



1H 2021 Earnings Call

6-month period ending on March 31, 2021



STARTING SHORTLY

1H 2021 Earnings Call
6-month period ending on March 31, 2021

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Agenda

1. ALAFCO Highlights
2. Industry Update
3. Operational Review
4. Financial Review
5. Sustainability Strategy
6. Outlook for 2021 and Beyond



ALAFCO Highlights

As of 31st March 2021

79

Aircraft in Portfolio

72

Aircraft on Order

24

Customers Presently

17

Countries Presently

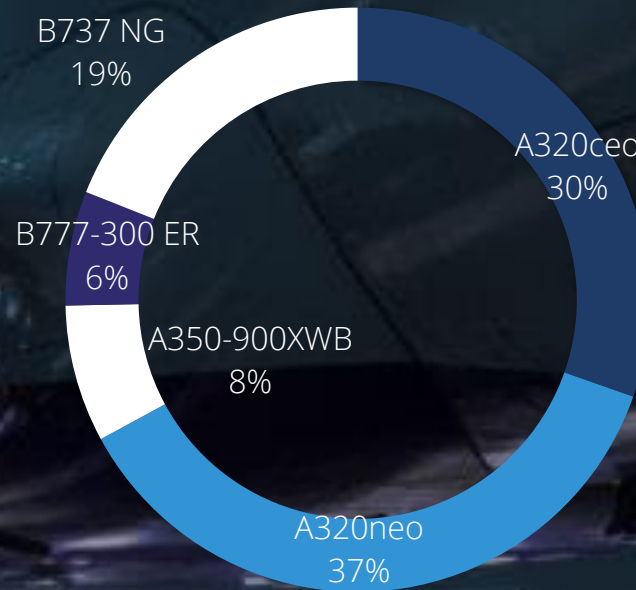
4.4 years

Portfolio Weighted Average Age

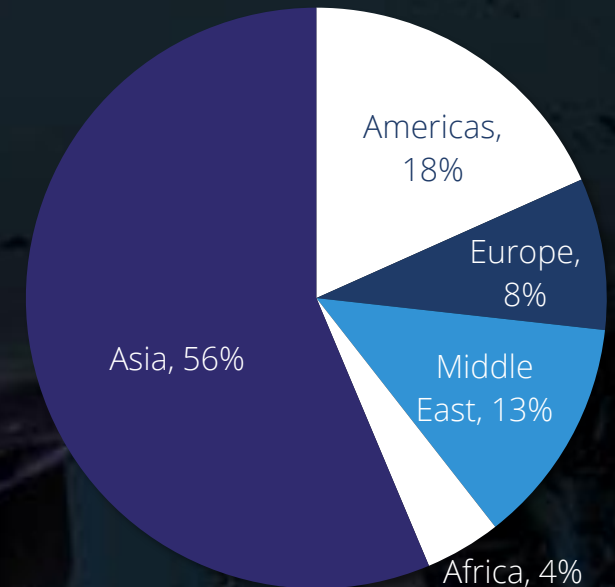
86%

Narrow-body Aircraft in Fleet

AIRCRAFT COMPOSITION



DISTRIBUTION



SERVICES:

LEASING

AIRCRAFT TRADING

SALE & LEASEBACK

AIRCRAFT LEASING MANAGEMENT

ALAFCO Highlights

- Pandemic has demonstrated the strength of ALAFCO's fleet focus on young, popular, liquid aircraft types and a diversified portfolio of airlines credits.
- Strong order pipeline of new generation, narrow-body aircraft to meet long-term demand.
- Reduced aircraft purchase commitments in the 2020-2023 timeframe through a combination of cancellations and deferrals.

A large commercial airplane is shown in a hangar, viewed from a low angle. The aircraft is white with a purple and blue livery. The tail fin is visible on the left. The fuselage is the main focus, with windows and a purple stripe. Below the aircraft, two people are standing, looking up at the plane. The hangar floor is polished and reflects the light from the windows. The overall lighting is dim, with a blueish tint.

INDUSTRY UPDATE

Industry Review: A Year Into the Pandemic

IMPACT ON LEASING

- Slowdown in demand for leased aircraft and requests for rental deferrals from airlines.
- Airlines reluctant to add capacity with forecast of capacity to return at a slower pace than traffic.
- This has caused an increase in rental arrears and difficulties in leasing aircraft to airlines.

