



# Strategy and FY17/18 Performance

30 May 2018

# 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
- FY17/18 Financial Performance
- Outlook

# Strategy: Feeding and Connecting Asia



## Key Highlights

1. We adopt a two-prong approach to executing our strategy – locations and platforms.
2. Growing profitability through scale opportunities in key markets and hub partnerships – Singapore Airlines in Singapore, AirAsia in Malaysia, HKIA in Hong Kong, and Cargo Services Centre in Mumbai.
3. Growing connectivity across SATS network through digital platforms

# Strategy: Feeding and Connecting Asia

## Food Solutions - Locations



- Strengthening Singapore operations with the opening of the highly automated C2+ kitchen.
- Expanding kitchen operations in China to produce high quality meals.



- Signed MOA with Turkish Airlines to build world's largest in-flight kitchen in Istanbul New Airport.





# Strategy: Feeding and Connecting Asia

## Food Solutions - Platforms

- Expanding our culinary expertise and combining it with innovative product development to launch new products.



- Integrated supply chain that will integrate aviation with non-aviation.

# Strategy: Feeding and Connecting Asia

## Gateway Services - Locations



- Gained access to 15 airports in Malaysia through joint venture with AirAsia.



- Divested 51% share of stake in SATS HK Ltd to a subsidiary of Hong Kong Airlines to improve scale of operations.

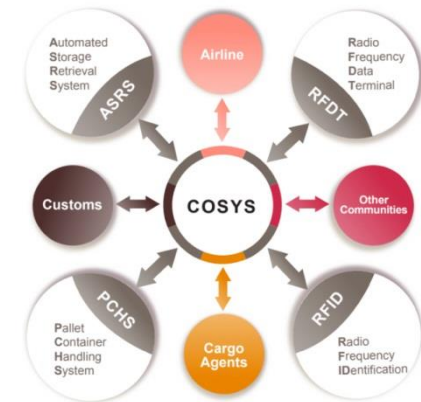
- Joint venture with Cargo Services Centre in Mumbai, India, to manage cargo terminal operations



