



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

ALAFCO

Date: 20 / 02 / 2024

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التاريخ: 2024/02 / 20

سي سي / 016 / 2024

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 2023/2024.

السادة / بورصة الكويت المحترمين،

الكويت

السلام عليكم ورحمة الله وبركاته،

الموضوع: افصاح شركة ألافكو لتمويل شراء وتأجير الطائرات ش.م.ك.ع عن مؤتمر المحللين / المستثمرين للربع الأول من السنة المالية 2024/2023

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 2023/2024 was held via a web conference call on Tuesday 20/2/2024 at 1:00pm. Furthermore, no material information was disclosed during the web conference call.

In the meantime, please find attached the earnings presentation for Q1 2024.

تهدي لكم شركة ألافكو لتمويل شراء وتأجير الطائرات أطيب تحياتها.

بالإشارة إلى الموضوع أعلاه، يرجى العلم بأن مؤتمر المحللين/ المستثمرين للربع الأول من السنة المالية 2024/2023 للشركة قد انعقد عن طريق الإتصال المرئي والمسموع على الإنترنت (web conference) يوم الثلاثاء 2024/2/20، الساعة الواحدة ظهراً ولم يتم تداول أي معلومات جوهرية خلال المؤتمر.

هذا ونرفق لكم طيه العرض التقديمي للربع الأول من عام 2024.

