

Malaysia Airports Holdings Berhad

(5014 | MAHB MK) Main | Transportation & Logistics

Record First Quarter Profit

Accept Offer
Offer Price: RM11.00


KEY INVESTMENT HIGHLIGHTS

- **1QFY24 core PAT met our estimate**
- **Passenger traffic reached 93% recovery in 1QCY24**
- **Total passenger traffic exceeded 2019 levels in May-24**
- **Upward revision of earnings between +6% to +11%**
- **We recommend investors to accept the buyout offer**

Within expectation. Malaysia Airports Holdings Berhad (MAHB) reported a core PAT of RM176.9m for 1QFY24. This result aligns with expectations, representing 25%/23% of our/consensus estimates.

Quarterly. MAHB reported its highest-ever core PAT for 1Q at RM176.9m, marking more than a fourfold increase against 1QFY23. The total passenger traffic has recovered to 93% in 1QFY24 (Malaysia: 86%, ISG: 117%), predominantly driven by the international traffic at Istanbul SGIA. Its commercial and retail rejuvenation initiatives have resulted in an operational occupancy rate of 80% (FY19: 79%), on track to reach 86% by Dec-24. Furthermore, the enhanced product offerings at Eraman (its duty-free brand) have led to an increase in the average spending per ticket, reaching RM338 (FY19: RM233) in 1QFY24. Sequentially, despite the seasonally weaker quarter, the increase in earnings was mainly supported by reduced operating expenses and depreciation costs.

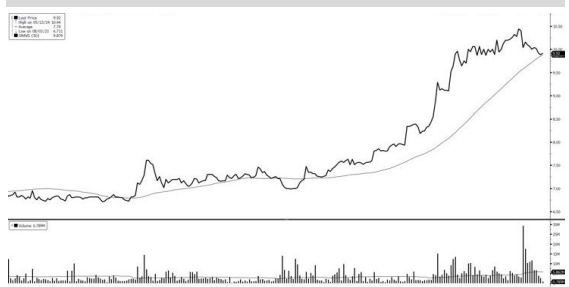
Outlook. MAHB's total passenger traffic in May-24 has reportedly surpassed the levels recorded in CY19. There is considerable potential for expansion within Malaysia's non-ASEAN sector, attributed in part to China's visa-free policy that was recently extended to end-FY25. The recovery of this sector has reportedly reached 78% in 1QCY24. The number of airlines serving Malaysia stood at 69 in 1QCY24, matching the levels seen in CY19, with four new carriers slated to enter the market later this year. Meanwhile, expansion plans for Penang airport are set to commence in 2HCY24, with an estimated cost of RM1.55b. The state government is contributing RM150.0m, while MAHB is initially investing RM700.0m, to be recovered via a temporary reduction in user fees (set to be lower by -4% from 2HFY24 for 6 years and capped at RM120.0m per annum). MAHB plans to raise the remaining RM700.0m through the capital markets.

Recommendation. We have revised our FY24F/FY25F earnings upwards by +6%/+11% after taking into account the funding for the Penang airport expansion. Our DCF-derived fair value is now higher at RM9.40 from RM8.75 (WACC: 11%, g: 1%). The stock is currently trading at 6.8x FY25 EV/EBITDA, compared to its 5-year average of 9.3x. If the pre-conditions of the privatisation offer are met or waived, we advise investors to **accept the buyout offer at RM11.00 per share**, which represents a +17% premium to our fair value. 

RETURN STATISTICS

Price @ 30 th May 2024 (RM)	9.93
Expected share price return (%)	+10.8
Expected dividend yield (%)	+2.1
Expected total return (%)	+12.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.8	-2.7
3 months	-0.4	12.9
12 months	41.9	23.3

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	5,786.7	5,943.4	6,061.9
EBITDA	2,837.5	2,993.8	3,062.3
PBT	1,007.2	1,145.6	1,197.9
Core PAT	765.5	870.7	910.4
EPS (sen)	45.9	52.2	54.6
DPS (sen)	21.0	23.0	25.0
Dividend yield (%)	2.1%	2.3%	2.5%

