Corporate Update

Axis REIT

(5106 | AXRB MK) Main | REIT

3 Stars

FTSE4Good

SHARIAH Compliant

Maintain **BUY**

Revised Target Price **RM2.18**
(from RM2.17)

2QFY26 Results Review
Earnings Poised for Recovery

1HFY26 earnings within our expectation. Axis REIT 1HFY26 core net income of RM96.9m came in within our expectation but slightly below consensus expectation, making up 47% and 44% of our and consensus full year estimates respectively. Axis REIT announced distribution per unit (DPU) of 2.3sen for 2QFY26, bringing total DPU to 4.8sen in 1HFY26.

Lower rental income. On a sequential basis, 2QFY26 core net income was lower at RM47m (-6%qoq) on the back of lower topline (-1.9%qoq). The lower earnings were mainly attributable to the lower rental income following expiry of one tenancy at Axis Shah Alam Distribution Centre 3 which led to the occupancy rate falling to 49% in 2QFY26. Nevertheless, new tenant has been secured, and occupancy rate of the asset is expected to improve to 71% by 3QFY26 and 100% by January 2027. Meanwhile, rental suspension for Wisma Kemajuan following fire incident in February 2026 has also weighed on earnings. Besides, the lower earnings were also due to higher property expenses (+13%qoq).

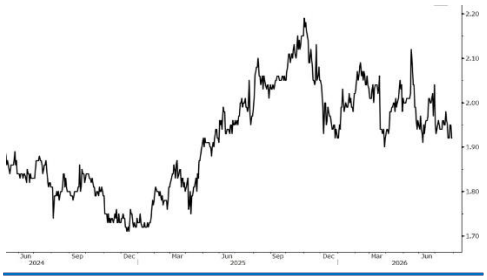
Earnings poised for recovery. On a year-on-year basis, 2QFY26 core net income was lower at RM47m (-6.9%yoy), bringing 1HFY26 core net income lower at RM96.9m (-4.1%yoy). The lower earnings were mainly due to lower rental from Axis Shah Alam Distribution Centre 3 and Wisma Kemajuan. The earnings decline was further weighed by higher property expenditure (+8%yoy) and higher administrative expenses (+72.8%yoy). Looking forward, we expect earnings to recover in 2HFY26 mainly due to higher rental income expected from Axis Shah Alam Distribution Centre 3. Besides, insurance claims for Wisma Kemajuan should also recover the rental income.

Healthy industrial assets portfolio. Portfolio occupancy rate of Axis REIT remains stable at 93% in 2QFY26 against 94% in 1QFY26. Notably, occupancy rate of Bukit Raja Distribution Centre improved to 58% in 2QFY26 from 16% in 1QFY26. Occupancy rate of the asset is expected to improve further to 77% by 3QFY26 and 91% by January 2027. Overall, portfolio occupancy rate of Axis REIT is expected to improve to 95%-96% by end of FY26. Meanwhile, Axis REIT is actively expanding its industrial assets portfolio with total estimated value of acquisition targets of RM215m.

Asset acquisition in Kedah. Axis REIT announced that it has entered into a sale and purchase agreement for the acquisition of a freehold industrial complex in Padang Meha, Kedah for RM113m which is in line its market value. The property has NLA of 340k sq ft and it is fully tenanted by WH Union Development Sdn. Bhd. The acquisition is expected to be completed in 1QFY27. We see the acquisition to be yield accretive with gross acquisition yield of 6.6% while financing cost is at ~4%. We estimate gearing of Axis REIT to increase to 0.35x post-acquisition from 0.33x in 2QFY26.

RETURN STATISTICS	
Price @ 30 July 2026 (RM)	1.94
Expected share price return (%)	+12.4
Expected dividend yield (%)	+5.3
Expected total return (%)	+17.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.9	-8.8
3months	-5.9	-4.2
12 months	-2.5	-13.4

INVESTMENT STATISTICS

FYE Dec	2026F	2027F	2028F
Revenue	373	396	409
Operating Profit	331	354	365
PBT	332	356	367
Core Net Income	206	223	234
Core EPU (sen)	10.19	11.03	11.58
Gross DPU (sen)	10.2	10.7	11.3
Dividend Yield	5.3%	5.5%	5.9%

KEY STATISTICS

FBM KLCI	1,720.4
Issue shares (m)	2024.9
Estimated free float (%)	77.44
Market Capitalisation (RM'm)	3,928
52-wk price range	RM1.8 – RM2.24
3-mth average daily volume (m)	1.84
3-mth average daily value (RM'm)	3.63
Top Shareholders (%)	
EPF	22.24
KWAP	7.48
Lembaga Tabung Haji	6.19

Analyst

Jessica Low Jze Tieng
jessica.lowjt@mbsb.com
03-2173 8391

Maintain BUY with a revised TP of RM2.18. We make no changes to our earnings forecast for FY26 but revising FY27/28 earnings forecast by +1.3% to factor in the earnings contribution from latest asset acquisition in Kedah. Correspondingly, our **TP** for Axis REIT is revised to **RM2.18** from RM2.17, based on dividend discount model. Earnings outlook for Axis REIT is expected to remain stable over the near to medium term, driven by positive rental reversions and the continued expansion of its industrial asset portfolio. Meanwhile, gross distribution yield is attractive at 5.3%. Hence, we maintain our **BUY** call on Axis REIT.

Axis REIT: 2QFY26 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY26	%YoY	%QoQ	FY26	%YoY
Gross Revenue	88.8	-1.6%	-1.9%	179.4	-0.43%
Net Investment Income	74.7	-0.5%	-8.5%	156.3	2.98%
Net Income	46.3	-1.4%	-13.0%	99.5	3.56%
Core Net Income (CNI)	47.0	-6.9%	-6.0%	96.9	-4.09%
Realised EPU (sen)	2.3	-1.6%	-13.0%	4.9	3.35%
Core EPU (sen)	2.3	-7.1%	-6.0%	4.8	-4.28%
Gross DPU (sen)	2.3	-13.2%	-8.0%	4.8	-6.80%

Source: Company, MBSB Research

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	320	364	373	396	409
Operating Profit	322	396	331	354	365
PBT	322	396	332	356	367
Net Income	214	272	213	231	240
Core Net Income	163	202	206	223	234
Core EPU (sen)	8.1	10.0	10.2	11.0	11.6
Core PER (x)	24.0	19.5	19.0	17.6	16.8
NAV/unit (RM)	1.64	1.69	1.65	1.65	1.66
P/NAV (x)	1.18	1.15	1.18	1.17	1.17

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	100.7%	108.8%	89.2%	89.8%	89.7%
Core net income margin	50.8%	55.4%	55.3%	56.2%	57.3%
ROE	5.3%	6.0%	6.1%	6.7%	7.0%
ROA	3.3%	3.3%	3.8%	3.8%	3.9%

MBSB RESEARCH is part of MBSB Investment Bank Berhad 197501002077 (24878-X)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

MBSB 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