

3Q FY20 Performance Review

13th February 2020



sats



Forward looking statement –Important note



The following presentation contains forward looking statements by the management of SATS Ltd. (“SATS”), relating to financial and market trends for future periods.

Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses and related plans and objectives. Forward looking information is based on management’s current views and assumptions including without limitation, prevailing economic and market conditions. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made. Such statements are not and should not be construed as a representation of future performance or commitment of SATS. In particular, any targets should not be regarded as a forecast or projection of future performance of SATS. It should be noted that the actual performance of SATS may vary significantly from such targets.


- 1 Executive Summary & Strategic Update**
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- 3 Outlook**
- 4 Q&A**


Asia's largest food and gateway services network




9M FY19


44.8m
Passengers Handled 

57.2m
Meals Served 

124,140
Flights Handled 

1,420k Tonnes
Cargo Handled 

13 Countries
Over **60** locations 

13,700 Employees 

9M FY20

69.4m
Passengers Handled

65.1m
Meals Served

278,270
Flights Handled

1,397k Tonnes
Cargo Handled

13 Countries
Over **60** locations

17,700 Employees



* The above operating data cover SATS and its subsidiaries, but does not include JVs and associates.

* Passengers handled comprises full service and low cost carriers, as well as cruise ship passengers.

* Gross meals include both inflight and institutional catering meals.

* Flights, cargo and passengers handled by GTR and SATS Seletar Aviation Services have been included in the above statistics since January 2019 and April 2019 respectively. Gross meals produced by Nanjing Weizhou are included in the above statistics since October 2019.

Singapore



SATS subsidiary, Country Foods, develops market for sustainable food products through combining a wide range of plant-based proteins with Asian culinary expertise to provide a one-stop go-to-market platform.



SATS and Sembcorp formed sustainability partnership to develop a suite of integrated solutions to help SATS reduce its environmental footprint across several facilities.



Greater China



Ganzhou

Nanjing Weizhou Airline Food Co. Ltd. incorporated Ganzhou SATS Aviation Food Co., Ltd., as its wholly-owned subsidiary, making the new entity an indirect 50% owned subsidiary of SATS.

Malaysia



Kuala Lumpur

SATS subsidiary, GTR, launched a 93,000 sqft air cargo hub at the KLIA Air Cargo Terminal 1 (KACT1) to advance Malaysia's goal of being a regional logistics hub.

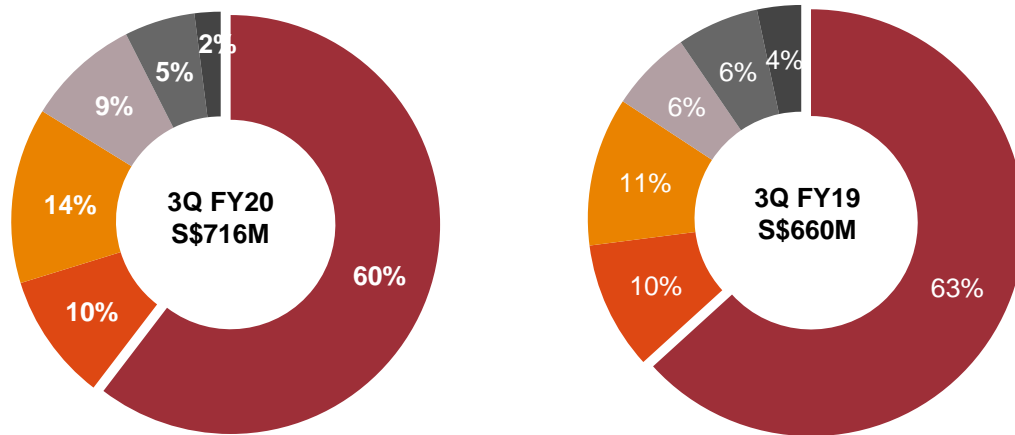
3Q FY20 SATS share of revenue and PATMI by region



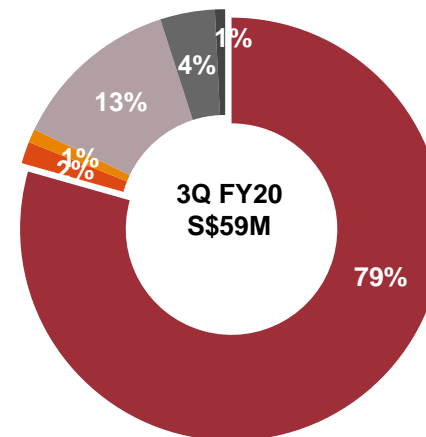
Region	Revenue		YoY %
	3Q FY20	3Q FY19	
Singapore	432.6	417.3	3.7
Japan	70.5	64.0	10.0
Asean (ex-SG)	62.6	40.9	53.0
Greater China	97.2	74.4	30.7
India	39.1	41.0	(4.7)
Others	14.4	22.0	(34.5)
Total	716.4	659.6	8.6

PATMI 3Q FY20	YoY %
47.1	(14.2)
1.0	66.7
7.6	94.5
0.6	(80.2)
2.5	(46.6)
0.5	(71.6)
59.3	(13.9)

SATS Share of Revenue



SATS Share of PATMI



■ SG ■ Japan ■ Greater China ■ Asean (ex-SG) ■ India ■ Others

- Group revenue grew 17.6% to \$545.6M
- EBITDA grew 7.1% to \$108.1M
- PATMI decreased 13.9% to \$59.3M
- Share of earnings from associates/JVs fell 29.0% to \$14.7M
- Operating margin dropped 2.6 percentage points to 11.5%
- EPS declined 0.9 cents to 5.3 cents



Group Financial Review



3Q FY20 Highlights



	3Q FY20	3Q FY19	Change \$/ppt	%	Commentary
Revenue	545.6	464.0	81.6	17.6	<ul style="list-style-type: none"> • Gateway (+\$23.0M), Food (+\$58.4M) • Gateway: GTR consol (\$23.5M) offset by lower cargo volume and ship calls • Food: NWA (+\$14.9M) & CFPL consol (+\$42.3M), and offset by FASSCO deconsol
OPEX	(482.7)	(398.7)	(84.0)	(21.1)	<ul style="list-style-type: none"> • Consol effect new entities (\$76.8M) • Higher IT expenses and equipment maintenance cost
EBIT	62.9	65.3	(2.4)	(3.7)	Lower EBIT margin of 11.5% due to OPEX outpaced revenue growth
• EBIT (%)	11.5%	14.1%			
Share of results of Associates/JV (SoAJV)	14.7	20.7	(6.0)	(29.0)	<ul style="list-style-type: none"> • Gateway (-\$7.4M), Food (+\$1.4M) • Gateway: Absence of one-off gain (-\$5.8M) and BCS start up costs • Food: turnaround of Brahims
PATMI	59.3	68.9	(9.6)	(13.9)	Driven by lower EBIT and lower contribution from SoAJV
• PATMI (%)	10.9%	14.8%			
Core PATMI	59.3	63.1	(3.8)	(6.0)	Absence of one-off gain on transfer of DFASS to KSPL
• Core PATMI (%)	10.9%	13.6%			

Note: Figures in S\$m unless otherwise stated.

EBIT represents Operating Profits

9M FY20 Highlights



	9M FY20	9M FY19	Change		Commentary
			\$/ppt	%	
Revenue	1,508.1	1,356.5	151.6	11.2	<ul style="list-style-type: none"> • Gateway (+\$71.0M), Food (+\$80.4M) • Gateway: GTR consol (\$69.0M) offset by lower cargo volume and ship calls • Food: NWA (+\$14.9M), CFPL (+\$56.3M) and offset by FASSCO deconsol
OPEX	(1,323.4)	(1,160.3)	(163.1)	(14.1)	<ul style="list-style-type: none"> • Consol effect of new entities (+\$132.5M) • Overall volume increase • Lower forex gain (\$4.2M) • Higher IT expenses
EBIT	184.7	196.2	(11.5)	(5.9)	Lower margin of 12.2% as OPEX outpaced revenue growth
• EBIT (%)	12.2%	14.5%			
Share of results of Associates/JV (SoAJV)	43.0	50.0	(7.0)	(14.0)	<ul style="list-style-type: none"> • Gateway (-\$7.8M), Food (+\$0.8M) • Gateway: Absence of one-off gain (-\$5.8M) and BCS start up costs • Credit losses for Jet Airways (\$3.3M) • Excl. credit losses and one-off gain, SoAJV grew \$2.1M (4.8%)
PATMI	174.7	198.5	(23.8)	(12.0)	Driven by lower EBIT and lower contribution from SoAJV
• PATMI (%)	11.6%	14.6%			
Core PATMI	174.7	192.7	(18.0)	(9.3)	Absence of one-off gain on transfer of DFASS to KSPL
• Core PATMI (%)	11.6%	14.2%			

%			Change		Change	
	3Q FY20	3Q FY19	ppt/%	9M FY20	9M FY19	ppt/%
EBIT Margin	11.5	14.1	(2.6)	12.2	14.5	(2.3)
PATMI Margin	10.9	14.8	(3.9)	11.6	14.6	(3.0)
EBITDA Margin	19.8	21.7	(1.9)	20.7	22.2	(1.5)
Return on Equity	3.6	4.3	n.m.	10.7	12.3	n.m.
Basic EPS (cents)	5.3	6.2	(14.5)	15.6	17.8	(12.4)

	31 DEC 19	31 MAR 19	Change ppt/%
NAV Per Share (\$)	1.45	1.48	(2.2)
Debt/Equity Ratio	0.18	0.06	0.12

Excluding the impact of adopting SFRS(I) 16, Debt/Equity ratio remained healthy at 0.06 times

Note: Figures in S\$ m unless otherwise stated.

Group Segmental Revenue

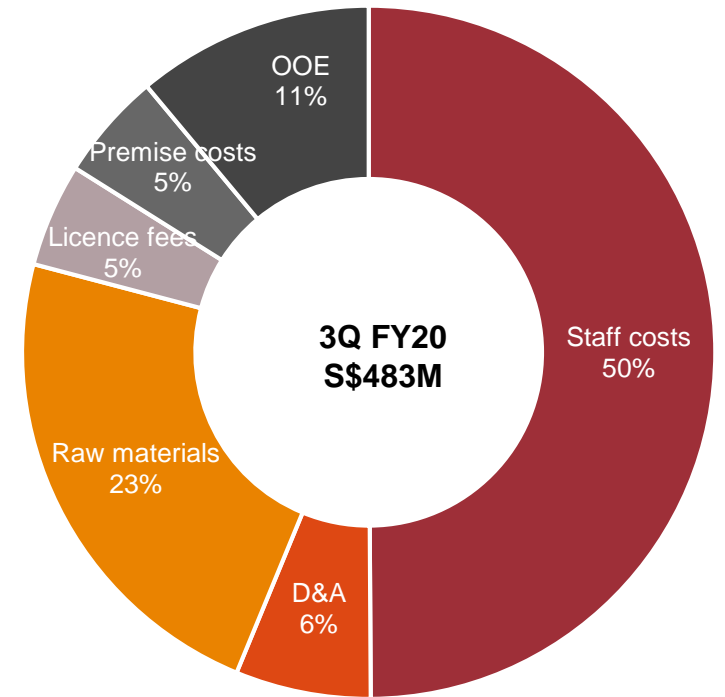
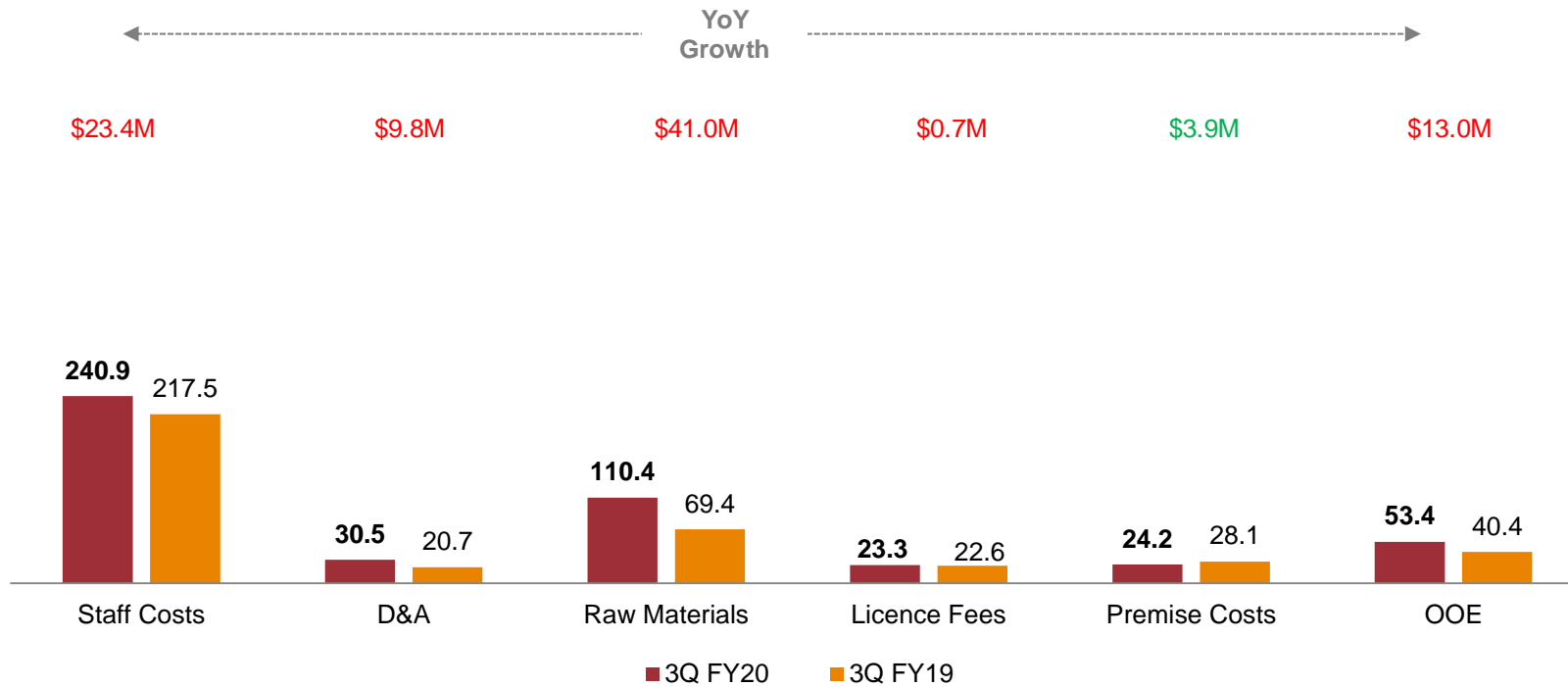


Revenue	3Q FY20	3Q FY19	Change (%)	9M FY20	9M FY19	Change (%)
By Business:						
Food Solutions	310.8	252.4	23.1	823.2	742.8	10.8
Gateway Services	234.3	211.3	10.9	683.5	612.5	11.6
Others	0.5	0.3	66.7	1.4	1.2	16.7
Total	545.6	464.0	17.6	1,508.1	1,356.5	11.2
By Industry:						
Aviation	440.9	393.9	11.9	1,272.2	1,163.0	9.4
Non-Aviation	104.2	69.8	49.3	234.5	192.3	21.9
Others	0.5	0.3	66.7	1.4	1.2	16.7
Total	545.6	464.0	17.6	1,508.1	1,356.5	11.2
By Geographical Location:						
Singapore	429.2	385.5	11.3	1,194.9	1,129.2	5.8
Japan	68.1	61.6	10.6	202.9	187.6	8.2
Asean (ex-SG)	23.7	0.1	n.m	69.8	0.4	n.m
Others	24.6	16.8	46.9	40.5	39.3	3.1
Total	545.6	464.0	17.6	1,508.1	1,356.5	11.2

Note: Figures in S\$ m unless otherwise stated.

n.m. – not meaningful

3Q FY20 Group Expenditure



- The increase in staff costs due to volume growth and consolidation of newly-added subsidiaries.
- The increase in D&A cost is mainly due to the adoption of SFRS(I) 16 from 1 APR 19.
- The higher cost of raw materials due to consolidation of CFPL and NWA.
- OOE rose due to higher maintenance and hiring costs for ground support equipment, fuel costs and IT expenses for digitalisation projects.
- Excluding GTR, NWA and CFPL consolidation and divestment of FASSCO, Group OPEX would have increased \$12.3M.

*Note: Figures in S\$ m unless otherwise stated.
 D&A represents Depreciation & Amortisation
 OOE represents Other Operating Costs
 GSE represents Ground Support Equipments*

Group Balance Sheet



\$M	As at 31 DEC 19	As at 31 MAR 19
Total Equity	1,803.0	1,817.1
Other Long-Term Liabilities	388.9	202.0
Current Liabilities	448.4	389.3
Total Equity & Liabilities	2,640.3	2,408.4
Fixed Assets, ROU Assets & Investment Properties	785.0	586.8
Associates / JVs	732.8	723.9
Intangible Assets	395.9	350.5
Other Non-Current Assets & Long-Term Investments	51.9	37.0
Current Assets		
<i>Cash & short-term deposits</i>	212.4	349.9
<i>Debtors & other current assets</i>	462.3	360.3
Total Assets	2,640.3	2,408.4

Adoption of SFRS (I)16 has resulted in the recognition of \$192M of ROU assets and \$196M of lease liabilities
 Total equity stood at \$1.8B with total assets of \$2.6B as of 31 DEC 19.

Group Cash Flow Statement



\$M	9M FY20	9M FY19	Difference
Net Cash From Operating Activities	163.7	184.8	(21.1)
Net Cash Used In Investing Activities	(73.2)	(46.6)	(26.6)
Net Cash Used In Financing Activities	(225.6)	(238.2)	12.6
Net decrease In Cash & Cash Equivalents	(135.1)	(100.0)	(35.1)
Cash & Cash Equivalents At End Of Financial Period	212.4	270.7	(58.3)
Free Cash Flow*	115.1	119.2	(4.1)

Net cash used in investing activities was higher mainly due to various investments as well as lower dividend received from associates/joint ventures.

Note: Figures in S\$ m unless otherwise stated.

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



Outlook



The COVID-19 epidemic has caused a significant reduction in air traffic in China, with a sharp decline in passenger and cargo volumes across Asia. Depending on the duration of this epidemic, there will be a consequential impact on the short-term financial performance of SATS. We are taking proactive steps to mitigate the risks and impact of the situation. Safety is our first priority at SATS, hence we have implemented plans to protect members of the public and our staff from the virus. We are working closely with the relevant authorities, suppliers and customers in each country we operate in, to support a coordinated and effective response. The company is in a strong position to weather the disruption to our business with resilience.

Ongoing investments in supply chain processes and systems will provide greater traceability that will further strengthen our ability to respond to contingencies across our network. Recent investments in overseas kitchens in Japan and China, along with ground handling investments in India, Malaysia and Saudi Arabia have enhanced our capabilities, strengthened our market position and diversified our revenue base.

