

# **Financial Year 2018 Results**

21 February 2019

# Agenda

- Group Highlights
- Sector Performance
- Outlook
- Appendix
  - Aerospace
  - Electronics
  - Land Systems
  - Marine

# Group Highlights

# Group Highlights

All figures are denominated in \$m unless indicated otherwise

## FY2018

Revenue

6,698

+3% y-o-y

EBIT

570.3

+5% y-o-y

+9% y-o-y

PBT

620.7

+1% y-o-y

+7% y-o-y

Net Profit

494.2

-2% y-o-y

+9% y-o-y

Legend:

Green: As reported

White: Excluding one-off charges

Order book as at 31 December 2018: \$13.2b;  
about \$4.9b to be delivered in 2019

# Impact of One-off Charges (FY2018 vs FY2017)

| \$'m                                                 | FY2018       | FY2017*<br>(Restated) | YoY        |
|------------------------------------------------------|--------------|-----------------------|------------|
| Net Profit as reported                               | 494.2        | 502.6                 | -2%        |
| <u>One-off charges:</u>                              |              |                       |            |
| i) Portfolio rationalisation and others <sup>#</sup> | (24.7)       | -                     |            |
| ii) MTN redemption related costs                     | (7.9)        | -                     |            |
| iii) U.S. tax adjustments                            | -            | 20.3                  |            |
| <b>Net Profit excluding one-off charges</b>          | <b>526.8</b> | <b>482.3</b>          | <b>+9%</b> |

\* Comparative figures were restated on adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) with effect from 1 January 2018.

<sup>#</sup> Include divestment losses of the Group's pilot training school in the U.S. and road construction business in India, full impairment charges for the road construction business and automotive MRO business in Brazil and transaction costs of the proposed MRA Systems acquisition, partially offset by divestment gains of 5% stake in a joint venture with Guangdong Airport Authority in China and a joint venture with Airbus Helicopters in Singapore.

# Group Highlights

All figures are denominated in \$m unless indicated otherwise

## 4Q2018

Revenue

1,774

+5% y-o-y

EBIT

160.0

+0% y-o-y  
+10% y-o-y

PBT

160.5

-7% y-o-y  
+7% y-o-y

Net Profit

124.5

-26% y-o-y  
+1% y-o-y

Legend:

Green: As reported

White: Excluding one-off charges

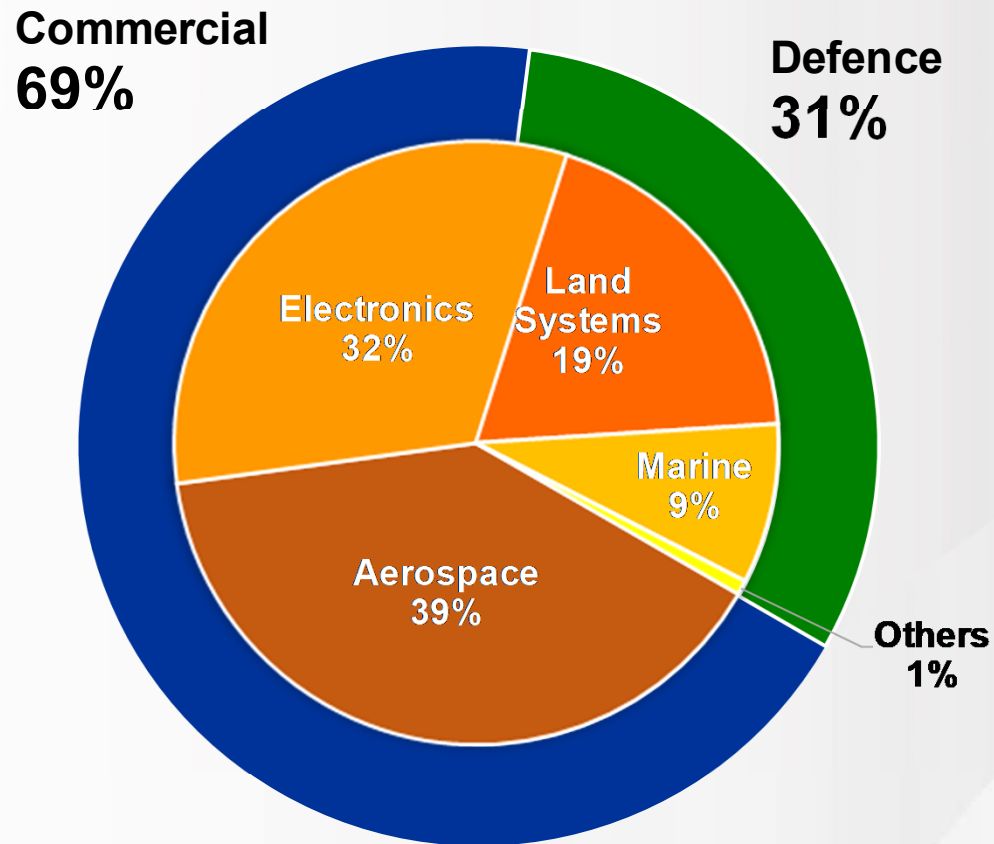
# Impact of One-off Charges (4Q2018 vs 4Q2017)

| \$'m                                                 | 4Q2018       | 4Q2017<br>(Restated) | YoY        |
|------------------------------------------------------|--------------|----------------------|------------|
| Net Profit as reported                               | 124.5        | 168.1                | -26%       |
| <u>One-off charges:</u>                              |              |                      |            |
| i) Portfolio rationalisation and others <sup>#</sup> | (29.5)       | -                    |            |
| ii) MTN redemption related savings                   | 4.9          |                      |            |
| iii) U.S. tax adjustments                            | -            | 20.3                 |            |
| <b>Net Profit excluding one-off charges</b>          | <b>149.1</b> | <b>147.8</b>         | <b>+1%</b> |

<sup>#</sup> Include divestment losses of the Group's pilot training school in the U.S. and road construction business in India, full impairment charges for the road construction business and automotive MRO business in Brazil and transaction costs of the proposed MRA Systems acquisition.

# Group Revenue Breakdown

FY2018 Revenue  
\$6.70b



FY2018 Revenue  
by location of customers

ASIA  
62%

U.S.  
20%

EUROPE  
11%

OTHERS  
7%

# Group Revenue

| \$'m         | 4Q2018       | 4Q2017<br>(Restated) | Change     | FY2018       | FY2017<br>(Restated) | Change     |
|--------------|--------------|----------------------|------------|--------------|----------------------|------------|
| Aerospace    | 647          | 740                  | -13%       | 2,647        | 2,535                | +4%        |
| Electronics  | 536          | 461                  | +16%       | 2,143        | 2,011                | +7%        |
| Land Systems | 435          | 338                  | +29%       | 1,282        | 1,244                | +3%        |
| Marine       | 139          | 131                  | +6%        | 574          | 637                  | -10%       |
| Others       | 17           | 24                   | -26%       | 52           | 94                   | -45%       |
| <b>Group</b> | <b>1,774</b> | <b>1,694</b>         | <b>+5%</b> | <b>6,698</b> | <b>6,521</b>         | <b>+3%</b> |

# Group Profit before Tax (PBT)

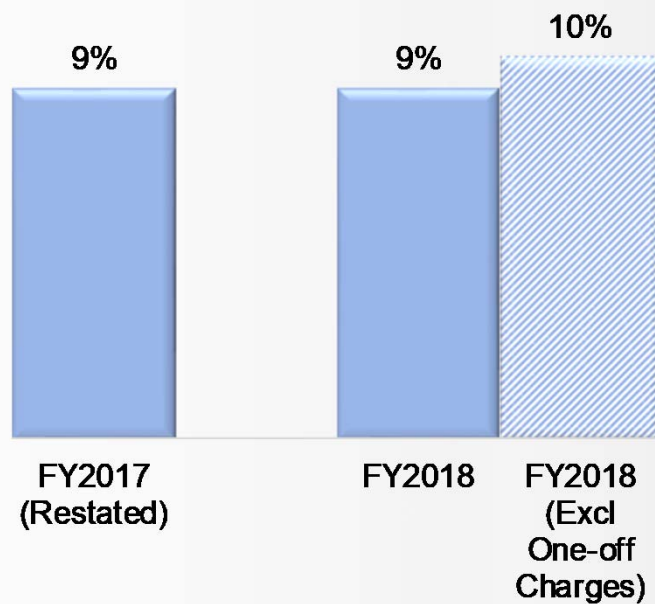
| \$'m                            | 4Q2018       | 4Q2017<br>(Restated) | Change     | FY2018       | FY2017<br>(Restated) | Change     |
|---------------------------------|--------------|----------------------|------------|--------------|----------------------|------------|
| Aerospace                       | 82.6         | 94.7                 | -13%       | 320.0        | 318.5                | -          |
| Electronics                     | 51.5         | 62.1                 | -17%       | 224.7        | 200.2                | +12%       |
| Land Systems                    | 2.6          | 24.4                 | -89%       | 62.3         | 85.0                 | -27%       |
| Marine                          | 16.0         | 0.4                  | >500%      | 50.3         | 22.4                 | +124%      |
| Others                          | 7.8          | (8.6)                | NM         | (36.6)       | (14.3)               | NM         |
| <b>Group</b>                    | <b>160.5</b> | <b>173.0</b>         | <b>-7%</b> | <b>620.7</b> | <b>611.8</b>         | <b>+1%</b> |
| Group<br>(excl one-off charges) | 185.6        | 173.0                | +7%        | 657.3        | 611.8                | +7%        |

# Group Net Profit

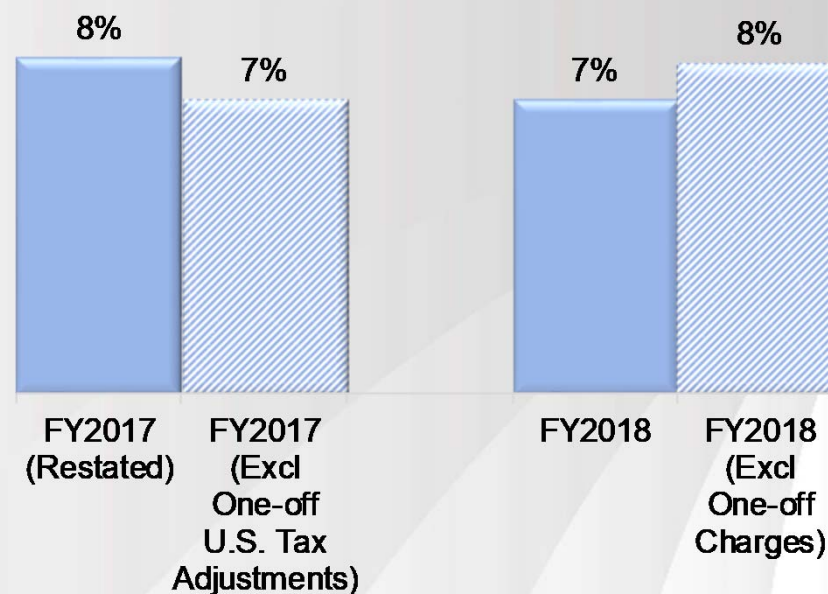
| \$'m                            | 4Q2018       | 4Q2017<br>(Restated) | Change      | FY2018       | FY2017<br>(Restated) | Change     |
|---------------------------------|--------------|----------------------|-------------|--------------|----------------------|------------|
| Aerospace                       | 63.5         | 86.7                 | -27%        | 244.6        | 244.8                | -          |
| Electronics                     | 44.1         | 55.0                 | -20%        | 186.5        | 168.8                | +10%       |
| Land Systems                    | (0.7)        | 42.6                 | NM          | 52.9         | 87.4                 | -39%       |
| Marine                          | 14.5         | 0.7                  | >500%       | 45.2         | 27.0                 | +67%       |
| Others                          | 3.1          | (16.9)               | NM          | (35.0)       | (25.4)               | NM         |
| <b>Group</b>                    | <b>124.5</b> | <b>168.1</b>         | <b>-26%</b> | <b>494.2</b> | <b>502.6</b>         | <b>-2%</b> |
| Group<br>(excl one-off charges) | 149.1        | 147.8                | +1%         | 526.8        | 482.3                | +9%        |

# Group Margins

## PBT Margin



## Net Profit Margin



# Sector Performance

# Aerospace

## FY2018 vs FY2017 (Restated)

**Revenue**      **\$2,647m**      ▲ **\$112m or 4%**

- Higher revenue from AMM and CERO business groups
- Partially offset by
- Lower revenue from EMS business group

**PBT**      **\$320.0m**      ▲ **\$1.5m or 0%**

- Higher gross profits
  - Net gain on divestments
- Partially offset by
- Higher operating expenses

**Net Profit**      **\$244.6m**      ▼ **\$0.2m or 0%**

- Higher PBT offset by higher tax expenses

# Electronics

FY2018 vs FY2017 (Restated)

**Revenue**      **\$2,143m**      ▲ **\$132m or 7%**

- Higher revenue from LSG and CSG business groups
- Partially offset by
- Lower revenue from SSG business group

**PBT**      **\$224.7m**      ▲ **\$24.5m or 12%**

- Higher gross profit in line with higher revenue
- Lower operating expenses
- Partially offset by
- Share of losses from associates & joint ventures

**Net Profit**      **\$186.5m**      ▲ **\$17.7m or 10%**

- In line with the increase in PBT

# Land Systems

FY2018 vs FY2017 (Restated)

|                   |                 |                         |                                                                                                                                                                                                                        |
|-------------------|-----------------|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue</b>    | <b>\$1,282m</b> | <b>▲ \$38m or 3%</b>    | <ul style="list-style-type: none"> <li>Higher revenue from Auto and S&amp;T business groups</li> </ul> Partially offset by <ul style="list-style-type: none"> <li>Lower revenue from M&amp;W business group</li> </ul> |
| <b>PBT</b>        | <b>\$62.3m</b>  | <b>▼ \$22.7m or 27%</b> | <ul style="list-style-type: none"> <li>Loss on divestment and impairment charges</li> </ul> Partially offset by <ul style="list-style-type: none"> <li>Higher gross profit from favourable sales mix</li> </ul>        |
| <b>Net Profit</b> | <b>\$52.9m</b>  | <b>▼ \$34.5m or 39%</b> | <ul style="list-style-type: none"> <li>In line with the decrease in PBT</li> <li>Absence of one-off U.S. tax adjustment</li> </ul>                                                                                     |

# Marine

## FY2018 vs FY2017 (Restated)

|                   |                |                          |                                                                                                                                                                                                  |
|-------------------|----------------|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue</b>    | <b>\$574m</b>  | <b>▼ \$63m or 10%</b>    | <ul style="list-style-type: none"> <li>• Lower revenue from Shipbuilding and Shiprepair business groups</li> <li>• Partially offset by Higher revenue from Engineering business group</li> </ul> |
| <b>PBT</b>        | <b>\$50.3m</b> | <b>▲ \$27.9m or 125%</b> | <ul style="list-style-type: none"> <li>• Higher gross profit</li> <li>• Lower operating expenses</li> </ul>                                                                                      |
| <b>Net Profit</b> | <b>\$45.2m</b> | <b>▲ \$18.2m or 67%</b>  | <ul style="list-style-type: none"> <li>• In line with the increase in PBT</li> <li>• Partially offset by Higher tax expenses</li> </ul>                                                          |

# Outlook

# President & CEO's Message

“The Group delivered a resilient set of results and maintained the momentum for new contracts. Excluding one-off charges mainly incurred to rationalise our portfolio, the underlying operating performance of our business sectors remained strong.

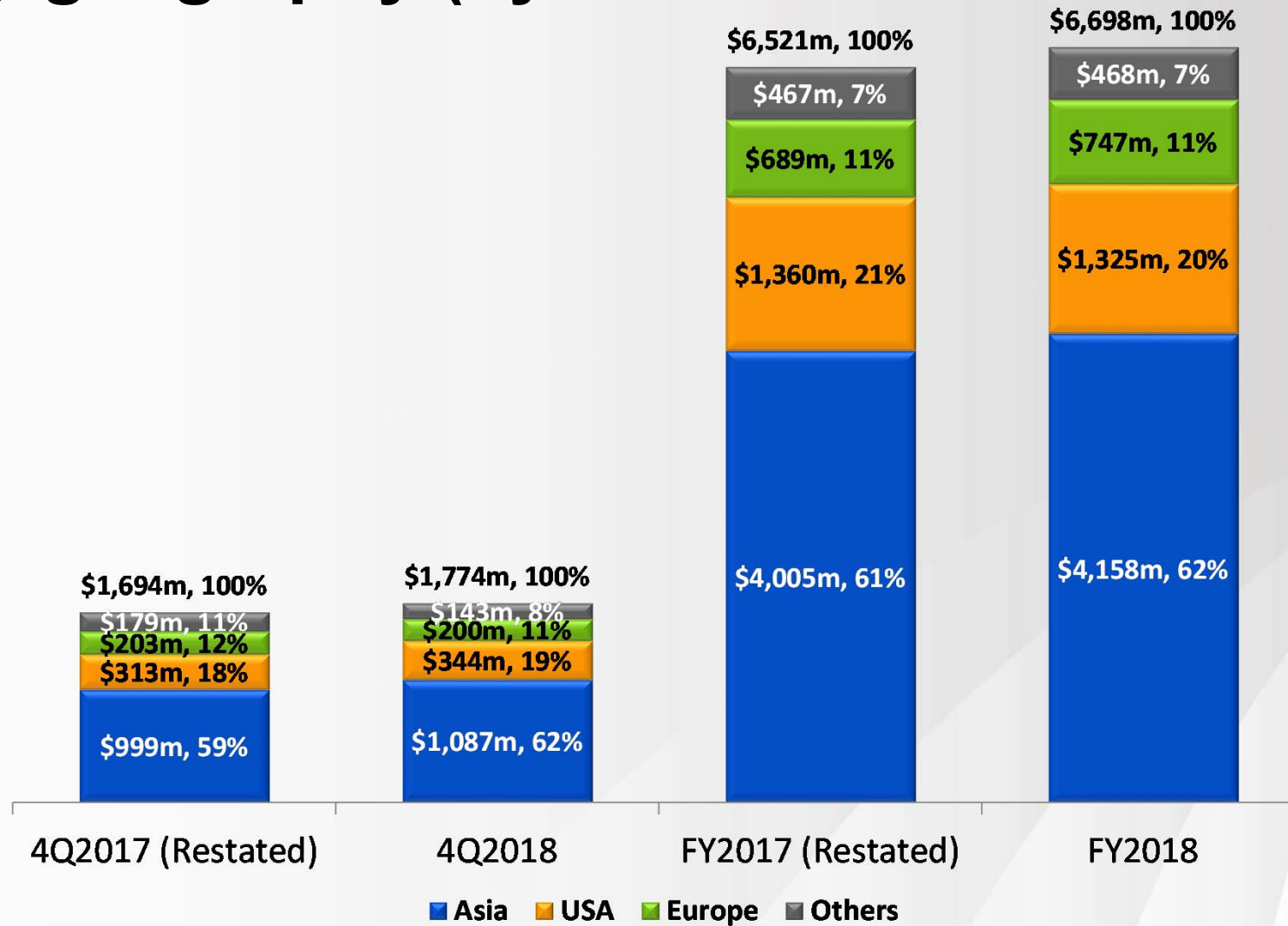
We continue to invest in growth initiatives and capabilities including data analytics and cybersecurity to drive long-term sustainable growth, backed by a healthy level of order book that provides revenue visibility for the next few years.”

