

Singapore Company Guide

SATS

Version 16 | Bloomberg: SATS SP | Reuters: SIAT.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

1 Jun 2020

HOLD (Upgrade from FULLY VALUED)

Last Traded Price (29 May 2020): S\$2.66 (STI : 2,510.75)

Price Target 12-mth : S\$2.64 (-1% downside)

Analyst

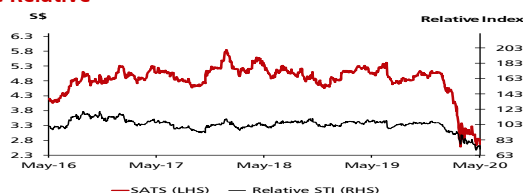
Alfie YEO +65 6682 3717 alfieyao@db.com

Andy SIM, CFA +65 6682 3718 andysim@db.com

What's New

- Stock has corrected c.11% since our last downgrade
- We believe stock price fully reflects weak earnings outlook in FY21
- On track for recovery in FY22F with Changi opening up
- Upgrade to HOLD, TP S\$2.64

Price Relative



Forecasts and Valuation

FY Mar (\$m)	2019A	2020F	2021F	2022F
Revenue	1,828	1,696	758	1,169
EBITDA	332	292	(18.6)	215
Pre-tax Profit	308	251	(109)	95.5
Net Profit	248	194	(89.7)	76.4
Net Pft (Pre Ex.)	250	194	(89.7)	76.4
Net Pft Gth (Pre-ex) (%)	3.8	(22.3)	nm	nm
EPS (S cts)	22.3	17.4	(8.0)	6.85
EPS Pre Ex. (S cts)	22.4	17.4	(8.0)	6.85
EPS Gth Pre Ex (%)	4	(22)	nm	nm
Diluted EPS (S cts)	22.3	17.4	(8.0)	6.85
Net DPS (S cts)	19.0	18.0	6.50	7.00
BV Per Share (S cts)	148	146	120	120
PE (X)	11.9	15.3	nm	38.8
PE Pre Ex. (X)	11.9	15.3	nm	38.8
P/Cash Flow (X)	10.0	13.1	nm	21.9
EV/EBITDA (X)	8.7	10.2	nm	14.8
Net Div Yield (%)	7.1	6.8	2.4	2.6
P/Book Value (X)	1.8	1.8	2.2	2.2
Net Debt/Equity (X)	CASH	CASH	0.0	0.0
ROAE (%)	15.1	11.8	(6.0)	5.7
Earnings Rev (%)		0	0	0
Consensus EPS (S cts):		16.5	0.0	11.3
Other Broker Recs:		B: 4	S: 6	H: 3

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

On track for long recovery

Upgrade to HOLD, TP unchanged at S\$2.64. We upgrade our view on SATS from negative to neutral as we do not see further downside on the stock on the back of Singapore coming out of the Circuit Breaker and allowing passengers to transit through Changi from 2 June. This is positive for SATS, and barring another widespread outbreak, places SATS on the path to earnings recovery in FY22F. However, the outlook for regional aviation remains muted as regional travelers remain cautious. Hence, we are now neutral but not positive. No change to our earnings forecasts and TP. Risks would be a second wave of COVID-19 infections regionally which would prevent regional travel from recovering and derail our earnings forecast.

Where we differ. Our estimates are below consensus as we factor in slower recovery of the aviation sector from the COVID-19 outbreak.

Potential catalysts. Catalysts would be faster-than-expected recovery of the aviation sector from the COVID-19 situation.

Valuation:

Blended DCF and PE valuation methodology. Our TP of S\$ 2.64 is based on the average of: (i) discounted cash flow (DCF) valuation (5.7% weighted average cost of capital (WACC) and 3% terminal growth (TG) assumption), and (ii) price-to-earnings (PE) valuation pegged to peers at 25x PE.

Key Risks to Our View:

Our earnings forecast assumes that the aviation sector will start to recover from FY22F. A faster than expected recovery from the COVID-19 outbreak will pose upside risk while a prolonged COVID-19 situation would hurt travel demand in FY22F and pose downside risks to our earnings forecast and TP.

