

SAS

Q3 2018/2019



27 August 2019

Highlights Q3/19

Financial drivers

- Stable operational quality and seasonal adaptation driving increased revenues
- Domestic and European traffic stronger than early indications
- Continued good development of unit revenue and passenger yield
- Revenue increase offset by higher fuel costs, weak SEK and pilot strike resulting in declining EBT vs last year
- Disappointing CASK development, partially driven by strike effects

Opportunities and challenges

- + Short term indications of reduced capacity growth in Scandinavia
- + Continued positive underlying trend in yield and unit revenue
- + Volatile but recent decline in fuel price
- European order book of new aircraft indicating substantial risk for structural overcapacity in the medium to long term
- Soft economic indicators pointing towards decrease in demand
- Weak Swedish krona

Q3-19	CHANGE VS. Q3-18
EBT	
MSEK 1,495	MSEK -513
Capacity (ASK, mill. km)	
13,279	-1.0%
Unit Revenue, PASK (SEK, currency adjusted)	
0.78	+1.8%
Passenger yield (SEK, currency adjusted)	
0.98	+3.9%
CASK ex. fuel (SEK, currency adjusted)	
0.55	+2.1%

Strong recovery after pilot strike

SAS' TOTAL NUMBER OF PASSENGERS

Million

May	2.50 (-10.1%)		Strike effects
<hr/>			
June	2.96 (+0.3%)		Best month ever in SAS' history
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July	2.84 (+0.1%)		Best July in SAS' history

- Improvements in customer offering
 - 12 new Fast Tracks
 - Option for customers to purchase biofuel
 - Improved digital customer experience
- Seasonal adjustments with 12 new leisure routes for summer-19
- Improved operational quality with high regularity and punctuality

Investments in operational improvements paid off

- Secured fleet and manning resources
- Increased operational buffers
- Introduced hot spare to secure fleet robustness
- Deployed new digital tools to aid customers

SAS' IMPROVEMENTS JUN-JUL VS. FY18		
Regularity	99.2 (+1.5 p.p.)	

Punctuality (P15)	75 (+4 p.p.)	

CSI	72 (+3)	

Cost of claims¹	66 (index vs. LY)	

