



9M 2021 Earnings Call

9-month period ending on June 30, 2021



STARTING SHORTLY

9M 2021 Earnings Call

9-month period ending on June 30, 2021

Our Speakers Today



Adel Ahmed Albanwan
Chief Executive Officer



Kieran O'Keefe
Chief Financial Officer

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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 30th June 2021

78

Aircraft in Portfolio

70

Aircraft on Order

23

Customers
Presently

15

Countries
Presently

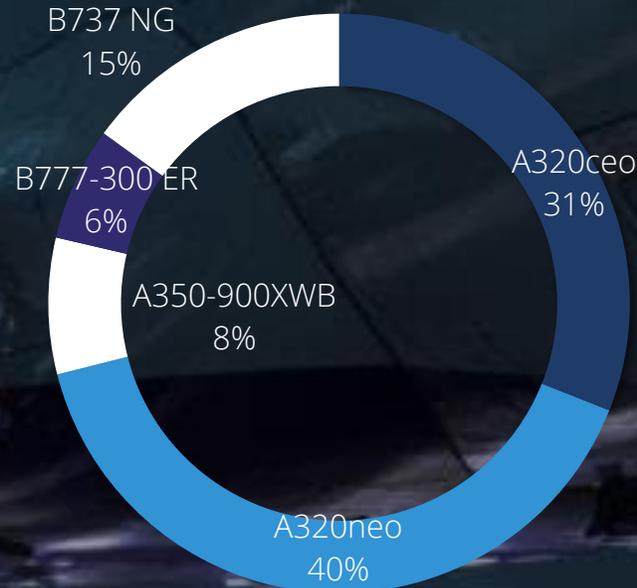
4.4 years

Portfolio Weighted
Average Age

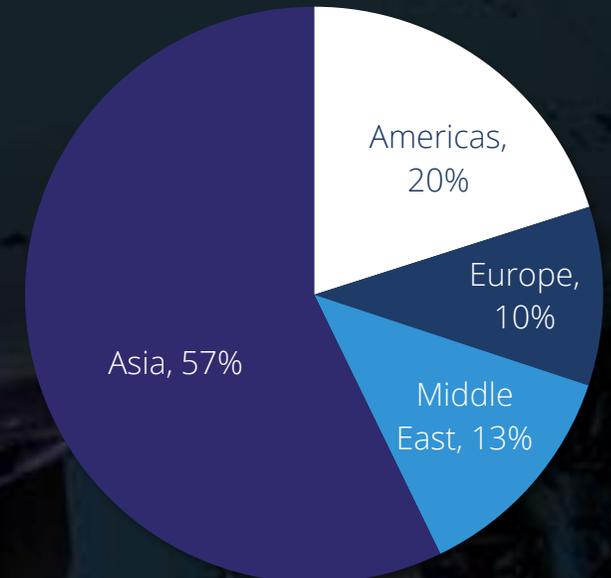
86%

Narrow-body Aircraft
in Fleet

AIRCRAFT COMPOSITION



DISTRIBUTION



SERVICES:

LEASING

AIRCRAFT
TRADING

SALE &
LEASEBACK

AIRCRAFT LEASING
MANAGEMENT



INDUSTRY UPDATE

Industry Review

LEASING REVIEW

- Leasing activities show signs of recovery. Increased activity was witnessed in Q3 as airlines began to redeploy aircraft and routes.
- Increased SLB opportunities and M&A activities expected going forward as lessors take advantage of opportunities presented by pandemic.
- Short-term demand for aircraft remains constrained due to virus uncertainties, but long-term demand remains strong.

AIRLINES REVIEW

- Cash burn risks remain; however, airlines are showing improvement in earnings due to higher traffic volumes.
- Government support has prevented high scale bankruptcies among airlines.
- Global financial performance of airlines likely to vary throughout the year due to slower vaccine roll out and the emergence of new variants.

