

# 2017 FINAL RESULTS REVIEW

March 2018



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# 2017 OVERVIEW

# An Excellent 2017

## Record earnings

**US\$587 million**

Net profit after tax

↑ 40%

**US\$0.85**

Earnings per share<sup>1</sup>

↑ 40%

### Driven by:

**US\$1,401 million**

Total revenues and other income

↑ 17%

**US\$542 million**

Core lease rental contribution<sup>2</sup>

↑ 24%

**8.4%**

Net lease yield<sup>3</sup>

↑ 0.2% pt

## Robust balance sheet

**US\$16.0 billion**

Total assets

↑ 19%

**US\$3.8 billion**

Total equity

↑ 13%

**US\$5.50**

Net assets per share<sup>1</sup>

↑ 13%

## Increasing dividend payout

**Payout ratio 35%**

↑ 5.0% pts

**US\$0.2958**

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

↑ 64%<sup>5</sup>

All data as at 31 December 2017

Notes:

1. Based on the number of shares outstanding as at year end
2. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs
3. Calculated as lease rental income less finance expenses divided by average net book value of aircraft
4. Includes interim dividend of US\$0.1038 per share paid on 25 September 2017. The final dividend of US\$0.192 per share will be payable to shareholders registered at the close of business on the record date, being 7 June 2018
5. Compared to US\$0.18 paid for FY2016

# Strong Operational Performance in 2017

- Ended 2017 with total fleet of 491<sup>1</sup>
  - Portfolio utilization of 99.8% and cash collection rate of 99.9%
  - Average fleet age of 3.0 years<sup>2</sup>
  - Average lease term remaining extended to 8.2 years<sup>2</sup>
- Record delivery of 74 aircraft<sup>3</sup>
  - Introduced new technology aircraft to our portfolio
  - Added 17 new customers globally
- Sold 32 aircraft (30 owned, two managed)
- Total future committed CAPEX of c.US\$8 billion
  - Acquired additional 48 aircraft to be delivered through to 2021
  - 53 aircraft scheduled for delivery in 2018
    - 100% placed<sup>4</sup>

**2017 was a record year of activity**

All data as at 31 December 2017 unless otherwise indicated

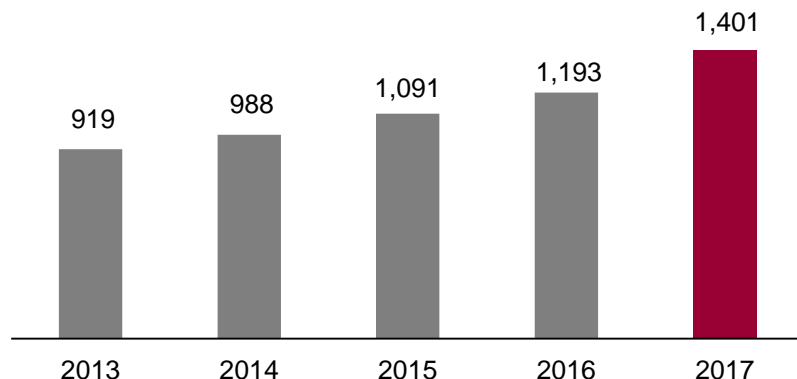
Notes:

1. Included owned, managed and aircraft on order
2. Weighted by net book value of owned fleet
3. Included three acquired by airline customer on delivery
4. As at 14 March 2018

# Record Financials

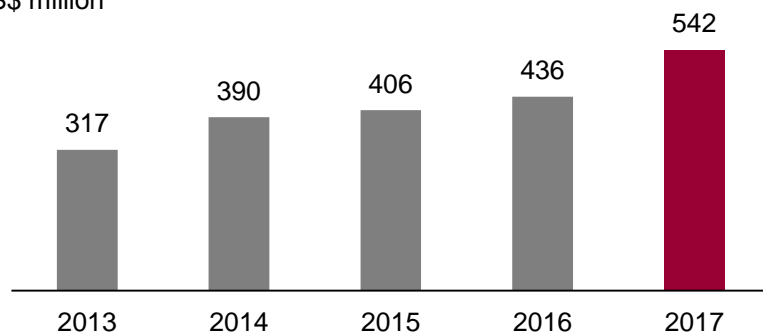
## Fleet growth underpins lift in revenues

US\$ million



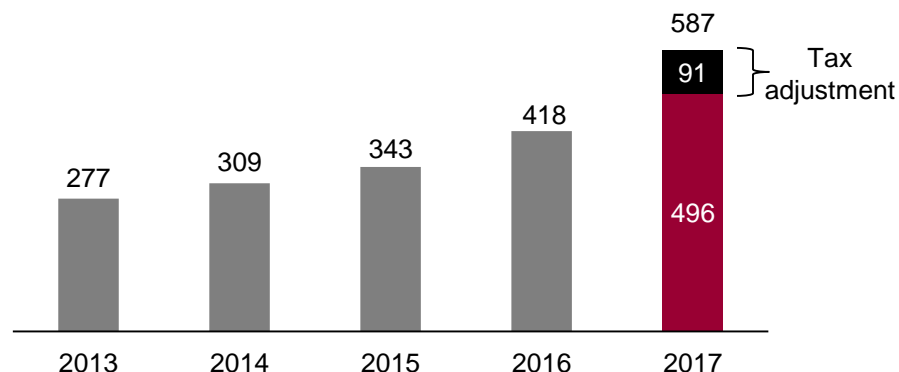
## Continued growth in core lease rental contribution<sup>1</sup>

US\$ million

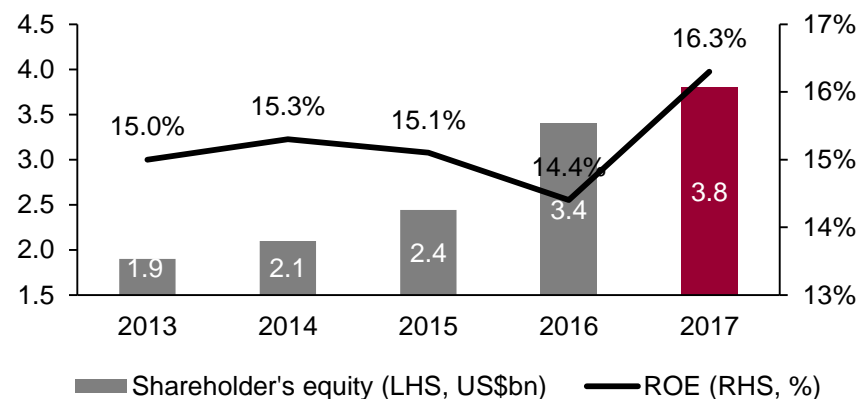


## NPAT growth driven by growth in leasing portfolio and adjustment of US tax provision

US\$ million



## Consistently strong returns on equity

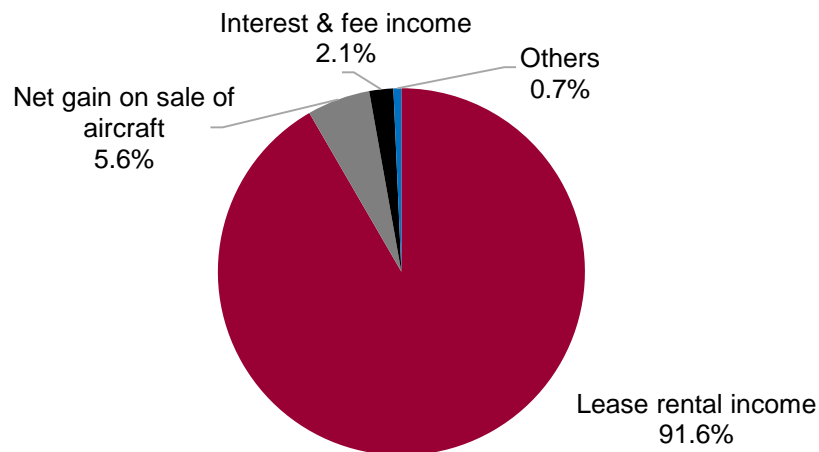


All data as at 31 December 2017

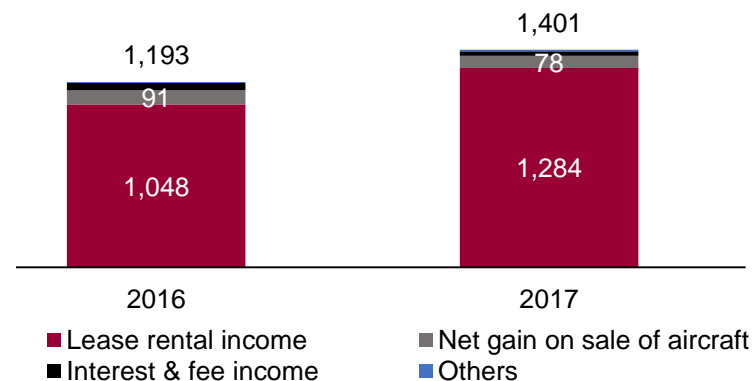
Note:  
1. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs

# Lease Rental Income Dominates P&L

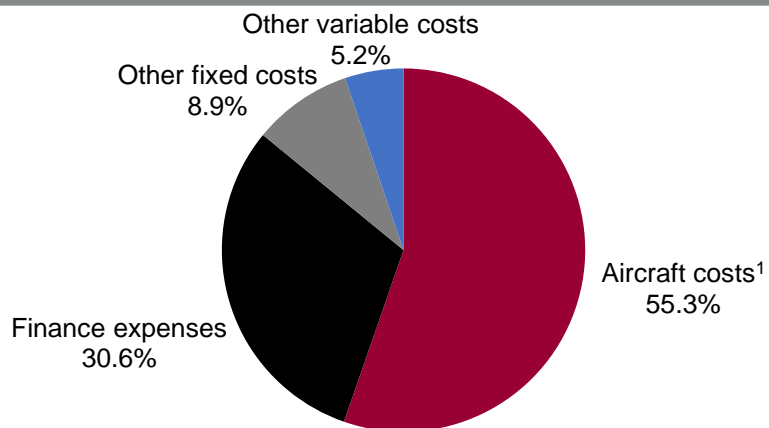
Lease rental income consistently c.90% of total revenue and other income



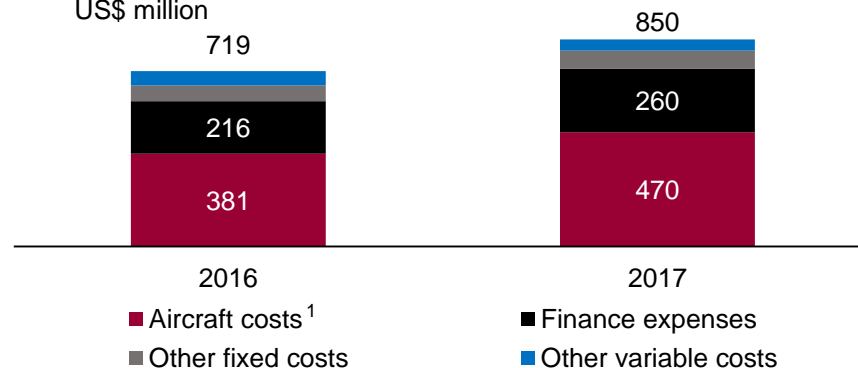
US\$ million



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



US\$ million



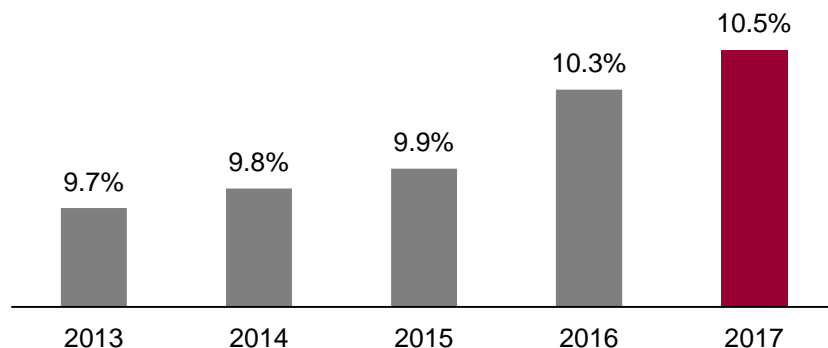
All data as at 31 December 2017

Note:

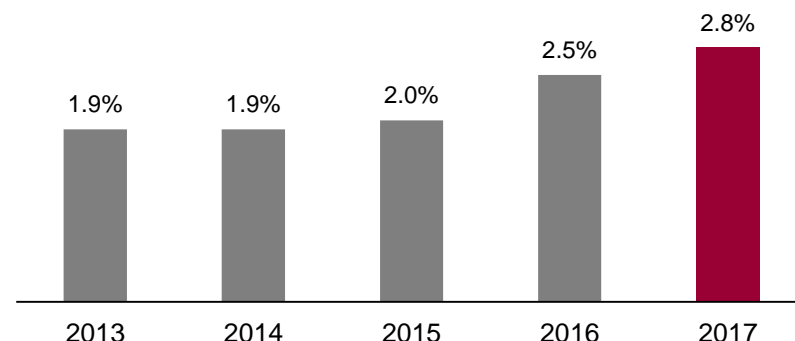
1. Comprise aircraft depreciation and impairment charges

# Consistently High Net Lease Yield Drives Profitability

Higher lease rate factor<sup>1</sup> reflects increased fixed rate leases

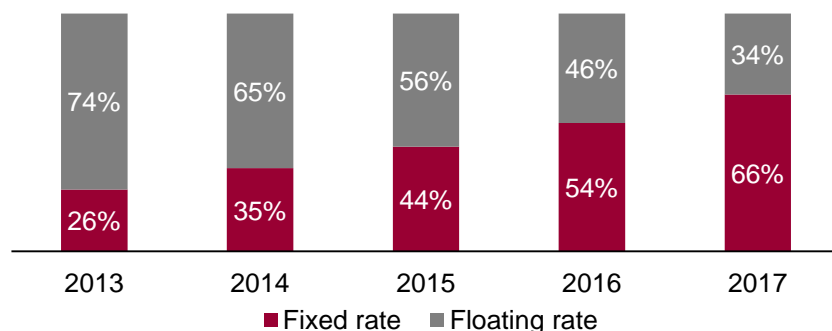


... with a higher proportion of fixed rate debt affecting finance expenses<sup>4</sup>

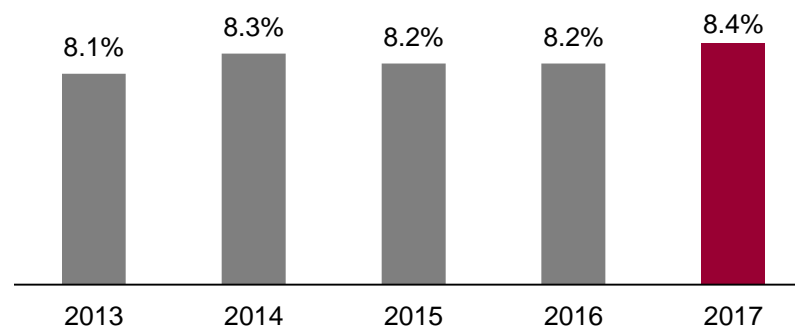


Proportion of fixed rate leases rising steadily<sup>2,3</sup>

By net book value



Maintaining net lease yield<sup>5</sup> > 8%



All data as at 31 December 2017

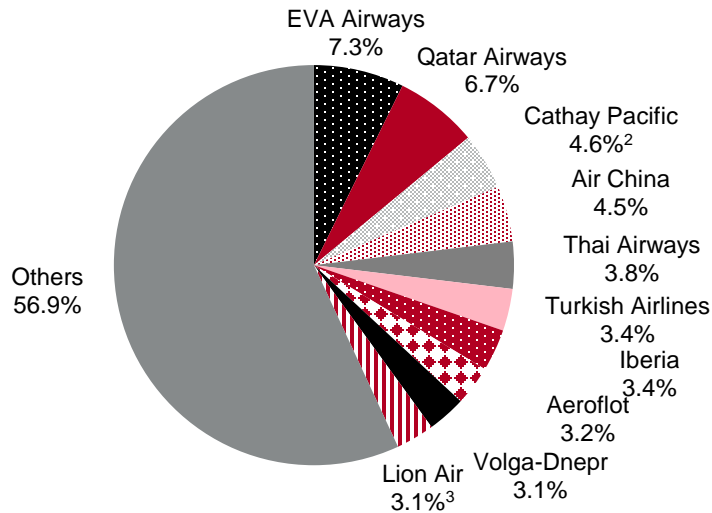
Notes:

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
3. Excluded aircraft off lease
4. 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 debt issue costs, fair values and discounts/premiums to medium term notes
5. Calculated as lease rental income less finance expenses divided by average net book value of aircraft

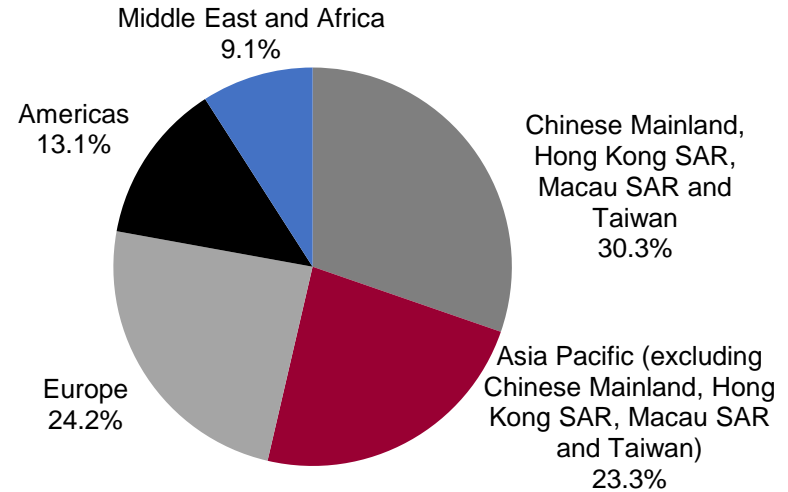


# Diversified Portfolio Delivers High Utilization, High Collection Rate

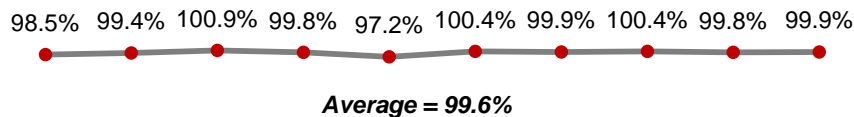
## Lease portfolio diversified by customer<sup>1,4</sup>



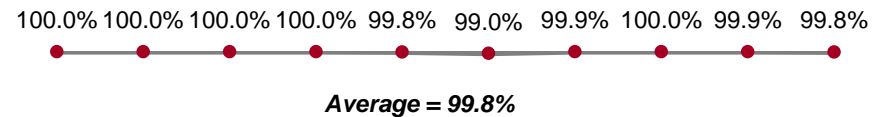
## ...and diversified by geography<sup>1,4</sup>



## High collection rate



## High fleet utilization<sup>5</sup>



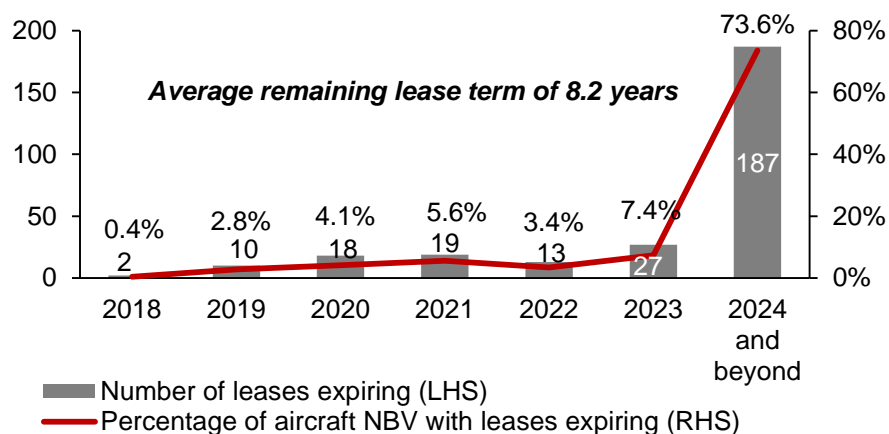
All data as at 31 December 2017 unless otherwise indicated

Notes:

1. Based on net book value as at 31 December 2017
2. Includes our leases with Cathay Pacific (Hong Kong) and Cathay Dragon (Hong Kong)
3. Includes our leases with Lion Air (Indonesia), Thai Lion Air (Thailand), Malindo Air (Malaysia) and Batik Air (Indonesia)
4. Based on the jurisdiction of the primary obligor under the relevant operating lease. Includes aircraft held for sale and excludes one aircraft subject to finance lease
5. Fleet utilization is the total days on-lease in the period as a percentage of total available lease days in the period

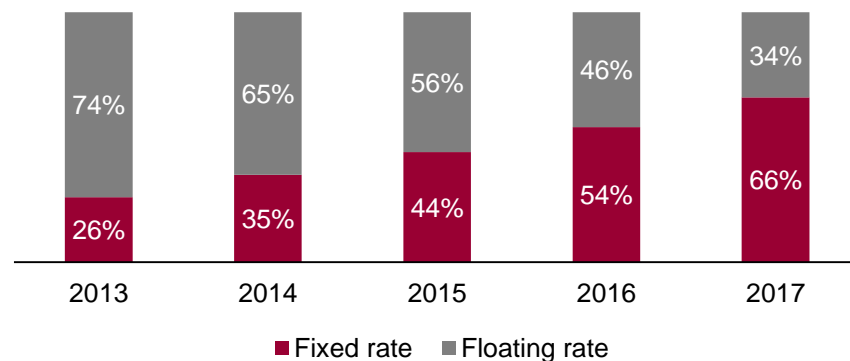
# Long-term, Stable and Contracted USD Cash Flows

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



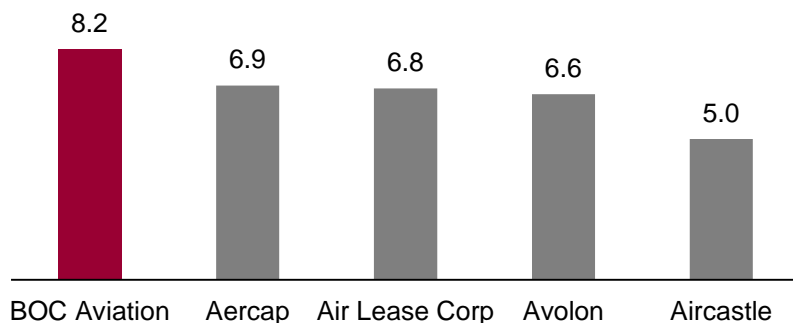
## Proportion of fixed rate leases rising steadily<sup>3,4</sup>

By net book value



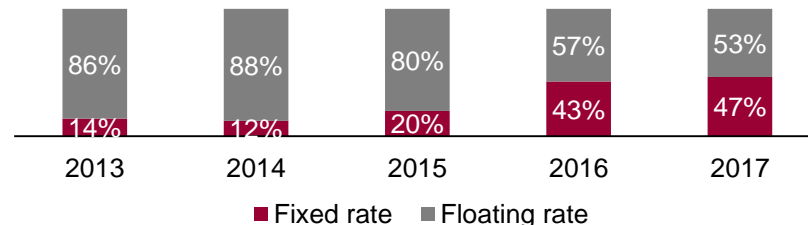
## A long average remaining lease term<sup>2</sup>

Number of years



## Proportion of fixed rate debt also rising<sup>5</sup>

- Hedged c.70% of mismatched interest rate exposure
- A 25 basis points increase in interest rates on our floating rate leases, deposits and debt, holding all other variables constant, could decrease our annual NPAT by c.US\$2.6 million based on the lease portfolio, deposits and debt composition as at 31 December 2017



Source: Respective company websites

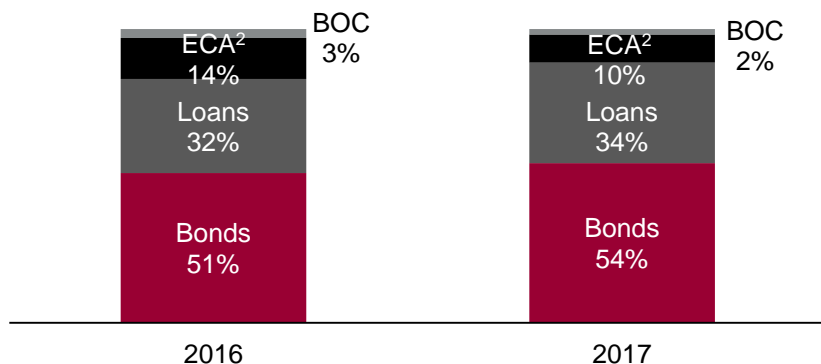
All data as at 31 December 2017

Notes:

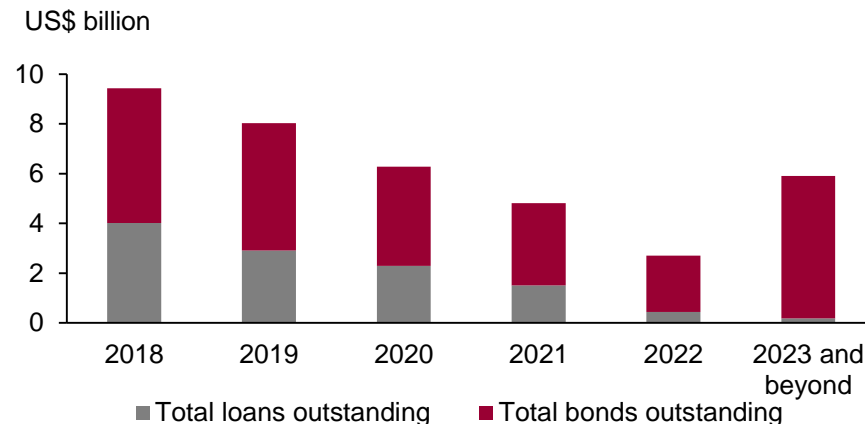
- Owned aircraft with lease expiring in each calendar year adjusted for any aircraft for which BOC Aviation has sale or lease commitments, weighted by net book value including book value of assets held for sale
- Weighted by net book value of owned fleet
- By net book value including aircraft held for sale
- Excluded aircraft off lease
- Fixed rate debt included floating rate debt swapped to fixed rate liabilities

# Flexible and Well-Funded Capital Structure

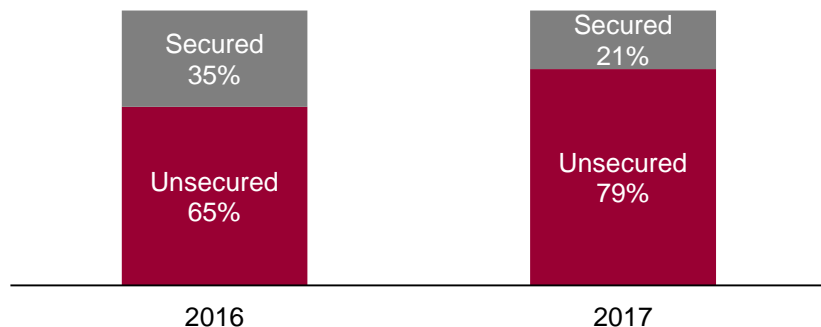
## Sources of debt<sup>1</sup>



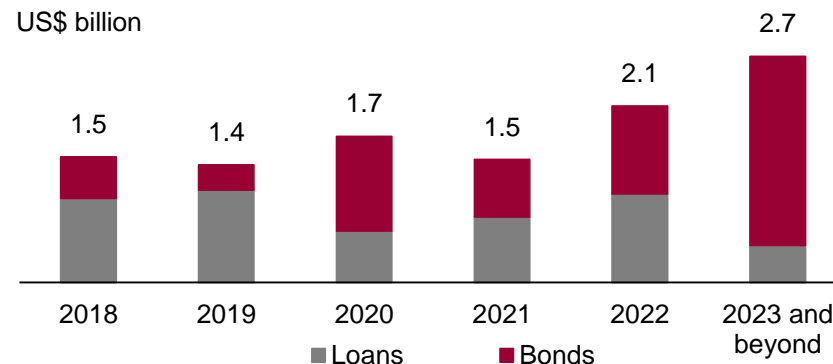
## Outstanding debt amortises over nine years



## Increasing unsecured funding



## Debt repayment by year



**Undrawn committed credit lines of US\$3.7 billion as at 31 December 2017**

All data as at 31 December 2017

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 <sup>1</sup>	Managed Aircraft	Aircraft on Order <sup>2</sup>	Total
Airbus A320CEO family	135	11	3	149
Airbus A320NEO family	5	0	61	66
Airbus A330CEO family	12	7	0	19
Airbus A330NEO family	0	0	2	2
Airbus A350 family	2	0	4	6
Boeing 737NG family	99	9	15	123
Boeing 737 MAX family	0	0	84	84
Boeing 777-300ER	23	1	0	24
Boeing 777-300	0	1	0	1
Boeing 787 family	1	0	4	5
Embraer E190 family	5	0	0	5
Freighters	5	2	0	7
<b>Total</b>	<b>287</b>	<b>31</b>	<b>173</b>	<b>491</b>

All data as at 31 December 2017

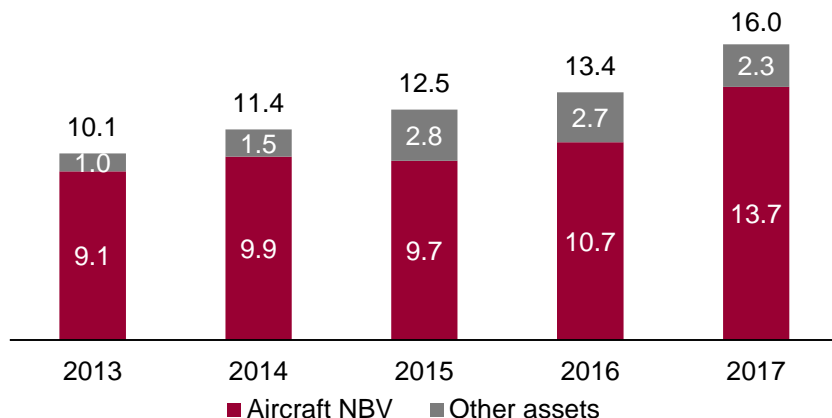
Notes:

1. Includes one aircraft subject to finance lease
2. 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

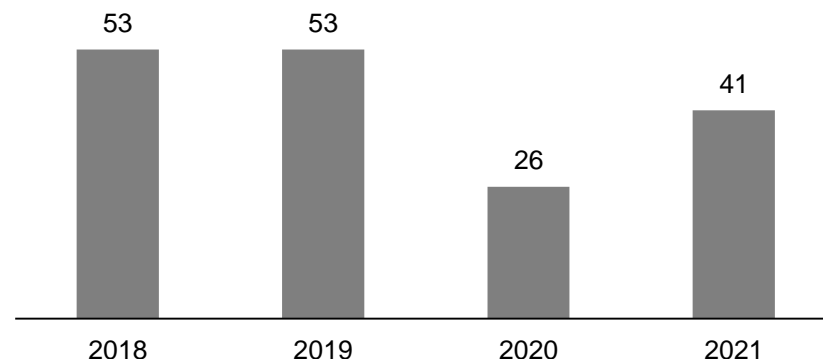
## Growing balance sheet

US\$ billion



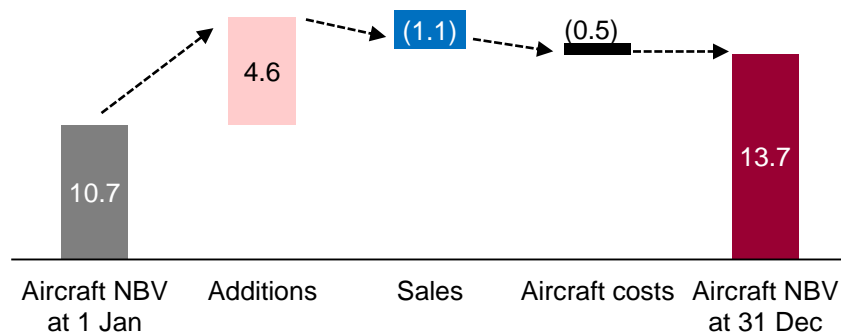
## Committed deliveries of 173 aircraft until 2021

Number of aircraft



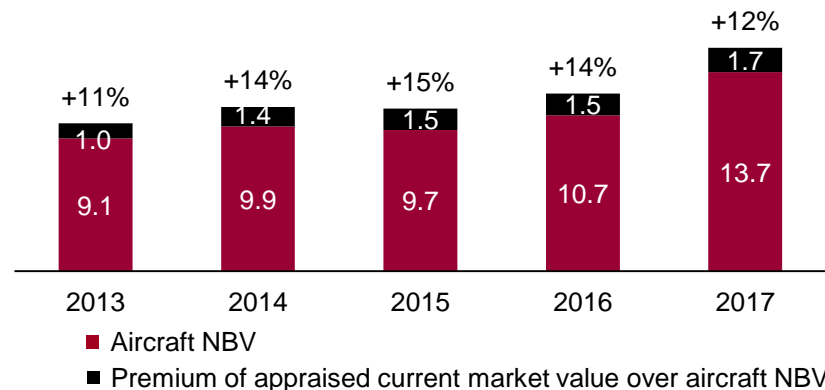
## Fleet NBV evolution

US\$ billion



## Premium over aircraft NBV<sup>1,2</sup>

US\$ billion



All data as at 31 December 2017 unless otherwise indicated

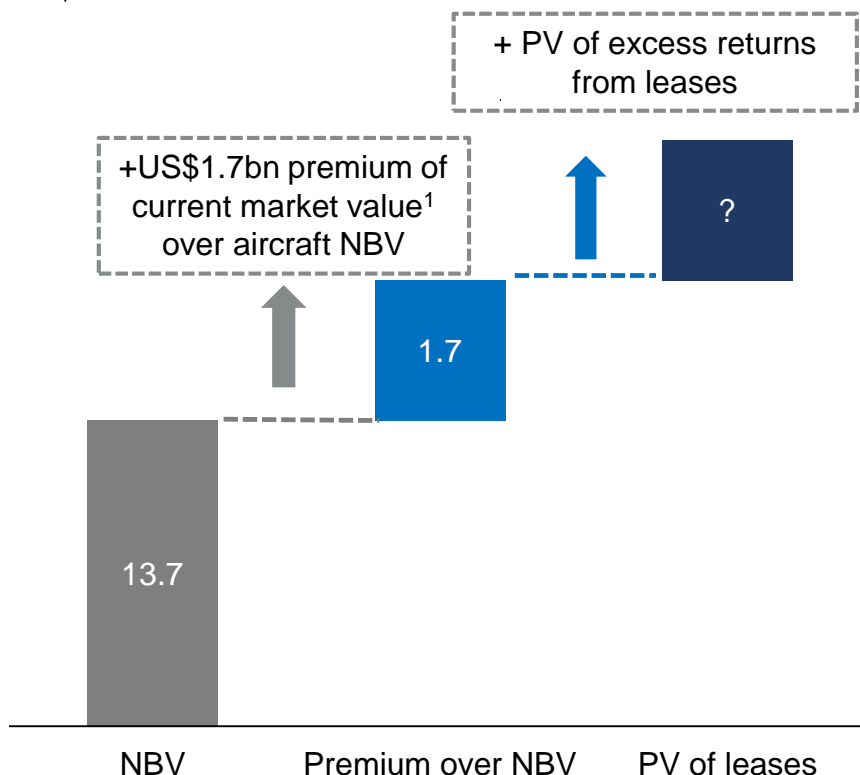
Notes:

1. Average of five appraisers
2. Percentages refer to premium of appraised current market value over aircraft NBV

# Value Driven by Fleet and Committed Lease Revenues

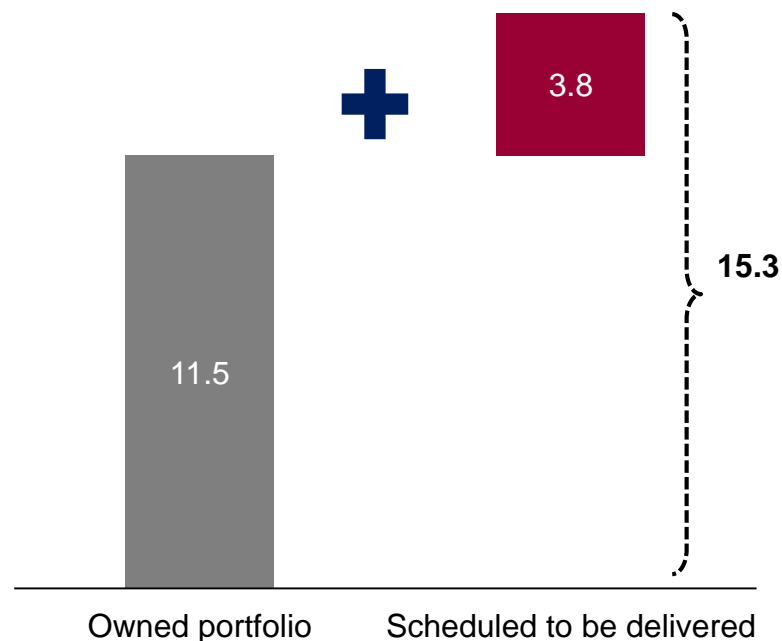
Net Book Value understates business value

US\$ billion



Committed future revenues of > US\$15 billion

US\$ billion



Committed future lease revenues create additional value

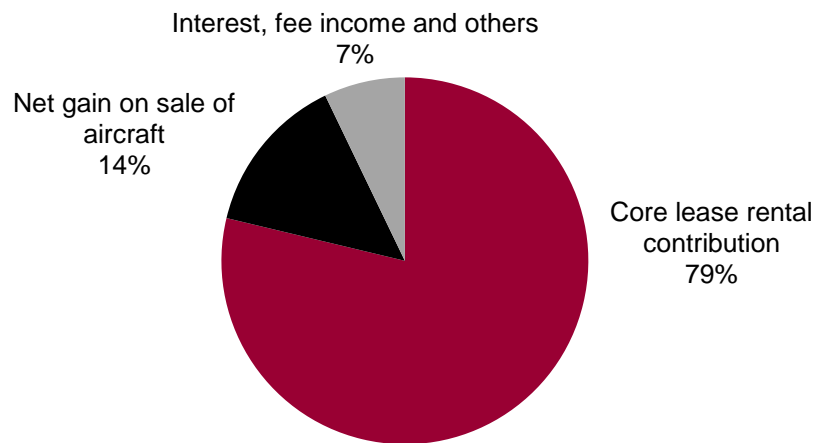
All data as at 31 December 2017

Note:

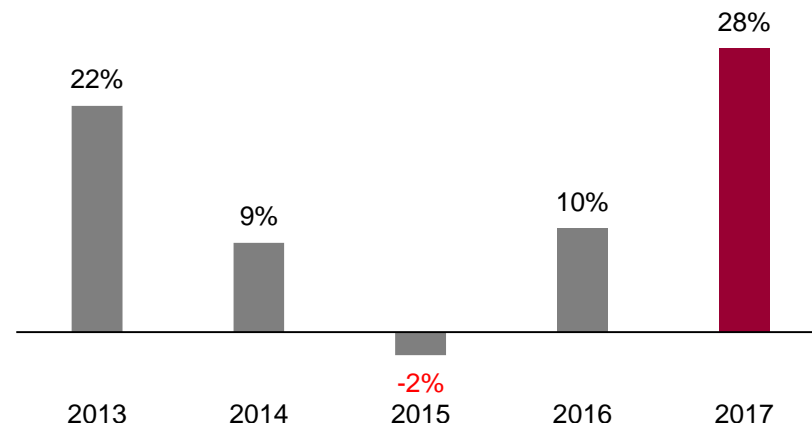
1. Based on an average of five independent appraisers' aggregate value for our owned fleet at US\$15.3 billion, on a full-life, current market value basis, which compared with a net book value of US\$13.7 billion

# Core Leasing Business Anchors Earnings Growth

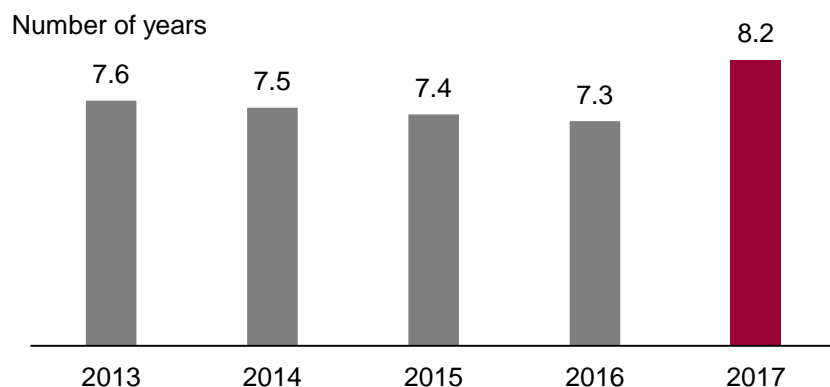
c.80% of PBT is from core lease rental contribution<sup>1</sup>



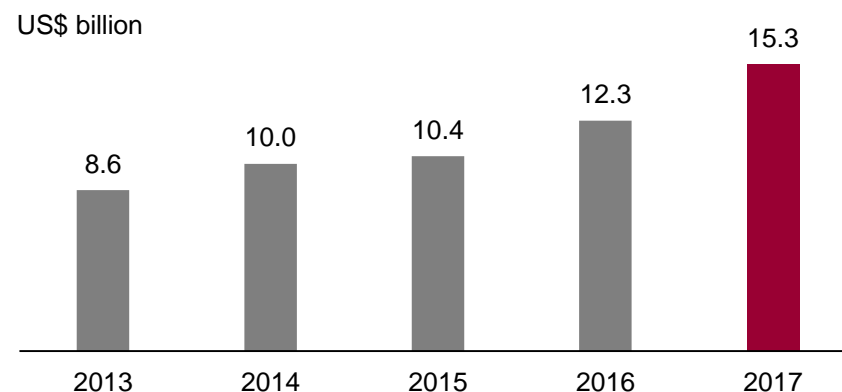
... and rises with fleet NBV



We have a longer average remaining lease term<sup>2</sup>



... and steady increases in future committed lease revenue



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. Weighted by net book value of owned fleet

# Conclusion

- Delivered the best performance in Company history in 2017
  - NPAT increased 40% to US\$587 million
    - Driven by fleet growth and tax adjustment in USA
  - ROE of 16.3%
  - Dividend payout ratio raised to 35%
    - Total dividends increased 64% year-on-year to US\$0.2958/share
- Improved long-term revenue visibility and sustainability
  - Committed lease revenues in excess of US\$15 billion
  - Orderbook of 173 aircraft through 2021 provides future balance sheet growth
- Strong operations
  - Executed by experienced, stable senior management
    - Average industry experience of >25 years each
  - Strong asset quality
  - Robust asset-liability management

**2017 was our most active, most profitable year, and dividend is up 64%**

All data as at 31 December 2017 unless otherwise indicated



# APPENDICES

# Core Competencies – a Reminder

## Since inception in 1993:

- |              |   |
|--------------|---|
| • Purchasing | More than 740 aircraft purchased totalling more than US\$38 billion           |
| • Leasing    | More than 770 leases executed with > 150 airlines in 52 countries and regions |
| • Financing  | More than US\$22 billion in debt raised since 1 January 2007                  |
- 
- |                 |  |
|-----------------|--|
| • Sales         | More than 280 aircraft sold                  |
| • Transitions   | 70 transitions                               |
| • Repossessions | 36 aircraft in 13 jurisdictions <sup>1</sup> |

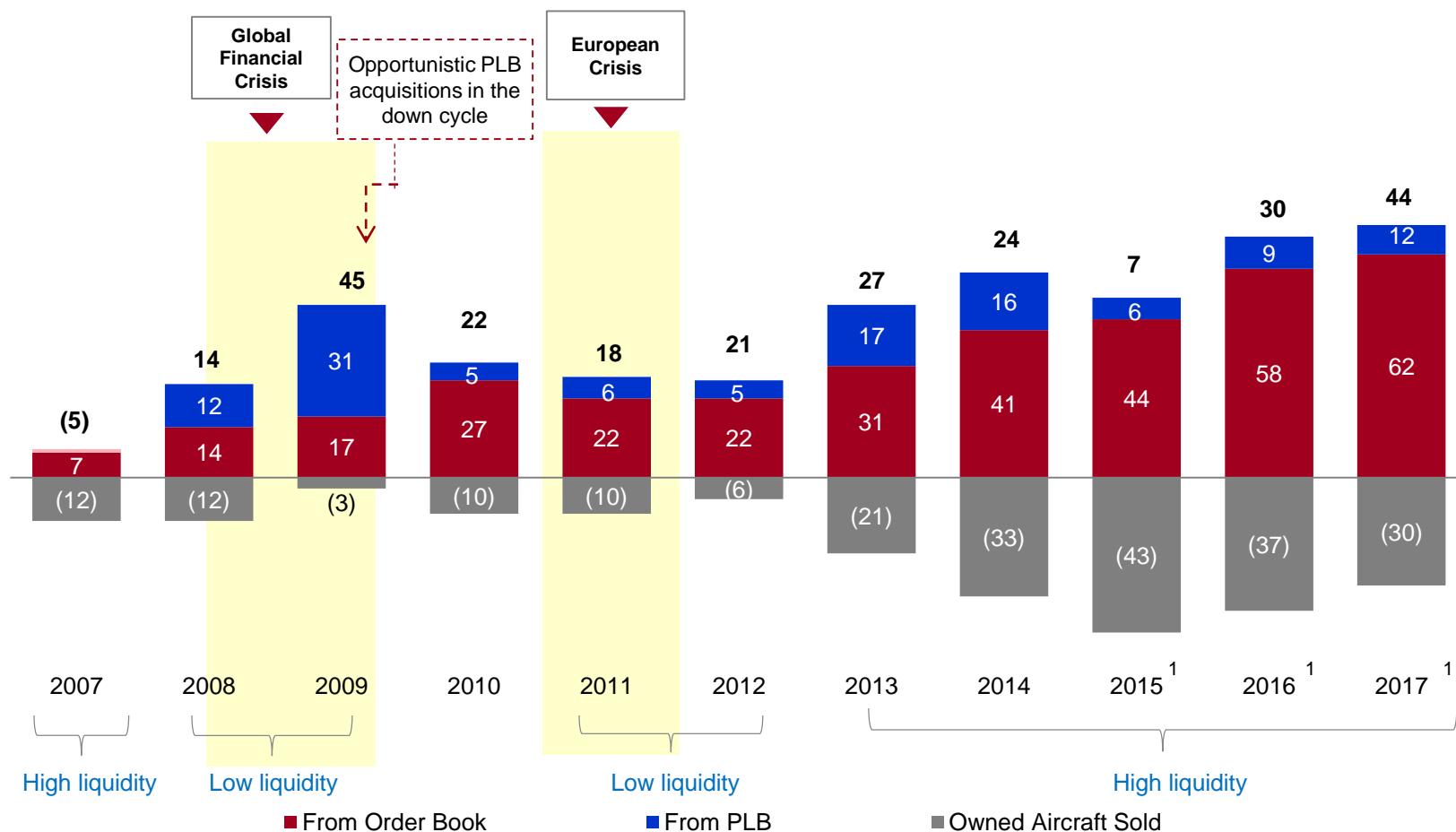
All data as at 31 December 2017, since inception unless otherwise indicated

Note:

1. Includes repossessions and consensual early returns

# How We Invest

## Number of aircraft delivered, purchased and sold



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

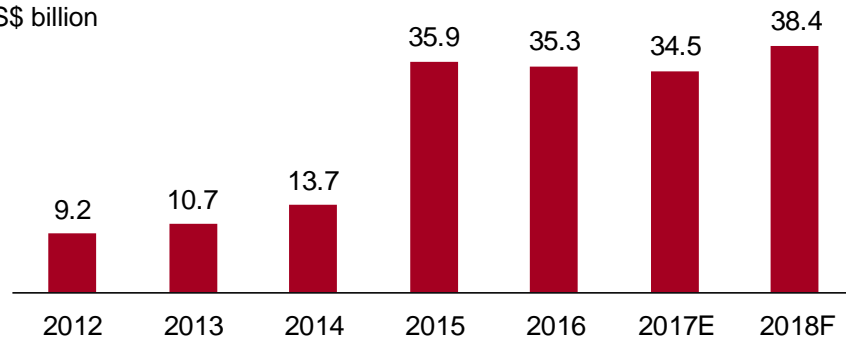
Note:

1. 10, 11 and three aircraft were acquired by the relevant airline lessees in 2015, 2016 and 2017, respectively

# Positive Environment with Airline Profitability near Records

## Elevated airline profitability sustained

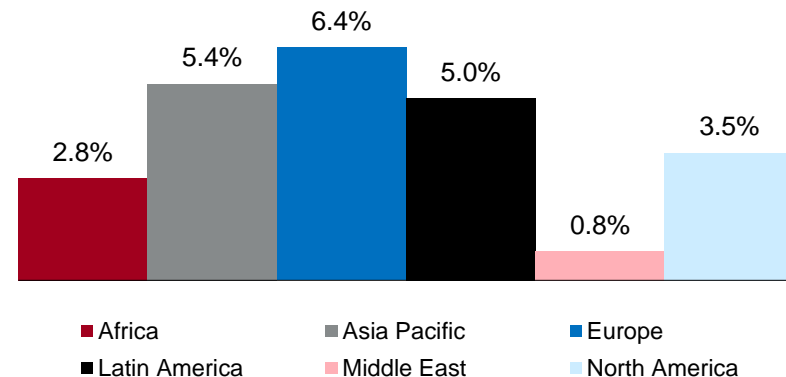
Aggregate net profit  
US\$ billion



Source: IATA (Airline Industry Economic Performance – December 2017)

## Emerging markets continue to record high air traffic growth

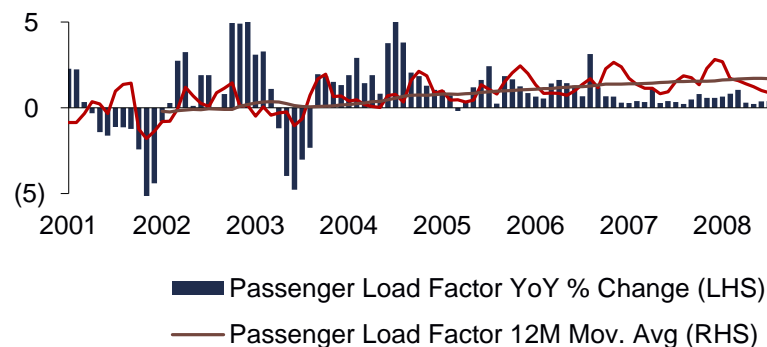
RPK growth, YTD



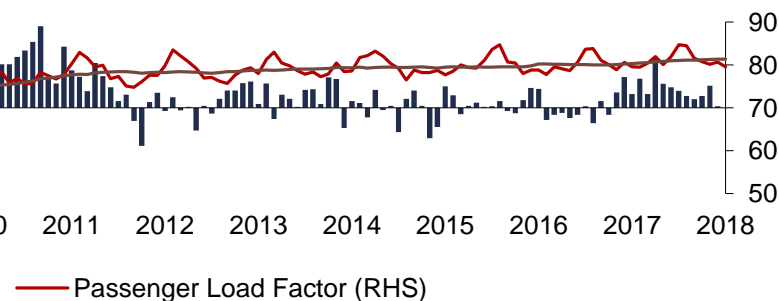
Source: IATA (January 2018)

## High load factors suggest well-managed capacity

Passenger Load Factor  
YoY change, %



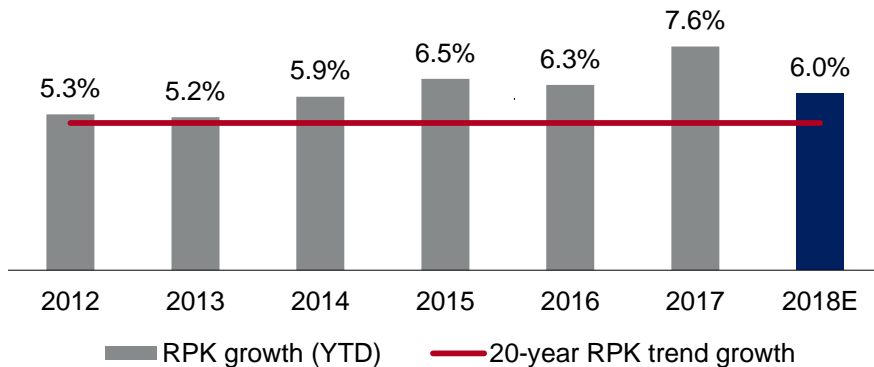
Passenger Load Factor  
%



Source: IATA (January 2018)

# Underlying Traffic Growth Positive for Core Leasing Business

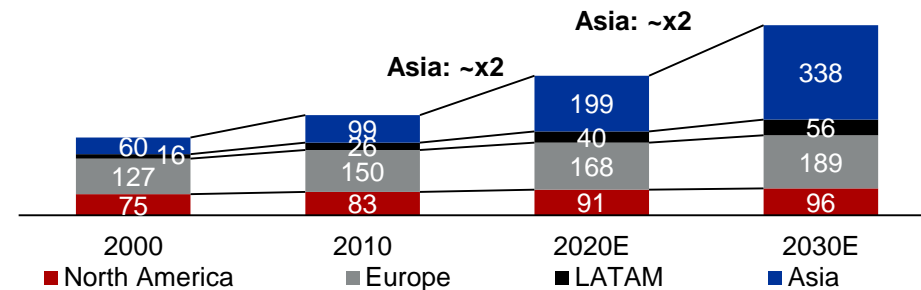
## Above-trend passenger demand growth



Source: IATA (January 2018)

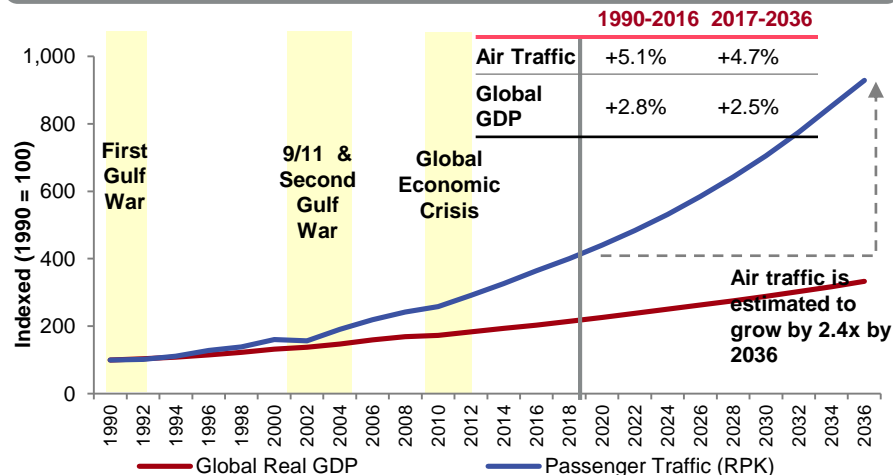
## Growth in the middle classes<sup>1</sup> to be driven by emerging economies

Middle class households (million)



Source: Euromonitor

## Air traffic estimated to grow by c.150% in the next two decades...



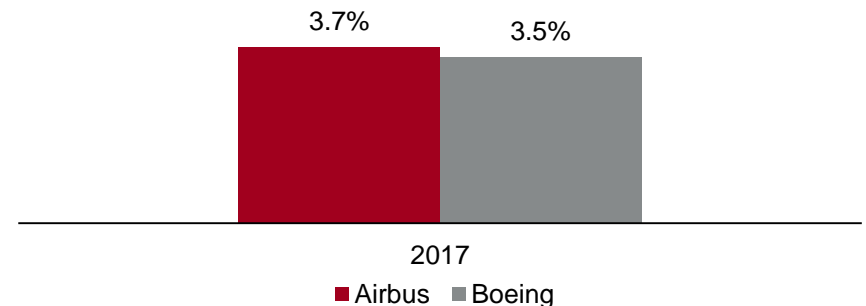
Source: Ascend Flightglobal Fleet Forecast 2015, Oxford Economics, Boeing Current Market Interactive Forecast 2017-2036

Note:

1. Defined as number of households with yearly income between US\$25,000 and US\$150,000

## Fleet expected to double in the next 20 years

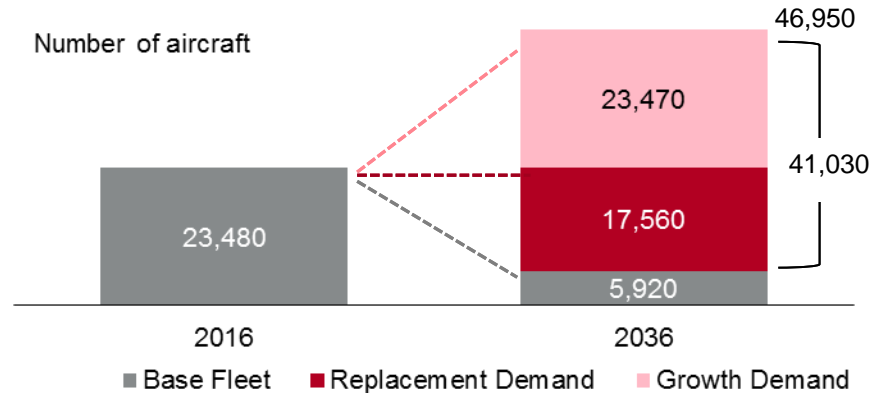
20-year fleet growth rate, %



Source: Airbus Global Market Forecast, Boeing Capital Market Outlook

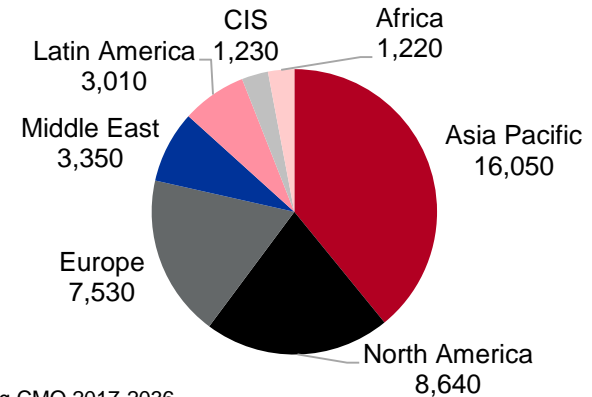
# Aircraft Operating Leasing Drivers

## Demand driven by market growth and replacement of old aircraft



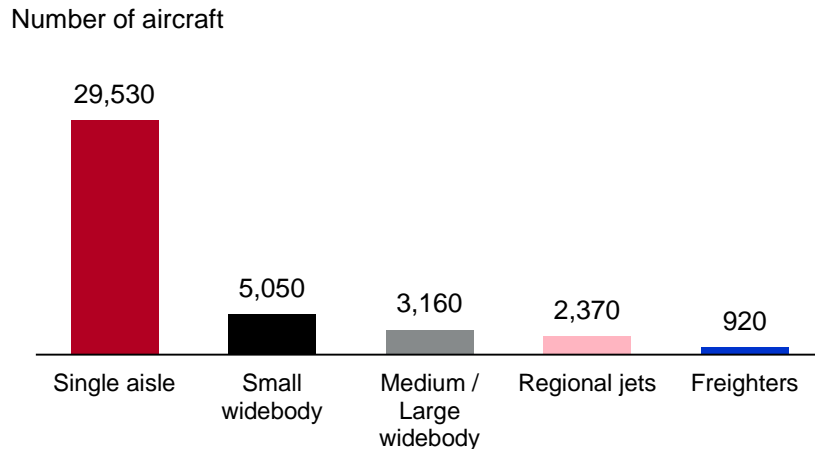
Source: Boeing CMO 2017-2036

## New aircraft demand led by Asia Pacific



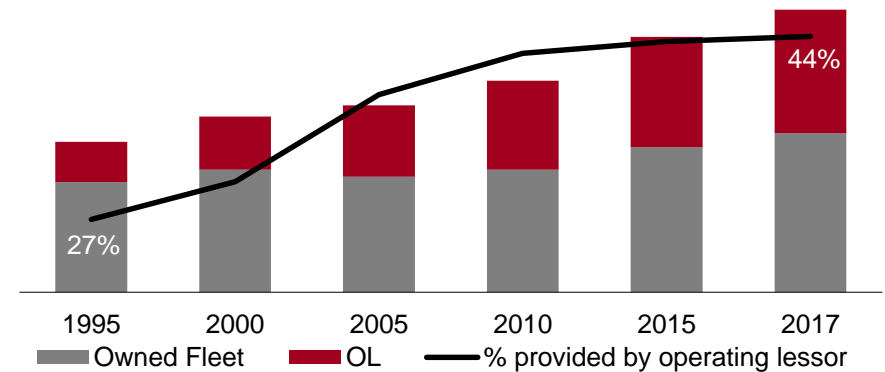
Source: Boeing CMO 2017-2036

## Predominantly single aisle aircraft



Source: Boeing CMO 2017-2036

## Share of operating lessors now stable

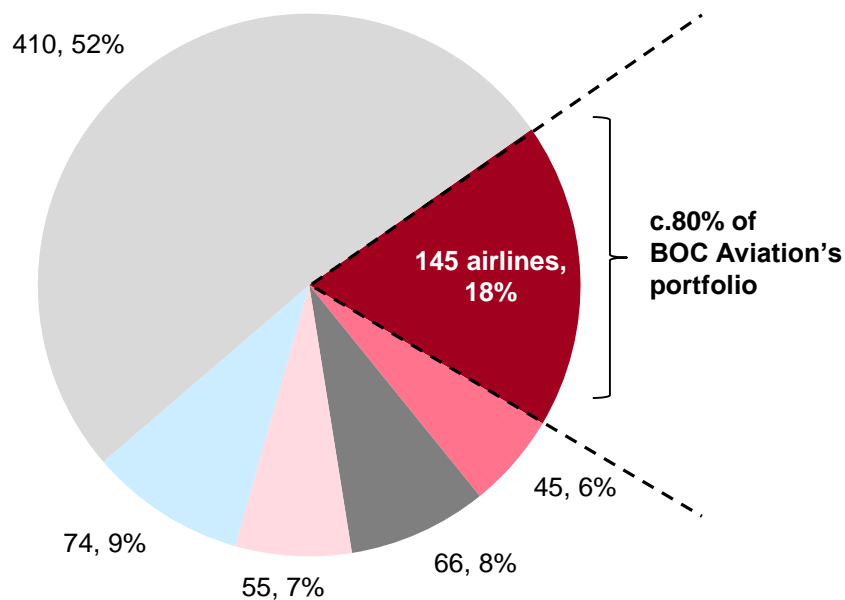


Source: Ascend, 31 December 2017

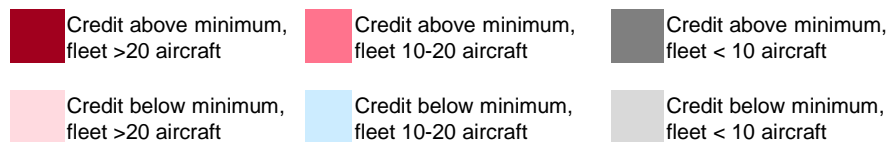
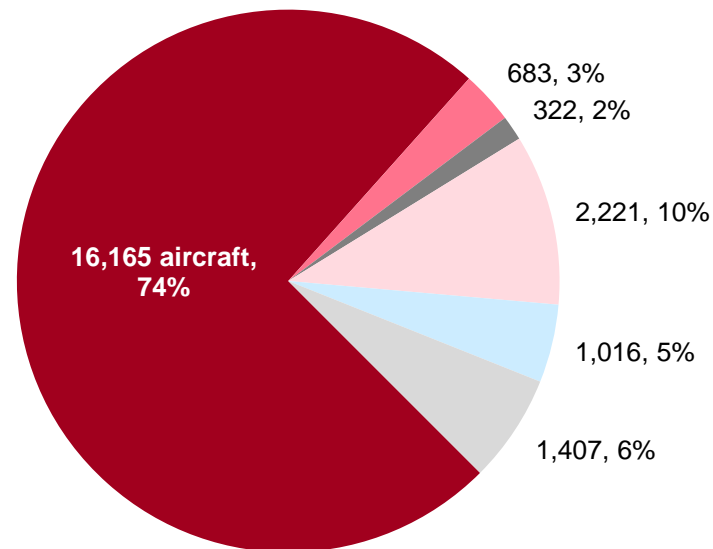
# Leasing: Customer Segmentation

- 795 airlines in service today
- Focus on 145 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 145 Airlines Operate 74% of the Current In-service Aircraft**





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