

COMPANY RESULTS

SIA Engineering (SIE SP)

3QFY25: Results In Line; Maintaining A Moderate Pace Of Earnings Improvement

SIAEC's 3QFY25 reported net profit of S\$38.2m (+7.4% qoq, +42.0% yoy) was in line with our expectations, with 9MFY25 earnings at 74.4% of our full-year forecasts. The company has managed a moderate pace of earnings improvement amid continued supply chain challenges, with its line maintenance business volume at Changi Airport having reached almost 100% of pre-pandemic levels. SIAEC offers decent FY25/26F yields of 4.5%/4.9%. Maintain BUY and target price of S\$2.70.

3Q/9MFY25 RESULTS

Year to 31 Mar (\$m)	3Q FY25	3Q FY24	yoy % chg	2Q FY25	qoq % chg	9M FY25	9M FY24	yoy % chg	9M as % of FY25F
Revenue	324.8	291.7	+11.3	307.5	+5.6	901.0	805.7	+11.8	74.9%
Opex	320.1	295.1	+8.5	305.1	+4.9	892.9	809.0	+10.4	74.9%
EBIT	4.7	-3.4	n.m.	2.4	+92.2	8.1	-3.3	n.m.	67.8%
JVs/asso. contribution	32.2	23.8	+35.3	30.6	+5.1	90.8	73.8	+23.0	75.0%
Net profit	38.2	26.9	+42.0	35.6	+7.4	107.0	86.2	+24.1	74.4%
Margins (%)									
EBIT	1.4	-1.2	+2.6ppt	0.8	+0.7ppt	0.9	-0.4	+1.3ppt	
Net profit margin	11.8	9.2	+2.5ppt	11.6	+0.2ppt	11.9	10.7	+1.2ppt	

Source: SIAEC, UOB Kay Hian

RESULTS

- 3QFY25 results in line.** SIA Engineering's (SIAEC) financial performance continued the post-pandemic improvement in 3QFY25, with headline net profit rising 7.4% qoq (42.0% yoy) to S\$38.2m, representing the highest quarterly level since the onset of the pandemic. 9MFY25 reported net profit stood at S\$107.0m, forming 74.4% of our FY25 full-year forecast. Revenue rose 5.6% qoq (11.3% yoy), backed by a continued improvement in the line maintenance business volume.
- Moderate qoq improvement in operating profit.** SIAEC's operating profit managed a moderate qoq improvement to S\$4.7m in 3QFY25 (2QFY25: S\$2.4m); this was still below the S\$15m-20m quarterly levels that SIAEC used to achieve before the pandemic. The weaker-than-pre-pandemic level of performance was mainly attributable to the supply chain issues for the global aviation sector, as the shortage of spare parts continued to hinder project deliveries by MRO service providers.
- JVs and associates remained key contributors.** Overall profit contribution from JVs and associates were in line with our expectation, at S\$90.8m in 9MFY25 (+23.0% yoy), forming 75% of our full-year forecast. The growth was broad-based across: a) engine & component, and b) the airframe and line maintenance segments.

KEY FINANCIALS

Year to 31 Mar (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	796	1,094	1,204	1,254	1,305
EBITDA	38	65	77	95	107
Operating profit	(26)	2	12	28	38
Net profit (rep./act.)	66	97	144	158	168
EPS (\$ cent)	5.9	8.6	12.8	14.0	14.9
PE (x)	39.9	27.3	18.4	16.8	15.8
P/B (x)	1.6	1.6	1.5	1.5	1.5
EV/EBITDA (x)	35.9	20.7	17.6	14.2	12.7
Dividend yield (%)	2.3	3.4	4.5	4.9	5.3
Net margin (%)	8.3	8.9	12.0	12.6	12.9
Net debt/(cash) to equity (%)	(37.6)	(37.6)	(36.4)	(35.9)	(35.8)
ROE (%)	4.1	5.8	8.4	9.0	9.4
Consensus net profit	-	-	143	155	172
UOBKH/Consensus (x)	-	-	1.00	1.02	0.97

Source: SIA Engineering, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.35
Target Price	S\$2.70
Upside	+15.0%

