Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Singapore Airlines Limited

Stock code: C6L

Meeting details:
Date: 29 Jul 2024
Time: 10.00 a.m.
Venue: Marina Bay Sands Expo and Convention Centre, Level 4, Roselle and Simpor Ballrooms, 10 Bayfront Avenue, Singapore 018956

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Q1. As noted in the letter to shareholders, the chairman highlighted that the group achieved a second consecutive year of record revenues, operating profits, net profits, and load factors due to strategic decisions taken during the early months of the pandemic. The group set its goal to be the first off the block once borders reopened and to retain its industry leadership in the post-pandemic world.

(i) **What is management's strategy to address the normalisation of demand after years of pent-up demand due to travel restrictions, and competing airlines progressively injecting passenger capacity back into the system?**

(ii) **With COVID-19 now well in the rear-view mirror, what new strategic directions has the board given to management?**

(iii) The group's network expanded to 118 passenger destinations as of 31 March 2024, up from 109 a year ago but still down from 137 destinations before the pandemic. **Is this a reflection of the group's focus on profitability, or are there other operational and regulatory factors at play?**

(iv) In the latest Skytrax Awards, the airline was narrowly pipped by Qatar Airways for the title of World's Best Airline. It was Qatar's eighth win compared to five wins for Singapore Airlines in the past 25 years. However, the group also received several other prestigious awards, including World's Best Cabin Staff, Best First Class service, and Best Airline in Asia. **Can management elaborate on how the group strives to retain its industry leadership? What sets it apart from other well-managed airlines?**

Q2. For FY2024, revenue was 7% higher at $19.0 billion, with operating profit rising by 1.3% to $2.73 billion. Profit attributable to owners of the company increased by 24% to $2.67 billion. The financial and operating statistics are shown on pages 7 and 8 of the annual report.

(i) **Passenger load factor:** Passenger load factors (PLFs) for Singapore Airlines and Scoot were 87.1% and 91.2% respectively. **Given the rather impressive passenger load factors, what strategies does the group envision to further optimise these metrics? How can the airline enhance its PLF while maintaining the high service standards expected from a world-class full-service carrier?**

(ii) **Scoot:** The airline, with its largely regional operations, is facing greater injection of capacity from other airlines. The gap between the breakeven load factor and passenger load factor is narrow – 1.3% in 2023/24 and 4.6%. Passenger yield also decreased by 15.9% from 8.2 cents/pkm to 6.9 cents/pkm. **How does management view the continued investments in Scoot given the current competitive landscape?**

(iii) **Cargo:** Cargo flown revenue experienced a significant decline from its COVID peak and yields decreased despite a rise in cargo loads driven by e-commerce demand. **Could management provide a comprehensive analysis of the current oversupply in bellyhold capacity within the industry? What measures are being taken to address this issue and optimise cargo profitability?**

Q3. In the past two years, the group benefitted significantly from fuel hedging gains amounting to $332.5 million and $637.8 million in 2023/24 and 2022/23 respectively.

In the past, the group's fuel hedging gains and (losses) have been:

2023/24: $332.5 million
2022/23: $637.8 million
2021/22: $196.3 million
2020/21: $(311.1) million
2019/20: $(105) million
2018/19: $331.5 million
2017/18: $78.3 million
2016/17: $(269.0) million
2015/16: $(926.6) million
2014/15: $(456.9) million
2013/14: $71.1 million
2012/13: $27.7 million
2011/12: $19.9 million
2010/11: $(49.9) million
2009/10: $(460.1) million
2008/09: $(306) million
2007/08: $185 million
2006/07: $(94) million
2005/06: $167 million
2004/05: $303 million

The group has a practice of hedging fuel costs on a declining wedge basis. Over the past decade, fuel hedging resulted in cumulative losses of $(492.2) million, and over the past 20 years, the cumulative losses amounted to $(628.5) million.

(i) **Can management and the board, particularly the board executive committee, explain whether they have analysed the results of the group's fuel hedging over entire economic cycles or the long term?** As shown above, the group's hedging efforts do not appear to have evened out or created a positive outcome over a 20-year period. **Have the group's fuel hedging practices achieved their intended outcome?**

(ii) **What different strategies could be employed in fuel hedging and what are the key assumptions and parameters used by the group in its hedging?**

(iii) **Beyond financial considerations, what are the operational advantages derived from the group's fuel hedging practices? Are there any specific efficiencies or strategic benefits that have been realised?**

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