

### INITIATE COVERAGE

## SATS (SATS SP)

Preparing To Emerge Stronger

With its aviation business well on track for a recovery, SATS is proactively driving expansion in the non-aviation segment. We are positive on SATS' decision to tap on its balance sheet strength and to propel growth through investment (M&As). We re-initiate coverage on SATS with BUY and FY23 DCF-based target price of S\$4.65.

- Benefitting from APAC air travel recovery.** With its over 80% share of inflight catering and gateway services at Changi Airport and strong presence at regional hub airports in several key Asian countries, SATS will benefit directly from the air travel recovery in the region. We expect SATS' travel-related businesses to return to pre-pandemic levels by FY25. This is in line with the International Air Transport Association's air travel forecasts for APAC and SATS' guidance, but excludes possible inorganic growth from M&As.
- Expanding non-aviation segment, another engine of growth.** We applaud SATS' strategy to leverage its strengths and network in aviation and to diversify into the non-aviation segment (eg non-aviation food solutions such as central kitchens). This offers SATS another growth engine when its travel-related businesses remain in the recovery mode in the next 2-3 years. We project SATS' non-travel segment to achieve a CAGR of 9.4% in FY22-25 (to contribute about 30% of group total revenue by FY25), driven by organic growth and recent investments in central kitchens in Thailand and India.
- S\$1b investment programme to further propel growth.** SATS plans to invest about S\$1b in the next three years, out of which S\$700m-800m would be for expansion and M&As. According to management, the investment would be split between food solutions and gateway services and a significant portion would be in overseas operations. Considering SATS' target investment IRR of mid-teens and assuming an investment gearing of 50%, the S\$700m-800m investment could lead to an additional S\$42m-64m p.a. in net profit at the steady state. This is equivalent to a further 16-24% upside to our current FY25 (normalised year) net profit estimate of S\$267m.
- Near-term cost pressure would be eventually passed through.** Excluding government support, SATS is still in a net loss position, with a S\$33m core net loss in 3QFY22. We expect near-term performance to remain weighed down by the rising cost pressure from: a) inflation on food ingredients and labour, and b) headcount build-up ahead of the business volume recovery. However, we expect the cost pressure to be eventually passed down to end customers as the businesses continue to recover.
- Re-initiate coverage with BUY and DCF-based target price of S\$4.65.** Catalysts: a) faster-than-expected earnings recovery, b) earnings- and value-accretive M&As, and c) realisation of revenue or cost synergy from its regional network. Key risks: a) any event that disrupts the air travel recovery, and b) more challenging market conditions for its overseas ventures and investments.

### KEY FINANCIALS

Year to 31 Mar (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	1,941	970	1,204	1,674	2,021
EBITDA	344	120	103	181	281
Operating profit	226	(10)	(17)	56	151
Net profit (rep./act.)	168	(79)	44	86	159
EPS (S\$ cent)	15.0	(7.0)	3.9	7.7	14.2
PE (x)	27.8	n.m.	106.1	54.3	29.5
P/B (x)	2.9	3.0	2.9	2.8	2.7
EV/EBITDA (x)	12.3	35.2	41.2	23.3	15.0
Dividend yield (%)	1.4	0.0	0.0	1.4	2.6
Net margin (%)	8.7	(8.1)	3.7	5.2	7.9
Net debt/(cash) to equity (%)	(7.4)	(11.9)	(10.4)	(9.5)	(7.9)
ROE (%)	10.3	n.a.	2.8	5.3	9.3
Consensus net profit	-	-	33	129	244
UOBKH/Consensus (x)	-	-	1.36	0.67	0.65

Source: SATS, Bloomberg, UOB Kay Hian

### BUY

Share Price	S\$ 4.17
Target Price	S\$ 4.65
Upside	+11.4%

### COMPANY DESCRIPTION

Asia's leading provider of food solutions and gateway services with a presence in over 55 locations across 14 countries.

### STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	SATS SP
Shares issued (m):	1,122.1
Market cap (S\$ m):	4,679.1
Market cap (US\$m):	3,446.3
3-mth avg daily t'over (US\$m):	6.6

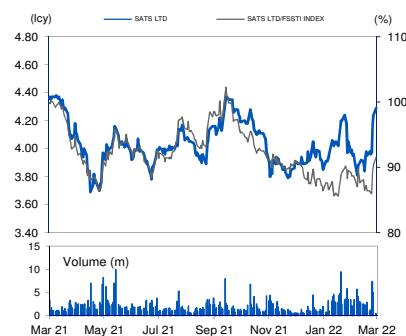
### Price Performance (%)

52-week high/low	S\$ 4.42/S\$ 3.69			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
5.0	8.3	0.7	(5.2)	7.2

### Major Shareholders

Temasek Hldgs	40.0
FY22 NAV/Share (S\$)	1.42
FY22 Net Cash/Share (S\$)	0.16

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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*This report uses the closing prices of 24 March 2022*

### Investment Highlights

**Benefitting from APAC air travel recovery.** SATS is a leading inflight catering and gateway service provider in Asia, with about 12% share of inflight catering and 9% share of cargo handling in the region (Figure 1). Despite the seemingly small market share on a regional basis, SATS has a sizeable share of business volume at the individual airport level. Apart from its over 80% market share at its home base Changi Airport, SATS also has respectable market shares at a number of regional hub airports in other key Asian countries, mostly through non-fully controlled subsidiaries or JVs/associates with some strong local partners (Figure 2).

With travel-related revenue (predominantly from aviation-related services but also cruise terminal services) forming over 90% of SATS' group revenue before the pandemic, SATS took its fair share of hit from COVID-19. Its travel-related revenue plunged about 70% to below S\$500m in FY21, from S\$1.57b in FY19 (pre-pandemic).

Now that the worst of the pandemic is likely over and notably many Asian countries are pushing towards further relaxation of travel restrictions, we believe the recovery of air travel in APAC is well on track. SATS, as Asia's leading inflight catering and gateway service provider, is a primary beneficiary of this trend.

We project SATS' travel-related businesses to return to pre-pandemic levels by FY25 (Figure 3), noting that the projection is in line with International Air Transport Association's air travel forecasts for the APAC region and SATS' in-house target (guided by SATS in its Capital Market Day presentation in Nov 21). This projection has yet to factor in any upside from possible inorganic growth via M&As.

### FIGURE 2: KEY OVERSEAS ENTITIES THROUGH PARTNERSHIPS

Entity	Country	SATS ownership	Business description	Market share at the airport(s)	Partner
TFK Corporation	Japan	59.4% (subsidiary)	Inflight catering at Narita and Haneda airports	~30%	Nomaguchi (original founding family)
GTR Sdn Bhd	Malaysia	49.0% (subsidiary)	Ground/cargo handling across 17 airports	~42%	AirAsia
Asia Airfreight Terminal (AAT)*	Hong Kong	65.4% (subsidiary)	Operates cargo terminals at HK International Airport	~20%	China Merchant Holdings
Air India SATS Airport Services	India	50.0% (JV)	Ground/cargo handling at various Indian airports	24% to 67%	Air India (TATA)
Mumbai Cargo Service Center	India	49.0% (associate)	Operates cargo terminals at Mumbai Airport	~68%	Cargo Service Center India Pvt Limited
TajSATS Air Catering	India	49.0% (associate)	Inflight catering at various Indian airports	35% to 80%	Indian Hotels Company Ltd (TATA)
PT Jasa Angkasa Semesta	Indonesia	49.8% (associate)	Ground and cargo handling at 10 airports	60% to 86%	Publicly listed PT Cardig Aero Services
Evergreen Air Cargo Services	Taiwan	25.0% (associate)	Cargo handling at Taoyuan Airport	~30%	EVA Air
Evergreen Airline Services	Taiwan	20.0% (associate)	Ground handling in various cities	37% to 56%	EVA Air

