

## COMPANY UPDATE

### Singapore Airlines (SIA SP)

Expect yoy Softer 4QFY25 Earnings; FY26 To Benefit From Weak Fuel Prices

**Mar 25 pax load dropped 0.8% yoy while cargo load rose 2.0% yoy. We keep our 4QFY25 net profit forecast at S\$400m, down 30% yoy and 24% qoq. The recent sharp drop in jet fuel prices would support SIA's FY26 financial performance, leading to a 17% lift in our FY26 earnings forecast. Cargo faces more uncertainties in the medium term, but 1QFY26 may benefit from Asia ex-China's shipment frontloading ahead of US tariff uncertainties. Maintain HOLD. Target price:S\$6.22.**

#### WHAT'S NEW

- Singapore Airlines (SIA) released its Mar 25 operation data on 15 Apr 25.
- 4QFY25 results preview.
- Sharp drop in jet fuel prices lifts FY26-27 earnings prospects.

#### MAR 25 AND 4QFY25 OPERATION DATA

	----- Monthly comparison -----					----- Quarterly comparison -----				
	Mar-25	Mar-24	Chg yoy	Feb-25	Chg mom	4Q FY25	4Q FY24	Chg yoy	3Q FY25	Chg qoq
Pax operation										
Pax capacity (m seat-km)	14,858	14,467	+2.7%	13,677	+8.6%	44,093	42,854	+2.9%	45,612	-3.3%
as % of same period in 2019	101.0%	98.3%	+2.7ppt	101.8%	-0.8ppt	102.4%	99.5%	+2.9ppt	100.2%	+2.2ppt
Pax load (m pax-km)	12,588	12,695	-0.8%	11,837	+6.3%	38,089	37,056	+2.8%	39,764	-4.2%
as % of same period in 2019	104.9%	105.8%	-0.9ppt	108.4%	-3.5ppt	107.9%	105.0%	+2.9ppt	102.0%	+5.8ppt
Pax load Factor	84.7%	87.7%	-3ppt	86.5%	-1.8ppt	86.4%	86.5%	-0.1ppt	87.2%	-0.8ppt
vs same period in 2019	+3.2ppt	+6.2ppt		+5.3ppt		+4.4ppt	+4.5ppt		+1.5ppt	
Cargo operation										
Cargo capacity (m tonne-km)	929	862	+7.7%	792	+17.2%	2,663	2,484	+7.2%	2,823	-5.7%
as % of same period in 2019	93.8%	87.1%	+6.7ppt	99.1%	-5.3ppt	97.5%	90.9%	+6.5ppt	100.0%	-2.5ppt
Cargo load (m tonne-km)	528	518	+2.0%	411	+28.5%	1,420	1,419	+0.1%	1,592	-10.8%
as % of same period in 2019	85.4%	83.7%	+1.7ppt	93.1%	-7.7ppt	88.3%	88.3%	+0.1ppt	91.9%	-3.6ppt
Cargo load factor	56.9%	60.0%	-3.1ppt	51.9%	+5ppt	53.3%	57.1%	-3.8ppt	56.4%	-3.1ppt
vs same period in 2019	-5.6ppt	-2.4ppt		-3.3ppt		-5.5ppt	-1.7ppt		-5.0ppt	

Source: SIA, UOB Kay Hian

#### STOCK IMPACT

##### Key highlights for Mar 25 operation data:

- **Mar 25 pax load dropped 0.8% yoy** to 104.9% of pre-pandemic levels. The drop was partly due to the shift in the Easter holiday from March in 2024 to April in 2025. Group pax load factor stood at 84.7%, down 3.0ppt yoy. On a quarterly basis, 4QFY25 pax capacity and pax load rose 2.9% yoy and 2.8% yoy, respectively, with pax load largely flat yoy at 86.4% in 4QFY25 (4QFY24: 86.5%)
- **Mar 25 cargo load rose 2.0% yoy** to 85.4% of pre-pandemic levels. Cargo capacity jumped 7.6% yoy, but cargo load grew at a slower rate of 2.0% yoy, as volume strength in the East Asia route (China and Hong Kong frontloaded shipments ahead of the US tariffs) was offset by weaknesses of cargo demand in the Americas and Europe. As a result, cargo load factor dropped 3.1ppt yoy in Mar 25. On a quarterly basis, 4QFY25 cargo load was largely flattish yoy, while capacity expanded 7.2% yoy.

