



Citi-SGX C-Suite Singapore Corporate Day

10 January 2017

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.



Our Business

Food Solutions



Airline catering



Institutional catering



Food distribution and logistics



Airline linen laundry

Gateway Services



Passenger services and lounge management



Ramp and baggage handling



Airfreight handling and logistics



Aviation security



Cruise centre management



Financial Summary

\$1.7 billion

Revenue¹

\$220.6 million

PATMI¹

\$48.0 million

**Share of results of
Associates/JV¹**

\$2.2 billion

Assets²

15.0%

Return on equity¹

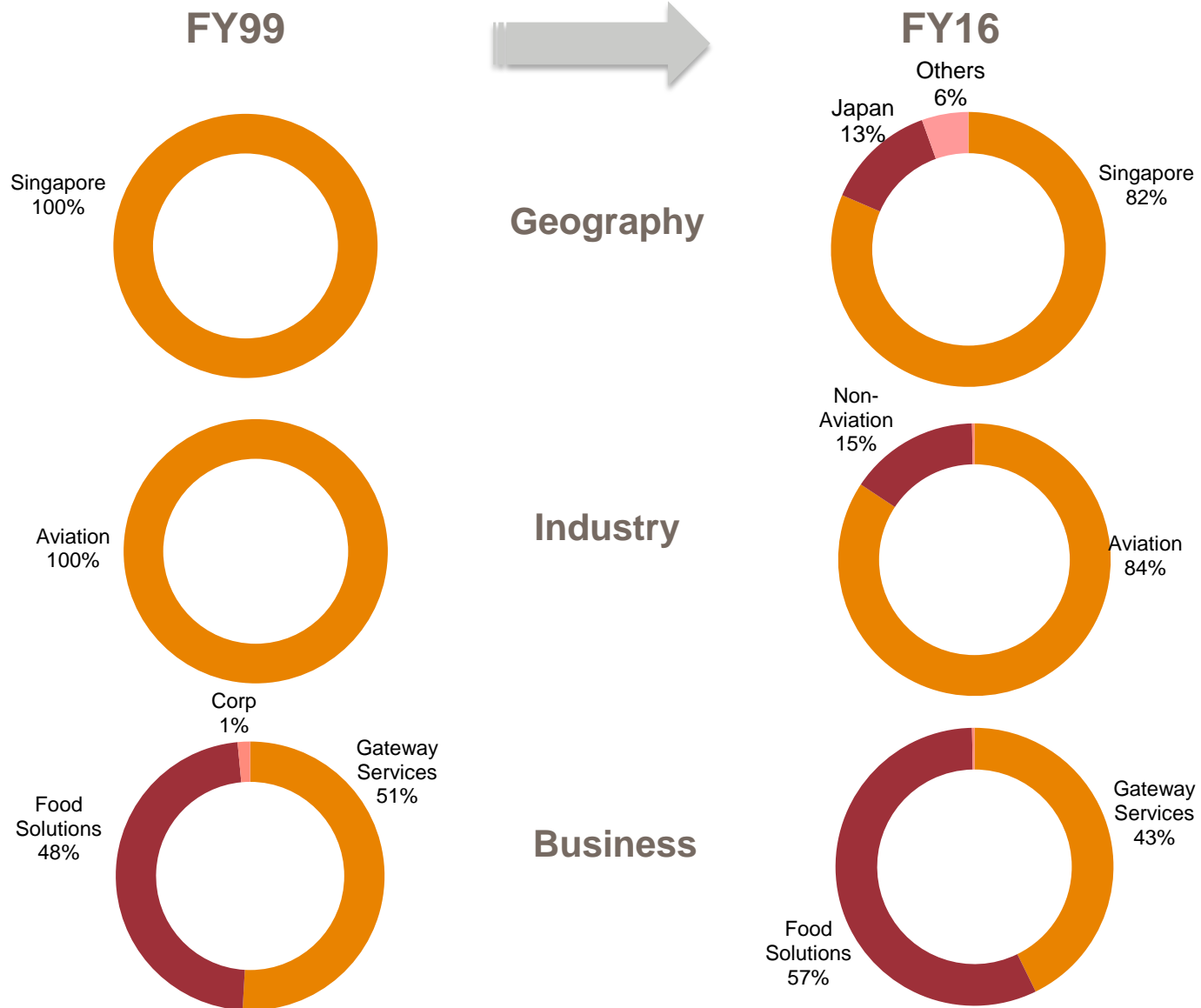
\$5.4 billion

Market cap²



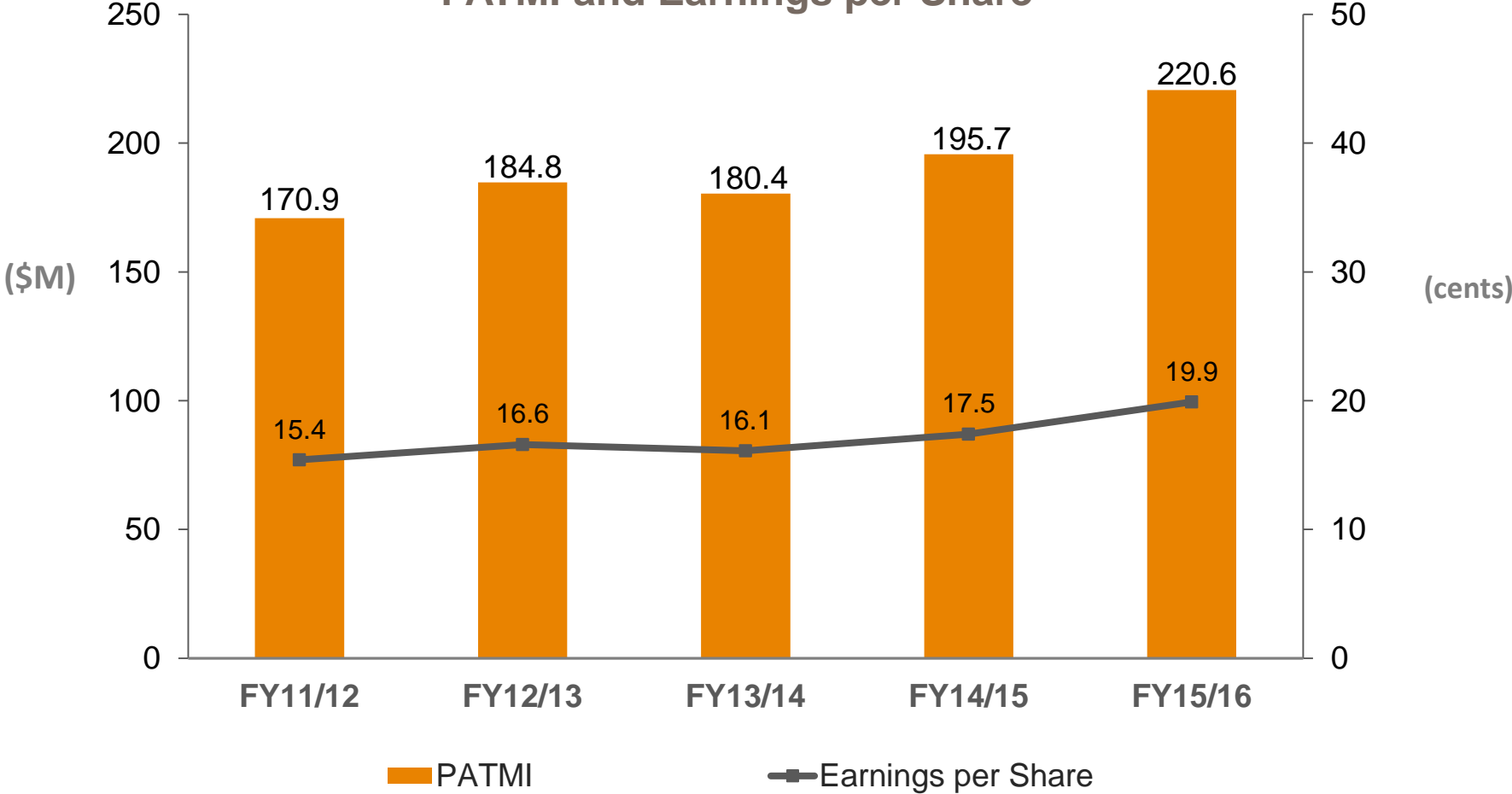
¹ For the twelve months ended 31 March 2016 ² As of 31 December 2016

Revenue Growth Beyond Singapore and Aviation



Improving PATMI and EPS

PATMI and Earnings per Share

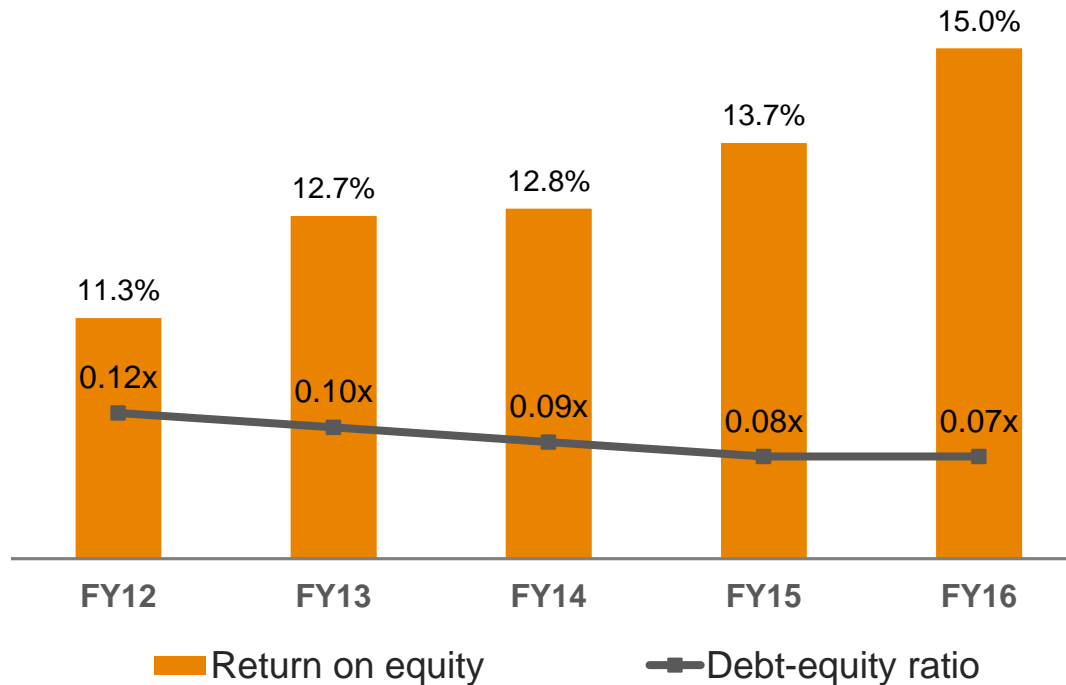


Strong Balance Sheet, Improving Return on Equity

\$489.9 million

Cash and short-term deposits ¹

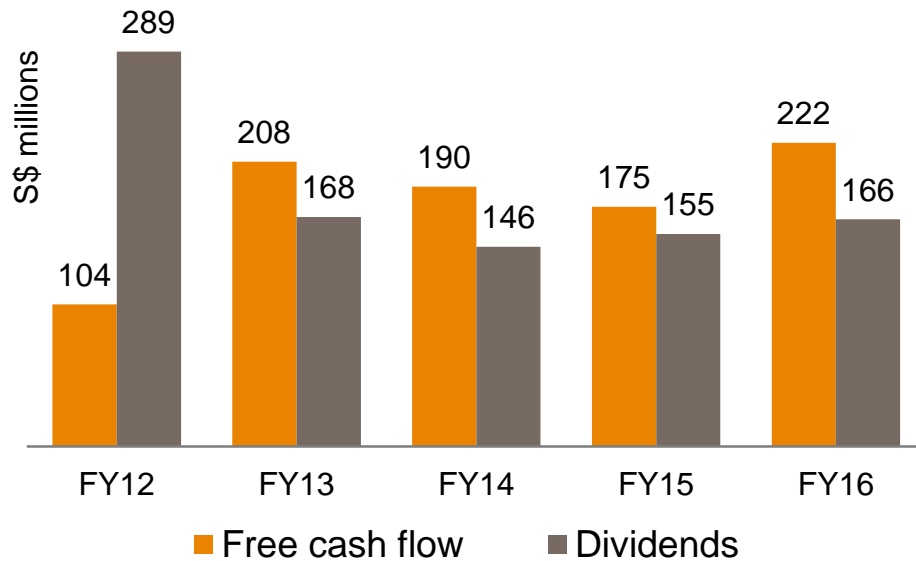
Return on Equity and Debt-Equity Ratio



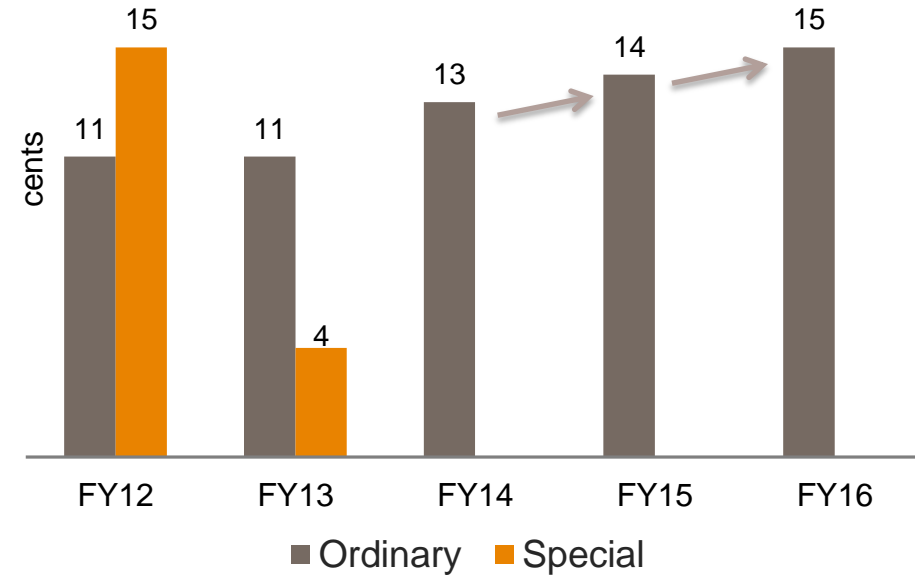
¹ As of 31 March 2016

Resilient Cash Flows, Growing Ordinary Dividends

Free Cash Flow and Dividends

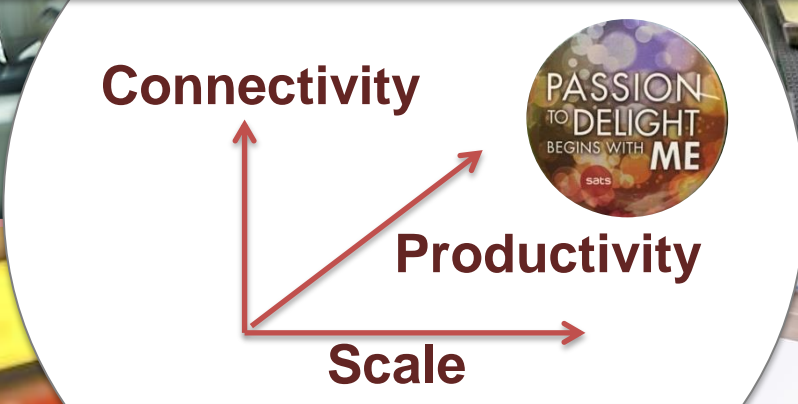


Dividend Per Share

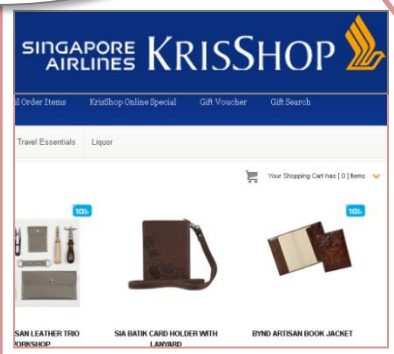




Feeding Asia



Connecting Asia



Growth

Three areas of growth:

- Pursuing organic growth in our existing portfolio
- Leveraging expertise and building out our core businesses in Asia and the Middle East
- Building up complementary adjacent businesses for new revenue stream

Tailor-Made Food Solutions for Varying Customer Needs

**Largest inflight
and institutional
caterer**

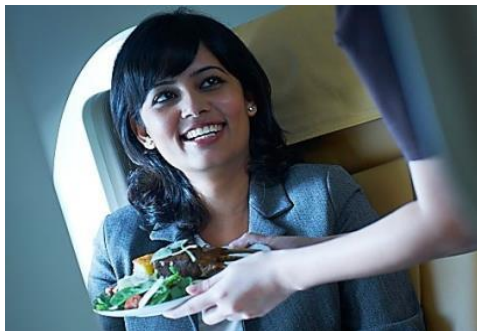


- 6 production facilities
- > 50 international and award-winning chefs
- SATS Culinary Consultants

Range of offerings include cook fresh, cook chill, cook freeze and retort



Customer segments include hospitality, healthcare, education, military and retail



Comprehensive Gateway Hub Handling Capabilities

**Presence
in Singapore**



- Changi Airport T1-3
- Airfreight Terminals 1-6
- Marina Bay Cruise Centre Singapore

