

SATS beat broker forecasts, but after an 18% run the shares are a hold

Description

default watermark

The call

SATS Ltd (SGX: S58), the airport ground handling, cargo and inflight catering group, is our pick today. The call is hold, on a 12-month horizon.

The shares closed at S$4.17 on Thursday, 12 November 2026, up 4.25% on the day. That is the latest price going into this morningâ??s session. Thursday was the first full trading day after the half-year results, released after the market closed on 11 November, and volume of about 16.9 million shares was roughly double the previous sessionâ??s.

The 52-week range is S$3.17 to S$4.96. The low came on 20 May 2026 and the high on 6 August 2026. The stock is about 16% below that high, but up about 18% from S$3.54 on 3 November. Most of that came before the numbers: the shares had already risen about 13% to S$4.00 by the close on 11 November. Market value is about S$6.2 billion.

What went right

The September quarter beat expectations. Net profit for the three months rose 2.8% to S$81.1 million and earnings before interest and tax (EBIT) came in at S$145.4 million. DBS Group Research had forecast S$76 million and S$136 million respectively, so both figures were about 7% ahead (DBS, 12 November 2026). CGS International had pencilled in quarterly net profit of about S$75 million, according to a published summary of its 30 October report.

Margins turned up within the half. The group EBIT margin improved to 8.5% in the second quarter from 8.0% in the first, and second-quarter EBIT rose 8.7% from the first quarter (SATS 1H FY2026/27 results, 11 November 2026). DBS says the Food Solutions EBIT margin â??held steady q/q at 10.4%â?•, which it calls â??a positive surprise given managementâ??s earlier guidance for greater margin pressureâ?•. The Gateway margin rose 0.2 points to 8.8%.

Cargo is still taking share. Second-quarter volumes rose 8.0% from a year earlier, against global cargo traffic growth of 5.3% measured by IATA. DBS notes this is the 12th quarter in a row that SATS has outgrown the market, with the Americas up 19.4%. Recent wins named by the company include Atlas Air in Amsterdam, renewed contracts with Turkish Airlines and Singapore Airlines at several US and European stations, e-commerce handling for Temu at three stations in the Americas, and a new 25,400 sq m cargo terminal at Lyon-Saint ExupÃ©ry Airport.

The top line is healthy. Half-year revenue rose 10.1% to S$3,389.1 million. Gateway Services revenue grew 11.4% to S$2,665.8 million and Food Solutions 5.5% to S$722.5 million. Meals produced rose 9.3% to 60.5 million.

Management also sounded calmer on costs. SATS describes the higher energy-driven operating costs as â??transient rather than structuralâ?•, and expects the margin impact of higher food input costs to â??moderate over time as contractual repricing cycles continue to take effectâ?•. DBS says the cost commentary â??appears considerably more positive than in the previous quarterâ?•.

What did not

default watermark

Look past the quarter and the half is softer. Operating profit for the six months fell 1.2% to S$279.2 million, and the EBIT margin slipped to 8.2% from 9.2%. Second-quarter EBIT was down 7.6% from a year earlier. The company points to higher input costs and Middle East disruption, â??including the redirection of flights and cargoâ?•, against a prior year lifted by â??tariff-related front-loadingâ?•.

The headline profit growth also needs a footnote. DBS says the 2.8% rise in quarterly net profit was â??primarily due to the absence of a SGD10mn tax provisionâ?• a year earlier, and that profit was down 8.8% excluding that one-off.

Cash flow is what DBS calls â??the key blemishâ?•. Free cash flow, after capital spending and lease payments, was negative S$54.8 million in the second quarter, which SATS puts down to the seasonal timing of staff incentive payments. For the six months, free cash flow was negative S$77.3 million, against negative S$1.1 million a year earlier, as operating cash flow fell to S$265.0 million from S$356.8 million. Gross debt to equity rose to 1.48 times from 1.41 times in March (SATS 1H FY2026/27 financial statements). Part of the increase in lease liabilities reflects the renewed 15-year concession for the Asia Airfreight Terminal in Hong Kong.

The interim dividend was held at 2.0 cents. Income from associates and joint ventures fell 13.2% to S$52.6 million, partly on non-recurring provisions in the first quarter.

The numbers behind the call

These measures use Thursdayâ??s close of S$4.17. The calculations are ours unless stated.

Measure	Value	Basis
Price to earnings, trailing 12 months	about 21.3 times	19.6 cents of basic EPS over the 12 months to 30 September 2026

Measure	Value	Basis
Price to earnings, FY2028 forecast	about 16.5 times	UOB Kay Hianâ??s FY2028 EPS forecast of 25.3 cents (21 August 2026)
Historical mean P/E used by UOB Kay Hian	19.7 times	Implies about S$3.86 on trailing earnings
Dividend yield	about 1.7%	FY2025/26 dividends of 7.0 cents (2.0-cent interim plus 5.0-cent final)
Market value	about S$6.2 billion	About 1,486.5 million shares

The half-year net profit of S$156.2 million is about half of UOB Kay Hianâ??s full-year forecast of S$315 million, so the year is on track rather than ahead (UOB Kay Hian, 21 August 2026).

The valuation tells the story. On trailing numbers, SATS trades about 1.6 turns above the historical mean multiple UOB Kay Hian uses for its own target. It only looks good value if FY2028 earnings grow by about 20%, as UOB Kay Hian expects. Buyers at S$4.17 are paying today for next yearâ??s recovery.

default watermark

What the brokers say

Each rating carries the date of the brokerâ??s report. Of the five, only DBS has published since the results; the others predate the results and the recent rally.

Broker	Rating	Target price	Report date	Change from S$4.17
DBS Group Research	Buy	S$5.00 (unchanged)	12 November 2026	about +20%
Phillip Securities Research	Buy	S$5.01, from S$4.52	24 August 2026	about +20%
UOB Kay Hian	Buy	S$5.00	21 August 2026	about +20%
OCBC Group Research	Buy	S$4.70, from S$4.20	20 August 2026	about +13%
CGS International	Add	S$4.40, from S$5.20	30 October 2026	about +6%

The OCBC and CGS International figures are taken from published summaries of their reports. UOB Kay Hianâ??s S$5.00 is 19.7 times FY2028 earnings. Phillipâ??s target is based on discounted cash flow (Phillip Securities Research, 24 August 2026), and CGS Internationalâ??s discounted cash flow value implies about 16.9 times FY2028 earnings. Across nine analysts tracked by S&P Global, the average target was S$5.00 as at 26 October 2026. We found no hold or sell rating.

DBS said there would be â??more updates to follow after the analyst briefingâ?•, so expect revised notes in the coming days. CGS International, which cut its FY2027 earnings forecast by 10.6% before the results, is the one to watch for an upgrade.

Risks

The Middle East conflict is the main one. It has pushed up energy and input costs and forced flights and cargo onto new routes. CGS International notes that Riyadh cargo operations were suspended on 13 October after missile attacks. DBS points out that Asia-Pacific flights handled fell 8.9% in the quarter â??as higher fuel costs prompted airlines to reduce flightsâ?•.

E-commerce is another. CGS International flags the EUâ??s removal of its â?¬150 duty-free threshold and a flat â?¬3 customs duty per item from 1 July 2026 as a drag on China to Europe parcel volumes. Add the negative free cash flow, higher leverage and the costs of expanding into new markets.

What to watch

Books close for the 2.0-cent interim dividend on 20 November, with payment on 10 December 2026. Beyond that, CGS International expects the Bangkok central kitchen to open in January 2027, and the Food Solutions repricing should show up in the coming quarters. SATS has not announced a date for its third-quarter results.

default watermark

The verdict

SATS gave the market what it wanted: a beat, a margin turning up and cargo volumes running ahead of the industry. The long-term case for a global cargo network gaining share is intact, and every broker we found rates it a buy or add.

The price has already moved, though. At about 21 times trailing earnings and a 1.7% yield, the shares sit above the historical mean multiple, and most targets imply about 20% upside, but nearly all of them were set before the results. CGS Internationalâ??s sits only about 6% above the price. Underneath the beat, half-year operating profit fell, quarterly profit growth came from a lapsed tax charge, free cash flow was negative and the dividend did not grow. That is a fair risk-reward, not a compelling one.

We would move to buy on a pullback towards the historical mean multiple, around S$3.86 on trailing earnings, or if the second half shows positive free cash flow with the EBIT margin holding at 8.5% or better, or if brokers lift their targets meaningfully after the briefing. We would move to sell if margins slip back to 8% or below in the third quarter, or if the Middle East disruption leads to lasting cargo losses.

Research by Warren.

This is general information, not financial advice, and does not take into account your objectives or financial situation.

Date Created
13/11/2026
Author
claratan