Capital A Berhad

(5099 | CAPITALA MK) Main | Transportation & Logistics

Quarterly Loss Continues

***Downgrade to* NEUTRAL**

(Previously BUY)

***Revised* Target Price: RM0.99**

(Previously RM1.06)

KEY INVESTMENT HIGHLIGHTS

- **3QFY24 posted an unexpected loss**
- **77% fleet utilisation drove 81% seat capacity recovery**
- **ADE's profitability hit by startup costs**
- **Downward earnings revision between -39% to -214%**
- **Downgrade to NEUTRAL with a revised TP of RM0.99**

Below expectations. Capital A Berhad (Capital A) reported a 3QFY24 core LATAMI of -RM545.7m, bringing cumulative 9MFY24 core losses to -RM324.7m after excluding forex gains and one-off items. This fell below our and consensus expectations, which had anticipated a full-year profit, primarily due to higher-than-expected operating expenses (opex) and weaker contributions from non-aviation entities.

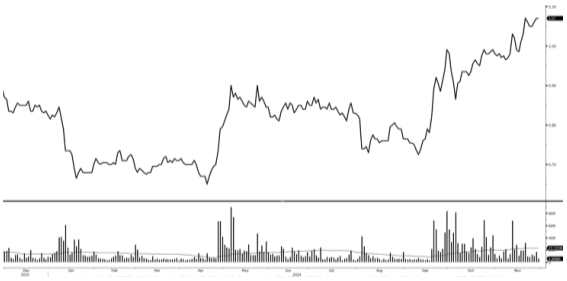
Quarterly. EBIT surged by +90.3%yoy, driven by increased capacity (+8.2%yoy), strong load factors, and improved yields. With 77% of its aircraft in operation, the airlines (excluding Cambodia) recovered 81% of their seat capacity, achieving an average load factor of 89%. Yield improved as RASK increased by +6.6%yoy, while CASK declined by -4.4%yoy, supported by easing jet fuel prices. Capital A disclosed segmental gross PAT for the first time, revealing that Teleport, ADE, and BigPay reported losses in 3QFY24. ADE's profitability was notably impacted by increased staff costs to support its expanded capacity. Compared to 2QFY24, EBIT declined by -34.4%qoq, primarily due to the seasonally weaker quarter for the aviation business and the underperformance of non-aviation entities.

Outlook. Capital A anticipates a strong performance in 4QFY24, projecting passenger traffic to recover to 88% of pre-pandemic levels, supported by an 84% capacity restoration. The Group plans to launch 18 new domestic and international routes to meet the growing demand from India and China, where it reportedly holds over a 50% market share in the latter. The fleet expansion strategy for 4QFY24 includes the delivery of 5 additional aircraft with 4 allocations to Malaysia AirAsia (MAA) and 1 to Thai AirAsia (TAA). By end-FY24, the plan is to have 205 aircraft, comprising 195 available operational aircraft (+14.7%qoq).

Downgrade to NEUTRAL. After factoring in higher opex and slight downward adjustments to seat capacity recovery and load factor assumptions, aligned with 9MFY24 operating statistics, we have lowered our earnings projections for FY24F/FY25F/FY26F by -214%/-39%/-44%. Consequently, as we roll over our valuation base year, we have adjusted our target price to **RM0.99** (from RM1.06), based on 8.5x PER. Given that the share price has increased by +33% year-to-date, now trading slightly above its pre-COVID mean at 9.4x FY25F EPS, we have downgraded our call to **NEUTRAL** from BUY.

RETURN STATISTICS	
Price @ 28th November 2024 (RM)	1.09
Expected share price return (%)	-9.2
Expected dividend yield (%)	0.0
Expected total return (%)	**-9.2**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	8.6	9.2
3 months	8.1	41.6
12 months	17.6	6.3

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	20,698.5	21,867.1	22,560.8
Operating profit	962.1	1,975.6	2,009.0
PBT	-401.4	649.2	750.6
Core PATAMI	-497.7	493.4	570.5
EPS (sen)	-11.7	11.6	13.4

KEY STATISTICS	
FBM KLCI	1,597.49
Issued shares (m)	4,254.58
Estimated free float (%)	70.83
Market Capitalisation (RM'm)	4,628.45
52-wk price range	RM0.64 - RM1.09
3-mth average daily volume (m)	22.07
3-mth average daily value (RM'm)	20.90
Top Shareholders (%)	
Tune Air Sdn Bhd	11.9
Tune Live Sdn Bhd	11.8
Positive Boom Limited	7.7

