

Leveraging Automation

Optimise deployment of technology to simplify SATS food production processes and increase efficiency.

Operations Review

Food Solutions

SATS FOOD SOLUTIONS REVENUE GREW

35.6%

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Positive growth trajectory

SATS Food Solutions revenue grew 35.6%, or \$228.3 million, to \$869.3 million in FY23. This was driven by aviation recovery which saw aviation meals reaching its peak in the fourth quarter which was over 1.9 times higher than the start of the fiscal year. Overall, we were encouraged to see sequential revenue growth quarter-on-quarter.

Adding momentum to the overall growth of SATS Food Solutions, our non-aviation institutional business also grew in tandem with increased activities with key customers and a higher share of new channels such as education. Our SATS Food associates overseas delivered a strong performance consistent with aviation recovery witnessed around the world.

Ready for aviation recovery

At the end of March FY23, the volume of aviation meals served returned to 74% of pre-pandemic levels. Gearing up to handle the upsurge in demand for meals as the aviation industry recovers was a big challenge which required careful planning. Staying focused on maintaining the passenger experience unique to the airlines we serve, we ramped up early to ensure we had the capability and capacity to handle the higher meal volumes.

Staffing was one of the biggest challenges that affected our speed to scale up. Many employees trained in the critical areas of our operations had left SATS during the pandemic, and we had to hire and train new ones. We lost two thirds of the manpower we had during COVID. Stabilising the labour pool was a priority, and we worked with different stakeholders to ensure we could scale up efficiently. Safety being of paramount importance to us, we ensured all new employees underwent food safety training before being assigned to be further trained by their supervisors on the job. We also put up posters showing the Standard Operating Procedures in our kitchens to remind new staff of the procedures for handling different food preparations.

To meet the increased demand, we restarted operations at SATS Inflight Catering Centre 1 (SICC1) for the first time after mothballing it for two years, and resumed serving our customers from both kitchens, ensuring a smooth transition for our customers.

Improving productivity

To create greater resilience for our operations in the face of a labour crunch and rising inflation, we continue to leverage scale and automation to achieve productivity gains. In Singapore, as part of SICC 1 refresh, we have upgraded our warewash machines to the eco-friendly version and have modernised them to enhance productivity. Implemented as part of our catering centres' refresh strategy, we are in the process of implementing conveyor belts that feed freshly prepared food into a spiral blast chiller to maintain freshness and hygiene after cooking. This deployment of technology is expected to increase productivity, and we are committed to continue investing in automation and process improvements to enhance our efficiency. Our newly opened central kitchen in Tianjin, China, harnesses the Internet of Things to monitor cooking timings and temperatures through preprogrammed settings. An automated hot-fill conveyor line is used for large batch production of sauces.



The internet of things (IoT) enables cooking processes to be monitored via live dashboards

We are creating new distribution channels for local hawkers and home-grown brands under our Foodfix programme. We support their growth and expansion by leveraging SATS' culinary expertise, knowledge of food technology, scale advantage, and distribution channels. Since September 2021, we have listed ten local favourites on Singapore Airlines First and Business Class menus to support their Hawker Culture promotion.

We continue to support our customers with insights-driven innovations and expertise in sustainable packaging through our centre of excellence in innovation, the SATS Global Innovation Hub.

In the year, we also strengthened strategic partnerships:

- In December 2022, SATS entered into a consultancy agreement with Hilton Foods, a leading specialist in meat processing, to redesign Country Foods' protein processing capability in Singapore.
- In April 2023, SATS signed a Memorandum of Understanding with Mitsui & Co Ltd to collaborate on expanding SATS' procurement sources leveraging the core competencies of the two companies.

Evolving our food solutions strategy

SATS has a comprehensive suite of capabilities across the food value chain, from procurement to value-added processing, production, distribution, and customer insights. This uniquely positions us to act on our purpose to feed and connect communities not only by providing food, but also food solutions.

In the past year, in addition to ramping up our operations, we continue to build and strengthen our expertise across these capabilities to support our growth.

We are building our strategic sourcing through the establishment of a global procurement framework, utilising data to leverage scale and establish diversified and sustainable sourcing.

Operationalising SATS' 3-tier production network strategy with the opening of the new central kitchen in Tianjin and the Thailand food factory moving into stage 2 of production which more than doubles its initial capacity, allowing us to accelerate fresh frozen meal capability to be exported for our airline customers.

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Awards and accolades

We are proud to be voted Asia's "Airline Caterer of the Year" for the fifth year at the PAX International Readership Awards. Monty's Bakehouse's Char Siew Sou pastry was also recognised as "One to Watch" at the Onboard Hospitality Awards. These awards reinforce the confidence that our customers have in our ability to deliver and we look forward to bringing more culinary delights and value-add solutions to our customers.

Stanley Goh
CEO, SATS Food Solutions



Automated hot-fill conveyor line in Tianjin kitchen