

### Analysts

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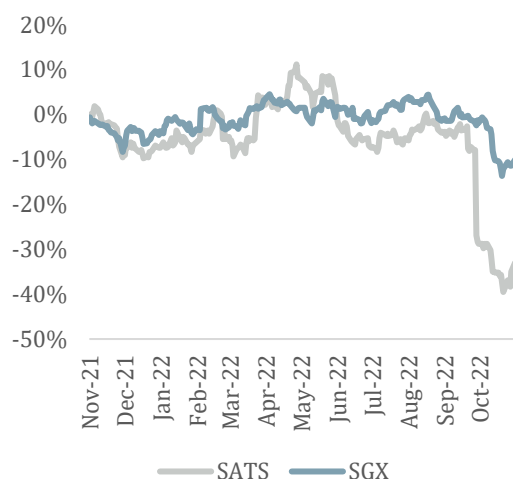
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### Basic Information

Last Closed Price:	\$2.67
12M Target Price:	\$3.29
+/- Potential:	23.2%
Bloomberg Ticker:	SATS:SP
GICS Sector:	Industrials
GICS Sub-Industry:	Airport Services

### 1Y Performance against SGX



### Key Financials

Market Cap	\$2.98b
Basic Shares O/S	1.12b
Free Float	59.5%
52-Wk High-Low	\$2.49 – \$4.70
Analyst Estimates	\$3.08 – \$5.00
Fiscal Year End	31 <sup>st</sup> March 2022

	FY20A	FY21A	FY22E	FY23E
Revenue	970	1,177	1,599	2,036
Gr Rate	NA	21.3%	35.9%	27.3%
EBITDA	120	77	105	255
Margin	12.4%	6.5%	6.5%	12.5%
NI	(79)	20	28	139
Margin	(8.1)%	1.7%	1.8%	6.8%
ROE	(5.1)%	1.3%	1.7%	7.7%
ROA	(2.6)%	0.6%	0.8%	3.7%
D/E	39.7%	26.9%	25.1%	7.6%

### Key Executives

President and CEO	Kerry Mok
CFO	Manfred Seah
CSO	Veronique Cremades-Mathis
CEO, Food Solutions	Stanley Goh
CEO, Gateway	Bob Chi
CEO, SATS China	Donny Cheah

### Executive Summary

We are initiating coverage of SATS Limited, (“SATS” or “Company”) with a BUY rating and a \$3.29 price 12M price target.

### FY21/22 Earnings Highlights:

- SATS’s total revenue grew by 21.3% YoY to S\$1,176.8m in FY21/22. This can be attributed to the increase in passenger travel at Changi Airport as the government removed Covid-19 restrictions releasing the pent-up demand for travel from the pandemic.
- EBITDA increased by 30.3% YoY to S\$94.2m in FY21/22. This growth in EBITDA is expected to continue into FY22/23 with the improvement in air travel from the post-pandemic boom.
- Management raised liquidity from the market to strengthen the balance sheet, keeping cash reserves strong at S\$786.0m.
- Free cash flow fell to negative S\$15.6m in FY21/22 from S\$56.2m the year before. This is due to CAPEX investments in growth initiatives and a reduction in government-funded Covid-19 reliefs.

### Investment Thesis

- The strategic acquisition of WFS has multiple synergistic benefits for SATS.** Benefits include a more diversified geographic and business portfolio along with immediate earnings accretion.
- SATS faces some near-term cost pressures, but we believe these fears have already been priced into the market.** Meanwhile, the possibility of operating costs moderating downward is large, thereby giving room for SATS’s margins to return to pre-COVID levels.
- The pandemic has allowed SATS to strategically restructure its business mix.** We believe non-aviation is a business with healthy margins and can help SATS return to its strong historical margins while fortifying its business against shocks.

### Catalysts

- More favourable financing structure for the WFS deal announced by SATS:** Given SATS’s strong cash balance over the past 2 years, SATS will be able to finance the deal with more favourable sources like cash.
- Year-end holiday surge in air travel.** We foresee the surge to be greater than expected this year as the pent-up demand for holiday travel boosts passenger volumes.
- Cost peak due to revenue surge and moderation of operating costs.** As revenue rises and costs fall, operating costs as a percentage of revenue are likely to moderate downwards to more historical levels of 45%-55%.

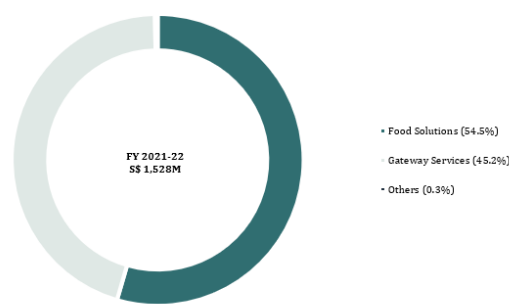
### Valuation

Our target price of US\$3.29 is derived from a 10-year **discounted cash flow** with the terminal value calculated using the Gordon growth method. We have further employed a **sum of the parts** valuation of trading comparable using forward EV/Revenue, EV/EBITDA and P/E ratios.

### Investment Risks:

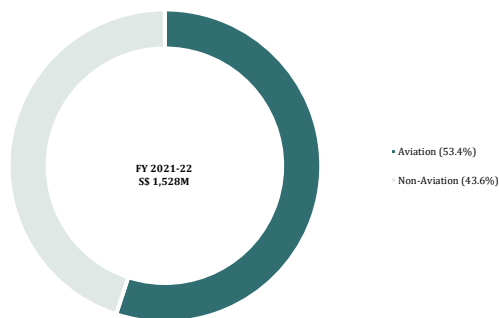
- Looming recession will dampen demand in the consumer discretionary market affecting SATS cargo business.** Mitigated by the possibility of the Fed reducing rate hikes to engineer a soft landing.
- Street views that SATS may have overpaid for WFS.** Mitigated by a Menzies report which suggests that WFS was at fair value when compared to similar acquisitions.
- SATS may not have an effective method to fund the WFS acquisition.** Mitigated by the fact that SATS are exploring alternatives to equity fundraising (which investors do not favour).

Figure 1: SATS's revenue by business



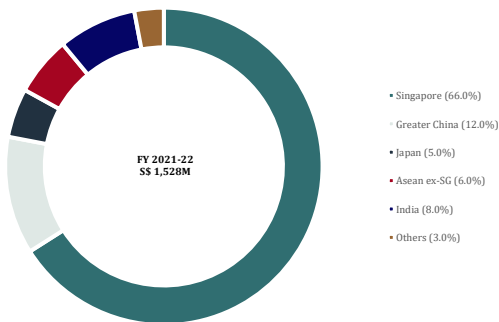
Source: SATS

Figure 2: SATS's revenue industry



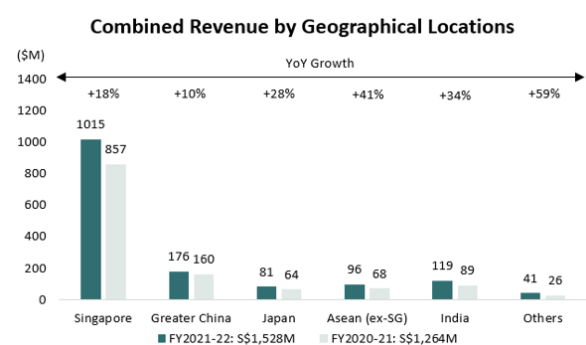
Source: SATS

Figure 3: SATS's revenue by geography



Source: SATS

Figure 4: SATS revenue growth by geography



Source: SATS

## Company Overview

SATS Ltd is Asia's leading provider of food solutions and gateway services. The company was founded in 1972 and is headquartered in Singapore. They currently have 12,000 employees and operate in over 60 locations in 14 countries across Asia Pacific, the UK, and the Middle East. Its subsidiaries include SATS Airport Services, SATS Catering, SATS Security Services, Aero Laundry & Linen Services, Aerolog Express, Country Foods, and Singapore Food Industries. SATS is most notably known for being Singapore Changi Airport's main ground handling and in-flight catering service provider. It controls about 80% of Changi Airport's ground handling and catering business.

In terms of the shareholder structure of SATS, the top 25 shareholders own 47.29% of the company with the largest shareholder being Temasek Holdings owing 39.69%.

SATS is at the heart of the travel recovery for FY21/22. This is seen as flights and passengers handled increased by 73.3% and 169% respectively YoY. Gross meals served increased by 20.0% across all segments with volume in the food segment growing at 58% over the same period. Air freight which grew steadily through the pandemic rose 45.2% in tonnage which brings cargo demand back to pre-Covid levels.

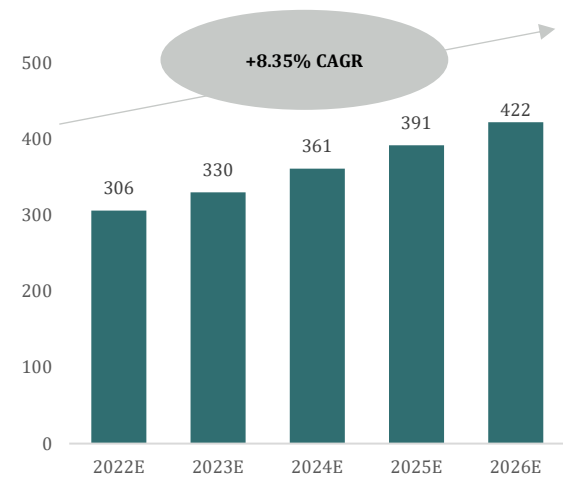
SATS's business model is segmented into two primary revenue streams. These are Food Solutions and Gateway Services.

SATS Food Solutions comprises aviation catering, institutional catering, private jet catering, commercial catering, food service solutions & distribution, and linen & laundry. For FY21/22, the Food Solutions segment revenue grew by 11.7% to S\$640.9m. Additionally, gross meals served across all verticals recovered to 59% of pre-pandemic levels. Lastly, with the pent-up demand from travel being released, food revenue in the travel segment grew 50% YoY.

Gateways services span passenger services, apron services, air cargo, low-cost carrier handling, private jet services, cruise terminal services, security services, and travel retail. Despite international passenger demand in 2021 remaining 75.5% below 2019 levels, flights and passengers handled rose by 73.3% and 169% respectively. Global air cargo traffic remained strong despite the pandemic as full-year demand for air cargo increased by 6.9% in 2021 compared to 2019. SATS was able to capitalise on this as cargo tonnage increased by 45.2% in FY21/22. As a result of this growth in volumes, Gateway Services' revenue rose by 36.6% to S\$532.5m.

In September 2022, SATS agreed to buy Worldwide Flight Services (WFS) for €1.2b (S\$1.68b) and the deal is expected to be completed by March 2023. This acquisition will make SATS the world's largest handler of airborne freight and will be at the heart of global trade flows supporting the largest airports and companies. WFS is a global air cargo logistics leader and is the number one global operator in cargo handling with its presence spanning worldwide over 164 locations in more than 18 countries across 5 continents. SATS will be funding the acquisition by obtaining a bridging loan worth €1.2b. SATS plan to pay off this loan by selling primary shares to existing and new strategic investors, raising up to S\$1.7b. The completion of this deal will mean that WFS will be a wholly-owned subsidiary of SATS. However, the WFS CEO will remain unchanged with Craig Smyth heading the helm. This strategic acquisition means that SATS and WFS will have a combined network that controls more than 50% of global air cargo volumes with WFS operating across major airports in

**Figure 5: APAC market for ready-to-eat meals (US\$b)**



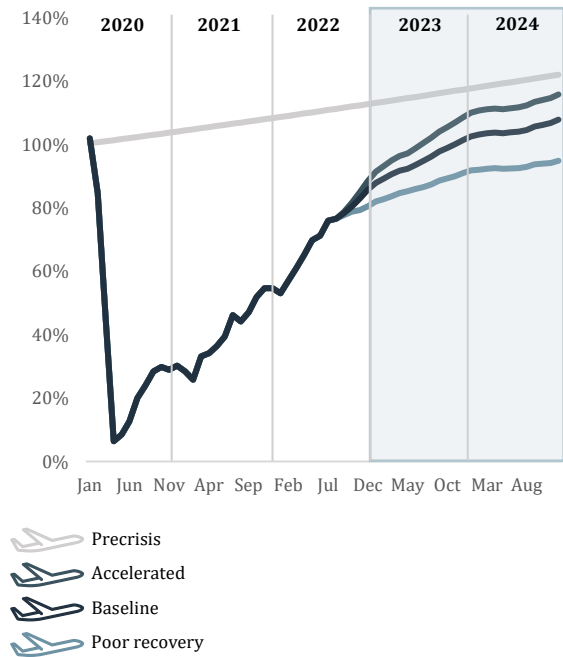
Source: Upserve

**Figure 6: SATS's Central Kitchen**



Source: SATS

**Figure 7: SATS's Central Kitchen**



Source: Bain and Company, IATA, IMF, HIS Markit, Johns Hopkins University, University of Oxford, UNWTO, World Bank, Numbeo

Los Angeles, Chicago, Miami, Frankfurt and Paris, while SATS is operating in key hubs across Beijing, Hong Kong, Singapore and Taipei.

## Industry Outlook

### Food Solutions

In the food solutions industry, we see a trend of increasing consumer preferences for ready-to-eat meals. According to research by Upserve, the new generation of working adults is showing a tendency to purchase ready-to-eat meals over cooking by themselves. This helps them save time and make meals more convenient. Thus, APAC revenue for ready-to-eat meals is projected to rise at a CAGR of 8.35% (Fig. 5). This trend will serve SATS well as it increases its non-aviation operations in ready-to-eat meals.

The airline food catering industry will largely depend on the reopening of international travel. For now, except for China, the loosening of border restrictions in Asia is a promising sign. Countries like Japan, where SATS has major operations in, have reinstated quarantine-free travel. Forecasts for aviation travel will be further elaborated under Gateway Services.

On the cost side, ready-to-eat meal preparers have been building central kitchens (Fig. 6) to tap into economies of scale. This is a business model traditionally employed by chain restaurants, where meal components are first prepared in the central kitchen and subsequently assembled in the individual outlets. Central kitchens allow meal providers to aggregate production of their various distribution channels to achieve a larger scale. Scaling up operations provides central kitchens with two benefits: (i) the larger number of units produced is spread over a fixed cost base, resulting in lower unit costs and (ii) it allows meal providers to tap on data analytics to optimise production processes. For example, SATS can implement monitoring systems to autonomously allocate resources to produce different components depending on incoming demand.