MIDF Research Team
research@midf.com.my

CAPITAL A: 3QFY24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
Income Statement	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Revenue	4,503.2	4,862.9	3,920.6	-7.4%	14.9%	13,981.9	8,963.1	56.0%
EBIT	143.5	218.8	75.4	-34.4%	90.3%	988.3	174.9	465.1%
Net finance costs	-277.4	-343.7	-341.4	19.3%	18.7%	-1,020.2	-571.4	-78.5%
Associates & JVs	2.1	-1.7	-0.3	225.4%	713.3%	-0.6	-11.4	95.1%
PBT	2,129.1	-561.8	-473.9	479.0%	549.3%	1,317.5	21.1	6147.0%
Taxation	-115.8	19.3	81.2	-701.4%	-242.5%	-91.0	69.6	-230.7%
PATAMI	1,640.5	-454.2	-102.8	461.2%	>100%	1,094.8	600.6	82.3%
Core PATAMI	-545.7	-51.2	50.6	-964.8%	<-100%	-324.7	-110.9	-192.7%

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
Revenue	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Aviation	4,530.9	4,611.4	3,948.9	-1.7%	14.7%	14,091.0	9,074.4	55.3%
Teleport	286.7	225.2	188.9	27.3%	51.8%	736.4	507.8	45.0%
Capital Aviation Services	105.4	80.8	108.7	30.5%	-3.1%	269.2	283.6	-5.1%
ADE	184.2	173.9	164.6	5.9%	11.9%	526.1	103.0	410.8%
AirAsia Move	128.6	128.0	171.4	0.4%	-25.0%	386.8	159.0	143.3%
BigPay	8.7	9.8	11.1	-11.4%	-21.5%	29.5	11.0	168.0%
Capital A Int. & others	57.4	53.7	5.4	6.9%	968.3%	170.5	16.4	940.7%
EBITDA	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Aviation	577.8	707.1	385.1	-18.3%	50.0%	2,242.9	1,291.5	73.7%
Teleport	21.9	2.5	-3.7	774.0%	699.2%	29.7	14.5	104.2%
Capital Aviation Services	25.7	-0.4	44.6	6426.5%	-42.3%	30.6	60.0	-48.9%
ADE	29.6	38.9	42.8	-23.9%	-30.8%	109.2	18.6	487.1%
AirAsia Move	19.4	19.1	11.7	1.8%	65.5%	89.5	24.4	267.0%
BigPay	-21.8	-18.8	-22.2	-15.9%	1.7%	-58.8	-28.0	-109.9%
Capital A Int. & others	15.2	24.1	1.1	-36.9%	1297.8%	73.9	-53.8	237.3%
PAT*	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Aviation	2,073.7	-	-414.3	-	600.6%	-	-	-
Teleport	-5.0	-	-5.6	-	11.5%	-	-	-
Capital Aviation Services	11.1	-	43.7	-	-74.6%	-	-	-
ADE	-12.1	-	28.3	-	-142.9%	-	-	-
AirAsia Move	11.2	-	-0.7	-	1612.0%	-	-	-
BigPay	-72.7	-	-23.0	-	-216.2%	-	-	-
Capital A Int. & others	17.4	-	5.4	-	224.6%	-	-	-

Source: Capital A, MIDFR

AVIATION

	Quarterly					Cumulatively		
Key Indicators	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Passengers (m)	15.9	15.6	14.7	1.3%	7.8%	46.9	34.4	36.5%
Capacity (m)	17.8	17.4	16.5	2.6%	8.2%	52.3	39.0	34.0%
Load factor	89%	90%	89%	-1.1%	0.0%	90%	88%	2.3%
RPK (m)	18,894	18,287	17,550	3.3%	7.7%	55,296	40,147	37.7%
ASK (m)	21,491	20,547	19,973	4.6%	7.6%	62,276	46,202	34.8%
Average fare (RM)	231	240	216	-3.8%	6.9%	245	211	16.1%
Unit passenger revenue (RM)	283	292	266	-3.1%	6.4%	299	261	14.6%
RASK (sen)	20.89	22.52	19.60	-7.2%	6.6%	22.49	19.35	16.2%
CASK (sen)	21.70	23.18	22.71	-6.4%	-4.4%	22.74	21.82	4.2%
CASK ex-fuel (sen)	13.76	13.89	13.82	-0.9%	-0.4%	14.08	13.46	4.6%
Aircraft	221	218	211	1.4%	4.7%	221	211	4.7%
Avg. stage length (km)	1,200	1,136	1,148	5.6%	4.5%	1,187	1,306	-9.1%
Number of flights	97,406	95,462	90,315	2.0%	7.9%	286,434	213,478	34.2%
Fuel consumed (m barrels)	3.6	3.4	3.3	4.7%	10.6%	10.3	7.5	37.4%
Avg. fuel price (USD)	109	111	121	-1.8%	-9.9%	114	114	0.0%

