

Singapore

ADD (no change)

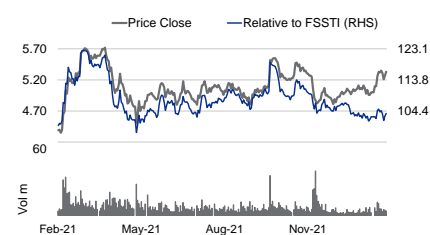
Consensus ratings*: Buy 1 Hold 7 Sell 4

Current price:	S\$5.33
Target price:	S\$5.86
Previous target:	S\$5.86
Up/downside:	10.0%
CGS-CIMB / Consensus:	22.6%
Reuters:	SIAL.SI
Bloomberg:	SIA SP
Market cap:	US\$11,764m
	S\$15,817m
Average daily turnover:	US\$21.84m
	S\$29.68m
Current shares o/s:	1,682m
Free float:	40.0%

*Source: Bloomberg

Key changes in this note

- No change to core EPS estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.3	-1.3	21.1
Relative (%)	0.5	-7.5	3.9

Major shareholders

	% held
Temasek	55.7

Analyst(s)



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Singapore Airlines

Broad quarantine-free travel coming up?

- Reiterate Add as Singapore will reinstate full VTL capacity by 4 Mar, expand VTL lanes, and make it cheaper for travellers to enter Singapore.
- Our TP of S\$5.86 is unchanged, still based on P/BV of 1.06x (+1 s.d.), on our adjusted FY23F BVPS.

Singapore reinstates VTL quota, expands VTL countries

The Singapore government yesterday announced a series of measures to open up its borders further. From 17 Feb to 4 Mar 2022, Singapore will progressively reinstate 100% of the VTL capacity of 15,000 daily passengers, after suspending new VTL sales between 23 Dec 2021 and 20 Jan 2022 due to the emergence of the Omicron variant, and after halving the daily VTL capacity from 21 Jan until 16 Feb 2022. From 25 Feb 2022, the list of VTL countries from which travellers arriving into Singapore do not need to be quarantined on arrival will be expanded to Saudi Arabia, Qatar and the UAE, and to all cities in Thailand rather than only Bangkok. New VTLs will begin on 4 Mar for the Philippines and Israel. In addition, Malaysia said that it was in advanced discussions with Singapore to extend VTL travel beyond KL to include Penang and Kota Kinabalu. Furthermore, the cost of travel under the VTL scheme will be reduced and the convenience increased; from 22 Feb, VTL arrivals and arrivals from Category I countries no longer have to undergo an on-arrival PCR test, which costs S\$125/pax, but only have to undergo one supervised ART test within 24 hours of arrival, which only costs S\$15/pax. VTL travellers no longer have to undergo six days of unsupervised ART tests after arrival (if they want to leave their place of stay), and instead only have to undergo one supervised ART test. Unvaccinated travellers or travellers on non-VTL flights are subject to a 7-day quarantine at their own accommodation from 22 Feb onwards, shortened from 10 days at a dedicated government facility for Category IV travellers. For travellers transiting or transferring through Changi Airport, the requirement for a pre-departure Covid-19 test will be waived from 22 Feb, which will enhance the attractiveness of Changi as a transfer/transit hub, and benefit the home carrier, SIA.

SIA may see substantial expansion in passengers in FY3/23F

For FY3/22F, we estimate that SIA group's ASK capacity will average 36% of the pre-Covid-19 capacity, rising to an average of 74% in FY23F, as shown below. Our forecast for FY23F is based on our confidence that the Singapore government will eventually introduce quarantine-free travel into Singapore for fully-vaccinated travellers from around the globe, which essentially expands the VTL scheme globally. This will be the key re-rating catalyst for the stock. Meanwhile, cargo demand continues to be strong, supporting SIA's revenues while waiting for the passenger side to recover more fully. The key downside risk is higher oil prices, with jet fuel now at US\$105/bbl vs. our FY23F estimate of US\$82/bbl, with SIA 40% hedged for FY23F. But with strong VTL demand and with Dec 2021 ASK capacity in Asia at only 18% of the pre-pandemic level, SIA may be able to command a price premium to offset higher fuel prices.

Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (S\$m)	15,975	3,816	6,977	12,553	15,248
Operating EBITDA (S\$m)	2,257	-424	995	2,535	3,204
Net Profit (S\$m)	-212	-4,271	-1,135	124	534
Core EPS (S\$)	-0.08	-0.81	-0.43	-0.04	0.10
Core EPS Growth	(115%)	969%	(47%)	(91%)	
FD Core P/E (x)	NA	NA	NA	NA	54.10
DPS (S\$)	0.14	0.00	0.00	0.00	0.00
Dividend Yield	2.56%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	7.97	NA	18.82	8.03	6.63
P/FCFE (x)	10.57	NA	NA	NA	NA
Net Gearing	88.4%	37.2%	11.6%	19.0%	22.4%
P/BV (x)	0.96	0.99	0.73	0.73	0.71
ROE	(1.1%)	(17.6%)	(6.8%)	(0.5%)	1.3%
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)			1.19	-1.35	1.09

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Passenger airline business recovered strongly in November and December 2021, moderating slightly in January 2022 ➤

In November and December 2021, the SIA group's passenger airline business saw a sharp recovery in demand, with passenger Revenue Passenger Kilometre (RPK) demand rising sharply, narrowing the gap with Available Seat Kilometre (ASK) capacity (which was also rising, but at a slower sequential pace). This led to a significant increase in passenger load factors (PLF) in the last two months of 2021.

The SIA group's ASK capacity in December 2021 remained 54.7% below the December 2019 level (pre-Covid-19), with RPK demand still 75.9% below. The December 2021 PLF was 46.5%, down 41.1% pts from December 2019's 87.6%. However, encouragingly, the PLF was 32.8% pts higher than December 2020's 13.7% and is at the highest level since March 2020, which was when the Covid-19 pandemic first hit the global aviation industry.

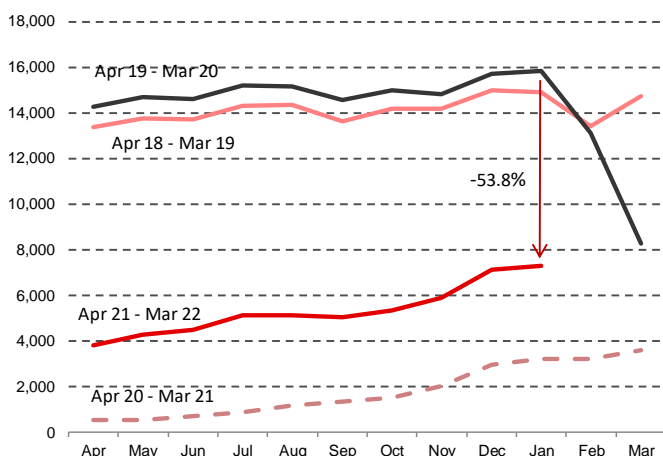
SIA mainline (SQ) saw its PLF rise to 50.4% in December 2021, above the group average of 46.5%, whereas Scoot (TR) saw only 23.5% PLF; this was mainly because the Vaccinated Travel Lane (VTL) flights were primarily deployed by SQ.

In January 2022, SIA group's ASK capacity continued to rise 2.8% sequentially from December 2021, but RPK demand fell 11.7% mom due to:

- The passing of the year-end seasonal travel peak, and
- The suspension of additional VTL flight sales from 23 December 2021 to 20 January 2022 due to the emergence of the Omicron variant, and the Singapore government's halving of the daily VTL capacity from 21 January until 16 February 2022.