Thus, we are seeing strong revenue growth in the food solutions industry with greater efficiencies in the supply chain.

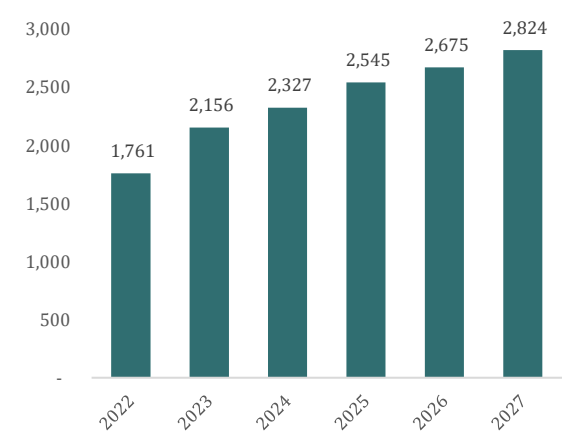
### Gateway Services

Since gateway services primarily provide value to the aviation industry, its outlook will be heavily dependent on the health of aviation. The past two years have been dismal for the sector, as air travel took a nosedive in 2020 following the emergence of COVID-19. Currently, Bain and Company estimates the demand for air travel to be at 80% of 2019 levels (Fig. 7), which has put SATS on the trajectory towards recovery. Furthermore, air travel is expected to return to 100% of 2019 levels by 2023, which bodes well for a full recovery of gateway services.

A key uncertainty that remains is China's zero-COVID policy and whether that will be lifted. While there's still great unpredictability over China's policy decisions, we argue that the signals coming from the mainland are much brighter than what we have seen earlier in the year. Following the Chinese Congress meeting, there have been rumours circulating that China plans to lift or loosen the zero-COVID policy. In contrast, a few months ago, there was no doubt that China planned to stick adamantly to its zero-COVID policy. Thus, while these rumours do not signal an immediate opening up of China, it raises a possibility of policy loosening in 2023.

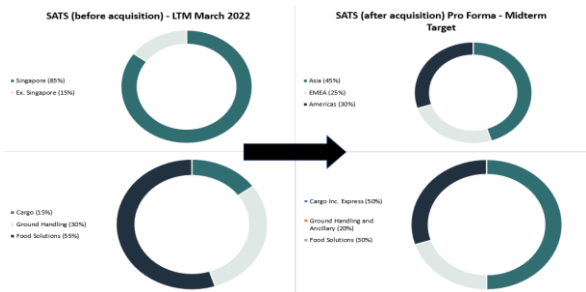
Another trend in the gateway services industry is the growth of e-commerce, which was catalysed by the COVID pandemic. As malls and retail outlets closed, people met their shopping needs through online means. This had led to an increase in e-commerce revenue by 16.9% over

Figure 8: Ecommerce Revenue Growth (US\$b), APAC



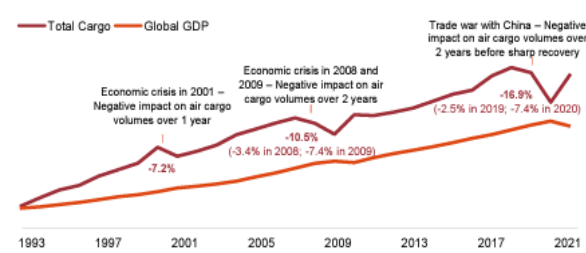
Source: Statista

Figure 9: SATS Pre and Post Acquisition revenue segmentation



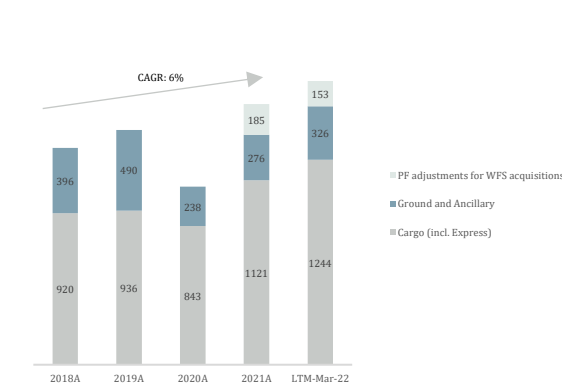
Source: SATS

Figure 10: Air cargo volume growth vs GDP growth



Source: SATS

Figure 11: WFS Revenue (€m) Growth



Source: SATS

the past 2 years. Even after the pandemic, this fundamental change is expected to remain. Experts have forecasted e-commerce sales to rise by 9.9% annually, with a big proportion of the rise concentrated in APAC (Fig. 8). In line with this trend, SATS has also entered the business of handling e-commerce freight through its fulfilment centres.

## Investment Thesis

**1. The strategic acquisition of Worldwide Flight Services (WFS) has multiple synergistic benefits for SATS. This acquisition transforms SATS into a global leader in aviation services. Benefits include a more diversified geographic and business portfolio along with immediate earnings accretion.**

The agreed acquisition price is €1,187m (S\$1,639m) with the deal expected to be completed by March 2023. WFS has an enterprise value of €2,250m (S\$3,107m) which gives the purchase multiple of 9.7x pre synergies (Enterprise Value/EBITDA). The purchase price of WFS is at fair value. This is seen as historical valuations across comparable companies are at a median of 9.8x EV/EBITDA which means that the purchase multiple of 9.7x EV/EBITDA is relatively fair based on this data reported by Menzies (Fig. 23).

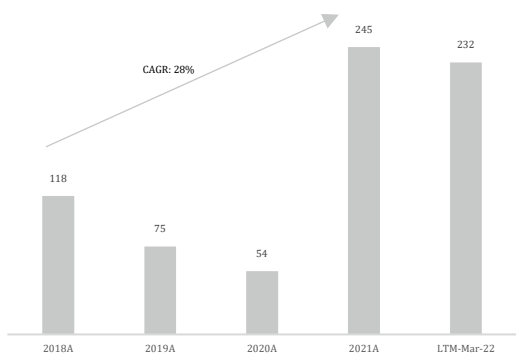
This acquisition means that SATS will be the pre-eminent largest global air cargo handling platform as it will manage over 9 million tonnes of cargo. Additionally, as SATS and WFS were operating in different geographical regions, there will be little overlap which means that SATS (with the acquisition of WFS) will offer an Americas-Europe-Asia Pacific network with an unmatched global footprint of 205 cargo and ground stations in 23 countries. Furthermore, SATS will also be able to insert foundation positions in new growth markets of India, Latin America and Africa. The combined business entity allows SATS to gain access to new air cargo transit channels such as the United States and North America-Europe routes which make up 19% and 6% of the total international air volume respectively. As a result of SATS and WFS combining their network, they will cover more than 50% of the volume of the international air cargo market.

The acquisition means that SATS will have increased exposure to the highly attractive and resilient global air cargo handling market as air cargo volumes have consistently outperformed GDP growth for the past 28 years. In addition, during the pandemic, the SATS gateway services segment (which made up the bulk of SATS's revenue of 85% before the acquisition) was severely affected due to the lockdowns resulting in that segment becoming unprofitable. Comparatively, the SATS air cargo segment continued to remain profitable as the air cargo industry is generally more resilient. Thus, due to the large proportion of SATS business in gateway services, this severely affected SATS profitability as they were unprofitable for FY20/21 (-S\$79m) and slightly profitable in FY21/22 (S\$20m). However, as the acquisition gives diversity in SATS's revenue stream with SATS air cargo segment growing from 15% to 50% of SATS's total revenue (Fig. 9), this means that SATS will be more resilient to future black swan events and their profitability will remain more consistent.

Further benefits of SATS's greater exposure to the air cargo industry is that the global eCommerce industry is projected to grow at a CAGR of 14.7% from 2020 to 2027. Hence, SATS will be able to capitalise on this trend as the demand for air cargo services will in turn increase significantly. Additionally, with WFS's expertise in express cargo handling and high value-added handling services such as pharmaceuticals and perishables

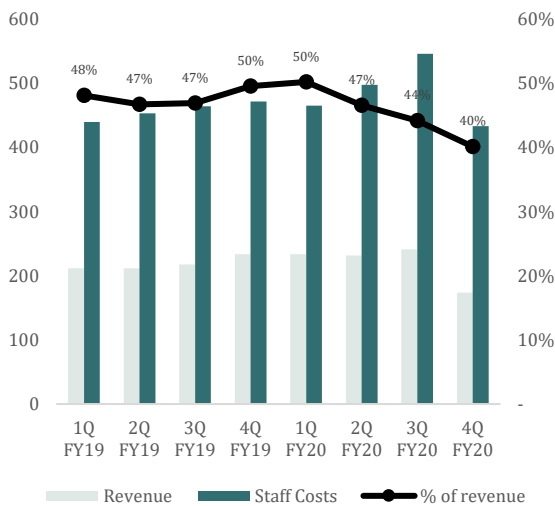


Figure 12: WFS EBITDA (€m) Growth



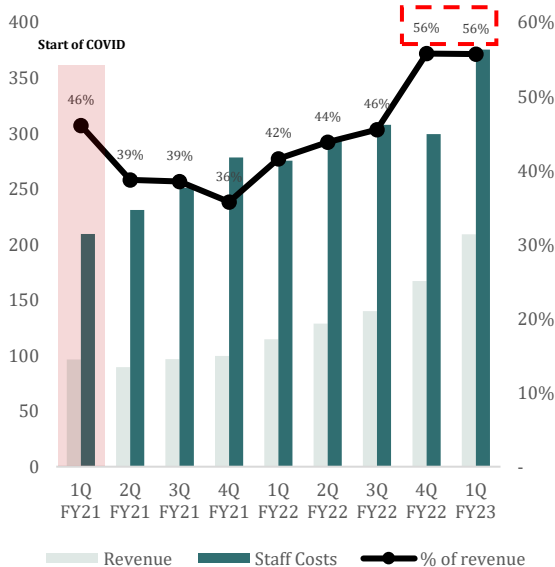
Source: SATS

Figure 13: SATS's historical staff cost (\$m), pre-COVID



Source: SATS

Figure 14: SATS's historical staff cost (\$m), post-COVID



Source: SATS

(which SATS did not possess before), this allows the combined business to fully capture the value from the growth in eCommerce.

Hence, this acquisition can serve to support SATS's growth with increased projected earnings (by the team) and deliver a strong and positive financial impact to SATS's investors. This is further supported by the fact that as a result of the acquisition, there will be immediate earnings accretion with EPS increasing from 1.8 cents SGD to pro forma EPS of 5.4 cents SGD (excluding the effect of intangibles amortisation) and 3.2 SGD cents (including the effect of intangibles amortisation for the 12 months ended 31 March 2022 for the combined group. Additionally, there is an expected EBITDA run rate in excess of S\$100m over the medium term.

**2. SATS faces some near-term cost pressures, but we believe these fears have already been priced into the market. Meanwhile, the possibility of operating costs moderating downward is large, thereby giving room for SATS's margins to return to pre-COVID levels.**

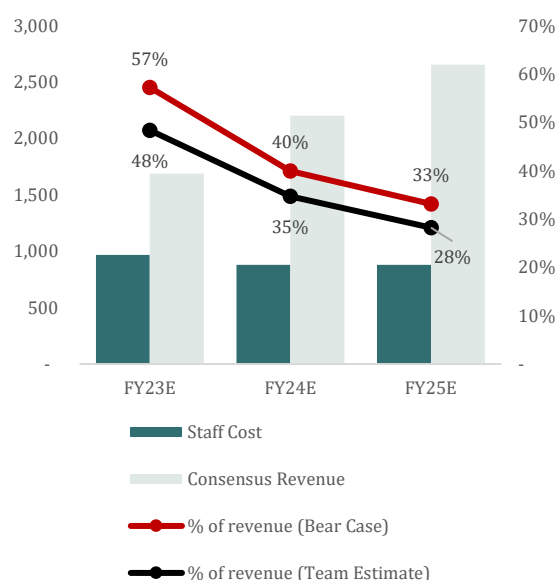
As international travel starts to pick up steam, SATS is gradually adjusting its capacities to cope with the travel volumes. In that regard, analysts believe the company will encounter multiple cost headwinds. The two areas where SATS is likely to experience near-term cost squeeze are its staff and fuel costs.

SATS's higher staff costs in the near-term stem from its aggressive hiring in anticipation of greater aviation activity. While international travel has not fully recovered to pre-COVID levels, we are seeing strong momentum this year, with countries like Singapore and Japan loosening travel restrictions for tourists. Given that SATS operate in these key geographies, it will likely see a strong recovery in operations in the following quarters. Ahead of the pickup in travel activity, SATS has frontloaded much of its hiring as it takes about 6-9 months to train its employees. This has led to a greater-than-usual increase in staff costs, which has risen to about 56% of revenues in the past two quarters (Fig. 14). Analysts believe SATS is poised to increase its headcount further in the next few quarters, thus further driving up staff costs.

However, we believe most of the fears surrounding elevated staff costs have already been priced into the market and we can expect a turnaround in the next few quarters. To determine if staff cost could rise any further or has already stagnated, we estimated the worst-case scenario for the current financial year. In our most pessimistic projections, we gave SATS its highest historical headcount of 17,000 employees and further added 10% considering SATS's aggressive hiring. This gave us a staff cost of around 57% of revenue based on a regression of staff cost against headcount. From our analysis, our worst-case estimates have already been seen by the markets in the past 2 quarters. Thus, the fears of elevated staff costs are already reflected in the current stock price, and we are unlikely to see any negative surprises in terms of staff costs.

