

## Singapore

**ADD** (no change)

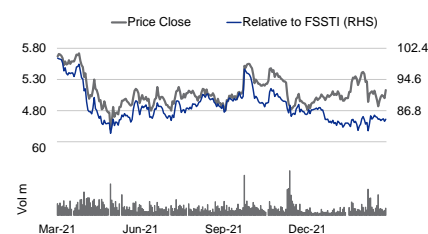
Consensus ratings\*: Buy 3 Hold 6 Sell 3

Current price:	S\$5.13
Target price:	S\$5.88
Previous target:	S\$5.88
Up/downside:	14.7%
CGS-CIMB / Consensus:	16.0%
Reuters:	SIAL.SI
Bloomberg:	SIA SP
Market cap:	US\$11,184m
	S\$15,223m
Average daily turnover:	US\$20.07m
	S\$27.16m
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 (%)	-3.8	4.5	-9.4
Relative (%)	0.5	-0.7	-15.4

Major shareholders	% held
Temasek	55.7

### Analyst(s)



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# Singapore Airlines

## Near-term cargo yield upside

- The Russia-Ukraine war and the Covid-19 lockdowns in China will likely raise cargo yields in Mar 2022, after the seasonally-weak Lunar New Year period.
- High oil prices from late-Feb onwards will not materially affect SIA's 4QFY22F performance, as jet fuel is usually priced with a one-month lag.
- Reiterate Add with an unchanged TP of S\$5.88, still based on FY23F P/BV of 1.06x (+1 s.d. from the mean since 2011) on our adjusted BVPS.

### Tighter airfreight capacity may help lift cargo yields

SIA hosted an analyst briefing to speak about its air cargo strategy on Tuesday, and highlighted how market developments are working in its favour. Generally, airfreight capacity remains tight and cargo yields remain strong, even though it may have been seasonally weaker during the Feb Lunar New Year period. The strength is now being accentuated by two developments. First, the Russia-Ukraine war has resulted in a tightening of airfreight capacities, as European carriers are avoiding Russian airspace on flights to North Asia, while South Korean and Japanese carriers are also avoiding Russian airspace. This has resulted in longer flight times, and payload restrictions that tighten airfreight capacity. SIA's geographic position is such that it will not have to take payload restrictions on its passenger or cargo flights to Europe. Second, the recent Covid-19 outbreak in China and China's moves to implement lockdowns in several major cities have had the effect of increasing seaport congestion and may increase demand for airfreight. SIA Cargo may face some pressure from high fuel prices, but higher air cargo yields and higher fuel surcharges may help to offset that.

### Our forecasts for FY3/22F remain intact despite expensive fuel

Jet fuel prices spiked up to US\$151/bbl on 9 Mar in the fallout from the Russia-Ukraine war, and has since eased to US\$112/bbl at the time of writing, but remains high against an average of just US\$88/bbl during Oct-Dec 2021. Airlines typically purchase jet fuel at one-month lagged prices, so the rise in oil prices after Russia's invasion of Ukraine on 24 Feb is unlikely to have a significant impact on SIA's Jan-Mar 2022F quarterly results. SIA's FY23F may be negatively affected if jet fuel prices remain elevated, as we have assumed an average spot jet fuel price of US\$82/bbl only. However, we leave our forecasts intact for now, as negotiations between Russia and Ukraine may yet bring the war to an end and oil prices could fall, but more importantly, the Singapore government continues to financially support the beleaguered aviation industry as a policy imperative.

### DHL collaboration to have favourable spillover benefits

On 10 March 2022, SIA announced that it has signed an expanded collaboration agreement with DHL, for SIA to provide crew and maintenance services for the operation of 5 x 777Fs on transpacific routes. Although the direct profit margins are likely thin, the SIA group will benefit from more high-value interconnecting express cargo traffic, and more maintenance revenues for SIA Engineering (Add, S\$2.20, TP: S\$2.92). Downside risk: higher oil prices; future removal of industry support from Singapore government.

