

# FY2019/20 Results Briefing

11 May 2020



SIA ENGINEERING  
COMPANY

# FY19/20 Operational Review



# Core Business



## Line Maintenance

- 35 airports in 7 countries  
(expanding to 47 airports in 10 countries)



## Base Maintenance

- 6 hangars in Singapore
- 3 hangars in Philippines



## Fleet Management

- 92 aircraft from 8 airlines

# Core Business

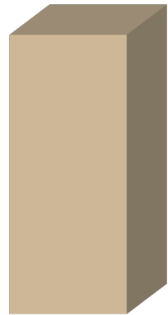
## Line Maintenance

### Flights handled at Changi Airport



↓ 2.1%

153,006



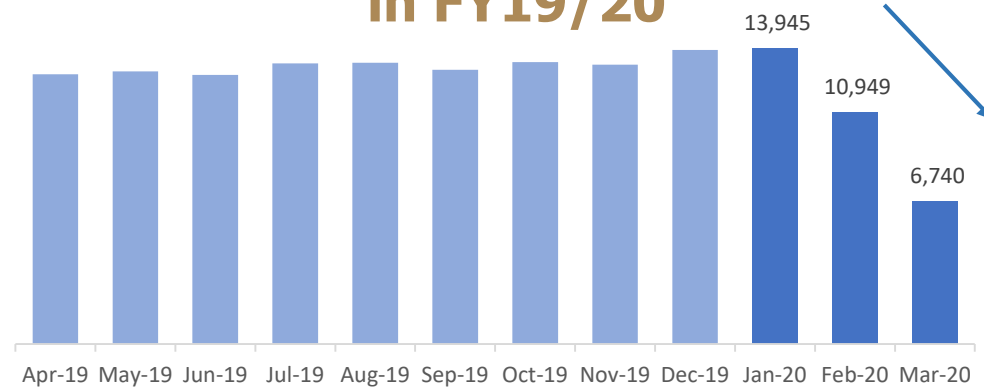
FY18/19

149,804



FY19/20

## Monthly flights handled at Changi in FY19/20



- Healthy number of flights handled at Changi before the impact of the COVID-19 crisis in February and March 2020
- Border controls and decline in travel demand led to drastic cuts in flight capacities and even grounding of aircraft
- Resulted in direct and immediate impact on line maintenance and cabin services business units at Singapore base, and at overseas line maintenance stations
- Flights handled in Singapore base in March dropped to approximately 50% of usual load

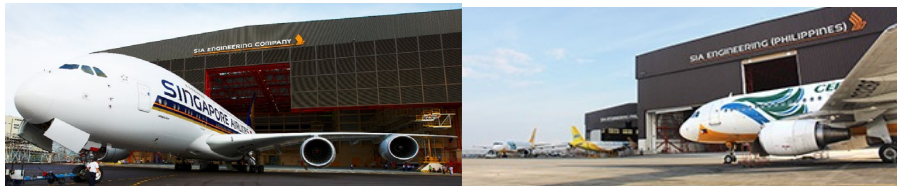
# Core Business

## Base Maintenance

Maintenance Checks at Singapore Base		
	FY19/20	FY18/19
'A' Checks*	515	466
'C' Checks	69	71

\* Including 'A' checks performed by Line Maintenance at the apron

Maintenance Checks at Clark Base		
	FY19/20	FY18/19
'C' Checks	38	54



### Singapore Base

- Number of 'A' checks increased
- Base maintenance not immediately affected by COVID-19 but delayed impact is expected

### Clark Base

- Affected by temporary closure due to a 6.1 magnitude earthquake and aftershocks in Central Philippines in April 2019
- Due to the Enhanced Community Quarantine (ECQ) in Luzon from 17 March 2020 to 15 May 2020, only a skeletal workforce is allowed to operate based on government guidelines, to handle line maintenance requirements and aircraft preservation work



# Core Business

## Fleet Management

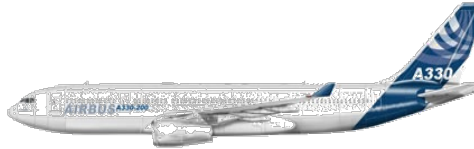
**A320**  
46 aircraft



**737**  
23 aircraft



**A330**  
9 aircraft



**747**  
7 aircraft



**777**  
7 aircraft



**FMP Fleet: 92 aircraft**

## Fleet Management Customers



Revenues for fleet management, which are largely based on flying hours, are impacted by the flight cancellations due to Covid-19 pandemic

# New Contracts

## Line Maintenance



## Base Maintenance



# Innovation and Technology

The Innovation & Technology Group was established in 2016 to spearhead innovation drive with a commitment to invest up to \$50 million over 5 years

## Operations & Technology Capability Roadmap (2018)



Digital Collaboration



Smart Control Centre



Machine Vision



Automation and Robotics



Infrastructure & Supply Chain



Technology Enabled Training

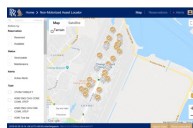


Digitally Enabled Workforce



### Smart MX

App provides engineers digital access to maintenance manuals and information required for their tasks.



