Company Update

27 June 2012

4.5

46.6

Hold(unchanged)

Share price: MYR0.92

Target price: MYR0.95 (unchanged)

Wong Wei Sum, CFA weisum@maybank-ib.com (603) 2297 8679

Stock Information

<u>Description</u> : Real estate Investment trust with	ı 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
Perhananan 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/L	.OW	MYR			
	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).

	,	,			
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

AmanahRaya REIT- Summary Earnings Table

Source: MaybankIB

Consensus Net Profit (MYR m)

				BALANCE SHEET (MYR m)					NCOME STATEMENT (MYR m)
2014	2013F	2012F	2011A	FY Dec	2014F	2013F	2012F	2011A	FY Dec
1,048.	1,044.2	1,040.4	1,040.5	Total Assets	68.9	67.1	65.5	65.3	Gross Rental Income
				Non Current Assets	1.3	1.2	1.1	0.8	Interest Income
944.8	944.8	944.8	944.8	Investment Properties	70.3	68.3	66.6	66.1	Gross Income
				Current Assets	(3.7)	(3.6)	(3.3)	(2.0)	Property Operating Expenses
40.0	35.9	32.1	29.7	Cash	(2.5)	(2.5)	(4.7)	(3.8)	Non-Property Expenses
63.6	63.5	63.5	66.0	Receivables	46.8	45.1	43.9	42.5	Net Trust Income
440.	438.5	436.9	438.8	Total Liabilities	-	-	-	31.1	Revaluation of Investment
				Current Liabilities	46.8	45.1	43.9	73.7	Income before taxation
	-	-	-	Short term borrowings	(44.4)	(42.9)	(41.7)	(40.2)	Distribution To Unitholders
77.3	75.5	74.0	75.6	Creditors	-	-	-	-	Taxation
				Non Current Liabilities	46.8	45.1	43.9	73.7	Income after taxation
363.0	363.0	363.0	363.3	Long term borrowings	46.8	45.1	43.9	42.5	Income after taxation (ex-
608.0	605.7	603.4	601.6	Net Assets					revaluation)
					95.0	95.0	95.0	97.3	Payout Ratio
519.7	519.7	519.7	519.7	Unitholders' Capital					
88.3	86.0	83.7	82.0	Undistributed income					
608.0	605.7	603.4	601.6	Unitholders' Funds					
573.2	573.2	573.2	573.2	Units in issue (million)					
				WACC ASSUMPTIONS					CASH FLOW (MYR m)
					2014F	2013F	2012F	2011A	FY Dec
			4.0	Risk-free Rate of Return	46.8	45.1	43.9	73.7	Pretax Profit
			5.0	Long Term Cost of Debt	15.6	15.7	15.9	16.1	Net interest receipts/(payments)
			10.5	Market Risk	-	-	-	(31.1)	Revaluation (non-cash item)
			0.7	Beta	1.8	1.5	0.2	(3.3)	Working capital change
			0.3	Target Wd	-	-	-	` -	Cash tax paid
			0.7	Target We	64.2	62.4	59.9	55.4	Cash flow from operations
			8.2	Cost of Equity	-	-	-	-	Capex
			7.3	WACC	-	-	-	-	Disposal/(purchase)
			8.40	Terminal Value Discount	1.3	1.2	1.1	0.8	Others
					1.3	1.2	1.1	0.8	Cash flow from investing
					-	-	-	_	Debt raised/(repaid)
					-	-	-	-	Equity raised/(repaid)
					(44.4)	(42.9)	(41.7)	(30.3)	Dividends (paid)
					(17.0)	(17.0)	(17.0)	(17.0)	Others
					(61.4)	(59.8)	(58.6)	(47.3)	Cash flow from financing
					4.1	3.8	2.4	8.9	Change in cash

Source: Company, Maybank-IB

27 June 2012 Page 2 of 6

RESEARCH OFFICES

P K BASU

Regional Head, Research& Economics

(65) 6432 1821pk.basu@maybank-ke.com.sq

Wong Chew Hann, CA

Acting Regional Head of Institutional Research (603) 2297 8686 wchewh@maybank-ib.com

