



ALAFCO AVIATION LEASE AND FINANCE CO. KSCP

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

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Date: 15 / 02 / 2022

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التاريخ: 2022/02 /15

سي سي سي/069/2022

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 first quarter of the financial year 2021/2022.**

**الموضوع: افصاح شركة أفكو لتمويل شراء وتأجير الطائرات ش.م.ك.ع عن مؤتمر المحللين / المستثمرين للربع الأول من السنة المالية 2022/2021**

Greetings!

تهدي لكم شركة أفكو لتمويل شراء وتأجير الطائرات أطيب تحياتها.

With reference to the above subject, please note that the conference with the analysts and investors for the first quarter of the financial year 2021/2022 was held via a web conference call on Tuesday 15/2/2022 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 الأول من السنة المالية 2022/2021 للشركة قد انعقد عن طريق الإتصال المرئي والمسموع على الإنترنت ( web conference call) يوم الثلاثاء 2022/2/15، الساعة الثانية ظهراً ولم يتم تداول أي معلومات جوهرية خلال المؤتمر.

In the meantime, please find attached the earnings presentation for Q1 2022.

هذا ونرفق لكم طيه العرض التقديمي للربع الأول من عام 2022.

وتفضلوا بقبول فائق الاحترام،

سليمان أحمد المضيف

أمين سر مجلس الإدارة

DocuSigned by:  
المضيف  
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# Q1 2022 Earnings Call

First quarter period ending on December 31, 2021



**STARTING SHORTLY**

**Q1 2022 Earnings Call**

First quarter period ending on December 31, 2021

# Our Speakers Today



**Adel Ahmed Albanwan**  
Chief Executive Officer



**Yousuf Althuwaikh**  
Chief Financial Officer

# Disclaimer

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# 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 31<sup>st</sup> December 2021