# Strategy: Feeding and Connecting Asia

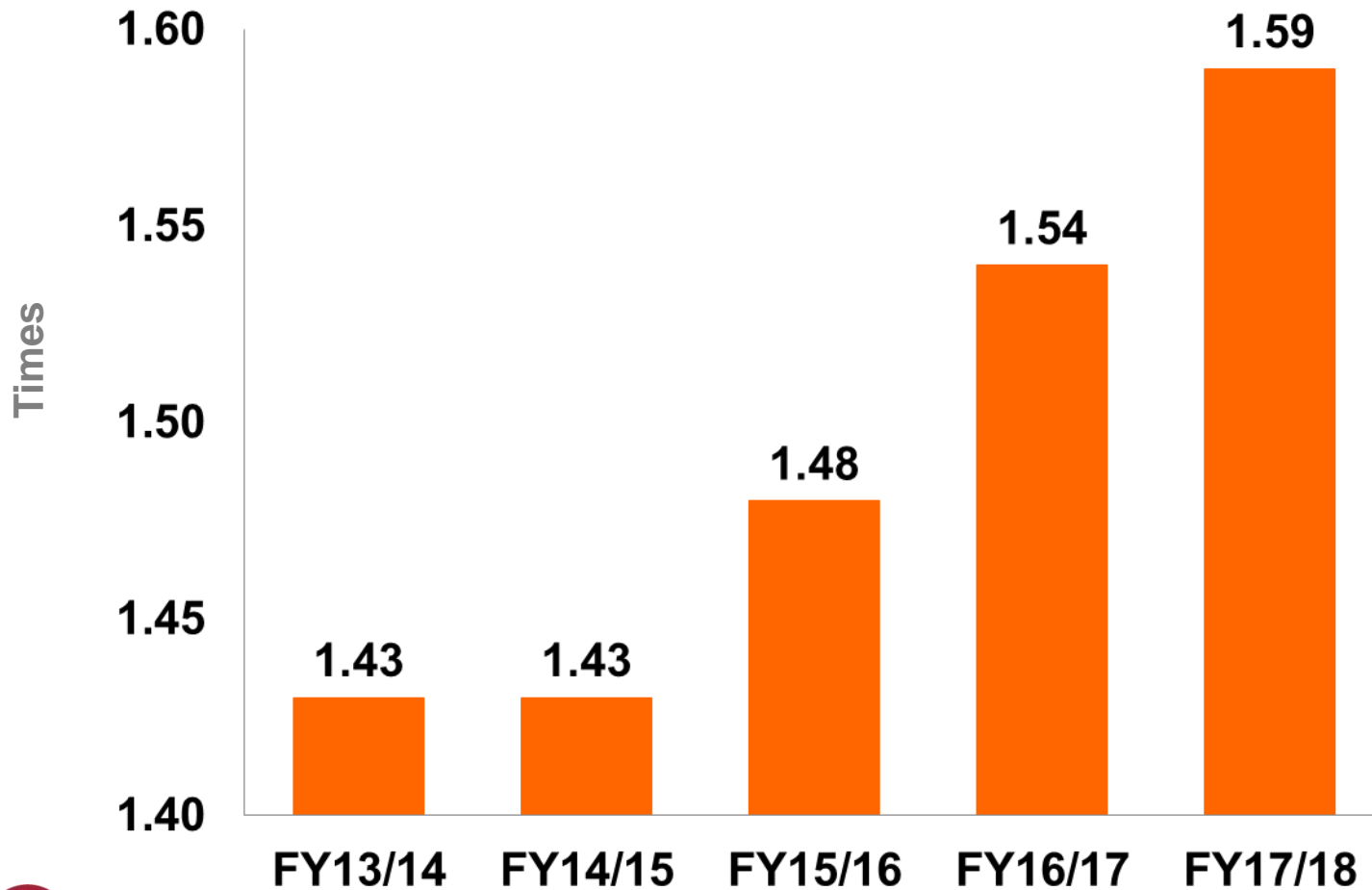
## Gateway Services - Platforms

- Launched Tracer for piece-level tracking of packages.
- Launched COSYS for greater connectivity across all markets.
- Launched baggage reconciliation system.

