

30 November 2021

Malaysia Airports Holdings

A Recovery Play Despite Weak 9MFY21

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9MFY21 core net loss came in at RM630m compared to our net loss forecast of RM820m and consensus' RM860m for the full-year, coming in within expectations. The expanding availability of vaccines, however, has renewed optimism for air travel to return to normal sooner-than-expected, and we expect air travel to improve at a gradual pace beginning end 2021. We keep our FY21E/FY22E earnings unchanged. The share price has retraced following our downgrade which presents a buying opportunity. Hence, we upgrade our call from MP to OP. TP remains at RM7.00 based on 23x FY22E EPS.

Results' highlights. QoQ, 3QFY21 revenue rose 43% due to higher passenger volumes for Turkey operations following the relaxation of border and inter-city travel in Turkey. Revenue from airport operations increased by 48% due to higher aeronautical (+52%) due to the increase in passenger traffic for Turkey operations by 85.4% from 4.8m to 8.9m passengers. Passenger traffic for the Malaysia operations contracted by 23% to 1.0m passengers, impacted by the continuation of the MCO and renewed total lockdown from 1 June 2021. Correspondingly, loss before tax narrowed to RM255m compared to RM291m in 2QFY21 due to decrease in revenue, cushioned slightly by lower operating expenses. Core operating expenses decreased by 2%, driven by the group's continuous cost containment initiatives. 3QFY21 net loss narrowed to RM182m from RM226m in 2QFY21 due to narrower losses at its Turkey unit and cushioned by the recognition of deferred tax asset. No dividend was declared in this quarter.

YoY, 9MFY21 revenue fell 30% in tandem with lower aeronautical (-32%) and non-aeronautical (-36%) segments. Passenger traffic for the Malaysia operation contracted by 83% due to lower international (-91%) and domestic (-78%) to 4m passengers. However, Turkey operation showed signs towards normalisation as passenger traffic rose 43% (international: +43%, domestic: +42%) to 17.9m. 9MFY21 losses widened to RM630m compared to RM431m in 9MFY20 due to wider losses in Malaysia operation.

Outlook. Malaysia domestic traffic performance registered encouraging improvements after the launch of Langkawi travel bubble programme from 16 September 2021. The Government announcement on the reopening of interstate borders and the relaxed rules for fully vaccinated Malaysian residents to travel abroad from 11 October onwards is positive news for the aviation sector to restart with prospects for a gradual recovery. Turkey ISG is expected to continue to benefit from less rigorous travelling restrictions and the robust domestic market will continue to experience traffic recovery going forward. Separately, the recently announced Malaysia and Singapore Vaccinated Travel Lane (VTL) between Changi Airport and KLIA flight from Singapore saw positive responses receiving six VTL flights carrying over 1,300 passengers from Singapore.

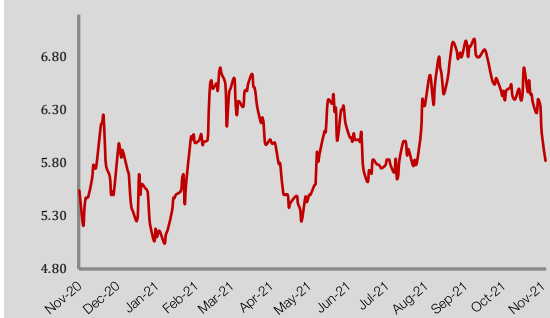
Upgrade from MP to OP. The expanding availability of vaccines has renewed optimism for air travel to return to normal sooner-than-expected, and we expect air travel to improve at a gradual pace beginning end 2021. We keep our FY21E/FY22E earnings unchanged. The share price has retraced following our downgrade which presents a buying opportunity. TP remains at RM7.00 based on 23x FY22E EPS (-0.5 SD below 5-year pre-pandemic historical forward mean). Hence, we upgrade our call from Market Perform to Outperform.

