



# BOC AVIATION INVESTOR PRESENTATION

SEPTEMBER / OCTOBER 2021

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# ABOUT BOC AVIATION

# BOC Aviation – Who Are We?

## Top 5 global aircraft operating lessor

- The largest based in Asia, by value of owned fleet
- Bank of China owns 70%
- Listed on the HKEX

## Total assets of US\$23.9bn

- Aircraft net book value of US\$19.6bn<sup>1</sup>
- 414 owned and managed aircraft
- 122 aircraft on order<sup>2</sup>

## 27<sup>th</sup> year of profitability

- Consistently profitable since inception
- US\$5.1bn in cumulative profits since inception

## Industry leading performance

- Average ROE of c.15% since 2007
- Investment grade credit ratings of A- from S&P and Fitch

**Industry leader with best in class financial performance**

All data as at 30 June 2021 unless otherwise indicated

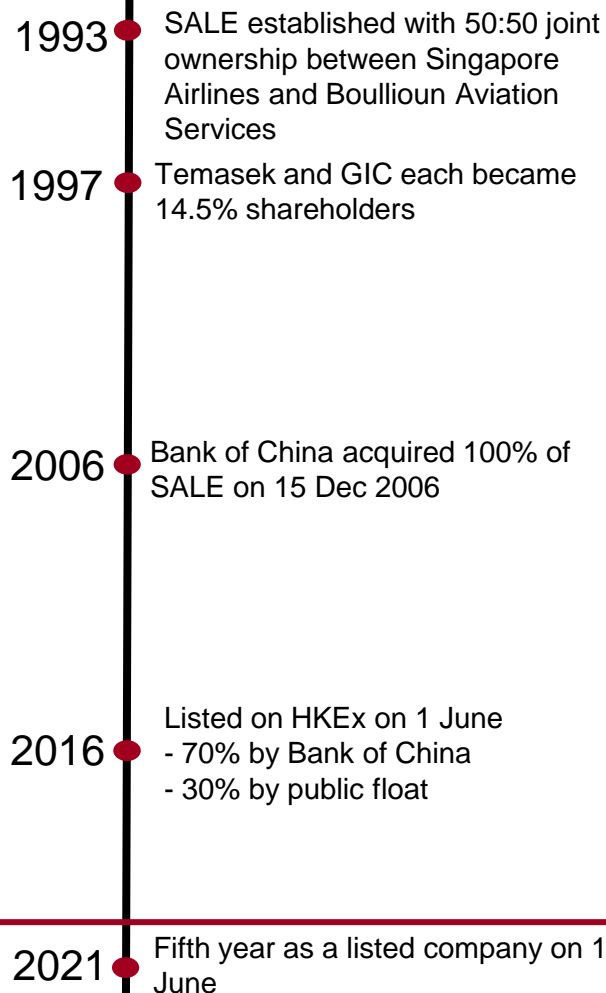
Notes:

1. Excludes aircraft on leases classified as finance leases
2. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery



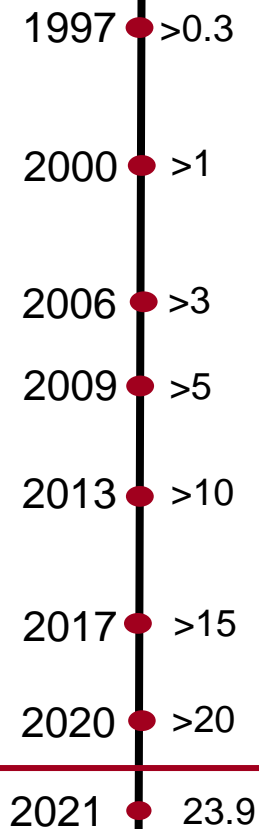
# The BOC Aviation Journey

## Ownership



## Total assets

US\$ billion



All data as at the end of the relevant period



# Globally Diverse Management Team



**Robert Martin**  
*Managing Director & Chief Executive Officer*

**Zhang Xiaolu**  
*Vice-Chairman & Deputy Managing Director*

**Steven Townend**  
*Deputy Managing Director & Chief Financial Officer*

**David Walton**  
*Deputy Managing Director & Chief Operating Officer*

**Deng Lei**  
*Chief Commercial Officer (Asia Pacific & the Middle East)*

**Paul Kent**  
*Chief Commercial Officer (Europe, Americas, Africa)*

- 33 years of banking and leasing experience
- Managing Director since July 1998

- 31 years of banking experience
- In charge of Risk Management, Market Research, Board Secretariat and Corporate Affairs departments

- 30 years of banking and leasing experience
- In charge of Finance, Treasury, Tax, Investor Relations and Settlement

- 35 years of legal, aviation finance and leasing experience
- In charge of Procurement, all operations and related departments

- 23 years of banking experience
- In charge of revenue activities for Asia Pacific and Middle East

- 25 years of aircraft finance and leasing experience
- In charge of revenue activities for Europe, Americas and Africa

**Nationality**



**Years of experience**

**33**

**31**

**30**

**35**

**23**

**25**

**Highly experienced senior management team**

All data as at August 2021



# Core Competencies - BOC Aviation Track Record

## Since inception in 1993:

- Purchasing 890 aircraft purchased totalling approximately US\$51 billion
- Leasing More than 1,080 leases executed with > 160 airlines in 57 countries and regions
- Financing More than US\$36 billion in debt raised since 1 January 2007

- Sales More than 380 aircraft sold
- Transitions More than 90 transitions
- Repossessions<sup>1</sup> 57 aircraft in 17 jurisdictions

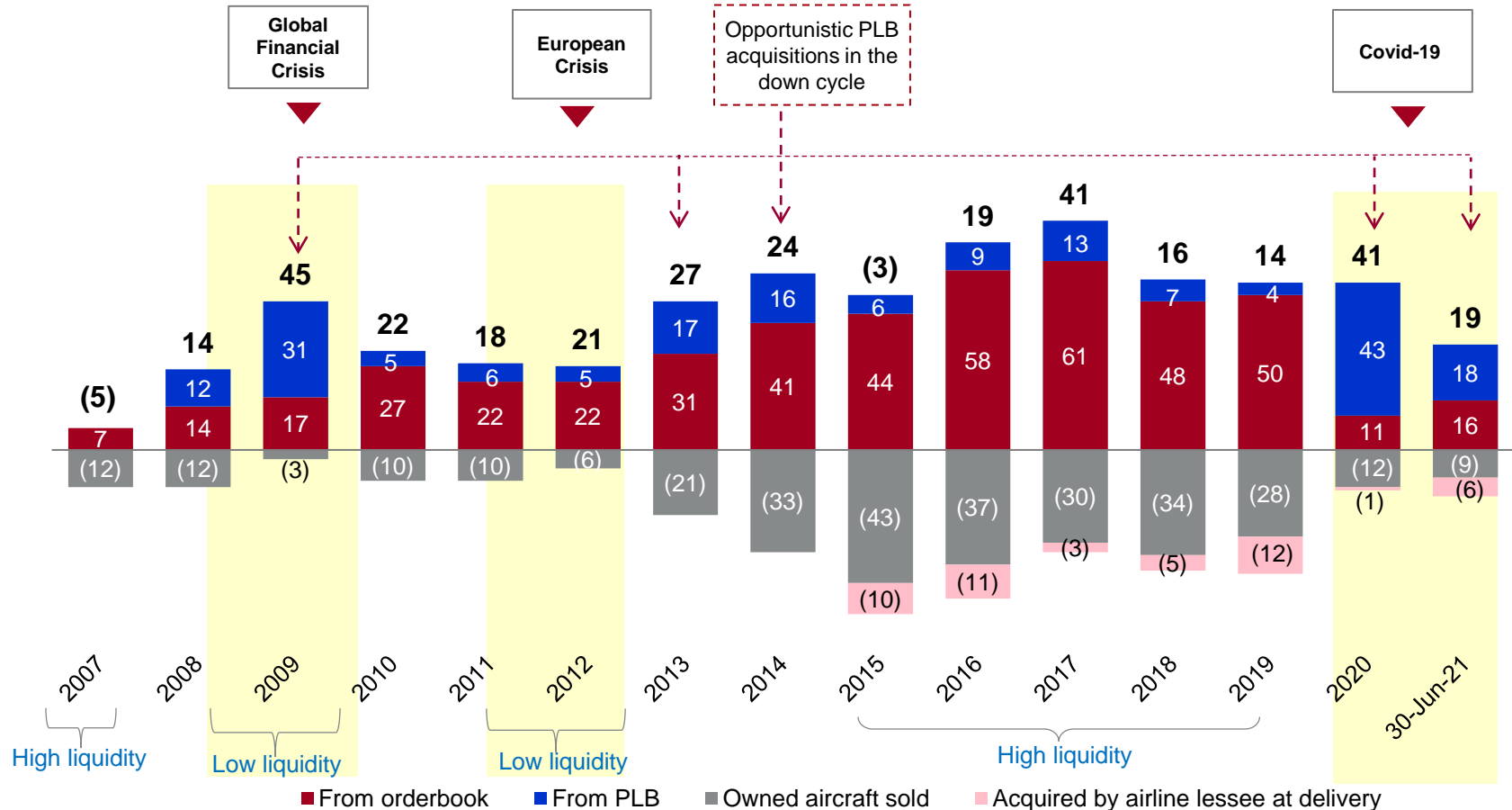
All data as at 30 June 2021, since inception unless otherwise indicated

Note:

1. Includes repossessions and consensual early returns

# How We Invest

## Number of aircraft delivered, purchased and sold



## Investing in aircraft through multiple cycles

All data as at the end of the relevant period















# 1H 2021 OVERVIEW

# Another Strong Performance in a Challenging Environment



## Resilient core business<sup>1</sup>

<b>US\$1,107 million</b>		<b>7%</b>
Total revenues and other income		
<b>US\$557 million</b>		<b>0.4%</b>
Operating cash flow net of interest <sup>2</sup>		
<b>US\$434 million</b>		<b>5%</b>
Profit before tax and impairment charges		
<b>US\$344 million</b>		<b>6%</b>
Core lease rental contribution <sup>3</sup>		
<b>US\$254 million</b>		<b>21%</b>
Net profit after tax		
<b>US\$0.37</b>		<b>21%</b>
Earnings per share		

## Robust balance sheet<sup>4</sup>

<b>US\$23.9 billion</b>		<b>1%</b>
Total assets		
<b>US\$5.8 billion</b>		<b>13%</b>
Total available liquidity		
<b>US\$5.0 billion</b>		<b>5%</b>
Total equity		
<b>US\$7.19</b>		<b>5%</b>
Net assets per share		

## Interim dividend per share

<b>30%</b>		<b>Unchanged</b>
Interim dividend payout ratio		
<b>US\$0.1098</b>		<b>21%<sup>6</sup></b>
Interim dividend per share <sup>5</sup>		

