

# Malaysia Airports Holdings Berhad

**TP: RM11.00 (+4.8%)**
*It's All About GO Now*
*Last Traded: RM10.50*
**Accept Offer (ESG: ★★★)**

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## Review

- Malaysia Airports' (MAHB) 1H24 core profit of RM400.2mn came in within expectations.
- MAHB reported profit six quarters in a row now. 2Q24 core profit soared 69.4% YoY to RM209.4mn underpinned by 11.9% growth in revenue. This decent performance can be attributed to 1) proliferation of foreign tourists in Malaysia owing to tourist-friendly policies, 2) increase in airline capacity, 3) stable performance of ISG operations despite cost pressure, and 4) significant recovery in retail revenue and rentals amid rising passenger movements. For this quarter, the group's aeronautical (Figure 1) and non-Aeronautical revenue increased by 8.9% and 17.7% YoY respectively.
- In terms of operating cost, the increase in total cost of 7.6% was manageable. Importantly, the significant rise in operating cost in ISG operations, e.g., staff (+113.2%) and maintenance (+97.7), was mitigated by favourable movements in Euro against Turkish Lira. Note that close to 80% of ISG's revenue are denominated in Euro whereas these costs are in Lira.
- QoQ, 2Q24 core profit expanded by 9.7% alongside 7.3% increase in total passenger movements. The increase in passenger traffic in Malaysia (+6.4% QoQ) can also be attributed to increased airline capacity and returns of foreign airlines or new airlines to KLIA.

## Impact

- No change to our FY24-26 core earnings projections. However, we factor in the reduction in user fee (exceptional items), which would result in increase in FY24-29 net profit.

## Briefing highlights

- The process in fulfilling the pre-conditions is on-going and we understand the last pre-condition is left with the approval from MAVCOM. Once it is obtained, the regulation would require the offeror to send the notice and offer documents to the board of directors, which will be extended to shareholders.
- Penang airport expansion is underway after the company and governments agreed on the recovery mechanism. The development cost would be part financed via a total of RM700mn user fee reduction over the next six years.
- Management reiterates that Subang operations will not cannibalise KLIA. There will be 5 airlines (Batik Air, AirAsia, Firefly, Scoot and TransNusa) serving destinations from Subang to Penang, Kuching, Kota Kinabalu and Singapore.

## Share Information

Bloomberg Code	MAHB MK
Stock Code	5014
Listing	Main Market
Share Cap (mn)	1,668.6
Market Cap (RMmn)	10,887.0
52-wk Hi/Lo (RM)	10.58/7.06
12-mth Avg Daily Vol ('000 shrs)	1,668.5
Estimated Free Float (%)	44.3
Beta	1.1

## Major Shareholders (%)

Khazanah	-33.2
EPF	-7.9
PNB	-7.5
KWAP	-7.1

## Forecast Revision

	FY24	FY25
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	738.2	738.4
Consensus	799.3	959.1
TA's / Consensus (%)	92.4	77.0
Previous Rating	Accept offer (Maintained)	
Consensus Target Price (RM)	10.35	

## Financial Indicators

	FY24	FY25
Net Gearing (%)	43.0	41.2
CFPs (sen)	11.0	63.3
P/CFPS (x)	95.0	16.6
ROE (%)	9.0	8.6
NTA/Share (RM)	(3.8)	(3.8)
Price/NTA (x)	nm	nm

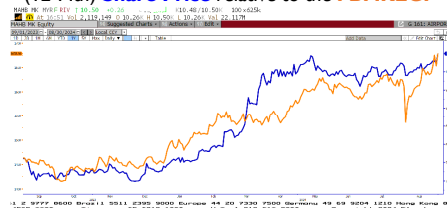
## Scorecard

	% of FY	
vs TA	54	Within
vs Consensus	50	Within

## Share Performance (%)

Price Change	MAHB	FBM KLCI
1 mth	3.3	4.1
3 mth	5.7	4.6
6 mth	25.3	8.2
12 mth	44.2	15.6

## (12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

### Valuation

- While the general offer is still ongoing, we keep our target price of RM11.00/share unchanged and advise the shareholders to accept the offer.

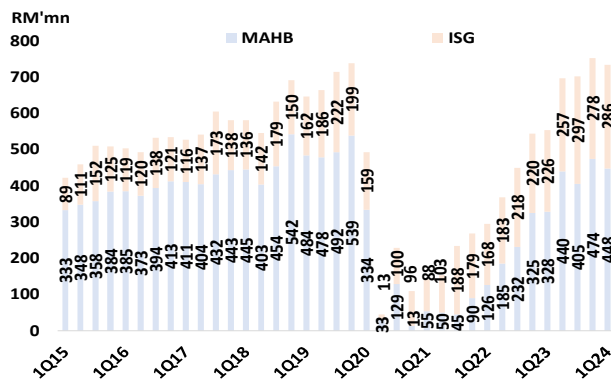
### Earnings Summary (RMmn)