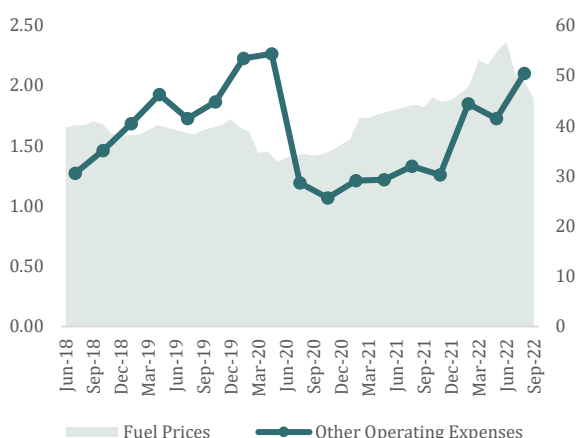
On the other hand, we believe there is potential for staff costs to moderate downwards by the end of the financial year. In our base-case estimates, we used management headcount guidance (i.e., 1,300 in the long-term and low probability of hitting pre-COVID peaks of 1,700) to estimate SATS's headcount for the year at 19,470. Feeding that into our regression model, we obtained a staff cost of around 48% in revenue, which is much closer to the historical average (Fig. 15). Since even our worst-case will not underperform market expectations, there is a higher potential of positive

**Figure 15: SATS's staff cost**



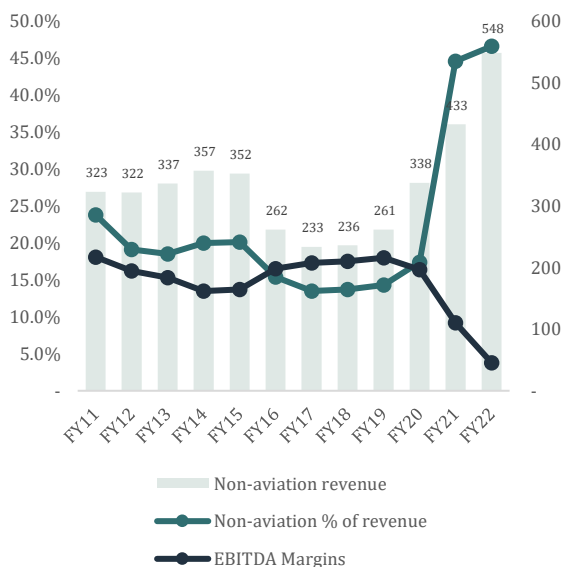
Source: Team Estimates

**Figure 16: SATS's operating costs vs fuel prices**



Source: Trading Economics, SATS

**Figure 17: Non-aviation revenue**



Source: SATS

surprise on staff cost, thereby reversing investor sentiment on SATS's operating expenses.

SATS is also facing some cost headwinds from high fuel prices. In March 2022, oil prices rose to a high of nearly US\$130 per barrel, negatively impacting the costs of fuel-intensive businesses. Together with inflationary pressures, SATS's operating expenses increased by 13.4% from FY 2019 to FY 2023 (Fig. 16). The key question for the next few quarters lies in the macro environment and the expected price movement for fuel and other raw materials.

We believe that these headwinds are seeing signs of moderation. Since March, oil prices have now declined to a more palatable level of US\$86 and have remained stable at this level since August. Next, October's CPI data from the US have also come in below market expectations, showing signs that inflationary pressures may be receding. It may still be a while before the effects ripple over to APAC, but with SATS expanding its business to Europe and America with the WFS acquisition, the US inflation data is an optimistic sign for SAT's operating expenses.

Therefore, even though analysts are fearful of multiple cost headwinds for SATS, we believe that most of these fears have already played out and SATS stands at the cusp of a turning point for its costs.

**3. The pandemic has allowed SATS to strategically restructure its business mix. We believe non-aviation is a business with healthy margins and can help SATS return to its strong historical margins while fortifying its business against shocks.**

SATS runs operations in the non-aviation sector as well. These include food solutions and catering services to mainland institutions like healthcare, hospitality, and government agencies. Elsewhere on the value chain, SATS also manages food distribution, logistics and the manufacturing of chilled and frozen food. For gateway services, SATS's non-aviation business involves operating Marina Bay Cruise Centre Singapore and handling ground logistics for cruise passengers.

While SATS's non-aviation business existed many years before the pandemic, it has not enjoyed much organic growth. Non-aviation revenue hovered around the 12-year average of S\$334m from FY11 to FY20, which translates to around 22.3% of revenue (Fig. 17). Due to its booming aviation business, SATS may not have had the time or resources to focus on expanding its non-aviation segment. In FY17, SATS's non-aviation revenues even dropped to S\$233m, before recovering to S\$338m in FY20 before the pandemic.

When COVID-19 hit, two factors allowed SATS to grow its non-aviation business:

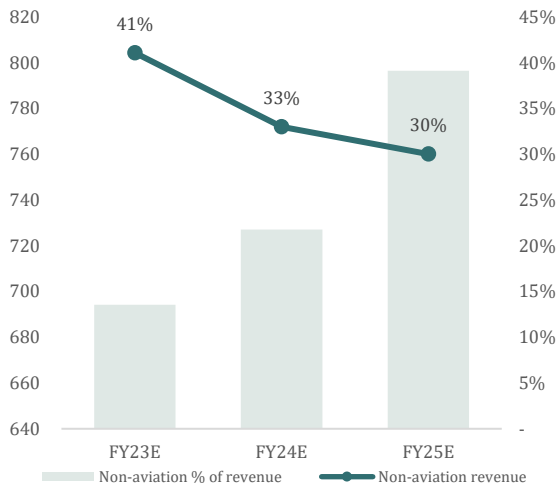
- (i) **Pandemic-related services:** During the pandemic, migrant workers became an epicentre of the COVID-19 outbreak due to their packed living quarters and poor sanitary conditions. Following the detection of clusters, SATS was engaged to cater food for dormitory workers who were quarantined within their accommodation. Further down the road, SATS was also involved in the logistics of COVID vaccines, which required specialised cold chain transportation technology (Fig. 18). These pandemic-related services have contributed to the growth of SATS's non-aviation revenue.

Figure 18: SATS's Cold Chain Facilities



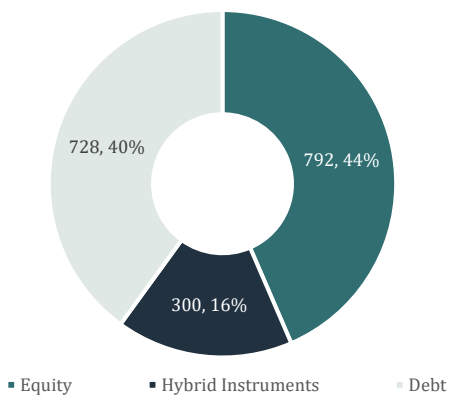
Source: SATS

Figure 19: Non-aviation revenue forecasts (\$m)



Source: SATS

Figure 20: CIMB estimates for WFS deal financing



Source: CIMB Research

(ii) **Structural growth:** With the innovation in internet technology, e-commerce has seen a rapid rise over the past 2 years. SATS has capitalised on this by entering e-commerce logistics. Over the last 2 years, SATS has opened 27 efulfilment corridors to capture more of the cross-border logistics market. While its growth has been accelerated by the pandemic, we believe e-commerce is a fundamental trend that will continue to grow after the pandemic has passed. From 2022 -2027, APAC e-commerce is forecasted to grow at a CAGR of 10.27%, accounting for 61.4% of global e-commerce.

Some analysts view SATS's restructuring as unproductive as they believe non-aviation delivers lower margins than aviation. Some reasons for their negativity include greater competition within the non-aviation sector, as well as a negative correlation between EBITDA margins and non-aviation revenue. Thus, there is a fear that SATS will not be able to return to its pre-COVID margins of c.10%, given that it is taking on a larger mix of non-aviation revenue.

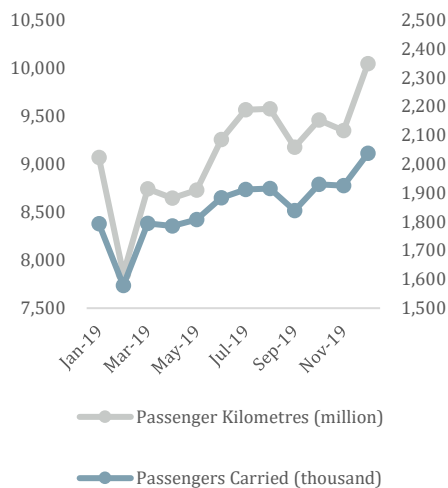
However, we believe that given the changes in the orientation of SATS's non-aviation business, it will be well-primed to capture greater margins in the following years. For example, management mentioned during an investor conference that margins for e-commerce freight are higher than that of general cargo as SATS provides value-added services like real-time track and trace. Similarly, margins for cold chain perishables are at a premium to general cargo due to the complex technology required to fulfil the logistical requirements. Thus, we differ from the street by believing in SATS's ability to command respectable margins in its non-aviation business that could even exceed that of its aviation business. Furthermore, since SATS is aiming for its non-travel segment to reach 30-35% of revenues, up from pre-COVID levels of c.20%, we believe SATS could even see an expansion in margins (Fig. 19).

Catalysts

**More favourable financing structure for WFS deal announced by SATS.** While investors are jittery over the current sources of financing announced by SATS as it involves a large issue of equity, which may lead to some dilution. However, given SATS's strong cash balance over the past 2 years, SATS will be able to finance the deal with more favourable sources like cash. In addition, since SATS is not heavily leveraged, it can take on more debt to finance the deal. For example, at the end of FY21/22, SATS closed the year with S\$786m in its cash balance and a debt/equity ratio of 31.9%. Some analysts like CIMB have been more optimistic about SATS's ability to finance the deal without over-issuing equity. Instead, CIMB has forecasted a more favourable financing structure involving more debt (Fig. 20). Thus, we can expect a positive reaction from the market when SATS announces a more favourable financing structure.

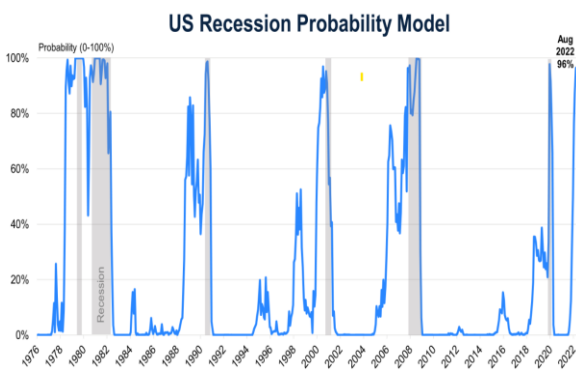
**Year-end holiday surge in air travel.** With the year-end holiday season approaching, many people are looking to travel overseas. This would be the first Christmas and New Year holiday where international travel without laborious quarantine and testing procedures is permitted. Pre-COVID, airlines usually enjoy a peak in passenger volume in December and January as travellers fly overseas for their year-end break (Fig. 21). We foresee the surge to be greater than expected this year as the pent-up demand for holiday travel boosts passenger volumes. This will be especially true for countries which have recently opened their borders like Japan. As SATS maintains a strong presence in Narita and Haneda International Airports,

Figure 21: Year-end spike in passenger volumes, SIA 2019



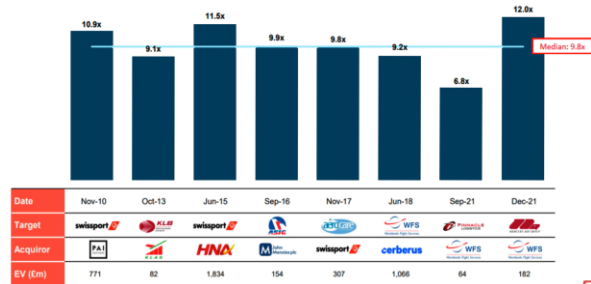
Source: Singapore Airlines Monthly Reports, 2019

Figure 22: US Recession Conference Board Probability Model



Source: The Conference Board

Figure 23: Air Cargo Service Providers Comparable Acquisitions



Source: Menzies

we could see the influx of tourists become a tailwind for SATS's food solutions and gateway services business segments.

**Cost peak due to revenue surge and moderation of operating costs.** While analysts are worried about SATS's near-term operating cost pressures, we believe costs will peak in the next few quarters due to two reasons. First, as explained in thesis 2, SATS is poised for a revenue surge in the current quarter due to the year-end holiday travel demand. Second, as explained in thesis 2, we believe any further deterioration in operating costs is unlikely, especially for staff costs. As revenue rises and costs fall, operating costs as a percentage of revenue are likely to moderate downwards to more historical levels of 45%-55%. When the easing costs pressures are reported in future earnings announcements, we expect the pessimism surrounding SATS's operating costs to ease.

Investment Risks

**Risk 1:** The looming recession will dampen market prospects resulting in a decrease in demand for consumer goods which in turn causes a decrease in demand for eCommerce. There is a good chance of this risk materialising as there is a 98.1% chance of a global recession according to Ned Davis Research probability model while there is a 96% chance of a US recession according to The Conference Board probability model (Fig. 22). Additionally, the Fed and central banks globally have been hiking interest rates to control excessively high inflation. Hence, these pointers will result in significantly dampened consumer and business sentiment which will hamper SATS's air cargo revenue and earnings.

**Mitigating factor 1:** Despite these statistics, if the Fed reduces the rate of interest rates hikes and can engineer a soft landing, it means that there will be a less severe recession. This is because, in the November 2022 FOMC meeting, Fed Chair Powell expressed that the 75-basis point hike in November will be the last aggressive hike as the Fed could reverse and slow down their hikes as early as December 2022 with the expectation that the current Fed rate is sufficient to tame high inflation. If Powell stays true to his views, there will be an increase in consumer and business sentiment so SATS business operations will be less affected.

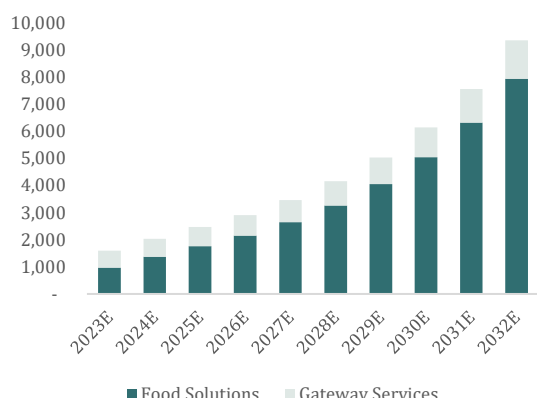
**Risk 2:** The street view is that SATS may have overpaid for WFS as they based their valuation on the LTM EBITDA of WFS which benefited significantly from the abnormally high freight costs (due to the Covid lockdown and supply chain disruptions) resulting in higher margins for companies operating in this sector. This is seen as WFS EBITDA more than doubled from a pre-Covid period in FY2018 (€118M or S\$166M) to the Covid period in FY2021 (€245M or S\$345M). SATS should have based their valuation on normalised EBITDA (such as pre-Covid EBITDA levels).

