

# BUSINESS UPDATES

PT Garuda Maintenance Facility Aero Asia Tbk.

**April 2022**

## Air travel demands still below pre-pandemic level

Industry-wide revenue passenger-kilometers (RPKs) increased by 76% year-on-year (YoY) in March and were the closest to 2019 levels since the pandemic began, 41% below 2019 levels. Impacts from the conflict in Ukraine on air travel demand continue to be very limited overall, and even travel within Europe or between Asia and Europe remains robust.

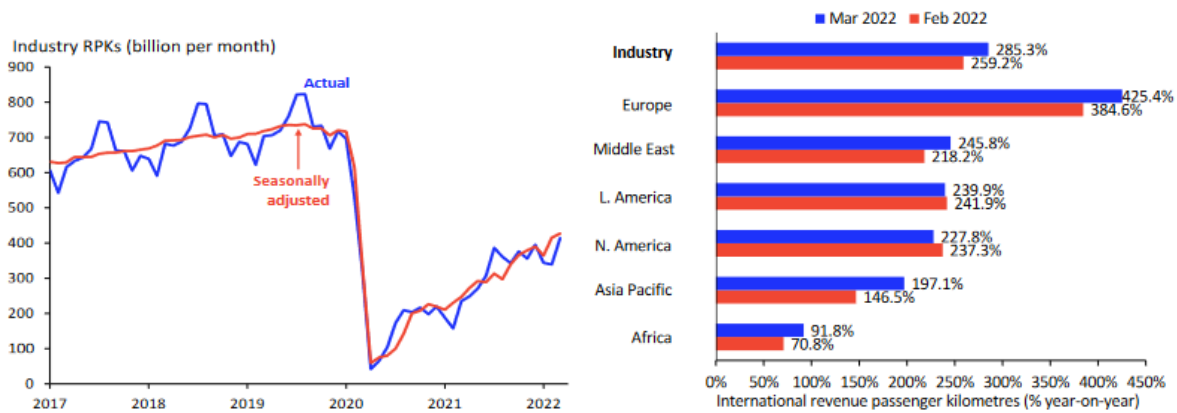


Figure 1 Industry wide capacity (IATA)

Indonesia's domestic air travel demands remain strong, amid the pandemic, government encouraged public who fully vaccinated to do leisure travel by following COVID-19 prevention protocols. Recorded numbers of international passengers was doubled year-on-year as government eased up travel restriction, followed by domestic passenger, raised by 74% year-on-year.

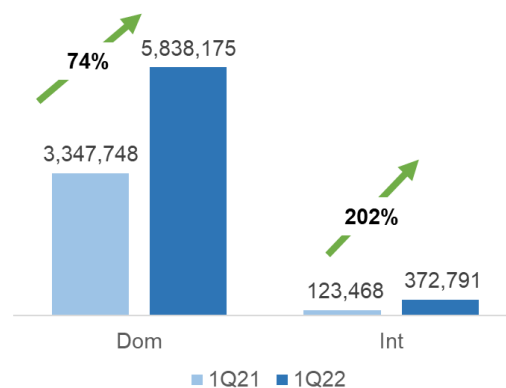


Figure 2 Numbers of Indonesia domestic & international passenger YTD YoY (BPS)



## Recovery in Engine Maintenance Segment

Engine maintenance events recorded Year-on-Year (YoY) improvement with 67% increase in number of events. Furthermore, until Apr '22, there were noticeable increase engine maintenance events as airlines was preparing for their fleet serviceability. In line with recovery of domestic aviation industry, there was increase of 24% in numbers of maintenance events which was impact from increasing number of passengers.

	Apr '21	Mar '22	Apr '22	y-o-y	m-o-m	YTD Apr '21	YTD Apr '22	y-o-y
Airframe	21	20	13	-38%	-35%	90	68	-24%
Engine	3	10	5	67%	-50%	12	23	92%
Component	3,030	3,109	3,207	6%	3%	11,285	11,421	1%
Line	14,933	9,884	12,221	-18%	24%	64,057	41,912	-35%

Table 1 Maintenance Production Events

In April 2022, GMF was welcoming three Boeing 747 cargo Series for interval maintenance. GMF also welcome one Boeing 737 Business Jet series and one Boeing 737 series for minor maintenance from regional and international customer. In addition to aircraft maintenance events, GMF also successful completed the Kawasaki Gas Turbine overhaul project of the M1A-13A model and the Kawasaki Generator with a capacity of 1500 KVA owned by Jindi South Jambi B Co., Ltd, located in South Jambi, Jambi Province.

## 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:

**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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