



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.

Date: 10/08/2023

التاريخ: 2023/08/10

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To: Boursa Kuwait Company

السادة / بورصة الكويت المحترمين،

K.S.C.P.

الكويت

Kuwait

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 Third quarter of the financial year 2022/2023.

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

Greetings!

تهدي لكم شركة ألافكو لتمويل شراء وتأجير الطائرات أطيب تحياتها.

With reference to the above subject, please note that the conference with the analysts and investors for the Third quarter of the financial year 2022/2023 was held via a web conference call on Thursday 10/08/2023 at 1:00pm. Furthermore, no material information was disclosed during the web conference call. In the meantime, please find attached the earnings presentation for Q3 2023.

بالإشارة إلى الموضوع أعلاه، يرجى العلم بأن مؤتمر المحللين/ المستثمرين للربع الثالث من السنة المالية 2023/2022 للشركة قد انعقد عن طريق الإتصال المرئي والمسموع على الإنترنت (web conference) المرئي والمسموع على الإنترنت (call) يوم الخميس 2023/08/10، الساعة الواحدة ظهراً ولم يتم تداول أي معلومات جوهرية خلال المؤتمر.

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

وتفضلوا بقبول فائق الاحترام،

سليمان أحمد المضيف

أمين سر مجلس الإدارة



9M 2023 Earnings Call

9-month period ending on June 30, 2023

Agenda

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



ALAFCO Highlights

As of 30th June 2023

52

Aircraft in Portfolio

46

Aircraft on Order

14

Customers Presently

11

Countries Presently

4.7 years

Portfolio Weighted Average Age

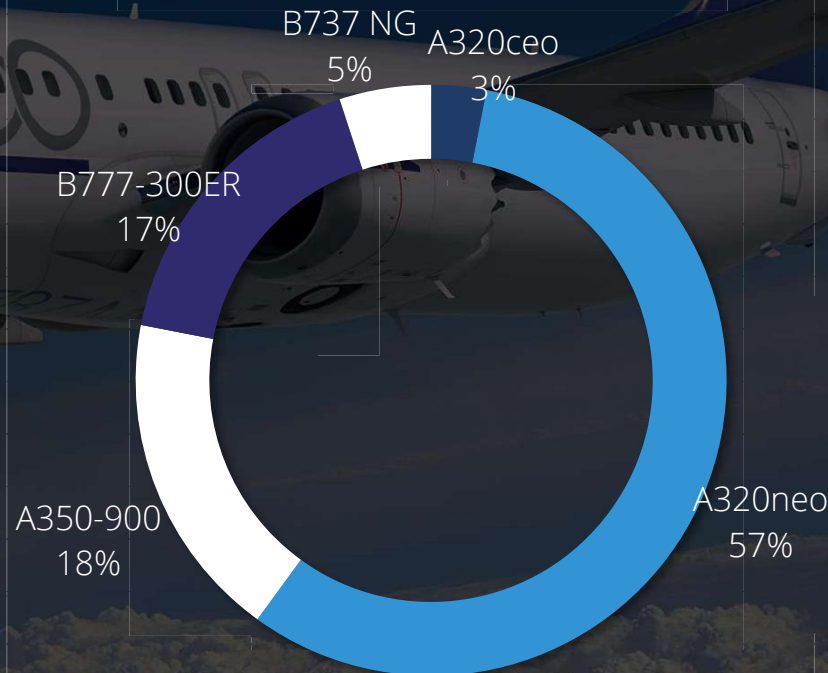
8.2 years

Average Lease Remaining

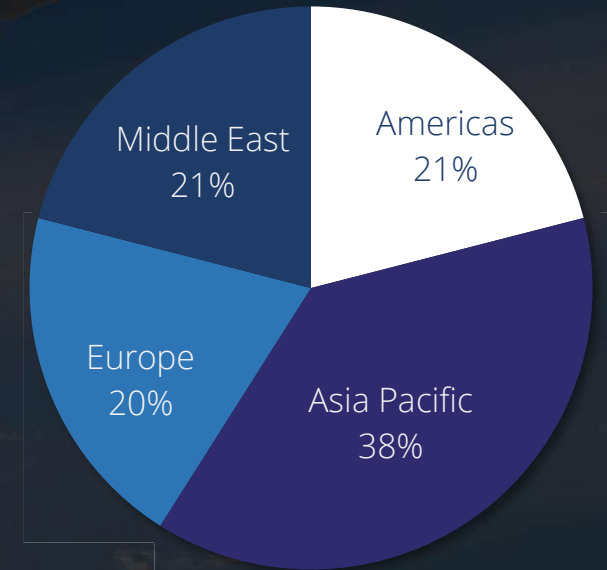
80%

Single-aisle in Committed Fleet

AIRCRAFT COMPOSITION



AIRLINE DISTRIBUTION



SERVICES:

LEASING

AIRCRAFT TRADING

SALE & LEASEBACK

AIRCRAFT LEASING MANAGEMENT



INDUSTRY UPDATE

Industry Review

LEASING REVIEW

- Travel demand continues to rebound with supply constraints driving higher lease rates.
- Value of lessors' order books also increasing, attributable to supply constraints caused by production shortages.
- Aircraft shortage is emerging. Absence of aircraft continue to create supply tension.
- Leasing offers lower operating and financial risks to airlines.

AIRLINES REVIEW

- Demand for travel continues to remain strong. Despite higher ticket prices.
- IATA predicting return to profitability for global airline industry in 2023.
- Airlines continue to open-up long-haul travel and increase frequencies of other more popular route networks.
- Recovery across regions remains uneven, with Asia forecasted to have most recovery potential.

TRAVEL RETURNING

- Aviation industry continued to demonstrate resilience with appetite for travel remaining strong.
- During the past two months, domestic RPKs outperformed their pre-Covid levels, rising 5.3% above 2019 RPKs.
- Inflation remains high, which is likely to impact the future travel growth
- Despite higher inflation and rising interest rates, the impact on demand has not impacted the pace of recovery seen in 2023.

A large commercial airplane is shown in a hangar, illuminated with a blue and purple light. The aircraft features a purple and blue livery. The tail fin is visible on the left, and the main fuselage extends towards the right. The engine nacelle is prominent on the left side. The hangar floor is visible at the bottom, and the structure of the hangar is seen in the background.

OPERATIONAL REVIEW

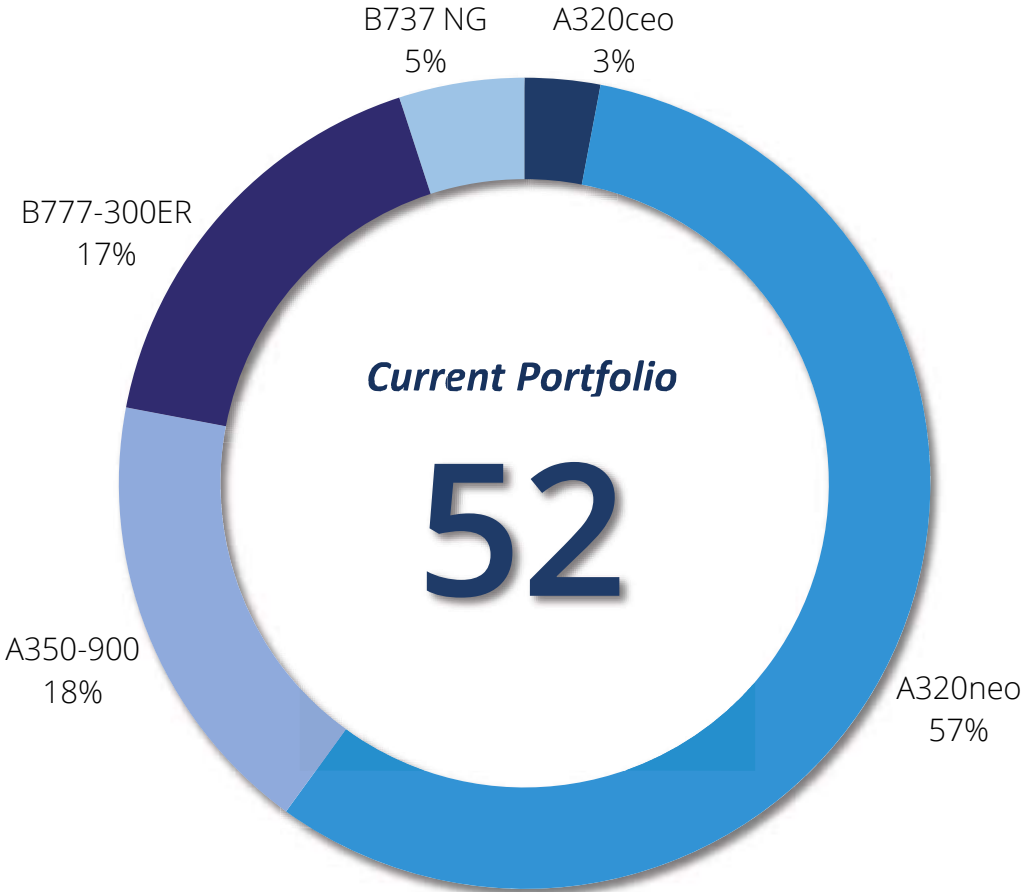
9M 2023 Highlights

ALAFCO completed the following during 9M 2023:

- Delivered two A320neo aircraft to Volaris, based in Mexico, from ALAFCO's orderbook.
- Sold two A320ceo aircraft to Berniq Airways, based in Libya.
- Sold 24 out of 53 aircraft as part of the sale and purchase agreement with Macquarie AirFinance.
- Transferred the ownership of 20 B737-8 Max on order from Boeing to Macquarie AirFinance.



Fleet Composition



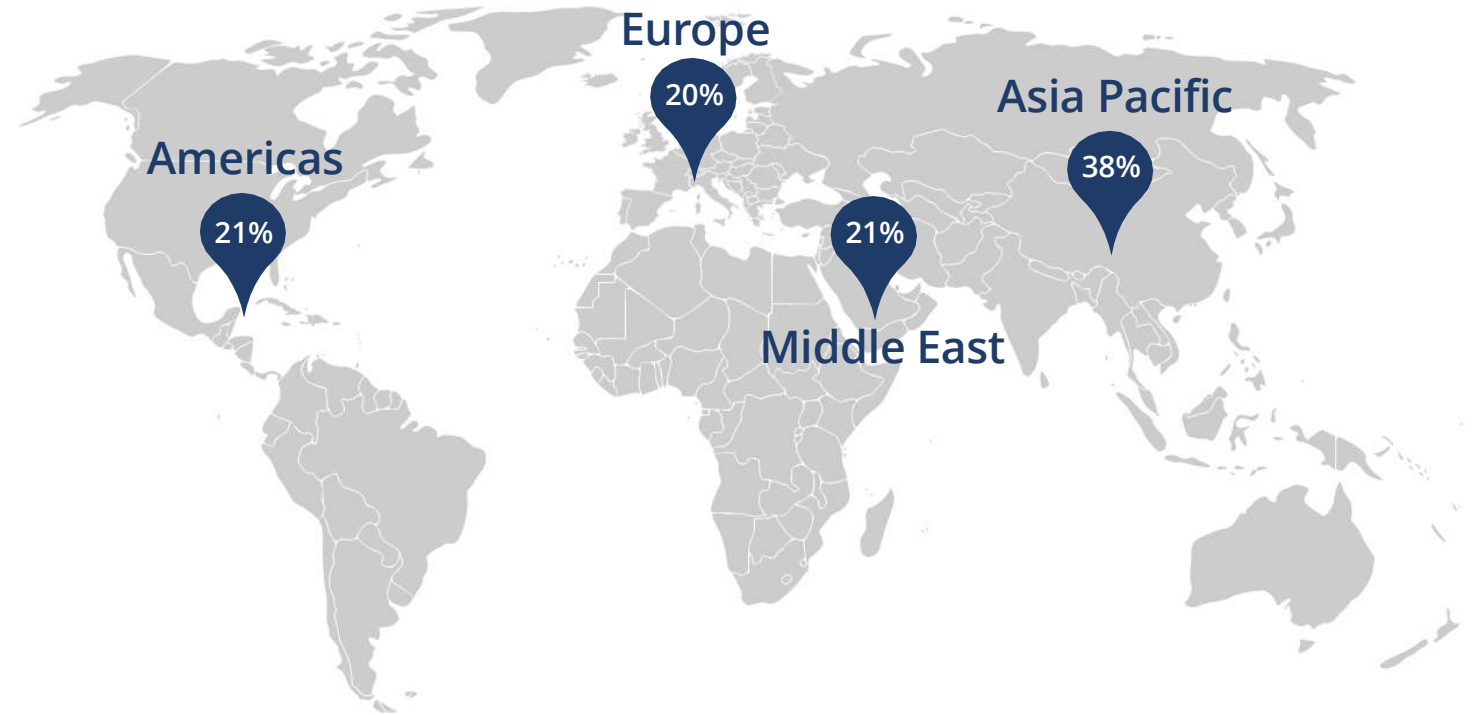
Aircraft composition % include delivered aircraft based on aircraft NBV

Portfolio Weighted Average Age **4.7 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

38% Asia Pacific	     
21% Middle East	  
20% 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.