#### KEY FINANCIALS

Year to 31 Mar (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	17,775	19,013	19,516	19,421	19,856
EBITDA	4,773	4,913	4,265	4,164	4,045
Operating profit	2,692	2,728	1,905	1,735	1,499
Net profit (rep./act.)	2,157	2,675	2,769	1,367	1,182
Net profit (adj.)	1,722	2,124	1,555	1,446	1,182
EPS (\$ cent)	58.0	71.5	52.3	48.6	39.7
PE (x)	11.0	8.9	12.1	13.1	16.0
P/B (x)	1.4	1.3	1.2	1.2	1.1
EV/EBITDA (x)	4.5	4.4	5.0	5.2	5.3
Dividend yield (%)	6.0	7.6	5.2	4.3	3.6
Net margin (%)	12.1	14.1	14.2	7.0	6.0
Net debt/(cash) to equity (%)	7.9	(8.7)	4.4	22.2	38.8
ROE (%)	10.2	14.8	17.3	8.6	7.3

Source: SIA, Bloomberg, UOB Kay Hian

## HOLD

(Maintained)

Share Price	S\$6.35
Target Price	S\$6.22
Upside	-2.1%
(Previous TP)	S\$6.09)

#### 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

GLCS sector	Industrials
Bloomberg ticker:	SIA SP
Shares issued (m):	2,971.2
Market cap (\$m):	18,867.3
Market cap (US\$m):	14,364.2
3-mth avg daily t'over (US\$m):	29.7

#### Price Performance (%)

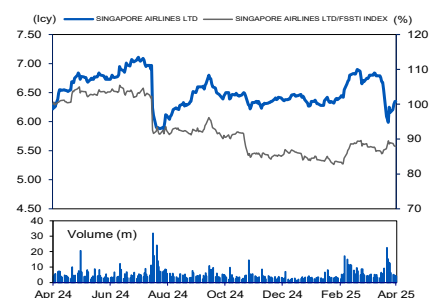
52-week high/low S\$7.14/S\$5.86

1mth	3mth	6mth	1yr	YTD
(5.1)	1.3	(0.9)	0.5	-1.4

#### Major Shareholders

	%
Temasek Hldgs	53.6
FY25 NAV/Share (\$)	5.28
FY25 Net Debt/Share (\$)	0.54

#### PRICE CHART



Source: Bloomberg

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- **Update on network.** During the month, Scoot suspended services to Berlin. SIA Group's passenger network now covers 128 destinations (Feb 25: 129), compared with 137 destinations before the pandemic.

• **4QFY25 results preview: Expecting net profit of S\$400m.** SIA will report its 4QFY25 financial performance on 15 May 25, after market close. We expect SIA to record a net profit of about S\$400m, representing a 30% yoy drop from 4QFY24's S\$575m and a 24% qoq fall from 3QFY25's S\$528m (excluding the one-off accounting gain from the Vistara stake disposal). Our estimate is based on the following assumptions: a) the reported 4QFY25 operating statistics, b) low-single-digit percentage yoy moderation in both pax and cargo yields, c) a 5% yoy drop in average fuel cost per unit of capacity (after hedging), and d) yoy largely flattish or marginally higher non-fuel operating cost per unit of capacity.

• **Recent sharp drop in jet fuel prices lifts FY26 earnings prospects.** Jet fuel prices dropped about 8% over the past two weeks due to fears of a global recession triggered by the US tariff war. Assuming jet fuel prices stay at the current level of about US\$84/bbl throughout FY26, SIA's FY26 average fuel cost per unit of capacity (after hedging) would be about 9% lower than FY25 average levels, leading to about S\$500m savings in fuel costs in FY26. This should support SIA's FY26 earnings, partially offsetting continued pressure on passenger and cargo yields.

