

# **First-Half 2023 Results**

11 August 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

## ➤ 1H2023 Results

- Group Highlights
- Business Discussions
- Segment Financials and Order Book
- Debt Profile
- Outlook
- Other Financials

## ➤ Question & Answer session

Notes:

- All amounts in millions of Singapore dollars unless otherwise stated
- Amounts may not add to totals shown due to rounding

# **Group Highlights**

## Group Highlights

**1H2023 Revenue +14%, EBITDA +16%, EBIT +15% y-o-y**  
**(\$'m)**

Revenue

**4,863****+14%**

y-o-y

EBITDA

**711****+16%**

y-o-y

EBIT

**444****+15%**

y-o-y

PBT

**351****+0.1%**

y-o-y

Net profit

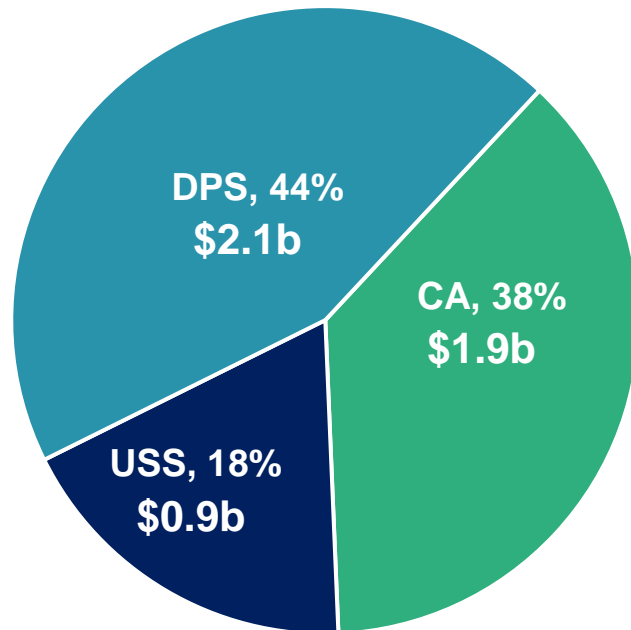
**281****+0.2%**

y-o-y

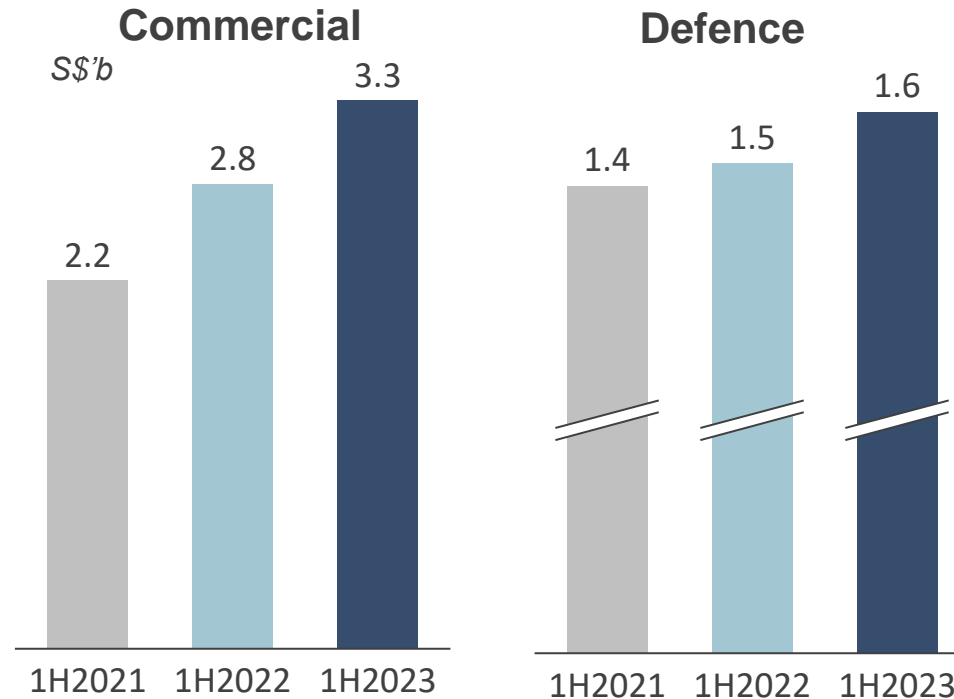
Group Highlights

# Group 1H2023 Revenue Breakdown

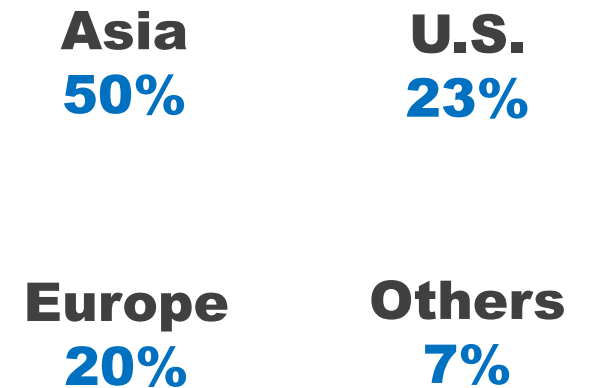
1H2023 Revenue by segment (S\$4.9b)



1H2023 Revenue by type (S\$4.9b)



1H2023 Revenue by location of customers



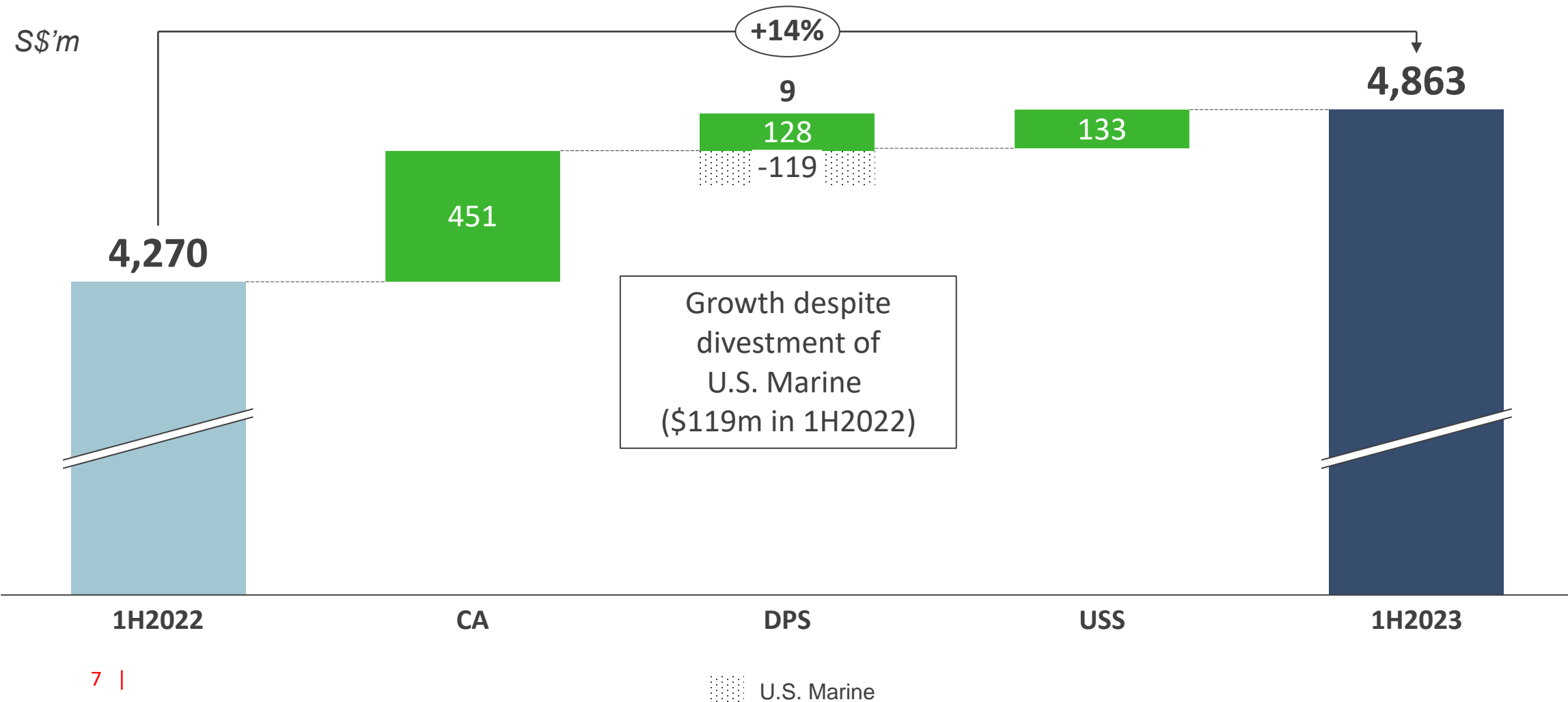
Note: DPS includes both local and international customers. It also covers defence and commercial domains, the latter of which includes public safety and security, critical information infrastructure and others,

