



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:03 / 01 /2024

CC/ 001 /2024

التاريخ:2024/01 /03

سي سي / 001 / 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 Q4 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 الرابع من السنة المالية 2023/2202

Greetings!

With reference to the above subject, please note that the conference with the analysts and investors for the Q4 of the financial year 2022/2023 was held via a web conference call on Wednesday 03/01/2024 at 12:00pm. Furthermore, no material information was disclosed during the web conference call.

In the meantime, please find attached the earnings presentation for Q4 2023.

تهدي لكم شركة الأفكو لتمويل شراء وتأجير الطائرات أطيب تحياتها.

بالإشارة إلى الموضوع أعلاه، يرجى العلم بأن مؤتمر المحللين/ المستثمرين للربع الرابع من السنة المالية 2023/2022 للشركة قد انعقد عن طريق الإتصال المرئي والمسموع على الإنترنت (web conference call) يوم الأربعاء 2024/01/03، الساعة الثانية عشر ظهراً ولم يتم تداول أي معلومات جوهرية خلال المؤتمر.

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

وتفضلوا بقبول فائق الاحترام،

سليمان أحمد المصنف

أمين سر مجلس الإدارة



FY 2023 Earnings Call

Financial year ending on September 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 September 2023

AIRCRAFT COMPOSITION

AIRLINE DISTRIBUTION

51

Aircraft in Portfolio

14

Customers Presently

11

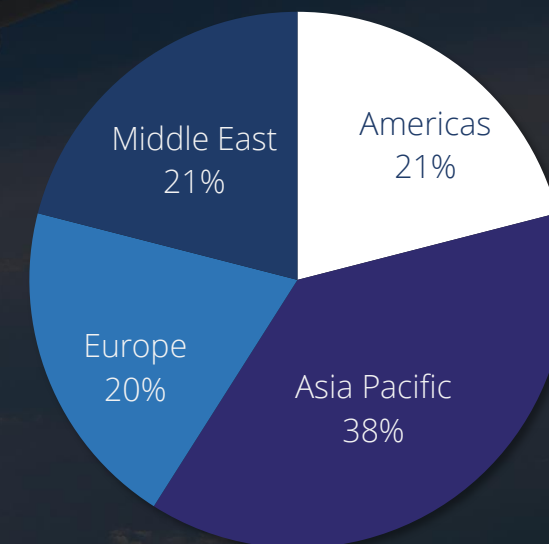
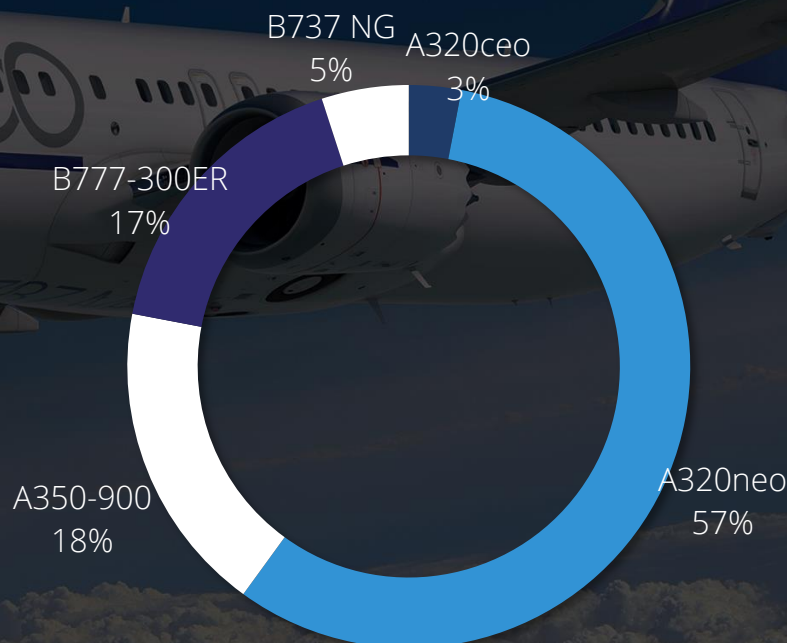
Countries Presently

4.9 years

Portfolio Weighted Average Age

8 years

Average Lease Remaining



SERVICES:

LEASING

AIRCRAFT TRADING

SALE & LEASEBACK

AIRCRAFT LEASING MANAGEMENT



INDUSTRY UPDATE

Industry Review

LEASING REVIEW

- Excellent comeback in commercial aviation backed by strong passenger growth.
- Supply chains appear to be stabilizing but still behind OEM expectations.
- Medium-term outlook for demand remains promising, driving up demand for new aircraft.
- Rate of increases in lease rate still lags interest rates, but lessor benefitting from supply-demand dynamics.

