



ALAFCO AVIATION LEASE AND FINANCE CO. KSCP

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

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

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

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

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 Second quarter of the financial year 2021/2022 was held via a web conference call on Wednesday 18/05/2022 at 1:00pm. Furthermore, no material information was disclosed during the web conference call. In the meantime, please find attached the earnings presentation for Q2 2021.

بالإشارة إلى الموضوع أعلاه، يرجى العلم بأن مؤتمر المحللين/ المستثمرين للربع الثاني من السنة المالية 2022/2021 للشركة قد انعقد عن طريق الإتصال المرئي والمسموع على الإنترنت ( web conference ) يوم الأربعاء 2022/05/18، الساعة الواحدة ظهراً ولم يتم تداول أي معلومات جوهرية خلال المؤتمر.

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

وتفضلوا بقبول فائق الاحترام،

سليمان أحمد المصنف

أمين سر مجلس الإدارة





# 1H 2022 Earnings Call

6-month period ending on March 31, 2022

# Agenda

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



# ALAFCO Highlights

As of 31<sup>st</sup> March 2022

77

Aircraft in Portfolio

68

Aircraft on Order

23

Customers Presently

17

Countries Presently

4.8 years

Portfolio Weighted Average Age

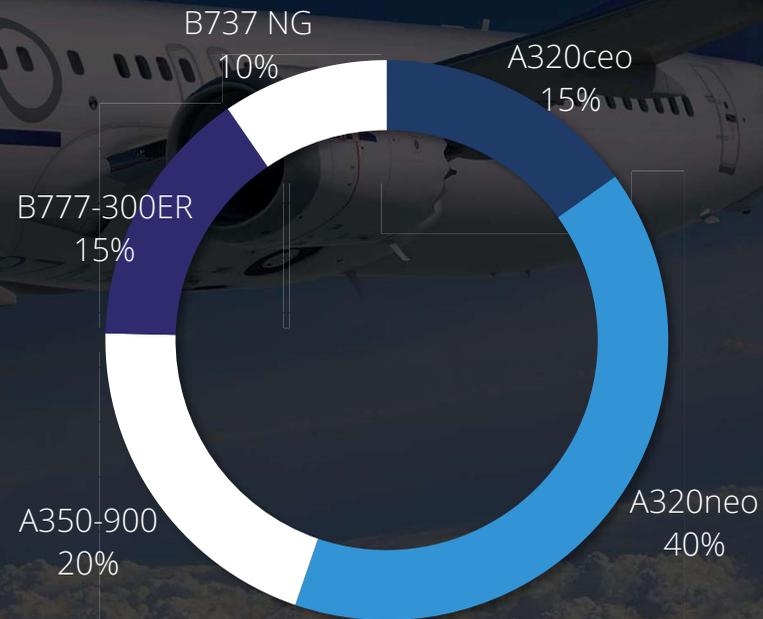
8.5 years

Average Lease Remaining

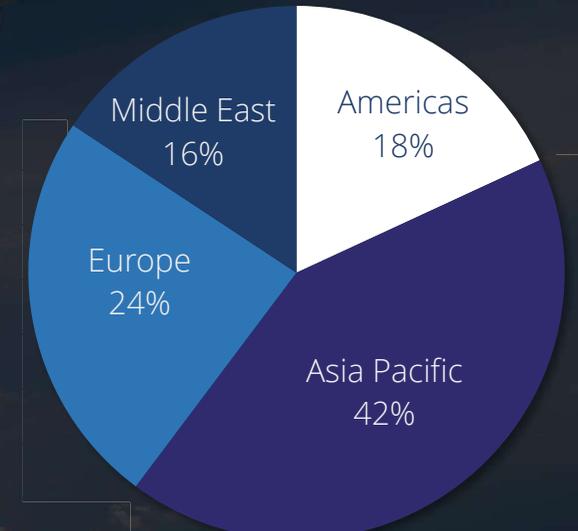
82%

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.
- Lessors continue to witness a tapering of rent deferrals as airlines see a return of demand and high summer bookings.
- Increased M&A activity is being witnessed, as consolidation remains high priority for many lessors. 2021 witnessed highest volume of M&A across the leasing industry.

## AIRLINES REVIEW

- Airlines, particularly European airlines have witnessed strong growth, with many recording profits or expected to record profits in 2022.
- Rising inflation and interest rates are likely to push up ticket prices which may suppress demand as consumer change spending habits.
- Covid-19 variants emerging in China, continue to impact domestic travel in Asia, however, impact globally is limited.

## TRAVEL RETURNING

- Globally travel demand has shown strong recovery, with the conflict in Ukraine and the latest Covid-19 enforced lockdowns in China having limited impact on global travel demand.
- European markets continue to lead recovery with other regions showing promising growth in passenger travel.
- International RPK's in March 2022 rose 285% compared to March 2021 - a sign of strong pent-up demand being realized.



# OPERATIONAL REVIEW

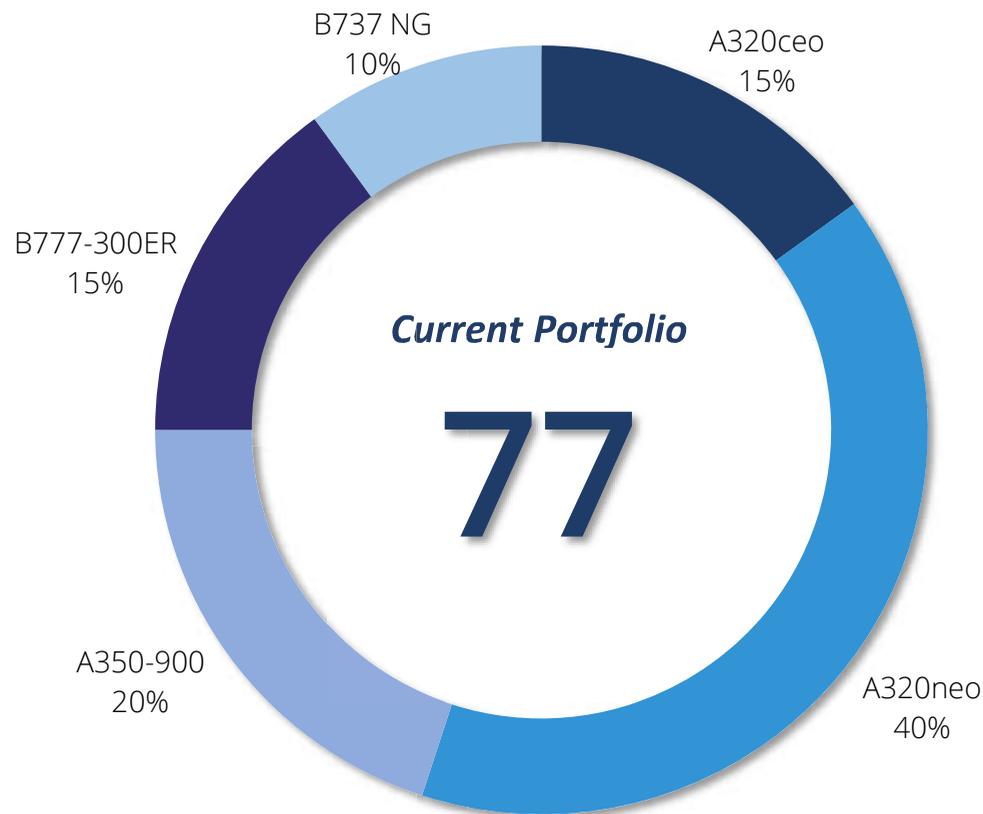
# 1H Highlights

- Signed the lease agreement with ITA, the new flag carrier of Italy, for a 12-year lease for four A350-900XWB aircraft. Deliveries of the aircraft is planned later this year.
- A second lease agreement was signed with Ultra Air for two A320-200 aircraft. The aircraft were delivered to Ultra Air during the second quarter.
- Successfully completed the sale of two A320-200 aircraft to MedSky, an LCC based in Libya.