\* SATS completed the acquisition of a 16.4% additional stake in AAT on 23 Mar 22, following which AAT became a 65.4% subsidiary (previously a 49% associate)  
Source: SATS, UOB Kay Hian

**Expanding non-aviation segment, another engine of growth.** We applaud SATS' strategy to leverage its strengths and network in the aviation sector and to diversify into non-travel businesses. Before the pandemic, SATS was already in the non-aviation food business (catering to government agencies, schools, Singapore Armed Forces, etc), though the revenue contribution was small at only about 12% of SATS' total consolidated revenue. During the pandemic, SATS has accelerated the expansion of its non-travel businesses, including: a) growing its non-aviation food revenue organically and via M&As, from food service and retail chains and fast-casual restaurants; and b) venturing into non-aviation security services in Singapore. After two years of fast growth and combined with a significantly lower aviation revenue as a result of the pandemic, non-travel revenue contributed slightly less than 50% of SATS' total revenue in FY21.

We forecast a 9.4% CAGR for SATS' non-travel revenue between FY22 and FY25, driven by: a) growth from organic business development, and b) impact from some of the investments recently made or announced (notably, the central kitchen investments in Singapore, India, Thailand and China; refer to Figure 6 for a full list of SATS' announced investments in recent years).

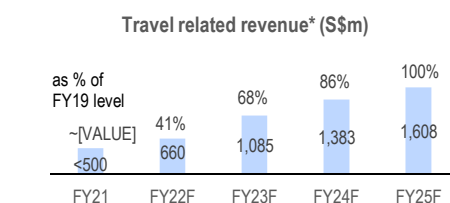
Factoring in the recovery of the travel-related businesses (mainly aviation food solutions and gateway services), SATS' non-travel businesses are expected to contribute about 30% of SATS' total revenue by FY25.

FIGURE 1: MARKET PRESENCE IN 13 COUNTRIES

Country	Food solutions	Gateway services	FY19 revenue share*
Singapore	✓	✓	63.0%
Japan	✓		9.9%
Greater China	✓	✓	11.3%
India	✓	✓	6.0%
Malaysia	✓	✓	
Indonesia	✓	✓	7.0%
Philippines	✓		
Vietnam		✓	
Maldives	✓		
Saudi Arabia		✓	
Oman		✓	2.8%
Australia	✓		
UK	✓		
<b>Total</b>	<b>48.8%</b>	<b>51.2%</b>	<b>100.0%</b>
Travel	40.3%	51.2%	91.5%
Non-travel	8.4%	0.0%	8.4%

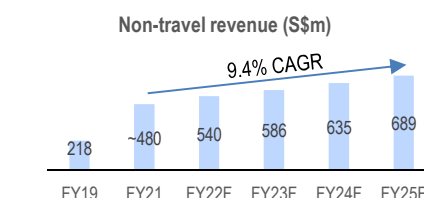
\* % contribution calculated based SATS' effective revenue share from all subsidiaries, JVs and associates.  
Source: SATS, UOB Kay Hian

FIGURE 3: TRAVEL-RELATED REVENUE TO RETURN TO FY19 LEVEL BY FY25



\* For analytical purposes, this projection has not reflected the effect of the financial reporting consolidation of Asia Airfreight Terminal  
Source: SATS, UOB Kay Hian

FIGURE 4: EXPECT 9.4% CAGR FOR NON-TRAVEL REVENUE OVER FY22-25



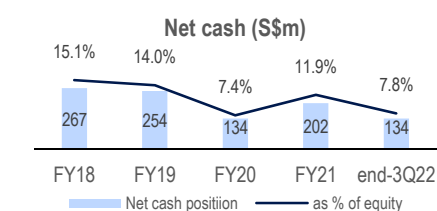
Source: SATS, UOB Kay Hian

**S\$1b investment programme to further propel growth.** SATS plans to invest about S\$1b within the next three years, out of which we estimate that S\$700m-800m would be for expansion and M&As. According to management, the investment amount would be split between food solutions and gateway services and a significant portion would be in overseas operations.

