

## Stock Market Review

## MIA expects 2013 record passengers



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**O**n January 22, Malta International Airport plc called a press conference to announce the 2012 traffic results and reveal its passenger forecast for 2013.

MIA's chief executive Markus Klaushofer announced passenger volumes increased to a new record for the third consecutive year and the fourth record in the last five years. The CEO attributed this success to the efforts by various industry stakeholders (namely the Ministry of Tourism, the MTA and the company) to increase airline capacity by attracting further airlines to Malta and assisting other carriers to increase the number of routes and flight frequency.

On its part, MIA rolled out an incentive scheme offering various benefits to airlines particularly in the shoulder/winter months and to assist traffic to non-EU countries.

Passenger movements increased by 4.1 per cent during 2012 to a new record of 3.65 million. The strong growth achieved by MIA of 4.1 per cent in 2012 exceeded, to a large degree, the euro area average across larger airports which registered a rise of only 1.9 per cent. Moreover, the average growth rate of smaller airports similar to MIA was only 0.8 per cent during 2012.

At the start of 2012, MIA had cautiously anticipated that passenger volumes would decline by around 2.8 per cent mainly as a result of the adverse impact on the demand for travel due to the eurozone crisis. MIA registered a drop of 4.7 per cent in passenger numbers during the first quarter of 2012. However, passenger volumes increased during Q2 and MIA revised its 2012 forecast upwards in July to an overall growth of 1.5 per cent. The peak summer months which contribute 25 per cent of overall passenger numbers were better-than-expected with gains of 7.2 per cent in Q3 as airline capacity increased mainly from the seven new routes of Ryanair. The strong growth in Q3 led to a further upgrade to the forecast in November to three per cent. Although Q4 is the shoulder period, the performance was much stronger than in 2011 (especially in December with an increase of 11 per cent) leading to an overall growth of 4.1 per cent in 2012.

The most important factor behind the growth achieved in 2012 was the increase in the seat load factor – this relates to the occupancy level of the airlines. The seat load factor improved by 2.3 percentage points during the year to 78.3 per cent. MIA's CEO indicated that this is the highest level in the last 13 years and he believed that it would be very difficult to surpass this level of occupancy. As such, Mr Klaushofer explained that further growth could be achieved solely through higher airline capacity assuming the seat load factor remains unchanged.

Mr Klaushofer also gave a detailed insight into the contribution from the various airlines. Air Malta remained the largest carrier although passenger volumes declined by 1.1 per cent during 2012 as the number of



aircraft and routes decreased due to the restructuring exercise carried out by the airline. The national carrier accounted for 45.5 per cent of overall passenger numbers compared to a 47.9 per cent market share in 2011. On the other hand, the low-cost carrier Ryanair registered an increase of 17.6 per cent in passenger movements to 925,880 mainly helped by the seven new routes introduced during the year which commenced in April. Ryanair now accounts for 25.4 per cent of passenger movements (up from 22.4 per cent in 2011) and this successful low-cost carrier operates to 28 routes to and from Malta. Other carriers which reported good growth were Lufthansa and Alitalia, with increases of 14.6 per cent and 14.3 per cent respectively.

Mr Klaushofer also stated that MIA's main markets for 2012 were the UK (30.3 per cent of market share) followed by Italy (17 per cent) and Germany (14.8 per cent).

MIA is expecting passenger numbers to grow by a further 1.5 per cent this year. This

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would lead to yet another annual record of over 3.7 million. The CEO explained that although demand for travel, particularly from MIA's main markets (the UK, Germany, Italy and Spain), will continue to be impacted by the prevailing crisis in the eurozone, Malta is expected to attract further tourists and business travellers. The company's forecast is also based on the introduction of six new routes.

Monarch is a new airline operating to Malta and will commence operations to and from East Midlands in the UK. Ryanair will start three new routes from the end of March while a new route to Oslo will be operated by Air Baltic and Lufthansa will increase frequency on the Frankfurt route. When Ryanair announced its new routes for 2013, a spokesperson indicated that the airline forecasts to carry more than one million passengers to Malta this year. Should this target be achieved, it will represent a growth of eight per cent in passenger numbers for Ryanair from the actual traffic achieved in 2012.

Meanwhile, on January 24, MIA issued a press release announcing that a new airline Wizz Air will start operating a route between Malta and Budapest from May.

The market now awaits the publication of the 2012 financial statements and the final dividend recommendation which are due on March 20. Since income from passengers is the single most important revenue contributor for the company, the market expects another record financial performance from MIA. On November 15, 2012, MIA reported that its financial results for 2012 will be above projections and also above the 2011 figures. In 2011, the company had registered an 11.5 per cent growth in pre-tax profits to a record of €18.9 million.

MIA's share price performed positively in 2012 with a rise of 6.5 per cent but it failed to surpass €1.80 which seems to be an important psychological level. This share price was only surpassed on a very few occasions over the years. MIA's equity touched an all-time high of €1.886 on February 3, 2006,

shortly after the October 2005 second offer of shares by the Government of Malta. The offering was again very well-received by retail investor and was also supported by one of the strategic shareholders Vienna International Airport which purchased an additional 10 per cent stake.

The share price had subsequently dropped to as low as €1 in mid-2009 as the market reacted negatively to the impact of the international financial crisis. Passenger movements declined by 6.2 per cent in 2009. However, the equity then recovered strongly in 2010 and early 2011, following the strong upturn in passengers during 2010, with the share price rising to a high of €1.85 in February 2011, shortly before the commencement of the conflict in Libya. After dropping to a low of €1.50 in August 2011, the equity traded within a range of €1.70 and €1.80 for most of 2012.

MIA has consistently paid semi-annual dividends to shareholders since its initial public offering in 2002. Although the dividend payout ratio has been clipped in recent years to 79.5 per cent in 2011 from the very high levels of over 90 per cent, MIA remains among the top dividend-paying equities given the strong profitability growth achieved by the company since 2009. MIA shares remain on the watch list for investors seeking increased equity exposure to companies offering sustainable dividends.

MIA shareholders also await news concerning the contribution from the new Sky Parks Business Centre. This should feature fully in the financial statements for 2013, as the property was completed during the second half of 2012. Following the strong success of this commercial property with occupancy levels already above 80 per cent at the launch in September, there are indications from the company that it looks positively towards other similar initiatives in the future as part of its evolving business model. Shareholders will be eager to understand the time frames envisaged for similar investments to be undertaken.

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