

12 March 2019 | Passenger Statistics

Malaysia Airports Holdings Berhad

Seasonal factors boosted the short month

Maintain BUY

Unchanged Target Price(TP): RM9.44

INVESTMENT HIGHLIGHTS

- **Total passenger movements (including ISGA) for MAHB advanced +5.1%yoy in February 2019**
- **Yearly growth for domestic passenger traffic increased for the fourth month in a row**
- **Seasonal factors piloted the growth in international traffic which reached 4.2m passengers**
- **International passenger growth in ISG to shield the effects of technical recession in Turkey**
- **Maintain BUY unchanged TP of RM9.44 per share**

Passenger traffic growth in February 2019. The February 2019 passenger traffic for MAHB airports (excluding ISGA) grew by +5.4%yoy to 8.1m passengers. In fact, it was the first time for the month of February to breach the 8m passenger traffic mark. For ISGA, international passenger traffic grew by +19.5%yoy for the same month, the largest year-on-year growth in 13 months while domestic passengers declined by -2.7%yoy. This brings ISGA's overall passenger growth in February 2019 to +4.4%yoy after hitting 2.5m passengers. As such, MAHB's total passenger traffic (including ISGA) grew by +5.1%yoy in February 2019, marking its 9th consecutive month of year-on-year (y-o-y) growth.

Domestic traffic continues its upward trend. Domestic traffic for Malaysia in February 2019 increased by +8.9%yoy to 3.9m passengers, extending the y-o-y growth to its fourth straight month. This is in contrast to the -0.8%yoy drop seen in February 2018. The bulk of the growth was attributable to the +9.5%yoy jump in domestic traffic at airports ex-KLIA. We attribute the growth to the Chinese New Year (CNY) celebrations combined with the school holidays.

International traffic rebounded. International passenger traffic in Malaysia jumped by +2.3%yoy to reach 4.2m passengers. It was also notable that the ratio of international to domestic passengers stood at 51:49 which bodes well for MAHB as the passenger service charge for international passengers is higher compared to domestic passengers. Likewise, the growth for international passengers can be linked to the CNY celebrations which coincided with a spike in the daily number of passengers of nearly 170,000 on 10 February 2018, the last day of the CNY holiday week.

Economic crisis in Turkey. Turkey entered into a recession as its GDP contracted sharper than expected with seasonally adjusted -2.4%yoy drop in 4QCY18. Despite an assertion of downward pressure on the Turkish Lira, we believe that a weaker Lira could attract more international passengers into Turkey, especially via ISG. This will continue to uphold the robust growth in the ISG's international sector which has been recording double-digit y-o-y growth in the past five months.

RETURN STATS	
Price (11 March 2019)	RM7.66
Target Price	RM9.44
Expected Share Price Return	+23.2%
Expected Dividend Yield	+1.8%
Expected Total Return	+25.0%

STOCK INFO	
KLCI	1,664.63
Bursa / Bloomberg	5014 / MAHB MK
Board / Sector	Main/ Transportation & Logistics
Syariah Compliant	No
Issued shares (mil)	1,659.19
Market cap. (RM'm)	12,709.41
Price over NA	1.56
52-wk price Range	RM7.26- RM9.98
Beta (against KLCI)	0.93
3-mth Avg Daily Vol	2.16m
3-mth Avg Daily Value	RM17.4m
Major Shareholders (%)	
Khazanah Nasional	33.21
EPF	11.11
Blackrock	3.53

