Axis REIT

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

Maintain BUY

Revised Target Price: RM2.06
(Previously RM2.16)

Ended FY22 on a positive note

KEY INVESTMENT HIGHLIGHTS

- **FY22 earnings within expectations**
- **Ended FY22 on a positive note**
- **Earnings forecast maintained**
- **Maintain BUY with a revised TP of RM2.06 due to completion of private placement**

FY22 earnings within expectations. Axis REIT FY22 core net earnings of RM156.5m came in within expectations, making up 100% and 97% of our and consensus full year estimates respectively. Meanwhile, forth interim distribution per unit (DPU) of 2.33sen was announced, bringing total DPU to 9.75sen in FY22 which translates into dividend yield of 5.2%.

Ended FY22 on a positive note. On sequential basis, 4QFY22 core net income was lower at RM35m (-11.7%mom), partly due to higher Islamic financing cost. On yearly basis, 4QFY22 core net income increased to RM35m (+8.6%yoy), bringing cumulative core net income to RM156.5m (+18.05%yoy) in FY22. The stronger earnings in FY22 were underpinned by rental contribution from newly acquired assets and positive rental reversion. Note that Axis REIT acquired four industrial properties in FY22, bringing portfolio size to 62 properties. On another note, portfolio occupancy of Axis REIT remains stable at 95% as of December 2022.

Earnings forecast maintained. We make no changes to our earnings forecast for FY23. We remain positive on earnings outlook for Axis REIT mainly due to positive rental reversion as demand for industrial space remains stable. Besides, earnings growth is also expected to be supported by asset acquisition in the industrial space.

Maintain BUY with a revised TP of RM2.06. We revise our **TP** for Axis REIT from RM2.16 to **RM2.06** due to larger share base following completion of private placement on 4th January 2023. Our TP is based on Dividend Discount Model. We remain positive on Axis REIT due to its exposure to industrial assets. Industrial segment is expected to perform steadily going forward due to solid demand for industrial space. Hence, we maintain our **BUY** call on Axis REIT. Meanwhile, net distribution yield is estimated at 4.3%.

RETURN STATISTICS	
Price @ 19 Jan 2023 (RM)	1.89
Expected share price return (%)	9.6
Expected dividend yield (%)	4.3
Expected total return (%)	13.9

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	3.9	2.9
3 months	5.0	-5.1
12 months	0.0	3.4

KEY STATISTICS	
FBM KLCI	1,496.22
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆
Issue shares (m)	1634.52
Estimated free float (%)	53.62
Market Capitalisation (RM'm)	3,273
52-wk price range	RM1.78-RM2.0
Beta vs FBM KLCI (x)	0.49
3-mth average daily volume (m)	0.76
3-mth average daily value (RM'm)	1.39
Top Shareholders (%)	
Employees Provident Fund Board	17.01
KWAP	10.45
Lembaga Tabung Haji	5.03

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AXIS REIT: 4QFY22 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY22	%YoY	%QoQ	FY22	%YoY
Gross Revenue	70.7	12.3%	-1.4%	281.6	16.18%
Net Investment Income	85.9	-29.2%	30.4%	277.0	0.03%
Net Income	59.7	-40.3%	36.2%	190.1	-5.12%
Core Net Income (CNI)	35.0	8.6%	-11.7%	156.5	18.05%
Realised EPU (sen)	3.6	-47.4%	36.2%	11.6	-16.22%
Core EPU (sen)	2.1	-4.3%	-11.7%	9.6	4.27%
Gross DPU (sen)	2.3	-3.3%	-4.9%	9.8	2.74%

Source: Company, MIDFR

INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY21A	FY22A	FY23F	FY24F	FY25F
Gross Revenue	242	282	279	295	297
Net Rental Income	204	277	240	255	258
Net Investment Income	277	277	241	257	259
Net Income	205	190	156	160	165
Core Net Income	133	157	158	163	167
Realised EPU (sen)	14.2	11.6	9.0	9.2	9.5
Core EPU (sen)	9.2	9.5	9.1	9.3	9.6
Gross DPU (sen)	9.5	9.8	8.9	9.1	9.4
Net DPU (sen)	8.5	8.8	8.0	8.2	8.4
Net Distribution Yield (%)	4.6	4.8	4.3	4.5	4.6
Core PER (x)	20.0	19.3	20.2	19.7	19.1
NAV per unit (RM)	1.8	1.6	1.5	1.5	1.5
P/NAV (x)	1.1	1.2	1.2	1.2	1.2
Core ROE	5.7%	6.1%	6.1%	6.1%	6.3%
Core ROA	3.7%	3.9%	3.7%	3.8%	3.8%

Source: Company, MIDFR

AXIS REIT: Balance Sheet

FY Dec (RM m)	FY21	FY22	FY23F	FY24F	FY25F
Investment properties	3280	3614	4186	4216	4256
Total non-current assets	**3283**	**3617**	**4188**	**4221**	**4262**
Cash and cash equivalents	40	196	22	25	22
Other assets	516	443	39	75	101
Total Assets	**3839**	**4255**	**4250**	**4320**	**4384**
LT Borrowings	501	624	733	682	703
ST Borrowings	612	560	813	796	836
Other Liabilities	199	499	60	191	188
Total Liability	**1311**	**1684**	**1606**	**1670**	**1727**
Unitholders' capital	1596	1934	1946	2034	2034
Other Equity	932	637	698	616	623
Total Equity	2527	2572	2644	2651	2657
Equity + Liability	**3839**	**4255**	**4250**	**4320**	**4384**

Source: Company, MIDFR

AXIS REIT: Cash Flow Statement

FY Dec (RM m)	FY21	FY22	FY23F	FY24F	FY25F
Cash flows from operating activities					
Net income before taxation	205	192	154	157	161
Net cash from operating activities	191	228	253	251	296
Cash flows from investing activities					
Acquisition of investment properties	-227	-487	-48	-47	-46
Net cash used in investing activities	-274	-537	-76	-84	-72
Cash flows from financing activities					
Net cash from/(used in) financing activities	231	163	-140	-154	-144
Net increase/(decrease) in cash and cash equivalents	147	-147	37	12	80
Cash and cash equivalent at 1 January	23	171	24	61	73
Cash and cash equivalent at 1 December	171	24	61	73	153

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