

Malaysia Airports Holdings Berhad

(5014 | MAHB MK) Main | Transportation & Logistics

Second Profitable Quarter


KEY INVESTMENT HIGHLIGHTS

- **2QFY23 core PAT was within our estimate**
- **Istanbul SGIA's international traffic has surpassed 2019 level**
- **New OA to be finalised by 4QCY23**
- **No changes were made to the earnings estimates**
- **Maintain NEUTRAL with an unchanged TP of RM7.45**

Within expectations. Malaysia Airports Holdings Berhad (MAHB) reported a core PAT of RM109.8m in 2QFY23, resulting in a cumulative core PAT of RM173.7m. This came in within expectations, constituting 48%/40% of our/consensus full-year estimates.

Quarterly. MAHB booked another core PAT of RM109.8m (+>100.0%yoy) in 2QFY23. Istanbul SGIA achieved a notable milestone, surpassing pre-pandemic passenger numbers with a +3.6% growth (domestic: 81%, international: 140%) compared to FY19, while Malaysia's passenger traffic recovered to 78% (domestic: 87%, international: 70%). Revenue from the aeronautical (+89.2%yoy) and non-aeronautical (+77.4%yoy) segments grew robustly from an improved passenger mix following further easing of travel restrictions and the revival of airline services and connectivity. Sequentially, the core PAT grew by +72.0%qoq, propelled by Malaysia's extended holidays and higher Haj pilgrim quota, along with the onset of the summer season in Turkiye.

Outlook. In Malaysia, air travel demand remains strong, with the average load factor surpassing pre-Covid levels by +1.2% at 76.1% in 1HCY23. While the non-ASEAN sector presents promising growth potential, the path to full recovery remains uncertain due to lower aircraft availability resulting from operational adjustments during Covid and China's reopening has yet to yield a significant impact. For the China sector, passenger movements and seat capacity filed in Jun-23 has only reached 40% of FY19 level, with the latter projected to recover to around 60% by year-end. Meanwhile, the international passenger movements at Istanbul SGIA are anticipated to remain buoyant throughout the summer months, supporting the overall traffic recovery.

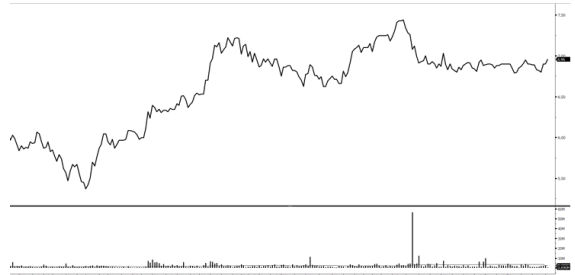
Maintain NEUTRAL. As the earnings were in line, we made no changes to our estimates. We expect the forthcoming operating agreement (OA), set to finalise in 4QCY23, to offer guidance on the Group's earnings prospects. Currently, we maintain **NEUTRAL** on MAHB with an unchanged DCF-derived TP of **RM7.45** (WACC: 10%, g: 1%). Key upside risks include: (i) stronger-than-expected international passenger movements at Istanbul SGIA, (ii) faster-than-expected return of free-spending Chinese tourists and (iii) local airlines rebuilding their fleet. 

Maintain NEUTRAL
Unchanged Target Price: RM7.45

RETURN STATISTICS

Price @ 24 th August 2023 (RM)	6.93
Expected share price return (%)	+7.5
Expected dividend yield (%)	+1.4
Expected total return (%)	+8.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.7	-1.4
3 months	0.7	-7.0
12 months	15.5	18.5

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	4,585.1	5,131.8	5,247.7
Operating profit	1,131.3	1,395.9	1,420.9
PBT	473.5	749.6	786.8
Core PAT	359.9	569.7	598.0
EPS (sen)	21.6	34.1	35.8
DPS (sen)	10.0	15.0	16.0
Dividend yield (%)	1.4%	2.2%	2.3%

KEY STATISTICS

FBM KLCI	1,444.67
Issue shares (m)	1,659.2
Estimated free float (%)	41.8
Market Capitalisation (RM'm)	11,563.1
52-wk price range	RM5.40 - RM7.54
3-mth average daily volume (m)	3.6
3-mth average daily value (RM'm)	24.7
Top Shareholders (%)	
Khazanah Nasional Bhd	33.2
Employees Provident Fund	10.4
KWAP	6.8

MAHB: 2Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
	2QFY23	1QFY23	2QFY22	QoQ	YoY	1HFY23	1HFY22	YoY
Income Statement								
Revenue	1,232.0	1,034.4	689.0	19.1%	78.8%	2,266.4	1,260.6	79.8%
Operating profit	312.5	205.8	99.1	51.8%	215.2%	518.3	129.6	300.0%
Finance costs	-177.2	-147.8	-193.7	-19.9%	8.5%	-325.0	-376.2	13.6%
Associates & JVs	-1.4	5.2	3.5	-126.7%	-	3.8	5.2	-26.2%
PBT	133.9	63.3	-91.1	111.7%	247.0%	197.2	-241.5	181.7%
Taxation & zakat	-31.4	-5.1	32.9	-518.8%	-	-36.4	78.6	-146.4%
PAT	88.2	44.0	-72.5	100.4%	221.7%	132.2	-191.4	169.1%
Core PAT	109.8	63.8	-92.4	72.0%	218.8%	173.7	-222.1	178.2%
OP margin	25.4%	19.9%	14.4%			22.9%	10.3%	
PBT margin	10.9%	6.1%	-13.2%			8.7%	-19.2%	
Core PATAMI margin	8.9%	6.2%	-13.4%			7.7%	-17.6%	
Effective tax rate	-23.4%	-8.0%	-36.2%			18.5%	32.5%	

REVENUE BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
	2QFY23	1QFY23	2QFY22	QoQ	YoY	1HFY23	1HFY22	YoY
Airport Operations								
Aeronautical								
PSC & PSSC	554.7	421.2	271.1	31.7%	104.6%	975.9	474.8	105.5%
Landing & parking	82.0	77.1	59.5	6.4%	37.8%	159.1	115.9	37.3%
Others	59.9	55.6	37.6	7.7%	59.3%	115.5	72.3	59.8%
	696.6	553.9	368.2	25.8%	89.2%	1,250.5	663.0	88.6%
Non-aeronautical								
Retail	135.8	120.3	50.3	12.9%	170.0%	256.1	68.6	273.3%
Rental & royalties	283.1	243.1	173.9	16.5%	62.8%	526.2	343.3	53.3%
Car park	23.1	25.1	15.3	-8.0%	51.0%	48.2	27.1	77.9%
Others	16.8	18.3	19.1	-8.2%	-12.0%	35.1	35.0	0.3%
	458.8	406.8	258.6	12.8%	77.4%	865.6	474.0	82.6%
Non-Airport Operations								
Hotel	31.1	29.0	18.7	7.2%	66.3%	60.1	35.6	68.8%
Agriculture & horticulture	7.8	7.0	14.7	11.4%	-46.9%	14.8	29.9	-50.5%
Project & repair maintenance	37.5	37.9	29.6	-1.1%	26.7%	75.4	58.1	29.8%
	76.4	73.9	63.0	3.4%	21.3%	150.3	123.6	21.6%

COST BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
	2QFY23	1QFY23	2QFY22	QoQ	YoY	1HFY23	1HFY22	YoY
Direct Cost								
Materials	-70.2	-62.7	-29.6	-12.0%	-	-132.9	-44.2	-200.7%
Labour	-48.2	-39.7	-33.9	-21.4%	-17.1%	-87.9	-65.8	-33.6%
Overheads	-40.9	-33.5	-28.9	-22.1%	-15.9%	-74.4	-49.3	-50.9%
	-159.3	-135.9	-92.4	-17.2%	-47.1%	-295.2	-159.3	-85.3%
Operating Cost								
Staff costs	-168.1	-151.5	-134.7	-11.0%	-12.5%	-319.6	-271.3	-17.8%
Utilities & Comm.	-114.0	-99.4	-86.2	-14.7%	-15.3%	-213.4	-161.5	-32.1%
Maintenance	-78.3	-71.8	-59.5	-9.1%	-20.7%	-150.1	-116.8	-28.5%
Net allowance of PDD	-5.7	13.3	12.8	-142.9%	3.9%	7.6	23.9	-68.2%
Others	-94.3	-85.2	-48.6	-10.7%	-75.3%	-179.5	-91.0	-97.3%
	-460.4	-394.6	-316.2	-16.7%	-24.8%	-855.0	-616.7	-38.6%
User Fee & PSC Share								
User fee	-100.5	-81.5	-45.0	-23.3%	-81.1%	-182.0	-79.0	-130.4%
PSC share	-38.1	-33.9	-26.9	-12.4%	-26.0%	-72.0	-51.0	-41.2%

PASSENGER TRAFFIC (PAX '000)

