

Singapore Company Update

Singapore Airlines

Bloomberg: SIA SP | Reuters: SIAL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

26 Jun 2023

HOLD (Downgrade from BUY)

Last Traded Price (26 Jun 2023): S\$7.48 (STI : 3,189.68)

Price Target 12-mth: S\$6.80 (9% downside)

Analysts

Jason SUM, CFA +65 66823711 jasonsum@dbs.com

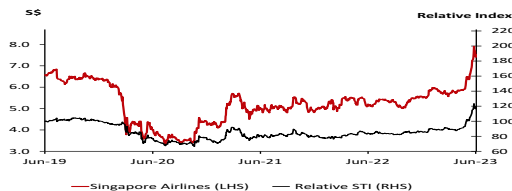
Tabitha FOO +65 66823707 tabithafoo@dbs.com

Paul YONG +65 6682 3712 paulyong@dbs.com

What's New

- Downgrade to HOLD with unchanged TP of S\$6.80
- Valuations broadly in line with fundamentals after stunning rally in share price in 2023-YTD
- While we remain optimistic about SIA's near-term outlook, we anticipate its earnings may peak in FY24F
- We recommend rotating into STE/SATS, with more durable growth characteristics and attractive valuations

Price Relative



Forecasts and Valuation

FY Mar (S\$m)	2022A	2023A	2024F	2025F
Revenue	7,615	17,775	18,178	18,404
EBITDA	1,314	4,680	4,926	4,190
Pre-tax Profit	(1,090)	2,637	3,835	1,798
Net Profit	(962)	2,157	3,380	1,481
Net Pft (Pre Ex.)	(903)	2,112	2,293	1,481
Net Pft Gth (Pre-ex) (%)	61.0	nm	8.6	(35.4)
EPS (S cts)	(32.3)	72.4	114	49.7
EPS Pre Ex. (S cts)	(30.3)	70.9	77.0	49.7
EPS Gth Pre Ex (%)	61	nm	9	(35)
Diluted EPS (S cts)	(18.9)	49.4	91.4	49.7
Net DPS (S cts)	0.0	37.9	41.7	26.3
BV Per Share (S cts)	440	455	507	522
PE (X)	nm	10.3	6.6	15.0
PE Pre Ex. (X)	nm	10.5	9.7	15.0
P/Cash Flow (X)	8.1	2.5	5.4	6.2
EV/EBITDA (X)	18.0	4.4	4.7	6.6
Net Div Yield (%)	0.0	5.1	5.6	3.5
P/Book Value (X)	1.7	1.6	1.5	1.4
Net Debt/Equity (X)	0.0	CASH	0.0	0.3
ROAE (%)	(5.0)	10.2	17.5	8.6
Earnings Rev (%):			0	0
Consensus EPS (S cts):			79.7	45.5
Other Broker Recs:		B: 4	S: 5	H: 4

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Time to take profit

Investment Thesis:

Singapore's flag carrier with a strong foothold in Asia's leading aviation hub. Singapore Airlines (SIA) has one of the most extensive networks among the airlines in Asia, which allows the group to capture substantial transit traffic from neighbouring countries in the region. The group also generally enjoys stronger loyalty among consumers because of its stellar branding and service. SIA has a best-in-class balance sheet, which is not only advantageous in a rising interest rate environment, but also enabled the group to retain many of its pilots and aircraft despite the devastating impact of COVID-19. Consequently, SIA was able to swiftly deploy capacity as borders reopened and gain market share from competitors in the region.

Promising near-term earnings outlook on China's reopening and capacity discipline. The normalisation of travel demand is expected to accelerate due to China's (10%-15% of passenger traffic in 2019) sudden pivot from its zero-COVID stance and reopening of international borders. However, SIA intends to maintain a disciplined approach in reinstating capacity to optimise pricing power. As a result, we anticipate passenger yields to remain at elevated levels for some time (albeit moderating on stiffer competition) on the back of revenge travel, continued resumption of corporate travel, and measured capacity growth by competitors.

