



Axis REIT (AXRB MK) : HOLD

Mkt. Cap: US\$495m | **3m Avg. Daily Val:** US\$0.29m

Last Traded Price (22 Jan 2019): RM1.66

Price Target 12-mth: RM1.57 (5% downside) (Prev RM1.57)

Analyst

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Solid industrial player

- 4Q18 earnings beat expectations
- Newly acquired assets and Upeca lease increased earnings
- Maintain HOLD with TP of RM1.57

Forecasts and Valuation

FY Dec (RMm)	2018A	2019F	2020F	2021F
Gross Revenue	211	221	227	234
Net Property Inc	183	188	192	197
Total Return	155	125	128	133
Distribution Inc	114	128	131	136
EPU (sen)	12.5	9.29	9.49	9.86
EPU Gth (%)	26	(26)	2	4
DPU (sen)	8.66	9.45	9.66	10.0
DPU Gth (%)	5	9	2	4
NAV per shr (sen)	134	137	136	136
PE (X)	13.3	17.9	17.5	16.8
Distribution Yield (%)	5.2	5.7	5.8	6.0
P/NAV (x)	1.2	1.2	1.2	1.2
Aggregate Leverage (%)	37.3	35.6	36.1	36.2
ROAE (%)	9.5	7.1	7.0	7.3

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P

What's New

4Q18 beat expectations. Axis REIT's (AXRB) 4QFY18 realised earnings came in at RM36.1m (+61% y-o-y). This brings FY18 earnings to RM113.5m (+23% y-o-y), above our and consensus expectations. This is due to the earlier than expected completion of the Senawang Industrial Facility acquisition during the quarter.

A DPU of 2.45 sen was announced for 4Q18, which implies a distribution payout of 99.8%. This brings full year DPU of 8.66 sen for FY18 (+5% y-o-y).

The increase in rental income of RM62.1m (+43% y-o-y) was mainly due to the contribution from the newly acquired properties (Beyonics i-Park Campus Block E, Indahapura Facility, Senawang Industrial Facility), as well as the commencement of lease by Nestle at the Axis Mega DC from June 2018 onwards and contribution from the lease by Upeca Aerotech which kicked in from 16 Dec 2018.

Property expenses came in higher at RM7.0m (+5% y-o-y), however net property income (NPI) margins improved to 88.8% in 4Q18 vs 84.7% in 4Q17.

Outlook

Major asset enhancement. For Phase 2 of Axis Mega DC, AXRB is still in talks with a few parties to commit to the next build-to-suit development. We believe this will contribute positively to AXRB's future earnings as there is demand for logistics and warehousing facilities.

Plans to grow asset base. AXRB has a number of ongoing asset acquisitions at a total estimated value of RM160m. This includes a manufacturing facility in Bayan Lepas (RM20.5m).



Flash Note

Valuation

We maintain our DDM-derived TP at RM1.57. In deriving our TP, we factor in 7.5% cost of equity and 1.3% terminal growth rate. We maintain our HOLD call.

Quarterly Income Statement (RMm)

FY Dec	4Q2017	3Q2018	4Q2018	% chg yoy	% chg qoq
Gross revenue	43.3	54.1	62.1	43.4	14.8
Property expenses	(6.6)	(6.8)	(7.0)	5.2	2.3
Net Property Income	36.7	47.3	55.1	50.3	16.6
Other Operating expenses	(6.4)	(6.6)	(12.5)	95.5	89.2
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	N/A	N/A
Net Interest (Exp)/Inc	(7.7)	(11.1)	(11.0)	(43.7)	1.0
Exceptional Gain/(Loss)	21.5	0.47	35.4	N/A	N/A
Net Income	44.1	30.0	67.0	51.9	123.6
Tax	0.0	0.0	0.0	N/A	N/A
Minority Interest	0.0	0.0	0.0	N/A	N/A
Net Income after Tax	44.1	30.0	67.0	51.9	123.6
Total Return	22.5	29.5	36.1	60.7	22.3
Non-tax deductible Items	0.0	0.0	0.0	nm	nm
Net Inc available for Dist.	22.5	29.5	36.1	60.7	22.3
Ratio (%)					
Net Prop Inc Margin	84.7	87.4	88.8		
Dist. Payout Ratio	99.9	99.2	99.8		

Source of all data: Company, AllianceDBS

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	24 Jan 18	1.42	1.52	HOLD
2:	24 Apr 18	1.38	1.52	HOLD
3:	26 Apr 18	1.38	1.52	HOLD
4:	07 Aug 18	1.50	1.55	HOLD
5:	08 Aug 18	1.51	1.57	HOLD
6:	23 Oct 18	1.51	1.57	HOLD
7:	24 Oct 18	1.51	1.57	HOLD

Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: Siti Ruzanna Mohd Faruk

DISCLOSURE

Stock rating definitions

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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