

## Recommendation

DATE	15/12/2023
RECOMMENDATION	<b>SELL</b>
UPSIDE	<b>-12.68</b>
CURRENT PRICE	SGD 6.47
TARGET PRICE	SGD 3.78
INDUSTRY	AVIATION
TICKER	C6L
STOCK EXCHANGE	SGX

We initiate coverage on Singapore Airlines (**SGX:C6L**) with a **SELL** recommendation based on a 12-month price target of \$5.63 based on our discounted cash flow (DCF) model and relative valuation. Our target price represents a **12.68% Downside** from the last close of \$6.47 on 15 December 2023.

## BUSINESS DESCRIPTION

Singapore Airlines Ltd (SIA) is a prominent aviation company offering passenger and cargo air transportation services. It operates through segments including Singapore Airlines, Budget Aviation (Scoot), SIAEC, and Others. The company provides a range of services such as airframe maintenance, line maintenance, technical ground handling, fleet management, and aircraft cabin equipment manufacturing. Established on January 28, 1972, and headquartered in Singapore, SIA serves both short and long-haul markets with a focus on full-service and low-cost passenger segments

SIA Flight route



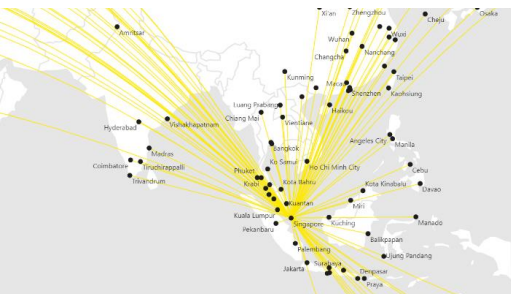
Source: Company Filings

SIA Flight route



Source: Company Filings

Scoot Flight route



## BUSINESS MODEL

Singapore Airlines (SIA), a leading **premium airline**, generates revenue primarily through air transportation services for passengers and cargo. The company, operating globally, emphasizes customer service and innovation, with ticket sales across various cabin classes being a major income source. SIA operates through **Full-Service Carrier (FCC)** encompassing Singapore Airlines and its cargo division, Scoot a **Low-Cost Carrier (LCC)** which operated as a budget airline, and SIA Engineering. Beyond core aviation services, it offers engineering, pilot training, air charters, and tour wholesaling, including aircraft galley refurbishment. SIA flight Revenue Drivers: SIA flight revenue is recorded as either net passenger revenue or net cargo revenue. (1) Capacity, measured by available seats per kilometres (KM) (ASKs); (2) passenger load factors, the number of seats which generate revenue; and (3) yield, the return on each of these revenue-generating **Loyalty Revenue Drivers**: KrisFlyer, its loyalty programme that allows members to enjoy exclusive access to shopping privileges, earn more KrisFlyer miles, and get priority on new arrivals. The SIA Group's lifestyle rewards program, featuring membership tiers such as Member, Insider, Icon, and Ambassador, provides various benefits, including earning miles per dollar spent and discounts on regular-priced items.

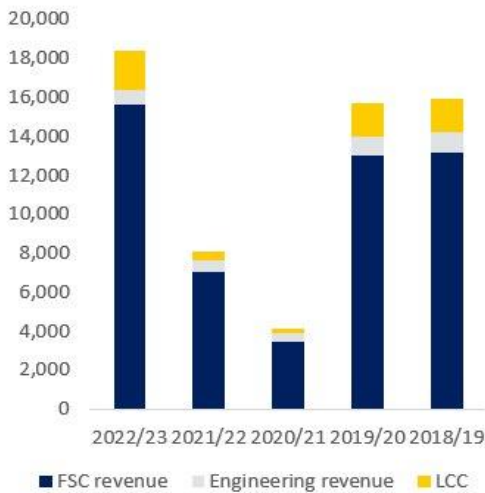
**Engineering Revenue drivers**: SIAEC will provide comprehensive component support coverage for aircraft and engine spares onsite consignment, pooling support services, as well as repair and overhaul support services for the airline's fleet of Airbus A320 aircraft.

## Investment Thesis #1 | Market Reacts to Pent-Up Air Travel Demand: Unraveling the Hype

The sell recommendation for Singapore Airlines (SGX:C6L) emerges despite recent positive outcomes propelled by pent-up demand. While acknowledging the company's success in capitalizing on increased passenger traffic and robust profits, the recommendation to sell stems from foreseen challenges ahead. Anticipated normalization of demand, coupled with escalating fuel costs and post-pandemic uncertainties, underpin this cautious outlook.

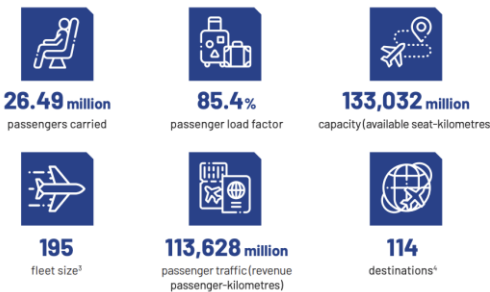
The 12-month target price of \$5.63, reflecting a 12.68% downside from the December 15, 2023, closing price of \$6.47, is the outcome of comprehensive valuation methods including discounted cash flow (DCF) analysis and relative valuation assessments. This valuation

### Historical Revenue Mix



Source: Company Filings

### FY22/23 Numbers



Source: Company Filings

underscores potential risks and aligns with the premise that Singapore Airlines might face hurdles in sustaining its recent growth momentum.

Despite the airline's commendable performance due to pent-up demand, the thesis stresses the impending difficulties in maintaining such elevated growth rates. Concerns surrounding normalized demand levels post the initial surge and the mounting operational expenses associated with rising fuel costs contribute to the recommendation to sell. Consequently, the sell stance is validated by the projected market price downside, emphasizing the prudence of a cautious approach in the face of potential future challenges.

### Investment Thesis #2 | Macro Headwinds

Despite Singapore Airlines' (SGX:C6L) recent resilience amid heightened travel demand, a sell recommendation emerges due to a complex interplay of macroeconomic headwinds that may hinder sustained growth. The company's triumphant performance in capitalizing on pent-up demand is overshadowed by a series of macro-level challenges threatening its future trajectory.

The prospect of demand normalization post the initial surge, coupled with escalating fuel costs, inflationary pressures, and currency fluctuations, presents a daunting landscape for the airline's outlook. The derived 12-month target price of \$5.63, indicating a 12.68% downside from the December 15, 2023, closing price of \$6.47, is rooted in a comprehensive evaluation encompassing discounted cash flow (DCF) modeling and relative valuation analyses. This valuation underscores the pervasive influence of macro headwinds on the airline's performance outlook.

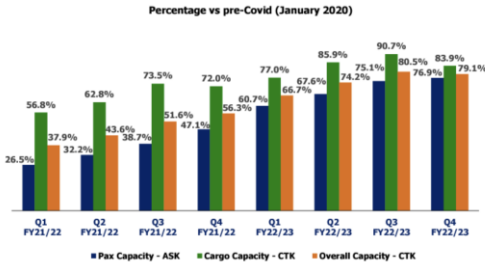
While recognizing Singapore Airlines' commendable resilience in seizing opportunities within pent-up demand, this thesis shifts focus to the looming macroeconomic challenges. The volatile global economic conditions pose substantial risks, with potential demand moderation posing a significant threat. The surge in operational costs due to amplified fuel prices amid geopolitical tensions and rising inflation, combined with probable currency volatilities, bolsters the rationale behind the sell recommendation. Consequently, this thesis advocates a cautious investment stance, mindful of the intricate macroeconomic complexities that could hinder the company's sustained performance despite its recent achievements. In conclusion, the sell recommendation for Singapore Airlines reflects an understanding of the prevailing macroeconomic turbulence, emphasizing the importance of prudence in navigating uncertainties. It underscores the imperative for investors to consider the broader economic context influencing the company's prospects, urging a measured approach given the formidable challenges ahead.

## INDUSTRY ANALYSIS & COMPETITIVE LANDSCAPE

### Market Dynamics | Riding the Recovery

**Outlook for passenger demand remains robust in the near term, and the Asia-Pacific remains a dynamic region for growth.** Although the recovery holds considerable significance, it remains fragmented. The varying geoic patterns of this recovery are inherently connected to the gradual easing of travel restrictions. The airline industry faces significant macro headwinds such as inflation, heightened interest rates, rising price of oil and the strength of US dollar. Inflation has driven all costs through the supply chain including maintenance, insurance, and salaries higher, while a stronger US dollar has also added to cost inflation for majority of airlines. In 2022, the Asia-Pacific region initially lagged, but as the year unfolded and restrictions gradually eased, we observed a more positive development. International traffic in the region has approached nearly 80% of pre-pandemic levels. The consumer confidence rose from 45.8 in September 2022 to 47.6 in September 2023, showing a stronger demand and heightened determination and desire to travel. Passenger traffic demonstrated strong growth at 24.8% when compared to the previous year, surpassing the capacity expansion rate of 23.7%. As a result, the group's passenger load factor increased by 0.7 percentage points year-on-year, reaching 87.7%. Specifically, SIA and Scoot reported

### Group Operating Statistics



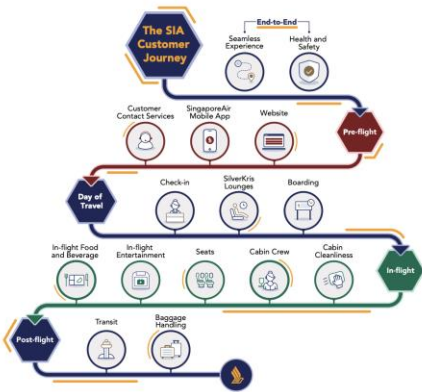
Source: Company filings

### Industry Dynamics | Leading Airline in Recovery

**Pent-up travel demands:** Pent-up demand has driven net profits of Singapore Airlines to an all-time high of \$734 Million SGD within the first 3 months of FY2023/2024. The group's passenger capacity increased by 32.4% compared to the previous year, thanks to the relaxation of international travel restrictions worldwide. SIA and Scoot collectively transported 8.4 million passengers during the quarter, marking a remarkable 65.5% rise from the previous year. Strong demand was observed across all route regions and market segments. Passenger traffic and load factors saw improvements in all markets, with a year-on-year traffic growth of 49.0% surpassing the capacity expansion. Notably, the group achieved a historic quarterly passenger load factor (PLF) of 88.9%, with SIA achieving a record 88.1% PLF and Scoot reaching an even higher record of 91.7%.