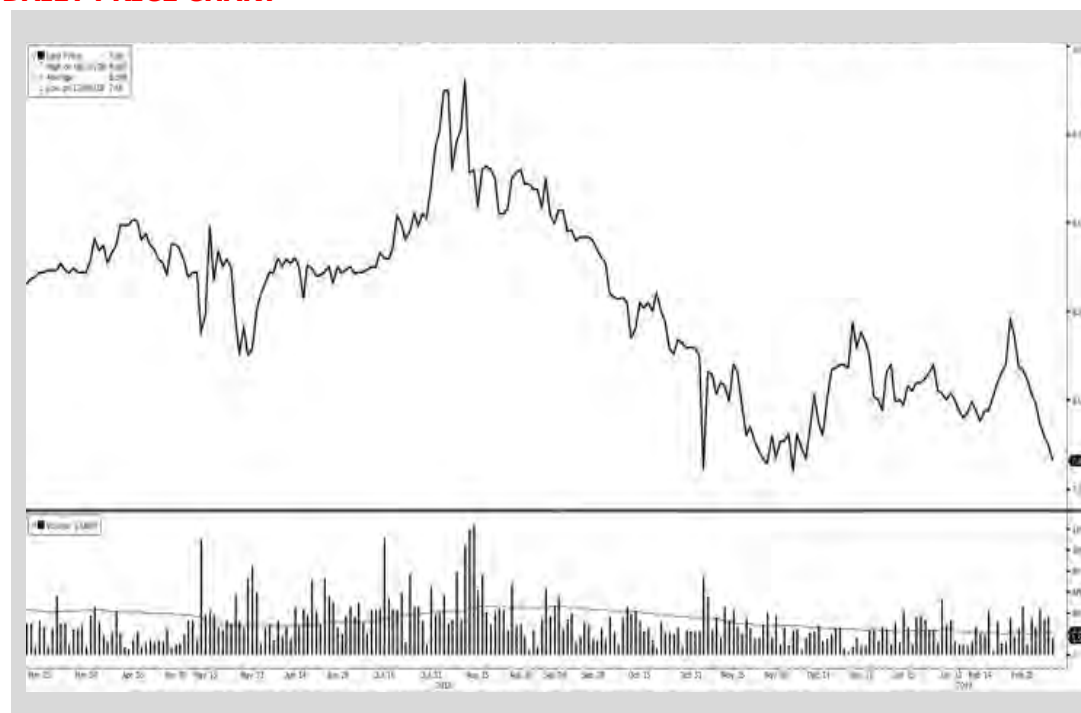
Growth to come from klia2 for airports in Malaysia. While travelling sentiment may be affected in the short term due to the tragedy faced by Ethiopian Airlines, we opine that **AirAsia Group Berhad (AAGB) (BUY; TP:RM3.40)** will continue supporting the growth in KLIA with the latest contribution at 54%. AAGB also does not operate any Boeing Max 8 aircraft and the same is applicable to Malindo Air and Cathay Pacific which are major contributors to KLIA main terminal passenger traffic. As such, we reiterate our optimism that MAHB passenger traffic can surpass the 100m mark in 2019, while maintaining a relatively conservative growth rate of 3.5%. All things considered, we maintain our **BUY** call on MAHB with a **TP of RM9.44 per share** as it is a proxy to Malaysia's inbound/outbound travel industry, being Malaysia's largest airport operator.

INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18	FY19F	FY20F
Revenue* (RM' mn)	3,870.2	4,172.8	4,593.40	4,786.10	5,240.8	5,481.9
EBITDA (RM'mn)	1,679.1	1,709.9	1,919.60	2,383.50	2,201.1	2,412.0
EBIT (RM'mn)	777.5	857.4	1,038.80	1,496.10	1,562.8	1,543.7
Pretax Profit (RM' mn)	41.8	183.3	338.8	780.6	734.5	802.7
Net Profit (RM' mn)	45.2	73.1	239.8	727.3	558.2	610.1
Core Earnings* (RM'm)	(11.5)	77.5	240.4	439.5	558.2	610.1
EPS (sen)	(0.7)	4.7	14.5	26.5	33.6	36.8
EPS growth (%)	(102.2)	775.7	210.0	82.8	27.0	9.3
PER (x)	N/A	163.9	52.9	28.9	22.8	20.8
Net Dividend (sen)	8.5	10.0	13.0	14.0	14.0	14.0
Net Dividend Yield (%)	1.1	1.3	1.7	1.8	1.8	1.8

