

Capital A Berhad

(5099 | CAPITALA MK) Main | Transportation & Logistics

Regaining Profitability

KEY INVESTMENT HIGHLIGHTS

- **Surprise turnaround in profitability was ahead of our expectation**
- **Better results were mainly due better margins and significant improvement in international seats sold**
- **Expect full fleet reactivation in 3QFY23**
- **Upward revision of FY23E/FY24F earnings by +127%/+11%**
- **Maintain BUY with a revised TP of RM1.00**

Above expectation. Capital A Berhad (Capital A) turned profitable in 1QFY23 after registering a core PATAMI of RM16.7m due to the better-than-expected margin. This was a positive surprise as market consensus had expected the Group to continue reporting losses in FY23.

Quarterly. The turnaround in profitability was a tremendous improvement as the Group was in the red in 1QFY22. The aviation group achieved a healthy load factor of 88% in 1QFY23, despite only utilising about 70% of its fleet. Increased sales of international seats contributed to a higher average fare of RM210 (1QFY19: RM167). Average fuel prices were higher, but this was partly cushioned by the fuel surcharges introduced in end-1QFY22. BigPay, which is still in investment mode, was the only non-aviation entity that continued to operate at a loss. The quarter-on-quarter improvement primarily resulted from improved margins, driven by higher yielding international passengers and easing fuel prices.

Outlook. The revival of international travel continues to serve as the primary driver for the aviation group. By end-1QFY23, 157 aircraft (76% of the fleet) had been brought back to service, and full fleet reactivation is expected to materialise in 3QFY23. The Group has devised a strategy to reallocate its aircraft to operating countries with higher market potential and it is also focusing on deploying capacity for the Chinese market. All routes to China will be reinstated tentatively by Nov-23. On its PN17 status, the regularisation plan is now expected to be submitted in Jul-23 due to the need to incorporate the latest FY22 audited figures and the implementation is targeted to be completed in 4QFY23.

Maintain BUY. We revised our FY23E/FY24F earnings upwards by +127%/+11% to mainly account for lower maintenance and overhaul costs and slightly higher load factor for the AOCs. Consequently, our new TP is higher at **RM1.00** (from RM0.91) The stock is trading at FY24F PE of 6.0x or at -25% to its pre-Covid historical mean and as such we maintain our **BUY** call. Key downside risks include: (i) further weakening of Ringgit against the USD, (ii) any delay in its full fleet activation plan and (iii) lower-than-expected demand for the China market.



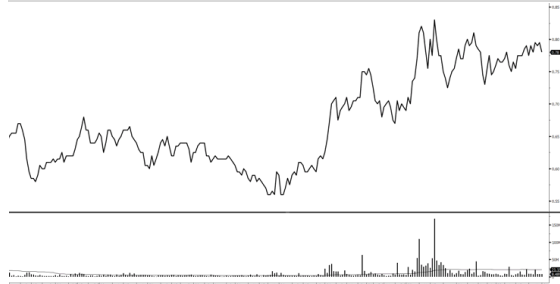
Maintain BUY

Revised Target Price: RM1.00
(from RM0.91)

RETURN STATISTICS

Price @ 31 st May 2023 (RM)	0.78
Expected share price return (%)	+28.2
Expected dividend yield (%)	0.0
Expected total return (%)	+28.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.6	4.8
3 months	1.3	18.2
12 months	20.0	34.4

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	12,707.5	14,931.3	15,843.6
EBIT	1,433.7	2,359.7	2,658.3
PBT	162.9	717.2	915.5
Core PATAMI	123.8	545.1	695.8
EPS (sen)	3.1	13.0	17.0
DPS (sen)	n.a.	n.a.	n.a.
Dividend yield (%)	n.a.	n.a.	n.a.

KEY STATISTICS

FBM KLCI	1,387.12
Issue shares (m)	4161.79
Estimated free float (%)	75.31
Market Capitalisation (RM'm)	3,251.40
52-wk price range	RM0.56 - RM0.88
3-mth average daily volume (m)	20.98
3-mth average daily value (RM'm)	16.52
Top Shareholders (%)	
Tune Air Sdn Bhd	12.4
Tune Live Sdn Bhd	12.2
Positive Boom Limited	8.0

CAPITAL A: 1Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				
	1Q23	4Q22	1Q22	QoQ	YoY
Income Statement					
Revenue	2,529.7	2,368.2	811.8	6.8%	211.6%
EBIT/(LBIT)	138.5	141.0	-689.4	-1.8%	120.1%
Net finance cost	-166.7	-369.8	-221.9	54.9%	24.9%
Associates & JVs	13.4	166.5	-143.1	-92.0%	109.3%
PBT/(LBT)	29.9	175.4	-1,076.5	-83.0%	102.8%
Taxation	-3.9	-3.1	-0.7	-26.5%	-420.3%
PATAMI/(LATAMI)	57.1	256.2	-903.8	-77.7%	106.3%
Core PATAMI/(LATAMI)	16.7	-53.2	-853.1	131.4%	102.0%

