

Capital A Berhad

(5099 | CAPITALA MK) Main | Transportation & Logistics

Rising Opex Expands Losses

KEY INVESTMENT HIGHLIGHTS

- **Core LATAMI in 4QFY23 was wider-than-expected**
- **Total seat capacity recovered to 76% in 4QFY23**
- **Aims to reactivate the remaining 14 aircraft by year-end**
- **Downward revision of earnings by between -5% to -7%**
- **Maintain NEUTRAL with a revised TP of RM0.74**

Below expectations. Capital A Berhad (Capital A) reported a core LATAMI of -RM585.1m in 4QFY23, resulting in a total core LATAMI of -RM696.0m for FY23. This undershot projections, surpassing both our and consensus full-year loss estimates by a significant margin. The deviation was attributed to higher-than-expected operating expenses.

Quarterly. Core losses widened quarter-on-quarter and year-on-year due to increased operating expenses. With 87% of the fleet in operation, capacity rebounded to 76% of 2019 levels. Robust travel demand sustained an 88% load factor, with domestic flights at 92% and international flights at 84%. BigPay remains the sole non-aviation entity facing losses, likely due to investments made for enhancement. Despite this, losses have been narrowing, and management foresees it becoming profitable by year-end. Sequentially, revenue increased by +14.8%qoq following the reactivation of 5 additional aircraft.

Outlook. The elevated maintenance costs linked to aircraft reactivation could start to normalise later this year. Management plans to gradually reactivate 14 more aircraft throughout FY24. Their target is to recover 83% of pre-Covid capacity levels by 1QFY24 and at least 90% by end-FY24. The load factor is projected to remain healthy at about 88% or higher, exceeding pre-Covid levels of 84%. The Group foresees a favourable competitive environment, with reduced competition in Malaysia following the exit of MyAirline. The focus is on scaling up domestic capacity, while internationally, they plan to expand capacity on routes to India and China, capitalising on visa-free arrangements.

Maintain NEUTRAL. We have made several adjustments to earnings, primarily by increasing operating costs, updating the full-year figures, and aligning our estimates with the management's guidance. Consequently, we have revised our FY24F/FY25F earnings estimates by -5%/-7%, and our target price is now lower at **RM0.74** (from RM0.80). Given that the forward valuation aligns with its pre-Covid historical meaning, we maintain our **NEUTRAL** call. The primary catalyst remains the potential for a faster-than-expected restoration of network and seat capacity to pre-Covid levels.



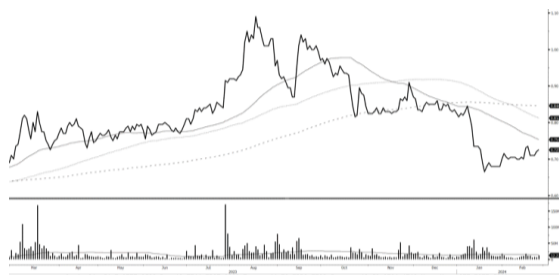
Maintain NEUTRAL

Revised Target Price: RM0.74
(Previously RM0.80)

RETURN STATISTICS

Price @ 29 th February 2024 (RM)	0.69
Expected share price return (%)	+7.2
Expected dividend yield (%)	+0.0
Expected total return (%)	+7.2

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	2023A	2024F	2025F
Revenue	14,719.4	16,278.8	18,490.5
Operating profit	586.7	1,581.7	1,831.9
PBT	-607.6	507.6	793.6
Core PATAMI	-461.8	385.8	603.1
EPS (sen)	-	9.2	14.5

KEY STATISTICS

FBM KLCI	1,551.44
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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CAPITAL A: 4Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
	4Q23	3Q23	4Q22	QoQ	YoY	FY23	FY22	YoY
Income Statement								
Revenue	4,859.4	4,231.4	2,199.0	14.8%	121.0%	14,771.7	6,437.1	129.5%
EBIT	-320.0	18.9	-310.1	<-100%	-3.2%	-1,252.5	-1,445.8	13.4%
Net finance costs	-378.6	-341.4	-265.6	-10.9%	-42.5%	-1,199.4	-964.6	-24.3%
Associates & JVs	-2.8	-0.3	316.0	-723.8%	-100.9%	-14.2	-345.4	95.9%
PBT	-309.1	-490.5	-142.6	37.0%	-116.8%	-999.6	-3,355.7	70.2%
Taxation	-95.4	81.2	-3.8	-217.5%	<-100%	-25.8	-0.5	<-100%
PATAMI	-159.6	-178.8	109.9	10.8%	-245.1%	837.0	-2,626.4	131.9%
Core PATAMI	-585.1	-119.3	-73.8	-390.3%	-693.3%	-696.0	-2,678.4	74.0%

