

## Malaysia Strategy

# Tourism: Positive momentum gathering pace

### Tourism growth angle still has legs to grow

Oct 2016 visitor arrivals grew 12% YoY, bringing 10M16 arrivals growth to +4.4%. The largest percentage growth in visitor arrivals in October came from China at +48% YoY; 10M16 China tourist arrivals grew a strong 27% YoY vs +4.3% in 2015. We are bullish going into 2017 given the weaker MYR coupled with ongoing promotional efforts by the government and airlines. MAHB, AirAsia, AirAsia X, GENM (and GENT indirectly) are among the direct beneficiaries to the positive growth in tourist arrivals. MAHB, AirAsia, GENM and GENT are our existing BUYS.

### Oct 2016 visitor arrivals up 12% YoY to 2.3m

This represents the second highest monthly YoY growth in 2016. Growth was driven by visitors from China (+48% YoY), Brunei (+38% YoY), Indonesia (+31% YoY), Thailand (+24% YoY) and Singapore (+11% YoY). The surge in Chinese visitor arrivals was consistent with reports from Travel Sky China that outbound tourism from China to Malaysia during Golden Week 2016 (1-7 Oct) surged 52% YoY. We understand that more Chinese preferred to visit Malaysia after Thailand banned low cost tours in Sep 2016. Note also that Singapore visitor arrivals growth of 11% YoY in Oct 2016 was the second highest monthly YoY growth in 2016. We understand more Singaporeans visited Malaysia to capitalize on the weak MYR.

### 2017 ought to be a banner year for tourism

10M16 visitor arrivals grew 4.4% YoY to 22.1m. Going into 2017, ForwardKeys noted that outbound air travel bookings from China to Malaysia from 18 Jan - 1 Feb 2017 again surged 46% YoY. In 2017, the e-visa scheme will also be extended to visitors from other South Asian (ex-India, Nepal and Pakistan) and Balkan countries. The Malaysian government recently gazetted only four standard sales periods (New Year Sale - 1 to 30 Mar, Mega Carnival Sales - 15 Jun to 31 Aug, Year End Sale - 1 Nov to 31 Dec and another to be jointly set by traders) and this will enable tour packages to be planned to coincide with the periods. Inbound tourism accounts for 12% of consumer spending and 6% of GDP.

### Credit card spending by tourists growing rapidly

Already, there has been a surge in spending by 'foreign cardholders' in Malaysia (Nov 2016: +21% YoY) (Fig 5). Beneficiaries to higher tourist arrivals are the aviation (airlines, airport), hospitality (hotels, theme parks, casino) and consumer (retail, F&B) sectors. PLCs offering a direct exposure are MAHB, AirAsia, AirAsia X, GENM, Atlan (ALM MK; Not Rated), Only World Group (OWG MK; Not Rated), Shangri-la (SHMB MK; Not Rated), Yong Tai (YTB MK, Not Rated), Landmarks (LMK MK; Not Rated). Also, M-REITs with hotels and/or shopping mall assets like Pavillion REIT, KLCCP, IGB REIT, Sunway REIT, CMMT, Al-Salam REIT could see a rise in hotel occupancy rates, shopper traffic and mall tenant sales.

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#### Country Index vs MSCI

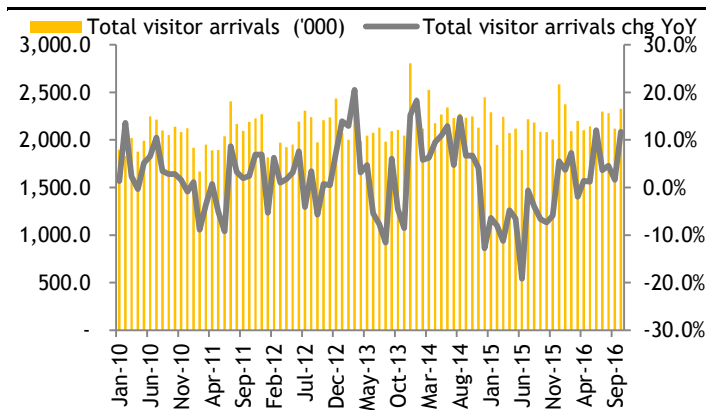


Malaysia Tourism - Peer valuation summary

Stock	Rec	Shr px (MYR)	Mkt cap (MYR m)	TP (MYR)	PER (x) CY15A	PER (x) CY16E	PER (x) CY17E	PBV (x) CY16E	PBV (x) CY17E	ROE (%) CY16E	ROE (%) CY17E	Net yield (%) CY17E
AirAsia	Buy	2.63	7,319.0	3.17	40.5	5.3	8.3	1.2	1.1	23.2	13.2	3.0
AirAsia X	Hold	0.39	1,597.0	0.42	n.a.	9.6	7.4	1.8	1.4	18.3	19.4	0.0
MAHB	Buy	6.25	10,369.9	7.80	n.a.	231.5	54.3	1.2	1.2	0.5	2.2	1.3
Genting Msia	Buy	4.74	26,868.4	5.35	23.2	18.1	15.7	1.3	1.3	7.4	8.1	2.1
Genting	Buy	8.33	31,018.4	9.75	24.4	20.7	14.9	0.9	0.8	4.8	6.4	0.7
Al-Salam REIT	Buy	1.04	603.2	1.15	85.2	17.3	15.5	1.0	1.0	5.9	6.5	5.5
CMMT	Hold	1.64	3,331.6	1.55	21.4	20.2	19.3	1.3	1.3	6.2	6.6	4.9
IGB REIT	Buy	1.70	5,938.9	1.80	23.2	21.9	21.0	1.6	1.6	7.3	7.6	4.8
KLCC Prop	Buy	7.82	14,117.7	8.10	19.5	19.5	18.9	1.1	1.0	5.5	5.5	4.4
Pavilion REIT	Hold	1.81	5,470.8	1.80	22.7	22.6	20.3	1.2	1.1	5.2	5.6	4.4
Sunway REIT	Buy	1.76	5,183.3	1.80	20.5	19.6	18.3	1.3	1.3	6.6	7.1	4.9

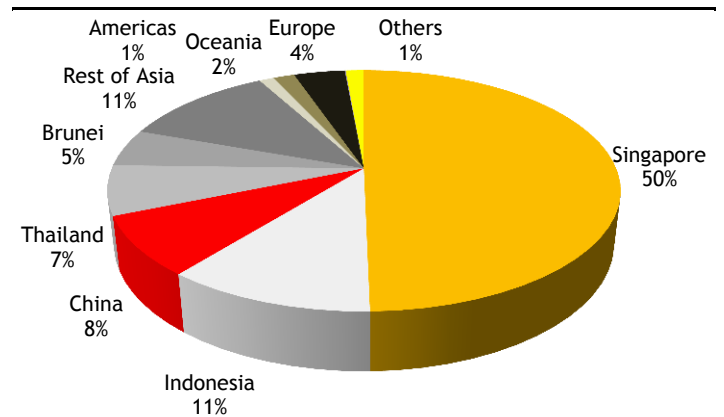
Source: Maybank KE

Fig 1: Total visitor arrivals to Malaysia



Source: Tourism Malaysia

Fig 2: 10M16 visitor arrivals to Malaysia breakdown



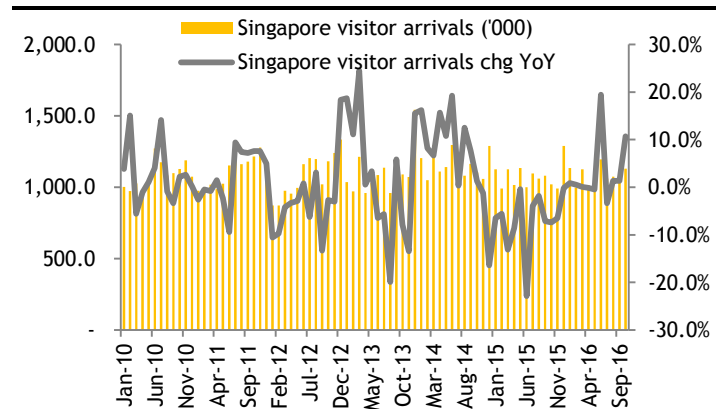
Source: Tourism Malaysia

Fig 3: Chinese visitor arrivals to Malaysia



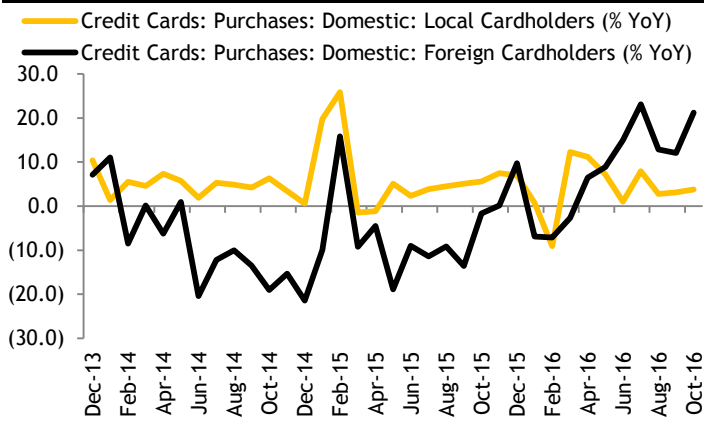
Source: Tourism Malaysia

Fig 4: Singaporean visitor arrivals to Malaysia



Source: Tourism Malaysia

Fig 5: Credit card sales chg YoY (%)



Source: BNM, MMA, CEIC, Maybank Kim Eng

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