### Track and Trace

App to locate and reserve non-motorised equipment using GPS based trackers.



Increase Productivity



### Automation at shops

Automated solutions for processes in workshops including scarfing and adhesive application.



### Supply chain automation

Improve efficiency of spares delivery, through introduction of Pneumatic Tube System (PTS) and self-service dispensing solutions.



Enhance Quality and Safety



### Machine vision

Driver fatigue and distraction detection system installed in vehicles.

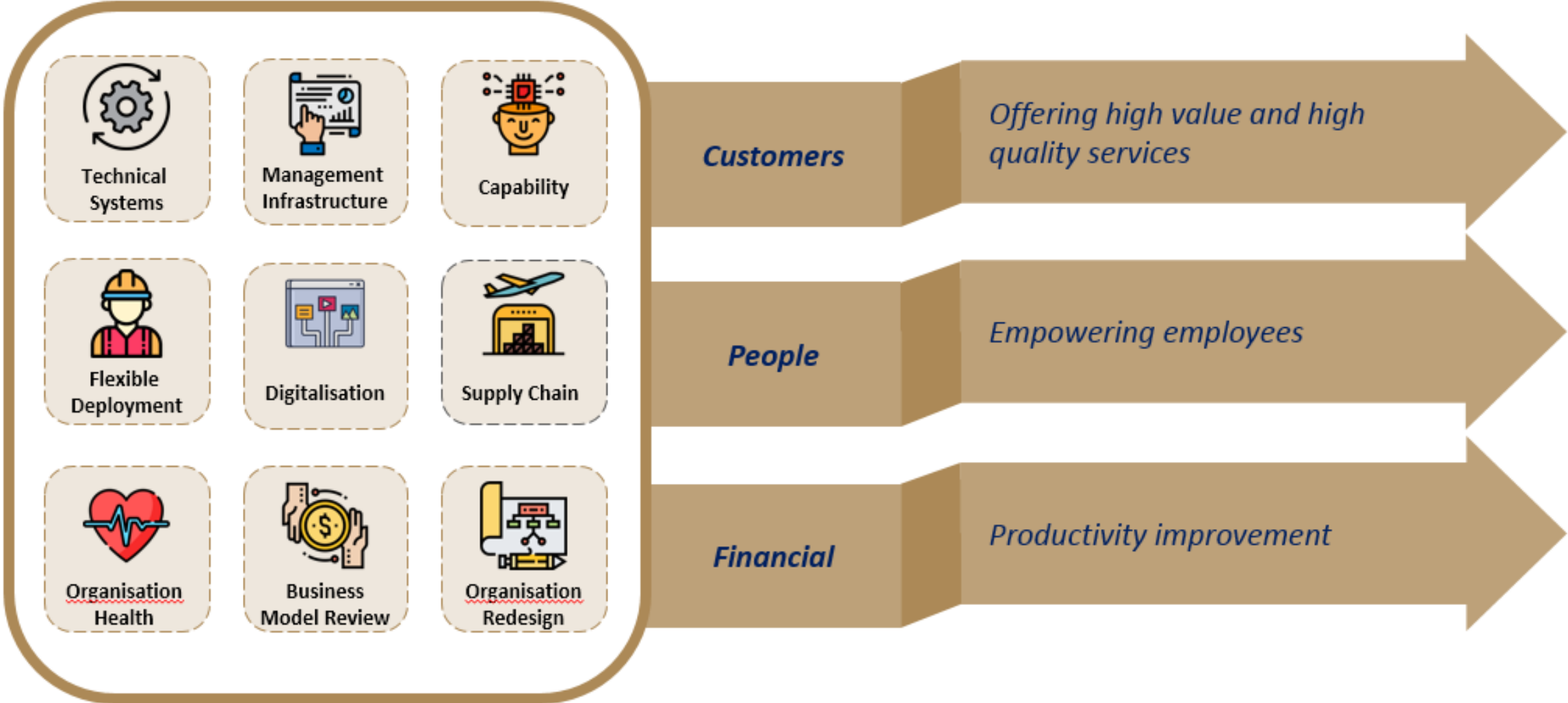


### Virtual reality for training

Increased number of modules to enhance training efficiency for staff.



# Transformation



# Transformation

**Achieved  
improvements**

**Increased  
utilisation**

**Reduced turn-  
around-time**

**Increased  
throughput**

**Reduced  
operating costs**

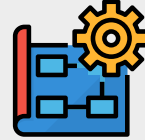
**Over 100  
initiatives  
implemented**



**Performance management strengthened** through performance dialogue and implementation of standard manhours



Staff training for **upskilling and broadening of skillsets**, enabling greater **flexibility in deployment**



**Joint Check Management** with **SIA** established, with **enhanced planning processes** and **improved task execution**



**Expanded capability and capacity** in **Powerplant Shop** to capture **new engine work** (e.g. Safran LEAP engine quick turn)



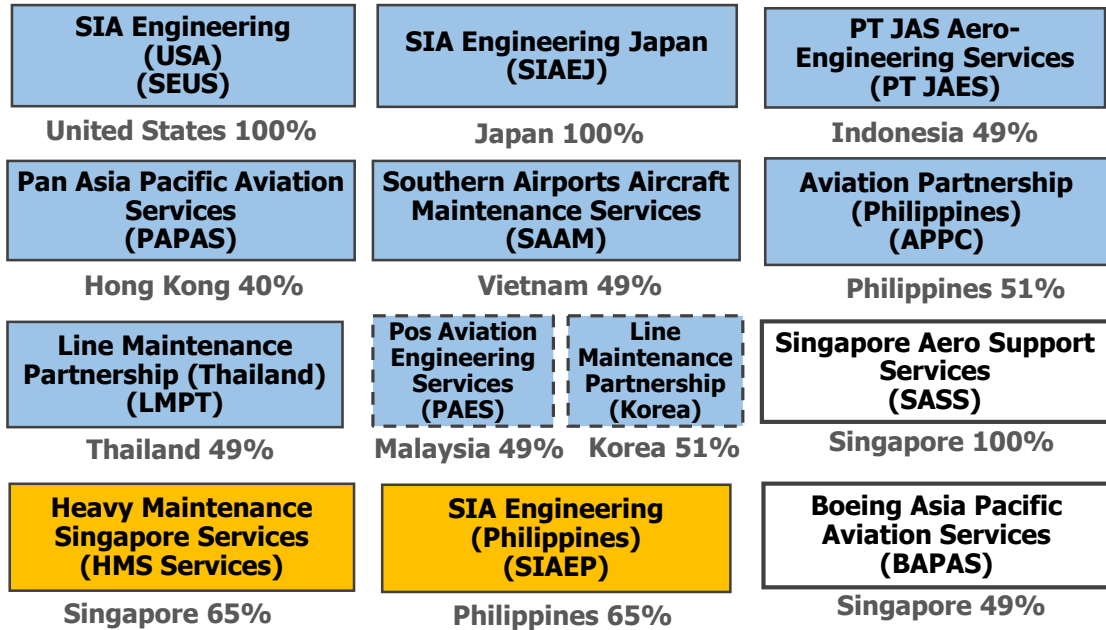
**Improved efficiency in material flow** through deployment of **technology** (e.g. AGVs, pneumatic delivery system and dispensing machines)












**Customised software** developed for **optimisation of inventory** and **component repair costs**

# Strategic Partnerships - JV Portfolio

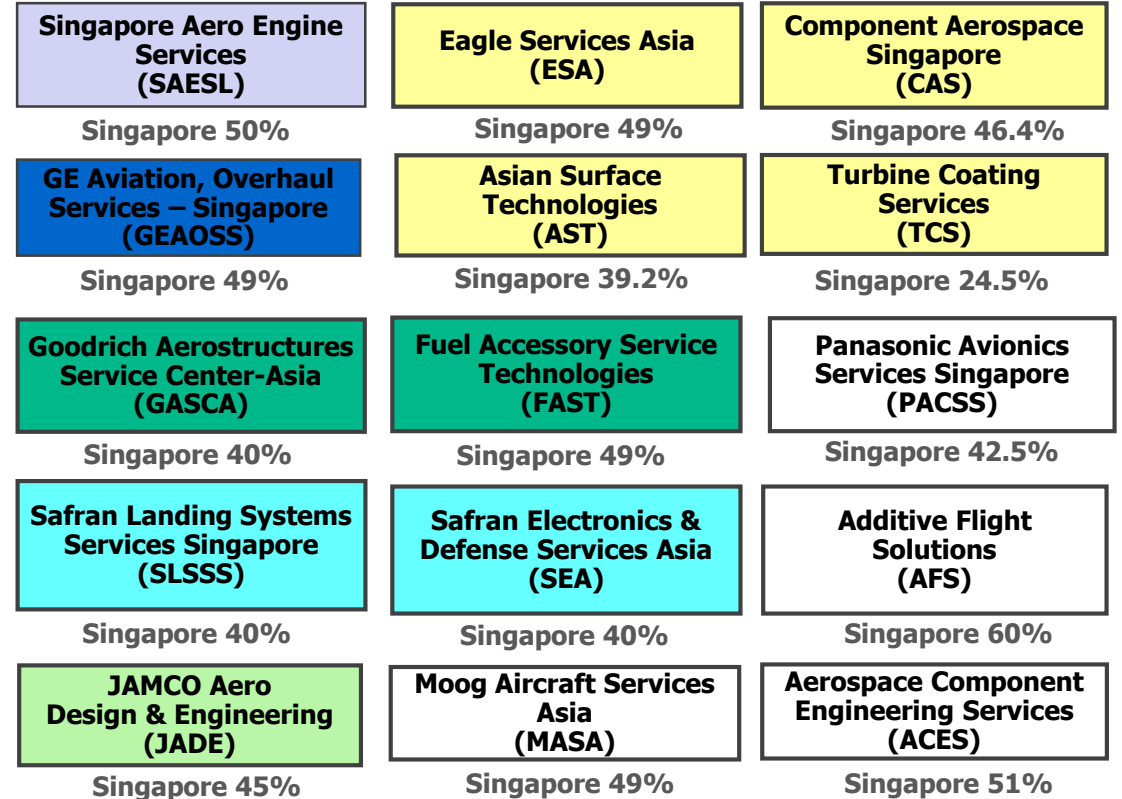
## Airframe and Line Maintenance



**JV Partners:**  Pratt & Whitney  Rolls-Royce  GE  Jamco  Safran  Collins

 Base Maintenance International  Line Maintenance International  Others

## Engine and Component



**26 JVs Across 8 Countries**  
**Total Revenue in FY19/20: S\$5.6B**

# Strengthening our JV Portfolio / other Key Developments

## Investments in New Capabilities

### **EAGLE SERVICES ASIA**

- Built up GP7200 and GTF engine capabilities to rejuvenate growth
- Invested nearly US\$85 million to upgrade the facility, including advanced machinery, and to train employees to perform new engine work



## Incorporation of JV

### **GE Aviation, Overhaul Services - Singapore**

- Incorporated in January 2020 - 51% by GE Aviation, 49% by SIAEC
- Full range of engine MRO services for the GE90 and GE9X engines

## Agreement with Safran Aircraft Engines

### **SAFRAN**

- 10-year agreement to provide engine maintenance services to Safran Aircraft Engines
- SIAEC will provide engine Quick Turn (QT) and modification embodiment services for Safran's CFM LEAP-1A and LEAP-1B engines at a dedicated facility in Singapore

# Response to COVID-19

- **SIAEC and its local JVs are classified as essential services and continue to operate during Circuit Breaker period**
- **74% of SIAEC staff in operations are working in company premises, with majority of support staff working from home, supported by IT and appropriate cyber security measures in place**
  - ✓ Precautionary measures for staff in company premises:-
    - ✓ Segregation into different teams for staff working onsite
    - ✓ Temperature taking and health declarations
    - ✓ Temperature and health screening for visitors
    - ✓ Use of personal protection equipment at all times during work
    - ✓ Frequent cleaning and provision of hand sanitisers at common areas
  - ✓ Enhanced social distancing during Circuit Breaker period
  - ✓ Up-to-date communication to staff on COVID-19 matters
  - ✓ Guidelines on handling of staff who has contact with confirmed/suspect cases
  - ✓ Arrangement with medical vendor to manage suspect cases in safe and compliant manner





# Response to COVID-19

- SIAEC stepped up to perform disinfection fogging for airline customers to protect passengers, crew and staff
- Deployment of staff to perform aircraft preservation and preparation of aircraft for parking overseas
- Engaging airlines to schedule maintenance checks during period of lull traffic period
- Redeployment of resources to areas with work demand
- Scheduling of staff for technical and soft-skill training courses



# Staying Vigilant and Prepared

## Close Monitoring and Review

- SIAEC and its Group of companies are constantly reviewing measures to comply with respective local requirements and guidelines to protect our employees, while ensuring the continuation of operations and preservation of business

