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OUR PERFORMANCE

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# **AEROSPACE**

**UMW Aerospace** is Malaysia's first homegrown **High Performing Supplier Group** (HPSG) Tier-1 aero engine component supplier to **Rolls-Royce** 







UMW Aerospace is the sole supplier of fan cases for the Trent 1000 and Trent 7000 engines for Rolls-Royce. The Malaysian Government's Twelfth Malaysia Plan (12MP) and Malaysian Aerospace Industry Blueprint (MAIB) 2030 aspire to develop Malaysia into becoming a regional hub for aerospace, and UMW is involved in this industry to support the realisation of this vision.

In 2022, despite being one of five industries most affected by COVID-19 due to air travel restrictions, aerospace was on the road to recovery. As a result of the reopening of international borders, global commercial aerospace revenues grew 10% YoY in 2022, with worldwide passenger traffic reaching 75% of pre-COVID-19 level.

The local aerospace industry has been playing an increasingly significant role in the global aerospace supply chain, with ample

capacity to grow. It is expected to generate RM55.2 billion in annual revenue by 2030.

Aerospace has also been identified as a high-impact strategic industry in the Malaysian Government's 12MP. Its development is vital to moving Malaysia towards high-technology nation status and accelerate its transformation into a high-income nation by 2025.

## **KEY PERFORMANCE HIGHLIGHTS**

**REVENUE** 

(RM million)

2021: 147.6

226.1

2021: (33.8)

(RM million)

LOSS BEFORE TAX (LBT)

2022



The Aerospace Division has a long-term contract of 25 + 5 years with Rolls-Royce, which was signed in 2015. The Division is a single-source supplier of fan cases for Trent 1000 engines, first delivered in November 2017 and for Trent 7000 engines which began in October 2020.

In 2022, the Division's recovery pace was moderated due to a lagging demand for widebody aircraft engines. Nevertheless, the Aerospace Division's revenue improved by 53.2%, to RM226.1 million in 2022, compared to RM147.6 million in 2021. Its LBT narrowed accordingly from RM33.8 million to RM9.4 million, a 72.2% improvement from 2021.

Generally the aerospace industry is expected to continue on its recovery trajectory with the rapid growth in global air travel and aircraft replacements by airlines. The resumption of Boeing 787 deliveries is expected to improve the orders for the Trent 1000.

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### **ACHIEVEMENTS**



The Aerospace Division retained its position in the Rolls-Royce High Performing Supplier Group (HPSG) in 2022. The inclusion places the Division in the top 5% of Rolls-Royce's suppliers globally. The Division's remarkable safety record of 2,343 days without industrial accident or Zero Lost-Time-Injury (LTI) demonstrates the high safety standards practiced.

In May 2022, the Aerospace Division was awarded the Supplier Best Practice Award at the Rolls-Royce Global Aerospace Supplier Conference in the UK. The award recognises suppliers with exceptional qualities, including focus on continuous improvement in operations and cost optimisation as well as commitment towards zero defects. The Division was also recognised by Rolls-Royce for its sustainability and green initiatives such as the installation of rooftop solar panels, rainwater harvesting and no-plastic-bottles initiative.

These distinguished awards strengthen UMW's position as a reputable player in the highly regulated aerospace industry and we believe it will open more opportunities for the Aerospace Division to participate in future projects with Rolls-Royce and other engine OEMs.

#### **CHALLENGES**

The Aerospace Division manufactures fan cases for Rolls-Royce's Trent 1000 and Trent 7000 engines used by Boeing 787 and Airbus A330 neo wide-body aircraft for long-distance fights.

Due to air travel restriction during the COVID-19 pandemic, the Aerospace Division was adversely affected. The pandemic's disruptive effects still persisted in 2022 where the number of orders received from Rolls-Royce were still below the pre-pandemic level. Volume recovery for widebody is slower than narrow-body aircraft due to partial opening of international borders.

The aerospace industry recovery triggers high demand of materials, hence putting pressure on logistics and the global supply chain. The Russian-Ukraine conflict had affected the supply of titanium which is the main material used for aircraft engines.

#### **OUTLOOK**

Rolls-Royce's three year 2023-2025 forecast indicates that order numbers are expected to remain sustainable, at an encouraging volume beyond pre-COVID-19 levels.

The higher forecasted orders will increase the plant utilization rate and is expected to contribute positively to the Company's future earnings and growth.

The end of China's zero COVID-19 policy is expected to stimulate global economic recovery in 2023. This will further enhance air traffic recovery and improve demand for wide-body aircraft.

The aerospace industry is under increasing pressure to reduce its carbon footprint and Rolls-Royce has successfully tested Sustainable Aviation Fuel (SAF) on its engines. This will ensure the Trent 1000 and Trent 7000 engines remain relevant for years to come.

