

# SATS (SATS SP)

## Resilience amidst travel chaos; initiate at BUY

### Backed by structural tailwind; initiate at BUY

We initiate coverage of SATS with a BUY and a DCF-based TP of SGD4.52, implying FY26E P/E of 23.5x and EV/EBITDA of 9.1x. We like SATS for its global presence and dominant position in both gateway services and food catering. We expect FY26E PATMI growth of 12.9% YoY, driven by improved operating scalability and operational leverage which translate into DPS of SGD6c (dividend yield of 1.6%). Downside risks to our call include weaker cargo demand and a sharp rise in operating expenses. Upside risks include stronger-than-expected re-routing demand and faster-than-expected ramp-up at the Tianjin and Bangkok Central Kitchen.

### Gateway services segment continues to shine

While US tariffs weigh on the performance of the US Gateway Services segment, we believe key growth drivers are intact. Leveraging its extensive global network, SATS is positioned to capture cargo volume growth from outside China to the US, where e-commerce volumes have been disrupted by abolition of the de minimis exemption. We expect incremental growth to be driven by the EMEA region, particularly Europe, as gateway services typically generate c.77% of group revenue. As such, we forecast PATMI to grow 12.9% YoY in FY26E.

### Resilient amid Middle East tension

Escalating US-Israel strikes on Iran have heightened geopolitical risk, with continued flight cancellations and diversions by airlines such as Emirates and Qatar. Given SATS' low single-digit revenue exposure to the region, we believe near-term volatility should remain manageable. SATS appears relatively more resilient than peers, supported by its diversified global network. Its strong presence in Saudi Arabia and Oman could position the group to capture incremental volumes from traffic diversion over the medium term. In addition, Singapore accounts for c.35% of revenue, and the market could benefit from airlines re-routing traffic through SEA.

### Attractive valuation that lags peers

We initiate coverage of SATS with a BUY rating and DCF-based TP of SGD4.52. We believe strong market presence positions SATS to capture rising demand across EMEA and ASEAN. Our TP implies FY26E P/E of 23.5x and EV/EBITDA of 9.1x.

FYE Mar (SGD m)	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue	5,150	5,821	6,026	6,256	6,455
EBITDA	781	1,036	1,101	1,136	1,171
Core net profit	79	244	275	306	331
Core FDEPS (cts)	5.3	16.2	18.4	20.5	22.1
Core FDEPS growth(%)	nm	207.0	14.0	11.1	8.1
Net DPS (cts)	1.5	5.0	4.6	5.1	5.5
Core FD P/E (x)	58.5	22.3	19.6	17.6	16.3
P/BV (x)	1.9	2.1	1.9	1.8	1.6
Net dividend yield (%)	0.5	1.4	1.3	1.4	1.5
ROAE (%)	2.3	9.8	10.6	10.8	10.7
ROAA (%)	1.2	2.8	3.1	3.3	3.5
EV/EBITDA (x)	10.5	8.6	7.7	7.1	6.5
Net gearing (%) (incl perps)	134.1	117.8	95.6	75.3	57.5
Consensus net profit	-	-	336	387	387
MIBG vs. Consensus (%)	-	-	(14.6)	(18.0)	(11.8)

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# BUY

Share Price SGD 3.61  
12m Price Target SGD 4.52 (+25%)

### Company Description

SATS is a leading provider of aviation gateway services and food solutions with a global footprint.

### Statistics

52w high/low (SGD)	3.96/2.46
3m avg turnover (USDm)	13.0
Free float (%)	58.9
Issued shares (m)	1,495
Market capitalisation	SGD5.4B
	USD4.2B

### Major shareholders:

Temasek Holdings Pte Ltd. (Investment Co)	39.9%
BlackRock Fund Advisors	3.1%
The Vanguard Group, Inc.	2.1%

### Price Performance



	-1M	-3M	-12M
Absolute (%)	(7)	4	20
Relative to index (%)	(5)	(2)	(5)

Source: FactSet

### Abbreviations explained

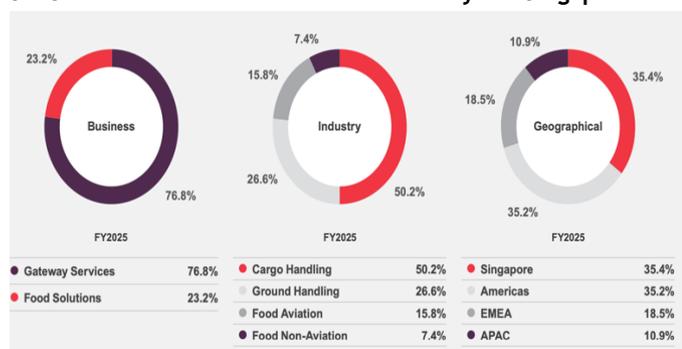
EMEA - Europe, the Middle East, and Africa  
IATA - International Air Transport Association  
CTK - Cargo tonne-kilometres  
WFS - Worldwide Flight Services  
SEA - Southeast Asia

ESG@MAYBANK IBG  
Tear Sheet Insert

## Value Proposition

- Following its merger with Worldwide Flight Services (WFS) in 2022, SATS has diversified its revenue base beyond Singapore and traditional aviation services, supported by investments in automation & digitalisation, as well as strategic acquisitions to capture global air-cargo growth.
- Despite increased competition as global air travel normalises post-pandemic, cargo growth remains well above International Air Transport Association (IATA) projections. Leveraging its extensive global network and entrenched relationships with airlines and logistics players, we believe SATS is well positioned to continue outperforming IATA's projection of air cargo traffic growth of 2.6% in 2026. Supported by aviation traffic recovery, resilient air-cargo demand, and structural tailwinds in ready-to-eat and institutional food services, SATS's earnings growth will be underpinned by operating leverage and network synergies.

### SATS has diversified its revenue base beyond Singapore

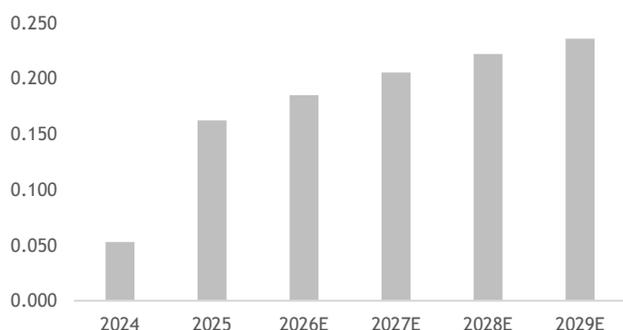


Source: Company

## Financial Metrics

- Revenue rose 8.7% YoY to SGD4.72b in 9MFY26, driven by Gateway Services (+10.6% YoY) on strong cargo momentum (+8.2% YoY tonnage), while Food Solutions revenue grew 2.6% YoY amid resilient aviation meal demand.
- Earnings momentum stayed strong in 3Q26, with PATMI rising 20.4% YoY to SGD84.7m, supported by operating leverage and margin expansion (+0.8ppt YoY to 18.1% EBITDA margin).
- SATS is working toward its FY29E ambitions, with 9M26 EBITDA up 12.9% YoY to SGD878.9m and EBITDA margin at 18.6%, reflecting sustained cost discipline & scale benefits.