وتفضلوا بقبول فائق الاحترام،

سليمان أحمد المضيف

أمين سر مجلس الإدارة



Q1 2024 Earnings Call

First quarter period ending on December 31, 2023

Agenda

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



ALAFCO Highlights

As of 31st December 2023

47

Aircraft in Portfolio

14

Customers Presently

11

Countries Presently

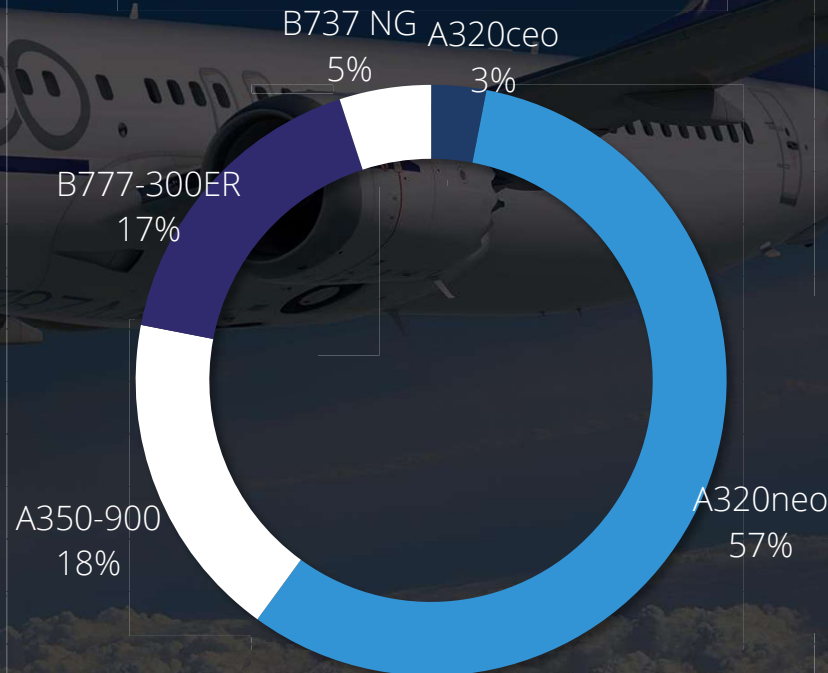
5 years

Portfolio Weighted Average Age

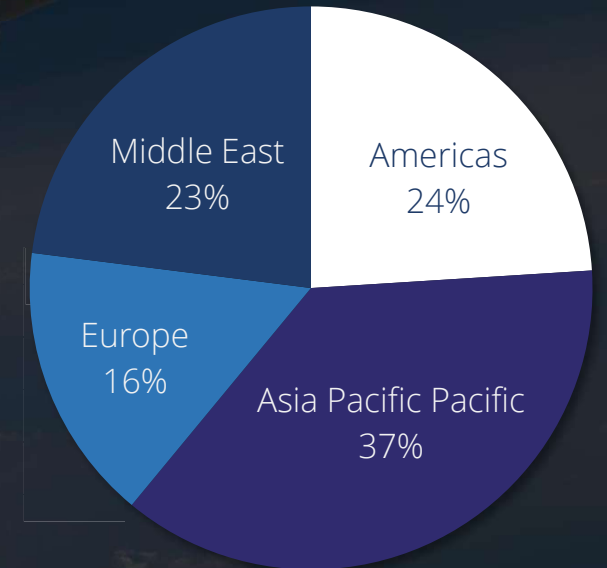
8 years

Average Lease Remaining

AIRCRAFT COMPOSITION



AIRLINE DISTRIBUTION



SERVICES:

LEASING

AIRCRAFT TRADING

SALE & LEASEBACK

AIRCRAFT LEASING MANAGEMENT



INDUSTRY UPDATE

Industry Review

LEASING REVIEW

- Leasing demand remains strong, particularly for lessors with well-diversified asset portfolios.
- Supply chain disruptions continue to lead to higher lease rates. Commercial aircraft deliveries remain behind expectations.
- Airlines and lessors continue to pursue more fuel-efficient and quieter aircraft.
- Asia Pacific, Europe and US remain core regions driving demand.

AIRLINES REVIEW

- Airlines are returning to profitability closer to pre-pandemic level activity.
- Outlook for 2024 remains positive with a slower pace in growth.
- International travel continues to contribute to airline growth and profitability.
- Challenges around labor shortages in the aviation industry persist, impacting capacity.

TRAVEL OUTLOOK

- Passenger demand and global travel recovery has accelerated, demonstrating appetite for travel.
- Pent-up passenger demand has continued to boost both domestic and international travel.
- Inflation pressures are easing gradually supporting demand and travel.
- Ongoing conflicts have not materially impacted travel but rising tensions could impact future demand.



OPERATIONAL REVIEW

FY 2023 Highlights

ALAFCO completed the following during Q1 2024:

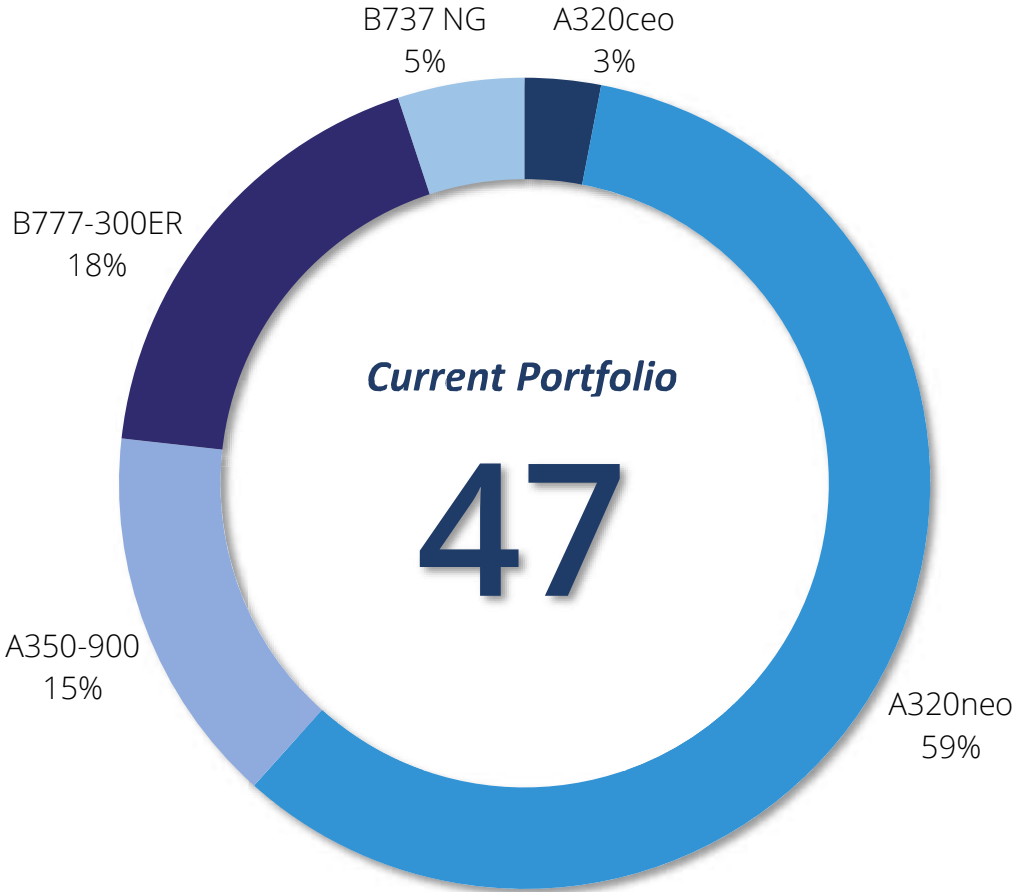
- Sold 4 aircraft, as part of the sale and purchase agreement with Macquarie AirFinance, reaching 29 out of 53 aircraft.
- ALAFCO and Airbus reached a mutual agreement to cancel the company's orderbook of 46 aircraft.



MACQUARIE

AIRBUS

Fleet Composition



Aircraft composition % include delivered aircraft based on aircraft NBV

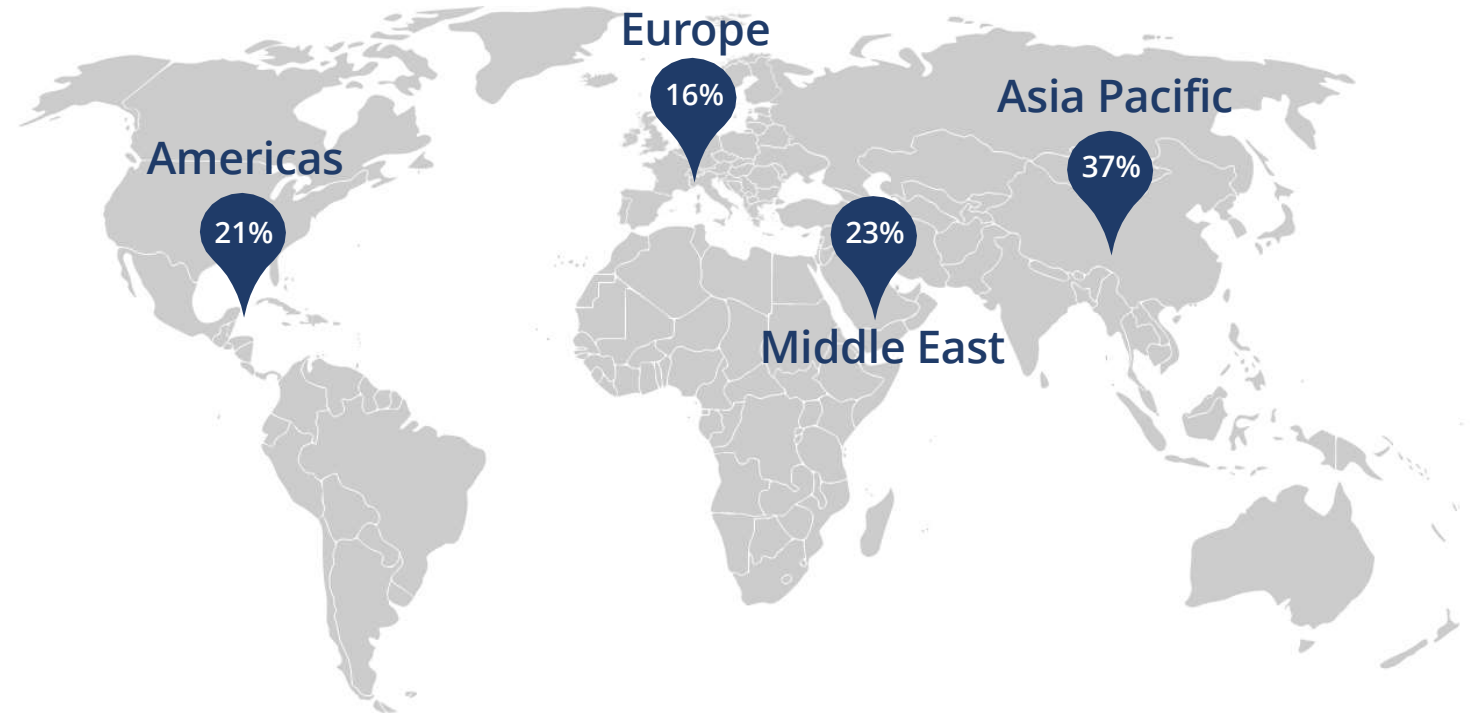
Portfolio Weighted
Average Age

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

37% Asia Pacific	     
23% Middle East	  
16% Europe	  
21% Americas	  



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.



