

# FINANCIAL RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 2020

30th November 2020



# **Disclaimer**

This presentation may contain forward-looking statements by Malaysia Airports Holdings Berhad (Malaysia Airports) that reflect management's current expectations, beliefs, intentions or strategies regarding the future and assumptions in light of currently available information. These statements are based on various assumptions and made subject to a number of risks, uncertainties and contingencies. Actual results, performance or achievements may differ materially and significantly from those discussed in the forward-looking statements. Such statements are not and should not be construed as a representation, warranty or undertaking as to the future performance or achievements of Malaysia Airports and Malaysia Airports assumes no obligation or responsibility to update any such statements.

No representation or warranty (either express or implied) is given by or on behalf of Malaysia Airports or its related corporations (including without limitation, their respective shareholders, directors, officers, employees, agents, partners, associates and advisers), as to the quality, accuracy, reliability or completeness of the information contained in this presentation, or that reasonable care has been taken in compiling or preparing the Information.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

No part of this presentation is intended to or construed as an offer, recommendation or invitation to subscribe for or purchase any securities in Malaysia Airports.

The financial results should be read in conjunction with the audited Financial Statements for the year ended 31 December 2019 and the Interim Financial Statements for the quarter ended 30 September 2020.





# 9M20 Executive summary

# **Continued strong momentum in ongoing liquidity initiatives**

### **PAX**



# **MY Operations**

- Passenger movements contracted by 69.6% for 9M20
- Despite the recent CMCO, 35 airlines had continued to operate to 31 destinations in 23 countries

### **TY Operations**

- Passenger movements contracted by 53.5% for 9M20
- Since July 2020, ISG contributed more than 50.0% to the Group's total passenger traffic

# 9M20 RESULTS



- Group revenue stood at RM1,602.7 mil (●RM1,194.8 mil and ●RM407.9 mil), impacted by contraction in passenger movements
- Group EBITDA at RM231.6 mil (●-RM33.1mil and RM264.7 mil), 87.3% lower than 9M19, in line with lower revenue but cushioned by containment of both fixed and variable costs
- Balance sheet remains robust with a cash & money market investment position of RM1.5 bil along with sufficient credit lines

# ONGOING LIQUIDITY INITIATIVES

- Operational expenses containment: Year-to-date total cost savings of 31.5% with core operating costs also down 20.2%
- Cash conservation: continued prioritisation of critical maintenance capital expenditure, cash outlay as at 9M20 at RM52.9 mil
- Cash recovery initiatives: recovery from government related receivables ongoing with RM332.7 mil collected up to November
- Addressing liquidity risks: RM1.4 bil of revolving credit facilities (RCF) secured, RM300.0 mil of which has been drawn down
- Divestment strategy: divestment for non-strategic investments on-going, only to be executed if fair value is achieved

# CAPITAL STRUCTURE

- Cash & money market investments as at 9M20 at RM888.1 mil (incl. RM300.0 mil RCF drawn down)
- Redeemed maturing RM1.0 bil IMTN Sukuk in August and successfully issued new Senior Sukuk in November, comprising a 7 years, RM480.0 mil tranche and a 10 years, RM220.0 mil tranche with distribution of 3.3% and 3.6% per annum respectively
- Cash & money market investments as at 9M20 at EUR118.0 mil (equivalent to RM574.6 mil)
- ISG's loan expected to be extended by 2 years to 2025, with a payment holiday in Dec 2020 and Jun 2021.
  Refinancing scheduled to be finalised by early December
- Settled EUR20.0 mil term loan repayment in June



# 9M20 Executive summary (cont'd)

Other operational initiatives are on track to continue the momentum to recovery





- Expected to be concluded by December 2020 / January 2021, the New OA will be positive to MAHB as well as to the nation's
  development in balancing social agenda and impact
- New terms will reconfigure the development capex via a more robust and sustainable range of funding models in order to deliver the investments required into the airport systems
- The models will determine upfront the fair returns to MAHB and the Government to achieve financial closure prior to execution

2



**ISG Developments** 

- MAHB negotiating with SSB for the deferment of the concession payments and with ISG's lenders for the loan restructuring
- Still positive negotiations with SSB to defer the EUR114.8mil initially due in January 2021, outcome to be known by end Dec
- ISG's loan expected to be extended by 2 years to 2025, with a payment holiday in Dec 2020 and Jun 2021. Approx. 70% lenders have approved the extension, with the remaining lenders positive towards the extension. ISG also gaining interest from new foreign lenders to support the loan
- This should help ease ISG's cash flow to meet the Jan 2021 EUR114.8 mil utilisation fees if unable to obtain deferral from SSB.
  Refinancing expected to be finalised by early December

3



**Update on Receivables** from Airline & Tenants

- Higher receivables in line with the credit extension commercial tenants (180 days) & airlines (90 days)
- **Proactively implementing receivable recovery measures** including resolution via repayment plan, set-off against qualifying airline incentives, imposition of security deposit and litigation action
- No exposure to AirAsia X as outstanding receivables adequately provided for, while actively pursuing all methods of recovery
- Target cash recovery of RM177.7 mil in 4Q20, with remainder to be resolved by FY21

4

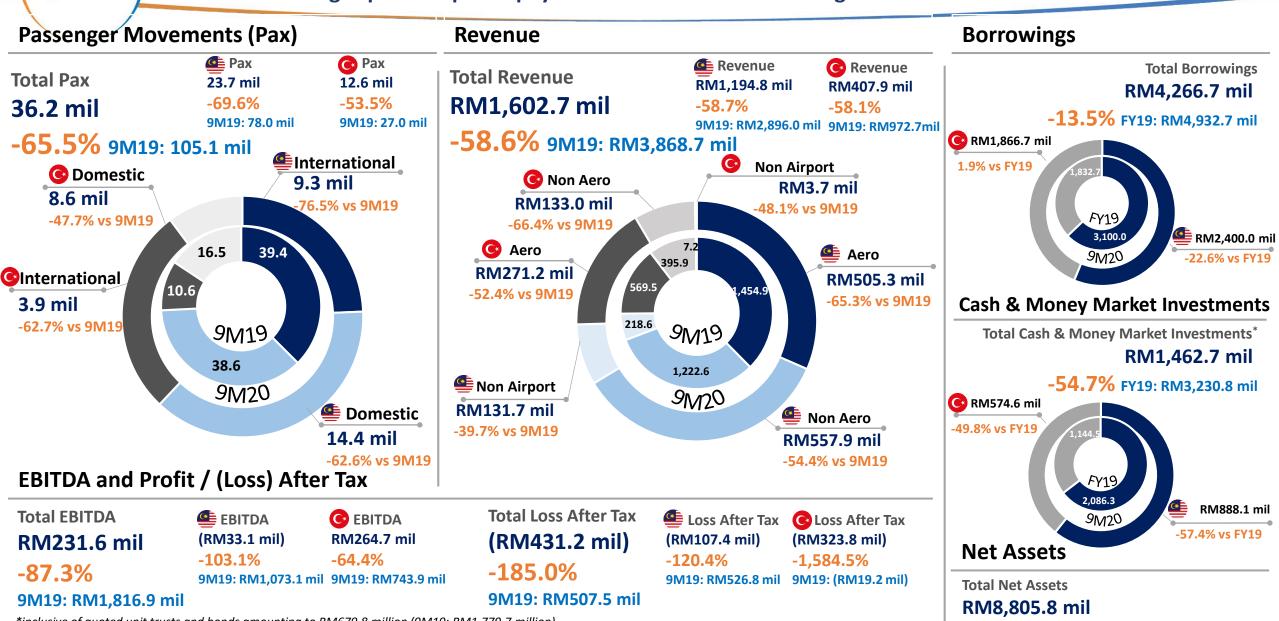


- With commercial tenants also impacted from COVID-19, MAHB is implementing several initiatives to assist the tenant
- This includes a 50% rebate of up to RM22 mil for more than 650 tenants as well as moratorium of up to 180 days

# MALAYSIA

# 9M20 Group results snapshot

Sufficient working capital despite repayment of RM1 bil Sukuk in August



<sup>\*</sup>inclusive of quoted unit trusts and bonds amounting to RM679.8 million (9M19: RM1,779.7 million)

-5.6% FY19: RM9,325.4 mil

Note: Subsequent to 9M20, MAHB had completed the issuance of new Senior Sukuk on 6 November, comprising a 7 years, RM480.0 mil tranche and a 10 years, RM220.0 mil tranche with distribution of 3.3% and 3.6% per annum respectively



# 9M20 Group results lower in tandem with lower pax

Revenue contraction mitigated by cost containment measures

Group Result	9M20	9M19	Variance %
RM mil	910120	SIVITS	variance /0
Passengers (mil)	36.2	105.1	a -65.5%
Aircraft ('000)	383.4	834.7	-54.1%
Revenue	1,602.7	3,868.7	-58.6%
Other Income	169.5	197.8	-14.3%
Direct Cost	(288.2)	(601.9)	d -52.1%
Operating Cost	(1,084.1)	(1,234.4)	-12.2%
User Fee & PSC Share	(168.3)	(413.2)	-59.3%
EBITDA	231.6	1,816.9	-87.3%
Depreciation & Amortisation	(377.0)	(700.1)	e -46.2%
Finance Costs	(535.1)	(524.4)	2.1%
Share of Assoc. & JV Profit	(8.2)	20.6	-139.9%
(Loss)/Profit before Tax & Zakat	(688.8)	613.0	-212.4%
Taxation & Zakat	257.6	(105.5)	-344.2%
(Loss)/Profit after Tax & Zakat	(431.2)	507.5	-185.0%
Excluding PPA Adj*			
EBITDA	224.3	1,808.8	-87.6.%
(Loss)/Profit before Tax & Zakat	(591.6)	779.3	-175.9%
(Loss)/Profit after Tax & Zakat	(353.5)	640.5	-155.2%
EBITDA Margin	14.0%	46.8%	(32.8ppt)
PAT Margin	-22.1%	16.6%	(38.6ppt)

a Lower passenger movements due to COVID-19 impact

Pax (mil)	9M20	9M19	Variance
International	13.2	50.0	36.8 (73.6%)
Domestic	23.0	55.1	32.0 (58.1%)
Total	36.2	105.1	68.8 (65.5%)