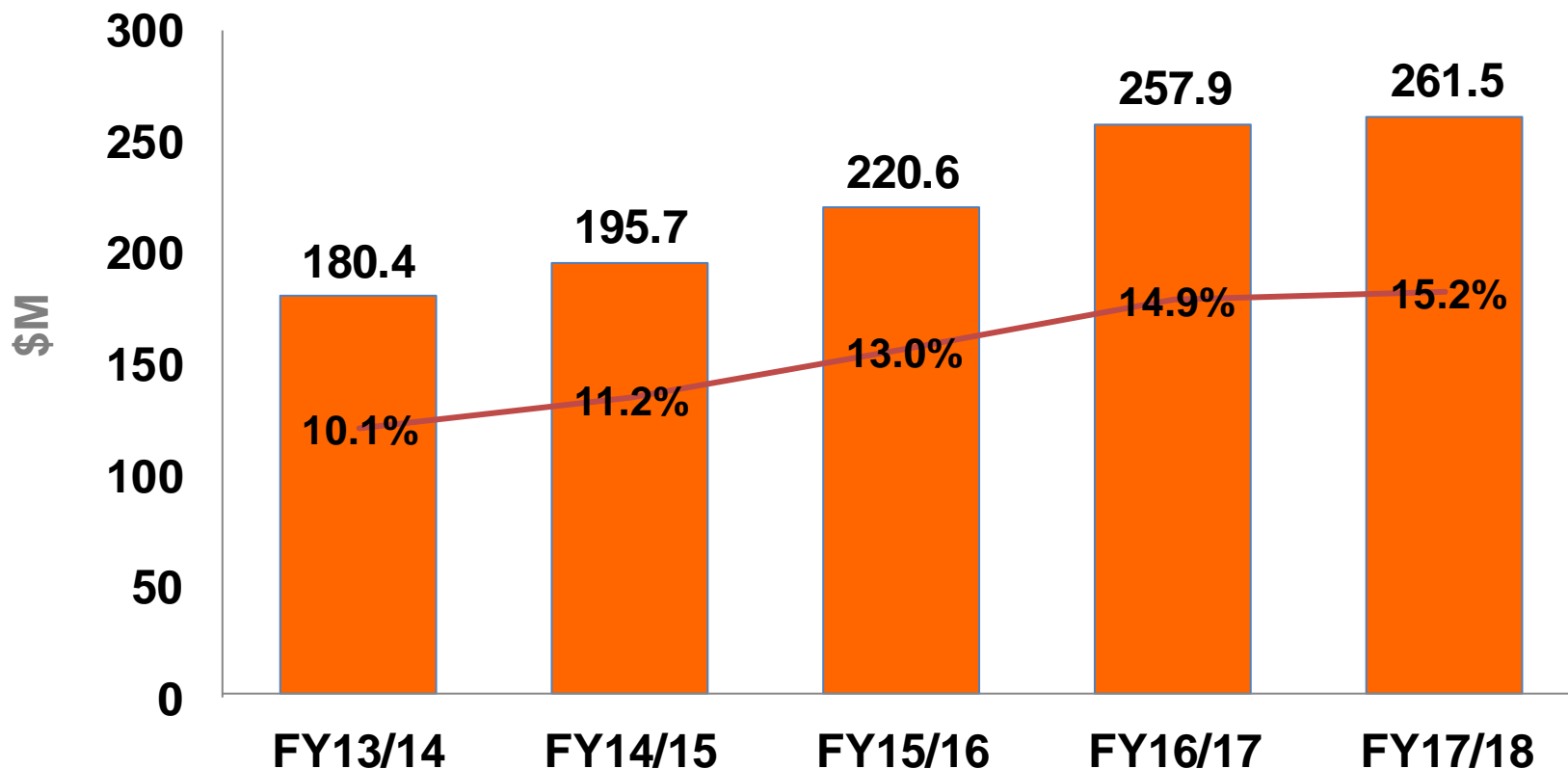




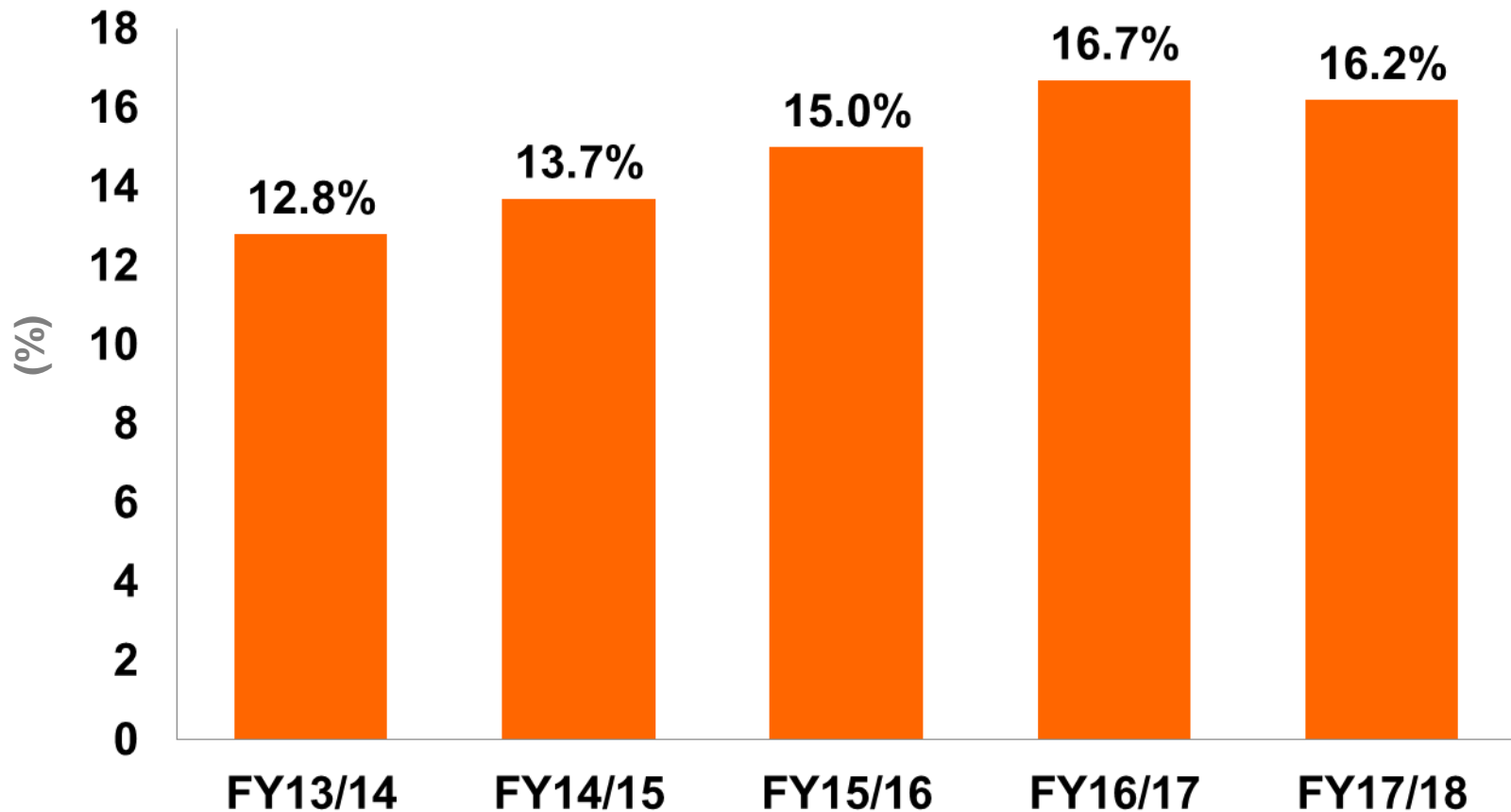
# Value Added Per Employment Cost increases 11.2% over a 5-year period



