

13 August 2018 | Corporate Update

Malaysia Airports Holdings

July passengers' traffic beckoned

Maintain BUY

Unchanged Target Price(TP): RM9.88

INVESTMENT HIGHLIGHTS

- **Total passenger movements for MAHB advanced +4.2%yoy in July 2018**
- **International passengers grew by +5.1%yoy**
- **Encouraging trend for the month of July**
- **2HFY18 looking good to hit estimate**
- **Maintain BUY on the stock with TP of RM9.88**

Passenger traffic in July enhanced. The July passenger traffic for airports in Malaysia marked another positive improvement, growing by +2.2%yoy (+4.2% including ISGA), recording a total of 8.6m passengers. Notably, both domestic and international sectors posted record passenger movements for a month, surpassing of last year's December. Despite this, we take note of the slowdown in growth which we attribute to the high base effect in the same period last year, due to Eid al-Fitr holiday season in July 2017.

International sector maintained its positive trajectory. Domestic traffic in July declined marginally by -1.0%yoy to 4.0m passengers. While the overall domestic numbers continued to trend down, KLIA2 was able to sustain its growth momentum, handling +9.2%yoy more domestic passengers. Meanwhile, airports in Malaysia continued to attract passengers in the international sector, growing by +5.1%yoy. The momentum has been consistent over the past few months, which we opine will help to expand the traffic percentage of high value passengers moving forward. Accordingly, we expect the seasonal factors such as China Golden Week and school holidays will continue to lend support to MAHB's traffic for the rest of the year.

2HFY18 looking good to hit estimates. We believe the strong momentum of traffic flow primarily international to continue, underpinned by the robust air travel demand. Chinese tourists are expected to be the driver. Recall, tourist from China accounted for 13.2% of Asian tourists, in which the number of passengers have grown at a CAGR of +12.2% annually. Given this positive development along with the supportive visa policies in Malaysia, our optimism on MAHB's prospect remains strongly intact. Accordingly, we maintain our **BUY** call on the stock with an unchanged **TP** of **RM9.88** While the upside may be less than our threshold for a buy (>+10%), we are maintaining our call for now pending the announcement of its quarterly results in August 2018.

| RETURN STATS | |
|------------------------------|----------------|
| Price (10 August 2018) | RM9.86 |
| Target Price | RM9.88 |
| Expected Share Price Return | +0.02% |
| Expected Dividend Yield | +1.30% |
| Expected Total Return | +1.32%* |

* = We make an exception pending the announcement of the 2QFY18 result.

| STOCK INFO | |
|-----------------------|------------------------|
| KLCI | 1,805.75 |
| Bursa / Bloomberg | 5014 / MAHB MK |
| Board / Sector | Main/ Trading Services |
| Syariah Compliant | No |
| Issued shares (mil) | 1,659.20 |
| Market cap. (RM'm) | 16,359.6 |
| Price over NA | 1.00 |
| 52-wk price Range | RM7.98- RM9.98 |
| Beta (against KLCI) | 0.89 |
| 3-mth Avg Daily Vol | 4.23m |
| 3-mth Avg Daily Value | RM37.6m |
| Major Shareholders | |
| Khazanah Nasional | 33.21% |
| EPF | 8.72% |
| Blackrock | 3.40% |

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) | 32.0 | N/A | 211.0 | 69.2 | 31.9 | 27.5 |
| Net Dividend (sen) | 14.0 | 8.5 | 10.0 | 13.0 | 13.0 | 13.0 |
| Net Dividend Yield (%) | 1.4 | 0.9 | 1.0 | 1.3 | 1.3 | 1.3 |