THAMMun Hon Regional Strategist

(852) 2268 0630 thammunhon@kimeng.com.hk

ONGSengYeow

Regional Products & Planning (852) 2268 0644 ongsengyeow@maybank-ke.com.sg

MALAYSIA

REGIONAL

Wong Chew Hann, CAHead of Research (603) 2297 8686 wchewh@maybank-ib.com

(603) 2297 8686 wchewh@maybank-ib.com

Strategy

Construction & Infrastructure
Desmond CH'NG, ACA

(603) 2297 8680 desmond.chng@maybank-ib.com

Banking - Regional
LIAW Thong Jung

(603) 2297 8688 tjiiaw@maybank-ib.com

Oil & Gas

Automotive
 Shipping
OngChee Ting
(603) 2297 8678 ct.ong@maybank-ib.com

Plantations

Mohshin Aziz (603) 2297 8692 mohshin.aziz@maybank-ib.com

Áviation

Petrochem Power

YINShao Yang, CPA (603) 2297 8916 samuel.y@maybank-ib.com

Gaming – Regional Media

Powe

Wong Wei Sum, CFA

(603) 2297 8679 weisum@maybank-ib.com
Property & REITs
LEE Yen Ling
(603) 2297 8691 lee.yl@maybank-ib.com

Building Materials Manufacturing

Technology

LEE Cheng HooiHead of Retail

chenghooi.lee@maybank-ib.com
Technicals

HONG KONG / CHINA Edward FungHead of Research (852) 2268 0632 edwardfung@kimeng.com.hk

Construction
 Nan CHEUNG
(852) 2268 0634 ivancheung@kimeng.com.hk

(852) 2268 0634 ivancheung@kimeng.com.hk
Property
Industrial
Ivan LI
(852) 2268 0641 ivanli@kimeng.com.hk
Banking & Finance
Jacqueline KO
(852) 2268 0633 jacquelineko@kimeng.com.hk
Consumer Staples

Andy Poon (852) 2268 0645 andypoon@kimeng.com.hk Telecom & equipment Samantha Kwong

(852) 2268 0640 samanthakwong@kimeng.com.hk
Consumer Discretionaries
Alex YEUNG
(852) 2268 0636 alexyeung@kimeng.com.hk

Índustrial

Catherine CHAN
(852) 2268 0631 catherinechan@kimeng.com.hk
Cement

Anita Hwane, CFA | Jacky Wone, CFA anitahwang@kimeng.com.hk | jackywong@kimeng.com.hk | (852) 2268 0142 | (852) 2268 0107

Special Situations

• Quants

JigarSHAHHead of Research (91) 22 6623 2601 jigar@kimeng.co.in

Oil & Gas

- Oil & Gas

- Automobile

- Cement

AnubhavGUPTA

(91) 22 6623 2605 anubhav@kimeng.co.in

Metal & Mining Capital goods

Property

HaripreetBATRA (91) 226623 2606 haripreet@kimeng.co.in

GaneshRAM

(91) 226623 2607 ganeshram@kimeng.co.in
Telecom
Contractor

- Contractor
Darpin SNAH
(91) 226623 2610darpin@kimeng.co.in
- Banking & Financial Services
GaganKwartra
(91) 226623 2612 gagan@kimeng.co.in

Small Cap

SuhaimilLIAS

Chief Economist

Singapore | Malaysia (603) 2297 8682 suhaimi_ilias@maybank-ib.com

Luz LORENZO Economist

Philippines | Indonesia
 (63) 2 849 8836 luz_lorenzo@maybank-atrke.com

SINGAPORE

Stephanie WongHead of Research

(65) 6432 1451 swong@maybank-ke.com.sq

(65) 6432 1451 swong@maybank-ke.com.sg
Strategy
Small & Mid Caps
Gregory YAP
Technology & Manufacturing
Telcos - Regional
Wilson LiEW
(65) 6432 1454 wilsonliew@maybank-ke.com.sg

Hotel & Resort
Property & Construction

James KoH (65) 6432 1431 jameskoh@maybank-ke.com.sg

Logistics Resources Consumer Small & Mid Caps

YEAKCheeKeong, CFA
(65) 6433 5730 yeakcheekeong@maybank-ke.com.sg

Healthcare Offshore & Marine

- Orisinde & Wallie Alison Fok (65) 6433 5745 alisonfok@maybank-ke.com.sg - Services

