

# **3Q2023 Market Updates**

10 Nov 2023

## Disclaimer

The forward-looking statements in this presentation reflect the Company's current intentions, plans, expectations, assumptions and beliefs about future events as at the date of this presentation. 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. Some examples of these risk factors include disruption to global supply chains, general economic conditions, interest rate trends, inflationary pressure, shifts in customer demand, regulatory changes and natural disasters which may negatively impact business activities of the ST Engineering Group.

No assurance can be given that future events will occur, or that assumptions are correct. 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.

# Agenda

## 1. Financial Highlights

- Group Revenue
- Business Segment Highlights
- 3Q2023 Contract Wins & Order Book
- Operational Highlights
- Summary

## 2. Q&A Session

- *Singapore dollars unless otherwise stated*
- *Amounts may not add to totals shown due to rounding*

Group Revenue

# Group Revenue

## Strong Group Revenue Growth

9M

**\$7.3b**

▲ 12%

y-o-y

9M2022: \$6.5b

3Q

**\$2.4b**

▲ 9%

y-o-y

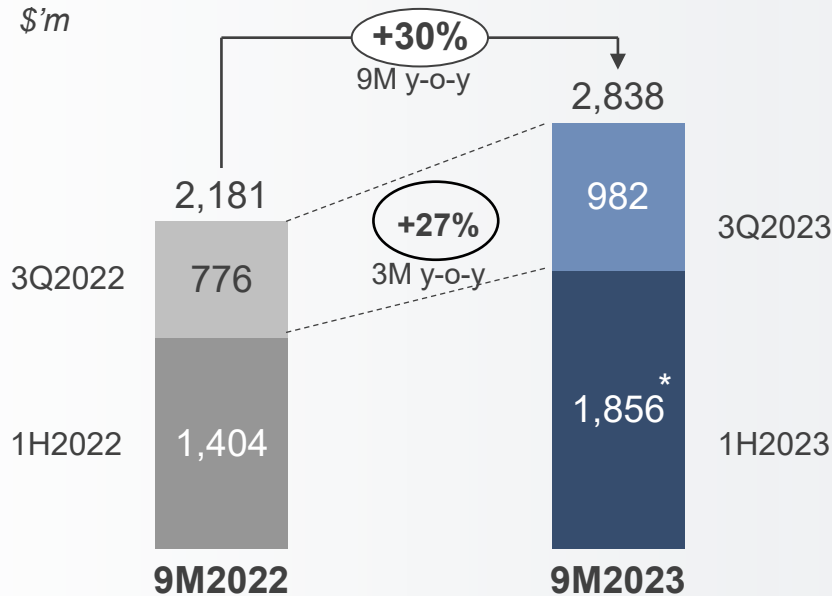
3Q2022: \$2.2b

## Group Revenue: Growth in all Segments

\$m	9M2023	9M2022	Change
Commercial Aerospace	2,838	2,181	▲ 30%
Defence & Public Security	3,090	3,118	▼ 1% ▲ 6% excl. U.S. Marine
Urban Solutions & Satcom	1,369	1,209	▲ 13%
<b>Group</b>	<b>7,297</b>	<b>6,508</b>	<b>▲ 12%</b>

Business Segment Highlights

# Commercial Aerospace



- **30% y-o-y revenue increase; contributed by all sub-segments**

OEM:

- Strong nacelle, PTF revenue growth
- A320/A330 PTF programme continues to mature

MRO:

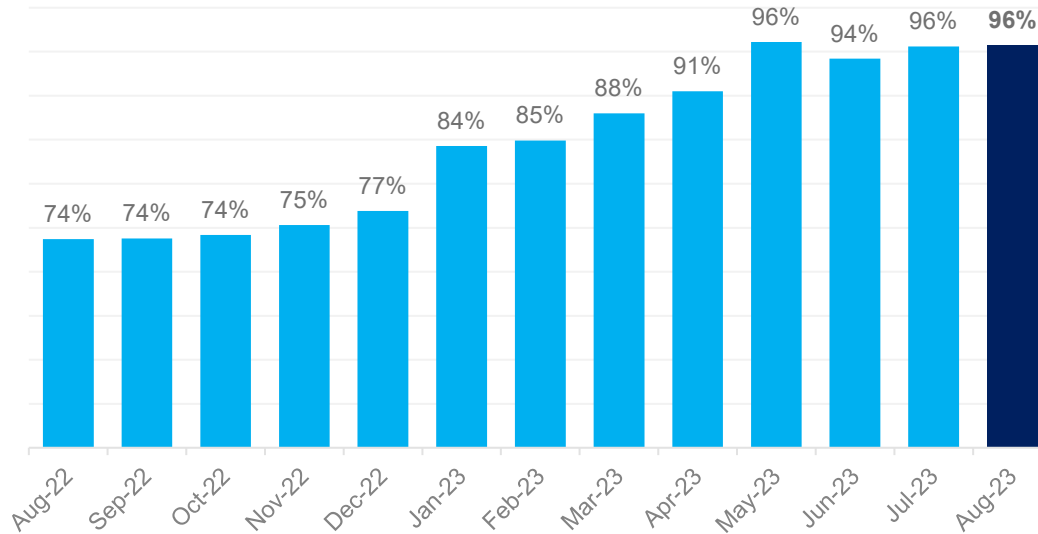
- Growth in all lines of business

\* Includes aircraft sales of \$98m in 1H2023

## Business Segment Highlights

# Recovery in Aviation Sector Continues

RPK<sup>1</sup> demand vs 2019 (100%)



## Healthy Growth in Air Travel

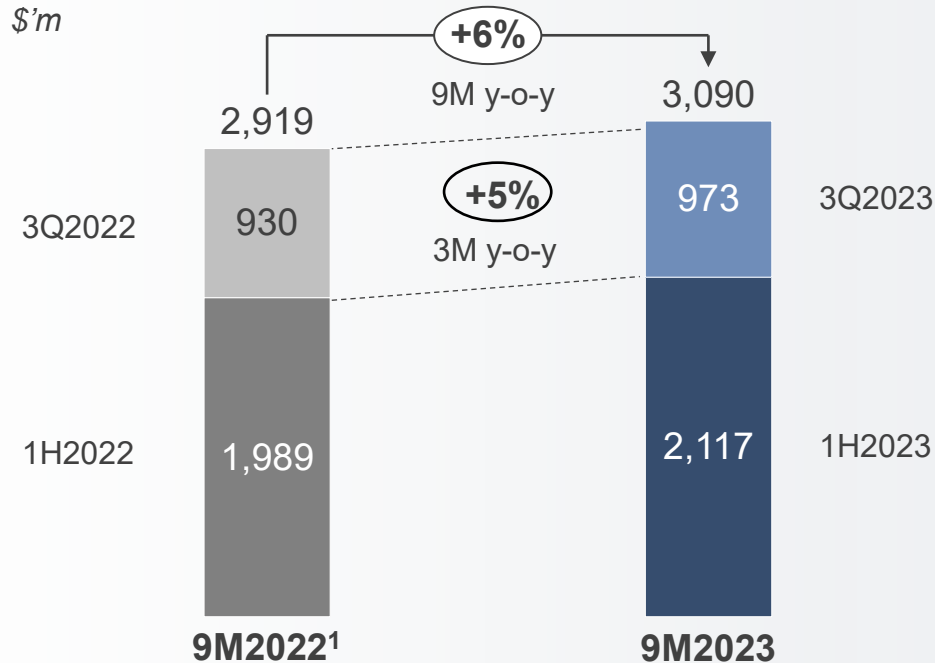
- Total air travel reached 96% of pre-COVID (2019) level in Aug 2023
  - Domestic air travel above 2019 level at 109%
  - International air travel still below 2019 level at 89%
  - Asia Pacific international air travel at 76%

<sup>1</sup> RPK (Revenue Passenger Kilometers)

Source: IATA Air Passenger Market Analysis Aug 2023 (dated 4 Oct 2023)

Business Segment Highlights

# Defence & Public Security



- **6% y-o-y revenue increase (excluding U.S. Marine)**
  - Growth contributed by Defence Aerospace, Marine, and Digital Systems & Cyber sub-segments
  - Digital Business<sup>2</sup> registered strong growth momentum
- **International defence business contract wins of ~\$250m for 9M2023**

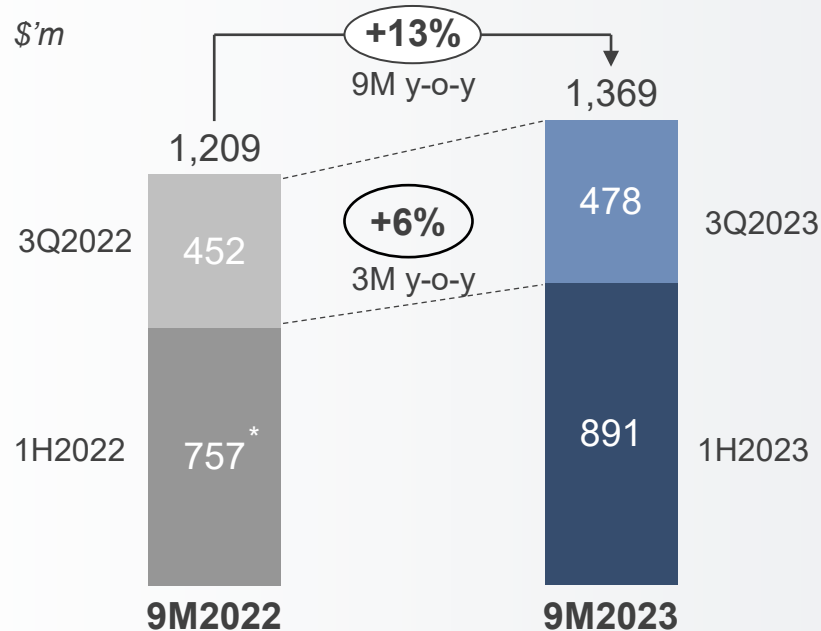
<sup>1</sup> Excluding U.S. Marine which was divested in 4Q2022, with revenue of \$199m for 9M2022

<sup>2</sup> Digital Business: Cloud, AI Analytics and Cyber



Business Segment Highlights

# Urban Solutions & Satcom



- **13% y-o-y revenue increase**
  - Contributed by TransCore, partially offset by Satcom
- **Satcom** transformation underway
- **TransCore**
  - New York Congestion Pricing project progressing well
  - On track for second year earnings accretion

\* TransCore acquisition completed in mid-Mar 2022

## Satcom Updates

### Progress

- **Organisation Transformation** - workforce reduction will result in lower cost base. FY2023 severance costs ~\$7m (1H23:\$2m)
- **Product Convergence** - engineering alignment for next generation platform and dual-use architecture review in progress
- **Service Innovation** - ongoing collaborations to integrate ground segment with software-defined satellites

### Challenges

- **Transformation execution challenges** - more than anticipated
- **Demand outlook more uncertain** - delayed customer spending

1. USS full-year 2023 segment EBIT expected to be profitable but lower than 2022 due to challenges in Satcom
2. TransCore's earnings accretion target remains on track for 2<sup>nd</sup> year post acquisition

# Significant New Contract Wins and Strong Order Book

## Contract Wins

# \$11.7b

New contracts for 9M2023



**Commercial  
Aerospace**

**\$3.9b**



**Defence &  
Public Security**

**\$6.2b**



**Urban Solutions  
& Satcom**

**\$1.6b**

## Order Book

# \$27.5b

As at 30 Sep 2023



\$2.5b expected to be delivered in the remaining months of 2023

# \$2.2b New Contract Wins for 3Q2023

	3Q2023	Highlights
<b>Commercial Aerospace</b>	\$0.8b	<ul style="list-style-type: none"> <li>• LEAP-1B engine maintenance contract from Lion Air Group</li> <li>• B787 thrust reverser restoration contract from a lessor company</li> <li>• A320ceo component MBH™ contract from an Asian airline</li> <li>• DC-10 airframe heavy maintenance contract from a cargo airline</li> </ul>
<b>Defence &amp; Public Security</b>	\$1.1b	<ul style="list-style-type: none"> <li>• Digital solutions and services in Cloud, Data Centre, and training and simulation</li> <li>• AI-enabled Mission Critical Command and Control systems</li> <li>• Cybersecurity products and services</li> <li>• Defence &amp; public security contracts from customers in Europe, Middle East and Asia</li> <li>• C-130 upgrades and MRO</li> <li>• Shipbuilding, repair and maintenance contracts</li> </ul>
<b>Urban Solutions &amp; Satcom</b>	\$0.3b	<ul style="list-style-type: none"> <li>• Platform Screen Door contract for a rail line in Australia, and train Passenger Information Systems contracts for rail lines in Taiwan</li> <li>• ITS contract to design, build and maintain Abu Dhabi's first multimodal Intelligent Transportation Central Platform</li> <li>• All Electronic Tolling systems, O&amp;M, and RFID tag sales in the U.S.</li> <li>• Integrated smart security management solutions</li> <li>• Satcom ground infrastructure contracts for the aviation, consumer, enterprise, cellular backhaul, government and military segments in Europe, North and South America</li> </ul>
<b>Total</b>	<b>\$2.2b</b>	

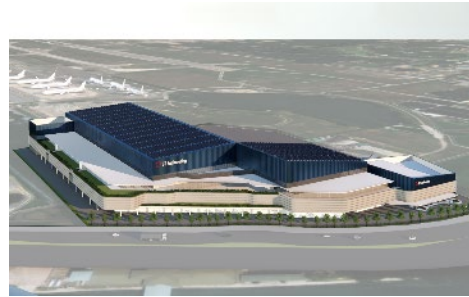
# Capacity Expansion Initiatives in 2023 for Growth



Acquired Gul Yard, a brownfield site for ship repair business in Singapore in Feb 2023



Opened 2<sup>nd</sup> of four airframe maintenance hangars being developed in Pensacola, Florida



Investing in airframe maintenance hangars in Changi Creek, Singapore to be ready in 2025



Expanded LEAP Engine market capability through CBSA license

## Summary

- 1 Group 9M2023 revenue at \$7.3b, 12% higher y-o-y.
- 2 Strong Defence & Public Security and Commercial Aerospace performance.
- 3 Satcom transformation underway.
- 4 TransCore's earnings accretion target remains.
- 5 Strong contract wins of \$11.7b in 9M2023, including \$2.2b secured in 3Q2023. Robust order book of \$27.5b as at 30 Sep 2023.
- 6 3Q2023 interim dividend of 4.0 cents per share.

# Connect with us



[www.stengg.com](http://www.stengg.com)