

SAS

Q3 2019/2020



August 25, 2020

Highlights Q3-20

Financial drivers

- Continued negative impact of COVID-19
- Measures to reduce cost and preserve cash
- Government support packages
- Strengthened Swedish Krona
- Impairments on aircraft assets

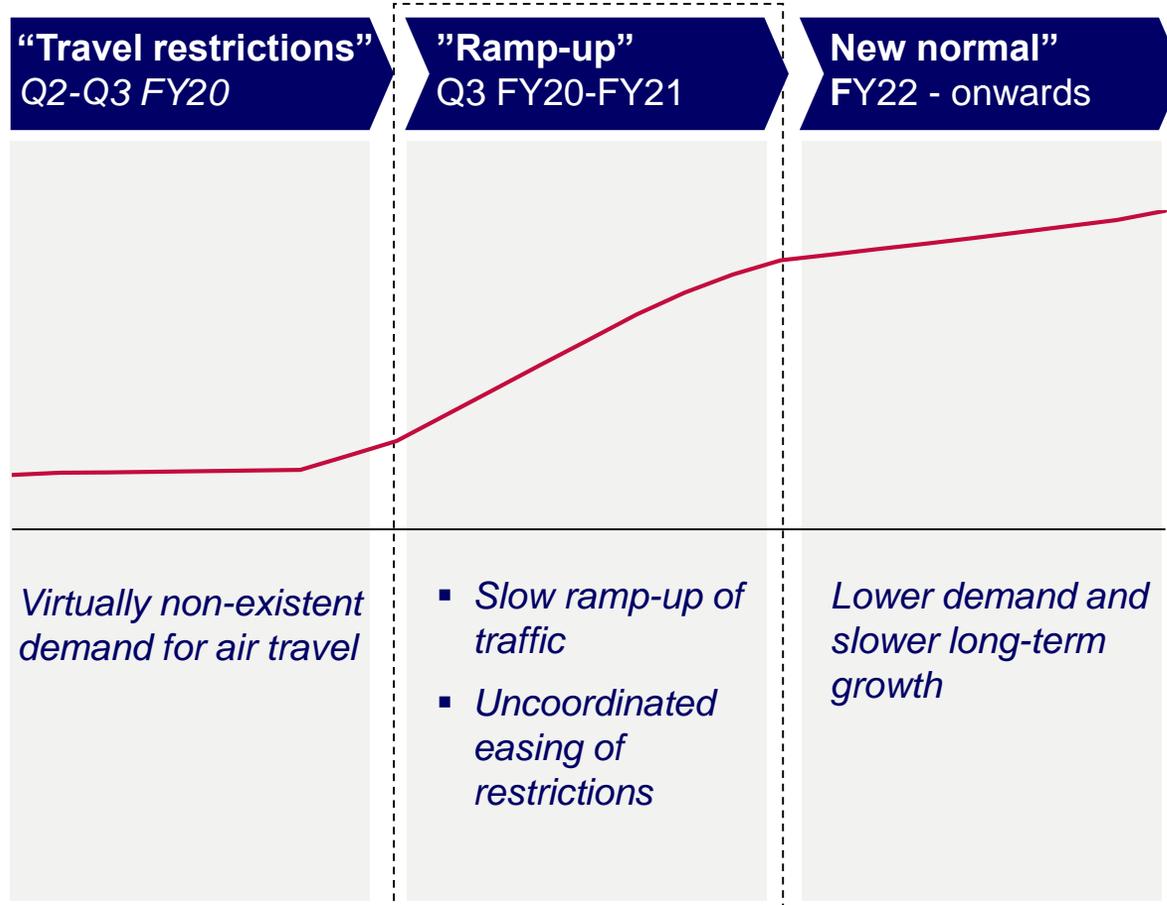
Headwinds and tailwinds

- + Revised recapitalization plan supported by major shareholders and noteholders committee, and approved by European Commission
- + Favorable FX development
- + Monthly operating cash burn below the range provided in Q2
- Uncertainty with regards to travel restrictions
- Low visibility into future bookings

Q3-20	CHANGE VS. Q3-19
EBT	
MSEK -2 071	MSEK -3 560
Capacity (ASK, total, mill. km)	
1 910	-86%
Unit Revenue, PASK (SEK, currency adjusted)	
0.71	-5.8%
Passenger yield (SEK, currency adjusted)	
1.38	+45%
CASK ex. fuel (SEK, currency adjusted)	
1.62	+201%

"Ramp-up" phase initiated during Q3, SAS largest Scandinavian operator

Currently in "ramp-up" phase



Seat capacity to/from/within Scandinavia
2nd week of July, published schedules as of 05JUL

	'000 seats	Index vs LY
SAS	311	41
norwegian	141	22
LUFTHANSA GROUP	41	23
RYANAIR	52	30
AIRFRANCE KLM GROUP	39	31
WIZZ	80	73
widerøe	89	90
IAG INTERNATIONAL AIRLINES GROUP	14	21
FINNAIR	11	20
Others	117	31
Total	897	35

Solid ramp-up performance in Q3, despite low demand & high uncertainty

SAS measures to ensure cost-efficient ramp-up:

- New analytics dashboard
- Ramp-up program with efficient add-on “blocks”
- Refined planning cycle and improved operational agility

