Singapore Airlines (SIA SP)

Jun 26 Operating Data In Line; 1QFY27 Likely Around Breakeven Due To High Fuel Costs And Air India Drag

HOLD (Maintained)

Share Price	S$7.60
Target Price	S$6.76
Upside	-11.0%
Previous TP	S$6.66

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Highlights

- Jun 26 operating data came in in line with our projections, with pax load and cargo load rising 4.1% and 5.1% yoy, respectively.
- We now forecast SIA's 1QFY27 bottom line to be around breakeven, reflecting higher fuel costs amid the US-Iran war and a major drag from Air India.
- Renewed US-Iran crossfire has led to a rebound in fuel prices. Nevertheless, we remain hopeful for a rebound in SIA's profitability in 2QFY27, driven by effective cost pass-throughs and SIA's comfortable fuel hedging position.
- Maintain HOLD on SIA with a slightly higher target price of S$6.76.

Jun 26 Operation Statistics

	Jun 26	Jun 25	*Chg yoy*	1QFY27	1QFY26	*Chg yoy*
Pax operation						
Pax capacity (m seat-km)	15,644	14,765	*+6.0%*	46,824	44,230	*+5.9%*
as % of 2019 levels	*107.2%*	*101.2%*	*+6ppt*	107.5%	101.5%	*+6ppt*
Pax load (m pax-km)	13,622	13,091	*+4.1%*	40,807	38,755	*+5.3%*
as % of 2019 levels	*108.2%*	*104.0%*	*+4.2ppt*	112.3%	106.6%	*+5.6ppt*
Pax load Factor	87.1%	88.7%	*-1.6ppt*	87.1%	87.6%	*-0.5ppt*
change from 2019 levels	*+0.9ppt*	*+2.5ppt*		*+3.7ppt*	*+4.2ppt*	
Cargo operation						
Cargo capacity (m tonne-km)	884	905	*-2.3%*	2,720	2,706	*+0.5%*
as % of 2019 levels	*94.3%*	*96.5%*	*-2.2ppt*	97.0%	96.5%	*+0.5ppt*
Cargo load (m tonne-km)	536	510	*+5.1%*	1,601	1,540	*+4.0%*
as % of 2019 levels	*99.6%*	*94.8%*	*+4.8ppt*	97.3%	93.6%	*+3.7ppt*
Cargo load factor	60.6%	56.4%	*+4.3ppt*	58.8%	56.9%	*+2ppt*
change from 2019 levels	*+3.3ppt*	*-1.0ppt*		*+0.2ppt*	*-1.8ppt*	

Source: SIA, UOB Kay Hian

Stock Data

GICS Sector	Industrials
Bloomberg ticker	SIA SP
Shares issued (m)	3,150.9
Market cap (S$m)	23,946.7
Market cap (US$m)	18,541.8
3-mth avg daily t'over (US$m)	45.8

Price Performance (%)

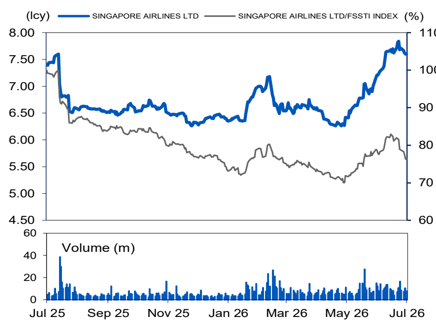
52-week high/low: S$7.92/S$6.21

1mth	3mth	6mth	1yr	YTD
6.0	15.7	19.5	3.3	18.8

Major Shareholders

	%
Temasek Hldgs	50.6

Price Chart



Source: Bloomberg

Company Description

Singapore's flagship carrier, flying to more than 130 destinations in over 30 countries before the pandemic. Frequently ranked as Best Airline by magazines and ranking agencies.

Analysis

- **Jun 26 operating data in line.** Singapore Airlines' (SIA) group pax load rose 4.1% yoy in Jun 26, driven by robust demand for air travel, but lagged pax capacity growth of 6.0% yoy. As a result, pax load factor dipped 1.6ppt yoy to 87.1%, a still-healthy level by historical standards. Cargo load rose 5.1% yoy, bolstered by AI- and data centre-related movements, as well as frontloading of e-commerce volume into Europe ahead of the implementation of the EU's small parcel duty. Against a 2.3% yoy decline in cargo capacity, cargo load factor expanded 4.2ppt to 60.6% in Jun 26.

