



25th July 2022

SIA ENGINEERING GROUP REPORTS PROFIT AFTER TAX OF S\$12.8M FOR 1ST QUARTER FY2022-23

BUSINESS UPDATES

During the quarter, strong recovery of international flight activities was experienced at Changi Airport as the number of flights handled doubled that of the same period last year and 42% higher than last quarter. The number of flights handled in June 2022 reached 55% of pre-pandemic volume.

The pick-up in flight activities saw an increase in demand for base maintenance checks as more aircraft returned to service and flying activities increased. Productivity achieved through our transformation initiatives improved our performance.

Improvement was also seen across most of our business units. Demand for component and fleet management services, which are largely driven by flight activities, has similarly improved.

Engine Services, our new business unit, completed the first CFM LEAP-1B engine delivery at the new Aircraft Engine Services (AES) facilities and we expect a steady induction of quick turn engine services going forward.

Efforts to retain our staff during the pandemic allowed us to quickly scale up operations to support the ramp up in recovery. In addition, we also stepped up recruitment efforts, in anticipation of a sustained recovery and to strengthen operational resilience.

Our joint venture and associated companies are seeing similar recovery trend in business activities. However, supply chain disruptions had caused delays in parts deliveries to some of our joint ventures.

During the quarter, we completed the acquisition of 75% of the share capital of SR Technics Malaysia ("SRT Malaysia") and secured the licensing of repair capabilities with Honeywell for 10 years for the Air Data Inertial Reference Unit on Boeing 737NG, 737MAX and 787 aircraft.

We were honoured to be awarded the Asia-Pacific MRO of the Year Award by Airline Economics magazine for the second consecutive year. The award was conferred following a voting process that involved industry peers from across a range of aviation-related sectors, on the basis of the Company's improved financial performance, Transformation and Lean initiatives, new and renewed third-party customer contracts, new capabilities and services, key strategic partnerships and sustainability initiatives.

OUTLOOK

The aviation industry experienced signs of a strong recovery in the last quarter, as the lifting of travel restrictions in many countries led to a significant increase in flight activities. Apart from North Asia, rising infections have not appeared to dampen the demand for international travel. However, many challenges remain that can affect the pace of recovery, including the growing manpower crunch in the aviation industry, macroeconomic risks of rising inflation, higher interest rates and recession, supply chain disruptions arising from the Russian-Ukraine conflict, as well as possible threats of outbreaks from new COVID-19 variants.

The Group is closely monitoring these issues and will stay nimble as we manage the recovery. With government wage support ending in July 2022, we continue to exercise financial prudence.

Digitalisation, automation and Lean initiatives under our Transformation programme are delivering higher impact from increasing MRO demand. We will continue to seek opportunities to expand our capabilities and geographical presence through acquisitions and partnerships in our pursuit of sustainable growth.

GROUP FINANCIAL PERFORMANCE

The Group revenue for the first quarter of FY2022-23 increased 36.9% year-on-year to \$171.5 million. The increase was largely driven by the increase in line maintenance revenue due to the higher number of flights handled. Expenditure increased at about the same rate to \$175.5 million, mainly due to the reduction in government wage support. Excluding the impact of government wage support, expenditure rose by 19.3%, significantly lower than the increase in revenue. The Group recorded an operating loss of \$4.0 million for the quarter, \$1.1 million (-37.9%) worse year-on-year. Excluding the impact of wage support, operating performance improved \$16.4 million.

Share of profits of associated and joint venture companies was \$16.4 million, an increase of \$1.6 million (+10.8%) year-on-year, as improvement in operating performance from increase in business volume more than offset the reduction in wage support. Contribution from the engine and component segment was \$17.8 million, while the airframe and line maintenance segment turned in a lower loss of \$1.4 million.

The Group recorded a net profit of \$12.8 million for the quarter ended 30 June 2022, a deterioration of \$1.7 million year-on-year. Excluding the benefit of government wage support, the Group would have recorded a profit of \$4.2 million.

As at 30 June 2022, equity attributable to owners of the parent was \$1,642.9 million, an increase of \$32.2 million (+2.0%) from 31 March 2022, mainly due to profits earned in the first quarter of the financial year.

Total assets at \$1,875.8 million as of 30 June 2022 represented a \$37.6 million (+2.1%) increase from 31 March 2022. The Group's cash balance was \$602.6 million with no borrowings.

Basic earnings per share and net asset value per share as at 30 June 2022 were 1.14 cents and 146.4 cents respectively.

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GROUP FINANCIAL STATISTICS

	1Q22/23 (\$'M)	1Q21/22 (\$'M)	Change (%)
Financial Results			
Revenue	171.5	125.3	36.9
Operating loss	(4.0)	(2.9)	(37.9)
Share of profits of associated and joint venture companies, net of tax	16.4	14.8	10.8
Net profit	12.8	14.5	(11.7)

Per Share Data

Earnings after tax (cents) - basic ^{R1}	1.14	1.30
- diluted ^{R2}	1.13	1.29

	As at 30 Jun 2022 (\$'M)	As at 31 Mar 2022 (\$'M)
Financial Position		
Share capital	420.0	420.0
Treasury shares	(5.8)	(5.8)
Capital reserve	1.5	1.5
Share-based compensation reserve	5.9	5.1
Foreign currency translation reserve	(0.3)	(19.8)
Fair value reserve	(0.8)	0.1
Equity transaction reserve	(2.2)	(2.2)
General reserve	<u>1,224.6</u>	<u>1,211.8</u>
Equity attributable to owners of the parent	<u>1,642.9</u>	<u>1,610.7</u>
Cash and bank balances	602.6	625.5
Receivables ^{R3}	233.6	217.0
Total assets	1,875.8	1,838.2
Total liabilities	222.0	216.9
Net asset value per share (cents) ^{R4}	146.4	143.5
Return on equity holders' funds (%) ^{R5}	4.1	4.3

COMPANY OPERATING STATISTICS AT SINGAPORE BASE

	1Q22/23	1Q21/22
Flights handled at Changi Airport by line maintenance	20,281	9,755
Number of heavy checks performed at Singapore base	20	21
Number of light checks performed at Singapore base	118	85
Fleet size managed by fleet management business	97	79

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 vesting of all outstanding performance shares, restricted shares and deferred shares granted to employees.

R3 Receivables comprises trade debtors, contract assets, amount owing by immediate holding company and amounts owing by related parties.

R4 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.

R5 Return of equity holders' funds is profit attributable to the Company expressed as a percentage of the average equity holders' funds.