Source: Bloomberg, MIDFR

DAILY PRICE CHART

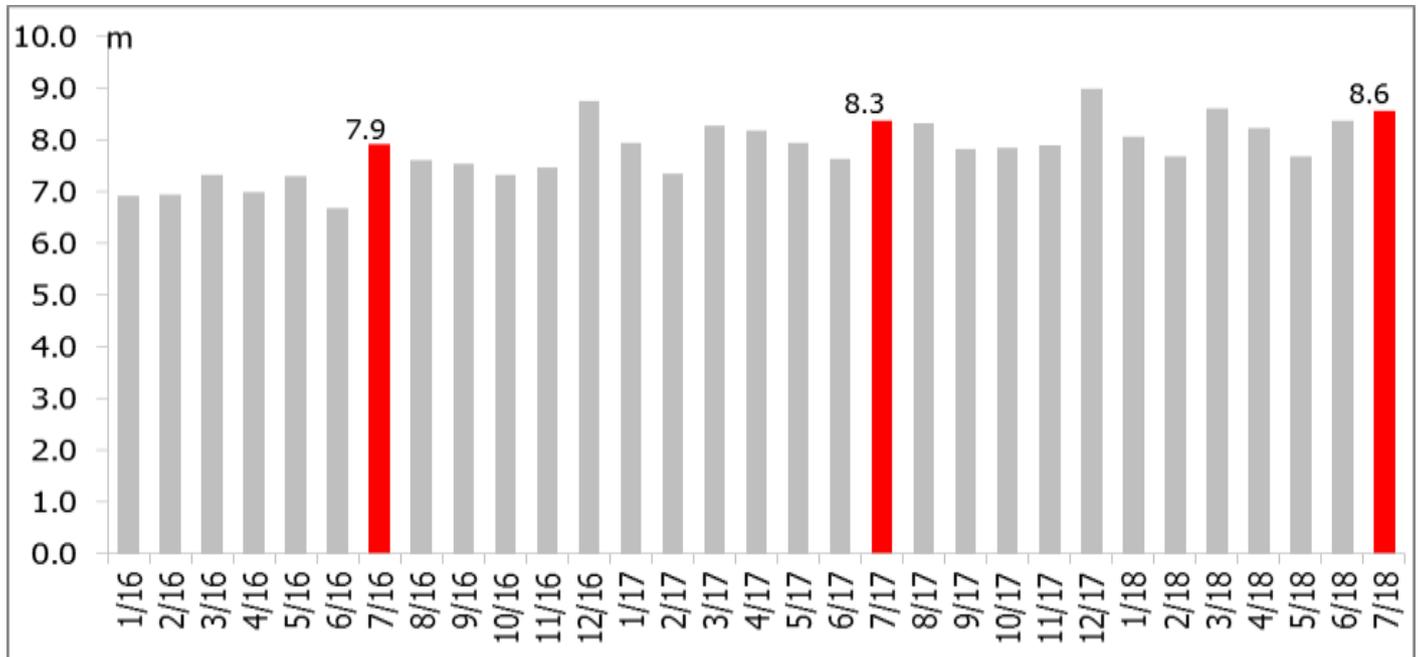


Source: Bloomberg, MIDFR

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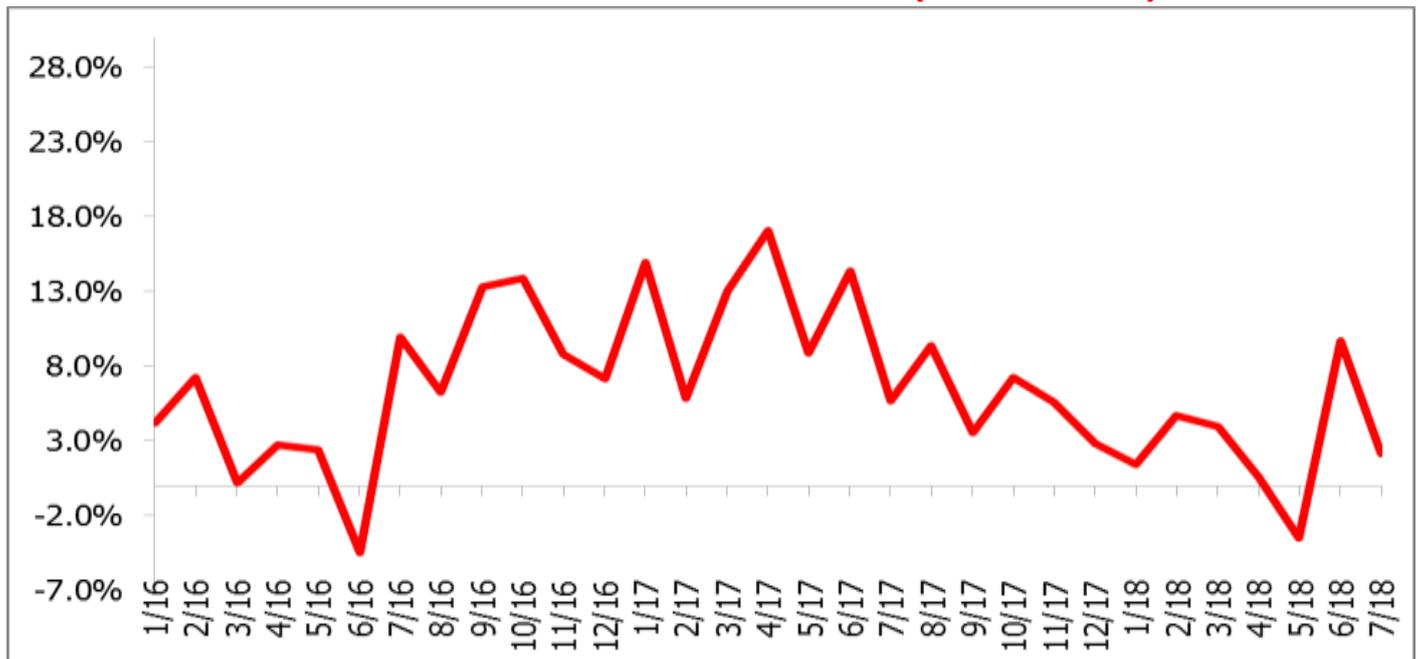
APPENDIX

