

Malaysia Airports Holdings Berhad

(5014 | MAHB MK) Main | Transportation & Logistics

Outperforming Expectation


KEY INVESTMENT HIGHLIGHTS

- **Core PAT in 3QFY23 surpassed our estimate**
- **Passenger traffic at Istanbul SGIA achieved an +8.0% growth against 2019 levels in 3QFY23**
- **Anticipating the end of waivers and discounts in FY24F**
- **Upward revision of earnings between +20% to +24%**
- **Maintain NEUTRAL with a revised TP of RM7.80**

Above expectations. Malaysia Airports Holdings Berhad (MAHB) posted a core PAT of RM134.4m in 3QFY23, bringing the cumulative core PAT for the 9MFY23 period to RM317.5m. This surpassed expectations, making up 88%/80% of our/consensus full-year estimates. The deviation was attributed to higher-than-expected international passenger traffic for its Turkish operations.

Quarterly. In 3QFY23, MAHB achieved its third consecutive core PAT of RM134.4m (+>100%yoy), marking a growth of more than fourfold, buoyed by the ongoing recovery in passenger traffic. Against 2019 levels, Malaysia's passenger numbers recovered to 81%, while Istanbul SGIA recorded an +8.0% growth, driven by its robust international traffic. Moreover, commercial and retail initiatives are proving successful, making a more significant contribution as operational occupancy currently stands at 72% (2QFY23: 64%) and is on track to reach 85% by year-end. Sequentially, the core PAT grew by +26.8%qoq, primarily driven by summer holidays in Turkiye.

Outlook. Expecting a continued recovery in Malaysia's passenger traffic, local carriers and the top 5 foreign carriers plan to increase seat capacity by +24% and +31% respectively in the coming year. The upcoming reciprocal visa-free entry agreement between China and Malaysia, starting December 1, 2023, is a welcomed boost, considering that only 58% of pre-Covid passengers from China had returned as of Sep-23. Meanwhile, Istanbul SGIA's traffic recovery is poised for growth fueled by the increasing demand for international travel.

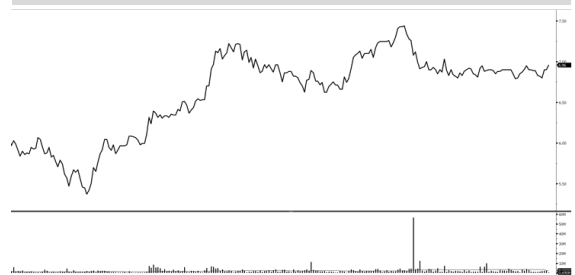
Maintain NEUTRAL. We raised our earnings forecasts for FY23E/FY24F/FY25F by +24%/+20%/21%, mainly reflecting higher international passenger traffic at Istanbul SGIA. Additionally, we expect stronger rental and commercial revenue for the Malaysian operations, as the full reopening of retail space (expected in 1QFY24), will lead to the discontinuation of waivers and discounts amid recovering passenger traffic. Following the revision, our DCF-derived TP is now higher at **RM7.80** (from RM7.45) (WACC: 10%, g: 1%). Key catalysts include: (i) faster-than-expected recovery of the Northeast Asia sector and (ii) local airlines rebuilding their fleet. 

Maintain NEUTRAL
Revised Target Price: RM7.80
(Previously RM7.45)

RETURN STATISTICS

Price @ 29 th November 2023 (RM)	7.30
Expected share price return (%)	+6.8
Expected dividend yield (%)	+1.6
Expected total return (%)	+8.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.2	-1.5
3 months	2.4	-0.5
12 months	13.5	16.9

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	4,648.5	5,590.4	5,740.6
Operating profit	1,201.4	1,538.9	1,574.4
PBT	588.9	902.6	948.4
Core PAT	447.6	686.0	720.8
EPS (sen)	26.8	41.1	43.2
DPS (sen)	12.0	19.0	19.0
Dividend yield (%)	1.6%	2.6%	2.6%

KEY STATISTICS

FBM KLCI	1,446.07
Issue shares (m)	1659.19
Estimated free float (%)	43.78
Market Capitalisation (RM'm)	12,180.45
52-wk price range	RM6.23 - RM7.80
3-mth average daily volume (m)	2.73
3-mth average daily value (RM'm)	20
Top Shareholders (%)	
Khazanah Nasional Bhd	33.24
Employees Provident Fund	8.42
KWAP	6.76

