

Malaysia Airports Holdings Berhad

(5014 | MAHB MK) Transportation & Logistics

Maintain BUY

A sharp drop in traffic during April as expected

Unchanged Target Price: RM5.13

KEY INVESTMENT HIGHLIGHTS

- **Decline in passenger traffic during April 2020 widened to -98.4%yoy**
- **Cumulatively, the passenger traffic in FY20 is down by -45.8%yoy**
- **Domestic and international traffic both badly hit, declining more than -90%yoy in April 2020 due to the impact of MCO**
- **Expecting a recovery in capacity in 2HCY20 assuming that the same capacity resumption trend in China happens**
- **Earnings estimates unchanged**
- **Maintain BUY with an unchanged TP of RM5.13 per share**

Passenger traffic decline widens in April 2020. The April 2020 passenger traffic for MAHB airports (excluding ISGA) declined substantially by -98.4%yoy to only 137 passengers. On a cumulative basis, the passenger traffic for airports in Malaysia in the first four months of 2020 posted a -45.8%yoy drop to 18.6m, making up 26.3% of our FY20 passenger traffic growth estimates of 70.7m.

Suspension of ISGA for the whole of April 2020. For ISGA, overall passenger traffic was zero due to the temporary suspension of ISGA from 27 March 2020 to 30 April 2020 amidst the Turkish Government's decision to close borders. At the time of writing, Turkey has recorded nearly 140,000 cases of Covid-19 and 3,841 deaths. Nevertheless, there were several cargo flights in April and more cargo and charter flights are expected to take place in May, with Pegasus and Turkish Airlines planning to resume operations from 28 May 2020 onwards.

Domestic traffic continued its downward trend. Domestic traffic for airports in Malaysia in April 2020 continued its downward trend, decreasing by -97.8%yoy to 97 passengers. Traffic performance in Malaysia was largely affected by the full enforcement of the Movement Control Order (MCO). The MCO, initially imposed for 2 weeks from 18 March with several extensions since, is now expected to end on 9 June 2020. Local airlines have since recommenced flights to key domestic routes with minimal frequencies from 29 April 2020 and are ready to increase more flights with the Government's endorsement to allow more inter-state border movements with strict travelling guidelines. The latest announcement of a Conditional Movement Control Order (CMCO) from 4 May 2020 allowed almost all businesses to resume with tight SOP (Standard Operating Procedure) guidelines. Hence, allowing duty free shops at our airports to restart its business.

International traffic remains firm. International passenger traffic in April 2020 for Malaysian operations declined by -99.1%yoy to reach 40 passengers. Flights were initially restricted to repatriation operations, to and from international sector.

Earnings estimates. Although the passenger traffic from January to April 2020 only made up 26.3% of our full year FY20 estimates, we are expecting demand to gradually recover in 2HCY20. As such we are keeping our earnings estimates unchanged.

Target price. We are maintaining our target price at **RM5.13 per share**. Our valuation is based on our DCF assuming an unchanged WACC of 8.3% and Beta of 1.1.

RETURN STATISTICS

Price @ 12 th May 2020 (RM)	4.80
Expected share price return (%)	+7.00
Expected dividend yield (%)	+3.00
Expected total return (%)	+10.00

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	9.1	7.3
3 months	11.1	-24.5
12 months	-32.9	-21.7

KEY STATISTICS

FBM KLCI	1,379.93
Syariah compliant	No
Issue shares (m)	1659.19
Estimated free float (%)	48.79
Market Capitalisation (RM'm)	7,964.12
52-wk price range	RM3.92 - RM8.88
Beta vs FBM KLCI (x)	1.06
Monthly velocity (%)	0.23
Monthly volatility (%)	19.32
3-mth average daily volume (m)	4.10
3-mth average daily value (RM'm)	21.76
Top Shareholders (%)	
Khazanah Nasional Bhd	33.21
Employees Provident Fund Board	14.62
Amanah Saham Nasional Bhd	1.84

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Maintain BUY. While the movement control order (MCO) will adversely impact international passenger traffic, we believe that such sacrifice is necessary to contain the Covid-19 pandemic. However, we continue to reaffirm our view that the passenger traffic will see a nascent recovery in 2HCY20 provided that the Covid-19 pandemic subsides. Our basis for the upside in 2HCY20 comes after airlines in China such as Air China has filled domestic schedules for the week-long May holidays that offer similar capacity to 2019 levels, a remarkable sign of planned domestic aviation recovery. The flight resumption patterns established in China may offer some guidance to the rest of the world, just as China's strict containment measures have also provided cues to efforts elsewhere. Henceforth, we believe that Malaysia's containment efforts will likely flatten the rate of infection, enabling MAHB's passenger traffic Malaysia to hit the **70.7m** mark in 2020 before recovering in 2021. In terms of valuations, MAHB's stock price is trading at a 12-month price-to-earnings ratio (PER) of 16.6x, less than half of its five-year average (PER) of 64.0x and at a discount compared to the regional PER of nearly 26.3x. This presents an opportunity for investors to take position on any weakness as we expect FY21 to be a year of recovery. 

INVESTMENT STATISTICS

Financial year ending 31 st December (in RM'm, unless otherwise stated)	2018A	2019	2020E	2021F	2022F
Revenue	4,786.10	5,213.1	4,082.9	4,468.9	4,883.4
EBITDA	2,383.50	2,292.0	1,306.5	2,055.7	2,246.4
EBIT / operating profit	1,496.10	1,350.4	770.9	1,336.2	1,505.1
PBT	780.6	659.2	331.5	641.4	737.5
PATANCI	727.3	537.0	245.3	487.4	575.2
Normalised PATANCI	439.5	564.5	245.3	487.4	575.2
Normalised EPS (sen)	26.5	34.0	14.8	29.4	34.7
Normalised EPS Growth (%)	82.8	28.4	(56.5)	98.7	18.0
PER (x)	18.1	14.1	32.5	16.3	13.8
Dividend Per Share (sen)	14.0	14.0	14.0	14.0	14.0
Dividend yield (%)	2.9	2.9	2.9	2.9	2.9

Source: Company, 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.