## Positioning for Recovery

- Upskilling of employees in the areas of technical training, LEAN processes and digitalisation
- Strengthening our position and readiness to seize opportunities when aviation recovers and business returns

# FY19/20 Financial Review



# FY19/20 Financial Highlights

- The Group recorded a net profit of \$193.8 million for FY19/20. Full year Group performance improved 20.4%
- Operating profit at \$67.7 million was \$10.9 million or 19.2% higher. Strong performance for the first 9 months sustained into much of 4<sup>th</sup> quarter until the COVID-19 pandemic led to sharp drop in flights
- Weaker 4<sup>th</sup> quarter operating performance cushioned by government support schemes
- Share of profits of associated and joint venture companies increased \$14.0 million or 12.3% to \$127.9 million.
- Proposed final dividend of 5 cents.

# Summary of Group Results FY19/20

Group	FY19/20 \$M	FY18/19 \$M	Variance %
Revenue	994.1	1,020.9	- 2.6
Expenditure	926.4	964.1	- 3.9
Operating profit	67.7	56.8	+ 19.2
Share of profits of JVs & Assoc	127.9	113.9	+ 12.3
Provision for taxation	(14.0)	(18.1)	+ 22.7
Net profit	193.8	160.9	+ 20.4

- Strong performance for the first nine months sustained into the last quarter until significant flight cancellations severely impacted line maintenance business
- Improvement in operating profit was supported by the Company's Transformation efforts, which has delivered improvement in manpower utilization and reduced costs
- Weaker 4<sup>th</sup> quarter operating performance cushioned by government support schemes
- Higher share of profits of JVs & Assoc mainly due to the tax write-back at certain associated companies.



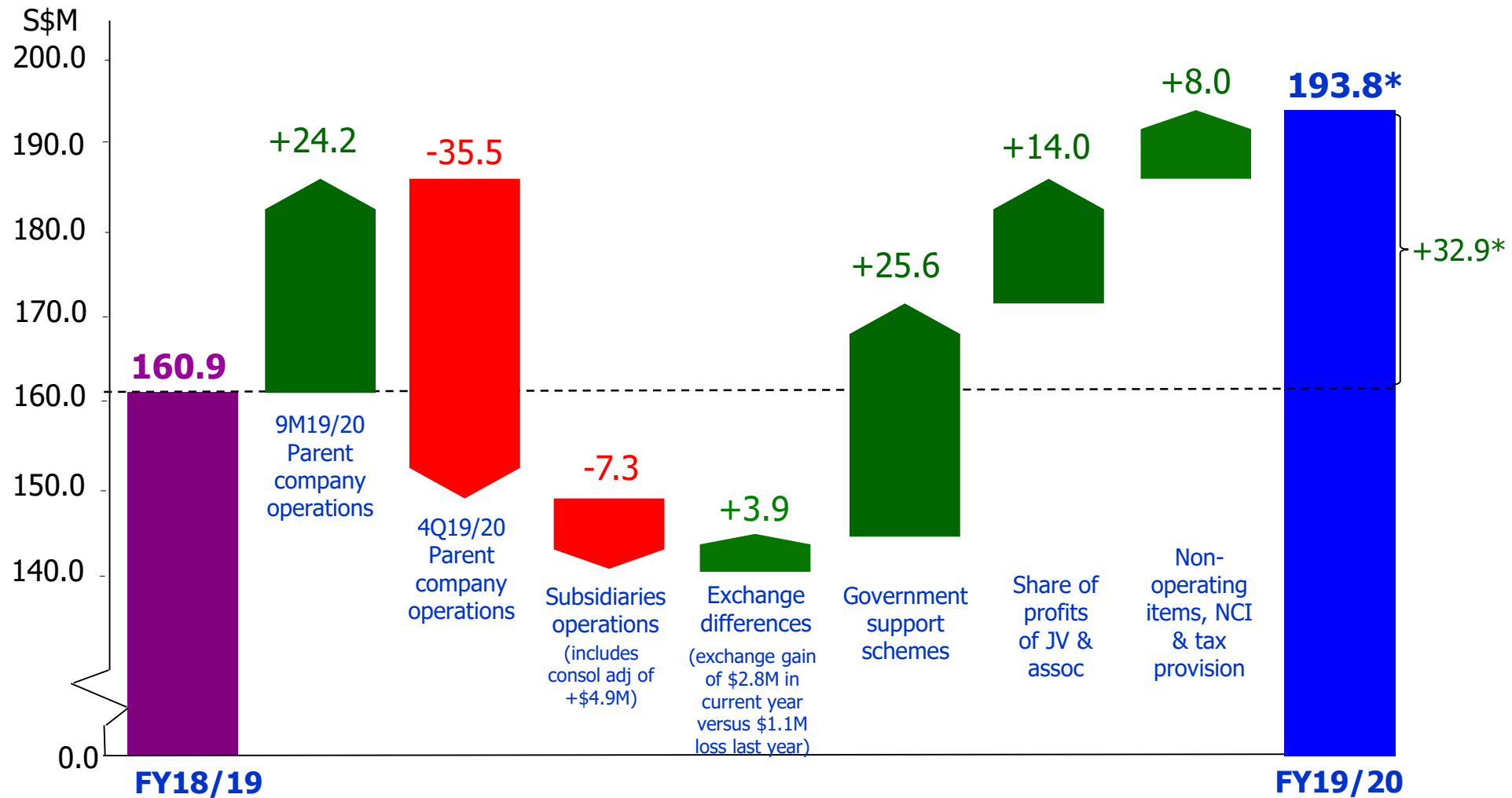
# Summary of Group Results

## 4Q19/20

Group	4Q19/20	4Q18/19	Variance	3Q19/20	Variance
	\$M	\$M	Y-o-Y %	\$M	Q-o-Q %
Revenue	229.3	256.0	- 10.4	252.1	- 9.0
Expenditure	215.0	236.6	- 9.1	236.0	- 8.9
Operating profit	14.3	19.4	- 26.3	16.1	- 11.2
Share of profits of JVs & Assoc	34.9	32.3	+ 8.0	39.6	- 11.9
Provision for taxation	0.7	(5.1)	n.m.	(4.7)	n.m.
Net profit	52.2	49.3	+ 5.9	54.0	- 3.3

- 4<sup>th</sup> quarter's revenue and operating profit adversely impacted by COVID-19
- Impact to operating performance cushioned by \$25.6M government support (under Jobs Support Scheme and Wage Credit Scheme)
- Contributions from JVs & Assoc stable; not immediately impacted by flight cancellations
- Group PAT at \$52.2M was 5.9% higher y-o-y

# Group Profit for FY19/20



\* Excluding government support (\$25.6M), Group PAT would have been \$168.2M, increase of \$7.3M.

# Breakdown of Group Revenue FY19/20

<b>Group Revenue</b>	<b>FY19/20 \$M</b>	<b>FY18/19 \$M</b>	<b>Variance %</b>
<b>Airframe and line maintenance</b>			
Airframe overhaul and line maintenance	879.3	891.2	- 1.3
Fleet management programme	88.4	100.2	- 11.8
	<b>967.7</b>	<b>991.4</b>	<b>- 2.4</b>
<b>Engine and component</b>	26.4	29.5	- 10.5
	<b>994.1</b>	<b>1,020.9</b>	<b>- 2.6</b>

- Lower Airframe overhaul and line maintenance revenue mainly due to lower material revenue and reduction in number of flights handled in the 4<sup>th</sup> quarter (mainly in March 2020)
- Lower Fleet management programme revenue mainly due to expired contracts

# Group Expenditure FY19/20

Group Expenditure	FY19/20 \$M	FY18/19 \$M	Variance %
Staff costs	481.4	488.7	- 1.5
Material costs	128.5	145.2	- 11.5
Subcontract costs	110.1	118.3	- 6.9
Overheads	206.4	211.9	- 2.6
	<b>926.4</b>	<b>964.1</b>	<b>- 3.9</b>

- Expenditure was lower by \$37.7M or 3.9%, mainly from lower material, subcontract and staff costs. Excluding government support, staff costs would have increased 3.7%.
- In view of airline customers' weakened financial position and large number of aircraft parked, following provisions were made :
  - Higher provision for doubtful debts (+\$8.0M)
  - Impairment of assets (+\$3.2M)

# Group Operating Profit FY19/20

<b>Group Operating Profit</b>	<b>FY19/20</b> <b>\$M</b>	<b>FY18/19</b> <b>\$M</b>	<b>Variance</b> <b>%</b>
Airframe and Line Maintenance	71.2	59.8	+ 19.1
Engine and Component	(3.5)	(3.0)	- 16.7
	<b>67.7</b>	<b>56.8</b>	<b>+ 19.2</b>

Losses in the Engine and Component segment mainly due to our share of losses in the PW1000 GTF engine program.



# Joint Venture and Associated Companies

## FY19/20

Share of Profit After Tax	FY19/20 \$M	FY18/19 \$M	Variance %
<b>Engine and component</b>			
Engine centers	86.7	76.2	+ 13.8
Component centers	46.8	39.2	+ 19.4
	<b>133.5</b>	<b>115.4</b>	<b>+ 15.7</b>
<b>Airframe and line maintenance</b>	(5.6)	(1.5)	n.m.
	<b>127.9</b>	<b>113.9</b>	<b>+ 12.3</b>

- Contributions from the engine and component centers at \$133.5M were higher by \$18.1M or 15.7%, mainly due to the tax write-back at certain centers.
- Minimal impact from COVID-19 during the reporting period.

# Group Revenue FY19/20

## (SIAEC, Subsidiaries, JV and Associated Companies)

<b>Group Revenue</b>	<b>Company and subsidiaries</b>	<b>Associated companies *</b>	<b>Joint venture company *</b>	<b>Total</b>	<b>%</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	
Airframe & line maintenance	967.7	140.5	-	1,108.2	- 1.7
Engine and component	26.4	2,291.1	2,914.5	5,232.0	+ 22.9
	994.1	2,431.6	2,914.5	6,340.2	+ 17.8

- Group Revenue increase 17.8% year-on-year
- 29% of Group Revenue for FY19/20 was direct from SIA Group airlines, an increase of 2ppts over FY18/19.

\* Not equity accounted for in the Group's Income Statement

# Group Balance Sheet

	Mar-20 \$M	Mar-19 \$M	Variance %
Equity attributable to owners of the parent	1,628.8	1,528.6	+ 6.6
Non-controlling interests	32.2	35.4	- 9.0
<b>Total equity</b>	<b>1,661.0</b>	<b>1,564.0</b>	+ 6.2
<b>Non-current liabilities</b>	<b>103.7</b>	<b>35.7</b>	+ 190.5
	<b>1,764.7</b>	<b>1,599.7</b>	+ 10.3
<u>Represented by:</u>			
<b>Non-current assets</b>	<b>1,007.4</b>	<b>880.2</b>	+ 14.5
Cash	519.7	521.6	- 0.4
Other current assets	478.4	443.4	+ 7.9
<b>Current assets</b>	<b>998.1</b>	<b>965.0</b>	+ 3.4
<b>Current liabilities</b>	<b>(240.8)</b>	<b>(245.5)</b>	- 1.9
<b>Net current assets</b>	<b>757.3</b>	<b>719.5</b>	+ 5.3
	<b>1,764.7</b>	<b>1,599.7</b>	+ 10.3

- With low borrowings and strong cash position, the Group is in a healthy financial position to weather the COVID-19 pandemic.
- Nonetheless, given the fluidity of the situation, the Group will remain vigilant and continue to monitor events closely and secure additional financing facility as required.

# Financial Statistics

<b>Financial Statistics</b>	<b>FY19/20</b>	<b>FY18/19</b>	<b>Variance</b>	
Return on shareholders' funds (%)	12.3	10.7	+ 1.6	ppt
Basic earnings per share (cents)	17.30	14.38	+ 20.3	%
	<b>Mar-20</b>	<b>Mar-19</b>	<b>Variance</b>	
Net asset value per share (cents)	145.4	136.6	+ 6.4	%

# Dividend

	<b>FY19/20</b>	<b>FY18/19</b>
<u>Ordinary</u> (in cents per share)		
Interim	3.0	3.0
Final	<b>5.0</b> <b>Proposed</b>	8.0

- In making the proposed final dividend of 5.0 cents, Board considered the profits earned during the year and the need to conserve cash due to the severity of the COVID-19 pandemic and the uncertain recovery timeline.
- Proposed final dividend payment subject to shareholders' approval; payment date to be advised at a later date.

# Unprecedented Impact on the Aviation Industry



## Airlines

*“Singapore Airlines extends cancellation of 96 per cent of flights till end-June” - SIA*

*“British Airways furloughs 30,000 workers” -CNN*

*“Virgin Australia Enters Bankruptcy Amid Virus Woes” -WSJ*

*“Norwegian Air says 4,700 jobs at risk after unit bankruptcies” -CNBC*



## Airports

*“For April, the number of scheduled flights is about 96 per cent lower than what was originally scheduled” - Changi Airport*

*“Operations at Changi Airport T2 to be suspended for 18 months from May” - Changi Airport*

*“U-shaped recovery more realistic, with domestic travel rebounding faster than international” - IATA*