TRAVEL RETURNING

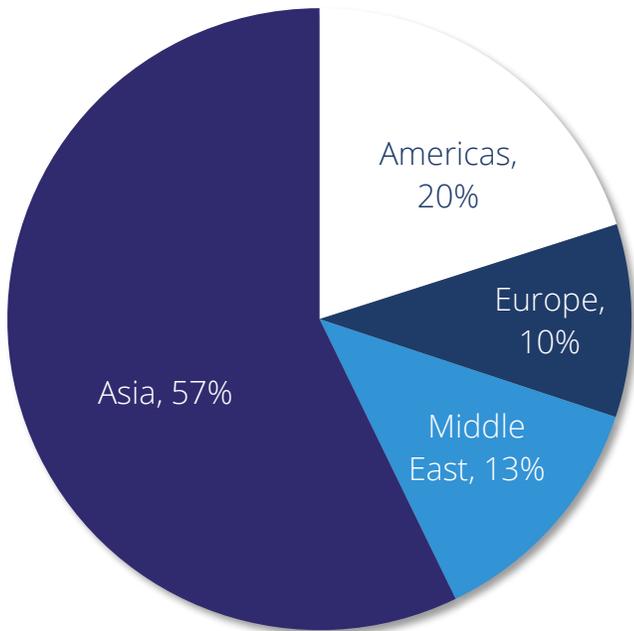
- Contraction in passenger traffic continued to ease in Q3, giving signs of gradual recovery across the sector.
- International travel demand lags over domestic travel. However, easing of restrictions in Europe should lead to improvements throughout the year.
- Vaccine rollout remains uneven across regions, with efficacy of vaccines giving confidence for air travel to resume fully.



OPERATIONAL REVIEW

9M Leasing & Trading Activities

FLEET DISTRIBUTION



As % of number of aircraft on 30th June 2021

DELIVERIES

- Delivered 2 new A320neo to SAS, completing all aircraft deliveries as part of a five A320neo agreement signed in 2019.
- Delivered 3rd new A320neo to Volaris, as part of the sale and leaseback agreement for four aircraft signed earlier in 2020.
- Delivered 10th A320neo to SKY Airline, based in Chile, as part of an 11 A320neo agreement signed in 2019.

REMARKETING & TRADING

- Delivered 1 used B737-800 aircraft to Joy Air in China, post lease expiry with Caribbean Airlines.
- Sold 4 aircraft with lease attached comprising 3 B737-800 aircraft leased to Ethiopian Airlines and 1 A320neo aircraft leased to Volaris.