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly				
	1Q23	4Q22	1Q22	QoQ	YoY
Revenue					
Aviation	2,239.0	2,120.3	629.0	5.6%	256.0%
Engineering	103.3	74.6	56.2	38.4%	83.9%
Teleport	152.0	132.5	146.9	14.7%	3.4%
Superapp	158.8	138.2	57.7	14.9%	175.1%
BigPay	10.7	10.3	6.0	4.5%	79.5%
EBITDA					
Aviation	500.8	598.0	-270.1	-16.3%	285.4%
Engineering	18.6	5.4	9.4	245.7%	96.7%
Teleport	9.0	3.4	-5.1	163.8%	277.1%
Superapp	24.4	0.1	-20.5	37361.5%	218.8%
BigPay	-27.8	-28.9	-31.8	3.9%	12.6%

GROUP AVIATION PERFORMANCE

Key Indicators	Quarterly				
	1Q23	4Q22	1Q22	QoQ	YoY
Passengers carried	8,576,362	7,812,089	3,749,237	9.8%	128.7%
Capacity	9,794,088	911,309	4,941,132	974.7%	98.2%
Load factor	88%	86%	76%	2.3%	15.8%
RPK (m)	9,728	8,547	3,231	13.8%	201.1%
ASK (m)	11,201	9,974	4,288	12.3%	161.2%
Average fare	210	247	131	-15.0%	60.3%
Unit passenger revenue	258	291	161	-11.3%	60.2%
RASK (sen)	19.75	22.78	14.08	-13.3%	40.3%
CASK (sen)	19.69	22.17	32.96	-11.2%	-40.3%
CASK ex-fuel (sen)	11.13	12.45	24.84	-10.6%	-55.2%
Aircraft	154	155	152	-0.6%	1.3%
Average stage length (km)	1,140	1,089	868	4.7%	31.3%
Number of flights	54	49,594	26,916	-99.9%	-99.8%
Fuel consumed (barrels)	1,811,189	1,615,846	722,539	12.1%	150.7%
Average fuel price per barrel	121	136	115	-11.0%	5.2%

DIGITAL PERFORMANCE

Key Indicators	Quarterly				
	1Q23	4Q22	1Q22	QoQ	YoY
BigPay					
Carded users (cumulative)	1,366,169	1,311,867	1,168,361	4.1%	16.9%
Superapp					
Monthly active users ('000)	12,855	11,449	10,740	12.3%	19.7%
No. of transactions ('000)	5,979	6,010	3,000	-0.5%	99.3%
Gross booking value ('000)	3,111,908	3,235,721	733,459	-3.8%	324.3%
Teleport					
Tonnage (tonnes)	35,723	31,158	25,625	14.7%	39.4%
Number of delivery ('000)	5,685	3,158	945	80.0%	501.6%

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	1,682.9	6,437.1	12,707.5	14,931.3	15,843.6
EBIT	-2,845.6	-1,393.8	1,433.7	2,359.7	2,658.3
PBT	-3,575.0	-3,303.7	162.9	717.2	915.5
PATAMI	-2,991.1	-2,626.4	123.8	545.1	695.8
Core PATAMI	-2,860.8	-2,564.0	123.8	545.1	695.8
EPS (sen)	n.a.	n.a.	3.1	13.0	17.0
PER (x)	n.a.	n.a.	25.5x	6.0x	4.6x
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
ROU assets	9,750.7	10,182.1	10,385.8	10,593.5	10,805.4
PPE	933.5	882.9	900.6	918.6	936.9
Non-current assets	17,580.1	18,158.6	16,252.3	14,713.8	14,525.7
Trade debtors	608.4	651.0	664.0	677.3	690.8
Cash & cash equivalents	1,256.8	470.0	2,802.4	4,173.0	4,238.5
Current assets	2,449.7	1,769.0	3,501.1	4,898.8	4,978.6
Long-term debt	1,422.7	2,405.8	2,093.0	1,820.9	1,584.2
Non-current liabilities	17,248.9	19,166.5	18,208.1	17,297.7	16,432.8
Trade creditors	2,308.9	2,878.6	2,907.3	2,936.4	2,965.8
Short-term debt	887.2	531.0	1,592.9	1,592.9	1,592.9
Current liabilities	9,203.9	10,278.0	10,586.4	10,904.0	11,231.1
Share capital	8,457.2	8,655.0	8,655.0	8,655.0	8,655.0
Retained earnings	-6,213.4	-8,719.2	-8,595.3	-8,050.2	-7,354.5
Equity	-6,422.9	-9,517.0	-9,041.1	-8,589.1	-8,159.6
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	-3,768.1	-3,303.7	162.9	717.2	915.5
Operating cash flow	-335.3	-282.1	1,665.7	1,970.6	665.5
Investing cash flow	-205.5	-210.5	-200.0	-200.0	-200.0
Financing cash flow	1,266.6	-313.7	1,000.0	-400.0	-400.0
Net cash flow	725.7	-806.3	2,465.7	1,370.6	65.5
Beginning cash flow	533.3	1,255.5	336.8	2,802.4	4,173.0
Ending cash flow	1,255.5	336.8	2,802.4	4,173.0	4,238.5
Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBIT margin	n.a.	n.a.	11.3%	15.8%	16.8%
PBT margin	n.a.	n.a.	1.3%	4.8%	5.8%
PATAMI margin	n.a.	n.a.	1.0%	3.7%	4.4%
Core PATAMI margin	n.a.	n.a.	1.0%	3.7%	4.4%

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