

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

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E&OE – may be edited for grammar and clarity

**Mr Siva Govindasamy:** Thank you, Mr Goh. Before I invite the gentlemen up on stage, we will go through the house rules. If you are keen to ask a question, just raise your hand and I will come to you. If I could please request, we have quite a lot of people here today and online as well. If you could just keep to one question each, that will be great. Joining Mr Goh and Mr Tan Kai Ping up on stage will be Mr Lee Lik Hsin, who is Executive Vice President Commercial, as well as Mr Mak Swee Wah, who is Executive Vice President Operations. First question, maybe the gentlemen there raising your hand, and then followed by Greg, please. Thank you.

**Mr Jason Sum, DBS Bank:** Hi, good morning. Congratulations on this great set of results. I am Jason from DBS. Two questions from me. Firstly, SIA is not encountering the same aircraft constraints that are preventing airlines in the region from reinstating capacity. Despite this, the pace of capacity addition appears to be quite measured. Could you provide some insight into the capacity guidance for the first half of FY2023/24? The second question is that unit cost has declined or been largely stable across most cost categories apart from staff cost. Could you provide some colour on why staff cost outpaced the slight increase in total head count to rise above pre-pandemic levels in the second half of FY2022/23? Thank you.

**Mr Lee Lik Hsin:** I will take the question on capacity guidance. We are reaching approximately 80% of our capacity as of the end of this financial year, which is March 2023. We intend to continue increasing our capacity, reaching almost 90% by the end of the new financial year, which is March 2024.

**Mr Tan Kai Ping:** On the question on staff cost, there are two effects that you may not see in the coming financial year, depending on how we do. One is that a big part of the staff cost increase this year is because of the bonus provision. Our bonus provision for staff is contracted more or less linearly with the performance of the company. With the record performance, you see a corresponding increase in the provision of staff bonus. The other, if you compare with the pandemic years, will be the impact of government grants that were there in the pandemic years, but no longer going forward.

**Mr Greg Waldron, FlightGlobal:** Hello, Greg Waldron from FlightGlobal. Congratulations on the great performance. My question is regarding Scoot. What has been the impact on the A320neo fleet with the PW1000 issues by Pratt & Whitney? If there are issues, does that lead to Scoot potentially extending leases on the A320ceo fleet?

**Mr Goh Choon Phong:** Our Scoot CEO is here. Leslie, you can take that question.

**Mr Leslie Thng:** Good morning, Greg, and thank you for the question. First of all, the GTF engine on the A320neo, based on what our CEO has mentioned, we are able to add a lot of capacity in the past 12 months. This means that we do not face major issues on the GTF, and we are planning to add more capacity going forward as well. At the moment, we do not plan to extend the lease of the A320ceos. We are still planning to retire our whole fleet of A320ceos by the end of 2025.

**Mr Siva Govindasamy:** Thank you. We will go to the two ladies right in front here, and then we will go back there. Thank you.

**Ms Chen Lin, Thomson Reuters:** Hi, I am Chen Lin from Reuters. Just to follow up on the Scoot A320neos, may we ask how many of those are in the fleet now, and how many are currently grounded for lack of spares? What is Pratt doing to compensate or fix the problem? Our second question is when do you plan to buy back more of the convertible bonds? Thank you.

**Mr Leslie Thng:** Currently, we have 15 A320 and A321neos. None of them are grounded. All 15 aircraft are flying, and we expect to take more deliveries in the coming years to add on to our fleet.

**Mr Tan Kai Ping:** On the question on convertible bonds, we still have 50% of the MCBs 2021, which were for \$6.2 billion in total. We are redeeming half of it, as we have announced. There is still 50% remaining. We have no specific plans at this point in time. Obviously, it is dilutive, and we would want to redeem them when we can, but there are no specific plans. It depends on how we perform.

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

**Ms Mayuko Tani, Nikkei:** Good morning. Thank you. This is Mayuko from Nikkei. You had a record RASK, but the passenger yields seem to have gone down. Can I get an explanation why, and how it works? Fares seem to be at quite high levels ever since the reopening. Can you give us some guidance? With the mounting capacity by other airlines, you are talking about the competition. How does it look like going forward?

**Mr Lee Lik Hsin:** I will take that question. As we have said, demand is robust in the near term and also across the peak periods of the year, which include the summer and the year-end period. Of course, air fares are a function of demand and supply, and so we would have to continue to observe how much capacity other people are putting into the market and what that means overall. We always try to be competitive in our offerings, and we do offer attractive discounts periodically across all of our markets including Singapore, so please keep a lookout for those.

**Mr Goh Choon Phong:** Are you talking about yields relative to last year? Looking at the capacity this year and last year, last year we were only operating a very small network. So that is not representative at all.

**Mr Siva Govindasamy:** Thank you. We have a few hands up there. The lady behind Ven.

**Ms Naomi Neoh, Cirium:** Hi, Naomi from Cirium here. I have a question on your fleet adjustments. Could you give us some insight on the type swap between the 787-9 and the 787-10s? Are those due to delivery delays? Are you hoping to switch so that you can get these aircraft faster? Relating to the 737 MAXs, with the cancellation of the eight, could you give us some insight on why you cancelled? Are there plans to replace the capacity from these eight to another narrowbody type? Thank you.

**Mr Goh Choon Phong:** We mentioned earlier that, as part of our conversations with the OEMs, we are also looking at how we want to rearrange the deliveries of various aircraft types, to better match our outlook of how recovery will come. That is a part of that. Frankly, we do have flexibility in terms of our own fleet because, as you know, some of our planes are actually on lease. We have the flexibility, if there are delays, to extend the leases and so forth. We will make use of all these flexibilities.

**Mr Siva Govindasamy:** Thank you. We will have the three gentlemen here in the front row, starting here.

**Mr Raymond Yap, CGS-CIMB:** Hi, good morning. My name is Raymond from CGS-CIMB. My first question is on the cargo business, where the profits have been sliding quarter-on-quarter for some time now. I would like to know what you can do to possibly mitigate that decline given that the market is weak. Is there something else that you can do to slow that down? The second question is on cost per ASK (CASK). I am comparing the fourth quarter with the immediately preceding third quarter. I noticed that for SQ, the CASK actually went down by 2% quarter-on-quarter, but for Scoot it went up by about 9% quarter-on-quarter. This is based on your disclosure. I would like to understand why there is a discrepancy there.

**Mr Lee Lik Hsin:** I will take the question on cargo. We cannot affect external conditions and as we have said, and as many people have noted, the external conditions for the cargo market are not great right now. However, we are in a good position to continue to hold our own in the market to capture share because of our very extensive network. As mentioned, we are the ones who have put back the most capacity into the market as compared to other carriers. Also, we have various other strategic pillars in place, including partnerships with key players like DHL, to continue to support our network and also the Singapore hub. Thanks.

**Mr Tan Kai Ping:** Thank you, Raymond for the question. The reason actually is because of Forex. So, if you recall for Q3, we had a rather outsized Forex loss that was partially neutralised in Q4. The impact on SIA and Scoot is different because SIA is currently temporarily net long in US dollars, because we raised US dollar bonds, and we did a couple of sale-and-leasebacks. Now, it is temporary because we are normally net short in US dollars because fuel is in US dollars, aircraft is in US dollars, and so on and so forth. A lot of our expenditures are in US dollars. When that comes about, the US dollar will be utilised. We normally buy US dollars to hedge, but now we are net long in US dollars because of the funds we have raised. When the US dollar moved in Q4, strengthened relative to the Singapore dollar, there is a positive impact on SIA and a negative impact on Scoot. I would encourage you to look at the half. On a half basis, for the second half of the financial year, the effect more or less neutralises.

**Mr Siva Govindasamy:** The gentleman beside Raymond, please.

**Mr Roy Chen, UOB Kay Hian:** Thank you. Roy from UOB Kay Hian. I have two questions. The first is on the dividend policy. With the company's strong balance sheet position today, what is SIA's target pay-out ratio going forward? I would like to have a sense of whether this absolute dividend, which was very high last year, is sustainable going forward. The second question is regarding the merger with Air India. I understand it is on track. I think in the media, Air India has said that Air India is on track to turn around in the past financial year. Can SIA provide some colour or visibility on Air India's profit turnaround? Thanks.

**Mr Goh Choon Phong:** On dividends, we do not have a published policy. Dividends is something that the Board will look at based on the financial results, and the decision will be based on the judgment of the Board at that point in time. Of course, it is the usual things coming into consideration: your balance sheet, your projections of the need for funds going forward, etc. So that is what it is. India, at this point in time, we are not a shareholder of Air India yet, until the integration takes place, and that will not be until the beginning of next year. So any questions about Air India's financials and so forth, you have to direct it to Air India.

**Mr Siva Govindasamy:** The gentleman there beside Mayuko, followed by Brendan. We will then take some questions online.

**Mr Louis Chua, Credit Suisse:** Hello, good morning. Louis from Credit Suisse. Just one question, CEO Mr Goh. I think you have been the CEO for 12 odd years or so now, and I think last month there were some management appointments of your Chief Commercial Officer and Chief Operations Officer. Perhaps you could shed some light on the leadership transition or succession planning, the timeline, and what we should expect of the Group's strategy after that transition. Thank you.

**Mr Goh Choon Phong:** SIA has always paid a lot of attention in developing our talents and ensuring that we have a strong bench. One of our colleagues, Campbell (Wilson), was identified and determined to be the best candidate to take up the CEO position at Air India. This is a testament to how strong our bench is. We will continue to have renewal, and we will continue to expose different members of our management team to different areas. This is part of the development that we have to ensure that our bench continues to be strengthened. Thank you.

**Mr Siva Govindasamy:** Brendan, did you have a question?

**Mr Brendan Sobie, Sobie Aviation:** Hi, good morning. Brendan Sobie, an independent analyst. I have two questions. My first question relates to the timeline for 100% capacity restoration and if there is any impact on that from all the delivery delay issues, like with the 777X. Obviously, you have done very well in the first year, being higher than competitors as you pointed out, but soon you are going to be lagging behind competitors. I was wondering if that is a strategic concern and if you have any opportunity to bring in second-hand aircraft, or do something about that. That is my first question.

**Mr Goh Choon Phong:** I mentioned earlier, yes, because of a delay in the 777-9s, we do have to look at extending some of the leases that we have, or extending the use of some

of the aircraft that we have, particularly the older 777-300ERs. Those we determine to be sufficient to mitigate the deferment of the 777-9. If you were to look at the overall capacity and projection, IATA projected that, for Asia-Pacific, things are not going back to pre-Covid in terms of capacity until 2025. I think we are able to handle that kind of recovery.

**Mr Brendan Sobie, Sobie Aviation:** Thank you. My other question is about the current outlook. I know you had quite optimistic wordings in the press release about the current quarter, but I was just wondering specifically about regional travel within South East Asia. There have been some indications from other airlines, for this regional market, maybe it is more of a Scoot market than an SIA market, about some weakening in the month of May already in terms of demand, both load factors and yields, just with competition capacity coming back in. I am wondering if you noticed that at either TR or SQ?

**Mr Goh Choon Phong:** By regional markets, you mean mainly South East Asia? I suppose that is what you meant. At this point in time, we are still seeing very strong demand on our South East Asia flights, not just SIA but Scoot as well. So, we have not quite seen any weakening, in the near term at least.

**Mr Siva Govindasamy:** Thank you. We will take some questions online right now. Thomas Shum from Reuters Breakingviews. When is Singapore Airlines expected to return to 100% of pre-pandemic capacity? Why are you at 80%? Is it because of staffing issues? How do you plan to deal with ticket price inflation?

**Mr Lee Lik Hsin:** I will take the question on ticket price inflation, which I have already answered. Ticket prices are a function of demand and supply, and we always strive to be competitively priced in the market.

**Mr Goh Choon Phong:** We have taken proactive steps in hiring new staff. In the slide earlier, I did not elaborate, but you can see that we started rehiring cabin crew from February 2022. That was before Singapore opened its borders to the rest of the world, and also others opening up to Singapore, because that took place only in April. Since then, we have recruited about 3,000 plus new crew. Of course, they have to go through training and all that. At this point in time, we are recruiting sufficient crew, but they have to go through the training.

**Mr Siva Govindasamy:** Thank you. We have one question from Zheng Yu Rou from Morningstar. My question is about China's reopening. Could you give some colour about the expectations around the reopening of China? Are you seeing load factors supported by China travel? Does the limited routes by the Chinese airlines benefit SIA? Are we benefiting from the limited services international?

**Mr Lee Lik Hsin:** We are extremely excited about the reopening of China. Obviously, it will take some time for everybody in the industry, amongst the stakeholders, to be totally ready. This includes, for example, tour operators, because a large part of Chinese travel is leisure travel through tour operators. And truth be told, that is not ramped up exactly to 100% of pre-Covid levels yet. It is starting to come in and we are optimistic about the full resumption. I am not sure that the Chinese carriers have limited international capacity. You will see Chinese airlines operating to Singapore, just as Singapore Airlines and Scoot are operating to China.

**Mr Siva Govindasamy:** We have a question from Kaseedit from Citi. CASK ex-fuel is down 9% quarter on quarter. Very impressive. What are the key drivers and how far can CASK ex-fuel go down?

**Mr Tan Kai Ping:** I think I answered that question already, the question Raymond asked.

**Mr Siva Govindasamy:** We have Tim Bacchus from Bloomberg asking. We understand that fuel hedging gains are difficult to forecast based on the current profile and direction of spot prices. Can you comment on hedging gains of \$749 million in FY2023/24, relative to the \$219 million from FY2022/23? That would appear quite challenging these days.

**Mr Tan Kai Ping:** Fuel hedging is a random walk. The smartest people in the world have tried to model it. I would not be able to predict. That is precisely the reason why we hedge, to take out the volatility in the cost of fuel.

**Mr Siva Govindasamy:** Thank you. Questions from the room, please. We will go with Peck Gek, and then we have got some questions at the back.

**Ms Tay Peck Gek, The Business Times:** Good morning, Peck Gek from The Business Times. SIA has posted record earnings in its 76-year history. What is holding back SIA from redeeming the 50% MCBs, if it has done so well? What else does it have to do, for it to redeem 50% MCBs? For passenger yields, I think the Nikkei reporter was referring to quarter-on-quarter, there was a slight decline in passenger yields. Does it mean that there was slowing recovery? Would passenger yields and fares ever normalise? What are SIA's strategies in handling the decline?

**Mr Tan Kai Ping:** Thank you. I will take the question on MCBs. The decision on MCBs affects equity, it affects the shape of the balance sheet. These are long-term questions, not short-term questions. So, we have to move step-by-step and that is exactly what we are doing. Strong performance is really the reason why we are in a position to announce a redemption of 50% of the MCBs 2021. As for the remaining 50% of the MCBs 2021, I have answered the question before. We have no definitive plan at this point. We have to take a very long-term view to come to that decision. Thank you.

**Mr Lee Lik Hsin:** With regard to yields, firstly, the Q4 yields versus the Q3 yields movement is not large. Secondly, there is also a seasonal effect. Q4 being a traditionally weaker quarter than Q3. Q3 covers the year-end peak. Q4 is January to March. On the question of whether passenger yields will ever normalise and what would SIA do, I think firstly, pricing and yields are a function of demand and supply. We cannot control that fully. But everything that our CEO has said in his presentation about how we are positioning ourselves to emerge stronger should provide some confidence that SIA will continue to do well, whatever the external environment.

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

**Mr Chen Chuanren, Air Transport World:** Good morning, Chuanren from Air Transport World. A follow-up question on the fleet. Other than mitigating delays, are there any changes in the market that led to this decision, as a consumer in the market? Another

question is on slots. The third runway in Changi Airport will not be ready until late 2025, 2026. Do you think that might stem your expansion in the medium- to long-term? Thank you.

**Mr Tan Kai Ping:** I think the question is around the swapping of the 787-9s to the 787-10s, and the 737-8s. It is completely network driven. The 787-10 is a bigger airplane. We are basically increasing seat count on certain missions, and the decision on 737-8 similarly is driven by the network. It is a view on how we think our demand will evolve, and how we think we have to evolve the network. It is an adjustment in the mission.

**Mr Goh Choon Phong:** Slots are obviously an important aspect of our operations. It is not merely between now and 2025, 2026. It is between now and when Terminal 5 will be ready. In between, really, there is very limited capacity to add. However, it is like Singapore. We always look at things in advance and do it proactively. At the moment, we are working very closely with our ecosystem partners, including the airport, to look at some projection, to look at what we are expecting, in terms of growth for both SQ and TR. Where can we operate from and how are we going to address it, if there are slots issues in the interim. This ongoing discussion is a very healthy discussion, and we expect that there will be some solutions as a result.

**Mr Siva Govindasamy:** Thank you, next question, please. We will have the three people there.

**Mr Lim Hui Jie, CNBC:** Hi, I am Hui Jie from CNBC. I wanted to ask on the Morningstar question for the China outlook. This is the first full quarter that China has lifted its travel restrictions. I want to ask if SIA has any observations on this quarter. Was there a spike in China bookings to and from China? Is it driven by corporate or leisure travel?

**Mr Lee Lik Hsin:** We are excited about China and as you noted, it is the first quarter that they are open. Things would not have resumed immediately to pre-Covid levels. You can see that in how we are increasing our capacity back to China. We have not yet increased our capacity back to China to the pre-Covid levels. In terms of market segments, I would say it is similar to other markets where borders first started to open. You see demand across all segments, driven by both individual travel as well as corporate travel, with a particular strength in family travel. This is what we call visiting friends and relatives, families needing to travel across the two countries to reunite. That was the case for all the other markets, and we see that in the China market as well.

**Mr Jovi Ho, The Edge Singapore:** Hello, thanks for the presentation. I am Jovi from The Edge Singapore. I have two questions. My first one is about Sustainable Aviation Fuel (SAF). Do you have an update on your SAF use following the pilot last year? What are your plans for SAF in the coming year, and what has been the passenger response for the carbon offsets available since June 2021? My second question is that staff costs have doubled year-on-year, to some \$3 billion. Are you seeing any stresses on staff count? You mentioned earlier that you have 3,000 staff in training. What are your pilot and cabin crew numbers like compared to pre-Covid levels? Thanks.

**Mr Goh Choon Phong:** I will take the SAF questions, and Kai Ping will take the other one. Yes, we are looking at going into a contract to purchase more SAF. More details will be

announced after we settle the agreement with the supplier. Carbon offset take-up by passengers, at this moment, I would say the take-up is not strong. We will continue to encourage passengers, but at the end of the day, it will really be up to individual passengers to decide what they want to do.

**Mr Tan Kai Ping:** On the question on staff cost, I shared just now that year-on-year we see two outsized impacts. One is the provision for profit-sharing bonus because of the record profits. Second, is the absence of government grants as we move forward. Other than that, there is wage inflation. It is not out of line with Singapore's wage inflation. In terms of year-on-year, staff headcount at the Group level has increased by 12.3% to support the operations. We ended the year with slightly over 24,000 people.

**Mr Goh Choon Phong:** I will just add that if you were to look back in history, you'll find that SIA as an organisation has always been very good at managing cost escalation. In fact, as a full-service carrier, we are probably one of the most cost-efficient ones.

**Mr Siva Govindasamy:** Thank you. We will go to Ven with a question.

**Mr Ven Sreenivasan, The Straits Times:** Hi, Ven from The Straits Times. A question on Scoot and the decision to buy the Embraer jets. For the longest time, SIA has stuck to Boeing and Airbus. Previously when I asked management about this, they cited complexity and cost issues. So, they were not going to other brands, but something has changed. What changed, and can you add colour as to what your plans are? Where do you plan to deploy these planes, and whether this is something you are going to continue in the future; looking at other brands as the market develops?

**Mr Goh Choon Phong:** I will provide a high-level response and then get Leslie to elaborate. I think our assessment of what we want to bring in as a fleet type, really depends on our assessment of whether it is a fleet type that makes sense for the operations we intend. We do not have smaller planes than the A320s that Scoot is operating. Frankly, for some of the destinations in our region, which are fast developing, huge potential, we do not have a viable plane. The question is whether those markets are there, and whether we think they are commercially viable. In this case, we do think so.

**Mr Leslie Thng:** Going back to what CEO has mentioned, we believe that, from a Scoot perspective, the South East Asian market is really a market that we can continue to grow quite extensively. If you look at the South East Asian market, there are a lot of secondary cities where our current A320neos, which has a seat capacity of 186, would be too large for many of these second- and third-tier cities. We have done a very robust RFP and we looked at which aircraft type will fit our mission, more from a commercial perspective as well as an operational perspective. We decided that Embraer with the E190-E2 is the best fit for us. As to where we are deploying this aircraft, definitely within the region. This aircraft can fly up to five hours. It will be deployed both on existing destinations that we currently fly to, because we can add frequency, as well as new destinations within the region. Once we decide on the new destinations, we will definitely inform the trade and media. We are looking at receiving the first aircraft sometime in March 2024. So slightly before that, we should be able to announce some of the destinations that we will be deploying this aircraft type to. Thank you.



**Mr Goh Choon Phong:** I will just add that in general, even if we evaluate certain propositions and they are not viable at a point in time, it does not mean that we will give up on that proposition. It just means that we will review them again. Economies do not stay still, they develop. What used to be not so feasible in the past because the economic activities do not support it, could become viable as the economies grow.

**Mr Siva Govindasamy:** Thank you. The lady over there, and then one online question. We will have to end soon after that.

**Ms Ezien Hoo, OCBC Credit Research:** Thanks for the presentation. This is Ezien from OCBC Credit Research. I have two questions. The first one is on the newer growth initiatives such as your KrisFlyer and KrisShop. Is this currently parked under SIA's revenues? Are you able to share more colour, say for example, what is the percentage contribution to operating profit, or the kind of growth rates? The second one is on your hedging slide. Should I add the MOPS and the Brent percentage to get a total percentage of the fuel requirement that has been hedged? Thanks.

**Mr Goh Choon Phong:** I will take the questions on the various new businesses. At this point in time, we do not announce the P&L impact of individual businesses. Some of them are being tracked internally, but we do not make those information public at this point in time. You can see that we are sharing more information, for example, on our KrisFlyer revenue. In my presentation, it was more than \$900 million last year, which is quite a substantial number.

**Mr Tan Kai Ping:** Specifically to the hedging slide, yes, you add the two columns. If I can give an example, just to make sure we are clear, between Q2 and Q4 of FY2023/24, we hedged at 39% of the expected volume, 10% is in Brent, and 29% is in MOPS.

**Mr Siva Govindasamy:** We have a question online from Shawn Ng from JP Morgan. How is corporate travel trending, year-to-date?

**Mr Lee Lik Hsin:** Corporate travel as a whole has recovered nicely. It is not yet at the pre-pandemic level. But it is far, far above some of the very, very pessimistic projections that people had at the start of Covid, where everybody was supposed to only have online meetings.

**Mr Siva Govindasamy:** Thank you, Lik Hsin. Are there any other questions from anyone?

**Mr Lewis Ong, Lianhe Zaobao:** Lewis from Lianhe Zaobao. Can you shed some light on the seat mix? Do you plan to invest more in certain classes of seats? Thanks.

**Mr Goh Choon Phong:** We always take the opportunity to improve our products for our customers. An example of that is the seat retrofit that we had for our A380s. At this point in time, all the A380s that we operate are equipped with the latest seat products, which I would say have been very much welcomed by our customers. We will continue to do that. I mentioned earlier that we have developed new seats, customised seats, for our 777-9 planes. Based on what we can see in the market and based on what we have designed, we believe that those seats will be industry-leading when they are launched with the launch of the 777-9.

**Ms Tay Peck Gek, The Business Times:** Can I check if SIA has encountered any ground handling issues, for example, delays in baggage handling?

**Mr Goh Choon Phong:** Baggage, because of the well-known issues that ground handlers have all around the world, incidents of mishandling have gone up. We have a dedicated team and taskforce looking into this, and I am glad to share that in recent months, that has improved significantly, because of the proactive steps that our chaps have taken.

**Mr Siva Govindasamy:** Thank you everyone for coming down this year. Thank you for your time and we will see you in six months' time. Have a great day everyone. Thank you.