

**QUESTION & ANSWER TRANSCRIPT**  
**SINGAPORE AIRLINES ANALYST / MEDIA SINGAPORE**

Half-Year Results Ended 30 September 2022

SIA Training Centre

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E&OE – may be edited for grammar and clarity

**Mr Siva Govindasamy:** Thank you, Mr Goh. For the Q&A session, we will have Mr Mak Swee Wah, Executive Vice President Operations, Mr Lee Lik Hsin, Executive Vice President Commercial, as well as Mr Tan Kai Ping, Executive Vice President Finance and Strategy, joining us on stage. Mr Goh will be joining us virtually. Gentlemen, please. Why don't we get started? This gentleman in the blue shirt please, thank you.

**Mr Raymond Yap, CGS-CIMB:** Good morning, gentlemen. My name is Raymond from CGS-CIMB. My first question is about your plans to sell Vistara to Air India, and whether that will involve any additional equity into the combined business? Another question on dividend pay-out policy, if you have any.

**Mr Goh Choon Phong:** For Vistara, it is as per what we announced on 13 October 2022. We are looking at deepening commercial relationships, and it could involve integrating Vistara and Air India. These are still under discussions. When there is anything concrete to be announced, we will announce it. On dividends, we do not give a stated dividend policy. When it is appropriate to do so, the Board will look at how to resume the dividend payment. In this case, we have resumed it following the half-year results. Thank you.

**Mr Siva Govindasamy:** Thank you. Next question, please. We will have the gentleman beside him.

**Mr Louis Chua, Credit Suisse:** Good morning. Louis from Credit Suisse. Two quick questions, please. First, any updates on the CAPEX plans? In the first half, it seems to be quite moderate, down year-on-year to about \$916 million. Second, in terms of the passenger capacity. I noted in CEO's charts that in the third to fourth quarter, the passenger capacity is expected to be flat at about 75%. If you can give us some guidance on that. Thank you.

**Mr Tan Kai Ping:** CAPEX guidance has not changed since May 2022. We gave the last CAPEX guidance then. You will see in that CAPEX guidance a run rate of around \$4 billion, dropping to \$3.2 billion in FY2025/26. It then tapers off after that. There is a delay in the Boeing 777-9 programme. This is public information. Discussions are still ongoing with Boeing. As a result of that, you can expect that the CAPEX will move to the right, further out, in line with the delay of the 777-9 delivery. But we do not have that guidance yet. We will put that out once we conclude the discussions with Boeing.

**Mr Lee Lik Hsin:** On the capacity question, the number that you see is an average number across the period. We are increasing our capacity during that period. By December this

year, we would have gone up to 80% in that month alone. It is actually an increasing trend, but reflecting an average that includes the earlier months of lower capacity.

**Mr Siva Govindasamy:** Thank you. Chuanren, please.

**Mr Chen Chuanren, Air Transport World:** Thank you. Chuanren from Aviation Week, Air Transport World. Two quick questions. First question is how much has Sustainable Aviation Fuel (SAF) contributed to your Q2 fuel cost? The second question is on the EU-ASEAN Open Skies. What kind of competition do you foresee, and how are you responding to it? Thank you.

**Mr Goh Choon Phong:** For SAF, this is a pilot we are doing together with CAAS and Temasek. The pilot is really to test out how to effectively deploy SAF in Singapore, so the uplift is still quite small. It does not have any material impact to our fuel cost at this moment. For the EU-ASEAN agreement, it does provide more flight flexibility between Singapore and Europe, and beyond Europe – I think 14 times beyond Europe. We are looking at what impact it has in terms of network opportunities for us. We welcome that opening because it provides us with more flexibility for deployment going forward. Thank you.

**Mr Siva Govindasamy:** Thank you Mr Goh. Greg Waldron, right behind. Thank you.

**Mr Greg Waldron, FlightGlobal:** Hi, I am Greg Waldron from FlightGlobal. In the results, I noticed that you have been adding a number of destinations in China, re-adding the Chinese capacity. How are those Chinese flights performing? Do you feel it might be a bit premature, given that zero-Covid seems to be lingering a lot longer than people might have hoped?

**Mr Lee Lik Hsin:** The Chinese capacity is clearly highly regulated by the government, and we have recently been allowed to expand our capacity, but just by a little bit. We are still a far cry from where we were pre-Covid. On the whole, all of our China flights are performing very well, because of this very constrained supply situation that is faced by the whole industry, not just ourselves, for flights into China. We do not comment on the expectation around zero-Covid. We would just wait and see what happens. Thanks.

