

Singapore

ADD (previously **REDUCE**)

Consensus ratings*:	Buy 2	Hold 5	Sell 5
Current price:	S\$6.43		
Target price:	S\$6.91 ▲		
Previous target:	S\$5.47		
Up/downside:	7.5%		
CGS-CIMB / Consensus:	4.7%		
Reuters:	SIAL.SI		
Bloomberg:	SIA SP		
Market cap:	US\$14,375m	S\$19,125m	
Average daily turnover:	US\$21.02m	S\$28.36m	
Current shares o/s:	2,974m		
Free float:	40.0%		

*Source: Bloomberg

Key changes in this note

- We raise our FY24-26F core EPS estimates by 48-86% on account of stronger cargo yield expectations, higher pax demand for SQ, and lower jet fuel price forecasts.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.8	0.5	15.4
Relative (%)	-2	-0.5	18.7

Major shareholders	% held
Temasek	55.7

Analyst(s)



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Singapore Airlines

Upgrade to Add for big returns over half year

- Upgrade SIA from Reduce to Add on likely strong 2HFY24F results, and our final DPS expectation of 40 Scts, implying a final dividend yield of 6.2%.
- Pax demand remains strong, cargo yields rose sharply in Oct-Dec 2023, jet fuel prices have dropped, and a key competitor is struggling with capacity.
- We raise our TP to S\$6.91 on higher core EPS estimates, based on a higher CY24F P/BV of 1.2x (+2 s.d. above mean), from 1.15x previously.

Re-rating catalysts from strong pax and cargo demand in 2HFY24F

Singapore Airlines (SIA) is releasing its 3QFY3/24F (Oct-Dec 2023) business update on 20 Feb 2024. We expect SIA to deliver 3QFY24F PATAMI of c.S\$800m, followed by PATAMI of c.S\$700m in 4QFY24F. Consequently, we forecast 2HFY24F PATAMI of S\$1.5bn, slightly better than 1HFY24F's PATAMI of S\$1.44bn and higher than 2HFY23's S\$1.2bn. The strong 3QFY24F performance would likely be driven by the continuing strong passenger airline PLF of 87-88% in Oct-Nov 2023 (we expect PLF to rise to c.90% in Dec 2023F from the year-end holiday travel peak), and which we think will likely keep yields elevated in 3QFY24F. What surprised us positively was SIA's strong cargo performance in the closing months of 2023, with average monthly FTK in Oct-Nov 2023 higher by 6% against the monthly average in Jul-Sep 2023 and the Oct-Nov 2023 CLF also 3.4% pts higher vs. Jul-Sep 2023. We expect CLF to rise to 59% in the Dec 2023 seasonal peak (+4.7% yoy), due to robust e-commerce trade between China and Europe/the US. The Baltic Exchange Air Freight Index, representing cargo yields, rose an average of 30% in Oct-Dec 2023 (vs. Jul-Sep 2023) due to the higher demand, albeit still lower on a yoy basis. Disruptions in container shipping on the Red Sea/Suez Canal routing since mid-Nov 2023 as a result of Houthi rebel attacks, and the resulting lengthening of shipping times between Asia and Europe, may also work to the benefit of air freight demand, in our view, even if international navies are now providing some cover for ships plying the route.

Lower jet fuel prices; competitors' capacity struggles; bumper DPS

Lower jet fuel prices could also help SIA's results, having declined from a recent peak of US\$128/bbl in mid-Sep 23 to US\$100/bbl currently. We estimate that SIA's all-in jet fuel price for 3QFY24F may still increase to US\$114/bbl (from 2QFY24's US\$98/bbl), assuming a one-month contractual price lag compared to spot prices, but may fall to c.US\$100/bbl in 4QFY24F if current jet fuel spot prices remain at US\$100/bbl for the rest of this quarter. Meanwhile, competitor Cathay Pacific (293 HK, Not Rated) is said to be struggling to restore its capacities, with the Straits Times and Reuters reporting that Cathay continues to face pilot shortages, forcing it to cancel flights in Dec 2023 and for the Feb 2024 Lunar New Year. We expect a bumper final DPS of 40 Scts in May 2024F, in addition to the 10 Scts interim DPS declared in Nov 2023, taking the FY24F dividend payout to 53% (similar to FY23's 58%). Our forecast of 40 Scts final DPS implies a 6.2% yield, which is very good for a six-month holding period, in our view. Downside risks include rising competition as other airlines restore their fleet, and an unexpected surge in jet fuel prices.

Financial Summary	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (S\$m)	7,615	17,775	19,180	18,951	18,896
Operating EBITDA (S\$m)	1,282	4,697	5,296	4,329	3,907
Net Profit (S\$m)	-962	2,157	2,934	2,019	1,568
Core EPS (S\$)	-0.38	0.65	0.95	0.66	0.51
Core EPS Growth	(52.7%)		46.1%	(30.8%)	(23.0%)
FD Core P/E (x)	NA	9.88	6.76	9.77	12.70
DPS (S\$)	0.00	0.38	0.50	0.35	0.27
Dividend Yield	0.00%	5.91%	7.78%	5.44%	4.20%
EV/EBITDA (x)	16.24	3.81	4.26	5.37	6.36
P/FCFE (x)	467.5	2.6	12.6	19.8	NA
Net Gearing	6.0%	(7.9%)	17.9%	21.0%	29.1%
P/BV (x)	0.85	0.96	1.15	1.12	1.08
ROE	(5.9%)	9.1%	15.5%	11.6%	8.7%
% Change In Core EPS Estimates			48.2%	68.4%	85.9%
EPS/Consensus EPS (x)			1.15	1.45	1.27

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Abbreviations >

SIA: Representing the Singapore Airlines group, which includes the passenger airline (and cargo), as well as SIA Engineering.

SQ: SIA mainline carrier, which is now combined with SilkAir, the short-haul full-service carrier (FSC)

TR: Scoot, the low-cost carrier (LCC), wholly owned by SIA

SIE: SIA Engineering, an 80.7% subsidiary of SIA

ASK: Available seat kilometre capacity, measure of passenger capacity

RPK: Revenue passenger kilometre demand, measure of passenger demand

PLF: Passenger load factor, RPK divided by ASK

Yield: Revenue per RPK demand

RASK: Revenue per ASK capacity

CASK: Cost per ASK capacity

AFTK: Available freight tonne kilometres, measure of air freight capacity

FTK: Freight tonne kilometres, measure of air freight demand

CLF: Cargo load factor, FTK divided by AFTK

MTM: Mark-to-market gains/losses from fuel hedges and other derivatives

Valuation and recommendation >

We upgrade our recommendation on SIA from Reduce to **Add**. We have recognised the strong revenue dynamics of its passenger airline business over the six-month period from Oct 2023 to Mar 2024 (2HFY24F), but what surprised us was the sharp qoq recovery in cargo yields (Fig 1) and the moderation in jet fuel costs (Fig 2) despite OPEC+ production cuts.

