



# 2018 FINAL RESULTS REVIEW

MARCH 2019



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# 2018 OVERVIEW



# 2018 - A New Milestone

## Record 2018 earnings<sup>1</sup>

**US\$685 million** ↑ 24%  
Profit before tax

**US\$620 million** ↑ 6%<sup>2</sup>  
Net profit after tax

**US\$0.89** ↑ 6%<sup>2</sup>  
Earnings per share

### Driven by:

**US\$1,726 million** ↑ 23%  
Total revenues and other income

**US\$623 million** ↑ 15%  
Core lease rental contribution<sup>3</sup>

**8.3%** ↔ -0.1% pt  
Net lease yield<sup>4</sup>

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

**US\$18.3 billion** ↑ 14%  
Total assets

**US\$4.2 billion** ↑ 10%  
Total equity

**US\$6.05** ↑ 10%  
Net assets per share

## Higher annual dividend per share

**US\$0.3129** ↑ 6%<sup>6</sup>  
Total dividend per share<sup>5</sup>

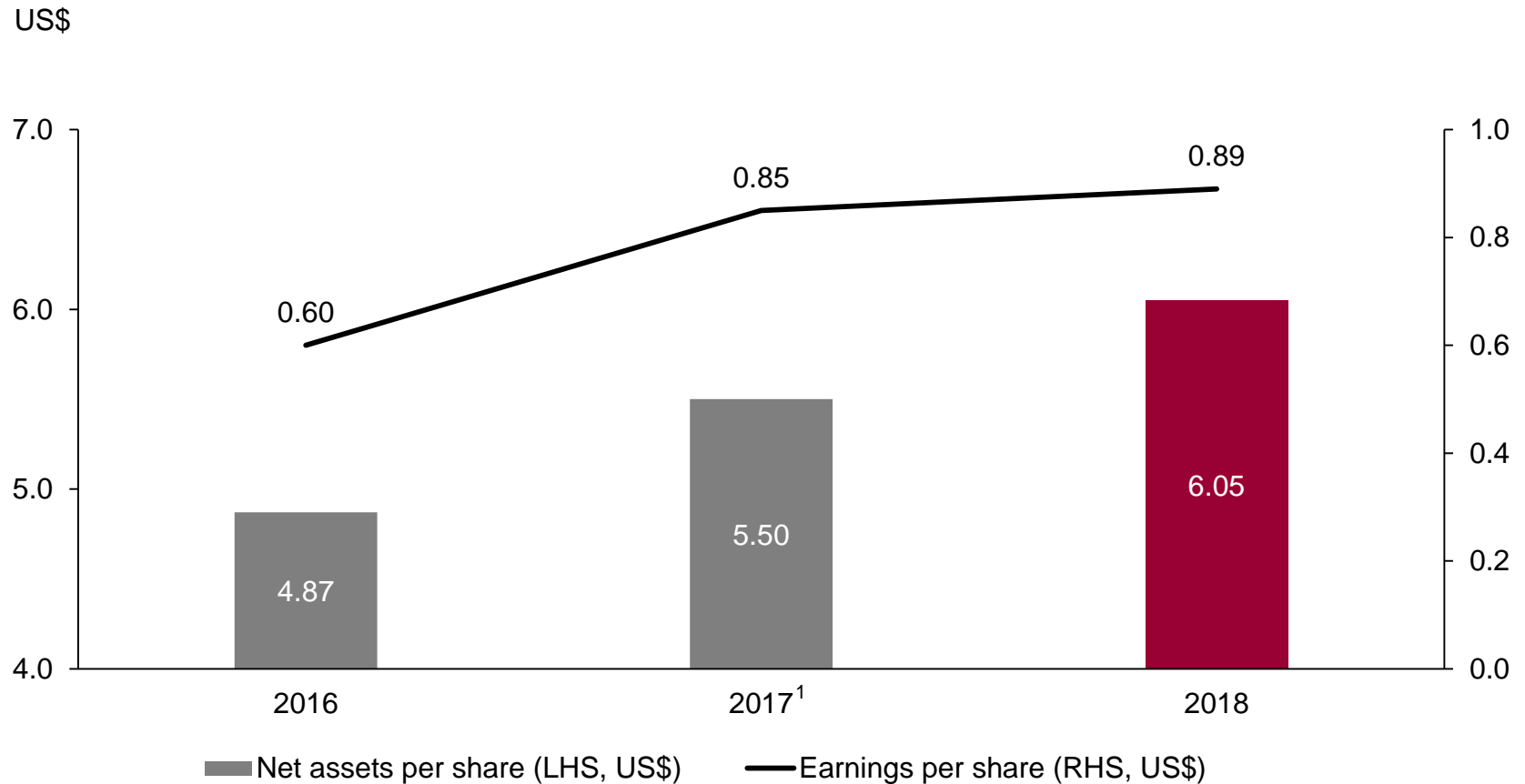
All data as at 31 December 2018

Notes:

1. Compared to FY2017 or as at 31 December 2017
2. 2017 comparison includes one-off US\$91m tax adjustments in the USA
3. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs
4. Calculated as lease rental income less finance expenses divided by average net book value of aircraft
5. Includes interim dividend of US\$0.1284 per share paid on 5 October 2018. The final dividend of US\$0.1845 per share will be payable to shareholders registered at the close of business on the record date, being 6 June 2019
6. US\$0.3129 in 2018 compared to US\$0.2958 paid for 2017



# Steady Increase in Net Assets and Earnings Per Share



**22% EPS CAGR since IPO**

All data as at the end of the relevant period

Note:

1. 2017 comparison includes one-off US\$91m tax adjustments in the USA



# 25 Years of Success

- Company celebrated our 25<sup>th</sup> anniversary in November 2018
- New Chairman Sun Yu joined the Board in February 2019
- Largest aircraft operating lessor headquartered in Asia
  - Listed on HKEX on 1 June 2016
  - Market capitalisation increased 38% to US\$5.1 billion as at end-2018 vs US\$3.8 billion at IPO<sup>1</sup>
- Leading industry indicators
  - Young fleet age of 3.0 years<sup>2</sup>
  - Long average lease term of 8.3 years<sup>2</sup>
  - Low cost of funds
- The longest serving CEO in the same operating lease company
  - Robert Martin's 21<sup>st</sup> year as CEO
- Highest credit ratings of A- amongst aircraft operating lessors

**A top 5 global aircraft lessor today**

All data as at 31 December 2018 unless otherwise indicated

Notes:

1. Source: Bloomberg
2. Weighted by net book value of owned fleet



# A Robust Performance in 2018

- Ended 2018 with total fleet of 511 comprising 303 owned, 25 managed and 183 on order
  - Portfolio utilization of 99.9%
  - Cash collection rate of 100%
  - CAPEX of US\$4.1 billion
- Took delivery of 55 aircraft<sup>1</sup>
  - Added 17 new airline customers
- Signed 92 lease commitments
- Sold 41 aircraft
  - 34 owned, seven managed
- A very busy 2H18 - Took delivery of 28 aircraft<sup>2</sup> - more than one per week
- Total future committed CAPEX of c.US\$9.2 billion

**2018 ended on strong momentum**

All data as at 31 December 2018 unless otherwise indicated  
Notes:

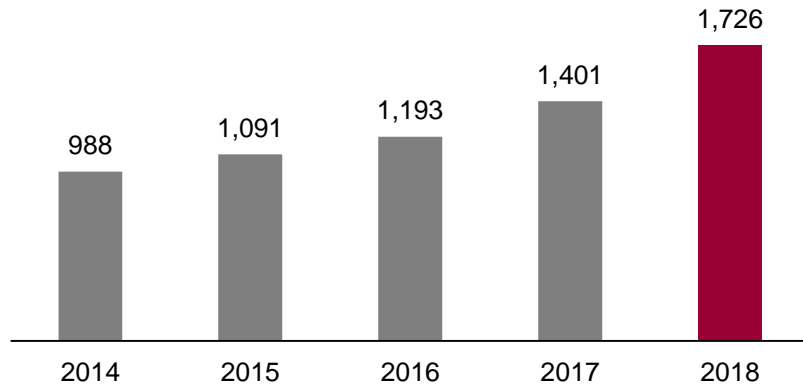
1. Including five acquired by airline customers on delivery
2. Including four acquired by airline customers on delivery



