

Malaysia Airports Holdings Berhad

(5014 | MAHB MK) Transportation & Logistics

Maintain BUY

Passenger traffic beating expectations in FY19

Revised Target Price: RM8.98
(Previously RM9.10)

KEY INVESTMENT HIGHLIGHTS

- **MAHB passenger traffic excluding ISG grew by +6.1%yoy in 2019, exceeding our estimates**
- **International sector continued to retain more than 50% of the passenger market share**
- **Expecting a leaner 4QFY19 performance after observing a +6.6%yoy growth in passenger traffic**
- **Earnings estimates revised upwards as actual passenger traffic came above our expectations**
- **The positive earnings revision was negated by the adjustment of higher beta and WACC to account for increased regulatory uncertainty**
- **Maintain BUY with a revised TP of RM8.98 per share**

MAHB passenger traffic grew by +5.6%yoy in 2019. MAHB saw its 2019 passenger movement increase by +5.6%yoy which includes ISG. This translates to a total of 140.6m passengers. For MAHB's airports in Malaysia, passenger traffic grew by +6.1%yoy to 105.2m for the whole of 2019 which exceeded our full year estimates by 2.6%. This is the first time that MAHB's passenger traffic in Malaysia breached the 100m mark. We note that the bulk of the absolute increase was contributed by passenger traffic at airports other than KLIA Main Terminal and klia2 which saw an annual increase of more than 3.0m passengers in 2019.

Solid domestic traffic growth. Domestic traffic at Malaysian airports recorded a solid growth of +9.5%yoy in 2019, partly a correction from previous low performance whereby the domestic passenger traffic has been experiencing a decline for more than a year prior to January 2019. The increase recorded in 2019 was substantially higher than +0.4%yoy increase in the preceding year. We note that the international passengers in Malaysia only grew by +3.0%yoy in 2019, partly due to capacity shift from international to domestic sector. Notwithstanding this, the international sector continued to retain more than 50% of the passenger market share.

Expectations 4QFY19 performance. On a quarterly basis, the total passenger traffic for MAHB's airports in Malaysia reached 27.2m passengers in 4QFY19, +6.6%yoy higher than 4QFY18. As such we are expecting earnings in 4QFY19 to be around RM100.0m. Recall that MAHB recorded a 9MFY19 normalised earnings of RM467.9m.

Earnings estimates. We have imputed the actual figures of the passenger traffic into our model. This has also led to a passenger traffic growth of 110.8m passengers (previously 107.0m passengers) in FY20 and 115.5m in FY21. Therefore, we are adjusting our earnings forecast for FY19, FY20 and FY21 by +2.2%, +4.9% and +4.9% respectively.

RETURN STATISTICS

Price @ 10 th Jan 2020 (RM)	7.05
Expected share price return (%)	+27.38
Expected dividend yield (%)	+2.00
Expected total return (%)	+29.38

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-12.5	-14.2
3 months	-7.2	-19.9
12 months	-14.0	-9.3

KEY STATISTICS

FBM KLCI	1,591.46
Syariah compliant	No
Issue shares (m)	1659.19
Estimated free float (%)	51.24
Market Capitalisation (RM'm)	11,697.30
52-wk price range	RM6.60 - RM8.88
Beta vs FBM KLCI (x)	0.96
Monthly velocity (%)	41.1
Monthly volatility (%)	19.32
3-mth average daily volume (m)	2.48
3-mth average daily value (RM'm)	19.64
Top Shareholders (%)	
Khazanah Nasional Bhd	33.21
Employees Provident Fund Board	12.25
BlackRock Inc	3.71

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Valuation. Despite making upward adjustments to our earnings estimates, we are revising out target price to **RM8.98 per share** (previously RM9.10). This is after adjusting for the higher WACC to reflect the heightened regulatory uncertainty. Our valuation is based our DCF assuming and revised WACC of 7.8% (previously 7.7%).

Maintain BUY. We opine that the current momentum of passengers' traffic will continue to provide a strong base for incremental revenue generation moving forward. This will be supported by accommodative visa policies in Malaysia for tourists from China and India which will temper the pressure from the impending international departure levy. Other growth factors would include direct connectivity seen from international airlines flight to locations such as Langkawi. As such, we strongly believe that MAHB passenger numbers can meet the 110.8m mark in 2020 at a growth rate of 5.4% which translates to 102.5m passengers.



INVESTMENT STATISTICS

Financial year ending 31 st December (in RM'm, unless otherwise stated)	2017A	2018A	2019E	2020F	2021F
Revenue	4,593.40	4,786.10	5,355.8	5,752.1	6,028.2
EBITDA	1,919.60	2,383.50	2,249.4	2,530.9	2,773.0
EBIT / operating profit	1,038.80	1,496.10	1,597.1	1,619.8	1,857.9
PBT	338.8	780.6	750.6	842.3	966.1
PATANCI	239.8	727.3	570.5	640.1	734.2
Normalised PATANCI	240.4	439.5	570.5	640.1	734.2
Normalised EPS (sen)	14.5	26.5	34.4	38.6	44.3
Normalised EPS Growth (%)	210.0	82.8	29.8	12.2	14.7
PER (x)	54.5	29.8	20.5	18.3	15.9
Dividend Per Share (sen)	13.0	14.0	14.0	14.0	14.0
Dividend yield (%)	1.6	1.8	2.0	2.0	2.0

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.