



## Axis REIT

(5106 | AXRB MK) Main | REIT

### On Expansion Mode

#### KEY INVESTMENT HIGHLIGHTS


- **Axis REIT FY23 results briefing**
- **Positive rental reversion in FY23**
- **Greenfield and brownfield development as part of growth plan**
- **Acquisition to expand portfolio**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM1.97**

**We attended Axis REIT FY23 results briefing.** We came away the briefing feeling reaffirmed on the stable prospect for Axis REIT. Key takeaways from briefing as below:

**Positive rental reversion in FY23.** Axis REIT recorded positive rental reversion of 5.8% in FY23. The positive rental reversion was underpinned by healthy demand for industrial space. Note that portfolio occupancy rate of Axis REIT was decent at 97% as of end FY23, higher than occupancy rate of 95% as of end FY22. The higher portfolio occupancy rates were driven partly by lease commencement for Axis Shah Alam Distribution Centre 3 and Bukit Raja Distribution Centre 2.

**Greenfield and brownfield development as part of growth plan.** Axis REIT continues to embark greenfield and brownfield development as part of its strategy to expand its industrial asset portfolio. Notably, Axis REIT redeveloped its site at Bukit Raja into Bukit Raja Distribution Centre 2. The asset was handed over to Shopee in Aug 2023. Meanwhile, Axis REIT is constructing Axis Mega Distribution Centre phase 2. Certificate of Completion and Compliance of the property is expected to be obtained in 1QFY24 and Axis REIT is actively looking for tenants for the property.

**Acquisition to expand portfolio.** Axis REIT has been actively growing its portfolio via asset acquisition. Notably, Axis REIT had in October 2023 announced industrial asset acquisition in Sendayan Tech Valley for RM48m. Besides, Axis REIT has recently completed acquisition of a shopping mall in Termeloh, Pahang for RM26m. Note that hypermarket makes up 3% of Axis REIT asset portfolio. Meanwhile, Axis REIT remain on active acquisition trail to expand its portfolio with acquisition targets of RM229m. We gather that Axis REIT remains focused on growing its industrial assets in Klang Valley and Penang.

**Maintain BUY with an unchanged TP of RM1.97.** Post results briefing, we make no changes to our earnings forecast. We also maintain our **TP** for Axis REIT at **RM1.77**, based on Dividend Discount Model (DDM). We remain positive on Axis REIT as we see that long term growth for its industrial asset portfolio will remain positive amid healthy demand for industrial space. Hence, we maintain our **BUY** call on Axis REIT. Meanwhile, distribution yield is estimated at 4.4%. 

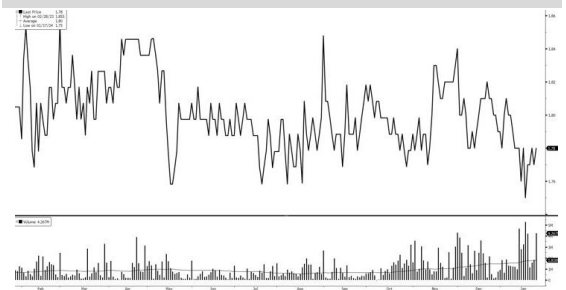
### Maintain BUY

### Unchanged Target Price: RM1.97

#### RETURN STATISTICS

Price @ 24 <sup>th</sup> Jan 2024 (RM)	1.78
Expected share price return (%)	+10.7%
Expected dividend yield (%)	+4.4%
Expected total return (%)	+15.1%

#### 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	4.40%	4.56%	4.76%

#### KEY STATISTICS

FBM KLCI	1,504.10
Issue shares (m)	1747.49
Estimated free float (%)	52.81
Market Capitalisation (RM'm)	3,110
52-wk price range	RM1.75–RM1.9
3-mth average daily volume (m)	8.76
3-mth average daily value (RM'm)	3.23
Top Shareholders (%)	
Employees Provident Fund Board	15.86
Kumpulan Wang Persaraan	10.35
Lembaga Tabung Haji	5.47

**Analyst**

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

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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)	18.7	21.7	20.0	19.3	18.5
NAV/unit (RM)	1.57	1.62	1.57	1.57	1.58
P/NAV (x)	1.14	1.10	1.13	1.13	1.13
<b>Balance Sheet (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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
<b>Total Assets</b>	<b>4255</b>	<b>4523</b>	<b>4531</b>	<b>4599</b>	<b>4670</b>
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
<b>Equity + Liability</b>	<b>4255</b>	<b>4523</b>	<b>4531</b>	<b>4599</b>	<b>4670</b>
<b>Cash Flow (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
<b>Cash flows from operating activities</b>					
Net income before taxation	192	222	150	155	161
Net cash from operating activities	228	199	244	290	237
<b>Cash flows from investing activities</b>					
Acquisition of investment properties	-487	-4	-47	-46	-45
Net cash used in investing activities	-537	-175	-84	-72	-70
<b>Cash flows from financing activities</b>					
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
<b>Profitability Margins</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).  
(Bank Pelaburan)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

### 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