



MRCB-Quill REIT (MQREIT MK) : HOLD

Mkt. Cap: US\$323m | **3m Avg. Daily Val:** US\$0.10m

Last Traded Price (8 Jan 2018): RM1.21

Price Target 12-mth: RM1.38 (14% upside) (Prev RM1.38)

Analyst

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Disposal of Quill Building 8 – DHL XPJ

- Proposed disposal of Quill Building 8 for RM28m
- Disposal expected to complete by 2Q18
- Sensitivity analysis show change of 3% to FY18F/19F earnings
- HOLD call and TP of RM1.38 under review pending release of 4Q17 results

Forecasts and Valuation

FY Dec (RMm)	2016A	2017F	2018F	2019F
Gross Revenue	132	181	186	191
Net Property Inc	102	146	149	153
Total Return	58.8	88.6	92.7	96.5
Distribution Inc	58.8	88.6	92.7	96.5
EPU (sen)	9.49	8.30	8.67	9.01
EPU Gth (%)	(7)	(13)	4	4
DPU (sen)	8.89	8.30	8.67	9.01
DPU Gth (%)	5	(7)	4	4
NAV per shr (sen)	137	125	125	125
PE (X)	12.7	14.6	14.0	13.4
Distribution Yield (%)	7.3	6.9	7.2	7.4
P/NAV (x)	0.9	1.0	1.0	1.0
Aggregate Leverage (%)	43.8	41.5	41.7	41.9
ROAE (%)	6.9	7.9	6.9	7.2

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P

What's New

MQREIT has entered into a sale and purchase agreement (SPA) with Transmark Corporation Sdn Bhd to dispose of Quill Building 8 – DHL XPJ for a purchase consideration of RM28.0m. Transmark Corporation is principally involved in the trading of fitness equipment. The proposed disposal is expected to be completed by 2Q18.

Quill Building 8 – DHL XPJ is a single-storey detached warehouse annexed with a three-storey purpose-built office building on a plot of freehold land measuring 88,856 sq ft and is located in Bandar Glenmarie, Selangor.

MQREIT said the sale consideration for the property was arrived at on a willing-buyer willing-seller basis after taking into consideration the RM25m valuation appraised by Nawawi Tie Leung Property Consultants Sdn Bhd in its valuation report dated 17 Oct 2017.

The expected net gain on disposal is approximately RM1.28m. The net proceeds of the proposed disposal will be used to repay existing borrowings, for asset-enhancement initiatives, investments into other yield-accretive properties and working capital purposes.

Going forward, the loss of income from Quill Building 8 will decrease earnings by c.3% for FY18-19F given the current occupancy of 92%. As for MQREIT's total NLA, it will be decreased by 3%.

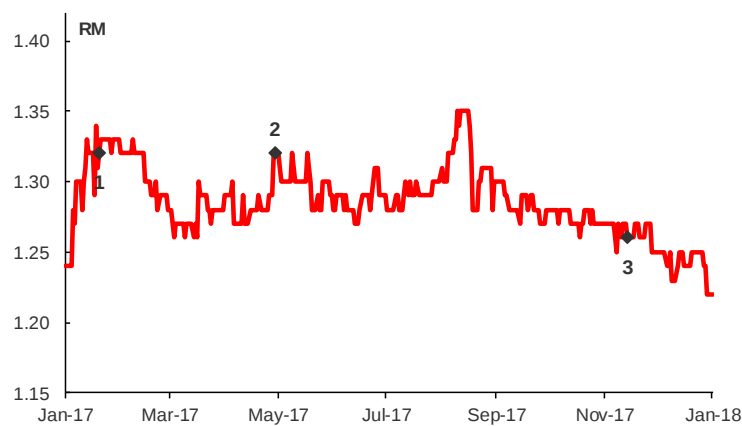
Valuation

Our HOLD rating and TP of RM1.38 are under review pending the release of 4Q17 results.



Flash Note

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	26 Jan 17	1.32	1.37	HOLD
2:	05 May 17	1.32	1.34	HOLD
3:	20 Nov 17	1.26	1.38	HOLD

Note : Share price and Target price are adjusted for corporate actions .

Source: AllianceDBS
Analyst: Siti Ruzanna Mohd Faruk

DISCLOSURE

Stock rating definitions

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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