



## MEDIA RELEASE

### SATS 1H REVENUE ROSE 41.3% YoY TO \$804.5M, PATMI LOSS EX-RELIEFS NARROWED

- Flight and passenger volume reached 60% of pre-pandemic levels in 1H FY23 with recovery to accelerate through year-end holiday peak and into 2023;
- Continued operations ramp-up ahead of full travel recovery and c.\$60M reduction in government reliefs impacted PATMI YoY;
- PATMI loss narrowed from \$22.5M in 1Q FY23 to \$9.9M in 2Q FY23.

**Singapore, 9 November 2022** – SATS Ltd (SATS) today reported its unaudited results for the first half ended 30 September 2022.

#### HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

<b>Group Financial Results 2Q FY23</b>	<b>2Q FY23 (S\$ million)</b>	<b>1Q FY23 (S\$ million)</b>	<b>Favourable / (Unfavourable) QoQ Change (S\$ million)</b>	<b>Favourable / (Unfavourable) QoQ Change (%)</b>
Revenue	429.0	375.5	53.5	14.2
Operating loss	(8.0)	(34.3)	26.3	76.7
(Loss)/profit attributable to owners of the Company (PATMI)	(9.9)	(22.5)	12.6	56.0
<i>PATMI excluding reliefs</i>	(19.7)	(31.9)	12.2	38.2
EBITDA <sup>(2)</sup>	45.4	13.9	31.5	226.6



<b>Group Financial Results 1H FY23</b>	<b>1H FY23 (S\$ million)</b>	<b>1H FY22 (S\$ million)</b>	<b>Favourable / (Unfavourable) YoY Change (S\$ million)</b>	<b>Favourable / (Unfavourable) YoY Change (%)</b>
Revenue	804.5	569.5	235.0	41.3
Expenditure	(846.8)	(565.5)	(281.3)	(49.7)
Operating (loss)/profit	(42.3)	4.0	(46.3)	n.m.
Share of earnings of associates/joint ventures, net of tax	17.6	0.9	16.7	1,855.6
(Loss)/profit attributable to owners of the Company (PATMI)	(32.5)	13.2	(45.7)	n.m.
<i>PATMI excluding reliefs</i>	(51.7)	(65.5)	13.8	21.1
Core PATMI <sup>(1)</sup>	(34.4)	13.2	(47.6)	n.m.
<i>Core PATMI excluding reliefs</i>	(53.6)	(65.5)	11.9	18.2
EBITDA <sup>(2)</sup>	59.3	65.7	(6.4)	(9.7)
(Loss)/earnings per share (cents) - basic	(2.9)	1.2	(4.1)	n.m.
Return on Equity (%/ppt) <sup>(3)</sup>	(2.0)	0.8	(2.8)	n.m.

FY22 refers to the financial year from 1 April 2021 to 31 March 2022

FY23 refers to the financial year from 1 April 2022 to 31 March 2023

1. Core PATMI refers to net profit/(loss) attributable to owners of the Company excluding one-off items.

2. EBITDA refers to earnings (including Share of results of associates/joint ventures) before interest, tax, depreciation and amortisation; and excludes one-off items. Excluding Share of results of associates/joint ventures, EBITDA for 1H FY23 and 1H FY22 would be \$41.7M and \$64.8M respectively, while EBITDA for 2Q FY23 and 1Q FY23 would be \$34.7 million and \$7.0 million respectively.

3. Return on equity ("ROE") is profit/(loss) attributable to owners of the Company expressed as a percentage of the average equity holders' funds for the respective periods (non-annualised).

n.m. – not meaningful



## **GROUP EARNINGS**

### **1H FY23 (1 April 2022 to 30 September 2022)**

Travel recovery is on track and picking up pace with further improvements expected in coming quarters. Operationally, flights and passengers handled were at 62% and 56%, respectively, of pre-pandemic levels as of end-September 2022. Meals served across all segments was at 75%, with cargo handled and ship calls at close to pre-pandemic levels.

Group revenue increased \$235 million, or 41.3% year-on-year (YoY), to \$804.5 million, driven primarily by growth in cargo volume and recovery in travel demand. SATS Food Solutions' revenue increased \$92.3 million or 29.7%, to \$402.6 million while SATS Gateway Services' revenue grew \$144.6 million or 56.2%, to \$401.9 million in 1H FY23 over the same period last year. The consolidation of Asia Airfreight Terminal Co. Ltd (AAT), a subsidiary of the Group beginning March 2022, contributed \$62.1 million to Gateway Services' revenue.

Group expenditure increased \$281.3 million, or 49.7% YoY, to \$846.8 million arising from increased business activities as well as consolidation of AAT. Staff costs increased \$183.3 million due to the ramp-up of hiring ahead of demand in support of the higher volume of passenger operations and meal production, coupled with lower government grants. The rise in cost of raw materials, licence fees, company premises and utilities expenses was in line with higher revenue growth and increased utility tariffs and consumption. Depreciation and amortisation increased \$23.2 million mainly due to the consolidation of AAT in 1H FY23. Other costs increased \$43.9 million mainly due to higher fuel costs and maintenance expenses as well as lower government grants. Excluding the consolidation of AAT, Group expenditure would have recorded a lower increase of \$214 million.

As a result, the Group recorded an operating loss of \$42.3 million in 1H FY23, as compared to an operating profit of \$4 million in 1H FY22.

Share of results from associates/joint ventures increased from \$0.9 million to \$17.6 million in 1H FY23. The majority of the Group's aviation associates and joint ventures saw improvements in their performance on the back of the continued post-pandemic recovery.



Group net profit attributable to owners of the Company (PATMI) was at a net loss of \$32.5 million, a YoY decrease of \$45.7 million from a net profit of \$13.2 million in 1H FY22. Excluding government reliefs, Group PATMI would have been a loss of \$51.7 million for the period, an improvement of \$13.8M compared to a loss of \$65.5 million in 1H FY22.

### **GROUP FINANCIAL POSITION (as at 30 September 2022)**

Total equity of the Group decreased by \$54.1 million to \$1,779.6 million as at 30 September 2022, compared to 31 March 2022. The lower equity was attributable to loss incurred in 1H FY23.

Non-current assets increased \$5.1 million mainly due to higher property, plant and equipment and right-of-use assets, which were partly offset by lower intangible assets and investment in associates. The lower investment in associates was mainly due to the dividend received during the period.

Current assets of the Group increased \$32.6 million largely due to higher trade and other receivables due to higher business volume, partly offset by lower cash and short-term deposits.

Current liabilities increased \$92.1 million mainly from higher trade and other payables. Increase in trade and other payables was due to higher business volume.

Non-current liabilities of the Group decreased marginally by \$0.3 million.

### **INTERIM DIVIDEND**

In light of the ongoing post-pandemic recovery, the Board of Directors believes it would be prudent to not pay a dividend until SATS restores profitability without government reliefs. This will enable the Company to continue investing in building capabilities and leveraging opportunities for profitable and sustainable growth.



## OUTLOOK

The global rebound in passenger travel has been evident and the positive trend is expected to continue through the winter travel season into 2023, underpinning earnings growth across SATS' network of operations. Ahead of the expected full recovery in travel, SATS has been ramping up capacity and capabilities, which are essential to maintaining Changi's leading air hub status and providing customers with excellent service quality during this critical period.

This includes:

- Reopening Inflight Catering Centre 1 in Singapore;
- Replicating cold chain capabilities in Hong Kong through its subsidiary AAT; and
- Setting a new international benchmark for safer aviation travel and supply chain, SATS has attained the world's first accreditation by IATA for the Group's competency in handling lithium batteries, which are becoming the preferred energy source for consumer products.

Air cargo demand remains broadly positive despite macro headwinds, the conflict in Ukraine and pandemic controls in China. To meet global customer demand, and tap into longer-term industry trends, SATS on 28 September 2022 announced the proposed acquisition of Worldwide Flight Services (WFS), to become the leading global air cargo handler.

**Kerry Mok, President and Chief Executive Officer of SATS, said,** *"The continuing rebound in travel demand is a huge positive for our business and our customers. In Singapore, our Food Solutions and Gateway Services teams have been busy ramping up operations to ensure we are ready to meet the higher passenger numbers and deliver best-in-class services. Changi Airport being our home market will remain our core focus as well as the launch pad for our growing global network, strategy and capabilities. Investing intensively in our Changi operations, we have accelerated hiring, training and development programmes, as well as upgraded systems and facilities to be more efficient and digital-led."*



## **ACQUISITION AND FUNDING UPDATE**

To meet global customer demand, and tap into longer-term industry trends, SATS on 28 September 2022 announced the proposed acquisition of WFS, to become the leading global air cargo handler. The deal positions SATS at the heart of global trade flows for air cargo and creates a business that is geographically diversified across Asia, EMEA and the Americas, and has earnings resilience against structural industry dynamics and competitive forces.

SATS is at an advanced stage of finalising its funding plan for the proposed acquisition of WFS. With a total acquisition cost of S\$1.8 billion, the proposed rights issue will not exceed S\$800 million and the balance will be funded primarily through a combination of term loans and internal cash. SATS has received term loan proposals from the Company's principal bankers at favourable market terms.

Given current market conditions, the Company believes that this funding mix is optimal. SATS will continue to assess the merit of issuing hybrid securities to strategic investors and/or long-term financial investors, but this funding option shall only be considered and sequenced if it is favourable and adds long-term strategic value to the business and stakeholders.

The rights issue is targeted to be launched after an Extraordinary General Meeting (EGM), which is expected to be convened in January 2023. Further details of the funding plan will be announced prior to the EGM.

In support of SATS' strategic acquisition of WFS, Temasek (via its indirect wholly-owned subsidiary, Venezia Investments Pte. Ltd.) has provided an irrevocable undertaking to vote in favour of the transaction as announced on 28 September 2022. Temasek believes that SATS will benefit from an expanded network and capabilities that will bring significant growth opportunities and enhanced resilience to its business. SATS has also received Temasek's confirmation that Venezia intends, subject to the terms of the rights issue to be finalised, to subscribe for its pro rata entitlement to the rights issue.

**END**



## **ABOUT SATS LTD.**

SATS is Asia's leading provider of food solutions and gateway services. Using innovative food technologies and resilient supply chains, we create tasty, quality food in sustainable ways for airlines, foodservice chains, retailers and institutions. With heartfelt service and advanced technology, we connect people, businesses and communities seamlessly through our comprehensive gateway services for customers such as airlines, cruise lines, freight forwarders, postal services and eCommerce companies.

Fulfilling our purpose to feed and connect communities, SATS delights customers in over 60 locations and 14 countries across the Asia Pacific, UK, and the Middle East. SATS has been listed on the Singapore Exchange since May 2000. For more information, please visit [www.sats.com.sg](http://www.sats.com.sg).

## **ANNOUNCEMENT INFORMATION**

The complete 1H FY23 results of SATS are available at [www.sats.com.sg](http://www.sats.com.sg).

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## ANNEX A: GROUP FINANCIAL STATISTICS

<b>Financial Results (S\$ million)</b>	<b>1H FY23</b>	<b>1H FY22</b>
Revenue	804.5	569.5
Expenditure	(846.8)	(565.5)
<b>Operating (loss)/profit</b>	<b>(42.3)</b>	<b>4.0</b>
Share of results of associates/JVs, net of tax	17.6	0.9
<b>Loss before tax</b>	<b>(48.2)</b>	<b>(2.9)</b>
<b>(Loss)/profit attributable to owners of the Company</b>	<b>(32.5)</b>	<b>13.2</b>
<b>Core PATMI</b>	<b>(34.4)</b>	<b>13.2</b>
<b>Per Share Data</b>		
(Loss)/earnings per share (cents)		
- Basic <sup>R1</sup>	(2.9)	1.2
- Diluted <sup>R2</sup>	(2.9)	1.2
Return on turnover (%) <sup>R3</sup>	(4.0)	2.3
<b>Financial Position (S\$ million)</b>		
	<b>As at</b>	<b>As at</b>
	<b>30 Sep 2022</b>	<b>31 Mar 2022</b>
Total equity	1,779.6	1,833.7
Total assets	3,330.0	3,292.3
Total debt	854.2	837.9
Gross debt/equity ratio (times) <sup>R4</sup>	0.48	0.46
Net asset value per share (\$) <sup>R5</sup>	1.40	1.42

### Notes:

The Group financial statistics should be read in conjunction with the explanatory footnotes found on page 2 of this media release.

<sup>R1</sup> Earnings per share (basic) is computed by dividing profit attributable to owners of the Company by the weighted average number of fully paid shares in issue.

<sup>R2</sup> Earnings per share (diluted) is computed by dividing profit attributable to owners of the Company by the weighted average number of fully paid shares in issue after adjusting for dilution of shares under various employee share plans.

<sup>R3</sup> Return on turnover is computed by dividing profit attributable to owners of the Company by total revenue.

<sup>R4</sup> Gross debt/equity ratio is computed by dividing total debt by total equity.

<sup>R5</sup> Net asset value per share is computed by dividing equity attributable to owners of the Company by the number of ordinary shares (excluding treasury shares) in issue.



## ANNEX B: OPERATING STATISTICS

	1H FY23	1H FY22	Change (%)
Passengers Handled ('M)	22.4	1.8	1,144.4
Flights Handled ('000)	102.0	28.2	261.7
Cargo/Mail Processed ('000 tonnes)	1,170.9	808.3	44.9
Gross Meals Produced ('M)	31.4	26.3	19.4
Ship Calls Handled	107	129	(17.1)

**Notes:**

- i. The above operating data cover SATS and its subsidiaries, but does not include joint ventures and associates.
- ii. Passengers handled comprise full service and low cost carriers, business aviation, as well as cruise ship passengers.
- iii. Gross meals include both inflight and institutional catering meals.