Axis REIT

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

***Maintain* BUY**

***Unchanged* Target Price: RM2.16**

Resilient earnings

KEY INVESTMENT HIGHLIGHTS

- **9MFY22 earnings within expectations**
- **Resilient earnings**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM2.16**

RETURN STATISTICS	
Price @ 19 Oct 2022 (RM)	1.84
Expected share price return (%)	17.4
Expected dividend yield (%)	5.1
Expected total return (%)	22.5

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.6	1.6
3 months	-2.6	-0.6
12 months	-5.6	7.1

KEY STATISTICS	
FBM KLCI	1,415.10
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆
Issue shares (m)	1634.52
Estimated free float (%)	52.97
Market Capitalisation (RM'm)	3,019.54
52-wk price range	RM1.79-RM2.0
Beta vs FBM KLCI (x)	0.49
3-mth average daily volume (m)	1.09
3-mth average daily value (RM'm)	2.06
Top Shareholders (%)	
Employees Provident Fund Board	16.05
KWAP	10.95
Lembaga Tabung Haji	5.30

9MFY22 earnings within expectations. Axis REIT 9MFY22 core net earnings of RM121m came in within expectations, making up 78% and 77% of our and consensus full year estimates respectively. Meanwhile, third interim distribution per unit (DPU) of 2.45sen (ex-date: 2nd November 2022) was announce, bringing cumulative DPU to 7.42sen in 9MFY22.

Resilient earnings. On sequential basis, 3QFY22 core net income was lower at RM39.6m (-7.5%mom) mainly due to higher property operating expenditure and higher Islamic financing cost. On yearly basis, 3QFY22 core net income grew to RM39.6m (+6.9%yoy), bringing cumulative core net income to RM121m (+21%yoy) in 9MFY22. The earnings growth was in line with higher topline (+17.5%yoy) as rental income was driven by 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. Besides, earnings growth was also supported by positive rental reversion. On another note, portfolio occupancy of Axis REIT remains stable at 95% as of September 2022.

Earnings forecast maintained. We make no changes to our earnings forecast for FY22/23F. We continue to see positive earnings outlook for Axis REIT as earnings are expected to underpin by positive rental reversion due to high demand for industrial space. Besides, earnings are also expected to support by assets acquisition as it has potential asset acquisitions with total estimated value of RM120m in the pipeline.

Maintain BUY with an unchanged TP of RM2.16. We maintain our **TP** for Axis REIT at **RM2.16**, based on Dividend Discount Model. We continue to see stable earnings outlook for Axis REIT in the long term due to the positive rental reversion outlook for industrial assets and active asset acquisition of Axis REIT. Hence, we maintain our **BUY** call on Axis REIT. Meanwhile, net distribution yield is estimated at 5.1%.

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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 (%)	4.5	4.3	4.6	5.1	5.2
Core PER (x)	20.7	21.2	20.0	17.1	16.8
NAV per unit (RM)	1.4	1.5	1.5	1.5	1.5
P/NAV (x)	1.4	1.3	1.3	1.2	1.2
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: 3QFY22 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY22	%YoY	%QoQ	FY22	%YoY
Gross Revenue	71.7	16.4%	-1.1%	210.9	17.52%
Net Investment Income	65.9	22.6%	-0.9%	191.1	22.85%
Net Income	43.8	18.3%	-6.4%	130.4	29.94%
Core Net Income (CNI)	39.6	6.9%	-7.5%	121.5	21.08%
Realised EPU (sen)	2.7	4.2%	-6.7%	8.0	14.84%
Core EPU (sen)	2.4	-5.8%	-7.9%	7.4	7.01%
Gross DPU (sen)	2.5	0.0%	-3.9%	7.4	4.80%

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