

# Stock Market Review



**Edward Rizzo**

Mr Rizzo is director of Rizzo, Farrugia & Co. (Stockbrokers) Ltd.

## MIA expects growth in passenger traffic to resume during this year

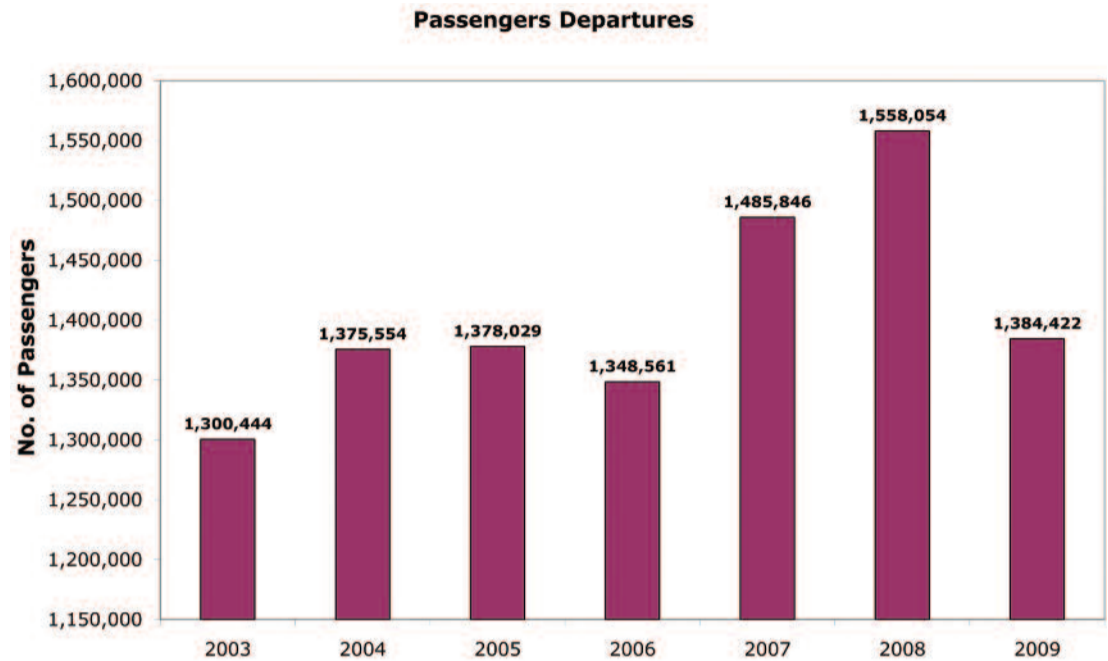
**M**alta International Airport plc held a press conference earlier this week announcing the actual passenger movements during 2009 and providing a traffic forecast for 2010. MIA's CEO Mr Julian Jaeger confirmed the upward trend in passengers during the final quarter of last year with the airport operator registering a 6.5 per cent growth in passenger numbers during December as seat capacity increased by 4.2 per cent.

The growth experienced in December helped the company trim this year's decline to 6.1 per cent over the record numbers registered in 2008 and compares favorably to the company's forecasts of a 6.8 per cent drop in 2009. Originally in January 2009, MIA had estimated passenger traffic to decline by 5.5 per cent during the year but following the very weak performance during the first six months, this forecast was revised downwards in July to a decrease of 6.8 per cent.

Given the fact that 2008 was a record year for the tourism industry when the airport operator registered over 3.1 million passenger movements, Mr Jaeger made a comparison to the traffic in 2007 and remarked that the 2009 performance represents a decline of only 1.7 per cent which according to the CEO is an acceptable performance given the adverse economic conditions especially those of the UK - Malta's main tourism market. The deep recession in the UK also had a negative effect on sterling which declined sharply against the euro thus providing further challenges to the tourism industry.

During the press conference MIA's CEO analysed the main markets which contributed to the passenger volumes in 2009. The UK remained the most important market and although passenger movements declined by 6.7 per cent, the UK's market share was 34.2 per cent followed by Italy at 17.1 per cent. The Italian market registered growth following the new routes by Ryanair while on the other hand passenger volumes to Germany declined by 12.7 per cent (14.3 per cent market share) as a result of the decision by Ryanair to discontinue the Bremen route.