Financial Summary	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (S\$m)	15,975	3,816	7,499	13,172	15,833
Operating EBITDA (S\$m)	2,257	-424	1,259	2,571	3,388
Net Profit (S\$m)	-212	-4,271	-1,012	52	638
Core EPS (S\$)	-0.08	-0.81	-0.39	-0.06	0.13
Core EPS Growth	(115%)	969%	(52%)	(83%)	
FD Core P/E (x)	NA	NA	NA	NA	38.45
DPS (S\$)	0.14	0.00	0.00	0.00	0.00
Dividend Yield	2.66%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	7.82	NA	14.54	7.56	6.02
P/FCFE (x)	10.18	NA	NA	NA	NA
Net Gearing	88.4%	37.2%	12.3%	17.4%	21.2%
P/BV (x)	0.93	0.96	0.70	0.70	0.68
ROE	(1.1%)	(17.6%)	(6.1%)	(0.9%)	1.8%
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)			1.29	-1.74	1.16

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Cargo market developments likely to tighten supply and raise yields >

SIA noted that cargo capacity remains tight which will support cargo yields, as passenger bellyhold capacity continues to be largely absent from the international markets. Two recent developments are also supporting the strong dynamics of the airfreight markets.

First, the Russia-Ukraine war and the resulting sanctions have resulted in a tightening of airfreight capacities, as European carriers are avoiding Russian airspace on flights to North Asia, while South Korean and Japanese carriers are also avoiding Russian airspace, according to Reuters. This has resulted in longer flight times, and a likely reduction in cargo carrying capacity of the flights (otherwise known as payload restrictions) as more fuel needs to be carried onboard. The tightening of airfreight capacity will likely benefit air cargo rates, in our view. SIA's geographic position is such that it will not have to take payload restrictions on its passenger or cargo flights to Europe, as its flight path is usually to the south of Ukraine, which avoids both Ukrainian and Russian airspace, hence neither diversions nor extended flight times are required for SIA's European flights.

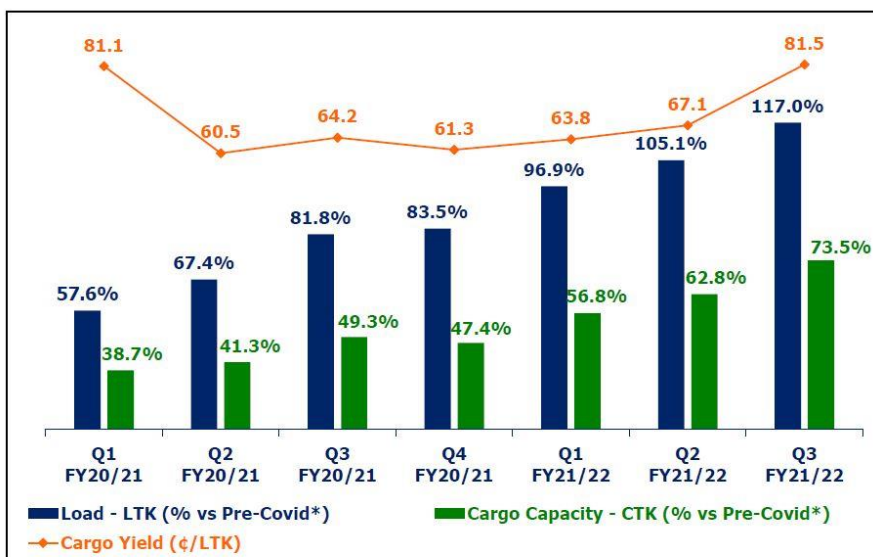
Second, according to Reuters, the recent Covid-19 outbreak in China and China's moves to implement lockdowns in several major cities such as Shenzhen have had the effect of increasing seaport congestion and the resulting shipping bottlenecks may also increase demand for airfreight by customers that cannot afford logistical delays.

One of the pressure points for SIA Cargo is high fuel prices. While SIA Cargo has been implementing fuel surcharges in markets where it is permitted to, but in other cases (such as North Asia) where regulatory approval is needed to raise fuel surcharges, regulatory approval is being sought. It is possible that the margin pressure from high fuel prices may be offset by higher air cargo yields for reasons described above, and also the implementation of fuel surcharges.

