

# **SAS AB**

## **Q4 2018**

**4 December 2018**



***SAS***

# Q4 financial highlights

## Q4 POSITIVES

- Record number of passengers
- Total revenue up SEK 1bn vs. LY
- Yield (nominal) up 5.1% vs. LY
- RASK (nominal) up 7.0% vs. LY
- Efficiency program delivered MSEK 193

## Q4 ISSUES

- Operational issues due to unscheduled maintenance, strikes and late delivery of aircraft
- Jet fuel costs up SEK 0.7bn vs. LY

Q4-18      CHANGE  
VS. Q4-17

EBT	
MSEK 809	MSEK 152
Capacity (ASK, mill.)	
13,056	↑2.4%
Unit Cost <sup>1</sup> (SEK)	
0.56	⇒0.3%
RASK <sup>2</sup> (SEK)	
0.80	↑1.2%

Note: 1) Excluding jet fuel and non-recurring items, currency adjusted. 2) Currency adjusted

# SAS has delivered on all financial targets in FY18

## FY18 FOCUS AREAS...

- 1 Enhance customer experience
- 2 Improve cost efficiency and flexibility
- 3 Further develop operating model
- 4 Drive digitalization and automation

## ...DELIVERED STRONG RESULTS

ROIC >12%



2.0bn EBT



Financial preparedness >25%



Adj. net debt / EBITDAR <3x



# We have invested in our customer offering

## FOOD

New seasonal menus with organic and locally produced ingredients



## SEASONAL ADJUSTMENTS

27 new routes and 6 new destinations during summer program 2018

## NEW INTERIORS

2/3 of fleet upgraded



## CO<sub>2</sub>-OFFSET

SAS CO<sub>2</sub>-compensates all youth tickets since April 2018

Preem biofuel partnership secured

## WIFI

High-speed WiFi launched and installed on 39 aircraft



## EUROBONUS

Online award booking and Live Nation partnership

## LOUNGE

Copenhagen and all international lounges upgraded



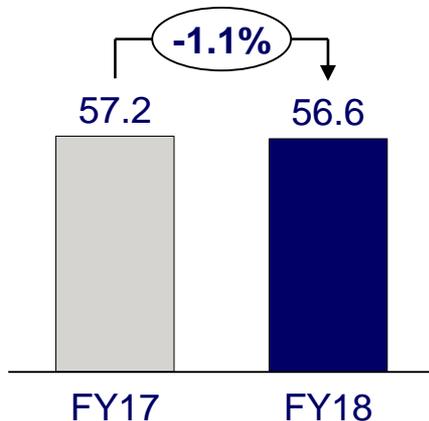
## NEW AIRCRAFT

22 Airbus A320neo in operation with 58 more on order

## SAS' efficiency and flexibility has been enhanced

### UNIT COST

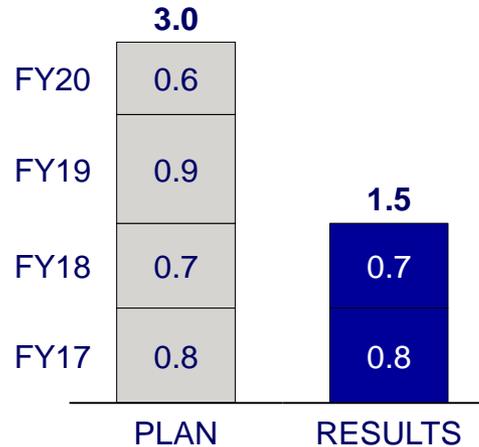
#### CASK DEVELOPMENT<sup>1</sup> SEK öre



- Full delivery of efficiency program
- Continued right-sizing of fleet
- Further development of operating model, including launch of SAS Ireland

### EFFICIENCY PROGRAM

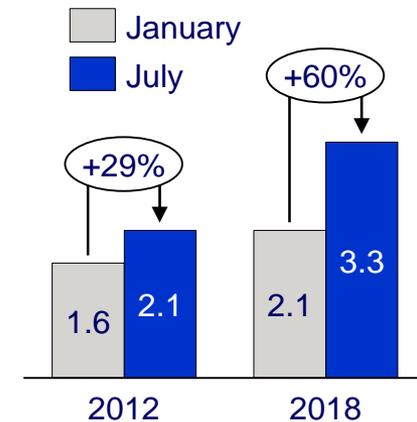
#### GROSS EARNINGS IMPACT SEK bn



- New compensation model with CPH airport
- Reduced cost of sales and agent commissions
- Increased productivity and flexibility amongst ground, tech and crew