**Mitigating factor 2:** Despite paying for WFS at an unsustainable EBITDA level, an analyst report by CNB suggests that the purchase price of WFS is at fair value. This is seen as historical valuations across comparable companies are at a median of 9.8x EV/EBITDA which means that the purchase multiple of 9.7x EV/EBITDA is relatively fair based on this data (Fig. 23). Furthermore, the expected strong growth in the global e-commerce market (CAGR of 14.7% from 2020 to 2027) will lead to earnings growth of SATS via the WFS air cargo segment which makes the acquisition price relatively fair.

**Risk 3:** SATS proposed to fund the acquisition through a rights issue, but this may not be an effective funding method for the impact on SATS's share price. This was seen when an example rights issue was announced for



**Figure 24: SATS Revenue Forecasts**



Source: Team Estimates

**Figure 25: Gateway Services Revenue Regression**

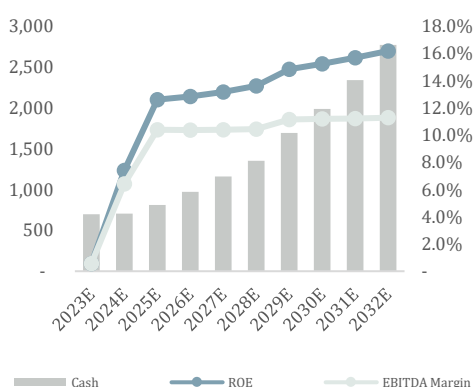
Regression Statistics	
Multiple R	0.967229592
R Square	0.935533084
Adjusted R Square	0.914044113
Standard Error	41.05161204
Observations	13

Coefficients	
Intercept	35.72585892
Flights handled (thousand)	0.063831178
Passengers handled (million)	4.219953645
Cargo/mail processed (million tonnes)	276.3874577

Source: SATS, Team Estimates

**Figure 26: SATS's Financials**



Source: Team Estimates

**Figure 27: SATS's Food Solutions Peers**

Comparable companies
Singapore Airlines Limited (SGX:C6L)
Malaysia Airports Holdings Berhad (KLSE:AIROPORT)
Hainan Meilan International Airport Company Limited (SEHK:357)
Xiamen International Airport Co., Ltd (SHSE:600897)
Auckland International Airport Limited (NZSE:AIA)
Airports of Thailand Public Company Limited (SET:AOT)
Guangzhou Baiyun International Airport Co., Ltd. (SHSE:600004)
Shanghai International Airport Co., Ltd. (SHSE:600009)
Japan Airport Terminal Co., Ltd. (TSE:9706)
Beijing Capital International Airport Company Limited (SEHK:694)
Airports Corporation of Vietnam

\$2.79, the market did not take the news lightly as the share price sank 20% from \$3.87 on 27 September 2022. This is seen as in equity fundraising; the share price will generally trade towards the proposed rights issue price. Additionally, existing shareholders will be worried about dilution. Hence, there may be a risk that when SATS does carry out the actual rights issue, there may be a huge sell-off of SATS shares.

**Mitigating factor 3:** The mitigating factors to this risk are that investors were unaware that the rights issue announced was an example rights issue (which has since been clarified by SATS) SATS has already secured the bridging loan so it is unlikely that the acquisition will fall through and not occur. With regards to the funding method, SATS management stated that they are exploring alternatives to equity fundraising such as the issuances of other hybrid securities or instruments convertible into new shares for institutional and strategic investors. Regardless of these funding complications, the deal will still go through as SATS have already secured a bridging loan of \$1.7b to fund the acquisition if required. Furthermore, this acquisition has the full support of Temasek Holdings (owned by the Singapore Government) which has a 40% share of SATS.

## Financial Analysis

**Revenue:** We forecasted SATS's revenue using a bottom-up approach for its business segments: (1) Food Solutions, (2) Gateway Services and (3) Others. Furthermore, we forecasted the aviation and non-aviation revenues separately for food solutions and gateway services. Our food solutions revenue was forecasted using the number of meals served multiplied by the average revenue per meal. On the other hand, we forecasted the gateway services revenue using a multi-variable regression as the gateway services business is affected by multiple factors (Fig. 25). Thus, we ran a regression of gateway services revenue against the number of flights handled, the number of passengers handled, and the tonnage of cargo/mail processed. By projecting each of the three factors, we were able to obtain reasonable forecasts for gateway services revenue. Over the next 10 years, SATS's revenue is expected to grow at a CAGR of 23.0% (Fig. 24).

**Margins:** We are expecting SATS's EBITDA margins to return to pre-COVID levels of 17.0% by FY2025E. This would be due to the strong revenue performance and cost moderation as explained. Furthermore, we forecast net margins to return to c.11% by the end of the decade, given that associates and joint ventures may recover more slowly (Fig. 26).

**Cash:** One of SATS's key strengths has been maintaining a healthy cash balance, which gives the company the liberty to perform strategic acquisitions such as the upcoming takeover of Worldwide Flight Services. During the pandemic, SATS's cash reached a peak of S\$879.8m. Thus, even if there are immediate cost pressures, SATS will be able to tap into its cash reserves to meet these cost requirements.

**ROE:** In the 3 years before the COVID-19 pandemic, SATS had attained a return on equity (ROE) of 13.8%. We expect SATS to return to these levels by 2028E as its investments in its non-aviation business pay off.

## Valuation

Our 12M target price of S\$3.50 is derived from a 10-year **discounted cash flow** with the terminal value calculated using the Gordon growth method. We chose a 10-year time horizon as SATS has only begun its recovery from the COVID pandemic. A longer timeline will be able to capture not only SATS's recovery but also its growth in the non-aviation business segment.

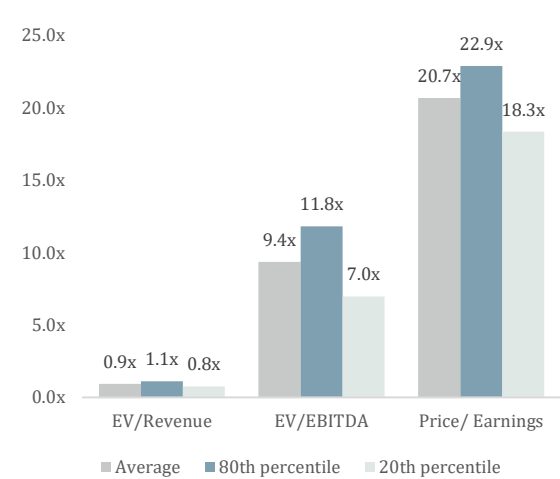
Source: Team Estimates

Figure 28: SATS's Gateway Services Peers

Comparable companies
Elior Group SA (ENXTPA:ELIOR)
Compass Group PLC (LSE:CPG)
Sodexo S.A. (ENXTPA:SW)
DO & CO Aktiengesellschaft (WBAG:DOC)
Aramark (NYSE:ARMK)
Autogrill S.p.A. (BIT:AGL)
SSP Group plc (LSE:SSPG)
Saudi Airlines Catering Company (SASE:6004)

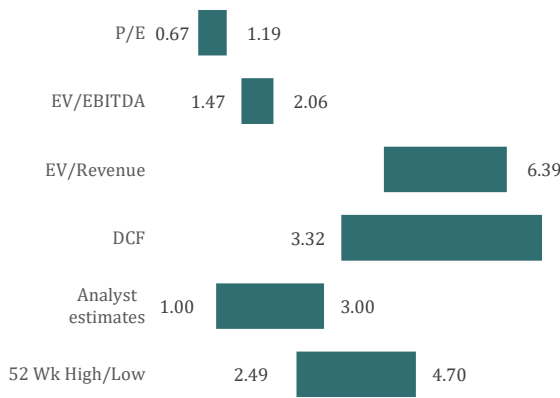
Source: Team Estimates

Figure 29: SATS's Valuation Multiples



Source: Team Estimates

Figure 30: Valuation Football Field



Source: Team Estimates

We have further employed a **sum of the parts** valuation of comparable companies using forward EV/Revenue, EV/EBITDA and P/E ratios. We have summarised the outputs of the various valuation methodologies in a football field table (Fig. 30). Key valuation assumptions are also explained below.

**Cost of Equity:** Our cost of equity was based on the Capital Asset Pricing Model. The risk-free rate of 3.46% was derived using the 10-year interest rate of Singapore Government Securities. Professor Damodaran's Equity Risk Premium was used as a proxy to derive a 5.64% market risk premium. Finally, we estimated a bottom-up beta for SATS using comparable companies in food solutions and gateway services. This approach yielded a beta of 0.62 for the company. Combining the risk-free rate, beta and equity risk premium, we obtain a cost of equity of 6.94%.

**Cost of Debt:** Using SATS's credit rating of A+ as a proxy for the cost of borrowing, we derived a 1.0% credit default spread by referring to Professor Damodaran's conversion table. That translates into a 4.5% marginal cost of debt. Applying the Singapore corporate tax rate of 17%, we arrived at a 6.71% after-tax cost of debt for SATS.

**Weighted Average Cost of Capital:** A WACC of 6.84% was calculated by using SATS's debt-to-equity gearing ratio of 97.1%.

**Comp set:** Our comp set comprises companies with the following criteria: (1) Companies serving the food solutions and gateway services markets, (2) Companies with similar business models, (3) Geographical segments, and (4) Market capitalisation.

**Multiples:** We used the next twelve months' forward EV/Revenue, EV/EBITDA and P/E multiples to derive our relative valuation of SATS (Fig. 29). In addition, we estimated the multiples for the food solutions and gateway services businesses separately. This allowed us to use forecasted segment revenues and EBITDA to conduct the sum of the parts valuation.

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Appendix:

Financial Statements

SATS Limited													
All figures are in SGD '000,000 unless otherwise stated													
	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
BALANCE SHEET													
ASSETS													
Current Assets													
Cash and Cash Equivalents	-	-	549	880	786	708	729	839	1,000	1,188	1,379	1,722	2,014
Cash and Bank Balance	373	350	-	-	-	-	-	-	-	-	-	-	2,368
Trade and Other Receivables	299	301	386	292	388	377	481	583	688	820	984	1,191	1,786
Amounts due from associates and joint ventures	5	5	3	1	2	2	2	3	3	3	3	3	4
Inventories	23	24	67	130	83	73	93	113	133	158	190	230	345
Prepayment and Deposits	16	19	23	20	37	27	34	41	49	58	70	85	103
Assets of Disposal Group Classified as Held for Sale	20	11	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	735	710	1,028	1,323	1,296	1,188	1,339	1,579	1,873	2,227	2,625	3,231	3,854
Non Current Assets													
Right of Use Assets	-	-	206	188	313	425	541	657	775	923	1,108	1,341	1,636
Property, Plant and Equipment	560	579	602	520	590	623	672	735	809	898	1,008	1,186	1,406
Investment in Joint Venture	245	102	71	57	60	60	60	60	60	60	60	60	60
Investment in Associates	604	622	618	521	394	394	394	394	394	394	394	394	394
Long-term Investments	20	21	28	15	15	14	15	17	18	20	22	24	27
Deferred Taxation	11	12	14	34	57	57	57	57	57	57	57	57	57
Loans to Associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	158	351	427	411	553	591	643	706	787	883	1,000	1,144	1,324
Other Non-current Assets	7	4	15	23	13	16	20	24	29	34	41	50	61
Investment Properties	9	8	1	0	-	-	-	-	-	-	-	-	-
Total Non Current Assets	1,613	1,698	1,982	1,769	1,996	2,181	2,405	2,655	2,932	3,272	3,692	4,259	4,967
Total Assets	2,348	2,408	3,011	3,092	3,292	3,369	3,744	4,234	4,805	5,499	6,318	7,490	8,821
Current Liabilities													
Associates and Joint Ventures	-	-	10	-	-	-	-	-	-	-	-	-	-
Amounts due to associates and joint ventures	3	9	-	11	11	2	2	3	3	3	3	3	3
Trade and Other Payables	332	323	372	359	458	454	541	624	736	876	1,052	1,273	1,553
Notes Payable	-	-	-	-	-	-	300	-	-	-	100	200	-
Term Loan	10	21	112	143	102	32	32	32	32	32	10	10	10
Finance Leases	0	-	-	-	-	-	-	-	-	-	-	-	-
Lease Liabilities	-	0	19	16	41	64	87	110	133	163	200	246	305
Income Tax Payable	57	57	46	36	18	18	18	18	18	18	18	18	18
Total Current Liabilities	403	389	561	565	631	570	981	786	922	1,092	1,382	1,750	1,889
Non Current Liabilities													
Notes Payable	-	-	200	300	300	300	-	300	300	300	200	200	400
Term Loan	96	95	102	235	109	117	125	134	142	150	150	150	150
Finance Leases	0	-	-	-	-	-	-	-	-	-	-	-	-
Lease Liabilities	-	0	190	179	286	376	469	561	656	774	922	1,109	1,345
Deferred Taxation	62	88	-	69	90	90	90	90	90	90	90	90	90
Deferred Tax Liabilities	-	-	91	-	-	-	-	-	-	-	-	-	-
Minority Interest	133	168	188	152	231	231	231	231	231	231	231	231	231
Other Payables	21	19	60	45	43	44	56	67	80	95	114	138	168
Total Non Current Liabilities	312	370	832	980	1,059	1,158	971	1,384	1,499	1,640	1,708	1,918	2,385
Total Liabilities	714	759	1,393	1,545	1,690	1,728	1,952	2,170	2,421	2,732	3,090	3,669	4,274
Shareholders' Equity													
Common Stock - Par Value	368	368	368	368	368	368	368	368	368	368	368	368	368
Treasury Stock - Common	(33)	(43)	(26)	(19)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)
Revenue Reserve	1,431	1,473	1,426	1,349	1,369	1,397	1,536	1,792	2,095	2,456	2,891	3,453	4,141
Statutory Reserves	9	11	12	14	14	14	14	14	14	14	14	14	14
Translation Reserve	(143)	(151)	(148)	(150)	(119)	(119)	(119)	(119)	(119)	(119)	(119)	(119)	(119)
Other Reserves	(13)	(19)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)
Share-based Compensation Reserve	15	10	10	9	5	15	27	43	61	82	108	139	177
Total Shareholders Equity	1,634	1,649	1,617	1,546	1,603	1,641	1,792	2,064	2,384	2,767	3,228	3,821	4,547
Total Liabilities & Shareholders Equity	2,348	2,408	3,011	3,092	3,292	3,369	3,744	4,234	4,805	5,499	6,318	7,490	8,821
ROE	16.0%	15.1%	10.4%	(5.1)%	1.3%	1.7%	7.7%	12.4%	12.7%	13.0%	13.5%	14.7%	15.1%
Check													
INCOME STATEMENT													
Revenues													
License Fees	1,725	1,828	1,941	970	1,177	1,599	2,036	2,471	2,916	3,471	4,167	5,044	6,154
Staff Cost	(84)	(89)	(85)	(20)	(16)	(32)	(61)	(87)	(102)	(122)	(146)	(177)	(216)
Raw Materials	(833)	(874)	(879)	(382)	(551)	(879)	(977)	(1,063)	(1,254)	(1,493)	(1,792)	(2,169)	(2,646)
Company Premise and Utilities Expenses	(252)	(267)	(346)	(270)	(311)	(324)	(413)	(501)	(591)	(704)	(845)	(1,023)	(1,247)
Other Costs	(103)	(113)	(93)	(65)	(74)	(96)	(122)	(148)	(175)	(208)	(250)	(303)	(369)
EBITDA	(146)	(152)	(194)	(112)	(148)	(163)	(207)	(252)	(297)	(354)	(425)	(514)	(627)
Margins	305	332	344	120	77	105	255	421	496	591	710	859	1,048
Depreciation and Amortization Expenses	17.7%	18.2%	17.7%	12.4%	6.5%	6.5%	12.5%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
EBIT	(78)	(85)	(118)	(130)	(120)	(89)	(102)	(119)	(139)	(162)	(190)	(182)	(216)
Interest on Borrowings	226	247	226	(10)	(43)	15	153	302	358	429	519	677	832
Interest Income	(1)	(1)	(8)	(21)	(17)	(17)	(16)	(18)	(18)	(19)	(18)	(19)	(21)
Other Non-operating Income/expense	4	4	4	5	3	8	7	7	8	10	12	14	17
Other Non-operating Gain/loss, Net	21	-	-	-	-	-	-	-	-	-	-	-	-
Earnings before Taxes	250	249	202	(97)	(44)	6	144	292	348	420	513	671	829
Provision for Income Tax	(56)	(51)	(38)	36	31	(1)	(30)	(60)	(72)	(87)	(106)	(139)	(171)
Share of Results of Associates and Joint Ventures, Net of Tax	71	59	12	(48)	17	18	19	20	21	22	23	24	25
Minority Interest (After Tax)	(4)	(8)	(7)	30	16	5	5	5	5	5	5	5	5
Net Income (Loss)	261	248	168	(79)	20	28	139	257	302	361	435	562	688
Margins	15.2%	13.6%	8.7%	(8.1)%	1.7%	1.8%	6.8%	10.4%	10.4%	10.4%	10.4%	11.1%	11.2%



