



# 3Q and 9M FY13/14 Performance Review

11 February 2014

# 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

- Operating Statistics & Financial Highlights
- Group Financial Review
- Strategy
- Near Term Outlook

# Operating Statistics for Singapore Aviation Business

	3Q13/14	3Q12/13	% Change	9M13/14	9M12/13	% Change
Passengers Handled ('M)	11.25	10.73	4.8	32.95	30.71	7.3
Flights Handled ('000)	34.92	31.68	10.2	100.57	91.58	9.8
Unit Services ('000)	28.62	26.85	6.6	83.14	77.12	7.8
Cargo ('000 tonnes)	384.27	377.18	1.9	1,127.10	1,105.29	2.0
Gross Meals Produced ('M)	6.66	7.24	(8.0)	19.75	21.31	(7.3)
Unit Meals Produced ('M)	5.29	5.61	(5.7)	15.57	16.49	(5.6)

In 3Q and 9M13/14, all operating metrics grew y-o-y except for gross and unit meals.



- \* The above aviation operating data cover Singapore operations only.
- \* Except for unit and gross meals produced, all data include LCC operations.

# 3Q13/14 Highlights

## Revenue

\$465.5M -1.1%

- Revenue in 3Q decreased 1.1% due to lower food revenue (-3.9%) arising mainly from the weakening of the Yen; this was partially offset by higher gateway revenue (+4.3%).

## Operating Profit

\$42.0M -10.3%

- Operating expenditure also decreased but less than revenue (0.1%). Hence, operating profit fell 10.3%.

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

\$13.0M +7.4%

- Share of results of Associates/JVs increased 7.4% due to better performance reported by associates in China and Indonesia.

## PATMI

\$42.9M -8.7%

- PATMI declined 8.7%.



# 9M13/14 Highlights

## Revenue

\$1,352.1M -1.3%

- Revenue in 9M declined 1.3% due to lower food revenue (-5.1%), offset partially by higher gateway revenue (+5.7%).

## Operating Profit

\$129.3M -6.4%

- Operating profit fell 6.4% on rising manpower costs and lower revenue.

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

\$37.3M +9.1%

- Share of results of Associates/JVs rose 9.1% due to better performance reported by associates in China, India and Indonesia.

## PATMI

\$137.8M -0.6%

- PATMI fell 0.6%. The Group benefitted from a \$4M write-back of tax provision for prior years which was partially offset by impairment provision of \$1.7M for assets held for sale.
- Excluding one-off items, underlying net profit was \$139.5M.

## Debt-to-equity

0.08 times -0.01 ppt

- Debt-to-equity ratio remained healthy.
- Cash and cash equivalents as at 31 December 2013 was \$353.5M.
- Free cash flow generated in the first nine months was \$78.9M.



# Group Financial Review

# 3Q and 9M13/14 Financials

\$M	3Q13/14	3Q12/13	Favourable/ (Unfavourable) %	9M13/14	9M12/13	Favourable/ Unfavourable %
Revenue	465.5	470.6	(1.1)	1,352.1	1,370.0	(1.3)
Expenditure	(423.5)	(423.8)	0.1	(1,222.8)	(1,231.8)	0.7
<b>Operating Profit</b>	<b>42.0</b>	<b>46.8</b>	<b>(10.3)</b>	<b>129.3</b>	<b>138.2</b>	<b>(6.4)</b>
EBITDA	61.0	70.6	(13.6)	187.0	208.0	(10.1)
Share of Results of Associates/JVs, Net of Tax	13.0	12.1	7.4	37.3	34.2	9.1
Loss on Disposal of a Subsidiary	-	-	-	-	(0.4)	n.m.
Impairment of Assets Held for Sale	-	-	-	(1.7)	-	n.m.
<b>PBT</b>	<b>54.7</b>	<b>57.2</b>	<b>(4.4)</b>	<b>164.5</b>	<b>168.9</b>	<b>(2.6)</b>
<b>PATMI</b>	<b>42.9</b>	<b>47.0</b>	<b>(8.7)</b>	<b>137.8</b>	<b>138.6</b>	<b>(0.6)</b>
<b><i>Underlying Net Profit</i></b> *	<b>42.9</b>	<b>47.0</b>	<b>(8.7)</b>	<b>139.5</b>	<b>139.0</b>	<b>0.4</b>

*n.m.* – not meaningful

\* Underlying net profit refers to profit attributable to owners of the Company excluding one-off items





# Underlying Net Profit

\$M	3Q13/14	3Q12/13	9M13/14	9M12/13
<b>Profit Attributable to Owners of the Company</b>	<b>42.9</b>	<b>47.0</b>	<b>137.8</b>	<b>138.6</b>
<b>One-offs:</b>				
<i>Impairment of Assets Held for Sale</i>	-	-	1.7	-
<i>Loss on Disposal of Country Foods Macau</i>	-	-	-	0.4
<b>Underlying Net Profit</b>	<b>42.9</b>	<b>47.0</b>	<b>139.5</b>	<b>139.0</b>

