

BUSINESS UPDATES

PT Garuda Maintenance Facility Aero Asia Tbk.

JULY 2022

Premium passenger shares back on pre-pandemic trends

For most airline business models, premium cabin classes, which comprise first and business class, contribute to a large part of the air passenger revenue, though with some regional variations. In the decade prior to the pandemic, the share of premium RPKs on regional total RPKs declined steadily in most regions, whereas in the Middle East this share has been increasing since 2010.

Even if the European share of premium passengers is low compared to other regions, European carriers lead the industry carrying 34% of industry-wide premium RPKs in 2010, followed by carriers of the Asia Pacific with 26%. Latin American and African carriers had the lowest share of premium travelers over the considered period. This balanced shifted considerably during the pandemic and with Asia Pacific, notably China PR, still gradually reopening, European and North American carriers have now joined those in the Middle East as the leading premium class regions.

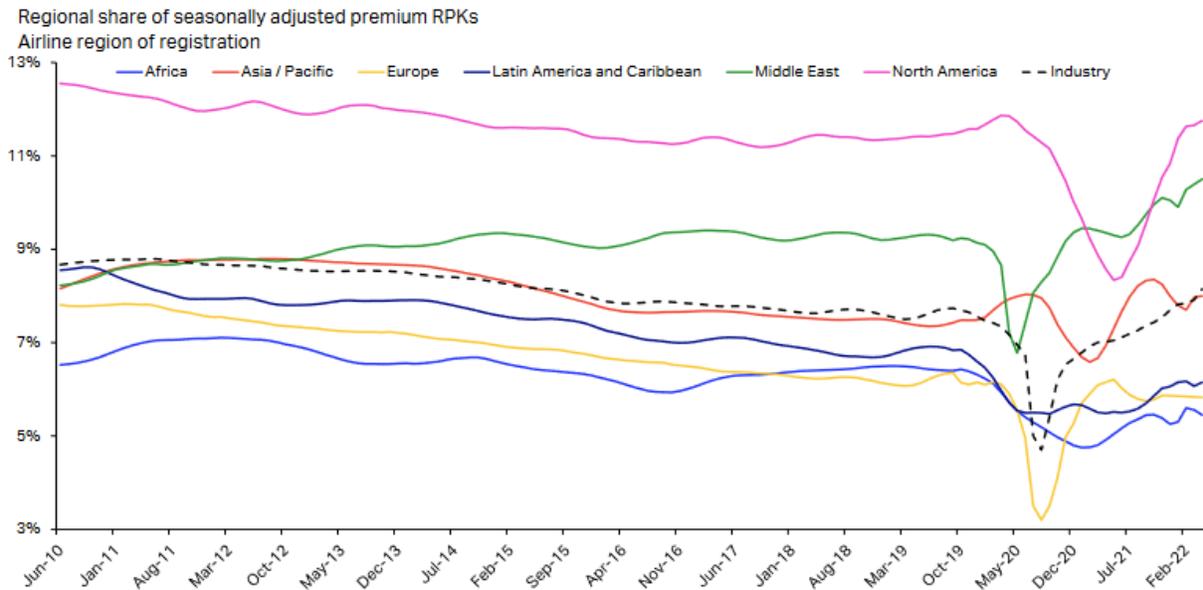


Figure 1 IATA Economics

Engine Maintenance segment records significant improvement

Engine maintenance events were recorded Month-on-month (MoM) improvement with 150% increase in term of number of events. Furthermore, on July '22, there were noticeable increase maintenance events as airlines was preparing for their fleet serviceability. In line with recovery of domestic aviation industry, there was increase of 20% (YoY) in number of line maintenance events which was impact from increasing number of passengers.

	Jul '21	Jun '22	Jul '22	MoM	YoY	YTD Jul '21	YTD Jul '22	YoY
Airframe	20	15	18	20%	-10%	153	112	-27%
Engine	0	4	10	150%	n.m	16	42	163%
Component	3,074	3,641	3,417	-6%	11%	19,503	21,226	9%
Line	10,130	11,307	12,205	8%	20%	94,805	76,801	-19%

Table 1 Maintenance Production Events

In July 2022, GMF was welcoming four Boeing 747 cargo Series and two Airbus A330 mostly for C-Check. For narrow body aircraft, GMF also welcomed one Boeing B737 Series, one Airbus A320 Series for various maintenance scope. In addition to that, there was one small private jet for painting and commencing the second C130 modernization project.

GMF Outlook for 2022

According to the United Nations World Economic Situation and Prospects, global output is projected to grow by only 4% in 2022. With the highly transmissible Omicron variant of COVID-19 unleashing new waves of infections, the human and economic toll of the pandemic are projected to increase again. Furthermore, Oliver Wyman predicted MRO Market will grow by 4.9% in Asia-Pacific and will return to pre-pandemic level in 2023. However, the growth of MRO market won't be as optimistic as pre-pandemic due to adjustment in fleet size by Airlines around the world. These encouraging projections is in line with GMFs expectation of modest recovery in 2022.

As government encourages booster vaccination for the public in 2022, there are optimism on economic recovery and uptrends in air travel demands. Nevertheless, governments remain cautious in relaxing travel restrictions to keep COVID-19 transmission level as low as possible. As governments regulation and policy adapt to the dynamic global situation, GMF acknowledges that there will be challenges and uncertainties moving forward. The progressive rollout of COVID-19 booster vaccines offers hope of a gradual recovery of the aviation industry and the MRO business.

Until now, GMF have received approval to restructure various bank facilities, including waiver covenant and adjustment of principal payment. Negotiation with vendors or suppliers was also initiated to ease the financial burden.

The company is pressing ahead with its Transformation efforts to emerge stronger in the post-COVID-19 future. This will complement efforts in reshaping the portfolio of business process to strengthen its ability to be sustainable company amidst a changing business environment. GMF key strategies focuses in ensuring business sustainability during low-demand period, maintaining high quality and safety standards, and making sure of the company's capability to optimize business opportunities post-COVID. To ensure the achievements of these objectives, GMF's will implement the following key strategies:



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1. Cash is king

Efficiency measures on staff expenses, contract renegotiation with supplier to lower material expenses, restructuring short-term liabilities, and prioritizing high liquidity customers.

2. Business Diversification

Diversify business towards high margin and liquidity segments which are minimally affected by the pandemic, such as the Defense Industry sector, Private/Business Jets, Trading & Leasing, as well as non-aviation sector such as Industrial Gas Turbine Engine (IGTE).

3. Global Consolidation

Explore Strategic Partnership with business partner to enhance effectivity and efficiency.

As potential for future outbreaks and emergence of COVID-19 variants triggers uncertainty for future demands. In 2022, GMF remain focus on improving liquidity and profitability through various business initiatives. GMF expects to record positive EBITDA by the end of the year.

Employee's health and safety has always been the company's priority. GMF implements strict health protocols within the Company's premises In line with the Indonesian Government's health protocol to prevent the spread of COVID-19. These precautionary measures are vital in ensuring the sustainability of GMFs operation amid the Pandemic.

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