**Figure 1: SIA's cargo volumes have exceeded the pre-Covid-19 level even though capacity is only about three-quarters of the pre-pandemic level**

### Cargo Performance

Robust cargo demand and tight capacity continue to support loads and yields



\*Pre-Covid refers to Jan'20

#### Cargo yields

- Cargo yields remain robust
- Q3 FY21/22 cargo yields increased 26.9% y-o-y
- This compares against cargo yields of 30.5 cents/LTK in FY19/20

#### Cargo Loads

- Exceeded pre-Covid loads since Q2 FY21/22
- Reached 110.4% of pre-Covid loads in Jan'22

#### Cargo Capacity

- 74% of cargo capacity restored in Q3 FY21/22
- 76% of cargo capacity restored in Jan'22

SOURCE: SIA

## **SIA ties up with DHL to operate five Boeing 777 freighters ►**

On 10 March 2022, SIA announced that it has signed an expanded collaboration agreement with DHL, for SIA to provide crew and maintenance services for the operation of 5 x 777Fs between SE Asia and the US, via points in NE Asia. The freighters will return from the US to SE Asia directly, and also via Australia in the future. The initial agreement between SIA and DHL for the operation of the 5 x 777Fs is for a period of more than four years, with the opportunity for an extension.

The freighters will be delivered new from Boeing, with the first freighter entering service in July 2022F, the second freighter in October 2022F, and the third to fifth freighters during CY23F. The ownership of the 5 x 777Fs will be with DHL, and SIA will be paid for the provision of crew and maintenance services, and for operating the freighters, with the cash costs such as fuel, overflight charges, landing and parking charges, and other variable operating costs to be fully passed through to DHL. We believe that DHL is entirely responsible for securing the customers and the cargo loads for the 777Fs, and SIA will be paid for its services at predetermined rates based on the flying hours of the freighters, and regardless of the cargo loads on the 777Fs.

As background, DHL's main cargo hub in Asia is in Hong Kong, but with airfreight volumes rising in Southeast Asia (SE Asia) and Southwest Pacific (SW Pacific), DHL is already running freighters through these regions on transpacific routes, and had a choice of whether to run these freighters from its hub in Hong Kong, or out of Singapore. After much discussion, DHL decided to start a Request for Proposal (RFP) process where several parties were invited to bid, and SIA ultimately won the contract.

For many years, SIA has had block space agreements for DHL to book a certain block space of SIA's freighter flights from Singapore into SW Pacific, which runs on a tight schedule to meet DHL's delivery requirements. DHL also books block space on SIA's bellyhold capacities from Northeast Asia (NE Asia) such as Shanghai, where export demand is more than the available capacities of dedicated freighters.

The agreement for SIA to operate 5 x 777Fs is in addition to the ongoing commercial collaboration between SIA and DHL. We believe that SIA had bid aggressively to win this deal with DHL, and that profit margins are likely thin. Furthermore, as there are only five freighters involved, the incremental contribution to the SIA group will likely also be small. However, SIA sees this as a win for the airline, in terms of the package of opportunities.

Although there are only 5 x 777Fs involved right now, SIA believes that once it sets up a base for DHL in Singapore, the business volume can only grow in the future. SIA also expects spillover benefits, in terms of boosting high-yielding 'integrator' express cargo traffic (i.e. express parcels and mail, with door-to-door delivery services) into the Singapore hub via SIA aircraft to connect to the DHL planes flying out of Singapore. There are also spillover benefits in terms of benefitting SIA Engineering as these 5 x 777Fs are resident in Singapore and will be maintained at SIA Engineering.

SIA also believes that operating the 5 x 777Fs to carry 'integrator' express cargo traffic will not cannibalise SIA's existing general cargo traffic, which is heavily concentrated on pharmaceuticals (including the transportation of Covid-19 vaccines), perishables (e.g. temperature-sensitive food items), and high-value, urgent cargoes (e.g. semiconductors, precision products, capital equipment). The 'integrator' express cargo traffic is a separate segment from the general cargo traffic.

## SIA orders new A350 freighters ►

Separately, SIA announced on 15 December 2021 that it had placed an order with Airbus for 7 x new generation A350F ("F" stands for freighters) with a much smaller carbon footprint to replace the existing 7 x B747Fs, for delivery from 4QCY25F onwards, with options for a further 5 x A350F. SIA will be the launch customer for the new A350Fs.

These orders replace passenger aircraft orders of 15 x A320neos and 2 x A350-900s. Overall, SIA guided that there will be a small increase in the total outstanding capex, but the capex spending profile is pushed towards end CY25F, effectively reducing SIA's near-term capex spending.

The A350Fs have 40% lower fuel consumption profile compared to the existing fleet of B747Fs, but can carry roughly the same cargo weight of 109 tonnes vs. the B747F's 116 tonnes, and can fly 4,700 nautical miles (nm) compared to B747F's 4,500 nm.

## Target price computation ►

**Figure 2: 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	21,767.3	21,819.0	22,456.9
No of ordinary shares (m)	2,965.0	2,965.0	2,965.0	2,965.0
<b>BVPS (S\$)</b>	<b>5.36</b>	<b>7.34</b>	<b>7.36</b>	<b>7.57</b>

**Assuming Mandatory Convertible Bonds (MCB) are treated as debt**

	End-FY21	End-FY22F	End-FY23F	End-FY24F
Shareholders' equity (S\$ m)	15,905.9	21,767.3	21,819.0	22,456.9
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
<b>Adjusted shareholders' equity (S\$ m)</b>	<b>12,268.0</b>	<b>11,520.2</b>	<b>11,087.2</b>	<b>11,240.4</b>
No of ordinary shares (m)	2,965.0	2,965.0	2,965.0	2,965.0
<b>Adjusted BVPS (S\$)</b>	<b>4.14</b>	<b>3.89</b>	<b>3.74</b>	<b>3.79</b>

**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	21,767.3	21,819.0	22,456.9
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
<b>Adjusted shareholders' equity (S\$ m)</b>	<b>14,087.0</b>	<b>16,643.8</b>	<b>16,453.1</b>	<b>16,848.6</b>
No of ordinary shares (m)	2,965.0	2,965.0	2,965.0	2,965.0
<b>Adjusted BVPS (S\$)</b>	<b>4.75</b>	<b>5.61</b>	<b>5.55</b>	<b>5.68</b>
Target P/BV multiple (x)		1.06	1.06	1.06
<b>Target price (S\$)</b>			<b>5.88</b>	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Our end-CY22F target price remains at S\$5.88, 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\$5.16.

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

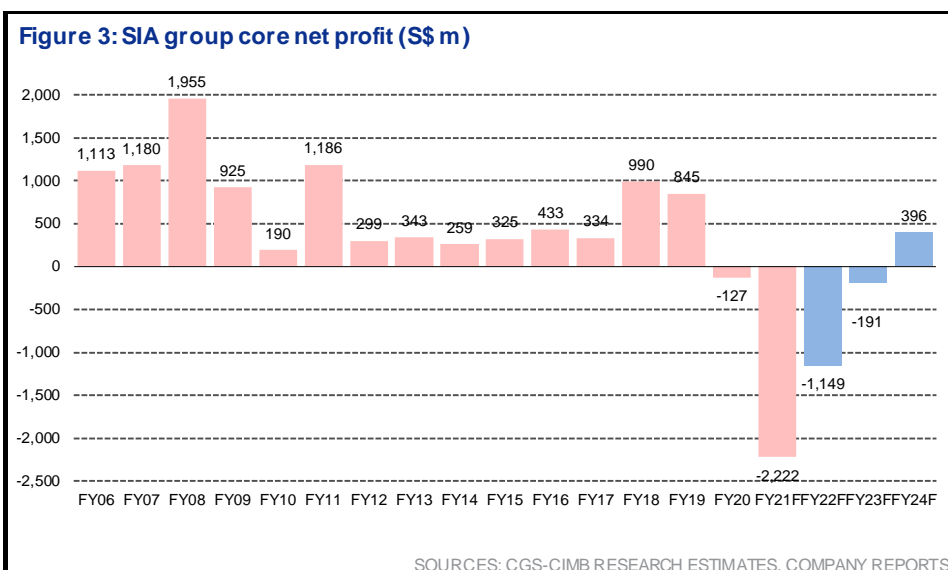
- Deducts an assumed 5% yield-to-maturity (YTM) on half the MCBs that we have treated as debt.