¹ Q3 FY19 vs. Q3FY18

Continued efforts towards sustainable air travel

Q3-19

Q3 HIGHLIGHTS

2030 TARGETS



3 NEW A320NEO PHASED IN (27 IN OPERATIONS)



A330E PHASED IN TO REPLACE A340



OPTION FOR CUSTOMERS TO PURCHASE BIOFUEL



REMOVAL OF TAX-FREE STORE ONBOARD



PARTNERSHIP WITH AIRBUS TO RESEARCH HYBRID AND ELECTRIC AIRCRAFT



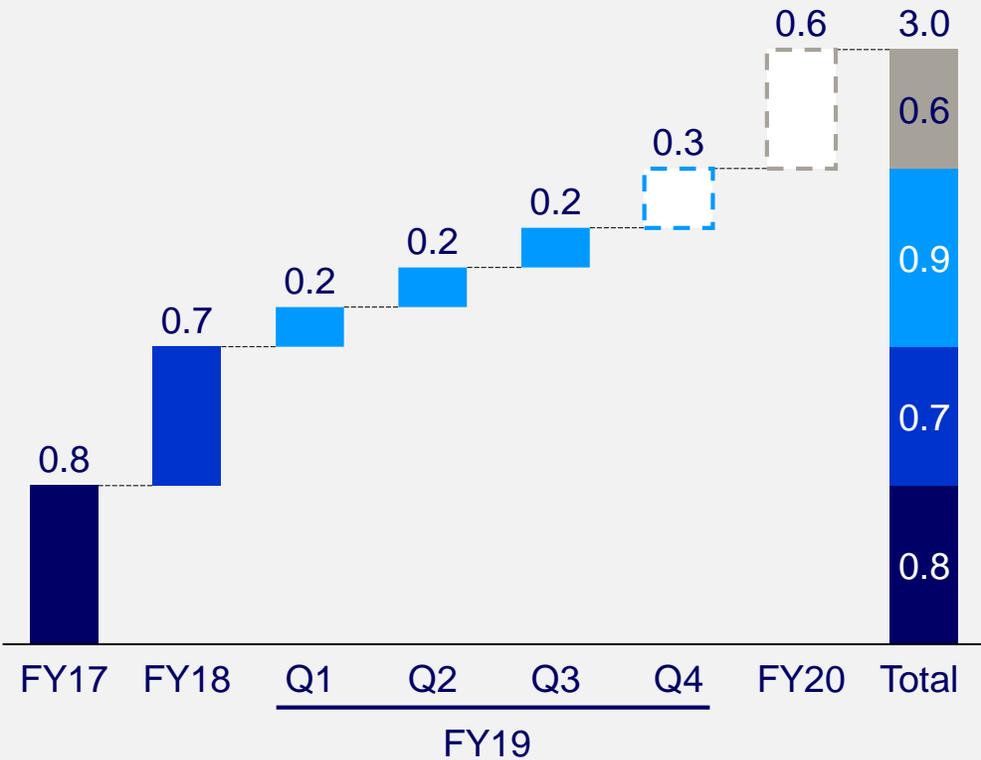
38% OF SAS' TICKETS CO₂-COMPENSATED



Efficiency program on track, but market challenges remain

EFFICIENCY PROGRAMME

SEKbn



MARKET DYNAMICS



Volatile jet fuel prices



Unfavorable FX-rates



Decreased demand



European order books at record levels

Market uncertainties remain, additional efficiency initiatives required

ADDITIONAL EFFICIENCY LEVERS ASSESSED



Effects from single type fleet



Accelerated pace in digitalization and lean

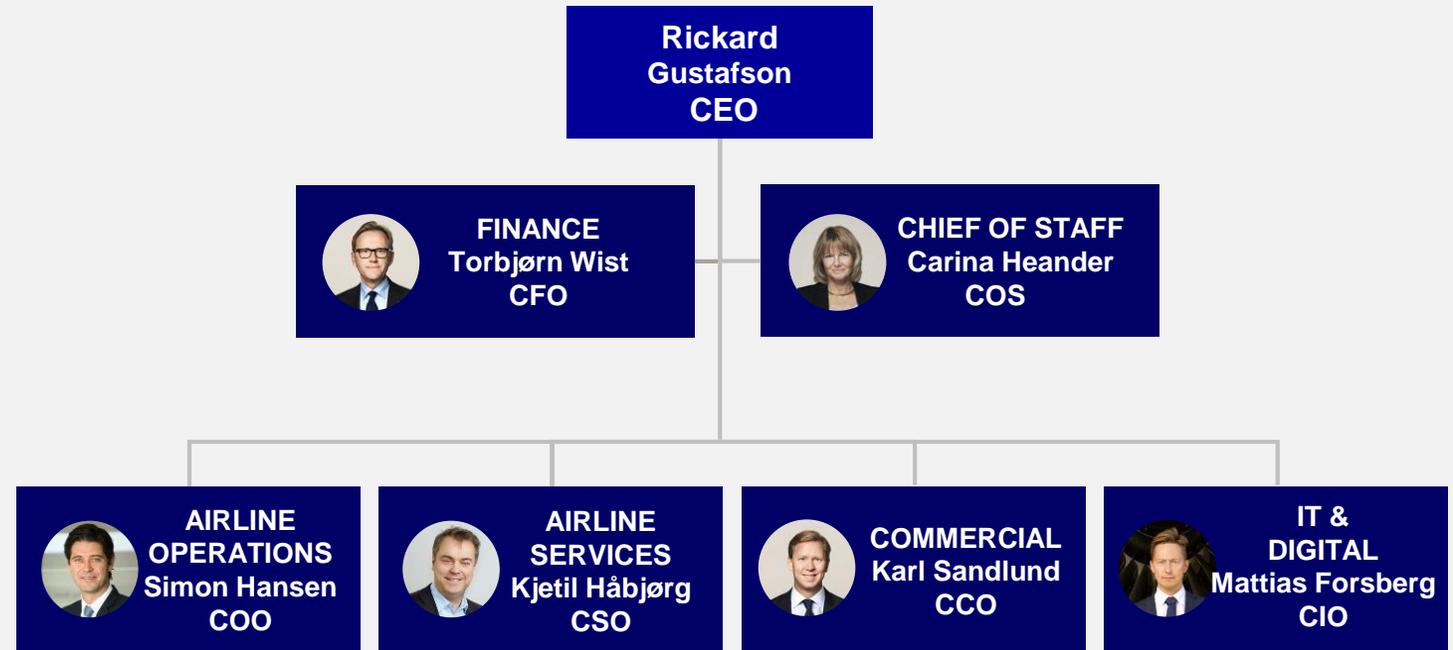


Improved asset and crew utilization through enhanced planning



Further enhanced operating model

NEW ORGANIZATION TO ACCELERATE TRANSFORMATION AND DRIVE ACCOUNTABILITY



FINANCIALS



A STAR ALLIANCE MEMBER 



Summary Results

MSEK, except per cent

Key Financials	Q3/19	Q3/18	Change %	Currency
Total operating revenue	13,552	13,146	+3.1	+201
Total operating expenses*	-10,538	-9,816	-7.4	-428
EBITDAR*	3,014	3,330	-9.5	-227
EBITDAR margin, %	22.2%	25.3%	-3.1 p.p.	
EBT*	1,495	2,008	-25.5	-263
Items affecting comparability	-5	26	<-100	
EBT	1,490	2,034	-26.7	-263
Key Metrics				
ASK	13,279	13,418	-1.0	
RPK	10,495	10,822	-3.0	
Cabin Factor	79.0%	80.7%	-1.6 p.p.	
PASK**	0.78	0.76	+1.8	
CASK excl Fuel**	0.55	0.54	+2.1	

