

**HLIB Research**

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**BUY** (Maintain)

**Target Price: RM1.41**
**Previously: RM1.34**
**Current Price: RM1.30**

Capital upside	8.5%
Dividend yield	5.5%
Expected total return	14.0%

**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**


	1M	3M	12M
Absolute	-0.8	3.2	12.1
Relative	-2.3	0.0	10.5

**Stock information**

Bloomberg ticker	AMEREIT MK
Bursa code	5307
Issued shares (m)	524
Market capitalisation (RM m)	681
3-mth average volume ('000)	87
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	N.A.

**Major shareholders**

AME Development Sdn Bhd	48.7%
Hong Leong Assurance Bhd	5.3%
Lee Chai	4.7%

**Earnings summary**

	FY23*	FY24f	FY25f
FYE (Mar)			
PAT – core	18.2	34.0	35.4
EPU – core (sen)	3.5	6.5	6.7
P/E (x)	37.1	20.0	19.3

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

# AME REIT

## Steady showing

AME REIT's 3QFY24 core net profit of RM9.2m (+5.3% QoQ, +10.2% YoY) brought 9MFY24's sum to RM26.5m. This came in within our expectations at 78% of full year forecast. Declared DPU of 1.88 sen. Out of the 12 tenancies up for renewal in FY24, 8 have been renewed and 1 tenant replaced, with management confident of renewing/replacing the remaining 3 tenancies. We continue to like AME REIT due to its stable – virtually 100% occupancy rate – on top of its ample debt headroom, allowing for further acquisitions in the future. We maintain our forecasts and reiterate BUY with a higher TP of RM1.41 based on a targeted yield of 5.1% on FY25 DPU.

**Within expectations.** 3QFY24 core net profit of RM9.2m (+5.3% QoQ, +10.2% YoY) brought 9MFY24's sum to RM26.5m. This came in within our expectations at 78% of full year forecast. 9MFY24 core net profit was arrived at after excluding RM855k fair value gain on investment properties.

**Dividend.** Declared DPU of 1.88 sen (ex-date: 20 Feb 2024), 9MFY24 DPU: 5.48 sen (3QFY23: 1.767 sen, 9MFY23: 1.975 sen).

**QoQ.** Revenue rose by 5.1% due to higher revenue rent, mainly contributed by higher rental reversions from renewals/replacements of tenancies, as well as rental contribution from the recently acquired Plot 16 Indahpura (completed on 16 Oct 2023). After accounting for higher financing costs (+21.5%), non-property expenses increased by 12.5%, resulting in core net profit increasing by a similar magnitude of 5.3%.

**YoY.** Revenue increased by 14.6% largely due to higher rental income from the contributions of the 3 completed acquisitions (Plot 15 Indahpura and Plot 43 SAC in Mar-23 and Plot 16 Indahpura in Oct-23). However, due to higher property opex (+17.6%) and non-property expenses (+32.8%), core net profit increased by a smaller magnitude of 10.2%.

**YTD.** No comparative figures are available as AME REIT was only listed on 20 Sep 2022.

**Occupancy and gearing.** AMER's portfolio consists of 34 industrial properties and 3 industrial-related dormitories. The overall occupancy rate remained robust at 100%. Meanwhile, its gearing level increased to 15.2% (2QFY24: 11.4%).

**Outlook.** AME REIT posted yet another commendable quarter as results were further bolstered by the completed acquisition of Plot 16 Indahpura on 16 Oct 2023. With management confident of fully renewing/replacing the remaining 3 tenancies up for renewal in FY24 (out of 12 set for renewal in FY24, 8 were renewed and 1 tenant replaced), as well as an average rental reversion of about 6%, AME REIT should be able to end FY24 well. Looking ahead at FY25, with only 2 leases up for renewal, downside risk of non-renewal of tenancy is minimal with occupancy rates likely remaining at 100%.

**Forecast.** We make no changes to our forecasted EPU as results were in line but we increase our DPR from 95% to 100% as we believe that management will be able to payout our forecasted FY25 DPU of 7.2 sen (9MFY24 DPU of 5.48 sen makes up 112% of 9MFY24 EPU of 4.88 sen).

