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SMRT Group earnings rose to \$109.3 million in FY2016 while its Rail business continues to be under pressure

GROUP PERFORMANCE HIGHLIGHTS

Financial Highlights for the Fourth Quarter (4Q) and Full Year (FY) Ended 31 March 2016 ¹ (FY2016)						
	4QFY16	4QFY15	% chg	FY16	FY15	% chg
Revenue (\$'M)	320.0	311.2	2.8	1,296.6	1,235.5	4.9
Other Operating Income (\$'M)	22.8	19.3	18.3	77.3	58.0	33.4
Total Operating Expenses (\$'M)	310.0	303.3	2.2	1,235.5	1,172.7	5.4
Operating Profit (\$'M)	32.8	27.1	20.9	138.5	120.8	14.6
PATMI (\$'M)	26.6	20.8	27.6	109.3	91.0	20.1
EBITDA (\$'M)	83.9	78.6	6.9	342.1	313.9	9.0
Basic EPS (cents)	1.74	1.37	27.0	7.17	5.98	19.9
				As at 31 Mar 16	As at 31 Mar 15	% chg
NTA Per Share ² (cents)				59.21	55.57	6.6
Net Gearing (%)				64	77	(13)

Group revenue increased 4.9% to \$1,296.6 million in FY2016. Operating profit improved 14.6% to \$138.5 million in FY2016 while PATMI rose 20.1% to \$109.3 million.

The Board has proposed a final dividend per ordinary share (DPS) of 2.5 cents. Including the interim DPS of 1.5 cents, this will bring the total DPS in FY2016 to 4.0 cents. This represents a 55.8% payout from FY2016 PATMI.

Operating expenses increased 5.4% to \$1,235.5 million in FY2016 due mainly to higher staff costs, repairs and maintenance (R&M) costs, and depreciation, which were partially offset by lower energy expenditure.

Staff costs increased due mainly to the higher headcount engaged in Rail and Bus operations to support a larger train and bus fleet as well as to meet heightened operational requirements. The increase in R&M costs is attributed mainly to the rigorous maintenance regime for the ageing network and more trains undergoing scheduled overhaul, maintenance work related to a larger bus fleet and managing the taxi life cycle. In tandem with our commitment to enhance rail reliability, the Group's Rail maintenance-related expenditure³ accounted for 45% of Rail revenue in FY2016.

Depreciation increased due mainly to capitalisation of new buses and taxis, and a larger train fleet during the year. Energy costs decreased due mainly to lower diesel cost and electricity tariff, partially offset by higher consumption arising from a larger train and bus fleet, and increased train runs. The Group also saw an increase in other operating expenses, which included full period costs associated with Kallang Wave mall, \$8.0 million contribution to the Public Transport Fund, \$5.0 million contribution to the LTA's demand management schemes, higher equipment maintenance relating primarily to the planned upgrade of enterprise-wide infocomm system, and higher incidental costs and bus chartering expenses related to train

¹ All figures are quoted in Singapore dollars.

² Excludes intangible assets.

³ Rail maintenance-related expenses refers to rail maintenance staff costs, depreciation of rail maintenance assets and other rail maintenance-related operating expenses.

disruptions. This increase in other operating expenses was partially offset by a net property tax refund of \$19.0 million relating to prior years' over assessment.

Total assets increased 7.2% and stood at \$2.7 billion as at 31 March 2016 due mainly to higher property, plant and equipment, cash and cash equivalents, and trade and other receivables.

The Group ended the year with a cash balance of \$232.2 million, compared to \$156.1 million at the start of the year. It generated \$329.9 million of cash inflow from operations, which was offset by net cash outflows of \$249.9 million in investing and \$3.8 million in financing activities. The Group's total borrowings stood at \$821.2 million, translating to a net gearing of 64%.

Business Performance⁴

Revenue and Operating Profit by Business Segment for the year ended 31 March 2016 (FY2016)						
	Revenue			Operating Profit		
\$'M	FY2016	FY2015	% chg	FY2016	FY2015	% chg
Train	670.2	644.2	4.0	12.0	13.4	(10.0)
LRT	10.8	9.8	10.5	(4.6)	(3.8)	(21.5)
Rail Subtotal	681.0	654.0	4.1	7.4	9.6	(22.5)
Bus	248.5	238.1	4.3	5.9	(6.5)	190.6
Taxi	147.9	142.9	3.5	17.0	13.7	24.0
Rental ⁵	135.6	120.4	12.7	83.4	79.6	4.7
Advertising ⁶	39.0	36.2	7.7	22.7	21.9	3.8
Engineering Services	11.3	15.2	(26.1)	(0.03)	(2.4)	98.8
Other Services	33.4	28.7	16.4	4.3	2.4	81.8
Non-Rail Subtotal	615.6	581.5	5.9	133.3	108.7	22.6
Investment Holding/ Group Elimination	-	-	n.m.	(2.3)	2.5	(190.6)
Total	1,296.6	1,235.5	4.9	138.5	120.8	14.6

Rail Business

Rail operations reported a lower operating profit of \$7.4 million in FY2016 compared to \$9.6 million in FY2015. The operating profit recorded in FY2016 included a net property tax refund of \$17.1 million relating to prior years' over assessment, without which Rail operations would have suffered an operating loss of \$9.6 million.

