Corporate Update | Tuesday, 15 November 2022

Axis REIT

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

***Maintain* BUY**

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

Proposes private placement

KEY INVESTMENT HIGHLIGHTS

- **Proposes private placement**
- **Private placement to repay borrowings**
- **Lower financing ratio**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM2.16**

Proposes private placement. Axis REIT proposed to undertake a placement of up to 100m units, representing up to approximately 6.09% 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 2QFY23.

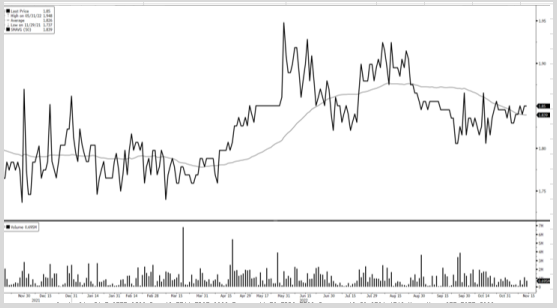
Private placement to repay borrowings. Axis REIT intends to use entire of the proceeds from private placement for repayment of bank financing. We are neutral on the private placement as private placement has been part of capital management of Axis REIT. Recall that Axis REIT completed private placement in 20 December 2021 which raised gross proceeds of RM334.7m for repayment of bank financing. Note that total financing of Axis REIT stood at RM1.5b as of 3QFY22. By repaying bank borrowings via proceeds from placement, it allows Axis REIT to have sufficient financial headroom to make future asset acquisitions. We also see the private placement timely due to rising interest rate environment. Note that 51% of Axis REIT's financing is floating rate borrowings.

Lower financing ratio. Financing ratio of Axis REIT is estimated to reduce to 34% from 38% post private placement. Note that financing ratio of 38% has factored in bank financing and total assets post recent acquisition of assets. Earnings impact is expected to be limited at ~2% for FY23 as the private placement is expected to result in financing saving of ~RM6.8m per annum. Meanwhile, we estimate dilution of ~3-4% to EPU for FY23 post private placement

Maintain BUY with an unchanged TP of RM2.16. We make no changes to our earnings forecast for FY22/23F pending completion of the private placement. We maintain our **TP** for Axis REIT at **RM2.16**, based on Dividend Discount Model. We maintain our **BUY** call on Axis REIT as we are positive on earnings outlook for Axis REIT due to the positive rental reversion outlook for industrial assets and active asset acquisition of Axis REIT.

RETURN STATISTICS	
Price @ 14 Nov 2022 (RM)	1.85
Expected share price return (%)	16.8
Expected dividend yield (%)	5.1
Expected total return (%)	21.9

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-2.1	-7.6
3 months	-2.1	-1.0
12 months	-1.6	2.3

KEY STATISTICS	
FBM KLCI	1,464.0
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆
Issue shares (m)	1634.52
Estimated free float (%)	53.09
Market Capitalisation (RM'm)	3,036
52-wk price range	RM1.79-RM2.0
Beta vs FBM KLCI (x)	0.47
3-mth average daily volume (m)	0.92
3-mth average daily value (RM'm)	1.71
Top Shareholders (%)	
Employees Provident Fund Board	15.92
KWAP	10.95
Lembaga Tabung Haji	5.30

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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)	20.8	21.4	20.1	17.2	16.9
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	1.2
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

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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