NON-AVIATION

Key Indicators	Quarterly				
BigPay	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**
Carded users (cumulative)	1,573,987	1,549,144	1,460,797	1.6%	7.7%
airasia move					
Monthly active users ('000)	13,090	13,013	15,424	0.6%	-15.1%
No. of transactions ('000)	3,423	4,291	8,304	-20.2%	-58.8%
Gross booking value (RM' 000)	2,396,150	2,257,767	3,431,083	6.1%	-30.2%
Duty free and merchandise	108,440	114,567	148,324	-5.3%	-26.9%
Teleport					
Tonnage (tonnes)	77,341	60,271	59,076	28.3%	30.9%
No. of delivery ('000)	15,688	15,323	7,356	2.4%	113.3%
Size of fleet at quarter end	3	3	1	0.0%	-
Engineering					
No. of hangar line	12	7	7	71.4%	71.4%
No. of base maintenance check	13	8	19	62.5%	-31.6%
No. of line maintenance check	3,249	3,222	2,781	0.8%	16.8%
Ground Team Red					
Flights handled	41,479	38,821	38,345	6.8%	8.2%
Cargo handled (tonnes)	34,036	28,687	23,988	18.6%	41.9%
Santan					
Inflight products	4,614,151	5,045,829	4,863,081	-8.6%	-5.1%
Frozen food	229,999	71,320	770	222.5%	29770.0%
Restaurant and café	638,100	590,645	295,582	8.0%	115.9%

Source: Capital A, MIDFR

DETAILED BREAKDOWN OF AVIATION

Key Indicators	Quarterly				
Malaysia	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**
Passengers carried	7,583,348	7,126,033	6,734,950	6.4%	12.6%
Capacity	8,524,136	8,003,874	7,627,949	6.5%	11.7%
Load factor (%)	89%	89%	88%	0.0%	1.1%
ASK (mil)	10,962	10,127	9,445	8.2%	16.1%
RPK (mil)	9,679	8,949	8,244	8.2%	17.4%
Number of stages	46,304	43,714	41,440	5.9%	11.7%
Average stage length (km)	1,279	1,257	1,231	1.8%	3.9%
Size of fleet	103	102	102	1.0%	1.0%
Operating aircraft	78	79	69	-1.3%	13.0%
Thailand	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**
Passengers carried	4,885,467	4,970,534	4,555,306	-1.7%	7.2%
Capacity	5,453,248	5,459,878	5,077,838	-0.1%	7.4%
Load factor (%)	90%	91%	90%	-1.1%	0.0%
ASK (mil)	5,996	5,856	5,921	2.4%	1.3%
RPK (mil)	5,233	5,247	5,219	-0.3%	0.3%
Number of stages	29,655	29,976	27,868	-1.1%	6.4%
Average stage length (km)	1,096	1,067	1,161	2.7%	-5.6%
Size of fleet	59	57	54	3.5%	9.3%
Operating aircraft	50	48	46	4.2%	8.7%
Indonesia	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**
Passengers carried	1,661,740	1,699,807	1,774,083	-2.2%	-6.3%
Capacity	1,859,400	1,887,660	1,999,260	-1.5%	-7.0%
Load factor (%)	89%	90%	89%	-1.1%	0.0%
ASK (mil)	2,743	2,703	2,875	1.5%	-4.6%
RPK (mil)	2,452	2,410	2,547	1.7%	-3.7%
Number of stages	10,330	10,487	11,107	-1.5%	-7.0%
Average stage length (km)	1,475	1,432	1,438	3.0%	2.6%
Size of fleet	32	32	30	0.0%	6.7%
Operating aircraft	25	23	22	8.7%	13.6%
Philippines	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**
Passengers carried	1,682,800	1,826,476	1,641,107	-7.9%	2.5%
Capacity	1,922,040	1,963,260	1,782,012	-2.1%	7.9%
Load factor (%)	88%	93%	92%	-5.4%	-4.3%
ASK (mil)	1,748	1,843	1,732	-5.2%	0.9%
RPK (mil)	1,502	1,674	1,540	-10.3%	-2.5%
Number of stages	10,678	10,907	9,900	-2.1%	7.9%
Average stage length (km)	910	939	972	-3.1%	-6.4%
Size of fleet	25	25	25	0.0%	0.0%
Operating aircraft	15	16	15	-6.3%	0.0%
Cambodia	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**
Passengers carried	41,800	25,861	-	61.6%	-
Capacity	79,020	68,040	-	16.1%	-
Load factor (%)	53%	38%	-	39.5%	-
ASK (mil)	42	18	-	133.3%	-
RPK (mil)	28	7	-	300.0%	-
Number of stages	439	378	-	16.1%	-
Average stage length (km)	536	264	-	103.0%	-
Size of fleet	2	2	-	0.0%	-
Operating aircraft	2	2	-	0.0%	-

