Capital A Berhad

(5099 | CAPITALA MK) Main | Consumer Products & Services

Higher than expected associate loss

***Maintain* NEUTRAL**

***Unchanged* Target Price: RM0.61**

KEY INVESTMENT HIGHLIGHTS

- **1HFY22 core LATAMI of -RM1.63b missed our estimate**
- **Higher than expected share of loss from associate**
- **Total capacity was 4x higher with a healthy load factor of 81%.**
- **Downward revision of FY22 core LATAMI by -10%**
- **Maintain NEUTRAL with an unchanged TP of RM0.61**

Below expectations. Capital A Berhad (Capital A) reported core LATAMI of -RM1.63b in 1HFY22, which missed our expectation largely due to the higher-than-expected share of loss from its associate. The losses make up 87% of ours and 117% of consensus full-year estimates.

Quarterly. Revenue in 2QFY22 surged to RM1.47b (+276.8%yoy) as the aviation business recovered on the back of robust travel demand. With total capacity seeing a sixfold increase, passenger load factor has also returned to pre-pandemic levels at 84% (refer to Table 1). The Group achieved its first positive EBITDA of RM108.6m (+155.1%yoy) as the aviation business fetched higher yield after 159 international routes were relaunched. SuperApp's EBITDA has also turned positive following the strong return of travel in the ASEAN region. Share of loss from an associate of RM291.5m is partly from AAV/TAA. During the quarter, core LATAMI was pared down to -RM575.7m (+4.2%yoy or +27.5%qoq).

Cumulatively. Revenue rose to RM2.28b (+220.7%yoy) in 1HFY22 as most of the segments saw improved performance. Under aviation, total capacity was 4x higher with the resumption of travels in the key markets, while load factor was back to 81%. LBITDA was narrowed to -RM200.0m (+49.9%yoy) with Teleport and BigPay being the laggards. Teleport's underperformance was mainly due to its transition to cargo-only flights as well as lockdowns in China and fuel price escalation, while BigPay is still under investment mode. Overall, core LATAMI of -RM1.63b (-33.4%yoy) was wider largely attributed to the share of loss from AAV/TAA as AirAsia Thailand experienced a slower start, but it is expected to performed better in 2HFY22 following the removal of Thailand Pass last month.

Maintain NEUTRAL. We revised downwards our FY22E LATAMI estimate by -10% to account for higher associate losses and higher maintenance cost for the restoration of serviceable aircraft. The aviation business is still on the path to recovery and the Group aims to have 157 operational aircraft (estimated utilisation rate of c.77%) by end-FY22 and to reach full utilisation by 2QFY23. Meanwhile, Teleport is expected to see improved belly capacity and utilisation in tandem with the reinstatement of international lanes. The digital businesses (SuperApp and BigPay) would likely continue to grow with the resurgence of travel demand, though we remain wary of the investments needed for these entities to reach their desired scale. Potential headwinds include: (i) any delays in increasing the number of its operational aircraft due to the inability to secure maintenance slots and (ii) high maintenance costs to bring operational aircraft back to service. Overall, we maintain our **NEUTRAL** call on Capital A with an unchanged TP of **RM0.61** (EV/EBITDA of 6x).

RETURN STATISTICS	
Price @ 26th August 2022 (RM)	0.62
Expected share price return (%)	-1.6
Expected dividend yield (%)	0.0
Expected total return (%)	**-1.6**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-3.1	-3.6
3 months	2.5	1.5
12 months	-30.9	-26.8

KEY STATISTICS	
FBM KLCI	1,500.29
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star Rating)	☆☆☆☆
Issue shares (m)	3898.05
Estimated free float (%)	56.11
Market Capitalisation (RM'm)	2,601.12
52-wk price range	RM0.54 - RM1.33
Beta vs FBM KLCI (x)	1.47
Monthly velocity (%)	6.11
Monthly volatility (%)	40.74
3-mth average daily volume (m)	5.17
3-mth average daily value (RM'm)	3.29
Top Shareholders (%)	
Tune Air Sdn Bhd	12.41
Tune Live Sdn Bhd	12.23
Positive Boom Limited	7.99

