



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.

Date: 15 / 02 / 2023

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To: Boursa Kuwait Company

K.S.C.P.

Kuwait

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 2022/2023.

السادة / بورصة الكويت المحترمين،

الكويت

السلام عليكم ورحمة الله وبركاته،

الموضوع: افصاح شركة الأفكو لتمويل شراء وتأجير الطائرات ش.م.ك.ع عن مؤتمر المحللين / المستثمرين للربع الأول من السنة المالية 2023/2022

Greetings!

With reference to the above subject, please note that the conference with the analysts and investors for the first quarter of the financial year 2022/2023 was held via a web conference call on Wednesday 15/2/2023 at 2:00pm. Furthermore, no material information was disclosed during the web conference call.

In the meantime, please find attached the earnings presentation for Q1 2023.

تهدي لكم شركة الأفكو لتمويل شراء وتأجير الطائرات أطيب تحياتها.

بالإشارة إلى الموضوع أعلاه، يرجى العلم بأن مؤتمر المحللين/ المستثمرين للربع الأول من السنة المالية 2023/2022 للشركة قد انعقد عن طريق الإتصال المرئي والمسموع على الإنترنت (web conference call) يوم الأربعاء 2023/2/15، الساعة الثانية ظهراً ولم يتم تداول أي معلومات جوهرية خلال المؤتمر.

هذا ونرفق لكم طيه العرض التقديمي للربع الأول من عام 2023.

