# Axis REIT

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

***Maintain* BUY**

***Revised* Target Price: RM2.16**
*(from RM2.08)*

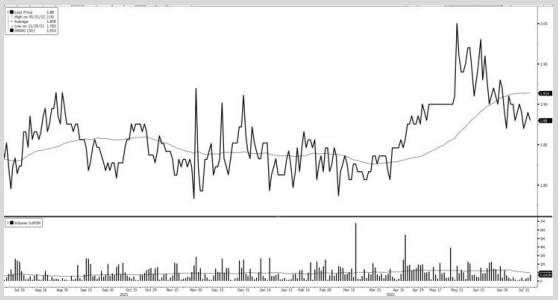
## Stable earnings growth

### KEY INVESTMENT HIGHLIGHTS

- **1HFY22 earnings above our expectation**
- **Stable earnings growth**
- **Earnings forecast revised upwards**
- **Maintain BUY with a revised TP of RM2.16**

| RETURN STATISTICS | |
|---|---|
| Price @ 20 July 2022 (RM) | 1.88 |
| Expected share price return (%) | 14.9 |
| Expected dividend yield (%) | 5.0 |
| **Expected total return (%)** | 19.9 |

**SHARE PRICE CHART**



| Share price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | -4.1 | -3.8 |
| 3 months | -2.1 | 11.5 |
| 12 months | -3.6 | 2.0 |

| KEY STATISTICS | |
|---|---|
| FBM KLCI | 1,436,98 |
| Syariah compliant | Yes |
| F4BGM Index | No |
| ESG Grading Band (Star rating) | ☆☆ |
| Issue shares (m) | 1634.52 |
| Estimated free float (%) | 53.04 |
| Market Capitalisation (RM'm) | 3,085.18 |
| 52-wk price range | RM1.8-RM1.99 |
| Beta vs FBM KLCI (x) | 0.44 |
| Monthly velocity (%) | 4.42 |
| Monthly volatility (%) | 9.14 |
| 3-mth average daily volume (m) | 1.16 |
| 3-mth average daily value (RM'm) | 2.21 |
| Top Shareholders (%) | |
| Employees Provident Fund Board | 16.03 |
| KWAP | 10.89 |
| Lembaga Tabung Haji | 5.30 |

**1HFY22 earnings above our expectation.** Axis REIT 1HFY22 core net earnings of RM81.9m came in within consensus expectation but above our, making up 54% and 58% of consensus and our full year estimates respectively. The positive deviation could be attributed to the higher than expected rental income of its assets. Meanwhile, second interim distribution per unit (DPU) of 2.55sen (ex-date: 2nd August 2022) was announced.

**Stable earnings growth.** On sequential basis, 2QFY22 core net income grew to RM42.8m (+9.6%qoq) mainly due to contribution from newly acquired assets namely Pasir Gudang Logistics Warehouse 2, Indahpura Facility 4 and DW1 Logistics warehouse at Pelabuhan Tanjung Pelepas Free Trade Zone in Johor. That brought cumulative earnings in 1HFY22 to RM81.9m (+29.37%yoy). Meanwhile, core EPU was also higher at 5sen (+14.5%yoy). The earnings growth was mainly driven by contribution from newly acquired assets and positive rental reversion. On another note, portfolio occupancy of Axis REIT remains stable at 96% as of June 2022.

**Earnings forecast revised upwards.** We revise our FY22/23F earnings forecast by +9.8%/+7% to factor in the higher rental income. We remain positive on earnings outlook for Axis REIT as we expect rental reversion to remain positive due to solid demand for industrial space. Looking ahead, Axis REIT remains focused on expanding industrial asset portfolio as it is eyeing potential asset acquisitions with total estimated value of RM120m.

**Maintain BUY with a revised TP of RM2.16.** Corresponding to the upward revision in earnings, our **TP** for Axis REIT is revised to **RM2.16** from RM2.08. Our valuation is based on Dividend Discount Model. We maintain our **BUY** call on Axis REIT as we see long-term earnings outlook of Axis REIT to remain stable, backed by the stable earnings contribution from its industrial assets. Meanwhile, net distribution yield is estimated at 5.0%.

**Analyst(s)**
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## INVESTMENT STATISTICS

| FYE Dec (RM'm, unless otherwise stated) | FY19A | FY20A | FY21A | FY22F | FY23F |
|---|---|---|---|---|---|
| Gross Revenue | 216 | 225 | 242 | 268 | 279 |
| Net Rental Income | 192 | 199 | 204 | 231 | 242 |
| Net Investment Income | 284 | 209 | 277 | 232 | 244 |
| Net Income | 209 | 142 | 205 | 155 | 158 |
| Core Net Income | 110 | 125 | 133 | 155 | 158 |
| Realised EPU (sen) | 16.9 | 9.8 | 14.2 | 10.8 | 11.0 |
| Core EPU (sen) | 8.9 | 8.7 | 9.2 | 10.8 | 11.0 |
| Gross DPU (sen) | 9.3 | 8.8 | 9.5 | 10.5 | 10.7 |
| Net DPU (sen) | 8.3 | 7.9 | 8.5 | 9.5 | 9.6 |
| Net Distribution Yield (%) | 4.4 | 4.2 | 4.5 | 5.0 | 5.1 |
| Core PER (x) | 21.1 | 21.7 | 20.5 | 17.4 | 17.2 |
| NAV per unit (RM) | 1.4 | 1.5 | 1.5 | 1.5 | 1.5 |
| P/NAV (x) | 1.4 | 1.3 | 1.3 | 1.3 | 1.3 |
| Core ROE | 6.6% | 6.6% | 6.2% | 7.3% | 7.4% |
| Core ROA | 3.8% | 3.9% | 3.9% | 4.5% | 4.6% |

*Source: Company, MIDFR*

## AXIS REIT: 2QFY22 Results Summary

| FYE Dec (RM'm, unless otherwise stated) | Quarterly Results | | | Cumulative | |
|---|---|---|---|---|---|
| | 2QFY22 | %YoY | %QoQ | FY22 | %YoY |
| Gross Revenue | 72.5 | 20.1% | 8.7% | 139.2 | 18.11% |
| Net Investment Income | 66.5 | 26.0% | 13.4% | 125.2 | 23.00% |
| Net Income | 46.8 | 49.1% | 17.4% | 86.6 | 36.78% |
| Core Net Income (CNI) | 42.8 | 36.5% | 9.6% | 81.9 | 29.37% |
| Realised EPU (sen) | 2.9 | 32.0% | 17.4% | 5.3 | 21.04% |
| Core EPU (sen) | 2.6 | 20.8% | 9.6% | 5.0 | 14.49% |
| Gross DPU (sen) | 2.6 | 6.3% | 5.4% | 5.0 | 7.34% |

*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 *rise* 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 *fall* 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