Singapore

HOLD *(no change)*

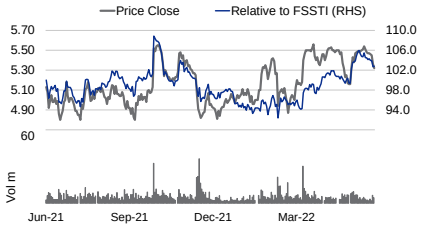
Consensus ratings*:	Buy 3	Hold 7	Sell 2

Current price:	S$5.32
Target price:	S$5.75
Previous target:	S$5.92
Up/downside:	8.1%
CGS-CIMB / Consensus:	6.8%
Reuters:	SIAL.SI
Bloomberg:	SIA SP
Market cap:	US$11,405m
	S$15,787m
Average daily turnover:	US$22.49m
	S$30.79m
Current shares o/s:	2,967m
Free float:	40.0%

Source: Bloomberg

Key changes in this note

- FY23-24F core EPS forecasts reduced by 7-15% as we raise our spot jet fuel price assumption for FY23F from US$120/bbl to US$135/bbl, and from US$95/bbl to US$110/bbl for FY24F. We have also assumed higher yields to partially compensate for the higher fuel cost assumptions.
- FY25F core EPS forecast raised by 27% as we raise our excessively bearish yield forecasts in light of higher oil prices.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.7	6	3.9
Relative (%)	3.3	7.8	3.3

Major shareholders	% held
Temasek	55.7

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Singapore Airlines

Multiple risks cloud strong revenue trend

- We reiterate our Hold call on SIA, as the rewards of high airfares, elevated market share and strong demand are balanced by the risks of high oil prices.
- Our TP is reduced to S$5.75, after cutting FY23-34F EPS forecasts for higher oil prices and applying a lower FY23F P/BV of 0.95x (mean since 2011).
- We previously used a higher P/BV multiple of 0.98x (+0.5 s.d.) but now adopt a lower multiple as inflation may hurt discretionary travel demand in future.

Revenue momentum looks solid…

SIA is in a very strong revenue position as it had kept virtually all its pilots over the duration of the pandemic and is now able to roll out flights quickly. In Apr-Jun 2022F, SIA expects to have 98% of its air crew active, which is likely far ahead of its Asia-Pacific competitors which were constrained in different ways and are now restoring capacity more gradually than SIA. Hence, SIA's current capacity market share rose in five of six major route regions vs. 2019, allowing it to capture the strong demand recovery since Singapore opened its borders from 1 Apr and removed pre-departure testing from 26 Apr. There is also anecdotal evidence of high airfares, which we believe will hold through the Jun school holidays in Singapore, as well as over the course of summer in Jul and Aug. As at 13 May 2022, SIA's 3-month forward booking profile now covers 48% of available seat capacity, just 5% pts lower than for 13 May 2019. Just three months earlier, the negative gap was wider at 19% pts. Business travel has also recovered together with leisure travel and driving demand for premium cabins, beating back earlier fears of online meetings permanently reducing business travel demand.

…but high jet fuel costs and cost-of-living inflation are concerns

High rates of global inflation, from higher food and fuel prices, and higher global interest rates are eating into consumers' spending power, and overseas discretionary leisure travel could suffer in the future. A global recession in the future is a rising possibility, and if consumer spending falls, air cargo demand may also decline. As SIA's competitors ramp up their capacity deployment in the future, SIA's heightened market share could fall back down to 2019 averages. This may cause the current high airfares to moderate, even if jet fuel price levels remain elevated. While SIA is 40% hedged at Brent price of US$60/bbl until Jun 2023, Brent is already at US$125/bbl and SIA is exposed to the jet fuel crack spread, which has widened from US$2/bbl a year ago to US$38/bbl now.

SIA may redeem half of its MCBs in 2-3 years' time, in our view

Our analysis suggests that SIA may be keen to redeem half of its S$9.7bn MCBs within the next 2-3 years, before their yields rise from 4% to 5% p.a., as it is holding too much cash, in our view, with a net debt position of only 8.5% as at 31 Mar 2022 vs. 32% as at 31 Dec 2020 (prior to the pandemic). Redeeming part of the MCBs will reduce SIA's shareholders' equity and make SIA's P/BV valuations look more expensive, which is another downside risk factor for investors to consider. Upside risks: strong business and leisure travel demand in 4QCY22F; unexpected moderation in oil prices.

Financial Summary	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (S$m)	3,816	7,615	15,586	17,521	18,071
Operating EBITDA (S$m)	-424	1,282	3,455	3,395	3,551
Net Profit (S$m)	-4,271	-962	828	771	827
Core EPS (S$)	-0.81	-0.38	0.20	0.18	0.20
Core EPS Growth	969%	(52%)		(10%)	10%
FD Core P/E (x)	NA	NA	26.95	29.85	27.02
DPS (S$)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	NA	13.67	5.30	5.54	5.76
P/FCFE (x)	NA	386.8	NA	NA	NA
Net Gearing	37.2%	6.0%	9.1%	10.9%	17.3%
P/BV (x)	0.99	0.70	0.68	0.66	0.65
ROE	(17.6%)	(6.0%)	2.6%	2.2%	2.4%
% Change In Core EPS Estimates			(7.1%)	(15.3%)	26.7%
CGS-CIMB/Consensus EPS (x)			4.90	1.13	0.77

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

SIA is enjoying elevated market share in the initial period of traffic recovery from April 2022 onwards »

From a revenue perspective, the SIA group of passenger airlines, i.e. the mainline full-service carrier SIA (airline code SQ), and the low-cost carrier Scoot (airline code TR) is in an undoubtedly strong position. The group kept virtually all its pilots on its payroll over the duration of the pandemic since early-2020, albeit at reduced pay levels, and is now able to roll out flights quickly to take advantage of the demand recovery. The SIA group also kept the majority of its crew intact, although it has had to start recruitment and training of new cabin crew from early-May 2022 in order to facilitate additional schedule reinstatement.

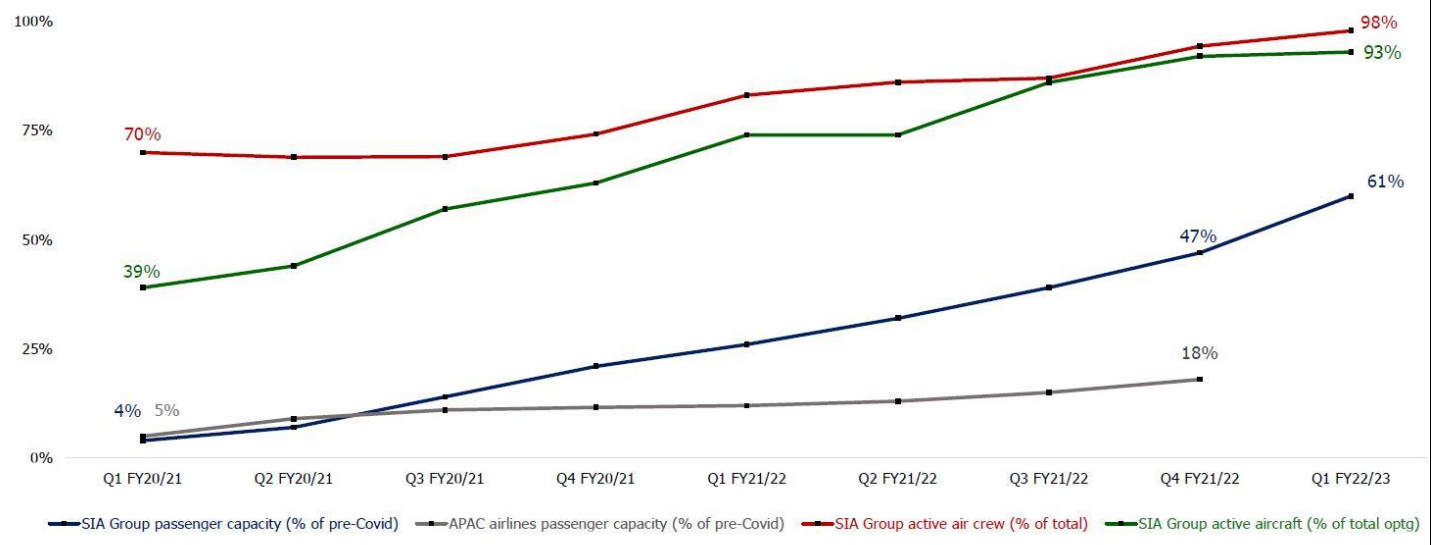
Demand for air travel has been especially strong since Singapore opened its borders to quarantine-free travel for full-vaccinated travellers effective 1 April 2022, and when pre-departure Covid-19 test requirements were abolished for arrivals into Singapore effective 26 April. The latter is important, as travellers do not want to run the risk of being stuck overseas and prevented from flying back to Singapore if they are infected with Covid-19 while abroad.

