

# **3Q2020 Market Updates**

18 November 2020

# 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 rapidly 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.

# Key Discussion Points

## Part 1

1. Updates to operating landscape and business sectors
2. 3Q2020 contract wins and order book
3. Balance sheet and liquidity position
4. FY2020 revenue guidance

## Part 2

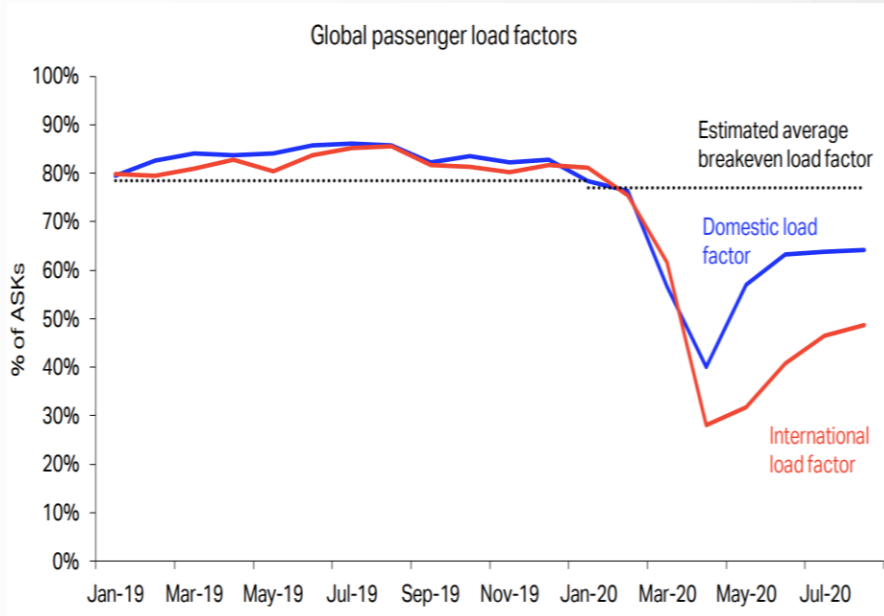
1. New organisation structure

# Continue to Navigate the Effects of COVID-19

- Group revenue performance to-date within FY2020 guidance
- Defence and public security businesses remain steady, with projects coming back on track
- Balance sheet and liquidity position remain strong
- Order book continues to provide good revenue visibility

# Business Updates: Aerospace

## Air travel forecast downgraded for rest of 2020



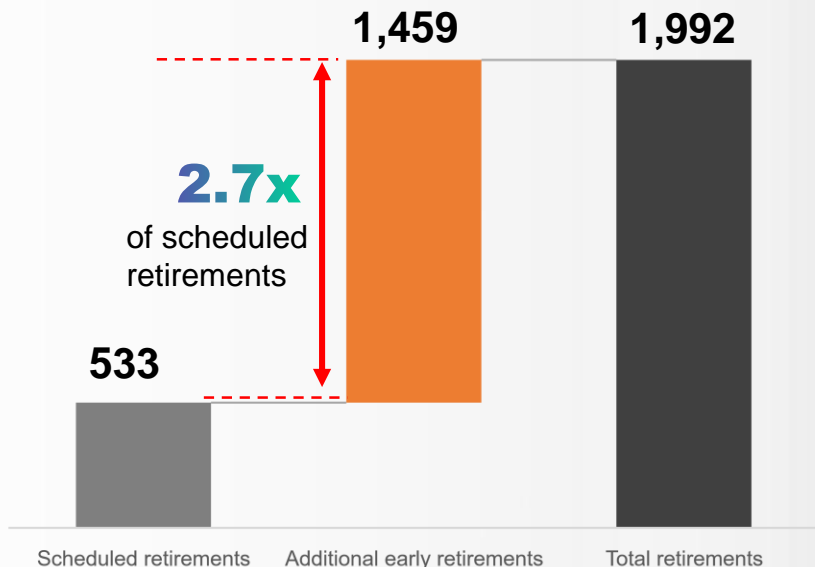
Source: IATA, Sept 2020

## MRO

- Domestic travel recovers faster than international travel
  - ✓ Augurs well for our narrowbody MRO work
- More workload from freighter carriers as cargo traffic remains strong

# Business Updates: Aerospace

## Early retirement of passenger aircraft

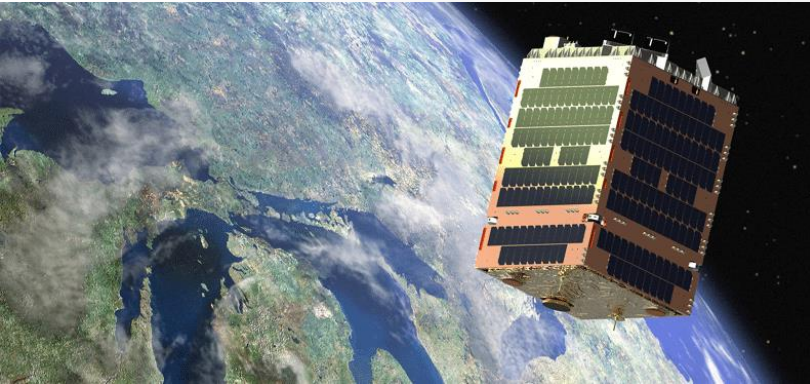


## PTF conversion

- Limited belly load capacity sustains demand for dedicated freighters
- Fleet retirements add to feedstock availability
- PTF opportunities being pursued

Source: Oliver Wyman Engine Aftermarket Outlook Sept 2020

# Business Updates: Electronics



- Gradual pick-up in business activities across the sector, especially mobility business
- Defence and government projects back on track
- Demand for satcom ground infrastructure remains low, but launches of next-gen MEO and LEO constellations present new opportunities

# Business Updates

## Land Systems

- Defence land platform business remains steady
- Productivity improvements ongoing
- Tenders for road construction and specialty vehicles on hold

## Marine

- Full workforce back at Singapore yards
- Completed numerous ship repair projects, rig repair and related fabrication works
- Ongoing works for environmental engineering projects
- Maintain sharp focus to improve U.S. yard performance

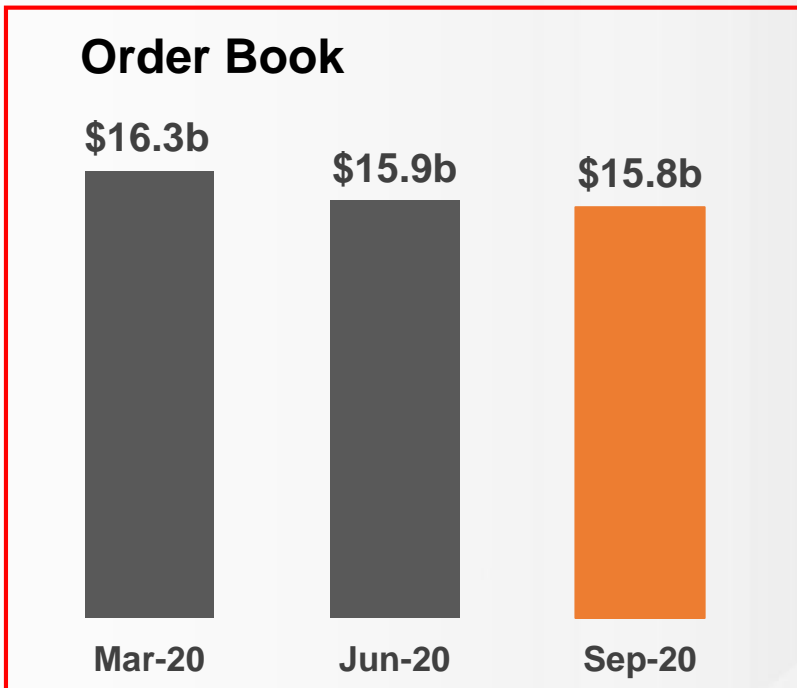


# Aerospace and Electronics Secured Total of \$1.7b New Orders in 3Q2020

- **\$0.6b by Aerospace, total of \$2.0b in 9M2020**
  - ✓ Nacelle manufacturing
  - ✓ Floor panel manufacturing
- **\$1.1b by Electronics, total of \$2.3b in 9M2020**
  - ✓ Rail electronics projects in Singapore, Thailand and China
  - ✓ Smart digital building solutions including smart lighting, and command, control and communications systems in Singapore
  - ✓ Defence and public security projects

*These values exclude new contracts by Land Systems and Marine sectors.*

# Order Book Remains Robust



## Order book profile

- >\$1.7b new orders in 3Q2020
- \$1.7b expected to be delivered in the remaining months of 2020
- Multi-year contracts, long-term customers

# Balance Sheet and Liquidity Position Remain Strong

- Proactive credit and debt management
- Diverse funding sources at competitive rates
  - ✓ Moody's maintains Aaa/stable credit rating
  - ✓ S&P reaffirms AAA/stable credit rating on 28 Oct 2020
- Healthy level of retained earnings to sustain dividend payout

# Stay Focused on Sustainable Long-term Growth

- **Focus on revenue capture and opportunities**
  - ✓ Resume project delivery and execution with majority of workforce returning to work
  - ✓ Capitalise on new demands arising from COVID-19, e.g. cybersecurity and sensors
- **Target to offset the effect of lower level of government support in 2021**
  - ✓ Group-wide efficiency and productivity initiatives on track

## FY2020 Revenue Guidance

- For full year 2020, we expect our revenue to be close to the midpoint of our earlier guidance\* of 5% to 15% lower than 2019.

*\* Revenue guidance as at 14 August 2020: We expect FY2020 revenue to be between 5% and 15% lower versus FY2019.*