

Hold(unchanged)

Share price: MYR0.92
Target price: MYR0.95 (unchanged)

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Stock Information

Description: Real estate Investment trust with asset portfolio in retail, commercial and industrial.

Ticker:	AARET MK
Shares Issued (m):	573.2
Market Cap (MYR m):	527.4
3-mth Avg Daily Turnover (USD m):	0.04
KLCI:	1,594.10
Free float (%):	34.1

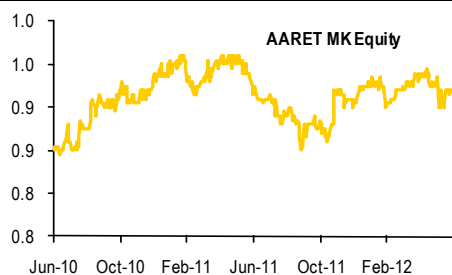
Major Shareholders:

	%
Kumpulan Wang Bersama	60.2
RBS	6.7
Perbananan Kemajuan Negeri	5.7

Key Indicators

Net cash / (debt) (MYR m):	(363.3)
NTA/shr (MYR):	1.16
Net Gearing (x):	0.6

Historical Chart



Performance:

52-week High/Low	MYR0.95/MYR0.845				
	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	(0.5)	-	3.4	(0.5)	1.7
Relative (%)	(3.3)	(2.3)	(7.0)	(2.6)	(2.5)

AmanahRaya REIT

Selling Wisma UEP Building

Maintain HOLD. The disposal of Wisma UEP was expected, in line with ARREIT's plan to streamline its property portfolio. We are positive on the deal given its good pricing and potential capital redeployment into better-yielding assets. More importantly, the disposal would release ARREIT from incurring maintenance costs of MYR113k/month. No change in our core profit forecasts. We maintain a HOLD on ARREIT, with an unchanged MYR0.95 target price.

Sells Wisma UEP. ARREIT has entered into a SPA with Tenaga Nasional Bhd (TNB) for the disposal of Wisma UEP for MYR40m in cash. The selling price is 2.6% higher than its appraised value of MYR39m by property valuer CH Williams Talhar & Wong.

Less burden from maintenance costs. Apart from streamlining its property portfolio, the sale of poorly-occupied Wisma UEP releases ARREIT from incurring MYR113k in monthly maintenance costs for the building. The occupancy rate remains low at 30% after the expiry of the tenancy agreement with Sime UEP Properties Bhd in Jun 2012.

Redeploying capital into better-yielding assets. ARREIT will retain the proceeds from the sale of Wisma UEP for future acquisitions. We understand that it is currently eyeing a good-quality office property in the Klang Valley, which is backed by long lease agreements and rental guarantees.

Earnings adjustment. No change in our recurring profit forecasts, as we had excluded the rental contributions from Wisma UEP earlier. The sale of Wisma UEP is expected to churn out a disposal gain of MYR1m, whilst ARREIT's total debt-to-total asset ratio is expected to increase to 0.40x post disposal (from 0.38x as at end-Mar 2012).

AmanahRaya REIT- Summary Earnings Table

FYE Dec (MYR m)	2010A	2011A	2012F	2013F	2014F
Revenue	59.5	65.3	65.5	67.1	68.9
EBITDA	56.5	59.5	60.8	62.1	63.7
Recurring Net Profit	41.4	42.5	43.9	45.1	46.8
Recurring Basic EPS (cents)	7.2	7.4	7.7	7.9	8.2
EPS growth (%)	1.0	2.7	3.1	2.9	3.6
DPS (cents)	7.3	7.2	7.3	7.5	7.7
PER	12.9	12.5	12.2	11.8	11.4
EV/EBITDA (x)	15.8	15.1	14.7	14.4	0.0
Div Yield (%)	7.9	7.8	7.8	8.0	8.3
P/BV(x)	1.0	0.9	0.9	0.9	0.9
Net Gearing (%)	36.4	34.9	34.9	34.8	34.6
ROE (%)	7.4	7.1	7.3	7.5	7.7
ROA (%)	4.1	4.1	4.2	4.3	4.5
Consensus Net Profit (MYR m)	-	-	44.0	45.2	46.6

Source: MaybankIB

INCOME STATEMENT (MYR m)

FY Dec	2011A	2012F	2013F	2014F
Gross Rental Income	65.3	65.5	67.1	68.9
Interest Income	0.8	1.1	1.2	1.3
Gross Income	66.1	66.6	68.3	70.3
Property Operating Expenses	(2.0)	(3.3)	(3.6)	(3.7)
Non-Property Expenses	(3.8)	(4.7)	(2.5)	(2.5)
Net Trust Income	42.5	43.9	45.1	46.8
Revaluation of Investment	31.1	-	-	-
Income before taxation	73.7	43.9	45.1	46.8
Distribution To Unitholders	(40.2)	(41.7)	(42.9)	(44.4)
Taxation	-	-	-	-
Income after taxation	73.7	43.9	45.1	46.8
Income after taxation (ex-revaluation)	42.5	43.9	45.1	46.8
Payout Ratio	97.3	95.0	95.0	95.0

BALANCE SHEET (MYR m)

FY Dec	2011A	2012F	2013F	2014F
Total Assets	1,040.5	1,040.4	1,044.2	1,048.3
Non Current Assets				
Investment Properties	944.8	944.8	944.8	944.8
Current Assets				
Cash	29.7	32.1	35.9	40.0
Receivables	66.0	63.5	63.5	63.6
Total Liabilities	438.8	436.9	438.5	440.3
Current Liabilities				
Short term borrowings	-	-	-	-
Creditors	75.6	74.0	75.5	77.3
Non Current Liabilities				
Long term borrowings	363.3	363.0	363.0	363.0
Net Assets	601.6	603.4	605.7	608.0
Unitholders' Capital	519.7	519.7	519.7	519.7
Undistributed income	82.0	83.7	86.0	88.3
Unitholders' Funds	601.6	603.4	605.7	608.0
Units in issue (million)	573.2	573.2	573.2	573.2

CASH FLOW (MYR m)

FY Dec	2011A	2012F	2013F	2014F
Pretax Profit	73.7	43.9	45.1	46.8
Net interest receipts/(payments)	16.1	15.9	15.7	15.6
Revaluation (non-cash item)	(31.1)	-	-	-
Working capital change	(3.3)	0.2	1.5	1.8
Cash tax paid	-	-	-	-
Cash flow from operations	55.4	59.9	62.4	64.2
Capex	-	-	-	-
Disposal/(purchase)	-	-	-	-
Others	0.8	1.1	1.2	1.3
Cash flow from investing	0.8	1.1	1.2	1.3
Debt raised/(repaid)	-	-	-	-
Equity raised/(repaid)	-	-	-	-
Dividends (paid)	(30.3)	(41.7)	(42.9)	(44.4)
Others	(17.0)	(17.0)	(17.0)	(17.0)
Cash flow from financing	(47.3)	(58.6)	(59.8)	(61.4)
Change in cash	8.9	2.4	3.8	4.1

WACC ASSUMPTIONS

Risk-free Rate of Return	4.0
Long Term Cost of Debt	5.0
Market Risk	10.5
Beta	0.7
Target Wd	0.3
Target We	0.7
Cost of Equity	8.2
WACC	7.3
Terminal Value Discount	8.40

Source: Company, Maybank-IB

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CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
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