

12 June 2018 | Corporate Update

## Malaysia Airports Holdings

*Subdued May*

**Maintain BUY**

**Unchanged Target Price(TP): RM9.88**

### INVESTMENT HIGHLIGHTS

- **Total passenger movements for MAHB declined by -2.3%yoy in May 2018**
- **International passengers eased by -0.3%yoy**
- **Sombre air travel activities during the month**
- **Rebound expected in June forward**
- **Maintain BUY on the stock with TP of RM9.88**

### PASSENGER TRAFFIC FOR AIRPORTS IN MALAYSIA: MAY 2018

**Passenger traffic weakened in May.** The traffic's growth in Malaysia airports turned negative in May at -3.5%yoy (-2.3% including ISGA), recording a total of 7.7m passengers. This was primarily due to the seasonally subdued air travel demand during the Ramadhan fasting season as well as shift in school holidays in Malaysia. While we note that overall traffic has experienced a slowdown since April, we believe it will rebound in June 2018 and will provide support to 1HFY18's traffic.

**International sector was slightly down.** Domestic traffic in May declined by a larger magnitude, contracting by -6.4%yoy to 3.7m passengers (April: -3%yoy). However, international passengers were flattish at -0.6%yoy, due to the same reasons mentioned earlier. However, we expect the momentum to rebound in June, buoyed by key events, namely Eid-fitr, 2-week school holidays in Malaysia and summer holidays for countries in the northern hemisphere.

### PASSENGER TRAFFIC FOR ISTANBUL SGIA: MAY 2018

**ISGA's traffic partly affected by Ramadhan.** Including Istanbul's Sabiha Gokcen Airport (ISG), MAHB's total traffic declined -2.3%yoy. Excluding the traffic of airports in Malaysia, ISG continued to chart positive progress, although tepid at +1.5%yoy. Notably, both international and domestic sectors at ISG grew at similar rate of circa +1.3%yoy and +1.8%yoy respectively. Evidently, growth was only marginal, also affected by the Ramadhan fasting month. While the air travel activities in May have not been upbeat, we are expecting the growth of ISG' traffic to recover in June, benefiting from worldwide seasonal factors.

RETURN STATS	
Price (11 June 2018)	RM8.80
Target Price	RM9.88
Expected Share Price Return	+12.3%
Expected Dividend Yield	+1.5%
<b>Expected Total Return</b>	<b>+13.8%</b>

STOCK INFO	
KLCI	1,775.80
Bursa / Bloomberg	5014 / MAHB MK
Board / Sector	Main/ Trading Services
Syariah Compliant	No
Issued shares (mil)	1,659.20
Market cap. (RM'm)	14,600.9
Price over NA	1.00
52-wk price Range	RM7.86- RM09.45
Beta (against KLCI)	1.06
3-mth Avg Daily Vol	2.8m
3-mth Avg Daily Value	RM24.5m
Major Shareholders	
Khazanah Nasional	33.21%
EPF	10.28%
Vanguard Group	2.01%

**Expecting a rebound in June.** We are maintaining our **POSITIVE** stance on **MAHB**. We expect traffic momentum to return to positive territory, driven by higher international passengers and seasonal factors. The shift in 2-week school holidays in month of June should reflect positively to air travel demand during the month. This will be further supported by major public holidays namely Eid-fitr and worldwide summer holidays.

