Capital A Berhad

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

Improved fundamentals

***Upgrade to* BUY**

***Revised* Target Price: RM0.91**
(from RM0.70)

KEY INVESTMENT HIGHLIGHTS

- **Core LATAMI was narrower than expected**
- **Total passengers grew by 2.9x year-on-year with a healthy load factor of 86%**
- **Higher share of profit from associates due to TAA's rapid traffic recovery**
- **Upward revision of FY23F/FY24F earnings by +49%/39%**
- **Upgrade to BUY with a revised TP of RM0.91**

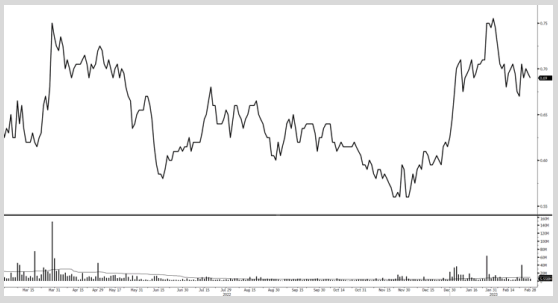
Above expectation. Capital A Berhad (Capital A) reported core LATAMI of -RM2.42b in FY22 after stripping off foreign exchange loss of about -RM554.7m, reversal of impairment on ROU assets (RM551.5m) and other one-off items. This came in ahead of our expectation, making up 87% and 103% of ours and consensus full-year losses respectively. The positive surprise was largely due to higher-than-expected share of profit in associates, particularly Thailand AirAsia (TAA), and better load factor for the airlines.

Quarterly. Core LATAMI was about 16.9x narrower in 4QFY22 on a yearly basis as total passengers carried of 7.8m grew by 2.9x. The performance of the aviation business was supported by higher flight frequencies with a healthy load factor of 86% as well as favourable airfares, despite being partly offset by elevated jet fuel prices. Among the non-aviation businesses, only BigPay is still in the red, but the EBITDA losses have narrowed by +12.3%mom and +38.0%yoy on the back of cost containment measures with relation to card renewal and marketing. Notably, the turnaround in profitability of its associate was thanks to TAA having recovered its capacity and passengers carried to 72% and 75% of 4Q19 levels. On a sequential basis, core PATAMI was 9.0x narrower with passengers carried growing by +9.6%mom in tandem with year-end holidays and partly supported by easing of jet fuel prices.

Cumulatively. For the 12-month period, Capital A pared down its core LATAMI to -RM2.42b (+15.5%yoy) due to the lifting of international borders. The aviation business carried 5.0x more passengers and recorded a healthy load factor of 84% for the year with 84 operational aircraft as at end-4QFY22 against 49 operational aircraft in the corresponding quarter. Only Teleport recorded a decline in revenue (-11.3%yoy) mainly due to the drop in yield with lower rates to remain competitive. However, Teleport's EBITDA losses were narrower by +61.3%yoy owing to lower operating cost as the logistics arm shifted to scheduled passenger belly cargo model.

RETURN STATISTICS	
Price @ 28th February 2023 (RM)	0.69
Expected share price return (%)	+31.9
Expected dividend yield (%)	0.0
Expected total return (%)	**+31.9**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-7.4	-5.4
3 months	10.4	26.4
12 months	8.7	19.3

KEY STATISTICS	
FBM KLCI	1,454.19
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star Rating)	-
Issue shares (m)	3,898.05
Estimated free float (%)	56.11
Market Capitalisation (RM'm)	2,871.64
52-wk price range	RM0.56 - RM0.77
Beta vs FBM KLCI (x)	1.02
3-mth average daily volume (m)	9.41
3-mth average daily value (RM'm)	6.48
Top Shareholders (%)	
Tune Air Sdn Bhd	12.41
Tune Live Sdn Bhd	12.23
Positive Boom Limited	7.99

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Upgrade to BUY. As the results were above our expectations, we have adjusted our FY23F/FY24F losses/earnings upwards by +49%/+39% to account mainly for higher contribution from associates, adjustments to capacity recovery to be in tandem with the Group's fleet plan and higher load factor for the airlines. Post-earnings adjustments and some housekeeping changes, we derived a higher TP of **RM0.91** for Capital A by pegging its revised FY24F EPS to PE of 8.0x. The stock is trading at a forward PE of 5.7x or at a -32% discount to its pre-Covid historical mean and as such, we upgraded our call from NEUTRAL to **BUY**. Key risks include: (i) delay in its full fleet activation plan, (ii) higher-than-expected maintenance costs to bring back its serviceable aircraft, (iii) lower-than-expected demand for the China market and (iv) inability to regularise its PN17 status.