SATS Limited

All figures are in SGD '000,000 unless otherwise stated

	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
<b>CASH FLOW STATEMENT</b>															
<b>Operating Activities</b>															
Profit before Taxation	322	308	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/loss before Tax	-	-	214	-	-	-	-	-	-	-	-	-	-	-	-
Loss before Tax	-	-	-	(145)	(27)	-	-	-	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	28	139	257	302	361	435	562	688	849	1,055
<b>Adjustments to Net Income:</b>															
Depreciation of Property, Plant and Equipment	78	85	118	130	120	65	75	89	104	123	146	131	157	189	228
Amortisation of intangible assets	-	-	-	-	-	24	27	30	34	39	44	51	59	69	81
Gain/loss on Disposal of Property, plant & Equipment	(0)	0	2	(0)	(0)	-	-	-	-	-	-	-	-	-	-
Gain on Disposal of Assets Held for Sale	(16)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on Sales of Investment	(0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision for Diminution in Value of Associated Company	-	12	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on Deemed Disposal of Associates	-	-	-	-	(29)	-	-	-	-	-	-	-	-	-	-
Impairment Loss on Investment in Associates, Long-term Investment and Intangible Assets	-	-	12	69	-	-	-	-	-	-	-	-	-	-	-
Impairment Loss on Property, Plant and Equipment	-	-	7	24	17	-	-	-	-	-	-	-	-	-	-
Share of Profits of Associated and Joint Venture Companies	(71)	(59)	(12)	48	(17)	-	-	-	-	-	-	-	-	-	-
Share-based Payment Expense	11	7	11	9	8	10	13	15	18	21	26	31	38	47	58
Provision for Doubtful Debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized Foreign Exchange Gain/loss	8	(2)	(1)	1	0	-	-	-	-	-	-	-	-	-	-
Others-non-cash Items	0	(0)	(0)	1	0	-	-	-	-	-	-	-	-	-	-
Interest Expenses, Net	-	-	4	16	14	-	-	-	-	-	-	-	-	-	-
Interest Paid to Third Parties	(2)	(0)	(8)	(20)	(17)	-	-	-	-	-	-	-	-	-	-
Interest Income, Net	(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expenses and Income, Net	-	(3)	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-back of Earn-out Consideration	(5)	(12)	-	(14)	-	-	-	-	-	-	-	-	-	-	-
Income-taxes Paid	(51)	(48)	(53)	(21)	(17)	-	-	-	-	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	(3)	(4)	(4)	(4)	(5)	(7)	(9)	(11)	(14)	(18)
Other payables	-	-	-	-	-	1	12	12	12	15	19	24	30	38	49
<b>Changes in Working Capital:</b>															
Change in Receivables	(24)	19	(49)	72	(79)	10	(103)	(103)	(105)	(131)	(164)	(207)	(262)	(333)	(425)
Changes in Inventories	(1)	(2)	(11)	(61)	47	10	(20)	(20)	(20)	(25)	(32)	(40)	(51)	(64)	(82)
Payables	(2)	(12)	28	(10)	48	(3)	87	82	112	140	176	221	280	356	454
Changes in Prepayments and Deposits	1	(2)	(18)	3	(16)	10	(7)	(7)	(7)	(9)	(12)	(15)	(19)	(24)	(30)
Changes in Amounts Due from Associates and Joint Ventures	1	5	-	3	(1)	(9)	-	-	-	-	-	-	-	-	-
Changes in Amounts Due From/to Associates/Joint Ventures, Net	-	-	(0)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cash Flow from Operating Activities</b>	<b>246</b>	<b>296</b>	<b>244</b>	<b>118</b>	<b>62</b>	<b>143</b>	<b>218</b>	<b>350</b>	<b>446</b>	<b>528</b>	<b>631</b>	<b>750</b>	<b>910</b>	<b>1,113</b>	<b>1,370</b>
<b>Investing Activities</b>															
Cash invested in property, plant and equipment and intangible assets	(99)	(88)	(76)	(62)	(78)	(160)	(204)	(247)	(292)	(347)	(417)	(504)	(615)	(756)	(936)
Proceeds From Sale of Property, Plant & Equipment	1	1	1	1	0	-	-	-	-	-	-	-	-	-	-
Proceeds from Disposal of Asset Held for Sale	35	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in Subsidiaries Net of Cash Acquired	-	-	(53)	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of Non Controlling Interest in a Subsidiary	-	(16)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow Arising from Reclassification of Joint Venture to Subsidiary	-	13	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in Subsidiaries - Cash Acquired Net of Considerations Paid for Acquisition	-	-	-	-	81	-	-	-	-	-	-	-	-	-	-
Investment in Associates and Joint Ventures	(151)	(25)	(23)	-	-	-	-	-	-	-	-	-	-	-	-
Dividends from Associates and Joint Ventures	25	39	33	27	27	-	-	-	-	-	-	-	-	-	-
Long-term Investments	4	-	(6)	-	-	1	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(3)
Net Proceeds from Sale of Investment	-	-	3	0	0	-	-	-	-	-	-	-	-	-	-
Loan to Associate	-	-	-	-	(2)	-	-	-	-	-	-	-	-	-	-
Interest Received from Deposits	3	3	4	5	3	-	-	-	-	-	-	-	-	-	-
<b>Cash Flow from Investing Activities</b>	<b>(182)</b>	<b>(72)</b>	<b>(117)</b>	<b>(28)</b>	<b>31</b>	<b>(159)</b>	<b>(205)</b>	<b>(249)</b>	<b>(293)</b>	<b>(349)</b>	<b>(419)</b>	<b>(507)</b>	<b>(618)</b>	<b>(759)</b>	<b>(939)</b>
<b>Financing Activities</b>															
Repayment of Finance Leases and Related Charges	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of Lease Liabilities	-	(0)	(17)	(29)	(26)	-	-	-	-	-	-	-	-	-	-
Proceeds from Exercise of Share Options	4	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Reduction	(18)	(29)	-	(2)	-	-	-	-	-	-	-	-	-	-	-
Dividend Paid to Parent Company	(190)	(201)	(212)	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Shares By a Subsidiary Company to a Minority Shareholder	9	4	0	-	-	-	-	-	-	-	-	-	-	-	-
Dividends Paid By Subsidiary Companies to Minority Interests	(1)	(10)	(6)	(3)	(2)	-	-	-	-	-	-	-	-	-	-
Issuance of Notes	-	-	-	-	-	-	300	-	-	-	200	200	200	200	200
Repayment of Notes	-	-	-	-	-	-	(300)	-	-	-	(100)	(200)	-	-	-
<b>Cash available/(required) before debt</b>	<b>(133)</b>	<b>(12)</b>	<b>(108)</b>	<b>55</b>	<b>65</b>	<b>(16)</b>	<b>13</b>	<b>102</b>	<b>153</b>	<b>179</b>	<b>213</b>	<b>344</b>	<b>292</b>	<b>354</b>	<b>431</b>
Repayments of Term Loans	-	(10)	(4)	(209)	(182)	(102)	(32)	(32)	(32)	(32)	(62)	(40)	(40)	(40)	(40)
Proceeds From/(Repayment of) Long-term Debt	-	-	305	483	21	40	40	40	40	40	40	40	40	40	40
<b>Cash Flow from Financing Activities</b>	<b>(197)</b>	<b>(245)</b>	<b>67</b>	<b>240</b>	<b>(189)</b>	<b>(62)</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>(22)</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Adjustments</b>															
Cash Flow Net Changes in Cash	(135)	(23)	199	331	(94)	-	-	-	-	-	-	-	-	-	-
FX Rate Adjustments - Rep. Outside the Statement	(2)	(2)	6	2	2	-	-	-	-	-	-	-	-	-	-
Beginning cash and cash equivalents	506	373	350	549	880	786	708	729	839	1,000	1,188	1,379	1,722	2,014	2,368
Change in cash	(133)	(22)	193	329	(96)	(78)	21	110	161	188	191	344	292	354	431
Effect of FX	(2)	(2)	6	2	2	-	-	-	-	-	-	-	-	-	-
Ending cash and cash equivalents	371	350	549	880	786	708	729	839	1,000	1,188	1,379	1,722	2,014	2,368	2,799

Revenue Model

SATS Limited

All figures are in SGD '000,000 unless otherwise stated

	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenue															
Total Revenue	1,725	1,828	1,941	970	1,177	1,599	2,036	2,471	2,916	3,471	4,167	5,044	6,154	7,564	9,362
% growth		6.0%	6.2%	(50.0)%	21.3%	35.9%	27.3%	21.4%	18.0%	19.0%	20.1%	21.0%	22.0%	22.9%	23.8%
Food solutions															
Total Meals Served	71	76	83	44	52	76	102	124	145	169	199	235	279	333	399
% growth		7.9%	8.4%	(47.0)%	19.9%	44.3%	34.4%	22.4%	16.4%	17.0%	17.5%	18.1%	18.7%	19.2%	19.8%
Meals served (Aviation)	61	65	68	24	28	45	63	75	83	91	100	110	121	133	147
% growth		7.1%	4.4%	(64.5)%	15.6%	60.0%	40.0%	20.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
% total	86.4%	85.7%	82.5%	55.4%	53.4%	59.2%	61.7%	60.5%	57.1%	53.7%	50.3%	46.8%	43.4%	40.0%	36.8%
Meals served (Non-aviation)	10	11	14	20	24	31	39	49	62	78	99	125	158	200	252
% growth		12.4%	31.2%	36.4%	25.2%	26.3%	26.3%	26.3%	26.3%	26.3%	26.3%	26.3%	26.3%	26.3%	26.3%
% total	13.8%	14.3%	17.3%	44.6%	46.6%	40.8%	38.3%	39.5%	42.9%	46.3%	49.7%	53.2%	56.6%	60.0%	63.2%
Average Revenue per meal served	13.43	12.99	12.98	13.13	12.23	12.84	13.49	14.16	14.87	15.61	16.39	17.21	18.07	18.98	19.93
% growth		(3.3)%	(0.1)%	1.2%	(6.8)%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Revenue	947	988	1,071	574	641	971	1,371	1,762	2,154	2,645	3,265	4,049	5,045	6,315	7,941
% growth		4.4%	8.3%	(46.4)%	11.7%	51.5%	41.1%	28.5%	22.3%	22.8%	23.4%	24.0%	24.6%	25.2%	25.8%
Gateway Services															
Flights handled (thousand)	166	213	351	55	96	115	139	168	202	244	294	354	427	515	621
% growth		28.5%	64.9%	(84.3)%	73.3%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%
Passengers handled (million)	54	60	85	4	10	13	17	22	27	35	44	57	72	92	117
% growth		10.3%	41.3%	(95.1)%	152.9%	27.3%	27.3%	27.3%	27.3%	27.3%	27.3%	27.3%	27.3%	27.3%	27.3%
Cargo/mail processed (million tonnes)	2	2	2	1	2	2	2	2	2	2	2	2	2	2	2
% growth		1.6%	(3.8)%	(35.8)%	46.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Revenue	777	838	869	390	533	624	661	705	757	820	896	989	1,102	1,241	1,412
% growth		7.9%	3.7%	(55.1)%	36.7%	17.1%	5.9%	6.6%	7.4%	8.3%	9.3%	10.3%	11.4%	12.6%	13.8%
Others															
Revenue	1	2	2	7	3	4	4	5	5	5	6	7	7	8	9
% growth		50.0%	(9.5)%	242.1%	(47.7)%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Share of Results of Associates and Joint Ventures, Net c	71	59	12	(48)	17	18	19	20	21	22	23	24	25	27	28
% growth		(17.2)%	(80.0)%	(507.9)%	(135.7)%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%

**SATS Limited**

	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
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	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
<b>Costs</b>															
License Fees	(84)	(89)	(85)	(20)	(16)	(32)	(61)	(87)	(102)	(122)	(146)	(177)	(216)	(266)	(329)
% of revenue	4.9%	4.9%	4.4%	2.1%	1.4%	2.0%	3.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Staff Cost	(833)	(874)	(879)	(382)	(551)	(879)	(977)	(1,063)	(1,254)	(1,493)	(1,792)	(2,169)	(2,646)	(3,252)	(4,026)
% of revenue	48.3%	47.8%	45.3%	39.4%	46.8%	55.0%	48.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%
Raw Materials	(252)	(267)	(346)	(270)	(311)	(324)	(413)	(501)	(591)	(704)	(845)	(1,023)	(1,247)	(1,533)	(1,898)
% of revenue	14.6%	14.6%	17.8%	27.8%	26.4%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%
Company Premise and Utilities Expenses	(103)	(113)	(93)	(65)	(74)	(96)	(122)	(148)	(175)	(208)	(250)	(303)	(369)	(454)	(562)
% of revenue	6.0%	6.2%	4.8%	6.7%	6.3%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Other Costs	(146)	(152)	(194)	(112)	(148)	(163)	(207)	(252)	(297)	(354)	(425)	(514)	(627)	(770)	(954)
% of revenue	8.5%	8.3%	10.0%	11.6%	12.6%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%
Earnings before taxes	250	249	202	(97)	(44)	6	144	292	348	420	513	671	829	1,030	1,288
Tax expense	(56)	(51)	(38)	36	31	(1)	(30)	(60)	(72)	(87)	(106)	(139)	(171)	(213)	(266)
Effective tax rate	22.4%	20.7%	18.9%	-	-	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%
SBC	11	7	11	9	8	10	13	15	18	21	26	31	38	47	58
% of revenue	0.6%	0.4%	0.6%	0.9%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
<b>Working capital</b>															
Trade and Other Receivables	299	301	386	292	388	377,490	480,629	583,414	688,488	819,593	983,979	1,191,055	1,453,056	1,785,927	2,210,474
Days receivables outstanding	63	60	73	110	120	85	85	85	85	85	85	85	85	85	85
Amounts due from associates and joint ventures	5	5	3	1	2	1,823	1,914	2,010	2,110	2,216	2,326	2,443	2,565	2,693	2,828
% of revenue	6.5%	9.0%	24.1%	(2.5)%	13.5%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%
Inventories	23	24	67	130	83	72,864	92,772	112,612	132,893	158,199	189,929	229,899	280,471	344,722	426,669
Days inventories outstanding	33	33	71	176	98	82	82	82	82	82	82	82	82	82	82
Prepayment and Deposits	16	19	23	20	37	26,797	34,118	41,415	48,873	58,180	69,849	84,549	103,147	126,777	156,914
% of revenue	0.9%	1.1%	1.2%	2.1%	3.1%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Amounts due to associates and joint ventures	3	9	-	11	11	2,282	2,396	2,515	2,641	2,773	2,912	3,057	3,210	3,371	3,539
% Share of results of Associates and joint ventures	4.9%	15.7%	-	(23.8)%	66.5%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%
Trade and Other Payables	332	323	372	359	458	454,473	541,497	623,588	735,896	876,029	1,051,735	1,273,070	1,553,112	1,908,904	2,362,685
Days payable outstanding	85	79	85	154	152	111	111	111	111	111	111	111	111	111	111
<b>Other Assets &amp; Liabilities</b>															
Other Non-current Assets	7	4	15	23	13	15,737	20,036	24,321	28,701	34,167	41,020	49,652	60,574	74,451	92,149
% of revenue	0.4%	0.2%	0.8%	2.4%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Other Payables	21	19	60	45	43	43,633	55,554	67,435	79,580	94,733	113,734	137,669	167,953	206,428	255,500
% of revenue	1.2%	1.0%	3.1%	4.6%	3.6%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Right-of-use Assets	-	-	206	188	313	425,014	541,137	656,863	775,165	922,775	1,107,856	1,341,002	1,635,988	2,010,765	2,488,760
% revenue	-	-	10.6%	19.4%	26.6%	26.6%	26.6%	26.6%	26.6%	26.6%	26.6%	26.6%	26.6%	26.6%	26.6%
change	-	-	205,957	(18,241)	125,111	112,187	116,123	115,726	118,302	147,610	185,081	233,146	294,986	374,777	477,995
Current Lease Liabilities	-	0	19	16	41	64	87	110	133	163	200	246	305	379	475
% current	-	49.5%	9.3%	8.2%	12.7%	19.9%	19.9%	19.9%	19.9%	19.9%	19.9%	19.9%	19.9%	19.9%	19.9%
Non-current Lease Liabilities	-	0	190	179	286	376	469	561	656	774	922	1,109	1,345	1,646	2,028
% non-current	-	50.5%	90.7%	91.8%	87.3%	80.1%	80.1%	80.1%	80.1%	80.1%	80.1%	80.1%	80.1%	80.1%	80.1%
Investment in Joint Ventures	245	102	71	57	60	60	60	60	60	60	60	60	60	60	60
% growth	-	(58.1)%	(30.5)%	(19.4)%	4.9%	-	-	-	-	-	-	-	-	-	-
Investment in Associates	604	622	618	521	394	394	394	394	394	394	394	394	394	394	394
% growth	-	2.9%	(0.6)%	(15.7)%	(24.4)%	-	-	-	-	-	-	-	-	-	-
Long-term Investments	7	4	15	23	13	14	15	17	18	20	22	24	27	30	33
% growth	-	(40.9)%	247.2%	56.0%	(46.6)%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

PPE Schedule

SATS Limited

All figures are in SGD '000,000 unless otherwise stated

	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
<b>PPE</b>															
Revenue	1,725	1,828	1,941	970	1,177	1,599	2,036	2,471	2,916	3,471	4,167	5,044	6,154	7,564	9,362
PPE, net	560	579	602	520	590	623	672	735	809	898	1,008	1,186	1,406	1,681	2,027
Intangible Assets, net	158	351	427	411	553	591	643	708	787	883	1,000	1,144	1,324	1,548	1,829
PPE total	1,570	1,659	1,806	1,831	2,294	2,392	2,517	2,669	2,847	3,060	3,315	3,624	4,001	4,464	5,038
Accumulated Depreciation	(1,010)	(1,080)	(1,203)	(1,311)	(1,705)	(1,770)	(1,845)	(1,934)	(2,038)	(2,162)	(2,307)	(2,438)	(2,595)	(2,783)	(3,011)
Beginning Depreciation						(1,705)	(1,770)	(1,845)	(1,934)	(2,038)	(2,162)	(2,307)	(2,438)	(2,595)	(2,783)
Depreciation						(65)	(75)	(89)	(104)	(123)	(146)	(131)	(157)	(189)	(228)
Accumulated Depreciation					(1,705)	(1,770)	(1,845)	(1,934)	(2,038)	(2,162)	(2,307)	(2,438)	(2,595)	(2,783)	(3,011)

<b>Cost Allocation</b>		Useful life													
Freehold land and buildings	50	94	93	106	95	87	92	99	107	116	128	141	158	178	202
Leasehold land and buildings	15	708	709	804	804	1,090	1,135	1,191	1,259	1,340	1,435	1,551	1,690	1,860	2,069
Office fitting and fixtures	6	158	175	203	195	200	210	223	239	257	279	306	338	376	424
Fixed ground support equipment	6	368	378	419	437	593	616	646	683	725	776	838	912	1,002	1,113
Mobile ground support equipment	6	65	75	87	89	92	96	102	109	117	126	138	152	169	190
Office and commercial equipment	6	49	59	65	64	91	95	99	105	111	119	128	139	152	169
Motor vehicles	10	59	68	67	68	67	71	75	81	87	95	104	116	130	147
Work in progress	8	69	101	34	33	74	78	82	87	93	101	110	121	134	150
PPE total		1,570	1,659	1,785	1,785	2,294	2,392	2,517	2,669	2,847	3,060	3,315	3,624	4,001	4,464

<b>%</b>															
Freehold land and buildings		6.0%	5.6%	5.9%	5.3%	3.8%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Leasehold land and buildings		45.1%	42.7%	45.0%	45.0%	47.5%	45.1%	45.1%	45.1%	45.1%	45.1%	45.1%	45.1%	45.1%	45.1%
Office fitting and fixtures		10.0%	10.6%	11.4%	10.9%	8.7%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%
Fixed ground support equipment		23.4%	22.8%	23.5%	24.5%	25.8%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Mobile ground support equipment		4.1%	4.5%	4.9%	5.0%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Office and commercial equipment		3.1%	3.5%	3.7%	3.6%	4.0%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Motor vehicles		3.8%	4.1%	3.8%	3.8%	2.9%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Work in progress		4.4%	6.1%	1.9%	1.9%	3.2%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

<b>Accumulated depreciation</b>															
Freehold land and buildings		(38)	(41)	(45)	(50)	(64)									
Leasehold land and buildings		(480)	(513)	(572)	(623)	(810)									
Office fitting and fixtures		(88)	(94)	(105)	(114)	(149)									
Fixed ground support equipment		(261)	(279)	(311)	(339)	(440)									
Mobile ground support equipment		(41)	(43)	(48)	(53)	(68)									
Office and commercial equipment		(40)	(43)	(48)	(52)	(68)									
Motor vehicles		(29)	(32)	(35)	(38)	(50)									
Work in progress		(33)	(35)	(39)	(42)	(55)									
Accumulated Depreciation		(1,010)	(1,080)	(1,203)	(1,311)	(1,705)									

Capex	99	88	76	62	78	160	204	247	292	347	417	504	615	756	936
% Revenue	5.8%	4.8%	3.9%	6.3%	6.6%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
PPE Capex		98	125	151	179	213	255	309	377	463	574				
% PPE	78.1%	62.3%	58.5%	55.9%	51.6%	61.3%	61.3%	61.3%	61.3%	61.3%	61.3%	61.3%	61.3%	61.3%	61.3%
Intangible Capex		62	79	96	113	134	161	195	238	293	363				
% Intangible Assets	21.9%	37.7%	41.5%	44.1%	48.4%	38.7%	38.7%	38.7%	38.7%	38.7%	38.7%	38.7%	38.7%	38.7%	38.7%

<b>Net additions</b>															
Freehold land and buildings						5	7	8	10	11	14	16	20	25	31
Leasehold land and buildings						44	56	68	81	96	115	139	170	209	259
Office fitting and fixtures						10	13	16	18	22	26	32	39	48	59
Fixed ground support equipment						24	30	36	43	51	61	74	90	111	138
Mobile ground support equipment						4	6	7	8	10	11	14	17	21	26
Office and commercial equipment						4	4	5	6	8	9	11	14	17	21
Motor vehicles						4	5	6	7	8	9	11	14	17	21
Work in progress						3	4	5	6	7	9	11	13	16	20
Total						98	125	151	179	213	255	309	377	463	574

<b>Freehold land and buildings</b>		Useful life	50												
Opening balance						22	27	33	41	49	60	72	87	105	128
Additions						5	7	8	10	11	14	16	20	25	31
Depreciation						(0)	(1)	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(3)
Ending balance						22	27	33	41	49	60	72	87	105	128

	Final year														
2022A	22	2072E				(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
2023E	5	2073E				(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
2024E	7	2074E					(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
2025E	8	2075E						(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
2026E	10	2076E							(0)	(0)	(0)	(0)	(0)	(0)	(0)
2027E	11	2077E								(0)	(0)	(0)	(0)	(0)	(0)
2028E	14	2078E									(0)	(0)	(0)	(0)	(0)
2029E	16	2079E										(0)	(0)	(0)	(0)
2030E	20	2080E											(0)	(0)	(0)
2031E	25	2081E												(0)	(0)
2032E	31	2082E													(0)
Depreciation						(0)	(1)	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(3)

<b>Leasehold land and buildings</b>		Useful life	15												
Opening balance						280	306	340	383	434	494	568	658	769	908
Additions						44	56	68	81	96	115	139	170	209	259
Depreciation						(19)	(22)	(25)	(30)	(35)	(42)	(49)	(59)	(70)	(84)
Ending balance						280	306	340	383	434	494	568	658	769	908

	Final year														
2022A	280	2037E				(19)	(19)	(19)	(19)	(19)	(19)	(19)	(19)	(19)	(19)
2023E	44	2038E				(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
2024E	56	2039E					(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
2025E	68	2040E						(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
2026E	81	2041E							(5)	(5)	(5)	(5)	(5)	(5)	(5)
2027E	96	2042E								(6)	(6)	(6)	(6)	(6)	(6)
2028E	115	2043E									(8)	(8)	(8)	(8)	(8)
2029E	139	2044E										(9)	(9)	(9)	(9)
2030E	170	2045E											(11)	(11)	(11)
2031E	209	2046E												(14)	(14)
2032E	259	2047E													(84)
Depreciation						(19)	(22)	(25)	(30)	(35)	(42)	(49)	(59)	(70)	(84)

# SATS Limited

All figures are in SGD '000,000 unless otherwise stated

2018A 2019A 2020A 2021A 2022A 2023E 2024E 2025E 2026E 2027E 2028E 2029E 2030E 2031E 2032E

## Office fittings and fixtures

Useful life 8

Opening balance					51	53	56	59	62	66	71	85	103	125
Additions					10	13	16	18	22	26	32	39	48	59
Depreciation					(9)	(10)	(12)	(15)	(18)	(22)	(18)	(21)	(26)	(31)
Ending balance					51	53	56	59	62	66	71	85	103	125

