



3Q17/18 Performance Review

13 February 2018

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
- Group Financial Review
- Outlook

Executive Summary: 3Q17/18 Performance

- Group revenue declined 0.2%
- Operating margins 14.9%, down 0.2 percentage points
- 7.9% increase in share of after-tax profits from associates/JVs
- PATMI grew 2.3% to \$66.6M
- EPS increased 0.2 cents to 6.0 cents
- RoE is at 4.2%, remained flat y-o-y

Group Financial Review



3Q17/18 Highlights

Revenue

\$439.8M -0.2%

- Group Revenue fell 0.2% to \$439.8M. Food Solutions' revenue declined 2.5% to \$240.4M, while Gateway Services' revenue grew 2.6% to \$199.0M. Excluding the impact of the deconsolidation of SHK, the Group's underlying revenue would have increased \$10.3 million or 2.4%, while Gateway would have a growth of \$16.4M or 9.0%.

Operating profit

\$65.7M -1.5%

- Group expenditure decreased marginally from \$374.2M to \$374.1M. Staff costs fell \$8.1M and premise costs were \$1.6M lower mainly due to deconsolidation of SHK. Conversely, licence fees increased \$3.9M due to cessation of rebates.

Share of results of Associates/JVs

\$13.7M 7.9%

- Share of after-tax profits from associates/JVs increased \$1.0M, mainly attributed to higher contributions from Food Solutions' associates/ JVs.

PATMI

\$66.6M 2.3%

- Underlying net profit was \$62.1M, 4.6% lower y-o-y.
- EPS increased 0.2 cents to 6.0 cents.
- ROE remained flat y-o-y at 4.2%.



9M17/18 Highlights

Revenue

\$1,301.1M -0.2%

- Food Solutions' revenue declined 2.8% to \$718.3M, while Gateway Services' revenue grew 3.3% to \$581.8M. Excluding the deconsolidation impact of SHK, Group revenue would have increased \$16.5M or 1.3%.

Operating profit

\$180.3M -2.4%

- Group expenditure increased by \$2.0M or 0.2% to \$1,120.8M, mainly due to higher depreciation charges, licence fees and other operating costs (OOE), offset by lower staff costs, raw materials as well as premise costs.

Share of results of Associates/JVs

\$47.2M 29.7%

- Share of after-tax profits from associates/JVs increased \$10.8M, mainly due to higher contributions from both Food Solutions and Gateway Services.

PATMI

\$196.1M 2.5%

- Underlying net profit was \$184.6M, 1.0% higher y-o-y.
- EPS increased 0.4 cents to 17.6 cents.
- ROE declined 0.3 pts to 12.3%.

Debt / Equity

0.06 times

- Debt/Equity ratio remained healthy at 0.06 times.
- Cash and short-term deposits decreased \$79.2M to \$426.6M.
- Free cash flow generated was \$74.8M.



3Q and 9M 17/18 Highlights

\$M	3Q17/18	3Q16/17	Fav/(Unfav) Change (%)	9M17/18	9M16/17	Fav/(Unfav) Change (%)
Revenue	439.8	440.9	(0.2)	1,301.1	1,303.6	(0.2)
Expenditure	(374.1)	(374.2)	0.0	(1,120.8)	(1,118.8)	(0.2)
Operating Profit	65.7	66.7	(1.5)	180.3	184.8	(2.4)
Share of Results of Associates/JVs, Net of Tax	13.7	12.7	7.9	47.2	36.4	29.7
Write-back of earn-out consideration	4.5	-	n.m.	4.5	-	n.m.
Gain on disposal of PPE	-	(0.2)	n.m.	0.2	(0.1)	n.m.
Gain on disposal of assets held for sale	-	-	n.m.	7.0	9.3	(24.7)
Loss on divestment/dilution of interest in associates	-	-	n.m.	-	(0.7)	n.m.
PBT	84.7	80.0	5.9	241.9	232.7	4.0
PATMI	66.6	65.1	2.3	196.1	191.3	2.5
Underlying Net Profit*	62.1	65.1	(4.6)	184.6	182.7	1.0

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 and loss on divestment/dilution of interest in associates.*



Financial Indicators

%	3Q17/18	3Q16/17	Change ppt/%	9M17/18	9M16/17	Change ppt/%
Operating Margin	14.9	15.1	(0.2)	13.9	14.2	(0.3)
PBT Margin	19.3	18.1	1.2	18.6	17.9	0.7
PATMI Margin	15.1	14.8	0.3	15.1	14.7	0.4
Underlying Net Margin	14.1	14.8	(0.7)	14.2	14.0	0.2
Return on Equity	4.2	4.2	0.0	12.3	12.6	(0.3)
Basic EPS (cents)	6.0	5.8	3.4%	17.6	17.2	2.3%
Dividend Per Share (cents)	-	-	-	6.0	6.0	0.0

