



## Axis REIT

(5106 | AXRB MK) Main | REIT

### Strengthening Presence in Bukit Raja


#### KEY INVESTMENT HIGHLIGHTS

- **Second asset acquisition in Bukit Raja**
- **Strengthening presence in Bukit Raja**
- **Positive earnings contribution**
- **Earnings forecast revised higher**
- **Maintain BUY with a revised TP of RM2.00**

**Second asset acquisition in Bukit Raja.** Axis REIT announced that it has entered into two sale and purchase agreements in relation to proposed acquisition of an industrial complex and an open storage yard located at Bukit Raja, Klang from Amsteel Mills Sdn Bhd (AMSB) for a total cash consideration of RM351.8m. Note that this is the second asset acquisition by Axis REIT from AMSB whereby first acquisition was announced in February 2024.

**Strengthening presence in Bukit Raja.** We view the acquisition positively as it will strengthen Axis REIT's presence in Bukit Raja which is a growing industrial area with accessibility to major highways such as Federal Highway, NKVE, Shapadu Highways and West Coast Expressway. With the latest acquisitions, land area of Axis REIT in Bukit Raja is expected to increase to 119 acres from 52 acres. The industrial complex that will be acquired by Axis REIT is currently tenanted by AMSB which involves in manufacturing and marketing of steel bars and wire rods. Annual rental rate of RM21.9m translates into gross acquisition yield of 7% which is expected to be earnings and yield accretive. On the other hand, the storage yard is unoccupied, but Axis REIT is confident to be able to secure tenant or may redevelop the property.

**Positive earnings contribution.** The proposed acquisition will be funded by existing bank borrowings of Axis REIT. We estimate gearing of Axis REIT to increase to 0.39x from 0.34x as of FY23. Meanwhile, we keep our FY24F earnings forecast unchanged but raised FY25F/FY26F earnings forecast by 4.3% and 4.1% after factoring in earnings contribution from the assets from FY25 onwards.

**Maintain BUY with a revised TP of RM2.00.** Post revision in earnings and DPU forecast, our **TP** is revised marginally higher to **RM2.00** from RM1.98. Our **TP** is based on Dividend Discount Model (DDM). We like Axis REIT for its high 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 4.3%. 

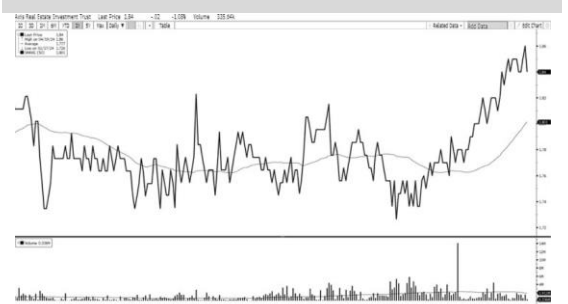
### Maintain BUY

**Revised Target Price: RM2.00**  
(Previously RM1.98)

#### RETURN STATISTICS

Price @ 22 April 2024 (RM)	1.84
Expected share price return (%)	8.7%
Expected dividend yield (%)	4.3%
<b>Expected total return (%)</b>	<b>13.0%</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.7	0.5
6 months	1.7	-0.3
12 months	-3.7	-12.2

#### 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	4.3%	4.7%	4.8%

#### KEY STATISTICS

FBM KLCI	1,559.59
Issue shares (m)	1,747.49
Estimated free float (%)	51.82
Market Capitalisation (RM'm)	3,215
52-wk price range	RM1.78–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**

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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	286	298	326	331	296
Net Rental Income	319	256	285	289	254
Net Investment Income	319	258	286	290	256
Net Income	227	153	168	175	143
Core Net Income	144	155	170	177	145
Core EPU (sen)	8.2	8.9	9.8	10.2	8.3
Core PER (x)	22.4	20.7	18.9	18.1	22.1
NAV/unit (RM)	1.62	1.57	1.57	1.58	1.58
P/NAV (x)	1.14	1.17	1.17	1.17	1.16

<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	111.6%	86.6%	87.7%	87.8%	86.3%
Core net income margin	50.2%	52.1%	52.0%	53.5%	49.0%
ROE	5.3%	5.6%	6.2%	6.4%	5.3%
ROA	3.9%	3.3%	3.4%	3.7%	3.8%

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