



# 2Q FY18/19 Performance Review

8 November 2018

# 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.



# Agenda

- Executive Summary
- Group Financial Review
- Outlook

# Executive Summary: 2Q FY18/19 Performance

- PATMI decreased 9% to \$65.7M
- Group revenue grew 4.2% to \$453.1M
- Share of after-tax profits from associates/JVs declined 22.2% with lower contribution from both Food Solutions' and Gateway Services' associates/JVs
- Operating margin rose 0.5 percentage points to 14.6%
- EPS decreased 0.6 cents to 5.9 cents
- Interim dividend of 6.0 cents per share



# Operating Statistics for SATS Group

	1H FY18/19	1H FY17/18	Change (%)
Passengers Handled ('M)	29.48	25.96	13.6
Flights Handled ('000)	82.21	85.28	(3.6)
Cargo/Mail Processed ('000 tonnes)	934.35	904.88	3.3
Gross Meals Produced ('M)	38.20	34.90	9.5
Ship Calls Handled	113	33	242.0

Flights and Passengers Handled by SATS HK Ltd have been excluded from the above operating statistics since August 2017.

- \* 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 in-flight and institutional catering meals.



# Group Financial Review



# 2Q FY18/19 Highlights

## Revenue

\$453.1M

4.2%

- Food revenue grew 2.5%, while Gateway revenue was higher by 6.3% with increased volume growth for both segments.

## Operating profit

\$66.0M

8.0%

- Group expenditure rose 3.6% with higher OPEX in line with revenue growth. Other costs were maintained, cushioned by forex gains and grants received.

## Share of results of Associates/JVs, net of tax

\$14.0M

-22.2%

- Share of profits from associates/JVs declined \$4.0M, with lower contributions from both Gateway and Food associates/JVs.

## PATMI

\$65.7M

-9.0%

- Underlying PATMI for 2QFY19 was \$65.7M, 0.8% higher YOY
- EPS was 9.2% lower at 5.9 cents.
- ROE was 0.4 percentage points lower at 4.0%.



# 1H FY18/19 Highlights

## Revenue

\$892.5M 3.6%

- Group revenue increased \$31.2M to \$892.5M, with Food and Gateway recorded revenue growth of 2.6% and 4.8%, respectively.

## Operating profit

\$130.9M 14.2%

- Group expenditure was 2% higher YOY at \$761.6M, with OPEX increase in all expenditure categories except other costs. The increase was mitigated by a \$3.0M reduction in other costs, attributable to forex gains and grants received.

## Share of results of Associates/JVs, net of tax

\$29.3M -12.5%

- Share of profits from associates/JVs decreased \$4.2M, with lower contributions from both Gateway and Food associates/JVs.

## PATMI

\$129.6M 0.1%

- Underlying net profit was \$129.6M, up 5.8% YOY.
- EPS remained unchanged at 11.6 cents.

## Debt-to-equity

0.06 times

- Debt-to-equity ratio remained healthy at 0.06 times.
- Cash and short-term deposits stood at \$281.7M.
- Free cash flow generated was \$63.4M.





# 2Q and 1H FY18/19 Financials

\$M	2QFY18/19	2QFY17/18	Fav/(Unfav) Change (%)	1HFY18/19	1HFY17/18	Fav/(Unfav) Change (%)
Revenue	453.1	434.8	4.2	892.5	861.3	3.6
Expenditure	(387.1)	(373.7)	(3.6)	(761.6)	(746.7)	(2.0)
<b>Operating Profit</b>	<b>66.0</b>	<b>61.1</b>	<b>8.0</b>	<b>130.9</b>	<b>114.6</b>	<b>14.2</b>
Share of Results of Associates/JVs, Net of Tax	14.0	18.0	(22.2)	29.3	33.5	(12.5)
Other non-operating income, net	(0.4)	7.1	n.m.	(0.5)	7.2	n.m.
<b>PBT</b>	<b>80.3</b>	<b>87.0</b>	<b>(7.7)</b>	<b>161.2</b>	<b>157.2</b>	<b>2.5</b>
<b>PATMI</b>	<b>65.7</b>	<b>72.2</b>	<b>(9.0)</b>	<b>129.6</b>	<b>129.5</b>	<b>0.1</b>
<b><i>Underlying Net Profit*</i></b>	<b>65.7</b>	<b>65.2</b>	<b>0.8</b>	<b>129.6</b>	<b>122.5</b>	<b>5.8</b>

*n.m. – not meaningful*

*\* Underlying net profit refers to profit attributable to owners of the Company excluding one-off items.*



# Financial Indicators

%			Change			Change
	2QFY18/19	2QFY17/18	ppt/%	1HFY18/19	1HFY17/18	ppt/%
Operating Margin	14.6	14.1	0.5	14.7	13.3	1.4
PATMI Margin	14.5	16.6	(2.1)	14.5	15.0	(0.5)
Underlying Net Margin	14.5	15.0	(0.5)	14.5	14.2	0.3
Return on Equity	4.0	4.4	n.m.	8.0	8.1	n.m.
Basic EPS (cents)	5.9	6.5	-9.2%	11.6	11.6	0.0%
Dividend Per Share (cents)*	6.0	6.0	0.0%	6.0	6.0	0.0%

	30 SEP 18	31 MAR 18
NAV Per Share (\$)	1.44	1.46
Debt / Equity	0.06	0.07

\* Interim dividend declared on 8 November 2018.