Passenger services



Ramp handling



Cruise terminal
management



Transshipment freight handling



Perishable handling



Asia's Largest Food and Gateway Services Network

47 Airports

53 Cities

14 Countries

651,000

Flights¹



91 million

Passengers¹



96 million

Meals¹



4 million

Tonnes of cargo¹

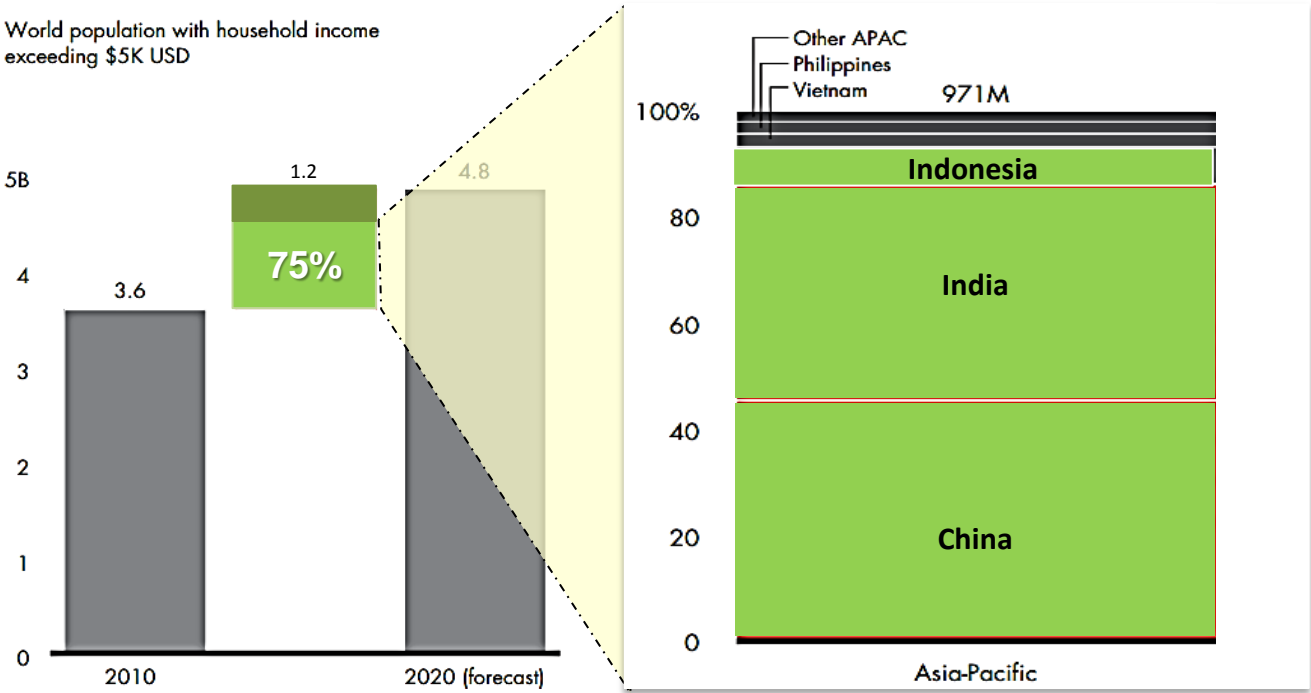


¹ Based on FY16 aviation statistics for Singapore and overseas operations

Growth of Middle Class in Asia

The rising wealth of emerging economies will continue to bring about more discretionary spending

From 2010 to 2020:
 Asia-Pacific forms 75% of the population growth in the global middle class, where more than two-thirds comes from China, India and Indonesia



Source: Euromonitor; Bain Macro Trends Group analysis, 2011

Increased food demand in Asia

Food consumption in China will more than double to around **US\$1.48 trillion** by 2020

- Gateway Services
- ▲ Food Solutions
- Gateway Services and Food Solutions



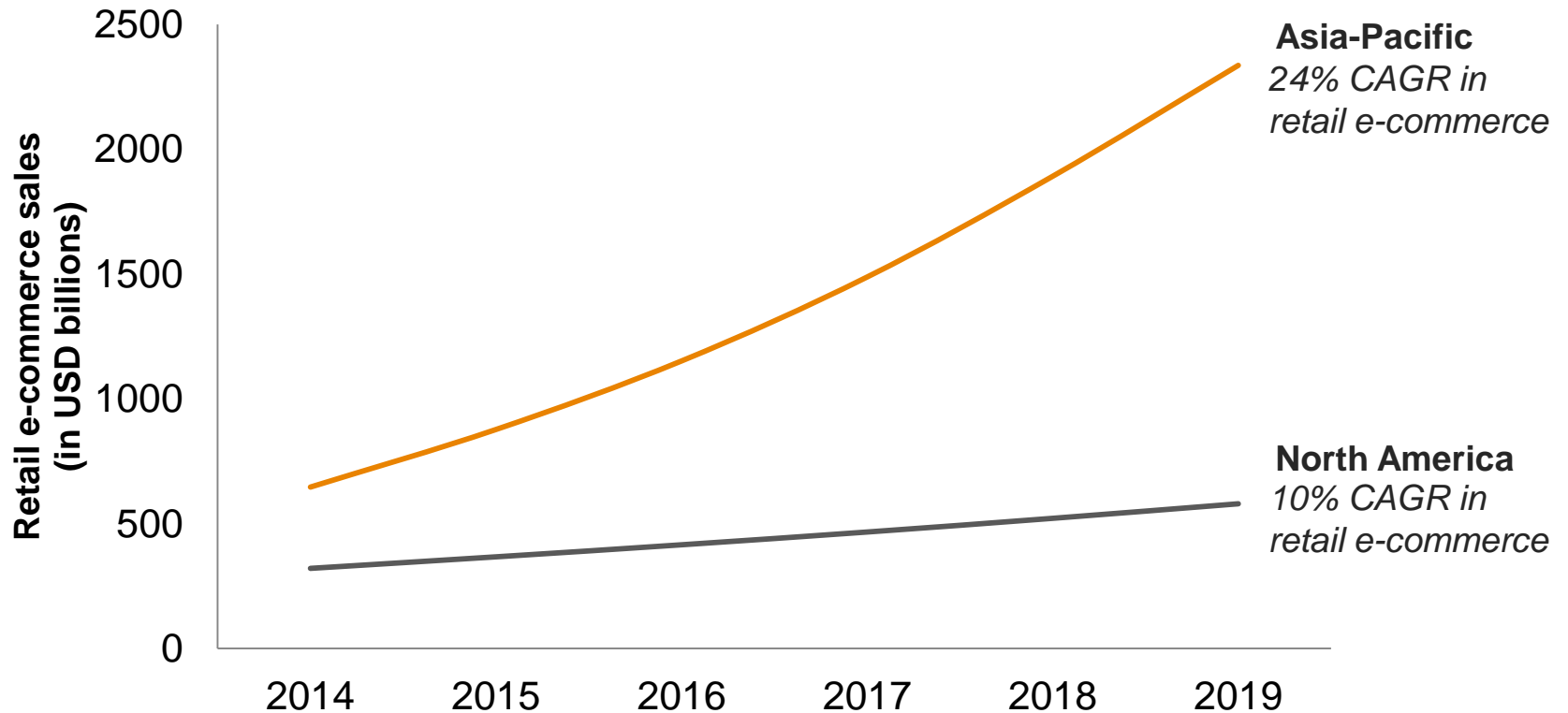
Indonesia will account for **56%** of the **Southeast Asian** food market size

Food demand in Asia will more than double by 2020, to nearly US\$3 trillion a year

- Asia will consume nearly 80% as much food as US



...for e-Commerce

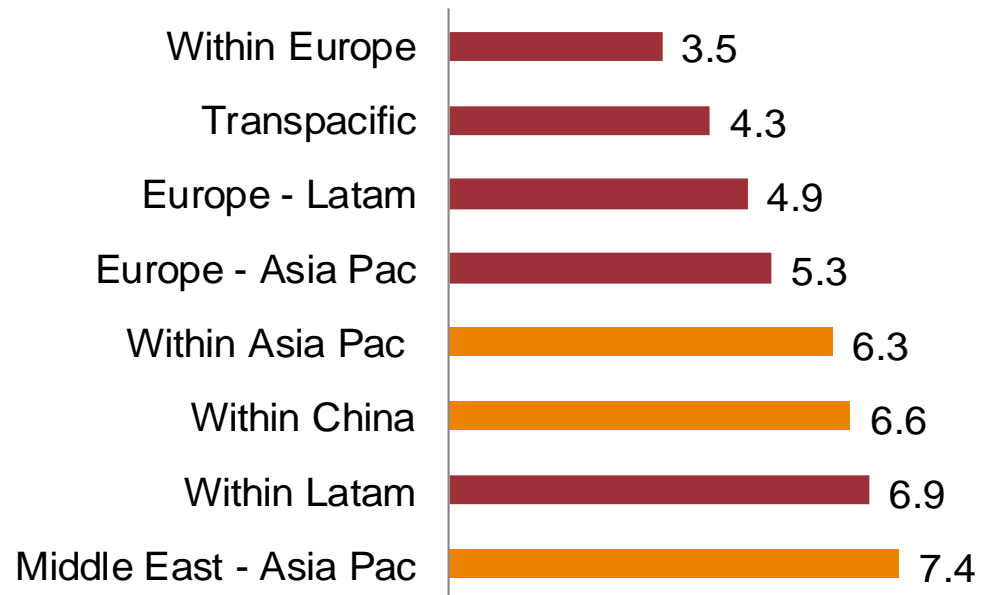


Source: [eMarketer, December 2015](#)

...for Travel

Air Travel Penetration Rate (%) ^a					
Asia	0.4	Europe	3.3	N. America	5.6

Asia Pacific Air Traffic to Grow 6.3% Annually Until 2033^b



^a Changi Airport Group

^b Current Market Outlook 2014, Boeing

Increased Passenger Volumes

Growth trends of passenger volumes in key markets

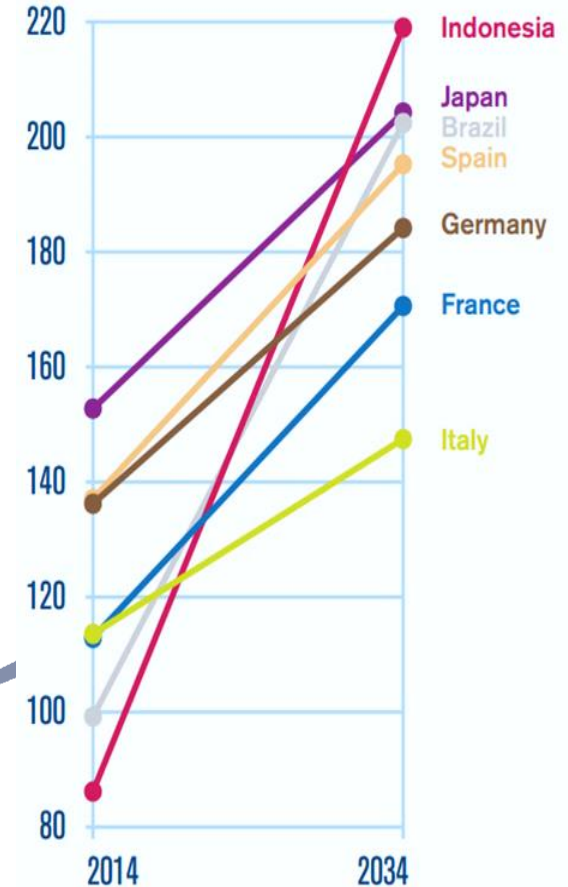
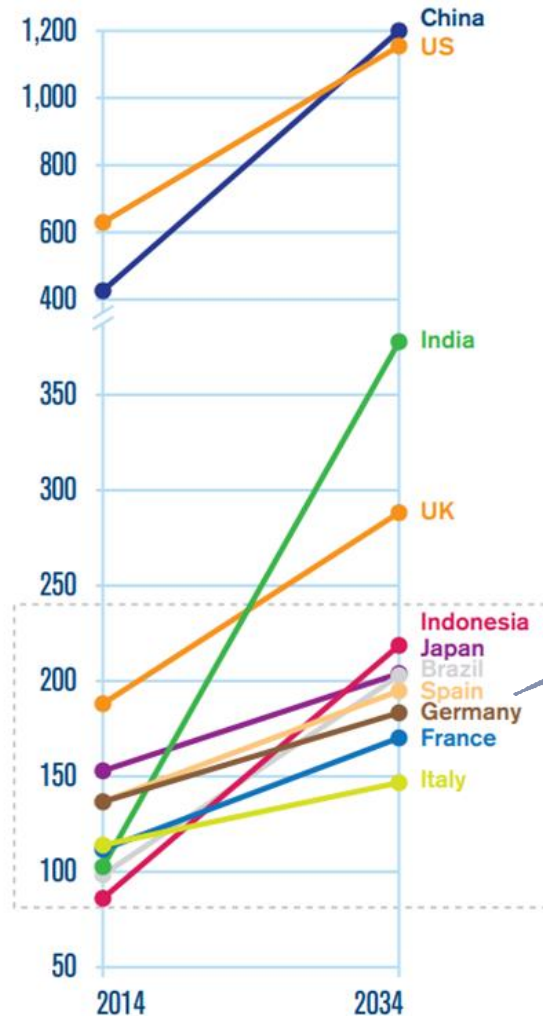
Millions

Asia Pacific will grow by an extra **1.8 billion** passengers by 2034.

Majority of the growth comes from:

China: +63.7%
 India: +275%
 Indonesia: +159%

Intra-Asia traffic will account for **62%** of all traffic to, from and within Asia in 2034




Source: IATA; Boeing CMO

Building Out Across Asia and Middle East



SAUDI ARABIA

- Won a tender to become the second cargo handler at King Fahd International Airport in Dammam in August 2016

Brahim's 

MALAYSIA

- Acquired 49% of Brahim's Airline Catering Holdings in February 2016

TAIWAN

- Entered into a conditional Share Sale Agreement to acquire additional 10% in Evergreen Sky Catering Corporation in December 2016 to raise stake from 15% to 25%



Saudi Arabia Oman

Taiwan

Philippines

Malaysia

Indonesia



PHILIPPINES

- Acquired additional 13% interest in MacroAsia Catering Services in January 2016 to raise stake from 20% to 33%






OMAN

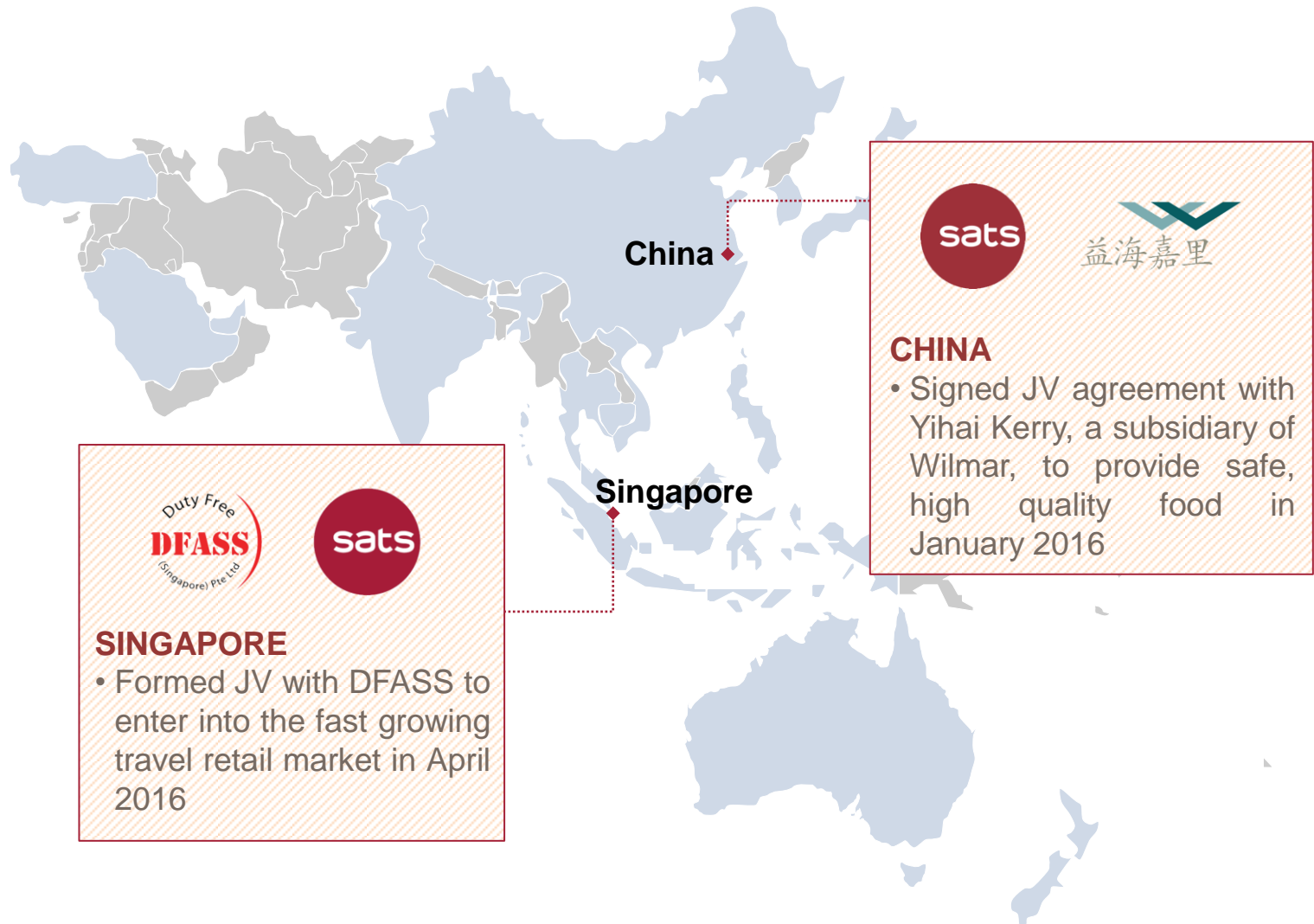
- Signed share sale agreement with Oman Air for cargo handling services at Muscat International Airport in March 2016

INDONESIA

- Signed Share Subscription Agreement to acquire 20% of Purantara Mitra Angkasa Dua, inflight catering arm of PTCAS in May 2016




Building Up Into Adjacent Businesses



Power Up Transformation

BUSINESS > SINGAPORE BUSINESS

SATS, SingPost in airmail handling tie-up

The companies will set up an automated facility at SATS Airfreight Terminal 1 to bring their airmail consignment operations under one roof.

