

Capital A Berhad

(5099 | CAPITALA MK) Main | Transportation & Logistics

Consolidated AAV in Jun-23

KEY INVESTMENT HIGHLIGHTS

- **Core LATAMI of -RM178.2m in 2QFY23 missed our estimate**
- **Seat capacity recovered to 73% in 2QFY23**
- **Aims to reactivate an additional 35 aircraft by year-end**
- **Downward revision of FY23E/FY24F/FY25F earnings by -257%/-21%/-6%**
- **Maintain NEUTRAL with a revised TP of RM0.90**

Below expectations. Capital A Berhad (Capital A) reported core LATAMI of -RM178.2m in 2QFY23, resulting in a cumulative core LATAMI of -RM161.6m for 1HFY23. This fell short of our projection, due to the accounting consolidation of Asia Aviation Public Limited (AAV) which operates Thai AirAsia (TAA) in Jun-23.

Quarterly. Against 2QFY22, the core LATAMI was +78.9%yoy narrower, accompanied by the Group's revenue more than doubling to RM3.15b (+115.0%yoy). This growth was fueled by flight volume recovery, which also benefitted the non-aviation entities. Total seat capacity rebounded to 73% of 2019 level in 2QFY23, while the load factor remained healthy at above 85%. To note, we have excluded a RM1.37b gain on the remeasurement of previously held interest in AAV from the core losses. In its investment phase, BigPay remains the only non-aviation entity operating at a loss, but it has been narrowing and it is presently negotiating with Visa to reduce scheme fees. Sequentially, revenue was up by +24.6%qoq with about 79% or 165 aircraft being reactivated (1QFY23: 70%).

Outlook. With the addition of more seat capacity, the load factor is projected to remain strong at close to 90%. The delay in full fleet reactivation, initially set for Aug-23, is due to shortages of components and cabin furnishing, as well as maintenance needs for aging aircraft. The Group now aims to reactivate the additional 35 aircraft by Dec-23. Nonetheless, we anticipate further upside from the current high yield environment. In 2QFY23, fares remained +15.0% higher than pre-Covid levels and it is expected to surge in 2HFY23, reaching its peak in 4QFY23. We also draw optimism on the upward trajectory of ancillary revenue per pax, standing at RM49 in 2QFY23 (+37.0% vs. 2019 level), driven by strong new product initiatives and dynamic pricing.

Maintain NEUTRAL. We cut our FY23E/FY24F/FY25F earnings by -257%/-21%/-6% to account for the consolidation of AAV. As such, our TP is now lower at **RM0.90** (from RM1.00) based on the revised 8x FY24F EPS. With its current valuation aligning closely with its pre-Covid historical mean, we maintain our **NEUTRAL** call on the stock. A key driving factor would be faster-than-expected restoration of network and capacity to pre-Covid levels.

Maintain NEUTRAL
Revised Target Price: RM0.90
 (from RM1.00)

RETURN STATISTICS

Price @ 29 th August 2023 (RM)	0.95
Expected share price return (%)	-5.3
Expected dividend yield (%)	+0.0
Expected total return (%)	-5.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.9	4.6
3 months	17.9	15.4
12 months	57.9	64.1

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	13,484.2	14,400.4	15,537.2
Operating profit	935.2	1,827.6	2,136.3
PBT	-255.6	569.9	864.8
Core PATAMI	-194.3	433.1	657.3
EPS (sen)	-	10.7	16.2

KEY STATISTICS

FBM KLCI	1,454.44
Issue shares (m)	4161.79
Estimated free float (%)	75.56
Market Capitalisation (RM'm)	4,021.49
52-wk price range	RM0.56 - RM1.12
3-mth average daily volume (m)	19.0
3-mth average daily value (RM'm)	17.5
Top Shareholders (%)	
Tune Air Sdn Bhd	12.3
Tune Live Sdn Bhd	12.1
Positive Boom Limited	7.9