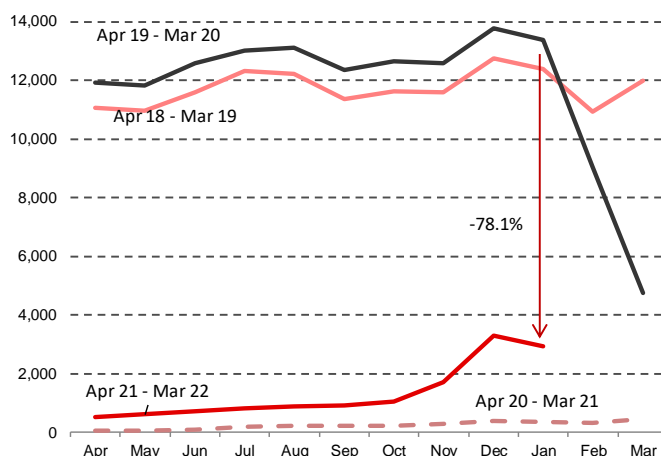
The outlook for RPK demand is brighter from 17 February 2022 onwards, as the Singapore government has reinstated the full daily VTL quota from 17 February 2022 and has also agreed to open up new VTL travel lanes with additional countries from 25 February 2022 onwards.

Figure 1: SIA group's passenger capacity in ASK (m)



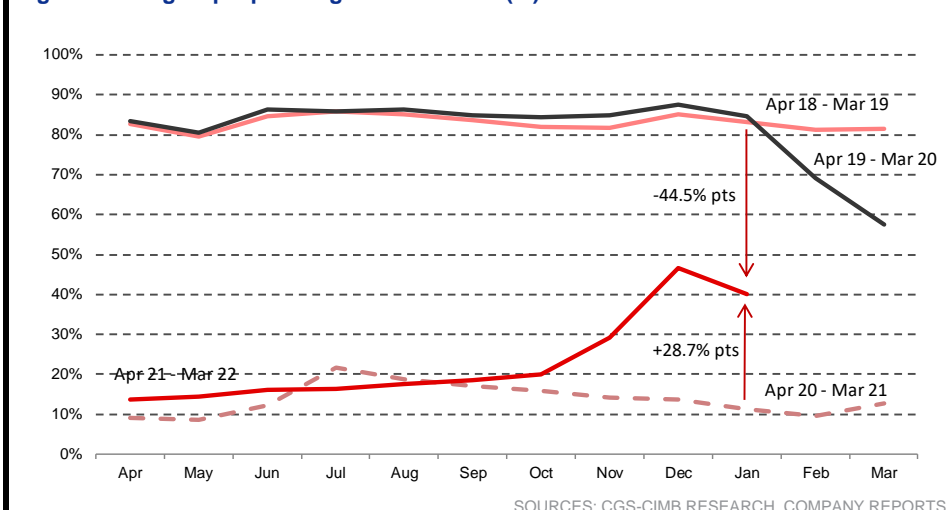
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: SIA group's passenger traffic in RPK (m)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: SIA group's passenger load factors (%)



The demand recovery seen up to December 2021 was largely the result of the launch of the VTLs between Singapore and several countries from September 2021 onwards:

- The VTLs started from 8 September 2021 for arrivals from Germany and Brunei;
- It was expanded to US, Canada, Denmark, France, Italy, Netherlands, Spain, and the UK from 19 October;
- To Australia and Switzerland from 8 November;
- To South Korea from 15 November;
- To India, Malaysia, Indonesia, Finland and Sweden from 29 November;
- To Thailand from 14 December; and
- To Cambodia, Fiji, Maldives, Sri Lanka and Turkey from 16 December.

Currently, SQ operates VTL flights to the following countries and cities:

- Australia: Adelaide, Brisbane, Melbourne, Perth (from 5 February 2022), Sydney
- Brunei: Bandar Seri Begawan
- Cambodia: Phnom Penh, Siem Reap
- Canada: Vancouver
- Denmark: Copenhagen
- France: Paris
- Germany: Frankfurt, Munich
- India: Chennai, Delhi, Mumbai
- Indonesia: Jakarta
- Italy: Milan, Rome
- Malaysia: Kuala Lumpur
- Maldives: Male
- Netherlands: Amsterdam
- Spain: Barcelona
- South Korea: Seoul
- Sri Lanka: Colombo
- Switzerland: Zurich
- Thailand: Bangkok
- Turkey: Istanbul
- UK: London, Manchester
- USA: Houston, Los Angeles, New York (JFK), San Francisco, Seattle

Meanwhile, TR operates VTL flights to the following countries and cities:

- Australia: Melbourne, Perth (from 5 February 2022), Sydney
- Germany: Berlin
- Malaysia: Kuala Lumpur
- South Korea: Seoul
- Thailand: Bangkok

Demand for VTL flights has been very strong, according to SIA.

The countries to which these VTLs were launched accounted for some **60%** of total daily arrivals at Changi Airport pre-Covid-19, according to the Civil Aviation Authority of Singapore (CAAS).

Singapore has a VTL quota, starting with 3,000 daily passengers in September 2021. This gradually stepped up to 15,000 daily passengers from December 2021.

This 15,000 daily passenger cap amounted to about **33%** of the total pre-Covid-19 flows from the VTL countries listed above, implying that the VTL lanes may have contribute to Changi Airport recovering some 20% of its pre-Covid-19 passenger base (60% x 33%) in December 2021. Total airline seat capacity at Changi Airport in December 2021 amounted to some 26% of the pre-Covid-19 level in December 2019.

The Omicron outbreak caused a temporary partial rollback of travel liberalisation moves

Due to the outbreak of the highly-infectious Omicron in November 2021, the Singapore government imposed limits on inbound travellers and on the VTL programme.

- From 27 November, visitors with travel history within the last 14 days to Botswana, Eswatini, Lesotho, Mozambique, Namibia, South Africa and Zimbabwe were not allowed to enter or transit in Singapore.
- On 28 November 2021, Singapore's Ministry of Health (MOH) announced that the VTLs with Saudi Arabia, Qatar and the UAE, which were supposed to kick-off from 6 December will be deferred.
- On 22 December 2021, the Singapore government announced the suspension of new ticket sales for VTL flights for the period from 23 December 2021 to 20 January 2022, although existing bookings on these flights were not affected and VTL services continued to operate as scheduled.
- From 21 January 2022 onwards, the VTL arrival quota of 15,000 daily passengers was halved to 7,500 daily passengers.

Other countries have also imposed new restrictions:

- From 1 December 2021, India requires travellers from several countries including Singapore to quarantine for seven days upon arrival.
- From 2 December, Indonesia requires all arrivals from Singapore, among other countries, to quarantine for 10 days upon arrival.
- Thailand halted quarantine-free entry from 22 December under the 'Test and Go' scheme, requiring arriving travellers to undergo a 7-14 day quarantine, although the scheme resumed on 1 February 2022. The Phuket Sandbox programme remains intact, wherein arrivals are free to roam Phuket for seven days before being allowed to travel to other parts of Thailand.

The main impact on the SIA group is from the halving of the VTL daily quota, in our view, which will affect it from 21 January 2022 onwards. The Omicron-related tightening of travel protocols from December 2021 and reduction of VTL quotas for arrivals into Singapore from 21 January 2022 temporarily dampened the nascent trajectory of growth that SIA saw in November and December 2021.

