

COMPANY RESULTS

Malaysia Airports Holdings (MAHB MK)

2Q23: Within Expectations, Expecting Stronger 2H23

MAHB's 1H23 core net profit RM188.6m (+200.1% yoy) came in largely within expectations, accounting for 45% of our forecasts and 44% of consensus estimates. We opine there is more headroom for Malaysia operations to further increase its passenger movements given that the overall 1H23 traffic recovery rate stood at only 76% of 1H19 levels. Maintain BUY. Target price: RM8.11.

2Q23 RESULTS

Year to 31 Dec (RMm)	2Q23	qoq % chg	yoy % chg	1H23	yoy % chg	Remarks
Revenue	1,232.0	19.1	78.6	2,266.4	79.8	Higher passenger traffic
- Malaysia	805.6	22.6	111.7	1,462.6	116.3	
- Turkiye	426.3	13.0	37.9	803.7	37.6	
EBIT	312.5	51.8	215.0	518.4	299.7	Higher operating leverage
- Malaysia	159.1	86.7	1,030.4	244.3	371.4	
- Turkiye	153.4	27.1	31.9	274.1	24.8	
Finance costs	(177.1)	(19.9)	8.5	(324.9)	13.6	Higher finance costs
Results of JVs/associates	(1.4)	(127.7)	(141.1)	3.8	(27.0)	
Profit/(loss) before tax	133.9	111.6	247.2	197.2	181.7	
Tax and zakat	(31.4)	(515.7)	(195.4)	(36.5)	(146.5)	
Profit/(loss) after tax	102.5	76.2	276.5	160.7	198.7	
Exceptionals	3.8	(84.0)	129.9	27.9	209.1	
Core profit/(loss) after tax	106.4	29.3	249.9	188.6	200.1	
Margins:	%	+/-ppt	+/-ppt	%	+/-ppt	
EBIT	25.4	5.5	11.0	22.9	12.6	
PBT	10.9	4.8	24.1	8.7	27.9	
Core profit/(loss) after tax	8.6	0.7	18.9	8.3	23.3	

Source: Malaysia Airports Holdings, UOB Kay Hian

RESULTS

• **Within expectations.** Malaysia Airports Holdings (MAHB) reported a stronger 2Q23 core net profit of RM106.4m (+29.3% qoq, +249.9% yoy) in tandem with a higher revenue of RM1.2b (+19.1% qoq, +78.6% yoy). Subsequently, 1H23 core net profit RM188.6m (+200.1% yoy) came in largely within expectations, accounting for 45% of our forecasts and 44% of consensus estimates. 1H23 revenue also increased by 79.8% yoy RM2.3b as a result of higher contribution from both Malaysia and Turkiye operations.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	1,673	3,127	4,879	5,568	6,121
EBITDA	133	903	2,066	2,513	2,808
Operating profit	(464)	265	1,233	1,506	1,736
Net profit (rep./act.)	(767)	187	441	725	965
Net profit (adj.)	(791)	163	417	701	941
EPS (sen)	(47.7)	9.9	25.1	42.3	56.7
PE (x)	n.m.	70.3	27.6	16.4	12.2
P/B (x)	2.2	2.1	2.0	1.8	1.5
EV/EBITDA (x)	111.5	16.4	7.2	5.9	5.3
Dividend yield (%)	0.0	0.6	2.0	2.4	3.3
Net margin (%)	(45.8)	6.0	9.0	13.0	15.8
Net debt/(cash) to equity (%)	59.6	51.5	48.0	31.8	18.7
Interest cover (x)	0.2	8.3	2.8	3.8	4.7
ROE (%)	n.a.	3.0	6.6	10.1	12.0
Consensus net profit	-	-	433	683	837
UOBKH/Consensus (x)	-	-	0.96	1.03	1.12

Source: Malaysia Airports Holdings, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E reflected as "n.m."

BUY

(Maintained)

Share Price	RM6.93
Target Price	RM8.11
Upside	+17.0%

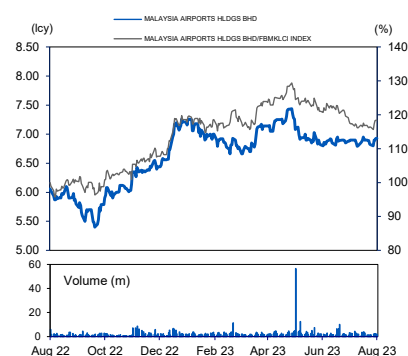
COMPANY DESCRIPTION

Airport operator with exposure in Malaysia and the Middle East.

STOCK DATA

GICS sector	Industrials			
Bloomberg ticker:	MAHB MK			
Shares issued (m):	1,668.6			
Market cap (RMm):	11,563.1			
Market cap (US\$m):	2,488.8			
3-mth avg daily t'over (US\$m):	5.3			
Price Performance (%)				
52-week high/low	RM7.44/RM5.40			
1mth	3mth	6mth	1yr	YTD
0.7	(4.8)	(1.0)	15.5	5.6
Major Shareholders	%			
Khazanah Nasional Bhd	33.2			
Employees Provident Fund	10.4			
Kumpulan Wang Persaraan Diperbadankan	6.8			
FY23 NAV/Share (RM)	3.52			
FY23 Net Debt/Share (RM)	1.98			

PRICE CHART



Source: Bloomberg

ANALYST(S)

Malaysia Research Team
+603 2147 1998
research@uobkayhian.com

- Malaysia operations: Driven by higher passenger movements.** Malaysia recorded a higher revenue of RM805.6mm (+22.6% qoq, +111.7% yoy) and a stronger EBIT of RM159.1m in 2Q23 (+86.7% qoq, 1,030.4% yoy) mainly underpinned by better passenger throughput (2Q23: 20.1m compared with 18.8m in 1Q23 and 11.9m in 2Q22). Driven by higher passenger movements in 2Q23, non-aeronautical revenue also improved to RM295.1m (+13.4% qoq, +117.1% yoy) in the quarter on higher royalty and retail sales.
- Turkiye operations: Commendable growth in passenger traffic.** Likewise, the group's operations in Turkiye also reported a higher revenue of RM426.3m (+13.0% qoq, 37.9% yoy) and EBIT of RM153.4m (+27.1% qoq, +31.9% yoy) on commendable growth in passenger traffic at Istanbul Sabiha Gokcen International Airport (ISG). Recall that the airport's passenger traffic increased by 12.3% qoq and 23.0% to 9.1m in 2Q23 (1Q23: 8.1m, 2Q22: 7.4m), with 1H23 traffic surpassing pre-pandemic levels.

STOCK IMPACT

- Higher recovery in Malaysia is underway with higher airlines' seat capacity.** We opine there is more headroom for Malaysia operations to further increase its passenger movements given that the overall 1H23 traffic recovery rate stood at only 76% of 1H19 levels. A higher seat capacity reinstated by airlines also suggests that air travel demand in Malaysia remains resilient. Note that weekly domestic seat capacity and weekly international seat capacity have both reached 79.5% and 81.2% recovery rates (compared with 2019 levels) respectively as of the first week of Aug 23.
- Strong return of Chinese passengers in sight.** That said, the imminent recovery of Chinese passengers remains a key catalyst for near-term earnings momentum. We understand that the Malaysia-China passenger throughput totalled at 0.7m in 1H23 which only represents 21% of 1H19 levels. This coincides with a rather slow restoration of seat capacity for flights connecting Malaysia to China to 43% of 2019 levels as of end-Jun 23. On a positive note, management kept the earlier guidance that seat capacity would gradually pick up pace in 2H23 to 60% of pre-COVID-19 levels.
- Finalisation of the new OA and revised PSC rates expected to be in 2H23.** Management also expects the new Operating Agreement (OA) and revised passenger service charge (PSC) rates to be concluded in 2H23 which lay the foundation for the rollout of expansion projects throughout its airports in Malaysia. In this regard, despite the recent rumours of a potential delay in the Subang Airport Regeneration Plan over funding issues, we understand that the group will continue to push forward an interim expansion to increase the airport's capacity from 1.5m passengers per year (mppa) to 3.0 mppa. However, phase 2 expansion of the Subang Airport to 5.0-8.0 mppa would still require certain funding from the government to build the necessary infrastructure.

EARNINGS REVISION/RISK

- Our forecasts are unchanged.**

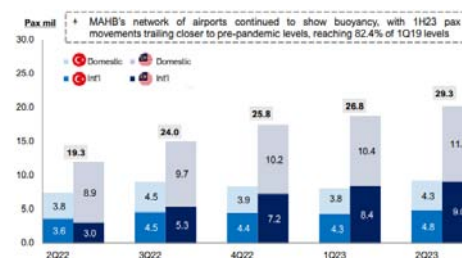
VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged target price of RM8.11.** We value MAHB's Malaysian operations at 10.8x 2024 EBITDA (mean) and ISG operations with the DCF methodology. We prefer MAHB as it is the direct proxy to the recovery in the aviation sector that is en route to see a strong rebound in earnings in the upcoming quarters, backed by solid passenger throughput performance.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

<ul style="list-style-type: none"> Environmental <ul style="list-style-type: none"> - Installation of solar PV systems which can generate >12,000MWh of energy per year, translating into a reduction of 8,700 tonnes of CO2 emissions yearly. Social <ul style="list-style-type: none"> - Zero retrenchments or salary cuts in 2020-21 despite badly hit by COVID-19. Governance <ul style="list-style-type: none"> - Comprehended and applied Malaysian Code on Corporate Governance.

