



RECOMMENDATION BUY

Date	28/1/2022
Currency	SGD
Current Price	\$3.85
Target Price	\$4.91
Upside	27.4%
Industry	Airport Operators & Services
Sector	Industrials
Ticker	S58.SI
Stock Exchange	Singapore Exchange
Shares Outstanding	1118.73
Market Capitalisation	4376.1
EPS	0.01
52 Week High	4.59
52 Week Low	3.55
P/E (LTM)	398.7x

INVESTMENT SUMMARY

We have a **BUY** recommendation for SATS with a one-year target price of S\$4.91, presenting a 27.4% upside potential on the closing price of S\$3.85 on 28/01/2022. The target price is based on the Discounted Cash Flow Model. Our recommendation is driven by the following key catalysts: (1) Air traffic recovery from Covid-19 downturn and high vaccination rate in Singapore, (2) Expansion in food solutions and gateway services maximizing shareholder returns, and (3) Digital and technological innovation.

AIR TRAFFIC RECOVERY FROM COVID-19 DOWNTURN AND HIGH VACCINATION RATE OF SINGAPORE

The aviation sector is projected to reach 80% of the pre-covid levels by 2023 and achieve full recovery between late 2023 to early 2024. SATS is forecasted to breakeven amply from FY2023, set to return at least its pre-Covid gross margin levels of over 30% even at base case degrees (Fig. 14 & 21). Knowing how susceptible the aviation industry is to the spread of Covid-19 and seemingly perpetual newer mutations, minimizing the spread of the virus will permit undisrupted operations and restore typical economies of scale. Singapore, amounting to nearly 70% of SATS' revenue streams, has achieved one of the highest vaccination rates across the globe at 88%, sanctioning a braced recovery phase. Moreover, the recovery plan of Covid-19 as the most traffic routes such as Malaysia, Thailand and Australia will be changing their Covid-19 restriction. Countries such as Australia will be opening its border to international travellers in the next 2 weeks.

EXPANSION IN FOOD SOLUTIONS AND GATEWAY SERVICES MAXIMIZES SHAREHOLDER'S RETURNS

SATS angles itself to materialize more opportunities in the Food Solutions segment, affirmed by the recent uptrend in the proportion of revenue. The company intends to increase the share of food products sold to the non-aviation industry and bolster the Food Solutions revenue ratio to 60% by FY2025. The latest financial year has seen SATS move along the trends, with the company acquiring sole distributor rights in 10 countries for top plant-based protein brands and initiating new partnerships with top retailers such as 7-Eleven. The company has remained bullishly acquisitive in its overall investment strategy even through the pandemic, as proven by the latest 85% attainment in Food City, a move capacitating the company to produce 90,000 ready-to-eat meals a day out of Thailand and totalling to a network of 32 meal production facilities across China, India, Japan, Macau, Malaysia, Maldives, the Philippines, Singapore, and Thailand.

DIGITAL AND TECHNOLOGICAL INNOVATION

The Singapore government has recognized the current tidal of the pandemic to be one that obliges to strategize living with the virus. The heightened demand for logistics has provided SATS with abundant room for growth opportunities. Therefore, the company aims to increase its capital expenditure by S\$1 billion by FY2024, to fuel its expansive blueprint. SATS prevails as a market leader in terms of technological advancement, a notion that also warrants the company to remain environmentally sensible, given its importance in the current market landscape.

BUSINESS DESCRIPTION

SATS is a Singapore-based investment holding company with prime business operations divided between Food Solutions and Gateway Services. The Food Solutions segment channels production of inflight meals and institutional catering, food processing and distribution services, and airline laundry services. The Gateway Services segment provides airfreight handling, passenger and aviation security services, baggage handling, apron services, and cruise terminal management. The company is related to 70 other organizations across 14 countries as of FY2021, in terms of subsidiaries, joint ventures and associates (Fig. 21).

Figure 1: Historic Price

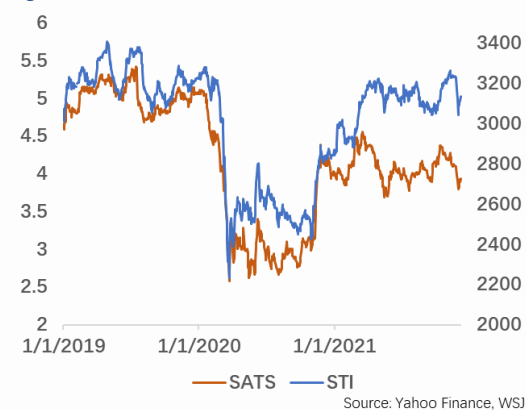


Figure 2: Revenue Projection (Million)

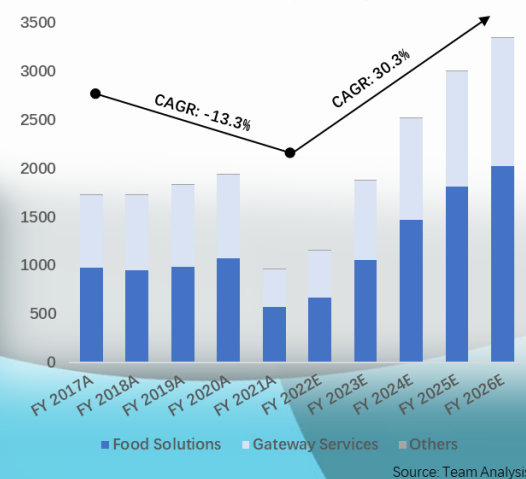


Figure 3: Revenue By Segments

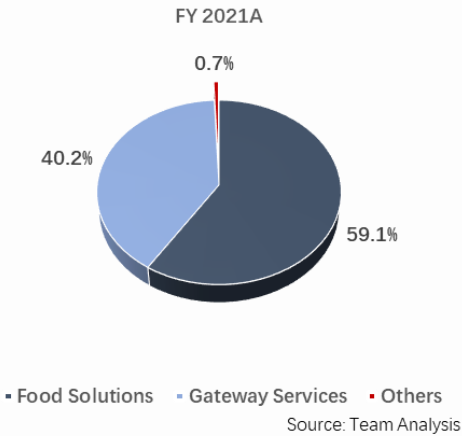


Figure 4: Margins - Food Solution

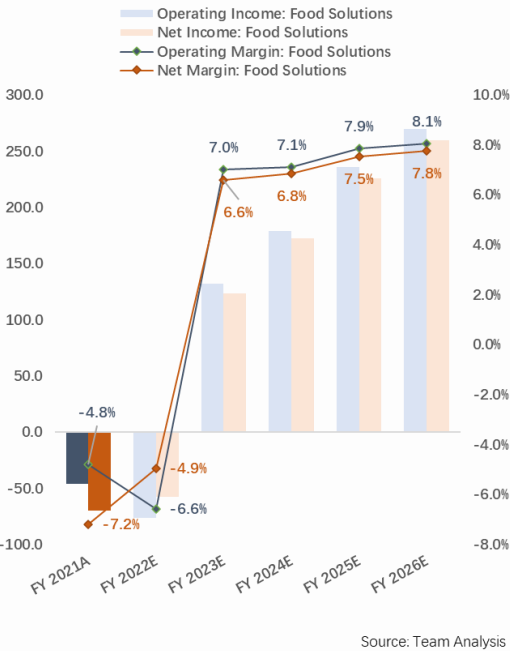
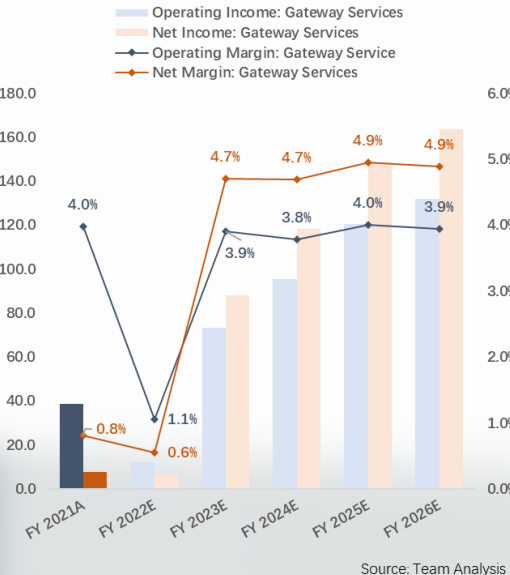


Figure 5: Margins - Gateway Services



Food Solutions contributed 59% of revenue, followed by 40% from gateway services and 1% from others during FY2021. During the Covid-19 pandemic, passenger movements across borders were largely ceased, leaving SATS with a YoY decrease in profit before tax amounting to -134.5% and -61.4% for Food Solutions and Gateway Services respectively. Singapore's stance on easing border restrictions largely determines the operational environment for SATS, given that the company earns nearly 70% of its consolidated revenue from the city-state operations ([Appendix D1 – Revenue Projection](#)).

Over the next 5 years, operating margin is expected to increase to 11.8% by FY2026. The operating margin of each segment, Food solutions and Gateway services, is expected to reach 8.1% and 3.9% respectively. While in FY2022, operating margin is estimated to be lower than FY2021 due to the increase in COGS attributed to the loss in government relief. Likewise for net margin, overall net margin is forecasted to reach 12.4%, segment-wise, Food Solutions and Gateway Services will reach 7.8% and 4.9% respectively (Fig. 4 & 5).

INDUSTRY OVERVIEW AND COMPETITIVE POSITIONING

COMPANY STRATEGY

The company's sustainable business strategy contributes to the global sustainability challenges, which SATS believe will drive future business success. Adopting technology-driven, people-led approaches towards global sustainability since 2017 helped the shareholders create more significant value towards share price. SATS has framed its goals around three pillars; Sustainable Nutrition, Treasuring Resources, and Connecting People; ambitions that have value-added to food products, environmental efforts (recently, the conversion of equipment to electric), increased employee engagement score and incentivised socially sensitive efforts.

SATS' M&A STANCE

SATS added new investments in 8 out of the last 10 financial years, valuing the spend at S\$519.3 million. The company recorded impairment losses only thrice in the same period valuing at a total of S\$92.2 million, alleviated with ease by stable dividends collected within the span worth S\$363.2 million. During FY2021, the company recorded the highest impairment in at least the last ten fiscal years, amounting to S\$68.7 million, which is the highest in the company's history ([Appendix B3 – Impairment](#)).

SATS continues to be acquisitive despite the operational fragility it faced during the pandemic. On 8 June 2021, SATS entered into a conditional Sale and Purchase Agreement to acquire 85% majority control of a Thai company, Food City Company Limited (Food City), for an aggregate purchase consideration of approximately S\$21 million. The acquisition of Food City can solely be classified based on the fundamentals of Inter-Organizational Relations (IORs) and control in management accounting. This acquisition allows SATS to have its first major presence in the Thai market, with a capacity to produce over 90,000 ready-to-eat meals a day, besides other shelf-food products.

COMPETITIVE POSITIONING & BUSINESS MODEL

SATS' core operations were built around aiding Singapore Airlines' operations. Over the years, a consistent expansive strategy has enabled the company to materialize its expertise across the vaster network. The company has played a key role in bringing Changi Airport and Singapore their labels of being a 'premier travel hub'.

Under **Food Solutions**, the company offers food distribution in Singapore and other key overseas markets through its established strategic supply partnership and diversified food sources. SATS' 3-Tier Production Network consisting of food factories, central kitchens and assembly centres is a key to leveraging cross-geographical efficiencies and scale. The highly integrated supply chain gives SATS full control of enhancing their portfolio development of food services and products through harnessing insights on trends and preferences through direct-to-consumer food service models.

To meet the growing demand for healthier and more sustainable food solutions, SATS has taken a step forward in the industry to reduce food waste by prolonging the Ready-To-Eat meals that can be kept up to 24 months. Fresh meals can now be stored for up to 90 days instead of the typical 48 hours with innovative pasteurization and sterilization technology. Overall, meals produced using the new technology resulted in longer shelf life and improved consistency in taste, quality, high levels of food safety and low wastage ([Appendix A2 – The Doodle](#)). We believe these leading factors would be the entry ticket for SATS to access foreign markets and challenge the food waste more effectively.

Under **Gateway Services**, the company has operations consisting of eCommerce, Warehouse Distribution and Cargo Terminal Handling. The company has recently expanded its business further into eCommerce through collaboration with existing heavyweights, such as Shopee, Taobao, and Lazada. SATS has consistently upgraded its warehouse plants to ensure utmost efficiency.

