

Financial Year 2023 Results

29 February 2024

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

Financial Highlights

- Group Highlights
- Business Discussions
 - Commercial Aerospace (CA)
 - Defence & Public Security (DPS)
 - Urban Solutions & Satcom (USS)
- Order Book and Debt Profile
- Dividends
- Outlook

- Segment Highlights

Question & Answer session

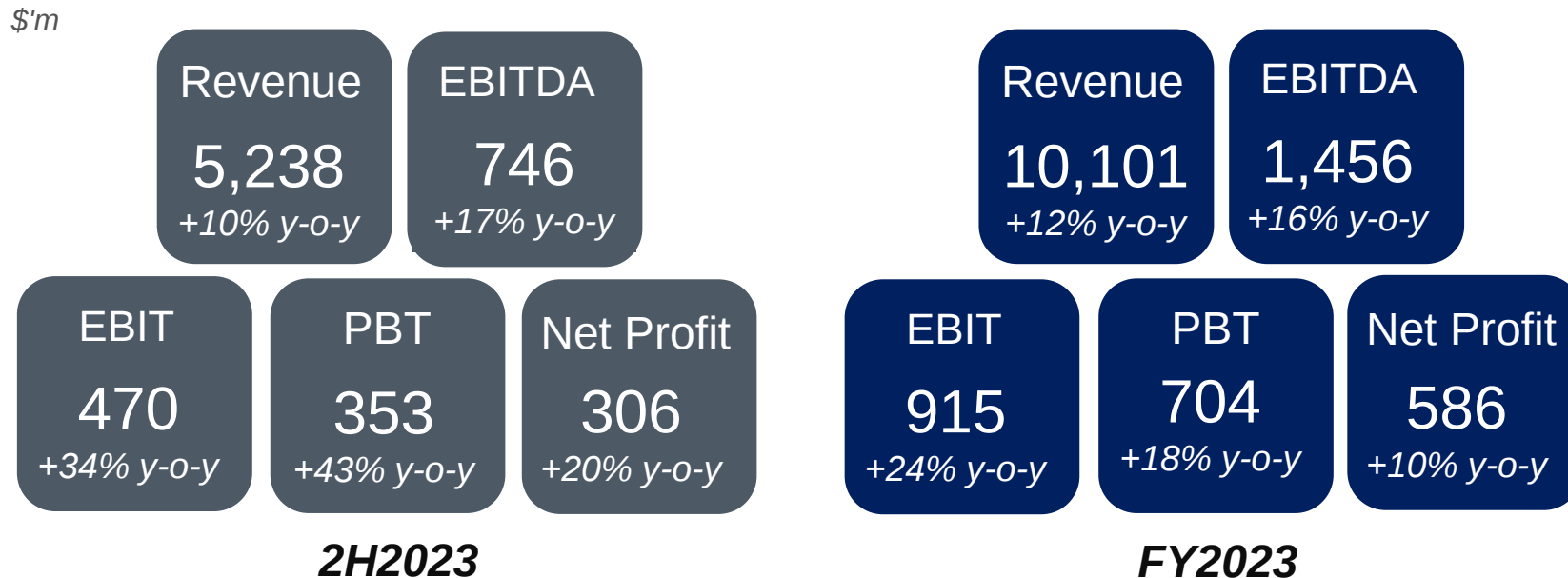
Notes:

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

Group Highlights

Group Highlights

- ❑ Group Revenue, EBITDA, EBIT, Net Profit at new levels

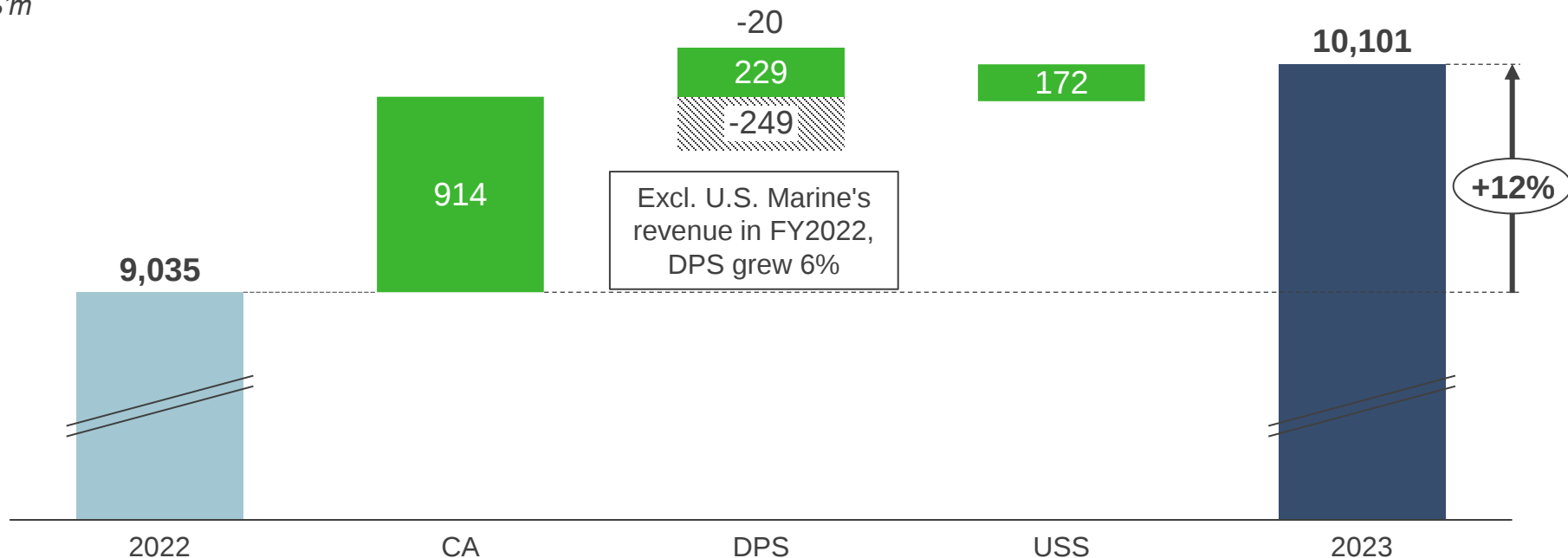


Order book as at 31 Dec 2023: **\$27.4b**;
about **\$7.9b** to be delivered in 2024

Group Highlights

FY2023 Revenue Growth from all Segments

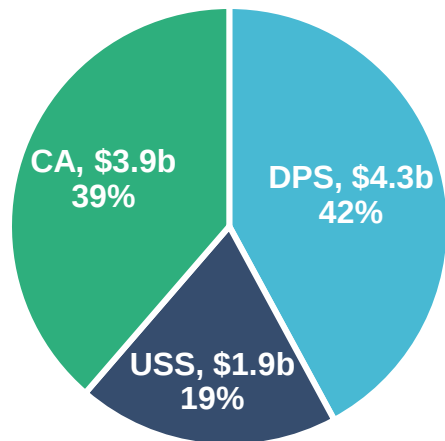
\$'m



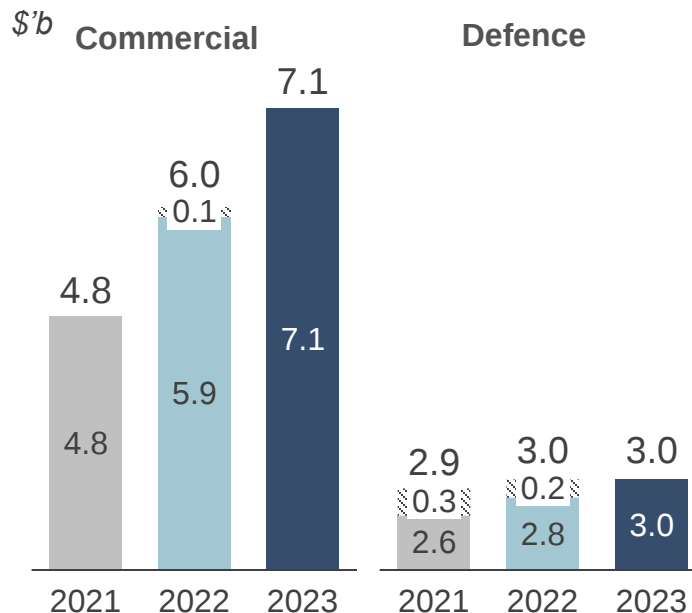
Group Highlights

Group FY2023 Revenue Breakdown

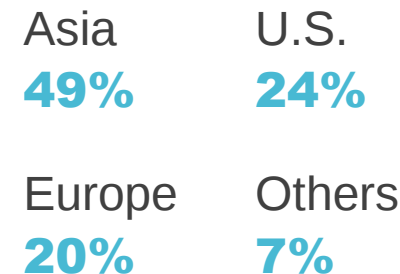
FY2023 Revenue by segment
\$10.1b



FY2023 Revenue by type
\$10.1b

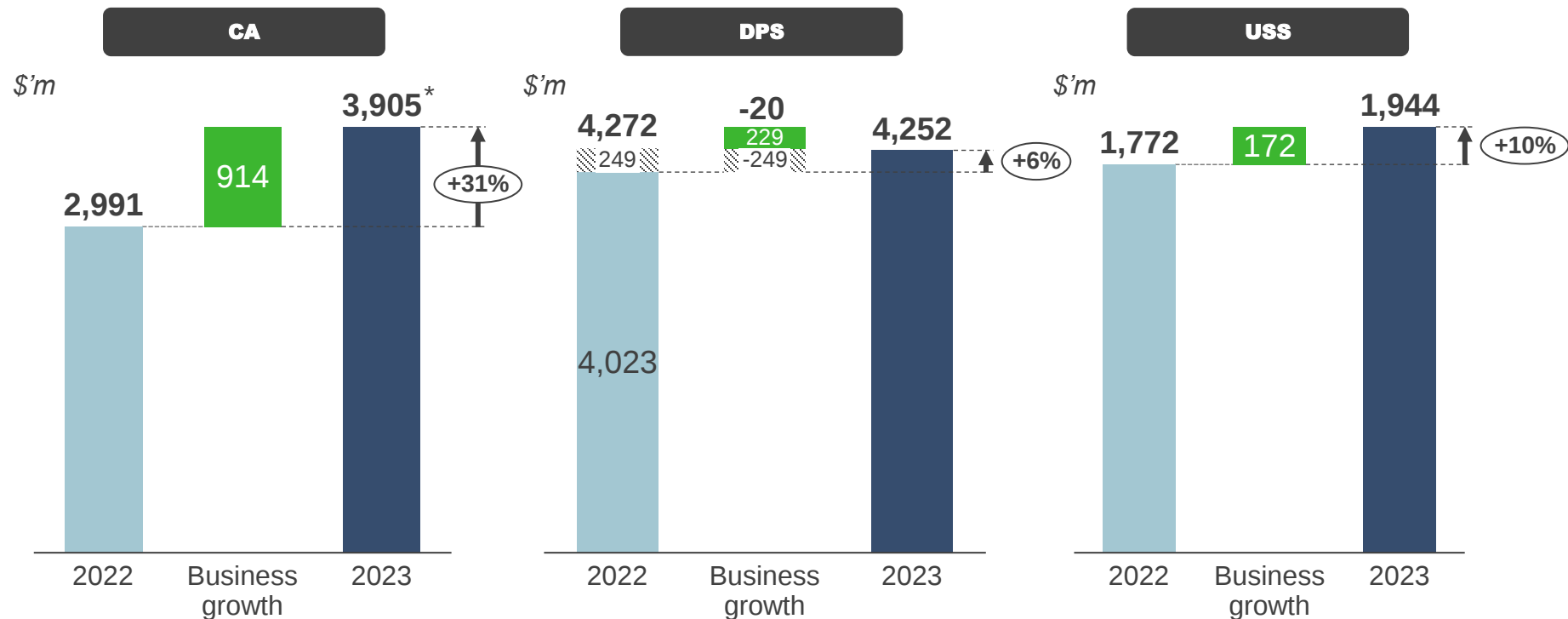


FY2023 Revenue
by location of customers



FY2023 Revenue by Segment

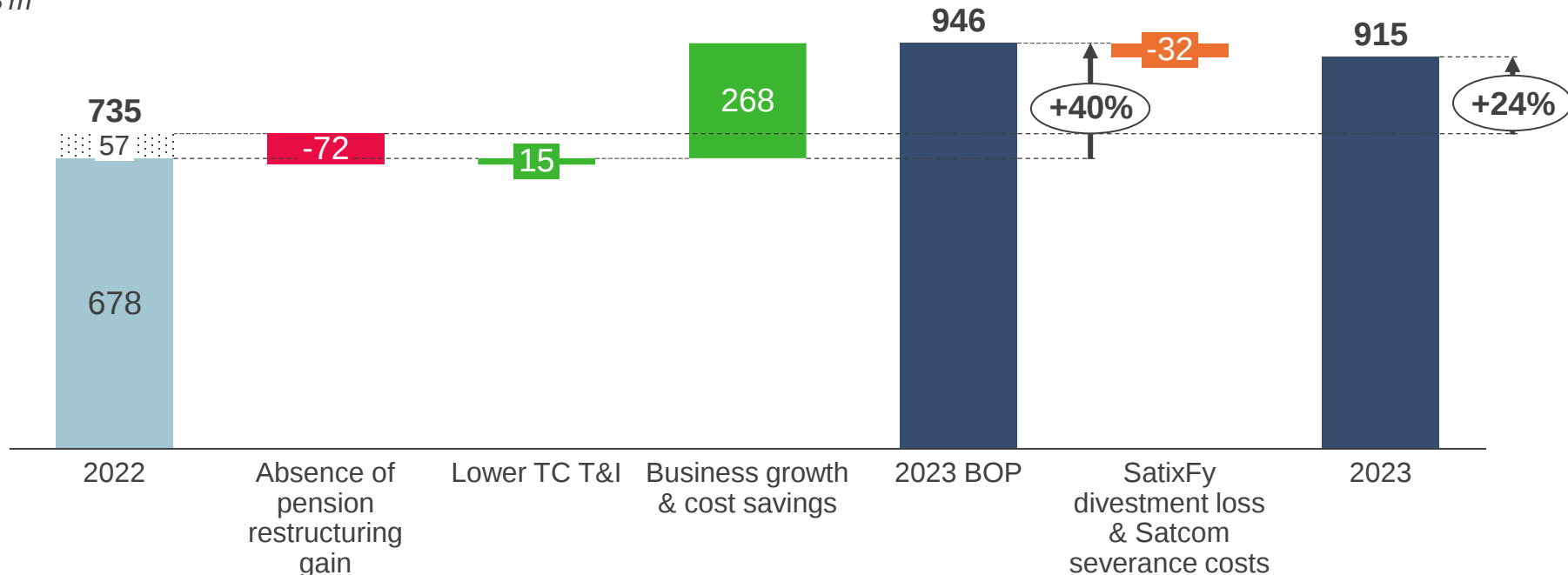
□ Growth contributed by all segments



FY2023 Earnings Before Interest and Tax (EBIT)

☐ Reported EBIT +24% y-o-y; Base Operating Performance (BOP) +40% y-o-y

\$'m



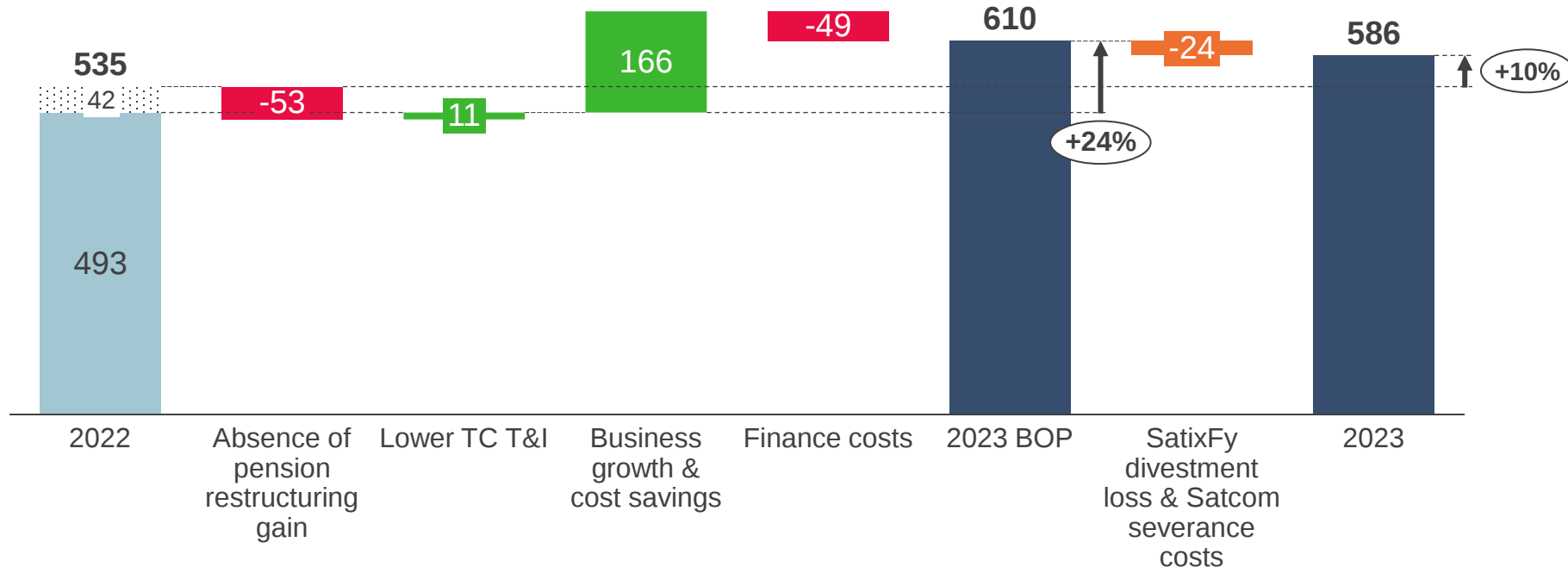
TC T&I: TransCore transaction & integration expenses