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.

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.

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

	Reference	FY20	FY21	FY22F	FY23F	FY24F
<b>Attributable net profit</b>		<b>-212.0</b>	<b>-4,270.7</b>	<b>-1,012.3</b>	<b>51.7</b>	<b>637.9</b>
Remove: Exceptionals	a	85.0	2,122.0	54.1	0.0	0.0
Less: MCB yield	b	0.0	-72.8	-190.7	-242.3	-242.3
<b>Core net profit</b>		<b>-127.0</b>	<b>-2,221.5</b>	<b>-1,148.8</b>	<b>-190.7</b>	<b>395.6</b>
<b>Breakdown of exceptionals</b>	<b>a</b>	<b>-85.0</b>	<b>-2,122.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
- 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			
<b>Mandatory Convertible Bond (MCB yield)</b>						
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%
<b>Assumed yield (\$\$ m)</b>	<b>b</b>		<b>72.8</b>	<b>190.7</b>	<b>242.3</b>	<b>242.3</b>

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

### Key assumptions ►

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,
- 46% as at 31 January 2022, and is expected to deploy
- 51% as at 31 March 2022F (47% on average for the 4QFY22F).

For FY3/22F, we estimate that SIA group's ASK capacity will average 37% 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 5: SIA group: Medium-term estimates for passenger airline ASK capacity**



	ASK capacity (m)	Yoy change	As a percentage of the CY19 base
FY 3/20	171,211		96.7%
FY 3/21	21,721	-87.3%	12.3%
FY 3/22F	65,240	200.4%	36.8%
FY 3/23F	131,023	100.8%	74.0%
FY 3/24F	168,212	28.4%	95.0%
FY 3/25F	177,066	5.3%	100.0%
FY 3/26F	191,231	8.0%	108.0%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 6: Key assumptions - SIA group**