### SATS' EPS trend



Source: Company

## Price Drivers

### Historical share price trend



Source: Company, Maybank IBG Research

- Dividends suspended from FY21-23 as global air travel hit by Covid-19, leading to sharp drops in passenger volumes and heightened concern over earnings sustainability.
- In Sep 2022, SATS acquired WFS, which laid the foundation for revenue diversification and scale expansion in global air cargo.
- In 2023, as international travel and cargo volumes recovered, SATS' operating performance stabilised, supported by gradual margin normalisation.
- In 2024, cargo demand exceeded expectations, driven by rising e-commerce demand and benefits from network expansion following the WFS merger.
- In 2025, SATS achieved its targeted post-merger synergies with WFS, reflecting successful integration & execution.

## Swing Factors

### Upside

- Higher-than-expected recovery in global air traffic and air-cargo volumes, supporting stronger throughput across SATS' Gateway Services and cargo handling network.
- Better-than-expected cargo yields and margin expansion, driven by capacity constraints, market share gains, and operating leverage following the WFS merger.
- Faster-than-anticipated realisation of post-merger synergies from WFS, leading to productivity gains, cost efficiencies, and earnings upgrades.

### Downside

- Keen competition from global ground-handling and cargo service providers, potentially pressuring pricing/ margins.
- Weaker-than-expected air travel and cargo demand amid geopolitical tensions, trade disruptions, or a sharper global economic slowdown.
- Rising operating costs such as labour, energy, and logistics expenses, or slower-than-expected deleveraging, which could weigh on operating margins.

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Risk Rating & Score <sup>1</sup>	22
Score Momentum <sup>2</sup>	-1.0/+1.0
Last Updated	8 <sup>th</sup> March 2026
Controversy Score <sup>3</sup> (Updated: 8 <sup>th</sup> March 2026)	

## Business Model & Industry Issues

- As aviation activity expands, environmental scrutiny on airport operations, food supply chains and logistics emissions will intensify, increasing the importance of operational efficiency and carbon management.
- SATS has taken steps to mitigate environmental risks through electrification of ground support vehicles, improving energy efficiency across facilities, and strengthening waste management in catering operations. Following the acquisition of WFS, the enlarged group has also expanded its sustainability roadmap to include global emission targets and sustainable supply-chain practices.
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### Material E issues

- SATS reduced its FY25 carbon footprint to 1,287,885 tCO<sub>2</sub>e (19% scope 1, 6% scope 2, 75% scope 3), with 75% from Food Solutions and 25% from Gateway Services.
- The company halved its carbon intensity over 6 years and cut scope 1 and 2 emissions by 4.6% in FY2025, emitting 316,265 tCO<sub>2</sub>e.
- To decarbonise operations, SATS adopted low-emission vehicles and biofuels, increased renewable energy use to 27% of total electricity, and upgraded refrigerant systems to reduce emissions.
- Waste and packaging initiatives include reducing food waste to 1% in Singapore, using 91% reusable/recyclable packaging globally, and innovating with biodegradable materials and circular economy solutions.
- SATS aims to halve scope 1 and 2 emissions by 2030 and achieve net-zero emissions by 2050.

### Key G metrics and issues

- The Board is supported by the Safety, Sustainability, and Risk Committee (“SSRC”), the Audit Committee (“AC”), and the Remuneration and Human Resource Committee (“RHRC”), each providing oversight in their respective areas and ESG matters.
- The RHRC determines the salary and bonuses of senior management each year, based on individual and corporate performance.
- Management remuneration totalled SGD12.3m in FY25.
- The Board comprises 11 Directors: 9 are independent non-executive Directors, 1 is non-independent non-executive, and the PCEO is a non-independent executive Director.
- 4 Directors (36% of the Board) are female.
- In FY25, SATS paid KPMG LLP SGD2.5m for audit services and SGD0.9m for non-audit services.
- SATS provides a whistleblowing service where employees and the public can report misconduct; reports are reviewed by the Group Internal Audit and overseen by the Audit Committee.

### Material S issues

- The company actively promotes inclusion, rolling out global e-learning on workplace inclusiveness, supporting gender diversity with a target of 35% women in leadership by 2030, and celebrating employees with disabilities through initiatives like “The Silent Kitchen”.
- Through corporate social responsibility, SATS supports local communities in Asia through initiatives such as youth development programmes.
- In partnership with unions and authorities, SATS implements job redesign and higher-skilled training initiatives, enhancing career pathways for employees while addressing evolving industry demands.

<sup>1</sup>**Risk Rating & Score** - derived by Sustainalytics and assesses the company’s exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company’s enterprise value, respectively, from ESG-driven financial impacts. <sup>2</sup>**Score Momentum** - indicates changes to the company’s score since the last update - a **negative** integer indicates a company’s improving risk score; a **positive** integer indicates a deterioration. <sup>3</sup>**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Quantitative Parameters (Score: 39)						
	Particulars	Unit	2022	2023	2024	TPIA IJ (2024)
E	Scope 1 GHG emissions	m tCO2e	0.09	0.14	0.24	1.96
	Scope 2 GHG emissions	m tCO2e	0.05	0.07	0.09	0.47
	<b>Total</b>	<b>m tCO2e</b>	<b>0.14</b>	<b>0.21</b>	<b>0.33</b>	<b>2.43</b>
	Scope 3 GHG emissions	m tCO2e	N/A	0.90	0.83	N/A
	<b>Total</b>	<b>m tCO2e</b>	<b>N/A</b>	<b>1.11</b>	<b>1.16</b>	<b>N/A</b>
	GHG intensity (Scope 1 and 2)	tCO2e/t	120	18	64	0.63
	Energy intensity	GJ/MSGD	707	523	441	11.43
	Share of renewable energy use in operations	%	N/A	N/A	27	N/A
	Wastewater discharge (chemical O <sub>2</sub> demand)	tonnes	N/A	N/A	N/A	22.7
	Hazardous waste 3R rate	%	0.26%	0.9%	1.0%	98%
	Air emissions intensity	ton/kT	N/A	N/A	N/A	N/A
	NPE (New Plastic Economy) investments	MYR m	N/A	N/A	N/A	N/A
	Cases of environmental non-compliance	number	0	0	0	N/A
S	% of women in workforce	%	30.9%	29.4%	30.0%	15.2%
	% of women in management roles	%	27.6%	26.1%	26.1%	21.3%
	Lost time injury frequency (LTIF) rate	number	N/A	N/A	N/A	0.11
	Lives impacted by CSR outreach ('000)	number	N/A	N/A	N/A	N/A
G	MD/CEO salary as % of reported net profit	%	N/A	3.8%	1.2%	N/A
	Board salary as % of reported net profit	%	N/A	N/A	N/A	N/A
	Independent directors on the Board	%	91%	93%	91%	33%
	Female directors on the Board	%	45%	43%	36%	0%

