



Q1 2021 Earnings Call

Period ending on December 31, 2020



STARTING SHORTLY

Q1 2021 Earnings Call

Period ending on December 31, 2020

Disclaimer

The information, contained herein, is for the exclusive use of the institutions to which it is being sent solely and is provided upon the express understanding that all Information will be regarded and treated by each recipient and by its directors, officers, employees and advisors as strictly confidential and will not, without the prior written consent of ALAFCO Aviation Lease and Finance Co. KSCP be disclosed to any other person.

None of the Information shall be (i) reproduced or disclosed, in whole or in part, to any person (other than as may be required by law and other than to the directors, officers, employees and advisors of the recipient who are made aware of the confidential nature of the Information and for whom the recipient shall be responsible hereunder) or (ii) used, in whole or part, except by the recipient and its directors, officers, employees and advisors and only for the purpose of considering the recipient's participation in transaction(s) described herein.

If the recipient of the information, contained herein, does not wish to receive it, he/she must promptly destroy or return to ALAFCO Aviation Lease and Finance Co. KSCP the Information and any copies, extracts and summaries hereof.

Each recipient of the Information, acknowledges and confirms that it and its directors, officers, employees and advisors will not contact any other entity described in the Information without ALAFCO's prior approval. Upon receipt of the Information, each recipient will be deemed to agree to the foregoing paragraphs.

This information, contained herein, may present certain statements, estimates and forecasts with respect to future performance and events. These statements, estimates and forecasts are "forward-looking statements". In some cases, forward-looking statements can be identified using forward-looking terminology such as "may," "might," "should," "expect," "plan," "intend," "estimate," "anticipate," "believe," "predict," "potential" or "continue" or the negatives thereof or variations thereon or similar terminology. All statements other than statements of historical fact included in this presentation are forward-looking statements and are based on various underlying assumptions and expectations and are subject to known and unknown risks, uncertainties and assumptions and may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. There are important factors, such as the Covid-19 pandemic, that could cause our performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied in the forward-looking statements.

Accordingly, you should not rely upon forward-looking statements as a prediction of actual results, and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. Except as required by applicable law, we do not undertake any obligation to, and will not, update any forward-looking statements, whether as a result of new information, future events or otherwise.

Agenda

- ALAFCO at a Glance
- Industry Update
- Operational Review
- Financial Review
- Sustainability Commitment
- 2021 Outlook