 Pension restructuring gain & TC T&I

FY2023 Net Profit

☐ Reported Net Profit +10% y-o-y; BOP +24% y-o-y

\$'m

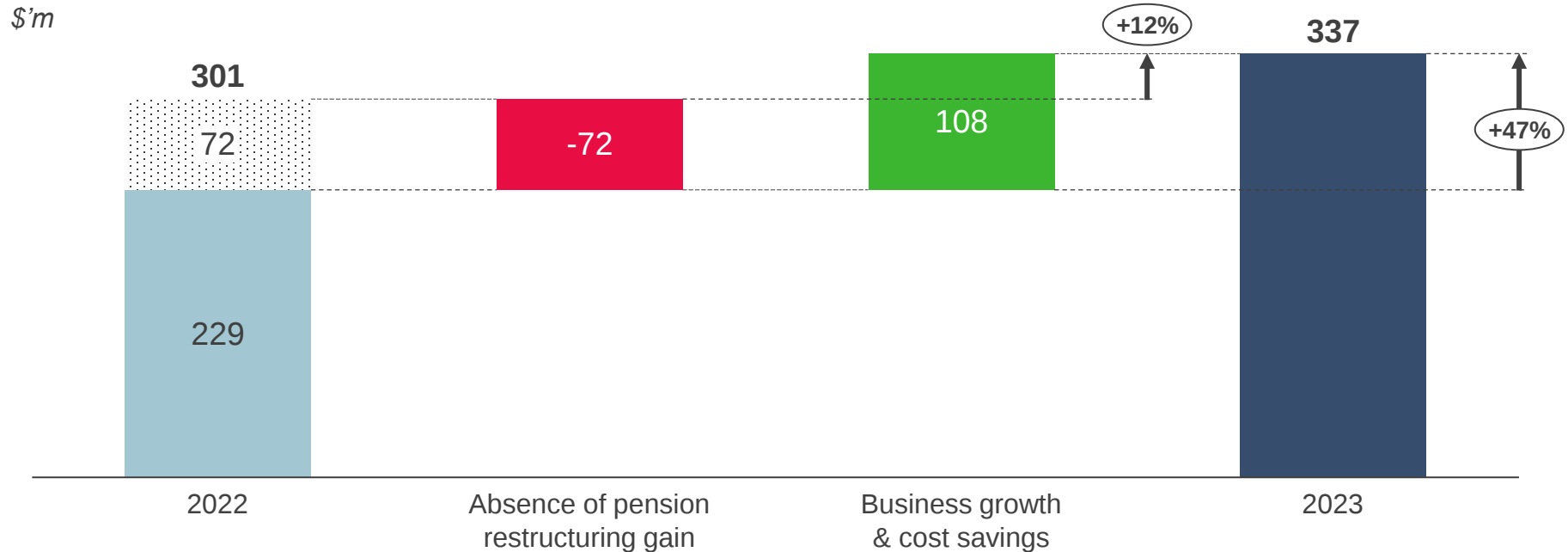


Business Discussions

Business Discussions

CA EBIT

- ☐ Reported EBIT +12% y-o-y despite the absence of pension restructuring gain;
- ☐ BOP +47% y-o-y, driven by business growth and cost savings



CA Business Updates

1

Aerospace MRO

- **Growth** in tandem with market recovery
- **Continuous improvement** in operations
- **Expanded solutions** including LEAP-1A/1B
- **Continual investments** for expansion

2

Aerostructures & Systems

- MRAS **nacelle growth in line with A320neo deliveries**
- **P2F business maturing** with improving learning curve

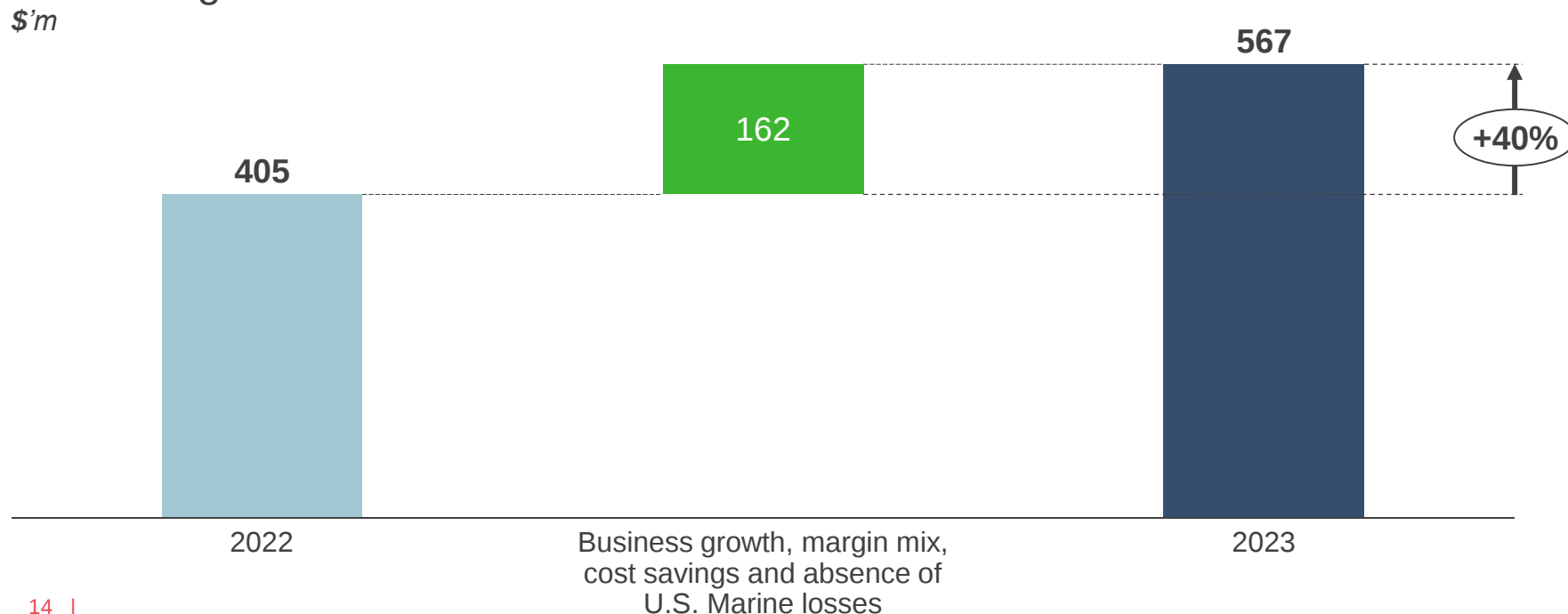
3

Aviation Asset Management

- AUM exceeded **US\$2b**
- Ongoing **portfolio buildup and capital recycling**

DPS EBIT

- ☐ Reported EBIT +40% y-o-y due to business growth, margin mix, cost savings and absence of U.S. Marine losses



Business Discussions

DPS Business Updates

1

Strong orderbook for delivery in the next few years

2

International **contract wins** of ~\$950m for 2023

3

Made good progress in **new international markets**

4

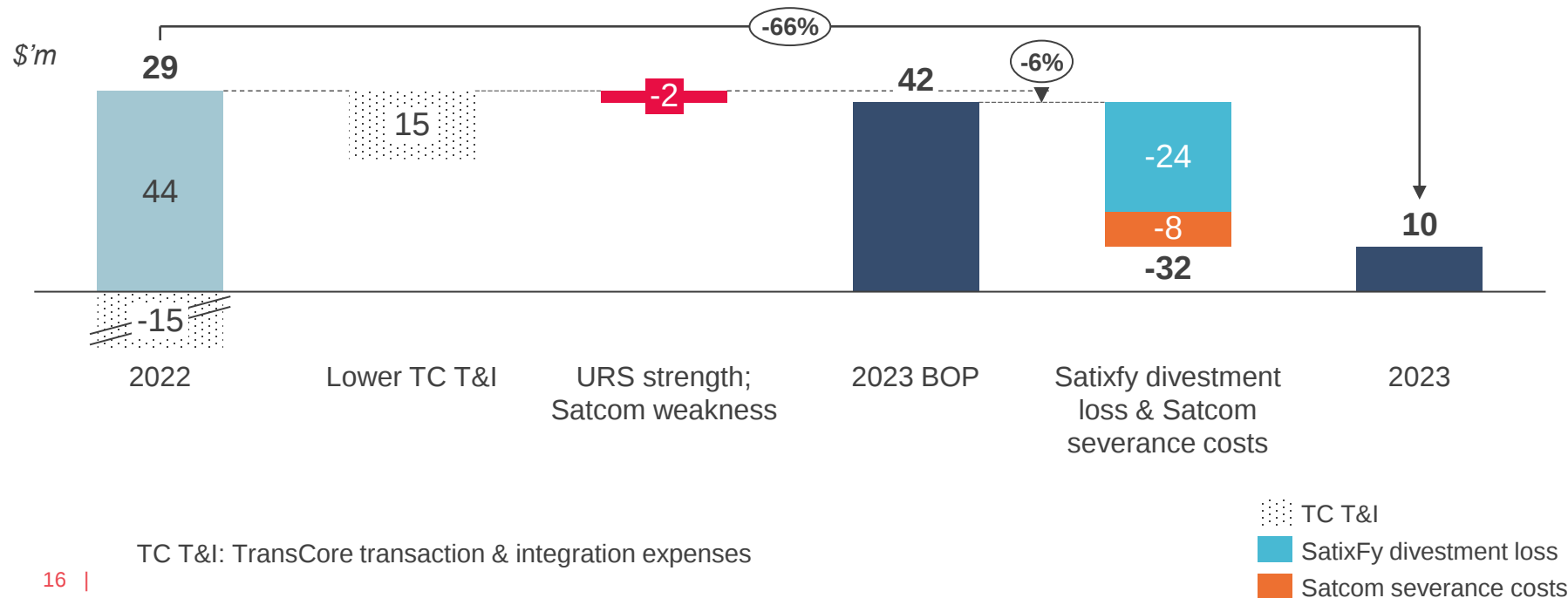
Digital Business (Cloud, AI Analytics & Cyber) revenue registered **robust 20% y-o-y growth** to \$463m in 2023

5

Harness Digital Technologies – Cloud, AI Analytics & Cyber to enhance digital products and solutions

USS EBIT

- ❑ TransCore earnings accretion achieved ahead of plan;
- ❑ Significantly stronger 2H2023;
- ❑ BOP -6%, Satcom transformation effort underway



USS Business Updates: Urban Solutions

1

TransCore investment **achieved earnings accretion**, ahead of plan

2

Synergistic win by TransCore: Dubai Mall smart parking solution in Feb 2024 – integrated technology from U.S. and Singapore

3

First international airport security win - Dhoho Kediri International Airport in Indonesia

4

Smart Mobility **gained momentum in 2H2023** - road project in Abu Dhabi, rail projects in Chennai, Sydney and Ontario

USS Business Updates: Satcom

2023 Transformation Highlights

- **Organisation right-sizing**
- **Product convergence:** Next generation platform (NGP) with multi-orbit compatibility & cloud virtualisation on track
- **Service innovation:** Successful POC* on inter-operability & cloud deployments and expansion into adjacent markets

2024 Focus Areas

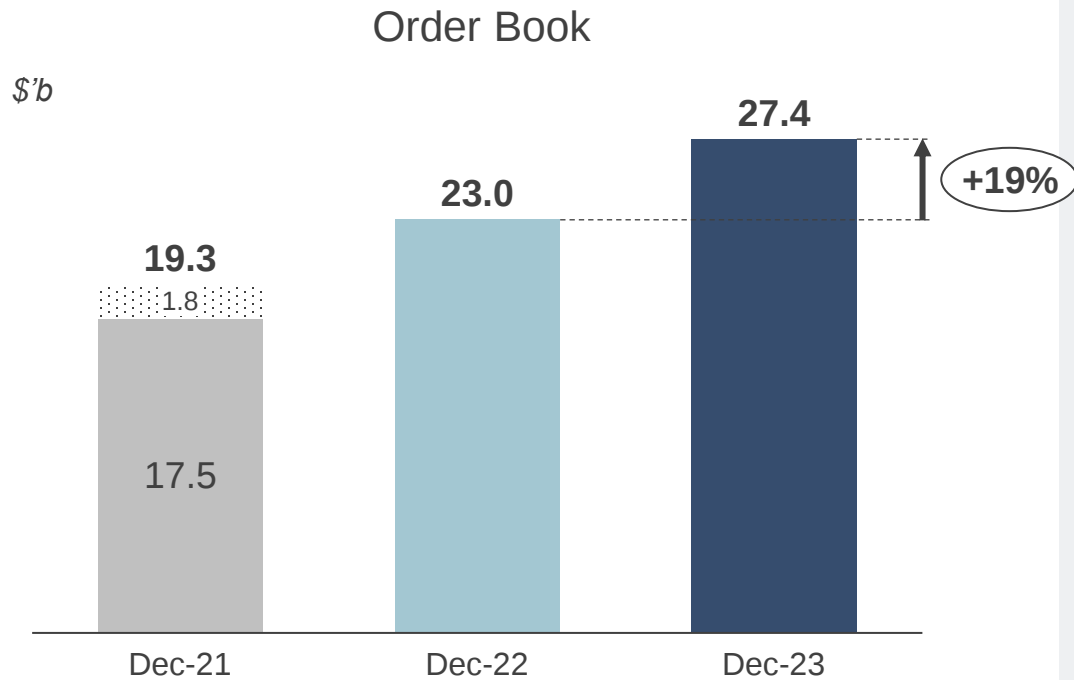
- Unveiling NGP brand in 1H2024
- Continuing cost optimisation and process improvements
- Improving revenue quality through pricing and contract management

Order Book and Debt Profile

\$14.8b New Contracts for FY2023, incl. \$3.1b for 4Q2023

	4Q2023	Highlights
Commercial Aerospace	\$1.0b	- CFM56-7B engine MRO for Chinese airlines - Airframe heavy maintenance for an American airline - Landing gear overhaul for an Oceania airline
Defence & Public Security	\$1.5b	- Digital solutions and services in Cloud, Data Centre and Training & Simulation - AI-enabled Mission Critical Command and Control systems, and cybersecurity - Ship repair, upgrade and maintenance contracts (incl. mid-life upgrade of Singapore's Formidable-class frigates) - International orders for 40mm ammunition
Urban Solutions & Satcom	\$645m	- Platform Screen Door contracts for Ontario Line, Sydney Metro - Western Sydney Airport Line, and Chennai Metro Phase 2 Corridors 3 and 5 - All Electronic Tolling systems, back-office systems and operations in the U.S., and Intelligent Transport Systems contracts in the Middle East - Smart water metering solutions in the U.S. and integrated smart security management solutions in Singapore - Satcom contracts in government, enterprise and cellular backhaul segments across Asia, Middle East and Latin America
Total	\$3.1b	

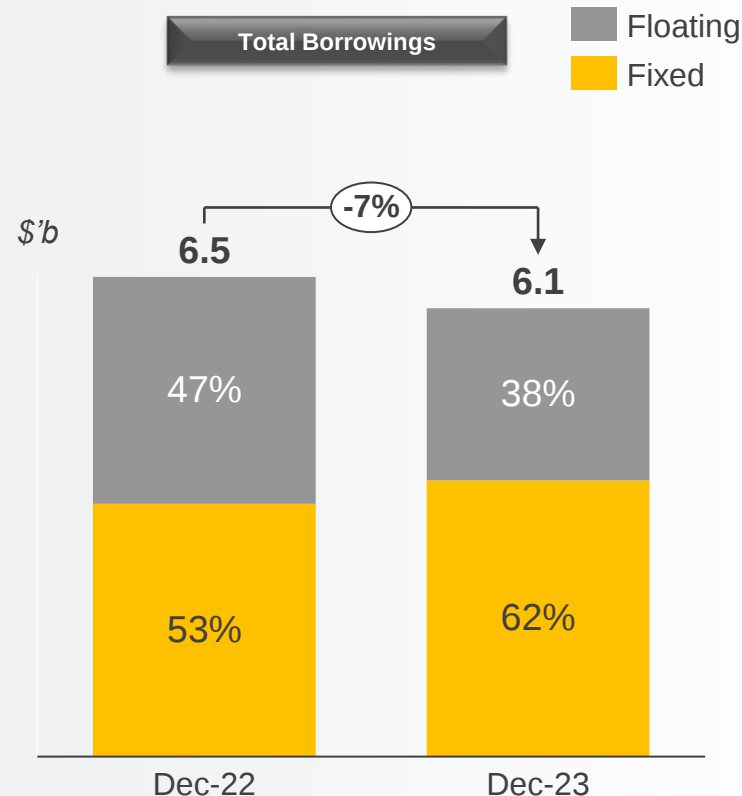
Order Book Remains Robust



- \$27.4b as at 31 Dec 2023.
- \$7.9b expected to be delivered in 2024.

Balanced Debt Profile

- Borrowings reduced 7% to \$6.1b.
- EBITDA increased 16% to \$1.5b.
- Debt/EBITDA leverage ratios improved from 5.2x in 2022 to 4.2x in 2023.
- Investment in capital expenditure and capabilities (2023: >\$500m) to support future growth (e.g. LEAP 1A/1B CBSA, Changi Creek, Gul Yard etc.).
- Balanced fixed-vs-floating interest rate ratio of 62%:38%.
- Group weighted average borrowing cost for FY2023 was 3.3%.¹
- Strong credit ratings of Aaa/stable by Moody's² and AA+/stable by S&P.²



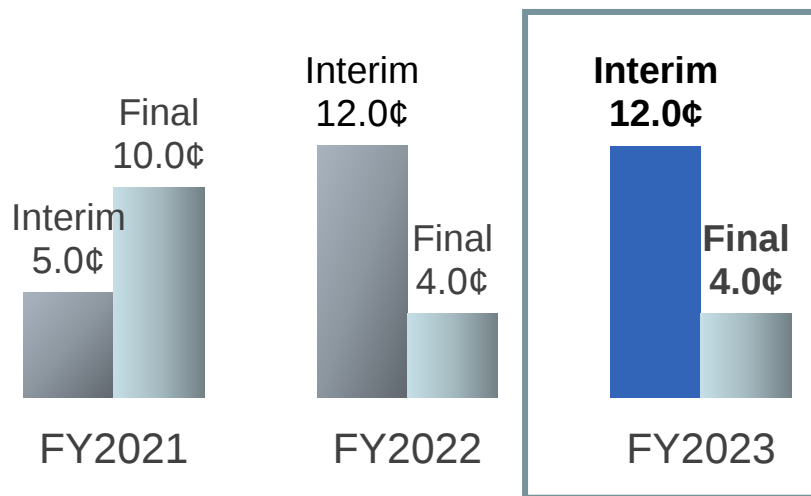
¹ Net of t-lock and interest rate swap

22 | ² Moody's - 21 Apr 2023 press release; S&P - 14 Jun 2023 published report

Dividends

FY2023 Final Dividend of 4.0 Cents per Share

Dividend per Ordinary Share



- Final dividend of 4.0 cents per ordinary share for financial year ended 31 December 2023.
- Total dividend of 16.0 cents, including interim dividends of 12.0 cents.

Outlook



In 2023, our Group achieved significant financial milestones. Group revenue exceeded \$10b while Group Net Profit grew 10% year-on-year to \$586m.

This performance was underpinned by the strength of our Commercial Aerospace and Defence & Public Security segments, and a high-graded portfolio. Our investment in TransCore became accretive in FY2023, ahead of plan. The strong set of results was also supported by productivity and cost savings measures and investments made during the COVID-19 downturn.

We remain focused on executing our robust order book of \$27.4b, while delivering sustainable growth and creating value for our stakeholders.”

Vincent Chong, Group President & CEO

Summary

01

Group revenue, EBITDA, EBIT, Net Profit at new levels.

02

Strong contract wins of \$14.8b in 2023, robust order book of \$27.4b as at 31 Dec 2023.

03

Strong results underpinned by Commercial Aerospace and Defence & Public Security.

04

Earnings accretion for investment in TransCore ahead of plan.

05

Satcom transformation underway.

06

Cost of borrowings remained competitive.

07

Investments made for capacity expansion and capability building.

08

Final dividend of 4.0 cents per share, bringing total dividend for FY2023 to 16.0 cents.

Segment Highlights

Segment Highlights

Segment Revenue

\$'m	2H2023	2H2022	Change	FY2023	FY2022	Change
Commercial Aerospace	2,050	1,587	+29%	3,905	2,991	+31%
Defence & Public Security	2,135	2,163 ex. U.S. Marine +5%	-1%	4,252	4,272 ex. U.S. Marine +6%	-
Urban Solutions & Satcom	1,053	1,015	+4%	1,944	1,772	+10%
Group	5,238	4,765	+10%	10,101	9,035	+12%

Segment Highlights

Segment EBIT

\$'m	2H2023	2H2022	Change	FY2023	FY2022	Change
Commercial Aerospace	160	118	+35%	337	301	+12%
Defence & Public Security	267	191	+40%	567	405	+40%
Urban Solutions & Satcom	44	41	+7%	10	29	-66%
Group	470	351	+34%	915	735	+24%

Segment Highlights

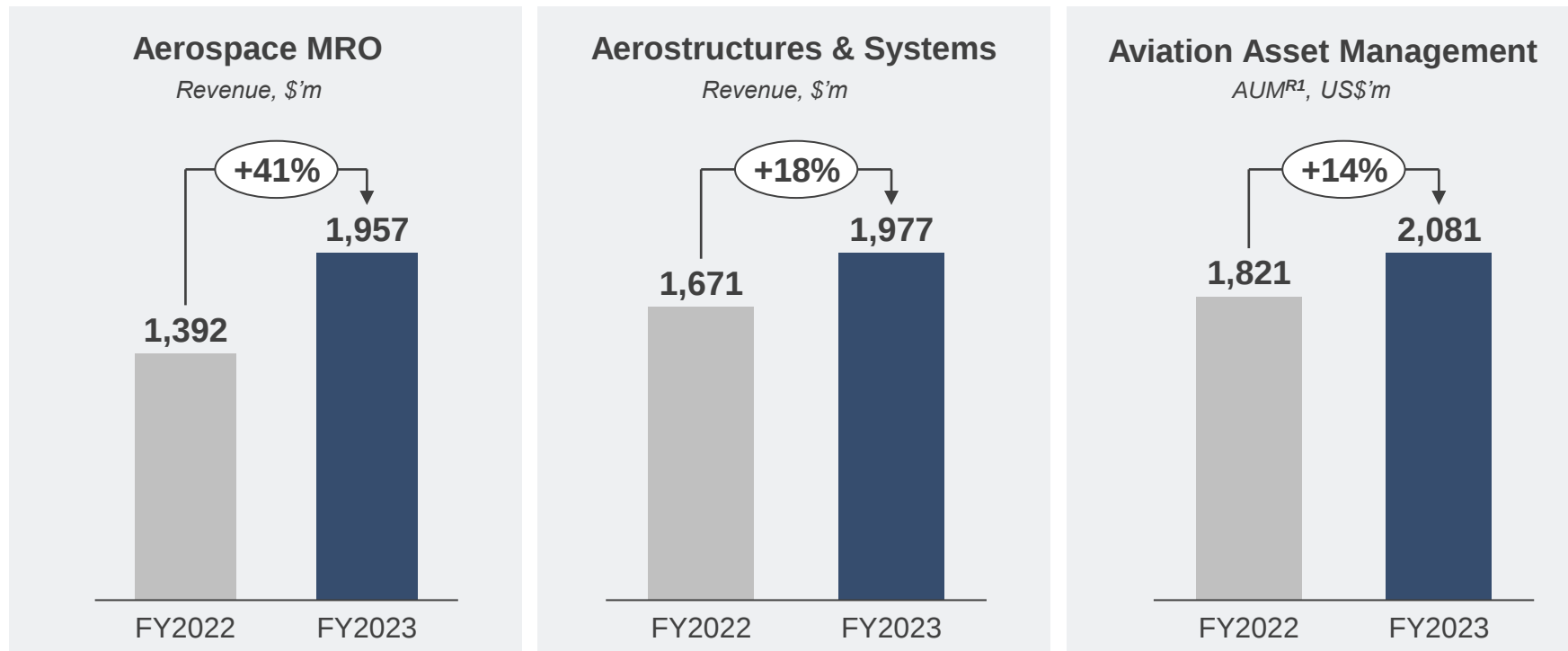
Commercial Aerospace



\$'m	FY2023	FY2022	Change	Remarks
Revenue	3,905	2,991	+31%	Higher revenue from all sub-segments.
EBIT	337	301	+12%	EBIT grew 12% despite absence of pension restructuring gain.
EBIT, excl. pension restructuring gain in FY2022	337	229	+47%	Excluding \$72m pension restructuring gain in FY2022, EBIT for FY2023 would be higher by 47%, bolstered by strong business growth and cost savings.

Segment Highlights

Commercial Aerospace Sub-segment Highlights



Notes:

- 32 |
- ^{R1} AUM refers to Asset Under Management, including owned, partly owned and managed assets
 - Revenue includes inter-segment and inter-subsegment sales

Segment Highlights

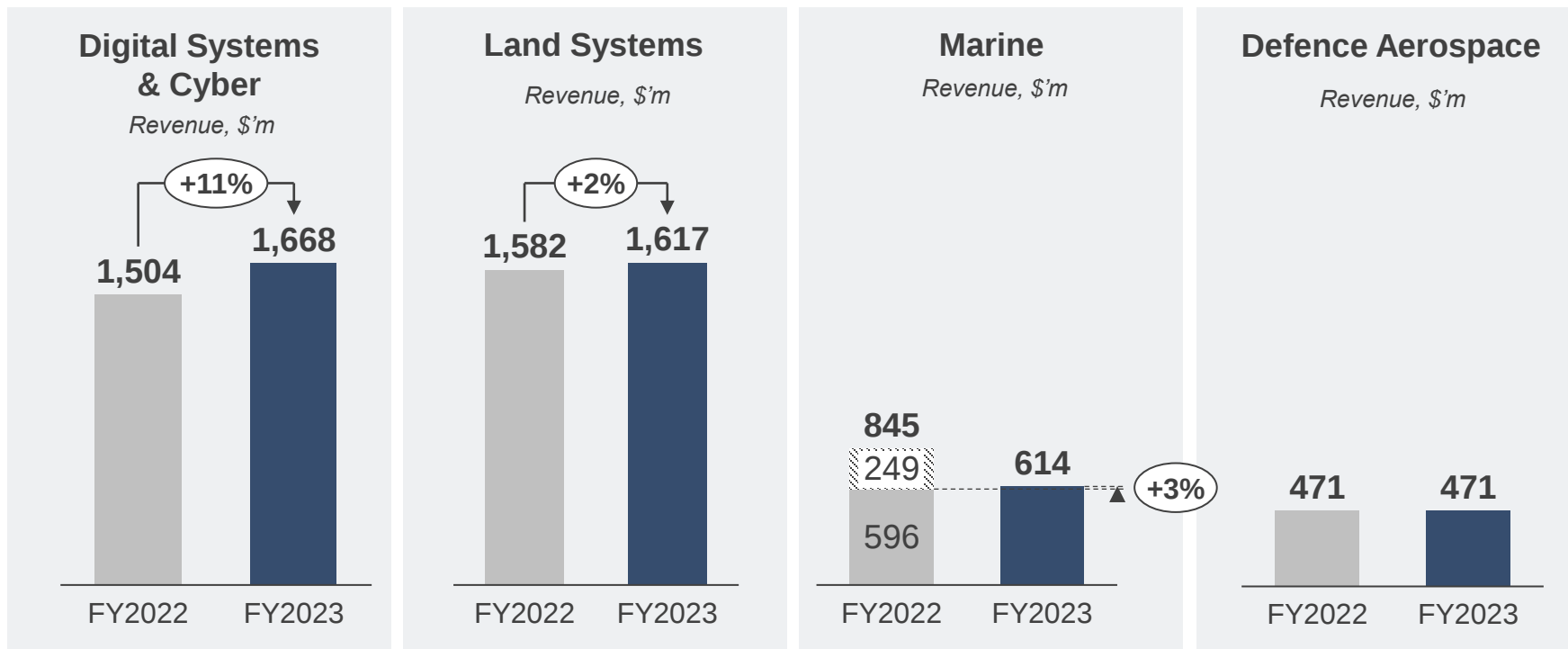
Defence & Public Security



\$'m	FY2023	FY2022	Change	Remarks
Revenue, excl. U.S. Marine's \$249m revenue in FY2022	4,252	4,023	+6%	Excluding U.S. Marine revenue of \$249m in 2022, revenue would be 6% higher YoY, with growth in Digital Systems & Cyber, Land Systems and Marine sub-segments.
Revenue	4,252	4,272	-	Lower revenue due to divestment of U.S. Marine.
EBIT	567	405	+40%	Higher EBIT due to business growth, margin mix, cost savings and absence of U.S. Marine losses.

Segment Highlights

Defence & Public Security Sub-segment Highlights



Segment Highlights

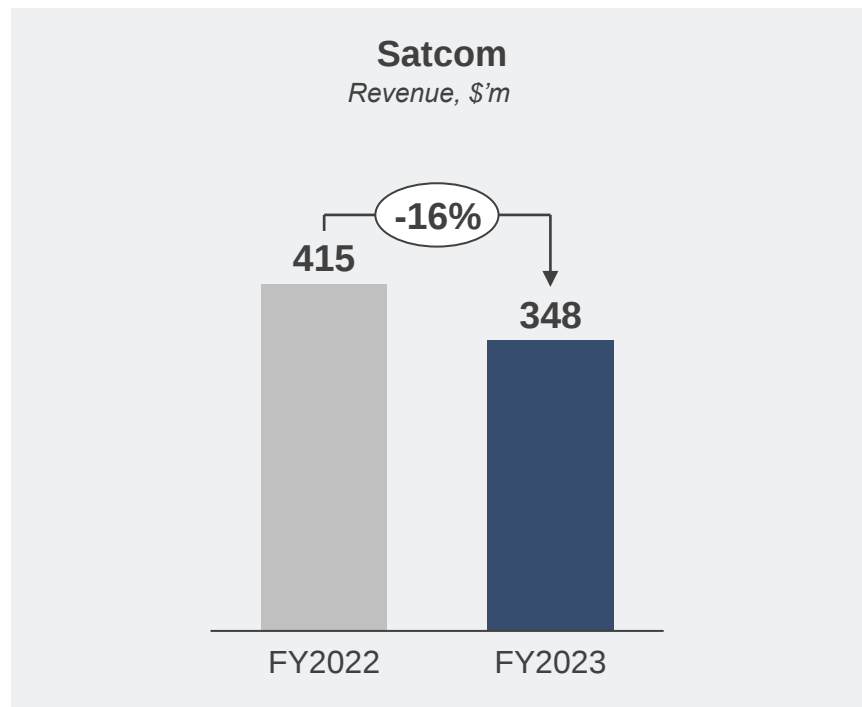
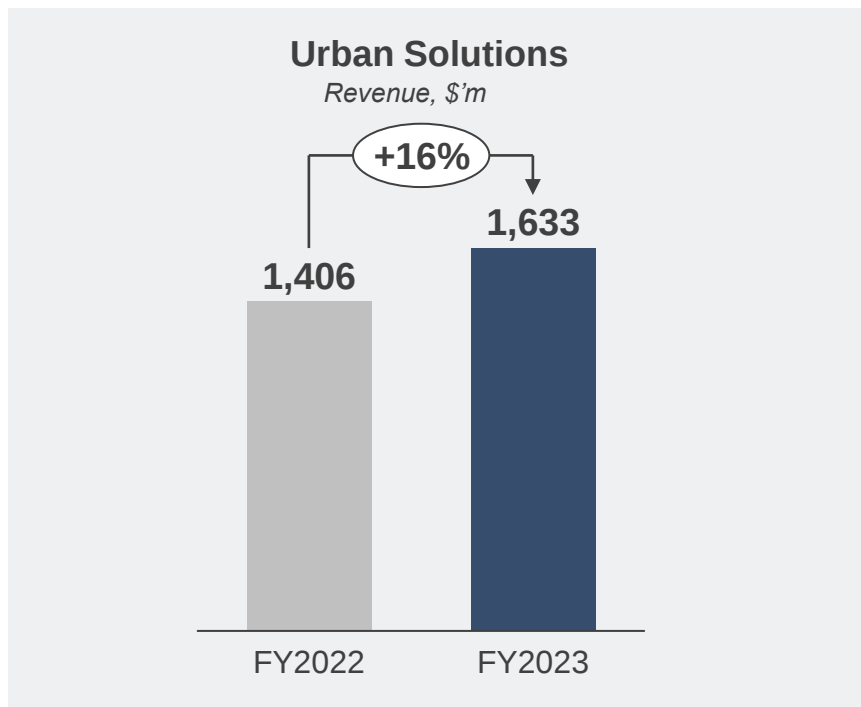
Urban Solutions & Satcom



\$'m	FY2023	FY2022	Change	Remarks
Revenue	1,944	1,772	+10%	Growth contributed by Urban Solutions (TransCore), partially offset by Satcom.
EBIT	10	29	-66%	Lower EBIT due to Satcom weakness (including severance costs and SatixFy divestment loss totalling \$32m), partially offset by higher EBIT from TransCore. Investment in TransCore was earnings accretive for FY2023.

Segment Highlights

Urban Solutions & Satcom Sub-segment Highlights



Appendix

Statement of Financial Position

\$'m	31 Dec 2023	31 Dec 2022
Property, plant & equipment	2,076	2,076
Right-of-use assets	651	582
Intangible assets	4,958	5,291
Other non-current assets	1,064	888
Current assets	6,630	6,127
Total assets	15,379	14,964
Current liabilities	7,322	8,005
Non-current liabilities	5,304	4,306
Total liabilities	12,627	12,311
Share capital and reserves	2,459	2,398
Non-controlling interests	293	255
Total equity and liabilities	15,379	14,964

Note:

Notwithstanding the Group's net current liabilities position of \$693 million as at 31 December 2023, it has available financial resources to meet its obligations as and when they fall due. To ensure that the Group is not exposed to short-term liquidity risk, its outstanding United States Commercial Papers (USCP) of \$1.9 billion are backstopped by a committed revolving credit facility (RCF) of \$2.2 billion. The RCF remained undrawn as at 31 December 2023 and was more than enough to refinance all the outstanding USCP, if needed, and to cover the Group's net current liabilities position. The Group has very strong credit ratings (Aaa by Moody's and AA+ by Standard & Poor's) which provide it ready access to additional borrowings as necessary. The Group's medium-term notes, USCP and committed credit facilities do not have any financial covenants.

Appendix

Statement of Cash Flows

\$'m	FY2023	FY2022
Net cash from / (used in):		
Operating activities	1,179	673
Investing activities	(201)	(4,571)
Financing activities	(1,226)	3,698
Net change in CCE*	(248)	(201)
CCE at beginning of the year	602	816
Exchange difference	-	(14)
CCE at end of the year	353	602

* CCE – Cash & Cash Equivalents

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