At A Glance

Issued Capital (m shrs)	1,118
Mkt. Cap (S\$m/US\$m)	2,973 / 2,103
Major Shareholders (%)	
Temasek Holdings Pte Ltd	41.7
BlackRock Inc	5.0
Free Float (%)	55.3
3m Avg. Daily Val (US\$m)	18.8
GIC Industry : Industrials / Transportation	



DBS
Live more, Bank less

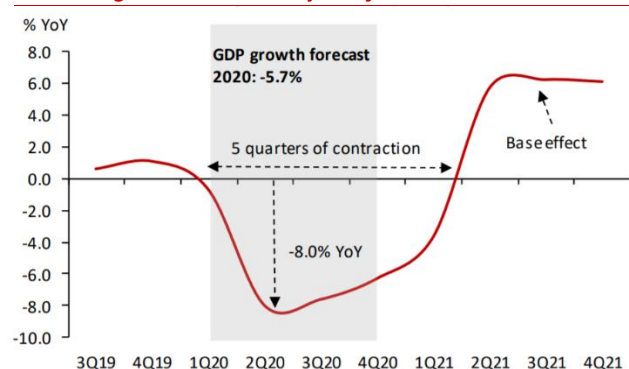
SATS

WHAT'S NEW

Recovery on the cards

Singapore is coming out of Circuit Breaker, recovery anticipated to be slow: Singapore will come out of its Circuit Breaker on 2 June, with businesses gradually easing their way back into operations. While precautionary measures will still be in place, we expect a slow recovery of economic activities. According to economics desk, Singapore's GDP recovery will be long and protracted, with a return to pre-COVID levels anticipated only at the end of 2021, in line with many other trade dependent, industrial economies.

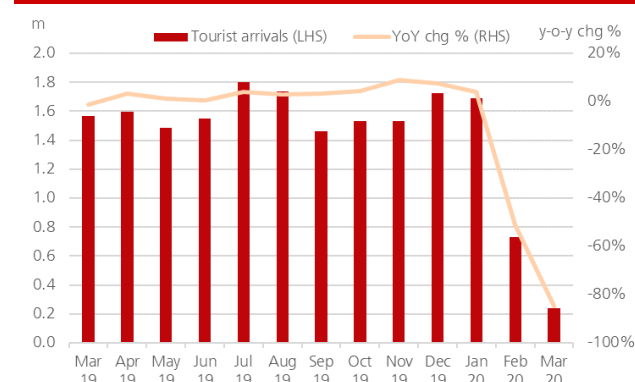
DBS GDP growth forecast trajectory



Source: DBS Bank

Passengers allowed to transit through Changi from 2 June: As part of the Circuit Breaker easing measures, travelers will be gradually allowed to transit through Changi from 2 June. Although this is not expected to cause a sharp spike in Changi's throughput for now, it at least kickstarts passenger arrivals on the path to recovery.

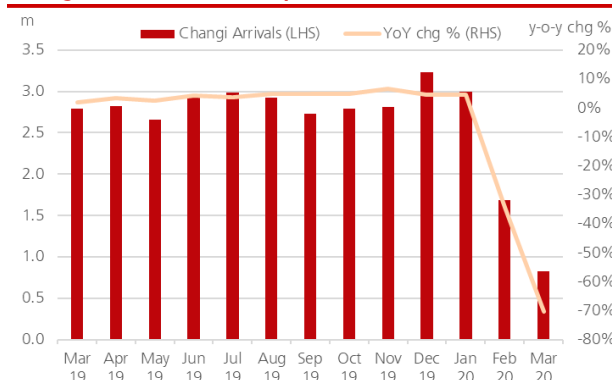
Singapore's tourist arrivals have dived



Source: Singapore Tourism Analytics Network, DBS Bank

Recovery in Changi and regional aviation expected to be slow: Singapore's tourists and Changi's arrivals have been bad and will be poor till June. The question now is the pace of recovery of passenger arrivals after crashing by 70% or more from March till May. Although the gradual opening of Changi will help to improve Changi's throughput from here, we expect safeguards to still be in place, with many travelers still taking a cautious stance and will only undertake essential travel. Hence, we expect regional aviation recovery to be muted and Changi to recover gradually, in line with the slow GDP recovery scenario forecast by our economics desk.

Changi's arrivals have slumped



Source: CEIC, DBS Bank

Upgrade to HOLD, maintain S\$2.64 TP: We upgrade our view on SATS to neutral post share price correcting by c.11% and do not see further downside for the stock. With Singapore coming out of the Circuit Breaker, we see recovery on the cards. However, we are yet to turn positive since demand for regional aviation will take time to pick up. No change to our earnings and TP. Upgrade SATS to HOLD. Risks would be a second wave of infections regionally which will prevent regional travel from recovering and derail our earnings forecast.