FYE Dec 31	2022	2023	2024F	2025F	2026F
Revenue	3127.0	4914.2	5671.9	5886.8	6095.5
EBITDA	1497.4	2012.5	2517.8	2451.3	2511.2
EBITDA Margin (%)	47.9	41.0	44.4	41.6	41.2
Adj PBT	230.7	437.6	971.3	971.6	940.3
Core Net Profit	233.3	474.7	738.2	738.4	714.6
EPS (sen)	9.7	25.5	41.1	41.3	40.0
EPS growth (%)	(120.3)	>100	61.1	0.6	(3.2)
PER (x)	nm	41.2	25.6	25.4	26.3
GDPS (sen)	3.9	10.8	16.4	16.5	20.0
Div yield (%)	0.4	1.0	1.6	1.6	1.9
EV/EBITDA (x)	13.9	10.1	8.4	8.6	8.2
ROE (%)	3.2	6.2	9.0	8.5	7.8

### 2Q24 Results Analysis (RM'mn)

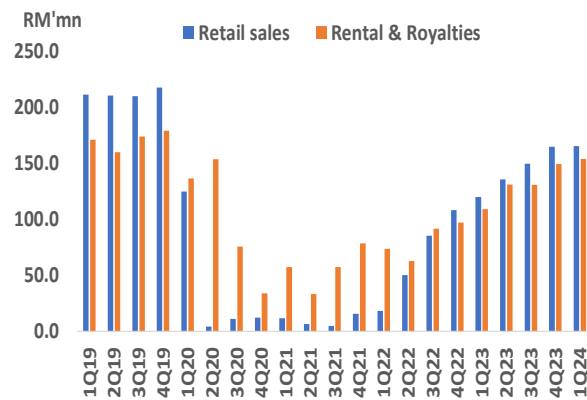
FYE Dec (RM mn)	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)
Revenue	1232.0	1351.3	1378.9	2.0	11.9	2266.4	2730.3	20.5
EBITDA	604.6	672.7	653.1	(2.9)	8.0	1061.4	1325.8	24.9
EBIT	312.5	360.1	315.7	(12.3)	1.0	518.3	675.8	30.4
Finance Costs	(177.2)	(159.8)	(164.6)	3.0	(7.1)	(325.0)	(324.5)	(0.1)
Assoc and JVs	(1.4)	14.4	8.4	(41.7)	>100	3.8	22.8	>100
Core PBT	155.0	215.5	163.1	(24.3)	5.2	233.2	378.5	62.4
Tax	(31.4)	(24.7)	46.3	>100	>100	(36.4)	21.6	>100
Reported Net Profit	102.5	190.0	205.8	8.3	>100	160.7	395.8	>100
Core Profit	123.6	190.8	209.4	9.7	69.4	196.7	400.2	>100
Core EPS (sen)	6.4	10.6	11.7	10.4	82.4	9.7	22.3	>100
DPS (sen)	0.0	0.0	0.0	nm	nm	0.0	0.0	nm
				%-pts	%-pts			%-pts
EBITDA Margin (%)	49.1	49.8	47.4	(2.4)	(1.7)	46.8	48.6	1.7
Core PBT Margin (%)	12.6	15.9	11.8	(4.1)	(0.8)	10.3	13.9	3.6
Core Net Margin (%)	10.0	14.1	15.2	1.1	5.1	8.7	14.7	6.0
Effective Tax Rate (%)	20.2	11.4	(28.4)	(39.8)	(48.6)	15.6	(5.7)	nm

Figure 1: Aeronautical revenue



Source: MAHB & TA Securities

Figure 2: Non-Aeronautical revenue - Malaysia



### Sector Recommendation Guideline

**OVERWEIGHT:** The total return of the sector, as per our coverage universe, exceeds 12%.

**NEUTRAL:** The total return of the sector, as per our coverage universe, is within the range of 7% to 12%.

**UNDERWEIGHT:** The total return of the sector, as per our coverage universe, is lower than 7%.

### Stock Recommendation Guideline

**BUY :** Total return of the stock exceeds 12%.

**HOLD :** Total return of the stock is within the range of 7% to 12%.

**SELL :** Total return of the stock is lower than 7%.

**Not Rated:** The company is not under coverage. The report is for information only.

**Total Return of the stock** includes expected share price appreciation, adjustment for ESG rating and gross dividend. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

**Total Return of the sector** is market capitalisation weighted average of total return of the stocks in the sector.

### ESG Scoring & Guideline

	Environmental	Social	Governance	Average
<b>Scoring</b>	★★★	★★★★	★★★	★★★
<b>Remark</b>	The Airports Council International (ACI) of which Malaysia Airports is a member, pledged to achieve carbon neutral airports under its Airport Carbon Accreditation (ACA) programme.	A comprehensive employee engagement and development plans to nurture the talents within the group.	Good IR works but conflicts of interest among customers, government, airlines and other stakeholders would affect minority shareholders.	

- ★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions. +5% premium to target price
- ★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions. +3% premium to target price
- ★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions. No changes to target price
- ★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient. -3% discount to target price
- ★ (<20%) : Minimal or no integration of ESG factors in operations and management. -5% discount to target price

### Disclaimer

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As of Monday, September 02, 2024, the analyst, Tan Kam Meng, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

**Kaladher Govindan – Head of Research**

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