As for the most basal cargo-handling segment, SATS acts as a hub operator, with reliable services and allowing the consumers to have end-to-end traceability. Moreover, when the cargo reaches the

Figure 6: SATS Global Operations



Figure 7: Gateway Services

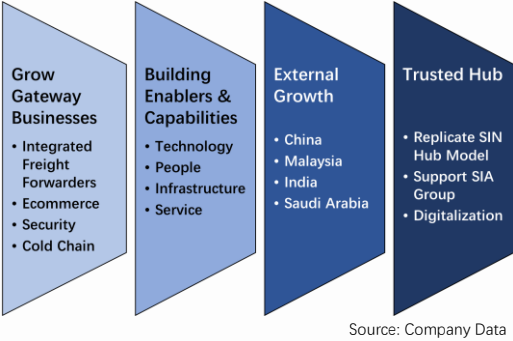


Figure 8: Food Solution

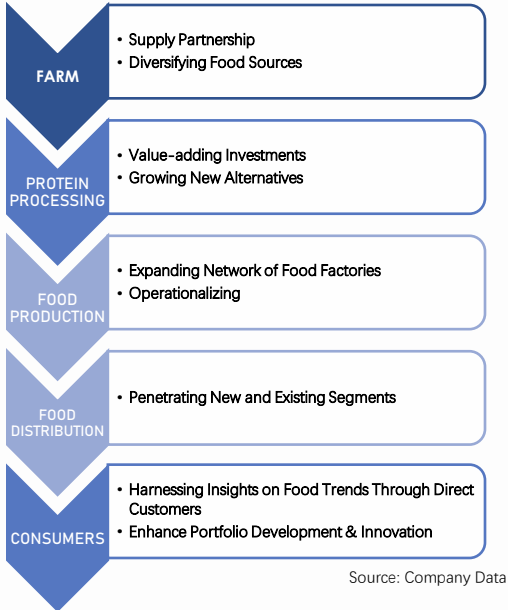
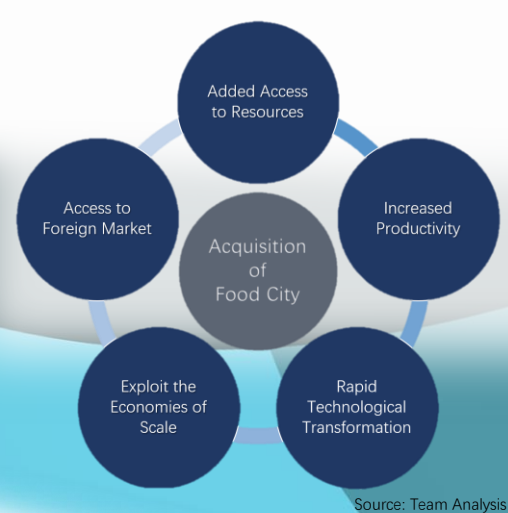


Figure 9: SATS – Food City Synergies



end-country, the Cloud-based eFulfillment capability allows the company to connect stations where they are not physically present. Leveraging on SATS' supply chain network ([Appendix A1 – SATS' Digital Integrated Supply Chain](#)), the company plays a vital role in handling vaccine shipments across the globe, which further expands their company's branding.

LEADING

Leveraging on the Covid-19 recovery, its current market position and technology, SATS is set to grow its share price from S\$3.85 on 28/01/2022 to S\$4.91, cementing its leadership position. Its peers include Airports of Thailand Public Company Limited, Sydney Airport Limited, Japan Airport Terminal Company Limited, Guangzhou Baiyun International Airport Company Limited, Shenzhen Airport Company Limited, and Malaysia Airports Holdings Berhad based on the similar business model. Currently, with the Chinese Government still adopting the Zero Covid-19 stance, we believe that the valuation of the Chinese companies will increase once they lift the travel restrictions. Malaysia's policies on travel restrictions are similar to Singapore.

Asia's ready-to-eat meals market is expected to grow annually by 5% CAGR from FY2021 to FY2025. SATS recognized this emerging opportunity, and in Singapore, SATS is increasing its share of the retail market with the launch of new products such as Home Chef ready-to-eat meals in 7-Eleven. SATS' early investment formed the bedrock of the company's expansion into new non-travel related revenue streams, growing 32% year-on-year.

INDUSTRY DRIVERS

Return of Tourist economies: As of December 2020, Thailand and Singapore are the only Asia-Pacific nations that have opened for vaccinated tourists. Their counterparts Malaysia, Thailand, the Philippines, Cambodia, and Indonesia, remain primarily closed. Changi was a major transit link that supplemented both long & short distance tourist arrivals to Southeast-Asian destinations. Progressions of pandemic mitigation can largely re-establish operations for SATS gateway services and air traffic-related food demand.

SATS has come a long way through expanding its **high-calibre supplier network**. They hold controlling and minority interests in 13 countries, including 55 major cities, focusing on the Asia-Pacific region. It is unmistakable that the company had diversified its business initially towards complementing their terminal management operations, venturing into related operative segments such as food supply, security, port management. Today, the more significant portion of the company's earnings flow through the Food Solutions segment.

Consistent pre-covid annual gains at Changi Airport: Gross air traffic at South-East Asia's premier airline hub gained at an average of 4.8% per annum in the five pre-covid years leading to 2020. The last two fiscal years withal resulted in a mean -83.6% of lost air traffic due to the global pandemic, highlighting the plethora of upside potential that will arise from recovery.

New eCommerce culture sets a stage for cargo traffic superior to pre-covid levels, with the latest YoY monthly levels for November 2021 superseding its 2019 counterpart by 22.3%. This is also credited to the region-wide boom of online retailers serving all customer bases, who rightfully have adopted online shopping as the new normal. SATS has heightened investments for its parcel handling centre, eHub, to eventually shift to operating unmanned and at greater scales in the near future. In late 2021, eHub saw a new track and trace system piece-level handling that expanded across its cargo terminal operations network.

Pandemic-stimulated business opportunities such as Vaccination logistics and Sanitisation operations are anomalistic to SATS. With the company's global associates' network, SATS facilitates services for robotic aircraft sanitization at a major scale, for instance, the exclusive provider for all air traffic in India through AISATS. The company is also the principal operator of vaccination supply and storage services in Indonesia and Singapore.

SEGMENT DRIVERS

Plant-based protein industry (Food Solutions): Projected to grow by 40.8% by 2025, it is one of the most sought-after trends to access. SATS holds the exclusive regional distribution rights for plant-based protein brands such as Growthwell, Tyson First Pride, and Impossible Foods through its subsidiary, Country Foods.

eCommerce industry (Gateway Services): The onset of the new eCommerce culture has called for drastically heightened logistical demand, with the online share of global retail increasing by 14% in 2019 and 17% in 2020. SATS has advantageous airside locations of the company's digitized cargo terminal operations (CTO) network across 10 Asia-Pacific and the Middle-East countries. SATS' constant and substantial investments to operate the most modern and efficient CTO technologies have increased cargo-handling capacities and provided sharper track and trace piece-level handling, warranting the company's citation from the International Air Transport Association's (IATA) Center of Excellence for Independent Validators in Pharmaceutical Logistic (CEIV Pharma) certification.

Figure 10: Operating Statistics (a)

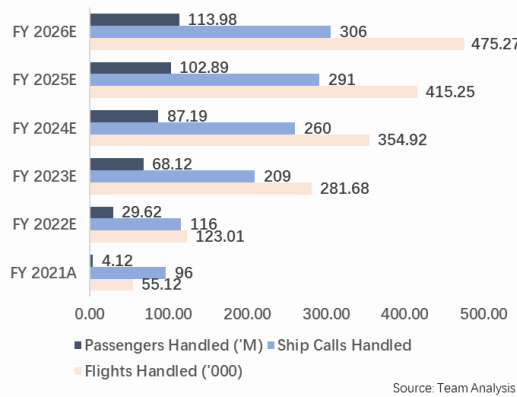


Figure 11: Operating Statistics (b)

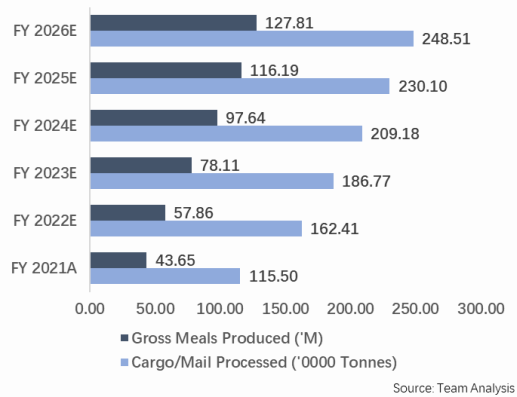


Figure 12: WACC

WACC		
Input	Rate	Source
Risk Free Rate	1.81%	10 Year bond yield of Singapore Government Bonds
Market Returns	11.20%	With reference to the STI
Market Risk Premium	9.39%	Market Returns
Beta	1.26	5 Year Monthly Data
Cost of Equity	13.64%	CAPM
Cost of Debt	2.880%	Estimate of Corporate Bond
Debt	873	
Equity Value	1,546.3	
Total Debt & Equity	2,419.7	
Tax Rate	17%	Singapore Corporate Tax Rate
WACC	9.58%	

Source: Team Analysis

Figure 13: Dividend Discount Model

Summary	
Estimated Price (SGD)	3.88
Cost of Equity	13.64%
Expected Payout Ratio (Average)	
Terminal Growth Rate	

Source: Team Analysis

VALUATION

DCF VALUATION

The DCF model allows us to incorporate the Covid-19 recovery and the impact on air travel into our projections and discount the cash flow to obtain the company's Enterprise Value. Illustrated above is the Free Cash Flow to Firm (FCFF) approach ([Appendix E2 – Discount Cash Flow Model](#)).

Weighted Average Cost of Capital, WACC

The WACC, 9.58%, is used as the discount rate in the DCF valuation, comprising the cost of debt and equity. The bonds issued by SATS have a yield of 2.88%, estimated as the cost of debt. SATS is primarily located in Singapore, the risk-free rate used is 1.81%, which is the 10-year bond yield of the Singapore Government Bonds. Cost of equity is derived using the CAPM formula, and the Beta is obtained by regressing the 5-year monthly data of SATS' against the Straits Times Index (STI) (Fig. 12) ([Appendix E1 – WACC Computation](#)).

Terminal Growth

Our expected growth rate used is 4% based on the historical trends. Given that countries worldwide have started easing their restrictions, air traffic recoveries are estimated to reach full capacity in early 2024. We projected the revenue of another year to account for any surprises before projecting our terminal value.

SENSITIVITY ANALYSIS

We determined that the recovery has a significant impact on our valuation. We test the effects of the terminal growth rate and the WACC on the Enterprise Value. Under the worst-case situation where the WACC rises by 1%, and the terminal growth rate is at its lowest, share prices will fall to S\$3.24. While on the other end of the spectrum, the share price will rise to S\$7.66 ([Appendix E3 – Sensitivity Analysis](#)).

DIVIDEND DISCOUNT MODEL

We derive the price of S\$3.88 via discounting the projected dividend to obtain the share price. The discount rate used is the cost of equity, 13.64%. Using the same assumptions as the DCF model, namely air traffic recovery, we projected the dividend per share for the next 5 periods. Based on our projections, SATS will not be paying our dividends in the following year, hence the difference in the estimated share price (Fig. 13) ([Appendix E4 – Dividend Discount Model](#)).

SCENARIO ANALYSIS

We considered two potential scenarios that could affect SATS' share price (1) Air traffic recovery (2) Effects of Inflation on COGS. Under our Bull case, the company's revenue could potentially achieve a CAGR of 37.1%, giving a share price of S\$5.44. While in our Bear case, we estimate their CAGR to reach 23.9%, and a share price of S\$3.55 (Fig. 14 & 15).

Figure 14: Scenario Analysis (a)

Revenue	(Million)		Projected				CAGR
	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E		
Bear	1161.1	1802.3	2296.0	2592.0	2738.1		23.9%
Base	1162.3	1876.5	2522.1	3001.3	3345.7		30.3%
Bull	1162.3	1943.6	2742.4	3520.3	4111.2		37.1%

Figure 15: Scenario Analysis (b)

Scenario	Bear Case	Base Case	Bull Case
Air Traffic Recovery	Recovery is worse than expected, with the discovery of a more deadly and transmissible variant	Recovery is according to schedule, 80% recovery by 2023 and 100% recovery by early 2024	Recovery is better than expected
Inflation	With countries pursuing expansionary policies, inflations have been under estimated	Central Bank aims to target the current inflation level	Central Bank recognise the threat of inflation and lowers the inflation level
Share Price	3.55	4.91	5.44
Deviation from Current	-7.8%	27.4%	41.3%

Source: Team Analysis

COMPARABLE ANALYSIS

The comparable analysis utilizes the multiples to see how SATS perform among its peers. We used two data sets, the last twelve months (LTM) and the next twelve months (NTM). Due to the difference in how countries are coping with the pandemic and opening their borders, the dataset of the LTM

Figure 16: Implied Share Price

IMPLIED SHARE PRICE RANGE		
	Range	
EV/ NTM Revenue	3.90	25.70
EV/ LTM Revenue	3.90	30.07
EV/ NTM EBITDA	1.50	6.03
EV/ LTM EBITDA	1.56	4.21
NTM P/E	1.56	3.90
LTM P/E	1.56	3.90
DCF	3.55	5.44
DDM	2.51	5.21

Source: Team Analysis

might not be a fair representation, which explains the use of NTM. Nevertheless, both datasets will be displayed. Peers are selected based of the goods and services provided. Malaysia Airports Holding Berhad is SATS' closest peer, which is highly similar ([Appendix E5 – Relative Valuation](#)).