Revenue decreased by RM2,265.9 mil (58.6%) in tandem with lower pax:

Revenue RM mil	9M20	9M19	Variance
Aeronautical	776.5	2,024.4	1,247.9 (61.6%)
Retail	140.8	632.5	491.7 (77.7%)
Commercial	550.1	986.0	435.9 (44.2%)
Non-Airport	135.4	225.8	90.4 (40.1%)

- c Lower recoupment of investment income cushioned by GHIAL dividend & unrealised gains arising from forex movement on GHIAL investment
- d Lower direct material costs largely arising from contraction of retail sales by Eraman
- e Lower depreciation & amortisation in tandem with the contraction of passenger traffic amidst COVID-19 pandemic
- Tax credit position largely due to recognition of tax recoverable and deferred tax asset recognised

<sup>\*</sup>PPA Adj relates to the Purchase Price Allocation (PPA) non-cash adjustments in respect of the MFRS3: Business Combinations fair valuation on ISG & LGM Note: Included within current period retained earnings is a distribution to the perpetual sukuk holders amounting to RM43.0 mil (9M20: RM43.2 mil)



# 9M20 Group costs reduced by 31.5% or RM708.9 mil to date

20.2% reduction achieved so far in for fixed based costs, focused on rebasing expenditure for 2021

Group Costs	9M20	08410	Variance 9/
RM mil	910120	9M19	Variance %
Direct Cost	288.2	601.9	-52.1%
Direct Material	97.8	361.6	-73.0%
Direct Labour	105.3	119.4	-11.8%
Direct Overheads	85.1	120.9	-29.6%
Operating Cost (Opex)	1,084.1	1,234.4	-12.2%
Staff Costs	446.0	516.5	-13.7%
Utilities and Comm	256.3	329.5	-22.2%
Maintenance	193.0	259.1	-25.5%
Net Allowance of PDD	80.8	(20.5)	>100%
Others	108.0	149.7	-27.9%
User Fee & PSC Share	168.3	413.2	-59.0%
User Fee	138.1	336.9	-59.0%
PSC Share	30.1	76.3	-60.5%
Total Costs	1,540.6	2,249.5	a -31.5%

Adjusted Costs RM mil	9M20	9M19	Variance %
Total Costs	1,540.6	2,249.5	-31.5%
Less:			
User Fee & PSC Share	(168.3)	(413.2)	-59.3%
Net Allowance of PDD	(80.8)	20.5	>-100%
Direct Material	(97.8)	(361.6)	-73.0%
Adjusted Costs	1,193.7	1,495.2	b-20.2%

- Total cost contracted by 31.5% or RM708.9 mil. This contraction is driven by:
  - Lower User Fee (Malaysia) & PSC Share (ISG) in line with the contraction of passenger movements for both Malaysia & ISG
  - Lower direct material (cost of inventories sold) due to the contraction of retail (Eraman) business
  - Reduction of staff costs, utilities & maintenance pursuant to the Group cost containment initiatives which has shown impact since March
  - Lower retail expenses due to lower advertising, promotion, commission
     & discounts recorded for current period
  - Lower project cost from MACS ME due to the completion of a major project in October 2019

However the reduction above is offset against the increase in provision doubtful debt

b Malaysia Airports expects to continue its cost containment exercise for FY20 with a target reduction of around 20% compared to FY19 Opex



# 9M20 results for both operations in MY & TY continue to be affected by pandemic

Revenue contraction generally in line with pax reduction despite a higher decline in international passengers

Group Result RM mil	<b>€</b> 9M20	<b>⊕</b> 9M19	Variance %	<b>G</b> 9M20	<mark>⊙</mark> 9M19	Variance %
Total Passengers (mil)	23.7	78.0	-69.6%	12.6	27.0	-53.5%
International Passengers (mil)	14.4	38.6	-65.4%	8.6	16.5	-56.0%
Domestic Passengers (mil)	9.3	39.4	-59.4%	3.9	10.6	-54.2%
Aircraft (000)	295.5	661.6	-55.3%	87.9	173.1	-49.2%
Revenue	1,194.8	2,896.0	-58.7%	407.9	972.7	-58.1%
Other Income	159.5	181.2	-11.9%	10.0	16.6	-39.9%
Direct Cost	(288.2)	(601.9)	-52.1%	-	-	-
Operating Cost	(961.1)	(1,065.3)	-9.8%	(123.0)	(169.1)	-27.3%
User Fee & PSC Share	(138.1)	(336.9)	-59.0%	(30.1)	(76.3)	-60.5%
EBITDA	(33.1)	1,073.1	-103.1%	264.7	743.9	-64.4%
Depreciation & Amortisation	(173.1)	(307.1)	-43.6%	(203.9)	(393.1)	-48.1%
Finance Costs	(122.8)	(133.6)	-8.0%	(412.3)	(390.8)	5.5%
Share of Assoc. & JV Profit	(8.2)	20.6	-139.9%		<u>-</u>	-
(Loss)/Profit before Tax & Zakat	(337.2)	653.0	-151.6%	(351.5)	(40.0)	-777.8%
Taxation & Zakat	229.9	(126.3)	>100%	27.7	20.8	33.0%
(Loss)/Profit after Tax & Zakat	(107.4)	526.8	-120.4%	(323.8)	(19.2)	-1,584.5%
Excluding PPA Adj*						
EBITDA	(33.1)	1,073.1	-103.1%	257.4	735.7	-65.0%
(Loss)/Profit before Tax & Zakat	(337.2)	653.0	-151.6%	(254.5)	126.3	-301.5%
(Loss)/Profit after Tax & Zakat	(107.4)	526.8	-120.4%	(246.2)		-316.3%
EBITDA Margin	-2.8%	37.1%	(39.8ppt)	63.1%		-12.5ppt
PAT Margin	-9.0%	18.2%	(27.2ppt)	-60.4%	11.7%	-72.1ppt

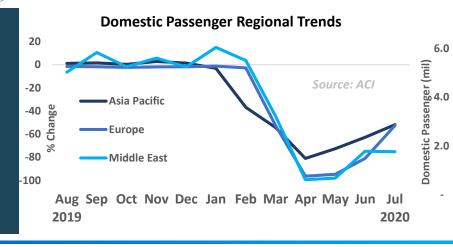
<sup>\*</sup>PPA Adj relates to the Purchase Price Allocation (PPA) non-cash adjustments in respect of the MFRS3: Business Combinations fair valuation on ISG & LGM Note: Included within current period retained earnings is a distribution to the perpetual sukuk holders amounting to RM43.0 mil (9M20: RM43.2 mil)



# **Update on Malaysia traffic**

# Domestic sector movements, key to traffic recovery in Malaysia

Domestic recovery outpacing intl' traffic



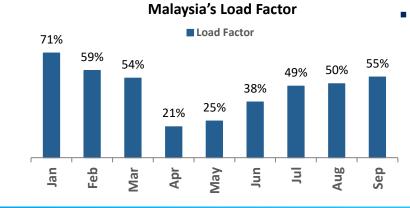
### **Malaysia's Domestic Passenger Movements**



- Domestic travels recovering faster than international travels in line with global trend
- Malaysia's domestic traffic improved by 4.2x in September 2020 after upliftment of interstate travel ban in June 2020
- Gradual improvement for domestic seat factor is expected to pick up from 50% range to above 70% in 2021

Airlines offering more seats in the market





- Most of the airlines resume operations post upliftment of interstate ban in June 2020:
- **32 airlines** are operating global flight routes to 32 cities in 22 countries
- Aircraft movements grew by 2.3x to 27k in September 2020

**Potential** catalytic factors

Reopening of Countries within the Asia Pacific are expected international to be among the first to open international borders borders with talks already in place<sup>1</sup>

**Return of Umrah** Saudi reopened its **borders** for Umrah traffic pilgrimage from 1 November 2020. Malaysia working on resuming Umrah flights soon<sup>2</sup>

confidence

Discovery of vaccine Malaysia is part of the global COVAX led by the World Health returning travel Organisation for access to the COVID-19 vaccine by 1Q213

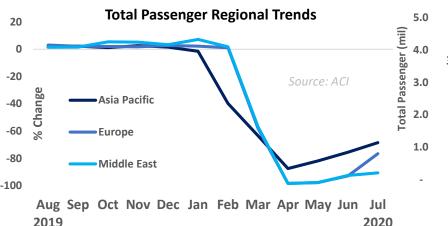
- https://centreforaviation.com/analysis/reports/asia-pacific-countries-lay-groundwork-for-cross-border-travel-527021
- 2. https://www.nst.com.my/news/nation/2020/10/634410/no-decision-yet-umrah-haj-quota;
- 3. https://www.theedgemarkets.com/article/govt-has-communicated-10-covid19-vaccine-producers-says-khairy



# **Update on ISG traffic**

# Re-opening of international borders giving a boost to traffic movements in ISG

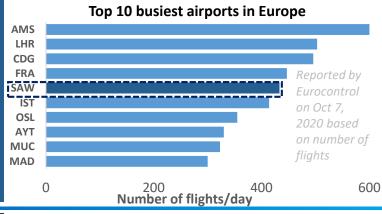
Sharp recovery after crossborder restrictions uplifted

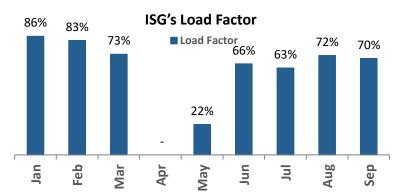




- Passenger movements improve in a sharp trend for European countries from June onwards.
- Total passenger traffic improved by 3.4x in September 2020 after upliftment of flight suspension in June 2020
- Traffic in September 2020 has recovered to 68% of February 2020 level (pre COVID-19 and airport closure)

Airlines increasing presence in ISG





Load factor continue to maintain **above 70%** in September 2020 signaling strong demand of air travel in ISG.

Major airlines in ISG plan to strengthen their recovery by:

- i. further developing Middle East and Central Asia network
- ii. launch of additional frequencies on existing routes

Potential catalytic factors

Reopening of EU and other international borders

- Countries within Europe and closer to the region allowing unrestricted movements for Turkish nationals including Egypt, Kazakhstan, Russia, Serbia and UK<sup>1</sup>
- EU borders remain largely closed to Turkish citizens with only Malta<sup>2</sup> and Bulgaria<sup>3</sup> amongst EU members to be the earliest allowing Turkish passport holders to enter

Reopening of Beginning 11 June 2020, all nationalities tourism industry in including tourists are permitted to enter Turkey Turkey under normal travel regulations<sup>4</sup>

### Source.

- 1. https://www.turkishairlines.com/tr-tr/duyurular/coronavirus-salgini/seyahat-kisitlamalari/seyahat-yasagi-kalkan-ulkeler;
- 2. https://www.schengenvisainfo.com/news/malta-reopens-its-borders-for-more-third-countries-including-uae-turkey;
- 3. https://centreforaviation.com/news/bulgaria-exempts-turkey-from-entry-ban-1021911;
- 4. https://centreforaviation.com/news/turkey-dgca-issues-notam-permitting-all-services-to-turkish-aerodromes-from-11-jun-2020-1004421

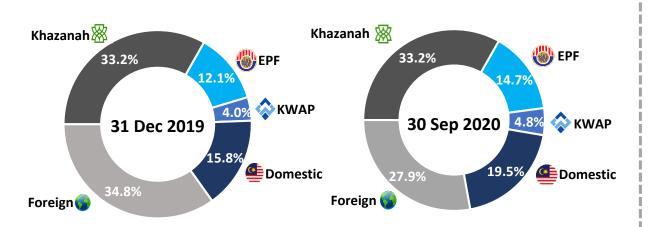
11



# **Update on equity & borrowing profile**

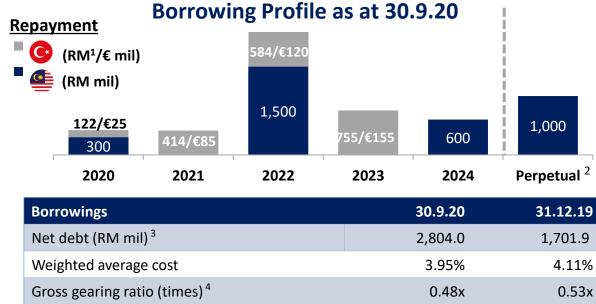
Sufficient liquidity available to meet funding needs with no equity raising required

# **Equity Profile**



Financial Year				Dividend Payment per Share (sen)		Total Amount Paid (RM mil)			Dividend Payout Ratio*	
			Interim	nterim Final Tota		Interim Final		Total	Total	
2012	46.2%	85.0%	6.00	7.63	13.63	72.60	92.86	165.46	50%	
2013	88.4%	87.6%	6.00	5.78	11.78	73.95	78.87	152.82	50%	
2014	53.4%	74.1%	2.00	3.60	5.60	27.48	59.47	86.95	61%	
2015	N/A	N/A	4.00	4.50	8.50	66.37	74.66	141.03	58%	
2016	N/A	N/A	4.00	6.00	10.00	66.37	99.55	165.92	56%	
2017	N/A	N/A	5.00	8.00	13.00	82.96	132.74	215.69	55%	
2018	N/A	N/A	5.00	9.00	14.00	82.96	149.33	232.29	52%	
2019	N/A	N/A	5.00	10.00	15.00	82.96	165.92^	248.88	52%	

<sup>\*</sup>The dividend payout ratio is based on the adjusted net core profit of the Group ^Final dividend for FY19 was paid on 21 May 2020



Available Facilities	30.11.20	30.9.20
Sukuk Programme (RM mil)	1,800.0 <sup>5</sup>	2,500.0
Revolving Credit Facility (RM mil)	1,400.0	1,100.0

0.32x

Credit Rating / Outlook	
RAM Reaffirmed on 22 April 2020	AAA / Stable
Moody's Reaffirmed on 25 March 2020	A3 / Negative

<sup>&</sup>lt;sup>1</sup>Recalculated at actual rate of repayment and RM 4.87/EUR for future payments

Net gearing ratio (times) 4

0.18x

<sup>&</sup>lt;sup>2</sup>Non-call 10 year Perpetual Sukuk, fixed initial periodic distribution rate of 5.75% recognised in equity

<sup>&</sup>lt;sup>3</sup>Net Debt = Borrowings – Cash and Funds

 $<sup>^4</sup>$ Gross and net gearing ratio including contingent liability is 0.61x (FY19: 0.60x) and 0.35x (FY19: 0.25x) respectively

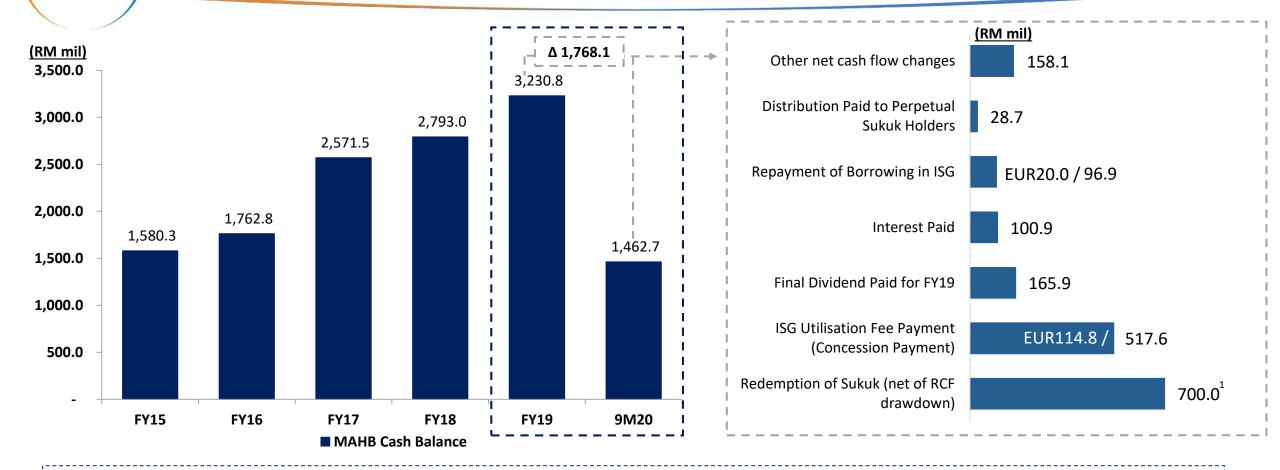
<sup>&</sup>lt;sup>5</sup>Subsequent to 9M20, MAHB completed the issuance of new Senior Sukuk on 6 November, comprising

a 7 years, RM480.0 mil tranche and a 10 years, RM220.0 mil tranche with distribution of 3.3% and 3.6% per annum respectively



# Cash flow summary

# Sustainable cash reserve to cushion the impact of COVID-19



- Subsequent to 9M20, MAHB completed the issuance of new Senior Sukuk on 6 November, comprising a 7 years, RM480.0 mil tranche and a 10 years, RM220.0 mil tranche with distribution of 3.3% and 3.6% per annum respectively
- Despite challenging market conditions, MAHB successfully tightened the final price of the new Senior Sukuk from the initial price guidance and the Sukuk was subsequently upsized from the initial target issue size of RM500.0 million to RM700.0 million
- The Sukuk issuance also marks the longest ever dated/tenure issued and the lowest ever profit rates achieved under the Senior Sukuk Programme.

<sup>&</sup>lt;sup>1</sup> Redeemed RM1.0 bil Sukuk in August 2020 by way of RM700.0 mil in cash and RM300.0 mil in Revolving Credit Facilities (RCF)



# **Update on key liquidity measures**

# Plans established & executed to strengthen our financial position

1	Operational expenses containment
2	Cash conservation
3	Addressing liquidity risk

### Plan

20% potential savings from core operational expenses efficiencies over FY19 operational expenditure

### **Update**

- Total costs, which include variable & revenue related costs such as cost of inventories sold and user fees, as at 9M20 contracted by 31.5% or RM708.9 mil
- 9M20 core operational expenses already down by 20.2% or RM301.5 mil due to stringent cost containment
- Reduction in staff cost ( $\sqrt{14\%}/\sqrt{RM70.6}$  mil), utilities ( $\sqrt{22\%}/\sqrt{RM73.2}$  mil) and maintenance ( $\sqrt{26\%}/\sqrt{RM66.2}$  mil) to continue into 4Q20, with a plan to rebase costs for 2021
- Deferment of capital expenditure more than RM1.5 bil, mainly in development capital expenditure
- Prioritisation of only key critical maintenance capital expenditure
- Current capital expenditure cash outlay as at 9M20 at RM52.9 mil
- Key projects include network refurbishment & runway 3 rehabilitation
- Expected capex for FY21 at ~RM400 mil
- Securing short term facilities, maintaining credit ratings & payment deferral from key partners requested
- Secured RM1.4 bil in revolving credit facilities with 4 banks, out of which RM300 mil has been drawn down
- Redeemed RM1.0 bil I-MTN Sukuk in August
- Successfully issued new Senior Sukuk in November, comprising a 7 years, RM480.0 mil tranche and a 10 years, RM220.0 mil tranche with distribution of 3.3% and 3.6% per annum respectively
- Current undrawn lines as at end November include RM1.8 bil sukuk and RM1.4 bil revolving credit facilities
- Deferral request on ISG's EUR114.8 mil utilisation fees for 2021 still ongoing

4) Cash recovery

Cash recovery through proactive engagement with stakeholders

- Collected RM332.7 mil up to end November from government related outstanding balances.
- Seeking government closure on Sepang International Circuit costs of RM310.0 mil
- Government continues to be supportive of MAHB's request in strengthening cashflows, including relaxing OA requirements such as MARCS qualification and deferment of 2020 User Fees to April 2021
- Proactive recovery plan executed on trade receivables outstanding, working closely with airlines & tenants

