

Malaysia Airports Holdings Berhad

(5014 | MAHB MK) Main | Transportation & Logistics

New Operating Agreements in Place

KEY INVESTMENT HIGHLIGHTS

- **Implementing a capex recovery model**
- **3-year cycle revision for user fee percentage**
- **Rollout of an enhanced PSC compensation**
- **No revision to earnings estimates**
- **Maintain NEUTRAL with an unchanged TP of RM8.75**

Malaysia Airports Holdings Berhad (MAHB) has announced that on 18 March 2024, the Government of Malaysia (GoM) and MAHB signed new Operating Agreements (OAs) and Lease Agreements (LAs). These agreements extend MAHB's rights to manage, maintain, and develop the existing 39 airports in Malaysia until February 11, 2029. The main highlights are as follows:


Development capex. MAHB can undertake the development capital expenditure (capex), subject to the mutual agreement of the parties on a capex recovery model which includes:

- utilising the airport development fund (ADF) ([report](#)),
- implementing project financing from the capital market,
- accessing funds provided by the government, or
- adopting any other bankable financing model.

User Fee and ADF. The user fee percentage will undergo revision on a three-year basis. Currently, MAHB pays approximately 13% of total revenue to the GoM, with an annual increase of +0.25%. In accordance with the new OAs, 50% of the passenger service charges (PSCs) component considered in the user fee calculation will be directed to the ADF.

Marginal Cost Support Sum (MARCS). The MARCS-PSCs mechanism has been substituted by an enhanced PSC compensation mechanism. However, detailed information regarding this replacement has not been disclosed yet.

Industry restructuring. If the GoM undertakes a restructuring or reorganisation of the industry, MAHB and the GoM will collaboratively determine the revised agreed terms to be incorporated in the new OAs.

Maintain NEUTRAL. The aviation services charges (ASCs) specified in MAVCOM's latest decision paper will take effect starting in Jun-24 ([report](#)). Further details on the new OAs and LAs will be revealed during the briefing session on 20 March 2024. Therefore, we maintain our current earnings estimates, and our target price remains unchanged at **RM8.75** (WACC: 11%, g: 1%). 

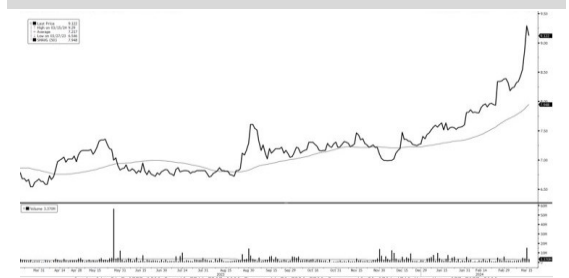
Maintain NEUTRAL

Unchanged Target Price: RM8.75

RETURN STATISTICS

| | |
|--|------|
| Price @ 18 th March 2024 (RM) | 9.23 |
| Expected share price return (%) | -5.2 |
| Expected dividend yield (%) | +2.1 |
| Expected total return (%) | -3.1 |

SHARE PRICE CHART



| Price performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1 month | 15.4 | 14.3 |
| 3 months | 25.4 | 17.0 |
| 12 months | 33.2 | 21.0 |

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 | 1,553.64 |
| Issue shares (m) | 1,664.84 |
| Estimated free float (%) | 45.22 |
| Market Capitalisation (RM'm) | 15,400.76 |
| 52-wk price range | RM6.59 - RM9.45 |
| 3-mth average daily volume (m) | 3.09 |
| 3-mth average daily value (RM'm) | 24.59 |
| Top Shareholders (%) | |
| Khazanah Nasional Bhd | 33.24 |
| Employees Provident Fund | 6.98 |
| KWAP | 6.77 |

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. | 32.7x | 21.5x | 20.4x |
| 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

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 loss, 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 <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