COMPANY DESCRIPTION

Asia's leading service provider for aircraft maintenance, repair, and overhaul (MRO); winner of MRO Asia-Pacific Awards 2024 by Aviation Week for aftermarket services and marketing campaign

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	SIE SP
Shares issued (m):	1,118.6
Market cap (\$m):	2,628.6
Market cap (US\$m):	1,960.2
3-mth avg daily t'over (US\$m):	0.3

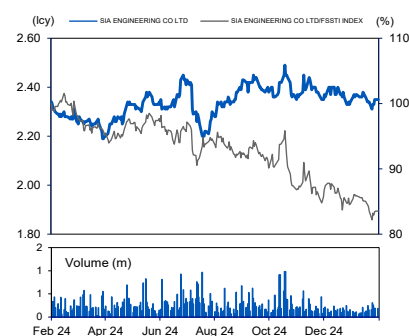
Price Performance (%)

52-week high/low	S\$2.45/S\$2.18
1mth	0.9
3mth	(0.8)
6mth	4.0
1yr	2.2
YTD	(0.8)

Major Shareholders

SIA	77.5
FY25 NAV/Share (\$)	1.55
FY25 Net Cash/Share (\$)	0.48

PRICE CHART



Source: Bloomberg

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• **Maintaining a net cash position.** SIAEC's cash position dropped slightly qoq to S\$487m as of end-3QFY25 (end-FY24: S\$646m), likely due to: a) the payment of FY24 final dividend and 1HFY25 interim dividend, b) capex outlays for capacity expansion, and c) a temporary increase in contract assets related to unfinished/unbilled projects (ie delayed project deliveries). We estimate that SIAEC's net cash position stayed near S\$480m as of end-3QFY25, representing 18% of its current market cap.

STOCK IMPACT

• **Flight activities at Changi Airport close to a full recovery.** Flight activities at SIAEC's home base Changi Airport continued to improve in 3QFY25, reaching 99.6% of pre-pandemic levels in Dec 24. As for SIAEC, the company disclosed that its line maintenance business volume at the Changi Airport had already exceeded pre-pandemic (Dec 19) levels in Dec 24. We note that SIAEC's share of the Changi Airport line maintenance business volume increased during the pandemic, averaging 85% in 9MFY25, compared with about 80% before the pandemic.

• **Healthy demand for MRO, but supply chain issues to persist in 2025.** Management sees healthy MRO demand. However, supply chain constraints, tight manpower supply and rising cost pressure remain drags for the sector. According to the International Air Transport Association, the supply chain issues are likely to persist in 2025. To tackle these challenges, management has pushed the digitalisation of operations with redesigned MRO processes to better manage inventory/spare parts for project deliveries.

• **Business expansion initiatives building foundation for future growth.** SIAEC continued to execute its strategy to expand capacity, capabilities and geographical reach. Apart from those expansion projects announced earlier (summarised at the bottom of the page), SIAEC announced in Nov 24 that it is exploring to invest in a line maintenance and ground service business in Xiamen with a local partner. While we are positive on SIAEC's business expansion initiatives, the associated start-up and development costs of these projects may somewhat drag SIAEC's financial performance in the next 2-3 years.

EARNINGS REVISION/RISK

• **No change.**

• **Key risks.** a) Margin pressure from labour and raw material cost inflation; and b) delay in project deliveries due to prolonged supply chain issues.




















VALUATION/RECOMMENDATION

• **Maintain BUY and target price of S\$2.70,** based on a FY26 DCF valuation. SIAEC currently trades at 16.8x FY26F PE (or 13.6x if ex-net-cash) or 1.7SD below its pre-pandemic historical mean of 23.2x. SIAEC offers 4.5%/4.9% dividend yields in FY25/26 respectively, by our estimate.

• **Proactive share buybacks.** SIAEC's share price downside should be limited by its proactive share buybacks. The latest purchase was done on 28 Jan 24, at S\$2.37, slightly higher than the current price.