79

Aircraft in Portfolio

68

Aircraft on Order

23

Customers Presently

17

Countries Presently

4.7 years

Portfolio Weighted Average Age

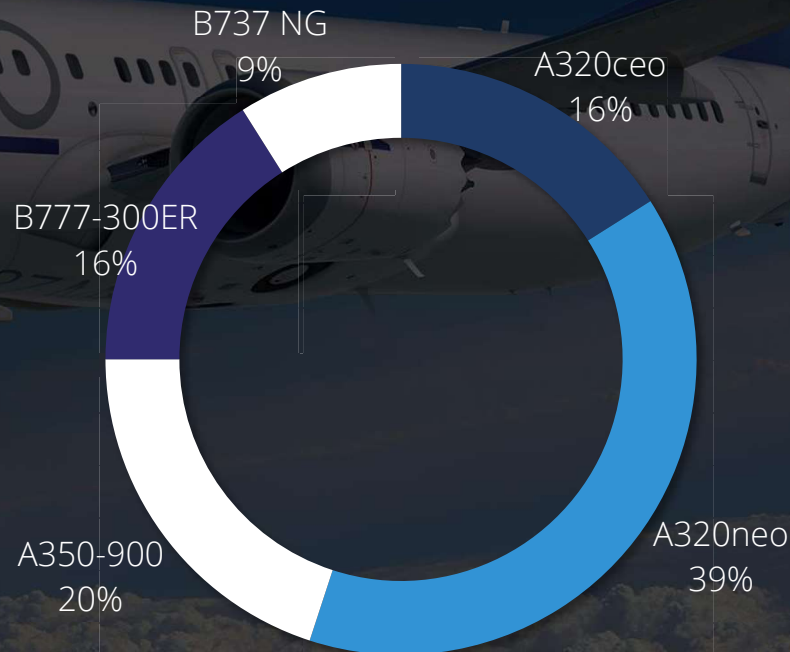
8.7 years

Average Lease Remaining

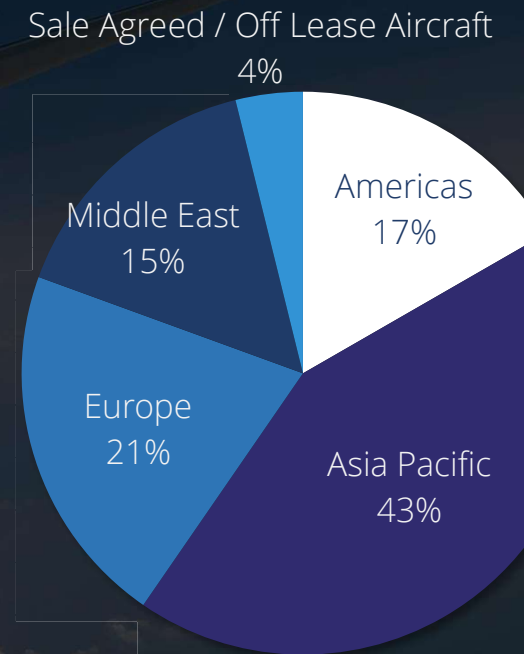
82%

Narrow-body in Committed Fleet

## AIRCRAFT COMPOSITION



## AIRLINE DISTRIBUTION



## SERVICES:

LEASING

AIRCRAFT TRADING

SALE & LEASEBACK

AIRCRAFT LEASING MANAGEMENT

A white commercial airplane with a dark blue tail and the word "ALAFCO" written in blue on the fuselage, flying against a clear blue sky with some clouds at the bottom. The aircraft is viewed from a low angle, showing its wings and tail.

# INDUSTRY UPDATE



# Industry Review

## LEASING REVIEW

- Demand recovery has continued throughout 2021, with positive trends emerging across most regions.
- Airlines continue to pursue SLB deals with lessors. Additionally, we see lessors support airlines to fulfil orders previously placed with OEMs.
- Liquidity remains a challenge for lessors in this environment giving rise to alternative financing, including ABS and capital market debts.

## AIRLINES REVIEW

- Airlines balance sheets remain fragile due to government support and debts. Capital likely to be constrained for the foreseeable future with leasing as an attractive option.
- Sustained higher jet fuel prices continue to put upward pressure on airlines' operating costs, which would increase demand for fuel-efficient aircraft.
- The latest airlines' financials confirm ease of pressure on the industry's operating profitability.

## TRAVEL RETURNING

- Domestic travel continues to demonstrate strong demand, with Russia, China and US fast approaching pre-crisis levels.
- The global air travel recovery continued into the year-end despite Omicron disruptions, increased to 41.6% of 2019 levels compared with 34.2% in 2020.
- Demand for travel rose as more markets reopened with vaccination drives progressing.



