



## **ANNUAL GENERAL MEETING (AGM) TO BE HELD ON 24 SEPTEMBER 2020 RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**

**Singapore, 24 September 2020** – SATS Ltd. (“SATS”) would like to thank shareholders for taking the time to send their questions in advance of our 47<sup>th</sup> Annual General Meeting (“AGM”) to be held by electronic means this morning at 11:00 am. It is important for us to hear your feedback, questions and suggestions even though we are unable to meet in person this year due to the current situation.

### ***Responses to substantial questions which are relevant to the resolutions tabled for approval at the AGM***

Due to the high volume of questions received resulting in similarities in many of the questions asked, SATS has grouped and prepared our responses to shareholders’ questions through the following themes to avoid extensive repetition.

- (i) Financials
- (ii) Dividends
- (iii) Environmental, Social and Governance (ESG) Matters
- (iv) Corporate Governance
- (v) Board Matters – Directors’ Fees
- (vi) Share Plans
- (vii) Share Purchase Mandate
- (viii) Business Strategy & Outlook and Mergers & Acquisitions (M&As)

Please refer to our responses as set out in [Appendix 1](#).

Further information on these topics is available in our President and CEO, Mr Alex Hungate’s presentation deck, which has been uploaded on SGXNET and our corporate website at <https://www.sats.com.sg/AGM2020>. Additional information is available in our 1Q FY2020-21 business update presentation deck at <https://www.sats.com.sg/investors/financial-reports>.

We will also be uploading the minutes of the AGM on SGXNET and our corporate website (<https://www.sats.com.sg/AGM2020>) by 23 October 2020.

### **BY ORDER OF THE BOARD**

S. Prema  
Company Secretary



## APPENDIX 1

Theme	No.	Questions	Responses
Financials	1	<p>After government reliefs taper off, what will be the impact on SATS' cost of operations and bottom line?</p> <p>Is retrenchment on the cards or will SATS scale back on planned capital expenditure? Will top management consider further pay cuts on a voluntary basis?</p> <p>With a cash balance of S\$549M as at 31 March 2020, is SATS using it to cushion the pandemic or looking at mergers and acquisitions? Does SATS have any plans to raise funds?</p>	<p>We have reshaped our business to prepare for a gradual recovery. In 1Q FY2020-21, we reduced expenditures by 40% year-on-year.</p> <p>Excluding government reliefs, staff costs saw a significant reduction of 32% as a result of the sustainable cost-saving measures implemented by management at the beginning of the crisis, led by the leadership team taking salary cuts ranging from 15% (PCEO) and 12% (EVPs to SVPs), to 10% (VPs) and 5% (AVPs to Managers).</p> <p>If government reliefs were to taper off before aviation volumes recover, we will assess the need for further rationalisation of our cost base, which includes a thorough review of our capex. As such, we will prioritise and focus our capex spent on essential projects such as the digital transformation projects to enhance productivity and services, as well as preserve SATS' core competencies that are critical for operational efficiency, even in today's context. We expect to limit our capex spent to ca. S\$60 million this year, from the previous year's levels for maintenance capex of S\$70 to 80 million.</p> <p>The group cash balance has increased from S\$549 million held on 31 March 2020 to S\$724 million as at 30 June 2020. For prudent reasons, we have drawn approximately S\$550 million of debt financing over the last few months to strengthen the Group's liquidity position, giving rise to total term loans and notes payable of \$664 million at the end of June 2020. This has put SATS on a sound</p>



		<p>Debt has increased by 60% for this 1<sup>st</sup> quarter, bringing the debt-to-equity ratio to 42%. Why is this so? Will the debt ratio continue to increase going forward? How would you mitigate the increasing debt?</p>	<p>footing to not only ride out the pandemic, but also enable us to seize strategic M&amp;As at attractive valuations.</p> <p>Due to our raising of funds from the marketplace, our debt-to-equity ratio stood at 42% as at 31 March 2020. At our current level of debt-to-equity, we are the lowest amongst our peers. The level of debt in future will be driven by opportunities for value-creating investments in the future.</p>
Dividends	2	<p>Will SATS continue to issue dividends to shareholders?</p>	<p>The trajectory of the recovery is uncertain and therefore we cannot give an exact timing for the resumption of dividends.</p> <p>The priority for us is to achieve profitability without government support and have positive cash flow after interest expense and essential capex. Thereafter, dividend payout will be considered alongside investment in growth opportunities, as usual.</p>
ESG Matters	3	<p>As a heavy energy consumer, how does the management ensure SATS enjoys the most competitive electricity rate in liberalised energy markets?</p>	<p>SATS aggregates its electricity requirements across the group's entities in Singapore and through a competitive process, sources for competitive rates from suppliers.</p> <p>With a focus on environmental performance, one of management's performance targets on our balanced scorecard includes continual improvement of energy efficiency. We are partnering Sembcorp to expand our renewable energy capacity and improve energy efficiency. Under the partnership, SembCorp will develop a suite of integrated solutions, including the implementation of solar energy systems in buildings owned by</p>



