

Stock Market Review



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Record half-year profits at MIA

Pre-tax profitability up 20% to €5.6 million

The interim financial results published by Malta International Airport plc last Friday show that the company registered a 7.9 per cent increase in revenue to €22.2 million and a record half-year pre-tax profit figure of €5.6 million, an increase of 20.2 per cent compared to the first six months of 2009.

This strong improvement in the financial performance of the airport operator is attributable to the increase in passenger movements passing through the terminal. During the first six months of 2010, passenger numbers increased by 10.3 per cent despite the six per cent decline in April following the cancellation of many flights due to the ash cloud crisis. Passenger numbers rebounded strongly during the last two months with increases of 19.3 per cent in both May and June.

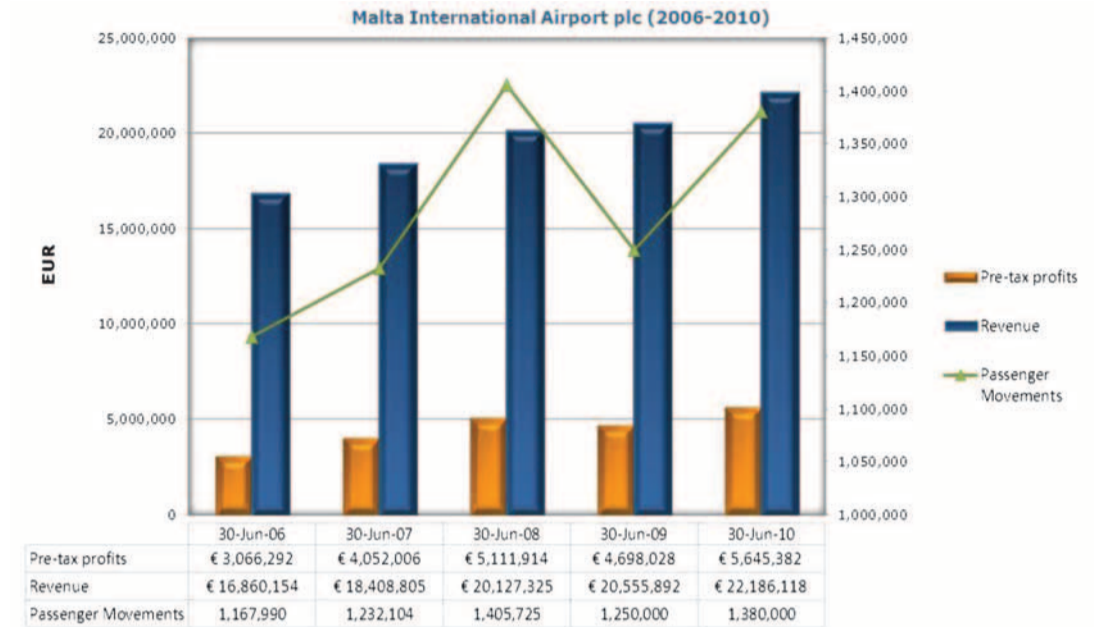
MIA's CEO Julian Jaeger explained in a stockbrokers' briefing last Friday that the improved passenger throughput was a result of the additional airline capacity.

The government of Malta and Ryanair reached an agreement earlier this year to set up a base in Malta and service an additional six routes. This five-year agreement came into force in May 2010 and together with additional flights also by other airlines including Air Malta, EasyJet, Norwegian and Bmibaby, this resulted in a strong rise in passenger numbers in the past two months.

While in the past financial year the airport operator's overall revenue was boosted by additional income from the new retail area, the main contributor to the 7.9 per cent increase in income in the first six months of 2010 is mainly due to the revenue from the airport segment. Total revenue from the airport segment increased by 9.9 per cent to €16.3 million (73.4 per cent of total revenue), while income from the retail and property segment grew by 2.6 per cent to €5.6 million.

