

13 November 2018 | Corporate Update

Malaysia Airports Holdings Berhad

Other MAHB airports boosted by route restructuring

Maintain BUY

Unchanged Target Price(TP): RM9.88

INVESTMENT HIGHLIGHTS

- **Total passenger movements (including ISGA) for MAHB advanced +0.5%yoy in October 2018**
- **Route restructuring by airlines boosted international traffic at other MAHB airports**
- **The remaining two months expected to be strong with occurrence of public holidays**
- **Maintain BUY on the with unchanged TP of RM9.88 per share**

Passenger traffic in October 2018 remain steady. The October passenger traffic for MAHB airports (including ISGA) grew by +0.5%yoy to 10.7m passengers, extending its gains for the fifth consecutive month. The growth was mainly attributable to ISGA's steady passenger traffic growth of +5.6%yoy buttressed by its international sector following Pobeda Airlines' move to: (i) add another route; and (ii) introducing daily flights to and from St. Petersburg, Russia. ISGA's strong passenger numbers helped to mitigate the latent air travel demand in Malaysia.

Other MAHB airports benefited from route restructuring. Domestic traffic for Malaysia in October 2018 declined by -1.8%yoy to 3.8m passengers, mainly dragged by the -11.0%yoy drop in KLIA Main Terminal. For the international sector, passenger traffic in Malaysia also took a breather, decreasing by -0.8%yoy. The restructuring of routes by airlines offering direct international connectivity from other MAHB airports instead of passing through KLIA has seen a +10.1%yoy increase in international passengers at these airports. Nonetheless, this was insufficient to outweigh the decline seen at KLIA. While the departure levy set to be imposed in June 2019 for outgoing international passengers will spur domestic travel, sensitivity towards the increase in passenger service charges (PSC) for international destinations has always been minimal, historically. Moreover, we reckon the overall tourism initiatives outlined in Budget 2019 could uphold the demand in the nation's tourism factor, supporting the overall load factor at MAHB airports.

Pinning on the year-end seasonal factor. We expect the travel demand to rebound in the remaining two months. In November and December, there will be four public holidays falling on Tuesdays; Deepavali, Maulidur Rasul, the birthday of Sultan of Selangor, and Christmas. This will likely encourage Malaysians to extend their leave and travel. On the looming risks of rising fuel prices, MAHB has minimal exposure to changes in fuel price driven by its strong mix of domestic and international passengers that will be the strongest in the fourth quarter. The low sensitivity of air travel towards charges should not affect travel demands. We maintain **BUY** call on **MAHB** with a **TP of RM9.88 per share.**

RETURN STATS	
Price (12 November 2018)	RM8.10
Target Price	RM9.88
Expected Share Price Return	+22.0%
Expected Dividend Yield	+1.6%
Expected Total Return	+23.6%

STOCK INFO	
KLCI	1,696.14
Bursa / Bloomberg	5014 / MAHB MK
Board / Sector	Main/ Trading Services
Syariah Compliant	No
Issued shares (mil)	1,659.19
Market cap. (RM'm)	13,439.45
Price over NA	1.67
52-wk price Range	RM7.26- RM9.98
Beta (against KLCI)	0.89
3-mth Avg Daily Vol	3.51m
3-mth Avg Daily Value	RM31.3m
Major Shareholders (%)	
Khazanah Nasional	33.21
EPF	10.93
Blackrock	3.48

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)	26.3	N/A	173.3	56.8	26.2	22.6
Net Dividend (sen)	14.0	8.5	10.0	13.0	13.0	13.0
Net Dividend Yield (%)	1.7	1.0	1.2	1.6	1.6	1.6

Source: Bloomberg, MIDFR

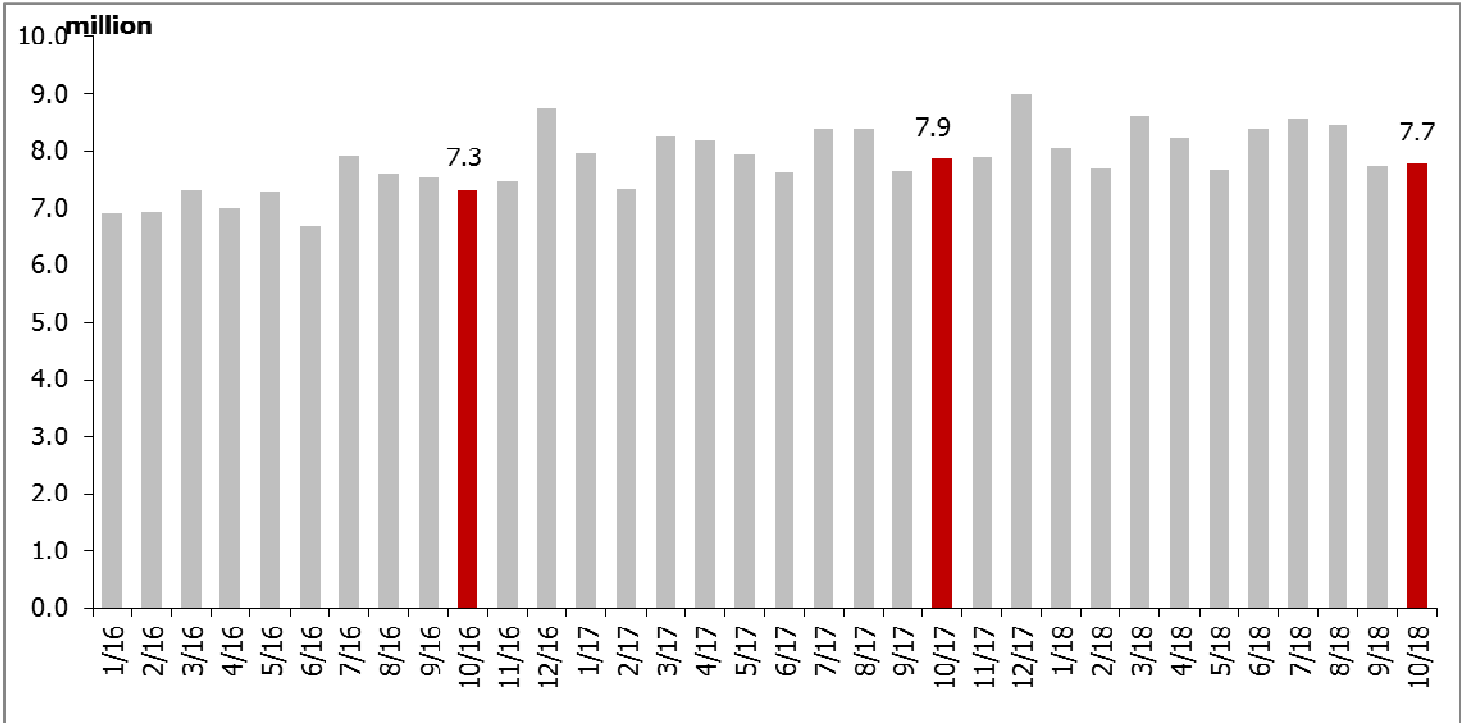
DAILY PRICE CHART



Source: Bloomberg, MIDFR

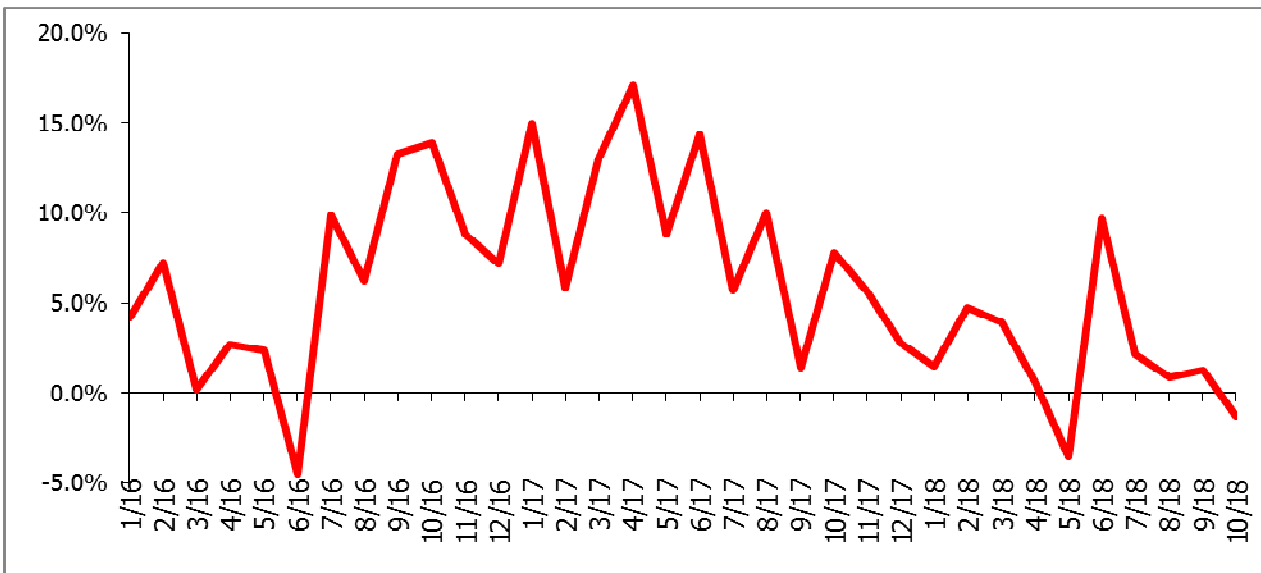
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APPENDIX



