

31 May 2024

# Malaysia Airports Holdings

## Buoyed by High-Yielding Passengers

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**AIRPORT's 1QFY24 results beat our forecast but met market expectations. Its 1QFY24 core net profit doubled buoyed by high-yielding international passenger throughput. We raise our FY24-FY25F forecasts by 20% each but maintain our TP of RM11.00 and ACCEPT OFFER call.**

AIRPORT's 1QFY24 core net profit beat our forecast at 30% of our full-year forecast but only met market expectations at 26% of the full-year consensus estimate. The variance against our forecast came largely from better-than-expected yields and lower-than-expected operating cost.

**YoY**, its 1QFY24 revenue rose 31% in tandem with a 17% increase in passenger throughput to 31m (90% of pre-COVID volume). Specifically, passenger throughput in Malaysia rose to 17% to 22m. Similarly, in Türkiye, passenger throughput rose 18% to 9.5m. The solid revenue was driven by higher aeronautical (+33%) and non-aeronautical (+31%) segments. The better performance from non-aeronautical segment was due to higher retail revenue attributed to an increase in passenger throughput. Its 1QFY24 core net profit more than doubled buoyed by high-yielding international passenger throughput and lower operating cost.

**QoQ**, its 1QFY24 revenue fell 2% due to slightly lower aeronautical (-2.4%) and non-aeronautical (-0.6%) results. The lower aeronautical results were due to lower recognition of MARCS (Marginal Cost Support). Generally, MARCS is a compensation mechanism under the Operating Agreement (OA) where the government is obliged to pay MAHB for any difference between what is permitted to be collected (i.e. benchmark PSC) and what is actually collected (i.e. actual PSC). However, its core net profit rose by 17% due lower depreciation and finance cost.

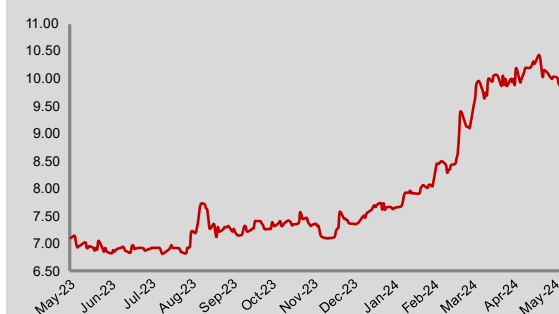
The key takeaways from its analysts briefing yesterday are as follows:

- The group reiterated that passenger's throughput recovery is gaining traction in both Malaysia and Türkiye. As an indication that traffic recovery continued to show buoyancy, 1QCY24 passenger movements reached 90% of CY19 level. Specifically, international passenger throughput for 1QFY24 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). 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%.
- It is positive that commercial reset in its retail segment is progressing well, with positive impact reflected in higher occupancy and turnover. The group reiterated that Initiatives will continue into 2024 with more outlets to open, bringing in new, refreshed and first-in-airport brands to airports across the network. Completion of the reset is expected to further boost non-aero revenue contribution.

## ACCEPT OFFER ↔

**Price :** RM9.93  
**Target Price :** RM11.00 ↔

### Share Price Performance



|                     |          |
|---------------------|----------|
| KLCI                | 1,604.26 |
| YTD KLCI chg        | 10.3%    |
| YTD stock price chg | 2.7%     |

### Stock Information

|                       |           |
|-----------------------|-----------|
| Shariah Compliant     | No        |
| Bloomberg Ticker      | MAHB MK   |
| Market Cap (RM m)     | 16,568.7  |
| Shares Outstanding    | 1,668.6   |
| 52-week range (H)     | 10.58     |
| 52-week range (L)     | 6.75      |
| 3-mth avg. daily vol. | 5,849,286 |
| Free Float            | 13%       |
| Beta                  | 1.2       |

### Major Shareholders

|                                |       |
|--------------------------------|-------|
| Khazanah Nasional Bhd          | 33.2% |
| Employees Provident Fund Board | 7.9%  |
| KWAP                           | 7.1%  |

### Summary Earnings Table

| FYE Dec (RM m)           | 2023A      | 2024F      | 2025F      |
|--------------------------|------------|------------|------------|
| Turnover                 | 4,914      | 5,331      | 5,920      |
| PBT                      | 506        | 960        | 1,094      |
| <b>Net Profit / Loss</b> | <b>543</b> | <b>720</b> | <b>820</b> |
| <b>Core NP / NL</b>      | <b>443</b> | <b>720</b> | <b>820</b> |
| Consensus NP/NL          | -          | 726        | 863        |
| Earnings Revision        | -          | +20%       | +20%       |
| Core EPS (sen)           | 26.7       | 43.4       | 49.4       |
| Core EPS Growth (%)      | (223.4)    | 62.5       | 14.0       |
| NDPS (sen)               | 10.8       | 22.0       | 23.0       |
| BV/Share (RM)            | 4.82       | 5.04       | 5.30       |
| Core PER (x)             | 37.2       | 22.9       | 20.1       |
| Net Gearing (x)          | 0.3        | 0.3        | 0.2        |
| Dividend Yield (%)       | 1.1        | 2.2        | 2.3        |

31 May 2024

3. The group is optimistic on its prospects going forward driven by passenger traffic growth and further strengthened by the group's on-going strategy in enhancing its airline and hub connectivity, rejuvenating commercial and retail spaces as well as accelerating off-terminal opportunities. It is optimistic that resurgence in passenger numbers and connectivity, expected to be driven by the introduction of new airlines and services at key airports, including Kuala Lumpur International Airport, Penang, Kota Kinabalu and Langkawi. Amplifying the positive outlook is latest airlines' seat capacity for 2024 that shows a 13% increase over 2023 underpinned by the visa-free entry for Chinese and Indian passengers expected to boost for traffic recovery, particularly in the Northeast Asia Region. All in, it expect >90% international recovery in the 1H CY24, with local carriers expected to increase capacity further in 2024 via reinstating remaining grounded fleet and upgrading to 737-8 and 321 NEOs.