AIRLINES REVIEW

- Demand for travel continues to hold strong, despite higher ticket prices.
- IATA predicting return to profitability for global airline industry in 2023.
- International travel demand approaching pre-pandemic levels, supporting airline profitability and growth plans.
- Geopolitical tension & jet fuel volatility may create potential headwinds in the near future which may taper growth.

TRAVEL OUTLOOK

- Passenger demand and travel recovery fast approaching pre-pandemics levels.
- Momentum in international travel has remained robust, with growth across most regions.
- Despite higher inflation and rising interest rates, the impact on demand has not impacted the pace of recovery seen in 2023.
- Demand for air travel in the longer term is expected to double by 2040.

A large commercial airplane is shown in a hangar, viewed from a low angle. The aircraft has a white base paint with a prominent purple stripe running along the fuselage. The tail fin also features purple and white patterns. The hangar interior is dimly lit, with bright light reflecting off the polished floor. Several people are visible in the background, standing near the aircraft. A large, dark engine nacelle is visible on the left side of the frame.

OPERATIONAL REVIEW

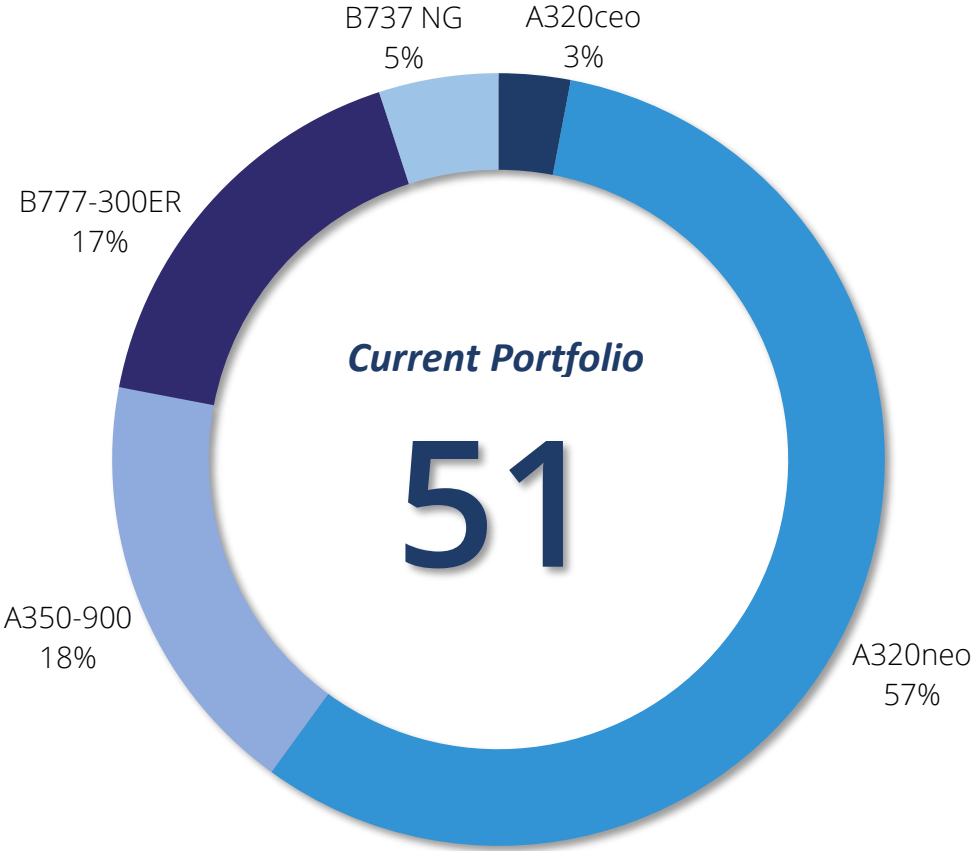
FY 2023 Highlights

ALAFCO completed the following during FY 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 25 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



