



Singapore Air Transport – Jun25

Exit of Jetstar Asia, net positive for SIA

SINGAPORE | AIR TRANSPORT | UPDATE

- In Jun25, the aviation sector generally saw positive performance, supported by a softer tone on US tariffs. The exception was SIA, which was weighed down by recent geopolitical tensions in the Middle East, rising jet fuel prices and the tragic Air India crash. SIE was the top performers, gaining 29.3%, while SATS and CAO also steadily improved by 2.0% and 0.6%, respectively.
- In May25, SIA posted a 3.1% YoY rise in passenger traffic, slightly outpacing the 2.8% increase in passenger capacity, leading to a 0.3ppt improvement in passenger load factor (PLF,86.4%). Cargo volumes climbed 4.2% YoY, exceeding the 2.9% growth in capacity on the back of front-loading activity.
- We maintain a NEUTRAL stance on air transportation.

Exit of Jetstar Asia

Following Jetstar Asia's exit on 31 July, SIA is set to expand its network across Asia. Jetstar Asia currently operates 180 weekly flights at Changi Airport and carried 2.3mn passengers in 2024, accounting for c.3% of the airport's total traffic.

To fill the gap, Scoot plans to launch new services to Okinawa (Japan) and Labuan Bajo (Indonesia), destinations previously served exclusively by Jetstar Asia. In addition, Scoot will increase frequencies to several existing routes from August, including 28 weekly flights to Penang, 39 to Bangkok, and seven to Clark (Philippines).

Meanwhile, SIA intends to boost its Manila flights to 35 times per week. Scoot will also operate 14 weekly flights to the Philippine capital, half of which will use larger aircraft. These changes, subject to regulatory approval, are scheduled to take effect in August.

Outlook

We believe Jetstar's exit is set to be net positive for Scoot, as traffic will be redirected. Scoot has been operating under its breakeven load factor of 91% for the past year, and with more traffic to be injected, we expect yield to improve gradually.

Share price performance for SIA may be weighed down by the recent Air India Flight 171 incident, alongside surging crude oil prices driven by heightened geopolitical tensions in the Middle East. We do not expect material costs to arise from the incident, as the majority will be covered by airline insurance. However, with a 25% interest in Air India, there could still be a loss contribution from the associate, even though fundamentals are improving, as the airline reported record revenue in FY25. That said, the upcoming 30-cent dividend could help mitigate near-term downside, with the ex-date set for 8 August.

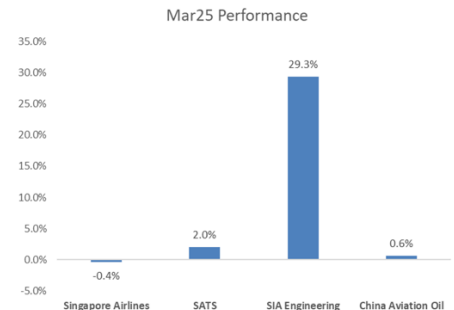
Recommendation

SIA (SIA SP, REDUCE, TP S\$6.08) We maintain our REDUCE recommendation with an unchanged TP of S\$6.08, based on 1.1x FY25e P/B, supported by SIA's strong net cash position of S\$8.3bn. Re-rating catalysts include lower-than-expected jet fuel prices and improving yields following the exit of Jetstar Asia.

SATS (SATS SP, BUY, TP S\$3.58) Despite the agreement between China and the US to reduce bilateral tariffs, uncertainty persists in the air cargo segment. Especially for e-commerce shipments from China to the US (following the removal of the De Minimis Exemption), which made up 5% of the Group's FY25 revenue. However, upside potential may emerge from evolving supply chains, with SATS well-positioned to capture rising e-commerce demand from China to Europe and the Middle East, supported by its global network.

17 June 2025

NEUTRAL (Maintained)



NEUTRAL (Maintained)

Singapore Airlines

REDUCE (Maintained)

BLOOMBERG CODE	SIA SP
LAST TRADED PRICE	SGD 6.87
FORECAST DIV	SGD 0.30
TARGET PRICE	SGD 6.08
DIVIDEND YIELD	4.37%
TOTAL RETURN	-7.13%

SATS Ltd.

BUY (Maintained)

BLOOMBERG CODE	SATS SP
LAST TRADED PRICE	SGD 3.05
FORECAST DIV	SGD 0.06
TARGET PRICE	SGD 3.58
DIVIDEND YIELD	1.84%
TOTAL RETURN	19.2%

China Aviation Oil

ACCUMULATE (Maintained)

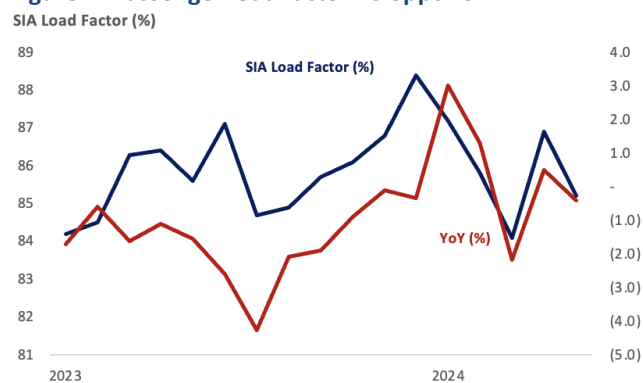
BLOOMBERG CODE	CAO SP
LAST TRADED PRICE	SGD 0.84
FORECAST DIV	SGD 0.04
TARGET PRICE	SGD 0.90
DIVIDEND YIELD	4.76%
TOTAL RETURN	11.90%

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China Aviation Oil (CAO SP, ACCUMULATE, TP S\$0.90) International air traffic surged 32% YTD in Apr25, and we expect profit from associates (SPIA) to grow at least 12% YoY in FY25e, supported by the ongoing recovery in inbound leisure and business travel. We anticipate trading volumes to rise by the low teens % in 1H, supported by growing demand for jet fuel and Sustainable Aviation Fuel (SAF).

