

Spring Airlines (601021 CH)

International Route Rebound Continues

China | Airlines | Company Update

9 June 2025

Company Profile

Spring Airlines (hereinafter referred to as the "Company") is the leader of low-cost airlines in China, founded in 2004 and based in Shanghai. It adopts a single aircraft model (i.e., the Airbus A320 family) and only offers the economy class. The Company raises its passenger load factor (P L/F) mainly by attracting travellers through its parent company, Shanghai Spring International Travel Service Ltd. (Shanghai Spring Tour), offering charter flights through its subsidiaries, and providing special fares. Meanwhile, it enhances the aircraft utilisation rate to obtain a remarkable cost advantage by optimising the route structure, prolonging flight time, and accelerating turnover.

Investment Summary

Pre-tax Profit Remains Robust

In 2024, Spring Airlines achieved operating revenue of RMB20 billion (RMB, the same below), up 11% yoy. Net profit attributable to the parent company reached RMB2.27 billion, up 0.7% yoy, while non-recurring net profit attributable to the parent company amounted to RMB2.25 billion, up 1.1% yoy. The Company distributed a cash dividend of RMB0.82 per share, with a payout ratio of approximately 35%. In Q1 2025, the Company's operating revenue was RMB5.32 billion, up 2.9% yoy. Net profit attributable to the parent company was RMB680 million, down 16.4% yoy, while non-recurring net profit attributable to the parent company was RMB670 million, down 16.8% yoy. The decline in net profit was mainly due to the reduction of income tax expenses in the same period of previous years, as the tax shield was not utilised in 2024. However, the pre-tax profits for 2024 and Q1 2025 were RMB2.65 billion and RMB890 million, respectively, up 0.43% and 0.52% yoy, showing steady performance.

Solid Growth in Capacity and Strong International Route Performance

In 2024, the Company achieved a yoy growth of 18.8% in Revenue Passenger Kilometers (RPK), reaching 127% of 2019 levels. Domestic and international RPK grew by 9.8% and 95.4%, respectively, achieving 158% and 72.8% of 2019 levels. Available Seat Kilometers (ASK) grew by 16.1% yoy, reaching 126% of 2019 levels, with domestic and international ASK growing by 7.7% and 81.3%, respectively. The international route performance was particularly strong, with its share gradually recovering. In Q1 2025, the Company's overall, domestic, and international RPK grew by 6.2%, -2.9%, and 61.6%, respectively. ASK grew by 6.9%, -3.3%, and 66.1%, respectively. The strong growth in international routes continued, while domestic routes were impacted by the repair of Leap-1A engines.

High Load Factor Maintained, but Yield Under Pressure

In 2024, the Company's average load factor was 91.5%, up 2.1 percentage points yoy. In Q1 2025, the load factor slightly declined by 0.6 percentage points to 90.6%, mainly due to the impact of a public opinion event in Thailand. In 2024, the Company's revenue per available seat kilometer (RASK) decreased to RMB0.385, down 6.5% yoy, in line with the industry's downward trend. However, it remained above the industry average decline of 13%, and was up 6.4% compared to 2019. Domestic RASK was RMB0.373, down 6.35% yoy, while international RASK was RMB0.437, down 14.77% yoy, but grew by about 20% compared to 2019. In Q1 2025, the continued decline in industry ticket prices also led to a 3.14% yoy drop in Spring Airlines' RASK.

Accumulate (Downgrade)

CMP CNY 57.55
(Closing price as at 5 June)
TARGET CNY 65.5 (+13.8%)

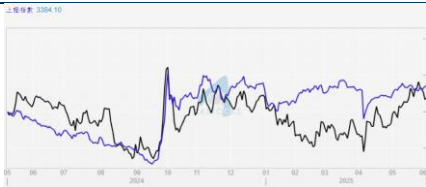
COMPANY DATA

| | |
|-----------------------|-------------|
| O/S SHARES (MN) : | 977 |
| MARKET CAP (CNY MN) : | 56303 |
| 52 - WK HI/LO (CNY): | 67.62/47.72 |

SHARE HOLDING PATTERN, %

| | |
|---|------|
| Shanghai Chunqiu International Travel Service (Group) Co., Ltd. | 51.5 |
|---|------|

PRICE VS. SHCOMP



Source: Phillip Securities (HK) Research

KEY FINANCIALS

| CNY mn | FY24 | FY25F | FY26F | FY27F |
|----------------|-------|-------|-------|-------|
| Net Sales | 20000 | 22213 | 24526 | 27107 |
| Net Profit | 2273 | 2614 | 3119 | 3695 |
| EPS, CNY | 2.33 | 2.68 | 3.19 | 3.78 |
| P/E, x | 24.7 | 21.5 | 18.0 | 15.2 |
| BVPS, CNY | 17.79 | 19.59 | 21.77 | 24.33 |
| P/BV, x | 3.2 | 2.9 | 2.6 | 2.4 |
| DPS (CNY) | 0.82 | 0.90 | 1.00 | 1.20 |
| Div. Yield (%) | 1.4% | 1.6% | 1.7% | 2.1% |

Source: Company reports, Phillip Securities Est.

Research Analyst
ZhangJing (+ 86 021-6351 2938)
zhangjing@phillip.com.cn

In 2024, the company's aircraft utilisation per day increased to 9.30 hours, up 9.41% yoy, partially offsetting the pressure from falling ticket prices. Additionally, the company's efforts in digital cost management began to show results, with unit ASK cost decreasing by 3.3% yoy, and unit ASK cost excluding fuel dropping by 1.7%. However, in Q1 2025, engine repairs limited aircraft utilisation, causing a 2.2% yoy increase in unit ASK cost excluding fuel. Despite this, the continued decline in oil prices benefited the company, reducing unit ASK cost by 2.3% yoy.

Fleet Expansion Continues

As of the end of 2024, the company's fleet consisted of 129 aircraft, with a net addition of 8 aircraft. It is expected that the fleet will reach 134, 146, and 160 aircraft in 2025, 2026, and 2027, respectively, with net additions of 5, 12, and 14 aircraft. In Q1 2025, the company's market share of capacity at Shanghai Pudong International Airport and Shanghai Hongqiao International Airport increased from 8.06% and 9.46% in the same period last year to 8.21% and 9.63%, respectively. We expect that the fleet expansion, continued recovery of international routes, higher aircraft utilisation, and cost improvements will contribute to sustained performance growth.

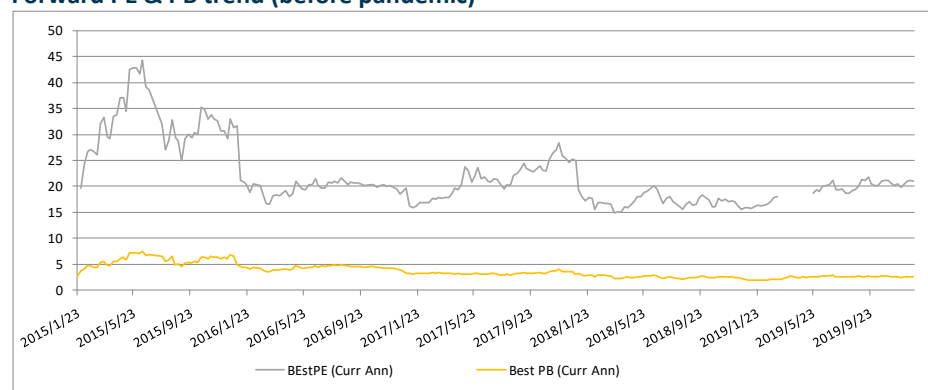
In the long term, the low-cost airline business model is expected to continue penetrating the mass-market aviation travel sector. The company has a significant competitive advantage in both leisure and low-cost business travel segments. The company's growth momentum remains strong. However, due to factors such as ticket price declines and US-China tariffs, we are adjusting the company's EPS forecast.

