

Malaysia Airports Holdings Berhad

(5014 | MAHB MK) Main | Transportation & Logistics

New OA Terms Clarified, Details Pending

KEY INVESTMENT HIGHLIGHTS


- **MARCS mechanism still effective**
- **Potential reduction in user fee**
- **ADF for developing smaller airports**
- **No revision to earnings estimates**
- **Maintain NEUTRAL with an unchanged TP of RM8.75**

MAHB held an investor briefing to clarify details of the newly signed Operating Agreements (OAs). Key points include:

Refined approach to future ASCs. The Marginal Cost Support (MARCS) mechanism remains in place to address any future instances where the benchmark and gazetted passenger service charges (PSC) are unequal. An important update is that future assessments of aviation service charges (ASCs) will now consider additional factors like market conditions, operating expenses, and MAHB's financial standing, moving beyond solely accounting for inflation.

Potential user fee reduction. There could be a reduction in the user fee percentage (FY23: 13.11%) to finance major airport development projects. Negotiations are still underway, but updates are expected in 1HFY24. The determination of the user fee percentage will be more dynamic (currently increasing by 25bps annually), with scheduled reviews every 3 years. Furthermore, MAHB is likely to seek ex-ante capital expenditure (capex) approval for non-revenue generating capex (i.e., the aerotrain and baggage system replacements). The review, including stakeholder consultations, could take up to 13 weeks, and if approved, will lead to full capex recovery in the second regulatory period (RP2).

ADF for smaller airport upgrades. Using 2019 figures, about RM120.0m (50% of the PSC component) out of the total RM583.6m (total user fees) paid to the government could potentially have been directed to the Airport Development Fund (ADF). It is worth noting that the Ministry of Transport and Ministry of Finance are the custodians of the fund, ultimately deciding its allocation. We expect this allocation will likely be aimed at supporting the development of smaller/loss-making airports.

Maintain NEUTRAL. In summary, the refined terms provide several avenues for development capex, with future ASCs expected to be more dynamic. However, given that much of the capex recovery is only anticipated in RP2 (FY27) pending further details, we uphold our earnings estimates, and the target price remains unchanged. A stronger-than-expected traffic recovery is a key catalyst. The stock is trading almost at par with its average historical EV/EBITDA of 9.3x. 

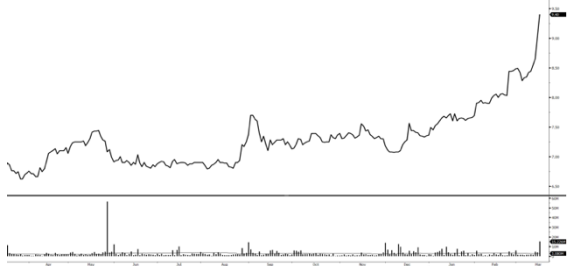
Maintain NEUTRAL

Unchanged Target Price: RM8.75

RETURN STATISTICS

Price @ 20 th March 2024 (RM)	9.12
Expected share price return (%)	-4.1
Expected dividend yield (%)	+2.1
Expected total return (%)	-2.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	13.8	13.2
3 months	24.2	15.0
12 months	34.2	22.6

INVESTMENT STATISTICS

FYE Dec	2023A	2024F	2025F
Revenue	4,914.2	5,786.7	5,943.4
Operating profit	1,137.3	1,582.1	1,622.7
PBT	506.1	941.6	992.1
Core PAT	470.2	715.6	754.0
EPS (sen)	28.2	43.0	45.3
DPS (sen)	10.8	19.0	20.0
Dividend yield (%)	1.2%	2.1%	2.2%

KEY STATISTICS

FBM KLCI	1,535.79
Issue shares (m)	1,664.84
Estimated free float (%)	45.20
Market Capitalisation (RM'm)	15,250.59
52-wk price range	RM6.59 - RM9.18
3-mth average daily volume (m)	2.91
3-mth average daily value (RM'm)	22.71
Top Shareholders (%)	
Khazanah Nasional Bhd	33.24
Employees Provident Fund	7.00
KWAP	6.76

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024F	2025F
Revenue	1,673.0	3,127.0	4,914.2	5,786.7	5,943.4
Operating profit	-394.4	349.2	1,137.3	1,582.1	1,622.7
PBT	-1,040.9	184.6	506.1	941.6	992.1
PATAMI	-823.9	129.7	485.7	715.6	754.0
Core PATAMI	-805.2	-363.5	470.2	715.6	754.0
EPS (sen)	n.a.	n.a.	28.2	43.0	45.3
PER (x)	n.a.	n.a.	32.3x	21.2x	20.1x
DPS (sen)	n.a.	3.9	10.8	19.0	20.0
Dividend yield (%)	n.a.	0.4%	1.2%	2.1%	2.2%
Balance Sheet (RM'm)	2021A	2022A	2023A	2024F	2025F
Intangible assets	15,215.4	14,579.7	14,662.7	12,877.2	11,935.1
PPE	432.5	418.3	462.0	787.2	778.1
Non-current assets	17,348.0	16,865.0	17,145.4	17,529.2	16,445.5
Trade debtors	275.1	536.0	675.2	713.4	732.7
Cash & cash equivalents	1,583.2	1,529.6	1,845.1	2,493.2	3,580.2
Current assets	2,814.6	2,585.0	3,309.6	3,986.0	5,095.5
Long-term debt	3,566.0	4,144.4	3,337.7	3,765.0	3,265.0
Non-current liabilities	9,770.8	9,166.3	8,542.4	9,495.0	9,111.3
Trade creditors	668.8	2,116.5	1,552.0	1,933.9	1,986.2
Short-term debt	1,745.8	697.3	1,249.5	697.3	697.3
Current liabilities	3,139.2	2,857.4	3,912.4	3,742.1	3,794.5
Share capital	5,114.3	5,114.3	5,170.7	5,170.7	5,170.7
Retained earnings	1,121.0	1,250.7	1,671.4	1,949.3	2,306.5
Equity	7,252.5	7,426.3	8,000.2	8,278.0	8,635.2
Cash Flow (RM'm)	2021A	2022A	2023A	2024F	2025F
PBT	-1,040.9	184.6	506.1	941.6	992.1
Operating cash flow	271.1	1,039.9	1,679.3	2,936.9	2,676.7
Investing cash flow	-133.5	238.5	-287.1	-700.0	-300.0
Financing cash flow	471.2	-1,360.2	-1,268.0	-1,588.7	-1,289.6
Net cash flow	608.8	-81.8	124.3	648.1	1,087.0
Beginning cash flow	973.7	1,583.2	1,529.6	1,845.1	2,493.2
Ending cash flow	1,583.2	1,529.6	1,845.1	2,493.2	3,580.2
Key Assumptions (Pax '000)	2021A	2022A	2023A	2024F	2025F
MY International	1,360	16,455	38,547	54,610	56,208
MY Domestic	9,363	36,095	43,224	53,017	55,615
Total MY	10,723	52,550	81,771	107,626	111,824
TY International	8,972	15,712	19,577	19,928	20,639
TY Domestic	16,384	15,469	17,984	22,153	22,805
Total TY	25,356	31,181	37,561	42,081	43,444
Profitability Margins	2021A	2022A	2023A	2024F	2025F
OP margin	-	11.2%	23.1%	27.3%	27.3%
PBT margin	-	5.9%	10.3%	16.3%	16.7%
PAT margin	-	-	9.6%	12.4%	12.7%
Core PAT margin	-	-	9.6%	12.4%	12.7%

Source: MAHB, 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.

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