Corporate Update | Thursday, 15 December 2022

Capital A Berhad

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

RM220.0m fresh funds for Teleport

***Maintain* NEUTRAL**

***Unchanged* Target Price: RM0.59**

KEY INVESTMENT HIGHLIGHTS

- **Teleport raised growth capital of RM220.0m**
- **3 Airbus A321 freighters to be delivered starting in 1QFY23**
- **Teleport achieved positive EBITDA in 3QFY22**
- **No changes to earnings estimates**
- **Maintain NEUTRAL with an unchanged TP of RM0.59**

Funding secured. Teleport, the logistics venture under Capital A Berhad (Capital A), has raised new growth capital of USD50.0m/RM220.0m from large institutional credit investors which were undisclosed. Teleport provides end-to-end logistics services to B2B and B2C customers, supported by a middle-mile advantage through its AirAsia's network of passenger flights which gives it a 9% intra-Southeast Asia market share in terms of cargo volume in 3QFY22 (FY21: 2%).

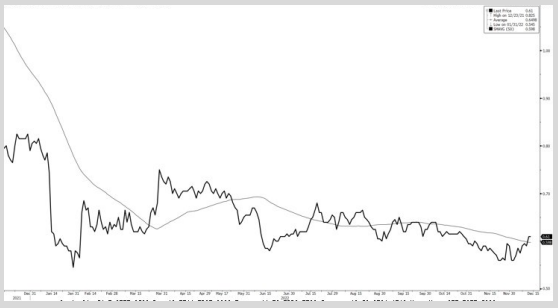
Extending its delivery capabilities. The Group intends to utilise the funds to add 3 additional Airbus A321 freighters to its cargo fleet, which can carry up to 27 tons of cargo per flight. These will be delivered in stages starting in 1QFY23. This addition would bring its cargo-only fleet to 4 freighters in total, on top of having >200 AirAsia passenger aircraft belly at its disposal. Capital A also plans to further invest in technology and build critical hubs in Indonesia, the Philippines and Malaysia.

Turning EBITDA positive. Previously a combination of lockdowns in China, fuel price escalation and return of passenger networks made the economics of passenger planes for cargo-only flying (P2C) operations unviable. Additionally, the aviation authorities started to withdraw support for P2C operations across the region. In 3QFY22, Teleport has turned profitable after achieving EBITDA of RM5.1m. This was made possible as it transitioned to high margin belly cargo model (vs. low margin P2C model). The logistics arm has handled 26,667 tonnes of goods (+0.01%yoy, +20.5qoq) with a total of 2.7m deliveries (+776.0%yoy, +135.7qoq) in said quarter.

Maintain NEUTRAL. In CY23, Teleport would further strengthen its cargo network on the back of recovering passenger networks and increase its overall capacity with the delivery of 3 additional freighters. We still expect Capital A to incur losses next year, albeit narrower as we expect Chinese tourists to return by 1HFY22 and jet fuel price to be trending lower. However, we remain cautious on the high maintenance costs for the Group to bring back an additional c. 65 operating aircraft by 2QFY23, on top of the persistent MRO constraints in the region. No changes were made to our earnings estimates. The management had previously guided that it is targeting to close an additional RM1.0b debt by 1QFY23. We maintain **NEUTRAL** on Capital A with an unchanged TP of **RM0.59**.

RETURN STATISTICS	
Price @ 14th December 2022 (RM)	0.61
Expected share price return (%)	-3.3
Expected dividend yield (%)	0.0
Expected total return (%)	**-3.3**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	4.3	2.0
3 months	-2.4	-2.7
12 months	-23.3	-23.3

KEY STATISTICS	
FBM KLCI	1,483.17
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star Rating)	No
Issue shares (m)	3,898.05
Estimated free float (%)	56.11
Market Capitalisation (RM'm)	2,538.69
52-wk price range	RM0.54 - RM0.84
Beta vs FBM KLCI (x)	1.05
3-mth average daily volume (m)	4.31
3-mth average daily value (RM'm)	2.59
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	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.	7.0x

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