Capital A Berhad

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

Slipped deeper in the red

***Maintain* NEUTRAL**

***Revised* Target Price: RM0.59**

(from RM0.61)

KEY INVESTMENT HIGHLIGHTS

- **Core losses were wider than our expectation**
- **Higher staff costs as furloughed staff returned and higher maintenance costs to restore serviceable aircraft**
- **Teleport turned EBITDA positive in 3QFY22**
- **Downward revision of FY22E/FY23F/FY24F estimates**
- **Maintain NEUTRAL with a revised TP of RM0.59**

Below expectations. Capital A Berhad (Capital A) reported core LATAMI of -RM2.34b in 9MFY22, which exceeded our and consensus full-year losses estimates by 15% and 25% respectively. The deviation was largely due to higher-than-expected operating costs.

Quarterly. In 3QFY22, core LATAMI of -RM713.8m (+37.9%yoy) was 1.6x narrower due to the strong recovery of travel but was partly moderated by one-off heavier maintenance costs to restore serviceable aircraft and higher staff costs due to the return of furloughed staff. Total passengers carried of 7.1m grew by 20.3x in tandem with more operating aircraft which recorded healthy load factor of 86%. On a quarter-on-quarter basis, core LATAMI was 1.4x narrower as travel demand continued to recover. Notably, Teleport achieved its first positive EBITDA of RM5.1m as they transitioned to higher margin belly cargo space model which resulted in 40% operating cost reduction. BigPay remained in the red due to continued investments made for its enhancement. Share of loss in associate which is partly from AAV/TAA has narrowed with the removal of Thailand Pass in Jul-22.

Cumulatively. In the 9-month period, Capital A posted wider core LATAMI of -RM2.34b (-24.2%yoy) mainly due to the share of loss in its associate (AAV/TAA) which was 21.5x wider attributed to it experiencing a slower recovery and exchange rate losses. Under the aviation arm, there were 125 operating aircrafts in 9MFY22 vs. 49 operating aircrafts in the corresponding period which carried 16.4m passengers or almost 8.0x more as the load factor was notably higher at 83% (9MFY21: 67%). The Group is pushing to get 140 operating aircrafts by end-FY22 and aims to reach full fleet utilisation by 2QFY23.

PN17 status. In formulating its PN17 regularisation plan, the Group has proposed to dispose its aviation arm (AirAsia Malaysia, AirAsia Thailand, AirAsia Indonesia, and AirAsia Philippines) to AirAsia X Berhad (AAX). The shares consideration, in which the valuation is to be agreed upon, will be redistributed to Capital A's shareholders following the restructuring. The Group will then rebrand itself as an aviation services and digital group and it envision a separate spin off listing for these entities in the near future. The Group expects to announce the finalised regularisation plan to Bursa in Jan-23, followed by a submission for targeted approval in Feb-23 and implementation of the regularisation plan by Jul-23.

RETURN STATISTICS	
Price @ 30th November 2022 (RM)	0.59
Expected share price return (%)	0.0
Expected dividend yield (%)	0.0
Expected total return (%)	**0.0**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-2.5	-4.3
3 months	-5.6	-1.0
12 months	-33.3	-32.2

KEY STATISTICS	
FBM KLCI	1,488.80
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star Rating)	No
Issue shares (m)	3898.05
Estimated free float (%)	56.11
Market Capitalisation (RM'm)	2,455.46
52-wk price range	RM0.54 - RM0.92
Beta vs FBM KLCI (x)	1.20
3-mth average daily volume (m)	4.13
3-mth average daily value (RM'm)	2.51
Top Shareholders (%)	
Tune Air Sdn Bhd	12.41
Tune Live Sdn Bhd	12.23
Positive Boom Limited	7.99

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Maintain NEUTRAL. We have made downward revisions to our FY22E/FY23F/FY24F estimates to -RM2.79b/-RM885.7m/RM353.7m from -RM2.04b/-RM286.0m/RM787.0m after inputting higher maintenance and staff costs. Among the potential tailwinds for the aviation business is the jet fuel price which is trending lower, strengthening of ASEAN currencies against USD and the return of the China market. We maintain our **NEUTRAL** call on Capital A with a slightly lower TP of **RM0.59** (from RM0.61).