Divestment strategy

Divestment of non-strategic assets

 Target for full closure on Hyderabad divestment by 2021 / early 2022, only to be executed if fair value is achieved



# **Key Budget 2021 highlight**

Forward momentum towards KLIA Aeropolis and Subang Regeneration realisation

# Impetus to Our Airport City's Vision



# **Relocation Incentives**

 Making Malaysia a destination for value service activities

Tax incentives for qualifying companies relocating their operation to Malaysia and making new investment is expanded from manufacturing sector to selected service sector:

- Provision of technology solution services
- Provision of infrastructure and technology for cloud computing
- R&D/Design and development activities
- Medical devices testing laboratory and clinic trials
- Any services or manufacturing related services determined by MoF

**New Company**: 0% to 10% income tax rate for a period up to 10 years

**Existing Company with new services segment**: 10% income tax rate for a period up to 10 years

**Note**: For applications received by MIDA from 7 Nov 2020 until 31 Dec 2022



# Value Added and Additional Activities

 Increase of value-added activities in Free Industrial Zone (FIZ) and Licensed Manufacturing Warehouse (LMW)

In order to increase competitiveness and meet the global trade dynamics, 10% limit on sales value from value-added and additional activities be increased to not exceeding 40% of the company's annual sales value



# Spur Regionalisation Centres

Introduction of a Global Trading Centre (GTC) Incentive

Preferential income tax rate of 10% for 5 years, extendable for further 5 years

**Note:** For applications received by MIDA from 1 Jan 2021 to 31 Dec 2022

Principal Hub incentive
 Relaxation of certain conditions such as headcount & operating expenditure



# Extension of Existing Tax Incentives

- Tax incentives being extended until 2022 for:
  - Aerospace MRO activities,<sup>1</sup>
  - Building and repair of ships,
  - Bionexus status company;
  - Economic corridor developments

<sup>1</sup> Tax incentives in respect of Investment Tax Allowance for a period of 5 or 10 years, for applications received by MIDA until 2022

- Government's continued support in the area of aerospace and related business investment could spur and further induce participation in Aeropolis
- For KLIA Aeropolis Sdn Bhd (KASB), some measures above are potentially a step closer towards attaining the holistic Tax Incentive Package for Aeropolis Development which include the request for customized incentive of Global Trading Centre, E-Commerce fulfilment activities & MROs







# **Group 9M20 Results (vs 9M19)**

		9M20 9M19			9M19				C*	Æ M	ALAYSIA RPORTS
(RM mil)		C*	Airports		C*	AIRPORTS	Variance	% \	/ariance %	Variance %	
Revenue	1,194.8	407.9	1,602.7	2,896.0	972.7	3,868.7	<b>(</b> 58	3.7)	(58.1)	_	(58.6)
Other Income	159.5	10.0	169.5	181.2	16.6	197.8	(11	.9)	(39.9)		(14.3)
Direct Cost	(288.2)	-	(288.2)	(601.9)	-	(601.9)	5	2.1			52.1
Operating Cost	(961.1)	(123.0)	(1,084.1)	(1,065.3)	(169.1)	(1,234.4)		9.8	27.3		12.2
User Fee & PSC Share	(138.1)	(30.1)	(168.3)	(336.9)	(76.3)	(413.2)	5	9.0	60.5		59.3
EBITDA	(33.1)	264.7	231.6	1,073.1	743.9	1,816.9	(103	.1)	(64.4)		(87.3)
Depreciation & Amortisation	(173.1)	(203.9)	(377.0)	(307.1)	(393.1)	(700.1)	<b>4</b>	3.6	48.1		46.2
Finance Costs	(122.8)	(412.3)	(535.1)	(133.6)	(390.8)	(524.4)		8.0	(5.5)		(2.1)
Share of Assoc. & JV Profit	(8.2)	-	(8.2)	20.6	-	20.6	(139	.9) =	0.0		(139.9)
(Loss)/Profit before Tax & Zakat	(337.2)	(351.5)	(688.8)	653.0	(40.0)	613.0	(151	.6)	(777.8)		(212.4)
Taxation & Zakat	229.9	27.7	257.6	(126.3)	20.8	(105.5)	<b>28</b>	2.0	<b>33.0</b>		344.2
(Loss)/Profit after Tax & Zakat	(107.4)	(323.8)	(431.2)	526.8	(19.2)	507.5	(120	.4)	(1,584.5)		(185.0)
EBITDA Margin (%) (excl. IC12)	(2.8%)	64.9%	14.5%	37.1%	76.5%	47.0%	<b>(39.8p</b>	pt)	(11.6ppt)		(32.5ppt)
PAT Margin (%) (excl. IC12)	(9.0%)	(79.4%)	(26.9%)	18.2%	(2.0%)	13.1%	(27.2p	pt)	(77.4ppt)		(40.0ppt)
Net Asset per Share (RM)			1.72			1.82					(5.4%)



# **Group 9M20 Results (vs 9M19)**

	9M20				9M19		<b>(*</b>	<b>C</b> ∗	AIRPORTS
(RM mil)		C*	Airports		C	AIRPORTS	Variance %	Variance %	
Revenue	1,194.8	407.9	1,602.7	2,896.0	972.7	3,868.7	(58.7)	(58.1)	(58.6)

## **Group revenue contracted by 58.6%**

- **★** Airport operations: RM1,467.4 mil (-59.7%)
  - Aeronautical: RM776.5 mil (-61.6%) mainly due to lower overall passenger movements (contraction of 65.5%) in Malaysia and Turkey following the outbreak of COVID-19 and the subsequent travel restrictions
  - Non-Aeronautical: RM690.8 mil (-57.3%) arising from lower retail sales (-77.7%) and commercial revenue (-44.2%)
- **★** Non-airport operations: RM135.4 mil (-40.1%)
  - Hotel: RM38.0 mil (-47.6%)
  - Agriculture & horticulture: RM25.1 mil (+22.9%)
  - Project and repair maintenance: RM72.3 mil (-45.6%)



# **Group 9M20 Results (vs 9M19)**

/DNA:I\		9M20			9M19			C*	AIRPORTS
(RM mil)		C*	Airports		C*	AIRPORTS	Variance %	Variance %	_
EBITDA	(33.1)	264.7	231.6	1,073.1	743.9	1,816.9	(103.1)	(64.4)	(87.3)
(Loss)/Profit after Tax & Zakat	(107.4)	(323.8)	(431.2)	526.8	(19.2)	507.5	(120.4)	(1,584.5)	(185.0)

### **Group EBITDA decreased by 87.3%**

- ★ Malaysia operations: The reduction of RM616.6 mil in direct cost, operating cost and user fees helped mitigate the contraction in EBITDA arising from the impact of COVID-19 to passenger movements
- ★ Turkey operations: ISG's cost optimisation initiatives have led to lower operating costs by 27.3% or RM46.1 mil, thus cushioning the reduction in ISG's EBITDA

# Group Loss After Tax & Zakat: RM431.2 mil (-185.0%)

- ★ Malaysia operations: Net earnings reported a decline by 120.4%, largely attributed to the lower EBITDA, mitigated by lower depreciation and amortisation costs and tax credit position for the current period
- Turkey operations: Net earnings dropped to RM323.8 mil (9M19: LAT of RM19.2 mil), after taking into account a loss of RM96.9 mil (9M19: RM166.4 mil) primarily owing to the amortisation of fair value of the concession rights



# **Group 3Q20 Results (vs 3Q19)**

		3Q20			3Q19					C*	Æ	MALAYSIA MRPORTS
(RM mil)		C*	Airports		C*	Airports	Va	riance %	Vai	riance %	_	iance %
Revenue	275.5	121.1	396.7	980.4	374.7	1,355.2		(71.9)		(67.7)		(70.7)
Other Income	27.7	3.0	30.7	57.9	5.4	63.3		(52.1)		(44.2)		(51.4)
Direct Cost	(78.3)	-	(78.3)	(202.4)	-	(202.4)		61.3		-		61.3
Operating Cost	(309.2)	(40.2)	(348.8)	(363.7)	(59.7)	(423.4)		15.0		32.6		17.5
User Fee & PSC Share	(33.3)	(8.2)	(42.1)	(115.6)	(29.7)	(145.3)		71.2		72.4		71.4
EBITDA	(117.5)	75.7	(41.8)	356.6	290.7	647.3		(132.9)		(73.9)		(106.5)
Depreciation & Amortisation	(64.1)	(82.4)	(146.5)	(98.4)	(132.2)	(230.7)		34.9		37.7		36.5
Finance Costs	(39.0)	(147.4)	(186.4)	(45.0)	(130.4)	(175.3)		13.3		(13.0)		(6.3)
Share of Assoc. & JV Profit	(10.2)	-	(10.2)	5.5	-	5.5		(285.8)		-		(285.8)
(Loss)/Profit before Tax & Zakat	(230.8)	(154.1)	(384.9)	218.7	28.1	246.8	_	(205.5)		(648.2)		(256.0)
Taxation & Zakat	49.6	15.5	65.1	(49.7)	0.8	(48.9)		199.7		1,770.9		233.2
(Loss)/Profit after Tax & Zakat	(181.2)	(138.5)	(319.7)	168.9	28.9	197.9		(207.3)		(578.8)		(261.6)
EBITDA Margin (%)	(42.6%)	62.5%	(10.5%)	36.4%	77.6%	47.8%		(79.0ppt)		(15.1ppt)		(58.3ppt)
PAT Margin (%)	(65.8%)	(114.3%)	(80.6%)	22.3%	7.5%	18.2%		(88.1ppt)		( <mark>121.8ppt</mark> )		(98.8ppt)

Exchange rate used in profit and loss for 3Q20: RM4.94/EUR Exchange rate used in profit and loss for 3Q19: RM4.61/EUR



# Group 3Q20 Results (vs 3Q19)

		3Q20			3Q19		<u>(* </u>	C*	AIRPORTS
(RM mil)		C	Airports		C	Airports	Variance %	Variance %	Variance %
Revenue	275.5	121.1	396.7	980.4	374.7	1,355.2	(71.9)	(67.7)	(70.7)

# **Group revenue: RM396.7 mil (-70.7%)**

- **★** Airport operations: RM350.9 mil (-72.6%)
  - Aeronautical: RM228.6 mil (-68.0%) mainly due to lower overall passenger movements (contraction of 74.8%) in Malaysia and Turkey following the outbreak of COVID-19 and the subsequent travel restrictions
  - Non-Aeronautical: RM122.3 mil (-78.3%) arising from lower retail sales (-94.6%) and commercial revenue (-68.7%)
- ★ Non-airport operations: RM45.8 mil (-40.2%)
  - Hotel: RM10.6 mil (-55.9%)
  - Agriculture & horticulture: RM10.2 mil (+32.1%)
  - Project and repair maintenance: RM25.0 mil (-44.1%)



# **Group 3Q20 Results (vs 3Q19)**

		3Q20			3Q19		<b>(*</b>	C*	AIRPORTS
(RM mil)		C*	AIRPORTS		C*	AIRPORTS	Variance %	Variance %	Variance %
EBITDA	(117.5)	75.7	(41.8)	356.6	290.7	647.3	(132.8)	(73.9)	(106.5)
(Loss)/Profit after Tax & Zakat	(181.2)	(138.5)	(319.7)	168.9	28.9	197.9	(207.3)	(578.8)	(261.8)

# Group EBITDA: -RM41.8 mil (-106.5%)

- ★ Malaysia operations: The reduction of RM260.9 mil in direct cost, operating cost and user fees helped mitigate the contraction in EBITDA arising from the impact of COVID-19 to passenger movements
- ★ Turkey operations: ISG's cost optimisation initiatives have led to lower operating costs by 33.7% or RM20.1 mil, thus cushioning the reduction in ISG's EBITDA

# Group Loss after Tax & Zakat: RM319.7 mil (-261.8%)

- ★ Malaysia operations: Net earnings reported a decline of 207.3%, largely attributed to lower EBITDA, mitigated by lower depreciation and amortisation costs and tax credit position for the current quarter
- Turkey operations: Recorded a lower LAT of RM138.5 mil (3Q19: PAT of RM28.9 mil), after taking into account a loss of RM37.5 mil (3Q19: RM55.1 mil) primarily owing to the amortisation of fair value of the concession rights



# **Group 3Q20 Results (vs 2Q20)**

		3Q20			2Q20				C*	Æm.	ALAYSIA RPORTS
(RM mil)		C	Airports		<b>C</b> *	Airports	Variance %	Var	riance %		ance %
Revenue	275.5	121.1	396.7	237.1	35.0	272.2	16.2		245.7		45.7
Other Income	27.7	3.0	30.7	49.8	3.6	53.3	(44.3)		(15.6)		(42.4)
Direct Cost	(78.3)	-	(78.3)	(72.5)	-	(72.5)	(8.0)		-		(8.0)
Operating Cost	(309.2)	(40.2)	(348.8)	(229.0)	(27.9)	(256.9)	(35.0)		(44.0)		(36.0)
User Fee & PSC Share	(33.3)	(8.2)	(42.1)	(26.6)	(0.3)	(26.9)	(25.0)		(2,890.8)		(54.2)
EBITDA	(117.5)	75.7	(41.8)	(41.2)	10.4	(30.8)	(184.9)		627.9		(35.5)
Depreciation & Amortisation	(64.1)	(82.4)	(146.5)	(27.9)	(34.9)	(62.8)	(129.7)		(135.9)		(133.1)
Finance Costs	(39.0)	(147.4)	(186.4)	(39.4)	(133.6)	(173.0)	0.9		(10.3)		(7.7)
Share of Assoc. & JV Profit	(10.2)	-	(10.2)	(1.7)	-	(1.7)	499.2		-		(499.2)
(Loss)/Profit before Tax & Zakat	(230.8)	(154.1)	(384.9)	(110.2)	(158.1)	(268.3)	(109.4)		2.6		(43.4)
Taxation & Zakat	49.6	15.5	65.1	170.2	7.1	177.3	(70.9)		118.9		(63.3)
(Loss)/Profit after Tax & Zakat	(181.2)	(138.5)	(319.7)	60.0	(151.0)	(91.1)	(402.1)		8.3		(251.1)
EBITDA Margin (%)	(42.6%)	62.5%	(10.5%)	(17.4%)	29.7%	(11.3%)	(25.3ppt)		32.8ppt		0.8ppt
PAT Margin (%)	(65.8%)	(114.3%)	(80.6%)	25.3%	(431.1%)	(33.5%)	(91.0ppt)		316.7ppt	<b>V</b> (	47.1)ppt

Exchange rate used in profit and loss for 3Q20: RM4.94/EUR Exchange rate used in profit and loss for 2Q20: RM4.77/EUR



# **Group 3Q20 Results (vs 2Q20)**

		3Q20			2Q20			C*	AIRPORTS
(RM mil)		C*	MALAYSIA		C*	AIRPORTS	Variance %	Variance %	Variance %
Revenue	275.5	121.1	396.7	237.1	35.0	272.2	16.2	<b>245.7</b>	45.7

# **Group revenue: RM396.7 mil (+45.7%)**

- **★** Airport operations: RM350.9 mil (+47.0%)
  - Aeronautical: RM228.6 mil (+401.4%) mainly due to higher overall passenger movements in Malaysia and Turkey arising from the partial resumption of flights from early June
  - Non-Aeronautical: RM122.3 mil (-36.6%) due to lower commercial revenue
- ★ Non-airport operations: RM45.8 mil (+36.6%)
  - Hotel: RM10.6 mil (+38.0%)
  - Agriculture & horticulture: RM10.2 mil (+22.5%)
  - Project and repair maintenance: RM25.0 mil (+42.7%)



# **Group 3Q20 Results (vs 2Q20)**

(DA4:1)		3Q20			2Q20			C*	AIRPORTS
(RM mil)		C*	AIRPORTS		C*	MALAYSIA	Variance %	Variance %	Variance %
EBITDA	(117.5)	75.7	(41.8)	(41.2)	10.4	(30.8)	(184.9)	<b>627.9</b>	(35.5)
(Loss)/Profit after Tax and Zakat	(181.2)	(138.5)	(319.7)	60.0	(151.0)	(91.1)	(402.1)	8.3	(251.1)

## **Group EBITDA: -RM41.8 mil (-35.5%)**

- ★ Malaysia operations: Contributing to the lower EBITDA in 3Q20 are higher provision for doubtful debts by RM55.5 mil (3Q20: RM23.6 mil, 2Q20: Writeback of RM31.9 mil)
- ★ Turkey operations: EBITDA improved by RM65.3 mil due to passenger traffic movements for both domestic & international passengers

# Group Loss after Tax & Zakat: RM319.7 mil (-251.1%)

- Malaysia operations: Excluding the effects of 2Q20's tax recoverable from MA Sepang's single source, net earnings reported a decline of RM105.2 mil largely attributed to lower EBITDA and higher depreciation (in line with higher passenger movements in 3Q20)
- ★ Turkey operations: Recorded a marginally improved LAT of RM138.5 mil (2Q20: LAT of RM151.0 mil), after taking into account a loss of RM37.5 mil (2Q20: RM8.3 mil) primarily owing to the amortisation of fair value of the concession rights



# 9M20 EBITDA and PBT Reconciliation

			9M20			9M19		\	/ariance (%	)
(RM	mil)		C*	Airports		C*	Airports		C	Airports
	EBITDA excluding Adjustments (Adj)	(33.1)	257.4	224.3	1,073.1	735.7	1,808.8	103.1%	(65.0%)	(87.6%)
Adj*	+ Other Income - ISG PPA interest income	-	7.3	7.3	-	8.1	8.1			
	EBITDA including Adj	(33.1)	264.7	231.6	1,073.1	743.9	1,816.9	103.1%	(64.4%)	(87.3%)
	- Depreciation and Amortisation	(173.1)	(122.8)	(295.9)	(307.1)	(241.8)	(548.9)			
Adj*	- Amortisation - ISG&SGC PPA concession rights fair value	-	(81.1)	(81.1)	-	(151.2)	(151.2)			
	- Finance Costs - interest on borrowing and misc.	(122.8)	(90.5)	(213.3)	(133.6)	(70.4)	(204.0)			
	- Finance Costs - ISG utilisation fee expense	-	(298.5)	(298.5)	-	(297.2)	(297.2)			
Adj*	- Finance Costs - ISG&SGC interest expense	-	(23.3)	(23.3)	-	(23.2)	(23.2)			
	-/+ Share of Assoc. & JV Profit	(8.2)	-	(8.2)	20.6	-	20.6			
	(Loss)/Profit before Tax & Zakat including Adj	(337.2)	(351.5)	(688.8)	653.0	(40.0)	613.0	(151.6%)	(777.8%)	(212.4%)
	- Taxation and Zakat	229.9	27.7	257.6	(126.3)	20.8	(105.5)			
	(Loss)/Profit after Tax and Zakat including Adj	(107.4)	(323.8)	(431.2)	526.8	(19.2)	507.5	(120.4%)	(1,584.5%)	(185.0%)