However, valuations are broadly in line with its fundamentals for now, as earnings may peak in FY24F. SIA has done exceptionally well in 2023 YTD, outperforming most other airline counters and all other aviation-related names in the Singapore market. While we continue to be optimistic about the airline's near-term earnings outlook, we believe its earnings may peak in FY24F as supernormal passenger yields revert to more normalised levels and air cargo rates and load factors remain under pressure. Additionally, the group will also likely suffer greater losses from associates after Air India becomes an associate.

Downgrade to HOLD; unchanged TP of S\$6.80. Our TP is based on 5.1x EV/EBITDA (blended FY24F/FY25F), which is 0.55SD above its five-year pre-pandemic average, to encapsulate an imminent decline in earnings from FY25F.

Key Risks

The key risks for SIA are 1) persistent cost pressures stemming from inflation and 2) passenger and cargo yields softening ahead of expectations.

At A Glance

Issued Capital (m shrs)	2,971
Mkt. Cap (S\$m/US\$m)	22,220 / 16,436
Major Shareholders (%)	
Temasek Holdings Pte	55.3
Free Float (%)	44.7
3m Avg. Daily Val (US\$m)	40.2
GIC Industry: Industrials / Transportation	

WHAT'S NEW

Time to take profit

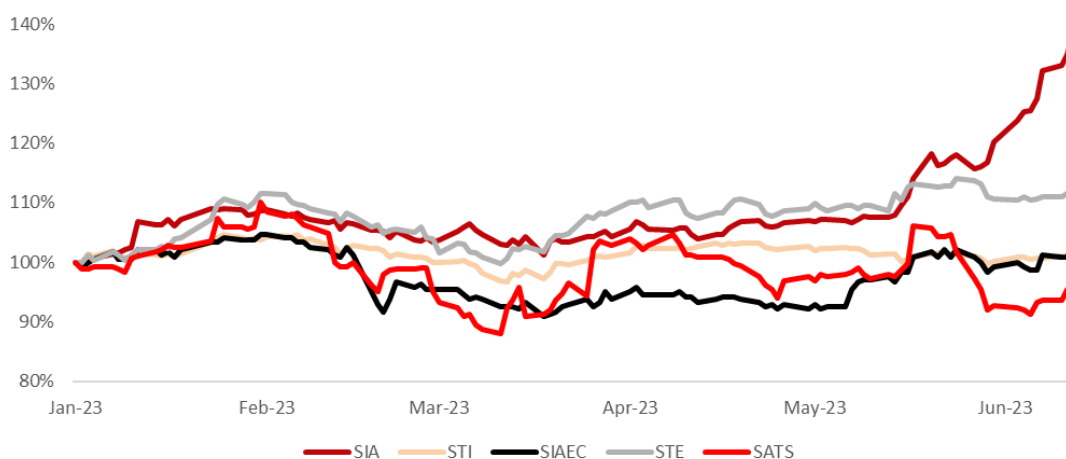
SIA's earnings may peak in FY24F. While we continue to be optimistic about the airline's near-term earnings outlook, we believe its earnings may peak in FY24F as supernormal passenger yields revert to more normalised levels due to fiercer competition in the region. Additionally, the group will also likely suffer greater losses from associates after Air India becomes an associate. Hence, we recommend that investors take profit and rotate into other Singapore aviation-related names with more durable growth characteristics and attractive valuations in our [Singapore Aviation Sector](#) report.

Downgrade SIA to HOLD; unchanged TP of S\$6.80. SIA has done exceptionally well in 2023 YTD, outperforming most other airline counters and all other aviation-related names in the Singapore market. Consequently, we are turning neutral on SIA, as its promising earnings outlook is now aptly baked into its valuation, in our view. The airline is currently trading at 5.7x forward EV/EBITDA, which is slightly more than 1 standard deviation (SD) above its five-year pre-pandemic average. Our TP is based on

5.1x EV/EBITDA (blended FY24F/FY25F), which is 0.5SD above its five-year pre-pandemic average, to encapsulate an imminent decline in earnings from FY25F. Hence, we downgrade SIA to HOLD with an unchanged TP of S\$6.80.

