



# Strategy and FY16/17 Performance

19 May 2017

# 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

- Strategy
- Five-Year Performance Trend
- FY16/17 Financial Performance
- Outlook

# Feeding and Connecting Asia



## Increased Air Travel

Asia Pacific will grow by an extra 1.8 billion passengers by 2035.

## Increased Demand for Quality, Safe Food

Food demand in Asia will more than double by 2020 to nearly US\$3 trillion a year.

## Increased eCommerce

Internet economy will grow to USD200 billion by 2025.



# Competencies



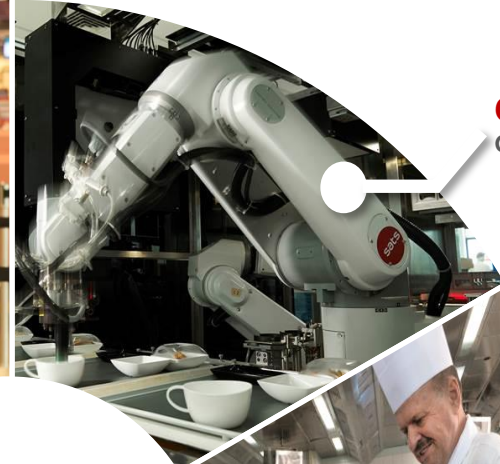
## Digital Touchpoints

Enhancing B2B4C services



## Central Kitchens

Generating scale economies



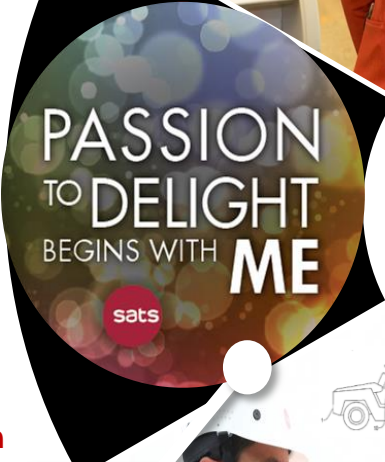
## Culinary R&D

Creating authentic quality food



## People with Technology & Innovation

Adapting and growing



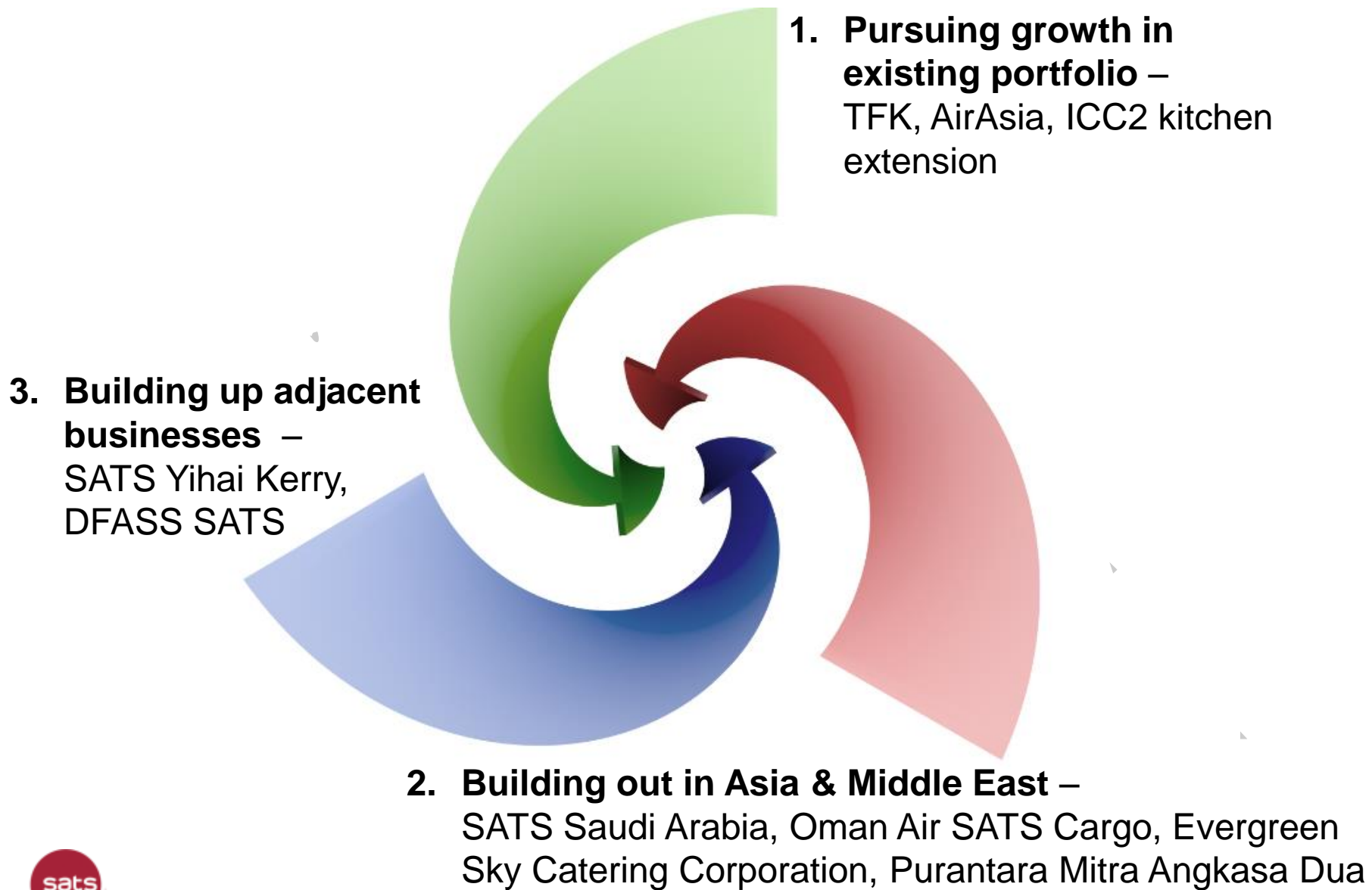
## Digital Airfreight

Enhancing connectivity & traceability