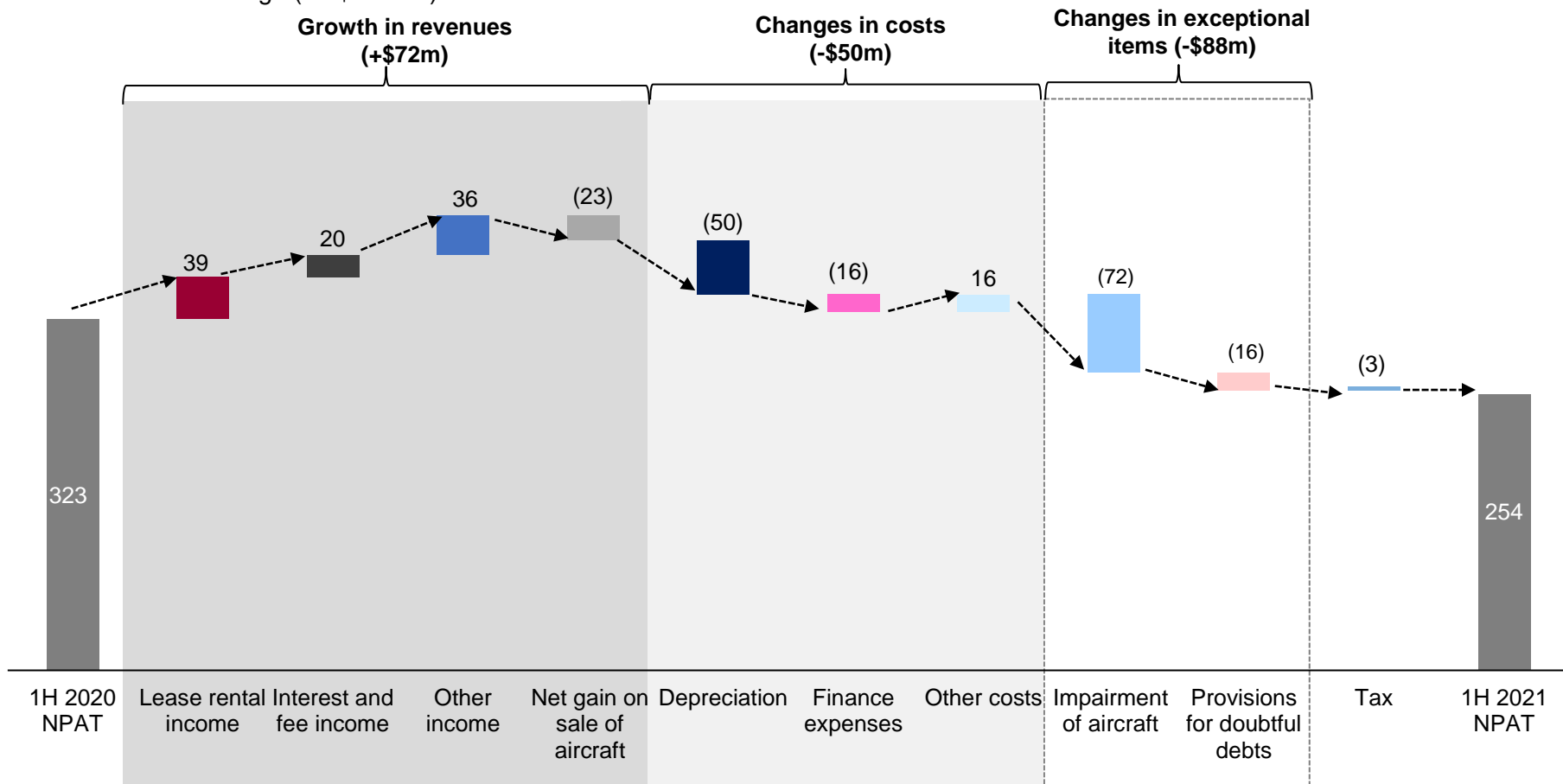
All data as at 30 June 2021

Notes:

1. Percentage changes compared to the first six months of 2020
2. Calculated as net cash flow from operating activities less finance expenses paid
3. Calculated as operating lease rental income and finance lease interest income less aircraft depreciation, finance expenses apportioned to operating lease rental income and finance lease interest income, amortisation of deferred debt issue costs and lease transaction closing costs.
4. Percentage changes compared to the year ended 31 December 2020
5. Payable to shareholders registered at the close of business on the record date, being 4 October 2021
6. Compared to US\$0.1398 paid for 1H 2020

# 1H 2021 NPAT Changes vs 1H 2020

Year-on-Year change (US\$ million)



**Core leasing business remains strong**

Due to rounding, numbers presented may not add up precisely to the totals provided



# Resilient Core Business in 1H 2021

- Recorded more than US\$5 billion of cumulative earnings<sup>1</sup>
- Celebrated our 5<sup>th</sup> year as a listed company
  - Annual General Meeting was chaired by new Chairman, Mr. Chen Huaiyu
  - We welcomed three new directors: Mr. Chen Huaiyu, Mr. Wang Xiao and Mdm. Wei Hanguang
- Profitability has improved since the second half of 2020
  - US\$254 million in 1H 2021 vs US\$187 million in 2H 2020
- Executed 72 transactions
  - Took delivery of 34 aircraft<sup>2</sup>
    - 18 via purchase-and-leaseback, 16 from aircraft manufacturers
  - Sold nine owned and three managed aircraft
  - Signed 26 lease commitments
- Ended 30 June 2021 with total fleet of 536
  - Comprised 377 owned, 37 managed and 122 on order
  - Average fleet age of 3.7 years<sup>3</sup>
  - Average remaining lease term of 8.1 years<sup>3</sup>
  - Committed to purchase eight Airbus A320NEO aircraft via the PLB market
- Improving asset quality
  - Diversified global customer base of 87 airlines in 38 countries and regions
  - 100% latest technology aircraft deliveries

**Strong core business performance in a difficult environment**

All data as at 30 June 2021

Notes:

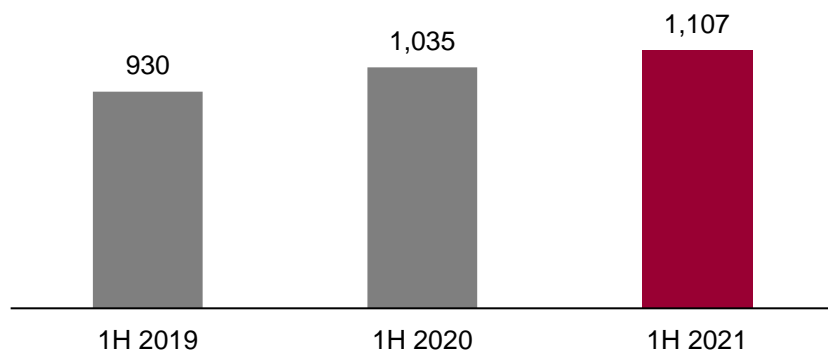
1. Since the Company's inception in 1993
2. Including six aircraft acquired by airline customers on delivery
3. Weighted by net book value of owned fleet including aircraft on leases classified as finance leases



# Resilient Performance in a Difficult Market

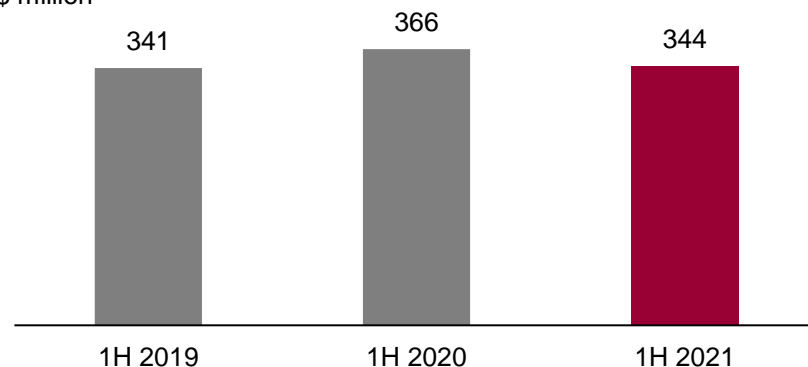
## Fleet growth underpins growth in revenues

US\$ million



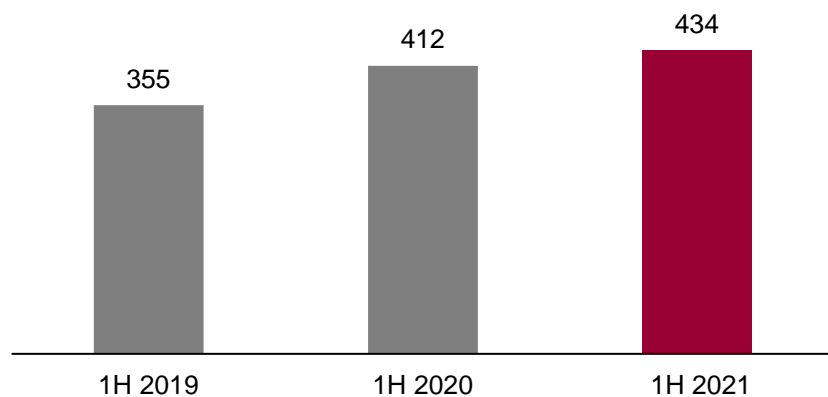
## High core lease rental contribution<sup>2</sup>

US\$ million



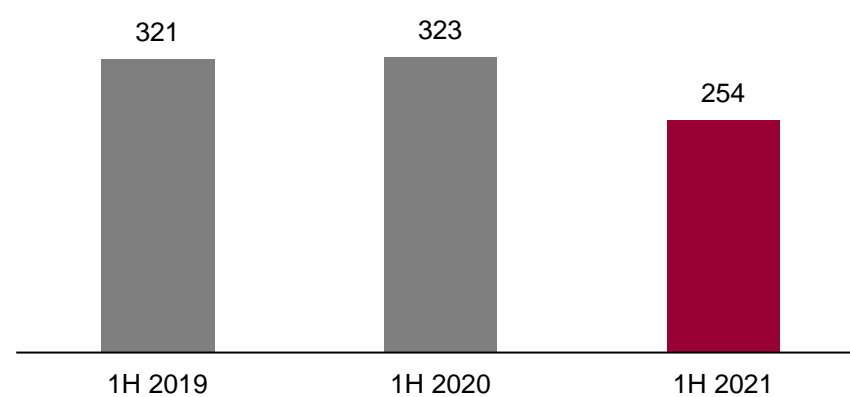
## Improving profit before tax and impairment charges<sup>1</sup>

US\$ million



## Resilient NPAT performance

US\$ million



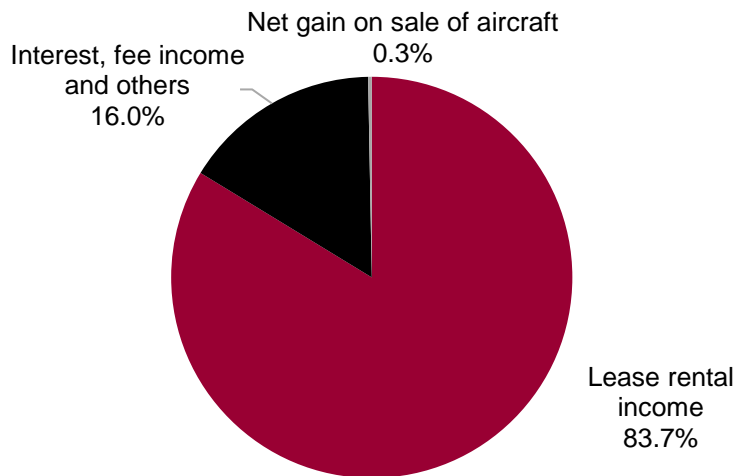
All data as at 30 June 2021

Notes:

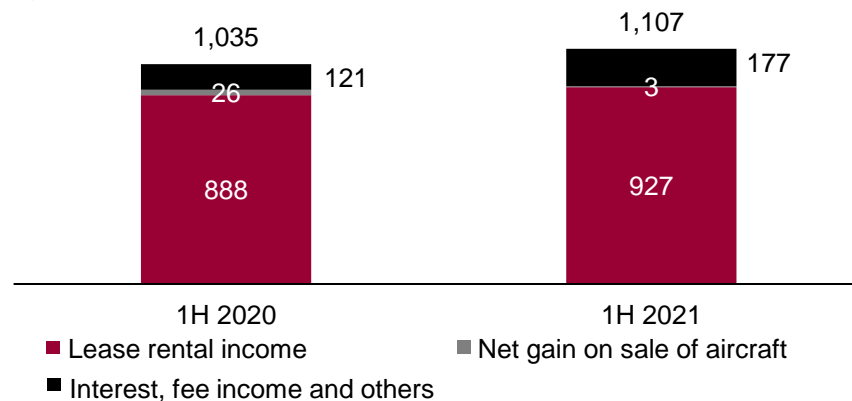
1. Impairment charges comprise impairment of aircraft and financial assets
2. Calculated as operating lease rental income and finance lease interest income less aircraft depreciation, finance expenses apportioned to operating lease rental income and finance lease interest income, amortisation of deferred debt issue costs and lease transaction closing costs

# Lease Rental Income Continues to Dominate Revenue

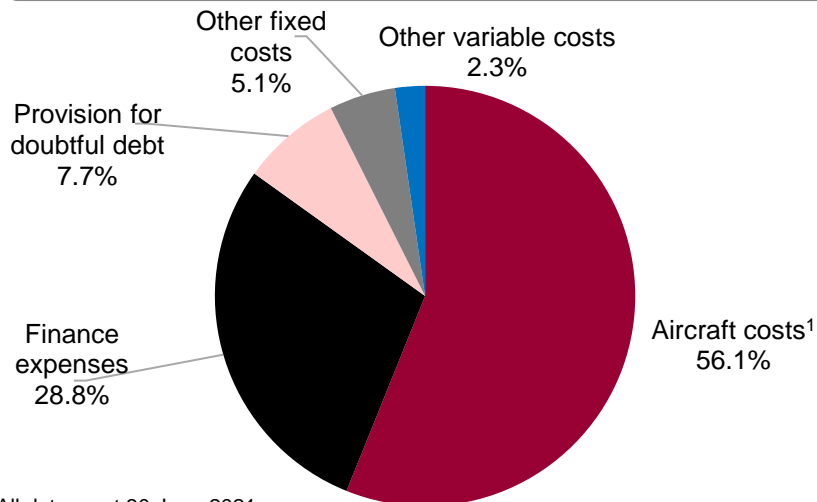
Lease rental income consistently over 80% of total revenues and other income



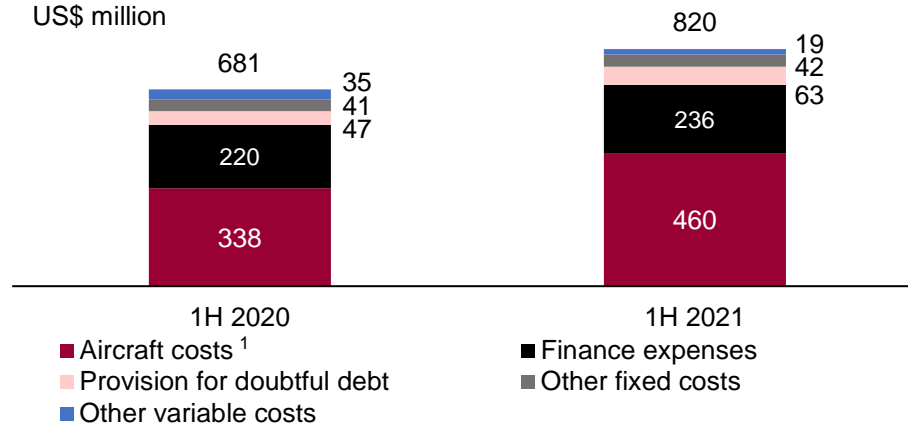
US\$ million



Depreciation of aircraft plus financing costs make up over 80% of total costs



US\$ million



All data as at 30 June 2021

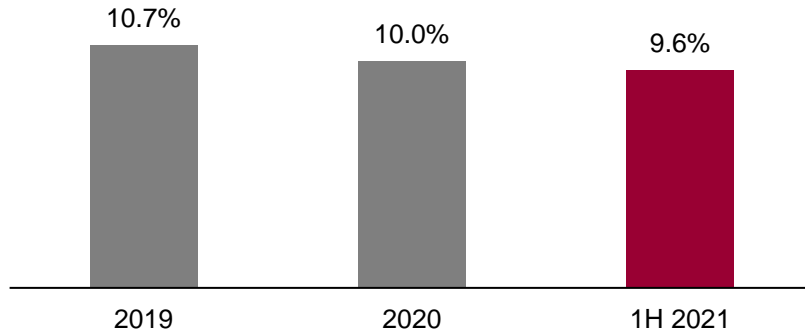
Note:

1. Comprises aircraft depreciation and impairment

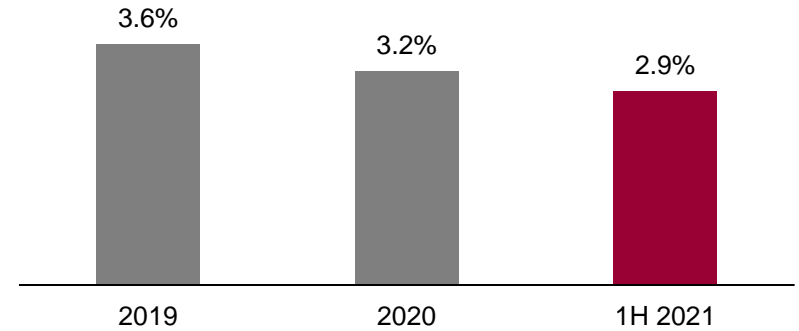


# Margins Impacted by Covid-19

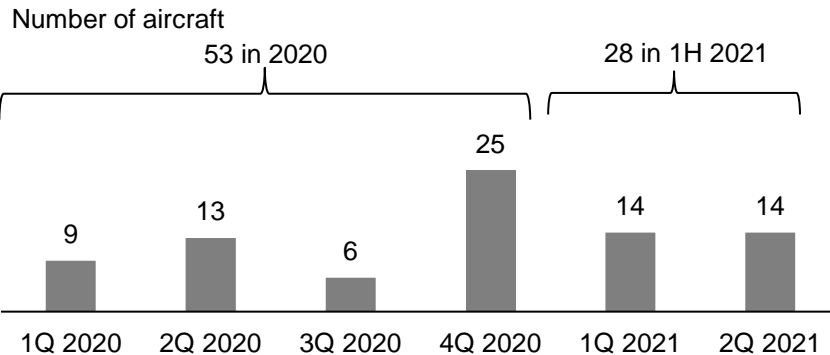
## Lease rate factor<sup>1</sup> high at around 10%