Switch to STE or SATS. Among the Singapore aviation names, SIA undoubtedly benefitted the most from the mass resumption of air travel, achieving record profits by leveraging its abnormally high pricing power to charge exorbitant air fares to travel-deprived consumers. However, we believe it is time to rotate into other parts of the aviation value chain, as they offer sustained growth (SIA's earnings will likely peak in FY24F) and a more favourable risk-to-reward profile. STE is our top pick at this juncture, given its strong medium-term earnings growth trajectory (15.5% CAGR over FY22-24F) and undemanding valuation. We also favour SATS, as the majority of downside risks are already reflected in its cheap valuation, but a lack of near-term catalysts could delay its re-rating until later.

Singapore aerospace sector and STI total returns year-to-date (1 Jan 2023 = base)



Source: Refinitiv, DBS Bank Ltd

Target price and valuation summary table

	TP (S\$)	Current Price (S\$)	% Upside	5-year pre-COVID-19 average valuation multiple*	Standard deviation (SD)	Current valuation (no. SD)
Singapore Airlines (SIA)	6.80	7.42	-8.4%	4.4x	1.1	5.7x (+1.1SD)
SIA Engineering (SIAEC)	2.80	2.45	+14.3%	20.3x	2.7	23.2x (+1.1SD)
Singapore Technologies Engineering (STE)	4.20	3.71	+13.2%	18.9x	1.4	19.1x (+0.2SD)
SATS	3.20	2.67	+19.9%	14.1x	1.6	11.6x (-1.5SD)

* Refers to forward P/E for STE and SIAEC, and forward EV/EBITDA for SIA and SATS

Source: Refinitiv, DBS Bank Ltd

Company	Core earnings growth forecast (FY23/24F* y-o-y)		Key factors impacting earnings	Key risks
STE	+12.4%	+15.9%	<p>Divestment of loss-making marine business, which incurred an annual net loss of around S\$80m in FY22</p> <p>Full-year positive contribution from TransCore, including lower transaction and integration costs of around S\$10-15m in FY23 vs. S\$30m in FY22</p> <p>Lower energy-inflation costs as compared to FY22 (-ve impact of S\$36m) with the normalisation of commodity/electricity prices</p> <p>Continued business recovery in the commercial aerospace business; the defence business is to remain resilient amid heightened geopolitical tensions</p> <p>Sustained operating margin expansion, with the P2F programme turning EBIT positive, increased economies of scale, and positive cost-cutting impact</p> <p>Higher interest expenses (all-in cost of debt of low 3% in FY23F) and absence of one-time US pension restructuring gain</p>	<p>Further interest rate hikes leading to higher finance costs</p> <p>Wage inflation and general inflation pressures</p> <p>Protracted supply chain bottlenecks impacting the satcom business</p>
SIA	+8.6%	-35.4%	<p>Increase in passenger traffic, with passenger capacity hitting 90% of Jan 20's level in 2H23 and 100% by end-1H24</p> <p>Passenger load factors being maintained at above pre-pandemic levels</p> <p>Passenger yields moderating at a more gradual pace towards pre-pandemic levels, underpinned by SIA's capacity discipline and sustained travel demand</p> <p>Sharp decline in air cargo rates and load factors, tempered by rising cargo capacity</p> <p>Lower unit costs due to the fall in jet fuel prices and increased efficiency with the restoration of capacity</p> <p>Increase in share of losses from associates from FY25F with Air India as an associate</p>	<p>Uncertainty on investment quantum required to finance Air India's ambitious growth aspirations</p> <p>Yields dropping at a faster pace than expected due to stiffer competition or demand softening ahead of expectations</p>
SIAEC	+70.9%	+38.8%	<p>Line maintenance volumes to normalise in tandem with traffic at Changi Airport by early to mid-2024</p> <p>Base maintenance to enjoy greater work volumes as more aircraft return into service and deferred maintenance comes due</p> <p>Stronger contribution from JVs and associates, as engine and component shops see more work, with aircraft utilisation normalising and the rundown of green-time engine and used serviceable materials</p>	<p>Wage inflation and general inflation pressures</p> <p>Protracted supply chain bottlenecks delaying the completion of work</p>
SATS	nm (losses in 2022)	+537%	<p>Healthy growth in non-aviation food businesses as the group expands its product portfolio, distribution channels, and production capacity with new central kitchens in Tianjin and Bengaluru coming online and a new food hub in Jurong</p> <p>Ground handling and aviation food business to benefit from recovery in passenger flights/traffic, particularly in inter-region flights to and from Asia</p> <p>Downturn in air cargo market to weigh on SATS's cargo handling business in the near term before seeing a recovery in the next year</p> <p>Higher interest expenses, given a substantial increase in the debt burden and integration costs in 2023</p> <p>Absence of wage subsidies (S\$59.1m in 2022) and a significant increase in headcount</p>	<p>Further interest rate hikes leading to higher finance costs</p> <p>Prolonged weakness in the air cargo market weighing on air cargo volumes</p> <p>Wage and food inflation pressures</p>