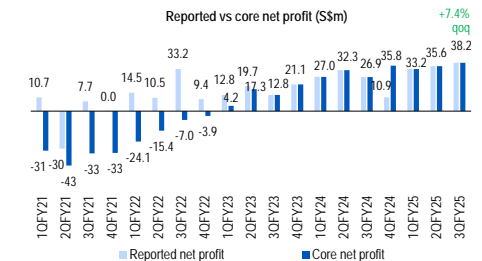
• **Re-rating catalysts** include: a) further earnings recovery, and b) earnings-accretive investments.

SUMMARY OF SIAEC'S BUSINESS EXPANSION INITIATIVES (AS OF END-1HFY25)

<div><div></div>Building Capabilities</div>	<div><div></div>Increasing Presence Abroad</div>	<div><div></div>Expanding Capacity</div>	
<div><div></div><div>Line Maintenance</div></div> <div><div></div><div>Line Maintenance JV with Cambodia Airport Investment Co., Ltd in Cambodia</div></div>	<div><div></div><div>Base Maintenance</div></div> <div><div></div><div>Base Maintenance Malaysia (BMM) to be operational in 2H 2025</div></div>	<div><div></div><div>Component Services</div></div> <div><div></div><div>JV with Eaton to be fully operational in Shah Alam, Selangor, Malaysia by early 2026</div></div>	<div><div></div><div>Engine Services</div></div> <div><div></div><div>Expansion of SAESL's facility to increase capacity for Rolls Royce's Trent engines</div></div>
<div><div></div><div>Expansion of the scope of the services agreement with Scot to include the Embraer E190-E2 Fleet</div></div> <div><div></div></div>	<div><div></div><div>SIAEP becomes the first Embraer Authorised Service Centre in Asia-Pacific to provide MRO services for Embraer E-Jets E2 aircraft</div></div> <div><div></div></div>	<div><div></div><div>APACS awarded repair licenses for Honeywell's Air Data Inertial Reference Unit (ADIRU) and Pre-Cooler Control Valve (PCCV)</div></div> <div><div></div></div>	<div><div></div><div>Expansion of Eagle Services Asia's facility to increase capacity for Pratt & Whitney's GTF engines</div></div> <div><div></div></div>
<div><div></div><div>Acquisition of 49% of Pos Aviation Engineering Services Sdn Bhd</div></div>	<div><div></div><div>Acquisition of additional stake in JAMCO aero design & engineering (JADE)</div></div>	<div><div></div><div>MOU with Thales to explore business development opportunities in APAC</div></div>	

