

Malaysia Airports Holdings

A Recovery Play

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FY20 core net loss came in at RM616m compared to our forecast of RM690m and consensus' RM680m. We deemed the results to be slightly above expectation due to better-than-expected cost optimisation. The availability of vaccines has renewed optimism for air travel to return to normal sooner than expected, and we expect air travel to improve at a gradual pace starting from 2H 2021. The yet to be signed Operating Agreement (OA) could be an impetus as a re-rating catalyst for MAHB. No changes to our FY21E earning forecast. Reiterate Outperform and TP of RM6.86.

Results' highlights. QoQ, 4QFY20 revenue fell 34% due to re-imposition of Conditional Movement Control Order (CMCO) across Malaysia, and curfew re-imposition in Turkey effective November last year due to resurgence of COVID-19 cases. Specifically, airport operations' revenue fell 39% due to lower revenue from the aeronautical (-52%) and non-aeronautical (-14%) segments. Passenger traffic for the Malaysia operation contracted by 53.3% (international: -33.3%, domestic: -54.8%) to 2.1m passengers as compared to 4.5m passengers recorded in 3QFY20. The passenger traffic for Turkey operation contracted slightly to 4.7m passengers as compared to 4.8m in 3QFY20. 4QFY20 reported a net loss of RM685m due to impairment of RM500.4m in ISG's concession rights. The impairment arose due to a significant contraction in passenger movement impacted by the COVID-19 pandemic. Excluding RM500m one-off impairment loss, 4QFY20 core losses narrowed to RM185m compared to RM320m in 3QFY20 cushioned by the recognition of deferred tax asset arising from Investment Tax Allowance (ITA) amounting to RM247m. No dividend was declared in this quarter.

YoY, FY20 revenue fell 66% in tandem with the 70% contraction in passenger movements due to the impact of COVID-19 pandemic and travel restrictions imposed by Malaysia and other countries globally. In Malaysia, passenger movements fell 75.5% (international: -82.2%, domestic: -68.7%) to 25.8m. Similarly for Turkey operation, the passenger traffic decreased by 52% (international: -62.7%, domestic: -45.2%) to 17.2m. Non-aeronautical segment's revenue decreased by 63.2% due to the closure of outlets, absence of royalty revenue, rental rebate granted as part of assistance program to the tenants and airlines and significant reduction in revenue contributed by duty free and non-dutiable business. Excluding RM500m one-off impairment loss, FY20 core loss came in at RM616m cushioned by the recognition of deferred tax asset arising from Investment Tax Allowance (ITA) amounting to despite wider losses at Turkey.

Outlook. The world-wide deployment of vaccines offer optimism for air travel recovery as economies pick up. Nevertheless, traffic recovery is expected to be gradual in line with the distribution of vaccines coupled with the ongoing recovery of the global economy. Travel bubbles arrangements and short-haul travel are expected to pave the way providing air travel some tailwind in 2021. The new OA with the Government following the extension of the concession (yet to be signed) will pave the way for the stock to be re-rated. We believe the new OA will be investor-friendly, and create a sustainable long-term development of MAHB which has been hit by COVID-19 in terms of passenger traffic growth both in Malaysia and Turkey.

Re-iterate OP. The on-going vaccine deployment is positive for air travel, especially for MAHB as a post COVID-19 play, potentially enjoying strong demand rebound in 2H 2021. No changes to our TP of RM6.86 based on unchanged 24x FY21E EPS (-1.0SD below historical forward mean).

Risks to our call include: (i) prolonged Covid-19 disruption beyond this year resulting in extended lower-than-expected passenger volume, and (ii) weaker-than-expected WACC from the RAB.