SATS

CRITICAL DATA POINTS TO WATCH

Critical Factors

Positive on longer term outlook with opening of Terminal 5 on the horizon. Aviation-related activities contributed c.80% of group revenue, comprising 50% Aviation Gateway Services and 50% Aviation Food Solutions. The Aviation Gateway business is mainly driven by passenger volume, flights handled, and to a smaller extent cargo-handling at Changi. Despite the current COVID-19 situation, the longer-term traffic outlook at Changi is expected to be positive with the recent completion of Terminal 4, opening of Jewel last year and Terminal 5 (by 2030). We believe SATS is well positioned to benefit from higher air traffic as the increased handling capacity (i) will be able to meet higher demand from more landing slots for airlines and 2) to cater to more tourist arrivals and passengers using Changi as a choice destination for transit.

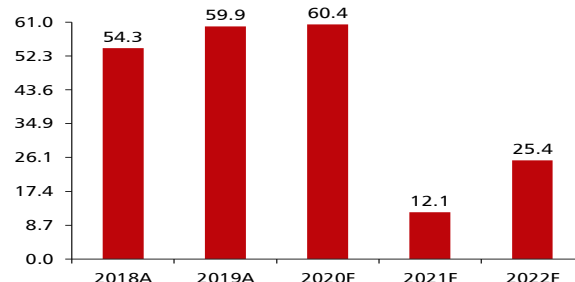
Changi passenger throughput badly affected by COVID-19.

Passenger throughput at Changi was positive in 2019, registering 4.1% growth to 68.3m passengers on a 1% y-o-y decline in aircraft movements to 382,000. Cargo volumes were down by 6.5% y-o-y to 2.01m tonnes, affected by weaker international trade. Aviation traffic at Changi has fallen significantly from February 2020 due to global air travel restrictions led by COVID-19.

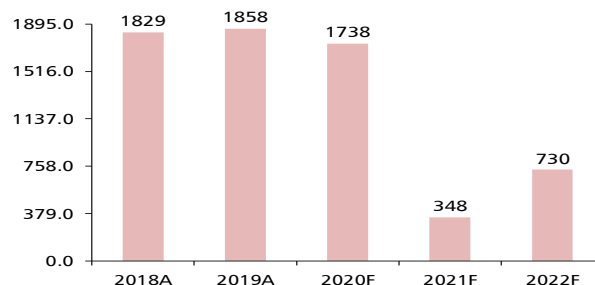
Diversifying non-aviation revenue streams. Non-aviation revenues made up 14% of group revenues in FY19. SATS continues to leverage on its kitchens to provide more institutional catering through supply contracts with corporate clients and events. It has a 21-year catering and food and beverage (F&B) services contract with the Singapore Sports Hub from 2014, through a 70/30 JV with global hospitality company Delaware North Companies. SATS also has a Kunshan central kitchen which supplies food products to customers in fast casual restaurants as well as the aviation sector. In addition, Gateway revenue traction that is building up led by the Marina Bay Cruise Centre will also help to diversify revenue streams from the aviation sector.

Improving productivity through cost reduction and automation. Staff and raw material costs make up the bulk of operating expenses at 73%. Initiatives have been implemented to improve productivity and optimise the use of human labour with automation, such as automated tray assembly line and Autonomous Guided Vehicles (AGVs) in food operations. There are also automated packing machines installed in overseas associates for the same purpose. Continued cost reduction through automation and staff productivity has helped to keep costs under control. Value added per employee improved from S\$69,200 in FY11 to S\$85,620 in FY19.

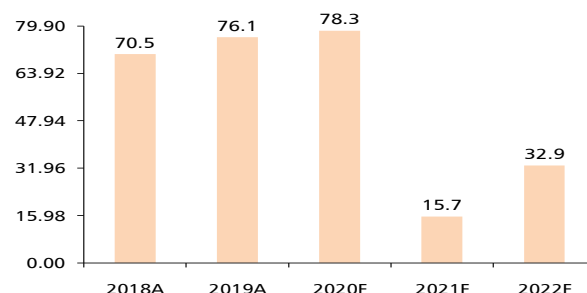
Passengers Handled (m)



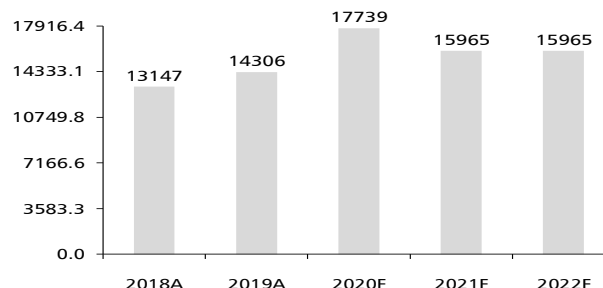
Cargo ('000 tonnes)



