

Singapore Airlines

Group 4



- "As the SIA Group moves towards a new phase of growth across all airlines in the Group, our fleet and network continue to expand in support of our portfolio strategy. With both full-service and low-cost airline investments, we remain committed to short-, medium- and long-haul markets with our portfolio of airlines.
- The SIA Group continues to place emphasis on the need to adapt nimbly and flexibly to industry changes, so as to stay relevant in the competitive environment as we step up in the next phase of our growth. During the new financial year, Scoot and Tigerair will be merging under the Scoot brand name.

——Quote from **SINGAPORE AIRLINES** Annual Report FY2016/17





How Singapore Airlines performed in March 2018



	2018	2017	Change
SINGAPORE AIRLINES (PASSENGER)			
Capacity (M seat-km)	9,970.3	9,830.8	1.4 %
Passenger-km (M)	8,200.5	7,878.7	4.1 %
Passengers carried ('000)	1,682	1,625	3.5 %
Passenger load factor (%)	82.2	80.1	2.1 pts
<u>Load Factor by Route Region (%)</u>			
East Asia	84.3	82.7	1.6 pts
Americas	82.2	78.0	4.2 pts
Europe	81.6	81.8	-0.2 pt
South West Pacific	82.5	78.8	3.7 pts
West Asia and Africa	78.0	75.0	3.0 pts
SCOOT (PASSENGER)			
Capacity (M seat-km)	2,670.3	2,410.9	10.8 %
Passenger-km (M)	2,382.4	1,969.9	20.9 %
Passengers carried ('000)	869	750	15.9 %
Passenger load factor (%)	89.2	81.7	7.5 pts
<u>Load Factor by Route Region (%)</u>			
East Asia	90.1	84.8	5.3 pts
West Asia	83.8	77.7	6.1 pts
Rest of World	90.2	73.0	17.2 pts

Singapore Airline's growth is stable. The annual change is around 2~3 %.

Scoot is now fast growing and developing quite quickly. Due to the price comparative advantage, the load factor is impressively high.

Selected routes to India, South East Asia , China, Australia, and fifth freedom routes to North Asia and America continued to improve.

Source: MARCH 2018 OPERATING RESULTS

Strengthening Premium Positioning

— Singapore Airlines remains committed to the constant enhancement of the three main pillars of our brand promise: Service Excellence, Product Leadership and Network Connectivity.



SERVICE EXCELLENCE

Customer service remains a crucial differentiator for Singapore Airlines. We continue to place emphasis on the quality of service customers receive at all Singapore Airlines touchpoints: pre-flight, on board and post-flight.

To cater to the needs of our health-conscious customers, Singapore Airlines introduced wholesome meals across all cabin classes. Healthy and nutritious, these meals were specially designed to rejuvenate the body after a flight.

Singapore Airlines also continued to offer greater convenience to passengers on the ground with new initiatives such as automated bag drops at airports.



PRODUCT LEADERSHIP

In 2016, Singapore Airlines introduced the first-of-its-kind 'Companion App', which allows customers to review the video and audio content available on board before their flight and create pre-selected favourites lists. The app also allows customers to use their personal device as a remote control for the in-flight entertainment system, so that they can multi-task and maximise their *KrisWorld* experience.

Our practice of maintaining a modern fleet means that we are very often in the market for new aircraft. Singapore Airlines has committed to acquiring 67 Airbus A350-900s, of which 11 were in our fleet in FY2016/17. Also on order are Airbus A380-800, Boeing 777-9 and 787-10 aircraft.



