

24 January 2018 | 4QFY17 Results Review

Axis REIT

FY17 profit within estimates

INVESTMENT HIGHLIGHTS


- Full year earnings met expectations
- FY17 core net income was flat as revenue was up marginally by 1%
- 4Q17 core net income slid 2% while income was unchanged
- Not stopping at its 40th asset
- Maintain BUY with an unchanged TP of RM1.66

Full year earnings met expectations. Axis REIT's full year core net income of RM92.6m made up 100% of our forecast. It also came within 95% of street's estimate. A DPU of 1.9 sen was announced, bringing total FY17 DPU to 8.3 sen, which is also in-line with our expectation.

FY17 core net income was flat as revenue was up marginally by 1%. Its core net income is largely unchanged yoy. The higher non-property expenses (+1.8% to RM51.02m) was offset by the slight growth in its topline. The flattish revenue growth was attributed to the divestment of Axis Eureka, which was completed on 8 March 2017. The loss of rental income from the asset was replaced by the income from Kerry Warehouse in July and later on the Wasco facility in Gebeng, Pahang that was included into Axis' portfolio in December.

4Q17 core net income slid 2% while income was unchanged. Compared to 4Q16, revenue was largely unchanged at RM42.4m as the disposal and acquisition of assets cancels out the rental contribution. Core net income during the period, however, was dampened by higher non-property expenses, which rose by 5.7%.

Not stopping at its 40th asset. After the completion of its 40th asset, Axis has three other ongoing acquisition deals worth a total of RM150.7m. These include i) a warehouse facility in Shah Alam, ii) a manufacturing facility in Indahpura, Johor and iii) a manufacturing facility in Senawang, Negeri Sembilan. We opine that Axis will be able to fund these acquisition targets as it had pared down its gearing to 29% from the private placement proceeds of RM178.8m. On top of that, earnings contribution from Nestle DC@ Axis Mega Distribution Centre is expected to start in 2HFY18.

Maintain BUY with unchanged TP of RM1.66 as we make no changes to our estimates. Our valuation method is unchanged based on the Dividend Discount Model (Required rate of return: 7.3%, perpetual growth rate: 1.2%). Dividend yield of 5.3% is deemed attractive. 

Maintain BUY

Unchanged Target Price (TP): RM1.66

RETURN STATS	
Price (23 January 2018)	RM1.40
Target Price	RM1.66
Expected Share Price Return	18.4%
Expected Dividend Yield	5.3%
Expected Total Return	23.7%
STOCK INFO	
KLCI	1,838.04
Bursa / Bloomberg	5106/ AXRB MK
Board / Sector	Main / REITs
Syariah Compliant	Yes
Issued shares (mil)	1,232.33
Market cap. (RM'm)	1,725.26
Price over NA	1.10
52-wk price Range	RM1.39 – RM1.72
Beta (against KLCI)	0.34
3-mth Avg Daily Vol	0.43m
3-mth Avg Daily Value	RM0.64m
Major Shareholders	
EPF	14.23%
KWAP	10.44%
Skim Amanah Saham Bumiputera	8.11%
Lembaga Tabung Haji	5.44%

INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY14A	FY15A	FY16A	FY17A	FY18F
Gross Revenue	138	163	167	169	196
Net Rental Income	118	142	144	146	171
Net Investment Income	148	145	172	174	172
Net Income	110	97	122	123	115
Core Net Income	86	93.45	92.40	92.60	115
Realised EPU (sen)	10.08	8.78	11.07	8.29	9.33
Core EPU (sen)	7.89	8.50	8.36	8.38	9.33
Gross DPU (sen)	9.87	8.40	8.25	8.33	9.13
Net DPU (sen)	8.88	7.56	7.43	7.49	8.22
Net Distribution Yield (%)	6.3%	5.4%	5.3%	5.4%	5.9%
Core PER (x)	17.74	16.48	16.75	16.71	15.01
NAV per unit (RM)	1.21	1.23	1.26	1.45	1.13
P/NAV (x)	1.16	1.14	1.11	0.96	1.24
Core ROE	7.3%	7.0%	6.7%	6.2%	7.7%
Core ROA	4.7%	4.4%	4.2%	3.9%	4.4%

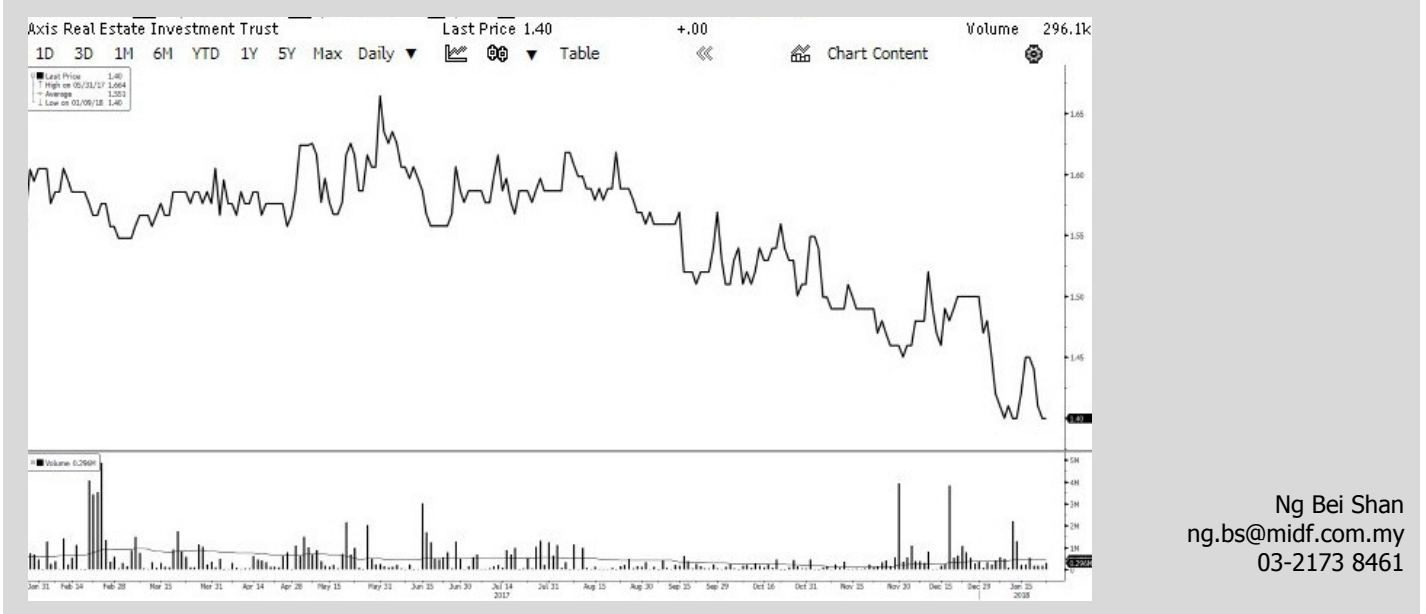
Source: Company, MIDF Research

AXIS REIT: 4QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY17	%YoY	%QoQ	FY17	%YoY
Gross Revenue	42.4	0%	1%	168.7	1%
Net Investment Income	36.7	-1%	2%	143.3	-17%
Net Income	44.1	82%	35%	122.6	0%
Core Net Income (CNI)	23.6	-2.1%	4%	92.6	0%
Realised EPU (sen)	3.6	63%	21%	10.7	-4%
Core EPU (sen)	1.9	-12%	-7%	8.2	-3%
Gross DPU (sen)	1.9	-8%	-3%	8.3	0%

Source: Company, MIDF Research

DAILY PRICE CHART



Source: Bloomberg

Ng Bei Shan
ng.bs@midf.com.my
03-2173 8461

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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.