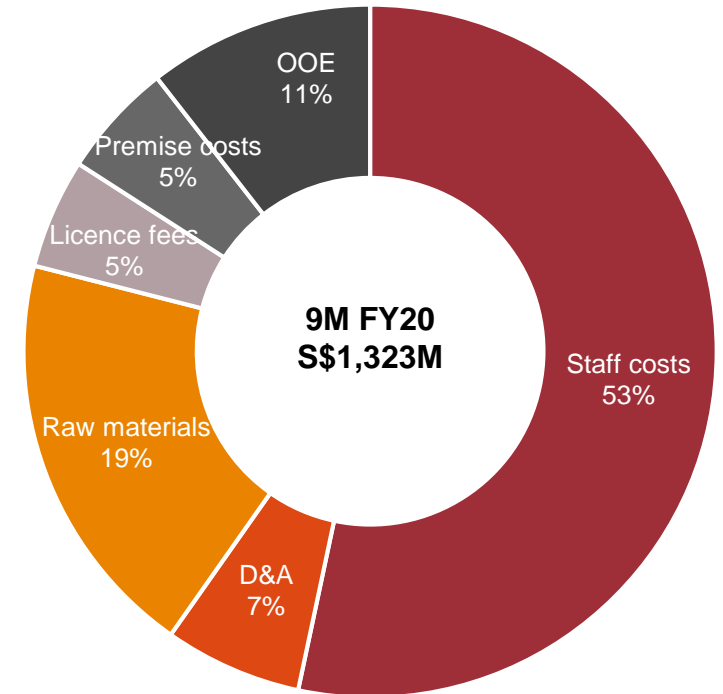
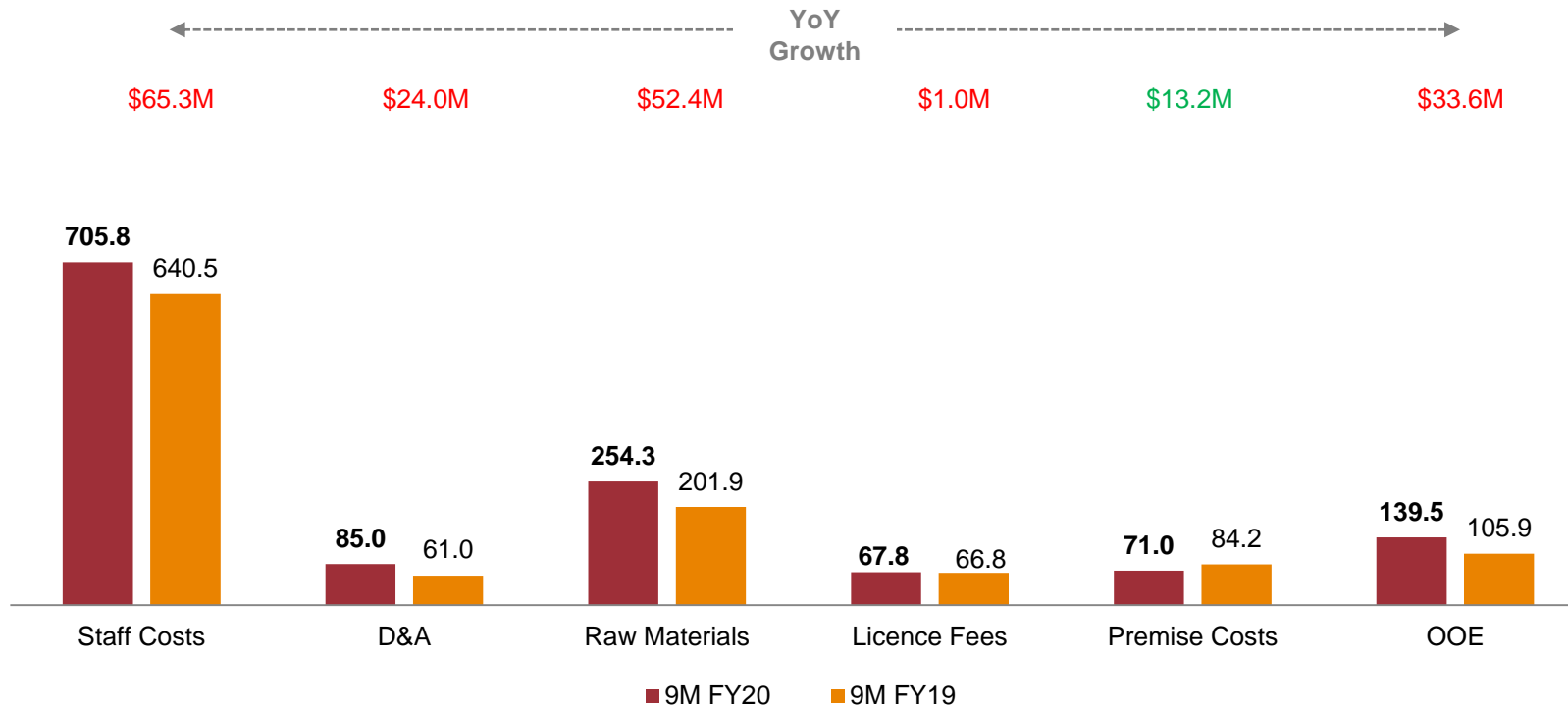


Q&A



Appendix

9M FY20 Group Expenditure



- The increase in D&A cost is mainly due to the adoption of SFRS(I) 16 from 1 APR 19.
- OOE rose due to higher maintenance for ground support equipment, IT expenses for digitalisation and transformation projects, fuel costs, foreign exchange losses and lower grants received.
- Excluding GTR, NWA and CFPL consolidation and divestment of FASSCO, Group OPEX would have recorded a lower increase of \$43.8M.

*Note: Figures in S\$ m unless otherwise stated.
 D&A represents Depreciation & Amortisation
 OOE represents Other Operating Costs
 GSE represents Ground Support Equipments*

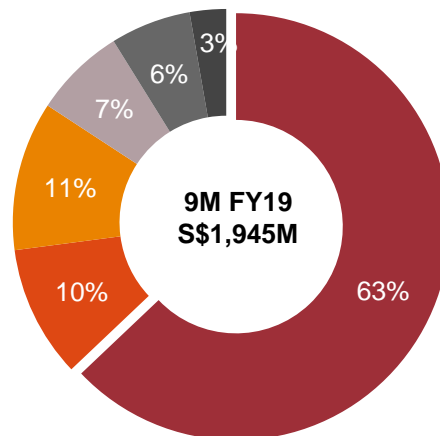
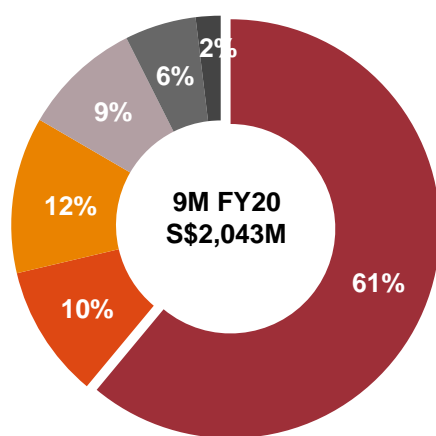
9M FY20 SATS share of revenue and PATMI by region