## OEMs

*“General Electric to cut 10,000 aviation jobs” - Forbes*

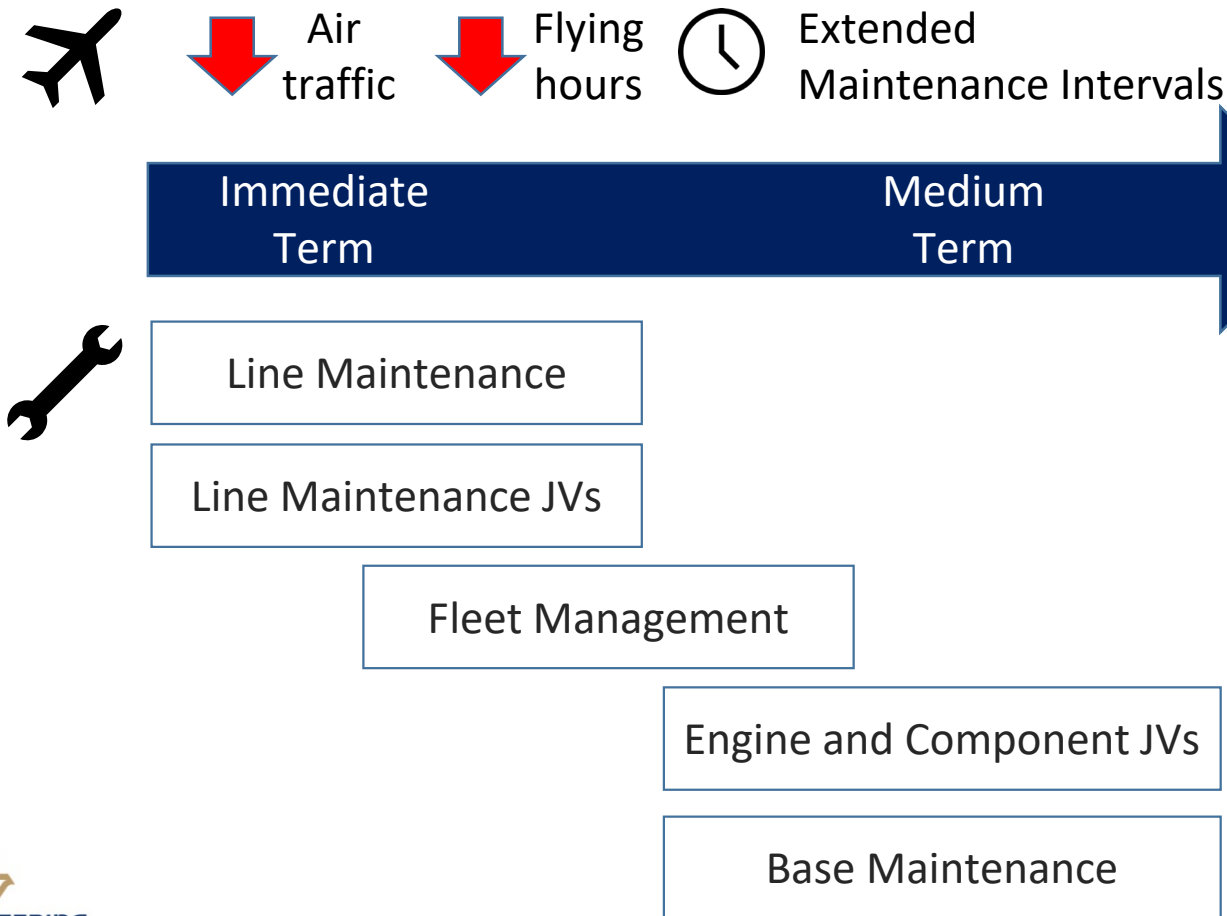
*“Boeing, Expecting a Long Slump, Will Cut 16,000 Jobs”- NYT*

*“Rolls-Royce to cut up to 8000 jobs as aviation crisis bites”, FT*

*Airbus CEO, “requests by customers to postpone delivery or cancel existing orders for aircraft”*

# In the Event of a Recovery...

Extent and pace of recovery of the aviation industry will be a key factor driving the recovery of our business volumes



## Financial Position

- Taken actions to mitigate the adverse financial impact and protect jobs
- Defer non-critical expenditures
- Salary cuts for Management and staff from March 2020
- Balance sheet remains strong with low borrowings
- Measures taken to maintain adequate liquidity



# Looking Forward

**Quality and Safety** remains priority



Press on with Transformation efforts to drive **Productivity and Capabilities**



Review existing **Investment Portfolio**



Equip staff with **LEAN and Digital Skillsets** to champion continuous improvement



Look out for new **Investments and Partnership** opportunities

# End of Performance Review



SIA ENGINEERING COMPANY



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