# Three Pronged Approach to Growth





**01**

IoT - Smart Watch



**05**

Lamb Transshipment



**02**

Job Upskilling & Redesign



**Harnessing Technology to Improve Productivity, Enhance Quality & Develop New Products & Services**

**04**

SATS eCommerce AirHub

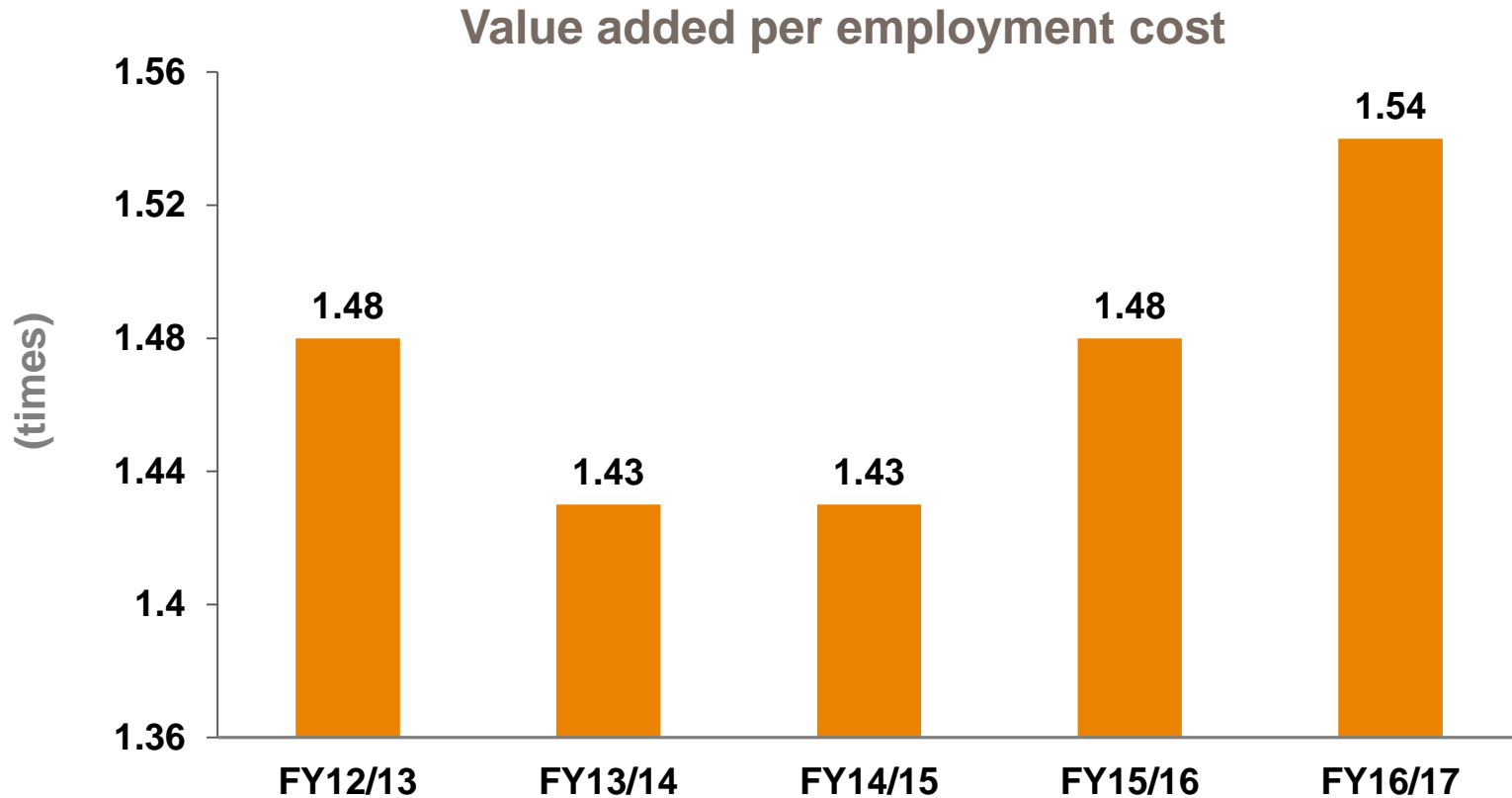


**03**

Robotics – Flexible Assembly Line



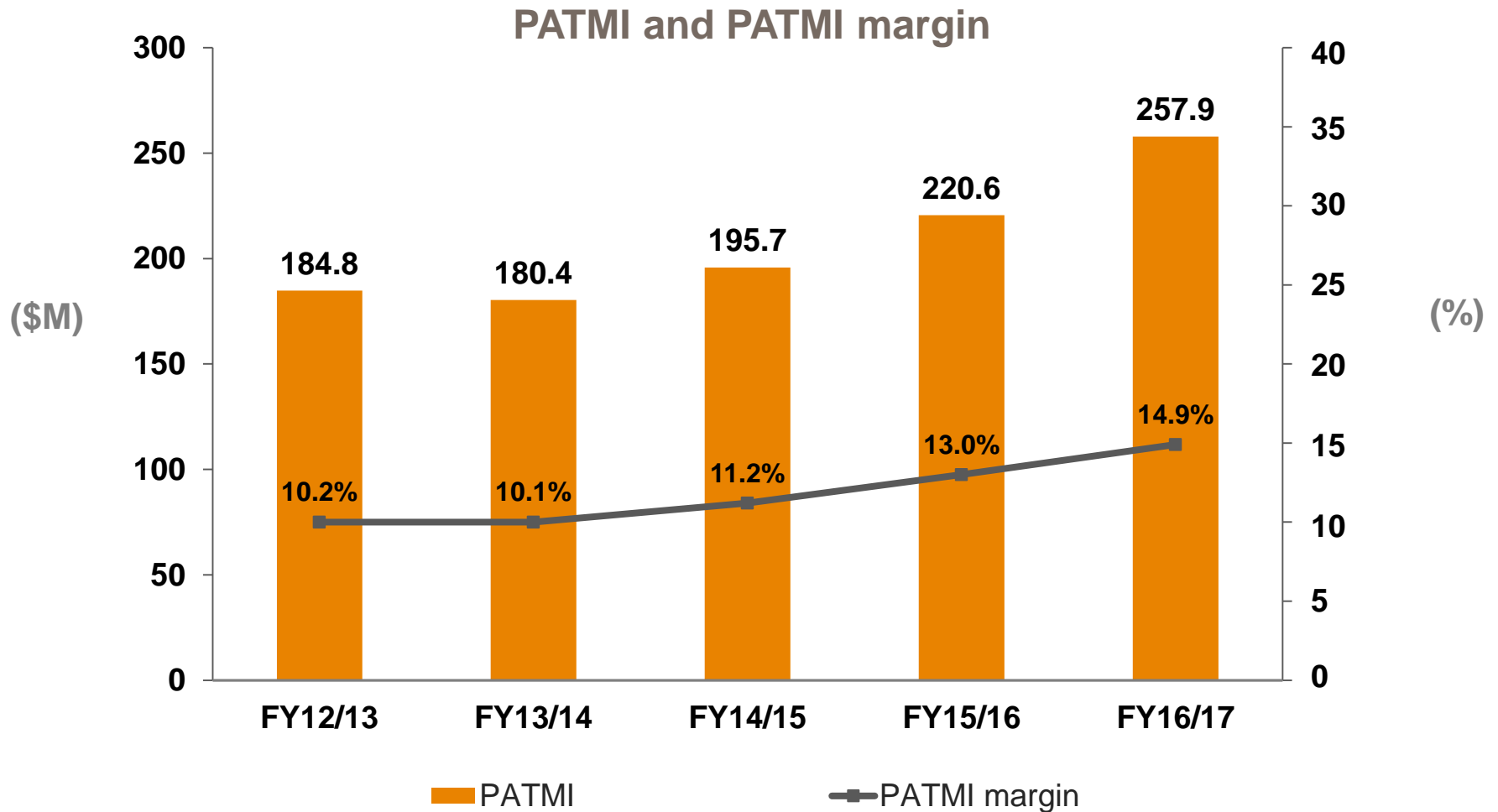
# Increasing productivity – Improving VApEC