We are largely positive towards SATS' investment plan, considering that today over 80% of SATS' consolidated revenue (or about 65% on a look-through basis) is still derived from Singapore. Investments/M&As could be the fastest way that allows SATS to achieve scale in overseas markets and thereafter benefit from a regional network effect. Besides, driving expansion through investments/M&As would also allow SATS to better utilise its strong balance sheet, which stood at net cash position of S\$134m as of 31 Dec 21.

Based on our conversation with management, SATS would typically target an IRR of mid-teens for its investments or M&As (the IRR target could be lower if the investment is strategic). Assuming an investment gearing of 50%, we estimate that the planned S\$700m-800m expansionary investment would lead to an additional net profit of S\$42m-64m p.a. at the steady state. This is equivalent to a further 16-24% upside to our FY25 (normalised year) net profit estimate of S\$267m.

**FIGURE 5: BALANCE SHEET WITH NET CASH**



Source: SATS, UOB Kay Hian

*The S\$700m-800m expansionary investment could lead to an additional S\$42m-64m p.a. in net profit at the steady state.*

**FIGURE 6: SATS ANNOUNCED INVESTMENTS IN THE RECENT YEARS**

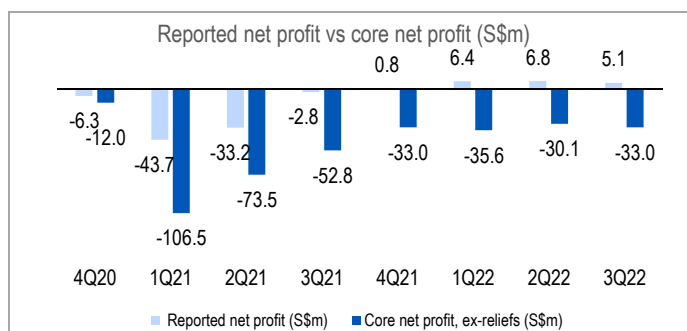
Date of announcement	Announcements/investment activities	Location	Amount
<b>Non-aviation:</b>			
11 Mar 2022	Planned development of a new facility, SATS Food Hub, for its institutional catering business	Singapore	S\$193m
26 Jul 2021	Planned development of SATS' first central kitchen in Bengaluru, India	India	S\$37m
8 Jun 2021	Acquisition of 85% stake in Food City, a frozen food producer, in Thailand	Thailand	S\$21m
5 Sep 2019	Acquisition of remaining 49% shareholding in SATS BRF Food (renamed as Country Foods)	Singapore	S\$17m
19 Nov 2018	Development of a central kitchen in Tianjin, China	China	S\$24m
<b>Aviation:</b>			
23 Feb 2022	Acquisition of additional 16.4% stake in Asia Airfreight Terminal, a cargo terminal operator	Hong Kong	S\$58.5m
29 Feb 2020	Acquisition of 100% of Monty's Bakehouse, an aviation food and sustainable packaging innovator	UK	S\$31m
17 May 2019	Acquisition of 50% of Nanjing Weizhou Airline Food Company	China	S\$31m

Source: SATS, UOB Kay Hian

**Near-term cost pressure would be eventually passed through.** Excluding government support, SATS is still in a net loss position today, with S\$33m core net loss in 3QFY22. The profitability recovery appears slower than the market had expected, as in the near term the company is facing keener cost pressure from: a) inflation on food ingredients and labour, and b) headcount build-up ahead of the business volume recovery. Though a damper on SATS' short-term financial performance, these cost pressures would be eventually passed down to end customers as market conditions and SATS' businesses continue to normalise. Based on our projection, without factoring in any upside from future M&As, SATS' net profit is likely to exceed its pre-pandemic (FY19) level by FY25.

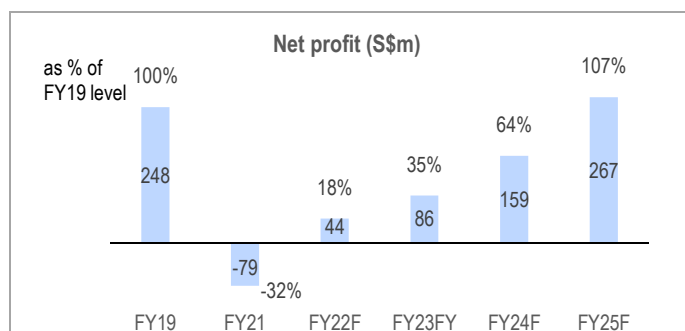
*SATS faces keener cost pressures in the near term from inflation and headcount build-up ahead of the business volume recovery; but these cost pressures would be eventually passed through.*

**FIGURE 7: CORE EARNINGS REMAINED NEGATIVE IN 3QFY22**



Source: SATS, UOB Kay Hian

**FIGURE 8: NET PROFIT TO FULLY RECOVER BY FY25**



Source: SATS, UOB Kay Hian

### Valuation

Re-initiate coverage with BUY and FY23 DCF-based target price of S\$4.65. We apply a WACC of 7.0% and terminal growth of 3.0% (which is our assumed long-term aviation sector growth rate for Singapore and APAC). We have provided a sensitivity analysis of our target price for a range of WACC and terminal growth assumptions (Figure 9).

FIGURE 9: DCF VALUATION

Year to 31 Mar (S\$m)*	FY21	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F
Revenue*	970.0	1,204.0	1,674.1	2,021.2	2,300.1	2,415.0	2,535.6	2,662.2
<i>growth yoy</i>	<i>-50.0%</i>	<i>24.1%</i>	<i>39.0%</i>	<i>20.7%</i>	<i>13.8%</i>	<i>5.0%</i>	<i>5.0%</i>	<i>5.0%</i>
EBIT	-10.1	-17.0	56.1	151.4	280.3	294.3	309.0	324.4
<i>EBIT margin</i>	<i>-1.0%</i>	<i>-1.4%</i>	<i>3.4%</i>	<i>7.5%</i>	<i>12.2%</i>	<i>12.2%</i>	<i>12.2%</i>	<i>12.2%</i>
EBIT*(1-tax rate)	-8.9	-15.3	44.9	121.1	224.2	235.4	247.2	259.5
Add: depreciation & amortisation charge	130.4	120.0	125.0	130.0	138.0	144.9	152.1	159.7
less: operating lease	-29.1	-27.3	-27.3	-27.3	-27.3	-27.3	-27.3	-27.3
less: capex	-61.5	-90.4	-161.5	-167.0	-175.8	-107.6	-114.8	-134.7
less: net increase in working capital	6.7	-28.1	-10.2	-2.2	40.1	-3.2	-3.3	-3.5
<b>Free cash flow to firm (FCF)</b>	<b>37.6</b>	<b>-41.1</b>	<b>-29.1</b>	<b>54.7</b>	<b>199.2</b>	<b>242.3</b>	<b>253.8</b>	<b>253.8</b>
<b>PV of FCF</b>				<b>51.1</b>	<b>174.0</b>	<b>197.8</b>	<b>193.7</b>	<b>180.9</b>
<b>Valuation as at end-FY23F</b>								
WACC applied	7.0%							
Terminal growth assumption	3.0%							
Terminal value	5,286.9							
PV of terminal value	3,769.5							
Sum of PV of FCF in forecast period	797.5							
<b>Enterprise value</b>	<b>4,567.0</b>							
Net cash/(debt)	170.7							
JVs & associates (book value)*	584.4							
Other investments	14.5							
<b>Equity value (100% stake)</b>	<b>5,336.6</b>							
Less: NCI	-122							
<b>Fair value attributable to shareholders</b>	<b>5,214.6</b>							
Outstanding share base	1,122.1							
<b>Target price</b>	<b>S\$4.65</b>							

