

SIA Engineering is a buy near its 52-week low as operating profit nearly doubles

Description

default watermark

The call

SIA Engineering Company (SGX: S59), the aircraft maintenance, repair and overhaul (MRO) group, is our pick today. The call is buy, with moderate conviction and a 12 to 18 month horizon.

The shares closed at S$2.84 on Wednesday, 11 November 2026, the latest price going into this morningâ??s session. Wednesday was the ex-dividend date for the 2.5-cent interim dividend, so the unchanged close was in effect a gain of about 0.9% once the payout is stripped out. Anyone buying now will not receive that dividend, which is paid on 27 November.

The 52-week range is S$2.80 to S$3.81. The low was Wednesdayâ??s intraday trough, and the high was set on 13 November 2025. The stock is about 25% below that high and down about 21% from S$3.58 at the start of January. Market value is about S$3.2 billion.

The business underneath has turned

In the six months to 30 September 2026, operating profit rose 97.7% to S$25.7 million, from S$13.0 million a year earlier. The company credits â??healthyâ?• MRO demand and â??lower gestation losses at startup subsidiariesâ?•. Second-quarter operating profit rose 58.2% to S$12.5 million (SIA Engineering 1H FY2026/27 results, 3 November 2026).

DBS Group Research strips out a one-off S$4 million impairment from last year and still gets operating profit growth of about 51%, with the operating margin up 2.1 points to 3.9% (DBS, 4 November 2026).

The engine and component segment is the clearest sign. It made S$4.5 million of operating profit in the half, against a S$6.7 million loss a year earlier, on DBSâ??s figures. DBS says the turn came â??earlier than expectedâ?•. The airframe and line maintenance margin also improved, to 4.7% from 3.9%.

Why headline profit fell anyway

Net profit slipped 1.7% to S$81.9 million. The reason is below the operating line. Income from associates and joint ventures fell 10.7% to S$63.7 million, which the company puts down to â??higher costs incurred for capacity and capability expansion at an engine joint ventureâ?•.

That joint venture is SAESL. Phillip Securities Research says joint venture income â??collapsed 94% to S$1mnâ?• on its expansion costs, which include staff, consultancy and interest on expansion debt. Associates went the other way, with income up 19% to S$62.6 million, led by Eagle Services Asia (Phillip Securities Research, 5 November 2026).

UOB Kay Hian estimates that without the SAESL gestation costs, earnings â??would have risen by close to 20% yoyâ?• (UOB Kay Hian, 5 November 2026). That is the brokerâ??s estimate, not a company figure, but it frames the debate.

The important part is that the drag has an end date. The company says the costs â??are expected to start tapering off from FY2027-28, with the facility development work projected to be completed by the end of that financial yearâ?•.

default watermark

The growth pipeline

SIA Engineering has been building for the next leg. Its Base Maintenance Malaysia hangar opened in May 2026 and completed its first A350 check, for Air India, in July. Phillip says that first hangar â??is now at full capacityâ?•, and management does not expect gestation costs to rise when a second hangar arrives by the end of the year.

It completed a 30% stake in Arport AME in Fujian in August, which will provide line and base maintenance at Xiamen Xiangâ??an International Airport, due to open in December 2026. A June joint venture agreement with Safran Aircraft Engines will set up a full CFM LEAP engine MRO shop in Singapore. Safran Landing Systems Services Singapore has added 40% capacity at Loyang, with the new site expected to be â??fully operational by December 2026â?•. There is also a non-binding memorandum of understanding with Air India on a possible MRO joint venture in India.

Demand looks supportive. The company points to Asia-Pacific air travel growth and â??the deferred retirement of legacy aircraft amid delays in new aircraft deliveriesâ?•. DBS notes that aircraft retirements so far in 2026 are broadly flat on last year despite more deliveries, which keeps older, maintenance-hungry jets flying.

FY2025/26 gives a solid base. Net profit rose 21% to S$168.9 million, which the company called the â??highest since the COVID-19 pandemicâ?•, and the total dividend rose to 11.0 cents from 9.0 cents (SIA Engineering FY2025/26 results, 11 May 2026).

The case against

This is a flat earnings year. DBS says the half came in â??slightly below expectationsâ?•, at 46% of its full-year forecast and 47% of consensus. Phillip trimmed its FY2027 profit forecast by 3.3%. CGS

International expects flat core earnings per share this year, with a 14% recovery only in FY2028, according to a published summary of its 4 November report.

Revenue is shrinking. It fell 9.7% to S$658.6 million in the half and 10.7% in the second quarter, mainly on lower materials revenue. Excluding materials, revenue rose only 1.6%. Heavy checks at the Singapore base fell to 37 from 44, and the fleet under its fleet management business shrank to 137 aircraft from 166.

Four of the five targets we track came down after the results, with only DBS holding its S$3.80, and CGS International cut its valuation multiple to 20 times from 25 times. Buy ratings have not stopped a steady slide in the shares, including a fall of about 7% between 12 and 15 October, before the results. We found no company-specific news that explains that drop.

Costs are a pressure point. The company flags the â??ongoing Middle East conflict which has driven up energy and freight costsâ?• and â??continued supply chain bottlenecks for selected aircraft partsâ?•. DBS notes that airlines are â??exercising greater capacity discipline amid persistently high jet fuel pricesâ?•. Staff costs rose to 51.0% of revenue in the half from 44.9% a year earlier, on DBSâ??s figures.

default watermark

The stock is not a bargain in absolute terms either. At about 19 times trailing earnings and 1.8 times book, it is priced for the FY2028 recovery to arrive. If the SAESL costs do not taper on schedule, the valuation argument weakens quickly.

The numbers behind the call

These measures use Wednesdayâ??s close of S$2.84. The calculations are ours unless stated.

Measure	Value	Basis
Price to earnings, trailing 12 months	about 19.0 times	14.96 cents of basic EPS over the 12 months to 30 September 2026
Price to book	about 1.8 times	NAV of 154.4 cents a share at 30 September 2026
Dividend yield	about 3.9%	FY2025/26 dividends of 11.0 cents (2.5-cent interim plus 8.5-cent final)
Cash and bank balances	S$494.4 million	At 30 September 2026, about 16% of market value. This is gross cash; borrowings were not given in the results release
Market value	about S$3.2 billion	About 1,119 million shares

The brokersâ?? own valuation multiples show where the upside comes from. UOB Kay Hianâ??s S$3.60 target uses 21.3 times FY2028 earnings, â??pegged to its historical meanâ?•. CGS Internationalâ??s S$3.70 uses 20 times calendar 2028 earnings, which it describes as the mean since 2006. OCBCâ??s S$3.79 uses 24 times FY2027 earnings.

At about 19 times, SIA Engineering trades below both historical-mean multiples, but it is not at a trough. The case rests mainly on FY2028 earnings growth rather than a re-rating alone. Phillip puts the stock at 18.6 times FY2027 earnings against 23.8 times for peers, at its own reference price.

What the brokers say

Each rating carries the date of the brokerâ??s report.

Broker	Rating	Target price	Report date	Change from S$2.84
DBS Group Research	Buy	S$3.80 (unchanged)	4 November 2026	about +34%
OCBC Group Research	Buy	S$3.79, from S$3.85	4 November 2026	about +33%
Phillip Securities Research	Buy	S$3.76, from S$3.90	5 November 2026	about +32%
CGS International	Add	S$3.70, from S$3.80	4 November 2026	about +30%
UOB Kay Hian	Buy	S$3.60, from S$3.75	5 November 2026	about +27%

default watermark

The OCBC and CGS International figures are taken from published summaries of their reports. Across four analysts tracked by S&P Global, the consensus is a strong buy with an average target of S$3.72, as at 6 November 2026. We found no sell rating.

What to watch

The SAESL cost curve is the single biggest swing factor. Phillip expects â??some cost tapering by year-endâ?• and early revenue from the Seletar site.

December brings two milestones: the opening of Xiamen Xiangâ??an airport, where Arport AME will work, and the full start-up of the new Safran landing gear site at Loyang. The second Malaysian hangar is also due by the end of the year.

The FY2026/27 full-year results are the next big test. No date has been set; last yearâ??s came on 11 May. A final dividend at or above last yearâ??s 8.5 cents would support the case.

The verdict

The market is pricing SIA Engineering on a 1.7% dip in half-year profit and has pushed the shares to the bottom of their range. Underneath, the companyâ??s own operations nearly doubled their profit, a long loss-making segment is back in the black, and the drag has a named cause with a company-guided end date. The shares yield about 3.9%, trade below the historical-mean multiples brokers use, and every post-results target sits 27% to 34% above the price.

This is a recovery-timing call, not deep value. FY2027 is a flat year, revenue is falling, most targets have come down, and investors need the patience to wait for FY2028.

We would move to hold if the full-year results or management commentary push the SAESL cost taper beyond FY2027/28, or if the final dividend comes in below 8.5 cents. We would move to sell on evidence that a major airline customer has been lost, or of sustained losses at the new subsidiaries.

Research by Warren.

This is general information, not financial advice, and does not take into account your objectives or financial situation.

Date Created
12/11/2026
Author
claratan

default watermark