• **MTI cut Singapore's 2025 GDP growth to 0-2%; SIA should still achieve some pax load growth.** Singapore's Ministry of Trade and Industry (MTI) has cut the 2025 GDP growth from 1-3% to 0-2%, indicating slower economic growth as a base case while not ruling out possibility of a technical recession. Under MTI's base-case scenario, we do not expect a major slowdown in air travel demand. In our financial model, we have pencilled in a 1.5% yoy growth in pax load for FY26, slower than FY25's 6.4% yoy growth, driven by SIA's continued network recovery and capacity growth.

• **Cargo outlook more uncertain, but 1QFY26 may benefit from frontloading.** While the US tariffs present significant uncertainties to global air cargo outlook in the medium term, the 90-day pause for negotiation provides a window for manufacturers in Asia (excluding China) to expedite shipments to the US, mitigating uncertainties beyond the 90-day period. As such, SIA's 1QFY26 cargo performance may benefit from some shipment frontloading, though there is no concrete data point available to quantify the impact at this stage.

• **Preliminary assessment of 1QFY26 operating profit indicates a moderate yoy growth.** Based on our preliminary estimate, SIA's 1QFY26 results could achieve a mid-single-digit growth at the operating profit levels. This estimate will be due for update, subject to operating statistics disclosure and development of jet fuel prices in the next two months.

#### EARNINGS REVISION/RISK

• **Raise our FY26/FY27 earnings forecasts by 17%/6% respectively.** We raise our FY26 and FY27 earnings forecasts for SIA by 17% and 6% to S\$1.37b and S\$1.18b, respectively, to reflect cost savings from the decline in jet fuel prices and the gradual pass-through of benefits to end customers driven by competition. Our FY25 earnings forecast remains at S\$2.77b, or S\$1.67b if excluding the gain from the Vistara stake disposal.

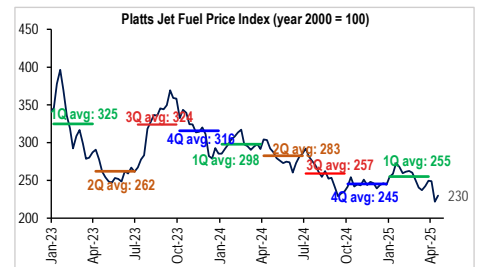
• **Key risks:** a) Weaker-than-expected macroeconomic environment dampening air travel demand; b) potential higher US tariffs after the 90-day negotiation period impacting global air cargo volume; and c) geopolitical tensions causing shocks to fuel prices.

#### VALUATION/RECOMMENDATION

• **Maintain HOLD on SIA with a slightly higher target price of S\$6.22.** Our updated target price is based on 1.16x FY26F P/B, or 0.5SD above SIA's historical mean P/B of 1.07x. SIA currently trades at 1.18x FY26F P/B, 0.6SD above its historical mean P/B.

• **Hoping for a fine FY25 dividend yield.** In view of SIA's strong balance sheet (in a slight net cash position) and delayed capex due to aircraft OEMs' delivery issues, we reckon that SIA has the flexibility to raise its dividend payout ratio to 60-70% of core earnings in FY25, from 53% in FY24. A 60% payout ratio will lead to a 23 S cents final dividend for FY25, resulting in a dividend yield of 5.2% for full-year FY25 based on the current price.

#### JET FUEL PRICES



Source: S&P Global Platts

#### HISTORICAL P/B BAND



Source: UOB Kay Hian, Bloomberg

#### TARGET PRICE

		FY25F	FY26F	FY27F
BVPS, adj		S\$5.26	<b>S\$5.37</b>	S\$5.54
P/B peg			Target price	
+1.0SD	1.25x	S\$6.57	S\$6.70	S\$6.91
<b>+0.5SD</b>	<b>1.16x</b>	S\$6.09	<b>S\$6.22</b>	S\$6.41
Mean	1.07x	S\$5.62	S\$5.73	S\$5.91
-0.5SD	0.98x	S\$5.14	S\$5.25	S\$5.41
-1.0SD	0.89x	S\$4.67	S\$4.76	S\$4.91

