

# BUSINESS UPDATES

PT Garuda Maintenance Facility Aero Asia Tbk.

## March 2022

### Active COVID-19 Cases in Indonesia Lowered Significantly

In early March 2022, the number of daily COVID-19 cases started to decline after reaching its highest number in middle February 2022. Recorded only 3000 daily cases left at the end of March and continued its downtrend until recently. The local government continuously encouraged the public to get booster vaccination and implemented health safety protocols to prevent the further spread of the virus. PPKM or community restrictions still became the main tool for the government to control communal activities in a certain region.



Figure 1 Daily Active Cases in Indonesia (covid19.go.id)

Improving pandemic developments globally bode well for the air travel recovery in 2022, though the geopolitical issues in Eastern Europe combined with rising inflationary pressures will negatively impact some markets. Bookings for future travel to, from and within Asia have been trending down since mid-February, largely due to deterioration in China domestic market. However, 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. Furthermore, government also enacted booster vaccination program in order to improve herd immunity, hopefully this will increase passenger confidence to travel and give positive impact to the MRO industry.

## Significant Rise in Engine Maintenance Activities

Component and Line maintenance events still records Year-on-Year (YoY) decline, relatively inline with declining flight activities and numbers of fleet handled. Engine Maintenance record a significant 150% MoM and YoY increase in events, mainly driven by maintenance with minimum scope from non affiliated customer.

	Mar '21	Feb '22	Mar '22	YoY	MoM	YTD Mar '21	YTD Mar '22	YoY
Airframe	13	15	20	54%	33%	69	55	-20%
Engine	4	4	10	150%	150%	9	18	100%
Component	3,665	2,728	3,109	-15%	14%	8,255	8,214	-1%
Line	17,660	9,521	9,884	-44%	4%	49,124	29,691	-40%

Table 1 Maintenance Production Events

In March 2022, GMF was welcoming four Boeing 747 cargo Series for interval maintenance and one Airbus A330 for painting. Furthermore, GMF also welcome five Airbus A320 series and two Boeing 737 series for C-Check from regional and international customer.

## 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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