**Rising jet fuel costs:** In view of the conflict in Middle East, price of oil has gone up as concern of a wider conflict escalated. Jet fuel prices has gone up in line with higher oil prices as well. Airline unit revenue has a positive relationship with fuel prices, where cost increases must be passed on through airfares.

### Customer Engagement

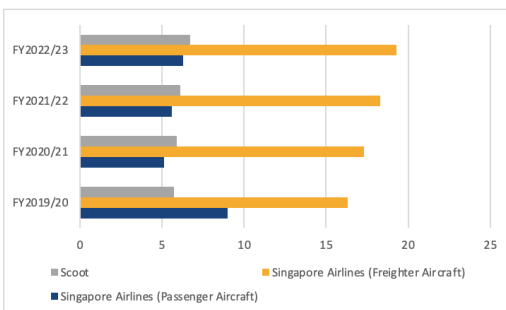


Source: Company filings

### Competitive Positioning | All rounded Airline

**Leading the industry:** The airline is widely recognized as a top-tier carrier, holding a prestigious 5-star rating from Skytrax and having achieved the title of the world's best airline on five occasions. Furthermore, their fleet encompasses a diverse selection of Boeing and Airbus aircraft, such as the A350, 787, 777, A380, and 737. On top of that, Singapore Airlines has the 5<sup>th</sup> largest market cap of \$13.10 Billion USD. Singapore Airlines possesses two primary assets: aircraft and its workforce, and it adeptly manages these assets to outperform its competitors in service quality while simultaneously maintaining lower operational costs. A distinguishing feature of SIA is its commitment to keeping its fleet consistently young. This strategy initiates a positive feedback loop: the rarity of mechanical failures results in fewer takeoff delays, more punctual arrivals, and fewer flight cancellations. Younger planes also prove to be more fuel-efficient and require less repair and maintenance, with repairs accounting for only 3.49% of SIA's total costs in 2022, in contrast to 4.5% for United Airlines and 6.2% for American Airlines. SIA's aircraft spend less time in maintenance hangars, which means they spend more time in the air, averaging 13 hours of daily operation compared to the industry average of 11.3 hours. Furthermore, passengers tend to prefer newer aircraft, enhancing the overall customer experience.

### Average fleet age (years)



Source: Company Filings

**Outstanding customer experience:** KrisFlyer represents the loyalty program offered by the Singapore Airlines Group, crafted to provide rewards to travel enthusiasts. The program experienced a substantial increase in its global membership base, surpassing 6.7 million members by March 31, 2023, marking a 29.3% rise from the previous year, competing against Qantas Frequent Flyer which only managed to increase their members by 7.8%. KrisFlyer achieved over \$900 million in redemption revenue in FY2022/23, marking a 30% surge from FY2019/20. Why KrisFlyer is able to achieve such growth is because of their personalized service from the cabin crew. Being a customer-centric company, Singapore Airlines prioritizes customer service and one of them is personalization. Singapore Airline's competitive edge lies in their unique experience they are able to provide customers, enhancing over experience, thus, able to retain current customers through the KrisFlyer program.



# FINANCIAL ANALYSIS

In our valuation analysis, we projected a 5-year Compound Annual Growth Rate (CAGR) of 2.4%. Contrasting this with our examination of the 10-year historical data, we observed an average historical CAGR of 3.56%. Notably, this upward spike can be attributed to the temporary surge resulting from the easing of COVID restrictions.

## PROFITABILITY RATIO

**Net profit margin:** SIA maintained an average Net Profit Margin (NPM) of 3.59%, indicating a level of stability in its profitability. However, the margin exhibited notable volatility, ranging from a low of -76.12% to a high of 133.42%. This substantial fluctuation underscores the industry's sensitivity, particularly when confronted with significant external factors, as exemplified by the profound impact of the pandemic.

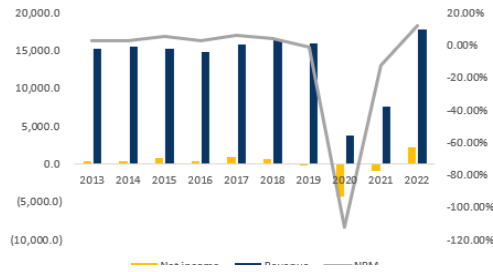
**Operating Profit margin:** Singapore Airlines has excelled in managing operating expenses, showcasing strong operational efficiency. With an impressive average Operating Profit Margin (OPM) of 4.9%, the company has effectively controlled costs associated with day-to-day operations. This accomplishment highlights strategic cost management, operational improvements, and resilience in a competitive industry.

**Asset Turnover Ratio:** Prior to the onset of the COVID-19 pandemic, Singapore Airlines' Asset Turnover Ratio (ATR) experienced a declining trend, indicating a challenge in efficiently leveraging assets to generate revenue. The pandemic further underscored this efficiency concern. This anticipates a potential shift towards achieving a more optimal and consistent rate of revenue generation in the post-pandemic landscape. The reopening of borders presents an opportunity for the airline to recalibrate its operations and enhance the efficiency of its asset base, contributing to a more resilient and responsive business model.

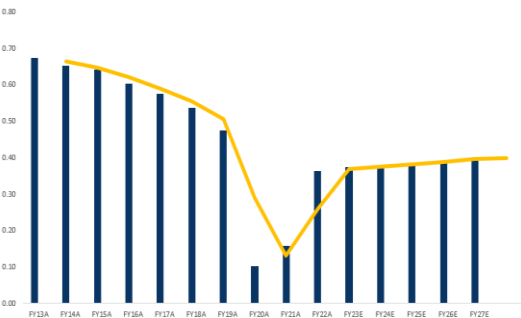
**Equity Multiplier:** The equity multiplier serves as a crucial metric in gauging a company's financial leverage. A higher equity multiplier implies an increased dependence on debt for financing, signaling a potentially more aggressive capital structure. On the other hand, a lower multiplier suggests a more conservative approach, with a higher proportion of equity in the company's capital structure. During the challenging period of the COVID-19 pandemic, Singapore Airlines (SIA) experienced a notable surge in financial leverage. This increase was necessitated by the unprecedented closure of borders, compelling the airline to resort to taking on additional debt to sustain its operations. The heightened equity multiplier during this period reflected the temporary shift towards a more leveraged position as the company navigated the unprecedented disruptions in the global travel industry.

**Return On Equity:** Unsurprisingly, the pandemic exerted a significant impact on Return on Equity (ROE). From FY 2019 to FY 2021, the company faced negative net income, resulting in a negative ROE during this period. However, there is now a notable trend of recovery, with post-COVID conditions witnessing a return to more typical and stable ROE levels. The resilience displayed during the challenging period is indicative of the company's ability to navigate adversity and adapt to the evolving landscape. As conditions improve, the trajectory toward normalizing ROE suggests a positive outlook for the company, reflecting its capacity to rebound and restore financial performance to pre-pandemic levels.

**Dupont Analysis:** DuPont analysis dissects Return on Equity (ROE) into three key ratios—Net Profit Margin (NPM), Asset Turnover Ratio (ATR), and Equity Multiplier—providing a holistic view of a company's financial performance. NPM assesses cost efficiency and profitability, ATR evaluates asset utilization and operational efficiency, and the Equity Multiplier gauges financial leverage. This breakdown offers a detailed understanding of what factors contribute to ROE, enabling stakeholders to identify specific strengths and weaknesses within a company's financial structure. The analysis is instrumental for strategic decision-making, aiding in the identification of areas for improvement or optimization in terms of profitability, asset efficiency, and financial risk.



Source: Company Filings



Source: Company Filings



Source: Company Filings

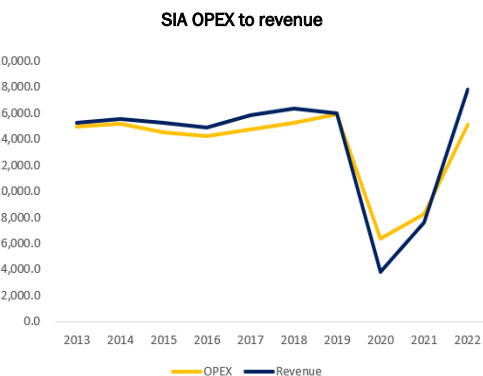
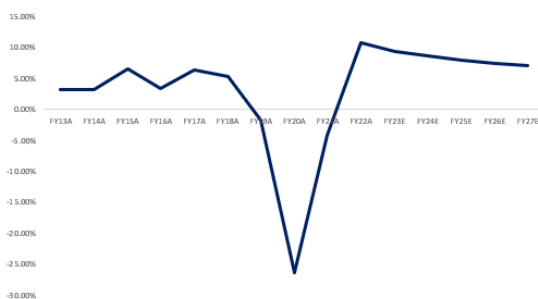


Figure 1: Return On Equity



Source: Company Filings

## PROFITABILITY STRUGGLES

**Operating Expense** : During the COVID period, (SIA) faced a notable challenge as its revenue structure was underpinned by operating expenses (OPEX) surpassing revenue. This financial dynamic suggests a situation where the costs associated with the day-to-day operations of the airline exceeded the income generated during this challenging period. Now, amid the industry's recovery, SIA is strategically positioning itself for growth as travel ongoing adaptability in SIA's journey towards a balanced operating expenses-to-revenue relationship. As the industry continues to recover, the challenge lies in optimizing cost structures while capitalizing on emerging opportunities for revenue growth.

## VALUATION

We reiterate a SELL recommendation for Singapore airlines with a one-year target price of \$5.63, offering an 12.68% downside from its closing price of \$6.47 as of December 15<sup>th</sup>, 2023. Our recommendation was derived from a combination of Free Cash Flow to Firm (FCFF) DCF model and Relative Valuation with a weightage of 50% and 50% respectively. To further support our recommendations, we then run our DCF model through scenario and sensitivity analysis to assess the input variability impact on the implied price.

## DISCOUNTED CASH FLOW

Our DCF (Discounted Cash Flow) valuation, we've utilized the 5-Year Free Cash Flow to Firm (FCFF) methodology to ascertain the intrinsic value of the company. Our rationale for opting for a 5-year forecast is grounded in the dynamic nature of the aviation industry, currently experiencing a surge owing to the easing of COVID restrictions. We anticipate a return to normalcy in the near term, making a more extended forecast unnecessary for our valuation analysis. Arriving at a blended implied share price of \$5.63.

## TERMINAL GROWTH

Our assumption for the terminal growth rate was determined by using Singapore's GDP growth rate calculating the 10 years historical weighted average of GDP growth based on Department of Statistics Singapore revenue composition ending it up at 1.5%.