## MedSky

# Fleet Composition



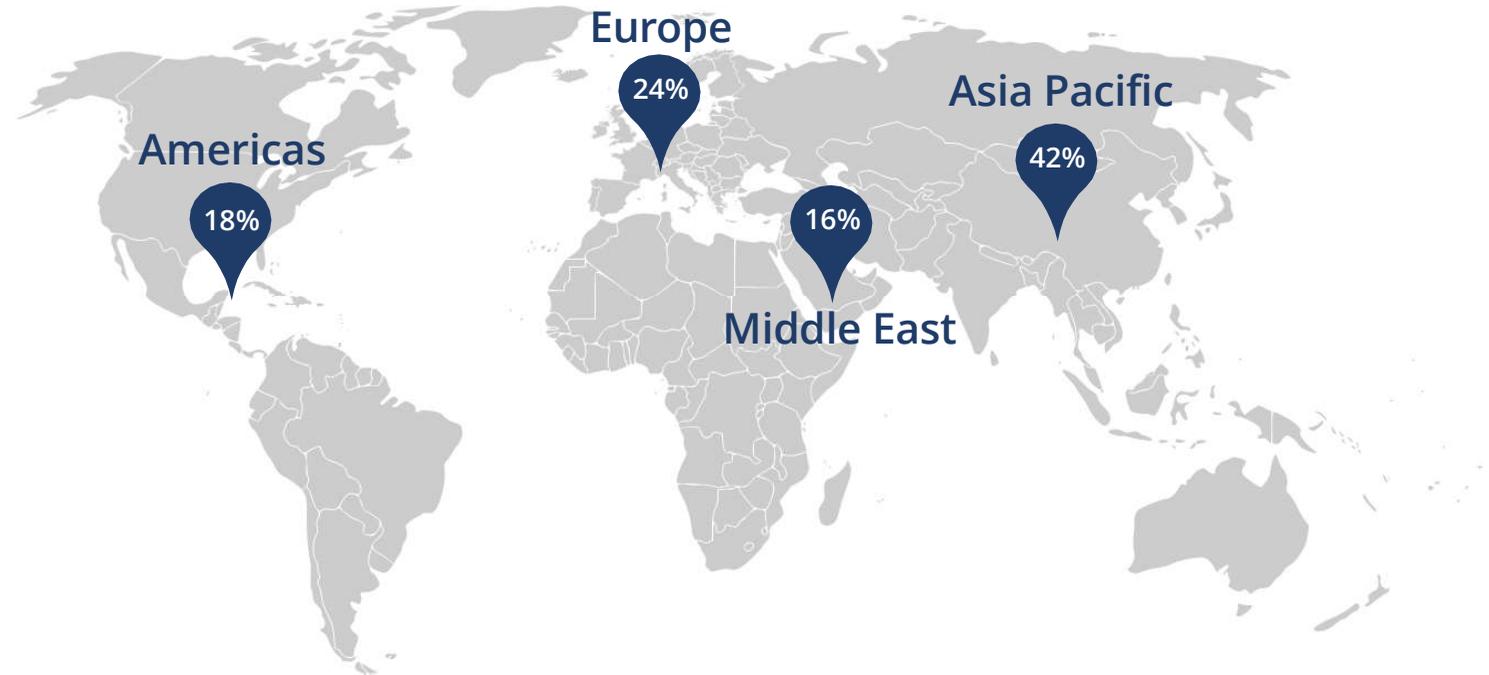
Portfolio Weighted  
Average Age

**4.8** 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





# FINANCIAL REVIEW

# 1H 2022 Earnings

## OPERATING LEASE REVENUE

KD **51.0** million

-2%

*KD 51.7 million in 1H 2021*

## NET PROFIT / LOSS

KD **(4.5)** million

79%

*KD (2.5) million in 1H 2021*

## EPS

**(4.76)** fils

79%

*KD (2.66) fils in 1H 2021*

# Financial Highlights (IN KD)

INCOME STATEMENT	1H 2022	1H 2021	CHANGE
Operating Lease Revenue	50,962,439	51,748,700	-2%
Depreciation	(25,484,211)	(25,184,469)	1%
Finance cost	(17,447,856)	(16,531,857)	6%
Staff Cost	(1,968,688)	(1,609,522)	22%
Other Expenses	(1,704,834)	(2,174,140)	-22%
Other income	2,047,753	51,780	3,855%
Allowance for credit losses / Reversal	(159,045)	(8,661,951)	-98%
Gain on Sale of Aircraft	2,409,682	-	100%
Impairment	(13,184,336)	-	100%
<b>Profit Before Tax</b>	<b>(4,529,096)</b>	<b>(2,361,459)</b>	<b>92%</b>
<b>Net Profit after Tax</b>	<b>(4,529,096)</b>	<b>(2,361,459)</b>	<b>79%</b>

1. Net loss increased due to an impairment of KD 13.2 million charged against some aircraft as the airline is under insolvency procedures.
2. The increase in loss was partly offset by:
  - a) Improvement in the collection of past dues and monthly dues, reducing the 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 – contributed to a reduction of net loss.
  - c) Gain recorded from the sale of two A320 aircraft.