INVESTMENT STATISTICS

Income Statement	FY2020A	FY2021A	FY2022E	FY2023F	FY2024F
Revenue	3,274.4	1,836.2	5,646.1	10,830.7	12,249.0
EBITDA/(LBITDA)	-2,880.6	-1,110.0	360.9	1,780.5	2,592.4
EBIT/(LBIT)	-4,953.6	-2,930.5	-1,126.5	307.2	1,319.3
PBT/(LBT)	-5,551.3	-3,575.0	-3,169.3	-436.5	647.3
PAT(LAT)	-5,887.9	-3,720.8	-2,480.1	-454.0	491.9
PATAMI/(LAT)	-5,111.7	-2,991.1	-2,417.7	-454.0	491.9
EPS (sen)	n.a.	n.a.	n.a.	n.a.	12.1
PER (x)	n.a.	n.a.	n.a.	n.a.	5.7x

Sources: Company, MIDFR

CAPITAL A: 4Q22 GROUP RESULTS SUMMARY

(All in RM'm)	Quarterly				Cumulatively			
Income Statement	**4Q22**	**3Q22**	**4Q21**	**QoQ**	**YoY**	**FY22**	**FY21**	**YoY**
Revenue	2,027.4	1,960.9	601.7	3.4%	236.9%	5,646.1	1,100.6	413.0%
EBITDA/(LBITDA)	488.6	72.3	-350.2	576.3%	239.5%	360.9	-1,025.0	135.2%
EBIT/(LBIT)	141.0	-299.8	-811.2	147.0%	117.4%	-1,126.5	-2,845.6	60.4%
Associates & JVs	166.5	-226.8	-14.4	173.4%	1254.7%	-494.9	-45.2	-994.2%
PBT/(LBT)	175.4	-1,153.8	-771.0	115.2%	122.8%	-3,169.3	-3,575.0	11.3%
Taxation	-3.1	10.4	-0.2	-129.3%	-1232.6%	0.3	-145.7	100.2%
PAT/(LAT)	172.4	-1,143.4	-914.7	115.1%	118.8%	-3,169.1	-3,720.8	14.8%
PATAMI/(LATAMI)	256.2	-901.3	-756.6	128.4%	133.9%	-2,480.1	-2,991.1	17.1%
MI	-83.8	-242.1	-158.1	65.4%	47.0%	-689.0	-729.7	5.6%
Core PATAMI/(LATAMI)	-59.1	-531.8	-1,000.3	88.9%	94.1%	-2,417.7	-2,860.8	15.5%

Sources: Company, MIDFR

GROUP SEGMENTAL BREAKDOWN

(All in RM'm)	Quarterly				Cumulatively			
Revenue	**4Q22**	**3Q22**	**4Q21**	**QoQ**	**YoY**	**FY22**	**FY21**	**YoY**
Aviation	2,120.3	1,836.5	473.1	15.4%	348.1%	5,964.3	1,177.9	406.3%
ADE (Engineering)	74.6	79.6	29.7	-6.2%	151.2%	285.8	98.0	191.6%
Teleport	132.5	110.4	139.1	20.0%	-4.8%	488.6	551.1	-11.3%
SuperApp	138.2	101.7	98.0	35.8%	40.9%	379.7	148.1	156.3%
BigPay	10.3	8.5	5.7	20.8%	80.3%	32.0	21.8	46.7%
Others	35.0	2.8	13.9	1170.8%	151.2%	123.8	95.6	29.5%
EBITDA	**4Q22**	**3Q22**	**4Q21**	**QoQ**	**YoY**	**FY22**	**FY21**	**YoY**
Aviation	598.0	107.4	-253.7	456.6%	335.7%	586.8	-667.1	188.0%
ADE (Engineering)	5.4	19.7	-1.0	-72.7%	613.1%	61.4	9.9	522.1%
Teleport	3.4	5.1	-9.4	-33.4%	136.5%	-21.8	-56.4	61.3%

SuperApp	0.1	15.8	5.9	-99.6%	-98.9%	-3.7	-134.2	97.3%
BigPay	-28.9	-33.0	-46.6	12.3%	38.0%	-126.1	-131.1	3.8%
Others	-77.8	-15.4	-41.5	-406.3%	-87.3%	-118.0	-81.2	-45.3%

Sources: Company, MIDFR

TABLE 1: AVIATION PERFORMANCE

	Quarterly				Cumulatively			
Key Indicators	**4Q22**	**3Q22**	**4Q21**	**QoQ**	**YoY**	**FY22**	**FY21**	**YoY**
Passengers carried	7,812,089	7,128,274	2,724,679	9.6%	186.7%	24,247,725	4,812,364	403.9%
Capacity	9,111,309	8,286,341	3,393,618	10.0%	168.5%	28,931,734	6,500,182	345.1%
Load factor	86%	86%	80%	0.0%	7.5%	84%	74%	13.5%
RPK (m)	8,547	7,323	2,195	16.7%	289.4%	24,377	4,149	487.5%
ASK (m)	9,974	8,554	2,786	16.6%	258.0%	29,196	5,723	410.2%
Average fare	RM247	RM233	RM141	6.0%	75.2%	RM218	RM160	36.3%
Unit passenger revenue	RM291	RM274	RM173	6.2%	68.2%	RM257	RM196	31.1%
RASK (sen)	22.78	22.80	16.91	-0.1%	34.7%	21.33	16.67	28.0%
CASK (sen)	22.17	29.20	43.86	-24.1%	-49.5%	27.55	68.64	-59.9%
CASK ex-fuel (sen)	12.45	18.18	37.00	-31.5%	-66.4%	17.41	61.70	-71.8%
Aircraft	155	153	157	1.3%	-1.3%	155	157	-1.3%
Average stage length (km)	1,089	1,022	825	6.6%	32.0%	1,002	882	13.6%
Number of flights	49,594	44,876	18,324	10.5%	170.7%	157,056	35,350	344.3%
Fuel consumed (barrels)	1,615,846	1,437,102	483,867	12.4%	233.9%	4,843,279	990,225	389.1%
Average fuel price per barrel	USD 136	USD 151	USD 95	-9.9%	43.2%	USD 139	USD 89	56.2%

Sources: Company, MIDFR

TABLE 2: DIGITAL PERFORMANCE

Key Indicators	Quarterly				Cumulatively			
BigPay	**4Q22**	**3Q22**	**4Q21**	**QoQ**	**YoY**	**FY22**	**FY21**	**YoY**
Total users (Cumulative)	3,657,960	3,535,886	2,766,694	3.5%	32.2%	n.a.	n.a.	n.a.
Carded users (Cumulative)	1,311,867	1,262,523	1,035,376	3.9%	26.7%	n.a.	n.a.	n.a.
Teleport	**4Q22**	**3Q22**	**4Q21**	**QoQ**	**YoY**	**FY22**	**FY21**	**YoY**
Tonnage (tonnes)	31,158	26,667	24,752	16.8%	25.9%	105,572	101,179	4.3%
Yield (RM/kg)	RM3.78	RM2.96	RM5.04	27.7%	-25.0%	RM3.97	RM4.91	-19.1%
Number of delivery ('000)	3,158	2,717	592	16.2%	433.4%	7,973	1,232	547.2%
SuperApp	**4Q22**	**3Q22**	**4Q21**	**QoQ**	**YoY**	**FY22**	**FY21**	**YoY**
Average monthly active users (000)	11,449	9,537	8,113	20.0%	41.1%	10,588	4,867	117.5%
Gross booking value (RM'b)	3.24	2.84	0.85	13.9%	279.2%	8.85	1.64	438.3%

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