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SMRT reports lower 1QFY16 profit resulting from continued losses in its Rail operations

GROUP PERFORMANCE HIGHLIGHTS

Financial Highlights for First Quarter Ended 30 June 2015 ¹			
	1QFY16	1QFY15	% Chg
Revenue (\$m)	320.3	297.1	7.8
Other Operating Income (\$m)	16.3	12.8	27.4
Total Operating Expenses (\$m)	308.9	280.6	10.1
Operating Profit (\$m)	27.7	29.3	(5.6)
PATMI (\$m)	20.1	22.4	(10.0)
EBITDA (\$m)	78.8	74.2	6.1
Basic EPS (cents)	1.32	1.47	(10.2)
	As at 30 Jun 15	As at 31 Mar 15	% Chg
NTA Per Share ² (cents)	56.89	55.57	2.4
Net Gearing (%)	79	77	2

Group Revenue increased 7.8% to \$320.3 million in 1Q FY2016 due to broad based revenue growth across most of the segments. Operating profit fell 5.6% to \$27.7 million in 1Q FY2016 on the back of operating loss of \$3.8 million for Fare business and operating profit in Non-Fare business of \$31.5 million. PATMI was lower by 10.0% at \$20.1 million.

Operating expenses rose 10.1% to \$308.9 million due mainly to higher staff costs, depreciation, repairs and maintenance and other operating expenses, partially offset by lower energy expenditure. Staff costs increased due mainly to increased headcount and salary increments. Depreciation increased due mainly to the capitalisation of a larger train fleet as well as new buses and taxis. Repairs and maintenance costs rose due to more trains undergoing scheduled overhaul and a more intensified maintenance regime in Train and LRT operations in view of the ageing systems. Other operating expenses increased due mainly to full quarter recognition of costs associated with Kallang Wave mall, which opened in June 2014, higher contribution to the Public Transport Fund (PTF) as part of the conditions set in the fare adjustment that took effect on 5 April 2015 and expenses associated with costs for schemes introduced by LTA (including travel discounts) to incentivise commuters to shift their travel times away from peak hours. Energy costs fell on lower average electricity tariff and diesel cost, partially offset by higher consumption arising from a larger train and bus fleet.

Total assets decreased 0.1% and stood at \$2.5 billion as at 30 June 2015 due mainly to lower cash and cash equivalents, and trade and other receivables, partially offset by higher

¹ All figures are quoted in Singapore dollars.

² Excludes intangible assets.

property, plant and equipment from the addition of rail operating assets, trains and buses, as well as higher inventories.

The Group ended the quarter with a cash balance of \$131.0 million, compared to \$156.1 million at the start of the quarter. It generated \$40.6 million of cash flows from operations and \$11.6 million from financing activities, and utilised \$77.1 million to invest mainly in property, plant and equipment. The Group's total borrowings stood at \$827.4 million, translating to a net gearing of 79%.

Business Performance³

Revenue and Operating Profit by Business For First Quarter Ended 30 June 2015						
	Revenue			Operating Profit		
\$m	1QFY16	1QFY15	% Chg	1QFY16	1QFY15	% Chg
Train	167.6	157.9	6.1	(3.7)	5.0	(174.3)
LRT	2.6	2.5	6.6	(1.6)	(0.6)	(183.9)
Bus	61.4	58.1	5.7	1.5	(5.5)	126.7
Fare Subtotal	231.6	218.4	6.0	(3.8)	(1.1)	(238.0)
Taxi	37.8	34.4	9.9	5.5	4.2	32.2
Rental ⁴	32.9	25.8	27.3	21.1	20.0	5.3
Advertising ⁵	8.8	9.4	(6.3)	4.9	5.6	(12.7)
Engineering Services	2.4	2.8	(15.1)	(0.5)	0.2	(319.4)
Other Services	6.8	6.3	9.1	0.5	(0.1)	520.2
Non-Fare Subtotal	88.7	78.7	12.7	31.5	29.9	5.5
Investment Holding/ Group Elimination	-	-	n.m	(0.0)	0.5	(108.8)
Total	320.3	297.1	7.8	27.7	29.3	(5.6)

Fare Business

The Group's overall Fare business recorded an operating loss of \$3.8 million in 1Q FY2016.

Despite an increase in revenue and lower electricity tariff, **Train** operations suffered an operating loss of \$3.7 million in 1Q FY2016, compared to an operating profit of \$5.0 million in 1Q FY2015. This was due mainly to higher costs to support an expanded and ageing network, larger fleet, tightened regulatory standards and heightened operational demands.

LRT operations experienced a higher operating loss at \$1.6 million in 1Q FY2016 compared to 1Q FY2015, due mainly to higher repairs and maintenance work on the ageing system, higher operating costs associated with the addition of new trains to the fleet.

Bus operations, on the other hand, improved from an operating loss of \$5.5 million in 1Q FY2015 and registered an operating profit of \$1.5 million in 1Q FY2016. The improvement

³ Details of the operating metrics are shown in the Annex on page 4.

⁴ Rental – the operating profit comprises EBIT attributed to Transit-oriented Rental business, and Other Property and Retail Management businesses.

⁵ Advertising – the operating profit comprises EBIT attributed to Transit-oriented Advertising business, and Other Media and Advertising businesses.

was on the back of higher revenue and lower diesel costs, partially offset by higher staff costs, depreciation and other operating costs.

Non-Fare Business

Profit from Non-Fare business increased by 5.5% to \$31.5 million in 1Q FY2016 due largely to an increase in profit for Taxi operations and Rental segment.

Taxi profit increased by 32.2% to \$5.5 million in 1Q FY2016 due to contribution from a larger and newer fleet. **Rental** profit increased by 5.3% to \$21.1 million in 1Q FY2016 with full quarter contribution from the redevelopment of Ang Mo Kio Xchange and Kallang Wave mall.

OUTLOOK AND PROSPECTS

The public transport operating landscape remains challenging for the Group. Operating expenses are expected to continue increasing to further strengthen performance in rail reliability, maintainability, availability, capacity and safety. Under the current financing framework, asset renewal of the ageing system and an expanded fleet will result in further increase in depreciation.

The Group is making progress in its discussions with the authorities on the transition to a new rail financing framework.

Bus operations are expected to improve compared to FY2015. SMRT Buses will continue to participate in the tenders under the Government's new bus contracting model. We will be discussing with the authorities on the contract terms for the remaining bus services beyond the license expiry in August 2016. However, the outcome of these will not have an impact on the results of the Group for the next twelve months.

The Group will continue to explore growth anchored on the strengths of its core public transport operations and adjacent capabilities, locally and overseas.

SMRT's President and Group Chief Executive Officer, Mr Desmond Kuek, said:

"While we have made progress on many fronts in the Group, the rail business remains a challenge. Our key focus continues to be in strengthening our rail reliability, and we are committed to the multi-year programmes to upgrade and renew the ageing network."

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For enquiries, please contact:

Media:
Margaret Teo
Head, Corporate Marketing and Communications
Tel: +65 6331 1137
Email: margareteo@smrt.com.sg

Analysts/Investors:
Jinny Goh
Treasurer
Tel: +65 6331 1211
Email: investors_r@smrt.com.sg

Website: <http://www.smrt.com.sg>

Enclosures:

- 1) Unaudited Financial Statements for First Quarter Financial Year 2016 ended 30 June 2015
- 2) Presentation for Results Briefing: 1Q FY2016 Financial Results

ANNEX**OPERATING METRICS**

	1QFY16	1QFY15	4QFY15	1Q16 vs 1Q15 (%)	1Q16 vs 4Q15 (%)
<u>Train</u>					
Total Ridership ('000)	185,641	178,088	181,511	4.2	2.3
Average Daily Ridership ('000)	2,040	1,957	2,017	4.2	1.2
Average No. of Passengers/Car Operated	64.4	63.7	64.0	1.1	0.6
Average Peak Period Passenger Load/Car (No. of passengers) ¹	198.4	206.6	191.6	(4.0)	3.5
Average Fare (cents)	90.0	88.7	88.0	1.5	2.2
<u>LRT</u>					
Total Ridership ('000)	4,805	4,554	4,659	5.5	3.1
Average Daily Ridership ('000)	52.8	50.0	51.8	5.5	2.0
Average No. of Passengers/Train Operated	17.6	25.9	21.3	(32.0)	(17.2)
Average Fare (cents)	54.2	53.9	52.9	0.6	2.5
<u>Bus</u>					
Total Ridership ('000)	93,608	89,232	93,389	4.9	0.2
Average Daily Ridership ('000)	1,028.7	980.6	1,038.0	4.9	(0.9)
Load Factor ² (%)	21.9	26.0	21.0	(4.1)	0.9
Average Fare (cents)	64.9	64.5	63.7	0.7	2.0
<u>Taxi</u>					
Average Holding Fleet	3,566	3,228	3,607	10.5	(1.1)
<u>Rental</u> ³					
Average Lettable Space (sqm)	37,235	36,961	37,165	0.7	0.2
No. of Shops/Units (as of end-period)	784	785	784	(0.1)	0.0
Average Occupancy Rate (%)	98.2	98.9	98.4	(0.7)	(0.2)

¹ An average of estimated maximum half-hour pax load per car during peak hours for selected stations along North-South East-West Line and Circle Line.

² As different vehicle types have different capacities, the average occupancy rate of buses is expressed as load factor.

³ Figures relate to spaces at MRT stations only.