

Singapore Airlines

Recurring losses from Air India



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Singapore | AVIATION | 1Q26 UPDATE

- 1Q26 PATMI (ex-associates)/with associates declined by 31.9% YoY / 58.8% YoY to S\$308mn / S\$186mn, underperforming our expectations and forming 12% / 21% of full-year estimates. The decline was mainly due to lower interest income (-S\$61mn) and a S\$122mn share of losses from associated companies (Air India).
- Passengers carried by SIA and Scoot rose 6.9% YoY and PLF inched up by 0.7ppt to 86.6%, as Revenue passenger-km outpaced capacity expansion by 0.8ppt. However, passenger yields declined by 2.9% YoY to 10.0 cents per RPKs, pressured by intensifying competition as more carriers ramped up capacity across key routes.
- We expect FY26e earnings to be supported by a depreciating USD (-c.4% QoQ) and lower jet fuel cost (-7.9% YoY in 1Q26), mainly due to a 16.9% YoY decline in fuel prices. While passenger and cargo yields remain under pressure amid ongoing geopolitical tensions and rising costs, demand for air travel remains resilient. We cut our FY26e PATMI by 30% to account for the more severe-than-expected loss from associates, while maintaining our REDUCE call with a lower TP of S\$5.94 (prev: S\$6.08), based on 1.1x FY25e P/B. SIA is currently trading at FY26e P/B of 1.3x, which we view as overvalued. Upside risks include stronger-than-expected passenger and cargo demand, as well as improved fundamentals at Air India.

Result at a glance

(\$ mn)	1Q26	1Q25	YoY (%)	Comments
Revenue	4,790	4,718	1.5%	Robust demand for air travel and cargo
Expenditure	4,386	4,248	3.2%	Higher non-fuel expenditure
Operating Profit	405	470	-13.8%	
Net Profit	186	452	-58.8%	Lower interest income & losses from associates
Adjusted Net Profit	308	466	-33.9%	
Passenger yield	10.0	10.3	-2.9%	Industry-wide capacity growth
Passenger carried	10,270	9,603.0	6.9%	Robust demand for air travel
Passenger load factor	87.6%	86.9%	0.7ppt	

Source: Company, PSR

The Positives

+ Record passenger carriage. SIA and Scoot refreshed their record passengers again with a surge of 6.9% YoY. We expect better contributions from Scoot from 1H26 onwards, as 2H is usually seasonally stronger, especially with the network expansion plan (Da Nang (Vietnam) and Kota Bharu (Malaysia) in Oct 25, Nha Trang (Vietnam) in Nov 25).

+ Cost savings from lower jet fuel prices and depreciation of the USD. The USD has depreciated from S\$1.35 during Jan-Mar 2025 to S\$1.30 currently, which we expect will alleviate cost pressures, given that nearly 70% of the operating expenses are denominated in US Dollars. Additionally, fuel price after hedging plunged by 10.7% YoY to US\$93.86 per barrel in 1Q26. We anticipate the lower jet fuel prices to benefit SIA from 2Q26 onward due to the lagging effect.

The Negative

- Cargo revenue is expected to be volatile. Cargo flown revenue declined by 1.9% YoY to S\$530.5mn as yields weakened by 4.4% YoY. Cargo load factor (CLF) fell 0.8ppts YoY to 56.9%, with cargo volume rising 2.8% YoY, outpaced by a 4.2% YoY increase in available capacity. SIA expects a choppy outlook for air cargo demand, given the uncertainty surrounding U.S. tariffs after 1 August. We expect both cargo and passenger yields to continue trending down in FY26e, albeit at a slower pace, while remaining above pre-COVID levels (10.1 cents/RPK).

30 July 2025

Reduce(Maintained)

LAST CLOSE PRICE	SGD 7.04
FORECAST DIV	SGD 0.40
TARGET PRICE	SGD 5.94
TOTAL RETURN	-10.0%

COMPANY DATA

BLOOMBERG CODE:	SIA SP Equity
O/S SHARES (MN):	3,027
MARKET CAP (USD mn / GBP mn):	16541 / 21312
52 - WK HI/LO (GBP):	7.63 / 5.86
3M Average Daily T/O (mn):	5.76

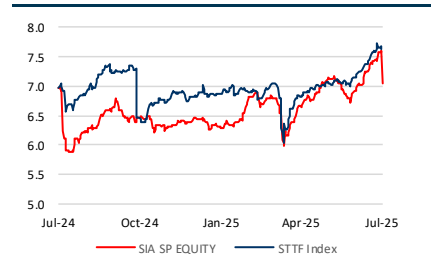
MAJOR SHAREHOLDERS

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

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	9.7	14.3	18.0
STTF RETURN	7.4	12.6	15.4

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar (mn,\$)	FY24	FY25	FY26E	FY27E
Gross Rev	19,013	19,540	19,346	19,930
Gross profit	2,728	1,709	1,363	1,182
EBITDA	4,913	4,090	3,749	3,720
NPAT	2,701	1,676	1,010	1,059
P/E(x)	7.8	12.5	20.8	17.7
ROE	16.5%	19.0%	11.0%	6.4%
Dividend yield	6.8%	5.7%	2.9%	2.8%

