



29th January 2021

SIA ENGINEERING GROUP BUSINESS UPDATES FOR 3rd QUARTER FY2020-21

BUSINESS UPDATES

In the last quarter, international air travel continued to recover at a gradual pace. However, new COVID-19 outbreaks have impeded the progress as they have prompted governments around the world to step up travel restrictions and quarantine measures.

All business segments continued to be adversely affected by low flight activities and the reduction in the number of active aircraft. The number of flights handled by the Line Maintenance unit at our Singapore base in the third quarter was 19.3% of the same quarter last year, an increase of 3.3 percentage points quarter-on-quarter. The reduction in flying hours and lower work volume continued to impact on the fleet management business as well as our engine and component joint venture companies.

During the quarter, we completed the integration of the operations of our subsidiary, Heavy Maintenance Singapore Services Pte Ltd, into our Base Maintenance unit. Demand for aircraft maintenance checks remained weak, with most checks having lighter work content.

We remained disciplined in managing our costs. Measures taken earlier, including the release of contract staff, release of staff under voluntary no pay leave and early retirement, salary cuts and furlough have mitigated manpower surpluses and reduced operating costs. Non-critical capital expenditure continued to be deferred to conserve cash and maintain liquidity.

To ensure compliance and the safe continuation of operations at the workplace, the Company will continue to closely monitor and adapt to changes in rules and regulations on Safe Management Measures. Under a rostered routine testing programme, frontline operations staff who are at risk of exposure are scheduled for regular COVID-19 testing, for early detection and to prevent spread. Staff are also strongly encouraged to volunteer for COVID-19 vaccinations, especially those in the higher-risk groups.

OUTLOOK

While many parts of the world are experiencing new waves of COVID-19 infections, the progressive rollout of COVID-19 vaccines offers hope of a gradual recovery of the aviation industry and the MRO business.

Government support, especially the Job Support Scheme ("JSS"), has been critical during these difficult times. However, in the next quarter, JSS will taper down to 50% from 75%. Amidst the uncertainty, we will continue to stay nimble and adaptable. We will remain focused on working closely with our partners and customers to jointly manage the challenges during this period, while prudently managing our cashflow and expenditure.

We are accelerating Phase 2 Transformation efforts to boost our competitiveness in the post-COVID-19 MRO landscape with investments in digitalisation, technology and automation. The recently launched digitalisation initiative (SMART-MX) provides our Line Maintenance engineers with immediate access to information and decision support which improves efficiency. At the same time, we are focusing on proliferating Lean process improvements across the Company, upskilling our staff to broaden their expertise, and developing a culture of continuous improvement.

We will continue to closely review the rationalisation of our portfolio of joint ventures and subsidiaries in the current environment, and concurrently explore new investment opportunities for capability expansion.

GROUP FINANCIAL PERFORMANCE

The Group recorded revenue of \$104.6M million for the third quarter of FY2020-21, \$147.5 million lower year-on-year (-58.5%). Even as cost-cutting measures and grants from government support schemes remained, the reduction in Group expenditure of \$132.5 million (-56.1%) could not fully offset the reduction in revenue. Consequently, the Group recorded a lower operating profit of \$1.1 million (-93.2%) compared to \$16.1 million in the same quarter last year.

Share of profits of associated and joint venture companies was \$12.3 million, a reduction of \$27.3 million (-68.9%) year-on-year. Contributions from associated and joint venture companies were similarly impacted by the reduction in flying hours and extended maintenance intervals, partially offset by cost saving measures and government support.

During the quarter, an \$11.8 million impairment charge was made on our investment in an engine programme.

Net profit was \$7.7 million for the quarter ended 31 December 2020, 85.7% lower than the same quarter last year.

The adverse impact of COVID-19 on the Group's financial performance for the third quarter continued to be partially cushioned by grants from government support schemes; most significantly, JSS. Without this support, the Group would have recorded a loss of \$44.7 million.

As at 31 December 2020, equity attributable to owners of the parent was \$1,522.8 million, \$106.0 million (-6.5%) lower than the \$1,628.8 million balance as of 31 March 2020 due to a reduction in the foreign currency translation reserve, payment of final dividend for FY2019-20 and losses incurred in the first nine months.

Total assets at \$1,793.8 million as of 31 December 2020 represented a \$211.7 million (-10.6%) decrease from 31 March 2020. The Group continues to maintain a strong cash balance of \$519.0 million with low borrowings. The Group will continue to monitor the situation closely and exercise prudence in our cash management.

Basic earnings per share and net asset value per share as at 31 December 2020 were 0.69 cents and 135.8 cents respectively.

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GROUP FINANCIAL STATISTICS

	3Q20/21 (\$'M)	3Q19/20 (\$'M)	9M20/21 (\$'M)	9M19/20 (\$'M)
Financial Results				
Revenue	104.6	252.1	327.6	764.8
Operating profit/(loss)	1.1	16.1	(26.1)	53.4
Share of profits of associated and joint venture companies, net of tax	12.3	39.6	40.7	93.0
Net profit/(loss)	7.7	54.0	(11.3)	141.6
Per Share Data				
Earnings/(loss) after tax (cents) - basic ^{R1}	0.69	4.82	(1.01)	12.64
- diluted ^{R2}	0.68	4.80	(1.00)	12.61

	As at 31 Dec 2020 (\$'M)	As at 31 Mar 2020 (\$'M)
Financial Position		
Share capital	420.0	420.0
Treasury shares	(9.8)	(13.7)
Capital reserve	2.7	2.8
Share-based compensation reserve	4.0	5.4
Foreign currency translation reserve	(35.5)	16.0
Fair value reserve	(0.6)	(8.7)
Equity transaction reserve	(2.1)	(4.5)
General reserve	1,144.1	1,211.5
Equity attributable to owners of the parent	1,522.8	1,628.8
Cash and bank balances	519.0	519.7
Receivables ^{R3}	296.8	400.1
Total assets	1,793.8	2,005.5
Total liabilities	260.5	344.5
Net asset value per share (cents) ^{R4}	135.8	145.4
Return on equity holders' funds (%) ^{R5}	2.7	12.3

COMPANY OPERATING STATISTICS AT SINGAPORE BASE

	3Q20/21	3Q19/20	9M20/21	9M19/20
Flights handled at Changi Airport by line maintenance	7,807	40,373	19,079	118,170
Number of heavy checks performed at Singapore base	16	16	40	54
Number of light checks performed at Singapore base	53	138	162	392
Fleet size managed by fleet management business	79	74	79	74

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.