



SIA ENGINEERING GROUP REPORTS PROFIT AFTER TAX OF S\$12.8M FOR 3rd QUARTER FY2022-23

BUSINESS UPDATES

The Group continued its recovery as flight activities improved. For the quarter ended 31 December 2022, the Group recorded net profit of \$12.8 million. Excluding last year's wage support and one-time write-back of tax provision, Group performance improved \$19.8 million year-on-year.

Group's revenue grew 9% quarter-on-quarter and was 49% higher than the same period last year as flight activities continued to recover during the quarter. Revenue growth was registered across all business segments. Excluding impact of wage support and exchange loss arising from the weakening of US dollar against Singapore dollar, operating performance improved year-on-year and quarter-on-quarter.

The number of flights handled in the quarter by line maintenance unit in Singapore was 71% of pre-pandemic volume. With the continued recovery of the aviation industry, work demand for the other business units has also picked up. For base maintenance, the work content of aircraft checks was heavier and more checks were completed during the quarter. Inductions at engine and component shops have also trended higher.

Business activities at joint venture and associated companies continue to increase, despite some companies facing component parts shortages which they have been able to manage.

On Transformation front, in addition to focused efforts on expanding the scope of Lean adoption across our operation units, the Company has expanded our inhouse Lean capabilities through training of the workforce. Implementation of Lean continues to deliver value to both the Company and our customers through improvement in turnaround time of the checks, thereby improving manpower utilisation through capacity creation.

Our efforts to step up our sustainability practices have shown results with improvements in our recent sustainability ratings¹ that the Group tracks.

Note 1: Rating from Sustainalytics improved from Medium (20.9) to Low (17.9) and rating from S&P Global Corporate Sustainability Assessment (CSA) improved from 37 to 45.

OUTLOOK

The reopening of China's borders is a positive development for a faster and full recovery of the aviation industry. However, challenges remain in the recovery path with risk of global recession, inflationary pressures, supply-chain disruptions and geopolitical uncertainties.

As the Group ramps up resources in anticipation of further recovery, we will closely manage the rising costs and continue to scale up our efforts in automation and Lean practice adoption. At the same time, we will seize opportunities to broaden our customer base, develop new capabilities and expand our geographical presence through acquisitions and partnerships to achieve sustainable business growth.

GROUP FINANCIAL PERFORMANCE

The Group recorded revenue of \$208.1 million for the third quarter of FY2022-23, an increase of 48.6% year-on-year. Group expenditure rose at a higher rate of 49.3% to \$220.6 million mainly due to absence of wage support; this is the first quarter with no wage support since the pandemic. Excluding impact of wage support, expenditure increase was 35.5%, contributed mainly by increase in manpower costs. Manpower costs increased largely due to increase in headcount, cessation of manpower cost mitigation measures and increments.

As revenue growth was lower than the rise in expenditure, the Group incurred a higher operating loss of \$12.5 million as compared to the operating loss of \$7.8 million in the same period last year. Excluding impact of wage support, operating performance improved \$10.3 million.

Share of profits of associated and joint venture companies was \$19.3 million, \$20.8 million lower year-on-year. In the same period last year, certain group companies recorded one-time writeback of tax provision. Excluding the impact of this exceptional item, share of profit was \$0.7 million higher year-on-year. The airframe and line maintenance segment recorded an improvement of \$5.9 million while the engine and component segment registered \$5.2 million lower profits.

The Group's net profit was \$12.8 million for the quarter ended 31 December 2022, \$20.4 million lower year-on-year. Excluding last year's wage support and one-time tax writeback, Group performance improved \$19.8 million year-on-year.

As at 31 December 2022, equity attributable to owners of the parent was \$1,652.7 million, an increase of \$42.0 million (+2.6%) from 31 March 2022, mainly due to profits earned for the period.

Total assets at \$1,890.0 million as of 31 December 2022 increased \$51.8 million (+2.8%) from 31 March 2022. The Group's cash balance was \$576.8 million with no borrowings.

Basic earnings per share and net asset value per share as at 31 December 2022 were 1.14 cents and 147.2 cents respectively.

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GROUP FINANCIAL STATISTICS

	3Q22/23 (\$'M)	3Q21/22 (\$'M)	9M22/23 (\$'M)	9M21/22 (\$'M)
Financial Results				
Revenue	208.1	140.0	570.3	403.5
Operating loss	(12.5)	(7.8)	(23.3)	(14.5)
Share of profits of associated and joint venture companies, net of tax	19.3	40.1	60.7	66.9
Net profit	12.8	33.2	45.3	58.2
Per Share Data				
Earnings after tax (cents) - basic ^{R1}	1.14	2.96	4.04	5.19
- diluted ^{R2}	1.14	2.94	4.02	5.17
	As at 31 Dec 2022	As at 31 Mar 2022		
	(\$'M)	(\$'M)		
Financial Position				
Share capital	420.0	420.0		
Treasury shares	(3.5)	(5.8)		
Capital reserve	(0.5)	1.5		
Share-based compensation reserve	4.4	5.1		
Foreign currency translation reserve	(27.8)	(19.8)		
Fair value reserve	5.1	0.1		
Equity transaction reserve	(2.2)	(2.2)		
General reserve	1,257.2	1,211.8		
Equity attributable to owners of the parent	1,652.7	1,610.7		
Cash and bank balances	576.8	625.5		
Receivables ^{R3}	238.1	217.0		
Total assets	1,890.0	1,838.2		
Total liabilities	226.8	216.9		
Net asset value per share (cents) ^{R4}	147.2	143.5		
Return on equity holders' funds (%) ^{R5}	3.4	4.3		

COMPANY OPERATING STATISTICS AT SINGAPORE BASE

	3Q22/23	3Q21/22	9M22/23	9M21/22
Flights handled at Changi Airport by line maintenance	29,181	12,860	74,444	33,605
Number of heavy checks performed at Singapore base	28	25	70	71
Number of light checks performed at Singapore base	151	92	409	254
Fleet size managed by inventory technical management business	108	76	108	76

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.