Qualitative Parameters (Score: 100)	
a) is there an ESG policy in place and whether there is a standalone ESG committee or is it part of a risk committee?	<i>Yes - SATS has an established ESG governance framework. Sustainability oversight is provided by the Board Safety, Sustainability and Risk Committee (SSRC), which sets strategic direction and monitors ESG performance across the Group.</i>
b) is the senior management salary linked to fulfilling ESG targets?	<i>Yes - in FY21, sustainability KPIs were introduced in top management performance appraisals.</i>
c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting?	<i>Yes</i>
e) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?	<i>Yes - purchased goods and services (Cat. I) and use of sold products (Cat. II); calculated using Simplified IPCC Tier 1 method.</i>
f) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?	<i>It has decarbonisation targets of 50% reduction in Scope 1 and 2 emissions by 2030 and carbon neutrality by 2040, with a longer-term net-zero target by 2050. Energy efficiency initiative to improve operational efficiency and transitioning to lower-carbon equipment and vehicles across facilities. Waste and circular economy initiatives to reduce food waste intensity and improving recycling rates, alongside efforts to enhance sustainable packaging and waste diversion across operations.</i>
g) Does carbon offset form part of the net zero/carbon neutrality target of the company?	<i>Yes</i>

Target (Score: 100)		
Particulars	Target	Achieved
Reduce Scope 1 & 2 GHG emissions by 2030 (vs 2020 baseline)	-50%	In progress
Achieve carbon neutrality across operations	2040	In progress
Achieve Net Zero emissions (Scope 1-3)	2050	In progress
Reduce food waste intensity (Singapore operations)	-50%	1%
Ensure packaging is reusable or recyclable-ready	100%	91.2%
Expand ESG assessments for strategic suppliers	100%	36%
Maintain anti-corruption compliance and training	100%	85%
<b>Impact</b>		
NA		
<b>Overall Score: 69</b>		
As per our ESG matrix, SATS LTD (SATS) has an overall score of 69.		

ESG score	Weights	Scores	Final Score
Quantitative	50%	39	19
Qualitative	25%	100	25
Target	25%	100	25
<b>Total</b>			<b>69</b>

As per our ESG assessment, SATS has established ESG governance structures, internal policies and clearly defined mid- to long-term sustainability targets, particularly in decarbonisation and circular resource management. However, quantitative environmental metrics—such as emissions reduction and supplier ESG coverage—still require measurable improvement over time. SATS' overall ESG score of 69 places it above our sector average ESG rating of 50.

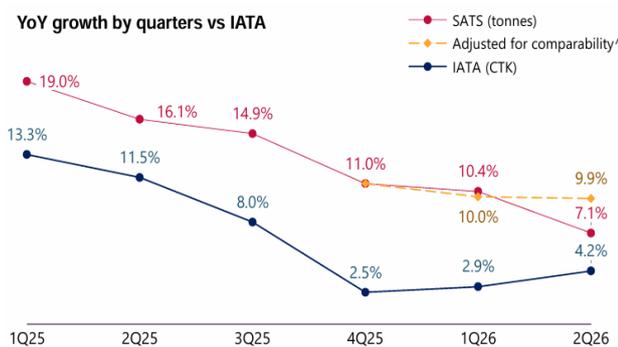
# 1. Investment thesis

## 1.1 Global network to support cargo volume growth

SATS benefits from a global network, which underpins its ability to consistently outperform IATA cargo growth rates. With cargo-handling stations across the Americas, Europe, the Middle East, and Asia, SATS' revenue exposure is geographically diversified, reducing reliance on any single market and allowing growth in one region to offset temporary softness elsewhere. As a result, we expect PATMI to grow 12.9% to SGD275m in FY26E, driven by a 2.4% increase in Gateway Services revenue and a 7.1% YoY increase in Food Solutions.

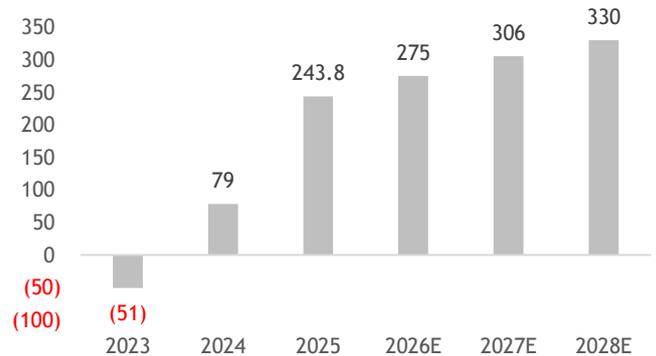
While near-term tariff uncertainty persists in the US due to de minimis thresholds and tariff-related disruptions, e-commerce revenue accounts for only c.5% of SATS' topline. Any volume loss from China-US trade is likely to be offset by resilient demand in Europe, the Middle East, and Africa (EMEA), Asia, and US domestic flows, supported by SATS' regional partnership with Amazon.com. We expect strong volume growth in Europe, underpinned by a surge in e-commerce demand, particularly fast fashion. Growth is especially pronounced in Spain following the commissioning of its new facility, supported by more cost-efficient land transportation. In Asia, continued trade flows and manufacturing-linked demand remain supportive. Reflecting this regional mix, we forecast FY26E cargo volume to grow c.4.2% YoY, well above IATA's 2026 air cargo traffic growth projection of 2.6%.

**Fig 1: Good track record of outperforming IATA**



Source: IATA, SATS, Maybank IBG Research

**Fig 2: PATMI to post c.7% CAGR in FY23-27E**



Source: SATS, Maybank IBG Research

We believe SATS is in a relatively resilient position compared with its peers amidst heightened Middle East tension. SATS' Middle East exposure is limited to Saudi Arabia and Oman (via an associate) which represents low-single-digit revenue exposure and remains unaffected by the Iran conflict for now. However, SATS does see temporal disruption to air cargo with some order cancellation due to the closure of airspace around Doha and Dubai. In the short run, cargo destined for or routed through the region may face delays, leading to inventory build-ups and higher warehouse handling requirements for SATS, which would provide additional income which SATS is able to pass through via storage fees. More importantly, any disruption to the Strait of Hormuz may temporarily lift air freight demand as cargo shifts to alternative routes, potentially boosting volumes across SATS' cargo network. However, as SATS charges cargo-handling fees on a per-tonnage basis, it does not directly benefit from higher freight rates.

## 1.2 Improved operational efficiency

SATS is on the way to achieving its FY29E aspirational target of 20%+ EBITDA margin through improved operational leverage and efficiency. We expect EBITDA margin to land at 18.3% in FY26E (+0.5ppt YoY) as SATS is streamlining staff costs to make it more of a contractual base for the US side.

Beyond cost initiatives, management is also seeking to enhance operating efficiency by deepening its value proposition to freight forwarders, including specialised handling solutions for time-sensitive and higher-value cargo, which should support yield resilience and incremental margin upside.

At the EBIT level, margin expansion is expected to be more pronounced as operating leverage continues to kick in and ramp-up costs for new customers moderate. We forecast FY26E EBIT margin to expand by 0.4ppt YoY to 8.6%, driven by higher throughput, post-merger synergies, and productivity gains from automation and digitalisation initiatives across the global network.

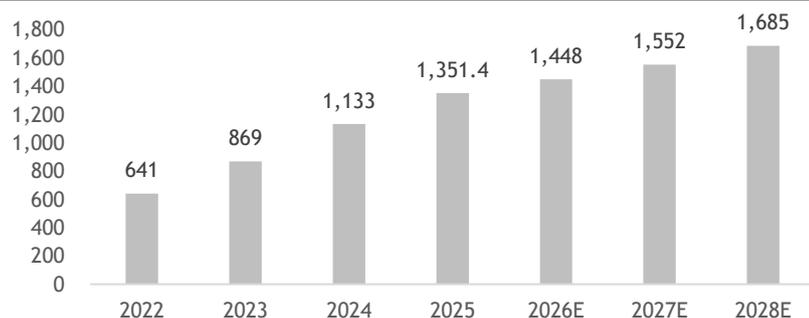
## 1.3 Food Solutions as earnings upside

We expect SATS' earnings mix to increasingly tilt toward Food Solutions from FY26E onwards, supported by structural shifts in airline catering preferences and the ramp-up of its regional central kitchen network. Management anticipates growing industry preference for “fresh frozen” meals—where food is rapidly frozen at peak freshness to preserve quality—over conventionally cooked chilled offerings. Should this trend gain broader adoption across airlines, SATS is well positioned to capitalise given its early investments and operational readiness.

The Thailand central kitchen has reached full operational capacity, providing a scalable base to serve both regional and cross-border demand. We expect it to support China and Singapore operations. SATS is expanding capacity by up to five times to c.108k meals per day, materially enhancing supply flexibility. However, we now expect the expansion to materialise by end-FY27E due to delays in equipment deliveries. Initial utilisation is likely to be below 50%, and management is actively onboarding customers to ramp up volumes.

In China, the closure of the Kunshan facility in 2025 has removed a structurally loss-making operation, improving overall margin visibility for the segment. While the Tianjin central kitchen remains in the ramp-up phase and currently operates below breakeven, we view near-term softness in the food market as cyclical, with several new contracts signed such as with Starbucks, we forecast increases in the group's Food Solutions' revenue of 7.1%/7.2%/8.6% YoY in FY26E/27E/28E.

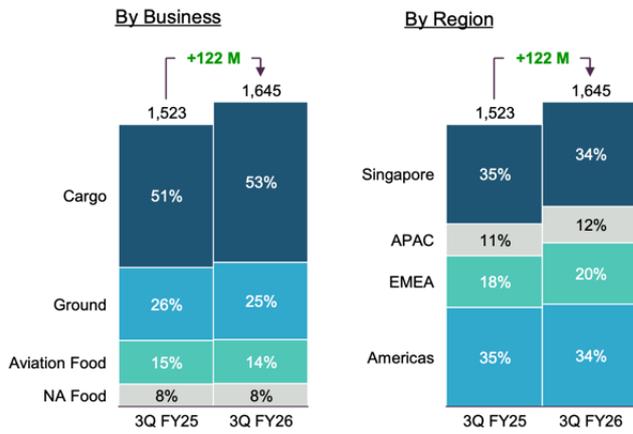
**Fig 3: Revenue from Food Solutions to grow 7.1% YoY in FY26E**



Source: Company, Maybank IBG Research



Fig 5: Revenue contribution by segments/ regions



Source: Company

Including subsidiaries and JVs, SATS has a presence across over 60 airports globally, with operations spanning Asia-Pacific, EMEA, and the Americas. In 3Q26, the Group handled 161.1k flights (flat YoY), processed a record 2.55m tonnes of cargo (+7.3% YoY), and produced 17.0m aviation meals (+4.5% YoY), reflecting sustained cargo momentum and resilient aviation demand.

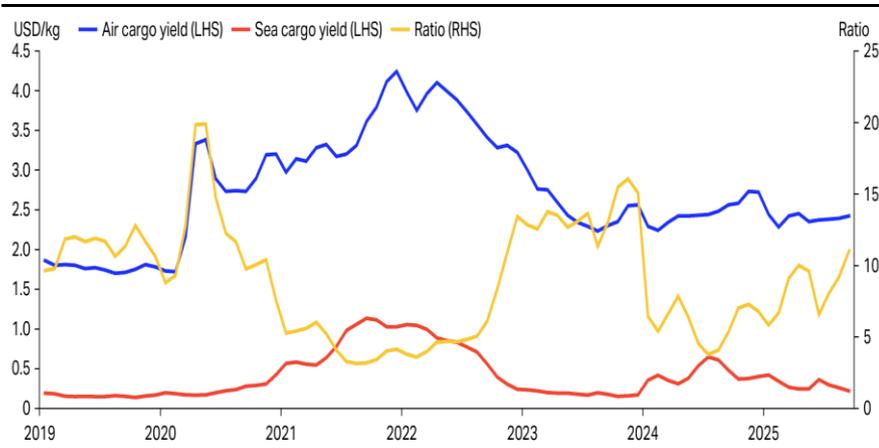
### 3. Competitive landscape and positioning

#### 3.1 Growing air cargo industry supported by strong production and trade

Global airfreight volumes continued to expand in 2025, with total cargo tonne-kilometres (CTK) growing 4.1% YoY in Oct, marking the 8th consecutive month of growth and reaching an all-time high. This sustained expansion aligns with stronger industrial production and trade. The World Bank's industrial production index rose 3.7% YoY in Sep and the World Goods Trade Index increased 5.3% YoY. The overall trend points to firm underlying demand, particularly for goods reliant on air transport. Seasonally adjusted monthly air cargo activity grew 3.4% in Sep, extending uninterrupted growth since Aug 2023, while non-seasonally adjusted volumes also recorded steady gains throughout 2025. Together with rising CTK, stronger demand from expanding production, trade, and manufacturing activity present growth opportunities for SATS to capture additional volumes as the industry continues to grow.

Global air freight yields averaged USD2.4/kg YTD through Oct-25, around 30% above 2019 levels. Yields were firmer in 1Q25, rising by c.4% YoY, supported by cargo front-loading and a high base from early 2024. Momentum, however, softened from 2Q25 onward, with average YoY declines of 2.6%, bottoming at -5.4% in Sep-25, before partially recovering to -4.0% YoY in Oct-25. By contrast, sea freight rates declined sharply on both a monthly and annual basis, improving the cost competitiveness of ocean shipping and eroding air cargo's relative pricing advantage.

**Fig 6: Revenue contribution by segment/ region**



Source: IATA Sustainability and Economics, CargoS, Bloomberg

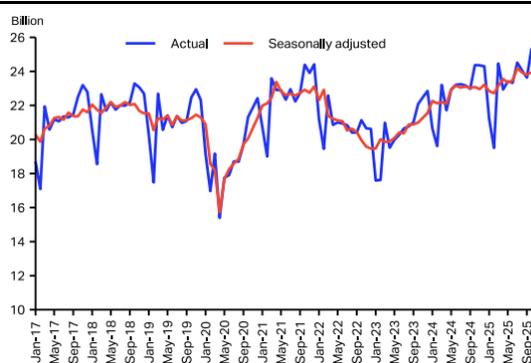
The global cargo load factor averaged 45.3% YTD through Oct-25, broadly unchanged from 2024 levels. While demand growth is expected to moderate in 2026, steady air cargo demand amid ongoing global uncertainty, together with structural capacity constraints, should keep load factors broadly stable.

Looking ahead to 2026, IATA expects air cargo demand to continue expanding, albeit at a slower pace than in 2025, in line with a softening global trade environment. That said, the slowdown should be less severe than the broader trade deceleration, as air cargo continues to benefit from sustained demand for high-value, time-sensitive goods, particularly from e-commerce and semiconductor-related shipments.

### 3.2 Diverging regional performance in air cargo markets

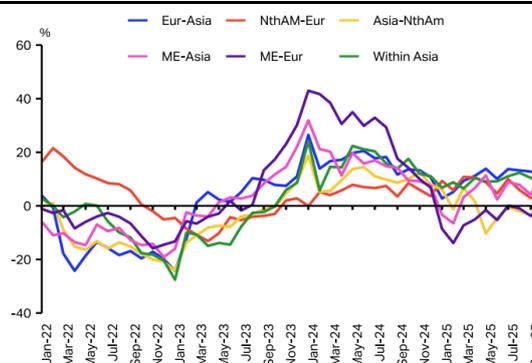
Although global air cargo volumes grew in 2025, regional performances have diverged significantly. African, Asia-Pacific, and European carriers recorded solid growth in Oct, with CTK rising 16.6%, 8.3%, and 4.3% YoY, while the Middle East rebounded by 5.7% on easing restrictions and improved trade flows. In contrast, North America and Latin America & the Caribbean saw CTK fall 2.7% YoY. Trade lane performance mirrored these dynamics: Europe-Asia and within Asia posted strong double-digit gains, Asia-North America contracted for the sixth straight month, and Europe-Middle East remained weak amid restrictions and high base effects. Smaller markets also performed well, with Asia-Africa and Africa-Middle East lanes up 10.9% and 13.5% YoY, respectively. The rapid expansion in emerging markets presents opportunities to capture growth, particularly in regions like the Middle East and Africa, where rising capacity and strong trade flows could support new partnerships, transshipment volumes, and network connectivity.

**Fig 7: Global air freight volume (CTK)**



Source: IATA Sustainability and Economics, IATA Information and Data - Monthly Statistics

**Fig 8: International CTK by route area, YoY, %**



Source: IATA Sustainability and Economics, IATA Information and Data - Monthly Statistics

### 3.3 Rising global air travel demand

Global passenger traffic is projected to grow 4.9% YoY in 2026, reaching c.9.97b RPK, with Asia-Pacific leading expansion at +7.3% YoY, while North America lags at +1.5% YoY. Growth is moderating slightly versus 2025 due to persistent supply-side constraints, including aircraft delivery delays and labour shortages, which continue to cap capacity and keep load factors at a record 83.8%. Regionally, emerging markets in Asia-Pacific, Africa and Latin America remain key growth drivers, supported by intra-regional travel, rising middle-class demand and expanding low-cost carrier networks. In contrast, North America faces softer domestic demand and operational constraints. Against this backdrop, SATS’ extensive global footprint—particularly in Asia-Pacific and EMEA—positions it well to capture growth in high-demand corridors, diversify revenue streams and mitigate slower growth in mature markets.

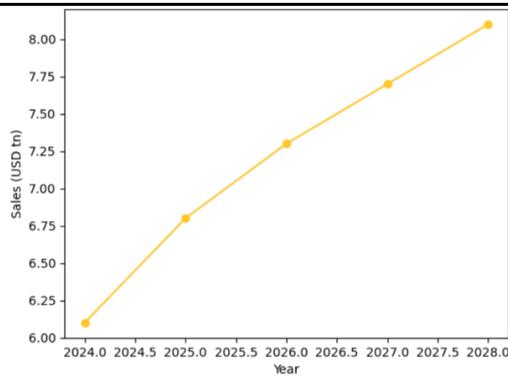
### 3.4 Growing cross-border e-commerce demand

We expect SATS’ cargo-related growth to be structurally supported by the rapid expansion of cross-border e-commerce, which is driving air logistics demand. The global cross-border e-commerce logistics market was valued at \*\*USD153.37b in 2024 and is projected to reach USD192.48b in 2025, with a strong 25.5% CAGR to USD599.25b by 2030 as online trade becomes more direct-to-consumer focused and logistics providers prioritise speed and reliability.

SATS' cargo ecosystem is further strengthened by its entrenched relationships with major logistics and postal players, including Singapore Post, which has exposure to Alibaba-linked e-commerce flows through Alibaba Group as a strategic shareholder. Beyond organic growth from higher cross-border e-commerce volumes, we expect incremental upside from network expansion and new capacity additions across SATS' associates and JVs.

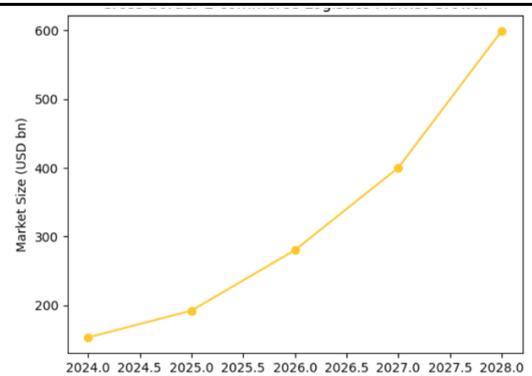
Growth initiatives include new and expanded cargo operations in India (through a JV managing an international cargo centre in Mumbai), Saudi Arabia (with a new cargo terminal in Dammam), Malaysia (via its JV with AirAsia), and Hong Kong, where additional cargo volumes are expected following the divestment of SATS' Hong Kong ground-handling business and increased cargo activity from Hong Kong Airlines. Collectively, these initiatives enhance SATS' geographic diversification, strengthen its exposure to high-growth trade corridors, and reinforce its ability to outperform industry cargo growth benchmarks over the medium term.