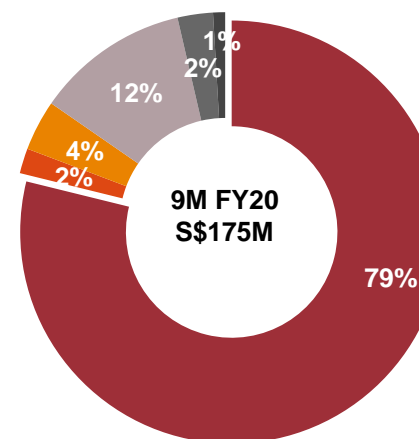
Region	Revenue		YoY %
	9M FY20	9M FY19	
Singapore	1,247.1	1,223.9	1.9
Japan	209.9	194.5	7.9
Asean (ex-SG)	187.7	134.7	39.3
Greater China	246.7	219.8	12.2
India	112.6	118.6	(5.1)
Others	39.2	53.6	(26.8)
Total	2,043.2	1,945.0	5.0

PATMI 9M FY20	YoY %
137.8	(11.6)
3.3	25.2
20.5	43.3
6.8	(42.7)
4.7	(59.4)
1.6	(27.3)
174.7	(12.0)

SATS Share of Revenue



SATS Share of PATMI



■ SG ■ Japan ■ Greater China ■ Asean (ex-SG) ■ India ■ Others

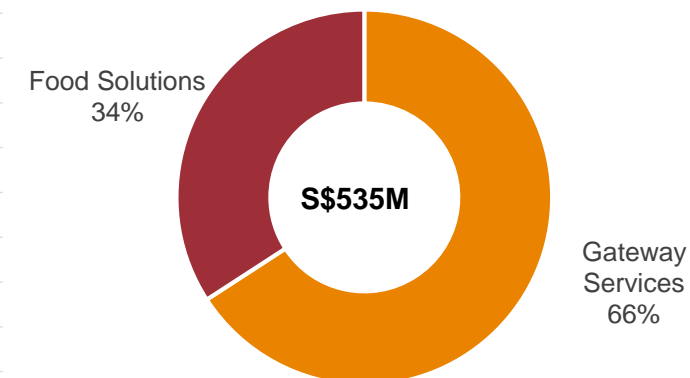
Summary of key associates / joint ventures



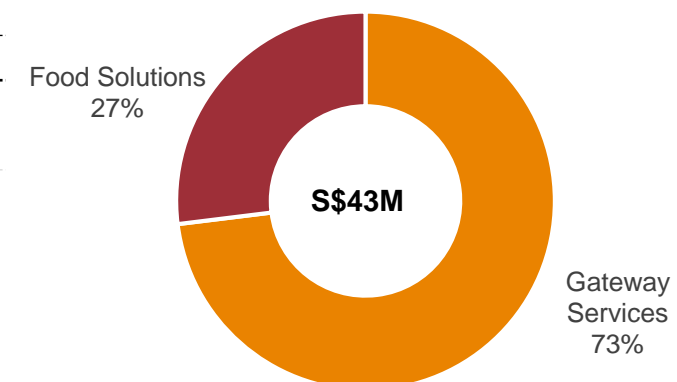
9M FY20 SATS share of revenue (SSoR)