Unit Meals Produced (m)



Average no of employees

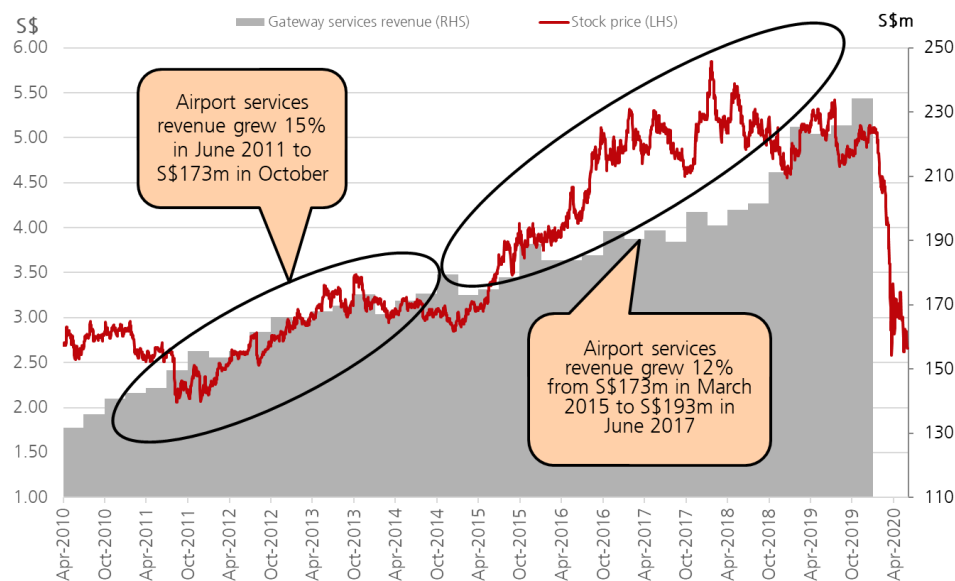


Source: Company, DBS Bank

SATS

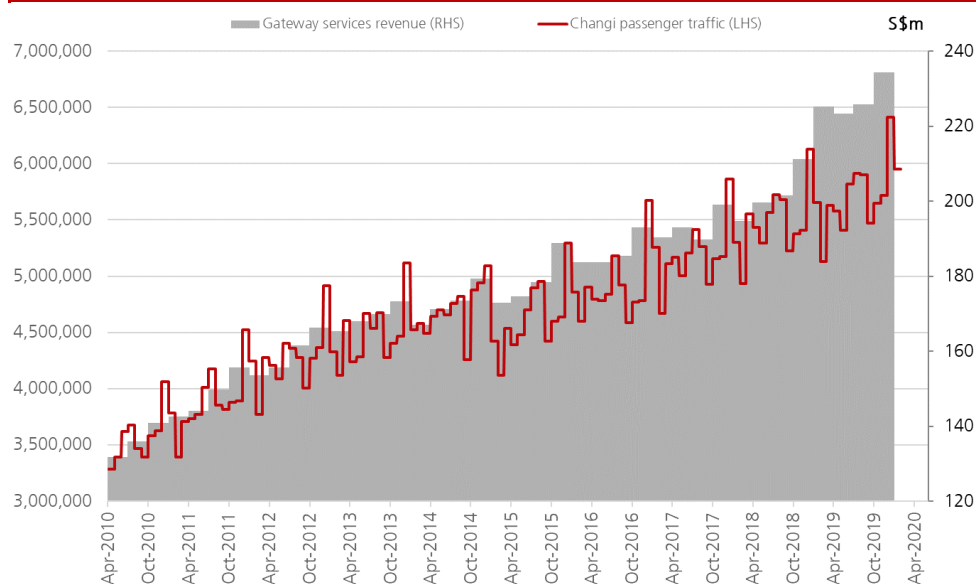
Appendix 1: A look at Company's listed history – what drives its share price?