# Financial Indicators

%	3Q13/14	3Q12/13	Change (ppt)	9M13/14	9M12/13	Change (ppt)
Operating Margin	9.0	9.9	(0.9)	9.6	10.1	(0.5)
EBITDA Margin	13.1	15.0	(1.9)	13.8	15.2	(1.4)
PBT Margin	11.8	12.2	(0.4)	12.2	12.3	(0.1)
PATMI Margin	9.2	10.0	(0.8)	10.2	10.1	0.1
Underlying Net Margin	9.2	10.0	(0.8)	10.3	10.1	0.2

Cents	3Q13/14	3Q12/13	% Change	9M13/14	9M12/13	% Change
EPS Based on Net Profit Attributable to Shareholders	3.8	4.2	(9.5)	12.3	12.5	(1.6)

	31 DEC 13	31 MAR 13
NAV Per Share (\$)	1.22	1.26
Debt Equity Ratio	0.08	0.09

Rising manpower costs continue to weigh on margins.



# Group Segmental Revenue

\$M	3Q13/14	3Q12/13	% Change	9M13/14	9M12/13	% Change
<b>By Business:</b>						
Gateway Services	173.3	166.2	4.3	511.0	483.4	5.7
Food Solutions	291.1	303.0	(3.9)	837.3	882.4	(5.1)
Corporate	1.1	1.4	(21.4)	3.8	4.2	(9.5)
<b>Total</b>	<b>465.5</b>	<b>470.6</b>	<b>(1.1)</b>	<b>1,352.1</b>	<b>1,370.0</b>	<b>(1.3)</b>
<b>By Industry:</b>						
Aviation	360.2	373.8	(3.6)	1,077.8	1,112.9	(3.2)
Non-Aviation	104.2	95.4	9.2	270.5	252.9	7.0
Corporate	1.1	1.4	(21.4)	3.8	4.2	(9.5)
<b>Total</b>	<b>465.5</b>	<b>470.6</b>	<b>(1.1)</b>	<b>1,352.1</b>	<b>1,370.0</b>	<b>(1.3)</b>
<b>By Geographical Location:</b>						
Singapore	362.9	353.9	2.5	1,071.7	1,039.6	3.1
Japan	67.6	82.5	(18.1)	204.3	256.3	(20.3)
Others	35.0	34.2	2.3	76.1	74.1	2.7
<b>Total</b>	<b>465.5</b>	<b>470.6</b>	<b>(1.1)</b>	<b>1,352.1</b>	<b>1,370.0</b>	<b>(1.3)</b>

Gateway Services and Food Solutions accounted for 38% and 62% of Group revenue respectively.



# Group Expenditure

\$M	3Q13/14	3Q12/13	Favourable/ (Unfavourable) %	9M13/14	9M12/13	Favourable/ (Unfavourable) %
Staff Costs	204.1	197.0	(3.6)	599.6	586.2	(2.3)
Cost of Raw Materials	103.6	104.7	1.1	287.8	295.5	2.6
Licensing Fees	19.6	19.7	0.5	58.2	57.8	(0.7)
Depreciation & Amortisation	19.2	24.0	20.0	58.1	69.4	16.3
Company Premise & Utilities	32.4	33.7	3.9	94.0	99.2	5.2
Other Costs	44.6	44.7	0.2	125.1	123.7	(1.1)
<b>Group Expenditure</b>	<b>423.5</b>	<b>423.8</b>	<b>0.1</b>	<b>1,222.8</b>	<b>1,231.8</b>	<b>0.7</b>
<b>Group Revenue</b>	<b>465.5</b>	<b>470.6</b>	<b>(1.1)</b>	<b>1,352.1</b>	<b>1,370.0</b>	<b>(1.3)</b>

Expenditure fell at a slower rate than the decline in revenue.

# Associates/JVs Performance by Business – Based on SATS' Shareholding\*

\$M	3Q13/14	3Q12/13	% Change	9M13/14	9M12/13	% Change
<b>Turnover</b>	<b>94.4</b>	<b>68.3</b>	<b>38.2</b>	<b>264.8</b>	<b>221.2</b>	<b>19.7</b>
Gateway Services	76.8	49.1	56.4	211.0	165.9	27.2
Food Solutions	17.6	19.2	(8.3)	53.8	55.3	(2.7)
<b>EBITDA</b>	<b>19.4</b>	<b>20.4</b>	<b>(4.9)</b>	<b>58.3</b>	<b>59.5</b>	<b>(2.0)</b>
Gateway Services	17.3	17.7	(2.3)	51.2	52.3	(2.1)
Food Solutions	2.1	2.7	(22.2)	7.1	7.2	(1.4)
<b>EBITDA Margin (%)</b>	<b>20.6</b>	<b>29.9</b>	<b>(9.3) ppt</b>	<b>22.0</b>	<b>26.9</b>	<b>(4.9) ppt</b>
Gateway Services	22.5	36.0	(13.5) ppt	24.3	31.5	(7.2) ppt
Food Solutions	11.9	14.1	(2.2) ppt	13.2	13.0	0.2 ppt
<b>PAT</b>	<b>13.0</b>	<b>12.1</b>	<b>7.4</b>	<b>37.3</b>	<b>34.3</b>	<b>8.7</b>
Gateway Services	11.4	11.1	2.7	32.7	31.7	3.2
Food Solutions	1.6	1.0	60.0	4.6	2.6	76.9
<b>Dividends Received</b>	<b>4.3</b>	<b>9.6</b>	<b>(55.2)</b>	<b>27.2</b>	<b>24.6</b>	<b>10.6</b>

Share of Associates/JVs results increased due to better performance reported by associates in China and Indonesia.



\* Excludes associates of TFK and SFI

# Group Balance Sheet

\$M	As at 31 DEC 13	As at 31 MAR 13
Total Equity	1,467.3	1,500.2
Long-term Loans	98.1	108.7
Other Long-Term Liabilities	78.7	84.3
Current Liabilities	294.6	310.1
<b>Total Equity &amp; Liabilities</b>	<b>1,938.7</b>	<b>2,003.3</b>
Fixed Assets & Investment Property	582.8	603.5
Associated Companies & JVs	359.1	390.2
Intangible Assets	183.7	192.9
Other Non-Current Assets & Long-Term Investment	34.8	36.4
Current Assets		
<i>Cash &amp; Short-Term Deposits</i>	354.7	405.5
<i>Debtors &amp; Other Current Assets</i>	423.6	374.8
<b>Total Assets</b>	<b>1,938.7</b>	<b>2,003.3</b>

Decline in equity and cash & short-term deposits mainly attributed to dividend payments of \$168.4M.

# Group Cash Flow Statement

\$M	9M13/14	9M12/13	Difference
Net Cash from Operating Activities	122.0	103.4	18.6
Net Cash used in Investing Activities	(12.7)	(7.0)	(5.7)
Net Cash used in Financing Activities	(158.0)	(290.1)	132.1
<b>Net decrease in Cash &amp; Cash Equivalents</b>	<b>(48.7)</b>	<b>(193.7)</b>	<b>145.0</b>
<b>Cash &amp; Cash Equivalents at the end of the period</b>	<b>353.5</b>	<b>270.3</b>	<b>83.2</b>
<b>Free Cash Flow*</b>	<b>78.9</b>	<b>75.0</b>	<b>3.9</b>

Free cash flow was lifted by working capital improvements.



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

# Strategy



# Vision and Mission

## Vision

SATS is **Asia's leading** food solutions and gateway services company

We **operate state-of-the-art facilities** to provide food solutions that delight our customers

We **improve connectivity** for our customers through our **comprehensive** gateway services across the region

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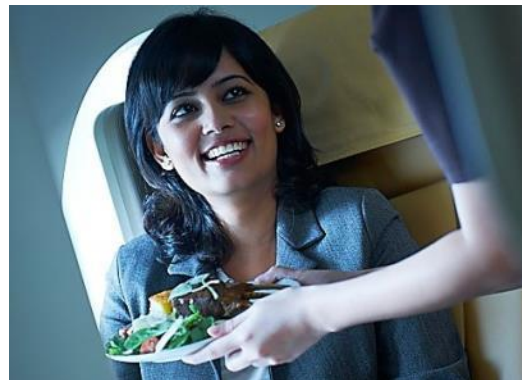
## Mission

To be the **first-choice** provider of food solutions and gateway services by **delighting customers** with our **innovation** and **passion**



# Geographic Focus is Asia

- **Includes the Middle East, with China, India and Indonesia as priority markets**
  - Booming Asian middle-class population expected to account for two-thirds of the world's middle class by 2030<sup>1</sup>
  - Demand for safe, healthy and cosmopolitan food
  - Demand for trade and travel



<sup>1</sup> Human Development Report 2013, United Nations

# Scale and Connectivity

- SATS is Asia's largest food solutions and gateway services company
  - Proven track record
  - comprehensive network with presence in 39 airports, 10 countries



- We will use state-of-the-art technology to address rising manpower costs and develop new revenue streams

# Near Term Outlook

# Outlook

The operating landscape for SATS remains challenging in view of the ongoing pressure on airlines' profitability and rising labour costs.

In the near-term, we expect modest growth in passenger traffic at Changi Airport and only marginal growth in air freight at best.

The Group will continue to focus on growing scale in our food business and improving connectivity in our gateway business, whilst using automation and technology to counter rising manpower costs.



# Q&A