			SATS, to power SATS' on-site operations and reduce its carbon footprint.
	4	Could SATS bring forward plans to reduce food wastage by half in 2030 to halve the wastage by say, 2027 instead? What are some of the concrete plans to reduce food wastage? Does SATS advise its customers to order less?	<p>Tackling food waste is an important aspect of our operations to ensure we optimise our supply chain and minimise the impact our activities may have on the environment. We are focusing our efforts to digitalise the tracking of food waste through the use of artificial intelligence (AI), which will enable our chefs to easily pinpoint waste streams, cut costs, and save time. We have also invested in food technologies that can extend the shelf life of food products without the use of added preservatives and are helping our customers to improve demand planning through our digital integrated supply chain.</p> <p>We intend to play a leadership role in our industry to drive an ecosystem approach so that we can accelerate the reduction of food waste.</p>
Corporate Governance	5	If the business and operations of SATS is going to be reduced substantially until 2024, do we need to re-look the size of our Board?	The Board, through the Nominating Committee ("NC") reviews its size and composition annually to ensure its relevance to our business operations and strategic ambitions. In the face of the challenging macro environment, disruptive competition, and new opportunities arising, a highly-effective well-experienced and diverse Board strengthens the Company's performance to prepare it for the future.
Board Matters – Directors' Fees	6	Why are directors' fees still high at a time like this? Is there any fee reduction in view of the current crisis?	<p>The Board elected to take a voluntary cut in directors' fees with effect from 1 March 2020, in alignment with management's reduction in their salary, and this will continue for as long as it is required.</p> <p>The proposed Directors' remuneration for the financial year ending 31 March 2021,</p>



			has been reduced by S\$100,000 to S\$1.2 million.
	7	How are directors' fees being assessed to determine the amount to be paid?	Directors' fees are rigorously benchmarked to SATS' peers in the external marketplace and our non-executive directors' fees are at the lower half of that benchmark. For further details, please refer to pages 46 to 49 of our FY2019/20 Annual Report.
	8	Appointed Directors not holding executive positions in SATS may want to show good faith in these pandemic times by forgoing their director's fee altogether. As they are already drawing a salary in their full-time jobs, a show of solidarity would go a long way in instilling confidence in investors big and small as well as employees in the company.	We value the expertise, time spent, and valuable contributions from all our Directors. Each individual director has been actively involved in numerous discussions in addition to scheduled board meetings on strategic matters, including issues arising from the pandemic. Given the above, it is appropriate to remunerate them for FY2020-21.
Share Plans	9	How do you assess performance in the current situation where it is very difficult for your company to generate profit?	The Restricted Shares and Performance Shares are conditional awards which are given to managers and executives only if certain company-wide performance criteria are met. The objective is to motivate managers and executives to drive shareholder returns.
Share Purchase Mandate	10	Are there any plans to cancel shares bought back in order to reduce the float and increase the value of each share?	The shares bought back are being held as treasury shares to meet the annual employee share plans. Given the specific use of the treasury shares, we do not have any plans to cancel the shares. In any event, shares bought back are immediately removed from the float.



