

29 July 2016 | 2QFY16 Results Review

## Malaysia Airports Holdings

*ISG recovering from recent attempted coup*


### INVESTMENT HIGHLIGHTS

- **6MFY16 earnings missed expectations**
- **Better PSC, retail and rental contributed to revenue growth**
- **Overall costs continue to be contained**
- **ISG recovering well from the recent attempted coup**
- **Maintain NEUTRAL with lower TP of RM6.00**

**6MFY16 earnings missed expectations.** MAHB reported 6MFY16 core profit of RM26m which fell short of both our and consensus estimates, representing only 22% and 26% of full year forecasts respectively. The shortfall can be largely attributed Istanbul Sabiha Gokcen (ISG) international airport which recorded a net loss of -RM127m in 6MFY16 as it incurred lumpy amortisation charges on the fair value of its concession rights (intangible assets) to the tune of -RM116m.

**Performing better operationally.** Overall revenue grew +11%yoy contributed by: 1) Higher Passenger Service Charge (PSC) collections (+12%yoy) benefitting from passenger traffic growth of +4.2%yoy and higher growth in better yielding international passenger movements; 2) Higher retail revenue (+13%yoy) due to higher spending per pax; and 3) Higher rental revenue (+8%yoy) with higher rental rates. Meanwhile, overall direct and operating costs increased at a smaller quantum of +0.4%yoy compared to revenue growth.

**ISG recovering well from the recent attempted coup.** Our conference call with MAHB management included an operational update by the top management of ISG who dialled in from Istanbul. They noted that there was an uptick in flight cancellations following the attempted coup as numerous commercial airports which doubled as military airbases were temporarily closed. Currently, all airports have reopened and daily passenger traffic which dropped to below 80k/day has recovered to 86k/day but still below the ~90k/day recorded prior to the incident.

**Maintain NEUTRAL with lower TP of RM6.00** as we reduce our earnings forecasts for FY16 and FY17 by -54% and -41% respectively to account for higher depreciation and amortisation charges pertaining to ISG. Thus, our DCF derived TP assuming WACC of 7.7% and Beta of 1.1 is also reduced to RM6.00. Potential rerating catalysts for MAHB are: 1) Better than expected capacity growth from the MAS-Emirates and Malindo-Turkish/Qatar tie ups; and 2) Substantial third party investments into the KL Aeropolis project. 

**Maintain NEUTRAL**

**Reduced Target Price (TP): RM6.00**  
*(previously RM6.35)*

RETURN STATS	
Price (28 July 2016)	RM6.50
Target Price	RM6.00
Expected Share Price Return	-2.3%
Expected Dividend Yield	+1.5%
<b>Expected Total Return</b>	<b>-0.8%</b>

STOCK INFO	
KLCI	1,658.50
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)	9,706.27
Price over NA	1.27
52-wk price Range	RM4.22 - RM6.97
Beta (against KLCI)	1.45
3-mth Avg Daily Vol	1.93m
3-mth Avg Daily Value	RM12.0m
Major Shareholders	
Khazanah	36.71%
EPF	12.15%
PNB	11.62%

## INVESTMENT STATISTICS

FYE Dec	FY14	FY15	FY16F	FY17F	FY178
Revenue* (RM')	2,681.3	3,870.2	4,063.7	4,266.9	4,480.2
EBIT (RM' m)	1,291.6	411.4	591.7	591.9	533.3
Pretax Profit (RM')	834.2	41.1	76.7	215.5	407.5
PATAMI (RM' m)	748.2	45.2	53.7	150.9	285.3
Core PATAMI*	67.5	(73.6)	53.7	150.9	285.3
EPS (sen)	30.8	(4.4)	3.2	9.0	17.0
EPS growth (%)	(7.4)	(114.4)	172.2	180.9	89.1
PER (x)	19.0	N/A	182.8	65.1	34.4
Net Dividend	14.0	9.0	10.0	13.0	14.0
Net Dividend	2.4	1.5	1.7	2.2	2.4

