

## Capital A Berhad

(5099 | CAPITALA MK) Main | Transportation & Logistics

### Cost Weighs


#### KEY INVESTMENT HIGHLIGHTS

- **Core LATAMI in 3QFY23 was wider-than-expected**
- **Total seat capacity recovered to 73% in 3QFY23**
- **Aims to reactivate the remaining 24 aircraft by 1QFY24**
- **Downward revision of earnings by between -1% to -105%**
- **Maintain NEUTRAL with a revised TP of RM0.80**

**Below expectations.** Capital A Berhad (Capital A) posted a core LATAMI of -RM117.0m in 3QFY23, leading to a total core LATAMI of -RM292.5m for 9MFY23. This fell short of expectations, surpassing our full-year loss estimates by +151%, while consensus estimates expect a net profit this year. The deviation was attributed to higher-than-expected operating expenses.

**Quarterly.** Compared to 3QFY22, the core LATAMI contracted by +78.8%yoy as the Group's revenue more than doubled. With 75% of the fleet in operation in 3QFY23, set capacity recovered to 73% of 2019 levels, while robust travel maintained an 89% load factor (domestic: 94%, international: 84%). As for the non-aviation entities, it is worth noting that both BigPay and airasia move (formerly airasia Superapp) may have incurred substantial marketing expenses in 3QFY23 as part of its rebranding. Meanwhile, Teleport slipped into the red due to the induction costs of its first of three Airbus A321F freighters into its fleet mix. Sequentially, revenue rose by +34.3%qoq with the reactivation of six additional aircraft.

**Outlook.** With increased seat capacity, the load factor is forecasted to remain robust at close to 90% as we enter the peak season in 4QFY23. The full fleet activation (initially targeted for Dec-23), faces delays, and the revised plan now aims to bring back 24 aircraft from storage in 1QFY24. Leveraging the recent visa exemption announcement for Malaysians and Thais, the Group plans to adjust its capacity growth for China. Chinese routes' seat capacity reached approximately 60% in 3QFY23, and a full recovery is anticipated in 2HFY24. On the fuel cost front, the Group can find relief partly through the ongoing fuel surcharges and higher airfares compared to pre-Covid, attributed to rational pricing.

**Maintain NEUTRAL.** After factoring in increased fuel and maintenance & overhaul costs, we adjusted our FY23E earnings downwards by -105% and made marginal changes to FY24F/FY25F earnings by -6%/-1% respectively. Consequently, our TP is now reduced to **RM0.80** (from RM0.90) based on the adjusted 8x FY24F EPS. With the forward valuation aligning with its pre-Covid historical mean, we maintain our **NEUTRAL** call on the stock. The key catalyst remains the potential for a faster-than-expected restoration of network and seat capacity to pre-Covid levels. 

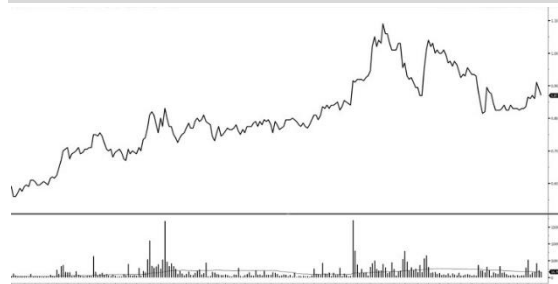
**Maintain NEUTRAL**

**Revised Target Price: RM0.80**  
(Previously RM0.90)

#### RETURN STATISTICS

Price @ 30 <sup>th</sup> November 2023 (RM)	0.87
Expected share price return (%)	-8.0
Expected dividend yield (%)	0.0
Expected total return (%)	-8.0

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.5	4.2
3 months	-10.3	-9.6
12 months	47.5	51.4

#### INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	13,484.2	14,400.4	15,537.2
Operating profit	667.2	1,793.4	2,128.2
PBT	-523.6	535.7	856.7
Core PATAMI	-398.0	407.1	651.1
EPS (sen)	-	9.8	15.6