FINANCIAL REVIEW

Q1 2024 Earnings

OPERATING LEASE
REVENUE

KD **9.7** million

18%

KD 8.2 million in Q1 2023

NET PROFIT

KD **(3.9)** million

-705%

KD 0.7 million in Q1 2023

EPS

(4.13) fils

-707%

KD 0.68 fils in Q1 2023

Financial Highlights (IN KD)

INCOME STATEMENT	Q1 2024	Q1 2023	CHANGE
Operating Lease Revenue	9,706,599	8,209,176	18%
Depreciation	(4,056,234)	(3,941,794)	3%
Finance Cost	(7,484,316)	(11,467,242)	-35%
Staff Cost	(592,023)	(656,419)	-10%
Other Expenses	(708,121)	(991,733)	-29%
Other Income	4,646,176	8,777,199	-47%
Allowance for Credit Losses / Reversal	1,621,398	-	-
Gain on Sale of Aircraft	(7,068,755)	726,956	-1072%
Impairment	-	-	-
Re-Lease Provision	-	-	-
Profit Before Tax	(3,935,276)	656,143	-700%
Net Profit after Tax	(3,935,276)	650,238	-705%

Net profit decreased by 705% compared to the previous year mainly due to:

- a) Recording a price ticker for 28 aircraft to be sold to Macquarie Airfinance versus 53 aircraft in the same period last year.
- b) Recorded KD 7 million loss on sale of aircraft during the period.

This loss on sale has been partly offset by reversal of ECL especially related to client receipts of USD 5.4 million.

Financial Highlights (IN KD)

BALANCE SHEET	Dec 31, 2023	Sep 30, 2023	CHANGE
Aircraft, Engines and Equipment	720,397,438	803,783,712	-10%
Capital Advances	-	34,996,316	-100%
Receivables	33,462,239	33,969,921	-1%
Cash and Cash Equivalents	29,788,729	13,105,157	127%
Total Assets	783,648,406	885,855,106	-12%
Share Capital and Premiums	95,209,348	95,209,348	0%
Retained Earning and Reserves	120,692,845	125,641,591	-4%
Total Equity	215,902,193	220,850,939	-2%
Loans and Borrowings	448,458,952	547,390,298	-18%
Security Deposits	6,397,594	6,423,660	0%
Maintenance Reserves + Provisions	58,866,845	61,186,677	-4%
Other Liabilities	54,022,822	50,003,532	8%
Total Liabilities	567,746,213	665,004,167	-15%
Total Equity and Liabilities	783,648,406	885,855,106	-12%

Total assets declined mainly as a result of:

- a) Decline in capital advances.
- b) Decrease in fixed assets.

These decreases are partly offset by the increase in cash and cash equivalent.

Total equity declined mainly due to:

- a) The negative movement in FCTR.
- b) The net loss recorded during the period.

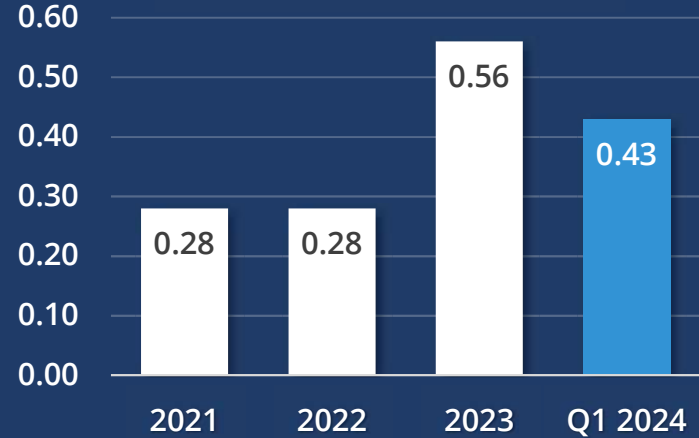
Total liabilities declined mainly as a result of:

- a) Repayment of secured and unsecured loans.
- b) Decrease in maintenance reserve.