MAHB: 3Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
	3Q23	2Q23	3Q22	QoQ	YoY	9M23	9M22	YoY
Income Statement								
Revenue	1,276.3	1,232.0	863.6	3.6%	47.8%	3,542.7	2,124.2	66.8%
Operating profit	252.0	312.5	172.4	-19.4%	46.2%	770.3	302.0	155.1%
Finance costs	-175.4	-177.2	-194.5	1.0%	9.8%	-500.4	-570.7	12.3%
Associates & JVs	10.5	-1.4	3.0	854.2%	249.9%	14.3	8.2	75.2%
PBT	87.1	133.9	-19.1	-35.0%	555.3%	284.3	-260.6	209.1%
Taxation & zakat	7.7	-31.4	10.1	124.4%	-24.2%	-28.8	88.7	-132.5%
PAT	80.3	88.2	-23.5	-9.0%	441.1%	212.5	-215.0	198.8%
Core PAT	134.4	106.0	-38.5	26.8%	448.7%	317.5	-235.4	234.9%
OP margin	19.7%	25.4%	20.0%			21.7%	14.2%	
PBT margin	6.8%	10.9%	-2.2%			8.0%	-12.3%	
Core PATAMI margin	10.5%	8.6%	-4.5%			9.0%	-11.1%	
Effective tax rate	8.8%	-23.4%	-52.8%			10.1%	34.0%	

REVENUE BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
	3Q23	2Q23	3Q22	QoQ	YoY	9M23	9M22	YoY
Airport Operations								
Aeronautical								
PSC & PSSC	561.5	554.7	342.1	1.2%	64.1%	1,537.4	816.9	88.2%
Landing & parking	77.8	82.0	67.9	-5.1%	14.6%	236.9	183.8	28.9%
Others	62.5	59.9	39.9	4.3%	56.6%	178.0	112.2	58.6%
	701.8	696.6	449.9	0.7%	56.0%	1,952.3	1,112.9	75.4%
Non-aeronautical								
Retail	149.9	135.8	85.5	10.4%	75.3%	406.0	154.1	163.5%
Rental & royalties	301.6	283.1	224.9	6.5%	34.1%	827.8	568.2	45.7%
Car park	25.2	23.1	18.3	9.1%	37.7%	73.4	45.4	61.7%
Others	17.8	16.8	20.7	6.0%	-14.0%	52.9	55.7	-5.0%
	494.5	458.8	349.4	7.8%	41.5%	1,360.1	823.4	65.2%
Non-Airport Operations								
Hotel	32.6	31.1	23.4	4.8%	39.3%	92.7	59.0	57.1%
Agriculture & horticulture	7.8	7.8	9.3	0.0%	-16.1%	22.6	39.2	-42.3%
Project & repair maintenance	39.5	37.5	31.6	5.3%	25.0%	114.9	89.7	28.1%
	79.9	76.4	64.3	4.6%	24.3%	230.2	187.9	22.5%

COST BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
	3Q23	2Q23	3Q22	QoQ	YoY	9M23	9M22	YoY
Direct Cost								
Materials	-78.9	-70.2	-46.4	-12.4%	-51.3%	-211.8	-90.6	-133.8%
Labour	-46.8	-48.2	-35.8	2.9%	-34.6%	-134.7	-101.6	-32.6%
Overheads	-36.1	-40.9	-27.4	11.7%	-49.3%	-110.5	-76.7	-44.1%
	-161.8	-159.3	-109.6	-1.6%	-45.3%	-457.0	-268.9	-70.0%
Operating Cost								
Staff costs	-182.8	-168.1	-140.9	-8.7%	-19.3%	-502.4	-412.2	-21.9%
Utilities & Comm.	-132.5	-114.0	-92.8	-16.2%	-22.8%	-345.9	-254.3	-36.0%
Maintenance	-87.5	-78.3	-60.3	-11.7%	-29.9%	-237.6	-177.1	-34.2%
Net allowance of PDD	-30.0	-5.7	-15.7	-426.3%	63.7%	-22.4	8.2	-373.2%
Others	-87.4	-94.3	-44.2	7.3%	-113.3%	-266.9	-135.2	-97.4%
	-520.2	-460.4	-353.9	-13.0%	-30.1%	-1,375.2	-970.6	-41.7%
User Fee & PSC Share								
User fee	-99.1	-100.5	-61.5	1.4%	-63.4%	-281.1	-140.5	-100.1%
PSC share	-46.7	-38.1	-33.5	-22.6%	-13.7%	-118.7	-84.5	-40.5%

Source: MAHB, MIDFR

PASSENGER TRAFFIC (PAX '000)