Some of its competitors, perhaps having released their pilots and crew in greater numbers, or perhaps have had their aircraft repossessed by lessors, or perhaps continue to be constrained by tough home country inbound travel restrictions, have not reinstated their aggregate seat capacity by as much as the SIA group, hence, were unable to take advantage of the rebound in travel demand to/from Singapore by as much as SIA, in our view.

As can be seen in the chart below which SIA disclosed on 19 May 2022 in conjunction with its FY3/22 year-end results analyst briefing, even during the height of the pandemic in 1QFY21 (April-June 2020), the group maintained 70% of its crew and 39% of its aircraft active, despite operating only 4% of its pre-Covid-19 passenger capacity in January 2020.

During 1QFY23 (April-June 2022), SIA expects to have 98% of its air crew and 93% of its aircraft fleet active, which is likely to be far ahead of its Asia-Pacific competitors, which in aggregate only reinstated 18% of its pre-Covid-19 passenger capacity in the January-March 2022 quarter.

Figure 1: The SIA group has retained a high proportion of active air crew and active pilots throughout the pandemic, far ahead of its Asia-Pacific competitors

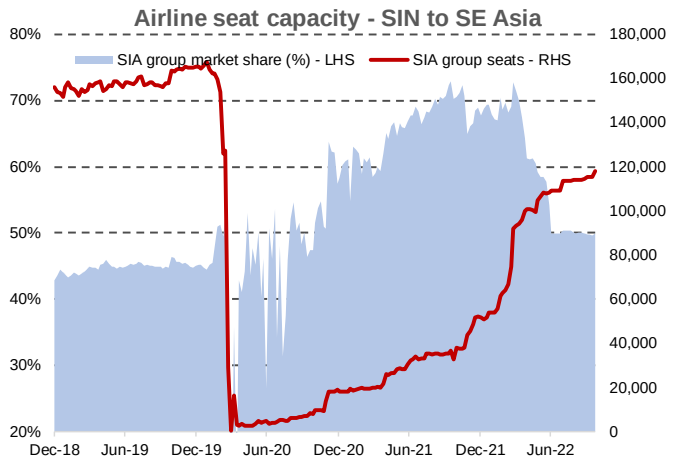


Pre-Covid refers to Jan'20. APAC Airlines data from AAPA Asia Pacific traffic results. Active crew refers to crew who are rostered for flight duties at least once a month. Active aircraft refers to the aircraft deployed on passenger and cargo-only services, including to support operational requirements.

SOURCE: SIA

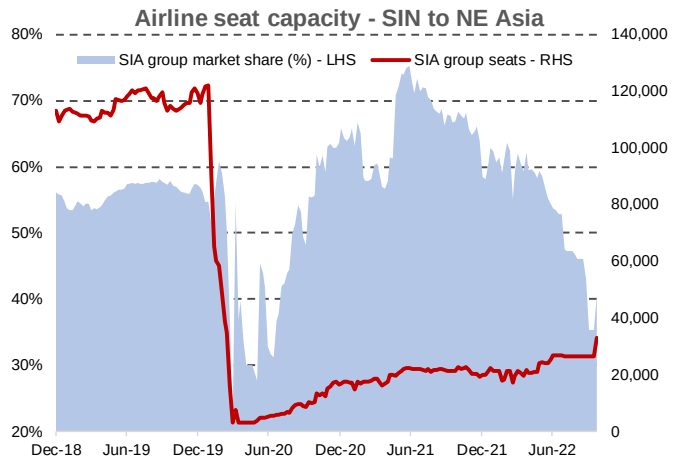
The net result is an increase in the SIA group's market share of seat capacity in five of six major route regions. For instance, SIA's market share from Singapore (SIN) to airports in the Southeast Asian region has risen to 50% currently, from c.45% in 2019 which was the year immediately preceding the start of the Covid-19 pandemic. To South Asia, market share is c.65% currently vs. 55-65% in 2019. To the Middle East, market share has risen to c.20% currently vs. 10-15% in 2019, while to Southwest Pacific, market share has risen to c.73% currently vs. c.65% in 2019. Finally, to Western Europe, SIA commands a 60%+ market share currently vs. c.55% in 2019. The only route region where SIA has seen its market share shrink is to Northeast Asia, where it has shrunk to c.45% currently, against c.55% in 2019, mainly on account of Scoot's inability to reinstate capacity meaningfully to China in light of the country's continued border closures.

Figure 2: SIA group's market share of airline seat capacity from SIN to Southeast Asia - c.50% currently vs. c.45% in 2019



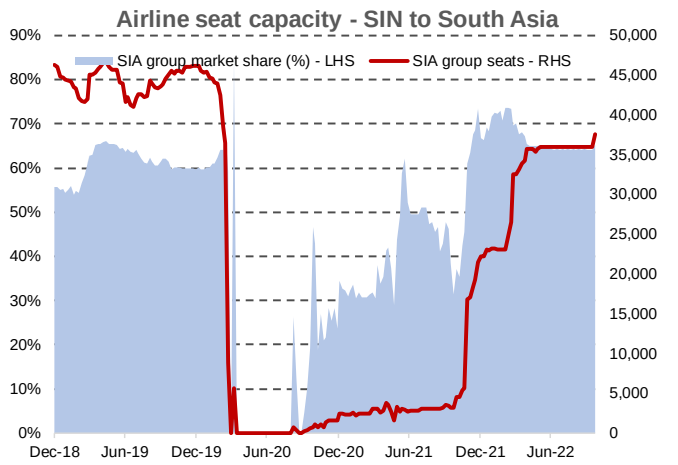
SOURCES: CGS-CIMB RESEARCH, OAG, CAPA

Figure 3: SIA group's market share of airline seat capacity from SIN to Northeast Asia - c.45% currently vs. c.55% in 2019 due to continued closure of China's borders and impact on Scoot's capacity deployment



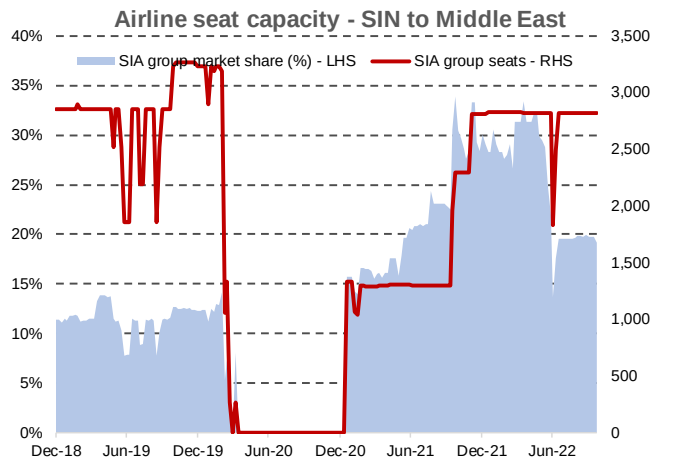
SOURCES: CGS-CIMB RESEARCH, OAG, CAPA

Figure 4: SIA group's market share of airline seat capacity from SIN to South Asia - c.65% currently vs. 55-65% in 2019



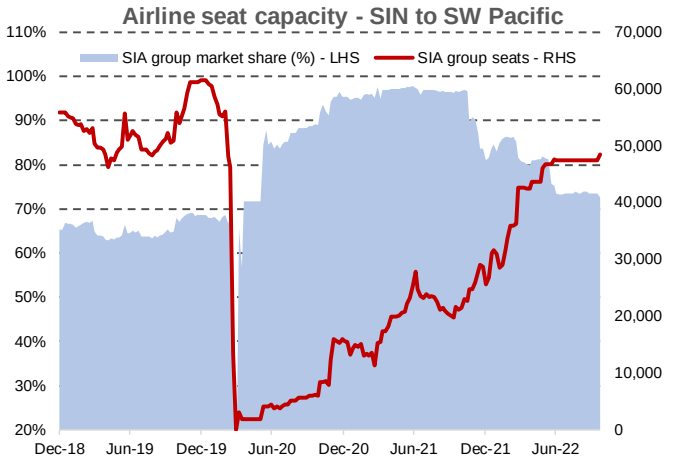
SOURCES: CGS-CIMB RESEARCH, OAG, CAPA

Figure 5: SIA group's market share of airline seat capacity from SIN to Middle East - c.20% currently vs. 10-15% in 2019



