Corporate Update

Axis REIT

(5106 | AXRB MK) Main | REIT

3 Stars

FTSE4Good

SHARIAH Compliant

Maintain **BUY**

Unchanged Target Price **RM2.17**

Briefing Note
Promising Outlook

We attended FY25 results briefing of Axis REIT and came away feeling positive on the prospect for the company. Some of the key takeaways from the briefing as below:

Earnings recovery from 2QFY26 onwards. On a sequential basis, Axis REIT recorded weaker topline (-1.6%qoq) mainly due to loss of rental income from Seberang Prai Logistics Warehouse 2 and Bukit Raja Distribution Centre following lease expiry in August 2025 and October 2025. We gather that the two properties were leased to the same tenant while the lease expiry was due to tenant's strategic business decision of consolidating business operations. Meanwhile, new tenant has been secured for Seberang Prai Logistics Warehouse 2 whereby new lease should commence in March 2026. On the other hand, Axis REIT has secured tenants for 16% space of Bukit Raja Distribution Centre. On a positive note, the rental rate for the two assets was higher by ~30%, underscoring the resiliency of industrial properties in good location. In short, we expect earnings recovery from 2QFY26 onwards.

Positive rental reversion in FY25. Performance of Axis REIT's asset portfolio was decent in FY25 with positive rental reversion of 3.5%. The positive rental reversion was backed by strong demand for industrial properties. On the other hand, portfolio occupancy rate is healthy at 94%, supporting positive rental reversion outlook. Meanwhile, management shared that rental rates for some properties with new tenants were successfully being adjusted to market rate after the expiry of long-lease agreement which typically command lower but stable rental rates. Note that 11% of vacated space was re-tenanted with rental rates 15% higher given the right timing and opportunity for adjusting rental rates.

Expanding industrial assets portfolio. Axis REIT is actively expanding its industrial assets portfolio with total estimated value of acquisition targets of RM250m. Potential acquisition targets are Grade A logistics facilities, and logistics warehousing. Besides, Axis REIT is also planning on new asset development to expand its portfolio. Axis REIT is looking at two developments in FY26 namely Axis Facility 4 @ Bukit Raja and a vacant land in Pasir Gudang with potential NLA of 80k sf.

Maintain BUY with an unchanged TP of RM2.17. Post results briefing, we make no changes to our earnings forecast. Our TP is unchanged at RM2.17, based on dividend discount model. We maintain our **BUY** call on Axis REIT as near-term outlook for Axis REIT remains promising, underpinning by the stable performance of industrial assets. Meanwhile, gross distribution yield is attractive at 5.2%.

RETURN STATISTICS	
Price @ 29 Jan 2026 (RM)	2.02
Expected share price return (%)	+7.4
Expected dividend yield (%)	+5.2
Expected total return (%)	+12.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.6	1.5
3months	5.7	-12.2
12 months	14.7	2.7

INVESTMENT STATISTICS

FYE Dec	2026F	2027F	2028F
Revenue	373	389	401
Operating Profit	331	347	358
PBT	332	348	359
Core Net Income	206	220	231
Core EPU (sen)	10.18	10.89	11.42
Gross DPU (sen)	10.21	10.59	11.21
Dividend Yield	5.2%	5.4%	5.7%

KEY STATISTICS

FBM KLCI	1,730.89
Issue shares (m)	2010.49
Estimated free float (%)	80.12
Market Capitalisation (RM'm)	4,110
52-wk price range	RM1.71 – RM2.24
3-mth average daily volume (m)	3.62
3-mth average daily value (RM'm)	7.48
Top Shareholders (%)	
EPF	19.65
KWAP	8.11
Lembaga Tabung Haji	6.44

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FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	320	364	373	389	401
Operating Profit	322	396	331	347	358
PBT	322	396	332	348	359
Net Income	214	272	204	218	229
Core Net Income	163	202	206	220	231
Core EPU (sen)	8.1	10.0	10.2	10.9	11.4
Core PER (x)	25.0	20.3	19.0	17.8	17.0
NAV/unit (RM)	1.64	1.69	1.65	1.65	1.66
P/NAV (x)	1.23	1.19	1.23	1.22	1.22

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
Investment properties	4,444	5,092	5,237	5,247	5,279
Total non-current assets	4,446	5,092	5,238	5,255	5,288
Cash and cash equivalents	8	14	52	27	27
Other assets	805	250	336	433	489
Total Assets	**5,259**	**5,356**	**5,627**	**5,715**	**5,804**
LT Borrowings	740	935	936	1,001	1,041
ST Borrowings	815	816	798	1,157	1,191
Other Liabilities	404	182	564	218	225
Total Liability	1,959	1,933	2,297	2,376	2,458
Unitholders' capital	2,129	2,574	2,600	2,600	2,600
Other Equity	1,170	849	730	739	746
Total Equity	3,299	3,423	3,330	3,339	3,346
Equity + Liability	**5,259**	**5,356**	**5,627**	**5,715**	**5,804**

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
Cash flows from operating activities					
Net income before taxation	285	204	218	229	285
Net cash from operating activities	238	280	311	322	238
Cash flows from investing activities					
Acquisition of investment properties	-39	-45	-44	-44	-39
Net cash used in investing activities	-41	-49	-69	-70	-41
Cash flows from financing activities					
Net cash from/(used in) financing activities	-246	-178	-194	-204	-246
Net increase/(decrease) in cash and cash equivalents	-49	52	48	48	-49
Cash and cash equivalent at 1 January	101	52	105	153	101
Cash and cash equivalent at 1 December	52	105	153	201	52

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
PBT margin	111.6%	100.7%	88.9%	89.2%	89.6%
Core net income margin	50.2%	50.8%	56.2%	56.6%	58.2%
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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MBSB INVESTMENT BANK (formerly known MIDF 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