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INVESTMENT STATISTICS

Income Statement	FY2020A	FY2021A	FY2022E	FY2023F	FY2024F
Revenue	3,274.4	1,836.2	6,652.2	11,602.3	13,130.8
EBITDA/(LBITDA)	(2,880.6)	(1,110.0)	326.6	1,911.5	2,914.9
EBIT/(LBIT)	(4,953.6)	(2,930.5)	(1,424.4)	438.2	1,641.8
PBT/(LBT)	(5,551.3)	(3,575.0)	(2,140.2)	(305.5)	969.7
PAT(LAT)	(5,887.9)	(3,720.8)	(2,268.6)	(317.7)	737.0
PATAMI/(LAT)	(5,111.7)	(2,991.1)	(2,041.8)	(286.0)	787.0
EPS (sen)	n.a.	n.a.	n.a.	n.a.	19.5
PER (x)	n.a.	n.a.	n.a.	n.a.	3.2x

Sources: Company, MIDFR

CAPITAL A: 2Q22 GROUP RESULTS SUMMARY

	Quarterly					Cumulatively		
Income Statement	**2Q22**	**1Q22**	**2Q21**	**QoQ**	**YoY**	**6M22**	**6M21**	**YoY**
Revenue	1,465.4	811.8	388.9	80.5%	276.8%	2,277.2	710.1	220.7%
LBITDA	108.6	(308.6)	(197.1)	135.2%	155.1%	(200.0)	(399.2)	49.9%
LBIT	(263.4)	(689.4)	(652.7)	61.8%	59.6%	(952.8)	(1,300.8)	26.8%
Associates & JVs	(291.5)	(143.1)	(10.1)	-103.7%	-2790.2%	(434.6)	(25.1)	-1629.5%
LBT	(1,114.5)	(1,076.5)	(726.8)	-3.5%	-53.3%	(2,190.9)	(1,692.5)	-29.4%
Taxation	(6.4)	(0.7)	7.2	-756.0%	-188.6%	(7.1)	(3.3)	-117.7%
LAT	(1,120.9)	(1,077.2)	(719.6)	-4.1%	-55.8%	(2,198.1)	(1,695.8)	-29.6%
LATAMI	(931.2)	(903.8)	(580.1)	-3.0%	-60.5%	(1,835.0)	(1,347.5)	-36.2%
MI	(189.6)	(173.4)	(139.5)	-9.3%	-35.9%	(363.0)	(348.3)	-4.2%
Core LATAMI	(575.7)	(793.9)	(600.8)	27.5%	4.2%	(1,625.5)	(1,218.3)	-33.4%

Sources: Company, MIDFR

SEGMENTAL BREAKDOWN

(All in RM'm unless stated otherwise)	Quarterly					Cumulatively		
	2Q22	**1Q22**	**2Q21**	**QoQ**	**YoY**	**6M22**	**6M21**	**YoY**
Revenue								
Aviation	1,378.5	629.0	239.6	119.2%	475.3%	2,007.5	470.9	326.3%
ADE (Engineering)	75.3	56.2	22.7	34.1%	231.6%	131.5	43.2	204.3%
Teleport	98.8	146.9	160.9	-32.7%	-38.6%	245.8	254.2	-3.3%
SuperApp	82.0	57.7	16.9	42.1%	386.7%	139.8	36.8	279.4%
BigPay	7.2	6.0	6.0	20.3%	20.5%	13.2	10.6	23.9%
Others	1.6	84.4	0.6	-98.1%	176.8%	86.0	80.6	6.7%
EBITDA								
Aviation	151.5	(270.1)	(125.2)	156.1%	221.0%	(118.7)	(268.9)	55.9%
ADE (Engineering)	26.9	9.4	4.2	185.1%	536.8%	36.4	4.9	638.5%
Teleport	(25.3)	(5.1)	(19.9)	-396.2%	-27.4%	(30.4)	(29.7)	-2.4%
SuperApp	0.9	(20.5)	(33.0)	104.5%	102.8%	(19.6)	(60.8)	67.8%
BigPay	(32.4)	(31.8)	(21.2)	-2.0%	-53.2%	(64.2)	(51.6)	-24.4%
Others	(17.5)	(7.4)	(11.9)	-137.6%	-47.4%	(24.9)	(23.4)	-6.4%

