

COMPANY UPDATE

Singapore Airlines (SIA SP)

Feb 24 Operation Data: Both Pax And Cargo Data Better Than Expected

SIA's Feb 24 operation data beat our expectation, with pax load and cargo load exceeding our projections by 4.3% and 6.8% respectively. The strong pax load benefitted from the boost in Chinese visitor arrivals after Singapore's implementation of the visa-free arrangement for Chinese visitors effective from 9 Feb 24. We raise our FY24 net profit forecast by 1.8% and estimate SIA's 4QFY24 core net profit at S\$553m. Maintain HOLD with a higher target price of S\$6.31.

WHAT'S NEW

- Singapore Airlines (SIA) released its Feb 24 operation data on 15 Mar 24.
- 4QFY24 results preview.

FEB 24 OPERATION DATA

	Feb-24	Jan-24	chg mom	Feb-23	chg yoy
Pax operation					
Pax capacity (m seat-km)	13,644	14,743	-7.5%	11,302	+20.7%
as % of pre-covid (Jan 2020)	86.2%	93.2%	-6.9ppt	71.4%	+14.8ppt
Pax load (m pax-km)	11,779	12,583	-6.4%	9,783	+20.4%
as % of pre-covid (Jan 2020)	88.0%	94.1%	-6ppt	73.1%	+14.9ppt
Pax load Factor	86.3%	85.3%	+1ppt	86.6%	-0.3ppt
Cargo operation					
Cargo capacity (m tonne-km)	762	860	-11.4%	709	+7.4%
as % of pre-covid	95.3%	91.2%	+4.1ppt	88.7%	+6.6ppt
Cargo load (m tonne-km)	432	469	-7.8%	383	+12.9%
as % of pre-covid	97.9%	85.6%	+12.3ppt	86.7%	+11.2ppt
Cargo load factor	56.7%	54.5%	+2.2ppt	54.0%	+2.8ppt

Source: SIA, UOB Kay Hian

ESSENTIALS

• Key highlights for Feb 24 operation data:

- **Upbeat pax data with stronger-than-expected load factors.** Feb 24 pax load beat our projection by 4.3%, reaching 88.0% of pre-pandemic (Jan 20) levels mainly due to stronger-than-expected pax load factor of 86.3% (Jan 24: 85.3%), thanks to the visa-free arrangement for Chinese effective 9 Feb 24. Pax capacity recovery was broadly in line with our expectation at 86.2% of pre-pandemic levels. Adjusted for differences in length of months, Feb 24 pax capacity and load were at 92.1% and 94.1% of pre-pandemic levels, respectively.

KEY FINANCIALS

Year to 31 Mar (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	7,615	17,775	19,236	20,303	20,445
EBITDA	1,390	4,773	4,972	4,227	3,872
Operating profit	(610)	2,692	2,782	1,885	1,474
Net profit (rep./act.)	(962)	2,157	3,765	1,576	1,094
EPS (S\$ cent)	(962)	2,157	2,653	1,576	1,094
PE (x)	(32.4)	72.6	89.3	53.0	36.8
P/B (x)	n.m.	8.8	7.1	12.0	17.3
EV/EBITDA (x)	21.5	4.9	4.4	5.6	7.0
Dividend yield (%)	0.0	6.0	6.0	5.8	3.9
Net margin (%)	(12.6)	12.1	19.6	7.8	5.4
Net debt/(cash) to equity (%)	63.1	7.9	5.5	16.9	37.9
ROE (%)	n.a.	10.2	20.3	9.5	6.9

Source: Singapore Airlines, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E reflected as "n.m."

HOLD

(Maintained)

Share Price	S\$6.36
Target Price	S\$6.31
Upside	-0.8%
(Previous TP)	S\$6.28)

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):	2,973.9
Market cap (S\$m):	18,913.7
Market cap (US\$m):	14,135.8
3-mth avg daily t'over (US\$m):	30.6

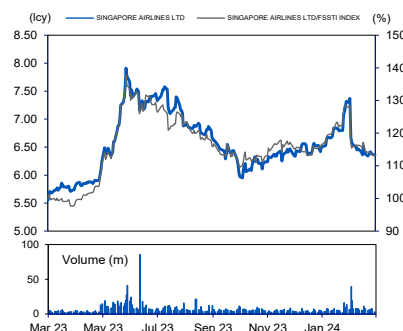
Price Performance (%)

52-week high/low	S\$7.91/S\$5.56			
1mth	3mth	6mth	1yr	YTD
(13.1)	(0.5)	(6.5)	11.0	(3.0)

Major Shareholders

Temasek Hldgs	55.4
FY24 NAV/Share (S\$)	5.21
FY24 Net Cash/Share (S\$)	0.29

PRICE CHART



Source: Bloomberg

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- **Better-than-expected cargo data supported by strong e-commerce demand.** Feb 24 cargo load exceeded our projection by 6.8%, mainly due to strong e-commerce demand, which supported cargo load factors in the seasonally slow February at 56.7% (Jan 24: 54.5%). Cargo capacity and load stood at 95.3% and 97.9% of their respective pre-pandemic levels in Feb 24. Adjusted for month length differences, cargo capacity and load were at 92.0% and 94.5% of their respective pre-pandemic levels.
- **Network recovery:** As of Feb 24, SIA's passenger network covered 121 destinations (flat mom), compared with 137 destinations before the pandemic.

