



1Q2020 Market Updates

15 May 2020

Disclaimer

The forward-looking statements in this presentation reflect the Company's current intentions, plans, expectations, assumptions and beliefs about future events. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions especially given the rapidly evolving COVID-19 situation and its impact globally. Representative examples of these factors include (without limitation) travel and border restrictions, governmental orders on business closures, lock-down and movement restrictions, quarantines, disruption to global supply chains, general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, and governmental and public policy changes, as well as natural disasters which may negatively impact business activities of the ST Engineering Group.

You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events.

Change to Half-yearly Reporting

- ST Engineering refers to amendment of the SGX Mainboard listing rules, which were effective 7 Feb 2020
- On 24 Feb 2020, ST Engineering announced it will publish its financial results on a half-yearly basis with effect from the financial year ending 31 Dec 2020 (FY2020)
- ST Engineering will continue its proactive engagement with stakeholders through various communication channels, including augmenting its half-yearly financial results with relevant market updates for 1Q and 3Q

Key Discussion Points

- 1.** Operational resilience amid COVID-19
- 2.** Mitigating factors for COVID-19
- 3.** Strong liquidity position with diverse funding sources
- 4.** Local eco-systems support
- 5.** Focus on sustainable long-term growth

Operational resilience amidst COVID-19

- Continuing to operate substantively as provider of essential services across the Group's global network
 - ✓ Aerospace hangars, shipyards, automotive factories, electronics workshops
- Focusing on health and safety
- Implementing global business continuity plans
 - ✓ Work-from-home, split teams, staggered hours & safe distancing etc
 - ✓ Robust network and communication infrastructures
- Heightening cybersecurity awareness

Our observation of the aviation industry

How airlines are responding to COVID-19



Cargo airlines doing well as passenger aircraft belly capacity for cargo is not available



Resumption of domestic travel and governments' financial aids to fuel recovery of passenger traffic



Airlines are taking measures to conserve cash in preparation for a challenging period and for the eventual recovery

- Grounding fleet
- Unpaid leave/ Furlough



Greater focus on smart technologies to improve cost efficiency and productivity



Airlines with strong cash flow continue to send MRO work despite some rescheduling and deferments

Diversified revenue streams

Aerospace and Electronics experiencing more impact

Aerospace

MRO business

- ✓ In active discussions with customers on rescheduling

OE business

- ✓ MRAS: reduction of A320neo OE units, reduced spares sales
- ✓ EFW: reduction in flat panel shipsets; PTF conversion kits supply chain challenge

Electronics

Delay in project milestones & delivery schedules

Some tenders previously put-up are on-hold

Certain satcom customers (Aviation, Maritime and Oil & Gas segments) are reducing demand

Increase in cost arising from supply chain disruption

Land Systems

Defence land platform business is steady

Delay in some defence exports e.g. 40mm munitions

Some projects are deferred e.g. EV bus

Marine

Percentage of completion of current programmes is shifted to the right

- ✓ Shipbuilding and environmental engineering projects

Some ship repair projects impacted by workforce disruption

Potential new shipbuilding projects are deferred

Efficiency & Cost reduction initiatives



Structural cost and operational efficiency capture

- ✓ Group-wide efficiency & cost reduction initiatives
- ✓ Re-prioritise investments/capex

Director fees cut

Management pay cut



Support from government aid & stimulus packages

- ✓ Singapore (Job Support Scheme, Wage credit scheme etc)
- ✓ Other locations e.g. U.S., Germany

New contract wins in 1Q2020

Defence business provides stability to revenue

- Aerospace and Electronics sectors secured \$1.6b of new contracts
 - ✓ \$838m of new wins by Aerospace
 - ✓ \$730m of new wins by Electronics
- Defence business remains strong
 - ✓ Land Systems: Phase 2 of Hunter Armoured Fighting Vehicle
 - ✓ Marine: US\$40m for the 4th APL(S) 67 Class berthing barge for the U.S. Navy, bringing the total for the 4 awarded vessels to ~US\$158m

There are other contract wins in 1Q2020 not disclosed due to customer confidentiality reasons

Robust order book provides revenue visibility



Order book profile

- >\$1.6b new contracts in 1Q2020
- \$4.5b expected to be delivered in the remaining months of 2020
- Multi-year contracts, long-term customers
- In discussion with customers to adjust delivery schedules/ address order cancellations

Mitigating factors for COVID-19 impact

Impact of COVID-19

Reduction in Customer Demand

Supply Chain disruption

Workforce disruption

Mitigated by

Diversified revenue streams:
business sectors, defence and
commercial customer split & geographies

Efficiency & cost reduction initiatives

Support from various government
aids and stimulus packages

Robust order book

**FY2020 revenue*
is expected to be
between 5% and 15% lower versus FY2019**

* Based on current view.
See Disclaimer on slide 2 for details.

Strong liquidity position with diverse funding sources

Strong balance sheet and liquidity position, with Triple-A rating maintained post COVID-19

S&P rating: AAA/stable, updated on 18 March 2020

Moody's rating: Aaa/stable, updated on 9 April 2020

S\$5b Multi-Currency MTN programme established in March 2020 and issued US\$750m 1.50% 5-year notes in April 2020 with good investor response

Set record for lowest coupon/yield for a 5-year USD bond issued by a Singapore corporation

Proceeds to be used mainly to refinance short-term debt

U.S. Commercial Paper (CP) programme for short-term debt at competitive rates; 1st non-bank issuer in Singapore

Backstopped by US\$1.1b of committed revolving credit facility

Eligible to join CP Funding Facility, set up by the U.S. Fed to enhance CP market liquidity

Existing loan facilities at competitive rates

Local eco-systems support

Using technology and innovation to solve real world problems

Surveillance & Monitoring

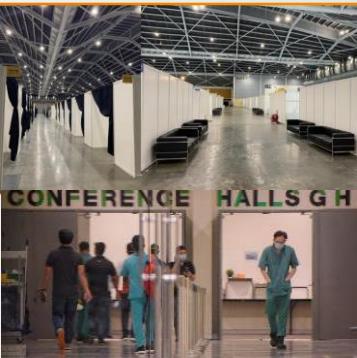
Security Robot



Infrared Fever Screening System



Integrated Surveillance Systems @ Community Care Facility (Expo Hall 1-10)



Public Safety & Health



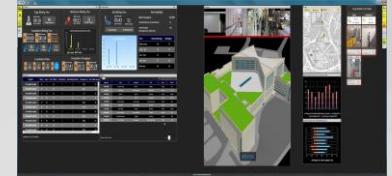
N95 and surgical mask production



TUG autonomous robots @ Community Care Facility (Airshow Site)

Command, Control and Communications (C3) Systems

Hospital Operations Centre



Contact Tracing Solutions

Stay Home Notice Tagging



AGIL™ Trace - Contact Tracing Software Embedded with Data Analytics



Local eco-systems support

Giving back to the community

ST Engineering May Day Fundraising Campaign for IMDA Digital Access Programme



Employee campaign to raise **\$1million** including a dollar-for-dollar matching by the company



Programme ensures that vulnerable segments of the community have access to digital devices and broadband for their daily tasks, telecommuting or home-based learning.

Project #BYOBclean, an initiative by Stay Prepared and Temasek Foundation

More than **200** employees participated in the **#BYOBclean** project. Distributed over **4000** bottles of hand sanitisers from 28 Mar to 5 Apr.



Donation of surgical masks and hand sanitisers



Donated **surgical masks and hand sanitisers** to the communities and partners in need of them.

Focus on sustainable long-term growth

1. COVID-19 impact mitigated by

- ✓ Diversified revenue streams, with defence business providing stability to revenue
- ✓ Group-wide efficiency & cost reduction initiatives
- ✓ Various government support schemes
- ✓ Robust order book

Focus on sustainable long-term growth

2. Continue to strengthen core businesses and enhance business resilience

- ✓ Monitor and respond nimbly to externalities
- ✓ Pursue structural efficiency and cost reduction initiatives
- ✓ Progress further digital initiatives and innovations
- ✓ Ensure supply chain resilience

3. Capitalise on new demands that arise from Covid-19

- ✓ Command & Control, cybersecurity, sensors, robotics and unmanned systems etc

4. Maintain strong liquidity position

5. Judiciously identify M&A opportunities



Thank You