

Singapore Airlines

Better than expected 3Q25 performance



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Singapore | AVIATION | 3Q25 UPDATE

24 February 2025

- 9M25/3Q25 revenue met our expectations, inching up 3.3%/2.7%YoY to S\$14.7/5.2bn, forming 76%/26% of the FY25e estimates. The growth was underpinned by a record passenger carried of 10.2mn, which increased 7.2%YoY.
- Net profit for 9M25/3Q25 was S\$2.37bn, which surged 12.8%/146.7%YoY as SIA recognized a one-off \$1,098mn non-cash accounting gain following the completion of the Air India-Vistara merger. Adjusted PATMI for 9M25/3Q25 lands at S\$1.27bn/528mn due to an 8.2%YoY decline in net fuel cost and a seasonally stronger 3Q, which outperforms our forecast at 82%/32% of full-year estimates.
- 3Q25 passenger yield and cargo yield both declined by 4.5% YoY due to heightened competition. With IATA noting that most capacity growth in 2025 will be directed toward the Asia market, coupled with a weaker cargo outlook amid U.S. tariffs, we believe yields may deteriorate further. We raise our FY25e core net profit forecast by 4% to S\$1.61bn, driven by better-than-expected 3Q25 profit. However, we remain cautious, as 4Q is typically a seasonally weaker quarter, and additional U.S. tariffs may further dampen cargo yield growth. We upgrade SIA to NEUTRAL with a higher TP of S\$5.73 (prev: S\$5.25), based on 1.1x FY25e P/B (prev: 1.0x P/B) due to 1) SIA's normalized ROE of 13.8%, which is significantly above its 10-year average of 5.2% and the pre-COVID level of 5.5%. The 10-year average P/B stands at 1.0x, while SIA currently trades at 1.3x P/B, which we believe is overvalued. 2) SIA declared an FY23-24 DPS of S\$0.38–0.48, with a 52–53% payout ratio. For FY25e, we are factoring in a higher payout ratio of 54% to 0.28 cents, supported by its strong cash position of S\$8.3bn and a delay in its CAPEX schedule.

NEUTRAL (Upgrade)

LAST CLOSE PRICE	SGD 6.53
FORECAST DIV	SGD 0.28
TARGET PRICE	SGD 5.73
TOTAL RETURN	-8.0%

COMPANY DATA

BLOOMBERG CODE:	SIA SP Equity
O/S SHARES (MN):	2,973
MARKET CAP (USD mn / GBP mn):	14029 / 18672
52 - WK HI/LO (GBP):	7.38 / 5.86
3M Average Daily T/O (mn):	4.63

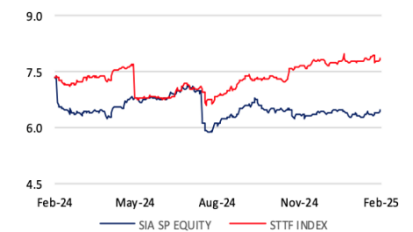
MAJOR SHAREHOLDERS

Temasek Holdings Pte Ltd	53.3%
Vanguard Group Inc	1.8%
BlackRock Inc	1.4%

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	1.1	3.0	(0.3)
STTF RETURN	2.7	5.0	3.6

PRICE VS. STTF



Source: Bloomberg, PSR

Result at a glance

(\$ mn)	9M25	9M24	YoY (%)	3Q25	3Q24	YoY (%)	Comments
Revenue	14,716	14,244	3.3%	5,219	5,082	2.7%	Robust demand for air travel in the 3Q25
Expenditure	13,292	12,082	10.0%	4,590	4,473	2.6%	In line with capacity expansion of 8.5%
Operating Profit	1,425	2,163	-34.1%	629	609	3.3%	
Net Profit	2,368	2,100	12.8%	1,626	659	146.7%	One-off \$1bn non-cash accounting gain
Adjusted Net Profit	1,270	2,100	-39.5%	528	659	-19.9%	
Passenger yield	10.3	11.0	-6.4%	10.7	11.2	-4.5%	Intense competition
Passenger carried	29,447	26,879	9.6%	10,214	9,527	7.2%	
Passenger load factor	86.6%	88.6%	(2.0ppt)	87.2%	88.2%	(1.0ppt)	

Source: Company, PSR

The Positives

+ Record passenger carriage. SIA and Scoot recorded the highest quarterly passengers of 10.2mn on the back of the seasonally strong demand, resulting in a growth of 1.7%YoY. Meanwhile, the growth rate for 3Q25 cargo loaded also surpasses capacity increase by 1.8% on the back of the robust e-commerce demand, a step up in freighter charter, and spillover demand from the Red Sea conflict, which redirects time-sensitive products to air freight. We expect a seasonally softer 4QFY25 ahead as passenger demand in Jan-Mar tends to be softer alongside muted cargo momentum during the CNY period (Jan-Feb) due to the closure of factories.

