

HLIB Research

PP 9484/12/2012 (031413)

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BUY (Maintain)

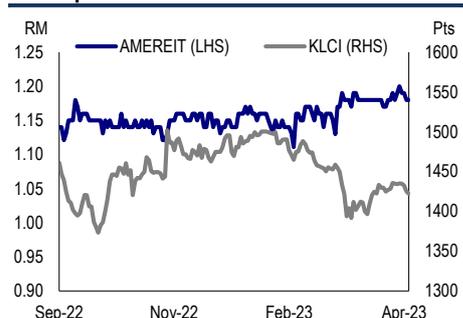
Target Price: RM1.35
Previously: RM1.35
Current Price: RM1.18

Capital upside	14.4%
Dividend yield	5.8%
Expected total return	20.2%

Sector coverage: REIT

Company description: AMER operates as a REIT.

The company invests directly and indirectly, in a Shariah-compliant portfolio of income producing real estate used primarily for industrial and industrial-related purposes.

Share price


Historical return (%)	1M	3M	12M
Absolute	1.7	1.7	N.A.
Relative	5.1	7.0	N.A.

Stock information

Bloomberg ticker	AMEREITMK
Bursa code	5307
Issued shares (m)	521
Market capitalisation (RM m)	615
3-mth average volume ('000)	147
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	N.A.

Major shareholders

AME Development Sdn Bhd	50.9%
Hong Leong Assur Bhd	5.4%
Lee Chai	4.7%

Earnings summary

FYE (Mar)	FY23*	FY24f	FY25f
PAT – core	18.2	33.8	35.2
EPU – core (sen)	3.4	6.4	6.7
P/E (x)	34.5	18.3	17.6

*FY23 commenced from listing day 20-Sept-22 to 31-Mar-23

AME REIT

Slight beat

AMER's 4QFY23 core net profit of RM8.9m brought 2HFY23 sum to RM17.3m which were slightly above our expectations. Declared DPU of 1.82 sen/unit. The recently completed acquisitions of Indahpura's Plot 15 and SAC's Plot 43 as well as the imminent addition of Indahpura's Plot 16 in 2QFY24 are set to lift AMER's earnings in FY24. Also, we expect positive rental reversion for its leases due for renewal in FY24. Maintain our projections, reiterate BUY with unchanged TP of RM1.35 based on a targeted yield 5.1% on FY24 DPU.

Slight beat. 4QFY23 core net profit of RM8.9m brought FY23 sum to RM18.2m. Upon exclusion of 2QFY23 results which only accounted 10 days, AMER's 2HFY23 of RM17.3m were slightly above our expectations at 55% of FY23 forecast, assuming the REIT had been in existence for the full year.

Dividend. Declared DPU of 1.82 sen/unit, going ex on 9 May 2023. Total DPU declared in FY23 stood at 3.80 sen/unit.

QoQ. Revenue stayed flattish while total property opex registered marginal decline (-15.7%). As a result, NPI slightly rose 0.9%. Subsequently boosted by lower financing costs, core net profit increased 7.2% to RM8.9m.

YoY/YTD. No comparative figures are available as AME REIT was only recently listed (20 Sep 2022).

Occupancy and gearing. AMER's portfolio consists of 33 industrial properties and 3 industrial-related dormitories. The overall portfolio occupancy rate remained robust at 100%. Meanwhile, its gearing level stood at 13.4%.

Outlook. The recently completed acquisitions of Indahpura's Plot 15 and SAC's Plot 43 in Mar-23 as well as the imminent addition of Indahpura's Plot 16 in 2QFY24 are set to lift AMER's earnings in FY24. On a macro level, despite the prevailing global economic woes (largely spilled over from the West), we gathered that the demand for local industrial properties remain unfazed with encouraging interests from MNCs on its i-Park projects. This is also evidenced by the robust growth in property sales of its sponsor AME Elite (record high new sales of RM324.5m in 9MFY23 vs RM168.4m in FY22) as well as guided positive rental reversion for its leases due for renewal.

Forecast. Although 4QFY23 results were slightly above our projections, we keep our forecasts unchanged to be conservative.

Maintain BUY, TP: RM1.35. We maintain our **BUY** call TP of **RM1.35**. Our TP is based on FY24 DPU at a targeted yield of 5.1% – derived from ascribing a 150bps "premium" to the 3-year historical average yield spread between industrial property REITs in Malaysia (Axis REIT and Atrium REIT) and MAG10YR. We deem AMER to be a compelling case, given its backing of a strong sponsor with established track record and brand name (i.e. i-Park) as well as sponsor and management's complete suite of capabilities in the supply chain of industrial properties.

Figure #1 Financial forecast summary

FYE Dec (RM m)	FY23*	FY24f	FY25f
Revenue	22.9	46.3	48.1
Core PBT	18.2	33.8	35.2
Core PAT	18.2	33.8	35.2
Core EPU (sen)	3.4	6.4	6.7
P/E (x)	34.5	18.3	17.6
DPU (sen)	3.8	6.9	7.1
Dividend yield (%)	3.2	5.8	6.1
BVPS (RM/share)	1.0	1.0	1.0
P/B (x)	1.2	1.2	1.2
ROE (%)	3.3	6.5	6.8
Net Gearing (%)	11.5%	17.2%	16.7%

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*FY23 results commenced from listing day (20 September 2022) to 31 March 2023.

Figure #2 Quarterly results comparison

FYE Dec (RM m)	4Q22	3Q23	4Q23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)
Total revenue	N.A.	10.8	10.8	-0.2%	N.A.	N.A.	22.9	N.A.
Quit rent & assessment	N.A.	-0.4	-0.4	-2.1%	N.A.	N.A.	-0.8	N.A.
Insurance	N.A.	-0.1	-0.1	-2.9%	N.A.	N.A.	-0.3	N.A.
Repair and maintenance	N.A.	-0.1	0.0	-137.2%	N.A.	N.A.	-0.1	N.A.
Other operating expenses	N.A.	-0.1	-0.1	21.6%	N.A.	N.A.	-0.2	N.A.
Total property opex	N.A.	-0.7	-0.6	-15.7%	N.A.	N.A.	-1.4	N.A.
Net property income	N.A.	10.1	10.2	0.9%	N.A.	N.A.	21.5	N.A.
Profit income	N.A.	0.1	0.1	31.3%	N.A.	N.A.	0.2	N.A.
Net investment income	N.A.	10.2	10.3	1.1%	N.A.	N.A.	21.7	N.A.
Non-property expenses	N.A.	-1.8	-1.4	-26.3%	N.A.	N.A.	-3.5	N.A.
PBT	N.A.	8.3	8.9	7.2%	N.A.	N.A.	18.2	N.A.
PAT	N.A.	8.3	8.9	7.2%	N.A.	N.A.	18.2	N.A.
Normalised PAT	N.A.	8.3	8.9	7.2%	N.A.	N.A.	18.2	N.A.
DPU (sen)	N.A.	1.77	1.82	3.0%	N.A.	N.A.	3.80	N.A.
EPU (sen)	N.A.	1.55	1.68	8.4%	N.A.	N.A.	3.42	N.A.

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BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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