Notable markets missing from the VTL list, for now, include China, Hong Kong, and Japan. Japan has barred all new foreign arrivals since 30 November 2021, while China and Hong Kong remain firmly on their 'zero-Covid' strategy with inbound travel not permitted for general visitors and tough quarantine rules for other arrivals.

Singapore and other countries began liberalising air travel again from February 2022

Thailand resumed its quarantine-free 'Test and Go' entry programme from 1 February 2022; this permits most nationalities to travel into Thailand without quarantine if fully vaccinated. The programme originally started on 1 November 2021, but Thailand suspended this from 22 December 2021 due to the Omicron variant, but resumed it from 1 February 2022.

The **Philippines** reopened to fully vaccinated tourists from most countries on 10 February 2022 and also lifted quarantine requirements.

Australia will reopen its international borders to fully vaccinated foreign arrivals from 21 February 2022F without quarantine, with the exception of Western Australia, which still requires seven days of quarantine upon arrival.

Most importantly for the SIA group, **Singapore** announced a series of measures on the evening of 16 February that will likely boost travel numbers in the months ahead, in our view:

- The Singapore government will progressively reinstate 100% of the VTL capacity of 15,000 daily passengers from 17 February 2022 onwards, with full restoration by 4 March 2022. This is after suspending new VTL sales between 23 December 2021 and 20 January 2022 due to the emergence of the Omicron variant, and after halving the daily VTL capacity from 21 January until 16 February 2022.
- The VTLs will be finally expanded to Saudi Arabia, Qatar and the UAE from 25 February 2022 (from the original proposed date of 6 December 2021).
- The VTL to Thailand will be beyond Bangkok, to all cities in Thailand, effective 25 February 2022.
- New VTLs will be started from 4 March 2022 for the Philippines and Israel that will facilitate two-way quarantine-free travel between Singapore and the two countries.

In addition, the Malaysian government said that it was in advance discussions to extend the VTL with Singapore beyond Kuala Lumpur, to also include Penang and Kota Kinabalu.

The above measures are geared towards ultimately reopening Singapore to all fully-vaccinated travellers from around the world without quarantine on arrival.

Furthermore, the cost of travel under the VTL scheme will be reduced and the convenience increased:

- From 22 February 2022, VTL arrivals and arrivals from Category I countries no longer have to undergo an on-arrival Polymerase Chain Reaction (PCR) test for Covid-19, which costs S\$125/pax. These travellers only have to undergo one supervised Antigen Rapid Test (ART) within 24 hours of arrival, which only costs S\$15/pax.
- VTL arrivals no longer have to undergo six days of unsupervised ART tests after arrival (if they want to leave their place of stay), and instead only have to undergo one supervised ART test as noted above.
- The travel history requirement for arrivals into Singapore will be shortened from 14 days to seven days. Typically, in order to qualify for a VTL flight, travellers must have only stayed or travelled to countries that are part of the VTL scheme for the past 14 days prior to boarding their flights. The reduction of this travel history requirement to seven days will allow more travellers to fly into Singapore.
- From 22 February 2022, fully-vaccinated long-term pass holders holding Employment Passes, Dependent's Passes or S Pass holders need not apply for approval to enter Singapore via the Vaccinated Travel Pass (VTP) portal administered by Singapore's Immigration and Checkpoints Authority (ICA). This relaxation does not apply to work permit holders in the construction,

marine shipyard and process sectors and other dormitory-bound work permit holders, who are not allowed to enter Singapore via VTLs.

For unvaccinated travellers, or travellers on non-VTL flights, Singapore will also make travel easier.

Currently, countries are classified into Category I, Category II, Category III and Category IV:

- Only Category I countries (comprising China, Hong Kong, Macau and Taiwan) can enter Singapore without quarantine on arrival, regardless of vaccination status.
- Arrivals from Category II countries, who are unvaccinated or are travelling on non-VTL flights, must quarantine for seven days at their own accommodation.
- Similar arrivals from Category III countries must quarantine for 10 days at their own accommodation.
- Similar arrivals from Category IV countries must quarantine for 10 days at a dedicated government facility.

From 22 February 2022 onwards, Singapore will simplify the travel protocols for all unvaccinated travellers or those travelling on non-VTL flights from countries in the 'General Travel' category.

- These travellers, regardless of country of origin, are subject to 7-day quarantine at their own accommodation.
- The on-arrival PCR test is no longer required, although these groups of travellers will have to undergo a PCR test before exiting their 7-day quarantine.
- Hence, from 22 February 2022 onwards, unvaccinated travellers or travellers on non-VTL flights from Category III countries will have their quarantine shortened from 10 days to seven days, while such travellers from Category IV countries can quarantine for only seven days at their own accommodation, rather than for 10 days at a dedicated government facility.

For travellers transiting or transferring through Singapore Changi Airport, the requirement for a pre-departure Covid-19 test will be waived from 22 February 2022. This will enhance the attractiveness of Changi Airport as a transfer/transit hub, and benefit the home carrier, Singapore Airlines.

The only exception to Singapore's travel liberalisation announced on 16 February 2022, is that for Hong Kong. Prior to 25 February 2022, all arrivals from Category I countries such as China, Hong Kong, Macau and Taiwan, whether vaccinated or unvaccinated, can apply to enter Singapore without the need for quarantine. However, from 25 February 2022 onwards, only fully-vaccinated Hong Kong travellers can escape quarantine in Singapore on arrival; unvaccinated travellers from Hong Kong will have to quarantine for seven days. The quarantine-free privilege accorded to travellers from China, Macau and Taiwan remains unchanged.

Separately, from 22 February 2022, Singapore will introduce a 'Restricted Travel' category. This category will include countries that warrant stricter border measures owing to developing Covid-19 situations. For a start, there will be no new restricted countries or regions in this category. Travellers originating from the 'Restricted Travel' countries will have to serve 7-day quarantine at dedicated government facilities, and take a Covid-19 PCR test at the end of the quarantine period.

Note that prior to 22 February 2022:

- Category I countries comprise China, Hong Kong, Macau and Taiwan, although Hong Kong will be removed from Category I from 25 February 2022 onwards.
- Category II countries include Argentina, Australia, Bahrain, Bhutan, Brunei, Cambodia, Canada, Chile, Cyprus, Denmark, Egypt, Ethiopia, Fiji, Finland, France, Germany, Greece, India, Indonesia, Israel, Italy, Japan, Kuwait, Malaysia, Maldives, Malta, Mexico, Mongolia, Morocco, Myanmar, Nepal, New Zealand, the Netherlands, Oman, Pakistan, Portugal, Qatar, Rwanda, The Republic of Korea, Romania, Samoa, San Marino, Saudi Arabia, Spain, Sri Lanka, Sweden, Switzerland, Thailand, Tonga, Turkey, The United Arab Emirates, the United Kingdom⁴, the United States, Vatican City, and Vietnam.
- Category III countries include Austria, Bangladesh, Belarus, Belgium, Belize, Brazil, Bulgaria, Colombia, Costa Rica, Croatia, Czech Republic, Estonia, Hungary, Iceland, Ireland, Kazakhstan, Laos, Latvia, Liechtenstein, Lithuania, Luxembourg, Mauritius, Norway, Panama, Papua New Guinea, Peru, Philippines, Poland, Russia, Serbia, Seychelles, Slovakia, Slovenia, Ukraine and Uruguay.
- All other countries are classified in Category IV.

Passenger airline ASK capacity estimates ►

The SIA group deployed:

- 23% of its pre-Covid-19 passenger ASK capacity as at 31 March 2021,
- 28% as at 30 June 2021,
- 32% as at 30 September 2021,
- 45% as at 31 December 2021, and
- 46% as at 30 January 2022.

