Malaysia Airports Holdings Berhad

(5014 | MAHB MK) Main | Transportation & Logistics

Accept Offer

Systemwide Passenger Traffic Almost Restored

Offer Price: RM11.00

KEY INVESTMENT HIGHLIGHTS

- **3QFY24 results met expectations**
- **Passenger recovery hits 98%, ISG leads**
- **China sector has fully recovered**
- **No changes to earnings estimates**
- **Accept buyout offer at RM11.00**

Within expectations. Malaysia Airports Holdings Berhad (MAHB) posted a core PAT of RM152.5m for 3QFY24, bringing the cumulative total to RM520.8m for 9MFY24. The results were in line with our expectations, accounting for 73% of our full-year forecast, but fell short of the consensus estimate at 67%.

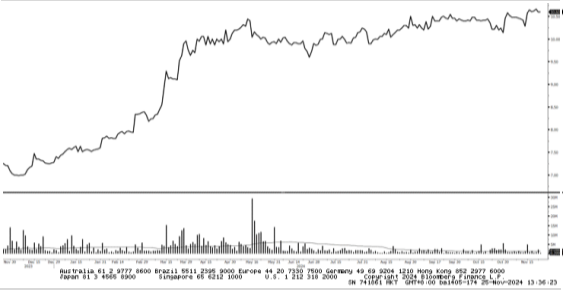
Quarterly. MAHB recorded a revenue growth of +20.0%yoy, driven by a recovery in passenger traffic, which reached 98% of pre-pandemic levels in 3QFY24 (Malaysia: 92%, ISG: 112%), compared to 88% in 3QFY23. Its commercial and retail revitalisation initiatives have boosted the operational occupancy rate to 84% in 9MFY24 (9MFY23: 63%) and are on track to approach the targeted 86% by end-FY24. Additionally, upgrades to Eraman's duty-free offerings have raised average spending per ticket to RM325 in 9MFY24 (FY23: RM314), up from RM233 in FY19. Overall, core PAT increased by +12.8%yoy. Sequentially, revenue grew by +11.1%qoq, driven by a +7.3%qoq increase in overall passenger traffic, while core PAT dropped -22.1%qoq due to lower tax credits.

Outlook. Year-to-date, 13 new airlines have started services to Malaysia, exceeding the target of 12 for the year. An additional two, JiangXi Air and HK Express, are set to commence in 4QFY24. The commencement of British Airways' operations has been delayed to Apr-25, from the initially planned Nov-24, due to aircraft unavailability. As for existing airlines, 52 new services have been launched to date. On the other hand, despite China's economic slowdown, passenger movements from China have shown strong growth, surpassing 2019 levels by 23% in Sep-24. In its Turkish operations, Pegasus Airlines and Turkish Airlines' Ajet, are expanding their networks with new aircraft, adding 14 and 5 international routes, respectively, to date.

Accept offer. Earnings estimates remain unchanged, and our DCF-derived fair value is maintained at **RM9.32** (WACC: 11%, g: 1%). We continue to recommend investors accept the buyout offer at **RM11.00**, which reflects an +18% premium to our fair value.

RETURN STATISTICS	
Price @ 26th November 2024 (RM)	10.56
Expected share price return (%)	+4.2
Expected dividend yield (%)	+1.8
Expected total return (%)	**+6.0**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.9	3.8
3 months	1.3	5.9
12 months	44.8	31.2

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	5,638.0	5,877.8	5,995.0
EBITDA	2,766.3	2,934.6	3,007.9
PBT	942.2	1,073.9	1,121.6
Core PAT	716.0	816.1	852.4
EPS (sen)	42.9	48.9	51.1
DPS (sen)	19.0	22.0	23.0
Dividend yield (%)	1.8%	2.1%	2.2%

KEY STATISTICS	
FBM KLCI	1,603.15
Issue shares (m)	1,668.55
Estimated free float (%)	45.70
Market Capitalisation (RM'm)	17,686.68
52-wk price range	RM7.06 - RM10.7
3-mth average daily volume (m)	1.43
3-mth average daily value (RM'm)	14.88
Top Shareholders (%)	
Khazanah Nasional Bhd	33.24
Employees Provident Fund	7.86
Kumpulan Wang Persaraan	7.15