# Record NPAT

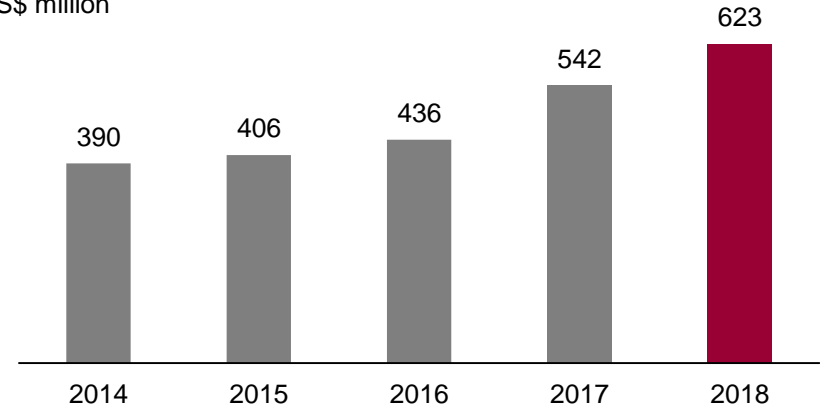
## Fleet growth underpins lift in revenues

US\$ million



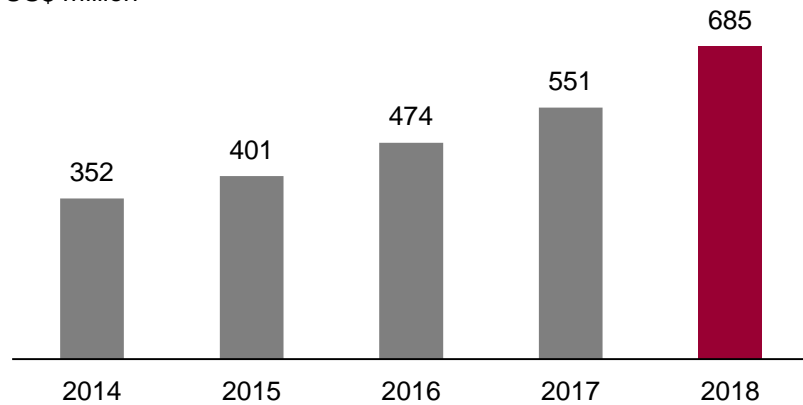
## Steadily increasing core lease rental contribution<sup>1</sup>

US\$ million



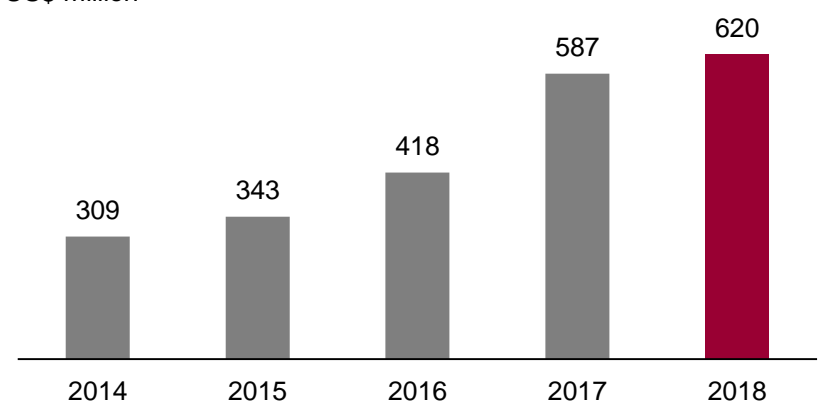
## Strong PBT Growth

US\$ million



## Robust NPAT performance<sup>1</sup>

US\$ million



All data as at 31 December 2018

Note:

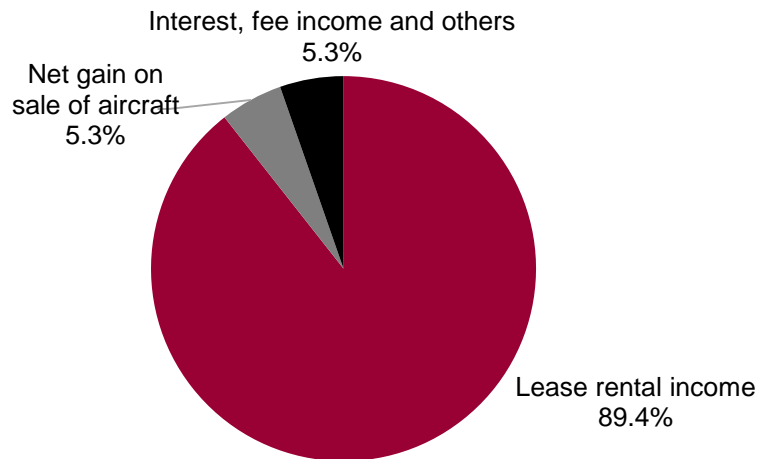
1. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs



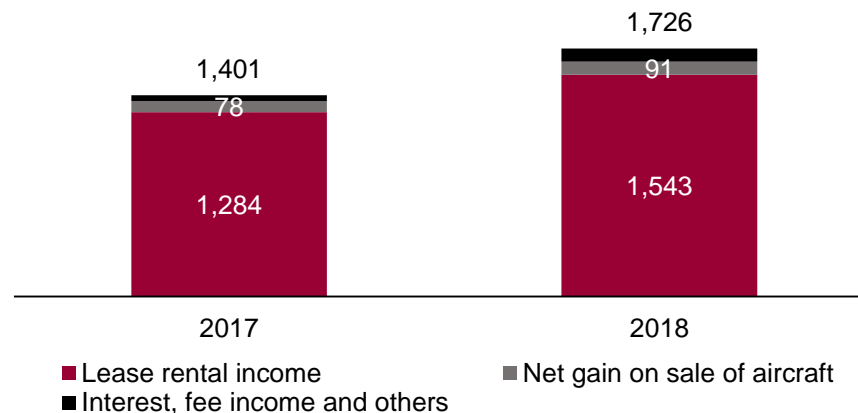


# Lease Rental Income Continues to Dominate Revenue

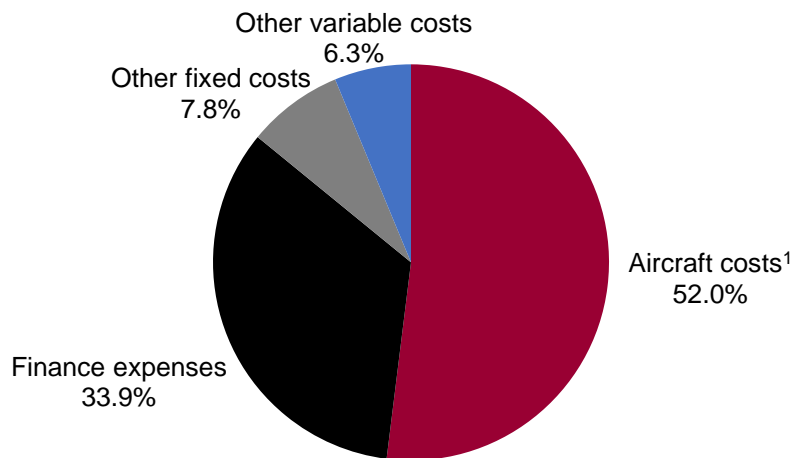
Lease rental income consistently c.90% of total revenue and other income



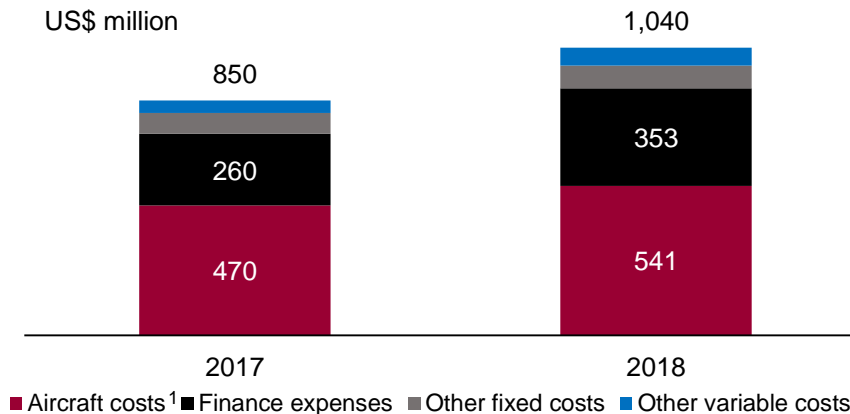
US\$ million



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



US\$ million



All data as at 31 December 2018

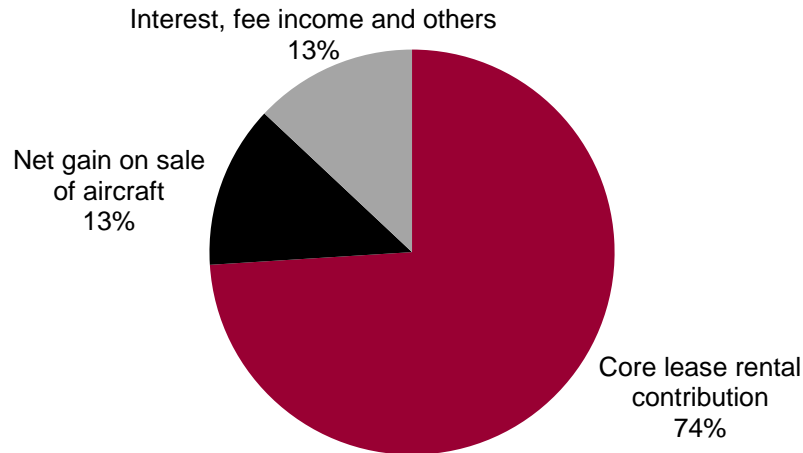
Note:

1. Comprises aircraft depreciation and impairment charges



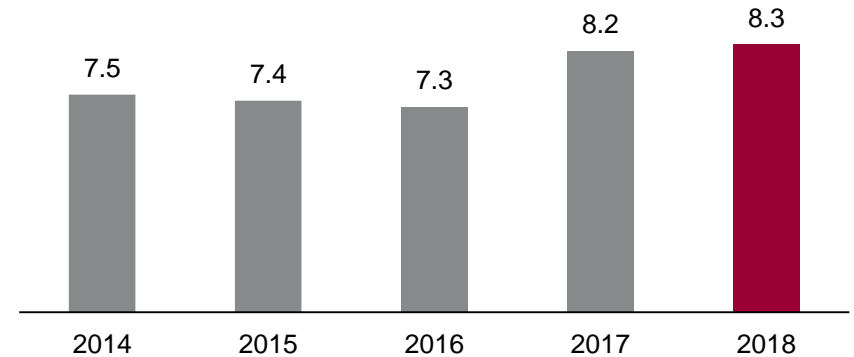
# Core Leasing Business Supports Earnings Growth

c.75% of PBT is from core lease rental contribution<sup>1</sup>

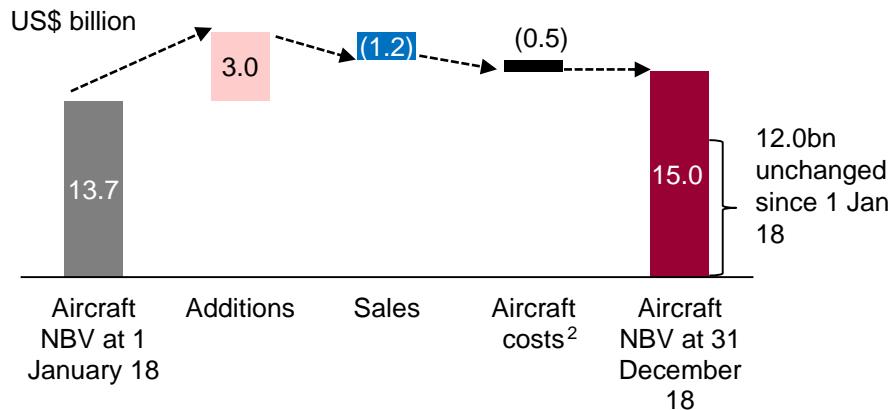


We have a longer average remaining lease term<sup>3</sup>

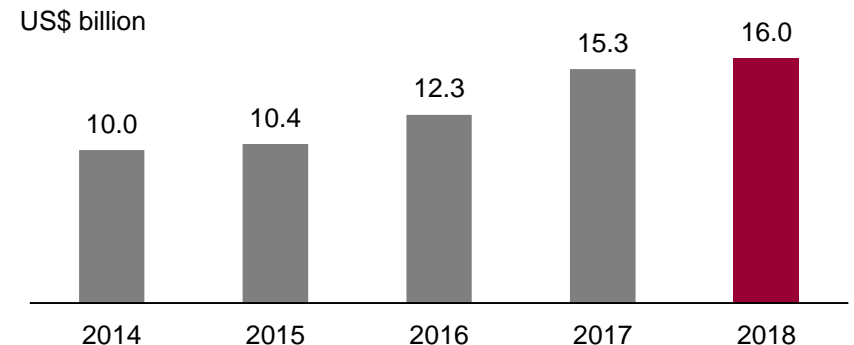
Number of years



...and reflects rising investment in our fleet



... and high future committed lease revenue



All data as at 31 December 2018 unless otherwise indicated

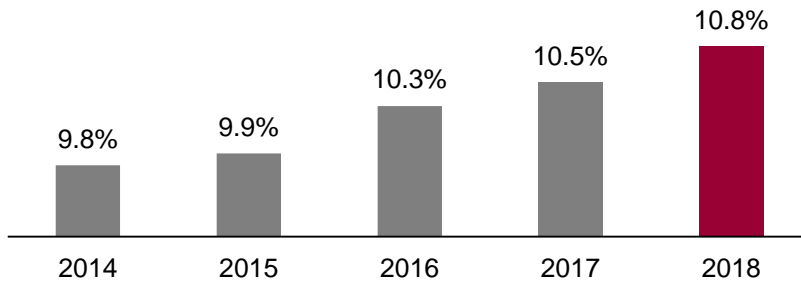
Notes:

1. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs
2. Comprises aircraft depreciation and impairment charges
3. Weighted by net book value of owned fleet

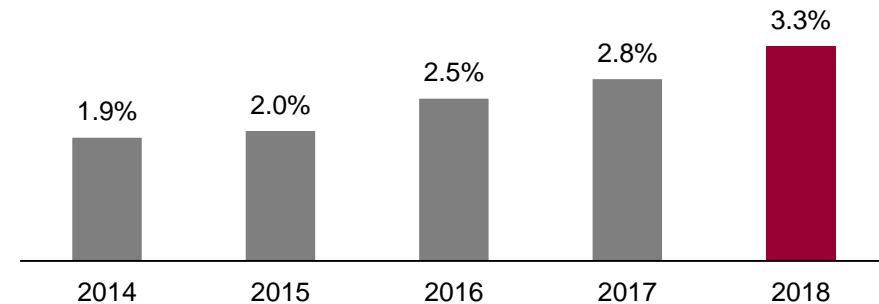


# Consistent Net Lease Yield Drives Profitability

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

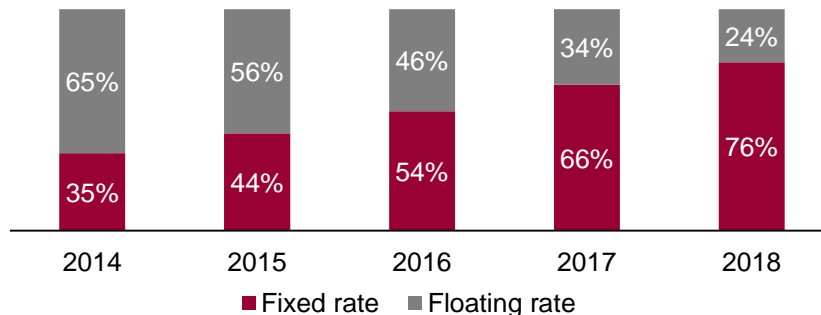


... with a higher share of fixed rate debt and higher base rates affecting finance expenses<sup>3</sup>

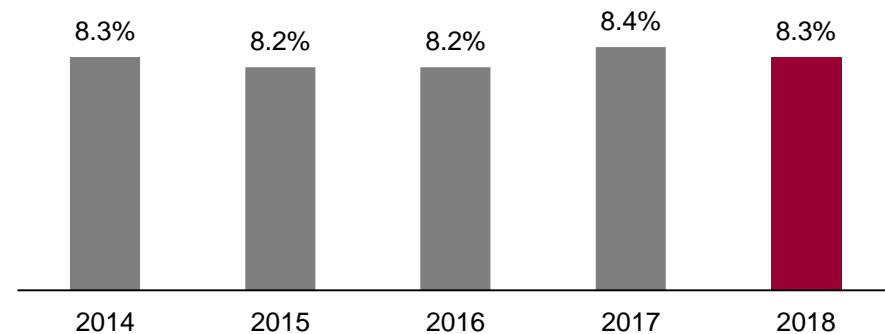


Proportion of fixed rate leases rising steadily<sup>2</sup>

By net book value



Maintaining net lease yield > 8%<sup>4</sup>



All data as at 31 December 2018

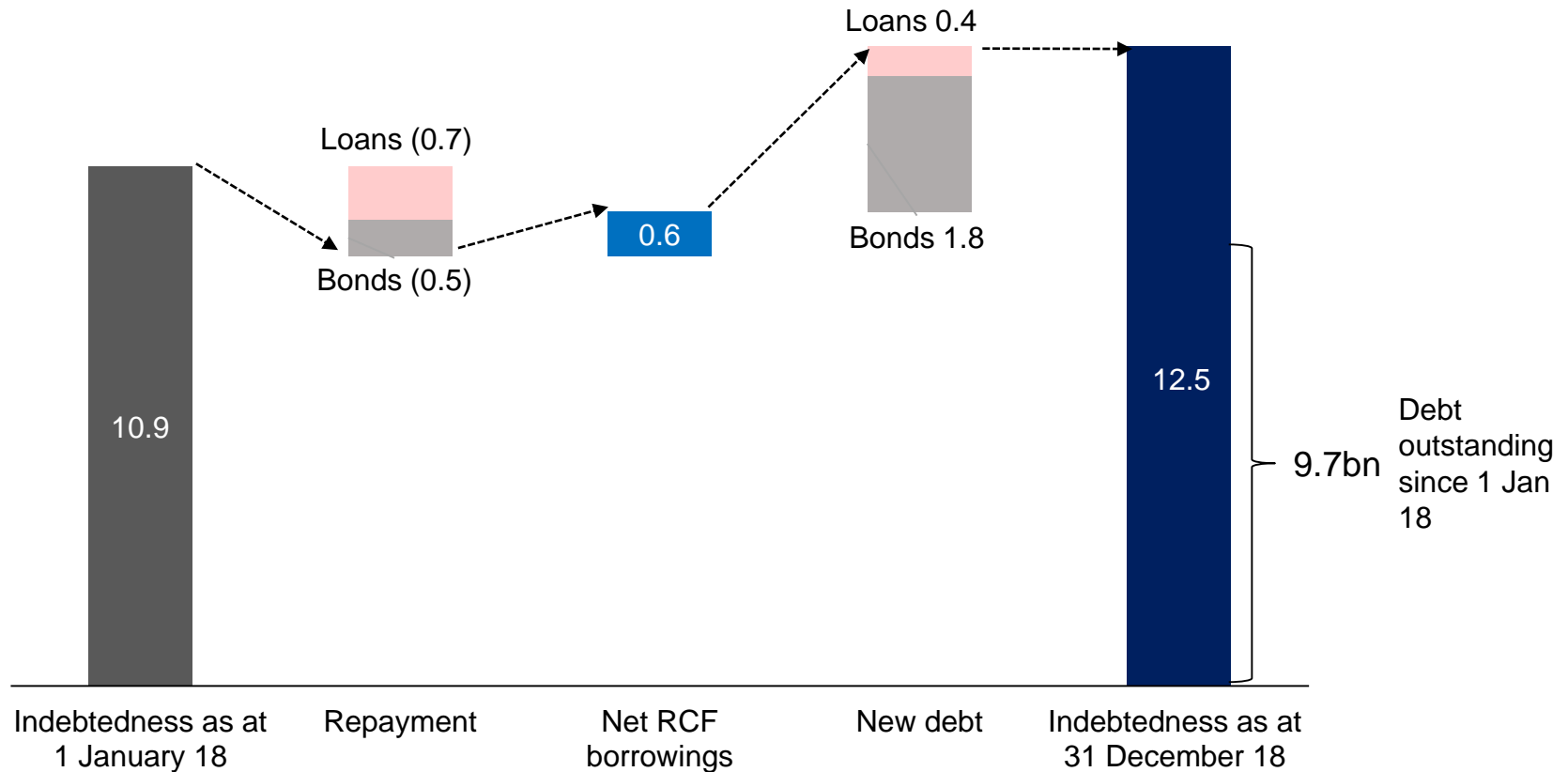
Notes:

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



# Stable Debt Structure Limits Interest Rate Effects

US\$ billion

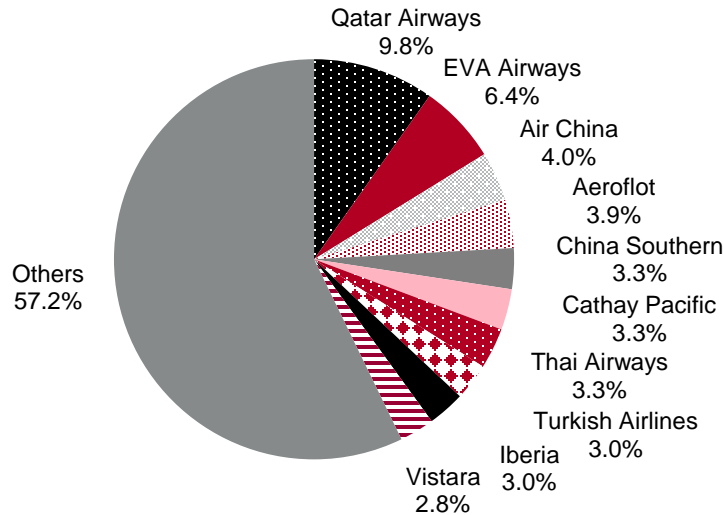


**Close to 80% of debt unchanged from 1 January 2018**

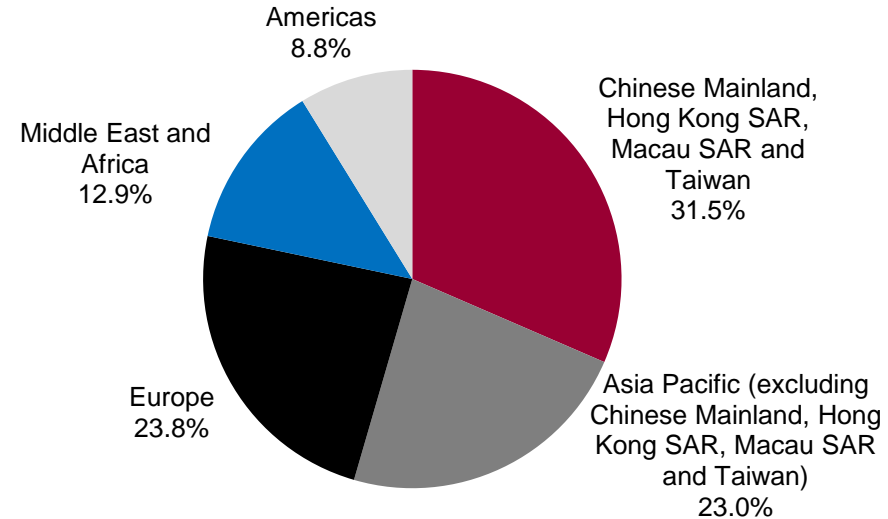


# Diversified Portfolio Delivers High Utilization, High Collection Rate

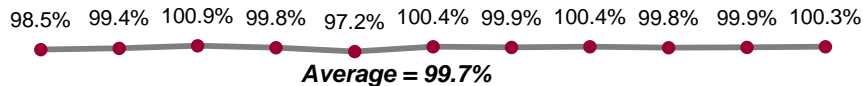
## Lease portfolio diversified by customer<sup>1,2,3</sup>



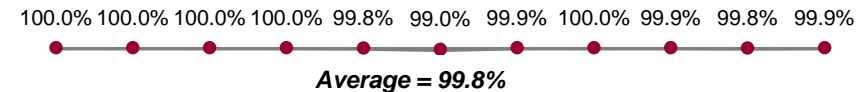
## ...and diversified by geography<sup>1,3</sup>



## High collection rate



## High fleet utilization<sup>4</sup>



2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

All data as at 31 December 2018 unless otherwise indicated

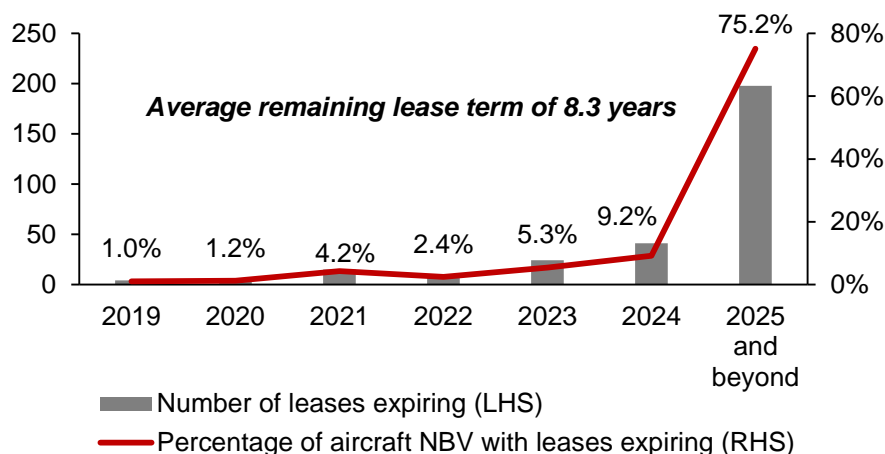
Notes:

1. Based on net book value as at 31 December 2018
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. Excludes two Airbus A320 aircraft off lease as at 31 December 2018 which were delivered to a customer in Americas in January 2019
4. Fleet utilization is the total days on-lease in the period as a percentage of total available lease days in the period



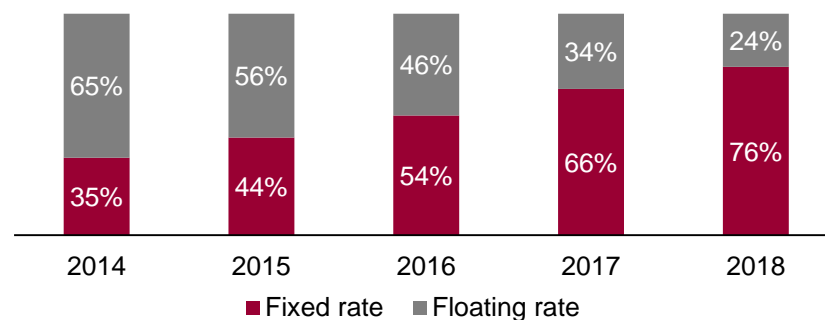
# Long-term Contracted USD Leases

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



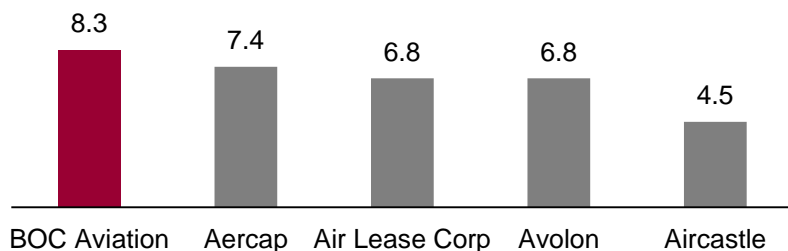
## Proportion of fixed rate leases rising steadily<sup>3</sup>

By net book value



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

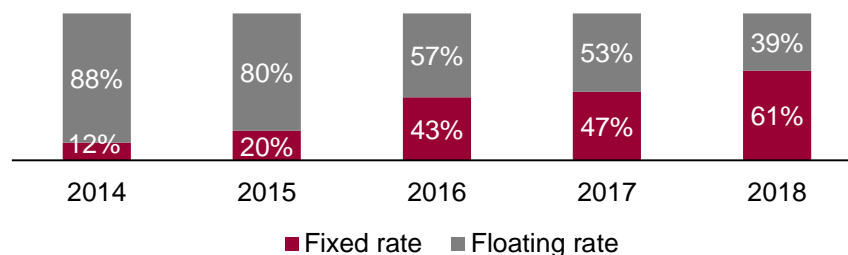
Number of years



Source: Respective company websites

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

• Hedged c.80% of mismatched interest rate exposure



All data as at 31 December 2018 unless otherwise indicated

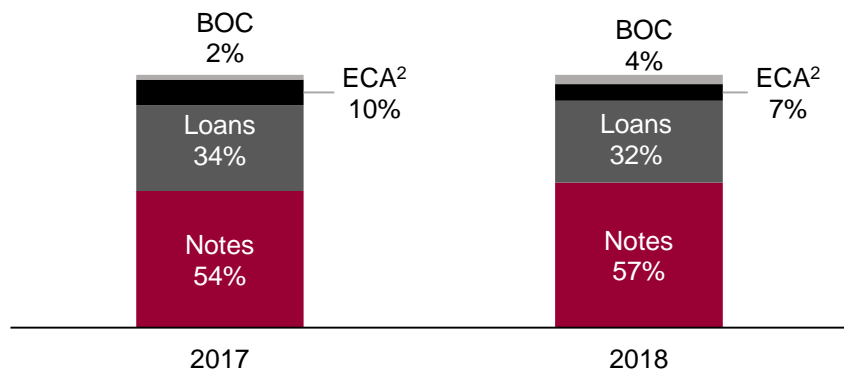
Notes:

- 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 aircraft off lease as at 31 December 2018
- Weighted by net book value of owned fleet
- By net book value including aircraft held for sale and excluding aircraft subject to finance lease as well as aircraft off lease
- Fixed rate debt included floating rate debt swapped to fixed rate liabilities

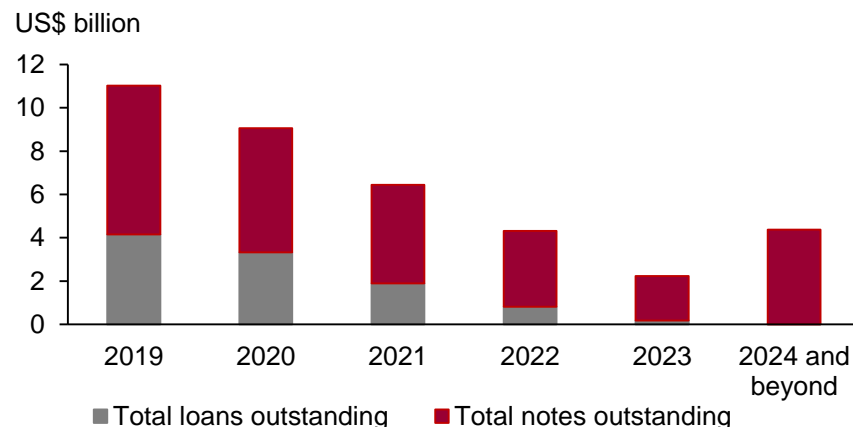


# Flexible Capital Structure and Ample Backstop Liquidity

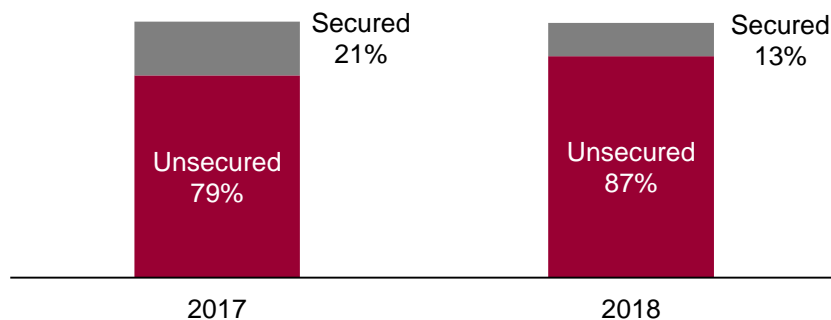
## Sources of debt<sup>1</sup>



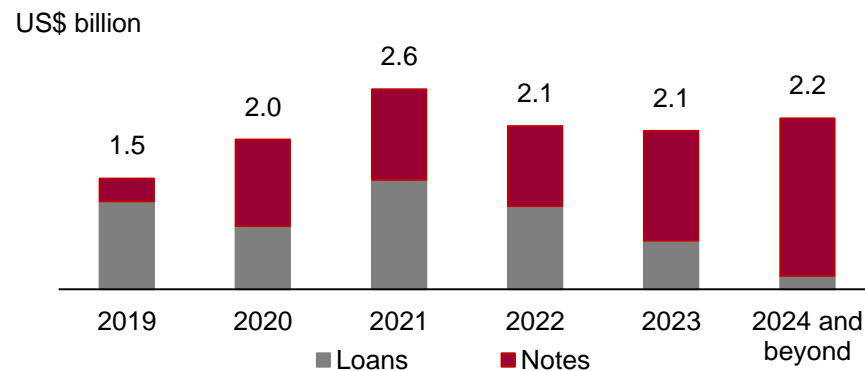
## Outstanding debt amortises over a long term



## Increasing unsecured funding



## Debt repayment by year



**Undrawn committed credit lines and cash of US\$3.8 billion at year end**

All data as at 31 December 2018 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	130	8	0	138
Airbus A320NEO family	24	0	62	86
Airbus A330CEO family	12	4	0	16
Airbus A330NEO family	0	0	12	12
Airbus A350 family	6	0	2	8
Boeing 737NG family	98	8	2	108
Boeing 737 MAX family	5	0	90	95
Boeing 777-300ER	19	3	3	25
Boeing 777-300	0	1	0	1
Boeing 787 family	4	0	12	16
Freighters	5	1	0	6
<b>Total</b>	<b>303</b>	<b>25</b>	<b>183</b>	<b>511</b>

All data as at 31 December 2018

Note:

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

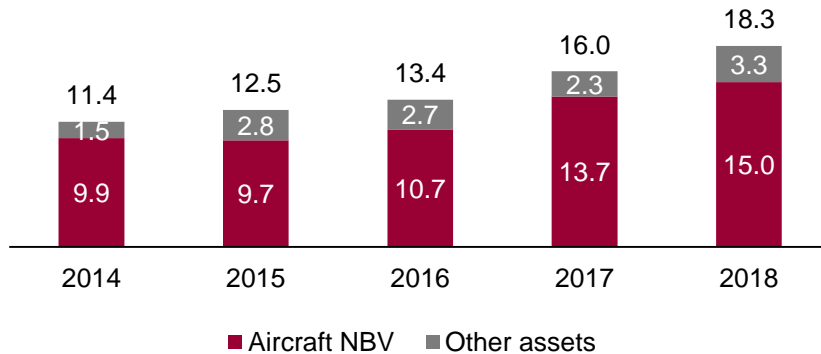




# Orderbook Underpins Future Balance Sheet Growth

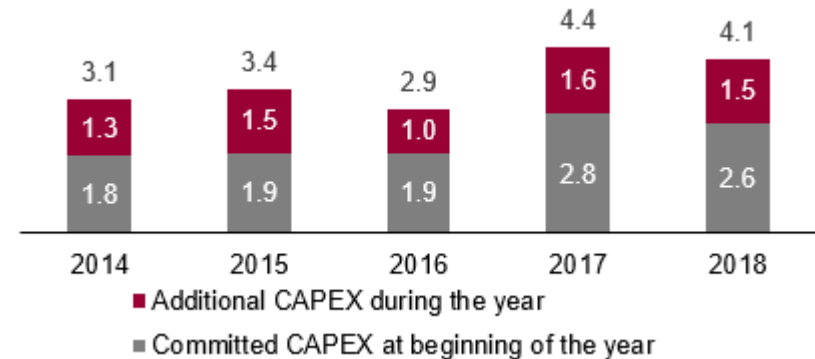
## Growing balance sheet

US\$ billion



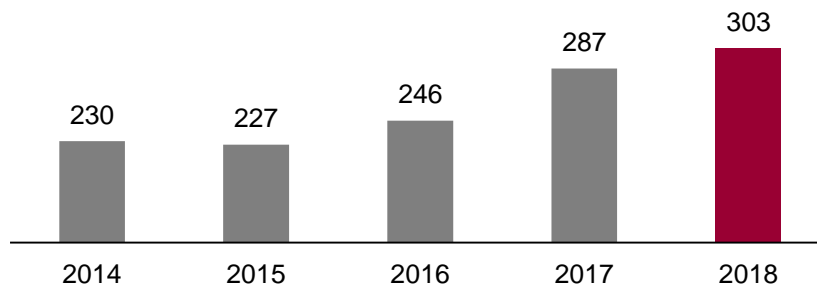
## Average annual CAPEX of around US\$4 bn since IPO

US\$ billion



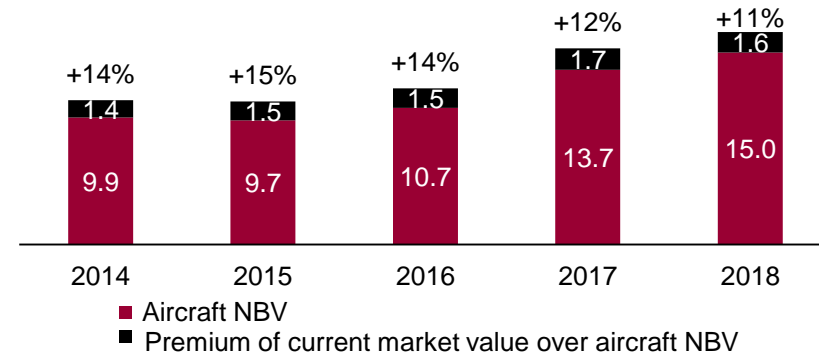
## Expanding fleet size

Number of owned aircraft



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

US\$ billion



**Aircraft net book value grew 40% since 2016**

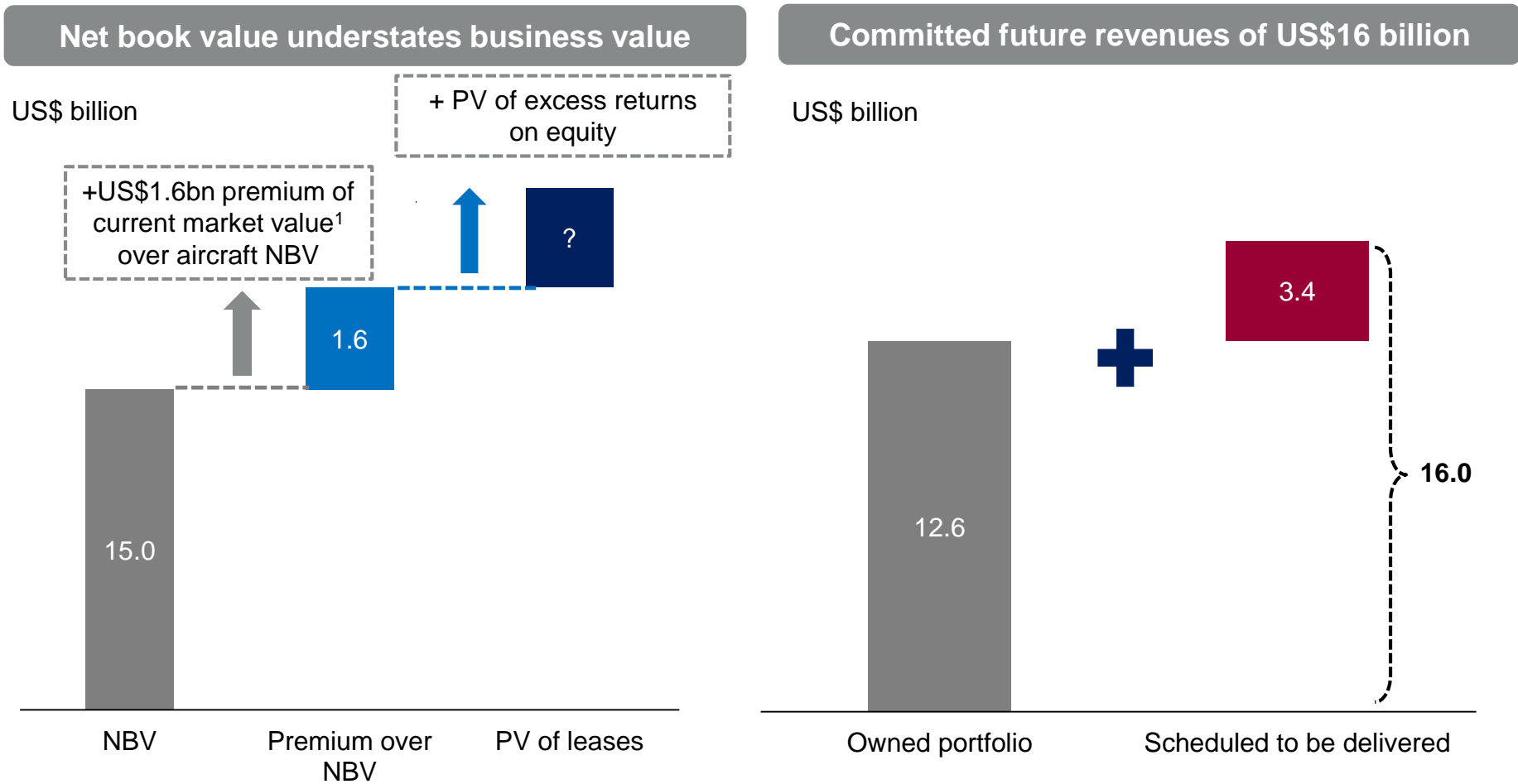
All data as at 31 December 2018 unless otherwise indicated

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



**Committed future lease revenues underpin value creation**

All data as at 31 December 2018

Note:

1. Based on an average of five independent appraisers' aggregate value for our owned fleet at US\$16.6 billion, on a full-life, current market value basis, which compared with a net book value of US\$15.0 billion



# Conclusion

- Another stellar year
  - FY2018 PBT up 24%
  - NPAT increased 6% to US\$620 million
  - ROE of 15.5% - above 12-years average of 15%
  - Dividend payout ratio maintained at 35% of full year NPAT
    - Total annual dividends of US\$0.3129/share
- High liquidity, long-term revenue visibility and sustainability
  - Committed lease revenues increased to US\$16 billion
  - Orderbook of 183 aircraft provides future balance sheet growth
  - Available liquidity of US\$3.8 billion at year end to support future investment
- Strong operations
  - 100% cash collection rate and 99.9% fleet utilization rate
  - Robust asset-liability management minimizes impact of interest rate movements
- Positive outlook
  - 2019 expected to be the airline industry's 10<sup>th</sup> consecutive year of above trend passenger demand growth<sup>1</sup>
  - 79 aircraft scheduled to be delivered to BOC Aviation in 2019<sup>2</sup>

**2018: Record earnings in a landmark year**

All data as at 31 December 2018 unless otherwise indicated

Notes:

1. IATA
2. Certain airline customers have notified us of their intention to acquire on delivery a total of 18 of our aircraft scheduled for delivery in 2019

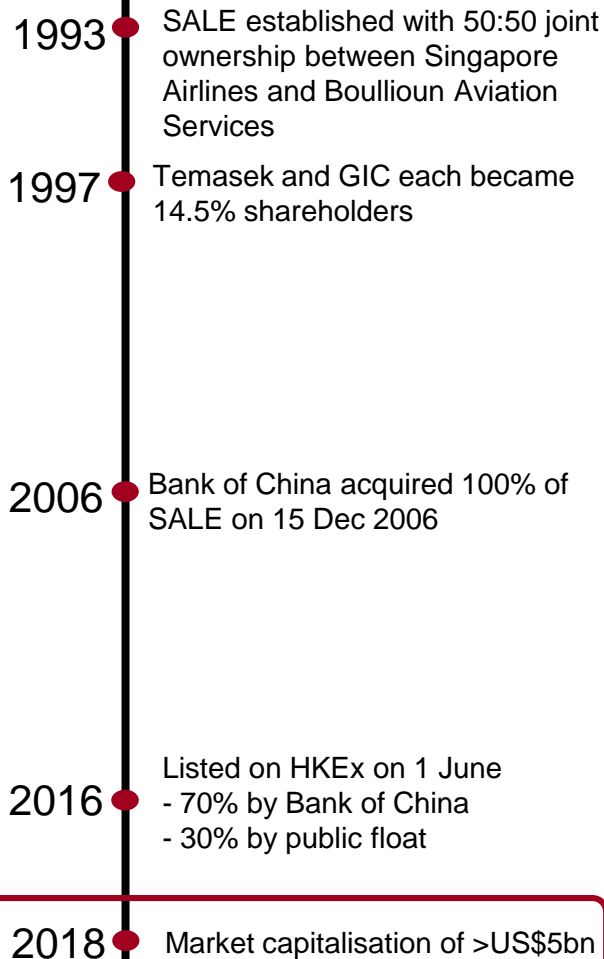


# APPENDICES



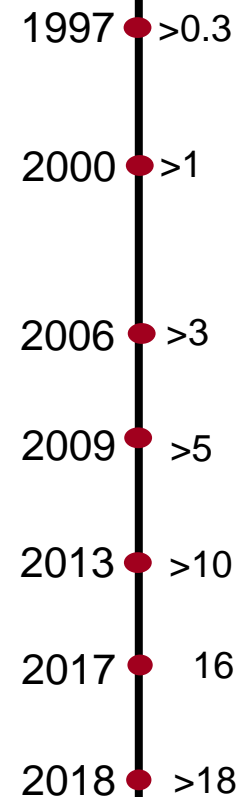
# The BOC Aviation Journey

## Ownership



## Total assets

US\$ billion



All data as at the end of the relevant period



**BOC AVIATION**

# BOC Aviation – Who Are We?

- One of the world's top five aircraft lessors
  - The largest in Asia
  - Bank of China owns 70%
- Listed on the HKEX
  - Four Independent Non-Executive Directors
  - Diverse shareholder base
  - Free float of 30% with steadily improving liquidity
    - 2018 average daily share turnover of US\$7.5 million<sup>1</sup>
- Total assets of US\$18.3 billion
  - 511 aircraft<sup>2</sup>
- Consistent profitable performance for 25 years
- Industry-leading financial metrics – average ROE of 15% over the last 12 years
- Investment grade credit ratings of A- from S&P Global Ratings and Fitch Ratings

**An established lessor with deep management experience**

All data as at 31 December 2018 unless otherwise indicated

Notes:

1. Source: Bloomberg

2. Includes owned, managed and aircraft on order



# Our Management Team



	<b>Robert Martin</b> <i>Managing Director &amp; Chief Executive Officer</i>	<b>Wang Jian</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>Gao Jinyue</b> <i>Chief Commercial Officer (Asia Pacific &amp; the Middle East)</i>	<b>David Walton</b> <i>Chief Operating Officer</i>
	<ul style="list-style-type: none"> <li>Managing Director since July 1998</li> <li>31 years of banking and leasing experience</li> </ul>	<ul style="list-style-type: none"> <li>Formerly a Non-executive Director of the Company from December 2006 to June 2012</li> <li>Re-appointed on 1 June 2017 as Executive Director</li> <li>37 years experience at BOC</li> </ul>	<ul style="list-style-type: none"> <li>Previously held treasury and finance roles at Singapore Airlines</li> <li>Involved in establishment of the Company</li> <li>40 years of aviation experience</li> </ul>	<ul style="list-style-type: none"> <li>In charge of revenue activities for Europe, Americas and Africa</li> <li>More than 28 years of banking and leasing experience</li> </ul>	<ul style="list-style-type: none"> <li>In charge of revenue activities for Asia Pacific and Middle East</li> <li>Extensive experience in treasury and corporate finance activities</li> </ul>	<ul style="list-style-type: none"> <li>Previously served as COO/General Counsel for private and listed lessors</li> <li>32 years of aviation finance and leasing experience</li> </ul>
<b>Nationality</b>						
<b>Years with BOC Aviation</b>	<b>21</b>	<b>7</b>	<b>23</b>	<b>18</b>	<b>12</b>	<b>4</b>

**Global, stable and highly experienced senior management team**

All data as at March 2019



# Core Competencies – a Reminder

## Since inception in 1993:

- |              |   |
|--------------|---|
| • Purchasing | More than 800 aircraft purchased totalling more than US\$44 billion           |
| • Leasing    | More than 860 leases executed with > 160 airlines in 57 countries and regions |
| • Financing  | More than US\$24 billion in debt raised since 1 January 2007                  |
- 
- |                 |  |
|-----------------|--|
| • Sales         | 330 aircraft sold                            |
| • Transitions   | More than 80 transitions                     |
| • Repossessions | 38 aircraft in 14 jurisdictions <sup>1</sup> |

All data as at 31 December 2018, since inception unless otherwise indicated

Note:

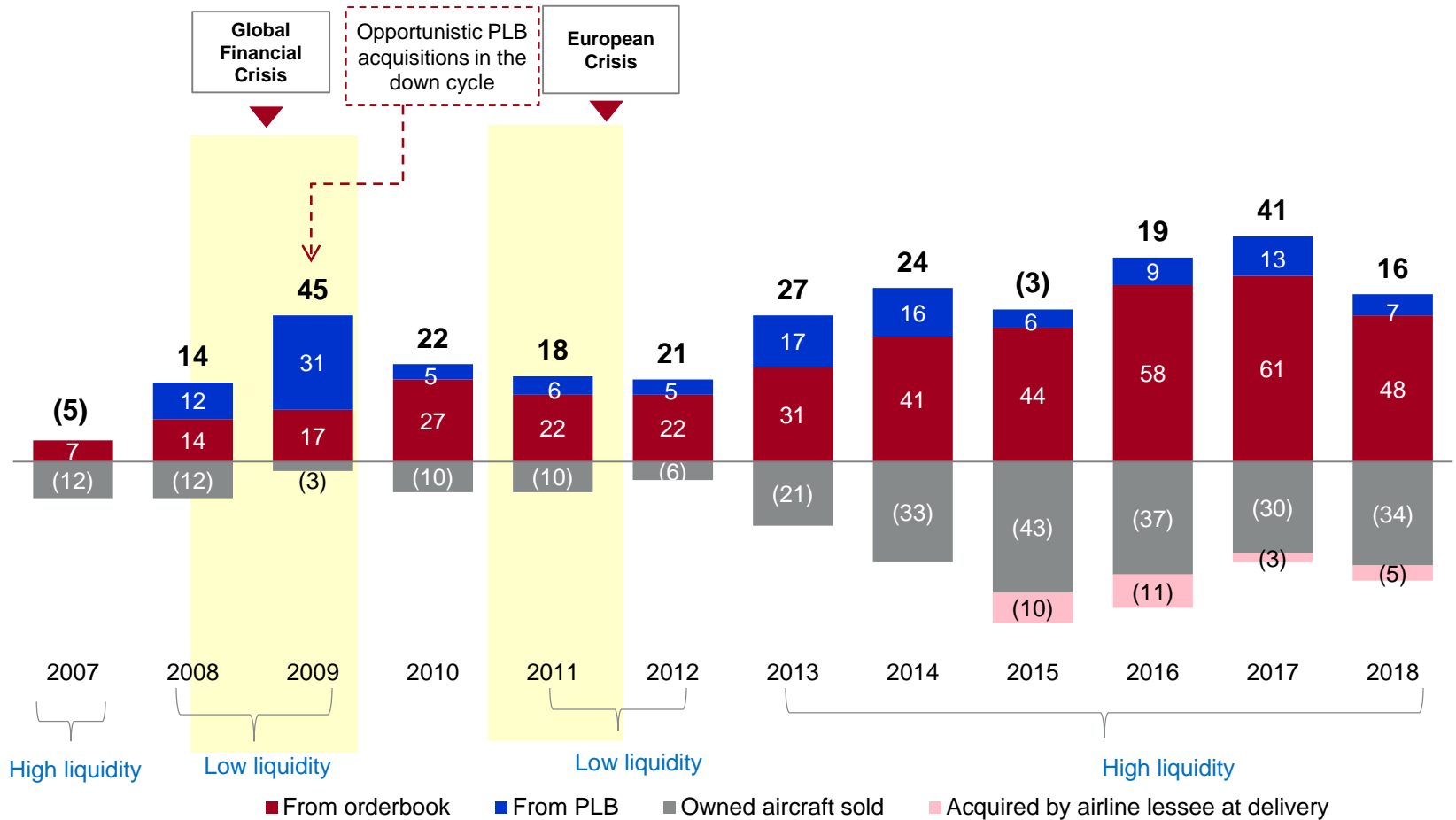
1. Includes repossessions and consensual early returns





