



ALAFCO AVIATION LEASE AND FINANCE CO. KSCP

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

السجل التجاري : 80745 - رأس المال : 95,209,348.200 د.ك.

Date: 17/08/2022

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التاريخ: 2022/08/17

سي سي / 2022/348

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 Third quarter of the financial year 2021/2022.

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

Greetings!

تهدي لكم شركة ألافكو لتمويل شراء وتأجير الطائرات أطيب تحياتها.

With reference to the above subject, please note that the conference with the analysts and investors for the Third quarter of the financial year 2021/2022 was held via a web conference call on Wednesday 17/08/2022 at 2:00pm. Furthermore, no material information was disclosed during the web conference call. In the meantime, please find attached the earnings presentation for Q3 2022.

بالإشارة إلى الموضوع أعلاه، يرجى العلم بأن مؤتمر المحللين/ المستثمرين للربع الثالث من السنة المالية 2022/2021 للشركة قد انعقد عن طريق الإتصال المرئي والمسموع على الإنترنت ( web conference call) يوم الأربعاء 2022/08/17، الساعة الثانية ظهراً ولم يتم تداول أي معلومات جوهرية خلال المؤتمر.

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

وتفضلوا بقبول فائق الاحترام،

سليمان أحمد المضيف  
أمين سر مجلس الإدارة





# 9M 2022 Earnings Call

9-month period ending on June 30, 2022

# Agenda

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



# ALAFCO Highlights

As of 30<sup>th</sup> June 2022

77

Aircraft in Portfolio

68

Aircraft on Order

23

Customers Presently

17

Countries Presently

5.0 years

Portfolio Weighted Average Age

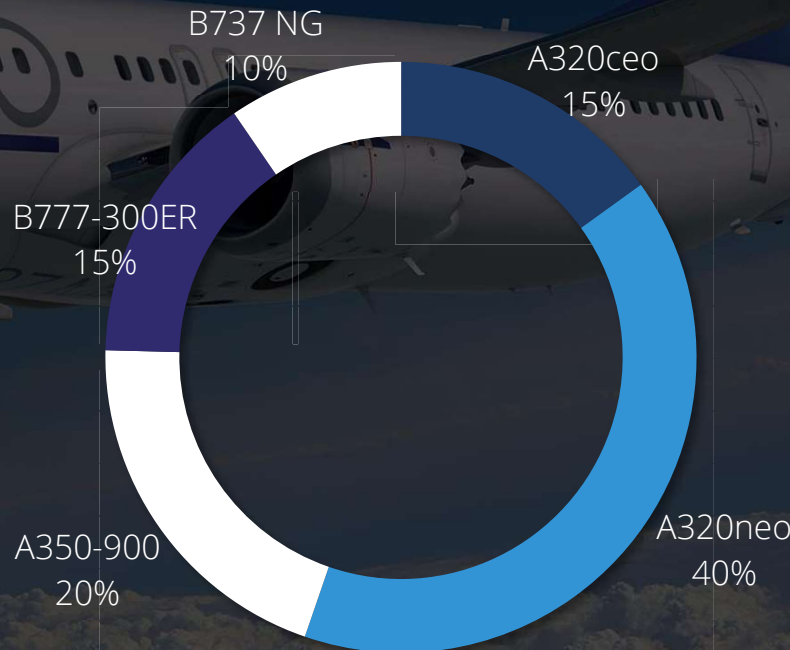
8.4 years

Average Lease Remaining

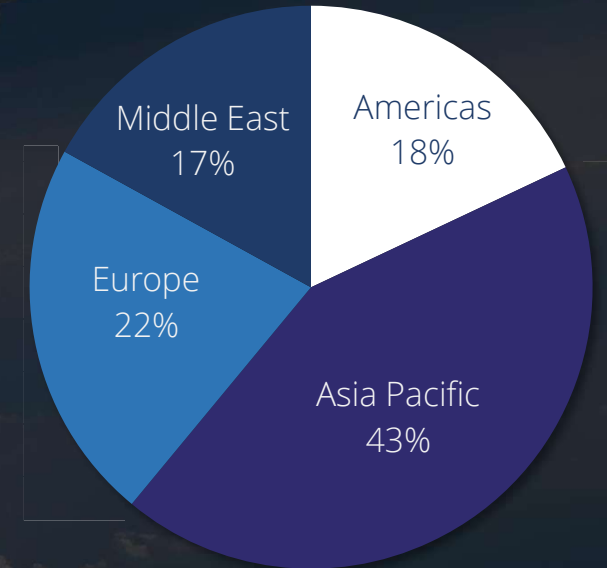
82%

Single-aisle in Committed Fleet

## AIRCRAFT COMPOSITION



## AIRLINE DISTRIBUTION



## SERVICES:

LEASING

AIRCRAFT TRADING

SALE & LEASEBACK

AIRCRAFT LEASING MANAGEMENT



# INDUSTRY UPDATE

# Industry Review

## LEASING REVIEW

- Demand for aircraft leasing continues to rise, with airlines looking towards support from the leasing industry.
- Industry's most popular aircraft types continue to be in demand, but aircraft production remains at risk due to stretched globally supply chains.
- Air travel demand driving the need for both new and young used aircraft, improving lease rates and aircraft values.

## AIRLINES REVIEW

- Airline financial performance continues to improve as pace of recovery from Covid-19 crisis quickens.
- Industry losses expected to reduce to \$9.7 billion in 2022, a significant improvement from the \$137.7 billion losses in 2020 and \$42.1 billion in 2021.
- Fuel continues to be the largest expense item for airlines.
- Staff shortages continue to persist post-Covid, resulting in cancellations across Europe.

## TRAVEL RETURNING

- Passenger demand continues to rise despite inflationary pressures. Risk of potential softening in demand the longer inflationary pressures persist.
- Pent-up demand, lifting of restrictions in most markets and low unemployment in most countries are fueling resurgence in demand.
- According to IATA's recent outlook, air traffic (RPK) in 2022 is expected to grow 97.6% compared to 2021, reaching 82.4% of 2019 traffic.



# OPERATIONAL REVIEW

# 9M Highlights

During the 9-month, ALAFCO successfully managed to:

- Deliver 3 out of 4 A350-900 aircraft to ITA, the new flag carrier of Italy. The last one is expected to be delivered during the coming weeks.
- Deliver two A320-200 aircraft with Ultra Air, an ULCC based in Columbia.
- Complete the sale of two A320-200 aircraft to MedSky, an LCC based in Libya.
- Signed sale agreement for three Airbus A320-200 with Berniq Airways, based in Libya.

