

Singapore Company Update

SIA Engineering

Bloomberg: SIE SP | Reuters: SIAE.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

13 Jun 2025

BUY

Last Traded Price (12 Jun 2025): SGD3.07 (STI : 3,922.20)
Price Target 12-mth: SGD3.50 (14% upside) (Prev SGD2.80)

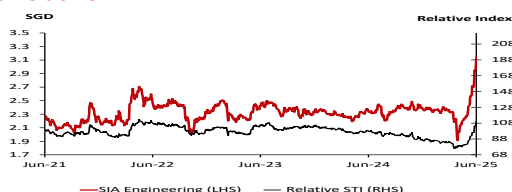
Analyst

Jason SUM, CFA jasonsum@dbs.com

What's New

- We estimate new contract with SIA would lead to high single-digit uplift in rates
- Consequently, we now anticipate stronger top-line growth and margin expansion, and expect the street to follow
- Raise FY26/27F net profit estimates by 5%-6% to factor in higher-than-expected rate uplift from SIA contract renewal
- Maintain BUY to reflect our positive earnings revision and higher forward P/E peg (21x vs. 19x previously)

Price Relative



Forecasts and Valuation

FY Mar (SGDmn)	2024A	2025A	2026F	2027F
Revenue	1,094	1,245	1,365	1,507
EBITDA	166	197	240	281
Pre-tax Profit	99.3	147	185	219
Net Profit	97.1	140	171	201
Net Pft (Pre Ex.)	121	140	171	201
Net Pft Gth (Pre-ex) (%)	93.2	15.7	21.7	17.7
EPS (S cts)	8.64	12.4	15.2	17.9
EPS Pre Ex. (S cts)	10.8	12.5	15.2	17.9
EPS Gth Pre Ex (%)	93	16	22	18
Diluted EPS (S cts)	8.58	12.3	15.1	17.7
Net DPS (S cts)	8.00	9.00	10.0	11.0
BV Per Share (S cts)	150	153	159	167
PE (X)	35.5	24.7	20.2	17.2
PE Pre Ex. (X)	28.5	24.6	20.2	17.2
P/Cash Flow (X)	34.4	20.7	26.8	23.1
EV/EBITDA (X)	17.6	14.7	12.0	10.2
Net Div Yield (%)	2.6	2.9	3.3	3.6
P/Book Value (X)	2.0	2.0	1.9	1.8
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	5.8	8.2	9.7	10.9
Earnings Rev (%)			5	5
Consensus EPS (S cts):			10.5	16.0
Other Broker Recs:		B: 3	S: 0	H: 1

Source of all data on this page: Company, DBS, Bloomberg

New contract, new earnings trajectory

Investment Thesis:

Technology edge and strong captive business volumes owing to SIA parentage; well positioned for long-term MRO demand growth given established partnerships with leading OEMs. As 70%-80% of SIAEC's top line is driven by its parent SIA, the growth and maintenance cycle of SIA's fleet strongly impacts SIAEC's core businesses. SIA's strategy to maintain a young, technologically advanced fleet of airplanes provides SIAEC with opportunities to gain expertise in maintaining new aircraft types and win third-party maintenance contracts. Moreover, the group's strategic partnerships with leading OEMs (such as GE, Safran, Rolls-Royce, and P&W) position it favourably for long-term growth in MRO demand.

Poised to capitalise on burgeoning air travel demand in the region.

In addition to its own operations in Singapore, Japan, and the Philippines, SIAEC's broader network of associates and JVs is primarily concentrated in Asia, positioning the group's earnings for growth of passenger traffic in the region. Furthermore, the group's facilities are better suited to servicing widebody aircraft used for longer distance international flights.

Strategic partnership with Air India; new facilities and capabilities in the medium term. SIAEC has multiple levers in place to drive growth over the next few years, including developing new engine capabilities for LEAP-1A/1B and PW1900, new base maintenance operations in Subang from 2025, new component maintenance, repair, and overhaul (MRO) and line maintenance JVs in Cambodia and Malaysia, and capacity expansion at ESA and SAESL. Additionally, the group was recently selected to be Air India's strategic MRO partner and is poised to capitalise on the promising long-term growth outlook of the Indian aviation market.

Maintain BUY with a higher TP of SGD3.50 (vs. SGD2.80 previously), reflecting our upward earnings revision and higher forward P/E peg (21x vs. 19x previously). We also favour its relative insulation from tariff-related risks, which reinforces the quality of its earnings outlook

Key Risks

Weaker consumer sentiment leading to capacity cuts and deferral of MRO in Asia, and supply chain bottlenecks dampening volumes or increasing costs.

At A Glance

Issued Capital (mn shrs)	1,120
Mkt. Cap (SGDmn/USDmn)	3,438 / 2,663
Major Shareholders (%)	
Temasek Holdings Pte	77.6
Free Float (%)	22.4
3m Avg. Daily Val (USDmn)	1.9
GIC Industry : Industrials / Transportation	

WHAT'S NEW

Lift FY26/27F net profit estimates on improved pricing with SIA; maintain BUY with higher TP of SGD3.50

We estimate that SIAEC's renewed contract with SIA brings a high single-digit rate uplift. To recap, SIAEC announced the renewal of its comprehensive service agreement with both SIA and Scoot last month. The two-year contract is valued at SGD1.3bn, implying an annualised labour revenue run-rate of SGD650mn. Management clarified that this renewal consolidates previously separate contracts for SIA Cargo and SilkAir, and also covers SIA's upcoming A350 cabin retrofit programme.

Based on our estimates, the SGD1.1bn A350 cabin retrofit contract should contribute around SGD100mn annually, assuming 40% of the contract value relates to technical labour and installation. Prior to the renewal, the annual run-rate for all contracts (SIA, Scoot, SilkAir, and SIA Cargo) was about SGD492mn. Excluding the retrofit contribution, the new run-rate stands at roughly SGD552mn, representing a 12.3% increase.

After adjusting for SIA Group's fleet expansion from 195 aircraft in Mar 23 to 205 in Mar 25 (and noting the shift towards a greater share of newer-generation aircraft), we estimate the contract brings a high single-digit uplift in MRO rates charged to the group, which is better than our previous expectation of a mid-single-digit increase.

Maintain BUY with a higher TP of SGD3.50. Consequently, we raise our FY26/27F earnings estimates by 5%-6% to factor in a higher rate increase, and lift our TP to SGD3.50, reflecting a higher P/E multiple of 21x (in line with its five-year pre-pandemic average), up from 19x previously, supported by a broader sector rerating. Our earnings estimates are now the highest on the street, and we expect the street to raise their estimates when the group reports stronger-than-expected margins and earnings in upcoming quarters.

SIAEC's past contract renewals with the SIA Group

Year	Contract Value	Parties	Length (years)	Annual Value (SGD mn)
2025	SGD1.3bn over 2 years	SIA + Scoot	2 + 1	650
2023	SGD1.14bn over 3 years	SIA	2 + 1	380
2023	SGD120.8mn over 3 years	Scoot	2 + 1	40
2019	SGD1.35bn over 4 years	SIA	2 + 2	338
2018	SGD484mn over 12 years	SilkAir	12	40
2016	SGD250mn over 8 years	SIA Cargo	3 + 3 + 2	31
2015	SGD197mn over 6 years	SilkAir	5 + 1	33
2015	SGD2.75bn over 8 years	SIA	4 + 2 + 2	344
2014	SGD350mn over 12 years	SilkAir	5 + 7	29
2011	SGD358mn over 5 years	SIA Cargo	3 + 2	72
2010	SGD300mn over 5 years	SilkAir	5	60
2010	SGD2.2bn over 5 years	SIA	3 + 2	440

Source: Company, DBS

Company Background

SIA Engineering (SIE) is a leading regional aircraft maintenance, repair, and overhaul (MRO) company with bases in Singapore and the Philippines. A comprehensive cluster of JVs with renowned OEMs allows it to provide a full suite of MRO services.

SIA Engineering

Valuation table

Valuation Methodology	Parameters	Price per share (SGD)
DCF	8.0% WACC, 3.0% risk-free rate	3.57
P/E	21.0x FY26F adjusted EPS	3.36
Average		3.50

Historical PE and PB band



Source: Bloomberg, DBS estimates



Source: Bloomberg, DBS estimates

SIA Engineering

Segmental Breakdown

FY Mar	2023A	2024A	2025A	2026F	2027F
Revenues (SGDmn)					
Airframe overhaul and	645	836	912	993	1,097
Engine & Component	151	258	333	372	410
Total	796	1,094	1,245	1,365	1,507
EBIT (SGDmn)					
Airframe overhaul and	(2.0)	33.0	27.2	44.7	63.1
Engine & Component	(24.3)	(30.6)	(12.6)	4.35	10.1
Total	(26.3)	2.40	14.6	49.0	73.1
EBIT Margins (%)					
Airframe overhaul and	(0.3)	3.9	3.0	4.5	5.8
Engine & Component	(16.1)	(11.9)	(3.8)	1.2	2.5
Total	(3.3)	0.2	1.2	3.6	4.9

Income Statement (SGDmn)

FY Mar	2023A	2024A	2025A	2026F	2027F
Revenue	796	1,094	1,245	1,365	1,507
Cost of Goods Sold	(822)	(1,092)	(1,231)	(1,316)	(1,434)
Gross Profit	(26.3)	2.36	14.6	49.0	73.1
Other Opng (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Operating Profit	(26.3)	2.36	14.6	49.0	73.1
Other Non Opng (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	77.8	101	119	124	138
Net Interest (Exp)/Inc	10.3	20.0	14.7	11.8	7.78
Exceptional Gain/(Loss)	3.68	(24.1)	(0.6)	0.0	0.0
Pre-tax Profit	65.5	99.3	147	185	219
Tax	0.99	(2.2)	(5.7)	(12.2)	(16.2)
Minority Interest	(0.1)	0.0	(2.0)	(2.0)	(2.0)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	66.4	97.1	140	171	201
Net Profit before Except.	62.7	121	140	171	201
EBITDA	116	166	197	240	281
Growth					
Revenue Gth (%)	40.6	37.5	13.8	9.6	10.4
EBITDA Gth (%)	(4.3)	44.1	18.3	21.9	17.1
Opg Profit Gth (%)	20.8	(109.0)	519.7	235.9	49.2
Net Profit Gth (Pre-ex) (%)	(16.3)	93.2	15.7	21.7	17.7
Margins & Ratio					
Gross Margins (%)	(3.3)	0.2	1.2	3.6	4.9
Opg Profit Margin (%)	(3.3)	0.2	1.2	3.6	4.9
Net Profit Margin (%)	8.3	8.9	11.2	12.5	13.3
ROAE (%)	4.1	5.8	8.2	9.7	10.9
ROA (%)	3.5	4.8	6.6	7.8	8.7
ROCE (%)	(1.5)	0.1	0.8	2.5	3.5
Div Payout Ratio (%)	93.1	92.6	72.5	65.9	61.6
Net Interest Cover (x)	NM	NM	NM	NM	NM

Source: Company, DBS

Balance Sheet (SGDmn)

FY Mar	2023A	2024A	2025A	2026F	2027F
Net Fixed Assets	288	289	287	275	265
Invts in Associates & JVs	685	749	833	915	1,006
Other LT Assets	58.3	49.8	51.5	51.5	51.5
Cash	633	646	663	678	701
ST Investment	0.0	0.0	0.0	0.0	0.0
Inventory	204	213	172	189	208
Debtors	34.2	70.9	60.9	66.8	73.7
Net Intangibles Assets	40.8	32.0	36.7	36.7	36.7
Other Current Assets	81.4	71.2	73.8	73.8	73.8
Total Assets	1,983	2,088	2,141	2,248	2,380
ST Debt	24.6	27.9	23.6	23.6	23.6
Creditor	184	266	259	290	328
Other Current Liab	7.30	7.67	54.8	58.8	62.8
LT Debt	90.6	82.5	61.6	61.6	61.6
Other LT Liabilities	0.50	0.72	1.00	1.00	1.00
Shareholder's Equity	1,666	1,687	1,720	1,790	1,878
Minority Interests	10.6	16.2	21.1	23.1	25.1
Total Cap. & Liab.	1,983	2,088	2,141	2,248	2,380
Non-Cash Wkg. Capital	128	81.0	(6.8)	(19.8)	(34.5)
Net Cash/(Debt)	518	536	578	592	616
Debtors Turn (avg days)	16.0	17.5	19.3	17.1	17.0
Creditors Turn (avg days)	78.0	79.8	82.1	80.3	82.7
Inventory Turn (avg days)	86.9	73.8	60.2	52.7	53.2
Asset Turnover (x)	0.4	0.5	0.6	0.6	0.7
Current Ratio (x)	4.4	3.3	2.9	2.7	2.6
Quick Ratio (x)	3.1	2.4	2.1	2.0	1.9
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	42.2	35.5	62.1	64.6	70.4

Cash Flow Statement (SGDmn)

FY Mar	2023A	2024A	2025A	2026F	2027F
Pre-Tax Profit	65.5	99.3	147	185	219
Dep. & Amort.	64.0	63.1	63.7	67.0	70.0
Tax Paid	3.00	(0.8)	(1.7)	(8.2)	(12.2)
Assoc. & JV Inc/(loss)	(77.8)	(101)	(119)	(124)	(138)
Chg in Wkg.Cap.	21.5	25.9	84.8	9.08	10.6
Other Operating CF	(11.6)	13.8	(8.5)	0.0	0.0
Net Operating CF	64.6	100	167	129	149
Capital Exp.(net)	(48.6)	(39.2)	(52.9)	(55.0)	(60.0)
Other Invts.(net)	0.0	0.0	0.0	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	36.7	27.8	39.9	41.7	46.4
Other Investing CF	(7.5)	42.3	(1.8)	0.0	0.0
Net Investing CF	(19.4)	30.8	(14.8)	(13.3)	(13.6)
Div Paid	0.0	(84.3)	(89.8)	(101)	(112)
Chg in Gross Debt	(30.8)	(28.3)	(31.8)	0.0	0.0
Capital Issues	0.0	(4.0)	(15.6)	0.0	0.0
Other Financing CF	(6.3)	(1.2)	2.50	0.0	0.0
Net Financing CF	(37.1)	(118)	(135)	(101)	(112)
Currency Adjustments	(0.6)	(0.4)	(0.1)	0.0	0.0
Chg in Cash	7.50	13.0	17.4	14.2	23.4
Opg CFPS (S cts)	3.83	6.62	7.31	10.6	12.3
Free CFPS (S cts)	1.42	5.44	10.2	6.56	7.95

Source: Company, DBS

Target Price & Ratings 12-mth History



Note : Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	11 Nov 24	2.42	2.50	HOLD
2:	15 May 25	2.41	2.80	BUY

Source: DBS

Analyst: Jason SUM, CFA

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

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DBS Regional Research Offices

HONG KONG

DBS Bank (Hong Kong) Ltd

Contact: Dennis Lam
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

SINGAPORE

DBS Bank Ltd

Contact: Andy Sim
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
e-mail: groupresearch@dbs.com
Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: William Simadiputra
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand