

Singapore Company Update SATS

Bloomberg: SATS SP | Reuters: SATS.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

1 Oct 2020

BUY (Upgrade from HOLD)

Last Traded Price (30 Sep 2020): S\$2.83 (STI : 2,466.62)

Price Target 12-mth: S\$3.66 (29% upside) (Prev S\$3.15)

Analyst

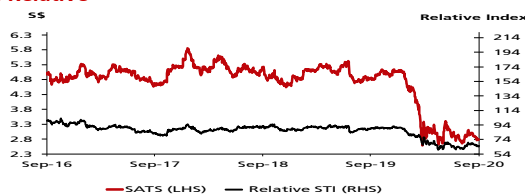
Alfie YEO +65 6682 3717 alfieyeo@db.com

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

What's New

- Phase 3 clinical trials for about nine vaccines underway, commercialisation could happen in 2021
- More green/fast lanes being set up to aid essential business and official travel will lift travel volumes
- Assume post-vaccine normalisation in 2022 (FY23F), lift FY23F earnings by 34%
- Upgrade to BUY with higher TP of S\$3.66

Price Relative



Forecasts and Valuation

FY Mar (\$m)	2020A	2021F	2022F	2023F
Revenue	1,941	1,045	1,420	1,917
EBITDA	313	18.0	249	322
Pre-tax Profit	214	(107)	163	251
Net Profit	168	(74.4)	130	201
Net Pft (Pre Ex.)	189	(74.4)	130	201
Net Pft Gth (Pre-ex) (%)	(24.4)	nm	nm	54.5
EPS (S cts)	15.1	(6.7)	11.7	18.0
EPS Pre Ex. (S cts)	16.9	(6.7)	11.7	18.0
EPS Gth Pre Ex (%)	(25)	nm	nm	55
Diluted EPS (S cts)	15.1	(6.7)	11.7	18.0
Net DPS (S cts)	6.00	0.0	3.00	11.0
BV Per Share (S cts)	145	132	144	159
PE (X)	18.8	nm	24.3	15.7
PE Pre Ex. (X)	16.8	nm	24.3	15.7
P/Cash Flow (X)	13.0	41.2	19.3	12.6
EV/EBITDA (X)	10.3	180.4	12.6	9.3
Net Div Yield (%)	2.1	0.0	1.1	3.9
P/Book Value (X)	2.0	2.1	2.0	1.8
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	10.3	(4.8)	8.5	11.9
Earnings Rev (%):		(16)	57	34
Consensus EPS (S cts):		(8.6)	5.40	13.0
Other Broker Recs:		B: 2	S: 4	H: 4

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



Brain Box

(Our NEW Pilot Research Platform) is available to Institutional Investors on Demand. Please contact your DBSV Institutional Sales contact for a demonstration.

Taking a bold stance

Investment Thesis

Recovery play for vaccine approval. We assume recovery to pre-COVID-19 levels for international air travel to occur in 2022 (FY23F) and expect the stock to re-rate and normalise ahead of vaccine approval in 2021. Our healthcare team expects two vaccines to be available by CY1Q21. Buy for 29% upside.

Key catalyst: COVID-19 vaccine and mass travel recovery are assumed to happen in 2021 (FY22F). Anticipate share price upside in view of at least one effective vaccine being commercialised in 2021 (FY22F), which will trigger mass air travel recovery.

Strong balance sheet and liquidity. S\$650m cash holding will help SATS weather this crisis.

Valuation:

Blended DCF and PE valuation methodology. Our TP of S\$3.66 is based on the average of: (i) discounted cash flow (DCF) valuation (6.0% weighted average cost of capital [WACC] and 3% terminal growth [TG] assumptions), and (ii) price-to-earnings (PE) valuation pegged to peers at 25x FY22F PE.

Where we differ:

Our estimates are above consensus as we assume that an effective commercialised vaccine is available in 2021 (FY22F), triggering the return of mass travel. FY23F (2022) would hence enjoy a full-year contribution of pre-COVID-19 normalised revenue and profit.

Key Risks to Our View:

Our earnings forecast assumes that the aviation sector will start to recover from 2021 (FY22F) as a vaccine is found. Otherwise, a slower-than-expected recovery from the COVID-19 outbreak would pose downside risk to our earnings forecast and TP on muted travel demand in FY22F if a vaccine remains unavailable.