		Final year												
2022A	51	2028E			(9)	(9)	(9)	(9)	(9)	(9)	-	-	-	-
2023E	10	2029E			(2)	(2)	(2)	(2)	(2)	(2)	(2)	-	-	-
2024E	13	2030E					(2)	(2)	(2)	(2)	(2)	(2)	-	-
2025E	16	2031E						(3)	(3)	(3)	(3)	(3)	(3)	-
2026E	18	2032E							(3)	(3)	(3)	(3)	(3)	(3)
2027E	22	2033E								(4)	(4)	(4)	(4)	(4)
2028E	26	2034E									(4)	(4)	(4)	(4)
2029E	32	2035E										(5)	(5)	(5)
2030E	39	2036E											(6)	(6)
2031E	48	2037E												(8)
2032E	59	2038E												
Depreciation					(9)	(10)	(12)	(15)	(18)	(22)	(18)	(21)	(26)	(31)

## Fixed ground support equipment

Useful life 8

Opening balance					152	150	151	153	156	159	164	198	239	291
Additions					24	30	36	43	51	61	74	90	111	138
Depreciation					(25)	(29)	(34)	(40)	(47)	(56)	(41)	(49)	(59)	(72)
Ending balance					152	150	151	153	156	159	164	198	239	291

		Final year												
2022A	152	2028E			(25)	(25)	(25)	(25)	(25)	(25)	-	-	-	-
2023E	24	2029E			(4)	(4)	(4)	(4)	(4)	(4)	(4)	(0)	-	-
2024E	30	2030E				(5)	(5)	(5)	(5)	(5)	(5)	(5)	-	-
2025E	36	2031E					(6)	(6)	(6)	(6)	(6)	(6)	(6)	-
2026E	43	2032E						(7)	(7)	(7)	(7)	(7)	(7)	(7)
2027E	51	2033E							(9)	(9)	(9)	(9)	(9)	(9)
2028E	61	2034E								(10)	(10)	(10)	(10)	(10)
2029E	74	2035E									(12)	(12)	(12)	(12)
2030E	90	2036E										(15)	(15)	(15)
2031E	111	2037E											(19)	(19)
2032E	138	2038E												
Depreciation					(25)	(29)	(34)	(40)	(47)	(56)	(41)	(49)	(59)	(72)

## Mobile ground support equipment

Useful life 8

Opening balance					24	24	25	26	28	29	31	37	45	55
Additions					4	6	7	8	10	11	14	17	21	26
Depreciation					(4)	(5)	(6)	(7)	(8)	(10)	(8)	(9)	(11)	(13)
Ending balance					24	24	25	26	28	29	31	37	45	55

		Final year												
2022A	24	2028E			(4)	(4)	(4)	(4)	(4)	(4)	-	-	-	-
2023E	4	2029E				(1)	(1)	(1)	(1)	(1)	(1)	-	-	-
2024E	6	2030E					(1)	(1)	(1)	(1)	(1)	(1)	-	-
2025E	7	2031E						(1)	(1)	(1)	(1)	(1)	(1)	-
2026E	8	2032E							(1)	(1)	(1)	(1)	(1)	(1)
2027E	10	2033E								(2)	(2)	(2)	(2)	(2)
2028E	11	2034E									(2)	(2)	(2)	(2)
2029E	14	2035E										(2)	(2)	(2)
2030E	17	2036E											(3)	(3)
2031E	21	2037E												(3)
2032E	26	2038E												
Depreciation					(4)	(5)	(6)	(7)	(8)	(10)	(8)	(9)	(11)	(13)

## Office and commercial equipment

Useful life 6

Opening balance					23	23	23	23	23	24	25	30	36	43
Additions					4	4	5	6	8	9	11	14	17	21
Depreciation					(4)	(4)	(5)	(6)	(7)	(8)	(6)	(7)	(9)	(11)
Ending balance					23	23	23	23	23	24	25	30	36	43

		Final year												
2022A	23	2028E			(4)	(4)	(4)	(4)	(4)	(4)	-	-	-	-
2023E	4	2029E				(1)	(1)	(1)	(1)	(1)	(1)	(0)	-	-
2024E	4	2030E					(1)	(1)	(1)	(1)	(1)	(1)	-	-
2025E	5	2031E						(1)	(1)	(1)	(1)	(1)	(1)	-
2026E	6	2032E							(1)	(1)	(1)	(1)	(1)	(1)
2027E	8	2033E								(1)	(1)	(1)	(1)	(1)
2028E	9	2034E									(2)	(2)	(2)	(2)
2029E	11	2035E										(2)	(2)	(2)
2030E	14	2036E											(2)	(2)
2031E	17	2037E												(3)
2032E	21	2038E												
Depreciation					(4)	(4)	(5)	(6)	(7)	(8)	(6)	(7)	(9)	(11)

## Motor vehicles

Useful life 10

Opening balance					17	19	22	25	28	32	37	43	50	59
Additions					4	5	6	7	8	9	11	14	17	21
Depreciation					(2)	(2)	(3)	(3)	(4)	(5)	(5)	(7)	(8)	(10)
Ending balance					17	19	22	25	28	32	37	43	50	59

		Final year												
2022A	17	2032E			(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
2023E	4	2033E				(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
2024E	5	2034E					(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
2025E	6	2035E						(1)	(1)	(1)	(1)	(1)	(1)	(1)
2026E	7	2036E							(1)	(1)	(1)	(1)	(1)	(1)
2027E	8	2037E								(1)	(1)	(1)	(1)	(1)
2028E	9	2038E									(1)	(1)	(1)	(1)
2029E	11	2039E										(1)	(1)	(1)
2030E	14	2040E											(1)	(1)
2031E	17	2041E												(2)
2032E	21	2042E												
Depreciation					(2)	(2)	(3)	(3)	(4)	(5)	(5)	(7)	(8)	(10)



SATS Limited

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		2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Work in Progress																
Time to completion																
Opening balance							19	20	22	25	29	34	40	49	60	72
Additions							3	4	5	6	7	9	11	13	16	20
Completions							(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(4)
Ending balance						19	20	22	25	29	34	40	49	60	72	88
Final year																
2022A	19	-					(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	-	-
2023E	3							-	-	-	-	-	-	-	(3)	
2024E	4								-	-	-	-	-	-	-	(4)
2025E	5									-	-	-	-	-	-	
2026E	6										-	-	-	-	-	
2027E	7											-	-	-	-	
2028E	9												-	-	-	
2029E	11													-	-	
2030E	13														-	
2031E	16															-
2032E	20															-
Completions							(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(4)

Intangible Assets Schedule

SATS Limited

All figures are in SGD '000,000 unless otherwise stated

		2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Intangible Assets																
Revenue		1,725	1,828	1,941	970	1,177	1,599	2,036	2,471	2,916	3,471	4,167	5,044	6,154	7,564	9,362
Intangible Assets, net		158	351	427	411	553	591	643	708	787	883	1,000	1,144	1,324	1,548	1,829
Intangible Assets, total		310	511	602	597	754	816	895	991	1,104	1,238	1,400	1,595	1,834	2,127	2,489
Accumulated amortisation		(153)	(161)	(175)	(187)	(201)	(226)	(252)	(283)	(317)	(355)	(400)	(451)	(510)	(579)	(660)
Beginning amortisation							(201)	(226)	(252)	(283)	(317)	(355)	(400)	(451)	(510)	(579)
Amortisation							(24)	(27)	(30)	(34)	(39)	(44)	(51)	(59)	(69)	(81)
Accumulated amortisation						(201)	(226)	(252)	(283)	(317)	(355)	(400)	(451)	(510)	(579)	(660)
Cost Allocation																
Goodwill	Useful life	-														
Software development	10	131	246	303	276	324	353	389	433	485	547	621	711	820	955	1,122
Work in Progress	-	106	109	115	115	130	143	161	182	207	237	273	316	369	434	515
Licence	14	7	9	13	34	34	37	39	42	46	50	56	62	70	80	91
Customer relationships	15	27	27	27	27	27	30	35	40	46	53	61	72	84	100	119
Total Intangible Assets		39	121	145	146	239	253	271	294	320	351	389	434	490	558	642
Total Intangible Assets		310	511	602	597	754	816	895	991	1,104	1,238	1,400	1,595	1,834	2,127	2,489
%																
Goodwill		42.1%	48.0%	50.3%	46.3%	43.0%	45.9%	45.9%	45.9%	45.9%	45.9%	45.9%	45.9%	45.9%	45.9%	45.9%
Software development		34.3%	21.4%	19.0%	19.2%	17.2%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%
Work in Progress		2.3%	1.7%	2.2%	5.7%	4.6%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Licence		8.6%	5.2%	4.5%	4.5%	3.6%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Customer relationships		12.6%	23.6%	24.0%	24.4%	31.6%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Accumulated amortisation																
Goodwill (impairment)		(66)	(69)	(75)	(80)	(87)	(87)	(87)	(87)	(87)	(87)	(87)	(87)	(87)	(87)	(87)
Software development		(26)	(28)	(30)	(32)	(35)										
Work in Progress		(7)	(7)	(8)	(9)	(9)										
Licence		(5)	(6)	(6)	(7)	(7)										
Customer relationships		(48)	(51)	(55)	(59)	(64)										
Total		(153)	(161)	(175)	(187)	(201)										
Intangible Capex																
Goodwill							62	79	96	113	134	161	195	238	293	363
Net additions																
Goodwill							28	36	44	52	62	74	90	110	135	167
Software development							14	18	21	25	30	36	43	53	65	81
Work in Progress							2	3	3	4	4	5	6	8	10	12
Licence							3	4	5	6	7	9	10	13	16	19
Customer relationships							14	18	22	26	31	38	45	55	68	84
Total							62	79	96	113	134	161	195	238	293	363
Software development																
Useful life																
Opening balance							95	99	106	115	125	138	153	173	197	229
Additions							14	18	21	25	30	36	43	53	65	81
Amortisation							(10)	(11)	(13)	(15)	(17)	(20)	(24)	(28)	(33)	(40)
Ending balance						95	99	106	115	125	138	153	173	197	229	270
Final year																
2022A	95	-					(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)
2023E	14							(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
2024E	18							(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
2025E	21								(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
2026E	25									(3)	(3)	(3)	(3)	(3)	(3)	(3)
2027E	30										(3)	(3)	(3)	(3)	(3)	(3)
2028E	36											(4)	(4)	(4)	(4)	(4)
2029E	43												(4)	(4)	(4)	(4)
2030E	53													(5)	(5)	(5)
2031E	65														(5)	(7)
2032E	81															(7)
Amortisation							(10)	(11)	(13)	(15)	(17)	(20)	(24)	(28)	(33)	(40)

SATS Limited

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		2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Work in Progress																
Time to completion																
Opening balance							25	26	27	28	30	33	36	41	47	55
Additions							2	3	3	4	4	5	6	8	10	12
Completions							(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Ending balance						25	26	27	28	30	33	36	41	47	55	65
Final year																
2022A	25	-					(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
2023E	2	2038E					-	-	-	-	-	-	-	-	-	-
2024E	3	2039E					-	-	-	-	-	-	-	-	-	-
2025E	3	2040E					-	-	-	-	-	-	-	-	-	-
2026E	4	2041E					-	-	-	-	-	-	-	-	-	-
2027E	4	2042E					-	-	-	-	-	-	-	-	-	-
2028E	5	2043E					-	-	-	-	-	-	-	-	-	-
2029E	6	2044E					-	-	-	-	-	-	-	-	-	-
2030E	8	2045E					-	-	-	-	-	-	-	-	-	-
2031E	10	2046E					-	-	-	-	-	-	-	-	-	-
2032E	12	2047E					-	-	-	-	-	-	-	-	-	-
Completions							(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)

Licence																
Useful life																
Opening balance							20	22	24	27	31	35	41	47	55	65
Additions							3	4	5	6	7	9	10	13	16	19
Amortisation							(1)	(2)	(2)	(2)	(3)	(3)	(4)	(5)	(6)	(7)
Ending balance						20	22	24	27	31	35	41	47	55	65	78
Final year																
2022A	20	2036E					(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
2023E	3	2037E					(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
2024E	4	2038E					(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
2025E	5	2039E					(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
2026E	6	2040E					(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
2027E	7	2041E					(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)
2028E	9	2042E					(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)
2029E	10	2043E					(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)
2030E	13	2044E					(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)
2031E	16	2045E					(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)
2032E	19	2046E					(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)
Amortisation							(1)	(2)	(2)	(2)	(3)	(3)	(4)	(5)	(6)	(7)

Customer Relationships																
Useful life																
Opening balance							175	178	183	192	203	217	235	259	290	330
Additions							14	18	22	26	31	38	45	55	68	84
Amortisation							(12)	(13)	(14)	(15)	(17)	(19)	(22)	(25)	(28)	(33)
Ending balance						175	178	183	192	203	217	235	259	290	330	381
Final year																
2022A	175	2037E					(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)
2023E	14	2038E					(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
2024E	18	2039E					(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
2025E	22	2040E					(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
2026E	26	2041E					(1)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
2027E	31	2042E					(1)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
2028E	38	2043E					(1)	(1)	(1)	(2)	(2)	(3)	(3)	(3)	(3)	(3)
2029E	45	2044E					(1)	(1)	(1)	(2)	(2)	(3)	(3)	(3)	(3)	(3)
2030E	55	2045E					(1)	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(4)	(4)
2031E	68	2046E					(1)	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(4)	(5)
2032E	84	2047E					(1)	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(4)	(5)
Amortisation							(12)	(13)	(14)	(15)	(17)	(19)	(22)	(25)	(28)	(33)