**Forecasts.** We raise our FY24-25F net profit forecasts by 20% each.

**Valuations.** Our TP is the offer price of RM11.00 and our call is **ACCEPT OFFER**.

**Risks to our call:** The consortium fails to secure a 90% stake to make the privatisation mandatory.

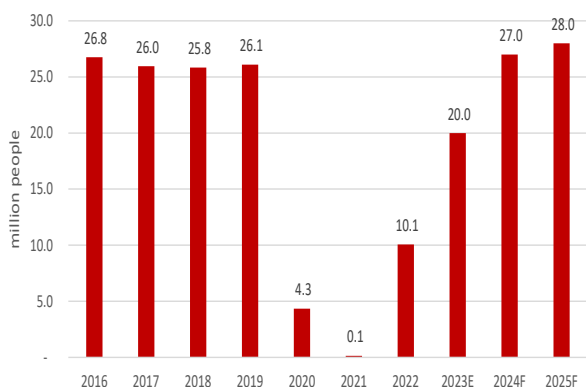
31 May 2024

| <b>Result Highlight</b>               |                |                |                |              |             |
|---------------------------------------|----------------|----------------|----------------|--------------|-------------|
| <b>FY Dec</b>                         | <b>4Q</b>      | <b>1Q</b>      | <b>1Q</b>      | <b>QoQ</b>   | <b>YoY</b>  |
| <b>(RM m)</b>                         | <b>2023</b>    | <b>2023</b>    | <b>2024</b>    | <b>%chg</b>  | <b>%chg</b> |
| Revenue                               | 1,034.4        | 1,371.5        | 1,351.3        | (1.5)        | 30.6        |
| EBITDA / (LBTIDA)                     | 465.6          | 582.0          | 671.8          | 15.4         | 44.3        |
| Depreciation                          | (236.1)        | (340.0)        | (311.8)        | (8.3)        | 32.1        |
| EBIT                                  | 229.5          | 242.0          | 360.1          | 48.8         | 56.9        |
| Finance cost                          | (147.8)        | (166.0)        | (159.8)        | (3.7)        | 8.2         |
| Associates                            | 5.2            | 20.8           | 14.4           | (30.7)       | 177.3       |
| EI                                    | (23.7)         | 125.0          | -              | NM           | NM          |
| Pretax profit (loss)                  | 63.3           | 221.8          | 214.6          | (3.2)        | 239.3       |
| Taxation                              | (5.1)          | 65.9           | (24.7)         | (137.4)      | 386.2       |
| Net profit                            | 58.2           | 287.7          | 190.0          | (34.0)       | 226.5       |
| Core net profit / (loss)              | 81.9           | 162.7          | 190.0          | 16.8         | 132.0       |
| EPS / LPS (sen)                       | 2.7            | 16.4           | 10.5           | (35.8)       | 297.4       |
| EBITDA margin (%)                     | 45%            | 42%            | 50%            |              |             |
| Pretax margin (%)                     | 14%            | 38%            | 32%            |              |             |
| Effective tax rate (%)                | 8%             | NM             | 11%            |              |             |
| <b>Aeronautical</b>                   |                |                |                |              |             |
| PSC &PSCC                             | 421.2          | 604.2          | 597.1          | (1.2)        | 41.8        |
| Landing & Parking                     | 77.1           | 86.6           | 73.1           | (15.6)       | (5.2)       |
| Others (cargo, airside, etc)          | 55.5           | 60.9           | 63.7           | 4.6          | 14.8        |
| Total Aeronautical charges            | 553.8          | 751.7          | 733.9          | (2.4)        | 32.5        |
| <b>Non-aeronautical</b>               |                |                |                |              |             |
| Retail                                | 120.3          | 165.1          | 165.6          | 0.3          | 37.7        |
| Rent & Loyalties                      | 243.1          | 315.7          | 315.6          | (0.0)        | 29.8        |
| Car park                              | 25.1           | 28.8           | 32.1           | 11.5         | 27.9        |
| Others                                | 18.3           | 25.2           | 18.5           | (26.6)       | 1.1         |
| <b>Total Non-aeronautical charges</b> | <b>406.8</b>   | <b>534.8</b>   | <b>531.8</b>   | <b>(0.6)</b> | <b>30.7</b> |
| <b>Non-airport operations</b>         |                |                |                |              |             |
| Hotel                                 | 28.9           | 36.2           | 35.5           | (1.9)        | 22.8        |
| Agriculture & Horticulture            | 7.0            | 9.0            | 7.7            | (14.4)       | 10.0        |
| Project & repair maintenance          | 37.9           | 39.9           | 42.4           | 6.3          | 11.9        |
| Total                                 | 73.8           | 85.1           | 85.6           | 0.6          | 16.0        |
| <b>Total group revenue</b>            | <b>1,034.4</b> | <b>1,371.6</b> | <b>1,351.3</b> | <b>(1.5)</b> | <b>30.6</b> |
| <b>Revenue breakdown</b>              |                |                |                |              |             |
| Airport services                      | 467.1          | 653.8          | 632.5          | (3.3)        | 35.4        |
| Duty free                             | 121.4          | 167.2          | 167.6          | 0.2          | 38.0        |
| Project & Repair                      | 37.7           | 39.8           | 42.4           | 6.3          | 12.2        |
| Hotel                                 | 23.7           | 30.0           | 29.3           | (2.4)        | 23.7        |
| Agriculture                           | 7.0            | 9.1            | 7.7            | (15.7)       | 9.4         |
| Overseas                              | 377.4          | 471.7          | 472.2          | 0.1          | 25.1        |
| <b>Total</b>                          | <b>1,034.4</b> | <b>1,371.6</b> | <b>1,351.6</b> | <b>(1.5)</b> | <b>30.7</b> |