At A Glance

Issued Capital (m shrs)	1,119
Mkt. Cap (\$m/US\$m)	3,167 / 2,320
Major Shareholders (%)	
Temasek Holdings Pte Ltd	40.0
BlackRock Inc	5.0
Free Float (%)	55.0
3m Avg. Daily Val (US\$m)	10.7
GIC Industry : Industrials / Transportation	



Live more, Bank less

SATS

WHAT'S NEW

Buy ahead of vaccine approvals

Accumulate while valuations are depressed

Upgrade to BUY ahead of vaccine approvals. We see SATS as a candidate for vaccine recovery play. Our healthcare team expects two vaccines to be available by 1Q21. With Phase 3 clinical trials for about 10 vaccines underway, we are subscribing to the fact that commercialisation could happen in 2021. We are thus assuming that normalisation will happen in 2022 (FY23F) and revise our FY23F earnings projections by 34%, towards a more normalised profit forecast. As we approach commercialisation of any COVID-19 vaccine, we expect the stock to gradually re-rate back to pre-COVID-19 levels. The stock currently trades at an undemanding FY23F 15.7x PE. We are advocating buying ahead of the recovery while valuations are attractive. Our TP, based on normalised earnings in FY23F, is S\$3.66.

Changi's traffic cannot perform worse than during the Circuit Breaker period

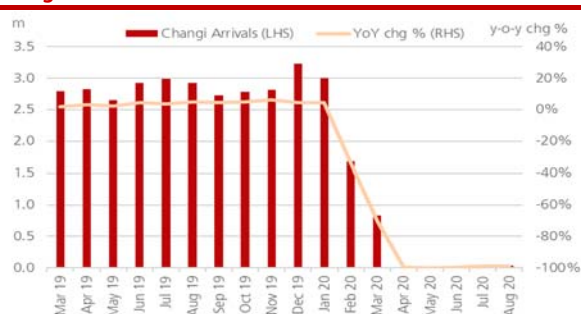
Expect more green/fast lanes to be established, Changi's throughput to improve. Singapore currently has in place green/fast lane arrangements with five countries to facilitate essential business and official travel. As business activity resumes internationally post the Circuit Breaker period, we expect more of such lanes to be established going forward. This would help to boost passenger traffic and Changi's throughput.

Countries with travel arrangement with Singapore

Type	Country	Established	2019 % of air arrivals
Fast lane	China	May 2020	17%
	S Korea	Sept 2020	3.3%
Green lane	Malaysia	July 2020	6.5%
	Brunei	Sept 2020	0.4%
	Japan	Sept 2020	5.3%

Source: changiairport.com, Singapore Tourism Board, DBS Bank

Changi arrivals



Source: CEIC, DBS Bank

We believe the worst performance is over for Changi's passenger throughput. In terms of tourist arrivals to Singapore and passenger arrivals at Changi, we are way past our worst months in April and May. We are seeing sequential improvement of Changi's throughput albeit at a slow and insignificant rate. It is thus safe to assume that the worst months of April and May are behind us. With more bilateral green/fast lanes established, we expect traffic at Changi to improve going forward.

Singapore Tourist arrivals



Source: Singapore Tourism Analytics Network, CEIC, DBS Bank

Once a vaccine is found, we see mass travel returning very quickly, driving normalisation. A vaccine would drive a sharp improvement in regional and international travel. While we are awaiting an effective commercialised vaccine to be developed, we expect air traffic at Changi to improve gradually. But once a vaccine is developed, Changi's throughput should spike sharply as mass travel returns.

Phase 3 trials for at least nine vaccines underway, on track with our two available commercialised vaccine assumption

Vaccine could be available as early as 2021. Four international drug makers have moved into late-stage human studies in the US. According to WHO, 40 candidate vaccines are under clinical evaluation while 149 vaccines are under pre-clinical evaluation. Of these vaccines, at least nine candidate vaccines by their respective developers have reached Phase 3 efficacy clinical trials. The earliest estimated primary completion dates for two of the Phase 3 trials is November and December 2020. The earliest estimated study completion dates would end as soon as March, April, May, October and December 2021. If results are positive, we could have a vaccine in 2021. The key risk is that the vaccines' efficacy results are weak and concluded not to be effective. Even though some countries

SATS

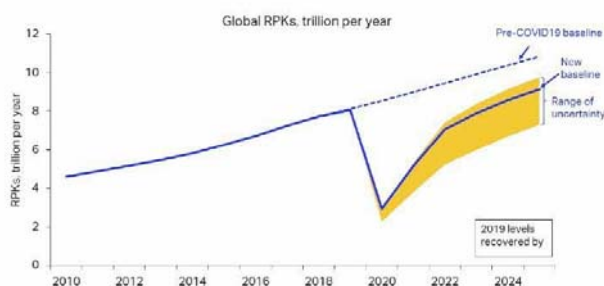
have approved vaccines for use, the drugs' effectiveness are non-conclusive as there is absence of Phase 3 clinical trial data.