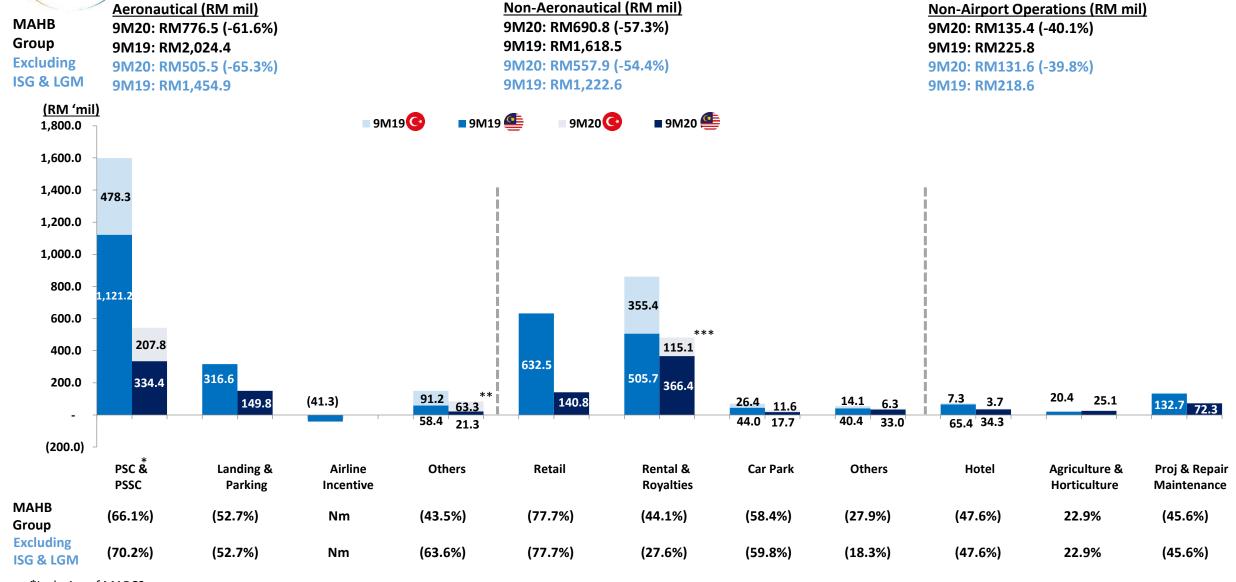
<sup>1.</sup> Included within current period retained earnings is a distribution to the perpetual sukuk holders amounting to RM43.0 mil (9M20: RM43.2 mil)

<sup>2.</sup> Adj\* relates to the Purchase Price Allocation (PPA) non-cash adjustments in respect of the MFRS3: Business Combinations fair valuation on ISG&LGM (Profit Before Tax related PPA Adjustments: 9M20: RM97.1 mil; 9M19: RM166.3 mil)

<sup>3.</sup> Finance costs – ISG utilisation fee expense RM298.5 relates to interest expense on utilisation fee liability for the year. Actual utilisation fee payments for 9M20 amounted to RM567.1 mil/EUR114.8 mil (FY19: RM526.8 mil / EUR114.8 mil)



# **Group Revenue**



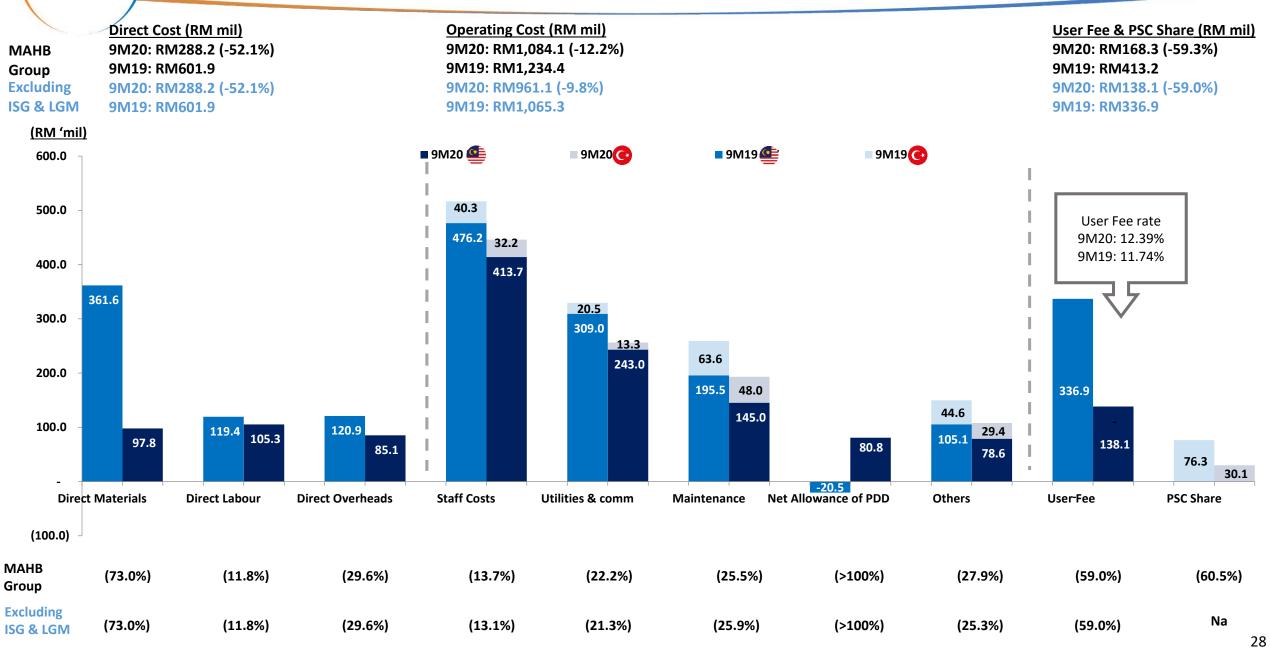
<sup>\*</sup>Inclusive of MARCS

<sup>\*\*</sup>Included in Turkish operations' aeronautical revenue is ISG's jet fuel farm rental income of EUR3.5 mil / RM16.7 mil (9M19: EUR6.0 mil / RM27.5 mil)

<sup>\*\*\*</sup>Included in Turkish operations' rental and royalties is revenue generated from ISG's duty free business with Setur of EUR10.4 mil / RM47.5 mil (9M19: EUR47.4 mil/ RM218.5 mil)

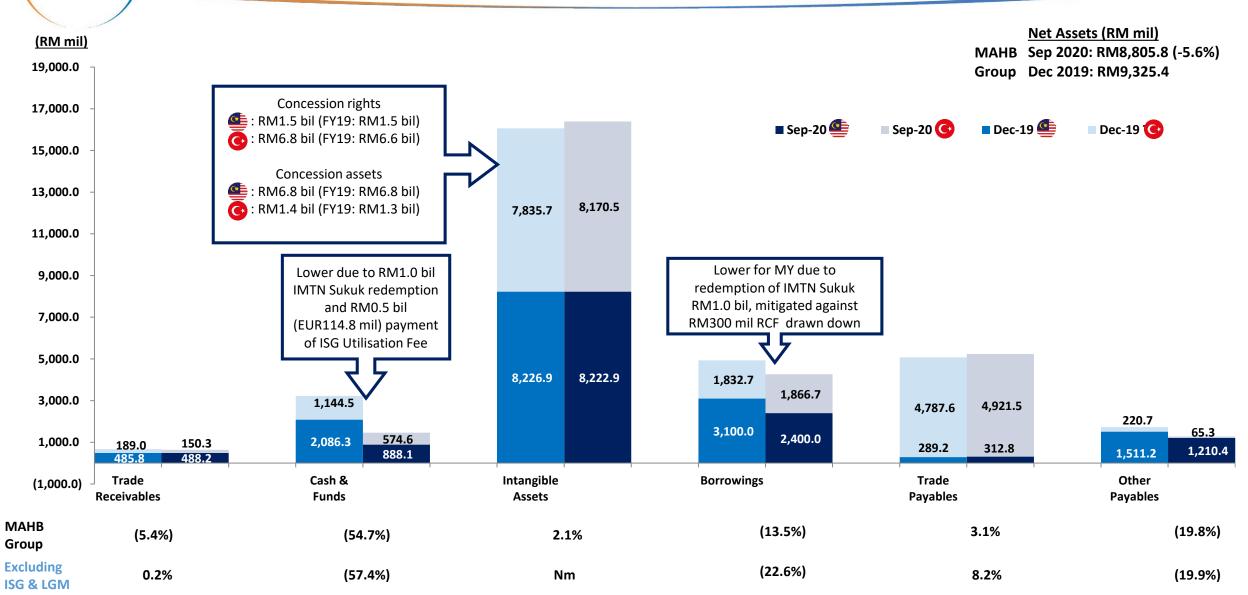


# **Group Cost**





# **Group Balance Sheet**

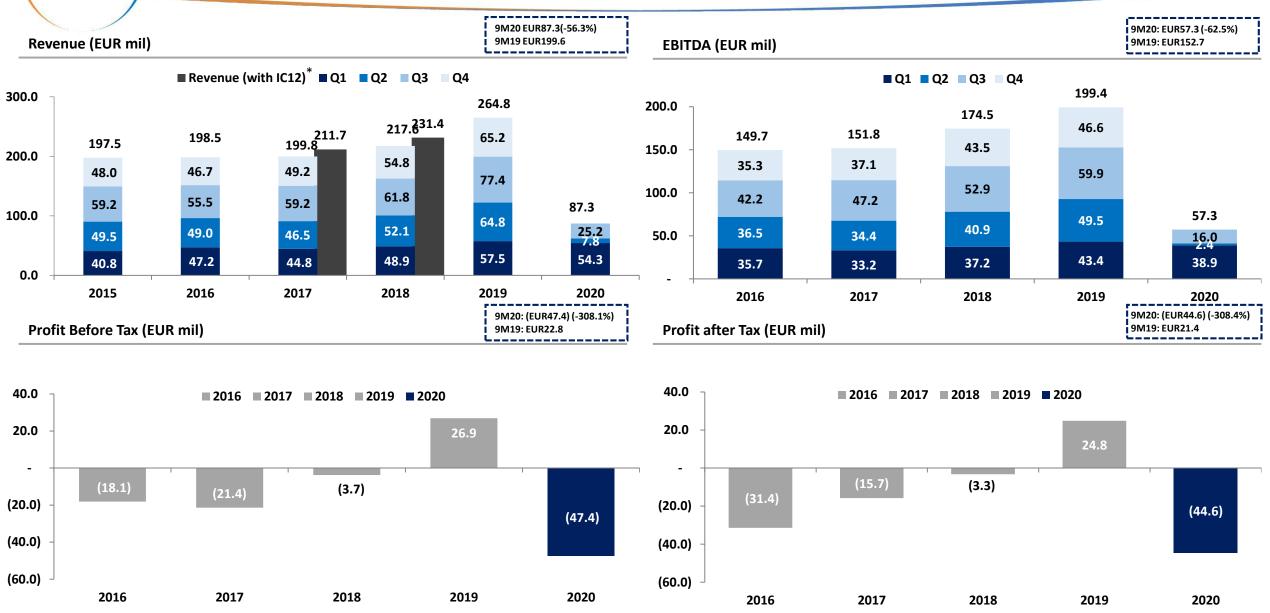


Exchange rate used in balance sheet for 9M20: RM4.87/EUR Exchange rate used in balance sheet for FY19: RM4.59/EUR