CAPITAL A: 2Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				Cumulatively			
Income Statement	2Q23	1Q23	2Q22	QoQ	YoY	6M23	6M22	YoY
Revenue	3,151.1	2,529.7	1,465.4	24.6%	115.0%	5,680.8	1,893.0	200.1%
EBIT	77.0	138.5	-263.4	-44.4%	129.2%	215.5	-952.8	122.6%
Finance costs	-361.1	-176.5	-244.2	-104.6%	-47.9%	-537.5	-482.5	-11.4%
Associates & JVs	-24.4	13.4	-291.5	-282.4%	91.6%	-11.0	-434.6	97.5%
PBT	-418.6	29.9	-1,128.2	<-100%	62.9%	-388.7	-2,235.3	82.6%
Taxation	-7.7	-3.9	-6.4	-99.8%	-21.4%	-11.6	-7.1	-63.1%
PATAMI	-237.4	57.1	-944.9	-515.9%	74.9%	-180.4	-1,879.3	90.4%
Core PATAMI	-178.2	16.7	-844.8	<-100%	78.9%	-161.6	-1,728.4	90.7%

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly				Cumulatively			
Revenue	2Q23	1Q23	2Q22	QoQ	YoY	6M23	6M22	YoY
Aviation	2,886.3	2,239.0	1,377.2	28.9%	109.6%	5,125.3	2,006.2	155.5%
Engineering	137.9	103.3	75.3	33.5%	83.1%	241.2	131.5	83.4%
Teleport	167.0	152.0	98.8	9.9%	69.0%	319.0	245.8	29.8%
Superapp	169.6	158.8	82.0	6.8%	106.7%	328.4	139.8	134.9%
BigPay	11.0	10.7	7.2	2.8%	53.4%	21.8	13.2	65.2%
Santan	25.9	-	1.3	-	1936.7%	-	-	-
EBITDA	2Q23	1Q23	2Q22	QoQ	YoY	6M23	6M22	YoY
Aviation	404.7	500.8	152.0	-19.2%	166.2%	905.5	-118.1	866.7%
Engineering	36.8	18.6	26.9	98.4%	36.9%	55.4	36.4	52.4%
Teleport	9.2	9.0	-25.3	1.4%	136.2%	18.2	-30.4	159.8%
Superapp	39.7	24.4	0.9	63.2%	4186.6%	64.1	-19.6	427.5%
BigPay	-11.4	-27.8	-32.4	58.9%	64.7%	-39.2	-64.2	38.9%
Santan	2.2	-	-0.6	-	499.8%	-	-	-

AVIATION (MAA, IAA, PAA & TAA)

Key Indicators	Quarterly				Cumulatively			
	2Q23	1Q23	2Q22	QoQ	YoY	6M23	6M22	YoY
Passengers (m)	11.1	8.6	5.6	29.3%	99.5%	19.7	9.3	111.3%
Capacity (m)	12.7	9.8	6.6	29.9%	93.0%	22.5	11.5	95.3%
Load factor	87%	88%	84%	-1.1%	3.6%	87%	81%	7.4%
RPK (m)	12,868	9,728	5,278	32.3%	143.8%	22,597	8,508	165.6%
ASK (m)	15,027	11,201	6,380	34.2%	135.5%	26,229	10,668	145.9%
Average fare (RM)	205	210	214	-2.4%	-4.2%	207	181	14.4%
Unit pax revenue (RM)	254	258	252	-1.6%	0.8%	256	215	19.1%
RASK (sen)	18.72	19.75	21.95	-5.2%	-14.7%	19.16	18.79	2.0%
CASK (sen)	22.23	19.69	30.42	12.9%	-26.9%	21.15	31.44	-32.7%
CASK ex-fuel (sen)	14.72	11.13	19.44	32.3%	-24.3%	13.19	21.61	-39.0%
Aircraft	210	154	154	36.4%	36.4%	210	154	36.4%
Avg. stage length (km)	1,143	1,140	958	0.3%	19.3%	1,141	919	24.2%
Number of flights	69,639	53,524	35,670	30.1%	95.2%	123,163	62,586	96.8%
Fuel used (m barrels)	2.4	1.8	1.1	34.3%	127.9%	4.2	1.8	137.1%
Avg. fuel price (USD)	104	121	151	-14.0%	-31.1%	110	133	-17.3%

