



Axis REIT

(5106 | AXRB MK) Main | REIT

Industrial Asset Acquisition


KEY INVESTMENT HIGHLIGHTS

- **Industrial asset acquisition**
- **Expanding industrial asset portfolio**
- **Earnings forecast revised**
- **Maintain BUY with a revised TP of RM2.14**

Industrial asset acquisition. Axis REIT announced that it has entered into sale and purchase agreements in relation to the proposed acquisition of two industrial properties located at Taman Perindustrian Pulau Indah for a total lump sum consideration of RM158.6m. The purchase price for the first property is RM110m while the purchase price for second property is RM48.6m. The proposed acquisition is expected to be completed in 4QFY24.

Expanding industrial asset portfolio. The proposed asset acquisition is expected to be positive to Axis REIT as it is in line with its strategy of expanding industrial asset portfolio. The two properties are adjoining properties located at Taman Perindustrian Pulau Indah with access to the Shah Alam Expressway (KESAS). The two properties are tenanted by MDSB which involves in warehouse repairs and servicing of containers. Meanwhile, the acquisition is expected to be yield accretive as gross acquisition yield is at 6.2% which is higher than financing cost. On the other hand, purchase price of RM158.6m is marginally lower than the properties' market value of RM159.2m.

Earnings forecast revised. Axis REIT intends to fund the acquisition via internally generated funds and bank borrowings. We estimate gearing of Axis REIT to inch up marginally to 0.38x from 0.36x in 2QFY24. Meanwhile, we make no changes to our earnings forecast for FY24 but revise FY25F/26F earnings forecast by +1.6% after factoring in earnings contributions from the asset acquisition.

Maintain BUY with a revised TP of RM2.14. Corresponding to the earnings revision, our **TP** for Axis REIT is revised to **RM2.14** from RM2.12. Our TP is based on Dividend Discount Model (DDM). We remain positive on Axis REIT as outlook for Axis REIT will be underpinned by healthy demand for industrial assets. Hence, we maintain our **BUY** call on Axis REIT. Meanwhile, distribution yield is estimated at 4.4%. 

Maintain BUY

Revised Target Price: RM2.14
(Previously RM2.12)

RETURN STATISTICS

Price @ 28 Aug 2024 (RM)	1.80
Expected share price return (%)	+18.9
Expected dividend yield (%)	+4.4
Expected total return (%)	+23.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.6	-4.3
3 month	-1.6	-6.7
12 months	-0.6	-14.3

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	298	344	349
Net Rental Income	256	303	307
Net Investment Income	258	304	308
Core Net Income	155	175	182
Core EPU (sen)	8.91	10.04	10.45
Net DPU (sen)	7.83	8.81	9.17
Dividend Yield	4.4%	4.9%	5.0%

KEY STATISTICS

FBM KLCI	1,675.24
Issue shares (m)	1,747.49
Estimated free float (%)	68.46
Market Capitalisation (RM'm)	3,145
52-wk price range	RM1.7–RM1.96
3-mth average daily volume (m)	1.65
3-mth average daily value (RM'm)	3.03
Top Shareholders (%)	
Employees Provident Fund Board	18.10
Kumpulan Wang Persaraan	10.05
Lembaga Tabung Haji	5.92

Analyst

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FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Gross Revenue	282	286	298	344	349
Net Rental Income	277	319	256	303	307
Net Investment Income	277	319	258	304	308
Net Income	190	227	153	173	180
Core Net Income	156	144	155	175	182
Core EPU (sen)	9.5	8.2	8.9	10.0	10.5
Core PER (x)	18.9	21.9	20.2	17.9	17.2
NAV/unit (RM)	1.57	1.62	1.57	1.57	1.58
P/NAV (x)	1.15	1.11	1.15	1.14	1.14

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