

AVIATION

Maintain NEUTRAL

Near Full Recovery Thanks to Holiday Season

KEY INVESTMENT HIGHLIGHTS

- **Malaysia’s passenger traffic recovered to 97% in May-24**
- **Airlines continued to expand services to/from cities in India and China**
- **Three foreign airlines set to launch operations by year’s end**
- **Expecting a +2.0% growth in passenger traffic against 2019 levels by end-CY24**
- **Accept Offer for MAHB (Offer Price: RM11.00) and Maintain BUY on Capital A (TP: RM1.06)**

May-24 passenger traffic. Passenger traffic in Malaysia continues to show strong progress, reaching 7.7m passengers in May-24, marking the second highest figure year-to-date, just behind Feb-24. The 97% overall recovery (domestic: 95%, international: 99%) was attributed to the public holidays and the school holiday season last month. Proactive efforts by both local and foreign airlines to expand seat availability further contributed to this recovery.

International sector outpaces domestic. For seven consecutive months, the international sector has outpaced the domestic sector in terms of recovery. This trend may be due to the visa-free waiver. Last month, international sector growth was driven by AirAsia resuming flights from KL International Airport (KUL) to Bhubaneswar, India and China Eastern Airlines flying to Wuhan, China. AirAsia also launched new routes from KUL to Ahmedabad, India, and Juneyao Air began flights from Penang International Airport (PEN) to Pudong, China.

Outlook. Malaysia Airports (Accept Offer, TP: RM11.00) is actively pursuing 15 additional foreign carriers to operate in the country within the next two years. KUL now serves 70 airlines, exceeding its pre-pandemic level of 69 airlines. Year-to-date, approximately 7 additional foreign airlines have commenced services to KUL. By the year’s end, 3 more airlines – British Airways, Thai VietJet, and 9 Air – are expected to commence operations. To enhance air travel, MAHB has made substantial investments in initiatives like the Airline X-celeration Programme, which offers landing fee waivers, airport office rental rebates, and marketing support. About RM3.0m has been allocated for marketing support on Malaysia-China routes alone. The recovery rate for this sector in 1QCY24 stood at 78%.

Maintain NEUTRAL. Our outlook for passenger traffic remains unchanged, with projections indicating a +2.0% growth compared to 2019 levels, consistent with MAVCOM’s higher-range forecast. However, potential risks include delays in AirAsia’s full fleet reactivation and disruptions in Boeing aircraft deliveries to local airlines, which could impact these projections.



COMPANY IN FOCUS

Malaysia Airports Holdings Berhad

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

Price @ 26th June 2024: RM9.60

- Waivers and discounts for tenants are expected to end in FY24F.
- User fees to be reduced to finance large-scale airport expansion projects.
- Passenger traffic at SGIA has been consistently exceeding pre-pandemic levels.

Share Price Chart



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Chart 1: Recovery of Passenger Traffic (%)

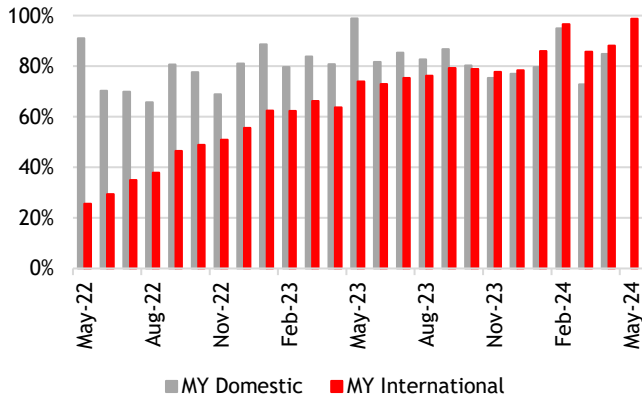
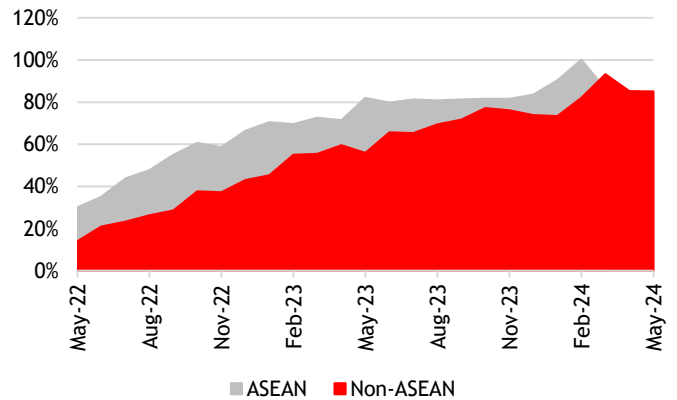
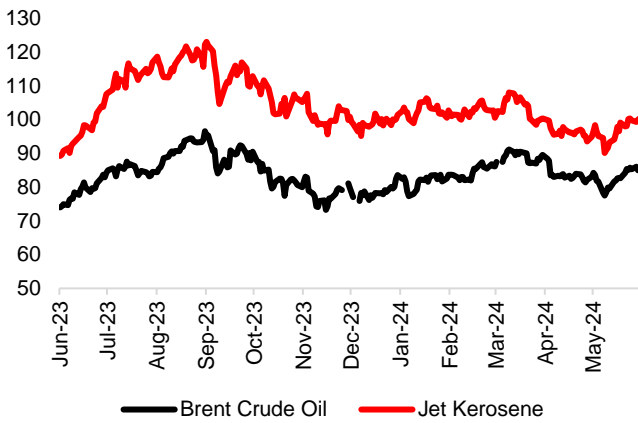


Chart 2: Recovery of ASEAN & Non-ASEAN Pax (%)



Source: MAHB, MIDFR

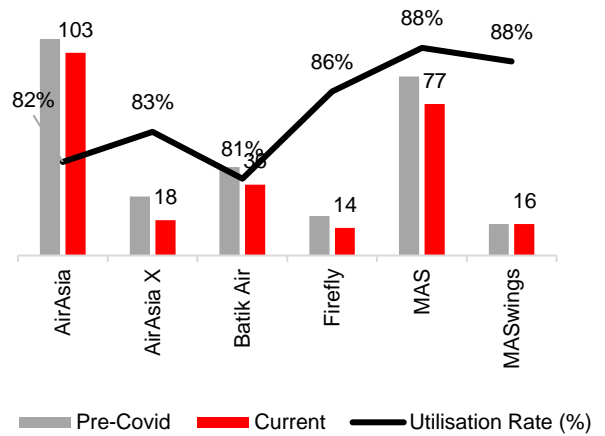
Chart 3: Brent Crude Oil vs. Jet Kerosene (USD)



Source: Bloomberg, MIDFR

Source: MAHB, MIDFR

Chart 4: Fleet Size of Local Airlines as of Jun-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	Buy	0.84	1.06	6.3x	5.2x	-	-	-	-
MAHB	Accept Offer	9.60	11.00	21.2x	19.2x	9.1%	9.6%	2.1%	2.4%

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