



MEDIA RELEASE

SATS POSTS \$168.4 MILLION IN FULL YEAR PROFIT, 32.2% DECLINE AMID COVID-19 CRISIS

- Net loss of \$6.3 million for the fourth quarter with Group provisions and impairments of \$51 million
- SATS balance sheet remains resilient with about \$550 million in cash
- Non-aviation revenue grew year-on-year by 29.3% to \$335 million

SINGAPORE, 9 July 2020 – SATS Ltd. (SATS) today reports its unaudited results for the fourth quarter and the full year ended 31 March 2020.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

	4Q FY19-20 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	433.1	(38.4)	(8.1)
Expenditure	(391.6)	29.1	6.9
Operating profit	41.5	(9.3)	(18.3)
Share of results of associates/JVs, net of tax	(31.2)	(40.1)	n.m.
(Loss)/Profit attributable to owners of the Company	(6.3)	(56.2)	(112.6)
Underlying net profit ⁽¹⁾	5.6	(43.1)	(88.5)
EBITDA ⁽²⁾	42.9	(39.5)	(47.9)
Earnings per share (cents) - basic	(0.6)	(5.1)	(113.3)
Return on Equity (%/ppt) ²	(0.4)	(3.5)	n.m.

	FY19-20 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	1,941.2	113.2	6.2
Expenditure	(1,715.0)	(134.0)	(8.5)
Operating profit	226.2	(20.8)	(8.4)
Share of results of associates/JVs, net of tax	11.8	(47.1)	(80.0)
Profit attributable to owners of the Company	168.4	(80.0)	(32.2)
Underlying net profit ⁽¹⁾	180.3	(61.1)	(25.3)
EBITDA ⁽²⁾	355.6	(28.2)	(7.3)
Earnings per share (cents) - basic	15.1	(7.2)	(32.3)
Return on Equity (%/ppt) ²	10.3	(4.8)	n.m.

Note:

- 1 Underlying net profit (“Core Earnings”) refers to net profit attributable to owners of the Company excluding the following one-off items:

	4 th Quarter		Full Year	
	2019-20	2018-19	2019-20	2018-19
(i) Write-back of earn-out consideration	–	–	–	11.6
(ii) Impairment loss on investment in associates	(11.9)	–	(11.9)	(11.6)
(iii) Share of DFASS SATS Pte Ltd profits from the disposal of business to KrisShop Pte Ltd, net of tax	–	1.2	–	7.0

- 2 EBITDA refers to earnings (including Share of results of associates/joint ventures) before interest, tax, depreciation and amortisation; and excluding one-off items.
- 3 Return on equity is profit attributable to owners of the Company expressed as a percentage of the average equity holders’ funds for the respective periods (non-annualised).

GROUP EARNINGS**4Q FY19-20 (1 January – 31 March 2020)**

Group revenue decreased \$38.4 million or 8.1% to \$433.1 million year-on-year, with lower revenue for Gateway Services and higher revenue for Food Solutions. The Group’s performance for the quarter was impacted by the COVID-19 pandemic across the region, which led to a significant drop in global demand for air travel. This in turn created substantial adverse impact on revenue and profitability.

Gateway Services’ revenue declined \$40 million or 17.8% to \$185.3 million, due to the COVID-19 outbreak, while Food Solutions’ revenue increased marginally by \$1.9 million or 0.8% to \$247.3 million. The consolidation of Country Foods Pte. Ltd. (“CFPL”) (formerly known as SATS BRF Food Pte. Ltd.) and Nanjing Weizhou Airline Food Corp., Ltd. (“NWA”) contributed \$46.4 million and \$3.6 million respectively to Food Solutions’ revenue, which was partly offset by the reduction from the divestment of FASSCO.

Group expenditure for the quarter dropped \$29.1 million or 6.9% to \$391.6 million, compared to the previous corresponding quarter. The consolidation of new subsidiaries, as explained in the preceding paragraph, accounted for \$50.3 million of Group expenditure, compensated by \$6.1 million from the divestment of FASSCO.

Staff costs decreased \$59.8 million mainly due to government reliefs, reduced contract services, overtime and other variable staff costs attributable to lower aviation volumes. This was partially offset by expenses incurred from the consolidation of newly-added subsidiaries. The higher cost of raw materials was a result of the consolidation of CFPL and NWA, while lower licence fees were in line with lower aviation revenue. The increase in depreciation and amortisation costs due to the adoption of SFRS(I) 16 Leases was partially mitigated by a reduction in company premises and utilities expenses. New projects and assets also contributed towards the increase in depreciation costs. Other costs increased \$8.1 million, largely

attributable to higher allowance for doubtful debts, higher IT expenses relating to IT infrastructure to support digitalisation projects, and professional fees for projects and investments. Excluding the consolidation of the newly-acquired subsidiaries and divestment of FASSCO, Group expenditure would have recorded a higher reduction of \$73.3 million.

Operating profit for the Group in the fourth quarter dipped \$9.3 million or 18.3% to \$41.5 million, compared to same quarter last year, primarily attributable to the sharp decline in the Group's aviation revenue. Taking into account the increase in interest expense arising from the adoption of SFRS(I) 16, the negative impact on the Group's profit after tax and non-controlling interests from the new accounting standard was \$1 million for the quarter.

Share of results from associates/joint ventures fell \$40.1 million, registering a loss of \$31.2 million, compared to a \$8.9 million profit in the previous corresponding quarter. The share of results from associates/joint ventures was affected by reduced business volumes experienced by nearly all associates and joint ventures, as well as credit loss and asset impairments made by the associates and joint ventures in view of the COVID-19 outbreak. The total credit losses and impairment charges attributable to the Group for the quarter, amounted to \$51 million.

The Group recorded a net loss of \$6.3 million for the fourth quarter, a decline of \$56.2 million or 112.6% year-on-year. The underlying net profit of \$5.6 million was \$43.1 million or 88.5% lower year-on-year.

FY19-20 (1 April 2019 – 31 March 2020)

Group revenue for the year grew \$113.2 million or 6.2% to \$1,941.2 million. Food Solutions' revenue improved \$82.3 million or 8.3% to \$1,070.5 million, with \$121.2 million in revenue contribution arising from the consolidation of CFPL and NWA, partly offset by revenue from the divestment of FASSCO in August 2019, and lower aviation volumes in the last quarter of the financial year. Gateway Services' revenue increased \$31 million or 3.7% to \$868.8 million, mainly due to the consolidation of Ground Team Red Holdings Sdn Bhd and Ground Team Red Sdn Bhd (collectively known as "GTR entities") and a strong performance in ground handling during the pre-COVID period, partially offset by lower cargo revenue.

Group expenditure increased \$134 million or 8.5% to \$1,715 million, compared to the previous corresponding year, mainly attributable to the consolidation of newly-acquired subsidiaries as explained above. This was compensated by the divestment of FASSCO amounting to \$19.3 million.

Staff costs were marginally higher by \$5.5 million largely due to the consolidation of newly-added subsidiaries, mitigated by government reliefs, lesser contract services, overtime and other variable staff costs attributable to lower aviation volumes in the last quarter. The higher cost of raw materials was a

result of the consolidation of CFPL and NWA. The increase in depreciation and amortisation costs due to the adoption of SFRS(I) 16 *Leases* was partially compensated by a reduction in company premises and utilities expenses. New projects and assets also led to the increase in depreciation costs. Other costs increased \$41.7 million on the back of higher maintenance expenses for ground support equipment, IT expenses to support digitalisation and transformation projects, fuel costs, lower foreign exchange gains, and higher allowance for doubtful debts. Excluding the consolidation of the newly-acquired subsidiaries and divestment of FASSCO, Group expenditure would have recorded a decrease of \$29.1 million or 1.9%.

Operating profit for the Group fell \$20.8 million or 8.4% to \$226.2 million year-on-year. Taking into account the increase in interest expense arising from the adoption of SFRS(I) 16, the negative impact on the Group's profits after tax and non-controlling interest from the new accounting standard was \$3.9 million for the year.

Share of result from associates/joint ventures decreased \$47.1 million or 80% to \$11.8 million, compared to the last financial year. The share of results from associates/joint ventures was impacted by reduced business volumes experienced by nearly all associates and joint ventures, as well as credit loss and asset impairments made by the associates and joint ventures in view of the COVID-19 outbreak. Excluding the credit loss provisions and impairments made by the associates and joint ventures in the current year and gain of \$7 million from DSPL's disposal of business to KrisShop Pte Ltd in the last financial year, share of results of associates/joint ventures would have a lower decrease of \$7.3 million or 14.1%.

Group net profit attributable to owners of the company declined \$80 million or 32.2% to \$168.4 million. The underlying net profit was \$180.3 million, a decrease of \$61.1 million or 25.3% year-on-year.

GROUP FINANCIAL POSITION (as at 31 March 2020)

Total equity of the Group fell marginally by \$11.6 million to \$1,805.5 million as at 31 March 2020, compared to 31 March 2019. The lower equity was mainly attributable to lower profits generated during the year after deducting dividend payments to shareholders, mitigated by lower treasury shares and higher non-controlling interest.

Non-current assets increased \$280.1 million with higher property, plant and equipment, intangible assets, long-term investments as well as the recognition of right-of-use assets in accordance with SFRS(I) 16. The adoption of SFRS(I) 16 effective 1 April 2019, has resulted in right-of-use assets of \$206 million with corresponding non-current lease liabilities of \$190.2 million, and current lease liabilities of \$19.4 million as at 31 March 2020.

Intangible assets rose \$73.1 million, largely due to \$38.6 million arising from the acquisition of NWA, \$9.6 million from CFPL and \$27.8 million from a newly-acquired subsidiary in February 2020, Monty's Bakehouse UK Limited ("MBUK").

The lower investment in associates was mainly due to lower share of results from associates/joint ventures, resulting from reduced business volumes as well as credit loss and asset impairments made by the associates and joint ventures in view of the COVID-19 pandemic. This was partially offset by a \$21.5 million investment for the acquisition of 40% equity interest in Beijing CAH SATS Aviation Services Co., Ltd, an additional injection of \$0.5 million in KSPL, and share of associates' profits during the year.

The investment in joint ventures decreased due to the classification of the investment in CFPL to investment in subsidiaries, following the Group's acquisition of the remaining equity interest of 49% as explained in the earlier section. The Group also recorded a long-term investment of \$6.1 million for a 10% investment in Beijing Daxing International Airport Inflight Catering Ltd, a joint venture with Capital Airports Holding Company Limited and Juneyao Airlines Co., Ltd., to provide inflight catering and other related services at Beijing Daxing International Airport.

Current assets of the Group increased \$321.3 million, primarily from higher trade and other receivables, inventories, as well as cash and short-term deposits. Government grant receivables of \$80.0 million was included under trade and other receivables. The increase in inventories was predominantly due to the consolidation of CFPL and NWA, while higher cash and short-term deposits arose for the issuance of Series 001 Notes pursuant to the Multicurrency Debt Issuance Programme, drawdown loan facilities, cash from operating activities as well as dividends received from associates/joint ventures. The higher cash and short-term deposits were partly offset by FY2018-19 final and FY19-20 interim dividend payments, capital expenditure, and acquisition of equity interest in subsidiaries and associates.

As at 31 March 2020, \$10.5 million in assets of disposal group held for sale in relation to the 4% stake in Asia Airfreight Terminal Company Limited ("AAT") were reclassified to investment in associates.

Current liabilities increased \$172.9 million mainly due to higher term loans, as the Group has drawn down on existing credit facilities to build up its liquidity position during this period. The right-of-use lease liabilities from the adoption of SFRS(I) 16 effective 1 April 2019, was \$19.4 million as at 31 March 2020.

Non-current liabilities rose \$440.1 million largely from higher term loans, as well as lease liabilities of \$190.2 million from the adoption of SFRS(I) 16 as explained in the preceding paragraph. The higher term loans arose from the issuance of S\$200.0 million Notes due in 2025 pursuant to the \$500.0 million multicurrency Debt Issuance Programme. Other payables recorded include a deferred earn-out consideration of \$13.8 million payable over a 3-year period for the acquisition of MBUK, and another \$14 million deferred earn-out consideration for the acquisition of NWA.

Free cash flow generated during the year amounted to \$168.4 million and debt-to-equity ratio has increased to 0.39 times.

DIVIDENDS

In light of the significant uncertainties in our operating environment, the Board of Directors believe that it would be prudent not to pay a final dividend for FY19-20. Therefore, the full year total dividend is 6 cents. This will allow the company to preserve more jobs and capabilities to support our customers as aviation volumes resume, and to pursue opportunities outside of aviation.

OUTLOOK

The coronavirus pandemic continues to threaten public health, slow the world economy and sharply reduce aviation passenger volumes. There is still much uncertainty about how the pandemic will develop and the longer term impact on the economy and travel-related businesses.

However, there is no doubt that the way we fly will change, so SATS is working closely with our customers to reimagine air travel in a post-pandemic world. Even as we work to ensure operational continuity for today's disrupted aviation industry, we are developing new offerings for a low-touch future, incorporating digital solutions, new food technology and sustainable packaging.

Our investments in technology and digitalisation have enabled us to respond with agility and flexibility to the needs of new customers and the community during this crisis. In particular, we expect our food trading and distribution business to continue to grow, as we build our non-aviation food revenues.

Alex Hungate, President and Chief Executive Officer of SATS, said *“Despite the impact of the pandemic in 4Q, revenue for the Group grew 6.2%, driven by growth from initiatives beyond aviation. The operating environment in the next financial year will be challenging for our aviation related businesses. I would like to recognise our people for the flexibility and resilience that they have shown throughout. We are also grateful for the support that we have received from governments in Singapore and other markets that has helped SATS to retain our deep domain capabilities so that we can ramp up aviation operations with confidence as demand returns.”*

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ABOUT SATS LTD.

SATS is Asia's leading provider of food solutions and gateway services.

Our food solutions include airline catering as well as central kitchens for food service chains and institutions. Our comprehensive gateway services encompass airfreight handling, passenger services, ramp handling, baggage handling, aviation security services, aircraft interior and exterior cleaning, as well as cruise centre management.

SATS is present in over 65 locations and 14 countries across the Asia Pacific, UK, and Middle East.

SATS has been listed on the Singapore Exchange since May 2000. For more information, please visit www.sats.com.sg.

ANNOUNCEMENT INFORMATION

The complete 4Q and FY19-20 results of SATS are available at www.sats.com.sg.

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ANNEX A: GROUP FINANCIAL STATISTICS

Financial Results (S\$ million)	4Q FY19-20	4Q FY18-19	FY19-20	FY18-19
Revenue	433.1	471.5	1,941.2	1,828.0
Expenditure	(391.6)	(420.7)	(1,715.0)	(1,581.0)
Operating profit	41.5	50.8	226.2	247.0
Share of results of associates/JVs, net of tax	(31.2)	8.9	11.8	58.9
(Loss)/Profit before tax	(12.1)	60.1	213.9	307.7
(Loss)/Profit attributable to owners of the Company	(6.3)	49.9	168.4	248.4
Underlying net profit	5.6	48.7	180.3	241.4

Per Share Data

Earnings per share (cents)				
- Basic ^{R1}	(0.6)	4.5	15.1	22.3
- Diluted ^{R2}	(0.6)	4.5	15.0	22.2
Return on turnover (%) ^{R3}	(1.5)	10.6	8.7	13.6

Financial Position (S\$ million)	As at 31-MAR-20	As at 31-MAR-19
Equity attributable to owners of the Company	1,617.5	1,649.3
Total assets	3,009.8	2,408.4
Total debt	624.5	95.7
Gross debt/equity ratio (times) ^{R4}	0.39	0.06
Net asset value per share (\$) ^{R5}	1.45	1.48

Notes:

The Group financial statistics should be read in conjunction with the explanatory footnotes found on page 1 of this media release.

^{R1} Earnings per share (basic) is computed by dividing profit attributable to owners of the Company by the weighted average number of fully paid shares in issue.

^{R2} Earnings per share (diluted) is computed by dividing profit attributable to owners of the Company by the weighted average number of fully paid shares in issue after adjusting for dilution of shares under various employee share plans.

^{R3} Return on turnover is computed by dividing profit attributable to owners of the Company by total revenue.

^{R4} Gross debt/equity ratio is computed by dividing total debt by equity attributable to owners of the Company.

^{R5} Net asset value per share is computed by dividing equity attributable to owners of the Company by the number of ordinary shares (excluding treasury shares) in issue.

ANNEX B: OPERATING STATISTICS

	2H FY19-20	2H FY18-19	Change (%)	FY19-20	FY18-19	Change (%)
Passengers Handled ('M)	38.90	30.39	28.0	84.62	59.87	41.3
Flights Handled ('000)	167.00	130.95	27.5	351.44	213.16	64.9
Cargo/Mail Processed ('000 tonnes)	879.97	923.52	(4.7)	1,790.58	1,857.87	(3.6)
Gross Meals Produced ('M)	42.79	37.85	13.1	82.46	76.05	8.4
Ship Calls Handled	155	199	(22.1)	258	312	(17.3)

Notes:

- i. *The above operating data cover SATS and its subsidiaries, but does not include joint ventures and associates.*
- ii. *Passengers handled comprise full service and low cost carriers, business aviation, as well as cruise ship passengers.*
- iii. *Gross meals include both in-flight and institutional catering meals.*
- iv. *Flights, cargo, and passengers handled by GTR and SATS Seletar Aviation Services have been included in the above operating statistics since January 2019 and April 2019 respectively. Gross meals produced by Nanjing Weizhou Airline Food Corp has been included in the above operating statistics since October 2019.*