



SATS LTD

Focus on refinancing debt and managing costs

SINGAPORE | TRANSPORT SERVICES | 3Q24 UPDATE

4 March 2024

- SATS reported 3Q24 net profit of S\$31.5mn, which included S\$3.1mn profit from WFS. The 9M24 net profit of S\$23.7mn is in line with our FY24e estimates of S\$66mn, before an estimated S\$30mn amortization of intangible assets. The amount will be finalized in March 2024.
- SATS group operations (excluding WFS) have nearly returned to pre-pandemic volume – flights handled was 86%, meals served, cargo handled and ground handling were 94% to 99% as of Dec 2023. Looking ahead, growth will be led by overseas operations in China, India and Indonesia, and lower interest costs through refinancing of debt. Net debt was flat QoQ at S\$2.2bn, and net gearing was 0.9x.
- Maintain our FY24e earnings forecast and REDUCE call.** We raised our DCF-derived TP to S\$2.31 (prev. S\$2.23), as we roll over to the next financial year.

REDUCE (Maintained)

LAST CLOSE PRICE	SGD 2.660
FORECAST DIV	SGD 0.01
TARGET PRICE	SGD 2.31
TOTAL RETURN	-12.9%

COMPANY DATA

BLOOMBERG CODE:	SATS SP
O/S SHARES (MN):	1,491
MARKET CAP (USD mn / SGD mn):	2950 / 3965
52 - WK HI/LO (SGD):	2.95 / 2.37
3M Average Daily T/O (mn):	4.18

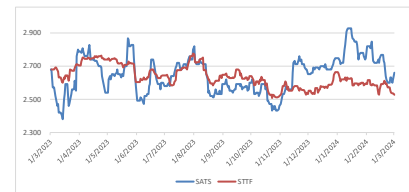
MAJOR SHAREHOLDER (%)

Temasek	39.7%
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PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(5.7)	0.4	(0.7)
STTF RETURN	(0.1)	1.5	0.7

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar (S\$ 'mn)	FY22	FY23	FY24e	FY25e
Revenue	1,177	1,758	4,951	5,048
EBITDA	77	128	741	785
EBIT	(43)	(48)	182	186
NPAT	20	(27)	36	134
P/NAV (x)	1.9	1.7	1.7	1.6
P/E (x)	146.3	(149.3)	110.1	29.7
ROE (%)	1.3	(1.3)	1.5	5.4

Source: Company, PSR

VALUATION METHOD

DCF (WACC 11.3%, terminal growth 2%)

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Highlights

Y/E 31 Mar (in S\$mn)	3Q23	2Q24	3Q24	Comments
Revenue	476	1,282	1,365	WFS was added in April 2023. Flight volume and cargo tonnage grew 1% YoY and 0.9% respectively
- SATS	476	551	586	Aviation volume at near pre-pandemic level
- WFS		731	779	3Q is also a strong quarter for cargo
Operating profit	(1)	66	86	Operating leverage from higher volume
Associates	10	23	35	India, HK and Frankfurt the biggest gainers
EBIT	(3)	89	120	EBIT margin of 8.8%
Net profit	1	22	32	Net profit split: SATS S\$28mn, WFS S\$3mn

Source: Company data, PSR. Only limited financial information was provided in the 3Q24 update.

The Positives

- SATS continued to improve on net profit by 45%, QoQ**, due to continued recovery in air travel demand and 3Q being a seasonally strong quarter for aviation and cargo. Associates' contributions improved, led mainly by India, Hong Kong, and Frankfurt.

The Negatives

- 3Q24 EBIT margin of 8.8% is still below the mid-teens level during pre-pandemic.** The aviation industry has pressures from manpower crunch. With the inclusion of WFS, staff costs have risen by 241% YoY in 9M24 and now account for 60% of total expenditure (9M23: 49%).
- Net debt is flat QoQ at S\$2.2bn as at Dec 23.** Of these, about €580mn (S\$847mn) matures in May 2024 and needs to be refinanced.
- 3Q24 annualised ROE at 5.4%.** This is dragged down mainly by WFS, contributed only S\$3.1mn to 3Q24 net profit.

Outlook

Revenue growth is expected to slow down as aviation demand is peaking. Net profit growth would be driven by higher associates' gains and lower interest expense with debt refinancing at lower rates. Maintain REDUCE, but raised DCF-derived TP to S\$2.31 (prev. S\$2.23), as we roll over to another year.

Financials

Income Statement

Y/E Mar, (\$'mn)	FY21	FY22	FY23	FY24e	FY25e
Revenue	970	1,177	1,758	4,951	5,048
Staff costs	382	551	892	2,800	2,828
Cost of raw materials	270	311	336	484	499
Others	328	358	578	1,486	1,535
EBIT	(10)	(43)	(48)	182	186
Net finance expenses	(16)	(14)	(9)	(206)	(143)
Share of results of associates	(48)	17	45	100	115
Others	(72)	12	(33)	5	5
Profit before tax	(146)	(27)	(44)	82	163
Taxation	36	31	5	(14)	(28)
Net profit	(109)	4	(39)	68	136
Integration costs				(30)	
Minority interests	30	16	12	(2)	(2)
Profit attributable to owners	(79)	20	(27)	36	134

Per share data (\$ cents)

Y/E Mar	FY21	FY22	FY23	FY24e	FY25e
BVPS	137.7	142.8	156.9	158.8	165.0
DPS	-	-	-	0.7	2.7
EPS	1.8	(2.2)	2.4	9.0	8.7

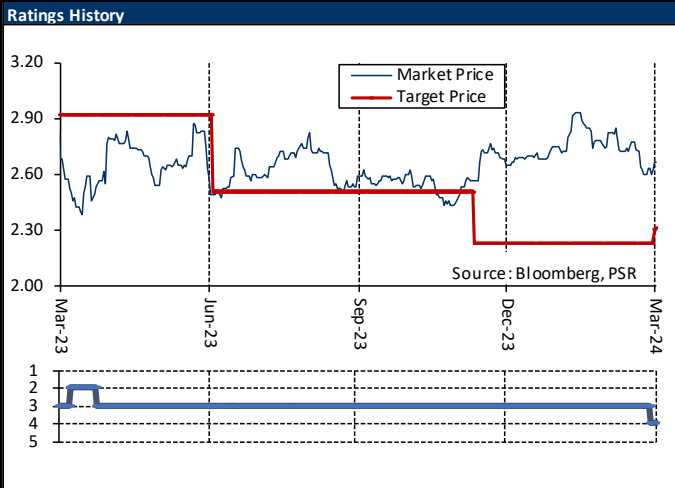
Cash Flow

Y/E Mar, (\$'mn)	FY21	FY22	FY23	FY24e	FY25e
CFO					
Pretax profit	(146)	(27)	(44)	82	163
Adjustments	298	124	138	665	626
WC changes	7	(0)	8	(17)	(9)
Cash generated from ops	159	96	102	729	781
Others	(10)	(4)	11	(184)	(117)
Cashflow from ops	149	92	113	545	664
CFI					
CAPEX, net	(62)	(78)	(119)	(1,600)	-
Others	2	79	(1,746)	(295)	-
Cashflow from investments	(60)	1	(1,865)	(1,895)	-
CFF					
Dividends paid to owners	(3)	(2)	(36)	(11)	(40)
Proceeds from borrowings, n	245	(187)	586	1,349	200
Others	(2)	-	790	9	-
Cashflow from financing	240	(189)	1,340	1,347	160
Net change in cash	329	(96)	(412)	(3)	824
Cash at the start of the period	549	880	786	374	371
Currency translation	2	2	1	-	-
Others					
Ending cash	880	786	374	371	1,195

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Mar, (\$'mn)	FY21	FY22	FY23	FY24e	FY25e
ASSETS					
PPE & Investment Properties	708	902	900	1,941	1,343
Others	1,061	1,094	1,051	3,150	3,225
Total non-current assets	1,769	1,996	1,951	5,091	4,568
Cash and cash equivalents	880	786	374	371	1,195
Inventories	130	83	69	92	93
Trade and other receivables	292	388	481	1,221	1,245
Others	21	39	1,799	25	25
Total current assets	1,323	1,296	2,723	1,709	2,558
Total Assets	3,092	3,292	4,674	6,800	7,126
LIABILITIES					
Trade and other payables	359	458	522	1,269	1,285
ST borrowings	143	102	13	13	13
Others	64	71	71	67	80
Total current liabilities	565	631	606	1,348	1,378
LT borrowings	535	409	1,134	2,483	2,683
Others	293	419	419	419	419
Total non-current liabilities	828	828	1,553	2,902	3,102
Total liabilities	1,393	1,459	2,159	4,250	4,480
EQUITY					
Share Capital	368	368	1,154	1,162	1,162
Retained profits	1,349	1,369	1,343	1,368	1,461
Others	(18)	97	19	21	23
Total equity	1,699	1,834	2,515	2,551	2,646
Total equity and liabilities	3,092	3,292	4,674	6,800	7,126
Valuation Ratios					
Y/E Mar	FY21	FY22	FY23	FY24e	FY25e
P/E (x)	-37.9	146.3	-149.3	110.1	29.7
P/B (x)	1.9	1.9	1.7	1.7	1.6
EV/EBITDA (x)	23.2	35.1	37.0	8.2	7.0
Dividend yield (%)	0.0	0.0	0.0	0.3	1.0
Growth & Margins (%)					
Growth					
Revenue	-50.0%	21.3%	49.4%	181.6%	1.9%
Operating	-104.5%	321.8%	12.7%	n.m.	2.2%
EBIT	-157.7%	-90.1%	-80.9%	n.m.	6.8%
PBT	-168.0%	-81.4%	61.6%	n.m.	100.4%
Margins					
Operating margin	-1.0%	-3.6%	-2.7%	3.7%	3.7%
EBIT margin	-14.1%	-1.2%	-0.1%	5.7%	6.0%
Net profit margin	-8.1%	1.7%	-1.5%	0.7%	2.6%
Key Ratios					
ROE	-5.0%	1.3%	-1.3%	1.5%	5.4%
ROA	-2.6%	0.6%	-0.7%	0.6%	1.9%
Net Gearing	0.0%	0.0%	33.1%	89.7%	61.0%



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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