Non-Rail Business

The overall operating profit from the Group's Non-Rail business increased 22.6% to \$133.3 million in FY2016, due largely to improved profitability in the Bus, Rental and Taxi segments.

Bus operations posted an operating profit of \$5.9 million in FY2016 compared to a loss in FY2015. This was mainly attributed to training grants, reliability incentives, lower diesel costs and higher revenue, which were partially offset by higher staff costs, depreciation, and repairs and maintenance expenses. **Rental** operating profit increased 4.7% to \$83.4 million in FY2016 on the back of higher rental revenue contribution from train stations and bus interchanges. **Taxi** operating profit increased 24.0% to \$17.0 million in FY2016 due mainly to higher taxi rental contribution from a newer and larger hired-out fleet.

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

⁵ Rental – the operating profit comprises EBIT attributed to Transit-oriented Rental business, and Other Property and Retail Management businesses.

⁶ Advertising – the operating profit comprises EBIT attributed to Transit-oriented Advertising business, and Other Media and Advertising businesses.

OUTLOOK AND PROSPECTS

The Group is fully committed to deliver higher rail reliability and service quality to meet the needs of our commuters and to comply with the heightened operating and maintenance standards set by the authorities.

As fare adjustments have not kept pace with rising operating costs over the years, the current rail operating landscape continues to be challenging. The Group is expected to incur higher operating expenses attributable to the intensive maintenance and renewal programmes of the ageing network in addition to running an enlarged train fleet as well as the commencement of the Tuas West Extension in FY2017. The Group's fare revenue will be further impacted by the 1.9% fare reduction and cannibalisation by Downtown Line 2 operations.

For better sustainability of the rail transit network, the Group has been in discussion with the authorities on the transition to a new rail financing framework (NRFF) and is making progress. Under the NRFF, SMRT Trains will become asset light to focus on the operations and maintenance of the MRT and BPLRT lines, and will pay a Licence Charge to LTA for the right to operate these lines.

The Group is expected to benefit from lower energy prices and aims to extract further cost efficiency from productivity improvements and reliability incentives in our Bus operations. We are finalising with the authorities the proposed contract terms of the Government Contracting Model which will commence in September 2016 for our existing bus services.

The Group will continue to explore growth anchored on our core strengths in public transport operations and adjacent capabilities to develop our rail engineering expertise, expand our road and rail transport operational footprint, and extend our commercial out-of-network reach.

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

"SMRT remains focused on improving rail safety, reliability and service quality; and the multi-year projects to renew and upgrade the systems are making steady progress. We have been increasing headcount and maintenance-related expenditures to drive higher performance standards, and will continue to work closely with the authorities to strengthen the robustness and resilience of the rail network."

The Group's overall earnings has been supported by better performance in our Non-Rail businesses, and we will continue to pursue sustainable growth in line with our core competencies as a multi-modal transportation group."

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Enclosures:

- 1) Audited Financial Statements for the year ended 31 March 2016
- 2) Presentation for Results Briefing: FY2016 Financial Results

ANNEX

OPERATING METRICS

	4QFY16	4QFY15	3QFY16	4Q16 vs 4Q15 (%)	4Q16 vs 3Q16 (%)	FY2016	FY2015	FY16 vs FY15 (%)
<u>Train</u>								
Total Ridership ('000)	189,931	181,511	190,491	4.6	(0.3)	755,608	730,641	3.4
Average Daily Ridership ('000)	2,087	2,017	2,071	3.5	0.8	2,070	2,002	3.4
Average No. of Passengers/Car Operated	61.4	64.0	63.5	(4.1)	(3.4)	63.4	64.1	(1.1)
Average Peak Period Passenger Load/Car (No. of passengers) ¹	172.0	191.6	199.5	(10.2)	(13.8)	187.5	199.8	(6.2)
Average Fare (cents)	85.9	88.0	89.2	(2.4)	(3.6)	88.6	88.2	0.5
<u>LRT</u>								
Total Ridership ('000)	5,701	4,659	4,874	22.4	17.0	20,342	18,266	11.4
Average Daily Ridership ('000)	62.7	51.8	53.0	21.1	18.3	55.7	50.0	11.3
Average No. of Passengers/Train Operated	17.5	21.3	15.9	(17.7)	10.4	16.9	24.3	(30.5)
Average Fare (cents)	50.9	52.9	53.1	(3.8)	(4.1)	53.0	53.5	(0.9)
<u>Bus</u>								
Total Ridership ('000)	96,644	93,389	95,572	3.5	1.1	381,385	368,343	3.5
Average Daily Ridership ('000)	1,062.0	1,038.0	1,038.8	2.3	2.2	1,044.9	1,008.9	3.6
Load Factor ² (%)	21.8	21.0	21.7	0.8	0.1	21.5	22.7	(1.2)
Average Fare (cents)	62.4	63.7	65.0	(2.1)	(4.1)	64.5	64.0	0.7
<u>Taxi</u>								
Average Holding Fleet	3,522	3,607	3,574	(2.4)	(1.5)	3,552	3,461	2.6
<u>Rental</u> ³								
Average Lettable Space (sqm)	37,364	37,165	37,278	0.5	0.2	37,278	37,226	0.1
No. of Shops/Units (as of end-period)	786	784	786	0.3	0.0	786	784	0.3
Average Occupancy Rate (%)	97.9	98.4	97.8	(0.5)	0.1	98.0	98.5	(0.5)

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.