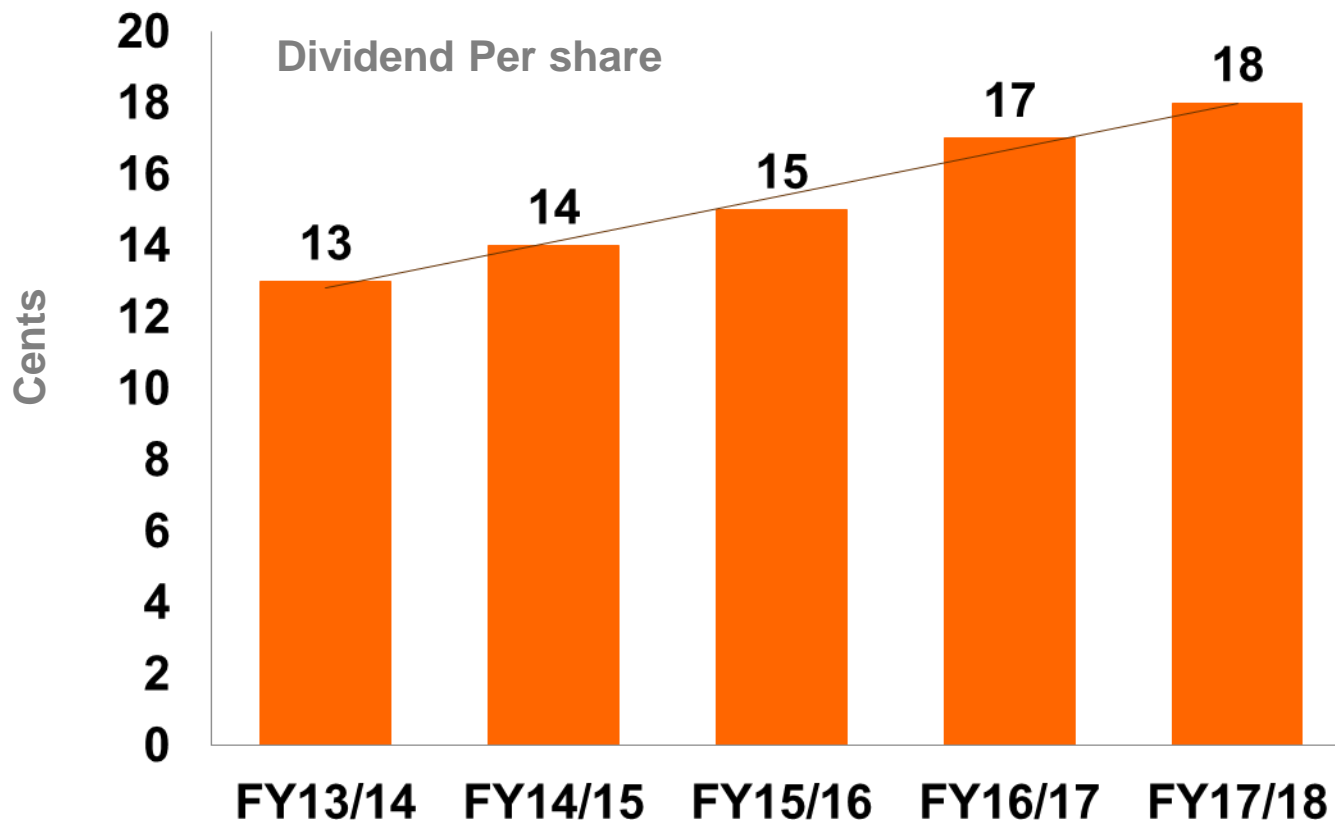
## PATMI and PATMI margin increase year-on-year due to higher contribution from overseas joint ventures and associates