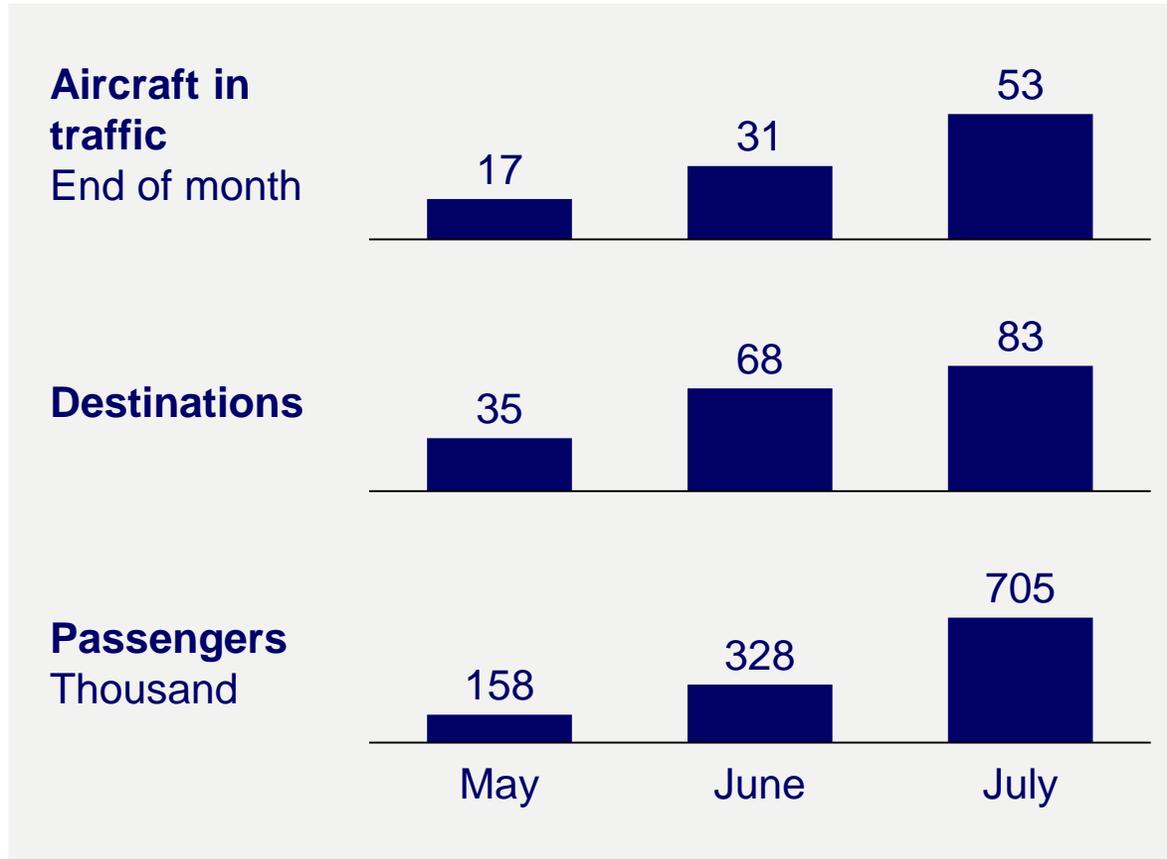
	Quarter Q3 (vs LY)
Total Revenue (SEKbn)	2.5 (-81%)
Yield (SEK, currency adj.)	1.38 (+45%)
Cabin factor (%)	51.4 (-27.6 p.p.)
Regularity (72h, %)	99.4 (+2.0 p.p.)
Punctuality (P15, %)	93.9 (+15.4 p.p.)



- Strong yield development, and stable cabin factors
- High operational quality despite temporary layoffs
- Demand somewhat ahead of expectations driven by leisure travel in July

Demand somewhat ahead of expectations in third quarter

Q3 ramp-up



Expected Q4 ramp-up

Expecting to reach 30%-40% of prior year capacity (ASK) by end of Q4, however concerns remain:

- Changed booking patterns leading to low visibility into future
- Re-imposed travel restrictions
- Timing of business travel recovery
- Adopting long term cost structure to lower demand

Progress made on adopting cost structure to lower demand

SAS' business plan

- 

Preferred airline for Scandinavia's frequent travelers
- 

Hyper modern single-type fleet
- 

Fully competitive operating model
- 

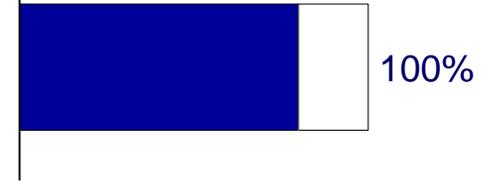
Global leadership in Sustainable aviation

Activities completed in Q3

% of activities completed

Redundancies

- Announced 5000 redundancies
- ~4000 effectuated in Q3



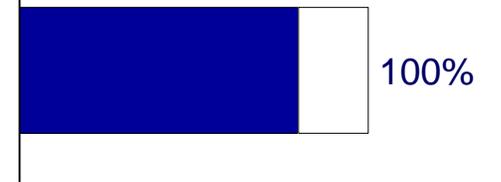
Delayed aircraft deliveries

- 4x A320neo from FY22 to FY24
- 4x A320neo from FY23 to FY25
- 2x A350 from FY21 to FY22