### SEASONAL ADJUSTMENTS

#### SCHEDULED ASK billion



- Leisure growth with record passengers during summer
- Adapted winter program to fluctuations in seasonal demand
- Increased capacity on peak holidays (e.g. Easter and Christmas)

1) Excluding jet fuel and non-recurring items, currency adjusted

## The operating model has been further developed

### SAS SCANDINAVIA

- Fleet renewal and transition to one-type fleet underway (3 new A320neo phased in, 10 old aircraft phased out)
- ~5m passengers have traveled on brand new A320neo aircraft with SAS Scandinavia
- Crew development including demography improvements, seasonal flexibility and accelerated recruitment

**~24 m**

*Passengers traveled with SAS Scandinavia in FY18*

### SAS IRELAND

- Established as a complement to SAS other production platforms
- First flight in December 2017, and completed almost 8,000 flights
- Currently eight (out of nine) A320neo allocated to bases in London and Malaga
- IOSA certification secured

**~1 m**

*Passengers traveled with SAS Ireland in FY18*

### REGIONAL PLATFORMS

- First full fiscal year with completely outsourced regional production (Cimber divestment in FY17)
- New integrated planning processes between SAS and partners
- Regional partners renewing fleet (avg. age around 2 years), including 4 brand new CRJ-900

**~5 m**

*Passengers traveled with our regional platforms in FY18*

# Digital development underpin all areas of strategy

## Selected examples

### COMPLETED



- Upgraded web/app platform
- 39 A/C with high-speed Wi-fi
- Preorder seat, lounge and meals
- Data driven personalized campaigns and communication



- Advanced analytics for revenue management
- New flight planning system
- Fuel optimization system upgrade



- Tablets for all crew and loading supervisors
- TripTrade for crew, supporting work/life balance
- Mobile and cloud based work tools

### IN PROGRESS

- EuroBonus point pooling
- Merged flow (EB points and cash)
- Digital gift cards
- NDC platform
- New multi-channel customer service

- AI/machine learning for crew planning
- Robotization within customer service and finance
- Enhanced irregularity handling
- Catering logistics system to reduce waste

- Tablets for ground personnel
- Planning and scheduling tools for crew
- Automated support function through chatbots

# Significant challenges ahead requires maintained focus on strategic priorities

## TO FACE CHALLENGES AHEAD...

-  Volatile jet fuel prices
-  Unfavorable FX-rates
-  Increased LCC competition
-  Sustainability awareness
-  Uncertain geopolitical environment

## ...SAS' STRATEGY REMAINS FIRM...

### Customer



### Operating model



### Capabilities



## ...UNDERPINNED BY ADDITIONAL EFFORTS

### Sustainability



### Digital investments



# FINANCIALS



***SAS***

# Highlevel Summary - Q4 & Fiscal Year 2018

## CAPACITY

Q4-18	FY18
↑ <b>2.4%</b>	↑ <b>1.5%</b>
ASK <sup>1</sup> vs. LY	

## TRAFFIC

Q4-18	FY18
↑ <b>3.4%</b>	⇒ <b>0.4%</b>
RPK <sup>1</sup> vs. LY	

## PASK<sup>2</sup>

Q4-18	FY18
⇒ <b>0.3%</b>	⇒ <b>0.5%</b>
vs. LY	

## CASK EXCL. FUEL<sup>3</sup>

Q4-18	FY18
⇒ <b>0.3%</b>	↓ <b>1.1%</b>
vs. LY	

## REVENUE (MSEK)

Q4-18	FY18
<b>12,678</b>	<b>44,718</b>
+1,034	+2,064

## EBT (MSEK)

Q4-18	FY18
<b>809</b>	<b>2,041</b>
+152	+316

## CASH FLOW FROM OPERATIONS (MSEK)

Q4-18	FY18
<b>845</b>	<b>4,559</b>
-38	+2116

Note: 1) Sheduled. 2) Currency adjusted. 3) Excluding non-recurring items, currency adjusted.

