

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

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E&OE – may be edited for grammar and clarity

**Mr Siva Govindasamy:** Without any further ado, I will invite the rest of the panelists and introduce them as well. Joining Mr Goh and Kai Ping will be Mr Mak Swee Wah, who is the Executive Vice President Operations, as well as Mr Lee Lik Hsin who is the Executive Vice President Commercial. Let us get started. Can I get the first question please?

**Mr Greg Waldron, FlightGlobal:** Hi, Greg Waldron from FlightGlobal. Great to see you guys in person again. Quick question about the fleet. When do you expect the 737-800s to finally leave the SIA fleet, and what are the implications of the 777X delays for SIA?

**Mr Goh Choon Phong:** Maybe I will just address the second question on the 777X. As you know, we have previously indicated that the 777X is expected to be delivered by end of 2023. Obviously, Boeing has made that announcement that it will be delayed. But the way that we have organised our fleet plan is such that we do have some flexibility in terms of making up for any potential loss in capacity. Hence, you will see that because some of aircraft we own, we can extend the use of it, others even on lease, we can also have options of extending. At the moment, I do not think that our growth plan will be severely hampered.

**Mr Tan Kai Ping:** Thank you for the question. I believe that question is in respect of 737 NGs. We have already recognised earlier an impairment of \$120 million in respect of the owned NGs, so that was eight NGs. Those have been marked for sale, and some of them have been sold. We are really talking about the nine remaining leased 737 NGs. Now, these leases will end between September 2024 and January 2026. At the end of the lease, the plan is that the airplanes will be returned to the lessor.

**Mr Siva Govindasamy:** Thank you. Gentleman here on the right.

**Mr Chen Chuanren, Air Transport World:** Good morning. Chuanren from Air Transport World. Earlier this Monday, IATA Chief Willie Walsh said that there is enough growth in Asia-Pacific without China in play. My question is, in terms of revenue, how much does China play in terms of your profits in the near term? Could I ask a bit of clarification from Kai Ping regarding your mention of change in aircraft impairment plans? Thank you.

**Mr Lee Lik Hsin:** As you know, we have not been able to restore our passenger services to China, and this affects both SIA and Scoot. As a proportion, it affects Scoot a bit more than

it affects SIA, because SIA operates to fewer points in China. We do not expect it to impact us significantly in this first year of recovery because we are ramping up on all the other points. The capacity guidance, which we had provided so far, over 60%, we have plenty of room to ramp up from that point before we even start reaching that point where we need to add back China. Therefore, this year's growth is still going to be a very strong one even without China. Thanks.

**Mr Siva Govindasamy:** Thank you, Lik Hsin.

**Mr Goh Choon Phong:** I will just supplement by referring to what I mentioned earlier about agility. We are very agile. Where there is demand, we can very quickly deploy our resources to where the demand is. We believe that over the next year or so, there will be opportunities for us to tap this demand, and we will be very responsive to that demand.

**Mr Tan Kai Ping:** The change in trade-in plans in respect of three 777-300ERs. We have certain trade-in rights in relation to our 777-300ER fleet. This comes from some of the aircraft orders that we made earlier. We have different options in terms of the condition we trade the airplanes in. These are purely accounting. The earlier plan was to trade in certain airplanes with higher engine life. We have now decided that for three of the 777-300ERs, we want to trade in with a different condition, with a more tired engine condition. Having made that plan, accounting rules require us to take the charge ahead of time. The reason why we want to do that is because we basically want to use the engines to power the 777-300ER fleet for a longer period of time. That is partially the resilience that we are thinking around the 777-9 fleet delay. Thank you.

**Mr Siva Govindasamy:** Thank you, Kai Ping. Over here, here, and then the lady in blue followed by the lady in the jacket and I will take some online questions, thank you.

**Mr Brendan Sobie, Sobie Aviation:** Hi, Brendan, independent analyst, Sobie Aviation. I have a question about your forward capacity. I noticed on slide 30, you kind of had the frequencies through September for other regions, and if you look at your forward schedules as well, things kind of plateau after kind of the bump up for June, July, August, September, kind of a little bit of an increase but not so much of an increase at around 70% ASKs, and 65% seats versus 2019. But competitors are continuing to ramp up during that period including here in Singapore. I was just wondering why are you slowing down during that period? Are you really looking at that and are you concerned about losing your higher elevated market share that you have at the moment?

**Mr Goh Choon Phong:** We provided some guidance on what we think the capacity injection would be for now, but you can be sure that when the opportunity is available, we will certainly ramp up as we have done so previously, to tap that demand. This is a general

answer. What I can assure you is that with the agility that we have, we will go after any demand that we can see in the market.

**Mr Siva Govindasamy:** Thank you. The lady over there please.

**Ms Grace Yeoh, Channel NewsAsia:** Hi, Grace from CNA. My question is a bit more to do with the higher than usual flight prices which would be of interest to the layman. Will SIA be aiming to keep fares priced as high as possible to benefit from the possible pent-up travel demand? What factors determine if and when SIA will bring prices back down?

**Mr Lee Lik Hsin:** We always say airfares are a function of demand and supply. The reality is that the flights for the next two months or so are quite booked up for many sectors. Therefore on those sectors, you will see higher prices. As you will know, with our demand pricing when the flights are empty, the flights tend to be cheaper, and when they are full, they tend to be more expensive. If you go out beyond two months, the prices come back down. In fact, we regularly conduct promotions to try to get early bookings and early sales. I would say that there are attractive prices out there in the market. It really depends on when you need to travel and where you need to travel. Thanks.

**Mr Siva Govindasamy:** Thank you, Lik Hsin.

**Ms Chu Peng, OCBC:** Hi, this is Chu Peng from OCBC. I have a question on the cost side. Given the cost inflation and stronger USD, I think that some of the key cost items for airlines such as the fuel cost, and the aircraft payment are priced in USD. Just wondering what the impact would be, and how are you going to reduce some of the cost pressures?

**Mr Tan Kai Ping:** Certainly, stronger US dollars and higher fuel prices will be a drag. They will increase our expenditure. We will benefit from what we have done the last two years with our Transformation programme. There are many things that has been done. Many small things had been done. All added together, we believe will be quite significant in the ex-fuel expenditure. And so, you will see efficiency flow through as we ramp up our operations, but there is no escaping higher fuel prices, stronger US dollar dragging the expenditure line. The only place where we are going to find some relief as far as higher fuel prices is concerned is our hedging programme.

**Mr Goh Choon Phong:** The question you have is really a general issue confronting the entire airline industry. So here is where even before Covid-19, we had one of the best cost structures, and with the experience of the last two years and the continued transformation, you can be assured that we have improved our cost structure even more.

**Mr Siva Govindasamy:** Thank you. We will take some questions from the folks who are online. Firstly, we have got Adrian Schofield who has quite cheekily asked two questions.

How is demand recovering for transit connecting flights particularly on routes between Australasia and Western Europe? Do you think they will be increasing preference for long-haul non-stop versus connecting flights?

**Mr Lee Lik Hsin:** The increase in demand that we have seen is global. For us, it translates to both demand for passengers travelling in and out of Singapore, as well as the demand for our capability to provide connecting passengers an itinerary between point A and point B via Singapore. The transit demand has seen that same strength as we have seen for demand to and from Singapore. On the question of whether there is greater demand for long-haul non-stop versus connecting, maybe the way to answer that question is through observing that we have put on more services on our nonstops to the US. We are seeing good demand there.

**Mr Siva Govindasamy:** Thank you, Lik Hsin. One more question from Jamie Freed from Reuters. Could you please explain your strategy for Vistara in India as more competitors like Akasa and Jet emerged in the market and now that Tata owns Air India? The question is what is the strategy for Vistara going forward given the increased competition in the Indian market?

**Mr Goh Choon Phong:** Vistara has always been competing with all the airlines in India. And that happened even before Covid-19. In fact, when Vistara was first formed, there were many more airlines in India that they had to compete with. Some of them such as Kingfisher Airlines and Jet Airways, obviously no longer exist. Hence, I do not see that change, as we are in a very competitive industry. Any airline who wishes to be successful has to be competitive. Vistara has established itself clearly as the leading full-service carrier in India with great reviews from our customers. In fact, it has gone further to many more international points during the pandemic. We will continue to support Vistara's growth.

**Mr Siva Govindasamy:** Thank you. We will take some questions from the room. The lady in the front row in black please, followed by this gentleman here, and followed by Mayuko.

**Ms Sharon Chen, Bloomberg Intelligence:** Hi, I am Sharon Chen from Bloomberg Intelligence. Just one question on your cash balance. Given the strong recovery we are seeing, is there still a need to maintain such a high cash balance, and have you earmarked it for any particular use? Thanks.

**Mr Tan Kai Ping:** The answer is no. There is no need to maintain such a large cash balance. I think we are in early days. We have just started on the real inflection point of recovery path. We will look at this once we look at the balance sheet and have a firm view, and we have a very confident view about operating cash generation and the recovery trajectory.

**Mr Siva Govindasamy:** Thank you, Kai Ping.

**Mr Mohd Taufiq bin Mohamed Hussein Zalizan, TODAY Online:** Hi, my name is Taufiq from TODAY Online. We note that the number of positions we have at the SIA Group in general, but I am more interested in how many former cabin crew did you have to let go throughout the pandemic, and as you recover, how many have returned so far? Do you intend to add on more as you expect more growth?

**Mr Mak Swee Wah:** As Choon Phong mentioned just now, in the early days, we did resize our workforce eventually. Not at an early stage because there was uncertainty about the growth profile. We have kept enough, and looking at the growth plan that we have, the trajectory that we have seen, we are already planning ahead, and we started recruitment a couple of months ago. We are in a good place now to be able to support the capacity growth that we anticipate. This recruitment will carry on to make sure that we have enough, and beyond the stage we are seeing. Thanks.

**Mr Siva Govindasamy:** Thank you. The lady here, Mayuko in the second row.

**Ms Mayuko Tani, Nikkei:** Hi, thank you for the presentation. I would like to ask about SAF. I believe you have been doing a pilot with partners. Can I know when exactly you are going to start using it, and how much of the total volume are you going to use in your mid-term plan? Also, what is the role that you are going to play? Is it simply as a user or consumer, or are you planning to participate in any business? Thank you.

**Mr Goh Choon Phong:** The questions you have asked are really questions that we are currently discussing with our partners. I will not be able to give you any answer at this point until we have reached an understanding of how we are going to take it forward.

**Mr Siva Govindasamy:** We will take one question from online. We have got Kaseedit from Citibank. First question, please comment on potential demand impact from rising ticket prices and costs, and whether there will be a full pass on or down trade to lower cabin class? Secondly, why didn't CASK ex-fuel decline quarter and quarter, and which cost items in particular? The third question is with 777X being pushed out to around FY2025/26, CAPEX of four billion looks very high compared to delivery plan. Any plans to revise it downwards?

**Mr Lee Lik Hsin:** We are nimble in adapting to demand and supply. Rising ticket prices are because of strong demand, and so if there is a weakening of demand, ticket prices will fall. In relation to whether there is a possibility of down trading to lower cabin classes with higher ticket prices, that is not something that we have seen in the recent months. Of course, like we said, we will continue to be nimble and watch out for that and adjust prices accordingly to make sure that all cabin classes are filling up nicely. Thanks.

**Mr Tan Kai Ping:** Thanks for the question, Kaseedit. You asked about quarter three to quarter four CASK ex-fuel. I think you are comparing the increase in ex-fuel expenditure, quarter on quarter 11.7% against the overall ASK change of 9.1%. You have to take a blended view because passenger capacity was up 21.6%. The reason why we provide both numbers is because some of the cost items will be driven by passenger ASKs, some of the items will be driven by overall CTKs. For example, fuel will be driven by overall aircraft activity. Certain items like in-flight meals obviously driven by load and passenger capacity increase. On a blended basis, we are still seeing economies of scale playing true with the injection of capacity. If you look at cost breakdown for items that are off trend, they are relating to items which are driven by much higher passenger load factor. They are actually encouraging cost increases. As for the CAPEX schedule, that has not taken into account any impact that may come with the 777-9 delay yet. Those discussions are still in progress with Boeing and we will update when there is a conclusion.

**Mr Siva Govindasamy:** Thank you, Kai Ping. Any other questions in the room?

**Mr Jason Sum, DBS Bank:** Hi, this is Jason from DBS Bank. Thank you for this Q&A session. Two questions for now. Just following the question of manpower earlier, so in terms of manpower, where are you today relative to pre-pandemic levels with regards to your flight crew and cabin crew? The second question is, forward bookings today are fast reverting to pre-pandemic levels, but can I check if this uniform across all customer segments? Could you provide a bit more colour on the level of corporate bookings you are seeing at the moment?

**Mr Mak Swee Wah:** With regards to manpower, as you recall for the pilots, we did lose a few, but we kept almost all of them. If you recall also, we had an agreement to mitigate some of the cost by having a pay cut regime for them. The numbers that we have now almost where we were before Covid-19. As more flights build up and with utilisation going up, we are in a very comfortable position. Cabin crew, as mentioned earlier, we did let some people go, so the numbers that we have now is below pre-Covid-19. But we are operating at 60% of capacity, going up in the coming months. We are putting back into operations crew who have not been flying so much, as well as topping up with crew that we are recruiting. The numbers that we have will be tracking the capacity that we are planning to deploy until the end of the year. Thanks.

**Mr Lee Lik Hsin:** When the passenger recovery first started with the VTLs, if you will recall late last year, it was correct that the corporate bookings at that time were slower to recover. But since April 2022, when Singapore fully opened its borders, we have seen a strong rebound on corporate travel and the corporate bookings moving forward. We are seeing that their contribution is already very similar to pre-Covid-19. I would say that the momentum that we are seeing in our forward bookings is coming across all customer segments, which was the baseline question. Thanks.

**Mr Siva Govindasamy:** Thank you, Kyung Hee, please.

**Ms Park Kyunghee, Bloomberg:** Hi, thank you. I wanted to follow up on the manpower question. We have heard a lot, not just in this region but other regions, where lack of manpower has severely undermined operations where flights have to be cancelled, and flights that were planned to put back in had to be delayed. I am just wondering like how much of that is undermining your plans to increase capacity, given Changi Airport also just said that they are looking to hire like 6,600 people to ramp up operations at the airport itself? Give us a bit of colour on how much of that is really affecting your ability to increase capacity. Thank you.

**Mr Goh Choon Phong:** I will just take that question. As what Mak has mentioned, we have been preparing for recovery right from the start, as you also can see my earlier presentation. Even the way we have let go of staff, we bear that in mind to try to keep as many of these valuable resources as possible. Of course, from reports, you can hear that there are constraints elsewhere and quite frankly, we just have to work with our ecosystem partners to address this issue, as there is no simple solution. They can be assured everybody is working towards the same goal of restoring the Singapore Hub to what it was before. Thank you.

**Mr Siva Govindasamy:** Peck Gek and one or two more questions from that lady there. Thank you.

**Ms Tay Peck Gek, The Business Times:** Good morning. I am Peck Gek from the Business Times. What is the ETA for return to profitability? Given that the annual loss was about \$1 billion, why is SIA still sponsoring F1? Thank you.

**Mr Goh Choon Phong:** When do we go back to profitability? When we look at our second half of the year, it is profitable at operating level. I will leave it to our experienced analysts to project what would that be. You can be assured that we will continue to share our operating statistics, so that would be transparent. On the F1 sponsorship, we obviously would have been negotiating with the relevant partners and parties, and have arrived at a conclusion that it is a worthwhile deal for us going forward in view of this spinoff effect it has, in terms of bringing people into Singapore, and also our brand exposure.

**Mr Siva Govindasamy:** Thank you. The lady over there, please.

**Ms Ezien Hoo, OCBC:** Hi, good morning. It is Ezien from OCBC, bond side. The first question is, what will be some of the potential goal posts before you start thinking about potentially redeeming the Mandatory Convertible Bonds? And if I may, just a quick follow-up question

on the fuel hedging programme. Are there any plans to maybe say hedge more or are you still intending to keep this more neutral position and it absorb the fuel costs? Thanks.

**Mr Tan Kai Ping:** Sorry, could you repeat the second question?

**Ms Ezien Hoo, OCBC:** The second question is a follow-up on the fuel hedging programme. Are there any plans to hedge more or are you intending to keep to this more neutral position, and then absorb the potential higher cost?

**Mr Tan Kai Ping:** Thank you for your question. On the MCBs, there are no definitive plans at this point in time that we can disclose. It is something that we will look at. We need to think about it as the recovery firms up and takes hold, together with the whole review of the balance sheet. For fuel hedging, we have an active fuel hedging programme in place. The fuel hedging is not for the purpose of making money from fuel hedging, and certainly not losing money from fuel hedging, but to stabilise prices. We are comfortable with our current hedge position, which carries us into first quarter of FY2023/24. It is something that is active and under constant calibration. The philosophy continues to look at the hedging programmes mechanism to stabilise prices.

**Mr Siva Govindasamy:** We are right on time. Thank you, everyone. Thank you, Mr Goh. Thank you, Kai Ping. Thank you, Lik Hsin. Thank you, Mak. Thank you, everyone, for coming down today. It is great to see everyone in person again. We will see you again in six months' time. Take care, have a great day, and a great week. Thank you.

(ENDS)