وتفضلوا بقبول فائق الاحترام،

سليمان أحمد المضاف

أمين سر مجلس الإدارة



Q1 2023 Earnings Call

First quarter period ending on December 31, 2022

Agenda

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



ALAFCO Highlights

As of 31st December 2022

76

Aircraft in Portfolio

47

Aircraft on Order

23

Customers Presently

17

Countries Presently

5.3 years

Portfolio Weighted Average Age

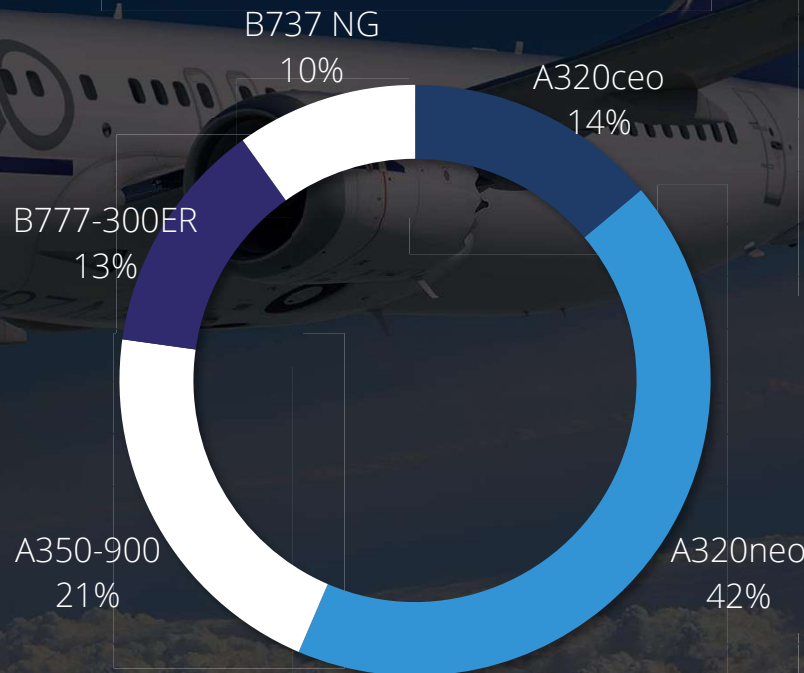
8.3 years

Average Lease Remaining

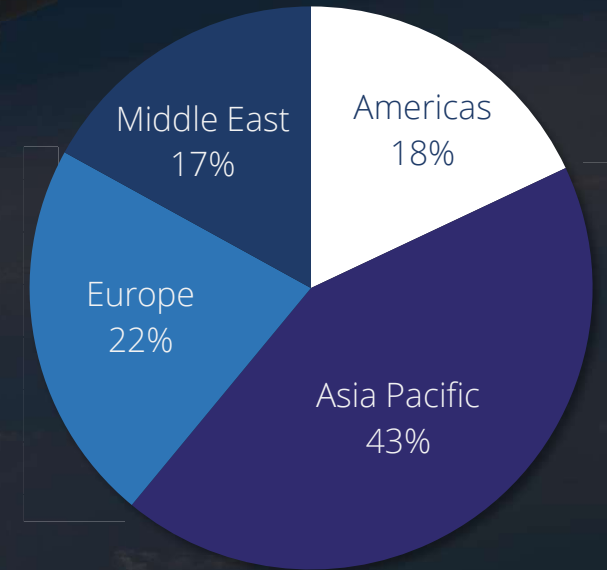
80%

Single-aisle in Committed Fleet

AIRCRAFT COMPOSITION



AIRLINE DISTRIBUTION



SERVICES:

LEASING

AIRCRAFT TRADING

SALE & LEASEBACK

AIRCRAFT LEASING MANAGEMENT



INDUSTRY UPDATE

Industry Review

LEASING REVIEW

- Low aircraft production and continued demand for aircraft are maintaining rates at resilient levels.
- Aircraft supply remains challenging with demand outstripping supply.
- Rising rates and higher cost of capital is likely to push lease rates higher.
- Lower operating and financial risks is more prevalent in the leasing sector with traffic volumes increasing and restrictions lifted.

AIRLINES REVIEW

- IATA expects a return to profitability for airlines in 2023 as they significantly cut losses in 2022.
- Inflationary pressure appears to be easing which is likely to drive down fuel costs.
- 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.
- Air passenger traffic gained momentum globally and RPKs increased from 41.7% in 2021 to 68.5% in 2022 compared to 2019 levels.
- China's reopening started propelling global air traffic back to pre-pandemic levels.
- Macroeconomic headwinds, appear to have softened with inflation peaking – driving demand through lower prices.



OPERATIONAL REVIEW

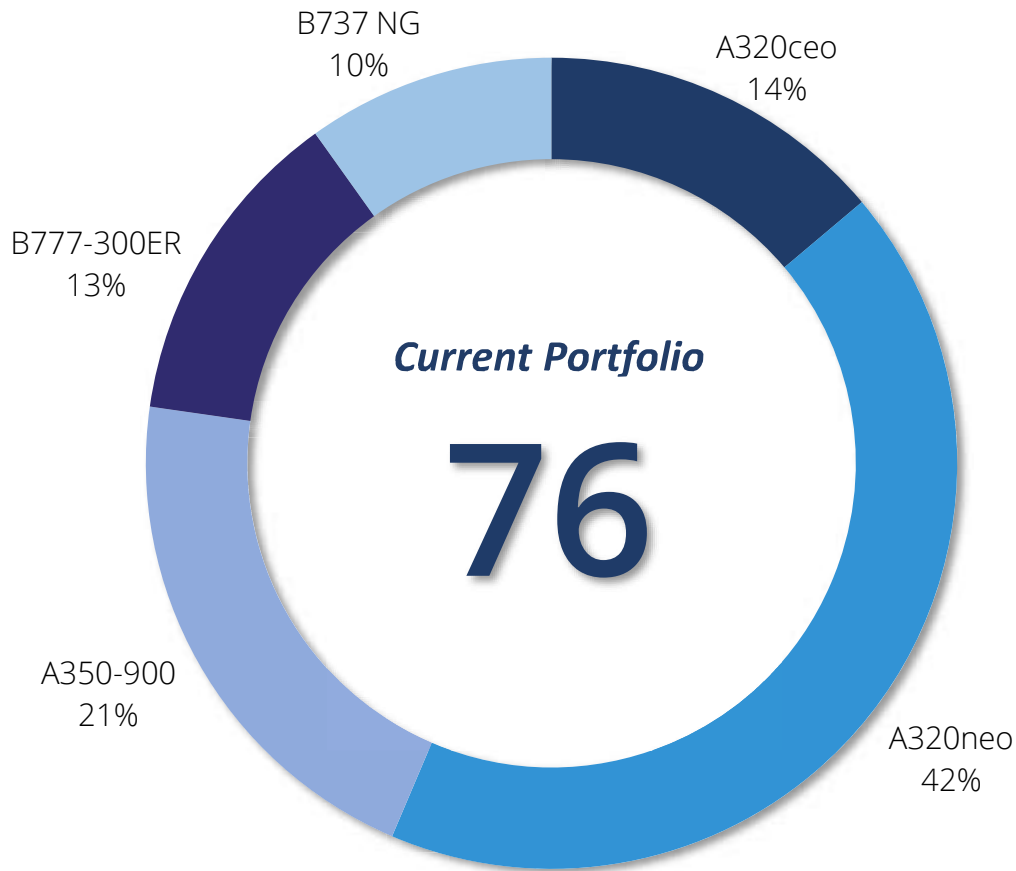
Q1 2023 Highlights

ALAFCO completed the following during Q1 2023:

- Delivered one of two new A320neo aircraft to Volaris (based in Mexico) from ALAFCO's orderbook as per the lease agreement signed previously. The second aircraft shall be delivered in Q2 2023.
- Delivered two of three A320-200 aircraft to Berniq as per the sale agreement. The remaining aircraft shall be delivered during the year.
- Shareholders approved the sale and purchase agreement of 53 aircraft from the company's portfolio and its Boeing order book of 20 B737-8MAX aircraft by Macquarie AirFinance.



Fleet Composition

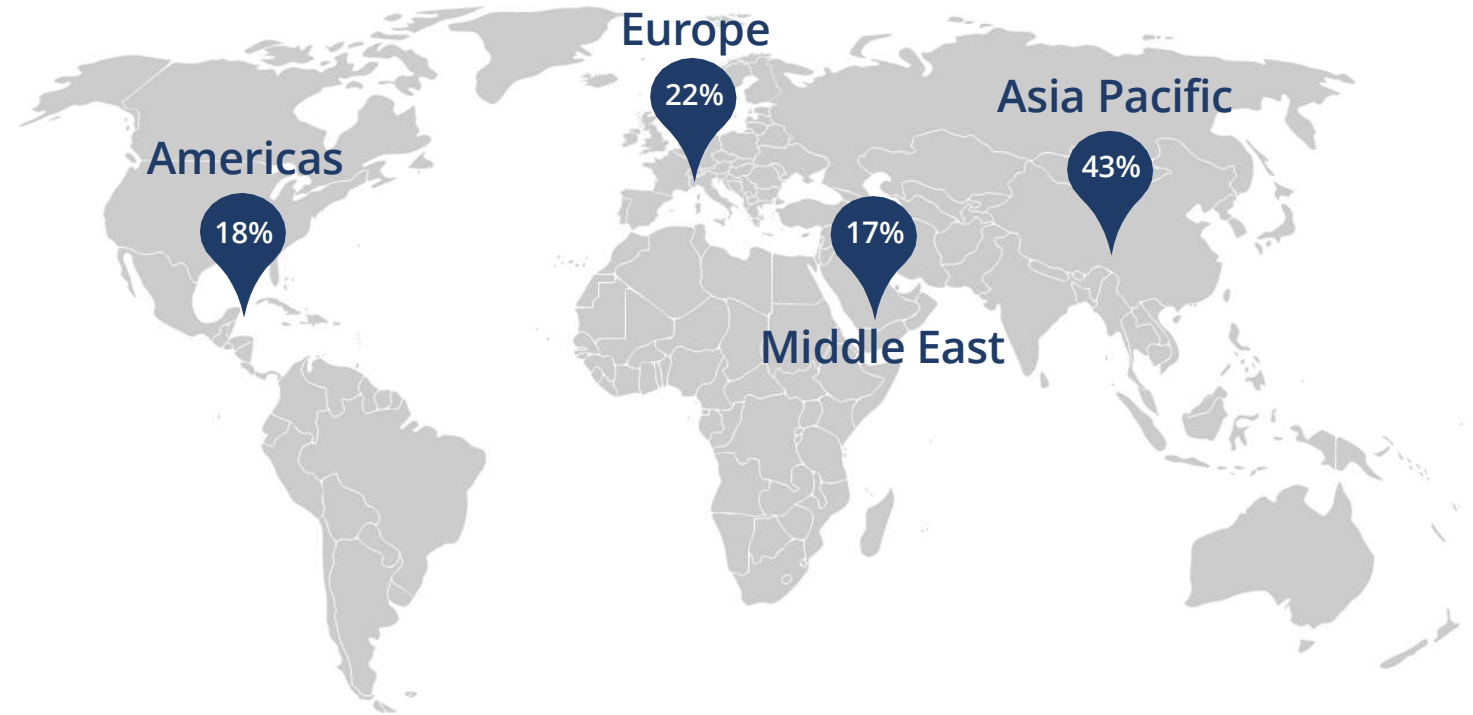


Aircraft composition % include delivered aircraft based on aircraft NBV

Portfolio Weighted Average Age **5.3** 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

47 Aircraft on Order

- 47 new technology advanced aircraft on order from Airbus.
- Majority of deliveries are scheduled to start in 2026 and beyond.