Source: Bloomberg, MIDFR

DAILY PRICE CHART

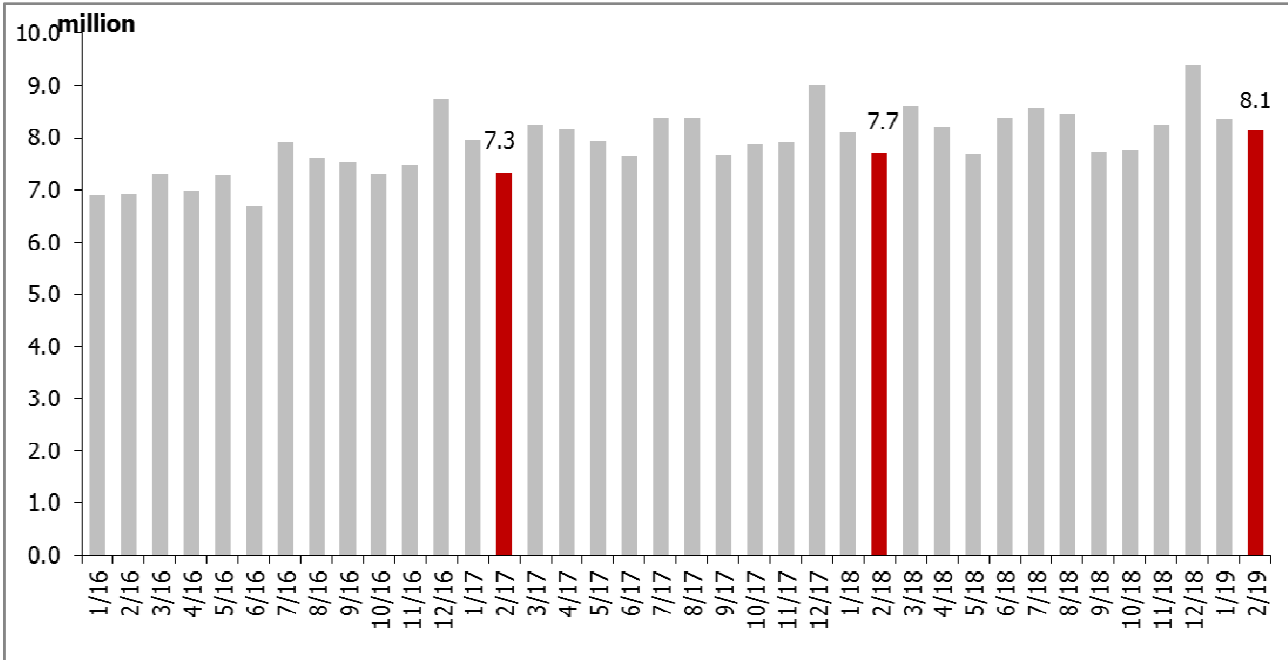


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Source: Bloomberg, MIDFR

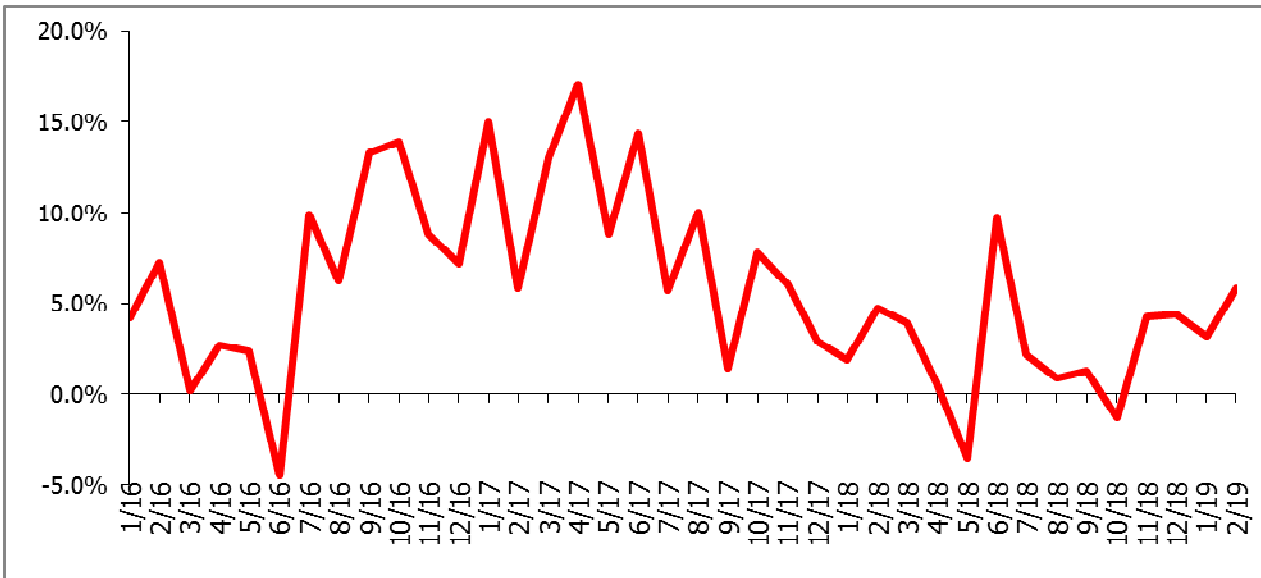
APPENDIX

EXHIBIT 1: MALAYSIA AIRPORTS MONTHLY PASSENGER TRAFFIC (MILLION)



Source: MAHB, MIDFR

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



Source: MAHB, MIDFR

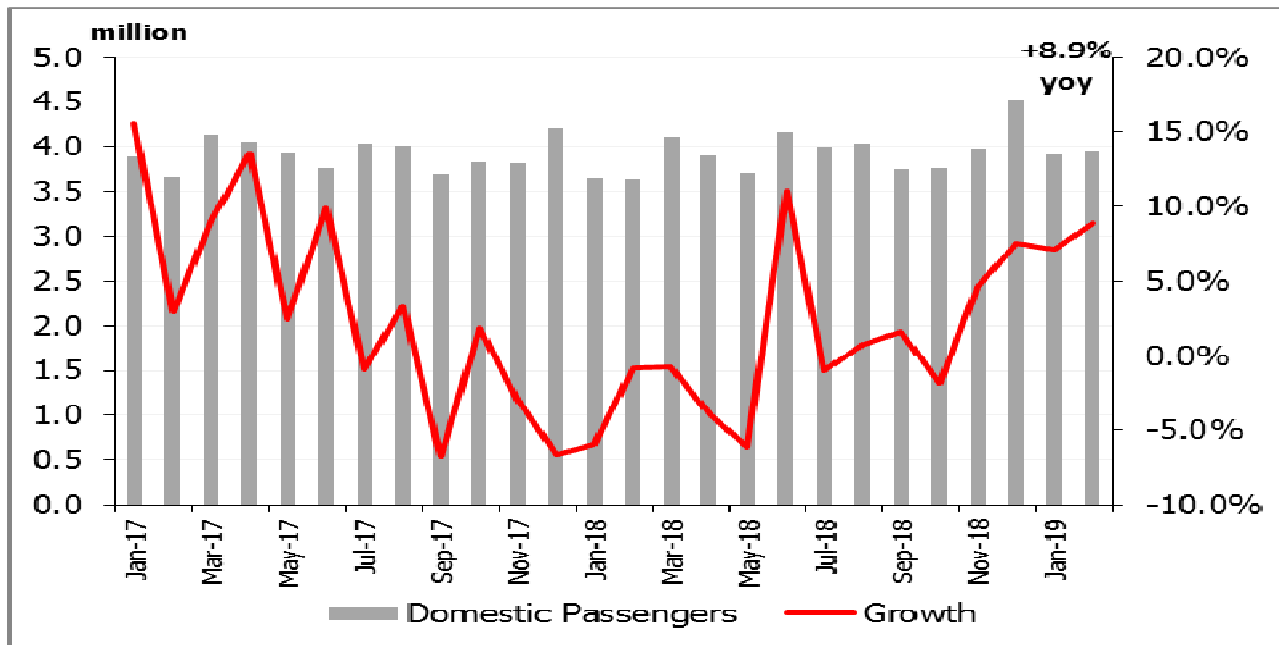
EXHIBIT 3: MALAYSIA AIRPORTS INTERNATIONAL PASSENGER TRAFFIC (MILLION & GROWTH %YOY)



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.