

11 October 2017 | Corporate Update

Malaysia Airports Holdings Berhad

Taking a breather in September

Maintain BUY

Unchanged Target Price (TP): RM9.98

INVESTMENT HIGHLIGHTS

- **A lull in September pax growth due to a lack of holidays**
- **We expect October to register mid-single digit growth**
- **Domestic capacity cuts at KLIA MTB gathered pace**
- **ISG beginning to show more consistent growth**
- **Maintain BUY with TP of RM9.98**

September pax traffic at Malaysian airports grew +3.6%. Total pax traffic for the month of September came in at 7.8m, after two consecutive months (July and Aug) of pax traffic exceeding 8.3m. The lower pax traffic in September could be due to a lull in travel demand following the KL2017 Sea Games and school holidays which took place a month prior. In addition, there were significant domestic capacity cuts at KLIA MTB which contributed to the lower growth.

We expect October to better. With growth in the mid-single digit percentage growth likely, premised on China's Golden Week which is its peak travel period and the F1 Grand Prix.

For 9MFY17, Malaysian airports recorded 71.3m pax, an increase of +9.4%yoy, above our +7.5%yoy pax growth forecast for FY17. As we had anticipated, 2HFY17 growth taper attributed to the higher base in 2HFY16, hence our +7.5yoy pax growth forecast. In the third quarter of 2017, pax traffic grew +6%yoy, below the +10%yoy and +13%yoy growths experienced in 1QFY17 and 2QFY17 respectively.

Domestic capacity cuts by MAB and Malindo gathered pace. This is reflected in a fall in domestic pax traffic at KLIA MTB which fell -30%yoy in September (August: -21.5%yoy). AirAsia absorbed some of the withdrawn capacity, with KLIA2 domestic pax growth of +14.3%yoy recorded for September. International pax traffic, on the other hand, remained robust, registering a growth of +10.8%yoy.

ISG showing consistent growth. Pax traffic grew +7.9%yoy with both its domestic and international segments performing well. Its international segment grew 9.5%yoy in September, with the summer travel period drawing tourists from the EU and Russia. Meanwhile, ISG's domestic pax traffic returned to a growth of +7.1%yoy from flat growth in August, signalling a recovery in domestic travel appetite.

RETURN STATS	
Price (10 Oct 2017)	RM8.27
Target Price	RM9.98
Expected Share Price Return	+20.7%
Expected Dividend Yield	+1.5%
Expected Total Return	+22.2%

STOCK INFO	
KLCI	1777.77
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)	13,721.52
Price over NA	1.77
52-wk price Range	RM5.91 - RM9.45
Beta (against KLCI)	1.22
3-mth Avg Daily Vol	2.71m
3-mth Avg Daily Value	RM23.4m
Major Shareholders	
Khazanah	33.21%
EPF	11.22%
PNB	2.23%

Maintain BUY with TP of RM9.98 based on our DCF model assuming WACC of 7.8% and Beta of 1.1. Of late, MAHB's share price has corrected resulting from a major shareholder reducing some of its holdings. We believe this represents an opportunity for investors to accumulate MAHB shares. We like MAHB as a proxy to Malaysia's resilient inbound/outbound travel industry, as the largest airport operator in Malaysia. MAHB received an extension of its operating agreement (OA) which will last until 2069, providing clarity to investors on its longer term prospects as an airport concessionaire. Meanwhile, the company has imposed onto itself a 1-year timeframe for negotiations with the Government on the terms and conditions for its OA extension.



INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17F	FY18F	FY19F
Revenue* (RM' mn)	3,870.2	4,172.8	4,500.7	4,753.1	4,919.5
EBITDA (RM'mn)	1,679.1	1,709.9	1,520.3	1,682.2	1,726.9
EBIT (RM'mn)	777.5	857.4	694.3	883.1	918.3
Pretax Profit (RM' mn)	41.8	183.3	504.3	693.1	728.3
Net Profit (RM' mn)	45.2	73.1	334.3	533.1	568.3
Core Earnings* (RM'm)	(11.5)	77.5	334.3	533.1	568.3
EPS (sen)	(0.7)	4.7	5.5	8.8	34.3
EPS growth (%)	(102.2)	775.7	18.2	58.8	290.5
PER (x)	N/A	176.9	149.7	94.3	24.1
Net Dividend (sen)	8.5	10.0	12.0	12.0	13.0
Net Dividend Yield (%)	1.0	1.2	1.5	1.5	1.6

Source: Company, MIDF Research

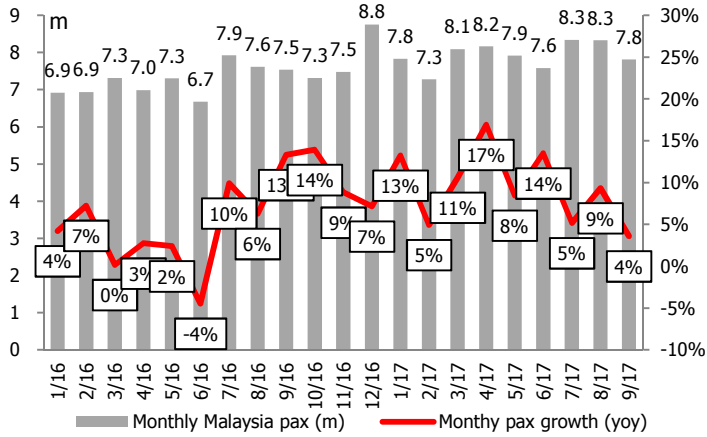
DAILY PRICE CHART



Tay Yow Ken, CFA
 tay.yk@midf.com.my
 03-2173 8384

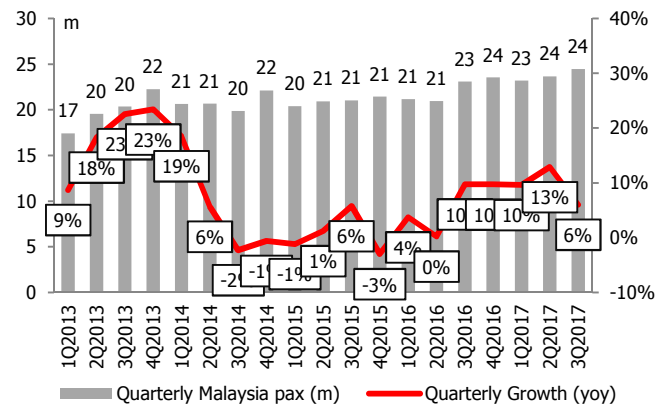
Source: Bloomberg

Figure 1: Monthly pax at Malaysian Airports



Source: Company, MIDFR

Figure 2: Quarterly pax at Malaysian Airports



MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.

