

In Conversation with President and CEO

Q: What is SATS' strategy to grow?

A: We have positioned ourselves well as the leading services provider in Singapore and Asia. Singapore is an important aviation hub. It is our home. The size of our operations, the facilities that we have built to cater for future demand as well as our beliefs, high service standards, and product and service innovation which revolve around the needs of our customers, all stemmed from many years of conscientiously growing and strengthening the Singapore Hub for SIA and Changi Airport. In recent years, our success has been driven by the strategic thrusts of customer intimacy, operational excellence, innovation and growth. We have sharpened our focus on strengthening our gateway services and food solutions businesses.

We have achieved reasonable outcomes from these initiatives. We grew our footprint by adding SATS HK to our network. We now provide passenger and ramp services at a hub located in one of the fastest growing regions in the world. India is also important in terms of potential and scalability. Air India-SATS Airport Services, our ground handling joint venture with Air India, today operates in Bangalore, Delhi, Hyderabad, Mangalore and Trivandrum. We intend to scale up this business to deepen our presence in India.

In Singapore, we launched Asia-Pacific Star (APS) to cater to the fundamentally different ground handling and inflight catering needs of the low-cost carriers (LCCs). We added technical ramp handling to our scope of gateway capabilities, creating new opportunities for us to offer a wider suite of services to new and existing customers, including the private jets. We recently extended our gateway business to the cruise sector and will soon be managing and operating the new Marina Bay Cruise Centre Singapore (MBCCS) from 26 May 2012. Our presence at the airport and the cruise terminal provide opportunities to offer new value propositions to our customers through services like CruiseFly and FlyCruise.

In the area of food solutions, we acquired Singapore Food Industries (SFI), which provided immediate scale and size to our non-aviation food business. We successfully secured new contracts in event catering, including for the 2010 Youth Olympic Games held in Singapore. We continued to grow our non-aviation food business through ongoing product innovation as well as expanding our institutional catering business and venturing into remote catering services. We also established our presence in new locations including the Narita and Haneda airports in Japan as well as in Jeddah and Riyadh, Saudi Arabia through strategic acquisitions.

Moving ahead, there continue to be many exciting growth opportunities that we can pursue in both gateway services and food solutions, be it increasing our footprint in strategic hubs, broadening the customer segments that we currently serve or developing new product and service offerings. We remain focused on leveraging our capabilities in gateway and food businesses as well as our financial strength and long standing relationships with our customers and partners, to deepen our presence in the Asia Pacific and the Middle East regions.



Q: What will be the focus of SATS' gateway business in the near to medium term?

A: There are two sectors within the gateway business that we will continue to focus on – aviation and non-aviation.

On the aviation front, we continue to forge strong ties with our customers across three segments, namely the full service carriers, LCCs and private jets. It is important that we customise our operating model to meet their diverse and yet specific needs, and develop innovative solutions that will help them surmount operational and business challenges. A good example to demonstrate this is the recent collaboration by SATS Catering, APS and SFI to design the premium-class meals for Scoot. Through this collaboration, APS is able to offer a customised solution to the newly-launched LCC. We also collaborated with some of our key customers in joint projects and shared savings derived from productivity improvements with them. I am sure there will be more of such opportunities with other customers and industry stakeholders going forward.

Outside of aviation, we have extended our capabilities in gateway to the cruise sector. We took a big step forward when we inked a partnership with Creuers del Port de Barcelona, to bid for the tender to manage and operate the new MBCCS at Marina South.

While MBCCS is an asset-light investment for SATS, it is a landmark project as it not only marks our entry into the cruise sector, it also presents us with opportunities to offer our services to new customers in the areas of passenger handling, security services, event catering, provisioning of raw material and food supplies, and cool chain logistics.

Though currently in its nascent stage, the cruise sector in Asia is expected to grow steadily in the medium term as this region offers many new and exciting itineraries for cruise lines to set sail here. With Singapore's close proximity to the industry's major source markets including China and India, the country offers cruise lines an ideal port of call as well as a homeport for their ships. As such, we can expect bigger ships to call at the more spacious MBCCS. There are also many exciting opportunities that we can work on to grow in Singapore and elsewhere in the region.



Q: Following the divestment of Daniels Group, how do you intend to grow your non-aviation food business in the near to medium term?

A: Today, our food solutions business accounts for nearly 65% of SATS total revenue, with the aviation segment contributing more than two-thirds to the food solutions revenue. Despite this, the non-aviation segment remains an integral part of our food business.

Following the divestment of Daniels, we have stayed focused on growing our catering and food supplies provisioning businesses in the non-aviation food segment. We have a proven capability in institutional catering and will use the SFI vehicle to grow this segment locally and overseas.

To do that, we will capitalise on our expertise as a total food solutions provider and work on specific targets. These include hospitals, schools and large-scale events. We will also tap into the premium catering sector where we can leverage our capabilities in consultancy, F&B master planning, menu design and food safety management.

In November 2011, we made our first move into remote catering by forming a 51:49 joint venture company – Food and Allied Support Services Corporation (FASSCO) – with OCS Ventures. With our strong food solutions capabilities and food safety management expertise, we intend to offer remote catering services to institutional clients at onshore/offshore oil and gas and mining locations.

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Q: Given your strong balance sheet, what kind of M&A opportunities will SATS be pursuing in the next 12 months? How would they affect your capital management?

A: Our focus remains on growing our gateway and food businesses in both aviation and non-aviation sectors in the Asia Pacific and Middle East regions. We will continue to seek opportunities in these areas where we can accelerate growth and strengthen our position as a leading services provider in Asia.

In the aviation business, we will continue to look for ground handling and airline catering opportunities in the first and second-tier airports in China and India. In the area of non-aviation food, where the barriers to entry are considerably lower, we will look at opportunities to strengthen our institutional catering and food production competencies.

Given our strong balance sheet and cash reserves, we have the financial flexibility to access these opportunities. While our leaning is towards leverage, we will consider internal funding for smaller acquisitions and will continue to be prudent in our capital management.

Q: What are the key challenges facing SATS in 2012 and beyond?

A: We launched our new brand identity in June 2011. This was just the start of our journey to consolidate our operations and achieve tighter focus in the way we manage our work processes and customer expectations. We will review our operations periodically to identify areas where we can achieve greater synergy. This is necessary, especially when the business landscape remains uncertain.

We have a workforce of 14,000 within the Group and our people are at the core of our business philosophy. As we navigate through this challenging period, we will work hand-in-hand with our colleagues from the unions and ensure that our employees are well looked after.

We will continue to manage costs and labour productivity without compromising service and safety. We will focus on people development and retention in order to achieve this. We believe that job enlargement and job enrichment will benefit our employees in their career development and in turn, will benefit SATS.

Other key thrusts are change management and innovation. While each of our business units has been implementing projects to drive automation and to improve efficiency, much more can be achieved if we adopt a holistic approach across the Group. We have instituted an innovation and productivity (IP) framework that outlines key focus areas and the desired outcomes. An IP Steering Committee, which I will chair, will oversee this initiative and guide our business units in driving projects focused on innovation, exploitation of technology, process re-engineering and intellectual property creation. Eventually, we aim to create scalable solutions that can benefit the Group as a whole, including our overseas subsidiaries and other joint venture companies.

Tan Chuan Lye
President and CEO

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