

# AVIATION

**Maintain NEUTRAL**

## Robust Recovery in the International Sector

### KEY INVESTMENT HIGHLIGHTS

- **Malaysia’s passenger traffic recovered to 87% in Jun-24 and 88% in 1HCY24**
- **International traffic recovery outpaced domestic for eighth straight month**
- **Higher average load factor surpassed 1HCY19 by +3.4%**
- **Expect 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)**

**Jun-24 passenger traffic.** Malaysia’s passenger traffic achieved an overall recovery of 87% (domestic: 83%, international: 91%) in Jun-24. It was another peak season, marked by a surge in traffic coinciding with the CY24 Hajj season, Eid Al-Adha celebrations, Hari Kaamatan, and Gawai in East Malaysia. For the eighth consecutive month, international traffic recovery has outpaced domestic traffic, exceeding 90% for two consecutive months. These figures bring the recovery rate for 1HCY24 to 88% (domestic: 85%, international: 91%).

**Dissecting the 1HCY24 numbers.** International passenger movements drove the growth, showing a +35.8%yoy as compared to 1HCY23. MAHB welcomed six new airlines (Cambodia Airways, Flydubai, Iraqi Airways, Juneyao Airlines, Thai Lion Air, and Turkmenistan Airlines), contributing to a total seat capacity recovery of 85%. The average load factor exceeded that of 1HCY19 by 3.4 percentage points, reaching 78.8%. This trend showed increasing growth each month, indicating a positive demand that could potentially support higher seat capacity offerings.

**Outlook.** MAHB’s network of airports in Malaysia has remained unaffected by the global IT outage, but some of their airline partners have faced disruptions. AirAsia’s check-in and booking systems experienced downtime, but operations returned to normal by July 22, 2024. Affected flights were mostly delayed, with less than 1% of total flights cancelled. Firefly also encountered similar issues, while Malaysia Airlines reported no impact. Therefore, we believe the overall impact on Jul-24’s passenger traffic is minimal.

**Maintain NEUTRAL.** Our projections for passenger traffic remain unchanged, projecting a +2.0% growth compared to CY19 levels, consistent with MAVCOM’s upper-range forecast. However, uncertainties such as potential delays in AirAsia’s fleet reactivation and disruptions in Boeing aircraft deliveries to local airlines pose risks that could impact these projections.



### COMPANY IN FOCUS

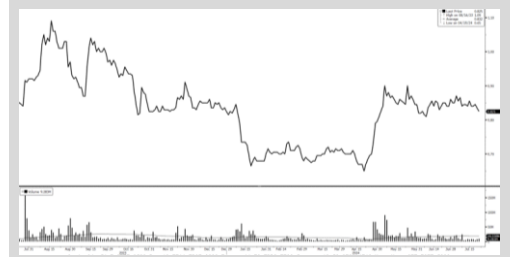
#### Capital A Berhad

Maintain **BUY** | TP: **RM1.06**

Price @ 22<sup>nd</sup> July 2024: RM0.82

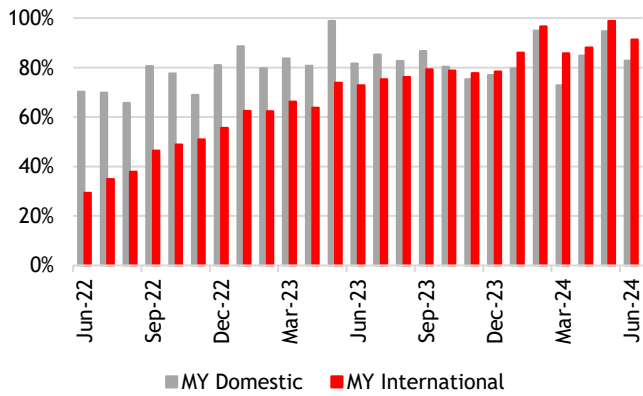
- Aims to have 204 aircraft in operations by end-FY24 (+34 aircraft from 1QFY24).
- The Group expects to reach 90% of its pre-Covid capacity by the end of the year.
- It also expects to maintain a robust 90% load factor.

### Share Price Chart



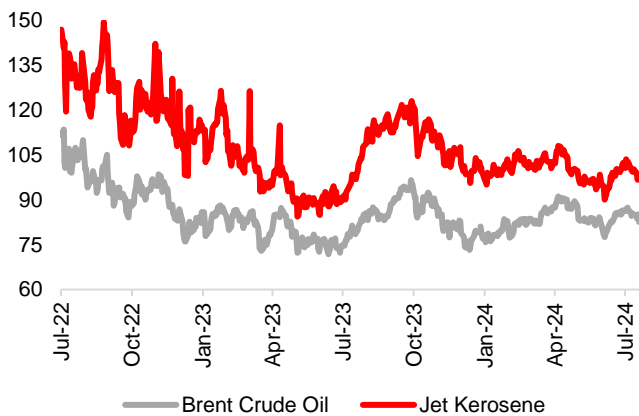
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**Chart 1: Recovery of Passenger Traffic (%)**



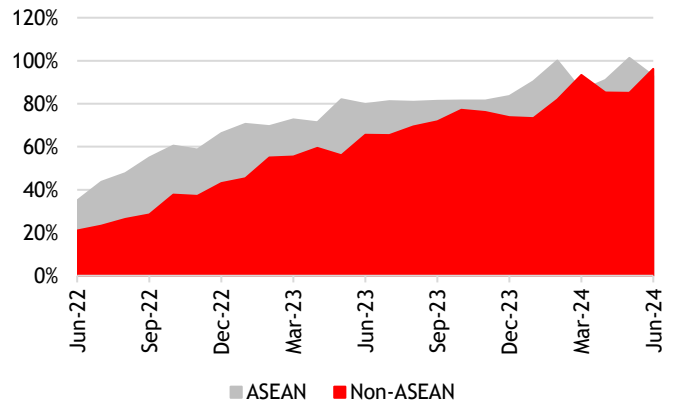
Source: MAHB, MIDFR

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



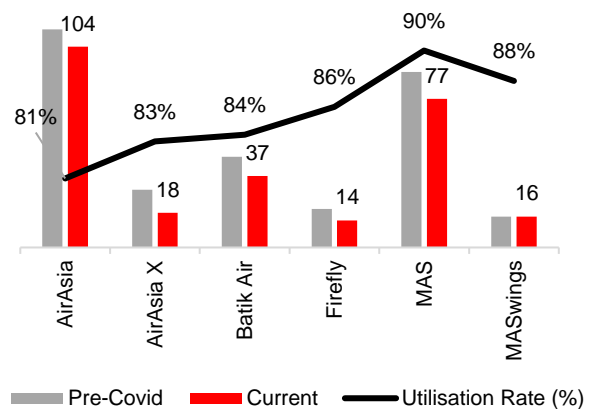
Source: Bloomberg, MIDFR

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



Source: MAHB, MIDFR

**Chart 4: Fleet Size of Local Airlines as of Jul-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	Buy	0.82	1.06	6.2x	5.1x	-	-	-	-
MAHB	Accept Offer	9.91	11.00	21.9x	19.8x	9.1%	9.6%	2.0%	2.3%

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