IMPACT ON AIRLINES

- IATA forecasts a net loss of \$47.7 billion for airlines in 2021, but a 62% improvement over 2020.
- Cost remains a challenge with airlines focused on preventing cash burn in 2021.
- Airlines are receiving help from governments and suppliers (lessors and banks).

POSITIVE SIGNS

- Air traffic is increasing in the two biggest domestic markets, China and USA, with positive signs for travel within Europe, indicating that a recovery has started.
- Vaccine rollout continues at pace, with Europe and North America leading the way, signaling international travel to resume by July 2021.
- Moody's changed their outlook for global airlines to positive from negative (May 2021).

Market Overview

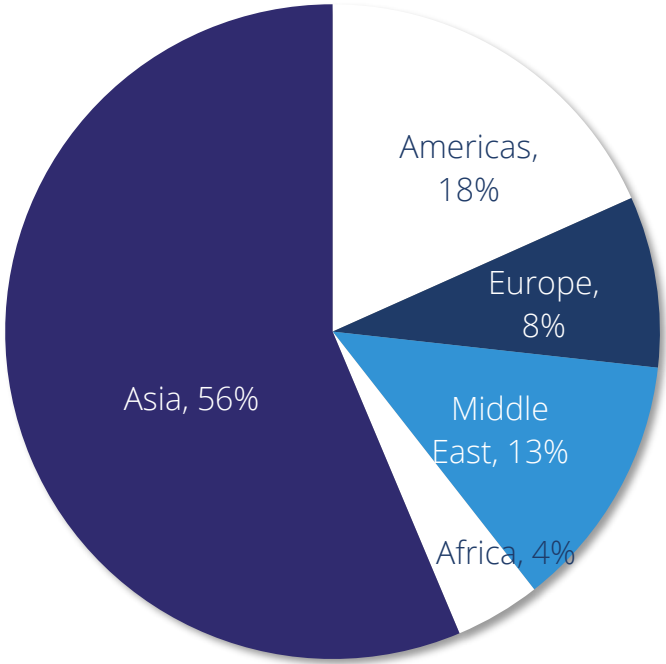
- Domestic travel recovering faster than international travel largely driven by buoyant economic growth, accumulated consumer savings, pent-up demand and lack of travel restrictions within borders.
- Short-term aviation environment remains challenging, but medium-term outlook improving as vaccine rollout progressing quickly.
- Aircraft leasing model remains strong. Significant capital has been raised in the aviation sector supporting aircraft values.
- Lessors seen as conduit to re-capitalize airlines and enable OEMs to deliver new aircraft, fueling continued growth of leased fleet.



OPERATIONAL REVIEW

Lease Update: Deliveries as scheduled

FLEET DISTRIBUTION



As % of number of aircraft at 31st March 2021

Q1 DELIVERIES

- Delivered a new A320neo to SAS, fourth to be delivered as part of a five A320neo agreement deal signed in 2019.
- Delivered the first A320neo to Volaris as part of the sale and leaseback agreement for four aircraft signed earlier in 2020.

Q2 DELIVERIES

- Delivered the second A320neo to Volaris, which is a Mexican low-cost carrier and the country's second largest airline.

