



BUSINESS UPDATE

SATS NARROWS 3Q LOSS TO S\$2.8 MILLION

- The Group posted core PATMI of S\$8.2 million excluding S\$11 million in impairment on investment.
- Without relief from governments 3Q core PATMI would have been a loss of S\$52.8 million.
- Share of results of overseas associates improved to S\$3.5 million profit.

SINGAPORE, 10 February 2021 – SATS Ltd. (SATS) today reports its business update for the third quarter ended 31 December 2020.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

	3Q FY20-21 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	251.0	(294.6)	(54.0)
Expenditure	(247.6)	235.1	48.7
Operating profit/(loss)	3.4	(59.5)	(94.6)
Share of results of associates/JVs, net of tax	3.5	(11.2)	(76.2)
Profit attributable to owners of the Company ("PATMI")	(2.8)	(62.1)	(104.7)
Core PATMI ⁽¹⁾	8.2	(51.1)	(86.2)
EBITDA ⁽²⁾	39.5	(68.6)	(63.5)
Earnings per share (cents) - basic	(0.2)	(5.5)	n.m.
Return on Equity (%/ppt) ⁽³⁾	(0.2)	(3.8)	n.m.

	9M FY20-21 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	691.5	(816.6)	(54.1)
Expenditure	(724.1)	599.3	45.3
Operating (loss)/profit	(32.6)	(217.3)	(117.7)
Share of results of associates/JVs, net of tax	(40.7)	(83.7)	(194.7)
(Loss)/profit attributable to owners of the Company	(79.7)	(254.4)	(145.6)
Core PATMI ⁽¹⁾	(37.1)	(211.8)	(121.2)
EBITDA ⁽²⁾	26.1	(286.6)	(91.7)
Earnings per share (cents) - basic	(7.1)	(22.7)	n.m.
Return on Equity (%/ppt) ⁽³⁾	(5.1)	(15.8)	n.m.

Note:

- (1) Core PATMI refers to net (loss)/profit attributable to owners of the Company, excluding the following one-off items:

	3 rd Quarter		9 Months	
	2020-21	2019-20	2020-21	2019-20
(i) Impairment loss on investment in an associate, long-term investment, and intangible assets	(11.0)	–	(42.6)	–

- (2) EBITDA refers to earnings (including Share of results of associates/joint ventures) before interest, tax, depreciation and amortisation; and excludes one-off items. Excluding Share of results of associates/joint ventures, EBITDA for 9MFY21 and 9MFY20 would be S\$66.8M and S\$269.7M respectively, while EBITDA for 3QFY21 and 3QFY20 would be S\$36.0M and S\$93.4M respectively.
- (3) Return on equity (“ROE”) is profit attributable to owners of the Company expressed as a percentage of the average equity holders’ funds for the respective periods (non-annualised).

n.m. – not meaningful.

GROUP EARNINGS**3Q FY20-21 (1 October – 31 December 2020)**

As strict travel restrictions persist around the world amidst elevated COVID-19 cases, global passenger movements measured by revenue passenger kilometres (RPKs) remained muted with a year-on-year drop of 85.3% in December. However, global air cargo demand continued to climb, with seasonally-adjusted cargo volumes gaining 3.6% from November to December. In line with this, international air cargo volumes for the Asia Pacific region improved from a year-on-year decline of 8.5% in November to 3.9% in December. IATA projects cargo volumes returning to 2019 levels by April 2021 with demand outstripping supply.

For the third quarter ended 31 December 2020, Group revenue decreased S\$294.6 million or 54% year-on-year to S\$251 million, as the Group’s performance was hit by the ongoing COVID-19 pandemic’s impact on air travel, which eroded flight and meal volumes by more than 80% and 90%, respectively year-on-year. Revenue from Food Solutions fell by S\$167.3 million or 53.8% to S\$143.5 million, while Gateway Services’ revenue dropped S\$129.2 million or 55.1% to S\$105.1 million.

Group expenditure for third quarter saw a reduction of S\$235.1 million or 48.7% to S\$247.6 million compared to the same period last year, largely due to government reliefs and stringent cost containment measures effected by management. Staff costs decreased by S\$144.2 million, mainly attributable to government grants and reliefs, as well as lower payroll and contract services costs due to the resizing of manpower to commensurate with lower aviation volumes. Cost of raw materials dipped as a result of lower aviation volumes that were partly offset by increased business activities at Country Foods Pte. Ltd. (“CFPL”). Licence fees dropped S\$17.6 million in line with lower aviation revenue, while Group-wide cost-saving measures and decreased business activities led to a decrease in company premises and utilities expenses. Other costs decreased S\$24.4 million, despite a S\$5.1 million provision for doubtful debts, higher IT expenses relating to IT infrastructure support for digitalisation projects, as well as higher warehouse and distribution costs from increased business activities at CFPL for the quarter.

Operating profit for the Group in the third quarter declined S\$59.5 million or 94.6% to S\$3.4 million, compared to S\$62.9 million for the same period last year.

SATS’ share of results from associates/joint ventures improved from a loss of S\$12.8 million in the prior quarter to S\$3.5 million profit, due mainly to better performance from overseas cargo

associates. However, the pandemic continued to adversely impact all aviation associates, resulting in a decrease of S\$11.2 million or 76.2% year-on-year.

Other non-operating losses of S\$22.6 million recorded in the third quarter were mainly related to an impairment of S\$11 million on intangible assets and S\$11.5 million on plant, property and equipment.

Despite tough operating conditions, the Group continued to narrow its net loss by S\$30.4 million to S\$2.8 million quarter-on-quarter due to an uptick in air cargo volumes and improved contribution from overseas entities. Excluding impairments on investments, the Group posted core PATMI of S\$8.2 million for the third quarter. Without relief from governments, core PATMI would have been a loss of S\$52.8 million.

9 Months FY20-21 (1 April – 31 December 2020)

For the nine months ended 31 December 2020, Group revenue fell S\$816.6 million or 54.1% to S\$691.5 million. The evaporation of aviation volumes due to the COVID-19 pandemic has significantly affected Group performance across the region. Revenue from Food Solutions dipped S\$404.2 million or 49.1% to S\$419 million, while Gateway Services' revenue decreased S\$419 million or 61.3% to S\$264.5 million. However, the sharp decline in aviation revenue was mitigated by nine months' consolidation impact from CFPL, Nanjing Weizhou Airline Food Corp., Ltd. ("NWA"), and Monty's Bakehouse UK Limited ("MBUK"), amounting to S\$88.6 million. CFPL, NWA, and MBUK were consolidated from September 2019, October 2019, and March 2020 respectively.

Group expenditure decreased S\$599.3 million or 45.3% year-on-year to S\$724.1 million, taking into account government reliefs, lower aviation volumes, as well as continuing efforts to reshape the Group's cost base. Staff costs dropped by S\$423.1 million mainly due to government reliefs and workforce reductions in line with managing lower aviation volumes. Cost of raw materials was lower due to the decrease in aviation volumes, which was partially offset by contributions from the consolidation of CFPL, NWA, and MBUK. Licence fees were lower by S\$54.1 million in line with lower aviation revenue. Depreciation and amortisation rose S\$14.4 million primarily due to new investments, systems acquired last year, and an increase in right-of-use assets. Group-wide cost containment measures as well as lower business activities have resulted in a decrease in company premises and utilities expenses. Other costs also saw a reduction, partly offset by a higher provision for doubtful debts of S\$12.8 million, IT expenses for digitalisation projects to improve productivity, as well as warehouse and distribution costs as explained earlier. Excluding the consolidation of CFPL, NWA, and MBUK, Group expenditure would have been reduced by a further S\$93.2 million.

Operating profit for the Group decreased S\$217.3 million or 117.7% to an operating loss of S\$32.6 million, compared to an operating profit of S\$184.7 million from the same period last year.

SATS' share of results from associates/joint ventures declined S\$83.7 million or 194.7% from a profit of S\$43 million to a loss of S\$40.7 million in the wake of the pandemic.

Other non-operating losses of S\$54.2 million mainly related to the impairment for an investment in an associate, long-term investment, property, plant and equipment and intangible assets due to the COVID-19 pandemic.

Since the onset of the COVID-19 pandemic, the Group has undertaken aggregated credit losses and impairment charges of approximately S\$118 million, of which, approximately S\$51 million was accounted for in the last financial year and approximately S\$67 million was charged in the current financial period. The Group will continue to monitor the recoverability of all investments and receivables and will make further impairments as needed.

Group net profit attributable to owners of the Company declined S\$254.4 million or 145.6% to a net loss of S\$79.7 million year-on-year. Excluding grants and relief from governments, Group PATMI would have been a loss of S\$275.4 million.

GROUP FINANCIAL POSITION (as at 31 December 2020)

As at 31 December 2020, total equity of the Group was S\$1,694 million, reflecting a decline of S\$111.5 million compared to 31 March 2020. The lower equity was largely attributed to losses recorded for the period.

Non-current assets decreased S\$165.3 million across all non-current asset categories except deferred tax assets. Property, plant and equipment was lower due to impairment charges and depreciation for the period. The lower investment in associates and joint ventures were mainly due to lower share of results from associates/joint ventures and impairment charges of S\$54.2 million made for investment in an associate, long-term investment, property, plant and equipment as well as intangible assets for the current period.

Current assets of the Group increased S\$266.5 million, arising from higher cash and short-term deposits as well as inventories, partly offset by lower trade and other receivables. The higher cash and short-term deposits were attributed to drawdown of credit facilities, while the increase in business activities for CFPL led to a higher inventory balance. Lower trade and other receivables corresponded with reduced business volumes.

Total assets increased to S\$3,111 million mainly due to higher cash balance arising from the drawdown of credit facilities to improve liquidity position as well as higher inventory balance.

The Group's current liabilities rose S\$65.1 million primarily due to higher term loans arising from the drawdown of credit facilities. These higher liabilities were partly offset by lower income tax payables and reduced trade and other payables in line with reduced business activities.

Non-current liabilities of the Group increased S\$147.6 million mainly due to higher term loans from the issuance of S\$100 million Notes due in 2025 pursuant to the S\$2 billion multicurrency Debt Issuance Programme.

The Group continues to have a net cash position overall. Cash balance as at 31 December 2020 was S\$807.9 million, while free cash flow generated during the nine months amounted to negative S\$24.6 million. Total liabilities have increased correspondingly with the additional drawdown of facilities and lease liabilities arising from *SFRS (I) 16*, increasing the debt-to-equity ratio to 0.58 times.

OUTLOOK

While the operating environment remains challenging due to ongoing pandemic-related travel restrictions, demand for air freight to transport eCommerce, pharmaceutical, and perishable

products continues to increase. The pandemic has also changed consumer lifestyles and created opportunities for SATS to grow businesses outside of the travel segment.

Said Alex Hungate, President & Chief Executive Officer, SATS Ltd, “We are committed to helping our airline customers to rebound from this crisis. In addition, SATS aims to grow its revenues from foodservice and retail chains, institutions, fast-casual restaurants, and other non-travel related customer segments such as security services.”

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ABOUT SATS LTD.

SATS is Asia's leading provider of food solutions and gateway services. Using innovative food technologies and resilient supply chains, we create tasty, quality food in sustainable ways for airlines, foodservice chains, retailers and institutions. With heartfelt service and advanced technology, we connect people, businesses and communities seamlessly through our comprehensive gateway services for customers such as airlines, cruise lines, freight forwarders, postal services and ecommerce companies.

Fulfilling our purpose to feed and connect communities, SATS is delighting customers in over 60 locations and 13 countries across the Asia Pacific, UK, and the 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 3Q FY20-21 results of SATS are available at www.sats.com.sg.

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ANNEX A: GROUP FINANCIAL STATISTICS

Financial Results (S\$ million)	3Q FY20-21	3Q FY19-20	9M FY20-21	9M FY19-20
Revenue	251.0	545.6	691.5	1,508.1
Expenditure	(247.6)	(482.7)	(724.1)	(1,323.4)
Operating profit/(loss)	3.4	62.9	(32.6)	184.7
Share of results of associates/JVs, net of tax	3.5	14.7	(40.7)	43.0
(Loss)/Profit before tax	(20.2)	76.7	(139.6)	226.0
(Loss)/Profit attributable to owners of the Company	(2.8)	59.3	(79.7)	174.7
Core PATMI	8.2	59.3	(37.1)	174.7
Per Share Data				
Earnings per share (cents)				
- Basic ^{R1}	(0.2)	5.3	(7.1)	15.6
- Diluted ^{R2}	(0.2)	5.3	(7.1)	15.6
Return on turnover (%) ^{R3}	(1.1)	10.9	(11.5)	11.6

Financial Position (S\$ million)	As at 31-DEC-20	As at 31-MAR-20
Equity attributable to owners of the Company	1,537.1	1,617.5
Total assets	3,111.0	3,009.8
Total debt	890.3	624.5
Gross debt/equity ratio (times) ^{R4}	0.58	0.39
Net asset value per share (\$) ^{R5}	1.37	1.45

Notes:

The Group financial statistics should be read in conjunction with the explanatory footnotes found on page 2 of this business update.

- ^{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

	3Q FY20-21	3Q FY19-20	Change (%)	9M FY20-21	9M FY19-20	Change (%)
Passengers Handled ('M)	1.08	23.71	(95.4)	3.11	69.43	(95.5)
Flights Handled ('000)	14.62	93.83	(84.4)	41.76	278.27	(85.0)
Cargo/Mail Processed ('000 tonnes)	322.10	485.92	(33.7)	813.63	1,396.52	(41.7)
Gross Meals Produced ('M)	11.47	25.44	(54.9)	32.16	65.10	(50.6)
Ship Calls Handled	34	81	(58.0)	34	184	(81.5)

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. Cargo tonnage handled by SATS Saudi Arabia has been included since March 2020.*