

15 May 2018 | Corporate Update

Malaysia Airports Holdings

Growth likely to pick up in subsequent months

Maintain BUY

Unchanged Target Price(TP): RM9.80

INVESTMENT HIGHLIGHTS

- **Total passenger movements for MAHB increased by +3.4% yoy in April**
- **Mostly driven by international passengers**
- **Tepid growth, but likely to pick up in the near term**
- **POSITIVE for MAHB with a BUY call of RM9.80**

PASSENGER TRAFFIC FOR AIRPORTS IN MALAYSIA: APR 2018

Passenger traffic slowing down in April. Passenger traffic growth in Malaysian airports slowed to +0.6%yoy in April, recording a total of 8.2m passengers. This was due to high base effect in the same period last year, where the overall traffic grew strongly by +17.1%yoy to 8.1m passengers. Despite this, we believe the April 2018 traffic will partly support 2QFY18's growth, as we expect the subsequent months to see more robust traffic passenger traffic.

International passengers came to rescue. The domestic front took a hit again in April, contracting by -3.9%yoy to 3.9m passengers. We attribute the decline to the total capacity cuts of -1.4%. Our optimism continues despite the drop, fuelled by the increase of international traffic at +5.5%yoy which more than offset the decline in domestic traffic. Moving forward, we expect the momentum to continue in subsequent month buoyed by key events in May and June, namely Ramadhan, Eid-fitr and worldwide summer holidays.

PASSENGER TRAFFIC FOR ISTANBUL SGIA: JANUARY 2018

Commendable growth in Istanbul. Including Istanbul's Sabiha Gokcen Airport (ISG), MAHB's total traffic growth climbed +3.4%yoy for the month of Apr 2018. ISG continued to see encouraging growth, expanding by double-digit at +12.3%. Notably, both international and domestic sectors grew at similar rate of circa +12.0%. Evidently, growth of passengers' traffic was fuelled by frequency and capacity addition in the airport, as reflected in the +7.6% of overall growth in aircraft movements. Similar to the traffic in Malaysia airports, we are expecting ISG' traffic growth in 2QFY18 to be stronger, benefiting from worldwide seasonal factors in the subsequent months of May and June.

RETURN STATS	
Price (14 May 2018)	RM8.50
Target Price	RM9.80
Expected Share Price Return	+15.3%
Expected Dividend Yield	+1.5%
Expected Total Return	+16.8%

STOCK INFO	
KLCI	1,850.42
Bursa / Bloomberg	5014 / MAHB MK
Board / Sector	Main/ Trading Services
Syariah Compliant	No
Issued shares (mil)	1,659.20
Market cap. (RM'm)	14,103.1
Price over NA	1.00
52-wk price Range	RM7.86- RM09.45
Beta (against KLCI)	1.04
3-mth Avg Daily Vol	3.8m
3-mth Avg Daily Value	RM33.4m
Major Shareholders	
Khazanah Nasional	33.21%
EPF	9.96%
Vanguard Group	1.99%