**Fig 9: Global E-commerce Sales Growth**



Source: IATA, Maybank IBG Research

**Fig 10: Global E-commerce Logistic Market Growth**



Source: IATA, Maybank IBG Research

## 4. Financial analysis

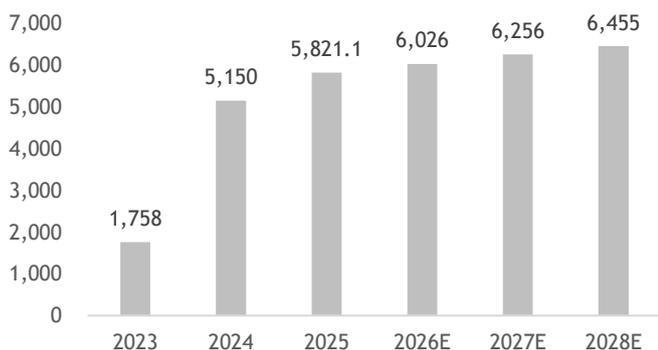
### 4.1 Revenue and earnings forecasts

We forecast topline to grow at a 2.7% CAGR over FY26-36E. Gateway Services is likely to be the main growth driver, supported by continued increases in cargo volumes, albeit at a more measured pace. Nevertheless, we still expect SATS' growth to outpace IATA's forecast of c.2.6% in FY27E, benefiting from AI-driven investments and rising demand for high-value e-commerce shipments. However, further upside is likely to be capped by pricing pressure, stemming from easing Red Sea disruptions and a high base effect.

On the ground handling front, we expect the number of flights handled to remain flattish following the divestment of the UK ground business. Food Solutions is expected to be the key growth driver going forward, underpinned by expanded production capacity in Thailand and ramping occupancy rates in Tianjin.

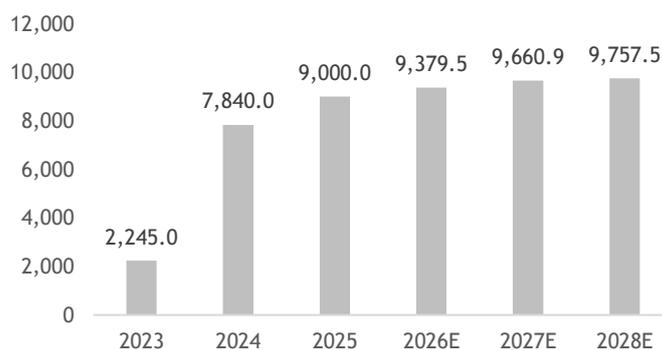
We anticipate EBITDA margin to expand by 0.5ppt YoY in FY26E to 18.3%, driven by increasing operating leverage as revenue per employee improves with scale effects. Similarly, EBIT margin is also foreseen to rise by 0.4ppt YoY in FY26E to 8.6%. We believe SATS remains on track to achieve its aspirational 20% EBITDA margin target by FY29E.

**Fig 11: Revenue to post 3.5% CAGR in F23-28E (SGD,m)**



Source: Company, Maybank IBG Research

**Fig 12: Air cargo volume continues to grow ('000 tonnes)**



Source: Company, Maybank IBG Research

### 4.2 Balance sheet, cash flow and capex analysis

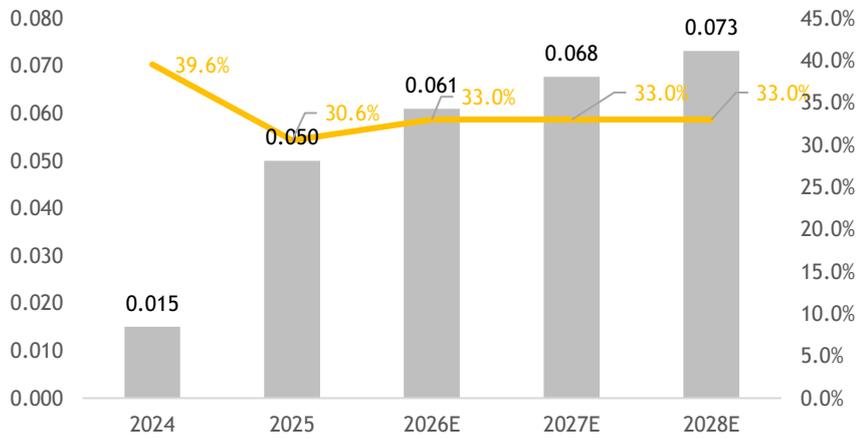
SATS has been actively optimising its balance sheet following the c.SGD1.8b debt taken on in Apr-23 at an interest rate of c.7%. Net debt/EBITDA surged from 0.5x to 3.4x, while debt-to-equity increased by 25ppts to 71% post-acquisition. We have since observed improvements across key operating and credit metrics. With interest costs easing to c.4.5% since FY25 and earnings strengthening, leverage metrics have improved, with gross debt/EBITDA easing to 2.9x (net: 1.4x) in Dec-25. Quarterly FCF moderated to SGD17.4m amid elevated capex in preparation for the peak season in 3Q.

In line with its network expansion and infrastructure reinvestment strategy, SATS continues to allocate capex toward capacity enhancement, facility upgrades and automation initiatives. YTD FY26 capex rose to SGD212.6m (vs SGD146.7m in YTD FY25), reflecting higher investments in facility expansions and refurbishments. We expect capex to remain elevated over the near term, driven by the SATS SG Hub SMC extension, new warehouse developments (e.g., London Heathrow), automation initiatives and central kitchen capacity expansion. Unlike airlines where capex is fleet-heavy, SATS' investments are largely infrastructure- and productivity-driven,

aimed at strengthening operating leverage, enhancing cargo handling capability and improving food production scalability.

Given the lower cash balance of SGD620m (-10.7% YoY), we forecast a dividend payout ratio of 33%, translating to DPS of SGD6c and an implied dividend yield of 1.6%.

**Fig 13: Dividend payout ratio to sustain >33% from FY26-28E (SGD/share)**



Source: Bloomberg, Maybank IBG Research

## 5. Valuation

We initiate coverage on SATS with a BUY rating and a DCF-derived TP of SGD4.52 (22% capital upside + 1.6% dividend yield). Our TP implies FY26E P/E of 23.5x and EV/EBITDA 9.1x. We favour SATS for its strategic hub positioning globally as a key aviation support provider across food solutions and gateway services. We forecast FY26E earnings growth of 12.9% YoY, driven by improved operating scalability on higher volumes and a recovery in JV and associate contributions. With a strengthened FCF profile, we project a 33% dividend payout ratio, translating to DPS of SGD0.06 and an implied dividend yield of 1.6%.

Fig 14: Assumption table

WACC calculation	8.37%
<b>Cost of Equity:</b>	<b>10.75%</b>
Beta	1.15
Risk Free Rate	2.7%
Equity Risk Premium	7.0%
<b>Afte tax cost of debt</b>	<b>2.80%</b>
Before tax cost of debt	4.0%
Marginal tax rate	30.0%
% Equity	70%
% Debt	30%

Source: Maybank IBG Research

Fig 15: DCF valuation

DCF	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2035E	Perpetuity
FCF	534	543	548	730	758	774	789	807	823	844	870	11,571
Sum of PV of FCF	9,325											
Add: Cash	694											
EV	10,019											
Less: Debt	3,955											
Less: Minority interest	395											
Add: Share of results of associates/joint ventures, net of tax	1,063											
Add: LT Investments	0											
<b>TOTAL EQUITY VALUE</b>	<b>6,731</b>											
Shares	1,489.8											
<b>Equity Value per Share</b>	<b>4.52</b>											
Growth rate in Perpetuity	1.0%											

Source: Maybank IBG Research

Fig16: Peer valuation comparison

Name	Mkt Cap (SGD)	Rev - 1 Yr Gr:Y	EPS - 1 Yr Gr:Y	ROE	Dvd 12M Yld	P/B	P/E	BEst P/E:1FY	BEst P/E:2FY	EV / EBIT Adj
Median	5.49B	13.04%	41.79%	9.72%	2.44%	1.87	20.03	18.88	16.74	29.42
SATS	5.49B	13.04%	323.47%	9.72%	1.49%	1.87	20.03	18.88	16.74	--
MacroAsia	183.74M	18.06%	32.50%	15.70%	2.44%	1.1	7.22	7.44	6.29	26.65
SIA Engineering	3.60B	13.79%	87.10%	9.28%	2.95%	2.11	22.8	20.91	19.4	127.08
Singapore Airlines	20.92B	2.77%	41.79%	7.45%	5.72%	1.32	17.79	18.65	15.26	--
Airports of Thailand	29.75B	-0.66%	-5.68%	13.30%	1.57%	5.46	42.4	35.23	24.56	29.42

Source: Maybank IBG Research

## 6. Risks

### 6.1 Geopolitical risks

Heightened geopolitical tensions and protectionist measures—such as tighter US tariff policies or changes to de minimis thresholds—could disrupt cross-border e-commerce flows. Any reduction in small-parcel shipments or increased customs friction may weigh on air cargo volumes, particularly for US e-commerce goods which accounts for c.5% of the group's topline. Potential tariff on high-value cargo (eg pharmaceuticals, semiconductors, and AI-related products) could hamper the growth of high-value, time-sensitive air cargo. Such measures may lead to shipment delays, volume diversion, or supply-chain reconfiguration, reducing demand for premium air freight services. Given SATS' exposure to high-value cargo within its Gateway Services segment, any sustained regulatory headwinds could weigh on cargo throughput, yields, and margin expansion.

Escalation of the conflict poses risks to SATS mainly through flight disruptions and airspace constraints in the Middle East, which could temporarily reduce flight handling and aviation meal volumes at affected stations. Prolonged oil price volatility may also dampen passenger and cargo demand if higher energy costs weigh on global trade and travel.

Easing geopolitical disruptions (e.g. normalization of Red Sea shipping routes) could accelerate a shift back toward ocean freight, reducing air cargo's relative pricing advantage. Conversely, renewed geopolitical shocks could introduce volatility to cargo flows and operating costs, limiting visibility on volumes, yields, and margin recovery.

### 6.2 Rising cost pressures

SATS faces ongoing cost pressures from labour, utilities, food inputs, and logistics, particularly amid structural manpower tightness in aviation services and inflationary pressures across key operating markets. Wage inflation, higher energy prices, and raw material cost volatility could outpace revenue growth, especially if pricing pass-through is constrained by competitive dynamics or long-term customer contracts. In addition, delays in realizing productivity gains from automation, digitalisation, and AI-driven initiatives may limit operating leverage, resulting in slower-than-expected margin expansion and potentially derailing SATS' medium-term EBITDA margin targets.

## 6.3 Key management

Name/Designation	Description
<b>Kerry Mok</b> President and Chief Executive Officer (“PCEO”)	Kerry was appointed PCEO of SATS Group in Dec 2021. He has over 25 years of experience in supply chain management and logistics, having previously served as Chief Executive Officer (“CEO”) of YCH Group and Acting CEO and Chief Operating Officer (“COO”) of Goodpack Limited. He joined SATS in 2018 as Executive Vice President (“EVP”) (Food Solutions), and has led the Group through the COVID-19 recovery, overseeing the resumption of operations at Changi Airport and the acquisition of WFS in 2023. Kerry has also held senior roles at Accenture and DHL, and served on several Singapore government committees, including the International Advisory Panel on Sustainable Air Hub, the Future Economy Council’s Connectivity Sub-Committee, and the Ministry of Communication and Information’s Infocomm Media Master Plan 2025 working group. He graduated from Monash University, Melbourne, Australia, with a Bachelor of Business, Accounting (First Class Honours).
<b>Timothy Tang</b> Chief Financial Officer (“CFO”)	Timothy joined SATS Ltd as Group CFO (Designate) in May 2025 and assumed the role of Group CFO in July 2025, overseeing the Group’s global finance operations, strategic investment monitoring, investor relations, and procurement. He brings extensive leadership experience across business and finance functions, with a strong track record in global aviation-related sectors and food businesses. Prior to SATS, Timothy was CFO of DFS Group, a leading global luxury travel retailer, and previously spent nine years with the Jardine Matheson Group in senior roles including Managing Director of Wellcome (supermarkets) Hong Kong and Macau, and Finance Director of Jardine Restaurant Group in Taiwan. He has also held roles in mergers and acquisitions, corporate finance, and business management at Coca-Cola Amatil and Deloitte Touche Tohmatsu in Australia. Timothy is a chartered accountant and holds an MBA from the Royal Melbourne Institute of Technology, as well as a Bachelor of Commerce and a Bachelor of Business Systems from Monash University, Australia.
<b>François Mirallié</b> Deputy Chief Executive Officer (Gateway Services, Global)	François Mirallié is the Deputy CEO for Gateway Services Global. He joined WFS in August 2016 as Group Chief Financial Officer and assumed the role of Deputy CEO following SATS’s acquisition of WFS. François is a seasoned executive with global experience across multiple industries, having previously served as CFO of Customs Sensors & Technologies and in similar roles at Ion Beam Applications, MediMedia, Vizada, and Zodiac Marine & Pool. He holds a Master’s degree from Ecole des Mines de Paris and has completed the Wharton Advanced Management Program at the University of Pennsylvania.
<b>Stanley Goh</b> Chief Executive Officer (Food Solutions)	Stanley joined SATS as CEO of Food Solutions in Sep 2022, overseeing the performance of the Group’s Food Solutions business in both aviation and non-aviation. He played a key role in the post-pandemic recovery by implementing strategic initiatives to enhance customer value, improve productivity, and develop new capabilities. Stanley brings over 25 years of leadership experience in diverse industries covering in-country and regional roles across general management, sales, retail, product marketing, and business development. He was Regional Director of Food Services - Global Developing Markets at Fonterra, managing the Food Service business across 12 countries in Southeast Asia, the Indian subcontinent, and the Middle East. He has also held senior leadership roles at Samsung Asia, Nike, and Procter & Gamble. Stanley graduated from the National University of Singapore with a Bachelor of Arts and Social Sciences in Political Science and Philosophy, and a Bachelor of Arts (Honours) in Philosophy.