# Delivering a creditable Return-on-Equity



# Progressive Sustainable Dividends



Proposed final dividend of 12 cents\*.

Total dividends to increase by 1 cent to 18 cents, estimated dividend payout of \$201.1M.  
Payment of final dividend is on 17 August 2018. Book closure date is 3 August 2018.



*\*Subject to shareholders' approval at AGM to be held on 19 July 2018*

# FY17/18 Financial Performance





# Executive Summary: FY17/18 Performance

- Group revenue was \$1.725B
- Operating profit dipped 1.8% to \$226.4M
- Share of results from associates and JVs rose 9.2% to \$71.2M
- PATMI grew 1.4% to \$261.5M
- ROE remained creditable at 16.2%
- Free cash flow generated was \$146.3M
- EPS improved by 0.9% to 23.4 cents
- Proposed final dividend of 12 cents per share will increase full year dividend by 1 cent to a total of 18 cents



# Operating Statistics for SATS Group

	2H FY17/18	2H FY16/17	Change (%)	FY17/18	FY16/17	Change (%)
Passengers Handled ('M)	28.34	26.35	7.6	54.30	51.53	5.4
Flights Handled ('000)	80.66	87.50	(7.8)	165.94	171.38	(3.2)
Cargo/Mail Processed ('000 tonne	923.97	876.78	5.4	1,828.85	1,717.42	6.5
Gross Meals Produced ('M)	35.61	33.40	6.6	70.51	67.61	4.3
Ship Calls Handled	156	125	24.8	189	147	28.6

Flights and Passengers Handled by SATS HK Ltd have been excluded from the above operating statistics since August 2017.

- \* 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.



# FY17/18 Highlights

## Revenue

\$1,724.6M -0.3%

- Group revenue decreased 0.3%. Food Solutions' revenue declined 2.7%, while Gateway Services' revenue improved 2.9% despite the deconsolidation of SHK.

## Operating profit

\$226.4M -1.8%

- Group expenditure decreased marginally from \$1,498.8M to \$1,498.2M, despite an increase of \$16.7M in licence fees due to the cessation of rebates by Changi Airport. Staff costs fell \$23.4M mainly due to the deconsolidation of SHK.

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

\$71.2M 9.2%

- Share of after-tax profits from associates/JVs increased \$6.0M (9.2%), underpinned by better performance from Gateway Services' associates/joint ventures, and partly offset by a reduction in Food Solutions' associates/joint ventures' performance.

## PATMI

\$261.5M 1.4%

- Underlying net profit was \$236.1M, 0.8% higher y-o-y.
- EPS increased from 23.2 cents to 23.4 cents.

## Debt-to-equity

0.07 times -

- Debt-to-equity ratio remained healthy at 0.07 times.
- Cash and short-term deposits stood at \$373.3M.
- Free cash flow generated was \$146.3M.



