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## New rental source vital for Amanah Raya REIT

### Analyst Reports



### AMANAH RAYA REIT

By Maybank Investment Bank Research

Hold (unchanged)

**Target price:** 95 sen

WE are positive on Amanah Raya REIT's (ARREIT) latest acquisition in Seberang Prai, Penang. New acquisitions with rental source are vital to sustain its dividend payments especially after the disposal of Wisma UEP.

This new asset is expected to enhance our financial year 2014 (ending March 31) distribution per unit (DPU) forecast by 0.4 sen (8.5% gross yield). We maintain our financial years 2014 and 2015 earnings forecasts discounted cash flow-based target price of 95 sen pending completion of the acquisition.

ARREIT has entered into a sale and purchase agreement with Precico Electronics Sdn Bhd (a contract manufacturer of box-build products and printed circuit board assemblies) to acquire the latter's factory buildings located at Prai Industrial Estate Mukim 1 for RM41.6mil cash, a 0.2% discount to its market value of RM41.7mil.



ARREIT has concurrently entered into an eight-year leaseback agreement (with an option to renew a further six years) with Precico.

The factories will be 100% occupied post acquisition. They will be structured into an eight-year lease agreement with step-up features (6%-7% every three years) thereby providing steady and visible rental growth.

Net property yields are estimated at 7.5% vs interest costs of 4.5%-4.6%, making these acquisitions yield-accretive.

We estimate a DPU enhancement of 0.4 sen from this new acquisition. Post-acquisition, gearing is expected to rise to 0.39 times from 0.35 times as at December 2012. ARREIT currently trades at an financial year 2013 gross yield of 8% vs the industry's 6.4%.