Malaysia Airports Holdings Berhad

(5014 | MAHB MK) Main | Transportation & Logistics

***Upgrade to* BUY**

(from Neutral)

***Revised* Target Price: RM6.77**

(from RM6.70)

Anticipate return to profitability next year

KEY INVESTMENT HIGHLIGHTS

- **1HFY22 core LAT of -RM172.1m missed our estimate**
- **Improved overall passenger traffic due to border reopening, festivity, and summer holidays**
- **Turkiye's international pax has surpassed 2019-level**
- **Revision of FY22E estimate by -35% and FY23F/FY24F estimates by +15%**
- **Upgrade to BUY with a revised TP of RM6.77**

Below expectations. Malaysia Airports Holdings Berhad's (MAHB) core LAT of -RM172.1m in 6MFY22 came in below our expectation, making up 118% and 78% of our and consensus loss estimates. The negative deviation was largely attributed to weaker than expected recovery of Malaysia's international passenger traffic in 2QFY22.

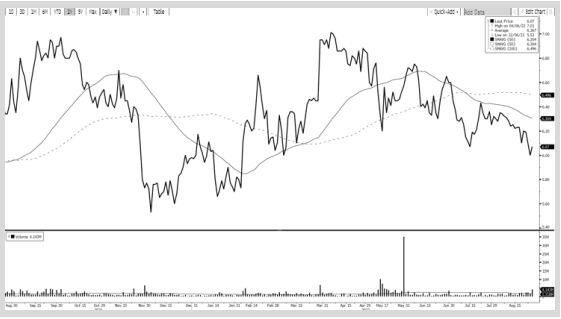
Quarterly. During the quarter, MAHB reported narrower core LAT of -RM55.4m (+77.6%yoy) on the back of improved passenger volume at 19.3m vs. 6.1m in 2QFY21. This was driven by the reopening of Malaysia's international borders and Aidilfitri in May-22 as well as summer holidays in Turkiye. Losses were also partly pared down by the recognition of deferred tax asset. On a quarter-on-quarter basis, core LAT was narrower by +52.6%yoy. Similarly, passenger volume was higher as compared to 14.8m in the previous quarter. Non-aeronautical revenue surged to RM258.7m (+111.9%yoy or +20.1%qoq) as retailers gradually regained momentum in both countries.

Cumulatively. In 1HFY22, core LAT was reduced to -RM172.1m (+64.0%yoy) in tandem with the significant increase in passenger movements to 34.1m (56% of 2019 level) against 12.0m in 1HFY22. Turkiye's operations have shown faster recovery as it recorded 13.8m total passengers (82% of 2019 level), while domestic operations lagged at 20.2m passengers (31% of 2019 level). Notably, Turkiye's international pax has surpassed its pre-Covid level by 5% which has helped it tremendously given that they are high-yield passengers.

Upgrade to BUY. We have made some adjustments to our passenger movements forecast to account for the weaker than expected 2QFY22. Our assumptions relative to the respective FY19 levels in FY22E/FY23F are: (i) MY international pax recovering to 30%/90% (ii) MY domestic pax recovering to 70%/100%, (iii) TY international pax recovering to 100%/105% and (iv) TY domestic pax recovering to 75%/100%. Consequently, we revised down our FY22E, estimates by -35%, but our FY23F/FY24F estimates are higher by +15%. Key catalyst would be Northeast Asia countries (particularly China and Japan) fully lifting their travel restrictions (this sector made up c.25% of the total international traffic at KLIA during pre-pandemic). We upgrade our call on MAHB to **BUY** with a slightly higher DCF-derived TP of **RM 6.77** (WACC: 11.3%, g: 3%) (previously RM6.70) as the stock currently trades at FY23F PER of 22x which is at par with its pre-pandemic historical mean.

RETURN STATISTICS	
Price @ 25th August 2022 (RM)	6.06
Expected share price return (%)	+11.7
Expected dividend yield (%)	+2.0
Expected total return (%)	**+13.7**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-4.4	-6.0
3 months	-8.0	-3.3
12 months	-4.3	0.6

KEY STATISTICS	
FBM KLCI	1,495.49
Syariah compliant	No
F4BGM Index	Yes
ESG Grading Band (Star Rating)	☆☆☆
Issue shares (m)	1,659.19
Estimated free float (%)	37.54
Market Capitalisation (RM'm)	10,071.29
52-wk price range	RM5.51–RM 7.08
Beta vs FBM KLCI (x)	1.21
Monthly velocity (%)	1.49
Monthly volatility (%)	17.12
3-mth average daily volume (m)	1.90
3-mth average daily value (RM'm)	12.25
Top Shareholders (%)	
Khazanah Nasional Bhd	33.21
Employees Provident Fund Board	15,48
KWAP	5.93

