



SIA ENGINEERING GROUP FULL YEAR RESULTS FOR FY2022-23

- The Group recorded a net profit of \$66.4M despite the reduction in wage support
- Proposed final dividend of 5.5 cents, the first since the onset of Covid pandemic

HIGHLIGHTS OF THE GROUP'S PERFORMANCE

	Full Year	Year-on-Year		2nd Half	Year-on-Year	
	FY2022-23	Change		FY2022-23	Change	
	\$'M	\$'M	%	\$'M	\$'M	%
Revenue	796.0	+229.9	+40.6	433.8	+131.2	+43.4
Operating loss	(26.3)	-4.5	-20.6	(15.5)	-0.4	-2.6
Share of profits of associated and joint venture companies, net of tax	77.8	-1.3	-1.6	36.4	-15.9	-30.4
Profit attributable to owners of the parent	66.4	-1.2	-1.8	33.9	-8.7	-20.4
Basic earnings per share (cents)	5.91	-0.11	-1.8	3.02	-0.77	-20.3

GROUP EARNINGS

Financial Year 2022-23

The Group posted revenue of \$796.0 million for the financial year ended 31 March 2023, an increase of 40.6% year-on-year as maintenance and overhaul demand picked up in line with the recovery of flight activities. Group expenditure rose 39.9%, with the increase mainly due to the progressive step down of government wage support and higher manpower and material costs. Manpower costs increased largely due to higher headcount, and cessation of manpower cost mitigation measures.

Operating performance remained in loss position with the flight recovery coming off from a low base. For the year in review, total number of flights handled by the Group in Singapore was only about 65% of pre-pandemic volume. While Group operating loss of \$26.3 million was \$4.5 million higher than last year, losses were progressively lower quarter-on-quarter. Excluding the impact of the reduction in wage support, operating performance improved \$55.6 million year-on-year.

Note 1: The SIAEC Group's audited financial results for the financial year ended 31 March 2023 were announced on 8 May 2023. 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.

Share of profits from associated and joint venture companies of \$77.8 million was \$1.3 million (-1.6%) lower year-on-year. Included in last year's share of profits was a one-time writeback of tax provisions by certain associated companies. Excluding prior year's tax write-back and wage support, share of profits was \$42.7 million higher year-on-year. Contributions from the engine and component segment improved 62.5% to \$76.2 million, while the airframe and line maintenance segment turnaround from a loss of \$11.8 million to a profit of \$1.6 million (+\$13.4 million).

Excluding the impact of prior year's tax write-back and lower wage support, Group net profit improved \$102.6 million year-on-year.

Basic earnings per share was 5.91 cents for the current financial year.

Second Half FY2022-23

In the second half of the financial year, the Group's operating loss was \$15.5 million, comparable to the operating loss of \$15.1 million in the same period last year as improvement in operating performance offset the absence of wage support. Revenue grew 43.4% as increase in flight activities continued to drive demand for aircraft maintenance and overhaul. Expenditure rose 41.4% mainly due to increase in manpower and materials usage accompanied by the cessation of wage support. Excluding the impact of the reduction in wage support, operating performance improved \$24.2 million.

Share of profits of associated and joint venture companies was \$36.4 million, \$34.6 million from the engine and component segment and, \$1.8 million from the airframe and line maintenance segment. Share of profits was \$15.9 million lower year-on-year, mainly due to last year's one-time writeback of tax provisions by certain associated companies. Excluding this one-off item, share of profits increased year-on-year as work volume improved with the recovery of demand.

The Group recorded a net profit of \$33.9 million for the half year ended 31 March 2023, a reduction of \$8.7 million year-on-year.

Basic earnings per share for the second half was 3.02 cents.

GROUP FINANCIAL POSITION

As at 31 March 2023, equity attributable to owners of the parent was \$1,666.1 million, an increase of \$55.4 million (+3.4%) from 31 March 2022, mainly due to profits earned for the financial year.

Total assets stood at \$1,983.2 million as of 31 March 2023, an increase of \$145.0 million (+7.9%) from 31 March 2022. The Group's cash balance was \$633.0 million.

Net asset value per share as at 31 March 2023 was 148.5 cents.

DIVIDEND

The Board is recommending a final ordinary dividend of 5.5 cents per share for FY2022-23.

Payment of the final dividend, which amounts to approximately \$62 million, is subject to shareholders' approval at the Annual General Meeting on 20 July 2023. The dividend will be paid on 11 August 2023.

BUSINESS UPDATES

The financial year ended 31 March 2023 saw the strongest recovery of flight activities since the pandemic with border restrictions mostly lifted during the year. Flight activities recovered steadily throughout the year as the number of flights handled by our Line Maintenance unit in Singapore recovered to about 79% of pre-pandemic volume in March 2023. For the year, flight volume handled represented about 65% of pre-pandemic volume. Similar recovery trends were observed at our overseas Line Maintenance stations.

The strong recovery has led to higher demand for maintenance, repair and overhaul. Consequently, revenue growth was registered across all business units of the Company and the Group's portfolio of companies as business volume increased.

At Base Maintenance, the successful adoption of Lean practices has yielded additional capacity, enabling the unit to take advantage of the increase in demand with new customer contracts secured during the year; more content-heavy aircraft checks were also performed during the year. Inductions at engine and component shops have also trended up during the year. For our Engine Services unit, since completion of the first CFM LEAP-1B delivery in early part of the financial year, inductions have been increasing progressively. Our engine test facility was also upgraded to test CFM LEAP 1-A engines.

Our portfolio of joint venture and associated companies have rebounded in line with the industry recovery. While some are experiencing supply chain issues due to component parts shortages, leading to longer repair cycles, these issues are so far manageable. We will continue to monitor and work with our OEM partners to mitigate the impact of any disruption.

Recruitment efforts during the year, in anticipation of sustained recovery, has enabled us to scale up operations to meet the pace of recovery and ensure operational resilience. Despite the tight labour market, we will continue to do the same as Changi Airport recovers to pre-Covid levels.

In May 2022, the Company acquired a 75% stake in SR Technics Malaysia Sdn. Bhd. This acquisition expands our component repair and overhaul capabilities, creating further opportunities for business growth and innovation. The company has since been renamed as Asia Pacific Aircraft Component Services Sdn. Bhd.

Following completion of the mapping of the Group's greenhouse gas emission (GHG) inventory and careful evaluation of abatement opportunities, we have declared our net zero target by 2050 and set a medium-term target of halving the Group's Scope 1 and 2 carbon emission by 2030, from the baseline

year of FY2019-20. Our efforts to step up our sustainability practices have also shown results with improvements in our recent sustainability ratings² that the Group tracks.

OUTLOOK

Aviation traffic in Singapore and Asia-Pacific continues to improve as airlines in the region see higher demand following the reopening of China's borders and the removal of most of the remaining travel restrictions. The worst of the Covid crisis is clearly behind us as we look forward to not only recovering to pre-Covid business volume but to emerge stronger. However, with flight recovery already close to 80%, the pace of recovery is expected to be slower than last year. In addition, the interplay of geopolitical tensions, a looming economic slowdown in many major economies, supply chain disruptions and persistent high inflation could pose risks to the continued recovery, with downstream impact on demand for maintenance, repairs and overhaul.

Transformation undertaken during the Covid period has enabled us to raise our productivity and enhance our competitiveness. To sustain this, the Group will continue to be vigilant on management of rising costs and drive continuous improvement in productivity and efficiency across our operations, whilst focusing on workforce training and upskilling.

At the same time, we remain committed to our strategies for sustainable business growth with organic investments and development of new MRO capabilities; broadening the scope and capabilities of our current joint venture companies through new acquisitions and partnerships; and expanding our geographical presence to capture new markets and customers.

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(For the complete FY2022-23 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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Note 2: 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.

GROUP FINANCIAL STATISTICS

			FY22/23 (\$'M)	FY21/22 (\$'M)
Financial Results				
Revenue			796.0	566.1
Operating loss			(26.3)	(21.8)
Share of profits of associated and joint venture companies, net of tax			77.8	79.1
Net profit			66.4	67.6
Per Share Data				
Earnings after tax (cents) - basic ^{R1}			5.91	6.02
- diluted ^{R2}			5.89	6.00
	4Q22/23 (\$'M)	4Q21/22 (\$'M)	2H22/23 (\$'M)	2H21/22 (\$'M)
Financial Results				
Revenue	225.7	162.6	433.8	302.6
Operating loss	(3.0)	(7.3)	(15.5)	(15.1)
Share of profits of associated and joint venture companies, net of tax	17.1	12.2	36.4	52.3
Net profit	21.1	9.4	33.9	42.6
Per Share Data				
Earnings after tax (cents) - basic ^{R1}	1.88	0.84	3.02	3.79
- diluted ^{R2}	1.87	0.83	3.01	3.78
			As at 31 Mar 2023 (\$'M)	As at 31 Mar 2022 (\$'M)
Financial Position				
Share capital			420.0	420.0
Treasury shares			(5.0)	(5.8)
Capital reserve			(0.5)	1.5
Share-based compensation reserve			5.8	5.1
Foreign currency translation reserve			(35.3)	(19.8)
Fair value reserve			4.4	0.1
Equity transaction reserve			(2.2)	(2.2)
General reserve			1,278.9	1,211.8
Equity attributable to owners of the parent			<u>1,666.1</u>	<u>1,610.7</u>
Cash and bank balances			633.0	625.5
Receivables ^{R3}			256.5	217.0
Total assets			1,983.2	1,838.2
Total liabilities			306.5	216.9
Net asset value per share (cents) ^{R4}			148.5	143.5
Return on equity holders' funds (%) ^{R5}			4.1	4.3

COMPANY OPERATING STATISTICS AT SINGAPORE BASE

	FY22/23	FY21/22
Flights handled at Changi Airport by line maintenance	105,139	47,885
Number of heavy checks performed at Singapore base	94	93
Number of light checks performed at Singapore base	568	348
Fleet size managed by fleet management business ^{R6}	109	95

	4Q22/23	4Q21/22	2H22/23	2H21/22
Flights handled at Changi Airport by line maintenance	30,695	14,280	59,876	27,140
Number of heavy checks performed at Singapore base	24	22	52	47
Number of light checks performed at Singapore base	159	94	310	189
Fleet size managed by fleet management business ^{R6}	109	95	109	95

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.

R6 Fleet size as at end of reporting period.