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
<b>Net turnover</b>	<b>19,013</b>	<b>19,516</b>	<b>19,421</b>	<b>19,856</b>
EBITDA	4,913	4,265	4,164	4,045
Deprec. & amort.	2,186	2,360	2,428	2,545
EBIT	2,728	1,905	1,735	1,499
Total other non-operating income	29	1,103	0	0
Associate contributions	74	64	41	134
Net interest income/(expense)	207	55	(94)	(193)
<b>Pre-tax profit</b>	<b>3,037</b>	<b>3,127</b>	<b>1,682</b>	<b>1,441</b>
Tax	(342)	(323)	(279)	(222)
Minorities	(20)	(35)	(36)	(37)
<b>Net profit</b>	<b>2,675</b>	<b>2,769</b>	<b>1,367</b>	<b>1,182</b>
Net profit (adj.)	2,124	1,555	1,446	1,182

### BALANCE SHEET

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Fixed assets	26,807	27,959	30,753	33,629
Other LT assets	1,816	2,992	3,033	3,168
Cash/ST investment	11,789	7,906	4,449	4,541
Other current assets	3,853	3,790	3,842	3,878
<b>Total assets</b>	<b>44,265</b>	<b>42,647</b>	<b>42,077</b>	<b>45,216</b>
ST debt	915	915	915	915
Other current liabilities	11,756	10,960	10,489	10,233
LT debt	8,737	8,585	8,085	11,085
Other LT liabilities	6,111	6,063	6,063	6,063
Shareholders' equity	16,338	15,703	16,089	16,467
Minority interest	407	421	436	452
<b>Total liabilities &amp; equity</b>	<b>44,265</b>	<b>42,647</b>	<b>42,077</b>	<b>45,216</b>

### CASH FLOW

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
<b>Operating</b>	<b>5,055</b>	<b>2,917</b>	<b>3,361</b>	<b>3,531</b>
Pre-tax profit	3,037	3,127	1,682	1,441
Tax	(11)	(323)	(279)	(222)
Deprec. & amort.	2,186	2,360	2,428	2,545
Associates	8	(16)	(41)	50
Working capital changes	50	(1,013)	(523)	(291)
Non-cash items	128	(11)	0	0
Other operating cashflows	(343)	(1,206)	94	9
<b>Investing</b>	<b>(1,436)</b>	<b>(2,500)</b>	<b>(4,362)</b>	<b>(4,622)</b>
Capex (growth)	468	(986)	(2,622)	(2,693)
Capex (maintenance)	(1,795)	(1,994)	(2,058)	(2,187)
Investments	(93)	0	0	0
Proceeds from sale of assets	126	0	0	0
Others	(142)	480	318	258
<b>Financing</b>	<b>(8,779)</b>	<b>(4,300)</b>	<b>(2,456)</b>	<b>1,183</b>
Dividend payments	(1,130)	(1,427)	(981)	(803)
Proceeds from borrowings	(1,532)	(153)	(500)	3,000
Loan repayment	0	0	0	0
Others/interest paid	(6,117)	(2,720)	(975)	(1,014)
<b>Net cash inflow (outflow)</b>	<b>(5,160)</b>	<b>(3,883)</b>	<b>(3,457)</b>	<b>93</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>16,328</b>	<b>11,269</b>	<b>7,386</b>	<b>3,929</b>
Changes due to forex impact	102	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>11,269</b>	<b>7,386</b>	<b>3,929</b>	<b>4,022</b>

### KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
<b>Profitability</b>				
EBITDA margin	25.8	21.9	21.4	20.4
Pre-tax margin	16.0	16.0	8.7	7.3
Net margin	14.1	14.2	7.0	6.0
ROA	5.7	6.4	3.2	2.7
ROE	14.8	17.3	8.6	7.3
<b>Growth</b>				
Turnover	7.0	2.6	(0.5)	2.2
EBITDA	2.9	(13.2)	(2.4)	(2.9)
Pre-tax profit	15.2	3.0	(46.2)	(14.4)
Net profit	24.0	3.5	(50.6)	(13.6)
Net profit (adj.)	23.3	(26.8)	(7.0)	(18.3)
EPS	23.3	(26.8)	(7.0)	(18.3)
<b>Leverage</b>				
Debt to total capital	37.1	35.3	41.5	42.6
Debt to equity	75.8	58.9	54.5	70.9
Net debt/(cash) to equity	(8.7)	4.4	22.2	38.8

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