



Axis REIT

(5106 | AXRB MK) Main | REIT

Proposed to Undertake Private Placement


KEY INVESTMENT HIGHLIGHTS

- **Proposed to undertake private placement**
- **Private placement for repayment of borrowings**
- **Lower gearing ratio**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM2.14**

Proposed to undertake private placement. Axis REIT proposed to undertake a placement of up to 263m units, representing up to approximately 15.05% of the total number of Axis REIT units issued. The actual number and issue price of the of placement units will be determined at a later stage. The proposed placement is expected to be completed by 4QFY24.

Private placement for repayment of borrowings. Axis REIT intends to use entire of the proceeds from private placement for repayment of bank borrowings. Note that private placement has been part of capital management of Axis REIT and hence we are neutral on the fund-raising exercise. Recall that Axis REIT announced private placement in November 2022 while previous private placement was completed in December 2021. Note that latest gearing ratio of Axis REIT stood at 0.36x as of 2QFY24. By utilising proceeds from private placement for repayment of bank borrowings, it will lower gearing ratio of Axis REIT and allow Axis REIT to have sufficient financial headroom to make future asset acquisitions.

Lower gearing ratio. Gearing ratio of Axis REIT is estimated to reduce to 0.33x from 0.36x post private placement. Note that gearing ratio after private placement has factored in the recent acquisition of assets. Meanwhile, the gross financing cost saving is estimated at approximately RM19m which is expected to lift FY25F/26F earnings by 9.8%/9.4%. Nevertheless, earnings per unit (EPU) for FY25F/26F is expected to dilute by 2.5%/2.8% due to higher share base post private placement.

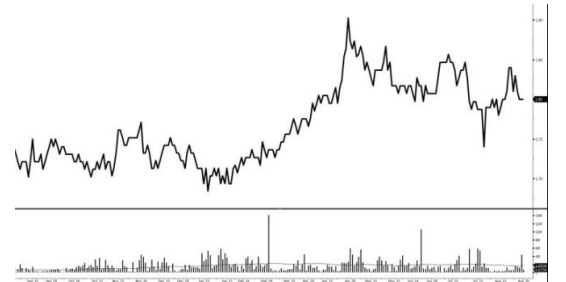
Maintain BUY with an unchanged TP of RM2.14. We make no changes to our earnings forecast for FY24F/25F/26F pending completion of the private placement. Our **TP** is based on Dividend Discount Model (DDM). We remain positive on Axis REIT as its long-term outlook will be underpinned by healthy demand for industrial assets. Hence, we maintain our **BUY** call on Axis REIT. Meanwhile, distribution yield is estimated at 4.4%. 

Maintain BUY**Unchanged Target Price: RM2.14**

RETURN STATISTICS

Price @ 30 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	-4.6
3 month	-1.6	-7.0
12 months	-1.6	-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	1,678.80
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)	1.67
3-mth average daily value (RM'm)	3.06
Top Shareholders (%)	
Employees Provident Fund Board	18.02
Kumpulan Wang Persaraan	10.05
Lembaga Tabung Haji	5.92

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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