

Axis REIT's FY09 meets expectations

Axis REIT (Jan 21, RM1.93) **Reiterate buy at RM1.92, fair value** **at RM2.28:**

Axis REIT's FY09 realised net income (RNI) of RM42.9 million came within expectations, being only ahead of market's RM42.4 million by 1% and 3% of our RM41.7 million.

Axis REIT enjoyed RM19.1 million revaluation gains even during tough economic conditions — a testament of its ability to enhance its asset's values via con-

tinuous capex and rigorous maintenance.

FY09 RNI achieved 11% year-on-year growth on the back of full contributions from assets acquired in FY08 and Axis Steel Center, which was acquired in mid-FY09. 4Q09 RNI swelled 13% quarter-on-quarter to RM11.6 million due to positive rental reversions.

The company is paying 4.98 sen final gross dividend per unit (GDPU) for FY09. The high 4Q09 GDPU is

expected given "partial" 3Q09 payouts with regard to timing of new placements.

Hence, FY09 GDPU is 15.8 sen or 8.2% yield (FY08: 12.6 sen; 6.5% yield). FY09 GDPU also represents 99% income distribution, in line with management's guidance.

There is a temporary gap of between 8.2% FY09 dividend yield versus its estimated annualised 11% average rental yield until new yield enhancing assets are acquired. We

expect Axis to place out another 68.8 million new units to pare down its gearing of 34% in preparation of acquisition.

Currently, there is RM326 million worth of pipeline properties to be injected into Axis REIT. The current price of RM1.93 is ripe for placement as it is above its net asset value/share of RM1.79.

We maintain FY10-FY11E RNI of RM48.6 million-RM54.9 million. Based on a 99% payout, we

expect 8.3%-9.3% dividend yield for FY10-FY11E.

We are reiterating buy with RM2.28 fair value, based on the Gordon growth model valuations (9.3% required rate of return, 3.0% terminal growth) applied on our FY2010E net dividend per unit of 14.4sen. Axis REIT has been trading at 20%-40% premium to its peer's price-to-book value, and is currently trading at 1.1 times PBV versus its peer's 0.9 times. — *Kenanga Research, Jan 21*