Axis REIT

(5106 | AXRB MK) Main | REIT

3 Stars | FTSE4Good | SHARIAH Compliant

Maintain NEUTRAL

Revised Target Price **RM2.06** (from RM2.02)

Corporate Update

2QFY25 Results Review
Resilient Earnings

1HFY25 earnings slightly above our expectation. Axis REIT 1HFY25 core net income of RM101m came in within consensus expectation but slightly above ours, making up 49% and 56% of consensus and our full year forecast respectively. The positive variance was due to the higher-than-expected rental income growth. Axis REIT announced distribution per unit (DPU) of 2.65sen for 2QFY25, bringing total DPU to 5.15sen in 1HFY25.

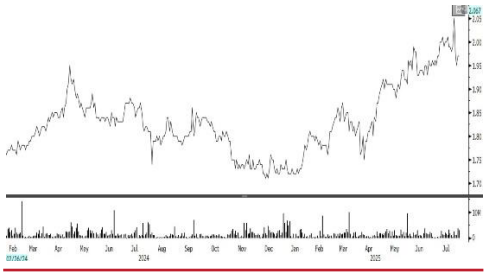
Earnings growth underpinned by newly acquired assets. On a sequential basis, 2QFY25 core net income was flattish at RM50.5m (-0.2%qoq) as rental income was stable. On yearly basis, 2QFY25 net income increased to RM50.5m (+29.5%yoy), bringing 1HFY25 net income higher at RM101m (+26.5%yoy). The net income growth was underpinned by higher rental income following acquisition of 5 properties. The earnings growth was also underpinned by positive rental reversion as performance of industrial properties remain solid. Nevertheless, earnings per unit grew at a milder quantum of +9%yoy due to dilutive impact from unit placement in 4QFY24.

Expanding portfolio via asset acquisitions. Axis REIT is targeting to grow its portfolio via asset acquisition with estimated value of acquisition targets at RM430m. Axis REIT is looking to execute the acquisitions in 2HFY25. Potential acquisition targets are mainly Grade A logistic facilities and logistics warehousing that located at good location. The expansion in industrial property portfolio underpins long term growth of Axis REIT due to stable outlook for industrial properties in Malaysia.

Maintain NEUTRAL with a revised TP of RM2.06. We revise our FY25F/26F/27F earnings forecast by +11.8%/+12.5%/+15% to factor in the higher rental growth. Corresponding to the revision in earnings and DPU, our TP for Axis REIT is revised to RM2.06 from RM2.02. Our TP is based on dividend discount model. While we see outlook for Axis REIT to remain stable due to the defensive earnings from its industrial properties, yield tapers to 4.6% following increase in share price recently. Hence, we maintain our NEUTRAL call on Axis REIT.

RETURN STATISTICS	
Price @ 30 July 2025 (RM)	1.97
Expected share price return (%)	+4.6
Expected dividend yield (%)	+4.6
Expected total return (%)	+9.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.0	1.6
3months	1.0	4.2
12 months	8.2	15.4

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	360	373	384
Operating Profit	319	331	342
PBT	320	332	343
Core Net Income	203	211	224
Core EPU (sen)	10.02	10.43	11.16
Net DPU (sen)	9.05	9.32	9.87
Dividend Yield	4.6%	4.7%	5.0%

KEY STATISTICS

FBM KLCI	1,524.50
Issue shares (m)	2010.49
Estimated free float (%)	80.78
Market Capitalisation (RM'm)	3,980.93
52-wk price range	RM1.71 – RM2.05
3-mth average daily volume (m)	1.68
3-mth average daily value (RM'm)	3.27
Top Shareholders (%)	
EPF	19.37
KWAP	8.66
Lembaga Tabung Haji	5.76
Prudential Plc	5.00

Analyst

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Axis REIT: 2QFY25 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results				
	2QFY25	%YoY	%QoQ	FY25	%YoY
Gross Revenue	90.3	17.9%	0.4%	180.1	18.45%
Net Investment Income	75.1	16.1%	-2.1%	151.8	15.55%
Net Income	47.0	20.5%	-4.4%	96.1	18.29%
Core Net Income (CNI)	50.5	29.5%	-0.2%	101.0	26.45%
Realised EPU (sen)	2.3	4.2%	-4.4%	4.8	2.30%
Core EPU (sen)	2.5	12.0%	-0.2%	5.0	9.35%
Gross DPU (sen)	2.65	17.8%	6.0%	5.15	13.19%

Source: Company, MBSB Research

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	286	320	360	373	384
Operating Profit	319	322	319	331	342
PBT	319	322	320	332	343
Net Income	227	217	200	209	222
Core Net Income	144	163	203	211	224
Core EPU (sen)	8.2	8.1	10.0	10.4	11.2
Core PER (x)	24.0	24.3	19.7	18.9	17.6
NAV/unit (RM)	1.62	1.64	1.64	1.64	1.65
P/NAV (x)	1.22	1.20	1.20	1.20	1.19

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	155	182	224
Total Assets	4,523	5,259	5,261	5,334	5,411
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	739	744	750
Total Equity	2,826	3,299	3,313	3,318	3,325
Equity + Liability	4,523	5,259	5,261	5,334	5,411

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Cash flows from operating activities					
Net income before taxation	222	214	196	204	216
Net cash from operating activities	199	306	331	280	310
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	-177	-180	-200
Net increase/(decrease) in cash and cash equivalents	8	69	82	29	41
Cash and cash equivalent at 1 January	24	32	101	183	212
Cash and cash equivalent at 1 December	32	101	183	212	253

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
PBT margin	111.6%	100.7%	88.9%	89.2%	89.4%
Core net income margin	50.2%	50.8%	56.2%	56.6%	58.5%
ROE	5.3%	5.3%	6.1%	6.4%	6.8%
ROA	3.9%	3.3%	3.3%	3.9%	4.0%

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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