S-chips
Bernard CHIN
(65) 6433 5726 bernardchin@maybank-ke.com.sg
Transport (Land, Shipping & Aviation)

(65) 64321470ongkianlin@maybank-ke.com.sg REITs / Property WeiBin

(65) 64321455weibin@maybank-ke.com.sg S-chips Small & Mid Caps

INDONESIA Katarina SETIAWANHead of Research

(62) 21 2557 1125 ksetiawan@kimeng.co.id
Consumer
Strategy

Telcos

Lucky ArlESANDI,CFA
(62) 21 2557 1127 lariesandi@kimeng.co.id
Base metals

Coal

Oil & Gas
RahmiMARINA
(62) 21 2557 1128 rmarina@kimeng.co.id

Banking Multifinance

Multifinance
PanduANUGRAH
(62) 21 2557 1137 panugrah@kimeng.co.id
Auto
Heavy equipment
Plantation
Tall

Toll road Adi N. WICAKSONO

(62) 21 2557 1130 anwicaksono@kimeng.co.id
Generalist
Anthony YUNUS

(62) 21 2557 1134 ayunus@kimeng.co.id
Cement
Infrastructure

PropertyArwaniPRANADJAYA

(62) 21 2557 1129 apranadjaya@kimeng.co.id

Technicals

PHILIPPINES

Luz LORENZO Head of Research +63 2 849 8836 luz_lorenzo@maybank-atrke.com
Strategy
Laura DY-LIACCO

(63) 2 849 8840 laura_dyliacco@maybank-atrke.com Utilities

Conglomerates Telcos Lovell SARREAL
(63) 2 849 8841 lovell_sarreal@maybank-atrke.com
Consumer
Media

Cement

Mining
Kenneth Nerecina
(63) 2 849 8839 kenneth_nerecina@maybank-atrke.com

(63) 2 849 883 semmetn_nerecina@maybankConglomerates
Property
Ports/ Logistics
Katherine TAN
(63) 2 849 8843 kat_tan@maybank-atrke.com

Banks

Ramon ADVIENTO (63) 2 849 8842ramon_adviento@maybank-atrke.com Mining

FCONOMICS

THAILAND MayureeChowvikRanHead of Research

(66) 2658 6300 ext 1440 mayuree.c@maybank-ke.co.th Strategy

Maria BRENDA SANCHEZ LAPIZCo-Head of Research Dir (66) 2257 0250 | (66) 2658 6300 ext 1399 Maria.L@maybank-ke.co.th

Andrew STOTZStrategist

(66) 2658 6300 ext 5091 Andrew@maybank-ke.co.th

SuttatipPEERASUB
(66) 2658 6300 ext 1430 suttatip.p@maybank-ke.co.th

Media
 Commerce
SutthichaiKumworachai
(66) 2658 6300 ext 1400 sutthichai.k@maybank-ke.co.th

(66) 2658 6300 ext 1400 sutthichai.k@maybank-ke.co.th
Energy
Petrochem
TermpornTANTIVIVAT
(66) 2658 6300 ext 1520 termporn.t@maybank-ke.co.th
Property
WoraphonWirconsri
(66) 2658 6300 ext 1560 woraphon.w@maybank-ke.co.th
Banking & Finance
JaroonpanWATTANAWONG
(66) 2658 6300 ext 1404 jaroonpan.w@maybank-ke.co.th
Transportation
Small cao.

Small cap.
 SuchotTHIRAWANNARAT

(66) 2658 6300 ext 1550 suchot.t@maybank-ke.co.th

■ Automotive

Construction Materials Soft commodity VIETNAM

Michael Kokaları,CFA Head of Research +84 838 38 66 47 michael.kokalari@kimeng.com.vn Strategy

Nguyen ThiNganTuyen +84 844 55 58 88 x 8081 tuyen.nguyen@kimeng.com.vn Oil and Gas