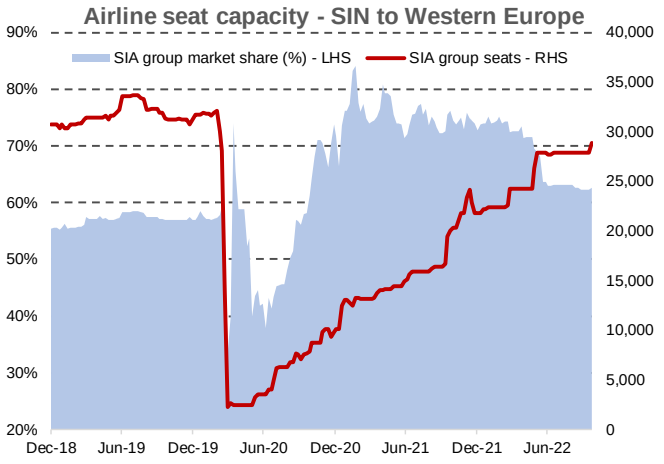
SOURCES: CGS-CIMB RESEARCH, OAG, CAPA

Figure 6: SIA group's market share of airline seat capacity from SIN to Southwest Pacific - c.73% currently vs. c.65% in 2019



SOURCES: CGS-CIMB RESEARCH, OAG, CAPA

Figure 7: SIA group's market share of airline seat capacity from SIN to Western Europe - 60%+ currently vs. c.55% in 2019



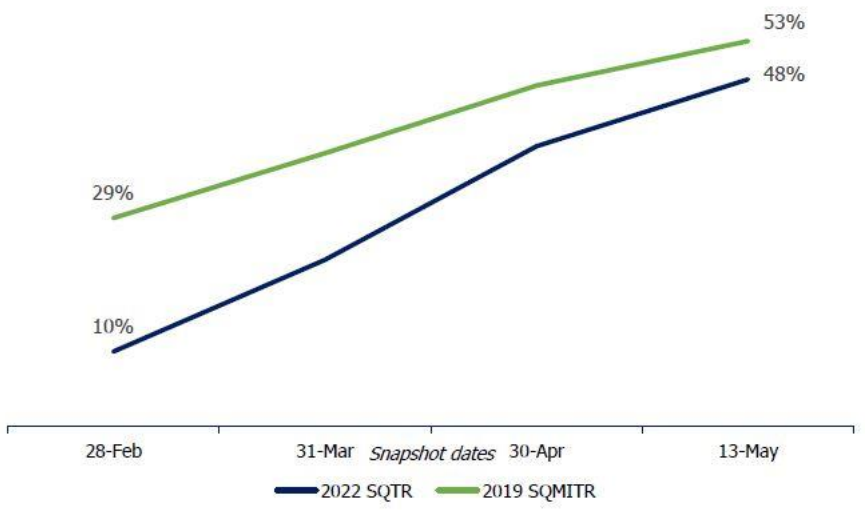
SOURCES: CGS-CIMB RESEARCH, OAG, CAPA

High airfares and strong demand will drive revenue boost

Also supporting strong revenue momentum at SIA is anecdotal evidence of high airfares, which we believe will be evident throughout the June school holidays in Singapore, as well as over the course of the summer in July and August, given that demand has recovered strongly in the face of the slower pace of industry seat capacity recovery.

Strong demand recovery is evident from the chart below, which shows that as at 13 May 2022, 3-month forward bookings for SIA group flights had recovered to 48% of available seat capacity, which was just 5% pts lower than in the corresponding pre-Covid-19 period of 13 May 2019. This compares favourably to the wider negative 19% pts gap for 3-month forward bookings on 28 February 2022 vs. 28 February 2019.

Figure 8: As at 13 May 2022, forward bookings for SIA group flights departing between 19 May and 18 August 2022 (three months forward) was 48% of the available seat capacity, which is close to the 53% on 13 May 2019 for flights departing between 19 May and 18 August 2019



SOURCE: SIA

Demand has also recovered across both leisure and business travel since 1 April 2022, according to SIA. The aviation industry had always expected leisure travel to be the first to recover, but the strong recovery of business travel, some of which underpinned demand for the premium cabins, was perhaps less certain in light of fears that Zoom or Microsoft Teams could cause a permanent decline in the volume of business travel. In this initial phase of travel recovery, the feedback from SIA is that none of the above fears have come to pass, as SIA is witnessing resurgent demand for business travel. Demand for business travel saw a stronger pickup when Singapore's offices were permitted to reopen for 100% of their employees to work from office effective 26 April 2022, which also coincided with the removal of the pre-departure Covid-19 test requirement for arrivals into Singapore.

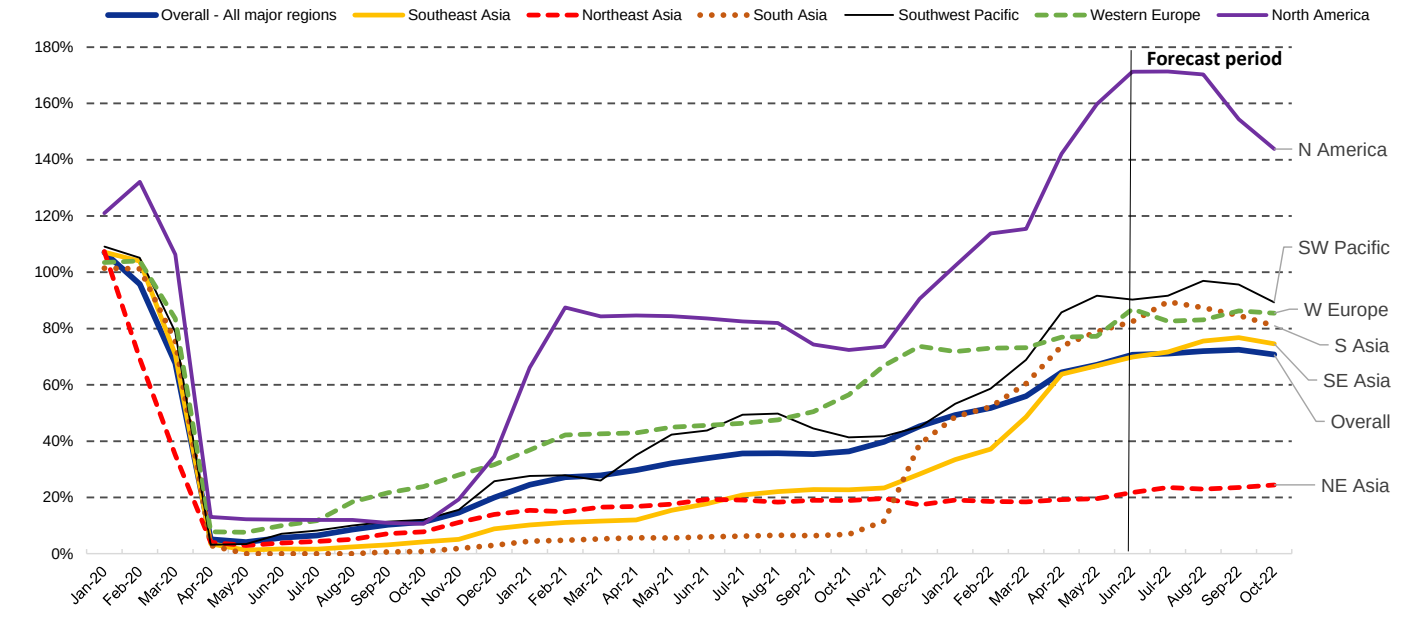
Strong demand and high air fares provide a buffer for SIA against very high and rising fuel costs; more on this later.

SIA's ASK capacity restoration, based on its airline schedules, is broadly in line with our estimates ❯

The chart below shows SIA's available seat kilometre (ASK) restoration to-date, as well as forward looking until late-October 2022. This is based on airline seat capacity schedules reported to airline data provider OAG. The schedule data is analysed up to late-October 2022 only, which is the end of the Northern Summer period for which airline schedules have been announced. Schedules for the Northern Winter period beginning late-October 2022 to late-March 2023 have not yet been reported by the airlines.

Interestingly, for the SIA group, ASK capacity restoration is the fastest for North America, followed by Southwest Pacific, Western Europe and South Asia. Southeast Asian capacity restoration is just slightly above the average, while Northeast Asian capacity remains significantly below the pre-Covid-19 levels, due to continuing border closures in China and entry restrictions in Japan, South Korea, Hong Kong and Taiwan.