#### KEY STATISTICS

FBM KLCI	1,452.74
Issue shares (m)	4,161.8
Estimated free float (%)	75.58
Market Capitalisation (RM'm)	3,666.3
52-wk price range	RM0.56 - RM1.12
3-mth average daily volume (m)	19.08
3-mth average daily value (RM'm)	17.47
Top Shareholders (%)	
Tune Air Sdn Bhd	12.3
Tune Live Sdn Bhd	12.1
Positive Boom Limited	7.9

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**CAPITAL A: 3Q23 RESULTS SUMMARY**

FYE Dec (RM'm)	Quarterly				Cumulatively			
	3QFY23	2QFY23	3QFY22	QoQ	YoY	9MFY23	9MFY22	YoY
<b>Income Statement</b>								
Revenue	4,231.4	3,151.1	1,960.9	34.3%	115.8%	9,912.3	4,238.1	133.9%
EBIT	21.2	-1,219.5	34.6	101.7%	-38.5%	-1,114.2	-930.0	-19.8%
Finance costs	-368.2	-361.1	-264.5	-2.0%	-39.2%	-905.7	-747.0	-21.2%
Associates & JVs	-0.3	-24.4	-226.8	98.6%	99.8%	-11.4	-661.4	98.3%
PBT	-488.2	-359.4	-804.6	-35.8%	39.3%	-872.0	-3,007.4	71.0%
Taxation	81.2	-7.7	10.4	>100%	678.0%	69.6	3.3	>100%
PATAMI	-178.8	-237.4	-901.3	24.7%	80.2%	996.6	-2,736.3	136.4%
Core PATAMI*	-117.0	-1,534.0	-552.1	92.4%	78.8%	-292.5	-2,398.9	87.8%

\*Note: There was a one-off RM1.37b gain on remeasurement of previously held interest in Asia Aviation Public Limited (AAV) recognised in 2QFY23.

**SEGMENTAL BREAKDOWN**

FYE Dec (RM'm)	Quarterly				Cumulatively			
	3QFY23	2QFY23	3QFY22	QoQ	YoY	9MFY23	9MFY22	YoY
<b>Revenue</b>								
Aviation	3,948.9	2,886.3	1,825.6	36.8%	116.3%	9,074.2	3,831.8	136.8%
ADE	164.6	137.9	79.6	19.3%	106.7%	405.8	211.1	92.2%
Teleport	188.9	167.0	110.4	13.1%	71.1%	507.8	356.2	42.6%
airasia move	171.4	169.6	101.7	1.1%	68.4%	499.7	241.5	106.9%
BigPay	11.1	11.0	8.5	0.2%	29.9%	32.8	21.7	51.4%
Santan	42.0	25.9	11.0	62.0%	282.7%	68.0	12.3	454.6%
<b>EBITDA</b>								
Aviation	385.1	404.7	107.7	-4.8%	257.7%	1,290.6	-10.4	>100%
ADE	42.8	36.8	19.7	16.1%	117.1%	98.2	56.1	75.1%
Teleport	-3.7	9.2	5.1	-139.9%	-171.1%	14.5	-25.3	157.5%
airasia move	11.7	39.7	15.8	-70.5%	-25.9%	75.8	-3.7	>100%
BigPay	-22.2	-11.4	-33.0	-93.8%	32.8%	-61.4	-97.2	36.8%
Santan	10.2	2.2	-0.2	354.7%	>100%	12.4	-0.8	>100%

