4QFY22 Results Review (Below) | Wednesday, 01 March 2023

Malaysia Airports Holdings Berhad

(5014 | MAHB MK) Main | Transportation & Logistics

***Maintain* NEUTRAL**

***Revised* Target Price: RM7.35**

(from RM7.45)

Traffic recovery is on course

KEY INVESTMENT HIGHLIGHTS

- **Results missed expectations**
- **~RM535.9m recognition of ISG Force Majeure relief**
- **Single-tier final dividend of 3.91 sen was declared**
- **MY/TY passenger traffic recovered to 64%/93% in 4QFY22**
- **Marginal downward revision of FY23F/FY24F earnings by -1.3%**
- **Maintain NEUTRAL with a revised TP of RM7.35**

Below expectations. Malaysia Airports Holdings Berhad (MAHB) reported core LAT of -RM291.1m in FY22, which exceeded ours and consensus estimates by 98% and 96% respectively. The negative deviation was due to the reassessment of ISG's utilisation fee liability which has resulted in a decrease in its finance cost by ~RM535.9m in 4QFY22 (ISG Force Majeure relief), of which we have stripped out as an exceptional item. This resulted in lower tax credit for the quarter due to results improvement and subsequently, MAHB has declared a single-tier final dividend of 3.91 sen for FY22.

Quarterly. MAHB's core LAT of -RM106.2m widened by 8.4x when compared against 3QFY22 and -1.4%yoy due to the reasons mentioned above. Total pax movements of 17.4m pax in Malaysia (MY) recovered to 64% of 4QFY19 level (domestic: 76%, international: 52%). Meanwhile, the total pax movements rose to 8.3m pax in Turkiye (TY), signifying a 93% recovery (domestic: 74%, international: 121%). On the back of higher footfall at the airports, the aeronautical (aero) and non-aeronautical's segments (non-aero) revenue rose by twofold and 1.7x respectively on a yearly basis. On a sequential basis, the former was up by +20.9%mom, while the latter grew by +9.6%mom.

Cumulatively. The Group's core LAT was pared down by more than half in FY22. MY total pax movements of 52.6m recovered to 50% of FY19 level (domestic: 69%, international: 31%), while the TY total pax movements of 31.1m recovered to 87% (domestic: 71%, international: 110%). Subsequently, aero revenue was doubled in FY22, while non-aero revenue jumped by +80.5%yoy. The narrower losses in FY22 were also partly attributed to higher share of profits from all JV and associates, except for Cooling Energy Services, and the deferred tax asset from the loss-making Malaysia Airports (Sepang) Sdn Bhd. This was partly mitigated by the tax expense arising from ISG's entity level profit contribution.

RETURN STATISTICS	
Price @ 28th February 2023 (RM)	6.79
Expected share price return (%)	+8.2
Expected dividend yield (%)	+1.3
Expected total return (%)	**+9.5**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-3.8	-1.8
3 months	3.5	8.8
12 months	12.4	23.4

KEY STATISTICS	
FBM KLCI	1,454.19
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star Rating)	☆☆☆
Issue shares (m)	1,659.19
Estimated free float (%)	37.36
Market Capitalisation (RM'm)	11,265.91
52-wk price range	RM5.40 - RM7.29
Beta vs FBM KLCI (x)	1.14
3-mth average daily volume (m)	2.62
3-mth average daily value (RM'm)	17.74
Top Shareholders (%)	
Khazanah Nasional Bhd	33.21
Employees Provident Fund Board	15.33
KWAP	6.15

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Maintain NEUTRAL. We make no changes to our passenger traffic assumptions. Relative to their respective 2019 levels, in FY23F, we expect MY passenger traffic to recover to 85% (domestic: 90%, international: 80%) and TY passenger traffic to recover to 107% (domestic: 95%, international: 120%). After making some housekeeping changes, our forward earnings in FY23F/FY24F were revised marginally by -1.3% and as such we derived a slightly lower DCF-derived TP of **RM7.35** (WACC: 11.4%, g: 3%) and maintained our **NEUTRAL** call on MAHB. 59 carriers from 7 regions are currently operating at the Malaysian airports or 80% of pre-pandemic level and MAHB expects 14 additional carriers to resume operations in early-CY23. The continuous improvement in higher-yielding international passenger mix should allow MAHB to tip into profitability in FY23F coupled with the reopening of China of which MAHB has reportedly been engaging with key Chinese airlines to secure reinstatement of services as well as introduce new routes. Key potential upsides include: (i) local airlines rebuilding their fleet to match 2019 levels and (ii) faster-than-expected return of free spending Chinese tourists.