Sources: Company, MIDFR

TABLE 1: AVIATION PERFORMANCE

	Quarterly					Cumulatively		
Key Indicators	**2Q22**	**1Q22**	**2Q21**	**QoQ**	**YoY**	**6M22**	**6M21**	**YoY**
Passengers carried	5,558,125	3,749,237	758,746	48.2%	632.5%	9,307,362	1,735,714	436.2%
Capacity	6,592,952	4,941,132	1,113,888	33.4%	491.9%	11,534,084	2,577,714	347.5%
Load factor	84%	76%	68%	10.5%	23.5%	81%	67%	20.9%
RPK (m)	5,278	3,231	775	63.4%	581.0%	8,508	1,663	411.6%
ASK (m)	6,380	4,288	1,149	48.8%	455.3%	10,668	2,478	330.5%
Average fare	RM214	RM131	RM194	63.4%	10.3%	RM181	RM174	4.0%
Unit passenger revenue	RM252	RM161	RM241	56.5%	4.6%	RM215	RM221	-2.7%
RASK (sen)	21.95	14.08	15.93	55.9%	37.8%	18.79	15.45	21.6%
CASK (sen)	30.42	32.96	76.51	-7.7%	-60.2%	31.44	74.50	-57.8%
CASK ex-fuel (sen)	19.44	24.84	70.37	-21.7%	-72.4%	21.61	67.47	-68.0%
Aircraft	154	152	151	1.3%	2.0%	154	151	2.0%
Average stage length (km)	958	868	1,026	10.4%	-6.6%	919	958	-4.1%
Number of flights	35,670	26,916	6,114	32.5%	483.4%	62,586	14,150	342.3%
Fuel consumed (barrels)	1,067,792	722,539	190,797	47.8%	459.6%	1,790,331	420,840	325.4%
Average fuel price per barrel	USD 151	USD 115	USD 90	31.3%	67.8%	USD 133	USD 83	60.2%

Sources: Company, MIDFR

TABLE 2: DIGITAL PERFORMANCE

	Quarterly					Cumulatively		
Key Indicators	**2Q22**	**1Q22**	**2Q21**	**QoQ**	**YoY**	**6M22**	**6M21**	**YoY**
BigPay								
Total users (Cumulative)	3,347,255	3,182,737	1,781,295	5.2%	87.9%	3,347,255	1,781,295	87.9%
Carded users (Cumulative)	1,216,902	1,168,361	752,227	4.2%	61.8%	1,216,902	752,227	61.8%
Teleport								
Tonnage (tonnes)	22,122	25,625	30,266	-13.7%	-26.9%	47,747	49,763	-4.1%
Yield (RM/kg)	RM4.03	RM5.21	RM5.27	-22.6%	-23.5%	RM4.66	RM4.95	-5.9%
Number of delivery ('000)	1,153	945	158	22.0%	629.7%	2,098	330	535.8%
SuperApp								
Average monthly active users (MAU)	10,626,667	10,739,686	3,163,333	-1.1%	235.9%	10,683,177	3,850,000	177.5%
Gross booking value (GBV) (RM'b)	1.91	0.87	0.22	118.5%	758.1%	2.78	0.66	318.9%

Sources: Company, MIDFR

TABLE 3: TARGETED OPERATING FLEET BY END OF QUARTER

Entity	**1Q22**	**2Q22**	**3Q22**	**4Q22**
AirAsia Malaysia (MAA)	34	45	49	65
AirAsia Indonesia (IAA)	9	12	15	26
AirAsia Philippines (PAA)	6	8	12	25
AirAsia Thailand (TAA)	23	25	33	41
Total	72	90	109	157

Sources: Company, 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 *rise* 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 *fall* 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