Corporate Update

Axis REIT

(5106 | AXRB MK) Main | REIT

3 Stars | SHARIAH Compliant | FTSE4Good

BUY

Unchanged Target Price **RM2.02**

1QFY25 Results Review
Solid Earnings Growth

Maintain BUY on Axis REIT with an unchanged TP of RM2.02. 1QFY25 core net income of Axis REIT came in within expectation. 1QFY25 core net income was higher partly driven by lower Islamic financing cost. On yearly basis, earnings growth of +23.5%yoy was underpinned by newly acquired assets, contribution from Axis Mega Distribution Centre (phase 2) and positive rental reversion. Earnings per unit growth was lower (+6.8%yoy) due to dilutive impact from private placement. Earnings outlook remains stable due to positive rental reversion of industrial assets and active asset acquisition. Distribution yield is estimated at 4.3%.

1QFY25 earnings within expectations. Axis REIT 1QFY25 core net income of RM50.6m came in within expectations, making up 28% and 26% of our and consensus full year estimates respectively. Axis REIT announced distribution per unit (DPU) of 2.5sen for 1QFY25 which is higher than DPU of 2.3sen for 1QFY24.

Solid earnings growth in 1QFY25. Sequentially, 1QFY25 core net income grew to RM50.6m (+20.2%qoq) while topline grew marginally higher to RM89.9m (+2.4%qoq). The growth was also driven by lower Islamic financing cost (-17.4%qoq) following lower borrowings in 1QFY25. On yearly basis, 1QFY25 core net income was higher (+23.5%yoy), in tandem with higher topline (+19%yoy) mainly due to rental income from newly acquired assets. Note that Axis REIT added 6 properties under its portfolio. The earnings growth was also helped by new tenancies from Axis Mega Distribution Centre (phase 2) and positive rental reversion. Nevertheless, core earnings per unit grew by a milder +6.8%yoy due to private placement exercise that enlarged its share base.

Earnings forecast maintained. We maintain our earnings forecast for FY25F/26F/27F. Earnings outlook for Axis REIT is expected to remain positive on the back of stable outlook for industrial properties which will support positive rental reversion. Besides, Axis REIT is still actively expanding its industrial asset portfolio with estimated value of acquisition targets at RM430m.

Target price maintained at RM2.02. We maintain our TP for Axis REIT at RM2.02, based on Dividend-Discount Model. We are positive on Axis REIT due to earnings stability from its industrial properties while active asset acquisitions will further propel earnings growth. Hence, we maintain our **BUY** call on Axis REIT. Meanwhile, distribution yield is estimated at 4.3%.

RETURN STATISTICS	
Price @ 23 April 2025 (RM)	1.83
Expected share price return (%)	+10.4
Expected dividend yield (%)	+4.3
Expected total return (%)	+14.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.1	1.4
3months	1.7	10.5
12 months	-1.6	2.3

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	344	349	357
Operating Profit	303	307	315
PBT	304	308	317
Core Net Income	181	187	194
Core EPU (sen)	9.00	9.31	9.64
Net DPU (sen)	7.90	8.16	8.45
Dividend Yield	4.3%	4.5%	4.6%

KEY STATISTICS

FBM KLCI	1,501.19
Issue shares (m)	2,010.49
Estimated free float (%)	80.78
Market Capitalisation (RM'm)	3,698.02
52-wk price range	RM1.71 – RM1.96
3-mth average daily volume (m)	1.41
3-mth average daily value (RM'm)	2.54
Top Shareholders (%)	
EPF	18.44
KWAP	8.62
Lembaga Tabung Haji	5.75

Analyst

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Axis REIT: 1QFY25 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY25	%YoY	%QoQ	FY25	%YoY
Gross Revenue	89.9	19.0%	2.4%	89.9	18.97%
Net Investment Income	76.7	15.0%	-38.8%	76.7	14.98%
Net Income	49.1	16.2%	-46.0%	49.1	16.24%
Core Net Income (CNI)	50.6	23.5%	20.2%	50.6	23.50%
Realised EPU (sen)	2.4	0.5%	-46.3%	2.4	0.52%
Core EPU (sen)	2.5	6.8%	19.6%	2.5	6.80%
Gross DPU (sen)	2.5	8.7%	5.5%	2.5	8.70%

Source: Company, MIDF Research

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	286	320	344	349	357
Operating Profit	319	322	303	307	315
PBT	319	322	304	308	317
Net Income	227	217	179	185	192
Core Net Income	144	163	181	187	194
Core EPU (sen)	8.2	8.1	9.0	9.3	9.6
Core PER (x)	22.3	22.6	20.3	19.7	19.0
NAV/unit (RM)	1.62	1.64	1.65	1.65	1.66
P/NAV (x)	1.13	1.12	1.11	1.11	1.10

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
Investment properties	4,186	4,444	5,092	5,122	5,153
Total non-current assets	4,188	4,446	5,092	5,128	5,160
Cash and cash equivalents	22	8	14	23	27
Other assets	313	805	160	191	233
Total Assets	4,523	5,259	5,266	5,342	5,421
LT Borrowings	733	740	935	972	1,011
ST Borrowings	813	815	816	840	865
Other Liabilities	151	404	197	203	210
Total Liability	1,697	1,959	1,948	2,016	2,086
Unitholders' capital	1,946	2,129	2,574	2,574	2,574
Other Equity	880	1,170	745	752	760
Total Equity	2,826	3,299	3,319	3,326	3,334
Equity + Liability	4,523	5,259	5,266	5,342	5,421

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Cash flows from operating activities					
Net income before taxation	222	214	175	180	186
Net cash from operating activities	199	306	310	256	279
Cash flows from investing activities					
Acquisition of investment properties	-4	2	-46	-45	-44
Net cash used in investing activities	-175	-621	-72	-70	-69
Cash flows from financing activities					
Net cash from/(used in) financing activities	-15	384	-155	-158	-174
Net increase/(decrease) in cash and cash equivalents	8	69	83	28	37
Cash and cash equivalent at 1 January	24	32	101	184	212
Cash and cash equivalent at 1 December	32	101	184	212	248

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
PBT margin	111.6%	100.7%	88.3%	88.4%	88.7%
Core net income margin	50.2%	50.8%	52.6%	53.7%	54.3%
ROE	5.3%	5.3%	5.5%	5.6%	5.8%
ROA	3.9%	3.3%	3.3%	3.4%	3.5%

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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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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