



# SATS LTD

## Minimal FY25e financial impact from De Minimis removal

### SINGAPORE | TRANSPORT SERVICE | 3Q25 UPDATE

24 February 2025

- 3Q25/9M25 revenue surged by 12.5%/14%YoY to S\$1.5/ 4.3bn which was in line with our estimates at 26%/77% of our FY25e forecast. The strong growth was underpinned by air cargo volume improving by 16.6%YoY, meals served rising 24% YoY in 9M25.
- PATMI proliferated by more than 7.6/1.2 times to S\$205.1/38.9mn in 9M25/3Q25, which met our forecast and reached 75%/14% of FY25e forecast. SATS set an additional bonus provision in 3Q25 on the back of the exceptional result, which resulted in higher operating expenses. Otherwise, the normalised EBIT margin would have been 9.2% (3Q25: 6.2%).
- We maintain our FY25e financial estimates as we believe the impact of U.S. tariffs on SATS' bottom line will be minimal, given that only two financial month will be affected by the new tariff, and customers may take longer to adjust their inventory plans. However, we lower our FY26e PATMI forecast by 9%, as the U.S. cargo handling segment accounts for c.25% of SATS' total revenue. Even though the prohibition on De Minimis entry for Chinese goods was suspended, it remains a downside risk for SATS as customers are shifting supply chain out of China. We expect potential disruptions in cargo volume and have factored in a worst-case scenario of a 20% decline due to the 10% price increase following the removal of the De Minimis tax rule. We reiterate our BUY recommendation with a lower DCF-TP of S\$4.34 (prev: S\$4.62).

### BUY (Maintained)

LAST CLOSE PRICE	SGD 3.29
FORECAST DIV	SGD 0.06
TARGET PRICE	SGD 4.34
<b>TOTAL RETURN</b>	<b>33.7%</b>

#### COMPANY DATA

BLOOMBERG CODE:	SATS SP
O/S SHARES (MN):	1,487
MARKET CAP (USD mn / SGD mn):	3728 / 5012
52 - WK HI/LO (SGD):	4.08 / 2.4
3M Average Daily T/O (mn):	3.75

#### MAJOR SHAREHOLDERS (%)

TEMASEK HOLDINGS	39.7%
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#### TOTAL RETURN (%)

	1MTH	3MTH	1YR
COMPANY	(8.9)	(14.0)	19.8
STTF RETURN	2.7	4.8	27.9

#### PRICE VS. STTF



Source: Bloomberg, PSR

#### Result at a glance

(\$ mn)	9M25	9M24	YoY (%)	3Q25	3Q4	YoY (%)	Comments
Revenue	4,344.4	3,811.9	12.5%	1,523.3	1,354.1	12.5%	Higher business volume and rate
EBITDA	778.7	560.2	39.0%	263.9	212.4	24.2%	
Operating profit	367.4	155.4	136.4%	127.3	83.4	52.6%	Revenue growth outpaced cost
SoAJV	92.9	79.0	17.6%	27.6	34.6	-20.2%	Adjustment relating to purchase price
PATMI	205.1	23.7	765.4%	70.4	31.5	123.5%	Higher volumes of business handled

Source: Company, PSR

#### The Positives

**+ Cargo demand continues to shine.** Gateway services revenue grew by 11% YoY to S\$3.3bn, primarily driven by a 14.9% increase in air cargo tonnage. Inventory front-loading in 3Q25 was more pronounced as Trump's tariff policy was well anticipated by the market. SATS noted that 4Q is typically seasonally weaker due to factory closures in China for the Chinese New Year celebrations.

**+ Finance costs may continue to trend down.** SATS is currently in a net liability position and intends to use cash to repay its S\$200mn loan maturing in March 25 and S\$100mn loan maturing in April 25, given its cash holdings of S\$659mn. The group is also targeting an interest rate savings of c.50–100 basis points after refinancing its term loan maturing in Nov25.