The SIA group's ASK capacity in February 2022F could decline to 45% of pre-Covid-19 capacity given the suspension of additional VTL flight sales from 23 December 2021 to 20 January 2022 due to the emergence of the Omicron variant, and the Singapore government's halving of the daily VTL capacity from 21 January until 16 February 2022. However, we expect SIA group's ASK capacity to rebound in March 2022F and beyond, as the Singapore government will progressively reinstate 100% of the VTL capacity of 15,000 daily passengers from 17 February 2022 onwards, with full restoration by 4 March 2022.

For FY3/22F, we estimate that SIA group's ASK capacity will average 36% of the pre-Covid-19 capacity, rising to an average of 74% in FY23F, as shown below. Our forecast for FY23F is based on our confidence that the Singapore government will eventually introduce quarantine-free travel into Singapore for fully-vaccinated travellers from around the globe, which essentially expands the VTL scheme globally.

Figure 4: SIA group: Medium-term estimates for passenger airline ASK capacity

	ASK capacity (m)	Yoy change	As a percentage of the FY20 base
FY 3/20	171,211		100.0%
FY 3/21	21,721	-87.3%	12.7%
FY 3/22F	61,861	184.8%	36.1%
FY 3/23F	126,736	104.9%	74.0%
FY 3/24F	162,651	28.3%	95.0%
FY 3/25F	171,211	5.3%	100.0%
FY 3/26F	184,908	8.0%	108.0%

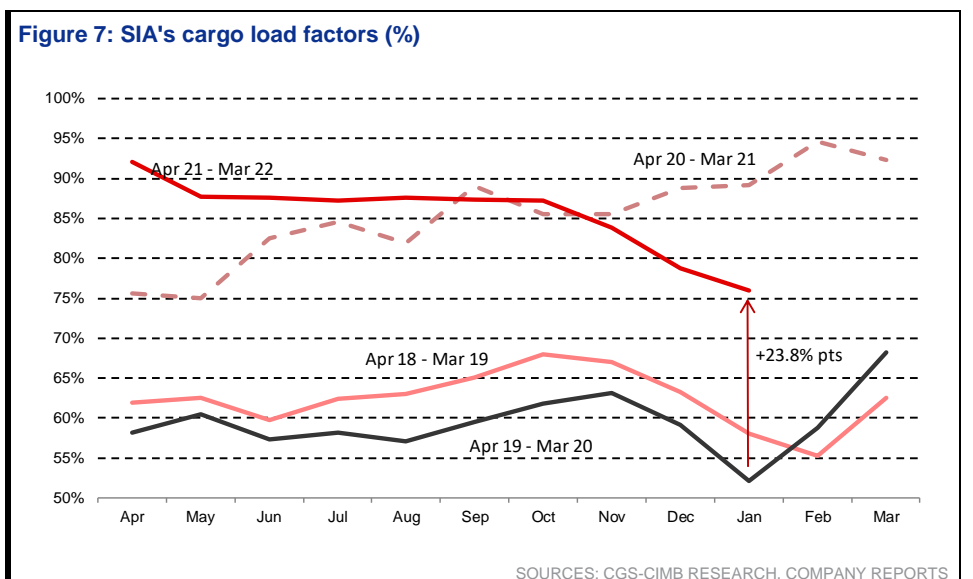
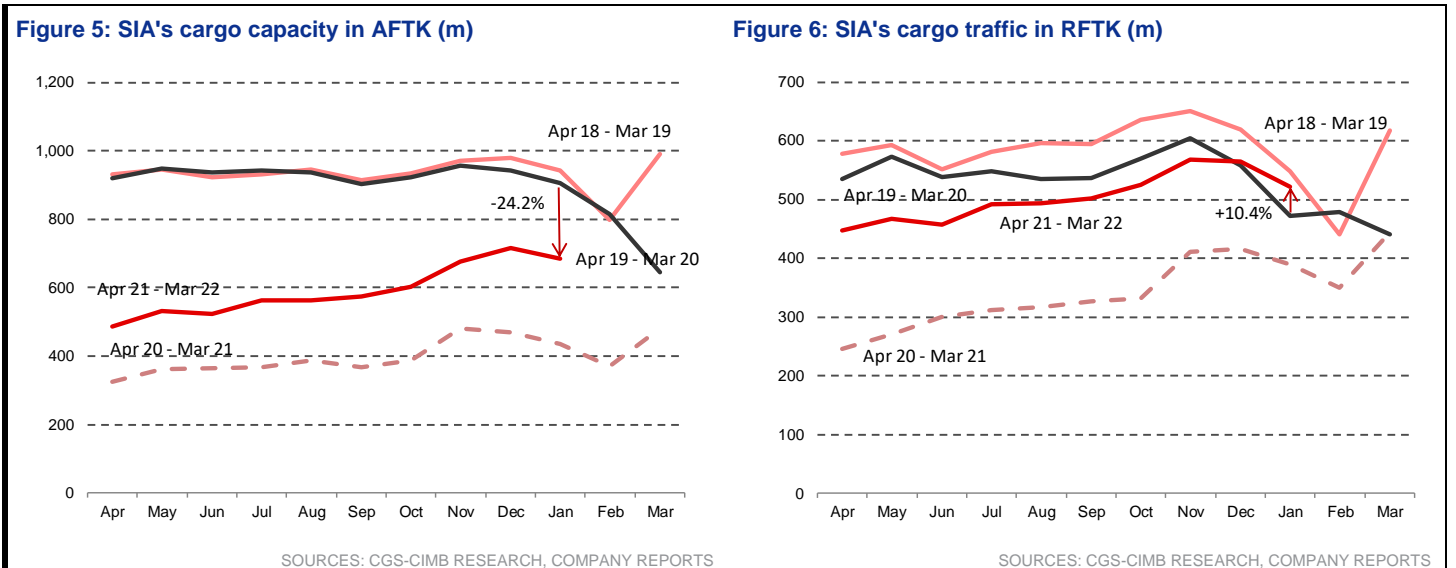
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Cargo business ►

The cargo business has continued to do very well in the October to December 2021 quarter (SIA's 3QFY22F). In December 2021, cargo demand in Revenue Freight Tonne Kilometres (RFTK) terms rose to 1.2% above the pre-pandemic December 2019 level, which was a feat achieved despite Available Freight Tonne Kilometres (AFTK) capacity still 24.1% below the pre-pandemic level. As a result, the cargo load factor (CLF) was 78.8% in December 2021, 19.7% pts higher from December 2019. The strong performance of the cargo business continued into January 2022, with RFTK up 10.4% from pre-pandemic levels, and CLF up 23.8% from January 2020.

Although CLFs fell mom sequentially in November 2021, December 2021, and January 2022, this was the result of AFTKs recovering fast from more bellyhold capacity due to the growth in passenger VTL services, whereas RFTKs continued to do well.

The lower CLF in SIA's 3QFY22F of 83.1% vs. the immediately-preceding 2QFY22's 87.4%, and the higher qoq fuel prices, likely negatively affected the cargo division's profitability in 3QFY22F, unless balanced out by potentially higher qoq yields due to the traditional seasonal strength in year-end air freight demand.



