



ALAFCO AVIATION LEASE AND FINANCE CO. KSCP

شركة الأفكو لتمويل شراء وتأجير الطائرات ش.م.ك.ع

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التاريخ: 21/12/2021

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To: Boursa Kuwait Company
K.S.C.P.
Kuwait

السادة / بورصة الكويت المحترمين،
الكويت
السلام عليكم ورحمة الله وبركاته،

Subject: Disclosure regarding the web conference call held with the analysts and investors of ALAFCO Aviation Lease and Finance Co. K.S.C.P for the Q4 of the financial year 2020/2021.

الموضوع: افصاح شركة الأفكو لتمويل شراء وتأجير الطائرات ش.م.ك.ع عن مؤتمر المحللين / المستثمرين للربع الرابع من السنة المالية 2021/2020

Greetings!

تهدي لكم شركة الأفكو لتمويل شراء وتأجير الطائرات
أطيب تحياتها.

With reference to the above subject, please note that the conference with the analysts and investors for the Q4 of the financial year 2020/2021 was held via a web conference call on Tuesday 21/12/2021 at 2:00pm. Furthermore, no material information was disclosed during the web conference call.

بالإشارة إلى الموضوع أعلاه، يرجى العلم بأن مؤتمر المحللين / المستثمرين للربع الرابع من السنة المالية 2021/2020 للشركة قد انعقد عن طريق الإتصال المرئي والمسموع على الإنترنت (web conference) يوم الثلاثاء 2021/12/21، الساعة الثانية ظهراً ولم يتم تداول أي معلومات جوهرية خلال المؤتمر .

In the meantime, please find attached the earnings presentation for Q4 2021.

هذا ونرفق لكم طيه العرض التقديمي للربع الرابع من عام 2021.

وتفضلوا بقبول فائق الاحترام،

سليمان أحمد المضيف

أمين سر مجلس الإدارة





FY 2021 Earnings Call

Full year period ending on September 30, 2021



STARTING SHORTLY

FY 2021 Earnings Call

Full year period ending on September 30, 2021

Our Speakers Today



Adel Ahmed Albanwan
Chief Executive Officer



Kieran O'Keefe
Chief Investment Officer



Yousuf Althuwaikh
Chief Financial Officer

Disclaimer

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Accordingly, you should not rely upon forward-looking statements as a prediction of actual results, and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. Except as required by applicable law, we do not undertake any obligation to, and will not, update any forward-looking statements, whether as a result of new information, future events or otherwise.

Agenda

1. ALAFCO Highlights
2. Industry Update
3. Operational Review
4. Financial Review
5. Sustainability Strategy
6. Outlook for 2022 and Beyond



