

# *SAS*

## Q1 FY21



February 25, 2021

# Highlights Q1-21

## Financial drivers

- Accelerated negative impact of COVID-19
- Reduced capacity and additional measures to reduce cost
- Redundancies reaching full effect
- Accelerated refund pace to clear backlog

## Headwinds and tailwinds

- + High demand for air freight
- Low forward bookings
- Strict travel restrictions

Q1-21	CHANGE VS. Q1-20
<b>Capacity</b> (ASK, total, mill. km)	
2 769	-75%
<b>Passengers</b> (million)	
1.0	-84%
<b>Revenue</b>	
SEK 2.3bn	-7.4
<b>Operating Expenses</b>	
SEK 3.2bn	-5.8
<b>EBT</b>	
SEK -1.9bn	-0.8

# Focus areas during the first quarter

1

**Adapting commercial offering to current market situation**

2

**Reducing cost and managing liquidity**

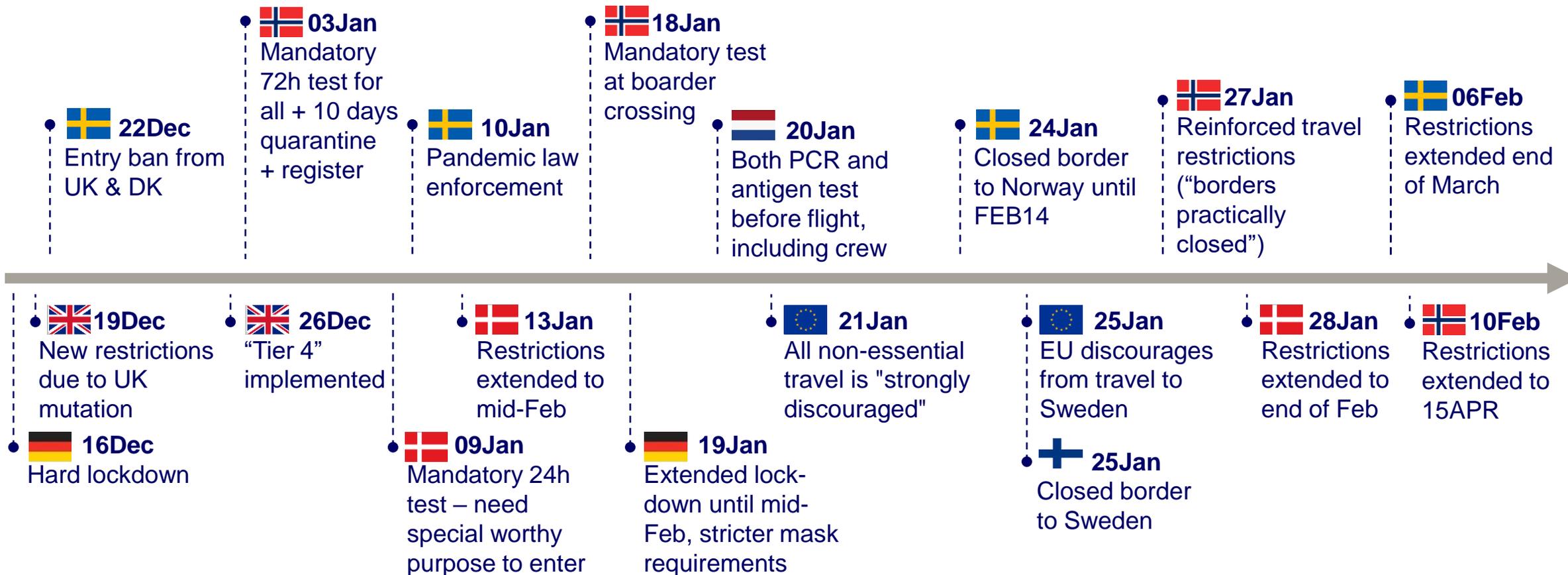
3

**Revising ramp-up plan**

4

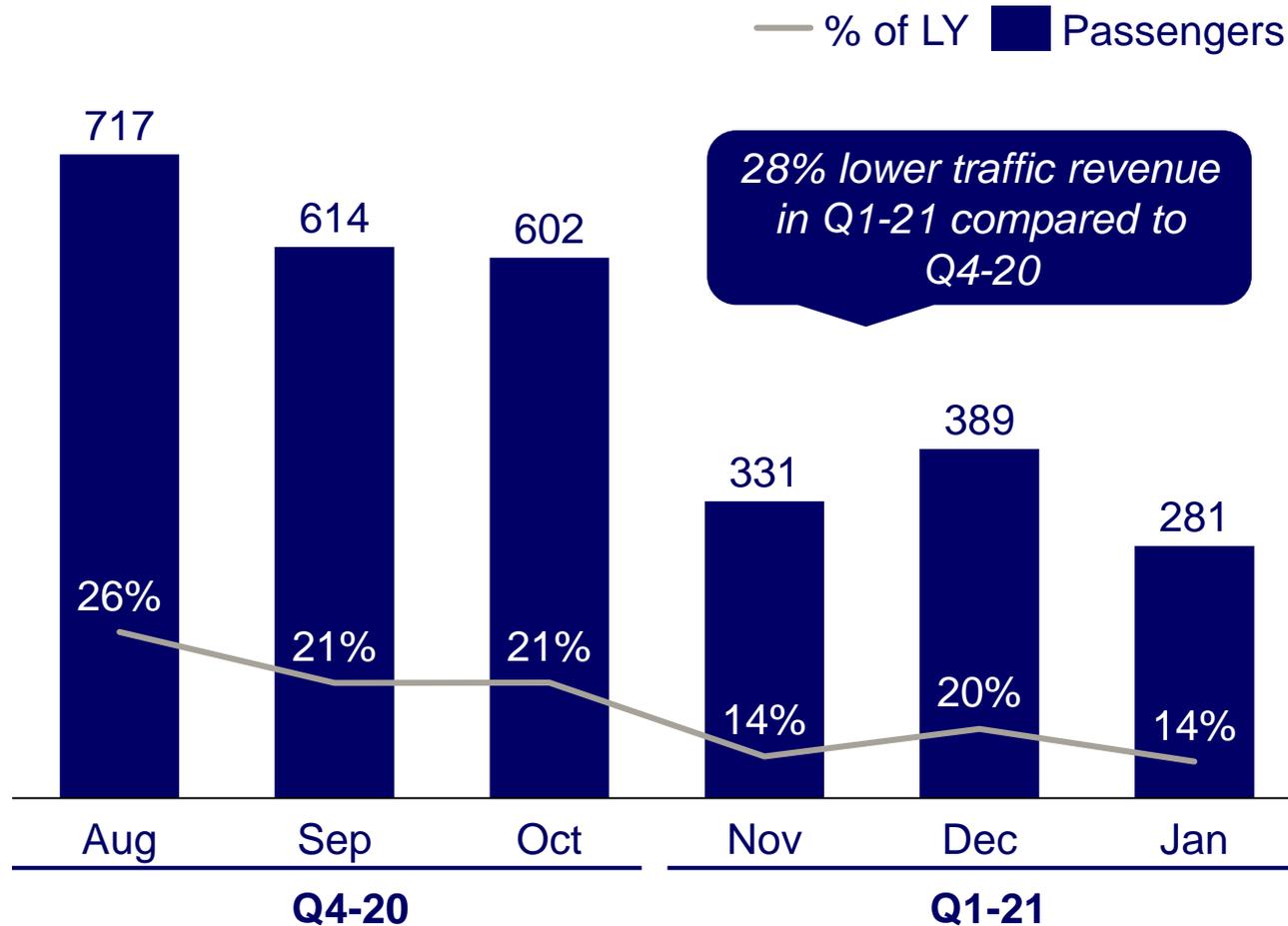
**Delivering on SEK 4bn transformation program**

# 1 Due to a second wave of COVID-19, travel restrictions now surpass the first wave in all of SAS' markets



# 1 As a result, demand for air travel is once again very limited

**SAS' passenger development**  
Thousand passengers, % of LY



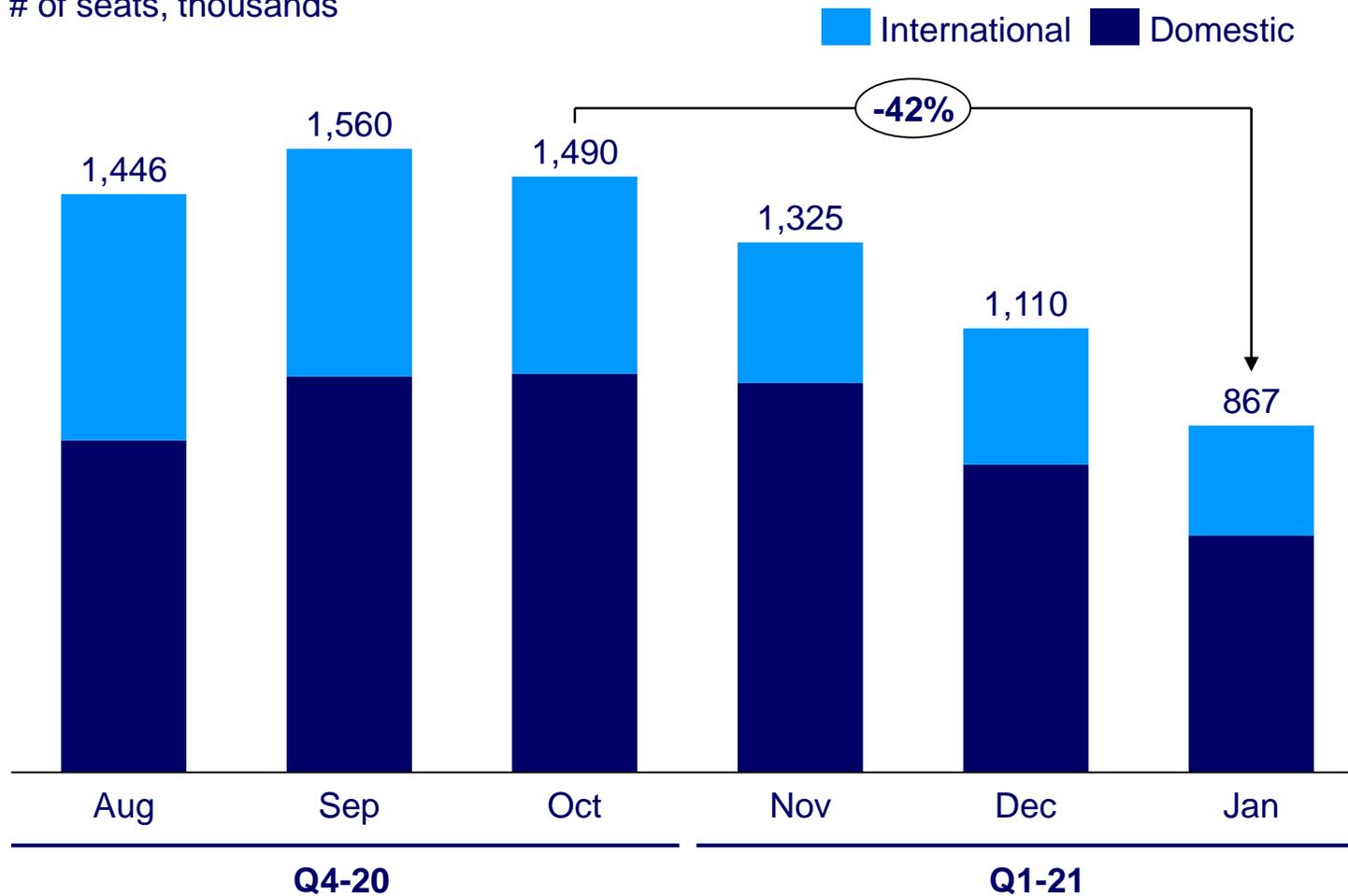
## Activities to stimulate demand

- Flexibility**
  - Increased flexibility
  - New Flexible Go-product
- EuroBonus**
  - Extended tier levels
  - Increased availability of award tickets
- Campaigns**
  - Several campaigns to stimulate bookings
- Cargo**
  - Air bridges provided to 2 customers in manufacturing industry

## 2 Reduced capacity during the quarter to reduce cost

### SAS' seat capacity development

# of seats, thousands



27% fewer seats in Q1-21 vs. Q4-20 to make up for 28% lower traffic revenue

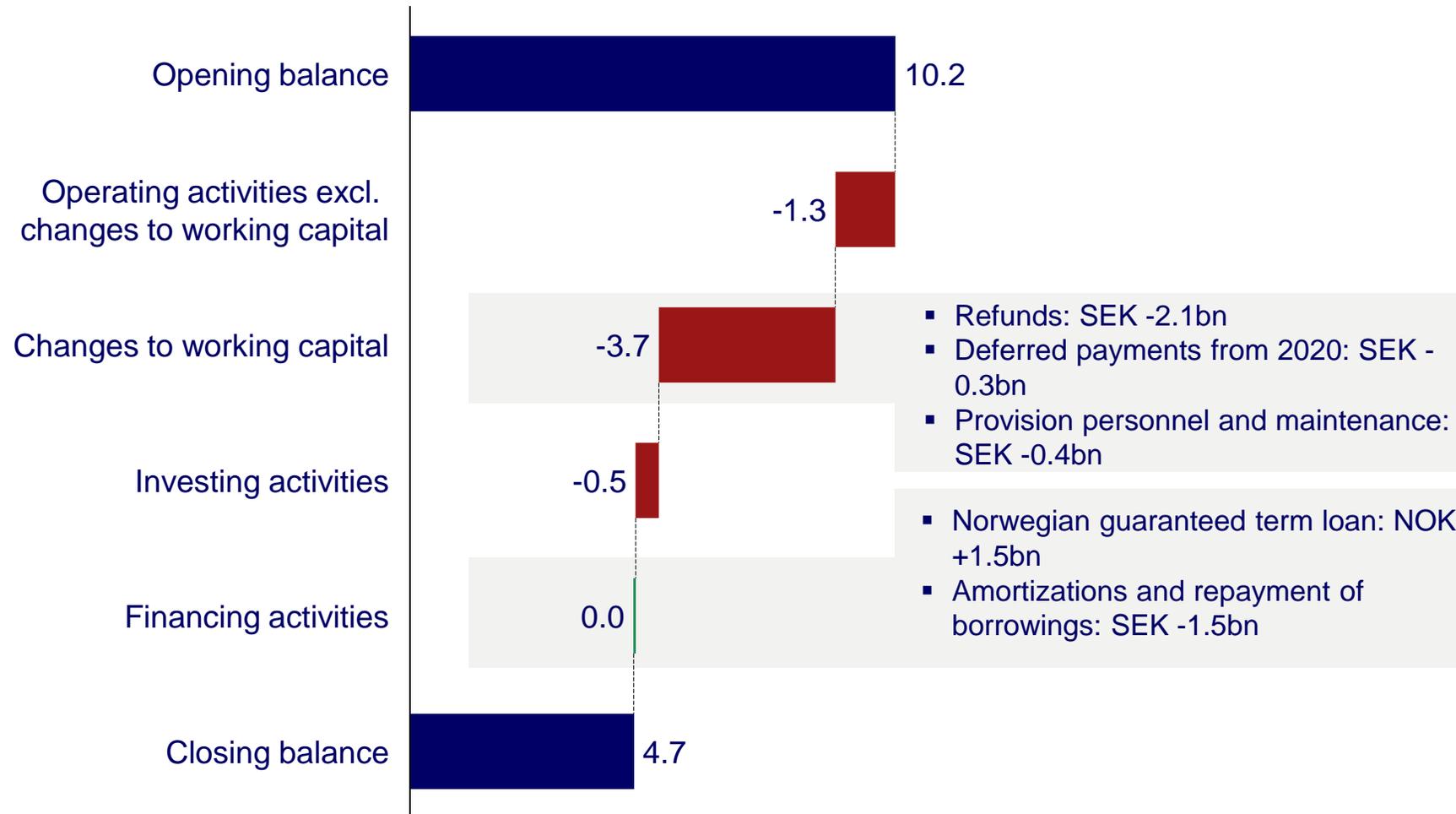
This reduced capacity has resulted in (Q1-21 vs. Q4-20):

- 25% lower variable cost
- 15% lower personnel cost
- 32% lower other fixed OPEX

## 2 Despite efforts, significant refunds impact liquidity

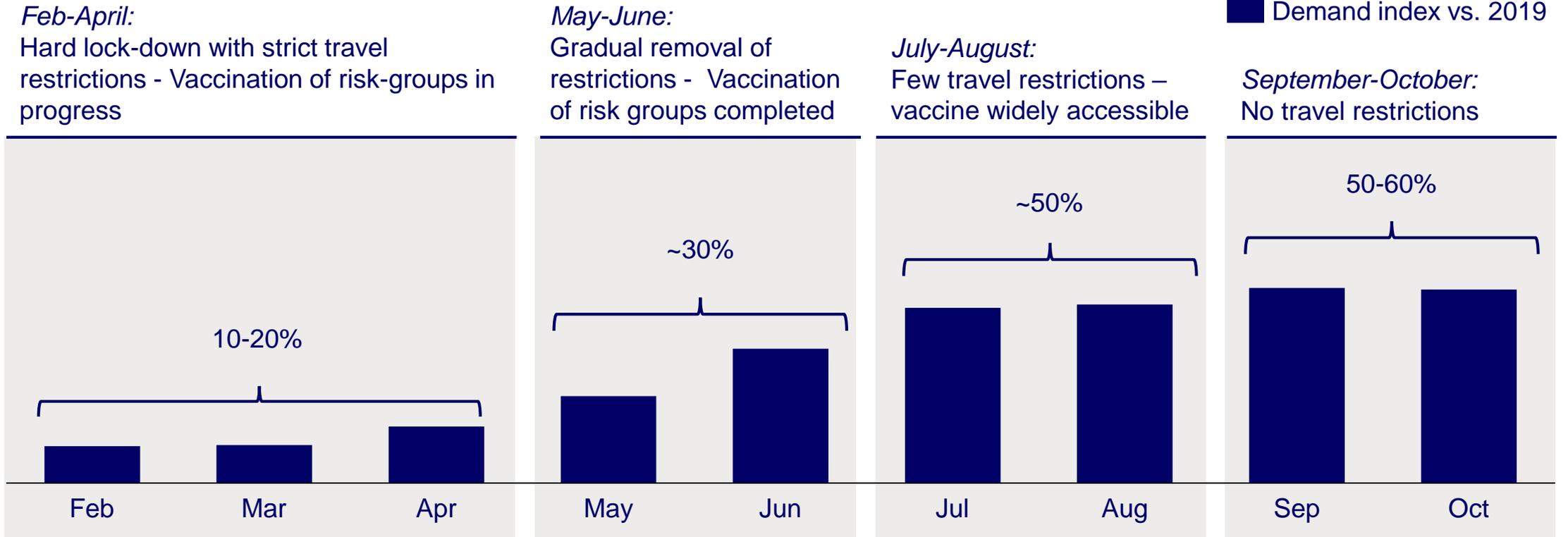
### Cash and cash equivalents Q1 FY21

SEKbn



- **SAS is continuously evaluating all options for**
  - **Asset disposals**
  - **Collateralized financing**
  - **Extension of facilities**
- **However, most important driver of liquidity is ramp-up of demand**

### 3 Looking ahead, SAS expects to ramp-up once vaccinations progress



- The revised ramp-up is delayed compared to recapitalization assumptions
- However, with available options to improve liquidity, the current liquidity position is still deemed sufficient
- SAS still believes in normalized demand during FY22, but both customer mix and competitive landscape will change

### 3 Managing a new market reality after COVID-19



#### SAS' operating model



- SAS' operating model with several platforms has proven successful to
  - Increase seasonal adaptations
  - Increase cost variability
  - Ensure competitiveness in each segment
  - Reduce operational complexity
- Given new market reality, SAS will continue to develop all areas of the operating model also after COVID-19

9 \* Potential future midsize platform

## 4 Continued progress therefore required on SAS' business plan

SAS' business plan	Ambition	Activities completed during/after Q1
 <p><b>Preferred airline for Scandinavia's frequent travelers</b></p>	Maintain #1 market share and brand preference after COVID-19	<ul style="list-style-type: none"> <li>Maintained core Scandinavian routes despite low demand</li> <li>Signed long-term charter agreement with Apollo</li> </ul>
 <p><b>Modern single-type fleet</b></p>	Complete transition to single-type fleet by 2023	<ul style="list-style-type: none"> <li>Phased in 3 x A320neo</li> <li>Divested 3 x 737-800</li> <li>Phased out additional 2 x 737</li> </ul>
 <p><b>Fully competitive operating model</b></p>	Deliver SEK 4bn transformation plan by end of 2022	<ul style="list-style-type: none"> <li>Completed redundancy process</li> <li>Signed new CBAs with some unions</li> <li>In addition, salary freeze agreements in place with some unions</li> </ul>
 <p><b>Global leadership in Sustainable aviation</b></p>	Reduce net CO <sub>2</sub> emissions by 25% in 2025	<ul style="list-style-type: none"> <li>Secured at least 20% of Sustainable aviation fuel need in 2025 through extended agreement with Gevo</li> </ul>

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**FINANCIALS**



# Highlevel Summary – Q1 2021

CAPACITY	
Q1-21	
<b>-74.5%</b>	
ASK <sup>1</sup> vs. LY	

TRAFFIC	
Q1-21	
<b>-89.6%</b>	
RPK <sup>1</sup> vs. LY	

PASK <sup>2</sup>	
Q1-21	
<b>-38.4%</b>	
vs. LY	

CASK EXCL. FUEL <sup>3</sup>	
Q1-21	
<b>105.2%</b>	
vs. LY	



REVENUE (MSEK)		
Q1-21	Q1-20	
<b>2,282</b>	<b>9,707</b>	
		-7,425

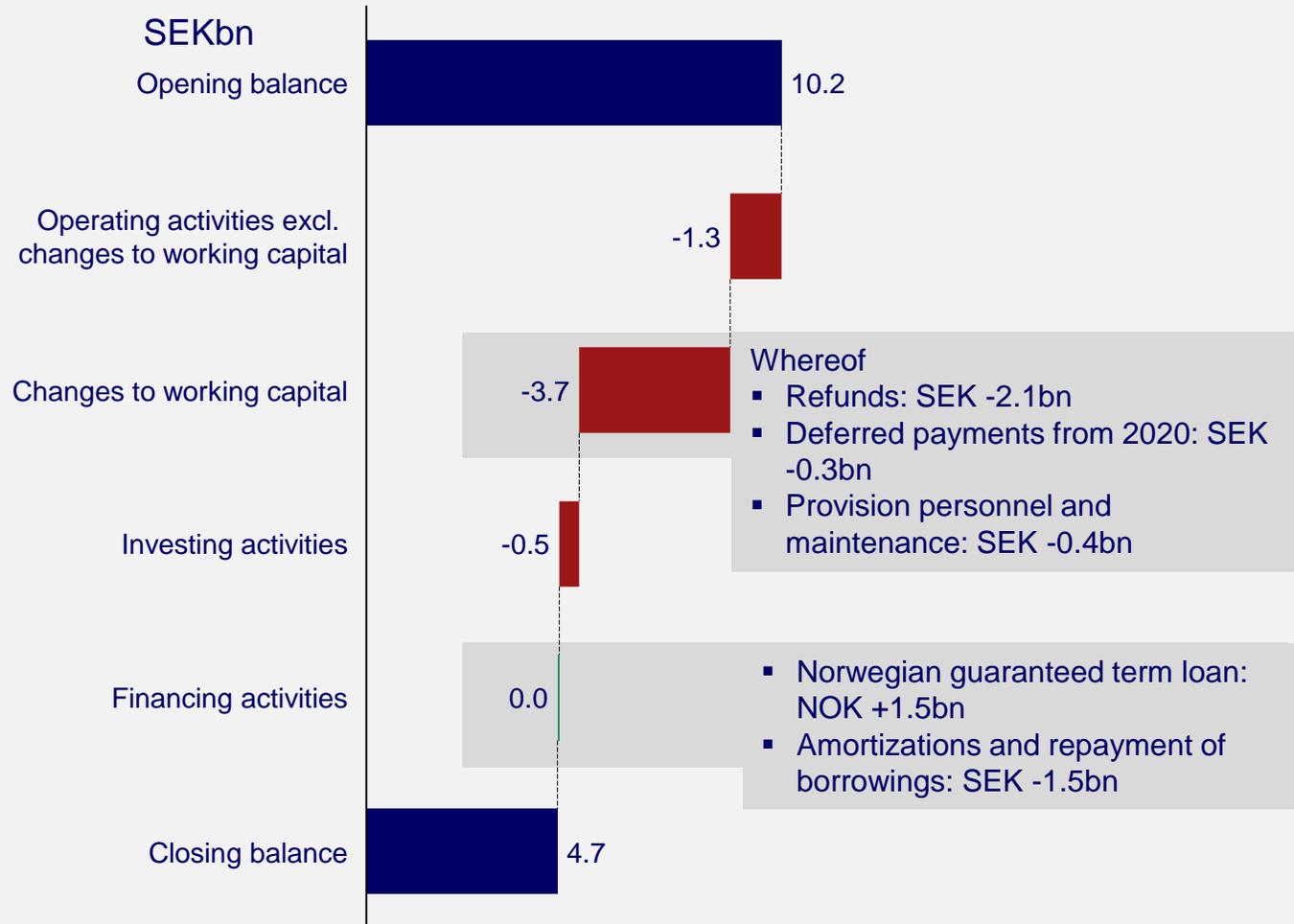
EBT (MSEK) <sup>4</sup>		
Q1-21	Q1-20	
<b>-1,948</b>	<b>-1,078</b>	
		-870

CASH FLOW FROM OPERATIONS (MSEK)		
Q1-21	Q1-20	
<b>-4,937</b>	<b>555</b>	
		-5,492

# Development in Cash and additional activities to strengthen liquidity

## Cash and cash equivalents Q1 FY21



## Activities to safeguard liquidity

### Activities during the quarter

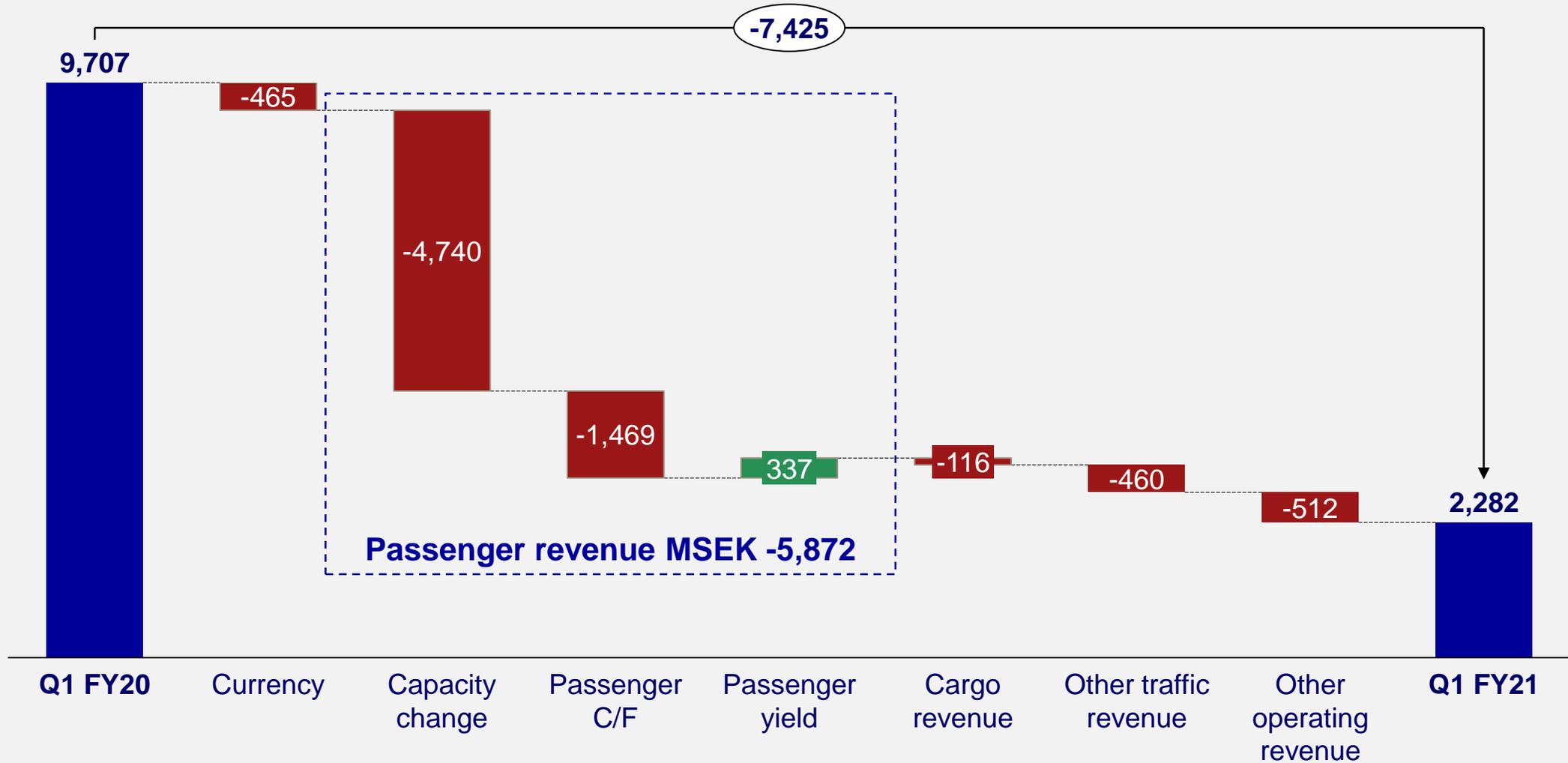
- Aligning capacity to demand
- Norwegian term loan
- Sale of aircraft
- Negotiations with suppliers
- Furlough schemes

### Activities going forward

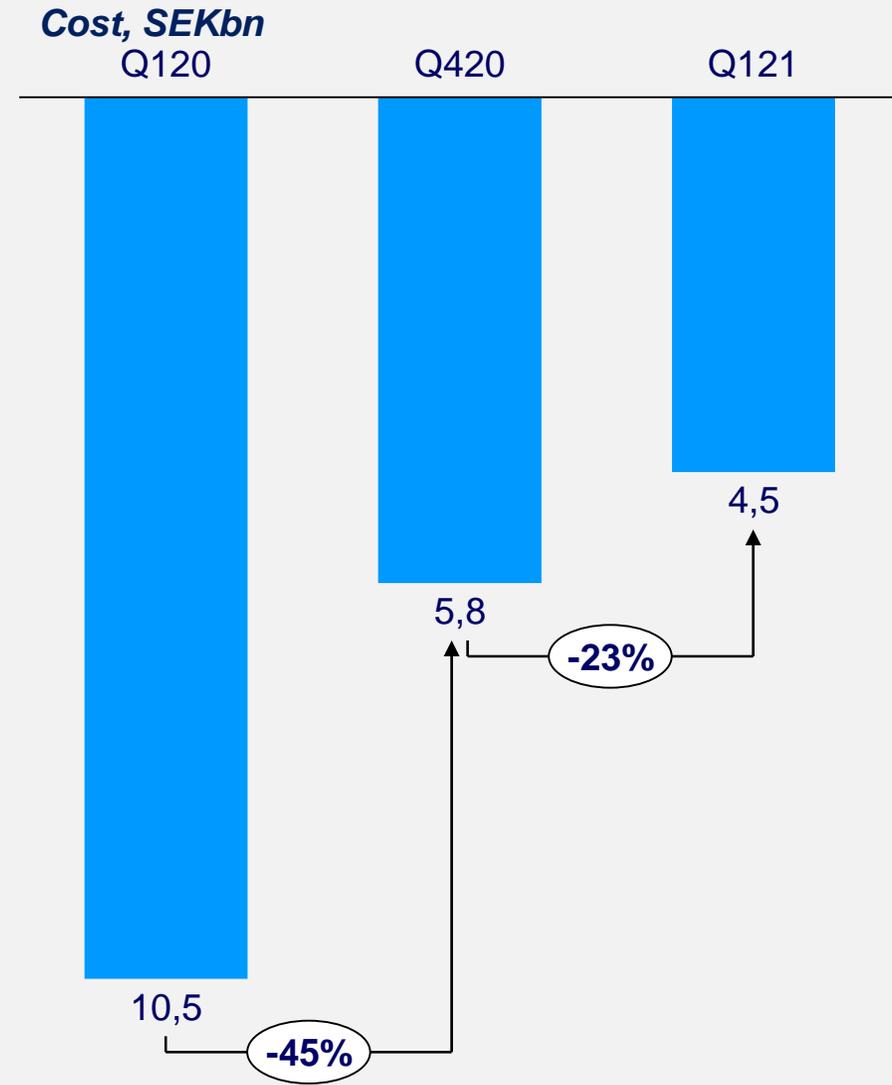
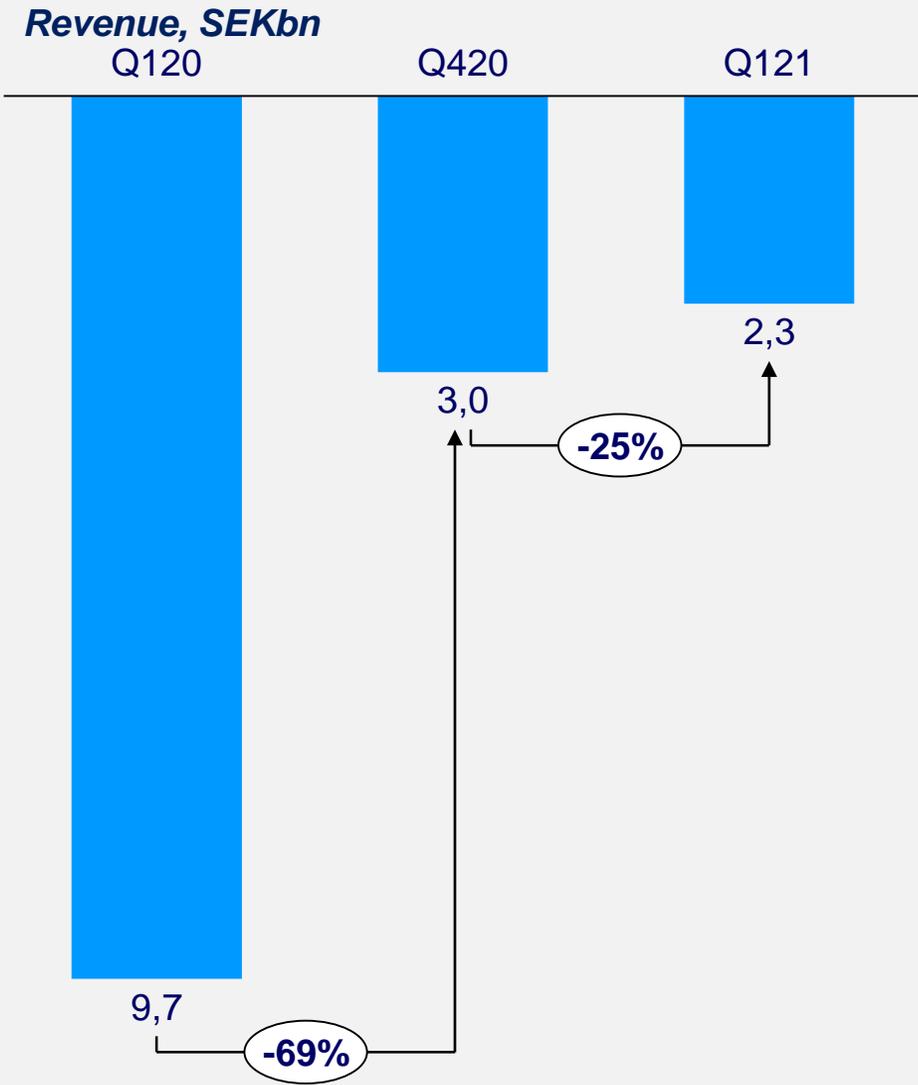
- Deferred supplier payment agreements
- Sale leaseback/financing agreements on aircraft and engines
- Additional sale of aircraft
- Postponement of tax payments and seek government COVID-19 subsidies
- Campaigns to secure future demand
- Aircraft financing agreements