Key assumptions ►

Figure 8: Key assumptions - SIA group

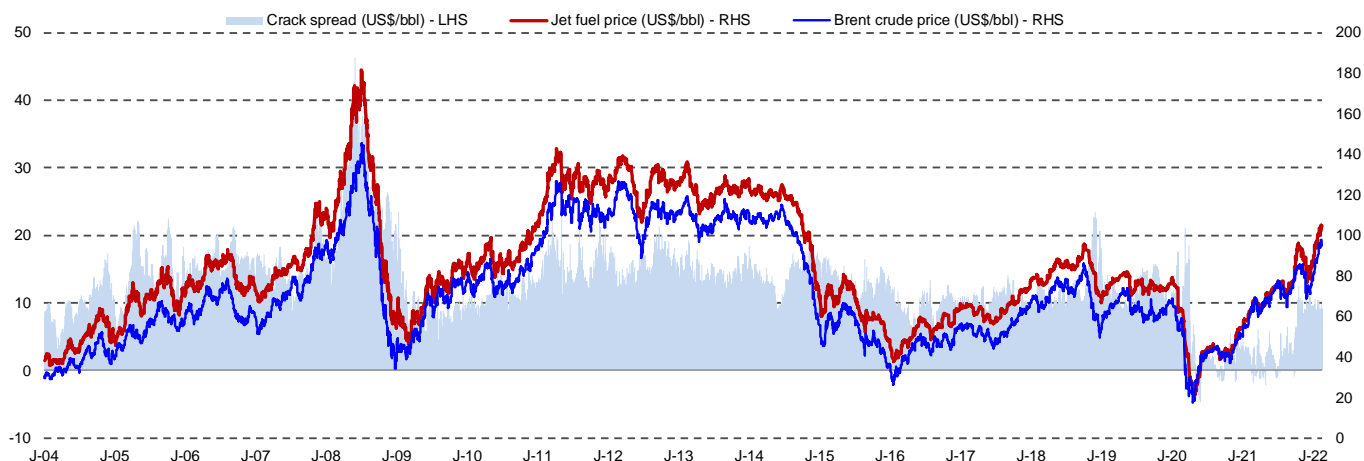
	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22F	FY23F	FY24F
Full-service carrier (FSC)											
FSC ASK (m km)	128,430	128,356	127,484	127,749	129,493	135,218	137,765	19,493	52,127	103,324	130,877
Change in ASK (%)	2.4%	-0.1%	-0.7%	0.2%	1.4%	4.4%	1.9%	-85.9%	167.4%	98.2%	26.7%
FSC RPK (m km)	100,580	100,074	100,784	100,052	104,199	111,512	112,330	2,669	10,635	62,683	98,158
Change in RPK (%)	1.6%	-0.5%	0.7%	-0.7%	4.1%	7.0%	0.7%	-97.6%	298.5%	489.4%	56.6%
FSC Load Factor	78.3%	78.0%	79.1%	78.3%	80.5%	82.5%	81.5%	13.7%	20.4%	60.7%	75.0%
FSC Pax Yield (Scts/RPK)	11.24	11.36	10.79	10.49	10.30	10.16	10.05	20.98	15.17	12.37	10.55
Change in yield (%)	-2.2%	1.0%	-5.0%	-2.7%	-1.8%	-1.4%	-1.1%	108.7%	-27.7%	-18.5%	-14.7%
Scout											
Scout ASK (m km)			21,733	26,793	29,888	34,389	33,446	2,228	9,734	23,412	31,774
Change in ASK (%)				23.3%	11.6%	15.1%	-2.7%	-93.3%	336.9%	140.5%	35.7%
Scout RPK (m km)			18,225	22,084	25,600	29,326	28,669	222	973	15,218	23,830
Change in RPK (%)				21.2%	15.9%	14.6%	-2.2%	-99.2%	339.3%	1463.4%	56.6%
Scout Load Factor			83.9%	82.4%	85.7%	85.3%	85.7%	9.9%	10.0%	65.0%	75.0%
Scout Pax Yield (Scts/RPK)			6.41	5.90	5.80	5.70	5.60	54.98	41.23	8.25	5.77
Change in yield (%)			0.0%	-7.9%	-1.7%	-1.7%	-1.8%	881.7%	-25.0%	-80.0%	-30.0%
SIA Cargo											
Cargo AFTK (m km)	10,274	10,025	10,513	10,912	11,127	11,210	10,778	4,795	7,545	9,700	10,778
Change in AFTK (%)	-3.6%	-2.4%	4.9%	3.8%	2.0%	0.8%	-3.9%	-55.5%	57.3%	28.6%	11.1%
Cargo FTK (m km)	6,419	6,347	6,511	6,896	7,260	7,007	6,389	4,112	6,639	6,305	7,006
Change in LTK (%)	-5.1%	-1.1%	2.6%	5.9%	5.3%	-3.5%	-8.8%	-35.6%	61.5%	-5.0%	11.1%
Cargo Load Factor	62.5%	63.3%	61.9%	63.2%	65.3%	62.5%	59.3%	85.8%	88.0%	65.0%	65.0%
Cargo Yield (Scts/FTK)	32.70	32.80	29.00	25.90	28.20	31.70	30.50	65.90	65.90	39.54	31.63
Change in yield (%)	-2.3%	0.3%	-11.6%	-10.7%	8.9%	12.4%	-3.8%	116.1%	0.0%	-40.0%	-20.0%
Fuel price (US\$/barrel)											
Spot Brent crude price (average)	107.7	85.9	48.2	49.8	57.6	70.2	63.0	49.6	73.0	77.0	75.0
Spot jet fuel price (average)	121.2	99.4	58.3	58.4	67.9	82.2	74.5	53.7	76.0	82.0	80.0
Hedged jet fuel price (average)	122.9	117.0	84.3	68.9	68.9	78.5	81.9	92.2	72.7	77.2	82.0

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

For FY22F, we have used an average spot jet fuel price assumption of US\$76/bbl. The spot jet fuel price for FY22F has so far averaged US\$80/bbl, above our full-year assumption, and is likely to rise slightly more, as the current spot jet fuel price is more than US\$105/bbl.

While our FY22F earnings forecasts are not likely to be significantly affected, there is the potential for FY23F earnings to be negatively affected as we have assumed jet fuel prices of US\$82/bbl against the current spot price of US\$105/bbl. We are maintaining our jet fuel price assumptions for now.

Conversely, we note that our forecasts for SIA's full-service carrier's FY22F passenger RPK demand of 10,635m and PLF of 20.4% are conservative, relative to the FSC's actual 10MFY22F RPK demand of 12,638m and PLF of 27.4%. With the FSC's actual RPK demand on track to exceed our current full-year forecasts for FY22F due to strong demand for VTL flights, there is the possibility that SIA group's potential revenue outperformance may help offset higher jet fuel costs, relative to our current projections.