ROE

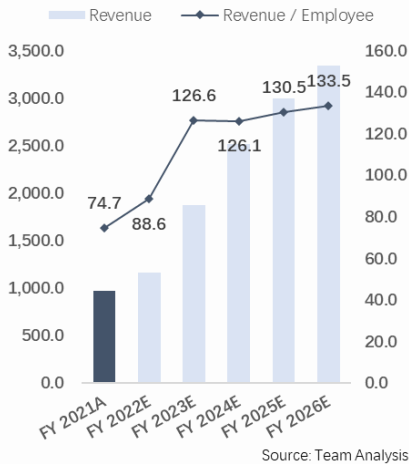
Pre-pandemic, the company has maintained a constant return on equity, hovering between 15-17%, which reassured the company's profitability and the efficiency in relation to its equity. The company's management can conclude that it is using the company's assets to generate profits. However, most peers have had a decrement in ROE from 2017 to 2019, for example, Sydney Airport Limited ([Appendix C1 – Peer Comparison](#)).

Figure 17: Football Field



Source: Capital IQ, Team Analysis

Figure 18: Revenue & Revenue Per Employee



Source: Team Analysis

FINANCIAL ANALYSIS

ECONOMIC REBOUND

Over the next 5 years, the company's revenue is projected to grow at a CAGR of 30.3% (Fig. 2). Revenue attributed to Food Solutions and Gateway Services is stipulated to achieve a CAGR of 32.0% and 28.1% respectively. The company estimates its revenue to reach S\$3 billion by FY2025; the proportion of the revenue is estimated to be 60% in Food Solutions and 40% in Gateway Services.

Food Solutions: SATS cater meals to the aviation (in-flight meals) and non-aviation industry (institutions). The number of passengers and flights handled is expected to reach 35% of pre-covid level by FY2022 due to new Covid-19 restrictions to curb the Omicron cases in Singapore. Gross Meals Produced is used as an estimate for the revenue by Food Solutions. In FY2023, we expect a recovery to 80% of its pre-covid level and subsequently a full recovery in FY2024. By FY2025, SATS target Food Solutions to contribute up to 60% of its revenue. The company plans to achieve the target set through catering to a greater proportion in the non-aviation industry.

SATS has ventured into providing Ready-To-Eat meals, amid the growing trend in Ready-To-Eat meals in Asia. The market is forecasted to achieve a CAGR of 5.1% over the next 5 years.

Gateway Services: Despite the pandemic, we see an increase in Cargo Processed in the first half of FY2022 due to the increase in demand for eCommerce and Cold Chain Facilities. Our current estimate for FY2022 is at 90% of its pre-covid level and set to reach a full recovery by FY2023 ([Appendix D1 – Revenue Projection](#)).

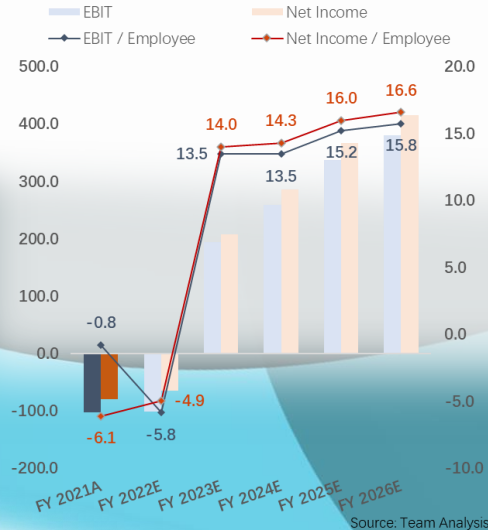
ENSURING PRODUCTIVITY

Food Solutions: SATS has numerous associates, subsidiaries and joint ventures located across Asia providing meals. The company has ensured its competitiveness through acquisitions of food producers in their area of operations. We believe that these acquisitions will enable the company to maintain a low cost of production and increase its productivity (Fig. 19).

Contactless: The pandemic has proven how susceptible the aviation industry is to a highly transmissible virus. The company understands the importance of reducing physical contact, thus lowering the possibility of spreading the virus. This allows the company to continue its operation. SATS' digital innovation in contactless menus and collection of meals are examples of how they will reinforce operating capabilities.

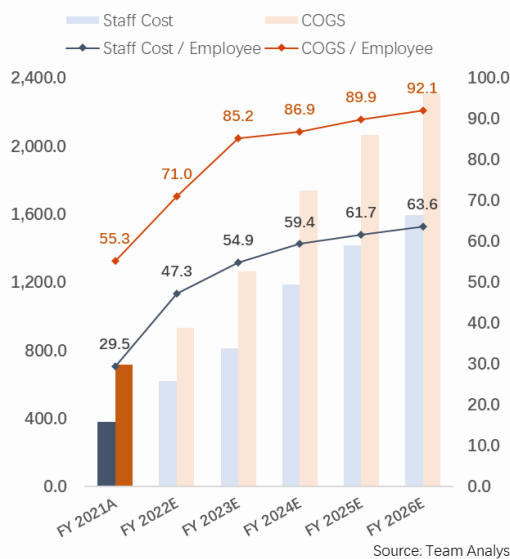
Staff Cost: SATS was able to maintain a low level of COGS throughout the pandemic, this is attributed to the reduction in employees and government relief which amounts to S\$23.7 million and S\$210.7 million in FY2020 and FY2021 respectively. In FY2022, without the government relief,

Figure 19: Profitability (Millions)



Source: Team Analysis

Figure 20: Staff Cost & Staff Cost Per Employee



we expect a sharp increase in staff cost to S\$620 million, about 55% of its revenue. The operating and net income will be greatly affected. With the increase in revenue, staff cost is expected to stabilize and maintain at 46-47% of its revenue in the following year (Fig. 20).

Capex & Investment: SATS has announced its plans to increase its spending by S\$1 billion over the next 3 years. Their historic spending proportion is 55% in Capex and 45% in Investment, the trend is expected to continue through FY2022 to FY2024 (Fig. 23).

DELATED GRATIFICATION

Traditionally, shareholders have enjoyed high dividends, and there have not been any dividend payouts throughout the pandemic. With our assumptions on the projected recovery, shareholders enjoy dividend payouts from FY2023 onwards, and we expect dividends to reach 0.18 cents per share in FY2024 (Fig. 21).

CAPITAL STRUCTURE

Total Debt to Capital jumped by nearly 5 times to 25% as the company issued bonds, set to mature in FY2025 and FY2026. We strongly believe that the company can handle the higher level of debt, given its liquidity and a significant sum retained in short term deposits. Our forecasts predict higher cash inflows as the economy heals, along with an eventual decrease portion of debt (Fig. 21).

SOLVENCY

At present, the Debt-to-Equity ratio is at 51.1%, and we anticipate this ratio to decline gradually. The company has bonds maturing in FY2025 and FY2026, amounting to S\$200 and S\$100 million, respectively. Thus, the D/E ratio will revert close to its pre-covid levels (Fig. 21).

PER EMPLOYEE

We use the following metrics, Revenue, EBIT and COGS per employee, to monitor the hiring progress as well as to observe the overall efficiency of the company. The company is set to reach its pre-covid level by FY2024. In the following years, we expect hiring to increase in tandem with revenue. Number of employees is expected to be close to 25,000 by FY2026 (Fig. 22) ([Appendix D1 – Revenue Projection](#)).

Figure 21: Financial Analysis

(Millions)	Actual					Projected				
	FY 2017A	FY 2018A	FY 2019A	FY 2020A	FY 2021A	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Income Statement Items										
Revenue	1,729.4	1,724.5	1,828.1	1,941.2	970.0	1,162.3	1,876.5	2,522.1	3,001.3	3,345.7
Gross Profit	505.2	535.3	573.3	622.2	252.7	231.8	613.9	784.3	933.6	1,037.8
EBIT	230.6	226.3	247.0	226.2	(10.0)	(75.3)	201.5	269.8	350.0	394.7
Net Income	258.0	261.4	248.4	168.4	(78.8)	(64.9)	207.9	285.8	367.6	415.6
Profitability Margins										
Gross Profit Margin	29.2%	31.0%	31.4%	32.1%	26.1%	19.9%	32.7%	31.1%	31.1%	31.0%
EBIT Margin	13.3%	13.1%	13.5%	11.7%	-1.0%	-6.5%	10.7%	10.7%	11.7%	11.8%
Net Income Margin	14.9%	15.2%	13.6%	8.7%	-8.1%	-5.6%	11.1%	11.3%	12.2%	12.4%
Return on Equity	16.7%	16.2%	15.1%	10.3%	-5.0%	-4.4%	16.1%	25.8%	33.7%	36.1%
Return on Asset	11.9%	11.5%	10.8%	6.5%	-3.6%	-2.1%	6.7%	9.3%	12.2%	13.6%
Return on Invested Capital	14.9%	14.3%	13.2%	8.0%	-2.7%	-2.5%	9.9%	15.2%	20.8%	23.4%
Earnings & Dividends Per Share										
No. of Shares - Basic	1,112.2	1,117.2	1,114.8	1,117.1	1,118.7	1,116.0	1,116.8	1,116.7	1,117.1	1,117.0
EPS - Basic	0.23	0.23	0.22	0.15	(0.07)	(0.06)	0.19	0.26	0.33	0.37
DPS - Basic	0.16	0.17	0.18	0.19	0.00	0.00	0.00	0.18	0.21	0.24
Liquidity & Solvency Ratio										
Current Ratio	2.09	1.83	1.82	1.83	2.34	2.04	1.71	0.89	0.97	0.93
Total Debt to Total Asset	4.8%	4.5%	4.0%	20.7%	28.2%	29.3%	29.6%	26.0%	23.2%	21.8%
Total Debt to Total Equity	6.4%	6.0%	5.3%	34.6%	51.4%	57.1%	64.7%	60.1%	48.9%	46.9%
Total Debt to Total Capital	6.0%	5.7%	5.0%	25.7%	34.0%	36.3%	39.3%	37.5%	32.8%	31.9%
Operating Metric Per Employee										
Revenue / Employees	125.9	131.2	127.8	113.2	74.7	88.6	126.6	126.1	130.5	133.5
EBIT / Employees	16.8	17.2	17.3	13.2	(0.8)	(5.8)	13.5	13.5	15.2	15.8
COGS / Employees	89.1	90.5	87.7	76.9	55.3	71.0	85.2	86.9	89.9	92.1

Source: Team Analysis

INVESTMENT RISK

OPERATIONAL RISKS: BUSINESS DISRUPTION

O1. Risk of natural disasters and Pandemic: SATS is at risk of unforeseen supply chain vulnerabilities and disruption that will knock the company off balance and not meet shareholders' sustainability expectations.

Mitigation: SATS' geographical diversification and expansion into new segments reduce the risk of revenue loss from dependence on single segmentation. SATS further mitigates this risk by

Figure 22: Employee Projection

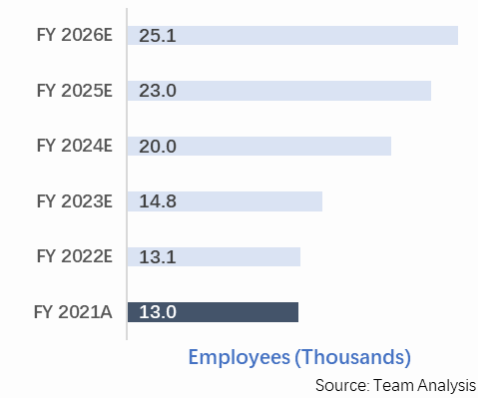


Figure 23: Capex & Investment

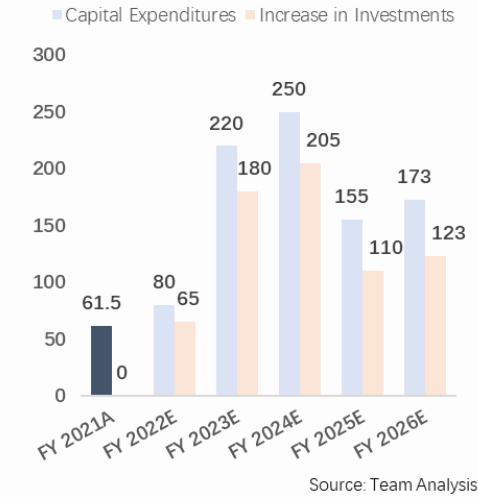


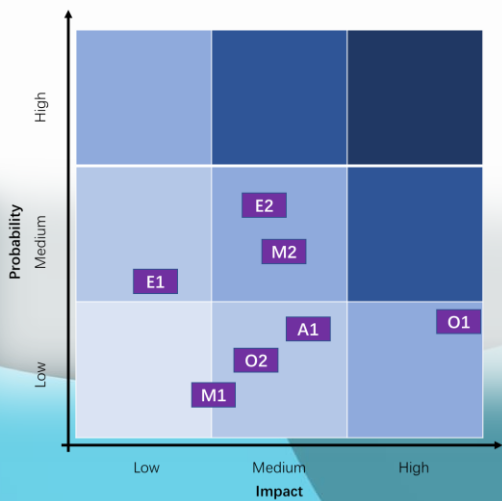
Figure 24: Affiliates, Joint Ventures, Subsidiaries

(Number)	Affiliates	JV	Subsidiaries	Total
SATS Ltd.	28	11	44	83
SET:AOT	7	0	1	8
ASX:SYD	0	0	0	0
9706.T	9	1	15	25
SHSE:600004	4	0	14	18
SZSE:000089	8	0	9	17
KLSE:AIRPORT	6	3	25	34

SET:AOT Airports of Thailand Public Company Limited
ASX:SYD: Sydney Airport Limited
9706.T Japan Airport Terminal Co Ltd
SHSE:600004: Guangzhou Baiyun International Airport Co., Ltd.
SZSE:000089: Shenzhen Airport Co., Ltd.
KLSE:AIRPORT: Malaysia Airports Holdings Berhad

Source: Refinitiv Eikon

Figure 25: Heat Map



establishing supply partnerships and diversifying food sources to strengthen access and supply chain resilience. Listed as an essential service, Changi Airport and SATS are part of a global task force aimed at addressing global Covid-19 vaccines supply chain challenges by producing up to 4 tonnes of dry ice a day, which we believe is indicative of future resilience.

O2. Post-acquisition integration risks: The company goes through a gestation before it can mobilize its acquirement as a class-generating unit.

Mitigation: Going into the Food City pre-acquisition (most recent) with interests in nine countries, SATS' venture into new markets grants lesser risk with previous joint ventures and subsidiaries abroad, enabling accurate assessment of synergies. With the use of unified technologies and post-acquisition adaptabilities, SATS' management has scheduled a plan to be implemented to transition Food City into a facility to meet its needs. We expect that integration risk will be outweighed by mitigation considerations and controls in management accounting. Additional monitoring from the parent investment company mitigates further risks that may arise with poor oversight.

EXCHANGE RATE RISK & INFLATION RISK

E1. Foreign exchange risk: With SATS' rapid expansion, the gross profit of SATS may be affected by the exchange rate. Compared with its trading partners in the region, Singapore has a stronger currency. While there exists some uncertainty in the volatility of the future exchange rates, it is possible that should the neighbouring countries' exchange rate appreciate, the cost of production for SATS will increase.

E2. Inflation risk: Inflation has reached its all-time high in the year 2022, U.S. and Singapore's inflation rate of 7% and 3.8% challenged the investment returns through a decline in purchasing power and increment in cost. The coupon payments are vulnerable to inflation because their payouts are generally based on fixed interest rates, which means an increase in inflation diminishes their purchasing power.

Mitigation: SATS uses derivatives to manage its foreign exchange exposures and interest rate risks that would arise from the operational, financing, and investment activities. The company also uses loans to hedge against its exposure to foreign exchange risk on its investments in foreign subsidiaries. The company can minimize the change in its investments and operations through hedging. SATS is more likely to increase its return by using derivatives with the economy today.

MARKET RISK COMPETITIVE MARKET

M1. Risk of new market entrants: SATS may face competition from new companies entering the industry as the pandemic phases out and, the aviation industry starts to recover.

Mitigation: The company has greater market power in the Southeast Asia region and the barrier to entry is relatively high for the new competitors. SATS has a significant position with its resources, such as Cargo Terminal Operations (CTO) Network, innovative pasteurization and sterilization technology for food productions. With the S\$84 million in additional aid to support the aviation sector through the Covid-19 crisis, this has proven the Singapore government has high confidence in the company, and it is irreplaceable.

M2. Innovation Risk: SATS' largest shareholder has strong ESG mandates that require management to continuously achieve sustainability backed with innovation. Failure to meet shareholders' expectations might result in loss of investor confidence.

Mitigation: SATS is constantly kept updated with current food and beverages trends that satisfy consumers. This allows the company to consistently remain as the leading foodservice distributor with a culture of innovation. SATS is also looking to improve existing technologies to reduce waste as the market is shifting its focus towards sustainability. The company reports that 375 tons of waste were recycled in Singapore in 2020. Besides having three sustainability pillars, we believe that pressure from shareholders pushes SATS to constantly implement creative food solutions with sustainable food packaging, keeping SATS ahead of the competition.

AGRICULTURAL RISKS

A1. Different food laws and standards: SATS' operations in multiple regions expose the company to food safety and product-related legislation, having to meet various national standards. Companies are forced to follow strict regulations administered in each nation thereby increasing compliance costs.

Mitigation: SATS has been working with the Singapore government for years. The implication of Agri-Food and Veterinary of Singapore (AVA) security roadmap has directly maximized opportunities for SATS to import food with less worry about the company's food quality. Expanding the company's food source diversity, imports from different countries such as France, Malaysia and Indonesia have enhanced relationships with potential suppliers abroad, generating better alternatives for SATS. The growth of sustainable food sources. Moreover, importing of sustainable food sources such as grass-fed beef tenderloin with the "True Aussie Beef" label, is under a rigorous

Figure 26: Investment Risk

INVESTMENT RISK	
RISK	MITIGATION
OPERATIONAL RISKS: BUSINESS DISRUPTION	
Risk of natural disasters and Pandemic	- Essential services
	- Diversification through expansion
Post-acquisition integration risk	- Increase in resources
	- Ecosystem technologies
EXCHANGE RATE RISK	
Foreign exchange risk	- Use of derivatives
	- Hedging against its exposure
MARKET RISK: COMPETITIVE MARKET	
Risk of new market entrants	- Greater market power
	- High entry barrier
	- Advanced technology (CTO)
	- Government support

Source: Team Analysis

		FY 2020A	FY 2021A
Summary	ESG SCORE	67.63	56.25
Env.	Resource Use	69.08	60.67
	• Water Efficiency Target	94.51	60.5
	• Environmental Supply Chain	56.5	82.32
Env.	Emissions	65.13	32.24
Env.	Env. Innovation	0	15.0
Soc.	Workforce	77.44	68.9
	• Employee Satisfaction	50	61.11
	• Net Employment Creation	87.68	5.07
	• Injuries to Milion Hours	23.61	31.94
Soc.	Human Rights	79.03	78.91
Soc.	Community	38.41	38.41
Soc.	Product Responsibility	93.24	92.57
Gov.	Management	78.57	67.22
	• Board Attendance	58.79	50
	• Board Meeting Attendance Average	73.6	42.6
	• Board size - higher than 10, less than 8	78.02	90
	• Board Gender Diversity %	87.36	96.11
	• Non-executive Board Members	54.4	65
	• Board Member Affiliations	40.11	48.89
Gov.	Shareholders	67.58	45.0
	• Shareholders Vote on Executive Compensation	85.16	32.5
Gov.	CSR Strategy	41.21	42.22

Source: Refinitiv Eikon

Figure 27: YoY ESG Scores

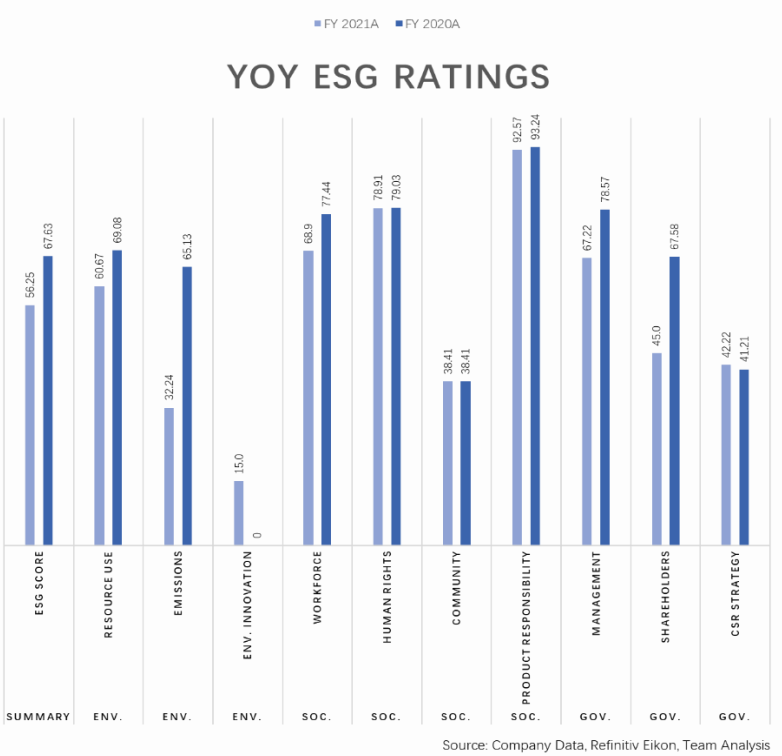
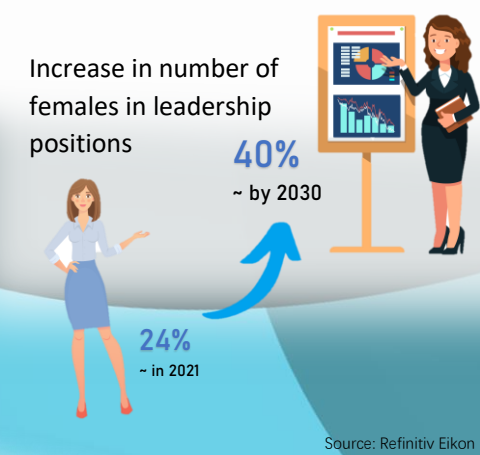


Figure 28: Senior Management Roles



traceability programme governed by Australia's Department of Agriculture. This ultimately attracts consumers towards SATS' products and minimized the agricultural risk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

SATS is committed to taking responsibility when conducting business by integrating ESG aspects into its operational processes.

ENVIRONMENT

Food solutions are SATS' primary operation; food and packaging waste are thereby inevitable. SATS implemented several measures and environmental goals in response to this environmental threat that we believe the company is making good progress in reaching these goals. With SATS' recent accentuation into smart infrastructure, the company plans to run 100% of Ground Support Equipment (GSE) in the Singapore hub on sustainable energy resources, to further achieve an overall carbon reduction target of 50% by FY2030, from the FY2018-19 baseline (Fig. 29). SATS pledges to halve food wastage in all operations by 2028 and introduce 100% sustainable food packaging by 2030, ultimately reducing carbon emissions. The harness of data insights from digital menus further enhances demand planning and reduce waste. In 2021, SATS' sustainability report noted that 375 tons of waste was recycled in Singapore and 31% of GSE electrified, which translates to about 10,000 megawatt-hours of renewable energy generated annually. We believe that SATS is on track to realize ESG synergies through its several initiatives to lower carbon emission with artificial intelligence-enabled waste tracking, allowing the separation of waste effectively into recyclables and non-recyclables through garbage segregation points. SATS' development of innovative and sustainable solutions further emphasizes the company's commitment towards lowering carbon emission, in line with ESG best practices.

SOCIAL

SATS is enhancing long-term shareholder return by its commitment to social responsibility. Straits Times recognized SATS as one of Singapore's best employers in 2021, having a high employee engagement score of 81%, also factoring in its largest-ever workforce transformation effort in 2020 through SATS Academy. The Academy offers more than 100 training programmes, helping employees develop new competencies and stay relevant. SATS is also committed to increasing the number of females in leadership roles. In 2021, females represented 32% and 50% of SATS' employees and directors, while its senior management consisted of 24% female and 76% male (Fig. 28). To address this imbalance, SATS pledges to reasonably increase senior management to 40% female by 2030.

GOVERNANCE

The evaluation is based on five factors: the board of directors (BoD), executive management and remuneration, shareholder rights, transparency and disclosure, and sustainability. SATS' governance structure is in-line with Singapore standards, with five different committees: Board Executive, Audit, Nominating, Remuneration and Human Resource, and Board Risk and Safety. In 2021, Kerry Mok,

Figure 29: ESG

highly experienced in supply chain management, replaced Alex Hungate as president and Chief Executive Officer (CEO). The company's average board tenure is 4.5 years, with Euleen Goh as longest serving member of the board for 8 years.

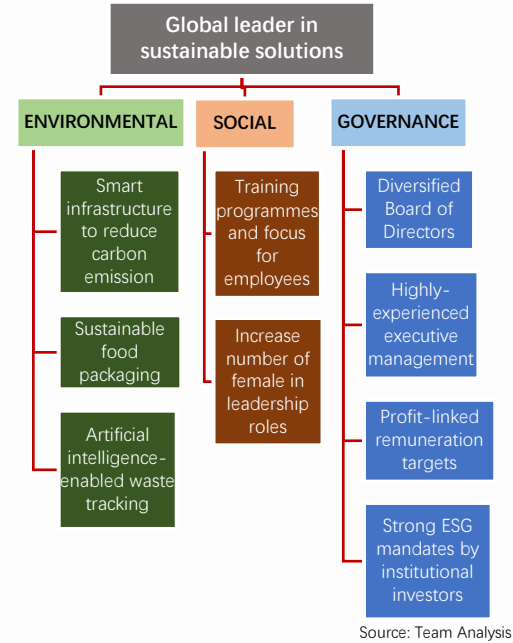


Figure 30: ESG Score



Board of directors: SATS' BoD consists of eleven experienced and accomplished members from various relevant industries strengthening SATS' entrepreneurial leadership and strategic business objectives. In 2021, ten out of the eleven directors are Independent non-executive Directors, supporting unbiased value-creating decision making. In addition, 50% of the BoD are female, a gender ratio that we believe will create an equal and positive environment. SATS' separation of the role of Chairman and President & Chief Executive Officer (PCEO) avoids concentration of power in an individual, clearly distinguishing management authority from board authority. SATS' focus on the importance of an appropriate balance of diversity encourages constructive debates and helps avoid groupthink ([Appendix B1 – Executive Management](#)).