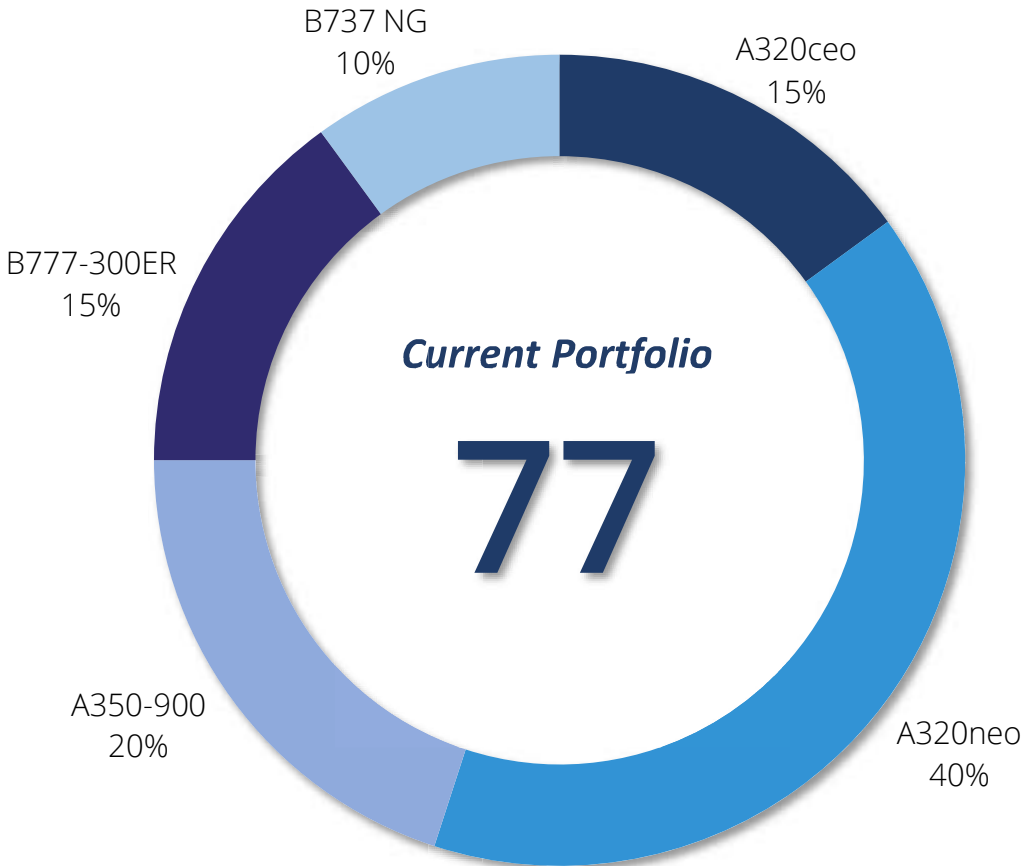


## MedSky





# Fleet Composition

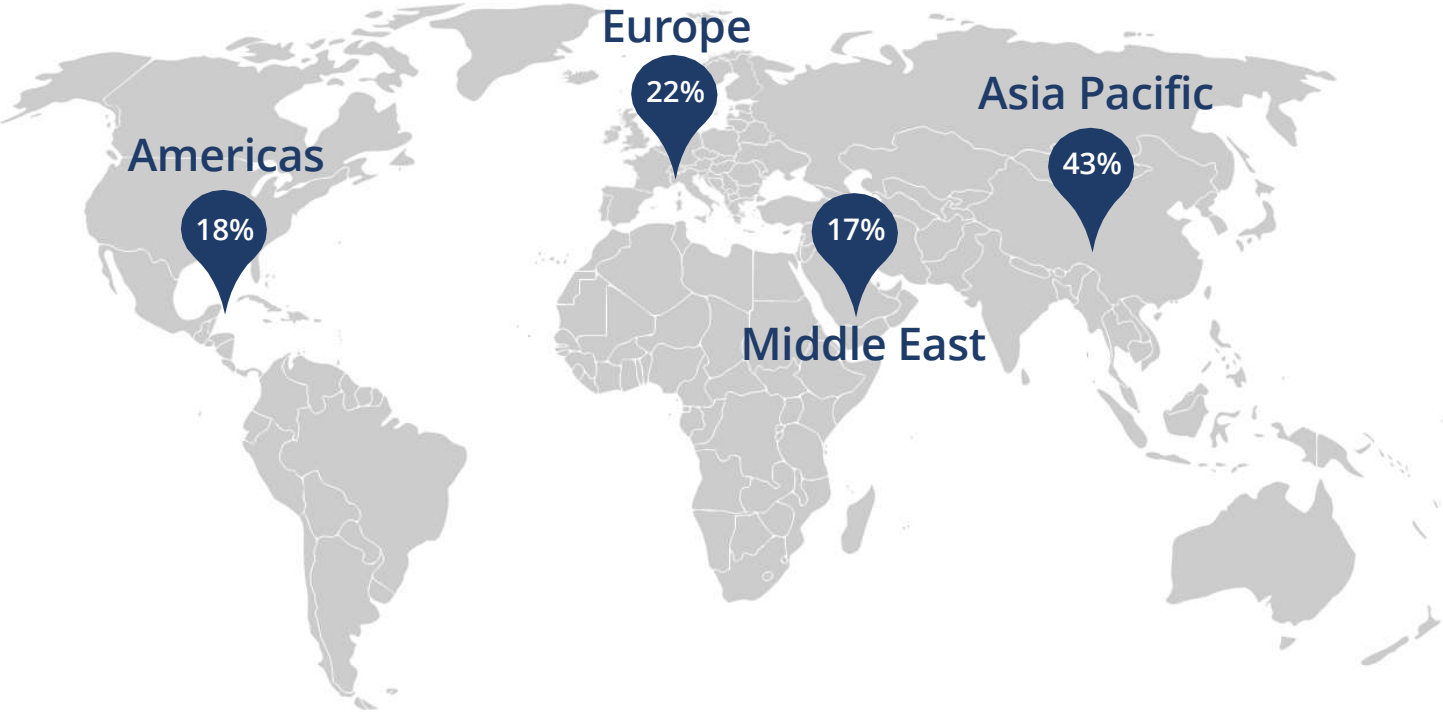


Portfolio Weighted Average Age **5.0** Years

- 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*

# 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.

**48**

A320neo Family



**20**

B737 MAX Family



A large commercial airplane is shown in a hangar, illuminated with a strong blue light. The aircraft is the central focus, with its fuselage, wings, and tail visible. The hangar's interior structure is faintly visible in the background. A dark blue rectangular box is overlaid on the lower half of the image, containing the text 'FINANCIAL REVIEW' in white, bold, sans-serif capital letters.