The problems faced by Cathay Pacific in its capacity restoration programme, due to pilot shortages, are another reason supporting the strength in SIA's passenger airline business. Cathay restored 70% of its pre-Covid passenger ASK capacity by Dec 2023, and has long maintained its target of 100% by Dec 2024F, but dropped references to the latter target in its analyst briefing on 24 Nov 2023.

Figure 1: Spot air freight rates have risen sharply since bottoming in Jul 2023

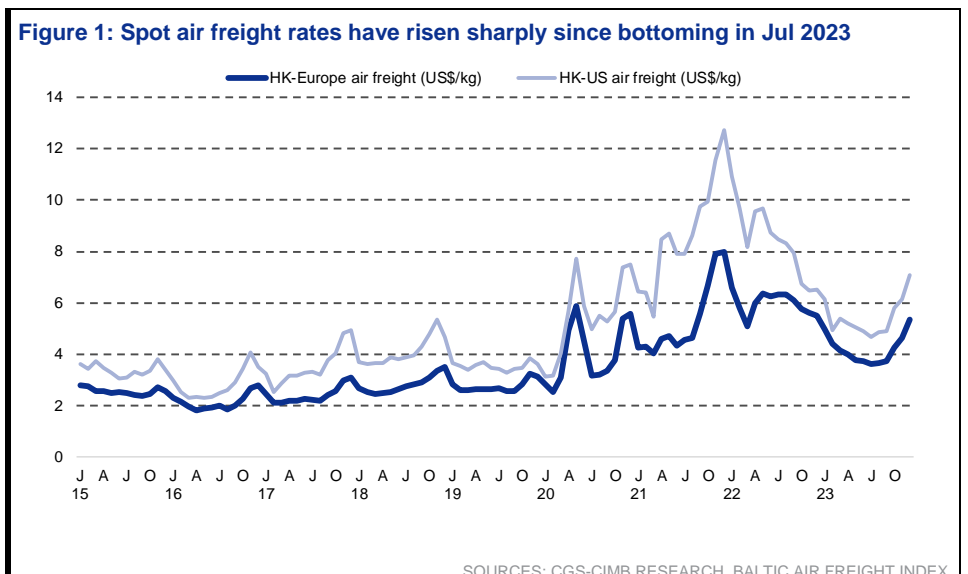
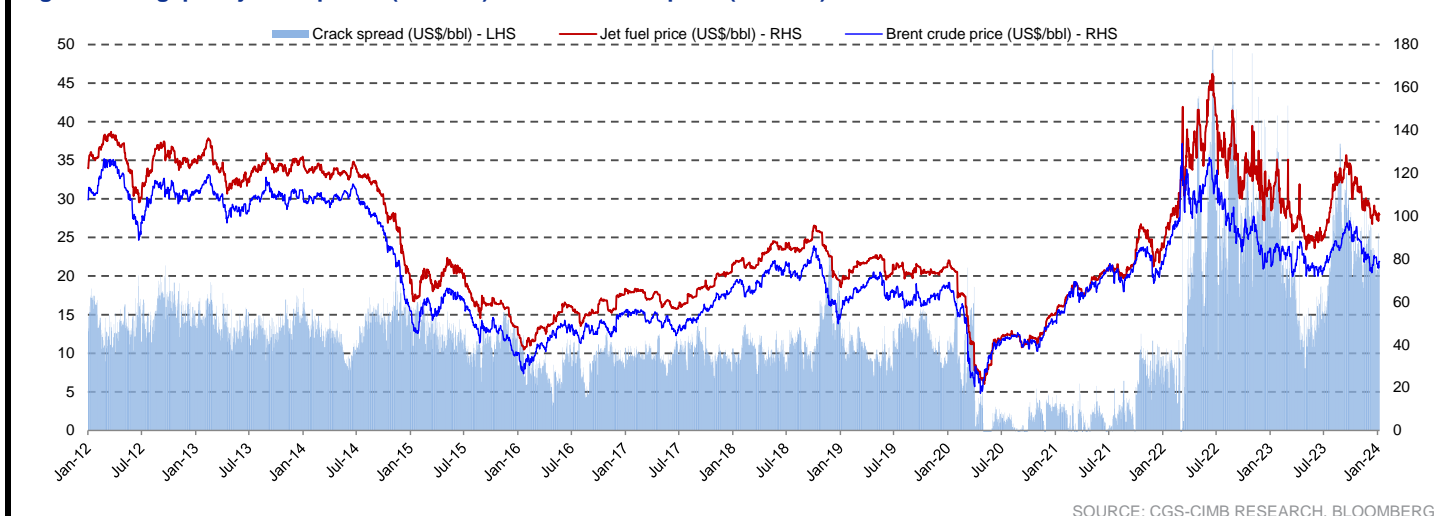


Figure 2: Singapore jet fuel prices (US\$/bbl) vs. Brent crude price (US\$/bbl)



The key potential re-rating catalysts over the next six months include SIA successfully sustaining its high PLF, sequentially-rising CLF and cargo yields, sequentially lower oil prices, and our expectation of a bumper 40 Scts final DPS declaration in May 2024F, in conjunction with the release of its full-year FY24F results ending Mar 2024F.

Downside risks beyond the next six months include rising competition from FY25F onwards from other airlines that are picking up speed in their capacity restoration programmes, potentially weaker air cargo markets if major economies in the US and Europe enter a recession, and potentially higher jet fuel prices if OPEC+ production controls become more effective than they have so far been.

We raise our end-CY24F target price to **S\$6.91** (from S\$5.47 previously), now based on target P/BV of 2x (2 s.d. above the historical P/BV mean since 2011), up from 1.15x previously (+1.5 s.d.), due to the likely stronger-than-expected operating performance to Mar 2024F, and beyond.

For the calculation of SIA's BVPS, we have transitioned to 'Scenario 1' (Fig 3), which treats the remaining mandatory convertible bonds (MCB) as equity, rather than 'Scenario 2' which assumes that the MCBs will be fully redeemed by end-FY25F. SIA redeemed S\$3,098.4m of MCBs capital value on 26 Jun 2023, leaving a remainder of S\$3,098.4m. A further S\$1,549.2m was redeemed on 26 Dec 2023, leaving a remaining S\$1,549.2m. We think using 'Scenario 1' is reasonable as we have excluded, for the moment, a potential exceptional gain of S\$1.1bn once SIA successfully sells its 49% stake in TATA SIA Airlines (Unlisted, operator of Vistara in India) to India's Tata Sons (Unlisted), which may be completed in late-FY24F or early-FY25F, according to SIA.

