

**MIA: Where do we stand now?**

The COVID-19 outbreak continued to gain momentum globally with total cases exceeding 1 million. The consequent travel restrictions put in place throughout the world has temporarily grounded airport traffic to a halt. This undoubtedly prompted fear amongst local investors with Malta International Airport plc's (MIA) share price plummeting down to €3.52 from the recent high of €7.00, followed by a recovery back to the €5.00 level.

This large degree of volatility in the stock reflects the expected deterioration of MIA's financial performance as a result of this pandemic and the travel restrictions currently in place to mitigate the virus spread. Despite this, we are of the opinion that MIA is well positioned to cope with the current conditions.

MIA is uniquely positioned and benefits from a monopoly in the local aviation market. Additionally, MIA has a strong liquidity profile with cash reserves amounting to €28.2m as at FY19, coupled with a zero-leverage balance sheet and accordingly no finance costs. MIA also has a proven track record of outperforming expectations with the months prior to the outbreak signalling a strong performance where traffic grew by an average of 15.8% year-on-year.

Although the outbreak impact on MIA is not fully known, we expect that MIA will be able to jump start operations once the current situation stabilises. We have carried out a scenario analysis on MIA, where in our base case the Airport's revenue will be interrupted for 12 months, with our best case reduced to 6 months and our worst case increased to 18 months.

This adverse impact on revenue will be mitigated by a reduction in costs, where MIA will benefit from the Government financial aid package. Additionally, we expect that MIA will be able to control a portion of its operating costs, especially in view of the fact that currently the airport is virtually shut down.

In all of our three scenarios, we are of the opinion that MIA's stock is attractive at the current price level which is trading at a discount of circa 30% from recent highs. Consequently, once we return to normality, we believe that investors capitalising on MIA's recent dip in share price will be rewarded in the medium to long term.

**FY19 financial results: Increased revenue and profitability**

MIA has once again outperformed expectations for FY19, with passenger traffic increasing by 7.4% (expected: 5.8%), translating into a revenue growth of 8.7%. Despite generating higher revenues, MIA was able to control its costs resulting in profit before tax to surge by 11.7% (EPS +11.9%).

**Company update:**

Dividends – As per FY19 results, the Company is proposing a net dividend per share of €0.10 per share, which aggregated to the interim dividend results in a total net dividend of €0.13 per share for FY19 (FY18: €0.12 per share).

It is pertinent to note that the financial performance for FY19 and the corresponding dividend does not capture the headwinds that MIA started to experience in Q1 2020. Furthermore, due to the current circumstances MIA announced that it will re-consider the proposed dividend noted above.

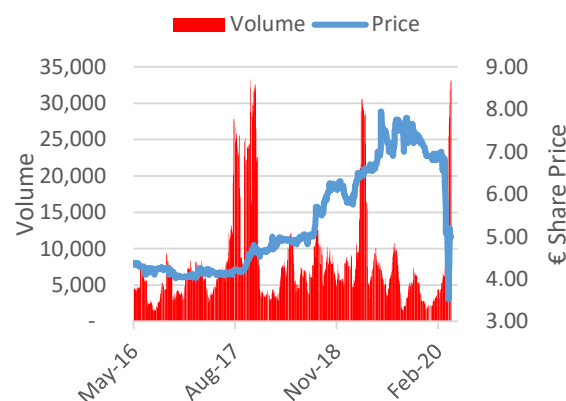
	FY2015	FY2016	FY2017	FY2018	FY2019	CAGR/AVG
Revenue (€'m)	67.0	73.1	82.4	92.2	100.2	10.6%
Net profit (€'m)	19.3	21.0	24.2	30.3	33.9	15.2%
EPS (€)	0.142	0.155	0.178	0.224	0.251	15.2%
DPS (€)	0.100	0.100	0.100	0.120	0.130	6.8%
Dividend payout	70.2%	64.5%	56.0%	53.5%	51.8%	59.2%

<b>Country</b>	Malta
<b>Industry</b>	Air Transport / Real Estate
<b>Ticker</b>	MIA
<b>Price (as at 08/04/2020)</b>	€4.80
<b>Market Cap</b>	€649.4m
<b>Ranking on the MSE</b>	Largest market cap
<b>Shares Outstanding</b>	135.3m
<b>Free Float</b>	29.9%
<b>Net Dividend Yield *</b>	2.7%
<b>Current P/E (FY19)</b>	19.1x
<small>* Based on the proposed dividend for FY19</small>	

**Company Overview:**

MIA operates Malta International Airport, coupled with the development and management of commercial real estate on the land adjacent to the airport.

<b>Exchange</b>	Malta Stock Exchange (MSE)
<b>5-year range</b>	€3.52 - €7.95

**Price and Volume Movement (20 day moving average)**

Source: Bloomberg

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