MIA's total operating costs edged 5.8 per cent higher to €13.2 million mainly due to the hike in utility costs together with an increase in staff costs. Earnings before interest, tax, depreciation, and amortization (EBITDA) grew by 11.3 per cent to €8.9 million with the EBITDA margin strengthening to 40.4 per cent.

The charge for depreciation in the first half of the year declined



by 2.3 per cent to €2.6 million giving an operating profit of €6.5 million, 18 per cent higher than that registered in the first six months of 2009. The airport segment contributed €3.4 million to total operating profit (+39.5 per cent) with the profit from the retail and property segment unchanged at €2.8 million.

During the stockbrokers' briefing MIA's CEO made reference to the recent upward adjustment in the passenger forecast to +8 per cent for the full-year and explained that this is based on the additional seat capacity available during the second half of the year as Ryanair, easyJet and Bmibaby have confirmed their new routes also for the winter season.

This should help MIA register a new record of passenger movements surpassing the previous high of 3.1 million in 2008.

Meanwhile, EasyJet also announced that it will start operating to Belfast (Northern Ireland) as from February 2011. The analysis of traffic movements during the first six months of 2010 reveals that the major contributor to the growth in passenger movements is attributable to low-cost carriers (LCCs).

Passenger movements on LCCs increased by 53.9 per cent during the first half of 2010 while Air Malta registered a two per cent growth. Air Malta's market share has therefore fallen from 57 per cent in 2009 to 53 per cent in the first half of 2010 while LCCs' contribution increased to 30 per cent from 21 per cent.

The total number of passenger movements on Ryanair increased by 47 per cent to 272,454 passen-

gers in the first six months of 2010 and this low-cost operator expects to achieve a total of 800,000 passengers during the entire 12-month period of 2011.

The half-year report published by MIA last week also revealed the extent of the seasonality factor of the airport operator. The directors noted that revenue and earnings of the first six months of the year represent around 40 per cent of the total annual revenue and earnings of the Group with July and August being the most important months as they account for circa 25 per cent of yearly passenger movements. The announcement earlier this week that MIA registered a 15.8 per cent increase in passenger numbers in July will surely boost the company's second half earnings and shareholders will be looking out for the August traffic statistics to gauge the level of traffic in the peak months.

Looking into 2011, Mr Jaeger also mentioned the potential of increased passenger movements from Germany as a result of the home porting operation of the TUI cruise ship for the period May to November.

During this 30-week period, the CEO mentioned the possibility of attracting circa 2,500 passenger movements per week which should provide an added boost to passenger numbers next year and also help the airport operator entice other airlines to increase the routes from Germany.

Mr Jaeger confirmed that MIA is in constant discussion with airlines such as AirMalta, Lufthansa as well as Germanwings and Air Berlin to improve passenger

throughput from this important market.

In 2011, MIA's overall revenue should also be positively impacted by the Sky Parks Business Centre. With excavation works now complete, construction has commenced and the inauguration of the centre is expected in the second half of 2011. Although no further tenants have as yet signed up (apart from Vodafone Malta as anchor tenant), the CEO reported significant interest for the available office space as well as the food and beverage outlets.

During the meeting, those present were also informed that similar to the land rental agreement between MIA and the government of Malta (through Malta Industrial Parks) in respect of the Lufthansa Technik aircraft maintenance facility, MIA has also reached a similar 30-year agreement with Malta Industrial Parks for the SR Technics facility which is expected to open in 2012.

Notwithstanding that first-half profits at MIA increased by 16.5 per cent, the interim dividend remained unchanged at €0.03 per share. In this respect, CFO Mr Austin Calleja confirmed that the company's dividend policy has not changed.

In the past two years, MIA distributed circa 90 per cent of after-tax profits to shareholders. Given the improved profitability during the first half of the year and the expectation of eight per cent passenger growth for 2010, shareholders should look forward to an improved final dividend placing MIA shares among the top dividend yielders on the local market.

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