

28 March 2018 | Corporate Update

## Malaysia Airports Holdings

### Unloading stakes in Male Airport

**Maintain BUY**

**Unchanged Target Price (TP): RM9.80**

#### INVESTMENT HIGHLIGHTS

- MAHB entered into SPA to dispose 23% stakes in GMIAL
- The SPA's cash consideration is RM28.5m
- No impact to earnings (normalized) estimates
- Maintain BUY with an unchanged TP of RM9.98

**MAHB entered into SPA to dispose its entire stakes in Male Airport "GMIAL"** with GMR Holding, the majority shareholder with 77% shareholding in GMIAL. The proposed transaction encapsulates the transfer of 8.8m equity shares, representing 23% of the total issued and paid-up share capital of GMIAL to GMR Holdings, receivables and loans for a cash consideration of approximately RM28.5m.

**Exiting from controversial airport.** We believe that the operation of GMIAL have not been as smooth as initial expected. This is due to the dispute with the Government of Maldives on the validity of the concession agreement. Although, GMIAL have been compensated subsequently, we believe that the return from the airport have not commensurate the risk taken. In addition, the contribution from the airport to MAHB's earnings is minimal.

**Impact to earnings.** The proposed disposal will leave no impact to our earnings estimates, as we classify this transaction as a one-off item. Hence, our earnings forecasts for FY18 and FY19 remain intact.

**Valuation.** We believe MAHB is currently riding on a positive trajectory, based on its latest passenger traffic data. We expect the trend in passenger traffic to remain elevated due to seasonality factors. The falling of Aidilfitri, expected in June in the presence of worldwide summer holiday season between late-May to mid-June, will provide further boost to passenger traffic in 2QFY18. We believe this would bode well with the new entry of airlines at MAHB, providing better capacity to the increasing demand. On a longer-term perspective, we believe passenger traffic to be largely driven by higher-value international passenger. This would lend support to stable PSC collection, which make up an average of ~63.0% aeronautical revenue.

#### RETURN STATS

Price (27 March 2018)	RM8.87
Target Price	RM9.80
Expected Share Price Return	+10.5%
Expected Dividend Yield	+1.5%
<b>Expected Total Return</b>	<b>+12.0%</b>

#### STOCK INFO

KLCI	1,862.5
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)	14,717.0
Price over NTA	1.87x
52-wk price Range	RM6.88– RM9.45
Beta (against KLCI)	1.11x
3-mth Avg Daily Vol	4.14m
3-mth Avg Daily Value	RM36.61m
Major Shareholders (%)	
Khazanah	33.2%
EPF	10.1%
JP Morgan	2.2%

**Maintain BUY.** Given our optimism on MAHB, as the largest airport operator in Malaysia, we maintain our **BUY** call with **TP of RM9.80** based on our DCF assuming WACC of 7.8% and Beta of 1.1. MAHB is poised to benefit in the long-run based on the healthy trend of passenger traffic and improving airport operational efficiency in MAHB airports.



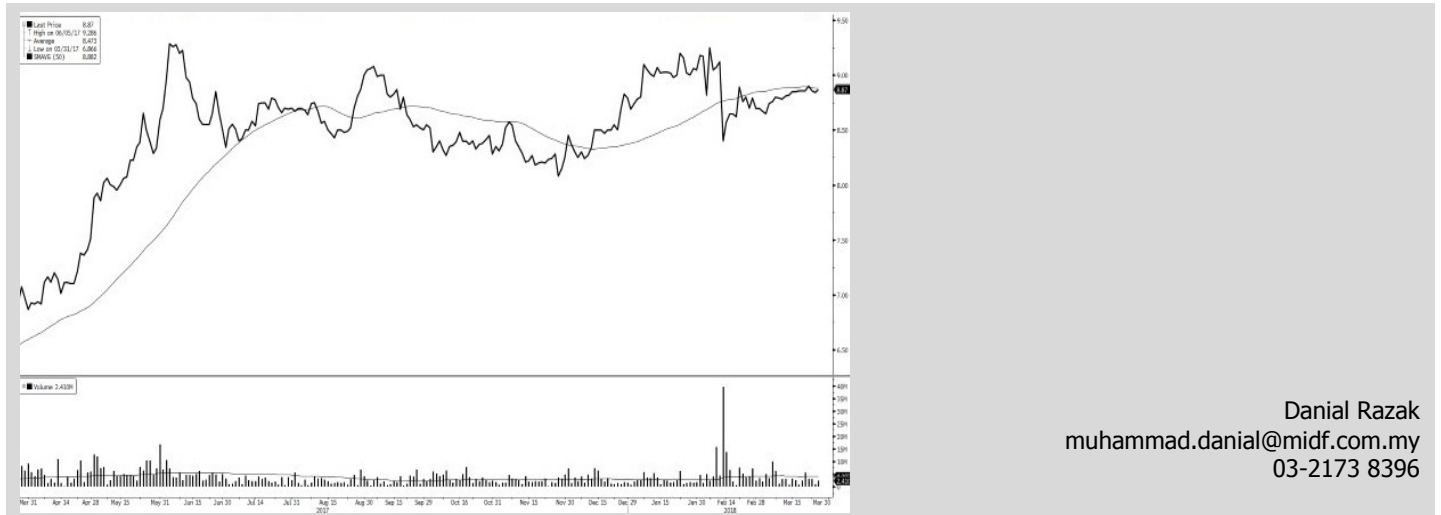
## INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Revenue* (RM' mn)	3,870.2	4,172.8	4,594.4	5,034.2	5,411.4
EBITDA (RM'mn)	1,679.1	1,709.9	1,910.9	2,008.8	2,310.1
EBIT (RM'mn)	777.5	857.4	1,030.0	935.3	1,005.4
Pretax Profit (RM' mn)	41.8	183.3	334.5	734.1	789.1
Net Profit (RM' mn)	45.2	73.1	236.5	412.8	483.7
Core Earnings* (RM'm)	(11.5)	77.5	236.5	412.8	483.7
EPS (sen)	(0.7)	4.7	14.3	24.9	29.2
EPS growth (%)	(102.2)	775.7	205.0	74.5	17.2
PER (x)	N/A	191.1	62.6	35.9	30.6
Net Dividend (sen)	8.5	10.0	13.0	13.0	13.0
Net Dividend Yield (%)	1.0	1.1	1.5	1.5	1.5

\* Excluding the effect of IC12

Source: Company, MIDFR

## DAILY PRICE CHART



Danial Razak  
 muhammad.danial@midf.com.my  
 03-2173 8396

Source: Bloomberg, 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.