SIA ENGINEERING COMPANY

5th May 2022

SIA ENGINEERING GROUP
FULL YEAR RESULTS FOR FY2021-22

- **Flight activities continued to recover gradually during the year, with a faster pace of recovery in the second half**
- **Group profit lifted by government wage support, without which the Group would have reported a loss**

HIGHLIGHTS OF THE GROUP'S PERFORMANCE

	Full Year FY2021-22	Year-on-Year Change		2nd Half FY2021-22	Year-on-Year Change	
	$'M	$'M	%	$'M	$'M	%
Revenue	566.1	+123.1	+27.8	302.6	+82.6	+37.5
Operating loss	(21.8)	+3.2	+12.8	(15.1)	-17.3	n.m.
Share of profits of associated and joint venture companies, net of tax	79.1	+39.2	+98.2	52.3	+40.8	n.m.
Profit attributable to owners of the parent	67.6	+78.8	n.m.	42.6	+34.8	n.m.
Basic earnings per share (cents)	6.02	+7.02	n.m.	3.79	+3.10	n.m.

GROUP EARNINGS

Financial Year 2021-22

The Group posted a revenue of $566.1 million for the financial year ended 31 March 2022, an increase of 27.8% year-on-year. This increase was largely driven by a higher number of flights handled as flight activities continued to recover during the year. Group expenditure grew at a lower rate of 25.6%, mainly due to lower government wage support and increase in payroll costs as manpower management measures were progressively rolled back. Consequently, the Group incurred a lower operating loss of $21.8 million in comparison to the operating loss of $25.0 million last year.

Share of profits from associated and joint venture companies improved $39.2 million (+98.2%) year-on-year to $79.1 million. The improvement was largely due to a one-time writeback of tax provisions by certain associated companies, compared to a one-time tax charge last year. Contributions from the engine and component segment rose by $40.0 million (+80.3%) to $89.8 million, while the airframe and line maintenance segment turned in a loss of $10.7 million, which was $0.8 million (-8.1%) worse than last year.

Note 1: The SIAEC Group's audited financial results for the financial year ended 31 March 2022 were announced on 5 May 2022. 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.

The Group net profit for the financial year was $67.6 million, a turnaround from the loss of $11.2 million last year. Included in last year's poorer performance was an impairment provision of $35 million on Base Maintenance unit's assets.

Performance was underpinned by government wage support, short of which the Group would have recorded a loss of $25.9 million.

Basic earnings per share was 6.02 cents for the current financial year.

Second Half FY2021-22

The Group recorded an operating loss of $15.1 million in the second half, a deterioration as compared to an operating profit of $2.2 million in the same period last year. Revenue increase of 37.5% to $302.6 million was insufficient to offset the reduction of grant from government wage support and increase in costs from progressive rollback of manpower measures. Expenditure had increased at a higher rate of 45.9% to $317.7 million.

Share of profits of associated and joint venture companies was $52.3 million, an improvement of $40.8 million year-on-year, mainly due to a one-time writeback of tax provisions by certain associated companies, compared to a one-time tax charge last year. Contributions from the engine and component segment was $57.5 million, while the airframe and line maintenance segment turned in a loss of $5.2 million.

The Group recorded a net profit of $42.6 million for the half year ended 31 March 2022, an improvement of $34.8 million year-on-year.

Basic earnings per share for the second half was 3.79 cents.

GROUP FINANCIAL POSITION

As at 31 March 2022, equity attributable to owners of the parent was $1,610.7 million, an increase of $77.1 million (+5.0%) from 31 March 2021, mainly due to profits earned for the financial year.

Total assets stood at $1,838.2 million as of 31 March 2022, an increase of $28.4 million (+1.6%) from 31 March 2021. The Group's cash balance was $625.5 million.

Net asset value per share as at 31 March 2022 was 143.5 cents.

DIVIDEND

The Group continued to receive substantial government wage support during the financial year, without which the Group would have reported a loss. While flight activities are showing clear signs of recovery, they remained low against pre-pandemic levels. Against a backdrop of geopolitical tensions and continuing threat of rising infection in some countries and new variants emerging, there are significant risks to the pace of recovery. In view of the foregoing, the Board does not recommend any dividend payout for the financial year.

BUSINESS UPDATES

The pace of recovery of flights has been gradual, with stronger pick up in the second half. In March 2022, the number of flights handled at our Line Maintenance unit in Singapore reached the highest level since the pandemic, at 38% of pre-pandemic workload. Compared to the low base last year, the number of flights handled during the financial year at 29% of pre-pandemic workload was 73% higher year-on-year. Similar recovery trends were observed at our overseas Line Maintenance stations.

Base Maintenance secured and completed more checks this year. This was due to an increase in demand as well as active marketing to fill additional capacity, which was created as a result of the successful adoption of Lean practices and the significant reduction in turnaround time. Wider application of Lean will gain further traction as volume increase with the return of business.

Work volume for the fleet management business, which is largely driven by flight activities, remained muted during the year due to low flight hours and retirement of customers' older aircraft. For the engine and component segment for which overhaul cycles are partially time-based, demand recovery was slightly higher than the recovery in flight activities.

Active management of the impact of COVID-19 has enabled us to avoid business disruption. Measures taken earlier to mitigate manpower surpluses and manage manpower cost were removed in phases as flight activities picked up and in preparation for further flight recovery. To manage the expected rise in business recovery, we have been ramping up manpower recruitment. With the progressive step-down in government wage support, we stayed prudent in managing the increase in costs.

In FY2021-22, we have taken the opportunity to make good progress and further solidify the efforts of our Transformation. The Company implemented a series of Lean initiatives across various divisions which have yielded significant improvements in productivity and turnaround time. Investments in IT and data infrastructure have provided the foundation to implement digital technologies to better support the workforce in areas of improving productivity, operational efficiency and enabling employees to perform higher value work.

During the Singapore Airshow in February 2022, the Group made a series of announcements on growing and investing in new capabilities. We announced the agreement with SR Technics Switzerland to acquire a 75% stake in SR Technics Malaysia, to form a component maintenance, repair and overhaul joint venture. The new joint venture, which is subject to the satisfaction of conditions precedent set out in the agreement, will complement our existing component repair and overhaul services and fleet management programmes. In April 2022, we announced the expansion of our regional base maintenance network with the potential lease of two hangars in Subang, Malaysia. The hangars will enable us to cater to the growing needs of our customers. Along with our recently announced plans to acquire a stake in POS Aviation Engineering Services, our growth in Malaysia will complement the capabilities of our Singapore hub.

The Company is committed to play our part in supporting the aviation industry's goal towards net zero carbon emissions. We successfully trialed the use of sustainable aviation fuel (SAF) to perform engine tests at our engine test facility, which will allow us to offer additional emissions-reducing services to our customers. SIA Engineering (Philippines) Corporation, our wholly-owned subsidiary, also recently signed an agreement to collaborate with an aircraft part-out specialist to provide sustainable, end-to-end aircraft recycling solutions.

OUTLOOK

As more countries transition to handling COVID-19 as endemic, there has been increasing momentum in the re-opening of borders and relaxation of travel restrictions in the region. Since 1 April 2022, Singapore had fully re-opened its borders to all vaccinated travellers and the government had affirmed its confidence and commitment to reclaim Singapore's status as an international aviation hub. These developments augur well for a stronger recovery in the new financial year.

While we are confident of recovery, we are mindful of significant risks that remain due to geopolitical tensions, continuing threats of COVID-19 outbreak in some countries and emergence of new variants. The Company's performance will be highly dependent on the degree of our revenue recovery vis-à-vis rising costs and declining government wage support. We will continue to exercise financial prudence and manage risks judiciously.

To emerge stronger and empower sustainable growth beyond the pandemic, our focus remains on strengthening our core competencies through accelerating our digitalisation, automation and Lean initiatives under the ongoing Transformation programme. We will continue to pursue growth, with efforts focused on expanding our capabilities, services and geographical presence through acquisitions and partnerships.

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(For the complete FY2021-22 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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GROUP FINANCIAL STATISTICS

	FY21/22 ($'M)	FY20/21 ($'M)
Financial Results		
Revenue	566.1	443.0
Operating loss	(21.8)	(25.0)
Share of profits of associated and joint venture companies, net of tax	79.1	39.9
Net profit/(loss)	**67.6**	**(11.2)**
Per Share Data		
Earnings/(loss) after tax (cents) - basic [R1]	6.02	(1.00)
- diluted [R2]	6.00	(1.00)

	4Q21/22 ($'M)	4Q20/21 ($'M)	2H21/22 ($'M)	2H20/21 ($'M)
Financial Results				
Revenue	162.6	115.4	302.6	220.0
Operating (loss)/profit	(7.3)	1.1	(15.1)	2.2
Share of profits of associated and joint venture companies, net of tax	12.2	(0.8)	52.3	11.5
Net profit	**9.4**	**0.1**	**42.6**	**7.8**
Per Share Data				
Earnings after tax (cents) - basic [R1]	0.84	-	3.79	0.69
- diluted [R2]	0.83	-	3.78	0.69

	As at 31 Mar 2022 ($'M)	As at 31 Mar 2021 ($'M)
Financial Position		
Share capital	420.0	420.0
Treasury shares	(5.8)	(9.8)
Capital reserve	1.5	2.7
Share-based compensation reserve	5.1	4.8
Foreign currency translation reserve	(19.8)	(23.8)
Fair value reserve	0.1	(2.2)
Equity transaction reserve	(2.2)	(2.2)
General reserve	1,211.8	1,144.1
Equity attributable to owners of the parent	1,610.7	1,533.6
Cash and bank balances	625.5	616.0
Receivables [R3]	217.0	223.9
Total assets	1,838.2	1,809.8
Total liabilities	216.9	265.6
Net asset value per share (cents) [R4]	143.5	136.8
Return on equity holders' funds (%) [R5]	4.3	(0.7)

COMPANY OPERATING STATISTICS AT SINGAPORE BASE

	FY21/22	FY20/21
Flights handled at Changi Airport by line maintenance	47,885	27,727
Number of heavy checks performed at Singapore base	93	60
Number of light checks performed at Singapore base	348	223
Fleet size managed by fleet management business [R6]	95	80

	4Q21/22	4Q20/21	1H21/22	1H20/21
Flights handled at Changi Airport by line maintenance	14,280	8,648	27,140	16,455
Number of heavy checks performed at Singapore base	22	20	47	36
Number of light checks performed at Singapore base	94	61	189	114
Fleet size managed by fleet management business [R6]	95	80	95	80

R1 Earnings/(loss) after tax per share (basic) is computed by dividing profit/(loss) attributable to owners of the parent by the weighted average number of ordinary shares in issue less treasury shares.

R2 Earnings/(loss) after tax per share (diluted) is computed by dividing profit/(loss) 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.