

QUESTION & ANSWER TRANSCRIPT
SINGAPORE AIRLINES ANALYST / MEDIA BRIEFING
Half-Year Results Ended 30 September 2024
SIA Training Centre
Monday, 11 November 2024, 9:00am

E&OE – may be edited for grammar and clarity

Mr Siva Govindasamy: We will now move to the Q&A segment. We are quite tight on time today, so we will need to keep it tight. If I could please request for everyone to stick to one question, that would be much appreciated. I will call on you when it is your turn. Please indicate your name and the organisation that you represent. For those who are online, you can type in your questions, and we will take it from there. I would like to invite Choon Phong and Bala back on stage. To join them, we will have Lee Lik Hsin, our Chief Commercial Officer, Tan Kai Ping, our Chief Operations Officer, as well as Leslie Thng, the Chief Executive Officer of Scoot. Let us start. Who would like to go first? The gentleman over there, please. Thank you.

Mr Gurdip Singh, Press Trust of India: Good morning. Gurdip Singh from Press Trust of India. You are spending a lot of money to enhance the experience of passengers travelling on your flights. Given the recent scare that we heard, read, and was reported on Air India flights, what are you doing in terms of in-flight security for passengers?

Mr Tan Kai Ping: I cannot comment on the specifics of security arrangements for confidentiality reasons, for them to be effective. We are in touch with all the security agencies around the world, including our Singapore Police Force, as well as the US TSA, and so on. As threats evolve, our security arrangements will also evolve. We are in full compliance with all the regulations, as well as the guidelines from all security agencies.

Mr Siva Govindasamy: Thank you, Kai Ping. We will go to Danny.

Mr Danny Lee, Bloomberg News: Danny Lee from Bloomberg News, good morning. Noting the outlook, the airline talked about being nimble and agile going forward. Looking at the presentation, we look at second quarter capacity up 9.7% overall, first half up 11%. Can you give some colour about how the capacity looks like going forward? Is it likely to be significantly less capacity added into the market because of competition overall? Or are you holding back to wait and see how the market plays out? Separately, where is the intensifying competition coming from? Is it more short-haul or is it long-haul, or both? Thank you.

Mr Lee Lik Hsin: We do not hold back on capacity growth just because there is competition in the market. That is not what Singapore Airlines has done in the past. It is not what Singapore Airlines will do in the future. We intend to continue to grow. Of course, we will adapt and put the growth to where it is of best use to us. The intensifying competition is coming from all over, it is global. Other airlines are putting back capacity, recovering to their pre-Covid capacity. I would not highlight any specific area. It is really across our network. Thank you.

Mr Goh Choon Phong: I would like to add that if you look at our load factor, it is consistently still very strong. In our press release, we did say that we expect the demand to be healthy.

Mr Siva Govindasamy: Thank you, Lik Hsin, Choon Phong.

Ms Tabitha Foo, DBS: Hi, good morning. Tabitha from DBS here. Could you elaborate further on the drivers behind the steep 9% decline in passenger yields for the main airline? Was it a broad-based reduction in yields, or was it more pronounced in any particular customer segment? Should we expect the decline to moderate or accelerate in the coming quarters?

Mr Lee Lik Hsin: It is a broad-based decline across all of our segments. It is in Economy Class, as well as in Business Class. We do expect the yield moderation to continue, but as pointed out in CEO's presentation, you will see that the yield lines are still quite healthily above the 2019 pre-Covid levels. Thanks.

Mr Siva Govindasamy: Thank you, Lik Hsin. Can we get the next question, please? Chuanren, thank you.

Mr Chen Chuanren, Air Transport World: Chen Chuanren from Air Transport World. I believe you have only one widebody aircraft entering the Group in the next six months, and I believe that is the last widebody that you have on order. What are your short-term plans for widebody aircraft given that the rest of the other products are delayed for until 2026?

Mr Goh Choon Phong: Yes, we are expecting one more A350 to come in, and yes, there are going to be delays to the Boeing 777-9s. As you know, Boeing has announced that it will now be in 2026. One thing I should add is that, for aircraft deliveries, they come in at different times of the year. Some aircraft that come in at the later part of the year do not contribute to the capacity for the full year. So, for the following year, it will be for the full year and therefore, added to the capacity growth. For the Boeing 777s, Boeing has announced that it is going to be in 2026, and we usually will have some messages from Boeing on their expectations. The way we have been planning has always been to look at what Boeing tells us. We will plan for something that could potentially be worse than that. We will see what are the levers that we could pull in order to make up for any capacity shortfall. You can be rest assured that we will continue to do that.

Mr Siva Govindasamy: Thank you, Choon Phong. We have one online from Kok Xinghui, Reuters. The Boeing 777 delay was announced in October. When will we expect the first delivery, and has Boeing not informed us of the delivery timeline for the SIA orders? How will we manage any growth risks from the delay?

Mr Goh Choon Phong: Individual communications that Boeing or any OEMs have with us is obviously confidential, but like I said earlier, whatever Boeing tells us, we would always, as a contingency, plan for something that could potentially be worse than that.

Mr Siva Govindasamy: Thank you, Choon Phong. One more question online from Tim Bacchus from Bloomberg Intelligence. We noticed that the equity-accounted associates for the full-service carrier are now profitable compared to the previous first half. What are the primary drivers for this? Is Vistara now profitable? Can you comment on Air India's performance for the first half?

Mr Balagopal Kunduvara: For Vistara, we have fully accounted for our investment in this. That is the reason you see a difference year-on-year, but there have been other contributions which are better year-on-year. Putting it together, this year, we see a better number. As for Air India, we cannot comment on it at this point. We are not officially a shareholder yet.

Mr Siva Govindasamy: Thanks, Bala. Next question, please. Gentleman over there.

Mr Douglas Toh, The Edge Singapore: Hi, good morning. Douglas from The Edge. Could I get the rationale behind the A350 upgrades? What is the rationale behind it, and how do you see these affecting yields? Thank you.

Mr Goh Choon Phong: It is as per my presentation earlier. We always look at continuous improvement in our products, and we always want to bring what we believe to be the best to our customers. It is part of the three pillars of our brand promise. Product is definitely one of them. Service levels, we will continue to improve it. For network, we want to continue to be able to enhance it.

Mr Siva Govindasamy: Thank you, Choon Phong. Yufeng over there, please.

Mr Kok Yufeng, The Straits Times: Morning, Yufeng from The Straits Times. Just want to ask about the recent announcement by Changi Airport Group to raise charges at the airport. I am just wondering how SIA is planning to manage that and whether there are concerns about wider cost implications of airports raising their fees in other countries as well? Thank you.

Mr Tan Kai Ping: There are two parts to the increase in fees. One is on passenger levy. We will collect this on behalf of the government and pass it through. That is a pass-through cost. Second is, of course, there is an impact on landing and parking charges. That is part of our operating costs, and that will increase our operating costs. The relevant thing to think about is whether it only affects SIA or affects the whole industry. This is clearly something that affects the whole industry. I guess the question is akin to what happens if fuel price goes up. The whole industry will have to adjust.

Mr Siva Govindasamy: Thank you, Kai Ping. We have one question online from Sharon Chen from Bloomberg. In terms of the investments in the Air India-Vistara merger, do we expect to invest further over the next couple of years?

Mr Goh Choon Phong: When we first talked about the Air India investment, it was to merge Vistara into Air India, as well as putting in a sum of money to acquire a 25.1% stake in Air India. As Air India expands and requires more capital, there are many ways an airline could

get such funding. There is the external fundraising that would include sale and leasebacks, finance leases, and so on. As to how Air India will be funding the expansion, that will be something that Air India is in a better position to respond.

Mr Siva Govindasamy: Thank you, Choon Phong. Any other questions?

Ms Peggy Mak, Beansprout: Thank you. Hi, good morning. I am Peggy from Beansprout. I noticed that your yields are down. How much of that is attributed to the change in the mix of the routes? On page 17 of your announcement, East Asia went up for revenue contribution, but the rest of the regions are down. My second question relating to that is that I noticed some of the points that you flew to before, for instance, Xiamen, where I go very frequently, you are no longer flying there. I am asking whether some of these points that you had before, or any other places that you have seen, are there some protectionist measures that the country has put in place to protect their own sector? Thank you.

Mr Lee Lik Hsin: The yield declines are different for the different routes. Mathematically, it is not the same number. I would say that the yield decline is also across the board. All of our routes have seen a yield moderation in light of the increasing competition from the additional supply that has been put into the market. I would not point to any one route or region that has suffered more than most. The second question is on Xiamen. We are operating to Xiamen. For some time, we were having flights in the system on a rolling two-month basis. We had flights in the system for two months, and then we had approvals to add more flights. It was a rolling two-month basis. That has since changed, and we have now gotten approval to be selling flights for an entire season ahead. It is more or less back to normal. That was the situation with Xiamen, but we are operating that route. Thank you.

Mr Siva Govindasamy: Thank you, Lik Hsin. Mayuko, please.

Ms Mayuko Tani, Nikkei: Thank you. Good morning. This is Mayuko from Nikkei. Air India, I believe in the final quarter, you will expect the financial contribution. Can I know how big the contribution would be? In the mid- to long-term, what is your expectation coming from that? You talked about how yield moderation will continue. Do you expect it to accelerate, or do you think the worst is over?

Mr Goh Choon Phong: On Air India, we have announced that once we are officially a shareholder of Air India, we will start to equity account for their results. As to how their performance looks like and projections, that is a question I suggest you pose to Air India. We are not at liberty to comment on that.

Mr Lee Lik Hsin: On yield moderation, I have answered that earlier. While we do expect yields to continue to moderate compared to the previous year, I would point out that we are still healthily above the pre-Covid levels. Thank you.

Mr Siva Govindasamy: Thank you, Choon Phong and Lik Hsin. Any other questions?

Mr Chen Chuanren, Air Transport World: You are big in South East Asia. You are going to enter India. What are your long-term plans for China? A number of competitor airports have started three runway operations. Is there any urgency from your side for Changi to open the third runway as soon as possible? Thank you.

Mr Goh Choon Phong: We want all runways to be operating, but Changi does have its own plans. This is a question that should be addressed to them. On the South East Asia and India expansion in relation to China, it is not just China. When we look at our network development, we look at what opportunities there are out there. We will continue to pursue if there are growth opportunities. For example, we announced that we are going to Daxing. It is a huge and important market for us. Rest assured we will continue to pay attention to it. Just because I did not mention it in this slide does not mean that we think it is not something we will continue to focus on. I mentioned South East Asia and India primarily because there have been recent significant developments to point out.

Mr Siva Govindasamy: Thank you, Choon Phong. Any other questions? Over here, please, in the front row.

Ms Liu Miao Miao, Philip Capital: I am Miao Miao from Philip Capital. I want to know what your thoughts are on sustainable aviation fuel (SAF), given that fuel cost is elevating. Thank you.

Mr Goh Choon Phong: For the industry to achieve net zero carbon emissions by 2050, SAF has to be part of the solution, a major part of the solution. I think we are one of the leading carriers when it comes to adopting the latest technology to reduce emissions. If you compare one later generation to an earlier generation of equivalent capability aircraft, we are talking about a 25% improvement. SAF has to be part of the solution. The issue is that it is still the case whereby we do not have sufficient supply of SAF for the industry to have a pathway to reach net zero by 2050. The industry has to work together to see how we can encourage producers to continue to invest and produce SAF, in a way that makes the pricing viable as well. That is an ongoing effort.

Mr Siva Govindasamy: Thank you, Choon Phong. We have got questions online. We have Perry Yeung from UBS. There is a notable acceleration in the year-on-year increase in non-fuel costs in Q2 of this year versus Q1. What were the drivers behind that?

Mr Balagopal Kunduvara: We will have to go back one year in time when we were looking at the first half results last financial year. We had indicated that there were some timing differences in staff costs and AMO, and we had suggested that we should look at the half-year numbers when you fly forward and forecast for this current Q1 and Q2 of this financial year. That is why in our presentation, we have focused on the first half numbers, and looked at the year-on-year growth on a half-yearly basis rather than a quarterly basis.

Mr Siva Govindasamy: Thank you, Bala. The next question is from Teng Wei Ting from Lianhe Zaobao. Why is the A350 retrofit happening only in 2026? Is it intentional to time it with the 777-9 delivery? Why are we using the same seat designs for the two aircraft types?

Mr Goh Choon Phong: When we announced that we were going to retrofit the A350 aircraft with the new products, it means that we have been working on it for quite a number of years. Most of you are aware of the very tedious certification process that the industry requires for any products that we introduce. Something as fundamental as seats will take an even longer time. It was a decision that was made many years back to retrofit our A350s with the latest and best products we can offer. As to why is it the same product, we believe that those are the best Business Class and First Class products, and they will be industry-leading when we introduce it. Of course, we would want them for all our long-haul flights so that all our customers, regardless of whether they are flying on the 777-9 or on the A350, will enjoy the same industry-leading products. Thank you.

Mr Siva Govindasamy: Thank you, Choon Phong. The next question is from Brendan Sobie from Sobie Aviation. You are still stuck at six daily flights to Jakarta compared to the historic nine. Do you expect any near-term improvement in this lingering regulatory situation, particularly with the enhanced Garuda partnership?

Mr Goh Choon Phong: Part of our enhanced collaboration is to ensure that both parties continue to grow and continue to win from the relationship. If it leads to an increase in the frequency of flights between Jakarta and Singapore, you will get to hear it hopefully soon. Thank you.

Mr Siva Govindasamy: Thank you, Choon Phong.

Mr Douglas Toh, The Edge Singapore: A follow-up to the question on the A350 upgrades. How do you foresee the upgrades impacting yields? Could I also get some colour on SIA changing its London Gatwick flights to once daily from February to late March next year? Thank you.

Mr Goh Choon Phong: Everything being equal, if you offer a better product, you can expect that demand will be stronger. Therefore, we may have greater pricing capabilities. That is a general statement. As to what will happen to yields when we introduce them in 2026, we will see.

Mr Lee Lik Hsin: I believe you are referring to the increase of services to London Gatwick to daily? We launched our Gatwick services with five services a week, and they are doing very well. That is why we are increasing the frequency. Thank you.

Mr Siva Govindasamy: That is on top of the four daily flights that we have to London Heathrow. We will have a total of five flights a day to London. The last question to Danny, please?

Mr Danny Lee, Bloomberg News: You have a number of codeshares and JV partnerships and you have increased that over the last couple of years. The prevailing thought would be that, given they span some of your busiest operating routes and countries, how are they performing and how do we think about it when we read about the yield decline? Should we expect stronger yields to hold up more in these particular partnerships?

Mr Lee Lik Hsin: The purpose of the partnerships is to help us extend our reach into areas that we cannot operate feasibly on our own. This would include the partnerships with Lufthansa in Germany, with Air New Zealand. These partnerships help us strengthen our market position. Yields are a function of demand and supply, and that is the environment at the time. Of course, like for like, we would believe that the partnerships support better yields because of the greater market reach. It does not mean that the overall market will not decline, and therefore overall yields will not decline. You cannot look at that independently. Thank you.

Mr Siva Govindasamy: One last question online from Kimberly Kao, Dow Jones. What is your outlook for the aviation industry over the next year amid the Donald Trump presidency? Are markets worried about inflationary pressures?

Mr Goh Choon Phong: I presented the growth projections for around the world. To us, the growth in South East Asia and India, the two places where we have continued to build our strength in, will, in my opinion, continue. We are well-positioned as the SIA Group to tap into this growth. I do not see how India's growth, for example, will be affected in any significant manner. Neither do I see South East Asia's growth to be affected in any significant manner. We believe we are well-positioned and we will continue to strengthen this particular position as well. Thank you.

Mr Siva Govindasamy: Thank you, Choon Phong. Thank you, everyone. We have come to the end of our half-year media and analyst briefing. We will see you again in six months' time. Have a good day and a good week, everyone. Thank you.