

# **Rights Issue of Mandatory Convertible Bonds (Rights 2021 MCBs)**

**Company Presentation  
May 2021**

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# Rationale

## International Air Travel Remains Severely Constrained and Recovery Trajectory is Unclear

- ✓ **COVID-19 pandemic has led to a global collapse in demand for air travel**
  - Without a domestic segment, the Group is vulnerable to restrictions on free movement of people across national borders
  - Significant decline in passenger revenue has materially and adversely affected the Group's financial position
    - ❖ Group's passenger traffic shrank 97.9% y-o-y
    - ❖ FY2020/21 net loss: S\$4.3 billion (vs. FY2019/20 net loss: S\$212 million)
  
- ✓ **It remains uncertain as to when passenger air traffic will recover to pre-COVID-19 levels**
  - While the growing pace of vaccinations gives hope, new waves of infections around the world mean that the international travel and immigration restrictions remain largely in place
  - Passenger network is being restored in a calibrated manner
    - ❖ Passenger capacity reached 23% of pre-COVID-19 levels in March 2021 (vs 3% in April 2020) and is expected to reach 32% by July 2021
  
- ✓ **Strong cargo performance can only partially mitigate the plunge in passenger flown revenue**
  - Cargo load factor and yields benefitted from global airfreight capacity crunch and healthy demand
  - Loss of passenger aircraft bellyhold capacity partially addressed through improvements in freighter utilisation, deployment of passenger aircraft for cargo-only flights, and removal of seats from passenger cabins to create additional volume for cargo

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# Rationale

## Fortifying the Group's Balance Sheet to Recover From a Position of Strength

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- ✓ **Crucial for the Group to have sufficient liquidity to weather the current challenges**
  - Provides resources for growth as SIA navigates through the ongoing COVID-19 crisis
  - Enables SIA to make the necessary investments and capitalise on opportunities to secure its industry-leading position
  
- ✓ **Issuance of the Rights 2021 MCBs allows the Group to maintain a strong equity base**
  - Provides the foundation to meet ongoing financial commitments
  - Creates options for raising additional debt financing as necessary
  
- ✓ **The Rights 2021 MCBs provide the Group with financial resilience and stability**
  - The Rights 2021 MCBs are not immediately dilutive
  - Provide flexibility to manage the capital structure, with partial or full redemption allowed on every six-month anniversary of the issue date prior to maturity at issuer's discretion
  
- ✓ **Major shareholder's undertaking to subscribe to its pro-rata entitlement, and any remaining balance of the issuance, provides certainty of funding to SIA**

# Rationale

## Shareholders Can Participate in the Recovery and Future Growth of the SIA Group

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- ✓ **Rights 2021 MCB Holders will be entitled to a yield that accretes and is payable at the point of any redemption**
  - Rights 2021 MCBs may be redeemed at the option of SIA, in whole or in part, on every six-month anniversary of the issue date
  - In such an event, Rights 2021 MCB Holders will be repaid in cash based on an annualised yield of between 4% and 6% compounded on a semi-annual basis, depending on when the Rights 2021 MCBs are redeemed
  - The Rights 2021 MCBs will be converted to ordinary shares on the maturity date, if they are not redeemed prior to the maturity date
  
- ✓ **Rights 2021 MCBs offer pro-rata participation to all Entitled Shareholders**
  - Pro-rata participation in fund raising and opportunity to subscribe for excess Rights 2021 MCBs
  - Priority of excess allocations for rounding of board lots
    - ❖ Shareholders given priority for excess allocations before Directors and Substantial Shareholders
  - Renounceable rights issue of Rights 2021 MCBs provides Entitled Shareholders with the option to renounce in favour of another person
  - Entitled Depositors can also sell rights entitlements during nil-paid rights trading period

## Use of Proceeds

The net proceeds from the Rights 2021 MCBs will be utilised for the following purposes