~ Vincent Chong, President & CEO, ST Engineering

# Thank You

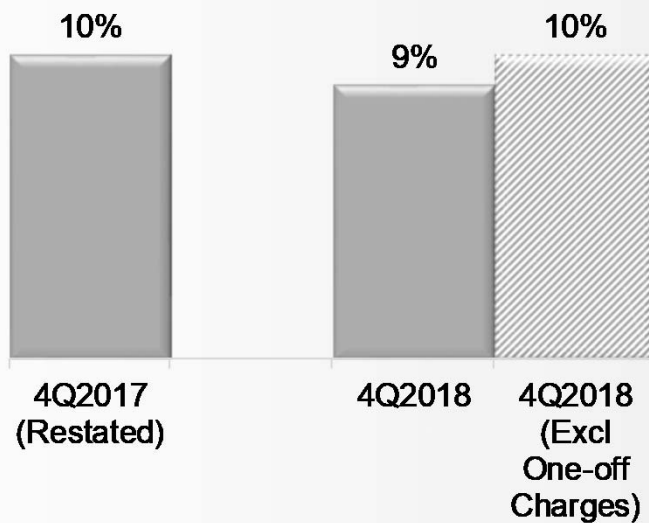
# Appendix

# Group Revenue by geography (by location of customers)

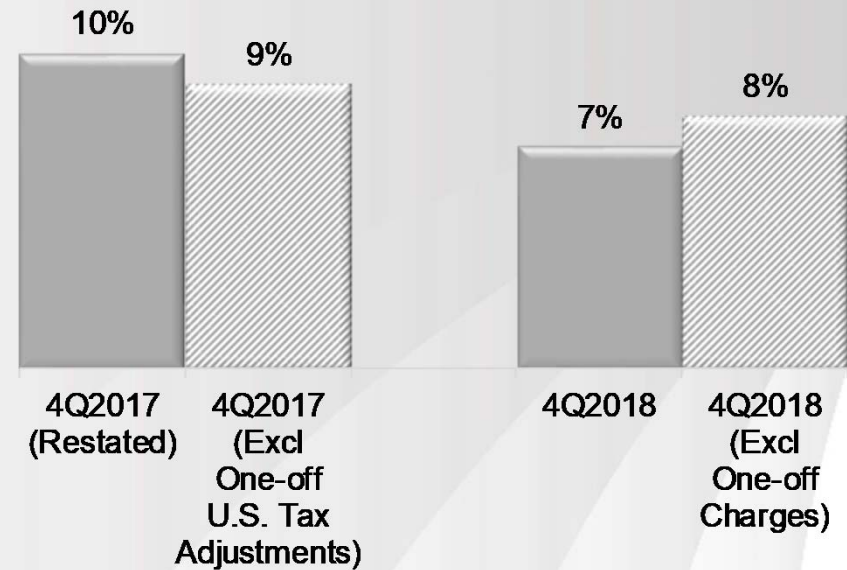


# Group Margins

## PBT Margins



## Net Profit Margins



# Balance Sheet

| \$'m                                | 31 Dec 2018  | 31 Dec 2017<br>(Restated) |
|-------------------------------------|--------------|---------------------------|
| Property, Plant & Equipment         | 1,743        | 1,719                     |
| Intangible Assets                   | 1,151        | 1,087                     |
| Other non-current assets            | 582          | 942                       |
| Current assets                      | 4,097        | 4,276                     |
| <b>Total assets</b>                 | <b>7,573</b> | <b>8,024</b>              |
| Current liabilities                 | 3,851        | 3,587                     |
| Non-current liabilities             | 1,187        | 1,941                     |
| <b>Total liabilities</b>            | <b>5,038</b> | <b>5,528</b>              |
| Share capital and reserves          | 2,247        | 2,215                     |
| Non-controlling interests           | 288          | 281                       |
| <b>Total equity and liabilities</b> | <b>7,573</b> | <b>8,024</b>              |
| <b>Net current assets</b>           | <b>246</b>   | <b>689</b>                |

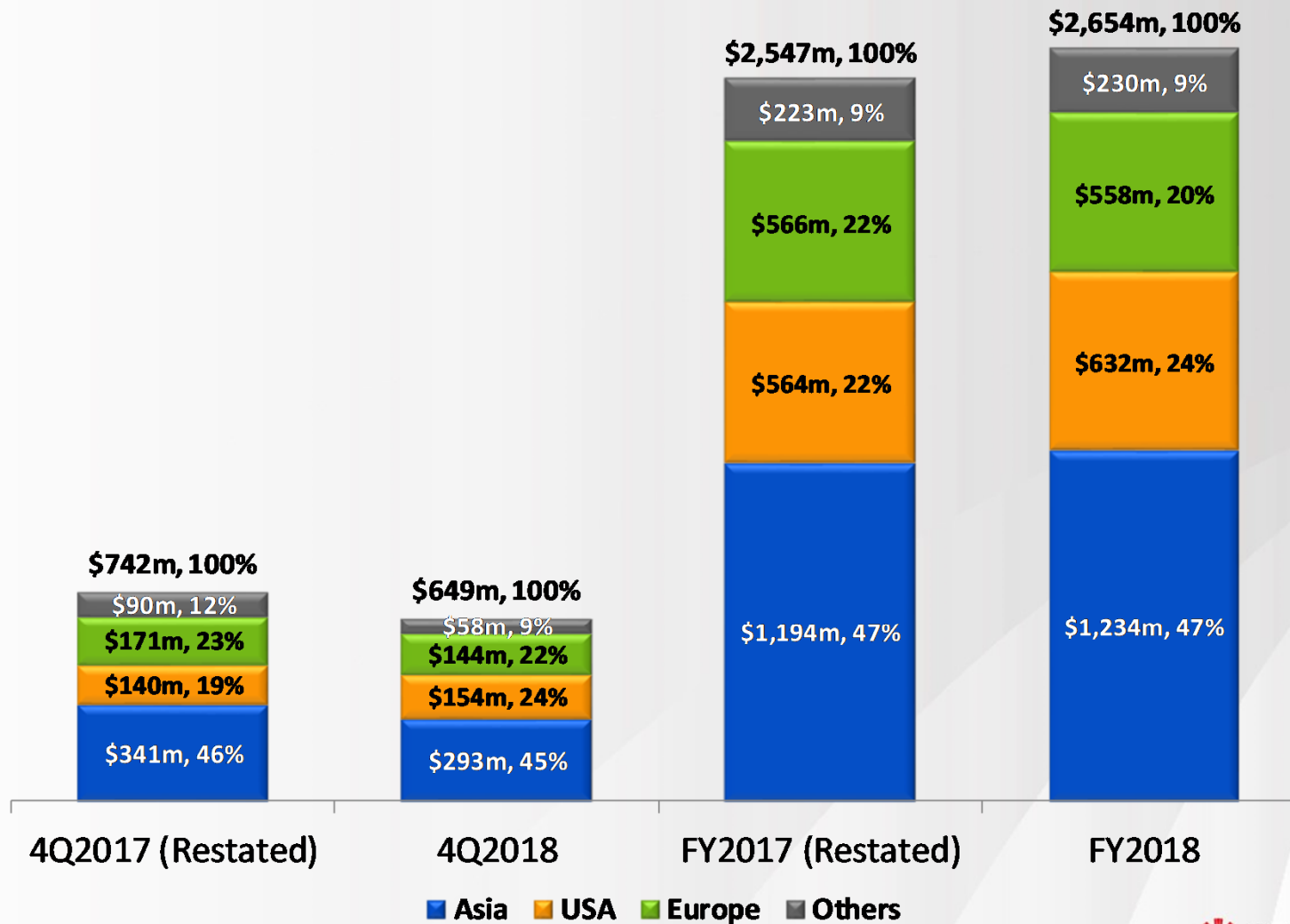
# Statement of Cash Flows

| \$'m                                          | FY2018     | FY2017<br>(Restated) |
|-----------------------------------------------|------------|----------------------|
| Net cash from/(used in)                       |            |                      |
| Operating activities                          | 639        | 764                  |
| Investing activities                          | (65)       | (246)                |
| Financing activities                          | (1,161)    | (390)                |
| Net (decrease)/increase in CCE *              | (587)      | 128                  |
| CCE at beginning of the year                  | 998        | 904                  |
| Exchange difference                           | 3          | (34)                 |
| CCE at end of the year                        | 414        | 998                  |
| Add: Funds under management                   | -          | 351                  |
| <b>Total CCE &amp; Funds under management</b> | <b>414</b> | <b>1,349</b>         |

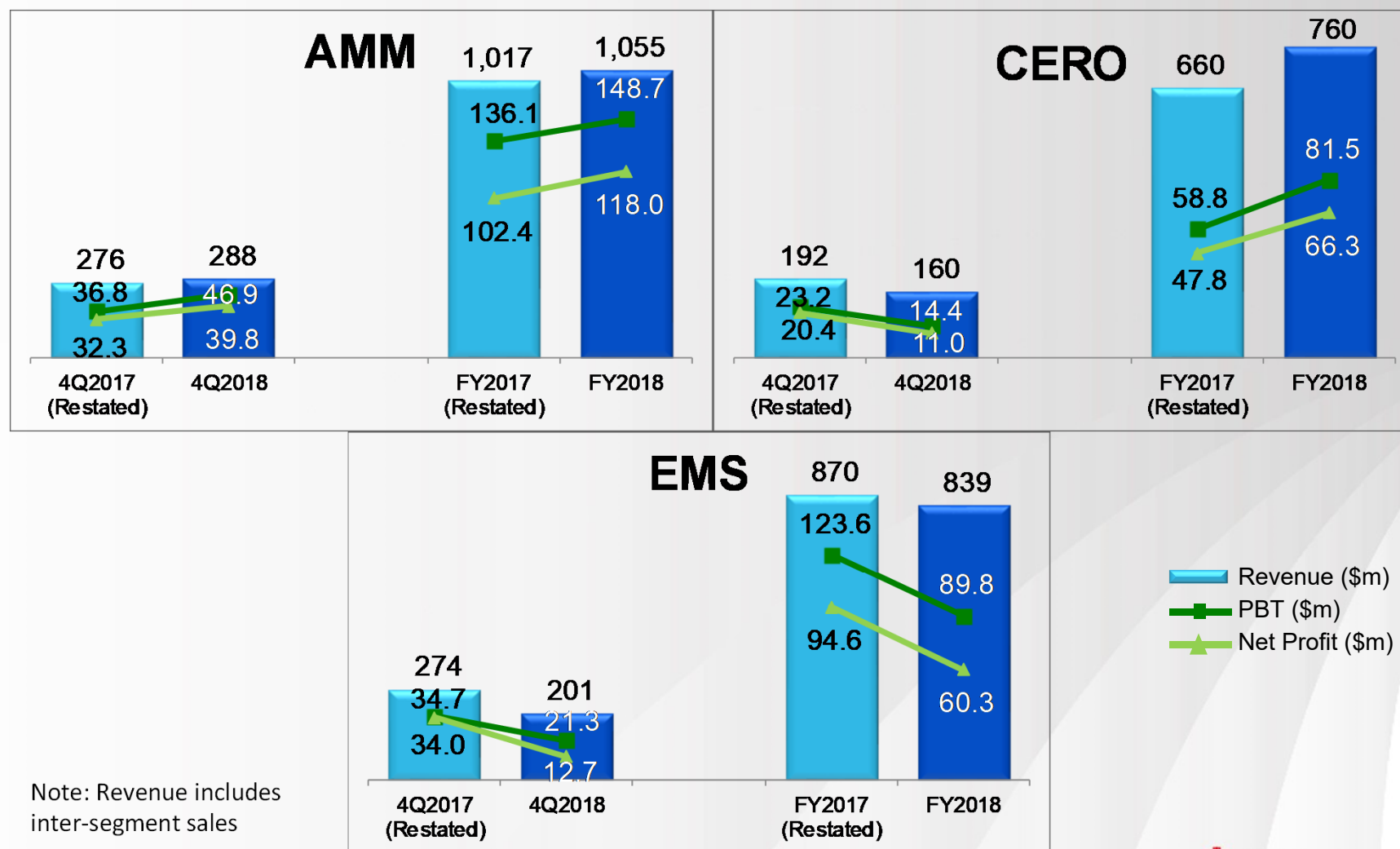
\* CCE - Cash & Cash Equivalents

# Aerospace

# Aerospace Revenue by geography (by location of customers)



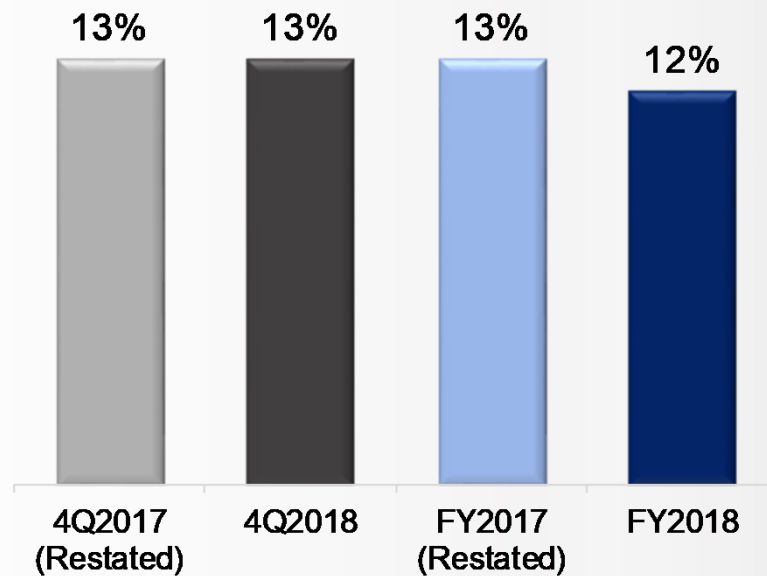
# Aerospace Revenue, PBT and Net Profit by business group



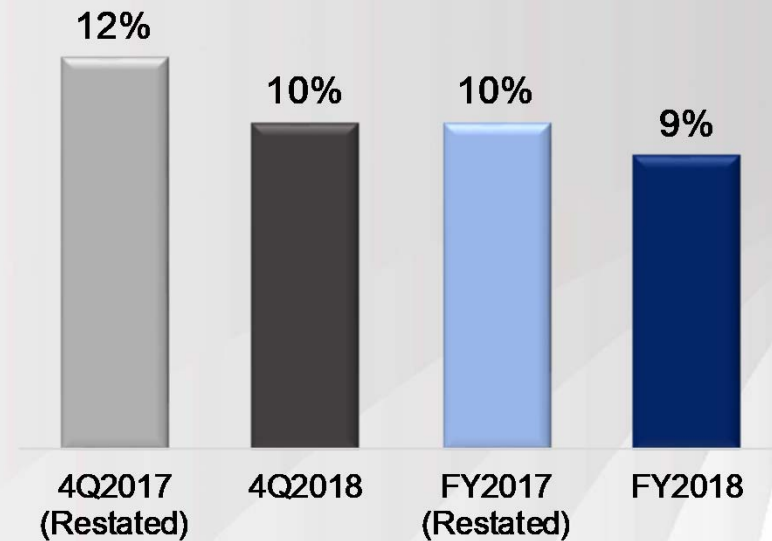
Note: Revenue includes inter-segment sales

# Aerospace Margins

## PBT Margins



## Net Profit Margins



# Aerospace – FY2018 in Review

- Secured \$2.06bn worth of new contracts, including:
  - MD-11 heavy maintenance for Lufthansa Cargo; B787 interior reconfiguration for Air Canada; first Airbus Corporate Jet maintenance support;
  - Multi-year A321ceo/neo component support for Vietnam Airlines; first B737-800s component support for Japan Airlines
  - CFM56 engines maintenance for regional and international airlines
- First A321 PTF prototype at Seletar, Singapore
- Japan Airlines took strategic 5% stake in Guangzhou JV
- Building Capabilities
  - Proposed acquisition of nacelle manufacturer, MRA Systems, LLC
  - MRO for A320's V2500 and CFM56-5B engine nacelles

