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SMRT reports earnings of \$36.9 million for 3Q FY2016 as Non-Rail businesses improve

GROUP PERFORMANCE HIGHLIGHTS

Financial Highlights for Third Quarter Ended 31 December 2015 ¹						
	3QFY16	3QFY15	% chg	YTFY16	YTFY15	% chg
Revenue (\$m)	327.6	313.2	4.6	976.6	924.3	5.7
Other Operating Income (\$m)	20.9	13.7	52.3	54.5	38.7	40.9
Total Operating Expenses (\$m)	303.0	295.9	2.4	925.5	869.4	6.5
Operating Profit (\$m)	45.4	31.0	46.4	105.6	93.7	12.8
PATMI (\$m)	36.9	22.5	63.5	82.7	70.2	17.9
EBITDA (\$m)	95.8	80.9	18.3	258.2	235.4	9.7
Basic EPS (cents)	2.42	1.48	63.5	5.43	4.61	17.8
				As at 31 Dec 15	As at 31 Mar 15	% chg
NTA Per Share ² (cents)				57.43	55.57	3.3
Net Gearing (%)				77	77	-

Group revenue increased 4.6% to \$327.6 million in 3Q FY2016 due to broad based revenue growth across most of the segments. Operating profit improved 46.4% to \$45.4 million in 3Q FY2016 while PATMI rose 63.5% to \$36.9 million.

Operating expenses increased 2.4% to \$303.0 million due mainly to higher staff costs, repairs and maintenance (R&M) costs and depreciation, partially offset by lower energy expenditure and other operating expenses.

Staff costs increased due mainly to increased headcount in Rail and Bus operations, and salary increments. R&M costs increased due mainly to more trains undergoing scheduled overhaul and rigorous maintenance regime in Train and LRT operations in view of the ageing systems, a larger bus fleet as well as maintenance work in line with the taxi life cycle. In tandem with our commitment to enhance rail reliability, the Group's Rail maintenance-related expenditure³ in 3Q FY2016 accounted for 43% of Rail revenue.

Depreciation increased due mainly to capitalisation of new buses and taxis. Energy costs decreased due mainly to lower diesel cost and electricity tariff, partially offset by higher consumption arising from a larger train and bus fleet, and increased train runs. Other operating expenses decreased due mainly to early retirement of taxis in the previous corresponding period.

¹ All figures are quoted in Singapore dollars.

² Excludes intangible assets.

³ Rail maintenance-related expenses refers to rail maintenance staff costs, depreciation of rail maintenance assets and other rail maintenance-related operating expenses.

Total assets increased 0.6% and stood at \$2.6 billion as at 31 December 2015 due mainly to higher property, plant and equipment, and trade and other receivables, partially offset by lower cash and cash equivalents.

The Group ended the quarter with a cash balance of \$126.3 million, compared to \$136.6 million at the start of the quarter. It generated \$63.3 million of cash inflow from operations, which was offset by net cash outflow of \$42.2 million in investing and \$31.3 million in financing activities. The Group's total borrowings stood at \$810.5 million, translating to a net gearing of 77%.

Business Performance⁴

Revenue and Operating Profit by Business Segment For Third Quarter Ended 31 December 2015						
S\$m	Revenue			Operating Profit		
	3QFY16	3QFY15	% chg	3QFY16	3QFY15	% chg
Train	169.9	161.8	5.0	9.7	3.2	203.3
LRT	2.6	2.4	9.5	(1.5)	(0.8)	(89.7)
Bus	62.8	59.1	6.3	3.4	(0.5)	845.5
Fare Subtotal	235.3	223.2	5.4	11.6	1.9	503.4
Taxi	36.9	36.6	0.9	4.8	0.8	517.9
Rental ⁵	33.4	32.3	3.6	21.8	20.7	5.4
Advertising ⁶	10.5	9.9	5.8	5.3	6.5	(17.4)
Engineering Services	3.0	3.7	(17.1)	0.3	(1.2)	125.3
Other Services	8.4	7.5	11.9	1.5	1.3	12.7
Non-Fare Subtotal	92.3	90.0	2.6	33.7	28.0	20.3
Investment Holding/ Group Elimination	-	-	n.m.	0.2	1.1	(85.4)
Total	327.6	313.2	4.6	45.4	31.0	46.4

Fare Business

Notwithstanding a higher combined operating profit of \$8.2 million recorded in 3Q FY2016 compared to 3Q FY2015, the Group's Rail operations (Train and LRT) posted a combined loss of \$1.1 million in YTD FY2016 as the increase in operating expenses outpaced revenue growth. Operating profit from **Train** operations increased by \$6.5 million due to higher revenue, funding from the Public Transport Security Committee and lower depreciation, which was partially offset by higher staff costs and repairs and maintenance related expenditure. Despite higher revenue, **LRT** operations suffered a higher operating loss of \$1.5 million in 3Q FY2016 as it faced higher operating costs associated with the addition of new trains to the fleet.

Bus operations posted an operating profit of \$3.4 million in 3Q FY2016 on the back of higher revenue, training grants, reliability incentives and lower diesel costs, partially offset by higher staff costs, depreciation, and repairs and maintenance expenses.

Non-Fare Business

Operating profit from the Group's Non-Fare business increased by \$5.7 million in 3Q FY2016, due largely to improved profitability of the Taxi and Rental segments.

Taxi operating profit increased to \$4.8 million in 3Q FY2016 due mainly to higher taxi rental contribution and more early retirement of taxis in 3Q FY2015. **Rental** operating profit increased to \$21.8 million in 3Q FY2016 on the back of higher rental revenue contribution from train stations and bus interchanges.

⁴ Details of the operating metrics are shown in the Annex on page 4.

⁵ Rental – the operating profit comprises EBIT attributed to Transit-oriented Rental business, and Other Property and Retail Management businesses.

⁶ Advertising – the operating profit comprises EBIT attributed to Transit-oriented Advertising business, and Other Media and Advertising businesses.

OUTLOOK AND PROSPECTS

The Group remains fully committed in its efforts to further strengthen performance in rail reliability and meet the maintenance performance standards set by the authorities. Operating expenses will continue to increase due to intensive maintenance and renewal programmes of the ageing network. The Group's fare revenue will be impacted by the 1.9% fare reduction and commencement of Downtown Line 2 from 27 December 2015.

The Group is making progress in its discussions with the authorities on the transition to a new rail financing framework.

Bus operations results are expected to improve compared to FY2015 due mainly to higher revenue resulting from the fare increase that took place in April 2015 and lower energy prices, as well as productivity improvements and reliability incentives. We are in discussion with the authorities on the contract terms for the remaining bus services beyond the license expiry in August 2016.

The Group will continue to explore growth anchored on the strengths of its core public transport operations and adjacent capabilities, locally and overseas.

SMRT's President and Group Chief Executive Officer, Mr Desmond Kuek, said:

"We continue our steady performance in our Non-Rail businesses but the Rail business remains challenging due to higher operating costs associated with improving rail reliability.

We are focused on our multi-year programmes to renew and upgrade the ageing rail network. While there is more to be done in reducing major train disruptions, we are encouraged that our consistent efforts in enhancing the reliability of the network have seen results. As a key reliability indicator, service delays longer than 5 minutes for every 100,000 kilometres improved from 1.80 in 2011 to 0.71 in 2015, the best performance achieved on the North-South and East-West lines in the past decade."

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Enclosures:

- 1) *Unaudited Financial Statements for 3rd Quarter Financial Year 2016 Ended 31 December 2015*
- 2) *Presentation for Results Briefing: 3Q FY2016 Financial Results*

ANNEX

OPERATING METRICS

	3QFY16	3QFY15	2QFY16	3Q16 vs 3Q15 (%)	3Q16 vs 2Q16 (%)	YTDFY16	YTDFY15	YTDFY16 vs YTDFY15 (%)
<u>Train</u>								
Total Ridership ('000)	190,491	183,575	189,625	3.8	0.5	565,757	548,671	3.1
Average Daily Ridership ('000)	2,071	1,995	2,084	3.8	(0.6)	2,065	1,995	3.5
Average No. of Passengers/Car Operated	63.5	63.7	64.4	(0.3)	(1.3)	64.1	64.1	0.0
Average Peak Period Passenger Load/Car (No. of passengers) ¹	199.5	197.8	199.7	0.9	(0.1)	199.2	202.6	(1.7)
Average Fare (cents)	89.2	88.1	89.4	1.2	(0.3)	89.5	88.4	1.3
<u>LRT</u>								
Total Ridership ('000)	4,874	4,379	4,997	11.3	(2.5)	14,676	13,601	7.9
Average Daily Ridership ('000)	53.0	47.6	54.9	11.3	(3.5)	53.6	49.5	8.2
Average No. of Passengers/Train Operated	15.9	24.0	17.0	(33.8)	(6.6)	16.5	25.0	(34.0)
Average Fare (cents)	53.1	53.9	53.5	(1.6)	(0.9)	53.6	53.7	(0.2)
<u>Bus</u>								
Total Ridership ('000)	95,572	91,085	96,479	4.9	(0.9)	285,229	274,995	3.7
Average Daily Ridership ('000)	1,038.8	990.0	1,060.2	4.9	(2.0)	1,041.0	1,000.0	4.1
Load Factor ² (%)	21.7	20.6	22.0	1.2	(0.2)	21.6	23.6	(1.9)
Average Fare (cents)	65.0	64.3	64.9	1.1	0.1	65.1	64.2	1.4
<u>Taxi</u>								
Average Holding Fleet	3,574	3,644	3,545	(1.9)	0.8	3,562	3,413	4.4
<u>Rental</u> ³								
Average Lettable Space (sqm)	37,278	37,354	37,235	(0.2)	0.1	37,249	37,246	0.0
No. of Shops/Units (as of end-period)	786	784	784	0.3	0.3	786	784	0.3
Average Occupancy Rate (%)	97.8	98.5	98.2	(0.6)	(0.3)	98.1	98.6	(0.6)

¹ An average of estimated maximum half-hour pax load per car during peak hours for selected stations along North-South East-West Line and Circle Line.

² As different vehicle types have different capacities, the average occupancy rate of buses is expressed as load factor.

³ Figures relate to spaces at MRT stations only.