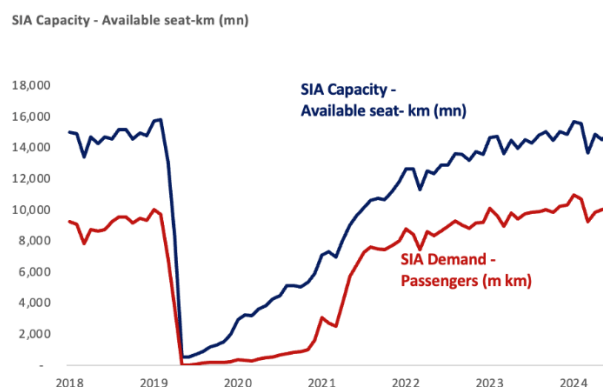
	1 Mth Perf.	3 Mth Perf.	YTD Perf.	P/BV Yr0	Divd Yield	PSR Recomm.	Target Price
Singapore Airlines	-0.4%	2.7%	2.1%	0.79	3.5%	Reduce	6.08
SATS	2.0%	0.7%	4.8%	0.25	0.2%	Buy	3.58
SIA Engineering	29.3%	34.9%	34.3%	0.21	0.1%	Non-Rated	-
China Aviation Oil	0.6%	-2.3%	-4.0%	0.02	0.1%	Accumulate	0.90
	3.1%	5.3%	5.4%	1.27	3.9%	Neutral	

Figure 1: Passenger load factor +0.3ppt YoY



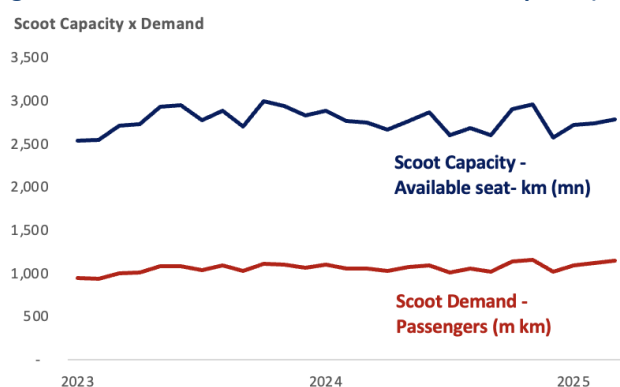
Source: PSR, SIA

Figure 2: Growth in traffic outpace capacity



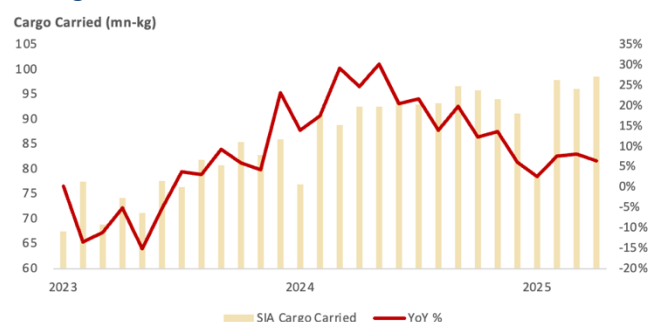
Source: PSR, SIA

Figure 3: Scoot's load factor reached breakeven point (91%)



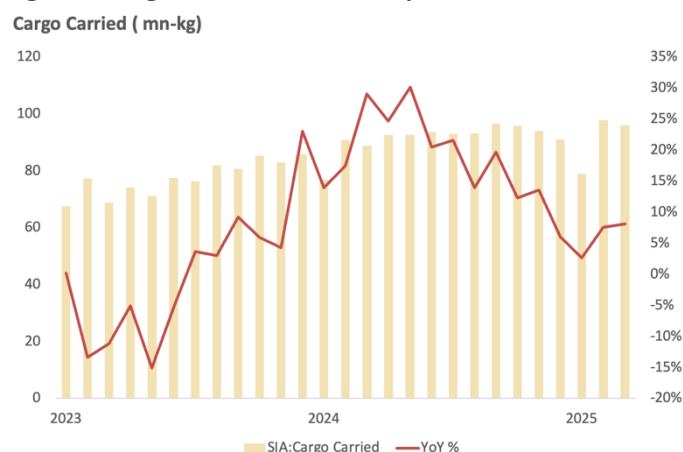
Source: PSR, SIA

Figure 4: Cargo volume +4.2%YoY in May25 due to inventory loading



Source: PSR, SIA

Figure 5: Cargo carried + 8%YoY in Apr25



Source: PSR, CEIC

Figure 6: China international air traffic +32% YoY in Apr25



Source: PSR, CEIC

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