Turkish Operations (ISG & SGC) Financial Performance



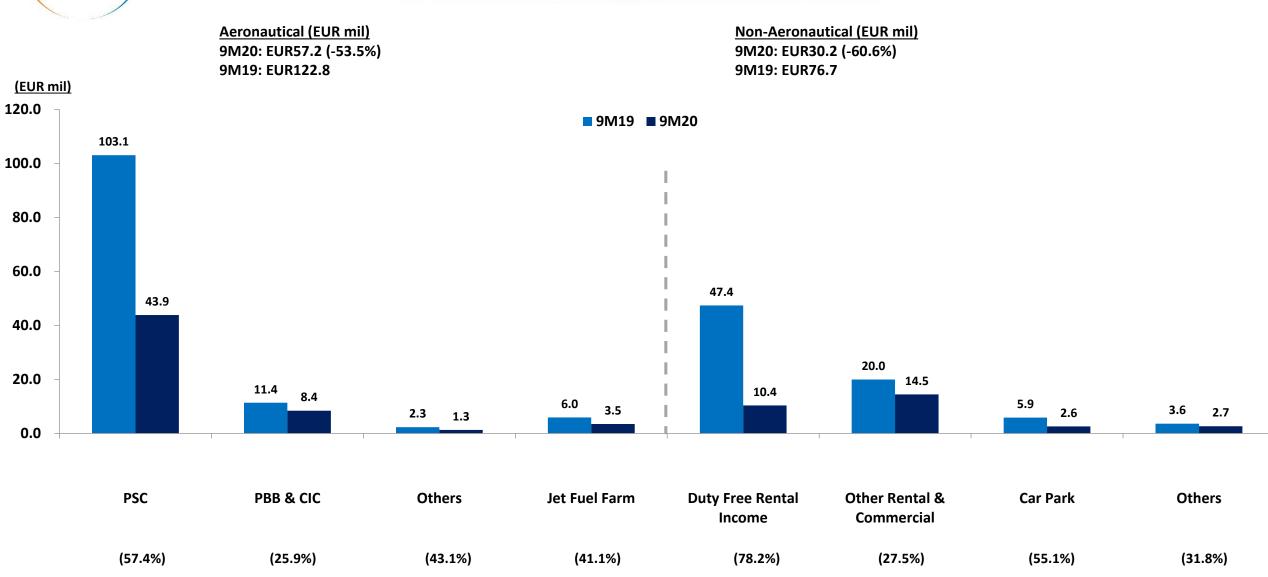
# **ISG Income Statement Summary**



<sup>\*</sup>In relation to IC interpretation 12: Service Concession Arrangement whereby ISG recognised the construction revenues and costs by reference to the stage of completion of Istanbul Sabiha Gökçen International Airport expansion works