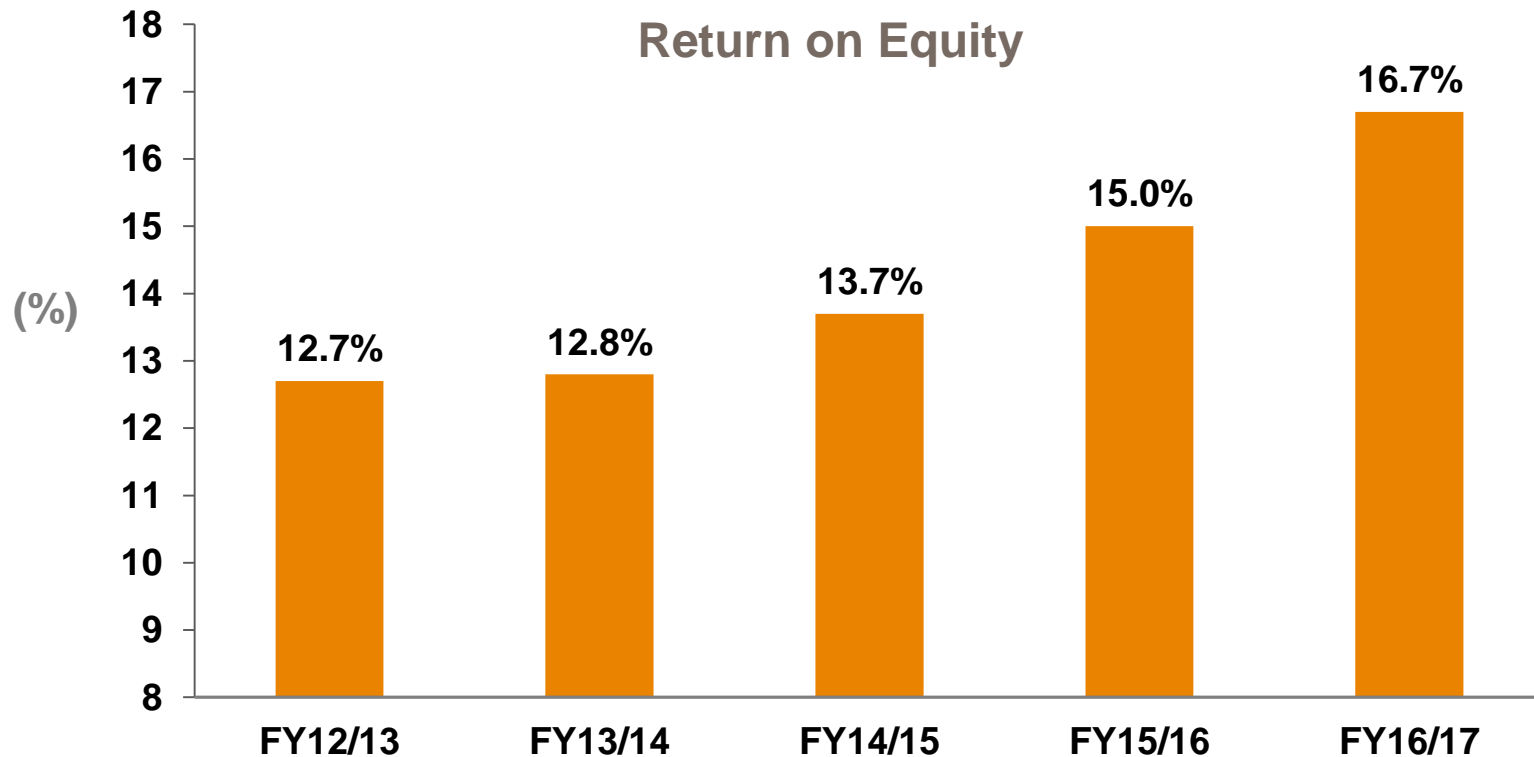
Technology-driven initiatives continue to drive productivity, improving VApEC by 4.1% year-on-year.