ALAFCO AT A GLANCE

78

Aircraft in Portfolio

72

Aircraft on Order

24

Customers
Presently

17

Countries
Presently

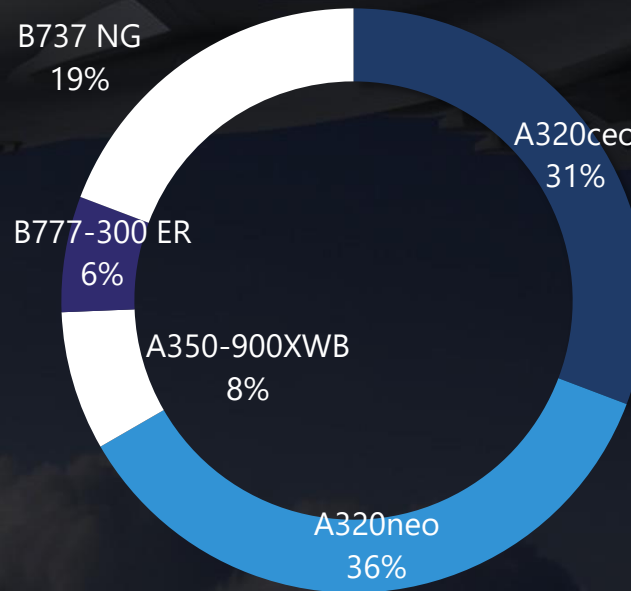
4.2 years

Portfolio Average Age

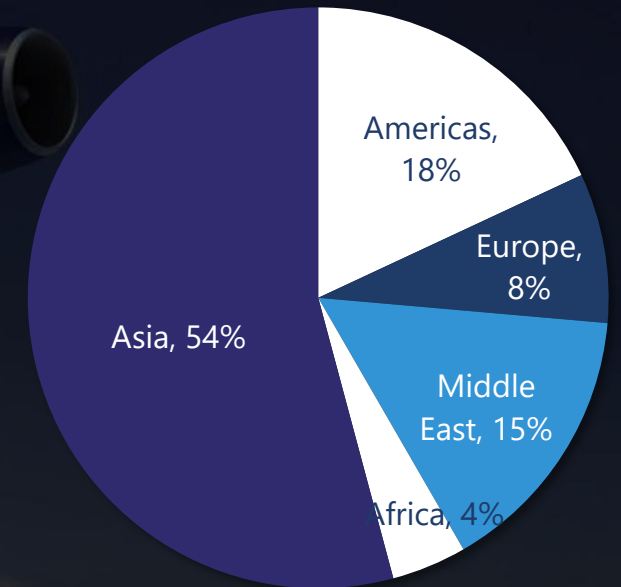
85%

Narrow-body Aircraft
in Fleet

AIRCRAFT COMPOSITION



DISTRIBUTION



Services:

LEASING

**AIRCRAFT
TRADING**

**SALE &
LEASEBACK**

**AIRCRAFT LEASING
MANAGEMENT**

ALAFCO Today

- Strong pipeline of new generation aircraft to support long-term demand.
- Airline customers continue to adapt existing operations by adjusting services or reducing overheads.
- Reduced aircraft purchase commitments in the 2020-2023 timeframe through a combination of cancellations and deferrals.
- Listed on the premier market on Boursa Kuwait, which covers companies with high liquidity and a medium to large market capitalization.



INDUSTRY UPDATE

Covid-19 Pandemic Impact

DIRECT IMPACT

- Net loss of \$38.7 billion expected in 2021, lower than losses incurred in 2020 (\$118.5 billion), as per IATA.
- Travel restrictions, quarantine protocols continue to create challenges for travel and further restrictions are likely to exacerbate losses.

IMPACT ON AIRLINES

- International travel lags domestic travel demand with domestic travel in Russia, India and China showing resilient performance.
- Passenger load factors remain well below 2019 levels – but improvement evident, albeit slowly.
- Airlines reluctant to add capacity due to changing guidance and protocols.

POSITIVE SIGNS

- Cash burn for most airlines is higher – but governments keen to extend fiscal support.
- Though travel restrictions is impacting travel capacity, evidence shows pent-up demand exists based on travel traffic.

Market Overview

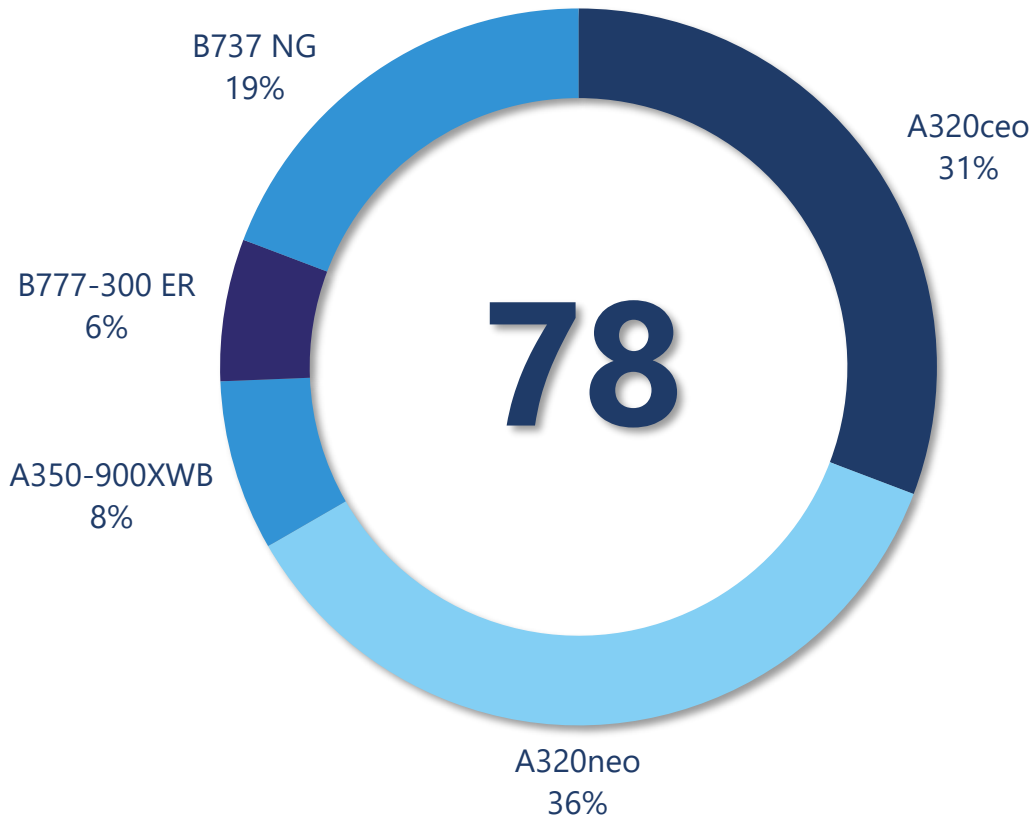
- Crisis often leads to new opportunities. Domestic-focused LLCs with variable cost structure likely to capitalize on cost-cutting by competitors.
- Production cuts by OEM likely to place pressure on available supply; demand likely to push lease prices upwards as airlines seek to secure new aircraft on lease.
- Aircraft leasing model remains strong. Resilience of the business model builds on diversified portfolios and optimized funding models.
- Lessors seen as conduit to re-capitalize airlines and enable OEMs to deliver new aircraft, fueling continued growth of leased fleet.

A large commercial airplane is shown in a hangar, viewed from a low angle looking up at the fuselage. Two people are standing in the foreground, looking towards the aircraft. The scene is dimly lit, with light coming from windows in the background. The text "OPERATIONAL REVIEW" is overlaid in large white letters across the center of the image.

OPERATIONAL REVIEW

Fleet Update

AIRCRAFT COMPOSITION



Portfolio Average Age

4.2 Years

- Well-diversified and young portfolio of new generation liquid aircraft.
- Less than 15% exposure to widebody aircraft, limiting impact of current near-term headwinds.
- Young fleet preserves source of future long-term revenue.
- Nine aircraft are scheduled for delivery in the year ending September 31, 2021. Two have already been delivered and placed.

Order Book

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



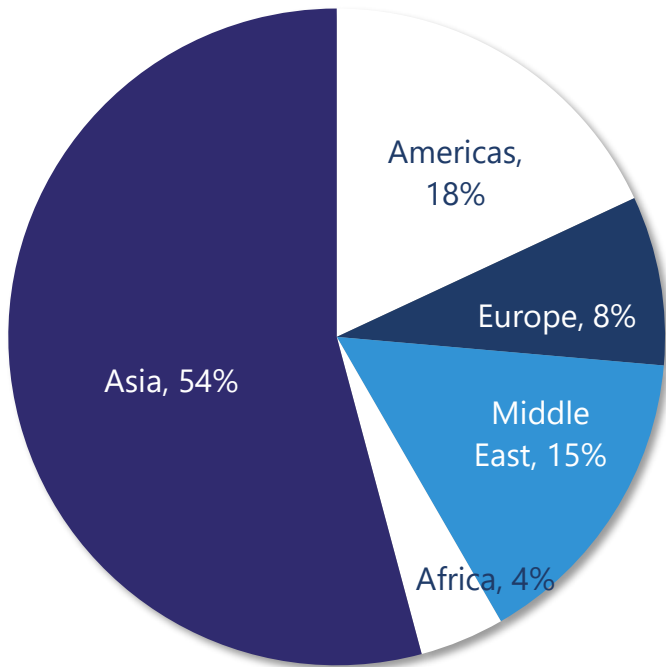
20

B737-8 MAX



Lease Update

DISTRIBUTION



NEW LEASE TO SAS

- Delivered a new A320neo to SAS, fourth as part of a five A320neo aircraft lease agreement signed in 2019.
- SAS is a flag carrier of Sweden, Norway and Denmark and one of the leading European airlines.