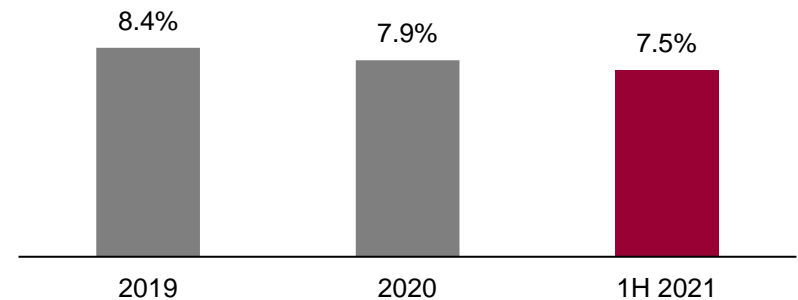
## Reduced cost of debt<sup>3</sup>



## Aircraft deliveries by quarter<sup>2</sup>



## Net lease yield<sup>4</sup>

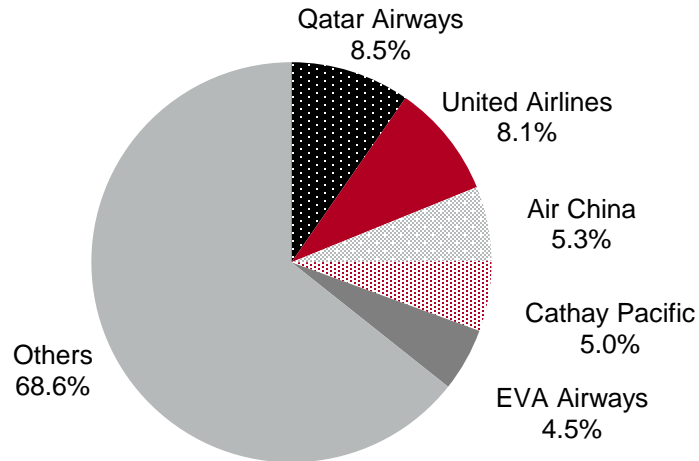


All data as at 30 June 2021

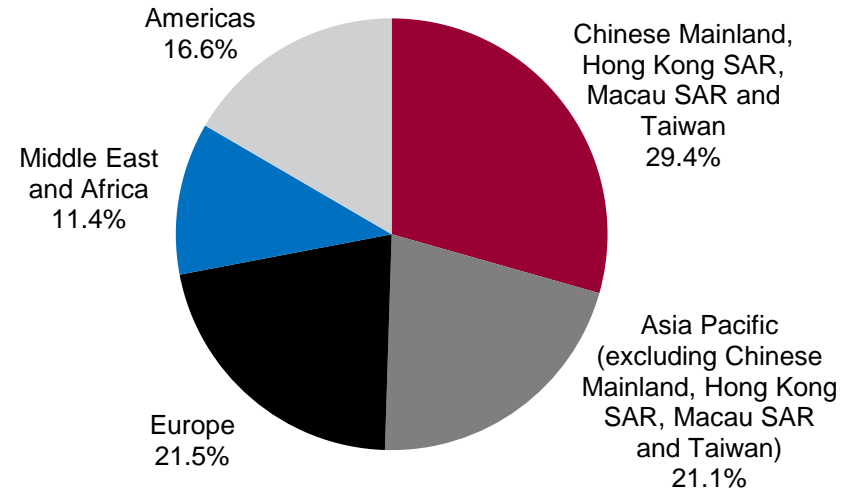
- Notes:
1. Calculated as operating lease rental income divided by average net book value of aircraft (including aircraft held for sale) and multiplied by 100%. Lease rate factor for 1H 2021 is calculated on an annualised basis
  2. Excluding aircraft acquired by airline customers on delivery
  3. Calculated as the sum of finance expenses and capitalized interest, divided by average total indebtedness. Total indebtedness represents loans and borrowings before adjustments for deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes
  4. Calculated as operating lease rental income less finance expenses apportioned to operating lease rental income, divided by average of aircraft net book value (including aircraft held for sale). Net lease yield for 1H 2021 is calculated on an annualised basis

# Globally Diversified Lease Portfolio

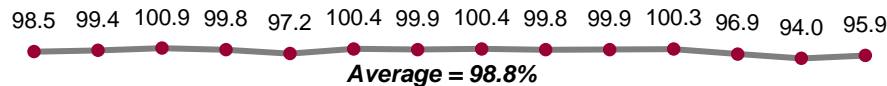
## Lease portfolio diversified by customer<sup>1,2</sup>



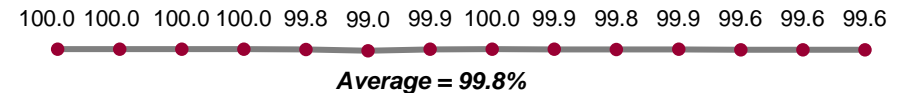
## ...and increasingly diversified by geography<sup>1,3</sup>



## Collection rate (%)



## Fleet utilization (%)<sup>4</sup>



2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 30-Jun-21

2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 30-Jun-21

All data as at 30 June 2021

Notes:

1. Based on net book value including aircraft subject to finance leases and excluding aircraft off lease as at 30 June 2021
2. For certain airlines, the percentage includes leases to affiliated airlines whose obligations are guaranteed by the named airline
3. Based on the jurisdiction of the primary obligor under the relevant operating lease
4. Fleet utilization is the total days on-lease in the period as a percentage of total available lease days in the period





# Popular and Fuel-Efficient Fleet

## Our aircraft portfolio

Aircraft type	Owned aircraft	Managed aircraft	Aircraft on order <sup>1</sup>	Total
Airbus A320CEO family	108	15	0	123
Airbus A320NEO family	79	0	51	130
Airbus A330CEO family	12	1	0	13
Airbus A330NEO family	4	0	2	6
Airbus A350 family	9	0	0	9
Boeing 737NG family	75	14	0	89
Boeing 737 MAX family	40	0	45	85
Boeing 777-300ER	24	4	3	31
Boeing 777-300	0	1	0	1
Boeing 787 family	21	1	21	43
Freighters	5	1	0	6
<b>Total</b>	<b>377</b>	<b>37</b>	<b>122</b>	<b>536</b>

**100% of orderbook comprises latest technology aircraft**

All data as at 30 June 2021

Note:

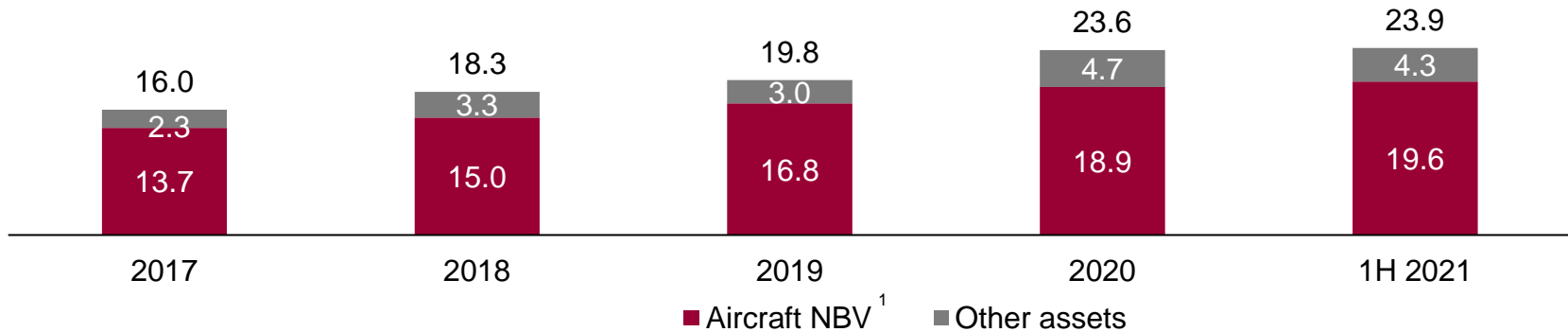
1. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery



# Steadily Growing Balance Sheet and Aircraft Fleet

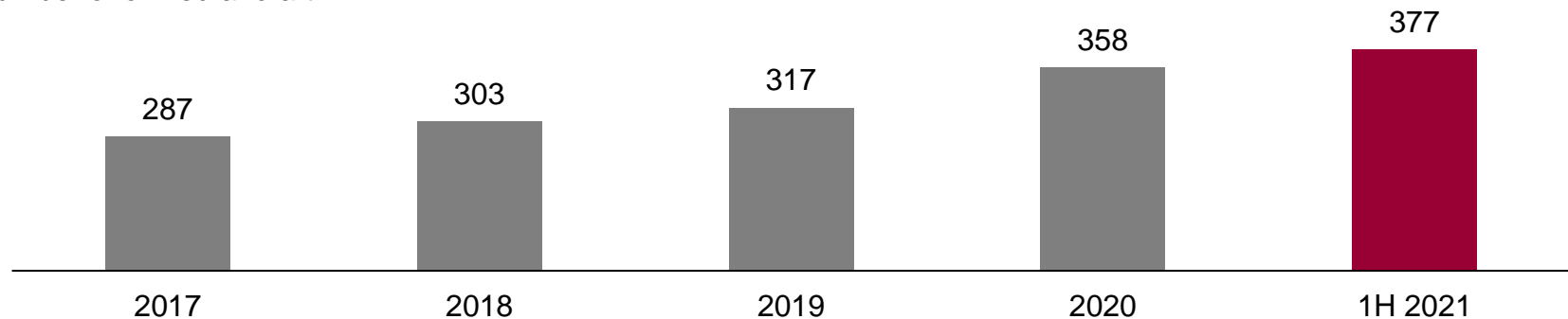
## Growing balance sheet

US\$ billion



## Disciplined increase in fleet size

Number of owned aircraft



**Aircraft assets of US\$20 billion provide platform for future earnings**

All data as at the end of the relevant period.

Note:

1. Excludes aircraft on leases classified as finance leases



# BALANCE SHEET AND CASH FLOW

# Strong Liquidity

- Raising debt funding is a core competency of our company
  - Raised over US\$36 billion since January 2007
  - The largest Singapore based corporate issuer of USD bonds in aggregate since September 2012
  - Raised US\$1.5 billion of bonds and US\$500 million of bank loans in 1H 2021
  - 1H 2021 average cost of debt improved to 2.9%
- Total available liquidity of US\$5.8 billion positions us well for investment opportunities
  - US\$5.4 billion unutilised credit facilities and US\$0.4 billion of cash
- Maintaining strong credit ratings
  - A- credit ratings from S&P Global and Fitch Ratings
  - Outlook upgraded to stable by S&P Global; maintained at stable by Fitch Ratings

**Continued to access competitively priced sources of liquidity**

All data as at 30 June 2021 unless otherwise indicated

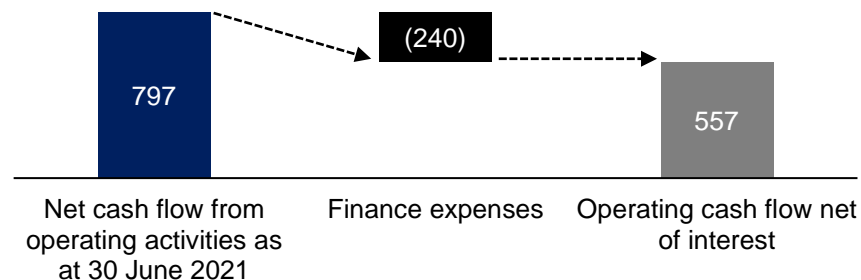
# Robust Operating Cash Flow Net of Interest

## Operating cash flow net of interest<sup>1</sup>

- Stable compared with 1H 2020 despite a challenging environment
- The incremental committed investment in 85 purchase-and-leasebacks in 2020 and 1H 2021, of which 39 had delivered by end-2020 and another 17 by end-June 2021, will further enhance cash flow
- A further 29 PLB aircraft will be delivered before 2023

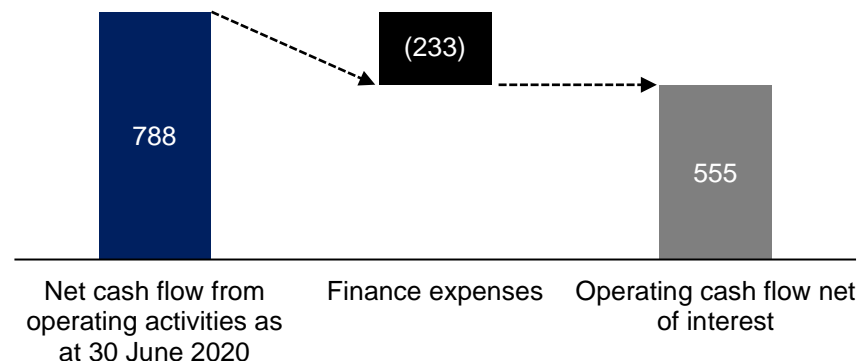
## Operating cash flow net of interest <sup>1</sup> for the period ended 30 June 2021

