

# 2Q FY20 Performance Review

12<sup>th</sup> November 2019



sats



# Forward looking statement –Important note

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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that could cause actual results, performance or events to differ materially from those in the statements as originally made.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**
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# Asia's largest food and gateway services network



## 1H FY19

- 29.5m**  
Passengers Handled
- 38.2m**  
Meals Served
- 82,200**  
Flights Handled
- 934k Tonnes**  
Cargo Handled
- 13** Countries  
Over **60** locations
- 13,500** Employees

## 1H FY20

- 45.7m**  
Passengers Handled
- 39.7m**  
Meals Served
- 184,400**  
Flights Handled
- 911k Tonnes**  
Cargo Handled
- 13** Countries  
Over **60** locations
- 17,100** 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.

# Growth initiatives in 2Q FY20



## Singapore



SATS acquired the remaining 49% equity in SATS BRF Food Pte. Ltd. (SBRF) from BRF GmbH and renamed it Country Foods Pte Ltd.

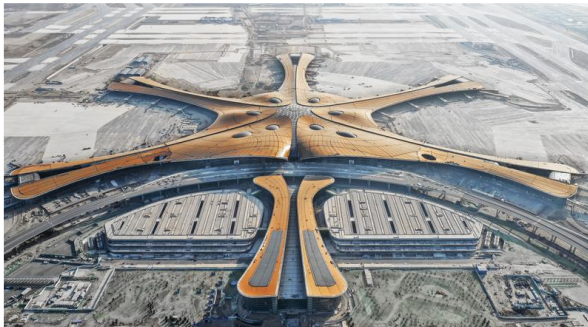


SATS launched COSYS+, a digital cargo terminal handling & management system for its operations in Singapore and at Daxing Airport.



SATS and DHL joined forces to enhance digital integrated supply chain for airlines

## Greater China



### Beijing

SATS entered into two JVs at Daxing International Airport for ground and cargo handling, and inflight catering.



### Nanjing

SATS completed its acquisition of 50% interest in Nanjing Weizhou Airline Food Corp Ltd.



## Malaysia

### Kuala Lumpur

GTR extended its network connectivity for AirAsia to Malacca, unveiled Malaysia's first digital airport control centre, and started its cargo operations.

## Japan

### Tokyo

SATS' subsidiary in Japan is gearing up for the 2020 Tokyo Olympics by doubling capacity with a new in-flight kitchen to better serve Haneda and Narita International Airport.



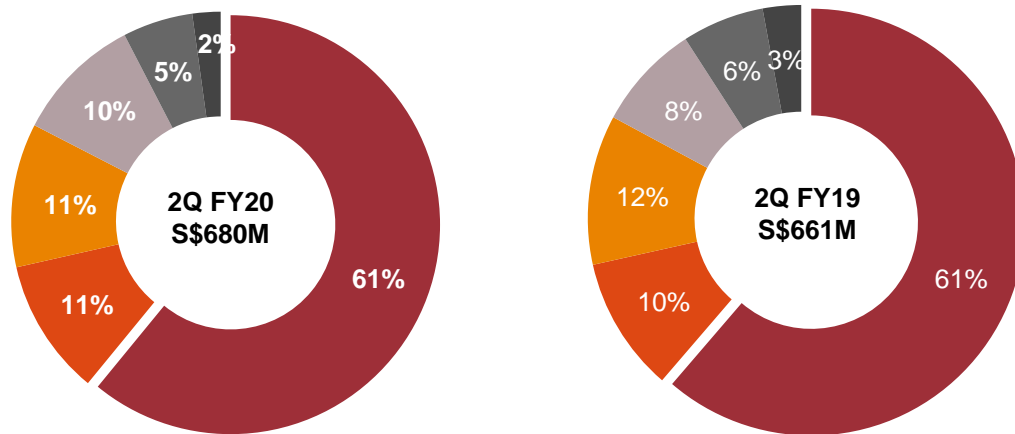
# 2Q FY20 SATS share of revenue and PATMI by region



