

Singapore Airlines

Restoration of capacity by competing carriers

SINGAPORE | AVIATION | 1Q24 UPDATE

- 1Q24 net profit accounts for 42% of our FY24e estimate. We maintain our estimates as we expect yields and loads to fall in the coming quarters with more carriers restoring capacity aggressively.
- Strong passenger load (+49% YoY) driven by seasonal peak demand and re-opening in key Asian markets offset weaker cargo volume (-11.3% YoY). Other tailwinds include lower jet fuel price (-17% YoY), higher interest income (+S\$144mn) and higher associates' contributions (+S\$80.9mn). We expect these tailwinds to fade.
- We maintain a REDUCE recommendation and TP of S\$6.80, based on 1.1x price to book for FY24e. This is in line with historical P/B of 1.1x.

Results at a glance

Y/E 31 Mar (S\$mn)	1Q23	1Q24	% YoY Comments
Revenue	3,928	4,479	14.0% Strong passenger volume, offset by weak cargo
Total expenditure	- 3,372	- 3,725	10.5%
Net fuel expense	- 1,273	- 1,053	-17.3% Lower jet fuel price + hedging gain
Other non-fuel expenses	- 2,099	- 2,671	27.3% Capacity growth + cost inflation
Operating profit	556	755	35.7%
Net profit	370	734	98.4%

Source: Company, PSR #Note – Only selected financials are provided in the 1Q23 update.

The Positives

+ Record quarter driven by high passenger load. Revenue gained 14.0% YoY, driven by strong passenger load (+49.0% YoY) that outpaced the decline in cargo loads (-11.3%). A very high passenger load factor (88.9%) sustained revenue per available seat-km (RASK) at 9.6 cents (+3.2%). Passenger yield dipped 7.7% to 10.8 cents/pkm as demand growth skewed towards low-cost carrier Scoot and lower-yielding routes.

+ A big tailwind is the lower jet fuel price (-29.6% YoY). Net fuel expense fell 17.2% in spite of the higher capacity for passenger (+32.4%) and cargo (+12.1%). It also enjoyed fuel hedging gain of S\$101mn, which is not expected to recur.

+ Higher share of profits from associates of S\$80.9mn. Vistara turned in a profit, due to forex gain of S\$60mn. The merger with Air India could be concluded by March/April 2024 if it clears anti-trust scrutiny.

The Negative

- Cargo is a major drag. Cargo load factor fell 13.7ppt to 51.8%, negatively impacted by capacity increase (+12.1%) and weaker loads (-11.3%). Cargo yields fell 44.3% to 44.6 cents/load ton-km, but is still 50% higher than pre-Covid's 29.7 cents/load ton-km. Besides weak global manufacturing output, air freight is losing share to lower-cost sea freight, where rates have returned to pre-pandemic level.

Outlook

SIA expects capacity to reach 90% of pre-pandemic level at end FY24, due to capacity constraints. On the other hand, competing airlines are aggressively reinstating flights. This could exert pressure on SIA's load factors and yields. Jet fuel price has normalized YoY, and interest income could fall with lower forward bookings and higher capex.

Maintain REDUCE and unchanged TP of S\$6.80, based on 1.1x of FY24e book value.



StocksBnB.com

31 July 2023

REDUCE (MAINTAINED)

LAST CLOSE PRICE	SGD 7.580
FORECAST DIV	SGD 0.200
TARGET PRICE	SGD 6.800
TOTAL RETURN	-7.7%

COMPANY DATA

BLOOMBERG CODE:	SIA SP
O/S SHARES (MN) :	2,974
MARKET CAP (USD mn / SGD mn) :	16934 / 22545
52 - WK HI/LO (SGD) :	8.05 / 4.99
3M Average Daily T/O (mn) :	10.69

MAJOR SHAREHOLDERS (%)

TEMASEK HOLDINGS	53.6%
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PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(0.3)	29.2	43.1
STTF RETURN	3.9	3.1	8.4