The Negative

- Yield deteriorates further. Passenger yield decreased by 4.5%YoY to 10.7 cents/km in 3Q25 as Asia airlines ramped up their capacities aggressively. Despite various promotions, the group passenger load factor fell 1.0ppt to 87.2% since the 7.2% growth in passenger traffic shortfall capacity expansion of 8.5%. 3Q25 revenue for the low-cost carrier (LCC) declined by 53.8% YoY due to capacity reductions. However, we expect full-year capacity to remain comparable to FY24 levels.

KEY FINANCIALS

Y/E Mar (mn,S\$)	FY23	FY24	FY25E	FY26E
Gross Rev	17,775	19,013	19,374	19,876
Gross profit	2,692	2,728	1,634	1,719
EBITDA	4,773	4,913	3,756	3,893
NPAT	2,170	2,701	1,606	1,593
P/E(x)	8.6	6.9	11.6	11.7
ROE	16.5%	19.0%	10.7%	10.3%
Dividend yield	6.1%	7.6%	4.5%	4.3%

Source: Company, PSR

VALUATION METHOD

P/B Multiple@1.1x FY25e

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Outlook

SIA's 25.1% stake in the Air India Group was acquired after the company finalized the sale of its 49% share in Vistara to Air India in November 2024. This transaction generated a one-time gain of S\$1,098mn for SIA in 3Q25. Air India and SIA added 51 new codeshare destinations in October 24; however, Air India is not isolated from the intensified competition among airlines, and SIA does observe declining yield.

SIA indicates that Inbound demand from China remains robust, while outbound demand is relatively soft. Chinese passengers contribute c.30% of revenue for the full-service carrier (FSC) and 15-20% for the low-cost carrier (LCC). We expect Chinese demand to recover gradually in the upcoming financial year, driven by more aggressive stimulus measures to boost consumption in China.

Non-fuel costs for 9M25 increased by 10% YoY, which is in line with the 10.1% YoY capacity expansion. SIA remains prudent in cost management and has actively negotiated cost savings amid an inflationary environment. We expect non-fuel costs to maintain the 9M25 trend for the remainder of the year.

While 4Q25 passenger and cargo yields may continue to decline, the magnitude of the drop is unlikely to be as severe as in 1H25, given that airlines are ramping up capacity at a slower pace.

Upgrade to NEUTRAL with a higher TP of S\$5.73 (prev: S\$5.25)

We upgrade SIA to NEUTRAL with a higher TP of S\$5.74 (prev: S\$5.25), based on 1.1x FY25e price-to-book (P/B) (previously 1.0x P/B), driven by 1) SIA's normalized return on equity (ROE) of 13.8%, significantly exceeding its 10-year average of 5.2% and pre-COVID level of 5.5%. While the 10-year average P/B stands at 1.0x, SIA is currently trading at 1.3x P/B, which we view as overvalued. 2) A higher anticipated dividend payout for FY25e at 54% to S\$ 0.28 cents, following SIA's FY23-24 DPS of S\$0.38–0.48 and a 52–53% payout ratio. This is supported by its strong cash position of S\$8.3bn and a delay in its CAPEX schedule.

Financials

Income Statement

Y/E Mar, (\$\$mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	7,615	17,775	19,013	19,374	19,876
Operating expenses	8,225	15,083	16,285	17,740	18,157
EBIT	(610)	2,692	2,728	1,634	1,719
EBITDA	1,390	4,773	4,913	3,756	3,893
Interest Expense	(392)	(420)	-425	(447)	(389)
Interest Income	46	413	632	517	417
Aircraft Sales & Spare Sale	86	(7)	65	-	-
Dividend from investment	4	4	0	-	-
Other non-operating items	(50)	(58)	-50	-	-
Income from associates	-116	-31	74	113	124.19
PBT	(1,090)	2,637	3,037	1,816	1,871
Tax	142	(474)	-342	(256)	(262)
PAT	(948)	2,163	2,695	1,561	1,609
Minority interest	14	7	20	20	16
EBIT	(962)	2,157	2,675	1,541	1,593
One-offs	(108)	(14)	-26	-	-
Adjusted net profits	(882)	2,170	2,701	1,606	1,593

Per unit data

Y/E Mar, (\$\$mn)	FY22	FY23	FY24	FY25E	FY26E
EPS (cents)	(29)	73	91	54	54
DPS (cents)	-	38	48	28	27
BVPS (cents)	768	682	564	521	547

