

04 April 2018 | Corporate Update

Malaysia Airports Holdings

Impact from legal action is largely muted

Maintain BUY

Unchanged Target Price (TP): RM9.80

INVESTMENT HIGHLIGHTS

- **RM44m suit against MAHB by SPASB**
- **Summons was initiated on 4 April 2017**
- **Already taken into account and provided for**
- **No impact to earnings estimates**
- **Maintain BUY with an unchanged TP of RM9.80**

RM44m suit against MAHB by SPASB. Legal action was taken against MAHB on 19 April 2017, due to alleged losses and damages on the works done by Syarikat Pembinaan Anggerik Sdn Bhd (SPASB). Construction works included the development and upgrade of the Penang International Airport. This comprised the completion of site office, central utilities building and airside drainage works at the airport.

Summary of the legal suit. Accordingly, further proceedings were put to a halt due to stay of application granted to MAHB in respect to SPASB's claims. In Bursa's latest announcement however, it was determined that SPASB was right in commencing a legal action, hence allowing the proceedings to continue.

Impact to earnings. Assuming that the judgement goes against MAHB, the impact will be circa 19% of MAHB's earnings given that the amount claimed is RM44m. However, we believe that the impact to earnings will be muted due to the fact that MAHB have already made provision of more than RM40m. Hence, our earnings projection of MAHB remains unchanged at current juncture.

Valuation. On the prospect of MAHB, we believe it is currently riding on a positive trajectory, based on its cumulative passenger traffic data. The trend in passenger traffic is expected to be robust due to seasonality factors and expected to continue at a positive momentum at least in the short to medium term period. This will be driven by capacity expansion of airlines at MAHB airports as well as encouraging expectation of macroeconomic performance throughout the year. Given our optimism on MAHB due to exposure from robust travel and tourism demand, we maintain our **BUY** call with **TP** of **RM9.80** based on our DCF assuming WACC of 7.8% and Beta of 1.1. MAHB is poised to benefit in the long-run based on the healthy trend of passenger traffic and improving airport operational efficiency in MAHB airports.

RETURN STATS	
Price (3 April 2018)	RM9.04
Target Price	RM9.80
Expected Share Price Return	+8.4%
Expected Dividend Yield	+1.5%
Expected Total Return	+10.0%

STOCK INFO	
KLCI	1,850.8
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)	14,999.1
Price over NTA	1.87x
52-wk price Range	RM6.98– RM9.45
Beta (against KLCI)	1.13x
3-mth Avg Daily Vol (m)	4.16
3-mth Avg Daily Value (RM'm)	36.81
Major Shareholders (%)	
Khazanah	33.2%
EPF	10.2%
JP Morgan	2.2%

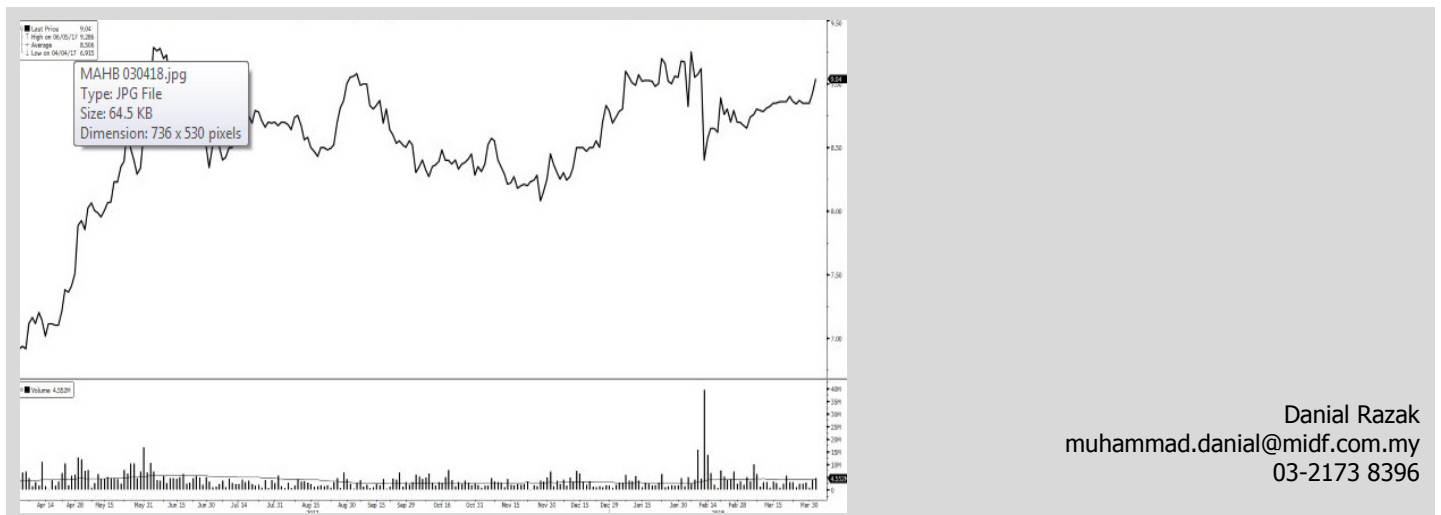
INVESTMENT STATISTICS

FYE Dec	FY13	FY14	FY15	FY16	FY17	FY18F	FY19F
Revenue* (RM' mn)	2,462.9	2,681.3	3,870.2	4,172.8	4,594.4	5,034.2	5,411.4
EBITDA (RM'mn)	899.7	861.4	1,679.1	1,709.9	1,910.9	2,008.8	2,310.1
EBIT (RM'mn)	621.8	1,291.6	777.5	857.4	1,030.0	935.3	1,005.4
Pretax Profit (RM' mn)	553.3	834.2	41.8	183.3	334.5	734.1	789.1
Net Profit (RM' mn)	377.8	748.2	45.2	73.1	236.5	412.8	483.7
Core Earnings* (RM'm)	354.1	67.5	(11.5)	77.5	236.5	412.8	483.7
EPS (sen)	33.3	30.8	(0.7)	4.7	14.3	24.9	29.2
EPS growth (%)	(8.4)	(7.4)	(102.2)	775.7	205.0	74.5	17.2
PER (x)	27.2	29.3	N/A	193.4	63.4	36.3	31.0
Net Dividend (sen)	12.0	14.0	8.5	10.0	13.0	13.0	13.0
Net Dividend Yield (%)	1.3	1.5	0.9	1.1	1.4	1.4	1.4

* Excluding the effect of IC12

Source: Company, MIDFR

DAILY PRICE CHART



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Source: Bloomberg, 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.