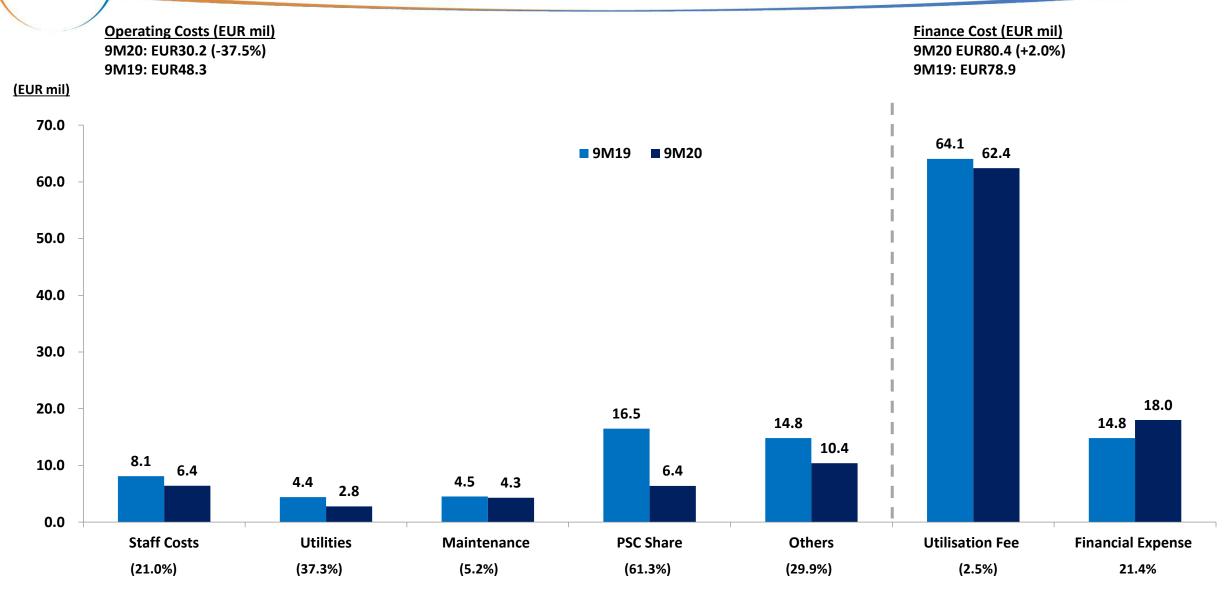


# **ISG** Revenue



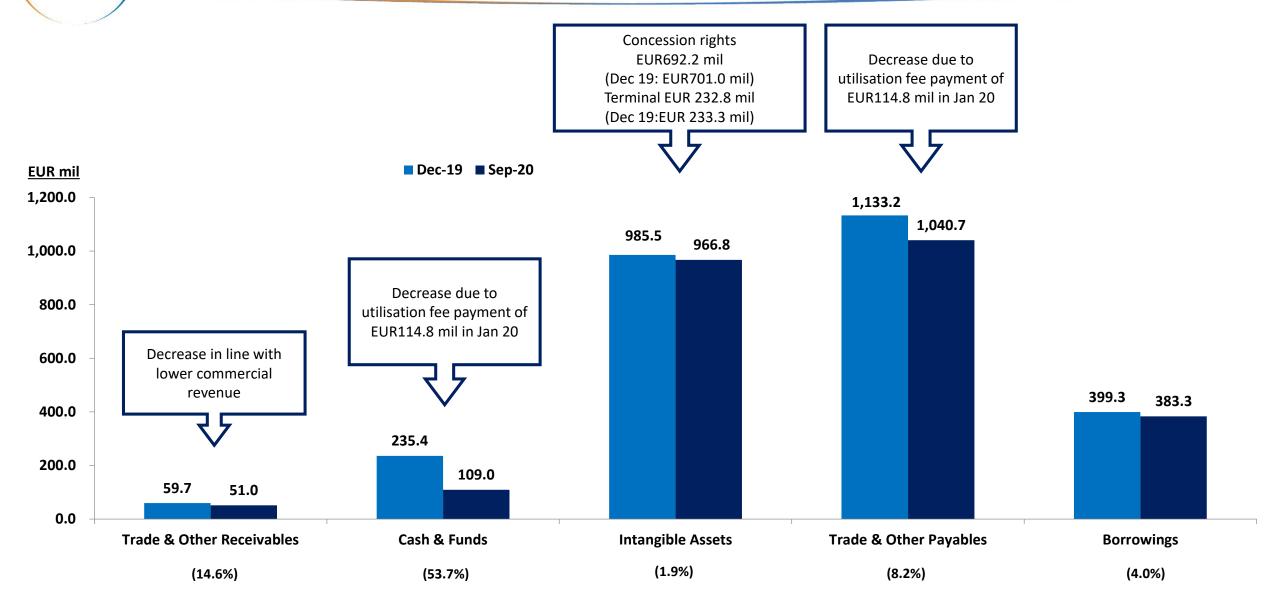


# **ISG Cost**



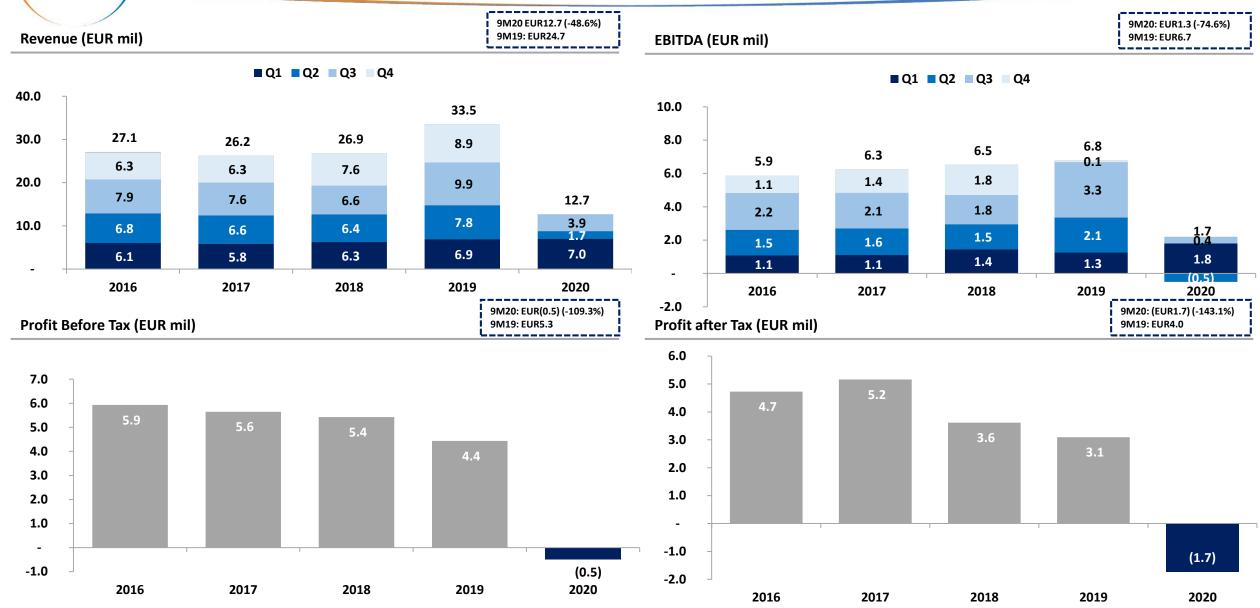


# **ISG Balance Sheet**





# **SGC**\* Income Statement

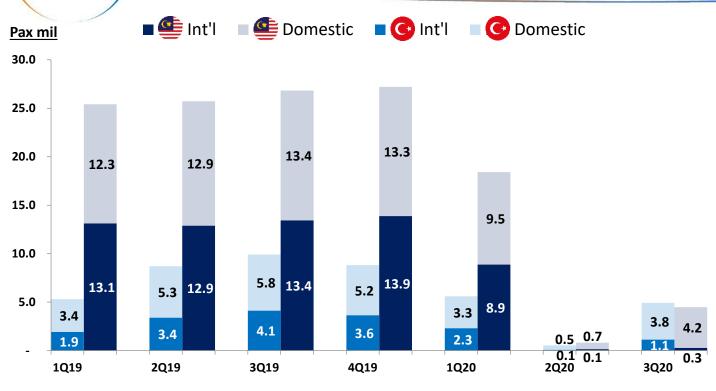


<sup>\*</sup>LGM Havalimani Isletmeleri Ticaret Ve Turizm A.S (LGM) has been renamed as SGC Havalimani Isletmeleri Ticaret Ve Turizm A.S (SGC)





# **Passenger Movements**



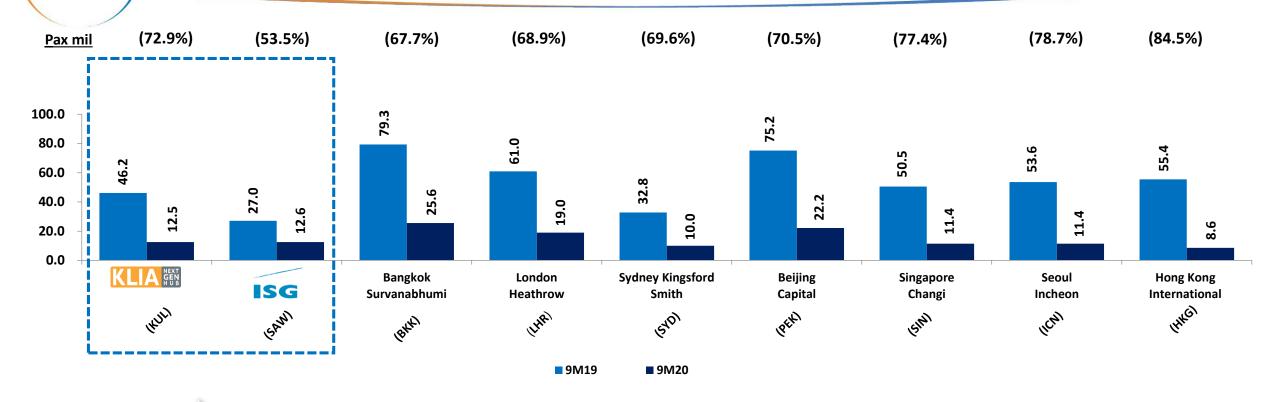
- ↑ Total MAHB network of airports registered a decline of 65.5% for 9M20 with 36.2 million passenger movements as Malaysia has not fully reopened its borders for international travel, these numbers mainly represent domestic traffic movements
- ★ The improvement in domestic passenger movements in Malaysia were partly driven by pre-election movements to Sabah and leisure travel
- ★ International borders for Southeast Asia and countries closer within the region are expected to be opened from 1Q21 with Umrah travel to Saudi also expected to resume soon
- ★ For ISG, countries within Europe and closer to the region allowing unrestricted movements for Turkish nationals including Egypt, Kazakhstan, Russia, Serbia and UK

	ı	KLIA Main klia2			KLIA (KUL) MASB Airports *					MY Airports			ISG (SAW)			MAHB Group					
Pax mil	9M20	9M19	Var %	9M20	9M19	Var %	9M20	9M19	Var %	9M20	9M19	Var %	9M20	9M19	Var %	9M20	9M19	Var %	9M20	9M19	Var %
International	4.3	17.2	(74.7)	3.6	16.0	(77.2)	8.0	33.2	(75.9)	1.3	6.2	(79.9)	9.3	39.4	(76.5)	3.9	10.6	(62.7)	13.2	50.0	(73.6)
ASEAN	1.5	6.7	(77.0)	2.2	9.3	(76.4)	3.7	16.0	(76.7)	0.8	3.7	(77.6)	4.5	19.6	(76.8)						
Non-ASEAN	2.8	10.5	(73.2)	1.5	6.7	(78.2)	4.3	17.2	(75.2)	0.4	2.6	(83.2)	4.7	19.8	(76.2)						
Domestic	1.4	4.3	(67.4)	3.1	8.7	(64.1)	4.5	13.0	(65.2)	9.9	25.6	(61.3)	14.4	38.6	(62.6)	8.6	16.5	(47.7)	23.0	55.1	(58.1)
Total	5.7	21.4	(73.3)	6.8	24.7	(72.6)	12.5	46.2	(72.9)	11.2	31.8	(64.9)	23.7	78.0	(69.6)	12.6	27.0	(53.5)	36.2	105.1	(65.5)

<sup>\*</sup>MASB Airports refers to the 38 Malaysian airports other than KLIA/KUL operated by Malaysia Airports Sdn Bhd



# **Comparison of Airport Peers**

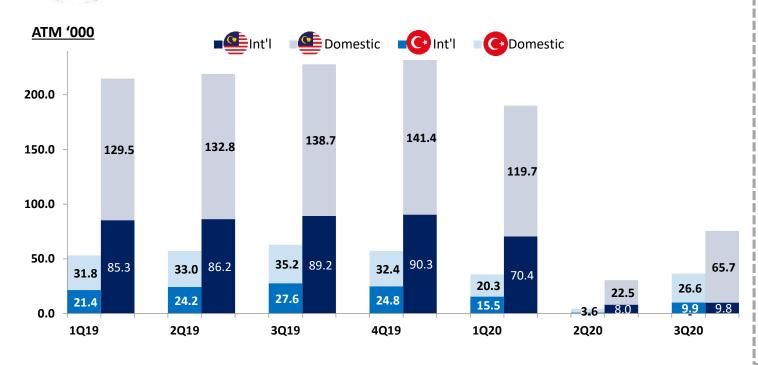


Global Drivers

- Industry-wide revenue passenger-kilometres (RPKs) declined by 72.8% year-on-year in September, a small improvement from the 75.2% fall in August. The recovery remained mostly driven by domestic markets down 43.3% year-on-year while there was no clear recovery in international traffic in September.
- Even though the rebound in global economic activity continued in September, new outbreaks and further restrictions have put some pressure on passenger traffic. This explains the moderation in the pace of the recovery this month.
- In many countries and notably in Asia, border traffic remains strictly controlled, and there has not been clear and coordinated moves to implement efficient testing methods at airports.



# **Aircraft Movements (ATM)**



- ↑ Total MAHB network of airports registered a decline of 54.1% for 9M20 with 383k flights as Malaysia has not fully reopened its borders for international travel
- ★ Most of the airlines operating at KUL resumed operations post upliftment of interstate ban in June 2020 with 32 airlines are operating global flight routes to 32 cities in 22 countries
- ★ Aircraft movements in Malaysia grew by 2.3x to 27k in September 2020
- ★ At ISG, load factor continue to maintain above 70% in September 2020 signaling strong demand of air travel in Turkey
- Major airlines in ISG plan to strengthen their recovery by further developing Middle East and Central Asia network and launching additional frequencies on existing routes

		KLIA Mair	1		klia2			klia2 KLIA (KUL)			MASB Airports*			MY Airports			ISG (SAW)			MAHB Group		
ATM '000	9M20	9M19	Var %	9M20	9M19	Var %	9M20	9M19	Var %	9M20	9M19	Var %	9M20	9M19	Var %	9M20	9M19	Var %	9M20	9M19	Var %	
International	41.3	109.5	(62.3)	27.0	95.8	(71.8)	68.3	205.3	(66.8)	19.9	55.4	(64.1)	88.2	260.8	(66.2)	29.8	73.1	(59.2)	118.0	333.9	(64.7)	
Domestic	16.7	39.4	(57.6)	25.2	57.9	(56.5)	41.9	97.3	(57.0)	165.4	303.5	(45.5)	207.4	400.8	(48.2)	58.2	100.0	(41.8)	265.6	500.8	(47.0)	
Total	58.0	148.9	(61.1)	52.2	153.7	(66.1)	110.1	302.6	(63.6)	185.4	358.9	(48.4)	295.5	661.6	(55.3)	87.9	173.1	(49.2)	383.4	834.7	(54.1)	

<sup>\*</sup>MASB Airports refers to the 38 Malaysian airports other than KLIA/KUL operated by Malaysia Airports Sdn Bhd



# **Notes**

### MALAYSIA AIRPORTS HOLDINGS BERHAD

MALAYSIA AIRPORTS CORPORATE OFFICE
PERSIARAN KORPORAT KLIA
64000 KLIA
SEPANG, SELANGOR
www.malaysiaairports.com.my

TEL: +603-8777 7000 FAX: +603-8777 7776 EMAIL: ir@malaysiaairports.com.my