Not one but two vaccines. Our healthcare team expects two vaccines to be available by 1Q21: [Healthcare sector: Near turning point in pandemic battle](#). If that pans out, it could take another 3-6 months to manufacture, distribute, and to inoculate the wider population. Travel demand should thereafter recover fairly quickly and drive SATS's share price to re-rate. Besides vaccine development news, it would also be important to watch out for news on border controls or restrictions, as well as travel bubbles, that would foster a recovery in air travel demand.

We now assume a vaccine is found in 2021 (FY22F) and earnings to normalise in 2022 (FY23F)

Our new recovery curve assumes a vaccine is found in 2021 (FY22F) and normalisation in 2022 (FY23F). We had previously assumed mass travel recovery and return to pre-COVID-19 levels in 2023 (FY24F). This was premised on IATA's recovery forecast and without reflecting vaccine development. Taking into account recent vaccine developments, we are pushing forward our recovery curve to assume that an effective vaccine is found in 2021 (FY22F) and a full year of mass-travel normalisation can begin in 2022 (FY23F). We are now projecting recovery ahead by IATA's projection which takes place in CY4Q23 (FY24F).

IATA projects 8t RPKs in CY4Q23



Source: Company, IATA, DBS Bank

Our outlook now assumes a faster recovery. Our outlook for SATS was generally a slow recovery. Our previous forecast tracks earnings normalisation in FY25F (2024), in line with IATA's recovery projections. However, we are now assuming a vaccine is available in 2021 (FY22F) and normalisation would be achieved in 2022 (FY23F). This results in FY23F earnings change of 34%. If a vaccine can be commercialised and mass produced in 2021 (FY22F), earnings should trend towards normalisation in 2022 (FY23F). Signs of recovery will be seen when mass travel returns to Changi (Log in to Brain Box to see our views and outlook on critical factors driving recovery).

DCF assumptions realigned to be more positive. Our previous DCF projections for free cash flow to the firm were assumed to be gradual, we have now factored in earnings normalisation in FY23F (2022). This results in a more aggressive DCF-based valuation for SATS (Login to Brain Box to see our updated valuation).

Previous TP for SATS

Valuation	TP	Note
PE	S\$1.86	25x FY22F earnings
DCF	S\$4.43	WACC=6%, t=3%
Average	S\$3.15	

Source: DBS Bank

PB valuations are attractive at -0.5 SD. With SATS expected to be in a loss for FY21F, forward PE valuations for FY21F (2020) is now less relevant. Instead, based on historical PB valuation, SATS now trades attractively at around -0.5 SD.

PB Band



Source: DBS Bank

PE valuations based on pre-COVID-19 levels up till 30 June 2019 are attractive at -0.5 SD. Based on 10-year historical pre-COVID-19 forward PE valuations, SATS trades at an average PE of 19.2x with 24x PE at +1 SD. Using a more normalised FY23F earnings, SATS currently trades at 15.7x PE, equivalent to -0.5 SD of its historical mean.

10-year Pre-COVID-19 PE Band till 30 June 2019



Source: DBS Bank

SATS

Risk to our view. Our investment thesis is premised around the assumption that a viable vaccine will be found in 2021 (FY22F), with air travel normalising in 2022 (FY23F). Our investment thesis, assumptions and forecast will be derailed, if a viable vaccine remains unavailable in 2021 (FY22F). Thus, our attempt to be ahead of the curve would prove to be way too early, since our anticipation of the launch of a viable vaccine in 2021 is not taking place as anticipated. Nonetheless, SATS has S\$650m cash holdings on its balance sheet that will help it weather this crisis.

Company Background

SATS is a leading provider of gateway services and food solutions in the region with the biggest 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.

SATS

Key Assumptions

FY Mar	2019A	2020A	2021F	2022F	2023F
Passengers Handled (m)	59.9	84.6	11.3	20.2	35.9
Cargo ('000 tonnes)	1,858	1,791	1,031	1,237	1,484
Unit Meals Produced (m)	76.1	82.5	16.5	32.9	65.6
Average no of employees	14,306	17,739	14,191	14,901	15,348

Assume normalisation in 2022 (FY23F)

Assume a vaccine is found in 2021 (FY22F)

