

Operations Review

Food Solutions



SATS sees new shoots across the region with a budding customer base beyond aviation in foodservice and retail.



Revenue

S\$573.8M

for FY2020-21

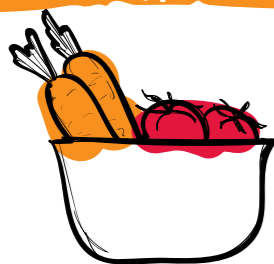
SATS' continuing foray into foodservice and retail distribution saw the launch of Singapore's first artisanal bakery store-in-store concept for convenience stores, at the FairPrice Xpress on Sixth Avenue through Country Foods. It has launched ready-to-serve pastries in nearly 100 Cheers and FairPrice Xpress convenience stores island-wide.

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Driven by evolving consumer preferences amid the pandemic and rapid urbanisation, Asia's ready-to-eat meals market is expected to grow annually by 5% (CAGR 2021-2025).



In anticipation of air travel's rebound, SATS is continuously delivering innovative food solutions and working closely with airlines to proactively create fresh menu offerings, improve demand planning, reduce waste, and promote sustainable food packaging.

SATS has been planting the seeds for sustainable growth in our food solutions business by investing in large-scale kitchens and innovative food technologies to increase productivity and reduce waste over the last five years. By harnessing our central kitchen capabilities, we were able to scale production while consistently maintaining tasty, quality food in new food segments beyond aviation.

From catering meals for essential workers in healthcare and logistics, patients in hospitals and students in schools, to helping airlines develop low-touch packaged meals and launching a new F&B concept and ready-to-eat meals in retail chains, SATS' efforts are starting to bear fruit. Our early investments formed the bedrock of our expansion into new non-travel related revenue streams. In the fourth quarter of FY2020-21, SATS grew non-travel related revenue organically by 32% year-on-year, with a significant share coming from non-aviation food.

¹ Source: Statista

SATS Food Solutions revenue fell 46.4% to S\$573.8 million, precipitated by sharp reductions in aviation volumes. The volume of meals served, including SATS subsidiaries, joint ventures and associates, decreased 62.8% to 61.4 million.

Gaining Momentum in New Food Segments

Driven by evolving consumer preferences amid the pandemic and by the long-term trend of rapid urbanisation, Asia's ready-to-eat meals market is expected to grow annually by 5% (CAGR 2021-2025)¹. SATS recognised this emerging opportunity early, and was able to capture it through wholly-owned subsidiaries Country Foods, SATS Kunshan, and Monty's Bakehouse, in addition to associates like TajSATS in India. The latter ventured into home delivery meals in 2020 via its new brand, Anuka, a multi-cuisine virtual restaurant on Qmin, Taj Hotels' food delivery app in Mumbai.

Over in China, SATS Kunshan attained double-digit growth from key customers such as Yum China, Alibaba's Hema, ALDI and new customers such as online grocer Dingdong Maicai and Costa Coffee. Its associate Beijing Airport Inflight Kitchen Co., Ltd has also started serving customers beyond aviation such as 7-Eleven, Hema, and JD's 7Fresh. In addition, SATS China is establishing a product development & customer experience centre in Shanghai to offer a wider range of innovative products in cook-chilled, ready-to-eat and frozen form at a faster rate to more customers across the country in the near future. On the other hand, SATS' joint venture company, Nanjing Weizhou Airline Food Corp., Ltd. (NWA), is maintaining its market leadership in providing frozen meals to aviation customers. Through its investments in Ganzhou and Huizhou, NWA will continue to expand its footprint into other third and fourth tier cities.

In Singapore, Country Foods is gaining ground in the retail market through the distribution of new brands such as Europastry and Growthwell, alongside launching Home Chef ready-to-eat meals in 7-Eleven, as well as new products in Cheers and FairPrice Xpress convenience stores. Similarly, SATS' Food Solutions ventures team is collaborating with SMEs such as Kek Seafood to create co-branded offerings to meet growing demand and support local businesses.

Country Foods is also fast becoming a key integrator in the alternative protein ecosystem, helping global foodtech start-ups to scale and expand across Asia through our digital integrated supply chain and turnkey solutions. In March 2021, Country Foods teamed up with Temasek's Ecosperity as a strategic partner for their #ARecipeForChange campaign to make plant-based dining accessible to the community by working with over 100 restaurants in Singapore to serve up menus using plant-based ingredients. In the United Kingdom, Monty's Bakehouse has partnered with Fable Foods to develop plant-based meat products for the UK market.

Spearheading New Experiences and Solutions

In tandem with the expansion into new food segments, SATS continues to deliver innovative food solutions for existing customers by drawing on its culinary expertise and data analytics capabilities. For example, SATS works closely with its airline customers to proactively improve demand planning, reduce waste, and promote sustainable food packaging in anticipation of air travel's rebound. These efforts culminated in the introduction of low-touch packaged meals for airlines, switching to a digital menu for Scoot, and launching a new range of environmentally friendly food packaging as part of Singapore



The sky is the limit at SATS' first direct-to-consumer contactless F&B concept, which combines its culinary expertise, tiered kitchen and data analytics capabilities to curate tasty menus featuring the latest food trends at a moment's notice.



Airlines' (SIA) more sustainable tableware for selected short-haul flights. Making the switch to digital menus helps airlines to better predict customer demand, refresh buy-on-board offerings more often and feature the latest food and beverage trends.

On the operations front, SATS is actively exploring initiatives to improve waste management and reduction responsibly. From trialling biodigesters that convert waste into refuse-derived fuel (RDF) or a self-sufficient energy waste conversion system that enables electricity and heat extraction which can be redirected into operations, to adapting and adopting high-frequency wave technology to boost food preparation processes for better demand fulfilment, SATS is working hard to achieve its sustainability goals.

Beyond air travel, SATS enabled airlines to expand their customer touchpoints through novel experiences such as serving Japan Airlines' inflight meals at Japan Rail Café in Singapore's central business district, as well as SIA's A380 restaurant pop-up and SIA@Home concepts.

In addition to creating new solutions for its customers, SATS unveiled its first direct-to-consumer contactless dining concept at Singapore's largest healthcare hub, the Singapore General Hospital (SGH) Campus. At SGH Housemen's Canteen, meals are served through lockers and an extensive menu is curated by combining SATS' culinary expertise and tiered kitchen capabilities with data analytics derived from the online ordering system. In a similar vein, SATS' healthcare catering arm also rolled out online menus featuring healthier hawker fare for Sengkang General Hospital's in-patient meals to promote wellness in the community.

Awards and Certifications

In FY2020-21, SATS was accorded Pax International's 'Airline Caterer of the Year - Asia' award for the third consecutive year. Monty's Bakehouse also commenced the process of obtaining its B Corporation or "B Corp" certification, which measures a company's entire social and environmental performance to meet higher standards of transparency and accountability.