	31 DEC 17	31 MAR 17
NAV Per Share (\$)	1.42	1.44
Debt / Equity	0.06	0.07



Group Segmental Revenue

\$M	3Q17/18	3Q16/17	Change (%)	9M17/18	9M16/17	Change (%)
By Business*:						
Food Solutions	240.4	246.5	(2.5)	718.3	739.3	(2.8)
Gateway Services	199.0	194.0	2.6	581.8	563.2	3.3
Others	0.4	0.4	0.0	1.0	1.1	(9.1)
Total	439.8	440.9	(0.2)	1,301.1	1,303.6	(0.2)
By Industry*:						
Aviation	377.6	378.2	(0.2)	1,126.9	1,132.5	(0.5)
Non-Aviation	62.2	62.7	(0.8)	174.2	171.1	1.8
Total	439.8	440.9	(0.2)	1,301.1	1,303.6	(0.2)
By Geographical Location:						
Singapore	365.3	351.0	4.1	1,069.2	1,036.1	3.2
Japan	60.5	62.7	(3.5)	181.1	200.0	(9.5)
Others	14.0	27.2	(48.5)	50.8	67.5	(24.7)
Total	439.8	440.9	(0.2)	1,301.1	1,303.6	(0.2)

* Certain revenue in 3Q16/17 and 9M16/17 have been reclassified in conformity with the current year's presentation.



Group Expenditure

\$M	3Q17/18	3Q16/17	Fav/(Unfav) Change (%)	9M17/18	9M16/17	Fav/(Unfav) Change (%)
Staff Costs	206.9	215.0	3.8	626.9	639.4	2.0
Cost of Raw Materials	64.4	65.5	1.7	188.9	197.0	4.1
Licence Fees	21.5	17.6	(22.2)	63.6	51.4	(23.7)
Depreciation & Amortisation charges	19.5	18.2	(7.1)	57.5	54.1	(6.3)
Company Premise & Utilities Expenses	24.8	26.4	6.1	78.4	81.3	3.6
Other Costs	37.0	31.5	(17.5)	105.5	95.6	(10.4)
Group Expenditure	374.1	374.2	0.0	1,120.8	1,118.8	(0.2)
Group Revenue	439.8	440.9	(0.2)	1,301.1	1,303.6	(0.2)

Staff costs have decreased through automation, productivity and cost management initiatives. Licence fees increased due to cessation of rebates.



Associates/JVs Performance by Business

\$M	3Q17/18	3Q16/17	Change (%)	9M17/18	9M16/17	Change (%)
PAT	13.7	12.7	7.9	47.2	36.4	29.7
Food Solutions	3.1	1.6	93.8	11.6	6.3	84.1
Gateway Services	10.6	11.1	(4.5)	35.6	30.1	18.3
Dividends Received	10.4	18.7	(44.4)	23.3	39.4	(40.9)

Strong growth in contribution from overseas associates/JVs.

Food grew by \$5.3M (84.1%) and Gateway grew by \$5.5M (18.3%) y-o-y for 9M17/18.



Group Balance Sheet

\$M	As at 31 DEC 17	As at 31 MAR 17
Total Equity	1,678.7	1,691.2
Long-Term Liabilities	168.0	178.3
Current Liabilities	408.1	409.9
Total Equity & Liabilities	2,254.8	2,279.4
Fixed Assets & Investment Properties	559.8	549.1
Associates / JVs	695.1	670.8
Intangible Assets	156.9	157.9
Other Non-Current Assets & Long-Term Investments	37.4	45.1
Current Assets		
<i>Cash & short-term deposits</i>	426.6	505.8
<i>Debtors & other current assets</i>	379.0	350.7
Total Assets	2,254.8	2,279.4

Total equity stood at \$1.7 billion with total assets of \$2.3 billion @ 31 Dec 17.

Group Cash Flow Statement

\$M	9M17/18	9M16/17	Change
Net Cash From Operating Activities	146.4	173.2	(26.8)
Net Cash Used In Investing Activities	(37.9)	(58.3)	20.4
Net Cash Used In Financing Activities	(186.8)	(181.0)	(5.8)
Net decrease In Cash & Cash Equivalents	(78.3)	(66.1)	(12.2)
Cash & Cash Equivalents At End Of Financial Period	426.6	424.8	1.8
Free Cash Flow*	74.8	117.6	(42.8)

Net cash used in investing activities was lower mainly due to absence of long-term investment made in previous financial period, higher proceeds from disposal of assets held for sale as well as lower investments in associates/JVs.



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

Outlook

Outlook

SATS' performance remains resilient despite a challenging operating environment. Changi Airport's growth in passenger and cargo traffic will present opportunities for the company to strengthen our operations in Singapore with greater efficiency and innovative products and services.

We will continue to broaden and deepen our presence in overseas markets to boost overseas contributions to our business and draw on scale efficiencies.



END