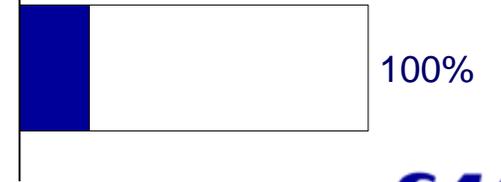
Supplier negotiations

- Negotiation with 200 largest suppliers almost concluded



Productivity improvements

- Terminated local agreements
- Outsourced line stations in GOT and MMX



The revised recapitalization plan is a major achievement



Equity and funding to counter COVID-19 effects



Comprehensive solution involving numerous stakeholders



Support from Denmark, Sweden, KAW and the noteholders committee



Approval from European Commission



Clear timeline to completion, subject to

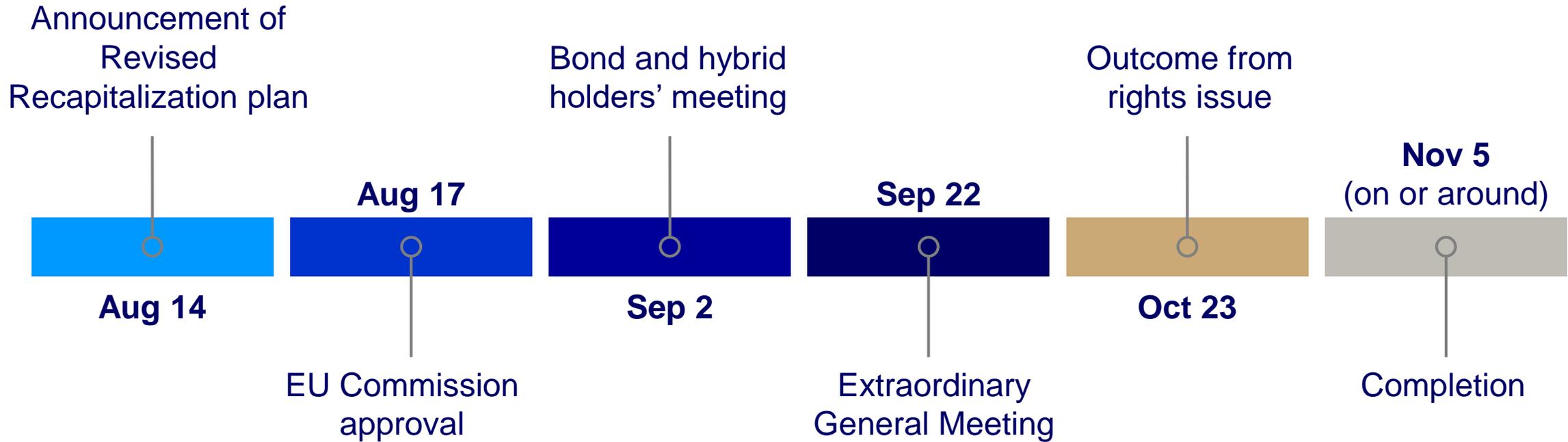
- **Successful bond and hybrid conversion**
- **EGM approval**

Overview of the Revised Recapitalization plan

Bond conversion	Hybrid conversion	State Hybrid Notes	Rights Issue	Directed Issue
SEK 2.25bn	SEK 1.5bn	SEK 6.0bn	SEK 4.0bn	SEK 2.0bn
<ul style="list-style-type: none"> Option to convert bond at 100% of par value into New Commercial Hybrids or common shares* (up to a 50% cap of the aggregated nominal amount) 	<ul style="list-style-type: none"> Hybrid converted at 90% of par value into common shares* 	<ul style="list-style-type: none"> SEK 5bn placed with Denmark and Sweden equally Additional SEK 1bn placed with Denmark 	<ul style="list-style-type: none"> Rights Issue* 81.5% subscribed/underwritten by Denmark, Sweden and KAW 	<ul style="list-style-type: none"> Directed Issue of common shares* placed with Denmark and Sweden

Increased Equity: SEK 14.25bn / Increased Liquidity: SEK 12bn

Clear timeline to completion



SAS determined to continue as Scandinavia's leading airline post COVID-19



Preferred airline for Scandinavia's frequent travelers

- Continued focus on Scandinavia's frequent travelers
- Prioritize main flows within Scandinavia and to European majors
- CPH main long-haul hub complemented by select direct capacity from ARN/OSL



Hyper modern single-type fleet

- Accelerated transition to single-type Airbus fleet
- Introduced next generation mid-size aircraft
- High asset utilization and effective maintenance



Fully competitive operating model

- Fit-for-purpose operating platforms fully established
- Efficient organization adapted to new market environment
- Delivered SEK 4bn transformation plan



Global leadership in Sustainable aviation

- Reduced net CO₂-emissions by 25%
- Increased usage of Sustainable aviation fuels by up to 10%
- Competitive advantage from Sustainability leadership

Revised Financial Targets¹



Return on capital
Post tax ROIC > WACC



Leverage
Net debt/EBITDA < 3.5x



Financial preparedness
Cash, cash equivalents and credit facilities/Fixed cost > 25%

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FINANCIALS



Highlevel Summary

Key Financials

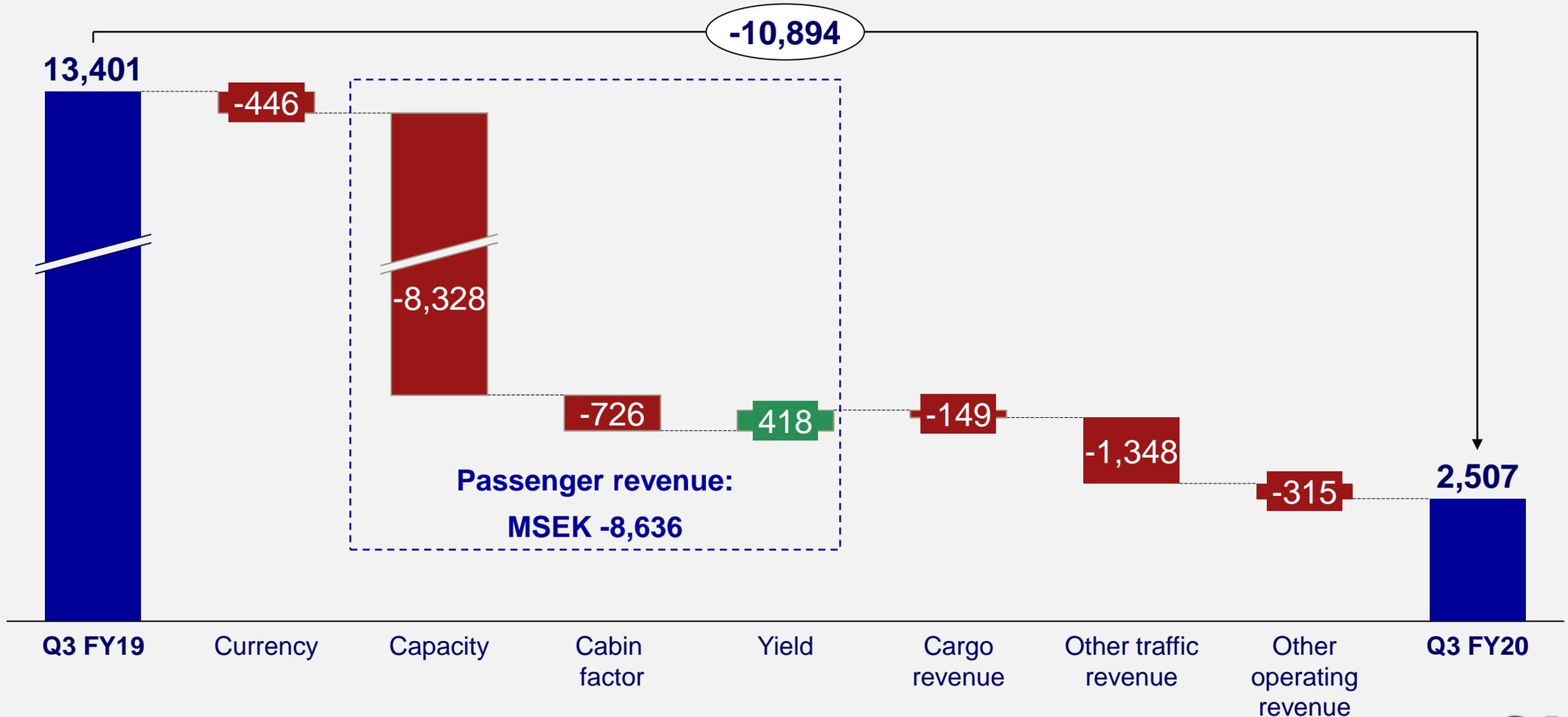
	Q3-20	Q3-19	Pct. Change	Currency
Total Revenues	2,507	13,401	-81.3	-446
Total operating expenses before i.a.c	-3,949	-11,826	-66.7	269
EBIT before i.a.c	-1,442	1,575	<-100%	-177
EBIT margin, %	-57.5%	11,8%	-69.3 p.p.	
EBT before i.a.c	-784	1,495	<-100%	840
Items affecting comparability	-1,287	-5		
EBT	-2,071	1,490	<-100%	840
Cash flow from operating activities	-961	457		

