

► **AXIS REIT**

	2008	2009	2010F	2011F
REVENUE (RM mil)	63.3	71.9	83.8	88.2
NET PROFIT (RM mil)	63.4	62.0	49.8	52.1
EPS (sen)	24.8	20.2	16.2	17.0
ROE (%)	16.2	12.3	8.9	9.3

Axis proposes to acquire property in Penang & Klang

► **Recommendation:**
Neutral

Target Price RM1.91

By OSK Research (Jan 21)

AXIS REIT's FY09 core earnings were within our expectation and market estimates. FY09 turnover and realised income, as expected, improved by 13.3% and 10% y-o-y respectively. The 4Q09 dividend of 3.74 sen (FY09: 15.8sen) was also within expectation. Axis REIT's appetite for yield-accretive property acquisitions is relentless.

Taking into account the two proposed acquisitions of properties worth RM96 million announced in Nov 2009, we are increasing our FY10 earnings projection by 17%.

The target price upgraded to RM1.91 with a 'Neutral' call.

FY09 Core Earnings In Line

Stripping out the property revaluation surplus amounting to RM19.1 million, Axis REIT's FY09 earnings were within our expectation. As expected, FY09 turnover and core realised income improved by 13.3% and 10% y-o-y respectively on the back of earnings contribution from the five high-yielding new properties acquired in 2008 and some earnings contribution from the Axis Steel Centre since Oct 2009. The cumulative FY09 DPU of 15.8 sen was also in line with our expectation.

FY10 Earnings Forecast Raised

In Nov 2009, Axis REIT made two proposals to acquire new yield-accretive properties in Seberang Prai (Penang) and Bukit Raja (Klang) for RM96 million, which are due to be completed in 1H10. Taking these properties into account in our forecast, we are upping our FY10 earnings by 17%.

Target price higher but maintain 'Neutral'. Given the better sentiment on M-REITs of late, M-REITs are currently trading on a forecast average dividend yield of 8.5%, a further improvement from about 9% in 2H09, which is an average level that we are still comfortable with at this juncture.