Y/E Mar, (\$\$mn)	FY22	FY23	FY24	FY25E	FY26E
CFO					
Pre-tax profit	(1,090)	2,637	3,037	1,816	1,871
Adjustments	2,621	2,462	2,004	1,864	1,946
WC Change	1,510	4,031	14	(161)	(189)
Net cash from Ops	3,042	9,130	5,055	3,519	3,627
CFI					
CAPEX, net	(3,049)	(1,602)	(1,231)	(3,000)	(4,500)
Others	802	1,468	(205)	(8)	55
Net cash from investing	(2,247)	(134)	(1,436)	(3,008)	(4,445)
CFF					
Dividend paid to owner	-	(297)	(1,130)	(1,248)	(821)
Proceeding from borrowing	8	6	418	(1,000)	(500)
Net cash from financing	5,160	(6,213)	(8,779)	(3,725)	(1,294)
Net Cash Flow	5,980	2,565	(5,059)	(3,214)	(2,111)
Beginning Cash	7,783	13,763	16,328	11,269	8,055
Ending Cash	13,763	16,328	11,269	8,055	5,944

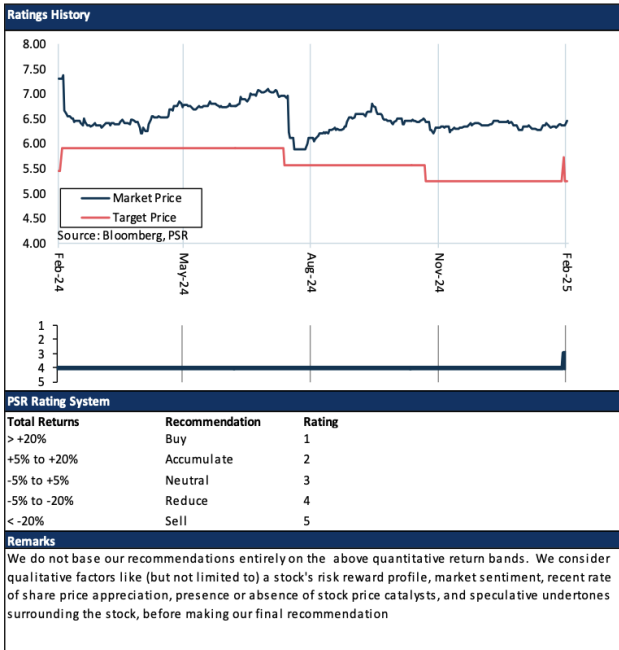
Y/E Mar, (\$\$mn)	FY22	FY23	FY24	FY25E	FY26E
Net fixed assets	24,571	23,833	23,436	24,398	26,745
Long-term investments	43	39	39	39	39
Intangible assets	303	298	305	305	305
Other non-current assets	6,067	5,633	4,844	4,957	5,081
Total Non-Curr Assets	30,983	29,802	28,623	29,698	32,170
Cash & other liq assets	14,169	16,732	11,789	8,574	6,463
Other liquid assets	1,956	1,704	2,039	2,028	2,070
Non-cash assets	1,563	864	1,814	1,814	1,814
Total Current Assets	17,688	19,299	15,642	12,416	10,348
Current borrowings	1,175	3,165	1,528	1,528	1,528
Other current liabilities	6,694	10,506	11,143	11,227	11,342
Total Curr Liabilities	7,869	13,671	12,672	12,755	12,871
Long-term debt	12,483	8,996	8,848	7,848	7,348
Other long-term liabilities	5,519	6,185	6,001	6,001	6,001
Total Non-Curr Liabilities	18,002	15,181	14,848	13,848	13,348
Shareholders equity	22,412	19,858	16,338	15,083	15,855
Minority interests	389	392	407	427	443

Valuation ratios

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	(21.8)	8.6	6.9	11.6	11.7
P/B (x)	0.8	0.9	1.1	1.2	1.1
Dividend yield	-	6.1%	7.6%	4.5%	4.3%

Margins					
EBIT	-8.0%	15.1%	14.3%	8.4%	8.6%
EBITDA	18.3%	26.9%	25.8%	19.4%	19.6%
PATMI	-12.6%	12.1%	14.1%	8.0%	8.0%
Adj PATMI	-11.2%	12.2%	14.2%	8.3%	8.0%
Key Ratios					
ROE	-6.8%	16.5%	19.0%	10.7%	10.3%
ROA	-2.0%	4.4%	5.8%	3.7%	3.8%
ROCE	-2.6%	12.5%	14.6%	8.6%	8.3%
Debt / Equity	70.0%	77.2%	82.3%	82.5%	75.4%
Net Debt / Equity	8.6%	-5.0%	13.3%	29.1%	37.9%
Debt / EBITDA	11.3x	3.2x	2.7x	3.3x	3.1x

Source: Company, Phillip Securities Research (Singapore) Estimates



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