

# FY2019/20 Results Briefing

11 May 2020



SIA ENGINEERING  
COMPANY

# FY19/20 Operational Review



# Core Business



## Line Maintenance

- 35 airports in 7 countries  
(expanding to 47 airports in 10 countries)



## Base Maintenance

- 6 hangars in Singapore
- 3 hangars in Philippines



## Fleet Management

- 92 aircraft from 8 airlines

# Core Business

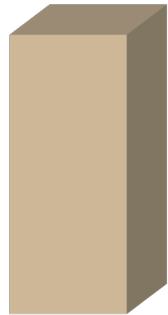
## Line Maintenance

### Flights handled at Changi Airport



↓ 2.1%

153,006



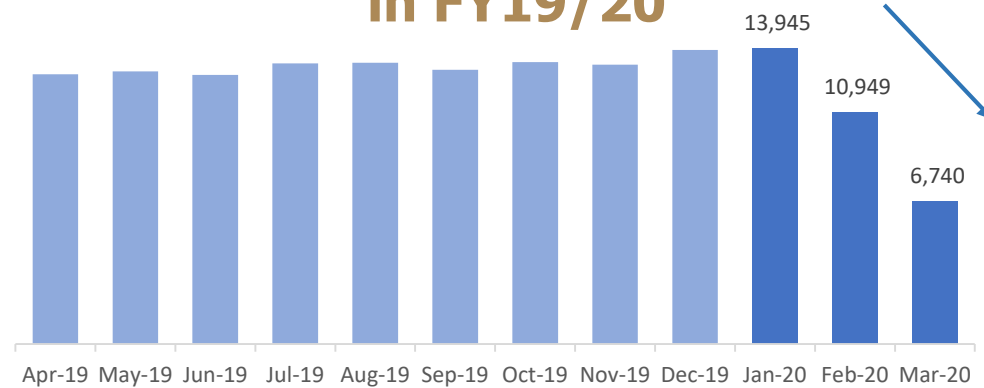
FY18/19

149,804



FY19/20

## Monthly flights handled at Changi in FY19/20



- Healthy number of flights handled at Changi before the impact of the COVID-19 crisis in February and March 2020
- Border controls and decline in travel demand led to drastic cuts in flight capacities and even grounding of aircraft
- Resulted in direct and immediate impact on line maintenance and cabin services business units at Singapore base, and at overseas line maintenance stations
- Flights handled in Singapore base in March dropped to approximately 50% of usual load

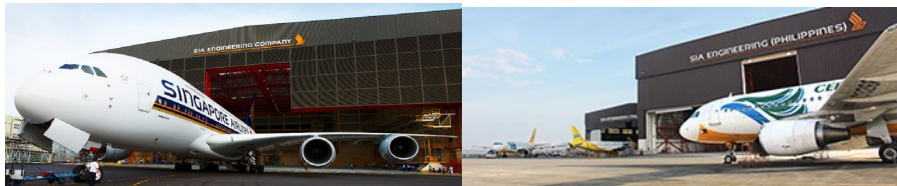
# Core Business

## Base Maintenance

Maintenance Checks at Singapore Base		
	FY19/20	FY18/19
'A' Checks*	515	466
'C' Checks	69	71

\* Including 'A' checks performed by Line Maintenance at the apron

Maintenance Checks at Clark Base		
	FY19/20	FY18/19
'C' Checks	38	54



### Singapore Base

- Number of 'A' checks increased
- Base maintenance not immediately affected by COVID-19 but delayed impact is expected

### Clark Base

- Affected by temporary closure due to a 6.1 magnitude earthquake and aftershocks in Central Philippines in April 2019
- Due to the Enhanced Community Quarantine (ECQ) in Luzon from 17 March 2020 to 15 May 2020, only a skeletal workforce is allowed to operate based on government guidelines, to handle line maintenance requirements and aircraft preservation work



# Core Business

## Fleet Management

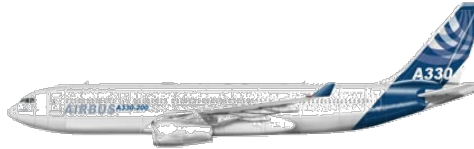
**A320**  
46 aircraft



**737**  
23 aircraft



**A330**  
9 aircraft



**747**  
7 aircraft



**777**  
7 aircraft



**FMP Fleet: 92 aircraft**

## Fleet Management Customers



Revenues for fleet management, which are largely based on flying hours, are impacted by the flight cancellations due to Covid-19 pandemic

# New Contracts

## Line Maintenance



## Base Maintenance



# Innovation and Technology

The Innovation & Technology Group was established in 2016 to spearhead innovation drive with a commitment to invest up to \$50 million over 5 years

## Operations & Technology Capability Roadmap (2018)



Digital Collaboration



Smart Control Centre



Machine Vision



Automation and Robotics



Infrastructure & Supply Chain



Technology Enabled Training

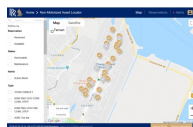


Digitally Enabled Workforce



### Smart MX

App provides engineers digital access to maintenance manuals and information required for their tasks.



### Track and Trace

App to locate and reserve non-motorised equipment using GPS based trackers.



Increase Productivity



### Automation at shops

Automated solutions for processes in workshops including scarfing and adhesive application.



### Supply chain automation

Improve efficiency of spares delivery, through introduction of Pneumatic Tube System (PTS) and self-service dispensing solutions.



Enhance Quality and Safety



### Machine vision

Driver fatigue and distraction detection system installed in vehicles.

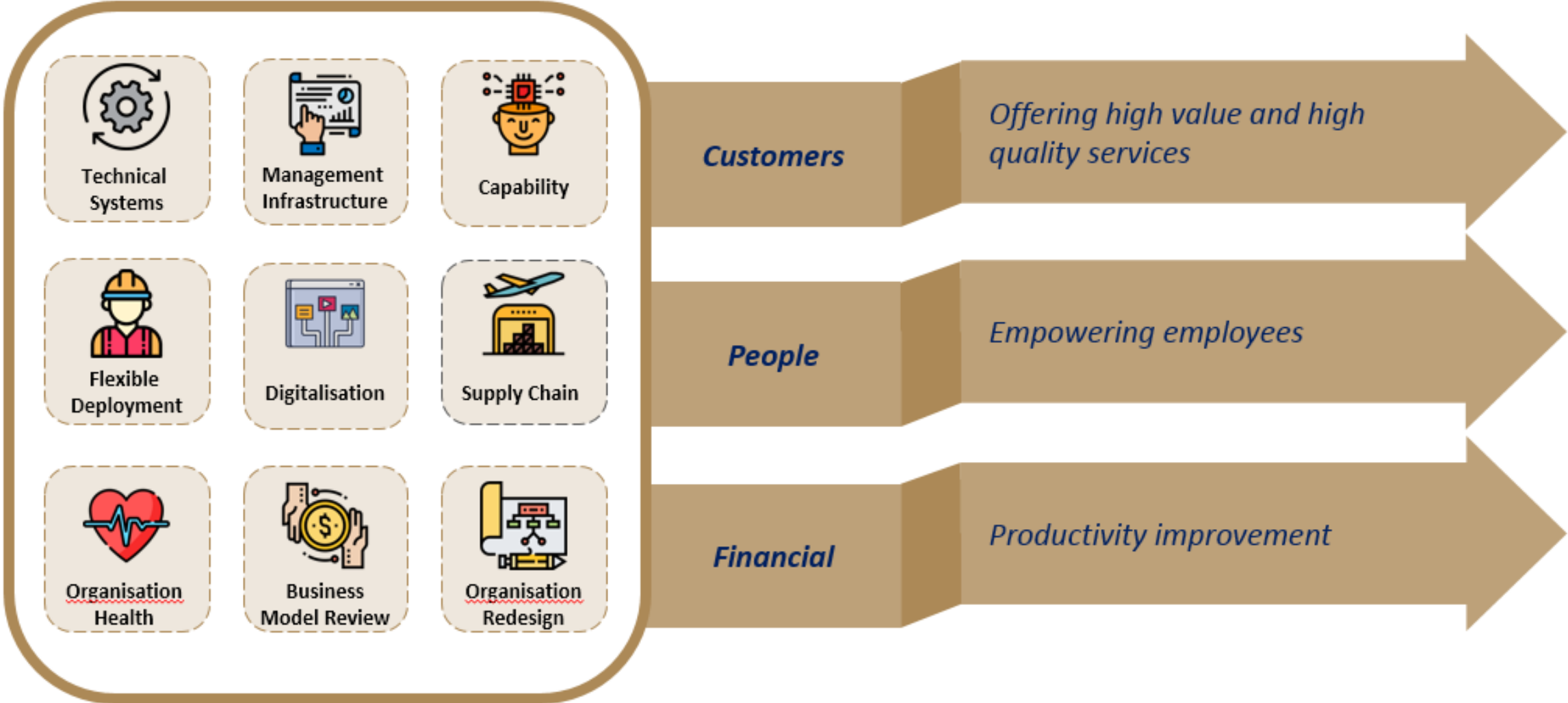


### Virtual reality for training

Increased number of modules to enhance training efficiency for staff.



# Transformation



# Transformation

**Achieved  
improvements**

**Increased  
utilisation**

**Reduced turn-  
around-time**

**Increased  
throughput**

**Reduced  
operating costs**

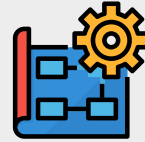
**Over 100  
initiatives  
implemented**



**Performance management strengthened** through performance dialogue and implementation of standard manhours



Staff training for **upskilling and broadening of skillsets**, enabling greater **flexibility in deployment**



**Joint Check Management** with **SIA** established, with **enhanced planning processes** and **improved task execution**



**Expanded capability and capacity** in **Powerplant Shop** to capture **new engine work** (e.g. Safran LEAP engine quick turn)



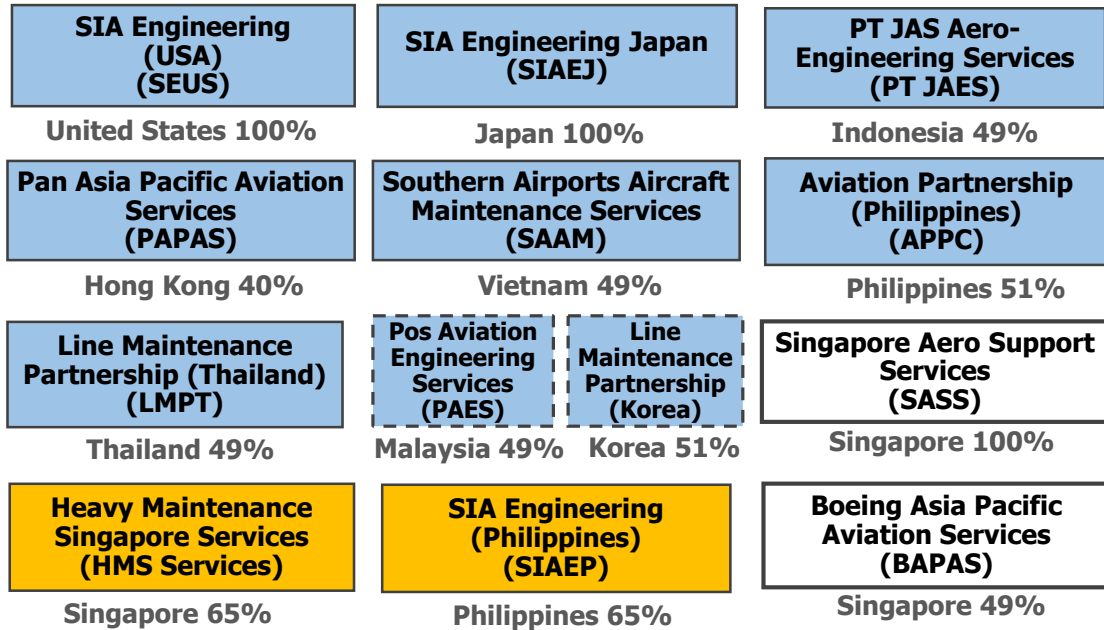
**Improved efficiency in material flow** through deployment of **technology** (e.g. AGVs, pneumatic delivery system and dispensing machines)












**Customised software** developed for **optimisation of inventory** and **component repair costs**

# Strategic Partnerships - JV Portfolio

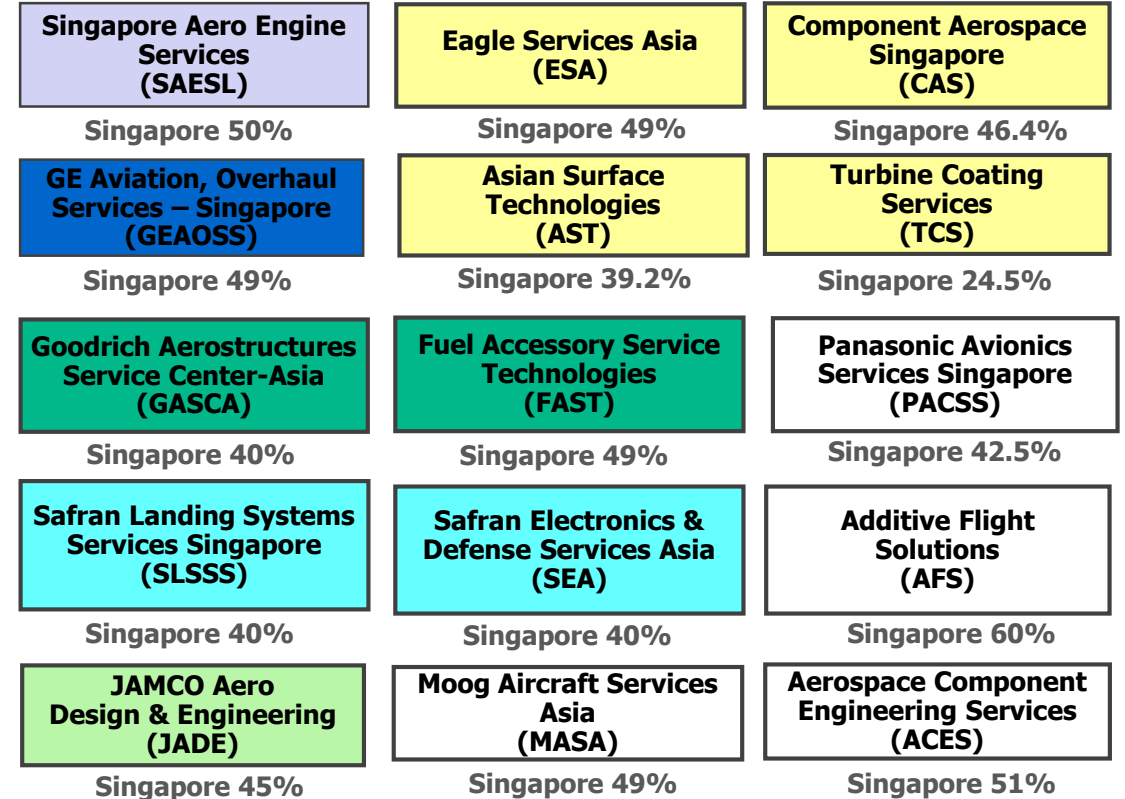
## Airframe and Line Maintenance



**JV Partners:**  Pratt & Whitney  Rolls-Royce  GE  Jamco  Safran  Collins

 Base Maintenance International  Line Maintenance International  Others

## Engine and Component



**26 JVs Across 8 Countries**  
**Total Revenue in FY19/20: S\$5.6B**

# Strengthening our JV Portfolio / other Key Developments

## Investments in New Capabilities

### **EAGLE SERVICES ASIA**

- Built up GP7200 and GTF engine capabilities to rejuvenate growth
- Invested nearly US\$85 million to upgrade the facility, including advanced machinery, and to train employees to perform new engine work



## Incorporation of JV

### **GE Aviation, Overhaul Services - Singapore**

- Incorporated in January 2020 - 51% by GE Aviation, 49% by SIAEC
- Full range of engine MRO services for the GE90 and GE9X engines

## Agreement with Safran Aircraft Engines

### **SAFRAN**

- 10-year agreement to provide engine maintenance services to Safran Aircraft Engines
- SIAEC will provide engine Quick Turn (QT) and modification embodiment services for Safran's CFM LEAP-1A and LEAP-1B engines at a dedicated facility in Singapore

# Response to COVID-19

- **SIAEC and its local JVs are classified as essential services and continue to operate during Circuit Breaker period**
- **74% of SIAEC staff in operations are working in company premises, with majority of support staff working from home, supported by IT and appropriate cyber security measures in place**
  - ✓ Precautionary measures for staff in company premises:-
    - ✓ Segregation into different teams for staff working onsite
    - ✓ Temperature taking and health declarations
    - ✓ Temperature and health screening for visitors
    - ✓ Use of personal protection equipment at all times during work
    - ✓ Frequent cleaning and provision of hand sanitisers at common areas
  - ✓ Enhanced social distancing during Circuit Breaker period
  - ✓ Up-to-date communication to staff on COVID-19 matters
  - ✓ Guidelines on handling of staff who has contact with confirmed/suspect cases
  - ✓ Arrangement with medical vendor to manage suspect cases in safe and compliant manner





# Response to COVID-19

- SIAEC stepped up to perform disinfection fogging for airline customers to protect passengers, crew and staff
- Deployment of staff to perform aircraft preservation and preparation of aircraft for parking overseas
- Engaging airlines to schedule maintenance checks during period of lull traffic period
- Redeployment of resources to areas with work demand
- Scheduling of staff for technical and soft-skill training courses



# Staying Vigilant and Prepared

## Close Monitoring and Review

- SIAEC and its Group of companies are constantly reviewing measures to comply with respective local requirements and guidelines to protect our employees, while ensuring the continuation of operations

## Positioning for Recovery

- Upskilling of employees in the areas of technical training, LEAN processes and digitalisation
- Strengthening our position and readiness to seize opportunities when aviation recovers and business returns

# FY19/20 Financial Review



# FY19/20 Financial Highlights

- The Group recorded a net profit of \$193.8 million for FY19/20. Full year Group performance improved 20.4%
- Operating profit at \$67.7 million was \$10.9 million or 19.2% higher. Strong performance for the first 9 months sustained into much of 4<sup>th</sup> quarter until the COVID-19 pandemic led to sharp drop in flights
- Weaker 4<sup>th</sup> quarter operating performance cushioned by government support schemes
- Share of profits of associated and joint venture companies increased \$14.0 million or 12.3% to \$127.9 million.
- Proposed final dividend of 5 cents.

# Summary of Group Results FY19/20

Group	FY19/20 \$M	FY18/19 \$M	Variance %
Revenue	994.1	1,020.9	- 2.6
Expenditure	926.4	964.1	- 3.9
Operating profit	67.7	56.8	+ 19.2
Share of profits of JVs & Assoc	127.9	113.9	+ 12.3
Provision for taxation	(14.0)	(18.1)	+ 22.7
Net profit	193.8	160.9	+ 20.4

- Strong performance for the first nine months sustained into the last quarter until significant flight cancellations severely impacted line maintenance business
- Improvement in operating profit was supported by the Company's Transformation efforts, which has delivered improvement in manpower utilization and reduced costs
- Weaker 4<sup>th</sup> quarter operating performance cushioned by government support schemes
- Higher share of profits of JVs & Assoc mainly due to the tax write-back at certain associated companies.



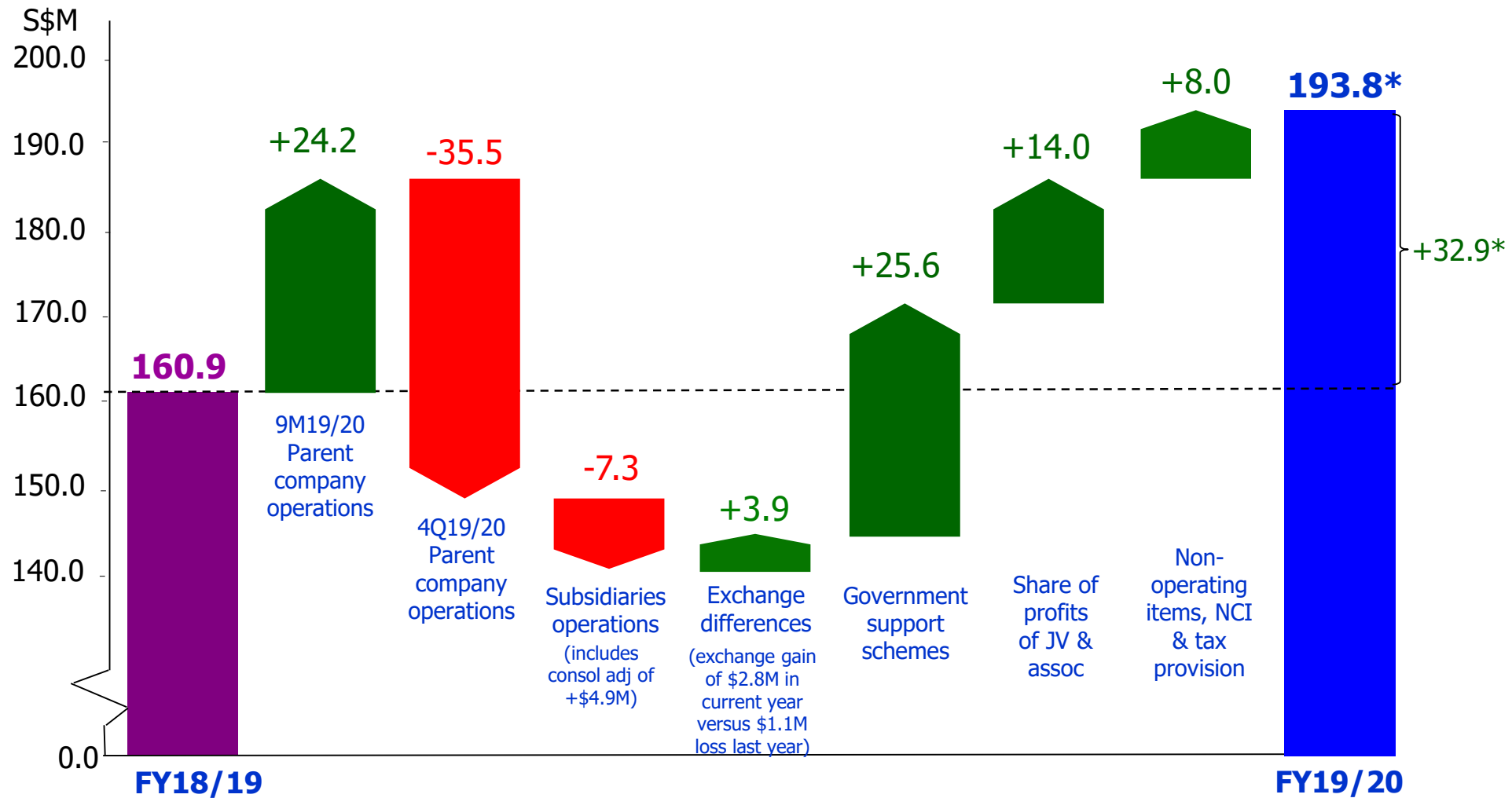
# Summary of Group Results

## 4Q19/20

Group	4Q19/20	4Q18/19	Variance	3Q19/20	Variance
	\$M	\$M	Y-o-Y %	\$M	Q-o-Q %
Revenue	229.3	256.0	- 10.4	252.1	- 9.0
Expenditure	215.0	236.6	- 9.1	236.0	- 8.9
Operating profit	14.3	19.4	- 26.3	16.1	- 11.2
Share of profits of JVs & Assoc	34.9	32.3	+ 8.0	39.6	- 11.9
Provision for taxation	0.7	(5.1)	n.m.	(4.7)	n.m.
Net profit	52.2	49.3	+ 5.9	54.0	- 3.3

- 4<sup>th</sup> quarter's revenue and operating profit adversely impacted by COVID-19
- Impact to operating performance cushioned by \$25.6M government support (under Jobs Support Scheme and Wage Credit Scheme)
- Contributions from JVs & Assoc stable; not immediately impacted by flight cancellations
- Group PAT at \$52.2M was 5.9% higher y-o-y

# Group Profit for FY19/20



\* Excluding government support (\$25.6M), Group PAT would have been \$168.2M, increase of \$7.3M.

# Breakdown of Group Revenue FY19/20

<b>Group Revenue</b>	<b>FY19/20 \$M</b>	<b>FY18/19 \$M</b>	<b>Variance %</b>
<b>Airframe and line maintenance</b>			
Airframe overhaul and line maintenance	879.3	891.2	- 1.3
Fleet management programme	88.4	100.2	- 11.8
	<b>967.7</b>	<b>991.4</b>	<b>- 2.4</b>
<b>Engine and component</b>	26.4	29.5	- 10.5
	<b>994.1</b>	<b>1,020.9</b>	<b>- 2.6</b>

- Lower Airframe overhaul and line maintenance revenue mainly due to lower material revenue and reduction in number of flights handled in the 4<sup>th</sup> quarter (mainly in March 2020)
- Lower Fleet management programme revenue mainly due to expired contracts

# Group Expenditure FY19/20

Group Expenditure	FY19/20 \$M	FY18/19 \$M	Variance %
Staff costs	481.4	488.7	- 1.5
Material costs	128.5	145.2	- 11.5
Subcontract costs	110.1	118.3	- 6.9
Overheads	206.4	211.9	- 2.6
	<b>926.4</b>	<b>964.1</b>	<b>- 3.9</b>

- Expenditure was lower by \$37.7M or 3.9%, mainly from lower material, subcontract and staff costs. Excluding government support, staff costs would have increased 3.7%.
- In view of airline customers' weakened financial position and large number of aircraft parked, following provisions were made :
  - Higher provision for doubtful debts (+\$8.0M)
  - Impairment of assets (+\$3.2M)

# Group Operating Profit FY19/20

<b>Group Operating Profit</b>	<b>FY19/20 \$M</b>	<b>FY18/19 \$M</b>	<b>Variance %</b>
Airframe and Line Maintenance	71.2	59.8	+ 19.1
Engine and Component	(3.5)	(3.0)	- 16.7
	<b>67.7</b>	<b>56.8</b>	<b>+ 19.2</b>

Losses in the Engine and Component segment mainly due to our share of losses in the PW1000 GTF engine program.



# Joint Venture and Associated Companies FY19/20

Share of Profit After Tax	FY19/20 \$M	FY18/19 \$M	Variance %
<b>Engine and component</b>			
Engine centers	86.7	76.2	+ 13.8
Component centers	46.8	39.2	+ 19.4
	<b>133.5</b>	<b>115.4</b>	<b>+ 15.7</b>
<b>Airframe and line maintenance</b>	(5.6)	(1.5)	n.m.
	<b>127.9</b>	<b>113.9</b>	<b>+ 12.3</b>

- Contributions from the engine and component centers at \$133.5M were higher by \$18.1M or 15.7%, mainly due to the tax write-back at certain centers.
- Minimal impact from COVID-19 during the reporting period.

# Group Revenue FY19/20

## (SIAEC, Subsidiaries, JV and Associated Companies)

<b>Group Revenue</b>	<b>Company and subsidiaries</b>	<b>Associated companies *</b>	<b>Joint venture company *</b>	<b>Total</b>	<b>%</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	
Airframe & line maintenance	967.7	140.5	-	1,108.2	- 1.7
Engine and component	26.4	2,291.1	2,914.5	5,232.0	+ 22.9
	994.1	2,431.6	2,914.5	6,340.2	+ 17.8

- Group Revenue increase 17.8% year-on-year
- 29% of Group Revenue for FY19/20 was direct from SIA Group airlines, an increase of 2ppts over FY18/19.

\* Not equity accounted for in the Group's Income Statement

# Group Balance Sheet

	Mar-20 \$M	Mar-19 \$M	Variance %
Equity attributable to owners of the parent	1,628.8	1,528.6	+ 6.6
Non-controlling interests	32.2	35.4	- 9.0
<b>Total equity</b>	<b>1,661.0</b>	<b>1,564.0</b>	+ 6.2
<b>Non-current liabilities</b>	<b>103.7</b>	<b>35.7</b>	+ 190.5
	<b>1,764.7</b>	<b>1,599.7</b>	+ 10.3
<u>Represented by:</u>			
<b>Non-current assets</b>	<b>1,007.4</b>	<b>880.2</b>	+ 14.5
Cash	519.7	521.6	- 0.4
Other current assets	478.4	443.4	+ 7.9
<b>Current assets</b>	<b>998.1</b>	<b>965.0</b>	+ 3.4
<b>Current liabilities</b>	<b>(240.8)</b>	<b>(245.5)</b>	- 1.9
<b>Net current assets</b>	<b>757.3</b>	<b>719.5</b>	+ 5.3
	<b>1,764.7</b>	<b>1,599.7</b>	+ 10.3

- 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 secure additional financing facility as required.

# Financial Statistics

<b>Financial Statistics</b>	<b>FY19/20</b>	<b>FY18/19</b>	<b>Variance</b>	
Return on shareholders' funds (%)	12.3	10.7	+ 1.6	ppt
Basic earnings per share (cents)	17.30	14.38	+ 20.3	%
	<b>Mar-20</b>	<b>Mar-19</b>	<b>Variance</b>	
Net asset value per share (cents)	145.4	136.6	+ 6.4	%

# Dividend

	<b>FY19/20</b>	<b>FY18/19</b>
<u>Ordinary</u> (in cents per share)		
Interim	3.0	3.0
Final	<b>5.0</b> <b>Proposed</b>	8.0

- In making the proposed final dividend of 5.0 cents, Board considered the profits earned during the year and the need to conserve cash due to the severity of the COVID-19 pandemic and the uncertain recovery timeline.
- Proposed final dividend payment subject to shareholders' approval; payment date to be advised at a later date.



# Unprecedented Impact on the Aviation Industry



## Airlines

*“Singapore Airlines extends cancellation of 96 per cent of flights till end-June” - SIA*

*“British Airways furloughs 30,000 workers” -CNN*

*“Virgin Australia Enters Bankruptcy Amid Virus Woes” -WSJ*

*“Norwegian Air says 4,700 jobs at risk after unit bankruptcies” -CNBC*



## Airports

*“For April, the number of scheduled flights is about 96 per cent lower than what was originally scheduled” - Changi Airport*

*“Operations at Changi Airport T2 to be suspended for 18 months from May” - Changi Airport*

*“U-shaped recovery more realistic, with domestic travel rebounding faster than international” - IATA*



## OEMs

*“General Electric to cut 10,000 aviation jobs” - Forbes*

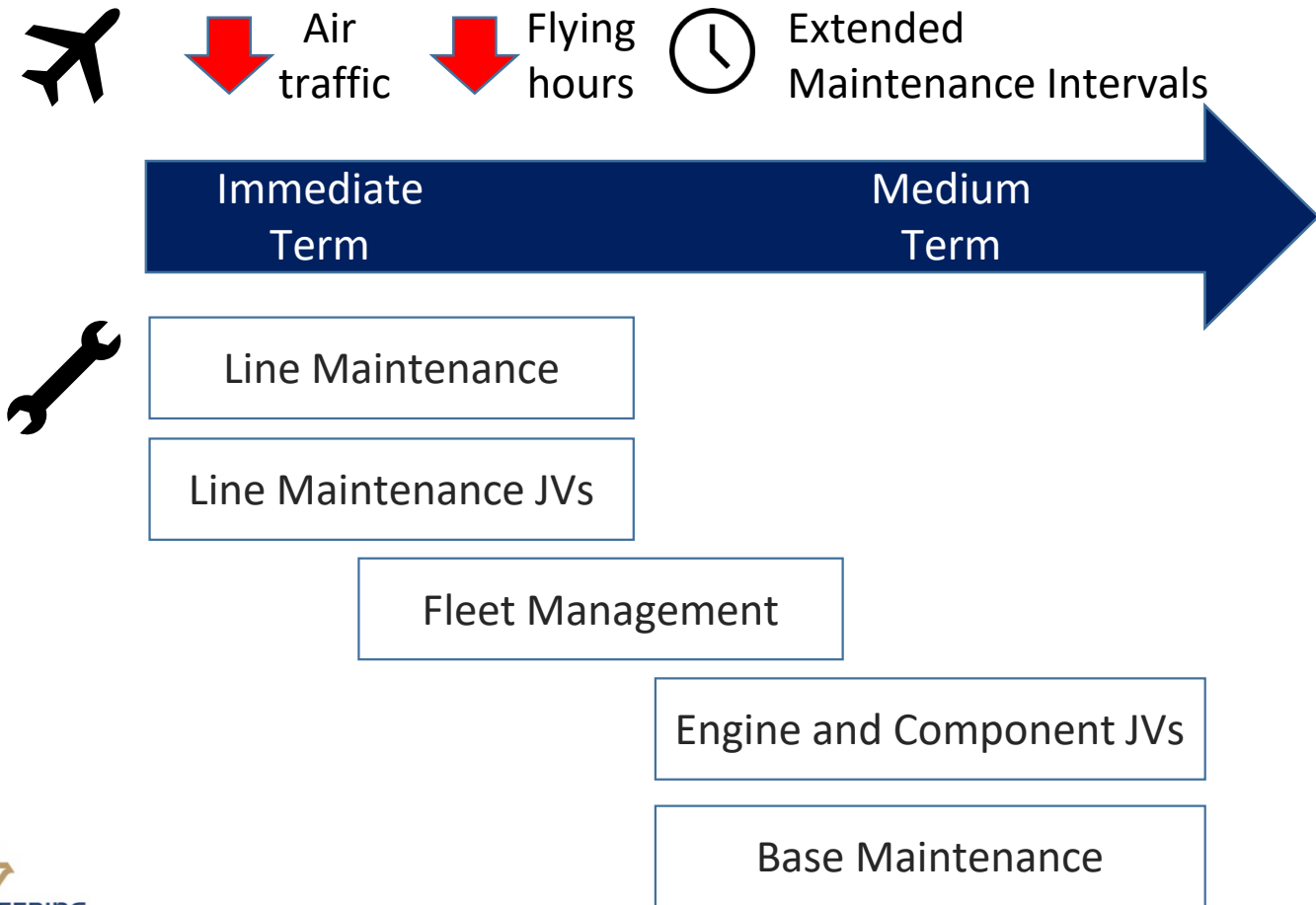
*“Boeing, Expecting a Long Slump, Will Cut 16,000 Jobs”- NYT*

*“Rolls-Royce to cut up to 8000 jobs as aviation crisis bites”, FT*

*Airbus CEO, “requests by customers to postpone delivery or cancel existing orders for aircraft”*

# In the Event of a Recovery...

Extent and pace of recovery of the aviation industry will be a key factor driving the recovery of our business volumes



## Financial Position

- Taken actions to mitigate the adverse financial impact and protect jobs
- Defer non-critical expenditures
- Salary cuts for Management and staff from March 2020
- Balance sheet remains strong with low borrowings
- Measures taken to maintain adequate liquidity

# Looking Forward

**Quality and Safety** remains priority



Press on with Transformation efforts to drive **Productivity and Capabilities**



Review existing **Investment Portfolio**



Equip staff with **LEAN and Digital Skillsets** to champion continuous improvement



Look out for new **Investments and Partnership** opportunities



# End of Performance Review



**SIA ENGINEERING  
COMPANY**