



# Atrium REIT

## “Reducing FY23 Net Rental Income Forecast”

Bloomberg: ATRM MK | Reuters: ATRL.KL | Stock Code: 5130

### Valuation / Recommendation

We are lowering our target price to RM1.45 (previous: RM1.69) due to our reduced net rental income forecast for FY22 and FY23.

At our target price of RM1.45 per unit, Atrium would have a gross distribution yield of 6.0% based on our forecast total distributions of 8.7 sen per unit for FY23. We will be **CEASING COVERAGE** on Atrium REIT due to rationalisation of our research coverage.

### Investment Highlights

**Net rental income dipped 2.6% to RM26.6m in 9M22 (9M21: RM27.3m).** The decrease in net rental income was due to the rent-free amortization adjustment during the current period.

**9M22 net income declined 12.2% to RM16.3m (9m21: RM18.6m).** The decrease in net income was due to 1) lower net rental income 2) lower other income attributed to the final settlement amount received from a defaulted trade debtor in the corresponding preceding period 3) higher finance costs.

**Revising FY22 and FY23 net rental income and net income lower.** We are reducing our FY22 net rental income and net income forecast to RM35.5m (previous: RM36.7m) and RM19.2m (previous: RM20.4m) respectively. We are also reducing our FY23 net rental income and net income forecast to RM41.8m (previous: RM44.8m) and RM25.7m (previous: RM28.7m) respectively mainly due to our expectations that contribution from Atrium Shah Alam 4 will begin in 3Q23 (previous: 2Q23).

**Atrium declared a third interim income distribution of 1.85 sen per unit.** The distribution's ex-date is on 11 November 2022 and payment date on 30 November 2022. In respect of 9M22, Atrium has declared distributions totalling 6.30 sen per unit.

**Risk factors.** Unable to rent out properties at reasonable rental rates once existing leases expire. Unable to secure tenant(s) for Atrium Shah Alam 4 in a timely manner at reasonable rental rates.

MAIN MARKET

REITS

CEASE COVERAGE

TP: RM1.45

Price: RM1.37 (as at 4 Nov 22)

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RESULTS (RM m) FY Dec 31	3Q22	2Q22	qoq %	3Q21	yoy %
Net Rental Income	8.9	8.9	0.2	9.2	(3.5)
EBIT	7.7	7.6	1.0	8.3	(7.3)
Net Finance Expense	(2.3)	(2.2)	-	(1.7)	-
Profit Before Tax	5.4	5.4	(1.1)	6.6	(19.0)
Net Income	5.4	5.4	(1.1)	6.6	(19.0)
Earnings per unit (Sen)	2.39	2.65	(9.8)	3.24	(26.2)

### Business Overview

Atrium REIT is an industrial asset focused real estate investment trust. Its property portfolio consists of eight industrial properties located in prime locations in the Klang Valley and Penang, namely, Atrium Shah Alam 1, Atrium Shah Alam 2, Atrium Shah Alam 3, Atrium Shah Alam 4, Atrium Puchong, Atrium USJ, Atrium Bayan Lepas 1 and Atrium Bayan Lepas 2.

### Stock Return Information (as at 4 Nov 22)

FBM KLCI (pts)	1,438.28
Expected Capital Gains (%)	5.8
Expected Gross Distribution Yield (%)	6.0
Expected Total Gross Return (%)	11.8

### Price Performance (as at 4 Nov 22)

	1M	3M	12M
Absolute (%)	0.0	(5.4)	(2.6)
Relative to Index (%)	2.1	(4.6)	(6.1)

ATRIM MK Equity (Atrium Real Estate Investment Trust)  
FBM KLCI Index (FTSE Bursa Malaysia KLCI Index - Kuala Lumpur Composite Index)

Bloomberg



Sources: Mercury Securities, Bloomberg, Company

Share Information (as at 4 Nov 22)		Top 3 Shareholders (%)	
Market Cap (RM m)	336.4	Tuck Chan Kam	17.75
Issued Shares (m)	245.6	Hong Leong Assurance Bhd	8.50
52W High (RM)	1.52	Glory Blitz Industries Sdn Bhd	5.82
52W Low (RM)	1.35		
Estimated Free Float (%)	63.7		
Adjusted Beta vs FBMKLCI	0.41		
65-Day Average Vol.	121,528		

Sources: Mercury Securities, Bloomberg, Wall Street Journal

INVESTMENT STATISTICS FY					
Dec	FY19	FY20	FY21	FY22F	FY23F
Revenue (RM m)	23.0	34.4	39.1	38.7	45.0
Net Rental Income (RM m)	21.4	32.2	36.4	35.5	41.8
Net Income (RM m)	3.5	21.0	18.2	19.2	25.7
Earnings Per Unit (sen)	2.3	10.2	8.9	8.7	9.7
EPS Growth (%)	(76.4)	355.1	(13.1)	(1.8)	10.9
PE (x)*	46.2	10.0	15.4	15.7	14.1
Gross Distribution Yield (%)*	7.5	8.8	7.1	6.5	6.4
Net Gearing (%)**	54.1	69.1	87.6	65.9	65.1
ROA (%)	0.8	4.2	3.4	3.1	4.1
Return on Unitholders' Funds (%)	1.3	7.9	6.9	5.5	7.3
NA Per Unit (RM)	1.28	1.30	1.29	1.31	1.32

Sources: Mercury Securities, Company

\*PE and gross distribution yield for FY19-20 are based on the closing share price of the last trading day of FY19-20.

\*\*Net gearing is calculated as: (Total debt – Cash & Equivalents)/Total Unitholders' Funds

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