INVESTMENT STATISTICS

Income Statement	FY2020A	FY2021A	FY2022E	FY2023F	FY2024F
Revenue	3,274.4	1,836.2	5,903.6	10,678.7	12,074.9
EBITDA/(LBITDA)	(2,880.6)	(1,110.0)	(459.4)	1,270.8	2,344.7
EBIT/(LBIT)	(4,953.6)	(2,930.5)	(2,210.4)	(202.6)	1,071.6
PBT/(LBT)	(5,551.3)	(3,575.0)	(2,926.2)	(946.3)	399.5
PAT(LAT)	(5,887.9)	(3,720.8)	(3,101.8)	(984.1)	303.7
PATAMI/(LAT)	(5,111.7)	(2,991.1)	(2,791.6)	(885.7)	353.7
EPS (sen)	n.a.	n.a.	n.a.	n.a.	8.7
PER (x)	n.a.	n.a.	n.a.	n.a.	6.8x

Sources: Company, MIDFR

CAPITAL A: 3Q22 GROUP RESULTS SUMMARY

	Quarterly					Cumulatively		
Income Statement	**3Q22**	**2Q22**	**3Q21**	**QoQ**	**YoY**	**9M22**	**9M21**	**YoY**
Revenue	1,960.9	1,465.4	295.9	33.8%	562.7%	3,618.8	498.9	625.3%
LBITDA	72.3	108.6	(275.6)	-33.5%	126.2%	(127.7)	(674.9)	81.1%
LBIT	(314.6)	(263.4)	(651.6)	-19.4%	51.7%	(1,267.4)	(2,034.4)	37.7%
Associates & JVs	(226.8)	(291.5)	(5.7)	22.2%	-3892.4%	(661.4)	(30.8)	-2046.7%
LBT	(1,153.8)	(1,114.5)	(1,111.5)	-3.5%	-3.8%	(3,344.8)	(2,804.0)	-19.3%
Taxation	10.4	(6.4)	1.2	263.8%	752.5%	3.3	(2.0)	262.3%
LAT	(1,143.4)	(1,120.9)	(1,110.3)	-2.0%	-3.0%	(3,341.4)	(2,806.1)	-19.1%
LATAMI	(901.3)	(931.2)	(887.0)	3.2%	-1.6%	(2,736.3)	(2,234.5)	-22.5%
MI	(242.1)	(189.6)	(223.3)	-27.7%	-8.4%	(605.1)	(571.6)	-5.9%
Core LATAMI	(713.8)	(575.1)	(664.6)	-24.1%	-7.4%	(2,338.7)	(1,882.9)	-24.2%

Sources: Company, MIDFR

SEGMENTAL BREAKDOWN

(All in RM'm)	Quarterly					Cumulatively		
	3Q22	**2Q22**	**3Q21**	**QoQ**	**YoY**	**9M22**	**9M21**	**YoY**
Revenue								
Aviation	1,836.5	1,378.5	234.0	33.2%	685.0%	3,844.1	704.8	445.4%
ADE (Engineering)	79.6	75.3	25.1	5.7%	217.4%	211.1	68.3	209.1%
Teleport	110.4	98.8	157.8	11.7%	-30.0%	356.2	412.0	-13.5%
SuperApp	101.7	82.0	13.3	24.0%	667.6%	241.5	50.1	382.1%
BigPay	8.5	7.2	5.5	18.3%	56.2%	21.7	16.1	34.8%
Others	2.8	1.6	1.0	67.7%	175.1%	88.8	81.6	8.7%
EBITDA								
Aviation	107.4	151.5	(144.5)	-29.1%	174.3%	(11.2)	(413.4)	97.3%
ADE (Engineering)	19.7	26.9	6.0	-26.8%	228.5%	56.1	10.9	413.3%
Teleport	5.1	(25.3)	(17.4)	120.3%	129.6%	(25.3)	(47.0)	46.3%

