

13 February 2018 | Corporate Update

## Malaysia Airports Holdings

*Highest passengers for the month of January*

**Maintain BUY**

**Unchanged Target Price(TP): RM9.98**

### INVESTMENT HIGHLIGHTS

- **Total passenger movements for MAHB increased by +1.5%yoy in January**
- **International passengers steered the numbers up**
- **Growth momentum is expected to continue in subsequent month**
- **POSITIVE for MAHB with a BUY call of RM9.98**

### PASSENGER TRAFFIC FOR AIRPORTS IN MALAYSIA: JAN 2018

**Highest passenger traffic recorded in January 2018.** Passenger traffic growth in Malaysian airports slowed to +1.5%yoy in the first month of the year, recording a total of 8.1m passengers. However, this was due to a high base effect as the same period last year, passenger traffic grew strongly by +14.98%yoy to 7.9m passengers. Despite this, we believe the Jan 2018 growth as healthy considering that January is a weak month for air travel (excluding festive seasons) and the fact that Chinese New Year fell in January in 2017.

**International passengers steered the numbers up.** While we note that the increase in passenger traffic is commendable, the domestic fronts took a hit in January, contracting by -6.4%yoy to 3.6m passengers. This was due to the shift of this year's Chinese New Year holiday to February from January last year. Despite the drop, we are encouraged to see that the international traffic surged +9.0%yoy which more than offset the decline. Moving forward, we expect the momentum to continue in subsequent month fuelled by the Chinese New Year holiday season in February.

**International traffic grew +14.4%yoy in airports outside KLIA.** Kota Kinabalu Terminal 1 (KKT1), Langkawi, Kuching and Penang, the four regional international airports recorded double-digit growth for international passengers. While both Asean and Non-Asean passengers contributed to the positive trend, the upward trajectory was largely contributed by the +30.1%yoy growth of Non-Asean passengers. We attribute this to the entry of new foreign airlines including Tiger Airways and Batik Air coupled with the introduction of new routes by the likes of Malindo Air and AirAsia.

RETURN STATS	
Price (12 Feb 2018)	RM9.12
Target Price	RM9.98
Expected Share Price Return	+9.43%
Expected Dividend Yield	+1.30%
<b>Expected Total Return</b>	<b>+10.73%</b>

STOCK INFO	
KLCI	1,830.17
Bursa / Bloomberg	5014 / MAHB MK
Board / Sector	Main/ Trading Services
Syariah Compliant	No
Issued shares (mil)	1,659.20
Market cap. (RM'm)	15,131.80
Price over NA	1.00
52-wk price Range	RM6.35- RM09.45
Beta (against KLCI)	1.39
3-mth Avg Daily Vol	3.0m
3-mth Avg Daily Value	RM26.5m
Major Shareholders	
Khazanah Nasional	33.21%
EPF	11.10%
JP Morgan Chase	2.23%

## PASSENGER TRAFFIC FOR ISTANBUL SGIA: JANUARY 2018

**Istanbul SGIA growth was impressive.** Including SGIA, MAHB's total traffic growth rose +6.5%yoy for the month of Jan 2018. SGIA continued to see encouraging growth, expanding +25.3% which bucked the negative trend in the corresponding month last year of -4.5%yoy. We believe growth was contributed by frequency and capacity addition in the airport, as reflected in the +11.7% growth in aircraft movements.

**We maintain our BUY call on MAHB with unchanged TP of RM9.98.** We expect the growth of passengers' traffic to remain in positive territory, driven by higher international passengers. The January 2018 numbers will set positive tone on the demand for air travel for the entire year supported by visa relaxation programme which will attract tourists from China, India and South East Asia sectors. It is worth noting that China already accounts for more than a fifth of the money spent by outbound tourists, twice as much as the next-biggest spender, the U.S (*Source: United Nations World Tourism Organization*), which we deem as positive for earnings generation to MAHB. Overall, considering that travel demand will maintain its upbeat momentum, we continue to like MAHB as a proxy to Malaysia's resilient inbound/outbound travel industry being the largest airport operator in Malaysia. We think that MAHB will be able to see the annual passenger traffic number to surpass the psychological 100 million at the latest within 2 years. As such, we recommend investors to accumulate MAHB with a **BUY** call and target price of **RM9.98**.

## INVESTMENT STATISTICS

FYE Dec	FY14	FY15	FY16	FY17F	FY18F	FY19F
Revenue* (RM' mn)	2,681.3	3,870.2	4,172.8	4,500.7	4,753.1	4,919.5
EBITDA (RM'mn)	861.4	1,679.1	1,709.9	1,520.3	1,682.2	1,726.9
EBIT (RM'mn)	1,291.6	777.5	857.4	694.3	883.1	918.3
Pretax Profit (RM' mn)	834.2	41.8	183.3	504.3	693.1	728.3
Net Profit (RM' mn)	748.2	45.2	73.1	334.3	533.1	568.3
Core Earnings* (RM'm)	67.5	(11.5)	77.5	334.3	533.1	568.3
EPS (sen)	30.8	(0.7)	4.7	5.5	8.8	34.3
EPS growth (%)	(7.4)	(102.2)	775.7	18.2	58.8	290.5
PER (x)	29.6	N/A	195.1	165.1	104.0	26.6
Net Dividend (sen)	14.0	8.5	10.0	12.0	12.0	13.0
Net Dividend Yield (%)	1.5	0.9	1.1	1.3	1.3	1.4

Source: Bloomberg, MIDFR

## DAILY PRICE CHART

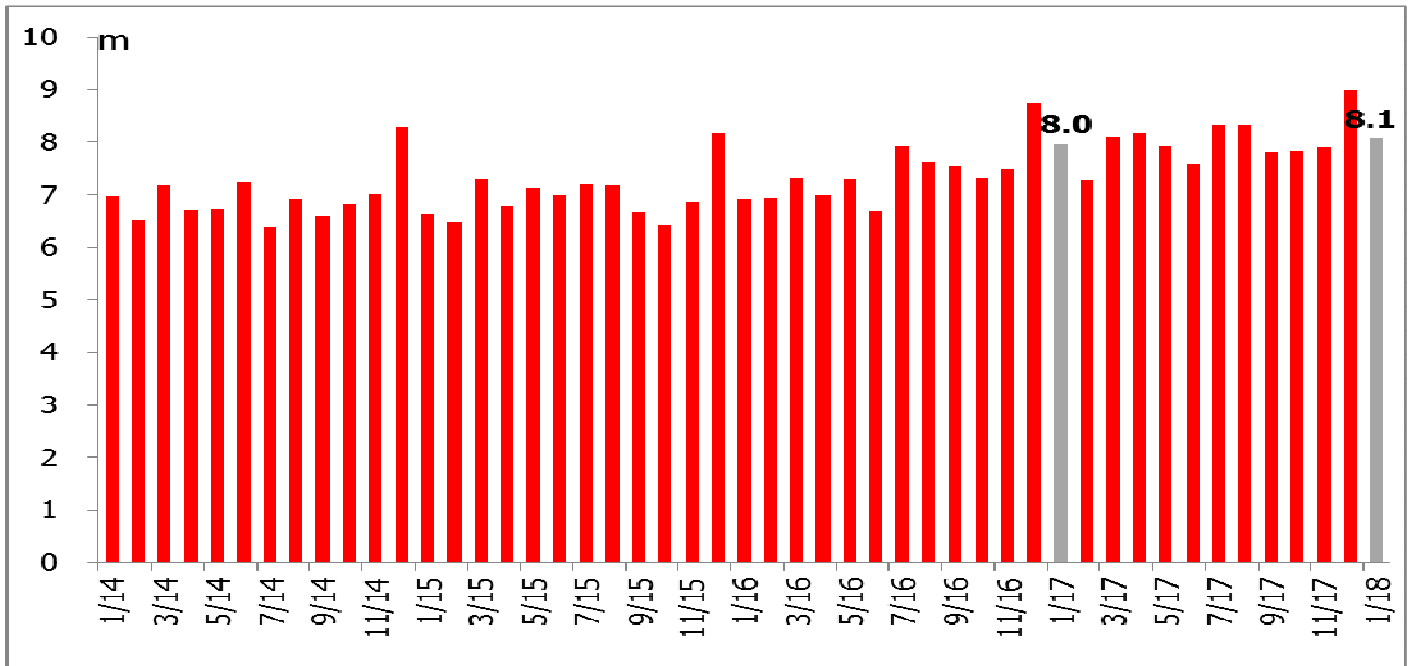


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Source: Bloomberg, MIDFR

