



MEDIA RELEASE

SATS FULL-YEAR CORE EARNINGS¹ GROWS 2.2% TO S\$241.4 MILLION

- 4Q and full-year revenue increased by 11.3% and 6%, respectively
- Net profits decreased by 5% for the year due to lower one-off gains
- ROE at 15.1%, and Board proposed increased dividend to 19 cents (FY18: 18 cents)

SINGAPORE, 17 May 2019 – SATS Ltd. (SATS) today reports its unaudited results for the fourth quarter and the full year ended 31 March 2019.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

	4Q FY18-19 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	471.5	48.0	11.3
Expenditure	(420.7)	(43.3)	(11.5)
Operating profit	50.8	4.7	10.2
Share of results of associates/JVs, net of tax	8.9	(15.1)	(62.9)
Profit attributable to owners of the Company	49.9	(15.5)	(23.7)
Underlying net profit ⁽¹⁾	48.7	(2.8)	(5.4)
EBITDA ⁽²⁾	82.4	2.9	3.6
Earnings per share (cents) - basic	4.5	(1.4)	(23.7)
Return on Equity (%/ppt) ²	3.1	(1.0)	n.m.

	FY18-19 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	1,828.0	103.4	6.0
Expenditure	(1,581.0)	(82.8)	(5.5)
Operating profit	247.0	20.6	9.1
Share of results of associates/JVs, net of tax	58.9	(12.3)	(17.3)
Profit attributable to owners of the Company	248.4	(13.1)	(5.0)
Underlying net profit ⁽¹⁾	241.4	5.3	2.2
EBITDA ⁽²⁾	383.8	19.3	5.3
Earnings per share (cents) - basic	22.3	(1.1)	(4.7)
Return on Equity (%/ppt) ²	15.1	(1.1)	n.m.

Note:

- 1 Underlying net profit (“Core Earnings”) refers to net profit attributable to owners of the Company excluding the following one-off items:

	4 th Quarter		Full Year	
	2018-19	2017-18	2018-19	2017-18
(i) Gain on disposal of assets held for sale, net of tax	–	2.3	–	9.3
(ii) Write-back of earn-out consideration	–	–	11.6	4.5
(iii) Impairment loss on investment in associates	–	–	(11.6)	–
(iv) Share of DFASS SATS Pte Ltd profits from the disposal of business to KrisShop Pte Ltd, net of tax	1.2	–	7.0	–
(v) Surplus arising from the finalisation of valuation	–	11.6	–	11.6

- 2 EBITDA refers to earnings (including Share of results of associates/joint ventures) before interest, tax, depreciation and amortisation; and excluding one-off items.
- 3 Return on equity is profit attributable to owners of the Company expressed as a percentage of the average equity holders’ funds for the respective periods (non annualised).

GROUP EARNINGS**4Q FY18-19 (1 January – 31 March 2019)**

Revenue of the Group grew for the fourth quarter to \$471.5 million, an increase of \$48 million or 11.3%, both Food Solutions and Gateway Services contributed to the growth. Revenue from Food Solutions rose \$17.1 million or 7.5% to \$245.4 million with growth from all core catering subsidiaries. Gateway Services’ revenue increased \$30.6 million or 15.7% to \$225.3 million, with increased contributions from cruise terminal operations at Marina Bay Cruise Centre Singapore and the consolidation of Ground Team Red Holdings Sdn Bhd (“GTRH”) and Ground Team Red Sdn Bhd (“GTR”)(collectively known as “GTR entities”) effective from January 2019. The consolidation of GTR entities accounted for 44.3% of the total growth for the Group.

Group expenditure in the fourth quarter was \$420.7 million, \$43.3 million or 11.5% higher compared to the corresponding quarter last year. Volume and revenue growth and the consolidation of GTR entities largely drove the increase in costs. In particular, staff costs increased \$27.1 million mainly due to the consolidation of GTR entities. Volume growth and lower employment credits also contributed to the increase. Raw materials and licence fees costs rose by \$1.9 million and \$2 million respectively, in line with the increase in meal volume and revenue. Depreciation and amortisation increased \$2.9 million mainly from the amortisation of intangible assets and depreciation from the consolidation of GTR entities. Company premises and utility expenses increased \$3.9 million partly due to higher utility consumption and rates. Other costs increased \$5.5 million with higher IT expenses, fuel costs, hiring and maintenance of ground support equipment and vehicles, as well as professional fees for new projects.

Excluding the consolidation of GTR entities, the Group expenditures would have recorded a lower increase of \$24 million or 6.4%.

Higher revenue has given the Group of \$4.7 million or 10.2% growth in operating profit from the same quarter last year.

Share of results from associates/joint ventures recorded \$8.9 million, a decline of \$15.1 million or 62.9% over the same period last year, with lower contributions from both Gateway Services' and Food Solutions' associates/joint ventures. Included in the share of results was a write-back of \$1.2 million tax provision in relation to the non-taxable gain of \$5.8 million recognised in 3Q FY18-19 in DFASS SATS Pte Ltd ("DSPL") for the disposal of business to KrisShop Pte Ltd (previously known as Singapore Airport Duty-Free Emporium (Private) Limited) ("KSPL") as explained in the last quarter.

Group net profit attributable to owners of the Company declined \$15.5 million or 23.7% to \$49.9 million. Excluding the one-off write-back of \$1.2 million tax provision in DSPL as explained above, the underlying net profit of \$48.7 million was \$2.8 million or 5.4% lower year-on-year.

FY18-19 (1 April 2018 – 31 March 2019)

Group revenue grew \$103.4 million or 6% to \$1,828 million, contributed by volume growth in both Food Solutions and Gateway Services. Revenue from Food Solutions increased \$41.6 million or 4.4% to \$988.2 million, with higher contributions from TFK of \$8.7 million or 3.6%, and \$4.9 million or 140% growth from the non-aviation business in China. Gateway Services' revenue improved \$61.3 million or 7.9% to \$837.8 million, driven by volume growth in flights handled, improved performance in cruise terminal operations, and consolidation of GTR entities. The consolidation of GTR entities contributed to 20.6% of the Group's growth. Excluding the impact of the deconsolidation of SATS HK Limited ("SHK"), a wholly-owned subsidiary which the Group has divested 51% interest to Voltaire Capital Investment Limited in July 2017, the Group's underlying revenue would have increased \$119 million or 7%, while Gateway Services' revenue would have reflected a higher growth of \$76.9 million or 10.1%.

Group expenditure in the financial year was \$1,581 million, \$82.8 million or 5.5% higher compared to last year, with increases driven mainly by volume and revenue growth and the consolidation of GTR entities as explained for the quarter. Staff costs were higher by \$40.7 million due in part to the consolidation of the two companies, new T4 operations, and reduced employment credits. Cost of raw materials and licence fees increased in line with the revenue

growth by \$14.9 million and \$5.2 million respectively. Depreciation and amortisation were higher by \$6.4 million due to new projects and assets gained. Company premise and utility expenses increased \$9.7 million from additional space rental and higher utility rates. Other costs increased \$5.9 million from higher IT expenses, fuel costs and professional fees for new projects and investments during the year. The increase is mitigated by foreign exchange gains and grants received.

Operating profit for the Group recorded \$247 million, \$20.6 million or 9.1% increase over the last financial year. We achieved positive jaws as revenue growth outpaced the higher expenditures.

Share of results from associates/joint ventures was \$58.9 million, a reduction of \$12.3 million or 17.3% year-on-year, with lower contributions from Food Solutions' division but this was, in part, offset by better performance in Gateway Services' associates/joint ventures. The share of results from associates/joint ventures also included the gain of \$7 million from DSPL's disposal of business to KSPL. Excluding the one-off gains for both years, share of results from associates/joint ventures decreased \$7.7 million.

Group net profit attributable to owners of the Company recorded \$248.4 million, \$13.1 million or 5% lower year-on-year. Excluding the one-off gain from both years, underlying net profit year-to-date was \$241.4 million, \$5.3 million or 2.2% higher year-on-year.

GROUP FINANCIAL POSITION (as at 31 March 2019)

Total equity of the Group increased \$50.5 million to \$1,817.1 million at 31 March 2019, compared to the balance at 31 March 2018. The higher equity was mainly due to profits generated during the year and higher non-controlling interest. Dividend payments to shareholders, purchase of treasury shares, and a reduction in share-based compensation reserves resulting from re-issuance of treasury shares for equity-based compensation plans partly offset the increase in equity.

The higher non-controlling interest was primarily due to the consolidation of GTR entities, offset by the acquisition of the remaining 40% equity interest in SATS Yihai Kerry Kunshan Food Co., Ltd. ("Kunshan FoodCo").

The Group started consolidation of GTR entities in January 2019, which contributed to the higher non-controlling interest of \$46.8 million, total assets of \$236.8 million, and total liabilities of \$25.9 million as at 31 March 2019.

SATS Group held 60% equity interest in Kunshan FoodCo and Yihai Kerry Investments Co., Ltd. holds the remaining 40% equity interest in Kunshan FoodCo. With the purchase of the remaining 40% equity interest in Kunshan FoodCo, the Group's effective interest in Kunshan FoodCo increased from 60% to 100%.

As at 31 March 2019, the Group's current assets declined \$24.8 million mainly from lower cash and short-term deposits and assets of disposal groups classified as held for sale. Current liabilities dropped \$13.3 million mainly with a write-back of \$11.6 million earn-out consideration in relation to the acquisition of Brahim's SATS Investment Holdings Sdn. Bhd ("BSH") in 2017 in trade and other payables. The decrease in term loans was due to the repayment of term loans of \$9.8 million.

Free cash flow generated during the year amounted to \$208.1 million and debt-to-equity ratio remained healthy at 0.06 times.

PROPOSED DIVIDEND

In view of the Group's financial performance in FY18-19, its liquidity position, and capital allocation considerations, the Board of Directors has recommended a final dividend of 13 cents per share, an increase of 1 cent per share. Including the interim dividend of 6 cents per share, this brings the total dividend to 19 cents per share.

The proposed final dividend will be tabled for shareholders' approval at the forthcoming Annual General Meeting on 18 July 2019 and if approved, will be paid on 8 August 2019. The book closure date is 31 July 2019.

OUTLOOK

The world economy faces challenges, but demand for aviation services and high quality food in Asia-Pacific continues to grow. Passenger traffic in the region is projected to grow 5%¹ and out-of-home food consumption is forecasted to grow 6%² from 2017 to 2023. SATS has been expanding its network of operations across Asia-Pacific and investing in new capabilities to benefit from this growth.

¹ https://www.iata.org/about/worldwide/asia_pacific/Pages/Asia-Pacific-20-Year-Forecast.aspx

² Euromonitor Passport Consumer Foodservice Asia Pacific

Starting in Singapore, we have secured a long-term contract with SIA to support them in their transformation plans, by investing in strengthening hub operations with dedicated teams and fully integrated digital ground handling systems. We also continue to invest in new opportunities in Asia-Pacific's major hubs and cities. SATS' recent investments in India and Malaysia are immediately accretive and showing steady growth.

To strengthen our position as Asia-Pacific's leading gateway services and food solutions provider, we are investing in business sustainability initiatives such as solar panels, electric vehicles and new food technologies that will help us to reduce our carbon footprint, manage waste and scale our business efficiently.

Alex Hungate, President and Chief Executive Officer of SATS, said "Our investments in regional expansion and new capabilities are bearing fruit. Revenue growth accelerated throughout this year to reach 11.3% in the most recent quarter. Net profit declined due to the absence of one-off gains from our overseas operations, but operating profit continued to improve year on year, both for the quarter and the full year."

END

ABOUT SATS LTD.

SATS is Asia's leading provider of Gateway Services and Food Solutions.

Our comprehensive gateway services encompass airfreight handling, passenger services, ramp handling, baggage handling, aviation security services, aircraft interior and exterior cleaning as well as cruise centre management. Our food solutions include airline catering, institutional and remote catering, aviation laundry as well as food distribution and logistics.

SATS is present in over 60 locations and 13 countries across Asia 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 4Q and FY18-19 results of SATS are available at www.sats.com.sg.

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ANNEX A: GROUP FINANCIAL STATISTICS

Financial Results (S\$ million)	4Q FY18-19	4Q FY17-18	FY18-19	FY17-18
Revenue	471.5	423.5	1,828.0	1,724.6
Expenditure	(420.7)	(377.4)	(1,581.0)	(1,498.2)
Operating profit	50.8	46.1	247.0	226.4
Share of results of associates/JVs, net of tax	8.9	24.0	58.9	71.2
Profit before tax	60.1	79.7	307.7	321.6
Profit attributable to owners of the Company	49.9	65.4	248.4	261.5
Underlying net profit	48.7	51.5	241.4	236.1
Per Share Data				
Earnings per share (cents)				
- Basic ^{R1}	4.5	5.9	22.3	23.4
- Diluted ^{R2}	4.5	5.8	22.2	23.2
Return on turnover (%) ^{R3}	10.6	15.4	13.6	15.2

Financial Position (S\$ million)	As at 31-MAR-19	As at 31-MAR-18
Equity attributable to owners of the Company	1,649.3	1,634.1
Total assets	2,408.4	2,348.3
Total debt	95.7	106.4
Gross debt/equity ratio (times) ^{R4}	0.06	0.07
Net asset value per share (\$) ^{R5}	1.48	1.46

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

	2H FY18-19	2H FY17-18	Change (%)	FY18-19	FY17-18	Change (%)
Passengers Handled ('M)	30.39	28.34	7.2	59.87	54.30	10.3
Flights Handled ('000)	130.95	80.66	62.3	213.16	165.94	28.5
Cargo/Mail Processed ('000 tonnes)	923.52	923.97	(0.1)	1,857.87	1,828.85	1.6
Gross Meals Produced ('M)	37.85	35.61	6.3	76.05	70.51	7.9
Ship Calls Handled	199	156	27.6	312	189	65.1

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 carrier as well as cruise ship passengers.*
- iii. *Gross meals include both inflight and institutional catering meals.*