Investment Thesis

Looking ahead, through the business model of low-cost aviation, the Company is expected to keep developing the mass aviation market and boasts its prominent competitiveness in sightseeing and low-cost business trips. There is still adequate momentum for future growth.

We revised the estimate for EPS for 2025/2026/2027 to be 2.68/3.19/3.78 yuan, respectively. We revised the Company's target price to RMB 65.5, respectively 24.5/20.5/17.3 x P/E, for 2025/2026/2027, a "Accumulate" rating. (Closing price as at 5 June)

Forward PE & PB trend (before pandemic)



Source: Bloomberg, Phillip Securities Hong Kong Research

Risk

- Business cycle risk
- Risk of jet fuel price fluctuation
- Public health outbreak risk
- Exchange rate fluctuation risk

Financials

| FYE DEC | FY23 | FY24 | FY25F | FY26F | FY27F |
|----------------------------------|---------|-------|-------|-------|-------|
| Valuation Ratios | | | | | |
| P/E (X), adj. | 24.9 | 24.7 | 21.5 | 18.0 | 15.2 |
| P/B (X) | 3.6 | 3.2 | 2.9 | 2.6 | 2.4 |
| Dividend Yield (%) | 1.2% | 1.4% | 1.6% | 1.7% | 2.1% |
| Per share data (RMB) | | | | | |
| EPS, (Basic) | 2.31 | 2.33 | 2.68 | 3.19 | 3.78 |
| EPS, (Diluted) | 2.31 | 2.33 | 2.68 | 3.19 | 3.78 |
| DPS | 0.70 | 0.82 | 0.90 | 1.00 | 1.20 |
| BVPS | 16.10 | 17.79 | 19.59 | 21.77 | 24.33 |
| Growth & Margins (%) | | | | | |
| Growth | | | | | |
| Revenue | 114.3% | 11.5% | 11.1% | 10.4% | 10.5% |
| EBIT | -203.0% | 1.3% | 25.5% | 15.6% | 17.0% |
| Net Income, adj. | -167.1% | 0.7% | 15.0% | 19.3% | 18.5% |
| Margins | | | | | |
| Gross margin | 13.5% | 12.9% | 15.0% | 15.3% | 16.0% |
| EBIT margin | 16.0% | 14.6% | 16.5% | 17.3% | 18.3% |
| Net Profit Margin | 12.6% | 11.4% | 11.8% | 12.7% | 13.6% |
| Key Ratios | | | | | |
| ROE | 15.4% | 13.7% | 14.3% | 15.4% | 16.4% |
| Income Statement (RMB mn) | | | | | |
| Revenue | 17938 | 20000 | 22213 | 24526 | 27107 |
| Gross profit | 2419 | 2588 | 3334 | 3752 | 4340 |
| EBIT | 2878 | 2916 | 3660 | 4231 | 4953 |
| Profit before tax | 2642 | 2653 | 3309 | 3948 | 4678 |
| Tax | 385 | 381 | 695 | 829 | 982 |
| Profit for the period | 2257 | 2273 | 2614 | 3119 | 3695 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Total capital share | 977 | 977 | 977 | 977 | 977 |
| Net profit | 2257 | 2273 | 2614 | 3119 | 3695 |

Source: PSR

(Closing price as at 5 June)

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

| Total Return | Recommendation | Rating | Remarks |
|--------------|----------------|--------|---|
| >+20% | Buy | 1 | >20% upside from the current price |
| +5% to +20% | Accumulate | 2 | +5% to +20% upside from the current price |
| -5% to +5% | Neutral | 3 | Trade within $\pm 5\%$ from the current price |
| -5% to -20% | Reduce | 4 | -5% to -20% downside from the current price |
| <-20% | Sell | 5 | >20% downside from the current price |

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

GENERAL DISCLAIMER

This publication is prepared by Phillip Securities (Hong Kong) Ltd ("Phillip Securities"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication shall not be reproduced in whole or in part, distributed or published by you for any purpose. Phillip Securities shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Securities has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this publication are based on such information and are expressions of belief only. Phillip Securities has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a financial adviser regarding the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This publication should not be relied upon as authoritative without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research should take into account existing public information, including any registered prospectus in respect of such security.