Figure 9: Singapore jet fuel prices (US\$/bbl), vs. Brent crude price (US\$/bbl)


SOURCE: CGS-CIMB RESEARCH, BLOOMBERG

Target price computation ►

Figure 10: Calculation of SIA's target price
Based on SIA's accounting treatment of Mandatory Convertible Bonds (MCB) as equity

	End-FY21	End-FY22F	End-FY23F	End-FY24F
Shareholders' equity (S\$ m)	15,905.9	21,644.5	21,768.5	22,303.0
No of ordinary shares (m)	2,965.0	2,965.0	2,965.0	2,965.0
BVPS (S\$)	5.36	7.30	7.34	7.52

Assuming Mandatory Convertible Bonds (MCB) are treated as debt

	End-FY21	End-FY22F	End-FY23F	End-FY24F
Shareholders' equity (S\$ m)	15,905.9	21,644.5	21,768.5	22,303.0
Less: Outstanding MCBs (S\$ m) - capital value	-3,496.1	-9,692.9	-9,692.9	-9,692.9
Less: Outstanding MCBs (S\$ m) - assume 5% YTM (i.e. redemption between Year 5 and Year 7)	-141.8	-554.3	-1,038.9	-1,523.5
Adjusted shareholders' equity (S\$ m)	12,268.0	11,397.3	11,036.7	11,086.5
No of ordinary shares (m)	2,965.0	2,965.0	2,965.0	2,965.0
Adjusted BVPS (S\$)	4.14	3.84	3.72	3.74

Assuming Mandatory Convertible Bonds (MCB) are treated as half debt and half equity

	End-FY21	End-FY22F	End-FY23F	End-FY24F
Shareholders' equity (S\$ m)	15,905.9	21,644.5	21,768.5	22,303.0
Less: Half of outstanding MCBs (S\$ m) - capital value	-1,748.1	-4,846.5	-4,846.5	-4,846.5
Less: Half of outstanding MCBs (S\$ m) - assume 5% YTM (i.e. redemption between Year 5 and Year 7)	-70.9	-277.1	-519.4	-761.8
Adjusted shareholders' equity (S\$ m)	14,087.0	16,520.9	16,402.6	16,694.7
No of ordinary shares (m)	2,965.0	2,965.0	2,965.0	2,965.0
Adjusted BVPS (S\$)	4.75	5.57	5.53	5.63
Target P/BV multiple (x)		1.06	1.06	1.06
Target price (S\$)			5.86	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

We maintain our end-CY22F target price at S\$5.86, still based on an unchanged target P/BV multiple of 1.06x (1 s.d. above the mean since 2011 of 0.93x), applied to the end-FY23F adjusted BVPS.

We use a P/BV that is above the mean to reflect our optimism over the meaningful reopening of international travel markets by mid-CY22F. Valuing SIA at a P/BV mean of 0.93x (since 2011) yields a fair value per share of S\$5.14.

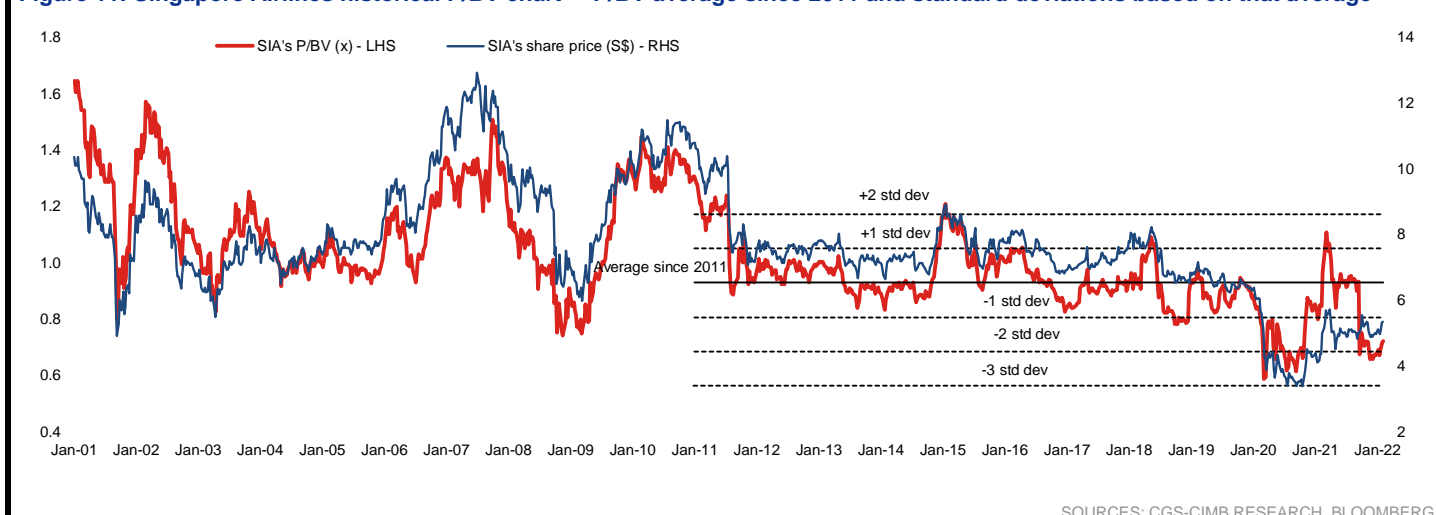
Our *reported* BVPS forecasts treat the S\$9,693m mandatory convertible bonds (MCB) as wholly equity, in line with the accounting treatment adopted by SIA. The MCBs comprise the first tranche of S\$3.5bn issued on 8 June 2020 and the second tranche of S\$6.2bn issued on 24 June 2021.

Our *adjusted* BVPS calculation:

- Treats half of the MCBs as debt (although the accounting treatment sees it as wholly equity) because we have assumed that SIA will endeavour to redeem half of the MCBs before their 9/10-year maturities or will refinance them using other sources of debt; and
- Deducts an assumed 5% yield-to-maturity (YTM) on half the MCBs that we have treated as debt.

While the MCBs are potentially EPS- and BVPS-dilutive because they entail a potential future issue of new ordinary shares (at the conversion price of S\$4.84), we have not factored in an increase in the number of shares for the purposes of deriving our target price for SIA. This is because the MCBs can only be converted on one specific day, i.e. 8 June 2030, which is the maturity date of both tranches of MCBs; a conversion date that is eight years away is beyond the decision-making horizon of many investors, in our view. Furthermore, ample access to cash from shareholders is an advantage for SIA in the current environment and something that many of its airline competitors struggle with. Hence, we reflect the value of SIA's privilege by not assuming the conversion of the MCBs when deriving our target price for the airline.

Figure 11: Singapore Airlines historical P/BV chart – P/BV average since 2011 and standard deviations based on that average



Re-rating catalysts include a faster-than-expected recovery in international passenger traffic sometime during CY22F, if Singapore opens up quarantine-free travel to fully-vaccinated travellers from around the world, in effect, VTLs for the whole world rather than only for specific countries. Other countries may also open up their borders once they achieve high vaccination rates and after the Omicron wave passes. The enthusiastic response of the market to the VTLs is very encouraging while the airfreight markets remain strong given the still-choked container shipping logistics chain.

Downside risks include higher oil prices as SIA is only 30% hedged at an average Brent strike price of US\$57/bbl for 2HFY22F (October 2021 to March 2022), and 40% hedged at an average Brent strike price of US\$60/bbl for 15 months from 1QFY23F to 1QFY24F (April 2022 to June 2023), beyond which SIA is currently unhedged for its jet fuel requirements. Jet fuel crack spreads against Brent have also risen significantly in recent months.

In the near term, however, we think that SIA may be able to command a price premium to offset higher fuel prices. This is due to strong VTL demand and because December 2021 ASK capacity of airlines in Asia (according to the Association of Asia Pacific Airlines, AAPA) amounted to only 18% of the pre-pandemic level of December 2019.

Other downside risks include the potential for competitive pressure to crimp passenger yields, if many airlines reinstate passenger seat capacity quickly in the post-pandemic period. The additional passenger aircraft deployments may also cause cargo yields to fall from their currently-elevated levels as bellyhold

cargo capacity is reintroduced. Premium travel, on which the profitability of SIA's full-service business model depends, may lag behind the recovery of highly-competitive leisure travel.