Figure 3: Calculation of SIA's target price

Scenario 1: Incorporating redemption of SIA's S\$9.7bn Mandatory Convertible Bonds (MCB):
 (a) S\$3.5bn redeemed in FY23 (on 8 Dec 2022); and
 (b) S\$3.1bn redeemed in FY24 (on 24 Jun 2023)
 (c) S\$1.549bn redeemed in FY24 (on 24 Dec 2023)

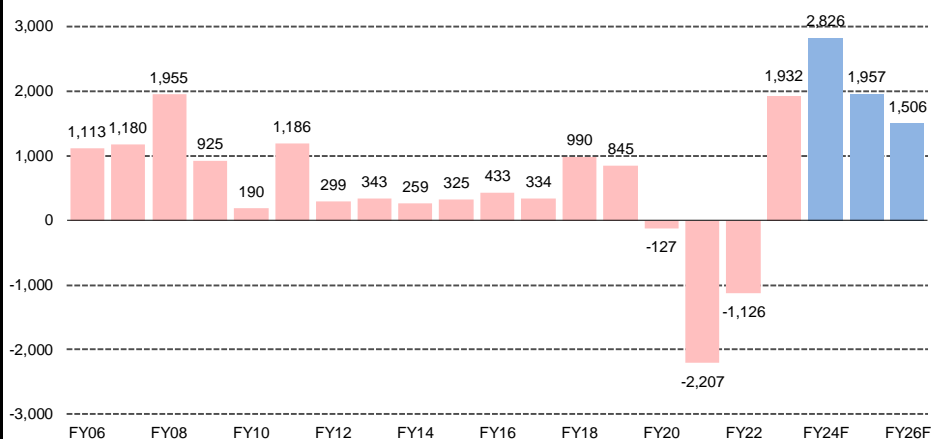
	End-FY21	End-FY22	End-FY23	End-FY24F	End-FY25F
Shareholders' equity (S\$ m)	15,905.9	22,411.9	19,858.3	16,599.2	17,130.6
No of ordinary shares (m)	2,965.0	2,967.5	2,970.6	2,974.3	2,974.3
BVPS (S\$)	5.36	7.55	6.68	5.58	5.76
Target P/BV multiple (x)					1.20
Target price (S\$)					6.91

Scenario 2: Assuming Mandatory Convertible Bonds (MCB) are treated as wholly debt

	End-FY21	End-FY22	End-FY23	End-FY24F	End-FY25F
Shareholders' equity (S\$ m)	15,905.9	22,411.9	19,858.3	16,599.2	17,130.6
Less: Outstanding MCBs (S\$ m) - capital value	-3,496.1	-9,691.2	-6,195.1	-1,547.5	-1,547.5
Less: Outstanding MCBs (S\$ m) - assume 4% YTM (i.e. redemption between Year 1 and Year 4)	-114.5	-452.5	-450.0	-179.5	-249.2
Adjusted shareholders' equity (S\$ m)	12,295.2	12,268.2	13,213.2	14,872.2	15,333.8
No of ordinary shares (m)	2,965.0	2,967.5	2,970.6	2,974.3	2,974.3
Adjusted BVPS (S\$)	4.15	4.13	4.45	5.00	5.16

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 4: SIA group core net profit (S\$ m)



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 5: Reconciliation of SIA's attributable net profit to core net profit (S\$ m)

	Reference	FY21	FY22	FY23	FY24F	FY25F	FY26F
Attributable net profit		-4,270.7	-962.0	2,156.8	2,934.3	2,018.6	1,568.3
Remove: Exceptionals	a	2,122.0	13.5	-37.6	0.0	0.0	0.0
Less: MCB yield	b	-58.3	-177.5	-187.1	-108.3	-62.0	-62.0
Core net profit		-2,207.0	-1,126.0	1,932.1	2,826.0	1,956.6	1,506.3
Breakdown of exceptionals	a	-2,122.0	-13.5	37.6	0.0	0.0	0.0
- Related to NokScoot closure		-17.4	0.0	0.0	0.0	0.0	0.0
- Impairment of aircraft		-1,734.3	-50.5	57.2	0.0	0.0	0.0
- Other impairments		-218.7	-13.7	-12.3	0.0	0.0	0.0
- Headcount rationalisation		-44.7	0.8	0.0	0.0	0.0	0.0
- Surplus on aircraft disposals		-27.0	85.9	-7.3	0.0	0.0	0.0
- Disposal of Vistara		0.0	0.0	0.0	0.0	0.0	0.0
- Others		-79.9	-36.0	0.0	0.0	0.0	0.0
Mandatory Convertible Bond (MCB yield)							
Year-end outstanding value (S\$ m)		3,496.1	9,692.9	6,196.8	1,549.2	1,549.2	1,549.2
Proportion assumed treated as debt (%)		50.0%	50.0%	50.0%	100.0%	100.0%	100.0%
Assumed debt portion (S\$ m)		1,748.1	4,846.5	4,300.2	1,549.2	1,549.2	1,549.2
Average outstanding balance (S\$ m)		1,456.7	3,813.7	4,300.2	2,711.1	1,549.2	1,549.2
Assumed yield (%)		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Assumed yield (S\$ m)	b	58.3	152.5	172.2	108.3	62.0	62.0

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 6: Earnings revision

RM m	2023A	2024F			2025F			2026F		
		Old	New	chg	Old	New	chg	Old	New	chg
Revenue	17,775	18,677	19,180	3%	18,290	18,951	4%	18,539	18,896	2%
EBITDA	4,697	4,206	5,296	26%	3,412	4,329	27%	3,120	3,907	25%
Reported PBT	2,637	2,401	3,507	46%	1,459	2,416	66%	1,039	1,879	81%
Core pretax profit	2,363	2,273	3,379	49%	1,386	2,343	69%	966	1,806	87%
Reported net profit	2,157	2,015	2,934	46%	1,224	2,019	65%	872	1,568	80%
Reported EPS	0.73	0.68	0.99	46%	0.41	0.68	65%	0.29	0.53	80%
Core net profit	1,932	1,907	2,826	48%	1,162	1,957	68%	810	1,506	86%
Core EPS	0.65	0.64	0.95	48%	0.39	0.66	68%	0.27	0.51	86%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

We raise our core net profit forecasts for FY24-26F by 48-86%, as we:

- Reduce our jet fuel consumption estimates by 5-7% for FY24-26F, as our previous estimates were too high against actual consumption;
- Reduce our all-in jet fuel price assumption for FY24F from US\$105.60/bbl to US\$101.30/bbl, due to lower-than-expected spot jet fuel prices in recent months;
- Raise our cargo yield assumptions by 16% for FY24-26F, on the back of recent cargo yield trends that reflect robust e-commerce cargo demand; and
- Raise our SQ pax RPK demand forecast for FY24-25F by 1-2%.

Figure 7: Singapore Airlines historical P/BV chart – P/BV average 2001-10 and P/BV average since 2011, and standard deviations based on those averages

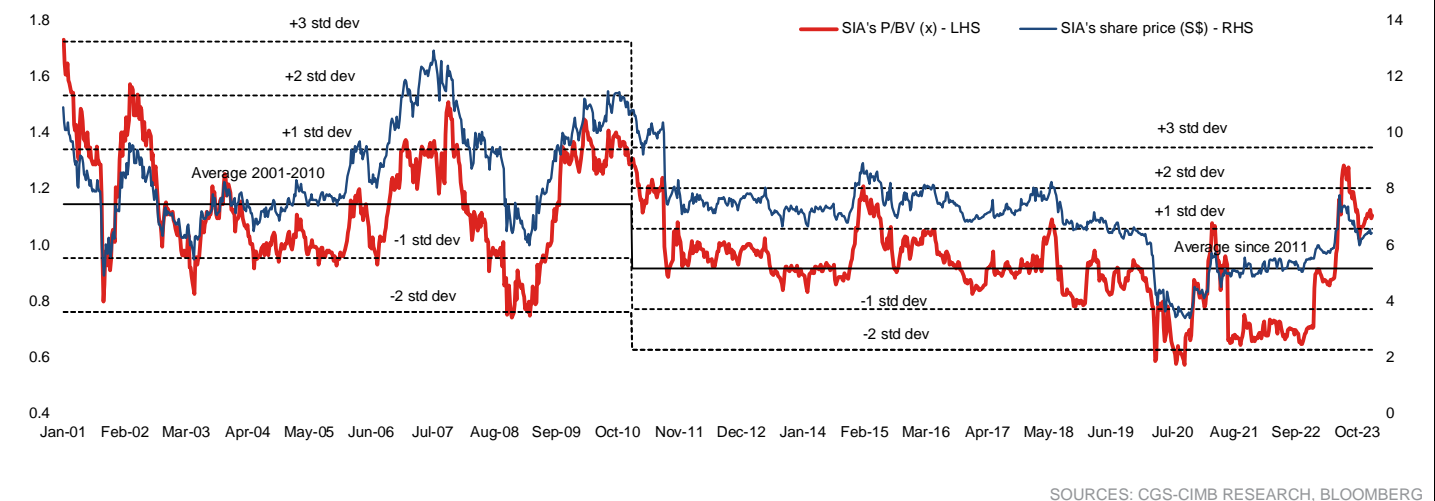


Figure 8: Sector comparisons

Company	Bloomberg Ticker	Recom.	Price	Target Price	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY23F	CY24F		CY23F	CY24F	CY23F	CY24F	CY23F	CY24F	CY23F	CY24F
Capital A	CAPITALA MK	Not Rated	RM0.82	na	752	na	9.3	na	-0.64	-0.70	0.6%	-7.2%	5.7	5.1	0.0%	0.0%
InterGlobe Aviation Ltd	INDIGO IN	Not Rated	Rs3,012.90	na	13,996	na	18.9	na	-16.48	-151.04	3.6%	-157.4%	21.4	8.9	0.8%	0.8%
Asia Aviation PCL	AAV TB	Not Rated	THB2.10	na	772	na	20.2	na	3.75	3.34	-8.0%	17.8%	4.2	3.5	0.0%	0.0%
Air Arabia	AIRARABI UH	Not Rated	AED2.89	na	3,672	8.3	8.7	6.5%	1.85	1.68	23.1%	20.2%	5.4	5.4	6.0%	6.0%
Ryanair	RYA ID	Not Rated	€18.33	na	22,865	15.2	10.7	21.7%	3.16	2.80	22.1%	27.7%	8.7	6.0	0.5%	0.5%
easyJet	EZJ LN	Not Rated	£5.09	na	4,912	11.2	8.9	na	1.40	1.23	14.3%	14.8%	3.6	2.9	0.7%	0.7%
Southwest	LUV US	Not Rated	US\$29.12	na	17,359	21.0	18.1	8.9%	1.55	1.46	7.5%	8.3%	6.5	5.7	1.9%	1.9%
JetBlue	JBLU US	Not Rated	US\$5.76	na	1,920	na	na	na	0.62	0.62	-5.9%	-6.5%	10.6	11.2	0.0%	0.0%
Pegasus	PGSUS TI	Not Rated	TRY709.00	na	2,423	7.5	4.5	72.1%	1.52	0.99	35.6%	26.4%	5.3	4.0	0.0%	0.0%
Low-Cost Carriers - average						20.5	13.2	na	2.61	2.25	13.7%	18.4%	8.1	6.1	1.1%	1.1%
Singapore Airlines	SIA SP	Add	S\$6.43	S\$6.91	14,371	7.4	8.8	11.0%	1.10	1.13	13.7%	12.7%	9.5	6.3	7.3%	6.0%
Cathay Pacific	293 HK	Not Rated	HK\$8.20	na	6,755	6.4	7.4	na	0.97	0.86	16.1%	12.2%	3.9	4.4	0.7%	0.7%
Bangkok Airways	BA TB	Not Rated	THB15.50	na	931	14.1	17.2	na	1.70	1.51	13.4%	9.3%	10.4	13.9	0.5%	0.5%
China Eastern	670 HK	Not Rated	HK\$2.21	na	10,402	na	7.9	na	1.62	1.18	-12.1%	17.4%	9.5	7.2	0.0%	0.0%
China Southern	1055 HK	Not Rated	HK\$3.08	na	12,576	43.8	6.4	na	1.20	0.94	2.4%	16.6%	7.9	6.2	0.0%	0.0%
Air China	753 HK	Not Rated	HK\$4.65	na	14,220	74.5	7.0	na	2.05	1.50	2.3%	24.7%	8.8	7.1	0.1%	0.1%
Qantas Airways	QAN AU	Not Rated	A\$5.42	na	6,261	12.9	13.0	na	65.22	28.90	3085.4%	306.5%	5.4	5.6	0.0%	0.0%
Turkish Airlines	THYAO TI	Not Rated	TRY245.40	na	11,312	5.0	4.6	-6.7%	0.99	0.76	26.5%	18.7%	5.0	4.0	0.8%	0.8%
Full-Service Carriers - average						10.5	7.4	na	1.50	1.26	14.5%	18.4%	6.5	5.8	1.7%	1.4%

DATA AS AT 9 JAN 2024

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Note: Not Rated companies' estimates are based on Bloomberg consensus (Not Rated companies show reported net profit)

Key assumptions ➤

Figure 9: Estimates for SIA (full-service carrier) passenger airline's ASK capacity, RPK demand, PLF, and yield

	SIA ASK capacity (m)		As a percentage of the CY19 base	SIA RPK demand (m)		As a percentage of the CY19 base	SIA passenger load factor (%)		SIA passenger yield (Scts/RPK)
	Yoy change	Yoy change		Yoy change	Yoy change		Yoy change (%) pts	Yoy change (%) pts	
CY 2019	141,536			118,458			83.7%	10.18	
FY 3/20	137,765		97.3%	112,330		94.8%	81.5%	10.03	
FY 3/21	19,493	-85.9%	13.8%	2,669	-97.6%	2.3%	13.7%	20.98	
FY 3/22	58,748	201.4%	41.5%	19,178	618.5%	16.2%	32.6%	13.07	
FY 3/23	106,099	80.6%	75.0%	91,025	374.6%	76.8%	85.8%	12.70	
FY 3/24F	125,163	18.0%	88.4%	109,893	20.7%	92.8%	87.8%	12.19	
FY 3/25F	133,044	6.3%	94.0%	114,418	4.1%	96.6%	86.0%	11.64	
FY 3/26F	140,121	5.3%	99.0%	119,803	4.7%	101.1%	85.5%	11.24	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 10: Estimates for Scoot (low-cost carrier) passenger airline's ASK capacity, RPK demand, PLF, and yield

