



# 2Q and 1H16/17 Performance Review

10 November 2016

# 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: 2Q16/17 Performance

- Group revenue increased 3.7% in the quarter; underlying Group revenue improved 7.7%
- Operating margins expanded 0.5 percentage points to 14.5%
- Strong growth in operating volumes across all segments of businesses
- TFK revenue grew 33.6%
- Lower share of after-tax profits from Gateway Services' associates/JVs
- PATMI up 4% to \$62.1M; EPS increased 0.2 cents to 5.6 cents
- Proposed increase of interim dividend to 6 cents per share
- Our focus continues to be on harnessing technology to improve productivity, seeking new opportunities in the aviation business beyond Singapore and applying our capabilities to new ventures outside aviation



# Operating Statistics

# Operating Statistics for SATS Group

	1H16/17	1H15/16	Change (%)
Passengers Handled ('M)	25.18	22.98	9.6
Flights Handled ('000)	83.88	78.22	7.2
Cargo/Mail Processed ('000 tonnes)	840.64	779.24	7.9
Gross Meals Produced ('M)	34.21	30.80	11.1
Ship Calls Handled	22	15	46.7



- \* The above operating data cover SATS and its subsidiaries, but does not include JVs and associates.
- \* Passengers handled comprises full service and low cost carrier as well as cruise ship passengers.
- \* Gross meals include both inflight and institutional catering meals.

# Group Financial Review

# 2Q16/17 Highlights

## Revenue

\$438.5M 3.7%

- There was growth in both Food Solutions' revenue (+4%) and Gateway Services' revenue (+3.4%). Excluding the impact from the transfer of food distribution business to SATS BRF Food, Group's underlying revenue would have increased \$32.4M (+7.7%) while Food Solutions' revenue would have increased \$26.3M (+10.8%).

## Operating profit

\$63.6M 7.4%

- Higher expenditures (+3.1%) were noted in most categories of expenditure except for cost of raw materials and company premise and utilities expenses.

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

\$11.5M -3.4%

- Lower contributions from Gateway Services' associates/JVs in the quarter.

## PATMI

\$62.1M 4.0%

- EPS increased to 5.6 cents from 5.4 cents.





# 1H16/17 Highlights

## Revenue

\$862.7M 2.8%

- There was growth in both Food Solutions' revenue (+1.8%) and Gateway Services' revenue (+4%). Excluding the transfer of the food distribution business, the Group's underlying revenue would have increased \$68.1M (+8.1%) while Food Solutions' revenue would have increased \$53.6M (+11.1%).

## Operating profit

\$118.1M 14.4%

- Higher expenditures (+1.1%) were noted in most categories of expenditure except for cost of raw materials and company premise and utilities expenses.

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

\$23.7M -4.0%

- Share of after-tax profits from associates/JVs declined 4% with lower contributions from both Food Solutions' and Gateway Services' associates/JVs.

## PATMI

\$126.2M 15.5%

- Underlying net profit was \$117.6M, 10.1% higher y-o-y.
- EPS increased to 11.4 cents from 9.9 cents.

## Debt-to-equity

0.08 times 14.3%

- Debt-to-equity ratio remained healthy at 0.08 times.
- Cash and short-term deposits stood at \$452.7M.
- Free cash flow generated year-to-date amounted to \$68.1M.



# 2Q and 1H16/17 Financials

\$M	2Q16/17	2Q15/16	Favourable/ (Unfavourable) Change (%)	1H16/17	1H15/16	Favourable/ (Unfavourable) Change (%)
Revenue	438.5	422.7	3.7	862.7	839.6	2.8
Expenditure	(374.9)	(363.5)	(3.1)	(744.6)	(736.4)	(1.1)
<b>Operating Profit</b>	<b>63.6</b>	<b>59.2</b>	<b>7.4</b>	<b>118.1</b>	<b>103.2</b>	<b>14.4</b>
EBITDA	81.3	74.5	9.1	154.5	136.7	13.0
Share of Results of Associates/JVs, Net of Tax	11.5	11.9	(3.4)	23.7	24.7	(4.0)
Gain on disposal of assets held for sale	-	-	n.m.	9.3	-	n.m.
Net gain from transfer of business to a JV	-	-	n.m.	-	2.5	n.m.
Loss on divestment/dilution of interest in associates	-	-	n.m.	(0.7)	-	n.m.
<b>PBT</b>	<b>76.5</b>	<b>71.5</b>	<b>7.0</b>	<b>152.7</b>	<b>131.4</b>	<b>16.2</b>
<b>PATMI</b>	<b>62.1</b>	<b>59.7</b>	<b>4.0</b>	<b>126.2</b>	<b>109.3</b>	<b>15.5</b>
<b>Underlying Net Profit*</b>	<b>62.1</b>	<b>59.7</b>	<b>4.0</b>	<b>117.6</b>	<b>106.8</b>	<b>10.1</b>

