

25 Nov 2021

1,643

End-2021 FBM KLCI target (pts)
(Maintained)

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Rationale for report: Market update

Highlights

Turkish lira plunges as much as 15%

- The Turkish lira has depreciated significantly vs. the USD on 23 Nov, tumbling as much as 15% to 0.07462. However, the loss narrowed to around 4% on 24 Nov. We gather that the currency depreciation was due to market concerns on Turkey's economy following President Recep Tayyip Erdogan's decision to still cut interest rate despite high inflation. The currency's volatility has caused some unexpected effects. For example, we understand that the locals have not been able to purchase iPhones and other electronics online. The currency volatility may have caused a surge in prices of imported goods.

IHH, MAHB and Tenaga Nasional have exposures to Turkey

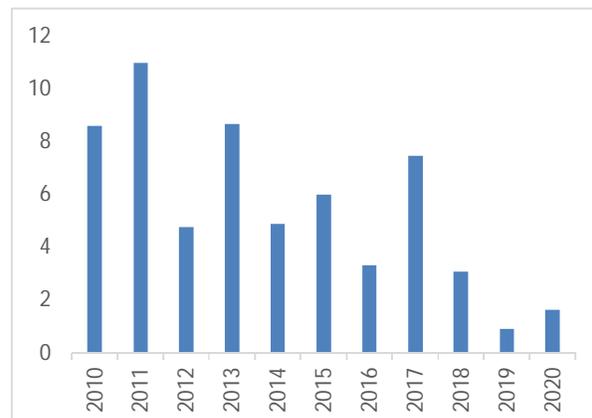
- IHH Healthcare:** We estimate that for every 10% depreciation in the lira, IHH earnings will be impacted by 1.5%–2%. We gather that 60% of Acibadem Holdings' revenue is lira-denominated with the remaining in euro. The same lira profit will translate into lower net profit at IHH Group level. However, foreign exchange impact will be limited as IHH has been actively reducing its unhedged debt exposure to €13mil equivalent as of end-June. This is much lower than the €583mil equivalent as of end-2018. As a result, 1H2021 forex loss of RM157.9mil was almost fully offset by a cross-currency swap gain of RM155mil. In terms of contribution, Acibadem's net profit of RM267.3mil made up 20% of total group's profit.
- MAHB:** We believe the recent plunge in the Turkish lira has a negligible impact on MAHB. We understand that for MAHB's Turkey operation, Istanbul Sabiha Gokcen International Airport (ISG), the bulk of its revenue is denominated in euro. Only a small 15% of its revenue (i.e. rental & commercial, carpark charges) are transacted in lira. This is however being offset by a bigger chunk of costs denominated in lira. This forms natural hedging for the currency's impact on its earnings. That being said, we are not expecting a weaker lira to adversely impact the company's earnings as the costs savings (due to the weaker currency) will also be small at less than 1% of the group's total forecasted core net losses, according to our estimates. MAHB does not has any significant debt denominated in lira.
- Tenaga Nasional:** For Tenaga, there is no impact because it has fully written down its associate investment in Turkey.

Chart 1: Turkish Lira Against US Dollar



Source: Bloomberg

Chart 2: Turkey Real GDP Growth (YoY %)



Source: Bloomberg

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