



SIA ENGINEERING GROUP POSTS PROFIT OF \$193.8M FOR FY2019-20

- Full year Group performance improved 20.4% year-on-year
- Strong operating performance for the first nine months sustained into much of last quarter until the COVID-19 pandemic led to sharp drop in flights in March 2020
- Weak fourth quarter operating performance cushioned by government support schemes
- Proposed final dividend of 5 cents

HIGHLIGHTS OF THE GROUP'S PERFORMANCE

	FY2019-20			4 th Quarter FY2019-20		
	Apr 2019 – Mar 2020	Year-on-Year Change		Jan - Mar 2020	Year-on-Year Change	
	\$'M	\$'M	%	\$'M	\$'M	%
• Revenue	994.1	-26.8	-2.6	229.3	-26.7	-10.4
• Operating profit	67.7	+10.9	+19.2	14.3	-5.1	-26.3
• Share of profits of associated and joint venture companies, net of tax	127.9	+14.0	+12.3	34.9	+2.6	+8.0
• Profit attributable to owners of the parent	193.8	+32.9	+20.4	52.2	+2.9	+5.9
• Basic earnings per share (cts)	17.30	+2.92	+20.3	4.66	+0.26	+5.9

GROUP EARNINGS

Financial Year 2019-20

The Group operating profit for the year ended 31 March 2020 was \$67.7 million; \$10.9 million (+19.2%) higher year-on-year. The strong performance recorded in the first nine months of the financial year continued into the last quarter until significant flight cancellations by airline customers severely impacted our line maintenance business. The improvement in operating profit was supported by the Company's Transformation efforts, which has delivered improvement in manpower utilization and reduced costs.

Group revenue at \$994.1 million was \$26.8 million (-2.6%) lower, mainly due to a \$23.7 million decrease in airframe and line maintenance revenue. Expenditure decreased \$37.7 million (-3.9%) to \$926.4 million. In line with the lower workload, material and subcontract services costs decreased. In addition, staff costs and departmental costs also decreased and exchange rate movement was in our favour. The reduction in staff costs was primarily attributed to the government support schemes.

Share of profits from associated and joint venture companies was \$127.9 million, \$14.0 million (+12.3%) higher year-on-year, with \$18.1 million higher contributions from the engine and component segment and \$4.1 million lower contributions from the airframe and line maintenance segment.

Note 1: The SIAEC Group's audited financial results for the financial year ended 31 March 2020 were announced on 8 May 2020. A summary of the financial statistics is shown in Annex A. All monetary figures are in Singapore Dollars. The Group comprises the Company and its subsidiary, associated and joint venture companies.

Higher contributions from the engine and component segment were mainly due to the writeback of tax provisions, as compared to a one-time tax charge in the same quarter last year.

Group profit increased \$32.9 million (+20.4%) to \$193.8 million for the year ended 31 March 2020, mainly due to higher Group operating profit and increase in share of profits of associated and joint venture companies.

Basic earnings per share was 17.30 cents for the current financial year.

Fourth Quarter FY2019-20

For the quarter ended 31 March 2020, SIAEC Group posted a revenue of \$229.3 million which was \$26.7 million (-10.4%) lower due to a decrease in revenue from the airframe and line maintenance segment. The reduction was mainly in March 2020 where the number of flights handled fell by about 50% due to flight cancellations resulting from the COVID-19 pandemic.

Expenditure was \$215.0 million, a reduction of \$21.6 million (-9.1%), mainly due to a decrease in material, staff and departmental costs. The reduction in staff costs was attributed to the support provided by the government support schemes.

In addition, in view of the weakened financial positions of our airline customers, higher doubtful debt provisions were made. The Group has also taken the cautious approach to write-down some of our rotables to fair value.

Operating profit was \$5.1 million (-26.3%) lower year-on-year at \$14.3 million.

Share of profits of associated and joint venture companies at \$34.9 million was \$2.6 million (+8.0%) higher year-on-year, with \$3.3 million higher contributions from the engine and component segment and \$0.7 million lower contributions from the airframe and line maintenance segment.

Group net profit increased \$2.9 million (+5.9%) to \$52.2 million for the quarter ended 31 March 2020.

Basic earnings per share was 4.66 cents for the current quarter.

GROUP FINANCIAL POSITION

As at 31 March 2020, equity attributable to owners of the parent was \$1,628.8 million, an increase of \$100.2 million (+6.6%) compared to 31 March 2019, as profits earned for the period and a gain in foreign currency translation reserve due to the strengthening of the US dollar were partially offset by payment of the final and interim dividends in respect of FY2018-19 and FY2019-20 respectively.

Total assets stood at \$2,005.5 million as of 31 March 2020, an increase of \$160.3 million (+8.7%), partly due to the recognition of right-of-use assets. The recognition of right-of-use assets arose from the capitalisation of the present value of future lease payments for all leases under the new accounting

standard, IFRS 16 Leases, which was adopted from 1 April 2019. With low borrowings and strong cash position, the Group is in a healthy financial position to weather the COVID-19 pandemic. Nonetheless, given the fluidity of the situation, the Group will remain vigilant and continue to monitor events closely and take appropriate measures as and when needed.

Net asset value per share as at 31 March 2020 was 145.4 cents.

DIVIDEND

In recommending the final ordinary dividend, the Board has considered the profits earned during the year and the need to conserve cash given the severity of the COVID-19 pandemic and the uncertain recovery timeline. Accordingly, the Board is recommending a final ordinary dividend of 5.0 cents per share for FY2019-20. Together with the interim dividend of 3.0 cents per share paid earlier, the total dividend payment for FY2019-20 will be 8.0 cents per share.

Payment of the final dividend, which amounts to approximately \$56.0 million, is subject to shareholders' approval at the Annual General Meeting, to be convened at a later date. The dividend payment date will be announced at a later date.

IMPACT OF COVID-19

Progressive border controls imposed by countries worldwide and lockdown of cities have resulted in drastic cuts in flights operated, directly impacting the Group's airframe and line maintenance segment. Flight cuts have the most direct and immediate impact on the line maintenance business unit at our Singapore base and overseas line maintenance stations. The impact on the Group's performance was most significant in March 2020 when the number of flights handled at our Singapore base dropped to only about 50% of our usual workload. Revenues from fleet management were similarly impacted as they are based on flying hours. Base maintenance unit and the engine and component segment were not immediately affected during the last quarter but are expected to be affected going forward. Government support schemes provided relief for the cost of manpower.

The Group is monitoring and assessing the situation closely and proactively implementing measures to mitigate the impact of the pandemic. Some of the key measures undertaken include (i) aligning with the pandemic response plan of our parent company to protect the safety and health of our staff; (ii) activating and reviewing business continuity plans to protect and minimise disruptions to operations, including making rapid adjustments to the Group's operations in response to the evolving situation; (iii) taking actions to mitigate the adverse financial impact and protect jobs; and (iv) working closely with our partners and customers to jointly address the challenges during this difficult period.

With more staff telecommuting, the Group is mindful of the associated cyber security and data protection risks. Besides providing staff with the necessary IT support to work from home, appropriate cyber security and data protection measures have also been implemented to protect our IT systems. Regular reminders to staff are sent to maintain vigilance and adopt good IT security practices against the risks of hacking and phishing attacks.

The pandemic has significantly weakened the financial position of our airline customers and OEM partners and the near-term cash generation ability of our assets. We have taken a cautious approach in assessing these risks and provided for the necessary impairments based on our current assessments, but recognizing however that these risks need to be constantly reviewed.

OUTLOOK

The COVID-19 pandemic has an unprecedented adverse impact on the aviation industry and consequently on the MRO business without clear visibility on the timing of its recovery. Border controls imposed by countries worldwide and the precipitous decline in travel demand has forced drastic cuts in flight capacities and grounding of aircraft. Changi Airport has reported that the number of scheduled flights for April 2020 is 96 per cent fewer than what was originally scheduled. In response to the worsening crisis, the International Air Transport Association is projecting a more realistic U-shaped recovery for the air travel industry, with domestic travel coming back faster than the international market. Against this backdrop, our performance will be adversely affected.

Recovery of our core line maintenance business in Singapore will be directly dependent on the return of air traffic movement at Changi Airport. And for our overseas line maintenance stations, the return of air traffic movement at these airports. While regulated mandatory aircraft checks are still ongoing, the reduction in flying hours and subsequent extended maintenance intervals will have an impact, albeit delayed, on our base maintenance unit and our joint ventures with engine and component OEMs. In summary, the pace of recovery for our MRO business is unclear but is expected to be slow as it will depend on the improvement of the aviation industry.

Our balance sheet is healthy with strong cash position and low borrowings. This puts us in a good position to weather the downturn, with careful management of our expenses and cash flow. Nonetheless, as the situation is dynamic, we will continue to monitor this closely and where necessary, to secure additional financing. Apart from measures already taken to reduce our costs, the Group is proactively taking steps to mitigate the impact of COVID-19 on our operating performance. The Company, together with our partners and our joint ventures, are actively managing the impact of the pandemic on our operations and business, reducing operating costs, deferring non critical capital expenditure and timing of certain payments, maintaining adequate liquidity and preserving our businesses.

Our transformation initiatives have delivered significant improvements in our operating performance. Notwithstanding the challenging outlook, we will continue to drive our Transformation efforts and investments in technology to achieve higher productivity, build capability and equip our staff with new skillsets with the aim to continuously improve.

Given the changes and challenges posed by the COVID-19 pandemic, we will review our portfolio of investments. While remaining vigilant to such challenges, we will balance our need to conserve our cash resources and yet continue to look out for new investment and partnership opportunities to emerge stronger as a trusted partner in the global MRO industry.

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(For the complete fourth quarter and financial year FY2019-20 financial statements, please refer to our SGXNET Filing or the Investor Relations page of our website at www.siaec.com.sg.)

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GROUP FINANCIAL STATISTICS

	FY 2019-20	FY 2018-19	4 th Quarter 2019-20	4 th Quarter 2018-19
Financial Results (\$ million)				
Total revenue	994.1	1,020.9	229.3	256.0
Total expenditure	926.4	964.1	215.0	236.6
Operating profit	67.7	56.8	14.3	19.4
Non-operating items	8.9	8.4	1.5	1.9
Share of profits of associated companies, net of tax	83.4	73.5	22.5	22.3
Share of profits of joint venture company, net of tax	44.5	40.4	12.4	10.0
Profit before taxation	204.5	179.1	50.7	53.6
Profit attributable to owners of the parent	193.8	160.9	52.2	49.3
Per Share Data				
Earnings after tax (cents) - basic ^{R1}	17.30	14.38	4.66	4.40
- diluted ^{R2}	17.26	14.35	4.65	4.39
	As at	As at		
	31 Mar 2020	31 Mar 2019		
Financial Position (\$ million)				
Share capital	420.0	420.0		
Treasury shares	(13.7)	(18.0)		
Reserves				
Capital reserve	2.8	2.9		
Share-based compensation reserve	5.4	5.6		
Foreign currency translation reserve	16.0	(18.2)		
Fair value reserve	(8.7)	(0.9)		
Equity transaction reserve	(4.5)	(4.5)		
General reserve	1,211.5	1,141.7		
Equity attributable to owners of the parent	1,628.8	1,528.6		
Total assets	2,005.5	1,845.2		
Net asset value per share (cents) ^{R3}	145.4	136.6		

R1 Earnings after tax per share (basic) is computed by dividing profit attributable to owners of the parent by the weighted average number of ordinary shares in issue less treasury shares.

R2 Earnings after tax per share (diluted) is computed by dividing profit attributable to owners of the parent by the weighted average number of ordinary shares in issue less treasury shares, after adjusting for the dilutive effect on the exercise of all outstanding share options and vesting of all outstanding performance shares, restricted shares and deferred shares granted to employees.

R3 Net asset value per share is computed by dividing equity attributable to owners of the parent by the number of ordinary shares in issue less treasury shares.