*n.m. – not meaningful*

*\* Underlying net profit refers to profit attributable to owners of the Company excluding one-off items – gain on disposal of assets held for sale, net gain from transfer of business to a JV and loss on divestment / dilution of interest in associates.*



# Financial Indicators

%	2Q16/17	2Q15/16	Change (ppt)	1H16/17	1H15/16	Change (ppt)
Operating Margin	14.5	14.0	0.5	13.7	12.3	1.4
EBITDA Margin	18.5	17.6	0.9	17.9	16.3	1.6
PBT Margin	17.4	16.9	0.5	17.7	15.7	2.0
PATMI Margin	14.2	14.1	0.1	14.6	13.0	1.6
Underlying Net Margin	14.2	14.1	0.1	13.6	12.7	0.9

	2Q16/17	2Q15/16	Change (%)	1H16/17	1H15/16	Change (%)
EPS Based on PATMI (cents)	5.6	5.4	3.7%	11.4	9.9	15.2%

	30 SEP 16	31 MAR 16
NAV Per Share (\$)	1.37	1.34
Debt-to-Equity Ratio	0.08	0.07

Improved margins and higher EPS in 2Q and 1H.



# Group Segmental Revenue

\$M	2Q16/17	2Q15/16	Change (%)	1H16/17	1H15/16	Change (%)
<b>By Business:</b>						
Food Solutions	252.7	243.0	4.0	492.7	484.1	1.8
Gateway Services	184.5	178.5	3.4	367.4	353.2	4.0
Corporate	1.3	1.2	8.3	2.6	2.3	13.0
<b>Total</b>	<b>438.5</b>	<b>422.7</b>	<b>3.7</b>	<b>862.7</b>	<b>839.6</b>	<b>2.8</b>
<b>By Industry:</b>						
Aviation	381.6	358.9	6.3	752.4	701.7	7.2
Non-Aviation	55.6	62.6	(11.2)	107.7	135.6	(20.6)
Corporate	1.3	1.2	8.3	2.6	2.3	13.0
<b>Total</b>	<b>438.5</b>	<b>422.7</b>	<b>3.7</b>	<b>862.7</b>	<b>839.6</b>	<b>2.8</b>
<b>By Geographical Location:</b>						
Singapore	342.9	348.9	(1.7)	684.9	699.4	(2.1)
Japan	71.1	53.2	33.6	137.3	101.8	34.9
Others	24.5	20.6	18.9	40.5	38.4	5.5
<b>Total</b>	<b>438.5</b>	<b>422.7</b>	<b>3.7</b>	<b>862.7</b>	<b>839.6</b>	<b>2.8</b>

Revenue mix between Food Solutions and Gateway Services of 58:42 for 2Q16/17.



# Group Expenditure

\$M	2Q16/17	2Q15/16	Favourable/ (Unfavourable) Change (%)	1H16/17	1H15/16	Favourable/ (Unfavourable) Change (%)
Staff Costs	210.6	200.8	(4.9)	424.4	400.9	(5.9)
Cost of Raw Materials	69.1	72.7	5.0	131.5	148.6	11.5
Licence Fees	16.5	16.3	(1.2)	33.8	33.3	(1.5)
Depreciation & Amortisation charges	18.1	17.0	(6.5)	35.9	34.3	(4.7)
Company Premise & Utilities Expenses	28.0	28.5	1.8	54.9	57.9	5.2
Other Costs	32.6	28.2	(15.6)	64.1	61.4	(4.4)
<b>Group Expenditure</b>	<b>374.9</b>	<b>363.5</b>	<b>(3.1)</b>	<b>744.6</b>	<b>736.4</b>	<b>(1.1)</b>
<b>Group Revenue</b>	<b>438.5</b>	<b>422.7</b>	<b>3.7</b>	<b>862.7</b>	<b>839.6</b>	<b>2.8</b>

Reduction in cost of raw materials and company premise and utilities expenses helped mitigate the increase in expenditure in most expense categories.

# Associates/JVs Performance by Business

\$M	2Q16/17	2Q15/16	Change (%)	1H16/17	1H15/16	Change (%)
<b>PAT</b>	<b>11.5</b>	<b>11.9</b>	<b>(3.4)</b>	<b>23.7</b>	<b>24.7</b>	<b>(4.0)</b>
Food Solutions	2.9	2.8	3.6	4.7	5.4	(13.0)
Gateway Services	8.6	9.1	(5.5)	19.0	19.3	(1.6)
<b>Dividends Received</b>	<b>5.2</b>	<b>8.5</b>	<b>(38.8)</b>	<b>20.7</b>	<b>26.1</b>	<b>(20.7)</b>

AISATS, AAT, BAIK, MIC and PT JAS together contributed approximately 75% of our share of after-tax profits from associates/JVs.



# Group Balance Sheet

\$M	As at 30 SEP 16	As at 31 MAR 16
Total Equity	1,604.8	1,565.1
Long-Term Liabilities	73.6	70.3
Current Liabilities	475.4	470.3
<b>Total Equity &amp; Liabilities</b>	<b>2,153.8</b>	<b>2,105.7</b>
Fixed Assets & Investment Properties	547.1	530.7
Associates / JVs	579.2	546.1
Intangible Assets	162.6	163.7
Other Non-Current Assets & Long-Term Investments	57.9	35.6
Current Assets		
<i>Debtors &amp; prepayments</i>	332.2	306.2
<i>Inventories</i>	22.1	22.4
<i>Assets held for sale</i>	-	11.1
<i>Cash &amp; short-term deposits</i>	452.7	489.9
<b>Total Assets</b>	<b>2,153.8</b>	<b>2,105.7</b>

Cash and short-term deposits decreased mainly due to dividends of \$111.4 million paid out to shareholders during the second quarter, capital expenditure and investments in associates/JVs.

# Group Cash Flow Statement

\$M	1H16/17	1H15/16	Difference
Net Cash From Operating Activities	105.1	56.4	48.7
Net Cash (Used In) / From Investing Activities	(35.8)	10.6	(46.4)
Net Cash Used In Financing Activities	(110.1)	(94.3)	(15.8)
<b>Net Decrease In Cash &amp; Cash Equivalents</b>	<b>(40.8)</b>	<b>(27.3)</b>	<b>(13.5)</b>
<b>Cash &amp; Cash Equivalents At End Of Financial Period</b>	<b>452.7</b>	<b>402.9</b>	<b>49.8</b>
<b>Free Cash Flow*</b>	<b>68.1</b>	<b>40.4</b>	<b>27.7</b>

Higher cash outflow in investing activities is mainly due to higher capital expenditure, increase in investments and lower dividends received.



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



# Interim Dividend

\$M	1H16/17	1H15/16
Interim dividend declared (cents)	6.0	5.0

Book closure date on 28 November 2016.  
Interim dividend to be paid on 8 December 2016.

# Outlook



# Outlook

The operating environment is challenging, with global economic uncertainties and competitive pressures in the aviation business.

Our focus continues to be on harnessing technology to improve productivity, seeking new opportunities in the aviation business beyond Singapore and applying our capabilities to new ventures outside aviation.

SATS Inflight Catering Centre 2 is being expanded to handle larger batch sizes for the increased volume from Changi's Terminal 4 when it opens in 2017. Our cargo projects in Dammam and Oman will increase our presence in the Middle East. SATS eCommerce AirHub, scheduled to be completed early 2017, will enable us to serve our customers better.





**END**