Figure 12: SIA group core net profit (\$\$ m)

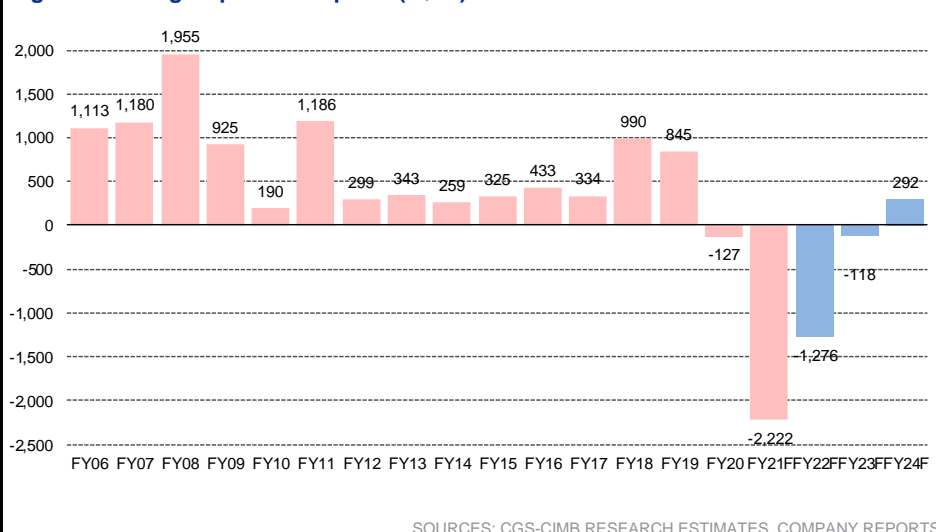

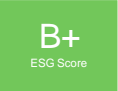

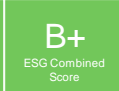





Figure 13: Reconciliation of SIA's attributable net profit to core net profit (\$\$ m)

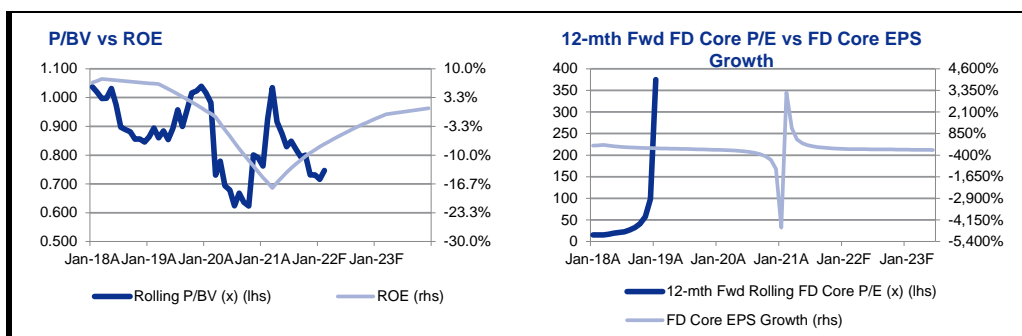
	Reference	FY20	FY21	FY22F	FY23F	FY24F
Attributable net profit		-212.0	-4,270.7	-1,135.1	124.0	534.4
Remove: Exceptionals	a	85.0	2,122.0	50.2	0.0	0.0
Less: MCB yield	b	0.0	-72.8	-190.7	-242.3	-242.3
Core net profit		-127.0	-2,221.5	-1,275.6	-118.3	292.1
Breakdown of exceptionals	a	-85.0	-2,122.0	0.0	0.0	0.0
- Related to NokScoot closure		-89.8	-17.4			
- Impairment of aircraft			-1,734.3			
- Other impairments			-218.7			
- Headcount rationalisation			-44.7			
- Others		4.8	-106.9			
Mandatory Convertible Bond (MCB yield)						
Year-end outstanding value (\$\$ m)			3,496.1	9,692.9	9,692.9	9,692.9
Proportion assumed treated as debt (%)			50.0%	50.0%	50.0%	50.0%
Assumed debt portion (\$\$ m)			1,748.1	4,846.5	4,846.5	4,846.5
Average outstanding balance (\$\$ m)			1,456.7	3,813.7	4,846.5	4,846.5
Assumed yield (%)			5.0%	5.0%	5.0%	5.0%
Assumed yield (\$\$ m)	b		72.8	190.7	242.3	242.3

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Refinitiv ESG Scores	
	
     	
ESG in a nutshell	
<p>SIA is one of the world's premier airlines and takes great pride in improving its ESG credentials. Its standards of service and care to passengers are excellent and its measures to protect the health and safety of its crew and passengers during the Covid-19 pandemic have been recognised as one of the best in the world by the International Air Transport Association. SIA has also set a target to achieve net zero carbon emissions by 2050F and is a participant in the International Civil Aviation Organization's (ICAO) Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).</p>	
<p>Keep your eye on</p> <p>SIA announced in May 2021 that it had set a target to achieve net zero carbon emissions by 2050F and that it will continue its ongoing efforts to move in this direction. In order to reduce carbon emissions, SIA can employ three strategies: 1) reduce fuel consumption, 2) reduce the carbon intensity of its fuels, and 3) offset its emissions by purchasing carbon credits.</p>	<p>Implications</p> <p>To reduce fuel consumption, SIA will employ various levers, such as renewing its fleet with fuel-efficient aircraft, keeping its fleet young and increasing the operational efficiency of its flying operations. Reducing fuel consumption not only serves SIA's ESG goals but also reduces SIA's operational expenses and benefits the bottomline. SIA plans to gradually increase its use of sustainable aviation fuels, which can reduce the lifecycle greenhouse gas (GHG) emissions by at least 80%. For the residual carbon emissions, SIA plans to purchase high-quality carbon credits.</p>
<p>ESG highlights</p> <p>Singapore has signed up for ICAO's CORSIA scheme, which took effect on a voluntary basis from 2021F until 2026F. From 2027F onwards, it will be mandatory for airlines of participating countries to offset their carbon emissions. Carbon emissions above the 2019 baseline on international flights between countries that have chosen to participate in CORSIA will have to be offset from 2027F.</p>	<p>Implications</p> <p>The SIA group of airlines (SIA mainline, SilkAir, Scoot and SIA Cargo) generated 16.3m tonnes of Scope 1 CO2 emissions in FY20, which most closely corresponds to the 2019 base calendar year for the CORSIA scheme. Airline CO2 emissions fell to 4m tonnes in FY21 from the impact of Covid-19 and we do not expect SIA to exceed FY20 emissions until FY25F (CY24F) or later if SIA improves its carbon efficiency. As such, we do not expect SIA to pay for carbon credits out of pocket anytime soon. The price of voluntary carbon credits depends on supply and demand and it is not possible to estimate how much carbon credits will cost SIA in the years ahead.</p>
<p>Trends</p> <p>SIA is aware that it will have to improve its ESG credentials to remain in the good books of its customers that are paying increasing attention to global warming. In this regard, from June 2021, SIA empowered its customers by giving them an option to reduce their individual carbon footprint by purchasing carbon offsets that will be used to support verified projects that reduce carbon emissions, protect endangered species, and empower developing communities.</p>	<p>Implications</p> <p>SIA has been the airline partner of the <i>Hutan Harapan</i> Initiative, an ecosystem restoration concession that covers nearly 100,000 hectares of tropical rainforest in Sumatra, Indonesia, since 2010. SIA has also introduced a new short-haul economy class meal concept that uses recyclable paper and bamboo cutlery to reduce plastic use. Food wastage is reduced using digital planning technologies. SIA has also installed 20,000 solar panels at its offices, generating 10,200 MWh of clean energy annually. These measures to reduce SIA's environmental footprint may help SIA to maintain high ESG ratings, which may have positive implications for SIA's stock market valuations.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(\$m)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	15,975	3,816	6,977	12,553	15,248
Gross Profit	3,924	479	1,700	3,241	3,910
Operating EBITDA	2,257	-424	995	2,535	3,204
Depreciation And Amortisation	-2,134	-2,076	-2,118	-2,279	-2,437
Operating EBIT	123	-2,500	-1,123	256	766
Financial Income/(Expense)	-179	-233	-148	-125	-135
Pretax Income/(Loss) from Assoc.	-79	-113	-86	11	17
Non-Operating Income/(Expense)	-1	10	5	5	5
Profit Before Tax (pre-EI)	-135	-2,835	-1,352	147	654
Exceptional Items	-85	-2,122	-50	0	0
Pre-tax Profit	-220	-4,957	-1,402	147	654
Taxation	51	674	257	-28	-124
Exceptional Income - post-tax					
Profit After Tax	-169	-4,283	-1,145	119	529
Minority Interests	-43	13	10	5	5
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	-212	-4,271	-1,135	124	534
Recurring Net Profit	-127	-2,222	-1,276	-118	292
Fully Diluted Recurring Net Profit	-127	-2,222	-1,276	-118	292