**Mr Siva Govindasamy:** Thank you. We will go to this gentleman here, and then the two people in the last row, right behind Raymond. Thank you.

**Mr Jason Sum, DBS Bank:** Good morning, this is Jason from DBS Bank. Two questions from me. How are booking windows looking like today? Do you have any visibility beyond the year-end holiday travel season? Second question is whether there are any changes to the Group's fleet planning, given that SIA seems to be relying a bit more on leasing now, compared to before?

**Mr Goh Choon Phong:** I will take the second question. Lik Hsin, you can take the first one. Covid has been an unprecedented challenge for the industry as a whole. We have re-looked our fleet plan, particularly on the requirements for the exact fleet that is needed in the future, and also the delivery schedule. We have made those changes, and have announced quite a few of them, including some of the conversion of fleets. We will continue to build

on our fleet flexibility, that will allow us to have the ability to vary the fleet plan along the way. Thank you.

**Mr Lee Lik Hsin:** On booking windows, you would have seen from CEO's presentation that we are still seeing very strong demand for this year-end, and leading up to Chinese New Year next year. Beyond that, it is still a little early, but we are taking a conservative approach to try and obtain some early bookings to form our base loads. The response to those promotions for the early bookings have been quite good. But as CEO also mentioned, there are a lot of potential economic headwinds. It is really too early to tell at this time. Thanks.

**Mr Tan Kai Ping:** I will just address your specific question on leases. Yes, we did look at leases as a source of financing during Covid. We just completed a couple more leases, quite close to the end of the first half, as you see in our disclosures. With the cash that we have, we do not need it as a source of funds. Our sale-and-leaseback strategy is first and foremost a risk management exercise. We continued that even in the first half of this financial year, not so much because we need the cash, but because we continue to balance the risk, particularly residual values of our fleet.

**Mr Siva Govindasamy:** Thank you, Kai Ping. We will go to the lady right at the back row, and then after that, the gentleman beside her.

**Ms Selina Xu, Bloomberg News:** I am Selina from Bloomberg News. Two questions. First question is about aircraft delivery timelines. Do you see a shortage or delays due to supply chain constraints and crunches, both in terms of auto parts and chips? The second question is about pilots. Does SIA see any kind of hiring difficulties? How easy or difficult is it to get any pilots? Will there be a shortage of pilots in the coming year, especially when considering new kinds of trials like single pilots? Thank you.

**Mr Goh Choon Phong:** Swee Wah will answer the question on pilots. On aircraft delivery, some of the delays are well known. For example, we are expecting a delay in our 777-9 delivery, and you know the reason. Boeing has come out and explained it. We are expecting some of these delays, but we do have flexibility within our own fleet. For example, we have the flexibility of extending or keeping our 777-300ERs for longer period, just to tide through the capacity requirement. So yes, there have been delays to aircraft delivery due to some of these issues that the manufacturers have, but we do have some flexibility within our fleet.

**Mr Mak Swee Wah:** We have kept almost all of our pilots during the Covid period. As we ramped up, we have the resources to do so, and we continue to have enough pilots to see us through, for our growth going into next year. Given the long lead time for pilot training, we are now resuming the hiring of cadets to prepare them for the next few years, as well as direct entry pilots to meet our needs that we foresee in the coming year or two. Single pilot trials are still far away. For now, we should be able to get the pilots we want. Thanks.

**Mr Siva Govindasamy:** Thank you, Mr Mak. That gentleman right there.

**Mr Marcus Tan, Channel NewsAsia:** Good morning, I am Marcus from Channel NewsAsia. I want to ask another question on recruitment. You mentioned about the high demand

leading into the Lunar New Year. Does SIA and Scoot plan to recruit more people to cover this increase in demand, like cabin crew?

**Mr Goh Choon Phong:** In my presentation, I shared that both Scoot and SIA are on track to recruit 3,000 cabin crew by the end of the financial year. The Lunar New Year demand has been factored into this recruitment exercise as well, so they are catered for. As far as pilots are concerned, we believe that we do have enough resources to cater for that peak demand. Thank you.

**Mr Siva Govindasamy:** Thank you. This gentleman here in the red tie, followed by the lady in the orange jacket. Thank you.

**Mr Timothy Bacchus, Bloomberg Intelligence:** This is Tim Bacchus from Bloomberg Intelligence. My question relates to yields, both passenger and cargo. One of the striking things about the results is that you are at record revenues, and yet you are only utilising not even potentially 70% of the capacity. The tie-in between record yields and lower capacity, there is a lot of demand for travel post-Covid, and there are not as many seats in the marketplace. I am wondering what the management thinks about that relationship. As you get back up to 100%, where do you see the yields going? Similarly on the cargo side, given that we may be past the peak if you will, given the macroeconomic trends, how do you see cargo yields going forward? What you are actually seeing, maybe into your fiscal fourth quarter after the peak shipping season is over. Thanks.

