

23 July 2024

# Malaysia Airports Holdings

## 1HCY24 Passengers Up 16% YoY

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AIRPORT's 1HCY24 passenger throughput jumped 16% YoY, in line with our expectation. We expect the recovery of business and leisure air travel to continue throughout FY24. For AIRPORT, the poser is if the proposed privatisation by a consortium at RM11.00/share will be accepted by its minority shareholders. We keep our forecasts, TP of RM11.00 and ACCEPT OFFER call.

**1HCY24 system-wide passenger throughput meets our expectation.** AIRPORT's 1HCY24 system-wide passenger throughput (including Istanbul SGIA) came in within our expectation. Total network of airports' passenger traffic continued to gain traction in 1HCY24, recording 65m (+16% YoY) which made up 49% of our full-year forecast of 131m (vs. 119m in 2023). As an indication that traffic recovery has continued to show buoyancy, 1HCY24 passenger movements reached 95% of CY19 level underscoring the underlying demand for air travel. Specifically, international passenger throughput of 34m for 1HCY24 grew 29% partly driven by visa exemptions for Chinese and Indian travellers, the expansion of the airlines network directed towards the international sector and introduction of new routes, and increasing trends in traveling during the festive seasons. Domestic passenger throughput continued to record a steady growth, reaching 87% of 1HCY19 level with 30.9m passengers (+4% YoY).

Its Malaysia operation's total passenger movements for 1HCY24 grew by 16% and reaching 87.9% of 1H19 levels, boosted by international passengers recording 23.6m (+16%) which more than offset lower domestic passengers (-1%). Similarly, its Türkiye operation namely Istanbul SGIA's traffic continued to exhibit positive momentum. Passenger movements for Istanbul SGIA continued to show resilience in 1HCY24, recording 20m passengers reflecting a 16.4% increase over 1HCY23 and a double-digit increase of 18.1% over 1H19. Malaysia Airports welcomed six new airlines (Cambodia Airways, Flydubai, Iraqi Airways, Juneyao Airlines, Thai Lion Air and Turkmenistan Airlines) in 1HCY24, boosting total seat capacity recovery to 85%, with 57m seats compared to 67.3m in the 1H19. Additionally, the average load factor for 1HCY24 exceeded 1H19 by 3.4 percentage points at 78.8% with an increasing growth trend each month during 1HCY24, an indication of a positive demand pull that potentially could boost higher seat capacity offerings.

**Forecasts.** Unchanged.

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

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

## ACCEPT OFFER ↔

**Price :** RM9.91  
**Target Price :** RM11.00 ↔

### Share Price Performance



KLCI 1,622.07  
YTD KLCI chg 11.5%  
YTD stock price chg 34.6%

### Stock Information

Shariah Compliant No  
Bloomberg Ticker MAHB MK  
Market Cap (RM m) 16,535.4  
Shares Outstanding 1,668.6  
52-week range (H) 10.58  
52-week range (L) 6.75  
3-mth avg. daily vol. 4,474,618  
Free Float 13%  
Beta 1.1

### Major Shareholders

Khazanah Nasional Bhd 33.2%  
Employees Provident Fund Board 7.9%  
KWAP 7.2%

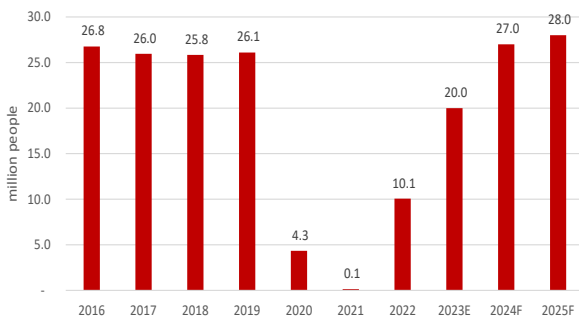
### Summary Earnings Table

FYE Dec (RM m)	2023A	2024F	2025F
Turnover	4,914	5,331	5,920
PBT	506	960	1,094
<b>Net Profit / Loss</b>	543	720	820
<b>Core NP / NL</b>	443	720	820
Consensus NP/NL	-	802	968
Earnings Revision	-	-	-
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)	37.1	22.8	20.0
Net Gearing (x)	0.3	0.3	0.2
Dividend Yield (%)	1.1	2.2	2.3

