

Axis REIT

(5106 | AXRB MK) Real Estate | Real Estate Investment Trust

Earnings dragged by higher expenses


KEY INVESTMENT HIGHLIGHTS

- **Earnings below expectations**
- **Topline growth supported by new properties**
- **Earnings forecasts maintained**
- **Rental income to underpin by stable rental outlook for industrial assets**
- **Maintain Neutral with unchanged TP of RM1.75**

Earnings below expectations. Axis REIT's FY19 core net income of RM110.2m came in below expectations, making up 92% and 93% of our and consensus full year estimates respectively. The negative deviation was due to the higher than expected property expenses. A final dividend of 2.20sen was announced, bringing cumulative DPS to 9.26sen in FY19 which translates into gross distribution yield of 5.2%.

Topline growth supported by new properties. Axis REIT recorded higher topline of RM216.4m in FY19 (+6%yoy), driven by rental contribution from new properties namely Axis Mega Distribution Centre, Axis Aerotech Centre @ Subang and three newly acquired properties. The rental income from the new assets had cushioned the loss of rental from Axis Industrial Facility @ Rawang as the tenant has redelivered vacant possession in July 2019. Nevertheless, core net income eased by a marginal -2%yoy in FY19 mainly due to higher property expenses and higher Islamic financing cost.

Earnings forecasts maintained. We make no changes to our earnings forecasts for FY20F and FY21F pending analyst briefing. We expect rental income of Axis REIT to be stable in FY20/21F, underpinning by stable rental outlook for industrial assets.

Maintain Neutral with unchanged TP of RM1.75. Our TP is based on Dividend Discount Model (Required rate of return: 7.5%). We maintain our Neutral recommendation on Axis REIT due to limited upside for unit price. Meanwhile, dividend yield of Axis REIT is estimated at 5.0%. 

Maintain NEUTRAL

Unchanged Target Price: RM1.75

RETURN STATISTICS

Price @ 20 th January 2020 (RM)	1.77
Expected share price return (%)	-1.1
Expected dividend yield (%)	5.0
Expected total return (%)	3.9

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	1.1	2.1
3 months	0.6	-2.5
12 months	7.2	13.8

KEY STATISTICS

FBM KLCI	1,588.88
Syariah compliant	Yes
Issue shares (m)	1,237.29
Estimated free float (%)	52.14
Market Capitalisation (RM'm)	2,540
52-wk price range	RM1.65-RM1.99
Beta vs FBM KLCI (x)	0.30
Monthly velocity (%)	11.02
Monthly volatility (%)	8.76
3-mth average daily volume (m)	1.62
3-mth average daily value (RM'm)	2.87
Top Shareholders (%)	
EPF	13.97
KWAP	11.73
Lembaga Tabung Haji	5.24

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INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY17A	FY18A	FY19A	FY20F	FY21F
Gross Revenue	168	204	216	234	241
Net Rental Income	147	183	187	204	211
Net Investment Income	148	222	284	205	212
Net Income	123	155	208	149	154
Core Net Income	123	112	110	149	154
Realised EPU (sen)	11.1	12.5	16.8	10.1	10.4
Core EPU (sen)	11.1	9.1	8.9	10.1	10.4
Gross DPU (sen)	11.0	8.7	9.3	9.8	10.1
Net DPU (sen)	9.9	7.8	8.3	8.8	9.1
Net Distribution Yield (%)	5.6	4.4	4.7	5.0	5.2
Core PER (x)	16.0	19.5	19.9	17.6	17.0
NAV per unit (RM)	1.4	1.3	1.4	1.1	1.1
P/NAV (x)	1.2	1.3	1.3	1.6	1.6
Core ROE	8.2%	6.9%	6.6%	8.9%	9.2%
Core ROA	5.1%	4.2%	3.8%	5.0%	5.1%

Source: Company, MIDFR

AXIS REIT: 4QFY19 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY19	%YoY	%QoQ	FY19	%YoY
Gross Revenue	54.6	-8%	1%	216.4	6%
Net Investment Income	148.7	69%	236%	283.9	28%
Net Income	127.4	90%	387%	209.2	35%
Core Net Income (CNI)	28.4	-11%	9%	110.2	-2%
Realised EPU (sen)	10.3	90%	387%	16.9	35%
Core EPU (sen)	2.3	-11%	9%	8.9	-2%
Gross DPU (sen)	2.2	-10%	-6%	9.3	6%

Source: Company, 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.