Singapore Airlines (SIA SP)

1QFY27: Core Earnings Miss Expectations On Higher Fuel Costs And Air India Losses

HOLD (Maintained)	
Share Price	S$7.53
Target Price	S$6.71
Upside	-10.9%
Previous TP	S$6.76

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Highlights

- 1QFY27 reported net loss of S$76m came in within our guided range; however, excluding a sizeable one-off accounting gain for Air India, SIA's core earnings would have missed our expectations.
- We expect SIA's earnings to rebound to S$240m-460m in 2QFY27, driven by more effective fuel cost pass-throughs.
- We cut our FY27-29 earnings forecasts for SIA by 11-13% as we finetune our cost projections to reflect recent rebound in jet fuel prices.
- Maintain HOLD with a lower target price of S$6.71.

1QFY27 Results

Year to 31 Mar (S$m)	1QFY27	1QFY26	yoy % change	4QFY26	qoq % change	Prev. FY27F	1Q as % of FY27F
Revenue	5,714	4,790	+19.3	5,341	+7.0	23,970	23.8%
Pax flown revenue	4,582	3,862	+18.6	4,387	+4.5	19,009	24.1%
Cargo & mail revenue	708	531	+33.5	515	+37.5	3,230	21.9%
Engineering & others	424	398	+6.6	439	-3.4	1,732	24.5%
Non-fuel opex	3,356	3,124	+7.4	3,444	-2.5	14,007	24.0%
Fuel cost	2,253	1,262	+78.5	1,117	+101.6	7,639	29.5%
Operating profit (reported)	106	405	-73.9	780	-86.5	2,324	4.5%
Net Profit (reported)	-76	186	-140.7	441	-117.2	1,218	-6.2%
Margins (%)							
EBIT (reported)	1.8	8.4	-6.6ppt	14.6	-12.8ppt	9.7	
Net profit (reported)	-1.3	3.9	-5.2ppt	8.3	-9.6ppt	5.1	

Source: SIA, UOB Kay Hian

Analysis

- **Reported earnings broadly in line, but core earnings a miss.** Singapore Airlines' (SIA) 1QFY27 headline net loss of S$76m stood within our guided earnings range of S$90m loss to S$110m profit, at the lower end. However, we understood that the reported net loss contribution from Air India this quarter included a sizeable one-time accounting gain (probably in the scale of S$150m by our guesstimate), excluding which SIA's 1QFY27 earnings would have missed our projections.
- **Revenue rose 19.3% yoy**, partly driven by fuel cost pass-throughs, and was in line with our projection (we were projecting 18-20%). However, looking at the revenue mix:
  - Pax revenue was slightly stronger than our projection, due to a 12.7% pax yoy yield growth, better than our projected 9-11% yoy growth.

Key Financials

Year to 31 Mar (S$m)	2025	2026	2027F	2028F	2029F
Net turnover	19,540	20,522	24,269	25,403	26,484
EBITDA	4,090	4,916	4,741	4,382	4,489
Operating profit	1,709	2,375	2,110	1,638	1,609
Net profit (rep./act.)	2,778	1,184	1,058	1,010	1,172
Net profit (adj.)	1,575	1,076	1,058	1,010	1,172
EPS (S$ cent)	50.6	34.9	33.6	32.0	37.2
PE (x)	14.9	21.6	22.4	23.5	20.2
P/B (x)	1.4	1.4	1.4	1.4	1.4
EV/EBITDA (x)	6.0	5.0	5.2	5.6	5.5
Dividend yield (%)	5.3	4.9	4.4	4.2	3.5
Net margin (%)	14.2	5.8	4.4	4.0	4.4
Net debt/(cash) to equity (%)	(7.0)	(14.7)	(4.2)	6.4	15.5
ROE (%)	17.4	7.2	6.3	6.1	7.1
Consensus net profit (S$m)	-	-	804	1,421	1,679
UOBKH/Consensus (x)	-	-	1.32	0.71	0.70

Source: SIA, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Industrials
Bloomberg ticker	SIA SP
Shares issued (m)	3,150.9
Market cap (S$m)	23,726.2
Market cap (US$m)	18,363.9
3-mth avg daily t'over	47.4

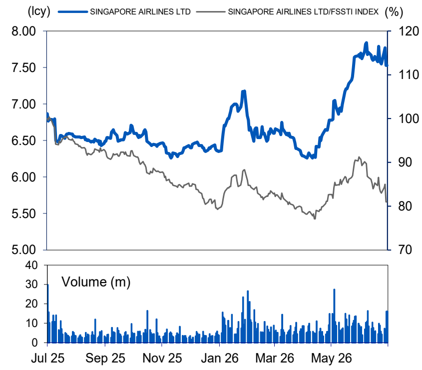
Price Performance (%)

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

1mth	3mth	6mth	1yr	YTD
(1.7)	19.3	18.4	7.5	17.7

Major Shareholders	%
Temasek Hldgs	50.6

Price Chart



Source: Bloomberg

Company Description

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

- This is offset by lower-than-projected cargo revenue, as 1QFY27 cargo yield growth of 28.4% came in weaker than our projected 45-50% yoy expansion.

- **Operating profit of S$106m (-74% yoy) was below our expectations** due to higher-than-projected fuel costs, partly offset by slightly lower-than-projected non-fuel operating expenses:
  - Fuel cost before hedging rose 119% yoy, higher than our projected 94% yoy increase. The difference may be due to fuel purchase timing (jet fuel spot prices was very volatile during the quarter). 1QFY27 fuel hedging gain of S$376m was largely in line with our estimate.
  - Non-fuel operating expenses per ATK rose 3.4% yoy to 44.3 S cents, slightly better than our projected range of 45-46 S cents.

- **Without a one-off accounting gain, Air India's net loss contribution would have been wider.** Air India recorded net loss contribution to SIA at S$170m-175m, by our estimate, in 1QFY27; this appeared better than our projected S$200m-250m loss. However, we caution that the reported loss contribution by Air India was boosted by a sizeable one-time accounting, arisen from the reconciliation between Air India's FY26 management accounts and audited financials. While SIA did not disclose the size of this accounting gain, our guesstimate is that it could be in the scale of S$150m. Excluding this one-off accounting gain, Air India's drag on SIA would have been worse than our projection.

- **Strong balance sheet.** Net cash position improved slightly to about S$3.3b by our estimate, from S$2.6b as of end-FY26. This was partly due to still-slow capex in 1QFY27, at S$0.5b; this was behind SIA's guidance of S$3.8b capex for the full year.

- **Outlook: Expect earnings to rebound in 2QFY27.** Despite the loss-making position in 1QFY27, we expect SIA's bottom line to rebound in 2QFY27, driven by: a) more effective fuel cost pass-throughs, and b) overall weaker jet fuel prices qoq. Our preliminary estimate for SIA's 2QFY27 earnings now stands at S$240m-460m, with the mid-point of S$350m shifted downwards from our previous estimate of S$450m as per our 16 Jul 26 report. This downward adjustment was mainly due to our higher loss projection for Air India. Our updated 2QFY27 earnings projection still represents a strong yoy rebound from 2QFY26's low base of S$52m.

Earnings Revision/Risk

- **Cut FY27-29 earnings forecasts by 11-13**% to S$1.06b/S$1.01b/S$1.17b, as we finetune our cost projection to reflect recent rebound in jet fuel prices.

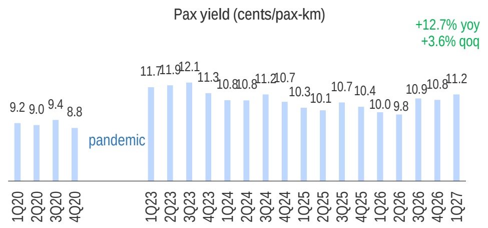
- **Key risks:** a) a long-lasting Middle East unrest sustaining fuel prices at elevated levels, b) weaker global macroeconomy dampening air travel and air cargo demand, and c) prolonged Air India drag.

Valuation/Recommendation

- **Maintain HOLD with a lower target price of S$6.71,** still based on 1.28x FY27F P/B (1SD above historical mean P/B of 1.09x). Despite the potential earning rebound in 2QFY27, SIA's valuation appears not cheap to us, with current price of S$7.53 implying a 1.44x FY27F P/B, 1.8SD above SIA's historical mean. Even if excluding the upcoming 29 S cents FY26 final dividend (ex-dividend date: 11 Aug 26), SIA is still trading at 1.38x FY27F P/B, or 1.5SD above historical mean.

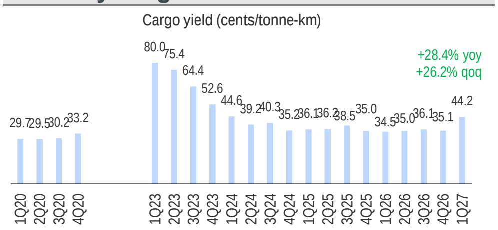
- Considering the still volatile Middle East situation and uncertainties related to the Air India turnaround, the risk-reward at the current valuation is not attractive enough for us to be fundamentally more bullish on SIA. As such, we recommend investors wait for a better entry point.

Quarterly Pax Yield Trend



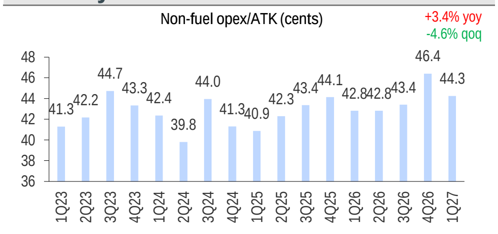
Source: SIA

Quarterly Cargo Yield Trend



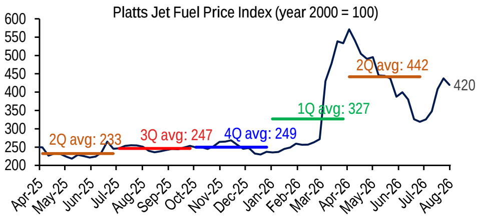
Source: SIA

Quarterly Non-Fuel Unit Cost Trend



Source: SIA

Jet Fuel Prices



Source: S&P Global Platts

Historical P/B Band

Source: Bloomberg

P/B Valuation

		FY26	FY27F	FY28F
Adjusted BVPS		S$5.47	S$5.21	S$5.24
P/B peg		------------ Target price ------------		
+2.0SD	1.47x	S$8.03	S$7.69	S$7.68
+1.5SD	1.37x	S$7.52	S$7.20	S$7.19
+1.0SD	1.28x	S$7.00	S$6.71	S$6.70
+0.5SD	1.19x	S$6.49	S$6.22	S$6.21
Mean	1.09x	S$5.98	S$5.73	S$5.72

Source: UOB Kay Hian

Profit & Loss

Year to 31 Mar (S$m)	2026	2027F	2028F	2029F
Net turnover	20,522	24,269	25,403	26,484
EBITDA	4,916	4,741	4,382	4,489
Deprec. & amort.	2,541	2,631	2,744	2,880
EBIT	2,375	2,110	1,638	1,609
Total other non-operating income	81	(0)	0	0
Associate contributions	(792)	(578)	(185)	31
Net interest income/(expense)	(45)	(65)	(123)	(153)
Pre-tax profit	1,618	1,467	1,329	1,487
Tax	(395)	(368)	(273)	(262)
Minorities	(39)	(41)	(47)	(52)
Net profit	1,184	1,058	1,010	1,172
Net profit (adj.)	1,076	1,058	1,010	1,172

Balance Sheet

Year to 31 Mar (S$m)	2026	2027F	2028F	2029F
Fixed assets	26,902	28,636	30,973	32,989
Other LT assets	3,070	2,493	2,308	2,339
Cash/ST investment	8,510	7,952	6,166	4,608
Other current assets	4,932	4,277	4,423	4,526
Total assets	43,413	43,358	43,871	44,462
ST debt	1,957	1,957	1,957	1,957
Other current liabilities	11,934	11,409	11,929	12,393
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	16,515	16,484	16,586
Minority interest	424	440	462	488
Total liabilities & equity	43,413	43,358	43,871	44,462

Cash Flow

Year to 31 Mar (S$m)	2026	2027F	2028F	2029F
Operating	5,103	3,732	4,483	4,588
Pre-tax profit	1,618	1,467	1,329	1,487
Tax	(11)	(368)	(273)	(262)
Deprec. & amort.	2,541	2,631	2,744	2,880
Associates	(865)	(613)	(257)	(67)
Working capital changes	(97)	(641)	374	361
Non-cash items	295	(0)	0	0
Other operating cashflows	1,622	1,256	565	190
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)	(1,893)	(1,940)
Dividend payments	(1,162)	(1,166)	(1,040)	(1,071)
Proceeds from borrowings	(840)	1,333	0	0
Loan repayment	0	0	0	0
Others/interest paid	(877)	(821)	(854)	(869)
Net cash inflow (outflow)	(200)	(557)	(1,786)	(1,558)
Beginning cash & cash equivalent	8,257	7,931	7,374	5,588
Changes due to forex impact	(126)	0	0	0
Ending cash & cash equivalent	7,931	7,374	5,588	4,030

Key Metrics

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	24.0	19.5	17.2	16.9
Pre-tax margin	7.9	6.0	5.2	5.6
Net margin	5.8	4.4	4.0	4.4
ROA	2.7	2.4	2.3	2.7
ROE	7.2	6.3	6.1	7.1
Growth				
Turnover	5.0	18.3	4.7	4.3
EBITDA	20.2	(3.6)	(7.6)	2.4
Pre-tax profit	(45.4)	(9.3)	(9.4)	11.8
Net profit	(57.4)	(10.7)	(4.6)	16.1
Net profit (adj.)	(31.6)	(1.7)	(4.6)	16.1
EPS	(31.0)	(3.8)	(4.6)	16.1
Leverage				
Debt to total capital	30.2	34.7	34.7	34.5
Debt to equity	43.3	53.1	53.1	52.7
Net debt/(cash) to equity	(14.7)	(4.2)	6.4	15.5