

12 September 2017 | Corporate Update

Malaysia Airports Holdings Berhad

August traffic driven by SEA Games

Maintain BUY

Unchanged Target Price (TP): RM9.98

INVESTMENT HIGHLIGHTS

- Pax growth in August 2017 driven by SEA Games
- Growth led by international segment due to visa relaxation
- Domestic pax growth slowed due to airline capacity cuts
- ISG registered its 6th consecutive month of growth
- Maintain BUY with TP of RM9.98

August passenger traffic at Malaysian airports grew +9.3%yoy to 8.3m pax. Growth was underpinned by the Hajj travel season, the SEA Games KL 2017, visa relaxation for India and China as well as robust airline capacity expansion. Year-to-date, Malaysian airports recorded 63.5m pax, an increase of +10.2%yoy, above our 7.5%yoy pax growth forecast for FY17. We expect growth to taper in Sep-Dec due to the higher base in Sep-Dec 2016.

Domestic pax growth hurt by capacity cuts. Growth in international pax of +16.4%yoy continued to outpace domestic pax growth of +2.9%yoy. The weak domestic pax growth could have been partly due to a reduction in capacity by MAB, Firefly and Malindo, the former removed 6 domestic routes while the latter suspended 3 routes and reduced capacity on a further 13 routes.


The capacity cuts were reflected in the statistics with domestic pax falling sharply at KLIA MTB at -21.5%yoy. Absorbing the capacity cuts of its rivals, AirAsia raised its domestic capacity, seen in KLIA2 domestic pax growth of +24.2%yoy.

Asean and non-Asean growth unhindered. Both Asean and non-Asean pax continued to grow at a balanced rate, registering growth of +16%yoy and +19%yoy respectively. Asean growth was partly contributed by the SEA Games held in KL whereas non-Asean growth was contributed by visa relaxation and capacity expansion by foreign carriers.

ISG registered growth for the 6th consecutive month. Pax traffic grew +3.7%yoy contributed by the international segment which grew +10.2%yoy due to the peak summer travel period. In contrast, the domestic segment was flat, at +0.4%yoy due to carrier capacity reductions.

RETURN STATS	
Price (12 Sep 2017)	RM9.00
Target Price	RM9.98
Expected Share Price Return	+10.8%
Expected Dividend Yield	+1.3%
Expected Total Return	+12.1%

STOCK INFO	
KLCI	1782.74
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)	14,468.15
Price over NA	1.87
52-wk price Range	RM5.91 - RM9.45
Beta (against KLCI)	1.41
3-mth Avg Daily Vol	4.16m
3-mth Avg Daily Value	RM36.1m
Major Shareholders	
Khazanah	36.71%
EPF	10.22%
PNB	2.23%

Maintain BUY with TP of RM9.98 based on our DCF model assuming WACC of 7.8% and Beta of 1.1. We like MAHB as a proxy to Malaysia's resilient inbound/outbound travel industry, as the largest airport operator in Malaysia. MAHB received an extension of its operating agreement (OA) which will last until 2069, providing clarity to investors on its longer term prospects as an airport concessionaire. Meanwhile, the company has imposed onto itself a 1-year timeframe for negotiations with the Government on the terms and conditions for its OA extension. Items of interest to us include the rate of user fee it pays to the Government and source of funding for capital expenditure, of which favourable negotiations could prompt upward revisions to forecasts. 

INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17F	FY18F	FY19F
Revenue* (RM' mn)	3,870.2	4,172.8	4,500.7	4,753.1	4,919.5
EBITDA (RM'mn)	1,679.1	1,709.9	1,520.3	1,682.2	1,726.9
EBIT (RM'mn)	777.5	857.4	694.3	883.1	918.3
Pretax Profit (RM' mn)	41.8	183.3	504.3	693.1	728.3
Net Profit (RM' mn)	45.2	73.1	334.3	533.1	568.3
Core Earnings* (RM'm)	(11.5)	77.5	334.3	533.1	568.3
EPS (sen)	(0.7)	4.7	5.5	8.8	34.3
EPS growth (%)	(102.2)	775.7	18.2	58.8	290.5
PER (x)	N/A	192.6	162.9	102.6	26.3
Net Dividend (sen)	8.5	10.0	12.0	12.0	13.0
Net Dividend Yield (%)	0.9	1.1	1.3	1.3	1.4

Source: Company, MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

Figure 1: Monthly pax at Malaysian Airports

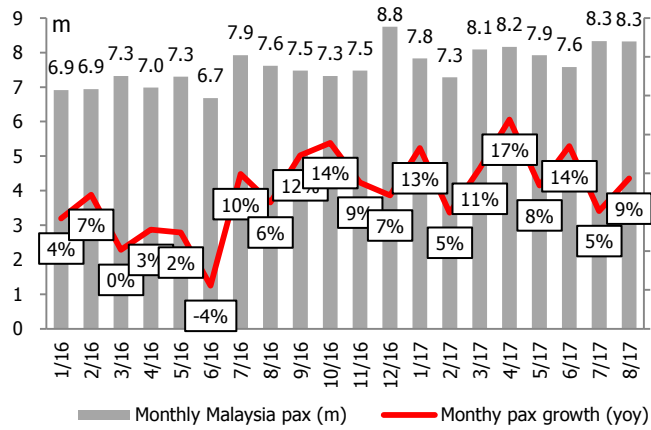
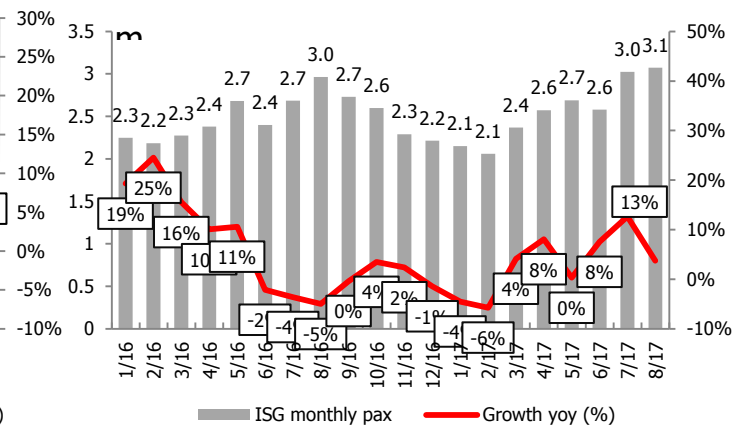


Figure 2: Monthly pax at Istanbul Sabiha Gokcen



Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.