Source: Capital A, MIDFR

NON-AVIATION

Key Indicators	Quarterly					Cumulatively		
	2Q23	1Q23	2Q22	QoQ	YoY	6M23	6M22	YoY
BigPay								
Total users (m)	3.9	3.8	3.3	3.5%	17.4%	-	-	-
Carded users (m)	1.4	1.4	1.2	3.5%	16.3%	-	-	-
airasia Superapp								
Monthly active users (m)	15.0	12.9	10.8	17.0%	39.7%	-	-	-
No. of transactions (m)	7.9	6.0	3.9	31.8%	101.9%	13.9	6.9	100.8%
Gross booking value (RM' b)	3.38	3.11	1.61	8.7%	109.6%	6.50	2.35	176.7%
Teleport								
Tonnage (tonnes)	45,250	35,723	22,133	26.7%	104.4%	80,973	47,758	69.5%
Yield (RM/kg)	3.09	3.34	4.03	-7.5%	-23.3%	-	-	-
No. of delivery (m)	4.9	5.9	1.2	-17.2%	321.4%	10.7	2.1	411.2%
ADE								
No. of hangar line	7	7	3	0.0%	133.3%	-	-	-
Base maintenance check	22	14	12	57.1%	83.3%	36	20	80.0%
Line maintenance check	2,646	-	949	-	178.8%	-	-	-
GTR								
Flights handled	36,691	-	23,281	-	57.6%	-	-	-
Cargo handled (tonnes)	16,787	-	12,092	-	38.8%	-	-	-
Santan								
Inflight products (m)	4.8	-	1.7	-	189.3%	-	-	-
Ready-to-eat & frozen food	62,087	-	74,019	-	-16.1%	-	-	-
Restaurant & café	198,169	-	168,214	-	17.8%	-	-	-

Source: Capital A, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	1,682.9	6,437.1	13,484.2	14,400.4	15,537.2
Operating profit	-2,845.6	-1,393.8	935.2	1,827.6	2,136.3
PBT	-3,575.0	-3,303.7	-255.6	569.9	864.8
PATAMI	-2,991.1	-2,626.4	-194.3	433.1	657.3
Core PATAMI	-2,860.8	-2,564.0	-194.3	433.1	657.3
EPS (sen)	-	-	-	10.7	16.2
PER (x)	-	-	-	8.9x	5.9x
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
ROU assets	9,750.7	10,182.1	8,887.2	7,707.0	6,596.5
PPE	933.5	882.9	840.5	804.4	773.7
Non-current assets	17,580.1	18,158.6	18,714.8	17,867.3	17,143.1
Trade debtors	608.4	651.0	1,329.9	1,420.3	1,532.4
Cash & cash equivalents	1,256.8	470.0	2,499.6	4,522.0	6,830.6
Current assets	2,449.7	1,769.0	4,548.1	6,661.4	9,100.3
Long-term debt	1,422.7	2,405.8	3,405.8	4,405.8	5,405.8
Non-current liabilities	17,248.9	19,166.5	20,166.5	21,166.5	22,166.5
Trade creditors	2,308.9	2,878.6	4,091.3	4,099.1	4,369.1
Short-term debt	887.2	531.0	531.0	531.0	531.0
Current liabilities	9,203.9	10,278.0	11,490.8	11,498.5	11,768.5
Share capital	8,457.2	8,655.0	8,655.0	8,655.0	8,655.0
Retained earnings	-6,213.4	-8,719.2	-8,913.4	-8,480.3	-7,823.1
Equity	-6,422.9	-9,517.0	-8,394.3	-8,136.4	-7,691.6
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	-3,575.0	-3,303.7	-255.6	569.9	864.8
Operating cash flow	-677.7	-282.1	1,903.8	1,913.7	2,335.6
Investing cash flow	389.0	-210.5	-295.0	-345.0	-395.0
Financing cash flow	1,070.3	-313.7	554.0	453.7	368.0
Net cash flow	781.7	-806.3	2,162.8	2,022.4	2,308.6
Beginning cash flow	465.9	1,177.9	336.8	2,499.6	4,522.0
Ending cash flow	1,177.9	336.8	2,499.6	4,522.0	6,830.6
Profitability Margins	2021A	2022A	2023E	2024F	2025F
OP margin	-	-	6.9%	12.7%	13.7%
PBT margin	-	-	-	4.0%	5.6%
PATAMI margin	-	-	-	3.0%	4.2%
Core PATAMI margin	-	-	-	3.0%	4.2%

Source: Capital A, 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