

Capital A Berhad

(5099 | CAPITALA MK) Main | Transportation & Logistics

Listing of AirAsia's Brand Manager on Nasdaq

KEY INVESTMENT HIGHLIGHTS

- **Proposed AirAsia brand listing on Nasdaq via SPAC**
- **Pro forma enhancement to the negative shareholders' equity by RM2.46b**
- **The proposals are to be completed by 1QFY25**
- **Forward earnings estimates remain unchanged**
- **Maintain NEUTRAL with an unchanged TP of RM0.80**

Details of the proposed reverse listing. Capital A Berhad (Capital A) is segregating the management of its aviation brand, AirAsia, and integrating it into Nasdaq-listed special purpose acquisition company (SPAC) Aetherium Acquisition Corp. (GMFI) for a transaction consideration of USD1.15b. The plan involves merging GMFI with a Capital A International (CAPI) unit, housing the AirAsia brand and various other owned trademarks and intellectual properties (IPs). Capital A stands to receive 94% of the expanded share capital valued at USD1.0b, intending to distribute 47.94% of CAPI's stake to shareholders, retaining 46.06%, while the remaining 6% will be retained by existing GMFI shareholders (refer to Figure 1 and 2).

Impact on the Group. Following the completion of the proposals, the Group will no longer consolidate Brand AA's income. Brand AA's PATMI stands at RM16.1m as per its unaudited FY23 financial statement. It is worth noting that AirAsia Aviation Group Ltd pays a royalty fee of 1.0% of revenue from AirAsia's airlines in Malaysia, Thailand, Indonesia, and the Philippines. For AirAsia X, the fee is 0.5%, while Thai AirAsia X incurs a higher fee rate of 1.5% of revenue. However, the Group will continue to record a portion of profits in CAPI, in line with its ownership percentage of the expanded issued shares of CAPI.

Paving the way for its exit from PN17 status. We view this as a positive step in the Group's strategy to facilitate its exit from PN17 status, alongside the sale of its aviation business to AirAsia X Berhad (AAX). The proposals are anticipated to yield a pro forma enhancement to the Group's negative shareholders' equity, which was at -RM10.53b as of 3QFY23, by RM2.49b. The proposals are expected to be completed by 1QFY25.

Maintain NEUTRAL. We maintain our **NEUTRAL** call on the stock with an unchanged TP of **RM0.80** (based on FY24F EPS) as it is trading at its pre-pandemic mean. Key catalysts for potential growth would include a faster-than-expected restoration of its network and capacity to pre-pandemic levels.

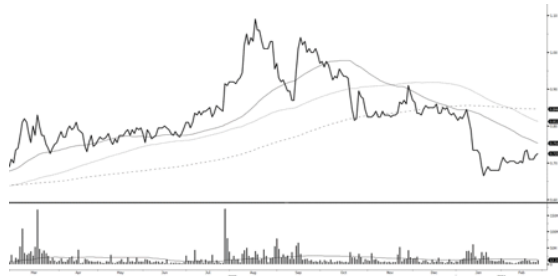
Maintain NEUTRAL

Unchanged Target Price: RM0.80

RETURN STATISTICS

Price @ 28 th February 2024 (RM)	0.72
Expected share price return (%)	+11.0
Expected dividend yield (%)	+0.0
Expected total return (%)	+11.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.6	3.0
3 months	-12.1	-26.0
12 months	5.1	-2.0