ALAFCO Highlights

As of 30th September 2021

79

Aircraft in Portfolio

68

Aircraft on Order

23

Customers Presently

17

Countries Presently

4.4 years

Portfolio Weighted Average Age

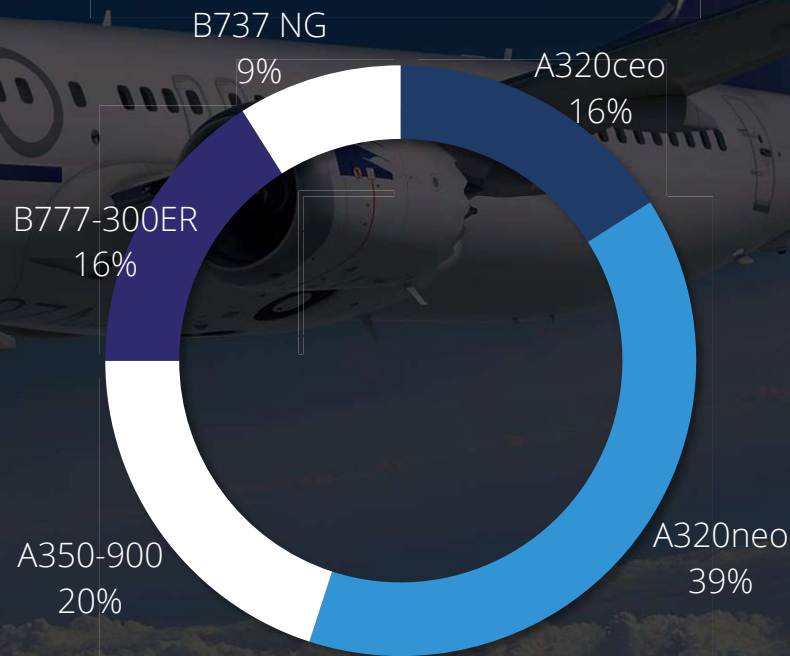
8.9 years

Average Lease Remaining

82%

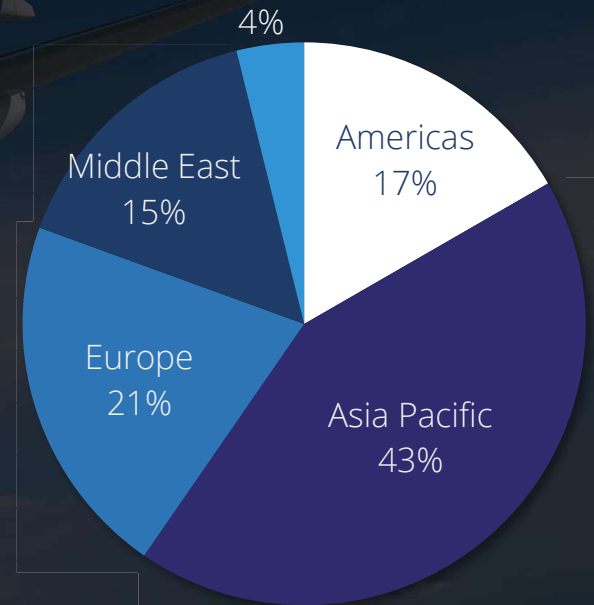
Narrow-body in Committed Fleet

AIRCRAFT COMPOSITION



AIRLINE DISTRIBUTION

Sale Agreed / Off Lease Aircraft



SERVICES:

LEASING

AIRCRAFT TRADING

SALE & LEASEBACK

AIRCRAFT LEASING MANAGEMENT

ALAFCO Historical Performance

Between 2010 and 2021

LEASE REVENUES (IN \$ MN) - CAGR 9.2%



FLEET VALUE (IN \$ BN) - CAGR 8.2%



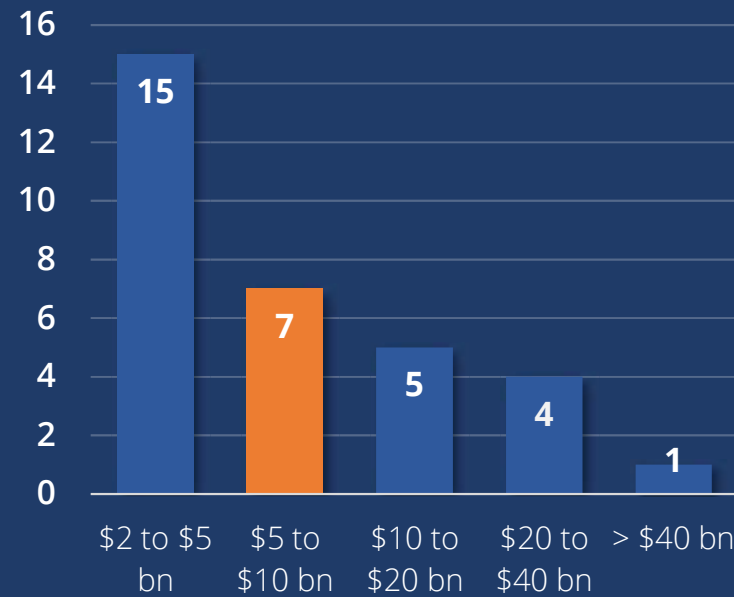
FLEET SIZE (IN # OF AIRCRAFT) - CAGR 6.4%