**AVIATION SEGMENT (MAA, IAA, PAA & TAA)**

Key Indicators	Quarterly				Cumulatively			
	3QFY23	2QFY23	3QFY22	QoQ	YoY	9MFY23	9MFY22	YoY
Passengers (m)	14.7	11.1	7.1	32.6%	106.3%	34.4	16.4	109.1%
Capacity (m)	16.5	12.7	8.3	29.5%	99.0%	39.0	19.8	96.8%
Load factor	89%	87%	86%	2.3%	3.5%	88%	83%	6.0%
RPK (m)	17,550	12,868	7,323	36.4%	139.7%	40,147	15,831	153.6%
ASK (m)	19,973	15,027	8,554	32.9%	133.5%	46,202	19,222	140.4%
Average fare (RM)	216	205	233	5.4%	-7.3%	211	203	3.9%
Unit pax revenue (RM)	266	254	274	4.7%	-2.9%	261	241	8.3%
RASK (sen)	19.60	18.72	22.80	4.7%	-14.0%	19.35	20.57	-5.9%
CASK (sen)	22.71	22.23	29.20	2.2%	-22.2%	21.82	30.44	-28.3%
CASK ex-fuel (sen)	13.82	14.72	18.18	-6.1%	-24.0%	13.46	20.08	-33.0%
Aircraft	211	210	153	0.5%	37.9%	211	153	37.9%
Avg. stage length (km)	1,148	1,143	1,022	0.4%	12.3%	1,306	962	35.8%
Number of flights	90,315	69,639	44,786	29.7%	101.7%	213,478	107,462	98.7%
Fuel used (m barrels)	3.3	2.4	1.4	33.8%	126.5%	7.5	3.2	132.3%
Avg. fuel price (USD)	121	104	151	16.3%	-19.9%	114	141	-19.1%

Source: Capital A, MIDFR

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
Revenue	1,682.9	6,437.1	13,484.2	14,400.4	15,537.2
Operating profit	-2,845.6	-1,393.8	667.2	1,793.4	2,128.2
PBT	-3,575.0	-3,303.7	-523.6	535.7	856.7
PATAMI	-2,991.1	-2,626.4	-398.0	407.1	651.1
Core PATAMI	-2,860.8	-2,564.0	-398.0	407.1	651.1
EPS (sen)	-	-	-	9.8	15.6
PER (x)	-	-	-	8.9x	5.6x

<b>Balance Sheet (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
ROU assets	9,750.7	10,182.1	8,887.2	7,707.0	6,762.4
PPE	933.5	882.9	827.2	780.7	741.9
<b>Non-current assets</b>	<b>17,580.1</b>	<b>18,158.6</b>	<b>18,701.6</b>	<b>17,843.6</b>	<b>17,277.3</b>
Trade debtors	608.4	651.0	1,329.9	1,420.3	1,532.4
Cash & cash equivalents	1,256.8	470.0	2,467.9	4,394.6	6,527.2
<b>Current assets</b>	<b>2,449.7</b>	<b>1,769.0</b>	<b>4,527.9</b>	<b>6,539.7</b>	<b>8,801.7</b>
Long-term debt	1,422.7	2,405.8	3,405.8	4,405.8	5,405.8
<b>Non-current liabilities</b>	<b>17,248.9</b>	<b>19,166.5</b>	<b>20,166.5</b>	<b>21,166.5</b>	<b>22,166.5</b>
Trade creditors	2,308.9	2,878.6	4,261.5	4,183.4	4,440.5
Short-term debt	887.2	531.0	531.0	531.0	531.0
<b>Current liabilities</b>	<b>9,203.9</b>	<b>10,278.0</b>	<b>11,661.0</b>	<b>11,582.9</b>	<b>11,839.9</b>
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	-9,117.1	-8,710.0	-8,058.9
<b>Equity</b>	<b>-6,422.9</b>	<b>-9,517.0</b>	<b>-8,598.0</b>	<b>-8,366.1</b>	<b>-7,927.4</b>

<b>Cash Flow (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
PBT	-3,575.0	-3,303.7	-523.6	535.7	856.7
Operating cash flow	-677.7	-282.1	1,872.1	1,818.0	2,159.6
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
<b>Net cash flow</b>	<b>781.7</b>	<b>-806.3</b>	<b>2,131.1</b>	<b>1,926.7</b>	<b>2,132.6</b>
<b>Beginning cash flow</b>	<b>465.9</b>	<b>1,177.9</b>	<b>336.8</b>	<b>2,467.9</b>	<b>4,394.6</b>
<b>Ending cash flow</b>	<b>1,177.9</b>	<b>336.8</b>	<b>2,467.9</b>	<b>4,394.6</b>	<b>6,527.2</b>

<b>Profitability Margins</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
OP margin	-	-	4.9%	12.5%	13.7%
PBT margin	-	-	-	3.7%	5.5%
PATAMI margin	-	-	-	2.8%	4.2%
Core PATAMI margin	-	-	-	2.8%	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