KEY STATISTICS

FBM KLCI	1,604.26
Issue shares (m)	1668.55
Estimated free float (%)	12.71
Market Capitalisation (RM'm)	16,552.06
52-wk price range	RM6.75 - RM10.5
3-mth average daily volume (m)	5.85
3-mth average daily value (RM'm)	57.25
Top Shareholders (%)	
Khazanah Nasional Bhd	33.24
Pantai Panorama Sdn Bhd	32.99
Employees Provident Fund	7.86

MAHB: 1Q24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				
	1QFY24	4QFY23	1QFY23	QoQ	YoY
Income Statement					
Revenue	1,351.3	1,371.5	1,034.4	-1.5%	30.6%
Operating profit	360.1	367.0	205.8	-1.9%	74.9%
Finance costs	-159.8	-166.0	-147.8	3.7%	-8.2%
Associates & JVs	14.4	20.8	5.2	-30.7%	177.3%
PBT	215.9	86.3	59.7	150.1%	261.9%
Taxation & zakat	-24.7	65.9	-5.1	-137.4%	-386.2%
PAT	175.7	273.2	44.0	-35.7%	299.1%
Core PAT	176.9	137.7	40.4	28.5%	337.8%
OP margin	26.6%	26.8%	19.9%		
PBT margin	16.0%	6.3%	5.8%		
Core PATAMI margin	13.1%	10.0%	3.9%		
Effective tax rate	-11.4%	76.3%	-8.5%		

REVENUE BREAKDOWN

FYE Dec (RM'm)	Quarterly				
	1QFY24	4QFY23	1QFY23	QoQ	YoY
Airport Operations					
Aeronautical					
PSC & PSSC	597.1	604.2	421.3	-1.2%	41.7%
Landing & parking	73.1	86.6	77.0	-15.6%	-5.1%
Others	63.7	60.9	55.5	4.6%	14.8%
	733.9	751.7	553.8	-2.4%	32.5%
Non-aeronautical					
Retail	165.6	165.1	120.3	0.3%	37.7%
Rental & royalties	315.6	315.7	243.2	0.0%	29.8%
Car park	32.1	28.8	25.1	11.5%	27.9%
Others	18.5	25.2	18.3	-26.6%	1.1%
	531.8	534.8	406.9	-0.6%	30.7%
Non-Airport Operations	1QFY24	4QFY23	1QFY23	QoQ	YoY
Hotel	35.5	36.2	28.9	-1.9%	22.8%
Agriculture & horticulture	7.7	9.0	7.0	-14.4%	10.0%
Project & repair maintenance	42.4	39.9	37.8	6.3%	12.2%
	85.6	85.1	73.7	0.6%	16.1%

COST BREAKDOWN

FYE Dec (RM'm)	Quarterly				
	1QFY24	4QFY23	1QFY23	QoQ	YoY
Direct Cost					
Materials	-91.6	-90.6	-62.7	-1.1%	-44.5%
Labour	-46.0	-62.2	-39.7	26.0%	-56.7%
Overheads	-39.9	-24.5	-33.5	-62.9%	26.9%
	-177.5	-177.3	-135.9	-0.1%	-30.5%
Operating Cost					
Staff costs	-170.3	-265.2	-151.5	35.8%	-75.0%
Utilities & Comm.	-117.5	-120.8	-99.4	2.7%	-21.5%
Maintenance	-98.0	-120.1	-71.8	18.4%	-67.3%
Net allowance of PDD	-7.4	11.9	13.3	-162.2%	-10.5%
Others	-40.2	-63.6	-85.2	36.8%	25.4%
	-433.4	-557.8	-394.6	22.3%	-41.4%
User Fee & PSC Share					
User fee	-111.8	-113.8	-81.5	1.8%	-39.6%
PSC share	-44.3	-41.6	-33.9	-6.5%	-22.7%
	-156.1	-155.4	-115.4	-0.5%	-34.7%

Source: MAHB, MIDFR

PASSENGER TRAFFIC (NUMBER OF PAX '000)