Current Order Book

46 Aircraft on Order

- 46 new technology advanced aircraft on order from Airbus.
- Deliveries are scheduled to start in 2026 and beyond.

46

A320neo Family





FINANCIAL REVIEW

9M 2023 Earnings

OPERATING LEASE
REVENUE

KD **26.1** million

-63%

KD 71.1 million in 9M 2022

NET PROFIT

KD **(3.4)** million

-85%

KD (23.4) million in 9M 2022

EPS

(3.57) fils

-85%

KD (24.54) fils in 9M 2022

Financial Highlights (IN KD)

INCOME STATEMENT	9M 2023	9M 2022	CHANGE
Operating Lease Revenue	26,149,761	71,113,635	-63%
Depreciation	(11,834,935)	(38,044,445)	-69%
Finance Cost	(35,498,571)	(26,818,508)	32%
Staff Cost	(2,068,990)	(3,071,748)	-33%
Other Expenses	(3,267,595)	(4,814,072)	-32%
Other Income	22,643,557	3,625,509	525%
Allowance for Credit Losses / Reversal	1,384,854	976,797	42%
Gain on Sale of Aircraft	(903,380)	2,409,682	-137%
Impairment	-	(28,743,803)	-100%
Re-Lease Provision	-	-	-
Profit Before Tax	(3,395,299)	(23,366,953)	-85%
Net Profit after Tax	(3,395,299)	(23,366,953)	-85%

Net loss decreased by 85% in comparison to the previous period, mainly due to:

- a) Not charging any impairment provision during the period.
- b) Other income increased significantly by 525%, driven by the reversal of some of the old provisions and liabilities which are no longer required to be paid to any third party, as well as recording the price ticker related to the 53 aircraft to be sold to Macquarie Airfinance (including the 24 aircraft sold during the period).

Financial Highlights (IN KD)

BALANCE SHEET	Jun 30, 2023	Sep 30, 2022	CHANGE
Aircraft, Engines and Equipment	812,102,031	1,067,295,751	-24%
Capital Advances	34,888,391	88,478,441	-61%
Receivables	27,519,266	25,326,718	9%
Cash and Cash Equivalents	40,123,671	25,113,155	60%
Total Assets	914,633,359	1,206,214,065	-24%
Share Capital and Premiums	95,209,348	95,209,348	0%
Retained Earning and Reserves	122,714,113	128,813,164	-5%
Total Equity	217,923,461	224,022,512	-3%
Loans and Borrowings	580,952,211	833,969,170	-30%
Security Deposits	8,677,449	12,450,499	-30%
Maintenance Reserves + Provisions	64,325,311	115,121,641	-44%
Other Liabilities	42,754,927	20,650,243	107%
Total Liabilities	696,709,898	982,191,553	-29%
Total Equity and Liabilities	914,633,359	1,206,214,065	-24%

Total assets declined by 24% as a result of:

- a) Decline in Capital Advances by 61%
- b) Decrease Fixed Assets by 24%.

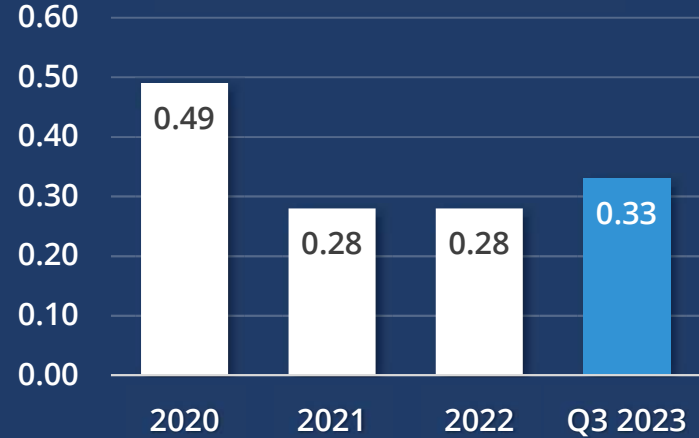
Decline in total equity is mainly due to the the negative movement in FCTR as the Kuwaiti dinar weakened against the US Dollar and the recorded loss during the current period.

