Singapore Airlines (SIA SP)

1HFY27: Results Miss Our Expectations; Expect 2HFY27 To Remain Weighed Down By Elevated Jet Fuel Prices

Highlights

- SIA's 2QFY27 earnings of S$210m missed our guided range of US$230m-370m, driven by weaker-than-expected pax yields. 2QFY27 would have been a bigger miss if we exclude Air India's one-off accounting gains.
- Despite having pulled back from recent peaks, elevated jet fuel prices are likely to still weigh on SIA's 3Q/2HFY27 performance, leading to our forecasted 33%/29% yoy drop in SIA's 3Q/2HFY27 earnings respectively.
- SIA's current valuation (at 1.40x FY27F P/B, or 1.6SD above historical mean) appears to have priced in an imminent resolution to the Middle East unrest, although significant uncertainties remain.
- Maintain SELL; target price raised to S$6.65 (based on 1.29x FY27F P/B).

1HFY27 Results

Year to 31 Mar (S$m)	1H FY27	1H FY26	yoy % chg	2Q FY27	2Q FY26	yoy % chg	1Q FY27	qoq % chg	Prev. FY27F	1H as % of FY27F
Revenue	11,297	9,675	*+16.8*	5,583	4,885	*+14.3*	5,714	*-2.3*	24,490	46%
Pax flown revenue	9,095	7,786	*+16.8*	4,513	3,924	*+15.0*	4,582	*-1.5*	19,829	46%
Cargo & mail revenue	1,394	1,071	*+30.2*	686	541	*+26.9*	708	*-3.1*	2,870	49%
Engineering & others	808	818	*-1.2*	445	420	*+6.0*	424	*+4.9*	1,791	45%
Non-fuel opex	6,754	6,325	*+6.8*	3,398	3,201	*+6.2*	3,356	*+1.3*	13,779	49%
Fuel cost	3,974	2,547	*+56.0*	1,721	1,285	*+33.9*	2,253	*-23.6*	8,753	45%
Operating profit	569	803	*-29.1*	464	398	*+16.4*	106	*+339.5*	1,958	29%
JV/associates contribution	-295	-356	*n.m.*						-676	44%
Net Profit (reported)	**134**	**239**	***-43.9***	**210**	**52**	***+300.2***	**-76**	***nm***	**834**	**16%**

Source: SIA, UOB Kay Hian

Analysis

- **2QFY27 results missed our expectations…** Singapore Airlines' (SIA) 1HFY27 reported net profit dropped 44% yoy to S$134m. Despite having improved yoy and qoq from 1QFY27's and 2QFY26's very low bases, 2QFY26 net profit of S$210m was below our guided range of S$230m-370m.
- **…due to lower-than-projected pax yields.** Pax yields rose 12.2% yoy, below our projected 17.0% increase, as fuel cost pass-through to customers came in lower than our expectations. Cargo yields rose 22.3% yoy, broadly in line with our forecast, while non-fuel opex/ATK increased 3.7% yoy, also in line. Consequently, 2QFY27 operating profit of S$464m (+16.4% yoy) was below our projected range of S$565m-745m.

Key Financials

Year to 31 Mar (S$m)	2025	2026	2027F	2028F	2029F
Net turnover	19,540	20,522	23,737	23,388	23,340
EBITDA	4,090	4,916	4,463	4,309	4,524
Operating profit	1,709	2,375	1,762	1,583	1,629
Net profit (rep./act.)	2,778	1,184	804	961	1,171
Net profit (adj.)	1,575	1,076	796	961	1,171
EPS (S$ cents)	50.6	34.9	25.3	30.5	37.2
PE (x)	14.3	20.8	28.7	23.8	19.5
P/B (x)	1.4	1.3	1.4	1.4	1.4
EV/EBITDA (x)	5.9	4.9	5.4	5.6	5.3
Dividend yield (%)	5.5	5.1	4.8	4.7	3.6
Net margin (%)	14.2	5.8	3.4	4.1	5.0
Net debt/(cash) to equity (%)	(7.0)	(14.7)	(1.3)	11.9	23.9
ROE (%)	17.4	7.2	4.8	5.9	7.3
Consensus net profit	-	-	765	1,314	1,478
UOBKH/Consensus (x)	-	-	1.04	0.73	0.79

Source: SIA, Bloomberg, UOB Kay Hian

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SELL (Maintained)

Share Price	S$7.25
Target Price	S$6.65
Upside	-8.3%
Previous TP	S$6.16

Stock Data

Sector	Industrials
Bloomberg ticker	SIA SP
Shares issued (m)	3,153.2
Market cap (S$m)	20,860.5
Market cap (US$m)	17,794.4
3-mth avg daily t'over (US$m)	27.4

Price Performance (%)