Executive management: The executive management comprises four members, 75% of whom are Independent Directors (ID). The executive team is highly experienced and has relevant education background in their specialized fields, including finance and management, contributing to SATS' future development and growth.

Nominating Committee: SATS' nominating committee (NC) consists of three ID's, who review existing attributes and competencies of the board regularly, ensuring that the director's statutory and fiduciary duties are carried out adhering to Singapore governance standards. The NC supports strategy-setting and drives performance by overseeing director's orientation, training and professional development.

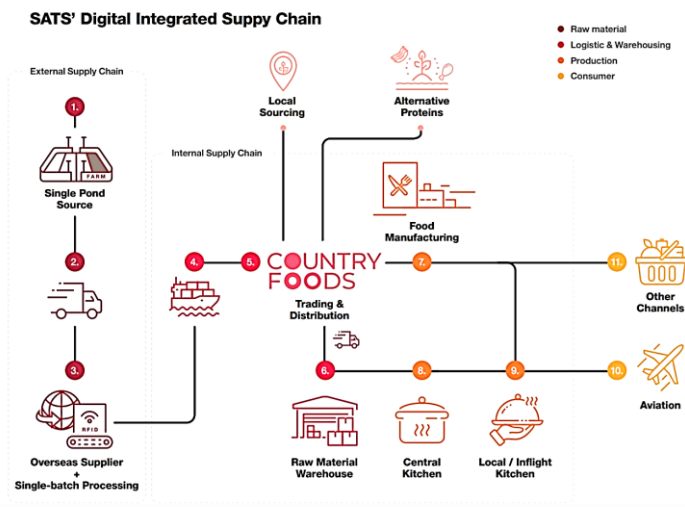
Remuneration: Remuneration is regulated by the Remuneration and Human Resource Committee (RHRC), which dictates the fixed, variable and long-term incentive components. Most variable remunerations are subject to SATS' and the individual's performance, taking into consideration risk policies of the company to align with the interests of shareholders. Profit-linked remuneration targets incentivize management to make strategic decisions balancing short-term and long-term business interests and sustainability.

Shareholders: SATS gains brand premium by having reputable institutional investors such as Temasek Holdings, a state-owned company, as the company's largest shareholder. SATS' largest shareholder incorporates strong ESG mandates into their investment decision-making and management, which exert positive pressure on the company's management to act sustainably.

To summarize, we consider SATS' ESG performance to be positive. We expect SATS' focus on ESG accomplishments to continue attracting investors who recognize and appreciate the company's ESG efforts while facilitating top-line growth in the long run.

APPENDIX A1 – SATS' DIGITAL INTEGRATED SUPPLY CHAIN

With an integrated supply chain, SATS oversees the production and ensures the sustainability of its products. The company has layers of checks throughout its supply chain to augment value creation from its products and food services.



BUILDING A SUPPLY CHAIN THAT IS BENEFICIAL TO ALL

SATS has developed a strategic supply and sourcing for Food Solutions to keep its supply chain flowing. SATS maintains an extensive and complex supplier network with more than 3,700 suppliers globally, from local farms to multinational companies. The established supply partnerships and diversified food sources have raised sustainability by establishing sustainable practices and production methods. We believe that a sustainable supply chain is a current trend and will better assists in the environmental-friendly policy.

SUPPORTING SUSTAINABLE SOURCES AND LOCAL SUPPLIERS

The company has increased sustainable ingredients that comply with regional and industry standards. Certified with Marine Stewardship Council (MSC), consumer-facing organization (CFO), Multi-site Chain of Custody (CoC) standard (MSC-C-55971) and the Aquaculture Stewardship Council (ASC) CFO Multi-site CoC standard (ASC-C-01503). In line with the company's sustainability goals, SATS has added Chilean Seabass to the list of MSC-certified fish on the menu.

Furthermore, SATS has also taken a step to support the local businesses and suppliers, sourcing locally for fresh ingredients to improve consumers' taste and nutritious products. Ingredients include locally farmed Barramundi and 60% of its liquid eggs. Developing sustainable vegetable supplies, produced using vertical farming methods (a method with better control in space) through a partnership with the local farms. The associations between SATS and local suppliers have also reduced the operational carbon footprint, and these partnerships have taken up to 90% of the company's procurement.

The development of "Clean and Green Standards" for local urban vegetables provides SATS on the certification of urban farms with a sustainable production system. The company potentially benefits from more vital branding of its products and enhances its overall competitiveness. With SATS' involvement, the local suppliers and farmers attain Singapore sustainability certification with equally high standards as an alternative to international certifications. SATS has aimed to achieve 100% of high-risk products that are traceable to origin by 2030.

THE SUPPLIER CODE OF CONDUCT

SATS has made sustainable practices a core component of their Supplier Code of Conduct (Raw Material Warehouse). The company required the business partners to demonstrate regulatory compliance, business ethics and accountability to the product and service qualifications.

ENCHANING VISIBILITY AND TRACEABILITY ALONG THE SUPPLY CHAIN

SATS has invested in a Digital Integrated Supply Chain (DISC) to enhance its full traceability, centralized procurement and distribution. DISC stores the product life-cycle data and thus improves demand and procurement planning and production efficiency. It has also increased the consumers' confidence in SATS' products. The robust supply chain system allows quick identification and remediation of root causes of faulty products. The company has collaborated with DHL Supply Chain to improve service levels and create turnkey solutions that enable airlines to optimize their supply chain for catering, merchandise, and supplies across DHL's flight networks. Combining both parties' strengths allowed the companies to enhance demand planning, menu customization, supply chain consultancy, and reverse logistics. These would set a good direction for SATS to improve inventory planning and forecast airline customers' demand.

The wholly-owned Country Foods enabled SATS to centralize procurement and distribution to improve food quality and production efficiency. Since the joint venture, the company can now fully accelerate end-to-end traceability of raw materials, and the data may improve the company's decision-making.






APPENDIX A2 – THE DOODLE

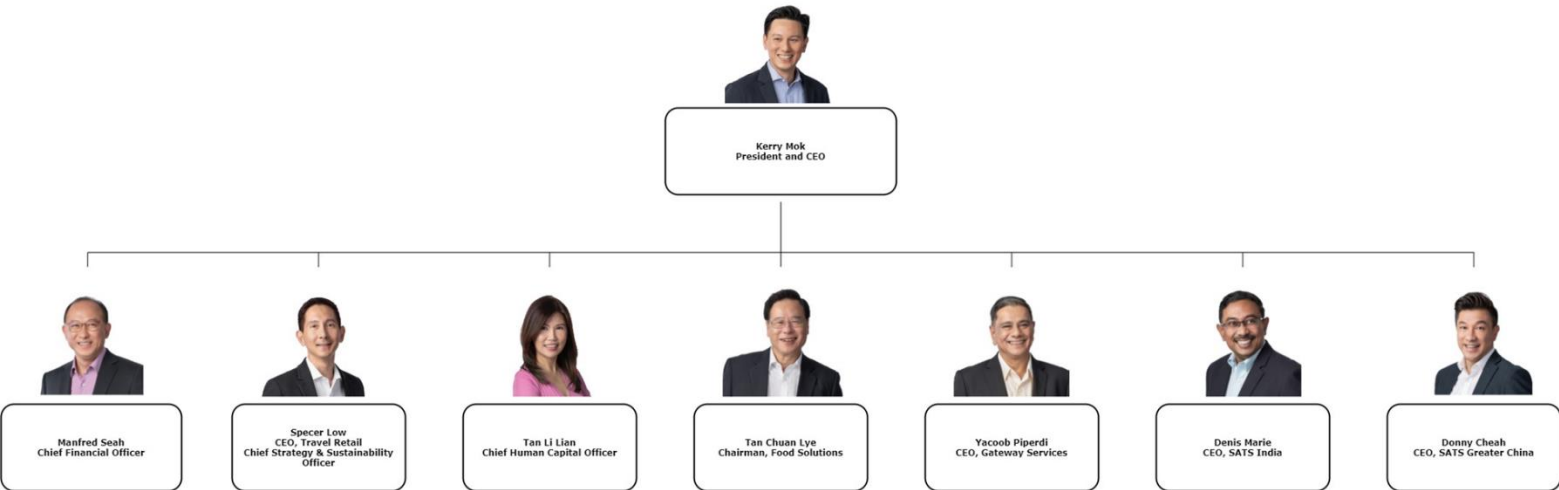
SATS aims to grow its business sustainably, reducing its impact on the environment and climate. Doodle is a range of sustainable food packaging for inflight meals. This was part of Singapore Airlines (SIA) newly launched tableware series on selected short-haul flights. Made from natural materials, the new packaging reduces single-use plastics by 80% and allows food to stay fresh and enables the addition of soup and broth-based dishes to the menu.

SIA's new tableware comprises a leak-proof box, a paper cup made of Forest Stewardship Council-certified paper, a paper dessert box, and a 3-in-1 bamboo cutlery pack wrapped in paper. Featuring excellent grease and moisture barrier properties, the leak-proof box enables better heat retention to allow food to stay fresh over a longer reheating time, improving the quality of meals served on these flights. This also enables SIA to expand its economy class menu to include a broader and more exciting variety of dishes such as congee, laksa and beef goulash soup.

APPENDIX A3 – THE THREE PILLARS

Pillars	2030 Ambitions	2016 - 2017 Highlights
 <p>Sustainable Nutrition</p>	<ol style="list-style-type: none"> 1. Make Healthy Food Affordable, ensuring all customers are offered a healthier choice. 2. Tackle Food Waste, decrease food wastage in all operations. 3. Ensure Supply Chain is Sustainable, 100% of track and trace of high-risk products in food and 100% certified from sustainable sources. 	<ol style="list-style-type: none"> 1. Endorsed as a Healthier Caterer by Singapore Health Promotion Board 2. 7% of Seafood were sourced from MSC-certified sources
 <p>Treasuring Recourses</p>	<ol style="list-style-type: none"> 1. Use Scarce Resources Efficiently through wastewater, water recycled, sustainable food packaging 2. Reduce Emissions with 100% electric ground handling equipment, usage of renewable energy in buildings 3. Increase in employee engagement score, trainings, internal transfers for key positions, empowering female at senior management level 	<ol style="list-style-type: none"> 1. Conversion of ground support equipment to electric 2. Installation of solar panels which provides 4.5GWh/year of electricity 3. 74% employee engagement score
 <p>Connecting People</p>	<ol style="list-style-type: none"> 1. Ensure Seamless Connections with 100% paperless hub, through the connectivity customer and cargo experience, and Zero-tolerance of security breaches. 2. Empower Communities by impacting four million lives by 2030 through social and community investments. 	<ol style="list-style-type: none"> 1. Saving of paper through e-airway bill 2. Donated up-to \$1 million to charity

APPENDIX B1 – EXECUTIVE MANAGEMENT



Name	Position	Gender	Member since	Nationality	Education	Work experience
Kerry Mok Tee Heong	President, CEO	Male	2018	Singapore	• BSc. Business Accounting	• CEO and OFF in Goodpack Limited
Manfred Seah Kok Khong	Chief Financial Officer	Male	2017	Singapore	• BSc. Mathematics • MBA	• Group CFO of SMRT
Spencer Low Kin-Ming	CEO, Travel Retail Chief Strategy & Sustainability Officer	Male	2020	Singapore	• Masters in International Affairs • MBA	• Managing Director, Agoda
Tan Li Lian	Chief Human Capital Officer	Female	2010	Singapore	• BSc. Business Administration	• Member, Singapore's Institute of Technical Education's Business & Services Academic Advisory Committee
Tan Chuan Lye	Chairman, Food Solutions	Male	2014	Singapore	• BSc. Economics	• Boards, SATS' subsidiaries and associate companies • Senior Vice President, Cargo Services
Yacoob Bin Ahmed Piperdi	CEO, Gateway Services	Male	2006	Singapore	• Bachelor of Arts, English	• Executive Vice President, Food Solutions
Denis Suresh Kumar Marie	CEO, SATS India	Female	2009	India	• MSc. Electrical Engineering • MBA	• Senior Vice President, Apron Services
Donny Cheah Chi Choy	CEO, SATS Greater China	Male	2019	Singapore	• BSc. Business Administration	• President & CEO at Sumitomo Drive Technologies

Source: Company Data

APPENDIX B2 – OVERVIEW OF BOARD MEMBERS

Name	Position	Gender	Member since	Direct interest	Independent	Education	Work experience
Euleen Goh Yiu Kiang	Chairman	Female	2013	85,974	Yes	• ISCA	• Chairman, DBS Foundation
Alexander Charles Hungate	Director	Male	2011	3,564,236	No	• MSc. Engineering, Economics and Management • MBA	• Chairman, Asia Airfreight Terminal Company
Achal Agarwal	Non-Executive and Independent Director	Male	2016	44,100	Yes	• Degree in History • MBA	• Chairman, World-wide Fund Singapore
Vinita Bali	Non-Executive and Independent Director	Female	2021	0	Yes	• Degree in Economics • Master of Management Studies	• Independent Director, Cognizant Technology Solutions Corporation
Chia Kim Huat	Non-Executive and Independent Director	Male	2017	16,090	Yes	• Degree in Law	• Independent Director, Ascott Business Trust Management
Michael Kok Pak Kuan	Non-Executive and Independent Director	Male	2015	15,300	Yes	• Harvard program	• Chairman of Remuneration Committee, Jardine Cycle and Carriage
Jenny Lee Hong Wei	Non-Executive and Independent Director	Female	2019	7,400	Yes	• MSc. Electrical Engineering • MBA	• Director, Cashshield • Director, GGV Capital
Deborah Ong	Non-Executive and Independent Director	Female	2020	0	Yes	• Degree in Accountancy	• Board Member, Monetary Authority of Singapore
Jessica Tan Soon Neo	Non-Executive and Independent Director	Female	2017	15,100	Yes	• Degree in Social Sciences	• Non-Executive and Independent Director, Ascendas Property Fund Trustee
Tan Soo Nan	Non-Executive and Independent Director	Male	2016	43,500	Yes	• Harvard program	• Executive and Non-Independent Director, Raffles Medical Group
Yap Kim Wah	Non-Executive and Independent Director	Male	2016	15,400	Yes	• Harvard program	

Source: Refinitiv Eikon

APPENDIX B3 – IMPAIRMENT

Past 10 Years	(Millions)	Total	FY 2012A	FY 2013A	FY 2014A	FY 2015A	FY 2016A	FY 2017A	FY 2018A	FY 2019A	FY 2020A	FY 2021A
Investment in Associates/Joint Ventures	466.4		24.7	6.0	118.3	-	42.5	75.3	151.1	25.0	23.4	-
Investments in Subsidiaries	52.9		-	-	-	-	-	-	-	-	52.9	-
Dividends from Associates & JV's	363.2		23.2	24.6	27.6	88.7	33.6	41.6	25.2	39.1	32.8	26.8
Total Impairment	92.3		-	-	-	-	-	-	-	11.6	11.9	68.8

Source: Team Analysis

APPENDIX C1 – PEER COMPARISON

Net Income Margin %	FY 2017A	FY 2018A	FY 2019A	FY 2020A	FY 2021A
SATS Ltd.	14.9%	15.2%	13.6%	8.7%	-8.1%
Airports of Thailand Public Company Limited	37.8%	41.7%	40.0%	13.8%	-231.1%
Sydney Airport Limited	23.5%	23.4%	13.1%	-13.4%	-
Japan Airport Terminal Co., Ltd.	3.4%	5.2%	13.0%	2.4%	-106.4%
Guangzhou Baiyun International Airport Co., Ltd.	23.7%	15.0%	13.7%	-4.4%	-
Shenzhen Airport Co., Ltd.	20.3%	18.9%	15.9%	1.3%	-
Malaysia Airports Holdings Berhad	5.2%	15.0%	10.3%	-59.8%	-
Operating Margin, %					
SATS Ltd.	13.3%	13.1%	13.5%	11.7%	-1.0%
Airports of Thailand Public Company Limited	47.6%	51.2%	48.6%	17.4%	-237.3%
Sydney Airport Limited	54.8%	54.7%	54.8%	15.0%	-
Japan Airport Terminal Co., Ltd.	4.6%	5.9%	8.2%	3.9%	-112.2%
Guangzhou Baiyun International Airport Co., Ltd.	31.9%	21.4%	17.3%	-9.9%	-
Shenzhen Airport Co., Ltd.	22.9%	20.6%	18.6%	-0.2%	-
Malaysia Airports Holdings Berhad	20.3%	22.5%	23.6%	-36.1%	-
ROE, %					
SATS Ltd.	16.7%	16.2%	15.1%	10.3%	-5.0%
Airports of Thailand Public Company Limited	16.5%	18.3%	16.8%	2.9%	-12.8%
Sydney Airport Limited	40.4%	103.3%	0.0%	-45.4%	-
Japan Airport Terminal Co., Ltd.	5.7%	9.1%	22.2%	3.0%	-21.4%
Guangzhou Baiyun International Airport Co., Ltd.	12.4%	7.3%	6.5%	-1.4%	-
Shenzhen Airport Co., Ltd.	6.1%	5.9%	5.0%	0.2%	-
Malaysia Airports Holdings Berhad	2.4%	8.5%	5.8%	-15.2%	-
ROIC, %					
SATS Ltd.	14.9%	14.3%	13.2%	8.0%	-2.7%
Airports of Thailand Public Company Limited	14.1%	16.4%	15.5%	3.0%	-
Sydney Airport Limited	7.6%	7.6%	7.4%	-	-
Japan Airport Terminal Co., Ltd.	3.9%	6.2%	11.4%	1.6%	-
Guangzhou Baiyun International Airport Co., Ltd.	10.3%	7.2%	6.4%	-	-
Shenzhen Airport Co., Ltd.	6.0%	5.8%	5.0%	0.2%	-
Malaysia Airports Holdings Berhad	5.2%	10.0%	7.9%	-	-
D/E, %					
SATS Ltd.	6.4%	6.0%	5.3%	34.6%	51.4%
Airports of Thailand Public Company Limited	18.1%	12.5%	8.9%	7.8%	56.5%
Sydney Airport Limited	1,403.4%	14,119.3%	-	886.5%	-
Japan Airport Terminal Co., Ltd.	43.1%	49.0%	107.1%	120.6%	135.5%
Guangzhou Baiyun International Airport Co., Ltd.	15.8%	7.4%	3.5%	0.1%	-
Shenzhen Airport Co., Ltd.	0.0%	0.0%	0.0%	11.5%	-
Malaysia Airports Holdings Berhad	63.7%	56.3%	54.3%	58.5%	-

Source: Refinitiv Eikon



Guangzhou Baiyun International Airport Co Ltd is a China-based company, principally engaged in the provision of aviation services. The Company's aviation services include aircraft takeoff and landing, passenger integrated services, security checks and aviation ground maintenance, among others.



Sydney Airport is an Australia-based company. The Company consists of Sydney Airport Limited (SAL) and Sydney Airport Trust 1 (SAT 1). The Trust Company (Sydney Airport) Limited (TTCL) is the responsible entity of SAT1. The principal activity of the SAL is the ownership of Sydney Airport. The principal activity of the SAT1 Group is to hold financial loan assets. The Company offers aeronautical, retail, property and car rental, and parking and ground transport services. It provides lease of commercial space to tenants whose activities include duty free, food and beverage, financial and advertising services. The Company's property and car rental service consists of lease of terminal space, buildings and other space at Sydney Airport.



Airports of Thailand Public Company Limited is a Thailand-based company engaged in airport business and other services related to airport operation. The Company operates two principal business segments, which are airport business and hotel business. The Company develops and manages Suvarnabhumi, Don Mueang, Chiang Mai, Hat Yai, Phuket and Mae Fah Luang Chiang Rai airports. The Company's operations involve both aeronautical and non-aeronautical activities. The aeronautical activities are associated with air-traffic movements, such as landing, parking, passenger services and aircraft services. The non-aeronautical activities include office and state property rents, services and concession. The Company is also involved in the development and operations of hotels near Suvarnabhumi and Don Mueang airports. The Company's subsidiary includes Suvarnabhumi Airport Hotel Company Limited.



Japan Airport Terminal Holding Co., Ltd is a Japan-based company principally involved in the management and operation of Haneda airport terminal building, as well as the distribution of merchandise and catering businesses. The Company operates in three business segments. The Facility Management and Operation segment is engaged in the management and operation of facilities within the Haneda airport terminal building. The segment is mainly engaged in the lease of facilities to airline companies. The Merchandise Sale segment is primarily engaged in the sale of commercial products to air travelers in Haneda Airport, Narita Airport, Kansai International Airport, as well as the wholesale of commercial products to airport terminal companies. The Catering segment is engaged in the provision of food and beverage products to passengers of Haneda Airport and Narita International Airport, as well as the manufacture and sale of in-flight food and frozen food.



Shenzhen Airport Co. Ltd is a China-based company principally engaged in the operation and management of Shenzhen Bao'an International Airport. The Company is mainly engaged in aviation business and non-aviation extending business. Aviation business provides airline companies, passengers and cargos with aviation ground security and aviation ground agency services. Non-aviation extending business includes aviation logistics services and aviation value-added services. The Company is also involved in the provision of aviation advertisement services. The Company mainly operates its business in Shenzhen, China.



Malaysia Airports Holdings Berhad is an investment holding company. The Company operates through the segments, which include Malaysia Operations and Overseas Operations. Its Malaysia Operations segment includes duty free and non-dutiable goods, airport services, agriculture and horticulture, hotel, and project and repair maintenance services. Its Overseas Operations segment includes project and repair maintenance, and airport services. It provides management service in respect of food and beverage outlets at designated airports. It manages, operates and maintains designated airports in Malaysia and provides airport related services. It cultivates and sells oil palm and other agricultural products. It manages and operates a hotel, Sama-Sama Hotel and Sama-Sama Express K.L. International Airport. It is also engaged in providing consultancy, operations and maintenance of information and communication technology business ventures, and provision of mechanical and electrical engineering.

APPENDIX D1 – REVENUE PROJECTION

We utilised a regression model for the projection of each segment of the revenue. The revenue for food solutions is dependent on Passengers, Flights and Ship Calls handled and Gross Meals Produced. While Gateway services is dependent on Passengers, Flights and Ship Calls handled and Cargo/Mail Processed. Passengers and Flights handled are projected based on the assumptions that recovery will reach about 35%, 80% and 100% of its pre-covid level in the years FY2022, FY2023 and FY2024. Thereafter reaching about 125% of its pre-covid level in FY2026. During the pandemic, we see an increase in cruises to nowhere, this trend is reflected in FY2022. Reaching its pre-covid levels in FY2024. The margins reflect the segments of operating income and net income as a proportion of the revenue.

Operating Statistics	Actual					Projected				
	FY 2017A	FY 2018A	FY 2019A	FY 2020A	FY 2021A	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Passengers Handled ('M)	51.53	54.30	59.87	84.62	4.12	29.62	68.12	87.19	102.89	113.98
Flights Handled ('000)	171.38	165.94	213.16	351.44	55.12	123.01	281.68	354.92	415.25	475.27
Cargo/Mail Processed ('000 tonnes)	1,717.4	1,828.9	1,857.9	1,791.0	1,155.0	1,624.1	1,867.7	2,091.8	2,301.0	2,485.1
Gross Meals Produced ('M)	67.61	70.51	76.05	82.46	43.65	57.86	78.11	97.64	116.19	127.81
Ship Calls Handled	147	189	312	258	96	116	209	260	291	306
Employees ('000)	13.7	13.1	14.3	17.2	13.0	13.1	14.8	20.0	23.0	25.1
Revenue (Millions)	Actual					Projected				
	FY 2017A	FY 2018A	FY 2019A	FY 2020A	FY 2021A	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Food Solutions	973.3	946.6	988.2	1,070.5	573.8	666.9	1,060.0	1,473.2	1,811.7	2,025.8
Growth %	0.6%	-2.7%	4.4%	8.3%	-46.4%	16.2%	58.9%	39.0%	23.0%	11.8%
Gateway Services	754.6	776.5	837.8	868.8	389.7	488.9	811.2	1,045.4	1,186.1	1,316.1
Growth %	3.9%	2.9%	7.9%	3.7%	-55.1%	25.4%	65.9%	28.9%	13.5%	11.0%
Others	1.4	1.4	2.1	1.9	6.5	5.3	3.5	3.5	3.8	4.1
Growth %	-70.6%	1.3%	43.7%	-6.6%	237.1%	-18.7%	-33.0%	-2.3%	9.7%	7.6%
Total	1,729.4	1,724.6	1,828.0	1,941.2	970.0	1,161.1	1,874.8	2,522.0	3,001.6	3,345.9
Growth %	1.84%	-0.3%	6.0%	6.2%	-50.0%	19.7%	61.5%	34.5%	19.0%	11.5%
Operating Income (Millions)	Actual					Projected				
	FY 2017A	FY 2018A	FY 2019A	FY 2020A	FY 2021A	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Food Solutions	169.3	150.0	152.6	136.2	-46.3	-76.3	131.8	179.2	236.0	270.1
Margin, % of Total Revenue	9.8%	8.7%	8.4%	7.0%	-4.8%	-6.6%	7.0%	7.1%	7.9%	8.1%
Gateway Services	64.1	78.3	95.1	101.1	38.6	12.3	73.3	95.5	120.4	131.8
Margin, % of Total Revenue	3.7%	4.5%	5.2%	5.2%	4.0%	1.1%	3.9%	3.8%	4.0%	3.9%
Others	-2.8	-2.0	-0.5	-11.1	-2.3	-11.3	-3.7	-4.9	-6.4	-7.2
Margin, % of Total Revenue	-0.2%	-0.1%	0.0%	-0.6%	-0.2%	-1.0%	-0.2%	-0.2%	-0.2%	-0.2%
Total	230.6	226.3	247.0	226.2	-10.0	-75.3	201.5	269.8	350.0	394.7
Margin, %	13.3%	13.1%	13.5%	11.7%	-1.0%	-6.5%	10.7%	10.7%	11.7%	11.8%
Net Income (Millions)	Actual					Projected				
	FY 2017A	FY 2018A	FY 2019A	FY 2020A	FY 2021A	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Food Solutions	172.6	156.1	129.4	99.5	-69.8	-57.5	123.6	172.7	225.9	259.5
Margin, % of Total Revenue	10.0%	9.0%	7.1%	5.1%	-7.2%	-4.9%	6.6%	6.8%	7.5%	7.8%
Gateway Services	88.5	109.3	120.2	75.9	7.8	6.4	88.1	118.3	148.5	163.7
Margin, % of Total Revenue	5.1%	6.3%	6.6%	3.9%	0.8%	0.6%	4.7%	4.7%	4.9%	4.9%
Others	-3.1	-3.9	-1.2	-6.9	-16.9	-13.9	-3.8	-5.3	-6.8	-7.7
Margin, % of Total Revenue	-0.2%	-0.2%	-0.1%	-0.4%	-1.7%	-1.2%	-0.2%	-0.2%	-0.2%	-0.2%
Total	258.0	261.4	248.4	168.4	-78.8	-64.9	207.9	285.8	367.6	415.6
Margin, %	14.9%	15.2%	13.6%	8.7%	-8.1%	-5.6%	11.1%	11.3%	12.2%	12.4%

