



Axis REIT

(5106 | AXRB MK) Main | REIT

Two Asset Acquisitions in Klang Valley


KEY INVESTMENT HIGHLIGHTS

- **Two asset acquisitions in Klang Valley**
- **Active asset acquisitions**
- **Marginal impact on balance sheet**
- **Earnings forecast revised upwards**
- **Maintain BUY with a revised TP of RM2.02**

Two asset acquisitions in Klang Valley. Axis REIT announced that it has entered into two separate sale and purchase agreements in relation to the proposed acquisition of two properties from Cycle & Carriage Bintang Berhad for total lump sum purchase consideration of RM125m. Purchase price of first property is RM69m while purchase price for second property is RM56m. The proposed acquisitions are expected to be completed in 4QFY24.

Active asset acquisitions. We view the asset acquisitions positively as Axis REIT continues to expand its asset base via active asset acquisitions. The first property is four and half storey detached building in Petaling Jaya with existing use as a 3S Service Centre. Meanwhile, the second property is a single storey detached storey with an annexed one and a half storey office building in Batu Caves with existing use as a 2S Service Centre. The two assets are tenanted by Cycle & Carriage Bintang Berhad which involves in retailing of motor vehicles, sales of parts and servicing of vehicles. Meanwhile, the asset acquisitions are expected to be yield accretive as gross yield of 6.2% is higher than the cost of financing. The acquisition prices for the two assets are fair as acquisition prices are in line with the latest market value of the two assets.

Positive earnings impact. The proposed acquisition will be funded by existing bank borrowings of Axis REIT. We estimate gearing of Axis REIT to increase to 0.37x post acquisitions from gearing of 0.35x as of 1QFY24. On the other hand, earnings impact is expected to be marginal as the asset acquisitions are expected to increase FY25/FY26 earnings forecast by ~1%. Meanwhile, revise our earnings forecast for FY25/26F by +1.4%/+1.3% after factoring in contribution from the two assets.

Maintain BUY with a revised TP of RM2.02. We revise our **TP** to **RM2.02** from RM2.00 post revision in earnings and DPU. Our **TP** is based on Dividend Discount Model (DDM). We favour Axis REIT due to its high exposure to industrial asset which saw stable positive rental reversion amid healthy demand for industrial space. Hence, we maintain our **BUY** call on Axis REIT. Meanwhile, distribution yield is estimated at 4.2%. 

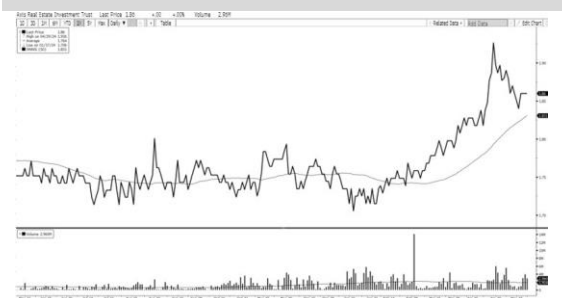
Maintain BUY

Revised Target Price: RM2.02
(Previously RM2.00)

RETURN STATISTICS

Price @ 23 rd May 2024 (RM)	1.86
Expected share price return (%)	+8.6%
Expected dividend yield (%)	+4.2%
Expected total return (%)	+12.8%

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.5	-4.1
3 month	2.8	-0.1
12 months	1.1	-12.5

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	298	334	339
Net Rental Income	256	293	297
Net Investment Income	258	294	298
Core Net Income	155	172	179
Core EPU (sen)	8.91	9.89	10.29
Net DPU (sen)	7.83	8.67	9.03
Dividend Yield	4.2%	4.7%	4.8%

KEY STATISTICS

FBM KLCI	1,629.18
Issue shares (m)	1,747.49
Estimated free float (%)	51.25
Market Capitalisation (RM'm)	3,250
52-wk price range	RM1.7–RM1.96
3-mth average daily volume (m)	1.90
3-mth average daily value (RM'm)	3.51
Top Shareholders (%)	
Employees Provident Fund Board	16.99
Kumpulan Wang Persaraan	10.40
Lembaga Tabung Haji	5.79

Analyst

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FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Gross Revenue	282	286	298	334	339
Net Rental Income	277	319	256	293	297
Net Investment Income	277	319	258	294	298
Net Income	190	227	153	170	177
Core Net Income	156	144	155	172	179
Core EPU (sen)	9.5	8.2	8.9	9.9	10.3
Core PER (x)	19.5	22.6	20.9	18.8	18.1
NAV/unit (RM)	1.57	1.62	1.57	1.57	1.58
P/NAV (x)	1.19	1.15	1.18	1.18	1.18
Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Investment properties	3614	4186	4444	4484	4514
Total non-current assets	3617	4188	4446	4490	4521
Cash and cash equivalents	196	22	8	7	23
Other assets	443	313	78	103	127
Total Assets	4255	4523	4531	4599	4670
LT Borrowings	624	733	740	780	811
ST Borrowings	560	813	815	886	913
Other Liabilities	499	151	242	193	199
Total Liability	1684	1697	1797	1859	1923
Unitholders' capital	1934	1946	2129	2129	2129
Other Equity	637	880	605	611	618
Total Equity	2572	2826	2734	2740	2747
Equity + Liability	4255	4523	4531	4599	4670
Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
Cash flows from operating activities					
Net income before taxation	192	222	150	155	161
Net cash from operating activities	228	199	244	290	237
Cash flows from investing activities					
Acquisition of investment properties	-487	-4	-47	-46	-45
Net cash used in investing activities	-537	-175	-84	-72	-70
Cash flows from financing activities					
Net cash from/(used in) financing activities	163	-15	-148	-139	-143
Net increase/(decrease) in cash and cash equivalents	-147	8	11	79	24
Cash and cash equivalent at 1 January	171	24	32	43	122
Cash and cash equivalent at 1 December	24	32	43	122	145
Profitability Margins	2022A	2023A	2024E	2025F	2026F
Net Investment Income margin	98.4%	111.6%	86.6%	88.0%	88.1%
Core net income margin	55.4%	50.2%	52.1%	51.5%	53.0%
ROE	6.1%	5.3%	5.6%	6.3%	6.5%
ROA	3.7%	3.9%	3.3%	3.4%	3.8%

Source: Bloomberg, 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 <i>rise</i> 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 <i>fall</i> 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