31 May 2024

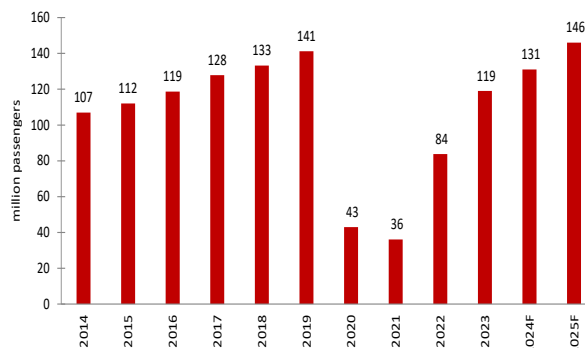
| FY Dec<br>(RM m)   | 4Q<br>2023   | 1Q<br>2023   | 1Q<br>2024   | QoQ<br>%chg   | YoY<br>%chg  |
|--|--------------|--------------|--------------|---------------|--------------|
| <b>EBITDA / (LBITDA)</b>   |              |              |              |               |              |
| Airport services   | 137.1        | 228.7        | 292.3        | 27.8          | 113.2        |
| Duty free  | 20.8         | 33.5         | 29.9         | (10.6)        | 43.9         |
| Project & repair maintenance   | 11.2         | 42.6         | 12.1         | (71.7)        | 7.8          |
| Hotel  | 7.5          | 6.9          | 10.4         | 50.5          | 38.2         |
| Agriculture  | 2.6          | 3.4          | 2.8          | (20.1)        | 5.2          |
| Overseas   | 249.1        | 365.1        | 343.3        | (6.0)         | 37.8         |
| Others   | 75.8         | 237.1        | 44.4         | (81.3)        | (41.4)       |
| Adjustments  | (62.2)       | (210.4)      | (63.2)       | (69.9)        | 1.7          |
| <b>Total</b>   | <b>441.9</b> | <b>707.0</b> | <b>671.8</b> | <b>(5.0)</b>  | <b>52.0</b>  |
| <b>Total Core EBITDA</b>   | <b>465.6</b> | <b>582.0</b> | <b>671.8</b> | <b>15.4</b>   | <b>44.3</b>  |
| <b>EBITDA margin %</b>   |              |              |              |               |              |
| Airport services   | 29%          | 35%          | 46%          |               |              |
| Duty free  | 17%          | 20%          | 18%          |               |              |
| Project & Repair   | 30%          | 107%         | 29%          |               |              |
| Hotel  | 32%          | 23%          | 36%          |               |              |
| Agriculture  | 37%          | 38%          | 36%          |               |              |
| Turkey (ISG and LGM)   | 66%          | 77%          | 73%          |               |              |
| <b>PBT / (LBT)</b>   |              |              |              |               |              |
| Airport services   | (11.1)       | 29.3         | 111.9        | 281.6         | (1,107.9)    |
| Duty free  | 7.5          | 10.9         | 9.8          | (10.0)        | 32.0         |
| Project & Repair   | 10.7         | 42.0         | 11.5         | (72.6)        | 7.1          |
| Hotel  | 4.4          | 3.7          | 7.7          | 106.4         | 73.8         |
| Agriculture  | 1.5          | (1.6)        | 0.8          | (148.5)       | (47.3)       |
| Turkey (ISG and LGM)   | 60.9         | 133.8        | 119.8        | (10.4)        | 96.6         |
| Others   | 41.8         | 207.7        | 18.7         | (91.0)        | (55.3)       |
| Adjustments  | (52.5)       | (204.0)      | (65.6)       | (67.8)        | 25.0         |
| <b>Total</b>   | <b>63.3</b>  | <b>221.8</b> | <b>214.6</b> | <b>(3.2)</b>  | <b>239.3</b> |
| <b>PAT / (LAT)</b>   |              |              |              |               |              |
| Airport services   | (9.2)        | 31.7         | 93.5         | 195.0         | NM           |
| Duty free  | 5.7          | 8.7          | 7.4          | (15.6)        | 29.3         |
| Project & Repair   | 8.8          | 33.7         | 9.2          | (72.8)        | 4.6          |
| Hotel  | 3.4          | 3.4          | 5.9          | 75.9          | 76.8         |
| Agriculture  | 1.1          | (1.2)        | 0.6          | (148.7)       | (45.6)       |
| Overseas   | 46.5         | 194.7        | 107.9        | (44.6)        | 132.0        |
| Others   | 41.8         | 207.2        | 18.7         | (91.0)        | (55.4)       |
| adjustments  | (39.9)       | (190.4)      | (53.1)       | (72.1)        | 33.1         |
| <b>Total</b>   | <b>58.2</b>  | <b>287.7</b> | <b>190.0</b> | <b>(34.0)</b> | <b>226.5</b> |
| <i>Source: Bursa Malaysia, Kenanga Research</i>  |              |              |              |               |              |
| <i>*excluding one-off donation for Türkiye earthquake (RM23.7m) in 1QFY23</i>          |              |              |              |               |              |
| <i>#excluding one-off gain from divestment of Hyderabad airport (RM125m) in 4QFY23</i> |              |              |              |               |              |

Exhibit 1: Tourist Arrivals in Malaysia



Source: Tourism Malaysia, Kenanga Research

Exhibit 2: AIRPORT's Passenger Throughput\*



\*million passengers

Source: Kenanga Research, Company

Stock ESG Ratings:

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

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

31 May 2024

**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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