



MEDIA RELEASE

SATS RECOVERY CONTINUES WITH REVENUE GROWTH

- Revenue up 27.2% year-on-year due mainly to growth in cargo, non-travel food and security services.
- Share of earnings from associates and joint ventures turned positive at S\$2.1 million this quarter.
- 2Q PATMI of S\$6.8 million; without government reliefs would have been a loss of S\$30.1 million.

SINGAPORE, 12 November 2021 – SATS Ltd. (SATS) today reports its business update for the second quarter and unaudited results for the first half ended 30 September 2021.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

	2Q FY21-22 (S\$ million)	2Q FY20-21 (S\$ million)	Favourable / (Unfavourable) Y-o-Y Change (S\$ million)	Favourable / (Unfavourable) Y-o-Y Change (%)
Revenue	293.9	231.1	62.8	27.2
Expenditure	(293.4)	(231.1)	(62.3)	(27.0)
Operating profit	0.5	0.0	0.5	n.m.
Share of results of associates/JVs, net of tax	2.1	(12.8)	14.9	116.4
Profit/(loss) attributable to owners of the Company (PATMI)	6.8	(33.2)	40.0	120.5
Core PATMI ⁽¹⁾	6.8	(1.6)	8.4	525.0
EBITDA ⁽²⁾	32.8	20.5	12.3	60.0
Earnings per share (cents) - basic	0.6	(3.0)	3.6	120.0
Return on Equity (%/ppt) ⁽³⁾	0.4	n.m.	n.m.	n.m.

	1H FY21-22 (S\$ million)	1H FY20-21 (S\$ million)	Favourable / (Unfavourable) Y-o-Y Change (S\$ million)	Favourable / (Unfavourable) Y-o-Y Change (%)
Revenue	569.5	440.5	129.0	29.3
Expenditure	(565.5)	(476.5)	(89.0)	(18.7)
Operating profit/(loss)	4.0	(36.0)	40.0	111.1
Share of results of associates/JVs, net of tax	0.9	(44.2)	45.1	102.0
Profit/(loss) attributable to owners of the Company (PATMI)	13.2	(76.9)	90.1	117.2

Core PATMI ⁽¹⁾	13.2	(45.3)	58.5	129.1
EBITDA ⁽²⁾	65.7	(13.4)	79.1	590.3
Earnings per share (cents) - basic	1.2	(6.9)	8.1	117.4
Return on Equity (%/ppt) ⁽³⁾	0.8	n.m.	n.m.	n.m.

1. Core PATMI refers to net profit/(loss) attributable to owners of the Company excluding one-off items.
2. EBITDA refers to earnings (including share of results of associates/joint ventures) before interest, tax, depreciation and amortisation and one-off items. Excluding share of results of associates/joint ventures, EBITDA for 1H FY22 and 1H FY21 would have been \$64.8 million and \$30.8 million respectively, while EBITDA for 2Q FY22 and 2Q FY21 would be \$30.7 million and \$33.3 million respectively.
3. Return on equity ("ROE") is profit/(loss) attributable to owners of the Company expressed as a percentage of the average equity holders' funds for the respective periods (non-annualised).

GROUP EARNINGS

2Q FY21-22 (1 July – 30 September 2021)

Air travel declined further this quarter due to the spread of the Delta variant. According to IATA, industry-wide Revenue Passenger-Kilometres (RPKs) in September were 53% lower than last year. On the other hand, Global Cargo Tonne Kilometres (CTKs) in September already rose 9.1% in contrast to pre-COVID levels in September.

SATS continued to benefit from the stable increase in cargo volumes and its successful expansion into non-travel food segments to achieve a 27.2% year-on-year increase in revenue this second quarter, bringing the Group revenue to S\$293.9 million. SATS Food Solutions mitigated the lower aviation volume with growth in non-travel food to boost its revenue by 16.8%, or S\$23.4 million, to S\$163 million. SATS Gateway Services' revenue soared 48.4% to S\$130.3 million over the same period last year due to increased cargo tonnage, the resumption of cruise ship calls, and the growth in security services. SATS' strategy to grow non-travel related revenue has paid off for the Group, with revenue from non-travel related businesses this quarter up 27% over the corresponding period last year to represent 47% of the Group's total revenue.

Group expenditure was higher by 27% or S\$62.3 million year-on-year, amounting to S\$293.4 million in tandem with the increased business activities and volume expansion. Staff cost has increased by S\$39.3 million due to a combination of factors, including increased business volumes, heightened safety measures at Changi Airport requiring more manpower, and lower grant support. The rise in the cost of raw materials and licence fees was in line with higher revenue. Other costs increased S\$4.6 million due to lower government grants, higher fuel costs, IT expenses and professional fees. Depreciation and amortisation fell S\$3.1 million due to the impairment of certain assets in the last financial year.

The Group reported an operating profit of S\$0.5 million this quarter, reflecting an increase of S\$0.5 million over the same quarter last year.

Share of results from associates and joint ventures turned positive at S\$2.1 million this quarter, improving S\$14.9 million or 116.4% year-on-year, reversing a loss position in the previous year.

The Group reported a PATMI improvement of S\$40 million, or 120.5%, to S\$6.8 million this quarter, building on the profitable first quarter. However, without government reliefs the Group PATMI for 2Q would have been a loss of S\$30.1 million, compared to a total loss of S\$105.1 million for the same period last year.

1H FY21-22 (1 April – 30 September 2021)

For the six months ended 30 September 2021, Group revenue increased S\$129 million, or 29.3% year-on-year, to S\$569.5 million, primarily driven by the sequential growth in cargo volume, non-travel revenue and the resumption of ship calls. The increase in non-travel food mitigated the lower aviation volumes for SATS Food Solutions resulting in a revenue increase of 12.6% or S\$34.8 million to S\$310.3 million. Gateway Services' revenue grew 61.4%, or S\$97.9 million, to S\$257.3 million in the first half of this year over the same period last year, driven by stable cargo growth, increased flights, resumption of ship calls and the expansion of security services.

Group expenditures increased S\$89 million or 18.7% year-on-year to S\$565.5 million. Staff costs increased by S\$57.4 million due to the higher volume of activity, the tapering of government grants and higher contract services to manage heightened safety measures at the airport. The cost of raw materials and licence fees rose in tandem with higher revenue growth. Compared to the same period last year, depreciation and amortisation fell by S\$6 million due to asset write-offs in the last financial year. Group-wide cost-containment measures have led to a decrease in company premises and utility expenses of S\$3.2 million. Other costs increased S\$7.9 million due to higher fuel costs and lower government grants, partly balanced out by the lower provision for doubtful debts.

The Group reversed a loss position of S\$36 million in operating profit in the first half of the last financial year to achieve an operating profit of S\$4 million this year.

Better performance from overseas operations improved share of results from associates and joint ventures, turning a loss of S\$44.2 million in the same period last year to a profit of S\$0.9 million in this half-year.

Impairments made for property, plant and equipment this half-year accounted for S\$0.8 million of other non-operating loss.

Consecutive quarters of profitability helped the Group reversed a negative PATMI position a year ago into a positive one. Net profit attributable to owners of the Company increased 117.2%, or S\$90.1 million, to S\$13.2 million. Without government reliefs the Group PATMI for the first half this financial year would have been a loss of S\$65.5 million, compared to a total loss of S\$211.6 million last year.

GROUP FINANCIAL POSITION (as at 30 September 2021)

As at 30 September 2021, total equity of the Group was S\$1,722.9 million, an increase of S\$24.1 million compared to 31 March 2021, attributed mainly to profits generated and foreign currency translation gains.

Total assets decreased by S\$139.1 million largely due to the full repayment of a term loan of S\$150 million ahead of its maturity which also lowered cash and cash equivalents, and lower investment in associates due to dividends received during the period. The increase in property, plant, and equipment was due to the consolidation of Food City in July 2021.

Cash balance as at 30 September 2021 was S\$685.5 million. Total liabilities have been reduced significantly due to lower tax provisions and the full repayment of an S\$150 million term loan ahead of its maturity. Debt-to-equity ratio including *SFRS (I)* 16 lease liabilities remained healthy at 0.47 times.

INTERIM DIVIDEND

In light of the persistent and significant uncertainties in our operating environment, the Board of Directors believe that it would be prudent not to pay an interim dividend for FY21-22. 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 launch of vaccinated travel lanes by the Singapore government and the easing of border restrictions in the region are starting to boost aviation volumes. While SATS reshaped operations at the start of the pandemic to grow non-travel related revenues, we made sure that we retained deep domain capabilities to support this rebound in travel.

Throughout the pandemic, we continued to invest in mission-critical innovations. For example, we have established dedicated, digitally-connected command centres to enable SATS and our customers to optimise real-time decision-making together by sharing relevant data. In addition, we expanded our market leadership in cargo handling in the region with investments in cargo terminals in Riyadh and Jeddah. The first offering from our brand accelerator programme in food solutions resulted in the well-received launch of famous hawker fare aboard Singapore Airlines.

To serve new customer segments, we are setting up new central kitchens in Tianjin, China and Bengaluru, India, and recently acquired a large-scale food production facility, Food City, in Thailand. Non-travel related revenue grew 15% in the first half YoY and now represents 47% of the total, laying a strong foundation for growth in the non-travel market segments going forward.

END

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 delights customers in over 55 locations and 14 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 2Q FY21-22 results of SATS are available at www.sats.com.sg.

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ANNEX A: GROUP FINANCIAL STATISTICS

Financial Results (S\$ million)	2Q FY21-22	2Q FY20-21	1H FY21-22	1H FY20-21
Revenue	293.9	231.1	569.5	440.5
Expenditure	(293.4)	(231.1)	(565.5)	(476.5)
Operating profit/(loss)	0.5	0.0	4.0	(36.0)
Share of results of associates/JVs, net of tax	2.1	(12.8)	0.9	(44.2)
(Loss)/profit before tax	(1.4)	(49.5)	(2.9)	(119.4)
Profit/(loss) attributable to owners of the Company	6.8	(33.2)	13.2	(76.9)
Underlying net profit/(loss)	6.8	(1.6)	13.2	(45.3)
Per Share Data				
Earnings per share (cents)				
- Basic ^{R1}	0.6	(3.0)	1.2	(6.9)
- Diluted ^{R2}	0.6	(3.0)	1.2	(6.9)
Return on turnover (%) ^{R3}	2.3	(14.4)	2.3	(17.5)

Financial Position (S\$ million)	As at 30-SEP-21	As at 31-MAR-21
Equity attributable to owners of the Company	1,576.7	1,546.3
Total assets	2,952.7	3,091.8
Total debt	733.7	873.4
Gross debt/equity ratio (times) ^{R4}	0.47	0.56
Net asset value per share (\$) ^{R5}	1.41	1.38

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

	2Q	2Q	Change	1H	1H	Change
	FY21-22	FY20-21	(%)	FY21-22	FY20-21	(%)
Passengers Handled ('M)	0.9	1.8	(50.0)	1.8	2.0	(9.5)
Flights Handled ('000)	14.3	20.5	(30.2)	28.2	27.1	4.1
Cargo/Mail Processed ('000 tonnes)	421.0	271.0	55.4	808.3	492.0	64.4
Gross Meals Produced ('M)	13.4	11.3	18.6	26.3	20.7	27.2
Ship Calls Handled	65	0	n.m.	129	0	n.m.

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.*