INVESTMENT STATISTICS

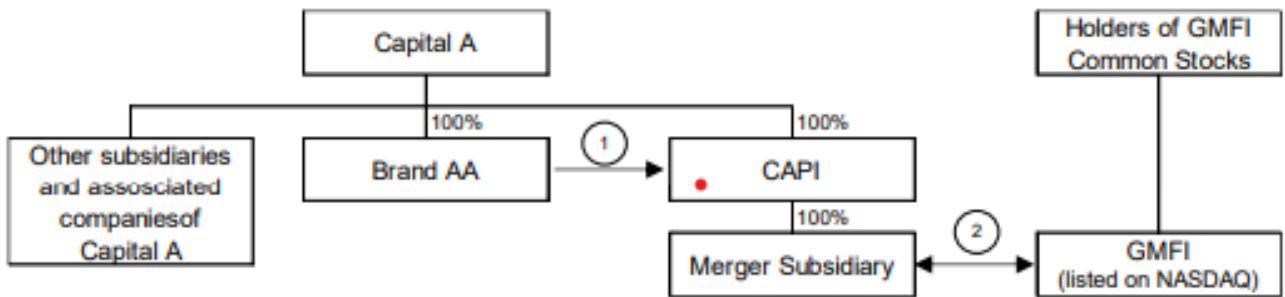
FYE Dec	2023E	2024F	2025F
Revenue	13,484.2	14,400.4	15,537.2
Operating profit	667.2	1,793.4	2,128.2
PBT	-523.6	535.7	856.7
Core PATAMI	-398.0	407.1	651.1
EPS (sen)	-	9.8	15.6

KEY STATISTICS

FBM KLCI	1,545.59
Issue shares (m)	4161.79
Estimated free float (%)	75.81
Market Capitalisation (RM'm)	3,084.64
52-wk price range	RM0.64 - RM1.12
3-mth average daily volume (m)	14.60
3-mth average daily value (RM'm)	11.38
Top Shareholders (%)	
Tune Air Sdn Bhd	12.14
Tune Live Sdn Bhd	11.96
Positive Boom Limited	7.81

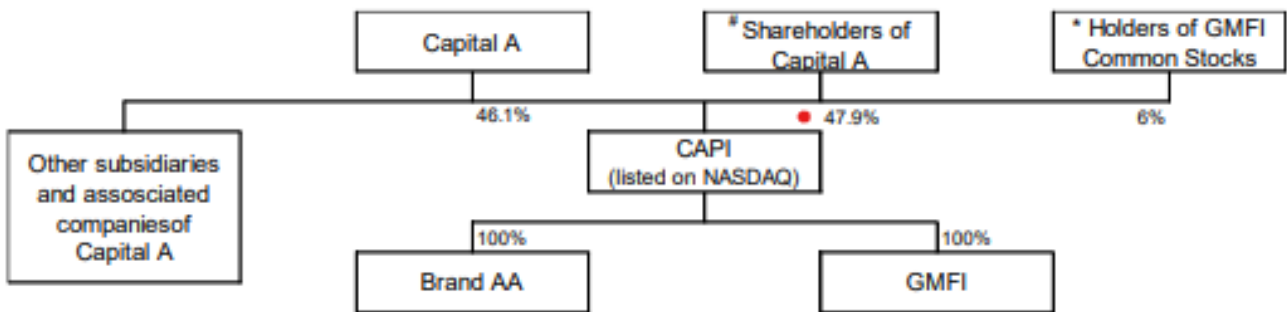
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Figure 1: The Group Structure of Capital A Before the Proposals



Source: Capital A

Figure 2: The Group Structure of Capital A After the Proposals



Source: Capital A

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	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)	-	-	-	7.4x	4.6x
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
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
Non-current assets	17,580.1	18,158.6	18,701.6	17,843.6	17,277.3
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
Current assets	2,449.7	1,769.0	4,527.9	6,539.7	8,801.7
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	4,261.5	4,183.4	4,440.5
Short-term debt	887.2	531.0	531.0	531.0	531.0
Current liabilities	9,203.9	10,278.0	11,661.0	11,582.9	11,839.9
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
Equity	-6,422.9	-9,517.0	-8,598.0	-8,366.1	-7,927.4
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
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
Net cash flow	781.7	-806.3	2,131.1	1,926.7	2,132.6
Beginning cash flow	465.9	1,177.9	336.8	2,467.9	4,394.6
Ending cash flow	1,177.9	336.8	2,467.9	4,394.6	6,527.2
Profitability Margins	2021A	2022A	2023E	2024F	2025F
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