# Revenue Development – Q1/21

MSEK

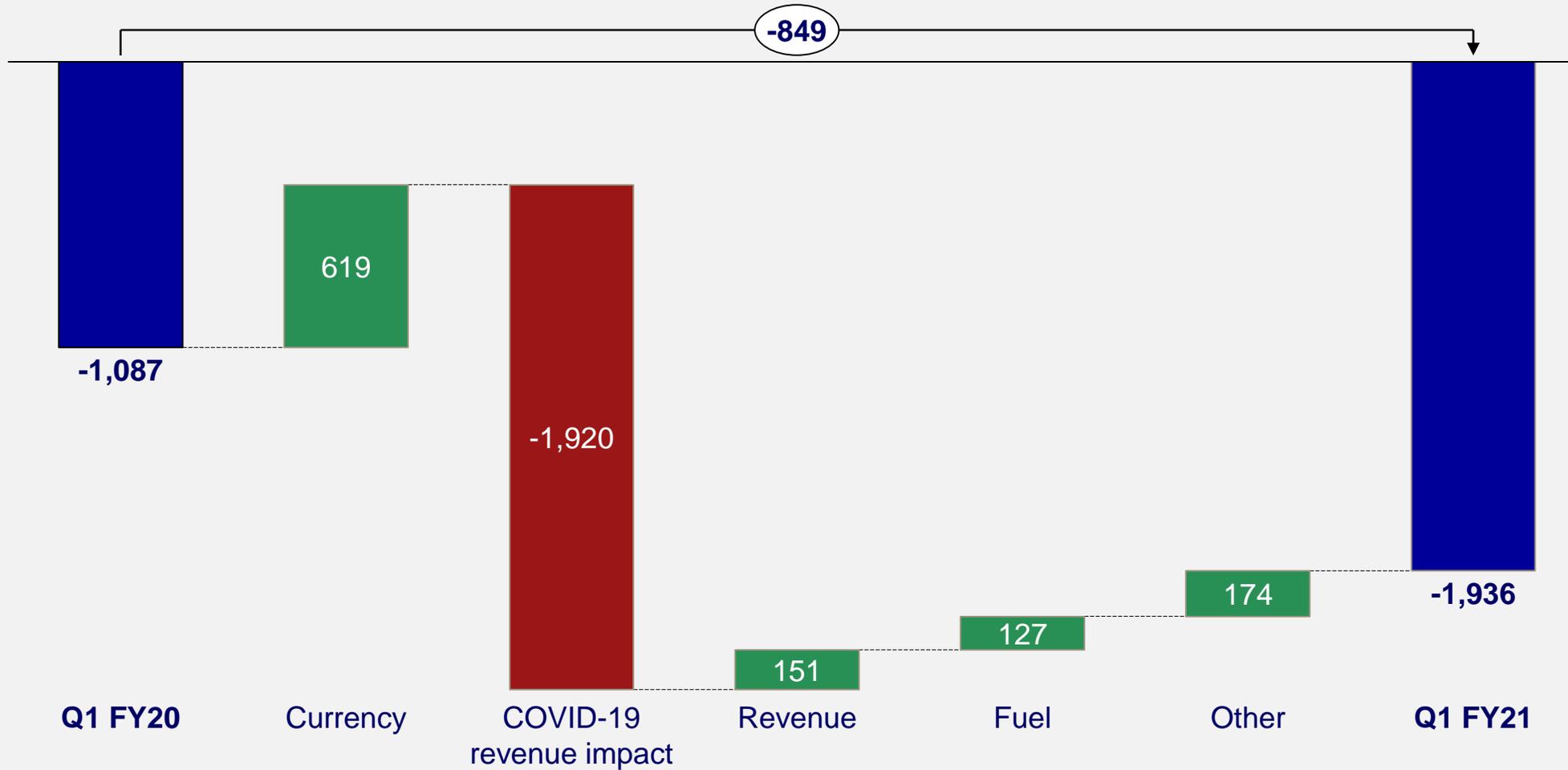


# Significant cost reductions to mitigate drop in revenue

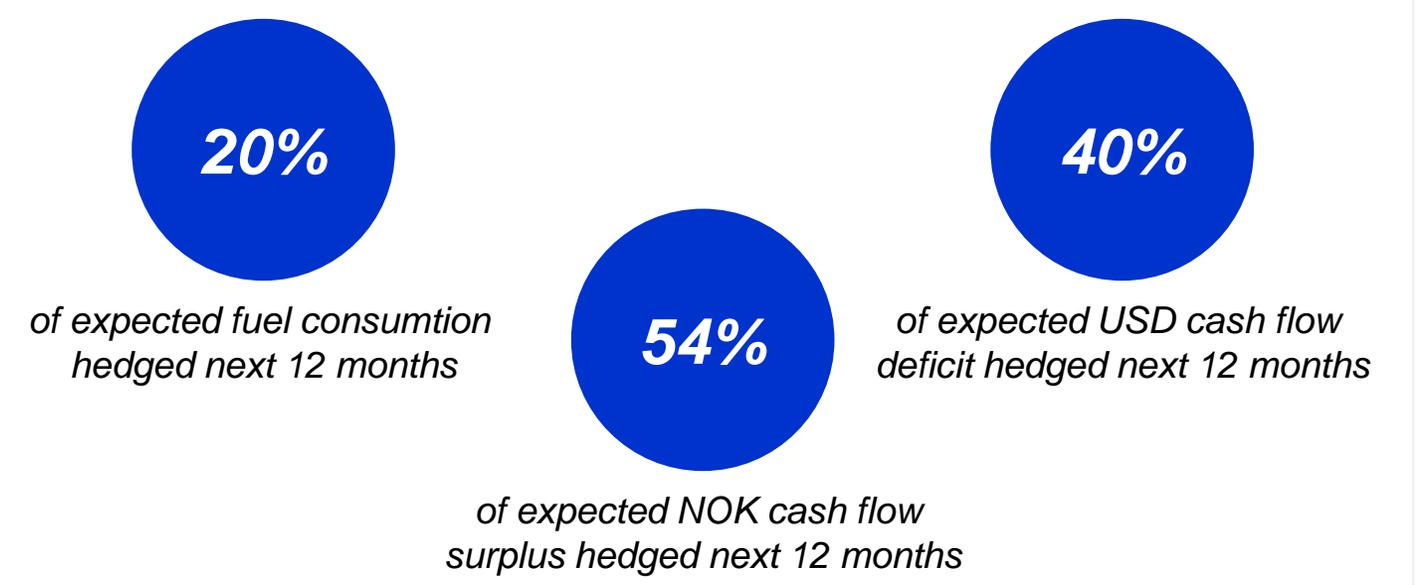


# EBT Development – Q1/21

MSEK



# Jet fuel and currency hedges



## Sensitivity analysis, jet fuel cost Nov 2020-Oct 2021, SEKbn

	Exchange rate USD/SEK				
Market price	8.0	8.5	9.0	9.5	10.0
USD 400/tonne	3,0	3,1	3,3	3,5	3,6
USD 500/tonne	3.3	3.5	3.7	3.9	4.1
USD 600/tonne	3.7	3.9	4.1	4.3	4.5
USD 700/tonne	4.1	4.3	4.5	4.7	5.0