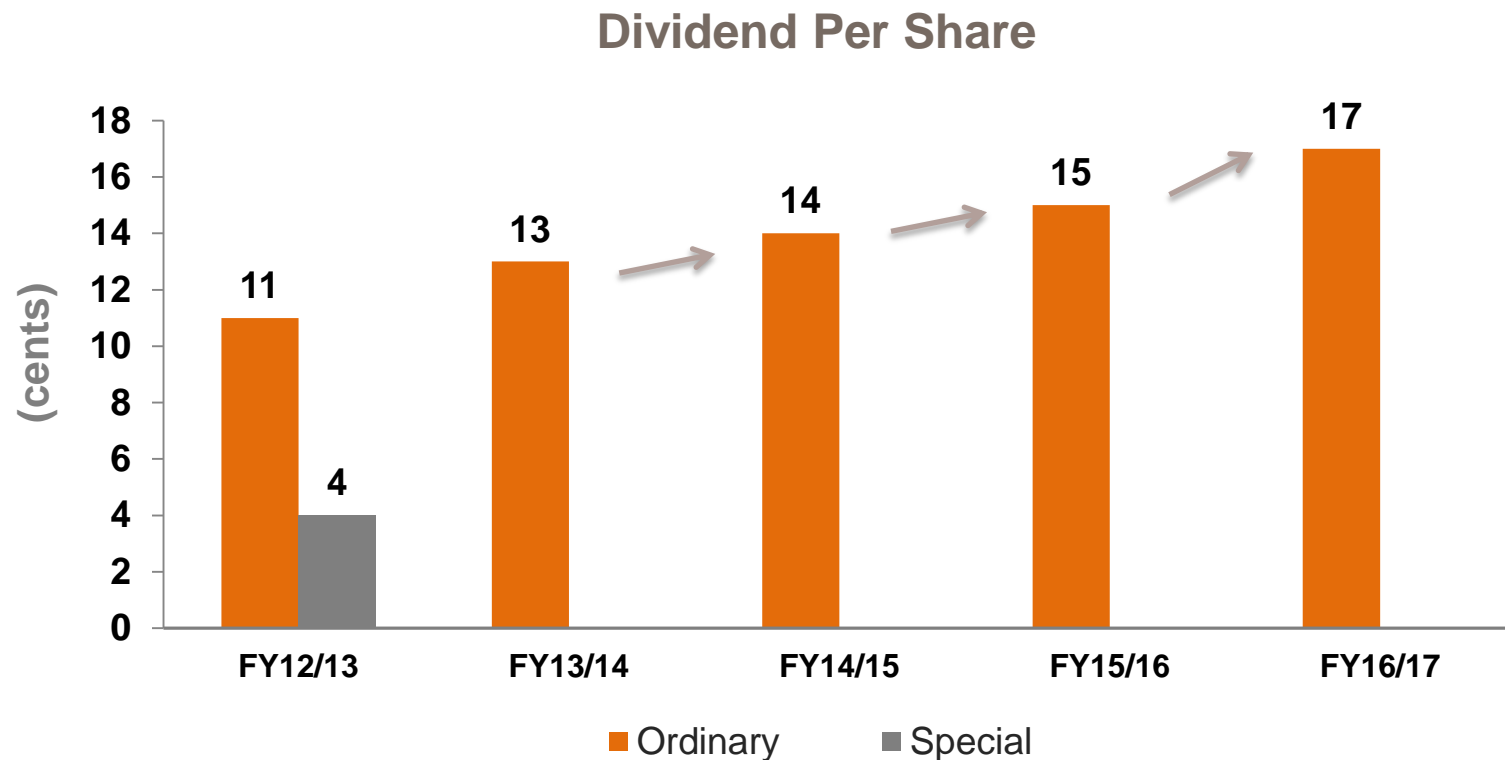
# Improving PATMI and PATMI margin



# Increasing Return on Equity



# Growing Ordinary Dividend



Proposed final dividend of 11 cents\*.

Total dividends to increase by 2 cents to 17 cents, estimated dividend payout of \$189.4M.  
Payment of final dividend is on 11 August 2017. Book closure date is 28 July 2017.



*\*Subject to shareholders' approval at AGM to be held on 21 July 2017*

# FY16/17 Financial Performance



# Executive Summary: FY16/17 Performance

- Group revenue was \$1.7B. Excluding the food distribution revenue transferred to SATS BRF Food, the Group's underlying revenue increased by 4.5%
- Operating margin increased 0.7 ppt to 13.3%
- PATMI improved by 16.9% to \$257.9M
- EPS rose 16.6% to 23.2 cents
- ROE grew 1.7 ppt to 16.7%
- Free cash flow generated was \$220.8M
- Proposed final ordinary dividend of 11 cents per share, will increase full year dividend by 2 cents to total of 17 cents





# Operating Statistics for SATS Group

	2H16/17	2H15/16	Change (%)	FY16/17	FY15/16	Change (%)
Passengers Handled ('M)	26.35	25.47	3.5	51.53	48.45	6.4
Flights Handled ('000)	87.50	84.02	4.1	171.38	162.24	5.6
Cargo/Mail Processed ('000 tonnes)	876.78	816.98	7.3	1,717.42	1,596.22	7.6
Gross Meals Produced ('M)	33.40	33.54	(0.4)	67.61	64.34	5.1
Ship Calls Handled	125	95	31.6	147	110	33.6



- \* The above operating data cover SATS and its subsidiaries, but does not include JVs and associates.
