



# BOC Aviation Investor Presentation

APRIL 2022

# Disclaimer

This presentation contains information about BOC Aviation Limited (“BOC Aviation”), current as at the date hereof or as at such earlier date as may be specified herein. This document does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of BOC Aviation or any of its subsidiaries or affiliates or any other person in any jurisdiction or an inducement to enter into investment activity and does not constitute marketing material in connection with any such securities.

Certain of the information contained in this document has not been independently verified and no representation or warranty, expressed or implied, is made as to, and no reliance should be placed on, the information or opinions contained herein or in any verbal or written communication made in connection with this presentation. The information set out herein may be subject to revision and may change materially. BOC Aviation is not under any obligation to keep current the information contained in this document and any opinions expressed in it are subject to change without notice.






No part of this document, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. Neither BOC Aviation nor any of its affiliates, advisors, agents or representatives including directors, officers and employees shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. This document is highly confidential and is being given solely for your information and for your use and may not be shared, copied, reproduced or redistributed to any other person in any manner.

This document may contain “forward-looking statements”, which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words “will”, “would”, “aim”, “aimed”, “will likely result”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will achieve”, “anticipate”, “estimate”, “estimating”, “intend”, “plan”, “contemplate”, “seek to”, “seeking to”, “trying to”, “target”, “propose to”, “future”, “objective”, “goal”, “project”, “should”, “can”, “could”, “may”, “will pursue” or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond BOC Aviation’s control that could cause the actual results, performance or achievements of BOC Aviation to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Neither BOC Aviation nor any of its affiliates, agents, advisors or representatives (including directors, officers and employees) intends or has any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this document.




Any securities or strategies mentioned herein (if any) may not be suitable for all investors. Recipients of this document are required to make their own independent investigation and appraisal of the business and financial condition of BOC Aviation and/or any other relevant person, and any tax, legal, accounting and economic considerations that may be relevant. This document contains data sourced from and the views of independent third parties. In replicating such data in this document, BOC Aviation does not make any representation, whether express or implied, as to the accuracy of such data. The replication of any views in this document should not be treated as an indication that BOC Aviation agrees with or concurs with such views.

# Our Performance in 2021 Was Resilient



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

Total revenues and other income <b>US\$2,183 million</b>		6%
Core lease rental contribution <sup>2</sup> <b>US\$696 million</b>		3%
Profit before tax <b>US\$639 million</b>		13%
Net profit after tax <b>US\$561 million</b>		10%
Earnings per share <b>US\$0.81</b>		10%

## Strong balance sheet<sup>1</sup>

Total assets <b>US\$23.9 billion</b>		1%
Total available liquidity <b>US\$6.0 billion</b>		18%
Total equity <b>US\$5.3 billion</b>		10%
Net assets per share <b>US\$7.59</b>		10%

## Higher total dividend per share

Annual dividend payout ratio <b>35%</b>		Stable <sup>1</sup>
Total dividend per share <sup>3</sup> <b>US\$0.2831</b>		10% <sup>4</sup>

All data as at 31 December 2021  
See Appendices - Endnotes

# 1Q 2022 and Recent Developments



## STRONG ASSET QUALITY

- 530 aircraft owned, managed and on order<sup>1</sup>
- 4.1 years<sup>2</sup> average fleet age; 8.2 years<sup>2</sup> average remaining lease term
- 96.7% aircraft utilization rate



## ROBUST LIQUIDITY

- US\$6 billion of available liquidity
- More than covers 2022 target capex and maturing liabilities
- Well positioned to support future investment



## PROACTIVE INVESTMENT STRATEGY

- Seven aircraft deliveries
- 22 lease commitments signed
- Committed to acquire 13 new aircraft, including 11 Boeing 737 MAX 8 aircraft for lease to Lynx Air



## STRONG CREDIT RATINGS

- A- by S&P Global Ratings
- A- by Fitch Ratings



## FUTURE GROWTH

- Announced the purchase of 80 new Airbus A320NEO family aircraft, scheduled for delivery between 2027 and 2029
- Largest aircraft order in the Company's history



## EXPERIENCED MANAGEMENT AND OWNERSHIP

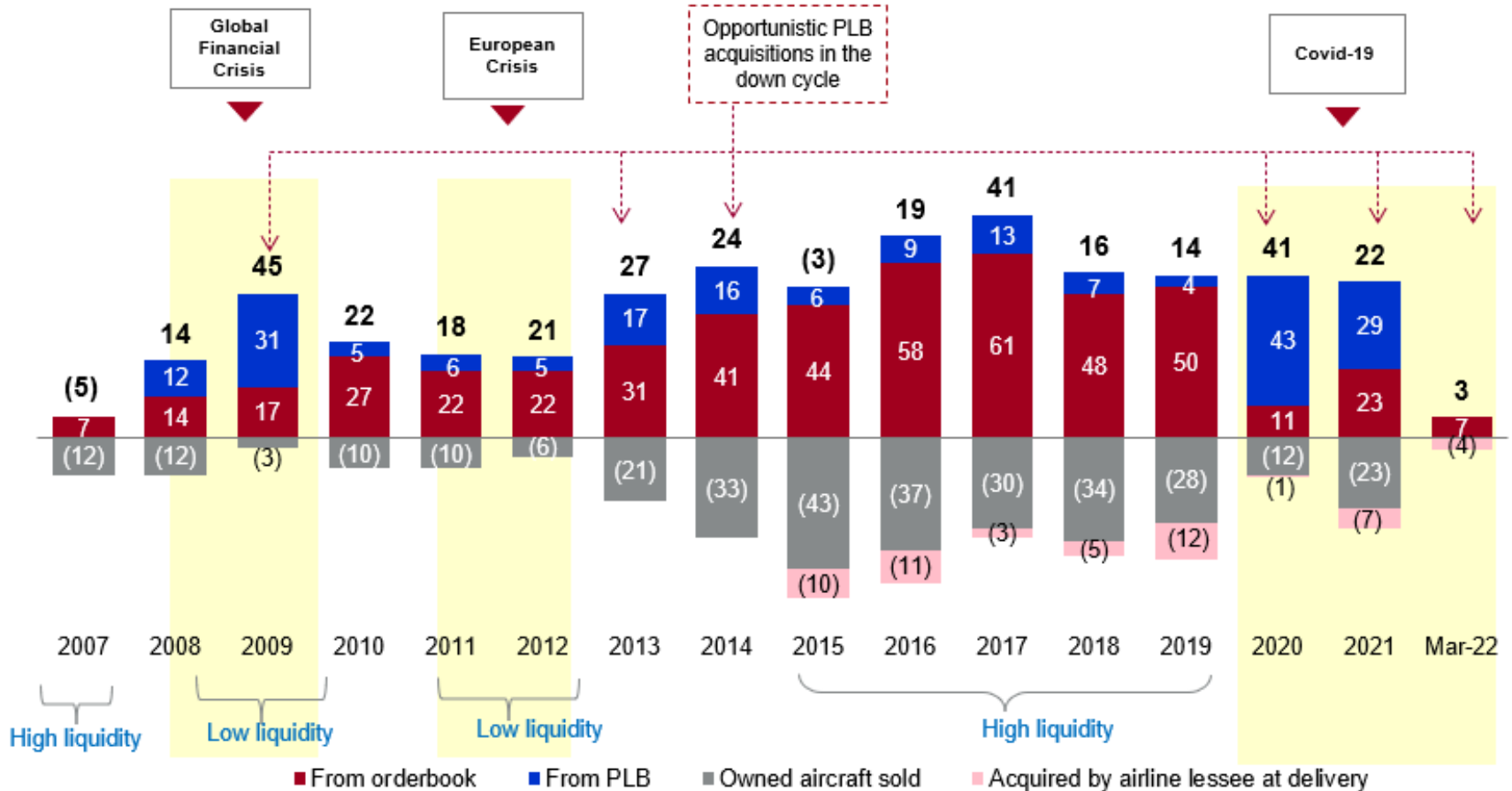
- Experienced management team successfully managed through multiple cycles
- Bank of China provides ongoing support

**A strong start to the year with new aircraft purchase commitments for future growth**

All data as at 31 March 2022 unless otherwise indicated  
See Appendices - Endnotes

# 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

# Popular and Fuel-Efficient Fleet

## Our aircraft portfolio

Aircraft type	Owned aircraft	Managed aircraft	Aircraft on order <sup>1</sup>	Total
Airbus A320CEO family	102	15	0	117
Airbus A320NEO family	92	0	33	125
Airbus A330CEO family	10	1	0	11
Airbus A330NEO family	6	0	0	6
Airbus A350 family	9	0	0	9
Boeing 737NG family	72	14	0	86
Boeing 737 MAX family	40	0	55	95
Boeing 777-300ER	26	4	1	31
Boeing 777-300	0	1	0	1
Boeing 787 family	21	1	21	43
Freighters	5	1	0	6
<b>Total</b>	<b>383</b>	<b>37</b>	<b>110</b>	<b>530</b>

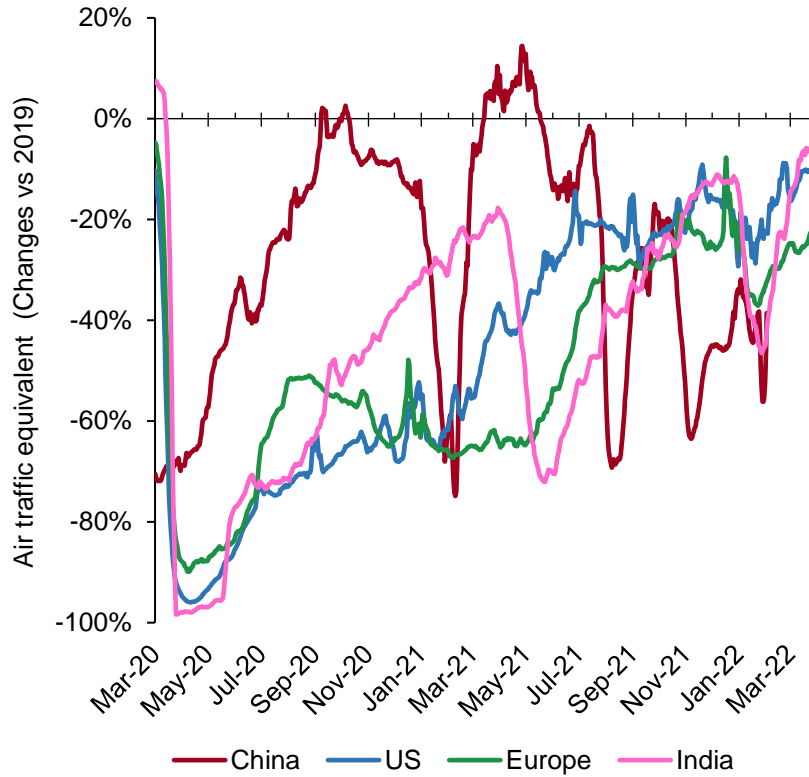
**100% of orderbook comprises latest technology aircraft**

All data as at 31 March 2022  
See Appendices - Endnotes

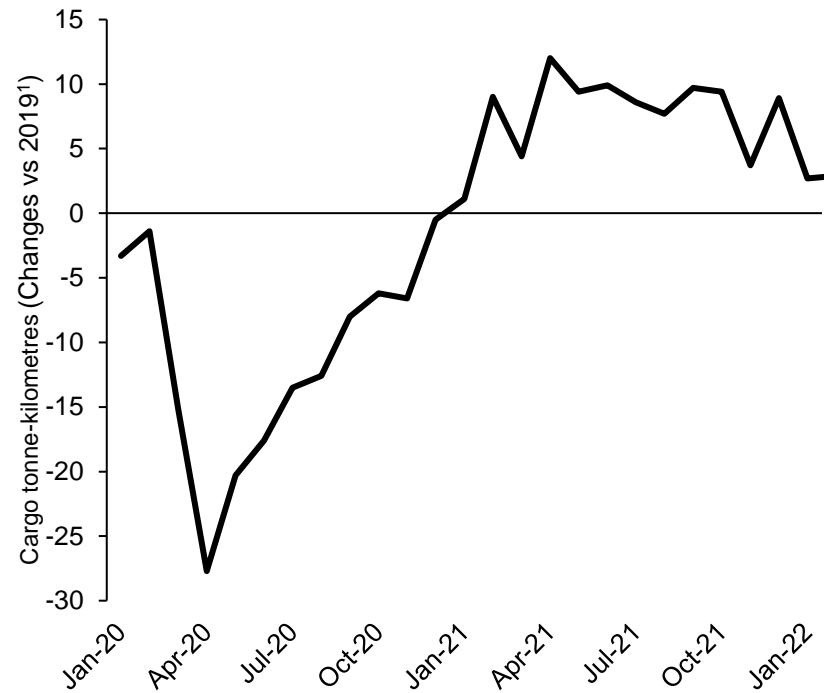


# Air Traffic Recovery

Countries with significant domestic markets demonstrate rising passenger demand



Strong global air cargo performance



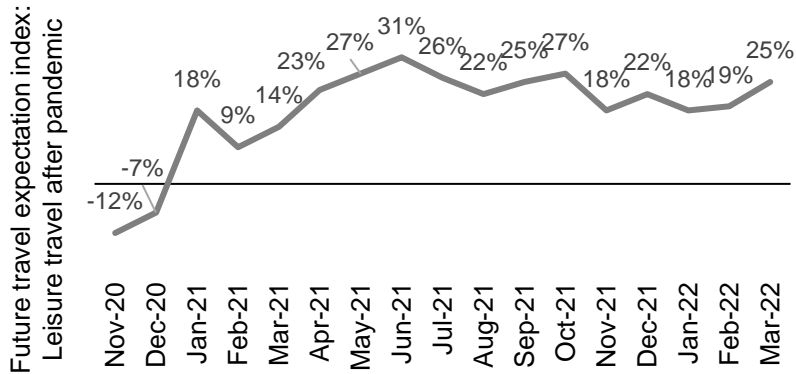
Recovery in large domestic markets following a resurgent cargo market

See Appendices - Endnotes

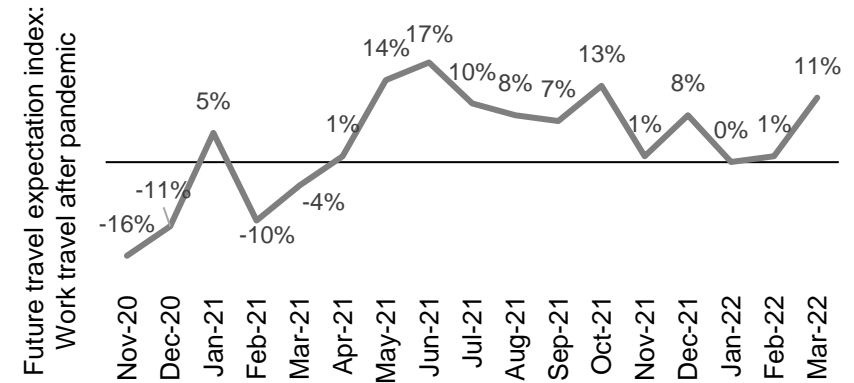


# Forward Bookings Drive Recovery in Aircraft Utilisation

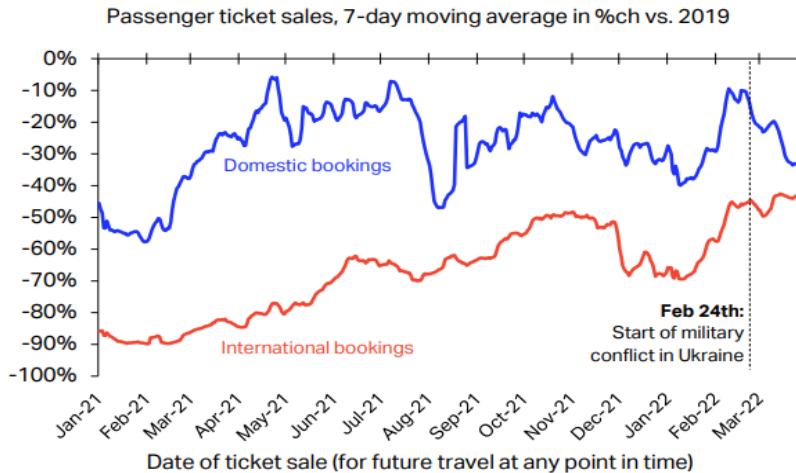
## US leisure demand trajectory robust



## ...with business travel beginning to accelerate

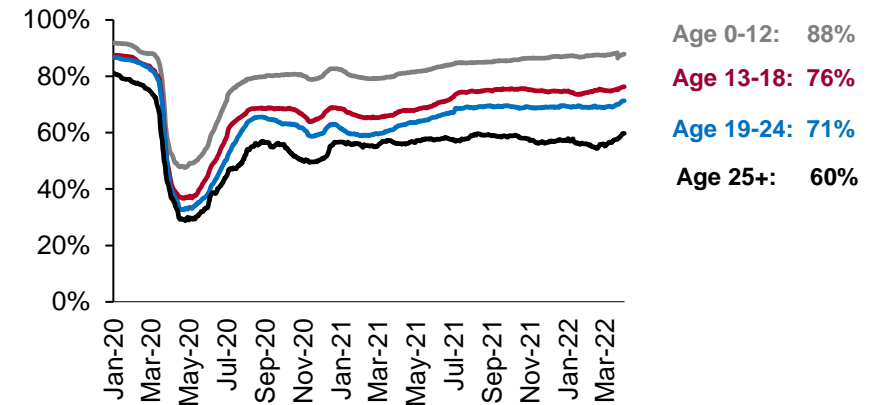


## Passenger ticket sales (% change vs 2019)



## Rising utilisation rates

1st Jan 2020 – 1 Apr 2022



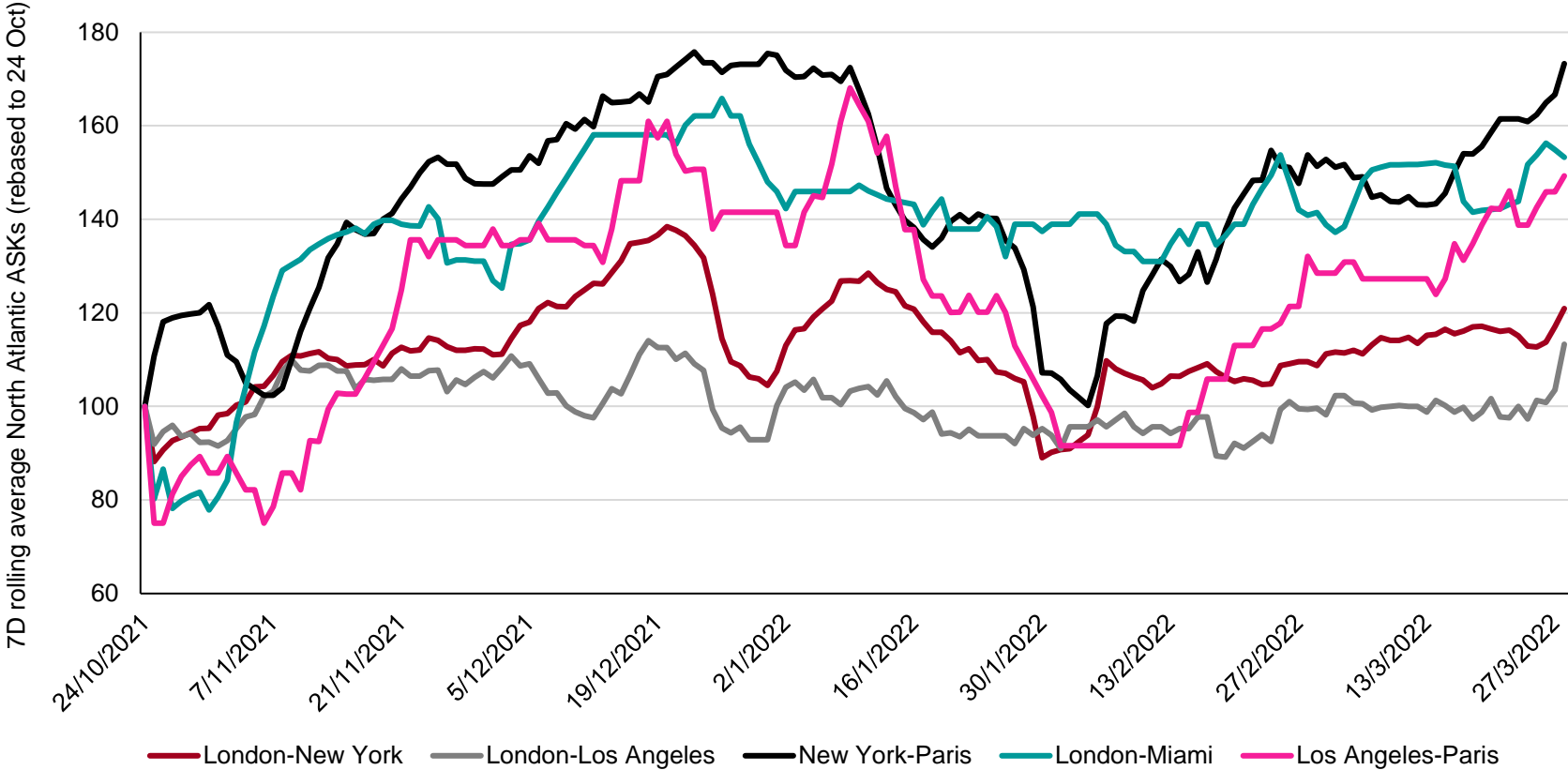
**Domestic and short haul recovery drives demand for narrowbody aircraft**

See Appendices - Endnotes



# Return of International Air Travel

## Strong transatlantic travel demand



Improving trans-Atlantic traffic as border controls removed and Omicron impact fades

See Appendices - Endnotes



# China Passengers Delay Regional Air Traffic Recovery

## Impact of China on ASEAN tourist arrivals

Country	Number of passengers from China		Change
	2019	2021	
Indonesia	3,343,184	46,296	-99%
Thailand	18,849,446	100,109	-99%
Laos	564,035	37,672	-93%
Cambodia	4,062,050	75,864	-98%
Vietnam	4,879,386	24,558	-99%
Malaysia	6,131,479	43,368	-99%
Philippines	3,226,629	19,837	-99%
<b>Total</b>	<b>41,056,209</b>	<b>347,704</b>	<b>-99%</b>

Potential for substantial improvement once China reopens its borders

See Appendices - Endnotes

# Rising Jet Fuel Prices

Jet fuel price, US\$/barrel



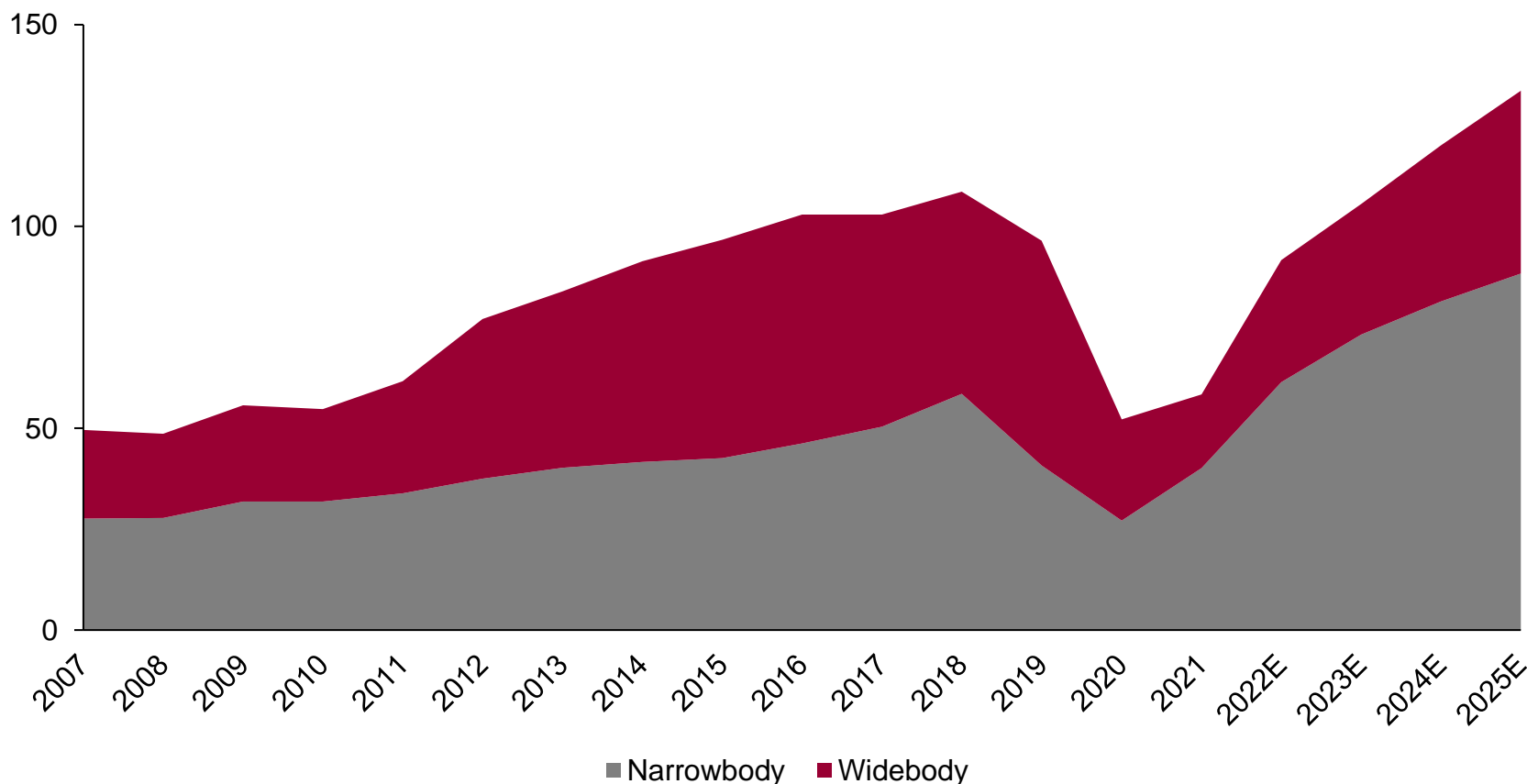
Fuel prices remain high and volatile

See Appendices - Endnotes



# Airlines' Capital Investments Are Projected to Exceed US\$120 Billion by 2024

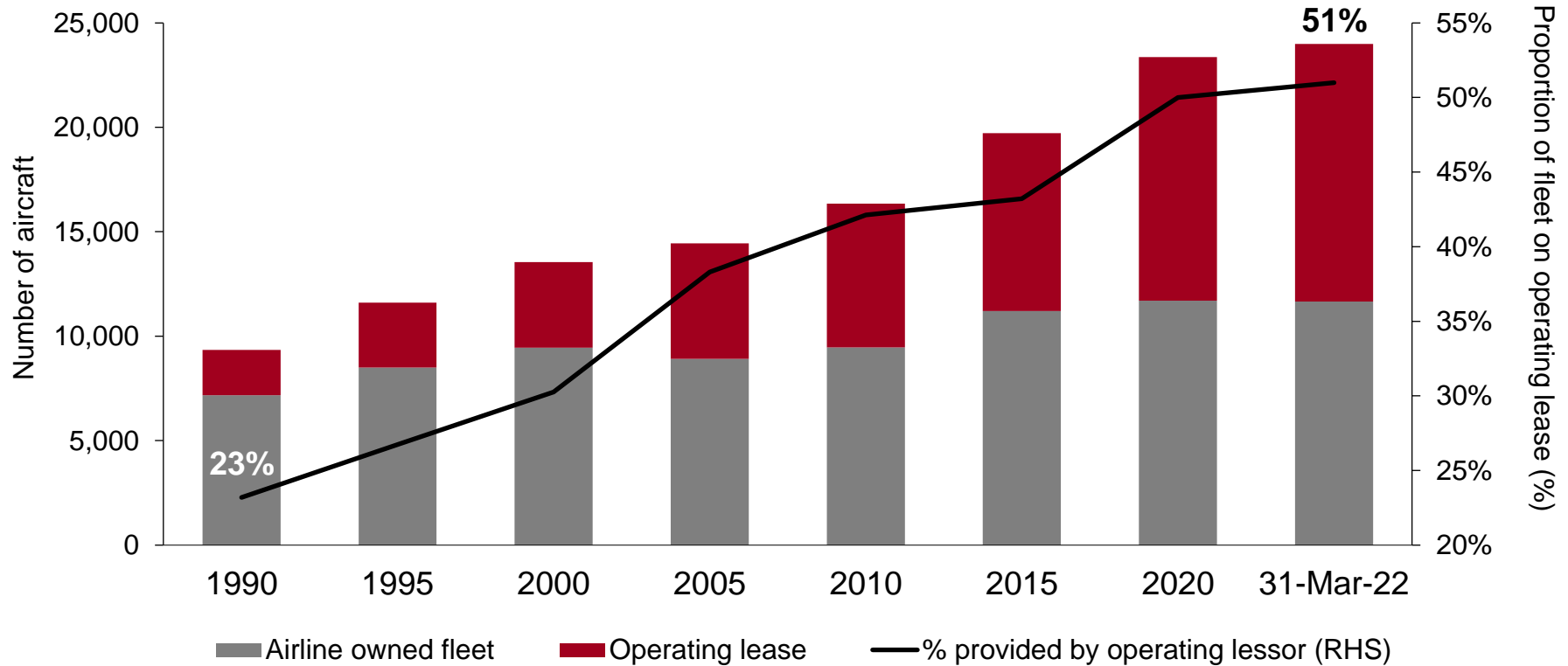
Annual airline capex – US\$ billion



All data as at 31 December 2021  
See Appendices - Endnotes

# Lessors Own 51% of the Aircraft Market Today

Proportion of fleet on operating lease



Lessors own 51% of the aircraft market today; this proportion has potential to increase

All data as at 31 March 2022  
See Appendices - Endnotes



# Looking Ahead

- Improving airline traffic visible globally
  - Resurgence in passenger numbers in large domestic markets already clear
  - Long-haul markets showing signs of recovery as new travel lanes are opened
  - Omicron impact has fallen away in EU and US markets; Asia is poised to follow suit as more markets open up
  - Russian airspace closure having limited effect on overall travel demand
- Higher interest rates and fuel prices provide financing opportunities for well-capitalised operating lessors
- China re-opening provides upside for Southeast Asia: travel volumes already recovering and this before the 41 million Chinese that travelled to the region in 2019
- A global aircraft operating lessor committed for the long-term
  - Robust delivery numbers in 2021
  - Orderbook and available liquidity position us well to capture airline demand upturn
  - New orders refresh delivery pipeline
  - Earnings resilience, with 28 years of unbroken profitability across multiple industry cycles

# APPENDICES

# Russian Exposure Snapshot as at 31 March 2022

Net exposure of aircraft leased  
to Russian airlines

**US\$589 million**

**17** owned aircraft  
with **4** airlines

**2.5%** of total assets as at 31 March 2022

**10%** of \$6bn available liquidity as at end-2021

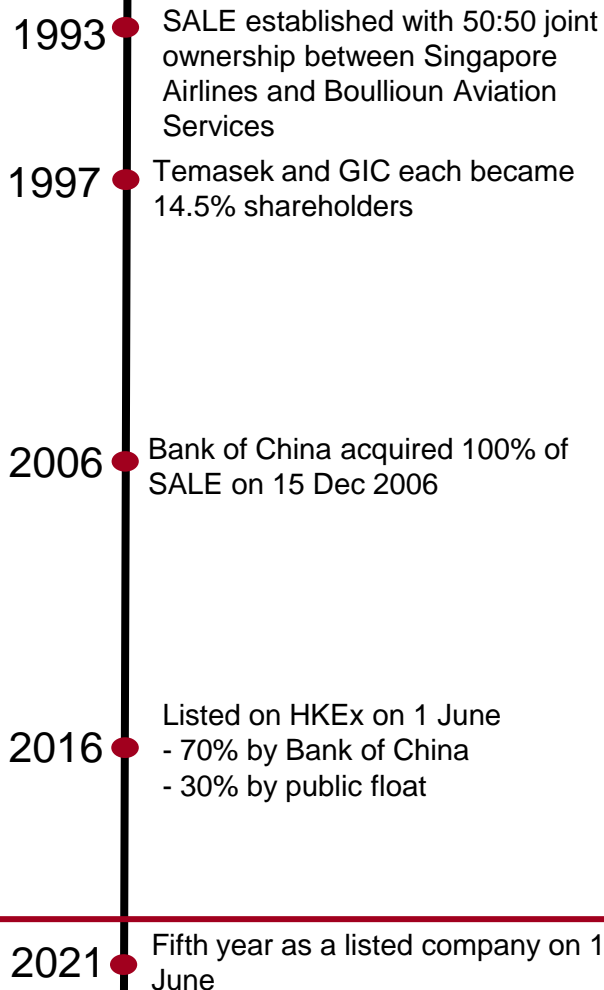
**<12%** of \$5.3bn of equity as at end-2021

Manageable exposure for the Company



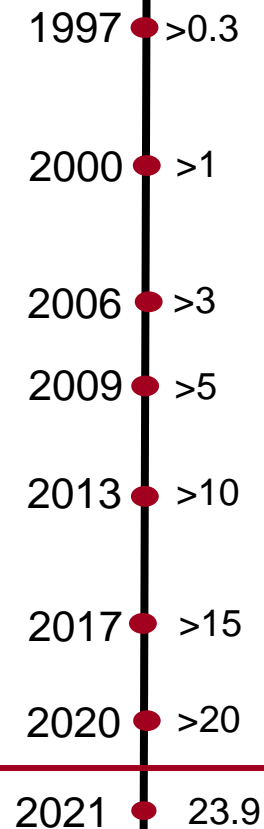
# The BOC Aviation Journey

## Ownership



## Total assets

US\$ billion



All data as at the end of the relevant period



# BOC Aviation – Who Are We?

## Bank of China

70% owned by BOC

**US\$23.9 billion**

Total assets

## Listed on HKEX

HKEX code: 2588

**A-** Investment grade credit ratings  
from S&P and Fitch

**530**

Aircraft in fleet<sup>1</sup>

**4.1 years; 8.2 years**

Average fleet age & lease term remaining<sup>2</sup>

**28**

Years of unbroken profitability

**US\$5.5 billion**

Cumulative profits since inception

**Top 5**

Global aircraft operating lessor

**15%**

Average ROE since 2007

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

All data as at 31 December 2021 unless otherwise indicated  
See Appendices - Endnotes



# 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)*

- 34 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



Highly experienced senior management team

All data as at March 2022



# Core Competencies - BOC Aviation Track Record

## Since inception in 1993:

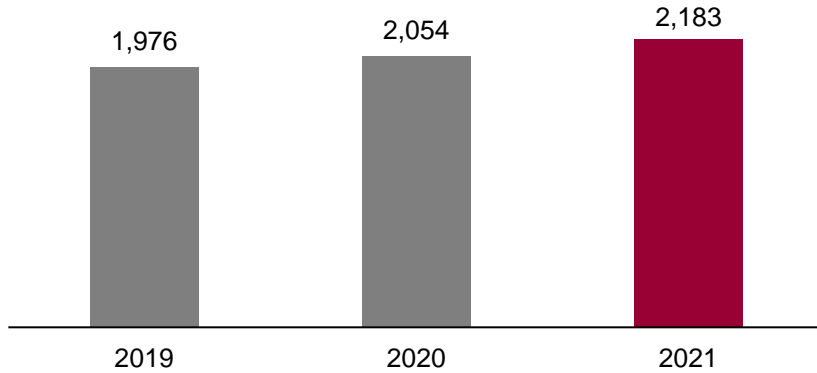
- Purchasing More than 900 aircraft purchased totalling more than US\$51 billion
- Leasing More than 1,150 leases executed with more than 170 airlines in 57 countries and regions
- Financing<sup>1</sup> More than US\$37 billion in debt raised since 1 January 2007

- Sales More than 390 aircraft sold
- Transitions 109 transitions
- Repossessions<sup>2</sup> 65 aircraft in 19 jurisdictions

# Resilient Performance in a Difficult Market

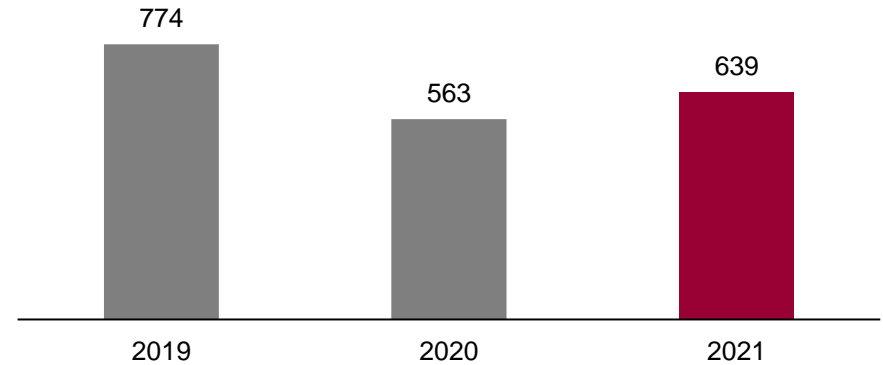
## Fleet growth underpins growth in revenues

US\$ million



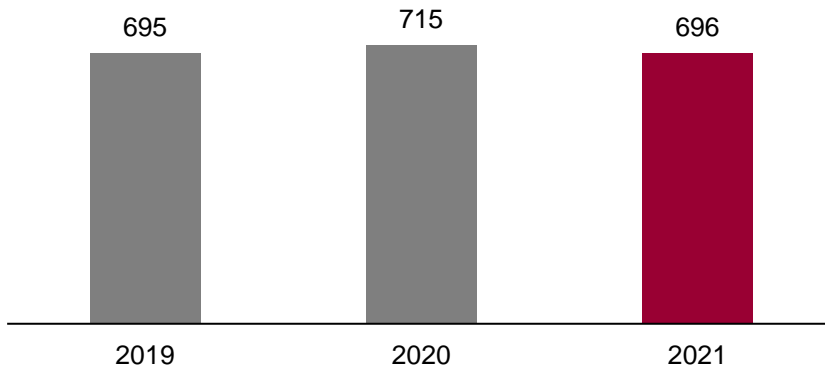
## Improving profit before tax

US\$ million



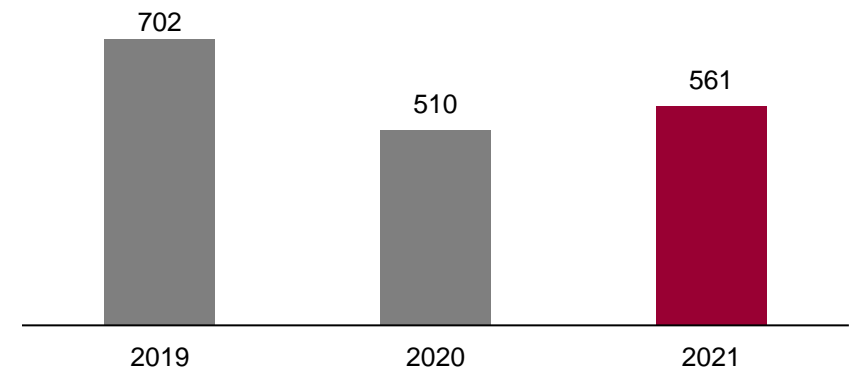
## Consistently high core lease rental contribution<sup>1</sup>

US\$ million



## Increasing net profit after tax

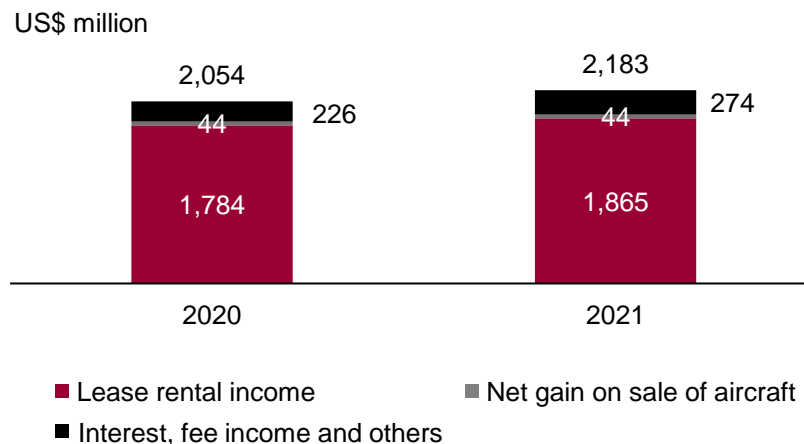
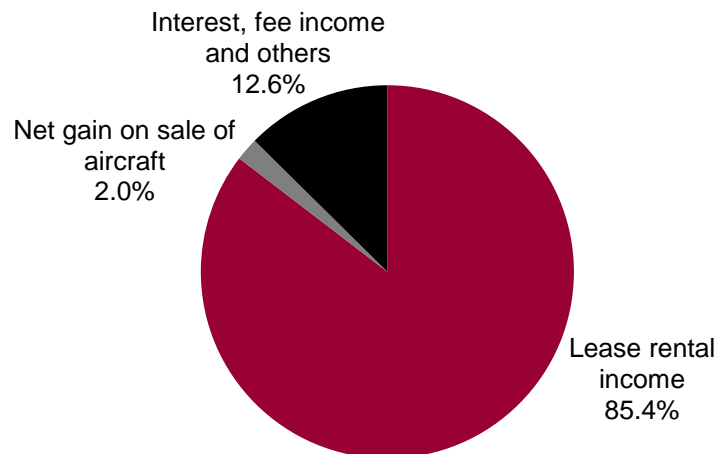
US\$ million



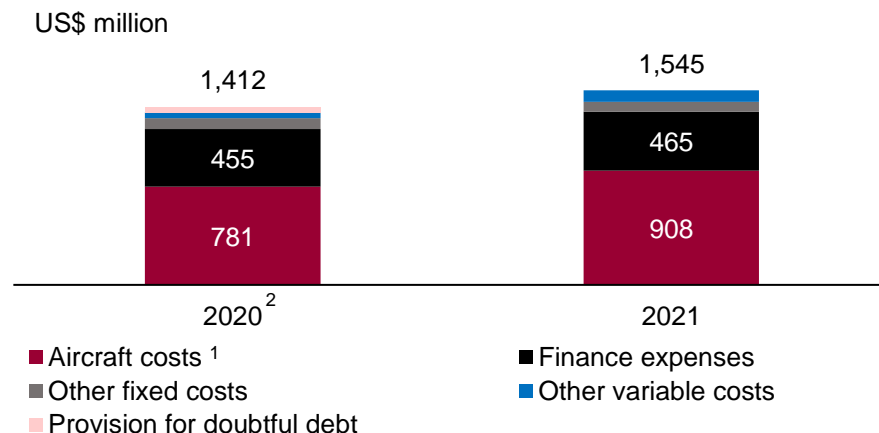
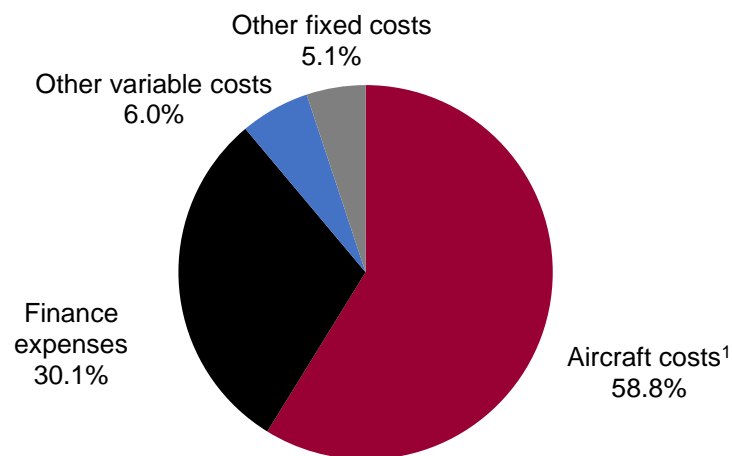
All data as at 31 December 2021  
See Appendices - Endnotes

# Lease Rental Income Continues to Dominate Revenue

Lease rental income consistently over 85% of total revenues and other income



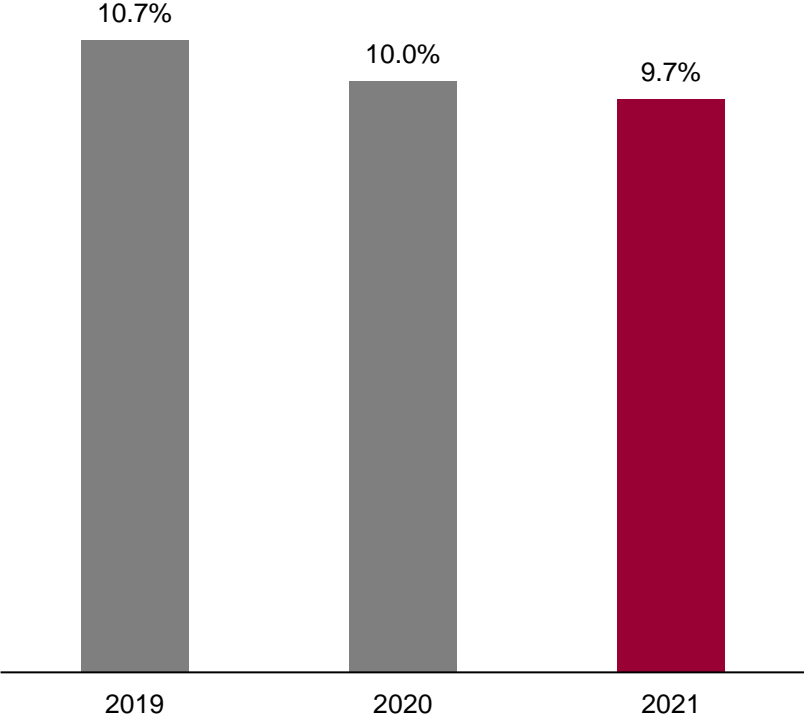
Depreciation of aircraft and financing costs are key costs



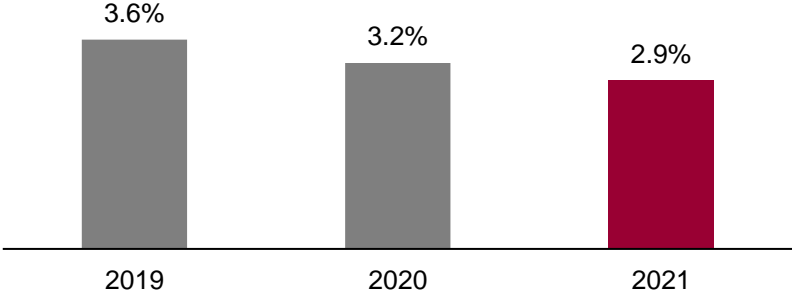
All data as at 31 December 2021  
See Appendices - Endnotes

# Lease Yields Reflect Market Environment

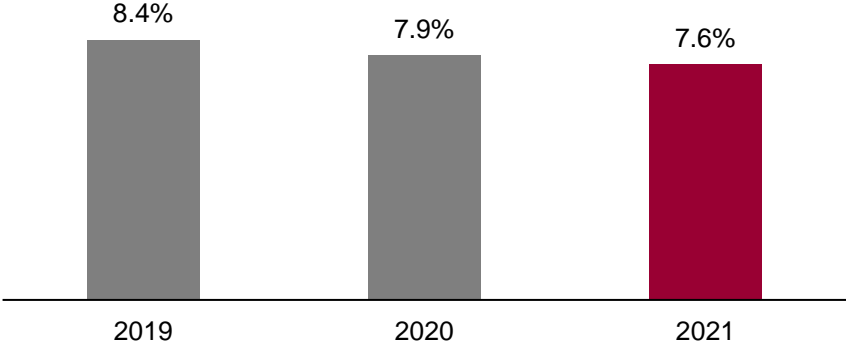
Lease rate factor<sup>1</sup> high at around 10%



Reduced cost of debt<sup>2</sup>



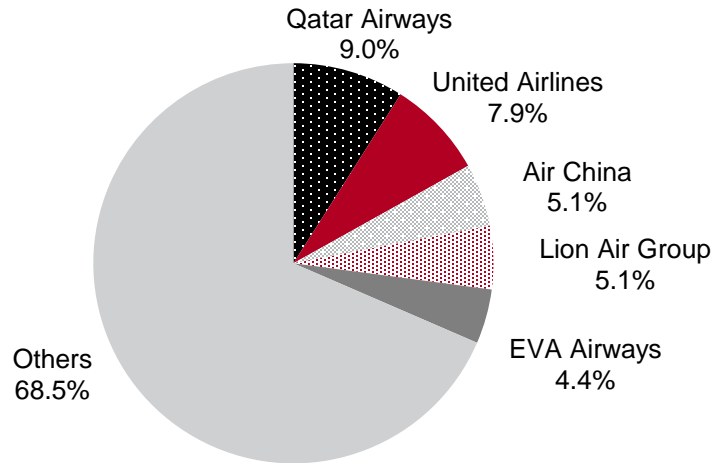
Lower net lease yield<sup>3</sup>



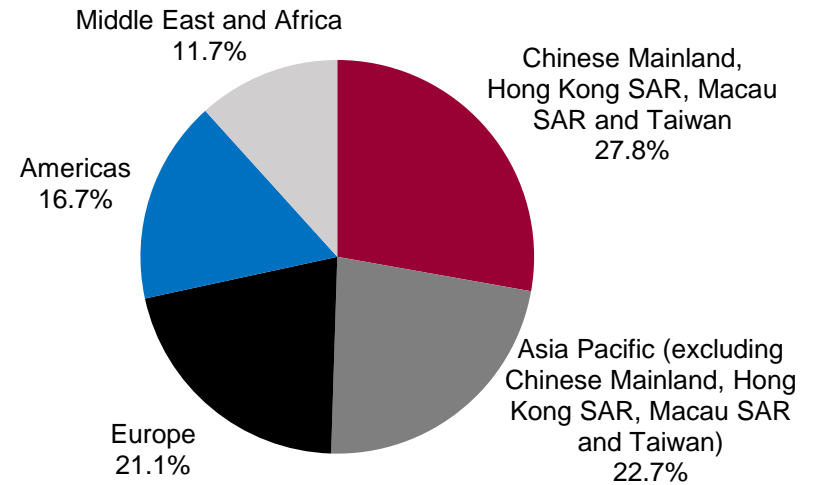
All data as at 31 December 2021  
See Appendices - Endnotes

# Globally Diversified Portfolio

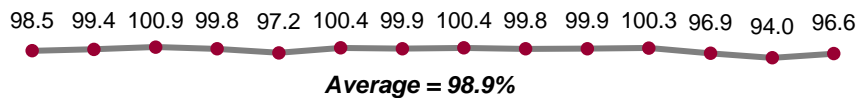
## Lease portfolio diversified by customer<sup>1,2</sup>



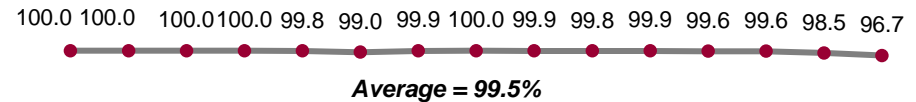
## ...and increasingly diversified by geography<sup>1,3</sup>



## Collection rate (%)



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



2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 Mar-22

All data as at 31 December 2021 unless otherwise indicated  
See Appendices - Endnotes



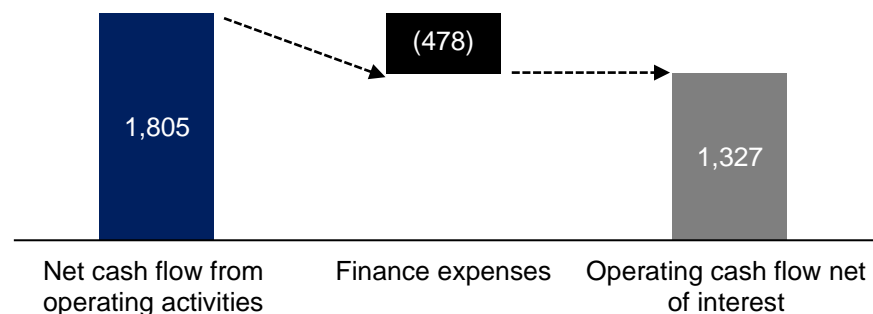
# Operating Cash Flow Net of Interest

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

- Operating cash flow in excess of US\$1.3 billion; matching 2020 despite a challenging environment
- Strong collection efforts in 2022 will further enhance cash flow
- Expecting 36 aircraft to be delivered in 2022<sup>2</sup>

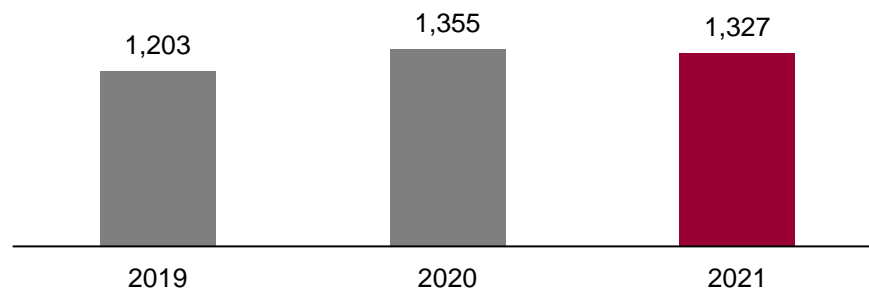
## Operating cash flow net of interest<sup>1</sup> for FY2021

US\$ million



## Consistently high operating cash flow net of interest<sup>1</sup>

US\$ million

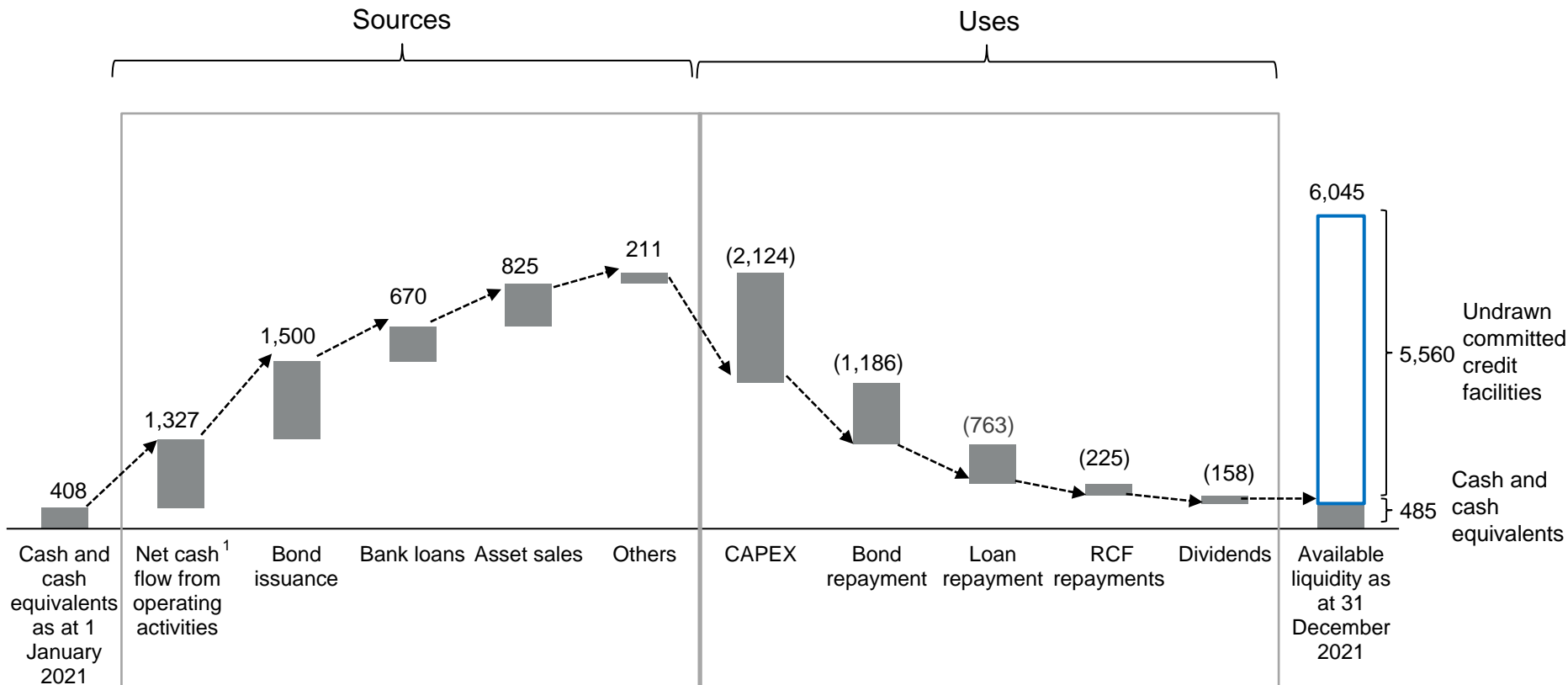


Operating cash flow net of interest continues to be stable in 2021

# Diverse Funding Channels Utilised in 2021

## Sources and Uses of Cash

US\$ million



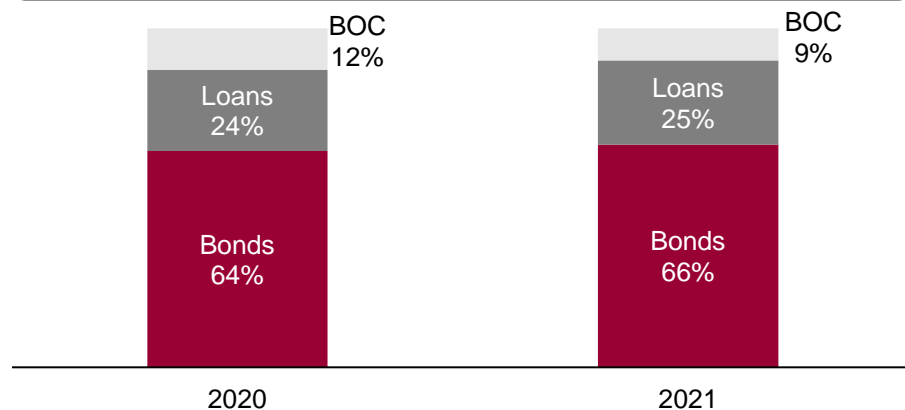
**US\$6 billion of committed available liquidity**



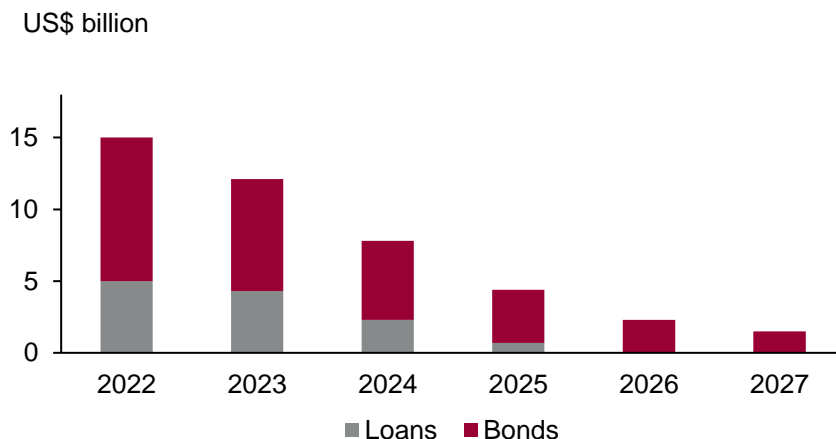
All data as at 31 December 2021  
See Appendices - Endnotes

# Flexible Capital Structure and Ample Backstop Liquidity

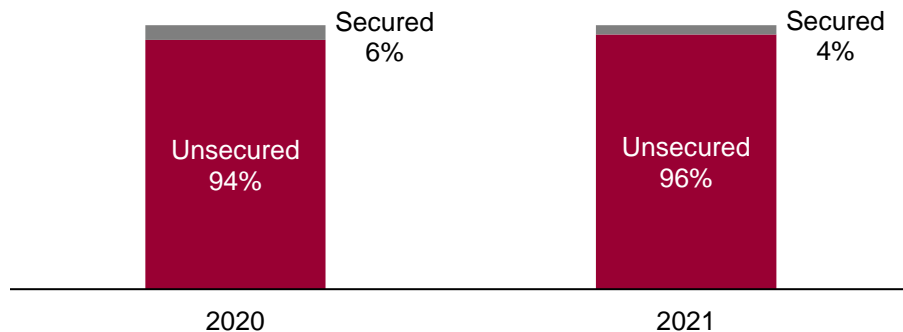
## Sources of debt<sup>1</sup>



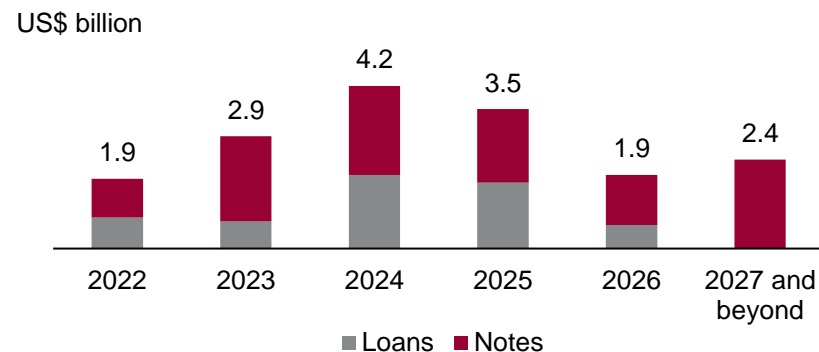
## Outstanding debt amortises over a long term



## Increasing unsecured funding



## Near term debt maturities well covered by US\$6 billion available liquidity



Liability management is a key strength

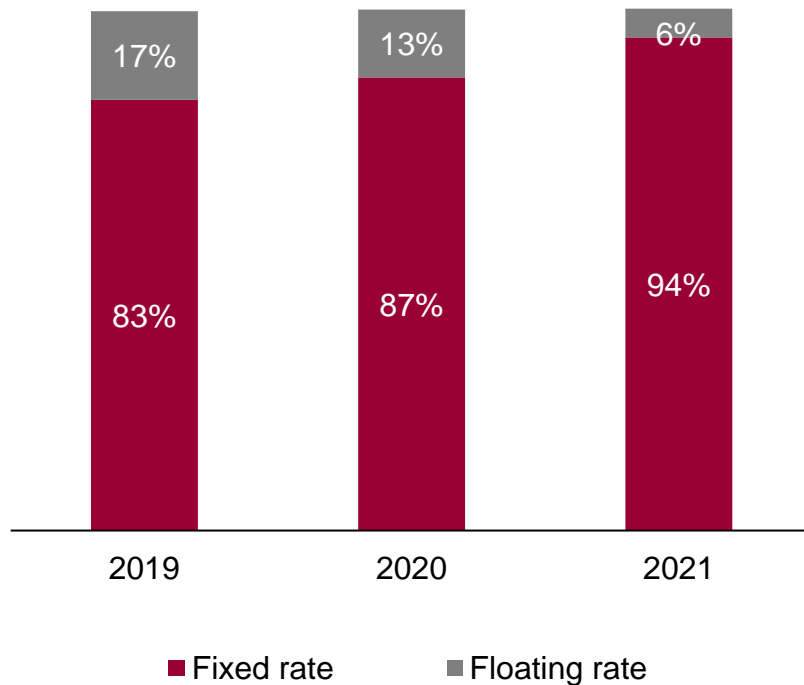
All data as at 31 December 2021 unless otherwise indicated  
See Appendices - Endnotes



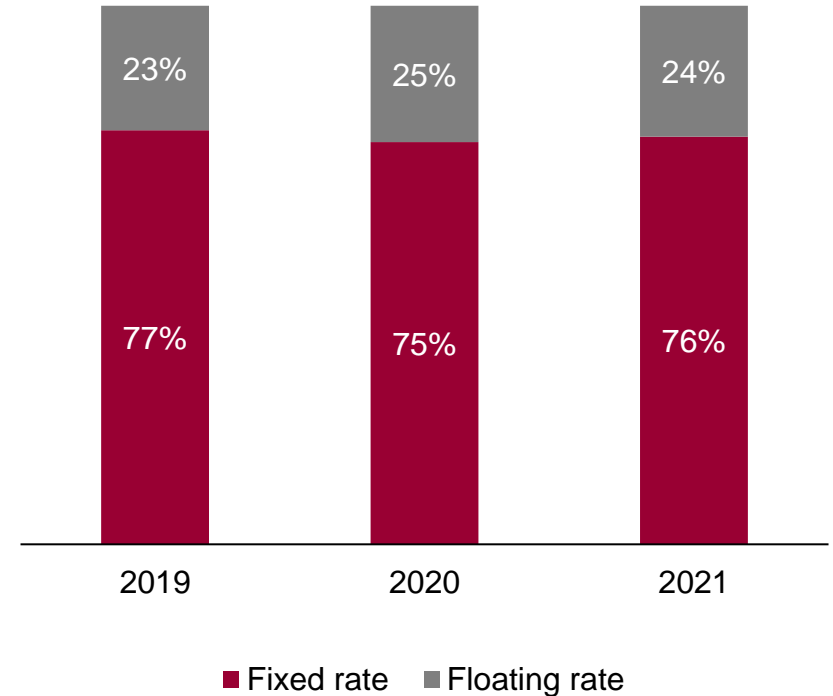
# High Proportion of Fixed Rate Leases and Debt

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

By net book value



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



All data as at 31 December 2021  
See Appendices - Endnotes

# 2021 ESG Highlights

## Environmental

- **100%** carbon neutral for direct emissions
- Direct GHG emissions reduction **ahead of target**
- **100%** latest technology aircraft in the orderbook
- **Two-thirds** of our owned fleet is latest technology aircraft
- **3.9** years average fleet age
- Piloted our grassroots employee **ESG pledge**

## Social

- **More than US\$50,000** in donations
- **1,400** volunteer hours in local communities
- **More than 2,900** training hours
- **Eight** employee surveys
- **34** Company-wide townhalls
- **20** nationalities across five offices

## Governance

- **Three** female Board of Directors out of 11
- **Three** nationalities on the Board
- **Cybersecurity 2.0** upgrades
- **Nil** regulatory breaches or legal cases
- **100%** completion of compliance training

All data as at 31 December 2021

# Endnotes (1)

- **SLIDE 3: Our Performance in 2021 Was Resilient**
  1. Compared to FY2020 or as at 31 December 2020
  2. Calculated as lease rental income less aircraft depreciation and finance expenses apportioned to lease rental income, amortisation of deferred debt issue cost and lease transaction closing cost
  3. Includes interim dividend of US\$0.1098 per share paid to shareholders registered at the close of business on 4 October 2021. The final dividend of US\$0.1733 per share will be payable to shareholders registered at the close of business on the record date, being 17 June 2022.
  4. Compared to US\$0.2571 for FY2020
- **SLIDE 4: 1Q 2022 and Recent Developments**
  1. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery
  2. Weighted by net book value of owned fleet as at 31 March 2022
- **SLIDE 6: Popular and Fuel-Efficient Fleet**
  1. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery
- **SLIDE 7: Air Traffic Recovery** - Sources: China MoT (Air Pax YoY) TravelSky (Traffic), TSA (Throughput), Eurocontrol (Flights), AWN ADS-B (Flights), IATA
  1. Changes compared to 2021 with effect from January 2022
- **SLIDE 8: Forward Bookings Drive Recovery in Aircraft Utilisation** - Sources: IATA Air Passenger Market Analysis – February 2022, Cirium fleet data, Cowen and Company lodging and loyalty tracker
- **SLIDE 9: Return of International Air Travel** – Sources: ADS-B database updated as of 1 April 2022
- **SLIDE 10: China Passengers Delay Regional Air Traffic Recovery** – Sources: BOC Aviation analysis
- **SLIDE 11: Rising Jet Fuel Prices** – Sources: Bloomberg, 11 April 2022

# Endnotes (2)

- **SLIDE 12: Airlines' Capital Investments Are Projected to Exceed US\$120 Billion by 2024-** Source: BOC Aviation Analysis
- **SLIDE 13: Lessors Own 51% of the Aircraft Market Today** – Sources: Ascend, as at 31 March 2022, based on aircraft of 100+ seats. Fleet data for 2020 onwards includes aircraft in-service and aircraft additionally parked from end-2019 due to Covid-19 fleet grounding.
- **SLIDE 18: BOC Aviation – Who Are We?**
  1. Includes owned, managed and aircraft on order as at 31 March 2022
  2. Weighted by net book value of owned fleet as at 31 March 2022
- **SLIDE 20: Core Competencies - BOC Aviation Track Record**
  1. As at 31 December 2021
  2. Includes repossessions and consensual early returns
- **SLIDE 21: Resilient Performance in a Difficult Market**
  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
- **SLIDE 22: Lease Rental Income Continues to Dominate Revenue**
  1. Comprises aircraft depreciation and impairment
  2. Excludes loss on investment in equity instruments

# Endnotes (3)

- **SLIDE 23: Lease Yields Reflect Market Environment**
  1. Calculated as operating lease rental income divided by average net book value of aircraft and multiplied by 100%
  2. 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
  3. 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).
- **SLIDE 24: Globally Diversified Lease Portfolio**
  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
- **SLIDE 25: Operating Cash Flow Net of Interest**
  1. Calculated as net cash flows from operating activities less finance expenses paid
  2. Including two delivered in March 2022 YTD
- **SLIDE 26: Diverse Funding Channels Utilised in 2021**
  1. Calculated as net cash flow from operating activities less finance expenses paid
- **SLIDE 27: Flexible Capital Structure and Ample Backstop Liqui**
  1. Drawn debt only
- **SLIDE 28: High Proportion of Fixed Rate Leases and Debt**
  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





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