



Axis REIT

(5106 | AXRB MK) Main | REIT

Disposal of Axis Steel Centre@SiLC in Nusajaya


KEY INVESTMENT HIGHLIGHTS

- **Disposal of Axis Steel Centre@SiLC in Nusajaya, Johor**
- **Maximise return on asset**
- **Marginally lower gearing**
- **Earnings forecast unchanged**
- **Maintain BUY with an unchanged TP of RM2.00**

Disposal of Axis Steel Centre@SiLC in Nusajaya, Johor. Axis REIT announced that it has entered into a sale and purchase agreement with a data centre operator on 24th April 2024 for the proposed disposal of Axis Steel Centre@SiLC in Nusajaya, Johor for cash consideration of RM162m. The proposed disposal is expected to be completed in 2HFY24.

Maximise return on asset. We are slight positive on the asset disposal as the asset is currently untenanted. Note that Axis Steel Centre@SiLC is in Nusajaya, Johor with land area of 26.96 acres. The main buildings on land are manufacturing facilities with 2 single-storey detached factories and a double-storey office building. The asset was formerly tenanted by Yongnam Engineering Sdn Bhd (YESB) which defaulted its rental payments. Meanwhile, the proposed disposal of Axis Steel Centre@SiLC is expected to maximise return of Axis REIT on its asset as the asset does not generate significant income to Axis REIT. The disposal price of RM162m is higher than market value of the property of RM159m and Axis REIT is expected to record net disposal gain of RM0.5m.

Marginally lower gearing. The proposed disposal should improve balance sheet of Axis REIT as Axis REIT is on active asset acquisition. Note that Axis REIT announced asset acquisitions in Bukit Raja on 22nd April 2024 with total purchase consideration of RM351.8m which will lift gearing of Axis REIT to ~0.4x. With the latest asset disposal, gearing of Axis REIT is expected to reduce marginally to 0.38x.

Maintain BUY with an unchanged TP of RM2.00. The proposed disposal of Axis Steel Centre@SiLC is not expected to impact earnings of Axis REIT as the asset is currently untenanted. Hence, we maintain our earnings forecast for FY24F/25F/26F. We also maintain our **TP** for Axis REIT at **RM2.00**, based on Dividend Discount Model (DDM). We remain positive on Axis REIT due to its exposure to industrial asset. Its active asset acquisition with acquisition targets of RM200m should underpin its earnings outlook going forward. 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 @ 24 th April 2024 (RM)	1.87
Expected share price return (%)	+7.0%
Expected dividend yield (%)	+4.2%
Expected total return (%)	+11.2%

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.7	0.5
3 month	3.3	0.6
12 months	-1.6	-10.7

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	1,571.48
Issue shares (m)	1,747.49
Estimated free float (%)	51.82
Market Capitalisation (RM'm)	3,268
52-wk price range	RM1.75–RM1.9
3-mth average daily volume (m)	1.90
3-mth average daily value (RM'm)	3.41
Top Shareholders (%)	
Employees Provident Fund Board	16.41
Kumpulan Wang Persaraan	10.41
Lembaga Tabung Haji	5.79

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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)	19.6	22.7	21.0	19.2	18.4
NAV/unit (RM)	1.57	1.62	1.57	1.57	1.58
P/NAV (x)	1.19	1.16	1.19	1.19	1.19
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%	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

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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