Source: Company, PSR

VALUATION METHOD

P/B Multiple@1.1x FY25e

LIU MIAOMIAO
Research Analyst
liumm@phillip.com.sg

(+65 6212 1852)

- **Higher provision from the share of losses of associates.** SIA reported a share of losses from associated companies amounting to S\$122mn in 1Q26, primarily due to Air India's financial performance, which was not consolidated in 1Q25. We expect this loss to be a recurring item, given that Air India was the most significant loss contributor within the Tata Group in FY25, with its losses widening by c.48% YoY. SIA believes it is premature to quantify the financial impact of the Air India Flight 171 incident. However, the airline has since cancelled eight flights, seen a nearly 20% decline in overall bookings, and experienced an estimated 18% drop in average airfares.

Outlook

SIA noted that while the closure of Jetstar Asia may appear beneficial for Scoot, the overall impact at the Group level remains marginal, as only two new routes have been added. Jetstar accounted for approximately 3% of the total market share.

Forward bookings remain healthy for 2Q25, with less front-loading activity on the cargo front. SIA intends to deploy its fleet of seven freighters to manage any sudden shifts in market demand in response to developments from the U.S.

Maintain REDUCE with a lower TP of S\$5.94 (prev: S\$6.08)

We expect FY26e earnings to be underpinned by a weaker USD (-c.4% QoQ) and lower jet fuel costs (-7.9% YoY in 1Q26), driven mainly by a 16.9% YoY decline in fuel prices. Despite persistent pressure on passenger and cargo yields due to elevated geopolitical risks and cost inflation, underlying travel demand remains resilient. We revise our FY26e PATMI forecast down by 30%, reflecting the sharper-than-anticipated losses from associates. Our REDUCE rating is maintained, with a lower target price of S\$5.94 (prev: S\$6.08), based on 1.1x FY25e P/B. At the current valuation of 1.4x P/B, we view SIA as overvalued. Upside risks include stronger-than-expected recovery in travel and cargo demand, as well as improving performance at Air India.

Financials

Income Statement

Y/E Mar, (\$mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	17,775	19,013	19,540	19,346	19,930
Operating expenses	15,083	16,285	17,831	17,983	18,748
EBIT	2,692	2,728	1,709	1,363	1,182
EBITDA	4,773	4,913	4,090	3,749	3,720
Interest Expense	(420)	-425	(396)	(359)	(322)
Interest Income	413	632	492	392	342
Aircraft Sales & Spare Sale	(7)	65	(14)	-	-
Dividend from investment	4	0	2	-	-
Other non-operating items	(58)	-50	1,114	-	-
Income from associates	-31	74	57	0	0
PBT	2,637	3,037	2,965	1,146	1,202
Tax	(474)	-342	(153)	(126)	(132)
PAT	2,163	2,695	2,812	1,020	1,070
Minority interest	7	20	34	10	11
EBIT	2,157	2,675	2,778	1,010	1,059
One-offs	(14)	-26	1,102	-	-
Adjusted net profits	2,170	2,701	1,676	1,010	1,059

Per unit data

Y/E Mar, (\$mn)	FY23	FY24	FY25	FY26E	FY27E
EPS (cents)	73	91	56	34	36
DPS (cents)	38	48	40	20	18
BVPS (cents)	682	564	540	540	556

Y/E Mar, (\$mn)	FY23	FY24	FY25	FY26E	FY27E
CFO					
Pretext profit	2,637	3,037	2,965	1,146	1,202
Adjustments	2,462	2,004	1,406	2,281	2,445
WC Change	4,031	14	337	(156)	(41)
Net cash from Ops	9,130	5,055	4,708	3,270	3,606
CFI					
CAPEX, net	(1,602)	(1,231)	(1,768)	(4,600)	(4,600)
Others	1,468	(205)	(1,534)	(8)	30
Net cash from investing	(134)	(1,436)	(3,302)	(4,608)	(4,570)
CFF					
Dividend paid to owner	(297)	(1,130)	(1,429)	(1,016)	(583)
Proceeding from borrowing	6	418	902	(500)	(500)
Net cash from financing	(6,213)	(8,779)	(4,327)	(1,483)	(1,063)
Net Cash Flow	2,565	(5,059)	(2,999)	(2,820)	(2,027)
Beginning Cash	13,763	16,328	11,256	8,257	5,437
Ending Cash	16,328	11,269	8,257	5,437	3,410