#### The Negative

**- Remove the De Minimis policy to weigh on cargo demand.** Specific Asian customers are considering potential contract cancellations, though none have materialized yet. SATS has observed increased cargo shipments to the Middle East, particularly Saudi Arabia. At the same time, Europe may also experience a rise in volume as U.S. air cargo demand declines in the coming quarter. SATS is actively collaborating with customers to establish additional stations outside the U.S. to adapt to these emerging shifts. Given that the U.S. cargo handling business contributes c.25% of SATS' group revenue, we are factoring in a 20% reduction in cargo demand for FY26e. This estimate considers the price elasticity of demand for e-commerce, which typically ranges from 1.5 to 3, implying that a 10% price increase due to removing the De Minimis rule could result in a 15–30% volume decline.

#### KEY FINANCIALS

Y/E Mar (\$, 'mn)	FY23	FY24	FY25e	FY26e
Revenue	1,758	5,150	5,572	5,891
Gross Profit	77	128	781	1,070
EBIT	(43)	(48)	244	497
Net income	(27)	56	271	293
EPS	-	5.3	18.1	19.4
P/E (x)	-	69.0	20.1	18.7
ROE (%)	-1.0%	2.1%	9.5%	10.2%

Source: Company, PSR

#### VALUATION METHOD

Discounted cash flow

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## Outlook

Even though the prohibition on De Minimis entry for Chinese goods was suspended, it remains a downside risk for SATS since customers are shifting the supply chain out of China. The exemption of the De Minimis rule is expected to reshape global shipping patterns. For instance, Temu has begun stocking inventory in the U.S., signalling a broader shift among e-commerce businesses toward ocean freight over air freight. We anticipate a noticeable impact on SATS' cargo volume momentum, given that most of its routes are between Asia and the U.S. However, SATS proactively implements mitigation strategies, including consolidating customer unit costs and exploring alternative routes to bypass tariffs. In the near term, consumers and wholesalers may face challenges in sourcing cost-effective alternatives to Chinese imports. Despite the 10% tariff, Chinese goods are expected to remain price-competitive.

### **Maintain BUY with a lower TP of S\$4.34 (prev: S\$4.62)**

We maintain our FY25e estimates, as the impact of U.S. tariffs on SATS' bottom line is expected to be minimal, with only two financial month affected and customers likely requiring more time to adjust their inventory plans. However, we lower our FY26e PATMI forecast by 9%, given that the U.S. cargo handling segment contributes approximately 25% of SATS' total revenue. We reiterate our BUY recommendation with a lower DCF-TP of S\$4.34 (prev: S\$4.62).

## Financials

### Income Statement

Y/E Mar, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
Revenue	1,177	1,758	5,150	5,573	5,948
Opex	1,100	1,631	4,369	4,502	4,899
EBITDA	77	128	781	1,071	1,048
EBIT	(43)	(48)	244	498	541
Interest exp	(17)	(19)	(258)	(196)	(175)
JV	17	45	110	140	140
Other income	12	(33)	(1)	(23)	(23)
Profit before tax	(27)	(44)	116	444	507
Net Profit	20	(27)	56	272	320
Adjusted net profit	(23)	(51)	79	272	320

### Per share data (\$\$ cents)

Y/E Mar	FY22	FY23	FY24	FY25e	FY26e
BVPS	1.5	2.1	1.7	1.8	2.0
DPS	-	-	1.5	8.2	10.7
EPS	(1.9)	(4.3)	5.3	18.1	21.3

### Cash Flow

Y/E Mar, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
<b>CFO</b>					
Net income	(23)	(51)	79	272	320
WC changes	50	(14)	198	(281)	(170)
Other items	(155)	(1,765)	955	-	-
Cash generated from ops	70	(1,705)	1,771	591	689
<b>CFI</b>					
CAPEX, net	(78)	(119)	(186)	(300)	(325)
Associates	124	10	(340)	-	-
Cashflow from investments	31	(1,832)	68	(300)	(325)
<b>CFF</b>					
Change in short term debt	(16)	(89)	1,301	(66)	(66)
Change in long term debt	(19)	730	1,313	(134)	(134)
Interest paid	-	-	(22)	(122)	(160)
Cashflow from financing	(36)	1,426	2,600	(322)	(360)
Net change in cash	66	(2,110)	4,439	(31)	4
Cash at the start of the period	880	786	374	659	628
Ending cash	945	(1,324)	4,813	628	632

\*nm - not meaningful

### Balance Sheet

Y/E Mar, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
<b>ASSETS</b>					
PPE & Investment Properties	590	579	796	881	1,056
Intangibles	553	527	3,511	3,154	2,796
Investments in associates & JV	454	444	784	784	784
Other Long Term Assets	385	386	1,439	1,439	1,439
Total non-current assets	1,996	1,951	6,530	6,258	6,075
Cash and cash equivalents	786	374	659	628	632
Inventories	83	69	73	155	247
Trade and other receivables	388	481	1,138	1,527	1,792
Others	39	1,799	79	79	79
Total current assets	1,296	2,723	1,950	2,390	2,751
Total Assets	3,292	4,674	8,480	8,647	8,827
<b>LIABILITIES</b>					
Trade and other payables	458	522	1,382	1,572	1,760
ST borrowings	143	54	1,355	1,289	1,223
Others	30	30	53	53	53
Total current liabilities	631	606	2,791	2,915	3,036
LT borrowings	695	1,424	2,737	2,603	2,469
Others	133	128	393	393	393
Total non-current liabilities	828	1,553	3,130	2,996	2,862
Total liabilities	1,459	2,159	5,921	5,910	5,898
<b>EQUITY</b>					
Share Capital	368	1,154	1,162	1,162	1,162
Reserves	1,235	1,180	1,213	1,363	1,523
Minority interest	231	181	185	212	244
Total equity	1,834	2,515	2,560	2,737	2,929
Total equity and liabilities	3,292	4,674	8,480	8,647	8,827

### Valuation Ratios

Y/E Mar	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	-	-	73.1	21.2	18.1
P/B (x)	248.9	182.6	223.7	210.4	197.3
EV/EBITDA (x)	90.0	54.3	8.9	6.5	6.6
Dividend yield (%)	0.0%	0.0%	0.4%	2.1%	2.8%

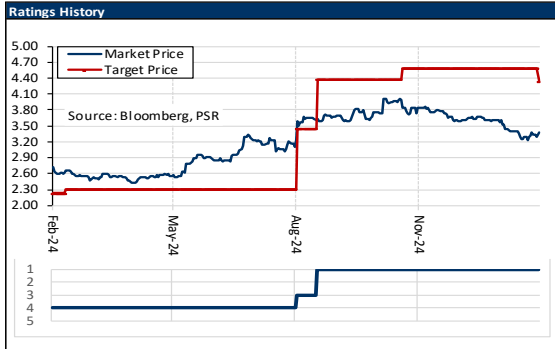
### Growth & Margins (%)

<b>Growth</b>					
Revenue		49.4%	192.9%	8.2%	6.7%
EBITDA		65.8%	510.8%	37.1%	-2.1%
EBIT		-12.7%	608.7%	104.0%	8.6%
PBT		-229.9%	-312.8%	382.0%	17.8%
<b>Margins</b>					
Gross profit margin	93.4%	92.7%	84.8%	80.8%	82.4%
EBIT margin	-2.4%	-0.9%	4.4%	8.4%	8.6%
Net profit margin	1.7%	-1.5%	1.1%	4.9%	5.4%

### Key Ratios

ROE	0.9%	-1.0%	2.1%	9.6%	11.3%
ROA	0.5%	-0.4%	0.7%	3.1%	3.7%
Net Gearing (%)	25.5%	31.6%	48.3%	45.0%	41.8%

Source: Company, Phillip Securities Research (Singapore) Estimates



**PSR Rating System**

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

**Remarks**  
 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

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