*- refers to FY24/25F for SIA/SIAEC/SATS Ltd due to their March financial year-end

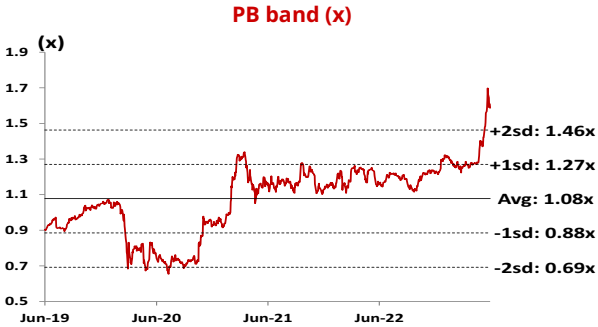
Source: DBS Bank Ltd

Singapore Airlines

Company Background

Singapore Airlines (SIA) is a leading global airline group based in Singapore. In the passenger service segment, SIA operates its flagship Singapore Airlines product and has Scoot, a low-cost carrier, as a subsidiary. It also owns SIA Engineering, listed on the SGX, which is involved in aircraft maintenance and repair.

Historical PB band



Source: Bloomberg Finance L.P., DBS Bank estimates

Singapore Airlines

Key Assumptions

FY Mar	2021A	2022A	2023A	2024F	2025F
Available seat-km (m)	19,493	58,748	106,099	121,100	136,500
Passenger load factor	13.7	32.6	85.8	86.6	84.5
Passenger yield (cents/pkm)	21.0	13.1	12.7	12.0	11.0
Jet Fuel Price - US\$ per barrel	46.9	86.5	124	93.6	91.7
US\$/S\$ exchange rate	1.37	1.35	1.36	1.37	1.37

Segmental Breakdown

FY Mar	2021A	2022A	2023A	2024F	2025F
Revenues (S\$m)					
Passenger services	681	2,803	13,372	14,964	14,748
Cargo services	2,710	4,338	3,604	2,079	2,345
SIA Engineering	163	197	311	460	535
Others	262	277	488	675	775
Total	3,816	7,615	17,775	18,178	18,404

Income Statement (S\$m)

FY Mar	2021A	2022A	2023A	2024F	2025F
Revenue	3,816	7,615	17,775	18,178	18,404
Cost of Goods Sold	(6,328)	(8,225)	(15,083)	(15,422)	(16,193)
Gross Profit	(2,513)	(610)	2,692	2,756	2,210
Other Opng (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Operating Profit	(2,513)	(610)	2,692	2,756	2,210
Other Non Opg (Exp)/Inc	(146)	40.4	(61.7)	0.0	0.0
Associates & JV Inc	(113)	(116)	(31.2)	15.0	(260)
Net Interest (Exp)/Inc	(233)	(346)	(7.3)	(22.5)	(152)
Exceptional Gain/(Loss)	(1,953)	(58.9)	44.9	1,087	0.0
Pre-tax Profit	(4,957)	(1,090)	2,637	3,835	1,798
Tax	674	142	(474)	(440)	(288)
Minority Interest	12.7	(13.9)	(6.5)	(15.0)	(30.0)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	(4,271)	(962)	2,157	3,380	1,481
Net Profit before Except.	(2,318)	(903)	2,112	2,293	1,481
EBITDA	(630)	1,314	4,680	4,926	4,190
Growth					
Revenue Gth (%)	(76.1)	99.6	133.4	2.3	1.2
EBITDA Gth (%)	-	-	256.1	5.3	(14.9)
Opg Profit Gth (%)	(4,351.3)	(75.7)	(541.5)	2.4	(19.8)
Net Profit Gth (Pre-ex) (%)	(993.3)	61.0	-	8.6	(35.4)
Margins & Ratio					
Gross Margins (%)	(65.8)	(8.0)	15.1	15.2	12.0
Opg Profit Margin (%)	(65.8)	(8.0)	15.1	15.2	12.0
Net Profit Margin (%)	(111.9)	(12.6)	12.1	18.6	8.0
ROAE (%)	(33.9)	(5.0)	10.2	17.5	8.6
ROA (%)	(12.0)	(2.2)	4.4	7.0	3.2
ROCE (%)	(12.6)	(2.7)	10.5	12.8	9.1
Div Payout Ratio (%)	N/A	N/A	52.3	36.7	52.8
Net Interest Cover (x)	(10.8)	(1.8)	368.8	122.5	14.6

