



SMRT Corporation Ltd

251 North Bridge Road

Singapore 179102

Tel : 65 6331 1000

Fax : 65 6339 4229

www.smrt.com.sg

FOURTH QUARTER AND FULL YEAR FY2014 FINANCIAL RESULTS ENDED 31 MARCH 2014

Notice: This address should be read in conjunction with SMRT's 4QFY14 Financial Results statement lodged on SGXNET on 30 April 2014.

Good morning ladies and gentlemen, members of the media, analysts, investors and participants who are listening to us via teleconference.

Thank you for joining us today for our fourth quarter and full financial year 2014 results presentation.

For FY2014, **Group revenue** rose to \$1.16 billion as a result of higher revenue growth across almost all segments of our business.

PATMI, however, declined 25.7% to \$61.9 million due to much lower Rail profitability.

The Board has proposed a **final dividend** of 1.2 cents per share, bringing FY2014 total dividend to 2.2 cents, amounting to an earnings pay-out of 54%.

I will now ask our CFO, Sam, to take you through the details of our financial results and the outlook.

Good morning. Let me take you through the financial highlights for the quarter.

This quarter, we registered improvements in both Quarter-on-Quarter and Year-on-Year overall profitability, with revenue increasing by \$8.2 million, or 2.9%, in 4QFY2014 and \$44.4 million, or 4.0% in FY2014 compared to previous corresponding periods.

Overall Fare business incurred a loss of \$25.0 million in FY2014 compared to an operating profit of \$32.3 million in FY2013, as fare revenue growth was insufficient to cover rising operating costs without commensurate fare adjustments.

Train EBIT dropped to \$5.5 million from \$65.1 million as operating costs continued to outpace fare revenue growth, to meet heightened ridership demands and regulatory standards. **LRT** continued to be loss making at \$2.1 million. Despite a 4.6% increase in ridership and productivity gains, **Bus** results improved but registered a loss of \$28.4 million for FY2014.

Profit from the **Non-Fare Business** increased by 12.4% due largely to an increase in profits for Taxi, Commercial and Engineering Services. **Taxi** profits increased 49.7% to \$9.6 million due to higher rental contribution from a newer fleet, lower diesel tax as a result of a smaller diesel fleet. In Commercial, **Advertising** profits increased by 13.4% to \$20.8 million due to increased advertising on trains, buses and stations while **Rental** profits increased 9.6% to \$73.4 million due to the increase in lettable space from the redevelopment of Woodlands Xchange and higher rental renewal rates. **Engineering** profits more than doubled to \$3.8 million due mainly to higher contribution from international consultancy projects as well as local engineering project work.

Operating expenses rose 7.3% to \$1.12 billion due mainly to higher staff, depreciation and other expenses. **Staff costs** rose due to increased headcount in Train and Bus businesses to support a larger fleet and improve operational performance, as well as the impact of the wage alignment exercise in the last financial year. **Depreciation** increased due mainly to the capitalisation of operating assets taken over from the Land Transport Authority and a newer taxi and larger bus fleet. Higher **other operating expenses** were due mainly to higher costs associated with LTA schemes to incentivise commuters to travel into the city area before the morning peak hour.

In our balance sheet, **total assets** declined 6.8% to \$2.1 billion due mainly to lower cash for the payment for 17 trains accrued in FY2013 and operating assets taken over from LTA. The Group ended the year with **cash balance** of \$155.5 million compared to \$546.3 million at the start of the year. The Group generated \$234.4 million of cash flows from operating activities and \$17.2 million from financing activities. The funds were mostly utilised to invest in property, plant and equipment.

The Group's **total borrowings** stood at \$636.4 million, translating to a net gearing of 60%.

Going forward, payment for **CAPEX** is expected to remain at the current level, and we have made the necessary provisions and prioritised resources for the maintenance, upgrade and renewal required for the public transport infrastructure, fleet and equipment.

Before Q&A, our CEO will wrap up the earnings announcement.

Looking ahead to FY2015, the Group's Fare business will continue to be challenging because of heightened operating requirements, unless there are commensurate and timely fare adjustments. The recently approved fare adjustments will partially offset some of the increased costs. The Group will continue with its productivity efforts in FY2015 to help mitigate the declining profitability in the Fare business.

The Group will also continue to improve standards in service, reliability and capacity of our trains and buses.

The Group expects that the impending changes to the rail financing and bus operating models will address the sustainability of its Fare business in Singapore.

We will also grow our Non-Fare business which includes the enhancing of our engineering capability for local and international projects. We shall also be exploring other commercial opportunities, and look forward to the launch of the new Sports Hub retail mall, located at the doorstep of our Stadium Circle Line Station, in the coming months.

Question & Answers (CEO & CFO)

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