Timothy Ross

Thank you operator and welcome everybody to BOC Aviation's earnings call to discuss our final results for the year ended 31 December 2024. 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 2024 final results earnings call, where core business growth, insurance proceeds and physical aircraft recoveries drove another year of record earnings.

We are delighted to report net profit after tax of $924 million for the year ended 2024, equivalent to earnings per share of one dollar and thirty-three cents. This compared with net profit after tax of $764 million in 2023. Adjusted for recovery of the writedown in aircraft values in 2022, core net profit after tax rose 16% to $633 million.

Our Board has recommended a final dividend of 26.70 cents per share, payable to shareholders of record on 6 June. Combined with 2024's interim dividend this would be a record total of 46.58 cents per share, an increase of 21% on the total dividend paid for 2023. This represents 35% of reported net profit after tax for the year, a payout ratio consistent with prior years.

Our total revenues and other income rose 4% to $2.6 billion for 2024. We ended the year with total assets at $25.1 billion and net assets per share up 11% since end-2023 to nine dollars and 17 cents.

Our collection rate remained above 100%, as airline customers continued to pay previously deferred amounts, and this helped to lift our operating cash flow net of interest to a full year record of $1.9 billion. We finished the year with cash and undrawn committed liquidity of a record $6.5 billion.

Airline traffic that supports demand for aircraft had another year of double-digit growth in 2024, rising over 10% for the IATA members that account for over 90% of the world's passenger activity. High fares, record passenger load factor and a strong performance from airline freight activity are expected to have maintained global airline earnings above $30 billion for the second year in a row. All geographies reported traffic growth and all regions were profitable for only the second time in over a decade. IATA expects that this positive momentum will persist into 2025, where airlines are forecast to report a record $36.6 billion in global profits.

We leveraged this global strength in customer demand to continue building our delivery pipeline in most of the world's major markets and to focus on the larger value lease transactions that leverage our scale and reach. Examples of these are the 15 A320NEO aircraft purchase and lease back signed with Frontier Airlines in the US and the financing of 14 B737-8 aircraft for TUI in Europe.

Our expansion continues to be constrained, however, by supply side shortages affecting both aircraft and engines. These have been a hallmark of our industry since 2018 but have become particularly acute in the last two years, where availability of resources and skilled manpower have hampered production and delivery of the aircraft that we have on order. While the number of new aircraft deliveries are anticipated to rise by over 25% in 2025 compared with last year, we do not expect a more balanced supply – demand picture before the end of the decade.

The corollary of the tight supply situation is evident in firming aircraft valuations and rising placement aircraft lease yields. We are seeing a clear upward trajectory in both monthly rentals and current fleet market value. Tom will talk further to this later on the call and will detail how we are capitalising on these developments to generate value for our shareholders.

Boeing and Airbus' current record backlog – worth a combined $1.2 trillion – reflects both the strength of airline demand and the cumulative effects of delivery delays. This year alone we anticipate that the requirement for new aircraft financing will rise to US$100 billion, its highest since 2018 and representing a 30% increase on 2024. This number reflects our addressable market and is expected to rise a further 40% over the subsequent two years to almost twice 2024's level.

Turning to the macro-economic environment, the calm that had characterised it when last we spoke in August largely persisted for the rest of the year. Although spiking early in the New Year, the US Dollar exchange rate index is in line with 2024's average, which was flat on 2023. Meanwhile, the average price of jet fuel fell over 9% in 2024 and is a further 12% lower today, a positive for our airline customers.

Cuts to the Federal Funds rate that we saw in 2H 2024 positively affected our funding costs and any future reductions will lower the rates on our predominantly floating bank debt and hence our cost of funds. All else being unchanged, every annualised 10 basis point reduction in our cost of funds would lift our NPAT by about $2.1 million

Towards the end of 2024 we reached settlement agreements with more of our insurers in respect of Russia-based aircraft, which, when added to the $393 million in previous recoveries, meant that we had recovered the full US$507 million written down in 2022. As of today, we believe that we are the only major lessor to have achieved this.