Segmental Breakdown

FY Mar	2019A	2020A	2021F	2022F	2023F
Revenues (\$\$m)					
Food solutions	988	1,071	695	849	1,071
Gateway services	838	869	342	563	838
Corporate	2.00	1.90	7.60	7.60	7.60
Total	1,828	1,941	1,045	1,420	1,917
Operating profit (\$\$m)					
Food solutions	153	136	(7.0)	114	151
Gateway services	95.0	101	(54.8)	36.6	62.8
Corporate	(0.6)	(11.0)	(11.2)	(0.6)	0.0
Total	247	226	(73.0)	150	214
Operating profit Margins					
Food solutions	15.4	12.7	(1.0)	13.4	14.1
Gateway services	11.3	11.6	(16.0)	6.5	7.5
Corporate	(30.0)	(578.9)	(147.6)	(8.4)	0.0
Total	13.5	11.7	(7.0)	10.6	11.2

Assume Aviation Food back to pre-COVID-19 levels plus Country Foods

Assume air traffic back to pre-COVID-19 levels

Decline due to poor Aviation Food performance.

Income Statement (\$\$m)

FY Mar	2019A	2020A	2021F	2022F	2023F
Revenue	1,828	1,941	1,045	1,420	1,917
Other Opng (Exp)/Inc	(1,581)	(1,715)	(1,118)	(1,270)	(1,702)
Operating Profit	247	226	(73.0)	150	214
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	58.9	11.8	(29.7)	22.2	45.9
Net Interest (Exp)/Inc	3.30	(3.7)	(4.6)	(9.4)	(8.7)
Exceptional Gain/(Loss)	(1.5)	(20.4)	0.0	0.0	0.0
Pre-tax Profit	308	214	(107)	163	251
Tax	(51.5)	(38.3)	32.9	(27.7)	(42.8)
Minority Interest	(7.8)	(7.2)	0.0	(4.7)	(7.3)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	248	168	(74.4)	130	201
Net Profit before Except.	250	189	(74.4)	130	201
EBITDA	332	313	18.0	249	322
Growth					
Revenue Gth (%)	6.0	6.2	(46.2)	35.8	35.0
EBITDA Gth (%)	8.9	(5.6)	(94.2)	1,282.0	29.4
Opg Profit Gth (%)	9.1	(8.4)	(132.3)	(305.5)	42.9
Net Profit Gth (Pre-ex) (%)	3.8	(24.4)	nm	nm	54.5
Margins & Ratio					
Opg Profit Margin (%)	13.5	11.7	(7.0)	10.6	11.2
Net Profit Margin (%)	13.6	8.7	(7.1)	9.2	10.5
ROAE (%)	15.1	10.3	(4.8)	8.5	11.9
ROA (%)	10.4	6.2	(2.6)	4.5	6.4
ROCE (%)	10.3	8.1	(2.9)	4.8	6.5
Div Payout Ratio (%)	85.2	39.8	N/A	25.7	61.1
Net Interest Cover (x)	NM	61.1	(15.9)	15.9	24.7

Dividends should resume once profitability is achieved.

Source: Company, DBS Bank

SATS

Quarterly Income Statement (\$\$m)

FY Mar	4Q2019	1Q2020	2Q2020	3Q2020	4Q2020
Revenue	472	465	497	546	433
Other Oper. (Exp)/Inc	(421)	(408)	(432)	(483)	(392)
Operating Profit	50.8	56.8	65.0	62.9	41.5
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	8.90	14.6	13.7	14.7	(31.2)
Net Interest (Exp)/Inc	1.20	0.0	(0.4)	(0.9)	(2.4)
Exceptional Gain/(Loss)	(0.8)	(0.5)	0.10	0.0	(20.0)
Pre-tax Profit	60.1	70.9	78.4	76.7	(12.1)
Tax	(8.3)	(13.0)	(15.4)	(13.3)	3.40
Minority Interest	(1.9)	(3.2)	(2.3)	(4.1)	2.40
Net Profit	49.9	54.7	60.7	59.3	(6.3)
Net profit bef Except.	50.7	55.2	60.6	59.3	13.7
EBITDA	83.6	97.8	107	108	42.9

Growth

Revenue Gth (%)	1.6	(1.4)	6.9	9.7	(20.6)
EBITDA Gth (%)	(21.6)	17.0	9.2	1.2	(60.3)
Opg Profit Gth (%)	(22.2)	11.8	14.4	(3.2)	(34.0)
Net Profit Gth (Pre-ex) (%)	(26.6)	8.9	9.8	(2.1)	(76.9)

Margins

Opg Profit Margins (%)	10.8	12.2	13.1	11.5	9.6
Net Profit Margins (%)	10.6	11.8	12.2	10.9	(1.5)

Balance Sheet (\$\$m)