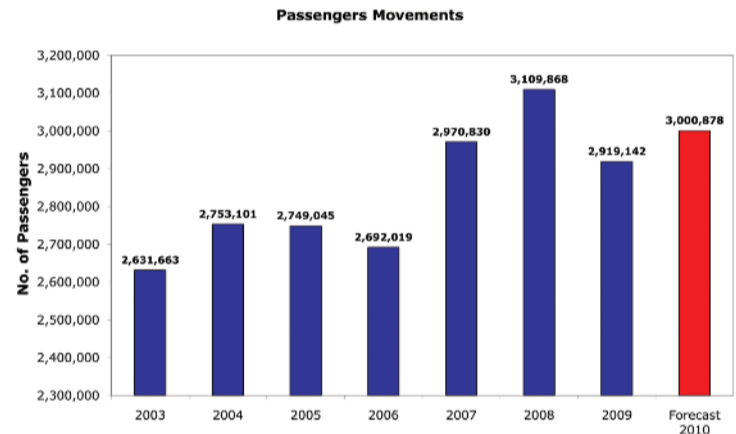
With respect to carrier dependency, Mr Jaeger confirmed that Air Malta remained the company's most important client with a market share of 56 per cent although the local legacy carrier registered a six per cent decline in passengers



during the year. On the other hand, Ryanair and Easyjet continued to experience an increase in passengers via MIA and further growth is expected from these two low-cost carriers as a result of the new routes to be serviced in 2010. Ryanair saw a 13 per cent increase in passengers to Malta helping its market share improve to 15 per cent while Easyjet registered eight per cent growth leading to a six per cent share in 2009. MIA's CEO confirmed that passenger throughput from chartered flights showed a sharp decline in 2009 (-33 per cent) and this downward trend is expected to continue in 2010.

Following the detailed analysis of the movements in 2009, Mr Jaeger announced that MIA is forecasting a 2.8 per cent growth in passenger movements for 2010 (amounting to just over three million passengers). MIA's CEO stated that this initial forecast is based on the information currently available to the company on the new routes for 2010 and on the assumption that AirMalta will maintain its seat capacity on similar levels to those of 2009. The new routes include an additional three by Easyjet from Liverpool, Milan and Rome; Ryanair's flights from Leeds Bradford and Bournemouth; a connection to East Midlands by BMI and summer flights to Oslo and Copenhagen from Norwegian.

Mr Jaeger confirmed that discussions for additional routes are ongoing and any success in this area should result in improved passenger numbers for the company. However, the CEO remarked that the economic climate of Malta's main markets (UK, Italy and Germany) affect the airlines decisions on whether to confirm additional routes.



A short overview of the new investment in the business centre was also provided at the press conference. Mr Jaeger explained that following the issue last week of the planning authority's permit, excavation works are expected to commence shortly and the new business centre should be completed within 18 months, i.e. by the second half of 2011. Following last year's agreement with anchor tenant Vodafone Malta Ltd, the airport operator has been in discussions with other prospective tenants for the remaining retail and office space available for rent amounting to over 10,000 square metres.

MIA is shortly expected to commence marketing the availability of the extensive areas within the business centre and the CEO confirmed that the company will also start reviewing the master plans of the area surrounding the air terminal. Mr Jaeger did not rule out the possibility of further similar real estate developments should the company experience a strong demand from prospective tenants.

The estimated return to passenger growth in 2010, albeit minimal, should continue to reassure MIA's many shareholders who had seen the price of their shares decline to a low of two euros in recent months. The improved sentiment across international and local equity markets coupled with the improving passenger figures in recent months has helped the equity recover by 35 per cent from its low to a last traded price of €2.70.

MIA is shortly expected to publish its 2009 full-year results. During the first six months of the year, MIA had managed to register a two per cent rise in revenue despite the 10.9 per cent decline in passengers during the period. The ongoing diversification strategy of the company to increase retail and property income and reduce dependency on aviation revenue should continue to enable the company to maintain healthy dividend payouts to shareholders in the coming years especially once the new business centre begins contributing to the revenue figure from 2012.

“  
**MIA is forecasting a 2.8 per cent growth in passenger movements for 2010.**”

Rizzo, Farrugia & Co. (Stockbrokers) Ltd, RFC, is a member of the Malta Stock Exchange and licensed by the Malta Financial Services Authority. This report has been prepared in accordance with legal requirements. It has not been disclosed to the issuer/s herein mentioned before its publication. It is based on public information only and is published solely for informational purposes and is not to be construed as a

solicitation or an offer to buy or sell any securities or related financial instruments. The author and other relevant persons may not trade in the securities to which this report relates (other than executing unsolicited client orders) until such time as the recipients of this report have had a reasonable opportunity to act thereon. RFC, its directors, the author of this report, other employees or RFC on behalf of its clients, have

holdings in the securities herein mentioned and may at any time make purchases and/or sales in them as principal or agent. Stock markets are volatile and subject to fluctuations which cannot be reasonably foreseen. Past performance is not necessarily indicative of future results. Neither RFC, nor any of its directors or employees accept any liability for any loss or damage arising out of the use of all or any part thereof and no

representation or warranty is provided in respect of the reliability of the information contained in this report.

© 2010 Rizzo, Farrugia & Co. (Stockbrokers) Ltd. All rights reserved.

[www.rizzofarrugia.com](http://www.rizzofarrugia.com)

