

30 May 2018 | 1QFY18 Results Review

Malaysia Airports Holdings

Strong 1Q due to higher traffic

INVESTMENT HIGHLIGHTS

- MAHB recorded RM158.0m core PATAMI for 1QFY18
- Stark improvement from last year
- Driven by international sector
- Maintain BUY with an adjusted TP of RM9.88

Above expectation. MAHB's 1QFY18 net earnings came in above expectations even after excluding one-off gains at RM158.0m. It accounted for 38.3% and 41.4% of ours and consensus' expectations respectively. Higher than expected contribution from international sector was the main reason for the better than expected results.

Higher international traffic growth. 1QFY18 revenue rose +8.8%yoy (without ICI2), comparable to the +6.6%yoy weighted-average growth of passengers' traffic in both Malaysia and Turkey. Overall international traffic grew +11.8%yoy, showing robust demand of the particular segment. This was largely contributed by visa relaxation measures for Chinese and Indian tourists, Umrah traffic and increased tourism promotion. The stark improvement of international traffic had positive implications on PSC, retail and rental revenue which together constitutes 74.4% of 1QFY18 total revenue:-

- 1) The Passenger Service Charge (PSC) rate for international traffic is considerably higher compared to domestic traffic; hence a higher ratio of international traffic drove PSC revenue up +10.5%yoy for the Group.
- 2) International passengers have a higher average retail spend; spurring an increase in retail revenue by +6.1%yoy. In comparison to last year, retail segment's growth was notably slower. This was partly due to higher price adjustments at MAHB's retail stores.
- 3) Higher retail revenue led to positive rental reversion rates with rental revenue per m² rising +8.6%yoy from RM2.9k to RM3.1k which led to a +5.1%yoy increase in rental revenue.

Slight tick-up in overall expenses. Despite stark improvement in revenue, overall direct expenses only increased marginally by +2.4%yoy, as a result of cost savings from direct labour and direct overheads. Operationally, staff cost was the highest with +11.5%yoy growth from the same period last year. However, this was already expected with average 4-6% yearly salary increment and higher headcounts.

Maintain BUY

Adjusted Target Price (TP): RM9.88


From (RM9.80)

RETURN STATS

Price (28 May 2018)	RM8.46
Target Price	RM9.88
Expected Share Price Return	+16.8%
Expected Dividend Yield	+1.5%
Expected Total Return	+18.28%

STOCK INFO

KLCI	1,775.84
Bursa / Bloomberg	5014 / MAHB MK
Board / Sector	Main / Trading Services
Syariah Compliant	No
Issued shares (mil)	1,659.2
Par Value (RM)	1.00
Market cap. (RM'm)	14,036.8
Price over NTA	1.87x
52-wk price Range	RM7.86– RM9.45
Beta (against KLCI)	1.13x
3-mth Avg Daily Vol	2.86m
3-mth Avg Daily Value	RM25.23m
Major Shareholders (%)	
Khazanah	33.2%
EPF	10.1%
JP Morgan	2.0%

Maintain BUY with adjusted TP of RM9.88 (from RM9.80) based on our DCF assuming WACC of 7.8% and Beta of 1.1. We are adjusting upward our TP as we take into account the higher than expected contribution from international sector. Consequently, this will have a positive effect on retail and rental revenue as well. Hence, our EBITDA is raised by +13.0% for FY18. We continue like MAHB stemming from the positives which include 1) the expansion of international passengers traffic in Malaysia and 2) capacity expansion and entries of foreign airlines, catering to long-term structural demand of air travel. Hence, we maintain our **BUY** call. 

INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Revenue* (RM' mn)	3,870.2	4,172.8	4,594.4	5,034.2	5,411.4
EBITDA (RM'mn)	1,679.1	1,709.9	1,910.9	2,270.0	2,381.0
EBIT (RM'mn)	777.5	857.4	1,030.0	1,095.6	1,116.4
Pretax Profit (RM' mn)	41.8	183.3	334.5	834.1	900.1
Net Profit (RM' mn)	45.2	73.1	236.5	512.8	594.7
Core Earnings* (RM'm)	(11.5)	77.5	236.5	512.8	594.7
EPS (sen)	(0.7)	4.7	14.3	30.9	35.8
EPS growth (%)	(102.2)	775.7	205.0	116.8	16.0
PER (x)	N/A	181.0	59.4	27.4	23.6
Net Dividend (sen)	8.5	10.0	13.0	13.0	13.0
Net Dividend Yield (%)	1.0	1.2	1.5	1.5	1.5

* Excluding the effect of IC12

Source: Company, MIDFR

DAILY PRICE CHART



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Source: Bloomberg, MIDFR

1QFY18 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
FYE Dec	1Q18	1Q17	4Q17	YoY	QoQ	3M18	3M17	YoY
Revenue	1,215.8	1,093.6	1,246.8	11.2%	-2.5%	1,215.8	1,093.6	11.2%
Revenue (without IC12)	1,190.0	1,093.6	1,246.8	8.8%	-4.6%	1,190.0	1,093.6	8.8%
Operating expense	(663.9)	(648.5)	(830.4)	2.4%	-20.1%	(663.9)	(648.5)	2.4%
EBITDA	867.9	500.5	432.4	73.4%	100.7%	867.9	500.5	73.4%
Depreciation & Amort.	(218.0)	(227.9)	(192.8)	-4.3%	13.1%	(218.0)	(227.9)	-4.3%
EBIT	649.9	272.6	239.7	138.4%	171.2%	649.9	272.6	138.4%
Finance cost	(179.7)	(174.5)	(193.4)	3.0%	-7.1%	(179.7)	(174.5)	3.0%
Assoc & JV	2.5	4.8	5.2	-47.9%	-52.4%	2.5	4.8	-47.9%
PBT	472.7	102.9	51.5	359.4%	817.3%	472.7	102.9	359.4%
PATAMI	444.6	65.3	27.9	581.0%	1495.9%	444.6	65.3	581.0%
Core PATAMI	158.0	65.3	27.9	142.0%	466.3%	158.0	65.3	142.0%

Source: Company, MIDFR

MAHB: BREAKDOWN IN REVENUE AND EXPENSES

FYE Dec	Quarterly Results					Cumulative		
RM'm	1Q18	1Q17	4Q17	YoY	QoQ	3M18	3M17	YoY
Aeronautical revenue	588.4	526.8	580.8	11.7%	1.3%	588.4	526.8	11.7%
-PSC & PSSC	408.9	370.1	420.8	10.5%	-2.8%	408.9	370.1	10.5%
-Landing & Parking	91.5	85.5	99.9	7.0%	-8.4%	91.5	85.5	7.0%
-MARCS	46.6	42.6	42.1	9.4%	10.6%	46.6	42.6	9.4%
-Airlines incentives	0.0	(17.8)	(23.8)	-100.0%	-100.0%	0.0	(17.8)	-100.0%
-Others	41.5	37.2	41.9	11.6%	-1.0%	41.5	37.2	11.6%
Non-aeronautical rev	528.9	491.8	531.1	7.5%	-0.4%	528.9	491.8	7.5%
-Retail	217.1	204.7	230.2	6.1%	-5.7%	217.1	204.7	6.1%
-Rental	259.7	247.0	262.1	5.1%	-0.9%	259.7	247.0	5.1%
-Others	52.1	40.1	38.7	29.9%	34.8%	52.1	40.1	29.9%
Non-airport Operations	72.7	75.0	77.0	-3.1%	-5.6%	72.7	75.0	-3.1%
Hotel	26.1	25.0	24.7	4.4%	5.7%	26.1	25.0	4.4%
Agri	7.8	10.5	10.2	-25.7%	-23.5%	7.8	10.5	-25.7%
Project & repair n maintenance	38.9	39.5	39.7	-1.5%	-2.0%	38.9	39.5	-1.5%
Expenses breakdown:	(664.0)	(651.2)	(838.9)	2.0%	-20.8%	(664.0)	(651.2)	2.0%
Direct Costs	(185.5)	(184.7)	(224.1)	0.4%	-17.2%	(185.5)	(184.7)	0.4%
Direct materials	(118.6)	(116.2)	(133.4)	2.1%	-11.1%	(118.6)	(116.2)	2.1%
Direct labour	(37.2)	(38.1)	(45.6)	-2.4%	-18.4%	(37.2)	(38.1)	-2.4%
Direct overheads	(29.7)	(30.4)	(45.1)	-2.3%	-34.1%	(29.7)	(30.4)	-2.3%
Operating Costs	(478.5)	(466.5)	(614.8)	2.6%	-22.2%	(478.5)	(466.5)	2.6%
Staff costs	(162.3)	(145.5)	(221.1)	11.5%	-26.6%	(162.3)	(145.5)	11.5%
Utilities & comm.	(86.0)	(82.4)	(81.3)	4.4%	5.8%	(86.0)	(82.4)	4.4%
Maintenance	(74.7)	(78.9)	(103.5)	-5.3%	-27.8%	(74.7)	(78.9)	-5.3%
User free	(105.9)	(94.3)	(104.9)	12.3%	1.0%	(105.9)	(94.3)	12.3%
Others	(49.6)	(65.4)	(104.0)	-24.2%	-52.3%	(49.6)	(65.4)	-24.2%

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
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	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

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.