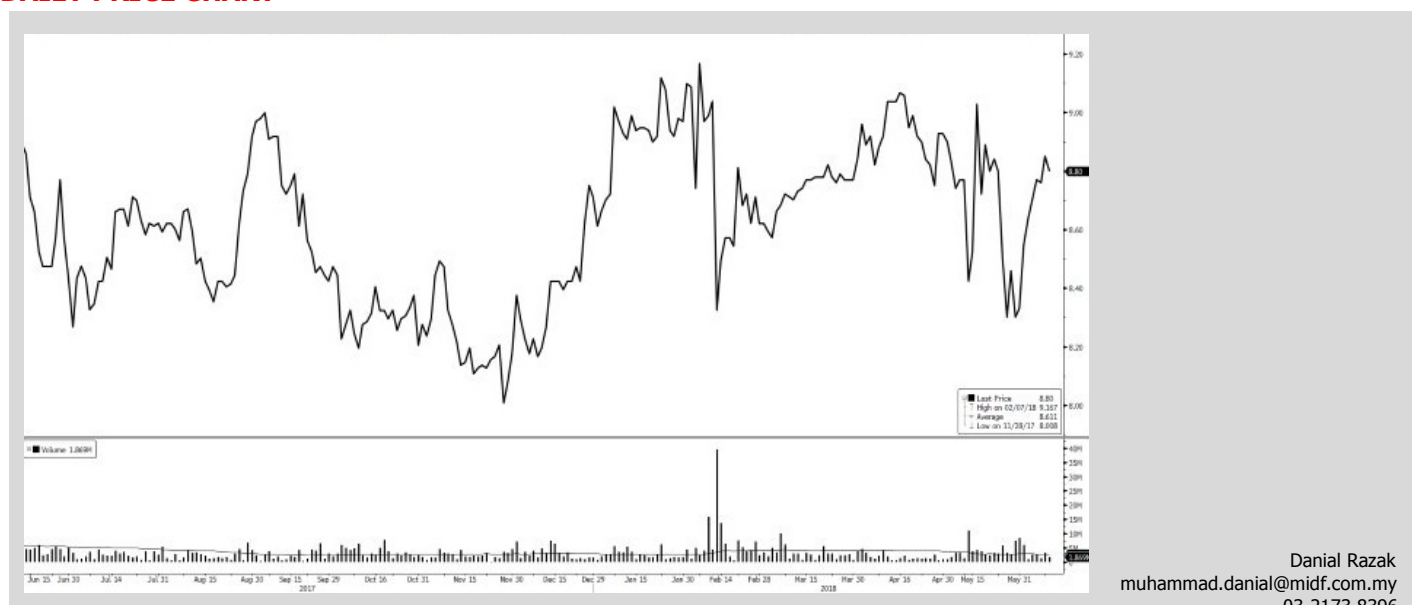
**International traffic likely to recover in 2HFY18.** We expect the strong momentum of traffic flow primarily international to remain, coming from the long holidays in countries such as China. It is worth noting that Chinese tourists represent a significant portion of international traffic which we attribute to the relaxation of visa permit to Malaysia and demographic factors. The occurrence of golden week in October is also expected to encourage outbound travel among Chinese tourists. Consequently, we opine revenue from retail segments to benefit given higher footfalls expected in the month of October in airports operated by MAHB. In consideration of these stimulants, we remain upbeat on MAHB's ability to post a decent traffic growth in 2018. Accordingly we have a **BUY** call on the stock with unchanged **TP** of **RM9.88**

## 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)	28.5	N/A	188.1	61.7	28.4	24.5
Net Dividend (sen)	14.0	8.5	10.0	13.0	13.0	13.0
Net Dividend Yield (%)	1.6	1.0	1.1	1.5	1.5	1.5