# FINANCIAL REVIEW

# 9M 2022 Earnings

## OPERATING LEASE REVENUE

KD **71.1** million

-7%

*KD 76.6 million in 9M 2021*

## NET PROFIT / LOSS

KD **(23.4)** million

642%

*KD (3.2) million in 9M 2021*

## EPS

**(24.54)** fils

641%

*KD (3.31) fils in 9M 2021*

# Financial Highlights (IN KD)

INCOME STATEMENT	9M 2022	9M 2021	CHANGE
Operating Lease Revenue	71,113,635	76,637,371	-7%
Depreciation	(38,044,445)	(37,785,638)	1%
Finance cost	(26,818,508)	(25,198,673)	6%
Staff Cost	(3,071,748)	(2,472,968)	24%
Other Expenses	(4,814,072)	(3,338,211)	44%
Other income	3,625,509	452,351	701%
Allowance for credit losses / Reversal	976,797	(10,489,903)	-109%
Gain on Sale of Aircraft	2,409,682	(754,483)	-419%
Impairment	(28,743,803)	-	100%
Profit Before Tax	<b>(23,366,953)</b>	<b>(2,950,154)</b>	<b>692%</b>
Net Profit after Tax	<b>(23,366,953)</b>	<b>(3,149,227)</b>	<b>642%</b>

1. Net loss for the current period has increased due to:
  - i. An impairment of KD28 million charged against wide body aircraft as the airline is under insolvency procedures and
  - ii. Lower income due to sale of aircraft and restructuring of leases.
2. Increase in losses has been partly offset by:
  - i. Improvement in collection of past and monthly dues, reducing allowances for credit loss on receivables (ECL).
  - ii. Reversal of old provisions and liabilities – which are no longer required to be paid to third party.
  - iii. Gain recorded from the sale of two A320 aircraft.

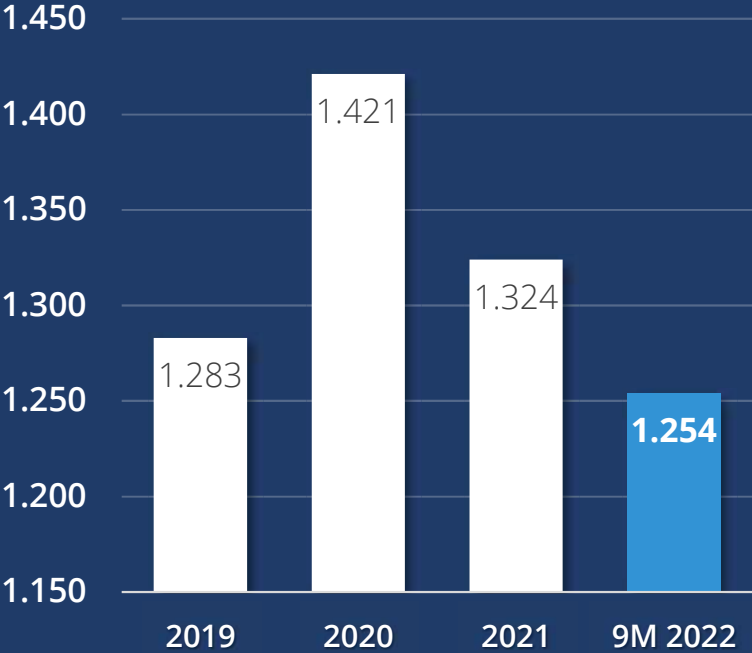
# Financial Highlights (IN KD)