		Sensitivity Analysis for TP					
		Terminal growth					
		2.0%	2.5%	3.0%	3.5%	4.0%	
WACC	6.0%	S\$4.82	S\$5.42	S\$6.24	S\$7.38	S\$9.10	
	6.5%	S\$4.27	S\$4.73	S\$5.33	S\$6.12	S\$7.24	
	7.0%	S\$3.84	S\$4.20	<b>S\$4.65</b>	S\$5.23	S\$6.01	
	7.5%	S\$3.49	S\$3.77	S\$4.12	S\$4.56	S\$5.13	
	8.0%	S\$3.20	S\$3.43	S\$3.71	S\$4.05	S\$4.48	

\* The financial projection has not reflected the expected consolidation of accounting of Asia Airfreight Terminal, now a 65.4% subsidiary (previously an associate) due to SATS' acquisition of an additional stake. Our valuation for SATS is not affected as we deem the stake purchase and accounting change as valuation-neutral.  
Source: UOB Kay Hian

SATS does not have a directly comparable listed peer. Its current price of S\$4.17 implies a 54.3x FY23F PE, which will be compressed to 17.6x by FY25 (16.7x if excluding net cash), the year when the aviation sector in Singapore and APAC is expected to recover fully. The 17.6x PE for FY25F stands at 0.8SD below its five-year mean of 19.9x in a normal market.

FIGURE 10: TARGET PRICE AND CURRENT PRICE IMPLYING FORWARD PE

	FY22F	FY23F	FY24F	FY25F
EPS (Scents)	3.9	7.7	14.2	23.7
Current price implied PE	106.1x	54.3x	29.5x	17.6x
Current price implied ex-net cash PE	101.7x	52.1x	28.4x	16.7x
Target price implied PE	118.2x	60.6x	32.8x	19.6x
Target price implied ex-net cash PE	113.8x	58.3x	31.8x	18.7x

Source: UOB Kay Hian

FIGURE 11: HISTORICAL PE BAND (FY15-19)



Source: Bloomberg, UOB Kay Hian

**Catalysts and risks.** Potential catalysts for SATS include: a) a faster-than-expected earnings recovery, b) earnings- and value-accretive M&As, and c) realisation of revenue or cost synergy from its regional network.

Risks include: a) any event that disrupts the sector's recovery (eg a more infectious/fatal COVID-19 variant which results in a rollback of the global economic reopening, or further escalation of the Russia-Ukraine war which could dampen travellers' sentiment); and b) more challenging market conditions for its overseas ventures and investments.

### Stake Increase In Asia Airfreight Terminal

**Acquisition of additional stake in Asia Airfreight Terminal (AAT).** SATS announced on 23 Mar 22 that the company had completed the acquisition of an additional 16.4% stake in AAT, previously a 49%-owned associated company of SATS, from its existing partners for a consideration of S\$58.5m. AAT is a cargo terminal operator operating at the Hong Kong International Airport.

Below is a summary of AAT's historical financial performance. Notably, AAT's profit after tax (PAT) and PAT margin fluctuated significantly during the pandemic years of FY20-21 though revenue was only mildly affected. In normal years FY17-19, PAT was in the range of S\$13.2m-14.7m, on the back of revenue of S\$111.4m-150.6m, leading to a PAT margin of 8.7-13.2%.

**FIGURE 12: HIGH-LEVEL FINANCIAL SUMMARY OF AAT (100% BASIS)**

	FY17	FY18	FY19	FY20	FY21	9MFY22
Revenue (S\$m)	111.4	123.1	150.6	140.0	145.7	116.3
PAT (S\$m)	14.7	13.9	13.2	-5.9	27.6	
PAT margin	13.2%	11.3%	8.7%	-4.2%	18.9%	undisclosed

Source: SATS

**Very limited earnings accretion for SATS...** Assuming a normalised revenue of S\$150m p.a. and applying the normal year margins of 8.7-13.2%, we estimate the annual earnings accretion from this additional 16.4% stake in AAT at S\$2.1m-3.2m, equivalent to merely 0.9-1.3% of SATS' FY19 net profit.

**...but will boost SATS' consolidated revenue.** Now that AAT is a 65.4%-owned subsidiary of SATS, AAT is consolidated into SATS' financial reporting. This means 100% of AAT's revenue will be reflected in SATS' reported consolidated revenue, leading to a 12.5%/9.0% upside to our current FY22/23 revenue forecasts.

**Acquisition valuation not cheap but fair.** Based on our estimated annual earnings accretion of S\$2.1m-3.2m, the purchase consideration of S\$58.5m implies an acquisition PE of 18.0-27.3x, not cheap but fair, considering: a) SATS' own historical PE trading range, and b) the control premium that SATS had to pay to gain control of AAT.

**Financial impact not yet reflected in the financial projections of this report.** Given the very limited earnings impact and the lack of more detailed financial disclosure, we have yet to incorporate the financial impact of this acquisition (and the associated accounting change for AAT) in the financial projections published in this report. Considering that this is an arm's length transaction and the acquisition valuation is deemed fair, we believe the acquisition is valuation-neutral to SATS.

*SATS recently acquired an additional 16.4% stake in AAT, a cargo terminal operator in Hong Kong.*

*The deal has little impact on SATS' bottom line, with estimated annual earnings accretion of only S\$2.1m-3.2m, ...*

*...but has a more sizeable impact on the top-line due to the consolidation treatment for AAT's financial reporting.*

*The purchase consideration of S\$58.5m implies an acquisition PE of 18.0-27.3x.*

*The acquisition is expected to be valuation-neutral to our DCF-based valuation of SATS.*

**FIGURE 13: PROFIT & LOSS**

Year to 31 Mar (\$m)	2020	2021	2022F	2023F	2024F
Revenue, net	1,941	970	1,204	1,674	2,021
Operating expenses	(1,715)	(980)	(1,221)	(1,618)	(1,870)
<b>EBIT</b>	<b>226</b>	<b>(10)</b>	<b>(17)</b>	<b>56</b>	<b>151</b>
Other non-operating income	(20)	(72)	13	0	0
Associate contributions	12	(48)	25	34	44
Net interest income/(expense)	(4)	(16)	(13)	(11)	(8)
<b>Pre-tax profit</b>	<b>214</b>	<b>(145)</b>	<b>7</b>	<b>79</b>	<b>187</b>
Tax	(38)	36	17	(3)	(29)
Minorities	(7)	30	20	10	1
<b>Net profit(rep./act.)</b>	<b>168</b>	<b>(79)</b>	<b>44</b>	<b>86</b>	<b>159</b>
Net profit(adj.)	168	(79)	44	86	159
Deprec. & amort.	118	130	120	125	130
EBITDA	344	120	103	181	281

Source: SATS, UOB Kay Hian

**FIGURE 14: BALANCE SHEET**

Year to 31 Mar (\$m)	2020	2021	2022F	2023F	2024F
Cash/Near cash equiv.	549	880	680	571	507
Accounts receivable/debtors	386	292	325	402	424
Stocks	67	130	133	132	107
Other current assets	26	21	21	21	21
<b>Current assets</b>	<b>1,028</b>	<b>1,323</b>	<b>1,159</b>	<b>1,126</b>	<b>1,060</b>
Fixed assets	809	708	722	802	882
Intangible assets	427	411	395	379	363
Other non-current tangible assets	745	650	652	664	679
<b>Total non-current assets</b>	<b>1,982</b>	<b>1,769</b>	<b>1,769</b>	<b>1,844</b>	<b>1,923</b>
<b>Total assets</b>	<b>3,011</b>	<b>3,092</b>	<b>2,928</b>	<b>2,970</b>	<b>2,983</b>
Accounts payable/creditors	372	359	367	432	428
Short-term debt/borrowings	112	143	60	60	60
Other current liabilities	76	63	46	46	46
<b>Current liabilities</b>	<b>561</b>	<b>565</b>	<b>473</b>	<b>539</b>	<b>534</b>
Long-term debt	302	535	440	340	300
Deferred tax liability	91	69	67	67	67
Other non-current liabilities	251	224	225	225	225
<b>Total non-current liabilities</b>	<b>644</b>	<b>828</b>	<b>732</b>	<b>632</b>	<b>592</b>
<b>Total liabilities</b>	<b>1,205</b>	<b>1,393</b>	<b>1,205</b>	<b>1,171</b>	<b>1,126</b>
Minority interest - accumulated	188	152	132	122	121
<b>Shareholders' equity</b>	<b>1,617</b>	<b>1,546</b>	<b>1,591</b>	<b>1,677</b>	<b>1,736</b>
<b>Liabilities and shareholders' funds</b>	<b>3,011</b>	<b>3,092</b>	<b>2,928</b>	<b>2,970</b>	<b>2,983</b>

