

SATS reports growth with US\$49.7 million 1Q net profit



SATS highlights unaudited results

[SATS Ltd.](#) (SATS) has reported its unaudited results for the three months ended on June 30 (1Q FY25).

The highlights of the results include:

- Revenue grew 15.5 percent year-on-year to S\$1.37B (US\$1.04B) driven by significant growth in air cargo volumes and continuing travel recovery
- Delivered annualized S\$51M (US\$39M) of the targeted S\$100M (US\$76.5M) of EBITDA synergies
- Year-on-year EBITDA margin improved to 18.2 percent from 13.1 percent
- Free cash flow was S\$36.7M (US\$28M)

Group earnings - 1Q FY25 (April 1, 2024 to June 30, 2024)

In 1Q FY25, SATS Group's revenue increased by 15.5 percent to S\$1.37 billion (US\$1.04 billion)

compared to the same period last year arising from both Gateway Services and Food Solutions.

Revenue for Gateway Services increased by 12.0 percent YoY. This growth was attributed to the increase in air cargo volume driven by high-tech shipments, growth of eCommerce and the shift from ocean freight due to the Red Sea crisis.

Food Solutions' revenue increased by 29.3 percent to S\$310.8 million (US\$237.1 million) due to increased demand for inflight meals.

The Group's expenditure (excluding depreciation and amortization) increased by 8.7 percent to S\$1.1 billion (US\$841 million) YoY, in line with the increase in business volume.

In 1Q FY25, SATS saw a significant YoY increase in operating profit to S\$112.9 million (US\$86.3 million) from S\$7.9 million (US\$6 million). Operating Profit margin also improved from 0.7 percent to 8.2 percent, driven by operational efficiencies as revenue scaled up and outpaced the increase in expenditure.

The share of earnings of associates and joint ventures increased by 67.1 percent to S\$35.6 million (US\$27.2 million) driven by travel recovery and higher cargo volumes.

In 1Q FY25, SATS posted PATMI of S\$65.0 million (US\$49.7 million) reflecting a significant improvement of S\$94.9 million (US\$72.6 million) from a loss of S\$29.9 million (US\$22.8 million) recorded in the same period last year. This improved performance is attributed to scale leverage derived from higher volumes of business handled, in addition to a one-off gain of S\$7.2 million (US\$5.5 million) from the settlement of an existing loan arrangement from an outgoing local partner in Indonesia.

Group financial position (as of June 30, 2024)

Total equity increased by S\$75.2 million (US\$57.5 million), reaching S\$2.6 billion (US\$1.98 billion) as of June 30, compared to March 31. This increase was primarily attributed to the profit generated in the current quarter.

Non-current assets decreased by S\$67.0 million (US\$51.2 million) to S\$6.5 billion (US\$4.97 billion) as of June 30. This reduction was mainly due to lower right-of-use assets and intangible assets resulting from depreciation and amortization. Additionally, there was a decrease in investment in joint ventures and associates following the sale of a 9.85 percent stake in PT Cardig Aero Service Tbk.

Current assets rose by S\$129.3 million (US\$98.9 million) to S\$2.1 billion (US\$1.6 billion), driven by increased trade and other receivables and cash due to improved business performance.

Total liabilities decreased by S\$12.9 million (US\$9.8 million) to S\$5.9 billion (US\$4.5 billion), primarily due to the repayment of S\$68.1 million (US\$52.1 million) of debt and lower lease liabilities in 1Q FY25. This was offset by higher trade and other payables consistent with higher business volume.

For 1Q FY25, operating cash flow increased to S\$164.2 million (US\$125.6 million), compared to S\$40.1 million (US\$30.6 million) recorded in the corresponding period last year. Free cash flow was S\$36.7 million (US\$28 million), reflecting an improvement of S\$125.9 million (US\$96.3 million) YoY, driven mainly by higher YoY operating profit for the quarter.

Outlook

SATS expects positive momentum in the coming quarters, the August 20 press release said. The acceleration of eCommerce, the shift to air cargo because of seaport congestion and disruption in maritime shipping are expected to continue to underpin demand for air cargo services.

According to [IATA](#), global air cargo traffic is expected to grow by 5 percent this year, while global passenger traffic growth is projected at 11.6 percent in total revenue passenger kilometres (RPK) this year. Notably, Asia Pacific is leading the recovery, with the region expected to contribute half of the world's RPK growth this year, particularly through its robust domestic markets.

SATS remains confident to deliver on its commitments to improve financial performance, reduce debt, and strengthen the overall cash position.

Kerry Mok, President and Chief Executive Officer of SATS, said, "The S\$65 million profit for the first quarter of FY25 is a result of favourable market conditions and our relentless drive towards better cost optimization and operational efficiency. We continue to gain traction from the integration with WFS as we strengthen our global market position. Our new win with the Shun Feng Group in Liège and the deepening of our collaboration with Kuehne + Nagel are testaments to the strength of our global network. We are also committed to supporting the needs of Singapore's Changi Airport and have established the Singapore Hub to focus on enhancing Singapore's aviation position."

"We are also growing our Food Solutions business with Mitsui, leveraging SATS' culinary expertise, knowledge of food technology, and high food safety standards to mutually benefit both parties by supporting Mitsui's distribution network with ready-to-eat meals in different formats to capture the growing demand for convenient food," Mok said.