Stock price strongly correlated to Gateway Services revenue at 0.83



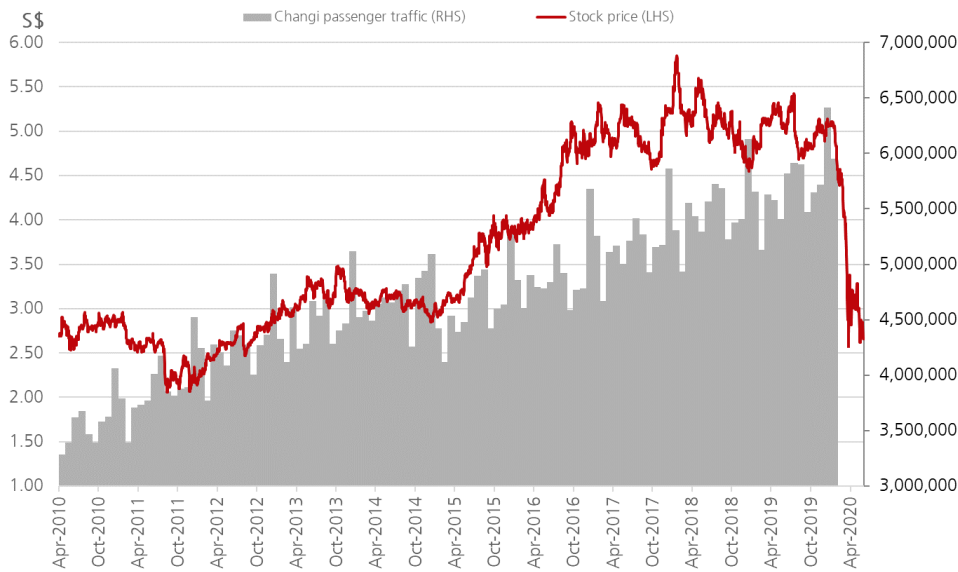
Source: DBS Bank

Strong correlation between passenger traffic and gateway services revenue (0.9)



Source: DBS Bank

Stock price less correlated to passenger traffic (0.74)



Source: DBS Bank

SATS

Balance Sheet:

Strong cash holding of about S\$500m for potential acquisitions.

SATS' track record of acquisitions includes its 59% stake in Tokyo Flight Kitchen in Japan, 42% stake in Indonesian gateway, food service provider PT CAS, and a 34% stake in Brahim's Airlines Catering Holdings which operates a flight kitchen at KLIA. More recently, it swapped 40% of its Terminal 4 ground handling business in exchange for a 49% stake AirAsia's regional ground handling business. SATS has plans to spend S\$1bn of capital expenditure (capex) and investments over the next three years till FY22F.

Share Price Drivers:

Recovery in aviation market. The longer-term development of Terminal 4 (opened in 2017) and 5 at Changi has been a key structural driver coupled with a faster-than-expected recovery in aviation demand from the COVID-19 pandemic could be a driver for share price. Higher dividends could also help lift the share price.

Key Risks:

Downturn in aviation volumes. SATS still derives 80% of its revenue from aviation related activities. A prolonged downturn in passenger travel and airline yields due to COVID-19 will impact passengers handled and in-flight meals served.

Cost pressure and currency risk. Increases in wages, raw materials, or energy prices could dampen margins. Staff and raw material costs make up over 70% of SATS' opex. SATS derived 14% of its revenue from Japan in FY19. A softening of the Japanese Yen will translate into lower reported Singapore Dollars (SGD) and vice versa.

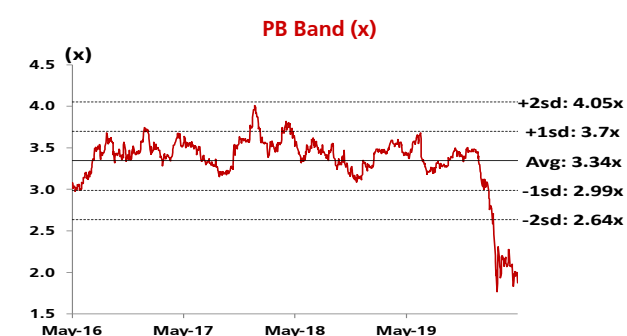
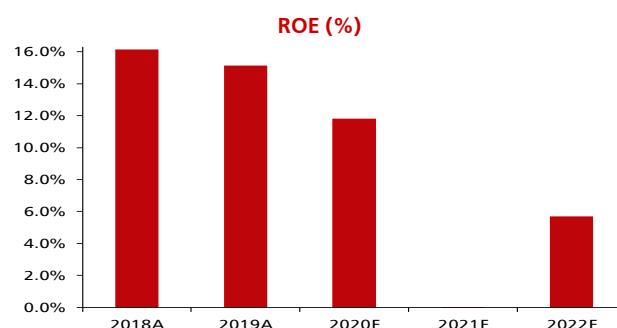
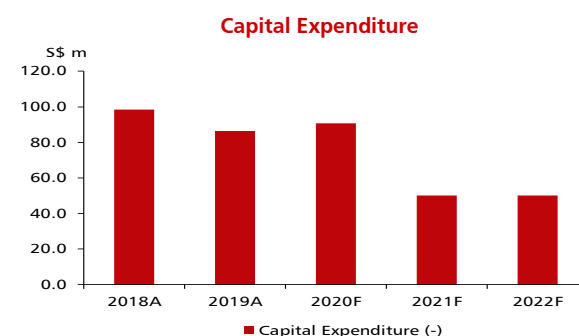
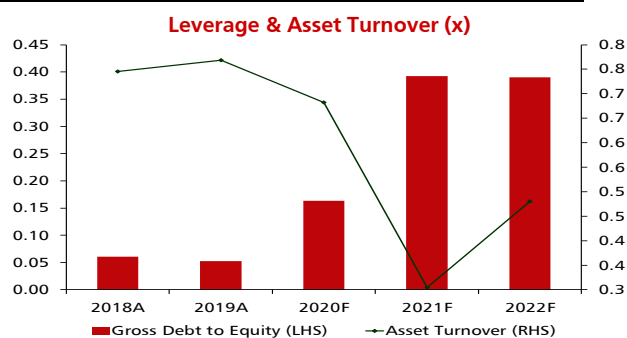
Environment, Social, Governance:

Three pillars. SATS' sustainability pillars can be summed up as:

1) Sustainable nutrition (which aims to make healthy food affordable, reduce food wastage, and to source food from sustainable sources), 2) Treasuring resources (which aims to shift towards renewable and sustainable energy, water and material sources, and people-friendly approach to automation and digitisation) and 3) Connecting people (through ensuring seamless connections and empowering communities to fulfil their full potential).

Company Background

SATS is a leading provider of gateway services and food solutions in the region with a leading market share in in-flight catering and ground-handling services at Singapore's Changi Airport. The company also provides aviation security, airline laundry, and airport cargo delivery management services. Additionally, it also offers catering services and food solutions to non-aviation sectors and manages a cruise centre.



Source: Company, DBS Bank

SATS**Key Assumptions**

FY Mar	2018A	2019A	2020F	2021F	2022F
Passengers Handled (m)	54.3	59.9	60.4	12.1	25.4
Cargo ('000 tonnes)	1,829	1,858	1,738	348	730
Unit Meals Produced (m)	70.5	76.1	78.3	15.7	32.9
Average no of employees	13,147	14,306	17,739	15,965	15,965

Segmental Breakdown

FY Mar	2018A	2019A	2020F	2021F	2022F
Revenues (\$\$m)					
Food solutions	947	988	921	476	578
Gateway services	777	838	774	282	592
Corporate	1.20	2.00	1.60	0.01	0.01
Total	1,725	1,828	1,696	758	1,169
Operating profit (\$\$m)					
Food solutions	150	153	127	(63.9)	49.8
Gateway services	78.3	95.0	78.1	(45.1)	35.5
Corporate	(1.9)	(0.6)	(0.6)	(0.6)	(0.6)
Total	226	247	205	(110)	84.7
Operating profit Margins					
Food solutions	15.8	15.4	13.8	(13.4)	8.6
Gateway services	10.1	11.3	10.1	(16.0)	6.0
Corporate	(158.3)	(30.0)	(38.3)	(4,870.2)	(4,727.5)
Total	13.1	13.5	12.1	(14.5)	7.2

Income Statement (\$\$m)

FY Mar	2018A	2019A	2020F	2021F	2022F
Revenue	1,725	1,828	1,696	758	1,169
Other Opng (Exp)/Inc	(1,498)	(1,581)	(1,492)	(867)	(1,085)
Operating Profit	226	247	205	(110)	84.7
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	71.2	58.9	48.8	2.44	24.4
Net Interest (Exp)/Inc	3.30	3.30	(2.2)	(2.2)	(13.6)
Exceptional Gain/(Loss)	20.7	(1.5)	(0.4)	0.0	0.0
Pre-tax Profit	322	308	251	(109)	95.5
Tax	(56.1)	(51.5)	(46.2)	19.7	(16.2)
Minority Interest	(4.0)	(7.8)	(10.9)	0.0	(2.8)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	262	248	194	(89.7)	76.4
Net Profit before Except.	241	250	194	(89.7)	76.4
EBITDA	305	332	292	(18.6)	215
Growth					
Revenue Gth (%)	(0.3)	6.0	(7.2)	(55.3)	54.3
EBITDA Gth (%)	0.3	8.9	(12.1)	nm	nm
Opg Profit Gth (%)	(1.8)	9.1	(17.2)	(153.6)	(177.2)
Net Profit Gth (Pre-ex) (%)	(2.9)	3.8	(22.3)	nm	nm
Margins & Ratio					
Opg Profit Margin (%)	13.1	13.5	12.1	(14.5)	7.2
Net Profit Margin (%)	15.2	13.6	11.4	(11.8)	6.5
ROAE (%)	16.2	15.1	11.8	(6.0)	5.7
ROA (%)	11.3	10.4	7.8	(3.6)	3.1
ROCE (%)	9.7	10.3	7.9	(4.9)	3.2
Div Payout Ratio (%)	76.8	85.4	103.7	N/A	102.2
Net Interest Cover (x)	NM	NM	93.0	(49.8)	6.2