FY Mar	2019A	2020A	2021F	2022F	2023F
Net Fixed Assets	579	602	571	542	524
Invt in Associates & JVs	724	689	659	682	727
Other LT Assets	395	687	677	667	657
Cash & ST Invt	350	549	617	734	885
Inventory	24.3	70.5	38.0	51.6	69.6
Debtors	301	386	208	282	381
Other Current Assets	35.1	25.8	25.8	25.8	25.8
Total Assets	2,408	3,010	2,796	2,984	3,270
ST Debt	0.10	113	113	113	113
Creditor	323	373	201	273	369
Other Current Liab	66.6	76.3	76.3	57.5	72.6
LT Debt	95.6	302	402	402	402
Other LT Liabilities	106	340	340	340	340
Shareholder's Equity	1,649	1,618	1,476	1,606	1,774
Minority Interests	168	188	188	193	200
Total Cap. & Liab.	2,408	3,010	2,796	2,984	3,270
Non-Cash Wkg. Capital	(29.0)	32.6	(5.8)	29.1	35.3
Net Cash/(Debt)	254	134	102	219	370
Debtors Turn (avg days)	59.8	64.6	103.7	63.0	63.2
Creditors Turn (avg days)	79.8	78.0	102.1	73.9	73.5
Inventory Turn (avg days)	5.7	10.6	19.3	14.0	13.9
Asset Turnover (x)	0.8	0.7	0.4	0.5	0.6
Current Ratio (x)	1.8	1.8	2.3	2.5	2.5
Quick Ratio (x)	1.7	1.7	2.1	2.3	2.3
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	90.3	18.2	9.7	11.7	15.5
Z-Score (X)	5.3	3.3	2.8	3.1	1.6

Source: Company, DBS Bank

SATS

Cash Flow Statement (\$m)

FY Mar	2019A	2020A	2021F	2022F	2023F
Pre-Tax Profit	308	214	(107)	163	251
Dep. & Amort.	84.9	87.2	91.0	99.1	108
Tax Paid	(51.5)	(49.1)	32.9	(46.5)	(27.7)
Assoc. & JV Inc/(loss)	(58.9)	(11.8)	29.7	(22.2)	(45.9)
Chg in Wkg.Cap.	7.90	(48.9)	38.4	(16.0)	(21.3)
Other Operating CF	5.60	52.9	(7.8)	(13.4)	(13.4)
Net Operating CF	296	244	76.8	164	251
Capital Exp.(net)	(86.4)	(75.7)	(50.0)	(60.0)	(80.0)
Other Invt.(net)	(16.1)	0.0	0.0	0.0	0.0
Invt in Assoc. & JV	(25.1)	(23.4)	0.0	0.0	0.0
Div from Assoc & JV	39.1	32.9	0.0	0.0	0.0
Other Investing CF	16.1	(51.2)	0.0	0.0	0.0
Net Investing CF	(72.4)	(117)	(50.0)	(60.0)	(80.0)
Div Paid	(201)	(212)	(67.1)	0.0	(33.6)
Chg in Gross Debt	(10.0)	301	100	0.0	0.0
Capital Issues	1.00	0.0	0.0	0.0	0.0
Other Financing CF	(35.0)	(23.3)	7.80	13.4	13.4
Net Financing CF	(245)	66.4	40.7	13.4	(20.2)
Currency Adjustments	(1.8)	6.20	0.0	0.0	0.0
Chg in Cash	(23.4)	199	67.6	117	151
Opg CFPS (\$ cts)	25.8	26.2	3.44	16.1	24.4
Free CFPS (\$ cts)	18.8	15.1	2.40	9.28	15.3

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	13 Nov 19	4.99	5.06	HOLD
2:	14 Feb 20	4.43	4.46	HOLD
3:	19 Mar 20	2.87	2.66	FULLY VALUED
4:	05 May 20	2.98	2.64	FULLY VALUED
5:	01 Jun 20	2.69	2.64	HOLD
6:	13 Jul 20	2.78	2.83	HOLD
7:	07 Sep 20	2.98	3.15	HOLD

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 Oct 2020 07:20:19 (SGT)

Dissemination Date: 1 Oct 2020 08:16:13 (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 31 Aug 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 31 Aug 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 31 Aug 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 30 Jun 2020.


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.

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.

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	<p>This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608 - 610, 6th 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.</p>
United Arab Emirates	<p>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.</p>
United States	<p>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.</p>
Other jurisdictions	<p>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.</p>

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

MALAYSIA

AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek
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
Co. Regn No. 198401015984 (128540-U)

SINGAPORE

DBS Bank Ltd

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

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

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