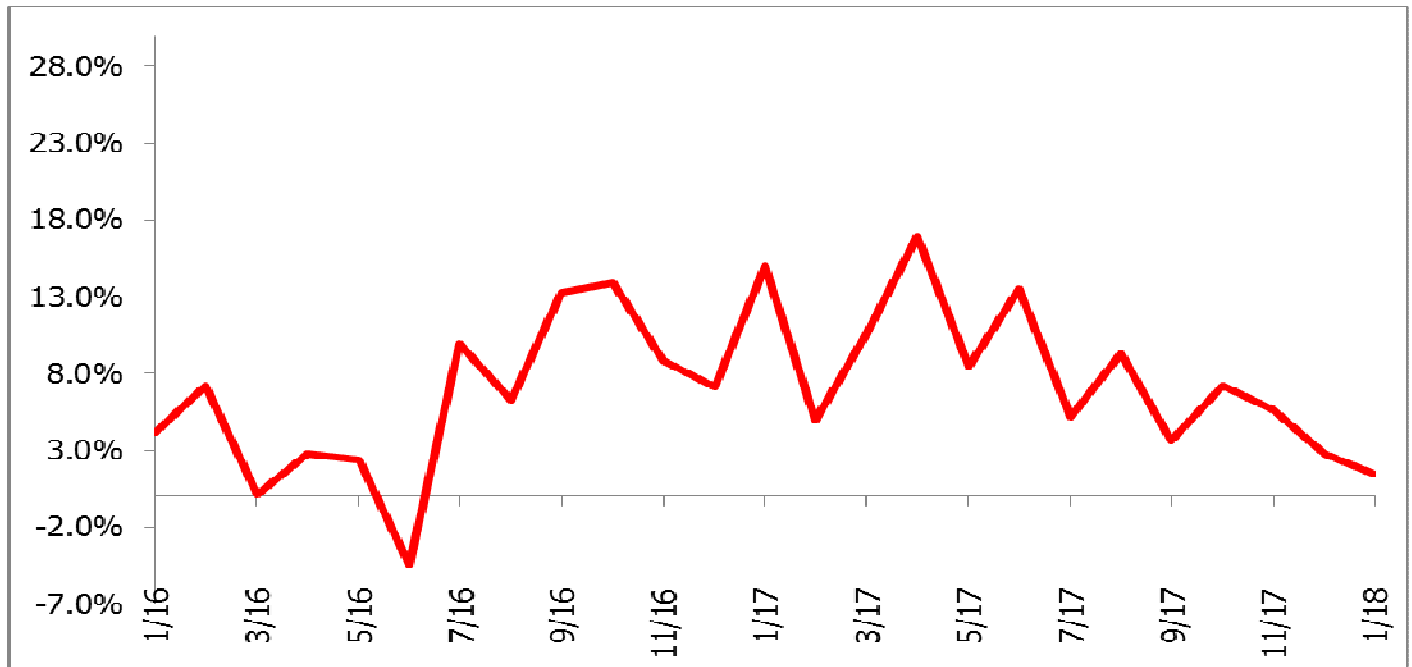
## APPENDIX

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



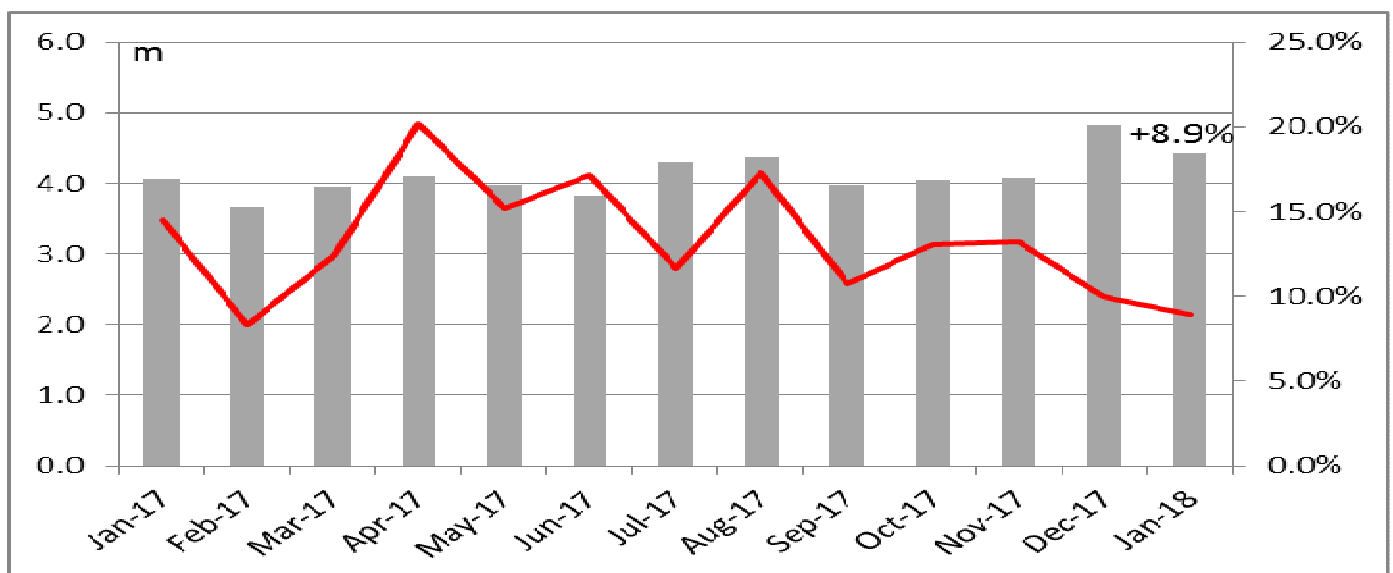
Source: MAHB, MIDFR

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



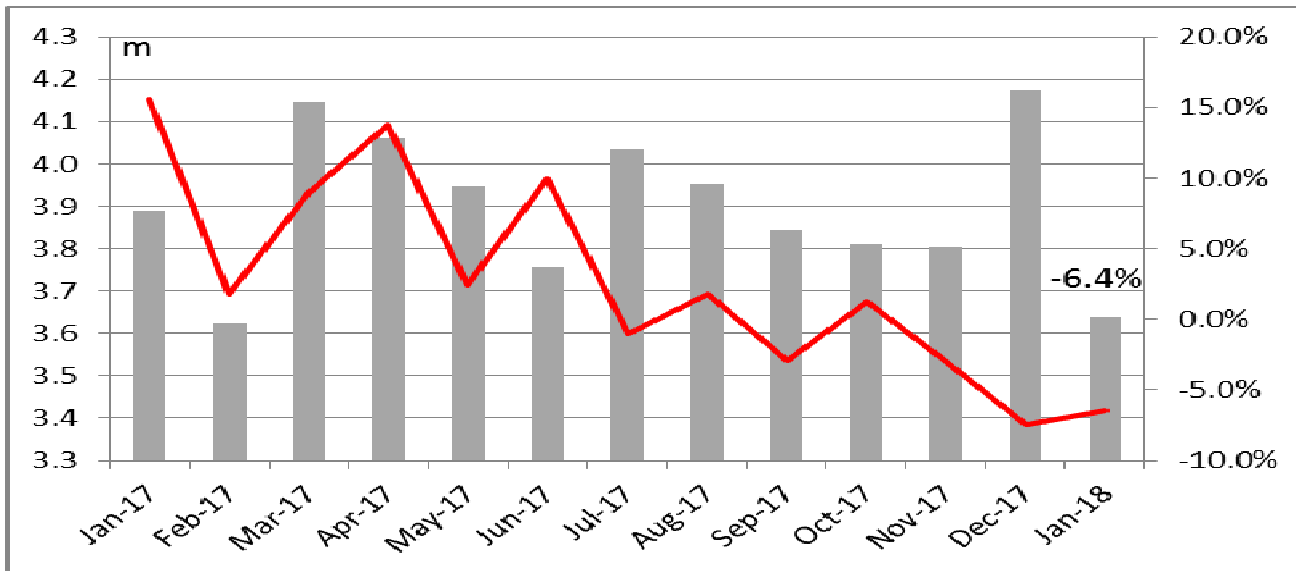
Source: MAHB, MIDFR

**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.