



# 2017 Annual Results Analyst Briefing

13th March 2018

# Agenda



Augustus Tang, CEO

- **2017 Highlights**
- **Financial Performance**
- **Review of Key Business Segments**
- **Outlook**
- **Q&A**

## 2017 Macro and Aviation Industry Environment

Aircraft manufacturers have record order books and are increasing production

Changing aircraft technology

Changing competitive environment

- ➔ On balance, maintenance and repair work demand is expected to grow in the medium and longer term.



## Results impacted by HAECO Americas, all other businesses performing well

***HK\$14,546M***

Revenue

**+5.7%**

***HK\$1,096M***

Cash generated  
from operations

**-8.6%**

***(HK\$541M)***

Attributable loss

**-155.5%**

***HK\$340M***

Adjusted profit

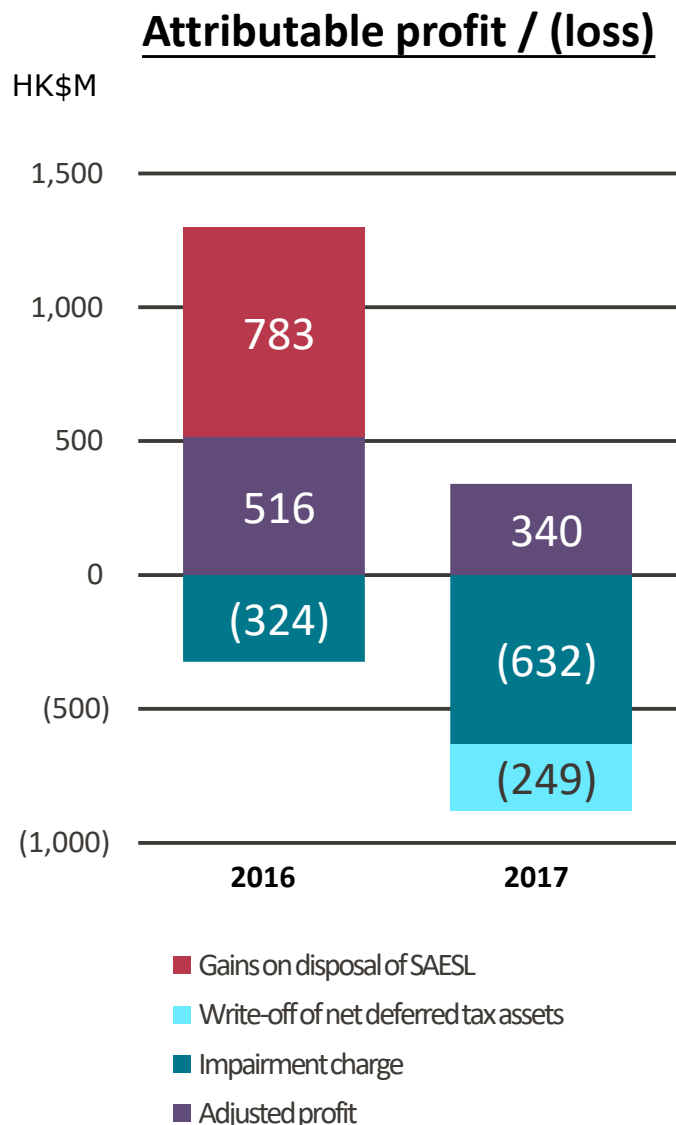
**-34.1%**



## Financial Performance

Rebecca Sharpe,  
Group Director Finance

# Financial Summary – Key Metrics



**Revenue**  
2016: HK\$13,760M +5.7%  
**2017: HK\$14,546M**

**Attributable result**  
2016: HK\$975M -155%  
**2017: -HK\$541M**

**Dividends per share**  
2016: HK\$3.90 -73.6%  
**2017: HK\$1.03**

**Equity attributable to shareholders**  
Dec 2016: HK\$6,174M -9.8%  
**Dec 2017: HK\$5,568M**

**Cash generated from operations:** -8.6%  
2016: HK\$ 1,199M  
**2017: HK\$1,096M**

**Gearing Ratio** +1.5%pt  
Dec 2016: 31.5%  
**Dec 2017: 33.0%**

**Net Debt** +0.0%  
Dec 2016: HK\$2,368M  
**Dec 2017: HK\$2,369M**

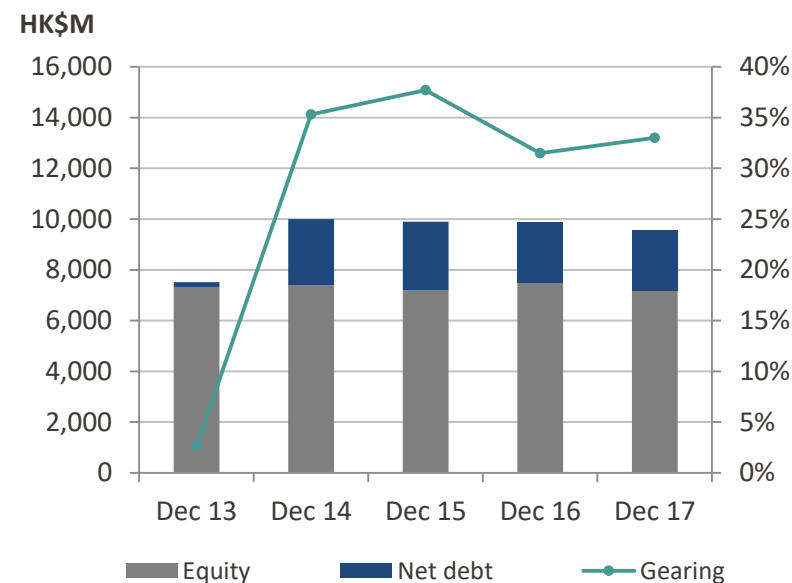
## Financial Summary – Financing

	Dec 13	Dec 14	Dec 15	Dec 16	Dec 17
Net debt (HK\$M)	193	2,610	2,710	2,368	<b>2,369</b>
Gearing (%)	2.6%	35.3%	37.7%	31.5%	<b>33.0%</b>
Interest cover (adjusted) – times	8.1	7.6	5.9	5.7	<b>5.9</b>
Liquidity – Committed funds and cash available (HK\$M)	7,441	3,529	3,193	2,605	<b>2,508</b>

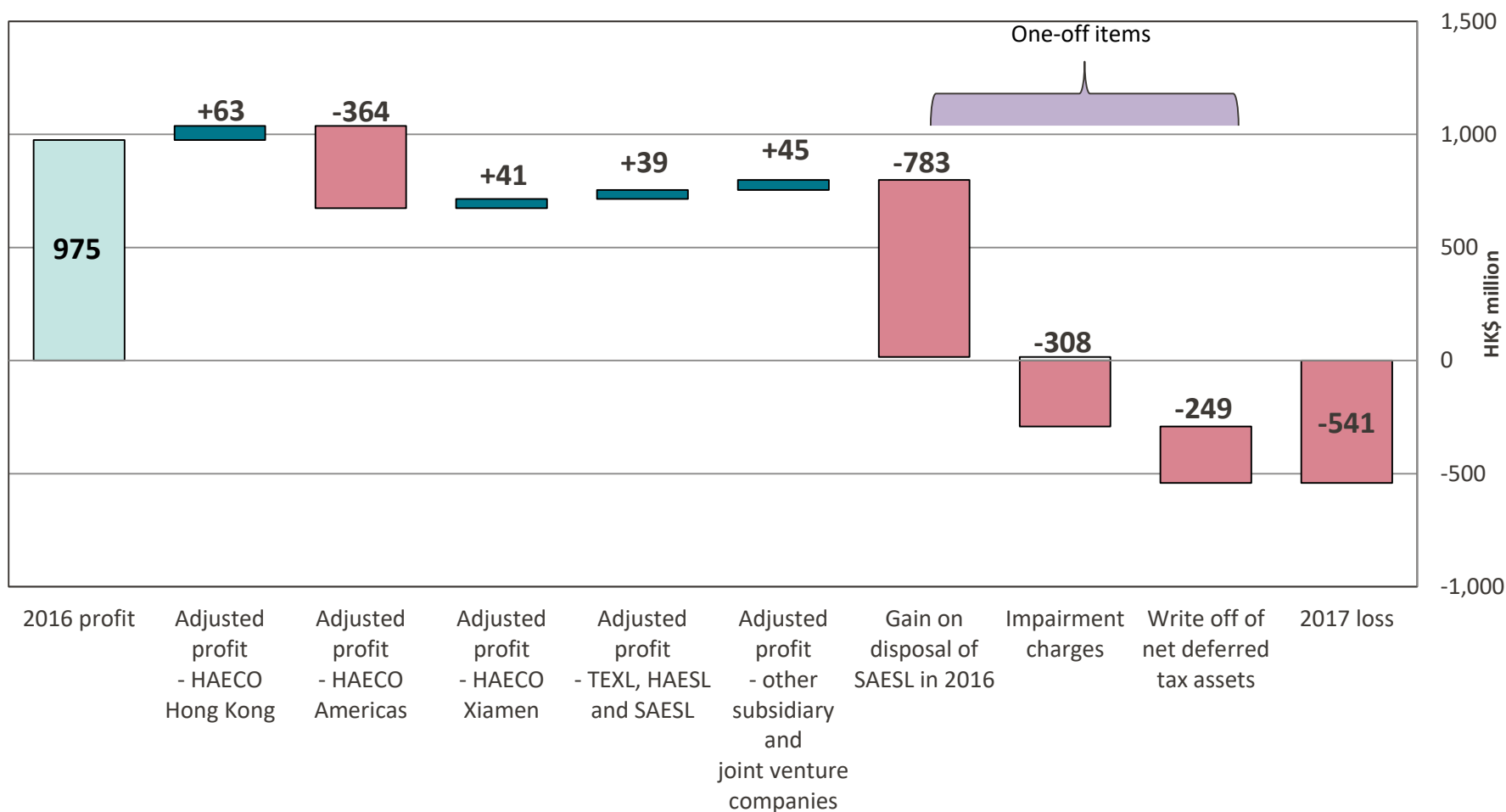
### Net Debt Reconciliation

	HK\$M
Net debt at Dec 2016	2,368
Cash generated from operations	(1,096)
Net interest and tax paid	255
Dividends received	(243)
Dividends paid	342
Capital expenditure	843
Proceeds from disposal of fixed assets	(82)
Other movements	(18)
<b>Net debt at Dec 2017</b>	<b>2,369</b>

### Gearing Ratio



# Movement of Profit Attributable to the Company's Shareholders





# HAECO Americas – the ‘Why?’



A/C Total Solutions



Integration Engineering



ITM/FTM



Freighter Conversion



Interior Products



Airframe Services



Parts Manufacturing



Seats



Line Services



Engine Services



Training



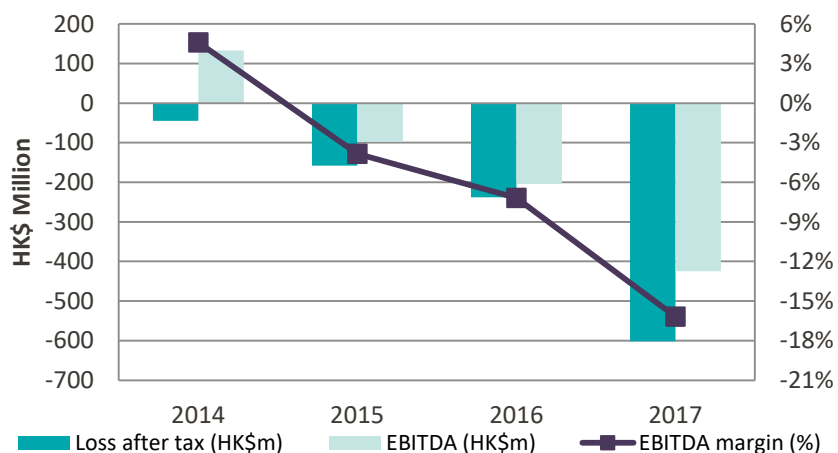
VVIP

Airlines Solutions  
Design Engineering

Value Added

Traditional MRO

# HAECO Americas – Where we are today



Remark: The above figures do not include the impairment charges in 2016 and 2017 or the write-off of net deferred tax assets in 2017.

Key Financial and Operating Data				
	2017	2016	2015	2014
	HK\$m	HK\$m	HK\$m	HK\$m
Revenue	2,625	2,836	2,554	2,885
EBITDA	(425)	(204)	(98)	133
EBIT – adjusted *	(549)	(323)	(217)	(8)
AFS sold manhours (in millions)	2.80	3.24	3.02	3.66
Number of seats sold	7,300	3,400	4,200	8,600

\* EBIT is adjusted to exclude the impairment charges.

## Challenges encountered since acquisition resulting in:

- Poor operational and therefore financial performance
- Impairment charges in 2016 (HK\$285m) and in 2017 (HK\$625m)
- Deferred tax asset write off of HK\$249m in 2017



## HAECO Americas – Taking steps to improve the business

- Efforts being made to improve efficiency and work flow of airframe services.
- Focused programme on stronger engagement with airframe services customers
- Opening of a fifth hangar at Greensboro facility
- Resources deployed from Hong Kong facilities to support USA facilities
- Newly appointed Director to lead the Cabin Solutions division and new senior team in place
- Continued focus on sales effort for all Cabin Solutions service offerings

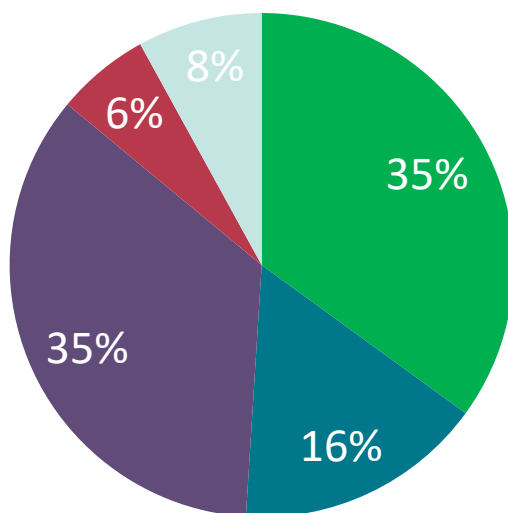




## Performance of Key Business Divisions

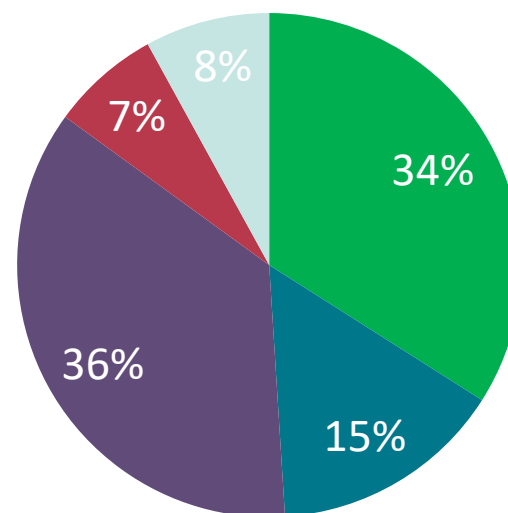
# Revenue by Service Type

2016



- Airframe services
- Line services
- Engine services
- Cabin and private jet work
- Component & ITM services and others

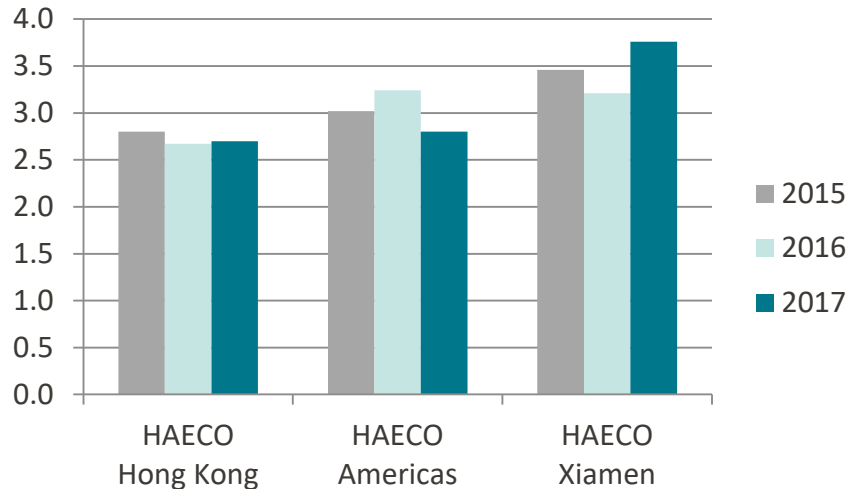
2017



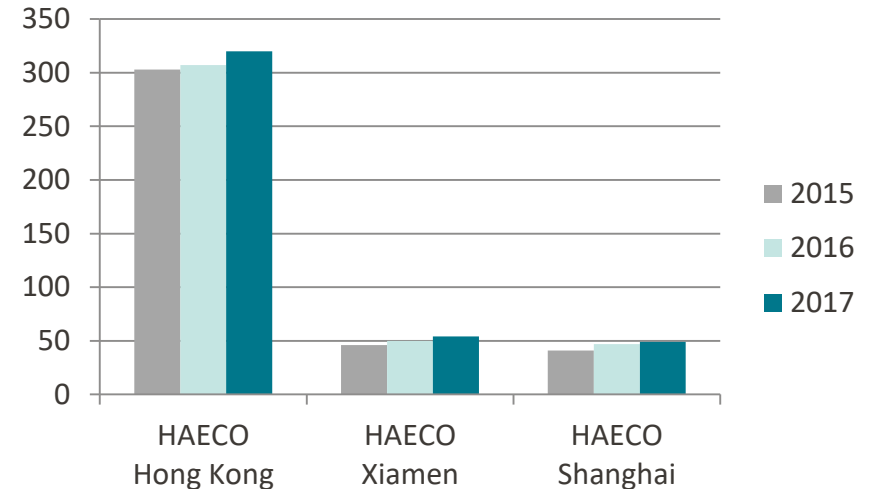
- Airframe services
- Line services
- Engine services
- Cabin and private jet work
- Component & ITM services and others

# Solid Results in Airframe and Line Services

**Airframe services**  
- Number of sold manhours



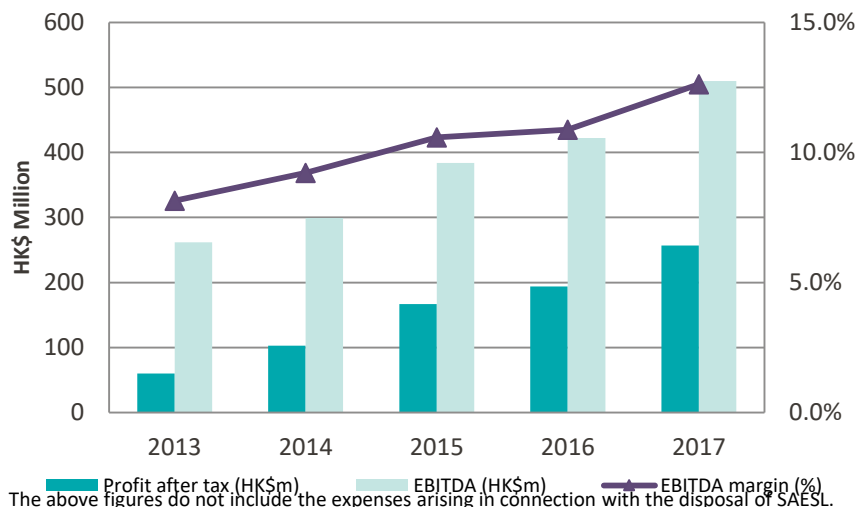
**Line services**  
- Number of aircraft movements



- The Group sold 9.26 million airframe services manhours in 2017, slightly more than in 2016.
- More airframe services work was performed in Hong Kong and Xiamen in 2017. Less work was performed in America, principally due to the loss of significant work from a major customer.
- The average number of aircraft movements handled increased in 2017 in Hong Kong, Xiamen and Shanghai.



# HAECO Hong Kong - Solid results driven by line services



Key Financial and Operating Data			
	2017	2016	2015
	HK\$m	HK\$m	HK\$m
Revenue	4,041	3,879	3,628
Operating profit	327	223	216
Profit after tax – adjusted *	257	194	167
Airframe services sold manhours (in millions)	2.70	2.67	2.80
Line services aircraft movement per day	320	307	303

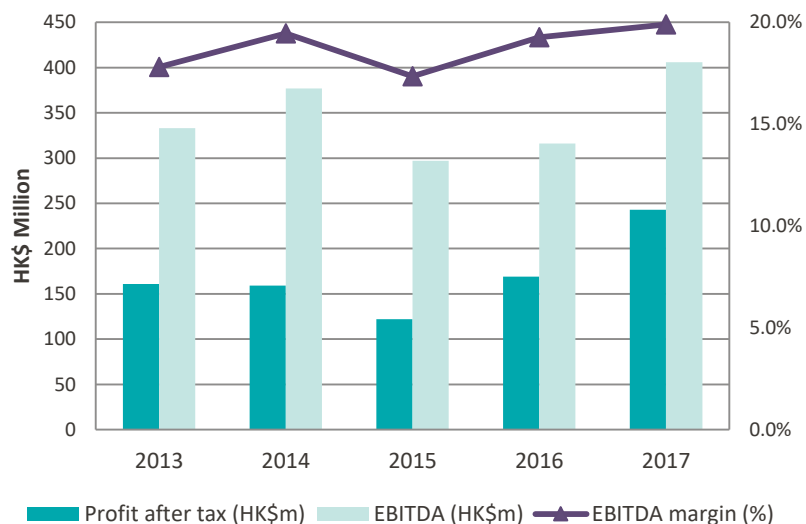
## Key Highlights

- Revenue increased by 4.2% predominantly reflecting an increase in line services
- 32.5% increase in adjusted profit to HK\$257m
- A350 maintenance capability developed in 2017

\* Profit after tax is adjusted to exclude the expenses associated with HAESL's disposal of an interest in SAESL. In 2016.



# HAECO Xiamen – A strong set of results delivered



Key Financial and Operating Data			
	2017	2016	2015
	HK\$M	HK\$M	HK\$M
Revenue	2,041	1,640	1,712
Operating profit	275	178	144
Profit after tax	243	169	122
Attributable profit	135	94	69
Airframe services sold manhours (in millions)	3.76	3.21	3.46
Line services aircraft movement per day	54	50	46

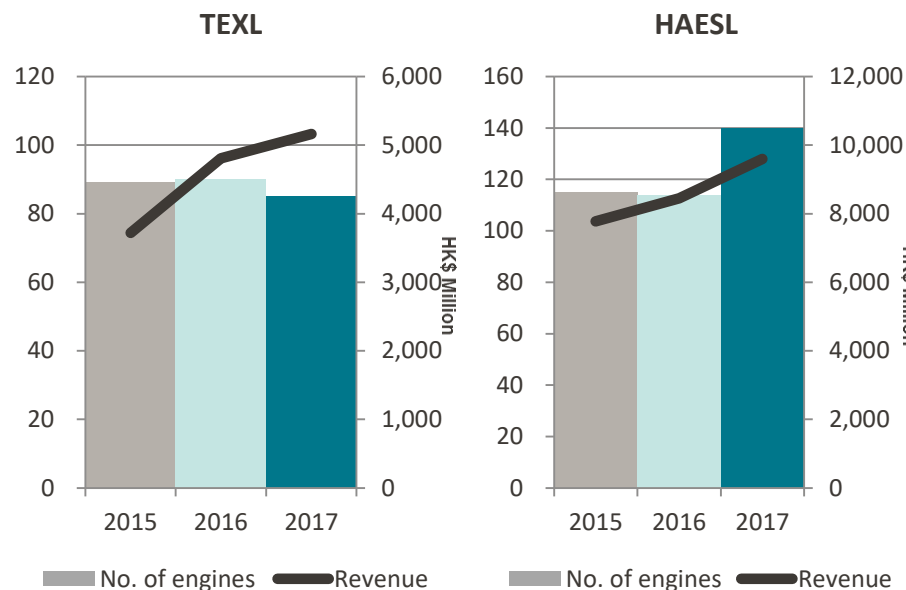
## Key Highlights

- Revenue increased by 24.5% reflecting a higher demand for airframe services
- 43.6% increase in attributable profit to HK\$135m
- A380 and B787 maintenance capability developed in 2017





# Engine Services – Hong Kong & Xiamen both recording growth



## Key Financial and Operating Data

### TEXL and HAESL

	2017	2016	2015
	HK\$M	HK\$M	HK\$M
<b>Revenue *</b>	14,732	13,231	11,480
<b>Operating profit *</b>	951	858	645
<b>Attributable profit</b>	453	402	293
<b>Total number of engine output</b>	225	204	204

\* Aggregate total on a 100% basis.

# The above figures exclude the gain on disposal of SAESL in 2016.

## Key Highlights

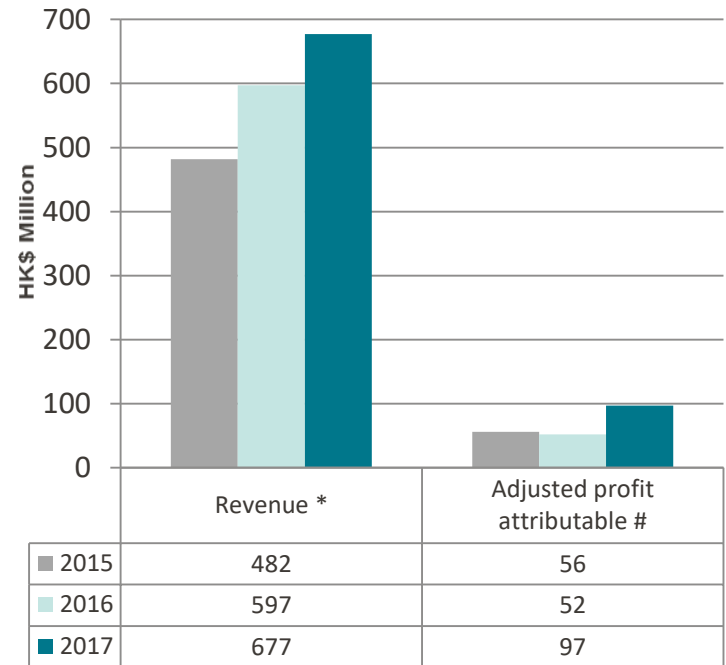
- Revenue increased by 11.3% reflecting more engine output at HAESL and more performance restoration engine outputs at TEXL
- 12.7% increase in attributable profit to HK\$453m
- During the year TEXL developed more component repair capability and HAESL developed Trent XWB capability



# Improved Results from Other Subsidiary and Joint Venture Companies

- The profit of HAECO ITM increased in 2017. More aircraft parts were loaned and there was more repair business.
- HAECO Landing Gearing Services' loss reduced as it did more work in 2017 than in 2016.
- HAECO Spirit AeroSystems made a smaller profit in 2017 due to less work and higher material costs.

Other subsidiary and joint venture companies



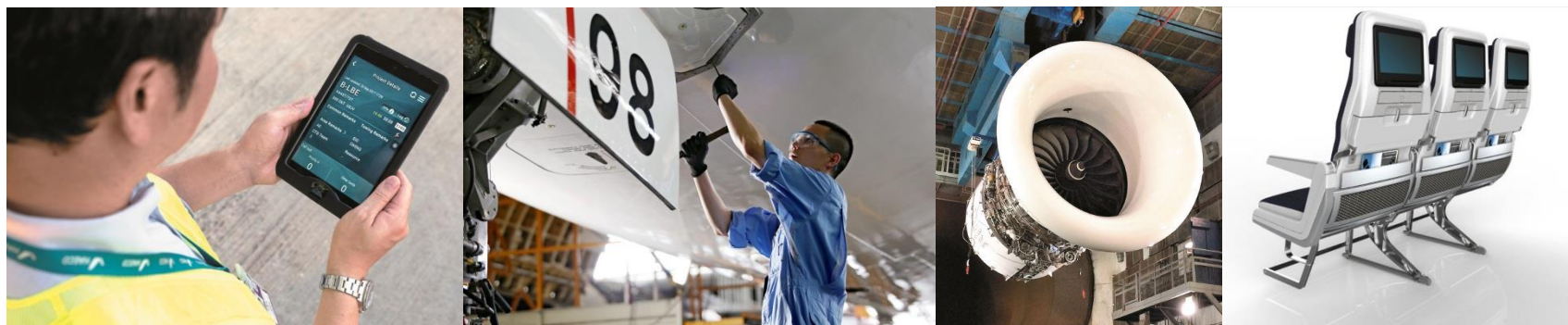
\* Revenue represents the aggregate of numbers of subsidiary companies on a 100% basis.

# Profit represents the aggregate of numbers of subsidiary and JV companies



# Adjusted Profit Analysis by Company

	2017	2016	Change
	HK\$M	HK\$M	
HAECO Hong Kong	257	194	+32.5%
HAECO Americas	(602)	(238)	-152.9%
HAECO Xiamen	135	94	+43.6%
TEXL	209	196	+6.6%
Share of: HAESL & SAESL	244	218	+11.9%
Other subsidiary & joint venture companies	97	52	+86.5%
<b>ADJUSTED PROFIT</b>	<b>340</b>	<b>516</b>	<b>-34.1%</b>







## Outlook



Augustus Tang, CEO

## 2018 Key Priorities

- **HAECO Americas:**
  - To improve HAECO Americas' airframe services results through continued efficiency and work flow improvement.
  - Continued focus on sales effort for all Cabin Solutions service offerings
- **Capability Development:**
  - Completion of Trent XWB-97 capability development at HAESL
  - Continued component repair capability development at TEXL
- Continued focus on **process efficiency** improvement across all businesses

# Outlook by Segments

## Airframe and Line Services

Demand for airframe services is expected to be similar to that of 2017, with little change in Hong Kong and Xiamen, and an increase in America. Demand for line services is expected to be firm.

## Engine Services

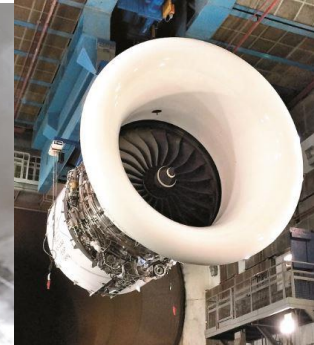
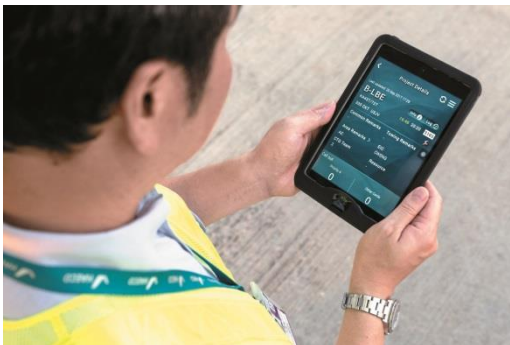
More engines are expected to be repaired and overhauled.

## Cabin Solutions

The number and mix of seats sold are expected to be similar to those in 2017. Forward bookings for cabin integration work are low. Significantly less Panasonic communication equipment work is expected.

## Component Services

Expected to improve gradually with the development of new capabilities.



# Q&A

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