Order Book: Ready to Support Recovery

70 Aircraft on Order

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

40

A320neo



10

A321neo



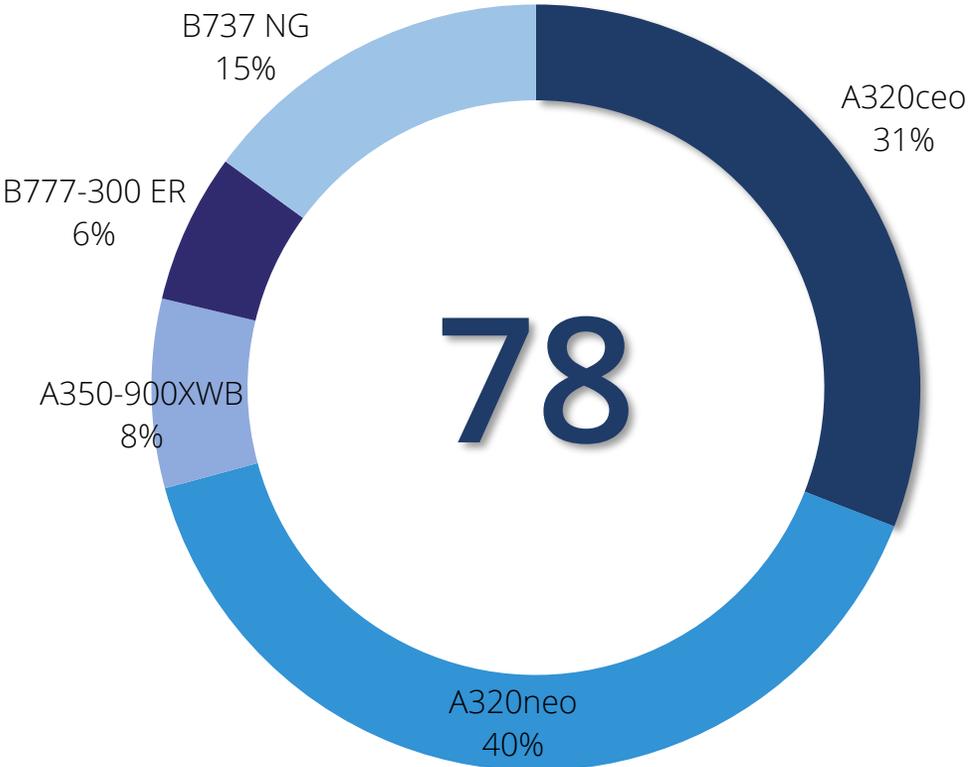
20

B737-8 MAX



Fleet Update: Young and Balanced

AIRCRAFT COMPOSITION



As % of number of aircraft, as on 30th June 2021

Portfolio Weighted
Average Age

4.4 Years

- Maintaining a young portfolio of new generation liquid aircraft which enjoy high demand from airlines around the world and is source of future long-term revenue.
- Newly delivered aircraft contribute to the young average portfolio age which will be further sustained with future deliveries.
- Limited widebody aircraft in portfolio to minimize the impact of headwinds on travel demand as seen during the Covid-19 pandemic.

A large commercial airplane is shown in a hangar, viewed from a low angle looking up. The aircraft is white with a dark blue stripe and logo. The hangar interior is dimly lit, with light coming from windows in the background. Several people are standing on the floor below the aircraft, looking up at it. The overall atmosphere is professional and industrial.

FINANCIAL REVIEW

9M Earnings

OPERATING LEASE REVENUE

KD **76.6** million

-13%

KD 88.2 million in 9M 2020

NET PROFIT / LOSS

KD **(3.2)** million

-326%

KD 1.4 million in 9M 2020

EPS

(3.31) fils

-326%

1.46 fils in 9M 2020

Financial Highlights (IN KD)

INCOME STATEMENT	9M 2021	9M 2020	CHANGE
Operating Lease Revenue	76,637,371	88,171,865	-13%
Depreciation	(37,785,638)	(35,326,922)	7%
Finance cost	(25,198,673)	(28,636,818)	-12%
Staff Cost	(2,472,968)	(2,530,539)	-2%
Other Expenses	(3,338,211)	(5,543,803)	-40%
Other income	452,351	628,579	-28%
Allowance for credit losses / Reversal	(10,489,903)	(1,192,434)	780%
Gain on Sale of Aircraft	(754,483)	1,430,140	-153%
Impairment	-	(15,509,947)	-100%
Profit Before Tax	(2,950,154)	1,490,121	-298%
Net Profit after Tax	(3,149,227)	1,391,885	-326%

ALAFCO reported a net loss of KD 3.1 mn in comparison to a net profit of KD 1.4 mn for the corresponding previous period.

Decline in net earnings is mainly due to (a) reduction in lease income as a result of restructuring of leases with some of our clients (b) no lease income from off-lease aircraft including 4 A350 aircraft and (c) increase in allowances for credit losses by KD 9.3 mn.

Overall impact is partly offset by no impairment charge during the current period compared to an impairment of KD 15.5 mn charged in previous period.

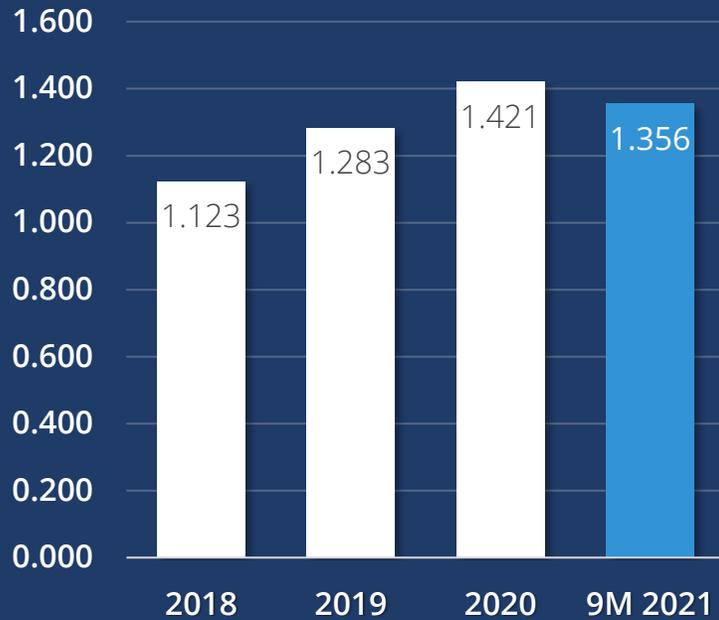
Financial Highlights (IN KD)

BALANCE SHEET	Jun 30, 2021	Sep 30, 2020	CHANGE
Aircraft, Engines and Equipment	1,154,571,512	1,161,111,356	-1%
Capital Advances	138,152,503	162,874,986	-15%
Receivables	25,872,067	57,285,113	-55%
Cash and Cash Equivalents	37,043,245	39,732,227	-7%
Total Assets	1,355,639,327	1,421,003,682	-5%
Share Capital and premiums	95,209,348	95,209,348	0%
Retained Earning and Reserves	200,575,384	208,817,689	-4%
Total Equity	295,784,732	304,027,037	-3%
Loans and Borrowings	899,491,636	934,051,774	-4%
Security Deposits	11,782,580	11,526,570	2%
Maintenance Reserves + Provisions	127,269,914	156,918,631	-19%
Other Liabilities	21,310,465	14,479,670	47%
Total Liabilities	1,059,854,595	1,116,976,645	-5%
Total Equity and Liabilities	1,355,639,327	1,421,003,682	-5%

1. Total Assets have declined by 5% mainly due to a 55% reduction in Receivables. This is primarily due to an increase in the Expected Credit Loss (ECL) provision which is netted off against the gross receivables balance.
2. Movement in equity represented the net loss recorded during the year, in addition to the negative movement in FCTR* as the US Dollar deteriorated against Kuwaiti Dinar.
3. Decline in Total Liabilities over the past 9 months represents (a) repayment of loans and (b) 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

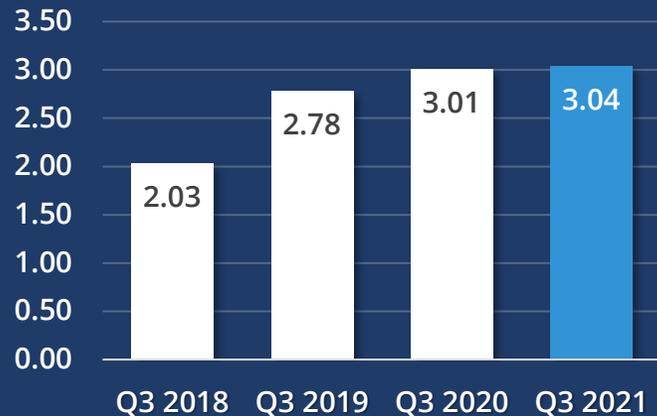


AVERAGE LEASE RATE FACTOR



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

DEBT-TO-EQUITY RATIO

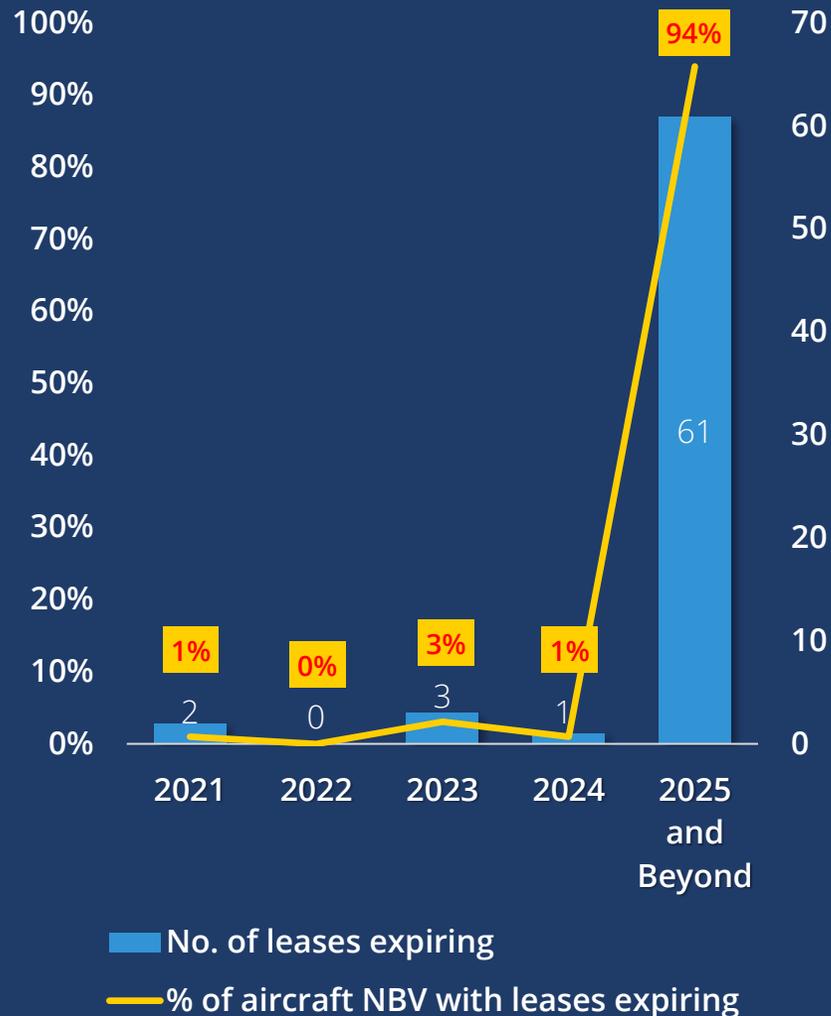


PROFIT MARGINS



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

8.2 Years of Average Remaining Lease Term



- Most of the leases are expiring beyond 2025.
- Average remaining lease term is 8.2 years for the aircraft currently on lease, improved from 7.7 years in the previous quarter.
- 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 large commercial airplane is shown on a runway at sunset. The sky is a mix of orange, yellow, and blue. The airplane is white with a blue and white tail. The word 'SUSTAINABILITY' is written in large, white, bold letters on a dark blue rectangular background that is centered over the airplane's fuselage.

SUSTAINABILITY

Sustainability Commitment

YOUNG, FUEL-EFFICIENT FLEET

ALAFCO has one of the youngest fleets in the industry.

We remain committed to procure the most fuel-efficient aircraft to support airlines, optimizing their fleet and operations.

Wider market shows significant penetration of new technology aircraft, as higher proportion of investment is in new technology aircraft.

FINANCING SWITCH TO NEW AIRCRAFT

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

ALAFCO offers financial flexibility to support airline customer in fast-tracking retirement of older aircraft.