CA: Commercial Aerospace  
 DPS: Defence & Public Security and Others  
 USS: Urban Solutions & Satcom

Group Highlights

# Group Revenue

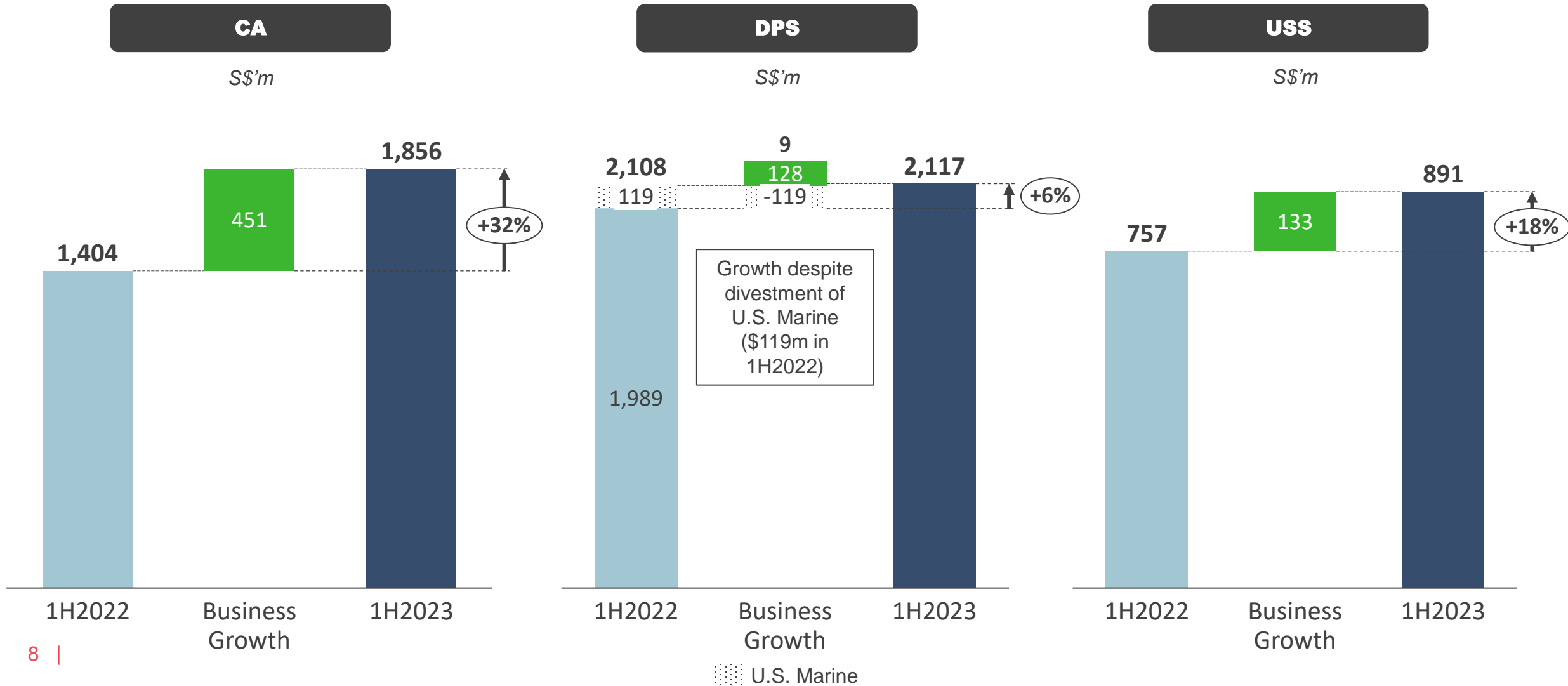
☐ Higher by 14% y-o-y, with growth in all segments