Debt Schedule

SATS Limited

All figures are in SGD '000,000 unless otherwise stated

		2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Debt																	
Cash available/(required) before debt							(16)	13	102	153	179	213	344	292	354	431	
+ Beginning cash and cash equivalents							786	708	729	839	1,000	1,188	1,379	1,722	2,014	2,368	
- Min cash balance							(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	
- Mandatory debt repayment							(102)	(32)	(332)	(32)	(32)	(62)	(140)	(240)	(40)	(40)	
Cash before discretionary debt repayment/(borrowing)							588	609	419	880	1,068	1,259	1,502	1,694	2,248	2,679	
Term loan																	
Unsecured term loan																	
Beginning balance							198	139	147	155	164	172	150	150	150	150	150
Drawdown							30	30	30	30	30	30	30	30	30	30	30
Repayment (existing balance)							(89)	(22)	(22)	(22)	(22)	(22)	-	-	-	-	-
Repayment (new balance)							-	-	-	-	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Ending balance						198	139	147	155	164	172	150	150	150	150	150	150
Average balance							168	143	151	160	168	161	150	150	150	150	150
Interest rate							5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest expense							(8)	(7)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)
Secured term loan																	
Beginning balance							13	10	10	10	10	10	10	10	10	10	10
Drawdown							10	10	10	10	10	10	10	10	10	10	10
Repayment							(13)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)
Ending balance						13	10	10	10	10	10	10	10	10	10	10	10
Average balance							12	10	10	10	10	10	10	10	10	10	10
Interest rate							2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Interest expense							(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Total																	
Beginning balance							211	149	157	165	174	182	160	160	160	160	
Drawdown							40	40	40	40	40	40	40	40	40	40	
Repayment							(102)	(32)	(32)	(32)	(32)	(62)	(40)	(40)	(40)	(40)	
Ending balance						211	149	157	165	174	182	160	160	160	160	160	
Less: Current portion							(102)	(32)	(32)	(32)	(32)	(10)	(10)	(10)	(10)	(10)	
Non-current portion						109	117	125	134	142	150	150	150	150	150	150	

# SATS Limited

All figures are in SGD '000,000 unless otherwise stated

	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
<b>Notes payable</b>																
<b>Series 001 Note</b>																
Beginning balance						200	200	200	200	200	200	200	200	200	200	200
Issuance			200			-	-	200	-	-	-	-	200	-	-	-
Repayment						-	-	(200)	-	-	-	-	(200)	-	-	-
Ending balance					200	200	200	200	200	200	200	200	200	200	200	200
Average balance						200	200	200	200	200	200	200	200	200	200	200
Interest rate						2.9%	2.9%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Interest expense						(6)	(6)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)
<b>Series 002 Note</b>																
Beginning balance						100	100	100	100	100	100	100	200	200	200	200
Issuance				100		-	-	100	-	-	-	-	200	-	-	200
Repayment						-	-	(100)	-	-	-	(100)	-	-	-	(200)
Ending balance					100	100	100	100	100	100	100	200	200	200	200	200
Average balance						100	100	100	100	100	100	150	200	200	200	200
Interest rate						2.6%	2.6%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Interest expense						(3)	(3)	(3)	(3)	(3)	(3)	(5)	(6)	(6)	(6)	(6)
<b>Total</b>																
Beginning balance						300	300	300	300	300	300	300	400	400	400	
Issuance						-	-	300	-	-	-	200	200	-	-	
Repayment						-	-	(300)	-	-	-	(100)	(200)	-	-	
Ending balance					300	300	300	300	300	300	300	400	400	400	400	
Less: Current portion					-	-	(300)	-	-	-	(100)	(200)	-	-	(200)	
Non-current portion					300	300	-	300	300	300	200	200	400	400	200	
<b>Interest expense/income</b>																
Total interest expense						(17)	(16)	(18)	(18)	(19)	(18)	(19)	(21)	(21)	(21)	
Beginning cash balance						786	708	729	839	1,000	1,188	1,379	1,722	2,014	2,368	
Ending balance						708	729	839	1,000	1,188	1,379	1,722	2,014	2,368	2,799	
Average balance						747	719	784	920	1,094	1,283	1,550	1,868	2,191	2,584	
Interest rate						1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	
Interest income						8	7	7	8	10	12	14	17	20	24	

## Equity Schedule

### SATS Limited

All figures are in SGD '000,000 unless otherwise stated

	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
<b>Equity</b>																
Beginning revenue reserve						1,369	1,397	1,536	1,792	2,095	2,456	2,891	3,453	4,141	4,990	
+ Net Income						28	139	257	302	361	435	562	688	849	1,055	
- Dividends						-	-	-	-	-	-	-	-	-	-	
Ending revenue reserve						1,397	1,536	1,792	2,095	2,456	2,891	3,453	4,141	4,990	6,045	
Beginning SBC reserve						5	15	27	43	61	82	108	139	177	224	
+ Share-based payment						10	13	15	18	21	26	31	38	47	58	
Ending SBC reserve						15	27	43	61	82	108	139	177	224	281	

## Weighted Average Cost of Capital

### SATS Limited

WACC Build

All amounts in USD '000,000 unless otherwise stated

#### WACC Calculations

##### Cost of equity

Risk free rate	%	3.5%
Target beta		0.62
Equity risk premium	%	5.6%
Cost of equity	%	6.94%

##### Cost of debt

Interest coverage ratio		0.89
Credit rating		A+
Default spread	%	1.0%
Marginal cost of debt	%	4.5%
Tax rate	%	17.0%
After-tax cost of debt	%	3.73%

##### WACC

Net debt		39
Equity		1,306
Equity gearing	%	97.1%
WACC	%	6.84%

Comparable companies	Net Debt	Equity	Debt/equity	Marginal tax rate	Levered beta	Unlevered beta
Singapore Airlines Limited (SGX:C6L)	1,239	16,232	7.6%	17.0%	0.87	0.82
Malaysia Airports Holdings Berhad (KLSE:AIRPORT)	646	1,537	42.0%	17.0%	0.83	0.62
Airports of Thailand Public Company Limited (SET:AOT)	1,489	3,008	49.5%	17.0%	0.69	0.49
Guangzhou Baiyun International Airport Co., Ltd. (SHSE:600004)	209	2,593	8.1%	17.0%	0.87	0.82
Airports Corporation of Vietnam	(807)	1,516	(53.2)%	17.0%	NA	NA
Hainan Meilan International Airport Company Limited (SEHK:357)	265	637	41.7%	17.0%	0.63	0.47
Xiamen International Airport Co.,Ltd (SHSE:600897)	(221)	571	(38.7)%	17.0%	0.32	0.47
Beijing Capital International Airport Company Limited (SEHK:694)	950	2,812	33.8%	17.0%	0.71	0.55
Shanghai International Airport Co., Ltd. (SHSE:600009)	1,536	3,862	39.8%	17.0%	0.61	0.46
Japan Airport Terminal Co., Ltd. (TSE:9706)	1,083	1,065	101.7%	17.0%	0.98	0.53
Auckland International Airport Limited (NZSE:AIA)	857	4,756	18.0%	17.0%	0.8	0.70
<b>Average</b>						<b>0.59</b>

Comparable companies	Net Debt	Equity	Debt/equity	Marginal tax rate	Levered beta	Unlevered beta
Elior Group SA (ENXTPA:ELIOR)	1,216	1,063	114.4%	17.0%	2.25	1.15
Compass Group PLC (LSE:CPG)	2,959	5,708	51.8%	17.0%	0.91	0.64
Sodexo S.A. (ENXTPA:SW)	3,493	4,455	78.4%	17.0%	0.92	0.56
DO & CO Aktiengesellschaft (WBAG:DOC)	318	137	231.9%	17.0%	1.9	0.65
Aramark (NYSE:ARMK)	8,109	2,732	296.8%	17.0%	1.64	0.47
Autogrill S.p.A. (BIT:AGL)	1,877	981	191.4%	17.0%	1.59	0.61
SSP Group plc (LSE:SSPG)	1,340	361	371.7%	17.0%	1.74	0.43
Saudi Airlines Catering Company (SASE:6004)	59	232	25.4%	17.0%	0.44	0.36
<b>Average</b>						<b>0.61</b>

% Gateway services	45.5%
% Food solutions	54.5%

<b>SATS Ltd. (SGX:S58)</b>	<b>39</b>	<b>1,306</b>	3.0%	17.0%	0.62	0.60
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All figures are in SGD '000,000 unless otherwise stated.

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Appendix: Trading Comparables

Trading Comparables

Airport Operators and Gateway Services

Comparable companies	Market Data						Financials			Multiples		
	Day Close Price	Shares Outstanding	Market Capitalization	LTM Net Debt	Equity Value	Enterprise Value	Revenue	EBITDA	Earnings per Share	EV/Revenue	EV/EBITDA	Price/Earnings
	Latest (US\$)	Latest (m)	(US\$m)	(US\$m)	(US\$m)	(US\$m)	(US\$m)	(US\$m)	(US\$)			
Singapore Airlines Limited (SGX:C6L)	3.64	6,449.20	23,462	1,239	16,232	24,977	5,421	608	0.28			
Malaysia Airports Holdings Berhad (KLSE:AIROPRT)	1.26	1,659.20	2,093	646	1,537	2,739	482	302	0.02	2.1x	8.9x	13.1x
Hainan Meilan International Airport Company Limited (SEHK:357)	1.79	473.20	848	265	637	1,135	186	62	0.09	2.8x	8.0x	56.3x
Xiamen International Airport Co.,Ltd (SHSE:600897)	2.07	297.80	616	(221)	571	432	137	6	0.17	4.3x	9.8x	20.0x
Auckland International Airport Limited (NZSE:AIA)	4.32	1,472.70	6,359	857	4,756	7,215	170	88	0.05	2.0x	5.0x	11.8x
Airports of Thailand Public Company Limited (SET:AOT)	1.96	14,285.70	27,944	1,489	3,008	29,465	312	(319)	0.01	21.3x	31.9x	92.0x
Guangzhou Baiyun International Airport Co., Ltd. (SHSE:600004)	1.98	2,366.70	4,681	209	2,593	4,929	672	112	-	27.6x	53.6x	171.9x
Shanghai International Airport Co., Ltd. (SHSE:600009)	7.91	2,488.50	19,689	1,536	3,862	21,256	431	(257)	(0.01)	5.9x	20.8x	NM
Japan Airport Terminal Co., Ltd. (TSE:9706)	42.17	93.10	3,928	1,083	1,065	4,997	440	(35)	(0.19)	16.9x	92.0x	NM
Beijing Capital International Airport Company Limited (SEHK:694)	0.54	4,579.20	2,462	950	2,812	3,479	376	(283)	(0.04)	5.0x	33.2x	NM
Airports Corporation of Vietnam	-	-	-	(807)	1,516	-	276	89	-	5.2x	NM	NM
										NA	NA	NA

EV/Revenue

2.8x

EV/EBITDA

7.9x

Price/Earnings

25.3x

Average

80th percentile

20th percentile

2.1x

6.8x

34.5x

12.6x

Food Solutions

Comparable companies	Market Data						Financials			Multiples		
	Day Close Price	Shares Outstanding	Market Capitalization	LTM Net Debt	Equity Value	Enterprise Value	Revenue	EBITDA	Earnings per Share	EV/Revenue	EV/EBITDA	Price/Earnings
	Latest (US\$)	Latest (m)	(US\$m)	(US\$m)	(US\$m)	(US\$m)	(US\$m)	(US\$m)	(US\$)			
Elior Group SA (ENXTPA:ELIOR)	2.19	172.30	378	1,216	1,063	1,579	4,087	(30)	(0.04)			
Compass Group PLC (LSE:CPG)	21.47	1,756.90	37,727	2,959	5,708	40,716	24,337	1,605	0.84	0.3x	6.9x	NM
Sodexo S.A. (ENXTPA:SW)	91.07	146.20	13,315	3,493	4,455	16,818	21,268	1,264	5.57	1.3x	13.7x	25.7x
DO & CO Aktiengesellschaft (WBAG:DOC)	80.24	9.70	782	318	137	1,131	897	82	3.82	0.7x	9.2x	16.3x
Aramark (NYSE:ARMK)	35.23	257.70	9,079	8,109	2,732	17,197	15,487	1,192	1.79	1.0x	8.2x	21.0x
Autogrill S.p.A. (BIT:AGL)	6.36	381.90	2,428	1,877	981	4,358	3,769	306	0.13	1.0x	11.7x	19.7x
SSP Group plc (LSE:SSPG)	2.40	795.90	1,913	1,340	361	3,339	1,602	(65)	0.02	1.1x	6.1x	50.1x
Saudi Airlines Catering Company (SASE:6004)	19.87	82.00	1,630	59	232	1,689	401	72	1.03	1.1x	7.2x	105.1x
										3.2x	11.9x	19.3x

EV/Revenue

0.9x

EV/EBITDA

9.4x

Price/Earnings

20.7x

Average

80th percentile

20th percentile

0.8x

7.0x

22.9x

18.3x

	Gateway	Weight	Food	Weight	Blended Multiple
Blended EV/EBITDA	7.9x	45.5%	9.4x	54.5%	8.7x
Blended P/E	12.6x	45.5%	18.3x	54.5%	15.7x

Sum of the Parts Valuation

SOTP Valuation

EV/Revenue

2023E Gateway Services Revenue	971	EV/Revenue Gateway			
EV/Revenue	2.1x		0.8x	0.9x	1.1x
2023E Food Solutions Revenue	624	EV/Revenue Food	2.1x	4.11	4.26
EV/Revenue	0.8x		2.8x	5.18	5.33
Enterprise value	2,480		3.4x	6.06	6.21
- Gross debt	(449)				6.39
+Cash	708				
Equity value	2,739				
Shares outstanding (thousand)	666,840				
2023E Value per share	4.11				

EV/EBITDA

2023E EBITDA	105	EV/EBITDA Gateway			
Blended EV/EBITDA	8.7x		1.75	6.8x	7.9x
2023E Enterprise value	910	EV/EBITDA Food	7.0x	1.47	1.55
- Gross debt	(449)		9.4x	1.67	1.75
+Cash	708		11.8x	1.88	1.96
Equity value	1,169				2.06
Shares outstanding (thousand)	666,840				
2022E Value per share	1.75				

P/E

2023E Earnings Per Share	0.04	P/E Gateway			
Blended P/E	15.7x		0.67	12.6x	25.3x
2023E Price per share	0.67	P/E Food	18.3x	0.67	0.91
			20.7x	0.72	0.96
			22.9x	0.77	1.02

Average share price	3.29
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Sensitivity Analysis

		WACC				
		4.84%	5.84%	6.84%	7.84%	8.84%
Terminal Growth Rate	1.00%	3.33	3.19	3.07	2.95	2.85
	1.50%	3.45	3.30	3.17	3.05	2.94
	2.00%	3.45	3.30	3.17	3.05	2.94
	2.50%	3.78	3.61	3.44	3.30	3.17
	3.00%	4.01	3.82	3.64	3.47	3.32