

COMPANY RESULTS

Singapore Airlines (SIA SP)

FY24: Results In Line; Expect Moderating But Decent Performance In FY25

SIA's FY24 headline net profit of S\$2.67b (+24% yoy) was in line with our expectations at 101% of our forecast. FY24's final DPS of 38 S cents was slightly above our projection. We expect SIA's earnings to go downhill in the next two years, driven by pax and cargo yield moderation as competition catches up, but still meaningfully above pre-pandemic levels with SIA's strengthened market leading position. Maintain HOLD on SIA, with a slightly higher target price of S\$6.35, based on 1.18x FY25F P/B.

FY24 RESULTS

Year to 31 Mar (\$m)	2H FY24	2H FY23	yoy % chg	1H FY24	hoh % chg	FY24	FY23	yoy % chg	Prev. FY24F	Actual as % of FY24F
Revenue	9,850	9,358	+5.3	9,162	+7.5	19,013	17,775	+7.0	19,231	99%
Pax flown revenue	8,135	7,387	+10.1	7,550	+7.7	15,685	13,366	+17.3	15,828	99%
Cargo & mail revenue	1,059	1,505	-29.6	1,060	-0.1	2,119	3,604	-41.2	2,158	98%
Engineering & others	656	467	+40.6	552	+18.8	1,209	805	+50.2	1,245	97%
Non-fuel opex	5,883	5,387	+9.2	5,326	+10.5	11,209	9,874	+13.5	11,373	99%
Fuel cost	2,794	2,514	+11.1	2,283	+22.4	5,077	5,209	-2.5	5,067	100%
Operating profit	1,174	1,458	-19.5	1,554	-24.5	2,728	2,692	+1.3	2,792	98%
Core operating profit*	1,051	1,318	-20.2	1,249	-15.9	2,300	1,943	+18.4	2,370	97%
JV/associates contribution	51	31	+63.5	-116	-143.9	74	-31	n.m.	115	64%
Net interest inc/(exp)	90	98	-7.6	-346	-126.1	207	-7	n.m.	248	83%
Tax expense	-74	-323	-77.2	-268	-72.6	-342	-474	-27.8	-517	66%
Net Profit (reported)	1,234	1,230	+0.3	1,441	-14.4	2,675	2,157	+24.0	2,653	101%
Core net profit*	989	1,170	-15.5	1,135	-12.8	2,124	1,722	+23.3	2,183	97%
Margins (%)										
Core operating profit*	10.7	14.1	-3.4ppt	13.6	-3.0ppt	12.1	10.9	+1.2ppt	12.3	
Core net profit*	10.0	12.5	-2.5ppt	12.4	-2.3ppt	11.2	9.7	+1.5ppt	11.4	

* Adjusted by excluding impacts from one-offs such as fuel hedging gains and forex gains/(losses), etc

Source: SIA, UOB Kay Hian

RESULTS

- FY24 results in line.** Singapore Airlines' (SIA) headline net profit of S\$2,675m (+24.0% yoy) was in line with our expectations, at 101% of our forecast. Excluding sizeable one-off items such as fuel hedging gain, forex gains and reversal of tax overprovision in prior years, we estimate SIA's FY24 core net profit at S\$2,124m (+23.3% yoy). Group revenue rose 7.0% yoy in FY24, driven by recovery in both pax (+26.6% yoy) and cargo volume (+1.7% yoy), but offset by moderated pax (-7.6% yoy) and cargo (-42.2% yoy) yields.
- Final dividend of 38 S cents slightly above expectations.** SIA declared final DPS of 38 S cents for FY24 (FY23: 28 S cents), leading to full-year total DPS of 48 S cents (FY23: 38 S cents) or a 53% payout ratio (FY22: 52%). The 48 S cents full-year DPS was slightly higher than our expected range of 38-45 S cents.

KEY FINANCIALS

Year to 31 Mar (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	17,775	19,013	19,838	19,827	20,764
EBITDA	4,773	4,913	4,521	3,965	4,145
Operating profit	2,692	2,728	2,112	1,510	1,597
Net profit (rep./act.)	2,157	2,675	3,017	1,219	1,231
Core net profit	1,722	2,124	1,731	1,201	1,231
EPS (\$ cent)	58.0	71.5	58.2	40.4	41.4
PE (x)	11.6	9.4	11.6	16.7	16.3
P/B (x)	1.5	1.4	1.3	1.2	1.2
EV/EBITDA (x)	4.9	4.7	5.1	5.9	5.6
Dividend yield (%)	5.6	7.1	5.6	4.2	4.2
Net margin (%)	12.1	14.1	15.2	6.1	5.9
Net debt/(cash) to equity (%)	7.9	(2.7)	8.4	28.0	40.7
ROE (%)	10.2	14.8	18.7	7.6	7.6

Source: SIA, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$6.73
Target Price	S\$6.35
Upside	-5.6%
(Previous TP)	S\$6.31)

COMPANY DESCRIPTION

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

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	SIA SP
Shares issued (m):	2,973.4
Market cap (\$m):	20,010.7
Market cap (US\$m):	14,883.4
3-mth avg daily t'over (US\$m):	30.4

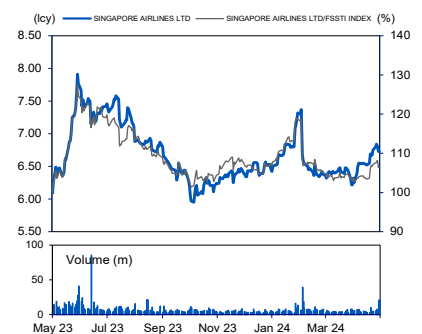
Price Performance (%)

52-week high/low					S\$7.91/S\$5.95
1mth	3mth	6mth	1yr	YTD	
8.2	(8.1)	8.2	13.7	2.6	

Major Shareholders

	%
Temasek Hldgs	55.4
FY25 NAV/Share (\$)	5.36
FY25 Net Debt/Share (\$)	0.46

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Redeeming all remaining MCBs as expected.** SIA announced its intention to redeem all remaining Mandatory Convertible Bonds (MCB). This is within our expectations. With this last batch of redemption, SIA would have fully redeemed the \$9.7b of MCBs that were issued during the pandemic.
- **Strong balance sheet.** Even with all MCBs treated as debt, SIA is still in a net cash position as of end-FY24.

STOCK IMPACT

- **Quarterly operating profit on a moderating trend.** Based on our estimate, SIA's quarterly core operating profit has been on a moderating trend in the past two quarters. In 4QFY24, SIA's core operating profit dropped 22.9% qoq and 18.7% yoy, driven by lower pax yields (-4.3% qoq, -5.5% yoy) and cargo yields (-12.6% qoq, -33.0% yoy).
- **FY25 outlook: Yields may moderate further.** SIA sees demand for air travel remaining healthy in 1QFY25, supported by a strong pick-up in forward bookings to North Asia and Southeast Asia. However, SIA notes that pax yields will likely continue to moderate due to increased capacity injection by airlines, especially in the Asia-Pacific region. Cargo demand strengthened towards the end of FY24, backed by healthy e-commerce demand, resilient and growing segments such as perishables and concerts, as well as a shift to air freight by some shippers due to security concerns in the Red Sea region. While cargo yields have held above pre-pandemic levels in FY25 ytd, management sees downward pressure as industry bellyhold capacity increases.
- **Expect profits to moderate in FY25-26 but to remain at decent levels.** We maintain our expectations that SIA's earnings would moderate in the next two years, as we expect further yield moderations driven by competitors restoring/adding capacities. Even with the moderation, our updated net profit forecasts of S\$1.91b (excluding a S\$1.11b extraordinary gain from Vistara disposal) and S\$1.22b for FY24 and FY25 are still meaningfully above pre-pandemic levels (less than S\$1b net profit for most years in FY10-19).
- **Gearing likely to climb up going forward.** Based our updated financial projection and SIA's updated capex plan (S\$3.0b/S\$4.5b/S\$4.2b in FY25/26/27, mainly for aircraft purchase), we forecast SIA's net gearing to gradually ramp up going forward, reaching 40.7% by end-FY27. This gearing ramp-up might come in slower than our current projection if there are delays in aircraft delivery due to aircraft OEMs' supply chain issues.
- **Update on Air India-Vistara merger.** The proposed merger of Air India and Vistara is still pending foreign direct investment and other regulatory approvals in India. Management is hopeful that the deal can be completed within 2025. Once completed, the merger will give SIA a 25.1% stake in the enlarged Air India group. SIA is expected to recognise a non-cash accounting gain of S\$1.11b from the effective disposal of Vistara.