FIRST LEASE TO VOLARIS

- Delivered our first A320neo to Volaris as part of sale and leaseback agreement signed earlier in 2020.
- Volaris is a Mexican low-cost airline and the country's second largest airline.



FINANCIAL REVIEW

Q1 EARNINGS

TOTAL REVENUE

KD **26.0** million

-19%

KD 31.9 million in Q1 2020

OPERATING LEASE REVENUE

KD **25.9** million

-14%

KD 30.1 million in Q1 2020

NET PROFIT / LOSS

KD **(1.7)** million

-119%

KD 9 million in Q1 2020

EPS

(1.77) fils

-119%

9.44 fils in Q1 2020

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

Financial Highlights (IN KD)

INCOME STATEMENT	1Q21	1Q20	CHANGE
Operating Lease Revenue	25,984,130	30,124,829	-14%
Depreciation	(12,646,316)	(9,932,021)	27%
Finance cost	(8,493,061)	(9,704,772)	-12%
Staff Cost	(782,137)	(870,008)	-10%
Other Expenses	(913,758)	(3,391,118)	-73%
Other income	25,383	364,075	-93%
Allowance for credit losses / Reversal	(4,782,486)	1,328,524	-460%
Gain on Sale of Aircraft	-	1,430,140	-100%
Profit Before Tax	(1,608,245)	(9,349,649)	-117%
Net Profit after Tax	(1,682,180)	8,986,385	-119%

During the current period, the company has recorded net loss compared to a net profit for the previous period mainly due to allowances of credit losses recorded against receivables during the current period.

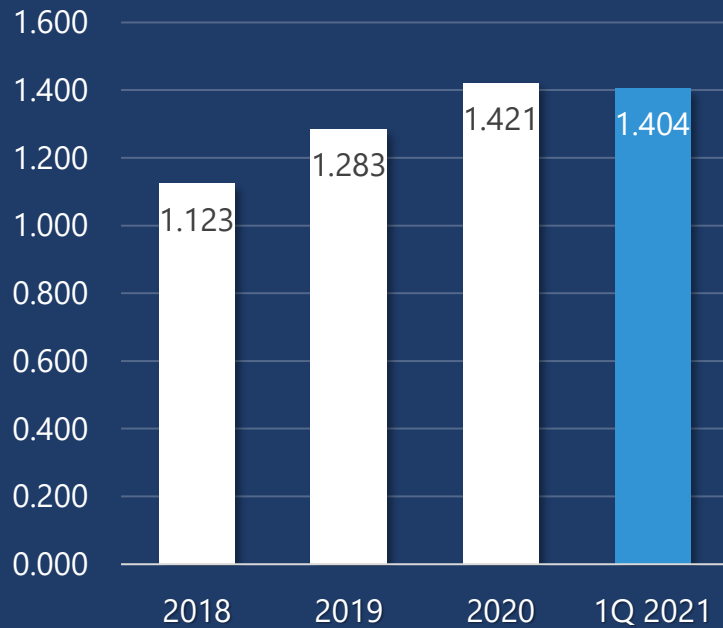
Financial Highlights (IN KD)

BALANCE SHEET	1Q21	2020	CHANGE
Aircraft, Engines and Equipment	1,167,044,543	1,161,111,356	1%
Capital Advances	148,232,949	162,874,986	-9%
Receivables	44,701,105	57,285,113	-22%
Cash and Cash Equivalents	43,966,512	39,732,227	11%
Total Assets	1,403,945,109	1,421,003,682	-1%
Share Capital and premiums	113,038,515	113,038,515	0%
Retained earning and reserves	186,388,115	190,988,522	-2%
Total Equity	299,426,630	304,027,037	-2%
Loans and Borrowings	934,925,819	934,051,774	0%
Security Deposits	11,604,707	11,526,570	1%
Maintenance Reserves + Provisions	138,775,201	156,918,631	-12%
Other Liabilities	19,212,752	14,479,670	33%
Total Liabilities	1,104,518,479	1,116,976,645	-1%
Total Equity and Liabilities	1,403,945,109	1,421,003,682	-1%

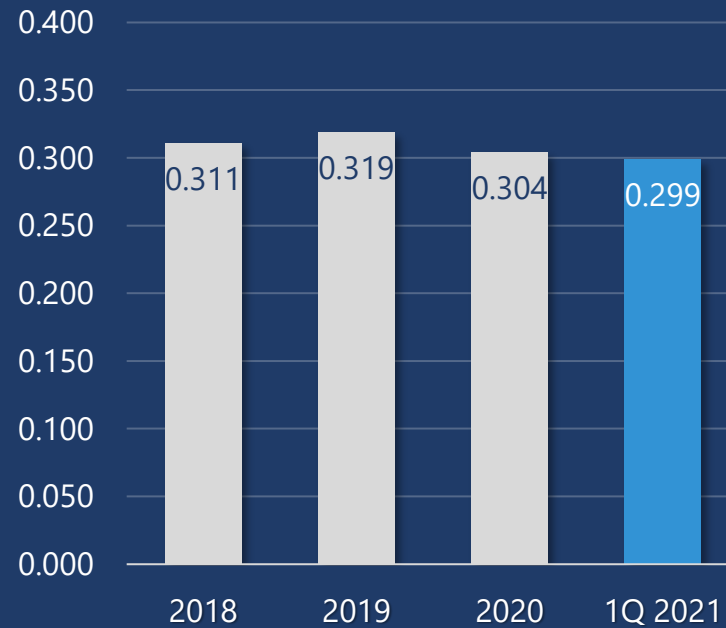
1. Total assets have declined marginally by 1% mainly as result of decline in capital advances and receivables.
2. Movement in equity represented the net loss recorded during the year, in addition to the negative movement in Foreign Currency as the Kuwaiti dinar weakened against the dollar.
3. Liabilities slightly declined from the previous year, primarily as a result of decline in maintenance reserve liabilities which is settled or reduced as part of restructuring of the leases.

Financial Position

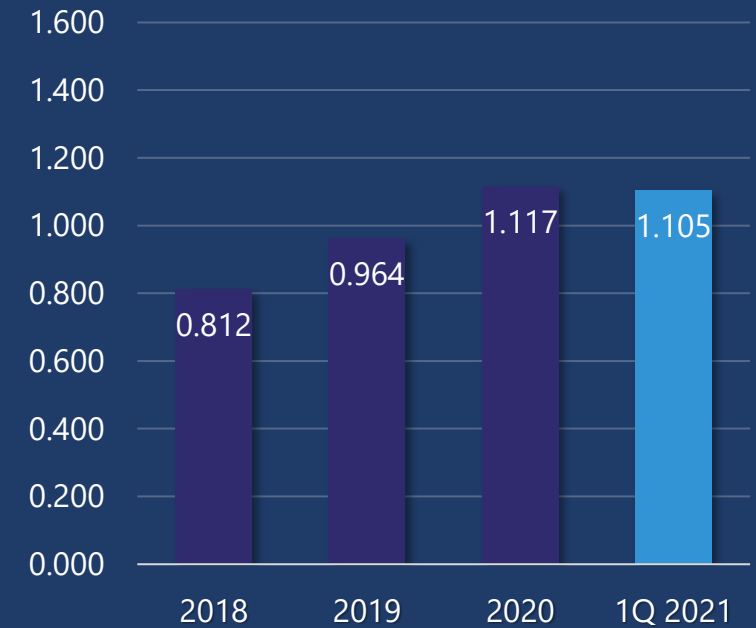
ASSET GROWTH (in KD bln)