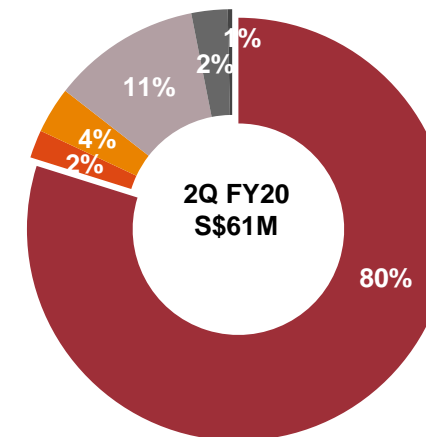
Region	Revenue		YoY %
	2Q FY20	2Q FY19	
Singapore	414.2	405.2	2.2
Japan	71.6	67.5	6.1
Asean (ex-SG)	66.9	53.0	26.2
Greater China	75.5	75.0	0.6
India	36.8	41.1	(10.5)
Others	14.8	19.2	(22.9)
<b>Total</b>	<b>679.8</b>	<b>661.0</b>	<b>2.8</b>

PATMI 2Q FY20	YoY %
48.4	(3.2)
1.3	8.3
6.9	15.3
2.2	(47.2)
1.7	(59.9)
0.2	23.8
<b>60.7</b>	<b>(7.6)</b>

SATS Share of Revenue



SATS Share of PATMI



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



- Group revenue grew 9.8% to \$497.4M
- EBITDA grew 6.6% to \$106.8M
- PATMI decreased 7.6% to \$60.7M
- Share of earnings from associates/JVs fell 2.1% to \$13.7M
- Operating margin dropped 1.5 percentage points to 13.1%
- EPS declined 0.5 cents to 5.4 cents
- Maintain interim dividend of 6 cents per share



# Group Financial Review





# 2Q FY20 Highlights



	2Q FY20	2Q FY19	Change		Commentary
			\$/ppt	%	
<b>Revenue</b>	497.4	453.1	44.3	9.8	<ul style="list-style-type: none"> <li>• Gateway (+\$24.3M), Food (+\$20.1M)</li> <li>• Gateway: GTR consol (+\$23M); volume growth offset by lower cargo revenue and lower ship calls</li> <li>• Food: CFPL (+\$13.9M) and volume growth</li> </ul>
<b>OPEX</b>	(432.4)	(387.1)	(45.3)	(11.7)	<ul style="list-style-type: none"> <li>• Consol effect GTR &amp; CFPL (+\$35.2M)</li> <li>• Higher OOE (+\$9.7M) driven by IT expenses and equipment maintenance costs</li> </ul>
<b>EBIT</b>	65.0	66.0	(1.0)	(1.5)	Lower margin of 13.1% from 14.6% as OPEX outpaced revenue growth
• EBIT (%)	13.1%	14.6%			
<b>Share of results of Associates/JV (SoAJV)</b>	13.7	14.0	(0.3)	(2.1)	<ul style="list-style-type: none"> <li>• Gateway (+\$0.4M), Food (-\$0.7M)</li> <li>• Food: Lower contribution by TSAC offset by turnaround of Brahims</li> </ul>
<b>PATMI</b>	60.7	65.7	(5.0)	(7.6)	Driven by lower EBIT and lower contribution from SoAJV
• PATMI (%)	12.2%	14.5%			

Note: Figures in S\$ m unless otherwise stated.  
EBIT represents Operating Profits

# 1H FY20 Highlights



	1H FY20	1H FY19	Change		Commentary
			\$/ppt	%	
<b>Revenue</b>	962.5	892.5	70.0	7.8	<ul style="list-style-type: none"> <li>• Gateway (+\$48M), Food (+\$22M)</li> <li>• Gateway: GTR consol (+\$45.5M); volume growth offset by lower cargo revenue</li> <li>• Food: CFPL (+\$13.9M)</li> </ul>
<b>OPEX</b>	(840.7)	(761.6)	(79.1)	(10.4)	<ul style="list-style-type: none"> <li>• Consol effect GTR &amp; CFPL (+\$55.8M)</li> <li>• Overall volume increase except cargo</li> <li>• Lower forex gain (\$3.5M)</li> <li>• Higher IT expenses</li> </ul>
<b>EBIT</b>	121.8	130.9	(9.1)	(7.0)	Lower margin of 12.7% from 14.7% as OPEX outpaced revenue growth
• EBIT (%)	12.7%	14.7%			
<b>Share of results of Associates/JV (SoAJV)</b>	28.3	29.3	(1.0)	(3.4)	<ul style="list-style-type: none"> <li>• Gateway (-\$0.4M), Food (-\$0.6M)</li> <li>• Credit losses for Jet Airways (-\$3.3M)</li> <li>• Cargo related SoAJV (-\$2.1M)</li> <li>• Excl credit losses and cargo, SoAJV grew \$4.4M (15%)</li> </ul>
<b>PATMI</b>	115.4	129.6	(14.2)	(11.0)	Driven by lower EBIT and lower contribution from SoAJV
• PATMI (%)	12.0%	14.5%			