Source: Company, DBS Bank

Singapore Airlines

Balance Sheet (\$m)

FY Mar	2021A	2022A	2023A	2024F	2025F
Net Fixed Assets	25,879	27,861	27,687	27,532	28,292
Invt in Associates & JVs	1,033	1,039	1,022	2,484	2,224
Other LT Assets	997	2,083	1,093	1,093	1,093
Cash & ST Invt	8,055	14,169	16,732	14,035	9,956
Inventory	195	187	227	240	260
Debtors	940	1,566	1,193	1,398	1,534
Other Current Assets	483	1,765	1,148	1,148	1,148
Total Assets	37,581	48,671	49,101	47,931	44,506
ST Debt	907	607	2,548	2,548	2,548
Creditor	2,117	2,733	4,040	3,787	3,539
Other Current Liab	2,689	4,529	7,083	7,252	7,252
LT Debt	12,920	14,520	12,174	12,174	12,174
Other LT Liabilities	2,670	3,482	3,006	3,006	3,006
Shareholder's Equity	15,906	22,412	19,858	18,757	15,550
Minority Interests	372	389	392	407	437
Total Cap. & Liab.	37,581	48,671	49,101	47,931	44,506
Non-Cash Wkg. Capital	(3,189)	(3,743)	(8,555)	(8,253)	(7,849)
Net Cash/(Debt)	(5,773)	(958)	2,010	(687)	(4,766)
Debtors Turn (avg days)	84.2	60.1	28.3	26.0	29.1
Creditors Turn (avg days)	223.8	142.2	95.1	107.7	95.8
Inventory Turn (avg days)	18.9	11.2	5.8	6.4	6.5
Asset Turnover (x)	0.1	0.2	0.4	0.4	0.4
Current Ratio (x)	1.7	2.2	1.4	1.2	1.0
Quick Ratio (x)	1.6	2.0	1.3	1.1	0.9
Net Debt/Equity (X)	0.4	0.0	CASH	0.0	0.3
Net Debt/Equity ex MI (X)	0.4	0.0	CASH	0.0	0.3
Capex to Debt (%)	9.9	15.4	3.2	13.6	20.4
Z-Score (X)	0.7	1.2	1.2	1.2	1.2

Source: Company, DBS Bank

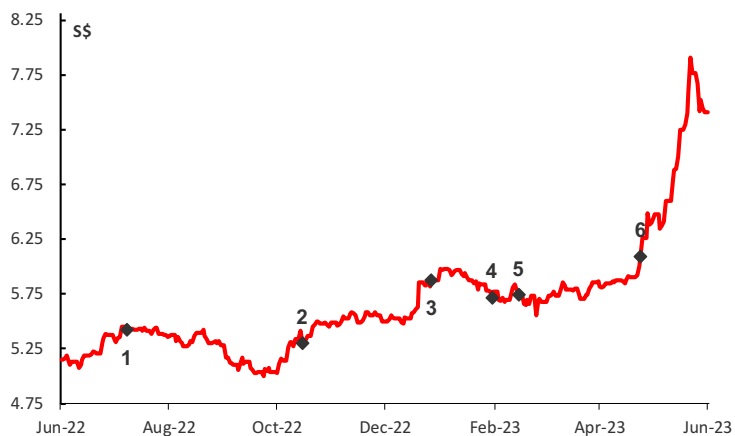
Singapore Airlines

Cash Flow Statement (S\$m)