### Jet fuel

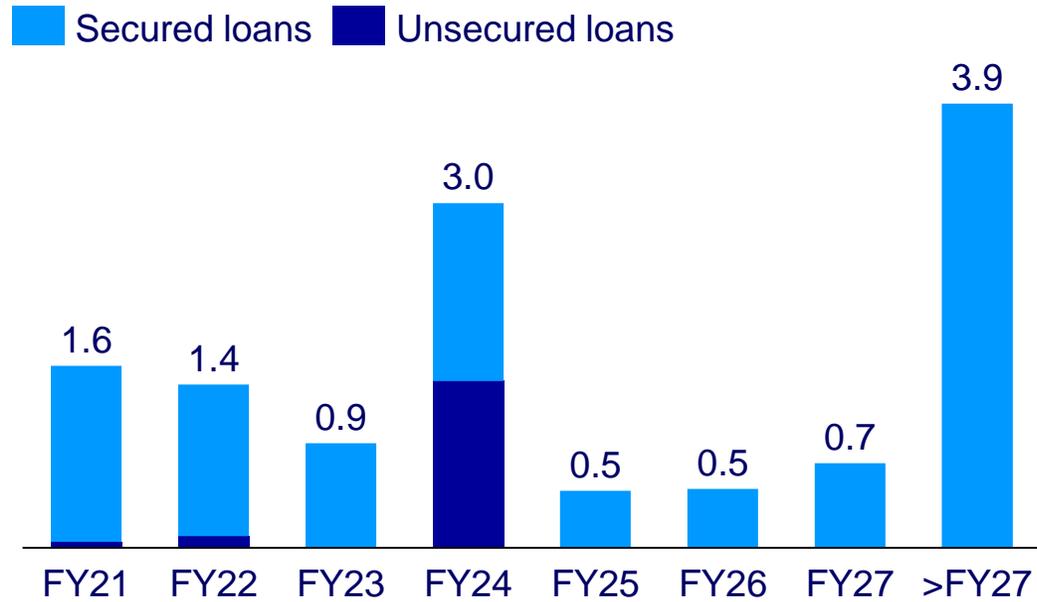
- Under current uncertain and volatile market conditions SAS has amended the hedging policy for FY21.
- The policy now is to hedge 0-80% (40-80%) of expected fuel consumption for the next 12 months and up to 50% for the following six months
- SAS has 20% of the consumption hedged at an average max price of USD 541/Mt.

### Currency

- Policy to hedge 40-80% of expected currency deficit/surplus for the next 12 months
  - 40% of USD hedged next twelve months
  - 54% of NOK hedged next twelve months

# Debt Maturity Profile and Aircraft Orders

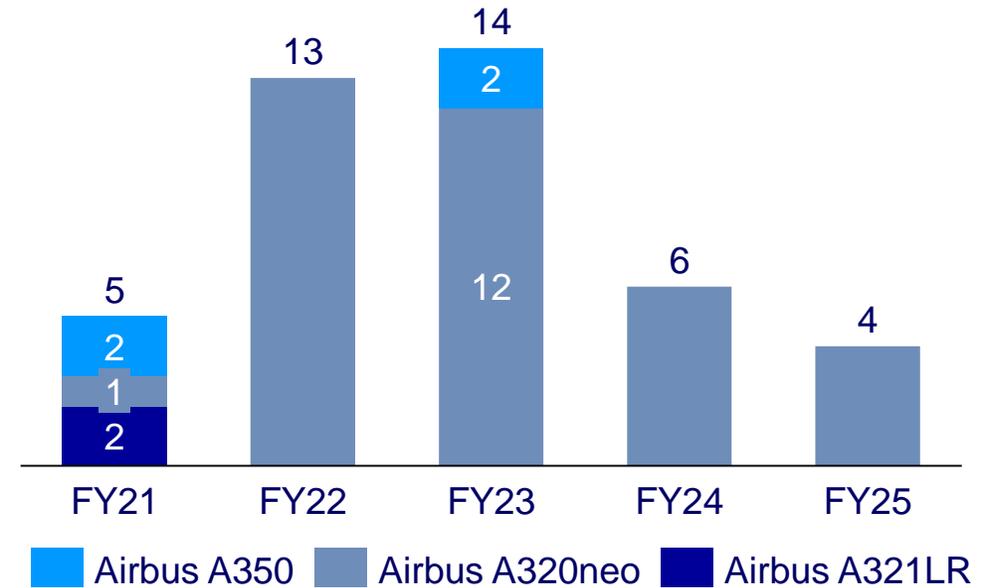
## Maturity profile, SEKbn



## New Hybrid notes

- State Hybrid note 1, SEK 5 billion
- State Hybrid note 2, SEK 1 billion
- Commercial Hybrid note, SEK 1.6 billion

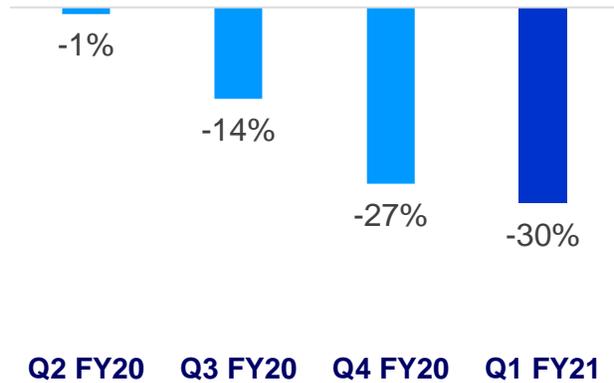
## Aircraft orders, #



# Financial Targets

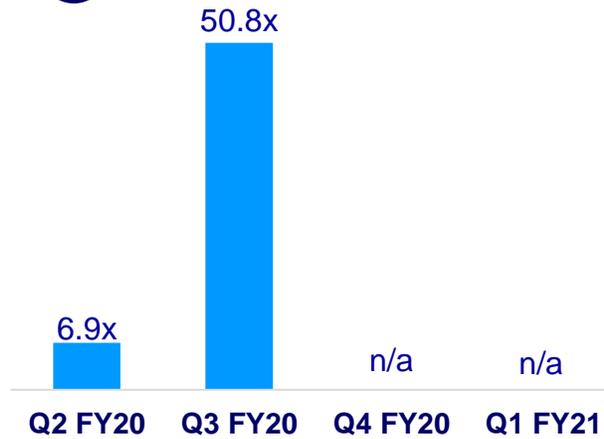
## RETURN ON INVESTED CAPITAL (ROIC)

 >WACC%



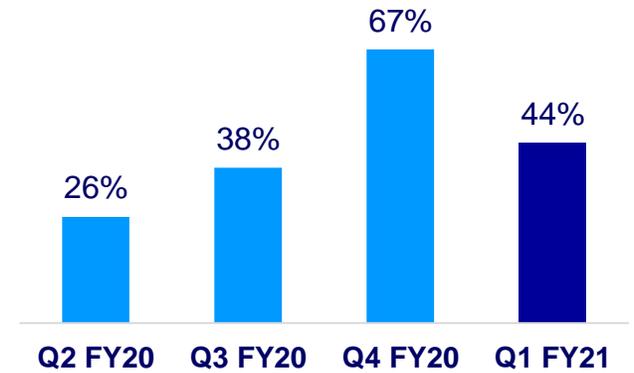
## FINANCIAL NET DEBT /EBITDA

 <3.5x



## FINANCIAL PREPAREDNESS

 >25%



## Summary and key takeaways



**Extended travel restrictions has led to very limited demand for air travel**



**SAS has mitigated majority of revenue shortfall by reducing capacity and cost**



**However, cash burn during quarter remains high due to accelerated refund pace**



**Looking ahead, SAS expects to begin ramp-up as vaccinations progress**



**Need for continued transformation in all parts of SAS' operating model**

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# Income Statement Q1

Income statement	Nov-Jan 21	Nov-Jan 20	Change vs LY	Currency
<b>Total operating revenue</b>	<b>2,282</b>	<b>9,707</b>	<b>-7,425</b>	<b>-465</b>
Personnel expenses	-1,428	-2,566	+1,138	
Jet fuel	-428	-2,020	+1,593	
Air traffic charges	-222	-917	+695	
Other operating expenses	-1,122	-3,533	+2,411	
<b>Total operating expenses*</b>	<b>-3,200</b>	<b>-9,036</b>	<b>+5,836</b>	<b>+530</b>
<b>EBITDAR before items affecting comparability</b>	<b>-918</b>	<b>670</b>	<b>-1,589</b>	<b>+65</b>
<i>EBITDAR-margin*</i>	<i>-40,23%</i>	<i>6,90%</i>	<i>-47.13 p.u.</i>	
Leasing costs, aircraft	28	-62	+90	+6
Depreciation	-448	-500	+52	
Depreciation, right-of-use	-848	-869	+21	
Share of income in affiliated companies	2	2	0	
<b>EBIT before items affecting comparability</b>	<b>-2,183</b>	<b>-758</b>	<b>-1,425</b>	<b>+71</b>
<i>EBIT-margin*</i>	<i>-95,67%</i>	<i>-7,81%</i>	<i>-87,85 p.u.</i>	
Financial items	-126	-121	-5	
Financial items, IFRS 16	361	-199	+560	
<b>EBT before items affecting comparability</b>	<b>-1,948</b>	<b>-1,078</b>	<b>-869</b>	<b>620</b>
Items affecting comparability	12	-9	21	
<b>EBT</b>	<b>-1,936</b>	<b>-1,087</b>	<b>-848</b>	<b>620</b>

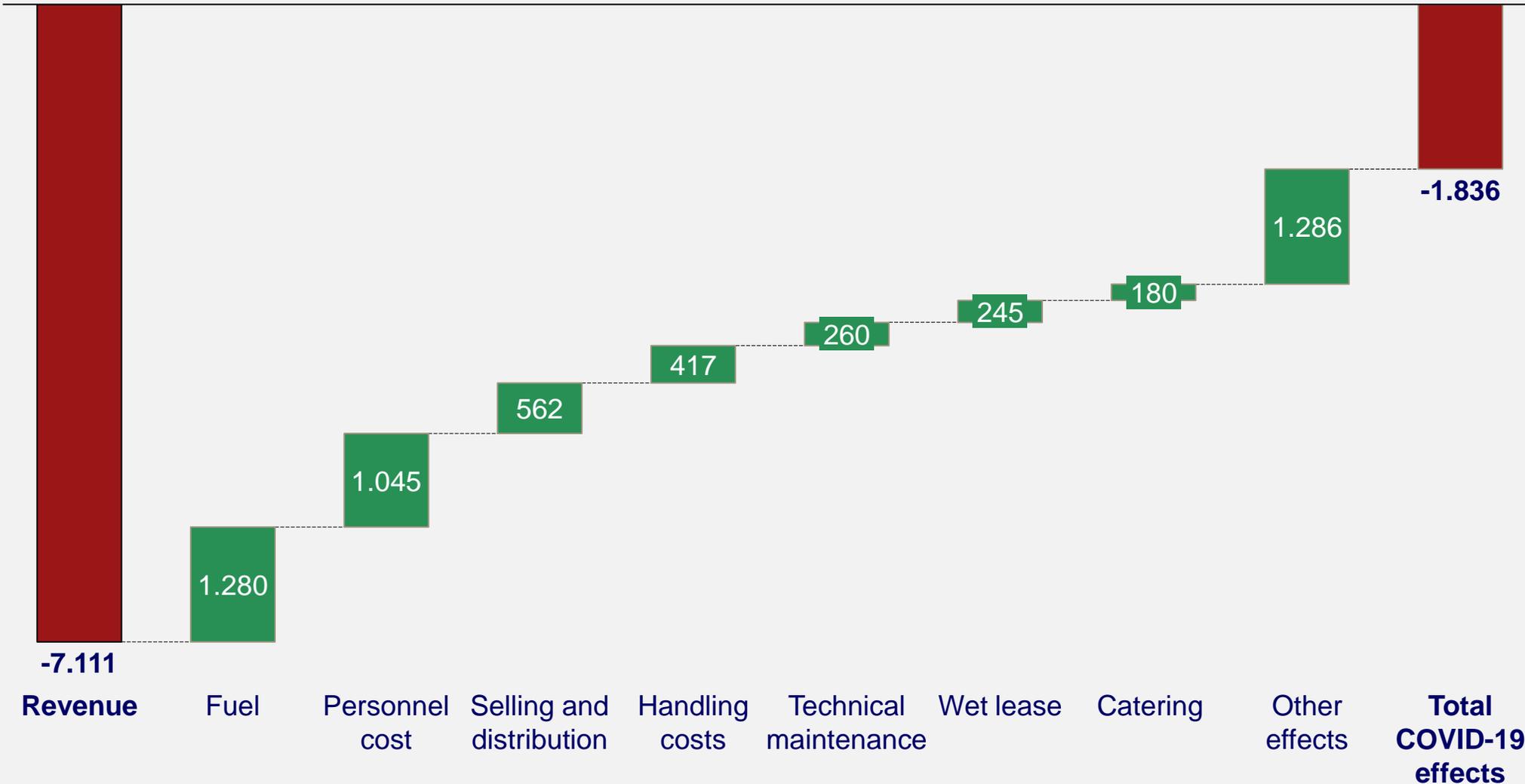
\* = Before items affecting comparability

## Balance Sheet 31 January 2021

Balance sheet, MSEK	31 January 2021	31 January 2020	Change
<b>Non-current assets</b>			
Intangible assets	1,269	1,405	-136
Tangible fixed assets	18,215	17,663	-552
Right-of-use assets	17,002	17,382	-380
Financial fixed assets	6,308	5,023	1,285
Deferred tax assets	1,306	927	379
<b>Total non-current assets</b>	<b>44,100</b>	<b>42,400</b>	<b>1,700</b>
<b>Current assets</b>			
Inventories and expendable spare parts	581	457	124
Current receivables	1,398	2,818	-1,420
Cash and cash equivalents	4,732	6,599	-1,867
<b>Total current assets</b>	<b>6,711</b>	<b>9,874</b>	<b>-3,163</b>
<b>TOTAL ASSETS</b>	<b>50,811</b>	<b>52,274</b>	<b>-1,463</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	9,510	4,433	5,077
<b>Non-current liabilities</b>			
Interest-bearing liabilities	11,829	10,543	1,286
Interest-bearing lease liabilities	12,832	14,049	-1,217
Other liabilities	3,322	4,292	-970
<b>Total non-current liabilities</b>	<b>27,983</b>	<b>28,884</b>	<b>-901</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	2,451	1,967	484
Interest-bearing lease liabilities	2,670	3,200	-530
Other liabilities	8,197	13,790	-5,593
<b>Total current liabilities</b>	<b>13,318</b>	<b>18,957</b>	<b>-5,639</b>
<b>Total shareholders' equity and liabilities</b>	<b>50,811</b>	<b>52,274</b>	<b>-1,463</b>

# Estimated COVID-19 effects – Q1/21

MSEK

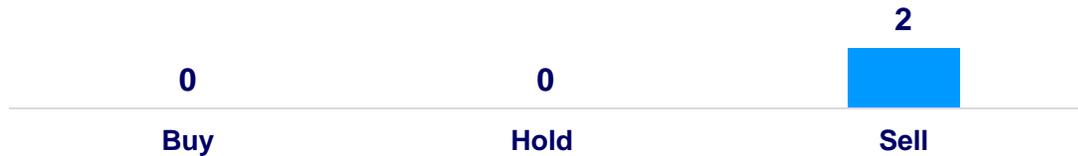


# Investor Relations

## Most recent stock recommendations

Date	Institution	Recommendation	TP
2021-02-23	DNB	Sell	SEK 1
2021-02-19	Sydbank	Sell	-

## 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

## For more information:

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