

**MIA: Spike in cases increasing uncertainty?**

In mid-July, active cases of COVID-19 in Malta dropped to just 3, which indicated successful containment of the March outbreak. However, following the re-opening of the economy to tourists and several mass events, Malta is experiencing a surge in cases, even exceeding the levels recorded in H1 2020.

This uncertainty is once again increasing concerns in the aviation industry, with airlines cutting flights and opting to keep operations suspended, despite the opening of borders. Locally, it was reported that Emirates has continued to suspend operations and the airline may restart flights only when it is commercially and operationally feasible. Ryanair will cut its September and October timetable by "20 percent" on weaker-than-expected demand following renewed virus-linked travel restrictions in some European countries. We expect other airlines to continue to cut demand expectations for the coming months given the outbreak of COVID -19.

In the short to medium term we expect MIA's share price to continue to be determined by the current developments, which as the situation stands cannot be predicted. In fact, this week the Maltese Government re-imposed several restrictions to control the virus spread. Amongst others, these include a new 'amber' list of countries, arrivals from which will need to produce a COVID-19 negative test result of up to 72 hours before arrival. Such restrictions, have also been imposed on Malta by other countries, most notably being the recently imposed 14-day quarantine on travellers arriving in the UK from Malta. Undoubtedly this is a blow to the local tourism, given that 25% of local tourists come from the UK.

Italy, which represent the second largest market for the local tourism (21%), is also requesting a negative test certificate for passengers arriving from Malta. Additional, during the past weeks, Malta has experienced travel restrictions from several other countries, including amongst others: Greece, Slovenia, Ireland, and the Baltic countries.

Despite the current difficulties the airport is currently facing, we still believe that MIA is well positioned to cater for this negative event. Our reassurance is backed by the fact that MIA has a proven track record of maintaining a strong liquidity profile with cash reserves amounting to €34.5m as at H120, an improvement of €6.3m over FY19, even when faced with an unprecedented quarter. During the months the airport was closed, it continued to collect payments that were due which continued to strengthen the Group's cash position. This continues to increase confidence in the resilience of the business model of the Group.

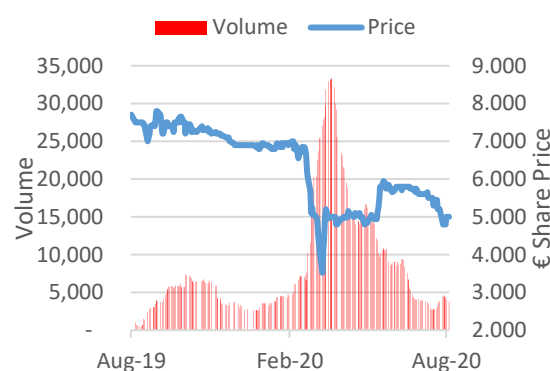
This is further substantiated with MIA having no debt on its balance sheet. Whereas other companies continued to grow in the good times by leveraging up their balanced sheet, MIA used its own cash to finance its projects. This prudence should not go un-noticed and today, MIA can use it to its advantage to lock in any opportunities which come its way. Also, the fact that the airport is a monopoly continues to home down on the fact that the business model is robust and can weather these difficult times.

<b>Country</b>	Malta
<b>Industry</b>	Air Transport / Real Estate
<b>Ticker</b>	MIA
<b>Price (as at 21/08/2020)</b>	€4.82
<b>Market Cap</b>	€652.1m
<b>Shares Outstanding</b>	135.3m
<b>Free Float</b>	29.9%
<b>Net Dividend Yield *</b>	n/a
<b>Current P/E *</b>	36.3x
<small>* Based on the last twelve months as at June 2020</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 - €7.80

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

Source: Bloomberg

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The diversity of MIA's income stream also helped management get through this difficult time as the Group continued to collect rental income from its office space.

Notwithstanding our conviction in management's ability to generate shareholders return, we are conscious of the fact the demand for aviation has been severely impacted and will take time for passenger numbers to get back to 2019 levels. We maintain our main assumption that passenger numbers will start to recover from 2021, and gradually reach pre-pandemic levels in 2023. We are also aware of the fact that the pandemic has put on hold all future projects of the Group indefinitely.

At this stage we consider MIA as medium to long-term investment, while still subject to volatility until the pandemic continue to persist.

### H120 financial results: Profits plummet as pandemic takes toll

MIA experienced a decline of 68.7% in passenger traffic during H120 on a comparative basis. In view of the high correlation between MIA's revenue and its traffic, revenue tumbled by 66.5% over H119. As expected, the Airport managed to decrease its operating costs by 34.2%, which mitigated the impact of the pandemic. MIA reported a loss of €2.9m (H119: profit of €13.9m). In view of the current situation, MIA did not propose an interim dividend.

€'m unless otherwise indicated	H120	H119	% Change
Revenue	14.9	44.6	-66.5%
Operating Costs	(12.4)	(17.6)	-29.7%
Depreciation	(4.6)	(4.3)	5.3%
EBIT	(2.0)	22.6	-108.9%
Loss/(Profit after tax)	(2.0)	14.0	-114.4%

Source: MIA's Interim Financial Statements 2020

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