

AVIATION

Maintain NEUTRAL

Anticipating Full Recovery this Year

KEY INVESTMENT HIGHLIGHTS

- **Malaysia’s passenger traffic recovered to 78% in Dec-23**
- **The international sector commands 54% of total traffic**
- **Dec-23 recorded the highest average load factor at 80.0%**
- **Preliminary estimate of 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)**

Dec-23 passenger traffic. In Dec-23, Malaysia’s passenger traffic recovered to 78% (domestic: 77%, international: 78%) of pre-Covid levels. Reflecting 2019 patterns, the international sector dominates with a 54% share of total traffic. The CY23 annual recovery stands at 78% (domestic: 83%, international: 72%), reflecting a significant increase of +55.4%yoy from CY22, with a total of 81.8m passenger movements.

Highlights for the year. The strong traffic recovery in CY23 resulted from China’s border reopening and expanded airline capacity through aircraft reactivation and new deliveries. 6 new airlines resumed services, with the highest traffic directed to Indonesia, China, South Korea, and the Middle East. 72 airlines were operating at all airports managed by MAHB, marking an increase from the 66 airlines in CY22. The average load factor stood at 77.2%, marking a rise of +5.9%yoy, and Dec-23 registered the highest average load factor at 80.0% for both international and domestic sectors.

Outlook. The impact of the visa-free entry implemented from Dec-23 onwards is not yet significantly evident, possibly attributed to the gradual seat capacity growth adjusting to demand. The latest airlines’ seat capacity filing for CY24 indicates a +13.0%yoy increase over CY23. The visa-free entry for Chinese and Indian passengers is expected to contribute to the further recovery of the Northeast Asian region, as the non-ASEAN sector trails with a 73% recovery in CY23. A key anticipated development is the scheduled full fleet reactivation of AirAsia in 1QCY24, following initial delays, which should catalyse the complete recovery of air passenger traffic.

Maintain NEUTRAL. The full-year traffic recovery in CY23 fell slightly below our expectations, aligning with 91% of our estimates, a deviation we attribute to MRO challenges impacting the restoration of seat capacity. Nevertheless, we anticipate a full recovery of passenger traffic in CY24. Our initial projection for this year shows a +4.0% growth compared to 2019 levels, which is slightly more optimistic than the Malaysian Aviation Commission’s (MAVCOM) higher range projection of +2.0%. Key risks to our projections are (i) potential delays in aircraft deliveries and (ii) setbacks in the full fleet restoration of AirAsia.



COMPANY IN FOCUS

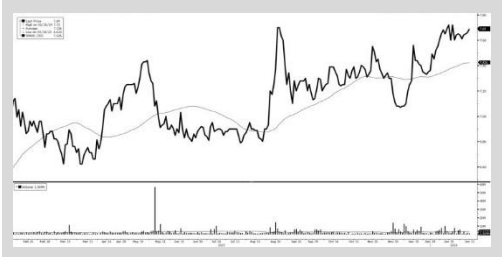
Malaysia Airports Holdings Berhad

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

Price @ 31st January 2024: RM7.69

- 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 1HCY24.

Share Price Chart



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Chart 1: Recovery of Passenger Traffic (%)

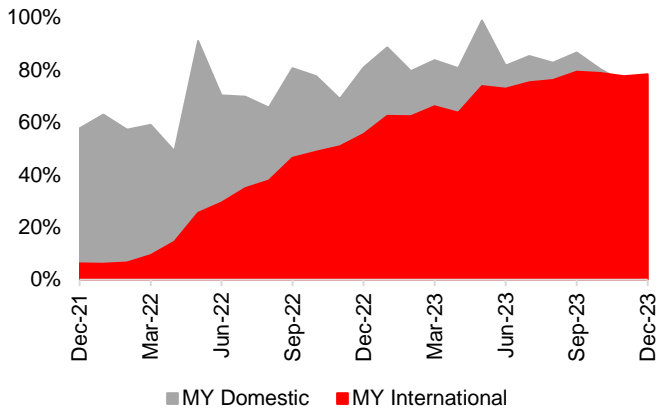
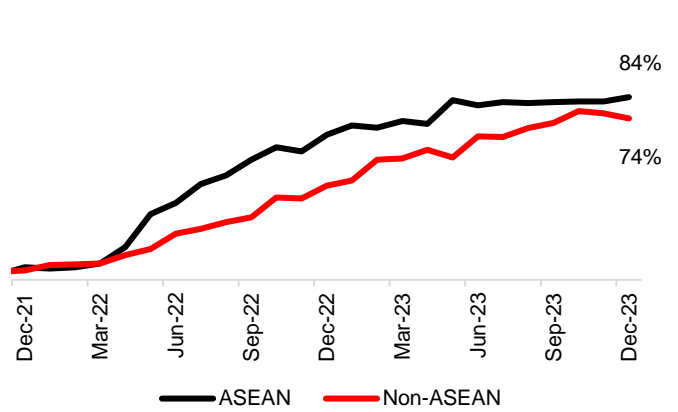


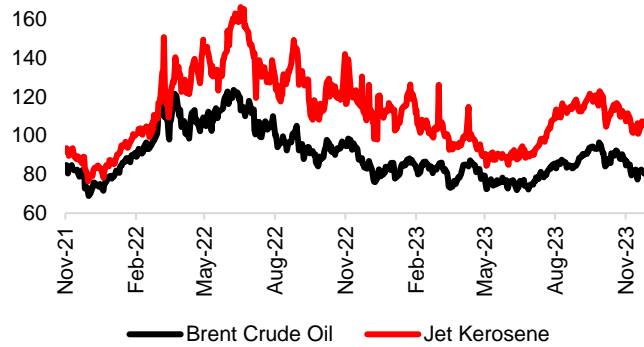
Chart 2: Recovery of ASEAN & Non-ASEAN Pax (%)



Source: MAHB, MIDFR

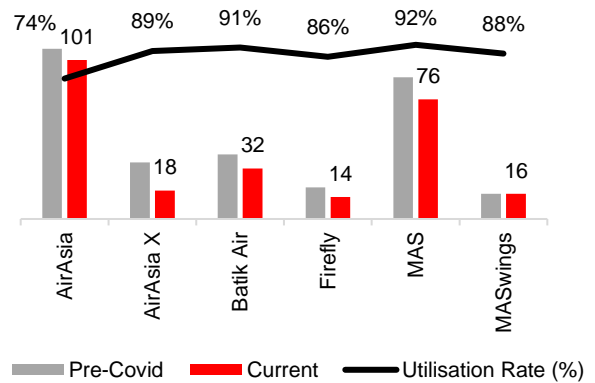
Source: MAHB, MIDFR

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



Source: Bloomberg, 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	2023A	2024F	2025F
Domestic	18%	69%	83%	105%	108%
International	3%	31%	72%	102%	105%
ASEAN	2%	36%	78%	105%	108%
Non-ASEAN	3%	25%	67%	100%	103%
Total	10%	50%	78%	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	0.70	0.80	-	7.9x	-	-	-	-
MAHB	NEUTRAL	7.69	7.80	35.7x	21.4x	4.8%	7.7%	1.3%	2.1%

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