	Scoot ASK capacity (m)		As a percentage of the CY19 base	Scoot RPK demand (m)		As a percentage of the CY19 base	Scoot passenger load factor (%)		Scoot passenger yield (Scts/RPK)
	Yoy change	Yoy change		Yoy change	Yoy change		Yoy change (%) pts	Yoy change (%) pts	
CY 2019	35,530			30,662			86.3%	5.65	
FY 3/20	33,446		94.1%	28,669		93.5%	85.7%	5.60	
FY 3/21	2,228	-93.3%	6.3%	222	-99.2%	0.7%	9.9%	54.98	
FY 3/22	9,822	340.8%	27.6%	1,487	570.9%	4.8%	15.1%	19.97	
FY 3/23	26,933	174.2%	75.8%	22,603	1420.2%	73.7%	83.9%	8.20	
FY 3/24F	37,356	38.7%	105.1%	33,994	50.4%	110.9%	91.0%	6.89	
FY 3/25F	40,859	9.4%	115.0%	36,773	8.2%	119.9%	90.0%	6.34	
FY 3/26F	41,925	2.6%	118.0%	36,894	0.3%	120.3%	88.0%	5.96	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 11: Estimates for SIA group (SIA full-service carrier and Scoot) passenger airlines' ASK capacity, RPK demand, PLF, and yield

	SIA group ASK capacity (m)		As a percentage of the CY19 base	SIA group RPK demand (m)		As a percentage of the CY19 base	SIA group passenger load factor (%)		SIA group passenger yield (Scts/RPK)
	Yoy change	Yoy change		Yoy change	Yoy change		Yoy change (%) pts	Yoy change (%) pts	
CY 2019	177,066			149,120			84.2%	9.24	
FY 3/20	171,211		96.7%	140,999		94.6%	82.4%	9.14	
FY 3/21	21,721	-87.3%	12.3%	2,891	-97.9%	1.9%	13.3%	23.58	
FY 3/22	68,570	215.7%	38.7%	20,665	614.9%	13.9%	30.1%	13.56	
FY 3/23	133,032	94.0%	75.1%	113,628	449.9%	76.2%	85.4%	11.76	
FY 3/24F	162,519	22.2%	91.8%	143,887	26.6%	96.5%	88.5%	10.94	
FY 3/25F	173,903	7.0%	98.2%	151,191	5.1%	101.4%	86.9%	10.35	
FY 3/26F	182,046	4.7%	102.8%	156,697	3.6%	105.1%	86.1%	9.99	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 12: Estimates for Cargo's AFTK capacity, RFTK demand, CLF, and yield

	Cargo AFTK capacity (m)	Yoy change	As a percentage of the CY19 base	Cargo RFTK demand (m)	Yoy change	As a percentage of the CY19 base	Cargo load factor (%)	Yoy change (% pts)	Cargo yield (Scts/RFTK)	Yoy change (% pts)
CY 2019	11,143			6,605			59.3%		29.85	
FY 3/20	10,778		96.7%	6,389		96.7%	59.3%		30.50	
FY 3/21	4,795	-55.5%	43.0%	4,112	-35.6%	62.3%	85.8%	26.5%	65.90	116.1%
FY 3/22	7,195	50.1%	64.6%	5,941	44.5%	89.9%	82.6%	-3.2%	73.02	10.8%
FY 3/23	9,165	27.4%	82.3%	5,261	-11.4%	79.6%	57.4%	-25.2%	73.02	0.0%
FY 3/24F	9,806	7.0%	88.0%	5,344	1.6%	80.9%	54.5%	-2.9%	46.73	-36.0%
FY 3/25F	10,586	8.0%	95.0%	5,293	-1.0%	80.1%	50.0%	-4.5%	42.06	-10.0%
FY 3/26F	11,143	5.3%	100.0%	5,572	5.3%	84.4%	50.0%	0.0%	37.86	-10.0%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