- **Forecasting SIA's 4QFY24 net profit at S\$553m and FY24 full-year net profit at S\$2.66b...** Our estimated S\$553m net profit for 4QFY24 (3QFY24: S\$659m) has factored in: a) a minor 1% qoq moderation in pax yields, b) a 10% qoq decline in cargo yields, and c) a 10% qoq decline in jet fuel cost per barrel.
- **...excluding a possible exceptional gain from the Vistara disposal.** Our earnings estimates have yet to include a S\$1.11b non-cash accounting gain from the potential deemed disposal of Vistara as part of the proposed merger between Vistara and Air India. Having recently received conditional approval from the Competition & Consumer Commission of Singapore (CCCS), the deal is now pending Foreign Direct Investment and other regulatory approvals from the India side.

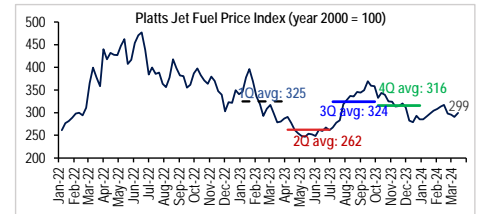
EARNINGS REVISION/RISK

- **Raised FY24 earnings forecast by 1.9% to reflect the stronger-than-expected Feb 24 operation data.** Our updated FY24 headline net profit forecast for SIA at S\$3.77b includes the aforementioned S\$1.11b accounting gain from the Air India-Vistara merger, excluding which our FY24 earnings estimate would have been S\$2.66b. Our FY25 and FY26 net profit forecasts are intact at S\$1.58b and S\$1.09b, respectively. Our declining earnings forecasts in FY24-26 reflect our expectations of pax yield moderation as competition catches up.
- **Key risks:** a) Weaker-than-expected macroeconomic environment dampening air travel and air cargo demand, and b) competition catching up faster than expected.

VALUATION/RECOMMENDATION

- **Maintain HOLD with a slightly higher target price of S\$6.31.** The slight increase in target price is due to our FY24 earnings forecast uplift. The new target price remains based on 1.18x FY25F P/B, pegged to 0.5SD above long-term historical mean of 1.09x. The +0.5SD peg reflects our recognition for SIA's outstanding track record demonstrated during the pandemic and the likely improved long-term outlook given Singapore's new visa-free arrangement with China.
- **Expecting a good FY24 final dividend of at least 28 S cents.** Even with the expected hoh lower earnings performance in 2HFY24, our FY24 full-year earnings estimate of S\$2.66b (excluding the Vistara disposal gain) is still a record high level in SIA's history. We reckon that SIA will at least sustain the same 28 S cents final dividend as last year and has potential to pay out more. Assuming that the 28 S cents final dividend is maintained for FY24 with an unchanged 10 S cents interim dividend for 1HFY25, SIA's current price implies a 6.0% yield in the next 12 months.

JET FUEL PRICE HOVERED IN A NARROW BAND SINCE END-23; SIA'S 4QFY24 AVREAGE FUEL COST PER BARREL LIKELY ABOUT 10% BELOW 3QFY24 LEVELS



Source: S&P Global

HISTORICAL P/B BAND



Source: Bloomberg

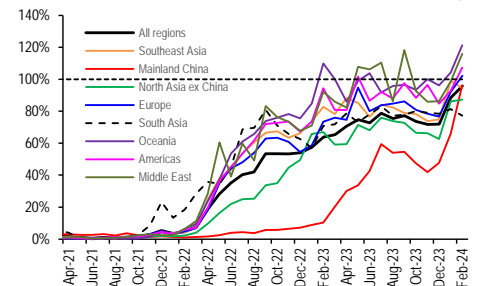
TARGET PRICE REFERENCE TABLE

	FY23	FY24F	FY25F
Adjusted BVPS	S\$4.45	S\$5.19	S\$5.34
P/B peg	Target price		
+2.0SD	1.45x	S\$6.44	S\$7.55
+1.5SD	1.36x	S\$6.04	S\$7.08
+1.0SD	1.27x	S\$5.64	S\$6.61
+0.5SD	1.18x	S\$5.24	S\$6.14
Mean	1.09x	S\$4.84	S\$5.67
			S\$6.31
			S\$5.82