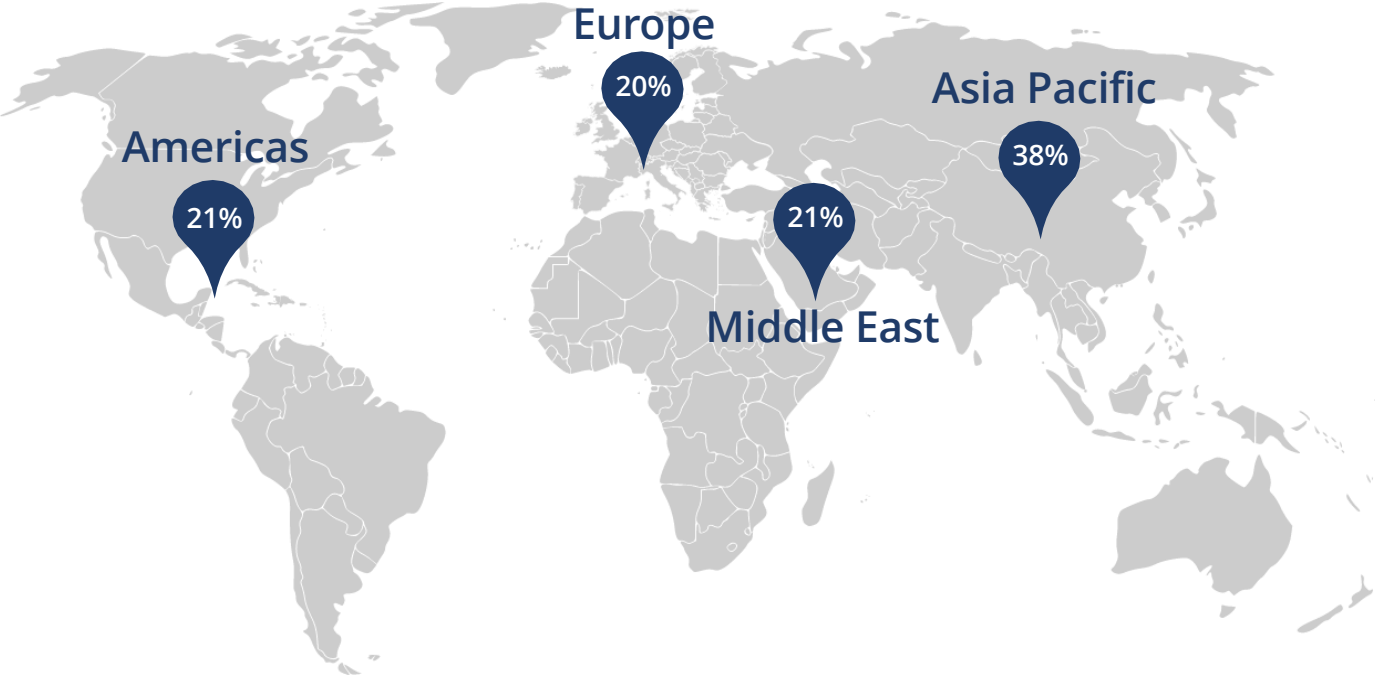
Aircraft composition % include delivered aircraft based on aircraft NBV

Portfolio Weighted Average Age **4.9 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

<p>38% Asia Pacific</p>
<p>21% Middle East</p>
<p>20% Europe</p>
<p>21% Americas</p>



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

FY 2023 Earnings

OPERATING LEASE REVENUE

KD **35.9** million

-63%

KD 95.6 million in FY 2022

NET PROFIT

KD **(1.2)** million

-98%

KD (58.9) million in FY 2022

EPS

(1.21) fils

-98%

KD (61.91) fils in FY 2022

Financial Highlights (IN KD)

INCOME STATEMENT	FY 2023	FY 2022	CHANGE
Operating Lease Revenue	35,856,738	95,642,934	-63%
Depreciation	(15,883,644)	(50,577,935)	-69%
Finance Cost	(45,462,418)	(37,250,745)	22%
Staff Cost	(3,770,084)	(2,425,386)	55%
Other Expenses	(4,325,155)	(8,833,692)	-51%
Other Income	28,879,465	13,073,026	121%
Allowance for Credit Losses / Reversal	2,170,335	4,614,065	-53%
Gain on Sale of Aircraft	1,384,569	3,285,945	-58%
Impairment	-	(44,729,386)	-100%
Impairment Loss on Capital Advances	-	(31,744,431)	-100%
Re-Lease Provision	-	-	0%
Profit Before Tax	(1,150,197)	(58,945,605)	-98%
Net Profit after Tax	(1,150,197)	(58,945,605)	-98%

Net loss has decreased by 98% mainly due to:

1. Other income increased by 121%, driven by the reversal of some 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.
2. Not charging any impairment provision during the period.
3. Decline in depreciation is due to not recording depreciation for the for 53 aircraft to be sold to Macquarie Airfinance.
4. Decrease in other expenses due to less expenses recorded against aircraft maintenance, ABS transactions, storage fees and collection expenses during the year.

Financial Highlights (IN KD)

BALANCE SHEET	Sep 30, 2023	Sep 30, 2022	CHANGE
Aircraft, Engines and Equipment	803,783,712	1,067,295,751	-25%
Capital Advances	34,996,316	88,478,441	-60%
Receivables	33,969,921	25,326,718	34%
Cash and Cash Equivalents	13,105,157	25,113,155	-48%
Total Assets	885,855,106	1,206,214,065	-27%
Share Capital and Premiums	95,209,348	95,209,348	0%
Retained Earning and Reserves	125,641,591	128,813,164	-2%
Total Equity	220,850,939	224,022,512	-1%
Loans and Borrowings	547,390,298	833,969,170	-34%
Security Deposits	6,423,660	12,450,499	-48%
Maintenance Reserves + Provisions	61,186,677	115,121,641	-47%
Other Liabilities	50,003,532	20,650,243	142%
Total Liabilities	665,004,167	982,191,553	-32%
Total Equity and Liabilities	885,855,106	1,206,214,065	-27%

Total assets declined mainly as a result of:

- a) Decline in capital advances after transferring the ownership of the 20 B737 Max aircraft on-order to Macquarie Airfinance as well as taking delivery of the 2 A320neo aircraft leased to Volaris from the company's orderbook
- b) Decrease in fixed assets following to the sale of 27 aircraft during the period.

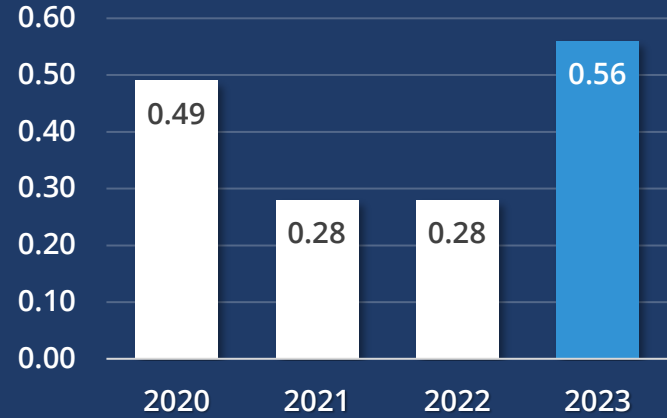
Decline in total equity is mainly due to the negative movement in FCTR as the US Dollar weakened against the Kuwaiti dinar and the recorded net loss during the current period.

Decline in total liabilities follow:

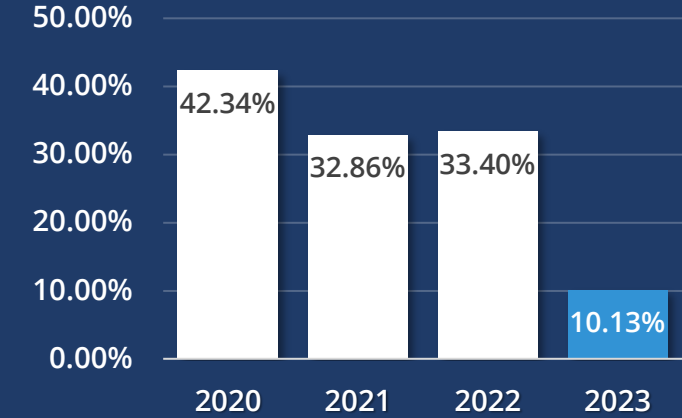
- a) Repayment of secured and unsecured loans.
- a) Decrease in maintenance reserve, mainly due to the maintenance reserve provisions adjusted against the sale of 27 aircraft.

Key Financial Ratios

CURRENT RATIO

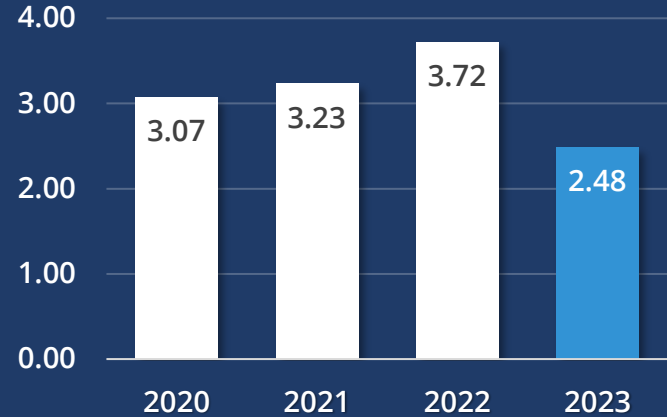


AVERAGE LEASE RATE FACTOR

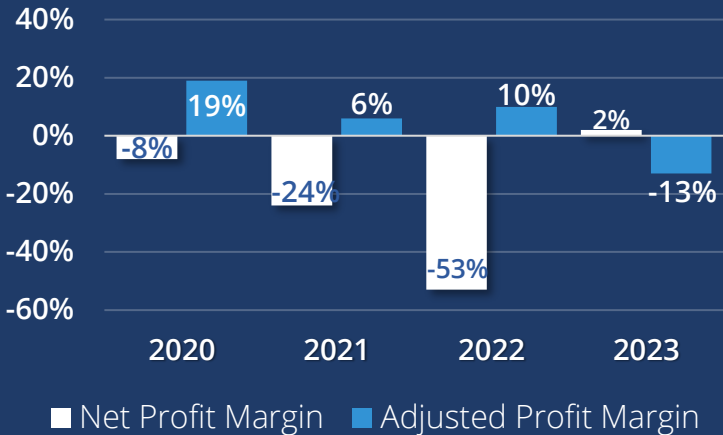


Average Lease Rate Factor = Lease Revenue / Net Book Value of Aircraft

DEBT-TO-EQUITY RATIO

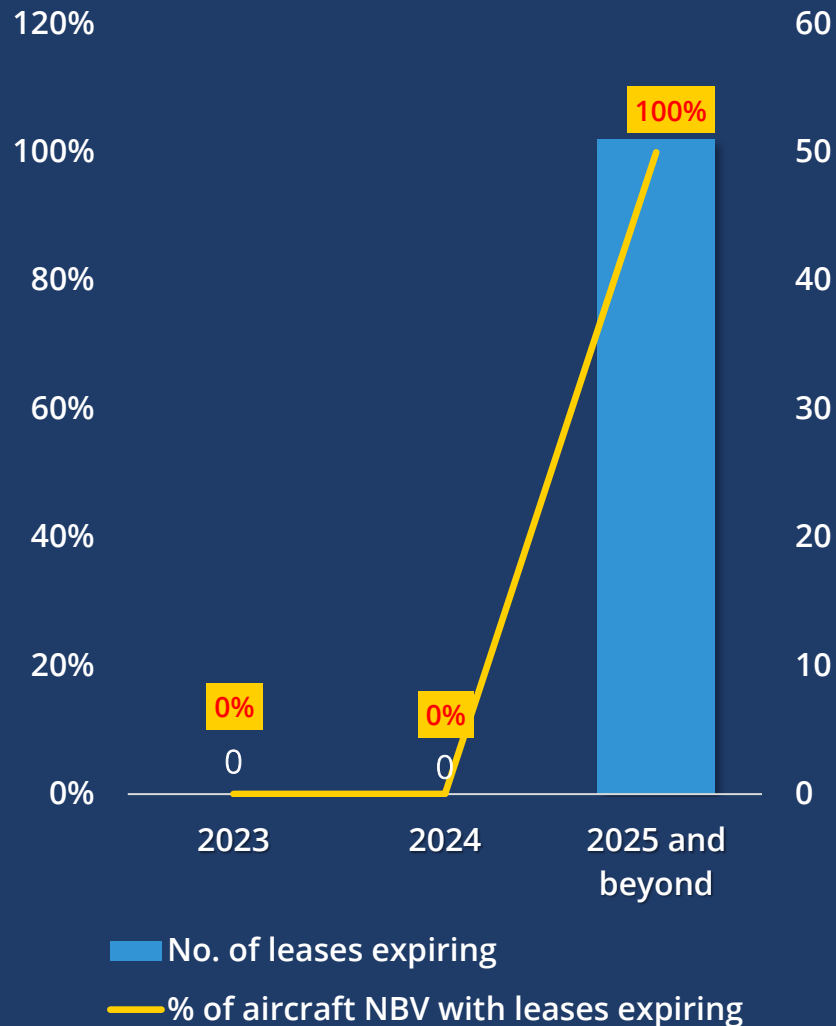


PROFIT MARGINS



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.



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.

SUSTAINABILITY LINKED STRATEGY

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

ALAFCO supports its customers fleet renewal 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 BUOYANT

- Air travel demand remains on pace to surpass 2019 levels next year (2024).
- International traffic continues to pick up pace and approached pre-pandemic levels recovering to 95%.
- North American, Latin American and Middle East airlines reached pre-pandemic traffic levels.
- Inflation appears to have peaked which could be offset against future ticket prices.
- Near-term shows strong ticket sales and demand for travel.

AIRLINES SHOWING PROFITABILITY

- Robust recovery in international traffic is driving airline profits dramatically higher on the back of rising fares.
- Airlines are expected to post a net profit of US\$9.8 billion in 2023 (IATA), as airlines continue to benefit from demand.
- Relief in fuel prices, while still high, have continued to moderate. Anticipate fuel prices to remain elevated in the near-term.
- Economic uncertainties do not appear to have materially impacted the desire for travel.

LESSORS MARKET REMAINS ATTRACTIVE

- Higher passenger travel demand is pushing lease rates higher.
- Scarcity in available OEM supply pipeline until 2030 is driving valuation of order books.
- Order for aircraft will remain buoyant driven by Asian growth and fleet efficiency needs.
- Combination of strong passenger outlook, OEM production outlook and elevated Interest rates are likely to push yields on lease rates.



Q&A

Contact

For more information please contact:

Investor Relations

+(965) 22902896

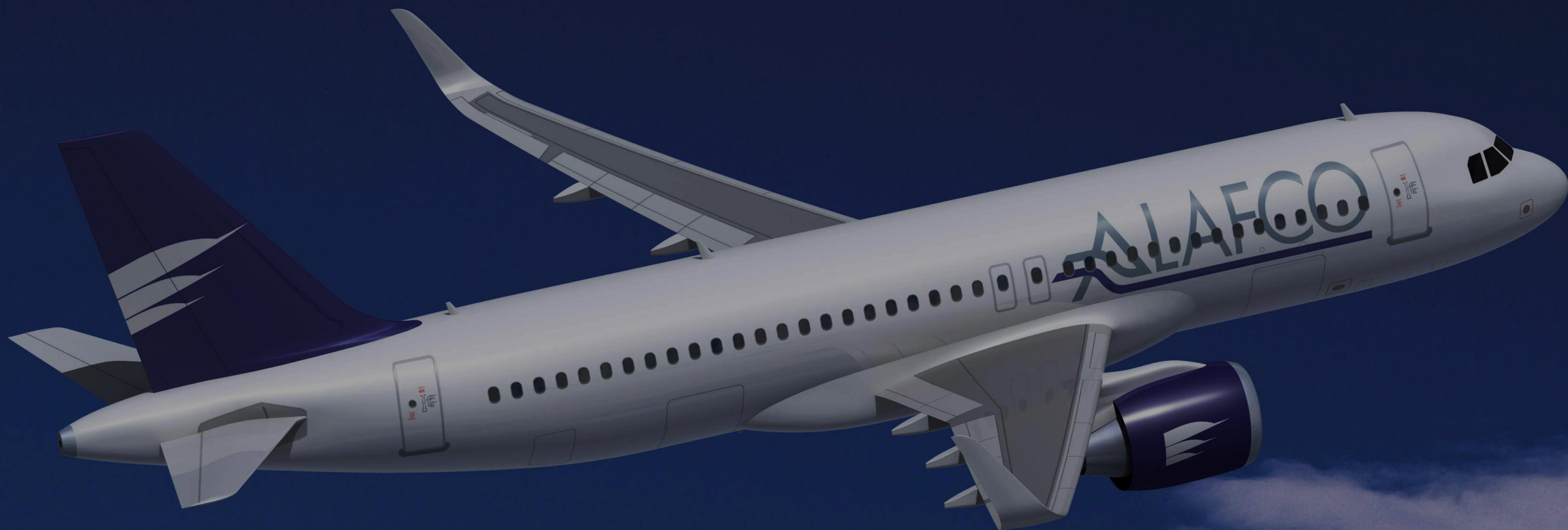
investor_relations@alafco.com

ALAFCO KSCP is listed on Boursa Kuwait

ISIN Code: KW0EQ0602221

Reuters: ALAF.KW

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



THANK YOU