**Maintain BUY, TP: RM1.41.** We maintain BUY with a higher TP of RM1.41 (from RM1.34) as we increase our distribution payout ratio assumption for FY25 to 100% (from 95% previously). Our TP is based on FY25 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 the MAG10YR. Besides its ample gearing headroom allowing for additional acquisitions, 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 the sponsor and management's complete suite of capabilities in the supply chain of industrial properties.

## Financial Forecast

All items in (RM m) unless otherwise stated

### Balance Sheet

FYE Mar	FY23*	FY24f	FY25f	FY26f
Cash	10.7	12.8	13.6	15.8
Investment properties	640.0	666.5	666.5	666.5
Others	4.9	3.7	3.8	3.8
<b>Total Assets</b>	<b>655.5</b>	<b>683.0</b>	<b>683.8</b>	<b>686.1</b>
Payables	14.3	20.8	21.7	22.0
Debt	74.9	101.4	101.4	101.4
Others	6.7	1.2	1.2	1.2
<b>Total Liabilities</b>	<b>95.9</b>	<b>123.3</b>	<b>124.2</b>	<b>124.6</b>
Unitholders' capital	517.4	559.6	559.6	561.6
Others	42.2	-	-	-
<b>Equity</b>	<b>559.6</b>	<b>559.6</b>	<b>559.6</b>	<b>561.6</b>
<b>Total Liab &amp; Equity</b>	<b>655.5</b>	<b>683.0</b>	<b>683.8</b>	<b>686.1</b>

### Cash Flow Statement

FYE Mar	FY23*	FY24f	FY25f	FY26f
Profit before taxation	56.3	34.0	35.4	36.3
Others	(24.6)	4.5	3.3	2.8
<b>CFO</b>	<b>31.7</b>	<b>38.5</b>	<b>38.7</b>	<b>39.1</b>
Disposal / (purchase)	(81.9)	(26.5)	-	-
Others	0.2	-	-	-
<b>CFI</b>	<b>(81.7)</b>	<b>(26.5)</b>	<b>-</b>	<b>-</b>
Distribution paid	(10.3)	(36.4)	(37.9)	(36.8)
Debts raised/(repaid)	75.5	26.5	-	-
Equity raised/(repaid)	-	-	-	-
Others	(4.5)	-	-	-
<b>CFF</b>	<b>60.7</b>	<b>(9.9)</b>	<b>(37.9)</b>	<b>(36.8)</b>
<b>Net CF</b>	<b>10.7</b>	<b>2.1</b>	<b>0.8</b>	<b>2.3</b>
Beginning Cash	-	10.7	12.8	13.6
<b>End Cash</b>	<b>10.7</b>	<b>12.8</b>	<b>13.6</b>	<b>15.8</b>

### Key Assumptions

FYE Mar	FY24f	FY25f	FY26f
Gross rental income:			
SAC	18.9	19.1	19.7
Indahpura	12.3	13.6	13.7
SILC	3.1	3.1	3.1
Dormitories	11.9	12.3	12.3
<b>Total revenue</b>	<b>46.3</b>	<b>48.1</b>	<b>48.8</b>

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

### Income Statement

FYE Mar	FY22	FY23*	FY24f	FY25f	FY26f
Total revenue	35.2	22.9	46.3	48.1	48.8
Prop opex	(2.2)	(1.4)	(3.8)	(3.8)	(3.8)
<b>Net prop income</b>	<b>33.0</b>	<b>21.5</b>	<b>42.5</b>	<b>44.3</b>	<b>45.0</b>
Profit income	0.5	0.2	0.5	0.5	0.5
<b>Net investment incor</b>	<b>33.5</b>	<b>21.7</b>	<b>42.9</b>	<b>44.8</b>	<b>45.5</b>
Mgmt fees	(3.2)	(2.0)	(4.1)	(4.2)	(4.2)
Trustee fees	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Valuation fees	-	(0.1)	(0.1)	(0.1)	(0.1)
Other trust exp	(0.7)	(0.3)	(0.7)	(0.7)	(0.7)
Finance costs	(1.5)	(1.0)	(3.9)	(4.3)	(4.1)
<b>Core PBT</b>	<b>28.0</b>	<b>18.2</b>	<b>34.0</b>	<b>35.4</b>	<b>36.3</b>
Tax	-	-	-	-	-
<b>Core PAT</b>	<b>28.0</b>	<b>18.2</b>	<b>34.0</b>	<b>35.4</b>	<b>36.3</b>
Els	2.1	34.3	2.4	2.5	2.5
<b>Reported PAT</b>	<b>30.1</b>	<b>52.5</b>	<b>36.4</b>	<b>37.9</b>	<b>38.8</b>