Group Highlights

# Segment Revenue

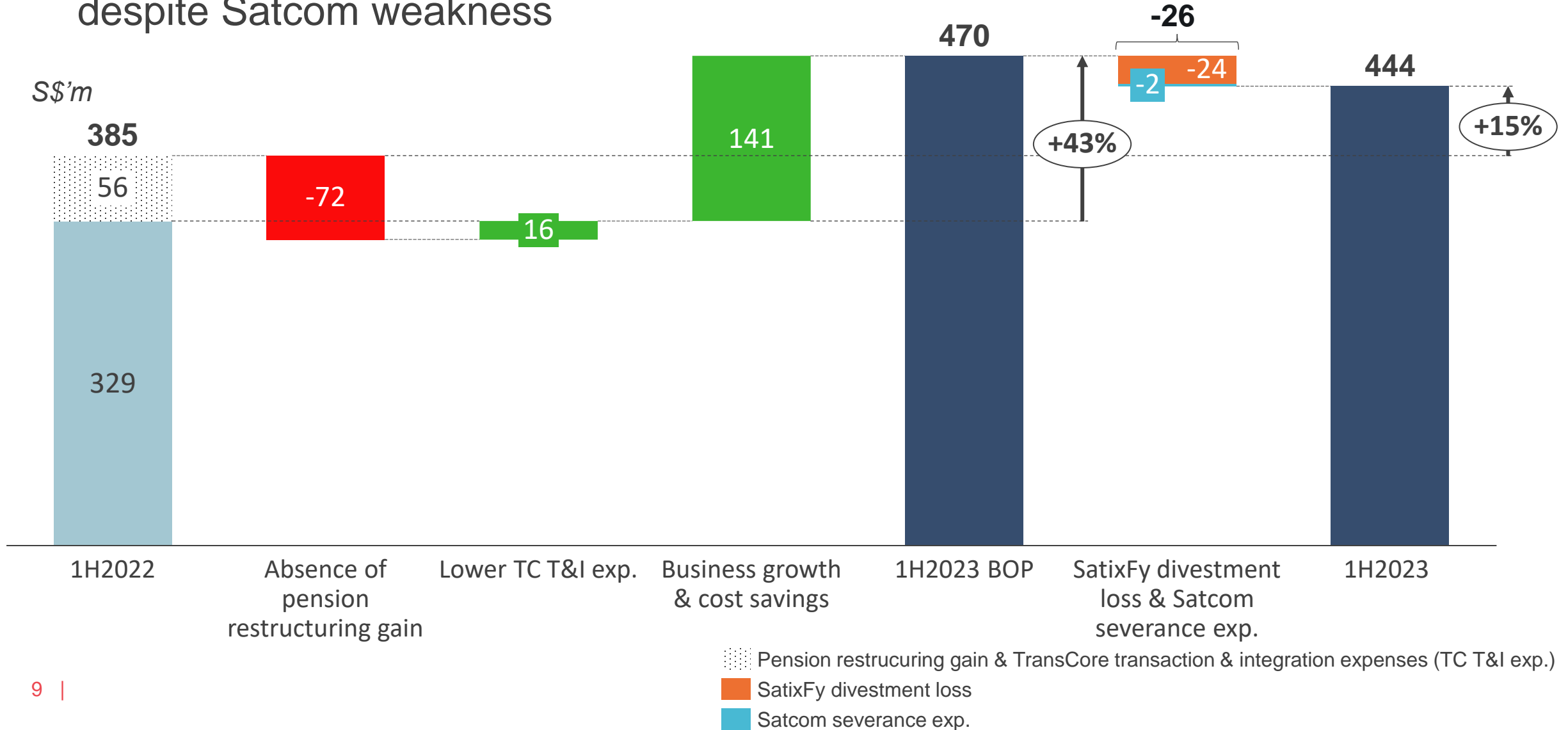
☐ Growth in all segments





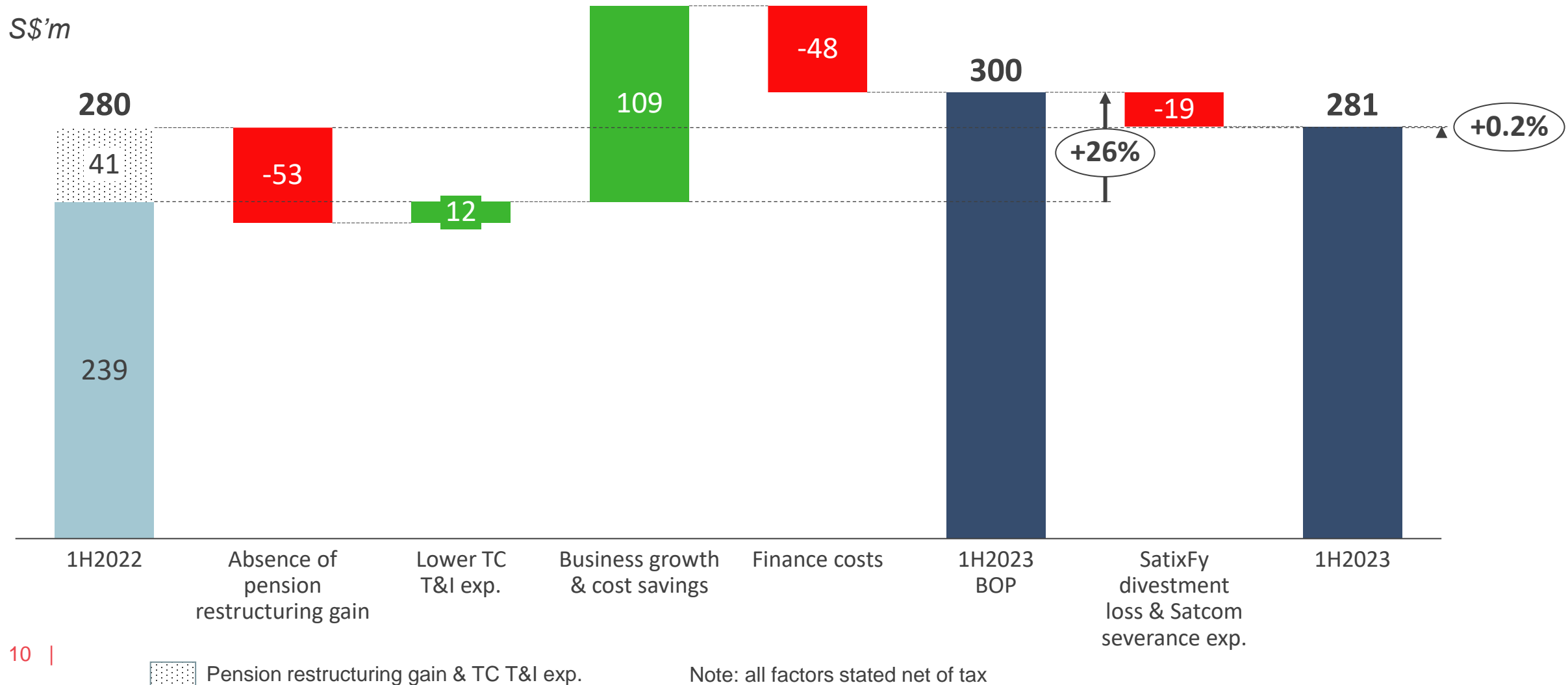
# 1H2023 EBIT

□ Base operating performance (BOP) EBIT 43% up y-o-y, despite Satcom weakness



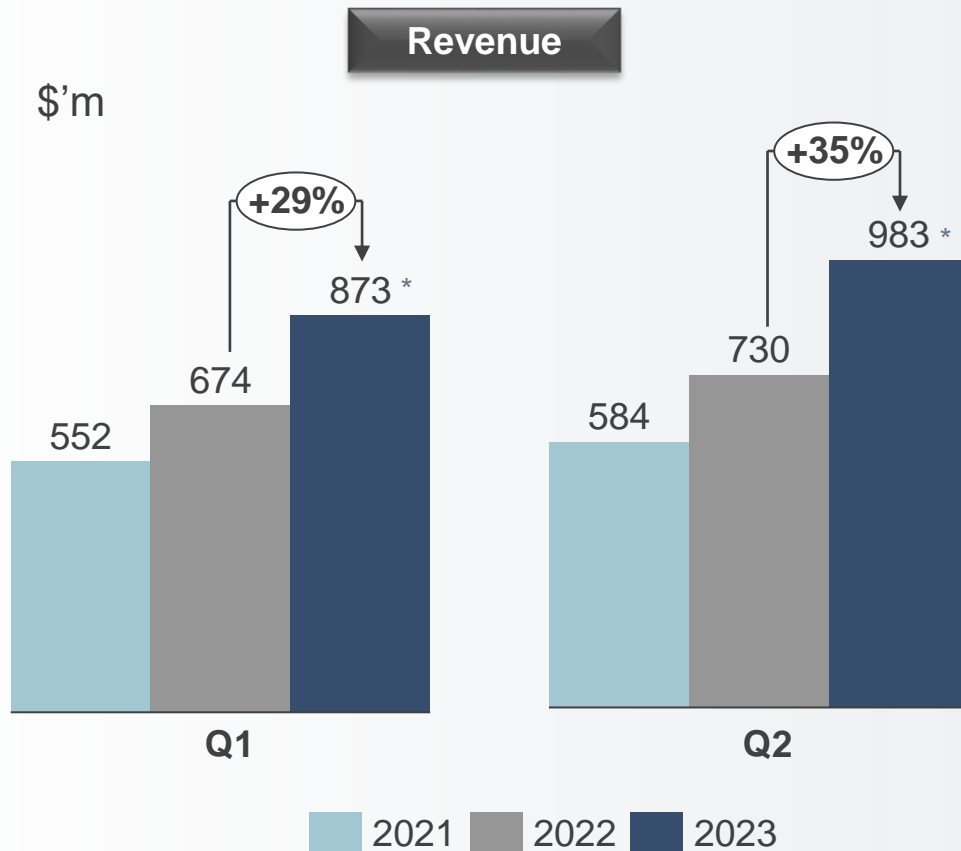
# 1H2023 Net Profit

☐ BOP Net Profit 26% higher y-o-y, despite higher finance costs



# **Business Discussions**

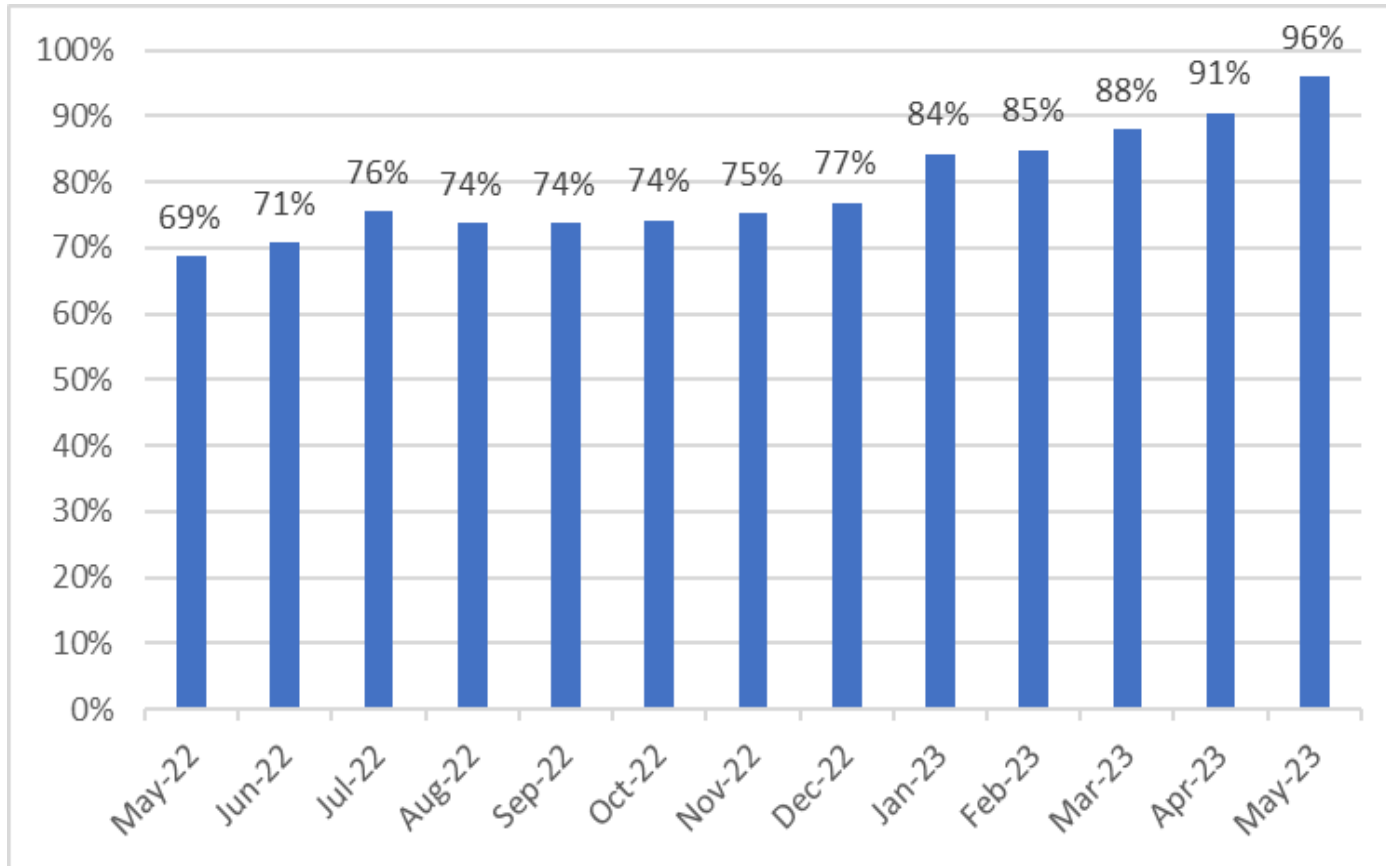
# Commercial Aerospace: Continued Strong Recovery