Source: Capital A, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	6,437.1	13,981.9	20,698.5	21,867.1	22,560.8
Operating profit	-1,393.8	988.3	962.1	1,975.6	2,009.0
PBT	-3,303.7	1,317.5	-401.4	649.2	750.6
PATAMI	-2,626.4	1,094.8	-497.7	493.4	570.5
Core PATAMI	-110.9	-324.7	-497.7	493.4	570.5
EPS (sen)	-	-7.6	-11.7	11.6	13.4
PER (x)	-	-	-9.3x	9.4x	8.1x

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
ROU assets	10,182.1	12,066.8	7,158.8	5,812.1	4,765.0
PPE	882.9	1,548.4	1,452.6	1,368.3	1,294.1
Non-current assets	**18,158.6**	**25,540.1**	**25,931.3**	**24,946.0**	**31,226.7**
Trade debtors	651.0	1,173.0	2,041.5	2,156.8	2,225.2
Cash & cash equivalents	470.0	703.2	3,418.2	5,644.9	0.0
Current assets	**1,769.0**	**2,367.1**	**6,088.7**	**8,434.0**	**2,872.1**
Long-term debt	2,405.8	3,651.9	4,405.8	5,405.8	5,405.8
Non-current liabilities	**19,166.5**	**23,502.3**	**24,256.2**	**25,256.2**	**25,256.2**
Trade creditors	2,878.6	4,301.0	6,434.6	6,485.2	6,700.4
Short-term debt	531.0	791.0	791.0	791.0	791.0
Current liabilities	**10,278.0**	**14,874.3**	**17,007.9**	**17,058.5**	**17,273.7**
Share capital	8,655.0	8,711.7	8,711.7	8,711.7	8,711.7
Retained earnings	-8,719.2	-10,353.3	-8,379.9	-7,886.5	-7,316.1
Equity	**-9,517.0**	**-10,469.5**	**-9,244.1**	**-8,934.6**	**-8,431.1**

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	-3,303.7	533.4	-401.4	649.2	750.6
Operating cash flow	-282.1	1,046.8	2,721.5	2,203.7	2,171.5
Investing cash flow	-210.5	-22.6	-345.0	-345.0	-345.0
Financing cash flow	-313.7	-863.6	453.7	368.0	298.2
Net cash flow	**-806.3**	**160.6**	**2,830.2**	**2,226.7**	**2,124.7**
Beginning cash flow	**1,177.9**	**470.0**	**588.0**	**3,418.2**	**5,644.9**
Ending cash flow	**336.8**	**588.0**	**3,418.2**	**5,644.9**	**7,769.6**

Profitability Margins	2022A	2023A	2024E	2025F	2026F
OP margin	-	7.1%	4.6%	9.0%	8.9%
PBT margin	-	-	-1.9%	3.0%	3.3%
PATAMI margin	-	-	-2.4%	2.3%	2.5%
Core PATAMI margin	-	-	-2.4%	2.3%	2.5%

Source: Capital A, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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