Malaysia	Quarterly					Cumulatively		
	2QFY23	1QFY23	2QFY22	QoQ	YoY	1HFY23	1HFY22	YoY
International	9,019	8,352	2,968	8.0%	203.9%	17,371	3,936	341.4%
ASEAN	5,071	4,564	1,740	11.1%	191.4%	9,635	2,135	351.3%
Non-ASEAN	3,946	3,787	1,228	4.2%	221.3%	7,733	1,801	329.4%
Domestic	11,133	10,328	8,924	7.8%	24.8%	21,461	16,275	31.9%
	29,169	27,031	14,860	7.9%	96.3%	56,200	24,146	132.7%
Turkiye	2QFY23	1QFY23	2QFY22	QoQ	YoY	1HFY23	1HFY22	YoY
International	4,789	4,252	3,583	12.6%	33.7%	9,041	6,747	34.0%
Domestic	4,350	3,822	3,821	13.8%	13.8%	8,172	7,094	15.2%
	9,139	8,074	7,404	13.2%	23.4%	17,213	13,841	24.4%
Total MAHB	38,308	35,105	22,264	9.1%	72.1%	73,413	37,987	93.3%

Source: MAHB, MIDFR

PASSENGER TRAFFIC (RECOVERY AS A % OF 2019 LEVEL)

Malaysia	Quarterly			Cumulatively	
	2QCY23	1QCY23	2QCY22	1HCY23	1HCY22
International	70%	64%	23%	67%	15%
ASEAN	78%	71%	27%	74%	16%
Non-ASEAN	62%	57%	19%	59%	14%
Domestic	87%	84%	69%	85%	65%
Turkiye	2QCY23	1QCY23	2QCY22	1HCY23	1HCY22
International	140%	142%	105%	141%	105%
Domestic	81%	74%	71%	78%	67%

Source: MAHB, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	1,673.0	3,127.0	4,585.1	5,131.8	5,247.7
Operating profit	-394.4	349.2	1,131.3	1,395.9	1,420.9
PBT	-1,040.9	184.6	473.5	749.6	786.8
PATAMI	-823.9	129.7	359.9	569.7	598.0
Core PATAMI	-805.2	-363.5	359.9	569.7	598.0
EPS (sen)	n.a.	n.a.	21.6	34.1	35.8
PER (x)	n.a.	n.a.	32.1x	20.3x	19.3x
DPS (sen)	n.a.	3.9	10.0	15.0	16.0
Dividend yield (%)	n.a.	0.6%	1.4%	2.2%	2.3%

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Intangible assets	15,215.4	14,579.7	13,943.5	13,302.4	12,656.3
PPE	432.5	418.3	510.8	596.7	675.7
Non-current assets	17,348.0	16,865.0	16,133.5	15,164.7	14,404.5
Trade debtors	275.1	536.0	565.3	632.7	647.0
Cash & cash equivalents	1,583.2	1,529.6	1,660.9	1,990.8	2,627.1
Current assets	2,814.6	2,585.0	2,774.5	3,184.3	3,838.1
Long-term debt	3,566.0	4,144.4	4,365.0	3,765.0	3,265.0
Non-current liabilities	9,770.8	9,166.3	9,250.9	8,296.5	7,883.8
Trade creditors	668.8	2,116.5	1,406.9	1,546.6	1,581.5
Short-term debt	1,745.8	697.3	697.3	697.3	697.3
Current liabilities	3,139.2	2,857.4	2,147.8	2,287.4	2,322.4
Share capital	5,114.3	5,114.3	5,114.3	5,114.3	5,114.3
Retained earnings	1,121.0	1,250.7	1,333.6	1,589.4	1,860.8
Equity	7,252.5	7,426.3	7,509.3	7,765.1	8,036.5

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	-1,040.9	184.6	473.5	749.6	786.8
Operating cash flow	271.1	1,039.9	1,191.8	2,187.4	2,186.2
Investing cash flow	-133.5	238.5	-400.0	-400.0	-400.0
Financing cash flow	471.2	-1,360.2	-660.5	-1,457.5	-1,149.9
Net cash flow	608.8	-81.8	131.3	329.9	636.3
Beginning cash flow	973.7	1,583.2	1,529.6	1,660.9	1,990.8
Ending cash flow	1,583.2	1,529.6	1,660.9	1,990.8	2,627.1

Key Assumptions ('000)	2021A	2022A	2023E	2024F	2025F
MY International	1,360	16,455	42,884	54,610	56,208
MY Domestic	9,363	36,095	46,779	54,576	56,135
Total MY	10,723	52,550	89,663	109,185	112,343
TY International	8,972	15,712	17,793	18,504	19,216
TY Domestic	16,384	15,469	20,633	22,153	22,805
Total TY	25,356	31,181	38,426	40,658	42,021

Profitability Margins	2021A	2022A	2023E	2024F	2025F
OP margin	-	11.2%	24.7%	27.2%	27.1%
PBT margin	-	5.9%	10.3%	14.6%	15.0%
PAT margin	-	-	7.8%	11.1%	11.4%
Core PAT margin	-	-	7.8%	11.1%	11.4%

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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology