

08 June 2018 | Visit Note

Malaysia Airports Holdings

Enhancing its intrinsic value at MPO

Maintain BUY

Unchanged Target Price (TP): RM9.88

INVESTMENT HIGHLIGHTS

- **Organized corporate visit to Mitsui Outlet Park ("MPO")**
- **The retail space is partly owned by MAHB**
- **Occupancy rate is at its highest**
- **Value chain enhancement for MAHB**
- **Maintain BUY with an unchanged TP of RM9.88**

We visited Mitsui Outlet Park recently, on 6th June 2018, meeting the management of both Mitsui and MAHB. We wanted to learn more about the non-aeronautical side of MAHB's business and its prospect moving forward. This time around, the focus was on the development of outlet malls in Malaysia and we believe MAHB's venture into this category could be of another enhancement to its long-term strategic plan of becoming an airport city. Notably, this outlet mall visit to Mitsui Outlet Park was subsequent to our visit at Genting Premium Outlet where we did a report entitled; "[Steady Outlook For Outlet Malls in Malaysia](#)"

Mitsui Outlet Park is a project under MFMA Development Sdn. Bhd. It is a JV where MAHB owns 30% and is responsible for the construction of the outlet store buildings and management of lease tenants. The other shareholder is Mitsui Fudosan Co. Ltd. which owns 70%. It is located 6km from KL International airport, which is about eight minutes away. The development of Mitsui Outlet Park was carried out in three phases. Upon completion, total site area will be around 178,900 sqm and retail space of 44,000 sqm (473,612 sqf). In terms of retail space, it will be +18.4% bigger in comparison to its nearest competitor and the current biggest outlet malls, Genting Premium Outlet. According to the plan, Mitsui Outlet Park is expected to offer 250 lettable outlet shops by 2021. According to the management, average rental rate stood at RM19/sqf.

Occupancy Rate now at its high. Currently, overall occupancy rate stands at 97% and expected to ease to 95% following the completion of overall development. Tenant mix comprises of luxury, international and local brands in fashion, cosmetics, sports and accessories. More offerings will include for entertainment and amusement. The management mentioned that average footfalls on weekdays/day stood at seven thousands, which will double on weekends and major public holidays. As far as promotional campaign is concerned, shops on average will offer 50% discount from original price on weekdays, and could go up to 90% on major public holidays.

RETURN STATS	
Price (7 June 2018)	RM8.76
Target Price	RM9.88
Expected Share Price Return	+12.8%
Expected Dividend Yield	+1.5%
Expected Total Return	+14.3%

STOCK INFO	
KLCI	1,785.81
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)	14,534.5
Price over NTA	1.87x
52-wk price Range	RM7.86– RM9.45
Beta (against KLCI)	1.03x
3-mth Avg Daily Vol (m)	2.89
3-mth Avg Daily Value (RM'm)	25.41
Major Shareholders (%)	
Khazanah	33.2%
EPF	10.4%
JP Morgan	2.0%

Services and facilities catered for tourist visitors. Given Mitsui's long experience of operating outlet malls, the management remains effective in providing modern facilities to visitors as well as tenants. Its primary facilities are anchored by its objective to draw the passenger traffic flow in airports (Main Terminal and KLIA2) to MOP. This include free shuttle busses every twenty minutes, flight information display systems around the mall, flight check-in center and free baggage storage services. We opine these offerings add convenience for airport shopping visitors. We opine that MOP's location is its unique competitive advantage in comparison to other outlet malls in Malaysia.

Breakdown of outlet visitors. The biggest portion of 65% comprises local visitors, while the remaining is foreign. On average, spending/ visitors are around RM300-RM500/visit. Moving forward, management of Mitsui is targeting to expand the percentage of the foreign visitors to 40%. We believe this is possible given the growing trend of visitors from China, attributable to Malaysia visa relaxation programme. It is also important to note that Chinese tourists are ranked as the top biggest spender among tourists in Malaysia, with Taiwanese at second place. While the amount spent per customer is not disclosed, we believe that the arrival of foreign tourists is expected to stimulate more demand for outlet products.

