

AVIATION

Maintain NEUTRAL

International Travel Maintains Lead


KEY INVESTMENT HIGHLIGHTS

- **Malaysia’s passenger traffic recovered to 89% in Nov-24**
- **Strong load factor reflected steady demand**
- **China led the charge in new airline entrants**
- **Dec-24 passenger traffic estimated at 8.5m to 10.0m**
- **Accept Offer for MAHB (Offer Price: RM11.00) and Maintain NEUTRAL on Capital A (TP: RM0.99)**

Nov-24 passenger traffic. As the year draws to a close, total passenger traffic in Nov-24 achieved an 89% recovery (domestic: 83%, international: 94%), matching the 89% recovery (domestic: 85%, international: 93%) recorded for 11MCY24. Demand remained robust despite seat capacity recovering to only 83%, as reflected by the strong load factor of 79% in Nov-24, which is +5.4 percentage points higher than pre-pandemic levels.

The majority of new entrants are from China. The international sector’s recovery has consistently outpaced the domestic sector over the past year. 13 new airlines launched services to Malaysia, exceeding MAHB’s annual target of 12 (details in Table 2). Notably, 8 out of these 13 are Chinese airlines, with passenger traffic from China fully recovering from Jul-24 onwards, driven by the restoration of network connectivity. That said, the recovery was also bolstered by existing airlines, which have launched 52 new services as of Sep-24. MAHB continues to report new services departing from Malaysia’s major international airports each month, along with increased flight frequencies, reflecting a positive trend.

Outlook. MAVCOM projects passenger traffic for CY24 to range between 95.4m and 97.6m, slightly below our estimate of 98.7m. We anticipate this month’s passenger traffic to range between 8.5m and 10.0m, supported by the year-end holiday season, bringing the full-year figure to between 93.6m and 95.1m, which we still deem to be in line with expectations. Over the long term, MAHB stated that they are actively pursuing over 25 new airlines, and they are expected to commence operations within the next two years. To note, British Airways’ commencement has been delayed to Apr-25 due to challenges with aircraft availability.

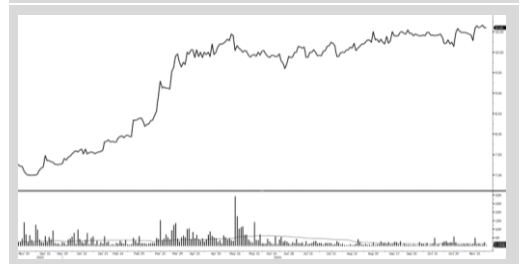
Maintain NEUTRAL. We anticipate a preliminary full recovery next year, with projected growth of +4.0% compared to CY19 levels. However, this is subject to a few key downside risks, including (1) delays in AirAsia Malaysia’s fleet reactivation, (2) further disruptions in aircraft deliveries, and (3) ongoing supply chain challenges. We currently do not have a top pick for the sector. 

COMPANY IN FOCUS

Malaysia Airports Holdings Berhad
 Maintain **ACCEPT OFFER** | OP: **RM11.00**
 Price @ 19TH December 2024: RM10.64

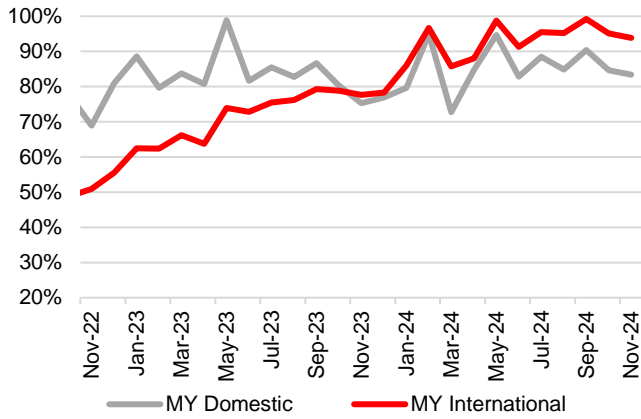
- Privatisation deal moves forward as pre-conditions met
- Turkiye operations surpass CY19 levels at 116% recovery as of 9MFY24.
- On track to approach the targeted 86% operational occupancy rate by end-CY24.

Share Price Chart



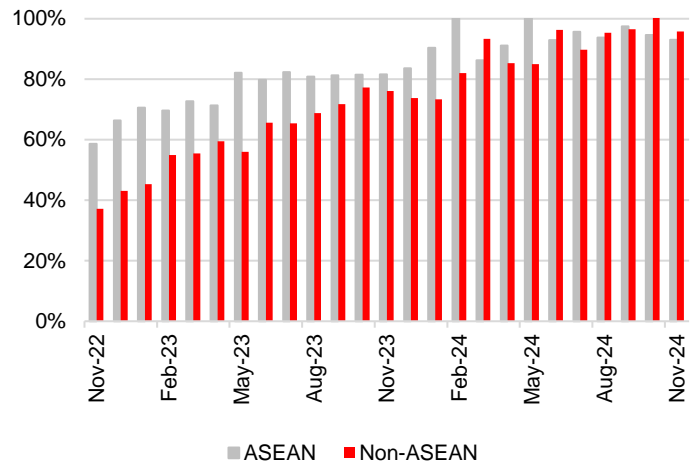
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Chart 1: Recovery of Passenger Traffic (%)



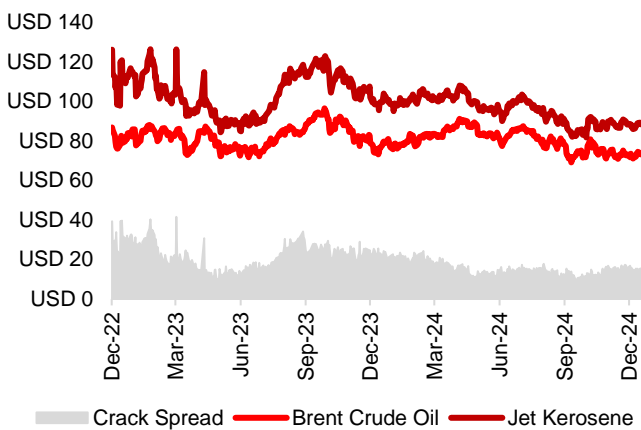
Source: MAHB, MIDFR

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



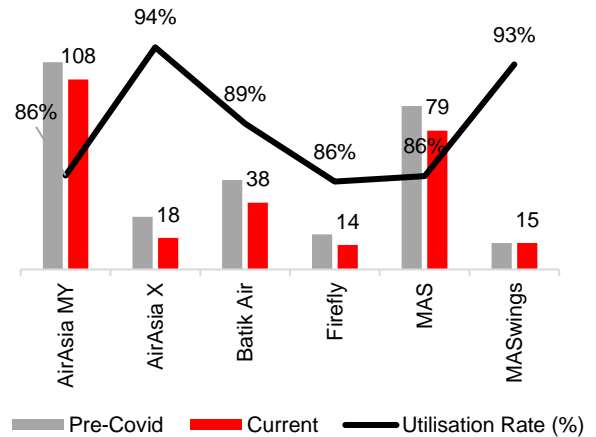
Source: MAHB, MIDFR

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



Source: Bloomberg, MIDFR

Chart 4: Latest Fleet Size of Local Airlines



Source: Planespotters.net, MIDFR

Table 1: Fleet Plan of Local Airlines

Airlines	Remarks
AirAsia Malaysia	Received 4 Airbus A321neo (narrow-body) aircraft in Aug-24, with plans to convert remaining A320 (narrow-body) orders to A321neo for improved fuel efficiency and capacity.
Batik Air Malaysia	25 Boieng 737 MAX 8 (narrow-body) ordered, replacing 737-800s and expanding widebody fleet with Airbus A330-300s starting in CY24.
Malaysia Airlines	Introduced Airbus A330neo (wide-body) in Nov-24 as part of this fleet renewal plan; 20 A330neo aircraft ordered, to be delivered between CY24 to CY28. As for its narrowbody fleet, there are 25 Boieng 737 MAX 8 ordered, replacing older 737-800s.

Source: News articles, MIDFR

Table 2: List of New Airlines

Period	Airlines
1QCY24	Flydubai, Turkmenistan Airlines, Iraqi Airways, Air Macau and Loong Air
2QCY24	Cambodia Airways, Juneyao Air and Thai Lion Air
3QCY24	Qingdao Airlines, AirAsia Cambodia, 9 Air, Lucky Air and Air India
4QCY24	JiangXi Air and HK Express

Source: MAHB, MIDFR

SECTOR VALUATION MATRIX

Company	Rating	Last Price	TP	PER		ROE		Dividend Yield	
		RM	RM	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Capital A	NEUTRAL	0.94	0.99	-8.2x	8.3x	-	-	-	-
MAHB	Accept Offer	10.64	11.00	24.8x	21.8x	8.6%	9.4%	1.8%	2.1%

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