# Income statement - Q4-18

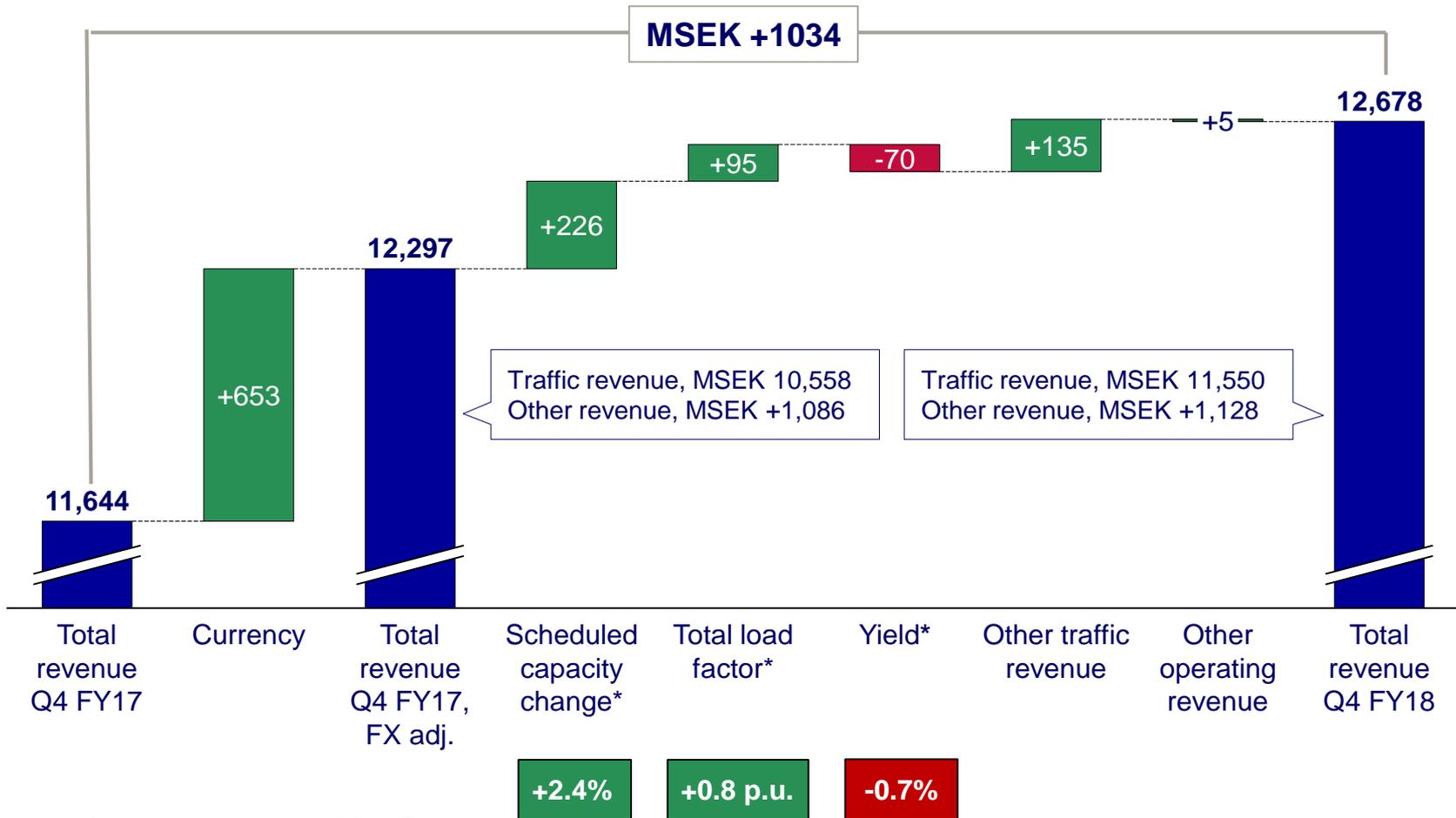
MSEK

	Q4-18	Q4-17	Change	FX
<b>Total operating revenue</b>	<b>12,678</b>	<b>11,644</b>	<b>+1,034</b>	<b>+653</b>
Payroll expenditure	-2,304	-2,138	-166	
Jet fuel	-2,443	-1,774	-669	
Government charges	-1,117	-1,103	-14	
Other operating expenditure	-4,621	-4,325	-296	
<b>Total operating expenses*</b>	<b>-10,485</b>	<b>-9,340</b>	<b>-1,145</b>	<b>-489</b>
<b>EBITDAR before non-recurring items</b>	<b>2,193</b>	<b>2,304</b>	<b>-111</b>	<b>+164</b>
<i>EBITDAR-margin*</i>	17.3%	19.8%	-2.5 p.u.	
Leasing costs, aircraft	-817	-774	-43	
Depreciation	-426	-369	-57	
Share of income in affiliated companies	23	16	+7	
<b>EBIT before non-recurring items</b>	<b>973</b>	<b>1,177</b>	<b>-204</b>	<b>+86</b>
<i>EBIT-margin*</i>	7.7%	10.1%	-2.4 p.u.	
Financial items	-131	-123	-8	
<b>EBT before non-recurring items</b>	<b>842</b>	<b>1,054</b>	<b>-212</b>	<b>+85</b>
Non-recurring items	-33	-397	+364	
<b>EBT</b>	<b>809</b>	<b>657</b>	<b>+152</b>	<b>+85</b>

Note: \* Before non-recurring items

# Revenue analysis - Q4-18

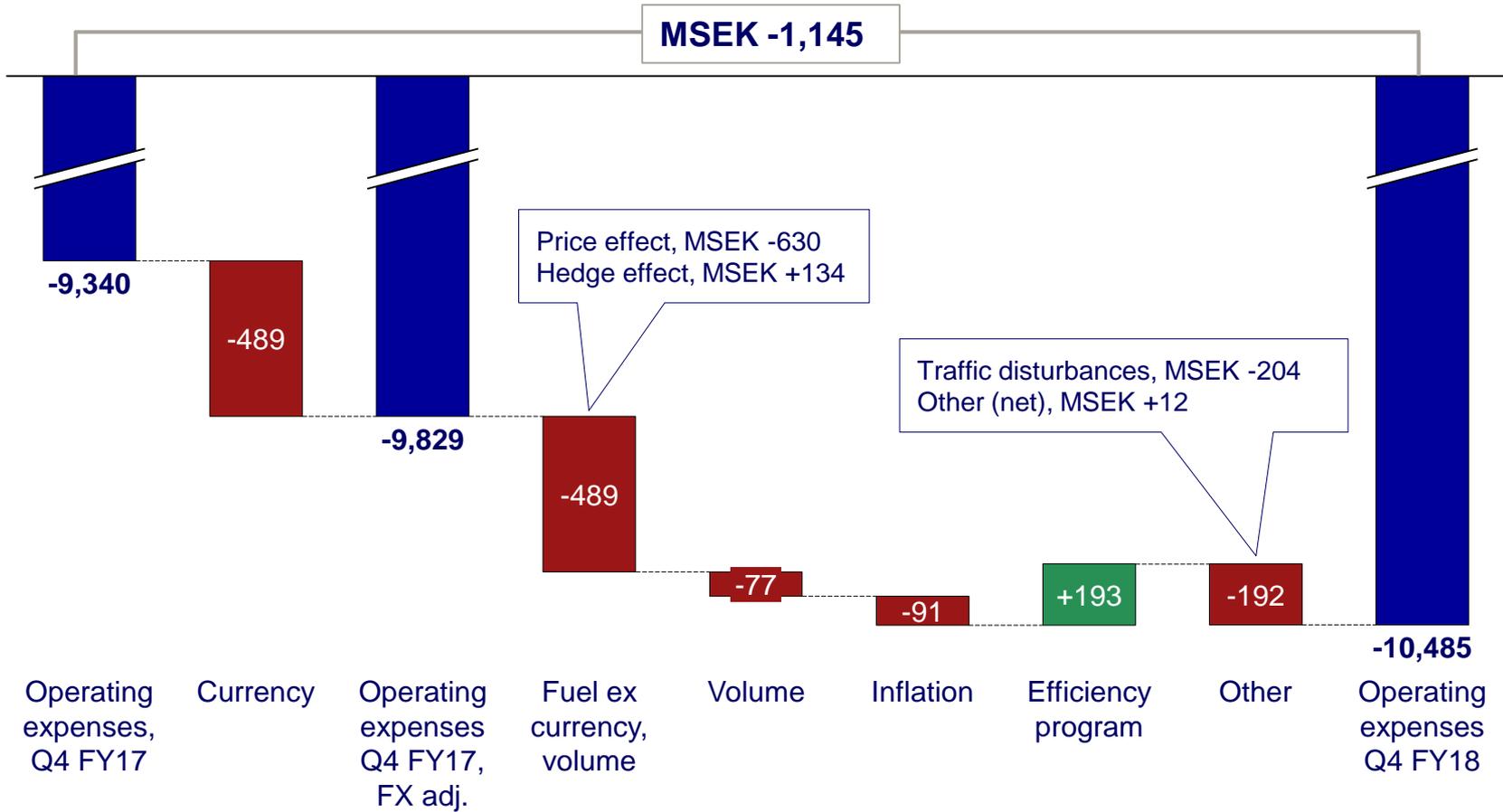
MSEK



Note: \* Based on average yield in Q4 FY17

# Operating expense analysis · Q4-18

MSEK



# Cash flow analysis - Q4-18

MSEK

	Q4-18	Q4-17	Change	
<b>Cash flow from operating activities</b>	845	883	-38	
Net investment activities	-187	-410	+223	Lower aircraft pre-payments.
<b>Cash flow before financing activities</b>	658	473	+185	
Financing activities <sup>1</sup>	573	-257	+830	JOLCO A320 financing and LY repayments of loans.
<b>Change in cash according to the balance sheet</b>	1,231	216	+1,015	
<b>Cash at end of period</b>	9,756	8,836	+920	

Note: 1) Including translation difference in cash and cash equivalents

# Income statement - Fiscal Year 2018

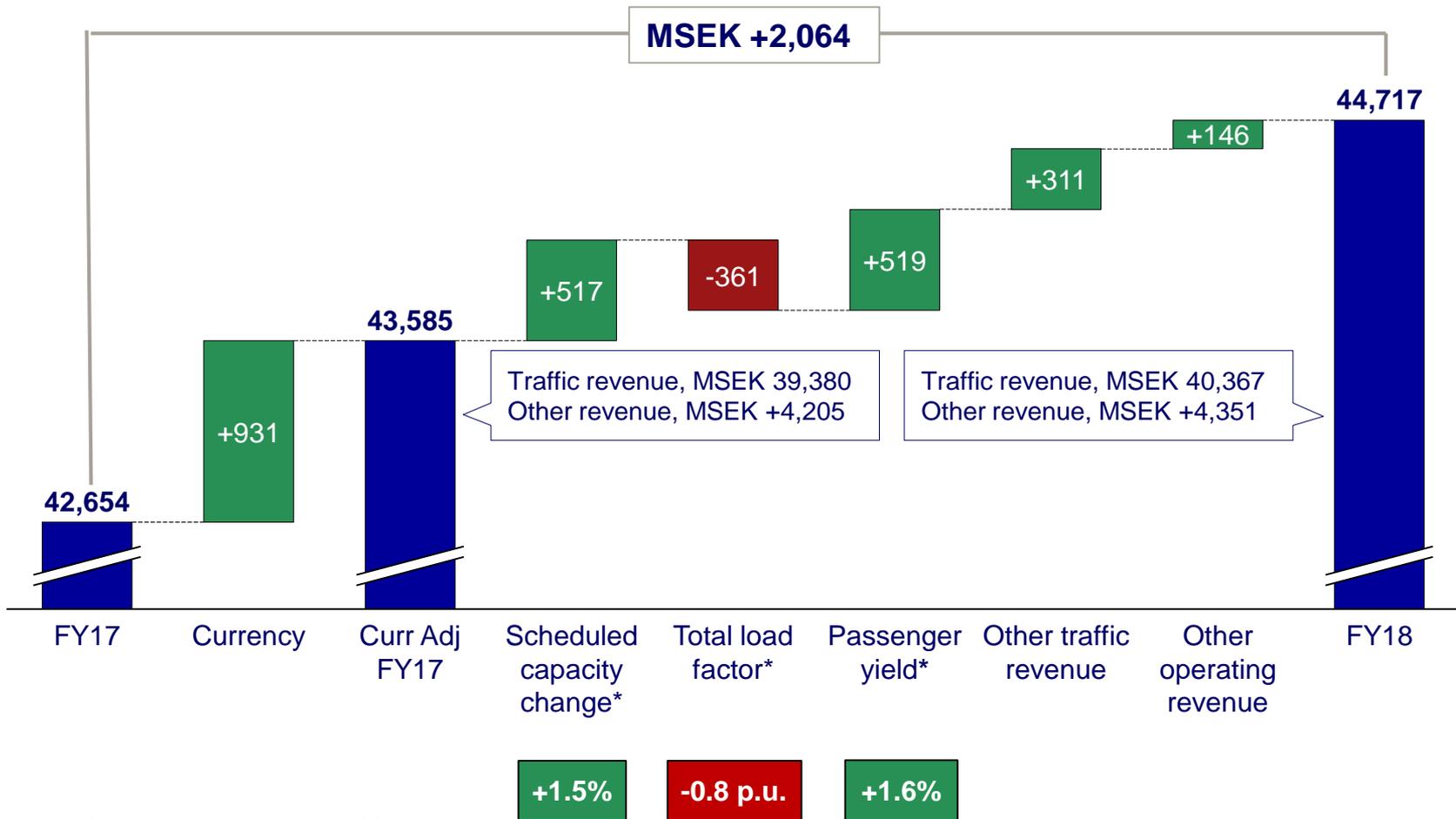
MSEK

	FY-18	FY-17	Change	FX
<b>Total operating revenue</b>	<b>44,718</b>	<b>42,654</b>	<b>+2,064</b>	<b>+931</b>
Payroll expenditure	-9,236	-9,131	-105	
Jet fuel	-7,996	-6,836	-1,160	
Government charges	-4,159	-4,262	+103	
Other operating expenditure	-16,042	-15,473	-569	
<b>Total operating expenses*</b>	<b>-37,433</b>	<b>-35,702</b>	<b>-1,731</b>	<b>-574</b>
<b>EBITDAR before non-recurring items</b>	<b>7,285</b>	<b>6,952</b>	<b>+333</b>	<b>+357</b>
<i>EBITDAR-margin*</i>	16.3%	16.3%	-0.0 p.u.	
Leasing costs, aircraft	-3,156	-3,116	-40	
Depreciation	-1,557	-1,427	-130	
Share of income in affiliated companies	35	4	+31	
<b>EBIT before non-recurring items</b>	<b>2,607</b>	<b>2,413</b>	<b>+194</b>	<b>+371</b>
<i>EBIT-margin*</i>	5.8%	5.7%	+0.1 p.u.	
Financial items	-480	-462	-18	
<b>EBT before non-recurring items</b>	<b>2,127</b>	<b>1,951</b>	<b>+176</b>	<b>+333</b>
Non-recurring items	-86	-226	+140	
<b>EBT</b>	<b>2,041</b>	<b>1,725</b>	<b>+316</b>	<b>+333</b>

Note: \* Before non-recurring items

# Revenue analysis - Fiscal Year 2018

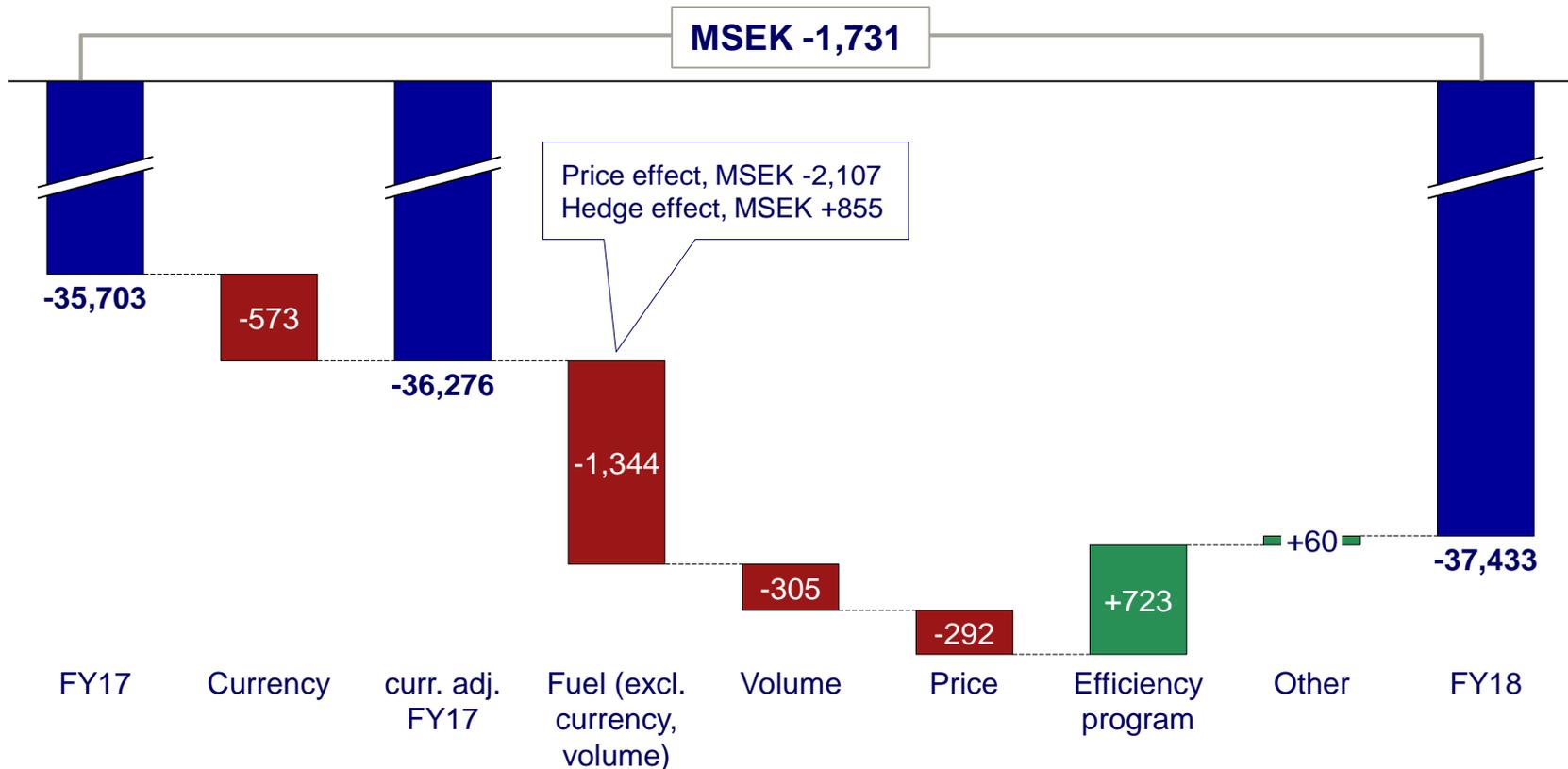
MSEK



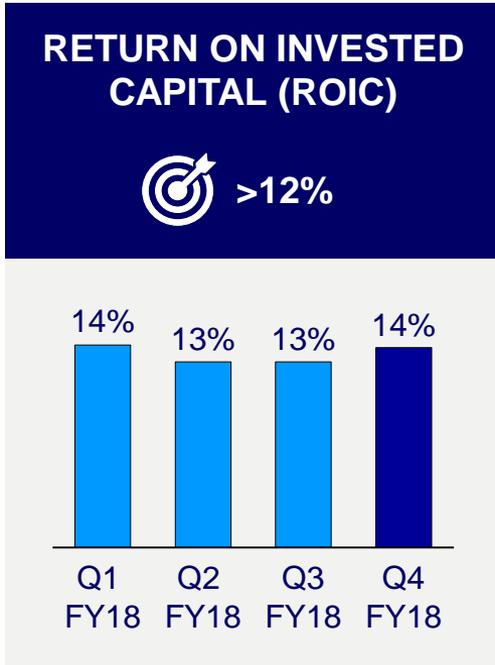
Note: \* Based on average yield in FY17

# Operating expense analysis · Fiscal Year 2018

MSEK



# Financial targets



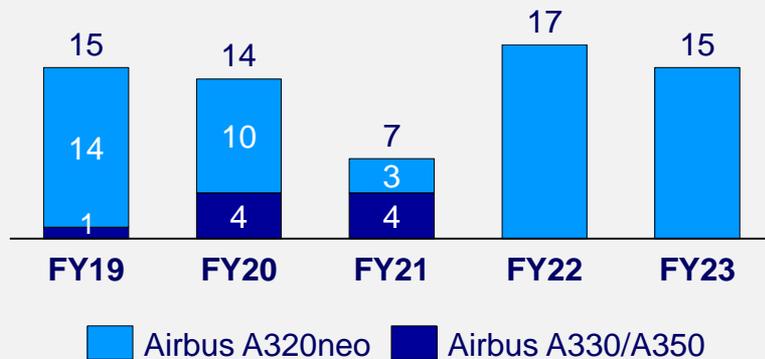
# Debt profile and aircraft orders

## Maturity profile

SEK bn



## Number of Aircraft orders per 31 October 2018



## MATURITIES AND FINANCING

- Issue of MEUR 35 through euro medium-term note (EMTN) program during Q4 2018
- Convertible bond maturing of SEK 1.6bn in April 2019

## AIRCRAFT FINANCING

- JOLCO financing for one Airbus A320 completed in September.
- Financing of a further nine Airbus A320 using JOLCO's is ongoing
- First 15 A320neo from the new order of 50 aircraft will be on operating leases
- Financing of A350 to kick off early 2019

## Jet fuel and currencies

### Jet fuel

- Policy to hedge 40-80% of expected fuel consumption for the next 12 months and up to 50% for the following six months
- Hedge position as of 31 October 2018
  - 52% of expected jet fuel consumption hedged next 12 months
  - Mixture of call options and swaps used

### Currency

- Policy to hedge 40-80% of expected currency deficit/surplus for the next 12 months

### Jet fuel cost sensitivity FY19, SEK bn\*

Market price (USD/MT)	7.0	8.0	9.0	10.0
500	6.1	7.0	7.8	8.7
600	6.8	7.8	8.8	9.7
700	7.5	8.6	9.7	10.8
800	8.2	9.3	10.5	11.7

### Currency hedges\*

- 43% of USD hedged next twelve months
- 65% of NOK hedged next twelve months

\* Based on hedge position as at 31 October 2018

Max jet fuel price	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19
\$720-740/MT	92%	82%	-	-
\$741-770/MT	-	-	44%	-

# Outlook for Fiscal Year 2019 and guidance for Q1

## OUTLOOK FY19

SAS expects to deliver a positive result before tax and nonrecurring items in fiscal year 2019<sup>1</sup>

## GUIDANCE Q1

SAS expects an increased loss in the first quarter of fiscal year 2019 compared to last year.

## KEY ASSUMPTIONS

- SAS ASK growth: 2-3% vs LY
- Volatile, but increasing jet fuel prices
- Unfavorable USD/SEK and NOK/SEK rates
- SEKbn 0.9 of efficiency savings<sup>2</sup>
- Gross investments of around SEKbn 7.0

## SENSITIVITY<sup>3</sup> (SEK bn)

Change	+10%	-10%
Jet fuel price	-0.5	+0.5
USD/SEK	-0.9	+1.1
NOK/SEK	+0.2	-0.2

<sup>1</sup> The outlook is based on no unexpected events or material changes in the business environment

<sup>2</sup> Gross earnings impact. SEKbn 0.2 have been deferred from fiscal year 2019 to 2020.

<sup>3</sup> Including hedging

*SAS*