FYE 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
<b>Key Metrics</b>					
P/E (reported) (x)	89.9	20.5	18.8	17.0	15.8
Core P/E (x)	58.4	22.3	19.5	17.6	16.3
Core FD P/E (x)	58.5	22.3	19.6	17.6	16.3
P/BV (x)	1.9	2.1	1.9	1.8	1.6
P/NTA (x)	1.9	2.1	1.9	1.8	1.6
Net dividend yield (%)	0.5	1.4	1.3	1.4	1.5
FCF yield (%)	34.6	12.3	8.7	9.2	9.4
EV/EBITDA (x)	10.5	8.6	7.7	7.1	6.5
EV/EBIT (x)	33.6	18.7	16.2	14.9	13.4

**INCOME STATEMENT (SGD m)**

Revenue	5,149.6	5,821.1	6,025.9	6,256.0	6,455.0
EBITDA	780.6	1,036.2	1,101.0	1,136.1	1,171.3
Depreciation	(536.4)	(560.5)	(581.1)	(597.0)	(602.3)
Amortisation	1.0	2.0	3.0	4.0	5.0
EBIT	244.2	475.7	519.9	539.1	569.0
Net interest income / (exp)	(236.7)	(231.2)	(171.1)	(162.3)	(151.1)
Associates & JV	110.0	114.3	114.3	114.3	114.3
Exceptionals	0.0	0.9	(5.0)	0.0	0.0
Other pretax income	(1.2)	0.0	(23.3)	(11.2)	(17.1)
Pretax profit	116.3	359.7	434.8	479.9	515.1
Income tax	(55.8)	(98.9)	(130.4)	(144.0)	(154.5)
Minorities	(7.3)	(17.0)	(20.6)	(22.7)	(24.3)
Perpetual securities	1.0	2.0	3.0	4.0	5.0
Discontinued operations	1.0	2.0	3.0	4.0	5.0
Reported net profit	54.2	245.8	286.8	317.2	341.2
Core net profit	78.5	243.8	275.3	305.9	330.6
Preferred Dividends	1.0	2.0	3.0	4.0	5.0

**BALANCE SHEET (SGD m)**

Cash & Short Term Investments	659.0	694.0	954.7	1,172.3	1,394.8
Accounts receivable	1,138.4	1,165.2	1,371.3	1,595.1	1,822.6
Inventory	73.0	85.8	171.4	263.6	360.4
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	796.4	860.3	887.2	907.1	931.5
Intangible assets	3,511.2	3,467.4	3,110.0	2,752.5	2,395.1
Investment in Associates & JVs	784.1	767.1	767.1	767.1	767.1
Other assets	1,517.9	1,842.9	1,842.9	1,842.9	1,842.9
<b>Total assets</b>	<b>8,480.0</b>	<b>8,882.7</b>	<b>9,104.6</b>	<b>9,300.6</b>	<b>9,514.4</b>
ST interest bearing debt	1,355.2	1,713.3	1,654.1	1,567.5	1,480.8
Accounts payable	1,382.4	1,393.2	1,524.8	1,668.7	1,810.2
LT interest bearing debt	2,736.9	2,242.1	2,164.6	2,051.2	1,937.9
Other liabilities	446.0	765.0	765.0	765.0	765.0
<b>Total Liabilities</b>	<b>5,920.5</b>	<b>6,113.8</b>	<b>6,108.7</b>	<b>6,052.6</b>	<b>5,994.1</b>
Shareholders Equity	2,375.0	2,586.7	2,793.2	3,022.6	3,270.6
Minority Interest	184.5	182.2	202.8	225.4	249.8
<b>Total shareholder equity</b>	<b>2,559.5</b>	<b>2,768.9</b>	<b>2,995.9</b>	<b>3,248.1</b>	<b>3,520.4</b>
<b>Total liabilities and equity</b>	<b>8,480.0</b>	<b>8,882.7</b>	<b>9,104.6</b>	<b>9,300.6</b>	<b>9,514.4</b>

**CASH FLOW (SGD m)**

Pretax profit	116.3	359.7	434.8	479.9	515.1
Depreciation & amortisation	536.4	560.5	581.1	597.0	602.3
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	198.3	(51.7)	(160.1)	(172.1)	(182.9)
Cash taxes paid	0.0	0.0	0.0	0.0	0.0
Other operating cash flow	954.7	(208.6)	0.0	0.0	0.0
Cash flow from operations	1,771.2	891.1	716.9	753.5	774.4
Capex	(185.6)	(221.7)	(250.6)	(259.4)	(269.3)
Free cash flow	1,585.6	669.4	466.2	494.1	505.1
Dividends paid	(22.3)	(61.4)	(68.8)	(76.5)	(82.7)
Equity raised / (purchased)	8.5	(36.6)	0.0	0.0	0.0
Change in Debt	2,613.7	(667.2)	(136.7)	(200.0)	(200.0)
Other invest/financing cash flow	253.6	120.9	0.0	0.0	0.0
Effect of exch rate changes	0.0	9.9	0.0	0.0	0.0
Net cash flow	4,439.1	35.0	260.7	217.6	222.4

FYE 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	192.9	13.0	3.5	3.8	3.2
EBITDA growth	510.8	32.7	6.3	3.2	3.1
EBIT growth	nm	94.8	9.3	3.7	5.6
Pretax growth	nm	209.3	20.9	10.4	7.3
Reported net profit growth	nm	353.5	16.7	10.6	7.6
Core net profit growth	nm	210.6	12.9	11.1	8.1
<b>Profitability ratios (%)</b>					
EBITDA margin	15.2	17.8	18.3	18.2	18.1
EBIT margin	4.7	8.2	8.6	8.6	8.8
Pretax profit margin	2.3	6.2	7.2	7.7	8.0
Payout ratio	41.2	30.6	24.0	24.1	24.2
<b>DuPont analysis</b>					
Net profit margin (%)	1.1	4.2	4.8	5.1	5.3
Revenue/Assets (x)	0.6	0.7	0.7	0.7	0.7
Assets/Equity (x)	3.6	3.4	3.3	3.1	2.9
ROAE (%)	2.3	9.8	10.6	10.8	10.7
ROAA (%)	1.2	2.8	3.1	3.3	3.5
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	(16.0)	(27.2)	(21.5)	(11.6)	(2.0)
Days receivable outstanding	56.6	71.2	75.8	85.3	95.3
Days inventory outstanding	5.8	6.0	9.4	15.3	21.3
Days payables outstanding	78.5	104.4	106.6	112.3	118.5
Dividend cover (x)	2.4	3.3	4.2	4.1	4.1
Current ratio (x)	0.7	0.6	0.7	0.9	1.0
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	1.4	1.5	1.5	1.5	1.6
Net gearing (%) (incl perps)	134.1	117.8	95.6	75.3	57.5
Net gearing (%) (excl. perps)	134.1	117.8	95.6	75.3	57.5
Net interest cover (x)	1.0	2.1	3.0	3.3	3.8
Debt/EBITDA (x)	5.2	3.8	3.5	3.2	2.9
Capex/revenue (%)	3.6	3.8	4.2	4.1	4.2
Net debt/ (net cash)	3,433.1	3,261.4	2,864.0	2,446.4	2,023.9

Source: Company; Maybank IBG Research

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