



# 3Q and 9M15/16 Performance Review

12 February 2016

# Forward Looking Statements

This presentation may contain forward-looking statements regarding, among other things, the Company's outlook, business and strategy which are current as of the date they are made. These forward-looking statements are based largely on the current assumptions, expectations and projections of the directors and management of SATS about our business, and the industry and markets in which we operate. These statements are not guarantees of SATS' future performance and are subject to a number of risks and uncertainties, some of which are beyond the Company's control and are difficult to predict. Future developments and actual results could differ materially from those expressed in the forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the forward-looking information will prove to be accurate. SATS does not undertake to update these forward-looking statements to reflect events or circumstances which arise after publication.



# Agenda

- Executive Summary
- Operating Statistics
- Group Financial Review
- Outlook

# Executive Summary: 3Q15/16 Performance

- Group revenue declined 2.2% due to lower Food Solutions' revenue mainly attributed to the transfer of the food distribution business to SATS BRF Food, partially offset by higher Gateway Services' revenue
- Operating margins expanded 2.7 percentage points to 14%, due to deconsolidation of SATS BRF Food, cost management and productivity
- Lower share of after-tax profits from both Food Solutions' and Gateway Services' associates/JVs
- PATMI up 12.8% to \$60.6M
- EPS up 14.6% to 5.5 cents
- Strong balance sheet supports execution of strategy to grow scale and enhance connectivity through building out our geographic presence in the region, and building up into adjacent businesses



# Operating Statistics

# Operating Statistics for Singapore Aviation Business

	3Q15/16	3Q14/15	Change (%)	9M15/16	9M14/15	Change (%)
Passengers Handled ('M)	11.82	10.43	13.3	33.16	31.93	3.9
Flights Handled ('000)	34.92	31.23	11.8	98.36	96.73	1.7
Unit Services Handled ('000)	30.19	27.45	10.0	86.49	83.73	3.3
Cargo/Mail Processed ('000 tonnes)	418.50	407.65	2.7	1,197.74	1,189.13	0.7
Gross Meals Produced ('M)	7.02	6.73	4.3	20.85	19.97	4.4
Unit Meals Produced ('M)	5.55	5.32	4.3	16.37	15.72	4.1



- \* The above aviation operating data cover Singapore operations only.
- \* Except for unit and gross meals produced, all data include LCC operations.

# Group Financial Review



# 3Q15/16 Highlights

## Revenue

\$441.0M -2.2%

- Decline in Food Solutions' revenue (-7.1%) was partially mitigated by growth in Gateway Services' revenue (+5.3%).

## Operating profit

\$61.8M 20.9%

- Lower expenditure (-5.1%) contributed to improved operating profit. Reductions reported across all expense categories except staff costs and depreciation and amortisation charges.

## Share of results of Associates/JVs, net of tax

\$11.6M -15.9%

- Both Food Solutions' and Gateway Services' associates/JVs showed weaker results in the quarter.

## PATMI

\$60.6M 12.8%

- EPS increased to 5.5 cents from 4.8 cents.





# 9M15/16 Highlights

## Revenue

\$1,280.6M -3.6%

- Revenue declined 3.6%. Lower Food Solutions' revenue (-8.2%) was partially offset by higher Gateway Services' revenue (+3.5%).

## Operating profit

\$165.0M 23.8%

- Operating profit increased 23.8% due to a decrease in operating expenses.

## Share of results of Associates/JVs, net of tax

\$36.3M 3.7%

- Share of after-tax profits from associates/JVs grew 3.7% due to growth mainly from Food Solutions' associates/JVs .

## PATMI

\$169.9M 17.9%

- PATMI increased 17.9% to \$169.9M.
- Underlying net profit was \$167.4M, 16% higher y-o-y.
- EPS increased to 15.3 cents from 12.9 cents.

## Debt-to-equity

0.07 times -

- Debt-to-equity ratio remained healthy at 0.07 times.
- Cash and short-term deposits stood at \$416.8M.
- Free cash flow generated year-to-date amounted to \$98.0M.



# 3Q and 9M15/16 Financials

\$M	3Q15/16	3Q14/15	Favourable/ (Unfavourable) Change (%)	9M15/16	9M14/15	Favourable/ (Unfavourable) Change (%)
Revenue	441.0	450.7	(2.2)	1,280.6	1,328.1	(3.6)
Expenditure	(379.2)	(399.6)	5.1	(1,115.6)	(1,194.8)	6.6
<b>Operating Profit</b>	<b>61.8</b>	<b>51.1</b>	<b>20.9</b>	<b>165.0</b>	<b>133.3</b>	<b>23.8</b>
EBITDA	79.5	67.3	18.1	216.2	182.8	18.3
Share of Results of Associates/JVs, Net of Tax	11.6	13.8	(15.9)	36.3	35.0	3.7
Impairment of Assets Held for Sale	-	(0.1)	n.m.	-	(0.2)	n.m.
Net gain from transfer of business to a JV	-	-	n.m.	2.5	-	n.m.
<b>PBT</b>	<b>73.3</b>	<b>64.3</b>	<b>14.0</b>	<b>204.7</b>	<b>166.9</b>	<b>22.6</b>
<b>PATMI</b>	<b>60.6</b>	<b>53.7</b>	<b>12.8</b>	<b>169.9</b>	<b>144.1</b>	<b>17.9</b>
<b>Underlying Net Profit*</b>	<b>60.6</b>	<b>53.8</b>	<b>12.6</b>	<b>167.4</b>	<b>144.3</b>	<b>16.0</b>

n.m. – not meaningful

\* Underlying net profit refers to profit attributable to owners of the Company excluding one-off items – net gain from transfer of business to a JV and impairment loss on carrying value of Assets Held for Sale.



# Financial Indicators

%	3Q15/16	3Q14/15	Change (ppt)	9M15/16	9M14/15	Change (ppt)
Operating Margin	14.0	11.3	2.7	12.9	10.0	2.9
EBITDA Margin	18.0	14.9	3.1	16.9	13.8	3.1
PBT Margin	16.6	14.3	2.3	16.0	12.6	3.4
PATMI Margin	13.7	11.9	1.8	13.3	10.9	2.4
Underlying Net Margin	13.7	11.9	1.8	13.1	10.9	2.2

	3Q15/16	3Q14/15	Change (%)	9M15/16	9M14/15	Change (%)
EPS Based on PATMI (cents)	5.5	4.8	14.6%	15.3	12.9	18.6%

	31 DEC 15	31 MAR 15
NAV Per Share (\$)	1.32	1.30
Debt-to-Equity Ratio	0.07	0.07

Improved margins and higher EPS in 3Q and 9M.



# Group Segmental Revenue

\$M	3Q15/16	3Q14/15	Change (%)	9M15/16	9M14/15	Change (%)
<b>By Business:</b>						
Food Solutions	251.0	270.2	(7.1)	735.1	800.6	(8.2)
Gateway Services	188.9	179.4	5.3	542.1	524.0	3.5
Corporate	1.1	1.1	0.0	3.4	3.5	(2.9)
<b>Total</b>	<b>441.0</b>	<b>450.7</b>	<b>(2.2)</b>	<b>1,280.6</b>	<b>1,328.1</b>	<b>(3.6)</b>
<b>By Industry:</b>						
Aviation	370.0	351.3	5.3	1,071.7	1,058.5	1.2
Non-Aviation	69.9	98.3	(28.9)	205.5	266.1	(22.8)
Corporate	1.1	1.1	0.0	3.4	3.5	(2.9)
<b>Total</b>	<b>441.0</b>	<b>450.7</b>	<b>(2.2)</b>	<b>1,280.6</b>	<b>1,328.1</b>	<b>(3.6)</b>
<b>By Geographical Location:</b>						
Singapore	347.8	369.7	(5.9)	1,047.2	1,087.3	(3.7)
Japan	60.0	52.4	14.5	161.8	170.6	(5.2)
Others	33.2	28.6	16.1	71.6	70.2	2.0
<b>Total</b>	<b>441.0</b>	<b>450.7</b>	<b>(2.2)</b>	<b>1,280.6</b>	<b>1,328.1</b>	<b>(3.6)</b>

Revenue mix between Food Solutions and Gateway Services of 57:43 for 3Q15/16.



# Group Expenditure

\$M	3Q15/16	3Q14/15	Favourable/ (Unfavourable) Change (%)	9M15/16	9M14/15	Favourable/ (Unfavourable) Change (%)
Staff Costs	212.4	200.9	(5.7)	613.3	607.0	(1.0)
Cost of Raw Materials	71.3	90.0	20.8	219.9	265.3	17.1
Licence Fees	18.4	20.4	9.8	51.7	59.2	12.7
Depreciation & Amortisation charges	17.7	17.1	(3.5)	52.0	50.9	(2.2)
Company Premise & Utilities Expenses	27.1	31.8	14.8	85.0	94.9	10.4
Other Costs	32.3	39.4	18.0	93.7	117.5	20.3
<b>Group Expenditure</b>	<b>379.2</b>	<b>399.6</b>	<b>5.1</b>	<b>1,115.6</b>	<b>1,194.8</b>	<b>6.6</b>
<b>Group Revenue</b>	<b>441.0</b>	<b>450.7</b>	<b>(2.2)</b>	<b>1,280.6</b>	<b>1,328.1</b>	<b>(3.6)</b>

Group expenditure decreased due to reductions in most expense categories except for staff costs and depreciation and amortisation charges.



# Associates/JVs Performance by Business

\$M	3Q15/16	3Q14/15	Change (%)	9M15/16	9M14/15	Change (%)
<b>PAT</b>	<b>11.6</b>	<b>13.8</b>	<b>(15.9)</b>	<b>36.3</b>	<b>35.0</b>	<b>3.7</b>
Food Solutions	1.5	2.1	(28.6)	6.9	5.3	30.2
Gateway Services	10.1	11.7	(13.7)	29.4	29.7	(1.0)
<b>Dividends Received</b>	<b>7.5</b>	<b>43.9</b>	<b>(82.9)</b>	<b>33.6</b>	<b>88.7</b>	<b>(62.1)</b>

AISATS, AAT, BAIK, MIC and PT JAS together contributed approximately 80% of our share of after-tax profits from associates/JVs.



# Group Balance Sheet

\$M	As at 31 DEC 15	As at 31 MAR 15
Total Equity	1,541.6	1,517.6
Long-Term Loans	92.6	89.7
Other Long-Term Liabilities	63.6	66.6
Current Liabilities	342.0	345.8
<b>Total Equity &amp; Liabilities</b>	<b>2,039.8</b>	<b>2,019.7</b>
Fixed Assets & Investment Properties	534.6	558.7
Associated Companies & JVs	502.1	464.8
Intangible Assets	162.1	165.5
Other Non-Current Assets & Long-Term Investments	43.9	38.0
Current Assets		
<i>Cash &amp; Short-Term Deposits</i>	416.8	410.9
<i>Debtors &amp; Other Current Assets</i>	380.3	381.8
<b>Total Assets</b>	<b>2,039.8</b>	<b>2,019.7</b>

Cash and short-term deposits increased mainly due to cash generated from operations, dividends received from associates, proceeds from exercise of share options and the classification of cash balances of \$18.8M to assets of disposal groups classified as held for sale as at 31 March 2015.



# Group Cash Flow Statement

\$M	9M15/16	9M14/15	Difference
Net Cash From Operating Activities	126.3	128.6	(2.3)
Net Cash From Investing Activities	6.8	76.3	(69.5)
Net Cash Used In Financing Activities	(146.5)	(180.9)	34.4
<b>Net (Decrease) / Increase In Cash &amp; Cash Equivalents</b>	<b>(13.4)</b>	<b>24.0</b>	<b>(37.4)</b>
<b>Cash &amp; Cash Equivalents At End Of Financial Period</b>	<b>416.8</b>	<b>358.3</b>	<b>58.5</b>
<b>Free Cash Flow*</b>	<b>98.0</b>	<b>87.6</b>	<b>10.4</b>

Net cash generated from investing activities was lower due to lower dividends from associates and absence of last year's proceeds from disposal of interest in associated companies.



\* Free Cash Flow refers to net cash from operating activities less cash purchases of capital expenditure.



# Outlook



# Outlook

Economic uncertainty and low consumer confidence across most of Asia suggest that the challenging operating environment will continue. However, our focus on raising productivity by adopting new technologies and driving economies of scale has prepared us well for these headwinds.

The long-term growth prospects for Gateway Services and Food Solutions are intact and we shall continue to expand our geographic presence in the region and build up into adjacent businesses, as demonstrated by our recent acquisition of a 49% equity stake in an airline catering company in Malaysia and our joint ventures in the travel retail business in Singapore and food supply business in China.





**END**