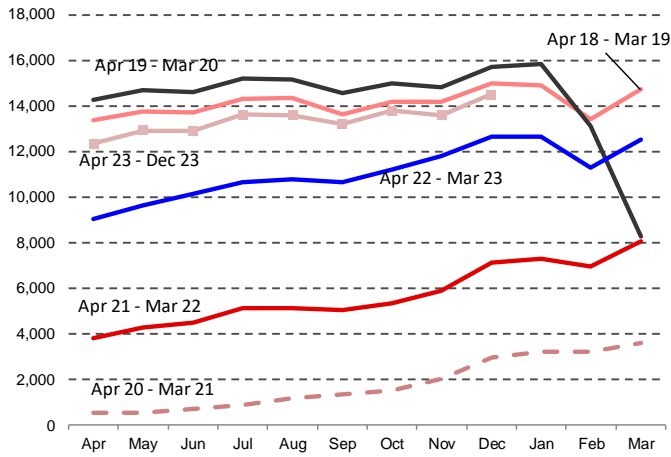
Figure 13: Key assumptions – SIA group

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F	FY26F
Full-service carrier (FSC)											
FSC ASK (m km)	127,484	127,749	129,493	135,218	137,765	19,493	58,748	106,099	125,163	133,044	140,121
Change in ASK (%)	-0.7%	0.2%	1.4%	4.4%	1.9%	-85.9%	201.4%	80.6%	18.0%	6.3%	5.3%
FSC RPK (m km)	100,784	100,052	104,199	111,512	112,330	2,669	19,178	91,025	109,893	114,418	119,803
Change in RPK (%)	0.7%	-0.7%	4.1%	7.0%	0.7%	-97.6%	618.5%	374.6%	20.7%	4.1%	4.7%
FSC Load Factor	79.1%	78.3%	80.5%	82.5%	81.5%	13.7%	32.6%	85.8%	87.8%	86.0%	85.5%
FSC Pax Yield (Scts/RPK)	10.79	10.49	10.30	10.16	10.05	20.98	13.07	12.70	12.19	11.64	11.24
Change in yield (%)	-5.0%	-2.7%	-1.8%	-1.4%	-1.1%	108.7%	-37.7%	-2.8%	-4.0%	-4.5%	-3.5%
Scoot											
Scoot ASK (m km)	21,733	26,793	29,888	34,389	33,446	2,228	9,822	26,933	37,356	40,859	41,925
Change in ASK (%)		23.3%	11.6%	15.1%	-2.7%	-93.3%	340.8%	174.2%	38.7%	9.4%	2.6%
Scoot RPK (m km)	18,225	22,084	25,600	29,326	28,669	222	1,487	22,603	33,994	36,773	36,894
Change in RPK (%)		21.2%	15.9%	14.6%	-2.2%	-99.2%	570.9%	1420.2%	50.4%	8.2%	0.3%
Scoot Load Factor	83.9%	82.4%	85.7%	85.3%	85.7%	9.9%	15.1%	83.9%	91.0%	90.0%	88.0%
Scoot Pax Yield (Scts/RPK)	6.41	5.90	5.80	5.70	5.60	54.98	19.97	8.20	6.89	6.34	5.96
Change in yield (%)	0.0%	-7.9%	-1.7%	-1.7%	-1.8%	881.7%	-63.7%	-58.9%	-16.0%	-8.0%	-6.0%
SIA Cargo											
Cargo AFTK (m km)	10,513	10,912	11,127	11,210	10,778	4,795	7,195	9,165	9,806	10,586	11,143
Change in AFTK (%)	4.9%	3.8%	2.0%	0.8%	-3.9%	-55.5%	50.1%	27.4%	7.0%	8.0%	5.3%
Cargo FTK (m km)	6,511	6,896	7,260	7,007	6,389	4,112	5,941	5,261	5,344	5,293	5,572
Change in LTK (%)	2.6%	5.9%	5.3%	-3.5%	-8.8%	-35.6%	44.5%	-11.4%	1.6%	-1.0%	5.3%
Cargo Load Factor	61.9%	63.2%	65.3%	62.5%	59.3%	85.8%	82.6%	57.4%	54.5%	50.0%	50.0%
Cargo Yield (Scts/FTK)	29.00	25.90	28.20	31.70	30.50	65.90	73.02	73.02	46.73	42.06	37.86
Change in yield (%)	-11.6%	-10.7%	8.9%	12.4%	-3.8%	116.1%	10.8%	0.0%	-36.0%	-10.0%	-10.0%
Fuel price (US\$/barrel)											
Spot Brent crude price (average)	48.2	49.8	57.6	70.2	63.0	49.6	80.0	95.6	81.7	80.0	80.0
Spot jet fuel price (average)	58.3	58.4	67.9	82.2	74.5	53.7	85.1	123.8	102.4	100.0	100.0
Hedged jet fuel price (average)	84.3	68.9	68.9	78.5	81.9	92.2	76.8	115.8	101.3	103.5	103.9

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

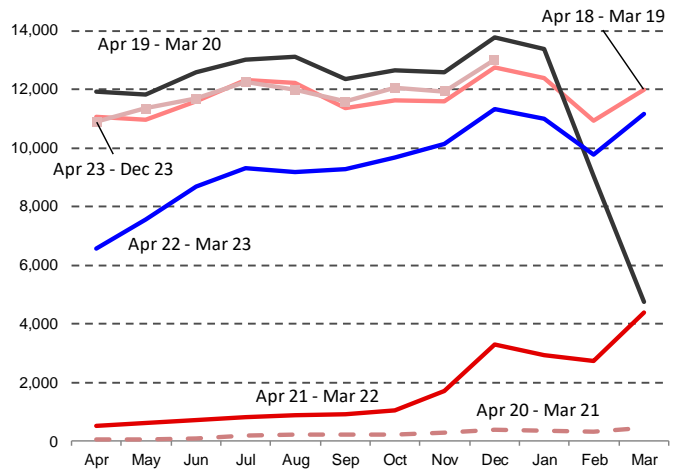
Group passenger airline business ▶

Figure 14: SIA group's passenger capacity in ASK (m)



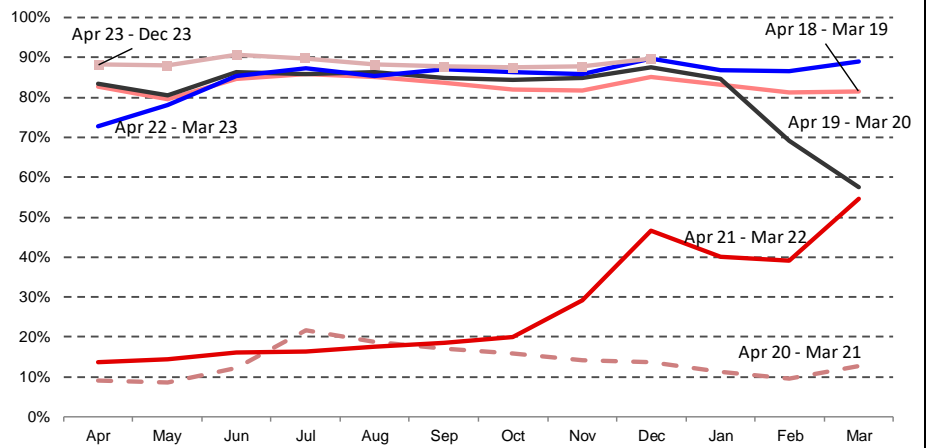
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 15: SIA group's passenger traffic in RPK (m)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

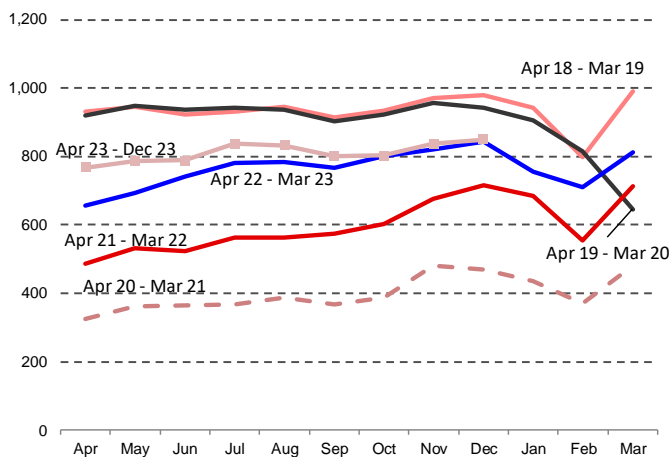
Figure 16: SIA group's passenger load factors (%)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

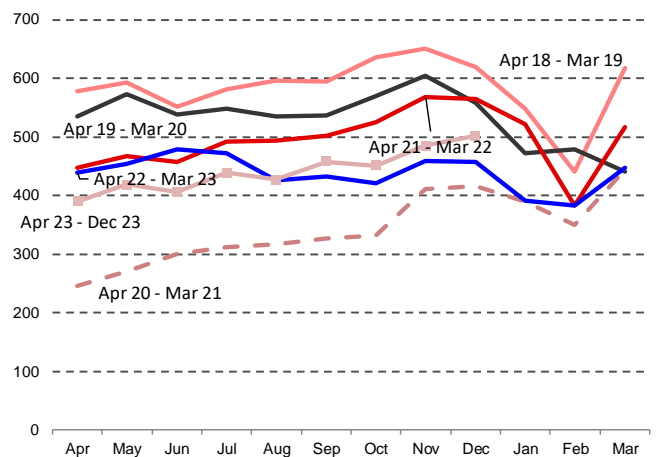
Air cargo business ▶

Figure 17: SIA's cargo capacity in AFTK (m)



