Deutsche Bank
Markets Research

Rating
Buy

Asia
China

Transportation
Air

Company
Beijing Cap Int Airport Alert

Reuters	Bloomberg	Exchange	Ticker
0694.HK	694 HK	HKG	0694

ADR Ticker	ISIN
BJCHY	US07725U1025

Date
26 March 2015

Results

Price at 25 Mar 2015 (HKD)	7.37
Price target - 12mth (HKD)	8.30
52-week range (HKD)	7.99 - 5.02
HANG SENG INDEX	24,400

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FY14 results in-line; dividend payout ratio maintained at 40%

Solid net profit growth despite slower traffic growth

Beijing Capital Int'l Airport's (BCIA) FY14 4.0% YoY gross aeronautical revenue growth is in line with our estimate on the back of capacity constraint and limited traffic growth, while gross non-aeronautical revenue growth of 8.8% was marginally above our estimate of 7.5%. Overall, FY14 net revenue grew by 6.0% YoY to RMB7.6bn despite a mild 2.5% YoY growth in aircraft movement and 2.9% in passenger throughput. Meanwhile, operating expense grew 6.7% YoY with the inclusion of more Terminal 3D (T3D) expenses, rising aviation safety costs and increase in energy prices. Together with a 5.3% growth in net finance cost due to FX losses (RMB10.6m in FY14 vs. FX gain of RMB80.4m in FY13), FY14 net profit rose 4.7% YoY to RMB1,391m, in line with our estimate.

We expect mix to improve and cost pressure to ease after T3D acquisition

In January-February, BCIA reported 3% YoY growth in aircraft movement and 2% in passenger throughput. Despite a mild start of the year, we expect BCIA to further improve the mix in aircraft handling and passenger throughput in FY15-16E. Apart from the general traffic volume growth, we think that a faster increase in international traffic should enhance both aeronautical and non-aeronautical revenue mix. In addition, excessive capex is no longer a risk as BCIA will not carry the burden of investment in Beijing's new airport with potential room to increase dividend payout ratio with enhanced free cash flow.

Maintain Buy on attractive free cash flow yield of 13% in FY16E

We think BCIA will deliver double-digit earnings growth driven by positive operating leverage and rising non-aeronautical income, despite the air space capacity constraint. Moreover, we note the strong free cash flow that BCIA generates in FY15-16E with the removal of overhang relating to Beijing's new airport. Therefore, we maintain our Buy rating. Key downside risks: weaker-than-expected traffic increases, cancellation of airport fees and possible future capital commitments for the new Beijing airport.

Figure 1: Beijing Capital Int'l Airport – FY14 results summary

(RMBm)	2014	2013	YoY	2H14	1H14	HoH
Aeronautical revenue	4,368	4,202	4.0%	2,264	2,104	7.6%
Non-aeronautical revenue	3,288	3,023	8.8%	1,693	1,595	6.1%
Less business tax and levies	(99)	(94)	5.8%	(49)	(50)	-2.8%
Total net revenues	7,557	7,131	6.0%	3,908	3,649	7.1%
Operating profit	2,385	2,283	4.5%	1,189	1,196	-0.6%
Operating profit margin (%)	31.6%	32.0%		30.4%	32.8%	
Net profit	1,391	1,329	4.7%	714	678	5.3%
Net profit margin (%)	18.4%	18.6%		18.3%	18.6%	

Source: Company data

Stock data

Market cap (HKDm)	31,919
Market cap (USDm)	4,116
Shares outstanding (m)	4,330.9
Major shareholders	Capital Airports Holding (57%)
Free float (%)	34
Avg daily value traded (USDm)	6.7

Source: Deutsche Bank

Key data

FYE 12/31	2013A	2014E	2015E
Sales (CNYm)	7,131	7,539	8,266
Net Profit (CNYm)	1,329.0	1,401.8	1,715.5
DB EPS (CNY)	0.31	0.32	0.40
PER (x)	14.4	18.2	14.9
Yield (net) (%)	2.8	2.2	2.7

Source: Deutsche Bank

Operating expense breakdown

(RMBm)	FY14	FY13	YoY
Depreciation and amortization	1,454	1,538	-5.5%
Utilities and power	629	585	7.5%
Repair and maintenance	741	652	13.7%
Staff	517	498	3.8%
Aviation safety	489	457	7.0%
Others	1,341	1,118	20.0%
Total	5,171	4,848	6.7%

Source: Company data

Deutsche Bank AG/Hong Kong

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