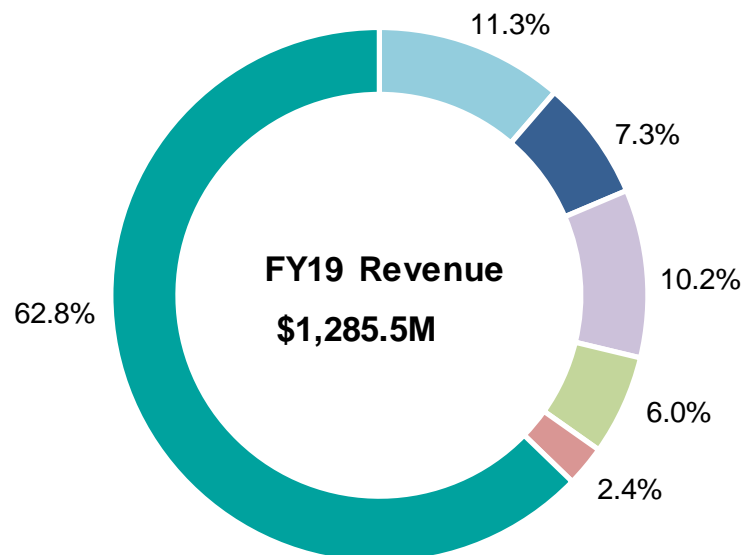
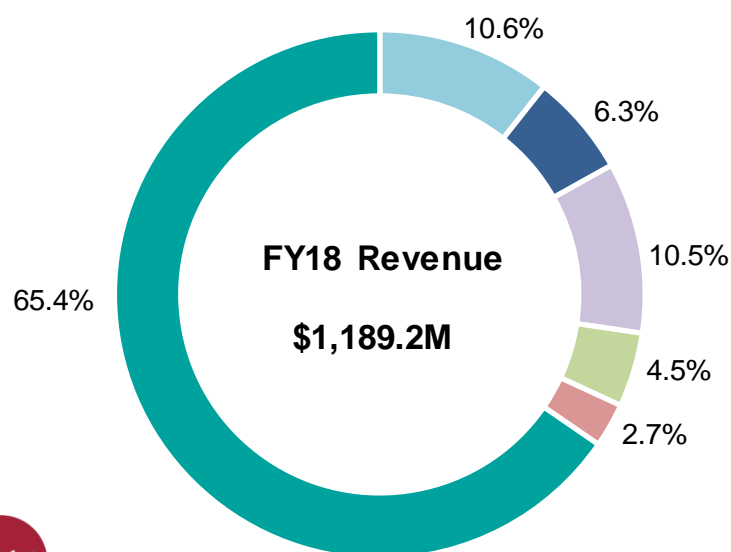
# Group Segmental Revenue

\$M	2QFY18/19	2QFY17/18	Change (%)	1HFY18/19	1HFY17/18	Change (%)
<b>By Business:</b>						
Food Solutions	250.9	244.8	2.5	490.4	477.9	2.6
Gateway Services	201.6	189.7	6.3	401.2	382.8	4.8
Others	0.6	0.3	100.0	0.9	0.6	50.0
<b>Total</b>	<b>453.1</b>	<b>434.8</b>	<b>4.2</b>	<b>892.5</b>	<b>861.3</b>	<b>3.6</b>
<b>By Industry:</b>						
Aviation	390.2	374.6	4.2	769.2	749.3	2.7
Non-Aviation	62.9	60.2	4.5	123.3	112.0	10.1
<b>Total</b>	<b>453.1</b>	<b>434.8</b>	<b>4.2</b>	<b>892.5</b>	<b>861.3</b>	<b>3.6</b>
<b>By Geographical Location:</b>						
Singapore	372.9	353.4	5.5	743.6	703.8	5.7
Japan	65.2	61.7	5.7	126.0	120.6	4.5
Others	15.0	19.7	(23.9)	22.9	36.9	(37.9)
<b>Total</b>	<b>453.1</b>	<b>434.8</b>	<b>4.2</b>	<b>892.5</b>	<b>861.3</b>	<b>3.6</b>

# SATS Share of Revenue (Aggregated Revenue – Non-IFRS )

<i>In \$M</i>	FY18	FY19	YOY Growth
● Singapore	777.8	<b>806.7</b>	3.7%
● Japan	124.4	<b>130.4</b>	4.8%
● Greater China	126.5	<b>145.4</b>	15.0%
● Asean (ex-Singapore)	74.3	<b>93.8</b>	26.1%
● India	54.1	<b>77.6</b>	43.5%
● Others	32.1	<b>31.6</b>	-1.5%
	<b>1,189.2</b>	<b>1,285.5</b>	<b>8.1%</b>

*Singapore accounted for approx. 63%-66% of Combined Revenue In FY18 & FY19*



For management analysis purpose.

# Group Expenditure

\$M	2QFY18/19	2QFY17/18	Fav/(Unfav) Change (%)	1HFY18/19	1HFY17/18	Fav/(Unfav) Change (%)
Staff Costs	211.6	205.7	(2.9)	423.0	420.0	(0.7)
Cost of Raw Materials	68.8	66.6	(3.3)	132.5	124.5	(6.4)
Licence Fees	21.9	20.5	(6.8)	44.2	42.1	(5.0)
Depreciation & Amortisation charges	20.2	19.2	(5.2)	40.3	38.0	(6.1)
Company Premise & Utilities Expenses	29.6	26.7	(10.9)	56.1	53.6	(4.7)
Other Costs	35.0	35.0	0.0	65.5	68.5	4.4
<b>Group Expenditure</b>	<b>387.1</b>	<b>373.7</b>	<b>(3.6)</b>	<b>761.6</b>	<b>746.7</b>	<b>(2.0)</b>
<b>Group Revenue</b>	<b>453.1</b>	<b>434.8</b>	<b>4.2</b>	<b>892.5</b>	<b>861.3</b>	<b>3.6</b>

Group expenditure was higher across all expense categories except for other costs, which included foreign exchange gains and grants received. Cost of raw materials and licence fees increased in line with revenue growth.



# Associates/JVs Performance by Business

\$M	2QFY18/19	2QFY17/18	Change (%)	1HFY18/19	1HFY17/18	Change (%)
<b>PAT</b>	<b>14.0</b>	<b>18.0</b>	<b>(22.2)</b>	<b>29.3</b>	<b>33.5</b>	<b>(12.5)</b>
Food Solutions	3.7	5.1	(27.5)	7.9	8.4	(6.0)
Gateway Services	10.3	12.9	(20.2)	21.4	25.1	(14.7)
<b>Dividends Received</b>	<b>10.3</b>	<b>7.0</b>	<b>47.1</b>	<b>20.8</b>	<b>12.9</b>	<b>61.2</b>

- Lower contributions from Food and Gateway associates/joint ventures were mainly due to:
  - PT CAS Group – Higher concession fees and FX impact
  - Brahim’s – Lower volumes
- Higher dividends received for the periods (due mainly to timing of receipts)

# Group Balance Sheet

\$M	As at 30 SEP 18	As at 31 MAR 18
Total Equity	1,742.1	1,766.6
Other Long-term Liabilities	176.9	179.1
Current Liabilities	368.2	402.6
<b>Total Equity &amp; Liabilities</b>	<b>2,287.2</b>	<b>2,348.3</b>
Fixed Assets & Investment Properties	567.3	569.0
Associates / JVs	867.5	848.8
Intangible Assets	157.3	157.5
Other Non-Current Assets & Long-term Investments	36.9	38.0
Current Assets		
<i>Cash &amp; short-term deposits</i>	281.7	373.3
<i>Debtors &amp; other current assets</i>	376.5	361.7
<b>Total Assets</b>	<b>2,287.2</b>	<b>2,348.3</b>

Total equity stood at \$1.74B with total assets of \$2.29B as of 30 Sep 18.

# Group Cash Flow Statement

\$M	1HFY18/19	1HFY17/18	Difference
Net Cash From Operating Activities	103.4	90.6	12.8
Net Cash Used In Investing Activities	(34.7)	(6.0)	(28.7)
Net Cash Used In Financing Activities	(156.2)	(119.6)	(36.6)
<b>Net decrease In Cash &amp; Cash Equivalents</b>	<b>(87.5)</b>	<b>(35.0)</b>	<b>(52.5)</b>
<b>Cash &amp; Cash Equivalents At End Of Financial Period</b>	<b>281.7</b>	<b>471.4</b>	<b>(189.7)</b>
<b>Free Cash Flow*</b>	<b>63.4</b>	<b>46.3</b>	<b>17.1</b>

Net cash from operating activities was \$12.8M higher due to higher operating cash flows before working capital changes.



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



# Outlook

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In the near term, trade tensions and weakening sentiment are impacting emerging market currencies and trade volumes. At the same time, higher oil prices and competition in the airline industry will continue to result in pricing pressures on SATS.

Notwithstanding the short-term challenges, with aviation volumes and demand for safe, quality food set to increase, SATS intends to pursue organic and inorganic growth opportunities.

SATS will also continue to invest in people and technology to digitalise services, enhance culinary capabilities, and improve productivity.





**END**