

# AVIATION

**Maintain NEUTRAL**

## Surprising Peaks in Slow Month


### KEY INVESTMENT HIGHLIGHTS

- **Malaysia's passenger traffic recovered to 79% in Mar-24 and 86% in 1QCY24**
- **Last month achieved the highest load factors to date**
- **Average daily passengers up by +1.5% compared to 1QCY23**
- **Expecting a +2.0% growth in passenger traffic against 2019 levels by end-CY24**
- **Maintain NEUTRAL on Capital A (TP: RM0.74) and MAHB (TP: RM8.75)**

**Mar-24 passenger traffic.** Despite historically being the lowest during the Ramadan month, passenger traffic in Malaysia stayed above 7.0m in Mar-24 for two months in a row. This indicates a 79% recovery (domestic: 73%, international: 86%). Comparing the statistics to Jan-24, which was a normal month, there was a slight increase of +1.5% (+3,300 passengers) in the average daily passengers. Notably, last month boasted the highest load factors to date, with international flights reaching 81% and domestic flights reaching 79%.

**1QCY24 passenger traffic.** In total for 1QCY24, passenger traffic recovered to 86% (domestic: 73%, international: 86%). There were 1,386 more weekly flights than in 1QCY23, mainly due to new airline operations such as Air Macau, Loong Air, Turkmenistan, and Flydubai. During the quarter, Iraqi Airways reestablished its presence in Malaysia, while existing airlines resumed their operations to previously served markets and introduced new services. Among the new services from Kuala Lumpur (KUL) operated by foreign airlines are flights to Kunming, Beijing Daxing, and Chengdu, possibly taking advantage of the visa-free waiver.

**Outlook.** Concerning the geopolitical conflicts in West Asia, Malaysia's passenger traffic exposure to Iran is limited. Airlines including Malaysia Airlines have altered flight routes to avoid affected airspace, thereby minimising disruptions. A notable challenge arising from this conflict is the increase in jet fuel prices. Locally, we find that the impact is partially mitigated by the ongoing implementation of fuel surcharges, and the higher average airfares compared to pre-Covid times, attributed to reduced aircraft availability. Meanwhile, the eruption of Mount Ruang had a relatively contained impact, as flights were reinstated, resulting in no actual loss in traffic. Complete resolution may take some time, particularly considering the recent Eid holidays, during which traffic was notably heavy including returning passengers from Umrah.

**Maintain NEUTRAL.** Our outlook on passenger traffic remains consistent, with projections indicating a +2.0% growth compared to 2019 levels, aligning with MAVCOM's higher range forecast. 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

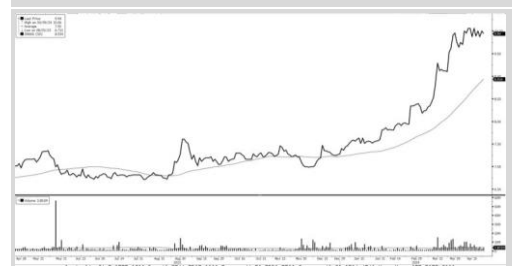
#### Malaysia Airports Holdings Berhad

Maintain **NEUTRAL** | TP: **RM8.75**

Price @ 23<sup>rd</sup> April 2024: RM9.94

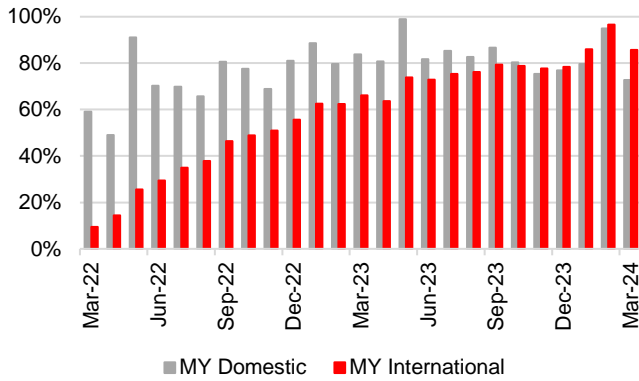
- Waivers and discounts for tenants are expected to end in FY24F.
- Other aviation service charges to be adjusted for inflation during the RP1 period.
- User fees may be reduced to finance major airport projects.

### Share Price Chart



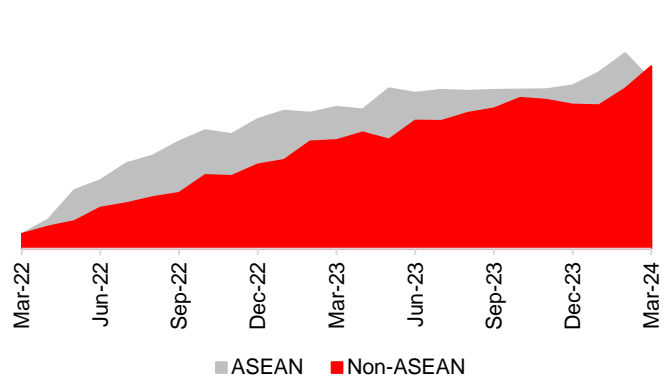
**MIDF Research Team**  
midf@research.com.my

**Chart 1: Recovery of Passenger Traffic (%)**



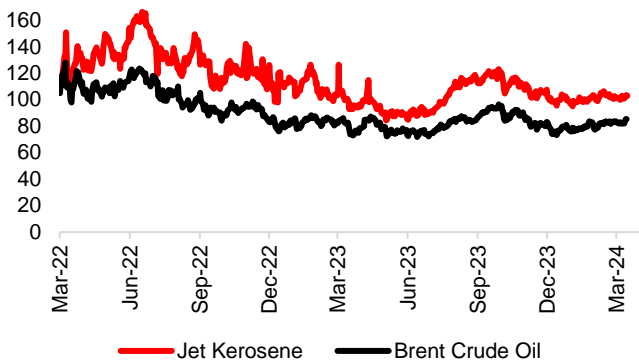
Source: MAHB, MIDFR

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



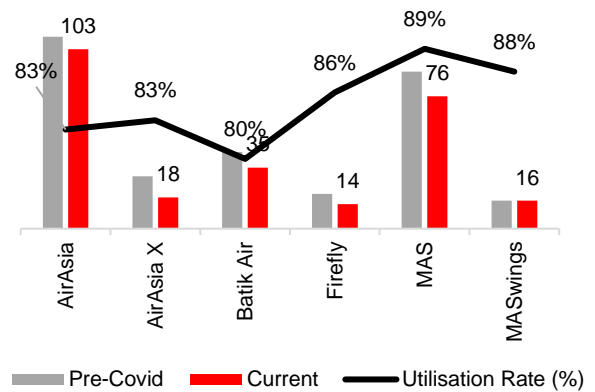
Source: MAHB, MIDFR

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



Source: Bloomberg, MIDFR

**Chart 4: Fleet Size of Local Airlines as of Apr-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%
<b>Total</b>	<b>10%</b>	<b>50%</b>	<b>78%</b>	<b>102%</b>	<b>106%</b>

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	0.68	0.74	7.4x	4.7x	-	-	-	-
MAHB	Neutral	9.94	8.75	23.1x	21.9x	8.6%	8.7%	1.9%	2.0%

Source: MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(23878 – X)).  
 (Bank Pelaburan)  
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation, or solicitation to buy or sell any securities, investments, or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal, and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have an interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed, or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

### 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