# 4Q and FY17/18 Financials

\$M	4Q17/18	4Q16/17	Fav/(Unfav) Change (%)	FY17/18	FY16/17	Fav/(Unfav) Change (%)
Revenue	423.5	425.8	(0.5)	1,724.6	1,729.4	(0.3)
Expenditure	(377.4)	(380.0)	0.7	(1,498.2)	(1,498.8)	0.0
<b>Operating Profit</b>	<b>46.1</b>	<b>45.8</b>	<b>0.7</b>	<b>226.4</b>	<b>230.6</b>	<b>(1.8)</b>
Share of Results of Associates/JVs, Net of Tax	24.0	28.8	(16.7)	71.2	65.2	9.2
Other non-operating income, net	8.9	0.7	n.m.	20.7	9.9	n.m.
<b>PBT</b>	<b>79.7</b>	<b>76.4</b>	<b>4.3</b>	<b>321.6</b>	<b>309.1</b>	<b>4.0</b>
<b>PATMI</b>	<b>65.4</b>	<b>66.6</b>	<b>(1.8)</b>	<b>261.5</b>	<b>257.9</b>	<b>1.4</b>
<b>Underlying Net Profit*</b>	<b>51.5</b>	<b>51.6</b>	<b>(0.2)</b>	<b>236.1</b>	<b>234.3</b>	<b>0.8</b>

*n.m. – not meaningful*

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



# Financial Indicators

%	4Q17/18	4Q16/17	Change ppt/%	FY17/18	FY16/17	Change ppt/%
Operating Margin	10.9	10.8	0.1	13.1	13.3	(0.2)
Underlying Net Margin	12.2	12.1	0.1	13.7	13.5	0.2
Return on Equity	4.1	4.2	n.m.	16.2	16.7	n.m.
Basic EPS (cents)	5.9	6.0	-1.7%	23.4	23.2	0.9%
Dividend Per Share (cents)	12.0	11.0	9.1%	18.0	17.0	5.9%

	31 MAR 18	31 MAR 17
NAV Per Share (\$)	1.46	1.44
Debt / Equity	0.07	0.07





# Group Segmental Revenue

\$M	4Q17/18	4Q16/17	Change (%)	FY17/18	FY16/17	Change (%)
<b>By Business*:</b>						
Food Solutions	228.3	234.0	(2.4)	946.6	973.3	(2.7)
Gateway Services	194.7	191.4	1.7	776.5	754.6	2.9
Others	0.5	0.4	25.0	1.5	1.5	0.0
<b>Total</b>	<b>423.5</b>	<b>425.8</b>	<b>(0.5)</b>	<b>1,724.6</b>	<b>1,729.4</b>	<b>(0.3)</b>
<b>By Industry*:</b>						
Aviation	361.6	367.4	(1.6)	1,488.6	1,499.9	(0.8)
Non-Aviation	61.4	58.0	5.9	234.5	228.0	2.9
Others	0.5	0.4	25.0	1.5	1.5	0.0
<b>Total</b>	<b>423.5</b>	<b>425.8</b>	<b>(0.5)</b>	<b>1,724.6</b>	<b>1,729.4</b>	<b>(0.3)</b>
<b>By Geographical Location:</b>						
Singapore	353.7	345.5	2.4	1,423.0	1,381.6	3.0
Japan	58.3	59.5	(2.0)	239.4	259.5	(7.7)
Others	11.5	20.8	(44.7)	62.2	88.3	(29.6)
<b>Total</b>	<b>423.5</b>	<b>425.8</b>	<b>(0.5)</b>	<b>1,724.6</b>	<b>1,729.4</b>	<b>(0.3)</b>



\* Certain revenue in 4Q16/17 and FY16/17 have been reclassified in conformity with the current year's presentation.

# Group Expenditure

\$M	4Q17/18	4Q16/17	Fav/(Unfav) Change (%)	FY17/18	FY16/17	Fav/(Unfav) Change (%)
Staff Costs	206.4	217.3	5.0	833.3	856.7	2.7
Cost of Raw Materials	63.6	60.9	(4.4)	252.5	257.9	2.1
Licence Fees	20.6	16.1	(28.0)	84.2	67.5	(24.7)
Depreciation & Amortisation charges	21.0	19.4	(8.2)	78.5	73.5	(6.8)
Company Premise & Utilities Expenses	25.1	28.3	11.3	103.5	109.6	5.6
Other Costs	40.7	38.0	(7.1)	146.2	133.6	(9.4)
<b>Group Expenditure</b>	<b>377.4</b>	<b>380.0</b>	<b>0.7</b>	<b>1,498.2</b>	<b>1,498.8</b>	<b>0.0</b>
<b>Group Revenue</b>	<b>423.5</b>	<b>425.8</b>	<b>(0.5)</b>	<b>1,724.6</b>	<b>1,729.4</b>	<b>(0.3)</b>

Group expenditure increased in most expense categories except for staff costs, company premises and utilities expenses due to SHK's deconsolidation. Licence fees were significantly higher with the cessation of rebates.

# Associates/JVs Performance by Business

\$M	4Q17/18	4Q16/17	Change (%)	FY17/18	FY16/17	Change (%)
<b>PAT</b>	<b>24.0</b>	<b>28.8</b>	<b>(16.7)</b>	<b>71.2</b>	<b>65.2</b>	<b>9.2</b>
Food Solutions	13.9	19.4	(28.4)	25.5	25.7	(0.8)
Gateway Services	10.1	9.4	7.4	45.7	39.5	15.7
<b>Dividends Received</b>	<b>1.9</b>	<b>2.2</b>	<b>(13.6)</b>	<b>25.2</b>	<b>41.6</b>	<b>(39.4)</b>

- Lower contribution in 4QFY17-18 from Food Solutions Associates attributed solely to Evergreen Sky Catering for the amortisation expenses of intangibles and lower surplus of \$11M being recognised during the quarter from the finalisation of PPA exercise.
- Strong growth in contribution from overseas associates/JVs was primarily attributed to PT Jas, AISATS, and Oman SATS delivering better performance.

# Strong Balance Sheet

\$M	As at 31 MAR 18	As at 31 MAR 17
Total Equity	1,766.6	1,691.2
Long-Term Liabilities	179.1	193.1
Current Liabilities	402.6	395.1
<b>Total Equity &amp; Liabilities</b>	<b>2,348.3</b>	<b>2,279.4</b>
Fixed Assets & Investment Properties	569.0	549.1
Associates / JVs	848.8	670.8
Intangible Assets	157.5	157.9
Other Non-Current Assets & Long-Term Investments	38.0	45.1
Current Assets		
<i>Cash &amp; short-term deposits</i>	373.3	505.8
<i>Debtors &amp; other current assets</i>	361.7	350.7
<b>Total Assets</b>	<b>2,348.3</b>	<b>2,279.4</b>

Total equity stood at \$1.8 billion with total assets of \$2.3 billion as of 31 Mar 18.



# Group Cash Flow Statement

\$M	FY17/18	FY16/17	Difference
Net Cash From Operating Activities	245.5	308.9	(63.4)
Net Cash Used In Investing Activities	(182.2)	(119.6)	(62.6)
Net Cash Used In Financing Activities	(196.8)	(172.8)	(24.0)
<b>Net decrease In Cash &amp; Cash Equivalents</b>	<b>(133.5)</b>	<b>16.5</b>	<b>(150.0)</b>
<b>Cash &amp; Cash Equivalents At End Of Financial Period</b>	<b>373.3</b>	<b>508.4</b>	<b>(135.1)</b>
<b>Free Cash Flow*</b>	<b>146.3</b>	<b>220.8</b>	<b>(74.5)</b>

- Net cash used in investing activities was higher mainly due to higher capital expenditure, investment in associates/joint-ventures and lower dividends received from associates/joint-ventures.
- These were partly compensated by an increase in proceeds from disposal of assets held for sale, coupled with the absence of long-term investment made in last financial year.



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



# Outlook



# Outlook

Our business strategy is gaining traction. Our financial performance, despite margin pressures, has been creditable driven by higher contributions from our overseas associates. At Changi, the deployment of technology has enabled us to handle the growing traffic with increased productivity and helped to offset ongoing price pressure.

Looking ahead, the robust growth in passenger and cargo traffic and increased demand for high-quality food across Asia will present exciting opportunities for SATS. We will continue to improve service and productivity to strengthen the Singapore air hub and grow with our customers and business partners.



# Outlook

Beyond Singapore, we will expand our network of 60 airports, to support our customers with world class service standards. As we expand to more locations, we are digitising our operations to provide new services that will link these locations together into one seamless network. These new services will benefit airlines, their passengers, air freight shippers and eCommerce customers.

We are also connecting our aviation and non-aviation food solutions across the region, with a single supply chain, and shared culinary innovation and technology across all our kitchens. Our technology-driven, people-led approach ensures that we will continue to innovate and develop the talent that will sustain our success.





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