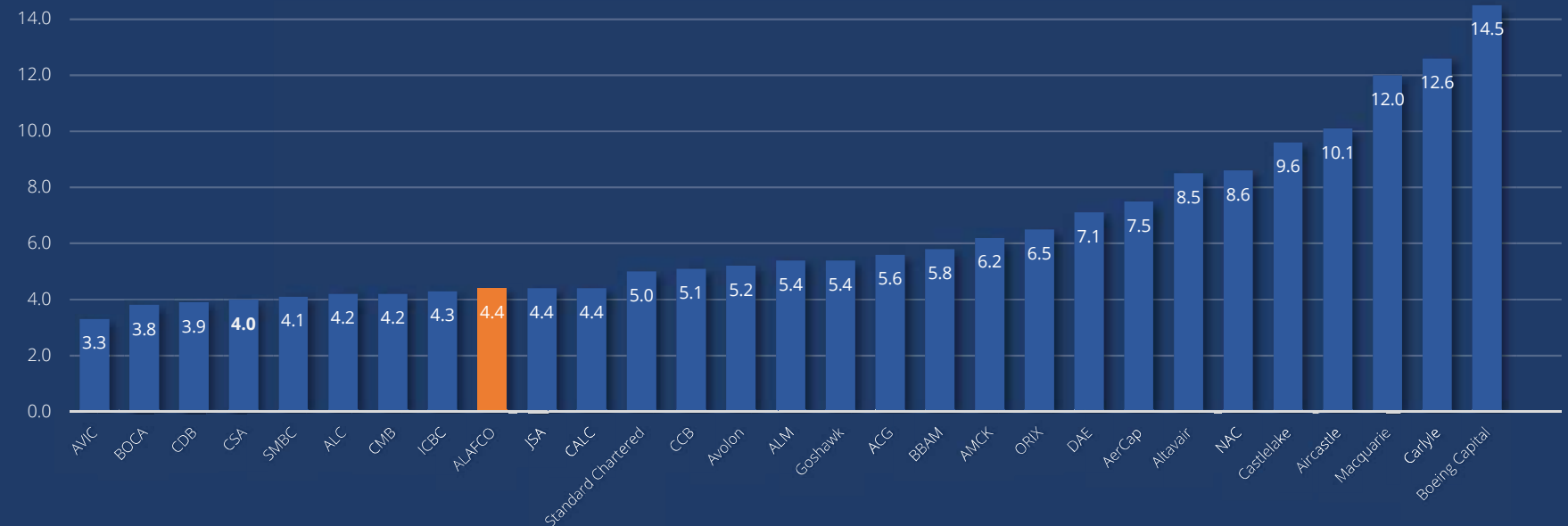
ALAFCO Position

Global Benchmarking

Committed Fleet of Lessors



Fleet Age of Lessors



- ALAFCO's steady growth has enabled the company to be ranked among top lessors in the world. ALAFCO is one of seven lessors with a committed portfolio valued in the \$5 billion to \$10 billion range.
- ALAFCO has one of the youngest fleets amongst the top lessors globally, representing a competitive advantage to offer the most efficient aircraft for the airlines around the world.

Source for Committed Fleet: Cirium. Data as of November 2021

Source for Fleet Age: Source: Average age figures sourced from Cirium (Nov 2021) for all lessors bar ALAFCO. Cirium averages are weighted averages. ALAFCO average age weighting is based on its FY 2021 NBVs..

A white commercial airplane with a dark blue tail and wingtips is flying against a clear blue sky with some light clouds at the bottom. The word "ALAFCO" is written in large, dark blue letters on the side of the fuselage. A dark blue banner with white text is overlaid on the lower part of the image.

INDUSTRY UPDATE

Industry Review

LEASING REVIEW

- Leasing activities continued to show an upward trend, consistent with the previous quarter.
- SLB deals continue to drive opportunities for many lessors. The leasing sector is also seeing a rise in M&A activity.
- Lessors continue to target alternative, non-bank financing sources. There has been significant increase in capital markets issuance from lessors and aircraft ABS deals.

AIRLINES REVIEW

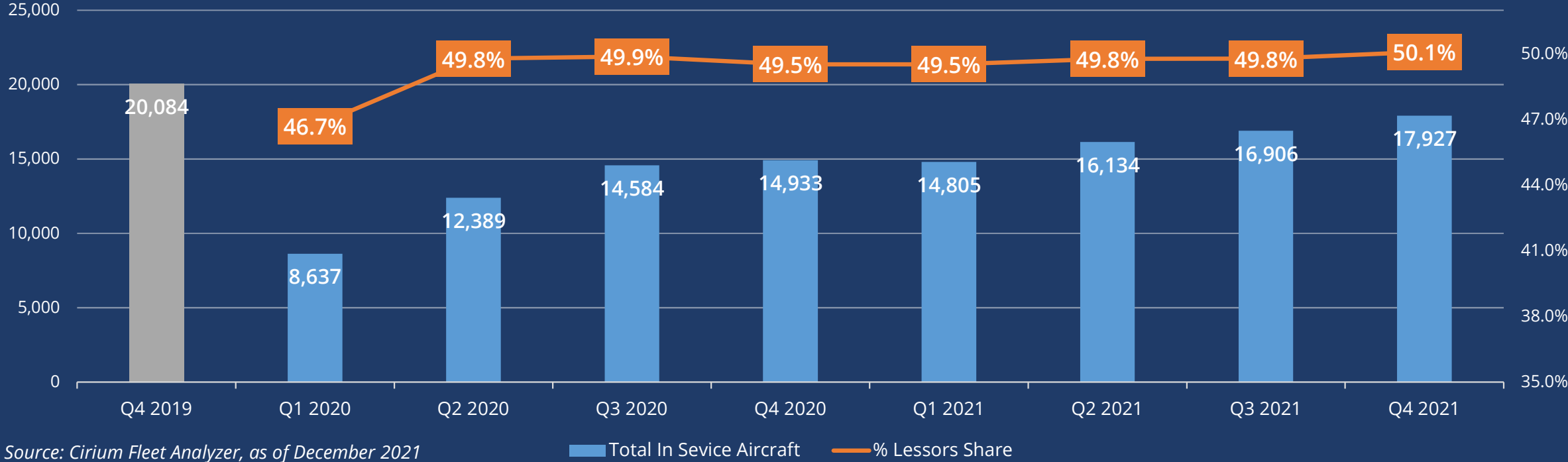
- Continued improvement seen in airline financials, with losses declining. Some airlines are recording their first profitable quarter since the pandemic.
- Cash flow generation continue to show improvement, reflecting the reopening of several international markets.
- Sharp increases in jet fuel prices continue to put upward pressure on airlines' operating costs.

TRAVEL RETURNING

- Improvement in outlook, primarily on short haul and domestic routes, driven by a recovery in passenger travel.
- Further improvement expected as restrictions are being lifted across countries.
- Surge in infections could soften recovery. Roll out of booster shots and wider inoculation are crucial to sustaining travel demand.

Aviation Industry Performance

ACTIVE GLOBAL FLEET DURING COVID-19



- The impact of the COVID-19 pandemic on the aviation industry was drastic as shown in the chart. However, signs of recovery are now visible as evidenced by the increasing size of the active global fleet each quarter, almost reaching pre-pandemic levels.
- The share of leased fleet continuously grew reaching 50%, as aircraft leasing companies play a key role in supporting airlines during the pandemic.