Cash Flow

(\$m)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	2,257	-424	995	2,535	3,204
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,099	-3,424	12	457	255
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	-675	573	89	8	8
Net Interest (Paid)/Received	0	0	0	0	0
Tax Paid	51	-18	257	-28	-124
Cashflow From Operations	2,732	-3,292	1,352	2,971	3,342
Capex	-5,104	-2,696	-3,900	-4,000	-4,100
Disposals Of FAs/subsidiaries	-29	1,343	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0	0
Other Investing Cashflow	167	38	0	0	0
Cash Flow From Investing	-4,965	-1,314	-3,900	-4,000	-4,100
Debt Raised/(repaid)	3,080	1,099	-620	-635	-650
Proceeds From Issue Of Shares	0	8,829	6,197	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	-386	-14	0	0	0
Preferred Dividends					
Other Financing Cashflow	-759	-177	-143	-120	-130
Cash Flow From Financing	1,936	9,737	5,434	-755	-780
Total Cash Generated	-297	5,130	2,886	-1,783	-1,538
Free Cashflow To Equity	848	-3,508	-3,168	-1,664	-1,408
Free Cashflow To Firm	-2,233	-4,607	-2,548	-1,029	-758

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(\$m)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	2,685	7,783	10,669	8,885	7,348
Total Debtors	821	940	1,718	3,091	3,754
Inventories	239	195	275	461	554
Total Other Current Assets	1,098	755	1,292	1,285	1,277
Total Current Assets	4,843	9,672	13,954	13,721	12,933
Fixed Assets	26,964	25,879	27,661	29,383	31,045
Total Investments	1,419	1,729	1,643	1,654	1,671
Intangible Assets	487	301	301	301	301
Total Other Non-Current Assets	0	0	0	0	0
Total Non-current Assets	28,870	27,909	29,606	31,338	33,018
Short-term Debt	2,661	907	907	907	907
Current Portion of Long-Term Debt					
Total Creditors	3,016	2,117	2,987	5,003	6,014
Other Current Liabilities	5,325	2,689	2,689	2,198	2,198
Total Current Liabilities	11,002	5,713	6,583	8,107	9,119
Total Long-term Debt	8,631	12,163	11,542	11,399	10,749
Hybrid Debt - Debt Component		776	776	776	776
Total Other Non-Current Liabilities	4,348	2,652	2,652	2,652	2,652
Total Non-current Liabilities	12,978	15,590	14,970	14,826	14,176
Total Provisions	0	0	0	0	0
Total Liabilities	23,980	21,303	21,553	22,934	23,295
Shareholders' Equity	9,314	15,906	21,644	21,769	22,303
Minority Interests	419	372	362	357	352
Total Equity	9,733	16,278	22,007	22,126	22,655

Key Ratios

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	(2.1%)	(76.1%)	82.8%	79.9%	21.5%
Operating EBITDA Growth	(5%)	(119%)	N/A	155%	26%
Operating EBITDA Margin	14.1%	(11.1%)	14.3%	20.2%	21.0%
Net Cash Per Share (S\$)	-5.12	-2.04	-0.86	-1.42	-1.71
BVPS (S\$)	5.54	5.36	7.30	7.34	7.52
Gross Interest Cover	0.56	-9.33	-3.92	0.94	2.99
Effective Tax Rate	0.0%	0.0%	0.0%	19.0%	19.0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	26.89	84.17	69.51	69.91	82.15
Inventory Days	7.12	23.75	16.25	14.41	16.37
Accounts Payables Days	93.8	280.8	176.5	156.6	177.8
ROIC (%)	0.7%	(11.8%)	(4.8%)	1.0%	2.8%
ROCE (%)	0.80%	(9.64%)	(3.01%)	1.14%	2.53%
Return On Average Assets	0.29%	(5.41%)	(2.33%)	0.55%	1.46%

Key Drivers

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
SIA mainline ASK (m)	127,165.8	19,253.7	50,025.6	96,434.3	121,867.5
SIA mainline RPK (m)	104,134.6	2,581.6	10,005.1	57,860.6	91,400.6
SIA mainline PLF (%)	81.9%	13.4%	20.0%	60.0%	75.0%
SIA mainline yield (Scts/RPK)	10.0	20.7	14.5	12.3	10.5

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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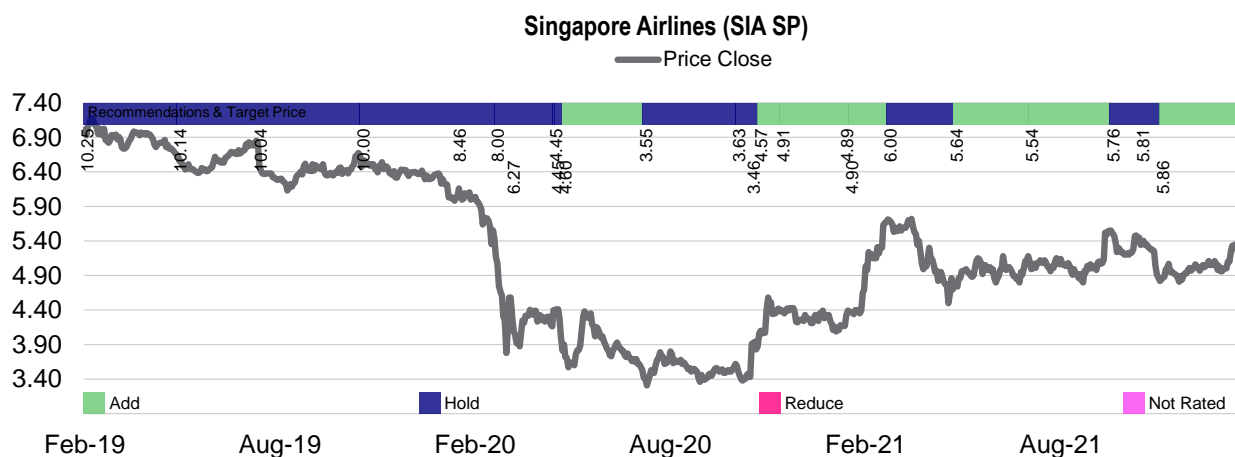
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619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
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Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