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MAHB: 3QFY24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
Income Statement	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Revenue	1,532.2	1,378.9	1,276.3	11.1%	20.0%	4,262.4	3,542.7	20.3%
Operating profit	393.9	315.7	252.0	24.8%	56.3%	1,069.7	770.3	38.9%
Finance costs	-154.5	-164.6	-175.4	6.1%	11.9%	-479.0	-500.4	4.3%
Associates & JVs	11.0	8.4	10.5	30.9%	4.9%	33.8	14.3	136.6%
PBT	250.4	159.5	87.1	57.0%	187.5%	624.5	284.3	119.7%
Taxation & zakat	-40.0	46.3	7.7	-186.5%	-623.1%	-18.4	-28.8	36.2%
PAT	195.9	191.5	80.3	2.3%	144.0%	563.0	212.5	165.0%
Core PAT	152.5	195.6	135.2	-22.1%	12.8%	520.8	283.6	83.7%
				ppts	**ppts**			**ppts**
OP margin	25.7%	22.9%	19.7%	2.8	6.0	25.1%	21.7%	3.4
PBT margin	16.3%	11.6%	6.8%	4.8	9.5	14.7%	8.0%	6.6
Core PATAMI margin	10.0%	14.2%	10.6%	-4.2	-0.6	12.2%	8.0%	4.2
Effective tax rate	-16.0%	29.0%	8.8%	-45.0	-24.8	2.9%	10.1%	-7.2

REVENUE BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
Airport Operations	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Aeronautical								
PSC & PSSC	727.1	608.8	561.5	19.4%	29.5%	1,933.0	1,537.4	25.7%
Landing & parking	97.8	84.1	77.8	16.3%	25.7%	255.0	236.9	7.6%
Others	66.6	65.9	62.5	1.1%	6.6%	196.2	178.0	10.2%
	891.5	758.8	701.8	17.5%	27.0%	2,384.2	1,952.3	22.1%
Non-aeronautical								
Retail	159.4	163.9	149.9	-2.7%	6.3%	488.9	406.0	20.4%
Rental & royalties	342.0	326.6	301.6	4.7%	13.4%	984.2	827.8	18.9%
Car park	32.2	31.0	25.2	3.9%	27.8%	95.3	73.4	29.8%
Others	18.7	18.3	17.8	2.2%	5.1%	55.5	52.9	4.9%
	552.3	539.8	494.5	2.3%	11.7%	1,623.9	1,360.1	19.4%
Non-Airport Operations	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Hotel	38.1	34.8	32.7	9.5%	16.5%	108.4	92.8	16.8%
Agriculture & horticulture	9.0	9.6	7.8	-6.3%	15.4%	26.3	22.6	16.4%
Project & repair maintenance	41.2	36.0	39.5	14.4%	4.3%	119.6	114.9	4.1%
	88.3	80.4	80.0	9.8%	10.4%	254.3	230.3	10.4%

COST BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
	3QFY24	**2QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Direct Cost								
Materials	-87.4	-92.2	-78.9	5.2%	-16.9%	-271.2	-211.8	-28.0%
Labour	-54.8	-45.6	-46.8	-20.2%	2.6%	-146.4	-134.7	-8.7%
Overheads	-38.8	-39.6	-36.1	2.0%	-9.7%	-118.3	-110.5	-7.1%
	-181.0	-177.4	-161.8	-2.0%	-9.6%	-535.9	-457.0	-17.3%
Operating Cost								
Staff costs	-244.6	-169.9	-182.8	-44.0%	7.1%	-584.8	-502.4	-16.4%
Utilities & Comm.	-123.9	-121.7	-132.5	-1.8%	8.2%	-363.1	-345.9	-5.0%
Maintenance	-123.2	-109.3	-87.5	-12.7%	-24.9%	-330.5	-237.6	-39.1%
Net allowance of PDD	60.4	-13.5	-30.0	547.4%	55.0%	39.5	-22.4	276.3%
Others	-70.0	-67.4	-87.4	-3.9%	22.9%	-177.6	-266.9	33.5%
	-501.3	-481.8	-520.2	-4.0%	7.4%	-1,416.5	-1,375.2	-3.0%
User Fee & PSC Share								
User fee	-132.0	-112.9	-99.1	-16.9%	-13.9%	-356.7	-281.1	-26.9%
PSC share	-47.5	-43.4	-46.7	-9.4%	7.1%	-135.2	-118.7	-13.9%
	-179.5	-156.3	-145.8	-14.8%	-7.2%	-491.9	-399.8	-23.0%

Source: MAHB, MIDFR

PASSENGER TRAFFIC (NUMBER OF PAX '000)

	Quarterly					Cumulatively		
Malaysia	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
International	12,977	11,920	10,326	8.9%	25.7%	36,612	27,694	32.2%
Recovery	*97%*	*93%*	*77%*			*93%*	*70%*	
ASEAN	6,376	6,197	5,410	2.9%	17.9%	18,488	15,045	22.9%
Recovery	*96%*	*95%*	*81%*			*94%*	*77%*	
Non-ASEAN	6,601	5,723	4,916	15.3%	34.3%	18,124	12,649	43.3%
Recovery	*97%*	*90%*	*73%*			*92%*	*64%*	
Domestic	11,799	11,203	11,396	5.3%	3.5%	33,100	32,857	0.7%
Recovery	*88%*	*87%*	*85%*			*86%*	*85%*	
	24,776	23,123	21,722	7.1%	14.1%	69,712	60,551	15.1%
Recovery	*92%*	*90%*	*81%*			*89%*	*78%*	
ISG	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
International	5,902	5,268	5,553	12.0%	6.3%	16,362	14,594	12.1%
Recovery	*142%*	*154%*	*134%*			*155%*	*138%*	
Domestic	5,388	5,214	5,321	3.3%	1.3%	14,941	13,493	10.7%
Recovery	*91%*	*97%*	*90%*			*91%*	*82%*	
	11,290	10,482	10,874	7.7%	3.8%	31,303	28,087	11.5%
Recovery	*112%*	*119%*	*108%*			*116%*	*104%*	
Total Malaysia & ISG	36,066	33,605	32,596	7.3%	10.6%	101,015	88,638	14.0%
Recovery	*98%*	*97%*	*88%*			*96%*	*84%*	

Source: MAHB, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	3,127.0	4,914.2	5,638.0	5,877.8	5,995.0
EBITDA	1,186.4	2,285.6	2,766.3	2,934.6	3,007.9
Operating profit	349.2	1,137.3	1,570.7	1,700.7	1,743.0
PBT	184.6	506.1	942.2	1,073.9	1,121.6
PATAMI	129.7	485.7	716.0	816.1	852.4
Core PATAMI	-363.5	520.8	716.0	816.1	852.4
EPS (sen)	n.a.	31.2	42.9	48.9	51.1
PER (x)	n.a.	33.8x	24.6x	21.6x	20.7x
DPS (sen)	3.9	10.8	19.0	22.0	23.0
Dividend yield (%)	0.4%	1.0%	1.8%	2.1%	2.2%

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Intangible assets	14,579.7	14,662.7	12,877.2	11,935.1	10,986.2
PPE	418.3	462.0	1,000.4	1,196.9	1,384.0
Non-current assets	**16,865.0**	**17,145.4**	**17,438.7**	**16,923.0**	**11,928.2**
Trade debtors	536.0	675.2	695.1	724.7	739.1
Cash & cash equivalents	1,529.6	1,845.1	2,340.8	3,358.3	4,406.9
Current assets	**2,585.0**	**3,309.6**	**3,810.2**	**4,859.9**	**5,925.3**
Long-term debt	4,144.4	3,337.7	3,765.0	3,765.0	0.0
Non-current liabilities	**9,166.3**	**8,542.4**	**9,311.4**	**9,409.7**	**5,728.5**
Trade creditors	2,116.5	1,552.0	1,851.1	1,895.4	1,933.2
Short-term debt	697.3	1,249.5	697.3	697.3	0.0
Current liabilities	**2,857.4**	**3,912.4**	**3,659.4**	**3,703.7**	**3,044.1**
Share capital	5,114.3	5,170.7	5,170.7	5,170.7	5,170.7
Retained earnings	1,250.7	1,671.4	1,949.5	2,340.9	2,752.2
Equity	**7,426.3**	**8,000.2**	**8,278.2**	**8,669.6**	**9,080.9**

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	184.6	506.1	942.2	1,073.9	1,121.6
Operating cash flow	1,039.9	1,679.3	2,869.8	2,728.5	2,806.7
Investing cash flow	238.5	-287.1	-917.0	-517.0	-517.0
Financing cash flow	-1,360.2	-1,268.0	-1,457.0	-1,194.0	-1,241.1
Net cash flow	**-81.8**	**124.3**	**495.7**	**1,017.4**	**1,048.6**
Beginning cash flow	**1,583.2**	**1,529.6**	**1,845.1**	**2,340.8**	**3,358.3**
Ending cash flow	**1,529.6**	**1,845.1**	**2,340.8**	**3,358.3**	**4,406.9**

Key Assumptions (Pax '000)	2022A	2023A	2024E	2025F	2026F
MY International	16,455	38,547	51,945	54,610	55,702
MY Domestic	36,095	43,224	46,779	54,576	55,667
Total MY	52,550	81,771	98,725	109,185	111,369
TY International	15,712	19,577	21,351	20,639	21,052
TY Domestic	15,469	17,984	23,891	22,805	23,261
Total TY	31,181	37,561	45,242	43,444	44,313

Profitability Margins	2022A	2023A	2024E	2025F	2026F
OP margin	11.2%	23.1%	27.9%	28.9%	29.1%
PBT margin	5.9%	10.3%	16.7%	18.3%	18.7%
PAT margin	-	7.5%	12.7%	13.9%	14.2%
Core PAT margin	-	7.5%	12.7%	13.9%	14.2%

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 *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