PASSENGER MOVEMENT SNAPSHOT



Source: MAHB

PAX TRAFFIC ASSUMPTIONS

	2019	2022	2023F	2024F	2025F
Malaysia	53,287	31%	76%	86%	94%
International	51,977	70%	87%	96%	100%

Source: UOB Kay Hian

EBITDA BREAKDOWN BY SEGMENTS

	2022	2023F	2024F	2025F
Malaysia	245	835	1,165	1,453
ISGA	941	1,232	1,348	1,356
Total	1,186	2,066	2,513	2,808

Source: UOB Kay Hian

MAHB'S CURRENT PSC RATE

PSC for Malaysia	Benchmark (RM/pax)	Gazetted Rates (RM/pax)
International (Non-ASEAN)		
KLIA & other airports	80.00	73.00
klia2	40.00	73.00
International (ASEAN)		
KLIA & other airports	80.00	35.00
klia2	40.00	35.00
BIMP-EAGA, IMT-GT & Secondary (Note 1)	32.00	35.00
Domestic		
KLIA & other airports	11.00	11.00
Klia2	8.00	11.00

Source: MAHB

MAHB'S SOTP VALUATION

(RMm)	2024
Malaysian Operations EBITDA	1,321
EV/EBITDA (x)	10.8
Enterprise value	14,263
Net debt	-3,005
ISG Fair value (WACC: 9.0%)	1,845
Est. incremental value from Aeropolis	348
Equity Value	13,452
No. of Shares (m)	1,659
Equity Value (RM)	8.11

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	3,127	4,879	5,568	6,121
EBITDA	903	2,066	2,513	2,808
Deprec. & amort.	638	834	1,006	1,072
EBIT	265	1,233	1,506	1,736
Total other non-operating income	n.a.	n.a.	n.a.	n.a.
Associate contributions	29	36	45	57
Net interest income/(expense)	(109)	(725)	(657)	(602)
Pre-tax profit	185	544	895	1,191
Tax	3	(103)	(170)	(226)
Minorities	0	0	0	0
Net profit	187	441	725	965
Net profit (adj.)	163	417	701	941

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	1,040	1,573	2,556	2,597
Pre-tax profit	185	544	895	1,191
Tax	(46)	148	89	(44)
Deprec. & amort.	836	834	1,006	1,072
Working capital changes	(67)	(679)	(91)	(223)
Other operating cashflows	132	725	657	602
Investing	239	(180)	(200)	(221)
Capex (growth)	(140)	(180)	(200)	(221)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	378	0	0	0
Financing	(1,360)	(1,611)	(1,719)	(1,813)
Dividend payments	0	(232)	(280)	(376)
Issue of shares	0	0	0	0
Proceeds from borrowings	1,273	0	0	0
Loan repayment	(1,757)	(247)	(247)	(246)
Others/interest paid	(876)	(1,133)	(1,192)	(1,191)
Net cash inflow (outflow)	(82)	(219)	637	563
Beginning cash & cash equivalent	1,583	1,530	1,311	1,948
Changes due to forex impact	28	0	0	2
Ending cash & cash equivalent	1,530	1,311	1,948	2,513

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	550	505	540	579
Other LT assets	16,315	15,415	15,580	15,578
Cash/ST investment	1,530	1,311	1,948	2,513
Other current assets	1,055	1,092	1,183	1,406
Total assets	19,450	18,510	18,955	20,560
ST debt	697	697	697	697
Other current liabilities	2,160	1,518	1,725	1,997
LT debt	4,144	3,897	3,650	3,404
Other LT liabilities	5,022	4,555	4,338	4,976
Shareholders' equity	6,429	6,845	7,546	8,487
Minority interest	0	0	0	0
Total liabilities & equity	19,450	18,510	18,955	20,560

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	28.9	42.4	45.1	45.9
Pre-tax margin	5.9	11.1	16.1	19.5
Net margin	6.0	9.0	13.0	15.8
ROA	0.9	2.3	3.9	4.9
ROE	3.0	6.6	10.1	12.0
Growth				
Turnover	86.9	56.0	14.1	9.9
EBITDA	578.1	128.8	21.6	11.8
Pre-tax profit	n.a.	194.6	64.5	33.1
Net profit	n.a.	135.3	64.5	33.1
Net profit (adj.)	n.a.	155.0	68.2	34.2
EPS	n.a.	155.0	68.2	34.2
Leverage				
Debt to total capital	39.5	36.9	33.7	30.2
Debt to equity	90.8	81.7	70.8	60.1
Net debt/(cash) to equity	51.5	48.0	31.8	18.7
Interest cover (x)	8.3	2.8	3.8	4.7

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2023, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W