Malaysia Airports Holdings Berhad

(5014 | MAHB MK) Main | Transportation & Logistics

Returning to the Black

Maintain **NEUTRAL**

Revised **Target Price: RM7.45**

(from RM7.35)

KEY INVESTMENT HIGHLIGHTS

- **Core PATAMI in 1QFY23 was within our estimate**
- **Higher revenue from airport operations in tandem with passenger movements recovery**
- **New OA to be finalised and executed in 2HCY23**
- **Upward revision of FY23E/FY24F earnings by +3%/+2%**
- **Maintain NEUTRAL with a revised TP of RM7.45**

Within expectation. Malaysia Airports Holdings Berhad (MAHB) reported core PATAMI of RM78.0m in 1QFY23. This was in line with our expectation as it accounted for 22% of our full-year estimate, but slightly below consensus at 19%.

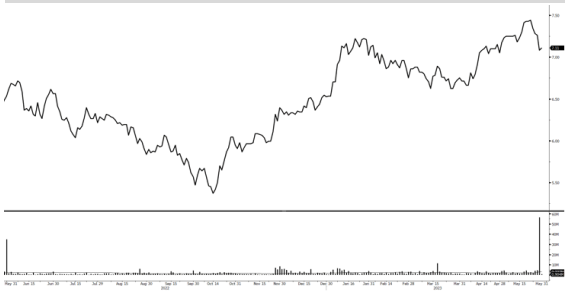
Quarterly. MAHB returned to the black in 1QFY23 after recording RM78.0m (+167.6%yoy) in core net profits. This was mainly due to improvements in revenue for both aeronautical (+87.9%yoy) and non-aeronautical (+88.9%yoy) segments in tandem with higher footfall at the airports. Relative to 2019 levels, total pax movements recovered to 74% in Malaysia (domestic: 84%, international: 64%) and 99% in Turkiye (domestic: 74%, international: 142%). Sequentially, core PATAMI was up by +175.0%qoq mainly on the back of improved passenger mix and easing inflationary cost for Turkiye operations.

Outlook. Passenger movements are expected to further recover as airlines steadily increase their capacity and introduce new routes. Although the recovery of traffic from the China market is still in its early stages, it reached a level of 19% as of Mar-23. MAHB projected a capacity recovery of at least 60% for this market by the end of the year. Meanwhile, the highly anticipated new operating agreement (OA) is scheduled to be finalised and executed in 2HCY23. MAHB is working closely with the Attorney General Chambers to refine the details of the new OA, while the Malaysian Aviation Commission (MAVCOM) is anticipated to release the third and final consultation paper in 3QCY23.

Maintain NEUTRAL. We have revised our FY23E/FY24F earnings by +3%/+2% after updating the audited figures. Taking into account the 9.4m new shares issued pursuant to the dividend reinvestment plan, our TP is slightly higher at **RM7.45** (from RM7.35). We maintain our **NEUTRAL** call as MAHB is trading at FY24F PE of 20.5x, almost at par with its pre-Covid mean. Relative to 2019 levels, we expect a recovery of 83% in CY23 (domestic: 90%, international 80%). Key upside risks: (i) higher-than expected international passenger movements in Turkiye, (ii) local airlines rebuilding their fleet and (iii) faster-than-expected return of free spending Chinese tourists.

RETURN STATISTICS	
Price @ 30th May 2023 (RM)	6.99
Expected share price return (%)	+6.6
Expected dividend yield (%)	+1.4
Expected total return (%)	**+8.0**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.9	0.5
3 months	2.9	7.2
12 months	6.4	19.6

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	4,585.1	5,131.8	5,247.7
Operating profit	1,131.3	1,395.9	1,368.4
PBT	473.5	749.6	730.3
Core PATAMI	359.9	569.7	555.0
EPS (sen)	21.6	34.1	33.3
DPS (sen)	10.0	15.0	15.0
Dividend yield (%)	1.4%	2.1%	2.1%

KEY STATISTICS	
FBM KLCI	1,396.91
Issue shares (m)	1,668.6
Estimated free float (%)	38.2
Market Capitalisation (RM'm)	11,663.2
52-wk price range	RM5.40 - RM7.54
3-mth average daily volume (m)	3.3
3-mth average daily value (RM'm)	23.1
Top Shareholders (%)	
Khazanah Nasional Bhd	33.2
Employees Provident Fund	14.0
KWAP	6.6

MIDF Research Team
research@midf.com.my

MAHB: 1Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				
Income Statement	**1Q23**	**4Q22**	**1Q22**	**QoQ**	**YoY**
Revenue	1,034.4	1,002.8	570.8	3.1%	81.2%
EBIT	205.9	47.2	30.4	336.2%	577.3%
Finance costs	-147.8	377.1*	-182.5	-139.2%	19.0%
Associates & JVs	5.2	20.9	1.7	-75.1%	206.5%
PBT	63.3	445.2	-150.4	-85.8%	142.1%
Taxation & zakat	-5.1	-86.1	45.6	94.1%	-111.1%
PATAMI	58.2	359.1	-104.8	-83.8%	155.5%
Core PATAMI	78.0	-104.1	-115.5	175.0%	167.6%
EBIT margin	19.9%	4.7%	5.3%		
PBT margin	6.1%	44.4%	-26.3%		
Core PATAMI margin	7.5%	-10.4%	-20.2%		
Effective tax rate	-8.0%	-19.3%	30.3%		

*Impact of the reduction of utilisation fees for Force Majeure event.

SEGMENTAL REVENUE BREAKDOWN

FYE Dec (RM'm)	Quarterly				
Airport Operations	**1Q23**	**4Q22**	**1Q22**	**QoQ**	**YoY**
Aeronautical					
PSC & PSSC	421.2	424.0	203.6	-0.7%	106.9%
Landing & parking	77.1	76.9	56.5	0.3%	36.5%
Others	55.6	43.2	34.7	28.7%	60.2%
	553.9	544.1	294.8	1.8%	87.9%
Non-aeronautical					
Retail	120.3	108.3	18.3	11.1%	557.4%
Rental & royalties	243.1	238.9	169.4	1.8%	43.5%
Car park	25.1	19.2	11.8	30.7%	112.7%
Others	18.3	16.8	15.9	8.9%	15.1%
	406.8	383.2	215.4	6.2%	88.9%
Non-Airport Operations	**1Q23**	**4Q22**	**1Q22**	**QoQ**	**YoY**
Hotel	29.0	29.4	16.9	-1.4%	71.6%
Agriculture & horticulture	7.0	6.7	15.2	4.5%	-53.9%
Project & repair maintenance	37.9	39.1	28.5	-3.1%	33.0%
	73.9	75.2	60.6	-1.7%	21.9%

PASSENGER TRAFFIC

Pax ('000)	Quarterly				
Malaysia	**1Q23**	**4Q22**	**1Q22**	**QoQ**	**YoY**
International	8,350	7,210	968	15.8%	762.9%
ASEAN	4,563	4,265	395	7.0%	1055.2%
Non-ASEAN	3,787	2,945	573	28.6%	561.2%
Domestic	10,328	10,178	7,351	1.5%	40.5%
	27,028	24,598	9,286	9.9%	191.0%
Turkiye	**1Q23**	**4Q22**	**1Q22**	**QoQ**	**YoY**
International	4,252	4,434	3,164	-4.1%	34.4%
Domestic	3,822	3,876	3,273	-1.4%	16.8%
	8,074	8,310	6,437	-2.8%	25.4%
Total MAHB	**35,102**	**32,908**	**15,723**	**6.7%**	**123.2%**

Source: MAHB, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	1,673.0	3,127.0	4,585.1	5,131.8	5,247.7
Operating profit	-394.4	349.2	1,131.3	1,395.9	1,368.4
PBT	-1,040.9	184.6	473.5	749.6	730.3
PATAMI	-766.4	187.2	359.9	569.7	555.0
Core PATAMI	-769.1	-291.1	359.9	569.7	555.0
EPS (sen)	n.a.	n.a.	21.6	34.1	33.3
PER (x)	n.a.	n.a.	32.4x	20.5x	21.0x
DPS (sen)	n.a.	3.9	10.0	15.0	15.0
Dividend yield (%)	n.a.	0.6%	1.4%	2.1%	2.1%

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Intangible assets	15,215.4	14,579.7	13,943.5	13,302.4	12,656.3
PPE	432.5	418.3	510.8	596.7	675.7
Non-current assets	**17,348.0**	**16,865.0**	**16,191.0**	**15,222.2**	**14,529.9**
Trade debtors	275.1	536.0	565.3	632.7	647.0
Cash & cash equivalents	1,583.2	1,529.6	1,660.9	1,990.8	2,633.7
Current assets	**2,814.6**	**2,585.0**	**2,774.5**	**3,184.3**	**3,847.3**
Long-term debt	3,566.0	4,144.4	4,365.0	3,765.0	3,265.0
Non-current liabilities	**9,770.8**	**9,166.3**	**9,250.9**	**8,296.5**	**7,955.7**
Trade creditors	668.8	2,116.5	1,406.9	1,546.6	1,610.3
Short-term debt	1,745.8	697.3	697.3	697.3	697.3
Current liabilities	**3,139.2**	**2,857.4**	**2,147.8**	**2,287.4**	**2,351.1**
Share capital	5,114.3	5,114.3	5,114.3	5,114.3	5,114.3
Retained earnings	1,121.0	1,250.7	1,391.1	1,646.9	1,894.7
Equity	**7,252.5**	**7,426.3**	**7,566.8**	**7,822.6**	**8,070.4**

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	-1,040.9	184.6	473.5	749.6	730.3
Operating cash flow	271.1	1,039.9	1,191.8	2,187.4	2,173.5
Investing cash flow	-133.5	238.5	-400.0	-400.0	-400.0
Financing cash flow	471.2	-1,360.2	-660.5	-1,457.5	-1,130.5
Net cash flow	**608.8**	**-81.8**	**131.3**	**329.9**	**642.9**
Beginning cash flow	**973.7**	**1,583.2**	**1,529.6**	**1,660.9**	**1,990.8**
Ending cash flow	**1,583.2**	**1,529.6**	**1,660.9**	**1,990.8**	**2,633.7**

Key Assumptions (Pax '000)	2021A	2022A	2023E	2024F	2025F
MY International	1,360	16,455	42,884	54,610	56,208
MY Domestic	9,363	36,095	46,779	54,576	56,135
Total MY	10,723	52,550	89,663	109,185	112,343
TY International	8,972	15,712	17,793	18,504	19,216
TY Domestic	16,384	15,469	20,633	22,153	22,805
Total TY	25,356	31,181	38,426	40,658	42,021

Profitability Margins	2021A	2022A	2023E	2024F	2025F
OP margin	-23.6%	11.2%	24.7%	27.2%	26.1%
PBT margin	-62.2%	5.9%	10.3%	14.6%	13.9%
PATAMI margin	-45.8%	6.0%	7.8%	11.1%	10.6%
Core PATAMI margin	-46.0%	-9.3%	7.8%	11.1%	10.6%

Source: MAHB, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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