MIDF Research Team
research@midf.com.my

INVESTMENT STATISTICS

Income Statement	FY2020A	FY2021A	FY2022E	FY2023F	FY2024F
Revenue	1,866.3	1,673.0	3,071.8	4,879.3	5,171.0
EBITDA	(543.2)	153.8	1,223.0	2,074.3	2,196.8
EBIT	(1,152.9)	(460.9)	420.9	1,253.7	1,383.0
PBT	(1,764.9)	(1,041.6)	(261.4)	590.4	748.7
PATAMI	(1,118.2)	(767.7)	(198.6)	454.6	576.5
Core PATAMI	(509.3)	(752.7)	(198.6)	454.6	576.5
EPS (sen)	n.m.	n.m.	n.m.	27.4	34.7
PER (x)	n.m.	n.m.	n.m.	22.1x	17.4x
DPS (sen)	n.a.	n.a.	n.a.	12.0	16.0
Dividend yield (%)	n.a.	n.a.	n.a.	2.0%	2.6%

Sources: Company, MIDFR

KEY ASSUMPTIONS

Pax ('000)	FY2020A	FY2021A	FY2022E	FY2023F	FY2024F
MY International	9,498	1,360	15,986	47,957	53,285
MY Domestic	16,259	9,363	36,384	51,977	54,576
Total MY	25,757	10,723	52,369	99,934	107,861
TY International	5,337	8,972	14,234	14,946	15,657
TY Domestic	11,869	16,384	16,289	21,719	22,805
Total TY	17,206	25,356	30,523	36,665	38,462

Sources: Company, MIDFR

MAHB: 2Q22 GROUP RESULTS SUMMARY

	Quarterly					Cumulatively		
Income Statement	2Q22	1Q22	2Q21	QoQ	YoY	6M22	6M21	YoY
Revenue	689.8	570.8	323.4	20.8%	113.3%	1,260.6	660.3	90.9%
EBITDA/(LBITDA)	284.8	186.9	(22.4)	52.4%	1371.4%	471.7	(38.6)	1322.0%
EBIT/(LBIT)	99.2	30.4	(141.5)	226.1%	170.1%	129.6	(256.2)	150.6%
Finance cost	(193.7)	(182.5)	(160.5)	-6.1%	-20.7%	(376.2)	(324.1)	-16.1%
Associates & JVs	3.5	1.7	3.0	104.3%	13.8%	5.2	0.9	503.6%
PBT/(LBT)	(91.0)	(150.4)	(290.5)	39.5%	68.7%	(241.4)	(571.0)	57.7%
Taxation	32.9	45.6	64.4	-27.8%	-48.9%	78.6	123.6	-36.5%
PAT/(LBT)	(58.1)	(104.8)	(226.1)	44.6%	74.3%	(162.9)	(447.4)	63.6%
Core PAT/(LAT)	(55.4)	(116.8)	(246.8)	52.6%	77.6%	(172.1)	(478.2)	64.0%

Sources: Company, MIDFR

PASSENGER MOVEMENTS

	Quarterly					Cumulatively		
Pax ('000)	**2Q22**	**1Q22**	**2Q21**	**QoQ**	**YoY**	**6M22**	**6M21**	**YoY**
MY Airports								
International	2,968	968	1,156	206.7%	156.7%	3,936	513	666.7%
As a % of 2019 level	*49%*	*7%*	*19%*			*15%*	*2%*	
ASEAN	1,740	395	104	340.5%	1573.1%	2,135	201	962.2%
Non-ASEAN	1,228	573	136	114.4%	801.0%	1,801	312	476.6%
Domestic	8,924	7,351	1,052	21.4%	748.3%	16,275	2,444	565.9%
As a % of 2019 level	*69%*	*60%*	*8%*			*65%*	*10%*	
	11,892	8,319	2,208	43.0%	438.6%	20,211	2,957	583.4%
As a % of 2019 level	*63%*	*33%*	*12%*			*31%*	*5%*	
ISG								
International	3,583	3,164	1,481	13.2%	141.9%	6,747	2,690	150.8%
As a % of 2019 level	*105%*	*106%*	*43%*			*105%*	*42%*	
Domestic	3,821	3,273	3,242	16.7%	17.9%	7,094	6,305	12.5%
As a % of 2019 level	*71%*	*64%*	*60%*			*67%*	*60%*	
	7,404	6,437	4,723	15.0%	56.8%	13,841	8,995	53.9%
As a % of 2019 level	*84%*	*79%*	*54%*			*82%*	*53%*	

Sources: 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 *rise* 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 *fall* 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