OPERATIONAL REVIEW

FY Leasing & Trading Activities

DELIVERING 9 NEW AIRCRAFT AS PLANNED

- Delivered 4 new A320neo to Volaris, via Sale and Leaseback ("SLB").
- Delivered 2 new A320neo to SAS.
- Delivered 2 new A320neo to SKY Airline, based in Chile.
- Delivered 1 new A320neo to Jazeera Airways.

SUCCESSFULLY REMARKETED 7 AIRCRAFT

- Delivered 1 used B737-800 aircraft to Joy Air in China, post lease expiry with Caribbean Airlines.
- Sold 6 aircraft, of which 5 aircraft were sold with lease attached:
 - 3 B737-800 aircraft leased to Ethiopian Airlines
 - 2 A320neo leased to Volaris
 - 1 A320-200 aircraft, post lease expiry with Saudia

Airline Distribution

43% Asia Pacific	
15% Middle East	
21% Europe	
17% Americas	



ALAFCO's customer portfolio consists mainly of government backed airlines and well-established privately owned carriers backed by major investors.

Distribution includes the portfolio of leased aircraft based on NBV.

Order Book: Ready to Support Recovery

68 Aircraft on Order

- 68 new technology advanced aircraft on order from Airbus and Boeing.
- Majority of deliveries are scheduled to start in 2024 and beyond.

38

A320neo



10

A321neo



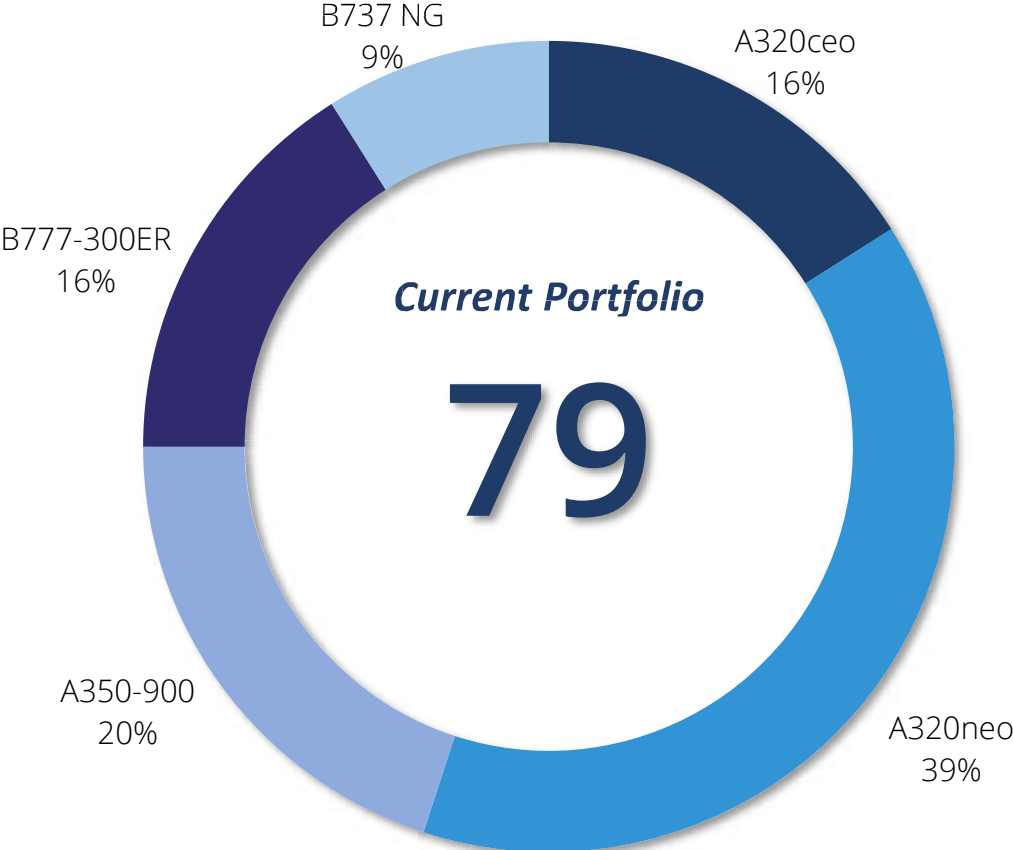
20

B737-8 MAX



Fleet Update: Young and Balanced

AIRCRAFT COMPOSITION



Portfolio Weighted Average Age

4.4 Years

- Maintaining a young portfolio of new generation liquid aircraft.
- Newly delivered aircraft contribute to the young average portfolio age.
- Limited investment in widebody aircraft to minimize the impact of headwinds on travel demand.

Aircraft composition % include delivered aircraft based on aircraft NBV

A large commercial airplane is parked inside a hangar. The scene is dimly lit with a blue tint. In the foreground, the large engine of the plane is visible on the left. Below the plane, several people are standing, looking up at the aircraft. The hangar has a series of windows along the back wall, which are illuminated from within, creating a bright glow. The overall atmosphere is industrial and professional.

