

# Issuer Profile: Singapore Airlines Ltd (“SIA”)

Neutral (5)

## Ticker:

SIASP

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### Recent Issue

- SIA **has priced USD500mn of USD 5.5Y senior unsecured bonds at +260bps, tightening from IPT at the +300bps area.** Investor demand for the bond has been significant, notwithstanding that it is not rated by external rating agencies.
- Proceeds will be used for aircraft purchases and aircraft related payments, general corporate or working capital purposes, including refinancing of existing borrowings.
- While SIA is a large SGD bond issuer, this is a debut USD bond for SIA.

### Recommendation

- The new USD-denominated SIASP 3.0% ‘26s has tightened significantly in the secondary market and has repriced SIA’s SGD curve. We see the fair value of the SIASP 3.0% ‘26s at **~2.50-2.6% YTW in SGD-implied terms (~2.8% YTW in USD terms, +225bps)**. That being said, we think technical factors will overwhelm in the near term and expect to see an uptick in its price.
- At current levels, we prefer SIA’s SGD bonds instead and have correspondingly adjusted our call on the SGD curve. The SGD-denominated SIASP 3.13% ‘26s is providing a ~50bps spread pick-up against the new USD bond, while shorter dated SIA bonds are providing 30-40bps pick up. In light of the still challenging operating environment, we think the shorter end at these levels is more attractive and as such Overweight that part of the curve.
- Within the airline space, we see Qantas Airways Ltd (“Qantas”, Issuer profile: Neutral (5)) as the closest comparable. As a secondary comparable, we also look at Keppel Corporation Ltd (“KEP”, Issuer profile: Neutral (4)) and Olam International Ltd (“Olam”, Issuer profile: Neutral (5)). Both these issuers have bonds with a similar tenor. While both KEP and Olam are not in the same industry as SIA, both issuers are partly owned by Temasek. KEP in particular, is undergoing a significant business transformation.

### Relative Value:

Bond / Perpetual	Maturity / Call date	Issuer Profile	Ask YTW	Spread	Recommendation
<b>SIASP 3.0% ‘26s USD-denominated<sup>1</sup></b>	<b>20/07/2026</b>	<b>Neutral (5)</b>	<b>2.10%</b>	<b>152bps</b>	<b>UW</b>
SIASP 3.16% ‘23s	25/10/2023	Neutral (5)	2.48%	220bps	OW
SIASP 3.03% ‘24s	28/03/2024	Neutral (5)	2.36%	204bps	OW
SIASP 3.75% ‘24s	08/04/2024	Neutral (5)	2.48%	216bps	OW
SIASP 3.035% ‘25s	11/04/2025	Neutral (5)	2.47%	203bps	N
SIASP 3.13% ‘26s	17/11/2026	Neutral (5)	2.61%	199bps	N
SIASP 3.13% ‘27s	23/08/2027	Neutral (5)	2.74%	203bps	N
SIASP 3.50% ‘30s	02/12/2030	Neutral (5)	3.21%	223bps	N
QANAU 4.75% ‘26s <sup>2</sup>	12/10/2026	Neutral (5)	2.63%	200bps	N*
KEPSP 3.0% ‘26s	01/10/2026	Neutral (4)	2.30%	170bps	OW**
OLAMSP 4.0% ‘26s	24/02/2026	Neutral (5)	4.03%	350bps	OW**

Indicative prices as at 15 January 2021 Source: Bloomberg

\*Based on latest recommendation as of [13 January 2021](#)

\*\*Based on latest recommendation as of [Monthly Credit View 11 January 2021](#)

Note: (1) SIASP 3.0% ‘26s is denominated in USD; Ask YTW and spread in implied SGD terms  
(2) QANAU 4.75% ‘26s is denominated in AUD; Ask YTW and spread in implied SGD terms

### Background

- Singapore Airlines Ltd (“SIA”) is listed on the SGX with a market cap of SGD13.0bn as at 15 January 2021. Apart from its flagship carrier, Singapore Airlines (“SQ”), the company also operates other airlines and businesses: SIA Engineering Company, SilkAir and Scoot. SIA owns a 49%-stake in TATA SIA Airlines Limited (operates Vistara Airlines).
- On a non-diluted basis, assuming no conversion of outstanding securities issued with

conversion rights, Temasek has a deemed ~56%-stake in SIA while the remaining shareholding is dispersed. The Minister of Finance owns one Special Share in SIA. SIA holds the conversion rights on SGD3.5bn of mandatory convertible bonds (“MCBs”) that was issued in June 2020. Assuming the MCBs are converted in year 10 at SGD4.84 per share and based on only those MCBs that have been issued, we estimate that Temasek would hold 68%-stake in SIA on a fully diluted basis.

- In our view, SIA’s survival is intrinsically linked to securing Singapore’s air hub status and its importance to Singapore’s economy. For the avoidance of doubt, neither the Government nor Temasek explicitly guarantees SIA’s debt.
- Please refer to the [New Issue View dated 13 January 2021](#) for more information.

#### Recent Write-ups on comparable issuers from OCBC Credit Research

- [Singapore Credit Outlook 2021](#)
- [Singapore Airlines Ltd Credit Update](#)
- [Qantas Airways Limited Credit Update](#)

### Explanation of Issuer Profile Rating / Issuer Profile Score

**Positive (“Pos”)** – The issuer’s credit profile is either strong on an absolute basis, or expected to improve to a strong position over the next six months.

**Neutral (“N”)** – The issuer’s credit profile is fair on an absolute basis, or expected to improve / deteriorate to a fair level over the next six months.

**Negative (“Neg”)** – The issuer’s credit profile is either weaker or highly geared on an absolute basis, or expected to deteriorate to a weak or highly geared position over the next six months.

To better differentiate relative credit quality of the issuers under our coverage, we have further sub-divided our Issuer Profile Ratings into a 7 point Issuer Profile Score scale.

IPR	Positive		Neutral			Negative	
IPS	1	2	3	4	5	6	7

**Please note that Bond Recommendations are dependent on a bond’s price, underlying risk free rates and an implied credit spread that reflects the strength of the issuer’s credit profile. Bond Recommendations may not be relied upon if one or more of these factors change.**

### Explanation of Bond Recommendation

**Overweight (“OW”)** – The bond represents **better relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

**Neutral (“N”)** – The represents **fair relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

**Underweight (“UW”)** – The represents **weaker relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

### Other

**Suspension** – We may suspend our issuer rating and bond level recommendation on specific issuers from time to time when OCBC is engaged in other business activities with the issuer. Examples of such activities include acting as a joint lead manager or book runner in a new issue or as an agent in a consent solicitation exercise. We will resume our coverage once these activities are completed.

**Withdrawal (“WD”)** – We may withdraw our issuer rating and bond level recommendation on specific issuers from time to time when corporate actions are announced but the outcome of these actions are highly uncertain. We will resume our coverage once there is sufficient clarity in our view on the impact of the proposed action.

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#### Analyst Declaration

The analyst(s) who wrote this report and/or her or his respective connected persons did not hold financial interests in the above-mentioned issuer or company as at the time of the publication of this report.

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