

News Release

ST Engineering Delivers Strong First Half Performance and Record Order Book: Revenue & EBIT up 14% and 15% y-o-y and Order Book at \$27.7b

FINANCIAL HIGHLIGHTS For the first half-year ended 30 June 2023			
	2023 1H	2022 1H	Change
Revenue (\$m)	4,863	4,270	13.9%
Earnings before interest, tax, depreciation and amortisation (EBITDA) (\$m)	710.5	612.3	16.1%
Profit from operations (PFO) (\$m)	420.8	360.3	16.8%
Earnings before interest and tax (EBIT) (\$m)	444.2	384.6	15.5%
Finance costs, net (\$m)	(92.8)	(33.5)	177.1%
Profit before tax (PBT) (\$m)	351.4	351.1	0.1%
Profit attributable to shareholders (Net Profit) (\$m)	280.6	280.0	0.2%
Earnings per share (cents)	9.01	8.99	0.2%

- Record Order Book of \$27.7b as at end June 2023, of which about \$4.4b is expected to be delivered in the remaining months of 2023
- 1H2023 Commercial sales and defence sales¹ constituted \$3.3b and \$1.6b respectively
- Cash and cash equivalents as at end June 2023 of \$387m

N.B.: All currencies are in Singapore dollars

Singapore, 11 August 2023 - Singapore Technologies Engineering Ltd (ST Engineering) today reported its first half-year financial results ended 30 June 2023 (1H2023).

Group revenue in the first six months was \$4.86b, 14% higher year-on-year (y-o-y) driven by higher contributions from all its three business segments. Group EBITDA of \$711m was 16% higher y-o-y. Group EBIT was \$444m from \$385m, an increase of 15% y-o-y.

Group Profit before tax (PBT) and Group Profit attributable to shareholders (Net Profit) were flat y-o-y at \$351m and \$281m respectively. In the same period last year, Commercial Aerospace segment recorded a one-off pension restructuring gain of \$72m. Adjusting for this gain and other one-off items, Group Net Profit on a base operating performance basis (BOP)² would be 26% higher y-o-y at \$300m, despite higher finance costs.

Business Segments: 1H2023 Revenue and EBIT

Commercial Aerospace: Revenue grew strongly at 32% y-o-y, reaching \$1.86b from \$1.40b with Aerospace MRO and Aerostructures & Systems sub-segments reporting higher y-o-y revenues. Despite a 3% y-o-y drop in EBIT to \$178m, the segment EBIT has rebounded robustly to its pre-COVID level supported by strong base operating performance. Excluding the one-off pension restructuring gain in 1H2022, EBIT improved by 60% y-o-y.

Defence & Public Security: Revenue remained resilient at \$2.12b despite the absence of revenue from U.S. Marine which was divested in 4Q2022. Excluding this divestment, revenue increased 6% y-o-y for the base business. EBIT rose 41% y-o-y from \$214m to \$301m due partly to a high graded portfolio and margin mix.

Urban Solutions & Satcom: Revenue rose 18% y-o-y to \$891m from \$757m, attributed to increased y-o-y revenue from Urban Solutions, offset by lower revenue from Satcom. This business segment incurred an EBIT loss of \$34m compared to an EBIT loss of \$12m in 1H2022. The EBIT loss was 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 a one-off loss on the divestment of SatixFy³ shares.

“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 order book of \$27.7b to achieve growth and value creation for our stakeholders.”

Vincent Chong, Group President & CEO

In the first half, commercial sales and defence sales accounted for \$3.3b and \$1.6b respectively of Group revenue. As at 30 June 2023, the Group held \$387m in cash and cash equivalents.

New Contract Wins and Order Book

In 2Q2023, the Group secured new contracts of around \$4.7b, comprising \$2.3b in Commercial Aerospace, \$1.9b in Defence & Public Security and \$0.5b in Urban Solutions & Satcom. For 1Q2023, the Group previously announced \$4.9b in new contracts, bringing the total value of contracts secured for 1H2023 to \$9.5b.

Commercial Aerospace clinched new contracts across the spectrum of its MRO and Aerostructures & Systems businesses. These include passenger-to-freighter (P2F) conversion orders for A330P2F units, a multi-year airframe heavy maintenance contract from a Japanese airline to support its Boeing aircraft fleet, a three-year agreement with Safran Aircraft Engines to provide quick-turn maintenance offload support for LEAP-1A engines, and several component maintenance-by-the-hour (MBH) contracts from airline customers.

Defence & Public Security secured new international defence contracts from customers in Europe and the Middle East. Its Digital Business also won new contracts in Managed Cloud, Data Centre, Training & Simulation, command & control systems, and cybersecurity products and services.

Urban Solutions & Satcom secured contracts across all its business sub-segments. Key wins from Urban Solutions include a communications and control systems contract for Singapore's Cross Island Line, contracts for tolling systems, back-office systems, customer services and RFID tag sales in the U.S. and the Middle East as well as integrated smart security management solutions in Singapore. Satcom secured ground infrastructure contracts across the maritime, government and defence segments in the U.S., Europe and the Middle East.

The Group ended 1H2023 with an order book of \$27.7b and it expects to deliver about \$4.4b from the order book in the remaining months of 2023.

Interim Dividend

The Board of Directors has approved a second interim dividend of 4.0 cents per ordinary share. Shareholders will receive the payment on 1 September 2023.

Notes

¹ Refers to Group revenue by products and services type

² BOP excludes (a)(i) pension restructuring gain, (a)(ii) higher TransCore transaction and integration (T&I) expenses in 1H2022, and (b)(i) loss on divestment of SatixFy shares and (b)(ii) Satcom severance expense in 1H2023

³ Divested in April 2023

ST Engineering is a global technology, defence and engineering group with a diverse portfolio of businesses across the aerospace, smart city, defence and public security segments. The Group harnesses technology and innovation to solve real-world problems, enabling a more secure and sustainable world. Headquartered in Singapore, it has operations spanning Asia, Europe, the Middle East and the U.S., serving customers in more than 100 countries. ST Engineering reported revenue of \$9b in FY2022 and ranks among the largest companies listed on the Singapore Exchange. It is a component stock of the FTSE Straits Times Index, Dow Jones Sustainability Asia Pacific Index, iEdge SG ESG Transparency Index and iEdge SG ESG Leaders Index.

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