No.	Associates/JVs	Business Unit	Total	Singapore	Japan	Asean (ex-SG)	Greater China	India	Others
1.	Evergreen Sky Catering	Food	29	-	-	-	29	-	-
2.	Taj SATS Air Catering/TMFK	Food	28	-	-	-	-	28	-
3.	Brahim's SATS	Food	26	-	-	26	-	-	-
4.	Beijing Airport Inflight Kitchen	Food	17	-	-	-	17	-	-
5.	MacroAsia Catering	Food	20	-	-	20	-	-	-
6.	PT Cardig Aero Services**	Gateway	66	-	-	66	-	-	-
7.	Air India SATS Airport Services	Gateway	55	-	-	-	-	55	-
8.	Asia Airfreight Terminal	Gateway	53	-	-	-	53	-	-
9.	Beijing Aviation Ground Services	Gateway	50	-	-	-	50	-	-
10.	Evergreen Airline Services/Air Cargo	Gateway	34	-	-	-	34	-	-
11.	Mumbai Cargo Services	Gateway	29	-	-	-	-	29	-
12.	OmanSATS	Gateway	12	-	-	-	-	-	12
	Sub-total	78.0%	419	-	-	112	183	112	12
	Others	22.0%	116	52	7	6	41	-	10
	Share of Associates/JVs revenue (SSoR)	100.0%	535	52	7	118	224	112	22
	Share of results of Associates/JVs (SoAJV)		43	1	-	20	11	5	6

SSoR



SoAJV



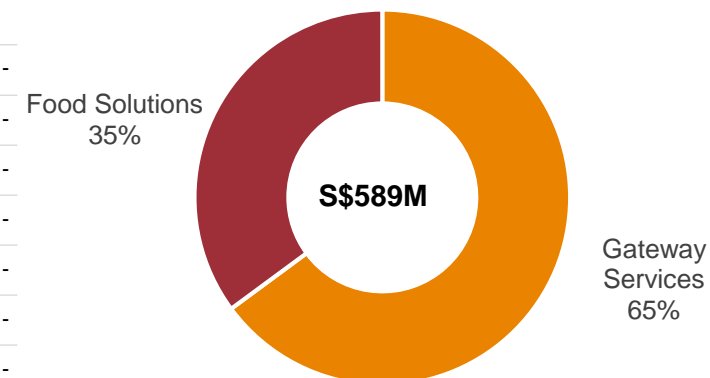
Summary of key associates / joint ventures



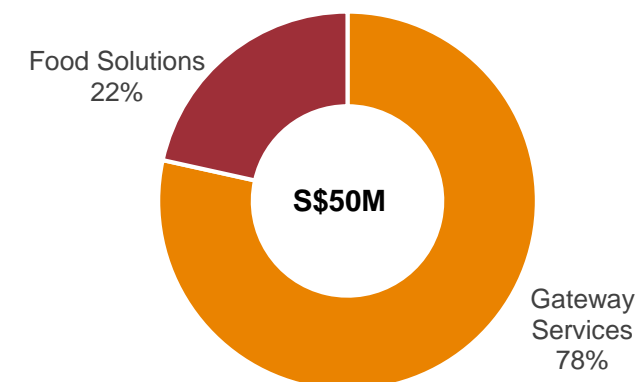
9M FY19 SATS share of revenue (SSoR)

No.	Associates/JVs	Business Unit	Total	Singapore	Japan	Asean (ex-SG)	Greater China	India	Others
1.	Taj SATS Air Catering/TMFK	Food	33	-	-	-	-	33	-
2.	Evergreen Sky Catering	Food	29	-	-	-	29	-	-
3.	Brahim's SATS	Food	23	-	-	23	-	-	-
4.	Beijing Airport Inflight Kitchen	Food	17	-	-	-	17	-	-
5.	MacroAsia Catering	Food	11	-	-	11	-	-	-
6.	PT Cardig Aero Services*	Gateway	66	-	-	66	-	-	-
7.	Asia Airfreight Terminal	Gateway	57	-	-	-	57	-	-
8.	Air India SATS Airport Services	Gateway	53	-	-	-	-	53	-
9.	Beijing Aviation Ground Services	Gateway	50	-	-	-	50	-	-
10.	Evergreen Airline Services/Air Cargo	Gateway	34	-	-	-	34	-	-
11.	Mumbai Cargo Services	Gateway	33	-	-	-	-	33	-
12.	OmanSATS	Gateway	11	-	-	-	-	-	11
	Sub-total	71.0%	417	-	-	100	187	119	11
	Others	29.0%	172	95	7	34	27	-	9
	Share of Associates/JVs revenue (SSoR)	100.0%	589	95	7	134	214	119	20
	Share of results of Associates/JVs (SoAJV)		50	4	-	14	15	12	5

SSoR



SoAJV



Note: Figures in S\$ m unless otherwise stated.

Based on Group management estimates

*PT CAS revenue refers to consolidated revenue of PT CAS Group which include PT Jasa Angkasa and PT Purantara Mitra