Decline in in total liabilities is due to:

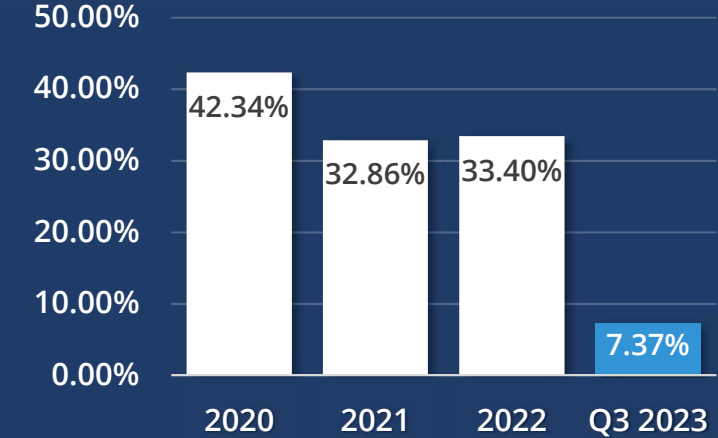
- (a) Reduced Loan and Borrowings by 30%, through repayment of secured and unsecured loans.
- (b) Decrease in maintenance reserve by 44%.

Key Financial Ratios

CURRENT RATIO

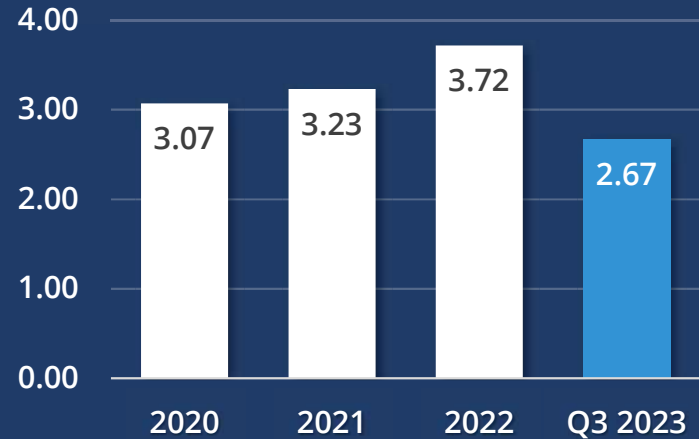


AVERAGE LEASE RATE FACTOR

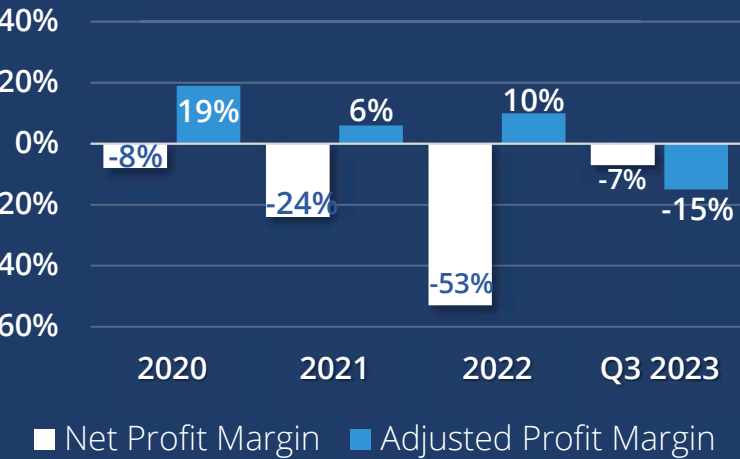


Average Lease Rate Factor = Lease Revenue / Net Book Value of Aircraft

DEBT-TO-EQUITY RATIO

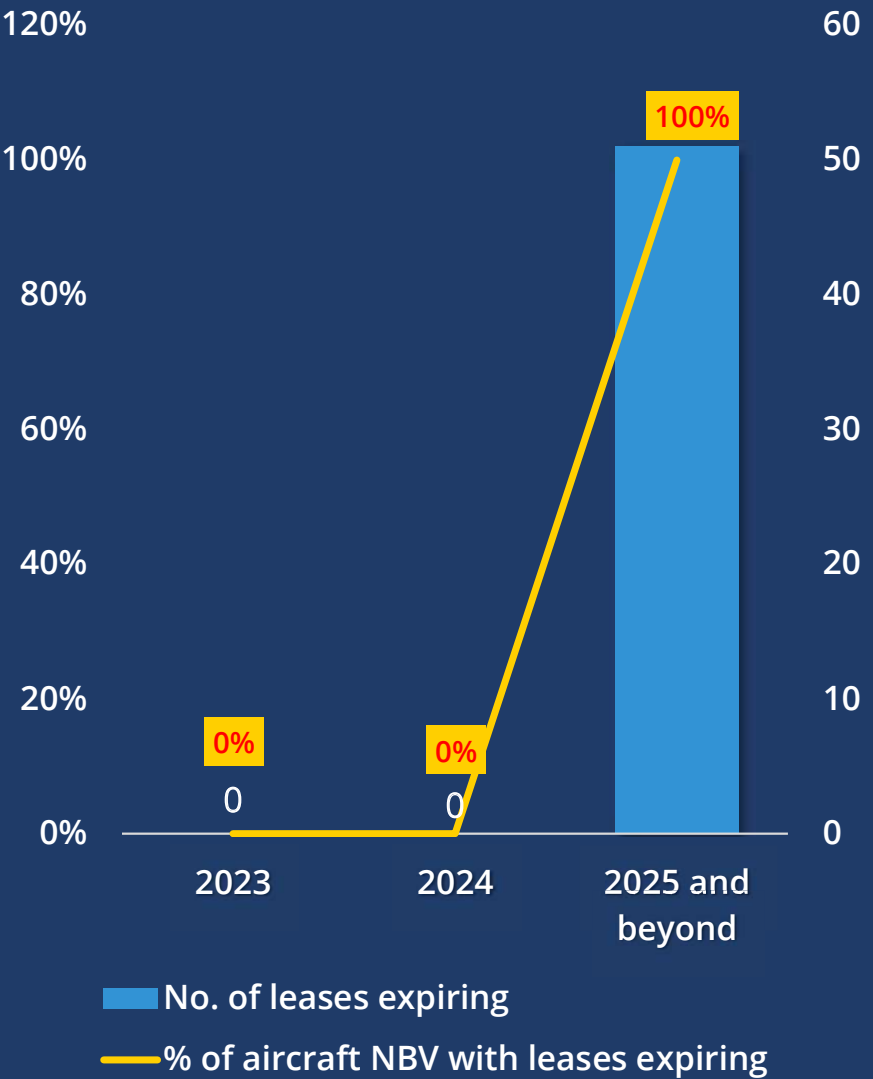


PROFIT MARGINS



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

8.2 Years of Average Remaining Lease Term



- No lease expiries before 2025.
- Average remaining lease term is 8.2 years for the entire aircraft portfolio.



SUSTAINABILITY

Sustainability Commitment

TRANSITION TO FUEL-EFFICIENT FLEET

ALAFCO is committed to renewing its fleet into the most-fuel efficient aircraft alongside strong governance frameworks as well as empowered employees.

We continue to support and contribute to sustainable air travel through our investment in young fuel-efficient aircraft.

Commitment from OEM to delivering aircraft that are 100% SAF (Sustainable Aviation Fuel) capable by 2030.

SUSTAINABILITY LINKED STRATEGY

Acquiring and maintaining a fleet of new generation aircraft remains vital to ALAFCO's strategy.

ALAFCO supports its customers fleet modernization plans through deployment of new technology aircraft.

Providing financing to airlines through our leasing products, which inevitably allow airlines to reduce carbon emissions.

Average age of ALAFCO's fleet remains below 5 years offsetting emissions often associated with older 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.