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar (S\$, 'mn)	FY22	FY23	FY24e	FY25e
Revenue	7,615	17,775	17,523	16,671
Gross Profit	(610)	2,692	2,421	1,503
EBIT	(628)	2,675	2,435	1,517
NPAT	(962)	2,157	1,749	999
P/NAV (x)	1.0	1.1	1.3	1.2
P/E (x)	(23.4)	10.4	12.9	22.5
ROE (%)	-5.0%	10.2%	9.3%	5.6%

Source: Company, PSR

VALUATION METHOD

P/B Multiple @ 1.1x FY24e

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Financials

Income Statement

Y/E Mar, (\$'mn)	FY21	FY22	FY23	FY24e	FY25e
Revenue	3,816	7,615	17,775	17,523	16,671
Cost of sales	(6,314)	(8,225)	(15,083)	(15,102)	(15,168)
Gross Profit	(2,498)	(610)	2,692	2,421	1,503
Dividend income	8	4	4	4	4
Other non-operating expenses	(128)	(50)	(58)	10	10
Impairments	(1,995)	27	38	-	-
EBIT	(4,612)	(628)	2,675	2,435	1,517
Net finance expenses	(233)	(346)	(7)	(296)	(281)
Share of results of associates and	(113)	(116)	(31)	(20)	(20)
Profit before tax	(4,957)	(1,090)	2,637	2,119	1,216
Taxation	674	142	(474)	(360)	(207)
Net Profit	(4,283)	(948)	2,163	1,759	1,009
Minority interests	13	(14)	(7)	(10)	(10)
Profit attributable to owners	(4,271)	(962)	2,157	1,749	999

Per share data (\$ cents)

Y/E Mar	FY21	FY22	FY23	FY24e	FY25e
BVPS	536.0	755.2	668.5	594.5	616.1
DPS	-	-	38.0	20.0	12.0
EPS	(143.4)	(32.4)	72.6	58.9	33.6

Cash Flow

Y/E Mar, (\$'mn)	FY21	FY22	FY23	FY24e	FY25e
CFO					
Pretax profit	(4,957)	(1,090)	2,637	2,119	1,216
Adjustments	5,172	2,621	2,462	2,448	2,628
WC changes	(3,424)	1,519	4,037	(4,160)	2,494
Cash generated from ops	(3,209)	3,050	9,135	408	6,337
Others	(177)	(220)	14	(389)	(606)
Cashflow from ops	(3,386)	2,830	9,150	19	5,731
CFI					
CAPEX, net	(2,696)	(3,049)	(1,602)	(3,700)	(4,400)
Others	1,308	737	1,116	-	-
Cashflow from investments	(1,388)	(2,312)	(486)	(3,700)	(4,400)
CFF					
Dividends paid to owners	(14)	(1)	(299)	(594)	(356)
Proceeds from borrowings, net	1,168	(757)	(1,722)	(1,300)	(500)
Others	8,816	6,195	(3,860)	(3,354)	-
Cashflow from financing	9,969	5,437	(5,881)	(5,248)	(856)
Net change in cash	5,196	5,955	2,783	(8,929)	474
Cash at the start of the period	2,805	7,969	13,763	16,328	7,398
Currency translation	(33)	25	(218)	-	-
Ending cash	7,969	13,948	16,328	7,398	7,873