## WACC

**Cost of Equity:** We have chosen a risk-free rate of 2.95%, aligning with the anticipated return on 10-year bonds. This decision is rooted in the extensive track record and notable stability exhibited by Singapore Airlines as a well-established and resilient company. The equity risk premium of 5% was taken from Aswath Damodaran. Beta of 0.9 was taken from Capital IQ.

total interest expense by the sum of all interest-bearing debt and a effective tax rate of 17% in Singapore.

**WACC:** With the cost of debt and cost of equity calculated, a weighted average cost of capital (WACC) of 5.59% is derived.

## SENSITIVITY ANALYSIS

Our sensitivity analysis on the DCF valuation showed that by varying WACC ( $\pm 0.5\%$ ) and terminal growth rate ( $\pm 0.5\%$ ), it resulted in a potential price range between \$3.62 and \$4.7. Every figure in the sensitivity table is above the current share price of \$5.63, further supporting our BUY recommendation. We believe that our sensitivity analysis

Cost of Equity	
Risk free rate	2.95%
Equity risk premium	5.00%
Beta	0.90
Cost of equity	7.45%

Cost of Debt	
Cost of Debt	3%
Effective tax rate	17.00%
After-tax cost of debt	2.38%

WACC Calculation	
Total debt (mn)	11,161
Market cap (mn)	19,184
Debt as proportion of capital structure	36.8%
Equity as proportion of capital structure	63.2%

<b>WACC</b>	<b>5.59%</b>
-------------	--------------

	2.00%	2.50%	3.00%	3.50%	4.00%
5.95%	6.01	6.01	6.01	6.01	6.01
6.45%	5.60	5.60	5.60	5.60	5.60
6.95%	5.27	5.27	5.27	5.27	5.27
7.45%	4.99	4.99	4.99	4.99	4.99
7.95%	4.76	4.76	4.76	4.76	4.76

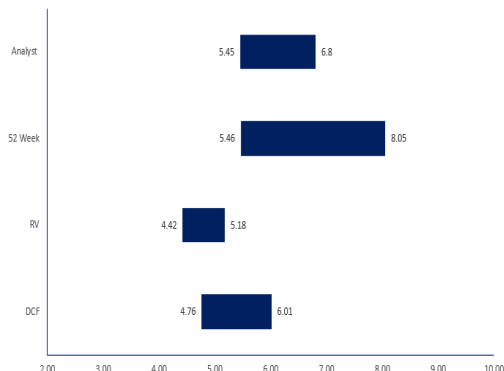
## SCENARIO ANALYSIS

**Bear Case:** In the bear case scenario for Singapore Airlines (SIA), challenges arise as both staff costs and fuel costs escalate, putting pressure on the airline's operational expenses. Additionally, revenue stagnation exacerbates the strain, impacting the overall financial performance. This scenario envisions a difficult operating environment, potentially leading to lower profitability and financial stress for the airline.

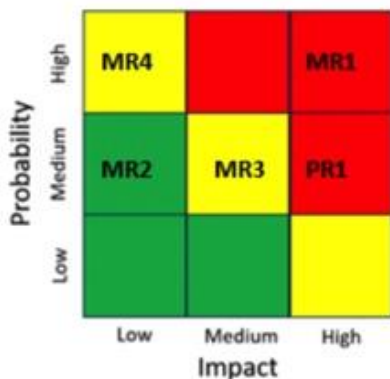
**Base Case:** The base case anticipates a more optimistic outlook for Singapore Airlines. Revenue is expected to grow at a steady rate of 2.4%, indicating a moderate but consistent expansion. In this scenario, the airline navigates challenges effectively, maintains operational stability, and sustains a reasonable level of growth. The base case represents a balanced and plausible trajectory for SIA, factoring in a measured pace of recovery and adaptation to industry dynamics.

**Bull Case:** With an optimistic outlook, the bull case envisions the reopening of borders and a robust resurgence in revenue. SIA seizes this opportunity to not only recover from previous challenges but also to achieve substantial growth, capitalizing on the favorable global travel environment. This scenario reflects a highly positive and accelerated trajectory for Singapore Airlines, assuming favorable external conditions and strategic management decisions.

Valuation Football field

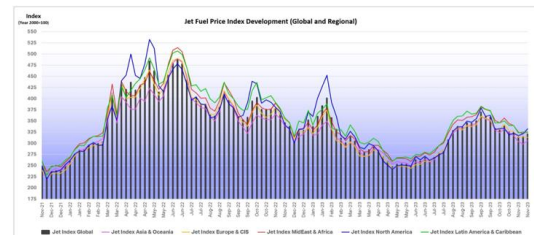


Risk Matrix



Source: Company filings

Jet Fuel Price



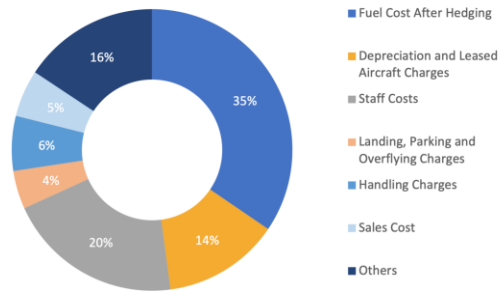
## INVESTMENT RISKS

### MARKET RISKS

**MR1: Persistent elevated fuel prices (Impact: High, Probability: High).** Singapore airlines revenue is highly pegged to jet fuel prices and thus face significant risk in Jet price fluctuation. Fuels is one of the most significant operating costs for airlines. Some airlines that have not hedged fuel will be directly impacted by the rising prices, airlines have two options in terms of managing the increased cost of fuel; they must either absorb the cost themselves, which may be a challenge as profit margins are already slim currently, or pass the higher fuel costs on to passengers through higher air fares. **Impact:** When fuel prices rise, SIA's operating expenses increased, comprising a \$3,020 million(+138%) increase in net fuel cost. Net fuel cost rose to \$5,209 million, mainly due to the 49.6% increase in fuel prices(+\$1,942 million). This squeeze profit margins and impact the airline's financial performance. **Mitigant:** The SIA group, which comprises of SIA and budget carrier Scoot, said it has hedged up to 40% of its fuel requirement for the period up to the first quarter of it's 2023/24 financial year, this fuel hedging compared to other global airlines operators.

**MR2: Foreign Exchange Risk (Impact: Low, Probability: Medium).** The international nature of the aviation industry means that airlines are exposed to currency fluctuation risk. Most carriers incur both costs and revenues in a number of currencies, and the fact that some of these cash flows require conversion into a different currency forms the basis of an airline's foreign exchange (FX) risk. **(1: Consumer Demand)** Changes in exchange rates can affect travel choices differently for each route. This depends on factors like the balance of travelers on a specific route. For instance, on the US-Spain route, where about two-thirds of travelers are from the US, a recent drop in the euro's value compared to the dollar could increase traffic. Trips to Spain become cheaper for Americans, outweighing the negative impact of pricier trips to the US for Spaniards. Also, if the weaker euro makes it more expensive for people in the Eurozone to travel outside their currency area, it could boost demand for travel within the Eurozone. In the US, an increase in international travel. In simpler terms, the cost of traveling can change based on currency values, and this influences people's travel decisions. **(2: Airline Capacity Decisions)** Changes in exchange rates can impact how airlines decide on the amount of flights available. In the short term, airline capacity is mostly fixed, but airlines can make small adjustments, like using different-sized planes or strategic cancellations, to respond to

### Group Expenditure



Source: Company filings

### Group Operating Statistics - Cargo

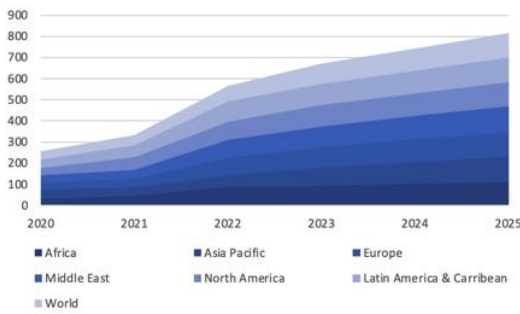
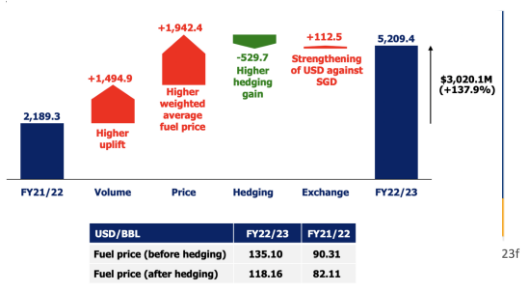


Figure 2: Global Airline Revenue

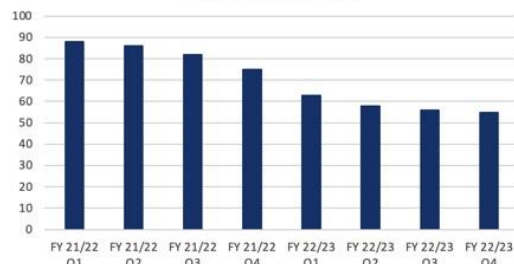
### Fuel Cost Analysis



Source: IATA Sustainability and Economics, Tourism Economics (March 2023 release)

### Estimated Expected Increase in Passengers (%)

#### Cargo Load Factor (%)



changes in prices and customer demand. However, these actions don't significantly alter the overall supply of flights. Instead, airlines are more likely to adjust prices rather than the number of flights to balance supply and demand. In the long term, if exchange rates permanently and significantly change, airlines might consider this when planning their flight networks or deciding on new aircraft investments. However, these considerations are usually outweighed by more fundamental factors like expected future demand and corporate strategies. Exchange rates are typically part of a sensitivity analysis rather than the main factor driving decisions. **(3: Financial Accounts)** Changes in exchange rates can affect airlines' financial situations, impacting both day-to-day profitability and the valuation of their financial records. When airlines deal with costs and revenues in multiple currencies, there's a chance of financial imbalances. This can happen in three ways:

- Natural Hedge:** This is when foreign currency revenues precisely match foreign currency costs. However, it's rare for airlines to have perfectly matching foreign exchange costs and revenues in terms of amount or timing.
- Foreign Currency Deficit:** This occurs when foreign currency revenues are less than foreign currency costs.
- Foreign Currency Surplus:** This happens when foreign currency revenues exceed foreign currency costs.

