



# 2Q and 1H15/16 Performance Review

4 November 2015

# Forward Looking Statements

This presentation may contain forward-looking statements regarding, among other things, the Company's outlook, business and strategy which are current as of the date they are made. These forward-looking statements are based largely on the current assumptions, expectations and projections of the directors and management of SATS about our business, and the industry and markets in which we operate. These statements are not guarantees of SATS' future performance and are subject to a number of risks and uncertainties, some of which are beyond the Company's control and are difficult to predict. Future developments and actual results could differ materially from those expressed in the forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the forward-looking information will prove to be accurate. SATS does not undertake to update these forward-looking statements to reflect events or circumstances which arise after publication.



# Agenda

- Executive Summary
- Operating Statistics
- Group Financial Review
- Outlook

# Executive Summary: 2Q15/16 Performance

- Group revenue declined 4.4% due to lower Food Solutions revenue mainly attributed to the transfer of the food distribution business to SATS BRF Food, partially offset by higher Gateway Services revenue
- Operating margins expanded 4.4 percentage points to 14% with cost management and productivity drive
- Higher share of after-tax profits from both Gateway and Food associates/JVs
- PATMI up 26.8% to \$59.7M
- EPS up 28.6% to 5.4 cents
- Strong balance sheet supports execution of strategy to grow scale and enhance connectivity



# Operating Statistics

# Operating Statistics for Singapore Aviation Business

	2Q15/16	2Q14/15	Change (%)	1H15/16	1H14/15	Change (%)
Passengers Handled ('M)	11.30	10.81	4.5	21.34	21.50	(0.7)
Flights Handled ('000)	33.29	32.33	3.0	63.44	65.50	(3.1)
Unit Services Handled ('000)	29.20	27.98	4.4	56.30	56.28	0.0
Cargo/Mail Processed ('000 tonnes)	389.14	393.09	(1.0)	779.24	781.48	(0.3)
Gross Meals Produced ('M)	7.18	6.77	6.1	13.83	13.24	4.5
Unit Meals Produced ('M)	5.58	5.29	5.5	10.82	10.40	4.0



\* The above aviation operating data cover Singapore operations only.

\* Except for unit and gross meals produced, all data include LCC operations.

# Group Financial Review



# 2Q15/16 Highlights

## Revenue

\$422.7M -4.4%

- Decline in Food Solutions revenue (-9.2%) was partially mitigated by growth in Gateway Services revenue (+2.9%).

## Operating profit

\$59.2M 39.3%

- Lower expenditure (-9.1%) contributed to improved operating profit. Reductions reported across all expense categories except for depreciation and amortisation.

## Share of results of Associates/JVs, net of tax

\$11.9M 10.2%

- Profit contributions from both Gateway and Food associates/JVs grew y-o-y.

## PATMI

\$59.7M 26.8%

- EPS increased from 4.2 cents to 5.4 cents.





# 1H15/16 Highlights

## Revenue

\$839.6M -4.3%

- Revenue declined 4.3%. Lower Food Solutions revenue (-8.7%) was partially offset by higher Gateway Services revenue (+2.5%).

## Operating profit

\$103.2M 25.5%

- Operating profit increased 25.5% due to cost management and productivity drive.

## Share of results of Associates/JVs, net of tax

\$24.7M 16.5%

- Share of after-tax profits from associates/JVs grew 16.5% due to higher profit contributions from both Gateway and Food associates/JVs.

## PATMI

\$109.3M 20.9%

- PATMI increased 20.9% to \$109.3M.
- Underlying net profit was \$106.8M, 18% higher y-o-y.
- EPS increased from 8.1 cents to 9.9 cents.

## Debt-to-equity

0.07 times -

- Debt-to-equity ratio remained healthy at 0.07 times.
- Cash and short-term deposits stood at \$402.9M.
- Free cash flow generated year-to-date amounted to \$40.4M.



# 2Q and 1H15/16 Financials

\$M	2Q15/16	2Q14/15	Favourable/ (Unfavourable) Change (%)	1H15/16	1H14/15	Favourable/ (Unfavourable) Change (%)
Revenue	422.7	442.2	(4.4)	839.6	877.4	(4.3)
Expenditure	(363.5)	(399.7)	9.1	(736.4)	(795.2)	7.4
<b>Operating Profit</b>	<b>59.2</b>	<b>42.5</b>	<b>39.3</b>	<b>103.2</b>	<b>82.2</b>	<b>25.5</b>
EBITDA	74.5	59.0	26.3	136.7	115.5	18.4
Share of Results of Associates/JVs, Net of Tax	11.9	10.8	10.2	24.7	21.2	16.5
Impairment of Assets Held for Sale	-	-	-	-	(0.1)	n.m.
Net Gain from Transfer of Business to a JV	-	-	-	2.5	-	n.m.
<b>PBT</b>	<b>71.5</b>	<b>53.6</b>	<b>33.4</b>	<b>131.4</b>	<b>102.6</b>	<b>28.1</b>
<b>PATMI</b>	<b>59.7</b>	<b>47.1</b>	<b>26.8</b>	<b>109.3</b>	<b>90.4</b>	<b>20.9</b>
<b><i>Underlying Net Profit*</i></b>	<b><i>59.7</i></b>	<b><i>47.1</i></b>	<b><i>26.8</i></b>	<b><i>106.8</i></b>	<b><i>90.5</i></b>	<b><i>18.0</i></b>

*n.m.* – not meaningful

\* *Underlying net profit refers to profit attributable to owners of the Company excluding one-off items – net gain from transfer of business to a JV and impairment loss on carrying value of Assets Held for Sale.*



# Financial Indicators

%	2Q15/16	2Q14/15	Change (ppt)	1H15/16	1H14/15	Change (ppt)
Operating Margin	14.0	9.6	4.4	12.3	9.4	2.9
EBITDA Margin	17.6	13.3	4.3	16.3	13.2	3.1
PBT Margin	16.9	12.1	4.8	15.7	11.7	4.0
PATMI Margin	14.1	10.7	3.4	13.0	10.3	2.7
Underlying Net Margin	14.1	10.7	3.4	12.7	10.3	2.4

	2Q15/16	2Q14/15	Change (%)	1H15/16	1H14/15	Change (%)
EPS Based on PATMI (cents)	5.4	4.2	28.6%	9.9	8.1	22.2%

	30 SEP 15	31 MAR 15
NAV Per Share (\$)	1.31	1.30
Debt-to-Equity Ratio	0.07	0.07

Operating margins expanded to 14% with cost management and productivity drive.



# Group Segmental Revenue

\$M	2Q15/16	2Q14/15	Change (%)	1H15/16	1H14/15	Change (%)
<b>By Business:</b>						
Food Solutions	243.0	267.7	(9.2)	484.1	530.4	(8.7)
Gateway Services	178.5	173.4	2.9	353.2	344.6	2.5
Corporate	1.2	1.1	9.1	2.3	2.4	(4.2)
<b>Total</b>	<b>422.7</b>	<b>442.2</b>	<b>(4.4)</b>	<b>839.6</b>	<b>877.4</b>	<b>(4.3)</b>
<b>By Industry:</b>						
Aviation	358.9	354.8	1.2	701.7	707.2	(0.8)
Non-Aviation	62.6	86.3	(27.5)	135.6	167.8	(19.2)
Corporate	1.2	1.1	9.1	2.3	2.4	(4.2)
<b>Total</b>	<b>422.7</b>	<b>442.2</b>	<b>(4.4)</b>	<b>839.6</b>	<b>877.4</b>	<b>(4.3)</b>
<b>By Geographical Location:</b>						
Singapore	348.9	361.7	(3.5)	699.4	717.6	(2.5)
Japan	53.2	59.1	(10.0)	101.8	118.2	(13.9)
Others	20.6	21.4	(3.7)	38.4	41.6	(7.7)
<b>Total</b>	<b>422.7</b>	<b>442.2</b>	<b>(4.4)</b>	<b>839.6</b>	<b>877.4</b>	<b>(4.3)</b>

Revenue mix between Food Solutions and Gateway Services of 58:42.



# Group Expenditure

\$M	2Q15/16	2Q14/15	Favourable/ (Unfavourable) Change (%)	1H15/16	1H14/15	Favourable/ (Unfavourable) Change (%)
Staff Costs	200.8	202.2	0.7	400.9	406.1	1.3
Cost of Raw Materials	72.7	90.0	19.2	148.6	175.3	15.2
Licence Fees	16.3	19.4	16.0	33.3	38.8	14.2
Depreciation & Amortisation Charges	17.0	16.9	(0.6)	34.3	33.8	(1.5)
Company Premise & Utilities Expenses	28.5	32.2	11.5	57.9	63.1	8.2
Other Costs	28.2	39.0	27.7	61.4	78.1	21.4
<b>Group Expenditure</b>	<b>363.5</b>	<b>399.7</b>	<b>9.1</b>	<b>736.4</b>	<b>795.2</b>	<b>7.4</b>
<b>Group Revenue</b>	<b>422.7</b>	<b>442.2</b>	<b>(4.4)</b>	<b>839.6</b>	<b>877.4</b>	<b>(4.3)</b>

Operating expenditure declined at a faster rate than the drop in revenue. Cost of raw materials declined in line with lower revenue and the transfer of the food distribution business.

# Associates/JVs Performance by Business

\$M	2Q15/16	2Q14/15	Change (%)	1H15/16	1H14/15	Change (%)
<b>PAT</b>	<b>11.9</b>	<b>10.8</b>	<b>10.2</b>	<b>24.7</b>	<b>21.2</b>	<b>16.5</b>
Food Solutions	2.8	2.0	40.0	5.4	3.2	68.8
Gateway Services	9.1	8.8	3.4	19.3	18.0	7.2
<b>Dividends Received</b>	<b>8.5</b>	<b>26.7</b>	<b>(68.2)</b>	<b>26.1</b>	<b>44.8</b>	<b>(41.7)</b>

AISATS, AAT, BAIK, MIC and PT JAS together contributed approximately 80% of our share of after-tax profits from associates/JVs.

Both Gateway and Food associates/JVs continue to show strength.



# Group Balance Sheet

\$M	As at 30 SEP 15	As at 31 MAR 15
Total Equity	1,526.4	1,517.6
Long-Term Loans	92.8	89.7
Other Long-Term Liabilities	64.0	66.6
Current Liabilities	324.6	345.8
<b>Total Equity &amp; Liabilities</b>	<b>2,007.8</b>	<b>2,019.7</b>
Fixed Assets & Investment Properties	546.9	558.7
Associated Companies & JVs	492.1	464.8
Intangible Assets	163.3	165.5
Other Non-Current Assets & Long-Term Investment	45.5	38.0
Current Assets		
<i>Cash &amp; Short-Term Deposits</i>	402.9	410.9
<i>Debtors &amp; Other Current Assets</i>	357.1	381.8
<b>Total Assets</b>	<b>2,007.8</b>	<b>2,019.7</b>

Cash and short-term deposits declined mainly due to dividends paid to shareholders and capital expenditure, mitigated by cash generated from operations, dividends received from associates and proceeds from exercise of share options.

# Group Cash Flow Statement

\$M	1H15/16	1H14/15	Difference
Net Cash From Operating Activities	56.4	70.7	(14.3)
Net Cash From Investing Activities	10.6	20.1	(9.5)
Net Cash Used In Financing Activities	(94.3)	(90.5)	(3.8)
<b>Net (Decrease) / Increase In Cash &amp; Cash Equivalents</b>	<b>(27.3)</b>	<b>0.3</b>	<b>(27.6)</b>
<b>Cash &amp; Cash Equivalents At End Of Financial Period</b>	<b>402.9</b>	<b>338.4</b>	<b>64.5</b>
<b>Free Cash Flow*</b>	<b>40.4</b>	<b>41.2</b>	<b>(0.8)</b>

Net cash used in financing activities was higher than the corresponding period last financial year due to higher dividends paid to shareholders, partly offset by reduction in purchase of treasury shares and higher proceeds from exercise of share options.



\* Free Cash Flow refers to net cash from operating activities less cash purchases of capital expenditure.



# Interim Dividend

	1H15/16	1H14/15
<u>Interim dividend declared (cents)</u>	5.0	5.0

Book closure date on 23 November 2015.  
Interim dividend to be paid on 4 December 2015.

# Outlook



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The operating environment for SATS continues to be challenging with slower regional economic growth, competitive pressures in aviation and increasing manpower costs.

However, we remain confident in the long-term growth prospects for aviation and food solutions in Asia.

We are successfully raising productivity by adopting new technologies and driving economies of scale. We are also growing into adjacent businesses and geographies, as demonstrated by our offer to buy a 49% equity stake in Brahim's Airline Catering Holdings.





**END**