Note: Figures in S\$ m unless otherwise stated.  
EBIT represents Operating Profits

%			Change		Change	
	2Q FY20	2Q FY19	ppt/%	1H FY20	1H FY19	ppt/%
EBIT Margin	13.1	14.6	(1.5)	12.7	14.7	(2.0)
PATMI Margin	12.2	14.5	(2.3)	12.0	14.5	(2.5)
EBITDA Margin	21.5	22.1	(0.6)	21.3	22.5	(1.2)
Return on Equity	3.6	4.0	n.m.	7.0	8.0	n.m.
Basic EPS (cents)	5.4	5.9	(8.5)	10.3	11.6	(11.2)

	30 SEP 19	31 MAR 19	Change ppt/%
NAV Per Share (\$)	1.46	1.48	(1.2)
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.

n.m. – not meaningful

# Group Segmental Revenue

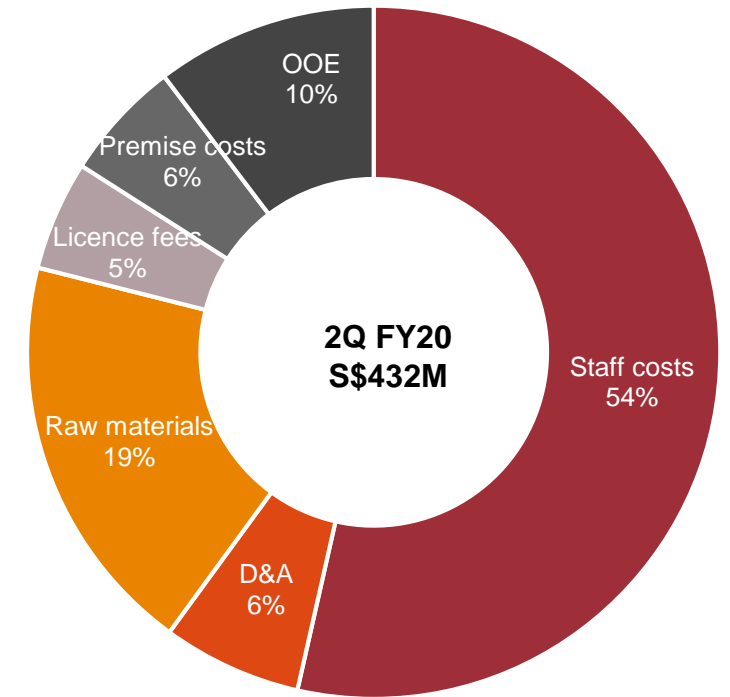
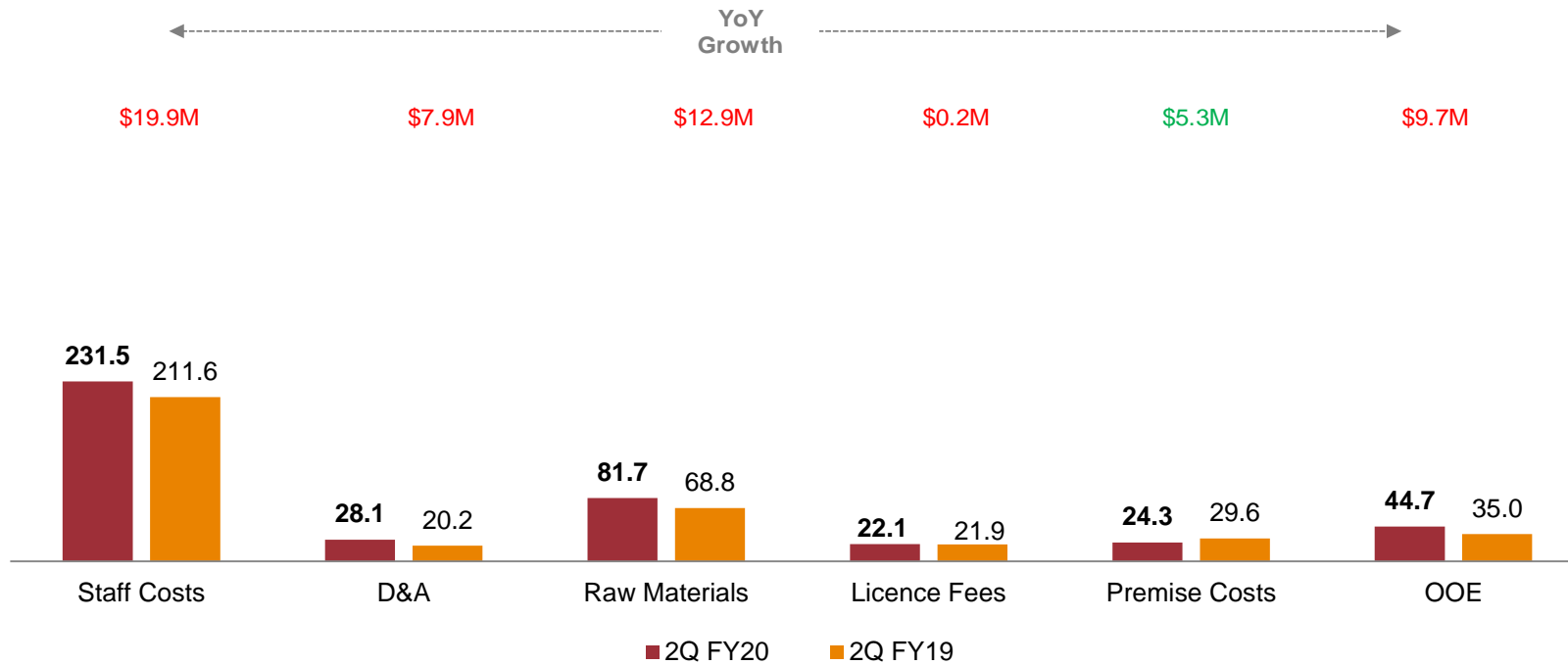


Revenue	2Q FY20	2Q FY19	Change (%)	1H FY20	1H FY19	Change (%)
<b>By Business:</b>						
Food Solutions	271.0	250.9	8.0	512.4	490.4	4.5
Gateway Services	225.9	201.6	12.1	449.2	401.2	12.0
Others	0.5	0.6	(16.7)	0.9	0.9	0.0
<b>Total</b>	<b>497.4</b>	<b>453.1</b>	<b>9.8</b>	<b>962.5</b>	<b>892.5</b>	<b>7.8</b>
<b>By Industry:</b>						
Aviation	422.5	390.2	8.3	831.3	769.2	8.1
Non-Aviation	74.4	62.3	19.4	130.3	122.4	6.5
Others	0.5	0.6	(16.7)	0.9	0.9	0.0
<b>Total</b>	<b>497.4</b>	<b>453.1</b>	<b>9.8</b>	<b>962.5</b>	<b>892.5</b>	<b>7.8</b>
<b>By Geographical Location:</b>						
Singapore	393.6	372.9	5.6	765.7	743.6	3.0
Japan	69.3	65.2	6.3	134.8	126.0	7.0
Asean (ex-SG)	23.3	0.1	n.m	46.1	0.3	n.m
Others	11.2	14.9	(24.8)	15.9	22.6	(29.9)
<b>Total</b>	<b>497.4</b>	<b>453.1</b>	<b>9.8</b>	<b>962.5</b>	<b>892.5</b>	<b>7.8</b>

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

n.m. – not meaningful

# 2Q 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 and vehicles, IT expenses for digitalisation and transformation projects and recognition of operating short term lease expense with the adoption of SFRS(I) 16.
- Excluding GTR and CFPL consolidation and divestment of FASSCO, Group OPEX would have increased \$14.4M.

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 30 SEP 19	As at 31 MAR 19
Total Equity	1,805.6	1,817.1
Other Long-Term Liabilities	390.3	202.0
Current Liabilities	394.1	389.3
<b>Total Equity &amp; Liabilities</b>	<b>2,590.0</b>	<b>2,408.4</b>
Fixed Assets, ROU Assets & Investment Properties	794.9	586.8
Associates / JVs	722.9	723.9
Intangible Assets	357.0	350.5
Other Non-Current Assets & Long-Term Investments	42.7	37.0
Current Assets		
<i>Cash &amp; short-term deposits</i>	223.6	349.9
<i>Debtors &amp; other current assets</i>	448.9	360.3
<b>Total Assets</b>	<b>2,590.0</b>	<b>2,408.4</b>

Adoption of SFRS (I)16 has resulted in the recognition of \$196M of ROU assets and \$198M of lease liabilities  
 Total equity stood at \$1.81B with total assets of \$2.6B as of 30 SEP 19.



# Group Cash Flow Statement

\$M	1H FY20	1H FY19	Difference
Net Cash From Operating Activities	86.5	103.4	(16.9)
Net Cash Used In Investing Activities	(58.6)	(34.7)	(23.9)
Net Cash Used In Financing Activities	(155.2)	(156.2)	1.0
<b>Net decrease In Cash &amp; Cash Equivalents</b>	<b>(127.3)</b>	<b>(87.5)</b>	<b>(39.8)</b>
<b>Cash &amp; Cash Equivalents At End Of Financial Period</b>	<b>223.6</b>	<b>281.7</b>	<b>(58.1)</b>
<b>Free Cash Flow*</b>	<b>56.6</b>	<b>63.4</b>	<b>(6.8)</b>

Net cash used in investing activities was higher mainly due to various investments. This was partly offset by lower capital expenditure.

*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 slowdown in trade and economic growth is resulting in weaker cargo volumes in key markets. However, we continue to invest in growth opportunities such as GTR and Country Foods. Even in this difficult environment, SATS continues to generate revenue growth. We also continue to invest in enabling infrastructure for the longer term such as new kitchens, supply chain capabilities, digital control centres for ground handling and new cargo handling facilities.

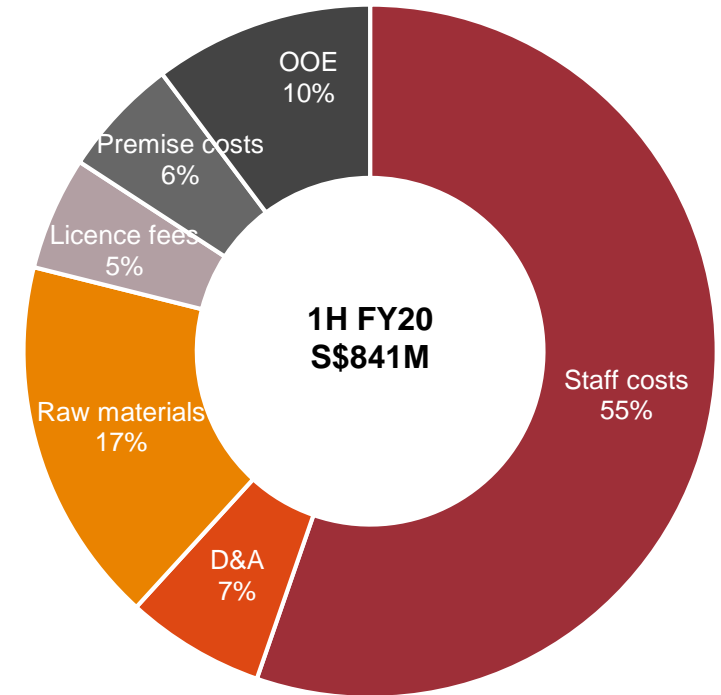
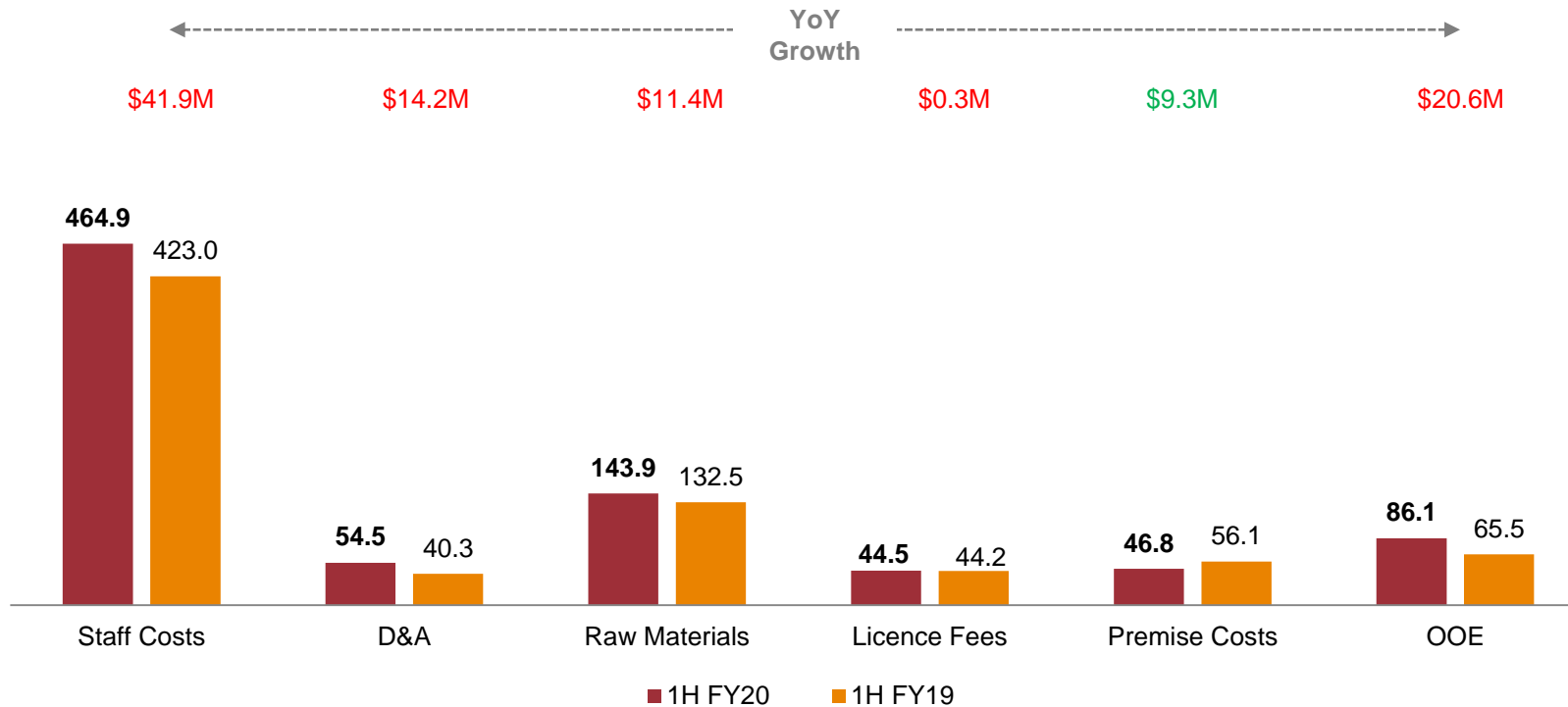


Q&A



# Appendix

# 1H 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 and vehicles, IT expenses for digitalisation and transformation projects, recognition of operating short term lease expense with the adoption of SFRS(I) 16 and lower exchange gains (+\$3.5M).
- Excluding GTR and CFPL consolidation and divestment of FASSCO, Group OPEX would have increased \$31.4M.

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



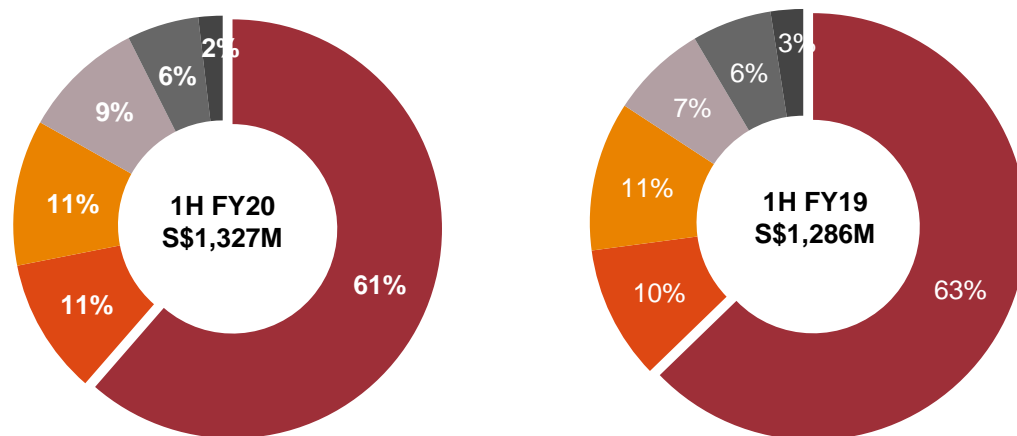
# 1H FY20 SATS share of revenue and PATMI by region



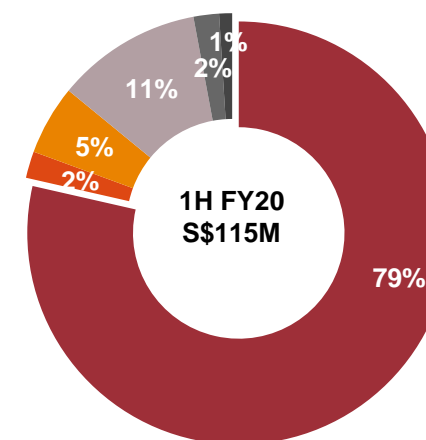
Region	Revenue		YoY %
	1H FY20	1H FY19	
Singapore	814.5	806.7	1.0
Japan	139.4	130.4	6.9
Asean (ex-SG)	125.0	93.8	33.3
Greater China	149.5	145.4	2.8
India	73.5	77.6	(5.2)
Others	24.9	31.6	(21.4)
<b>Total</b>	<b>1,326.8</b>	<b>1,285.5</b>	<b>3.2</b>

PATMI 1H FY20	YoY %
90.6	(10.1)
2.4	20.0
12.8	23.8
6.1	(29.1)
2.2	(68.0)
1.1	96.3
<b>115.4</b>	<b>(11.0)</b>

SATS Share of Revenue



SATS Share of PATMI



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

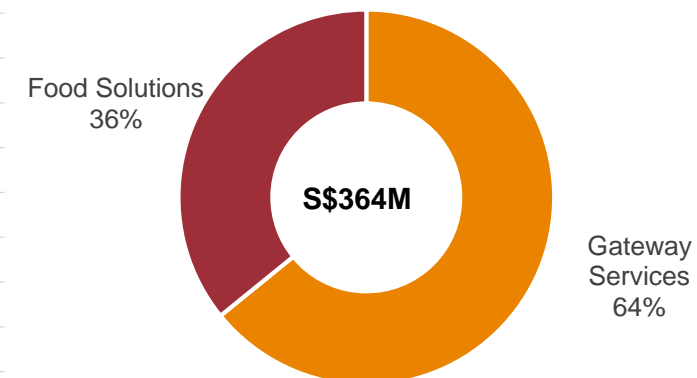
# Summary of key associates / joint ventures



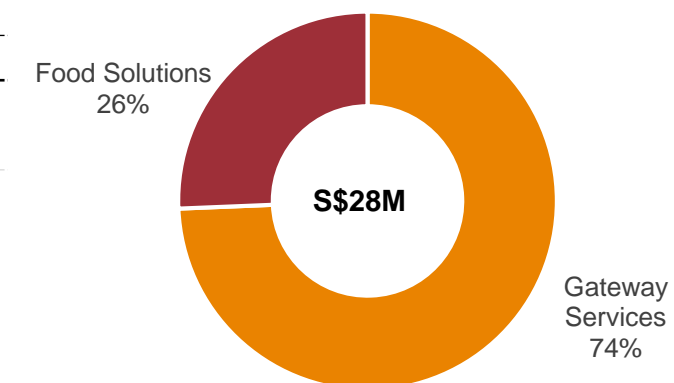
## 1H FY20 SATS share of revenue (SSoR)

No.	Associates/JVs	Business Unit	Total	Singapore	Japan	Asean (ex-SG)	Greater China	India	Others
1.	Evergreen Sky Catering	Food	19	-	-	-	19	-	-
2.	Taj SATS Air Catering/TMFK	Food	18	-	-	-	-	18	-
3.	Brahim's SATS	Food	17	-	-	17	-	-	-
4.	Beijing Airport Inflight Kitchen	Food	11	-	-	-	11	-	-
5.	MacroAsia Catering	Food	8	-	-	8	-	-	-
6.	PT Cardig Aero Services**	Gateway	49	-	-	49	-	-	-
7.	Air India SATS Airport Services	Gateway	36	-	-	-	-	36	-
8.	Asia Airfreight Terminal	Gateway	34	-	-	-	34	-	-
9.	Beijing Aviation Ground Services	Gateway	33	-	-	-	33	-	-
10.	Evergreen Airline Services/Air Cargo	Gateway	23	-	-	-	23	-	-
11.	Mumbai Cargo Services	Gateway	20	-	-	-	-	20	-
12.	OmanSATS	Gateway	8	-	-	-	-	-	8
	Sub-total	76.0%	276	-	-	74	120	74	8
	Others	24.0%	88	48	4	5	24	-	7
	<b>Share of Associates/JVs revenue (SSoR)</b>	<b>100.0%</b>	<b>364</b>	<b>48</b>	<b>4</b>	<b>79</b>	<b>144</b>	<b>74</b>	<b>15</b>
	<b>Share of results of Associates/JVs (SoAJV)</b>		<b>28</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>9</b>	<b>2</b>	<b>4</b>

### SSoR



### SoAJV



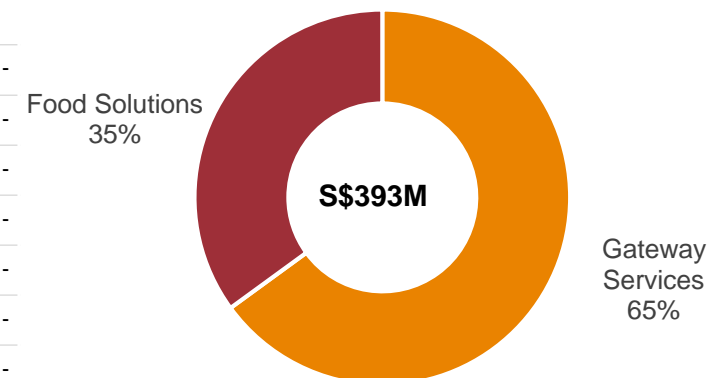
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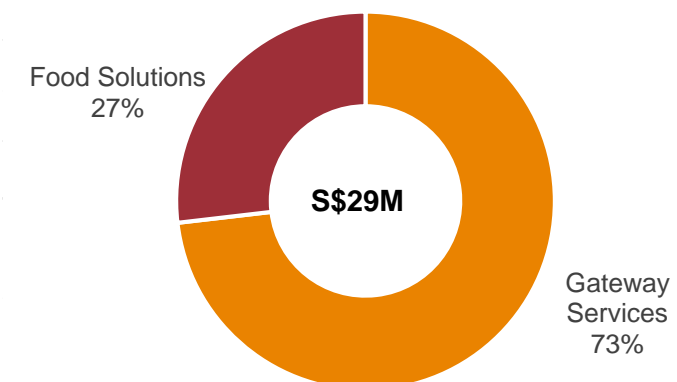
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No.	Associates/JVs	Business Unit	Total	Singapore	Japan	Asean (ex-SG)	Greater China	India	Others
1.	Taj SATS Air Catering/TMFK	Food	23	-	-	-	-	23	-
2.	Evergreen Sky Catering	Food	20	-	-	-	20	-	-
3.	Brahim's SATS	Food	16	-	-	16	-	-	-
4.	Beijing Airport Inflight Kitchen	Food	12	-	-	-	12	-	-
5.	MacroAsia Catering	Food	7	-	-	7	-	-	-
6.	PT Cardig Aero Services*	Gateway	49	-	-	49	-	-	-
7.	Asia Airfreight Terminal	Gateway	37	-	-	-	37	-	-
8.	Air India SATS Airport Services	Gateway	34	-	-	-	-	34	-
9.	Beijing Aviation Ground Services	Gateway	33	-	-	-	33	-	-
10.	Evergreen Airline Services/Air Cargo	Gateway	23	-	-	-	23	-	-
11.	Mumbai Cargo Services	Gateway	21	-	-	-	-	21	-
12.	OmanSATS	Gateway	7	-	-	-	-	-	7
	Sub-total	72.0%	282	-	-	72	125	78	7
	Others	28.0%	111	63	4	22	16	-	6
	<b>Share of Associates/JVs revenue (SSoR)</b>	<b>100.0%</b>	<b>393</b>	<b>63</b>	<b>4</b>	<b>94</b>	<b>141</b>	<b>78</b>	<b>13</b>
	<b>Share of results of Associates/JVs (SoAJV)</b>		<b>29</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>9</b>	<b>7</b>	<b>3</b>

### 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