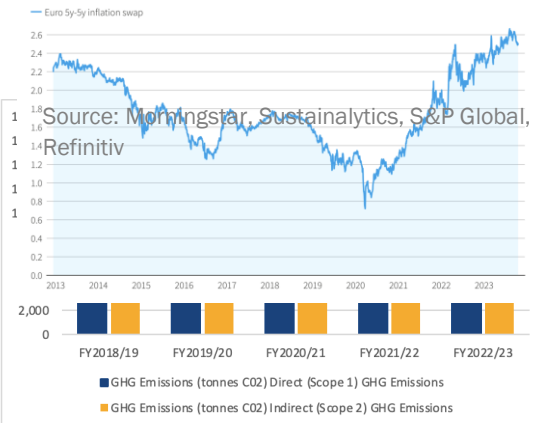
**MR3: Air cargo demand decline (Impact: Medium, Probability: Medium).** Cargo flown revenue fell \$735 million (-16.9%) to \$3,604 million as a result of lower cargo loads and yields. Near term cargo demand is expected to remain soft as the industry navigates headwinds from the macroeconomic environment, and as inventory levels recalibrate to post-Covid conditions. Inflation and weak economic conditions will impact consumer demand and trade. Geopolitical and macroeconomic uncertainties, as well as high cost inflation, could pose challenges for the airline industry in the months ahead. Even though fuel prices have moderated in recent months, they remain at elevated levels. The air cargo market faced challenges on multiple fronts in FY2022/23, with demand softening in the face of macroeconomic headwinds and fewer production orders, as importers trimmed inventory levels and concerns over slowing consumer demand mounted. The annual contraction of cargo demand in April was driven by the softening demand for carriers in North America and Europe (Chart 2). However, there were signs of improvement in CTKs for airlines in the Asia Pacific region, which accounted for a relatively small portion of the overall 6.6% annual decline in industrywide CTKs. **Impact:** Cargo had been the flag carrier's saving grace during the COVID-19 pandemic when passenger contributions plunged due to international travel restrictions. Cargo revenue made up more than half of all revenue in FY2021 and FY2022 as SIA capitalised on low industry cargo capacity by operating cargo-only flights to maximise cargo load. With the pandemic largely behind us, inventory recalibration and softer demand mean that cargo will take a backseat. This suggests that future performance will hinge heavily on passenger numbers.

**MR4: Intensifying competition from other players (Impact: Low, Probability: High).** Singapore Airlines anticipates heightened competition within the airline industry, driven by the increasing demand for overseas travel as the world emerges from the pandemic. SIA's record first-quarter profit is indicative of its success in capitalizing on the rebound in travel demand. However, as normalization progresses, other Asian carriers, particularly Chinese and Japanese airlines, are expected to aggressively pursue market share recovery. This competitive landscape, fueled by investments from airlines worldwide in enhancing flight frequencies and expanding their route networks, poses challenges for SIA's sustained dominance. SIA faces formidable competition on Europe-Asia routes, where major players like Emirates Airlines and Qatar Airways hold substantial market shares. The encroachment of low-cost carriers, including Air Asia and Qatar Airways, is affecting SIA's presence in both regional and economic market segments. **Impact:** Credit Suisse had an "underperform" on SIA, citing a decline in cargo performance during the January-March 2023 fiscal fourth quarter and a moderation in passenger yield amid rising competition. SIA group's revenue passenger kilometre (RPK) demand growth also slowed, showing less than 5% q-o-q growth in 2QFY2024 as compared to its 16% q-o-q growth in 2QFY2023. **Mitigant:** The company is



pushing ahead with its various strategic initiatives, which include building partnerships and alliances with other carriers and building on its multi-hub strategy through its acquisition of a 25.1 per cent stake in Air India. and upgrading and investing in new products such as better lounges and cabin retrofits. The group has 100 new-generation aircraft in its order book, including nine new 112-seater Embraer E190-E2 aircraft to Scoot's fleet from 2024, complementing the budget carrier's larger Airbus A320 family and Boeing 787 aircraft. The group continues to increase its network of destinations by reinstating services to Busan in the second quarter while Scoot resumed flights to Jinan, Nanchang, and Shenzhen in China.

Historical Scope 1 and 2 Emissions



Source: LSEG

Figure 3: ESG Risk Rating

	Risk Rating	Enviro.	Social	Gov.
Morningstar	Medium (28.13%)	N/A	N/A	N/A
Sustainalytics	Medium (27.4%)	9.3	12.4	5.7
S&P Global	52	51	54	52
Refinitiv	Good (72%)	68	73	76

SIA Brand Promise



Source: Company filings

## POLITICAL RISK

**PR1: Geopolitical Uncertainty (Impact: High, Probability: Medium).** The conflict between Israel and Hamas that broke out in October 2023, has the potential to disrupt the world economy and even tip it into recession if more countries are drawn in. The Middle East is a crucial supplier of energy and a key shipping passageway. Today's world economy looks vulnerable. It's still recovering from inflation exacerbated by Russia's invasion of Ukraine last year. Another war in an energy-producing region could rekindle inflation. This could translate into higher operating costs due to increased fuel prices, as jet fuel costs are closely tied to oil prices. Additionally, a global economic downturn may result in reduced demand for air travel as businesses and consumers cut back on spending. The airline industry, being highly sensitive to economic conditions, could experience lower passenger numbers, impacting SIA's revenue. Moreover, disruptions in key shipping passageways, influenced by regional conflicts, may affect the transportation of goods and impact air cargo services, further influencing the airline's overall performance. **Impact:** Bloomberg Economics estimates oil prices could soar to \$150 a barrel and global growth drop to 1.7% - a recession that takes about \$1 trillion off world output. **Mitigant:** Fuel Hedging is used as an instrument to smooth out the price volatility of jet fuel, and not to speculate on oil price directions. SIA has hedged 36 per cent of its projected fuel consumption between October 2023 and March 2024, and around 10 per cent for the period between April 2024 and June 2025. SIA has made contingency plans for route diversions should there be a need arising from the ongoing Israel-Hamas war in the Gulf region.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

### ENVIRONMENT

The SIA Group is committed to environmental sustainability and responsible operations to support the aviation industry's climate goals. The Group is committed to **achieving net zero carbon emissions by 2050**, as part of its ongoing journey towards environmental sustainability across its operations. To realise this ambition, SIA collaborates with like-minded partners who are committed to decarbonisation in the aviation ecosystem, and develop innovative solutions that enable the Group to achieve its sustainability targets and mitigate its impact on the environment. SIA has been an active Sustainable Aviation Fuel Users Group member since 2011. Since 2019, it has participated in the ICAO Carbon Offsetting and Reduction Scheme for International Aviation (**CORSIA**). Singapore Airlines has joined the International Air Transport Association (IATA) in its commitment to reducing the industry's emissions, carbon-neutral growth from 2020, and a 50% absolute reduction in carbon emissions by 2050.

**Investing in Modern and Fuel-efficient Aircraft :** The SIA Group operates one of the youngest fleets globally with an average age of six years and nine months, significantly lower than the global average of 15 years and eight months. This primarily comprises new generation passenger aircraft such as the Airbus A350s and Boeing 787s, which burn up to 25% less fuel than older generation aircraft on similar missions. SIA made significant investment in their aircraft order book, which comprises modern aircraft including the Airbus A350F freighters. SIA will be the launch operator for the A350F, which is projected to use up to 40%



less fuel than the Boeing 747-400F freighters on similar missions, and reduce our carbon emissions by an estimated 400,000 tonnes annually.

#### Top 10 Shareholders

S/N	Key Shareholder	%
1	NAPIER INVESTMENTS PTE.LTD	31.30%
2	TEMASEK HOLDINGS (PRIVATE) LTD	22.10%
3	CITIBANK NOMS SPORE PTE LTD	7.53%
4	DBS NOMINEES PTE LTD	4.08%
5	RAFFLES NOMINEES (PTE) LTD	3.87%
6	DBSN SERVICES PTE LTD	2.98%
7	HSBC (SINGAPORE) NOMINEES PTE LTD	2.35%
8	UNITED OVERSEAS BANK NOMINEES P L	1.45%
9	PHILLIP SECURITIES PTE LTD	0.67%
10	OCBC NOMINEES SINGAPORE PTE LTD	0.63%

Source: Company filings

**Driving Decarbonisation with Sustainable Aviation Fuels :** The SIA Group made significant progress in deploying SAF in Singapore, supporting its long-term decarbonisation goals. SAF can potentially reduce lifecycle GHG emissions by at least 80%<sup>24</sup>, compared to conventional jet fuel. Since 2011, SIA has been committed to adopting SAF and aims to support the green fuel's commercialisation across its network, while developing an integrated SAF supply chain at Singapore Changi Airport. SIA partnered with CAAS and GenZero on a year-long pilot to advance the use of SAF in Singapore. Under this pilot, 1,000 tonnes of neat SAF was purchased and blended with refined jet fuel, and was uplifted onto SIA And Scoot flights departing from Singapore Changi Airport in July 2022. This use of SAF is expected to reduce carbon dioxide emissions by around 2,500 tonnes.

## SOCIAL

**A relentless commitment to anticipate customers' needs. :** In February 2023, SIA became the first airline to roll out complimentary unlimited in-flight Wi-Fi for all Business Class customers, as well as its PPS Club members and PPS Club supplementary card holders. This benefit was enhanced from 1 July 2023, to allow all KrisFlyer members travelling in Premium Economy Class and Economy Class access to complimentary unlimited in-flight Wi-Fi. The enhanced Wi-Fi offering is available on 95% of SIA's aircraft fleet and across almost the entire SIA route network. As a result, SIA's customers enjoy the most comprehensive free unlimited Wi-Fi access in the airline industry. In June 2023, SIA was once again recognised as the World's Best Airline at the 2023 Skytrax World Airline Awards. This is the fifth time SIA has won this prestigious accolade. SIA also took the top spot in four categories including Best First Class Airline, Best First Class Comfort Amenities, and Best Airline in Asia. SIA's low-cost subsidiary Scoot was named Best Long Haul Low-cost Airline at the Skytrax awards, and ranked second in the World's Best Low-cost Airlines category.