We engage with communities in which we live and work to bring employees together to help make a difference and inspire positive change.



OUTLOOK

Market Outlook

TRAVEL DEMAND RESILIENT

- Air travel demand remains on pace to surpass 2019 levels in 2024. We expect inflation and geopolitical uncertainties to weigh on future demand.
- International traffic increased significantly wherever travel restrictions were lifted. A positive outlook for Asia remains.
- Overall traveller numbers to reach 4 billion in 2024 (IATA). This will exceed pre-Covid 19 levels.
- Near-term shows strong ticket sales and demand for travel.

AIRLINES REMAIN RESILIENT

- Airline profitability can be attributable to improved efficiency including better control of non-fuel costs despite inflationary pressures.
- Airlines are expected to post a net profit of US\$9.8 billion in 2023 (IATA), as airlines continue to benefit from demand.
- Air traffic and airline yields anticipated to continue to strengthen in 2023.
- Relief in fuel prices, higher cargo revenues and lifting of restrictions in China attributed to higher profitability for airlines in 2023.

LESSORS MARKET REMAINS ATTRACTIVE

- Economic uncertainties do not appear to have materially impacted the desire for travel.
- Supply constraints continue to push lease rates higher as well as valuation of order books.
- Delivery delays are likely to push airlines to extend leases on existing aircraft currently on lease.
- Order for aircraft will remain buoyant driven by Asian growth and fleet efficiency needs.



Q&A

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ALAFCO KSCP is listed on Boursa Kuwait

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THANK YOU