Comments

- COVID-19 resulting in sharp decline of capacity and traffic leading to revenues 81% below LY
- Measures to reduce costs reflected in nearly 70% lower OPEX before i.a.c.
- Positive FX-effect offset by write down of aircraft assets.
- Operating cash flow down, driven by weak results and drop in forward bookings
- Cash & Cash Equivalents SEK 6.2 bn as at 31 July

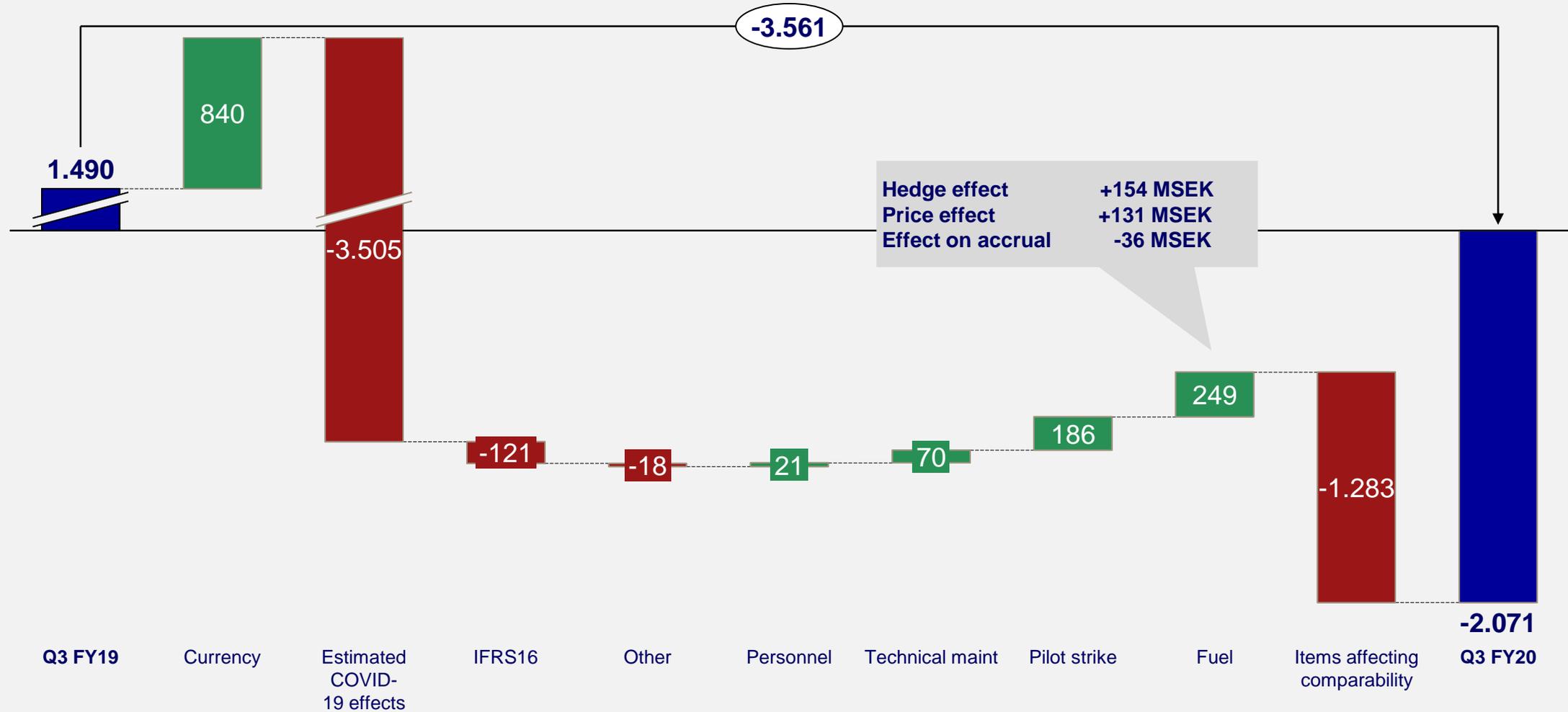
Revenue Development

MSEK



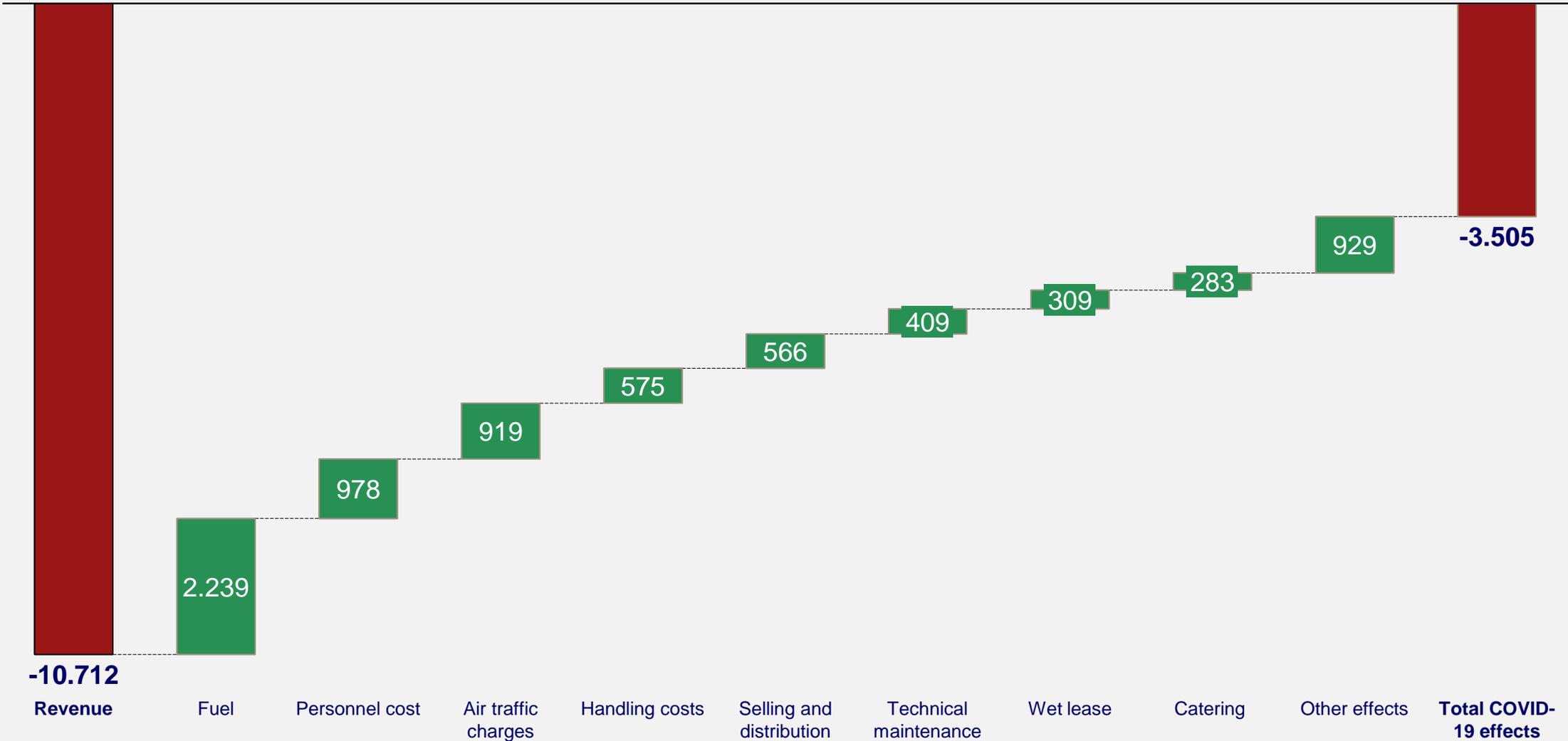
EBT Development

MSEK

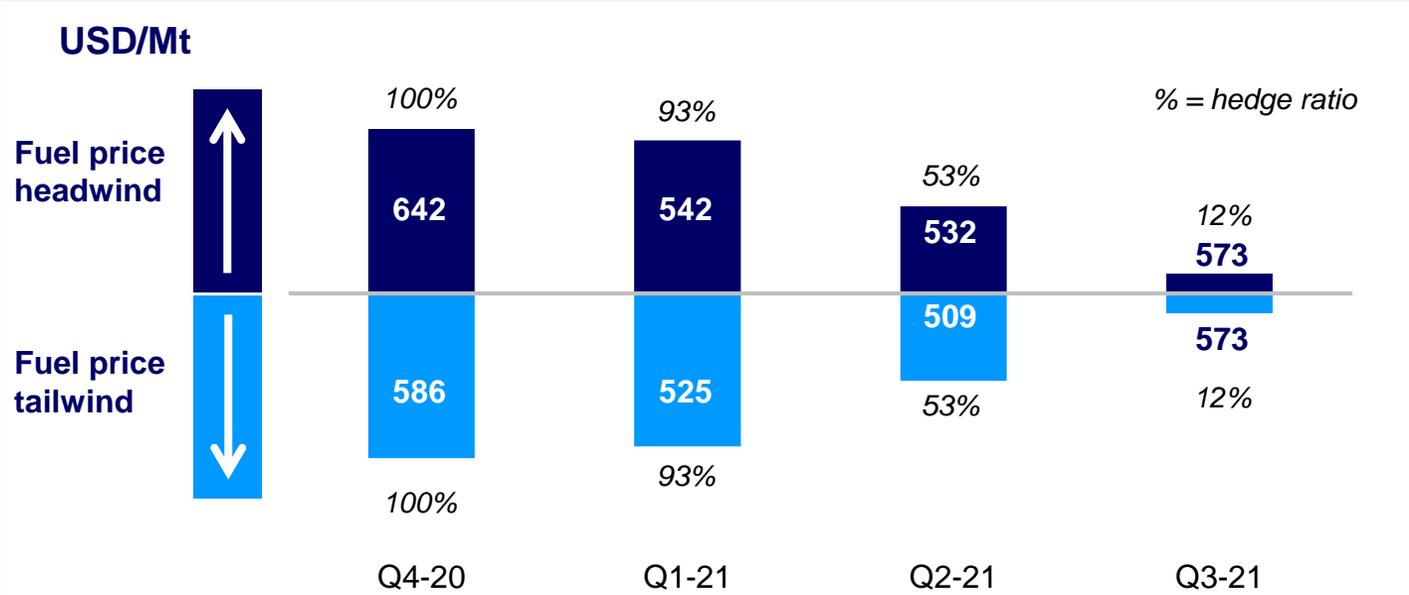


Estimated COVID-19 effects

MSEK



Jet fuel & currency hedges



Sensitivity analysis, jet fuel cost Nov 2019-Oct 2020, SEK billion*

Market price	Exchange rate USD/SEK				
	8.0	8.5	9.0	9.5	10.0
USD 400/tonne	5.5	5.6	5.6	5.7	5.7
USD 500/tonne	5.5	5.6	5.6	5.7	5.7
USD 600/tonne	5.6	5.6	5.6	5.7	5.7
USD 700/tonne	5.6	5.7	5.7	5.7	5.8