*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		
	4Q23	3Q23	4Q22	QoQ	YoY	FY23	FY22	YoY
Revenue								
Aviation	4,612.2	3,948.9	1,808.8	16.8%	155.0%	13,686.5	5,640.6	142.6%
ADE	168.2	164.6	74.6	2.2%	125.4%	574.0	285.8	100.9%
Teleport	223.1	188.9	112.9	18.1%	97.6%	730.9	469.1	55.8%
airasia move	189.0	171.4	158.8	10.3%	19.0%	688.7	400.3	72.0%
BigPay	12.5	11.1	10.3	12.6%	21.2%	45.3	32.0	41.7%
Santan	40.3	42.0	21.8	-4.1%	84.6%	108.3	34.1	217.6%
EBITDA								
Aviation	503.7	385.1	402.8	30.8%	25.1%	1,794.4	392.4	357.3%
ADE	47.5	42.8	5.4	10.9%	783.3%	145.6	61.4	137.1%
Teleport	5.4	-3.7	-1.6	248.5%	433.0%	20.0	-26.9	174.2%
airasia move	61.1	11.7	11.9	420.7%	415.0%	136.9	8.1	1587.5%
BigPay	-9.7	-22.2	-28.9	56.1%	66.3%	-71.1	-126.1	43.6%
Santan	6.0	10.2	1.1	-40.7%	442.6%	18.4	0.3	5604.3%

AVIATION SEGMENT (MAA, IAA, PAA & TAA)

Key Indicators	Quarterly					Cumulatively		
	4Q23	3Q23	4Q22	QoQ	YoY	FY23	FY22	YoY
Passengers (m)	14.9	14.7	7.8	1.2%	90.5%	49.3	24.2	103.1%
Capacity (m)	16.9	16.5	9.1	2.5%	85.5%	55.9	0.0	>+100
Load factor	88%	89%	86%	-1.1%	2.3%	88%	84%	4.8%
RPK (m)	17,242	17,550	8,547	-1.8%	101.7%	57,389	24,377	135.4%
ASK (m)	19,962	19,973	9,974	-0.1%	100.1%	66,164	29,196	126.6%
Average fare (RM)	250	216	215	15.7%	16.3%	223	195	14.4%
Unit pax revenue (RM)	304	266	259	14.3%	17.4%	274	234	17.1%
RASK (sen)	22.66	19.60	20.26	15.6%	11.8%	20.35	19.43	4.7%
CASK (sen)	23.65	22.71	20.27	4.1%	16.7%	22.37	26.97	-17.1%
CASK ex-fuel (sen)	13.86	13.82	10.55	0.3%	31.4%	13.58	16.82	-19.3%
Aircraft	216	211	155	2.4%	39.4%	216	155	39.4%
Avg. stage length (km)	1,146	1,148	1,089	-0.2%	5.2%	1,179	1,002	17.7%
Number of flights	92,633	90,315	49,594	2.6%	86.8%	306,111	157,056	94.9%
Fuel used (m barrels)	3.3	3.3	1.6	2.7%	106.8%	10.8	4.8	123.8%
Avg. fuel price (USD)	125	121	136	3.3%	-8.1%	118	139	-15.1%

Source: Capital A, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024F	2025F
Revenue	1,682.9	6,437.1	14,771.7	16,278.8	18,490.5
Operating profit	-2,845.6	-1,393.8	-1,252.5	1,581.7	1,831.9
PBT	-3,575.0	-3,303.7	-999.6	507.6	793.6
PATAMI	-2,991.1	-2,626.4	837.0	385.8	603.1
Core PATAMI	-2,860.8	-2,678.4	-696.0	385.8	603.1
EPS (sen)	-	-	-	9.2	14.5
PER (x)	-	-	-	7.5x	4.8x
Balance Sheet (RM'm)	2021A	2022A	2023A	2024F	2025F
ROU assets	9,750.7	10,182.1	12,066.8	7,586.1	6,615.5
PPE	933.5	882.9	1,548.4	1,367.4	1,218.1
Non-current assets	17,580.1	18,158.6	25,540.1	24,974.6	24,300.5
Trade debtors	608.4	651.0	1,173.0	1,605.6	1,823.7
Cash & cash equivalents	1,256.8	470.0	703.2	2,870.4	5,347.1
Current assets	2,449.7	1,769.0	2,367.1	4,994.2	7,732.4
Long-term debt	1,422.7	2,405.8	3,651.9	4,405.8	5,405.8
Non-current liabilities	17,248.9	19,166.5	23,502.3	24,256.2	25,256.2
Trade creditors	2,308.9	2,878.6	4,301.0	4,786.3	5,431.1
Short-term debt	887.2	531.0	791.0	791.0	791.0
Current liabilities	9,203.9	10,278.0	14,874.3	15,359.7	16,004.4
Share capital	8,457.2	8,655.0	8,711.7	8,711.7	8,711.7
Retained earnings	-6,213.4	-8,719.2	-10,353.3	-8,782.8	-8,179.7
Equity	-6,422.9	-9,517.0	-10,469.5	-9,647.0	-9,227.7
Cash Flow (RM'm)	2021A	2022A	2023A	2024F	2025F
PBT	-3,575.0	-3,303.7	533.4	523.9	793.6
Operating cash flow	-677.7	-282.1	1,046.8	2,173.7	2,503.7
Investing cash flow	389.0	-210.5	-22.6	-345.0	-395.0
Financing cash flow	1,070.3	-313.7	-863.6	453.7	368.0
Net cash flow	781.7	-806.3	160.6	2,282.4	2,476.7
Beginning cash flow	465.9	1,177.9	470.0	588.0	2,870.4
Ending cash flow	1,177.9	336.8	588.0	2,870.4	5,347.1
Profitability Margins	2021A	2022A	2023A	2024F	2025F
OP margin	-	-	4.0%	9.8%	9.9%
PBT margin	-	-	-	3.2%	4.3%
PATAMI margin	-	-	-	2.4%	3.3%
Core PATAMI margin	-	-	-	2.4%	3.3%

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