EQUITY GROWTH (in KD bln)



LIABILITY GROWTH (in KD bln)

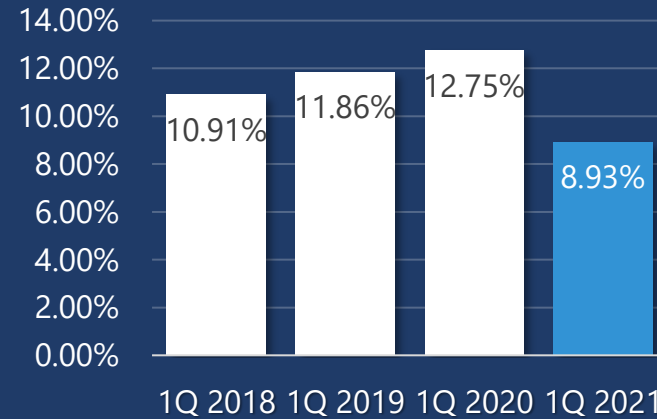


Key Financial Ratios

CURRENT RATIO

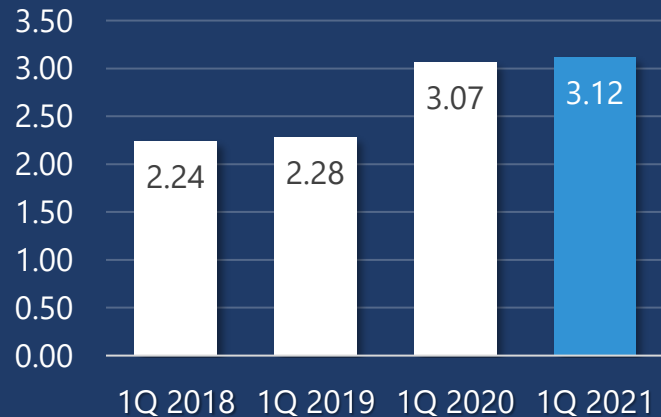


AVERAGE LEASE RATE FACTOR

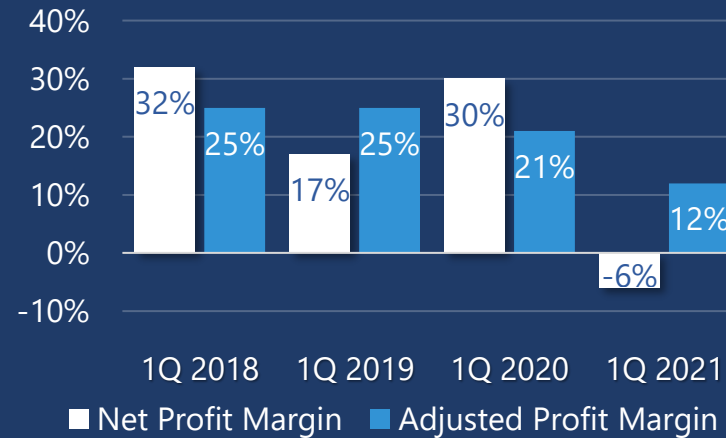


Average Lease Rate Factor = Annualised Lease Revenue / Net Book Value of Aircrafts

