



## Axis REIT

(5106 | AXRB MK) Main | REIT

### Off to A Good Start


#### KEY INVESTMENT HIGHLIGHTS

- **1QFY24 earnings met expectations**
- **Off to a good start in FY24**
- **Earnings forecast maintained**
- **Active asset acquisition to spur earnings growth**
- **Maintain BUY with an unchanged TP of RM2.00**

**1QFY24 earnings met expectations.** Axis REIT 1QFY24 core net income of RM40.9m met expectations, making up 26% and 24% of our and consensus' full year estimates respectively. Axis REIT announced distribution per unit (DPU) of 2.3sen (ex-date: 7<sup>th</sup> May 2024) for 1QFY24.

**Off to a good start in FY24.** Sequentially, 1QFY24 core net income was higher at RM40.9m (+7.8%qoq) on the back of flattish topline as earnings in the previous quarter was weighed by provision of deferred tax on Real Property Gains Tax (RPGT). On yearly basis, 1QFY24 core net income was higher (+25.8%yoy), in line with higher topline (+7.7%yoy). The topline growth was mainly contributed by commencement of lease Bukit Raja Distribution Centre 2 in August 2023. Besides, the earnings growth was also helped by lower property operating expenditure and provision for doubtful debts. Meanwhile, earnings growth was partly negated by the higher Islamic financing cost (+11%yoy) due to higher Islamic financing rate following hike in OPR in May 2023.

**Earnings forecast maintained.** We maintain our earnings forecast for FY24F/25F/26F. Earnings outlook for Axis REIT is expected to be stable due to the defensive nature of its industrial assets. Rental income is expected to grow steadily due to healthy demand for industrial space and as most of its single-tenanted assets are on pre-agreed step-up rate. Besides, its active asset acquisition will spur earnings growth as Axis REIT has total estimated value of target acquisitions of RM200m. Note that Axis REIT announced acquisition of three industrial assets in Bukit Raja year-to-date which increase its presence in Bukit Raja significantly.

**Maintain BUY with an unchanged TP of RM2.00.** We maintain our **TP** for Axis REIT at **RM2.00**. Our **TP** is based on Dividend Discount Model (DDM). We continue to like Axis REIT for its exposure to industrial asset which underpinned by healthy demand for industrial space. Hence, we maintain our **BUY** call on Axis REIT. Meanwhile, distribution yield is estimated at 4.2%. 

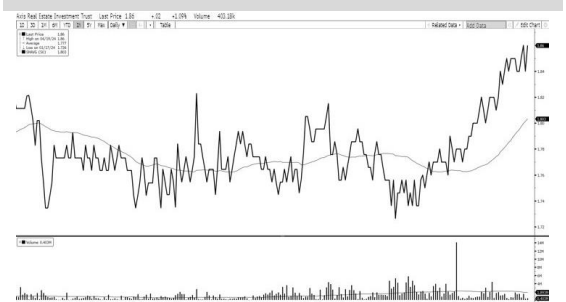
### Maintain BUY

### Unchanged Target Price: RM2.00

#### RETURN STATISTICS

|  |              |
|--|--------------|
| Price @ 23 <sup>rd</sup> April 2024 (RM) | 1.86         |
| Expected share price return (%)          | 7.5%         |
| Expected dividend yield (%)              | 4.2%         |
| <b>Expected total return (%)</b>         | <b>11.7%</b> |

#### SHARE PRICE CHART



| Price performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1 month               | 2.8      | 1.5      |
| 3 months              | 2.8      | 0.7      |
| 12 months             | -2.6     | -11.3    |

#### INVESTMENT STATISTICS

| FYE Dec               | 2024E | 2025F | 2026F |
|-----------------------|-------|-------|-------|
| Revenue               | 298   | 326   | 331   |
| Net Rental Income     | 256   | 285   | 289   |
| Net Investment Income | 258   | 286   | 290   |
| Core Net Income       | 155   | 170   | 177   |
| Core EPU (sen)        | 8.91  | 9.75  | 10.16 |
| Net DPU (sen)         | 7.83  | 8.56  | 8.91  |
| Dividend Yield        | 4.2%  | 4.6%  | 4.8%  |

#### KEY STATISTICS

|                                  |              |
|----------------------------------|--------------|
| FBM KLCI                         | 1,561.64     |
| Issue shares (m)                 | 1,747.49     |
| Estimated free float (%)         | 51.82        |
| Market Capitalisation (RM'm)     | 3,250        |
| 52-wk price range                | RM1.75–RM1.9 |
| 3-mth average daily volume (m)   | 1.91         |
| 3-mth average daily value (RM'm) | 3.42         |
| Top Shareholders (%)             |              |
| Employees Provident Fund Board   | 16.41        |
| Kumpulan Wang Persaraan          | 10.41        |
| Lembaga Tabung Haji              | 5.79         |

**Analyst**

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

**AXIS REIT: 1QFY24 Results Summary**

| FYE Dec (RM'm, unless otherwise stated) | Quarterly Results |       |        | Cumulative |        |
|---|-------------------|-------|--------|------------|--------|
|   | 1QFY24            | %YoY  | %QoQ   | FY24       | %YoY   |
| Gross Revenue                           | 75.5              | 7.6%  | 0.0%   | 75.5       | 7.65%  |
| Net Investment Income                   | 66.7              | 18.3% | -51.4% | 66.7       | 18.32% |
| Net Income                              | 42.3              | 39.5% | -61.7% | 42.3       | 39.48% |
| Core Net Income (CNI)                   | 40.9              | 25.8% | 7.8%   | 40.9       | 25.78% |
| Realised EPU (sen)                      | 2.4               | 39.0% | -61.7% | 2.4        | 38.97% |
| Core EPU (sen)                          | 2.3               | 25.3% | 7.8%   | 2.3        | 25.31% |
| Gross DPU (sen)                         | 2.3               | 12.2% | -4.2%  | 2.3        | 12.20% |

Source: Company, MIDFR

**FINANCIAL SUMMARY**

| Income Statement (RM'm) | 2022A | 2023A | 2024E | 2025F | 2026F |
|-------------------------|-------|-------|-------|-------|-------|
| Gross Revenue           | 282   | 286   | 298   | 326   | 331   |
| Net Rental Income       | 277   | 319   | 256   | 285   | 289   |
| Net Investment Income   | 277   | 319   | 258   | 286   | 290   |
| Net Income              | 190   | 227   | 153   | 168   | 175   |
| Core Net Income         | 156   | 144   | 155   | 170   | 177   |
| Core EPU (sen)          | 9.5   | 8.2   | 8.9   | 9.8   | 10.2  |
| Core PER (x)            | 19.5  | 22.6  | 20.9  | 19.1  | 18.3  |
| NAV/unit (RM)           | 1.57  | 1.62  | 1.57  | 1.57  | 1.58  |
| P/NAV (x)               | 1.19  | 1.15  | 1.18  | 1.18  | 1.18  |

| 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         |
| <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> |

| Cash Flow (RM'm)                            | 2022A | 2023A | 2024E | 2025F | 2026F |
|---|-------|-------|-------|-------|-------|
| <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%        | 87.7%        | 87.8%        |
| Core net income margin       | 55.4%        | 50.2%        | 52.1%        | 52.0%        | 53.5%        |
| ROE                          | 6.1%         | 5.3%         | 5.6%         | 6.2%         | 6.4%         |
| ROA                          | 3.7%         | 3.9%         | 3.3%         | 3.4%         | 3.7%         |

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