



SIA ENGINEERING GROUP POSTS OPERATING PROFIT IN 1st QUARTER FY2023-24

BUSINESS UPDATES

For the first quarter of FY2023-24, amid the continued recovery in demand for MRO work as flight activities grew, the Group posted its first quarterly operating profit since the onset of the Covid-19 pandemic over three years ago.

During the quarter, the number of flights handled by our line maintenance unit in Singapore recovered to 84% of pre-pandemic volume, an increase of 69% year-on-year and 11% higher than last quarter. In addition, more hangar checks were completed, while our component and engine shops continued to see a sustained increase in work demand, consistent with increased flight activities. A similar trend was observed in the work volume from airline customers under the Inventory Technical Management programme.

While demand has been increasing, supply chain issues still persist in some parts of the business, the operational impact of which remains manageable.

Significant progress has been made in expanding our geographical footprint and capabilities. In May 2023, we announced an agreement to increase our shareholding in JAMCO Aero Design & Engineering Private Limited ("JADE") from 45% to 55%; having majority control of JADE allows for greater focus in growing our cabin services business. In June 2023, we signed a joint venture agreement to form a line maintenance joint venture in Cambodia; this joint venture will complement the existing network of line maintenance stations and is expected to be operational in 2025. Through our subsidiary, Asia Pacific Aircraft Component Services, licensing rights was secured from Honeywell for Airbus Air Data Inertial Reference Unit (ADIRU) MRO work, adding to the licensing rights for Boeing ADIRU component MRO work secured a year ago.

On subsequent developments in July 2023, we signed an agreement with Eaton to form a component MRO joint venture in Malaysia for Eaton-manufactured aircraft components.

We are honoured to have been conferred the Honeywell APAC Channel Partner of the Year 2022 award. Honeywell Channel Partners are members of a carefully selected group of companies chosen because of their unique market reach, commitment to growth, and a strong track record of performance, integrity and compliance.

OUTLOOK

The outlook for global air travel demand continues to be strong. While this bodes well for demand for MRO services, further recovery in MRO demand will be at a slower pace than the rate of recovery over the past year as airlines manage various constraints to return fully to pre-pandemic flight levels.

In addition, ongoing geopolitical tensions and macroeconomic uncertainties, inflationary pressure and supply chain disruptions present challenges to business recovery and operating margins. We therefore continue to be vigilant in managing cost, as well as to drive improvements in productivity and efficiency through our Continuous Improvement programme.

Despite these challenges, our strategies for sustainable business growth remain unchanged. The Group will continue to seize opportunities to invest in broadening our MRO capabilities and expanding our geographical presence for further growth, while nurturing and managing our portfolio of partnerships and joint ventures.

GROUP FINANCIAL PERFORMANCE

Driven by higher demand for MRO work, the Group's revenue for the first quarter of FY2023-24 increased 52.7% year-on-year to \$261.9 million. Expenditure also increased, but at a slightly lower rate of 49.0%, to \$261.5 million, mainly due to higher manpower costs and material costs, as well as the absence of government wage support. The Group recorded an operating profit of \$0.4 million for the quarter, an improvement of \$4.4 million year-on-year. It marks the first quarter of profit at the operating level since the onset of the pandemic in the fourth quarter of FY2019-20. If we exclude the impact of wage support recorded in the same quarter last year, operating performance improved by \$13.0 million.

Our share of profits of associated and joint venture companies was \$21.9 million, with \$21.2 million coming from the engine and component segment and \$0.7 million from the airframe and line maintenance segment. Share of profits increased \$5.5 million (+33.5%) year-on-year due to improvement in operating performance from the increase in business volume.

The Group recorded a net profit of \$27.0 million for the quarter ended 30 June 2023, which more than doubled year-on-year.

As at 30 June 2023, equity attributable to owners of the parent was \$1,705.6 million, an increase of \$39.5 million (+2.4%) from 31 March 2023, mainly due to profits earned in the first quarter of the financial year.

Total assets stood at \$2,050.7 million as at 30 June 2023, an increase of \$67.5 million (+3.4%) from 31 March 2023.

Basic earnings per share and net asset value per share as at 30 June 2023 were 2.41 cents and 152.0 cents respectively.

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GROUP FINANCIAL STATISTICS

	1Q23/24 (\$'M)	1Q22/23 (\$'M)	Change (%)
Financial Results			
Revenue	261.9	171.5	52.7
Operating profit/(loss)	0.4	(4.0)	n.m.
Share of profits of associated and joint venture companies, net of tax	21.9	16.4	33.5
Net profit	27.0	12.8	110.9

Per Share Data

Earnings after tax (cents) - basic ^{R1}	2.41	1.14
- diluted ^{R2}	2.40	1.13

	As at 30 Jun 2023 (\$'M)	As at 31 Mar 2023 (\$'M)
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Financial Position		
Share capital	420.0	420.0
Treasury shares	(5.0)	(5.0)
Capital reserve	(0.5)	(0.5)
Share-based compensation reserve	6.8	5.8
Foreign currency translation reserve	(20.6)	(35.3)
Fair value reserve	1.2	4.4
Equity transaction reserve	(2.2)	(2.2)
General reserve	1,305.9	1,278.9
Equity attributable to owners of the parent	1,705.6	1,666.1
Cash and bank balances	634.8	633.0
Receivables ^{R3}	293.6	256.5
Total assets	2,050.7	1,983.2
Total liabilities	335.0	306.5
Net asset value per share (cents) ^{R4}	152.0	148.5
Return on equity holders' funds (%) ^{R5}	3.6	4.1

COMPANY OPERATING STATISTICS AT SINGAPORE BASE

	1Q23/24	1Q22/23
Flights handled at Changi Airport by line maintenance	34,173	20,283
Number of heavy checks performed at Singapore base	23	20
Number of light checks performed at Singapore base	173	118
Fleet size managed by fleet management business	114	97

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.