

Financial Year 2021 Results

25 February 2022

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 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.

Agenda

- Group Highlights
- Outlook
- Segment Highlights

Group Highlights

Group Highlights

2H2021

Revenue

4,042

+13% y-o-y

EBIT

319

+13% y-o-y

PBT

298

+20% y-o-y

Net Profit

274

+4% y-o-y

FY2021

Revenue

7,693

+7.5% y-o-y

EBIT

674

+13% y-o-y

PBT

638

+19% y-o-y

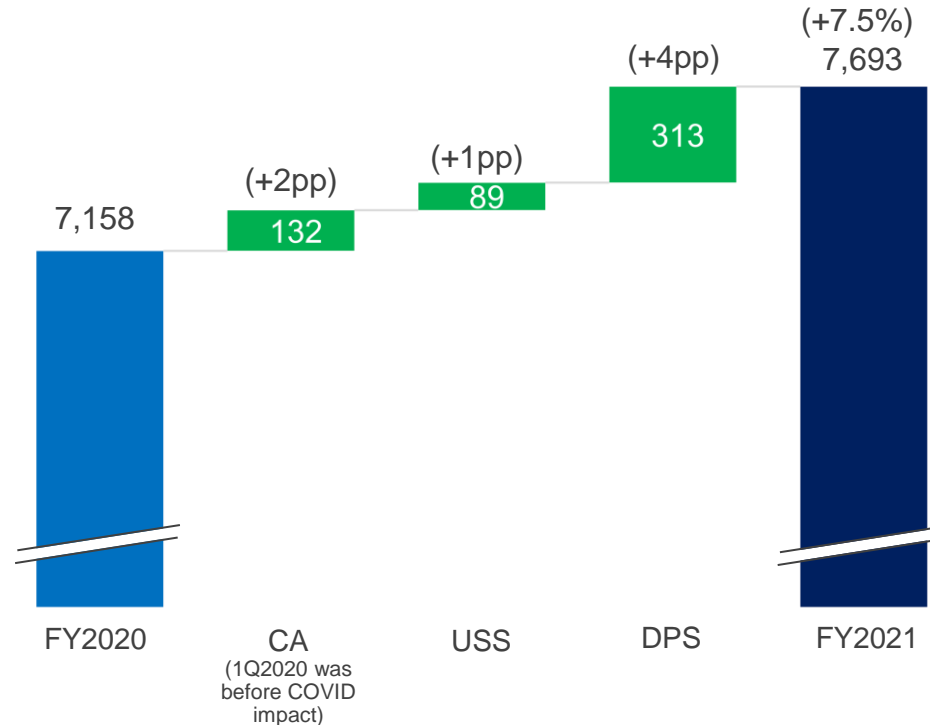
Net Profit

571

+9% y-o-y

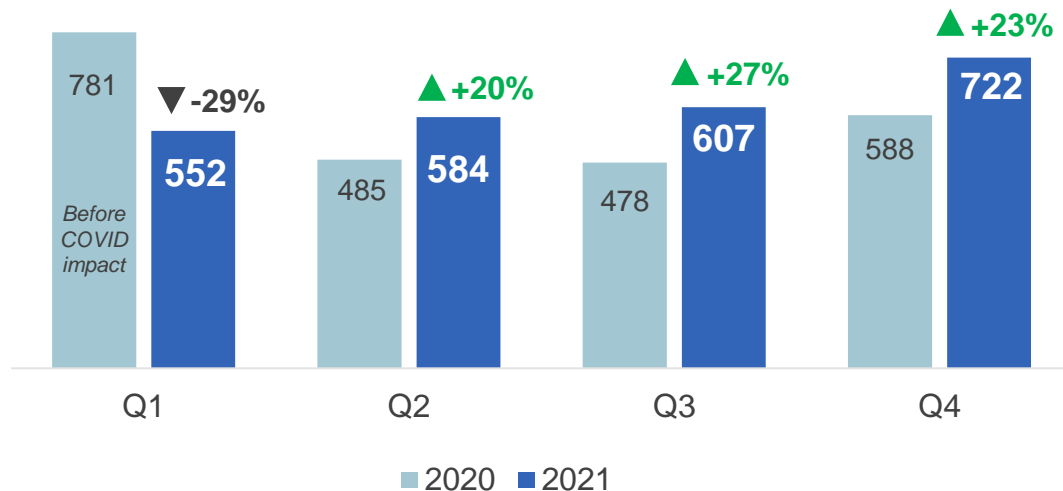
Order book as at 31 Dec 2021: **\$19.3b**;
about **\$6.6b** to be delivered in 2022

FY2021 revenue growth from all segments



Recovery in Commercial Aerospace business

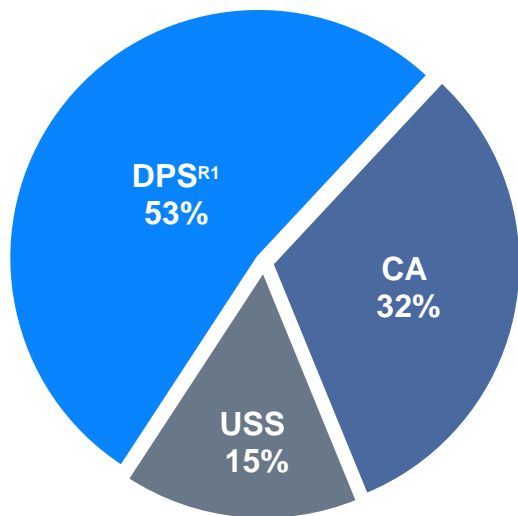
Commercial Aerospace segment revenue



- Continued recovery of revenue, despite ongoing COVID challenges
- Demand for P2F continues to be strong
 - A330P2F slots booked through 2025
 - A320/A321 slots fully booked through mid-2024

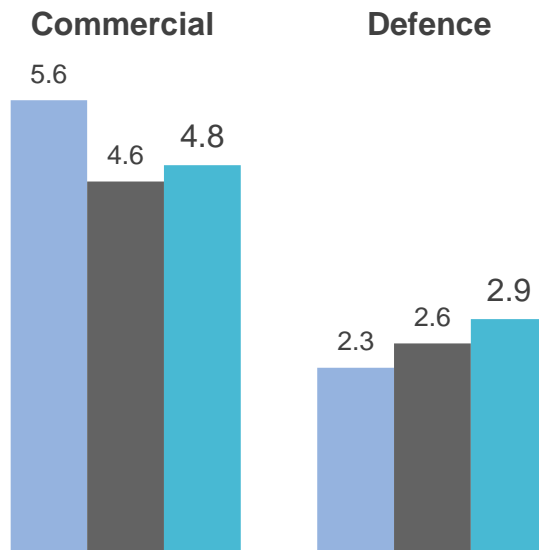
Group Revenue Breakdown

FY2021 Revenue
S\$7.7b



R1: DPS includes defence, public safety and security, critical information infrastructure and other commercial businesses, both local and overseas

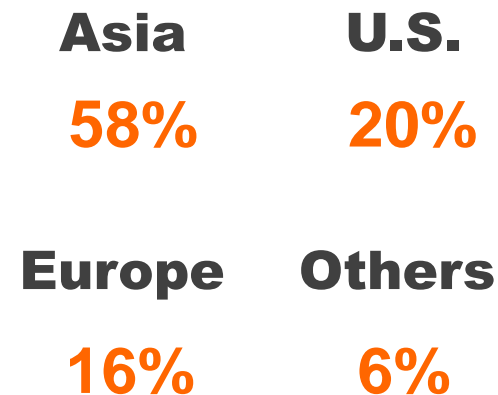
FY2021 Revenue
by type^{R2} (S\$b)



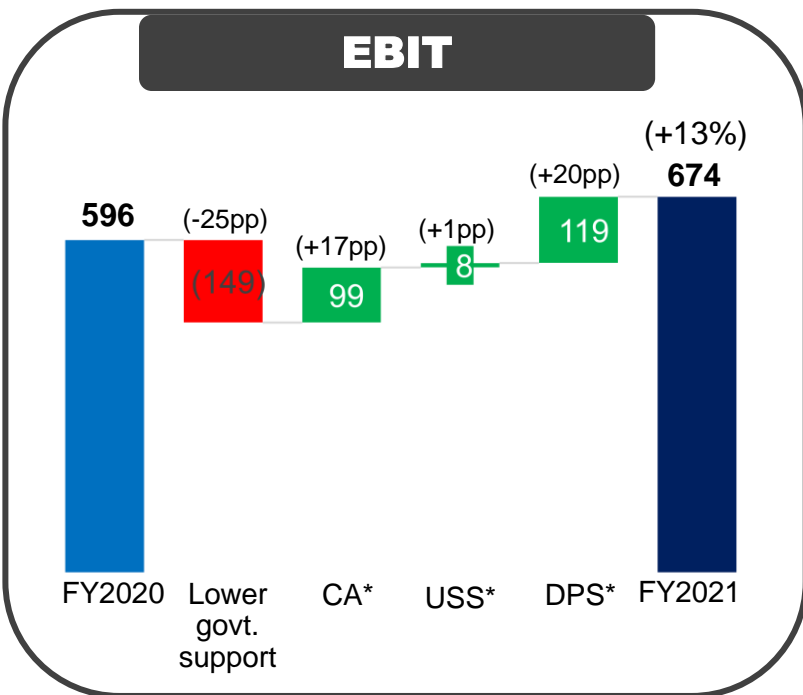
■ FY2019 ■ FY2020 ■ FY2021

R2: By type of products and services

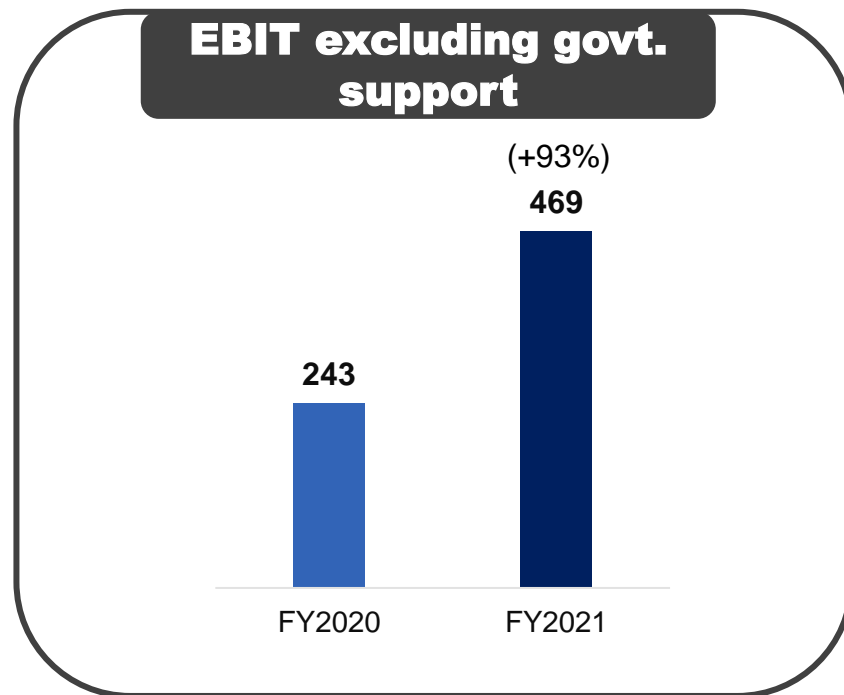
FY2021 Revenue
by location of customers



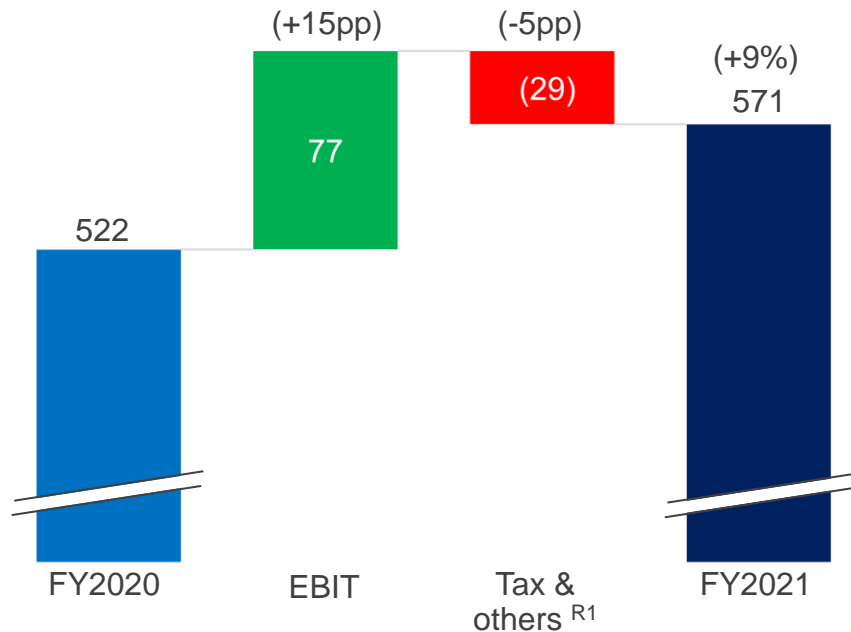
EBIT growth more than offset lower government support



Excluding government support, EBIT grew by 93%



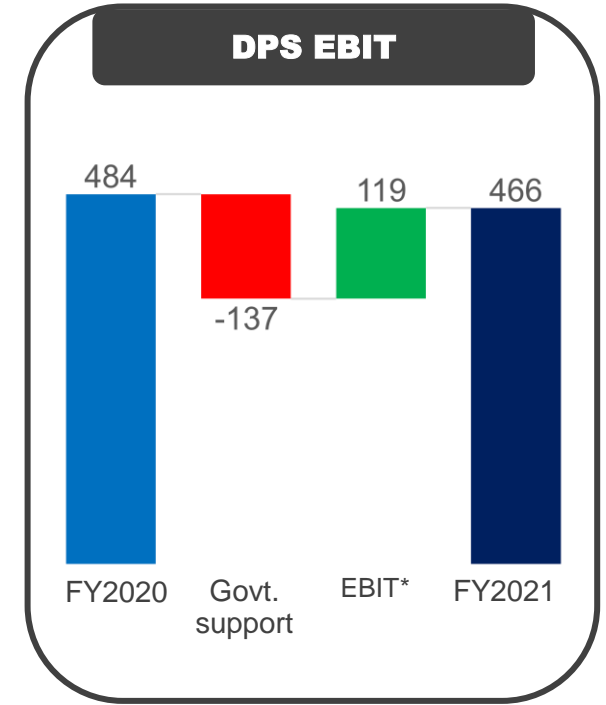
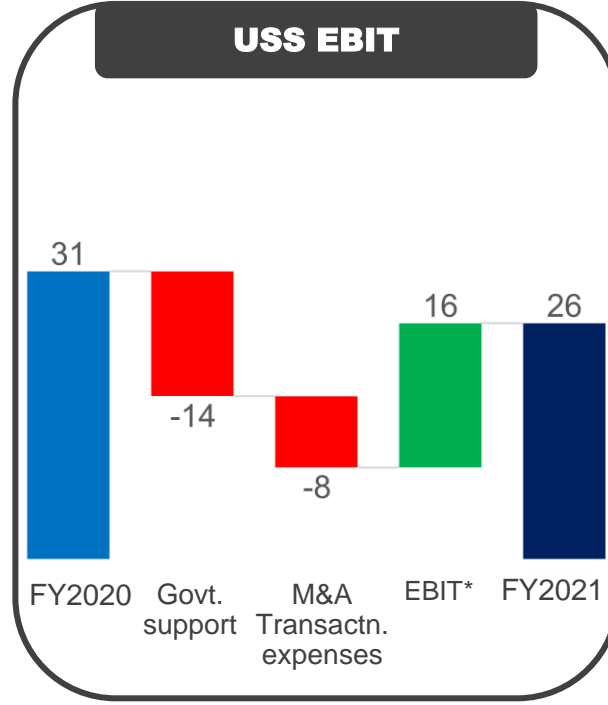
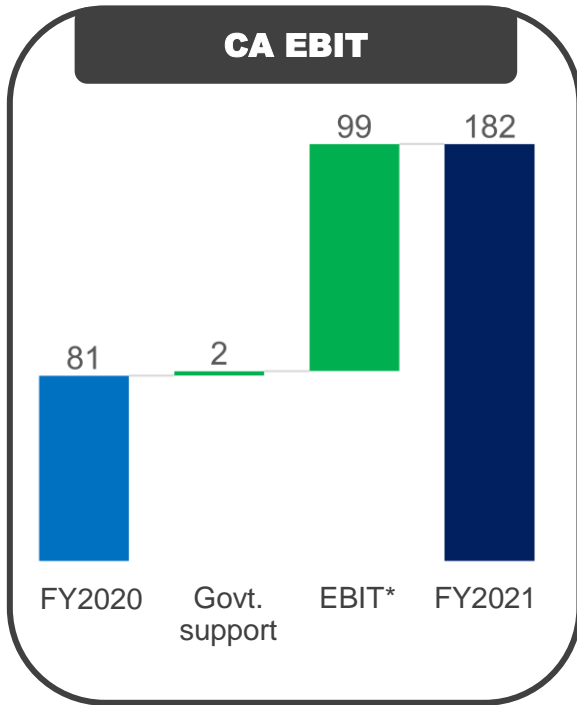
9% net profit growth despite pandemic challenges



R1: Due mainly to higher tax expense arising from higher profit before tax and lower Job Support Scheme grant which is not taxable, partially offset by lower finance cost

Group Highlights

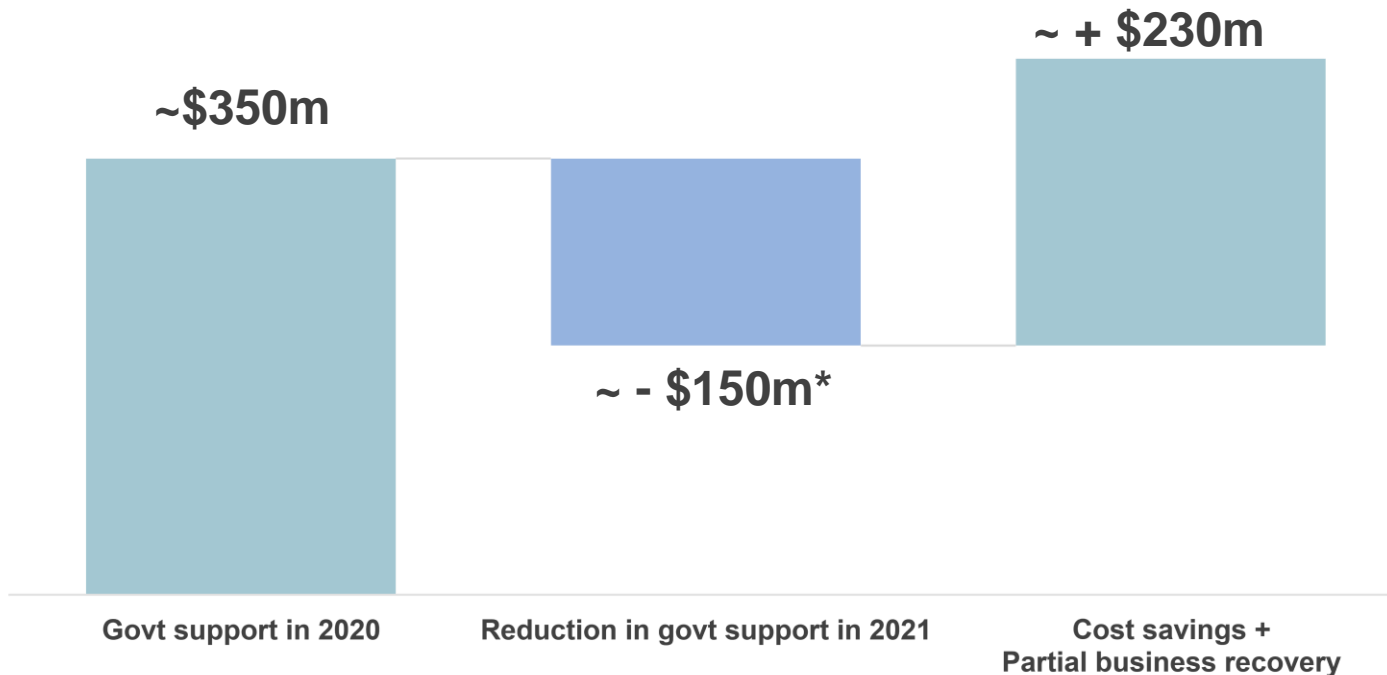
Impact of government support on segments' FY2021 EBIT



Note:

11 | * Excluding govt. support and M&A transaction expenses as applicable

Cost savings and partial business recovery more than offset reduction in govt. support



Notes:

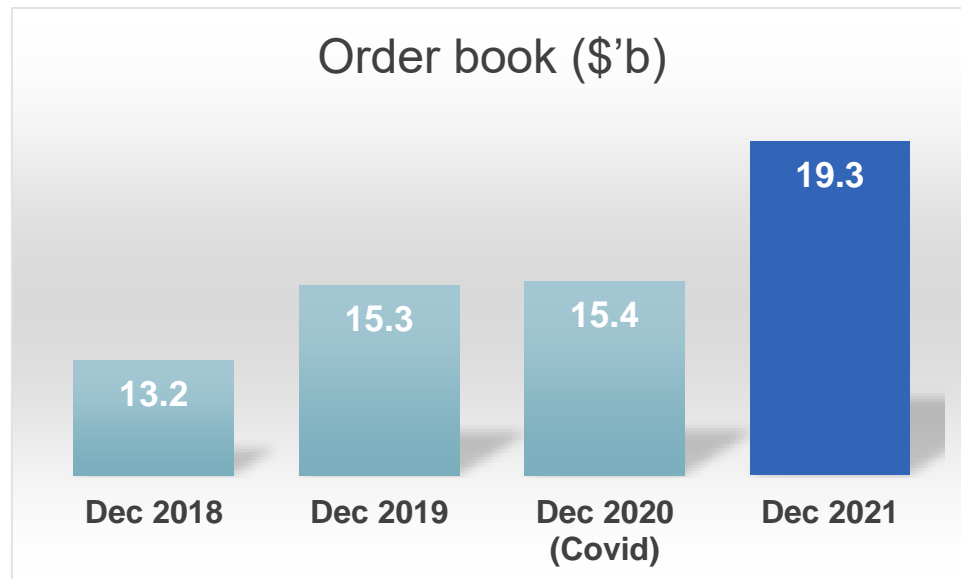
Above figures denote impact before tax

Cost savings and partial business recovery are net of investment to fund future growth areas

* FY2021 government support: \$205m.

Robust order book

- Order book as at Dec 2021 of \$19.3b.
- Strong order book provides visibility of pipeline revenue in the coming periods.
- Total new contract wins of the Group for the year 2021 was \$11.7b* (2020: \$8.2b; 2019: \$9.5b).



Order book as at 31 Dec 2021: **\$19.3b**;
about **\$6.6b** to be delivered in 2022

Balance sheet remains strong



Credit rating

post-TransCore announcement

- Moody's: Aaa (outlook negative)¹
- S&P: AAA (credit watch negative)¹

Diverse funding sources



US\$3b

*U.S. Commercial
Paper programme*



S\$5b

*Multicurrency Medium
Term Note programme*

Note:

14 | ¹ Moody's and S&P published their press release on 6 Oct 2021 and 7 Oct 2021 respectively.

Statement of Financial Position

S\$m	31 Dec 2021	31 Dec 2020
Property, plant & equipment	1,794	1,757
Right-of-use assets	559	539
Intangible assets	1,993	1,946
Other non-current assets	814	731
Current assets	5,356	4,991
Total assets	10,516	9,964
Current liabilities	4,680	4,289
Non-current liabilities	3,168	3,100
Total liabilities	7,847	7,389
Share capital and reserves	2,413	2,293
Non-controlling interests	255	282
Total equity and liabilities	10,516	9,964

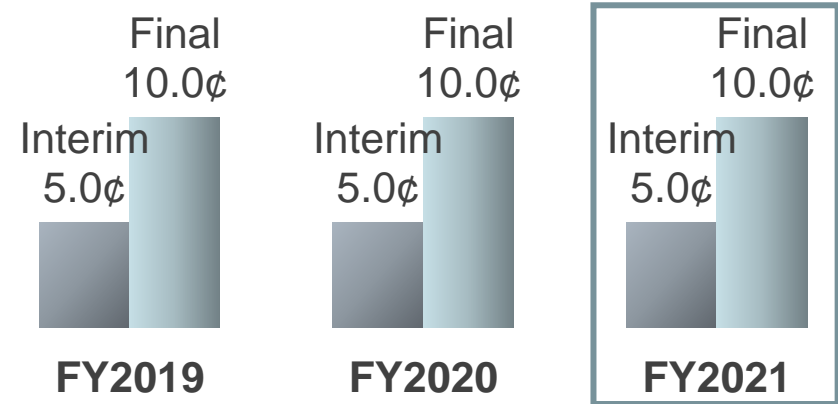
Statement of Cash Flows

S\$m	FY2021	FY2020
Net cash from/(used in)		
Operating activities	1,114	1,533
Investing activities	(414)	(295)
Financing activities	(615)	(959)
Net increase in CCE *	86	279
CCE at beginning of the year	729	452
Exchange difference	1	(2)
CCE at end of the year	816	729

FY2021 Final Dividend of 10.0 Cents per Share

- Final dividend of 10.0 cents per ordinary share, subject to shareholders' approval at AGM.
- Total dividend of 15.0 cents, including interim dividend of 5.0 cents.
- FY2021 final dividend can be adequately funded out of past years' retained earnings.
- Retained earnings was \$1.5b or 50 cents per share as at year-end 2021 at Group level.

Dividend per Ordinary Share



Dividend Policy

- On 24th February 2022, the Board approved a dividend policy to declare dividends every quarter instead of twice a year previously.
- For FY2022, the plan is for dividends to be paid four times a year, at 4.0 cents per share each time resulting in total dividends of 16.0 cents per share payable for FY2022 (compared to the 15.0 cents per share paid or payable for financial year 2021).
- The dividends for FY2022 are currently scheduled to be paid in June 2022, September 2022, December 2022 and May 2023.
- As and when the Board declares an interim dividend for each of the first three quarters of FY2022, ST Engineering will announce the relevant record date and payment date on SGXNet. The final dividend payable in May 2023 is subject to shareholders' approval at the ST Engineering AGM to be held in April 2023, the record date and payment date for which will be announced in conjunction with the release of the Group's full year results for FY2022.
- This change from declaring dividends semi-annually to quarterly will provide shareholders with more frequent income streams.
- Notwithstanding the new dividend policy, the Group continues to focus on and has sufficient financial capacity to seek growth pursuant to our strategy as communicated at our Investor Day in November 2021, and as we have demonstrated in the last few years.

Outlook

Group President & CEO's Message

“In 2021, we delivered a good set of results as all business segments registered growth despite persisting pandemic challenges. This reflects the underlying strengths of our businesses and our people. The proposed TransCore acquisition demonstrates our readiness to seize growth opportunities to emerge stronger post pandemic. We can look to the future with confidence as our order book of \$19.3b is very robust.

We expect the delivery of our strong order book, our various business initiatives and further business recovery to position us well for 2022 business performance. Moreover, our focus on the effective execution of our long-term strategy and our commitment to invest across the business cycles will put us in good stead to achieve our 2026 targets as communicated on our Investor Day.”

Vincent Chong, Group President & CEO

Summary

- Steady revenue growth of 7.5% to \$7.7b, amidst a challenging COVID environment.
- EBIT grew by 13% to \$674m. Excluding government support, EBIT grew by 93% to \$469m.
- Cost savings and partial business recovery more than offset reduction in government support in 2021 of \$149m.
- Net profit improved 9% from \$522m to \$571m, despite pandemic challenges.
- Robust order book of \$19.3b lends confidence for the future.
- For FY2022 onwards, the Board has approved a dividend policy to declare dividends every quarter instead of twice a year previously.
- Delivery of strong orderbook, business initiatives and further business recovery will position the Group well for 2022 business performance.
- Focus on effective execution of long-term strategy and commitment to invest across business cycles put the Group in good stead to achieve 2026 targets communicated on Investor Day.

Segment Highlights

Segment Highlights

Segment Revenue

S\$m	2H2021	2H2020	Change	FY2021	FY2020	Change
Commercial Aerospace	1,329	1,066	+25%	2,465	2,332	+6%
Urban Solutions & Satcom	663	630	+5%	1,191	1,101	+8%
Defence & Public Security	2,051	1,891	+8%	4,038	3,725	+8%
Group	4,042	3,586	+13%	7,693	7,158	+7.5%

Segment Highlights

Segment EBIT

S\$m	2H2021	2H2020	Change	FY2021	FY2020	Change
Commercial Aerospace	79	6	>500%	182	81	+125%
Urban Solutions & Satcom	15	52	-71%	26	31	-18%
Defence & Public Security	224	224	+0.3%	466	484	-4%
Group	319	282	+13%	674	596	+13%

\$3.2b new contracts in 4Q2021

	4Q2021	Key Highlights
Commercial Aerospace	\$1.0b	<ul style="list-style-type: none"> • Multi-year component MBH™ contracts from Virgin Australia Airlines and China Airlines • Airframe maintenance contract extension with a Japanese airline, heavy maintenance for and cabin refresh modifications for Boeing 767 • CFM56-5B and -7B engine MRO contracts from Asian airlines • Order of 6 x A321P2F from cargo operator, Smart Lynx and 15 x A321P2F from an aircraft leasing company
Urban Solutions & Satcom	\$0.4b	<ul style="list-style-type: none"> • Rail electronics including turnkey smart metro solutions for Taiwan's Kaohsiung MRT Red Line Extension and our first Passenger Information System solution in Romania for Bucharest Metro Line 5 • Smart Utilities including smart street light control solution for Rio de Janeiro, and integrated smart security management solutions for customers in Singapore • Satcom ground infrastructure for the land mobility, government and defence, and oil & gas markets including a contract with Eclipse Global Connectivity for an airborne ISR satellite communications solution for military and government aircraft
Defence & Public Security	\$1.8b	<ul style="list-style-type: none"> • Supply of cybersecurity products and solutions, AI-based mission critical systems, on-premise cloud solutions and cloud managed services • Munitions for various international customers • Various ship repair and shipbuilding contracts in Singapore and the U.S. yards including the fifth US Navy APL(S) berthing barge, the supply of design, platform equipment and technical assistance for four Falaj 3-class Offshore Patrol Vessels and second Polar Security Cutter
Total	\$3.2b	

Commercial Aerospace

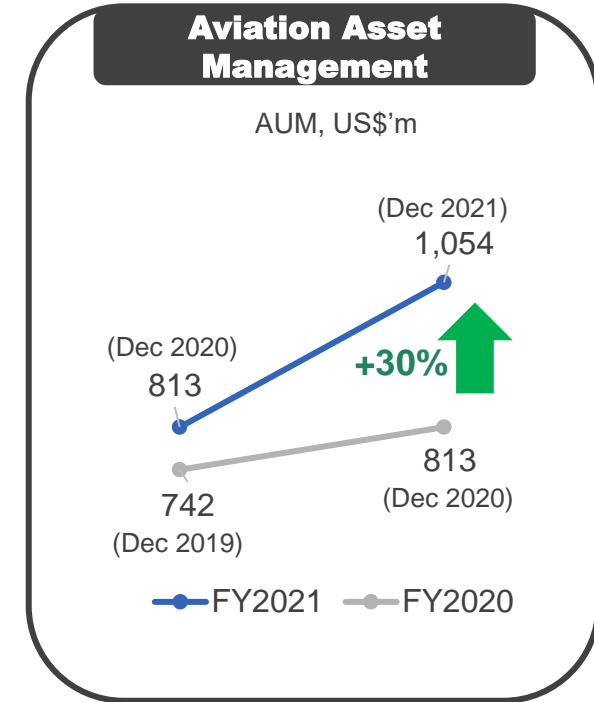
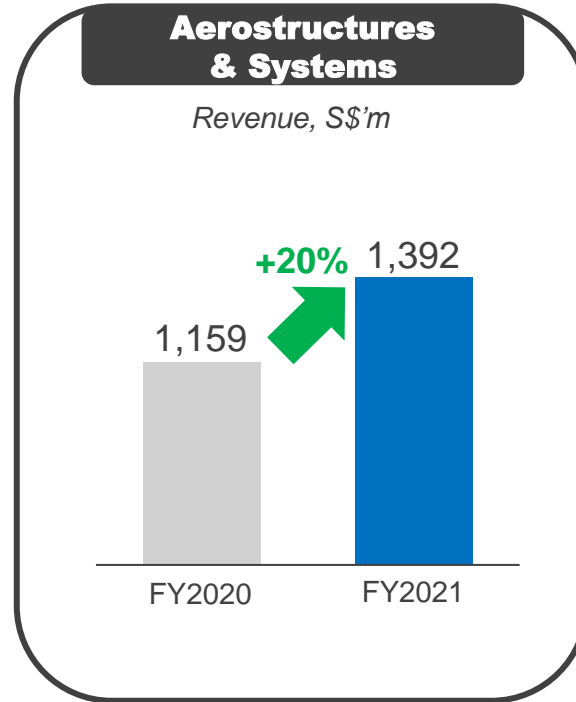
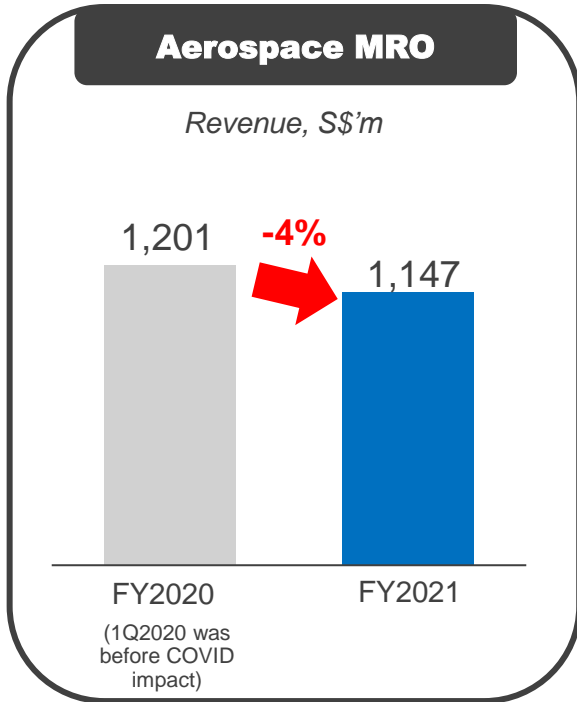
Segment Highlights

Commercial Aerospace

S\$m	FY2021	FY2020	Change	
Revenue	2,465	2,332	▲ 6%	<ul style="list-style-type: none"> Revenue increased notwithstanding a strong 1Q2020 prior to impact of COVID-19 being felt Increase attributable to Aerostructures & Systems, while Aerospace MRO continued to be impacted by a subdued aviation sector
EBIT	182	81	▲ 125%	<ul style="list-style-type: none"> Strong improvement due to higher revenue and cost savings initiatives

Segment Highlights

Commercial Aerospace sub-segment highlights – FY2021



Note:

28 | - Revenue includes inter-segment and inter-subsegment sales

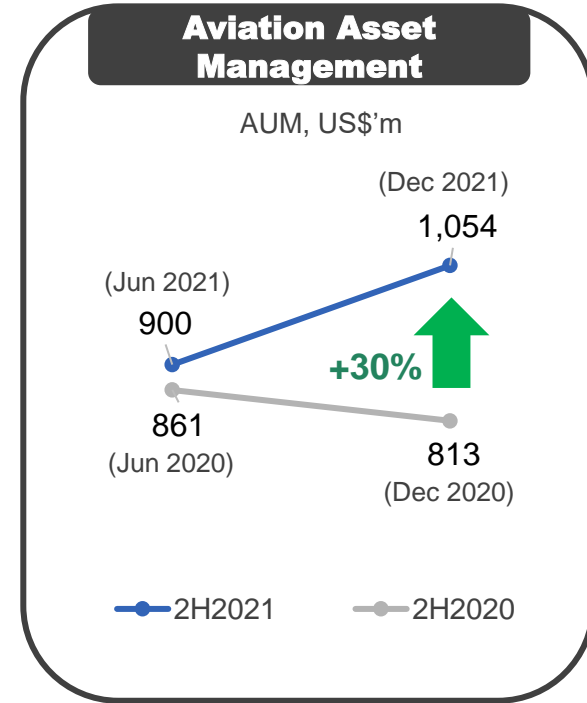
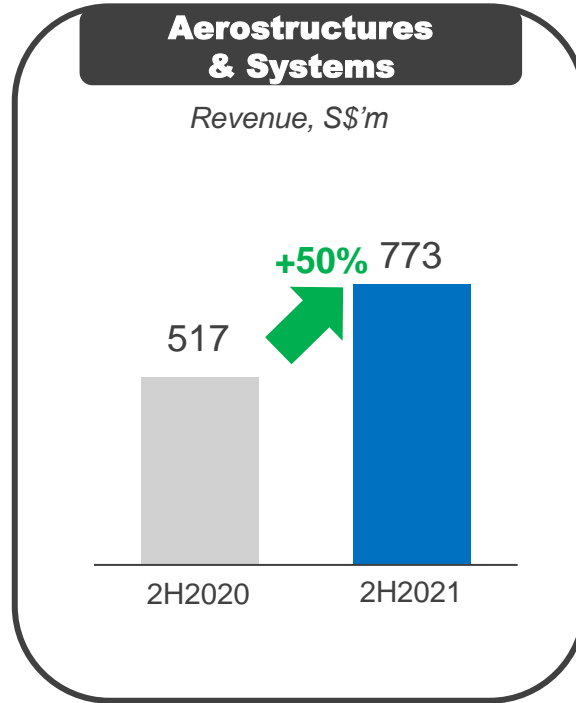
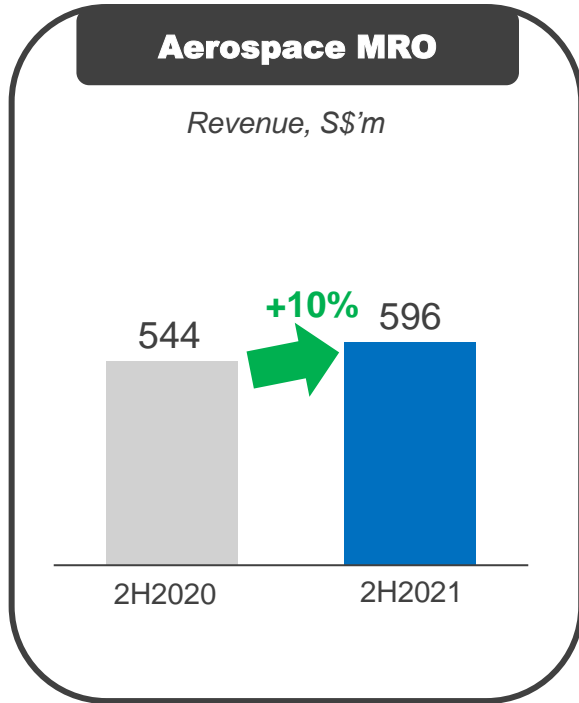
Segment Highlights

Commercial Aerospace

S\$m	2H2021	2H2020	Change	
Revenue	1,329	1,066	▲ 25%	<ul style="list-style-type: none"> Revenue increase driven by continued business recovery
EBIT	79	6	▲ >500%	<ul style="list-style-type: none"> Significant cost savings and partial business recovery more than offset reduction in government support of \$51m

Segment Highlights

Commercial Aerospace sub-segment highlights – 2H2021



Note:

30 | - Revenue includes inter-segment and inter-subsegment sales

Urban Solutions & Satcom

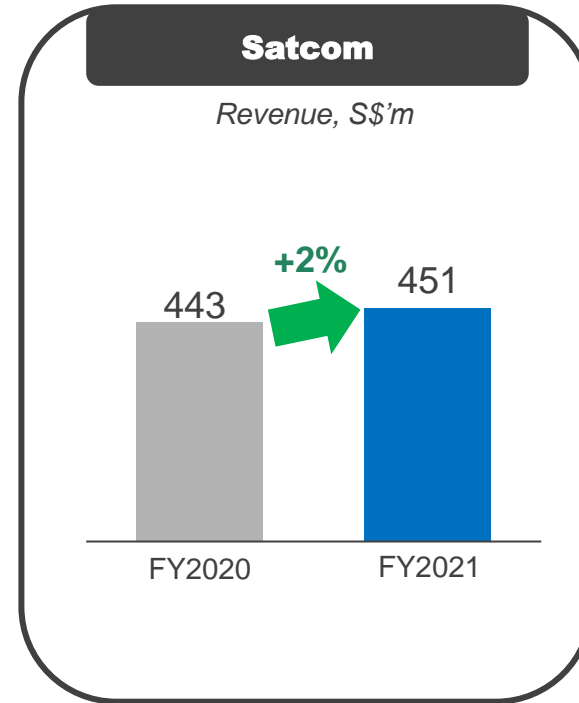
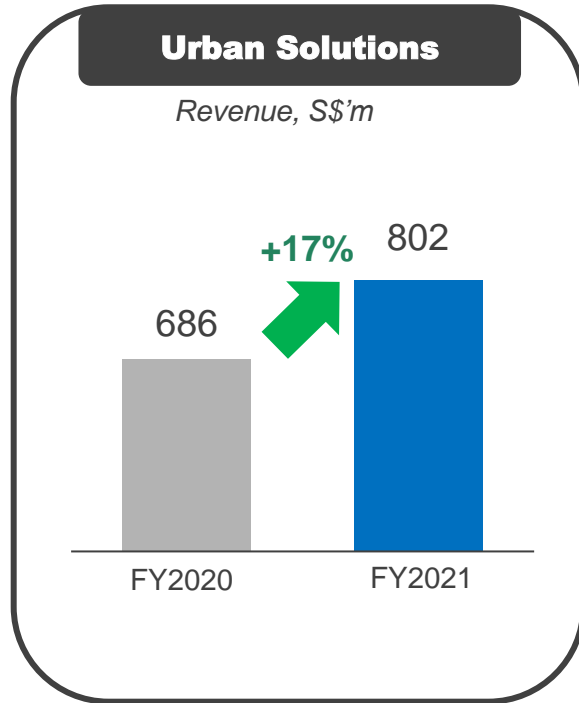
Segment Highlights

Urban Solutions & Satcom

S\$m	FY2021	FY2020	Change	
Revenue	1,191	1,101	▲ 8%	<ul style="list-style-type: none"> Revenue growth from higher Smart City project deliveries Partially offset by impact of global semiconductor chip shortages on Smart City project and Satcom product deliveries
EBIT	26	31	▼ 18%	<ul style="list-style-type: none"> Due mainly to lower government support, \$8m of M&A transaction expenses for TransCore acquisition and impact of semiconductor chip shortages Partially offset by contribution from higher revenue and cost savings

Segment Highlights

Urban Solutions & Satcom sub-segment highlights – FY2021



Note:

33 | - Revenue includes inter-segment and inter-subsegment sales

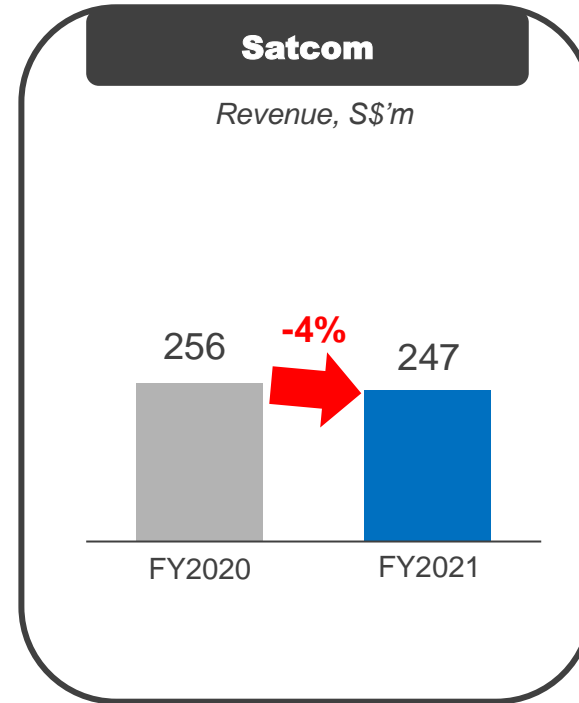
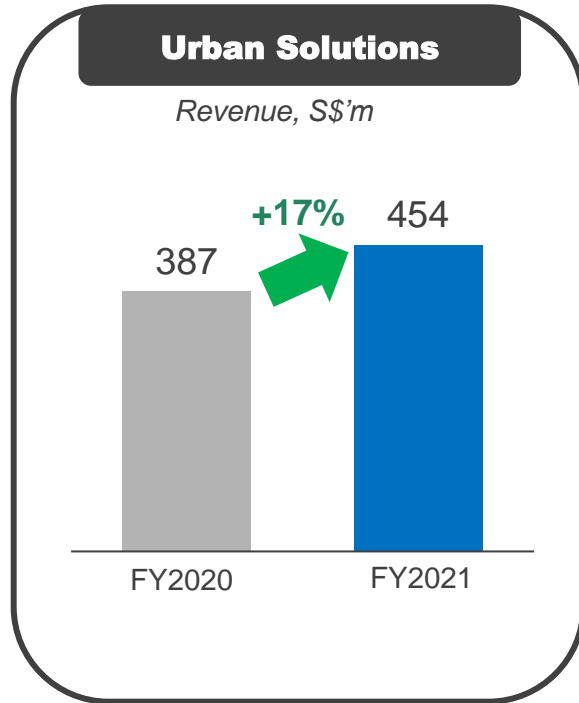
Segment Highlights

Urban Solutions & Satcom

S\$m	2H2021	2H2020	Change	
Revenue	663	630	▲ 5%	<ul style="list-style-type: none"> • Revenue growth from higher Smart City project deliveries • Partially offset by impact of semiconductor chip shortages
EBIT	15	52	▼ 71%	<ul style="list-style-type: none"> • Due mainly to lower government support, M&A transaction expenses for TransCore acquisition and semiconductor chip shortages • Partially offset by contribution from higher revenue and cost savings

Segment Highlights

Urban Solutions & Satcom sub-segment highlights – 2H2021



Note:

35 | - Revenue includes inter-segment and inter-subsegment sales

Defence & Public Security

Segment Highlights

Defence & Public Security

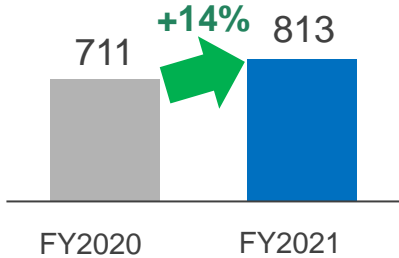
S\$m	FY2021	FY2020	Change	
Revenue	4,038	3,725	▲ 8%	<ul style="list-style-type: none"> Revenue growth from all sub-segments
EBIT	466	484	▼ 4%	<ul style="list-style-type: none"> Due mainly to lower government support Substantially offset by contribution from higher revenue and cost savings

Segment Highlights

Defence & Public Security sub-segment highlights – FY2021

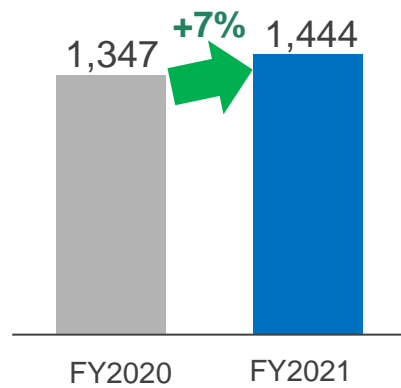
Marine

Revenue, S\$m



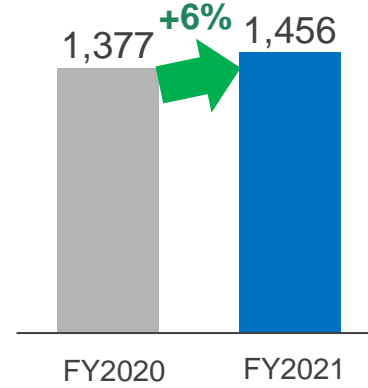
Land Systems

Revenue, S\$m



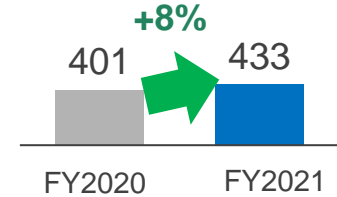
Digital Systems & Cyber

Revenue, S\$m



Defence Aerospace

Revenue, S\$m



Note:

38 | - Revenue includes inter-segment and inter-subsegment sales

Segment Highlights

Defence & Public Security

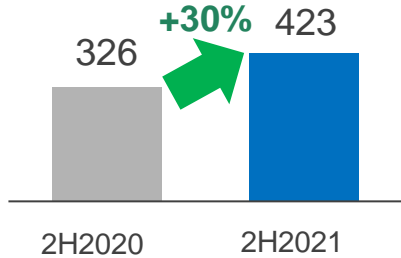
S\$m	2H2021	2H2020	Change	
Revenue	2,051	1,891	▲ 8%	<ul style="list-style-type: none"> Higher revenue from all sub-segments
EBIT	224	224	▲ 0.3%	<ul style="list-style-type: none"> Due mainly to contribution from higher revenue and cost savings initiatives Largely offset by lower government support of \$79m

Segment Highlights

Defence & Public Security sub-segment highlights – 2H2021

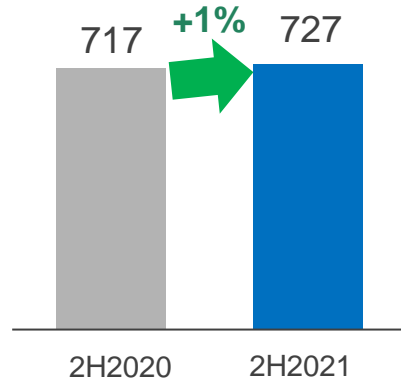
Marine

Revenue, S\$m



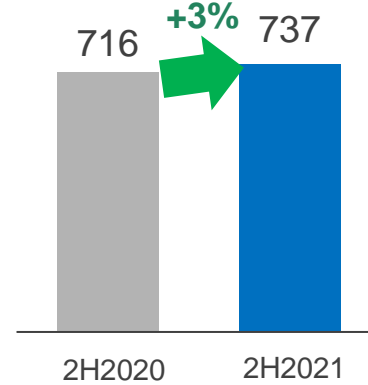
Land Systems

Revenue, S\$m



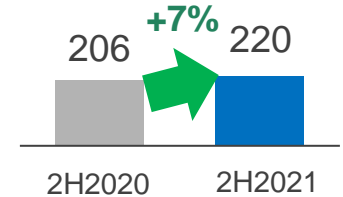
Digital Systems & Cyber

Revenue, S\$m



Defence Aerospace

Revenue, S\$m



Note:

40 | - Revenue includes inter-segment and inter-subsegment sales

Thank you