Order Book: Ready to Support Recovery

72 Aircraft on Order

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

42

A320neo



10

A321neo



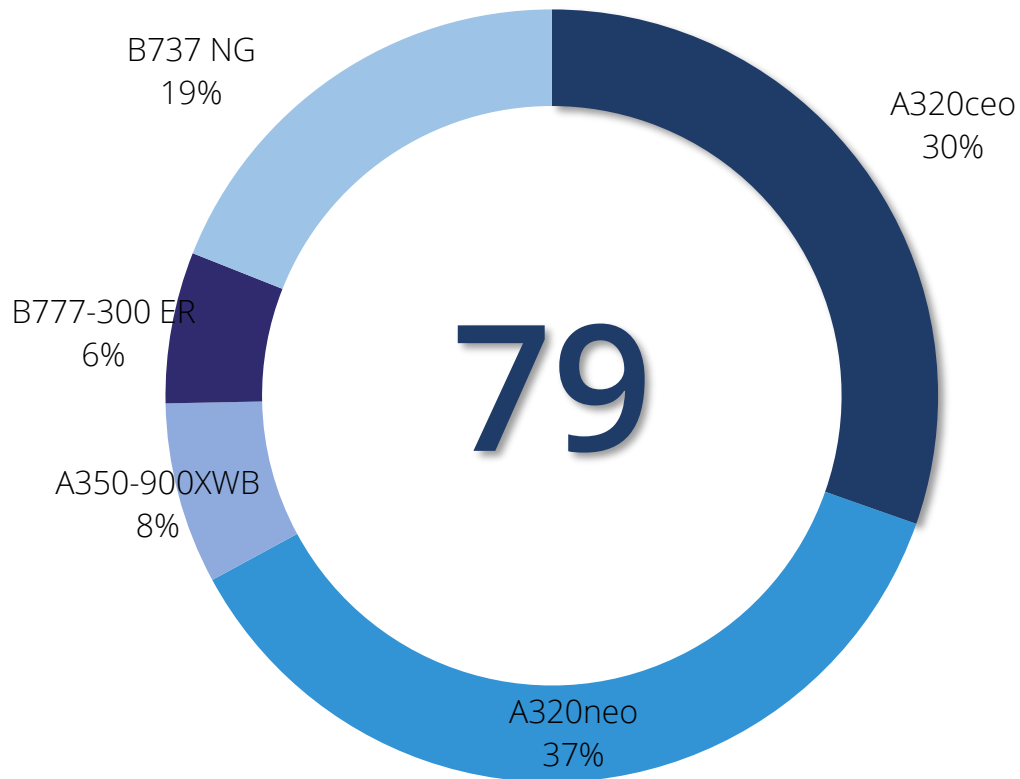
20

B737-8 MAX



Fleet Update: Young and Balanced

AIRCRAFT COMPOSITION



As % of number of aircraft, as on 31st March 2021

Portfolio Weighted
Average Age

4.4 Years

- Well-diversified and young portfolio of new generation liquid aircraft.
- Lower exposure to widebody aircraft, thus limiting impact of current near-term headwinds.
- Young fleet preserves source of future long-term revenue.
- One newly delivered aircraft maintains a young average portfolio age and ALAFCO shall sustain a younger fleet with future deliveries.



FINANCIAL REVIEW

H1 Earnings

TOTAL REVENUE*

KD **51.8** million

-14%

KD 60.2 million in H1 2020

OPERATING LEASE REVENUE

KD **51.7** million

-11%

KD 58.2 million in H1 2020

NET PROFIT / LOSS

KD **(2.5)** million

-43%

KD (4.5) million in H1 2020

EPS

(2.66) fils

-119%

(4.71) fils in H1 2020

** Total revenue comprises Lease Revenue, Trading and Other Income*

Financial Highlights (IN KD)

INCOME STATEMENT	1H 2021	1H 2020	CHANGE
Operating Lease Revenue	51,748,700	58,228,842	-11%
Depreciation	(25,184,469)	(22,631,195)	11%
Finance cost	(16,531,857)	(19,670,970)	-16%
Staff Cost	(1,609,522)	(1,732,372)	-7%
Other Expenses	(2,174,140)	(4,960,255)	-56%
Other income	51,780	550,403	-91%
Allowance for credit losses / Reversal	(8,661,951)	(191,431)	4,425%
Gain on Sale of Aircraft	-	1,430,140	-100%
Impairment	-	(15,509,947)	-100%
Profit Before Tax	(2,361,459)	(4,486,785)	-47%
Net Profit after Tax	(2,535,830)	(4,486,785)	-43%

Comparatively lower net losses have been recorded by the company during the current period. Such improvement in net result is mainly due to no impairment charge during the current period compared to impairment of KD 15.5 million recorded during the previous period. Improvement in net results achieved through no impairment is partly offset by increased allowance for credit losses and reduced lease income during the current period.

Financial Highlights (IN KD)

BALANCE SHEET	1H 2021	2020	CHANGE
Aircraft, Engines and Equipment	1,166,703,880	1,161,111,356	0%
Capital Advances	135,114,366	162,874,986	-17%
Receivables	40,927,369	57,285,113	-29%
Cash and Cash Equivalents	13,866,763	39,732,227	-65%
Total Assets	1,356,612,378	1,421,003,682	-5%
Share Capital and premiums	95,209,348	95,209,348	0%
Retained Earning and Reserves	202,521,371	208,817,689	-3%
Total Equity	297,730,719	304,027,037	-2%
Loans and Borrowings	888,119,404	934,051,774	-5%
Security Deposits	11,770,549	11,526,570	2%
Maintenance Reserves + Provisions	141,217,470	156,918,631	-10%
Other Liabilities	17,774,236	14,479,670	23%
Total Liabilities	1,058,881,659	1,116,976,645	-5%
Total Equity and Liabilities	1,356,612,378	1,421,003,682	-5%