Source: Company, DBS Bank

SATS

Quarterly / Interim Income Statement (\$\$m)

FY Mar	3Q2019	4Q2019	1Q2020	2Q2020	3Q2020
Revenue	464	472	465	497	546
Other Oper. (Exp)/Inc	(399)	(421)	(408)	(432)	(483)
Operating Profit	65.3	50.8	56.8	65.0	62.9
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	20.7	8.90	14.6	13.7	14.7
Net Interest (Exp)/Inc	0.60	1.20	0.0	(0.4)	(0.9)
Exceptional Gain/(Loss)	(0.2)	(0.8)	(0.5)	0.10	0.0
Pre-tax Profit	86.4	60.1	70.9	78.4	76.7
Tax	(15.2)	(8.3)	(13.0)	(15.4)	(13.3)
Minority Interest	(2.3)	(1.9)	(3.2)	(2.3)	(4.1)
Net Profit	68.9	49.9	54.7	60.7	59.3
Net profit bef Except.	69.1	50.7	55.2	60.6	59.3
EBITDA	107	83.6	97.8	107	108

Growth

Revenue Gth (%)	2.4	1.6	(1.4)	6.9	9.7
EBITDA Gth (%)	6.5	(21.6)	17.0	9.2	1.2
Opg Profit Gth (%)	(1.1)	(22.2)	11.8	14.4	(3.2)
Net Profit Gth (Pre-ex) (%)	4.5	(26.6)	8.9	9.8	(2.1)

Margins

Gross Margins (%)	100.0	100.0	100.0	100.0	100.0
Opg Profit Margins (%)	14.1	10.8	12.2	13.1	11.5
Net Profit Margins (%)	14.8	10.6	11.8	12.2	10.9

Balance Sheet (\$\$m)

FY Mar	2018A	2019A	2020F	2021F	2022F
Net Fixed Assets	560	579	593	562	492
Invts in Associates & JVs	849	724	773	775	800
Other LT Assets	204	395	385	375	365
Cash & ST Invts	373	350	479	529	560
Inventory	22.5	24.3	22.6	10.1	15.5
Debtors	299	301	279	125	192
Other Current Assets	40.7	35.1	35.1	35.1	35.1
Total Assets	2,348	2,408	2,567	2,410	2,460
ST Debt	10.1	0.10	0.10	0.10	0.10
Creditor	332	323	299	134	206
Other Current Liab	60.8	66.6	55.5	55.5	25.5
LT Debt	96.3	95.6	296	596	596
Other LT Liabilities	82.8	106	106	106	106
Shareholder's Equity	1,634	1,649	1,631	1,340	1,344
Minority Interests	133	168	179	179	182
Total Cap. & Liab.	2,348	2,408	2,567	2,410	2,460
Non-Cash Wkg. Capital	(30.8)	(29.0)	(18.0)	(19.3)	11.2
Net Cash/(Debt)	267	254	184	(67.1)	(35.4)
Debtors Turn (avg days)	60.3	59.8	62.4	97.3	49.5
Creditors Turn (avg days)	83.3	79.8	80.8	101.8	65.0
Inventory Turn (avg days)	5.7	5.7	6.1	7.7	4.9
Asset Turnover (x)	0.7	0.8	0.7	0.3	0.5
Current Ratio (x)	1.8	1.8	2.3	3.7	3.5
Quick Ratio (x)	1.7	1.7	2.1	3.5	3.2
Net Debt/Equity (X)	CASH	CASH	CASH	0.0	0.0
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	0.1	0.0
Capex to Debt (%)	92.4	90.3	30.7	8.4	8.4
Z-Score (X)	5.5	5.5	5.3	5.4	5.3

Source: Company, DBS Bank

SATS

Cash Flow Statement (\$m)

