

COMPANY UPDATE

SATS (SATS SP)

Tariff War Posing Significant Uncertainties To Global Trade

The escalating tariff war poses significant uncertainties for the global trade outlook in the medium term. SATS, due to its significant 50%/25% revenue exposure to the global/US air cargo handling business, is poised to be negatively impacted by a potential setback in globalisation and decline in global trade volume. We tentatively cut our FY26-27 air cargo volume projections for SATS by 5%, and lower our earnings projections by 17-18%. Downgrade SATS to HOLD. Target price: S\$2.89.

WHAT'S NEW

- Tariff war initiated by the US.** Last week, US president Donald Trump announced a series of sweeping tariffs aimed at addressing the US' large trade deficits. Dubbed "Liberation Day", the initiative introduced a tariff structure that exerts additional tariff rates of 10-49% on its major trading partners. China and the European Union (EU), the two largest trading partners that the US ran trading deficits with, are subject to an additional 34% and 20% tariffs respectively. The next ten largest trading partners (ranked by trading deficit), mostly Asian countries, face additional tariffs of 24-49%.
- Reponses by trading partners.** China swiftly responded with retaliatory tariffs of 34% on all imports from the US, as well as export controls to restrict exports of critical rare earth elements to the US. The EU has decided to prioritise negotiation over retaliation, though it has prepared an initial set of targeted countermeasures. Most of the other trading partners (including many Asian countries) have decided not to retaliate and signalled their willingness to negotiate with the US. Trump threatened that if China does not withdraw the 34% retaliation tariff on the US by 8 Apr 25, he will impose another 50% tariffs on China. This is expected to happen as China has vowed to fight to the end.
- De minimis tax change for China and Hong Kong effective from 2 May 25.** Together with the Liberation Day tariffs, the US also announced that air cargo from China and Hong Kong will no longer enjoy the de minimis tax exemption policy from 2 May 25 onwards.

STOCK IMPACT

- Tariff war posing significant uncertainties to global trade.** The outburst of the tariff war has rendered all previous forecasts for global trade and cargo volume by different global institutions and industry consultants obsolete. The situation is still developing, and it is very difficult to quantitatively assess the full impact of the tariff war at this juncture. Nevertheless, given the important role of the US in global trade, representing about 11% of global gross trade value (the US is the largest importer representing 14% of global total import and the second largest exporter representing 8% of global total export, based on the World Bank's 2022 data), we believe the US' tariff hikes on the rest of the world and the potential retaliation it faces would have profound negative impacts on global trade. The outcome would present a major setback to globalisation, reshaping the global trade landscape and accelerating the decoupling of the US and China.

KEY FINANCIALS

Year to 31 Mar (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	1,758	5,150	5,744	5,706	5,887
EBITDA	128	781	999	981	1,018
Operating profit	(48)	244	450	420	440
Net profit (rep./act.)	(27)	53	240	226	256
Net profit (adj.)	(78)	79	251	226	256
EPS (S\$ cent)	(6.5)	5.3	16.8	15.1	17.1
PE (x)	n.a.	50.3	15.8	17.5	15.5
P/B (x)	1.7	1.7	1.5	1.5	1.4
EV/EBITDA (x)	55.3	13.3	9.0	9.6	9.3
Dividend yield (%)	0.0	0.6	2.4	2.3	2.9
Net margin (%)	(1.5)	1.0	4.2	4.0	4.4
Net debt/(cash) to equity (%)	(39.8)	80.2	68.9	63.1	54.0
ROE (%)	(1.3)	2.3	9.7	8.6	9.2
Consensus net profit (S\$m)	-	-	255	292	344
UOBKH/Consensus (x)	-	-	0.98	0.77	0.74

Source: SATS, Bloomberg, UOB Kay Hian

HOLD

(Downgrade)

Share Price	S\$2.65
Target Price	S\$2.89
Upside	+8.9%
(Previous TP)	S\$4.00

COMPANY DESCRIPTION

A leading food solutions provider in Asia and a global leader in aviation gateway services.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	SATS SP
Shares issued (m):	1,485.9
Market cap (S\$ m):	3,937.6
Market cap (US\$m):	2,922.6
3-mth avg daily t'over (US\$m):	13.4

Price Performance (%)

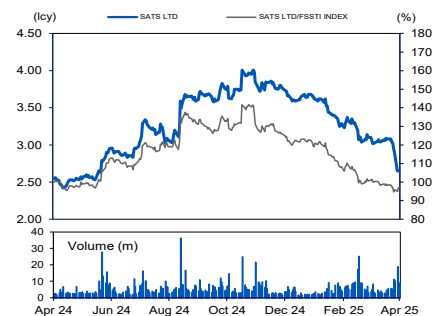
52-week high/low S\$ 4.08/S\$ 2.40

1mth	3mth	6mth	1yr	YTD
(14.5)	(28.0)	(30.8)	3.5	(27.2)