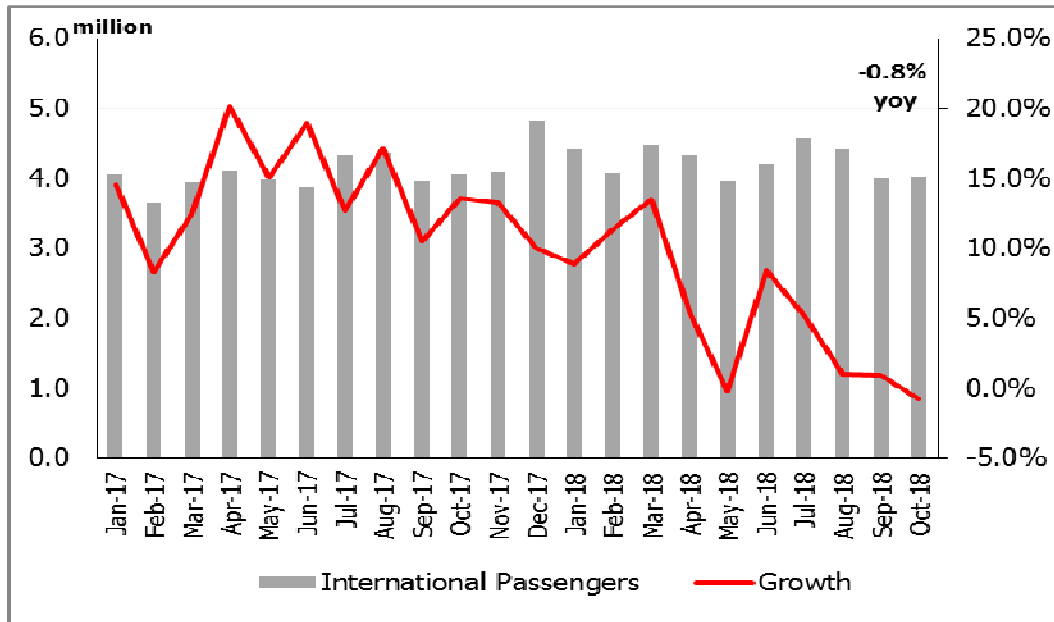
Source: MAHB, MIDFR

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



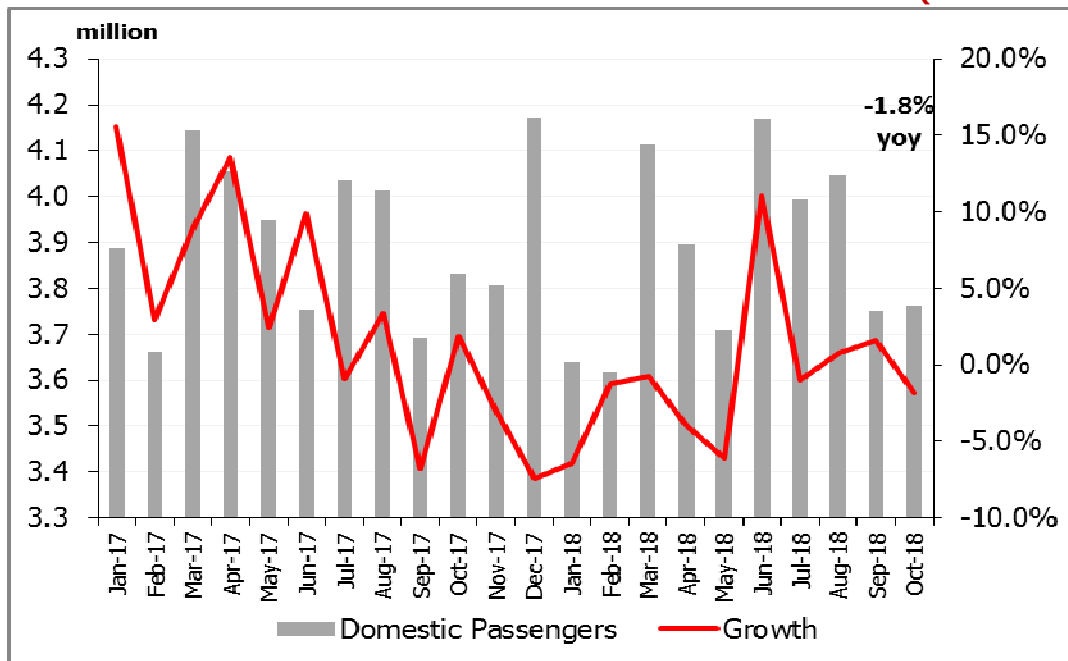
Source: MAHB, MIDFR

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.