

# MAG mulls flight-hour lease extensions, new Firefly leases

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Malaysia Aviation Group (MAG), parent of Malaysia Airlines, says that the latter's usage-based rent agreements with lessors will expire at the end of 2021.

These could be extended by another 12 months as part of restructuring requests previously agreed with lessors, although the airline has "not pulled the trigger" on that yet, says MAG chief executive Izham Ismail. "We have a contingent deferral option in 2022, which we will be evaluating based on market conditions," the group chief explains.

MAG may also seek new leases for its Firefly subsidiary, he says.

Izham says that lease savings are integral to MAG's plan to reduce unit costs to MYR19.9 sen in 2022 from MYR24.3 sen in 2019. This, he says, will be driven by factors including a 30% reduction in aircraft monthly lease rates.

In a media briefing it was also revealed Malaysia Airlines will seek to retire its Airbus A380 fleet this year, and that it plans to receive 25 on-order Boeing 737 Max 8 aircraft from 2023 to 2024.

It expects to complete all of its Max deliveries over three to four years.

On the current widebody fleet, Izham says he is "cognisant" of a replacement need for older Airbus A330 aircraft in the coming years. The "campaign" for that will start in 2023, the trained A330 pilot notes, with deliveries of new aircraft from 2025. No selection has yet been made," Izham told *Airfinance Journal*.

MAG hopes to end 2021 with a fleet of 27 widebodies (22 operational) and 47 narrowbodies, excluding the group's six A380s.

"We are still looking at ways and means to dispose of our 380 fleet. At the moment, the management is convinced that the 380 doesn't fit the future plan," Izham says.

In its new long-term business plan, unveiled today (4 May), MAG said it was repositioning itself as a global travel group to expand beyond the airline business, becoming a "one-stop centre for all travel needs". For this the group is redoubling its digital transformation efforts, says Izham.

MAG's largest shareholder, sovereign wealth fund Khazanah Nasional, is set to pump MYR3.6 billion of working capital into the group.

The funds are earmarked to also expand the group's Firefly operations, cargo division Mas Kargo and its MRO arm.

Izham confirms an *Airfinance Journal* report last month that Firefly sold three ATR72s, noting that Firefly's fleet is now down to seven ATR72s.

Firefly has replaced these with three 737-800s on "damp lease" from Malaysia Airlines, the group CEO confirms, adding that he hopes to grow the Firefly fleet to eight 737-800 aircraft by the end of 2022. Firefly will be positioned as a low-cost carrier competing in the domestic and short-haul regional markets to "recapture lost market share".

The long-term plan is for Firefly to compete with the regional budget airline heavyweights, says Izham. From next year, he says MAG will "explore new leases" for the future Firefly fleet.

A tie-up with Air Asia is not on the cards, Izham promises, noting the "whole story" is mostly media conjecture, as is, he says, a recent report suggesting MAG had hired Goldman Sachs to support its strategy development, and that the US bank could be a potential future investor in MAG.

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