

# Axis REIT

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

## Ended FY20 on a positive note

### KEY INVESTMENT HIGHLIGHTS

- **FY20 earnings within expectations**
- **Ended FY20 on a positive note**
- **Earnings forecast maintained**
- **Maintain Neutral with an unchanged TP of RM1.98**

**FY20 earnings within expectations.** Axis REIT's FY20 core net income of RM124.9m came in within expectations, making up 100% and 99% of our and consensus full year estimates respectively. Note that we have excluded fair value gain on investment properties in our core net income calculation. A final distribution per unit (DPU) of 2.25sen was announced, bringing cumulative DPU to 8.75sen in FY20. That translates into gross distribution yield of 4.5%.

**Ended FY20 on a positive note.** On sequential basis, 4QFY20 core net income was flattish at RM32.3m (+0.1%qoq). That brought cumulative earnings in FY20 to RM124.9m (+13.3%yoy). The higher earnings in FY20 were mainly due to commencement of lease on Axis Facility @ Batu Kawan in 1QFY20 and rental contribution from newly acquired assets. Earnings growth were also helped by lower Islamic financing cost (-18.3%yoy) due to lower financing cost as a result of reduction in overnight policy rate (OPR). Nevertheless, earnings growth was partly offset by higher property expenses (+9.6%yoy). Meanwhile, core earnings per unit (EPU) for FY20 was marginally lower at 2.2sen (-2.7%yoy) despite positive earnings growth due to dilution of shares from placement exercise.

**Earnings forecast maintained.** We make no changes to our earnings forecast for FY21/22F. We expect earnings of Axis REIT to remain resilient in FY21 despite the imposition of MCO 2.0 in Malaysia as its tenants who are mostly in industrial industry remain operating. Earnings outlook is expected to be underpinned by its acquisition targets of RM135m in the pipeline.

**Maintain Neutral an unchanged RM1.98.** We maintain our TP for Axis REIT at RM1.98, based on Dividend Discount Model. We like Axis REIT for its portfolio of industrial assets which are relatively shielded from Covid-19 pandemic. Nevertheless, we maintain our Neutral call of Axis REIT due to limited price upside. Meanwhile, net distribution yield of Axis REIT is estimated at 4.1%.



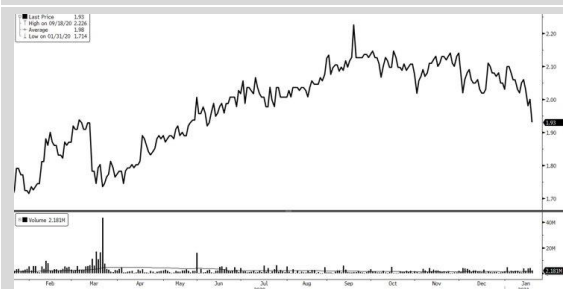
## Maintain NEUTRAL

**Unchanged Target Price: RM1.98**

### RETURN STATISTICS

Price @ 20 January 2021 (RM)	1.93
Expected share price return (%)	2.6
Expected dividend yield (%)	4.1
<b>Expected total return (%)</b>	<b>6.7</b>

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-8.5	-5.6
3 months	-4.9	-14.1
12 months	9.0	8.2

### KEY STATISTICS

FBM KLCI	1,601.54
Syariah compliant	Yes
Issue shares (m)	1435.25
Estimated free float (%)	53.05
Market Capitalisation (RM'm)	2,783.70
52-wk price range	RM1.66-RM2.25
Beta vs FBM KLCI (x)	0.48
Monthly velocity (%)	4.42
Monthly volatility (%)	9.79
3-mth average daily volume (m)	1.63
3-mth average daily value (RM'm)	3.38
Top Shareholders (%)	
Employees Provident Fund Board	14.50
Kumpulan Wang Persaraan	12.26
Lembaga Tabung Haji	5.17

### Analyst(s)

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**INVESTMENT STATISTICS**

FYE Dec (RM'm, unless otherwise stated)	FY18A	FY19A	FY20A	FY21F	FY22F
<b>Gross Revenue</b>	204	216	225	233	239
<b>Net Rental Income</b>	183	192	199	195	203
<b>Net Investment Income</b>	222	284	209	196	204
<b>Net Income</b>	155	209	142	131	138
<b>Core Net Income</b>	112	110	125	131	138
<b>Realised EPU (sen)</b>	12.5	16.9	9.8	9.1	9.6
<b>Core EPU (sen)</b>	9.1	8.9	8.7	9.1	9.6
<b>Gross DPU (sen)</b>	8.7	9.3	8.8	8.9	9.4
<b>Net DPU (sen)</b>	7.8	8.3	7.9	8.0	8.4
<b>Net Distribution Yield (%)</b>	4.1	4.3	4.1	4.1	4.4
<b>Core PER (x)</b>	21.2	21.7	22.3	21.2	20.1
<b>NAV per unit (RM)</b>	1.3	1.4	1.5	1.5	1.5
<b>P/NAV (x)</b>	1.4	1.4	1.3	1.3	1.3
<b>Core ROE</b>	6.9%	6.6%	6.6%	6.2%	6.5%
<b>Core ROA</b>	4.2%	3.8%	3.9%	3.9%	4.0%

Source: Company, MIDFR

**AXIS REIT: 4QFY20 Results Summary**

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY20	%YoY	%QoQ	FY20	%YoY
Gross Revenue	57.5	5.4%	0.6%	224.9	3.94%
Net Investment Income	66.5	-55.3%	35.8%	208.9	-26.44%
Net Income	49.3	-61.3%	52.1%	142.1	-32.10%
Core Net Income (CNI)	32.3	13.5%	0.1%	124.9	13.33%
Realised EPU (sen)	3.4	-66.8%	52.1%	9.9	-41.71%
Core EPU (sen)	2.2	-2.7%	0.1%	8.7	-2.69%
Gross DPU (sen)	2.3	2.3%	0.0%	8.75	-5.51%

Source: Company, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	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

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.