



Axis REIT

(5106 | AXRB MK) Main | REIT

Asset Acquisition in Seremban


KEY INVESTMENT HIGHLIGHTS

- **Asset acquisition in Seremban**
- **Expanding industrial asset portfolio**
- **Marginal earnings impact**
- **Maintain BUY with a revised TP of RM2.07**

Asset acquisition in Seremban. Axis REIT announced that Trustee for Axis REIT has entered into a sale and purchase agreement (SPA) in relation to the proposed acquisition of an industrial asset in Sendayan Techvalley, Seremban from BSS Development Sdn Bhd, Matrix IBS Sdn Bhd and Menteri Besar Negeri Sembilan for RM48m. The property is an industrial complex consisting of a single storey detached factory, a single storey detached office and a double storey detached office. The asset acquisition is expected to complete in 1HFY24.

Expanding industrial asset portfolio. We are neutral to slight positive on the asset acquisition as it allows Axis REIT to grow its industrial asset portfolio. The industrial building is occupied by an international company that manufactures machinery for mining, quarrying and construction. Lease of the building is 6 years commencing 1st March 2023 with rental rate of RM250k per month and rental rate shall increase by 8% after a period of 3 years. The asset acquisition is expected to be earnings and yield accretive with gross acquisition yield of 6.3%. Meanwhile, purchase price of RM48m is in line with market value of the property.

Marginal earnings impact. The proposed acquisition will be fully funded by existing bank borrowings of Axis REIT. Impact to gearing is minimal as gearing of Axis REIT is expected to inch up marginally to 0.35x from 0.34x as of 2QFY23. Meanwhile, earnings impact from the asset acquisition is minimal, estimated at <1% of earnings. Hence, we are revising our FY24 and FY25 earnings forecast by 0.3% after factoring in earnings contribution from the asset acquisition.

Maintain BUY with a revised TP of RM2.07. Post revision in earnings and DPU forecast, our **TP** is revised marginally higher to **RM2.07** from RM2.06. Our **TP** is based on Dividend Discount Model (DDM). We remain sanguine on long-term prospect for Axis REIT which will be backed by healthy demand for industrial space. Meanwhile, distribution yield is estimated at 4.4%. 

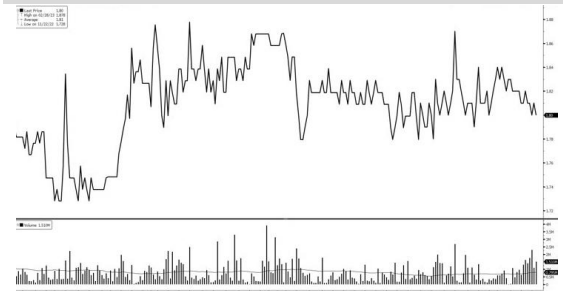
Maintain BUY

Revised Target Price: RM2.07
(Previously RM2.06)

RETURN STATISTICS

Price @ 25 th Oct 2023 (RM)	1.83
Expected share price return (%)	+15.0%
Expected dividend yield (%)	+4.4%
Expected total return (%)	+19.4%

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.6	-0.3
-0.5	-2.2	-1.7
12 months	-4.3	-3.4

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	279	298	300
Net Rental Income	240	258	261
Net Investment Income	241	260	262
Core Net Income	158	163	168
Core EPU (sen)	9.09	9.37	9.64
Net DPU (sen)	7.98	8.23	8.46
Dividend Yield	4.44%	4.57%	4.70%

KEY STATISTICS

FBM KLCI	1,442.51
Issue shares (m)	1641.05
Estimated free float (%)	52.66
Market Capitalisation (RM'm)	3,133
52-wk price range	RM1.78–RM1.9
3-mth average daily volume (m)	0.78
3-mth average daily value (RM'm)	1.41
Top Shareholders (%)	
Employees Provident Fund Board	16.21
Kumpulan Wang Persaraan	10.46
Lembaga Tabung Haji	5.11

Analyst

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FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Gross Revenue	242	282	279	298	300
Net Rental Income	204	277	240	258	261
Net Investment Income	277	277	241	260	262
Net Income	205	190	156	161	166
Core Net Income	133	157	158	163	168
Core EPU (sen)	9.2	9.5	9.1	9.4	9.6
Core PER (x)	19.6	18.9	19.8	19.2	18.7
NAV/unit (RM)	1.75	1.57	1.52	1.52	1.53
P/NAV (x)	1.03	1.15	1.19	1.18	1.18
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Investment properties	3280	3614	4186	4216	4256
Total non-current assets	3283	3617	4188	4221	4262
Cash and cash equivalents	40	196	22	25	22
Other assets	516	443	39	75	101
Total Assets	3839	4255	4250	4320	4384
LT Borrowings	501	624	733	682	703
ST Borrowings	612	560	813	796	836
Other Liabilities	199	499	60	191	188
Total Liability	1311	1684	1606	1670	1727
Unitholders' capital	1596	1934	1946	2034	2034
Other Equity	932	637	698	616	623
Total Equity	2527	2572	2644	2651	2657
Equity + Liability	3839	4255	4250	4320	4384
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flows from operating activities					
Net income before taxation	205	192	154	157	161
Net cash from operating activities	191	228	253	251	296
Cash flows from investing activities					
Acquisition of investment properties	-227	-487	-48	-47	-46
Net cash used in investing activities	-274	-537	-76	-84	-72
Cash flows from financing activities					
Net cash from/(used in) financing activities	231	163	-140	-154	-144
Net increase/(decrease) in cash and cash equivalents	147	-147	37	12	80
Cash and cash equivalent at 1 January	23	171	24	61	73
Cash and cash equivalent at 1 December	171	24	61	73	153
Profitability Margins	2021A	2022A	2023E	2024F	2025F
Net Investment Income margin	114.2%	98.4%	86.4%	87.1%	87.2%
Core net income margin	54.7%	55.6%	56.7%	55.2%	56.3%
ROE	5.7%	6.1%	6.1%	6.1%	6.3%
ROA	3.7%	3.9%	3.7%	3.8%	3.8%

Source: Bloomberg, MIDFR

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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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology