

INITIATE COVERAGE

Singapore Airlines (SIA SP)

Recovery On Track, MCB Redemption A Priority

SIA's bottom line is likely to see a substantial improvement in FY23, driven by the expected progressive travel recovery and helped by a significant fuel hedging gain. While we are optimistic that SIA's business is due for a full recovery by FY25, we note that its costly MCBs issued at the height of the pandemic have to be redeemed first before the earnings recovery can deliver meaningful value accretion to shareholders. Re-initiate coverage on SIA with HOLD and a FY25 DCF-based target price of S\$4.80.

- **Net losses to narrow significantly in FY23.** We believe Singapore Airlines' (SIA) bottom line is in for a substantial improvement in FY23 (we are forecasting a slight loss of S\$28m in FY23 vs about S\$1.05b in net loss in FY22), driven by: a) a progressive recovery in SIA's passenger business, in line with Singapore's push towards an economic reopening; and b) a significant fuel hedging gain of over S\$1b due to its 40% fuel hedge level throughout FY23 and the recent sharp rise in fuel prices (current Brent crude oil spot price at about US\$119/bbl vs SIA's average hedge cost at US\$60/bbl).
- **Capacity growth to lead pax volume recovery.** SIA has adopted a proactive capacity re-activation strategy – a route/flight will be re-activated as long as the operation is cash flow positive. While this strategy will help SIA secure and grow its market share against competitors' during the recovery, it also means that the recovery in SIA's core operating profit would be more backend loaded (ie in FY24-25), as operating costs (capacity driven) would run relatively faster than pax revenue (pax volume driven) in the early phase of the recovery (ie FY23). We project SIA's net profit to rebound to S\$338m and S\$728m in FY24 and FY25 respectively, forming 50% and 107% of the pre-pandemic (FY19) level.
- **Better to redeem MCBs early than late.** Operational improvement aside, we see the redemption of mandatory convertible bonds (MCB) (totalling S\$9.7b, issued in two batches at the height of the pandemic) as the next strategic priority for SIA. The MCBs are structured in a way that incentivises early redemption, with effective compounding finance cost (not directly reflected in P/L but bites at redemption) going up from 4% to 6% over the duration of the MCBs. Our base case is that SIA would redeem the two batches of MCBs in early FY25 and FY26 by replacing them with straight debts. Later redemption or no redemption (ie MCBs get converted) would lower our DCF valuation by up to 17.2%.
- **Re-initiate coverage with HOLD.** We have switched to DCF valuation on a 10-year financial projection that covers the full duration of the MCBs. Our target price of S\$4.80 (implying a 1.33x FY23F P/B) is based on a longer-term FY25F DCF value (WACC: 6.0%, terminal growth: 3.0%), as we expect positive news flow on the sector's recovery to sustain a buoyant sentiment towards SIA in the medium term. Downside risks include any event that disrupts SIA's recovery (eg a more infectious/fatal COVID-19 variant leading to rollback of the global economic reopening).

KEY FINANCIALS

Year to 31 Mar (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	15,976	3,816	7,497	14,289	18,374
EBITDA	2,251	(371)	1,278	2,471	2,952
Operating profit	59	(2,513)	(737)	281	712
Net profit (rep./act.)	(212)	(4,271)	(1,054)	(28)	338
EPS (S\$ cent)	(17.9)	(162.2)	(35.5)	(0.9)	11.4
PE (x)	n.m.	n.m.	n.m.	n.m.	47.4
P/B (x)	0.7	1.3	1.3	1.5	1.5
EV/EBITDA (x)	10.7	n.m.	22.5	12.4	10.9
Dividend yield (%)	1.5	0.0	0.0	0.0	0.0
Net margin (%)	(1.3)	(111.9)	(14.1)	(0.2)	1.8
Net debt/(cash) to equity (%)	69.0	55.5	78.0	103.7	120.8
ROE (%)	n.a.	n.a.	n.a.	n.a.	1.6
Consensus net profit	-	-	(870)	(55)	606
UOBKH/Consensus (x)	-	-	1.21	0.51	0.56

*For the calculation of Net debt/(cash) to equity (%), we have treated MCBs as debt, based on the estimated redemption cost.
Source: SIA, Bloomberg, UOB Kay Hian

HOLD

Share Price	S\$5.40
Target Price	S\$4.80
Upside	-11.2%

COMPANY DESCRIPTION

Singapore's flag carrier, flying to more than 130 destinations in over 30 countries before the pandemic. Frequently ranked as Best Airline by magazines and ranking agencies.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	SIA SP
Shares issued (m):	2,967.5
Market cap (S\$m):	16,024.5
Market cap (US\$m):	11,802.7
3-mth avg daily t'over (US\$m):	20.9

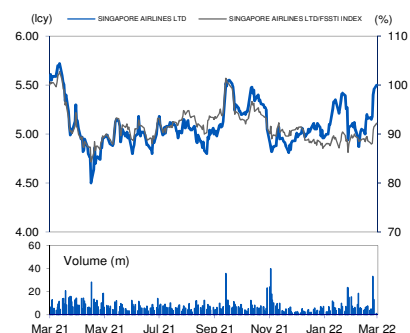
Price Performance (%)

52-week high/low	S\$5.72/S\$4.50			
1mth	3mth	6mth	1yr	YTD
9.3	9.5	8.0	(2.4)	8.2

Major Shareholders

Temasek Hldgs	55.7
FY22 NAV/Share (S\$)	4.06
FY22 Net Cash/Share (S\$)	0.16

PRICE CHART



Source: Bloomberg

ANALYST(S)

Roy Chen, CFA
+65 6590 6627
roychen@uobkayhian.com

Contents

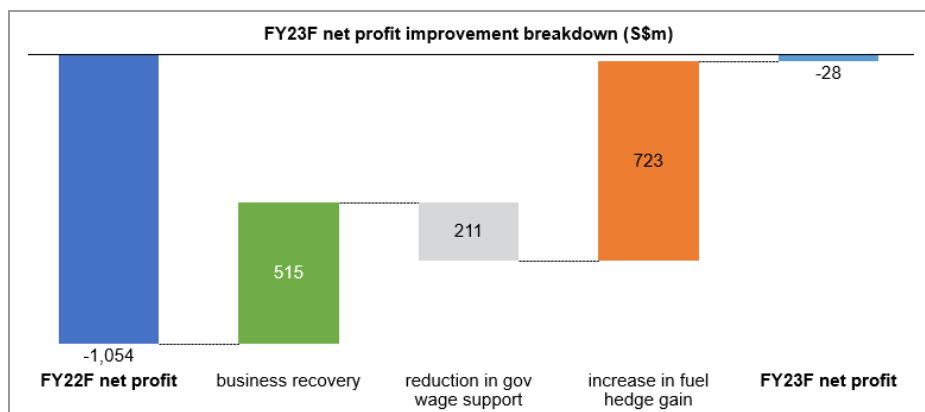
Investment Highlights	3
Valuation	5
Financial Statements	7

This report uses the closing prices of 24 March 2022

Investment Highlights

Net losses to narrow significantly in FY23. We believe bottom line is in for a substantial improvement in FY23, from a net loss of S\$1.05b (estimated) in FY22 to only a slight loss of S\$28m in FY23. We expect the improvement to be driven by: a) a progressive recovery in SIA's passenger business, in line with Singapore's push towards an economic reopening; and b) a significant fuel hedging gain (we are forecasting a pre-tax fuel hedging gain of over S\$1b for FY23) due to its 40% fuel hedge level throughout FY23 and the recent sharp rise in fuel prices (current Brent crude oil spot price at about US\$119/bbl vs SIA's average hedge cost at US\$60/bbl).

FIGURE 2: FY23F NET PROFIT TO IMPROVE ON BUSINESS RECOVERY AND HIGHER FUEL HEDGE GAIN



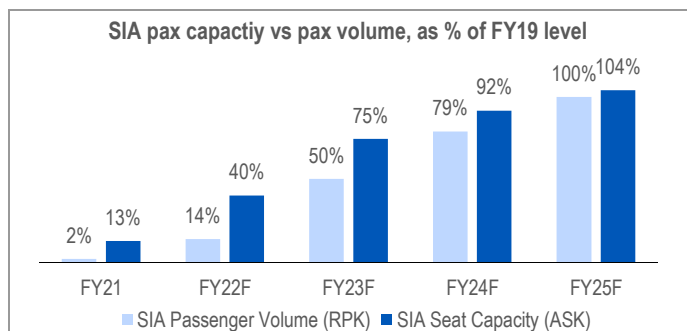
Source: UOB Kay Hian

Capacity growth to lead pax volume recovery. SIA has adopted a proactive capacity re-activation strategy – a route/flight will be re-activated as long as the operation is cash flow positive. SIA had re-activated 44% of its pre-COVID-19 passenger capacity by Feb 22 (and has guided for 57% by Apr 22) when passenger volume was at about 20% of the pre-COVID-19 level. We believe SIA is well on track to achieve 75% of the pre-pandemic capacity by end-FY23, with full-year passenger volume at 50% of the pre-pandemic level.

While this proactive capacity re-activation strategy will help SIA secure and grow its market share against competitors' during the recovery, it also means that the recovery in SIA's core operating profit (excluding fuel hedge gains and government wage support) would be more backend loaded (ie FY24-25), as operating costs (capacity driven) would outpace revenue (pax volume driven) in the early phase (ie FY23) of the recovery.

We project SIA's net profit to rebound to S\$338m and S\$728m in FY24 and FY25 respectively, forming 50% and 107% of the pre-pandemic (2019) level.

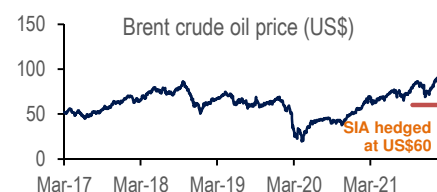
FIGURE 3: CAPACITY GROWTH TO LEAD PAX VOLUME RECOVERY



Source: UOB Kay Hian

SIA has hedged 40% of its projected FY23 fuel needs at an average of US\$60/bbl, significantly lower than Brent spot price.

FIGURE 1: FUEL PRICE

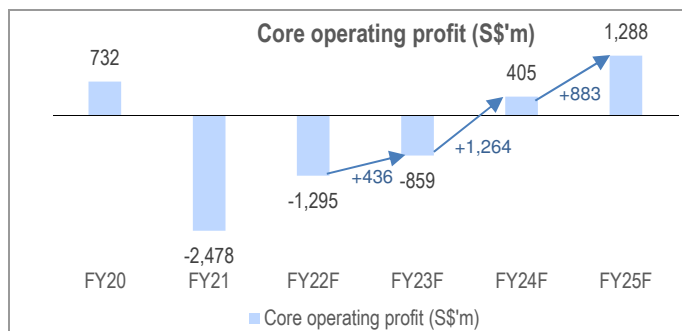


Source: Bloomberg

We expect SIA's seat capacity will recover to 75% of the pre-pandemic level by end-FY23, faster than the passenger volume recovery.

The recovery in core operating profit would be more backend loaded as cost may outpace revenue in the early phase of the recovery.

FIGURE 4: FASTER PACE OF CORE OPERATING PROFIT IMPROVEMENT IN FY24-25



Source: UOB Kay Hian

Better to redeem MCBs early than late. To recap, SIA issued a significant amount of MCBs, totalling S\$9.7b in two batches (S\$3.5b in 2020 and S\$6.2b in 2021), at the height of the pandemic. Although the MCBs were well-tailored to SIA's needs and had provided ample flexibility for SIA to stay afloat and to navigate through the pandemic, they would turn out to be highly dilutive to common shareholders if the MCBs are never redeemed and are held to maturity (when they would be automatically converted) instead.

By our estimates, the effective conversion prices at maturity (8 Jun 30) would be only S\$2.70 for the 2020 MCBs and S\$2.87 for the 2021 MCBs, based on the respective original amounts raised. (Conversion prices are subject to further downward adjustments if dividends are declared for common shares along the course.) This is compared with SIA's current share price of S\$5.40. Therefore, SIA shareholders should almost always prefer to have the MCBs redeemed than converted (except for very extreme cases where SIA is in a distressed situation for a prolonged period, which is unlikely given the current recovery trajectory).

As for redemption, there is an embedded step-up yield-to-call of 4-6% over the term of the MCBs (4% yield-to-call if redeemed within 4 years, 5% yield-to-call if redeemed in 4-7 years, 6% yield-to-call if redeemed after 7 years but before maturity). This means that the later the redemption, the costlier the MCBs would be. Considering SIA's 3%-ish borrowing cost under normal market conditions, we believe it is in SIA common shareholders' best interests for the MCBs to be redeemed at the earliest possible date. However, this also means SIA's earnings recovery provides less accretion to shareholders' value in the medium term (since the priority now is to redeem and pay off the MCBs). We expect no dividend for SIA shareholders in the medium term.

Net gearing to rise to 116% in FY26 due to MCB redemption. As discussed above, SIA should redeem the costly and potentially-dilutive MCBs as early as possible. Notably, there are three important dates for the MCB redemption – being the end of year 4 (since issuance), the end of year 7 and the last possible redemption dates (9.5 years from issuance for the 2020 batch and 8.5 years for the 2021 batch). After the end of year 4 and year 7, the yield-to-call for MCB redemption would step up, from 4% to 5% and from 5% to 6% respectively. As the yield-to-call applies retrospectively (for example, if the MCB is redeemed in year 5, the compounding interest cost for year 1-4 would be 5%, instead of 4%), there would be sizeable jumps in the MCB redemption cost after these critical dates.

FIGURE 7: IMPORTANT DATES FOR MCBs

Date	Issuance	Year 4 (ytc ↑ to 5%)	Year 7 (ytc ↑ to 6%)	Last possible redemption date	Maturity (conversion)
MCB 2020	2020/6/8	2024/6/8	2027/6/8	2029/12/8	2030/6/8
MCB 2021	2021/6/24	2025/6/23	2028/6/23	2029/12/24	2030/6/8

Source: SIA, UOB Kay Hian

Our base case is that SIA would be able to redeem the two batches of MCBs in full by the end of year 4, which falls in early-FY25 and early-FY26 for the 2020 batch and 2021 batch respectively. The estimated total redemption cost by then would be S\$11,339m.

We expect SIA would be able to refinance the redemption cost with straight debts, though it may finance part of the redemption cost by tapping the buoyant market sentiment to issue some equities. Under the pure debt refinancing scenario, SIA's headline net gearing would jump to 116% in FY26 (as a result of MCB refinancing) based on our projection, before gradually coming off thereafter. Considering SIA's national carrier status, asset-backed business nature and the strong financial backing from Temasek, we believe the 116% net gearing, although an uncharted level for SIA over the past two decades, is still manageable under normal market conditions.

The MCBs would be highly dilutive if they are converted at maturity.

We believe shareholders of SIA should prefer redemption of MCBs to conversion, ...

...and early, rather than late, redemption.

FIGURE 5: STEPPING UP YIELD TO CALL OF MCBs

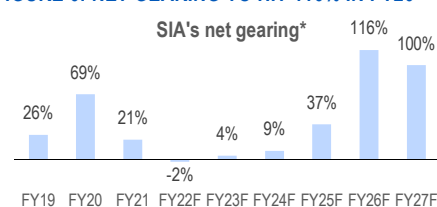
Yield to call	If redemption occurs
4%	before year 4 from issuance
5%	between year 5-7
6%	after year 7 but before maturity

Source: SIA

The priority is to redeem/pay off MCBs, implying less value accretion and no dividend payment in the medium term. MCB redemption cost would surge at the end of year 4 and year 7.

Our base case is that MCBs would be fully redeemed by the end of year 4 (from issuance) with redemption costs of over S\$11b.

FIGURE 6: NET GEARING TO HIT 116% IN FY26



* For the preparation of this chart, MCBs are accounted as equity until they are redeemed

Source: SIA, UOB Kay Hian

Valuation

Re-initiate coverage with **HOLD** and a base-case target price of **S\$4.80** based on **FY25 DCF**. Our base case assumes the MCBs would be fully redeemed at the end of year 4 from issuance and refinanced with straight debts bearing an interest cost of 3.5%.

Our base-case valuation is based on FY25 DCF and assumes that all MCBs are fully redeemed after four years from issuance.

We adopt a favourable WACC of 6.0%, considering SIA's national carrier status and Temasek's willingness to subscribe to SIA's MCBs with a 10-year compounding finance cost of 6%. The terminal growth of 3.0% is our assumed long-term Singapore aviation sector growth rate, which has been applied across our Singapore aviation coverage. We have provided a sensitivity analysis of our target price for a range of WACC and terminal growth assumptions (Figure 8).

We have selected the longer-term FY25 DCF value of S\$4.80 as the target price, as we expect positive news flow on the aviation sector's recovery to sustain a buoyant sentiment on SIA in the medium term and that investors could have been looking beyond SIA's near-term financial performance. Nevertheless, we highlight that DCF value for SIA at end-FY23 and end-FY24 stands at S\$4.51 and S\$4.63 respectively. This means our target price adopted is in favour of SIA.

Investors are looking beyond SIA's near-term financial performance

FIGURE 8: BASE-CASE DCF VALUATION (ALL MCBs REDEEMED AT END OF YEAR 4 FROM ISSUANCE)

Year to 31 Mar (S\$m)	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F
Revenue	7,497	14,289	18,374	21,532	23,476	25,062	26,761	28,579	30,527	32,614	34,850
<i>growth yoy</i>	<i>96.5%</i>	<i>90.6%</i>	<i>28.6%</i>	<i>17.2%</i>	<i>9.0%</i>	<i>6.8%</i>	<i>6.8%</i>	<i>6.8%</i>	<i>6.8%</i>	<i>6.8%</i>	<i>6.9%</i>
EBIT	-737	281	712	1,288	1,581	1,694	1,815	1,944	2,081	2,228	2,385
<i>EBIT margin</i>	<i>-9.8%</i>	<i>2.0%</i>	<i>3.9%</i>	<i>6.0%</i>	<i>6.7%</i>	<i>6.8%</i>	<i>6.8%</i>	<i>6.8%</i>	<i>6.8%</i>	<i>6.8%</i>	<i>6.8%</i>
EBIT*(1-tax rate)	-612	233	591	1,069	1,312	1,406	1,507	1,613	1,727	1,849	1,980
Add: depreciation & amortisation charge	2,015	2,190	2,240	2,303	2,563	2,759	2,970	3,197	3,443	3,707	3,993
less: operating lease	-495	-520	-520	-520	-520	-520	-520	-520	-520	-520	-520
less: capex	-3,970	-4,070	-4,170	-4,370	-2,770	-2,470	-2,970	-3,197	-3,443	-3,707	-4,582
less: net increase in working capital	1,039	898	976	1,125	236	464	501	540	583	629	411
Free cash flow to firm (FCF)	-2,023	-1,268	-882	-393	821	1,639	1,487	1,633	1,790	1,958	1,282
PV of FCF			-832	-350	690	1,298	1,111	1,152	1,191	1,229	759
DCF Assumptions											
WACC applied		6.0%									
Terminal growth assumption		3.0%									
DCF Valuation											
	end-FY23F	end-FY24F	end-FY25F								
Terminal value	30,870	30,870	30,870								
PV of terminal value	18,272	19,368	20,530								
Sum of PV of FCF in forecast period	6,246	7,079	7,429								
Enterprise value	24,518	26,447	27,959								
Net cash/(debt)	-945	-2,022	-6,858								
JVs & associates (book value)	778	743	788								
Other investments	50	50	50								
Value attri. to equity (100%) and remaining MCBs	24,401	25,218	21,939								
Less: NCI	-374	-481	-517								
Value attri. SIA shareholders and MCB holders	24,028	24,737	21,422								
PV of total redemption cost for remaining MCBs	10,639	11,012	7,191								
Value attributable to shareholders	13,388	13,725	14,231								
Share base (remaining MCBs are redeemed)	2,967.5	2,967.5	2,967.5								
Fair value	S\$4.51	S\$4.63	S\$4.80								