Key Financials

Year to 31 Mar (S$m)	2025	2026	2027F	2028F	2029F
Net turnover	19,540	20,522	23,970	25,398	26,396
EBITDA	4,090	4,916	4,955	4,516	4,671
Operating profit	1,709	2,375	2,324	1,698	1,729
Net profit (rep./act.)	2,778	1,184	1,218	1,163	1,321
Net profit (adj.)	1,575	1,076	1,218	1,163	1,321
EPS	50.6	34.9	38.7	36.9	41.9
PE (x)	15.0	21.8	19.7	20.6	18.1
P/B (x)	1.4	1.4	1.4	1.4	1.4
EV/EBITDA (x)	6.0	5.0	5.0	5.4	5.3
Dividend yield (%)	5.3	4.9	4.9	4.6	3.8
Net margin (%)	14.2	5.8	5.1	4.6	5.0
Net debt/(cash) to equity(%)	(7.0)	(14.7)	(5.4)	5.0	13.8
ROE (%)	17.4	7.2	7.2	7.0	7.9
Consensus net profit	-	-	776	1,415	1,679
UOBKH/Consensus (x)	-	-	1.57	0.82	0.79

Source: Singapore Airlines, Bloomberg, UOB Kay Hian

- **Updated 1QFY27 results preview: Likely around breakeven.** SIA is expected to release its 1QFY27 business update on 28 Jul 26, after market close. We highlight that volatility arising from the Middle East conflict, coupled with SIA's high operating leverage, has significantly reduced the reliability of our earnings forecast for the quarter. Our updated guesstimate for 1QFY27 earnings ranges from a net loss of S$90m to a net profit of S$110m, with the S$10m midpoint implying a broadly breakeven quarter. This compares with SIA's reported net profit of S$186m in 1QFY26 and S$441m in 4QFY26. Our updated forecast range has shifted upwards from the previously estimated net loss of S$20m-300m in our 16 Jun 26 report, mainly because we have moderated our loss estimate for Air India to reflect the slower depreciation of the Indian rupee against the US dollar during the quarter.
- **Renewed US-Iran crossfire reverses part of the earlier fuel-price relief.** Since our 16 Jun 26 report, the expected sustained de-escalation has proved temporary. Although the US and Iran initially extended their truce, crossfire resumed on 7 Jul 26, when the US restarted strikes on Iran following attacks around the Strait of Hormuz. Renewed hostilities and shipping disruptions have reversed part of the earlier decline in oil prices. As the situation continues to evolve, jet fuel prices are likely to remain elevated and volatile, adding uncertainties to airlines' near-term financial performance.
- **SIA's profitability still expected to rebound in 2QFY27.** Despite continued volatility in the Middle East, we still expect SIA's profitability to rebound in 2QFY27, driven mainly by cost pass-throughs via higher airfares and freight rates. SIA's comfortable fuel hedging position (having hedged 49%/50%/32% of its projected fuel consumption in 2Q/3Q/4QFY27 at favourable prices) should also help cushion part of the upside risk to jet fuel prices, placing it in a relatively advantageous position vs regional peers. Subject to further refinement based on operating data and jet fuel price developments over the next few months, our preliminary 2QFY27 earnings estimate stands at around S$450m, representing a significant yoy improvement from the low base of S$52m in 2QFY26.

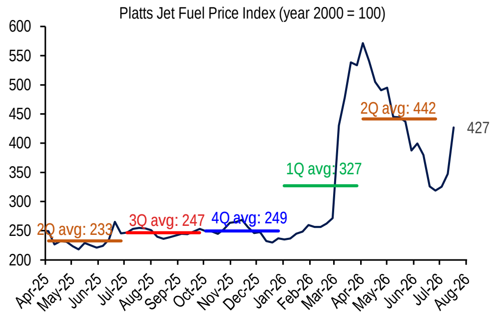
Earnings Revision/Risk

- **Raise our FY27 earnings forecast for SIA by 22%** to S$1.22b, representing a 3% yoy growth, as we refine/reduce our loss estimate from Air India.
- **Key risks** include: a) a long-lasting Middle East unrest sustaining fuel prices at elevated levels, b) weaker global macroeconomy dampening air travel and air cargo demand, and b) prolonged Air India drag.

Valuation/Recommendation

- **Maintain HOLD with a slightly higher target price of S$6.76.** Our updated target price remains based on 1.28x FY27F P/B, pegged to 1.0SD above SIA's historical mean P/B of 1.09x. Current price of S$7.60 includes FY26 final dividend of 29 S cents (ex-dividend date: 11 Aug 26), and implies a 1.44x FY27F P/B, or 1.9SD above the historical mean.
- SIA offers a decent 4.6-4.9% yield in FY27-28, assuming a 70% payout ratio plus an annual 10 S cents special dividend from its capital return plan.
- SIA remains our preferred pick among regional airlines, given its strong balance sheet, proven management track record, and favourable fuel hedging positions. However, given the expected earnings weakness in 1QFY27 and the volatile Middle East situation, we would prefer a better entry point.

Jet Fuel Prices



Source: S&P Global Platts

Historical P/B Band

Source: Bloomberg

Target Price

		FY26	FY27F	FY28F
Adjusted BVPS		S$5.47	S$5.29	S$5.29
P/B peg		Target price		
+2.0SD	1.46x	S$8.01	S$7.75	S$7.75
+1.5SD	1.37x	S$7.50	S$7.25	S$7.25
+1.0SD	1.28x	S$6.99	S$6.76	S$6.76
+0.5SD	1.18x	S$6.48	S$6.27	S$6.27
Mean	1.09x	S$5.97	S$5.77	S$5.77

Source: UOB Kay Hian

Profit & Loss

Year to 31 Mar (S$m)	2026	2027F	2028F	2029F
Net turnover	20,522	23,970	25,398	26,396
EBITDA	4,916	4,955	4,516	4,671
Deprec. & amort.	2,541	2,631	2,818	2,942
EBIT	2,375	2,324	1,698	1,729
Total other non-operating income	81	(0)	0	0
Associate contributions	(792)	(591)	(79)	81
Net interest income/(expense)	(45)	(65)	(123)	(153)
Pre-tax profit	1,618	1,668	1,495	1,656
Tax	(395)	(407)	(283)	(284)
Minorities	(39)	(44)	(48)	(52)
Net profit	1,184	1,218	1,163	1,321
Net profit (adj.)	1,076	1,218	1,163	1,321

Balance Sheet

Year to 31 Mar (S$m)	2026	2027F	2028F	2029F
Fixed assets	26,902	28,636	30,899	32,853
Other LT assets	3,070	2,480	2,400	2,481
Cash/ST investment	8,510	8,180	6,382	4,866
Other current assets	4,932	4,326	4,479	4,573
Total assets	43,413	43,622	44,161	44,773
ST debt	1,957	1,957	1,957	1,957
Other current liabilities	11,934	11,509	12,028	12,458
LT debt	5,710	7,044	7,044	7,044
Other LT liabilities	6,126	5,996	5,996	5,996
Shareholders' equity	17,262	16,675	16,672	16,827
Minority interest	424	442	465	492
Total liabilities & equity	43,413	43,622	44,161	44,773

Cash Flow

Year to 31 Mar (S$m)	2026	2027F	2028F	2029F
Operating	5,103	3,960	4,598	4,724
Pre-tax profit	1,618	1,668	1,495	1,656
Tax	(11)	(407)	(283)	(284)
Deprec. & amort.	2,541	2,631	2,818	2,942
Associates	(865)	(656)	(162)	(17)
Working capital changes	(97)	(589)	365	337
Non-cash items	295	(0)	0	0
Other operating cashflows	1,622	1,312	365	90
Investing	(2,424)	(3,636)	(4,376)	(4,206)
Capex	(2,749)	(3,876)	(4,576)	(4,376)
Investments	(39)	0	0	0
Proceeds from sale of assets	4	0	0	0
Others	360	240	200	170
Financing	(2,879)	(653)	(2,019)	(2,034)
Dividend payments	(1,162)	(1,166)	(1,166)	(1,166)
Issue of shares	(840)	1,333	0	0
Proceeds from borrowings	0	0	0	0
Others/interest paid	(877)	(821)	(854)	(869)
Net cash inflow (outflow)	(200)	(330)	(1,797)	(1,516)
Beginning cash & cash equivalent	8,257	7,931	7,601	5,804
Changes due to forex impact	(126)	0	0	0
Ending cash & cash equivalent	7,931	7,601	5,804	4,288

Key Metrics

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	24.0	20.7	17.8	17.7
Pre-tax margin	7.9	7.0	5.9	6.3
Net margin	5.8	5.1	4.6	5.0
ROA	2.7	2.8	2.7	3.0
ROE	7.2	7.2	7.0	7.9
Growth				
Turnover	5.0	16.8	6.0	3.9
EBITDA	20.2	0.8	(8.9)	3.4
Pre-tax profit	(45.4)	3.1	(10.4)	10.8
Net profit	(57.4)	2.9	(4.5)	13.5
Net profit (adj.)	(31.6)	13.2	(4.5)	13.5
EPS	(31.0)	10.7	(4.5)	13.5
Leverage				
Debt to total capital	30.2	34.5	34.4	34.2
Debt to equity	43.3	52.6	52.5	52.0
Net debt/(cash) to equity	(14.7)	(5.4)	5.0	13.8