FINANCIAL REVIEW

FY Earnings

OPERATING LEASE REVENUE

KD **100.0** million

-13%

KD 115.4 million in FY 2020

NET PROFIT / LOSS

KD **(23.8)** million

143%

KD (9.8) million in FY 2020

EPS

(24.97) fils

143%

(10.28) fils in FY 2020

Financial Highlights (IN KD)

INCOME STATEMENT	FY 2021	FY 2020	CHANGE
Operating Lease Revenue	99,991,026	115,428,890	-13%
Depreciation	(50,527,113)	(48,070,147)	5%
Finance cost	(34,434,469)	(37,079,787)	-7%
Staff Cost	(2,531,768)	(2,266,617)	12%
Other Expenses	(6,103,117)	(5,416,607)	13%
Other income	584,856	2,501,571	-77%
Allowance for credit losses / Reversal	(12,894,271)	(11,120,812)	16%
Gain on Sale of Aircraft	172,937	1,430,140	-88%
Impairment	(17,309,593)	(21,830,746)	-21%
Re-Lease Provision	(725,880)	(3,196,390)	-77%
Profit Before Tax	(23,777,392)	(9,620,505)	147%
Net Profit after Tax	(23,777,392)	(9,788,492)	143%

- Increase in losses is mainly due to a decline in lease revenue as a result of restructuring of leases with some of our airline clients and loss of rental income from aircraft which were on lease in 2020 but were off lease during the current year.
- Other Income includes Murabaha income, which is similar to deposit income, and other miscellaneous income. Other Income was unusually high in 2020 as we wrote back a provision that was no longer needed. There was no similar write-back of provisions in 2021 which mainly explains the 77% decrease in Other Income.
- Trading profit can vary from year to year depending on the market and the type of aircraft sold. In 2021, the gain from selling aircraft was 0.2 million Kuwaiti dinars, 88% down versus 2020. The main reason for the lower trading profit was that ALAFCO sold 4 older vintage, used aircraft during the pandemic - one of which was off lease - to manage its residual value and re-marketing risk.

Financial Highlights (IN KD)

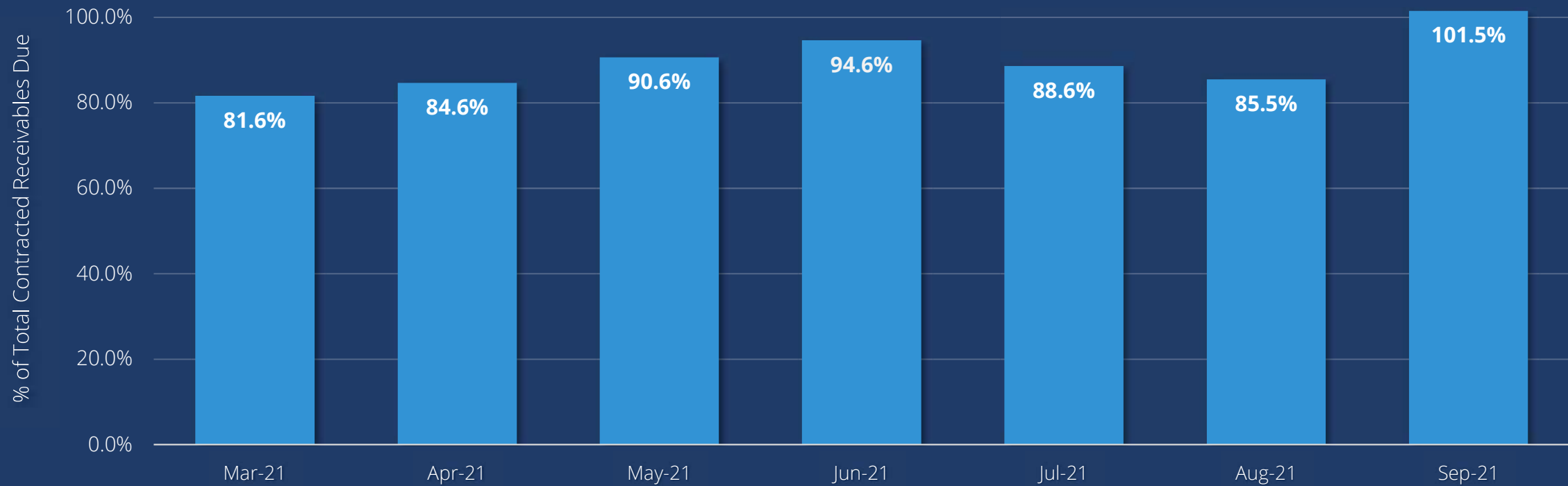
BALANCE SHEET	Sep 30, 2021	Sep 30, 2020	CHANGE
Aircraft, Engines and Equipment	1,150,098,985	1,161,111,356	-1%
Capital Advances	116,831,393	162,874,986	-28%
Receivables	15,317,590	57,285,113	-73%
Cash and Cash Equivalents	42,093,620	39,732,227	6%
Total Assets	1,324,341,588	1,421,003,682	-7%
Share Capital and premiums	95,209,348	95,209,348	0%
Retained Earning and Reserves	180,582,293	208,817,689	-14%
Total Equity	275,791,641	304,027,037	-9%
Loans and Borrowings	889,532,594	934,051,774	-5%
Security Deposits	15,620,085	11,526,570	36%
Maintenance Reserves + Provisions	125,622,464	156,918,631	-20%
Other Liabilities	17,774,804	14,479,670	23%
Total Liabilities	1,048,549,947	1,116,976,645	-6%
Total Equity and Liabilities	1,324,341,588	1,421,003,682	-7%

- Total assets declined by 7% as a result of a decline in capital advances and receivable balance.
- Movement in equity represented the net loss recorded during the year, in addition to the negative movement in FCTR* as the Kuwaiti dinar weakened against the dollar.
- Decline in total liabilities from the previous year represents (a) repayment of loans and (b) decline in maintenance reserve liabilities which is settled or reduced as part of restructuring of leases.

ALAFCO Collection Rate

January 2021 to September 2021

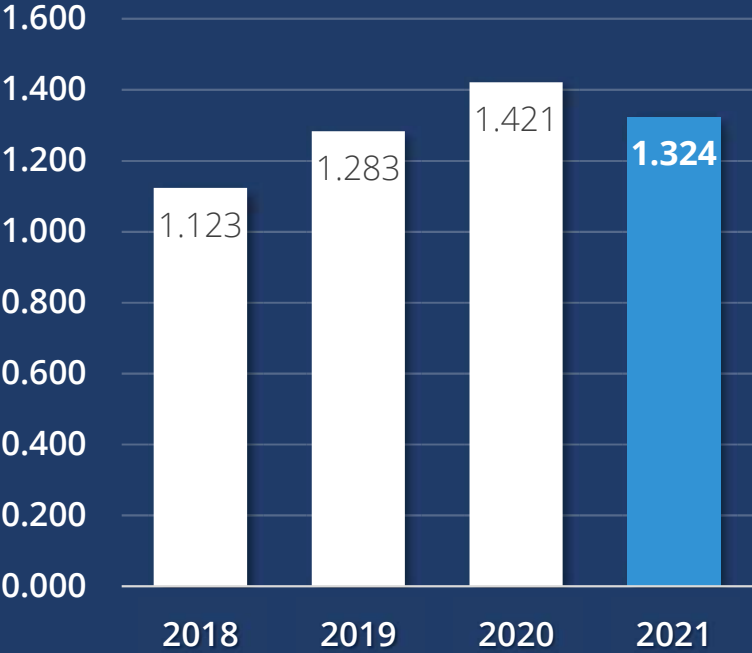
Total Payment Collection Rate Since January 2021, Rolling 3-Month Average



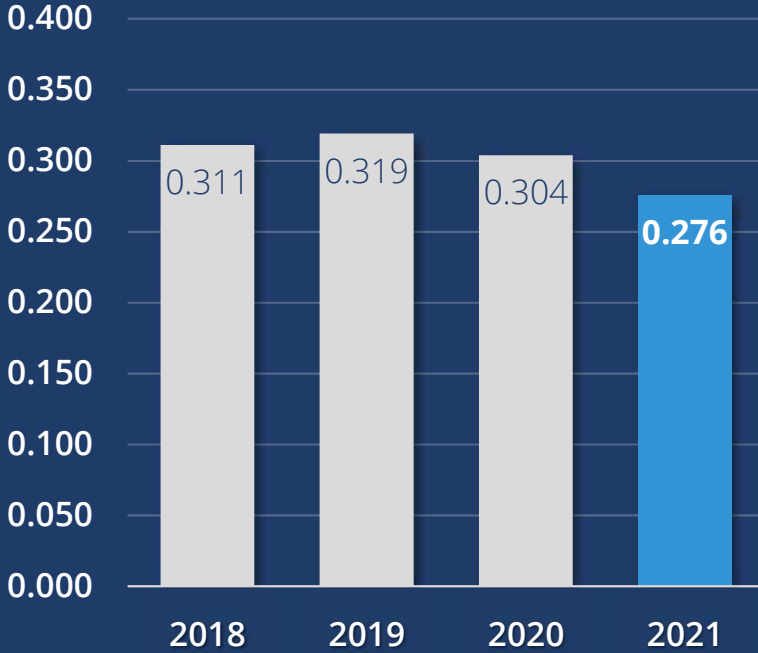
Collection rate is defined as the sum of cash collected from lease rentals as a percentage of the total contracted receivables due for the period after incorporating the effect of any lease amendments or deferral agreements. Collection rate is calculated on a rolling 3-month basis.

Financial Position

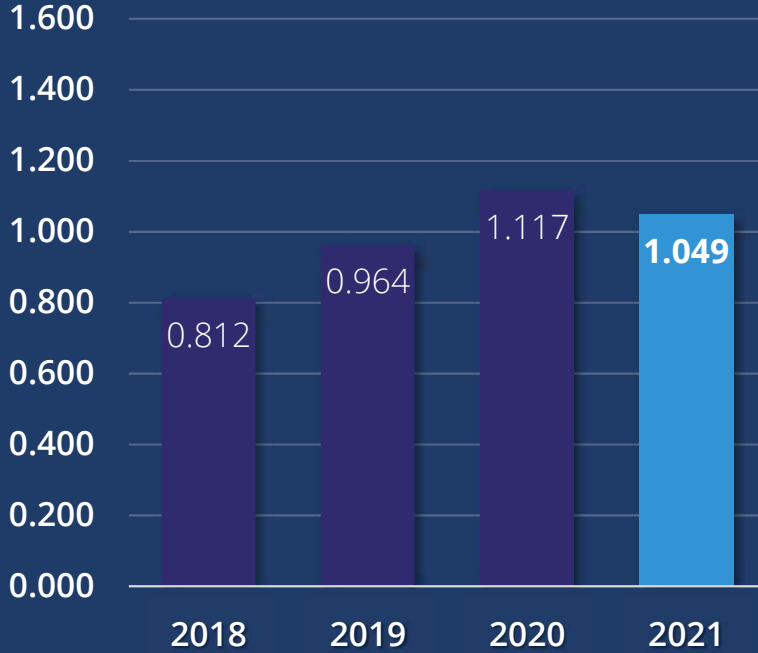
ASSET GROWTH (in KD bln)



EQUITY GROWTH (in KD bln)



LIABILITY GROWTH (in KD bln)

