

AVIATION

Maintain NEUTRAL

Traffic stood strong


KEY INVESTMENT HIGHLIGHTS

- **Malaysia's passenger traffic recovered to 77% in Nov-23**
- **Continued flight reinstatement and introduction of new services**
- **Equal international and domestic contributions to passenger movements for the second consecutive month**
- **Expects a +4.0% growth in passenger traffic against 2019 levels by end-CY24**
- **Maintain NEUTRAL on Capital A (TP: RM0.80) and MAHB (TP: RM7.80)**

Nov-23 passenger traffic. Despite the off-peak travel season in Nov-23, Malaysian airports recorded a +27.4%yoy rise in passenger movements, reaching 77% of pre-pandemic levels (domestic: 75%, international: 78%), with 6.6m passengers. International passenger movements surged by +51.8%yoy, while domestic movements increased by +8.8%yoy compared to Nov-22. The market share between international and domestic stands at 52:48, mirroring trends from 2019 for the second consecutive month.

Sustained recovery of seat capacity. The sustained growth in international traffic was attributed in part to the launch of four new services from KLIA to the United Arab Emirates (UAE) with four weekly flights by Batik Air Malaysia. At the same time, Malaysia Airlines commenced twice-weekly flights to Raja Sansi and Thiruvananthapuram, while Firefly initiated weekly flights to Don Mueang from Penang International Airport. Meanwhile, the domestic sector sustained an average load factor of above 80% for the second consecutive month, signaling a positive recovery in demand despite the airline's seat capacity being at 66% of pre-pandemic levels.

Outlook. Traffic in Dec-23 is expected to receive a partial boost from the 30-day visa-free entry agreements with China, India, and the Middle East, in addition to the peak travel season. Going into CY24, local carriers and the top 5 foreign carriers flying into Malaysia are projected to boost seat capacity by around +24% and +31%, respectively. MAHB is actively expanding its broader hub, aiming for 83 airlines operating from domestic airports in the next 2 years, which would exceed the 2019 figure by +20%. Notable airlines anticipated to enter in 2HCY24 include Air India, British Airways, and Qantas.

Maintain NEUTRAL. We project an 85% recovery of the 2019 level in the current year, with domestic rebounding at 90% and international at 80%. Our preliminary estimate indicates a projected growth of +4.0% in overall traffic next year compared to 2019 levels to be propelled by (i) the expansion of local airline fleets, (ii) the return of both new and existing foreign airlines and (iii) a gradual resurgence of Chinese tourists. 

COMPANY IN FOCUS

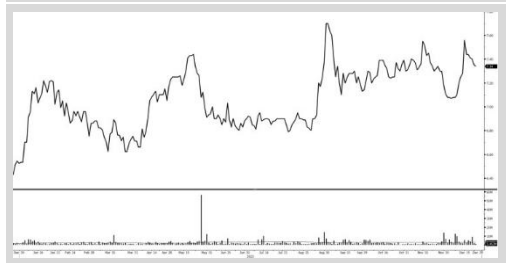
Malaysia Airports Holdings Berhad

Maintain **NEUTRAL** | TP: **RM7.80**

Price @ 26th December 2023: RM7.34

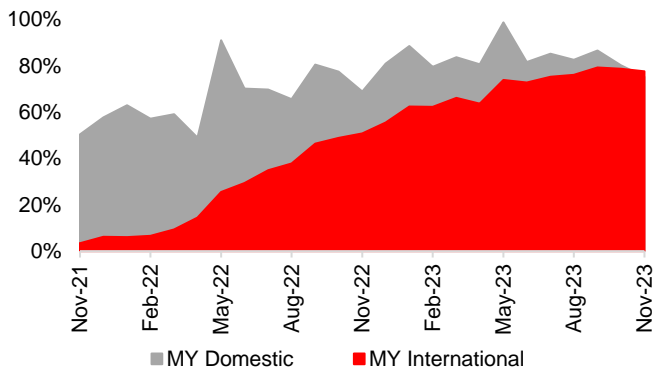
- Potential upside from the strong international traffic at Istanbul SGIA.
- Waivers and discounts for tenants are expected to end in FY24F.
- New operating agreement (OA 2023) to be finalised in 1QFY24.