**Mr Lee Lik Hsin:** In relation to your question about passenger capacity versus yields and the apparent disconnect, yields being so high and yet capacity still being low is actually because of certain structural reasons. The key one being China, where we are not allowed to put capacity back because of regulatory reasons. That is one very clear geographic region, and there are others like that as well, where we may not be able to add as many flights as we want. Hopefully, that answers the question about that disconnect. As we move into next year, more airlines will be able to put back capacity. We would not expect yields to stay at the same elevated levels that they were at for 2022. We do believe that there will be some moderation from that level. As mentioned before, depending on what the economic situation is and how that affects demand, all that plays into the outcome. On cargo, you talked about beyond the peak, but I think there are enough media reports about the peak itself. For the October to December period this year, we are already seeing some moderation in the rates compared to the previous year, but still much elevated from pre-Covid. Please do not compare it against 2021 though. Beyond that, I think it is anybody's guess right now. Depending on some of the economic uncertainties that we face, we will have to wait and see how the rates pan out over 2023. Thanks.

**Mr Goh Choon Phong:** I will just add that beyond the Chinese New Year period, we expect that the other macroeconomic impact on demand could come in, and you will see that there could be moderation. There will be moderation in terms of ticket prices. As you know, ticket prices are a function of demand and supply. At the same time, I would also like to share that we have always been very competitive in the way we price versus our competitors on the same route. Thank you.

**Mr Siva Govindasamy:** Thank you. The lady in the orange jacket please.

**Ms Hoo Ezien, OCBC:** Hi, this is Ezien from OCBC Credit Research. I have two questions. The first one is on Sustainable Aviation Fuel. I think some of your regional peers have been announcing SAF plans. I am curious if SIA will look to set some hard targets surrounding percentage usage, in say, which year? The second question is for Kai Ping. Is the company looking at certain signposts, where if you meet certain equity targets, then SIA will look at the redemption of the \$6.2 billion MCBs?

**Mr Goh Choon Phong:** For SAF, there is a pilot that we have embarked on. Sustainability is a high priority item, not just for management, but for our Board as well. You can be rest assured that we are looking at, in a very comprehensive manner, how do we meet our sustainability targets that we have announced, which is that by 2050, we want to achieve net zero. I would like to re-emphasise the point that we have made before – the most immediate and effective way to reduce the carbon footprint of any airline is by using new technology planes. From our experience, switching from older technology to newer technology planes will reduce carbon emissions by 25% right away. We are not going to stop here. There are various initiatives we are looking into, and we will announce them progressively.

**Mr Tan Kai Ping:** MCBs 2021 has the same features as MCBs 2020. All the arguments or reasons for redeeming the MCBs 2020 that I have explained in my presentation just now will be true. I will point out that they remain very flexible. They are equity on our balance sheet. There are a lot of uncertainties moving forward with the macro environment, and a lot of opportunities moving forward with the macro environment. We are taking this step-by-step. No decision has been made at this point about MCBs 2021. We will take it step-by-step. We have announced the MCBs 2020 redemption. We will make the appropriate announcements if there is a decision on the MCBs 2021.

**Mr Siva Govindasamy:** Mayuko, please. We will then take some questions online.

**Ms Mayuko Tani, Nikkei:** This is Mayuko from Nikkei. This is a question to Mr Goh, back to the Air India discussions with Tata. Can you share with us your view on the market in India, the competition situation based on your experience of running Vistara for several years by now? What do you want from India? What do you want to do there? What is the minimum that you are aiming to get from the discussions, in terms of stakes, representation, operation, and stuff? Can you share with us about your multi-hub strategy? You lost NokScoot during Covid. Do you still want this? Would you still pursue? What is the next that you want to do? Thank you.

**Mr Goh Choon Phong:** I will start with the question on multi-hub. The reason why we have looked at a multi-hub strategy is because Singapore is a really small market, with five to six million people. We do not have a hinterland of domestic network that many other big countries have, so there are growth limitations based on the Singapore market. We are mitigating some of that, through all kinds of partnerships. We have brought about an extension of our network, to the inner domestic points in many parts of the world, which has been effective, and we will continue to pursue. Our multi-hub strategy is really to enable us to participate directly in the growth in that particular region or country, in a way that we cannot do so if we are just based in Singapore. In the case of Vistara, for example, Vistara is able to fly domestically. It currently is the second biggest airline for domestic market share, and that is saying a lot, given that Vistara has been around for less than 10 years. It

is operating to 11 international points from India. Singapore Airlines will never be able to operate from India to domestic India, nor to so many international points from India. We also look at it from the perspective of how it can complement the Singapore hub, with synergies between the two countries. That is the reason why we have invested in Vistara. Vistara has done well. It is now widely recognised as the best full-service carrier in India, and it has the second highest market share in domestic India. So yes, we have had some failed ventures overseas before. NokScoot would be one of them, having fallen victim to Covid, but that does not mean that we should not look at other opportunities if and when they present themselves, and if it makes sense for us to look at in terms of growth potential, as well as the synergy with the Singapore hub. We will keep our options open. If there are opportunities, we will certainly evaluate them. Thank you.

**Mr Siva Govindasamy:** Thank you, Mr Goh. We will take some questions which have come in virtually right now. The first question, which Mr Goh might have already answered, is if Vistara integrated with Air India, in what ways would you ensure that you retain your market foothold in the Indian market?

**Mr Goh Choon Phong:** All discussions regarding Vistara, and whether or not it will be integrated with Air India and so forth, are confidential discussions that we are having with our partner, Tata Sons. We will make the appropriate announcement when the time comes.

**Mr Siva Govindasamy:** Thank you. The next question is current passenger yields are around 25% to 27% above pre-Covid. Can you help to break down the organic yield increase versus the shift in mix towards premium cabins? The second question is can you provide a guidance on yields beyond the Lunar New Year?

**Mr Lee Lik Hsin:** If you look at our load factors, we are experiencing good load factors across all cabins. It is not so much a shift between cabins. It is across the board. Airfares have been elevated for 2022, in all cabin classes. As CEO mentioned, we try to be competitive to make sure that our customers can see a fair airfare, if that is the right way to phrase it, against every other airline out there. We do not provide yield guidance, but 2022 is a very unique year, and because of the lack of supply and the pent-up demand, we have already made statements around where we expect 2023 to go, in respect of passenger yields. Thanks.

**Mr Siva Govindasamy:** Thank you. We will take a question from Peck Gek, followed by the lady here.

**Ms Tay Peck Gek, The Business Times:** I would like to find out the rationale for the hedging strategy of up to 10% on the declining wedge profile. SIA has always adopted a neutral position. How does that square off? What is the impact of rising interest rates and the strengthening of USD on SIA? Thank you.

**Mr Goh Choon Phong:** Rising interest rates and USD is part of the macroeconomic impact that we mentioned earlier. The question is, how much would it impact the demand for goods, and also demand by our passengers for travel? That is not something that is clear at the moment because as many economists have pointed out, this time around with inflation and potential recessions, it is happening when we are seeing very strong employment in most major economies. We do not know exactly what the impact will be in

terms of passenger demand or travel. As you can see from my presentation earlier, we are a lot more nimble and resilient following Covid, and a lot more innovative as well. We will remain nimble and flexible and respond accordingly if there is a need to, with the changes in the marketplace.

**Mr Tan Kai Ping:** I will just add one piece of information on what I think Peck Gek is looking for on the USD exchange rate. I will point out that we did two USD bond issuances, and the funds remain in USD. The reason is because those funds were earmarked for CAPEX, and so we are long at this point in US dollars and the increase in exchange rate versus SGD does not really affect us, as far as CAPEX is concerned. For hedging, it is not a strategy that we are at 10% declining wedge for the period beyond Q2 FY2023/24 to Q4 FY2023/24. It is a report of where the hedging positions are right now. I was providing this disclosure because we had suspended our hedging programme for some time, and this signals that we have resumed, and this is where the positions are at this point in time.

**Mr Siva Govindasamy:** Thank you. The lady here please, in the third row.

**Ms Chu Peng, OCBC:** Hi, this is Chu Peng from OCBC. May I know your projected capacity levels for passenger and cargo for the end of Q3 and also Q4? The second question is on the recovery of business travel. May I know the demand so far? Thank you.

**Mr Lee Lik Hsin:** Capacity will be at about 80% for December 2022, and that is largely where we will be at as well for March 2023. Most of the growth will take place between now and December, and then it will be stable until March 2023. Business travel recovery has come back nicely in the second quarter. I think in the first quarter, it was lagging general travel recovery. Since around the June to July timeframe, we have seen the corporates going back on the road again. Thanks.