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Mar, (\$'mn)	FY21	FY22	FY23	FY24e	FY25e
ASSETS					
PPE & Investment Properties	23,483	24,571	23,833	24,925	27,038
Others	4,426	6,412	5,969	6,390	6,296
Total non-current assets	27,909	30,983	29,802	31,315	33,333
Cash and cash equivalents	7,783	13,763	16,328	7,398	7,873
Inventories	195	187	227	187	229
Trade and other receivables	940	1,566	1,193	1,688	1,053
Others	755	2,172	1,552	1,552	1,552
Total current assets	9,672	17,688	19,299	10,825	10,706
Total Assets	37,581	48,671	49,101	42,140	44,040
LIABILITIES					
Trade and other payables	2,117	2,733	4,040	2,166	4,067
ST borrowings	907	607	2,548	1,248	1,248
Others	2,689	4,529	7,083	5,484	5,331
Total current liabilities	5,713	7,869	13,671	8,898	10,645
LT borrowings	10,565	11,406	8,614	8,614	8,114
Others	5,025	6,597	6,567	6,567	6,567
Total non-current liabilities	15,590	18,002	15,181	15,181	14,681
Total liabilities	21,303	25,871	28,851	24,079	25,326
EQUITY					
Share Capital	7,180	7,180	7,180	7,180	7,180
Retained profits	5,363	5,647	6,557	7,711	8,354
Others	3,363	9,585	6,121	2,768	2,768
Total equity	15,906	22,412	19,858	17,659	18,302
Minority interests	372	389	392	402	412
Total equity and liabilities	37,581	48,671	49,101	42,139	44,039

Valuation Ratios

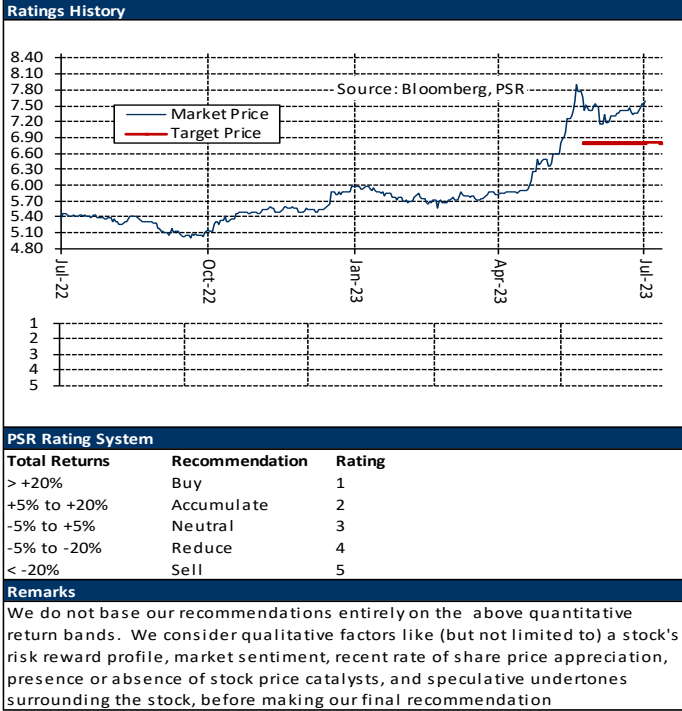
Y/E Mar	FY21	FY22	FY23	FY24e	FY25e
P/E (x)	-5.3	-23.4	10.4	12.9	22.5
P/B (x)	1.4	1.0	1.1	1.3	1.2
EV/EBITDA (x)	-10.1	16.5	3.7	5.4	6.2
Dividend yield (%)	0.0%	0.0%	5.0%	2.6%	1.6%

Growth & Margins (%)

Growth					
Revenue	-76.1%	99.6%	133.4%	-1.4%	-4.9%
Gross profit	-1944.8%	-75.6%	-541.5%	-10.1%	-37.9%
EBIT	-12300.8%	-86.4%	-525.8%	-9.0%	-37.7%
PBT	2156.3%	-78.0%	-341.9%	-19.6%	-42.6%
Margins					
Gross profit margin	-65.5%	-8.0%	15.1%	13.8%	9.0%
EBIT margin	-120.9%	-8.2%	15.0%	13.9%	9.1%
Net profit margin	-111.9%	-12.6%	12.1%	10.0%	6.0%

Key Ratios

ROE	-33.9%	-5.0%	10.2%	9.3%	5.6%
ROA	-12.0%	-2.2%	4.4%	3.8%	2.3%
Net Gearing (%)	22.7%	-7.7%	-25.5%	13.6%	8.0%



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