

Dividend Forecasting Bi-weekly Brief

28th February 2023

As airways open up and airlines recover from pandemic-induced damage, dividends are expected to flow again

KOSPI 200: Surprise resumption announced by South Korea's national carrier

Korean Airlines was one of the first few APAC airlines to make a successful turnaround from COVID-led loss. Thanks to soaring air-freight volume and price, the flag carrier of South Korea made a profit of KRW 579 bn in FY2021, a comparable level to pre-covid period. Nevertheless, last week's announcement from the company to resume the dividend came as a surprise as the merger with Asiana Airlines, which has been facing a significant delay since 2021, is still pending for international approvals. Not only that, **the announced DPS of KRW 750 was 3.5 times more than the previous payout prior to the suspension** and the company also released target payout ratio for FY2023-2025, a rare clarity offered by the management. Its parent company, Hanjin KAL, resumed dividend distribution along with Korean Airlines too. We see the resumption not only the indication of business recovery but also the management's efforts to rebuild shareholder confidence. **S&P Global MI DF sees at least 30% DPS increase in FY2023.**

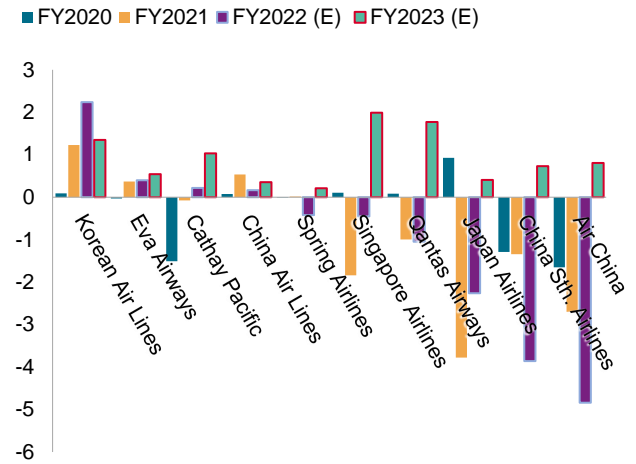
TOPIX 500: Japan's national carrier passes first post-pandemic resumption guidance

Japan Airlines (JAL) halted its regular semi-annual dividends for FY2020-2021 in light of COVID pandemic. The airline's top priority was to maintain liquidity and strengthen its financial position. However, with the projected steady recovery in air transport demand in the upcoming fiscal year, **JAL announced earlier this month its intention to resume year-end dividend for the current fiscal year, at 20 yen per share**, with an ex-dividend date of 30th March 2023. The airline has recorded a firm recovery in demand for both international and domestic passengers since October 2022, resulting in improved revenue and stable profits, and is expecting a turnaround for current fiscal year at net profit of JPY25 bn.

HSCI: High hopes for resumption by Hong Kong's flag carrier

Situation has started to improve for **Cathay Pacific Airways**, with reopening of borders to both international and Mainland Chinese visitors. Although the company highlights that the loss is likely to widen from FY2021's HKD 5.5 bn to HKD 6.4 -7 bn in FY2022, outlook seems to be positive. The airline expects the flight capacity to resume to 70% by the end of 2023 and also aims to return to pre-pandemic levels by the end of 2024. In light of this gradual recovery, **S&P Global MI DF sees the chance of the company resuming dividend along with the FY2023 interim results at HKD 0.07 per share.** Given the fluid situation, we flag the estimate with low confidence.

APAC Airlines EBIT Trend, FY2019-FY2023 (bn USD)



Source: S&P Capital IQ
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APAC Airlines DPS Trend, FY2020-2023 (local CCY)

	FY2020	FY2021	FY2022(E)	FY2023(E)
China Air Lines	0.00	0.83	1.20(M)	1.40
Eva Airways	0.00	0.59	0.66(M)	0.68
Korean Air Lines	0.00	0.00	750.00(C)	1000.00
Japan Airlines	0.00	0.00	20.00(C)	20.00
Singapore Airlines	0.00	0.00	0.20(M)	0.15
Cathay Pacific Awys	0.00	0.00	0.00	0.19
Spring Airlines	0.00	0.00	0.00	0.16
Qantas Airways	0.00	0.00	0.00	0.12
China Southern Airlines	0.00	0.00	0.00	0.02
Air China	0.00	0.00	0.00	0.01
China Eastern Airlines	0.00	0.00	0.00	0.00
InterGlobe Aviation	0.00	0.00	0.00	0.00
Ana Holdings	0.00	0.00	0.00	0.00
Asiana Airline	0.00	0.00	0.00	0.00

*(M) indicates the amount is analyst forecast, (C) indicates the amount is company announced/guided

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