US\$ million



## Operating cash flow net of interest <sup>1</sup> for the period ended 30 June 2020

US\$ million



**Operating cash flow net of interest remains high**

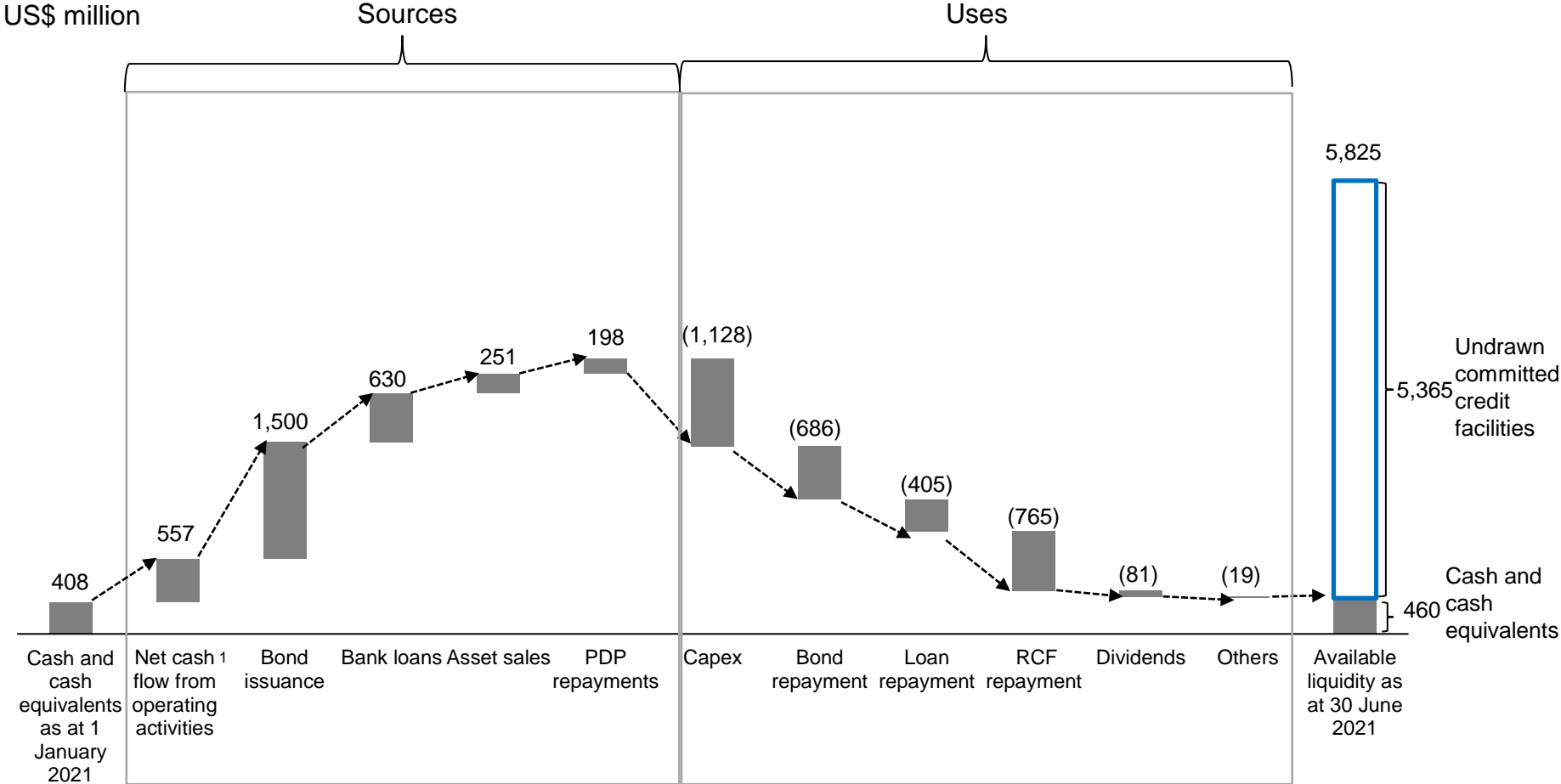
All data as at 30 June 2021

Note:

1. Calculated as net cash flow from operating activities less finance expenses paid

# Diverse Funding Channels Utilised in 1H 2021

## Sources and Uses of Cash



Proactive use of diverse funding sources in 1H 2021

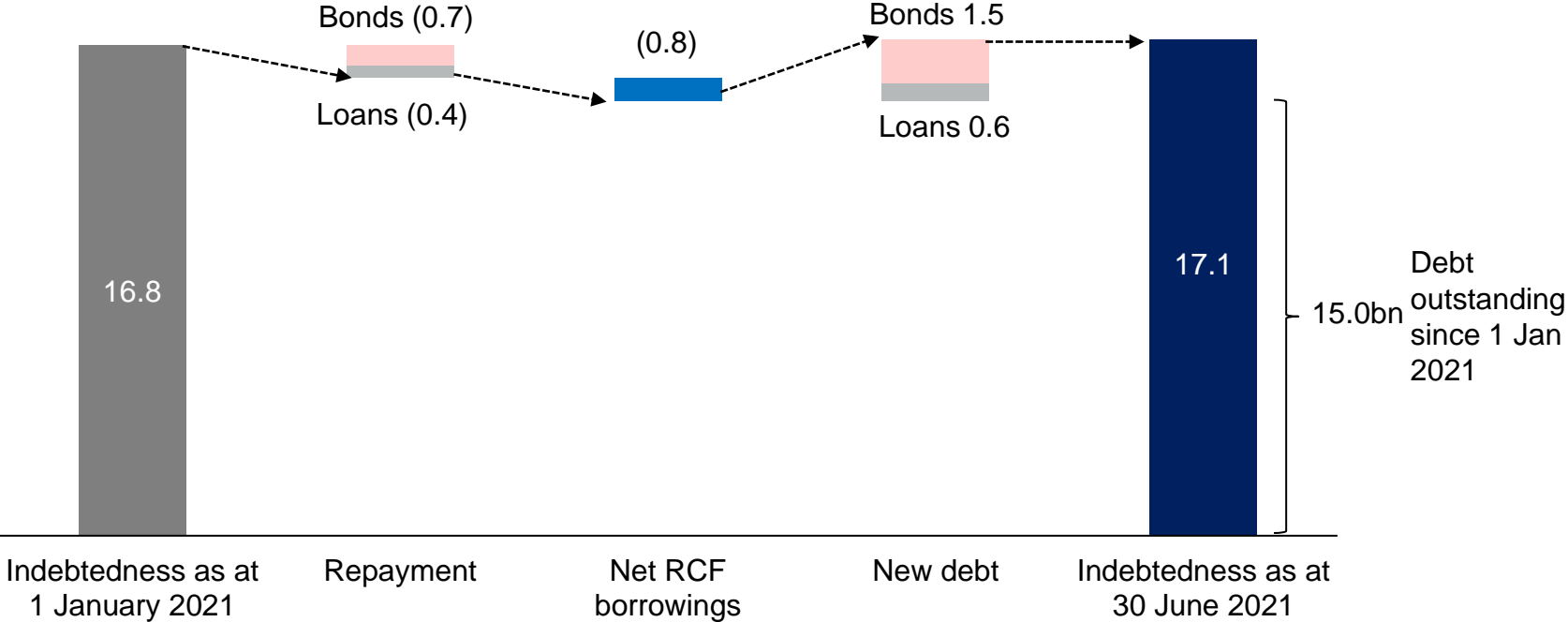
All data as at 30 June 2021

Note:  
1. Calculated as net cash flow from operating activities less finance expenses paid



# Stable Debt Structure

US\$ billion



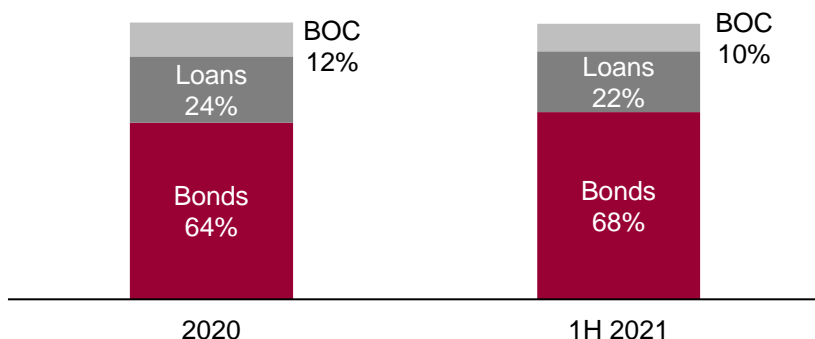
**89% of debt unchanged from 1 January 2021 and debt to equity of 3.4:1**

Due to rounding, numbers presented may not add up precisely to the totals provided



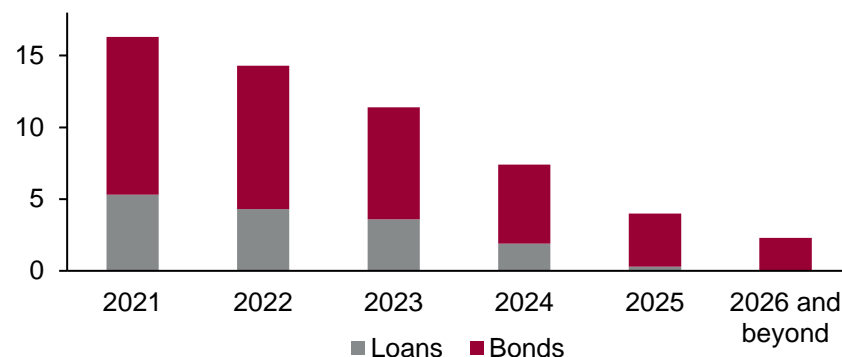
# Flexible Capital Structure and Ample Backstop Liquidity