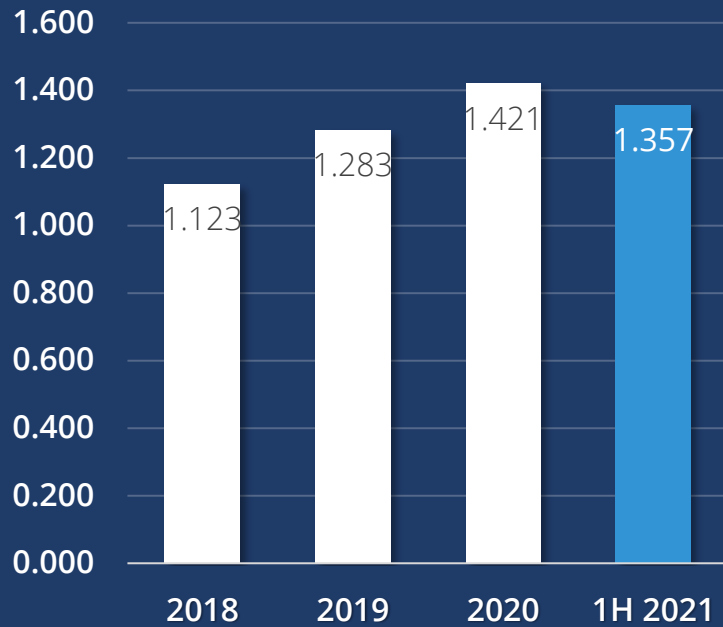
1. Although, three new A320neo aircraft added during the period, total assets have declined by 5% which is a combination of decline in receivables, decline in cash and depreciation charge for the current period.

2. 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.

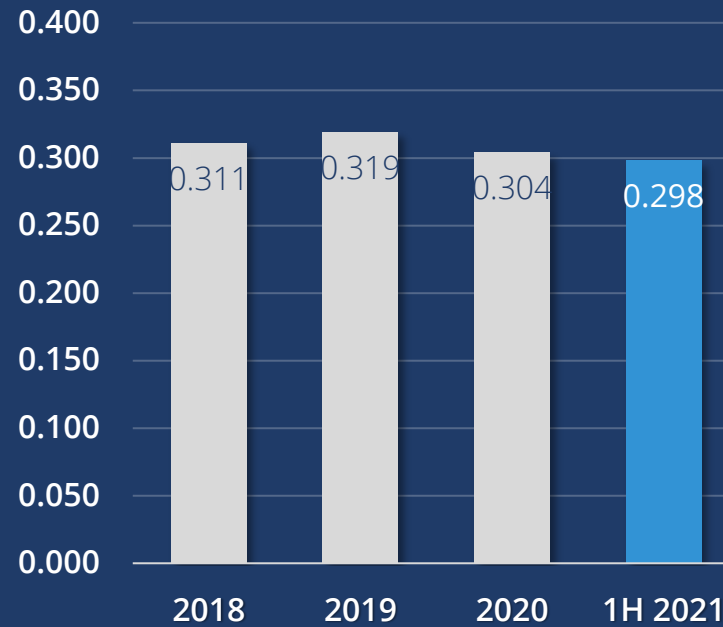
3. Decline in in total liabilities from the previous year represents (a) the repayment of loans and (b) the decline in maintenance reserve liabilities which is settled or reduced as part of restructuring of the leases.

Financial Position

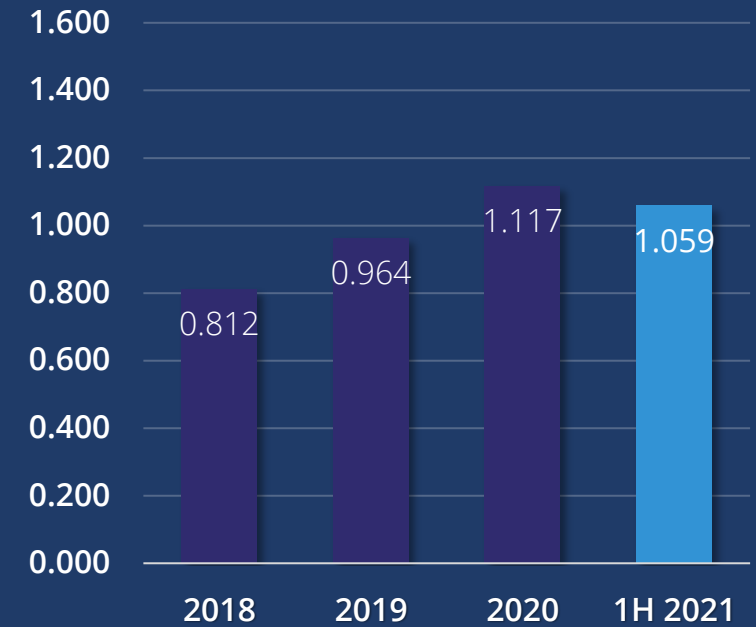
ASSET GROWTH (in KD bln)



EQUITY GROWTH (in KD bln)



LIABILITY GROWTH (in KD bln)

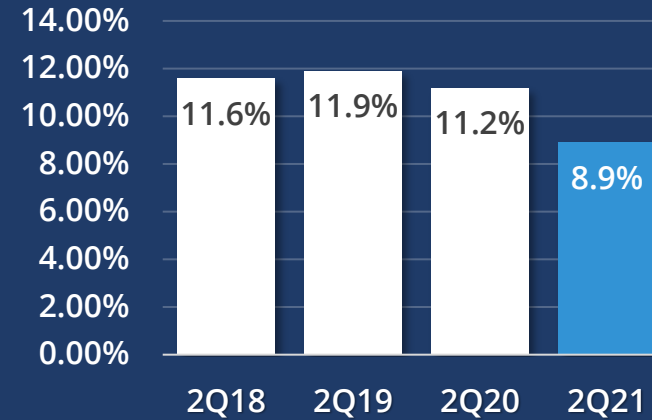


Key Financial Ratios

CURRENT RATIO

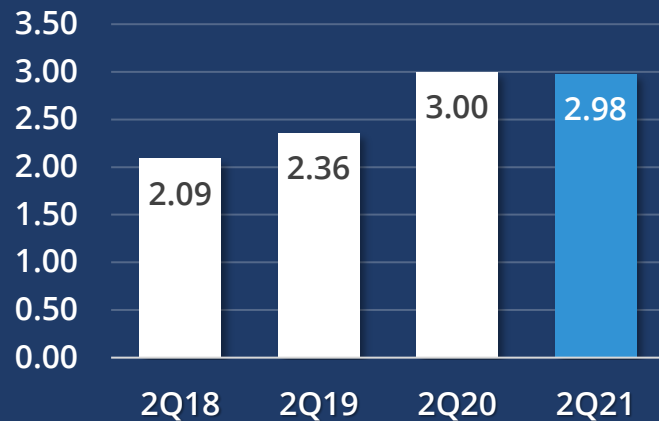


AVERAGE LEASE RATE FACTOR

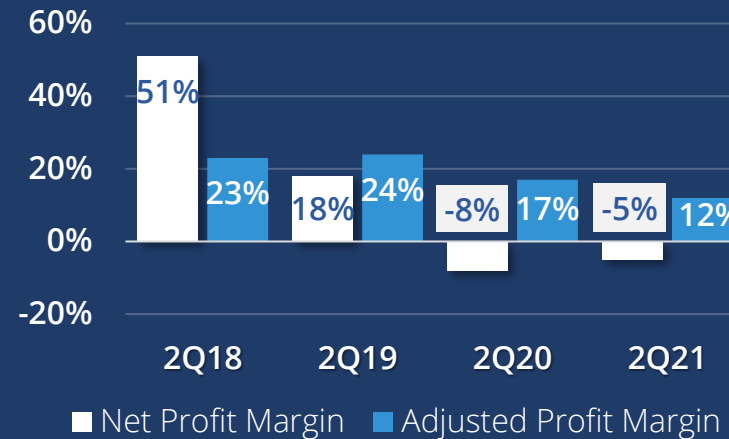


Average Lease Rate Factor = Lease Revenue / Net Book Value of Aircrafts

DEBT-TO-EQUITY RATIO

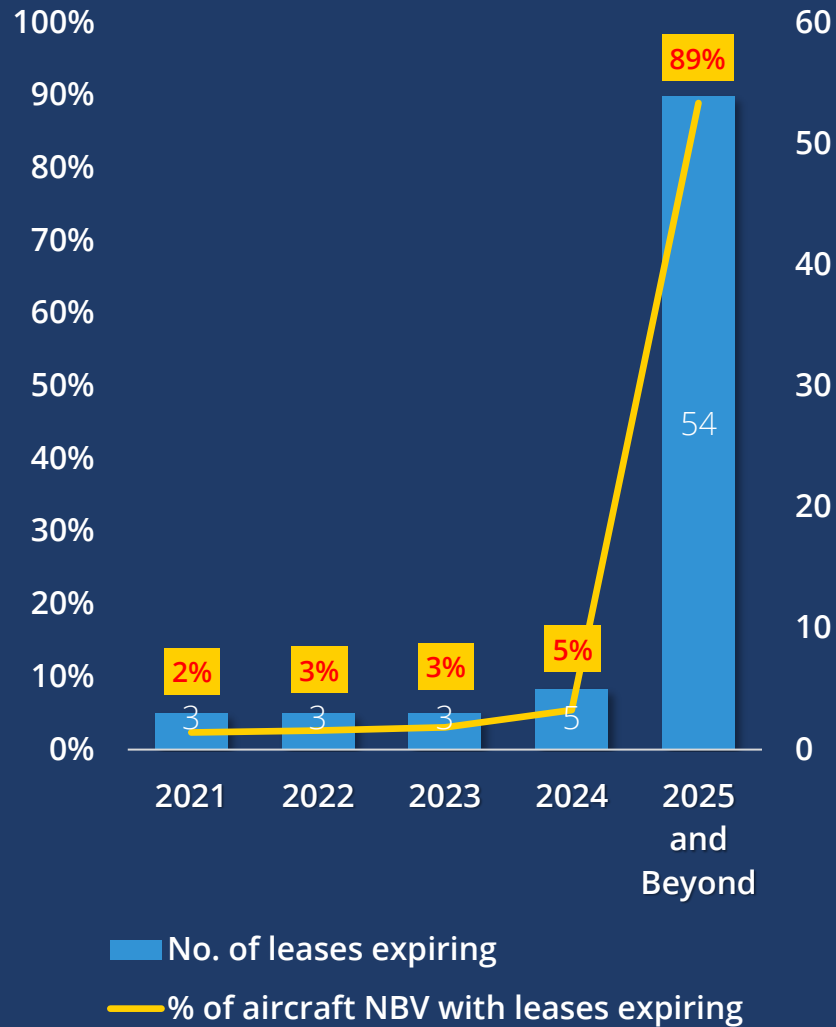


PROFIT MARGINS



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

Average Remaining Lease Term



- Most of the leases are expiring beyond 2025.
- Average remaining lease term is 7.7 years for the aircraft currently on lease.
- Until 2024, ALAFCO has few aircraft to be delivered and coming out of lease. The company is currently working either to sell or lease these aircraft.



SUSTAINABILITY

Sustainability Commitment

YOUNG, FUEL EFFICIENT FLEET

ALAFCO remains committed to buy and rent the most fuel-efficient aircraft to support airlines.

Our new generation aircraft will support airlines to meet their CORSIA obligations (Carbon Offsetting and Reduction Scheme for International Aviation).

FINANCING SWITCH TO NEW AIRCRAFT

Lessors like ALAFCO enable cash strapped airlines to switch sooner to new fuel-efficient aircraft.

Lessors will finance up to two-thirds of the new, modern fuel-efficient aircraft for airline operators.

SOCIAL COMMITMENT

Our commitment to local causes remain as strong as ever. Current pandemic has created further disparities among communities which require our ongoing support.



OUTLOOK

Market Outlook

APPETITE FOR TRAVEL REMAINS STRONG

- Stronger rebound in economic recovery expected as higher consumers savings drive spending splurge.
- Divergence between domestic and international travel continues to exist, with domestic travel witnessing a sharper rebound, highlighting the appetite for travel when permitted.

FLEET EFFICIENCY

- Airlines continue to focus on cost containment and seek to restructure fleet post-Covid which offer lower cost and long-term sustainability.
- Near-term focus for most airlines is towards recovery rather than growth demand, and therefore rationalization of fleet towards fuel-efficiency remains key.

LESSORS MARKET SHARE

- Lessors to re-capitalize airlines, with Sale and Leaseback being the primary growth channel.
- Long-term, the share of leased aircraft is likely to increase as airlines seek more robust, liquidity focused balanced sheets.



Q&A

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Reuters: ALAF.KW

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

A large commercial airplane is shown from a low angle inside a hangar. The aircraft is white with a purple and blue livery. Two people are standing in the foreground, looking up at the plane. The hangar has several windows in the background, and the lighting is dim, creating a dramatic atmosphere.

THANK YOU