* Before items affecting comparability

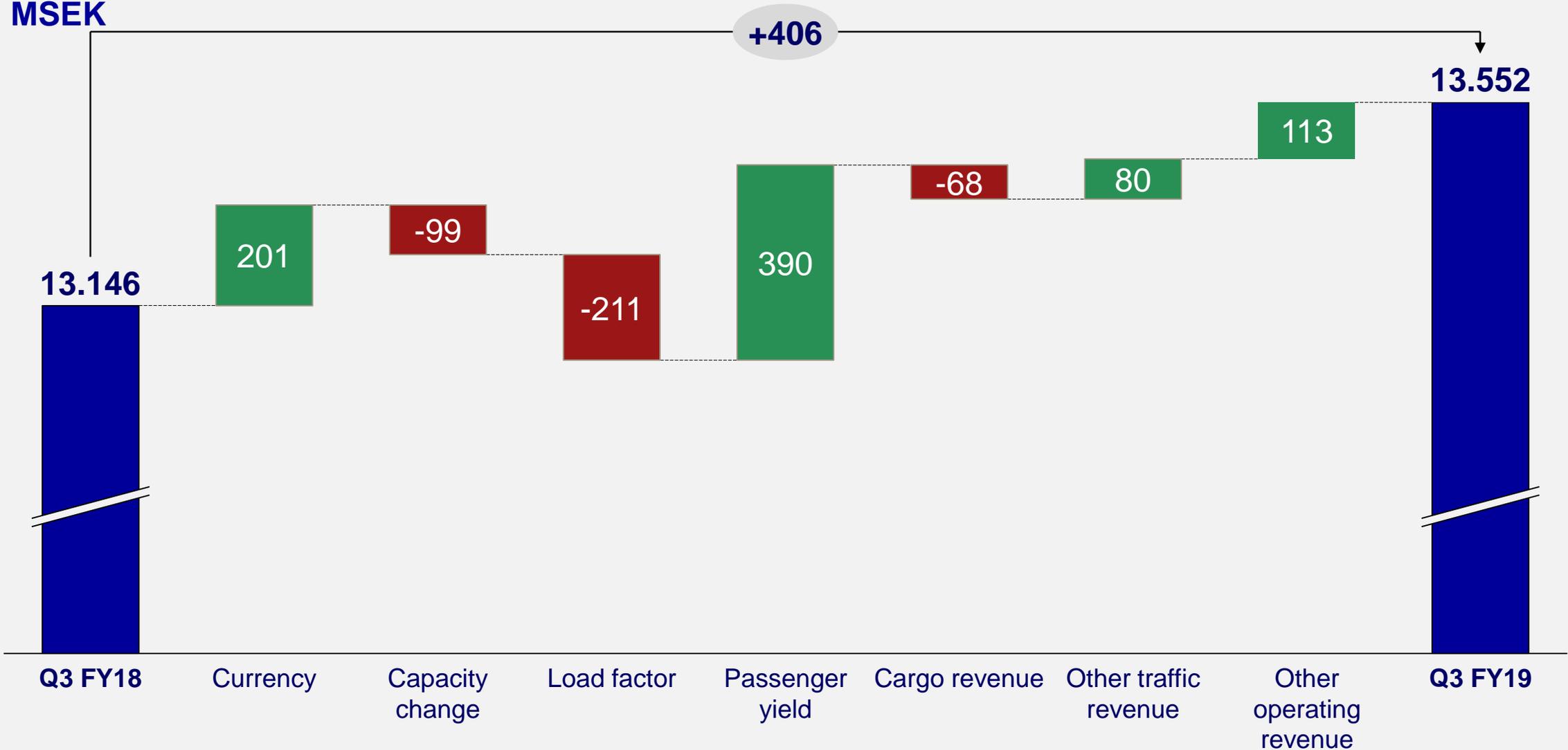
**Currency adjusted

Comments

- Increase in currency adjusted revenues driven by passenger revenue, ancillary revenues and sale of EuroBonus points
- Revenue increase offset by higher fuel costs, weak SEK and pilot strike resulting in decline in EBT
- Positive trend in unit revenue (PASK) continues