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



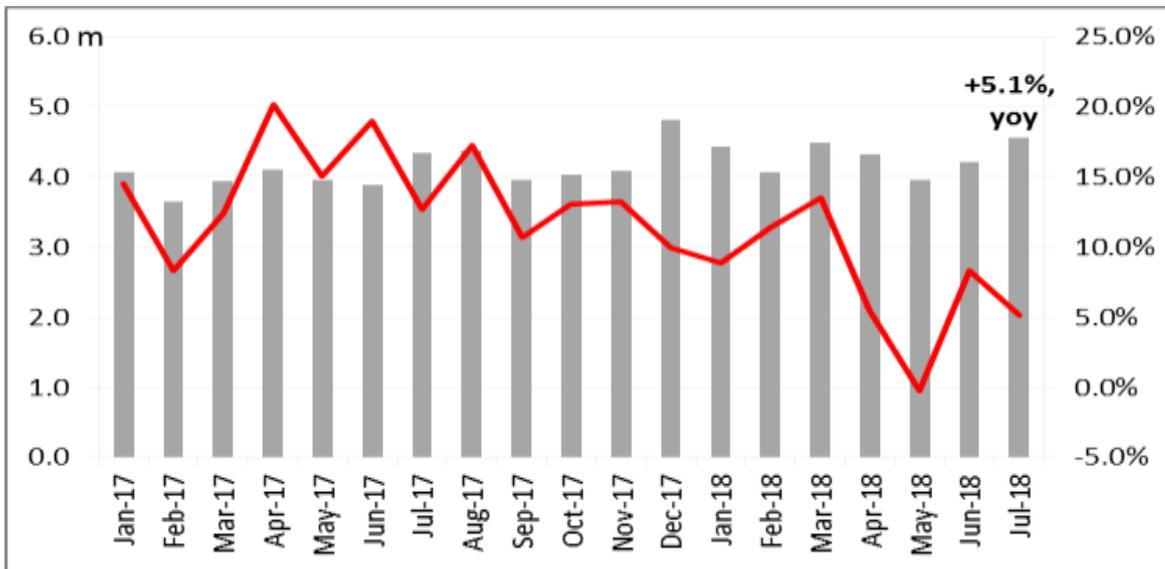
Source: MAHB, MIDFR

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



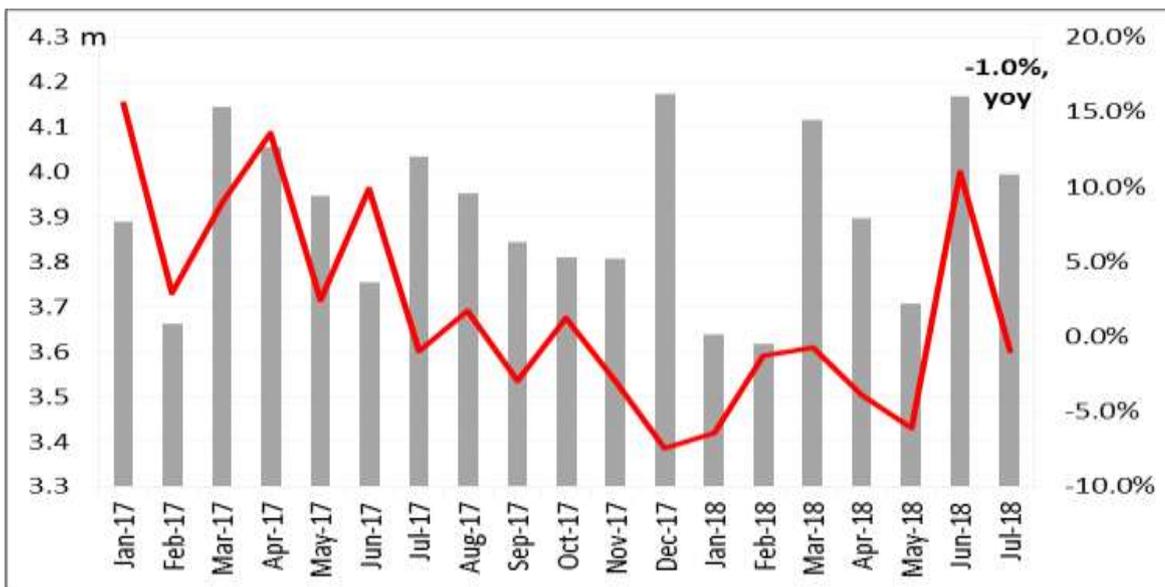
Source: MAHB, MIDFR

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. |