

AVIATION

Maintain NEUTRAL

Strong International Passenger Rebound

KEY INVESTMENT HIGHLIGHTS

- **Malaysia’s passenger traffic recovered to 83% in Jan-24**
- **Highest international passenger recovery since Mar-20**
- **Early signs of visa-free travel impact**
- **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)**

Jan-24 passenger traffic. Passenger volumes at Malaysia Airports’ local terminals surged, hitting 6.9m, or 83% of 2019 levels (domestic: 80%, international: 86%). The overall recovery was propelled by international passenger movements that reached the highest recovery rate since Mar-20 and recorded the second-highest passenger movements at 3.8m after the Dec-23 peak. The domestic sector was equally encouraging, with the average load factor exceeding 80% by the end of Jan-24, driven by increased travel approaching the Chinese New Year festive season.

Journeying through visa-free travel impact. The strong traffic growth was largely driven by the reciprocal visa-free entry agreement between Malaysia and China, complemented by an additional 25 weekly flight frequencies introduced by new airlines. Notably, Air Macau commenced flights to Macau, while China Eastern Airlines expanded their services from Beijing Daxing, operating to and from Kuala Lumpur International Airport in Jan-24. Additionally, Firefly launched a charter flight from Tawau to Nanjing, operating three flights per week towards the end of last month.

Outlook. The visa-free entry for Chinese and Indian nationals since Dec-23 is expected to aid the Northeast Asian region’s recovery, as the non-ASEAN sector lags at 78% recovery in Jan-24, compared to ASEAN’s 86%. We have adopted a cautious stance toward the complete restoration of seat capacity, stemming from limited aircraft availability (Chart 4). There could be additional delays in AirAsia’s full fleet reactivation, alongside the potential disruptions in aircraft deliveries to local airlines due to recent incidents involving the Boeing 787 MAXs.

Maintain NEUTRAL. We are holding our passenger traffic assumptions for now, awaiting further guidance on seat capacity filing for this year. Our initial projection for this year indicates a +4.0% growth compared to 2019 levels, slightly more optimistic than the Malaysian Aviation Commission’s (MAVCOM) higher range projection of +2.0%.



COMPANY IN FOCUS

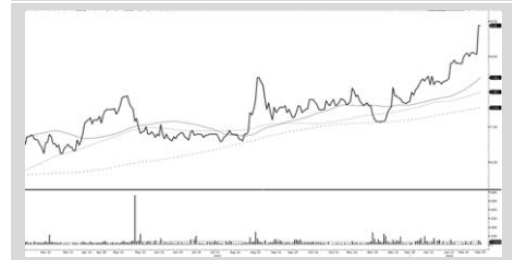
Malaysia Airports Holdings Berhad

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

Price @ 28th February 2024: RM8.45

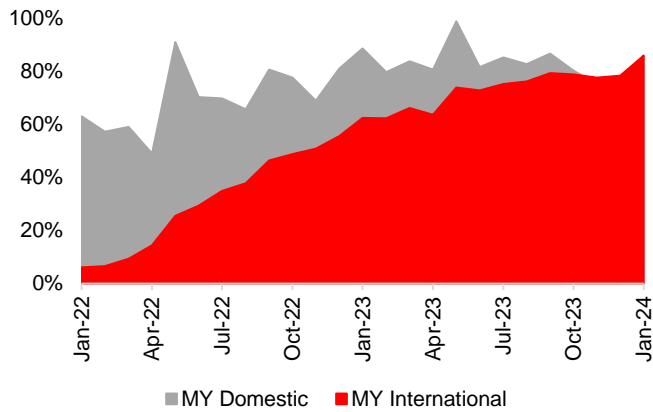
- Potential upside from the strong international traffic at Istanbul SGIA.
- Waivers and discounts for tenants are expected to end in FY24F.
- New operating agreement (OA 2023) to be finalised in 1HCY24.

Share Price Chart



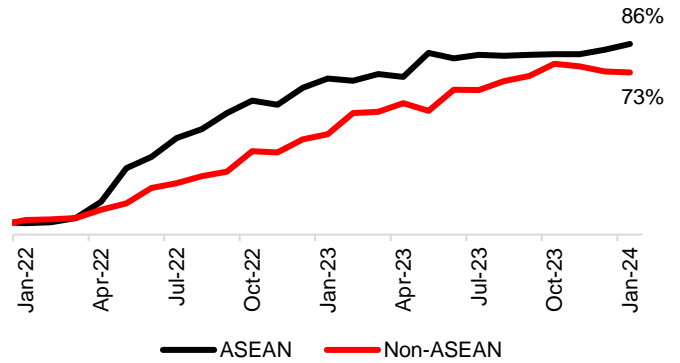
MIDF Research Team
midf@research.com.my

Chart 1: Recovery of Passenger Traffic (%)



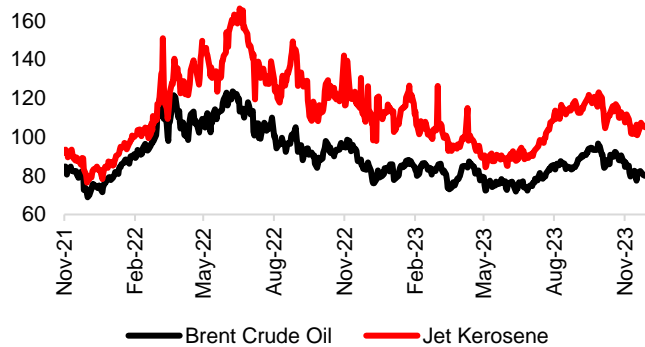
Source: MAHB, MIDFR

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



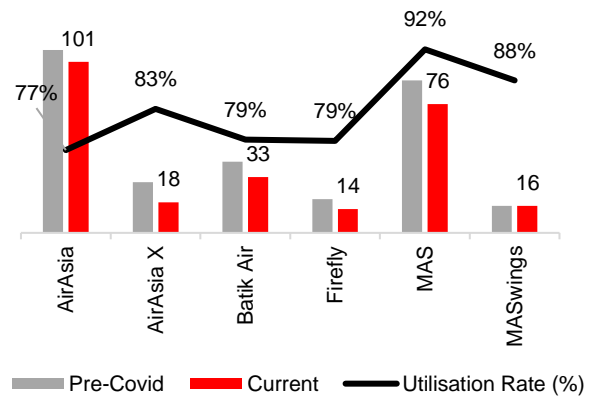
Source: MAHB, MIDFR

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



Source: Bloomberg, MIDFR

Chart 4: Fleet Size of Local Airlines as of Feb-24



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	0.72	0.80	-	7.4x	-	-	-	-
MAHB	Neutral	8.45	7.80	31.5x	20.6x	5.9%	8.7%	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