

# Malaysia Airports Holdings Berhad

(5014 | MAHB MK) Transportation &amp; Logistics

**Maintain BUY**
**Containment of the pandemic is of utmost importance**
**Revised Target Price: RM6.81**  
*(Previously RM7.65)*

## KEY INVESTMENT HIGHLIGHTS

- **Outbound travel for locals and inbound travel for foreigners to be restricted under the Movement Control Order**
- **March 2020 passenger traffic to see a larger decline than February 2020**
- **Nevertheless, domestic flights are still as per airlines schedule**
- **Expecting a recovery in capacity from 2HCY20 provided fears of Covid-19 pandemic subside**
- **Earnings estimates revised downwards**
- **Maintain BUY with a revised TP of RM6.81 per share**

**Movement Control Order to be implemented.** On 16 March 2020, the Government of Malaysia had decided to implement the Movement Control Order from 18-31 March 2020. The Movement Control Command covers amongst others, the restriction of entry of all Malaysians travelling abroad and also all foreign tourists and visitors travelling into the country.

**March passenger traffic to see a larger impact.** Recall that the February 2020 passenger traffic for MAHB airports (excluding ISGA) declined by -23.4%yoy to 6.2m passengers in the absence of the Movement Control Order. Therefore with such order in place, we expect to see a further decline in international passenger traffic amidst travel restrictions for outbound travel for locals and inbound travel for foreigners over a 14-day period. Based on our preliminary analysis, the drop in passenger traffic for MAHB's airports in Malaysia could reach more than -30%yoy for March 2020. Therefore, we have adjusted our passenger traffic forecast in FY20 to 98.1m (previously 100.1m), representing a -6.0%yoy decline.

**Domestic flights still on as per airlines schedule.** Nevertheless, we understand that domestic flights are subject to airlines schedule as airports (along with essential services) will remain open during the 14-day period. The stimulus package announced by the Government of Malaysia which covers domestic tourism will then partially support domestic traffic especially during major festive period such as Hari Raya Aidilfitri in May 2020 provided that fears of Covid-19 have gradually waned by then.

**Earnings estimates.** In addition to the adjusted passenger traffic forecast, we are taking the opportunity to reduce retail and rental revenues further as our observations indicate that there is lower footfall at its retail premises. As a result, we have revised our earnings estimates by -13.2%, -6.7% and -3.7% for FY20E, FY21F and FY22F.

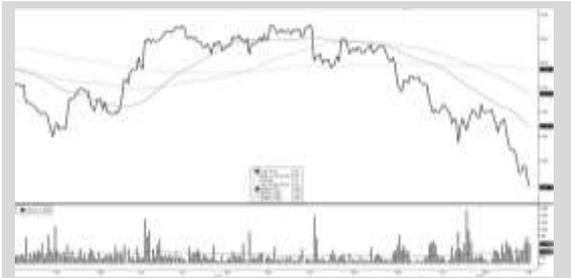
**Target price.** We are revising our target price to **RM6.81 per share** (previously RM7.65) after taking into account of the effect of the revised annual passenger traffic forecast and lower retail and rental revenue. Our valuation is based on our DCF assuming a higher WACC of 8.3% (previously 8.0%) to reflect the broad market weakness.

**Reaffirm BUY.** While the Movement Control Order will adversely impact international passenger traffic, we believe that such sacrifice is of utmost importance in containing the Covid-19 pandemic. As such, we continue to reaffirm our view that the passenger traffic will see a nascent recovery in 2HCY20 if the Covid-19 pandemic subsides. Our basis for the upside in 2HCY20 comes after around 3.0m seats were added to the scheduled airline capacity in China in the preceding week, offering early signs of revival as the infection rate of Covid-19 slows down in China.

## RETURN STATISTICS

Price @ 16 <sup>th</sup> Mar 2020 (RM)	5.45
Expected share price return (%)	+24.95
Expected dividend yield (%)	+2.60
<b>Expected total return (%)</b>	<b>+27.55</b>

## SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-22.14	-6.55
3 months	-28.29	-9.43
12 months	-29.77	-7.84

## KEY STATISTICS

FBM KLCI	1280.63
Syariah compliant	No
Issue shares (m)	1659.19
Estimated free float (%)	49.90
Market Capitalisation (RM'm)	9042.60
52-wk price range	RM5.02 - RM8.88
Beta vs FBM KLCI (x)	0.93
Monthly velocity (%)	11.02
Monthly volatility (%)	19.26
3-mth average daily volume (m)	3.61
3-mth average daily value (RM'm)	24.78
Top Shareholders (%)	
Khazanah Nasional Bhd	33.21
Employees Provident Fund Board	13.50
BlackRock Inc	3.62

## Analyst(s)

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In terms of valuations, MAHB's stock price is trading at a 12-month price-to-earnings ratio (PER) of around 20.0x, less than half of its five-year average (PER) of approximately 60.0x and at a discount compared to the regional PER of roughly 30.0x. This presents an opportunity for investors to take position on any weakness given how turnaround occurred during pandemics in the past. We had observed an uptick in valuation 3 months after the peak of the SARS outbreak in 2003, where its share price rebounded +31.0%



## INVESTMENT STATISTICS

Financial year ending 31 <sup>st</sup> December (in RM'm, unless otherwise stated)	2018A	2019A	2020E	2021F	2022F
<b>Revenue</b>	<b>4,786.10</b>	<b>5,213.1</b>	<b>4,782.9</b>	<b>5,202.5</b>	<b>5,652.2</b>
EBITDA	2,383.50	2,292.0	2,104.5	2,393.1	2,600.0
EBIT / operating profit	1,496.10	1,350.4	1,241.6	1,555.5	1,742.0
PBT	780.6	659.2	633.2	808.9	905.8
PATANCI	727.3	537.0	481.3	614.8	706.6
<b>Normalised PATANCI</b>	<b>439.5</b>	<b>564.5</b>	<b>481.3</b>	<b>614.8</b>	<b>706.6</b>
Normalised EPS (sen)	26.5	34.0	29.0	37.1	42.6
Normalised EPS Growth (%)	82.8	28.4	(14.7)	27.7	14.9
PER (x)	20.6	16.0	18.8	14.7	12.8
Dividend Per Share (sen)	14.0	14.0	14.0	14.0	14.0
Dividend yield (%)	2.6	2.6	2.6	2.6	2.6

Source: Company, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	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

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.