Share Price Chart



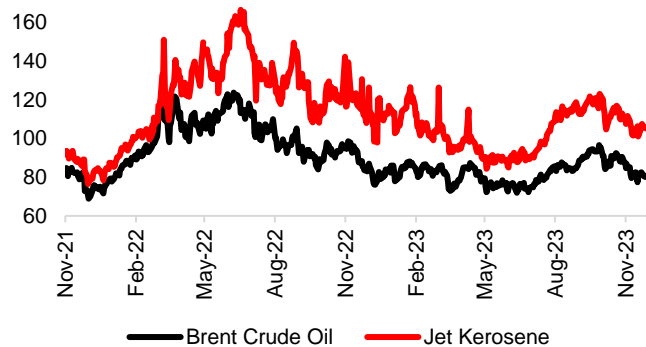
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Chart 1: Recovery of Passenger Traffic (%)



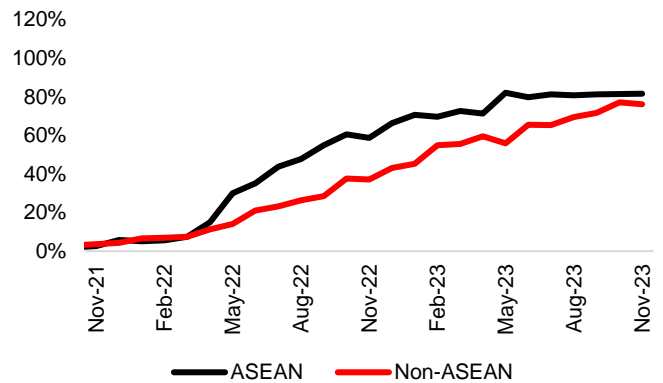
Source: MAHB, MIDFR

Chart 3: Brent Crude Oil vs. Jet Kerosene (USD)



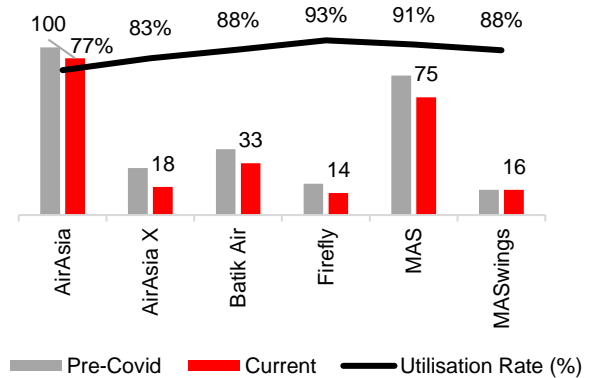
Source: Bloomberg, MIDFR

Chart 2: Recovery of ASEAN & Non-ASEAN Pax (%)



Source: MAHB, MIDFR

Chart 4: Fleet Size of Local Airlines as of Dec-23



Source: Planespotters.net, MIDFR

Table 1: Passenger Traffic Recovery as a % of 2019 level

Sector	2021A	2022A	2023E	2024F	2025F
Domestic	18%	69%	90%	105%	108%
International	3%	31%	80%	102%	105%
ASEAN	2%	36%	84%	105%	108%
Non-ASEAN	3%	25%	77%	100%	103%
Total	10%	50%	85%	104%	107%

Source: MAHB, MIDFR

SECTOR VALUATION MATRIX

Company	Rating	Share Price	TP	PER		ROE		Dividend Yield	
		RM	RM	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Capital A	Neutral	0.84	0.80	-	7.9x	-	-	-	-
MAHB	Neutral	7.34	7.80	34.2x	20.5x	4.8%	7.7%	1.4%	2.2%

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology