incurred higher Islamic financing cost due to the rise in financing rate. On yearly basis, 4QFY22 core net income was lower at RM16.5m (-5.6%yoy), bringing full year earnings in FY22 at RM71.5m (+5%yoy). The earnings growth in FY22 was mainly due to normalized rental income as a result of lower rental support to tenants. The earnings growth in FY22 was also supported by lower financing cost as Al-'Aqar redeemed sukuk at a lower sukuk rate.

Earnings forecast maintained. We make no changes to our earnings forecast for FY23F. Long-term earnings prospect for Al-'Aqar remains promising due to the acquisition of healthcare assets. Meanwhile, gearing of Al-'Aqar rose to 0.48x in 4QFY22 from 0.41x in 3QFY22 as Al-'Aqar raised Islamic financing for acquisition of three healthcare assets from KPJ Healthcare Berhad. Nevertheless, exposure to higher financing cost is expected to be lower going forward as Al-'Aqar earmarked proceeds from private placement for repayment of its Islamic financing.

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 due to positive long term prospect which supported by stable rental income from healthcare assets. Meanwhile, net distribution yield is estimated at 5.5%.

Analyst(s)
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INVESTMENT STATISTICS

FYE Dec	FY21A	FY22A	FY23F	FY24F	FY25F
Revenue	114.1	110.2	122.8	120.2	119.5
Net Rental Income	108.2	104.2	115.4	112.6	111.6
Profit Before Tax	72.8	60.0	78.8	75.5	75.2
Net Income	73.5	60.1	76.8	75.5	75.2
Core Net Income	68.1	71.5	76.8	75.5	75.2
Basic EPS (sen)	9.99	7.95	8.77	8.62	8.59
Core EPS (sen)	9.25	9.45	8.77	8.62	8.59
Gross Dividend (sen)	7.80	8.10	7.90	7.76	7.73
Net Dividend (sen)	7.02	7.29	7.11	6.99	6.96
Net Distribution Yield	5.4%	5.7%	5.5%	5.4%	5.4%
Core PER	13.95	13.65	14.70	14.96	15.01
NAV per unit	1.28	1.28	1.12	1.13	1.14
P/NAV (x)	1.00	1.00	1.15	1.14	1.13
Core ROE	7.2%	7.4%	7.8%	7.6%	7.5%
Core ROA	4.1%	3.8%	4.1%	4.3%	4.3%

Source: MIDF Research

AL AQAR HEALTHCARE REIT: 4QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY22	%YoY	%QoQ	FY22	%YoY
Gross rental income	28.3	4.8%	3.1%	110.2	-3.4%
Net rental income	26.8	4.8%	3.2%	104.2	-3.7%
Profit before tax	5.1	-76.8%	-70.9%	60.0	-17.5%
Profit after tax	5.2	-77.2%	-70.3%	60.1	-18.23%
Core net income	16.5	-5.6%	-7.8%	71.5	5.03%
Realised EPU (sen)	0.7	-77.8%	-71.1%	8.2	-18.2%
Core EPU (sen)	2.2	-8.2%	-10.3%	9.7	4.9%
Gross DPU (sen)	2.1	16.7%	5.0%	8.1	3.8%

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