

QUESTION & ANSWER TRANSCRIPT
SINGAPORE AIRLINES ANALYST / MEDIA SINGAPORE
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E&OE – may be edited for grammar and clarity

Mr Siva Govindasamy: We will now move to the Q&A segment. For those who are logged in online, you can send the questions through the widget that is available there. Please send your questions in and we will take them as we go along. We will have the usual format for the questions and answers. We have about half an hour to 40 minutes. If I could please ask you to limit your questions to one each, that would be much appreciated. Please state your name and the organisation you represent before you ask a question. Raise your hand and I will indicate when you can take the question. We have some of my colleagues here with microphones who will be running around for that. Without further ado, could I invite Choon Phong as well as JoAnn. They will be joined by Lee Lik Hsin, who is our Chief Commercial Officer, as well as Tan Kai Ping, who is our Chief Operations Officer. Let us start. Who would like to ask the first question? Chuanren, please.

Mr Chen Chuanren, Air Transport World: Good morning, Mr Goh and panel. Chuanren from Air Transport World. I have two questions. First, on the Boeing 777-9, Lufthansa has said that their delivery will slip to 2026. Are you seeing the same as them? Are there any additional mitigations to your current fleet, and do you foresee that your new product for the 777-9 will lose its edge by the time the aircraft is delivered? Thank you.

Mr Goh Choon Phong: Thank you for the questions. At this point in time, based on our understanding, we are expecting the Boeing 777-9s to be delivered next year. On your question on the products, yes, the 777-9 was meant to debut earlier. In fact, much earlier. Last year was when we were targeting to launch it. You can be rest assured that while we have this delay, we have been making full use of the delay to ensure that any features that we had planned will continue to be updated.

Mr Chen Chuanren, Air Transport World: Any mitigation to the current fleet?

Mr Goh Choon Phong: Current fleet because of the delay? We addressed that previously as well. We do have some flexibility with the Boeing 777-300ERs in terms of our retention.

Mr Chen Chuanren, Air Transport World: Second question on SAF, 1,000 tonnes is actually very little. I think you can expend that in a few days given the scale of your operations. Could you explain that amount? Why not a bigger sum for your first purchase? Thank you.

Mr Goh Choon Phong: As I mentioned earlier, we make an announcement when we are quite sure what the expectations of production and take up is. You can be assured that it will not stop there, but it has to be something that we have some certainty on, both volume and price. Thank you.

Mr Siva Govindasamy: Next question in the room. Angela from The Straits Times. Thank you.

Ms Angela Tan, The Straits Times: Angela from The Straits Times. Just a simple question. Do you expect this 24% growth seen for FY2023/24 to be repeated, or is this a one off? How do you see the delays in the parts affecting your expansion plans? Thank you.

Mr Lee Lik Hsin: Sorry. Could you repeat the part about the 24%?

Ms Angela Tan, The Straits Times: Sorry, your net profit growth last year.

Mr Lee Lik Hsin: We have said, and you can see from our figures, that there is some decrease in the passenger yields that we have been experiencing over the last six months. The additional capacity that has been put into place by the other carriers obviously will put some downward pressure on yields. But as mentioned by our CEO, we do believe that we are well-positioned for the future. That is with regards to our outlook. The second question was?

Mr Siva Govindasamy: Spare parts.

Mr Lee Lik Hsin: We are managing the situation. In respect of the published schedules we have, we do expect to be able to operate all those flights.

Mr Siva Govindasamy: Thank you. I will go to the online questions. We have a question from Tabitha Foo from DBS. Any capacity guidance and recovery in China? Has it picked up in a meaningful way?

Mr Lee Lik Hsin: We do not give capacity guidance, but in relation to the recovery in China, I could perhaps add a bit of colour. Travel into China has been strong. Travel out of China has not yet recovered fully to pre-pandemic levels. But in recent months, of course, there has been visa-free travel for Chinese to come to Singapore, and that has helped provide some lift to our load factors for our Chinese flights. We are optimistic about our China routes.

Mr Siva Govindasamy: Thank you. Lisa Barrington from Reuters asks if group capacity versus pre-Covid levels has fallen since the start of the year. And why that is?