DEBT-TO-EQUITY RATIO

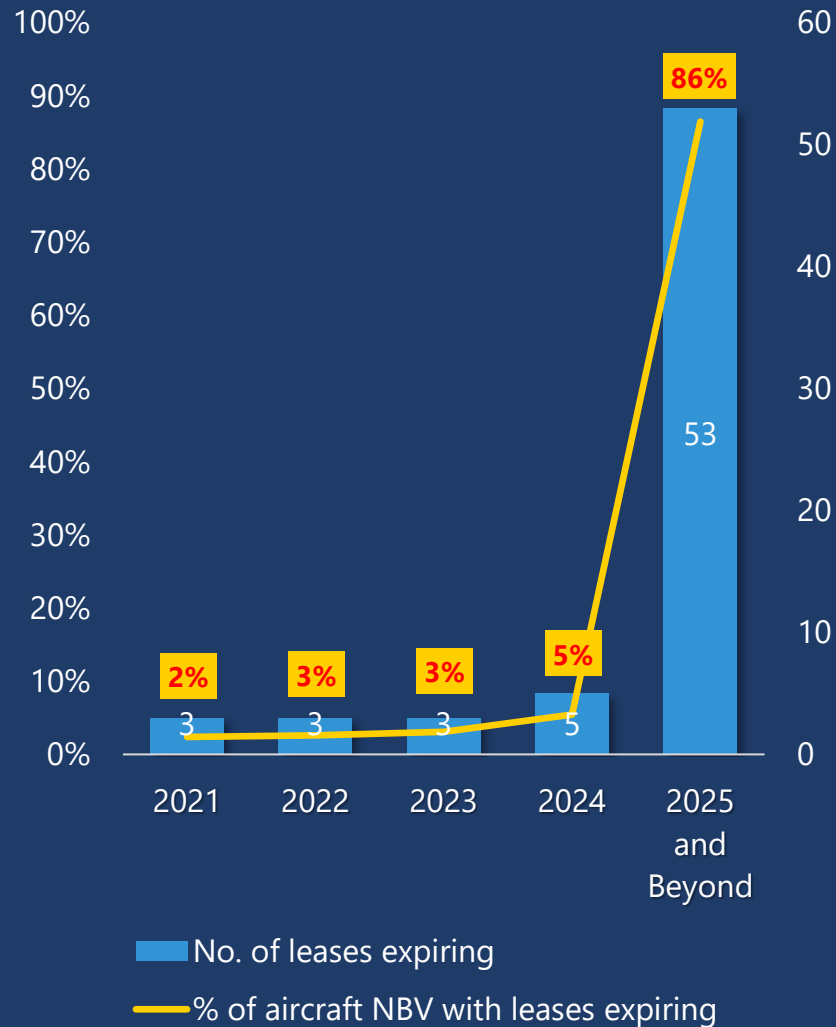


PROFIT MARGINS



Adjusted Profit Margin = Net Profit Before Adjusted ECL, Impairments and Gain of Sale

Average Remaining Lease Term



- Most of the leases are expiring beyond 2025.
- Average remaining lease term is 7.5 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

YOUNG, FUEL EFFICIENT FLEET

ALAFCO has one of the youngest fleets in the market with an average age of 4.2 years. Our new generation aircraft will support airlines to meet their CORSIA obligations (Carbon Offsetting and Reduction Scheme for International Aviation).

Select divestment of aircraft which fall short of meeting fuel efficiency, asset preservation and long-term sustainable revenue criteria.

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

We remain committed to our local communities, working with organizations that make contributions for a sustainable world.



OUTLOOK

Market Outlook

THERE IS DEMAND FOR TRAVEL

- Pent-up demand for travel and higher household savings will increase appetite for travel.
- Recovery likely to be gradual, with domestic travel to recover before regional and international travel. Rate of inoculation remains key.

FLEET RATIONALIZATION

- Older aircraft to be phased out with airlines seeking to rationalize existing fleets.
- Fewer deliveries and production cuts to create a tightening of supply demand gaps which previously existed.

LESSORS TO PLAY KEY ROLE IN RECOVERY

- Lessors to re-capitalize airlines, with Sale and Leaseback being the primary growth channel.
- Lessors to provide delivery finance to move built aircraft out of manufacturers parking lots and release it into airlines' equity.



Q&A

Contact

For more information please contact:

Investor Relations

+ (965) 22902896

investor_relations@alafco.com

ALAFCO KSCP is listed on Boursa Kuwait

ISIN Code: KW0EQ0602221

Reuters: ALAF.KW

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

A large commercial airplane is shown in a hangar, viewed from a low angle looking up. 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 a polished floor and several windows in the background. The text "THANK YOU" is overlaid in the center of the image.

THANK YOU