

Capital A Berhad

(5099 | CAPITALA MK) Main | Transportation & Logistics

Journeying Beyond the Shadows

KEY INVESTMENT HIGHLIGHTS

- **1QFY24 core PATAMI was better than expected**
- **Robust load factor of 90% in 1QFY24**
- **Targeting full fleet reactivation and a 90% seat capacity recovery by year-end**
- **Upward revision of earnings between +6% to +39%**
- **Upgrade to BUY with a revised TP of RM1.06**

Above expectation. Capital A Berhad (Capital A) disclosed a core PATAMI of RM141.3m, surpassing expectations. This figure represents 34%/33% of our/consensus full-year estimates, respectively. The deviation from our estimates was mainly attributed to a load factor that came in higher than expected.

Quarterly. Earnings saw a notable improvement (+124.1%qoq, +150.5%yoy) on the back of increased seat capacity, robust load factor and higher yields. With 78% of aircraft operational, the airlines managed to recover an estimated 86% of seat capacity compared to 2019 levels, with each operating unit maintaining a healthy load factor exceeding 80% in 1QFY24. Yield improved as RASK (+23.6%yoy) outpaced CASK (+18.6%yoy), with CASK experiencing a marginal -1.2%qoq decrease due to lower fuel costs. Under the non-aviation segment, the drag was primarily from Move Digital, which incurred LBITDA (-115.0%qoq, -123.4%yoy) due to intensified price competition within the OTA landscape.

Outlook. By the end of FY24, Capital A plans to have 204 operational aircraft, indicating an increase of 37 aircraft from 1QFY24. This expansion will elevate the operational fleet from 78% to 92%. Furthermore, there will be an additional 9 321 NEO aircraft introduced in 2HFY24, sourced from a third-party lessor. With these developments, the Group anticipates achieving 90% of its pre-Covid capacity by year-end. The aviation segment expects a surge in arrivals from China and India, supported by the visa-free travel corridors that are valid until end-FY25, with these sectors achieving a 94% load factor in 1QFY24. It also anticipates sustaining a solid 90% load factor, which was notably outperformed by both AirAsia Philippines and Thailand in the recent quarter.

Upgrade to BUY. We have revised our earnings for FY24F/FY25F upwards by +39%/+6%, primarily to accommodate the higher load factor and slight adjustments made to average fare and ancillary revenue assumptions. However, there is a downside risk posed by the potentially high maintenance costs linked to the fleet reactivation. Following the adjustments, our target price now stands higher at **RM1.06** (based on 8x FY24 EPS) from RM0.74. The stock is currently trading at -1SD below its pre-Covid mean, prompting us to upgrade our rating from NEUTRAL to **BUY**.



Upgrade to BUY

(Previously NEUTRAL)

Revised Target Price: RM1.06

(Previously RM0.74)

RETURN STATISTICS

Price @ 29 th May 2024 (RM)	0.86
Expected share price return (%)	+23.3
Expected dividend yield (%)	+0.0
Expected total return (%)	+23.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	8.2	6.4
3 months	20.4	19.4
12 months	8.2	-5.6

INVESTMENT STATISTICS

FYE Dec	2023A	2024F	2025F
Revenue	14,771.7	21,249.2	23,049.8
Operating profit	-1,252.5	2,121.8	2,245.6
PBT	-999.6	743.7	904.4
Core PATAMI	-696.0	565.2	687.3
EPS (sen)	-16.4	13.3	16.2

KEY STATISTICS

FBM KLCI	1,605.35
Issue shares (m)	4,254.58
Estimated free float (%)	70.36
Market Capitalisation (RM'm)	3,638.52
52-wk price range	RM0.64 - RM1.12
3-mth average daily volume (m)	15.87
3-mth average daily value (RM'm)	12.68
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: 1Q24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				
Income Statement	1QFY24	4QFY23	1QFY23	QoQ	YoY
Revenue	5,241.4	4,859.4	2,529.7	7.9%	107.2%
EBIT	520.7	105.6	250.9	393.1%	107.6%
Net finance costs	-399.1	-378.6	-166.7	-5.4%	-139.4%
Associates & JVs	-1.0	-2.8	13.4	65.4%	-107.4%
PBT	-249.8	116.4	29.9	-314.6%	-935.9%
Taxation	5.6	-95.4	-3.9	105.8%	243.6%
PATAMI	-91.6	-159.6	57.1	42.6%	-260.4%
Core PATAMI	141.3	-585.1	-279.8	124.1%	150.5%