Major Shareholders

	%
Temasek Hldgs	40.0
-	-
-	-
FY25 NAV/Share (S\$)	1.72
FY25 Net Debt/Share (S\$)	2.21

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Roy Chen, CFA**  
 +65 6590 6627  
 roychen@uobkayhian.com

- Removal of de minimis tax exemption for China and Hong Kong was already priced in...** The recent announcement of the US' removal of de minimis tax exemption for China and Hong Kong was within our expectations. In our update report for SATS dated 4 Feb 25 ([link](#)), we have estimated the negative earnings impacts on SATS from the de minimis tax changes would be capped at a high single digit percentage, assuming that: a) the US cross-border e-commerce volume will shrink by 30% (resulting in our projected 2% yoy dip in SATS' cargo handling volume in FY26), and b) SATS can efficiently adjust its workforce size to match potential changes in air cargo handling volume. We had duly made earnings cuts to reflect the negative impacts from the de minimis tax change.
- ...but the tariff war adds further downside risks for SATS due to its significant global and US air cargo handling exposure.** The heavier-than-expected tariffs imposed by the US on trading partners and China's committed retaliation (and the EU's potential retaliation if negotiation fails) represent a new negative for SATS, given that SATS derives about 50% of its revenue from global air cargo handling. The US is SATS' largest air cargo handling market, forming about half of SATS' total cargo handling revenue (about 25% of group revenue).
- Tentatively cut FY26-27 cargo handling volume projections by 5% and earnings forecasts by 17-18%.** It is difficult to reliably estimate the potential negative impacts of the tariff war on SATS' air cargo handling volume, as: a) the situation is still developing, and b) it is hard to project at what levels the global trade volume will eventually stabilise in a new steady state. Having said that, given Trump's commitment to bring back more production to the US, our base case is that even with successful negotiations with some trade partners, the net outcome of the tariff war/negotiations would be still a lower level of global trade volume than without the tariff war. To reflect the downside risks, we have tentatively incorporated an additional 5% cut in SATS' total cargo handling volume in FY26 (on top of our previously projected 2% yoy drop due to the de minimis tax change), bringing the total projected yoy drop in SATS' air cargo handling volume in FY26 to 7%. Taking into account the cargo business' operating leverage by assuming 30-40% contribution margins from the cargo handling business, our FY26-27 earnings forecasts are lowered by 17-18%.

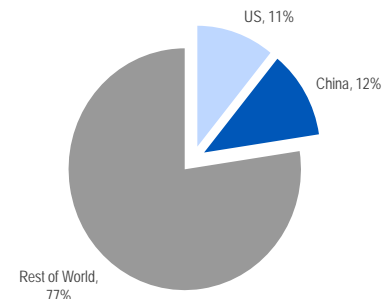
### EARNINGS REVISION/RISK

- Cut earnings forecasts.** Our updated earnings forecasts for SATS now stand at S\$240m/S\$226m/S\$256m in FY25/26/27 respectively. The yoy dip in the FY26 earnings forecast reflects our projected drop in SATS' global air cargo handling volume amid the tariff war.
- Key risks:** Worse-than-expected impact on global air cargo volume from further escalation of the global trade war.

### VALUATION/RECOMMENDATION

- Downgrade SATS to HOLD with a lower target price of S\$2.89.** In view of the escalating trade war and possibly a prolonged uncertain period for global trade, we downgrade SATS to HOLD. While we believe air cargo transportation remains a key means for global trade flow, and we like SATS for its global market leadership and strong competitive advantages against peers, it is hard to be bullish on SATS at this juncture given the significant uncertainties for global trade in the medium term.
- Our updated target price of S\$2.89 is based on 16.8x FY27F PE, now pegged to 1SD (previously 0.5SD) below SATS' historical mean P/E of 19.9x. The -1SD PE peg takes into account the increasingly uncertain outlook for global trade. Investors should stay vigilant about the development of the global trade landscape, as signs of stabilisation of the global trade outlook could be a re-rating catalyst for SATS.

### THE US' AND CHINA'S SHARES OF WORLD'S GROSS TRADE VALUE (2022)



Source: World Bank

### PE-BASED VALUATION REFERENCE TABLE

		FY26F	FY27F	FY28F
EPS (\$)		0.151	0.171	0.193
PE peg		Valuation		
mean	19.9x	S\$3.00	S\$3.40	S\$3.84
-0.5SD	18.4x	S\$2.78	S\$3.14	S\$3.55
-1.0SD	16.8x	S\$2.55	S\$2.89	S\$3.26
-1.5SD	15.3x	S\$2.32	S\$2.63	S\$2.97
-2.0SD	13.8x	S\$2.09	S\$2.37	S\$2.67

Source: SATS, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Net turnover	5,149.6	5,744.3	5,705.8	5,887.0
EBITDA	780.6	999.2	980.9	1,018.2
Deprec. & amort.	536.4	549.5	560.5	578.3
EBIT	244.2	449.7	420.4	439.9
Total other non-operating income	(1.2)	5.3	0.0	0.0
Associate contributions	110.0	120.5	110.0	110.0
Net interest income/(expense)	(236.7)	(216.0)	(201.4)	(186.3)
<b>Pre-tax profit</b>	<b>116.3</b>	<b>359.5</b>	<b>329.0</b>	<b>363.6</b>
Tax	(55.8)	(104.3)	(87.8)	(91.9)
Minorities	(7.3)	(15.2)	(15.1)	(15.6)
<b>Net profit</b>	<b>53.2</b>	<b>240.0</b>	<b>226.1</b>	<b>256.2</b>
Net profit (adj.)	78.5	250.6	226.1	256.2

### CASH FLOW

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
<b>Operating</b>	<b>512.1</b>	<b>626.7</b>	<b>634.0</b>	<b>681.9</b>
Pre-tax profit	116.3	359.5	329.0	363.6
Tax	(27.6)	(104.3)	(87.8)	(91.9)
Deprec. & amort.	536.4	549.5	560.5	578.3
Associates	(110.0)	(120.5)	(110.0)	(110.0)
Working capital changes	(89.4)	(10.4)	(10.8)	(11.1)
Non-cash items	2.5	5.3	0.0	0.0
Other operating cashflows	83.9	(52.3)	(47.0)	(47.0)
<b>Investing</b>	<b>(1,706.0)</b>	<b>(109.3)</b>	<b>(129.0)</b>	<b>(84.4)</b>
Capex (maintenance)	(185.6)	(237.0)	(249.7)	(205.1)
Investments	(1,647.6)	0.0	0.0	0.0
Proceeds from sale of assets	60.8	0.0	0.0	0.0
Others	66.4	127.7	120.7	120.7
<b>Financing</b>	<b>(292.0)</b>	<b>(572.6)</b>	<b>(631.6)</b>	<b>(575.7)</b>
Dividend payments	0.0	(44.7)	(103.7)	(97.8)
Proceeds from borrowings	2,333.2	0.0	0.0	0.0
Loan repayment	(2,237.1)	(200.0)	(200.0)	(150.0)
Others/interest paid	(388.1)	(327.9)	(327.9)	(327.9)
<b>Net cash inflow (outflow)</b>	<b>(1,485.9)</b>	<b>(55.2)</b>	<b>(126.6)</b>	<b>21.7</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>2,148.4</b>	<b>659.0</b>	<b>603.8</b>	<b>477.3</b>
Changes due to forex impact	(3.5)	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>659.0</b>	<b>603.8</b>	<b>477.3</b>	<b>499.0</b>

### BALANCE SHEET

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Fixed assets	2,123.0	2,210.4	2,299.5	2,326.3
Other LT assets	4,407.3	4,375.1	4,339.4	4,303.7
Cash/ST investment	659.0	603.8	477.3	499.0
Other current assets	1,290.7	1,314.9	1,339.6	1,364.8
<b>Total assets</b>	<b>8,480.0</b>	<b>8,504.3</b>	<b>8,455.8</b>	<b>8,493.8</b>
ST debt	1,355.2	1,355.2	1,355.2	1,355.2
Other current liabilities	1,435.8	1,449.6	1,463.6	1,477.7
LT debt	2,736.9	2,536.9	2,336.9	2,186.9
Other LT liabilities	392.6	392.6	392.6	392.6
Shareholders' equity	2,375.0	2,570.3	2,692.7	2,851.0
Minority interest	184.5	199.7	214.8	230.4
<b>Total liabilities &amp; equity</b>	<b>8,480.0</b>	<b>8,504.3</b>	<b>8,455.8</b>	<b>8,493.8</b>

### KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
<b>Profitability</b>				
EBITDA margin	15.2	17.4	17.2	17.3
Pre-tax margin	2.3	6.3	5.8	6.2
Net margin	1.0	4.2	4.0	4.4
ROA	0.8	2.8	2.7	3.0
ROE	2.3	9.7	8.6	9.2
<b>Growth</b>				
Turnover	192.9	11.5	(0.7)	3.2
EBITDA	510.8	28.0	(1.8)	3.8
Pre-tax profit	n.a.	209.1	(8.5)	10.5
Net profit	n.a.	351.1	(5.8)	13.3
Net profit (adj.)	n.a.	219.2	(9.8)	13.3
EPS	n.a.	219.2	(10.0)	13.3
<b>Leverage</b>				
Debt to total capital	61.5	58.4	55.9	53.5
Debt to equity	106.0	90.7	79.5	70.2
Net debt/(cash) to equity	80.2	68.9	63.1	54.0

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

**Analyst Certification/Regulation AC**

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2025, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W