47
A320neo Family





FINANCIAL REVIEW

Q1 2023 Earnings

OPERATING LEASE
REVENUE

KD **8.2** million

-65%

KD 23.8 million in Q1 2022

NET PROFIT

KD **0.7** million

-71%

KD 2.3 million in Q1 2022

EPS

0.68 fils

-72%

(2.39 fils in Q1 2022)

Financial Highlights (IN KD)

INCOME STATEMENT	Q1 2023	Q1 2022	CHANGE
Operating Lease Revenue	8,209,176	23,776,905	-65%
Depreciation	(3,941,794)	(12,733,741)	-69%
Finance Cost	(11,467,242)	(8,862,928)	29%
Staff Cost	(656,419)	(881,652)	-26%
Other Expenses	(991,733)	(908,786)	9%
Other Income	9,504,155	1,310,462	625%
Allowance for Credit Losses / Reversal	-	652,280	-100%
Profit Before Tax	656,143	2,352,540	-72%
Net Profit after Tax	650,238	2,272,777	-71%

- Net profit of the company has decreased by 71% compared to the same period last year mainly due to:
 - Lease rental income and depreciation of aircraft not recorded on October 1, 2022, in respect with the 53 aircraft sold to Macquarie Airfinance.
 - Finance costs recorded on all aircraft and unsecured finance cost.
 - Increase in finance cost rate.
- Decrease in net profit was partly offset by:
 - Gain on sale of an aircraft
 - Other income from the reversal of old provisions which are no longer required to be paid to ay third party
 - A price ticker for the current period which is to be received from Macquarie Airfinance.

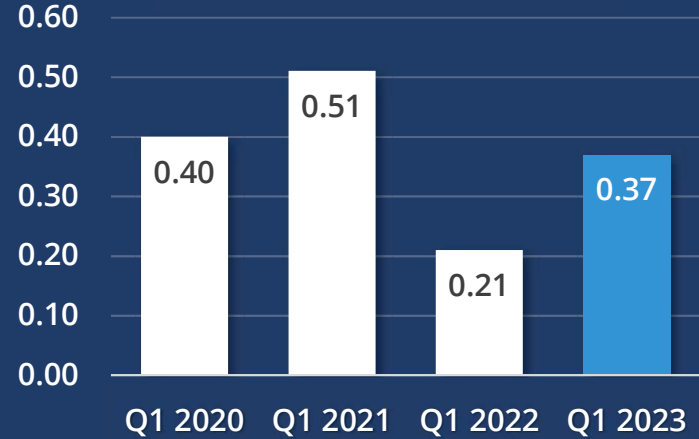
Financial Highlights (IN KD)

BALANCE SHEET	Dec 31, 2022	Sep 30, 2022	CHANGE
Aircraft, Engines and Equipment	1,056,598,034	1,067,295,751	-1%
Capital Advances	71,780,070	88,478,441	-19%
Receivables	28,180,046	25,326,718	11%
Cash and Cash Equivalents	32,043,358	25,113,155	28%
Total Assets	1,188,601,508	1,206,214,065	-1%
Share Capital and Premiums	95,209,348	95,209,348	0%
Retained Earning and Reserves	126,216,390	128,813,164	-2%
Total Equity	221,425,738	224,022,512	-1%
Loans and Borrowings	815,774,285	833,969,170	-2%
Security Deposits	12,516,397	12,450,499	1%
Maintenance Reserves + Provisions	109,144,620	115,121,641	-5%
Other Liabilities	29,740,468	20,650,243	44%
Total Liabilities	967,175,770	982,191,553	-2%
Total Equity and Liabilities	1,188,601,508	1,206,214,065	-1%

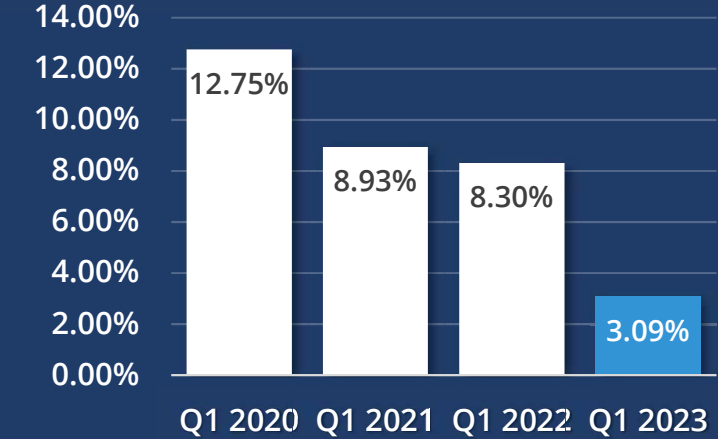
1. Total assets declined by 1% mainly resulting from a decline in capital advances of an A320neo aircraft delivered to Volaris, which is partly offset by the increase in cash and cash equivalents and receivables.
2. Total equity slightly declined mainly due to the negative movement in FCTR as the Kuwaiti dinar weakened against the US dollar.
3. Total liabilities slightly declined due to:
 - The repayment of loans,
 - Decline in maintenance reserve liabilities which is settled or reduced as part of restructuring of the leases.

Key Financial Ratios

CURRENT RATIO

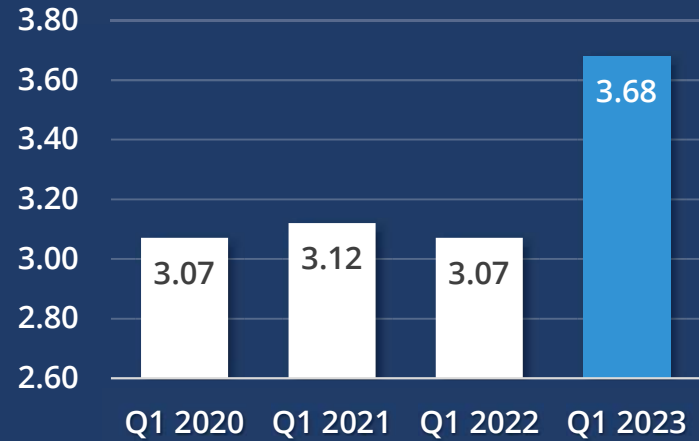


AVERAGE LEASE RATE FACTOR

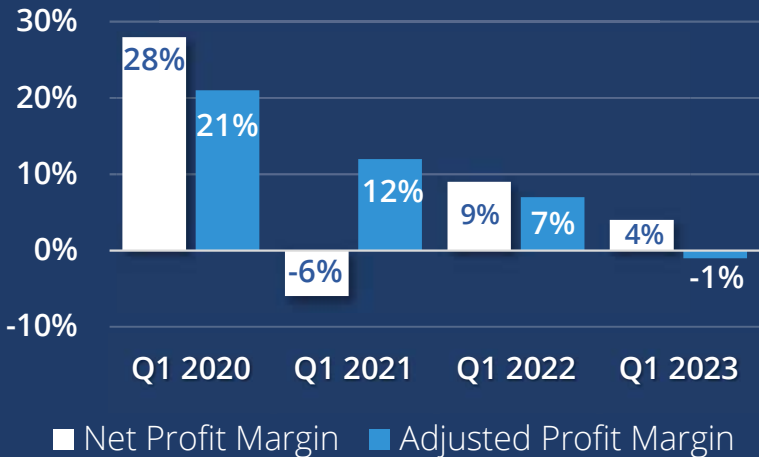


Average Lease Rate Factor = Lease Revenue / Net Book Value of Aircraft

DEBT-TO-EQUITY RATIO

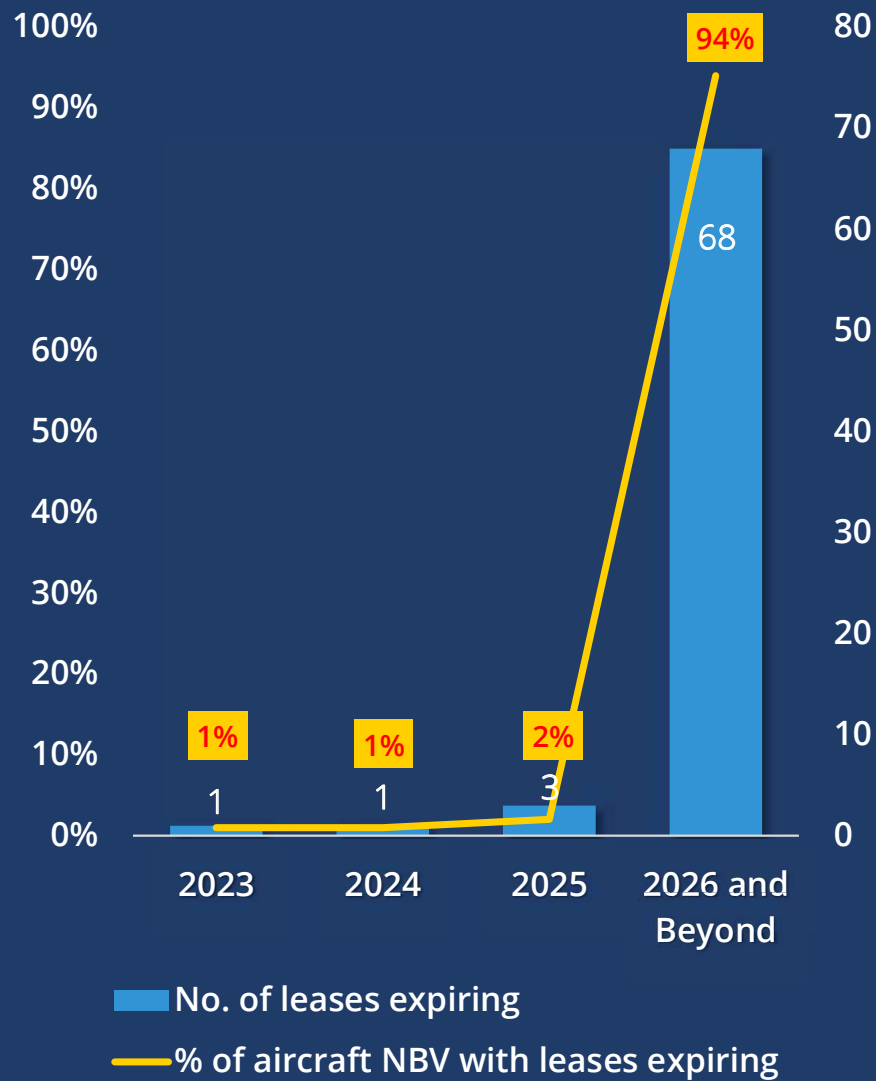


PROFIT MARGINS



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

8.3 Years of Average Remaining Lease Term



- Most of the leases expire beyond 2026.
- Average remaining lease term is 8.3 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 is committed to fleet renewal into the most-fuel efficient aircraft through our fleet policy, strong governance frameworks and empowered employees.

We work closely with our airline customers to develop innovative and sustainable business solutions that support their business in a sustainable way.

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

- International RPKs in 2022 grew by 152.7% YoY compared to 2021 levels.
- Combination of easing restrictions and ongoing pent-up demand continues to drive growth globally.
- Passenger bookings remain high, as passengers' willingness to travel continues to be observed internationally.
- Passenger demand is expected to reach 85.5% of 2019 levels over the course of 2023 (IATA).

AIRLINES REMAIN RESILIENT

- Resilience has been the hallmark for airlines in the COVID-19 crisis.
- Airlines are expected to post a net profit of US\$4.7 billion in 2023 (IATA), as airlines continue to control costs.
- Airlines remain optimistic about outlook for 2023 lower prices and growing pent-up demand should keep costs in check as strong growth continues.
- Undoubtedly, some uncertainty will persist with risk of recession. However, expectations of a long, deep recession continue to decline.

LESSORS MARKET REMAINS ATTRACTIVE

- Lease rates continue to be driven upwards due to aircraft shortage and rising interest rates.
- Expectations that demand for leased aircraft will rise as carriers rebuild capacity as they strive to strengthen air travel demand.
- Increased travel volume and demand will help leasing sector profitability and cash flow.
- Leasing market remains competitive, with supply restrictions benefiting those with strong orderbooks.



Q&A

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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