

AVIATION

Maintain NEUTRAL

International Sector Leading the Recovery

KEY INVESTMENT HIGHLIGHTS

- **Malaysia's passenger traffic recovered to 86% in Apr-24**
- **Aidilfitri festivity drove both domestic and international traffic**
- **New carriers to enhance non-ASEAN travel**
- **Expecting a +2.0% growth in passenger traffic against 2019 levels by end-CY24**
- **Accept Offer for MAHB (Offer Price: RM11.00) and maintain NEUTRAL on Capital A (TP: RM0.74)**

Apr-24 passenger traffic. Passenger traffic at Malaysia's airports reached 7.6m pax in Apr-24. This reflects an 86% recovery (domestic: 85%, international: 88%). Notably, for the past six months, the international sector has consistently outpaced the domestic sector in terms of recovery. This trend has been bolstered by ASEAN travel, boasting a 91% recovery rate, while non-ASEAN travel stands at a slightly lower 85%.

Supported by festivity. Both the international and domestic sectors were notably fueled by the Aidilfitri celebration from the second week of April. Leveraging the visa-free waiver, airlines continued to concentrate on expanding seat capacity to these nations. During the month, AirAsia introduced a new scheduled flight from KUL to Jaipur four times a week, alongside the reinstatement of flights to Visakhapatnam thrice weekly. Furthermore, Cambodia Airways commenced thrice-weekly services to KUL from Phnom Penh.

Outlook. Under the guidance of Malaysia Airports Holdings Berhad (MAHB), approximately 14 new carriers are set to commence services to KUL within the next two years. Among them, an estimated 5 carriers have already initiated operations in 1QCY24. This catalyses the recovery of international traffic, particularly with the expected arrival of airlines such as British Airways, Qantas, Air India, Lufthansa, Iberia, and Finnair in the coming quarters. Their entry is expected to further stimulate non-ASEAN travel. However, we cautiously evaluate the recovery of the domestic sector, acknowledging that it has remained within the range of 80% to 85% in recent months, averaging 83% in 4MCY24. This is likely linked to limited aircraft availability, which consequently restricts seat capacity growth.

Maintain NEUTRAL. We keep our traffic projections unchanged, indicating a +2.0% growth compared to 2019 levels, which aligns with MAVCOM's higher-range forecast. We anticipate further guidance from MAHB regarding the achievability of these projections, with its results briefing scheduled for next week. However, notable downside risks include potential delays in AirAsia's full fleet reactivation and disruptions in Boeing aircraft deliveries to local airlines.



COMPANY IN FOCUS

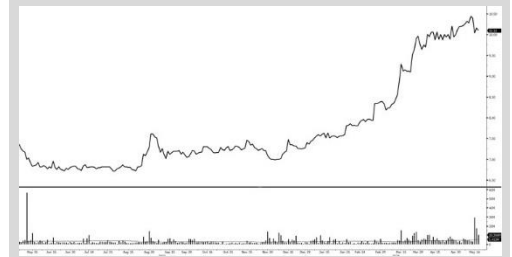
Malaysia Airports Holdings Berhad

Recommend to **Accept Offer** | TP: **RM11.00**

Price @ 20th May 2024: RM10.10

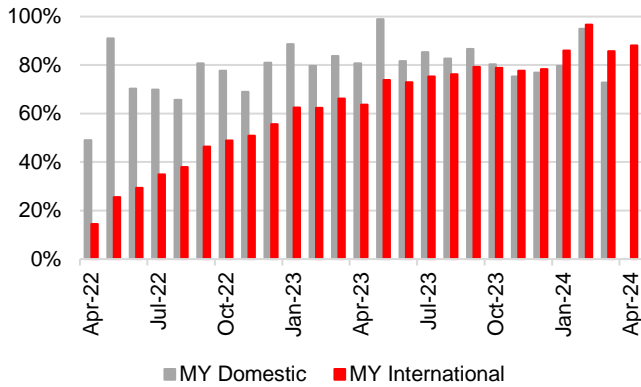
- Waivers and discounts for tenants are expected to end in FY24F.
- Other aviation service charges to be adjusted for inflation during the RP1 period.
- User fees may be reduced to finance major airport projects.

Share Price Chart



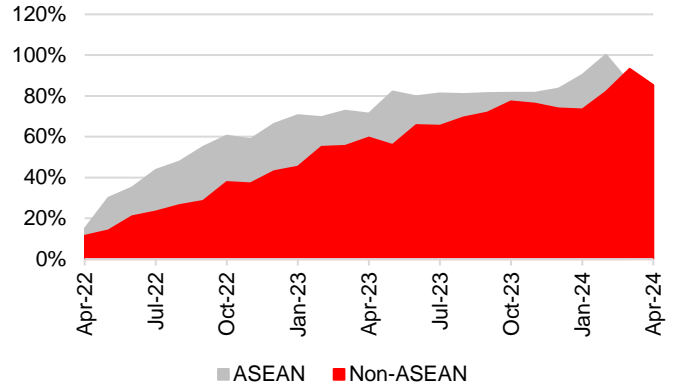
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Chart 1: Recovery of Passenger Traffic (%)



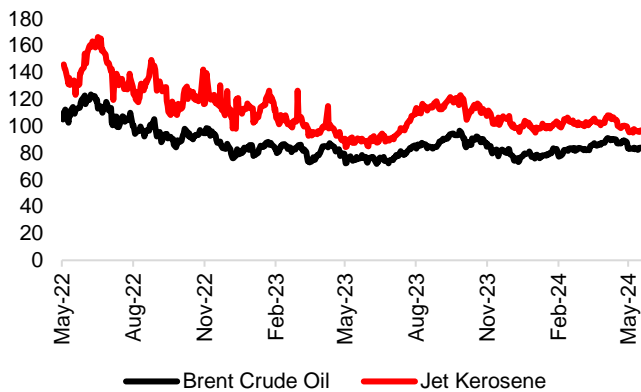
Source: MAHB, MIDFR

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



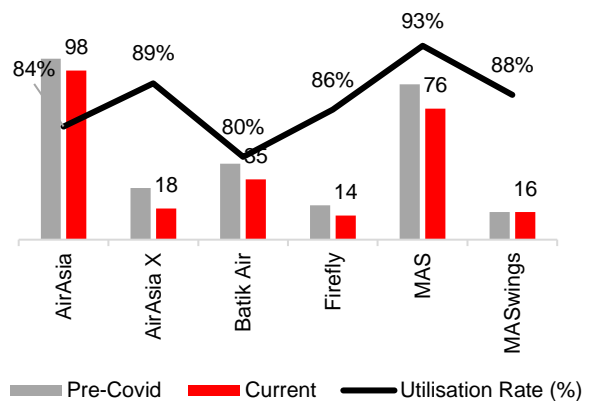
Source: MAHB, MIDFR

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



Source: Bloomberg, MIDFR

Chart 4: Fleet Size of Local Airlines as of May-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%	102%	107%
International	3%	31%	72%	102%	105%
ASEAN	2%	36%	78%	105%	108%
Non-ASEAN	3%	25%	67%	100%	103%
Total	10%	50%	78%	102%	106%

Source: MAHB, MIDFR

SECTOR VALUATION MATRIX

Company	Rating	Share Price	TP	PER		ROE		Dividend Yield	
		RM	RM	FY24F	FY25F	FY24F	FY25F	FY23F	FY24F
Capital A	NEUTRAL	0.86	0.74	9.3x	5.9x	-	-	-	-
MAHB	Accept Offer	10.10	11.00	23.5x	22.3x	8.6%	8.7%	1.9%	2.0%

Source: 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