



1Q17/18 Performance Review

21 July 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

- Executive Summary
- Group Financial Review
- Outlook

Executive Summary: 1Q17/18 Performance

- Group revenue improved 0.5%
- Operating margin shrank 0.3 percentage points to 12.5%
- Share of after-tax profits from associates/JVs improved by 27% with higher contribution from both Food Solutions' and Gateway Services' associates/JVs
- PATMI decreased 10.6% to \$57.3M, but underlying PATMI grew 3.2%
- EPS declined 0.7 cents to 5.1 cents
- We intend to make further investments in capital and new business opportunities in additional locations in the coming year to prepare for the future. We will also continue to increase the use of technology to improve productivity, gain greater scale economies and link our regional operations to serve our customers better.



Group Financial Review



1Q17/18 Highlights

Revenue

\$426.5M 0.5%

- Food Solutions' revenue declined 2.9%, while Gateway Services' revenue grew 5.1%.

Operating profit

\$53.5M -1.8%

- Group expenditure outpaced growth in revenue.

Share of results of Associates/JVs, net of tax

\$15.5M 27.0%

- Share of after-tax profits from associates/JVs increased \$3.3M, with high contributions from both Food Solutions' and Gateway Services' associates/JVs.

PATMI

\$57.3M -10.6%

- PATMI declined \$6.8M (10.6%) mainly due to absence of non-operating gain of \$9.3M from sale of Senoko plant.
- Underlying net profit was \$57.3M, 3.2% higher y-o-y.
- EPS decreased to 5.1 cents from 5.8 cents.

Debt-to-equity

0.06 times

- Debt-to-equity ratio remained healthy at 0.06 times.
- Cash and short-term deposits stood at \$544.6M.
- Free cash flow generated was \$27.7M.



1Q17/18 Highlights

| \$M | 1Q17/18 | 1Q16/17 | Favourable/ (Unfavourable) Change (%) |
|---|--------------------|--------------------|---|
| Revenue | 426.5 | 424.2 | 0.5 |
| Expenditure | (373.0) | (369.7) | (0.9) |
| Operating Profit | 53.5 | 54.5 | (1.8) |
| Share of Results of Associates/JVs, Net of Tax | 15.5 | 12.2 | 27.0 |
| Gain on disposal of PPE | 0.1 | 0.1 | 0.0 |
| Gain on disposal of assets held for sale | - | 9.3 | n.m. |
| Loss on divestment/dilution of interest in associates | - | (0.7) | n.m. |
| PBT | 70.2 | 76.2 | (7.9) |
| PATMI | 57.3 | 64.1 | (10.6) |
| <i>Underlying Net Profit*</i> | <i>57.3</i> | <i>55.5</i> | 3.2 |

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 and loss on divestment/dilution of interest in associates.*



Financial Indicators

| % | 1Q17/18 | 1Q16/17 | Change (ppt) |
|-----------------------|---------|---------|--------------|
| Operating Margin | 12.5 | 12.8 | (0.3) |
| PBT Margin | 16.5 | 18.0 | (1.5) |
| PATMI Margin | 13.4 | 15.1 | (1.7) |
| Underlying Net Margin | 13.4 | 13.1 | 0.3 |

| | 1Q17/18 | 1Q16/17 | Change (%) |
|----------------------------|---------|---------|------------|
| EPS Based on PATMI (cents) | 5.1 | 5.8 | (12.1) |

| | 30 JUN 17 | 31 MAR 17 |
|----------------------|-----------|-----------|
| NAV Per Share (\$) | 1.49 | 1.44 |
| Debt-to-Equity Ratio | 0.06 | 0.07 |

Group Segmental Revenue

| \$M | 1Q17/18 | 1Q16/17 | Change (%) |
|----------------------------------|--------------|--------------|------------|
| By Business*: | | | |
| Food Solutions | 233.1 | 240.1 | (2.9) |
| Gateway Services | 193.1 | 183.8 | 5.1 |
| Others | 0.3 | 0.3 | 0.0 |
| Total | 426.5 | 424.2 | 0.5 |
| By Industry*: | | | |
| Aviation | 375.0 | 372.1 | 0.8 |
| Non-Aviation | 51.5 | 52.1 | (1.2) |
| Total | 426.5 | 424.2 | 0.5 |
| By Geographical Location: | | | |
| Singapore | 350.5 | 342.1 | 2.5 |
| Japan | 58.9 | 66.2 | (11.0) |
| Others | 17.1 | 15.9 | 7.5 |
| Total | 426.5 | 424.2 | 0.5 |



* Certain revenue in 1Q16/17 has been reclassified in conformity with the current year's presentation.

Group Expenditure

| \$M | 1Q17/18 | 1Q16/17 | Favourable/ (Unfavourable) Change (%) |
|---|--------------|--------------|---|
| Staff Costs | 214.3 | 213.8 | (0.2) |
| Cost of Raw Materials | 57.9 | 62.4 | 7.2 |
| Licence Fees | 21.6 | 17.3 | (24.9) |
| Depreciation & Amortisation charges | 18.8 | 17.8 | (5.6) |
| Company Premise & Utilities Expenses | 26.9 | 26.9 | 0.0 |
| Other Costs | 33.5 | 31.5 | (6.3) |
| Group Expenditure | 373.0 | 369.7 | (0.9) |
| Group Revenue | 426.5 | 424.2 | 0.5 |

Staff costs maintained through automation, productivity and cost management initiatives.
Licence fees increased due to withdrawal of rebates.

Associates/JVs Performance by Business

| \$M | 1Q17/18 | 1Q16/17 | Change (%) |
|---------------------------|-------------|-------------|---------------|
| PAT | 15.5 | 12.2 | 27.0 |
| Food Solutions | 3.4 | 1.8 | 88.9 |
| Gateway Services | 12.1 | 10.4 | 16.3 |
| Dividends Received | 5.9 | 15.5 | (61.9) |

Strong increase in contribution from overseas associates/JVs. AAT, AISATS, ESCC, PT CAS, PT JAS and TCS together contributed approximately 72% of our share of after-tax profits from associates/JVs.

Group Balance Sheet

| \$M | As at 30 JUN 17 | As at 31 MAR 17 |
|--|-----------------|-----------------|
| Total Equity | 1,743.9 | 1,691.2 |
| Other Long-Term Liabilities | 176.5 | 178.3 |
| Current Liabilities | 421.0 | 409.9 |
| Total Equity & Liabilities | 2,341.4 | 2,279.4 |
| Fixed Assets & Investment Properties | 548.1 | 549.1 |
| Associates / JVs | 664.2 | 670.8 |
| Intangible Assets | 157.4 | 157.9 |
| Other Non-Current Assets & Long-Term Investments | 43.7 | 45.1 |
| Current Assets | | |
| <i>Cash & short-term deposits</i> | 544.6 | 505.8 |
| <i>Debtors & other current assets</i> | 383.4 | 350.7 |
| Total Assets | 2,341.4 | 2,279.4 |

Group Cash Flow Statement

| \$M | 1Q17/18 | 1Q16/17 | Difference |
|---|--------------|--------------|---------------|
| Net Cash From Operating Activities | 46.6 | 85.3 | (38.7) |
| Net Cash Used In Investing Activities | (7.9) | (16.7) | 8.8 |
| Net Cash From Financing Activities | 2.8 | 2.7 | 0.1 |
| Net Increase In Cash & Cash Equivalents | 41.5 | 71.3 | (29.8) |
| Cash & Cash Equivalents At End Of Financial Period | 548.8 | 563.8 | (15.0) |
| Free Cash Flow* | 27.7 | 65.8 | (38.1) |

Net cash used in investing activities was lower mainly due to absence of long-term investment as well as lower investments in associates/JVs, dividends from associates/JVs and proceeds from disposal of assets held for sale.



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

Outlook



Outlook

There is no indication that low yields across the airline industry will improve in the near future, so pricing pressure on SATS is expected to continue.

However, the growth in air travel, eCommerce and demand for high quality, safe food remain strong. Therefore, we intend to make further investments in capital and new business opportunities in additional locations in the coming year to prepare for the future.

We will also continue to increase the use of technology to improve productivity, gain greater scale economies and link our regional operations to serve our customers better.





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