Following MAHB's venture into outlet malls with Mitsui, we noted that the revenue collection from rental is minimal, about RM3.0m from a lease collection. While the impact financially is minimal, we believe it enhances the long-term prospect of MAHB. In our opinion, this development will bode well with the overall objective of MAHB's Runway to Success initiatives which is to build KLIA as a tourist destination itself. Following its strategic plan of mix development around the vicinity, this will enable MAHB to offer a more comprehensive airport experience to both domestic and international passengers.

Maintain BUY for MAHB. Mix development around the land area of Malaysia airports will complement its extended function of becoming an airport city. Subsequently, we believe the company is moving in the right direction to provide more functions towards travellers as well as locals who are seeking for convenience. All in, our optimism on MAHB's prospect still remains. In short term, we believe the catalyst for MAHB is the robust passenger travels. Hence, we maintain our **BUY** call on the company with **TP** of **RM9.88**. 

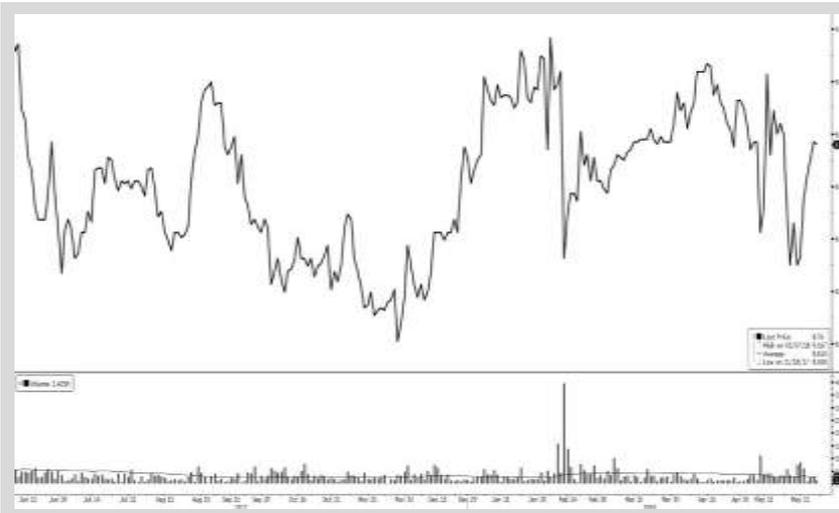
INVESTMENT STATISTICS

FYE Dec	FY14	FY15	FY16	FY17	FY18F	FY19F
Revenue* (RM' mn)	2,681.3	3,870.2	4,172.8	4,594.4	5,034.2	5,411.4
EBITDA (RM'mn)	861.4	1,679.1	1,709.9	1,910.9	2,270.0	2,381.0
EBIT (RM'mn)	1,291.6	777.5	857.4	1,030.0	1,095.6	1,116.4
Pretax Profit (RM' mn)	834.2	41.8	183.3	334.5	834.1	900.1
Net Profit (RM' mn)	748.2	45.2	73.1	236.5	512.8	594.7
Core Earnings* (RM'm)	67.5	(11.5)	77.5	236.5	512.8	594.7
EPS (sen)	30.8	(0.7)	4.7	14.3	30.9	35.8
EPS growth (%)	(7.4)	(102.2)	775.7	205.0	116.8	16.0
PER (x)	28.5	N/A	188.1	61.7	28.4	24.5
Net Dividend (sen)	14.0	8.5	10.0	13.0	13.0	13.0
Net Dividend Yield (%)	1.6	1.0	1.1	1.5	1.5	1.5

* Excluding the effect of IC12

Source: Company, MIDFR

DAILY PRICE CHART



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Source: Bloomberg, MIDFR

APPENDIX

Exhibit 1: Flight Check-in Centre



Source: MIDFR

Exhibit 2: Shuttle Bus Facilities



Source: 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.