Business Strategy & Outlook	11	<p>When do you foresee the situation improving and SATS returning to profitability?</p> <p>What are the cost-cutting measures in view of the crisis? What is the impact on SATS' financials from now till 2024?</p>	<p>IATA projects that global airline passenger volumes will not recover to pre-COVID-19 levels till 2024. Aviation was disrupted by COVID from February 2020. The month of April marked the low point for passenger volumes at Changi Airport when they were below 1% of normal levels. They have recovered only slightly since then to reach 1.5% in July.</p> <p>In the last few weeks, the Singapore government has unilaterally opened borders to Brunei and New Zealand, and reduced SHN from 14 days to 7 days for visitors from Australia (excluding Victoria State), Macao, Mainland China, Taiwan, Vietnam, and Malaysia. We are hopeful that these updated regulations will spur essential business travel and reduce our losses from the aviation business.</p> <p>Cargo volumes have been more robust than passenger volumes. IATA estimates that global air cargo contracted 27.7% y-o-y in April and has since climbed to 13.5% in July. For SATS, the cargo business went down to 40% of the pre-COVID-19 level in April but is back to 62% now with eCommerce and cold chain cargo showing the most robust recovery.</p> <p>We have reshaped our cost base to prepare for a gradual recovery. In 1Q FY2020-21, staff costs were significantly reduced by 32% excluding government relief measures, which would be sustainable going forward. Nonetheless, we remain focused on retaining core competencies by equipping our people with future-ready skills to seize strategic opportunities as we emerge from the pandemic.</p>
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	<p>What is the business plan and strategy for the next 3-5 years?</p> <p>Are there any plans for business diversification or diversification into non-aviation ventures? How is SATS going to reduce losses from aviation?</p> <p>How is SATS going to operate in the new normal? How does management intend to innovate and rejuvenate the business?</p>	<p>There is still a lot of uncertainty about the trajectory of the pandemic, but we are not simply waiting for the recovery in aviation volumes. In fact, SATS has undertaken the largest redeployment of people in our history: supporting public health, essential services and supplies, multi-skilling and re-skilling our people for a digital future, and powering new growth engines.</p> <p>For more information, please refer to theme (i) “Financials” on page 2 of this Appendix or our 1Q FY2020-21 business update presentation deck at <a href="https://www.sats.com.sg/investors/financial-reports">https://www.sats.com.sg/investors/financial-reports</a></p> <p>The growth strategy of SATS targets three megatrends; increased demand for travel, growing urbanisation leading to greater demand for high-quality food products, and thriving eCommerce. Travel is temporarily disrupted due to COVID-19, but the other two trends are intact: in fact, they have been accelerated by the pandemic.</p> <p>SATS grew overall revenue by 11% over the first three quarters of FY2019-20. This growth was driven by non-aviation segments which grew 22% over the same period. Non-aviation segments continued to grow 50% y-o-y during 4Q FY2019-20 and then 73% during 1Q FY2020-21.</p> <p>We are targeting the fast-casual restaurant and retail channels in China and India. Our kitchen in Kunshan, China contributed to this growth by supporting customers such as Yum China and Aldi in the Shanghai region. We are building an additional kitchen in Tianjin, China, and plan to construct other kitchens in both China and India. In Singapore, we have also started</p>
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	<p>Since Singapore aims to produce 30% of its nutritional needs by 2030, can SATS play a bigger role in this area to spread the risk instead of concentrating on aviation?</p> <p>Any plans to go into logistics solutions and partner major e-commerce entities like Amazon, Alibaba, Qoo10, Lazada, etc.?</p>	<p>distributing Europastry breads and Dots donuts through Country Foods into retail chains and developed product extensions for the Farmpride brand for sale in the retail channels.</p> <p>For more information, please refer to our PCEO's presentation deck in <a href="#">Appendix 2</a>.</p> <p>As one of the largest food companies in Singapore, SATS is actively contributing to Singapore's food security. We have also been building our digital integrated supply chain which will enable scale economies in food sourcing, production, and logistics across Asia. During this pandemic, SATS used Country Foods along with this digital integrated supply chain technology to bring essential food supplies into Singapore in collaboration with several Singapore agencies. As we expand this capability throughout the region, our focus would be to nourish consumers in Asia through healthy and trusted food products.</p> <p>We are digitising our cargo handling operations across the region and broadening our operations to include perishable and eCommerce cargo handling. COVID-19 has exposed the vulnerabilities of the medical and food supply chains, driving up the premium for resilience. Our investment in state-of-the-art perishable and pharma handling facilities and certification positions us well to extend our market leadership. The penetration of eCommerce grew during the pandemic, so we shall continue to use technology to drive seamless and traceable eCommerce airfreight handling with airlines, forwarders, agents, integrators, shippers and eCommerce giants.</p>
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		Are there any plans for a delivery service or to increase the quality of food catering services for SATS' food solutions business?	SATS is already a supplier to certain home delivery platforms, using the scale in our central kitchen to supply satellite cloud kitchens. We will expand partnerships in this space as the industry grows.
M&As	12	<p>Does SATS have any M&amp;A plans within the next 2 years? What is the basis for mergers?</p> <p>Any possibility of M&amp;As in other countries?</p> <p>Is merging with or acquiring healthcare or IT-related businesses a possibility?</p>	<p>M&amp;A remains an important way to accelerate the implementation of our strategy. These opportunities are evaluated based on a range of strategic and financial criteria. SATS will continue to pursue its strategy with international growth in key markets like China, India and ASEAN. We have been acquiring capabilities over the past years in pursuit of our strategy. In March this year, SATS completed the purchase of a leading provider of sustainably packaged handheld snacks for aviation, Monty's Bakehouse. We have been working with Monty's to bring low-touch food packaging solutions. Before this, SATS had acquired frozen food production capability in China when it acquired a 50% shareholding in Nanjing Weizhou Airline Food Company.</p> <p>In July 2019, we sold FASSCO, our subsidiary providing healthcare contract services in the Middle East, as it was no longer in line with our strategic segments. We will continue to assess all of our subsidiaries, JVs and associates, to ensure that they remain relevant to our strategy for the future. Any M&amp;A opportunity will be assessed in accordance with our strategy, which does not currently contemplate an acquisition in the healthcare or IT industry.</p>

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Appendix 2



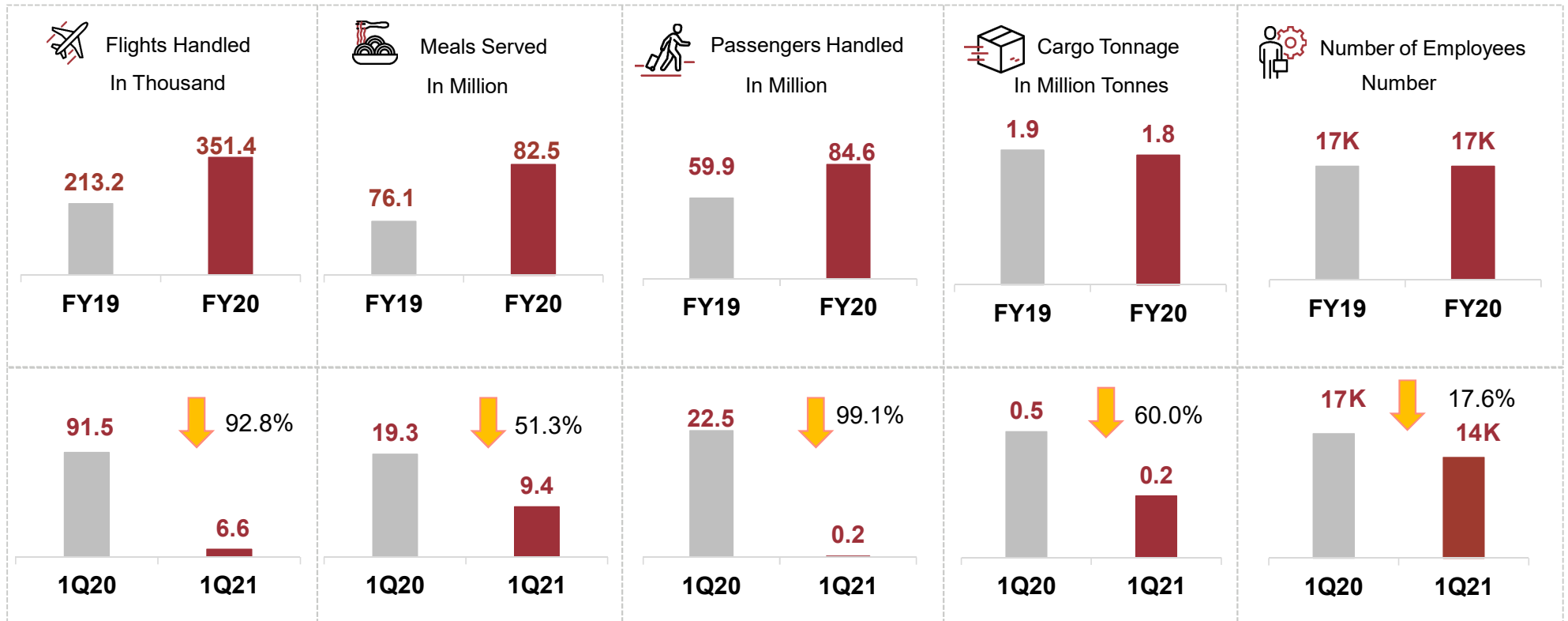
# 47<sup>th</sup> Annual General Meeting

24 September 2020

**Resilience  
in Action**

# Growth Disrupted by COVID-19

## Full-Year FY20 & 1QFY21 Operating Statistics

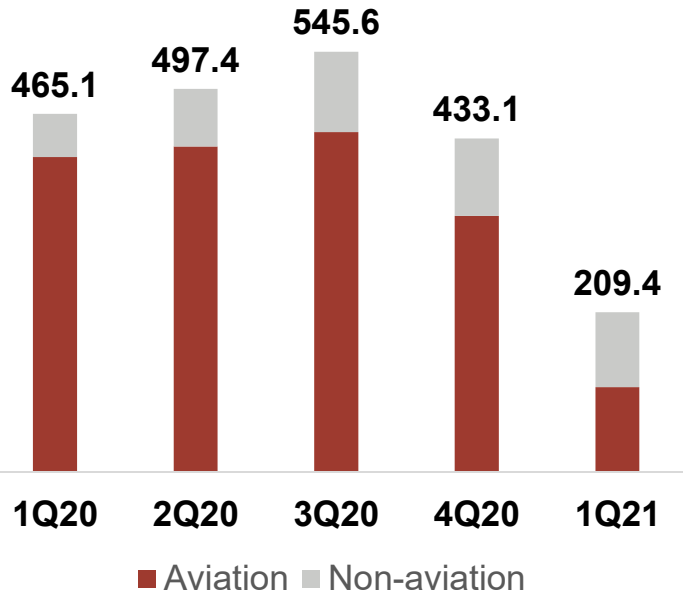


Note: The above operating data cover SATS and its subsidiaries, but does not include JVs and associates.

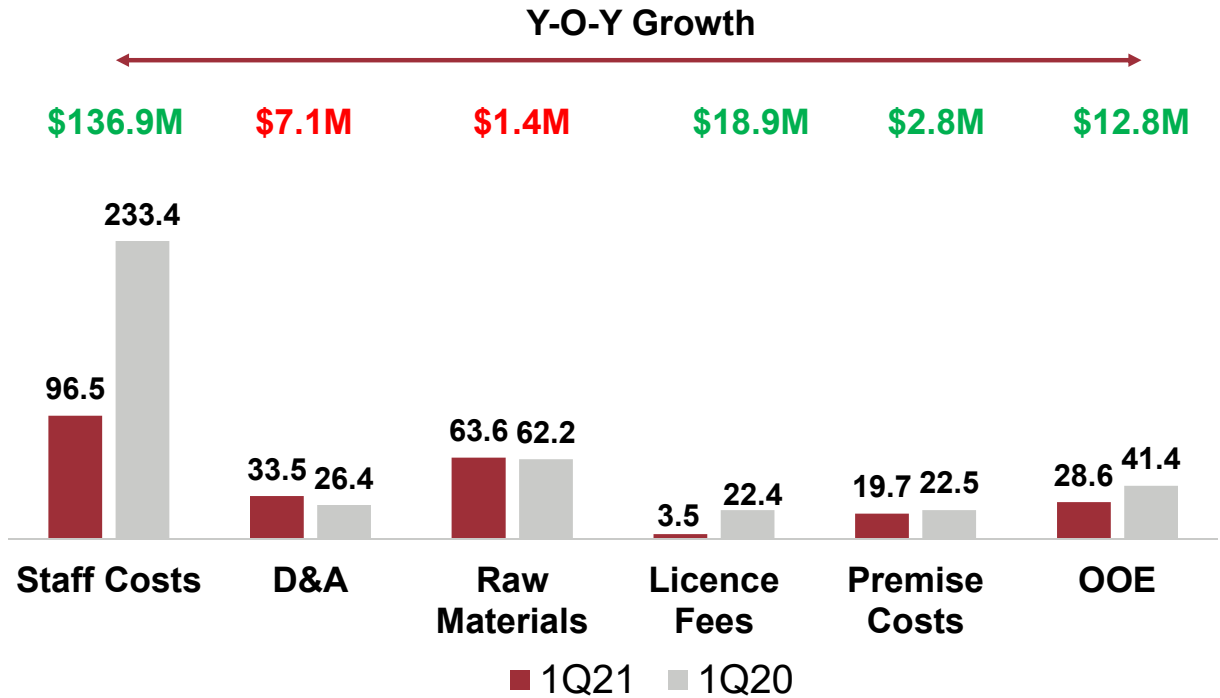


# Quarterly Revenue & 1QFY21 OPEX

Revenue YoY: **-\$255.7M**  
S\$M



Operating Expenditure YoY: **-\$162.9M**  
S\$M



Headcount: 1QFY20: 16,700; 1QFY21: 13,500

# Financial Summary



## Full-Year FY20

## 1Q FY21

<b>S\$1,941.2M</b> Revenue YoY: +6.2%	<b>S\$3,009.8M</b> Total Assets YoY: +25.0%	<b>S\$209.4M</b> Revenue YoY: -55.0%	<b>S\$3,189.2M</b> Total Assets QoQ: +6.0%
<b>S\$168.4M</b> PATMI YoY: -32.2%	<b>S\$1,805.5M</b> Total Equity YoY: -0.6%	<b>S\$(43.7)M</b> PATMI YoY: -180.0%	<b>S\$1,755.4M</b> Total Equity QoQ: -2.8%
<b>10.3%</b> ROE FY19: 15.1%	<b>0.39x*</b> Debt-to-Equity Ratio FY19: 0.06x	<b>-2.7%</b> ROE 1QFY20: 3.3%	<b>0.55x*</b> Debt-to-Equity Ratio FY20: 0.39x

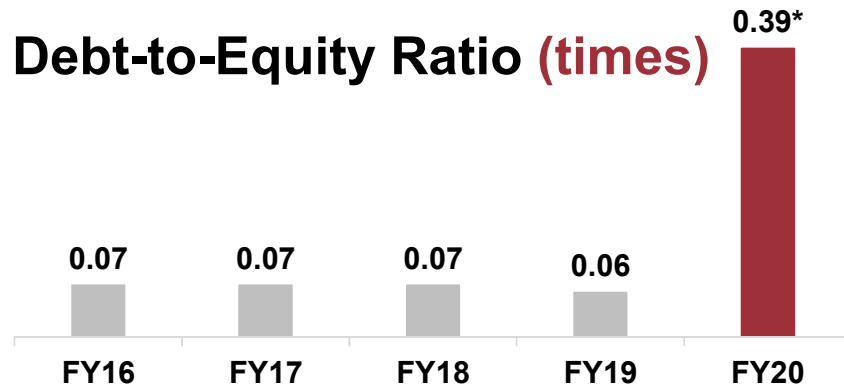
Note: \*Excluding the impact of SFRS (I) 16, Debt/Equity ratio will be 0.26x (FY20) and 0.42x (1QFY21)