# Aerospace – FY2018 in Review

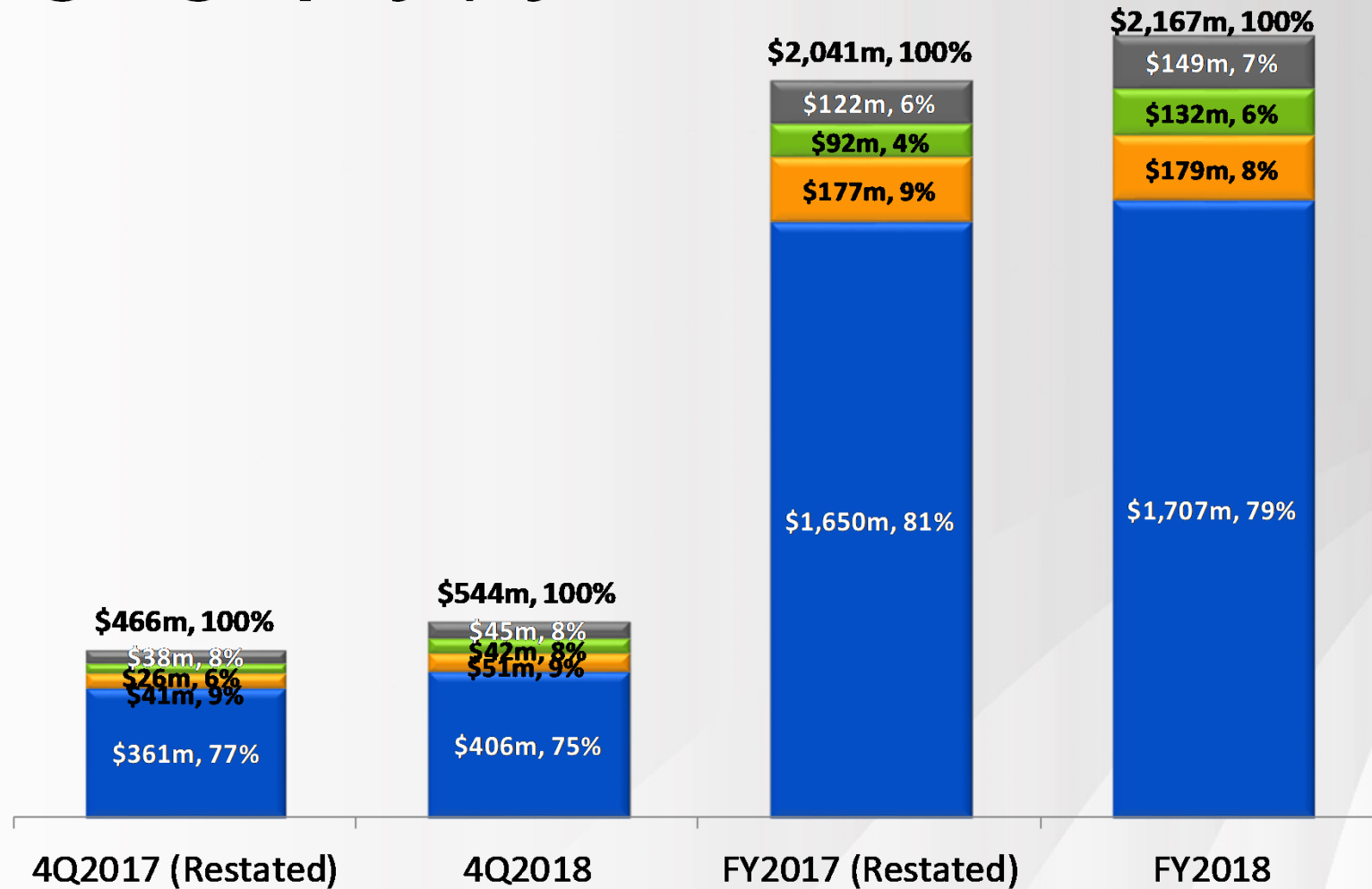
- Expanding Capacity
  - MOU with Vietnam Airlines to set up a component MRO JV in Hanoi
  - Pensacola, Florida MRO facility started operations; signed MOU extension to expand annual capacity to 2.1m man-hours
  - Second composite panel manufacturing plant opened in Kodersdorf, Germany, increasing production by 50% (by 200,000 panels per annum)
- International recognition:
  - Overall MRO of the Year for second consecutive year at the Aviation 100 MRO Global Awards
  - Good Design Award in Japan for proprietary aircraft seat, SPACElite

# Aerospace – Outlook for FY2019

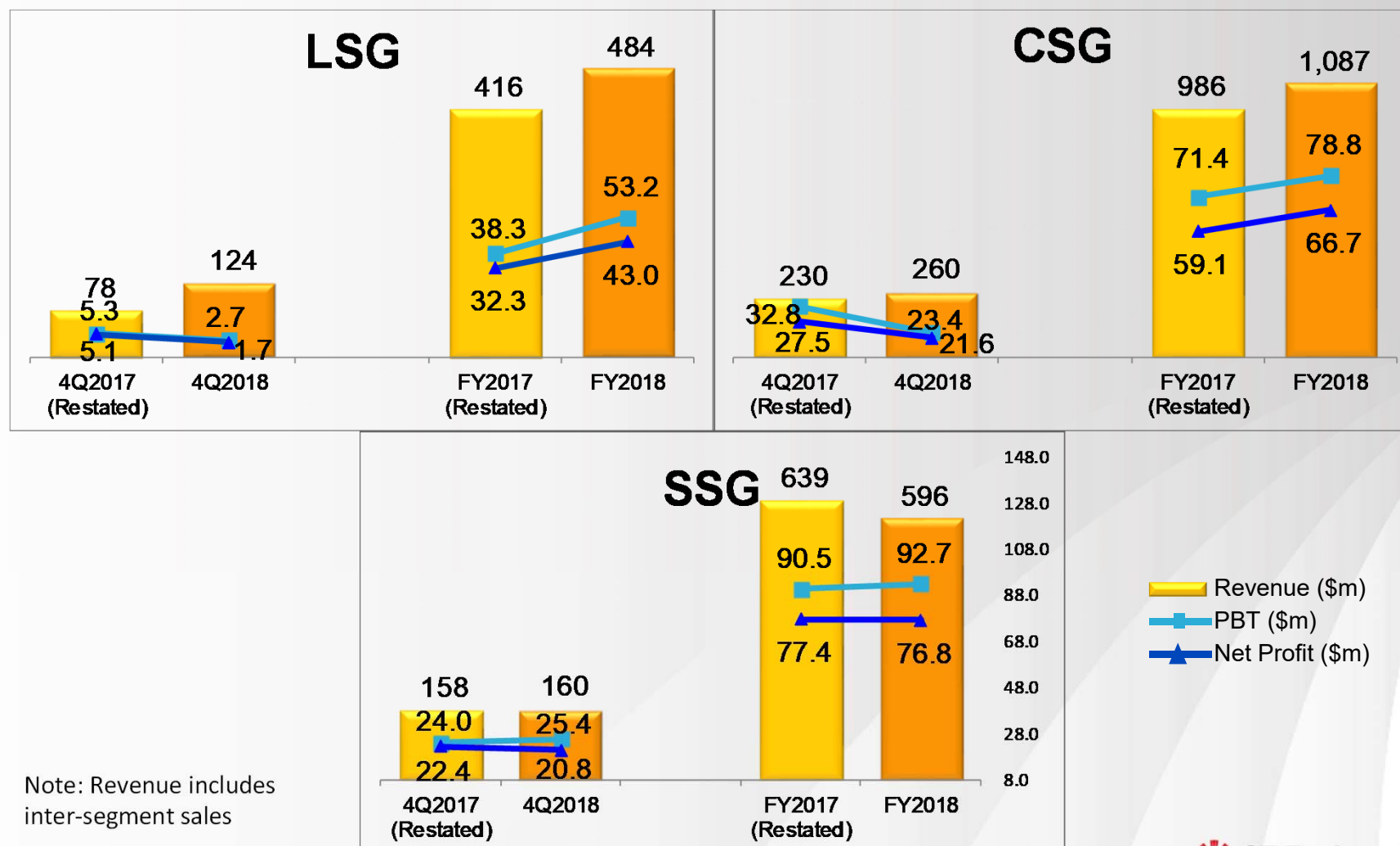
- Pursue launch customer for A320 freighter conversion; grow aircraft leasing portfolio
- Develop and commercialise UAV programmes including DroNet
- Integrate MRA Systems, LLC upon the close of transaction
- Accelerate digitalisation of global operations; adopt smart technologies to differentiate through efficiency

# Electronics

# Electronics Revenue by geography (by location of customers)

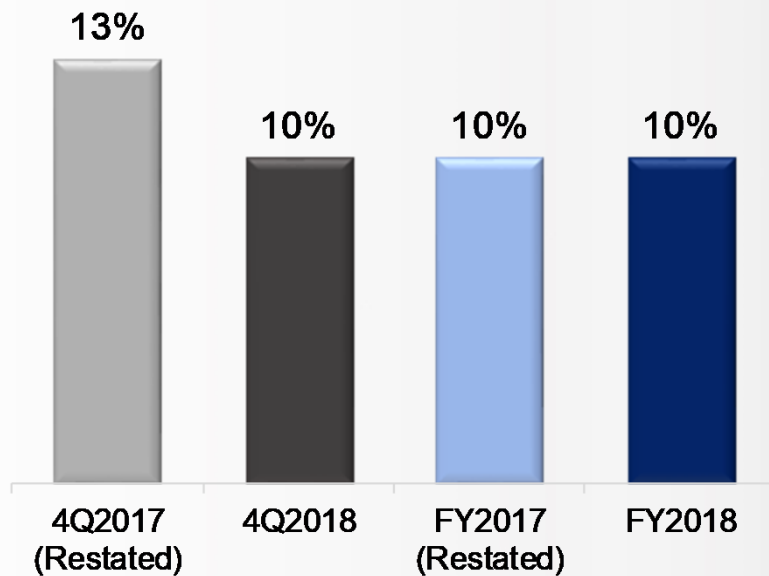


# Electronics Revenue, PBT and Net Profit by business group

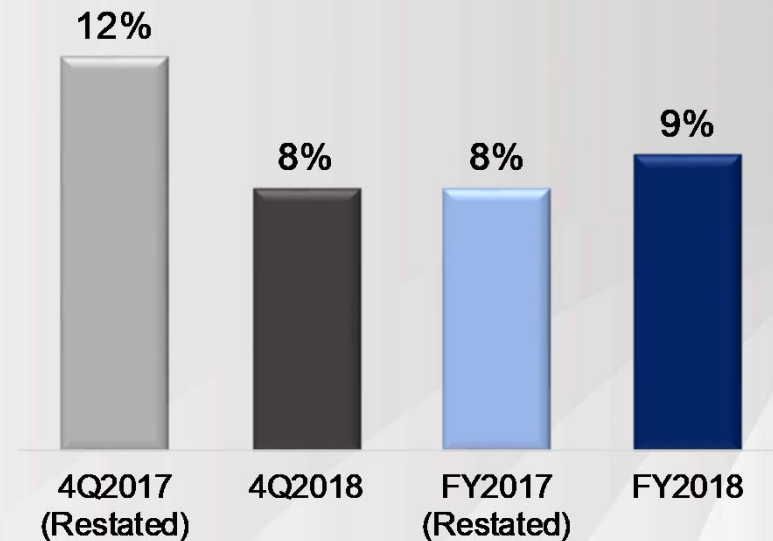


# Electronics Margins

## PBT Margins



## Net Profit Margins



# Electronics – FY2018 in Review

- Secured \$2.19bn worth of new contracts, including:
  - First Indonesian contract to supply Platform Screen Doors for Jakarta's new light rail transit (LRT)
  - Multiple rail electronics solutions for customers in Asia including a Rail Enterprise Asset Management System for Singapore's Land Transport Authority
  - First North Asia IoT-enabled smart street lighting pilot in Hong Kong and deployment of LampPost-as-a-Platform in Singapore
  - Integrated public safety and security and cybersecurity solutions for commercial and defence customers
  - Various contracts to supply satellite communication products and Cloud solutions

# Electronics – FY2018 in Review

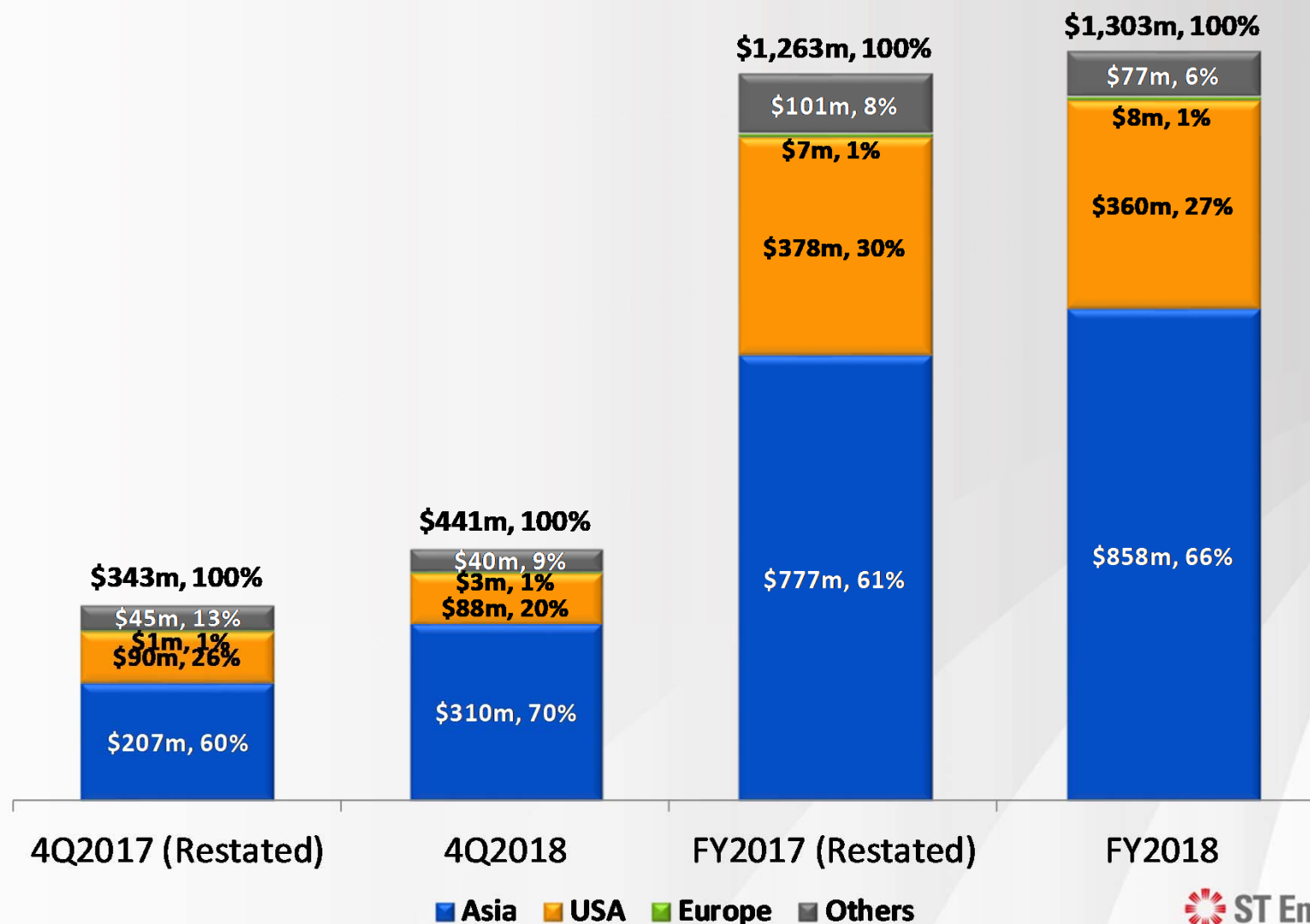
- Enhance Smart City capabilities:
  - Launched (a) Region's first barrier-free, hands-free Automatic Fare Collection system
  - (b) Region's first end-to-end cybersecurity solution for mobility rail industry
  - (c) World's slimmest 2FA encrypted data storage with smart card
- Unveiled Singapore's first pay-per-use IOT-as-a-Service Platform Trial
- Set up a JV for high-growth in-flight connectivity market
- Established an office in Chongqing, China for mobility and intelligent building management projects