52-week high/low				S$7.92/S$6.21
1mth	**3mth**	**6mth**	**1yr**	**YTD**
10.5	2.3	15.1	8.5	13.3

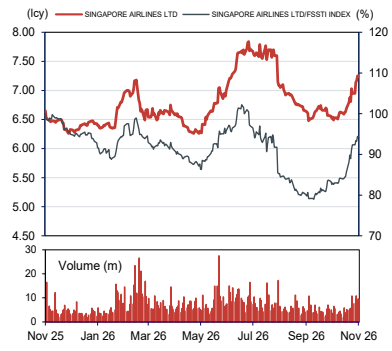
Major Shareholders (%)

Temasek Hldgs	50.6

Balance Sheet Metrics

FY27 NAV/Share (S$)	5.17
FY27 Net Debt/(Cash)/Share (Rmb)	(0.06)

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.

- **Share of loss from Air India narrowed yoy, but primarily driven by one-off accounting gains.** Air India appeared less of a drag in 2QFY27 and 1HFY27, with its 2QFY27 net loss contribution to SIA standing at about S$190m by our estimate, representing an yoy improvement of S$110m, and compared with our projected S$250m loss contribution. However, management shared that the yoy improvement in Air India's reported figure in 2QFY26 was primarily driven by some one-time accounting gain (the size of which was not disclosed by SIA); recall that there were similar accounting gains in 1QFY27 which boosted Air India's performance. Without such accounting gains, SIA's 2Q/1H26 results would have been a bigger miss.
- **1HFY27 interim dividend reduced to 7 S cents.** The 1HFY27 interim dividend comprises a 2 S cents ordinary dividend and a 5 S cents special dividend (from SIA's existing capital return plan); this compares with an 8 S cents dividend for 1HFY26 (5 S cents ordinary dividend and 2 S cents special dividend).
- **SIA's balance sheet remains healthy** with about S$2.6b net cash as of end-1HFY27, largely unchanged from end-FY26.
- **Management's outlook guidance.** Passenger demand remains healthy, supported by seasonal travel, while cargo demand remains firm due to semiconductor and cloud-computing shipments and the shift from sea to air freight amid maritime disruptions. However, geopolitical uncertainty, supply-chain risks and elevated jet fuel prices continue to pressure costs, and fare and cargo-rate increases have not fully offset the impact.
- **Update on Air India.** During the briefing, SIA noted that Air India has made tangible progress in its multi-year transformation and shared that the new Air India CEO who came on board in Sep 26 has identified clear priorities with initiatives to improve revenue generation and cost management. As for the reported equity injection request from Air India, there remains no update.
- **Elevated jet fuel prices likely to still weigh on 2HFY27 earnings.** Even though jet fuel prices have pulled back by about 15% from the recent peak following the outcome of the US mid-term elections, it remains high, hovering near US$170/bbl. Assuming jet price prices stay at this level for the rest of 2026, we estimate that SIA's unhedged average fuel cost in the upcoming 3QFY27 would be still about 20% higher qoq, and about 90% higher yoy. Despite some cost pass-throughs and favourable fuel hedges, we reckon that SIA's 3Q/2HFY27 earnings are likely to remain weighed down by fuel cost pressures, recording a 33%/29% yoy decline from 3Q/2HFY26's high bases.

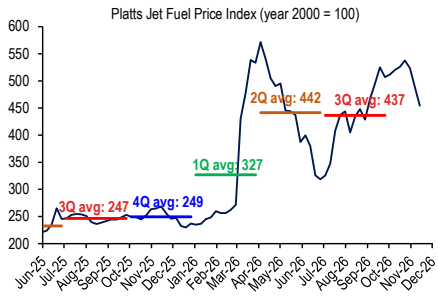
Earnings Revision/Risk

- **We cut our FY27 earnings forecast for SIA by 4%,** reflecting the 2QFY27 results miss, while keeping our FY28-29 estimates intact.
- **Key risks** include: a) continued Middle East unrest sustaining fuel prices at elevated levels, b) weaker global macroeconomy dampening air travel and air cargo demand, and c) prolonged Air India drag.

Valuation/Recommendation

- **Maintain SELL; target price raised to S$6.65.** Our updated target price is now pegged to 1.29x FY27F P/B, +1.0SD above SIA's historical mean P/B of 1.10x, vs our previous 1.19x P/B peg or +0.5SD above mean, as we acknowledge the increased likelihood that the US and Iran could be exploring a path to end the war. Having said that, we believe the recent pullback in fuel prices has been reflected by SIA's recent share price strength, and reckon that SIA's current valuation (at 1.40x FY27F P/B, or 1.6SD above mean) does not offer an attractive enough risk-reward, as there remain uncertainties related to the Middle East situation. Key upside risks to our call include further positive development in the Middle East truce talks.

