Timothy Ross

Thank you operator and welcome everybody to BOC Aviation's earnings call to discuss our interim results for the six months ended 30 June 2025. With me today are our Chief Executive Officer and Managing Director, Steven Townend, our Chief Operating Officer, Tom Chandler and our Chief Financial Officer, Wen Lan.

Please note that some of the information you'll hear during our discussion today may consist of forward-looking statements, which are subject to risks and uncertainties that may cause actual results to differ materially from statements made today. You should not place undue reliance on any forward-looking statement and you should review our results announcement for full details. Please also note that all currency references in today's call are in USD.

A copy of our earnings announcement is available both via the Hong Kong Stock Exchange and in the Investors' section of our website at bocaviation.com, and a conference call presentation is also available in the Investor section of our website. This call is being recorded and will be available for replay from our website within the next 24 hours as is a transcript of today's discussion.

I'll now turn over the call to Steven Townend for his comments.

Steven Townend

Thanks Tim and thank you to everyone for joining us for our 2025 interim results earnings call.

We are pleased to report net profit after tax of $342 million for the six months ended 30 June 2025, equivalent to earnings per share of forty-nine cents. This compared with net profit after tax of $460 million in 1H 2024, although adjusted for last year's one-off writeback of previous impairments, this is the highest interim profit in our history.

Our Board has declared an interim dividend of 14.76 cents per share, payable to shareholders of record on 26 September 2025. This represents 30% of reported net profit after tax for the first half, a payout ratio consistent with prior years.

Our total revenues and other income rose 6% to $1.2 billion in the first half of 2025. As at 30 June, we had total assets at $25.6 billion and net assets per share of nine dollars and 37 cents.

In March 2025, we placed the largest aircraft order in our history. This is an important step as we build our company towards the $40 billion in assets by 2030 that we shared as our goal at our recent Investor Day. To put this in perspective, this target only requires us grow on average at 8% each year, with a committed pipeline of aircraft already in place.

On a macro level, our addressable market is the total value of new aircraft delivering each year from the OEMs. Some of these will be our own orders - and those of other lessors - and the remainder provide financing opportunities as they deliver to our airline customers. The value of deliveries each year is expected to double between 2024 and 2028 as increasing manufacturer production rates deliver well over $150 billion in new aircraft per annum from 2028 onwards.

The first seven months of 2025 have seen a marked improvement for the commercial aerospace industry with much more stable and predictable deliveries from the manufacturers. 12% more aircraft delivered in total than in the same period in 2024. Boeing’s deliveries have rebounded significantly - ahead by 53% compared with 2024 and offsetting the 7% decline at Airbus, which reflects an engine shortage that should be rectified by the end of the year. The total value of new aircraft deliveries for 2025 should hit $100 billion, which would be the highest amount since 2019.

Global passenger traffic continues to expand and was ahead by 5% for the first six months of the year, buoyed by particularly strong growth in large Asian markets. This is broadly in line with the 6% growth that IATA anticipates for the full year and has been achieved despite geopolitical unrest in both the Middle East and Eastern Europe and concern regarding the impact of tariffs.

While the effects of tariffs are yet to become fully visible on demand for travel or inflation, their impact on the aerospace sector is becoming clearer. Aircraft and engines manufactured in the European Union, the United States and the United Kingdom are expected to be subject to a “zero-for-zero” tariff regime, meaning limited impact for manufacturers and airlines in any of these geographies.

Other macroeconomic developments have also been largely benign so far in 2025. Interest rates – which drive our largest cash cost – have largely eased since the start of the year, with the average yield on the US five-year treasury down around 20 basis points compared with the same period in 2024. Meanwhile, the average investment grade spread is down 17 points from this time last year.

While the Federal Reserve continues to hold short term interest rates steady, any reduction would cycle rapidly through the 32% of our debt that is currently on floating rate terms. As a reminder, every annualised 10 basis point reduction in our cost of funds positively affects our after-tax profit by $2.5 million.

While we have no direct exposure to jet fuel prices or to exchange rates, they are major drivers of our customers’ earnings and cashflows. Jet fuel is expected to account for 28% of IATA member airline costs in 2025 and so far this year its price has fallen on average by around 14%. The strength of the US Dollar also affects non-US airlines significantly, with a large proportion of their operating costs denominated in this currency. The US Dollar has fallen by over 8% against a basket of international currencies since the start of the year. Taken together with ongoing demand growth, this is positive for our airline customers and IATA expects its members to earn profits of $36 billion this year– the second highest figure the industry has ever achieved.

On the back of this robust earnings environment, our collection rate has remained above 100% and accounts receivable has continued to decline, as airline customers repay deferred amounts. This helped us generate a record first half cashflow of $1 billion and we ended June with cash and undrawn committed liquidity of $6.1 billion.

I'll now hand the call over to Tom to speak to our operations and business development and then Wen Lan will present a more detailed review of our P&L and balance sheet.

Tom Chandler

Thank you, Steven. Our operational and business development report is as follows:

We delivered 24 aircraft and one engine to nine different airline customers during 1H 2025, of which 19 were operating lease and five were finance lease. We also signed lease commitments for 43 aircraft. As at the end of June, our total portfolio stood at 834 aircraft and engines, comprising 441 owned aircraft, 10 owned engines, 32 managed and an orderbook of 351 aircraft, representing a record committed capital expenditure of almost $20 billion.

Our orderbook increased more than 50% from 2024's levels, primarily due to orders placed with Airbus and Boeing for 70 A320NEO family and 50 737-8 aircraft, respectively. This enlarged pipeline of deliveries underpins our growth targets as we build towards the $40 billion in assets that Steve outlined earlier.

The additions to our portfolio this year continued to all be fuel-efficient, latest technology aircraft, including six A320NEO family, 14 737-8 and four 787-9 aircraft.

Manufacturer delivery delays have stabilised and as a result aircraft delivered largely as expected. In fact, we have seen some deliveries brought forward from the delivery months previously advised during the first half. Our industry remains capacity constrained and still faces the effects of lower than planned aircraft deliveries for the past five years, creating a cumulative effect for the shortage of supply vs demand that isn't expected to be resolved until the end of the decade. Airbus and Boeing are both planning to increase production over the next few years, which will increase pressure on the supply chain and we will be monitoring carefully the signs of any further delays.

In 1H 2025 we transitioned two used aircraft to airline customers. The low number of transitions is due to the high demand for lease extensions, including 21 leases that were previously scheduled to expire during this period. We continued through 1H 2025, as we ended 2024, with 100% of our aircraft and engines on lease.

The weighted average age of our owned portfolio was five years at the end of June and continues to be one of the youngest in the aircraft leasing industry. We have amongst the highest proportion of latest technology, most fuel-efficient aircraft in our fleet of any operating lessor at 83%, as at 30 June 2025. We also continue to have one of the industry's longest weighted average remaining lease terms for our owned portfolio, at 7.9 years. The aggregate appraised value of our operating leased fleet – which excludes the value of committed lease revenue - also continues to rise and represented a 15% premium of $2.8 billion to that fleet's net book value.

We sold 18 aircraft from the owned fleet in 1H 2025, an increase from last year's 15 aircraft sales as we capitalised on the prevailing strong demand for used aircraft. These aircraft had an average age of 10.4 years, more than a year older on average than those sold last year and more than twice the average fleet age. Our sales focused on lower yielding leases and older aircraft with shorter remaining lease terms, which led to a slight reduction of the average gain on sale to 8.7% compared with 2024, but remaining similar to our 9% long run average.

This targeted portfolio management contributed to an increase in our lease rate factor by 50-basis points to 10.3% compared to 1H 2024, though the main driver of the improvement was the higher rentals attached to the 19 aircraft that delivered on operating lease during the half. Net lease yield also improved 50 basis points to 7.5% from 7% in 1H 2024, reflecting the higher lease rate factor and our strong cashflow generation.

Reviewing our ESG targets, we continue to exceed both the Hong Kong Stock Exchange's current and target levels of female Board participation, which are 21% and 30% by 2030, respectively, with four female directors including our Chairman. 29% of our management team are female, an increase from 20% at the end of 2024 and around half of our more than 200 employees are female.

We sustained our engagement with our local communities in 1H 2025, with over 130 employees - or nearly two-thirds of our total workforce - participating in a total of nine CSR events. In Singapore, these included food packing and preparation and completion of the J.P. Morgan Corporate challenge, also completed by our New York colleagues. Meanwhile, employees in London, Dublin and Tianjin dedicated time to charities supporting unemployed women, special needs children and community bicycle schemes, respectively.

That concludes the overview of our operations and business development performance for the six months ended June 2025 and with that, I'll now turn it to Wen Lan for a deeper review of our financial performance.

Wen Lan

Thank you, Tom.

As Steven mentioned earlier, we reported a net profit after tax of $342 million for the first half of 2025, equivalent to earnings of 49 cents per share.

Total revenue rose 6% to $1.2 billion compared with 1H 2024, increasing for all business lines with contribution improvements most obvious from financing activities. This follows the step up in deliveries that Steven discussed earlier.,

Operating lease rental income increased to $937 million, reflecting an improvement in lease rate factor to 10.3%. Finance lease revenue again contributed strongly – up 36% to $130 million – as finance lease receivables approached $4 billion and transactions completed in 2024 contributed for a full period.

Our gains on aircraft sales rose by over 8% to $60 million compared with the first half of 2024, as we sold 18 aircraft compared with 15 in the same period last year.

Other interest and fee income was ahead by 80% to $65 million in 1H 2025, driven primarily by our focus on assisting our customers with pre-delivery payment financing.

Other income of $49 million fell 16% compared with the first half of 2024 mainly due to lower manufacturer compensation as aircraft deliveries have stabilised.

Switching to costs, our two largest expenses continue to account for around 90% of the total, when adjusted for the $175 million write-back of aircraft impairments recorded in the first half of 2024. Depreciation, our largest expense, fell $9 million to $390 million as we sold operating leased aircraft from the owned fleet.

Finance expenses – our second largest item - rose 2% to $366 million. While our cost of debt was unchanged on 1H 2024 at 4.6% per annum, our gross debt increased by 2% to $16.9 billion. Use of internally generated cashflow accounted for the stable funding costs.

For the first earnings period since 2019, there was no impairment of aircraft values in 1H 2025.

Elsewhere, our effective tax rate rose to 15.8% in 1H 2025 as the global minimum tax rate was implemented in most of the jurisdictions in which we are based. This was up from last year's 9.7%, where the rate benefitted from the write-back of impairment losses.

Moving to the balance sheet, we ended 30 June 2025 with total assets of $25.6 billion, funded by total debt of $16.9 billion.

Total equity rose another $137 million to $6.5 billion as at 30 June. This was mainly attributable to retained profit for the period, which was partially offset by $185 million in dividend payments.

We raised $2.4 billion in new financing, comprising $500 million from the debt capital markets, with a further $1.9 billion from facilities with our banking group of over 50 banks. This combined with record first half operating cashflow net of interest of $1.0 billion saw us fund our $1.9 billion of capex and repay $2.3 billion in maturing bonds and loans. Our total debt was little changed from the end of last year and our gross debt to equity ratio remained 2.6 times, as retained earnings continued to rise. Rating agency S&P raised our outlook to stable in March and both S&P and Fitch reconfirmed our A- credit rating during 2Q 2025.

We have only $300 million of debt obligations scheduled for repayment over the balance of 2025, which – together with our anticipated capex - can be funded from our cashflow as well as our committed liquidity.

I'll now hand the call back to Steven for his closing remarks.

Steven Townend

Thanks, Lan. During the first half of 2025, we grew our revenues, our core earnings and our balance sheet. We have achieved this growth with the support of our Board, our employees, our investors and our business partners, and we thank all of you for your support.

With strong demand for aircraft from both airlines and investors, we have been able to optimise our portfolio yield through increased aircraft deliveries and aircraft sales. We have also been able to place aircraft at increasing monthly lease rentals, which is now becoming evident both in our rising yields and expanding lease margins.

While supply side challenges do still exist – and we expect them to prevail for a number of years – these are showing signs of diminishing. This is allowing us to deliver aircraft as scheduled and to generate lease revenue as expected.

Today, our record orderbook totalling almost $20 billion of future committed capital expenditure will provide the core of our company's growth and the sizable increase in our addressable market creates the pathway for additional growth to meet our longer term targets.

With that I conclude our review of the industry, our company's financials and our outlook and I'll pass the call back to Tim.

Timothy Ross

Thanks, Steve. This wraps up management’s formal commentary.

We now have time for Q&A and - out of fairness to others - request that each participant restricts themselves to one question and a follow up, unless time permits for additional queries.

I’ll hand the call back now to the operator for the Q&A session.