## Sources of debt<sup>1</sup>

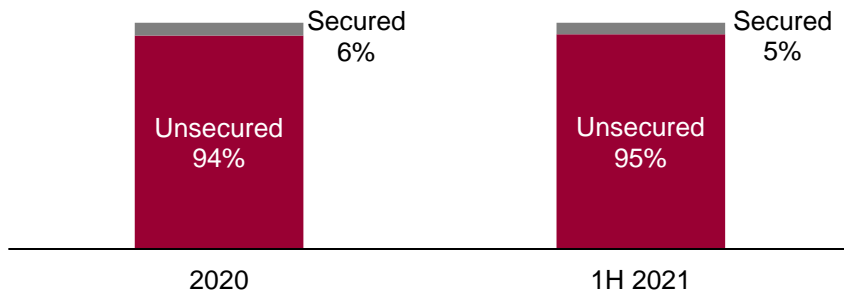


## Outstanding debt amortises over a long term

US\$ billion

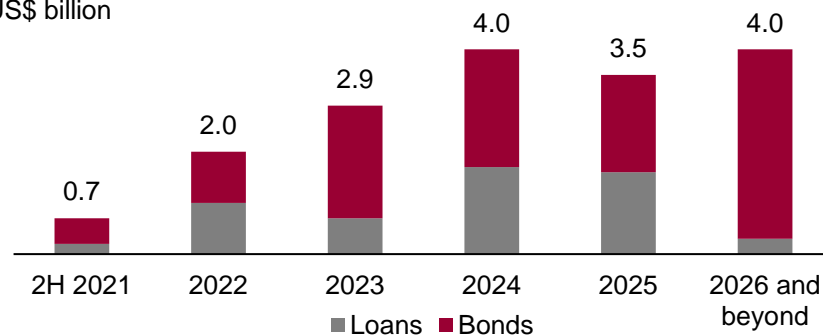


## Focus on unsecured funding



## Near term debt maturities well covered by US\$5.8 billion available liquidity

US\$ billion



**Total available liquidity of US\$5.8 billion; liability management is a key strength**

All data as at 30 June 2021 unless otherwise indicated

Note:

1. Drawn debt only



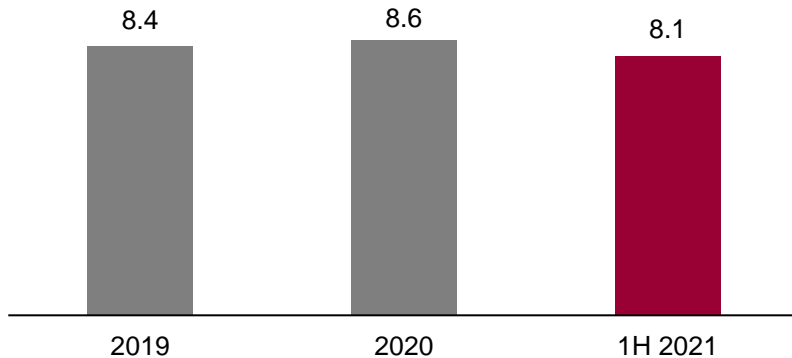


# LOOKING AHEAD

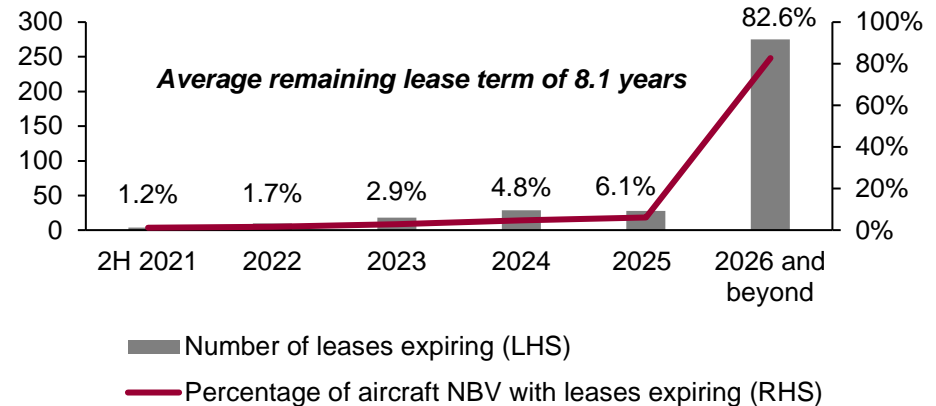
# Long Term Leases Enhance Revenue Visibility

## We have a long average remaining lease term<sup>1</sup>

Number of years

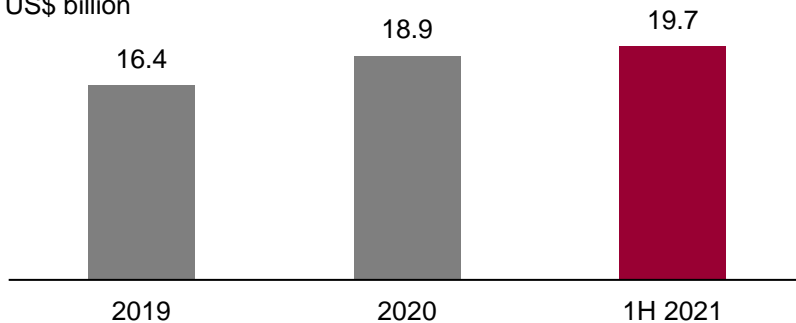


## Well-dispersed lease expiries<sup>2</sup>



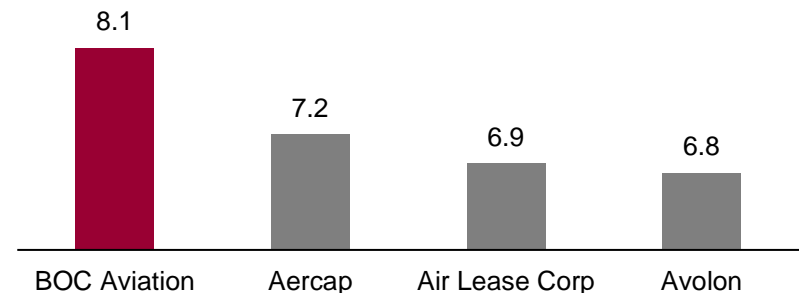
## and high future committed lease revenue

US\$ billion



## Industry-leading average remaining lease term<sup>3</sup>

Number of years



All data as at 30 June 2021

Notes:

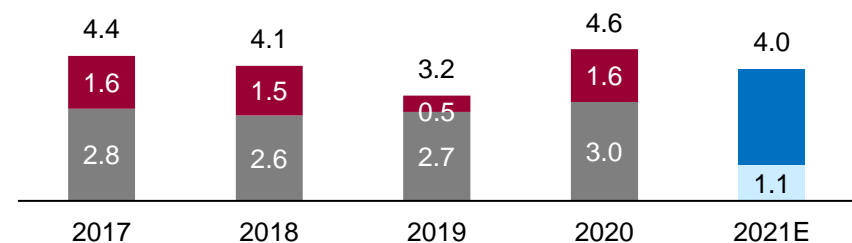
1. Weighted by net book value of owned fleet including aircraft on leases classified as finance leases
2. Owned aircraft with lease expiring in each calendar year, weighted by net book value, excluding any aircraft for which BOC Aviation has sale or lease commitments as well as aircraft off lease
3. Weighted by net book value of owned fleet as at 30 June 2021



# New Investments Drive Growing Committed Lease Revenues

## Average annual capital expenditure in excess of US\$4 billion since IPO

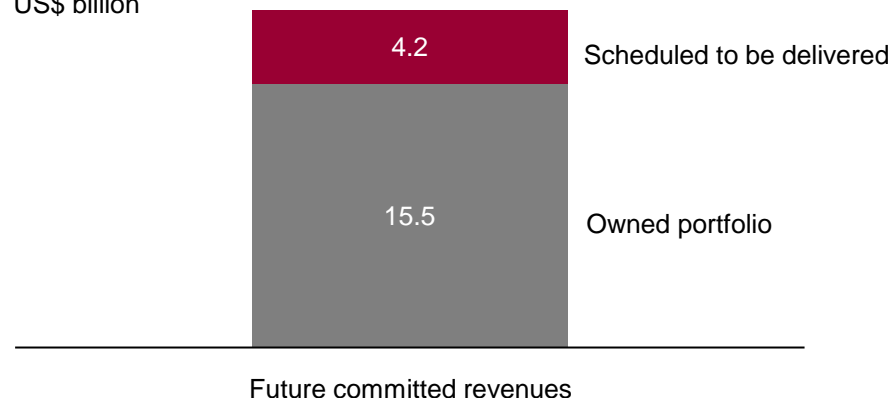
US\$ billion



- Committed capex at beginning of the year
- Additional capex during the year
- Capex during 1H 2021
- Expected 2H 2021 Capex

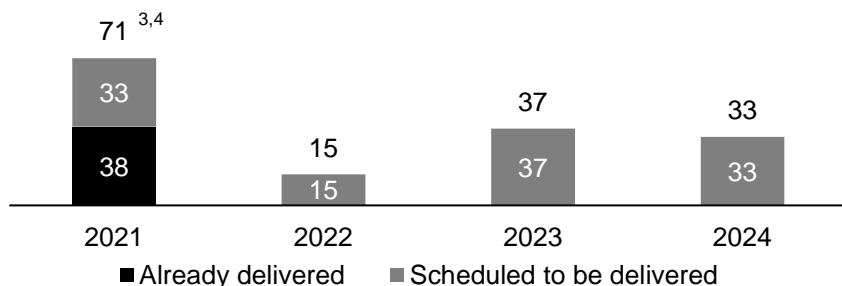
## High committed future lease revenues of US\$20 billion

US\$ billion



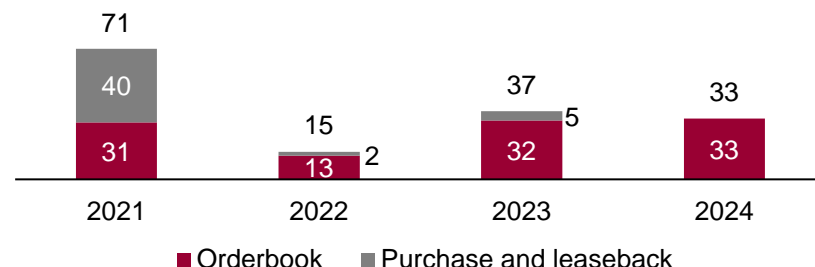
## Orderbook delivery schedule<sup>1,2</sup> as at 19 August 2021

Number of aircraft



## Orderbook by direct orders vs PLBs as at 19 August 2021

Number of aircraft



## Healthy pipeline of future lease revenues

All data as at 30 June 2021 unless otherwise indicated

Notes:

- Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery
- Based on expected delivery dates
- Includes 38 aircraft delivered 19 August 2021 YTD
- Includes 11 commitments where airline customers have the right to acquire the relevant aircraft on delivery, of which six were exercised in 1H 2021



# Conclusion

- Respectable first half performance achieved in a challenging environment
  - Record high first half revenues and other income of US\$1.1 billion
  - Operating cash flow net of interest paid of US\$557 million stable compared with 1H 2020
  - Net profit after tax of US\$254 million
  - Maintained the same interim dividend pay-out ratio as in previous years
- Continue to focus on sustainable long-term earnings
  - Committed future lease revenues of US\$20 billion
  - Orderbook of 122<sup>1</sup> aircraft provides future balance sheet growth
  - Record high total liquidity of US\$5.8 billion to support aircraft investments
- US reduction in travel restrictions re-opens long haul travel market in November
  - Strong rebound in demand anticipated
  - Should mark recovery in widebody aircraft activity
  - Resurgence in passenger numbers in large domestic markets already clear

**Celebrated 5<sup>th</sup> year since IPO with more than US\$5 billion in cumulative earnings**

All data as at 30 June 2021 unless otherwise indicated

Note:

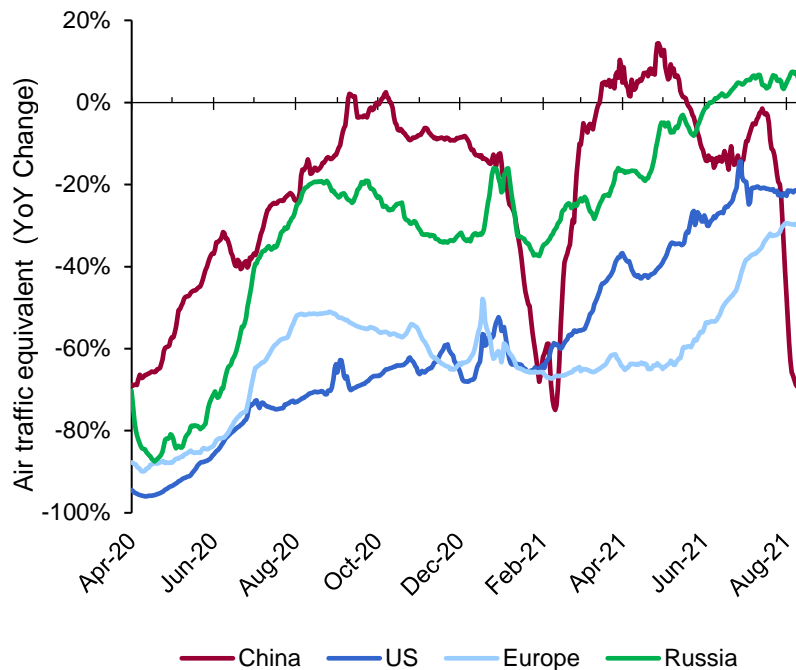
1. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery



# INDUSTRY UPDATES

# Air Traffic Recovery

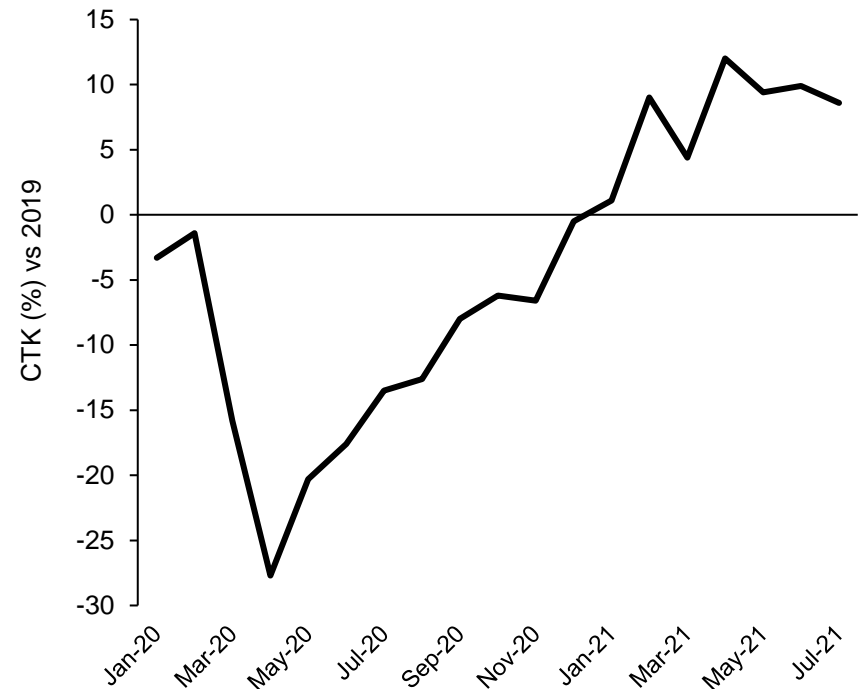
Countries with significant domestic markets demonstrate rising passenger demand



Day 0 for each region: China 25-Jan-20, US, Europe, Russia & Australia 7-Mar-20.

Sources: China MoT (Air Pax YoY) TravelSky (Traffic), TSA (Throughput), Eurocontrol (Flights), AWN ADS-B (Flights)

Strong global air cargo performance



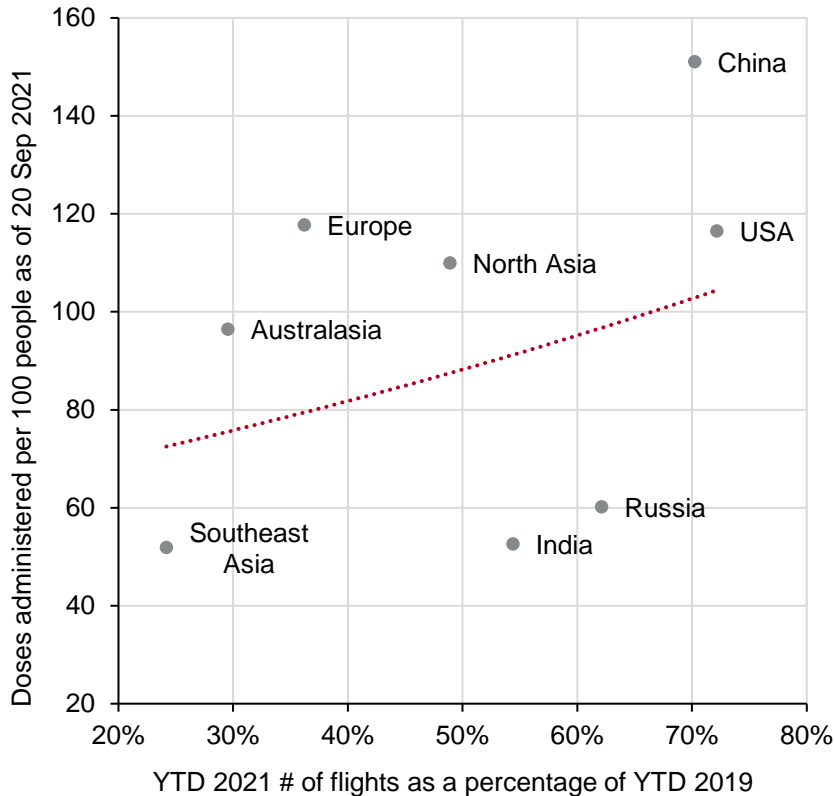
Source: IATA

Recovery in large domestic markets following a resurgent cargo market

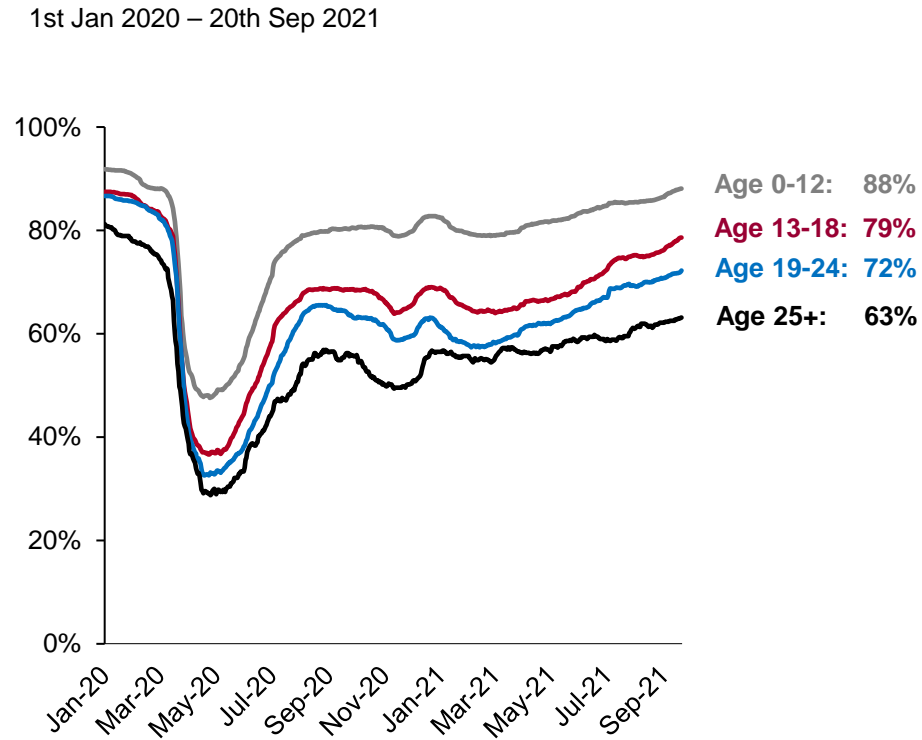


# Rising Inoculation Rates Drive Recovery in Airline Schedules and Utilisation Rates

## Rising inoculation rates



## Rising utilisation rates



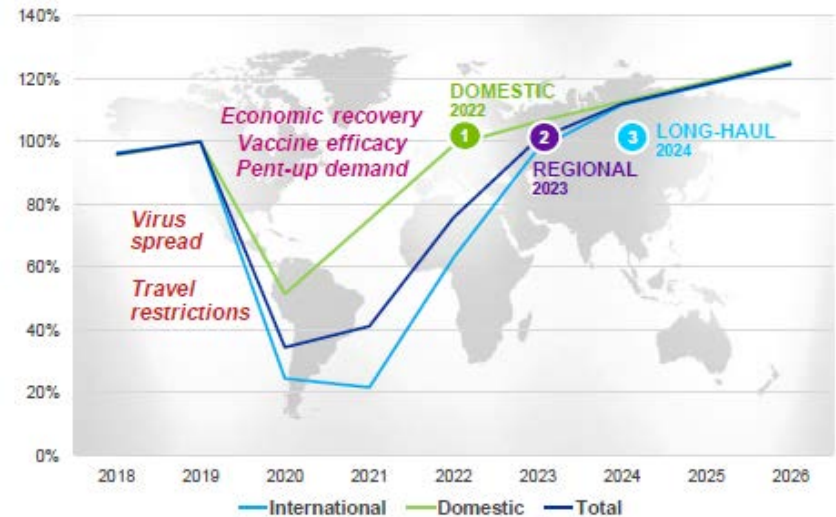
**Domestic and short haul recovery drives demand for narrowbody aircraft**

Sources: Cirium fleet data, BOC Aviation analysis

# Demand Recovery Points to Renewed Order Cycle

- Domestic recovery is vaccination-led and already apparent in major markets
- Boeing expects full recovery by 2024
- Total world aircraft fleet should almost double from 2019 levels by 2040
- Replacement aircraft account for 46% of 20-year deliveries, vs. 48% in 2020, reflecting recent & pending retirements (~450 aircraft/1,500+)

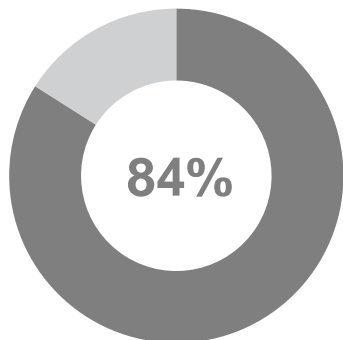
...and lead a full recovery anticipated by 2024



## Domestic passenger volumes close to 2019

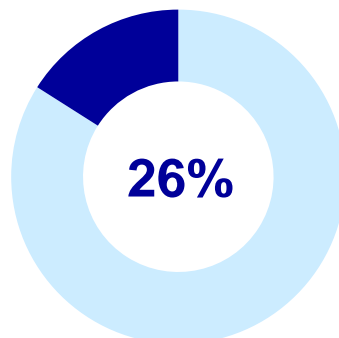
- Rapid travel recovery in markets where travel restrictions are able to ease

July Domestic



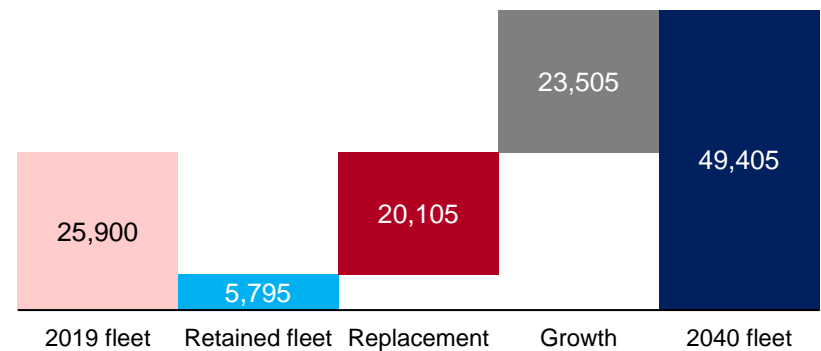
of 2019

July International



of 2019

## Replacement aircraft close to half of total





# ESG Highlights

## Environmental

- ✓ 100% carbon neutral for direct emissions
- ✓ 100% latest technology aircraft in the orderbook<sup>1</sup>
- ✓ 3.7 years average aircraft fleet age<sup>1</sup>
- ✓ All used IT equipment recycled
- ✓ US\$2.5 million investment in new technology and digital initiatives
- ✓ Digital Workplace Transformation to reduce waste and increase efficiency

## Social

- ✓ 20 nationalities in our workforce
- ✓ 1,300+ training hours for employee development
- ✓ 51% female representation in BOC Aviation
- ✓ More than US\$80,000 in donations to local and global charitable organisations
- ✓ Maintaining the health and safety of employees by providing corporate gym membership, influenza vaccinations and cycle-to-work subsidies

## Governance

- ✓ Strong board diversity from three nationalities
- ✓ Three female directors including the Vice Chairman<sup>1</sup>
- ✓ 100% compliance training conducted for all employees
- ✓ Nil regulatory compliance breaches or violation of sanctions related laws reported

All data as at 31 December 2020 unless otherwise indicated

Note:

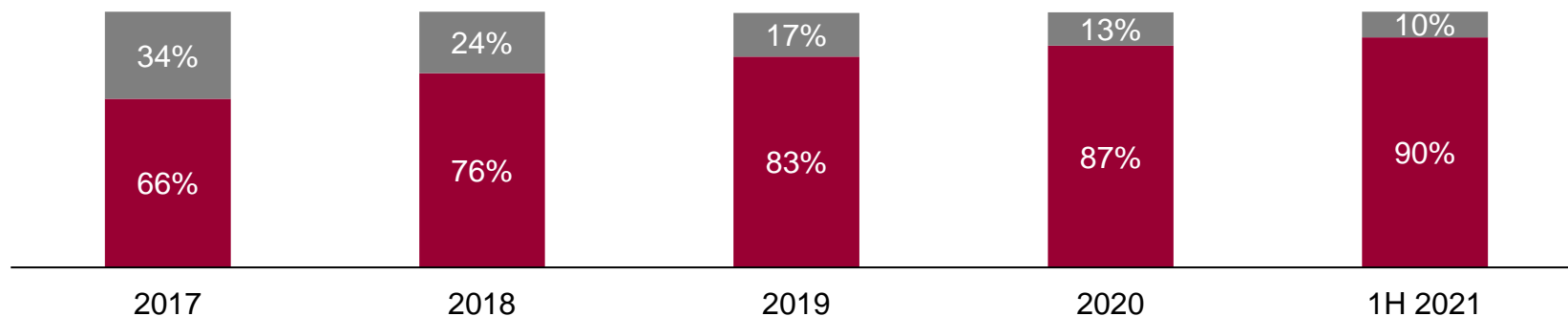
1. As at 30 June 2021

# APPENDICES

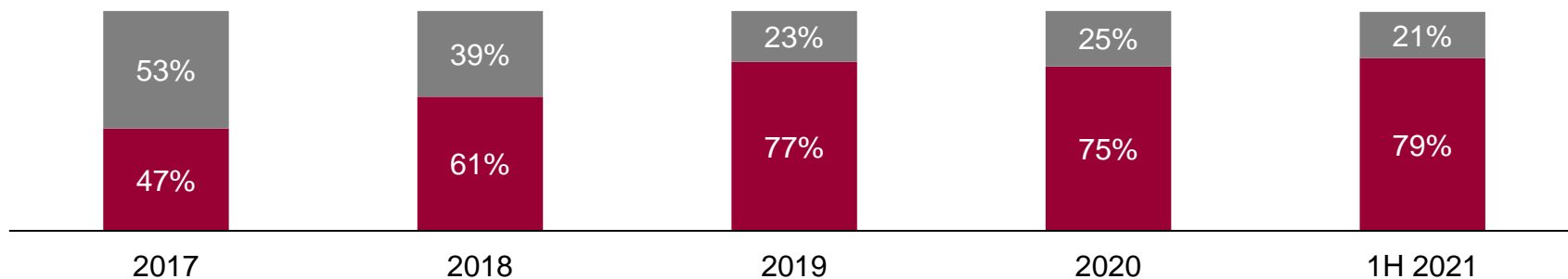
# Increasing Proportion of Fixed Rate Leases and Debt

## Proportion of fixed rate leases rising steadily<sup>1</sup>

By net book value



## Rising proportion of fixed rate debt<sup>2</sup>



■ Fixed rate ■ Floating rate

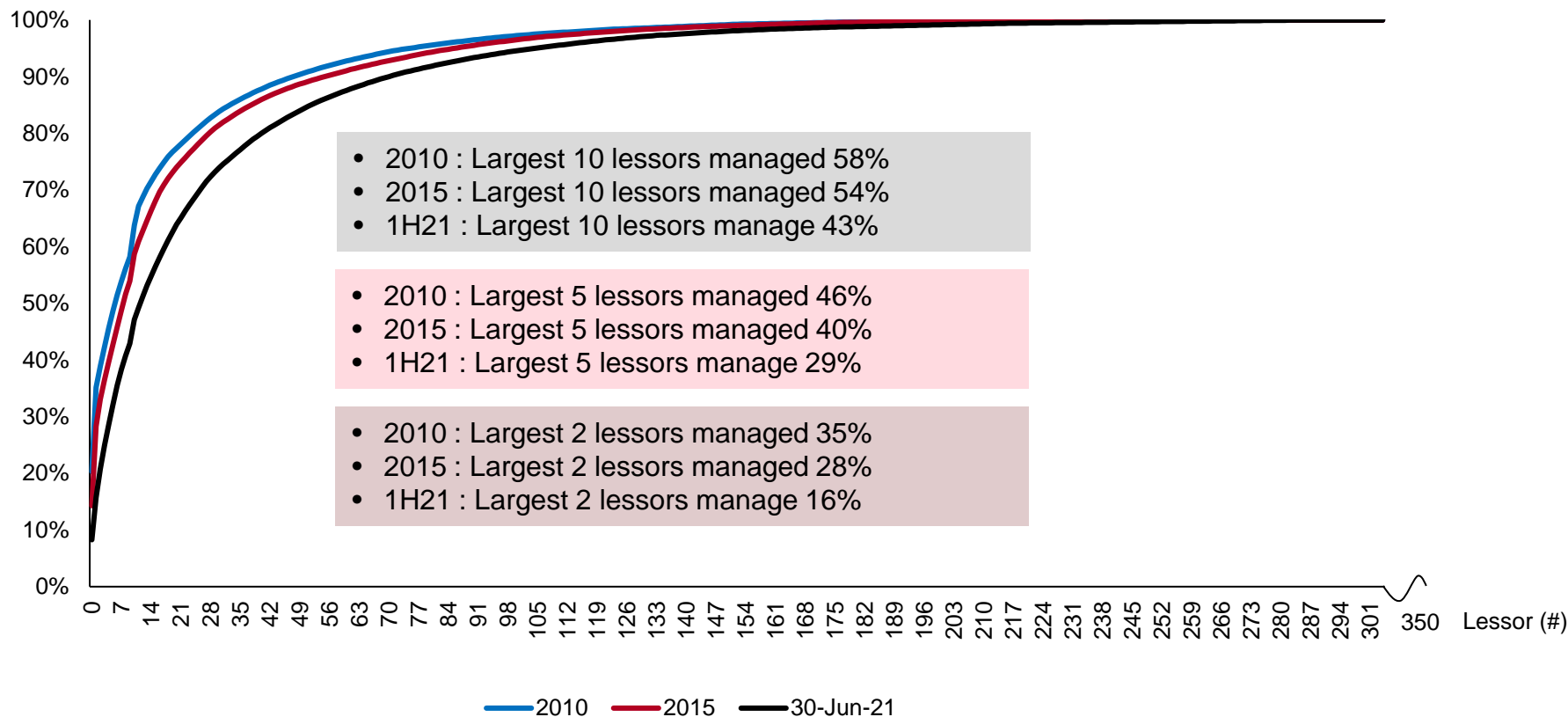
All data as at 30 June 2021

Notes:

1. By net book value including aircraft subject to finance lease and aircraft held for sale, and excluding aircraft off lease
2. Fixed rate debt included floating rate debt swapped to fixed rate liabilities

# Less Concentration in the Leasing Market Due to New Entrants in 2015 to 2020

Aircraft owned / managed (%)



**Expect further lessor consolidation and shift to managed portfolios post Covid**

Source: Ascend, as at 30 June 2021, owned and managed aircraft, based on aircraft of 100+ seats. Fleet data for 2020 includes aircraft in-service and in-storage.





[www.bocaviation.com](http://www.bocaviation.com)