- **32% y-o-y growth in 1H2023**
  - Stronger than 1H2019 (pre-COVID)
- **35% y-o-y growth in 2Q2023**
  - Strong recovery in Engines and Component businesses
  - Strong P2F demand
  - Increased delivery for nacelles
- **Secured \$3b new contracts in 1H2023, incl. \$2.3b in 2Q2023**

# Recovery in Aviation Sector Continues

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



## Healthy Growth in Air Travel

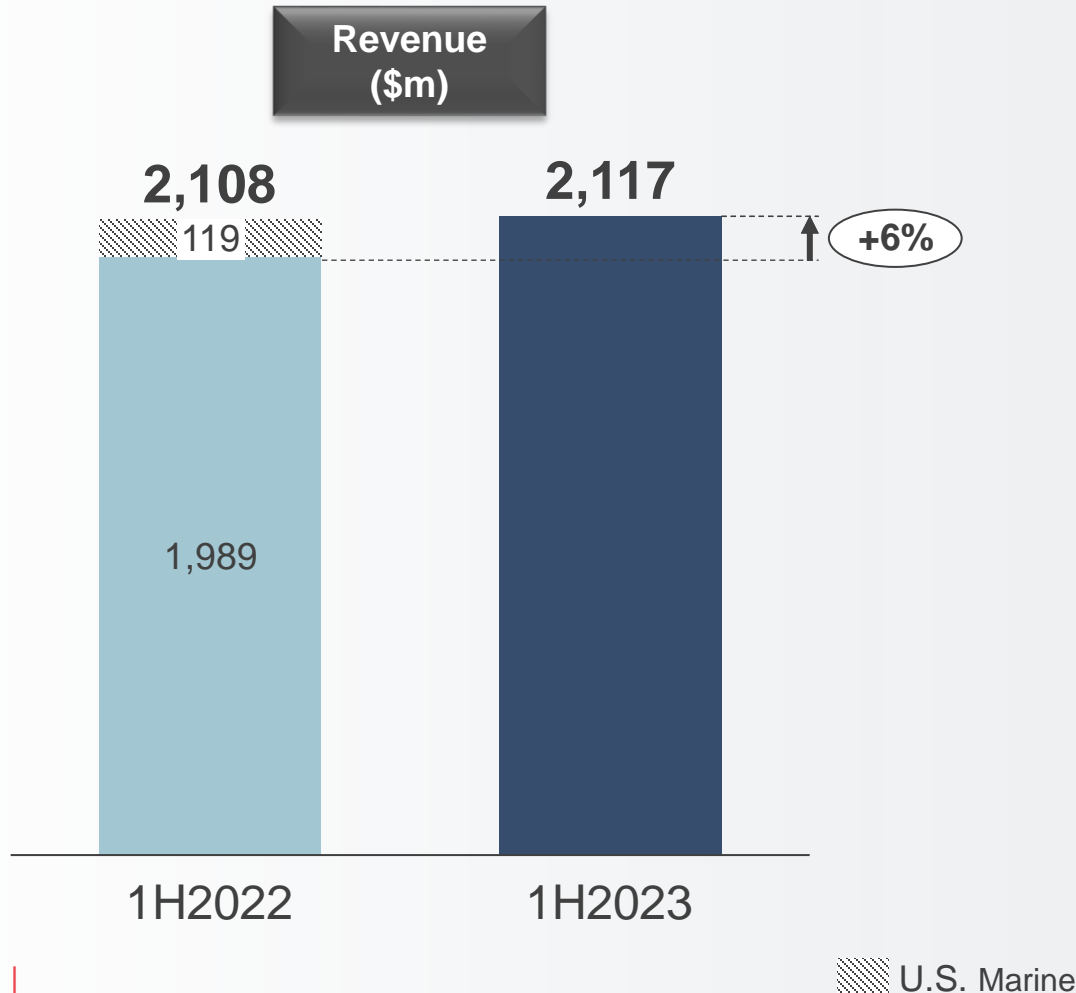
- Total air travel reached 96% of pre-COVID (2019) level in May 2023
  - Domestic air travel above 2019 level at 105%
  - International air travel still below 2019 level at 91%
  - Asia Pacific international air travel at 69%

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

Source: IATA Air Passenger Market Analysis May 2023 (dated 5 July 2023)

Business Discussions

# Defence & Public Security



- YoY +6% base business revenue growth
- Strong contract wins of \$5.2b in 1H2023
- Growth in International defence business
  - >\$100m contract wins from customers in Europe and Middle East

## Urban Solutions: 2H weighted deliveries

- **New York Congestion Pricing project**
  - Notice-to-Proceed (NTP) obtained in June 2023
  - Scheduled for completion by 2Q2024
- **TransCore's earnings accretion target remains, with project deliveries weighted in 2H2023**
- **Smart Mobility (Rail and Road) projects**
  - NTP for Kaohsiung Yellow Line obtained in Apr 2023
  - NTP for Kaohsiung Red Line (Southern Extension) expected by end 2023



# Satcom: Near-term challenges

## Weak Sales



**Supply chain  
disruption**

**Recovering  
from COVID**

- Revenue weighted in 2H2023
- Supply chain relief expected by end 2023

## One-off Divestment Loss



- Invested US\$7m in SatixFy\* in 2014-2015
- De-SPAC in Oct 2022 with investment mark-to-market
- Fully divested in Apr 2023 for US\$1.5m post lifting of moratorium



# Satcom: Restructuring and Transformation in Progress

## Converging Platforms

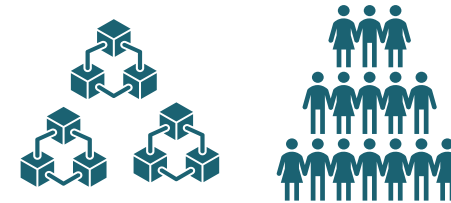


Streamlining product lines to next generation platform

- Best-in-class technologies and innovation



## Streamlining Opportunities



- Fast-changing industry dynamics
- Organisation restructuring and transformation in progress
- ~20% workforce reduced
- \$40m-\$60m cash savings annually



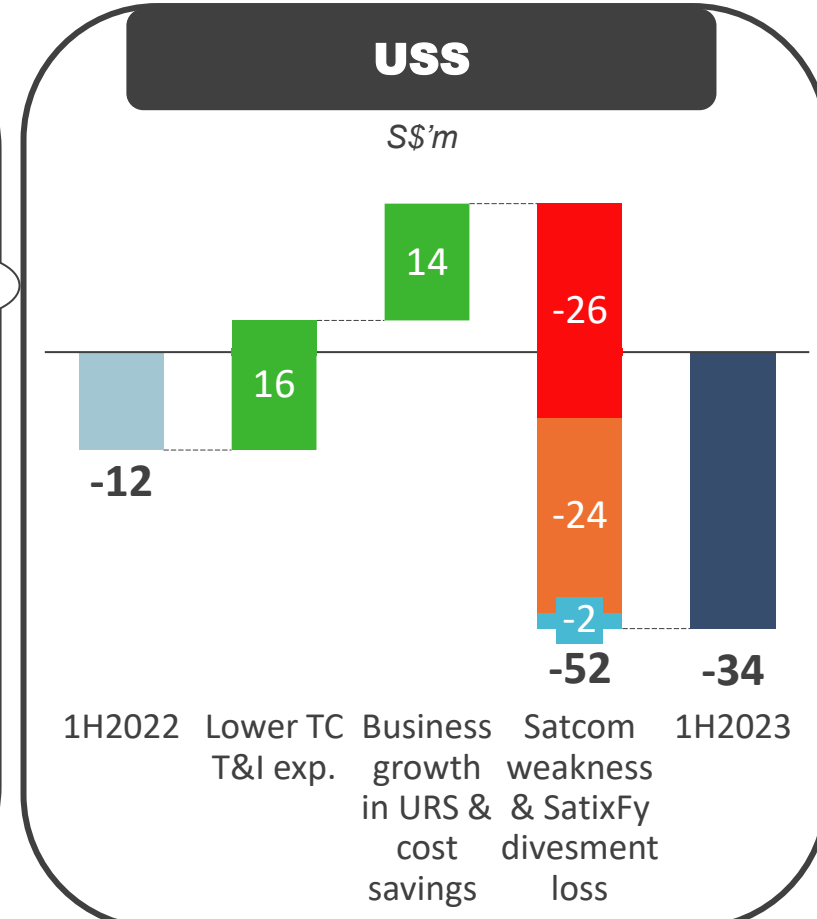
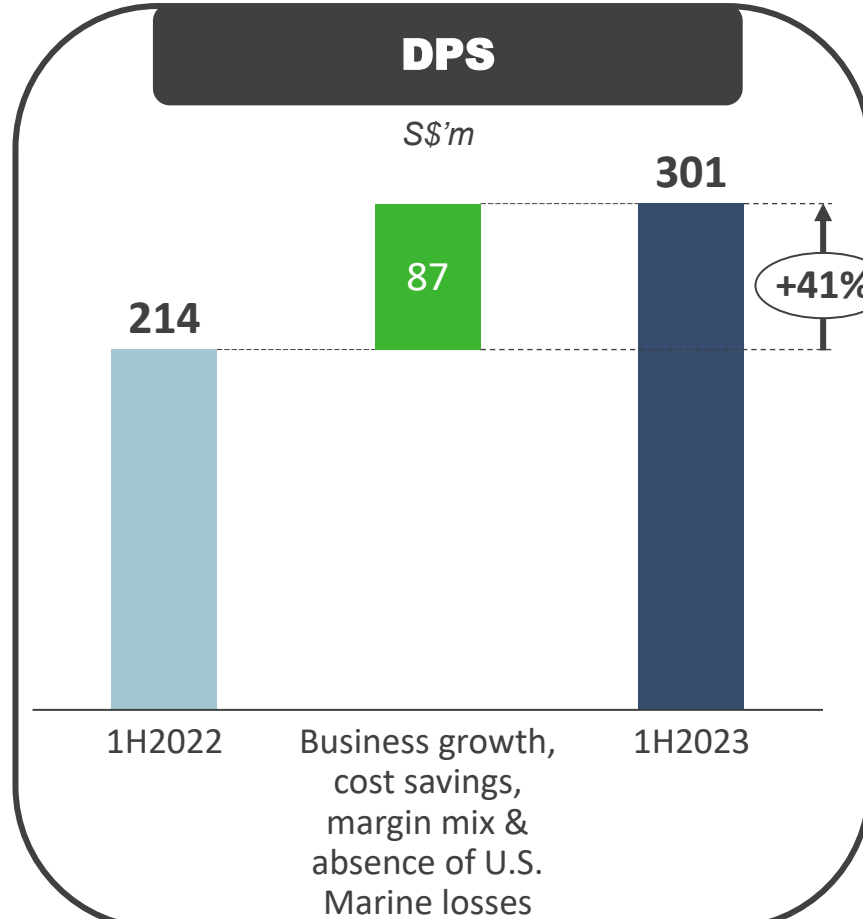
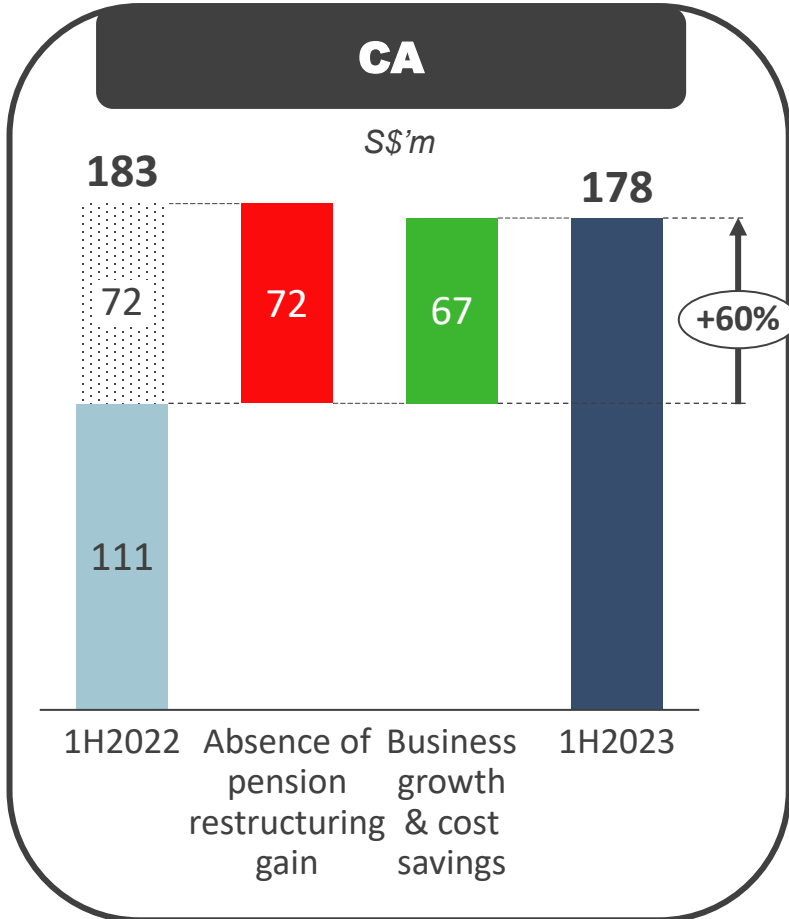
**Strong Foundation to Growth and Profitability**

# **Segment Financials and Order Book**

# 1H2023 EBIT by Segment

- CA & DPS: Strong base operating performance y-o-y
- USS: Significantly stronger 2H2023

*TransCore*: earnings accretion in second-year target remains; *Satcom*: strengthening foundation for growth



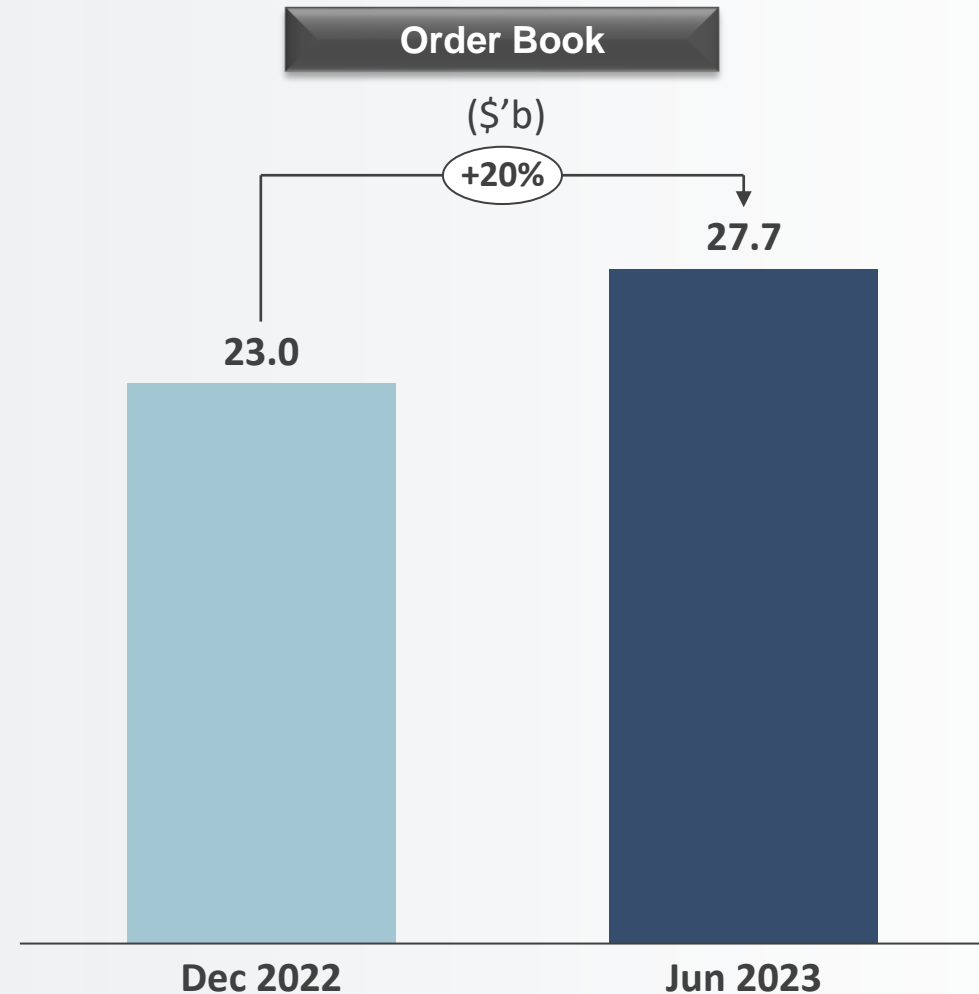
# ~\$9.5b New Contracts for 1H2023, incl. \$4.7b for 2Q2023

	2Q2023	Highlights
<b>Commercial Aerospace</b>	\$2.3b	<ul style="list-style-type: none"> <li>• A330P2F orders from an American lessor</li> <li>• Three-year LEAP-1A quick-turn maintenance offload contract from Safran</li> <li>• Multi-year airframe heavy maintenance contract from a Japanese airline</li> <li>• Multi-year component MBH™ contracts from various airlines</li> </ul>
<b>Defence &amp; Public Security</b>	\$1.9b	<ul style="list-style-type: none"> <li>• Digital solutions and services in Cloud, Data Centre and Training &amp; Simulation</li> <li>• AI-enabled Mission Critical Command and Control systems, cybersecurity products and services</li> <li>• International defence contracts from customers in Europe and Middle East</li> <li>• Ship repair and maintenance contracts</li> </ul>
<b>Urban Solutions &amp; Satcom</b>	\$0.5b	<ul style="list-style-type: none"> <li>• Communications and control systems contract for Singapore’s Cross Island Line</li> <li>• Contracts for tolling systems, back office systems, customer services and RFID tag sales in the U.S. and Middle East</li> <li>• Integrated smart security management solutions</li> <li>• Satcom ground infrastructure contracts for the maritime, government and defence segments in the U.S., Europe and Middle East</li> </ul>
<b>Total</b>	<b>\$4.7b</b>	

## Segment Financials and Order Book

# Record Order Book: Leading indicator of growth

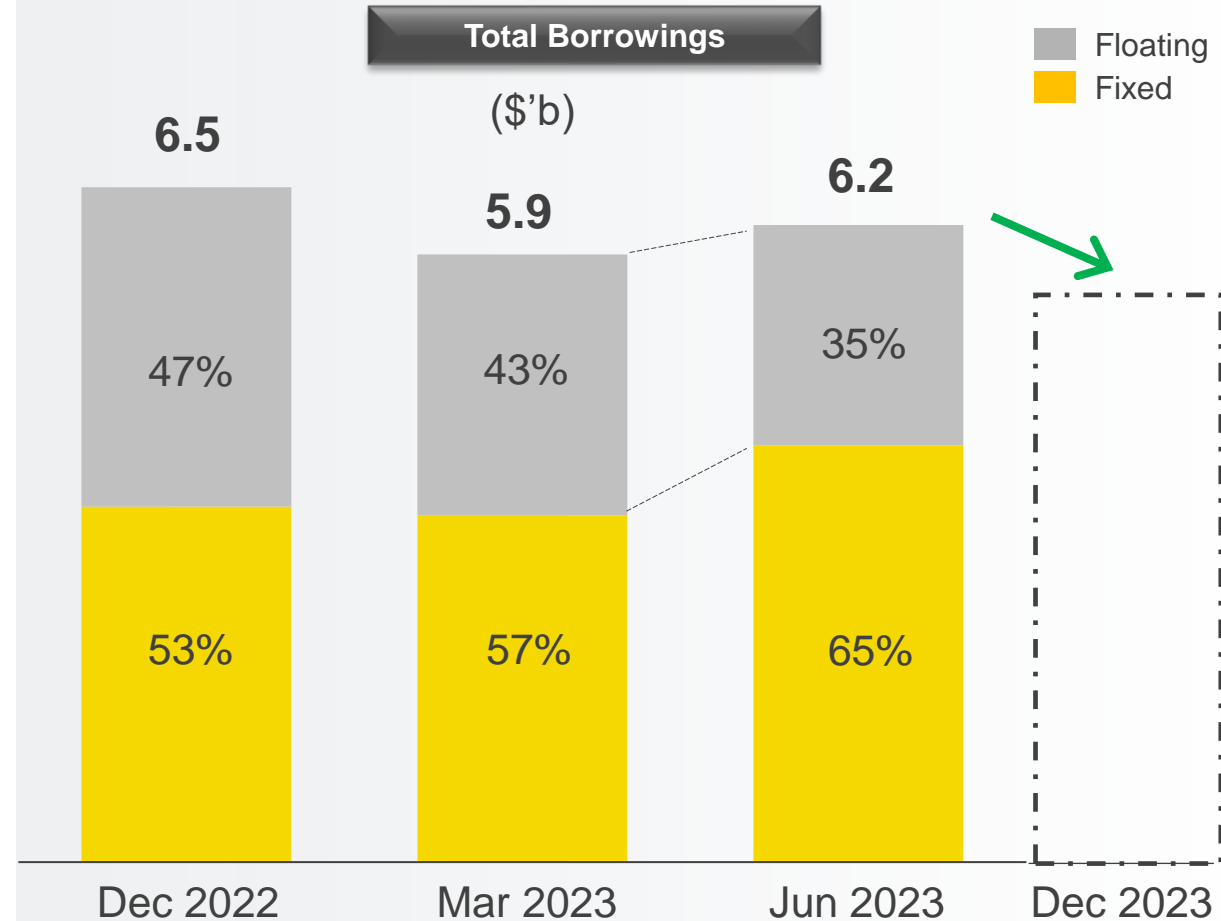
- \$27.7b as at 30 Jun 2023
- \$4.4b expected to be delivered in the remaining months of 2023



# Debt Profile

# Balanced Debt Profile

- Issued US\$500m 3-year fixed rate bond in May 2023 at effective yield of 3.3% after amortisation of treasury lock (T-lock) gains
- US\$32m T-lock gains (held on Balance Sheet) fully applied
  - About half being amortised over tenor of new 3-year bond
  - Remainder realised as reduced finance cost in 1H2023 given no plan for bond issuance in near-term
- Total Borrowings expected to reduce from \$6.2b in Jun'23 to mid-\$5b in Dec'23 from operating cash flow and aviation asset sales to JVs
- FY2023 weighted avg borrowing cost estimated at low 3%
- FY2024 weighted avg borrowing cost estimated at mid 3%<sup>1</sup>
- Strong credit rating of Aaa/stable by Moody's<sup>2</sup> and AA+/stable by S&P<sup>2</sup>



<sup>1</sup> Assuming one more 25 bps Fed rate hike from Aug'23 to end-2023  
<sup>2</sup> Moody's - 21 Apr 2023 press release; S&P - 14 Jun 2023 published report

# Outlook



## Group President & CEO's Message



Our good performance in the first half demonstrated the strength and resilience of our business portfolio. This is reflected in the strong recovery of the Commercial Aerospace segment and the strength of the Defence & Public Security segment. Despite near-term challenges in our Satcom sub-segment, decisive steps are being taken to restructure and transform this business to be future ready. Consequently, we expect Urban Solutions & Satcom full-year 2023 segment EBIT to be comparable to 2022, supported by a significantly stronger second half 2023 for this segment. The target for TransCore to achieve earnings accretion from the second-year post acquisition remains.

We remain focused on delivering on our record high order book of \$27.7b to achieve growth and value creation for our stakeholders."

**Vincent Chong**

# **Other Financials**

# Group Revenue

\$'m	1H2023	1H2022	Change
Commercial Aerospace	1,856	1,404	▲ 32%
Defence & Public Security	2,117	2,108	▲ 0.4%
Urban Solutions & Satcom	891	757	▲ 18%
<b>Group</b>	<b>4,863</b>	<b>4,270</b>	<b>▲ 14%</b>

Other Financials

## Group EBIT

\$'m	1H2023	1H2022	Change
Commercial Aerospace	178	183	▼ 3%
Defence & Public Security	301	214	▲ 41%
Urban Solutions & Satcom	(34)	(12)	▼ 182%
<b>Group</b>	<b>444</b>	<b>385</b>	<b>▲ 15%</b>

# **Commercial Aerospace**

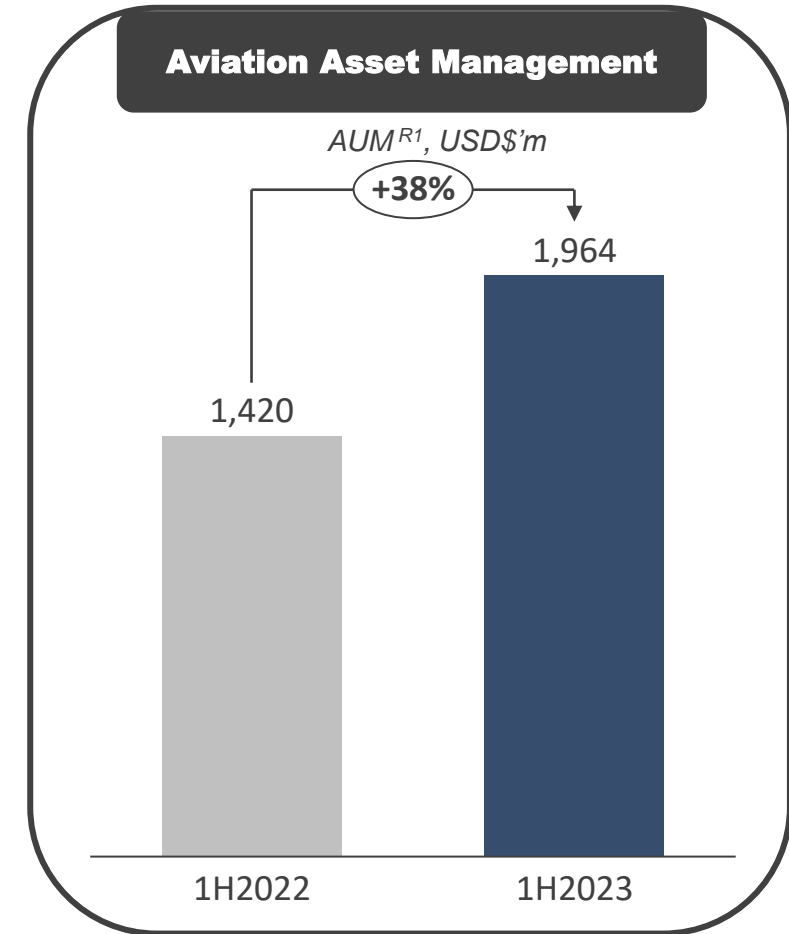
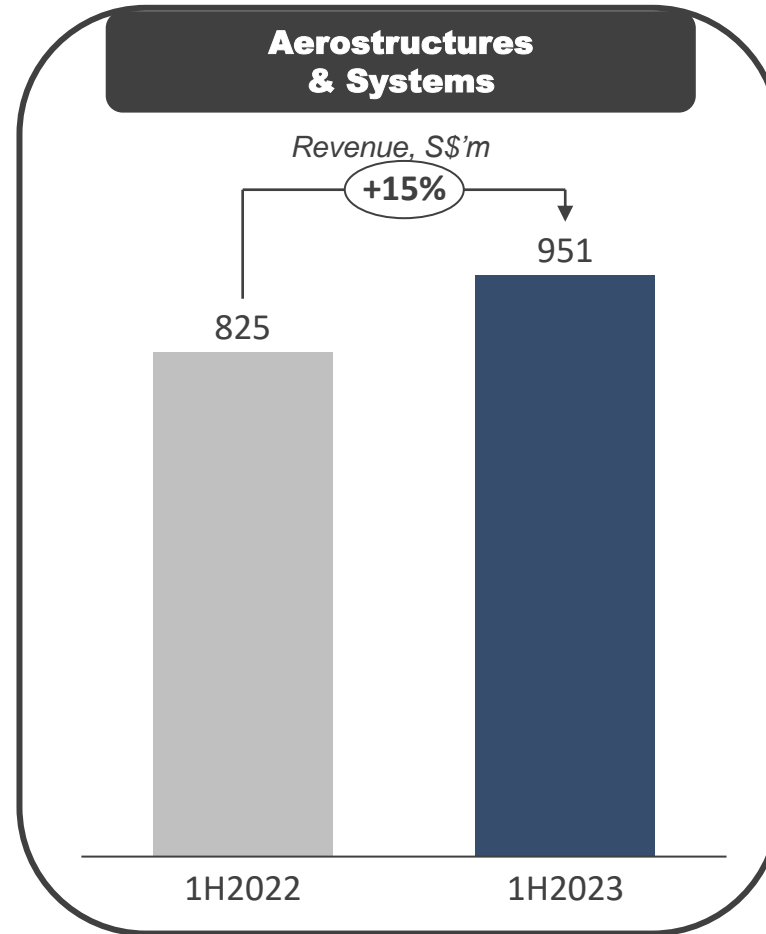
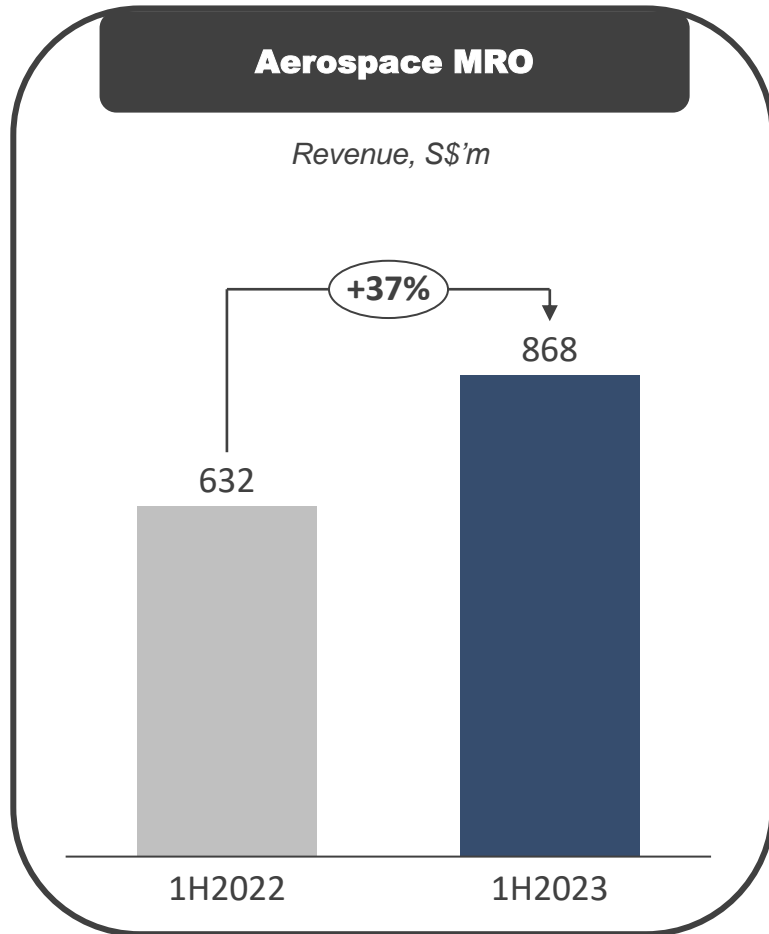
Other Financials

## Commercial Aerospace

\$'m	1H2023	1H2022	Change	Remarks
Revenue	1,856	1,404	▲ 32%	Strong revenue growth mainly attributed to continued business recovery and aircraft sales
EBIT	178	183	▼ 3%	Despite a 3% drop y-o-y, EBIT has rebounded robustly to pre-COVID level
EBIT (excl. pension restructuring gain in 1H2022)	178	111	▲ 60%	Excluding the one-off pension restructuring gain in 1H2022, EBIT for 1H2023 would be higher by 60% y-o-y, mainly attributed to business recovery and cost savings

Other Financials

# Commercial Aerospace Sub-segment Highlights



Notes:

<sup>R1</sup> AUM: Asset Under Management, including owned, partly owned and managed assets

Revenue includes inter-segment and inter-subsegment sales

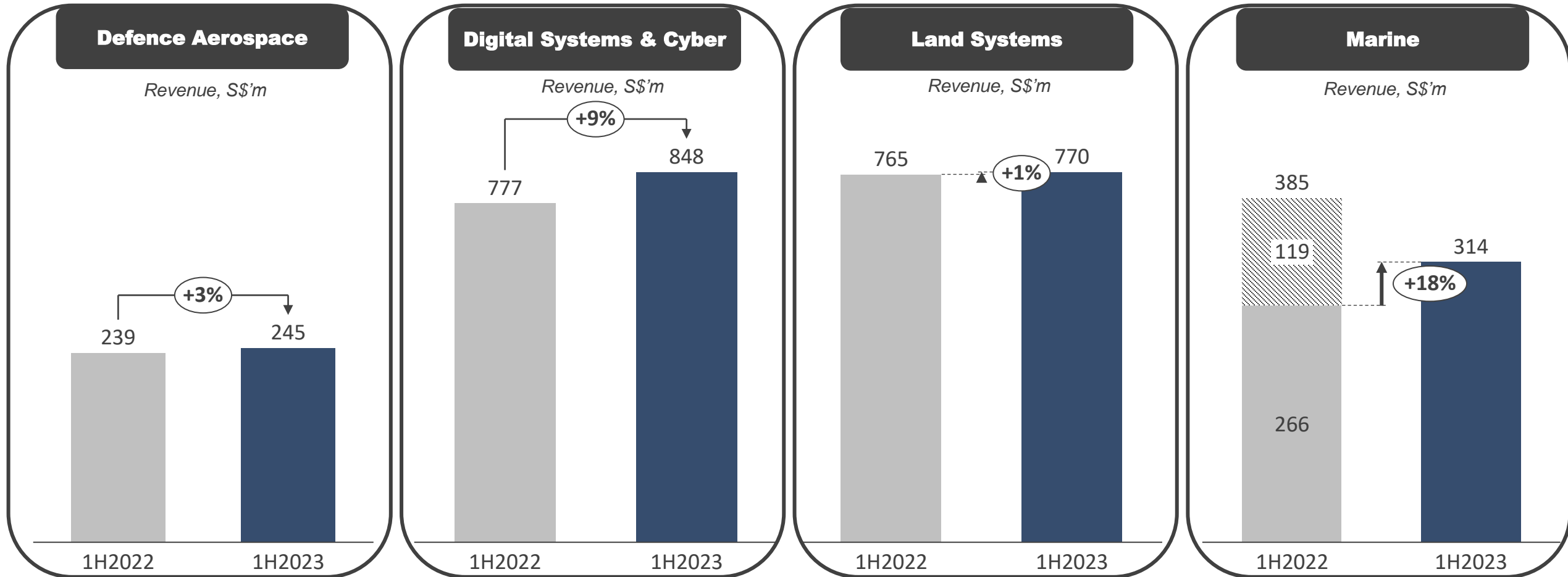
# Defence & Public Security



## Defence & Public Security

\$m	1H2023	1H2022	Change	Remarks
Revenue	2,117	2,108	▲ 0.4%	Despite divestment of U.S. Marine, revenue grew by \$9m or 0.4%.
Revenue (excl. U.S. Marine in 1H2022)	2,117	1,989	▲ 6%	Base business revenue <sup>R1</sup> grew by 6%, contributed by growth in all subsegments.
EBIT	301	214	▲ 41%	EBIT improved by 41% due to business growth, cost savings, margin mix and absence of losses from U.S. Marine.

# Defence & Public Security Sub-segment Highlights



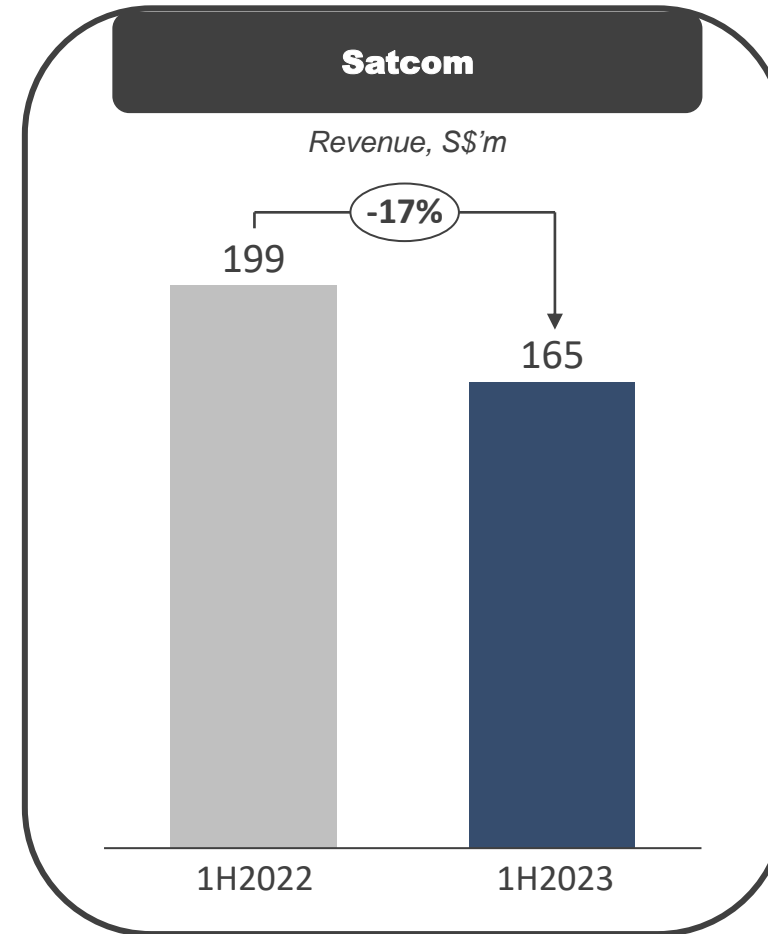
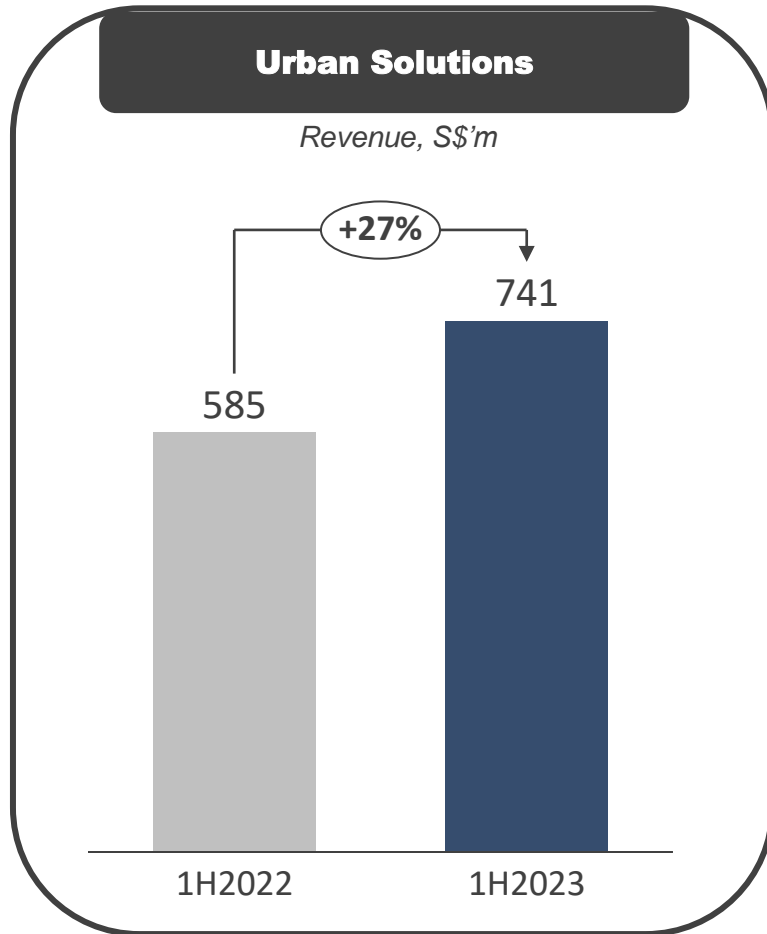
# **Urban Solutions & Satcom**

Other Financials

## Urban Solutions & Satcom

\$m	1H2023	1H2022	Change	Remarks
Revenue	891	757	▲ 18%	Higher revenue from Urban Solutions, partially offset by lower revenue from Satcom
EBIT	(34)	(12)	▼ 182%	<p>EBIT loss a consequence of Satcom's weaker performance due to supply chain disruptions (chip shortages), remaining impact of COVID, near-term costs of business restructuring and one-off loss of \$24m on divestment of SatixFy shares</p> <p>Excluding Satcom's weakness and the one-off divestment loss, EBIT for USS would be higher by \$30m, mainly attributed to business growth, cost savings and lower TransCore transaction and integration expenses</p>

# Urban Solutions & Satcom Sub-segment Highlights



# **Balance Sheet & Cash Flows**

## Balance Sheet

\$'m	30 Jun 2023	31 Dec 2022
Property, plant & equipment	2,235	2,076
Right-of-use assets	553	582
Intangible assets	5,269	5,291
Other non-current assets	956	888
Current assets	6,082	6,127
<b>Total assets</b>	<b>15,095</b>	<b>14,964</b>
Current liabilities	7,373	8,005
Non-current liabilities	5,001	4,306
<b>Total liabilities</b>	<b>12,374</b>	<b>12,311</b>
Share capital and reserves	2,448	2,398
Non-controlling interests	273	255
<b>Total equity and liabilities</b>	<b>15,095</b>	<b>14,964</b>

# Statement of Cash Flows

\$'m	1H2023	1H2022
Net cash from/(used in)		
Operating activities	857	321
Investing activities	(252)	(4,126)
Financing activities	(814)	3,525
<b>Net change in CCE*</b>	<b>(209)</b>	<b>(281)</b>
CCE at beginning of the period	602	816
Exchange difference	(6)	(2)
<b>CCE at the end of the period</b>	<b>387</b>	<b>533</b>

\* CCE –Cash & Cash Equivalents



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