Figure 9: SIA group's ASK capacity restoration by route region (as a percentage of the 2019 base)



SOURCES: CGS-CIMB RESEARCH, OAG, CAPA

More importantly, we tracked the SIA group's ASK capacity restoration until late-October 2022 and noted that the group's ASK capacity appears to stagnate at 71-72% of 2019 levels between June and October 2022, after rising strongly between November 2021 and June 2022. SIA told analysts that it stands ready to increase its ASK capacity numbers quickly should demand warrant it, hence the schedule for the rest of the Northern Summer period should not be taken as fixed.

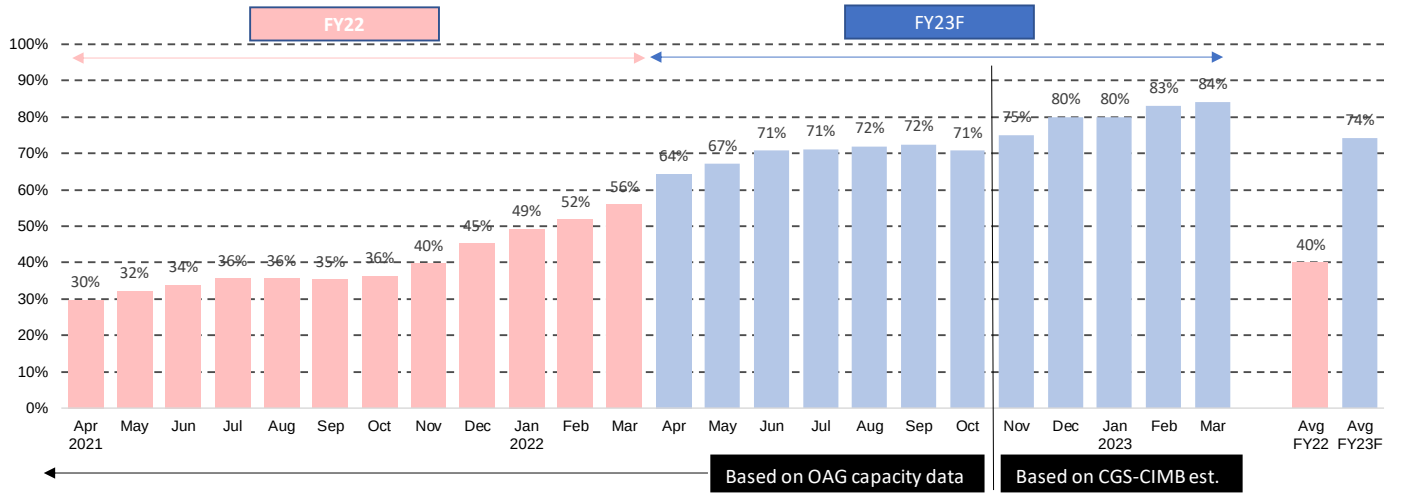
Nevertheless, if indeed the Northern Summer schedule for the SIA group remains as per what it is now, then Scenario 1 shows the pace of which the schedule for the Northern Winter needs to climb at in order to meet our current estimate of FY23F ASK being 74% of the CY19 level. We think that the climb is achievable and reasonable, assuming that some North Asian markets open up (even if China does not) and demand for existing destinations rises further.

However, if SIA's Northern Winter ASK capacity rises at a slower pace (Scenario 2), then SIA may only achieve an FY23F ASK of 72% of the CY19 level, which is just slightly below our forecast of 74%.

In short, we think that our ASK forecast for FY23F is achievable within a reasonable margin of error.

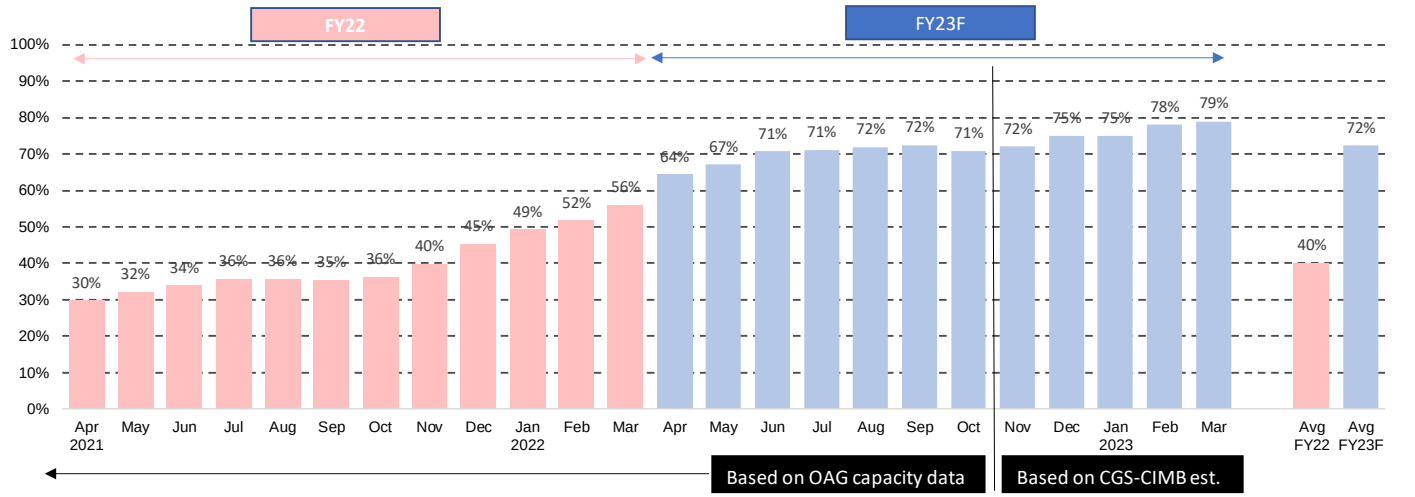
We also note that the SIA group's passenger load factor (PLF) was 72.7% in April 2022, the first month of quarantine-free travel into Singapore, and the first month of SIA's FY23F. This compares well to our FY23F forecast of 72.2% PLF for the SIA group (SQ: 75%; TR: 60%). Hence, even if our ASK forecast is too high, SIA's revenue passenger kilometres (RPK) in FY23F may still meet our current expectations.

Figure 10: Scenario 1: SIA group's ASK capacity data, as a percentage of the 2019 base, will have to rise aggressively from Nov 2022 to Mar 2023, in order to meet our current FY23F estimate of 75% (OAG capacity data available until late-October 2022; beyond that, ASK capacity is based on CGS-CIMB estimates)



SOURCES: CGS-CIMB RESEARCH, OAG, CAPA

Figure 11: Scenario 2: If SIA group's ASK capacity data, as a percentage of the 2019 base, rises gradually from Nov 2022 to Mar 2023, the FY23F average may fall short of our current estimate of 75% (OAG capacity data available until late-October 2022; beyond that, ASK capacity is based on CGS-CIMB estimates)



SOURCES: CGS-CIMB RESEARCH, OAG, CAPA

Can demand strength and high airfares last?

While travel demand is strong now, there are also dark clouds on the horizon. High rates of global inflation, from higher food and fuel prices, and higher global interest rates are eating into consumers' spending power, and overseas discretionary leisure travel could suffer in the future, beyond the current summer peak travel season. A global recession in the future is a rising possibility, and if consumer spending falls, air cargo demand may also decline.