Purpose	Amount	Percentage of Proceeds	Use of Proceeds
Operating cashflow	<b>S\$2.0 billion</b>	<b>32%</b>	To fund fixed costs and other operating expenses
Capital expenditure	<b>S\$2.7 billion</b>	<b>44%</b>	To fund aircraft and aircraft related payments and investments in digital capabilities
Other fixed commitments	<b>S\$1.5 billion</b>	<b>24%</b>	To be used for debt service and other contractual payments
<b>Total</b>	<b>S\$6.2 billion</b>	<b>100%</b>	

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# Summary of Proposed Offering

## Key Terms – Rights 2021 MCBs

Renounceable Rights Issue of 2021 MCBs									
Issue Size	Approximately S\$6.2 billion								
Issue Price	S\$1.00 for each S\$1.00 in principal amount of the Rights 2021 MCBs								
Maturity Date	8 June 2030								
Coupon	Zero coupon								
Rights Ratio	209 Rights 2021 MCBs for every 100 existing Shares								
Mandatory Conversion	Mandatory conversion into ordinary shares at maturity at Final Accreted Principal Amount								
Final Accreted Principal Amount	S\$1.69797 in respect of each S\$1.00 in principal amount of Rights 2021 MCBs on the Maturity Date (calculated based on a 6% annual yield to conversion, compounded on a semi-annual basis, assuming that the Issue Date is 24 June 2021)								
Conversion Price	S\$4.84 (subject to adjustments under certain events <sup>(1)</sup> )								
Redemption Option	At the option of the Company, in whole or in part, on every 6 <sup>th</sup> month anniversary of the issue date (each a "Semi-Annual Date")								
Redemption Price	<table border="1"> <thead> <tr> <th>If Rights 2021 MCBs are redeemed:</th> <th>Yield to Call* (p.a.)</th> </tr> </thead> <tbody> <tr> <td>Within first four years of issue date (i.e. 8<sup>th</sup> Semi-Annual Date or earlier)</td> <td>4%</td> </tr> <tr> <td>Within fifth to seventh year of issue date (i.e. between 9<sup>th</sup> to 14<sup>th</sup> Semi-Annual Date, both inclusive)</td> <td>5%</td> </tr> <tr> <td>From eighth year of issue date onwards (i.e. between 15<sup>th</sup> to 17<sup>th</sup> Semi-Annual Date, both inclusive)</td> <td>6%</td> </tr> </tbody> </table>	If Rights 2021 MCBs are redeemed:	Yield to Call* (p.a.)	Within first four years of issue date (i.e. 8 <sup>th</sup> Semi-Annual Date or earlier)	4%	Within fifth to seventh year of issue date (i.e. between 9 <sup>th</sup> to 14 <sup>th</sup> Semi-Annual Date, both inclusive)	5%	From eighth year of issue date onwards (i.e. between 15 <sup>th</sup> to 17 <sup>th</sup> Semi-Annual Date, both inclusive)	6%
	If Rights 2021 MCBs are redeemed:	Yield to Call* (p.a.)							
	Within first four years of issue date (i.e. 8 <sup>th</sup> Semi-Annual Date or earlier)	4%							
	Within fifth to seventh year of issue date (i.e. between 9 <sup>th</sup> to 14 <sup>th</sup> Semi-Annual Date, both inclusive)	5%							
From eighth year of issue date onwards (i.e. between 15 <sup>th</sup> to 17 <sup>th</sup> Semi-Annual Date, both inclusive)	6%								
* Yields to call are compounded on a semi-annual basis									

(1) Includes consolidation or subdivision of Shares, capitalisation of profits or reserves, capital distributions, dividends, share repurchases and others

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# Summary of Proposed Offering

## Rights 2021 MCBs – Redemption and Conversion

		Redemption Price of Rights 2021 MCBs			Redemption in Cash or Conversion into Shares	
Yield to Call (per annum)		4%	5%	6%		
Semi-Annual Date	Expected Dates <sup>(1)</sup>	100.000	100.000	100.000		
1st	24 Dec 21	102.000	4% per annum	5% per annum	6% per annum	<p>Redemption in Cash at the option of SIA (1<sup>st</sup> to 17<sup>th</sup> Semi-Annual Date)</p> <p>Mandatory Conversion at S\$4.84<sup>(2)</sup> per share</p>
2nd	24 Jun 22	104.040				
3rd	24 Dec 22	106.121				
4th	24 Jun 23	108.243				
5th	24 Dec 23	110.408				
6th	24 Jun 24	112.616				
7th	24 Dec 24	114.869				
8th	24 Jun 25	117.166				
9th	24 Dec 25	124.886	6% per annum			
10th	24 Jun 26	128.008				
11th	24 Dec 26	131.209				
12th	24 Jun 27	134.489				
13th	24 Dec 27	137.851				
14th	24 Jun 28	141.297				
15th	24 Dec 28	155.797				
16th	24 Jun 29	160.471				
17th	24 Dec 29	165.285				
Maturity Date	08 Jun 30	169.797				

- (1) Assuming that the Issue Date is 24 June 2021
- (2) Assuming no adjustments to the Conversion Price

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# Summary of Proposed Offering

## Rights 2021 MCBs – Redemption and Conversion - Illustration

- ✓ **Redemption prices are calculated based on (i) the Semi-Annual Date that the Rights 2021 MCBs are redeemed and (ii) respective annual yield to call, compounded on a semi-annual basis**
  - For illustrative purposes:
    - Redemption price on the 2<sup>nd</sup> Semi-Annual Date:  
 $100 * (1 + 0.04 / 2) ^ 2 = \mathbf{104.040}$
    - Redemption price on the 9<sup>th</sup> Semi-Annual Date:  
 $100 * (1 + 0.05 / 2) ^ 9 = \mathbf{124.886}$
    - Redemption price on the 15<sup>th</sup> Semi-Annual Date:  
 $100 * (1 + 0.06 / 2) ^ 15 = \mathbf{155.797}$
  
- ✓ **Upon maturity, the Rights 2021 MCBs will be converted into ordinary shares at the initial conversion price of S\$4.84 per Share (subject to adjustments<sup>(1)</sup>) based on the Final Accreted Principal Amount, which is calculated based on a 6% annual yield to conversion, compounded on a semi-annual basis**
  - For illustrative purposes, assuming a principal amount of S\$1,000:
    - i. Final Accreted Principal Amount = S\$1,697.97
    - ii. Number of Shares to be issued = S\$1,697.97 / S\$4.84 = 350 (rounded down as fractional entitlements are disregarded)
  - For the avoidance of doubt, no further cash outlay will be required for the conversion of Rights 2021 MCBs

*(1) Includes consolidation or subdivision of Shares, capitalisation of profits or reserves, capital distributions, dividends, share repurchases and others*

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# Summary of Proposed Offering

## Shareholders' Approval and Major Shareholder's Undertaking

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- Shareholders approved the issuance of additional MCBs at the April 2020 EGM, and the approval was subsequently renewed at the July 2020 AGM
- Tembusu Capital Pte Ltd ("Tembusu"), a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek"), has given an irrevocable undertaking to
  - ❖ Subscribe for, or procure subscription of:
    - i. Temasek's pro-rata entitlement to Rights 2021 MCBs; and
    - ii. Any unsubscribed Rights 2021 MCBs remaining after the fulfilment of all valid applications by other Shareholders for the same under the terms of the Rights Issue ("Temasek Balance Applications")
- Such Temasek Balance Applications shall rank last in priority after allocations of excess Rights 2021 MCBs to other Shareholders
- No fees will be paid to Temasek or Tembusu in connection with the undertaking

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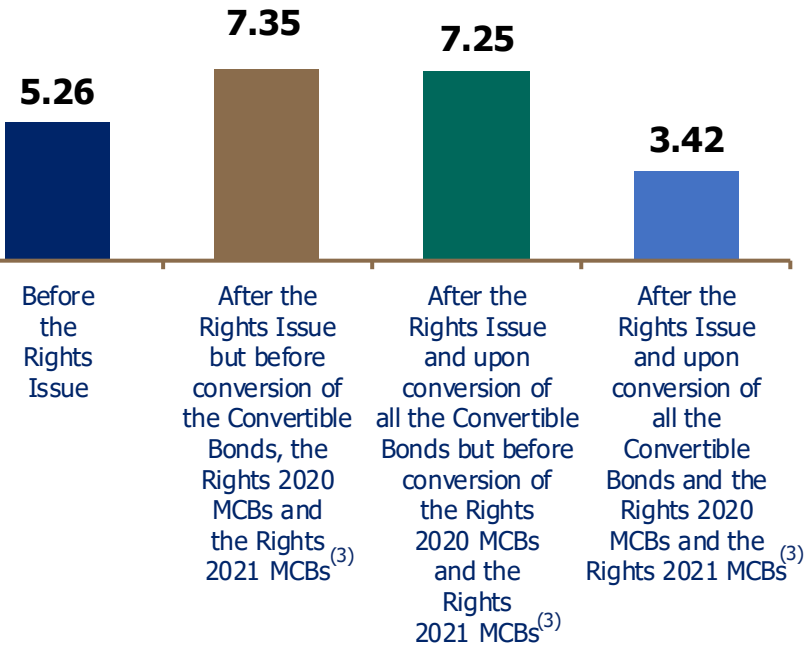
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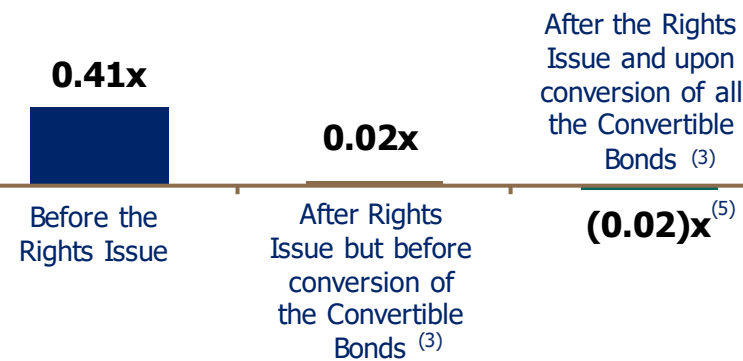
# Pro Forma Financial Effects

## Pro Forma Financial Effects of the Rights 2021 MCBs<sup>(1)</sup>

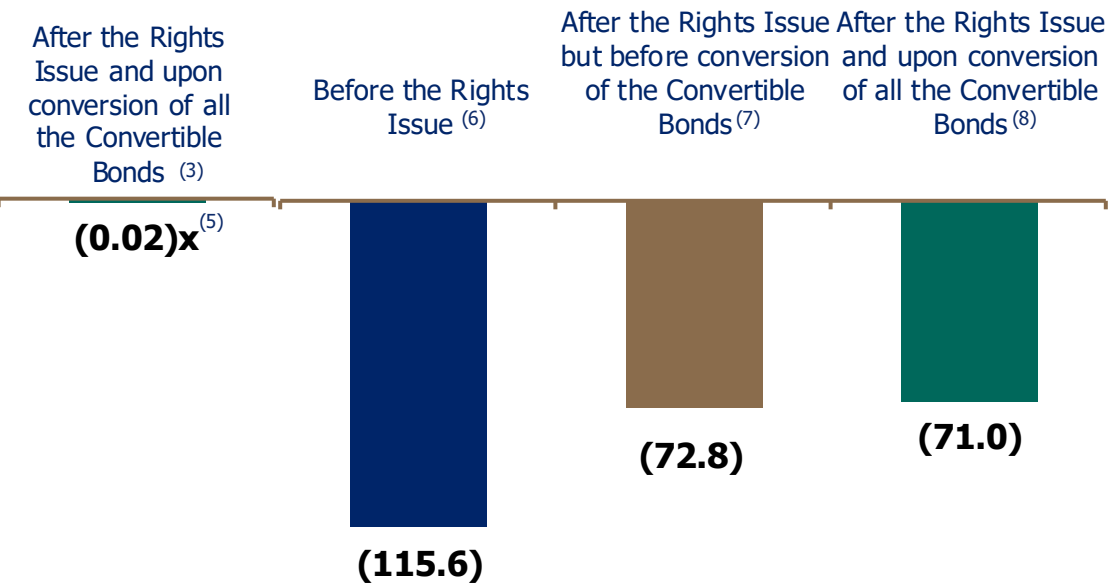
### Net Tangible Assets per Share<sup>(2)</sup> as at 31 Mar 2021 (S\$)



### Net Gearing<sup>(4)</sup> as at 31 Mar 2021



### FY2020/21 Earnings/(Loss) per Share (EPS) (Singapore cents)



(1) Assume that the Rights 2021 MCBs or, as the case may be, the conversion shares arising from conversion of the Rights 2021 MCB Conversion Shares had been issued, in respect of P&L statement on 1 April 2020, and in respect of balance sheet on 31 March 2021

(2) Net Tangible Assets per Share = (Equity attributable to Shareholders of the Company – intangible assets) / number of Shares outstanding (excluding treasury shares and the Special Share held by the Minister for Finance)

(3) Assuming the net proceeds from the Rights Issue (after deducting estimated expenses incurred in connection with the Rights Issue of S\$2 million) is S\$6,194.8 million

(4) Net gearing refers to the ratio of net (cash)/borrowings to shareholders' equity

(5) Negative gearing refers to net cash position where cash and bank balances are more than total borrowings

(6) EPS is computed based on profit/(loss) attributable to Shareholders of the Company divided by the weighted average number of Shares in issue less treasury Shares, assuming 1,304.6 million new Shares are allotted and issued on a weighted average basis upon conversion of all the Rights 2020 MCBs

(7) The proforma adjustments to EPS assume that 2,174.0 million Rights 2021 MCB Conversion Shares are allotted and issued upon conversion of the Rights 2021 MCBs on the first day of FY2020/21. EPS is computed based on profit/(loss) attributable to Shareholders of the Company divided by the weighted average number of Shares in issue less treasury Shares, assuming 1,304.6 million new Shares are allotted and issued on a weighted average basis upon conversion of all the Rights 2020 MCBs

(8) The proforma adjustments to EPS assume that: (a) 2,174.0 million Rights 2021 MCB Conversion Shares are allotted and issued upon conversion of the Rights 2021 MCBs; and (b) 148.0 million new Shares are allotted and issued upon conversion of all the Convertible Bonds, on the first day of FY2020/21. EPS is computed based on profit/(loss) attributable to Shareholders of the Company divided by the weighted average number of Shares in issue less treasury Shares, upon 1,304.6 million new Shares are allotted and issued on a weighted average basis upon conversion of all the Rights 2020 MCBs

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# Indicative Timeline

## Indicative Timeline for the Proposed Rights 2021 MCBs Issue

Indicative Timeline	
28 May 2021, 5.00 pm	Record Date for Rights 2021 MCBs; Lodgment of Offer Information Statement (OIS)
2 June 2021	Despatch of OIS Notification Letter and application forms to Entitled Shareholders; Commencement of trading of Rights
2 June 2021	First date and time for acceptance of and payment for the Rights 2021 MCBs and/or applications and payment for excess Rights 2021 MCBs <ul style="list-style-type: none"> <li>• 9.00 am for electronic applications through ATMs of Participating Banks or an Accepted Electronic Service</li> </ul>
10 June 2021, 5.00 pm	Last date and time for splitting and trading of Rights
16 June 2021	Last date and time for acceptance of and payment for Rights 2021 MCBs and/or applications and payment for excess Rights 2021 MCBs
	Last date and time for application and payment for Rights 2021 MCBs by renounees <ul style="list-style-type: none"> <li>▪ 5.00 pm for applications made through CDP or the Share Registrar</li> <li>▪ 9.30 pm for electronic applications through ATMs of Participating Banks or an Accepted Electronic Service</li> </ul>
24 June 2021	Expected date of issuance of Rights 2021 MCBs
24 June 2021	Expected date for refund of unsuccessful applications (if made through CDP)
25 June 2021	Expected date of commencement of trading of Rights 2021 MCBs

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