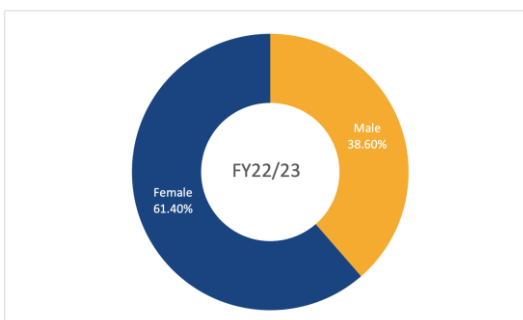
**Inclusivity :** Singapore Airlines (SIA) has reveal the appointment of Ms JoAnn Tan as its first-ever female Chief Financial Officer (CFO) starting from September 2023. The decision comes as a significant milestone for the airline, highlighting its commitment to diversity and gender equality within its leadership ranks. From July 15 2022, Singapore Airlines air stewardesses are now able to apply for temporary ground positions when they get pregnant and return to flying after giving birth, a move that finally brings Singapore's national carrier in line with that of other airlines. During the fiscal year 2022/23, there was a notable 13.3% rise in the recruitment rate of female employees at SIA and Scoot, resulting in women comprising 49.6% of the total workforce, bringing the gender diversity of the companies in line with industry standards.

**Substantial commitment to community engagement and support :** Through avenues such as corporate contributions, ticket sponsorships, and active staff involvement, SIA made significant strides. Notably, over 2,000 SIA employees participated in community service initiatives within Singapore, contributing a collective 8,320 hours to volunteerism. Facilitating these efforts, more than 370 corporate activities were organized for staff involvement. Moreover, the collaboration between KrisFlyer and Make-A-Wish Singapore resulted in the redemption of approximately 5.5 million miles, fulfilling the aspirations of children grappling with life-threatening illnesses. SIA's partnership with Make-A-Wish saw over 100 sponsored tickets extended to beneficiaries and their families, enabling their participation in KrisFlyer Experiences events, exemplifying the airline's commitment to social responsibility in FY2022/23.

## GOVERNANCE

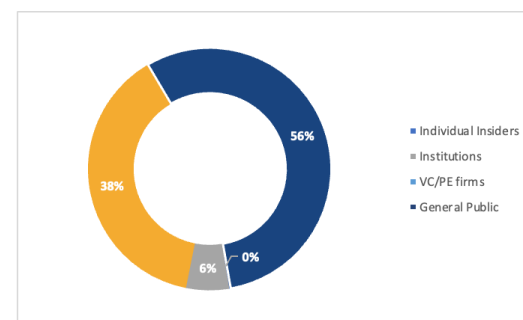
**Shareholders :** The ownership structure of Singapore Airlines (DE:SIA) stock is a mix of institutional, retail and individual investors. Approximately <0.01% of the company's stock is owned by Institutional Investors, and 100.00% is owned by Public Companies and Individual

Figure 4: SIA and Scoot new hires



Source: Company filings

#### Shareholder Structure



#### Redemption of MCBs

	FY22/23	FY22/23 Proforma After Redemption
<b>Earnings Per Share (cents)</b>		
- Basic <sup>85</sup>	35.6	43.6
- Adjusted Basic <sup>82</sup>	72.6	no change
- Diluted <sup>83</sup>	35.1	42.7
<b>EBITDA (\$ million) <sup>84</sup></b>	5,137.2	no change
<b>EBITDA margin (%) <sup>85</sup></b>	28.9	no change
<b>Dividend cover (times) <sup>86</sup></b>	1.9	no change
	As at 31 March 2023	As at 31 March 2023 Proforma After Redemption
<b>Total assets (\$'M)</b>	49,101.2	45,747.4
<b>Total debt (\$'M)</b>	15,339.3	no change
<b>Total cash and bank balances (\$'M)</b>	16,327.6	12,973.8
<b>Total liabilities (\$'M)</b>	28,851.4	no change
<b>Equity attributable to Owners of the Company (\$'M)</b>	19,858.3	16,504.5
<b>Debt : Equity ratio (times) <sup>87</sup></b>	0.77	0.93
<b>Net Asset Value Per Share (\$) <sup>88</sup></b>	6.68	5.56
<b>Adjusted Net Asset Value Per Share (\$) <sup>89</sup></b>	3.72	3.90
<b>Return on equity holders' funds (%) <sup>90</sup></b>	10.2	11.1

Investors. The Singaporean Government's investment arm, Temasek Holdings hold majority ownership (54.5%) of the group.

### Dividends

Dividends	2022-23	2021-22	2020-21	2019-20	2018-19
Gross Dividends (cents per share)	38.0	--	--	8.0	30.0
Dividend cover (times)	1.9	--	--	(2.2)	1.9

Source: Company filings

**Executive Remuneration :** In performing the duties as required under its Charter, the BCIRC ensures that remuneration paid to the CEO and Relevant Key Management Personnel is strongly linked to the achievement of business and individual performance targets. Non-executive Directors will receive approximately 70% of the total directors' fees in cash and approximately 30% of the total directors' fees in the form of restricted shares which are governed by the terms of RSP 2014. The Non-executive Directors had taken a voluntary 30% fee reduction for FY2020/21, FY2021/22 and the first nine months of FY2022/23 given the COVID impact. From 1 January 2023, the Non-executive Directors' fee cut ceased completely following the Company's firmer recovery from COVID.

**Redemption of Mandatory Convertible Bonds :** As of March 31st, 2023, the company had a cash and cash equivalent balance of \$16 billion, representing a \$3 billion increase from the previous year. On May 10th, 2023, the company announced its intention to redeem 50% of the tranche of Mandatory Convertible Bonds issued in June 2021, with the remaining bonds possibly being redeemed in the future. This redemption will be carried out on a pro-rata basis and will provide eligible bondholders with a accreted principal amount payable of approximately \$3.4 billion, which will be paid on June 26th, 2023.

**Interim Dividend :** Singapore Airlines' management has announced a final dividend of 28 cents per share. When combined with the interim dividend of 10 cents per share paid in December 2022, the total dividend for FY2022/23 amounts to **38 cents per share**, bringing it to a level similar to 2018.

**Board of directors :** The three non-independent Directors are Mr Goh Choon Phong, Mr Hsieh Tsun-yan and Mr Gautam Banerjee. Mr Goh is the Chief Executive Officer ("CEO") and sole executive Director of the Company. All of the other ten Board members are non-executive Directors, who make up a majority on the Board. The Chairman leads the Board and is responsible for its workings and proceedings. He plays a crucial role in fostering constructive dialogue amongst shareholders, the Board and Management. The Chairman leads the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the Directors, Management and Company Secretary. The CEO, assisted by the Management Committee, makes strategic proposals to the Board and oversees the execution of the Board's decisions. He also oversees the execution of the Company's corporate and business strategies and policies, and the conduct of its business. The six Board committees formed to assist the Board in the execution of its responsibilities are: Board Executive Committee, Board Audit Committee, Board Compensation and Industrial Relations Committee, Board Nominating Committee, Board Safety and Risk Committee and Customer Experience, Technology and Sustainability Committee.

### Group Risk Governance and Reporting Structure



Source: Company filings

**Diversity:** As part of SIA's diversity initiatives, the Board has two female Directors, one of whom is on the Nominating Committee. The policy target, introduced in FY2022/23, is to increase the female Board representation to 30% within the timeline leading up to 2030, whilst striving to maintain a minimum of two female directors on the Board. In FY2022/23, the Board's diversity efforts were recognised by the Securities Investors Association of Singapore ("SIAS"). At the SIAS Investors' Choice Awards in October 2022, Singapore Airlines had the honour to be named the runner-up for the Singapore Corporate Governance Award under the "Diversity" category.

# Appendix

## Appendix A: Valuation

## PAGE

### *3 Financial Statements*

[Appendix A-1: Income Statement](#)

12

[Appendix A-2: Balance Sheet](#)

12

[Appendix A-3: Cashflow Statement](#)

13/14

[Appendix A-4: Relative Valuation: Comparable Companies](#)

14

[Appendix A-5: DCF Assumptions](#)

14

## Appendix B: Business

[Appendix B-1: Pestle analysis](#)

15

[Appendix B-2: Porter's Five Forces](#)

15

## Appendix C: Miscellaneous

[Appendix C-1: Organization Chart](#)

16

[Appendix C-2: Relative valuation](#)

16

[Appendix C-3: Aircraft Fleet](#)

17

[Appendix C-4: Flight Routes](#)

18

## A-1 INCOME STATEMENT

	2013A	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
						2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
<b>REVENUE</b>	15,243.9	15,565.5	15,228.5	14,868.5	15,806.1	16,323.2	15,975.9	3,815.9	7,614.8	17,774.8	17,917.2	18,341.5	18,786.4	19,241.6	19,707.5
	3.559%	2.110%	-2.165%	-2.364%	6.306%	3.272%	-2.128%	-76.115%	99.554%	133.424%	0.801%	2.36838%	2.42522%	2.42320%	2.42119%
<b>EXPENDITURE</b>															
Staff costs	2,336.7	2,335.2	2,461.0	2,616.2	2,709.0	2,816.9	2,563.6	1,160.5	1,473.6	3,055.8	3,251.7	3,365.4	3,484.6	3,569.0	3,655.5
Fuel costs	5,702.1	5,579.7	4,527.0	3,747.5	3,899.3	4,587.1	4,636.5	1,015.5	2,189.3	5,209.4	5,279.3	5,408.0	5,542.9	5,684.9	5,822.5
Fuel hedging gain/(ineffectiveness)	1,575.5	1,538.8	1,543.0	1,552.1	1,639.6	-	709.8	213.0	(78.2)	(0.5)	0.0	0.0	0.0	0.0	0.0
Depreciation	20.2	1.5	10.6	3.9	30.2	1,327.9	2,134.2	2,075.9	1,927.6	2,004.9	1,239.5	1,335.5	1,433.9	1,534.7	1,637.9
Impairment of property, plant and equipment	25.7	25.9	32.7	39.8	44.4	-	14.2	2.0	-	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	641.8	646.6	790.0	898.3	918.6	61.9	57.5	65.8	72.0	75.6	0.0	0.0	0.0	0.0	0.0
Aircraft maintenance and overhaul costs	346.6	375.6	365.3	387.1	437.5	899.2	835.4	446.4	453.4	527.2	785.0	730.2	672.8	689.1	705.8
Commission and incentives	716.6	747.9	765.8	809.3	853.4	472.5	489.8	(13.6)	117.8	488.3	632.0	592.0	550.0	563.3	576.9
Landing, parking and overflying charges	1,038.7	1,066.2	1,144.9	1,197.1	1,299.0	884.0	886.4	219.0	451.9	657.2	1,142.9	1,169.9	1,198.3	1,227.4	1,257.1
Handling charges	649.5	839.5	924.7	895.9	804.9	1,315.0	1,276.7	394.1	646.8	951.5	1,201.6	1,266.8	1,335.1	1,367.4	1,400.5
Rentals on leased aircraft	223.1	59.4	67.2	63.8	60.2	679.7	79.2	9.8	16.9	23.7	149.9	190.2	232.4	238.0	243.7
Inflight meals	549.1	553.5	547.2	543.7	532.6	550.4	539.0	10.7	89.5	423.9	508.2	520.2	532.9	545.8	559.0
Advertising and sales costs	257.6	258.5	289.0	304.3	291.4	331.8	334.2	12.6	120.9	326.1	304.9	312.1	319.7	327.4	335.3
Company accommodation and utilities	41.5	44.9	44.1	44.7	53.2	93.5	50.2	35.7	35.4	43.2	72.0	110.4	150.6	154.3	158.0
Other passenger costs	119.1	119.5	119.1	115.4	92.0	188.0	187.7	31.1	56.6	151.4	151.0	191.2	233.4	239.1	244.9
Crew expenses	173.3	173.0	180.5	176.3	172.2	168.1	172.4	15.0	56.1	100.2	170.6	211.4	254.1	260.2	266.5
Impairment of amount owing by a joint venture company	144.7	146.4	148.5	156.8	160.4	-	61.6	12.6	-	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses	422.8	642.0	586.7	693.5	750.9	880.1	888.4	621.3	594.9	1,044.8	1,094.6	1,230.5	1,373.1	1,406.4	1,440.4
	14,984.6	15,156.1	14,547.3	14,245.7	14,748.8	15,256.1	15,916.8	6,328.4	8,224.5	15,082.7	15,983.2	16,633.9	17,313.7	17,806.9	18,304.1
	-	-1.145%	-4.017%	-2.073%	3.532%	3.440%	4.331%	-60.241%	29.962%	83.387%	5.971%	4.071%	4.087%	2.849%	2.792%
<b>OPERATING PROFIT</b>	259.3	409.4	681.2	622.8	1,057.3	1,067.1	59.1	(2,512.5)	(609.7)	2,692.1	1,934.0	1,707.7	1,472.7	1,434.7	1,403.4
Finance charges	(37.3)	(49.6)	(50.3)	(46.1)	(89.8)	(116.1)	(220.9)	(267.9)	(391.6)	(419.9)	(256.0)	(226.1)	(195.0)	(189.9)	(185.8)
Interest income	62.7	74.9	70.7	73.9	60.9	41.9	42.1	35.4	45.9	412.6	186.2	164.4	141.8	138.1	135.1
Impairment of aircraft	-	-	-	-	-	-	-	(1,734.3)	(50.5)	57.2	-	-	-	-	-
Impairment of base maintenance assets	-	-	-	-	-	-	-	(36.9)	(8.4)	1.7	-	-	-	-	-
Impairment of goodwill	-	-	-	-	-	-	-	(170.4)	-	(14.0)	-	-	-	-	-
Impairment of intangible assets	-	-	-	-	-	-	-	(11.4)	-	-	-	-	-	-	-
(Loss)/Surplus on disposal of aircraft, spares and spare engines	51.2	51.9	52.7	(31.7)	16.1	(5.8)	6.9	(27.0)	85.9	(7.3)	-	-	-	-	-
Dividends from long-term investments	19.6	13.2	115.3	5.5	6.2	3.1	3.2	8.4	4.0	4.0	18.8	16.6	14.3	14.0	13.7
Other non-operating items	1.9	(14.3)	91.1	(103.2)	18.6	(47.4)	(31.9)	(127.8)	(49.5)	(58.4)	-	-	-	-	-
Share of profit of joint venture companies	94.0	52.0	22.8	20.9	41.0	23.2	46.4	14.0	29.8	31.8	-	-	-	-	-
Share of losses of associated companies	(45.2)	(129.1)	(11.1)	(63.0)	(9.3)	(97.4)	(125.1)	(126.8)	(145.9)	(63.0)	-	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	367.9	442.9	972.4	518.6	1,101.0	868.6	(220.2)	(4,957.2)	(1,090.0)	2,636.8	2,563.6	2,624.3	2,688.0	2,753.1	2,819.8
<b>TAXATION</b>	56.5	(36.2)	(120.6)	(76.7)	(164.2)	(147.0)	50.8	673.8	141.9	(473.5)	(433.6)	(443.8)	(454.6)	(465.6)	(476.9)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	424.4	406.7	851.8	441.9	936.8	721.6	(169.4)	(4,283.4)	(948.1)	2,163.3	2,130.0	2,180.5	2,233.4	2,287.5	2,342.9
		2.63%	4.47%	4.19%	6.69%	6.54%	0.37%	-65.84%	-8.01%	15.15%	10.79%	9.31%	7.84%	7.46%	7.12%

(Source: Team Consensus, Bloomberg)

## A-2 BALANCE SHEET

	2013A	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>															
Share capital	1,856.1	1,856.1	1,856.1	1,856.1	1,856.1	1,856.1	1,856.1	7,180.2	7,180.2	7,180.2	7,180.2	7,180.2	7,180.2	7,180.2	7,180.2
Mandatory convertible bonds	-	-	-	-	-	-	-	3,496.1	9,691.2	6,195.1	6,195.1	6,195.1	6,195.1	6,195.1	6,195.1
Treasury shares	(262.2)	(326.3)	(381.5)	(194.7)	(183.5)	(171.5)	(156.0)	(133.2)	(106.5)	(73.8)	(73.8)	(73.8)	(73.8)	(73.8)	(73.8)
Other reserves	11,643.3	10,933.8	11,280.1	11,421.6	12,578.6	11,602.2	7,614.0	5,362.8	5,647.0	6,556.8	9,091.9	11,687.1	14,345.2	17,067.7	19,856.1
	13,237.2	12,463.6	12,754.7	13,083.0	14,251.2	13,286.8	9,314.1	15,905.9	22,411.9	19,858.3	22,393.4	24,988.6	27,646.7	30,369.2	33,157.6
<b>NON-CONTROLLING INTERESTS</b>	337.4	466.5	378.2	387.2	368.1	396.4	418.6	372.2	388.5	391.5	391.5	391.5	391.5	391.5	391.5
<b>TOTAL EQUITY</b>	13,574.6	12,930.1	13,132.9	13,470.2	14,619.3	13,683.2	9,732.7	16,278.1	22,800.4	20,249.8	22,784.9	25,380.1	28,038.2	30,760.7	33,549.1
<b>DEFERRED ACCOUNT</b>	226.4	141.7	225.3	234.5	123.3	83.9	33.3	41.0	95.4	55.8	55.8	55.8	55.8	55.8	55.8
<b>DEFERRED TAXATION</b>	1,788.9	1,599.6	1,681.7	1,890.5	1,222.7	2,040.3	1,335.3	1,032.5	1,064.3	1,430.2	1,430.2	1,430.2	1,430.2	1,430.2	1,430.2
<b>LONG-TERM LEASE LIABILITIES</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>BORROWINGS</b>	940.6	904.3	1,292.4	1,135.6	1,525.8	6,423.3	7,162.9	10,564.8	11,405.5	8,613.7	8,891.4	7,460.5	6,758.0	5,464.7	4,124.2
<b>OTHER LONG-TERM LIABILITIES</b>	-	-	-	-	-	89.1	1,875.7	506.4	1,077.7	381.9	381.9	381.9	381.9	381.9	381.9
<b>LONG-TERM LIABILITIES</b>	904.3	1,521.2	1,283.4	1,794.7	3,199.8	6,512.4	-	-	-	-	-	-	-	-	-
<b>PROVISIONS</b>	587.3	958.9	877.1	910.3	821.5	702.5	990.7	965.1	1,144.4	1,047.1	1,047.1	1,047.1	1,047.1	1,047.1	1,047.1
<b>DEFINED BENEFIT PLANS</b>	169.6	129.7	129.3	131.2	113.2	104.5	112.5	106.6	99.9	91.2	91.2	91.2	91.2	91.2	91.2
	17,251.1	17,281.2	17,329.7	18,431.4	20,999.8	23,126.8	22,710.7	31,868.1	40,802.4	35,430.3	38,243.1	39,407.4	41,363.0	42,792.2	44,240.1
		6.99%	9.84%	8.43%	1237.47%	46.94%	73.60%	64.90%	50.02%	42.54%	39.02%	29.40%	24.10%	17.77%	12.29%
<b>Represented by:</b>															
<b>PROPERTY, PLANT AND EQUIPMENT</b>	13,026.7	13,523.2	14,143.5	16,433.3	19,824.6	22,176.3	25,485.8	23,483.3	24,570.6	23,832.5	24,327.2	24,767.0	25,151.4	25,479.2	25,748.8
<b>RIGHT-OF-USE ASSETS</b>	-	-	-	-	-	-	-	1,477.7	2,395.7	3,250.1	3,854.5	3,854.5	3,854.5	3,854.5	3,854.5
<b>INTANGIBLE ASSETS</b>	223.4	497.6	515.8	423.5	435.3	451.3	487.0	301.1	297.5	297.5	297.5	297.5	297.5	297.5	297.5
<b>SUBSIDIARY COMPANIES</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>ASSOCIATED COMPANIES</b>	729.4	922.2	901.9	1,056.9	1,048.8	1,104.5	817.0	833.1	805.8	757.3	757.3	757.3	757.3	757.3	757.3
<b>JOINT VENTURE COMPANIES</b>	126.5	167.9	156.3	160.2	150.6	171.7	191.5	200.2	233.4	265.0	265.0	265.0	265.0	265.0	265.0
<b>LONG-TERM INVESTMENTS</b>	1,125.2	927.6	773.1	405.7	346.0	343.9	65.2	49.9	42.6	39.4	39.4	39.4	39.4	39.4	39.4
<b>OTHER LONG-TERM ASSETS</b>	92.2	573.8	496.8	479.3	722.7	713.7	345.7	646.0	1,737.2	755.7					



## A-3 CASH FLOW STATEMENT

Cashflow statement	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
Profit before taxation	868.6	(220.2)	(4,957.2)	(1,090.0)	2,636.8	2,130.0	2,180.5	2,233.4	2,287.5	2,342.9
Adjustments for:										
Depreciation	1,327.9	2,134.2	2,075.9	1,927.6	2,004.9	(1,239.5)	(1,335.5)	(1,433.9)	(1,534.7)	(1,637.9)
Impairment of aircraft	-	-	1,734.3	50.5	(57.2)	0.0	0.0	0.0	0.0	0.0
Impairment of property, plant and equipment	-	14.2	2.0	-	-	0.0	0.0	0.0	0.0	0.0
Impairment of base maintenance assets	-	-	36.9	8.4	(1.7)	0.0	0.0	0.0	0.0	0.0
Impairment of goodwill	-	-	170.4	-	14.0	0.0	0.0	0.0	0.0	0.0
Impairment of tangible assets	-	-	11.4	-	-	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	61.9	57.5	65.8	72.0	75.6	0.0	0.0	0.0	0.0	0.0
Impairment of trade debtors	5.7	7.5	4.6	3.3	-	0.0	0.0	0.0	0.0	0.0
Impairment of amount owing to joint venture company	-	61.6	12.6	-	-	0.0	0.0	0.0	0.0	0.0
Writedown of inventories	5.4	8.8	12.4	7.0	9.3	0.0	0.0	0.0	0.0	0.0
Income from short-term investments	(1.1)	(1.4)	(1.2)	(1.2)	(1.0)	0.0	0.0	0.0	0.0	0.0
Provisions	302.2	180.0	207.0	213.5	167.7	0.0	0.0	0.0	0.0	0.0
Share-based compensation expense	21.0	20.5	13.2	17.0	23.5	0.0	0.0	0.0	0.0	0.0
Exchange differences	(2.4)	(11.0)	45.5	(22.9)	134.5	0.0	0.0	0.0	0.0	0.0
Amortisation of deferred loss/(gain) on sale of operating leaseback transactions	4.3	-	-	-	-	0.0	0.0	0.0	0.0	0.0
Finance charges	116.1	220.9	267.9	391.6	419.9	0.0	0.0	0.0	0.0	0.0
Interest income	(41.9)	(42.1)	(35.4)	(45.9)	(412.6)	0.0	0.0	0.0	0.0	0.0
Loss/(Surplus) on disposal of aircraft, spares and spare engines	5.8	(6.9)	27.0	(85.9)	7.3	0.0	0.0	0.0	0.0	0.0
Dividends from long-term investments	(3.1)	(3.2)	(8.4)	(4.0)	(4.0)	0.0	0.0	0.0	0.0	0.0
Net loss/(gain) on financial assets mandatorily measured at fair value through profit or loss	(0.7)	0.5	(2.6)	3.8	1.2	0.0	0.0	0.0	0.0	0.0
Fuel hedging ineffectiveness	-	709.8	214.0	-	-	0.0	0.0	0.0	0.0	0.0
Other non-operating items	47.4	31.9	127.8	49.5	58.4	0.0	0.0	0.0	0.0	0.0
Share of profits of joint venture companies	(23.2)	(46.4)	(14.0)	(29.8)	(31.8)	0.0	0.0	0.0	0.0	0.0
Share of losses of associated companies	97.4	125.1	126.8	145.9	63.0	0.0	0.0	0.0	0.0	0.0
<b>Operating cash flow before working capital changes</b>	<b>2,791.3</b>	<b>3,211.3</b>	<b>149.3</b>	<b>1,531.1</b>	<b>5,098.7</b>	<b>890.5</b>	<b>844.9</b>	<b>799.5</b>	<b>752.8</b>	<b>705.0</b>
Change in trade and other creditors	(28.1)	(346.2)	(2,621.5)	485.3	1,191.4	(312.5)	88.3	92.5	94.7	96.9
Change in sales in advance of carriage	273.3	(674.0)	(1,472.3)	1,539.7	2,523.6	0.0	0.0	0.0	0.0	0.0
Change in trade debtors	(206.1)	660.3	225.8	(385.3)	422.1	131.5	(25.1)	(26.3)	(27.0)	(27.6)
Increase/(Decrease) in deposits and other debtors	(10.9)	(237.0)	215.6	(76.9)	16.8	0.0	0.0	0.0	0.0	0.0
Change in prepayments	19.7	10.6	40.4	(12.5)	(11.8)	0.0	0.0	0.0	0.0	0.0
Change in inventories	(66.6)	(18.2)	(13.1)	0.5	(46.1)	(21.7)	(5.9)	(6.2)	(6.3)	(6.5)
Increase/(Decrease) in deferred revenue	54.8	144.9	202.0	(32.1)	(59.4)	0.0	0.0	0.0	0.0	0.0
<b>Cash generated from operations</b>	<b>2,827.4</b>	<b>2,751.7</b>	<b>(3,274.8)</b>	<b>3,049.8</b>	<b>9,135.3</b>	<b>687.8</b>	<b>902.2</b>	<b>859.5</b>	<b>814.3</b>	<b>767.9</b>
Payment of fines and settlements	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income taxes (paid)/refunded	(26.3)	(19.8)	(17.6)	(8.3)	(5.2)	0.0	0.0	0.0	0.0	0.0
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,801.1</b>	<b>2,731.9</b>	<b>(3,292.4)</b>	<b>3,041.5</b>	<b>9,130.1</b>	<b>687.8</b>	<b>902.2</b>	<b>859.5</b>	<b>814.3</b>	<b>767.9</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>										
Capital expenditures	(5,562.3)	(5,103.5)	(2,695.5)	(3,048.7)	(1,601.8)	(1,734.2)	(1,775.3)	(1,818.4)	(1,862.4)	(1,907.5)
Purchase of intangible assets	(105.4)	(91.6)	(74.1)	(74.4)	(82.2)	0.0	0.0	0.0	0.0	0.0
Proceeds from disposal of aircraft and other property, plant and equipment	180.2	124.3	156.4	22.9	(3.8)	0.0	0.0	0.0	0.0	0.0
Assets held for sale	-	-	-	277.0	17.5	0.0	0.0	0.0	0.0	0.0
Proceeds from sale and leaseback transactions	-	117.2	1,230.5	760.8	1,210.3	0.0	0.0	0.0	0.0	0.0
Purchase of long-term investments	(5.0)	-	-	-	-	0.0	0.0	0.0	0.0	0.0
Proceeds from disposal of long-term investments	157.6	41.5	30.3	21.0	21.6	0.0	0.0	0.0	0.0	0.0
Purchase of short-term investments	(798.8)	(689.1)	(584.6)	(200.6)	(134.5)	0.0	0.0	0.0	0.0	0.0
Proceeds from disposal of short-term investments	850.6	661.7	739.7	66.1	132.6	0.0	0.0	0.0	0.0	0.0
Dividends received from associated and joint venture companies	108.2	84.0	39.5	31.9	36.7	0.0	0.0	0.0	0.0	0.0
Dividends received from investments	5.2	5.2	8.4	4.0	4.0	0.0	0.0	0.0	0.0	0.0
Interest received from investments and deposits	47.8	42.2	33.7	33.5	315.4	0.0	0.0	0.0	0.0	0.0
Proceeds from finance leases	-	9.2	8.1	9.0	9.2	0.0	0.0	0.0	0.0	0.0
Proceeds from disposal of a subsidiary company, net of cash disposed	1.6	-	-	-	-	0.0	0.0	0.0	0.0	0.0
Investments in associated companies	(205.6)	(141.0)	(212.0)	(152.9)	(54.8)	0.0	0.0	0.0	0.0	0.0
Acquisition of a subsidiary company, net of cash acquired	-	-	-	-	(4.2)	0.0	0.0	0.0	0.0	0.0
Investments in joint venture companies	(40.5)	(11.9)	-	-	-	0.0	0.0	0.0	0.0	0.0
Loan to a joint venture company	-	(18.1)	-	-	-	0.0	0.0	0.0	0.0	0.0
Proceeds from disposal of associated companies	4.0	-	-	3.8	-	0.0	0.0	0.0	0.0	0.0
Proceeds from capital reduction of an associated company	-	5.1	-	-	-	0.0	0.0	0.0	0.0	0.0
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(5,362.4)</b>	<b>(4,964.8)</b>	<b>(1,314.3)</b>	<b>(2,246.6)</b>	<b>(134.0)</b>	<b>(1,734.2)</b>	<b>(1,775.3)</b>	<b>(1,818.4)</b>	<b>(1,862.4)</b>	<b>(1,907.5)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>										
Dividends paid	(449.8)	(355.5)	-	-	(297.1)	(405.1)	(414.7)	(424.7)	(435.0)	(445.5)
Dividends paid by subsidiary companies to non-controlling interests	(34.4)	(30.7)	(14.3)	(1.4)	(1.6)	0.0	0.0	0.0	0.0	0.0
Issuance of share capital by subsidiary companies	19.5	1.0	-	-	-	0.0	0.0	0.0	0.0	0.0
Interest paid	(124.5)	(206.0)	(232.4)	(277.0)	(332.6)	-	-	-	-	-
Proceeds from issuance of shares and mandatory convertible bonds	-	-	8,829.2	6,196.8	-	0.0	0.0	0.0	0.0	0.0
Payment of transaction costs related to shares issued and mandatory convertible bonds	-	-	(9.0)	(1.7)	-	0.0	0.0	0.0	0.0	0.0
Repayment of bonds	-	-	(500.0)	(200.0)	-	-	-	-	-	-
Proceeds from issuance of bonds	1,350.0	-	2,013.0	813.1	-	-	-	-	-	-
Proceeds from borrowings	2,280.4	3,985.2	4,579.0	8.0	-	0.0	0.0	0.0	0.0	0.0
Payment of transaction costs from issuance of bonds	-	-	(10.9)	(1.8)	-	0.0	0.0	0.0	0.0	0.0
Repayment of borrowings	(93.7)	(878.3)	(4,344.1)	(697.8)	(988.0)	-	-	-	-	-
Payment of transaction costs related to borrowings	(11.1)	(4.2)	(17.8)	(1.1)	-	0.0	0.0	0.0	0.0	0.0
Acquisition of non-controlling interests without a change in control	(4.7)	-	(4.1)	-	-	0.0	0.0	0.0	0.0	0.0
Repayment of long-term lease liabilities	-	(575.9)	(551.6)	(677.4)	(740.3)	-	-	-	-	-
Proceeds from exercise of share options	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>2,931.7</b>	<b>2,685.3</b>	<b>9,737.0</b>	<b>5,159.7</b>	<b>(6,213.4)</b>	<b>(405.1)</b>	<b>(414.7)</b>	<b>(424.7)</b>	<b>(435.0)</b>	<b>(445.5)</b>

NET CASH INFLOW/(OUTFLOW)	370.4	(297.3)	5,130.3	5,954.6	2,782.7	(1,451.5)	(1,287.8)	(1,383.6)	(1,483.2)	(1,585.2)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	2,568.3	2,944.0	2,685.3	7,783.0	13,762.7	16,327.6	16,327.6	16,327.6	16,327.6	16,327.6
Effect of exchange rate changes	5.3	38.6	(32.6)	25.1	(217.8)	0.0	0.0	0.0	0.0	0.0
	2,944.0	2,685.3	7,783.0	13,762.7	16,327.6	16,327.6	16,327.6	16,327.6	16,327.6	16,327.6
ANALYSIS OF CASH AND CASH EQUIVALENTS										
Fixed deposits	1,623.0	1,283.5	5,701.9	11,259.3	12,400.0	12,400.0	12,400.0	12,400.0	12,400.0	12,400.0
Cash and bank balances	1,321.0	1,401.8	2,081.1	2,503.4	3,927.6	3,927.6	3,927.6	3,927.6	3,927.6	3,927.6
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	2,944.0	2,685.3	7,783.0	13,762.7	16,327.6	14,876.1	15,039.8	14,944.0	14,844.4	14,742.4

(Source: Team Consensus, Bloomberg)

#### A-4 RELATIVE VALUATION: COMPARABLE COMPANIES

	EV/EBITDA	EV/EBIT	P/E
Singapore Airlines	5.6x	8.8x	9.9x
United Airlines	2.7x	5.8x	4.6x
Japan Airlines	14.8x	0.0x	12.7x
Ryan Air Holdings	5.6x	8.1x	9.2x
International Consolidated Airlines	3.0x	4.6x	4.7x

#### A-5 DCF ASSUMPTIONS

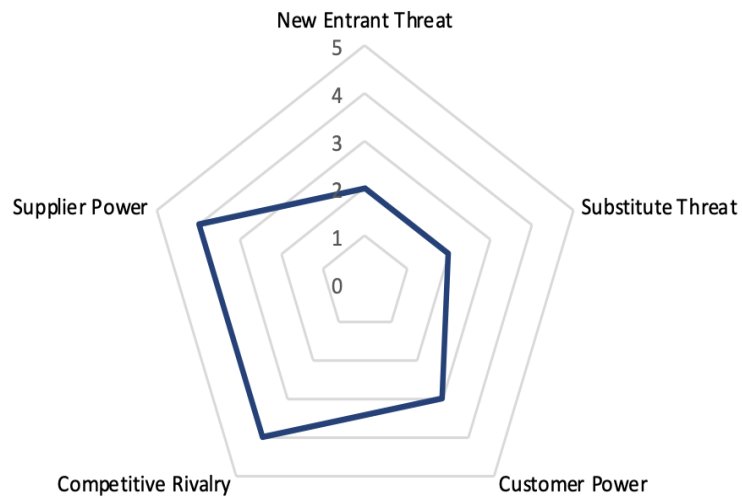
##### DCF Assumptions

Terminal growth rate	1.50%
Effective tax rate	17.00%
Discount rate	5.59%
Valuation date	12/18/2023
Current share price (SGD)	6.45 10/23/2023
Basic shares outstanding (mn)	2,974.23

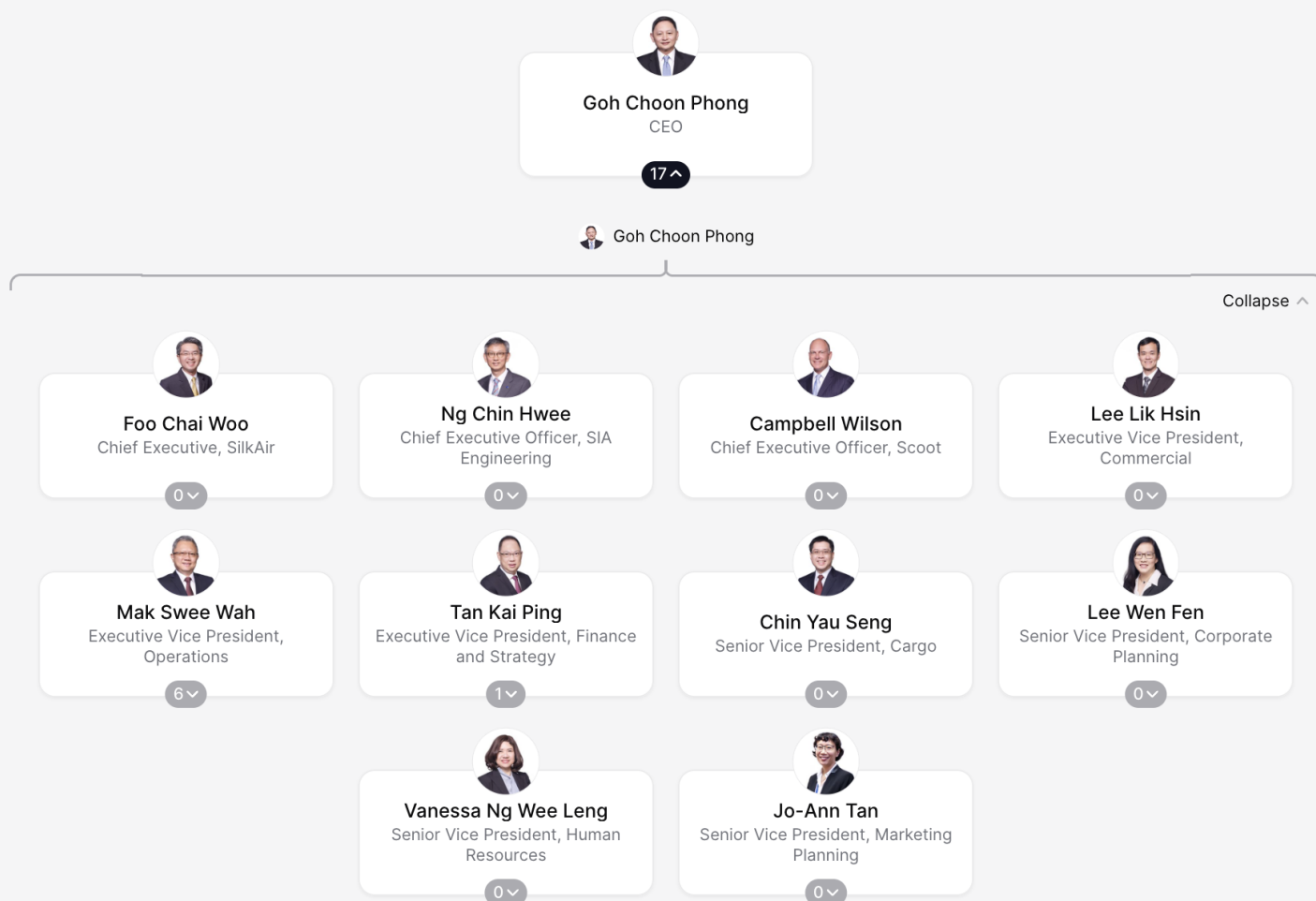
# B-1 PESTLE ANALYSIS

<b>P</b>	<b>Political</b> 1) Government Stability 2) Regulations and Policies 3) Bilateral Aviation Agreements
<b>E</b>	<b>Economic</b> 1) Economic Growth and Recession 2) Fuel Costs 3) Inflation Rates
<b>S</b>	<b>Social</b> 1) Demand for Quality and Service 2) Diversity
<b>T</b>	<b>Technological</b> 1) Operational Efficiency Technologies 2) Customer Relationship Management 3) In-flight Entertainment and Connectivity
<b>L</b>	<b>Legal</b> 1) Aviation Regulations 2) Safety Standards 3) Licensing and Certification
<b>E</b>	<b>Environmental</b> 1) Fuel Emissions and Efficiency 2) Sustainable Aviation Fuel

# B-2 PORTER'S FIVE FORCES



## C-1 ORGANISATION CHART



## C2 -RELATIVE VALUATION

### Comparabile Set 1: European Airline Peers

ETR:LHA  
LSE: IAG  
ENXTPA: AF  
LSE:EZJ  
ISE:RYA

Deutsche Lufthansa  
International Consolidated Airlines  
Air France  
Easyjet PLC  
Ryan Air Holdings



### Comparabile Set 2: North American Airline Peers

NasdaqGS: AAL  
NYSE: DAL  
NasdaqGS: UAL  
TSX:AC

American Airlines  
Delta Airlines  
United Airlines  
Air Canada



### Comparabile Set 3: Asia/Pacific Airline Peers

HKEX: 0293.HK  
SHA: 600029.SS  
TSE: 9201.T  
ASX: QAN.AX

Cathay Pacific Airways  
China Southern Airlines  
Japan Airlines  
Qantas



### Relative Valuation

	SGX: C6L	Europe	North America	Asia/Pacific
Current EV/EBITDA	6.5	3	3.25	5.65
SIA CY19-23 Average EV/EBITDA	8.78			
SIA Current Premium		-53.85%	8.33%	73.69%
SIA CY19-23 Average Premium/(Discount)				
Current Premium/(Discount) to Average Standard Deviation				



**C-3 AIRCRAFT AND FLEET**

Aircraft Type	Capacity (Seat No./Cargo)	FY22/23	FY2021/22	Change
Airbus A350-900				
Ultra Long Range	67 Business Class, 94 Premium Economy	61	58	3
Long Haul	42 Business Class, 24 Premium Economy, 187 Economy			
Medium Haul	40 Business, 263 Economy			
Airbus A380-800	78 Business Class, 6 Suites, 44 Premium Economy, 343 Economy	12	12	0
Boeing 777-300ER	4 First Class, 48 Business Class, 28 Premium Economy, 184 Economy	23	23	0
Boeing 787-10	36 Business Class, 301 Economy	15	15	0
Boeing 737-8	10 Business Class, 144 Economy	7	8	(1)
Boeing 737-800 NG	12 Business Class, 150 Economy	15	7	8
<b>Total Singapore Airlines</b>	-	<b>133</b>	<b>123</b>	<b>10</b>
Airbus A320XLR	18 Front, 144 Standard, 12 Exit Rows, 6 Extended Legroom	20	21	(1)
Airbus A320neo	12 Front, 156 Standard, 18 Stretch	6	5	1
Airbus A321neo	30 Front, 182 Standard, 24 Stretch	9	7	2
Boeing 787-8	21 ScootPlus, 287 Standard, 27 Stretch	10	10	0
Boeing 787-9	35 ScootPlus, 246 Standard, 27 Stretch, 67 Super	10	10	0
<b>Total Scoot</b>	-	<b>55</b>	<b>53</b>	<b>2</b>
Boeing 747-400F	128.5 metric tonnes	7	7	0
<b>Total Freight</b>	-	<b>7</b>	<b>7</b>	<b>0</b>