**Mr Tan Kai Ping:** I will just bridge that answer with the guidance we have put out in our press release. You will see a different number for the average of Q3 and Q4, with guidance at 76%. Lik Hsin just mentioned 80%. We are expecting to get to 80% by December, but there are monthly variations to that, after the big travel surge. Typically, we do have some reductions in flight programme in a normal year anyway. There are monthly variations that result in that 76% average number, but we will get to 80% by December and March as Lik Hsin mentioned.

**Mr Siva Govindasamy:** Thank you. The gentleman there please.

**Mr Shawn Ng, JP Morgan:** This is Shawn from JP Morgan. A couple of questions here. One thing we talk about is 80% of capacity by year-end. I wanted to ask if China reopens, how confident are we to reinstate capacity back to 100%, let us say next year? Are there any capacity bottlenecks that we see on that? The second question is on normalised passenger and cargo yields. Do you mind providing some guidance on where do you think cargo and passenger yields could finish in a post-Covid environment? Thank you.

**Mr Lee Lik Hsin:** We have kept most of our resources. If China does open up in the very near-term between now and March, we do have capability to scale up further. Ultimately, we also have the ability to be nimble, as our CEO has mentioned, to switch around our network to make sure that we are able to take advantage of China's opening, as and when

it comes. In our plan right now, there is no material increase of our China flights between now and March. We do have the capability to put back the flights if we are allowed to. For the second point, no, we do not give guidance on passenger and cargo yields. I would not be able to give you what our expectation of a normalised level is. Thanks.

**Mr Siva Govindasamy:** Brendan, please.

**Mr Brendan Sobie, Sobie Aviation:** Good morning, Brendan Sobie from Sobie Aviation. I have two questions. I was curious about your strategy going forward, Scoot versus Singapore Airlines, the parent airline. The capacity at Scoot has come back much faster in the last few months. From a seat perspective, it is at almost 90% now. Even though you have that ASK 80% figure, there is actually faster LCC recovery. I was just wondering if this is permanent and how much you see this going forward, because there has been a shift in routes from SilkAir to Scoot, and even some new routes that Scoot has launched, or routes that only SIA used to operate, like the non-stop flights to Tokyo and Seoul. The second question is on Indonesia. I was wondering if you have any colour on when, particularly Jakarta, would come back? Jakarta was your largest route pre-Covid. It was an extremely important route, but even with the increase of one additional flight with the winter schedule, you are still only five of the nine you had. I was wondering what kind of impact that has had, and when you might see that coming back? Thank you.

**Mr Goh Choon Phong:** You can be rest assured that we would like to work on putting back more Jakarta capacities. We are working with the relevant agencies and authorities to see how we can bring that about. It is something that we are working hard on. On Scoot, I will ask Leslie to take that question.

**Mr Leslie Thng:** If you look at the capacity increase that we had in the last couple of months, it is steeper because we have just reopened and scaled up quite aggressively since April, when the South East Asia region opened up. Going forward, we are planning to reinstate some of the former SilkAir points in Indonesia. For example, pre-Covid Scoot only had five points in Indonesia. Now we have eight points because we have launched some of the former SilkAir destinations. In the coming months, we are planning to add another three more points. That will bring Scoot's network in Indonesia to 11 points. That will densify and solidify Scoot's network in South East Asia.

**Mr Siva Govindasamy:** Thank you, Leslie. One last question. Tim, please.

**Mr Timothy Bacchus, Bloomberg Intelligence:** Thank you for the follow-up opportunity. In your presentation on fuel hedging, there was a table which I am not familiar with, so I wanted you to elaborate on what I was looking at. It was called gains on closed trades. Thanks.

**Mr Tan Kai Ping:** During Covid, we had a very low flight programme, and so we found ourselves in an over-hedged position. So those were hedges taken pre-Covid, on a pre-Covid capacity forecast. During the depths of Covid, we found ourselves in a 3% to 4% range of pre-Covid capacity. We were in an over-hedged position. In 2021, we took some measures to close off some of these over-hedged positions, because they were causing big volatility in the balance sheet and in the P&L. We took sell swaps to match the buy swaps, so that they were closed out. Those sell swaps and buy swaps only mature at the dates



that the original positions mature. The impact on P&L is already fixed, but we cannot recognise it until the buy swaps and sell swaps mature. In the second half of FY2022/23, we are expecting another US\$34 million to flow through the P&L. It is already done, it will flow through, and FY2023/24 to FY2024/25, we are expecting another US\$110 million to flow through. Gains, yes.

**Mr Siva Govindasamy:** Thank you for your time. Stay safe everyone, and we will see you for the Full Year Media and Analyst Briefing. Have a good day.