Oil and Gas
Ngo Bich Van
+84 844 55 58 88 x 8084 van.ngo@kimeng.com.vn
Banking
Nguyen QuangDuy
+84 844 55 58 88 x 8082 duy.nguyenquang@kimeng.com.vn
Rubber
Dang Thi Kim Thoa
+84 844 55 58 88 x 8083 thoa.dang@kimeng.com.vn

Page 3 of 6

+54 844 55 58 88 x 8083 thoa.dang@kimeng.com.vn
Consumer
Nguyen TrungHoa
+84 844 55 58 88 x 8088 hoa.nguyen@kimeng.com.vn
Steel

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NTA = Net Tangible Asset

ROSF = Return On Shareholders' Funds

EBIT = Earnings Before Interest And Tax

P = Price

WACC = Weighted Average Cost Of Capital

EBITDA = EBIT, Depreciation And Amortisation

EPS = Earnings Per Share

EV = Enterprise Value

PAT = Profit After Tax

YTD = Year-To-Date

EV = Enterprise Value

PBT = Profit Before Tax

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Malaysia

Maybank Investment Bank Berhad (A Participating Organisation of Bursa Malaysia Securities Berhad) 33rd Floor, MenaraMaybank, 100 JalanTun Perak, 50050 Kuala Lumpur Tel: (603) 2059 1888; Fax: (603) 2078 4194

Stockbroking Business: Level 8, Tower C, DataranMaybank, No.1, JalanMaarof 59000 Kuala Lumpur Tel: (603) 2297 8888 Fax: (603) 2282 5136

Philippines

Maybank ATR Kim Eng Securities Inc.

17/F, Tower One & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City, Philippines 1200

Tel: (63) 2 849 8888 Fax: (63) 2 848 5738

South Asia Sales Trading

Connie TAN connie@maybank-ke.com.sg Tel: (65) 6333 5775 US Toll Free: 1 866 406 7447

Singapore

Maybank Kim Eng Securities Pte Ltd Maybank Kim Eng Research Pte Ltd

9 Temasek Boulevard #39-00 Suntec Tower 2 Singapore 038989

Tel: (65) 6336 9090 Fax: (65) 6339 6003

Hong Kong

Kim Eng Securities (HK) Ltd Level 30, Three Pacific Place, 1 Queen's Road East, Hong Kong

Tel: (852) 2268 0800 Fax: (852) 2877 0104

Thailand

Maybank Kim Eng Securities (Thailand) Public Company Limited

999/9 The Offices at Central World, 20th - 21st Floor, Rama 1 Road Pathumwan, Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales) Tel: (66) 2 658 6801 (research)

North Asia Sales Trading

Eddie LAU eddielau@kimeng.com.hk Tel: (852) 2268 0800 US Toll Free: 1 866 598 2267

Londor

Maybank Kim Eng Securities (London) Ltd

6/F, 20 St. Dunstan's Hill London EC3R 8HY, UK

Tel: (44) 20 7621 9298 Dealers' Tel: (44) 20 7626 2828 Fax: (44) 20 7283 6674

Indonesia

PT Kim Eng Securities

Plaza Bapindo Citibank Tower 17th Floor JI Jend. Sudirman Kav. 54-55 Jakarta 12190, Indonesia

Tel: (62) 21 2557 1188 Fax: (62) 21 2557 1189

Vietnam In association with

In association with

Kim Eng Vietnam Securities Company

1st Floor, 255 Tran Hung Dao St. District 1 Ho Chi Minh City, Vietnam

Tel: (84) 838 38 66 36 Fax: (84) 838 38 66 39

New York

Maybank Kim Eng Securities USA Inc

777 Third Avenue, 21st Floor New York, NY 10017, U.S.A.

Tel: (212) 688 8886 Fax: (212) 688 3500

India

Kim Eng Securities India Pvt Ltd 2nd Floor, The International 16, Maharishi Karve Road, Churchgate Station, Mumbai City - 400 020, India

Tel: (91).22.6623.2600 Fax: (91).22.6623.2604

Saudi Arabia

In association with Anfaal Capital

Villa 47, Tujjar Jeddah Prince Mohammed bin Abdulaziz Street P.O. Box 126575 Jeddah 21352

Tel: (966) 2 6068686 Fax: (966) 26068787

www.maybank-ke.com | www.kimengresearch.com.sg

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