

24 April 2024

Malaysia Airports Holdings

1QCY24 Passengers Up 17% YoY

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AIRPORT's 1QCY24 passenger throughput jumped 17% YoY, in-line with our expectation. We expect the recovery of business and leisure air travel to continue throughout FY24. On the flip side, while the recently announced tariff revision is positive to its earnings, it may not be sufficient to fund more aggressive capex plans. We keep our forecasts, TP of RM9.00 and MARKET PERFORM call.

1QCY24 system-wide passenger throughput met our expectation. AIRPORT's 1QCY24 system-wide passenger throughput (including Istanbul SGIA) came in within our expectation. Its total airport network of airports passenger traffic continued to gain traction in 1QCY24, recording 31m (+2% QoQ; +17% YoY) which came in at 23% of our full-year forecast of 131m (vs. 119m in 2023). As an indication that traffic recovery has continued to gain traction, 1QCY24 passenger movements reached 90% of 1QCY19 levels. Interestingly, international passenger throughput for 1QCY24 grew 34% YoY or exceeded 1QCY19 level by 5% mainly driven by Istanbul SGIA airlines' strong international expansion recording a double-digit recovery rate of 73.8% over the same quarter in 2019, while Malaysia international passengers continued to register new highs. Domestic passenger throughput continued to record a steady growth, reaching 82% of 1QCY19 level with 14.5m passengers (+2% YoY). Amplifying the traffic growth was the increase in new airline operations, school holiday breaks, Chinese New Year festive seasons, airlines resuming routes and introducing new services, 30-day visa-free waiver for China and India travellers to Malaysia, 15-day visa-waiver to China, as well as new aircraft deliveries.

Its Malaysia operation's total passenger movements continued to be buoyant, recording the highest traffic at 21.8m passengers since 2020 and reaching 85% of 1QCY19 traffic. International sector contributed 53% at 11.7m passengers with an 89% recovery rate over 1QCY19, while the domestic sector recorded 10m passengers reaching 82% of 1QCY19 levels. Similarly, its Türkiye operation namely Istanbul SGIA's traffic continued to exhibit positive momentum. Passenger movements for Istanbul SGIA continued to show resilience in 1QCY24, recording >3m passengers each month. It is also noteworthy that the 1QCY24 international passengers for Istanbul SGIA exceeded 1QCY19's by 17%.

Outlook. We expect business and leisure air travel to continue recovering throughout FY24. According to our in-house projection, tourist arrivals in Malaysia are expected to jump 35% to 27m (consistent with Tourism Malaysia's projection to return to pre-pandemic levels) in FY24 from an estimated 20m a year ago (see Exhibit 1). A key driver is Chinese tourists that had historically contributed to an estimated 12% of total tourist arrivals in Malaysia. Furthermore, tourist arrivals are expected to be boosted by the 30-day visa-free regime for Chinese and Indian visitors to Malaysia starting from Dec 2023; and China allowing Malaysian inbound visitors 15 visa-free days between 1 Dec 2023 and 30 Nov 2024. This should underpin growth in AIRPORT's passenger throughput demand in 2024.

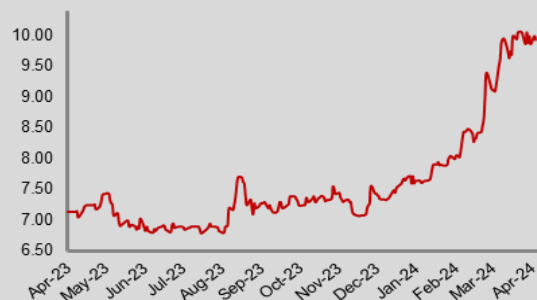
Forecasts. Maintained.

Valuations. We also maintain our TP of RM9.00 based on 22x FY25F EPS at a 40% discount to its closest peer Airport of Thailand due to its smaller market capitalisation. Note that Thailand's tourism revenue is 3x larger than Malaysia's. There is no adjustment to TP based on ESG given a 3-star rating as appraised by us (see Page 4).

MARKET PERFORM ↔

Price : RM9.90
Target Price : RM9.00 ↔

Share Price Performance



KLCI 1,561.64
YTD KLCI chg 7.4%
YTD stock price chg 35.1%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	MAHB MK
Market Cap (RM m)	16,513
Shares Outstanding	1,668.6
52-week range (H)	10.36
52-week range (L)	6.59
3-mth avg. daily vol.	4,016,519
Free Float	44%
Beta	1.2

Major Shareholders

Khazanah Nasional Bhd	33.2%
Employees Provident Fund Board	7.7%
KWAP	7.2%

Summary Earnings Table

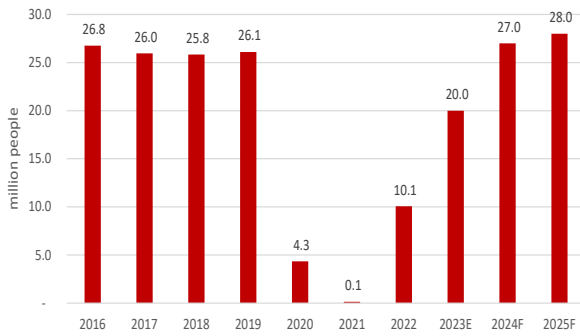
FYE Dec (RM m)	2023A	2024F	2025F
Turnover	4,914	5,331	5,920
PBT	506	790	903
Net Profit / Loss	543	592	677
Core NP / NL	443	592	677
Consensus NP/NL	-	753	920
Earnings Revision	-	-	-
Core EPS (sen)	26.7	35.7	40.8
Core EPS Growth (%)	(223.4)	33.7	14.3
NDPS (sen)	10.8	18.0	18.5
BV/Share (RM)	4.82	5.00	5.22
Core PER (x)	37.1	27.7	24.3
Net Gearing (x)	0.3	0.3	0.2
Dividend Yield (%)	1.1	1.8	1.9

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Investment case. We like AIRPORT given: (i) that it is the dominant airport operator in Malaysia and one of the largest in Türkiye, (ii) that it is a good proxy to the growing air travel and tourism locally, regionally and globally, and (iii) its strong shareholders who have demonstrated unwavering support through thick and thin (including during the pandemic and a massive cash call in 2014). The recently announced tariff revision is positive to its earnings but may not be sufficient to fund more aggressive capex plans. Maintain **MARKET PERFORM**.

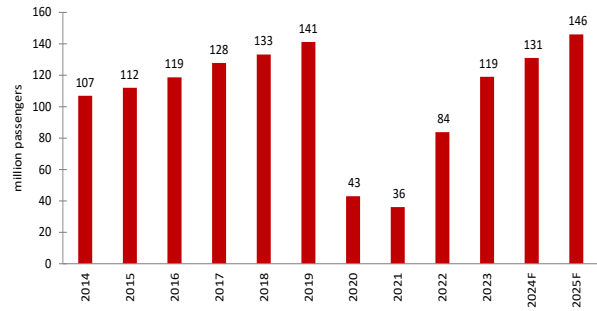
Risks to our call include: (i) endemic and pandemic occurrences, deterring air travel, (ii) unfavourable terms for airport operations, and (iii) risks associated with overseas operations.

Exhibit 1: Tourist Arrivals in Malaysia



Source: Tourism Malaysia, Kenanga Research

Exhibit 2: AIRPORT's Passenger Throughput*



*million passengers

Source: Kenanga Research, Company

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Passenger movement					
(‘000)	4QFY23	1QFY23	1QFY24	QoQ Chg	YoY chg
KLIA Terminal 1 (KLIA 1)					
Asean	1,930	1,448	2,024	5%	40%
Non-Asean	3,366	2,746	3,663	9%	33%
International	5,296	4,194	5,687	7%	36%
Domestic	1,470	1,137	1,537	5%	35%
Total	6,766	5,331	7,224	7%	36%
KLIA Terminal 2 (KLIA 2)					
Asean	2,466	2,105	2,606	6%	24%
Non-Asean	1,419	812	1,581	11%	95%
International	3,885	2,917	4,187	8%	44%
Domestic	2,040	2,338	1,884	-8%	-19%
Total	5,925	5,255	6,071	2%	16%
KLIA1 & KLIA2					
Asean	4,396	3,553	4,630	5%	30%
Non-Asean	4,785	3,558	5,244	10%	47%
International	9,181	7,111	9,874	8%	39%
Domestic	3,510	3,475	3,421	-3%	-2%
Total	12,691	10,586	13,295	5%	26%
Other Malaysia Airports besides KLIA					
Asean	1,276	1,027	1,286	1%	25%
Non-Asean	404	236	557	38%	136%
International	1,680	1,263	1,843	10%	46%
Domestic	6,873	6,886	6,689	-3%	-3%
Total	8,553	8,149	8,532	0%	5%
Total Malaysia Airports					
Asean	5,672	4,580	5,916	4%	29%
Non-Asean	5,189	3,794	5,801	12%	53%
International	10,861	8,374	11,717	8%	40%
Domestic	10,383	10,361	10,110	-3%	-2%
Total	21,244	18,735	21,827	3%	17%
Istanbul SGIA Airport					
International	4,983	4,253	5,191	4%	22%
Domestic	4,492	3,821	4,354	-3%	14%
Total	9,475	8,074	9,545	1%	18%
Total AIRPORT System					
International	15,844	12,627	16,908	7%	34%
Domestic	14,875	14,182	14,464	-3%	2%
Total	30,719	26,809	31,372	2%	17%

