



## Axis REIT

(5106 | AXRB MK) Main | REIT

### Industrial Asset Acquisition in Bukit Raja


#### KEY INVESTMENT HIGHLIGHTS

- **Industrial asset acquisition in Bukit Raja**
- **Expanding industrial asset portfolio**
- **Marginal impact on balance sheet**
- **Maintain BUY with a revised TP of RM1.98**

**Industrial asset acquisition in Bukit Raja.** Axis REIT announced that it has entered into a sale and purchase agreement (SPA) in relation to the proposed acquisition of an industrial complex located at Bukit Raja, Klang from Amsteels Mills Sdn. Bhd. (AMSB) for a total cash consideration of RM49m. The property has NLA of 199,500 sq. ft. and the property is currently occupied by AMSB for manufacturing and marketing of steel bars and wire rods. The asset acquisition is expected to be completed in 3QFY24.

**Expanding industrial asset portfolio.** We view the acquisition to be slight positive to Axis REIT as it is in line with their asset acquisition strategy to expand industrial asset portfolio. The industrial complex is adjoining Axis REIT's Axis Facility 2 @ Bukit Raja. Meanwhile, the agreed rental of the industrial complex is RM285k a month which is equivalent to annual rental of RM3.4m. That translates into gross acquisition yield of 7% which we expect to be earnings and yield accretive as gross yield is higher than annual financing rate of 4.2%.

**Marginal impact on balance sheet.** The proposed acquisition will be funded by existing bank borrowings of Axis REIT. We estimate marginal impact to balance sheet as gearing of Axis REIT is expected to increase marginally to 0.35x from 0.34x as of FY23. Meanwhile, earnings impact from the asset acquisition is minimal at ~1% of our earnings forecast. We are revising our FY25 and FY26F earnings forecast by +1.2% and +1.1% respectively after factoring in earnings contribution from the latest asset acquisition.

**Maintain BUY with a revised TP of RM1.98.** Post revision in earnings and DPU forecast, our **TP** is revised marginally higher to **RM1.98** from RM1.97. Our **TP** is based on Dividend Discount Model (DDM). We remain positive on Axis REIT as its active asset acquisition within industrial space will continue to drive earnings growth. Besides, outlook for industrial assets in Malaysia remains stable due to health demand for industrial space. Hence, we maintain our **BUY** call on Axis REIT. Meanwhile, distribution yield is estimated at 4.4%. 

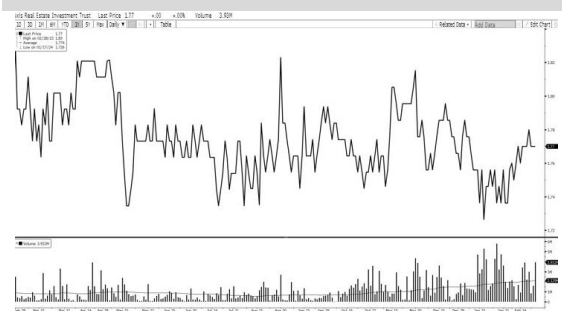
## Maintain BUY

**Revised Target Price: RM1.98**  
(Previously RM1.97)

#### RETURN STATISTICS

Price @ 23 Feb 2024 (RM)	1.77
Expected share price return (%)	+11.9%
Expected dividend yield (%)	+4.4%
<b>Expected total return (%)</b>	<b>+16.3%</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.6	-2.2
-0.5	-1.1	-8.7
12 months	-5.3	-11.0

#### INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	298	304	309
Net Rental Income	256	263	267
Net Investment Income	258	264	268
Core Net Income	155	163	170
Core EPU (sen)	8.91	9.35	9.75
Net DPU (sen)	7.83	8.21	8.56
Dividend Yield	4.4%	4.6%	4.8%

#### KEY STATISTICS

FBM KLCI	1,549.11
Issue shares (m)	1747.49
Estimated free float (%)	52.55
Market Capitalisation (RM'm)	3,093
52-wk price range	RM1.78–RM1.9
3-mth average daily volume (m)	2.11
3-mth average daily value (RM'm)	3.76
Top Shareholders (%)	
Employees Provident Fund Board	16.07
Kumpulan Wang Persaraan	10.38
Lembaga Tabung Haji	5.50

#### Analyst

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**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	304	309
Net Rental Income	277	319	256	263	267
Net Investment Income	277	319	258	264	268
Net Income	190	227	153	161	168
Core Net Income	156	144	155	163	170
Core EPU (sen)	9.5	8.2	8.9	9.3	9.8
Core PER (x)	18.6	21.5	19.9	18.9	18.1
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
<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	2741	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	157	163
Net cash from operating activities	228	199	244	292	239
<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	-140	-145
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	146
<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%	86.8%	86.9%
Core net income margin	55.4%	50.2%	52.1%	53.5%	55.0%
ROE	6.1%	5.3%	5.6%	5.9%	6.2%
ROA	3.7%	3.9%	3.3%	3.4%	3.6%

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