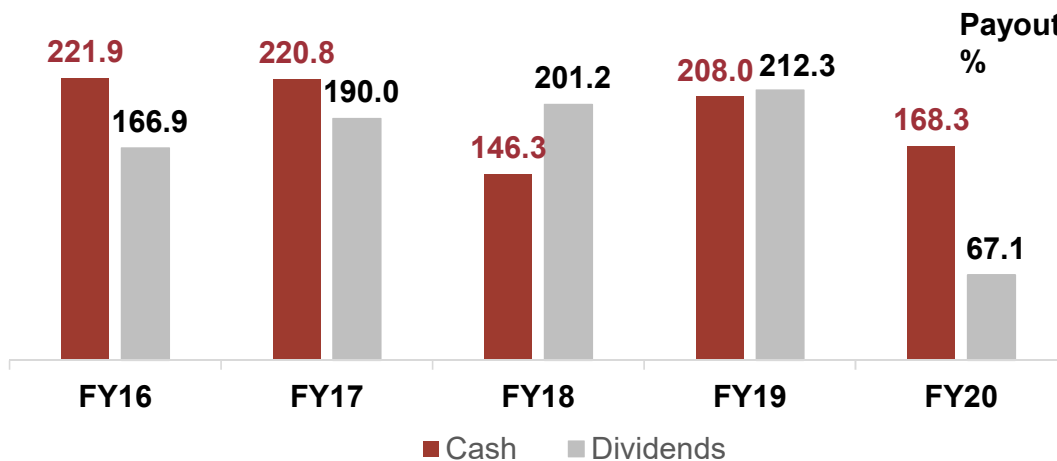
# Strong Cash Reserves

## Cash Reserves S\$549M

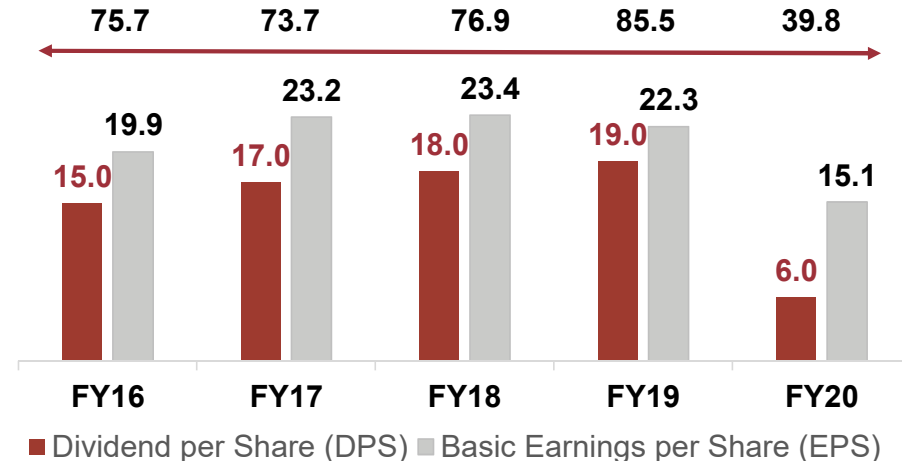
As at 31<sup>st</sup> March 2020 the Company has a net cash position, with total cash held at S\$549M, including aggregate bank loans & notes of S\$415M



## Free Cash Flow & Dividends (S\$'M)



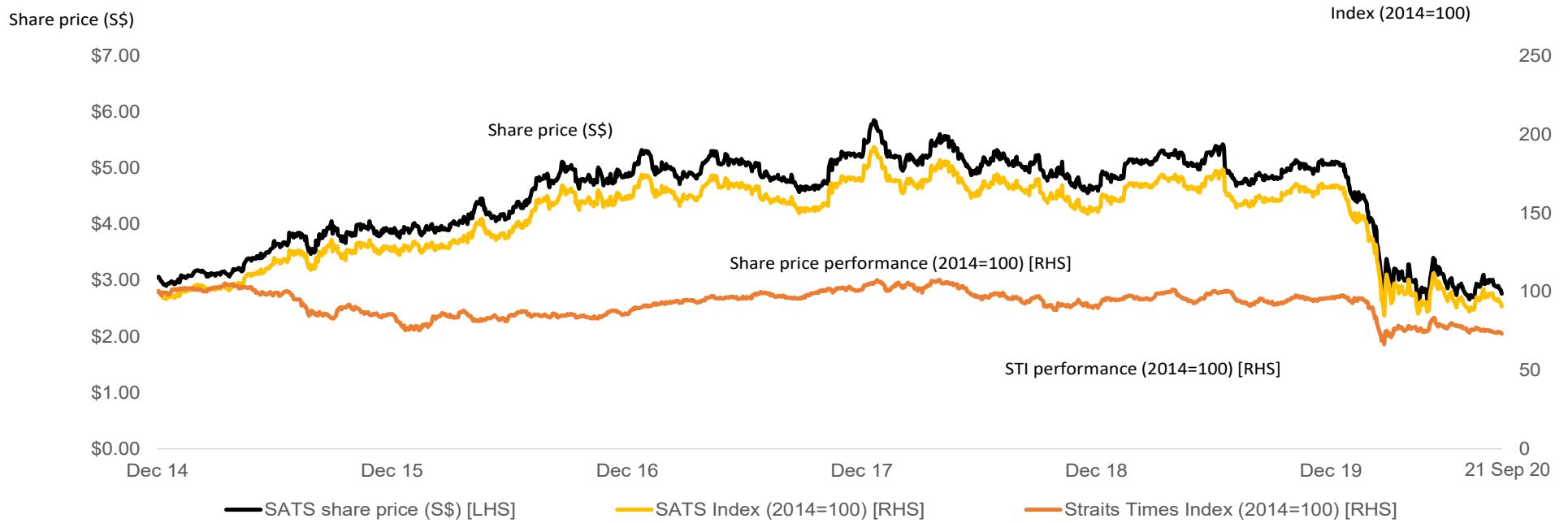
## DPS & EPS (Cents)



\*Excluding the impact of SFRS (I) 16, Debt-to-Equity ratio will be 0.26x (FY20)



# Share Price Impacted by COVID-19



## Market Capitalisation **S\$3.2B**

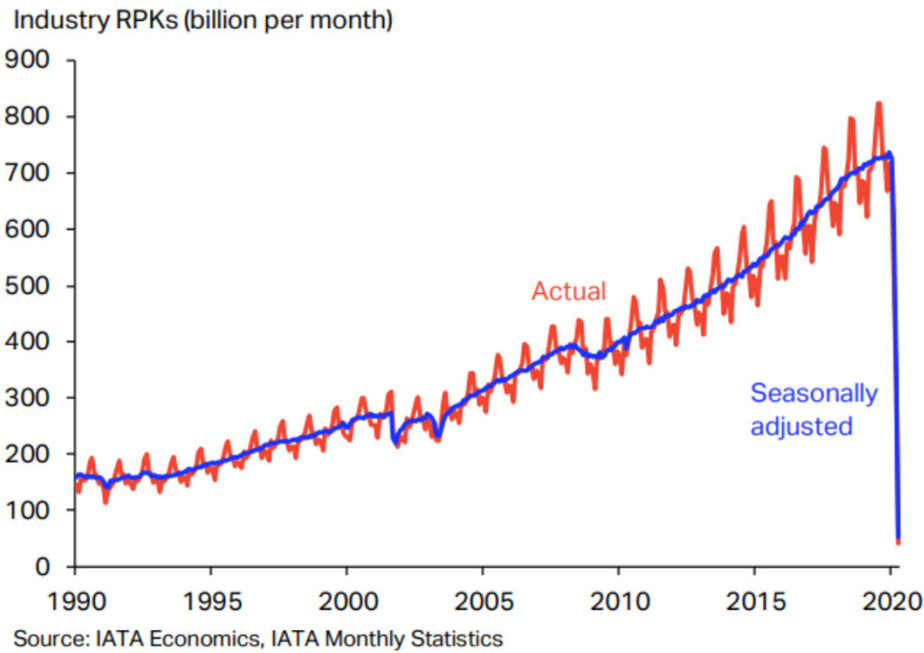
Total Returns (Including Dividends*)	Pre-COVID 19 (31 Dec 19)		Current	
	Instrument	Return	Instrument	Return
	SATS	+98.4%	SATS	+10.5%
	Straits Times Index	+14.8%	Straits Times Index	-6.5%

Source: Refinitiv as at 21 September 2020. SATS historical share price relative to STI Index (rebased at 31 Dec 2014).  
 \*Total Shareholders Return computations above include dividends received over the period.

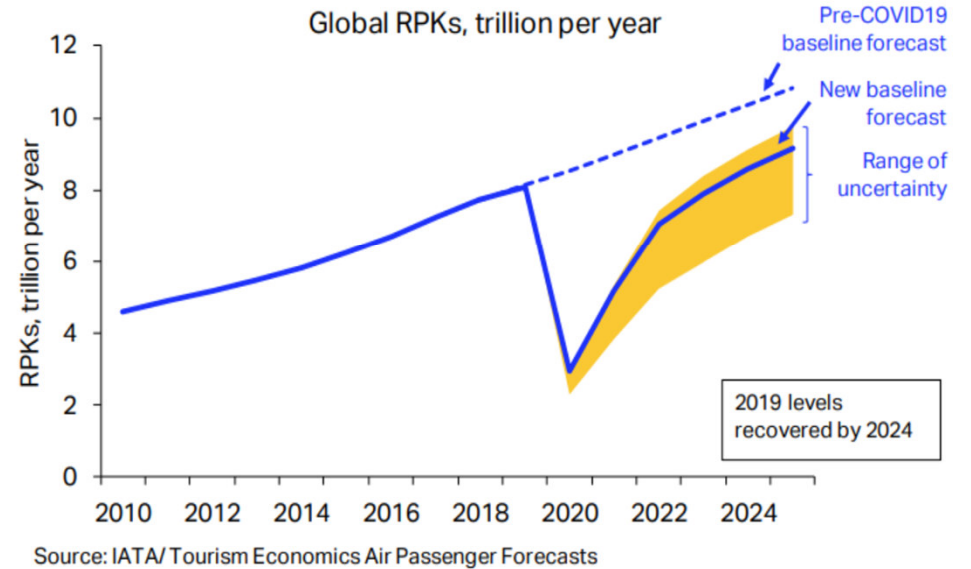
# Aviation Volumes Staying Lower for Longer



## Air Passenger Volume



### Five years to return to the pre-pandemic level of passenger demand





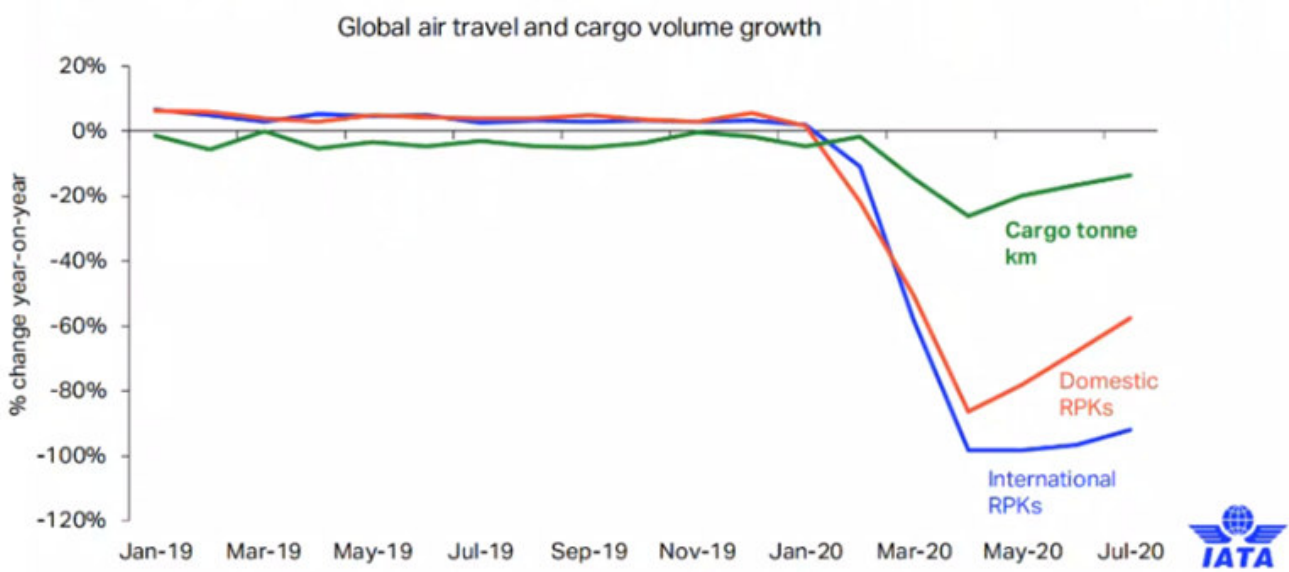
# Air Cargo Expected to Remain Resilient

Adjacent growth opportunities for SATS in pharma, perishables & eCommerce

Demand for air cargo is more robust than air travel

New Customers

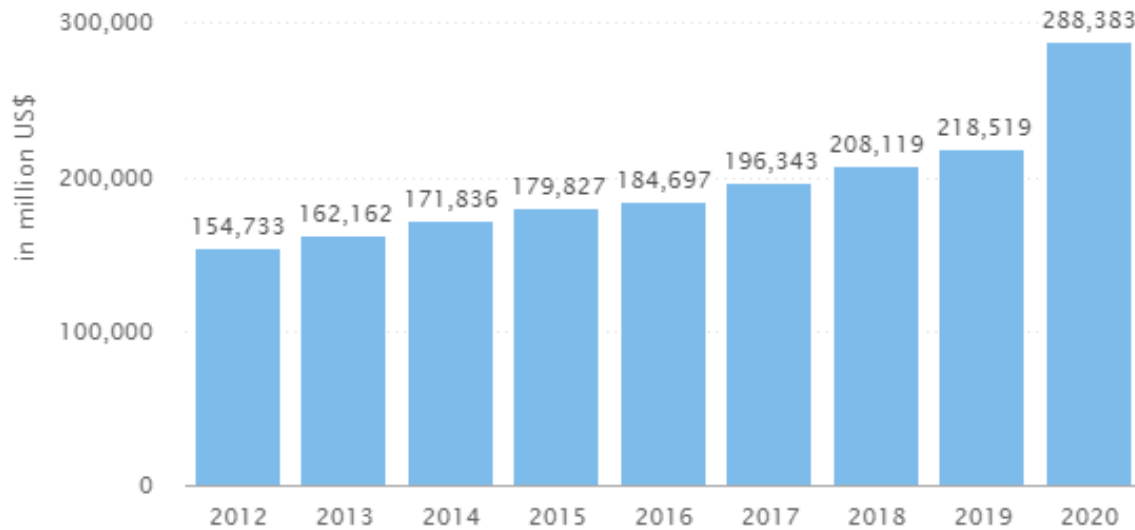
July cargo tonne km flown down -13.5% yoy vs -79.8% for global RPKs



# Serving Increased Demand for Ready-to-Eat Meals



Ready-to-Eat Meals in Asia:  
2020E YoY Market Growth: **+32%**



Source: Statista (Forecast adjusted for expected impact of COVID-19), June 2020



# Expanding Central Kitchens for Foodservice Chains



## Addressable Consumer Foodservice Market (S\$B)