*Adjusted BVPS has factored in full redemption of Mandatory Convertible Bonds

Source: UOB Kay Hian

SINGAPORE'S INTERNATIONAL VISITOR ARRIVALS AS % OF PRE-PANDEMIC LEVELS BY REGION - ALL REGIONS: 93%; CHINA: 93% IN FEB 24 (AFTER ADJUSTING FOR MONTH LENGTH DIFFERENCES)



Source: Singapore Tourism Board

PROFIT & LOSS

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Net turnover	17,774.8	19,236.2	20,302.8	20,444.8
EBITDA	4,772.6	4,971.7	4,227.3	3,872.4
Deprec. & amort.	2,080.5	2,190.0	2,341.9	2,398.2
EBIT	2,692.1	2,781.7	1,885.4	1,474.2
Total other non-operating income	(16.8)	38.1	0.0	0.0
Associate contributions	(31.2)	115.0	115.0	110.0
Net interest income/(expense)	(7.3)	258.2	(83.3)	(233.8)
Pre-tax profit	2,636.8	4,305.1	1,917.1	1,350.3
Tax	(473.5)	(516.8)	(306.4)	(210.9)
Minorities	(6.5)	(23.0)	(35.0)	(45.0)
Net profit	2,156.8	3,765.3	1,575.7	1,094.5

CASH FLOW

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Operating	9,130.1	4,153.6	3,366.2	2,805.0
Pre-tax profit	2,636.8	4,305.1	1,917.1	1,350.3
Tax	(5.2)	(516.8)	(306.4)	(210.9)
Deprec. & amort.	2,080.5	2,190.0	2,341.9	2,398.2
Associates	(94.8)	45.0	35.0	30.0
Working capital changes	4,036.6	(341.9)	(554.7)	(856.5)
Non-cash items	326.1	40.5	0.0	0.0
Other operating cashflows	150.1	(1,568.3)	(66.7)	93.8
Investing	(134.0)	(1,692.0)	(3,172.0)	(4,194.0)
Capex (growth)	31.5	(595.0)	(1,528.0)	(2,366.0)
Capex (maintenance)	(1,715.5)	(1,785.0)	(1,952.0)	(2,014.0)
Investments	(35.1)	0.0	0.0	0.0
Proceeds from sale of assets	1,219.8	0.0	0.0	0.0
Others	365.3	688.0	308.0	186.0
Financing	(6,213.4)	(9,733.6)	(3,816.4)	(172.6)
Dividend payments	(297.1)	(1,128.8)	(1,128.8)	(1,099.1)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	(981.8)	(2,561.4)	0.0	1,900.0
Others/interest paid	(4,934.5)	(6,043.4)	(2,687.6)	(973.4)
Net cash inflow (outflow)	2,782.7	(7,272.0)	(3,622.2)	(1,561.6)
Beginning cash & cash equivalent	13,762.7	16,327.6	9,055.6	5,433.4
Changes due to forex impact	(217.8)	0.0	0.0	0.0
Ending cash & cash equivalent	16,327.6	9,055.6	5,433.4	3,871.8

BALANCE SHEET

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Fixed assets	27,687.0	28,426.6	30,116.7	32,650.6
Other LT assets	2,114.9	3,341.9	3,456.9	3,566.9
Cash/ST investment	16,731.5	9,459.5	5,837.3	4,275.7
Other current assets	2,567.8	2,606.1	2,908.2	2,979.6
Total assets	49,101.2	43,834.1	42,319.1	43,472.7
ST debt	2,547.7	2,547.7	2,547.7	2,547.7
Other current liabilities	11,123.2	11,083.4	10,830.7	10,045.6
LT debt	8,613.7	6,052.3	6,052.3	7,952.3
Other LT liabilities	6,566.8	6,522.0	6,522.0	6,522.0
Shareholders' equity	19,858.3	17,215.9	15,920.1	15,915.5
Minority interest	391.5	412.9	446.3	489.7
Total liabilities & equity	49,101.2	43,834.1	42,319.1	43,472.7

KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	26.9	25.8	20.8	18.9
Pre-tax margin	14.8	22.4	9.4	6.6
Net margin	12.1	19.6	7.8	5.4
ROA	4.4	8.1	3.7	2.6
ROE	10.2	20.3	9.5	6.9
Growth				
Turnover	133.4	8.2	5.5	0.7
EBITDA	243.4	4.2	(15.0)	(8.4)
Pre-tax profit	n.a.	63.3	(55.5)	(29.6)
Net profit	n.a.	74.6	(58.2)	(30.5)
EPS	n.a.	23.0	(40.6)	(30.5)
Leverage				
Debt to total capital	39.4	34.4	39.0	41.7
Debt to equity	130.8	64.9	52.5	64.0
Net debt/(cash) to equity	7.9	5.5	16.9	37.9

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