



Axis REIT

(5106 | AXRB MK) Main | REIT

Stable Prospect


KEY INVESTMENT HIGHLIGHTS

- **FY23 earnings within expectations**
- **Lower FY23 earnings despite higher topline**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM1.97**

FY23 earnings within expectations. Axis REIT FY23 core net income of RM143.7m came in within expectations, making up 96% and 95% of our and consensus full year estimates respectively. Note that we have excluded fair value gain on investment properties and other exceptional items in our core net income calculations. Meanwhile, Axis REIT announced distribution per unit (DPU) of 2.4sen for 4QFY23, bringing total DPU to 8.65sen in FY23 which translates into gross yield of 4.9%.

Lower FY23 earnings despite higher topline. Sequentially, 4QFY23 core net income was flattish at RM38m (+0.6%) while topline was higher at RM75.6m (+5.2%qoq). The higher topline was mainly underpinned by commencement of lease Bukit Raja Distribution Centre 2 in August 2023. On yearly basis, 4QFY23 core net income was higher (+9.3%yoy), mainly due to rental contribution from Bukit Raja Distribution Centre 2. Nevertheless, full year core net income in FY23 was lower at RM143.7m (-8%yoy) despite marginally higher topline (+1.5%yoy), mainly due to higher property expenses and higher Islamic financing cost as a result of increase in financing rate.

Earnings forecast maintained. We make no changes to our earnings forecast for FY24/25F. We also introduce our earnings forecast for FY26F. We see stable earnings prospect for Axis REIT's industrial assets. Besides, the active asset acquisition of Axis REIT will drive earnings growth further.

Maintain BUY with an unchanged TP of RM1.97. We maintain our **TP** for Axis REIT at **RM1.97**. Our **TP** is based on Dividend Discount Model (DDM). We remain positive on Axis REIT as we think industrial asset portfolio of Axis REIT will remain defensive going forward, driven by healthy demand for industrial space. Hence, we maintain our **BUY** call on Axis REIT. Meanwhile, distribution yield is estimated at 4.4%. 

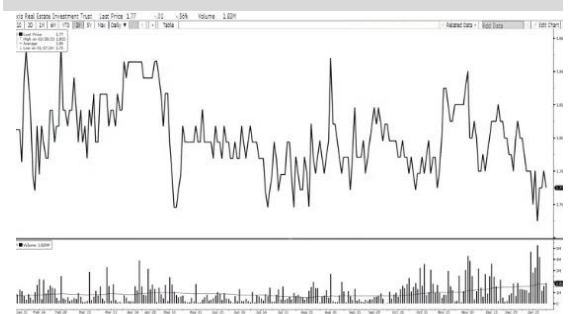
Maintain BUY

Unchanged Target Price: RM1.97

RETURN STATISTICS

Price @ 23 rd Jan 2024 (RM)	1.77
Expected share price return (%)	+11.3%
Expected dividend yield (%)	+4.4%
Expected total return (%)	+15.7%

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.2	-4.9
3 month	-1.1	-5.5
12 months	-6.3	-6.1

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	298	301	305
Net Rental Income	256	260	264
Net Investment Income	258	261	265
Core Net Income	155	161	168
Core EPU (sen)	8.91	9.23	9.65
Net DPU (sen)	7.83	8.11	8.47
Dividend Yield	4.42%	4.58%	4.79%

KEY STATISTICS

FBM KLCI	1,496.11
Issue shares (m)	1641.05
Estimated free float (%)	52.81
Market Capitalisation (RM'm)	3,093
52-wk price range	RM1.75–RM1.9
3-mth average daily volume (m)	1.76
3-mth average daily value (RM'm)	3.17
Top Shareholders (%)	
Employees Provident Fund Board	15.84
Kumpulan Wang Persaraan	10.35
Lembaga Tabung Haji	5.47

Analyst

Jessica Low Jze Tieng
jessica.low@midf.com.my

AXIS REIT: 4QFY23 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY23	%YoY	%QoQ	FY23	%YoY
Gross Revenue	75.6	6.5%	5.2%	286.0	1.46%
Net Investment Income	137.4	59.4%	107.3%	319.2	15.14%
Net Income	110.2	84.0%	159.4%	217.8	14.40%
Core Net Income (CNI)	38.0	9.3%	0.6%	143.7	-8.08%
Realised EPU (sen)	6.3	72.8%	158.5%	12.5	7.43%
Core EPU (sen)	2.2	2.6%	0.2%	8.2	-13.62%
Gross DPU (sen)	2.4	3.0%	11.6%	8.7	-11.28%

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Gross Revenue	282	286	298	301	305
Net Rental Income	277	319	256	260	264
Net Investment Income	277	319	258	261	265
Net Income	190	227	153	159	166
Core Net Income	156	144	155	161	168
Core EPU (sen)	9.5	8.2	8.9	9.2	9.6
Core PER (x)	18.6	21.5	19.9	19.2	18.3
NAV/unit (RM)	1.57	1.62	1.57	1.57	1.58
P/NAV (x)	1.13	1.09	1.13	1.12	1.12

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Investment properties	3614	4186	4444	4484	4514
Total non-current assets	3617	4188	4446	4490	4521
Cash and cash equivalents	196	22	8	7	23
Other assets	443	313	78	103	127
Total Assets	4255	4523	4531	4599	4670
LT Borrowings	624	733	740	780	811
ST Borrowings	560	813	815	886	913
Other Liabilities	499	151	242	193	199
Total Liability	1684	1697	1797	1859	1923
Unitholders' capital	1934	1946	2129	2129	2129
Other Equity	637	880	605	611	618
Total Equity	2572	2826	2734	2740	2747
Equity + Liability	4255	4523	4531	4599	4670

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
Cash flows from operating activities					
Net income before taxation	192	222	150	155	161
Net cash from operating activities	228	199	244	290	237
Cash flows from investing activities					
Acquisition of investment properties	-487	-4	-47	-46	-45
Net cash used in investing activities	-537	-175	-84	-72	-70
Cash flows from financing activities					
Net cash from/(used in) financing activities	163	-15	-148	-139	-143

Net increase/(decrease) in cash and cash equivalents	-147	8	11	79	24
Cash and cash equivalent at 1 January	171	24	32	43	122
Cash and cash equivalent at 1 December	24	32	43	122	145

Profitability Margins	2022A	2023A	2024E	2025F	2026F
Net Investment Income margin	98.4%	111.6%	86.6%	86.7%	86.8%
Core net income margin	55.4%	50.2%	52.1%	53.4%	55.0%
ROE	6.1%	5.3%	5.6%	5.9%	6.1%
ROA	3.7%	3.9%	3.3%	3.4%	3.5%

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