Source: SATS, UOB Kay Hian



**FIGURE 15: CASH FLOW**

Year to 31 Mar (\$m)	2020	2021	2022F	2023F	2024F
<b>Operating cashflows</b>	<b>244</b>	<b>118</b>	<b>63</b>	<b>154</b>	<b>239</b>
Pre-tax profit	214	(145)	7	79	187
Tax	(53)	(21)	(8)	(3)	(29)
Deprec. & amort.	118	130	120	125	130
Associates	(12)	48	(25)	(34)	(44)
Working capital changes	(49)	7	(28)	(10)	(2)
Non-cash items	10	32	13	0	0
Others	16	67	(16)	(3)	(3)
<b>Cash from investing activities</b>	<b>(117)</b>	<b>(28)</b>	<b>(57)</b>	<b>(136)</b>	<b>(135)</b>
Capex (maintenance)	(76)	(62)	(90)	(161)	(167)
Investments	(82)	0	0	0	0
Proceeds from sale of assets	4	2	0	0	0
Others	37	32	33	25	32
<b>Cash from financing activities</b>	<b>67</b>	<b>240</b>	<b>(205)</b>	<b>(127)</b>	<b>(168)</b>
Dividend payments	(212)	0	0	0	(101)
Issue of shares	0	0	0	0	0
Proceeds from borrowings	305	483	0	0	0
Loan repayment	(4)	(209)	(178)	(100)	(40)
Others/interest paid	(22)	(34)	(27)	(27)	(27)
Net increase/(decrease) in cash	193	329	(200)	(109)	(64)
Beginning cash	350	549	880	680	571
Changes due to forex impact	6	2	0	0	0
<b>End cash</b>	<b>549</b>	<b>880</b>	<b>680</b>	<b>571</b>	<b>507</b>

Source: SATS, UOB Kay Hian

**FIGURE 16: KEY METRICS**

Year to 31 Mar (%)	2020	2021	2022F	2023F	2024F
<b>Growth</b>					
Turnover	6.2	(50.0)	24.1	39.0	20.7
EBITDA	3.6	(65.0)	(14.4)	75.8	55.4
Pre-tax profit	(30.5)	(168.0)	n.a.	998.5	136.5
Net profit	(32.2)	(146.9)	n.a.	95.4	84.4
Net profit (adj.)	n.a.	(146.9)	n.a.	95.4	84.4
EPS	(32.3)	(146.9)	n.a.	95.2	84.4
<b>Profitability</b>					
EBITDA margin	17.7	12.4	8.6	10.8	13.9
EBIT margin	11.7	(1.0)	(1.4)	3.4	7.5
Pre-tax margin	11.0	(15.0)	0.6	4.7	9.3
Net margin	8.7	(8.1)	3.7	5.2	7.9
ROE	10.3	n.a.	2.8	5.3	9.3
ROA	6.2	n.a.	1.5	2.9	5.4
ROIC	9.6	2.7	0.9	3.0	5.9
RONTA	12.9	7.1	5.4	7.4	9.7
<b>Leverage</b>					
Debt to total capital	18.7	28.5	22.5	18.2	16.2
Debt to equity	25.6	43.9	31.4	23.9	20.7
Net debt/(cash) to equity	(7.4)	(11.9)	(10.4)	(9.5)	(7.9)
Current ratio (x)	1.8	2.3	2.5	2.1	2.0

Source: SATS, UOB Kay Hian

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