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 : RM5.80
Target Price : RM7.00 ↔

Share Price Performance



KLCI 1,510.57
YTD KLCI chg -7.2%
YTD stock price chg -2.0%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	MAHB MK EQUITY
Market Cap (RM m)	9,623.3
Shares Outstanding	1,659.2
52-week range (H)	7.05
52-week range (L)	5.01
3-mth vg daily vol:	1,899,164
Free Float	41%
Beta	1.1

Major Shareholders

Khazanah Nasional Bhd	33.2%
Employees Provident Fund Board	15.4%
KWAP	5.5%

Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	1,866	1,963	5,214
PBT	(1,764)	(1,025)	736
Net Profit (NP)	(1,116)	(820)	504
Core NP	(616)	(820)	504
Consensus (CNP)		-863.0	-22.3
Earnings Revision	-	-	-
Core EPS (sen)	(37.1)	(49.4)	30.4
Core EPS growth (%)	(307.8)	(26.5)	(161.5)
NDPS (sen)	3.5	0.0	13.5
BV/Share (RM)	4.88	4.53	4.66
Core PER (x)	NM	NM	19.1
Net Gearing (x)	0.5	0.5	0.4
Dividend Yield (%)	0.6	0.0	2.2



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Result Highlight							
FY Dec	3Q	2Q	1Q	QoQ	FY	FY	YoY
(RM m)	2021	2021	2021	%chg	9M20	9M21	%chg
Revenue	461.3	323.4	336.9	42.6	1,602.7	1,121.7	(30.0)
EBITDA / (LBTIDA)	89.8	(14.0)	(8.5)	(498.2)	231.6	67.3	(71.0)
Pretax profit (loss)	(254.9)	(290.5)	(280.5)	(12.3)	(688.8)	(825.9)	19.9
Taxation	72.6	64.4	59.2	12.6	257.6	196.2	(23.8)
Core net profit / (loss)	(182.3)	(226.1)	(221.3)	(19.4)	(431.2)	(629.7)	46.0
EPS / LPS (sen)	(11.9)	(14.5)	(14.2)	(18.2)	(28.6)	(40.5)	41.8
Aeronautical							
PSC & PSCC	169.0	90.6	82.0	86.5	542.2	341.6	(37.0)
Landing & Parking	30.0	29.9	30.9	0.3	149.8	90.8	(39.4)
Others (cargo, airside, etc)	34.5	32.9	29.6	4.9	84.6	97.0	14.7
Total Aeronautical charges	233.5	153.4	142.5	52.2	776.6	529.4	(31.8)
Non-aeronautical							
Retail	4.9	6.7	11.9	(26.9)	140.8	23.5	(83.3)
Rent & Loyalties	143.2	95.8	110.9	49.5	481.5	349.7	(27.4)
Car park	8.1	4.9	6.3	65.3	29.3	19.3	(34.1)
Others	17.4	14.7	20.1	18.4	39.3	52.2	32.8
Total Non-aeronautical charges	173.6	122.1	149.2	42.2	690.9	444.7	(35.6)
Non-airport operations							
Hotel	13.9	10.9	9.4	27.5	38.0	34.2	(10.0)
Agriculture & Horticulture	14.6	12.2	11.3	19.7	25.1	38.1	51.8
Project & repair maintenance	26.0	25.0	24.3	4.0	72.3	75.3	4.1
Total	54.5	48.1	45	13.3	135.4	147.6	9.0
Total group revenue	461.6	323.6	336.7	42.6	1,602.9	1,121.7	(30.0)
Revenue breakdown							
Airport services	116.1	93.6	129.4	24.0	920.9	339.1	(63.2)
Duty free	5.1	6.9	11.7	(25.4)	142.2	23.7	(83.3)
Project & Repair	26.0	24.9	24.2	4.5	72.4	75.2	3.9
Hotel	11.4	9.5	8.1	20.5	34.3	29.0	(15.4)
Agriculture	14.7	12.1	11.3	20.6	25.1	38.1	52.1
Turkey (ISG and LGM)	287.9	176.3	152.2	63.3	407.9	616.4	51.1
Total	461.3	323.4	336.9	42.6	1,602.7	1,121.6	(30.0)
FY Dec (RMm)							
EBITDA / (LBITDA)	3Q	2Q	1Q	QoQ	FY	FY	YoY
	2021	2021	2021	%chg	9M20	9M21	%chg
Airport services	(127.5)	(144.3)	(137.1)	(11.6)	27.4	(408.9)	(1,595.0)
Duty free	(8.4)	(9.6)	(12.0)	(12.3)	(122.8)	(30.0)	(75.6)
Project & repair maintenance	7.0	8.3	14.5	(15.6)	34.7	29.8	(14.2)
Hotel	2.9	0.1	(0.6)	2,811.0	2.7	2.4	(11.5)
Agriculture	7.0	5.9	6.4	18.9	8.6	19.3	125.8
Turkey (ISG and LGM)	219.0	127.8	108.7	71.3	278.6	455.5	63.5
Others	66.5	37.5	59.1	77.3	177.3	163.2	(7.9)
Adjustments	(76.8)	(39.8)	(47.5)	92.9	(174.8)	(164.1)	(6.2)
Total	89.8	(14.0)	(8.5)	(739.4)	231.6	67.2	(71.0)
EBITDA margin %							
Airport services	-110%	-154%	-106%		3%	-121%	
Duty free	-163%	-139%	-103%		-86%	-126%	
Project & Repair	27%	33%	60%		48%	40%	
Hotel	25%	1%	-8%		8%	8%	