\* Excluding the effect of IC12

Source: MIDFR, MAHB

## DAILY PRICE CHART



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Source: Bloomberg

## MAHB: 6MFY16 RESULTS SUMMARY

<i>All in RM'm unless stated otherwise</i>	Quarterly Results			Cumulative	
FYE Dec	2016	%YoY	%QoQ	6MFY16	%YoY
Revenue	997.6	6.1%	-2.1%	2,017.1	11.1%
Revenue (excl. IC12)	997.6	6.1%	-2.1%	2,017.1	11.1%
Total expenses	(579.9)	-11.7%	-2.3%	(1,146.8)	-15.6%
EBITDA	417.7	-0.7%	-7.7%	870.2	5.6%
Depreciation & Amor.	(250.9)	-20.9%	-0.5%	(500.5)	-21.3%
EBIT	166.8	-21.8%	-17.8%	369.7	-10.1%
Finance cost	(154.6)	27.1%	8.4%	(323.3)	13.1%
Assoc. & JV	5.3	1090.1%	31.2%	9.3	471.1%
Pretax profit	17.5	944.9%	-54.2%	55.7	35.7%
PATAMI	9.4	146.6%	-43.2%	25.9	117.7%
Core PATAMI	9.4	122.3%	-43.2%	25.9	135.2%

Source: Company, MIDFR

## MAHB: BREAKDOWN IN REVENUE AND EXPENSES

FYE Dec	Quarterly Results			Cumulative	
RM'm	2016	%YoY	%QoQ	6MFY16	%YoY
<b>Airport Operations:</b>					
<b>Aeronautical</b>	<b>493.0</b>	7.4%	-2.1%	<b>996.4</b>	<b>13.2%</b>
-PSC & PSSC	332.3	8.6%	2.2%	657.3	12.3%
-Landing & Parking	90.2	-6.8%	-0.8%	181.1	-6.6%
-MARCS	46.3	23.5%	-15.4%	101.0	48.3%
-Airline incentives	(16.4)	21.2%	-29.1%	(29.1)	30.5%
-Others	40.6	3.3%	-10.8%	86.1	14.8%
<b>Non-aeronautical</b>	<b>446.7</b>	9.1%	-1.0%	<b>897.9</b>	<b>11.0%</b>
-Retail	172.7	9.9%	-5.9%	356.2	12.8%
-Rental	231.9	6.4%	1.5%	460.4	8.0%
-Others	42.1	23.1%	7.4%	81.3	21.3%
<b>Non-airport Operations:</b>					
-Hotel	19.8	12.5%	-10.0%	41.8	5.8%
-Agriculture	7.0	-18.6%	2.9%	13.8	-4.8%
-Project	31.1	-31.3%	-13.6%	67.1	-7.7%

Source: Company, MIDFR

<b>Expenses breakdown:</b>					
<b>Direct Costs:</b>	<b>(165.4)</b>	3.1%	3.6%	<b>(337.0)</b>	-4.1%
-Direct materials	(97.8)	-2.9%	5.6%	(201.4)	-8.1%
-Direct labour	(38.6)	9.2%	-1.0%	(76.8)	4.0%
-Direct overheads	(29.0)	12.7%	2.7%	(58.8)	-2.6%
<b>Operating Costs:</b>	<b>(470.2)</b>	3.0%	-6.3%	<b>(912.5)</b>	0.9%
-Staff costs	(156.1)	9.8%	-9.9%	(298.1)	5.8%
-Utilities & comm.	(88.3)	-2.1%	-6.8%	(171.0)	-4.3%
-Maintenance	(75.7)	-15.9%	-4.8%	(147.9)	-8.0%
-User fee	(80.9)	-11.0%	2.6%	(164.0)	-16.6%
-Others	(69.2)	20.6%	-11.1%	(131.5)	19.1%

Source: Company, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.