Since the end of the year, we have welcomed Jin Yan to our Board, who replaces Chen Jing and we thank Ms. Chen for her contribution. Meanwhile, changes at our senior management level included Qian Xiaofeng who replaced Deng Lei in September, while Wen Lan replaced Wu Jianguang, who retired in February. Paul Kent's role as Chief Commercial Officer was also enlarged to oversee global Airline Leasing and Sales activities. We thank Mr. Deng and Mr. Wu for their service.

I'll now hand the call over to Tom to speak to our operations and business development and then 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 39 aircraft to 13 different airline customers, of which one was purchased by the customer at delivery, giving us 38 net new aircraft deliveries for the year. We also signed lease commitments for 118 aircraft. As at the end of 2024, our total portfolio stood at 709 aircraft and engines, comprising 445 owned aircraft and engines, 32 managed aircraft and an orderbook of 232 aircraft, representing a record committed capex of over $12 billion.

Our orderbook was little changed from 2023's record levels, with nine aircraft added during the year, along with 10 engines. This strong pipeline will support our growth to the end of the decade and comprises the most popular new technology aircraft types, predominantly Airbus A320NEO family and Boeing 737-8.

The new additions to our portfolio during the year were all fuel-efficient, latest technology aircraft, including five A220, 21 A320NEO family, 11 737-8 and one 787-9 aircraft.

Manufacturer delivery delays had a material effect on our capex during the year, with 27 committed aircraft originally scheduled for 2024 delayed into later periods. The causes of the delays remained similar to those impacting our first half targets and included airframe and engine supply-chains falling behind planned increases, compounded by industrial action at Boeing in 4Q 2024. We started the year with 47 aircraft scheduled for delivery in 2025 and we are confident of adding to this against a backdrop of an anticipated increase in delivery numbers by the two main manufacturers.

During 2024, we transitioned 18 used owned and managed aircraft to airline customers, with no aircraft off-lease at the end of the year, the first time that we can report this since March 2020.

The weighted average age of our owned portfolio was five years at the end of December, remaining one of the youngest in the aircraft leasing industry. 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 proportion of our fleet that is latest technology continues to rise as we take delivery of new aircraft and sell older ones. Today this stands at 80%, up from 77% at the end of 2023. The average appraised value of our operating leased fleet also continues to rise and was $21.1 billion dollars as at 31 December, representing a 15% premium to that fleet's net book value.

We sold 29 aircraft from the owned fleet in 2024, improving on 2023's 20 aircraft sales as we capitalised on the prevailing strong demand for used assets. These aircraft had an average age of 9.3 years, close to twice the fleet average and included five mid-life widebodies for which we have seen resurgent demand in the secondary market. Ongoing improvements in aircraft values lifted our gain on sale margin to just under 11.0%, slightly ahead of 2023's level.

Lease rate factor at 10% was unchanged from 2023 reflecting the timing effects of older aircraft sold and the delayed delivery of new aircraft. Net lease yield improved 10 basis points to 7.2%, aided by a lower cost of funds in 2H 2024. However, the monthly rentals achieved for the A320 NEO and B737 models that constitute the majority of our orderbook have risen strongly in line with the market. Our average lease rentals for A320 NEO's rose 20% from 2019 to 2024, while for B737 aircraft these are up 24% over the same time frame and will become evident in our numbers as these aircraft deliver.

Turning to our ESG targets, we continue to exceed the Hong Kong Stock Exchange's target of 30% for female Board participation by 2030. Four of our 11 directors, including our Chairman, are female, which is also considerably ahead of today's HKEx company average of around 21%.

During the year we retained a strong focus on community-based projects in the cities and regions where our offices are based, with over 80% of our employees participating in a total of 14 CSR events around the world. In Singapore, we built on our first half achievements, arranging another two separate volunteering sessions with Food From The Heart, while our Dublin colleagues supported Breakthrough Cancer's survivorship research. We also had a total of 108 employees participate in the Orbis Virtual Challenge in September.

That concludes the overview of our operations and business development performance for the year ended December 2024 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 $924 million for 2024, equivalent to earnings of one dollar and 33 cents per share and a record annual profit.

Total revenue was $2.6 billion rising 4% on 2023, with growth especially attributable to our leasing business and gains on aircraft sales.

Operating lease rental income was $1.8 billion supported by a stable lease rate factor of 10%. Finance lease revenue again contributed strongly – up $148 million to $217 million – as finance lease receivables rose 50% from year-end 2023 to $3.7 billion.

Our gains on aircraft sales increased by over 50% to $118 million compared with the year ended 2023, as we lifted the number of aircraft sold to 29 compared with the 20 aircraft sold last year.

Other income of $297 million was $20 million lower than 2023. It was derived from a wide range of sources, but fell primarily on account of lower insurance settlement proceeds than in the prior year.

Other interest and fee income was down 11% to $76 million in 2024 because of lower contributions from pre-delivery payment financing.

On the cost side, 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, depreciation, our largest expense, was flat at $794 million compared with 2023. This reflected sales of operating leased aircraft from the owned fleet and the growth in finance leased aircraft for which depreciation is not incurred.

Finance expenses – our second largest item - rose 12% to $710 million. This was mainly due to a higher cost of debt of 4.5% per annum in 2024 compared with 4.1% the previous year, while gross debt at $16.6 billion was little changed from the end of 2023.

Excluding Russia effects, aircraft impairment of $11 million was marginally higher than last year's $9 million, but amounted to only 0.06% of fleet value.

Moving to the balance sheet, we ended 2024 with total assets of $25.1 billion, funded by total debt of $16.6 billion.

Total equity reached a record $6.4 billion compared with $5.7 billion at the end of 2023. This was mainly attributable to profit for the period and partially offset by the payment of dividends amounting to $327 million, the largest distribution in our company's history.

We raised $5.5 billion in new financing, comprising $1.5 billion from the debt capital markets, with a further $4.0 billion from facilities with our banking group of over 50 banks. This combined with record operating cashflow net of interest of $1.9 billion saw us fund our $2.5 billion of capex and repay $3.6 billion in maturing bonds and loans. Our total debt was largely unchanged from last year and our gross debt to equity ratio fell to 2.6 times, as retained earnings continued to rise. Rating agencies S&P and Fitch both confirmed our A- credit rating earlier in the year.

We have only $2.6 billion of debt obligations scheduled for repayment during 2025, which – together with our anticipated capex - can be funded from our cashflow as well as our committed liquidity of $6.5 billion.

Finally, our effective tax rate was 11.1% in 2024, in line with 2023's rate of 11.2%, mainly due to the write-back of impairment losses in the first half of the year partially offsetting the effect of minimum global tax implementation in a number of jurisdictions.

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

Steven Townend

Thanks, Lan. In 2024, we sustained our focus on delivering value for our stakeholders. We achieved this through growing earnings from our leasing activities, through realising our investments in aircraft at historically high margins and our relentless focus on securing both insurance settlements and assets in respect of Russia-related aircraft. Without the support of our Board, our employees and our business partners, this would not have been possible.

In 2025, the fundamentals of our business remain unchanged from last year, with passenger demand for travel and airline demand for new and used aircraft at record levels, which are not matched by new aircraft availability. The challenges associated with receiving contracted deliveries as scheduled that have characterised the last five years should ease compared to 2024 but will persist to some extent for a number of years.

Despite this, we expect to continue growing our aircraft assets in 2025, whose appraised market value ended the year with a record US$2.6 billion premium to net book value. Our orderbook of 232 aircraft is a valuable commodity in the manufacturers' production skylines, which, together with our $6.5 billion in available liquidity, positions us well to achieve our growth 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.