	Quarterly				
	1QFY24	4QFY23	1QFY23	QoQ	YoY
Malaysia					
International	11,715	10,853	8,351	7.9%	40.3%
<i>Recovery</i>	89%	78%	64%		
ASEAN	5,915	5,654	4,564	4.6%	29.6%
<i>Recovery</i>	92%	82%	71%		
Non-ASEAN	5,800	5,199	3,787	11.6%	53.2%
<i>Recovery</i>	87%	74%	57%		
Domestic	10,098	10,367	10,328	-2.6%	-2.2%
<i>Recovery</i>	82%	77%	84%		
	21,813	21,220	18,679	2.8%	16.8%
<i>Recovery</i>	86%	78%	74%		
ISG	1QFY24	4QFY23	1QFY23	QoQ	YoY
International	5,192	4,983	4,252	4.2%	22.1%
<i>Recovery</i>	174%	136%	142%		
Domestic	4,339	4,491	3,822	-3.4%	13.5%
<i>Recovery</i>	84%	85%	74%		
	9,531	9,474	8,074	0.6%	18.0%
<i>Recovery</i>	117%	106%	99%		
Malaysia & ISG	1QFY24	4QFY23	1QFY23	QoQ	YoY
Total MAHB	31,344	30,694	26,753		
<i>Recovery</i>	93%	85%	80%		

Source: MAHB, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	3,127.0	4,914.2	5,786.7	5,943.4	6,061.9
EBITDA	1,186.4	2,285.6	2,837.5	2,993.8	3,062.3
Operating profit	349.2	1,137.3	1,645.7	1,771.3	1,816.3
PBT	184.6	506.1	1,007.2	1,145.6	1,197.9
PATAMI	129.7	485.7	765.5	870.7	910.4
Core PATAMI	-363.5	470.2	765.5	870.7	910.4
EPS (sen)	n.a.	28.2	45.9	52.2	54.6
PER (x)	n.a.	35.2x	21.6x	19.0x	18.2x
DPS (sen)	3.9	10.8	21.0	23.0	25.0
Dividend yield (%)	0.4%	1.1%	2.1%	2.3%	2.5%
Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Intangible assets	14,579.7	14,662.7	12,877.2	11,935.1	10,986.2
PPE	418.3	462.0	787.2	778.1	767.2
Non-current assets	16,865.0	17,145.4	17,378.3	16,619.1	11,491.0
Trade debtors	536.0	675.2	713.4	732.7	747.4
Cash & cash equivalents	1,529.6	1,845.1	2,553.6	3,723.1	4,948.3
Current assets	2,585.0	3,309.6	4,044.1	5,233.1	6,475.4
Long-term debt	4,144.4	3,337.7	3,765.0	3,765.0	0.0
Non-current liabilities	9,166.3	8,542.4	9,412.2	9,418.0	5,744.8
Trade creditors	2,116.5	1,552.0	1,896.5	1,899.1	1,940.5
Short-term debt	697.3	1,249.5	697.3	697.3	0.0
Current liabilities	2,857.4	3,912.4	3,704.8	3,707.4	3,051.5
Share capital	5,114.3	5,170.7	5,170.7	5,170.7	5,170.7
Retained earnings	1,250.7	1,671.4	1,976.7	2,398.1	2,841.3
Equity	7,426.3	8,000.2	8,305.4	8,726.8	9,170.0
Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	184.6	506.1	1,007.2	1,145.6	1,197.9
Operating cash flow	1,039.9	1,679.3	2,949.7	2,741.6	2,846.1
Investing cash flow	238.5	-287.1	-700.0	-300.0	-300.0
Financing cash flow	-1,360.2	-1,268.0	-1,541.1	-1,272.1	-1,320.9
Net cash flow	-81.8	124.3	708.5	1,169.5	1,225.2
Beginning cash flow	1,583.2	1,529.6	1,845.1	2,553.6	3,723.1
Ending cash flow	1,529.6	1,845.1	2,553.6	3,723.1	4,948.3
Key Assumptions (Pax '000)	2022A	2023A	2024E	2025F	2026F
MY International	16,455	38,547	54,610	56,208	57,332
MY Domestic	36,095	43,224	53,017	55,615	56,728
Total MY	52,550	81,771	107,626	111,824	114,060
TY International	15,712	19,577	19,928	20,639	21,052
TY Domestic	15,469	17,984	22,153	22,805	23,261
Total TY	31,181	37,561	42,081	43,444	44,313
Profitability Margins	2022A	2023A	2024E	2025F	2026F
OP margin	11.2%	23.1%	28.4%	29.8%	30.0%
PBT margin	5.9%	10.3%	17.4%	19.3%	19.8%
PAT margin	-	9.6%	13.2%	14.6%	15.0%
Core PAT margin	-	9.6%	13.2%	14.6%	15.0%

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