



# 2019 FINAL RESULTS REVIEW

MARCH 2020

# 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.

# 2019 OVERVIEW

# A Record Year

## Stable earnings growth<sup>1</sup>

**US\$702 million**  **13%**

Net profit after tax

**US\$1.01**  **13%**

Earnings per share

Driven by:

**US\$1,976 million**  **15%**

Total revenues and other income

**8.4%**  **Stable**

Net lease yield<sup>2</sup>

**US\$695 million**  **5%**

Core lease rental contribution<sup>3</sup>

**US\$775 million**  **13%**

Profit before tax

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

**US\$19.8 billion**  **8%**

Total assets

**US\$4.6 billion**  **9%**

Total equity

**US\$6.60**  **9%**

Net assets per share

## Higher annual dividend per share

**US\$0.3541**  **13%<sup>5</sup>**

Total dividend per share<sup>4</sup>

All data as at 31 December 2019

Notes:

1. Compared to FY2018 or as at 31 December 2018
2. Calculated as lease rental income less finance expenses apportioned to lease rental income, divided by average net book value of aircraft
3. 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
4. Includes interim dividend of US\$0.1388 per share paid to shareholders registered at the close of business on 3 October 2019. The final dividend of US\$0.2153 will be payable to shareholders registered at the close of business on the record date, being 4 June 2020.
5. Compared to US\$0.3129 paid for FY2018

# A Solid Performance in 2019

- 15<sup>th</sup> year of consecutive record earnings
  - ROE of 16% was one of our best years ever
- Ended 2019 with total fleet of 523 – a new high
  - Comprised 317 owned, 40 managed and 166 on order
  - Capital expenditure of US\$3.2 billion for 2019
- Took delivery of 54 aircraft<sup>1</sup>
  - Added eight new airline customers
- Signed 87 lease commitments
- Sold 30 aircraft
  - 28 owned, two managed
  - Included a portfolio sale of 17 aircraft with leases attached
- Managed 40 aircraft
- A very busy 2H19
  - Took delivery of 29 aircraft<sup>2</sup> - more than one per week

**Another year of strong performance in a difficult supply environment**

All data as at 31 December 2019 unless otherwise indicated

Notes:

1. Including 12 acquired by airline customers on delivery
2. Including seven acquired by airline customers on delivery



# A Long-term Investor in Aircraft

- Senior creditor in airline cashflow, not airline equity
- Highly diversified global customer base
  - 93 airlines in 41 countries and regions
- Experienced management team has successfully led the Company through multiple cycles
- Counter cyclical approach to investment
- Available cash and credit lines of more than US\$5 billion currently<sup>1</sup>
  - We have raised US\$700 million in new term debt to date in 2020 including a US\$400 million 5-year bond
- A- credit ratings from S&P Global and Fitch Ratings
- Low debt to equity
- Well-structured operating leases that feature
  - Monthly or quarterly rents that are paid in advance
  - Security deposits
  - Long lease terms

**Focus on long-term sustainable earnings**

Note:

1. As at 11 March 2020

# So Far in 2020

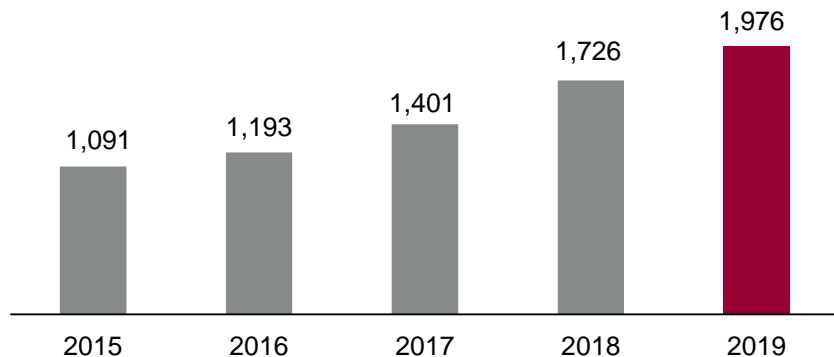
- Added another 42 aircraft to our orderbook
  - Announced the purchase of 20 Airbus A320NEO aircraft, scheduled for delivery in 2023 and 2024, ten of which have already been committed for lease
  - Committed to acquire 22 new Boeing 787 aircraft for lease to American Airlines, with deliveries in 2020 and 2021
- Additional future lease revenues of approximately US\$2 billion committed since the start of 2020
- Realignment of MAX delivery schedule
  - Scheduled to deliver between the fourth quarter of 2020 to 2023
- 100% of scheduled 2020 aircraft deliveries placed with airline customers
- Committed to additional capital expenditure of US\$3.5 billion for period to 2024
- Changes to the senior management team in 2020 reflect our well-structured succession plan and our commitment to diversity

**A strong start to the year**

# Record NPAT

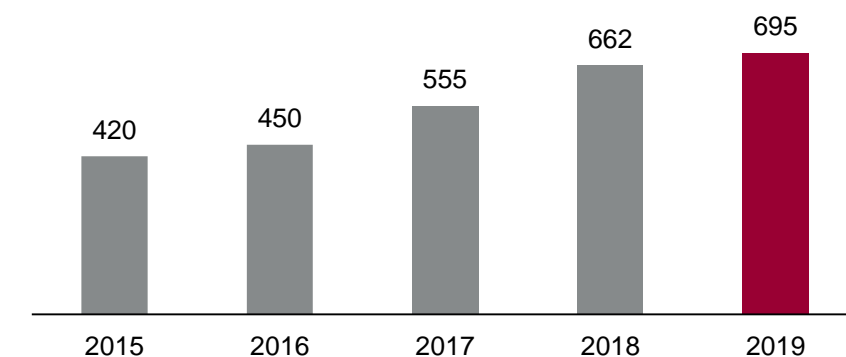
## Fleet growth underpins growth in revenues

US\$ million



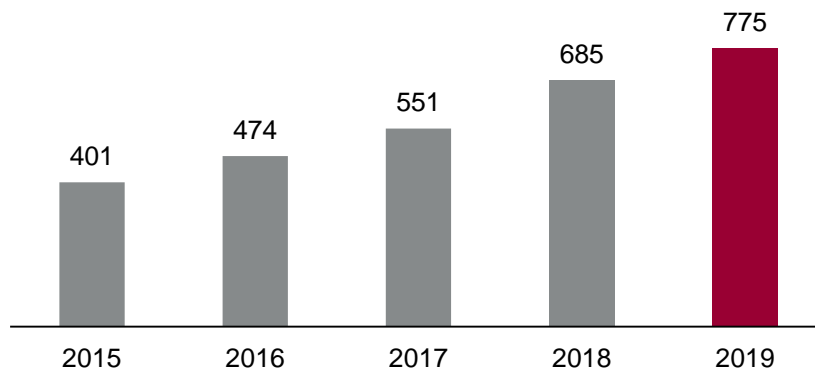
## Rising core lease rental contribution<sup>1</sup>