Sensitivity Analysis for TP					
Terminal growth					
	2.50%	2.75%	<u>3.00%</u>	3.25%	3.50%
WACC	5.50%	S\$5.01	S\$5.87	S\$6.92	S\$8.19
	5.75%	S\$4.19	S\$4.90	S\$5.76	S\$6.79
	6.00%	S\$3.48	S\$4.09	S\$4.80	S\$5.64
	6.25%	S\$2.88	S\$3.39	S\$3.99	S\$4.69
	6.50%	S\$2.35	S\$2.79	S\$3.30	S\$3.89

Source: UOB Kay Hian

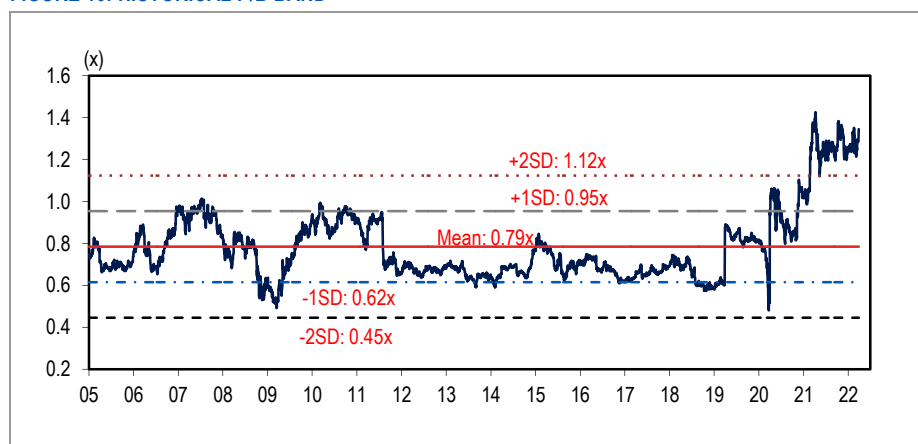
Current price of S\$5.40 implies a FY23F P/B of 1.50x (book value has been adjusted by netting off the redemption cost of MCBs), which is an unprecedented level at 4.2SD above its historical mean of 0.79x. Book value is expected to shrink further in FY24 as the redemption cost of MCBs is compounding faster than SIA's headline net profit recovery.

FIGURE 9: TARGET PRICE AND CURRENT PRICE IMPLYING FORWARD P/B

	FY22F	FY23F	FY24F	FY25F
Adj. BVPS (MCBs to be redeemed)	S\$4.06	S\$3.61	S\$3.49	S\$3.64
Target price implied P/B	1.18x	1.33x	1.37x	1.32x
Current price implied P/B	1.33x	1.50x	1.55x	1.49x

Source: UOB Kay Hian

FIGURE 10: HISTORICAL P/B BAND



Source: Bloomberg, UOB Kay Hian

Later redemption (or no redemption) will have a negative impact on SIA's fair value. As alluded earlier, our target price is based on the scenario that all MCBs are redeemed at the end of year 4 from issuance. Figure 11 shows the valuation impacts of later redemption or no redemption (conversion at maturity). Our fair value for SIA would be lowered to S\$4.56, if the MCBs are redeemed at the end of year 7 or S\$4.20 if redeemed at the last possible redemption dates. Our fair value for SIA would be lowered to S\$3.97 (17.2% downside from our base case) if all MCBs are held till maturity and get converted to ordinary shares.