INVESTMENT STATISTICS

Income Statement	FY2020A	FY2021A	FY2022A	FY2023F	FY2024F
Revenue	1,866.3	1,673.0	3,127.0	4,585.1	5,131.8
EBIT	-1,152.3	-460.6	862.9	1,094.8	1,339.9
PBT	-1,764.3	-1,041.4	184.6	453.0	724.2
PATAMI	-1,116.6	-766.9	187.2	348.8	557.6
Core PATAMI	-507.8	-751.9	-291.1	348.8	557.6
EPS (sen)	n.m.	n.m.	n.m.	21.0	33.6
PER (x)	n.m.	n.m.	n.m.	32.3	20.2
DPS (sen)	n.a.	n.a.	3.9	9.0	15.0
Dividend yield (%)	n.a.	n.a.	0.6%	1.3%	2.2%

Sources: Company, MIDFR

KEY ASSUMPTIONS

Pax ('000)	FY2020A	FY2021A	FY2022A	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: 4Q22 GROUP RESULTS SUMMARY

(All in RM'm)	Quarterly				Cumulatively			
Income Statement	**4Q22**	**3Q22**	**4Q21**	**QoQ**	**YoY**	**FY22**	**FY21**	**YoY**
Revenue	1,002.8	863.6	551.3	16.1%	81.9%	3,127.0	1,673.0	86.9%
EBITDA/(LBITDA)	872.4	373.1	129.0	133.8%	576.1%	1,700.0	154.5	1000.6%
EBIT/(LBIT)	593.2	157.2	-103.2	277.3%	674.6%	862.9	-460.2	287.5%
Finance cost	377.1	-194.5	-138.1	293.9%	373.0%	-193.6	-634.1	69.5%
Associates & JVs	20.9	3.0	-11.5	596.1%	281.8%	29.0	-12.5	332.7%
PBT/(LBT)	445.2	-19.1	-215.0	2427.1%	307.0%	184.6	-1,040.9	117.7%
Taxation	-86.1	10.1	78.3	-952.6%	-209.9%	2.6	274.5	-99.1%
PAT/(LBT)	359.1	-9.0	-136.7	4075.0%	362.7%	187.2	-766.4	124.4%
Core PAT/(LAT)	-106.2	-12.7	-104.7	-733.5%	-1.4%	-291.1	-769.1	62.1%

Sources: Company, MID

SEGMENTAL GROUP REVENUE BREAKDOWN

(All in RM'm unless stated otherwise)	Quarterly				Cumulatively			
Segment	**4Q22**	**3Q22**	**4Q21**	**QoQ**	**YoY**	**FY22**	**FY21**	**YoY**
Airport Operations								
Aeronautical								
PSC & PSSC	424.0	342.2	195.2	23.9%	117.2%	1,240.9	536.8	131.2%
Landing & parking	76.9	67.9	36.3	13.3%	111.8%	260.7	127.1	105.1%
Others	43.2	39.8	37.3	8.5%	15.8%	155.4	134.2	15.8%
	544.1	449.9	268.8	20.9%	102.4%	1,657.0	798.1	107.6%
Non-aeronautical								
Retail	108.3	85.5	15.8	26.7%	585.4%	262.4	39.3	567.7%
Rental & royalties	238.9	225.0	187.2	6.2%	27.6%	807.1	536.9	50.3%
Car park	19.2	18.3	10.8	4.9%	77.8%	64.6	30.1	114.6%
Others	16.8	20.7	10.0	-18.8%	68.0%	72.5	62.2	16.6%
	383.2	349.5	223.8	9.6%	71.2%	1,206.6	668.5	80.5%
Total for Airport Operations	927.3	799.4	492.6	16.0%	88.2%	2,863.6	1,466.6	95.3%
Non-Airport Operations								
Hotel	29.4	23.4	14.9	25.6%	97.3%	88.4	49.0	80.4%
Agriculture & horticulture	6.7	9.3	13.6	-28.0%	-50.7%	45.9	51.7	-11.2%
Project & repair maintenance	39.1	31.7	30.4	23.3%	28.6%	128.8	105.7	21.9%
Total for Non-Airport Operations	75.2	64.4	58.9	16.8%	27.7%	263.1	206.4	27.5%

Sources: Company, MIDFR

MAHB PASSENGER TRAFFIC

	Quarterly				Cumulatively			
Pax ('000)	**4Q22**	**3Q22**	**4Q21**	**QoQ**	**YoY**	**FY22**	**FY21**	**YoY**
Malaysia								
International	7,210	5,310	578	35.8%	1148.2%	16,456	2,264	626.8%
ASEAN	4,265	3,242	231	31.6%	1746.3%	9,642	527	1729.3%
Non-ASEAN	2,945	2,068	347	42.4%	749.7%	6,814	821	729.7%
Domestic	10,178	9,642	6,130	5.6%	66.0%	28,744	9,338	207.8%
	17,388	14,952	6,708	16.3%	159.2%	45,200	11,602	289.6%
Turkiye								
International	4,434	4,531	3,225	-2.1%	37.5%	15,712	8,973	75.1%
Domestic	3,876	4,499	4,214	-13.8%	-8.0%	15,469	16,384	-5.6%
	8,310	9,030	7,439	-8.0%	11.7%	31,181	25,357	23.0%
Total MAHB	25,698	23,982	14,147	7.2%	81.7%	76,381	36,959	106.7%

Sources: Company, MIDFR

PASSENGER TRAFFIC RECOVERY/GROWTH RELATIVE TO 2019 LEVELS

Sector	FY2023E	FY2024F	FY2025F
MY domestic	90%	105%	108%
MY international	80%	100%	105%
Total MY	**85%**	**104%**	**107%**
TY domestic	95%	102%	105%
TY international	120%	125%	130%
Total TY	**107%**	**113%**	**117%**

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