Source: Team Analysis

APPENDIX D2 – INCOME STATEMENT

(Millions)	Actual					Projected				
	FY 2017A	FY 2018A	FY 2019A	FY 2020A	FY 2021A	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Revenue	1,729.4	1,724.5	1,828.1	1,941.2	970.0	1,162.3	1,876.5	2,522.1	3,001.3	3,345.7
Cost of goods sold	-1,224.1	-1,189.3	-1,254.7	-1,319.0	-717.3	-930.5	-1,262.6	-1,737.8	-2,067.7	-2,307.8
Gross Profit	505.3	535.2	573.4	622.2	252.7	231.8	613.9	784.3	933.6	1,037.8
Sales general and administrative (SGA)	-67.5	-84.2	-89.4	-84.6	-19.9	-44.1	-84.6	-113.7	-135.4	-150.9
Research and development (R&D)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and amortization	-73.5	-78.5	-84.9	-117.6	-130.4	-137.1	-155.4	-176.2	-189.2	-203.6
Other operating expense	-133.7	-146.2	-152.1	-193.8	-112.4	-125.9	-172.5	-224.5	-259.0	-288.6
Unusal Expense	-0.7	0.0	-11.6	-18.7	-92.8	-26.0	-7.7	-10.3	-12.3	-13.7
Operating Profit	229.9	226.3	235.4	207.5	-102.8	-101.3	193.8	259.5	337.7	381.0
Interest Expense	-1.2	-0.8	-0.8	-7.6	-20.5	-19.0	-16.8	-10.5	-9.1	-8.4
Gain (Loss) on Sale of Assets	9.9	15.9	-0.5	-1.8	0.0	4.7	3.7	1.2	1.6	2.2
Other non operating income (losses/expenses)	70.6	80.1	73.7	15.8	-22.1	39.4	63.7	85.6	101.8	113.5
Profit before tax	309.2	321.5	307.8	213.9	-145.4	-76.2	244.3	335.8	432.0	488.4
Income Tax Expense	-48.3	-56.1	-51.5	-38.3	36.2	12.9	-41.4	-56.8	-73.1	-82.7
Minority interest	-2.8	-4.1	-7.8	-7.2	30.4	-1.5	4.9	6.8	8.7	9.9
Net Income (PATMI)	258.1	261.4	248.4	168.4	-78.8	-64.9	207.9	285.8	367.6	415.6

Source: Team Analysis

APPENDIX D3 – BALANCE SHEET

	Actual					Projected				
	FY 2017A	FY 2018A	FY 2019A	FY 2020A	FY 2021A	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Assets										
Receivables	278.0	303.2	306.2	388.8	292.7	302.2	315.3	327.9	345.1	361.3
Inventories	21.9	22.5	24.3	70.5	130.1	54.2	31.6	34.8	41.4	46.2
Cash & Short Term Deposits	505.8	373.2	349.9	549.3	879.9	899.6	859.8	455.1	369.7	293.7
Prepaid Expenses	17.4	16.2	19.4	23.0	20.1	22.0	27.3	33.4	29.8	33.2
Other Current Assets	33.5	19.9	10.5	0.0	0.0	8.5	13.8	18.5	22.0	24.5
Total Current Assets	856.5	735.0	710.2	1,031.5	1,322.8	1,286.5	1,247.7	869.6	808.0	759.0
Plant, Property and Equipment (PPE)	1,486.3	1,570.1	1,659.0	1,990.6	1,972.7	2,052.7	2,272.7	2,522.7	2,678.0	2,851.2
Total Depreciation	-947.6	-1,009.9	-1,079.8	-1,182.3	-1,265.3	-1,402.4	-1,557.8	-1,734.0	-1,923.2	-2,126.8
Long-term Investments	25.3	19.9	20.6	27.7	14.5	17.4	28.1	32.8	39.0	41.8
Investment Properties	10.4	8.9	7.6	1.0	0.5	1.7	0.0	0.0	0.0	0.0
Investment in Associates	590.1	604.1	621.5	617.8	520.8	557.9	581.7	623.0	690.3	702.6
Investment in Joint Ventures	80.7	244.7	102.5	71.2	57.4	79.1	84.4	95.8	102.0	107.1
Intangibles (ITA)	172.9	120.3	265.8	300.4	321.0	290.6	300.2	327.9	345.1	384.8
Total Intangible Amortization	-145.9	-93.5	-160.9	-175.1	-186.7	-197.1	-202.7	-221.3	-233.0	-259.7
Goodwill	131.0	130.7	245.6	298.3	276.3	279.0	272.1	365.7	435.2	485.1
Other Assets	19.8	18.0	16.3	28.7	57.8	52.3	46.9	37.8	45.0	50.2
Total Non-Current Assets	1,423.0	1,613.3	1,698.2	1,978.3	1,769.0	1,731.3	1,825.8	2,050.4	2,178.6	2,236.2
Total Assets	2,279.5	2,348.3	2,408.4	3,009.8	3,091.8	3,017.8	3,073.5	2,920.0	2,986.6	2,995.2
Liabilities										
Accounts Payable	146.1	166.6	161.6	179.0	158.8	186.1	227.3	278.1	248.1	276.9
Accrued Exp.	147.9	147.4	145.5	171.7	178.8	214.0	238.6	264.2	235.7	263.1
Other Payables	0.0	0.0	0.0	0.0	20.9	18.6	22.7	27.8	24.8	27.7
Curr. Port. of LT Debt	10.0	9.9	0.0	112.4	143.3	145.4	149.7	291.7	196.9	107.3
Curr. Port. of Leases	0.4	0.3	0.1	19.4	16.0	10.2	12.0	8.5	10.7	10.0
Curr. Income Taxes Payable	58.6	57.3	57.3	46.5	36.0	37.1	52.5	70.6	75.0	83.6
Other Current Liabilities	47.0	21.1	24.7	33.2	11.4	19.0	26.6	36.8	44.4	48.0
Total Current Liabilities	409.9	402.6	389.3	562.2	565.3	630.5	729.5	977.7	835.6	816.7
Long Term Debt	98.2	96.3	95.6	492.6	714.1	727.2	748.6	458.6	484.3	536.7
Other Liabilities	24.7	21.3	18.8	58.8	45.0	66.3	94.6	90.4	95.5	67.8
Deferred Income Taxes	55.5	61.6	87.6	90.7	68.7	47.2	94.4	129.9	156.4	178.4
Minority Interest	87.7	132.5	167.9	188.0	152.5	147.7	216.4	239.6	255.1	250.9
Total Long-Term Liabilities	266.1	311.7	369.9	830.1	980.3	988.3	1,153.9	918.6	991.3	1,033.8
Total Liabilities	676.0	714.3	759.2	1,392.3	1,545.6	1,618.8	1,883.4	1,896.3	1,827.0	1,850.4
Shareholder Equity										
Paid Up Share Capital	367.9	367.9	367.9	367.9	367.9	367.9	367.9	367.9	367.9	367.9
Treasury Stock - Common	-30.4	-32.8	-43.0	-26.0	-18.8	-19.8	-21.0	-21.0	-21.0	-20.0
Unrealized Gain (Loss)	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Equity, Total	-111.1	-143.4	-150.7	-147.5	-150.2	-147.2	-147.2	-147.2	-147.2	-147.2
Retained Earnings	1,377.0	1,442.4	1,475.0	1,423.1	1,347.4	1,198.0	990.4	824.0	959.9	944.0
Total Shareholders' Funds	1,603.5	1,634.1	1,649.2	1,617.5	1,546.3	1,399.0	1,190.1	1,023.7	1,159.6	1,144.8
Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities & Shareholders' Funds	2,279.4	2,348.4	2,408.4	3,009.8	3,091.8	3,017.8	3,073.5	2,920.0	2,986.6	2,995.2

Source: Team Analysis

APPENDIX D4 – CASH FLOW STATEMENT

	Actual					Projected				
	FY 2017A	FY 2018A	FY 2019A	FY 2020A	FY 2021A	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Cash From Operations:										
Net Income	309.2	321.5	307.8	213.9	-145.4	-64.9	207.9	285.8	367.6	415.6
Depreciation And Amortization	73.5	78.5	84.9	117.6	130.4	137.1	155.4	176.2	189.2	203.6
Non-Cash item	-68.9	-77.0	-56.2	22.1	78.5	-20.3	-10.6	2.7	14.5	13.0
Changes in Working Capital:										
Changes in Receivables	6.3	-23.5	24.3	-49.3	143.1	-9.5	-13.0	-12.6	-17.3	-16.2
Changes in Inventories	0.4	-0.6	-1.9	-10.6	-60.9	75.9	22.6	-3.2	-6.6	-4.8
Changes in Prepaid Expenses	1.1	1.2	-2.5	-17.5	2.9	-8.5	-5.2	-4.7	-3.5	-2.5
Changes in Payable/Accrued	30.4	-1.8	-12.1	28.3	-9.6	35.2	1.8	-3.5	2.2	-0.7
Changes in Taxes Payable	0.0	0.0	0.0	0.0	0.0	1.1	15.5	18.1	4.4	8.6
Changes in Other Operating Cash Flows	-42.9	-52.8	-48.5	-60.6	-21.2	-45.2	-45.7	-44.2	-43.4	-51.2
Net Cash Flow From Operations	309.1	245.5	295.8	243.9	117.8	100.9	328.6	414.5	507.1	565.3
Cash From Investing:										
Capital Expenditures	-88.1	-99.2	-87.6	-75.6	-61.5	-80.0	-220.0	-250.0	-155.3	-173.1
Sale of Fixed Assets	22.8	35.7	1.2	0.6	1.3	12.3	10.2	5.1	5.9	7.0
Increase in Investments	-75.3	-151.1	-25.0	-76.3	0.0	-65.0	-180.0	-205.0	-110.5	-123.1
Purchases of Intangibles	0.0	0.0	0.0	0.0	0.0	30.4	-9.7	-27.6	-17.3	-39.6
Other Investments Related Cashflows	21.0	32.5	39.1	34.1	31.9	5.5	5.4	9.1	-7.2	-5.2
Cash From Investing	-119.6	-182.1	-72.3	-117.2	-28.3	-96.8	-394.0	-468.4	-284.3	-334.1
Cash From Financing:										
Issuance (Retirement) of Debt, Net	-6.7	-0.6	-10.0	284.2	244.5	15.2	25.7	-147.9	-69.2	-37.1
Issuance (Retirement) of Stock, Net	4.4	-13.4	-28.0	0.0	-1.6	0.0	0.0	0.0	0.0	0.0
Dividends Paid	-178.2	-190.3	-200.9	-212.5	0.0	0.0	0.0	-202.9	-238.9	-270.1
Financing Cash Flow Items	7.8	7.5	-6.0	-5.2	-3.4	0.0	0.0	0.0	0.0	0.0
Cash From Financing	-172.7	-196.8	-244.9	66.5	239.5	15.2	25.7	-350.8	-308.2	-307.2
Foreign Exchange Effects	2.0	-1.6	-1.8	6.2	1.8	1.3	1.2	1.7	2.4	1.7
Net Change in Cash	18.7	-135.1	-23.3	199.3	330.7	19.4	-39.7	-404.7	-85.4	-76.0
Cash Balance:										
Beginning Cash Balance	489.9	508.6	373.5	350.2	549.5	880.2	899.6	859.8	455.1	369.7
Net Change in Cash	18.7	-135.1	-23.3	199.3	330.7	19.4	-39.7	-404.7	-85.4	-76.0
Ending Cash Balance	508.6	373.5	350.2	549.5	880.2	899.6	859.8	455.1	369.7	293.7

Source: Team Analysis

APPENDIX E1 – WACC COMPUTATION

WACC		
Input	Rate	Source
Risk Free Rate	1.81%	10 Year bond yield of Singapore Government Bonds
Market Returns	11.20%	With reference to the STI
Market Risk Premium	9.39%	Market Returns
Beta	1.26	5 Year Monthly Data
Cost of Equity	13.64%	CAPM
Cost of Debt	2.880%	Estimate of Corporate Bond
Debt	873	
Equity Value	1,546.3	
Total Debt & Equity	2,419.7	
Tax Rate	17%	Singapore Corporate Tax Rate
WACC	9.58%	

Source: Team Analysis

Cost of Debt: We used the bond yield of SATS, 2.88%, as a proxy for the cost of debt. We considered the corporate tax rate of Singapore, which is 17%.

Cost of Equity: We used the CAPM formula to derive the cost of equity. Using the historic 5-year monthly dataset, our Beta is derived by running a regression of $R_t - R_m$ on the market risk premium $R_m - R_f$, which led us to a Beta of 1.26.

WACC: After factoring in the weights of the debt and equity, we arrived at a WACC of 9.58%.

Beta	
$R_t - R_f = \beta(R_m - R_f)$	
Ri: Monthly Return of SATS Ltd.	
Rf: Risk free rate	
Rm: Monthly Return of STI	
5 Year Monthly Beta	1.26

Source: Team Analysis

APPENDIX E2 – DISCOUNTED CASH FLOW MODEL

	(Millions)					Projected				
	FY 2017A	FY 2018A	FY 2019A	FY 2020A	FY 2021A	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Revenue	1,729.4	1,724.5	1,828.1	1,941.2	970.0	1,162.3	1,876.5	2,522.1	3,001.3	3,345.7
Growth Rate %	1.8%	-0.3%	6.0%	6.2%	-50.0%	19.8%	61.4%	34.4%	19.0%	11.5%
Cost Of Goods Sold	-1,224.1	-1,189.3	-1,254.7	-1,319.0	-717.3	-930.5	-1,262.6	-1,737.8	-2,067.7	-2,307.8
COGS as a % of Revenue	70.8%	69.0%	68.6%	67.9%	73.9%	80.1%	67.3%	68.9%	68.9%	69.0%
Gross Profit	505.3	535.2	573.4	622.2	252.7	231.8	613.9	784.3	933.6	1,037.8
Gross Margin %	29.2%	31.0%	31.4%	32.1%	26.1%	19.9%	32.7%	31.1%	31.1%	31.0%
Sales General and Administrative (SGA)	-67.5	-84.2	-89.4	-84.6	-19.9	-44.1	-84.6	-113.7	-135.4	-150.9
Research and Development (R&D)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and Amortization	-73.5	-78.5	-84.9	-117.6	-130.4	-137.1	-155.4	-176.2	-189.2	-203.6
Other Operating Expense	-133.7	-146.2	-152.1	-193.8	-112.4	-125.9	-172.5	-224.5	-259.0	-288.6
Unusal Expense	-0.7	0.0	-11.6	-18.7	-92.8	-26.0	-7.7	-10.3	-12.3	-13.7
Operating Profit	229.9	226.3	235.4	207.5	-102.8	-101.3	193.8	259.5	337.7	381.0
Interest Expense	-1.2	-0.8	-0.8	-7.6	-20.5	-19.0	-16.8	-10.5	-9.1	-8.4
Gain (Loss) on Sale of Assets	9.9	15.9	-0.5	-1.8	0.0	4.7	3.7	1.2	1.6	2.2
Other non operating income (losses/expenses)	70.6	80.1	73.7	15.8	-22.1	39.4	63.7	85.6	101.8	113.5
Profit Before Tax	309.2	321.5	307.8	213.9	-145.4	-76.2	244.3	335.8	432.0	488.4
Income Tax Expense	-48.3	-56.1	-51.5	-38.3	36.2	12.9	-41.4	-56.8	-73.1	-82.7
Income Tax , %	15.6%	17.4%	16.7%	17.9%	24.9%	17.0%	17.0%	17.0%	17.0%	17.0%
Minority interest	-2.8	-4.1	-7.8	-7.2	30.4	-1.5	4.9	6.8	8.7	9.9
Net Income	258.1	261.3	248.5	168.4	-78.8	-64.9	207.9	285.8	367.6	415.6
CapEx	-88.1	-99.2	-87.6	-75.6	-61.5	-80.0	-220.0	-250.0	-155.3	-173.1
Interest Tax Shield	1.0	0.7	0.7	6.2	15.4	15.8	14.0	8.7	7.5	7.0
Depreciation and Amortization	73.5	78.5	84.9	117.6	130.4	137.1	155.4	176.2	189.2	203.6
Non-Cash Item	-68.9	-77.0	-56.2	22.1	78.5	-20.3	-10.6	2.7	14.5	13.0
Changes in NWC	-4.7	-77.5	-40.7	-109.7	54.3	49.0	-24.1	-50.2	-64.2	-66.8
Free Cash Flow	170.9	86.8	149.6	129.0	138.3	36.7	122.6	173.2	359.3	399.2
Period						1	2	3	4	5
Discount Factor						0.913	0.833	0.760	0.694	0.633
PV of FCF						33.5	102.1	131.7	249.2	252.7

Source: Team Analysis

Terminal Value		Target Share Price	
Expected Growth Rate	4.00%	Sum of PV of FCF	769.2
WACC	9.58%	PV of Terminal Value	4,712.5
Terminal Value	7,444.5	Enterprise Value	5,481.6
PV of Terminal Value	4,712.5	Total Debt	873.4
		Cash & Cash Equivalent	879.9
		Equity Value	5,488.1
		Shares Outstanding	1,118.7
		Target Share Price	4.91

Source: Team Analysis

APPENDIX E3 – SENSITIVITY ANALYSIS

Enterprise Value		WACC					Share Price		WACC				
Terminal Growth Rate		8.58%	9.08%	9.58%	10.08%	10.58%	Terminal Growth Rate		8.58%	9.08%	9.58%	10.08%	10.58%
	2.0%	4,899.1	4,508.9	4,171.0	3,875.5	3,615.1		2.0%	4.38	4.04	3.73	3.47	3.24
	2.5%	5,258.5	4,811.9	4,429.2	4,097.7	3,807.8		2.5%	4.71	4.31	3.96	3.67	3.41
	3.0%	5,682.3	5,164.7	4,726.6	4,351.2	4,026.0		3.0%	5.09	4.62	4.23	3.90	3.60
	3.5%	6,189.6	5,580.8	5,073.1	4,643.3	4,275.0		3.5%	5.54	4.99	4.54	4.16	3.83
	4.0%	6,807.7	6,078.9	5,481.6	4,983.5	4,561.8		4.0%	6.09	5.44	4.91	4.46	4.08
	4.5%	7,577.5	6,685.8	5,970.7	5,384.7	4,895.9		4.5%	6.78	5.98	5.34	4.82	4.38
	5.0%	8,562.5	7,441.5	6,566.5	5,864.9	5,289.9		5.0%	7.66	6.66	5.88	5.25	4.73

Source: Team Analysis

We ran a sensitivity analysis to determine the effects of changes in the WACC and terminal growth rate on the company's Enterprise Value and its impact on the share price. While some of the share prices have exceeded our predicted share prices, we believe that these extreme values are unlikely to occur as this analysis gives us an idea of how the fluctuation will be like.

APPENDIX E4 – DIVIDEND DISCOUNT MODEL

	FY 2021A	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Dividend Per Share	0.00	0.00	0.00	0.18	0.21	0.24
Cost of Equity	13.64%					
Period	0	1	2	3	4	5
Discount Factor	1	0.880	0.774	0.681	0.600	0.528
PV	0.000	0.000	0.000	0.124	0.128	0.128
Terminal Value						
Growth Rate	9.6%					
Terminal Value	6.627					
PV of Terminal Value	3.50					
Share Price	3.88					

Source: Refinitiv Eikon, Team Analysis

APPENDIX E5 – RELATIVE VALUATION

The company's peers are chosen according to their industry, Airport Operators and Services. The companies are narrowed down based on its industry and its operation in Gateway Services and Food Solutions. SATS has identified as the Airport Operators and Services leader in the South-East Asia.

We extracted the data from the company and its peers, finding the range of values, namely min, max, mean, median and the percentiles. We have chosen EV / Revenue, EV / EBITDA and P/E to determine the implied share price.

SATS' P/E is highly significant with 390.0x in the past 12 months and 130.0x in the next 12 months due to its low earnings which makes the company's share price more expensive than the peers.

Multiples & Percentages		Currency		SGD					
Company Name	Share Price Close	Shares Outstanding	Market Capitalisation	Net Debt	Minority Interest	Enterprise Value	Revenue	NTM EBITDA	EPS
SATS Ltd.	3.90	1,122.1	4,376.1	48.2	146.2	4,570.5	1,228.5	168.4	0.03
Airports of Thailand Public Company Limited	2.51	14,285.7	35,798.8	1,904.5	43.7	37,747.1	931.5	308.5	(0.01)
Sydney Airport Limited	8.40	2,698.7	22,661.8	8,376.2	(144.7)	30,893.4	829.2	581.2	(0.04)
Japan Airport Terminal Co., Ltd.	58.42	93.1	5,437.3	1,757.4	(249.7)	8,125.5	812.4	275.6	(0.24)
Guangzhou Baiyun International Airport Co., Ltd.	2.46	2,366.7	5,825.6	225.2	55.6	6,106.4	1,443.0	427.9	0.09
Shenzhen Airport Co., Ltd.	1.56	2,050.8	3,204.3	943.2	2.0	4,149.5	846.5	226.6	0.04
Malaysia Airports Holdings Berhad	1.83	1,659.2	3,033.7	1,071.7	-	4,105.4	1,020.6	369.2	(0.03)
Min	1.56	93.1	3,033.7	48.2	(249.7)	4,105.4	812.4	168.4	(0.24)
25th Percentile	2.15	1,390.7	3,790.2	584.2	(108.0)	4,360.0	837.9	251.1	(0.04)
Median	2.51	2,050.8	5,437.3	1,071.7	22.8	6,106.4	931.5	308.5	(0.01)
Mean	11.30	3,468.0	11,476.8	2,046.6	(24.5)	13,671.1	1,016.0	336.8	(0.02)
75th Peercentile	6.15	2,532.7	14,243.7	1,830.9	52.7	19,509.5	1,124.5	398.5	0.04
Max	58.42	14,285.7	35,798.8	8,376.2	146.2	37,747.1	1,443.0	581.2	0.09

Company Name	Revenue	LTM EBITDA	EPS	Enterprise Value/ NTM		Enterprise Value/ LTM		NTM P/E	LTM P/E
				Revenue	EBITDA	Revenue	EBITDA		
SATS Ltd.	1,099.0	122.8	0.01	3.7x	27.1x	4.2x	37.2x	130.0x	390.0x
Airports of Thailand Public Company Limited	296.4	(464.2)	(0.05)	40.5x	122.3x	127.4x	(81.3x)	(251.0x)	(50.2x)
Sydney Airport Limited	629.3	362.8	(0.08)	37.3x	53.2x	49.1x	85.2x	(210.0x)	(105.0x)
Japan Airport Terminal Co., Ltd.	641.3	(4.1)	(3.87)	10.0x	29.5x	12.7x	-	(243.4x)	(15.1x)
Guangzhou Baiyun International Airport Co., Ltd.	1,090.0	182.8	(0.04)	4.2x	14.3x	5.6x	33.4x	27.3x	(61.5x)
Shenzhen Airport Co., Ltd.	690.4	101.1	0.01	4.9x	18.3x	6.0x	41.0x	39.0x	156.0x
Malaysia Airports Holdings Berhad	448.3	(110.0)	(0.27)	4.0x	11.1x	9.2x	(37.3x)	(61.0x)	(6.8x)
Min	296.4	(464.2)	(3.87)	3.7x	11.1x	4.2x	(81.3x)	(251.0x)	(105.0x)
25th Percentile	538.8	(57.0)	(0.18)	4.1x	16.3x	5.8x	(19.6x)	(226.7x)	(55.9x)
Median	641.3	101.1	(0.05)	4.9x	27.1x	9.2x	35.3x	(61.0x)	(15.1x)
Mean	699.2	27.3	(0.61)	15.0x	39.4x	30.6x	13.0x	(81.3x)	43.9x
75th Peercentile	890.2	152.8	(0.02)	23.6x	41.3x	30.9x	40.1x	33.2x	74.6x
Max	1,099.0	362.8	0.01	40.5x	122.3x	127.4x	85.2x	130.0x	390.0x

Source: Capital IQ, Team Analysis