Our fair value would be lowered if the MCB redemption occurs later than expected or never occurs.

The lower fair values are explained by the rapidly rising MCB redemption costs for redemption at later dates and the strong dilution if the MCBs are held till maturity.

FIGURE 11: TARGET PRICE BASED ON DIFFERENT SCENARIOS OF MCB TREATMENT

Scenario	Value attributable to shareholders & MCBs	PV of redemption cost for MCBs	Value attributable to shareholders	Share base (m)	Fair value	Downside from base case
All MCBs redeemed at year 4 from issue	S\$25,606m	S\$11,375m	S\$14,231m	2,967	S\$4.80	base case
All MCBs redeemed at year 7 from issue		S\$12,061m	S\$13,546m		S\$4.56	-4.8%
All MCBs redeemed at last possible dates		S\$13,139m	S\$12,468m		S\$4.20	-12.4%
All MCBs are converted		nil	S\$25,606m	6,446	S\$3.97	-17.2%

Source: UOB Kay Hian

Catalysts and risks. Share price could react to positive news flow such as Singapore's and regional countries' further relaxation of COVID-19 restrictions and the aviation sector's recovery. Key risks for SIA include: a) any event that could disrupt the aviation sector's recovery process (eg a more infectious/fatal variant which results in a rollback of the global economic reopening, or further escalation of the Russia-Ukraine war which could dampen travellers' sentiment); and b) a later-than-expected MCB redemption.

FIGURE 12: PROFIT & LOSS

Year to 31 Mar (\$m)	2020	2021	2022F	2023F	2024F
Revenue, net	15,976	3,816	7,497	14,289	18,374
Operating expenses	(15,917)	(6,328)	(8,234)	(14,007)	(17,661)
EBIT	59	(2,513)	(737)	281	712
Other non-operating income	(22)	(2,099)	(42)	8	8
Associate contributions	(79)	(113)	(150)	(105)	(35)
Net interest income/(expense)	(179)	(233)	(329)	(194)	(242)
Pre-tax profit	(220)	(4,957)	(1,258)	(9)	443
Tax	51	674	214	2	(75)
Minorities	(43)	13	(10)	(20)	(30)
Extraordinary items	0	0	0	0	0
Net profit(rep./act.)	(212)	(4,271)	(1,054)	(28)	338
Net profit(adj.)	(212)	(4,271)	(1,054)	(28)	338
Deprec. & amort.	2,192	2,142	2,015	2,190	2,240
EBITDA	2,251	(371)	1,278	2,471	2,952

Source: SIA, UOB Kay Hian

FIGURE 13: BALANCE SHEET

Year to 31 Mar (\$m)	2020	2021	2022F	2023F	2024F
Cash/Near cash equiv.	3,109	8,055	6,500	5,000	4,000
Accounts receivable/debtors	1,151	1,057	1,317	1,433	1,548
Stocks	239	195	195	195	195
Other current assets	344	366	1,753	698	423
Current assets	4,843	9,672	9,765	7,326	6,166
Fixed assets	26,964	25,879	29,081	31,473	33,915
Investments	65	50	50	50	50
Intangible assets	487	301	301	301	301
Other non-current tangible assets	1,354	1,679	1,529	1,424	1,389
Total non-current assets	28,870	27,909	30,961	33,248	35,655
Total assets	33,713	37,581	40,727	40,574	41,821
Accounts payable/creditors	7,484	3,886	5,204	6,250	7,374
Short-term debt/borrowings	2,661	907	907	907	907
Other current liabilities	857	920	955	955	955
Current liabilities	11,002	5,713	7,066	8,112	9,236
Long-term debt	7,163	10,565	5,127	5,038	5,115
Deferred tax liability	1,335	1,033	1,265	1,080	1,028
Other non-current liabilities	4,480	3,993	4,718	4,718	4,718
Total non-current liabilities	12,978	15,590	11,110	10,836	10,861
Total liabilities	23,980	21,303	18,176	18,948	20,097
Minority interest - accumulated	419	372	368	374	389
Shareholders' equity	9,314	15,906	22,182	21,252	21,335
Liabilities and shareholders' funds	33,713	37,581	40,727	40,574	41,821

Source: SIA, UOB Kay Hian

FIGURE 14: CASH FLOW

Year to 31 Mar (\$m)	2020	2021	2022F	2023F	2024F
Operating cashflows	2,732	(3,292)	2,480	3,371	3,853
Pre-tax profit	(220)	(4,957)	(1,258)	(9)	443
Tax	(20)	(18)	214	2	(75)
Deprec. & amort.	2,192	2,142	2,015	2,190	2,240
Associates	(172)	(141)	(170)	(135)	(85)
Working capital changes	(460)	(3,424)	1,039	898	976
Non-cash items	961	520	(50)	0	0
Others	451	2,586	691	426	354
Cash from investing activities	(4,965)	(1,314)	(3,910)	(3,997)	(4,109)
Capex (maintenance)	(3,266)	(815)	(2,305)	(2,240)	(2,285)
Investments	(1,929)	(1,955)	(1,665)	(1,830)	(1,885)
Proceeds from sale of assets	(139)	(27)	0	0	0
Others	242	1,392	0	0	0
Cash from financing activities	128	90	60	74	61
Dividend payments	1,936	9,737	(125)	(875)	(744)
Issue of shares	(356)	0	0	0	0
Proceeds from borrowings	0	8,820	6,195	0	0
Loan repayment	3,103	1,719	(5,438)	(89)	77
Others/interest paid	(812)	(802)	(882)	(785)	(821)
Net increase/(decrease) in cash	(297)	5,130	(1,555)	(1,500)	(1,000)
Beginning cash	2,944	2,685	7,783	6,228	4,728
Changes due to forex impact	39	(33)	0	0	0
End cash	2,685	7,783	6,228	4,728	3,728

Source: SIA, UOB Kay Hian

FIGURE 15: KEY METRICS

Year to 31 Mar (%)	2020	2021	2022F	2023F	2024F
Growth	(2.1)	(76.1)	96.5	90.6	28.6
Turnover	(8.4)	(116.5)	n.a.	93.4	19.5
EBITDA	(125.4)	n.a.	n.a.	n.a.	n.a.
Pre-tax profit	(131.1)	n.a.	n.a.	n.a.	n.a.
Net profit	(131.0)	n.a.	n.a.	n.a.	n.a.
EPS	(2.1)	(76.1)	96.5	90.6	28.6
Profitability					
EBITDA margin	14.1	(9.7)	17.0	17.3	16.1
EBIT margin	0.4	(65.8)	(9.8)	2.0	3.9
Pre-tax margin	(1.4)	(129.9)	(16.8)	(0.1)	2.4
Net margin	(1.3)	(111.9)	(14.1)	(0.2)	1.8
ROE	n.a.	n.a.	n.a.	n.a.	1.6
ROA	n.a.	n.a.	n.a.	n.a.	0.8
ROIC	0.3	(7.9)	(1.9)	0.9	2.2
RONTA	7.1	0.9	3.8	6.1	7.0
Leverage					
Debt to total capital*	54.3	56.6	59.8	61.2	60.3
Debt to equity*	100.9	119.0	130.3	148.8	158.0
Net debt/(cash) to equity*	69.0	55.5	78.0	103.7	120.8
Current ratio (x)	0.4	1.7	1.4	0.9	0.7

*For the calculation of Debt to total capital, Debt to equity and Net debt/(cash) to equity (%), we have treated MCBs as debt, based on the estimated redemption cost

Source: SIA, UOB Kay Hian

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W