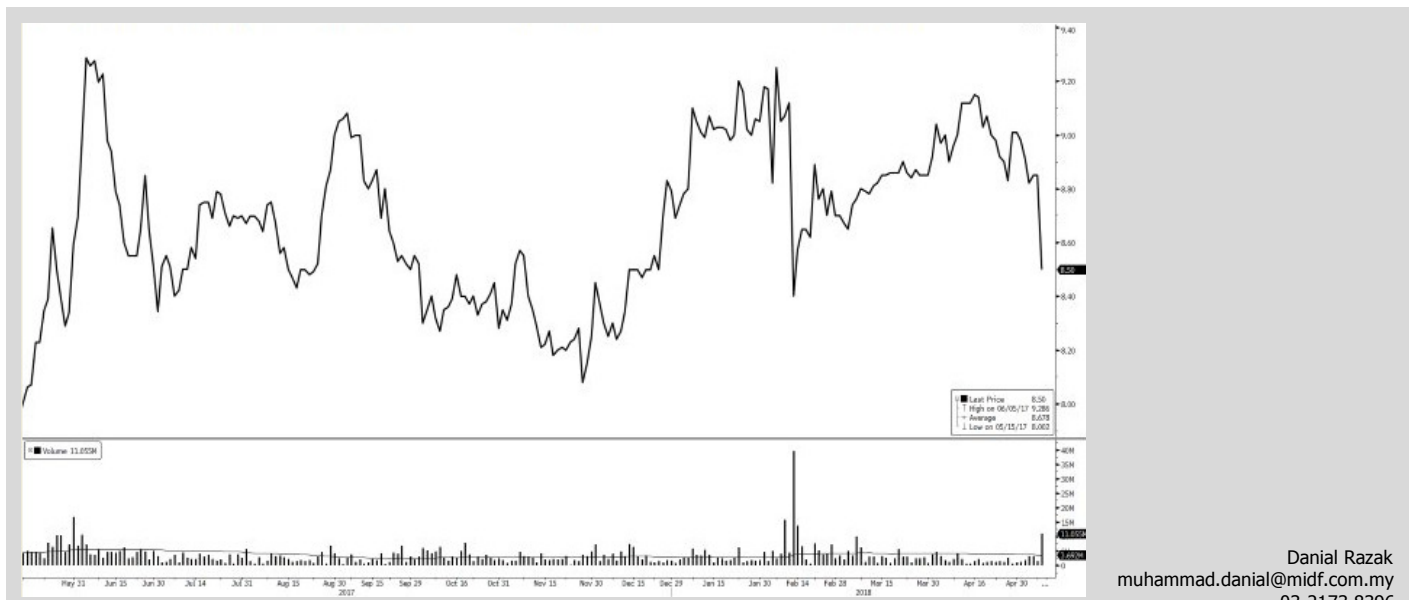
The rest of 2Q should be better. Given our optimism of 2Q's overall traffic performance, we are maintaining our **POSITIVE** stance on **MAHB**. Accordingly, we have a **BUY** call on the stock with unchanged **TP** of **RM9.80**. We expect the growth of passengers' traffic to remain in positive territory, driven by higher international passengers. Following the results of GE14 last week, our optimism on the tourism sector remains strong. Despite the surprised change in Government in Malaysia, we are comforted that the transition has been smooth throughout. This should be a positive signal for a stable economic and political environment moving forward, leaving the tourism sector to benefit.

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	2,008.8	2,310.1
EBIT (RM'mn)	1,291.6	777.5	857.4	1,030.0	935.3	1,005.4
Pretax Profit (RM' mn)	834.2	41.8	183.3	334.5	734.1	789.1
Net Profit (RM' mn)	748.2	45.2	73.1	236.5	412.8	483.7
Core Earnings* (RM'm)	67.5	(11.5)	77.5	236.5	412.8	483.7
EPS (sen)	30.8	(0.7)	4.7	14.3	24.9	29.2
EPS growth (%)	(7.4)	(102.2)	775.7	205.0	74.5	17.2
PER (x)	27.6	N/A	181.9	59.6	34.2	29.2
Net Dividend (sen)	14.0	8.5	10.0	13.0	13.0	13.0
Net Dividend Yield (%)	1.6	1.0	1.2	1.5	1.5	1.5

Source: Bloomberg, MIDFR

DAILY PRICE CHART

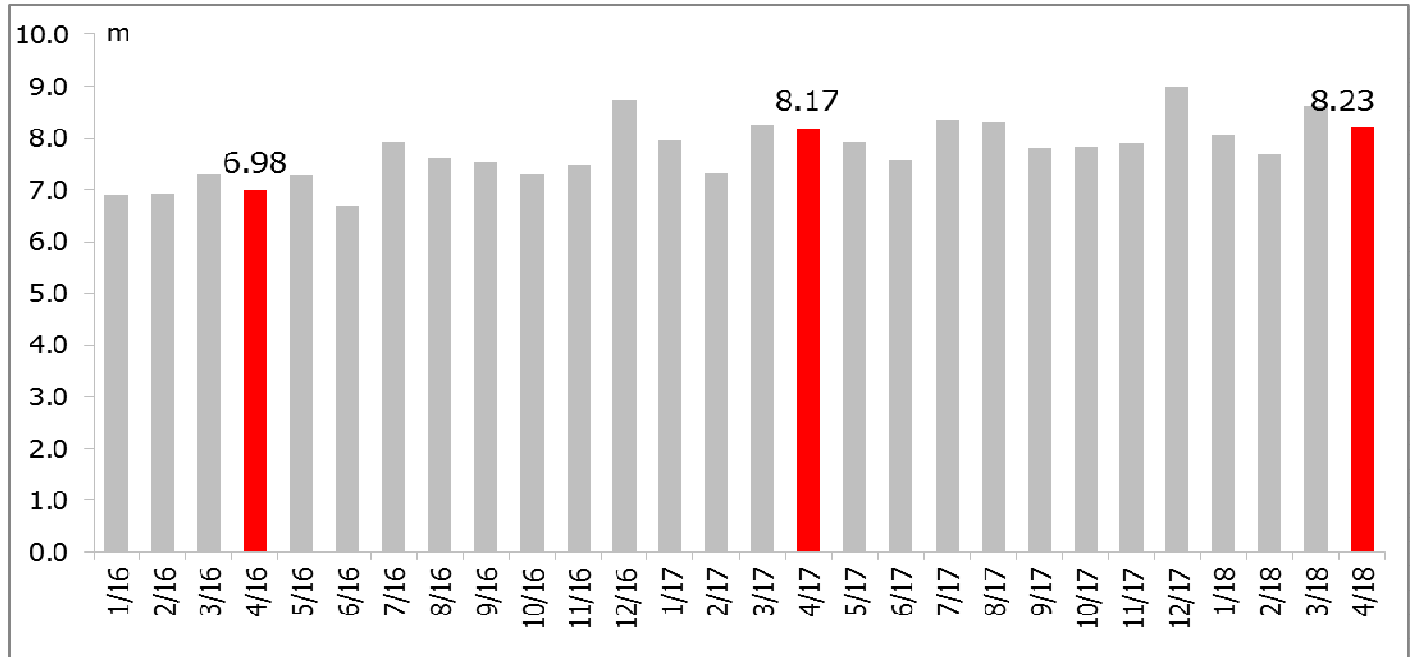


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Source: Bloomberg, MIDFR

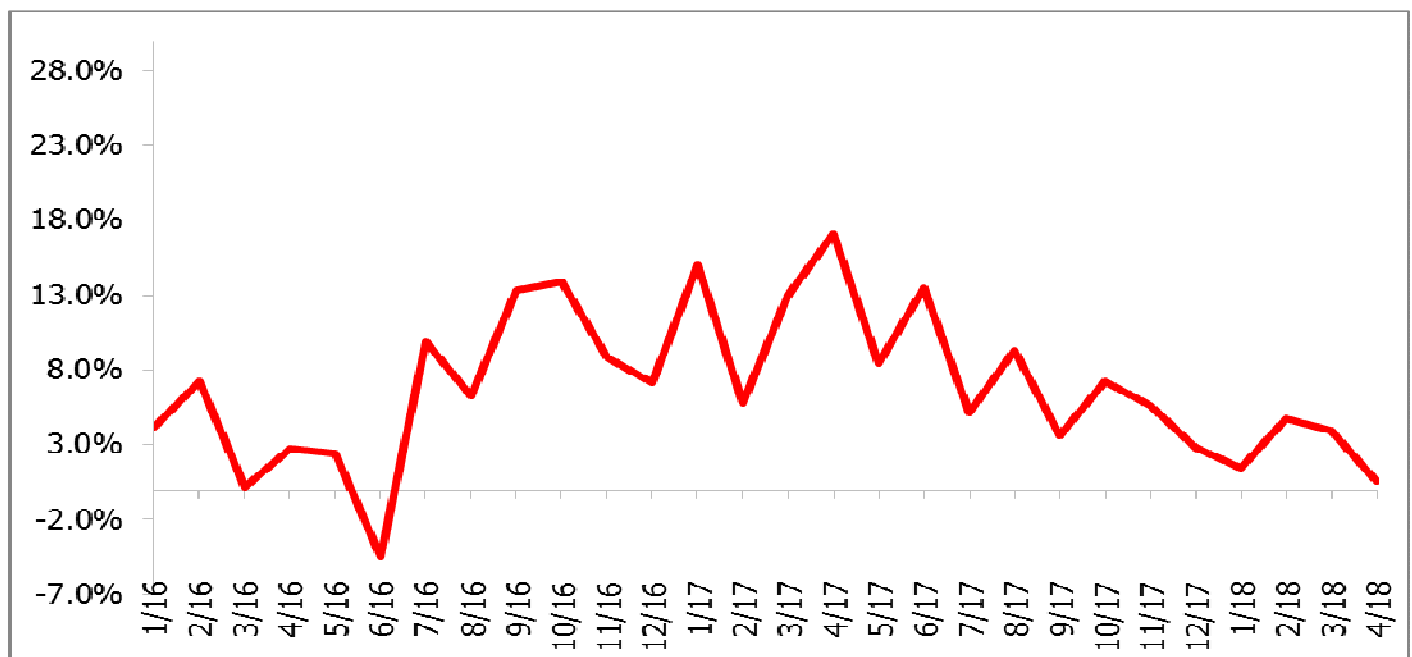
APPENDIX

EXHIBIT 1: MALAYSIA AIRPORTS: MONTHLY PASSENGER TRAFFIC (MILLION)



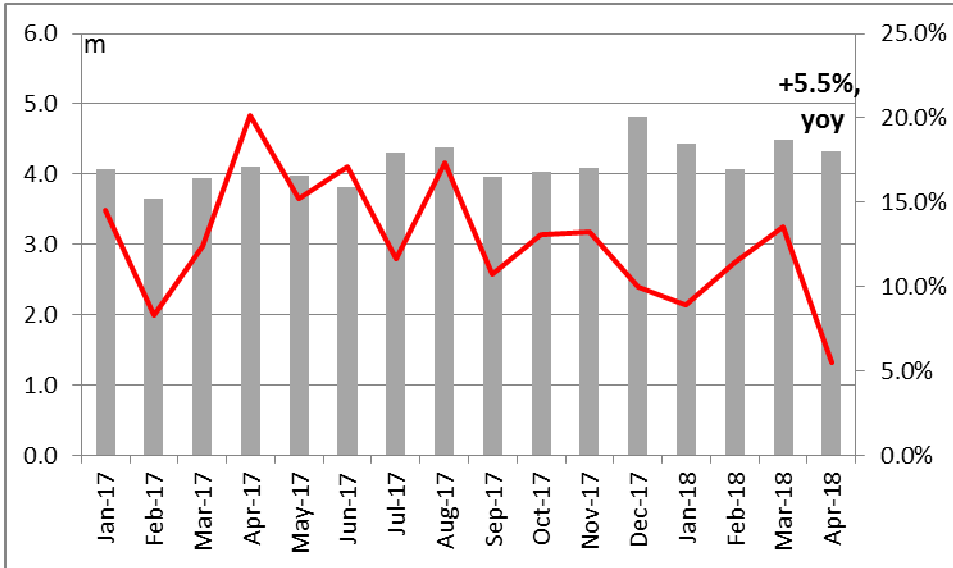
Source: MAHB, MIDFR

EXHIBIT 2: MALAYSIA AIRPORTS: MONTHLY PASSENGER TRAFFIC (GROWTH %YOY)



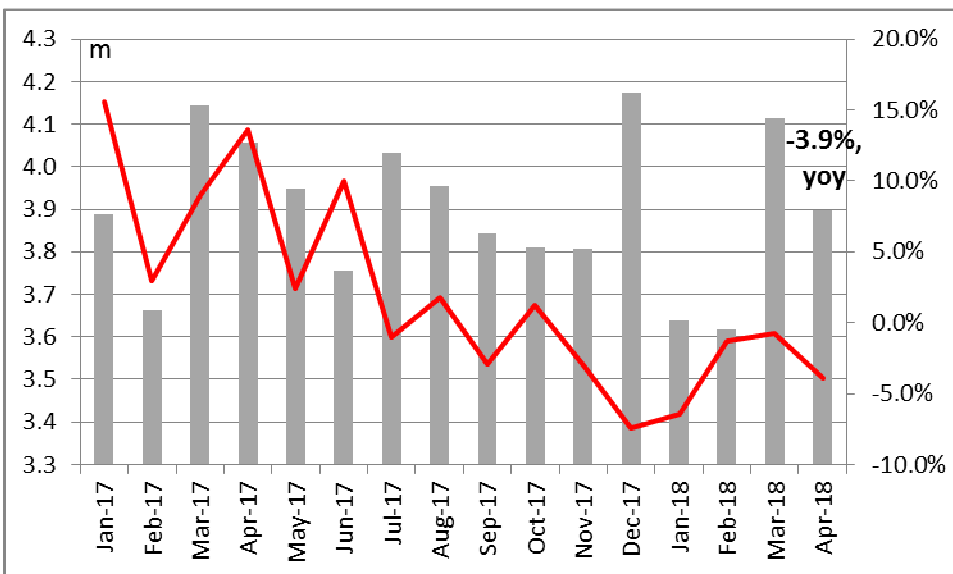
Source: MAHB, MIDFR

EXHIBIT 3: MALAYSIA AIRPORTS INTERNATIONAL PASSENGER TRAFFIC (MILLION & GROWTH %YOY)



Source: MAHB, MIDFR

EXHIBIT 4: MALAYSIA AIRPORTS: DOMESTIC PASSENGER TRAFFIC (MILLION & GROWTH %YOY)



Source: MAHB, 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.