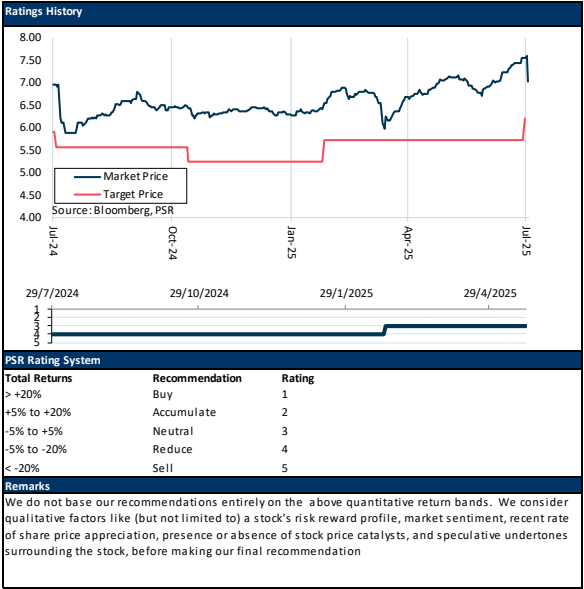
Y/E Mar, (\$mn)	FY23	FY24	FY25	FY26E	FY27E
Net fixed assets	23,833	23,436	23,481	25,776	27,881
Long-term investments	39	39	40	40	40
Intangible assets	298	305	339	339	339
Other non-current assets	5,633	4844	7,832	7,832	7,832
Total Non-Curr Assets	29,802	28,623	31,691	33,985	36,091
Cash & other liq assets	16,732	11,789	8,777	5,956	3,929
Other liquid assets	1,704	2,039	1,847	1,832	1,879
Non-cash assets	864	1,814	772	772	772
Total Current Assets	19,299	15,642	11,396	8,560	6,580
Current borrowings	3165	1528	2750	2750	2750
Other current liabilities	10,506	11,143	11,205	11,159	11,297
Total Curr Liabilities	13,671	12,672	13,955	13,909	14,048
Long-term debt	8,996	8848	7,435	6,935	6,435
Other long-term liabilities	6,185	6001	5,627	5,627	5,627
Total Non-Curr Liabilities	15,181	14,848	13,062	12,562	12,062
Shareholders equity	19,858	16,338	15,656	15,650	16,127
Minority interests	392	407	414	424	435

Valuation ratios

Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
P/E (x)	9.6	7.8	12.5	20.8	17.7
P/B (x)	1.0	1.3	1.3	1.3	1.1
Dividend yield	5.4%	6.8%	5.7%	2.9%	2.8%

Margins					
EBIT	-8.0%	15.1%	14.3%	8.7%	7.0%
EBITDA	18.3%	26.9%	25.8%	20.9%	19.4%
PATMI	-12.6%	12.1%	14.1%	14.2%	5.2%
Adj PATMI	-11.2%	12.2%	14.2%	8.6%	5.2%
Key Ratios					
ROE	-6.8%	16.5%	19.0%	11.0%	6.4%
ROA	-2.0%	4.4%	5.8%	3.8%	2.4%
ROCE	-2.6%	12.5%	14.6%	8.8%	6.3%
Debt / Equity	70.0%	77.2%	82.3%	82.5%	79.3%
Net Debt / Equity	8.6%	-5.0%	13.3%	29.7%	44.6%
Debt / EBITDA	11.3x	3.2x	2.7x	3.2x	3.3x

Source: Company, Phillip Securities Research (Singapore) Estimates



Contact Information (Singapore Research Team)

Head of Research

Paul Chew – paulchewkl@phillip.com.sg

Research Admin

Qystina Azli - qystina@phillip.com.sg

Technical Analyst

Zane Aw – zaneawyx@phillip.com.sg

Property | REITs

Darren Chan – darrenchanrx@phillip.com.sg

Property | REITs

Liu Miaomiao – liumm@phillip.com.sg

Banking | Auto

Glenn Thum – glennthumjc@phillip.com.sg

US Tech Hardware | E-commerce | ETF

Helena Wang – helenawang@phillip.com.sg

Construction | Semiconductors

Yik Ban Chong (Ben) – chongyb@phillip.com.sg

Communications | CRM

Serena Lim - serenalimyq@phillip.com.sg

Software | Services

Alif Fahmi - aliffahmi.shakir@phillipcapital.com.my

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd

Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

JAPAN

Phillip Securities Japan, Ltd.

4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

THAILAND

Phillip Securities (Thailand) Public Co. Ltd

15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED STATES

Phillip Capital Inc

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

INDIA

PhillipCapital (India) Private Limited

No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

MALAYSIA

Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

INDONESIA

PT Phillip Securities Indonesia

ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

FRANCE

King & Shaxson Capital Limited

3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

AUSTRALIA

Phillip Capital Limited

Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

TURKEY

PhillipCapital Menkul Degerler

Esentepe Mah. Harman 1 Sk.
Nida Kule Kat 3-12 Levent-Şişli
34394, İstanbul Turkey
Tel: +90 (212) 239 10 00
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

HONG KONG

Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd

No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

UNITED KINGDOM

King & Shaxson Capital Limited

6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

CAMBODIA

Phillip Bank Plc

Ground Floor of B-Office Centre, #61-64,
Norodom Blvd Corner Street 306, Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

DUBAI

Phillip Futures DMCC

Member of the Dubai Gold and
Commodities Exchange (DGCCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

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