

AVIATION

Maintain NEUTRAL

Full Recovery Within Reach

KEY INVESTMENT HIGHLIGHTS

- **Malaysia’s passenger traffic recovered to 85% in Dec-24 and 89% in CY24**
- **Significant growth observed in China, Indonesia, and the Middle East**
- **Load factor reached 80% last year, reflecting sustained travel demand**
- **CY25 passenger traffic forecasted at 109.1m, marking a +4.0% growth over CY19**
- **Accept Offer for MAHB (Offer Price: RM11.00) and Maintain NEUTRAL on Capital A (TP: RM0.99)**

Dec-24 passenger traffic. Malaysia’s passenger traffic reached an 85% recovery (domestic: 79%, international: 91%) in Dec-24, ending the year with an overall recovery rate of 89% (domestic: 85%, international: 93%). We consider this to be well within our expectations, as it accounts for 95% of our projected full-year target.

Key highlights of CY24. Last year’s load factor rose to 80%, up 2.8 percentage points from CY23. Air connectivity grew +6.1% in CY24, with 12 new airlines (Table 2), 16 resuming services, and connections to 24 new destinations. The international sector’s traffic recovery continued to outpace the domestic sector, with significant growth observed in China, Indonesia, and the Middle East. Moreover, airline seat capacity for CY24 showed an +11.4%yoy increase despite ongoing supply chain disruptions affecting aircraft and engine parts. The number of airlines in Malaysia has expanded to 79 in CY24, compared to 69 in CY19.

Outlook. MAHB is reportedly targeting 25 new airlines over the next two years, with British Airways set to begin operations in Apr-25. Local airlines are proactively addressing supply chain challenges by optimising costs, maintenance schedules, and supplier contracts, with these issues expected to be eased over time. This year, we project passenger traffic to reach 109.1m, representing a +4.0% recovery above 2019 levels. This aligns with the mid-range of MAVCOM’s forecast of 105.8m to 112.9m passengers. The domestic sector is expected to catch up, with airlines projected to increase capacity by +15.8%yoy in CY25.

Maintain NEUTRAL. This year’s passenger traffic forecast faces key downside risks, including (1) delays in AirAsia Malaysia’s fleet reactivation, (2) disruptions in aircraft deliveries, and (3) persistent supply chain challenges. At present, we do not have a top pick for the sector.

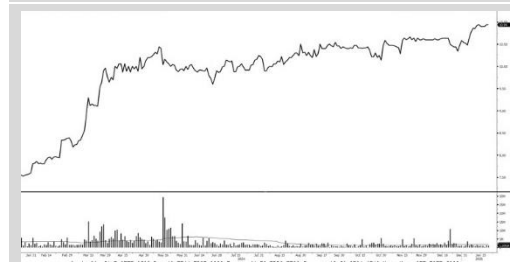


COMPANY IN FOCUS

Malaysia Airports Holdings Berhad
 Maintain **ACCEPT OFFER** | OP: **RM11.00**
 Price @ 21st January 2025: RM10.94

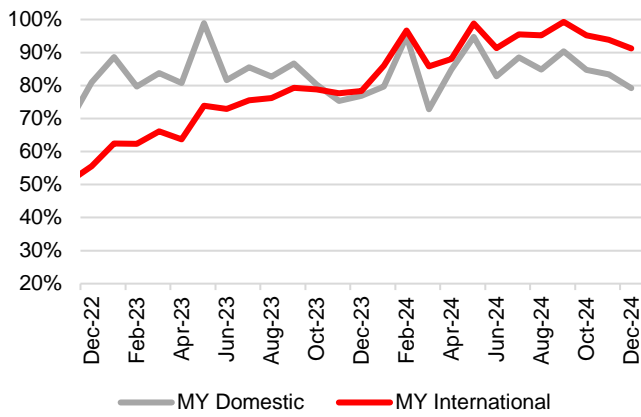
- GDA has lowered the acceptance condition for its offer from 90% to 85%.
- The privatisation offer is expected to be declared unconditional, followed by delisting.
- The closing date of the offer has been revised to February 4, 2025.

Share Price Chart



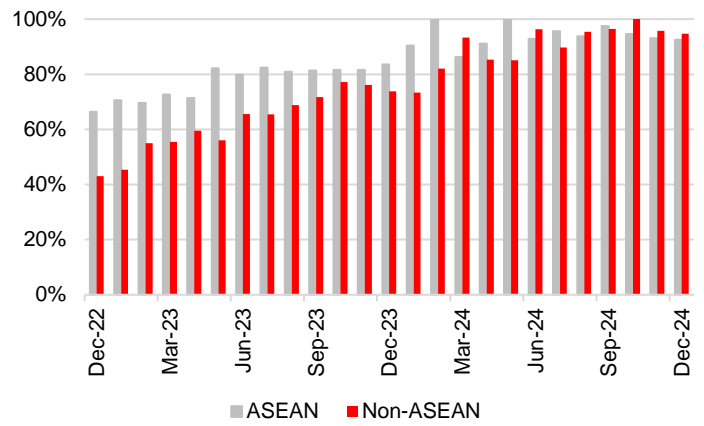
MIDF Research Team
 midf@research.com.my

Chart 1: Recovery of Passenger Traffic (%)



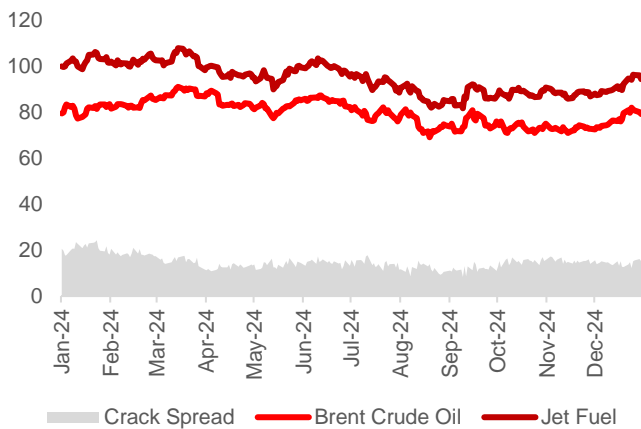
Source: MAHB, MIDFR

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



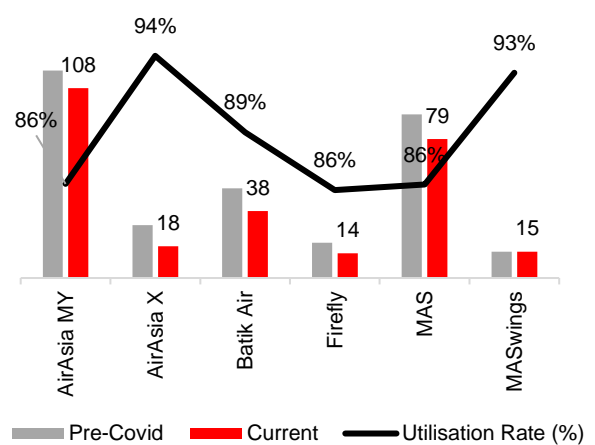
Source: MAHB, MIDFR

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



Source: Bloomberg, MIDFR

Chart 4: 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 Boeing 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 Boeing 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	0.96	0.99	-	8.2x	-	-	-	-
MAHB	Accept Offer	10.94	11.00	25.5x	22.4x	8.6%	9.4%	1.7%	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