Source: Bloomberg, MIDFR

## DAILY PRICE CHART

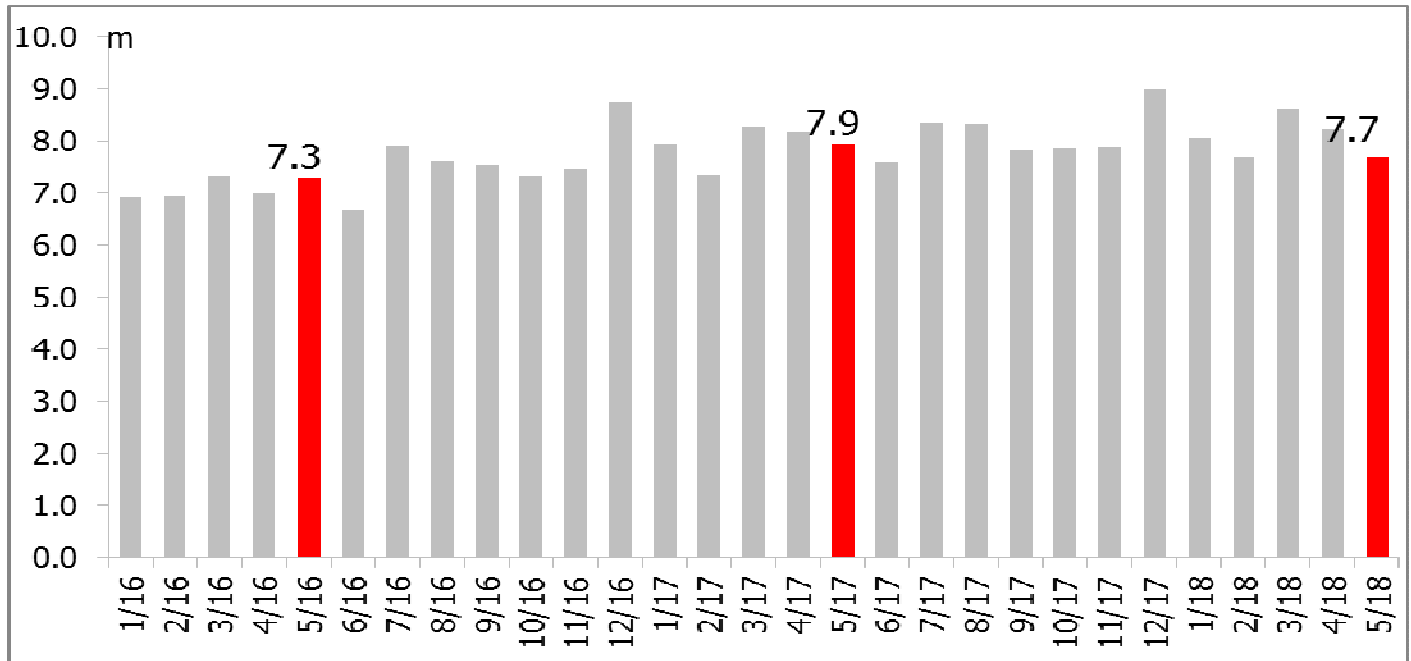


Source: Bloomberg, MIDFR

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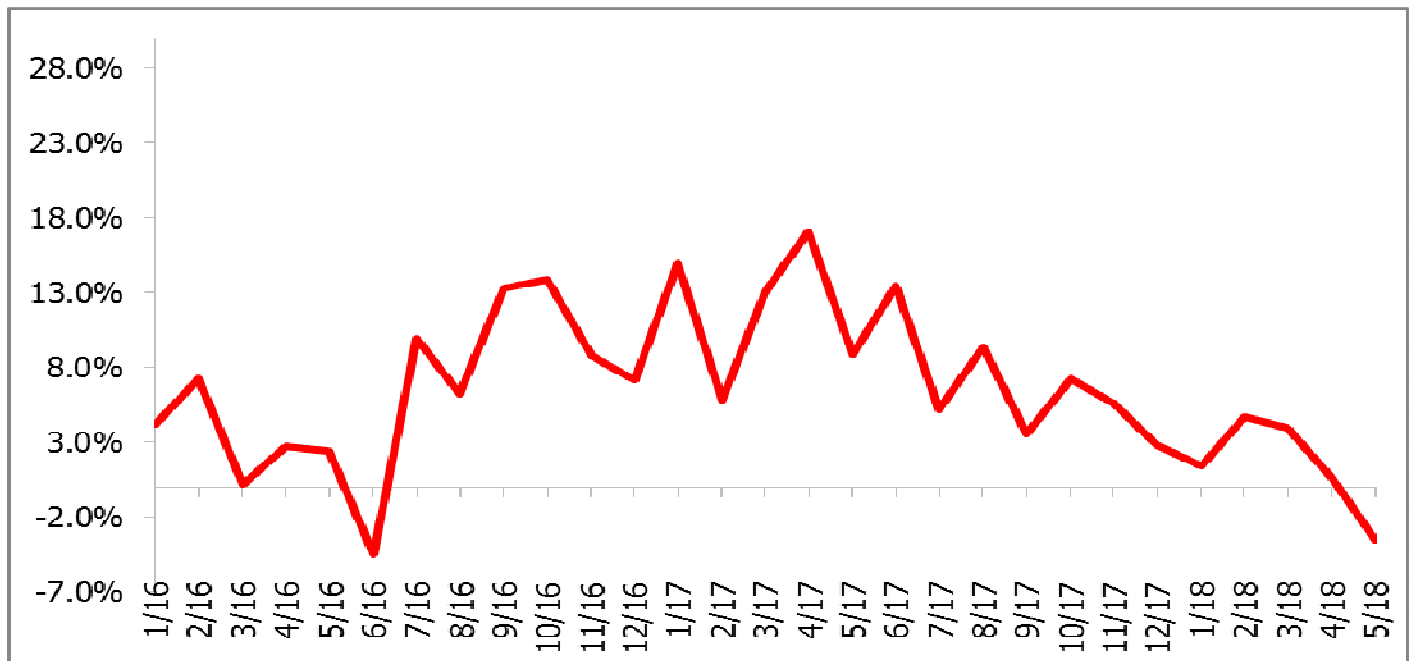
## APPENDIX