Passenger movement						
('000)	2QFY24	1QFY24	QoQ Chg (%)	1HFY23	1HFY24	YoY chg (%)
<b>KLIA Terminal 1 (KLIA 1)</b>						
Asean	2,140	2,024	6%	3,027	4,164	38%
Non-Asean	3,651	3,663	0%	5,386	7,314	36%
International	5,791	5,687	2%	8,413	11,478	36%
Domestic	1,746	1,537	14%	2,344	3,283	40%
Total	7,537	7,224	4%	10,757	14,761	37%
<b>KLIA Terminal 2 (KLIA 2)</b>						
Asean	2,779	2,606	7%	4,450	5,385	21%
Non-Asean	1,573	1,581	-1%	1,834	3,154	72%
International	4,352	4,187	4%	6,284	8,539	36%
Domestic	2,167	1,884	15%	4,925	4,051	-18%
Total	6,519	6,071	7%	11,209	12,590	12%
<b>KLIA1 &amp; KLIA2</b>						
Asean	4,919	4,630	6%	7,477	9,549	28%
Non-Asean	5,224	5,244	0%	7,220	10,468	45%
International	10,143	9,874	3%	14,697	20,017	36%
Domestic	3,913	3,421	14%	7,269	7,334	1%
Total	14,056	13,295	6%	21,966	27,351	25%
<b>Other Malaysia Airports besides KLIA</b>						
Asean	1,281	1,286	0%	2,195	2,567	17%
Non-Asean	509	557	-9%	523	1,066	104%
International	1,790	1,843	-3%	2,718	3,633	34%
Domestic	7,306	6,689	9%	14,248	13,995	-2%
Total	9,096	8,532	7%	16,966	17,628	4%
<b>Total Malaysia Airports</b>						
Asean	6,200	5,916	5%	9,672	12,116	25%
Non-Asean	5,733	5,801	-1%	7,743	11,534	49%
International	11,933	11,717	2%	17,415	23,650	36%
Domestic	11,219	10,110	11%	21,517	21,329	-1%
Total	23,152	21,827	6%	38,932	44,979	16%
<b>Istanbul SGIA Airport</b>						
International	5,267	5,191	1%	9,041	10,458	16%
Domestic	5,215	4,354	20%	8,171	9,569	17%
Total	10,482	9,545	10%	17,212	20,027	16%
<b>Total AIRPORT System</b>						
International	17,200	16,908	2%	26,456	34,108	29%
Domestic	16,434	14,464	14%	29,688	30,898	4%
Total	33,634	31,372	7%	56,144	65,006	16%

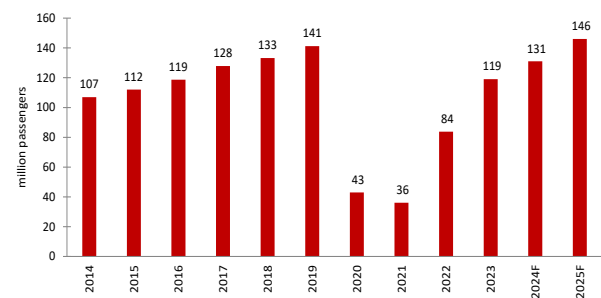
Source: Bursa Malaysia, Company, Kenanga Research, SGIA – Istanbul Sabiha Gokcen International Airport