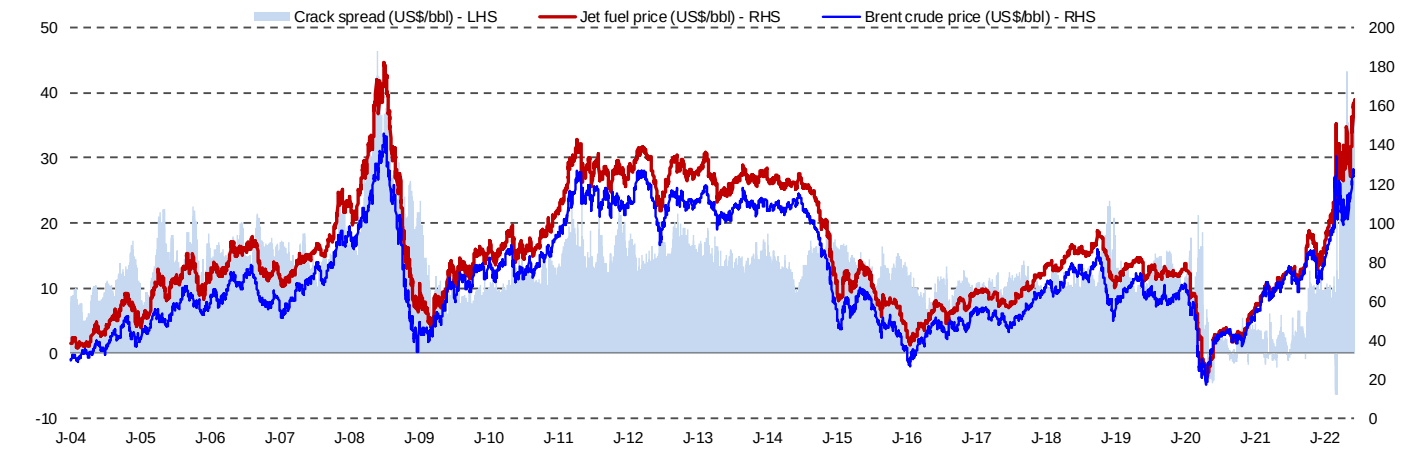
As SIA's competitors ramp up their capacity deployment in the future, SIA's heightened market share currently could fall back down to 2019 averages. This may cause the current high airfares to moderate, even if jet fuel price levels remain elevated.

High oil prices pose downside risks to our EPS estimates

On 10 June 2022, Brent crude traded at US$125/bbl and Singapore jet fuel at US$163/bbl; the crack spread has widened significantly to US$38/bbl.

A year ago on 10 June 2021, Brent was only US$72/bbl and Singapore jet fuel was at US$74/bbl, with a crack spread of only US$2/bbl.

Figure 12: Singapore jet fuel prices (US$/bbl), vs. Brent crude price (US$/bbl)



SOURCE: CGS-CIMB RESEARCH, BLOOMBERG

SIA is only 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. SIA is unhedged on the crack spread between jet fuel and crude oil.

In this report, we have raised our spot jet fuel price assumption for FY23F from US$120/bbl to US$135/bbl, and from US$95/bbl to US$110/bbl for FY24F. This is still below the prevailing price of jet fuel at US$163/bbl, and hence, is a key downside risk to our earnings forecasts and valuation for SIA.

Target price computation

Figure 13: Calculation of SIA's target price

As reported: Based on SIA's accounting treatment of Mandatory Convertible Bonds (MCB) as equity	End-FY21	End-FY22	End-FY23F	End-FY24F	End-FY24F
Shareholders' equity (S$ m)	15,905.9	22,411.9	23,240.1	24,011.2	24,011.2
No of ordinary shares (m)	2,965.0	2,967.5	2,967.5	2,967.5	2,967.5
BVPS (S$)	**5.36**	**7.55**	**7.83**	**8.09**	**8.09**
Scenario 1: Assuming Mandatory Convertible Bonds (MCB) are treated as wholly debt	End-FY21	End-FY22	End-FY23F	End-FY24F	End-FY24F
Shareholders' equity (S$ m)	15,905.9	22,411.9	23,240.1	24,011.2	24,011.2
Less: Outstanding MCBs (S$ m) - capital value	-3,496.1	-9,691.2	-9,691.2	-9,691.2	-9,691.2
Less: Outstanding MCBs (S$ m) - assume 4% YTM (i.e. redemption between Year 1 and Year 4)	-114.5	-452.5	-862.3	-1,288.8	-1,288.8
Adjusted shareholders' equity (S$ m)	**12,295.2**	**12,268.2**	**12,686.5**	**13,031.2**	**13,031.2**
No of ordinary shares (m)	2,965.0	2,967.5	2,967.5	2,967.5	2,967.5
Adjusted BVPS (S$)	**4.15**	**4.13**	**4.28**	**4.39**	**4.39**
Scenario 2: Assuming Mandatory Convertible Bonds (MCB) are treated as half debt and half equity	End-FY21	End-FY22	End-FY23F	End-FY24F	End-FY24F
Shareholders' equity (S$ m)	15,905.9	22,411.9	23,240.1	24,011.2	24,011.2
Less: Half of outstanding MCBs (S$ m) - capital value	-1,748.1	-4,845.6	-4,845.6	-4,845.6	-4,845.6
Less: Half of outstanding MCBs (S$ m) - assume 4% YTM (i.e. redemption between Year 1 and Year 4)	-57.3	-226.2	-431.2	-644.4	-644.4
Adjusted shareholders' equity (S$ m)	**14,100.6**	**17,340.1**	**17,963.3**	**18,521.2**	**18,521.2**
No of ordinary shares (m)	2,965.0	2,967.5	2,967.5	2,967.5	2,967.5
Adjusted BVPS (S$)	**4.76**	**5.84**	**6.05**	**6.24**	**6.24**
Target P/BV multiple (x)			0.95		
Target price (S$)			**5.75**		

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

We have cut our end-CY22F target price to S$5.75, based on a lower target P/BV multiple of 0.95x (mean since 2011), applied to the end-FY23F adjusted BVPS. Our previous target price was S$5.92, based on a P/BV multiple of 0.98x (+0.5 s.d. above the mean).

We are applying the P/BV mean to derive our target price for SIA because we think that the risks and rewards of owning the stock are now in balance – with strong near-term demand, high airfares and higher market shares across most regions potentially offsetting higher operating costs from pilot salary restoration and the spike in jet fuel prices.

Adjusted BVPS calculation

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 maturity on 8 June 2030 or will refinance them using other sources of debt; and
- Deducts an assumed 4% yield-to-maturity (YTM) on half the MCBs that we have treated as debt.

Ignoring potential dilution from conversion of MCBs into new ordinary shares

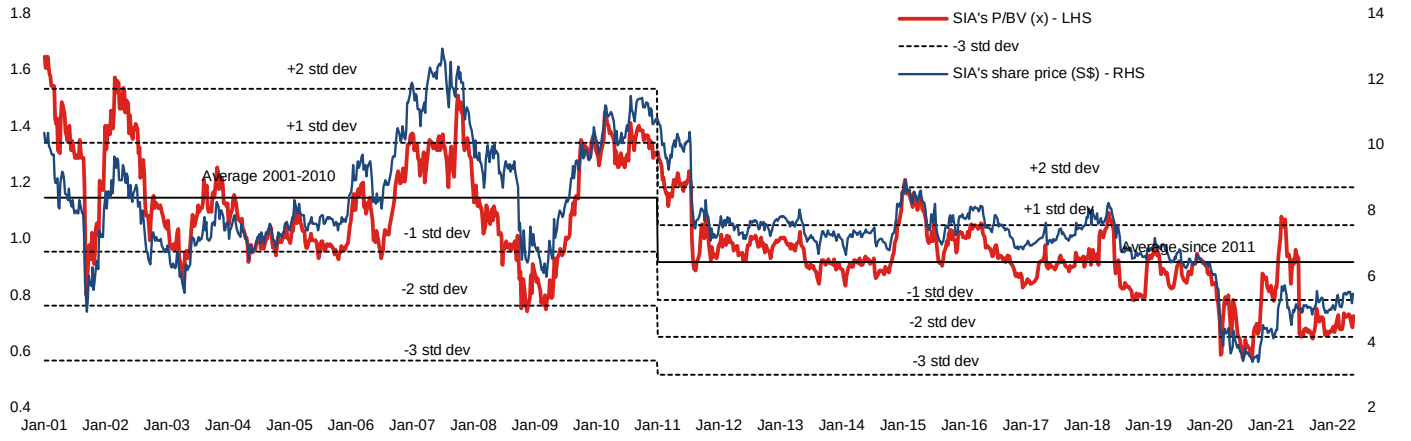
While the MCBs are potentially EPS- and BVPS-dilutive because they entail a potential future issue of new ordinary shares (at the conversion price of S$4.84), we have not factored in an increase in the number of shares for the purposes of deriving our target price for SIA. This is because:

- 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.
- Finally, we believe that SIA will endeavour to redeem some or all the MCBs from its own cash pile, or via debt refinancing. Hence, the MCBs may ultimately never be converted into new equity.

The P/BV valuation levels depend on whether the MCBs are viewed as equity or debt

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. Since the issue of the MCBs, SIA's historical P/BV multiples have been depressed at the -2 std. dev. from the 2011 mean level (Figure 13) because the MCBs provided a big boost to equity on the balance sheet, and because conversion of the MCBs will not happen, if at all, until June 2030.

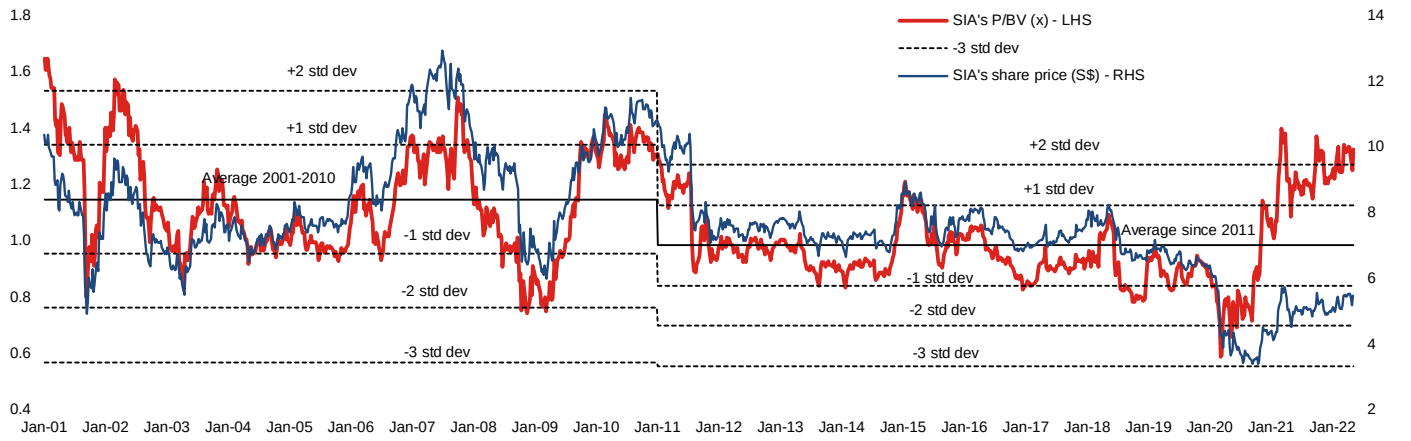
Figure 14: Singapore Airlines historical P/BV chart – P/BV average 2001-10 and P/BV average since 2011, and standard deviations based on those averages – assuming MCBs are treated as wholly equity



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

However, if the MCBs are treated as wholly debt, the SIA historical P/BV multiple valuation chart since the issue of the MCBs look very different, with P/BV multiples trading at or above +2 std. dev. above the 2011 mean (Figure 14). This is because if MCBs are treated as wholly debt, the book value attributable to shareholders will immediately decline by the full S$9.7bn value of the MCBs.

Figure 15: Singapore Airlines historical P/BV chart – P/BV average 2001-10 and P/BV average since 2011, and standard deviations based on those averages – assuming MCBs are treated as wholly debt



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

So, SIA's P/BV valuation could either look very cheap (Figure 13), or very expensive (Figure 14), depending on whether the MCBs are treated as equivalent to equity or closer in nature to debt. Perhaps the market's view may swing towards valuations being approximately at the mean, as it becomes clearer that there is a high probability that SIA will redeem approximately half of the MCBs, and/or refinance them with new debt, in the next 2-3 years.

Since our adjusted BVPS calculation assumes that SIA will redeem half of the MCBs, the P/BV multiple of 0.95x that we have used to derive SIA's target price of S$5.75 also uses this presumption.

SIA's P/BV mean since 2011 is 0.92x if the MCBs are treated as wholly equity, while SIA's P/BV mean is 0.98x if the MCBs are treated as wholly debt. The mid-point is 0.95x.

SIA likely to redeem half of the MCBs, in our view

The first tranche of the MCBs of S$3.5bn was issued on 8 June 2020, and:

- If redeemed before its 4th anniversary on 8 June 2024, SIA will pay a yield of 4% from the time of issue;
- If redeemed before the 7th anniversary on 8 June 2027, SIA will pay a yield of 5% p.a. from the time of issue; and
- If redeemed before the 10th anniversary on 8 June 2030, SIA will pay a yield of 6% p.a. from the time of issue.

The second MCB tranche of S$6.2bn was issued on 24 June 2021, and:

- If redeemed before its 4th anniversary on 24 June 2025, SIA will pay a yield of 4% p.a. from the time of issue;
- If redeemed before the 7th anniversary on 24 June 2028, SIA will pay a yield of 5% p.a. from the time of issue; and
- If redeemed before 8 June 2030 (approximately the 9th anniversary), SIA will pay a yield of 6% p.a. from the time of issue.

The rise in the yield to maturity from 4% to 5% effective 8 June 2027 (for the first tranche) and 24 June 2028 (for the second tranche) suggests that SIA will likely redeem at least some of the MCBs prior to the MCBs' 4th anniversary dates.

SIA had a gross cash pile of S$13.8bn as at 31 March 2022, and a debt balance of S$15.7bn (including straight bank debt, lease liabilities and convertible bonds), representing a net debt balance of S$1.9bn, or a very low net gearing of 8.5% when including the MCBs into shareholders' equity.

The net gearing as at 31 March 2022 rises to 98% if all of the MCBs are treated as debt (including the yield that is payable on them), or to **40% if half of the MCBs are treated as debt**.

On 31 December 2020, prior to the start of the pandemic, SIA's net gearing stood at **32%**, which is similar to levels that would prevail if half of the MCBs a treated as debt.

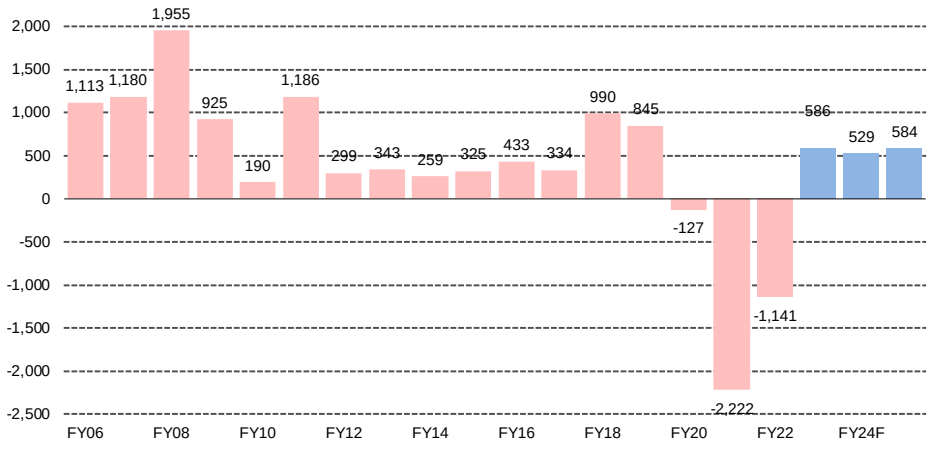
As such, we think that SIA would be comfortable to redeem approximately half of its MCBs prior to their 4th anniversaries on 8 June 2024 and 24 June 2025 for the first and second tranches, respectively.

Upside and downside risks

Upside risks include a faster-than-expected recovery in international passenger traffic and average ticket prices after 1 April 2022 as Singapore has opened up quarantine-free travel to fully vaccinated travellers from around the world. Furthermore, airfreight markets remain strong given the still-choked container shipping logistics chain, and if China eases its domestic Covid-19 lockdowns, air cargo volumes could be stimulated from the recent weakness in March and April.

Downside risks include higher oil prices as SIA is only 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. SIA is unhedged on the crack spread between jet fuel and crude oil. On 10 June 2022, Brent crude traded at US$125/bbl and Singapore jet fuel at US$163/bbl; the crack spread has widened significantly. We have raised our spot jet fuel price assumption for FY23F from US$120/bbl to US$135/bbl, and from US$95/bbl to US$110/bbl for FY24F. This is still below the prevailing price of jet fuel at US$163/bbl, and hence, is a key downside risk to our earnings forecasts and valuation for SIA.