(All in RM'm)	Quarterly					Cumulatively		
	3Q22	2Q22	3Q21	QoQ	YoY	9M22	9M21	YoY
SuperApp	15.8	0.9	(79.3)	1606.7%	120.0%	(3.7)	(140.1)	97.3%
BigPay	(33.0)	(32.4)	(32.9)	-1.7%	-0.3%	(97.2)	(84.5)	-15.0%
Others	(15.4)	(17.5)	(16.3)	12.3%	5.9%	(40.2)	(39.7)	-1.4%

Sources: Company, MIDFR

TABLE 1: AVIATION PERFORMANCE

	Quarterly					Cumulatively		
Key Indicators	**3Q22**	**2Q22**	**3Q21**	**QoQ**	**YoY**	**9M22**	**9M21**	**YoY**
Passengers carried	7,128,274	5,558,125	351,971	28.2%	1925.2%	16,453,636	2,087,685	688.1%
Capacity	8,286,341	6,592,952	528,850	25.7%	1466.9%	19,820,425	3,106,564	538.0%
Load factor	86%	84%	67%	2.4%	28.4%	83%	67%	23.9%
RPK (m)	7,323	5,278	292	38.7%	2407.9%	15,831	1,954	710.2%
ASK (m)	8,554	6,380	460	34.1%	1759.6%	19,222	2,938	554.3%
Average fare	RM233	RM214	RM231	8.9%	0.9%	RM203	RM184	10.3%
Unit passenger revenue	RM274	RM252	RM285	8.7%	-3.9%	RM241	RM231	4.3%
RASK (sen)	22.80	21.95	21.83	3.9%	4.4%	20.57	16.45	25.0%
CASK (sen)	29.20	30.42	187.16	-4.0%	-84.4%	30.44	92.13	-67.0%
CASK ex-fuel (sen)	18.18	19.44	180.16	-6.5%	-89.9%	20.08	85.11	-76.4%
Aircraft	153	154	155	-0.6%	-1.3%	153	155	-1.3%
Average stage length (km)	1,022	958	871	6.7%	17.3%	962	943	2.0%
Number of flights	44,876	35,670	2,876	25.8%	1460.4%	107,462	17,026	531.2%
Fuel consumed (barrels)	1,437,102	1,067,792	85,518	34.6%	1580.5%	3,227,433	506,358	537.4%
Avg. fuel price per barrel	USD 151	USD 151	USD 90	0.0%	67.8%	USD 141	USD 84	67.9%

Sources: Company, MIDFR

TABLE 2: DIGITAL PERFORMANCE

	Quarterly					Cumulatively		
Key Indicators	**3Q22**	**2Q22**	**3Q21**	**QoQ**	**YoY**	**9M22**	**9M21**	**YoY**
BigPay								
Total users (Cumulative)	3,535,886	3,347,255	2,019,173	5.6%	75.1%	3,535,886	2,019,173	75.1%
Carded users (Cumulative)	1,262,523	1,216,902	853,564	3.7%	47.9%	1,262,523	853,564	47.9%
Teleport								
Tonnage (tonnes)	26,667	22,122	26,664	20.5%	0.0%	74,414	76,426	-2.6%
Yield (RM/kg)	RM2.96	RM4.03	RM4.71	-26.6%	-37.2%	RM4.05	RM4.87	-16.8%
Number of delivery ('000)	2,717	1,153	310	135.6%	776.5%	4,815	640	652.3%
SuperApp								
Avg. monthly active users ('000)	9,537	10,627	3,653	-10.3%	161.1%	10,301	3,784	172.2%
Gross booking value (RM'b)	2.84	1.91	0.13	49.1%	2084.6%	5.61	0.79	610.1%

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