	Quarterly				Cumulatively			
	3Q23	2Q23	3Q22	QoQ	YoY	9M23	9M22	YoY
Malaysia								
International	10,326	9,017	5,310	14.5%	94.5%	27,694	9,246	199.5%
ASEAN	5,410	5,071	3,242	6.7%	66.9%	10,481	5,377	94.9%
Non-ASEAN	4,916	3,946	2,068	24.6%	137.7%	8,862	3,869	129.1%
Domestic	11,396	11,133	9,642	2.4%	18.2%	22,529	25,917	-13.1%
	21,722	20,150	14,952	7.8%	45.3%	41,872	35,163	19.1%
Turkiye	3Q23	2Q23	3Q22	QoQ	YoY	9M23	9M22	YoY
International	5,553	4,789	4,531	16.0%	22.6%	14,594	11,278	29.4%
Domestic	5,321	4,350	4,499	22.3%	18.3%	13,493	11,593	16.4%
	10,874	9,139	9,030	19.0%	20.4%	28,087	22,871	22.8%
Total MAHB	32,596	29,289	23,982	11.3%	35.9%	88,638	58,034	52.7%
Total MAHB	38,308							

Source: MAHB, MIDFR

PASSENGER TRAFFIC (RECOVERY AS A % OF 2019 LEVEL)

	Quarterly			Cumulatively	
	3Q23	2Q23	3Q22	9M23	9M22
Malaysia					
International	77%	70%	40%	70%	23%
ASEAN	81%	78%	49%	77%	27%
Non-ASEAN	73%	62%	31%	64%	20%
Domestic	85%	87%	72%	85%	67%
	81%	78%	56%	78%	45%
Turkiye	3Q23	2Q23	3Q22	9M23	9M22
International	134%	140%	109%	138%	107%
Domestic	90%	81%	76%	82%	70%
	108%	104%	90%	104%	85%

Source: MAHB, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	1,673.0	3,127.0	4,648.5	5,590.4	5,740.6
Operating profit	-394.4	349.2	1,201.4	1,538.9	1,574.4
PBT	-1,040.9	184.6	588.9	902.6	948.4
PATAMI	-823.9	129.7	447.6	686.0	720.8
Core PATAMI	-805.2	-363.5	447.6	686.0	720.8
EPS (sen)	n.a.	n.a.	26.8	41.1	43.2
PER (x)	n.a.	n.a.	27.2x	17.8x	16.9x
DPS (sen)	n.a.	3.9	12.0	19.0	19.0
Dividend yield (%)	n.a.	0.5%	1.6%	2.6%	2.6%
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Intangible assets	15,215.4	14,579.7	13,776.8	12,967.8	12,152.9
PPE	432.5	418.3	510.8	596.7	675.7
Non-current assets	17,348.0	16,865.0	16,054.3	15,390.3	14,519.9
Trade debtors	275.1	536.0	573.1	689.2	707.7
Cash & cash equivalents	1,583.2	1,529.6	1,856.4	2,501.0	3,351.8
Current assets	2,814.6	2,585.0	2,979.6	3,769.1	4,642.6
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	9,309.2	8,795.1	8,412.4
Trade creditors	668.8	2,116.5	1,426.4	1,746.0	1,792.9
Short-term debt	1,745.8	697.3	697.3	697.3	697.3
Current liabilities	3,139.2	2,857.4	2,167.2	2,486.9	2,533.8
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	1,381.8	1,701.6	2,040.6
Equity	7,252.5	7,426.3	7,557.5	7,877.3	8,216.3
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	-1,040.9	184.6	588.9	902.6	948.4
Operating cash flow	271.1	1,039.9	1,433.1	2,600.3	2,505.2
Investing cash flow	-133.5	238.5	-400.0	-400.0	-400.0
Financing cash flow	471.2	-1,360.2	-706.3	-1,555.7	-1,254.4
Net cash flow	608.8	-81.8	326.8	644.6	850.7
Beginning cash flow	973.7	1,583.2	1,529.6	1,856.4	2,501.0
Ending cash flow	1,583.2	1,529.6	1,856.4	2,501.0	3,351.8
Key Assumptions (Pax '000)	2021A	2022A	2023E	2024F	2025F
MY International	1,360	16,455	42,613	54,610	56,208
MY Domestic	9,363	36,095	46,779	53,017	55,615
Total MY	10,723	52,550	89,392	107,626	111,824
TY International	8,972	15,712	19,216	19,928	20,639
TY Domestic	16,384	15,469	18,461	22,153	22,805
Total TY	25,356	31,181	37,677	42,081	43,444
Profitability Margins	2021A	2022A	2023E	2024F	2025F
OP margin	-	11.2%	25.8%	27.5%	27.4%
PBT margin	-	5.9%	12.7%	16.1%	16.5%
PAT margin	-	-	9.6%	12.3%	12.6%
Core PAT margin	-	-	9.6%	12.3%	12.6%

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