

# **SAS Q3 2016/2017**

**05.09.2017**



***SAS***

# A strong summer performance drives result improvements

## Q3 IN SUMMARY

### Positives

- + Currency adjusted passenger revenue up 6.4%
- + Passengers up by ~300,000
- + Ancillary and cargo revenue up MSEK 135
- + Efficiency program delivered MSEK 225
- + Improved operational quality

### Negatives

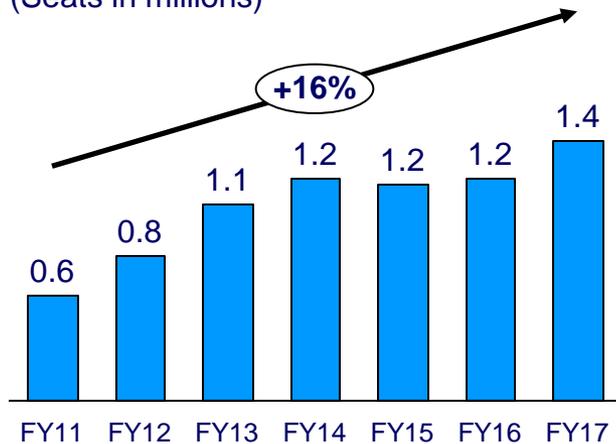
- Currency adjusted yield down 0.5%
- Norwegian aviation tax MSEK 167
- Website functionality

Q3	CHANGE VS. Q3 FY16
<b>EBT bef. nonrecurring items</b>	
MSEK 1,863	MSEK +860
<b>Traffic, RPK in millions</b>	
10,600	+6.9%
<b>Unit cost<sup>1</sup>, SEK</b>	
0.51	-5.9%
<b>PASK<sup>2</sup>, SEK</b>	
0.71	-1.3%

Note: 1) Excluding jet fuel and currency adjusted; 2) Currency adjusted

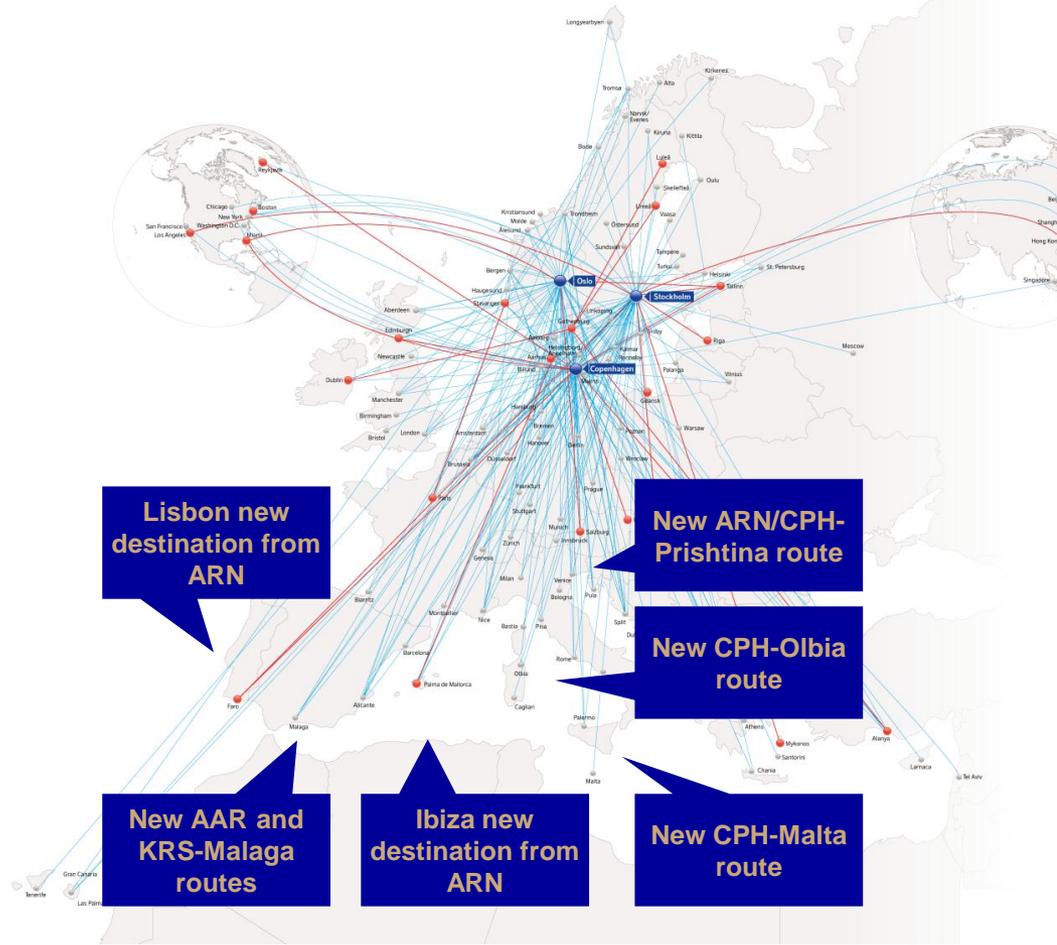
# Strong summer performance driven by successful network transformation

**SAS capacity on leisure routes in Q3**  
(Seats in millions)



- ~2 times larger leisure production in FY17 than FY11
- >15% more passengers on leisure routes in Q3 FY17 vs. Q3 FY16
- Wet lease enables re-allocation of larger aircraft to leisure routes
- New products aimed towards leisure travelers – Plus Saver and Go Light

**9 new routes launched summer 2017**



# Strong operational quality in Q3

## Stable production

- Regularity at 99.1%, up 1.7 p.u. vs. LY
- Baggage quality up 15% vs. LY
- All time high aircraft utilization at 10.4 hours/day in Q3

## Improved efficiency by MSEK 225

- Divestment of Cimber to CityJet
- Reduced cabin crew manning on long-haul flights and increased use of resource pool
- Improved pilot planning and reduction of administrative days
- New facility agreements
- Lean processes delivering improved efficiencies in technical maintenance
- Improved planning in Ground Handling and increased work task flexibility

CHANGE VS.  
Q3 FY16



Notes: 1) Currency adjusted and excluding jet fuel costs; 2) Average daily # of A/C out of traffic;

# Improvements in product concept appreciated by the customers

## Improved customer offer

- 4 Airbus A320neo phased in traffic during Q3 – currently 11 aircraft in operation
- Investments in Lounge concept
  - New York lounge upgraded and café lounge opened in Bergen
  - Next generation lounge at Oslo airport to open in September
- “New Nordic by SAS” food & beverage concept rolled out in May

## EuroBonus 25 years anniversary – now >5 million members!

- >13% more co-branded credit cards than last year
- Growing number of partners; e.g. >400 new retail stores added in Sweden

CHANGE VS.  
Q3 FY16

EB Silver, Gold, Diamond revenue	↗	+6%
SAS Plus & Business revenue	↗	+7%
EB members	↗	+11%
Passengers	↗	+3%

## CUSTOMERS ABOUT “NEW NORDIC”

*“The served meal with Nordic food is simply fantastic and tasty...”*

*“The new food is a clear improvement. Very good and thoughtful concept”*



Note: 1) Currency adjusted

# Unsatisfactory performance of the new website and customer service availability

## CUSTOMER FEEDBACK

- Long customer service queue time in summer
- Difficult to find information on the new website
- Navigation issues, errors and bugs

## ACTIONS TAKEN

- Additional call center established in Kalmar
- Data cleaning and bug fixing
- New FAQ function added
- Old site used as fall back
- Re-design of the booking flow ongoing – new start and booking page to be launched during Fall

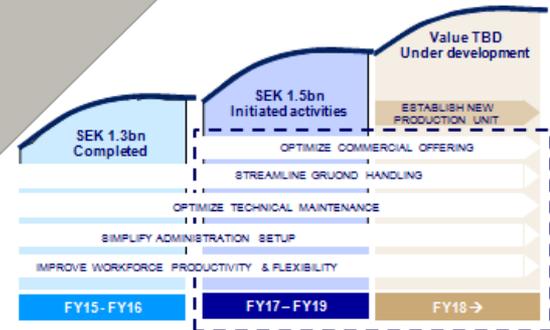


# Strong Q3 performance, but significant challenges remains

## INTENSE COMPETITION & NEW BUSINESS MODELS



## COST GAP VS. COMPETITORS – LEGACIES TO BE ADDRESSED



# SAS

AIRCRAFT INVESTMENTS  
SEK ~50bn



PREFERENCE SHARE SEK 3.7bn

CONVERTIBLE SEK 1.6bn

BOND SEK 1.5bn



## AGEING FLEET CALLS FOR INVESTMENTS

## MATURING LOANS & NEED TO STRENGTHEN BALANCE SHEET

# Three focus areas to strengthen SAS' long-term competitiveness

FOCUS AREAS	STATUS
<p><b>1</b> Improve efficiency in core Scandinavian operation</p> <p>- SEK 3bn during 2017-2010</p>	<p>MSEK 545 earnings impact YTD SEK 0.7bn to be delivered in FY17</p>
<p><b>2</b> Establish complementing production bases in London &amp; Malaga</p>	<p>Administration recruited First pilots &amp; cabin crew signed AOC application with authorities</p>
<p><b>3</b> Capitalize on SAS strong brand and 5 million EuroBonus members</p>	<p>Detailed plan being developed Structure and scope finalized within one year</p>



# FINANCIALS

***SAS***

## Breakdown of the income statement in Q3

Income statement	May-Jul 17	May-Jul 16	Change vs LY	Currency
<b>Total operating revenue</b>	<b>12,210</b>	<b>11,133</b>	<b>+1,077</b>	<b>+247</b>
Payroll expenditure	-2,293	-2,275	-18	
Jet fuel	-1,824	-1,765	-59	
Government charges	-1,148	-1,090	-58	
Other operating expenditure	-3,806	-3,829	+23	
<b>Total operating expenses*</b>	<b>-9,071</b>	<b>-8,959</b>	<b>-112</b>	<b>-2</b>
<b>EBITDAR before non-recurring items</b>	<b>3,139</b>	<b>2,174</b>	<b>+965</b>	<b>+245</b>
<i>EBITDAR-margin*</i>	25.7%	19.5%	+6.2 p.u.	
Leasing costs, aircraft	-808	-737	-71	
Depreciation	-343	-337	-6	
Share of income in affiliated companies	-4	25	-29	
<b>EBIT before non-recurring items</b>	<b>1,984</b>	<b>1,125</b>	<b>+859</b>	<b>210</b>
<i>EBIT-margin*</i>	16.2%	10.1%	+6.1 p.u.	
Financial items	-121	-122	+1	
<b>EBT before non-recurring items</b>	<b>1,863</b>	<b>1,003</b>	<b>+860</b>	<b>231</b>
Non-recurring items	110	33	+77	
<b>EBT</b>	<b>1,973</b>	<b>1,036</b>	<b>+937</b>	<b>231</b>

\* = Before non-recurring items

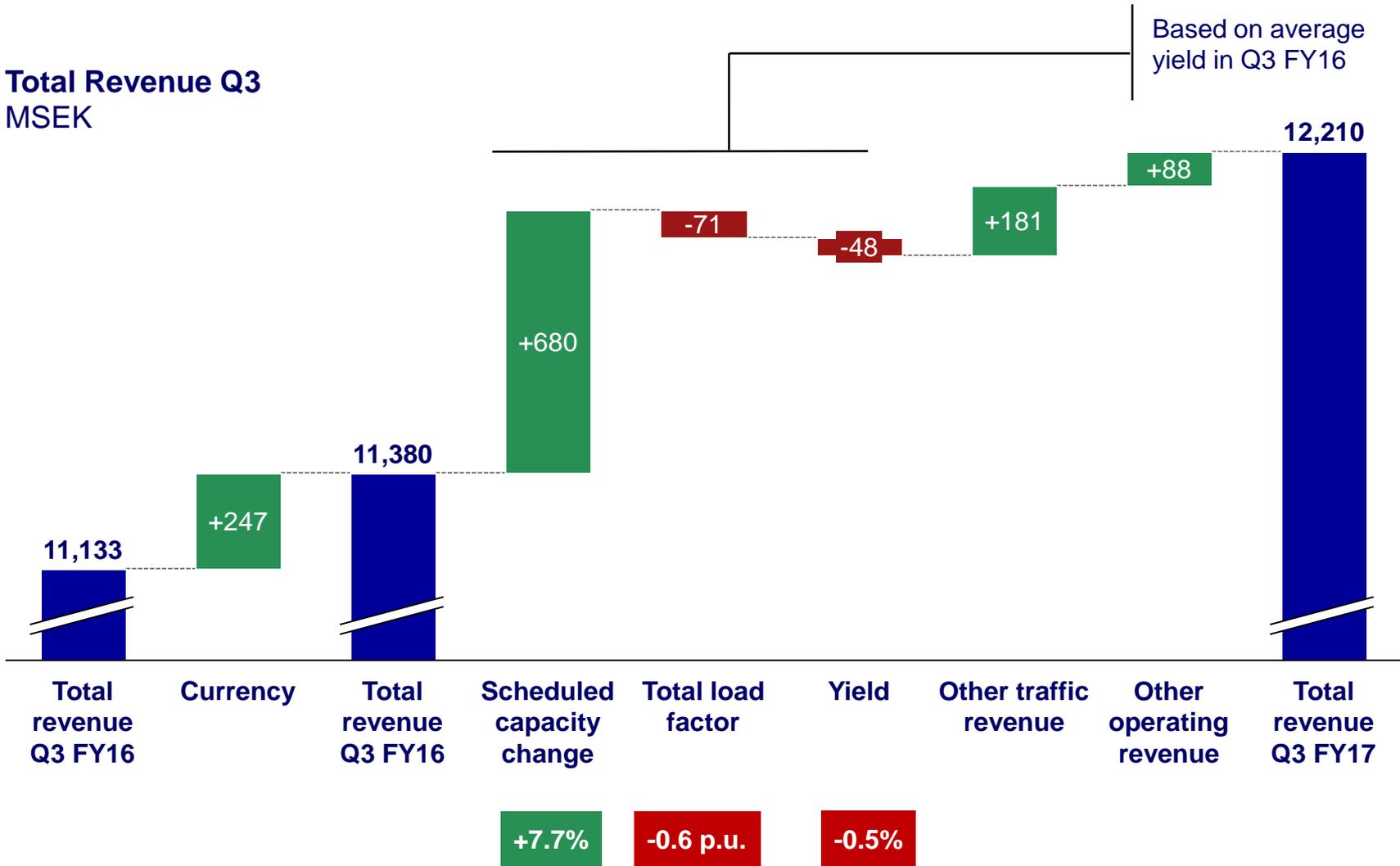
## Breakdown of the income statement 12 months rolling

Income statement	Aug 16 – Jul 17	Aug 15 – Jul 16	Change vs LY	Currency
<b>Total operating revenue</b>	<b>42,145</b>	<b>39,227</b>	<b>+2,918</b>	<b>+988</b>
Payroll expenditure	-9,147	-9,118	-29	
Jet fuel	-7,020	-6,254	-766	
Government charges	-4,287	-4,096	-191	
Other operating expenditure	-15,010	-13,748	-1,262	
<b>Total operating expenses*</b>	<b>-35,464</b>	<b>-33,216</b>	<b>-2,248</b>	<b>-1,169</b>
<b>EBITDAR before non-recurring items</b>	<b>6,681</b>	<b>6,011</b>	<b>+670</b>	<b>-181</b>
<i>EBITDAR-margin*</i>	<i>15.9%</i>	<i>15.3%</i>	<i>+0.6 p.u.</i>	
Leasing costs, aircraft	-3,038	-2,815	-223	
Depreciation	-1,380	-1,426	+46	
Share of income in affiliated companies	16	34	-18	
<b>EBIT before non-recurring items</b>	<b>2,280</b>	<b>1,805</b>	<b>+475</b>	<b>-312</b>
<i>EBIT-margin*</i>	<i>5.4%</i>	<i>4.6%</i>	<i>+0.8 p.u.</i>	
Financial items	-441	-469	+28	
<b>EBT before non-recurring items</b>	<b>1,838</b>	<b>1,335</b>	<b>+503</b>	<b>-242</b>
Non-recurring items	-193	+386	-579	
<b>EBT</b>	<b>1,645</b>	<b>1,721</b>	<b>-76</b>	<b>-242</b>

\* = Before non-recurring items

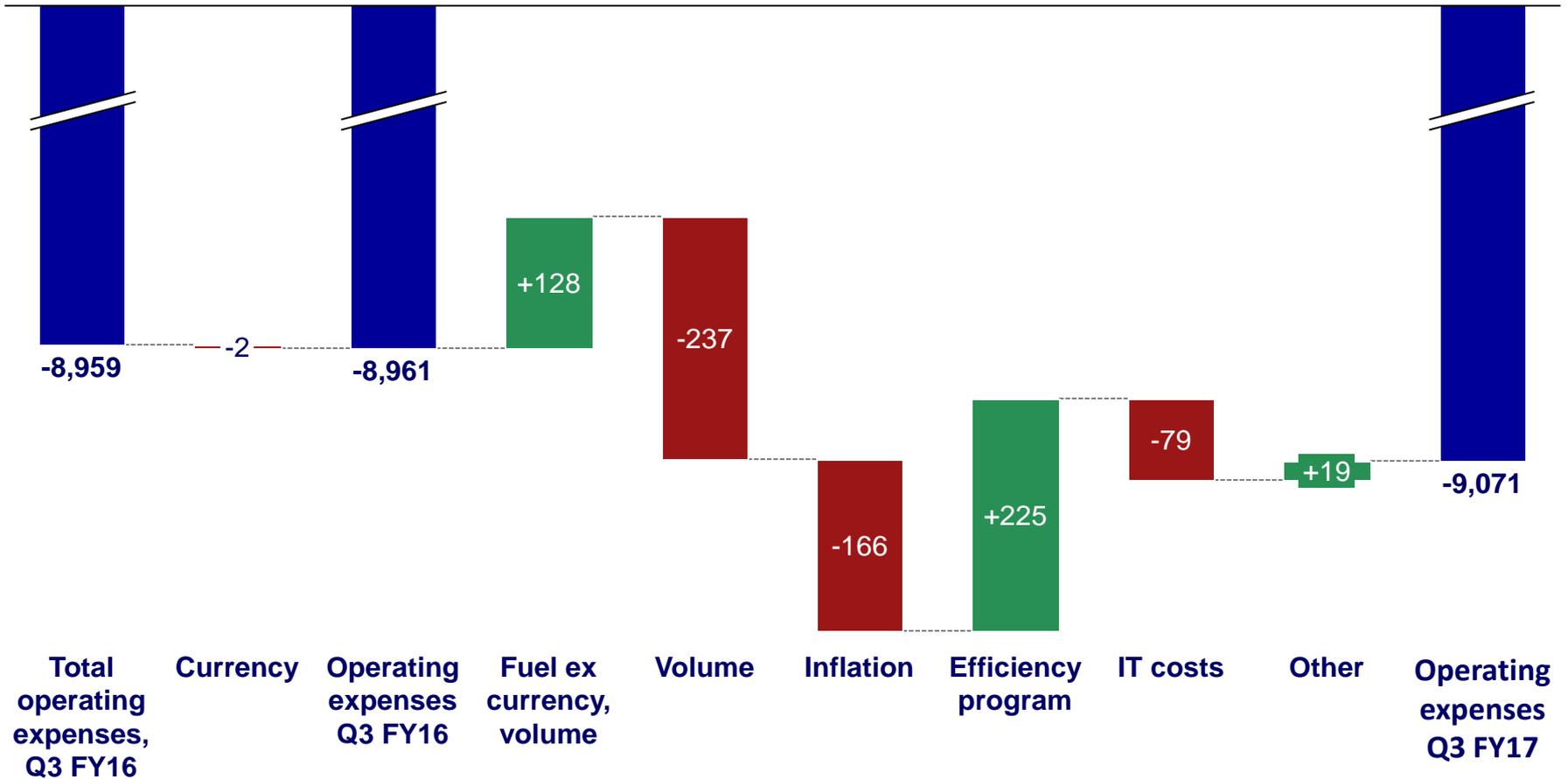
# Revenue analysis

Total Revenue Q3  
MSEK



# Operating expense analysis

Total Operating Expenses Q3  
MSEK

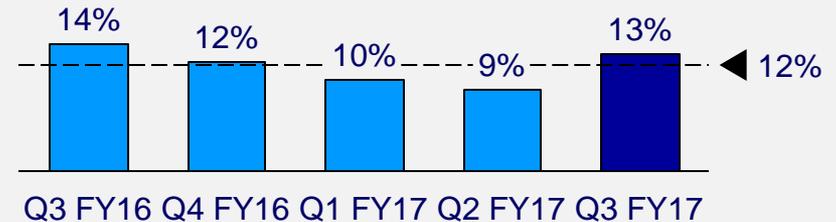


# Development of SAS financial targets

## Return on Invested Capital (ROIC) at 13%

- Improved 4 p.u. during Q3
  - Improved earnings
- Invested capital to increase as SAS is taking deliveries of new aircraft

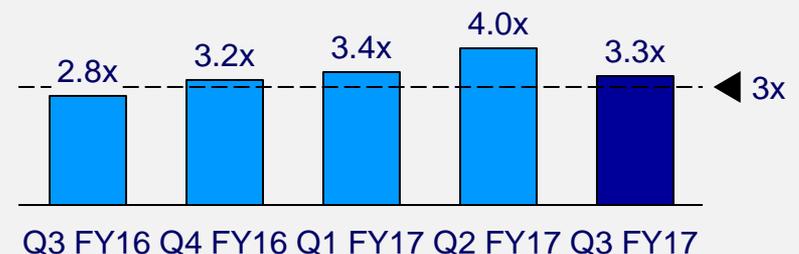
## Return on invested capital (ROIC)



## Adjusted financial Net Debt/EBITDAR at 3.3x

- Improved 0.7 units during Q3
  - 12 months rolling EBITDAR up SEK 1bn
- Aircraft deliveries to increase the adj. financial net debt going forward

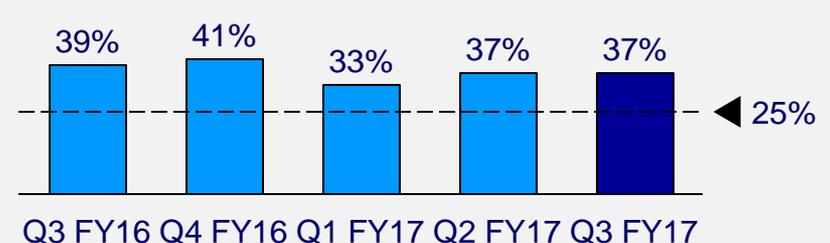
## Adjusted financial net debt/EBITDAR



## Financial preparedness at 37%

- Unchanged during Q3
  - Cash position at SEK 8.5bn
  - Unutilized credit facilities of SEK 2.8bn
- Seasonal variations of unearned transportation liability of SEK 2bn during the fiscal year

## Financial preparedness

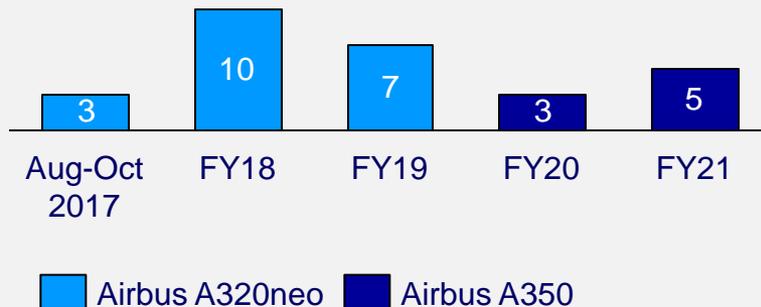


# Debt profile and capex

## Interest bearing liabilities repayments (SEK bn)



## Aircraft firm order deliveries as at 31 July 2017



## Maturity profile

- SEK 5.1bn in maturities until Oct 2019
  - To be addressed through a combination of payback, roll over and issue new debt
  - Issue of new bond to replace maturing bond in November being considered
- Options to redeem the preference share being considered

## Net investments

- Guidance for FY17: around zero
- Overhaul of engine program during FY17-FY18 will negatively affect working capital

# Outlook and upcoming highlights

## Market update

- Aviation industry undergoes significant change
- Geo-political uncertainty
- Introduction of aviation taxes

## Assumptions for FY17

- ASK to increase by 8% and frequencies up ~1%
- Lower PASK and unit cost
- Higher jet fuel costs
- Net investments to be close to zero
- Lower load factors during the autumn
- No industrial actions

## Updated outlook FY17

*SAS expects EBT before non-recurring items for FY17 to be higher than FY16.*

**Airbus A320neo  
to be delivered**

→ **12 during FY17**



**SEK 0.7bn in efficiency  
program**

→ **FY17**



**Capacity guidance FY18**

**SAS indicative  
projection to increase  
ASK by 1-3% in FY18**



*SAS*