



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:08 / 01 /2023

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التاريخ:08/01/2023

سي سي / 001 / 2023

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 2021/2022.

الموضوع: افصاح شركة ألافكو لتمويل شراء وتأجير الطائرات ش.م.ك.ع عن مؤتمر المحللين / المستثمرين للربع الرابع من السنة المالية 2202/2021

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 Q4 of the financial year 2021/2022 was held via a web conference call on Sunday 08/01/2023 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 2022/2021 للشركة قد انعقد عن طريق الإتصال المرئي والمسموع على الإنترنت ( web conference call) يوم الأحد 2023/01/08، الساعة الثانية ظهراً ولم يتم تداول أي معلومات جوهرية خلال المؤتمر.

In the meantime, please find attached the earnings presentation for Q4 2022.

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

وتفضلوا بقبول فائق الاحترام،

سليمان أحمد المضيف

أمين سر مجلس الإدارة



# FY 2022 Earnings Call

Full year period ending on September 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> September 2022

76

Aircraft in Portfolio

68

Aircraft on Order

23

Customers Presently

17

Countries Presently

5 years

Portfolio Weighted Average Age

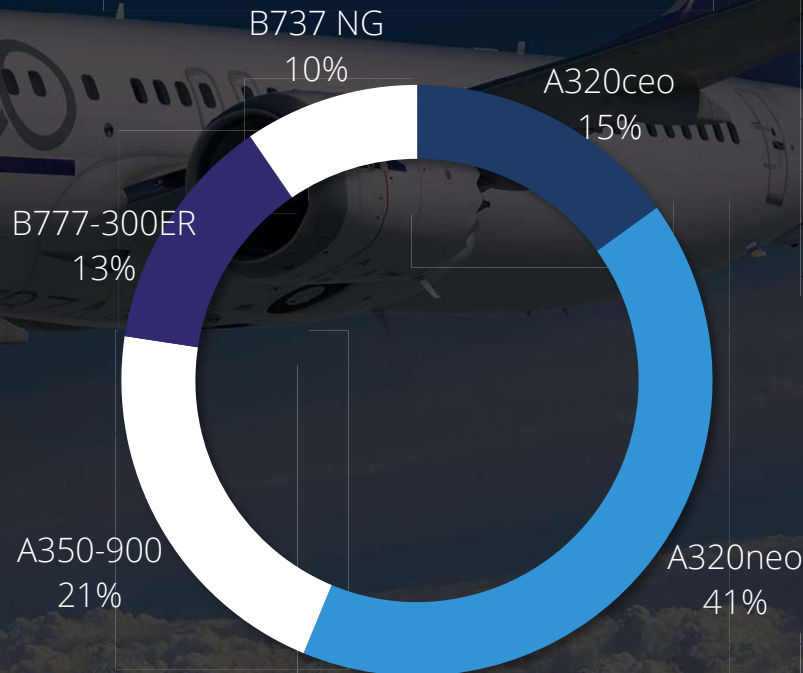
8.4 years

Average Lease Remaining

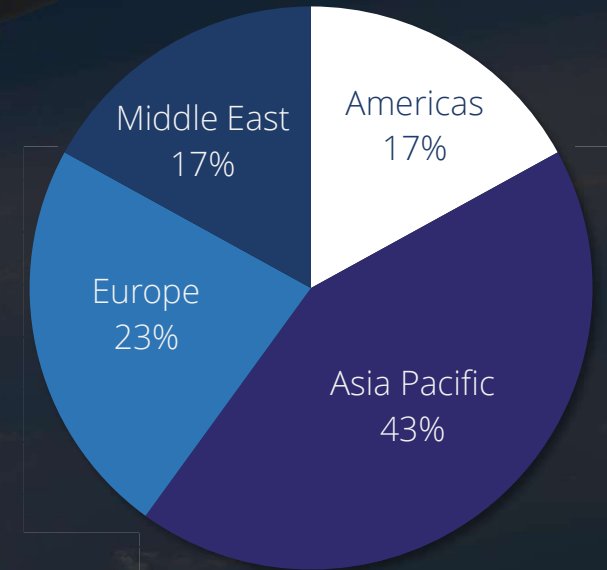
84%

Single-aisle in Committed Fleet

## AIRCRAFT COMPOSITION



## AIRLINE DISTRIBUTION



## SERVICES:

LEASING

AIRCRAFT TRADING

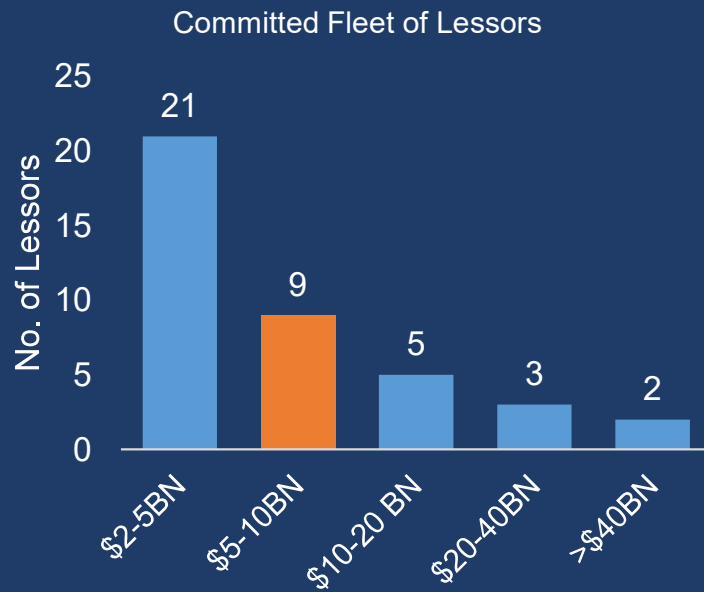
SALE & LEASEBACK

AIRCRAFT LEASING MANAGEMENT

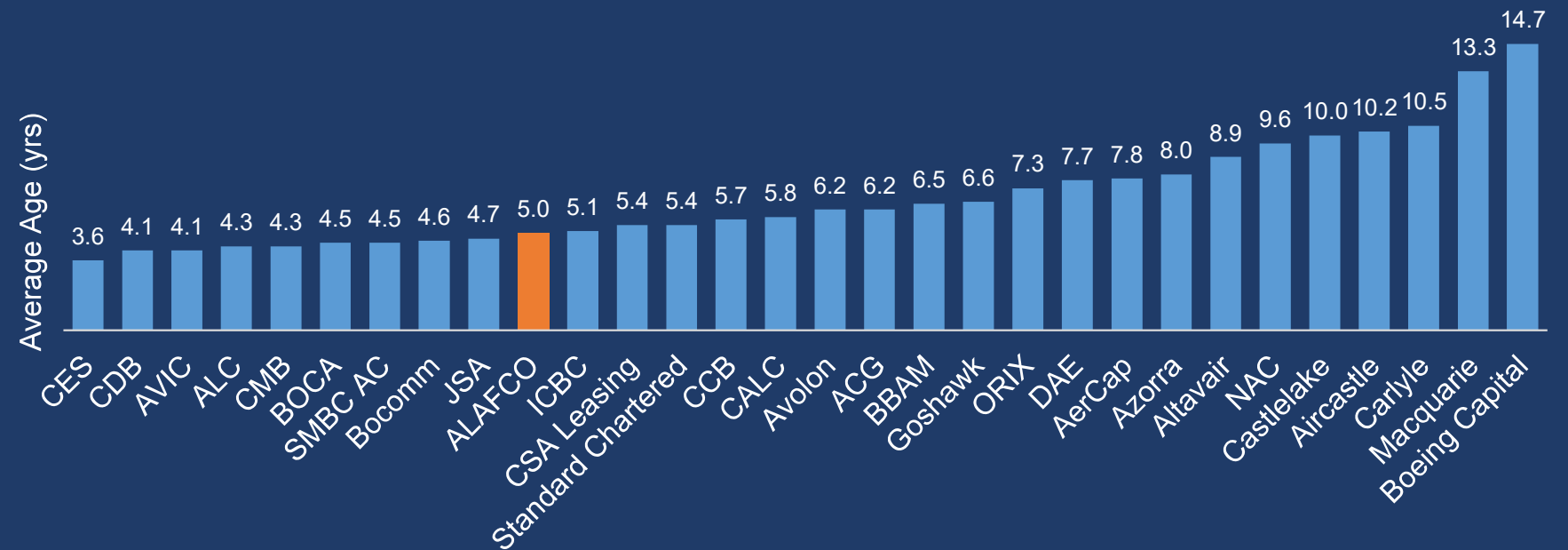
# ALAFCO Position

## Global Benchmarking

### Committed Fleet of Lessors



### Fleet Age of Lessors



- Amongst the industry's aircraft operating lessors, ALAFCO is a mid-tier player ranked 27th overall in terms of aircraft portfolio value and 17th overall when firm orders are included. ALAFCO is one of nine lessors with committed portfolio valued in the \$5 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.

1) Source for Committed Fleet: Cirium. Data as of November 2022

2) Source for Fleet Age: Source: Average age figures sourced from Cirium (Nov 2022). Cirium averages are weighted averages.



# INDUSTRY UPDATE

# Industry Review

## LEASING REVIEW

- Leasing demand remains strong as lessors benefit from aircraft shortage post-pandemic.
- Tight supply of aircraft is a contributing factor to driving lease rental rates up.
- Strong demand for travel combined with the industry's push towards sustainability are driving up demand for new generation aircraft.
- Rising rates and higher cost of capital is likely to push lease rates higher.

## AIRLINES REVIEW

- Revenues are rising as COVID-19 restrictions are eased.
- Inflationary pressure continues to challenge airlines as they seek to keep costs under control.
- Industry revenues expected to reach US\$782 billion, a 54.5% increase from 2021 (as per IATA).
- Ukraine conflict continues to put pressure on oil prices, which remain the highest cost item for airlines.

## TRAVEL RETURNING

- Passenger demand continues to demonstrate strong appetite at the end of 2022 and beyond.
- Removal of restrictions on travel in China has led to a resurgence in international and domestic travel.
- Forward bookings point to strong optimism and brighter outlook going forward.
- Despite macroeconomic headwinds, passenger demand remains strong.



# OPERATIONAL REVIEW



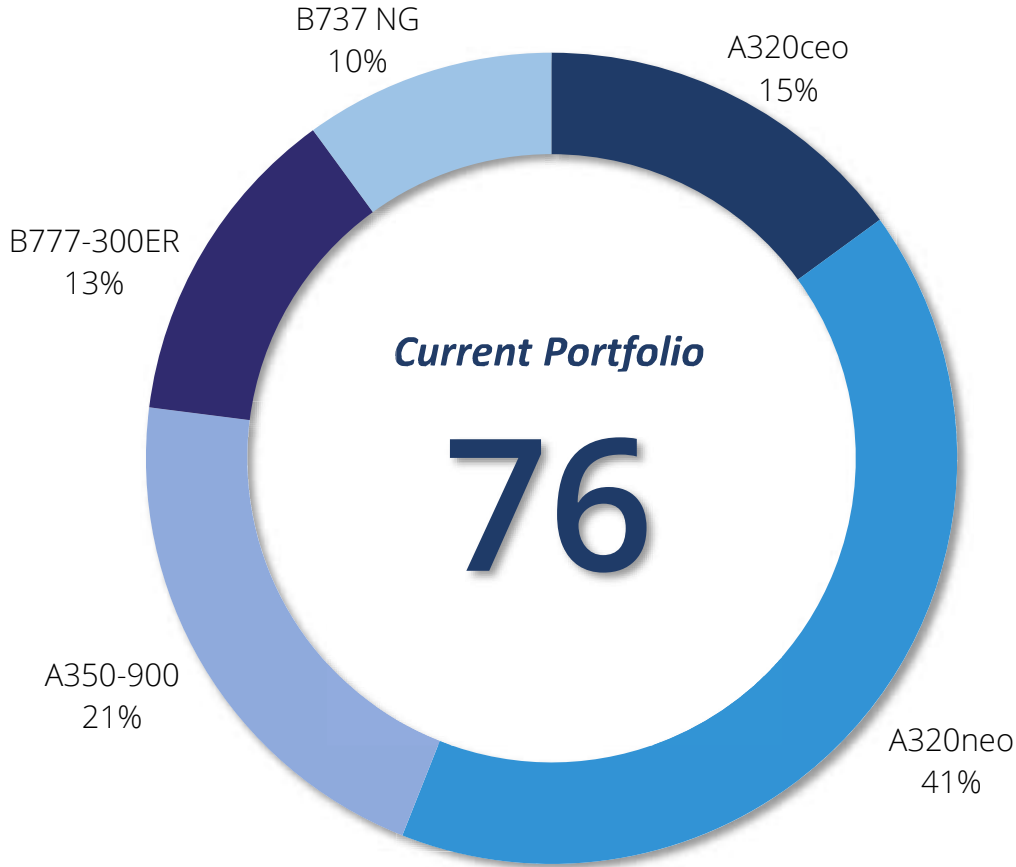
# FY 2022 Highlights

During the 2022 financial year, ALAFCO successfully managed to:

- Completed delivery of all four A350-900 aircraft to ITA, the national carrier of Italy.
- Delivered two A320-200 aircraft with Ultra Air, an ULCC based in Columbia.
- Completed the sale of two A320-200 aircraft to MedSky, an LCC based in Libya.
- Delivered one of three A320-200 aircraft to Berniq as per the sale agreement. The remaining two aircraft shall be delivered during FY2023
- Extended the lease for two B737-800 aircraft with Vistara Airlines based in India.



# Fleet Composition

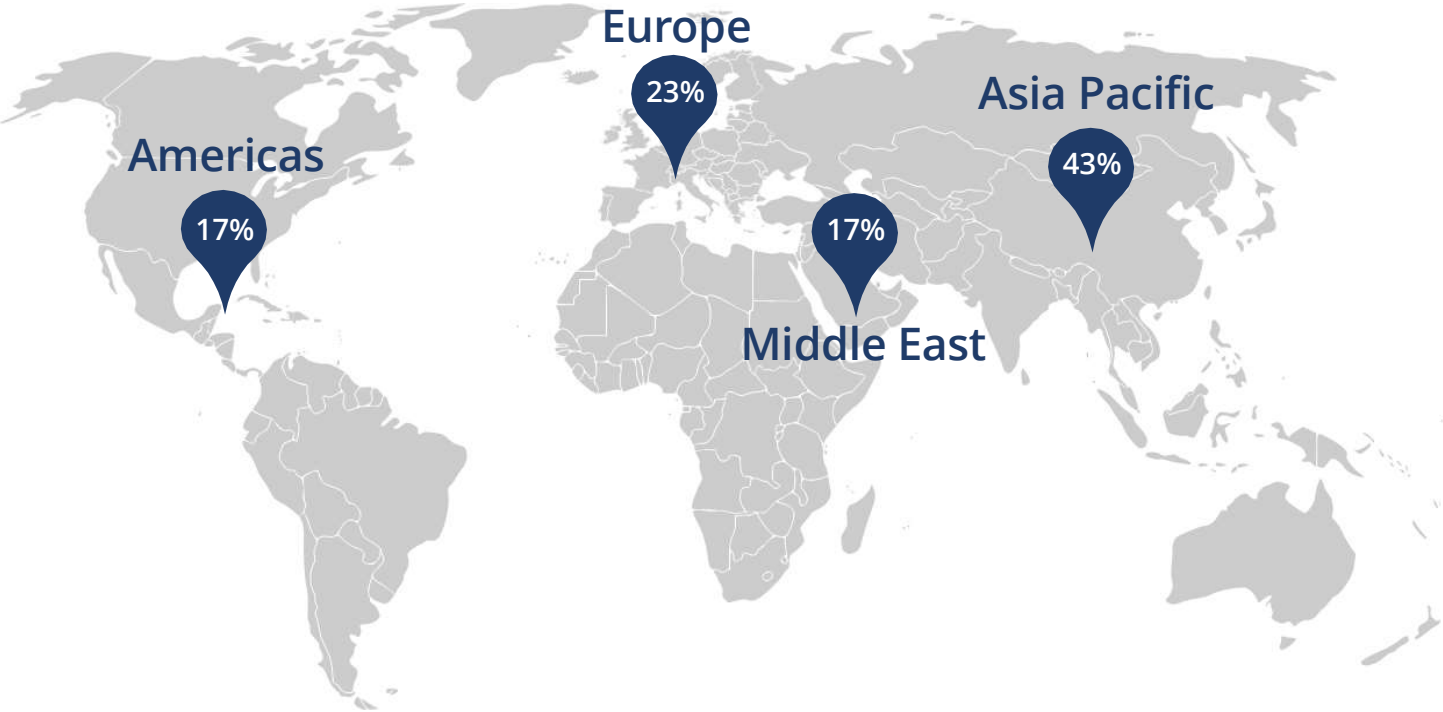


Aircraft composition % include delivered aircraft based on aircraft NBV

Portfolio Weighted Average Age **5 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.