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Agriculture	48%	49%	56%		34%	51%	
Turkey (ISG and LGM)	76%	73%	71%		68%	74%	
PBT / (LBT)							
Airport services	(191.4)	(217.6)	(203.5)	(12.0)	(290.8)	(612.4)	110.6
Duty free	(11.5)	(12.0)	(16.0)	(4.0)	(133.4)	(39.4)	(70.5)
Project & Repair	5.9	7.2	13.4	(18.0)	31.0	26.5	(14.6)
Hotel	(0.5)	(3.4)	(3.7)	(84.8)	(9.2)	(7.6)	(17.1)
Agriculture	5.0	4.7	5.2	6.4	4.8	14.9	210.3
Turkey (ISG and LGM)	(3.4)	(46.0)	(70.9)	(92.6)	(233.0)	(120.3)	(48.4)
Others	29.9	7.8	23.7	281.6	62.1	61.5	(1.1)
Adjustments	(89.0)	(31.3)	(28.8)	184.2	(120.3)	(149.1)	24.0
Total	(255.0)	(290.5)	(280.5)	(12.2)	(688.8)	(826.0)	19.9
Core PAT / (LAT)							
Airport services	(133.1)	(157.6)	(148.0)	(15.6)	(85.6)	(438.7)	412.8
Duty free	(8.2)	(8.6)	(12.2)	(4.9)	(102.9)	(29.0)	(71.8)
Project & Repair	4.7	5.7	10.4	(17.8)	23.6	20.7	(12.0)
Hotel	(0.1)	(2.6)	(2.7)	(97.4)	(7.1)	(5.4)	(24.4)
Agriculture	3.7	3.8	3.9	(1.0)	3.9	11.4	197.2
Turkey (ISG and LGM)	(2.2)	(50.0)	(73.3)	(95.5)	(224.7)	(125.5)	(44.2)
Others	29.6	7.3	23.5	305.6	61.8	60.4	(2.4)
adjustments	(76.7)	(24.0)	(22.9)	219.2	(100.0)	(123.6)	23.6
Total	(182.3)	(226.1)	(221.3)	(19.4)	(431.2)	(629.7)	46.0

Source : Bursa Malaysia, Kenanga Research

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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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