

09 August 2018 | Corporate Update

Axis REIT

Buying Senawang factory for RM18.5m


INVESTMENT HIGHLIGHTS

- **Signing SPA to buy Senawang factory for RM18.5m**
- **Expect yield of 7.7% before financing cost**
- **Neutral on the acquisition**
- **Maintain NEUTRAL with an unchanged TP of RM1.55**

Signing SPA to buy Senawang factory for RM18.5m. Axis has entered into an agreement to purchase a factory in Senawang, Negeri Sembilan for RM18.5m. The property consists of a 3-storey office annexed with a 1.5-storey warehouse factory on freehold land. The land area is about 183,432 sq ft while the net lettable area is 147,990 sq ft. The tenant of the asset is Nippon Wiper Blade (M) Sdn Bhd, whom will lease the asset up till 2026.

Expect yield of 7.7% before financing cost. The current annual rental is RM1.56m and will be raised to RM1.74m per year starting July 2021. On the other hand, its gearing is expected to increase to an estimated 38.8% from 38.1% as Axis intends to fund the acquisition through borrowings.

Neutral on the acquisition. We are neutral on the acquisition as the income contribution to Axis for FY18 is minimal. The deal is expected to be completed by end of 2018. Earnings impact as a result of this purchase in FY19 is estimated at 0.8%.

Maintain NEUTRAL with an unchanged TP of RM1.55 as we make no changes to our full year estimates while we keep our valuation method, which is based on the Dividend Discount Model (Required rate of return: 7.5%, Perpetual growth rate: 1.0%), unchanged. Dividend yield for Axis is estimated at 5.4%. We are neutral on the Axis at this point as we expect higher borrowing cost and expenses to partly offset the potentially higher income from the new assets. 

Maintain NEUTRAL

Unchanged Target Price (TP): RM1.55

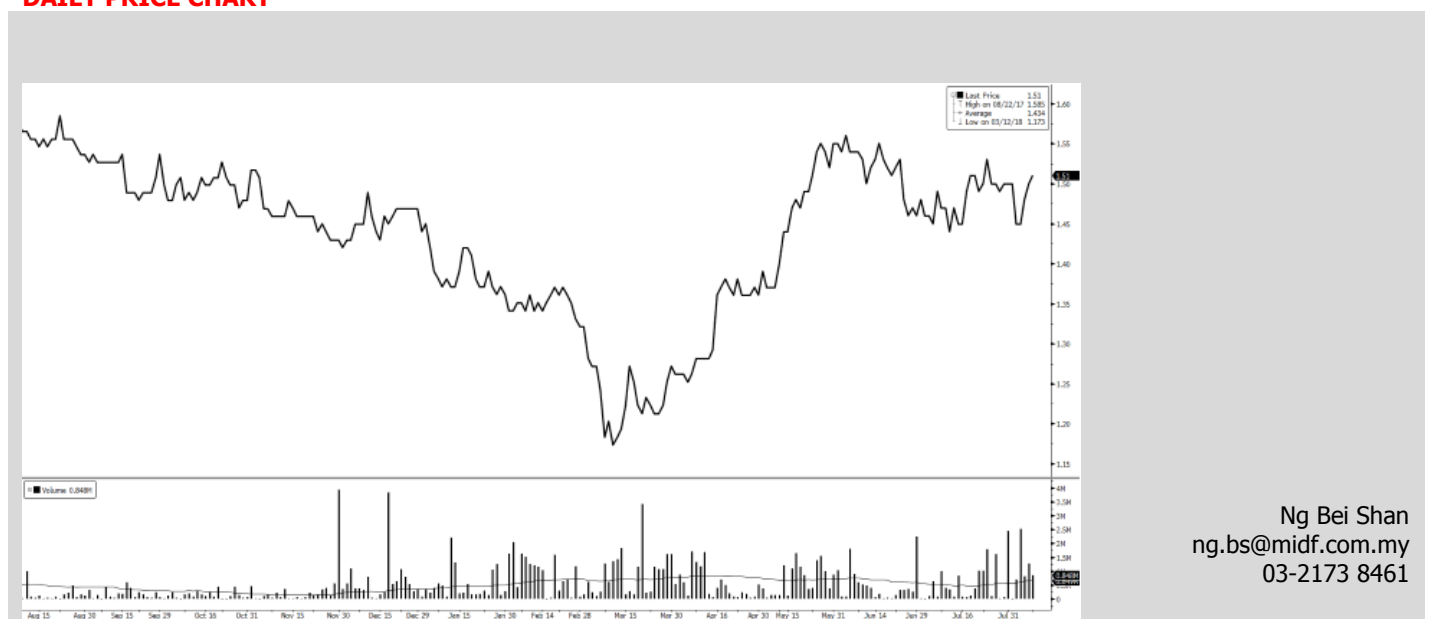
RETURN STATS	
Price (8 th August 2018)	RM1.51
Target Price	RM1.55
Expected Share Price Return	+3.0%
Expected Dividend Yield	+5.3%
Expected Total Return	+8.3%
STOCK INFO	
KLCI	1,804.73
Bursa / Bloomberg	5106/ AXRB MK
Board / Sector	Main / REITs
Syariah Compliant	Yes
Issued shares (mil)	1,232.33
Market cap. (RM'm)	1,860.81
Price over NA	1.15
52-wk price Range	RM1.19 – RM1.72
Beta (against KLCI)	0.26
3-mth Avg Daily Vol	0.65m
3-mth Avg Daily Value	RM0.97m
Major Shareholders	
EPF	15.86%
KWAP	10.54%
SKIM ASB	8.11%
Lembaga Tabung Haji	5.79%
Peng Hwee Tew	5.04%

INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY15A	FY16A	FY17A	FY18F	FY19F
Gross Revenue	163	167	167	195	214
Net Rental Income	142	144	143	170	188
Net Investment Income	145	172	143	171	189
Net Income	97	122	123	112	123
Core Net Income	93	92	123	112	123
Realised EPU (sen)	8.8	11.1	11.1	9.1	10.0
Core EPU (sen)	8.5	8.4	11.1	9.1	10.0
Gross DPU (sen)	8.4	8.3	11.0	8.9	9.8
Net DPU (sen)	7.6	7.4	9.9	8.0	8.8
Net Distribution Yield	5.0	4.9	6.5	5.3	5.8
Core PER (x)	17.8	18.1	13.6	16.6	15.1

Source: MIDF Research, Company

DAILY PRICE CHART



Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.