Source: Bursa Malaysia, Company, Kenanga Research
SGIA – Istanbul Sabiha Gokcen International Airport

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Income Statement					Financial Data & Ratios				
FY Dec (RM m)	2022A	2023A	2024F	2025F	FY Dec	2022A	2023A	2024F	2025F
Revenue	3,127.0	4,914.2	5,331.0	5,919.6	Growth				
EBITDA	1,186.3	2,285.6	2,517.6	2,565.5	Turnover	86.9%	57.2%	8.5%	11.0%
Depre. & Amort	(907.3)	(951.3)	(1,133.5)	(1,124.7)	EBITDA	438.5%	92.7%	10.2%	1.9%
Operating Profit	349.2	2,602.9	1,384.1	1,440.8	Operating Profit	-188.5%	645.4%	-46.8%	4.1%
PBT	184.6	506.1	789.5	902.7	PBT	-117.7%	174.1%	56.0%	14.3%
Taxation	(58.2)	37.1	(197.4)	(225.7)	Net Profit /(loss)	-53.2%	-223.4%	33.7%	14.3%
Net Profit	187.2	543.2	592.1	677.0					
Core net profit	(358.8)	442.9	592.1	677.0	Profitability				
Balance Sheet					EBITDA Margin	37.9%	46.5%	47.2%	43.3%
FY Dec (RM m)	2022A	2023A	2024F	2025F	Operating margin	-23.6%	53.0%	26.0%	24.3%
Fixed Assets	550	603	603	333	PBT Margin	5.9%	10.3%	14.8%	15.2%
Intangibles	14,580	14,663	13,830	13,830	Core Net Margin	-11.5%	9.0%	11.1%	11.4%
Other FA	251	269	327	391	Eff. Tax Rate	31.5%	-7.3%	25.0%	25.0%
Inventories	1,484	1,611	1,611	1,611	ROA	1.0%	2.7%	2.9%	3.3%
Receivables	98	127	176	195	ROE	2.5%	6.8%	7.2%	7.9%
Derivatives	536	789	846	1,150	DuPont Analysis				
Other CA	29	46	46	46	Net Margin (%)	-11.5	9.0	11.1	11.4
Financial assets	393	502	502	502	Assets T/O (x)	0.2	0.1	0.1	0.1
Cash	1,530	1,845	2,273	2,716	Lev. Factor (x)	0.2	0.2	0.3	0.3
Total Assets	19,450	20,455	20,214	20,773	ROE (%)	2.5	6.8	7.2	7.9
Payables	1,255	1,552	1,552	1,590	Leverage				
ST Borrowings	697	1,249	1,249	1,249	Debt/Asset (x)	0.2	0.2	0.2	0.2
Ot. ST Liability	906	1,080	1,080	1,080	Debt/Equity (x)	0.7	0.6	0.6	0.5
LT Borrowings	4,144	3,338	3,338	3,338					
Ot. LT Liability	5,022	5,236	4,759	4,968	Valuations				
Net Assets	7,426	8,000	8,236	8,548	EPS (sen)	11.3	32.7	35.7	40.8
Share Capital	5,114	5,171	5,171	5,171	NDPS (sen)	4.0	10.8	18.0	18.5
Reserves	2,312	2,829	3,065	3,377	BVPS (RM)	4.48	4.82	4.96	5.15
Equity	7,426	8,000	8,236	8,548	PER (x)	87.7	37.1	27.8	24.3
Cashflow Statement					Net Div. Yield (%)	0.4	1.1	1.8	1.9
FY Dec (RM m)	2022A	2023A	2024F	2025F	PBV (x)	2.2	2.1	2.0	1.9
Operating CF	1,040	1,679	2,021	1,828					
Investing CF	239	(287)	147	161					
Financing CF	(1,360)	(1,268)	(1,018)	(2,042)					
Change In Cash	(82)	124	1,150	(53)					
Free CF	650	801	2,155	1,975					

Source: Kenanga Research, Bursa Malaysia, Bloomberg

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing					
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing					
SPECIFIC	Corporate Governance	★	★	☆		
	Airport Service Quality (ASQ)	★	★	★	★	
	Cybersecurity/Data Privacy	★	★	★		
	Customer Experience	★	★	★		
	Supply Chain Management	★	★	★		
	Energy Efficiency	★	★	★		
	Effluent/Waste Management	★	★	☆		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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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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