Exhibit 1: Tourist Arrivals in Malaysia



Source: Tourism Malaysia, Kenanga Research

Exhibit 2: AIRPORT's Passenger Throughput\*



\*million passengers

Source: Kenanga Research, Company

23 July 2024

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	<b>Growth</b>				
EBITDA	1,186.3	2,285.6	2,687.6	2,756.7	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%	17.6%	2.6%
Operating Profit	349.2	2,602.9	1,554.1	1,632.0	Operating Profit	-188.5%	645.4%	-40.3%	5.0%
PBT	184.6	506.1	959.5	1,093.9	PBT	-117.7%	174.1%	89.6%	14.0%
Taxation	(58.2)	37.1	(239.9)	(273.5)	Net Profit /(loss)	-53.2%	-223.4%	62.5%	14.0%
Net Profit	187.2	543.2	719.6	820.4	<b>Profitability</b>				
Core net profit	(358.8)	442.9	719.6	820.4	EBITDA Margin	37.9%	46.5%	50.4%	46.6%
					Operating margin	-23.6%	53.0%	26.0%	24.3%
					PBT Margin	5.9%	10.3%	18.0%	18.5%
					Core Net Margin	-11.5%	9.0%	13.5%	13.9%
					Eff. Tax Rate	31.5%	-7.3%	25.0%	25.0%
					ROA	1.0%	2.7%	3.5%	3.9%
					ROE	2.5%	6.8%	8.7%	9.5%
					<b>DuPont Analysis</b>				
					Net Margin (%)	-11.5	9.0	13.5	13.9
					Assets T/O (x)	0.2	0.1	0.1	0.1
					Lev. Factor (x)	0.2	0.2	0.3	0.3
					ROE (%)	2.5	6.8	8.7	9.5
					<b>Leverage</b>				
					Debt/Asset (x)	0.2	0.2	0.2	0.2
					Debt/Equity (x)	0.7	0.6	0.6	0.5
					<b>Valuations</b>				
					EPS (sen)	11.3	32.7	35.7	40.8
					NDPS (sen)	4.0	10.8	18.0	18.5
					BVPS (RM)	4.48	4.82	4.96	5.15
					PER (x)	87.7	37.1	22.9	20.0
					Net Div. Yield (%)	0.4	1.1	2.2	2.3
					PBV (x)	2.2	2.1	2.0	1.9
Balance Sheet									
FY Dec (RM m)	2022A	2023A	2024F	2025F	FY Dec	2022A	2023A	2024F	2025F
Fixed Assets	550	603	603	333					
Intangibles	14,580	14,663	13,830	13,830					
Other FA	251	269	327	391					
Inventories	1,484	1,611	1,611	1,611					
Receivables	98	127	176	265					
Derivatives	536	789	846	1,150					
Other CA	29	46	46	46					
Financial assets	393	502	502	502					
Cash	1,530	1,845	2,334	2,746					
Total Assets	19,450	20,455	20,275	20,873					
Payables	1,255	1,552	1,552	1,560					
ST Borrowings	697	1,249	1,249	1,249					
Ot. ST Liability	906	1,080	1,080	1,080					
LT Borrowings	4,144	3,338	3,338	3,338					
Ot. LT Liability	5,022	5,236	4,759	4,968					
Net Assets	7,426	8,000	8,297	8,678					
Share Capital	5,114	5,171	5,171	5,171					
Reserves	2,312	2,829	3,126	3,507					
Equity	7,426	8,000	8,297	8,678					
Cashflow Statement									
FY Dec (RM m)	2022A	2023A	2024F	2025F	FY Dec	2022A	2023A	2024F	2025F
Operating CF	1,040	1,679	2,149	1,971					
Investing CF	239	(287)	147	161					
Financing CF	(1,360)	(1,268)	(1,084)	(2,116)					
Change In Cash	(82)	124	1,211	16					
Free CF	650	801	2,282	2,118					

Source: Kenanga Research, Bursa Malaysia, Bloomberg

**Stock ESG Ratings:**

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

23 July 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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