

03 September 2019 | 2QFY19 Results Review

Al-`Aqar Healthcare REIT

Slight dip due to maintenance expenses


INVESTMENT HIGHLIGHTS

- **1HFY19 earnings within expectation**
- **1HFY19 CNI dipped by 3.1% to RM31.2m**
- **2Q1FY19 CNI eased by 1.4%yoy to RM15.2m**
- **Maintain NEUTRAL with an unchanged TP of RM1.49**

1HFY19 earnings within expectation. Al-`Aqar Healthcare REIT (Al-`Aqar) 1QFY19 core net income (CNI) of RM31.2m came in within ours and consensus' expectation at 51% of full year estimates respectively. An interim DPU of 1.91sen was announced, bringing ytd DPU to 4.9sen.

1HFY19 CNI dipped by 3.1% to RM31.2m even though revenue increased by 3.1%yoy to RM52.7m. The higher revenue to-date can be attributed to income from KPJ Healthcare University College, Nilai (KPJUC). However, CNI declined due to property expenses that increased due to maintenance of properties amounting to RM1.4m as well as higher Islamic finance costs that increased by RM1.3m due to drawdown of additional loans to part finance the outstanding balance from asset acquisition previously.

2Q1FY19 CNI eased by 1.4%yoy to RM15.2m although revenue advanced by 2.7%yoy to RM26.3m mainly due to maintenance of properties, lower investment income, higher annual financing fees and higher profit sharing expenses on financing. Maintenance of properties amounted to RM0.65m during the quarter. Compared to 1QFY19, CNI fell by 4.6%qoq as gross rental income slid 0.7%qoq. Gearing of Al-`Aqar remained largely unchanged at 0.38x in 2QFY19 compared to the quarter before.

Maintain NEUTRAL with an unchanged TP of RM1.49. We maintain our earnings forecast for FY19F/20F as earnings are in-line. Hence, we make no changes to our **TP** for Al-`Aqar at **RM1.49** and our **NEUTRAL** recommendation. Our target price is based on DDM valuation. While we like Al-`Aqar as a defensive healthcare REIT in Malaysia with stable earnings and low earnings downside risk, unit price upside is limited at the moment. Distribution yield of Al-`Aqar is estimated at 5.0%. 

Maintain NEUTRAL

Unchanged Target Price: RM1.49

RETURN STATS

Price (30 August 2019)	RM1.51
Target Price	RM1.49
Expected Share Price Return	-1.3%
Expected Dividend Yield	5.0%
Expected Total Return	3.7%

STOCK INFO

KLCI	1,612.14
Bursa / Bloomberg	5116/AQAR MK
Board / Sector	Main/REITs
Syariah Compliant	Yes
Issued shares (mil)	735.99
Par Value (RM)	1.00
Market cap. (RM'm)	1,111.34
Price over NA	1.17
52-wk price Range	RM1.21-RM1.55
Beta (against KLCI)	0.49
3-mth Avg Daily Vol	0.08m
3-mth Avg Daily Value	RM0.12m
Major Shareholders	
Johor Corp	41.09%
Lembaga Tabung Haji	14.28%
EPF	9.53%
KWAP	8.26%
Skim Amanah Saham Bumiputera	6.25%
Amanah Saham Bumiputera	5.19%

INVESTMENT STATISTICS

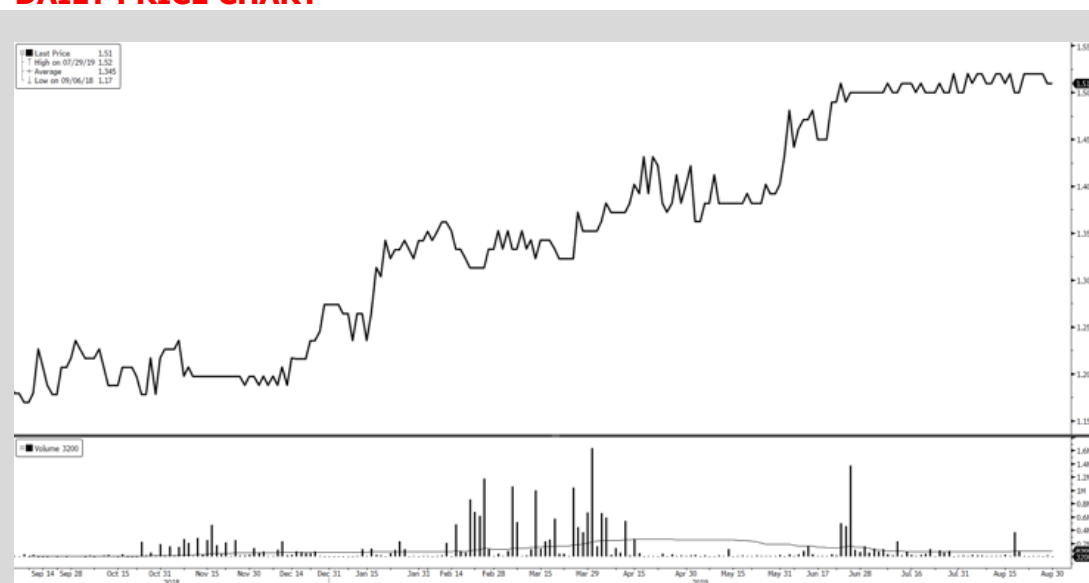
FYE Dec	FY16A	FY17A	FY18A	FY19F	FY20F
Revenue	103.8	99.6	102.6	103.3	105.1
Net Rental Income	97.6	93.2	96.6	96.6	98.4
Profit Before Tax	64.0	86.2	92.3	62.8	64.6
Net Income	63.4	84.6	91.4	61.3	63.1
Core Net Income	61.9	59.9	61.0	61.3	63.1
Basic EPS (sen)	8.71	11.62	12.48	8.32	8.58
Core EPS (sen)	8.50	8.22	8.36	8.32	8.58
Gross Dividend (sen)	7.70	7.70	7.83	7.79	8.02
Net Dividend (sen)	6.93	6.93	7.05	7.01	7.22
Net Distribution Yield	4.9%	4.9%	5.0%	5.0%	5.1%
Core PER	16.59	17.16	16.86	16.94	16.44
NAV per unit	1.23	1.26	1.30	1.31	1.34
P/NAV (x)	1.15	1.12	1.08	1.07	1.05
Core ROE	6.9%	6.5%	6.4%	6.3%	6.4%
Core ROA	3.8%	3.8%	3.9%	3.9%	4.0%

Source: Company, MIDFR

Figure 1: 2QFY19 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY19	%YoY	%QoQ	FY19	%YoY
Gross rental income	26.3	2.7%	-0.7%	52.7	3.1%
Net rental income	25.4	5.5%	1.0%	50.5	4.8%
Profit before tax	15.2	-1.4%	-4.6%	31.2	-3.1%
Profit after tax	15.2	-1.4%	-4.6%	31.2	-3.1%
Core net income	15.2	-1.4%	-4.6%	31.2	-3.1%
Realised EPU (sen)	2.1	-2.5%	-4.6%	4.2	-4.1%
Core EPU (sen)	2.1	-2.5%	-4.6%	4.2	-4.1%
Gross DPU (sen)	1.9	N/A	N/A	4.0	-32.5%

DAILY PRICE CHART



Jessica Low Jze Tieng
 jessica.low@midf.com.my
 03-2173 8391

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).
 (Bank Pelaburan)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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.