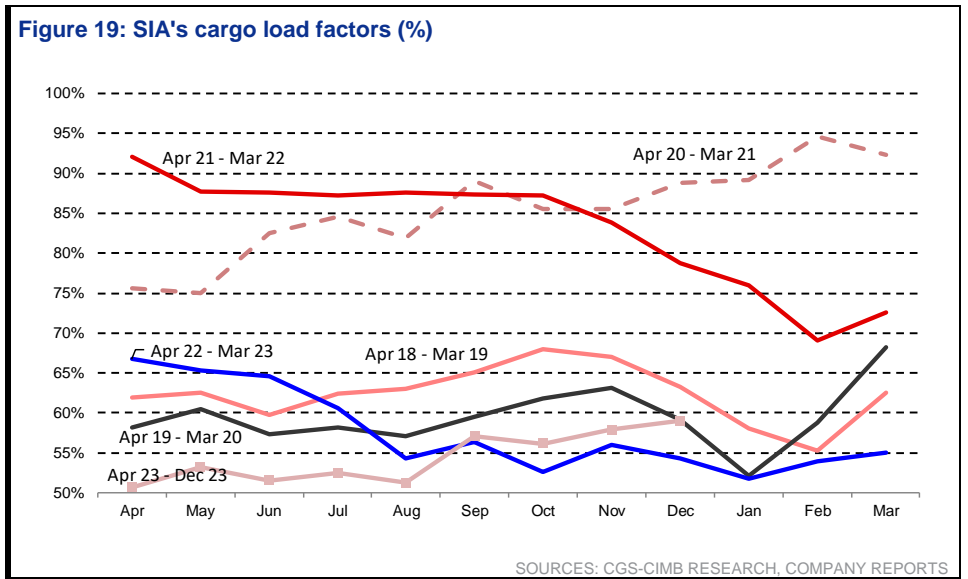
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS


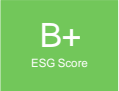

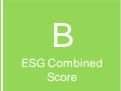



Figure 18: SIA's cargo traffic in RFTK (m)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

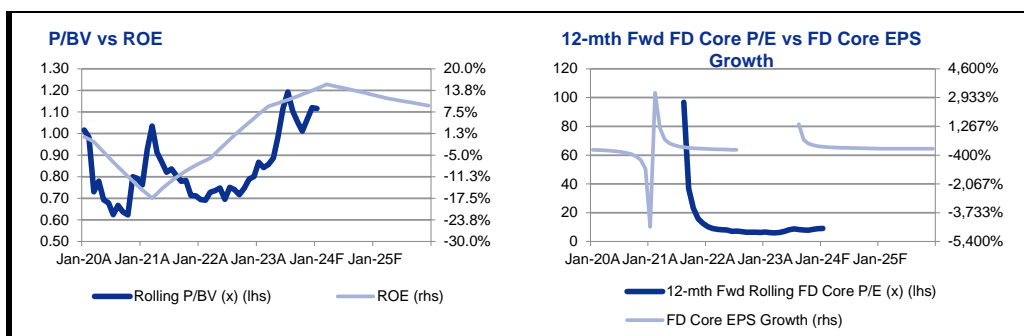
Figure 19: SIA's cargo load factors (%)



Refinitiv ESG Scores	
	
     	
ESG in a nutshell	
<p>SIA is one of the world's premier airlines and takes great pride in improving its ESG credentials. Its standards of service and care to passengers are excellent, according to consultancy Skytrax which voted SIA as the World's Best Airline at the 2023 World Airline Awards, while the International Air Transport Association (IATA) recognised SIA's measures to protect the health and safety of its crew and passengers during the Covid-19 pandemic as one of the best in the world. 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 (CORSA).</p>	
<p>Keep your eye on</p> <p>SIA announced in May 2021 that it had set a target to achieve net zero carbon emissions by 2050 and that it will continue its ongoing efforts to move in this direction. In order to reduce carbon emissions, SIA said it can employ three strategies: 1) reduce fuel consumption, 2) reduce the carbon intensity of its fuels, and 3) offset its emissions by purchasing carbon credits.</p>	<p>Implications</p> <p>To reduce fuel consumption, SIA said it 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 (SAF), which can reduce the lifecycle greenhouse gas (GHG) emissions by up to 80%. For the residual carbon emissions, SIA plans to purchase high-quality carbon credits.</p>
<p>ESG highlights</p> <p>Singapore has signed up for ICAO's CORSIA scheme, which took effect on a voluntary basis from 2021 until 2026. From 2027 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 2027.</p>	<p>Implications</p> <p>The SIA group of airlines (SIA, Scoot, and the air freight operations) 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 4 mtCO2 in FY21 from the impact of Covid-19, but partially recovered to 7.8 mtCO2 in FY22. We do not expect SIA to exceed FY20 emissions until FY25F (CY24F) or later if SIA improves its carbon efficiency and increases its use of SAF. We expect SIA to pass on the cost of SAF and the cost of purchasing carbon credits to its customers via higher ticket prices.</p>
<p>Trends</p> <p>SIA is aware that it will have to improve its ESG credentials to remain in the good books of its customers 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.</p>	<p>Implications</p> <p>SIA has been the airline partner of the <i>Hutan Harapan</i> Initiative, an ecosystem restoration concession that covers nearly 100,000 hectares of tropical rainforest in Sumatra, Indonesia, since 2010. SIA has also introduced a new short-haul economy class meal concept that uses recyclable paper and bamboo cutlery to reduce plastic use. Food wastage is reduced using digital planning technologies. SIA has also installed 20,000 solar panels at its offices, generating 10,200 MWh of clean energy annually. These measures to reduce SIA's environmental footprint may help the group maintain high ESG ratings, which may have positive implications for SIA's stock market valuations, in our view.</p>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, REFINITIV

BY THE NUMBERS



Profit & Loss

(\$m)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	7,615	17,775	19,180	18,951	18,896
Gross Profit	1,907	5,817	6,276	5,309	4,887
Operating EBITDA	1,282	4,697	5,296	4,329	3,907
Depreciation And Amortisation	-1,928	-2,005	-2,023	-2,034	-2,109
Operating EBIT	-645	2,692	3,273	2,295	1,797
Financial Income/(Expense)	-346	-7	180	62	17
Pretax Income/(Loss) from Assoc.	-116	-31	50	55	60
Non-Operating Income/(Expense)	31	-54	5	5	5
Profit Before Tax (pre-EI)	-1,077	2,599	3,507	2,416	1,879
Exceptional Items	-14	38	0	0	0
Pre-tax Profit	-1,090	2,637	3,507	2,416	1,879
Taxation	142	-474	-553	-378	-291
Exceptional Income - post-tax					
Profit After Tax	-948	2,163	2,954	2,039	1,588
Minority Interests	-14	-7	-20	-20	-20
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	-962	2,157	2,934	2,019	1,568
Recurring Net Profit	-1,126	1,932	2,826	1,957	1,506
Fully Diluted Recurring Net Profit	-1,126	1,932	2,826	1,957	1,506