Disclosure of Interest

Analyst Disclosure: Neither the analyst(s) preparing this report nor his associate has any financial interest in or serves as an officer of the listed corporation covered in this report.

Firm's Disclosure: Phillip Securities does not have any investment banking relationship with the listed corporation covered in this report nor any financial interest of 1% or more of the market capitalization in the listed corporation. In addition, no executive staff of Phillip Securities serves as an officer of the listed corporation.

Availability

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Information contained herein is based on sources that Phillip Securities (Hong Kong) Limited ("PSHK") believed to be accurate. PSHK does not bear responsibility for any loss occasioned by reliance placed upon the contents hereof. PSHK (or its affiliates or employees) may have positions in relevant investment products. For details of different product's risks, please visit the Risk Disclosures Statement on <http://www.phillip.com.hk>.

© 2025 Phillip Securities (Hong Kong) Limited

Contact Information (Regional Member Companies)
SINGAPORE
Phillip Securities Pte Ltd

250 North Bridge Road, #06-00 Raffles City Tower,
Singapore 179101

Tel : (65) 6533 6001 Fax: (65) 6535 3834

www.phillip.com.sg

INDONESIA
PT Phillip Securities Indonesia

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,
Jakarta 10220, Indonesia

Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809

www.phillip.co.id

THAILAND
Phillip Securities (Thailand) Public Co. Ltd.

15th Floor, Vorawat Building, 849 Silom Road,
Silom, Bangrak, Bangkok 10500 Thailand

Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921

www.phillip.co.th

UNITED STATES
Phillip Futures Inc.

141 W Jackson Blvd Ste 3050

The Chicago Board of Trade Building

Chicago, IL 60604 USA

Tel (1) 312 356 9000 Fax: (1) 312 356 9005

MALAYSIA
Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3, Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur

Tel (60) 3 2162 8841 Fax (60) 3 2166 5099

www.poems.com.my

CHINA
Phillip Financial Advisory (Shanghai) Co. Ltd.

No 436 Heng Feng Road, Green Tech Tower Unit 604
Shanghai 200 070

Tel (86) 21 6351 2938 Fax: (86) 21 6091 1155

www.phillip.com.cn

FRANCE
King & Shaxson Capital Ltd.

3rd Floor, 35 Rue de la Bienfaisance
75008 Paris France

Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017

www.kingandshaxson.com

AUSTRALIA
PhillipCapital Australia

Level 10, 330 Collins Street

Melbourne VIC 3000

Tel (+61) 3 8633 9803 Fax (+61) 3 8633 9899

www.phillipcapital.com.au

HONG KONG
Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway Hong Kong

Tel (852) 2277 6600 Fax: (852) 2868 5307

www.phillip.com.hk

JAPAN
Phillip Securities Japan, Ltd

4-2 Nihonbashi Kabutocho, Chuo-ku
Tokyo 103-0026

Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141

www.phillip.co.jp

INDIA
PhillipCapital (India) Private Limited

No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg,
Lower Parel West, Mumbai 400013

Tel: (9122) 2300 2999 Fax: (9122) 6667 9955

www.phillipcapital.in

UNITED KINGDOM
King & Shaxson Ltd.

6th Floor, Candlewick House, 120 Cannon Street
London, EC4N 6AS

Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835

www.kingandshaxson.com

SRI LANKA
Asha Phillip Securities Limited

Level 4, Millennium House, 46/58 Navam Mawatha,
Colombo 2, Sri Lanka

Tel: (94) 11 2429 100 Fax: (94) 11 2429 199

www.ashaphillip.net/home.htm