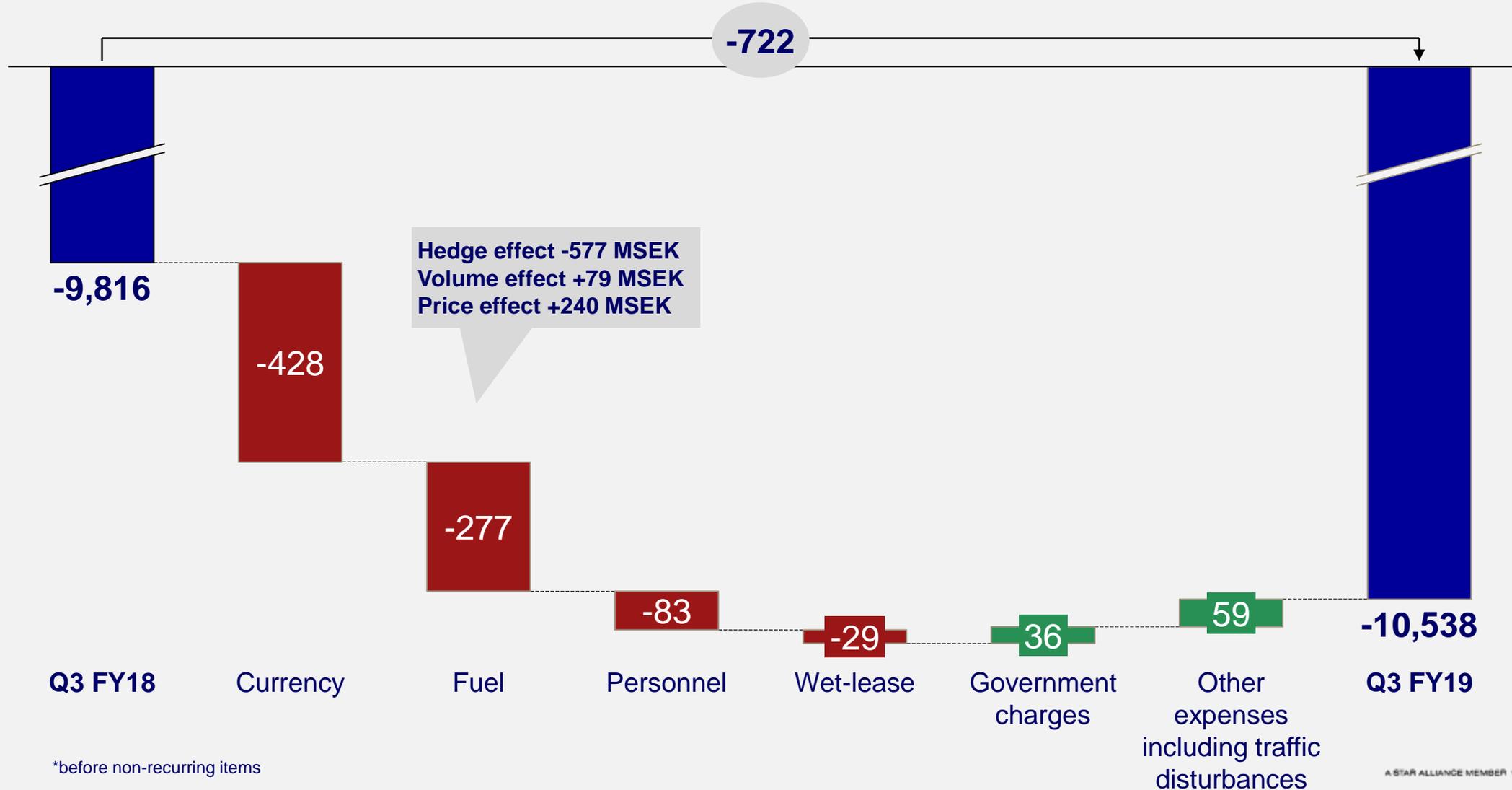
Revenue Development

MSEK

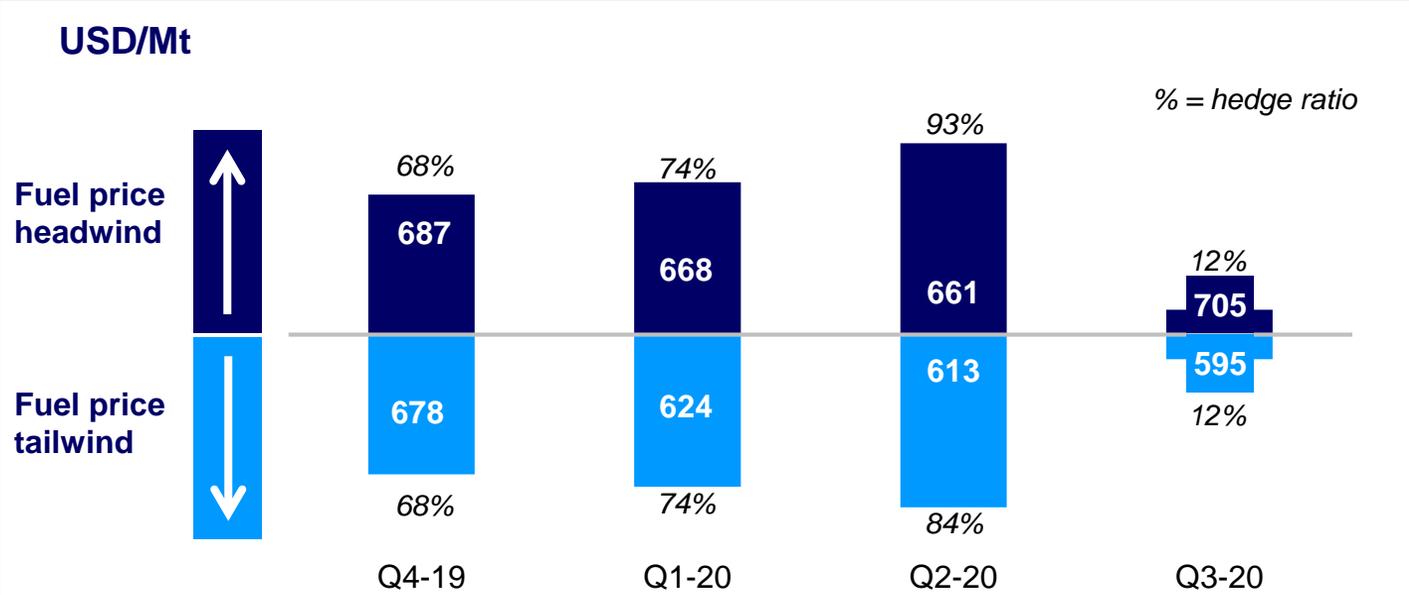


Development in Operating Expenses*

MSEK



Jet fuel and currency hedges



Sensitivity analysis, jet fuel cost Nov 2018-Oct 2019 *

Market price	Exchange rate USD/SEK				
	8.5	9.0	9.5	10.0	10.5
USD 500/tonne	9.0	9.2	9.3	9.4	9.5
USD 600/tonne	9.1	9.3	9.4	9.5	9.7
USD 700/tonne	9.3	9.4	9.5	9.7	9.8
USD 800/tonne	9.3	9.5	9.6	9.8	9.9

Jet fuel

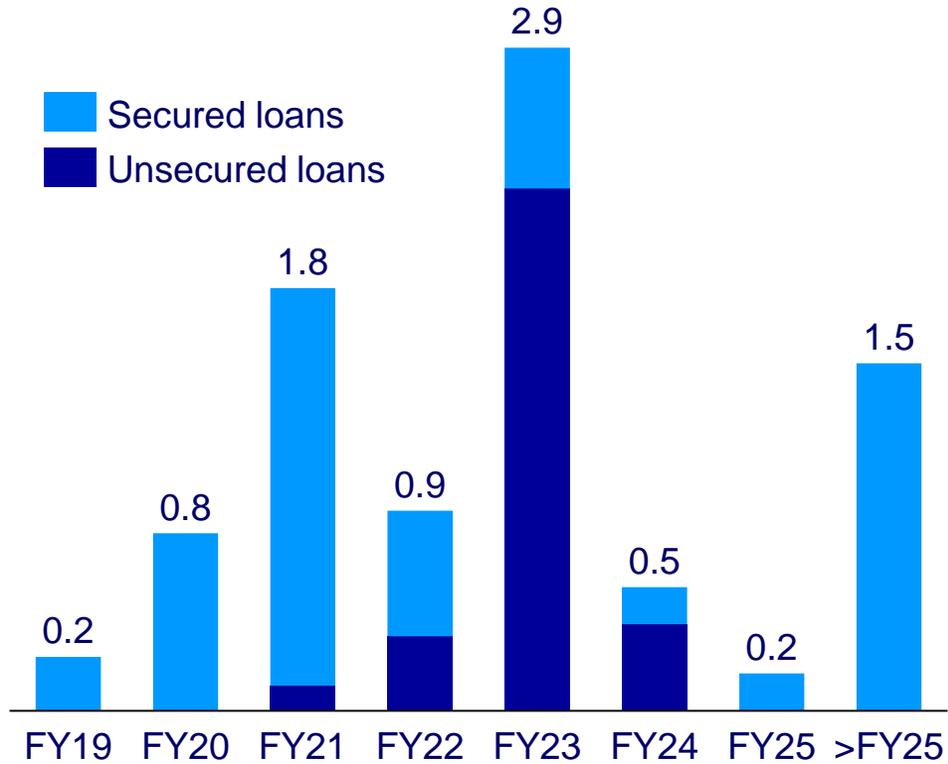
- Policy to hedge 40-80% of expected fuel consumption for the next 12 months and up to 50% for the following six months
- Position consists of a mixture of call options, collars and swaps
- In Q4-19, SAS has 68% of the fuel consumption hedged at a maximum price of 687 USD/Mt.
- If fuel price goes below 678 USD/Mt. 32% of SAS' consumption would benefit from a lower fuel price
- No hedging beyond Q3-20

Currency

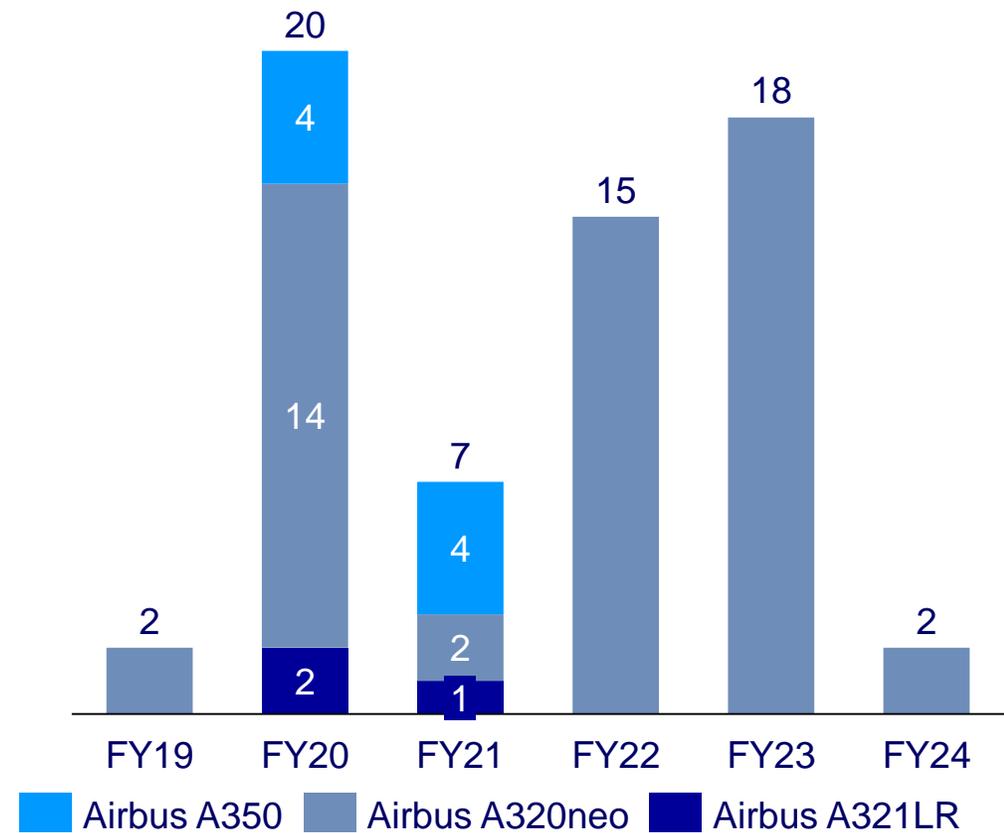
- Policy to hedge 40-80% of expected currency deficit/surplus for the next 12 months
 - 51% of USD hedged next twelve months
 - 60% of NOK hedged next twelve months

Debt Maturity Profile and Aircraft Orders

Maturity profile, SEKbn

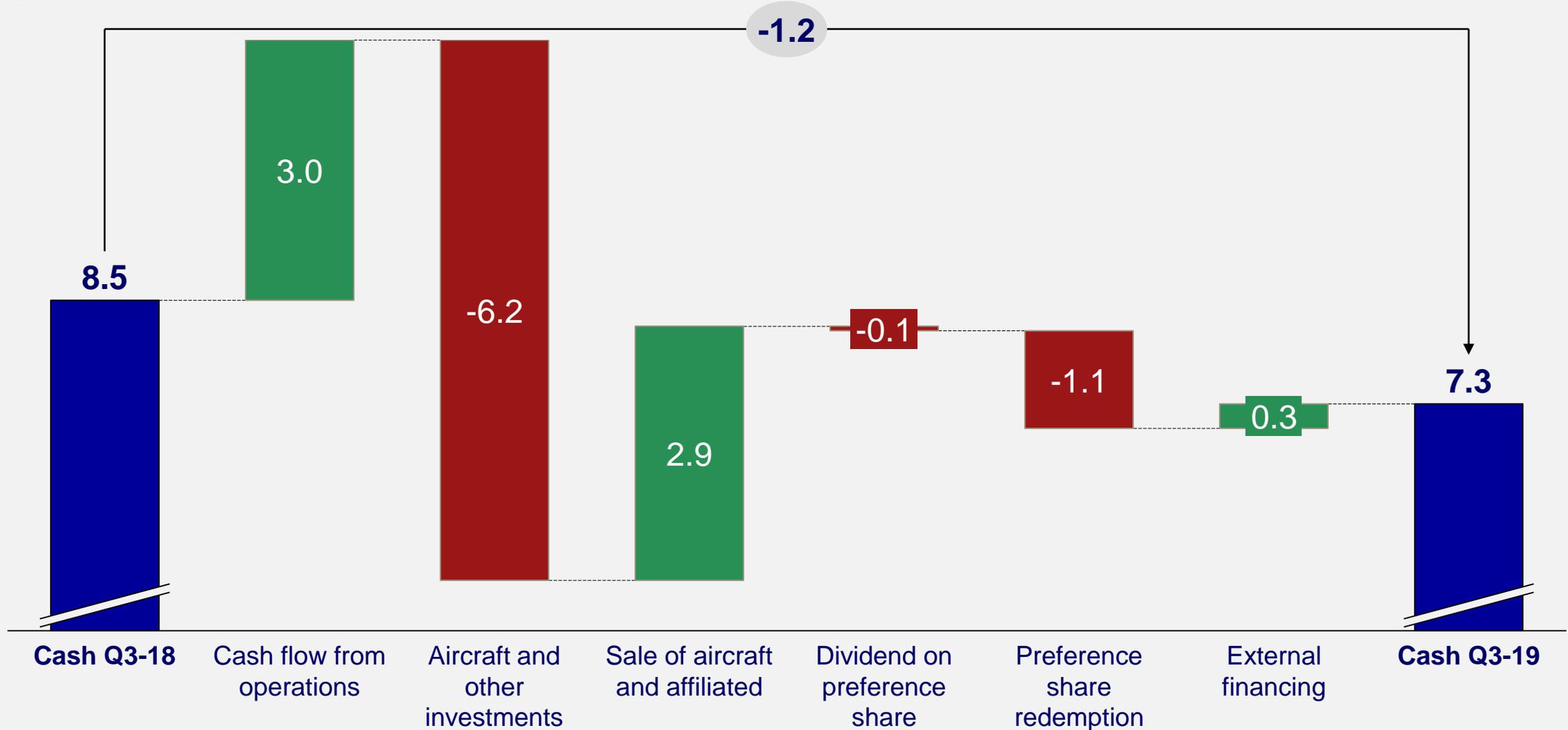


Aircraft orders,



Development in Cash & Cash Equivalents

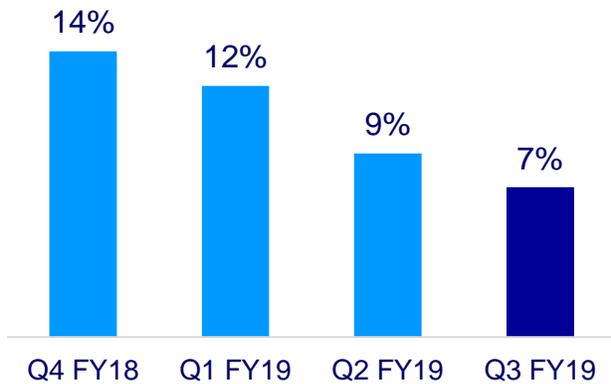
SEKbn



Financial Targets

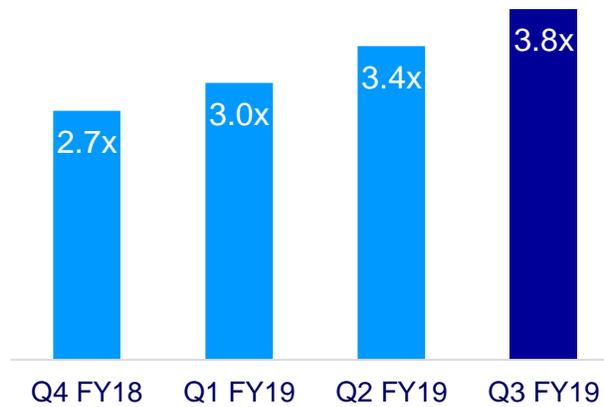
RETURN ON INVESTED CAPITAL (ROIC)

 >12%



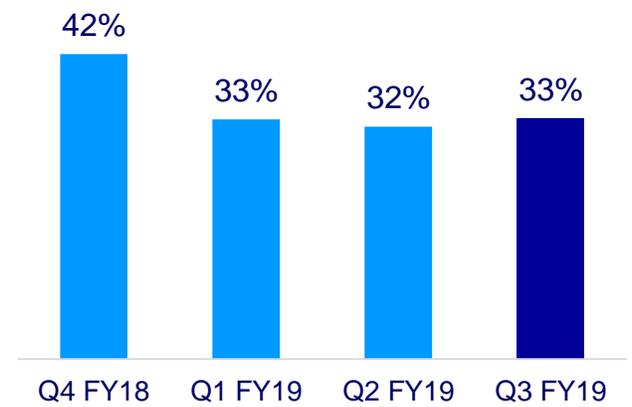
ADJUSTED NET DEBT /EBITDAR

 <3x



FINANCIAL PREPAREDNESS

 >25%



Outlook

FY19 ASSUMPTIONS IN Q2



FY19 Scheduled capacity growth (ASK) reduced to -1 %



8% increase in jet fuel price in Q2



5% depreciation of SEK vs. USD in Q2



- Efficiency measures of SEK 0.9 bn
- Gross investments expected to be around SEK 7 billion



Estimated negative earnings impact of -650 MSEK FY19 due to strike

UPDATES IN Q3

- Unchanged

- 3% decrease since beginning of quarter, offset by hedges

- Continued weakening of SEK during the quarter

- Over SEK 0.6 bn delivered to date
- Unchanged

- Actual impact amounting to -615 MSEK

Challenging to reach a positive result before tax and items affecting comparability in fiscal year 2019

SUMMARY AND KEY TAKEAWAYS



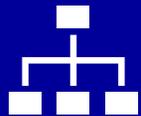
Improved operational quality and seasonal adaptation driving increased revenues



Decline in earnings due to higher fuel costs, weak SEK and pilot strike



Efficiency program on track, but need to assess additional measures



New organization to accelerate transformation and drive accountability



FY19 outlook remains unchanged

SAS

Income Statement Q3

Income statement, MSEK	May-Jul 19	May-Jul 18	Change vs LY	Currency
Total operating revenue	13,552	13,146	+406	+201
Payroll expenditure	-2,488	-2,385	-103	
Jet fuel	-2,750	-2,324	-426	
Government charges	-1,138	-1,149	+11	
Other operating expenditure	-4,162	-3,958	-203	
Total operating expenses*	-10,538	-9,816	-722	-428
EBITDAR before items affecting comparability	3,014	3,330	-316	-227
<i>EBITDAR-margin*</i>	22.2%	25.3%	-3.1 p.p.	
Leasing costs, aircraft	-985	-814	-171	
Depreciation	-455	-404	-51	
Share of income in affiliated companies	1	29	-28	
EBIT before items affecting comparability	1,575	2,141	-566	-281
<i>EBIT-margin*</i>	11.6%	16.3%	-4.7 p.p.	
Financial items	-80	-133	+53	
EBT before items affecting comparability	1,495	2,008	-513	-263
Items affecting comparability	-5	26	-31	
EBT	1,490	2,034	-544	-263

*before items affecting comparability

Balance Sheet 31 July 2019

Balance sheet, MSEK	31 July, 2019	31 July, 2018	Change
Intangible assets	1,430	1,528	-98
Tangible fixed assets	14,701	12,299	2,402
Financial fixed assets	5,231	7,427	-2,196
Total fixed assets	21,362	21,254	+108
Other current assets	355	395	-40
Current receivables	2,943	3,125	-182
Cash and cash equivalents	7,348	8,525	-1,177
Total current assets	10,646	12,045	-1,399
TOTAL ASSETS	32,008	33,299	-1,291
Shareholders' equity	3,072	6,779	-3,707
Long-term liabilities	13,263	10,739	2,524
Current liabilities	15,673	15,781	-108
Total shareholders' equity and liabilities	32,008	33,299	-1,291
<i>Financial net debt</i>	1,137	-2,135	-3,272

Income Statement – Year to Date

Income statement. MSEK	Nov18-Jul19	Nov17-Jul18	Change vs LY	Currency
Total operating revenue	33,273	32,040	1,233	+909
Payroll expenditure	-7,296	-6,932	-364	
Jet fuel	-6,892	-5,539	-1,353	
Government charges	-3,015	-3,042	+27	
Other operating expenditure	-12,271	-11,406	-865	
Total operating expenses*	-29,474	-26,919	-2,555	-1,222
EBITDAR before items affecting comparability	3,799	5,121	-1,322	-313
<i>EBITDAR-margin*</i>	11.4%	16.0%	-4.6 p.u.	
Leasing costs, aircraft	-2,618	-2,339	-279	
Depreciation	-1,329	-1,131	-198	
Share of income in affiliated companies	-11	12	-23	
EBIT before items affecting comparability	-159	1,663	-1,822	-521
<i>EBIT-margin*</i>	-0.5%	5.2%	-5.7 p.u.	
Financial items	-281	-349	+68	
EBT before items affecting comparability	-440	1,314	-1,754	-521
Items affecting comparability	138	-53	+191	
EBT	-302	1,261	-1,563	-521

*before items affecting comparability

Income Statement – Rolling 12 Months

Income statement, MSEK	Aug18-Jul19	Aug17-Jul18	Change vs LY	Currency
Total operating revenue	45,951	43,684	+2,267	+1,562
Payroll expenditure	-9,600	-9,070	-530	
Jet fuel	-9,347	-7,327	-2,020	
Government charges	-4,132	-4,145	+13	
Other operating expenditure	-16,900	-15,746	-1,154	
Total operating expenses*	-39,979	-36,288	-3,691	-1,711
EBITDAR before items affecting comparability	5,972	7,396	-1,424	-149
<i>EBITDAR-margin*</i>	13.0%	16.9%	-3.9 p.u.	
Leasing costs, aircraft	-3,435	-3,113	-322	
Depreciation	-1,755	-1,500	-255	
Share of income in affiliated companies	12	28	-16	
EBIT before items affecting comparability	794	2,811	-2,017	-435
<i>EBIT-margin*</i>	1.7%	6.4%	-4.7 p.u.	
Financial items	-412	-472	+60	
EBT before items affecting comparability	382	2,339	-1,957	-436
Items affecting comparability	105	-450	+555	
EBT	487	1,889	-1,402	-436

*before items affecting comparability

Investor Relations

Most recent stock recommendations

Date	Institution	Recommendation	TP
2019-08-22	Sydbank	Hold	-
2019-08-21	Pareto	Buy	SEK 16
2019-08-21	HSBC	Hold	SEK 14
2019-08-14	Nordea	Hold	-
2019-08-14	SpareBank1	Hold	SEK 15
2019-08-12	DNB	Hold	SEK 13.5
Average			SEK 14.6

Recommendations



Analyst coverage

Institution	Analyst
DNB	Ole Martin Westgaard
HSBC	Andrew Lobbenberg and Achal Kumar
Nordea	Hans-Erik Jacobsen
Pareto Securities	Kenneth Sivertsen
Sparebank 1 Markets	Lars-Daniel Westby
Sydbank	Jacob Pedersen

Selected Investor Relations events

- Q3 Roadshow, Oslo, 27 August
- Analyst meeting, Oslo, 27 August
- DNB Nordic Consumer Conference 2019, Oslo, 3 September

For more information:

Web: <https://www.sasgroup.net/en/category/investor-relations/>

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