### Valuation & Ratios

FYE Mar	FY22	FY23*	FY24f	FY25f	FY26f
Core EPU (sen)	5.8	3.5	6.5	6.7	6.9
P/E (x)	22.4	37.1	20.0	19.3	19.0
DPU (sen)	N.A.	3.8	7.0	7.2	7.0
Dividend yield	N.A.	2.9	5.3	5.5	5.4
Distribution payout ratio	N.A.	109%	100%	100%	95%
NTA/ unit	N.A.	1.1	1.1	1.1	1.1
P/ NTA	N.A.	1.2	1.2	1.2	1.2
BVPS (RM)	N.A.	1.0	1.1	1.1	1.1
P/B (x)	N.A.	1.3	1.2	1.2	1.2
NPI margin	94%	94%	92%	92%	92%
Core PAT margin	79%	80%	74%	73%	74%
ROE	N.A.	3.3%	6.1%	6.3%	6.5%
ROA	N.A.	2.8%	5.0%	5.2%	5.3%
Gearing	N.A.	13.4%	18.1%	18.1%	18.1%
Net gearing	N.A.	11.5%	15.8%	15.7%	15.2%

**Figure #1**      **Quarterly results comparison**

FYE Dec (RM m)	3Q23	2Q24	3Q24	QoQ (%)	YoY (%)	9M23	9M24	YoY (%)
<b>Total revenue</b>	<b>10.8</b>	<b>11.8</b>	<b>12.4</b>	<b>5.1%</b>	<b>14.6%</b>	<b>N.A.</b>	<b>35.5</b>	<b>N.A.</b>
Quit rent & assessment	-0.4	-0.4	-0.4	0.7%	12.3%	N.A.	-1.2	N.A.
Insurance	-0.1	-0.1	-0.2	4.7%	13.1%	N.A.	-0.5	N.A.
Repair and maintenance	-0.1	-0.1	-0.2	57.9%	74.4%	N.A.	-0.3	N.A.
Other operating expenses	-0.1	-0.3	-0.1	-72.3%	-6.2%	N.A.	-0.5	N.A.
<b>Total property opex</b>	<b>-0.7</b>	<b>-1.0</b>	<b>-0.8</b>	<b>-17.5%</b>	<b>17.6%</b>	<b>N.A.</b>	<b>-2.5</b>	<b>N.A.</b>
<b>Net property income</b>	<b>10.1</b>	<b>10.8</b>	<b>11.5</b>	<b>7.2%</b>	<b>14.4%</b>	<b>N.A.</b>	<b>33.0</b>	<b>N.A.</b>
Profit income	0.1	0.1	0.1	-31.5%	2.4%	N.A.	0.3	N.A.
Net investment income	10.2	10.9	11.6	6.7%	14.3%	N.A.	33.4	N.A.
Non-property expenses	-1.8	-2.2	-2.5	12.5%	32.8%	N.A.	-6.8	N.A.
PBT	8.3	8.7	9.2	5.3%	10.2%	N.A.	26.5	N.A.
PAT	8.3	8.7	9.2	5.3%	10.2%	N.A.	26.54	N.A.
<b>Normalised PAT</b>	<b>8.3</b>	<b>8.7</b>	<b>9.2</b>	<b>5.3%</b>	<b>10.2%</b>	<b>N.A.</b>	<b>26.54</b>	<b>N.A.</b>
<b>DPU (sen)</b>	<b>1.77</b>	<b>1.80</b>	<b>1.88</b>	<b>4.4%</b>	<b>0.06</b>	<b>N.A.</b>	<b>5.48</b>	<b>N.A.</b>
<b>EPU (sen)</b>	<b>1.55</b>	<b>1.60</b>	<b>1.67</b>	<b>4.4%</b>	<b>0.08</b>	<b>N.A.</b>	<b>4.88</b>	<b>N.A.</b>

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\*2Q23 covered the period from 20-Sept-22 to 30-Sept-22 (10 days).

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

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<b>OVERWEIGHT</b>	Sector expected to outperform the market over the next 12 months.
<b>NEUTRAL</b>	Sector expected to perform in-line with the market over the next 12 months.
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