



BUSINESS UPDATE

SATS POSTS 1Q NET LOSS OF S\$43.7 MILLION, IN LINE WITH GUIDANCE

- Revenue from aviation services dropped 72.9% to S\$110.6 million year-on-year.
- Non-aviation revenue grew year-on-year by 73.3% to S\$96.9 million.
- Balance sheet remains resilient with net cash position.

SINGAPORE, 24 August 2020 – SATS Ltd. (SATS) today reports its business update for the first quarter ended 30 June 2020.

Highlights of the Group unaudited results as follows:

GROUP EARNINGS

1Q FY20-21 (1 April – 30 June 2020)

Strict lockdowns and travel restrictions across the world caused demand for air travel to evaporate in the first quarter of the new financial year. IATA statistics show global passenger movements measured by revenue passenger kilometres (RPK) plunged 94.3% in April before recovering marginally in June. Global air cargo demand was more resilient, but still fell 27.7% year-on-year in April and 17.6% in June. Despite the small increases in global passenger and cargo movements between April and June, IATA is projecting a slow recovery for air travel, with RPK not expected to return to 2019 levels until 2024.

The decline in passenger and cargo movements has significantly impacted the performance of SATS in the first quarter. Affected by the sharp drop in aviation revenue, Group revenue fell 55% to S\$209.4 million year-on-year. Revenue from Gateway Services decreased by S\$151.7 million or 67.9% to S\$71.6 million and revenue from Food Solutions dropped by S\$105.5 million or 43.7% to S\$135.9 million. The consolidation of new entities in Food Solutions, namely Country Foods Pte Ltd, Nanjing Weizhou Airline Food Corp., Ltd. and Monty's Bakehouse UK, boosted the revenue for Food Solutions, leading to a lower decline for the Food Solutions business relative to Gateway Services. Leveraging opportunities beyond aviation, the Group grew non-aviation revenue by 73.3% to S\$96.9 million, while aviation revenue fell by 72.9% to S\$110.6 million.

Group expenditure for the quarter decreased by 39.9% or S\$162.9 million to S\$245.4 million year-on-year. The most significant reduction was in staff cost, which declined by 58.7% to S\$96.5 million. The fall in staff cost was due to a combination of factors such as government grants, lower contract services and reduction in workforce required to manage the lower

volumes. Licence fees were also lower in line with smaller aviation revenue. The consolidation of new subsidiaries has increased raw materials cost marginally by 2.3% to S\$63.6 million. The 26.9% increase in depreciation and amortisation cost was mainly due to consolidation of new subsidiaries as well as additions of new digital platforms and ROU assets. Group-wide cost-containment measures have reduced other operating expenditures by 30.9% to S\$28.6 million.

However, this reduction in Group expenditures was outpaced by the fall in revenue, leading to an operating loss for the Group of S\$36 million, compared to the same quarter last year.

COVID-19 had a similar heavy impact on the performance of Associates/joint ventures. SATS' share of their results was a loss of S\$31.4 million, a significant decline from S\$14.6 million profit in the previous corresponding quarter.

Due to the sharp decline in aviation volume and the loss contributed by the overseas entities, the Group recorded a net loss of S\$43.7 million for the first quarter, a drop of S\$98.4 million year-on-year. This was slightly better than the range of S\$50-70 million loss indicated in the profit warning on 30th April 2020, in line with the guidance given on 29th July 2020 when 4Q and full year FY19-20 results were released.

	1Q FY20-21 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	209.4	(255.7)	(55.0)
Expenditure	(245.4)	162.9	39.9
Operating (loss)/profit	(36.0)	(92.8)	(163.4)
Share of results of associates/JVs, net of tax	(31.4)	(46.0)	(315.1)
(Loss)/Profit attributable to owners of the Company	(43.7)	(98.4)	(180.0)
Underlying net (loss)/profit	(43.7)	(98.4)	(180.0)
EBITDA ⁽¹⁾	(33.9)	(131.7)	(134.7)
Earnings per share (cents) - basic	(3.9)	(8.8)	(179.6)
Return on Equity (%/ppt) ⁽²⁾	(2.7)	(6.0)	n.m.

Note:

(1) EBITDA refers to earnings (including Share of results of associates/joint ventures) before interest, tax, depreciation and amortisation; and excluding one-off items.

(2) Return on equity is profit attributable to owners of the Company expressed as a percentage of the average equity holders' funds for the respective periods (non-annualised).

GROUP FINANCIAL POSITION (as at 30 June 2020)

As at 30 June 2020, total equity of the Group was S\$1,755.4 million, a decline of S\$50.1 million compared to 31 March 2020. Total assets increased to S\$3,189.2 million mainly due to higher cash balance arising from the drawdown of credit facilities to improve liquidity position as well as higher inventory balance. Cash balance as at 30 June 2020 was S\$723.5 million while free cash flow generated during the first quarter was negative S\$71.5 million. Total liabilities have increased correspondingly with the additional drawdown of facilities, increasing the debt-to-equity ratio to 0.42 times.

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ABOUT SATS LTD.

SATS is Asia's leading provider of food solutions and gateway services.

Our food solutions include airline catering as well as central kitchens for food service chains and institutions. Our comprehensive gateway services encompass airfreight handling, passenger services, ramp handling, baggage handling, aviation security services, aircraft interior and exterior cleaning, as well as cruise centre management.

SATS is present in over 60 locations and 13 countries across the Asia Pacific, UK, and Middle East.

SATS has been listed on the Singapore Exchange since May 2000. For more information, please visit www.sats.com.sg.

ANNOUNCEMENT INFORMATION

The complete 1Q FY20-21 results of SATS are available at www.sats.com.sg.

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ANNEX A: GROUP FINANCIAL STATISTICS

Financial Results (S\$ million)	1Q FY20-21	1Q FY19-20
Revenue	209.4	465.1
Expenditure	(245.4)	(408.3)
Operating (loss)/profit	(36.0)	56.8
Share of results of associates/JVs, net of tax	(31.4)	14.6
(Loss)/Profit before tax	(69.9)	70.9
(Loss)/Profit attributable to owners of the Company	(43.7)	54.7
Underlying net (loss)/profit	(43.7)	54.7
Per Share Data		
Earnings per share (cents)		
- Basic ^{R1}	(3.9)	4.9
- Diluted ^{R2}	(3.9)	4.9
Return on turnover (%) ^{R3}	(20.9)	11.8
	As at	As at
Financial Position (S\$ million)	30-JUNE-20	31-MAR-20
Equity attributable to owners of the Company	1,580.7	1,617.5
Total assets	3,189.2	3,009.8
Total debt	876.1	624.5
Gross debt/equity ratio (times) ^{R4}	0.55	0.39
Net asset value per share (\$) ^{R5}	1.41	1.45

Notes:

The Group financial statistics should be read in conjunction with the explanatory footnotes found on page 2 of this media release.

- ^{R1} Earnings per share (basic) is computed by dividing profit attributable to owners of the Company by the weighted average number of fully paid shares in issue.
- ^{R2} Earnings per share (diluted) is computed by dividing profit attributable to owners of the Company by the weighted average number of fully paid shares in issue after adjusting for dilution of shares under various employee share plans.
- ^{R3} Return on turnover is computed by dividing profit attributable to owners of the Company by total revenue.
- ^{R4} Gross debt/equity ratio is computed by dividing total debt by equity attributable to owners of the Company.
- ^{R5} Net asset value per share is computed by dividing equity attributable to owners of the Company by the number of ordinary shares (excluding treasury shares) in issue.

ANNEX B: OPERATING STATISTICS

	1Q FY20-21	1Q FY19-20	Change (%)
Passengers Handled ('M)	0.22	22.56	(99.0)
Flights Handled ('000)	6.55	91.46	(92.8)
Cargo/Mail Processed ('000 tonnes)	220.91	452.16	(51.1)
Gross Meals Produced ('M)	9.39	19.25	(51.2)
Ship Calls Handled	-	68	(100.0)

Notes:

- i. *The above operating data cover SATS and its subsidiaries, but does not include joint ventures and associates.*
- ii. *Passengers handled comprise full service and low cost carriers, business aviation, as well as cruise ship passengers.*
- iii. *Gross meals include both in-flight and institutional catering meals.*
- iv. *Flights, cargo, and passengers handled by GTR and SATS Seletar Aviation Services have been included in the above operating statistics since January 2019 and April 2019 respectively. Gross meals produced by Nanjing Weizhou Airline Food Corp has been included in the above operating statistics since October 2019.*