Mr Goh Choon Phong: I will take this question. It depends on how you compare. The right comparison should be comparing the corresponding month in 2019 with the latest performance. When we first started, the comparison has always been to January 2020. But of course, all of us know that there is seasonality and all other considerations. The more appropriate comparison is the corresponding month between the current and 2019. If you were to do that, you will find that the January to March, which is the fourth quarter in 2024, is comparable, capacity-wise to January to March of 2019. If we just look at the first quarter of this financial year, which is the April to June quarter, relative to the current 2024, April to June quarter, comparing it the April to June quarter in 2019, you will find that it is also very close. In essence, we are back to pre-Covid capacity.

Mr Siva Govindasamy: Thank you, Choon Phong. Any questions from the room? Tim, please, in the second row.

Mr Tim Bacchus, Bloomberg Intelligence: Hi, this is Tim Bacchus from Bloomberg Intelligence. I wanted to ask on fuel hedging. I recall we talked about this at the last briefing. Optically, it looks like the hedging profile is lower. So even, I guess, the first half of this year, you take MOPS and the Brent, it's at mid-30%, but then second half is only 19%, something like that. That seems lower than previous hedging profiles. Is SIA taking some kind of view on the market that perhaps fuel would go lower, that there is no need to hedge? What can we read from that? Thank you.

Ms JoAnn Tan: There is no change in our hedging. We continue to hedge on a declining wedge basis. So, the numbers that you see here is as of May 2024. As the year and months progress, we are taking more hedges. There is no change.

Mr Siva Govindasamy: Thank you. Right at the back there, please. Thank you.

Ms Mercedes Ruehl, Financial Times: Hello, Mercedes from the Financial Times. I was just wondering, there has been a lot of demand for e-commerce out of China. A lot of the global airlines are rethinking their strategies in terms of air freight routes and bellyhold capacity deployments. Just wondering if you are doing anything to capture this as well.

Mr Lee Lik Hsin: Oh, very much so. In fact, if you look at our partnership with DHL, we have an operating agreement to bring Boeing 777 freighters into Singapore. That is a sign of our commitment to growing the cargo market. While those are DHL freighters operated by us, they have good synergy with our own bellyhold capacity as well as freighter capacity for transfer cargo flows in and out of Singapore.

Mr Siva Govindasamy: Thank you, Lik Hsin. We have a question from Perry Yeung from UBS. Can you comment on the lower ex fuel unit costs quarter-on-quarter? What drove the decline?

Ms JoAnn Tan: Thank you, Perry, for your question. I think we have spoken about this at previous analyst briefings as well. When you compare a quarter-on-quarter comparison, we have all sorts of timing difference and we have previously guided that a year-on-year comparison is actually more representative. If you are talking about Q4 to Q3, there have been some movements in terms of when we do specific items. For example, aircraft maintenance depends on when it is due. So, a quarter-on-quarter comparison is not always the best measure of our costs.

Mr Siva Govindasamy: Thank you, JoAnn. We have got Divya Kothiyal from Morgan Stanley asking about the reasons behind the profit decline at Scoot year-on-year and for the profitability outlook for this segment, for Scoot.

Mr Goh Choon Phong: Scoot's operations are largely regional, and the regional routes are the ones that see greater injection of capacity. Therefore, you can expect that there is greater competitive pressure and that contributes to what you see in Scoot's experience. We do not give profitability guidance.

Mr Siva Govindasamy: Thank you. Any questions in the room? We will go to Tim and then Angela again.

Mr Tim Bacchus, Bloomberg Intelligence: Thank you. I was wondering about the associate contribution line. It looks stronger, specifically. What is driving some of the companies behind that? Is India starting to play a bigger role in that? Thank you.

Ms JoAnn Tan: In the associate line, we do see improvements. In particular, Vistara is a fairly large contributor. They have actually narrowed their losses this year.

Mr Siva Govindasamy: Thank you. Angela again.

Ms Angela Tan, The Straits Times: Can you share some of the ways that the Group is looking to mitigate the higher costs from staff, ground handling and meals, things like that?

Ms JoAnn Tan: For staff, if you recall in my presentation, other than the increases because of a headcount, which is associated with the increase in capacity, year-on-year, we also had the increase because last year, we still had benefits from government-related grants, which is absent this year. That is one component. I think the second component, the increase was primarily because we had a pretty large ramp up in the last year and that is reflected in the staff cost. In terms of the other cost elements, you talked about ground handling. We tend to go into very long-term contracts with our ground handlers. So, at least, this gives us some level of certainty when we lock in prices. This helps us in a slightly more inflationary environment to lock down our costs.