# OPERATIONAL REVIEW

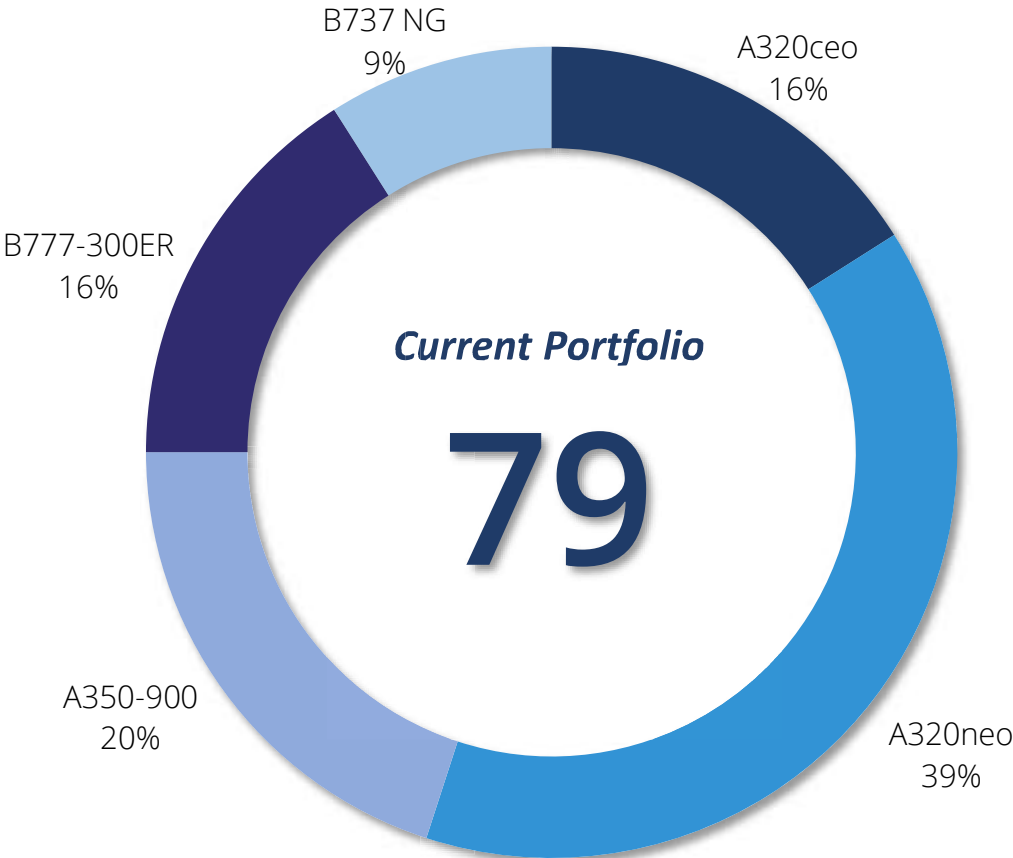
# Q1 Highlights

## Ongoing Activities

- Several ongoing initiatives were taking place during Q1, including leasing, trading and financing activities.
- Some of these activities were successfully concluded and were disclosed in Bursa Kuwait recently. Two new lease contracts were signed with ITA, the new flag carrier of Italy, and Ultra Air, a new start-up LCC based in Columbia.
- Negotiations are still underway for other activities.



# Fleet Composition



Aircraft composition % include delivered aircraft based on aircraft NBV

Portfolio Weighted Average Age **4.7 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.

# Airline Portfolio



**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.*

# Current Order Book

**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



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

# Q1 2022 Earnings

## OPERATING LEASE REVENUE

KD **23.8** million

-8%

*KD 26 million in Q1 2021*

## NET PROFIT / (LOSS)

KD **2.3** million

235%

*KD (1.7) million in Q1 2021*

## EPS

**2.39** fils

235%

*KD (1.77) fils in Q1 2021*



# Financial Highlights (IN KD)

INCOME STATEMENT	Q1 2022	Q1 2021	CHANGE
Operating Lease Revenue	23,776,905	25,984,130	-8%
Depreciation	(12,733,741)	(12,646,316)	1%
Finance cost	(8,862,928)	(8,493,061)	4%
Staff Cost	(881,652)	(782,137)	13%
Other Expenses	(908,786)	(913,758)	-1%
Other income	1,310,462	25,383	5063%
Allowance for credit losses / Reversal	652,280	(4,782,486)	-114%
Profit Before Tax	2,352,540	(1,608,245)	246%
Net Profit after Tax	2,272,777	(1,682,180)	235%

Improvement in earnings is mainly driven by:

- The reversal of allowance for credit loss on receivables (ECL) following the collection of past due from airlines which were behind in their payments.
- Reversal of old provisions and liabilities – which are no longer required to be paid to third party – have also supported in improving earnings.

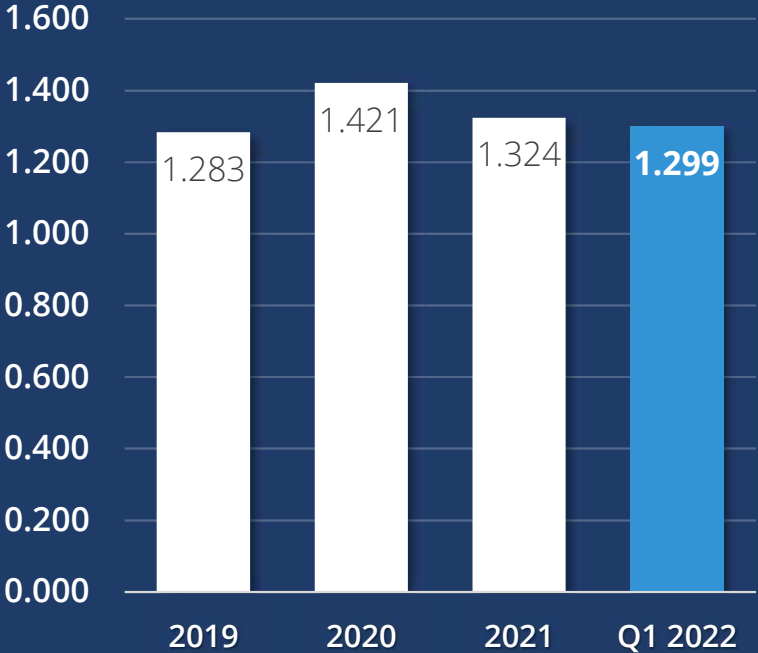
# Financial Highlights (IN KD)