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22F	FY23F	FY24F
<b>Full-service carrier (FSC)</b>											
FSC ASK (m km)	128,430	128,356	127,484	127,749	129,493	135,218	137,765	19,493	55,622	106,152	134,459
Change in ASK (%)	2.4%	-0.1%	-0.7%	0.2%	1.4%	4.4%	1.9%	-85.9%	185.3%	90.8%	26.7%
FSC RPK (m km)	100,580	100,074	100,784	100,052	104,199	111,512	112,330	2,669	15,574	63,691	100,844
Change in RPK (%)	1.6%	-0.5%	0.7%	-0.7%	4.1%	7.0%	0.7%	-97.6%	483.5%	309.0%	58.3%
FSC Load Factor	78.3%	78.0%	79.1%	78.3%	80.5%	82.5%	81.5%	13.7%	28.0%	60.0%	75.0%
FSC Pax Yield (Scts/RPK)	11.24	11.36	10.79	10.49	10.30	10.16	10.05	20.98	14.50	12.33	10.48
Change in yield (%)	-2.2%	1.0%	-5.0%	-2.7%	-1.8%	-1.4%	-1.1%	108.7%	-30.9%	-15.0%	-15.0%
<b>Scoot</b>											
Scoot ASK (m km)			21,733	26,793	29,888	34,389	33,446	2,228	9,618	24,871	33,753
Change in ASK (%)				23.3%	11.6%	15.1%	-2.7%	-93.3%	331.6%	158.6%	35.7%
Scoot RPK (m km)			18,225	22,084	25,600	29,326	28,669	222	1,250	13,679	25,315
Change in RPK (%)				21.2%	15.9%	14.6%	-2.2%	-99.2%	464.2%	994.0%	85.1%
Scoot Load Factor			83.9%	82.4%	85.7%	85.3%	85.7%	9.9%	13.0%	55.0%	75.0%
Scoot 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%
<b>SIA Cargo</b>											
Cargo AFTK (m km)	10,274	10,025	10,513	10,912	11,127	11,210	10,778	4,795	7,300	9,700	10,778
Change in AFTK (%)	-3.6%	-2.4%	4.9%	3.8%	2.0%	0.8%	-3.9%	-55.5%	52.2%	32.9%	11.1%
Cargo FTK (m km)	6,419	6,347	6,511	6,896	7,260	7,007	6,389	4,112	6,059	6,305	7,006
Change in LTK (%)	-5.1%	-1.1%	2.6%	5.9%	5.3%	-3.5%	-8.8%	-35.6%	47.4%	4.1%	11.1%
Cargo Load Factor	62.5%	63.3%	61.9%	63.2%	65.3%	62.5%	59.3%	85.8%	83.0%	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%
<b>Fuel price (US\$/barrel)</b>											
Spot Brent crude price (average)	107.7	85.9	48.2	49.8	57.6	70.2	63.0	49.6	78.5	83.0	75.0
Spot jet fuel price (average)	121.2	99.4	58.3	58.4	67.9	82.2	74.5	53.7	83.2	90.0	82.0
Hedged jet fuel price (average)	122.9	117.0	84.3	68.9	68.9	78.5	81.9	92.2	77.4	84.8	84.5

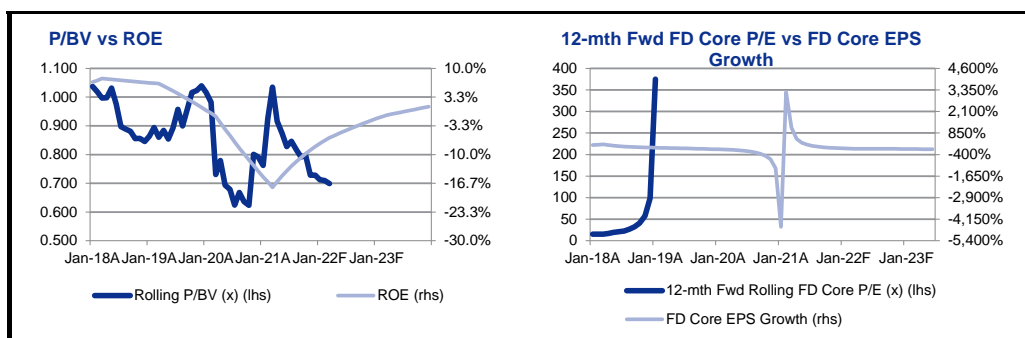
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

 <div style="float: right;"> <b>Refinitiv ESG Scores</b>   </div>	
<b>ESG in a nutshell</b> <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>	
<b>Keep your eye on</b> <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>	<b>Implications</b> <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>
<b>ESG highlights</b> <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>	<b>Implications</b> <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>
<b>Trends</b> <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>	<b>Implications</b> <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, COMPANY REPORTS, REFINITIV



## BY THE NUMBERS



### Profit & Loss

(\$m)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>15,975</b>	<b>3,816</b>	<b>7,499</b>	<b>13,172</b>	<b>15,833</b>
<b>Gross Profit</b>	<b>3,924</b>	<b>479</b>	<b>1,965</b>	<b>3,277</b>	<b>4,094</b>
<b>Operating EBITDA</b>	<b>2,257</b>	<b>-424</b>	<b>1,259</b>	<b>2,571</b>	<b>3,388</b>
Depreciation And Amortisation	-2,134	-2,076	-2,101	-2,243	-2,335
<b>Operating EBIT</b>	<b>123</b>	<b>-2,500</b>	<b>-842</b>	<b>328</b>	<b>1,053</b>
Financial Income/(Expense)	-179	-233	-273	-286	-294
Pretax Income/(Loss) from Assoc.	-79	-113	-86	11	17
Non-Operating Income/(Expense)	-1	10	5	5	5
<b>Profit Before Tax (pre-EI)</b>	<b>-135</b>	<b>-2,835</b>	<b>-1,195</b>	<b>58</b>	<b>781</b>
Exceptional Items	-85	-2,122	-54	0	0
<b>Pre-tax Profit</b>	<b>-220</b>	<b>-4,957</b>	<b>-1,249</b>	<b>58</b>	<b>781</b>
Taxation	51	674	227	-11	-148
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>-169</b>	<b>-4,283</b>	<b>-1,022</b>	<b>47</b>	<b>633</b>
Minority Interests	-43	13	10	5	5
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>-212</b>	<b>-4,271</b>	<b>-1,012</b>	<b>52</b>	<b>638</b>
Recurring Net Profit	-127	-2,222	-1,149	-191	396
<b>Fully Diluted Recurring Net Profit</b>	<b>-127</b>	<b>-2,222</b>	<b>-1,149</b>	<b>-191</b>	<b>396</b>

### Cash Flow

(\$m)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>2,257</b>	<b>-424</b>	<b>1,259</b>	<b>2,571</b>	<b>3,388</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	1,099	-3,424	-0	581	181
(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	227	-11	-148
<b>Cashflow From Operations</b>	<b>2,732</b>	<b>-3,292</b>	<b>1,575</b>	<b>3,148</b>	<b>3,428</b>
Capex	-5,104	-2,696	-3,900	-4,000	-4,100
Disposals Of FAs/subsidiaries	-29	1,343	761	0	0
Acq. Of Subsidiaries/investments	0	0	0	0	0
Other Investing Cashflow	167	38	0	0	0
<b>Cash Flow From Investing</b>	<b>-4,965</b>	<b>-1,314</b>	<b>-3,139</b>	<b>-4,000</b>	<b>-4,100</b>
Debt Raised/(repaid)	3,080	1,786	900	106	109
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	-864	-268	-281	-289
<b>Cash Flow From Financing</b>	<b>1,936</b>	<b>9,737</b>	<b>6,829</b>	<b>-175</b>	<b>-180</b>
Total Cash Generated	-297	5,130	5,265	-1,027	-852
<b>Free Cashflow To Equity</b>	<b>848</b>	<b>-2,821</b>	<b>-664</b>	<b>-745</b>	<b>-563</b>
<b>Free Cashflow To Firm</b>	<b>-2,233</b>	<b>-4,607</b>	<b>-1,564</b>	<b>-852</b>	<b>-672</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(S\$m)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	2,685	7,783	13,048	12,021	11,169
Total Debtors	821	940	1,846	3,243	3,898
Inventories	239	195	287	487	572
Total Other Current Assets	1,098	755	1,292	1,285	1,277
<b>Total Current Assets</b>	<b>4,843</b>	<b>9,672</b>	<b>16,474</b>	<b>17,037</b>	<b>16,917</b>
Fixed Assets	26,964	25,879	27,949	29,706	31,471
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
<b>Total Non-current Assets</b>	<b>28,870</b>	<b>27,909</b>	<b>29,893</b>	<b>31,661</b>	<b>33,443</b>
Short-term Debt	2,661	907	907	907	907
Current Portion of Long-Term Debt					
Total Creditors	3,016	2,117	3,116	5,294	6,214
Other Current Liabilities	5,325	2,689	2,689	2,689	2,689
<b>Total Current Liabilities</b>	<b>11,002</b>	<b>5,713</b>	<b>6,712</b>	<b>8,890</b>	<b>9,810</b>
Total Long-term Debt	8,631	12,163	14,098	14,204	14,313
Hybrid Debt - Debt Component		776	776	776	776
Total Other Non-Current Liabilities	4,348	2,652	2,652	2,652	2,652
<b>Total Non-current Liabilities</b>	<b>12,978</b>	<b>15,590</b>	<b>17,525</b>	<b>17,632</b>	<b>17,741</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>23,980</b>	<b>21,303</b>	<b>24,237</b>	<b>26,521</b>	<b>27,551</b>
Shareholders' Equity	9,314	15,906	21,767	21,819	22,457
Minority Interests	419	372	362	357	352
<b>Total Equity</b>	<b>9,733</b>	<b>16,278</b>	<b>22,130</b>	<b>22,176</b>	<b>22,809</b>