Mr Siva Govindasamy: We have a question from Danny Lee from Bloomberg, who is online. We have given the outlook for the aircraft deliveries. He is asking about the risk of delays on the Boeing 737-8s and other aircraft types like the Embraer or Airbus aircraft. He is also asking whether we are projected to be behind our delivery plans. He is asking whether we are already behind the delivery plan based on what we have published.

Mr Goh Choon Phong: What we have presented, what JoAnn has presented earlier, is the schedule that we currently have with the OEMs. If there are any change in those schedules, we will certainly reflect them.

Mr Siva Govindasamy: Thank you. Ezien Hoo from OCBC is asking when will we complete the transaction for the merger of Air India and Vistara?

Mr Goh Choon Phong: It is pending some regulatory approvals. I think it was mentioned that one of them is FDI, and all that. We will have to wait for the approval. Hopefully, we will hear something within the calendar year, but it is really a timing that is determined from the regulator's perspective.

Mr Siva Govindasamy: We have Adrian Schofield from Aviation Week asking, how much lower is your Chinese capacity now versus 2019? Are we going to see more connecting demand from North America to mainland China?

Mr Lee Lik Hsin: I do not have the exact figure on hand. Yes, our capacity to China is still lower than pre-Covid. In relation to North America to China, that is not a traffic flow that

we normally carry because we are not geographically positioned to be able to carry that traffic flow.

Mr Siva Govindasamy: In the first row here, this gentleman here beside Tim.

Mr Roy Chen, UOB Kay Hian: Hello, this is Roy from UOB Kay Hian. Thank you very much for the opportunity. I have questions regarding your tax credit, and I also notice there has been a quite sizable reversal of over provision from last year. I noted that you have unrecognised tax losses of over \$300 million, which might be used to offset future tax expenses. I wonder whether there will be more reversal of over provision or tax credit in the upcoming financial year?

Ms JoAnn Tan: Thank you for your question, Roy. On your question on tax credit, when we make provision for deferred tax, we are expecting to pay them, presumably. We will have to see when the financial year comes and what the tax authorities say.

Mr Siva Govindasamy: Mayuko, please.

Ms Mayuko Tani, Nikkei: Thank you. Hi, Mayuko Tani from Nikkei. Thank you for the opportunity. May I ask about China market. First, are you planning to mount the capacity this financial year? You have cancelled some of the routes like Chongqing and Chengdu. What happened with those routes and what was the reason for the cancellation or suspension? If you said that in the long term you are optimistic, but for this financial year, will you be enhancing or strengthening the routes in the market?

Mr Lee Lik Hsin: Some of the China points, we had cancelled some flights earlier because we could not secure regulatory approvals. We have since been able to secure regulatory approvals for those flights. So, Chongqing and Chengdu, they are all back and available for sale. For some of them, they are only available for sale up to a certain point, July, I believe. That is because we managed to secure approvals only up to that point. We are in constant contact with the authorities and working with the authorities. As long as we can secure the approvals, we definitely want to operate to those points. We are progressively putting back overall capacity into China, as well as into Shanghai, Beijing, and Guangzhou. We would be operating more capacity this year than last year.

Mr Siva Govindasamy: Thank you, Lik Hsin. Peck Gek, I think you had a question. Thank you.

Ms Tay Peck Gek, The Business Times: What is the staff strength of SIA now? What is the percentage in the ramp up over the last year?

Mr Siva Govindasamy: Percentage ramp up over the last year?

Ms Tay Peck Gek, The Business Times: Staff strength now.

Ms JoAnn Tan: I think you can see this in the press release. We have released our numbers. As reported, we have 16,600 staff this year and that is an increase of 12.4%.

Mr Siva Govindasamy: Thank you. We have a few questions online. We have Neil Glynn from Air Control Tower. He is asking about the SIA cargo yield. Unit cost data suggests that cargo has not been profitable since Q1 of FY2023/24. Is there a plan to address unit cost inflation or another strategy to restore pre-pandemic profitability?

Mr Lee Lik Hsin: We do not measure cargo profitability. We do not publish such numbers. It is part of that holistic business that we have, especially in the belly of the aircraft and in combination with our freighters. In relation to the cargo yields falling, yes, they have been falling, but they are still above the pre-Covid levels. As a whole, we still believe cargo to be an important and strategic part of our business.