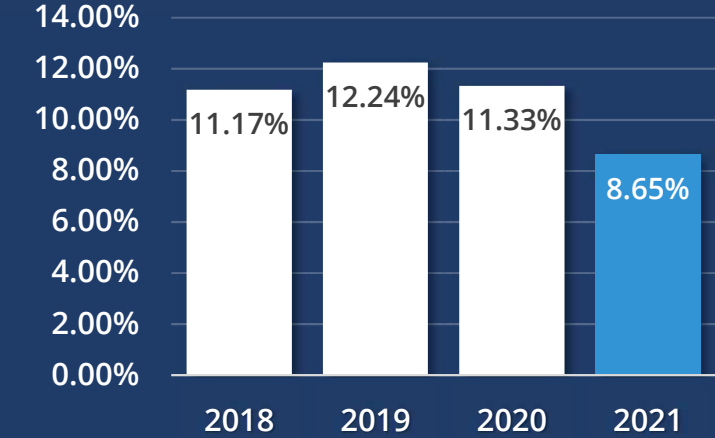


Key Financial Ratios

CURRENT RATIO

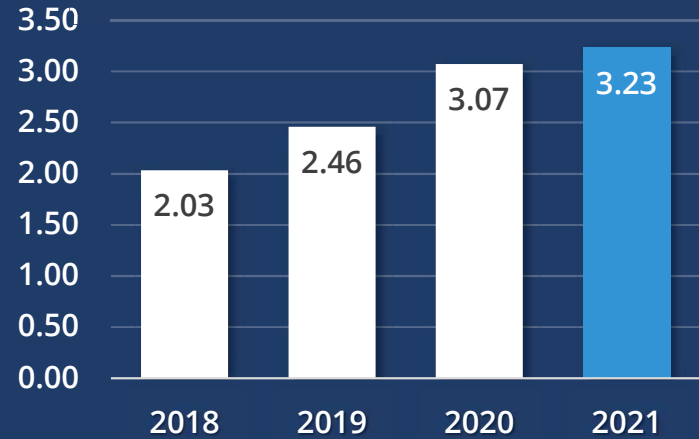


AVERAGE LEASE RATE FACTOR

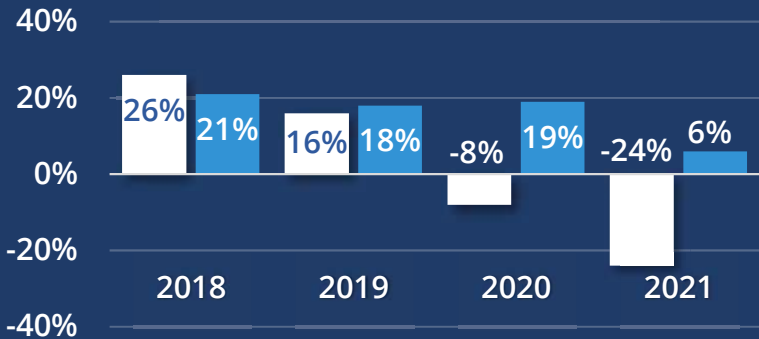


Average Lease Rate Factor = Lease Revenue / Net Book Value of Aircraft

DEBT-TO-EQUITY RATIO



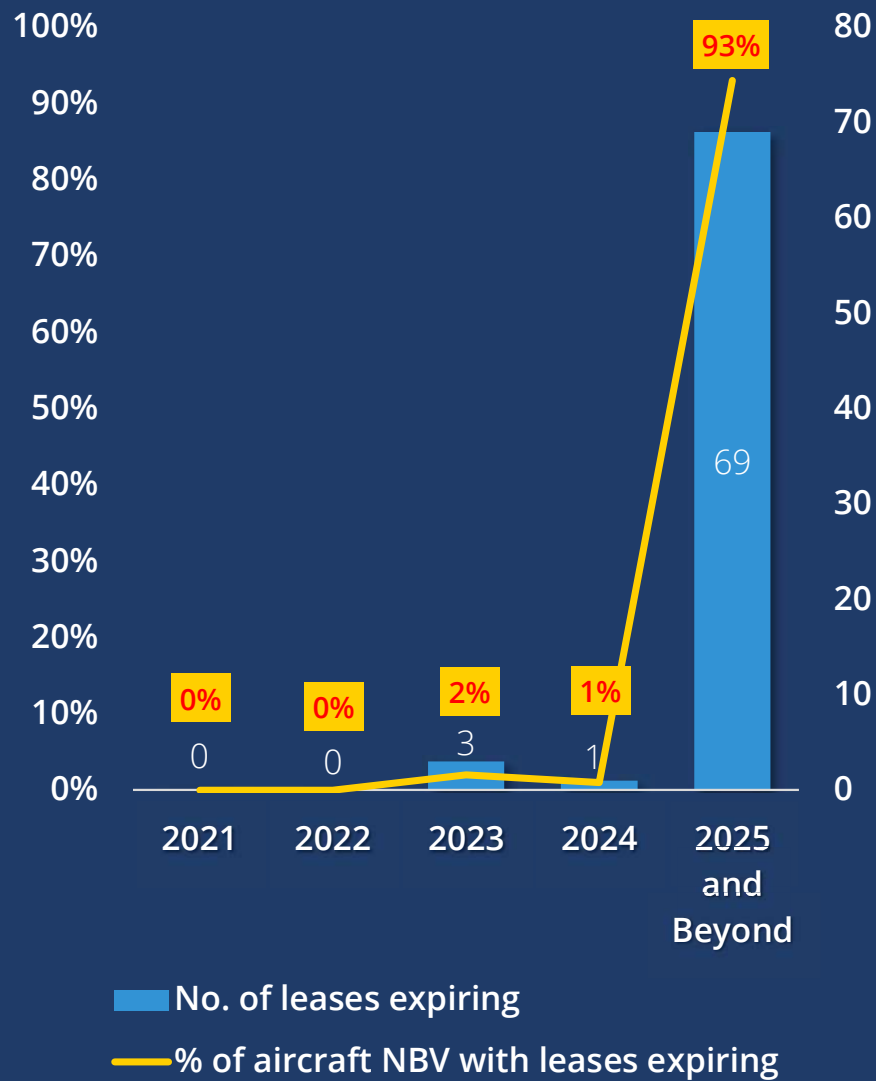
PROFIT MARGINS



Adjusted Profit Margin = Net Profit Before Adjusting ECL, Impairments, provision for Heavy Maintenance and Gain of Sale

■ Net Profit Margin ■ Adjusted Profit Margin

8.9 Years of Average Remaining Lease Term



- Most of the leases expire beyond 2025.
- Average remaining lease term is 8.9 years for the entire aircraft portfolio.
- Until 2024, ALAFCO has few aircraft to be delivered and coming off lease. The company is currently working either to sell or lease these aircraft.



SUSTAINABILITY

Sustainability Commitment

TRANSITION TO FUEL-EFFICIENT FLEET

ALAFCO remains committed to transition to a young, fuel-efficient fleet.

Our strategy on divesting from older aircraft remains on track, with the aim of supporting global efforts on reducing carbon commitments.

Wider market shows significant penetration of new technology aircraft, as higher proportion of investment is in new technology aircraft.

FINANCING LINKED SUSTAINABILITY

Airlines continue to prioritize commitment for fuel-efficient aircraft in order to meet future ESG targets.

ALAFCO continues to support and enable cash strapped airlines to switch sooner to new fuel-efficient aircraft.

Combination of orderbook and future opportunities solely geared towards new technology aircraft.

SOCIAL COMMITMENT

ALAFCO continues its efforts to support local communities. Our work with our partners demonstrates our commitment to causes we feel strongly about.

Poverty alleviation and education remain the cornerstone of our philanthropic activity.



OUTLOOK

Market Outlook

PASSENGER TRAVEL RECOVERING

- Air travel continues its recovery, improving outlook and appetite driving bookings and demand.
- Economic recovery remains robust across most countries; however, some countries witnessing slower than expected growth.
- Substantial pent-up demand remains in place, IATA forecast revenue to be 79% of 2019 levels by 2022.

AIRLINES SEEKING EFFICIENCIES

- Airlines remain agile, with focus on delivering efficiency through fleet management and reduction in operating costs.
- Rising fuel prices likely to place unwanted pressure on airlines to manage operating costs – airlines likely to bring forward plans to transition to new fleet sooner.
- Narrow-body aircraft remain the core focus for many airlines, deployed on regional and domestic routes.

LESSORS MARKET REMAINS ATTRACTIVE

- Lessor financing and ABS market continues to be very robust, reflective of increasing appetite from investors. Currently, ALAFCO is active in tapping the ABS market.
- M&A activity ongoing, and likely to witness an increase in activity stretching into 2022 and beyond.
- Leasing industry has shown its resilience through the crisis with well capitalized balance sheets and sophisticated risk management.



Q&A

Contact

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ALAFCO KSCP is listed on Boursa Kuwait

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Reuters: ALAF.KW

<https://www.alafco.com/en/investors/>



THANK YOU