FY Mar	2021A	2022A	2023A	2024F	2025F
Pre-Tax Profit	(4,957)	(1,090)	2,637	3,835	1,798
Dep. & Amort.	2,142	2,000	2,081	2,155	2,240
Tax Paid	(17.6)	(8.3)	(5.2)	(440)	(288)
Assoc. & JV Inc/(loss)	113	116	31.2	(15.0)	260
Chg in Wkg.Cap.	(3,424)	1,741	4,099	(303)	(403)
Other Operating CF	2,620	5.90	(44.3)	(1,087)	0.0
Net Operating CF	(3,525)	2,765	8,798	4,146	3,607
Capital Exp.(net)	(1,375)	(2,330)	(468)	(2,000)	(3,000)
Other Invts.(net)	219	(80.0)	335	0.0	0.0
Invts in Assoc. & JV	(212)	(149)	(54.8)	(360)	0.0
Div from Assoc & JV	47.9	35.9	40.7	0.0	0.0
Other Investing CF	5.30	277	13.3	0.0	0.0
Net Investing CF	(1,314)	(2,247)	(134)	(2,360)	(3,000)
Div Paid	(14.3)	(1.4)	(1.6)	(1,129)	(1,241)
Chg in Gross Debt	1,141	(756)	(1,722)	0.0	0.0
Capital Issues	8,829	6,197	(3,860)	(3,353)	(3,446)
Other Financing CF	32.6	(24.1)	220	2.00	2.00
Net Financing CF	9,969	5,437	(5,881)	(4,482)	(4,687)
Currency Adjustments	(32.6)	25.1	(218)	0.0	0.0
Chg in Cash	5,098	5,980	2,565	(2,696)	(4,080)
Opg CFPS (S cts)	(3.4)	34.4	158	149	135
Free CFPS (S cts)	(165)	14.6	280	72.1	20.4

Source: Company, DBS Bank

Target Price & Ratings 12-mth History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	01 Aug 22	5.42	6.60	BUY
2:	08 Nov 22	5.30	6.60	BUY
3:	20 Jan 23	5.88	6.80	BUY
4:	23 Feb 23	5.72	6.80	BUY
5:	10 Mar 23	5.74	6.80	BUY
6:	18 May 23	6.09	6.80	BUY

Note : Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Jason SUM, CFA

Tabitha FOO

Paul YONG

Singapore Airlines

DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

Completed Date: 26 Jun 2023 18:30:30 (SGT)

Dissemination Date: 26 Jun 2023 18:51:46 (SGT)

Sources for all charts and tables are DBS Bank unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank Ltd. This report is solely intended for the clients of DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Singapore Airlines

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBSVUSA, a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBSVS Securities (Singapore) Pte Ltd ("DBSVS") or their subsidiaries and/or other affiliates have proprietary positions in Singapore Airlines Limited, ST Engineering, SATS recommended in this report as of 31 May 2023.

Compensation for investment banking services:

2. DBS Bank Ltd, DBS HK, DBSVS their subsidiaries and/or other affiliates of DBSVUSA have received compensation, within the past 12 months for investment banking services from ST Engineering, SATS as of 31 May 2023.
3. DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA have managed or co-managed a public offering of securities for SATS in the past 12 months, as of 31 May 2023.
4. DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

Directorship/trustee interests:

5. Peter Seah Lim Huat, Chairman & Director of DBS Group Holdings, is a Director / Chairman of Singapore Airlines Limited as of 31 Mar 2023.
6. Sim S. LIM, a member of DBS Group Management Committee, is a Independent non-executive director of ST Engineering as of 01 Jun 2023.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.


² Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

Singapore Airlines

Disclosure of previous investment recommendation produced:

7. DBS Bank Ltd, DBS HK, DBSVS, DBSVUSA, their subsidiaries and/or other affiliates may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed on page 1 of this report to view previous investment recommendations published by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates in the preceding 12 months.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	<p>This report is being distributed in Australia by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946.</p> <p>DBS Bank Ltd, DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
Hong Kong	<p>This report is being distributed in Hong Kong by DBS Bank Ltd, DBS Bank (Hong Kong) Limited and DBS Vickers (Hong Kong) Limited, all of which are registered with or licensed by the Hong Kong Securities and Futures Commission to carry out the regulated activity of advising on securities. DBS Bank Ltd., Hong Kong Branch is a limited liability company incorporated in Singapore.</p> <p>This report has been prepared by a personnel of DBS Bank Ltd, who is not licensed by the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities in Hong Kong pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). This report is being distributed in Hong Kong and is attributable to DBS Bank (Hong Kong) Limited ("DBS HK"), a registered institution registered with the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). DBS Bank Ltd., Hong Kong Branch is a limited liability company incorporated in Singapore.</p> <p>For any query regarding the materials herein, please contact Dennis Lam (Reg No. AH8290) at dbsvhk@dbs.com</p>
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <p style="text-align: right;">  Wong Ming Tek, Executive Director, ADBSR </p>
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6878 8888 for matters arising from, or in connection with the report.

Thailand	<p>This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.</p> <p>For any query regarding the materials herein, please contact Chanpen Sirithanarattanakul at research@th.dbs.com</p>
United Kingdom	<p>This report is produced by DBS Bank Ltd which is regulated by the Monetary Authority of Singapore.</p> <p>This report is disseminated in the United Kingdom by DBS Bank Ltd, London Branch ("DBS UK"). DBS UK is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBS UK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS UK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>
Dubai International Financial Centre	<p>This communication is provided to you as a Professional Client or Market Counterparty as defined in the DFSA Rulebook Conduct of Business Module (the "COB Module"), and should not be relied upon or acted on by any person which does not meet the criteria to be classified as a Professional Client or Market Counterparty under the DFSA rules.</p> <p>This communication is from the branch of DBS Bank Ltd operating in the Dubai International Financial Centre (the "DIFC") under the trading name "DBS Bank Ltd. (DIFC Branch)" ("DBS DIFC"), registered with the DIFC Registrar of Companies under number 156 and having its registered office at units 608 - 610, 6th Floor, Gate Precinct Building 5, PO Box 506538, DIFC, Dubai, United Arab Emirates.</p> <p>DBS DIFC is regulated by the Dubai Financial Services Authority (the "DFSA") with a DFSA reference number F000164. For more information on DBS DIFC and its affiliates, please see http://www.dbs.com/ae/our-network/default.page.</p> <p>Where this communication contains a research report, this research report is prepared by the entity referred to therein, which may be DBS Bank Ltd or a third party, and is provided to you by DBS DIFC. The research report has not been reviewed or authorised by the DFSA. Such research report is distributed on the express understanding that, whilst the information contained within is believed to be reliable, the information has not been independently verified by DBS DIFC.</p> <p>Unless otherwise indicated, this communication does not constitute an "Offer of Securities to the Public" as defined under Article 12 of the Markets Law (DIFC Law No.1 of 2012) or an "Offer of a Unit of a Fund" as defined under Article 19(2) of the Collective Investment Law (DIFC Law No.2 of 2010).</p> <p>The DFSA has no responsibility for reviewing or verifying this communication or any associated documents in connection with this investment and it is not subject to any form of regulation or approval by the DFSA. Accordingly, the DFSA has not approved this communication or any other associated documents in connection with this investment nor taken any steps to verify the information set out in this communication or any associated documents, and has no responsibility for them. The DFSA has not assessed the suitability of any investments to which the communication relates and, in respect of any Islamic investments (or other investments identified to be Shari'a compliant), neither we nor the DFSA has determined whether they are Shari'a compliant in any way.</p> <p>Any investments which this communication relates to may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on any investments. If you do not understand the contents of this document you should consult an authorised financial adviser.</p>

United States	This report was prepared by DBS Bank Ltd. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

DBS Regional Research Offices

HONG KONG

DBS (Hong Kong) Ltd

Contact: Dennis Lam
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

SINGAPORE

DBS Bank Ltd

Contact: Paul Yong
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
e-mail: groupresearch@dbs.com
Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand