

# Generating Revenue

Graham Lees  
Deputy Chief Commercial Officer



## Graham Lees

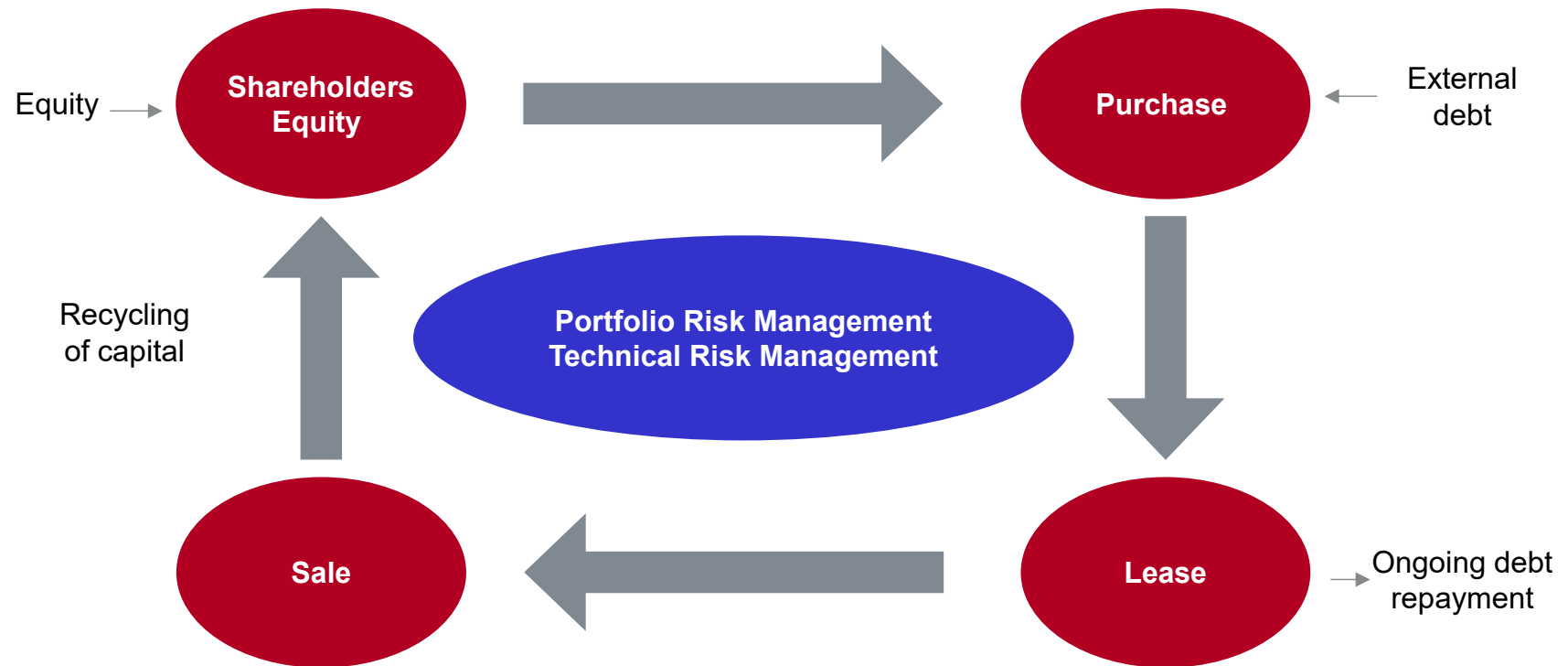
### Deputy Chief Commercial Officer



- More than 30 years of experience in the commercial aerospace and leasing sectors. Senior positions with both airframe and engine manufacturers
- 16 years with BOC Aviation based in USA and in Singapore. Leadership positions focused on the leasing and sale of aircraft
- Member of BOC Aviation's Revenue Committee guiding investment and divestment decisions, and Operation Committee which guides transactions to completion



# Our Business Model



**Our business model is implemented through an integrated approach across teams and functions**



# The Operating Leasing Industry Today

## Customers

**c.800** airlines globally  
**34,900** new aircraft required over the next 20 years<sup>1</sup>

## Suppliers

**5** key airframe manufacturers  
**3** key engine manufacturers  
**10,000+** supply chain partners

**Aircraft  
Leasing  
Industry**

## Funding

**200+** active banks  
**1,000+** capital market investors

## Investors

**350+** aircraft lessors

Note:

1. Airbus Global Market Forecast 2017-2036

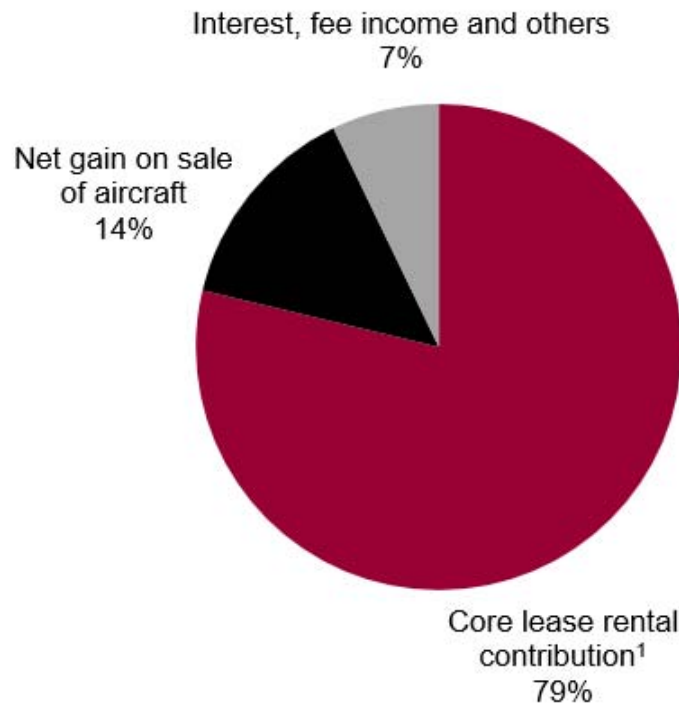


# Leasing

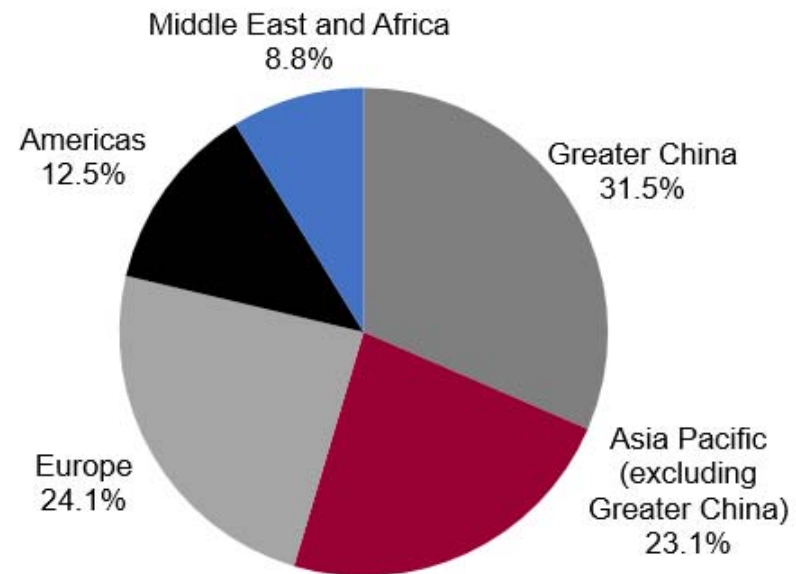


# Core Leasing Business Propels Earnings Growth

PBT breakdown



Customer portfolio by region<sup>2</sup>



Global coverage through offices in Singapore, Tianjin, London, Dublin and New York

All data as at 31 December 2017 unless otherwise indicated

Notes:

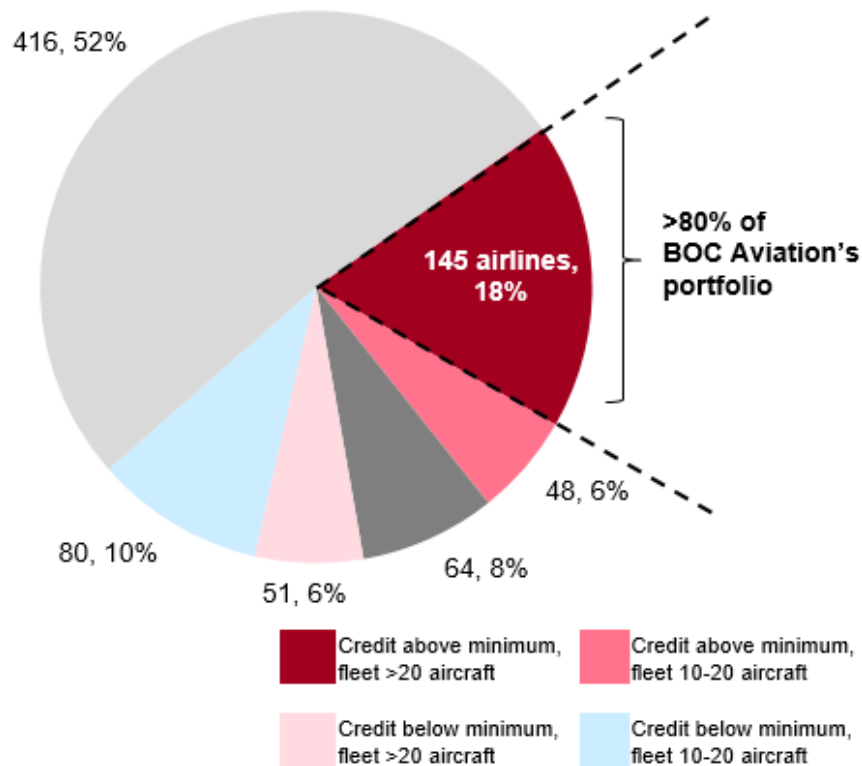
1. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs
2. Based on net book value as at 31 March 2018. Includes aircraft held for sale and excludes one aircraft subject to finance lease



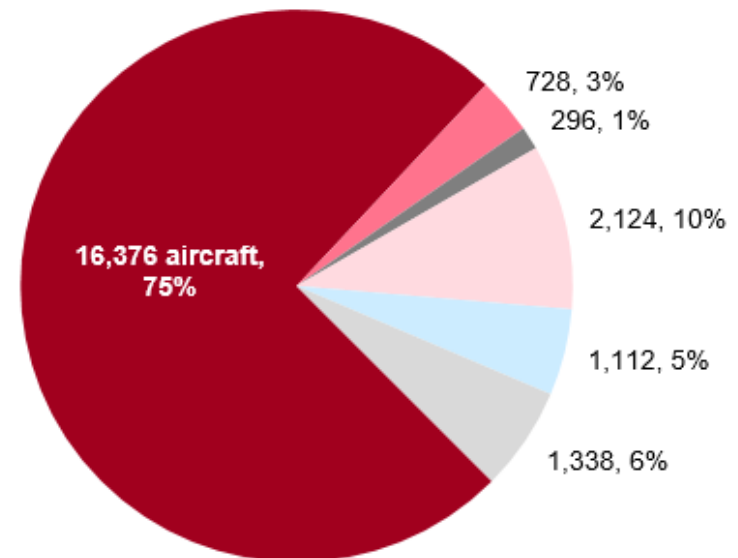
# Leasing: Customer Focus

- 804 airlines in service today
- Focus on 145 airlines or only 18% of the airlines in the market – minimum credit score, above 20 aircraft in fleet

**Airline Segmentation by Credit Score and Fleet Size**



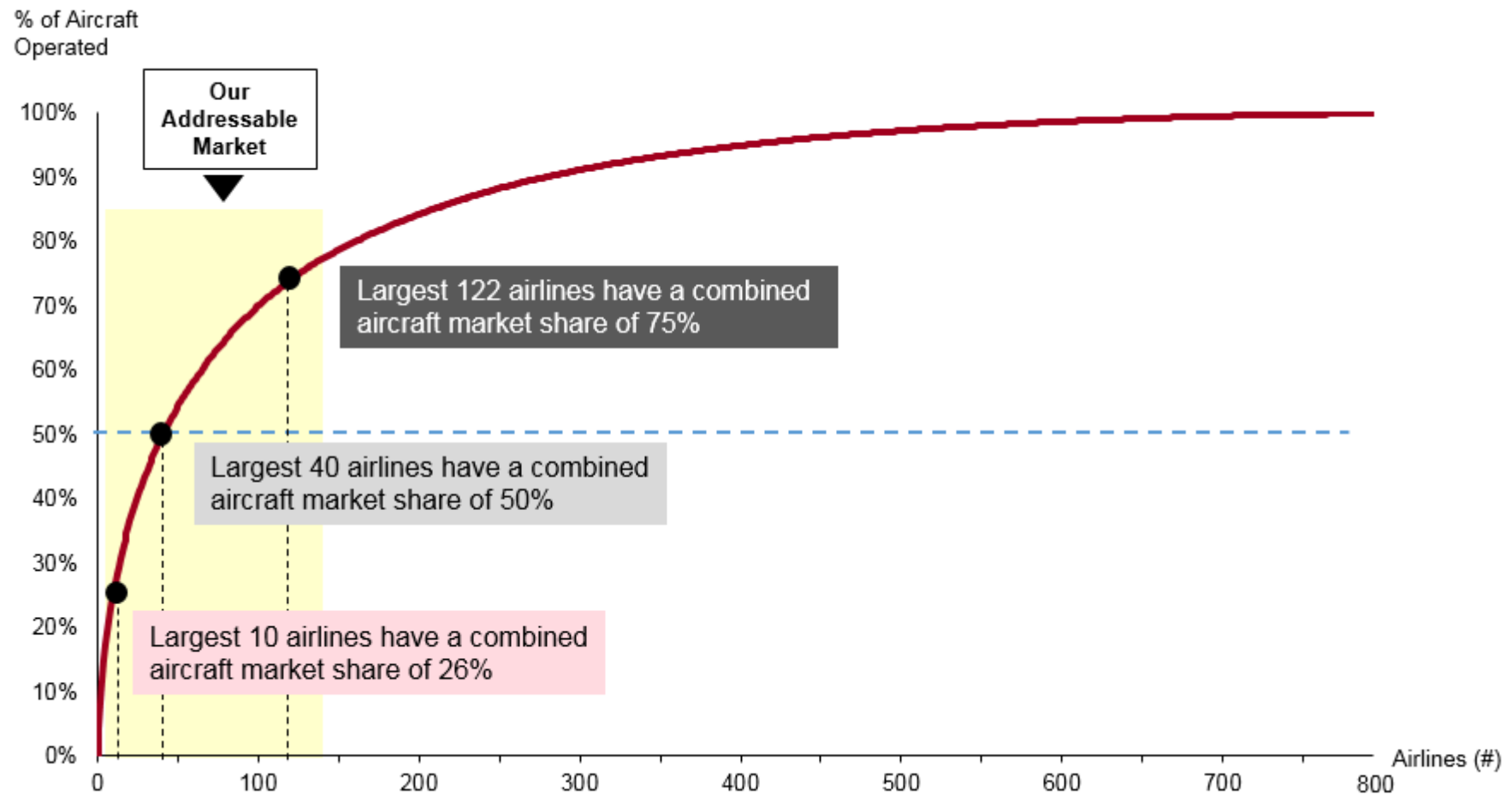
**Our Target 145 Airlines Operate 75% of the Current In-service Aircraft**



Source: Ascend, as at 31 March 2018  
Only commercial aircraft with 100 seats and above



# Customer Focus



**Focusing the Revenue teams on larger airlines**

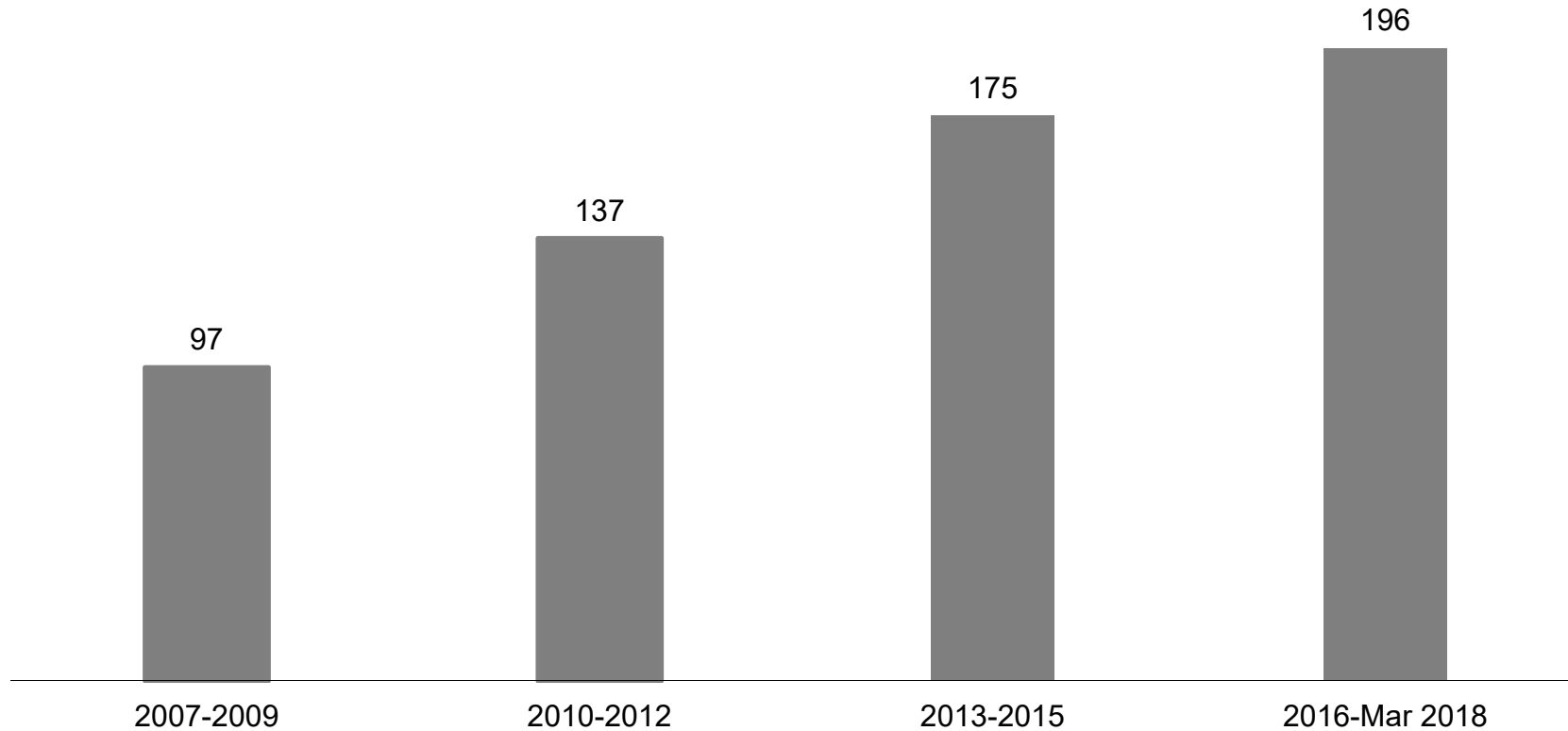
Source: Ascend, by number of airlines and aircraft, as at 31 December 2017





# Lease Placement Track Record

Number of lease commitments



**790 leases executed with more than 150 airlines in 52 countries and regions since 1993**

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

Note:

1. Leases signed cover both owned and managed aircraft



# Leasing – Opening New Markets



**First** Boeing 737 MAX 8 in BOC Aviation's fleet, for Corendon Airlines and in Turkey



**First** Airbus A320NEO in BOC Aviation's fleet, for Vistara Airlines



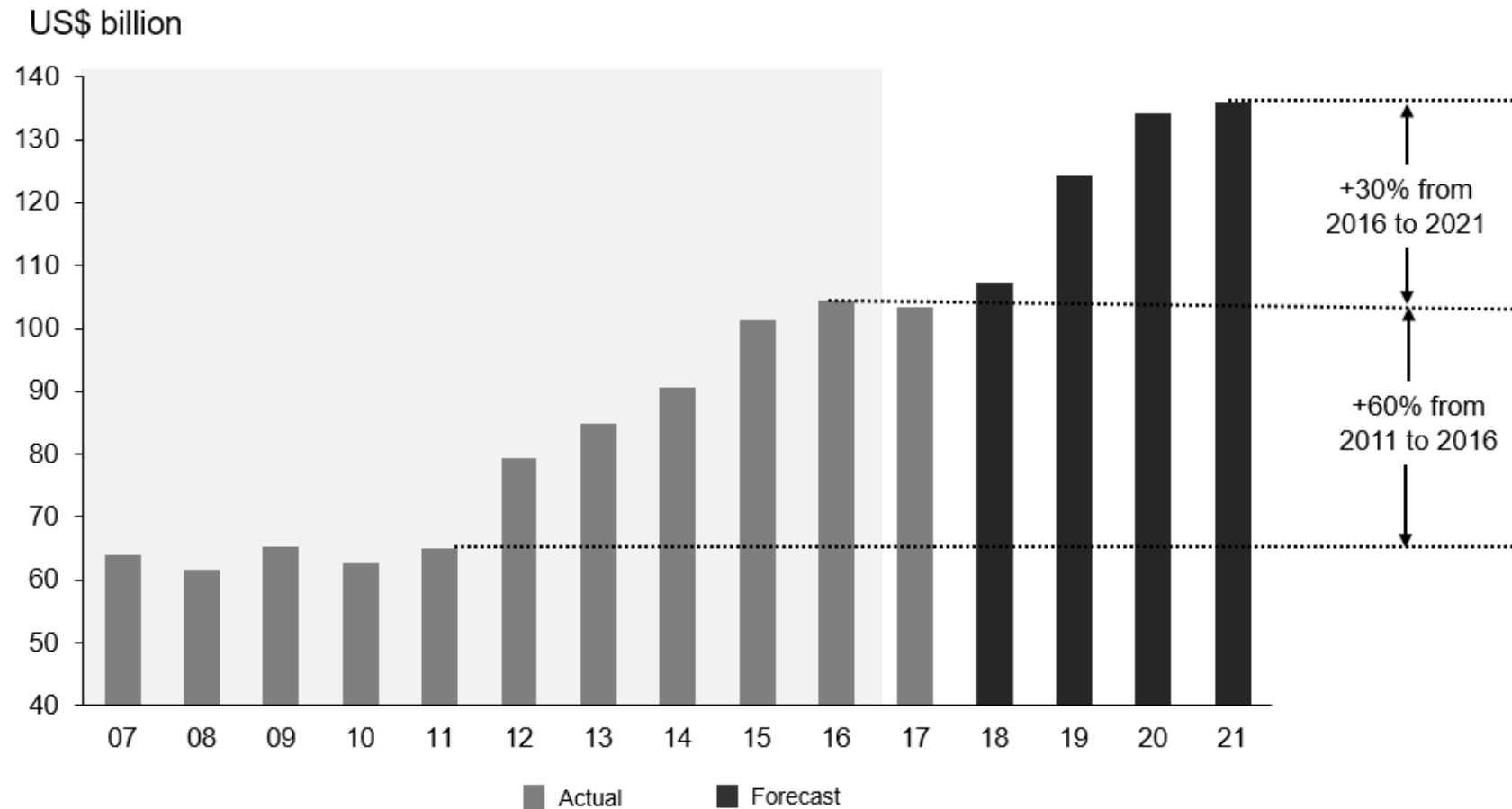
**First** Airbus A320NEO for TAP Portugal



**First** Airbus A320NEO for S7 Airlines and Pratt & Whitney powered in Russia



# Capital Expenditure for New Aircraft Rising - Creating Opportunities

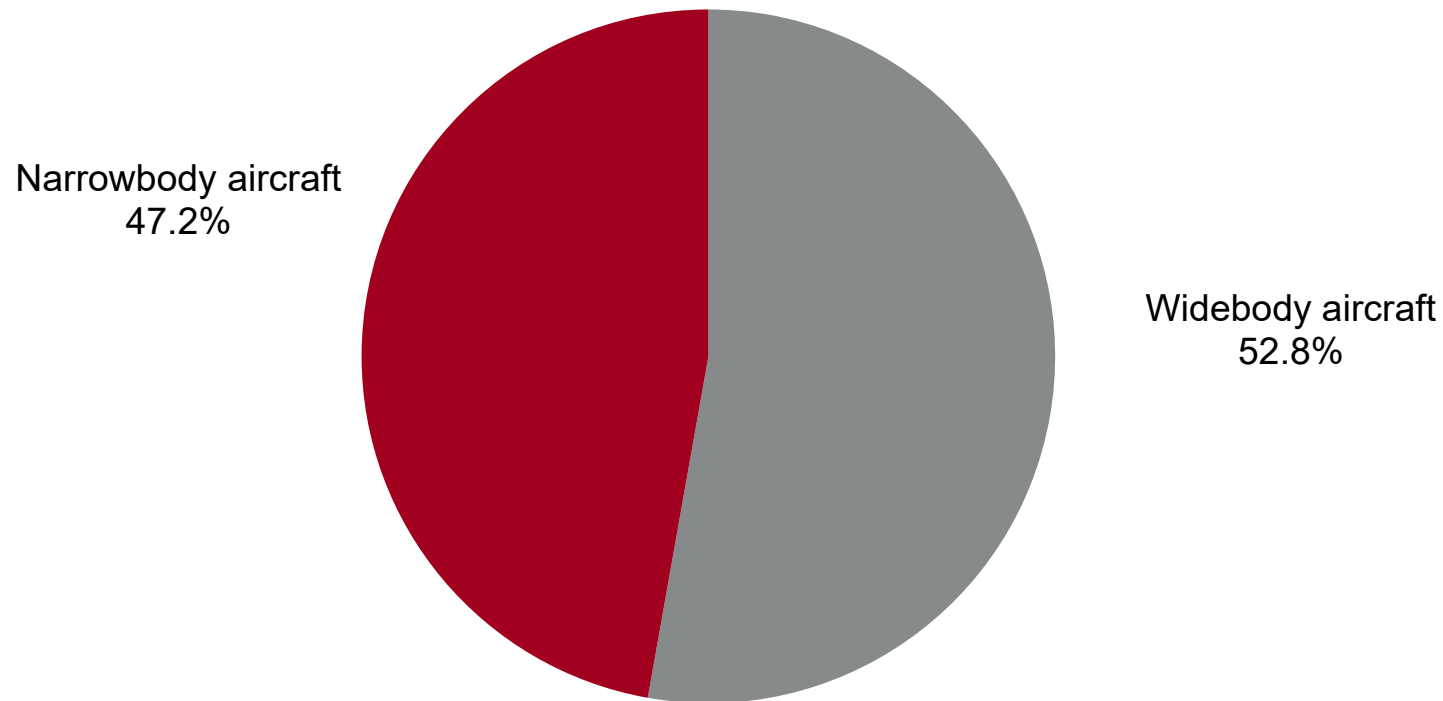


Source: BOC Aviation, updated as at 30 April 2018  
 100+ seat aircraft only. Capex totals exclude OEM services, spares, etc.



# Focus on Purchase + Leaseback Opportunities

Split of Market in 2017 by value (US\$)



Using our balance sheet strength to acquire latest generation widebodies



# Acquiring the Latest-generation Widebody Aircraft



Qatar Airways 6 x Airbus A350-900



Kenya Airways 2 x Boeing 787-8



Volga-Dnepr Group 3 x Boeing 747-8F

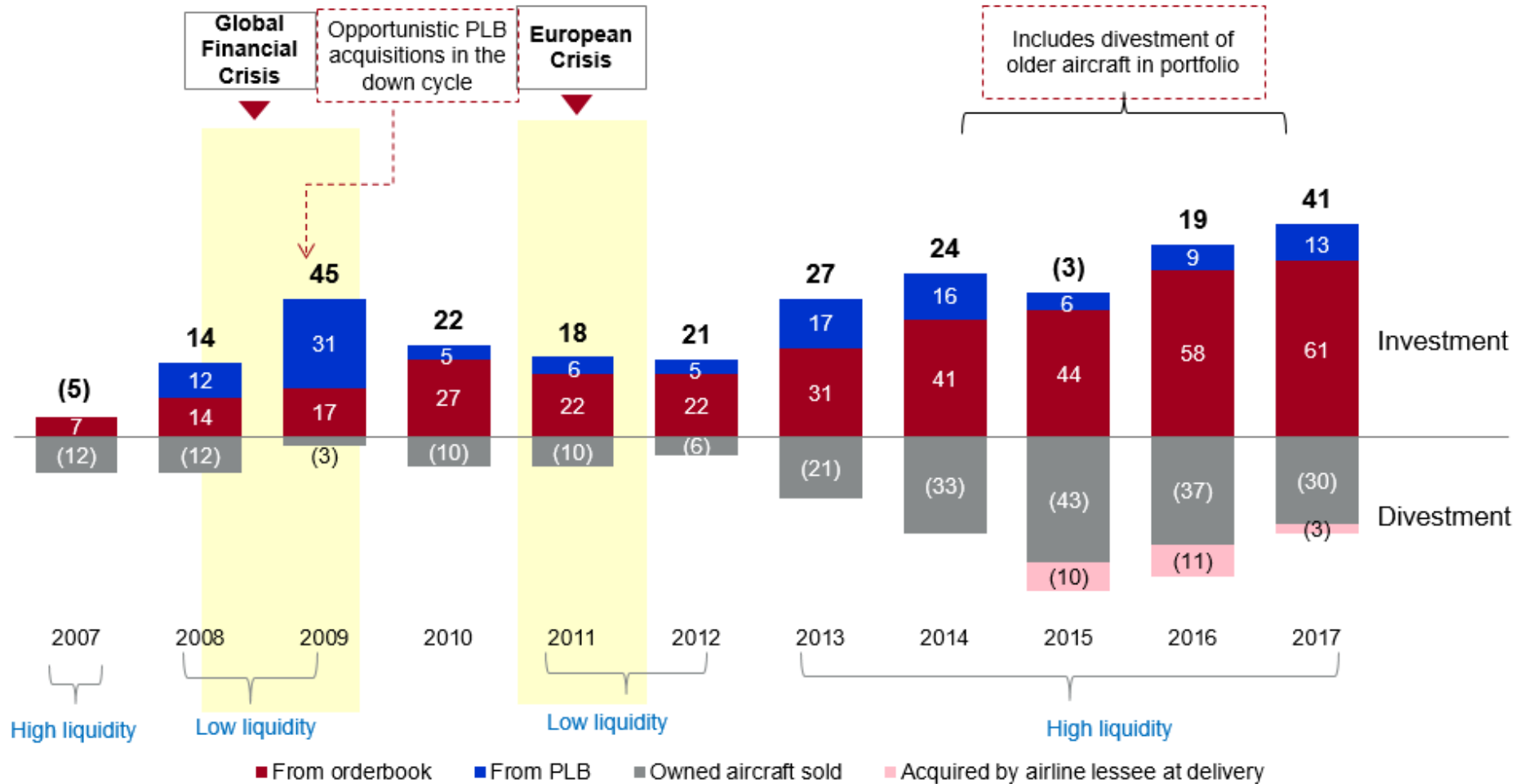


Air Europa 4 x Boeing 787-9



# How We Invest Throughout The Cycles

Number of aircraft delivered, purchased and sold



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



# Rapid Execution in Volume With a Planned Syndication Strategy



**Southwest**  
16 x Boeing 737-700 (2 sold)



**Alaska**  
6 x Boeing 737-800 (1 sold)



**Thai Airways**  
8 x Boeing 777-300ER (4 sold)



**Air China**  
3 x Boeing 777-300ER  
2 x Airbus A330-300



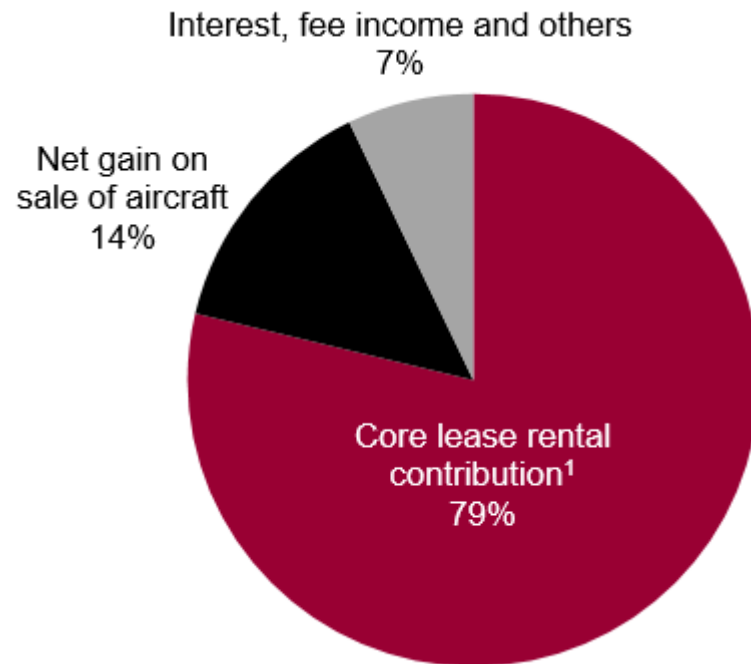
# Aircraft Sales



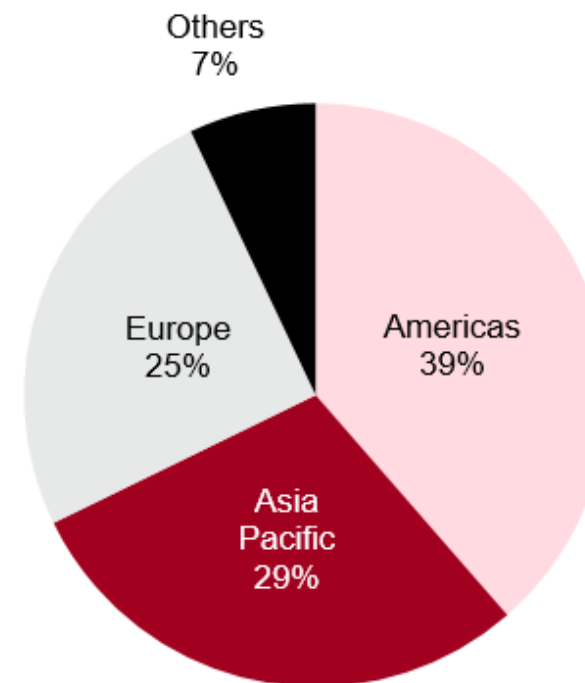


# Selling Aircraft Further Drives Long Term Profit Maximisation

Profit Before Tax breakdown



Split of transacted counterparties by region<sup>2</sup>



**Sales offices in Singapore, London and New York covering over 300 investors**

All data as at 31 December 2017 unless otherwise indicated

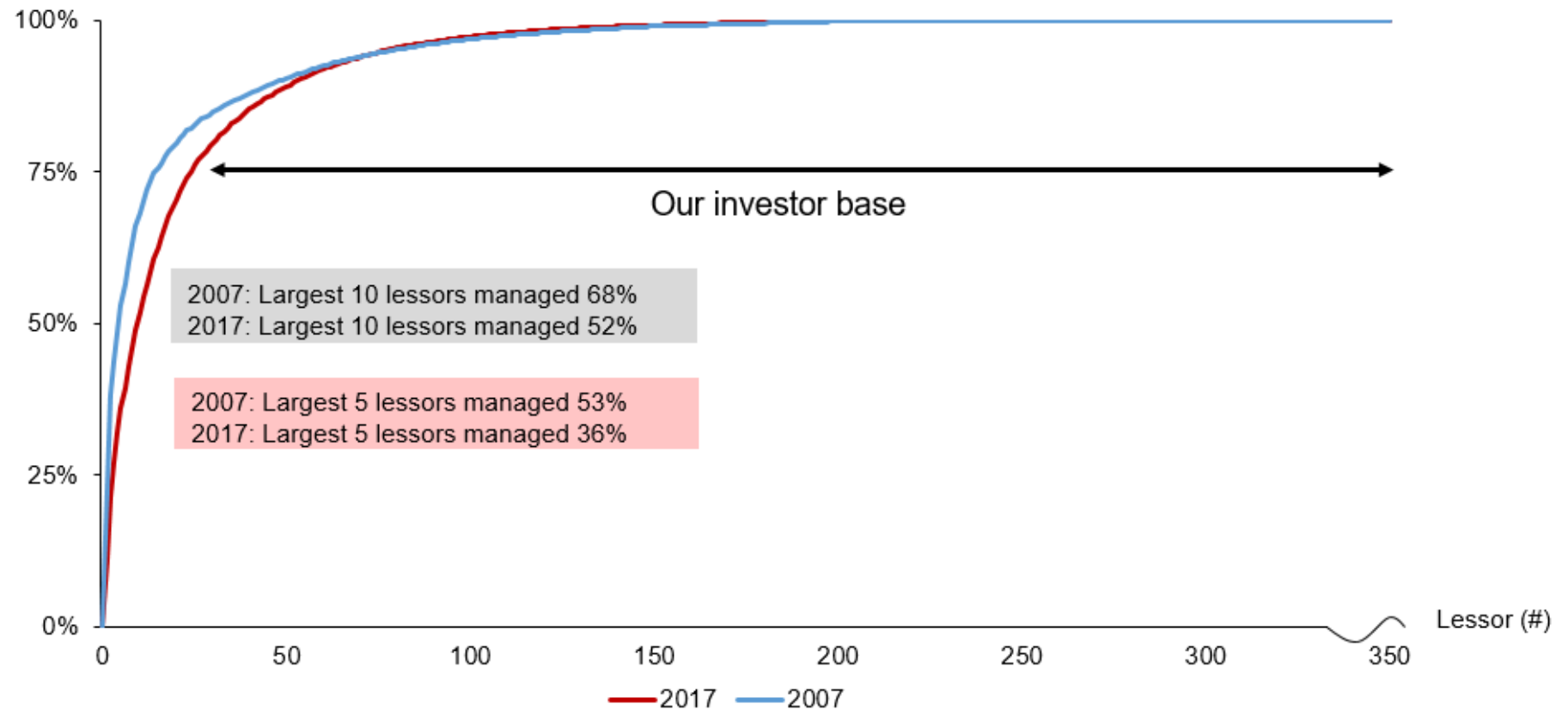
Notes:

1. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs
2. Breakdown of regions based on aircraft sold as at April 2018



# The Investor Market

Aircraft owned / managed (%)



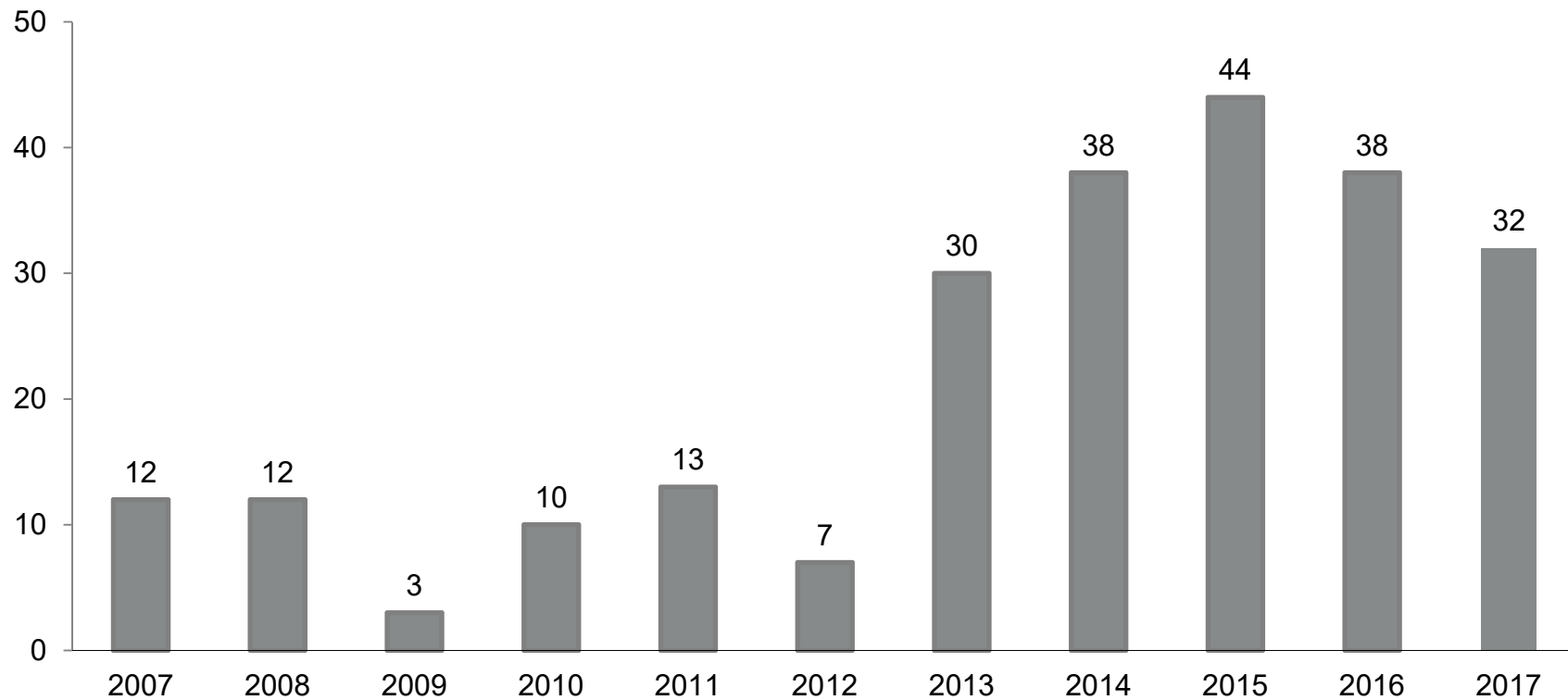
**Our buyers are mainly outside top ten lessors**

Source: Ascend, as at 31 December 2017. Fleet data includes in-service owned and managed aircraft, based on aircraft of 100+ seats



# A Proactive Approach to Aircraft Sales

Number of aircraft sold



**Over 290 aircraft sold since 1993 to 90 investors in 20 countries**

Total portfolio (owned and managed); All data as of 31 December of relevant year unless otherwise indicated



# Conclusions

- Revenue and profit growth is driven by both leasing and sales
- Leasing returns are maximised through a global team of professionals with long term relationships with airlines and manufacturers
- Gains on sales are maximised through a dedicated sales team and a global competitive tender process
  - Over U\$0.5 billion worth of equity recycled into the business
- Investment and Divestment decisions are made by a multi-functional Revenue Committee of business leaders chaired by CEO
- Selected transactions are those that provide the best risk adjusted returns and long term benefit for BOC Aviation