BALANCE SHEET	Dec 31, 2021	Sep 30, 2021	CHANGE
Aircraft, Engines and Equipment	1,140,592,952	1,150,098,985	-1%
Capital Advances	117,329,387	116,831,393	0%
Receivables	15,554,335	15,317,590	2%
Cash and Cash Equivalents	25,474,860	42,093,620	-39%
<b>Total Assets</b>	<b>1,298,951,534</b>	<b>1,324,341,588</b>	<b>-2%</b>
Share Capital and premiums	95,209,348	95,209,348	0%
Retained Earning and Reserves	183,634,786	180,582,293	2%
<b>Total Equity</b>	<b>278,844,134</b>	<b>275,791,641</b>	<b>1%</b>
Loans and Borrowings	857,127,348	889,532,594	-4%
Security Deposits	12,033,492	15,620,085	-23%
Maintenance Reserves + Provisions	128,857,975	125,622,464	3%
Other Liabilities	22,088,585	17,774,804	24%
<b>Total Liabilities</b>	<b>1,020,107,400</b>	<b>1,048,549,947</b>	<b>-3%</b>
<b>Total Equity and Liabilities</b>	<b>1,298,951,534</b>	<b>1,324,341,588</b>	<b>-2%</b>

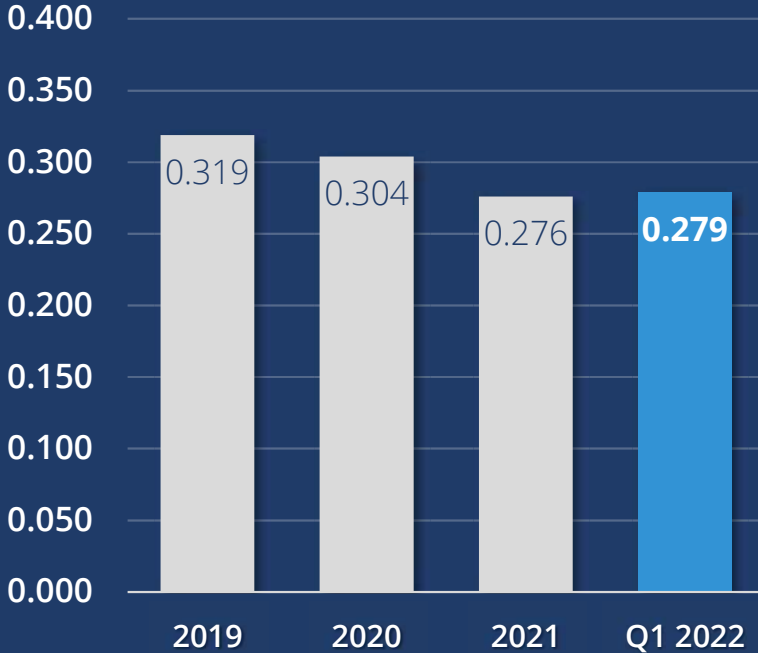
- Total assets slightly declined as a result of decline in cash and cash equivalent and depreciation charges on aircraft.
- Movement in equity represents the net profit recorded during the period, in addition to the positive movement in FCTR\* as Dollar appreciated against the Kuwaiti Dinar.
- Decline in total liabilities from the previous year represents the repayment of secured and unsecured loans.

# Financial Position

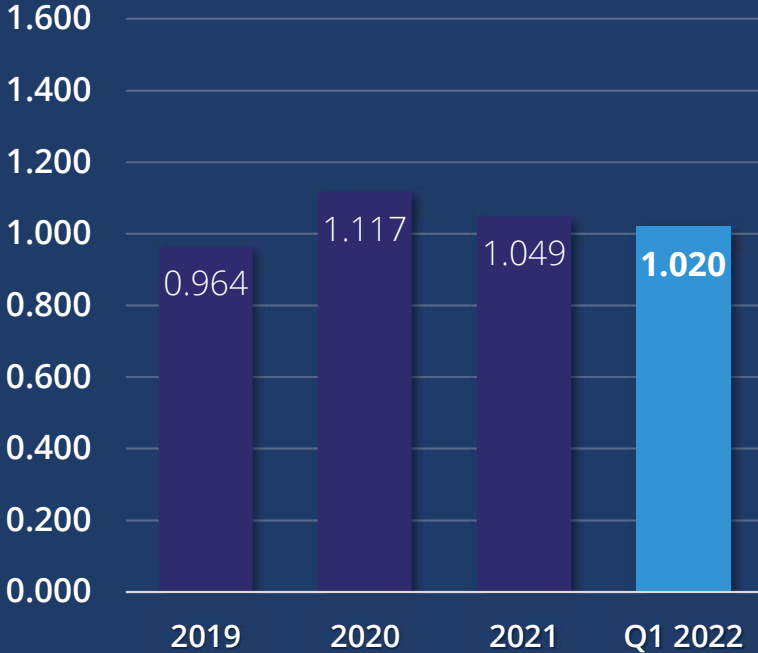
ASSET GROWTH (in KD bln)



EQUITY GROWTH (in KD bln)



LIABILITY GROWTH (in KD bln)

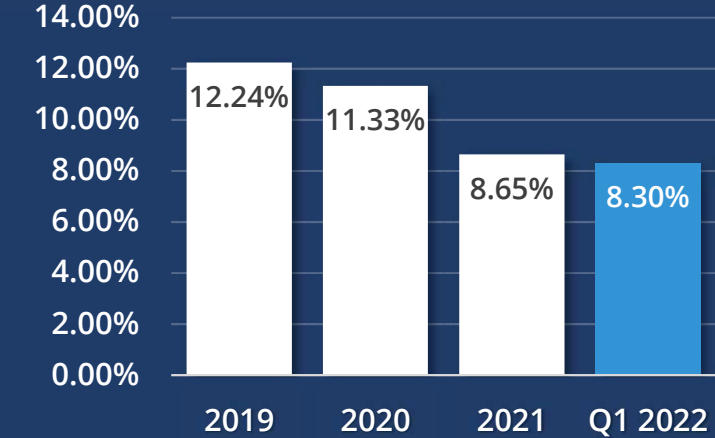


# Key Financial Ratios

## CURRENT RATIO

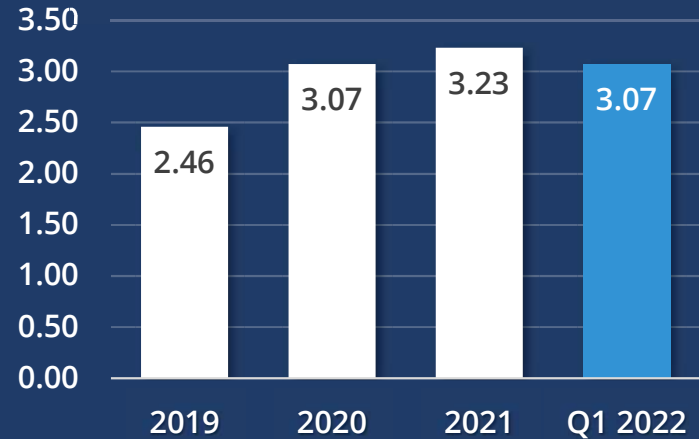


## AVERAGE LEASE RATE FACTOR

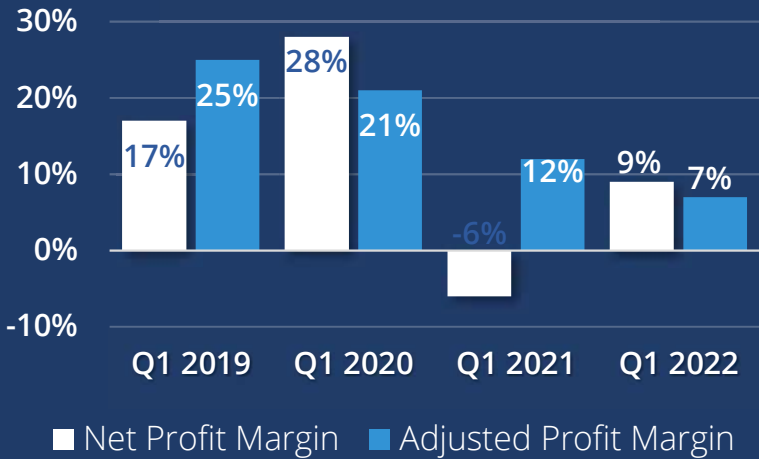


*Average Lease Rate Factor = Lease Revenue / Net Book Value of Aircraft*

## DEBT-TO-EQUITY RATIO

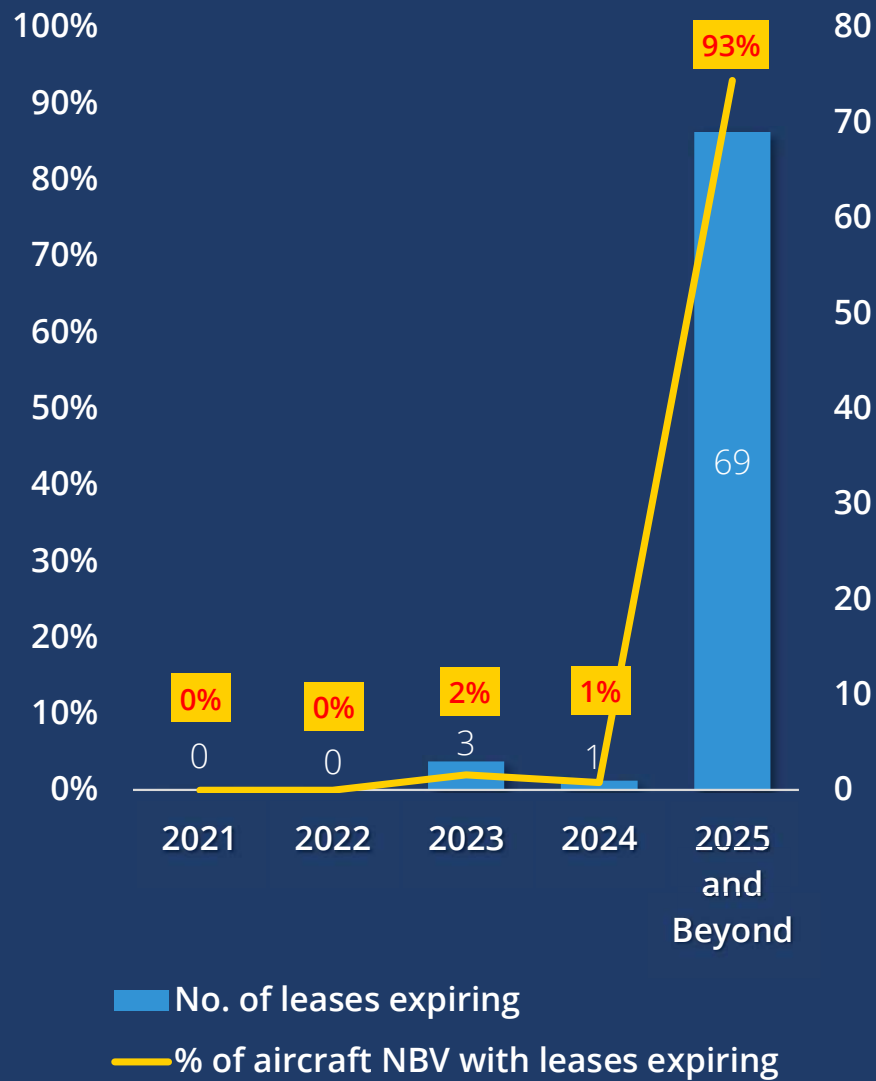


## PROFIT MARGINS



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

# 8.7 Years of Average Remaining Lease Term



- Most of the leases expire beyond 2025.
- Average remaining lease term is 8.7 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, as this will reduce environmental impact (less fuel usage and low maintenance)

Wider market shows significant proliferation of new technology aircraft. Indicating wider market adoption and transition to 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 traffic demand continues to show improvement. Domestic travel in some regions close to pre-pandemic levels.
- IATA released research showing travel restrictions had little impact on new Covid-19 variant spread, which has supported recovery.
- Ease of government enforced restrictions supports recovery, particularly in international travel.

## AIRLINES SEEKING EFFICIENCIES

- Airlines remain focused on delivering efficiency through fleet management and reduction in operating costs.
- Narrow-body aircraft remain the core focus for many airlines, deployed on regional and domestic routes.
- 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.

## LESSORS MARKET REMAINS ATTRACTIVE

- Lessors continue to support airlines, particularly where capital for most airlines is constrained.
- Leasing industry has shown its resilience through the crisis with well capitalized balance sheets and sophisticated risk management.
- Lessor financing and ABS market continues to be very robust, reflective of increasing appetite from investors. ALAFCO is actively exploring various financing options including the ABS market.



# Q&A

# Contact

For more information please contact:

## Investor Relations

+(965) 22902896

investor\_relations@alafco.com

ALAFCO KSCP is listed on Boursa Kuwait

ISIN Code: KW0EQ0602221

Reuters: ALAF.KW

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



**THANK YOU**