Figure 16: SIA group core net profit (S$ m)



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 17: Reconciliation of SIA's attributable net profit to core net profit (S$ m)

	Reference	FY20	FY21	FY22	FY23F	FY24F	FY25F
Attributable net profit		**-212.0**	**-4,270.7**	**-962.0**	**828.2**	**771.1**	**826.6**
Remove: Exceptionals	a	85.0	2,122.0	13.5	0.0	0.0	0.0
Less: MCB yield	b	0.0	-72.8	-192.1	-242.3	-242.3	-242.3
Core net profit		**-127.0**	**-2,221.5**	**-1,140.6**	**585.8**	**528.8**	**584.2**
Breakdown of exceptionals	**a**	**-85.0**	**-2,122.0**	**0.0**	**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 (S$ m)			3,496.1	9,692.9	9,692.9	9,692.9	9,692.9
Proportion assumed treated as debt (%)			50.0%	50.0%	50.0%	50.0%	50.0%
Assumed debt portion (S$ m)			1,748.1	4,846.5	4,846.5	4,846.5	4,846.5
Average outstanding balance (S$ m)			1,456.7	3,813.7	4,846.5	4,846.5	4,846.5
Assumed yield (%)			5.0%	5.0%	5.0%	5.0%	5.0%
Assumed yield (S$ m)	**b**		**72.8**	**190.7**	**242.3**	**242.3**	**242.3**

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 18: Earnings revision

RM m	2022A	2023F			2024F			2025F		
		Old	New	chg	Old	New	chg	Old	New	chg
Revenue	7,615	15,150	15,586	3%	17,147	17,521	2%	17,134	18,071	5%
EBITDA	1,282	3,511	3,455	-2%	3,514	3,395	-3%	3,399	3,551	4%
Reported PBT	(1,090)	1,086	1,030	-5%	1,065	947	-11%	862	1,014	18%
Core pretax profit	(1,269)	783	727	-7%	766	647	-15%	563	715	27%
Reported net profit	(962)	873	828	-5%	867	771	-11%	703	827	18%
Reported EPS	(0.32)	0.29	0.28	-5%	0.29	0.26	-11%	0.24	0.28	18%
Core net profit	(1,141)	631	586	-7%	624	529	-15%	461	584	27%
Core EPS	(0.38)	0.21	0.20	-7%	0.21	0.18	-15%	0.16	0.20	27%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Our FY23-24F core EPS forecasts are reduced by 7-15% as we raise our spot jet fuel price assumption for FY23F from US$120/bbl to US$135/bbl, and from US$95/bbl to US$110/bbl for FY24F. We have also assumed higher yields to partially compensate for the higher fuel cost assumptions.

Our FY25F core EPS forecast is raised by 27% as we lift our yield forecasts with SIA and its competitors likely to attempt to pass on some of the higher oil prices via air fare hikes. In general, airlines pass on two-thirds of their higher fuel prices with a 1-2 quarters' lag.

Key assumptions

For FY3/23F, we estimate that SIA group's ASK capacity will average 74% of the pre-Covid-19 capacity, rising to an average of 95% in FY24F, as shown below.

Figure 19: Medium-term estimates for SIA group's passenger airline ASK capacity, RPK demand, and PLF

	ASK capacity (m)	Yoy change	As a percentage of the CY19 base	RPK demand (m)	Yoy change	As a percentage of the CY19 base	Passenger load factor (%)	Yoy change (% pts)
CY 2019	177,066			149,120			84.2%	
FY 3/20	171,211		96.7%	140,999		94.6%	82.4%	-1.9%
FY 3/21	21,721	-87.3%	12.3%	2,891	-97.9%	1.9%	13.3%	-69.0%
FY 3/22	68,570	215.7%	38.7%	20,665	614.9%	13.9%	30.1%	16.8%
FY 3/23F	131,023	91.1%	74.0%	93,293	351.5%	62.6%	71.2%	41.1%
FY 3/24F	168,212	28.4%	95.0%	128,848	38.1%	86.4%	76.6%	5.4%
FY 3/25F	177,066	5.3%	100.0%	141,653	9.9%	95.0%	80.0%	3.4%
FY 3/26F	191,231	8.0%	108.0%	158,722	12.1%	106.4%	83.0%	3.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 20: Key assumptions - SIA group

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23F	FY24F	FY25F
Full-service carrier (FSC)											
FSC ASK (m km)	128,356	127,484	127,749	129,493	135,218	137,765	19,493	58,748	106,152	134,459	141,536
Change in ASK (%)	*-0.1%*	*-0.7%*	*0.2%*	*1.4%*	*4.4%*	*1.9%*	*-85.9%*	*201.4%*	*80.7%*	*26.7%*	*5.3%*
FSC RPK (m km)	100,074	100,784	100,052	104,199	111,512	112,330	2,669	19,178	79,614	103,534	113,229
Change in RPK (%)	*-0.5%*	*0.7%*	*-0.7%*	*4.1%*	*7.0%*	*0.7%*	*-97.6%*	*618.5%*	*315.1%*	*30.0%*	*9.4%*
FSC Load Factor	78.0%	79.1%	78.3%	80.5%	82.5%	81.5%	13.7%	32.6%	75.0%	77.0%	80.0%
FSC Pax Yield (Scts/RPK)	11.36	10.79	10.49	10.30	10.16	10.05	20.98	13.07	11.50	10.58	10.37
Change in yield (%)	*1.0%*	*-5.0%*	*-2.7%*	*-1.8%*	*-1.4%*	*-1.1%*	*108.7%*	*-37.7%*	*-12.0%*	*-8.0%*	*-2.0%*
Scoot											
Scoot ASK (m km)		21,733	26,793	29,888	34,389	33,446	2,228	9,822	24,871	33,753	35,530
Change in ASK (%)			*23.3%*	*11.6%*	*15.1%*	*-2.7%*	*-93.3%*	*340.8%*	*153.2%*	*35.7%*	*5.3%*
Scoot RPK (m km)		18,225	22,084	25,600	29,326	28,669	222	1,487	14,922	25,315	30,200
Change in RPK (%)			*21.2%*	*15.9%*	*14.6%*	*-2.2%*	*-99.2%*	*570.9%*	*903.7%*	*69.6%*	*19.3%*
Scoot Load Factor		83.9%	82.4%	85.7%	85.3%	85.7%	9.9%	15.1%	60.0%	75.0%	85.0%
Scoot Pax Yield (Scts/RPK)		6.41	5.90	5.80	5.70	5.60	54.98	19.97	9.99	7.99	7.19
Change in yield (%)		*0.0%*	*-7.9%*	*-1.7%*	*-1.7%*	*-1.8%*	*881.7%*	*-63.7%*	*-50.0%*	*-20.0%*	*-10.0%*
SIA Cargo											
Cargo AFTK (m km)	10,025	10,513	10,912	11,127	11,210	10,778	4,795	7,195	9,700	10,778	11,856
Change in AFTK (%)	*-2.4%*	*4.9%*	*3.8%*	*2.0%*	*0.8%*	*-3.9%*	*-55.5%*	*50.1%*	*34.8%*	*11.1%*	*10.0%*
Cargo FTK (m km)	6,347	6,511	6,896	7,260	7,007	6,389	4,112	5,941	6,305	7,006	7,706
Change in LTK (%)	*-1.1%*	*2.6%*	*5.9%*	*5.3%*	*-3.5%*	*-8.8%*	*-35.6%*	*44.5%*	*6.1%*	*11.1%*	*10.0%*
Cargo Load Factor	63.3%	61.9%	63.2%	65.3%	62.5%	59.3%	85.8%	82.6%	65.0%	65.0%	65.0%
Cargo Yield (Scts/FTK)	32.80	29.00	25.90	28.20	31.70	30.50	65.90	73.02	65.72	52.58	42.06
Change in yield (%)	*0.3%*	*-11.6%*	*-10.7%*	*8.9%*	*12.4%*	*-3.8%*	*116.1%*	*10.8%*	*-10.0%*	*-20.0%*	*-20.0%*
Fuel price (US$/barrel)											
Spot Brent crude price (average)	85.9	48.2	49.8	57.6	70.2	63.0	49.6	80.0	110.0	90.0	85.0
Spot jet fuel price (average)	99.4	58.3	58.4	67.9	82.2	74.5	53.7	85.1	135.0	110.0	105.0
Hedged jet fuel price (average)	117.0	84.3	68.9	68.9	78.5	81.9	92.2	76.9	119.0	111.0	109.0

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

ESG in a nutshell

Refinitiv ESG Scores

B+	B+	B+	B	B+	B+
ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	ESG Government Pillar Score

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).