OUTPERFORM ↔

Price : RM5.99
Target Price : RM6.86 ↔

Share Price Performance



KLCI	1,577.75
YTD KLCI chg	-3.0%
YTD stock price chg	1.2%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	MAHB MK EQUITY
Market Cap (RM m)	9,938.6
Shares Outstanding	1,659.2
52-week range (H)	6.89
52-week range (L)	3.92
3-mth vg daily vol:	2,155,534
Free Float	42%
Beta	1.1

Major Shareholders

Khazanah Nasional Bhd	33.2%
Employees Provident Fund Board	14.7%
KWAP	5.4%

Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	1,866.3	4,420.2	5,060.5
PBT	(1,763)	592.7	789.5
Net Profit (NP)	(1,116)	474.2	540.8
Core NP	(615.8)	474.2	540.8
Consensus (CNP)		-160.4	292.6
Earnings Revision	-	-	New
Core EPS (sen)	(37.1)	28.6	32.6
Core EPS growth (%)	(307.8)	NM	14.0
NDPS (sen)	0.0	8.3	14.5
BV/Share (RM)	4.88	5.05	5.20
Core PER (x)	(8.9)	21.0	18.4
Net Gearing (x)	0.5	0.4	0.2
Dividend Yield (%)	0.0	1.4	2.4

01 March 2021

Result Highlight								
FY Dec	4Q	3Q	2Q	1Q	QoQ	FY	FY	YoY
(RM m)	2020	2020	2020	2020	%chg	19	20	%chg
Revenue	263.6	396.7	272.2	933.8	(33.5)	5,213.1	1,866.3	(64.2)
EBITDA	(210.0)	(41.8)	(30.8)	304.2	402.7	2,292.0	21.6	(99.1)
Pretax profit	(1,075.1)	(384.9)	(268.3)	(35.5)	179.4	659.1	(1,763.9)	(367.6)
Taxation	390.1	65.1	177.3	15.2	498.9	(122.1)	647.7	(630.4)
Net profit	(685.0)	(319.7)	(91.1)	(20.4)	114.3	537.0	(1,116.2)	(307.9)
EPS (sen)	(42.2)	(20.1)	(6.4)	(2.1)	109.3	28.9	(70.8)	(344.8)
EBITDA margin (%)	-80%	-11%	-11%	33%		44%	1%	
Pretax margin (%)	NM	NM	NM	NM		29%	NM	
Effective tax rate (%)	36%	17%	66%	43%		19%	37%	
Aeronautical								
PSC & PSCC	92.4	158.2	11.2	372.8	(41.6)	2,181.2	634.6	(70.9)
Landing & Parking	(5.7)	37.3	24.7	87.8	(115.3)	427.8	144.1	(66.3)
Airline Incentives	-	-	-	0.0	#DIV/0!	(44.9)	-	(100.0)
Others (cargo, airside, etc)	23.0	33.2	9.8	41.6	(30.7)	200.6	107.6	(46.4)
Total Aeronautical charges	109.7	228.7	45.7	502.2	(52.0)	2,764.7	886.3	(67.9)
Non-aeronautical								
Retail	12.4	11.4	4.3	125.1	8.8	850.2	153.2	(82.0)
Rent & Loyalties	70.4	91.0	174.9	215.6	(22.6)	1,141.1	551.9	(51.6)
Car park	6.1	7.8	4.3	17.2	(21.8)	96.2	35.4	(63.2)
Others	16.4	12.3	9.5	17.5	33.3	74.1	55.7	(24.8)
Total Non-aeronautical charges	105.3	122.5	193.0	375.4	(14.0)	2,161.6	796.2	(63.2)
Non-airport operations								
Hotel	9.8	10.6	7.6	19.8	(7.5)	98.3	47.8	(51.4)
Agriculture & Horticulture	9.6	10.2	8.3	6.6	(5.9)	26.9	34.7	29.0
Project & repair maintenance	29.1	25.0	17.5	29.8	16.4	161.7	101.4	(37.3)
Total	48.5	45.8	33.4	56.2	5.9	286.9	183.9	(35.9)
Total group revenue	263.5	396.7	272.1	933.8	(33.6)	5,213.2	1,866.4	(64.2)
Revenue breakdown								
Airport services	62.7	219.7	199.0	502.2	(71.5)	2,791.4	983.6	(64.8)
Duty free	12.5	11.7	4.6	125.9	6.8	852.9	154.7	(81.9)
Project & Repair	29.0	25.1	17.6	29.7	15.7	161.7	101.4	(37.3)
Hotel	8.0	8.9	7.6	17.8	(10.5)	88.6	42.3	(52.3)
Agriculture	9.6	10.2	8.3	6.6	(5.3)	26.9	34.7	28.9
Turkey (ISG and LGM)	141.9	121.1	35.0	251.7	17.1	1,291.6	549.7	(57.4)
Total	263.6	396.7	272.1	933.8	(33.5)	5,213.1	1,866.3	(64.2)