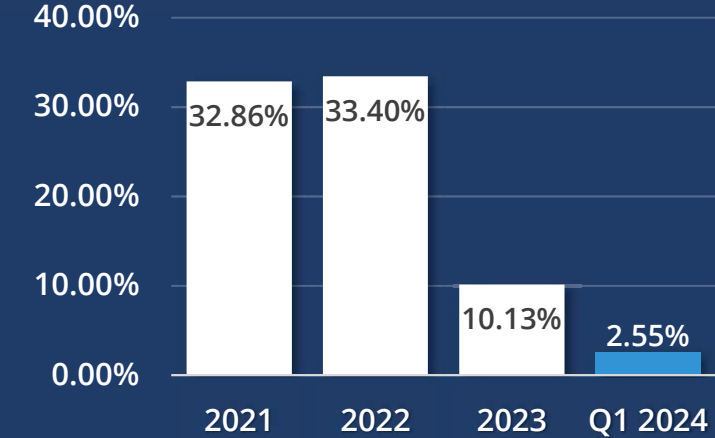
These decreases are partly offset by the increase in other liabilities.

Key Financial Ratios

CURRENT RATIO

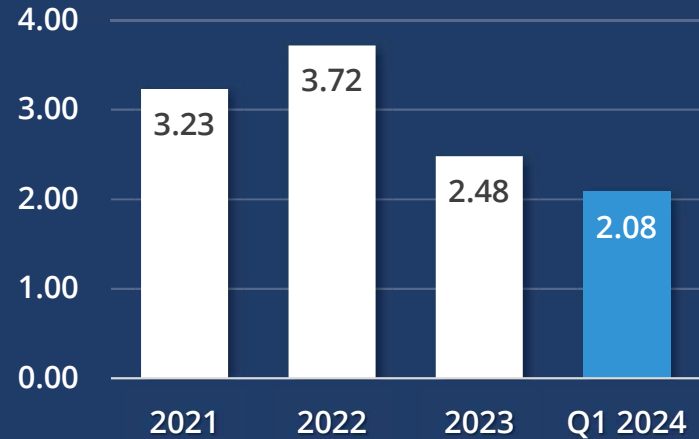


AVERAGE LEASE RATE FACTOR

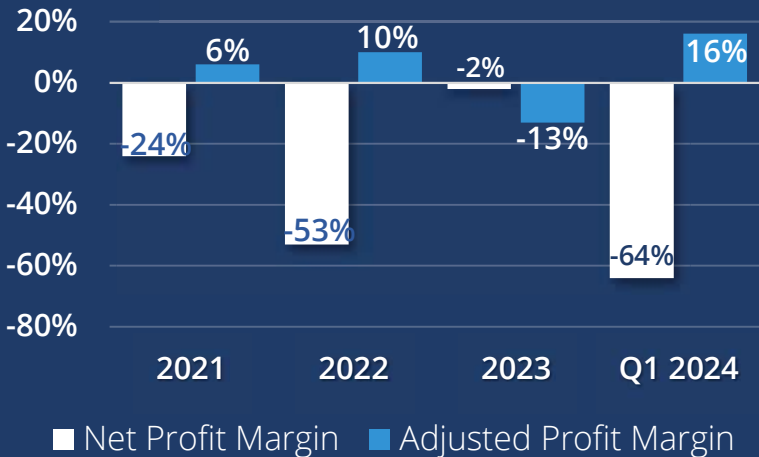


Average Lease Rate Factor = Lease Revenue / Net Book Value of Aircraft

DEBT-TO-EQUITY RATIO

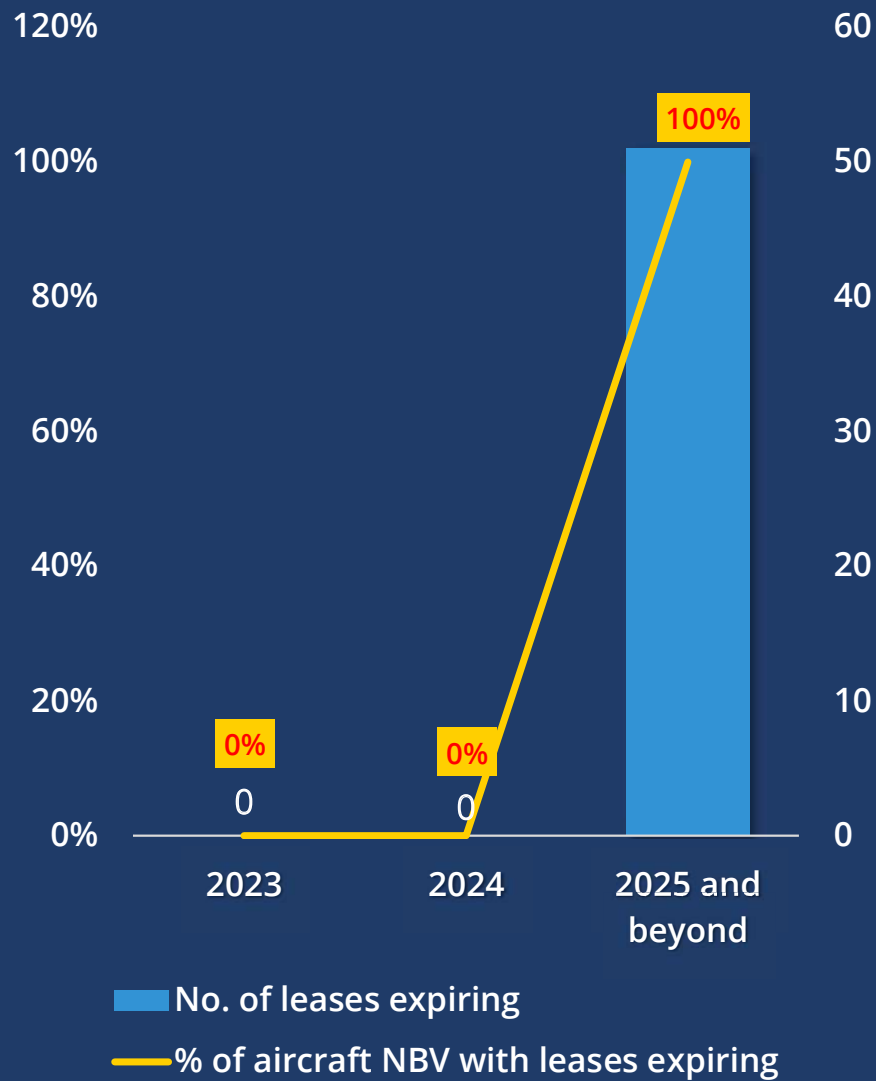


PROFIT MARGINS



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

8 Years of Average Remaining Lease Term



- No lease expiries before 2025.
- Average remaining lease term is 8 years for the entire aircraft portfolio.



OUTLOOK

Market Outlook

TRAVEL DEMAND BUOYANT

- IATA anticipates traveller numbers to surpass 4 billion in 2024, exceeding pre-COVID levels.
- Easing inflation pressures have seen rises in air fares slow, which should continue to support demand.
- Asia recovery and capacity still lags other regions, but recovery should support travel demand.
- Sluggish economic growth in China and geopolitical conflicts are likely to play a bigger role and influence demand for travel.

AIRLINES SHOWING PROFITABILITY

- Airlines across the world have reported record profits in 2023, with pace of growth expected to be slower in 2024.
- Demand continues to outstrip supply giving airlines pricing power.
- Persistent inflation, escalation of conflict and volatility in fuel prices could accelerate softening of demand in 2024.
- Higher labour costs and debt servicing, plus supply chain issues are likely to pose the biggest challenges for airlines.

LESSORS MARKET REMAINS ATTRACTIVE

- Combination of higher passenger demand, supply/demand issues continue to push lease rates higher and valuation of orderbooks.
- Order for aircraft will remain buoyant driven by Asian growth and fleet efficiency needs.
- Lessors well-positioned in the aftermath of the pandemic, with cash collection rates recovering and favorable demand/supply factors.
- Aviation industry continues to rely on lessors to support steady stream of deliveries going forward.



Q&A

Contact

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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