BALANCE SHEET	June 30, 2022	Sep 30, 2021	CHANGE
Aircraft, Engines and Equipment	1,087,627,267	1,150,098,985	-5%
Capital Advances	119,316,160	116,831,393	2%
Receivables	23,496,621	15,317,590	53%
Cash and Cash Equivalents	23,191,003	42,093,620	-45%
<b>Total Assets</b>	<b>1,253,631,051</b>	<b>1,324,341,588</b>	<b>-5%</b>
Share Capital and premiums	95,209,348	95,209,348	0%
Retained Earning and Reserves	161,596,218	180,582,293	-11%
<b>Total Equity</b>	<b>256,805,566</b>	<b>275,791,641</b>	<b>-7%</b>
Loans and Borrowings	840,286,731	889,532,594	-6%
Security Deposits	13,472,487	15,620,085	-14%
Maintenance Reserves + Provisions	124,253,199	125,622,464	-1%
Other Liabilities	18,813,068	17,774,804	6%
<b>Total Liabilities</b>	<b>996,825,485</b>	<b>1,048,549,947</b>	<b>-5%</b>
<b>Total Equity and Liabilities</b>	<b>1,253,631,051</b>	<b>1,324,341,588</b>	<b>-5%</b>

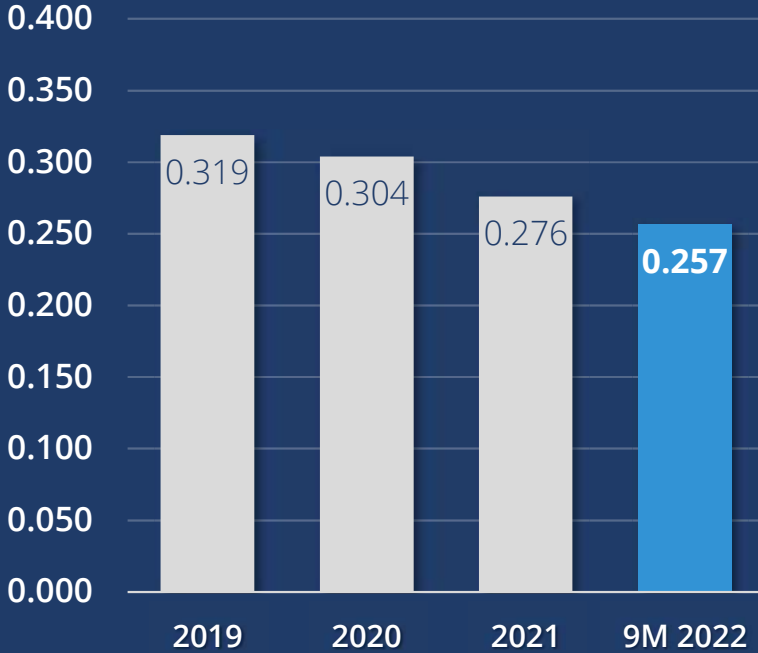
- Total assets declined as a result of sale of 2 aircraft, depreciation and impairment recorded on aircraft and decline in cash and cash equivalent.
- Movement in equity represents the losses recorded during the current period which is partly offset by the positive movement in FCTR\* as the US dollar appreciated against the Kuwaiti dinar.
- Decline in total liabilities from the previous year represents the repayment of secured and unsecured loans.

# Financial Position

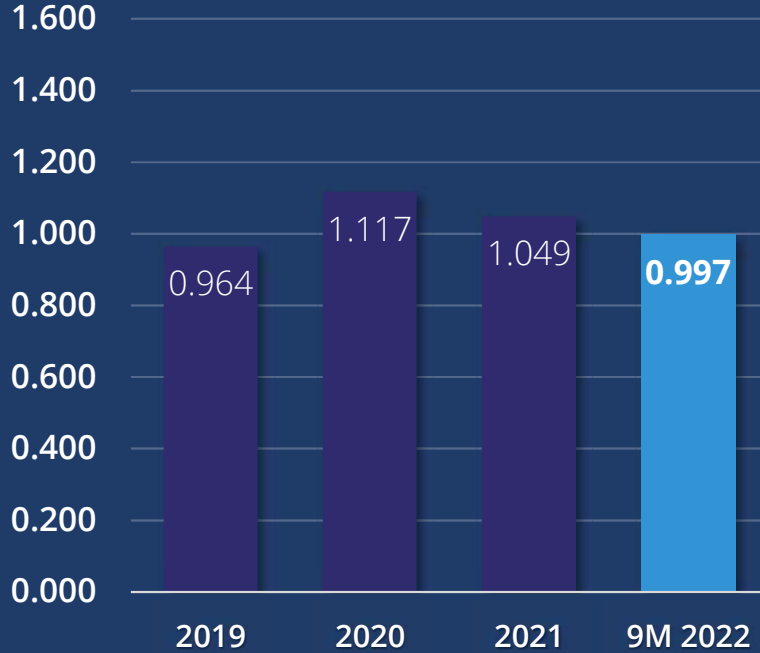
ASSET GROWTH (in KD bln)



EQUITY GROWTH (in KD bln)



LIABILITY GROWTH (in KD bln)



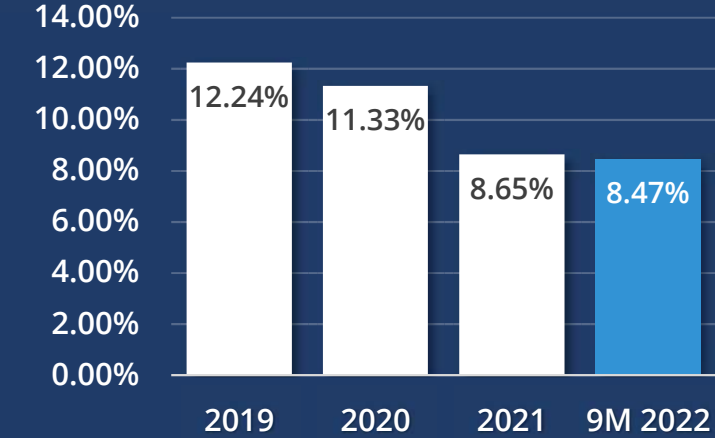


# Key Financial Ratios

## CURRENT RATIO

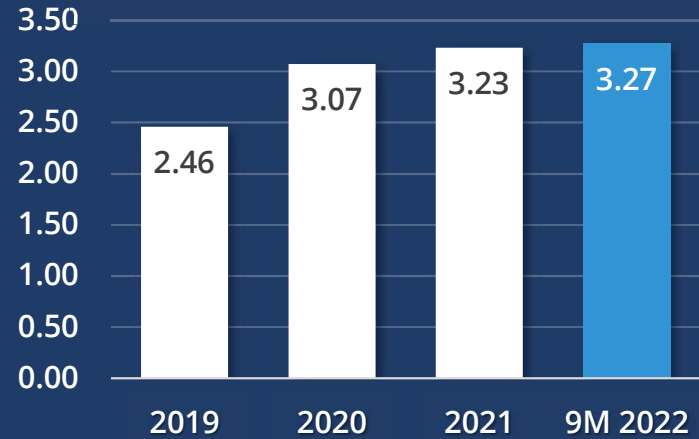


## AVERAGE LEASE RATE FACTOR

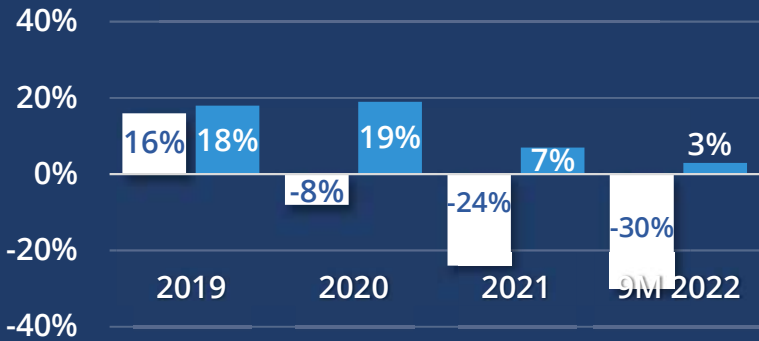


*Average Lease Rate Factor = Lease Revenue / Net Book Value of Aircraft*

## DEBT-TO-EQUITY RATIO



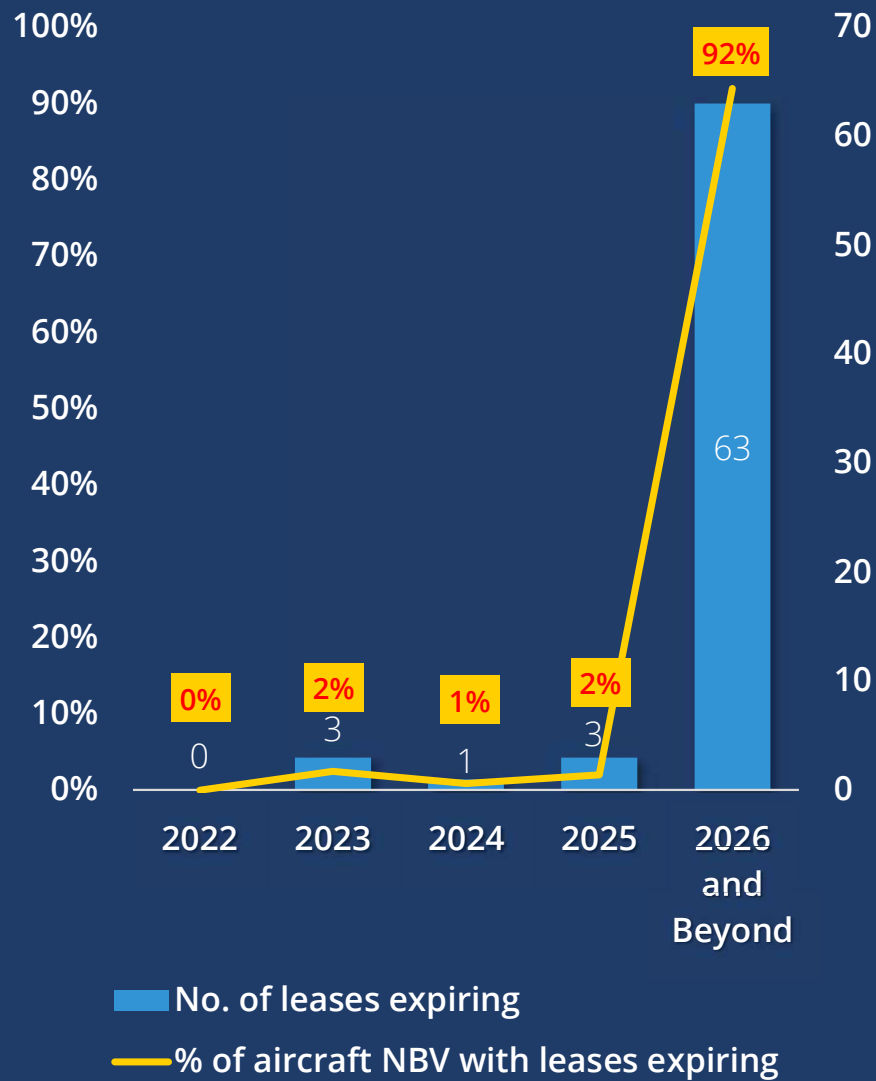
## PROFIT MARGINS



■ Net Profit Margin ■ Adjusted Profit Margin

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

# 8.4 Years of Average Remaining Lease Term



- Most of the leases expire beyond 2025.
- Average remaining lease term is 8.4 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

Fuel efficiency remains a priority for the industry and ALAFCO. Orderbook composition and age is reflective of our ESG commitment.

Ongoing commitment to transition to new generation aircraft across portfolio, with divestment of older aircraft.

Wider market shows optimism and strong commitment to emission reduction with net delivery of over 1,200 aircraft in 2022.

## FINANCING LINKED SUSTAINABILITY

Industry including lessors has witnessed a greater penetration of new technology aircraft across its portfolio. Emphasis to upgrade aircraft remain strong across the industry.

ALAFCO continues lend support by providing capital to 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 as well as aviation awareness activities remain the cornerstone of our social commitment.



# OUTLOOK

# Market Outlook

## PASSENGER TRAVEL GROWING

- Passenger travel has continued its recovery with strong recovery witnessed in US and Europe.
- IATA forecasts demand (RPK) in 2022 to reach 82.4% of pre-crisis (2019) levels.
- Inflation remains a concern as persistent inflation is likely to dampen economic performance and reduce purchasing power. Global GDP growth expected to be 3.4% in 2022.

## AIRLINES FACING CHALLENGES

- Financial performance of airlines in all regions expected to improve in 2022 compared to 2021.
- Revenues are rising as Covid-19 restrictions ease and people return to travel. However, rising fuel prices will continue to weigh on future profits.
- Airlines remain resilient with people returning to travel. Strong performance in cargo despite a backdrop of economic uncertainty.

## LESSORS MARKET REMAINS ATTRACTIVE

- Lessors continue to be integral in financing OEM deliveries.
- Lessors' improved performance largely driven by reopening of borders in Asia and increased flying globally, resulting in higher cash collection rates.
- Ukraine/Russia conflict remains a risk contributing to the write-down and impairment for many lessors with exposure.
- Leasing sector remains competitive and often seen as solution to the cash crisis for airlines.



# 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**