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly				
Revenue	1QFY24	4QFY23*	1QFY23	QoQ	YoY
Aviation	4,948.6	4,612.2	2,239.2	7.3%	121.0%
Teleport	224.5	223.1	152.0	0.6%	47.7%
Capital Aviation Services (ADE, Santan, DARTS & Capital A Consultancy)	250.9	208.5	189.3	20.3%	32.6%
Move Digital (AirAsia Move & BigPay)	141.2	201.5	169.5	-29.9%	-16.7%
Capital A International & others	59.4	20.6	6.1	187.9%	880.2%
EBITDA	1QFY24	4QFY23*	1QFY23	QoQ	YoY
Aviation	957.9	503.7	501.7	90.2%	90.9%
Teleport	5.3	5.4	9.0	-2.4%	-41.4%
Capital Aviation Services (ADE, Santan, DARTS & Capital A Consultancy)	46.2	53.5	27.6	-13.7%	67.4%
Move Digital (AirAsia Move & BigPay)	-7.7	51.3	-3.4	-115.0%	-123.4%
Capital A International & others	34.5	-35.6	-35.1	197.0%	198.2%

Note: The numbers provided do not include any adjustments for intercompany transactions or eliminations. Those marked with an asterisk (*) are estimated figures due to the reclassification of segments.

Source: Capital A, MIDFR

AVIATION (MAA, IAA, PAA & TAA)

Key Indicators	Quarterly				
	1QFY24	4QFY23	1QFY23	QoQ	YoY
Passengers carried	15,414,351	14,879,889	8,576,362	3.6%	79.7%
Capacity	17,048,170	16,899,802	9,794,088	0.9%	74.1%
Load factor	90%	88%	88%	2.3%	2.3%
RPK (m)	18,109	17,242	9,728	5.0%	86.2%
ASK (m)	20,237	19,962	11,201	1.4%	80.7%
Average fare	264	250	210	5.6%	25.7%
Unit passenger revenue	321	304	258	5.6%	24.4%
RASK (sen)	24.42	22.66	19.75	7.8%	23.6%
CASK (sen)	23.36	23.65	19.69	-1.2%	18.6%
CASK ex-fuel (sen)	14.05	13.86	11.13	1.4%	26.2%
Aircraft	215	216	154	-0.5%	39.6%
Average stage length (km)	1,170	1,146	1,140	2.1%	2.6%
Number of flights	93,566	92,633	53,524	1.0%	74.8%
Fuel consumed (m barrels)	3,264,050	3,341,385	1,811,189	-2.3%	80.2%
Average fuel price per barrel	USD122	USD125	USD121	-2.4%	0.8%

NON-AVIATION

Key Indicators	Quarterly				
	1QFY24	4QFY23	1QFY23	QoQ	YoY
BigPay					
Carded users (cumulative)	1,524,515	1,495,822	1,366,169	1.9%	11.6%
AirAsia move					
Monthly active users ('000)	15,343	16,989	12,855	-9.7%	19.4%
No. of transactions ('000)	4,634	9,263	5,979	-50.0%	-22.5%
Gross booking value (RM' 000)	2,698,942	5,217,459	3,111,944	-48.3%	-13.3%
Teleport					
Tonnage (tonnes)	63,946	60,565	35,723	5.6%	79.0%
No. of delivery ('000)	15,634	11,969	5,685	30.6%	175.0%
Size of fleet at quarter end	3	2	0	50.0%	-
Engineering					
No. of hangar line	7	7	7	0.0%	0.0%
No. of base maintenance check	20	-	11	-	81.8%
No. of line maintenance check	3,170	-	2,676	-	18.5%
Ground Team Red					
Flights handled	35,430	35,548	32,933	-0.3%	7.6%
Cargo handled (tonnes)	30,133	29,806	15,867	1.1%	89.9%
Santan					
Inflight products	5,001,571	5,243,857	4,423,854	-4.6%	13.1%
Duty-free and merchandise	119,133	-	111,751	-	6.6%
Frozen food	42,900	194,040	74,019	-77.9%	-42.0%
Restaurant and café	584,932	404,160	168,214	44.7%	247.7%

