5 February 2010

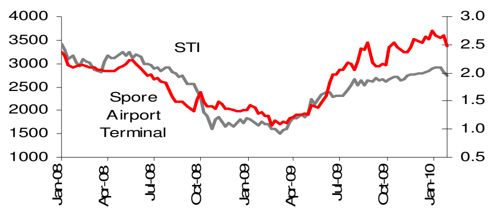
Maintain

BUY

Previous Rating: BUY

Current Price: S$2.57

Fair Value: S$3.27



Reuters Code	SIAT.SI
ISIN Code	S58
Bloomberg Code	SATS SP
Issued Capital (m)	1,088
Mkt Cap (Sm/USm)	2,795 / 1,966
Major Shareholders	
Temasek Holdings	44.05%
Free Float (%)	55.9%
Daily Vol 3-mth ('000)	2,740
52 Wk Range	1.100 - 2.770

(S$ m)	FY08	FY09	FY10F	FY11F
Revenue	958.0	1062.1	1530.6	1582.9
EBIT	174.3	170.9	192.7	224.8
P/NTA (x)	2.0	3.0	2.8	2.6
EPS (cts)	18.1	13.6	16.3	18.7
PER (x)	14.2	18.9	15.8	13.8

Kevin Tan
(65) 6531 9809
e-mail: KevinTan@ocbc-research.com

Singapore Airport Terminal Services Ltd

Commendable 3QFY10 results

Strong set of results. SATS Limited turned in a strong set of 3QFY10 results yesterday. Revenue was up 79.2% YoY (+19.9% QoQ) to S$434.3m, beating our quarterly sales estimate, while PATMI was up 42.0% YoY (+30.6% QoQ) to S$53.4m, within our earnings expectation. The topline performance was mainly due to better-than-expected seasonally strong quarter from Daniels Group and recovery in the aviation industry. However, as staff costs grew faster than expected amid lower jobs credit benefit, earnings was thus in line. For 9MFY09, we note that the group delivered revenue of S$1,148.3m (+56.1%), forming 76.3% of our FY10 sales forecast (76.9% of consensus), and PATMI of S$134.7m (+28.9%), or 73.4% of our earnings figure (76.9% of consensus).

Operating performance by SFI. Over the quarter, SFI contributed S$199.6m to group revenue, which more than offset a 2.6% YoY decline in aviation revenue. For 9MFY10, sales from SFI totaled S$469.3m, representing ~41% of the group topline. Due to this significant contribution, SATS' exposure to the cyclical aviation industry had also been reduced from 97.5% in 9MFY09 to 57.3%. In addition, SFI's integration with SATS has made further progress, with ~S$6m (S$3.4m in 2QFY10) out of the S$10m synergies identified already realized on an annualized basis.

Positive outlook. Despite Mar quarter being the weakest for Singapore's aviation sector traditionally, management expects to see YoY improvements in passenger and cargo loads, boosted by continual recovery in the sector. Margins from SFI are also expected to maintain at current levels as it benefits from lower cost by consolidating commodities at larger quantities, and as Daniels Group enters into another strong quarter. Pertaining to developments in the hospital sector, we also understand from SATS that it has set up a focus group for hospital catering (secured contract with NUH) and is in discussions with several hospitals for similar arrangements (market share currently in the teens, according to management).

Maintain BUY with S$3.27 fair value. We believe SATS has still ample room for growth and yield improvements, both internally via synergies with SFI and externally amid an improving global outlook. We have raised our FY10F sales by 1.7% to accommodate the results into our full-year projections. While our DCF-based fair value falls slightly to S$3.27 (S$3.29 previously) as we project lower jobs credit incentive in 4Q, it represents an attractive 27.2% upside potential. Maintain **BUY.**

SATS' Key Financial Data

SATS Results Year Ended 31 Mar (S$ m)	3Q09 (S$m)	3Q10 (S$m)	% Chg (YoY)	2Q10 (S$m)	% Chg (QoQ)
Revenue	242.4	434.3	79.2%	362.3	19.9%
EBITDA	57.6	80.8	40.3%	64.8	24.7%
Depreciation & amortisation	-14.2	-22.8	60.6%	-22.4	1.8%
Operating profit	43.4	58.0	33.6%	42.4	36.8%
Finance costs	-1.5	-0.3	-80.0%	-2.5	-88.0%
Interest and investment income	2.3	0.5	-78.3%	0.5	0.0%
Associates	6.2	9.3	50.0%	10.5	-11.4%
Profit before exceptional item	50.4	67.5	33.9%	50.9	32.6%
Exceptional item	0.0	0.0	nm	0.0	nm
Pre-tax profit	50.4	67.5	33.9%	50.9	32.6%
Tax	-12.4	-13.8	11.3%	-10.0	38.0%
Minority interests	-0.4	-0.3	-25.0%	0.0	nm
Net profit	37.6	53.4	42.0%	40.9	30.6%
Net Margin	15.5%	12.3%		11.3%	

SATS' Key Financial Data

EARNINGS FORECAST Year Ended 31 Mar (S$m)	FY08	FY09	FY10F	FY11F
Revenue	958.0	1,062.1	1,530.6	1,582.9
EBITDA	233.5	235.5	283.3	324.5
Depreciation & amortization	-59.2	-64.6	-90.7	-99.7
EBIT	174.3	170.9	192.7	224.8
Net interest	12.4	-9.6	-4.7	-5.4
Associates	44.7	22.2	34.9	34.5
Exceptional items	17.3	0.0	0.0	0.0
Profit before tax	248.7	183.5	222.9	253.9
Income tax expense	-53.5	-35.1	-45.2	-50.8
PATMI	194.9	146.7	176.3	201.7

BALANCE SHEET As at 31 Mar (S$m)	FY08	FY09	FY10F	FY11F
Bank and cash balances	20.9	53.4	115.0	238.9
Other current assets	905.7	546.9	366.8	375.8
Property, plant, and equipment	564.8	608.4	579.9	537.8
Total assets	1,849.5	2,050.3	1,886.2	1,959.3
Debt	208.0	251.4	27.1	27.1
Current liabilities excluding debt	182.9	258.2	275.8	283.4
Total liabilities	461.6	634.0	425.9	432.1
Shareholders equity	1,383.9	1,398.0	1,440.6	1,506.1
Minority interests	4.0	18.3	19.6	21.0
Total equity and liabilities	1,849.5	2,050.3	1,886.2	1,959.3

CASH FLOW Year Ended 31 Mar (S$m)	FY08	FY09	FY10F	FY11F
Op profit before working cap. chg.	241.8	237.2	283.3	323.9
Working cap, taxes and int	-70.4	-46.6	-90.2	-59.1
Net cash from operations	171.4	190.6	193.1	264.8
Purchase of PP&E	-15.1	-28.1	-45.0	-40.0
Other investing flows	76.1	-421.3	18.1	18.0
Investing cash flow	61.0	-449.4	-26.9	-22.0
Financing cash flow	-109.1	-166.8	-326.9	-118.9
Net cash flow	123.3	-425.6	-160.7	123.9
Cash at beginning of year	577.5	700.3	275.7	115.0
Cash at end of year	20.9	53.4	115.0	238.9

KEY RATES & RATIOS	FY08	FY09	FY10F	FY11F
EPS (SG cents)	18.1	13.6	16.3	18.7
NTA per share (SG cents)	127.9	85.5	90.9	98.6
EBIT margin (%)	18.2%	16.1%	12.6%	14.2%
Net profit margin (%)	20.3%	13.8%	11.5%	12.7%
PER (x)	14.2	18.9	15.8	13.8
Price/NTA (x)	2.0	3.0	2.8	2.6
EV/EBITDA (x)	12.8	12.8	9.6	8.0
Dividend yield (%)	5.4%	3.9%	4.3%	4.7%
ROE (%)	14.4%	10.6%	12.3%	13.6%
Net gearing (%)	13.5%	14.2%	Net Cash	Net Cash

Source: Company data, OIR estimates

SHAREHOLDING DECLARATION:
The analyst/analysts who wrote this report holds NIL shares in the above security.

RATINGS AND RECOMMENDATIONS:
OCBC Investment Research's (OIR) technical comments and recommendations are short-term and trading oriented.
- However, OIR's fundamental views and ratings (Buy, Hold, Sell) are medium-term calls within a 12-month investment horizon. OIR's Buy = More than 10% upside from the current price; Hold = Trade within +/-10% from the current price; Sell = More than 10% downside from the current price.
- For companies with less than S$150m market capitalization, OIR's Buy = More than 30% upside from the current price; Hold = Trade within +/- 30% from the current price; Sell = More than 30% downside from the current price.

Co.Reg.no.: 198301152E

For OCBC Investment Research Pte Ltd

Carmen Lee
Head of Research

Published by OCBC Investment Research Pte Ltd