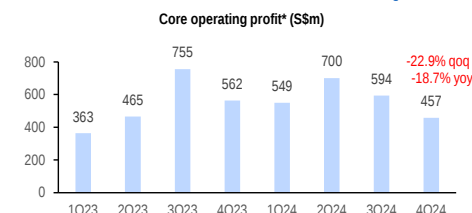
EARNINGS REVISION/RISKS

- **Raise FY24 and FY25 earnings forecasts by 12.3% and 11.4% to S\$3.02b and S\$1.22b,** as we finetune our cost projection, especially labour cost and fuel cost estimates (reflecting recent decline in jet fuel prices and SIA's updated fuel hedging position). Note that our S\$3.02b net profit estimate for FY25 includes the extraordinary gain from the Air India-Vistara merger, excluding which our FY24 earnings forecast would have been S\$1.91b.
- **Key risks:** a) weaker-than-expected macroeconomic environment dampening air travel and air cargo demand, b) stiffer-than-expected competition, and c) unfavourable fluctuation of jet fuel prices.

VALUATION/RECOMMENDATION

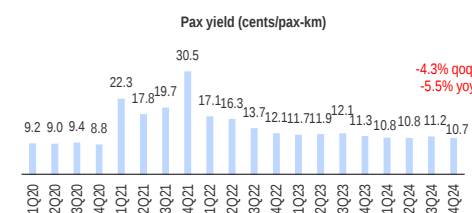
- **Maintain HOLD on SIA with a slightly higher target price of S\$6.35.** Our updated target price remains based on 1.18x FY25F P/B, or 0.5SD above long-term historical mean P/B of 1.09x. The +0.5SD of our P/B peg reflects SIA's further strengthened market leading position in the airline industry after the pandemic and our appreciation of SIA's outstanding track record. We have a HOLD rating on SIA for its decent dividend yield of 7.1% in the next twelve months; there also remains upside risk if it takes longer than expected for competitors to catch up with SIA in terms of capacity recovery, possibly due to aircraft OEMs' delays in new aircraft delivery.

SLOWER CORE OPERATING PROFIT IN 4QFY24...



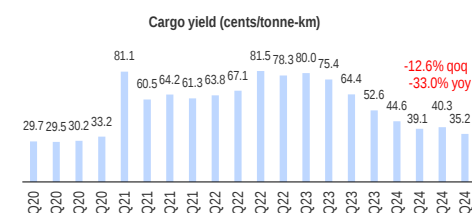
Source: SIA, UOB Kay Hian

...DRIVEN BY MODERATED PAX YIELDS...



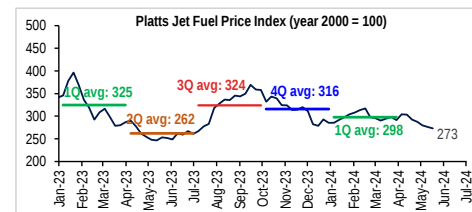
Source: SIA

...AND CARGO YIELDS



Source: SIA

JET FUEL PRICES DECLINED SINCE APR 24



Source: Bloomberg

TARGET PRICE REFERENCE TABLE

		FY24	FY25F	FY26F
Adjusted BVPS*		S\$4.91	S\$5.36	S\$5.39
P/B peg				
+2.0SD	1.46x	S\$7.18	S\$7.84	S\$7.88
+1.5SD	1.37x	S\$6.73	S\$7.34	S\$7.38
+1.0SD	1.28x	S\$6.27	S\$6.85	S\$6.89
+0.5SD	1.18x	S\$5.82	S\$6.35	S\$6.39
Mean	1.09x	S\$5.36	S\$5.86	S\$5.89