Source: Capital A, MIDFR

DETAILED BREAKDOWN OF AVIATION

Key Indicators	Quarterly				
	1QFY24	4QFY23	1QFY23	QoQ	YoY
Malaysia					
Passengers carried	6,577,161	6,435,121	5,702,403	2.2%	15.3%
Capacity	7,373,966	7,393,764	6,483,708	-0.3%	13.7%
Load factor (%)	89%	87%	88%	2.3%	1.1%
ASK (mil)	9,239	9,155	7,438	0.9%	24.2%
RPK (mil)	8,255	7,861	6,523	5.0%	26.6%
Number of stages	40,169	40,146	35,133	0.1%	14.3%
Average stage length (km)	1,249	1,232	1,141	1.4%	9.5%
Size of fleet	102	103	103	-1.0%	-1.0%
Operating aircraft	76	71	61	7.0%	24.6%
Thailand					
Passengers carried	5,459,346	5,099,263	4,580,331	7.1%	19.2%
Capacity	5,839,298	5,640,838	4,976,256	3.5%	17.3%
Load factor (%)	93%	90%	92%	3.3%	1.1%
ASK (mil)	6,278	6,189	4,895	1.4%	28.3%
RPK (mil)	5,787	5,477	4,417	5.7%	31.0%
Number of stages	32,092	31,014	27,214	3.5%	17.9%
Average stage length (km)	1,071	1,092	979	-1.9%	9.4%
Size of fleet	56	56	54	0.0%	3.7%
Operating aircraft	49	52	44	-5.8%	11.4%
Indonesia					
Passengers carried	1,628,928	1,663,904	1,223,287	-2.1%	33.2%
Capacity	1,957,320	1,945,440	1,507,500	0.6%	29.8%
Load factor (%)	83%	86%	81%	-3.5%	2.5%
ASK (mil)	2,788	2,700	2,152	3.3%	29.6%
RPK (mil)	2,301	2,273	1,764	1.2%	30.4%
Number of stages	10,874	10,808	8,375	0.6%	29.8%
Average stage length (km)	1,424	1,388	1,428	2.6%	-0.3%
Size of fleet	32	32	27	0.0%	18.5%
Operating aircraft	25	24	21	4.2%	19.0%
Philippines					
Passengers carried	1,748,916	1,681,601	1,650,672	4.0%	6.0%
Capacity	1,877,586	1,919,760	1,802,880	-2.2%	4.1%
Load factor (%)	93%	88%	92%	5.7%	1.1%
ASK (mil)	1,932	1,918	1,611	0.7%	19.9%
RPK (mil)	1,766	1,632	1,441	8.2%	22.6%
Number of stages	10,431	10,665	10,016	-2.2%	4.1%
Average stage length (km)	1,029	999	894	3.0%	15.1%
Size of fleet	25	25	26	0.0%	-3.8%
Operating aircraft	17	15	16	13.3%	6.3%

Source: Capital A, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	6,437.1	14,771.7	21,249.2	23,049.8	24,870.6
Operating profit	-1,393.8	-1,252.5	2,121.8	2,245.6	2,372.8
PBT	-3,303.7	-999.6	743.7	904.4	1,078.5
PATAMI	-2,626.4	837.0	565.2	687.3	819.7
Core PATAMI	-2,678.4	-696.0	565.2	687.3	819.7
EPS (sen)	-	-	13.3	16.2	19.3
PER (x)	-	-	6.5x	5.3x	4.5x
Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
ROU assets	-3,303.7	533.4	743.7	904.4	1,078.5
PPE	-282.1	1,046.8	3,370.5	2,668.0	2,551.1
Non-current assets	-210.5	-22.6	-345.0	-345.0	-345.0
Trade debtors	-313.7	-863.6	453.7	368.0	298.2
Cash & cash equivalents	-806.3	160.6	3,479.2	2,691.0	2,504.3
Current assets	1,177.9	470.0	588.0	4,067.2	6,758.2
Long-term debt	336.8	588.0	4,067.2	6,758.2	9,262.6
Non-current liabilities	2022A	2023A	2024E	2025F	2026F
Trade creditors	-3,303.7	533.4	743.7	904.4	1,078.5
Short-term debt	-282.1	1,046.8	3,370.5	2,668.0	2,551.1
Current liabilities	-210.5	-22.6	-345.0	-345.0	-345.0
Share capital	-313.7	-863.6	453.7	368.0	298.2
Retained earnings	-806.3	160.6	3,479.2	2,691.0	2,504.3
Equity	1,177.9	470.0	588.0	4,067.2	6,758.2
Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	-3,303.7	533.4	743.7	904.4	1,078.5
Operating cash flow	-282.1	1,046.8	3,370.5	2,668.0	2,551.1
Investing cash flow	-210.5	-22.6	-345.0	-345.0	-345.0
Financing cash flow	-313.7	-863.6	453.7	368.0	298.2
Net cash flow	-806.3	160.6	3,479.2	2,691.0	2,504.3
Beginning cash flow	1,177.9	470.0	588.0	4,067.2	6,758.2
Ending cash flow	336.8	588.0	4,067.2	6,758.2	9,262.6
Profitability Margins	2022A	2023A	2024E	2025F	2026F
OP margin	-	-8.5%	10.0%	9.7%	9.5%
PBT margin	-	-	3.5%	3.9%	4.3%
PATAMI margin	-	-	2.7%	3.0%	3.3%
Core PATAMI margin	-	-	2.7%	3.0%	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