Keep your eye on	Implications
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.	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.
ESG highlights	**Implications**
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.	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.
Trends	**Implications**
SIA is aware that it will have to improve its ESG credentials to remain in the good books of its customers who 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.	SIA has been the airline partner of the *Hutan Harapan* 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 10,2000 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.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, REFINITIV

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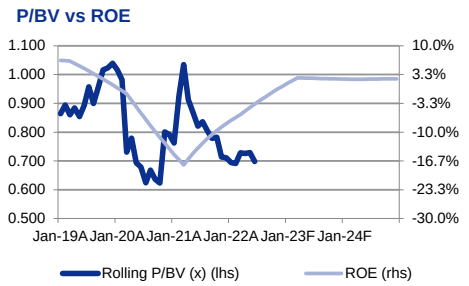

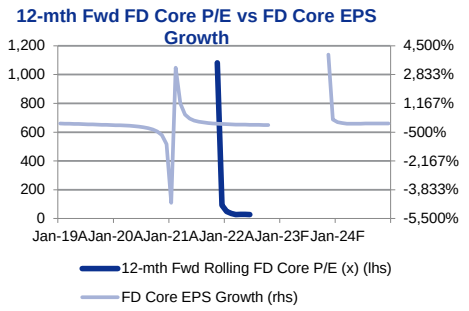

Profit & Loss

(S$m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Net Revenues	**3,816**	**7,615**	**15,586**	**17,521**	**18,071**
Gross Profit	**479**	**1,907**	**4,255**	**4,195**	**4,351**
Operating EBITDA	**-424**	**1,282**	**3,455**	**3,395**	**3,551**
Depreciation And Amortisation	-2,076	-1,928	-2,034	-2,107	-2,193
Operating EBIT	**-2,500**	**-645**	**1,421**	**1,288**	**1,358**
Financial Income/(Expense)	-233	-346	-336	-341	-349
Pretax Income/(Loss) from Assoc.	-113	-116	-60	-5	0
Non-Operating Income/(Expense)	10	31	5	5	5
Profit Before Tax (pre-EI)	**-2,835**	**-1,077**	**1,030**	**947**	**1,014**
Exceptional Items	-2,122	-14	0	0	0
Pre-tax Profit	**-4,957**	**-1,090**	**1,030**	**947**	**1,014**
Taxation	674	142	-207	-181	-193
Exceptional Income - post-tax					
Profit After Tax	**-4,283**	**-948**	**823**	**766**	**822**
Minority Interests	13	-14	5	5	5
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**-4,271**	**-962**	**828**	**771**	**827**
Recurring Net Profit	-2,222	-1,141	586	529	584
Fully Diluted Recurring Net Profit	**-2,222**	**-1,141**	**586**	**529**	**584**

Cash Flow

(S$m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	-424	1,282	3,455	3,395	3,551
Cash Flow from Invt. & Assoc.					
Change In Working Capital	-3,424	1,519	691	404	45
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	573	249	8	8	8
Net Interest (Paid)/Received	0	0	0	0	0
Tax Paid	-18	-8	-207	-181	-193
Cashflow From Operations	**-3,292**	**3,042**	**3,947**	**3,626**	**3,411**
Capex	-2,696	-3,049	-4,400	-3,800	-4,300
Disposals Of FAs/subsidiaries	1,343	728	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0	0
Other Investing Cashflow	38	74	0	0	0
Cash Flow From Investing	**-1,314**	**-2,247**	**-4,400**	**-3,800**	**-4,300**
Debt Raised/(repaid)	1,786	-754	98	101	103
Proceeds From Issue Of Shares	8,829	6,197	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	-14	0	0	0	-407
Preferred Dividends					
Other Financing Cashflow	-864	-283	-331	-336	-344
Cash Flow From Financing	**9,737**	**5,160**	**-233**	**-235**	**-648**
Total Cash Generated	5,130	5,955	-685	-409	-1,536
Free Cashflow To Equity	**-2,821**	**41**	**-355**	**-73**	**-785**
Free Cashflow To Firm	**-4,607**	**795**	**-453**	**-174**	**-889**

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS… cont'd

Balance Sheet

(S$m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	7,783	13,763	13,077	12,668	11,132
Total Debtors	940	1,566	3,206	3,604	3,717
Inventories	195	187	359	418	430
Total Other Current Assets	755	2,172	2,164	2,156	2,148
Total Current Assets	**9,672**	**17,688**	**18,806**	**18,846**	**17,427**
Fixed Assets	25,879	27,861	30,226	31,920	34,026
Total Investments	1,729	2,819	2,759	2,754	2,754
Intangible Assets	301	303	303	303	303
Total Other Non-Current Assets	0	0	0	0	0
Total Non-current Assets	**27,909**	**30,983**	**33,289**	**34,977**	**37,084**
Short-term Debt	907	607	607	607	607
Current Portion of Long-Term Debt					
Total Creditors	2,117	2,733	5,236	6,097	6,267
Other Current Liabilities	2,689	4,529	4,529	4,529	4,529
Total Current Liabilities	**5,713**	**7,869**	**10,371**	**11,232**	**11,402**
Total Long-term Debt	12,171	13,753	13,851	13,951	14,055
Hybrid Debt - Debt Component	768	768	768	768	768
Total Other Non-Current Liabilities	2,652	3,482	3,482	3,482	3,482
Total Non-current Liabilities	**15,590**	**18,002**	**18,100**	**18,201**	**18,304**
Total Provisions	0	0	0	0	0
Total Liabilities	**21,303**	**25,871**	**28,471**	**29,433**	**29,706**
Shareholders' Equity	15,906	22,412	23,240	24,011	24,430
Minority Interests	372	389	384	379	374
Total Equity	**16,278**	**22,800**	**23,624**	**24,390**	**24,804**

Key Ratios

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	(76%)	100%	105%	12%	3%
Operating EBITDA Growth	(119%)	N/A	169%	(2%)	5%
Operating EBITDA Margin	(11.1%)	16.8%	22.2%	19.4%	19.7%
Net Cash Per Share (S$)	-2.04	-0.46	-0.72	-0.90	-1.45
BVPS (S$)	5.36	7.55	7.83	8.09	8.23
Gross Interest Cover	-9.33	-1.65	3.53	3.18	3.33
Effective Tax Rate	0.0%	0.0%	20.1%	19.1%	19.0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	84.17	60.06	55.88	71.13	73.94
Inventory Days	23.75	12.22	8.80	10.67	11.28
Accounts Payables Days	280.8	155.1	128.4	155.6	164.5
ROIC (%)	(11.8%)	(2.8%)	5.7%	4.9%	4.9%
ROCE (%)	(9.64%)	(1.76%)	3.88%	3.44%	3.55%
Return On Average Assets	(5.41%)	(1.37%)	2.30%	2.09%	2.16%

Key Drivers

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
SIA mainline ASK (m)	19,253.7	58,747.8	106,152.1	134,459.3	141,536.1
SIA mainline RPK (m)	2,581.6	19,177.7	79,614.1	103,533.7	113,228.9
SIA mainline PLF (%)	13.4%	32.6%	75.0%	77.0%	80.0%
SIA mainline yield (Scts/RPK)	20.7	13.1	11.5	10.6	10.4

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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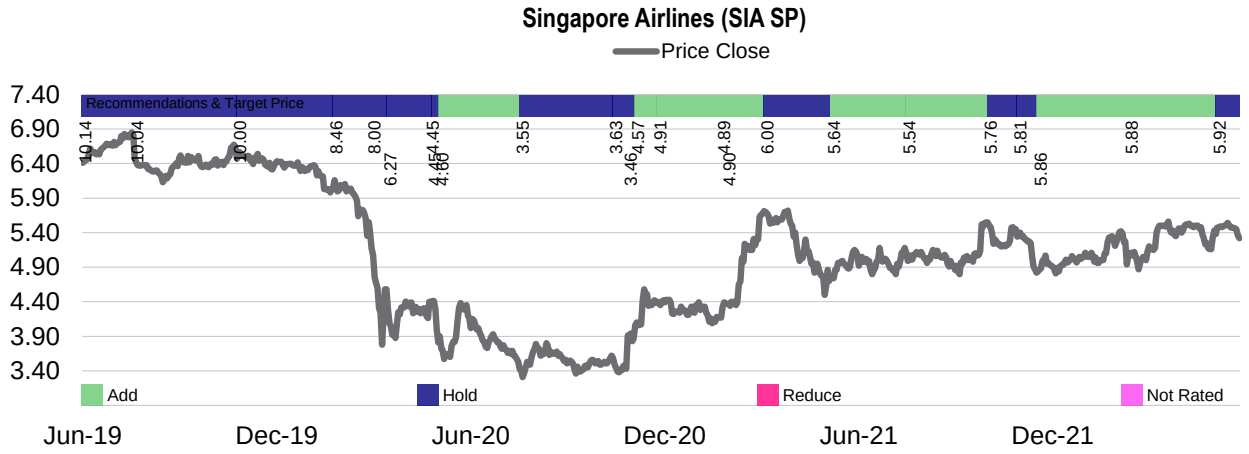
Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022 632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

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)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework

Stock Ratings	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.

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.

Sector Ratings	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.

Country Ratings	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.