Focus for ALAFCO remains on divesting from older aircraft to support transition to Carbon reduction commitments.

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 remain the cornerstone of our philanthropic activity.



OUTLOOK

Market Outlook

TRAVEL APPETITE SHOWING RESILIENCE

- Appetite for travel continues to show signs of recovery across domestic and international markets.
- Strong economic rebound witnessed in most countries, reflecting expectation of similar rebound in travel.
- IATA survey in June shows up to 60% expressed a willingness to travel in the next couple of months.

FLEET EFFICIENCY

- Airlines continue to adopt cautious approach with many still operating at a reduced capacity.
- Pandemic has expedited fleet replacement plans by airlines. Affected passenger fleet include older vintages of aircraft.
- Alternative finance sourcing from lessors is likely to be sought as a result via SLBs.

LESSORS MARKET SHARE

- Increased level of M&A activity likely to extend well beyond 2021. Investors (lessors and private investors) looking to capitalize on distressed lessors.
- Long-term view of leasing industry remains positive, and airlines likely to shift to operating model based on leasing aircraft rather than owning.



Q&A

Contact

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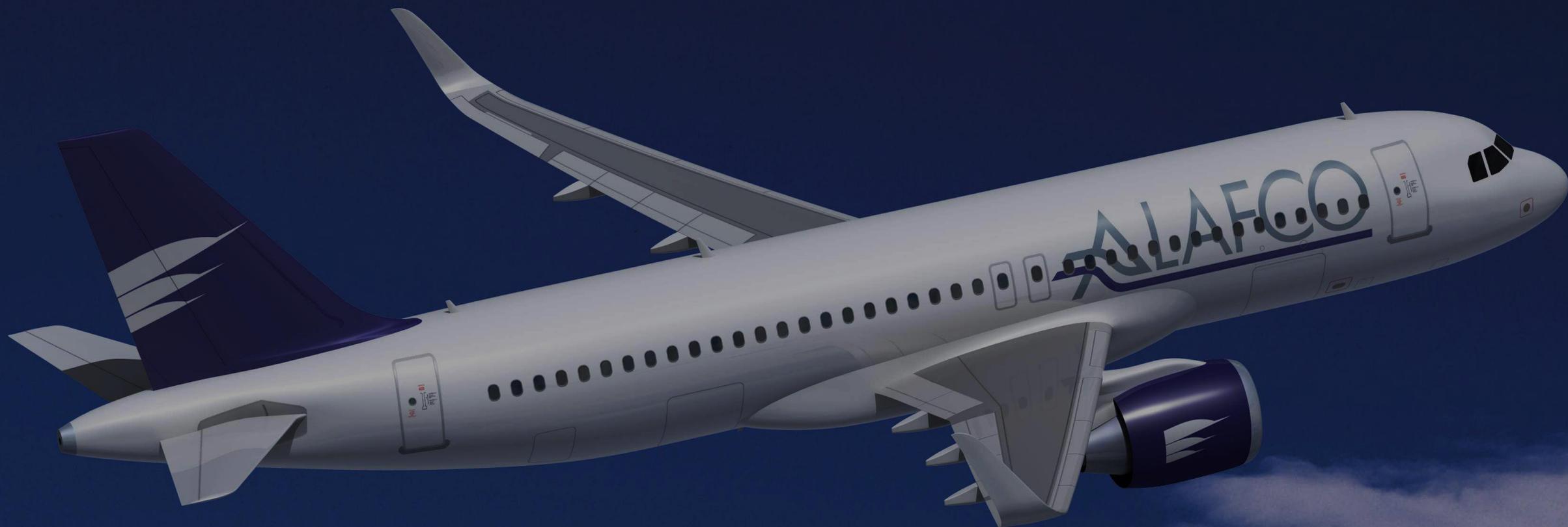
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Reuters: ALAF.KW

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THANK YOU