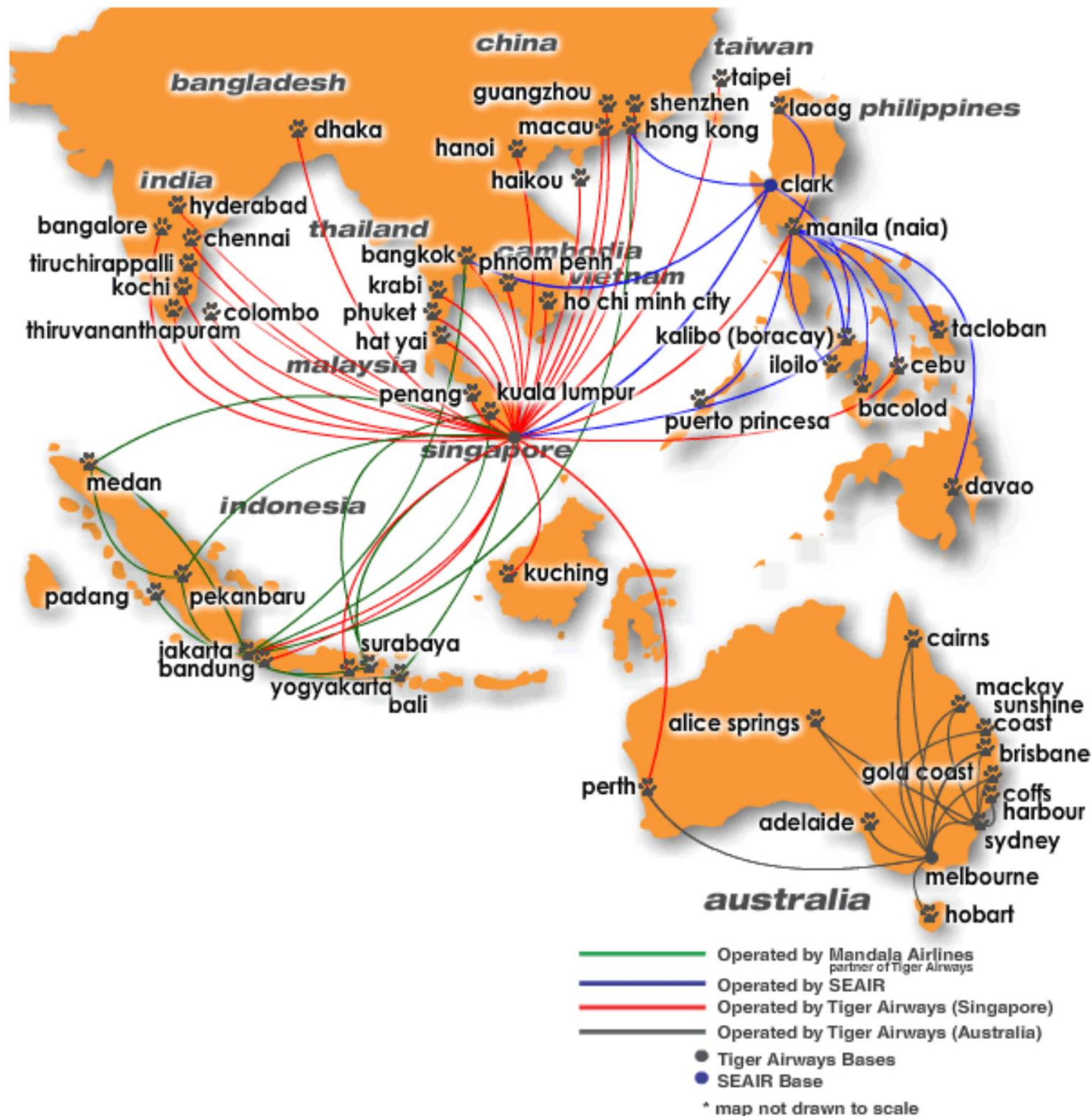
NETWORK CONNECTIVITY

In FY2016/17, Singapore Airlines expanded its route network with the launch of flights to three new destinations: Canberra, Dusseldorf and Wellington. Our existing network was further enhanced with the launch of daily non-stop flights to San Francisco, a second daily service to Los Angeles, and non-stop flights to Manchester which continue on to Houston. A new service to Stockholm was announced and will be introduced in the new financial year. We will continue to seek growth opportunities while matching capacity to demand in the current landscape.

The plan of expansion of **Tigerair**



1. General description of **Tigerair**



In 2015-2016 year:
5128000 travelers took tigerair, which takes 18.89% in SIA group;
40 destinations in 12 asian-pacific countries;
23 aircrafts;

In 2016-2017 year:
5145835 travelers choose tigerair, which takes 13% among SIA group.
23 Aircrafts;
12 cities in china;





Load factor increased to 83.3% by 1.2%;
More destination from china, India and Malaysia.

Tigerair was recognised for its popularity among passengers as well as its strong passenger traffic in FY2016/17. Some accolades include being voted as the Best Low Cost Carrier at the AsiaOne People's Choice Awards 2016. Tigerair was also recognised by Changi Airport Group as one of the Top 5 Airlines by Passenger Carriage at the Changi Airline Awards 2016.

In its 13 years of operation, Tigerair has built an established network and market presence in Southeast Asia. The integration of its operations under the Scoot brand will strengthen the foundation that Tigerair has built over the years, and also take the SIA Group's low-cost carrier arm to the next phase of growth.

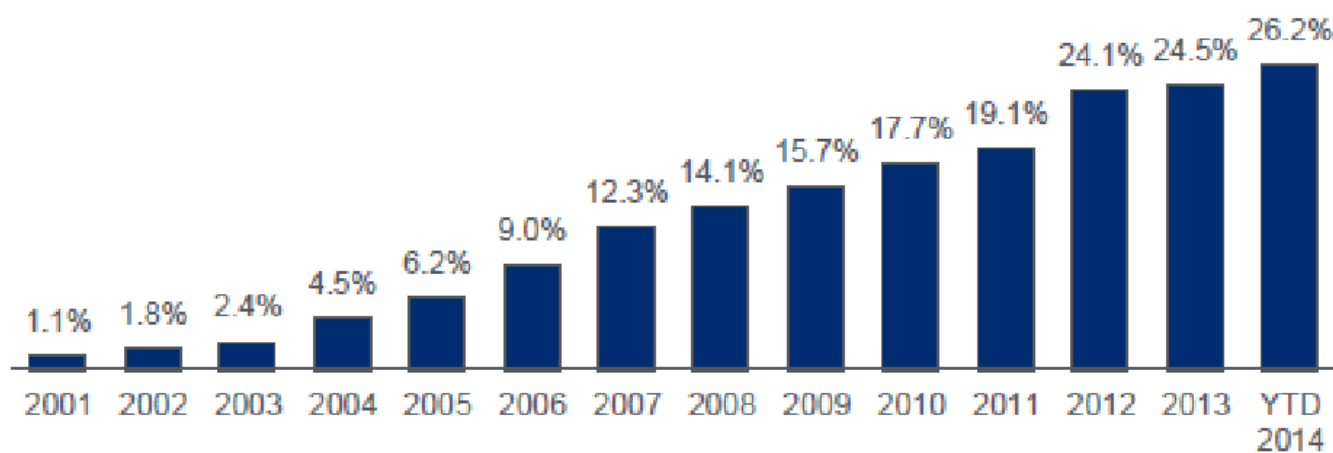
Tiger Airways

	2015/16 ^{R11} \$ million	2014/15 ^{R12} \$ million	% Change	
Total revenue	703.2	677.4	+	3.8
Total expenditure	689.6	717.3	–	3.9
Operating profit/(loss)	13.6	(39.9)		n.m.
Profit/(Loss) after taxation	0.3	(264.2)		n.m.

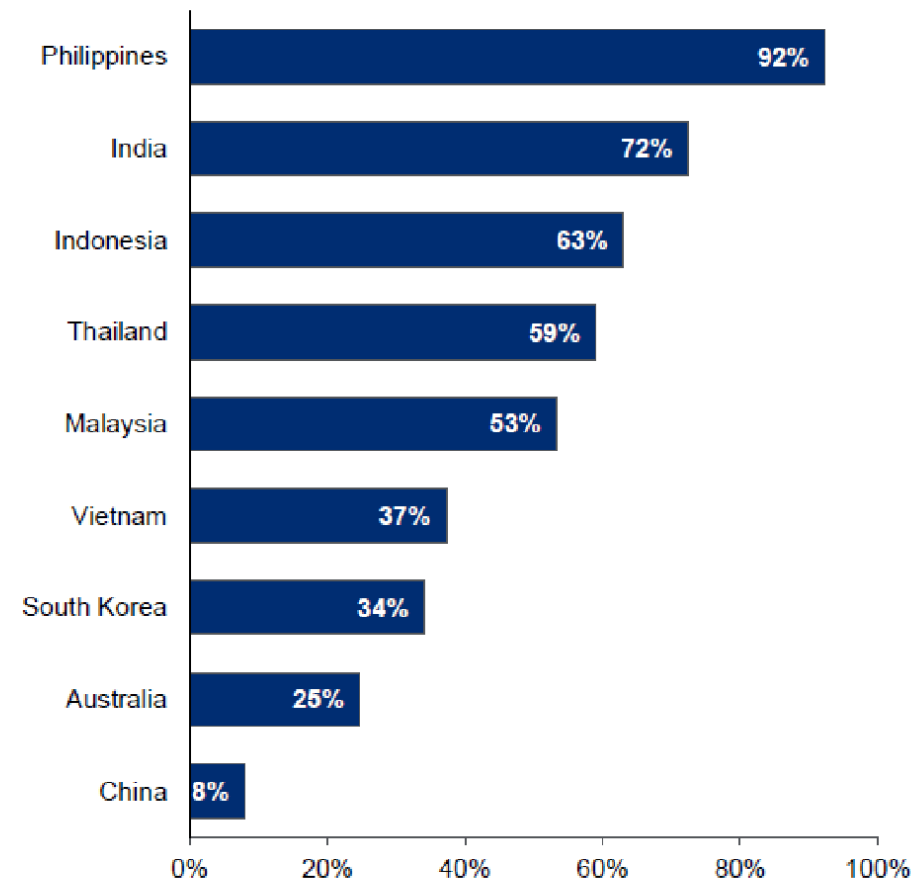
2. The LCC market in Asia-Pacific **Tigerair**



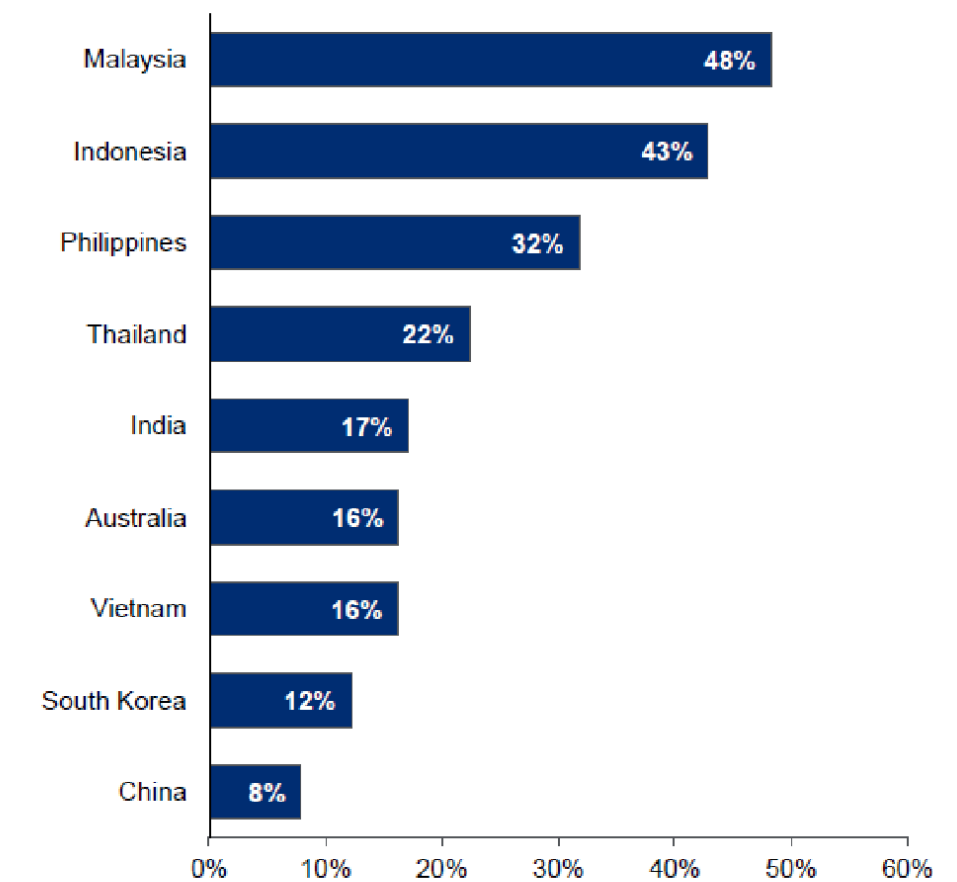
LCC Capacity Share (%) of Within Asia-Pacific Total Seats



Asia-Pacific Domestic LCC Penetration
(By Capacity (Seats))



Asia-Pacific International LCC Penetration
(By Capacity (Seats))

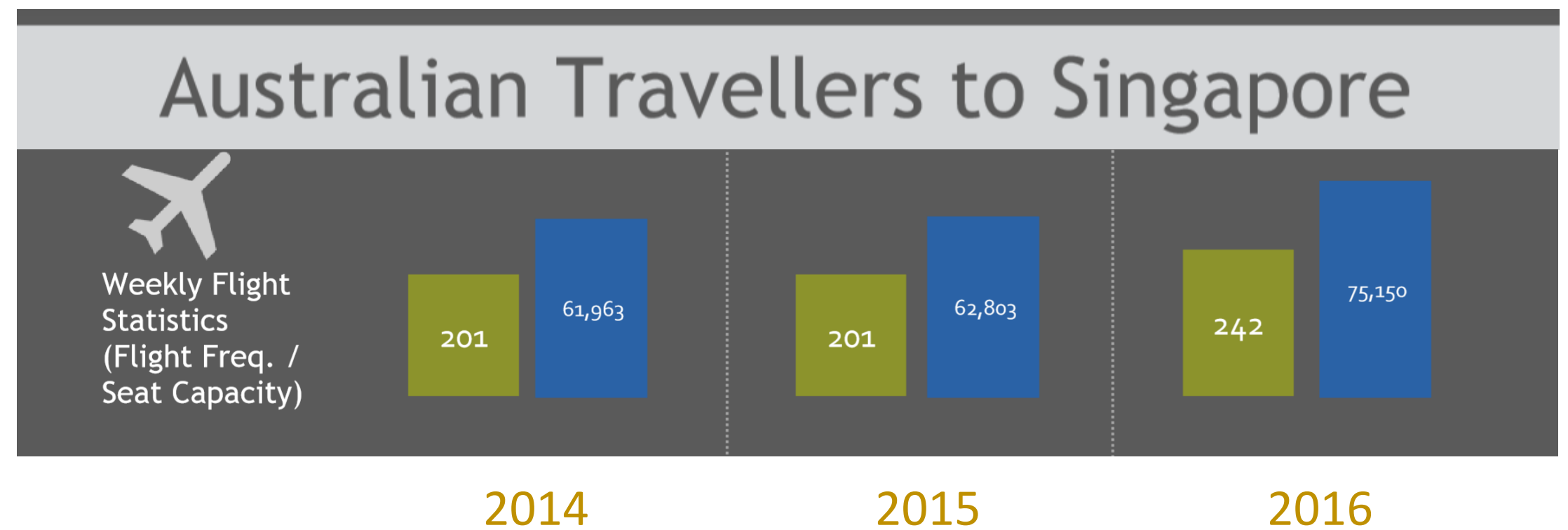


3. Investment on flights between Australia and Singapore



Singapore ranked 8th
Among countries travelled to
by Australians in 2012.

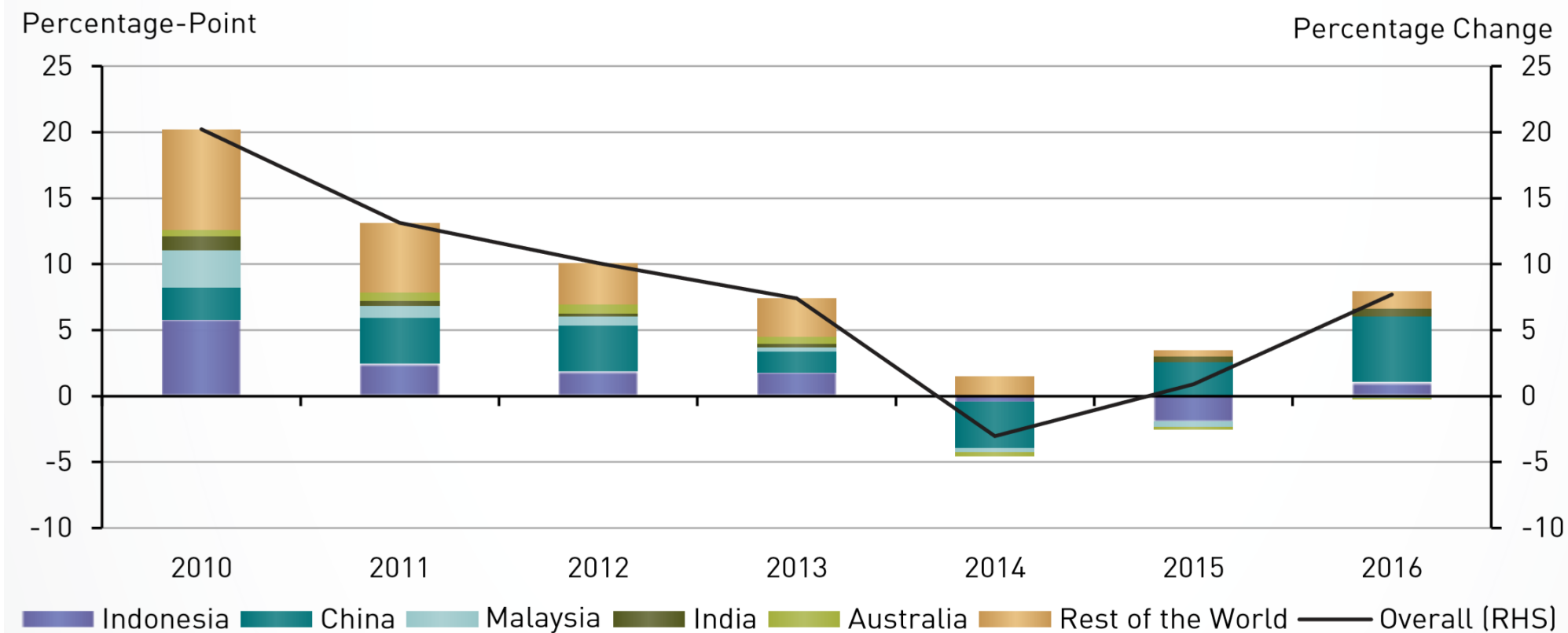
Peak travel season is from
December to
January; February and May
see the lowest number of
outbound travellers



3. Investment on flights between China and Singapore

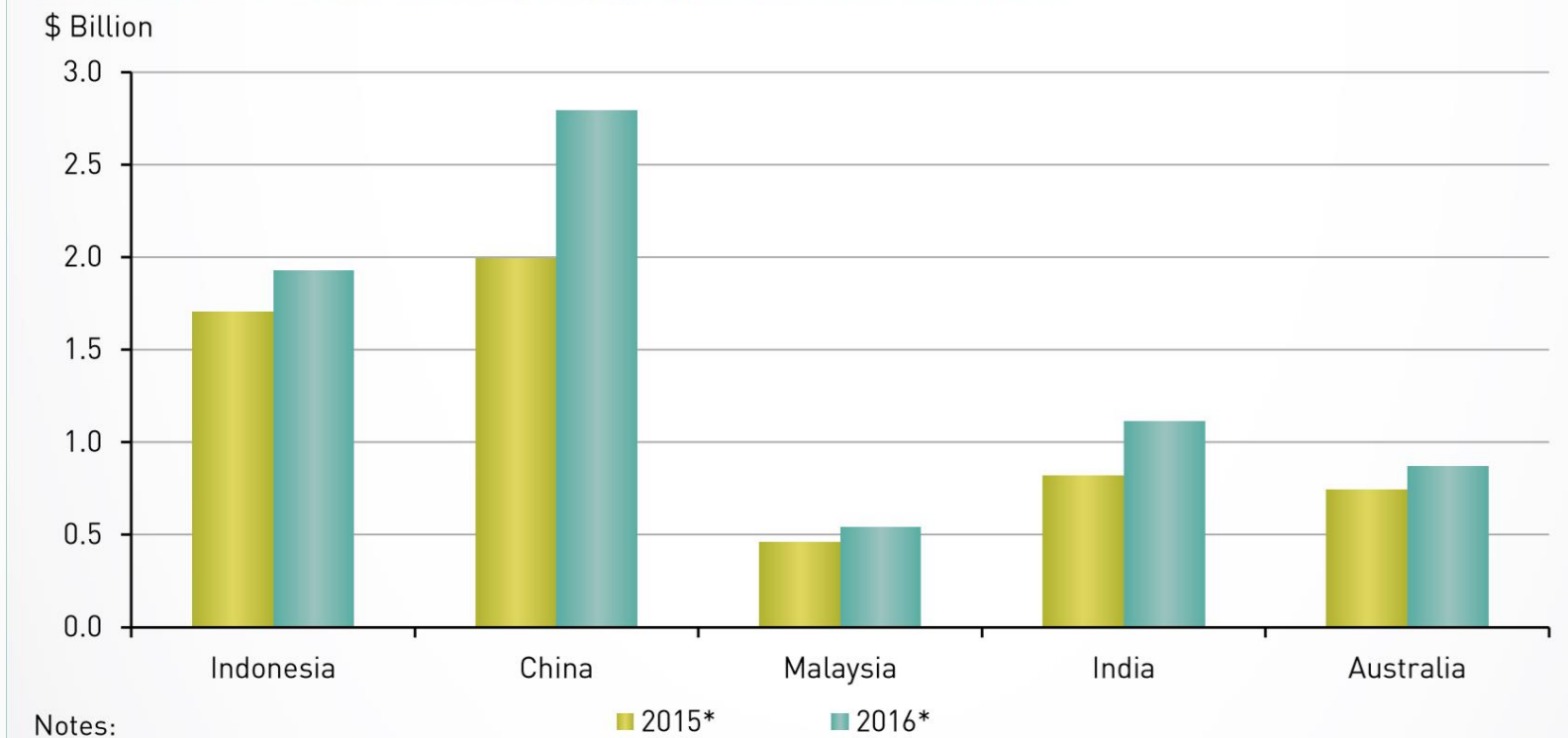


Exhibit 1: Growth in International Visitor Arrivals, 2010-2016



Source: Singapore Tourism Board

Exhibit 3: Tourism Receipts (excluding SEG) by Key Inbound Markets, 2015-2016



Notes:

* As TR data for the fourth quarter of 2016 is unavailable at the time of publication, the 2016 figures are based on TR for the first three quarters of 2016. For comparison, the 2015 figures are similarly based on TR for the first three quarters of 2015.

Source: Singapore Tourism Board

4. SWOT of the proposal

Strength
several sub-groups

Weakness
Aircrafts not enough;
Without flight permission;

Opportunities
More profits for Tigerair;
More connection between
sub-groups;
more passengers for SIA

Threats
Some other competitors, like
Qantas;
Competition from SIA.





Scoot - Tigerair Merger





Who is Scoot

Singapore Airlines Group Low Cost Carrier (LCC)

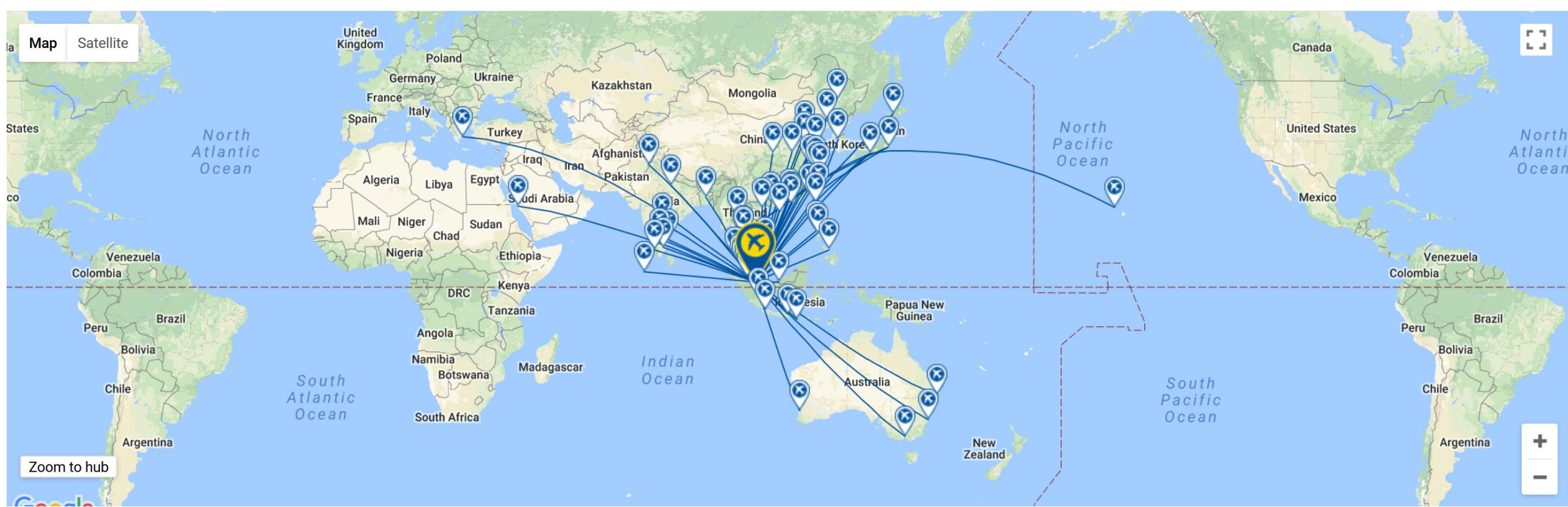
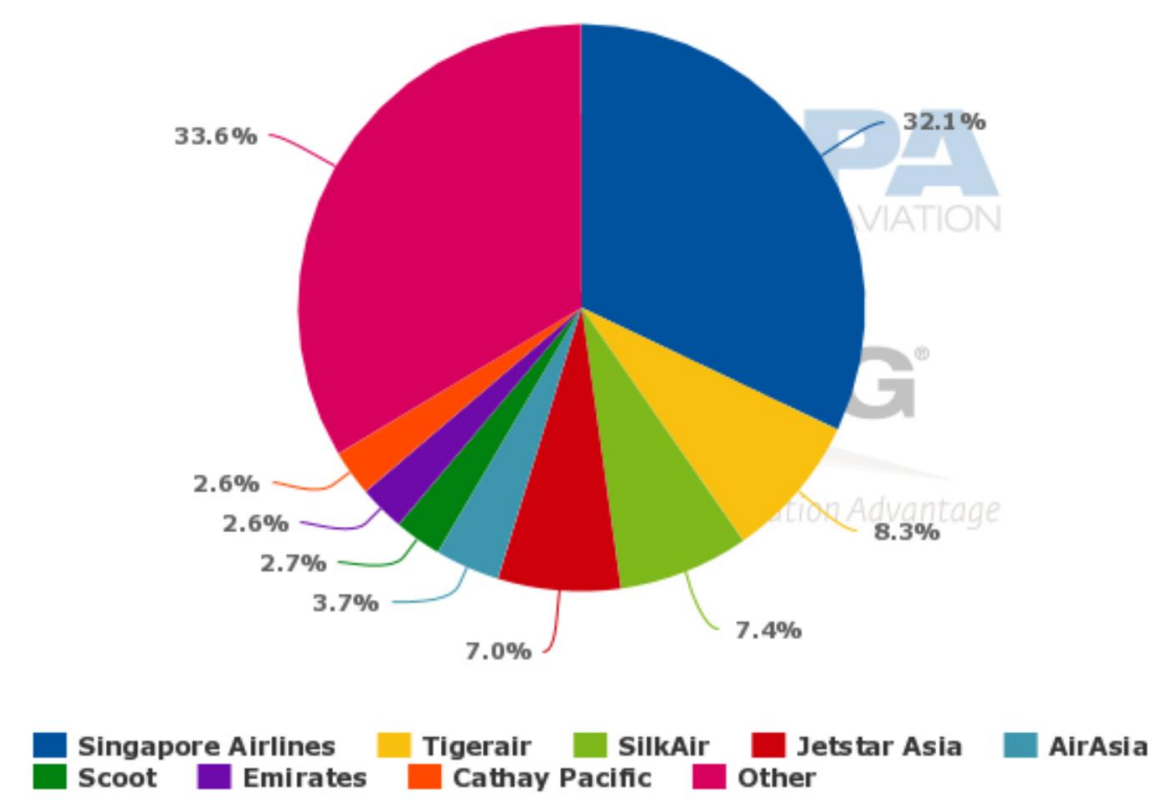
Begun Operations: 2012

Main Hub: Singapore Changi Airport

Alliance: Value Alliance



Singapore capacity share (% of seats) by carrier: 16-Feb-2014 to 22-Feb-2014





Causes and Consequences

Conflict

Tigerair

- Tigerair is better filling its seats with local passengers, does not need large groups
- Tigerair implements a point to point strategy

Scoot

- A lot of overlapping activities → cost reduction if merged
- Scoot implements a network strategy

Consequences: Both airlines to have common commercial objective & reduce cost by eliminating overlapping functions.



SWOT for Scoot & Tigerair Merge

Strengths

- Both recognizable brand names
- Many hubs combined
- Significant number of routes serviced in Asia
- Large combined fleet
- Sizeable player in the LCC market in Singapore

Opportunities

- Expanding to more popular destinations
- Rise of Asian tourism industry
- Increased GDP in Asian Countries
- Internet allows reaching new customers at minimal costs

Weaknesses

- High competition from other LCC
- Limited market share

Threats

- Pilot shortage!
- Increased fuel cost
- Increased specialized labour cost
- Regulation e.g. Tigerair AUS flights grounded (For safety concerns. Shame! Might drag Scoot down with it)



The Competition

Low - Cost

- Air Asia
- Jetstar

Full Service

- Singapore Airlines
- Silkair

Full Service airlines are a different market

Scoot (2012)+Tigerair (2003) vs. Air Asia (1996)

Fleet

43 against 92 medium to large aircraft

Revenues 2016

USD 990M against USD 1.12B





Merging Issues

- Takeover and Branding: Scoot, Tigerair or Scoot/Tigerair?
- Overcapacity
- Tigerair's A320s have a high lease cost
- Tigerair's order book is ambitious
- Long haul routes are a risky and expensive business



Apparently they went with Scoot!



Conclusion

Tigerair

- Asia, short route
 - 21 A320, 2 A319
 - 41 Destinations
 - 5.1 M Pax(2016)
- The current transfer traffic volumes are insufficient, given Scoot's network model and commitment to rapid expansion.
 - If Scoot is planning to expand capacity (ASKs), much bigger operation that may only be viable with more feed from Tigerair.

Scoot

- Australia, Europe, U.S, long route
- 14 B787
- 23 Destinations
- 3.3 M Pax(2016)

Joint management team

- The mode of joint operation can occupy more market share and be competitive in the fierce LCCs market in Southeast Asia.
- the new structure will allow the two airlines to integrate and share functions such as sales, marketing, IT, planning and operations.