FY Dec	4Q	3Q	2Q	1Q	QoQ	FY	FY	YoY
(RMm)	2020	2020	2020	2020	%chg	19	20	%chg
EBITDA								
Airport services	(274.8)	(59.8)	3.9	83.2	359.7	1,240.1	(247.5)	(120.0)
Duty free	33.5	(56.1)	(56.0)	(10.7)	(159.7)	53.2	(89.2)	(267.8)
Project & repair maintenance	5.7	12.4	3.4	18.8	(54.5)	70.0	40.3	(42.4)
Hotel	0.1	(1.3)	(1.6)	5.6	(109.4)	32.3	2.8	(91.3)
Agriculture	1.8	4.0	1.9	2.6	(56.0)	5.0	10.3	105.7
Turkey (ISG and LGM)	78.6	81.1	8.9	188.7	(3.1)	955.3	357.2	(62.6)
Others	22.2	33.3	63.7	80.3	(33.2)	467.2	199.5	(57.3)
Adjustments	(77.1)	(55.4)	(55.1)	(64.3)	39.1	(531.1)	(251.9)	(52.6)
Total	(210.0)	(41.8)	(30.8)	304.2	402.7	2,292.0	21.6	(99.1)

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EBITDA margin %								
Airport services	-439%	-27%	2%	17%		44%	-25%	
Duty free	268%	-479%	-1209%	-8%		6%	-58%	
Project & Repair	19%	50%	19%	63%		43%	40%	
Hotel	2%	-15%	-21%	31%		37%	7%	
Agriculture	18%	40%	24%	39%		19%	30%	
Turkey (ISG and LGM)	55%	67%	25%	75%		74%	65%	
PBT								
Airport services	(445.3)	(173.8)	(73.2)	(43.8)	156.3	621.6	(736.1)	(218.4)
Duty free	29.2	(60.1)	(60.7)	(12.6)	(148.6)	44.5	(104.1)	(333.8)
Project & Repair	3.6	11.2	2.1	17.7	(68.0)	58.5	34.5	(41.0)
Hotel	(3.4)	(4.8)	(5.3)	0.9	(30.5)	12.3	(12.5)	(202.1)
Agriculture	0.6	2.8	0.7	1.3	(78.3)	(0.1)	5.4	(5,527.0)
Turkey (ISG and LGM)	(93.7)	(108.5)	(149.0)	24.4	(13.6)	145.0	(326.7)	(325.3)
Others	(10.3)	(6.7)	24.7	44.1	54.5	327.2	51.8	(84.2)
adjustments	(555.8)	(45.0)	(7.7)	(67.6)	1,135.8	(549.9)	(676.1)	23.0
Total	(1,075.1)	(384.9)	(268.3)	(35.5)	179.4	659.2	(1,763.9)	(367.6)
PAT								
Airport services	(139.9)	(135.6)	83.3	(33.2)	3.1	493.3	(225.5)	(145.7)
Duty free	18.8	(46.6)	(47.0)	(9.4)	(140.4)	31.4	(84.1)	(368.2)
Project & Repair	3.3	8.7	0.6	14.2	(62.8)	49.5	26.8	(45.8)
Hotel	0.5	(3.9)	(4.0)	0.7	(112.2)	14.4	(6.7)	(146.3)
Agriculture	1.4	2.3	0.5	1.0	(41.9)	(1.0)	5.2	(647.7)
Turkey (ISG and LGM)	(105.6)	(100.5)	(141.2)	16.9	5.1	129.2	(330.3)	(355.6)
Others	(12.5)	(6.9)	24.6	44.1	82.8	327.1	49.3	(84.9)
adjustments	(450.9)	(37.4)	(8.0)	(54.7)	1,105.7	(506.9)	(551.0)	8.7
Total	(685.0)	(319.7)	(91.1)	(20.4)	114.3	537.0	(1,116.2)	(307.8)

Source : Bursa Malaysia, Kenanga Research

01 March 2021

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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