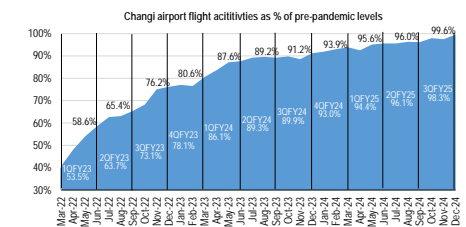
Source: SIAEC

QUARTERLY EARNINGS TREND



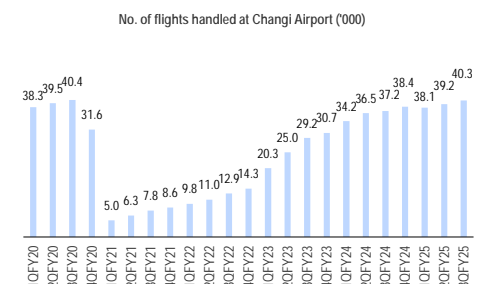
Source: SIAEC, UOB Kay Hian

FLIGHT ACTIVITIES AT CHANGI AIRPORT RECOVERED TO 99.6% OF PRE-PANDEMIC LEVELS IN DEC 24



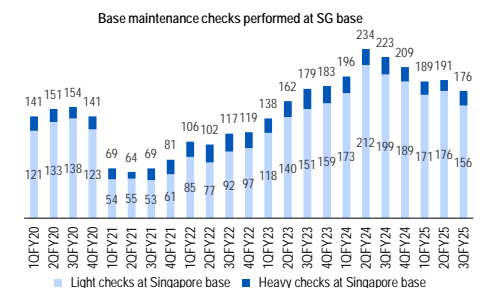
Source: Changi Airport

NUMBER OF FLIGHTS HANDLED BY SIAEC AT CHANGI AIRPORT



Source: SIAEC

BASE MAINTENANCE BUSINESS VOLUME



Source: SIAEC

PROFIT & LOSS

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Net turnover	1,094.2	1,203.6	1,254.2	1,305.3
EBITDA	65.4	77.0	95.3	107.0
Deprec. & amort.	63.1	65.1	66.9	68.8
EBIT	2.3	11.9	28.4	38.2
Total other non-operating income	(24.0)	0.1	0.0	0.0
Associate contributions	101.0	121.0	123.4	125.9
Net interest income/(expense)	20.0	19.7	20.6	20.6
Pre-tax profit	99.3	152.8	172.4	184.7
Tax	(2.2)	(3.7)	(9.8)	(11.8)
Minorities	0.0	(4.8)	(4.9)	(5.0)
Net profit	97.1	144.3	157.7	167.9

BALANCE SHEET

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Fixed assets	288.6	308.5	327.2	333.7
Other LT assets	798.8	818.5	838.5	858.8
Cash/ST investment	646.0	642.2	645.1	659.0
Other current assets	354.9	409.4	406.3	418.1
Total assets	2,088.3	2,178.5	2,217.1	2,269.6
ST debt	27.9	25.2	25.2	25.2
Other current liabilities	273.9	310.4	315.4	324.0
LT debt	82.5	80.1	80.1	80.1
Other LT liabilities	0.7	0.7	0.7	0.7
Shareholders' equity	1,687.1	1,741.1	1,769.7	1,808.6
Minority interest	16.2	21.0	26.0	31.0
Total liabilities & equity	2,088.3	2,178.5	2,217.1	2,269.6

CASH FLOW

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Operating	100.4	55.0	93.5	92.2
Pre-tax profit	99.3	152.8	172.4	184.7
Tax	(0.8)	(3.7)	(9.8)	(11.8)
Deprec. & amort.	63.1	65.1	66.9	68.8
Associates	(40.4)	(37.0)	(37.7)	(38.5)
Working capital changes	25.9	(18.0)	8.0	(3.1)
Non-cash items	9.9	(0.4)	0.0	0.0
Other operating cashflows	(56.6)	(103.9)	(106.3)	(108.0)
Investing	30.8	69.0	71.8	84.7
Capex (maintenance)	(48.7)	(57.5)	(57.5)	(46.7)
Investments	15.7	0.0	0.0	0.0
Proceeds from sale of assets	14.0	0.0	0.0	0.0
Others	49.8	126.5	129.3	131.4
Financing	(117.7)	(127.8)	(162.4)	(163.0)
Dividend payments	(84.3)	(89.8)	(129.1)	(129.1)
Issue of shares	2.7	0.0	0.0	0.0
Proceeds from borrowings	0.0	(5.1)	0.0	0.0
Loan repayment	(36.1)	(32.9)	(33.4)	(34.0)
Others/interest paid	13.5	(3.8)	2.9	13.9
Net cash inflow (outflow)	633.0	646.0	642.2	645.1
Beginning cash & cash equivalent	(0.5)	0.0	0.0	0.0
Changes due to forex impact	646.0	642.2	645.1	659.0
Ending cash & cash equivalent	100.4	55.0	93.5	92.2

KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	6.0	6.4	7.6	8.2
Pre-tax margin	9.1	12.7	13.7	14.2
Net margin	8.9	12.0	12.6	12.9
ROA	4.8	6.8	7.2	7.5
ROE	5.8	8.4	9.0	9.4
Growth				
Turnover	37.5	10.0	4.2	4.1
EBITDA	73.5	17.8	23.7	12.3
Pre-tax profit	51.6	53.9	12.8	7.1
Net profit	46.2	48.6	9.3	6.5
EPS	46.2	48.1	9.7	6.5
Leverage				
Debt to total capital	6.1	5.7	5.6	5.4
Debt to equity	6.9	6.5	6.0	5.9
Net debt/(cash) to equity	(37.6)	(36.4)	(35.9)	(35.8)

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