Mr Siva Govindasamy: Thank you, Lik Hsin. We have a question from Danny Lee from Bloomberg, asking about our partnerships, asking about the update on ANA, where we are with the anti-trust process, and on Garuda.

Mr Goh Choon Phong: It is in progress and if and when we get the approval, we will certainly announce it.

Mr Siva Govindasamy: Thank you. We will go to Chuanren.

Mr Chen Chuanren, Air Transport World: On a slightly lighter note. How much of your Q4 results is a result of Taylor Swift and Coldplay in Singapore? Do you think that it is going to be a fluke event that your flights are filled up because of these sorts of events? Thank you.

Mr Lee Lik Hsin: Our objective is to fill our flights whether or not there is a Taylor Swift concert. I would confidently say that had there not been one, we would still have been able to fill our flights.

Mr Siva Govindasamy: We have a question online from Perry Yeung from UBS asking about the dividend policy and is the payout ratio sustainable at 50% in FY2024/25?

Mr Goh Choon Phong: We have no dividend policy to announce.

Mr Siva Govindasamy: Thank you. We have got time for one or two more questions. Mercedes, over there.

Ms Mercedes Ruehl, Financial Times: Just one more question. There have been some recent concerns around the Boeing 787, which Singapore has ordered. Are there any kind of particular concerns you have around this aircraft?

Mr Goh Choon Phong: Actually, both SIA and Scoot are customers of the Boeing 787 planes. For the planes that we operate, we do not have any concerns about its safe operations. I also want to add a point about our relationships with OEMs. We adopt a very holistic relationship in that we work with them as a partner to look at how we can make products better and how we can ensure that we have a productive relationship in terms of supporting each other and communicating on any issues that we find. This kind of constructive relationship has made it better in terms of how we can get support from the OEMs. I am talking about this in general, not necessarily referring to Boeing alone. That is the reason why you find that in cases where there are disruptions because of certain –

whether it is a supply issue, spare parts issue, and all that, we are actually relatively less affected. Thank you.

Mr Siva Govindasamy: Thank you. Wei Ting.

Ms Teng Wei Ting, Lianhe Zaobao: Hi, Wei Ting from Zaobao here. Right now, the plans for SAF are still some time to go. Why take the move now? Is it a first mover's advantage or disadvantage, and is there a long-term hedging plan for SAF? Yesterday was Singapore's leadership renewal. Is there a renewal of leadership plans here?

Mr Goh Choon Phong: The last question that you asked is beyond my pay scale. You have to ask the Board. But on SAF, quite frankly, we do not look at it as a competitive thing. It is really an industry problem. No airline can solve this issue alone. It is just too big. We are talking about the aviation industry being able to reach net zero by 2050, and I would say that almost all airlines have committed to that. SAF must be a very integral part of that solution in order for that target to be reached by 2050. The airlines have to work together to convince the producers of SAF. Firstly, to be able to source for the acceptable feedstock and to make sure that there is enough supply in order to produce sufficient SAF for demand by the industry as a whole. Plus, it has to be at the level, at the price level, that is acceptable. Currently, it is three to five times of conventional jet fuel. That level of costs, I think you can look for yourself. At this point in time, even with the current fuel price, it is almost one-third of our total expenditure. Three to five times, it cannot be the long-term solution. So, it is something that I truly believe the industry as a whole has to come together and resolve. I do not view it as a competitive issue.

Mr Siva Govindasamy: Thank you. One last question, then we will have to stop.

Mr Roy Chen, UOB Kay Hian: Roy, again from UOB Kay Hian. My question is regarding the cargo yield outlook. So, in the last few weeks or last one, two months, the ocean freight rates have actually surged a lot. Apparently, airlines have benefitted from cargo diversion from ocean to the air. My question is for the air freight rates here in Singapore. In the last few weeks or into the first quarter of FY2024/25, did we see the cargo yield improve versus the fourth quarter of last year?

Mr Lee Lik Hsin: There was some flow of cargo from sea to air arising from the Red Sea issue, and we were there to capitalise on it. We had some improvements in our load factor. As to rates, I think it is a function of demand and supply, and all we will say is that we want to remain nimble and to be able to capture market share. We do not give any information on figures not published. So, I cannot talk about the first quarter.

Mr Siva Govindasamy: Thank you, everyone. We have come to the end of this session. Thank you for your time, and we will see you again in November. Have a good day and a good week, everyone. Thank you.