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



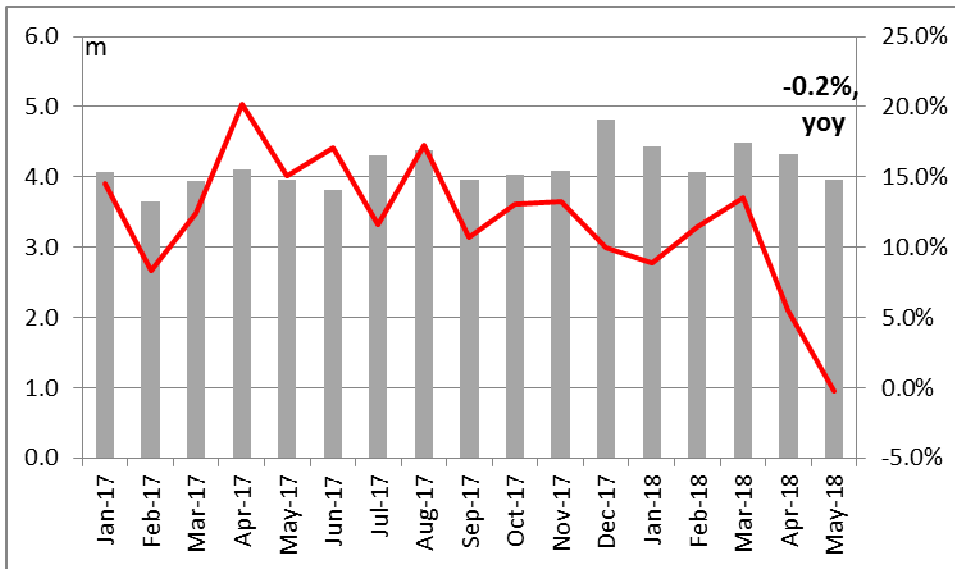
Source: MAHB, MIDFR

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



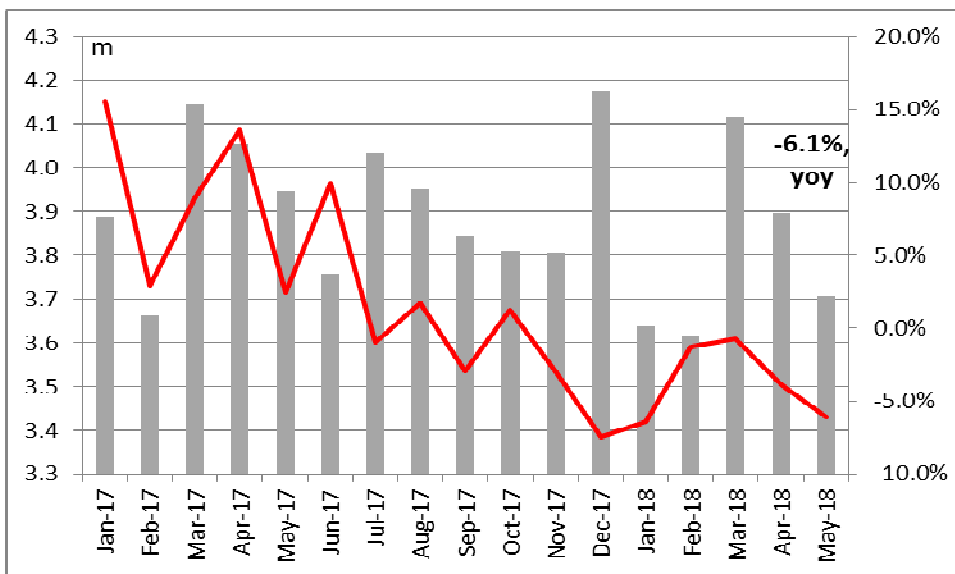
Source: MAHB, MIDFR

**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.