

Malaysia Airports Holdings Berhad

Maintain NEUTRAL

(5014 | AIRPORT MK) Main | Transportation & Logistics


Divesting Stake in Hyderabad International Airport

Unchanged Target Price: RM7.45

DEVELOPMENT

- On October 25, 2023, Malaysia Airports Holdings Berhad (MAHB), along with its wholly owned subsidiary, MAHB (Mauritius) Private Limited (MAMPL) (the Sellers), has engaged in a Sale and Purchase Agreement (SPA) with GMR Airports Singapore Private Limited (GASPL or the Buyer) to sell its 11% ownership share in GMR Hyderabad International Airport Limited (GHIAL) for a cash consideration of USD100.0m (RM478.9m).

OUR VIEW

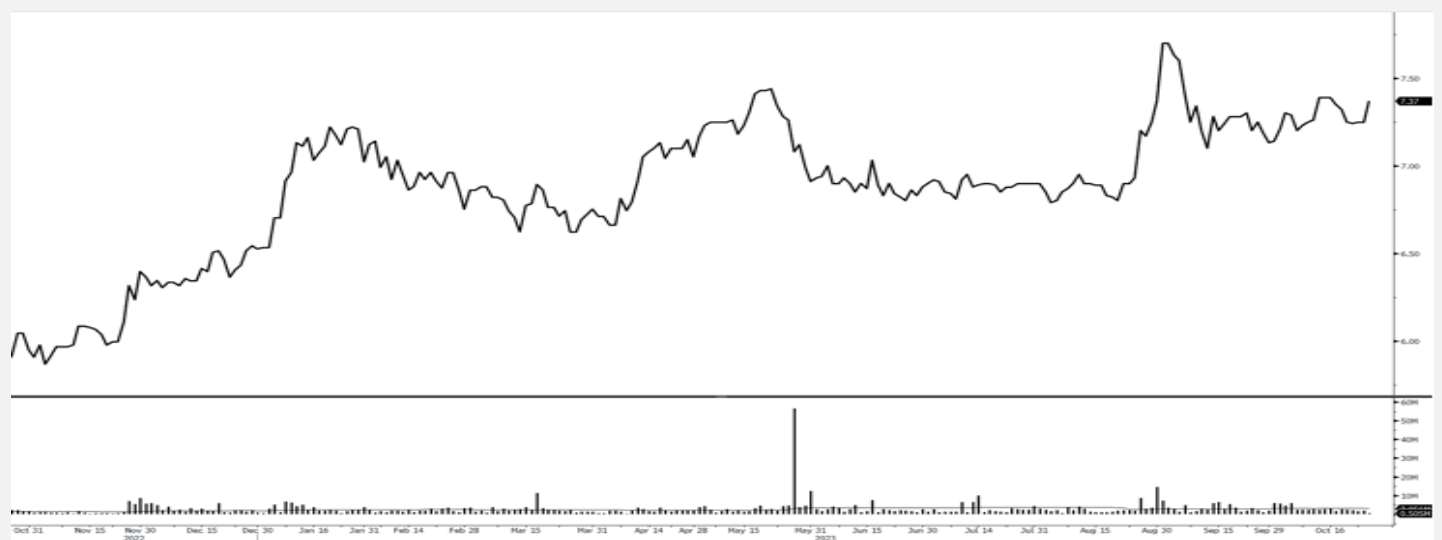
- GHIAL is an Indian-based public limited company. Its primary operations center around offering airport management services using both the "build, own, operate, and transfer" and "operate only" models. Currently, GHIAL oversees the operational management of the Rajiv Gandhi International Airport in Hyderabad, India as well as the Bidar Airport in Karnataka, India.
- GASPL or the Buyer is an indirect subsidiary of GMR Airports Infrastructure Limited (GAIL), which is a publicly listed entity on both the National Stock Exchange of India Limited and the BSE (Bombay Stock Exchange). To note, GMR Airports Limited, a subsidiary of GAIL, holds a significant 63% ownership stake in GHIAL.
- As per MAHB's audited consolidated financial statements for FY22, and under the assumption that the proposed disposal had been finalised by Dec-22, it was demonstrated that an anticipated gain of about USD23.7m (RM113.5m) would be realised. Nevertheless, this gain will be excluded from our core earnings calculation. It is worth noting that the combined investment cost made by MAHB via MAMPL for the 11% stake in GHIAL amounts to USD9.9m (RM47.3m).
- The funds generated from the planned sale are earmarked for capital expenditure and are expected to be entirely utilised within the coming 12 months.
- We view this proposed sale positively as it presents an opportunity for MAHB to divest and realise the value of its non-core assets while also simplifying its international investment portfolio. Since the inauguration of the Rajib Gandhi International Airport on Mar-08, MAHB has only received a dividend of USD6.4m (RM30.7m) from GHIAL. The proposed disposal will allow MAHB to unlock its investment in GHIAL, given its minority ownership without control, and reinvest the proceeds into assets where the Group has more direct investment control.
- The finalisation of the agreement is contingent upon meeting certain conditions outlined in the SPA, which include obtaining approval from the boards of both the buyer and seller, among other requirements. These conditions should be fulfilled or waived within 135 days of the signing date (1QFY24), or a later date as mutually agreed upon in writing by the Sellers.
- Anticipated in the 4QCY23, the upcoming new operating agreement (OA) is expected to provide insights into the Group's earnings outlook. Presently, we maintain a **NEUTRAL** stance on MAHB, with an unchanged TP of **RM7.45** (WACC: 10%, g: 1%). Key rerating factors are: (i) stronger than expected international passenger traffic at Istanbul SGIA, (ii) local airlines rebuilding their fleets and (iii) faster than expected return of Chinese tourists to MY. 

INVESTMENT STATISTICS

Income Statement	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.	34.2x	21.6x	20.6x
DPS (sen)	n.a.	3.9	10.0	15.0	16.0
Dividend yield (%)	n.a.	0.5%	1.4%	2.0%	2.2%

Source: MAHB, MIDFR

SHARE PRICE CHART



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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