*Adjusted BVPS has factored in full redemption of MCBs

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (\$S\$m)	2024	2025F	2026F	2027F
Net turnover	19,012.7	19,837.8	19,826.6	20,763.9
EBITDA	4,913.3	4,520.7	3,964.8	4,144.8
Deprec. & amort.	2,185.8	2,408.2	2,454.5	2,547.5
EBIT	2,727.5	2,112.5	1,510.3	1,597.3
Total other non-operating income	28.7	0.0	0.0	0.0
Associate contributions	73.7	115.0	136.1	167.1
Net interest income/(expense)	207.2	16.5	(157.0)	(261.4)
Pre-tax profit	3,037.1	3,356.0	1,489.3	1,503.0
Tax	(342.0)	(308.6)	(230.1)	(227.1)
Minorities	(20.3)	(30.0)	(40.0)	(45.0)
Net profit	2,674.8	3,017.4	1,219.3	1,230.9
Net profit (adj.)	2,124.3	1,730.8	1,200.7	1,230.9

BALANCE SHEET

Year to 31 Mar (\$S\$m)	2024	2025F	2026F	2027F
Fixed assets	26,806.8	28,050.6	30,748.1	33,052.6
Other LT assets	1,816.2	3,043.2	3,179.3	3,346.4
Cash/ST investment	11,788.5	7,220.9	5,881.9	5,122.6
Other current assets	3,853.2	3,811.2	3,802.5	3,898.5
Total assets	44,264.7	42,125.9	43,611.7	45,420.0
ST debt	915.4	915.4	915.4	915.4
Other current liabilities	11,756.3	11,095.5	10,572.8	10,458.6
LT debt	8,737.4	7,684.6	9,584.6	11,084.6
Other LT liabilities	6,111.0	6,063.5	6,063.5	6,063.5
Shareholders' equity	16,337.9	15,950.9	16,040.1	16,438.4
Minority interest	406.7	416.0	435.3	459.6
Total liabilities & equity	44,264.7	42,125.9	43,611.7	45,420.0

CASH FLOW

Year to 31 Mar (\$S\$m)	2024	2025F	2026F	2027F
Operating	5,054.9	3,313.4	3,220.8	3,707.5
Pre-tax profit	3,037.1	3,356.0	1,489.3	1,503.0
Tax	(10.7)	(308.6)	(230.1)	(227.1)
Deprec. & amort.	2,185.8	2,408.2	2,454.5	2,547.5
Associates	8.1	45.0	64.0	92.9
Working capital changes	49.9	(898.5)	(514.0)	(210.2)
Non-cash items	127.8	(0.2)	0.0	0.0
Other operating cashflows	(343.1)	(1,288.5)	(43.0)	1.4
Investing	(1,436.2)	(2,642.0)	(4,302.0)	(4,052.0)
Capex (growth)	468.0	(1,077.0)	(2,526.0)	(2,123.8)
Capex (maintenance)	(1,795.3)	(2,003.0)	(2,054.0)	(2,156.2)
Investments	(92.9)	0.0	0.0	0.0
Proceeds from sale of assets	125.9	0.0	0.0	0.0
Others	(141.9)	438.0	278.0	228.0
Financing	(8,779.1)	(5,239.0)	(257.8)	(414.8)
Dividend payments	(1,130.2)	(1,427.4)	(1,130.0)	(832.7)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	(1,531.6)	(1,052.8)	1,900.0	1,500.0
Others/interest paid	(6,117.3)	(2,758.8)	(1,027.7)	(1,082.1)
Net cash inflow (outflow)	(5,160.4)	(4,567.6)	(1,339.0)	(759.3)
Beginning cash & cash equivalent	16,327.6	11,268.8	6,701.2	5,362.2
Changes due to forex impact	101.6	0.0	0.0	0.0
Ending cash & cash equivalent	11,268.8	6,701.2	5,362.2	4,602.9

KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	25.8	22.8	20.0	20.0
Pre-tax margin	16.0	16.9	7.5	7.2
Net margin	14.1	15.2	6.1	5.9
ROA	5.7	7.0	2.8	2.8
ROE	14.8	18.7	7.6	7.6
Growth				
Turnover	7.0	4.3	(0.1)	4.7
EBITDA	2.9	(8.0)	(12.3)	4.5
Pre-tax profit	15.2	10.5	(55.6)	0.9
Net profit	24.0	12.8	(59.6)	1.0
Core net profit	23.3	(18.5)	(30.6)	2.5
Core EPS	23.3	(18.6)	(30.6)	2.5
Leverage				
Debt to total capital	36.6	34.4	38.9	41.5
Debt to equity	75.8	52.5	63.7	71.0
Net debt/(cash) to equity	(2.7)	8.4	28.0	40.7

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