US\$ million



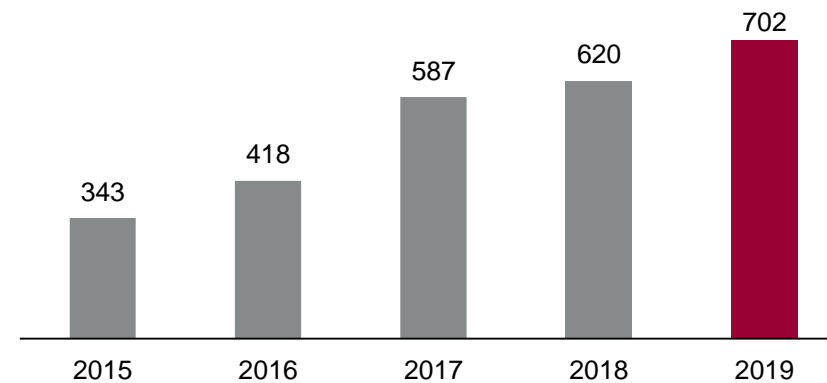
## Continuing PBT Growth

US\$ million



## Robust NPAT performance

US\$ million



All data as at 31 December 2019

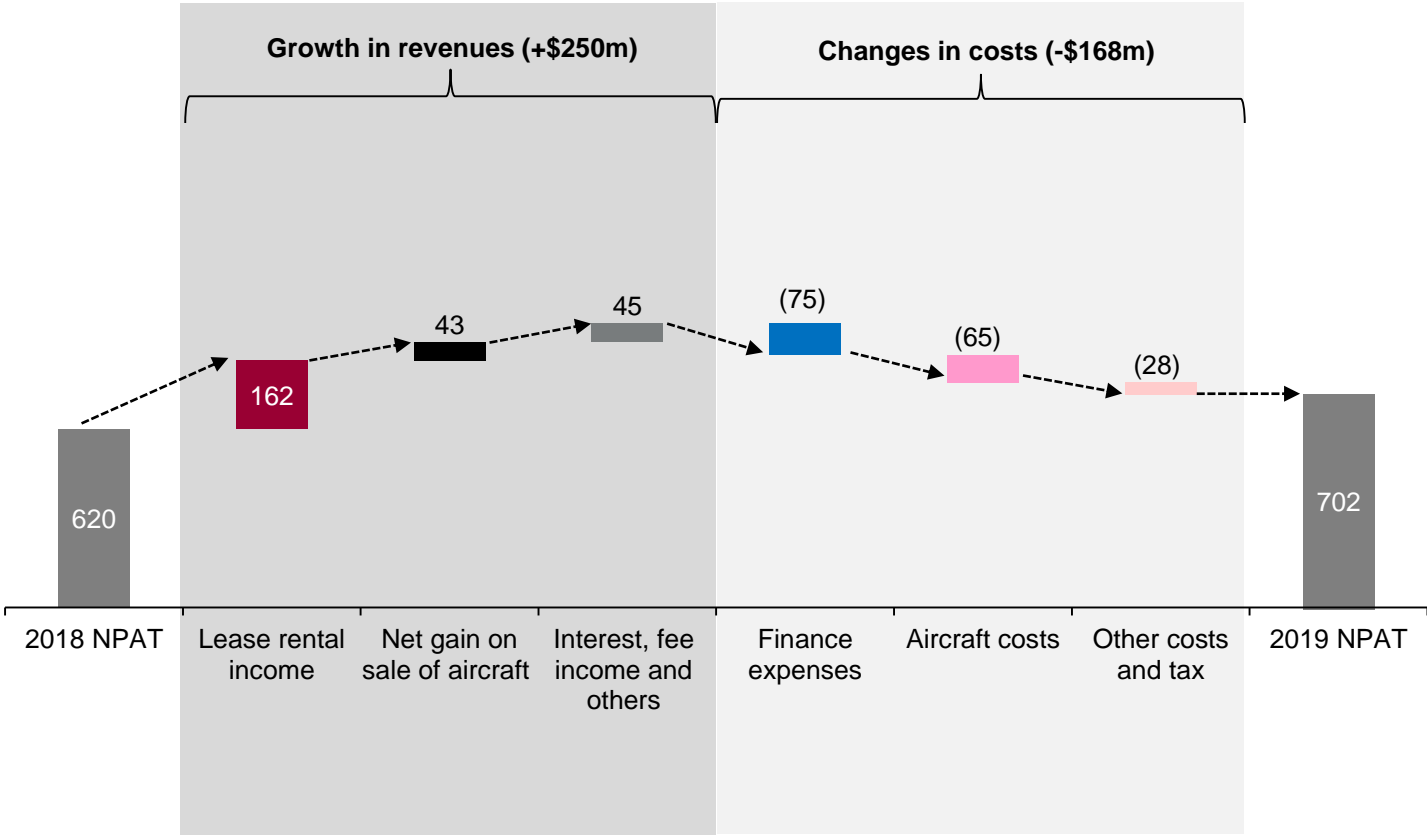
Note:

1. 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



# FY2019 NPAT Drivers

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

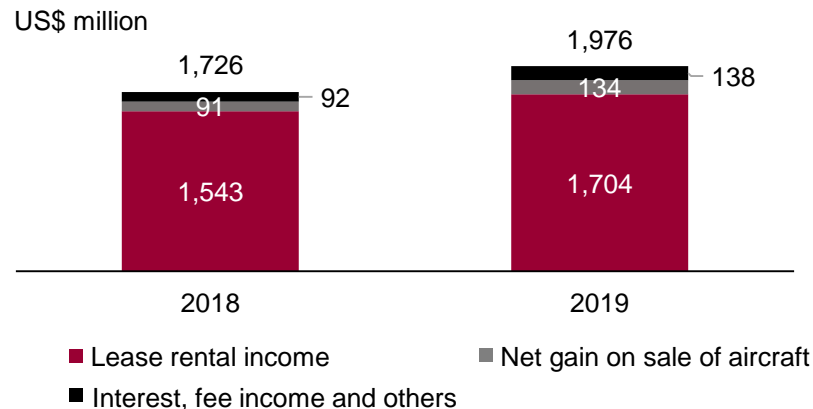
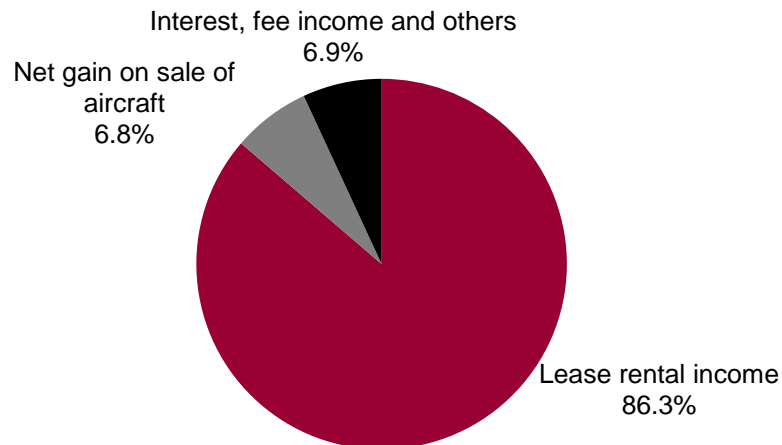


**Robust growth across all revenue-contributing activities**

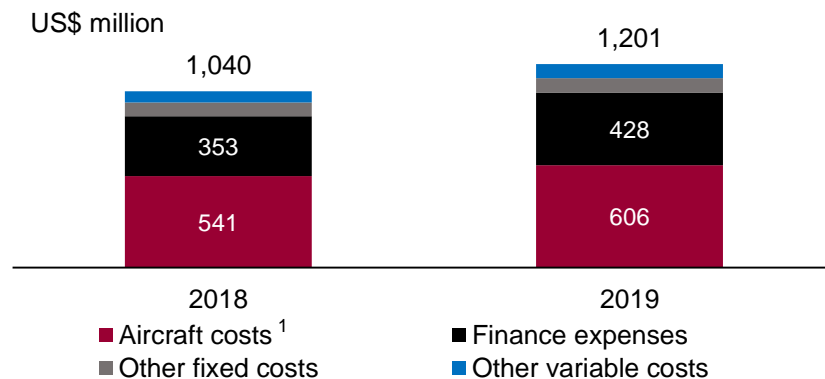
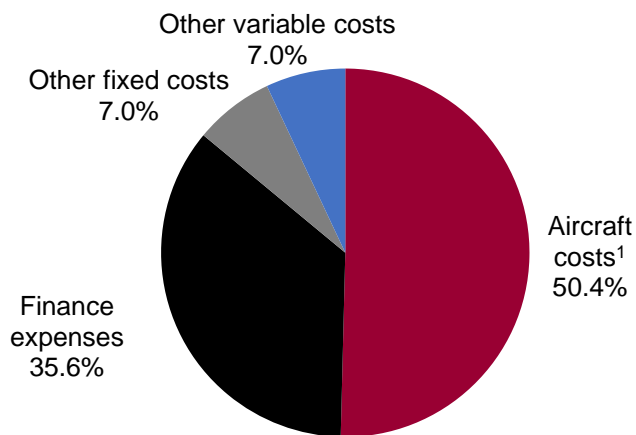


# Lease Rental Income Continues to Dominate Revenue

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



Depreciation of aircraft plus financing costs make up >85% of total costs



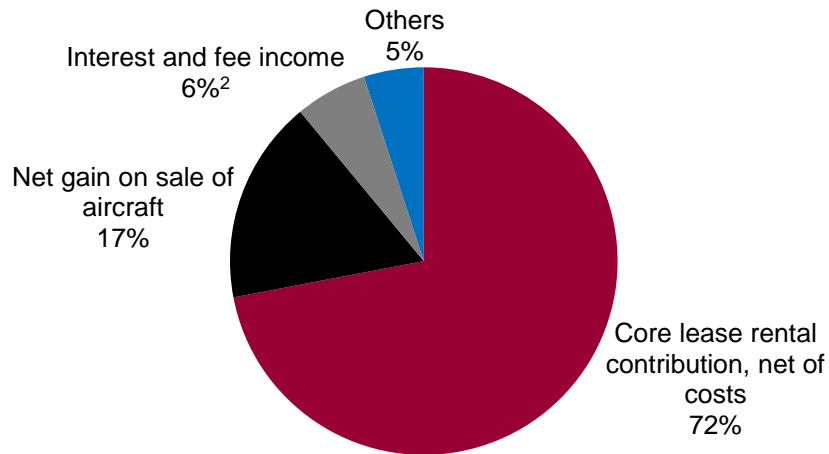
All data as at 31 December 2019

Note:

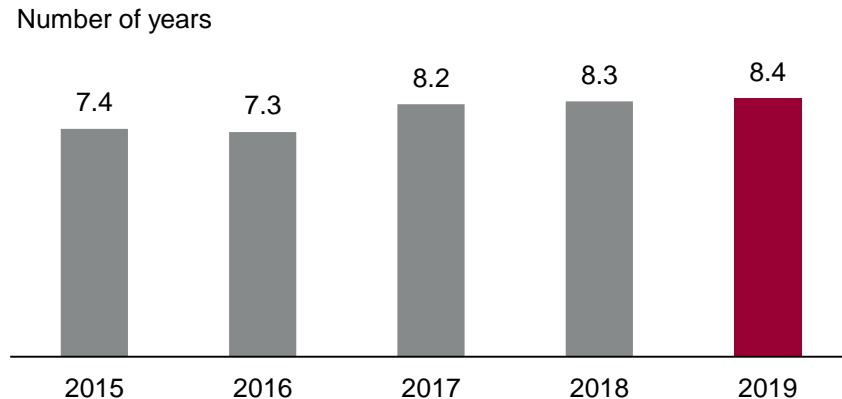
1. Comprises aircraft depreciation

# Core Leasing Business Supports Earnings Growth

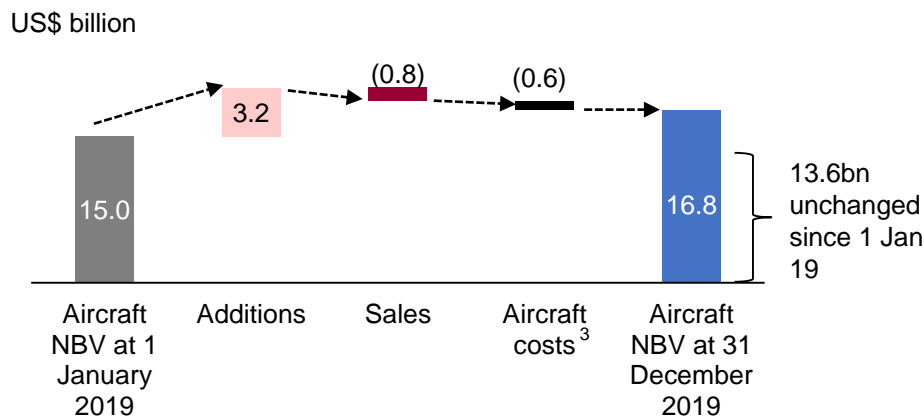
More than 70% of PBT is from core lease rental contribution<sup>1</sup>, net of costs



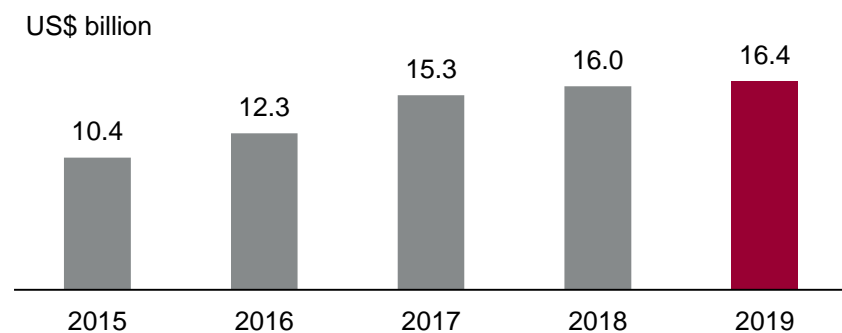
We have a long average remaining lease term<sup>4</sup>



and reflects continued investment in our fleet



and high future committed lease revenue



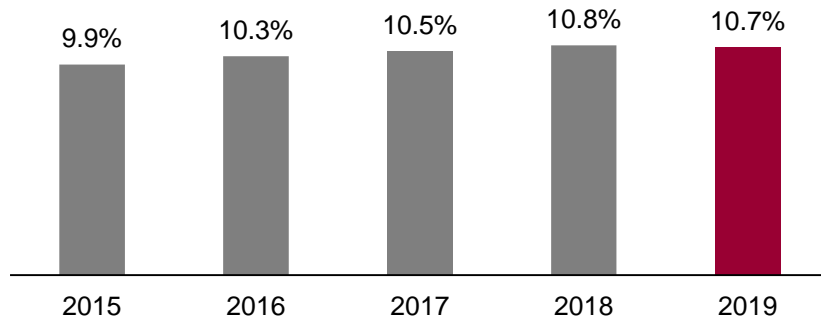
All data as at 31 December 2019

Notes:

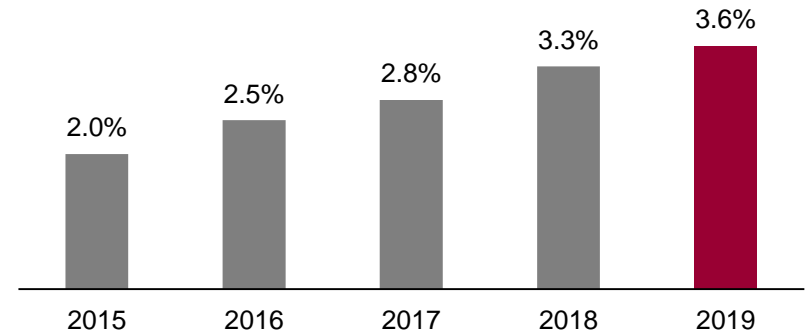
1. Calculated as lease rental income less aircraft depreciation and finance expenses apportioned to lease rental income, amortisation of deferred debt issue cost and lease transaction closing cost
2. Calculated as interest and fee income less finance expenses apportioned to interest and fee income
3. Comprises aircraft depreciation
4. Weighted by net book value of owned fleet

# Leasing Market Continues to Shift Towards Fixed Rates

Lease rate factor<sup>1</sup> reflects increased proportion of fixed rate leases

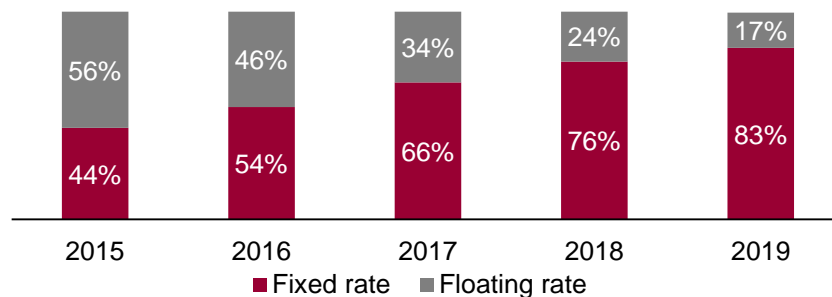


Cost of debt<sup>3</sup> reflects more fixed rate funding

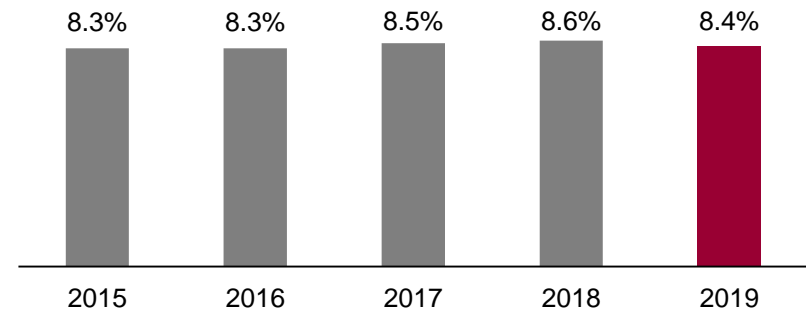


Proportion of fixed rate leases rising steadily<sup>2</sup>

By net book value



Maintaining stable net lease yield<sup>4</sup>



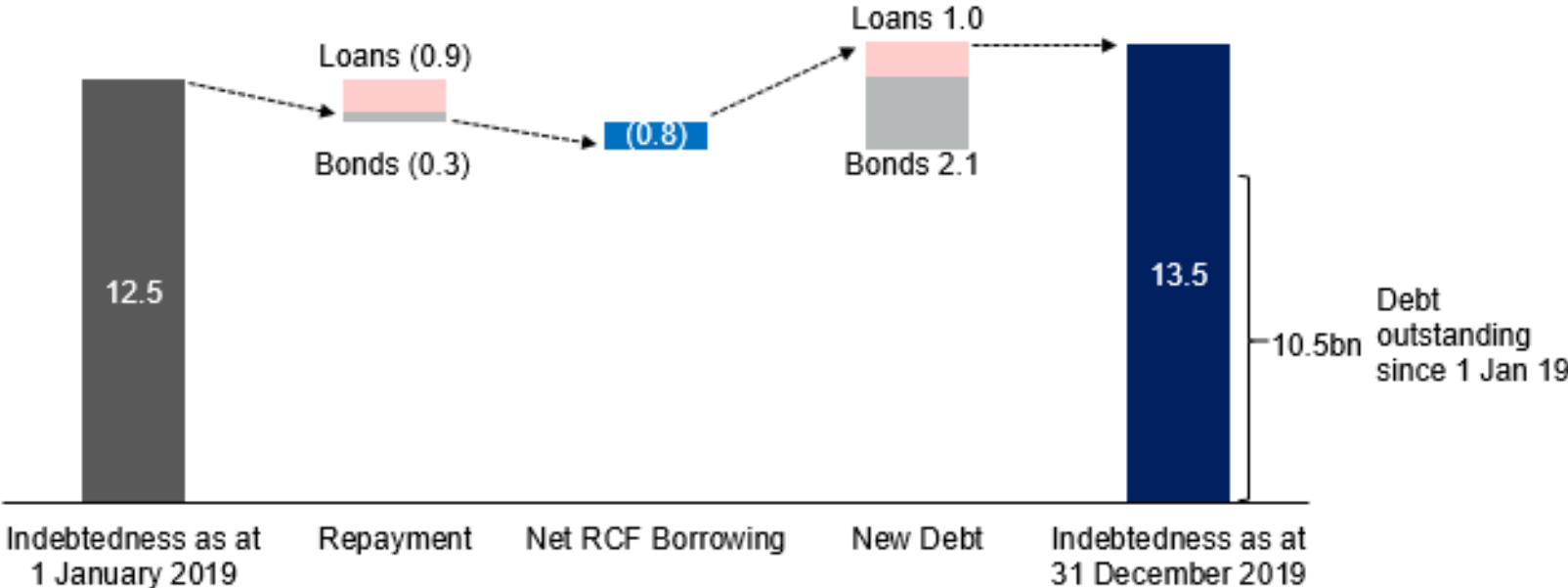
All data as at 31 December 2019

Notes:

1. Calculated as lease rental income divided by average net book value of aircraft and multiplied by 100%
2. By net book value including aircraft held for sale and excluding aircraft subject to finance lease as well as aircraft off lease
3. Calculated as the sum of finance expenses and capitalized interest, divided by average total indebtedness. Total indebtedness represents loans and borrowings and finance lease payables before adjustments for deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes
4. Calculated as lease rental income less finance expenses apportioned to lease rental income, divided by average net book value of aircraft

# Stable Debt Structure

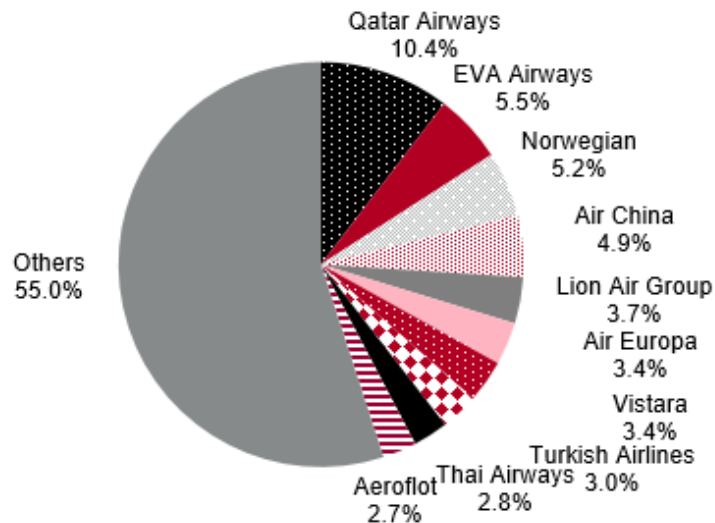
US\$ billion



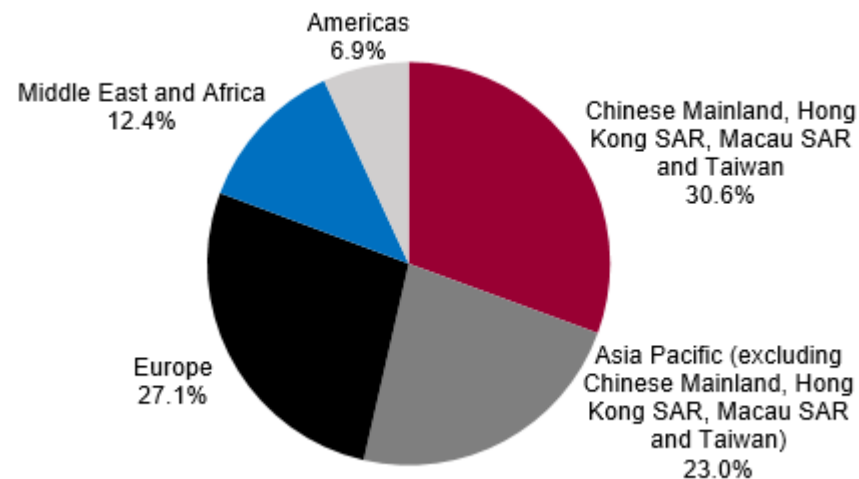
**80% of debt unchanged from 1 January 2019 and debt to equity of 2.9:1**

# Diversified Portfolio & Stringent Customer Selection Delivers High Utilization Rate

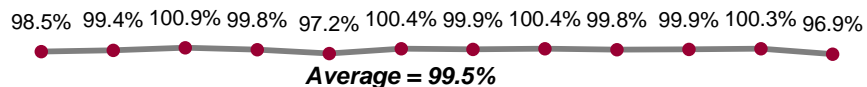
Lease portfolio diversified by customer<sup>1,2</sup>



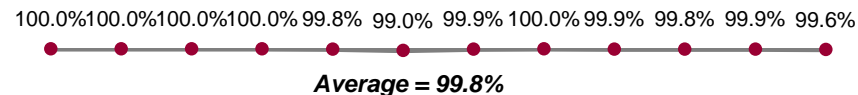
...and diversified by geography<sup>1,3</sup>



High collection rate



High fleet utilization<sup>4</sup>



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

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

All data as at 31 December 2019

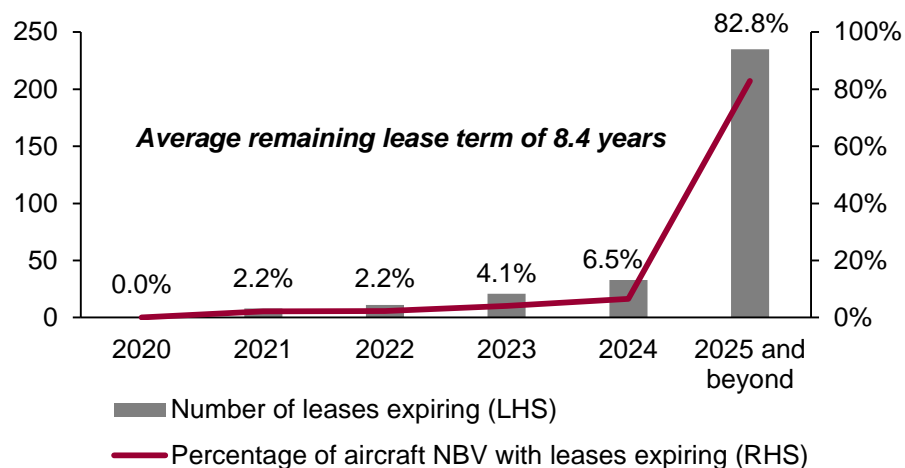
Notes:

1. Based on net book value as at 31 December 2019
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



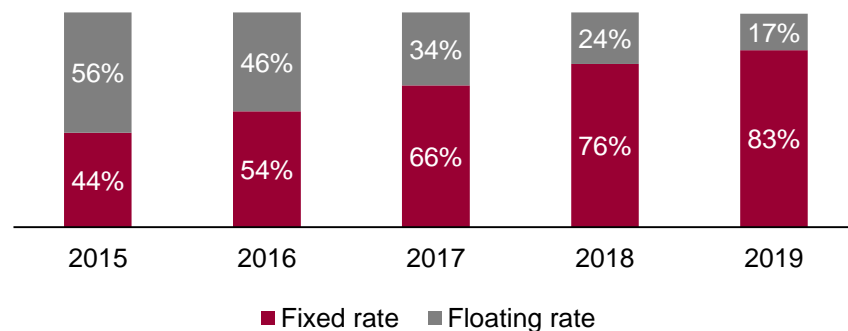
# Long-term Contracted USD Leases

## Well-dispersed lease expiries<sup>1</sup>



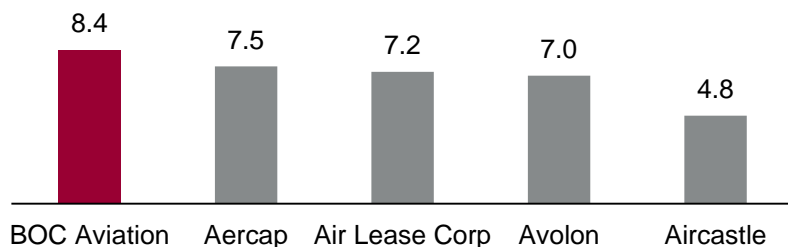
## Proportion of fixed rate leases rising steadily<sup>3</sup>

By net book value



## Long average remaining lease term<sup>2</sup>

Number of years



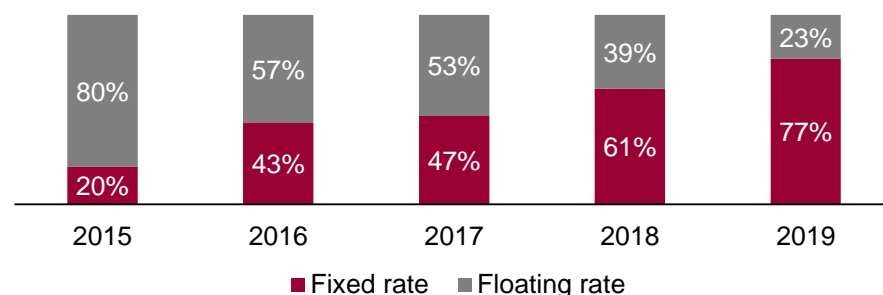
Source: Respective company websites

All data as at 31 December 2019

Notes:

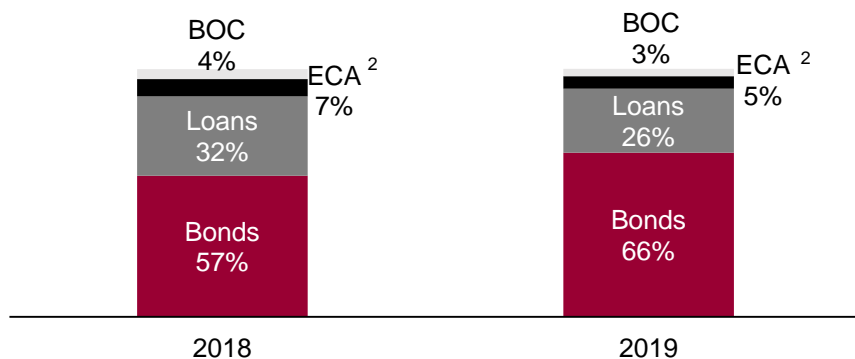
1. Owned aircraft with lease expiring in each calendar year excluding any aircraft for which BOC Aviation has a sale or lease commitment, weighted by net book value of owned fleet as at 31 December 2019
2. Weighted by net book value of owned fleet as at 31 December 2019
3. By net book value including aircraft held for sale and excluding aircraft subject to finance lease as well as aircraft off lease
4. Fixed rate debt included floating rate debt swapped to fixed rate liabilities

## Proportion of fixed rate debt also rising<sup>4</sup>

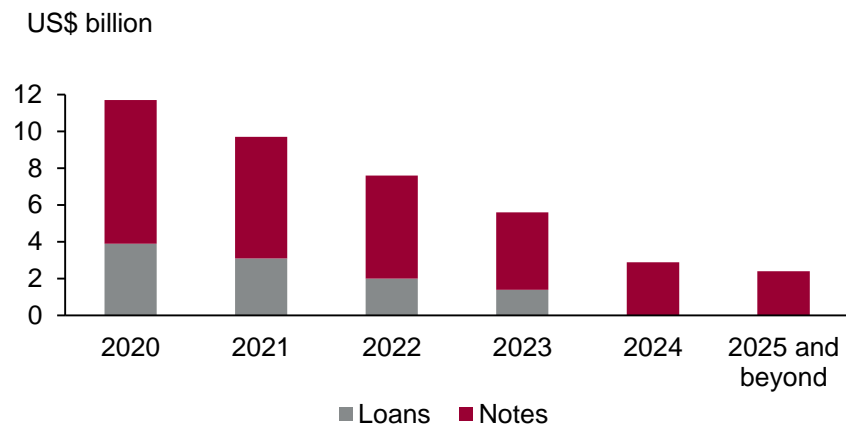


# Flexible Capital Structure and Ample Backstop Liquidity

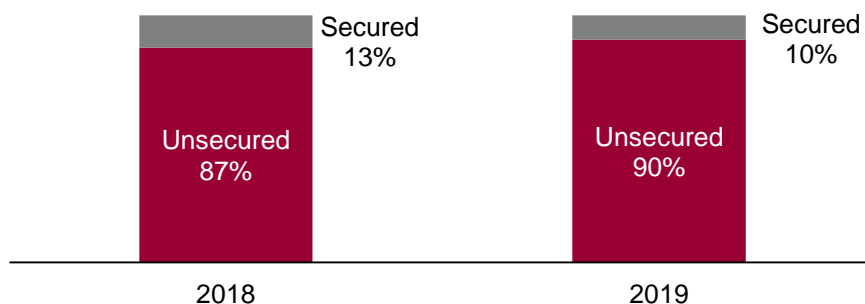
## Sources of debt<sup>1</sup>



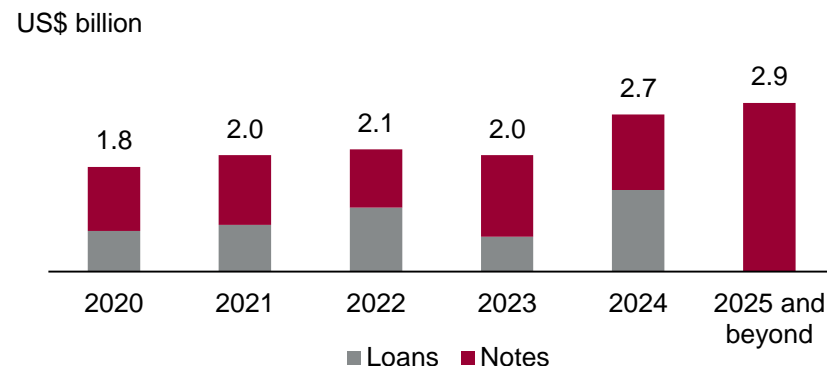
## Outstanding debt amortises over a long term



## Increasing unsecured funding



## Debt repayment by year



**Undrawn committed credit lines and cash of over US\$5 billion at 11 March 2020**

All data as at 31 December 2019 unless otherwise indicated

Notes:

1. Drawn debt only
2. ECA refers to debt guaranteed by the export credit agencies of France, Germany, the United Kingdom or the United States



# Popular and Fuel-Efficient Fleet

## Our aircraft portfolio

Aircraft type	Owned aircraft	Managed aircraft	Aircraft on order <sup>1</sup>	Total
Airbus A320CEO family	116	15	0	131
Airbus A320NEO family	50	0	67	117
Airbus A330CEO family	12	3	0	15
Airbus A330NEO family	2	0	6	8
Airbus A350 family	9	0	0	9
Boeing 737NG family	88	15	0	103
Boeing 737 MAX family	6	0	87	93
Boeing 777-300ER	18	4	3	25
Boeing 777-300	0	1	0	1
Boeing 787 family	11	1	3	15
Freighters	5	1	0	6
<b>Total</b>	<b>317</b>	<b>40</b>	<b>166</b>	<b>523</b>

**Since 1 January 2020, we have added 20 Airbus A320NEO aircraft and 22 Boeing 787 aircraft of which 32 have already been placed on long-term leases**

All data as at 31 December 2019

Note:

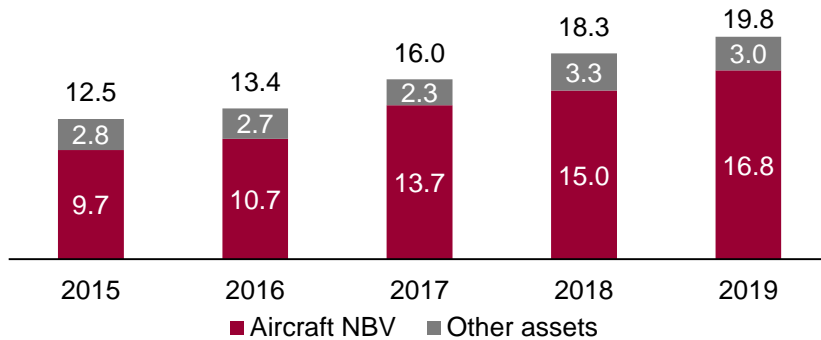
1. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery



# Orderbook Underpins Future Balance Sheet Growth

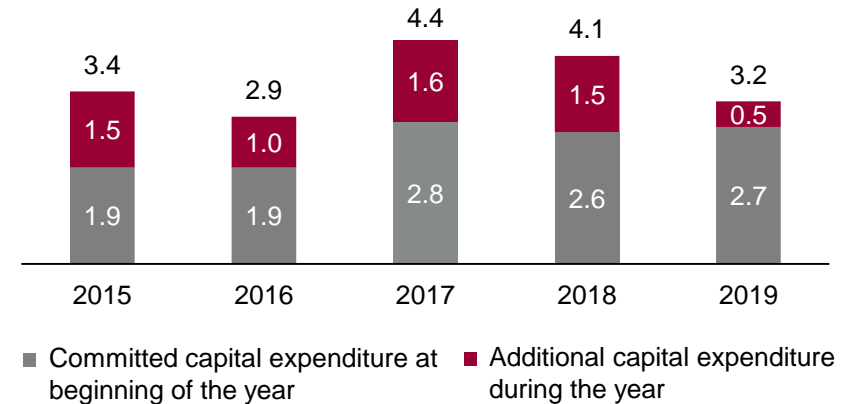
## Growing balance sheet

US\$ billion



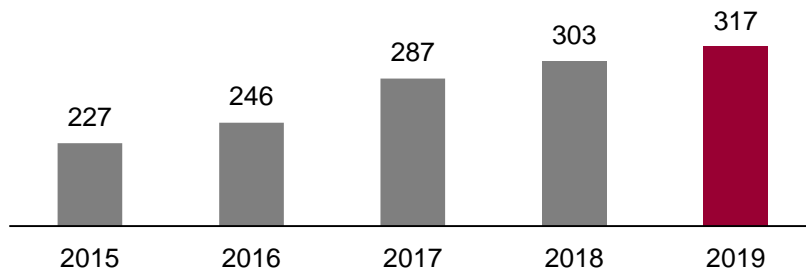
## Sustained annual capital expenditure since IPO

US\$ billion



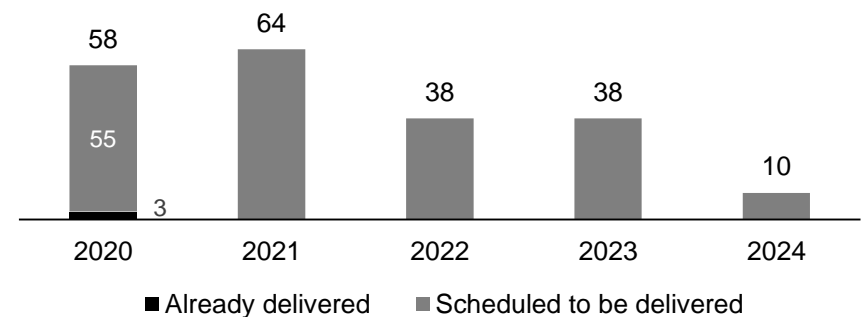
## Expanding fleet size

Number of owned aircraft



## Orderbook delivery schedule as at 11 March 2020<sup>1,2</sup>

Number of aircraft



**Aircraft net book value grew 57% since end-2016**

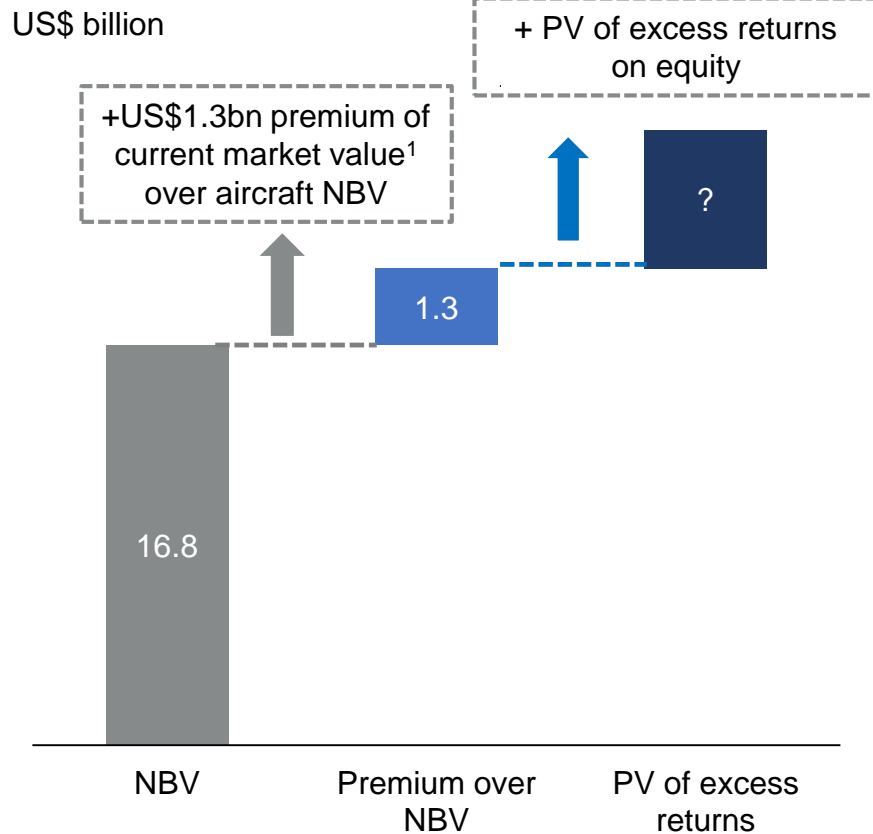
All data as at 31 December 2019 unless otherwise indicated

Notes:

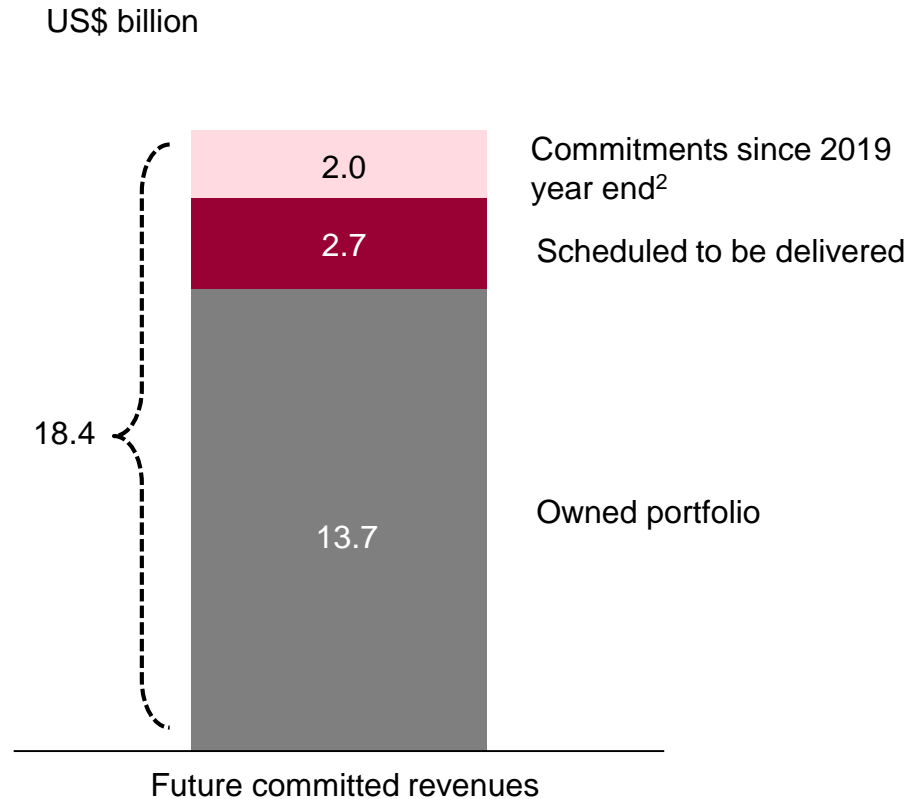
1. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery
2. Based on expected delivery dates

# Value Driven by Fleet and Committed Lease Revenues

Net book value understates business value



Committed future revenues of more than US\$18 billion



Committed future revenues from long term leases underpin value creation

All data as at 31 December 2019

Notes:

1. Based on an average of five independent appraisers' aggregate value for our owned fleet at US\$18.1 billion, on a full-life, current market value basis, which compared with a net book value of US\$16.8 billion
2. Announced post-2019



# Conclusion

- Record performance achieved in a difficult supply environment
  - NPAT increased 13% to US\$702 million
    - 15<sup>th</sup> year of consecutive record earnings
  - Total dividends increased 13% to US\$0.3541/share
  - High post-tax ROE of 16%
  - Total revenues increased 15% to around US\$2 billion, driven by:
    - Stable net lease yield of 8.4%
    - Higher aircraft NBV of US\$16.8 billion
    - Strong gains on aircraft sales
- Management alignment with shareholder continues
  - Third year of our Restricted Share Unit long-term incentive plan
- Long-term revenue sustainability supported by strong liquidity
  - Committed lease revenues in excess of US\$18 billion as at March 2020
  - Orderbook of 205 aircraft as at 11 March 2020 provides future balance sheet growth<sup>1</sup>
  - Available liquidity of over US\$5 billion to support counter-cyclical investment<sup>2</sup>
- Opportunities opening up for counter cyclical investments
  - COVID-19 likely to pressure airline earnings and cashflows
  - We have the balance sheet power and credit ratings to enable further investment in aircraft
  - Commitments since end-2019:
    - The order of 20 new Airbus A320NEO aircraft, of which, 10 have already been committed for lease
    - Acquired 22 new Boeing 787 aircraft for lease to American Airlines, with deliveries in 2020 and 2021

## A strong start to 2020

All data as at 31 December 2019 unless otherwise indicated

Notes:

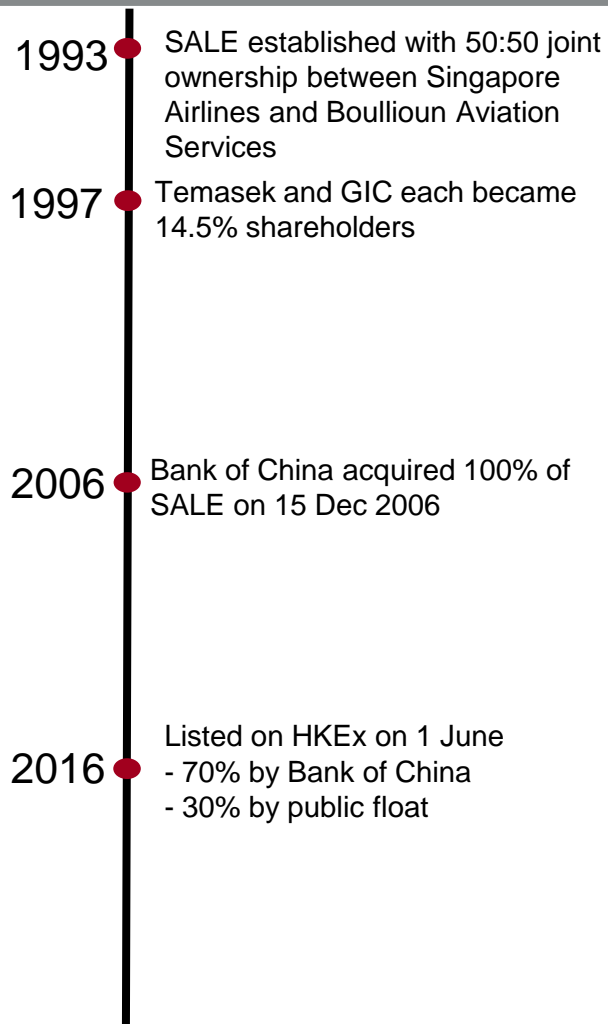
1. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery
2. As at 11 March 2020



# APPENDICES

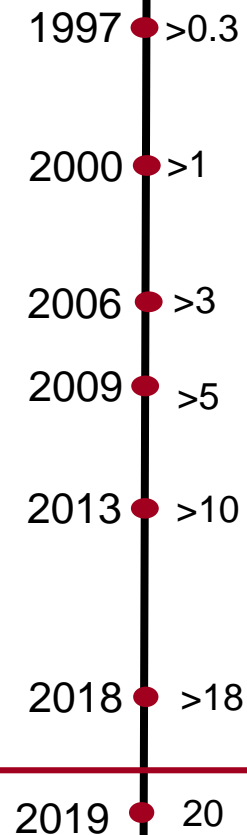
# The BOC Aviation Journey

## Ownership



## Total assets

US\$ billion



All data as at the end of the relevant period



# 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\$19.8bn

- Aircraft net book value of US\$16.8bn
- 561 aircraft<sup>1,3</sup>
- 205 aircraft on order<sup>2,3</sup>

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

- Consistently profitable since inception
- US\$4.4bn in cumulative profits since inception

## Industry leading performance

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

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

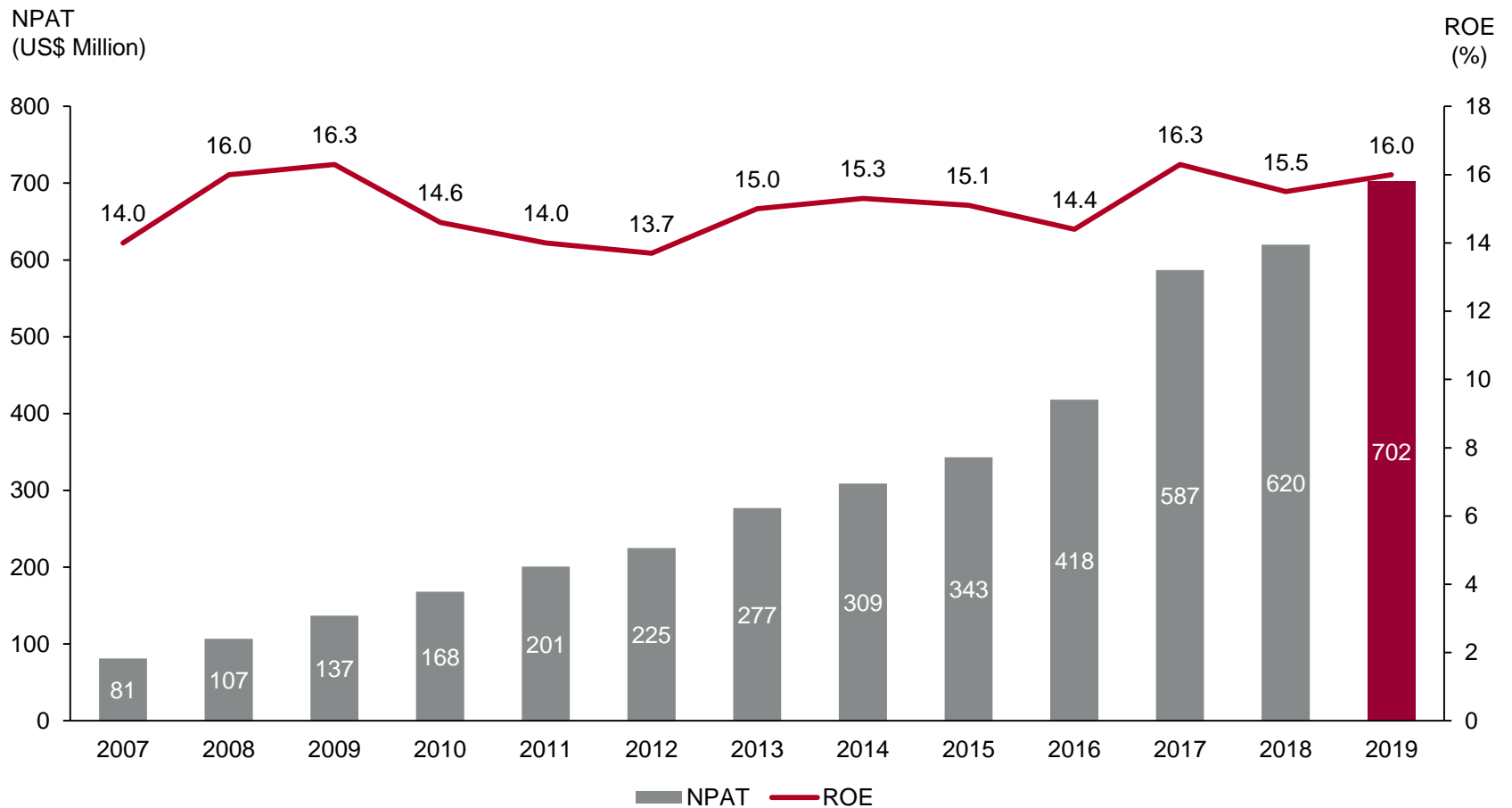
All data as at 31 December 2019 unless otherwise indicated

Notes:

1. Includes owned, managed and aircraft on order
2. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery
3. As at 11 March 2020



# Strong Financial Performance



**High average ROE of 15% since 2007**

All data as at 31 December of relevant year unless otherwise indicated





# Experienced Global Management Team



	<b>Robert Martin</b> <i>Managing Director &amp; Chief Executive Officer</i>	<b>Zhang Xiaolu</b> <i>Vice-Chairman &amp; Deputy Managing Director</i>	<b>Phang Thim Fatt</b> <i>Deputy Managing Director &amp; Chief Financial Officer</i>	<b>Steven Townend</b> <i>Chief Commercial Officer (Europe, Americas, Africa)</i>	<b>David Walton</b> <i>Chief Operating Officer</i>	<b>Deng Lei</b> <i>Chief Commercial Officer (Asia Pacific &amp; the Middle East)</i>
	<ul style="list-style-type: none"> <li>• 32 years of banking and leasing experience</li> <li>• Managing Director since July 1998</li> </ul>	<ul style="list-style-type: none"> <li>• 29 years of banking experience</li> <li>• In charge of Procurement and Board Secretariat departments</li> </ul>	<ul style="list-style-type: none"> <li>• 41 years of airline and leasing experience</li> <li>• Involved in the establishment of the Company</li> <li>• In charge of Finance, Risk, Tax and Treasury</li> </ul>	<ul style="list-style-type: none"> <li>• 28 years of banking and leasing experience</li> <li>• In charge of revenue activities for Europe, Americas and Africa</li> </ul>	<ul style="list-style-type: none"> <li>• 33 years of legal, aviation finance and leasing experience</li> <li>• In charge of all operations and related departments</li> </ul>	<ul style="list-style-type: none"> <li>• 21 years of banking experience</li> <li>• In charge of revenue activities for Asia Pacific and Middle East</li> </ul>
<b>Nationality</b>						
<b>Years with BOC Aviation</b>	<b>22</b>	<b>1</b>	<b>24</b>	<b>19</b>	<b>5</b>	<b>1</b>
<b>Years of experience</b>	<b>32</b>	<b>29</b>	<b>41</b>	<b>28</b>	<b>33</b>	<b>21</b>

**Highly experienced senior management team that has successfully led the Company through multiple cycles**

# Core Competencies - BOC Aviation Track Record

## Since inception in 1993:

- Purchasing More than 840 aircraft purchased totalling more than US\$46 billion
- Leasing More than 950 leases executed with > 160 airlines in 57 countries and regions
- Financing Nearly US\$29 billion in debt raised since 1 January 2007

- Sales 360 aircraft sold
- Transitions More than 90 transitions
- Repossessions<sup>1</sup> 46 aircraft in 14 jurisdictions

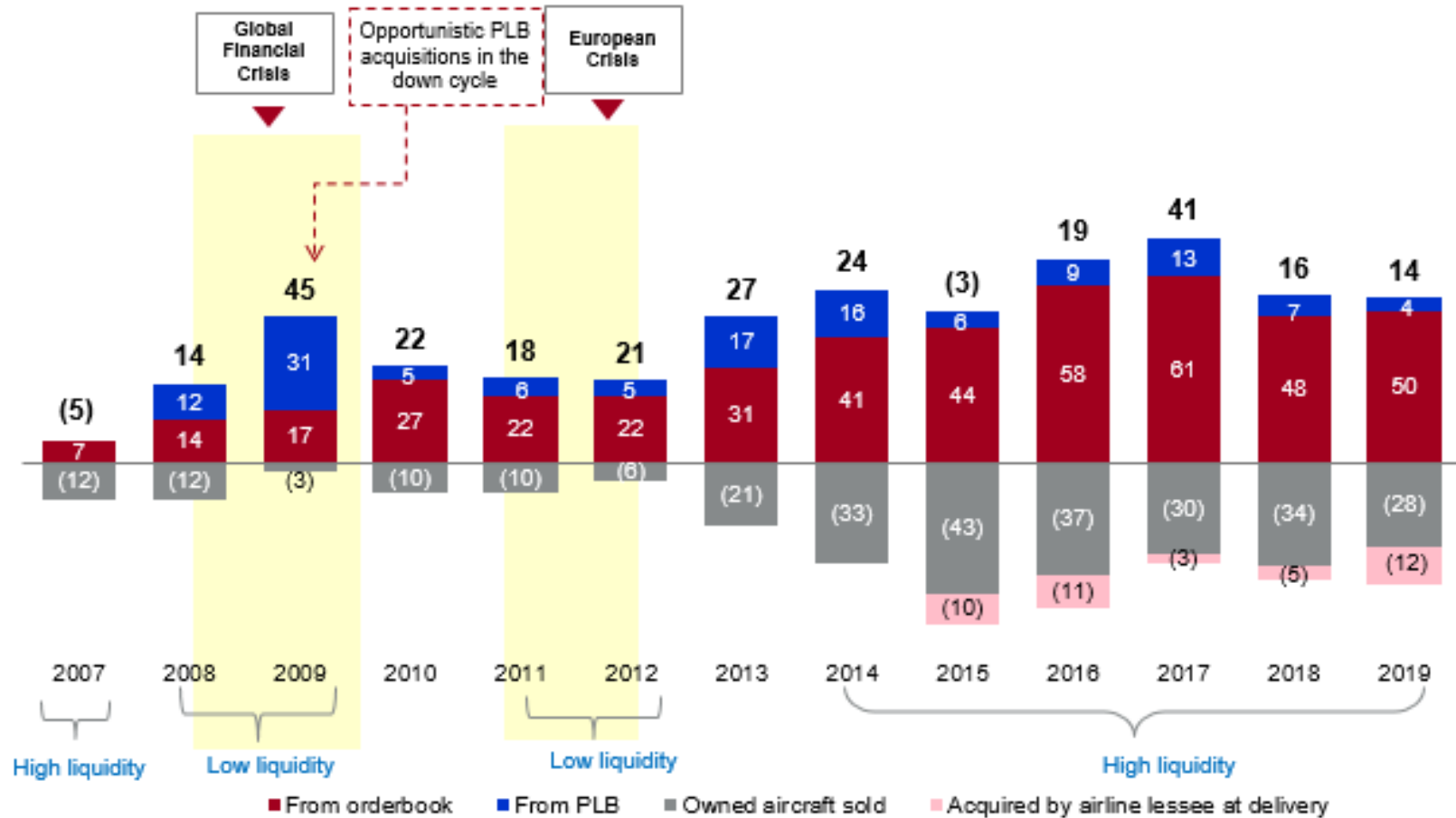
All data as at 31 December 2019, since inception unless otherwise indicated

Note:

1. Includes repossessions and consensual early returns

# How We Invest

## Number of aircraft delivered, purchased and sold

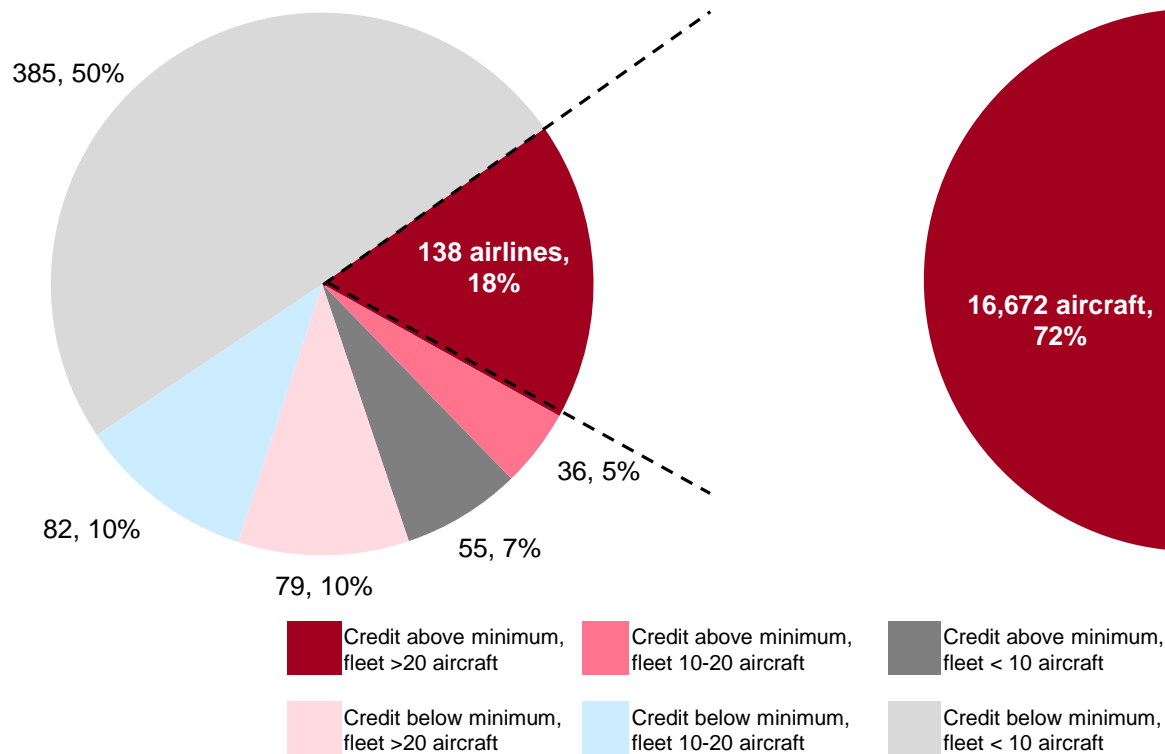


All data as the end of the relevant period

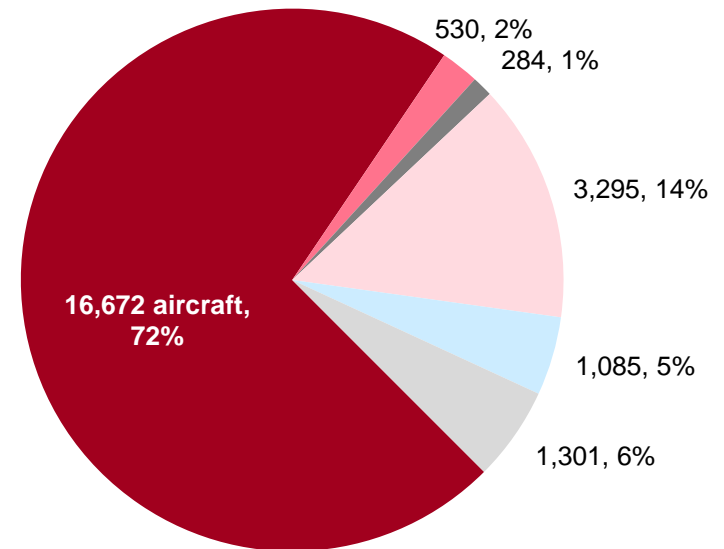
# Leasing: Customer Segmentation

- 775 airlines in service today
- Focus on 138 airlines or only 18% of the airlines in the market – minimum credit score, above 20 aircraft

**Airline segmentation by credit score and fleet size**



**Our target 138 airlines operate 72% of the current in-service aircraft**



Source: Ascend, as at 31 December 2019  
Only commercial aircraft with 100 seats and above



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