Cash Flow

(\$m)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	1,282	4,697	5,296	4,329	3,907
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,519	4,037	141	230	111
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	249	402	8	8	0
Net Interest (Paid)/Received	0	0	0	0	0
Tax Paid	-8	-5	-553	-378	-291
Cashflow From Operations	3,042	9,130	4,891	4,189	3,727
Capex	-3,049	-1,602	-2,300	-3,400	-4,300
Disposals Of FAs/subsidiaries	728	1,185	-1,240	0	0
Acq. Of Subsidiaries/investments	0	0	0	0	0
Other Investing Cashflow	74	283	0	0	0
Cash Flow From Investing	-2,247	-134	-3,540	-3,400	-4,300
Debt Raised/(repaid)	-754	-1,722	172	179	186
Proceeds From Issue Of Shares	6,197	-3,860	-5,064	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	0	-299	-1,129	-1,487	-1,041
Preferred Dividends					
Other Financing Cashflow	-283	-333	185	67	22
Cash Flow From Financing	5,160	-6,213	-5,837	-1,242	-833
Total Cash Generated	5,955	2,783	-4,486	-453	-1,407
Free Cashflow To Equity	41	7,274	1,523	967	-388
Free Cashflow To Firm	795	8,996	1,351	789	-573

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	13,763	16,328	11,842	11,389	9,982
Total Debtors	1,566	1,193	1,287	1,272	1,268
Inventories	187	227	241	254	260
Total Other Current Assets	2,172	1,552	1,544	1,537	1,537
Total Current Assets	17,688	19,299	14,914	14,451	13,047
Fixed Assets	27,861	27,687	27,964	29,329	31,520
Total Investments	2,819	1,817	3,107	3,162	3,222
Intangible Assets	303	298	298	298	298
Total Other Non-Current Assets	0	0	0	0	0
Total Non-current Assets	30,983	29,802	31,368	32,789	35,040
Short-term Debt	607	2,548	2,548	2,548	2,548
Current Portion of Long-Term Debt					
Total Creditors	2,733	4,040	4,289	4,517	4,630
Other Current Liabilities	4,529	7,083	7,083	7,083	7,083
Total Current Liabilities	7,869	13,671	13,920	14,148	14,261
Total Long-term Debt	13,737	11,371	11,542	11,721	11,906
Hybrid Debt - Debt Component	783	804	804	804	804
Total Other Non-Current Liabilities	3,482	3,006	3,006	3,006	3,006
Total Non-current Liabilities	18,002	15,181	15,352	15,531	15,716
Total Provisions	0	0	0	0	0
Total Liabilities	25,871	28,851	29,272	29,678	29,978
Shareholders' Equity	22,412	19,858	16,599	17,131	17,658
Minority Interests	389	392	412	432	452
Total Equity	22,800	20,250	17,011	17,562	18,109

Key Drivers

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
SIA mainline ASK (m)	58,747.8	106,099.3	125,163.0	133,043.9	140,120.7
SIA mainline RPK (m)	19,177.7	91,025.2	109,893.1	114,417.8	119,803.2
SIA mainline PLF (%)	32.6%	85.8%	87.8%	86.0%	85.5%
SIA mainline yield (Scts/RPK)	13.1	12.7	12.2	11.6	11.2

Key Ratios

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	100%	133%	8%	(1%)	(0%)
Operating EBITDA Growth	N/A	266%	13%	(18%)	(10%)
Operating EBITDA Margin	16.8%	26.4%	27.6%	22.8%	20.7%
Net Cash Per Share (S\$)	-0.46	0.54	-1.03	-1.24	-1.77
BVPS (S\$)	7.55	6.68	5.58	5.76	5.94
Gross Interest Cover	-1.65	6.41	7.21	4.98	3.87
Effective Tax Rate	0.0%	18.0%	15.8%	15.6%	15.5%
Net Dividend Payout Ratio	NA	53.3%	50.7%	51.6%	51.2%
Accounts Receivables Days	60.06	28.33	23.66	24.64	24.53
Inventory Days	12.22	6.32	6.64	6.62	6.70
Accounts Payables Days	155.1	103.4	118.1	117.8	119.2
ROIC (%)	(2.8%)	10.8%	16.5%	11.5%	8.5%
ROCE (%)	(1.8%)	8.5%	11.7%	8.7%	6.9%
Return On Average Assets	(1.37%)	4.36%	5.82%	4.23%	3.30%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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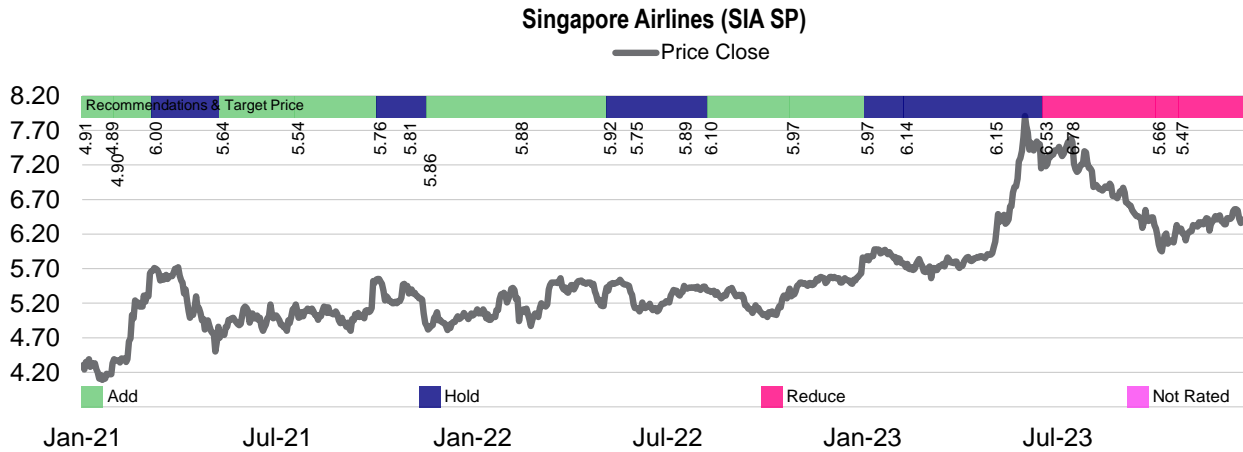
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2023		
636 companies under coverage for quarter ended on 31 December 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

Spitzer Chart for stock being researched (2 year data)



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.

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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