- \* Passengers handled comprises full service and low cost carrier as well as cruise ship passengers.
- \* Gross meals include both inflight and institutional catering meals.

# FY16/17 Highlights

## Revenue

\$1,729.4M 1.8%

- Revenue grew 1.8%. Food Solutions' revenue grew 0.6%, while Gateway Services' revenue improved 3.4%. Excluding the food distribution revenue transferred to SATS BRF Food, the Group's underlying revenue would have increased 4.5%, while Food Solutions' underlying revenue would have increased 5.3%.

## Operating profit

\$230.6M 7.4%

- Operating profit increased \$15.9M (7.4%) benefitting from improved productivity and operating leverage.

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

\$65.2M 35.8%

- Share of after-tax profits from associates/JVs grew \$17.2M (35.8%) with higher contributions from both Food Solutions' and Gateway Services' associates/JVs, particularly Food Solutions' which included the \$15M negative goodwill and \$1.7M profit contribution from Evergreen Sky Catering Corporation.

## PATMI

\$257.9M 16.9%

- Underlying net profit was \$234.3M, 7.4% higher y-o-y.
- EPS increased from 19.9 cents to 23.2 cents.

## Debt-to-equity

0.07 times -

- Debt-to-equity ratio remained healthy at 0.07 times.
- Cash and short-term deposits stood at \$505.8M.
- Free cash flow generated year-to-date amounted to \$220.8M.



# 4Q and FY16/17 Financials

\$M	4Q16/17	4Q15/16	Favourable/ (Unfavourable) Change (%)	FY16/17	FY15/16	Favourable/ (Unfavourable) Change (%)
Revenue	425.8	417.6	2.0	1,729.4	1,698.2	1.8
Expenditure	(380.0)	(367.9)	(3.3)	(1,498.8)	(1,483.5)	(1.0)
<b>Operating Profit</b>	<b>45.8</b>	<b>49.7</b>	<b>(7.8)</b>	<b>230.6</b>	<b>214.7</b>	<b>7.4</b>
Share of Results of Associates/JVs, Net of Tax	28.8	11.7	146.2	65.2	48.0	35.8
Gain/(loss) on disposal of PP&E	0.7	0.5	40.0	0.6	(0.3)	n.m.
Gain on disposal of assets held for sale	-	-	n.m.	9.3	-	n.m.
Impairment of PP&E	-	(2.1)	n.m.	-	(2.1)	n.m.
Net gain from transfer of business to a JV	-	-	n.m.	-	2.5	n.m.
Loss on divestment/dilution of interest in associates	-	-	n.m.	(0.7)	-	n.m.
<b>PBT</b>	<b>76.4</b>	<b>60.5</b>	<b>26.3</b>	<b>309.1</b>	<b>265.2</b>	<b>16.6</b>
<b>PATMI</b>	<b>66.6</b>	<b>50.7</b>	<b>31.4</b>	<b>257.9</b>	<b>220.6</b>	<b>16.9</b>
<b>Underlying Net Profit*</b>	<b>51.6</b>	<b>50.7</b>	<b>1.8</b>	<b>234.3</b>	<b>218.1</b>	<b>7.4</b>

*n.m. – not meaningful*

*\* Underlying net profit refers to profit attributable to owners of the Company excluding one-off items – gain on disposal of assets held for sale, net gain from transfer of business to a JV, loss on divestment/dilution of interest in associates and negative goodwill for Evergreen Sky Catering Corporation.*



# Financial Indicators

%	4Q16/17	4Q15/16	Change (ppt)	FY16/17	FY15/16	Change (ppt)
Operating Margin	10.8	11.9	(1.1)	13.3	12.6	0.7
PBT Margin	17.9	14.5	3.4	17.9	15.6	2.3
PATMI Margin	15.6	12.1	3.5	14.9	13.0	1.9
Underlying Net Margin	12.1	12.1	0.0	13.5	12.8	0.7

	4Q16/17	4Q15/16	Change (%)	FY16/17	FY15/16	Change (%)
EPS Based on PATMI (cents)	6.0	4.6	30.4%	23.2	19.9	16.6%

	31 MAR 17	31 MAR 16
NAV Per Share (\$)	1.44	1.34
Debt-to-Equity Ratio	0.07	0.07

Improved margins in FY.



# Group Segmental Revenue

\$M	4Q16/17	4Q15/16	Change (%)	FY16/17	FY15/16	Change (%)
<b>By Business:</b>						
Food Solutions	233.9	232.3	0.7	973.0	967.4	0.6
Gateway Services	190.4	183.8	3.6	750.8	725.9	3.4
Others	1.5	1.5	0.0	5.6	4.9	14.3
<b>Total</b>	<b>425.8</b>	<b>417.6</b>	<b>2.0</b>	<b>1,729.4</b>	<b>1,698.2</b>	<b>1.8</b>
<b>By Industry:</b>						
Aviation	366.3	360.0	1.8	1,495.8	1,431.7	4.5
Non-Aviation	58.0	56.1	3.4	228.0	261.6	(12.8)
Others	1.5	1.5	0.0	5.6	4.9	14.3
<b>Total</b>	<b>425.8</b>	<b>417.6</b>	<b>2.0</b>	<b>1,729.4</b>	<b>1,698.2</b>	<b>1.8</b>
<b>By Geographical Location:</b>						
Singapore	345.5	336.1	2.8	1,381.6	1,383.3	(0.1)
Japan	59.5	59.9	(0.7)	259.5	221.7	17.1
Others	20.8	21.6	(3.7)	88.3	93.2	(5.3)
<b>Total</b>	<b>425.8</b>	<b>417.6</b>	<b>2.0</b>	<b>1,729.4</b>	<b>1,698.2</b>	<b>1.8</b>

Revenue mix between Food Solutions and Gateway Services of 56:44 for FY16/17.