Jet Fuel Prices



Source: S&P Global Platts

Historical P/B Band



Source: Bloomberg

P/B-based Valuation

		FY26	FY27F	FY28F
Adjusted BVPS		S$5.47	S$5.17	S$5.12
P/B peg		---------- Target price ---------		
+2.0SD	1.48x	S$8.08	S$7.63	S$7.55
+1.5SD	1.38x	S$7.56	S$7.14	S$7.07
+1.0SD	1.29x	S$7.04	S$6.65	S$6.58
+0.5SD	1.19x	S$6.52	S$6.16	S$6.09
Mean	1.10x	S$6.00	S$5.67	S$5.61

Source: UOB Kay Hian

Profit & Loss

Year to 31 Mar (S$m)	2026	2027F	2028F	2029F
Net turnover	**20,522**	**23,737**	**23,388**	**23,340**
EBITDA	4,916	4,463	4,309	4,524
Deprec. & amort.	2,541	2,701	2,726	2,896
EBIT	2,375	1,762	1,583	1,629
Total other non-op. income	81	5	(0)	0
Associate contributions	(792)	(572)	(198)	20
Net interest income/(expense)	(45)	(36)	(104)	(154)
Pre-tax profit	**1,618**	**1,158**	**1,280**	**1,494**
Tax	(395)	(308)	(266)	(265)
Minorities	(39)	(47)	(53)	(58)
Net profit	**1,184**	**804**	**961**	**1,171**
Net profit (adj.)	1,076	796	961	1,171

Balance Sheet

Year to 31 Mar (S$m)	2026	2027F	2028F	2029F
Fixed assets	26,902	28,366	30,821	33,222
Other LT assets	3,070	2,498	2,300	2,320
Cash/ST investment	8,510	6,307	4,568	2,947
Other current assets	4,932	3,327	3,073	2,798
Total assets	**43,413**	**40,498**	**40,762**	**41,286**
ST debt	1,957	1,957	1,957	1,957
Other current liabilities	11,934	10,765	11,174	11,630
LT debt	5,710	5,044	5,044	5,044
Other LT liabilities	6,126	5,996	5,996	5,996
Shareholders' equity	17,262	16,292	16,119	16,156
Minority interest	424	445	473	505
Total liabilities & equity	**43,413**	**40,498**	**40,762**	**41,286**

Cash Flow

Year to 31 Mar (S$m)	2026	2027F	2028F	2029F
Operating	**5,103**	**2,991**	**4,250**	**4,590**
Pre-tax profit	1,618	1,158	1,280	1,494
Tax	(11)	(308)	(266)	(265)
Deprec. & amort.	2,541	2,701	2,726	2,896
Associates	(865)	(590)	(234)	(47)
Working capital changes	(97)	(1,168)	208	331
Non-cash items	295	5	0	0
Other operating cashflows	1,622	1,194	537	182
Investing	**(2,424)**	**(2,568)**	**(4,026)**	**(4,231)**
Capex	(2,749)	(3,676)	(4,676)	(4,776)
Investment	(39)	0	0	0
Proceeds from sale of assets	4	0	0	0
Others	360	1,108	650	545
Financing	**(2,879)**	**(2,626)**	**(1,964)**	**(1,979)**
Dividend payments	(1,162)	(1,134)	(1,134)	(1,134)
Proceeds from borrowings	(840)	(667)	0	0
Loan repayment	0	0	0	0
Others/interest paid	(877)	(825)	(829)	(845)
Net cash inflow (outflow)	**(200)**	**(2,202)**	**(1,740)**	**(1,620)**
Beginning cash & cash equiv.	**8,257**	**7,931**	**5,729**	**3,989**
Changes due to forex impact	(126)	0	0	0
Ending cash & cash equiv.	**7,931**	**5,729**	**3,989**	**2,369**

Key Metric

Year to 31 Mar	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	24.0	18.8	18.4	19.4
Pre-tax margin	7.9	4.9	5.5	6.4
Net margin	5.8	3.4	4.1	5.0
ROA	2.7	1.9	2.4	2.9
ROE	7.2	4.8	5.9	7.3
Growth (% yoy)				
Turnover	5.0	15.7	(1.5)	(0.2)
EBITDA	20.2	(9.2)	(3.5)	5.0
Pre-tax profit	(45.4)	(28.4)	10.5	16.7
Net profit	(57.4)	(32.1)	19.6	21.8
Net profit (adj.)	(31.6)	(26.0)	20.7	21.8
EPS	(31.0)	(27.6)	20.7	21.8
Leverage				
Debt to total capital	30.2	29.5	29.7	29.6
Debt to equity	43.3	41.8	42.2	42.0
Net debt/(cash) to equity	(14.7)	(1.3)	11.9	23.9

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