**48**

A320neo Family



**20**

B737 MAX Family





# FINANCIAL REVIEW

# FY 2022 Earnings

OPERATING LEASE  
REVENUE

KD **95.6** million

-4%

*KD 100.0 million in FY 2021*

NET PROFIT / LOSS

KD **(58.9)** million

148%

*KD (23.8) million in FY 2021*

EPS

**(61.91)** fils

148%

*KD (24.97) fils in FY 2021*

# Financial Highlights (IN KD)

INCOME STATEMENT	FY 2022	FY 2021	CHANGE
Operating Lease Revenue	95,642,934	99,991,026	-4%
Depreciation	(50,577,935)	(50,527,113)	0%
Finance Cost	(37,250,745)	(34,434,469)	8%
Staff Cost	(2,425,386)	(2,531,768)	-4%
Other Expenses	(8,833,692)	(6,103,117)	45%
Other Income	13,073,026	584,856	2135%
Allowance for Credit Losses / Reversal	4,614,065	(12,894,271)	-136%
Gain on Sale of Aircraft	3,285,945	172,937	1800%
Impairment	(44,729,386)	(17,309,593)	158%
Impairment Loss on Capital Advances	(31,744,431)	-	100%
Re-lease Provision	-	(725,880)	-100%
Profit Before Tax	(58,945,605)	(23,777,392)	148%
Net Profit after Tax	(58,945,605)	(23,777,392)	148%

1. Net loss for the current year has increased due to:
  - a) An impairment of KD45 million charged on aircraft during the current year.
  - b) An impairment of KD32 million charged against the capital advances (Boeing order).
  
2. Increase in losses has been partly offset by:
  - a) Improvement in collection of past and monthly dues, reducing allowances for credit loss on receivables (ECL).
  - b) Reversal of old provisions and liabilities – which are no longer required to be paid to third party.
  - c) Gain recorded from the sale of three A320 aircraft.

# Financial Highlights (IN KD)

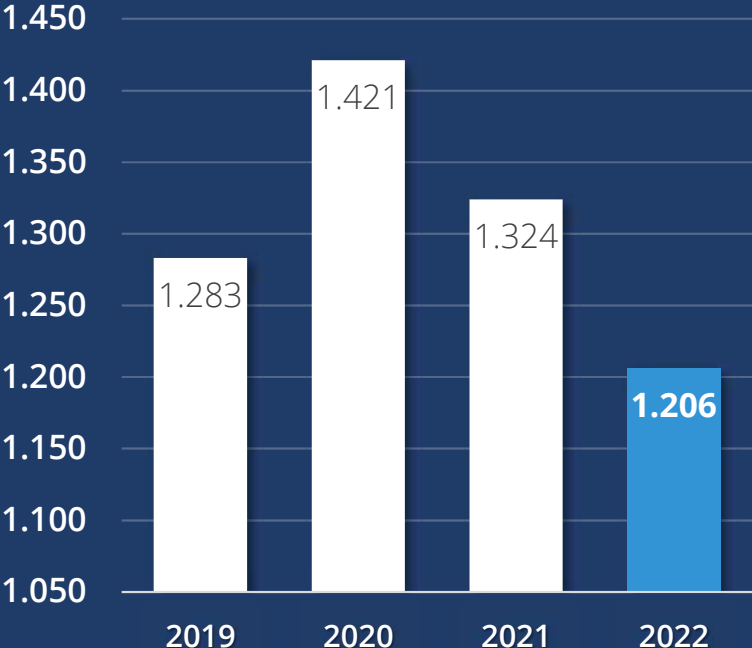
BALANCE SHEET	Sep 30, 2022	Sep 30, 2021	CHANGE
Aircraft, Engines and Equipment	1,067,295,751	1,150,098,985	-7%
Capital Advances	88,478,441	116,831,393	-24%
Other Assets	25,326,718	15,317,590	65%
Cash and Cash Equivalents	25,113,155	42,093,620	-40%
<b>Total Assets</b>	<b>1,206,214,065</b>	<b>1,324,341,588</b>	<b>-9%</b>
Share Capital and Premiums	95,209,348	95,209,348	0%
Retained Earning and Reserves	128,813,164	180,582,293	-29%
<b>Total Equity</b>	<b>224,022,512</b>	<b>275,791,641</b>	<b>-19%</b>
Loans and Borrowings	833,969,170	889,532,594	-6%
Security Deposits	12,450,499	15,620,085	-20%
Maintenance Reserves + Provisions	115,121,641	125,622,464	-8%
Other Liabilities	20,650,243	17,774,804	16%
<b>Total Liabilities</b>	<b>982,191,553</b>	<b>1,048,549,947</b>	<b>-6%</b>
<b>Total Equity and Liabilities</b>	<b>1,206,214,065</b>	<b>1,324,341,588</b>	<b>-9%</b>

1. Total assets declined as a result of sale of 3 aircraft, depreciation and impairment recorded on aircraft and capital advances (Boeing order), and decline in cash and cash equivalent.
2. Movement in equity represents the losses recorded during the current year which is partly offset by the positive movement in FCTR\* as the US dollar appreciated against the Kuwaiti dinar.
3. Decline in total liabilities from the previous year mainly represents the repayment of secured and unsecured loans.

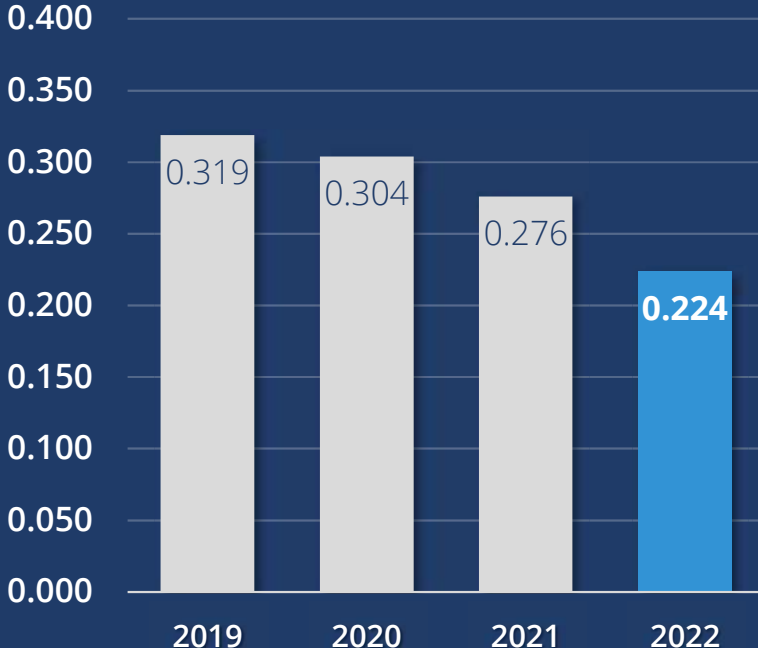


# Financial Position

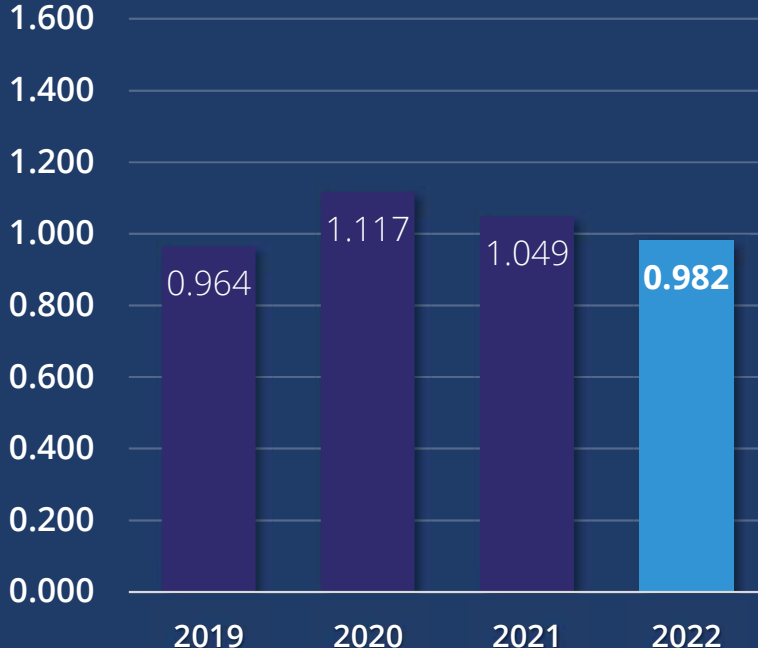
ASSET GROWTH (in KD bln)



EQUITY GROWTH (in KD bln)



LIABILITY GROWTH (in KD bln)

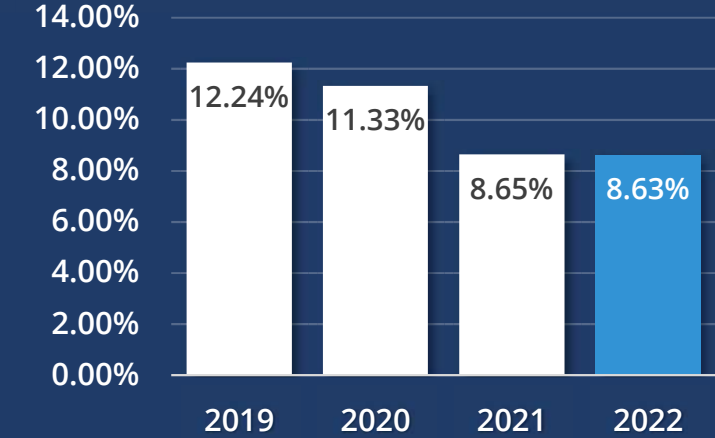


# Key Financial Ratios

## CURRENT RATIO

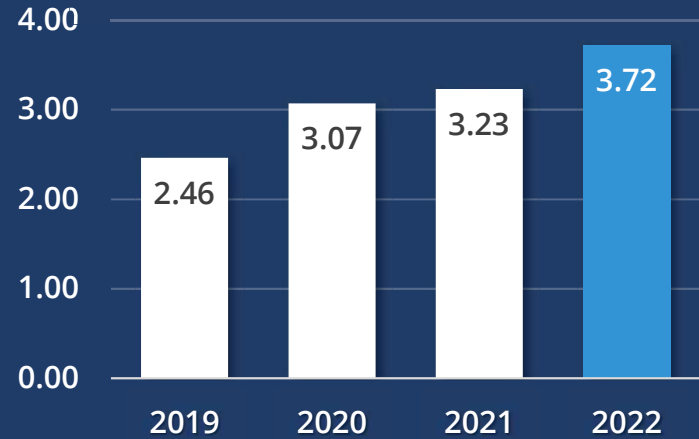


## AVERAGE LEASE RATE FACTOR

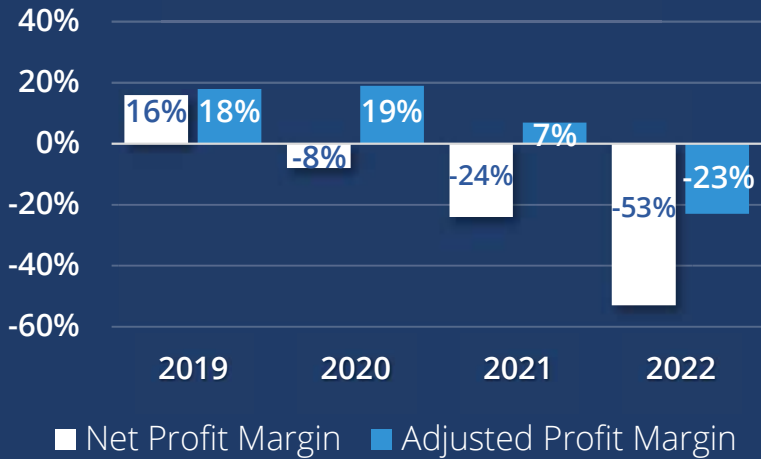


*Average Lease Rate Factor = Lease Revenue / Net Book Value of Aircraft*

## DEBT-TO-EQUITY RATIO

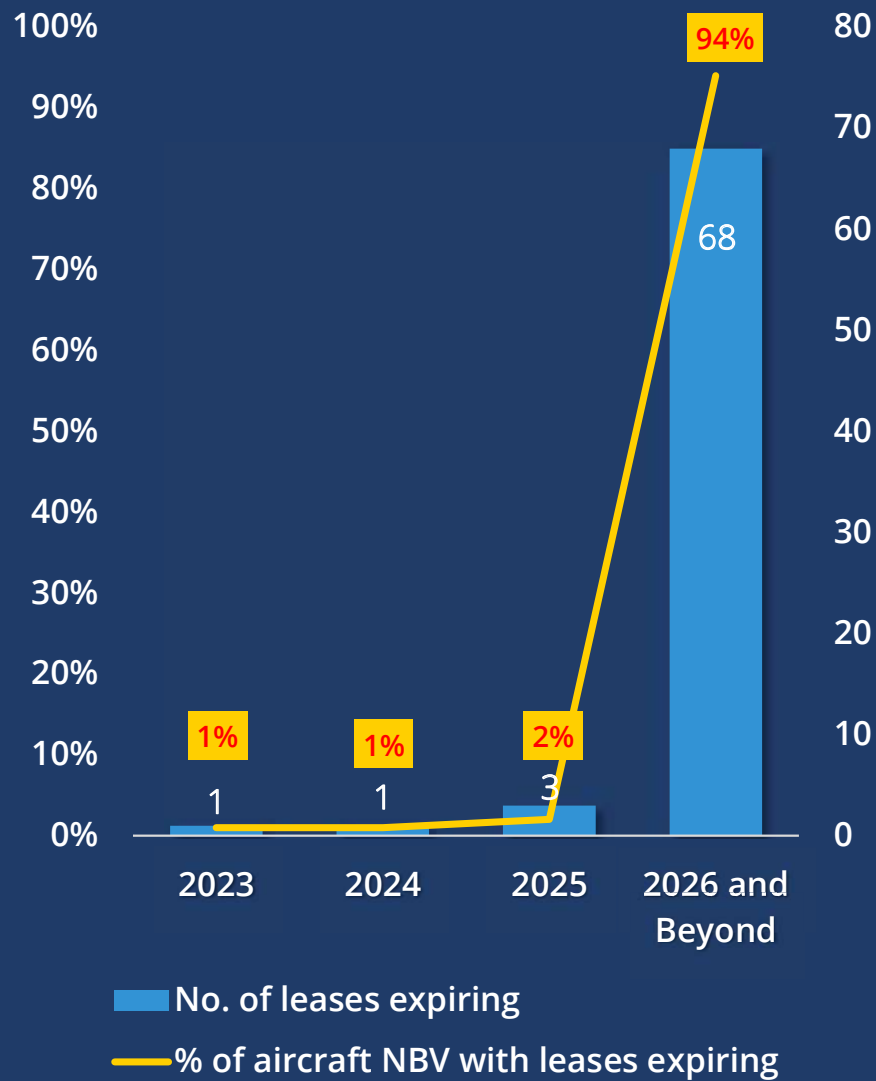


## PROFIT MARGINS



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

# 8.4 Years of Average Remaining Lease Term



- Most of the leases expire beyond 2026.
- 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

ALAFCO has a young fleet of aircraft with all capital commitments to be invested in new technology aircraft.

By investing in these aircraft, we anticipate greater fuel efficiency, lower emissions and lower noise footprint and thus assisting our customers in meeting ESG targets.

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

## SUSTAINABILITY LINKED STRATEGY

Emphasis to procure and maintain a fleet of new generation aircraft remains vital to ALAFCO's strategy.

Actively sell older technology aircraft to de-risk portfolio and reduce overall emissions.

Provide financing to airlines through our leasing products, which inevitably allow airlines to reduce carbon emissions.

We continue to support investment in new technology aircraft and introduce this to our growing customer base.

## 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.

We continue to promote our charity work to actively convey our values.



# OUTLOOK

# Market Outlook

## PASSENGER TRAVEL GROWING

- Industry-wide RPKs continue to rise steadily, driven by loosened travel restrictions. Global RPKs reached around 75% of 2019 level (IATA).
- Most of the main domestic markets continue to achieve strong results, trending close to pre-COVID levels.
- International RPKs rose above 120% in September YoY, showing continued strong recovery in travel.
- Passenger bookings remain high, as passengers' willingness to travel continues to be observed internationally.

## AIRLINES REMAIN RESILIENT

- Airlines continue to demonstrate strong resilience despite shock of the pandemic.
- Financial profitability remains within reach of the industry as a whole.
- Losses are expected to cut down to US\$6.9 billion this year, with profitability on the horizon in 2023 (IATA).
- A complex macro-environment continues to place pressure on cost, specifically higher jet fuel prices and lingering restrictions in a few markets such as China.

## LESSORS MARKET REMAINS ATTRACTIVE

- Lessors continue to be integral in financing OEM deliveries.
- Lease rates are being pushed up by both aircraft shortage and rising interest rates.
- Healthy and balanced demand remains for new and used aircraft.
- Over 50% of the world's passenger aircraft is leased, with demand rising as airlines seek to optimize capital planning strategies.
- Leasing market remains competitive, with supply restrictions benefiting those with strong orderbooks.



# Q&A



# Contact

For more information please contact:

## Investor Relations

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ALAFCO KSCP is listed on Boursa Kuwait

ISIN Code: KW0EQ0602221

Reuters: ALAF.KW

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



**THANK YOU**