# Group Expenditure

\$M	4Q16/17	4Q15/16	Favourable/ (Unfavourable) Change (%)	FY16/17	FY15/16	Favourable/ (Unfavourable) Change (%)
Staff Costs	217.3	212.6	(2.2)	856.7	825.9	(3.7)
Cost of Raw Materials	60.9	62.8	3.0	257.9	282.7	8.8
Licence Fees	16.1	16.3	1.2	67.5	68.0	0.7
Depreciation & Amortisation Charges	19.4	18.4	(5.4)	73.5	70.4	(4.4)
Company Premise & Utilities Expenses	28.3	23.1	(22.5)	109.6	108.1	(1.4)
Other Costs	38.0	34.7	(9.5)	133.6	128.4	(4.0)
<b>Group Expenditure</b>	<b>380.0</b>	<b>367.9</b>	<b>(3.3)</b>	<b>1,498.8</b>	<b>1,483.5</b>	<b>(1.0)</b>
<b>Group Revenue</b>	<b>425.8</b>	<b>417.6</b>	<b>2.0</b>	<b>1,729.4</b>	<b>1,698.2</b>	<b>1.8</b>

Group expenditure increased in most expense categories except for raw material costs and licence fees.

# Associates/JVs Performance by Business

\$M	4Q16/17	4Q15/16	Change (%)	FY16/17	FY15/16	Change (%)
<b>PAT</b>	<b>28.8</b>	<b>11.7</b>	<b>146.2</b>	<b>65.2</b>	<b>48.0</b>	<b>35.8</b>
Food Solutions	19.4	2.7	n.m.	25.7	9.6	167.7
Gateway Services	9.4	9.0	4.4	39.5	38.4	2.9
<b>Dividends Received</b>	<b>2.2</b>	<b>-</b>	<b>n.m.</b>	<b>41.6</b>	<b>33.6</b>	<b>23.8</b>

AAT, AISATS, ESCC , MIC and PT JAS together contributed approximately 76.8% of our share of after-tax profits from associates/JVs for FY16/17.



# Strong Balance Sheet

\$M	As at 31 MAR 17	As at 31 MAR 16
Total Equity	1,691.2	1,565.1
Other Long-Term Liabilities	178.3	70.3
Current Liabilities	409.9	470.3
<b>Total Equity &amp; Liabilities</b>	<b>2,279.4</b>	<b>2,105.7</b>
Fixed Assets & Investment Properties	549.1	530.7
Associate Companies & JVs	670.8	546.1
Intangible Assets	157.9	163.7
Other Non-Current Assets & Long-Term Investments	45.1	35.6
Current Assets		
<i>Cash &amp; Short-Term Deposits</i>	505.8	489.9
<i>Debtors &amp; Other Current Assets</i>	350.7	339.7
<b>Total Assets</b>	<b>2,279.4</b>	<b>2,105.7</b>

Cash and short-term deposits increased due to cash generated from operations, dividends from associates/JVs and proceeds from disposal of assets held for sale, partly offset by dividends paid to shareholders and the investments in associates, JVs and long-term investments .

# Group Cash Flow Statement

\$M	FY16/17	FY15/16	Difference
Net Cash From Operating Activities	308.9	273.1	35.8
Net Cash Used In Investing Activities	(119.6)	(56.3)	(63.3)
Net Cash Used In Financing Activities	(172.8)	(157.2)	(15.6)
<b>Net Increase In Cash &amp; Cash Equivalents</b>	<b>16.5</b>	<b>59.6</b>	<b>(43.1)</b>
<b>Cash &amp; Cash Equivalents At End Of Financial Period</b>	<b>508.4</b>	<b>489.9</b>	<b>18.5</b>
<b>Free Cash Flow*</b>	<b>220.8</b>	<b>222.0</b>	<b>(1.2)</b>

Net cash used in investing activities was higher due to higher capital expenditure, higher investments in associates/JVs and long-term investments, offset by higher dividends received from associates/JVs and proceeds from disposal of the Group's assets held for sale.



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

# Outlook



# Outlook

Uncertainties in world trade flows and intense competition in the aviation industry are putting pressure on airline yields, which could lead to lower margins for SATS.

However, we will continue our strategy of connecting and feeding Asia as the growth in air travel, eCommerce and demand for high quality, safe food remain high. We will accelerate the use of technology to increase productivity, gain greater scale economies, and link our regional operations to serve our customers better.

We intend to make further investments in capital and new business opportunities in additional locations in the coming year.





**END**