FY Mar	2018A	2019A	2020F	2021F	2022F
Pre-Tax Profit	322	308	251	(109)	95.5
Dep. & Amort.	78.5	84.9	87.2	91.0	130
Tax Paid	(51.3)	(51.5)	(57.3)	19.7	(46.2)
Assoc. & JV Inc/(loss)	(71.2)	(58.9)	(48.8)	(2.4)	(24.4)
Chg in Wkg.Cap.	(24.8)	7.90	0.19	1.33	(0.6)
Other Operating CF	(7.3)	5.60	(6.1)	(6.1)	(18.6)
Net Operating CF	246	296	226	(5.9)	136
Capital Exp.(net)	(98.3)	(86.4)	(90.7)	(50.0)	(50.0)
Other Invt.(net)	3.90	(16.1)	0.0	0.0	0.0
Invt in Assoc. & JV	(151)	(25.1)	0.0	0.0	0.0
Div from Assoc & JV	25.2	39.1	0.0	0.0	0.0
Other Investing CF	38.1	16.1	0.0	0.0	0.0
Net Investing CF	(182)	(72.4)	(90.7)	(50.0)	(50.0)
Div Paid	(190)	(201)	(212)	(201)	(72.5)
Chg in Gross Debt	(0.6)	(10.0)	200	300	0.0
Capital Issues	4.40	1.00	0.0	0.0	0.0
Other Financing CF	(10.3)	(35.0)	6.10	6.10	18.6
Net Financing CF	(197)	(245)	(5.9)	105	(54.0)
Currency Adjustments	(1.6)	(1.8)	0.0	0.0	0.0
Chg in Cash	(135)	(23.4)	129	49.4	31.7
Opg CFPS (\$ cts)	24.2	25.8	20.2	(0.6)	12.2
Free CFPS (\$ cts)	13.2	18.8	12.1	(5.0)	7.68

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	31 May 19	5.07	5.44	BUY
2:	19 Jul 19	5.00	5.00	HOLD
3:	13 Nov 19	4.99	5.06	HOLD
4:	14 Feb 20	4.43	4.46	HOLD
5:	19 Mar 20	2.87	2.66	FULLY VALUED
6:	05 May 20	2.98	2.64	FULLY VALUED

Note: Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Alfie YEO

Andy SIM, CFA

DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

Completed Date: 1 Jun 2020 12:15:53 (SGT)

Dissemination Date: 1 Jun 2020 12:28:50 (SGT)

Sources for all charts and tables are DBS Bank unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank Ltd. This report is solely intended for the clients of DBS Bank Ltd, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group")) have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets. Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBSVUSA, a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") or their subsidiaries and/or other affiliates have a proprietary position in SATS recommended in this report as of 30 Apr 2020.
2. Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.

Compensation for investment banking services:

3. DBS Bank Ltd, DBS HK, DBSVS their subsidiaries and/or other affiliates of DBSVUSA have received compensation, within the past 12 months for investment banking services from SATS as of 30 Apr 2020.
4. DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA have managed or co-managed a public offering of securities for SATS in the past 12 months, as of 30 Apr 2020.
5. DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

Directorship/trustee interests:

6. Euleen Goh Yiu Kiang, a member of DBS Group Holdings Board of Directors, is a Non-Exec Director / Chairman of SATS as of 31 Mar 2020.


¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

Disclosure of previous investment recommendation produced:

7. DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates in the preceding 12 months.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	<p>This report is being distributed in Australia by DBS Bank Ltd, DBSVS or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946.</p> <p>DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS Bank Ltd and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
Hong Kong	<p>This report has been prepared by a person(s) who is not licensed by the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities in Hong Kong pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). This report is being distributed in Hong Kong and is attributable to DBS Bank (Hong Kong) Limited, a registered institution registered with the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). DBS Bank Ltd., Hong Kong Branch is a limited liability company incorporated in Singapore.</p> <p>For any query regarding the materials herein, please contact Carol Wu (Reg No. AH8283) at dbsvhk@dbs.com</p>
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <p style="text-align: right;">  Wong Ming Tek, Executive Director, ADBSR </p>

Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	<p>This report is produced by DBS Bank Ltd which is regulated by the Monetary Authority of Singapore.</p> <p>This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608 - 610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, DIFC, Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	This report was prepared by DBS Bank Ltd. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

DBS Regional Research Offices

HONG KONG

DBS (Hong Kong) Ltd

Contact: Carol Wu
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand

MALAYSIA

AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek (128540 U)
19th Floor, Menara Multi-Purpose,
Capital Square,
8 Jalan Munshi Abdullah 50100
Kuala Lumpur, Malaysia.
Tel.: 603 2604 3333
Fax: 603 2604 3921
e-mail: general@alliancedbs.com

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com

SINGAPORE

DBS Bank Ltd

Contact: Janice Chua
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E