Jet fuel

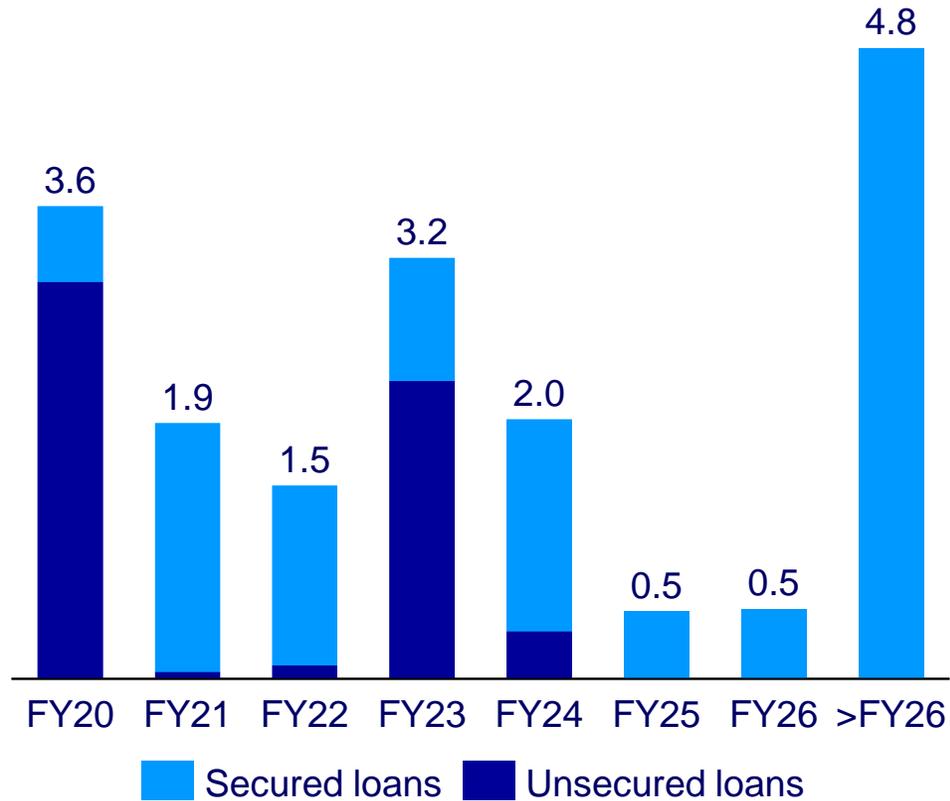
- Policy to hedge 40-80% of expected fuel consumption for the next 12 months
 - and up to 50% for the following six months
 - Position consists of a mixture of call options, collars and swaps
- For the next 12 months, SAS has 54% of the consumption hedged at an average max price of USD 574/Mt.
- If the fuel price goes below USD 536/MT for the next 12 months, 54% of SAS’ fuel consumption would be hedged at an average price of USD 545/MT.

Currency

- Policy to hedge 40-80% of expected currency deficit/surplus for the next 12 months
 - 43% of USD hedged next twelve months
 - 78% of NOK hedged next twelve months

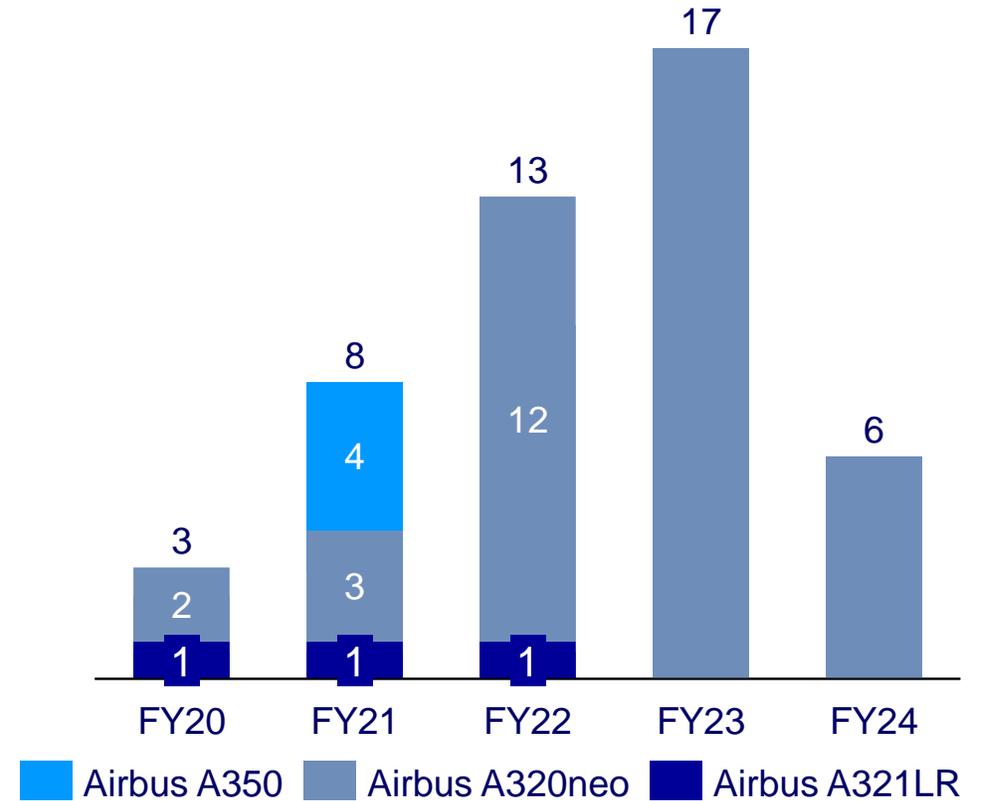
Debt Maturity Profile & Aircraft Orders

Maturity profile, SEKbn (pre recapitalization)



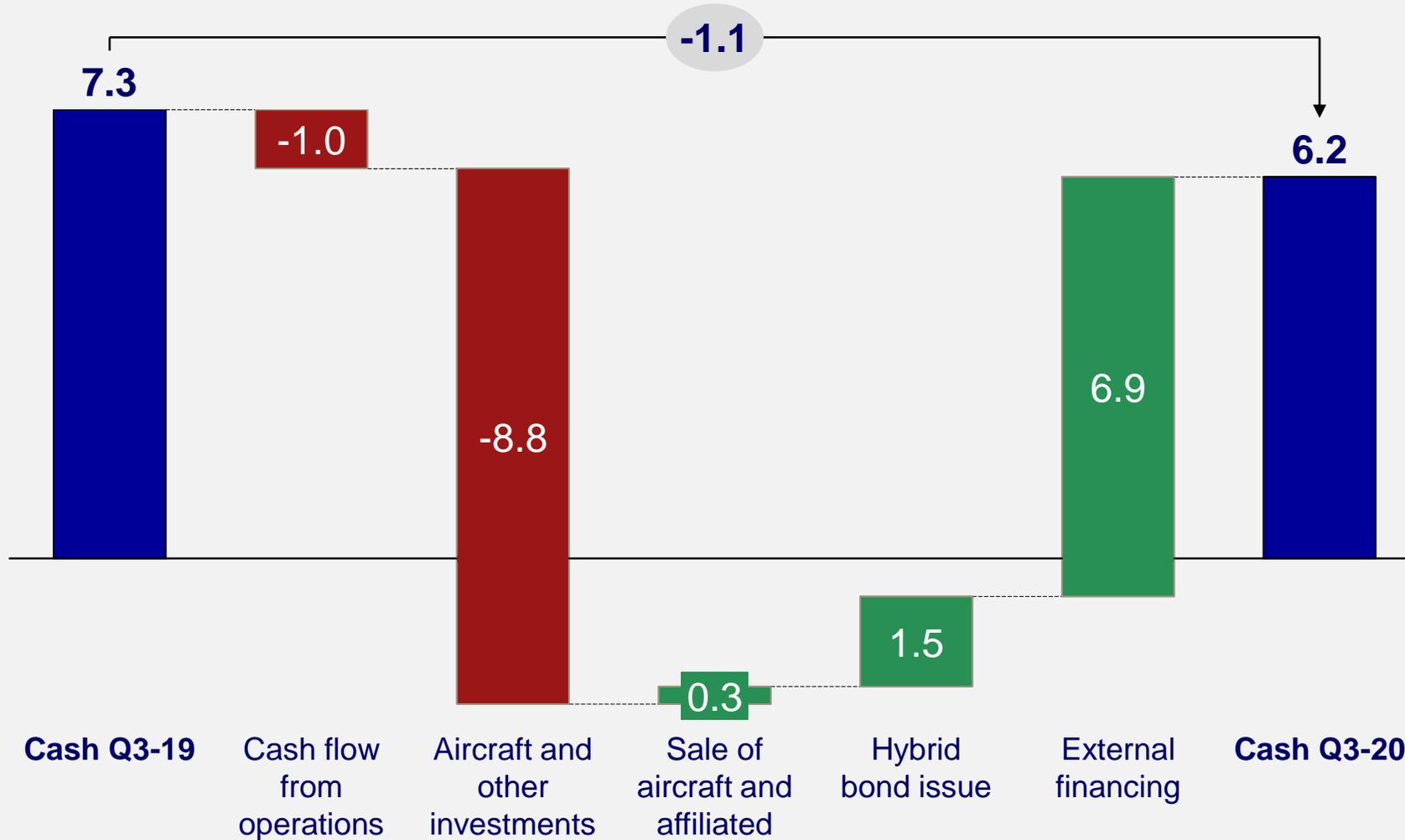
Excluding hybrid and perpetual bond

Aircraft orders, #



Development in Cash & Cash Equivalents

SEKbn

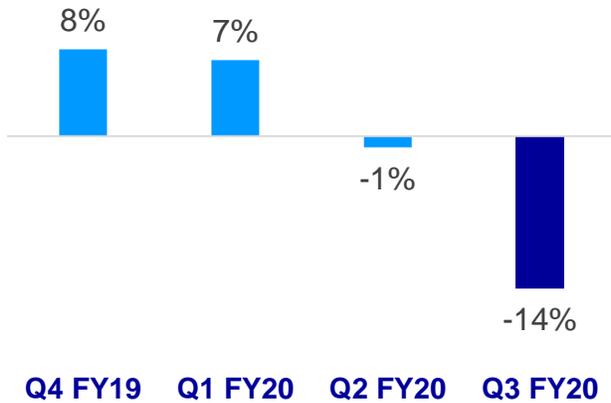


- Events during the quarter:
 - Drawn 3.3bn RCF
 - 5 A320neo spare engines financed
 - SLB of one A320neo and one A350

Financial Targets

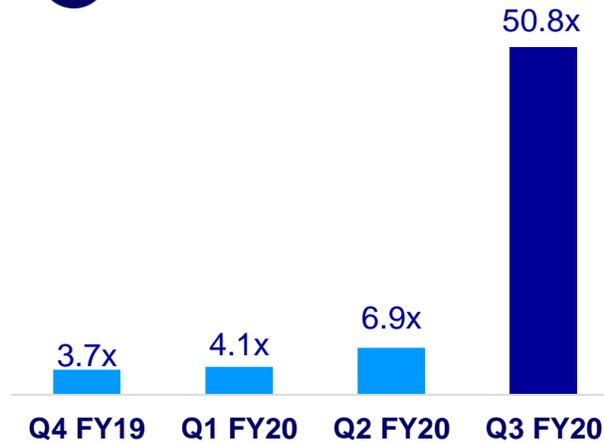
RETURN ON INVESTED CAPITAL (ROIC)

 >12%



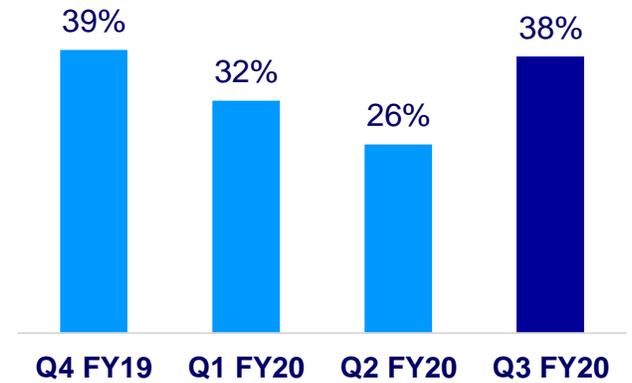
ADJUSTED NET DEBT /EBITDAR

 <3x



FINANCIAL PREPAREDNESS

 >25%



Summary and key takeaways



Continued negative result due to COVID-19 and travel restrictions



Efficient ramp-up of traffic in Q3



Progress made on adopting cost structure to environment with lower demand



Recapitalization plan with support from Denmark, Sweden, KAW, noteholders committee, and EU Commission

SAS

Income Statement Q3

Income statement	May20-Jul20	May19-Jul19	Change vs LY	Currency
Total operating revenue	2,507	13,401	-10,894	-446
Personnel expenses	-1,418	-2,488	+1,070	
Jet fuel	-331	-2,750	+2,419	
Air traffic charges	-162	-1,138	+976	
Other operating expenses	-631	-4,011	+3,380	
Total operating expenses*	-2,542	-10,387	+7,845	+277
EBITDAR before items affecting comparability	-35	3,014	-3,049	-169
<i>EBITDAR-margin</i>	<i>-1.39%</i>	<i>22.49%</i>	<i>-23.88 p.u.</i>	
Leasing costs, aircraft	0	-985	+985	
Depreciation	-480	-455	-25	
Depreciation, Right-of-use	-928		-928	
Share of income in affiliated companies	1	1	0	
EBIT before items affecting comparability	-1,442	1,575	-3,017	-177
<i>EBIT-margin*</i>	<i>-57.52%</i>	<i>11.75%</i>	<i>-69.27 p.u.</i>	
Financial items	-168	-80	+13	
Financial items, IFRS 16	826		+1,004	
EBT before items affecting comparability	-784	1,495	-2,279	+840
Items affecting comparability	-1,287	-5	1,282	
EBT	-2,071	1,490	-3,561	+840

* = Before items affecting comparability

Income Statement – 9 months

Income statement	Nov19-Jul20	Nov18-Jul19	Change vs LY	Currency
Total operating revenue	17,478	32,677	-15,199	-287
Personnel expenses	-5,971	-7,296	+1,325	
Jet fuel	-4,855	-6,892	+2,037	
Air traffic charges	-1,602	-3,015	+1,413	
Other operating expenses	-6,296	-11,675	+5,379	
Total operating expenses*	-18,724	-28,878	+10,154	+339
EBITDAR before items affecting comparability	-1,246	3,799	-5,045	+52
<i>EBITDAR-margin*</i>	<i>-7.13%</i>	<i>11.63%</i>	<i>-18.76 p.u.</i>	
Leasing costs, aircraft	-80	-2,618	+2,538	
Depreciation	-1,475	-1,329	-146	
Depreciation, right-of-use	-2,710	0	-2,710	
Share of income in affiliated companies	4	-11	+15	
EBIT before items affecting comparability	-5,507	-159	-5,348	-45
<i>EBIT-margin*</i>	<i>-31.51%</i>	<i>-0.49%</i>	<i>-31.02 p.u.</i>	
Financial items	-434	-281	-153	
Financial items, IFRS 16	365	0	+365	
EBT before items affecting comparability	-5,576	-440	-5,136	+845
Items affecting comparability	-1,304	138	-1,442	
EBT	-6,880	-302	-6,578	+845

* = Before items affecting comparability

Balance Sheet 31 July 2020

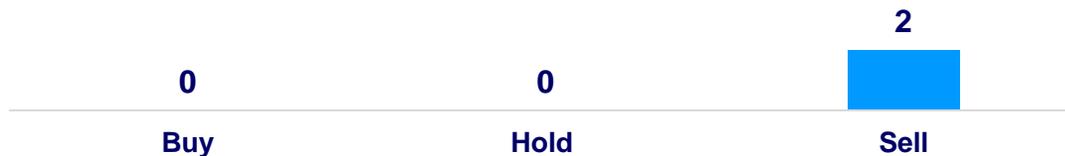
Balance sheet, MSEK	30 July, 2020	30 July, 2019	Change
Non-current assets			
Intangible assets	1,310	1,430	-120
Tangible fixed assets	18,715	14,701	4,014
Right-of-use assets	17,877	-	17,877
Financial fixed assets	5,726	5,231	495
Deferred tax assets	758	0	758
Total non-current assets	44,386	21,362	23,024
Current assets			
Inventories and expendable spare parts	520	355	165
Current receivables	1,283	2,943	-1,660
Cash and cash equivalents	6,244	7,348	-1,104
Total current assets	8,047	10,646	-2,599
TOTAL ASSETS	52,433	32,008	20,425
Equity and liabilities			
Equity	-1,371	3,072	-4,443
Non-current liabilities			
Interest-bearing liabilities	14,542	9,287	5,255
Interest-bearing lease liabilities	13,379	-	13,379
Other liabilities	3,369	3,976	-607
Total non-current liabilities	31,290	13,263	18,027
Current liabilities			
Interest-bearing liabilities	6,651	1,533	5,118
Interest-bearing lease liabilities	3,201	-	3,201
Other liabilities	12,662	14,140	-1,478
Total current liabilities	22,514	15,673	6,841
Total shareholders' equity and liabilities	52,433	32,008	20,425

Investor Relations

Most recent stock recommendations

Date	Institution	Recommendation	TP
2020-08-21	DNB	-	-
2020-08-18	Sydbank	Sell	-
2020-08-18	Nordea	Sell	SEK 1.2

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

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