POSTED: 17 Aug 2015 19:36

PHOTOS



Alex Hungate, president and CEO of SATS and Dr. Wolfgang Baier, group CEO of SingPost, sign a commercial agreement to collaborate in the area of eCommerce (Photo: SingPost and SATS)

BUSINESS > SINGAPORE BUSINESS

SATS' Japan subsidiary signs S\$325m catering deal with Delta Air Lines

The subsidiary, TFK Corporation, will offer inflight catering services for the American airline at Narita and Haneda airports in Tokyo from October.

POSTED: 24 Jun 2015 00:35

PHOTOS



File photo of Delta Airlines planes. (AFP/Erin Thayer)

Bengaluru airport to get its first perishable cargo facility

Air India joint venture to set up 60k sq ft centre at Kempegowda International Airport

Praveen Bose | Bengaluru | March 2, 2015 Last Updated at 20:30 IST

Get Air Cargo News - Free
Subscribe to our digital edition and tablet app for free today! aircargonews.net Free-Subscription
Ads by Google

Ground workers at Changi Airport get smartwatches, hands-free headsets

By Lee Li Ying, Channel NewsAsia | Posted 15 Dec 2016 22:08 | Updated 15 Dec 2016 23:47

VIDEOS PHOTOS



SATS technical ramp staff demonstrating the use of the smartwatch. (Photo: Lee Li Ying)

1086

Facebook Twitter LinkedIn Email More

SINGAPORE: One hundred and thirty SATS ground workers at Changi Airport have been given smartwatches and hands-free headsets to help them improve

SATS unveils e-Acceptance, training initiatives

Nisha Ramchandani | The Business Times | Friday, Apr 17, 2015



SATS Airline Catering Introduces In House Culinary Consultants

Posted by Adrian



SATS expands kitchen with \$18m new production line

Monday, August 1, 2016 - 14:12

by ANGELA TAN | angelat@sph.com.sg

Swiss, Cargologic and SATS form quality alliance

Swiss WorldCargo and its partner ground handling companies Cargologic AG and SATS have concluded a memorandum of understanding aimed at further enhancing their cargo handling and information services.

SATS gets IATA pharma seal of approval

12 / 02 / 2014



Singapore Airport Terminal Services (SATS) perishables handling facility



2Q FY16/17 Performance Review



Operating Statistics for SATS Group

	1H16/17	1H15/16	Change (%)
Passengers Handled ('M)	25.18	22.98	9.6
Flights Handled ('000)	83.88	78.22	7.2
Cargo/Mail Processed ('000 tonnes)	840.64	779.24	7.9
Gross Meals Produced ('M)	34.21	30.80	11.1
Ship Calls Handled	22	15	46.7

* 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.



2Q16/17 Highlights

Revenue

\$438.5M 3.7%

- There was growth in both Food Solutions' revenue (+4%) and Gateway Services' revenue (+3.4%). Excluding the impact from the transfer of food distribution business to SATS BRF Food, Group's underlying revenue would have increased \$32.4M (+7.7%) while Food Solutions' revenue would have increased \$26.3M (+10.8%).

Operating profit

\$63.6M 7.4%

- Higher expenditures (+3.1%) were noted in most categories of expenditure except for cost of raw materials and company premise and utilities expenses.

Share of results of Associates/JVs, net of tax

\$11.5M -3.4%

- Lower contributions from Gateway Services' associates/JVs in the quarter.

PATMI

\$62.1M 4.0%

- EPS increased to 5.6 cents from 5.4 cents.



1H16/17 Highlights

Revenue

\$862.7M 2.8%

- There was growth in both Food Solutions' revenue (+1.8%) and Gateway Services' revenue (+4%). Excluding the transfer of the food distribution business, the Group's underlying revenue would have increased \$68.1M (+8.1%) while Food Solutions' revenue would have increased \$53.6M (+11.1%).

Operating profit

\$118.1M 14.4%

- Higher expenditures (+1.1%) were noted in most categories of expenditure except for cost of raw materials and company premise and utilities expenses.

Share of results of Associates/JVs, net of tax

\$23.7M -4.0%

- Share of after-tax profits from associates/JVs declined 4% with lower contributions from both Food Solutions' and Gateway Services' associates/JVs.

PATMI

\$126.2M 15.5%

- Underlying net profit was \$117.6M, 10.1% higher y-o-y.
- EPS increased to 11.4 cents from 9.9 cents.

Debt-to-equity

0.08 times 14.3%

- Debt-to-equity ratio remained healthy at 0.08 times.
- Cash and short-term deposits stood at \$452.7M.
- Free cash flow generated year-to-date amounted to \$68.1M.



2Q and 1H16/17 Financials

\$M	2Q16/17	2Q15/16	Favourable/ (Unfavourable) Change (%)	1H16/17	1H15/16	Favourable/ (Unfavourable) Change (%)
Revenue	438.5	422.7	3.7	862.7	839.6	2.8
Expenditure	(374.9)	(363.5)	(3.1)	(744.6)	(736.4)	(1.1)
Operating Profit	63.6	59.2	7.4	118.1	103.2	14.4
EBITDA	81.3	74.5	9.1	154.5	136.7	13.0
Share of Results of Associates/JVs, Net of Tax	11.5	11.9	(3.4)	23.7	24.7	(4.0)
Gain on disposal of assets held for sale	-	-	n.m.	9.3	-	n.m.
Net gain from transfer of business to a JV	-	-	n.m.	-	2.5	n.m.
Loss on divestment/dilution of interest in associates	-	-	n.m.	(0.7)	-	n.m.
PBT	76.5	71.5	7.0	152.7	131.4	16.2
PATMI	62.1	59.7	4.0	126.2	109.3	15.5
Underlying Net Profit*	62.1	59.7	4.0	117.6	106.8	10.1

n.m. – not meaningful

** Underlying net profit refers to profit attributable to owners of the Company excluding one-off items – gain on disposal of assets held for sale, net gain from transfer of business to a JV and loss on divestment / dilution of interest in associates.*



Financial Indicators

%	2Q16/17	2Q15/16	Change (ppt)	1H16/17	1H15/16	Change (ppt)
Operating Margin	14.5	14.0	0.5	13.7	12.3	1.4
EBITDA Margin	18.5	17.6	0.9	17.9	16.3	1.6
PBT Margin	17.4	16.9	0.5	17.7	15.7	2.0
PATMI Margin	14.2	14.1	0.1	14.6	13.0	1.6
Underlying Net Margin	14.2	14.1	0.1	13.6	12.7	0.9

	2Q16/17	2Q15/16	Change (%)	1H16/17	1H15/16	Change (%)
EPS Based on PATMI (cents)	5.6	5.4	3.7%	11.4	9.9	15.2%

	30 SEP 16	31 MAR 16
NAV Per Share (\$)	1.37	1.34
Debt-to-Equity Ratio	0.08	0.07

Improved margins and higher EPS in 2Q and 1H.



Group Segmental Revenue

\$M	2Q16/17	2Q15/16	Change (%)	1H16/17	1H15/16	Change (%)
By Business:						
Food Solutions	252.7	243.0	4.0	492.7	484.1	1.8
Gateway Services	184.5	178.5	3.4	367.4	353.2	4.0
Corporate	1.3	1.2	8.3	2.6	2.3	13.0
Total	438.5	422.7	3.7	862.7	839.6	2.8
By Industry:						
Aviation	381.6	358.9	6.3	752.4	701.7	7.2
Non-Aviation	55.6	62.6	(11.2)	107.7	135.6	(20.6)
Corporate	1.3	1.2	8.3	2.6	2.3	13.0
Total	438.5	422.7	3.7	862.7	839.6	2.8
By Geographical Location:						
Singapore	342.9	348.9	(1.7)	684.9	699.4	(2.1)
Japan	71.1	53.2	33.6	137.3	101.8	34.9
Others	24.5	20.6	18.9	40.5	38.4	5.5
Total	438.5	422.7	3.7	862.7	839.6	2.8

Revenue mix between Food Solutions and Gateway Services of 58:42 for 2Q16/17.



Group Expenditure

\$M	2Q16/17	2Q15/16	Favourable/ (Unfavourable) Change (%)	1H16/17	1H15/16	Favourable/ (Unfavourable) Change (%)
Staff Costs	210.6	200.8	(4.9)	424.4	400.9	(5.9)
Cost of Raw Materials	69.1	72.7	5.0	131.5	148.6	11.5
Licence Fees	16.5	16.3	(1.2)	33.8	33.3	(1.5)
Depreciation & Amortisation charges	18.1	17.0	(6.5)	35.9	34.3	(4.7)
Company Premise & Utilities Expenses	28.0	28.5	1.8	54.9	57.9	5.2
Other Costs	32.6	28.2	(15.6)	64.1	61.4	(4.4)
Group Expenditure	374.9	363.5	(3.1)	744.6	736.4	(1.1)
Group Revenue	438.5	422.7	3.7	862.7	839.6	2.8

Reduction in cost of raw materials and company premise and utilities expenses helped mitigate the increase in expenditure in most expense categories.

Associates/JVs Performance by Business

\$M	2Q16/17	2Q15/16	Change (%)	1H16/17	1H15/16	Change (%)
PAT	11.5	11.9	(3.4)	23.7	24.7	(4.0)
Food Solutions	2.9	2.8	3.6	4.7	5.4	(13.0)
Gateway Services	8.6	9.1	(5.5)	19.0	19.3	(1.6)
Dividends Received	5.2	8.5	(38.8)	20.7	26.1	(20.7)

AISATS, AAT, BAIK, MIC and PT JAS together contributed approximately 75% of our share of after-tax profits from associates/JVs.

Group Balance Sheet

\$M	As at 30 SEP 16	As at 31 MAR 16
Total Equity	1,604.8	1,565.1
Long-Term Liabilities	73.6	70.3
Current Liabilities	475.4	470.3
Total Equity & Liabilities	2,153.8	2,105.7
Fixed Assets & Investment Properties	547.1	530.7
Associates / JVs	579.2	546.1
Intangible Assets	162.6	163.7
Other Non-Current Assets & Long-Term Investments	57.9	35.6
Current Assets		
<i>Debtors & prepayments</i>	332.2	306.2
<i>Inventories</i>	22.1	22.4
<i>Assets held for sale</i>	-	11.1
<i>Cash & short-term deposits</i>	452.7	489.9
Total Assets	2,153.8	2,105.7

Cash and short-term deposits decreased mainly due to dividends of \$111.4 million paid out to shareholders during the second quarter, capital expenditure and investments in associates/JVs.

Group Cash Flow Statement

\$M	1H16/17	1H15/16	Difference
Net Cash From Operating Activities	105.1	56.4	48.7
Net Cash (Used In) / From Investing Activities	(35.8)	10.6	(46.4)
Net Cash Used In Financing Activities	(110.1)	(94.3)	(15.8)
Net Decrease In Cash & Cash Equivalents	(40.8)	(27.3)	(13.5)
Cash & Cash Equivalents At End Of Financial Period	452.7	402.9	49.8
Free Cash Flow*	68.1	40.4	27.7

Higher cash outflow in investing activities is mainly due to higher capital expenditure, increase in investments and lower dividends received.



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

Interim Dividend

\$M	1H16/17	1H15/16
Interim dividend declared (cents)	6.0	5.0

Book closure date on 28 November 2016.
Interim dividend to be paid on 8 December 2016.

Outlook

The operating environment is challenging, with global economic uncertainties and competitive pressures in the aviation business.

Our focus continues to be on harnessing technology to improve productivity, seeking new opportunities in the aviation business beyond Singapore and applying our capabilities to new ventures outside aviation.

SATS Inflight Catering Centre 2 is being expanded to handle larger batch sizes for the increased volume from Changi's Terminal 4 when it opens in 2017. Our cargo projects in Dammam and Oman will increase our presence in the Middle East. SATS eCommerce AirHub, scheduled to be completed early 2017, will enable us to serve our customers better.





End