# Electronics – Outlook for FY2019

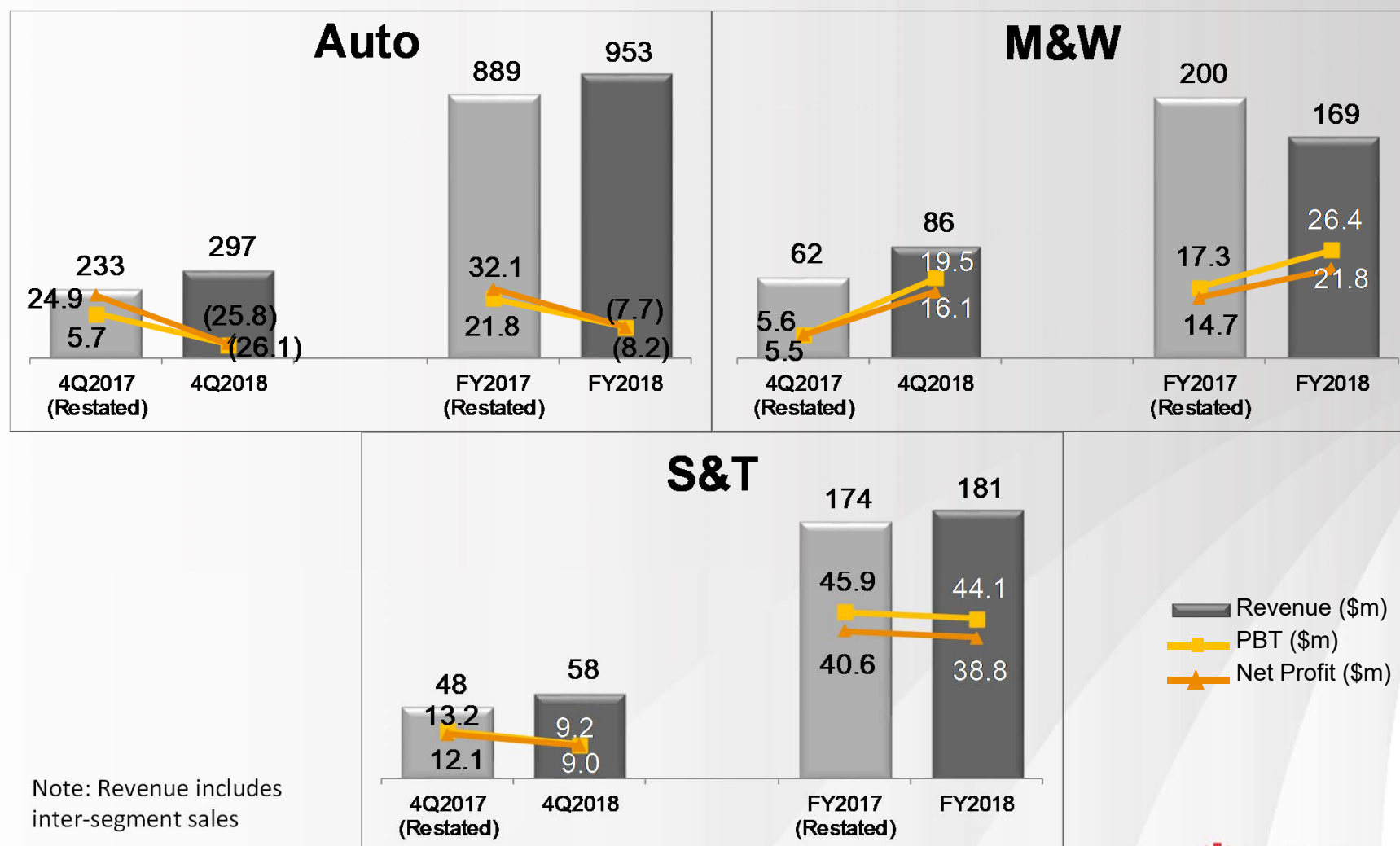
- Deliver smart mobility, satellite communications and software system related contracts on schedule
- Pursue smart city related contracts in and outside of Singapore

# Land Systems

# Land Systems Revenue by geography (by location of customers)

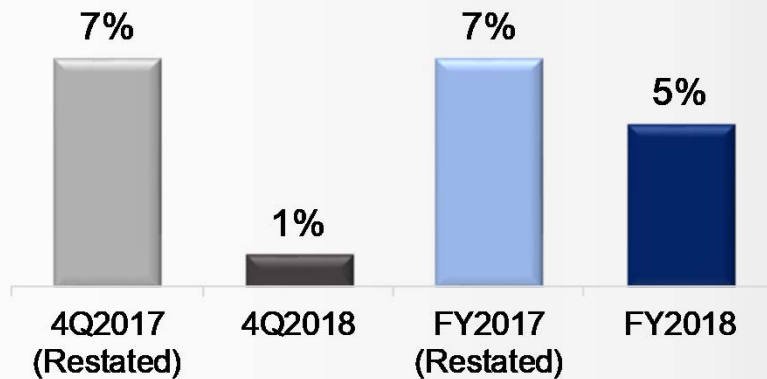


# Land Systems Revenue, PBT and Net Profit by business group

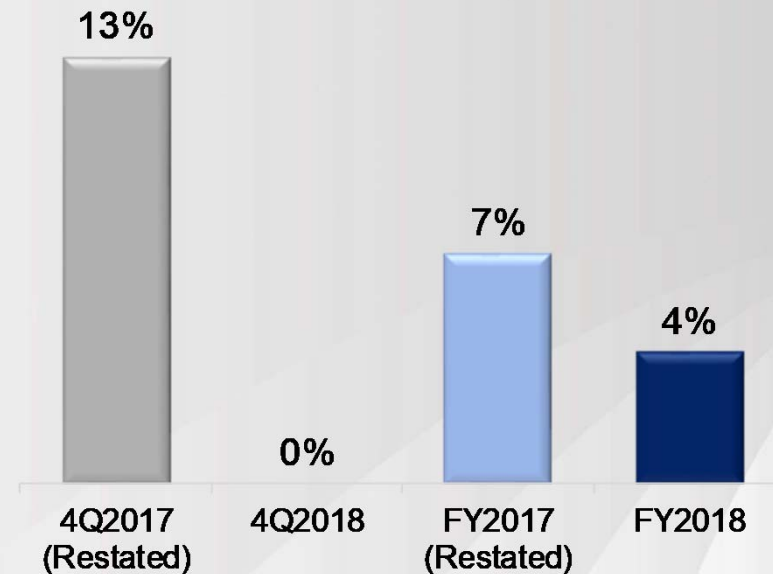


# Land Systems Margins

## PBT Margins



## Net Profit Margins



# Land Systems – FY2018 in Review

- Secured new contracts including:
  - Weapons & munitions from customers in Asia Pacific, Middle East and Europe
  - Road Construction Equipment and Specialty Vehicles from customers in North America, LATAM and Asia
  - 111 two-door double deck Euro 6 diesel buses and 20 single-deck electric buses for Land Transport Authority in Singapore
- Commenced on-road testing of on-demand autonomous shuttles in Sentosa
- Launched STROBO, a new family of logistics automation solution for warehouse, airport, seaport and manufacturing industries, as well as a security robot for patrolling and surveillance purposes

# Land Systems – FY2018 in Review

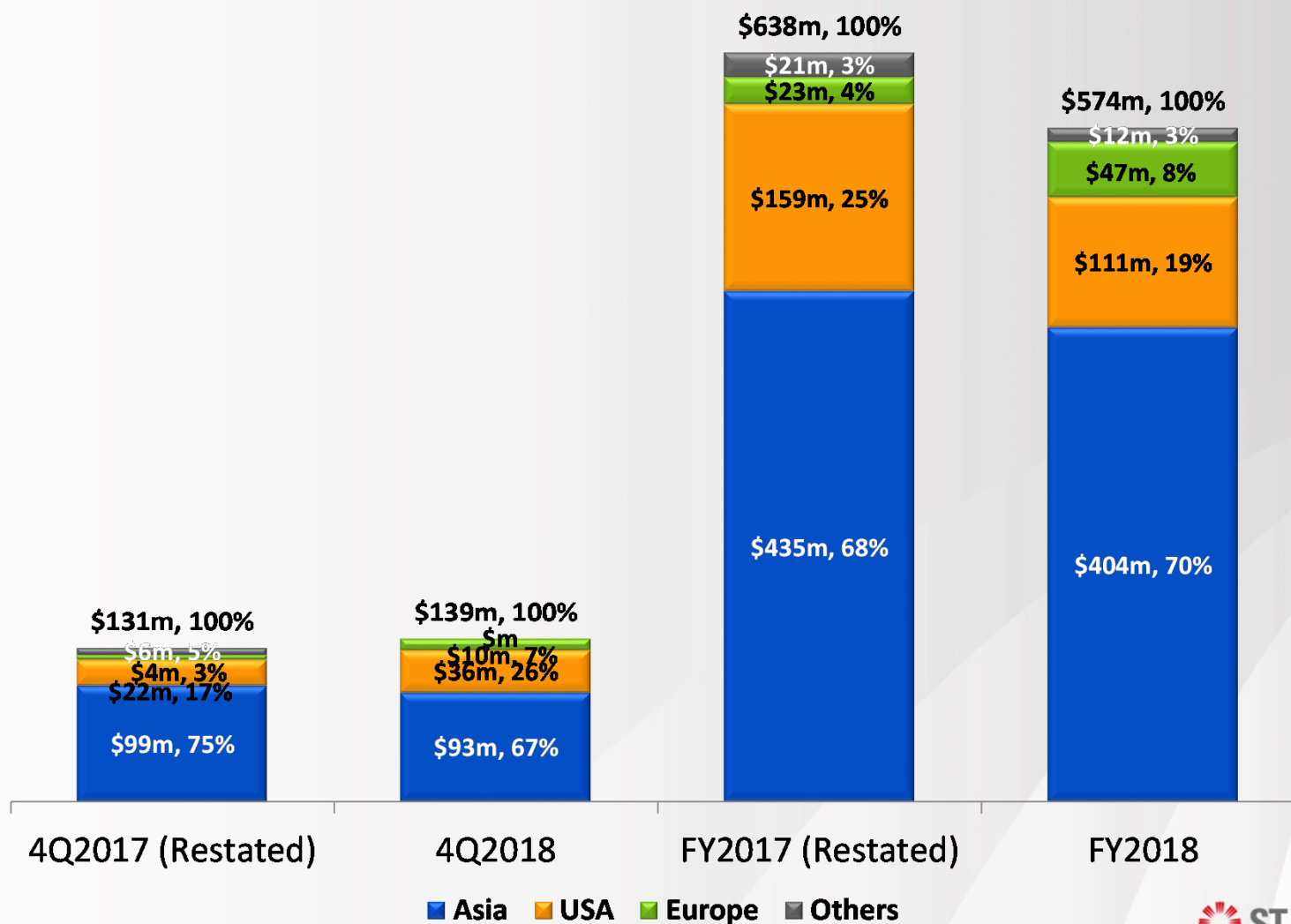
- Industry collaborations with:
  - Paramount Group to market the family of Belrex Protected Vehicles globally
  - Hirtenberger Defence Systems to market 120mm mortar system in Europe
  - RideOS to develop integrated autonomous transport systems in Singapore
  - SafeRide to integrate cybersecurity software with our Connected Electric Vehicles and Automated Vehicle platforms

# Land Systems – Outlook for FY2019

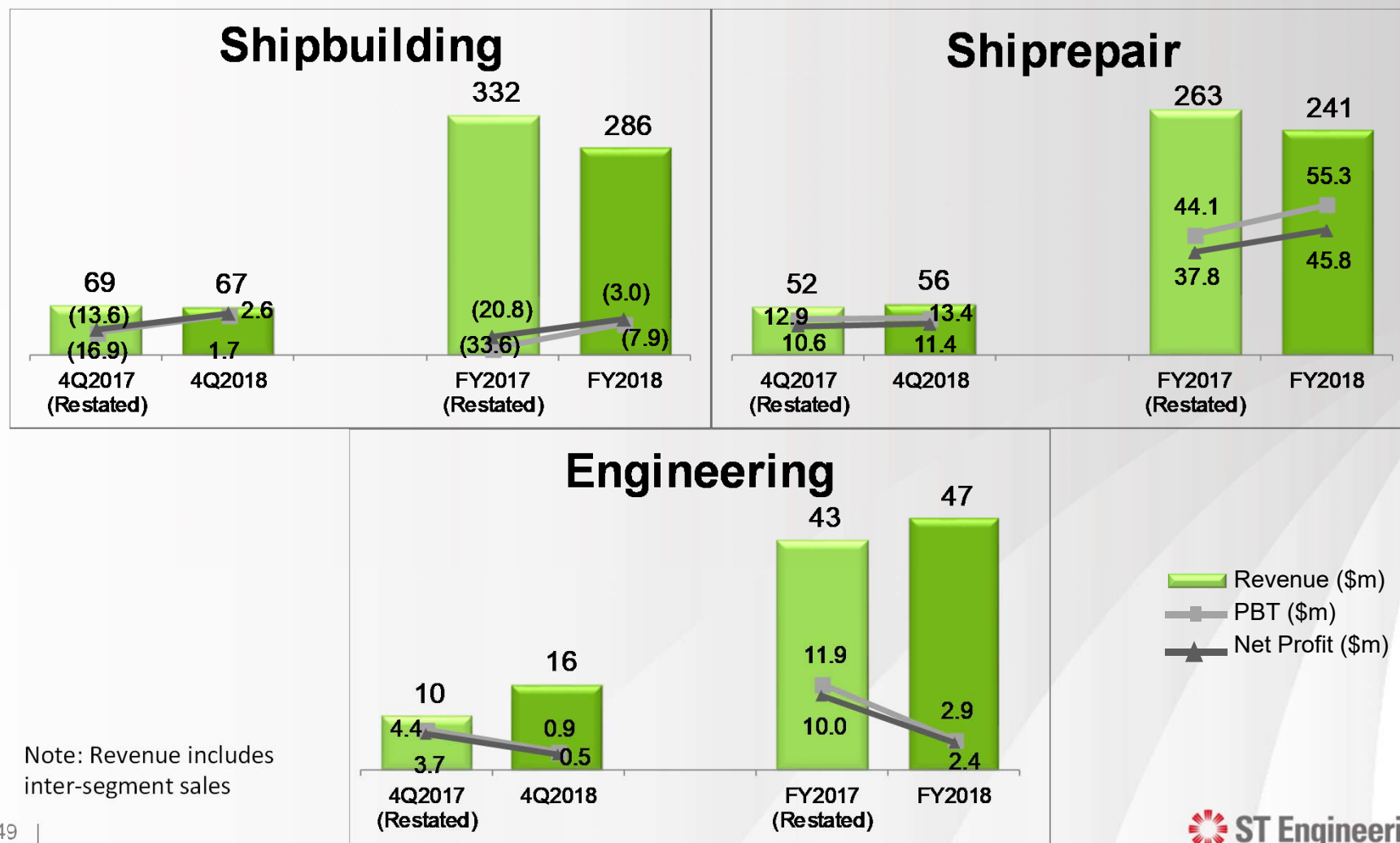
- Pursue and secure key defence and commercial programmes locally and overseas
- Accelerate the deployment of autonomous vehicles
- Provide logistics autonomous solutions for the warehouse, airport, seaport and manufacturing industries

# Marine

# Marine Revenue by geography (by location of customers)

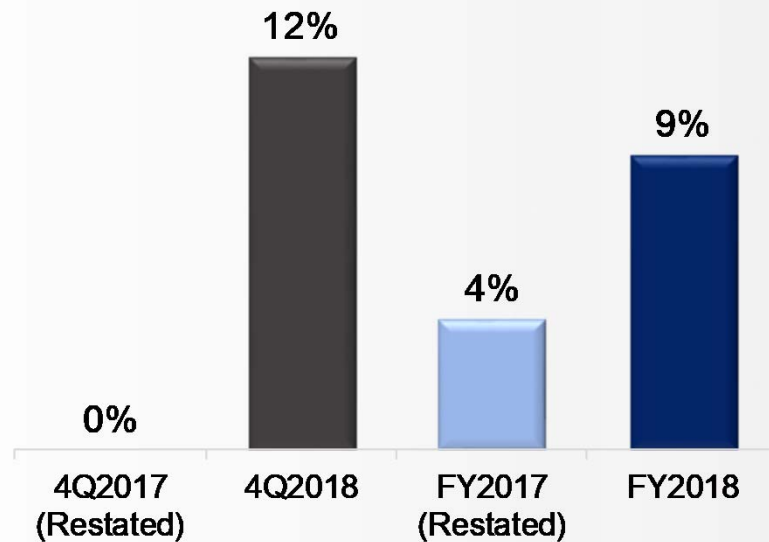


# Marine Revenue, PBT and Net Profit by business group

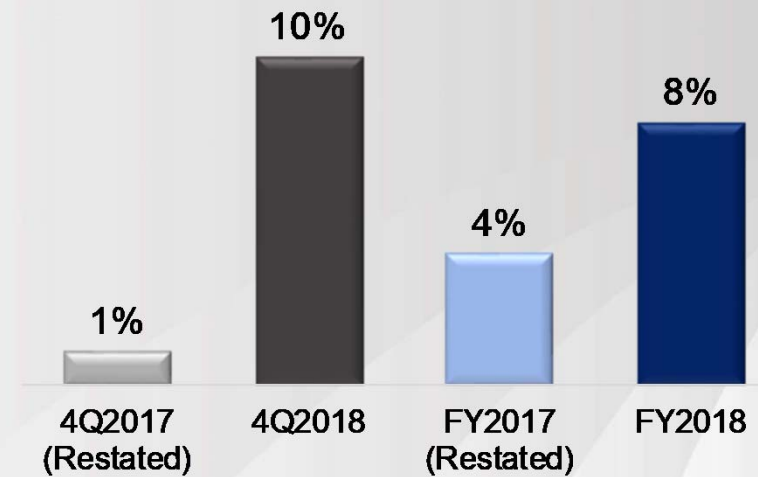


# Marine Margins

## PBT Margins



## Net Profit Margins



# Marine – FY2018 in Review

- Announced \$991m worth of new contracts, including:
  - Fast Patrol Boats for Singapore Police Coast Guard
  - First refit on a naval platform for a foreign navy with operations in the Indo-Pacific region
  - Two Logistics Support Vessels for a foreign government
  - Two firm and up to four optional Auxiliary Personnel Lighter Small APL Class Berthing Barges for US Navy
  - Engineering and procurement service to support the new T-AGS 67 Oceanographic Survey Ship for Naval Sea Systems Command
  - One firm order of Articulated Tug Barge with an option for a second unit from Bouchard Transportation
  - One Floating Power Barge for Transcontinental Capital Corporation

# Marine – FY2018 in Review

- Shipbuilding programmes remained on track
- Completed numerous shiprepair projects, rig repair and related fabrication works
- Added a blast and paint facility in Pascagoula yard, U.S.
- Commenced construction of Jurong Island Desalination Plant and secured a Mechanical & Electrical contract for the mechanical, electrical, instrumentation and control works for the Plant

# Marine – Outlook for FY2019

- Scheduled launch:
  - 8<sup>th</sup> Littoral Mission Vessel (LMV) for Republic of Singapore Navy (RSN)
  - ATB Tug and ATB Barge for Quality Liquefied Natural Gas Transport
  - ATB Tug Barge, *Evening Stroll*, for Bouchard Transportation
- Expected delivery:
  - 7<sup>th</sup> and 8<sup>th</sup> of eight LMVs to RSN
  - Heavy Fire Vessel for Singapore Ministry of Home Affairs
  - ATB Tug, *Evening Breeze*, for Bouchard Transportation
  - Vehicle/passenger ferry to Virginia Department of Transportation