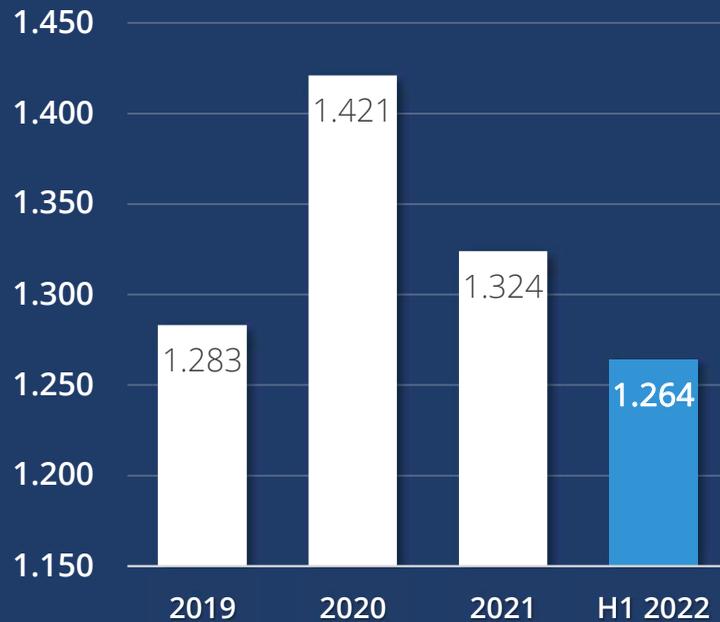
# Financial Highlights (IN KD)

BALANCE SHEET	Mar 31, 2022	Sep 30, 2021	CHANGE
Aircraft, Engines and Equipment	1,104,997,679	1,150,098,985	-4%
Capital Advances	118,446,397	116,831,393	1%
Receivables	23,935,516	15,317,590	56%
Cash and Cash Equivalents	16,181,523	42,093,620	-62%
<b>Total Assets</b>	<b>1,263,561,115</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	178,089,323	180,582,293	-1%
<b>Total Equity</b>	<b>273,298,671</b>	<b>275,791,641</b>	<b>-1%</b>
Loans and Borrowings	837,051,803	889,532,594	-6%
Security Deposits	11,899,602	15,620,085	-24%
Maintenance Reserves + Provisions	121,491,165	125,622,464	-3%
Other Liabilities	19,819,874	17,774,804	12%
<b>Total Liabilities</b>	<b>990,262,444</b>	<b>1,048,549,947</b>	<b>-6%</b>
<b>Total Equity and Liabilities</b>	<b>1,263,561,115</b>	<b>1,324,341,588</b>	<b>-5%</b>

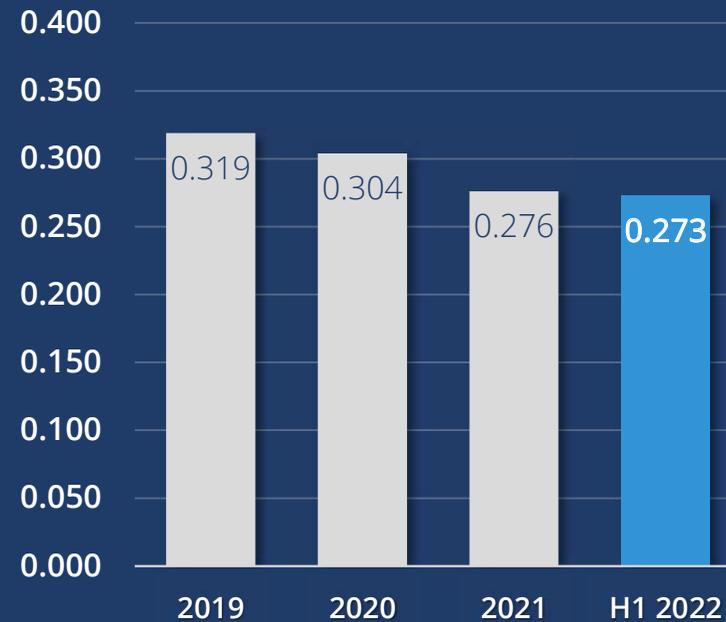
- Total assets declined as a result of:
  - Impairment recorded on aircraft,
  - Decline in cash and cash equivalent, and
  - Depreciation charges on aircraft.
- Movement in equity represents the net loss recorded during the period, in addition to the positive movement in FCTR as the US dollar appreciated against the Kuwaiti dinar.
- 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)

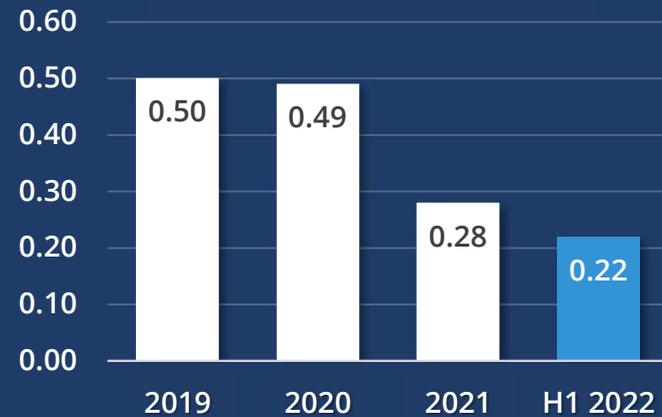


LIABILITY GROWTH (in KD bln)

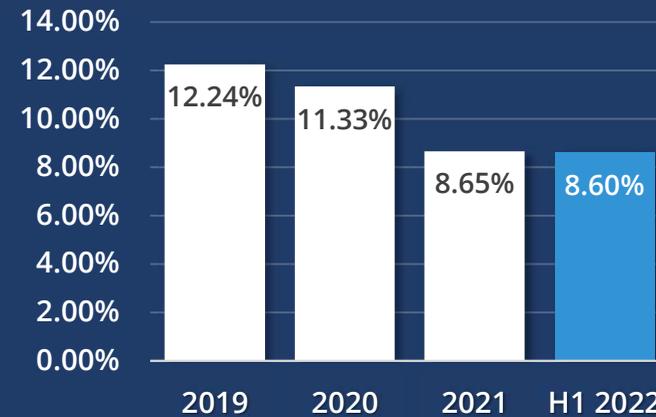


# Key Financial Ratios

## CURRENT RATIO

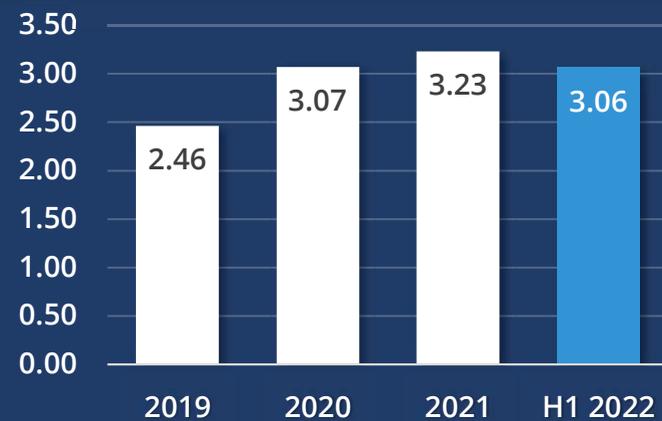


## AVERAGE LEASE RATE FACTOR



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

## DEBT-TO-EQUITY RATIO

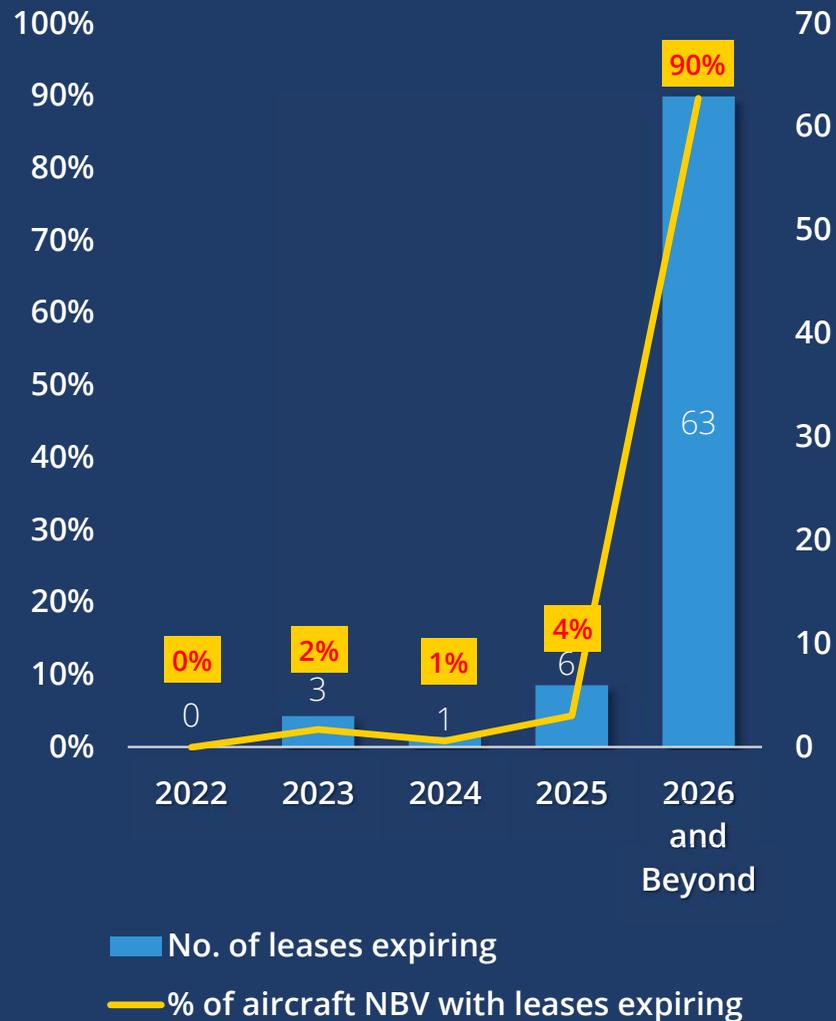


## PROFIT MARGINS



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

# 8.5 Years of Average Remaining Lease Term



- Most of the leases expire beyond 2026.
- Average remaining lease term is 8.5 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.

A photograph of a white commercial airplane with "ALAFCO" written in large blue letters on the fuselage. The aircraft is on a tarmac at sunset, with a blue and white striped tail fin. A dark blue rectangular box is overlaid on the lower part of the image, containing the word "SUSTAINABILITY" in white capital letters.

# SUSTAINABILITY

# Sustainability Commitment

## TRANSITION TO FUEL-EFFICIENT FLEET

Fuel efficiency remains a priority for the industry and ALAFCO's orderbook reflective of our ESG commitment.

ALAFCO continues to divest from older aircraft and harness capabilities of new technology aircraft, which bring enhanced fuel-efficiency.

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 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 witnessed a strong rebound in 2022, with impact of conflict in Ukraine and Covid-19 related restrictions in China having limited impact on demand.
- Market continues to witness strong recovery, with traffic levels on track to approach pre-pandemic levels.
- Wider macro factors, including inflation concerns and rising interest rates, may suppress demand for travel the longer elevated prices persist.

## AIRLINES FACING CHALLENGES

- Airlines have shown robust performance from the beginning of 2022, with many showing strong demand.
- IATA forecasts airline net losses to fall to around an estimated US\$12 bn in 2022 from US\$52 bn.
- Rising fuel prices likely to weigh on airlines to manage operating costs – fleet optimization will drive efficiencies.
- Many airlines remain bullish with expectation of generating profits with strong summer bookings and ticket sales being a major driver.

## LESSORS MARKET REMAINS ATTRACTIVE

- Lessors continue to demonstrate resilience with diversification of customers and geography continuing to attract capital.
- Lessors continue to be integral in financing OEM deliveries. This is likely to persist into the long-term.
- M&A remains a core characteristic of the leasing market. Growing consolidation trend is expected as this is likely to bring about improved economies of scale.



# Q&A

# Contact

For more information please 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**