**Key Ratios**

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	(2.1%)	(76.1%)	96.5%	75.7%	20.2%
Operating EBITDA Growth	(5%)	(119%)	N/A	104%	32%
Operating EBITDA Margin	14.1%	(11.1%)	16.8%	19.5%	21.4%
Net Cash Per Share (S\$)	-5.12	-2.04	-0.92	-1.30	-1.63
BVPS (S\$)	5.54	5.36	7.34	7.36	7.57
Gross Interest Cover	0.56	-9.33	-2.59	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	67.80	70.51	82.54
Inventory Days	7.12	23.75	15.89	14.28	16.52
Accounts Payables Days	93.8	280.8	172.6	155.1	179.4
ROIC (%)	0.7%	(11.8%)	(3.6%)	1.3%	3.9%
ROCE (%)	0.80%	(9.64%)	(2.32%)	1.03%	2.89%
Return On Average Assets	0.29%	(5.41%)	(1.66%)	0.70%	1.87%

**Key Drivers**

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
SIA mainline ASK (m)	127,165.8	19,253.7	55,622.4	106,152.1	134,459.3
SIA mainline RPK (m)	104,134.6	2,581.6	15,574.3	63,691.2	100,844.5
SIA mainline PLF (%)	81.9%	13.4%	28.0%	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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<b>Score Range:</b>	90 - 100	80 - 89	70 - 79	Below 70	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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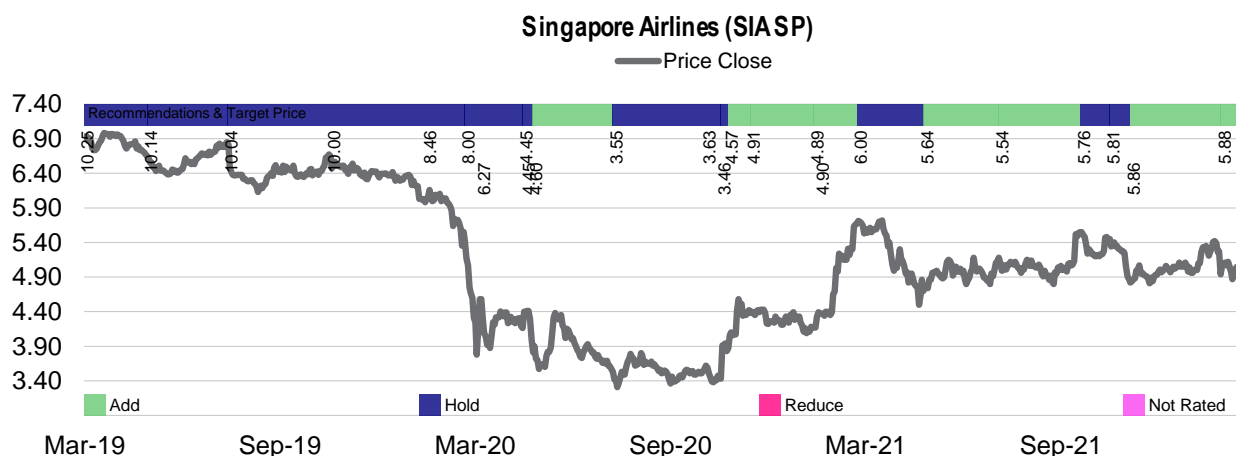
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	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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<b>Stock Ratings</b>	Definition:
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.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
<b>Sector Ratings</b>	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
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.
<b>Country Ratings</b>	Definition:
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.