# How We Invest

## Number of aircraft delivered, purchased and sold



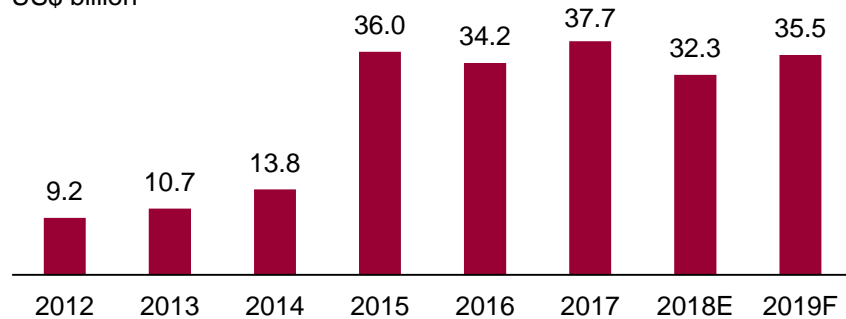
All data as the end of the relevant period



# Positive Environment with Airline Profitability near Records

## Elevated airline profitability sustained

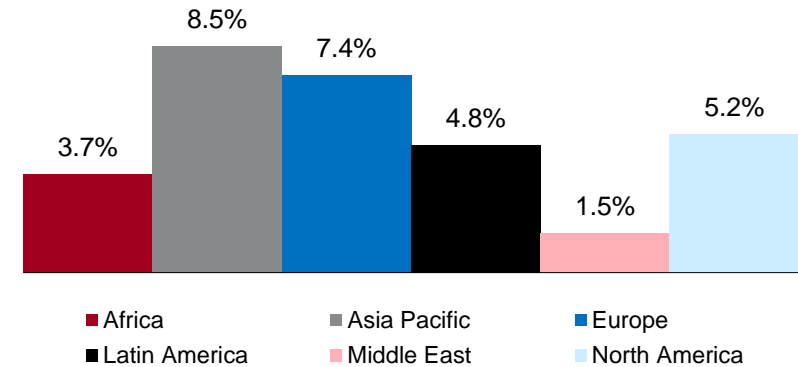
Aggregate net profit  
US\$ billion



Source: IATA (December 2018)

## All significant markets continue to record high air traffic growth

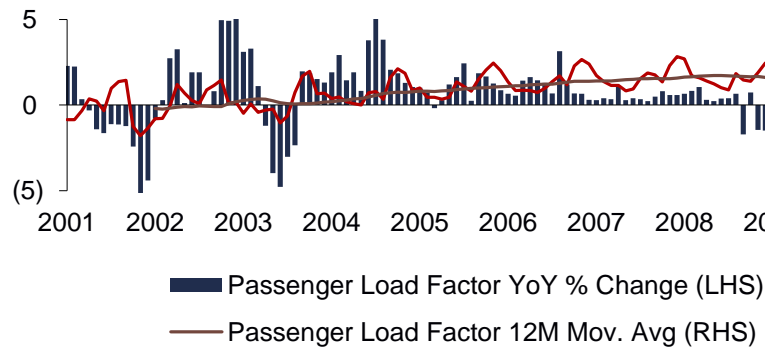
RPK growth, YTD



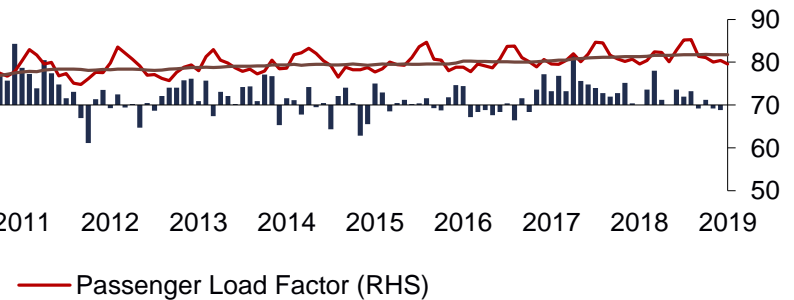
Source: IATA (January 2019)

## High load factors suggest well-managed capacity

Passenger Load Factor  
YoY change, %



Passenger Load Factor  
%

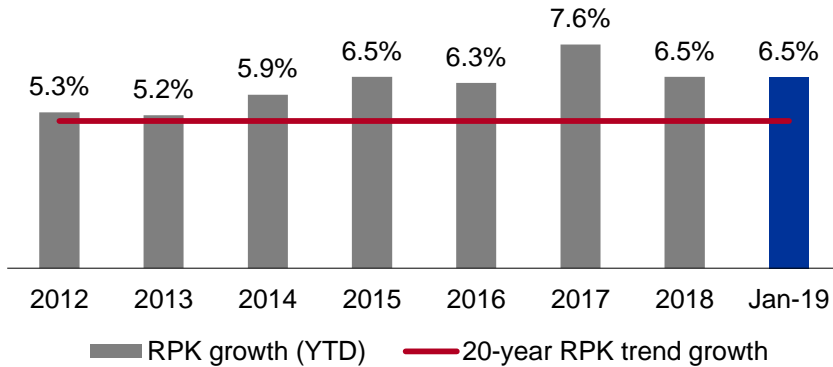


Source: IATA (January 2019)



# Underlying Traffic Growth Positive for Core Leasing Business

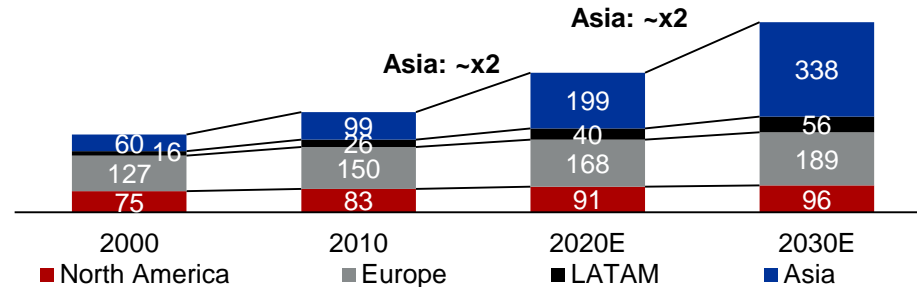
## Above-trend passenger demand growth



Source: IATA (January 2019)

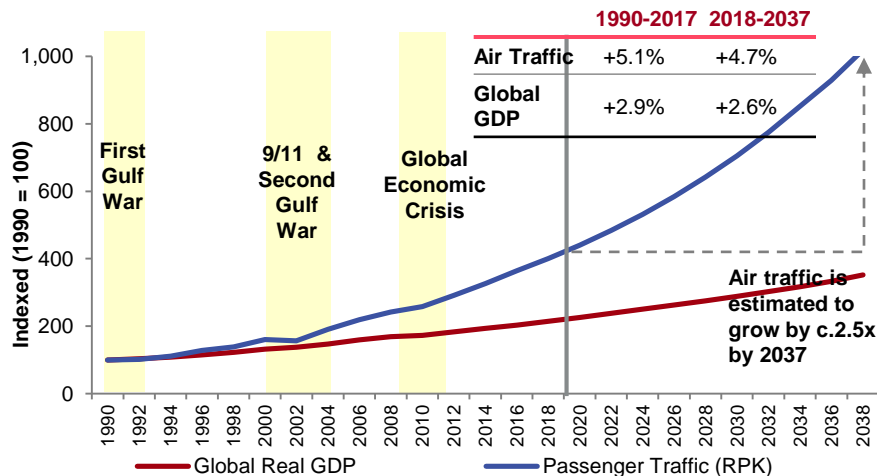
## Growth in the middle classes<sup>1</sup> to be driven by emerging economies

Middle class households (million)



Source: Euromonitor

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



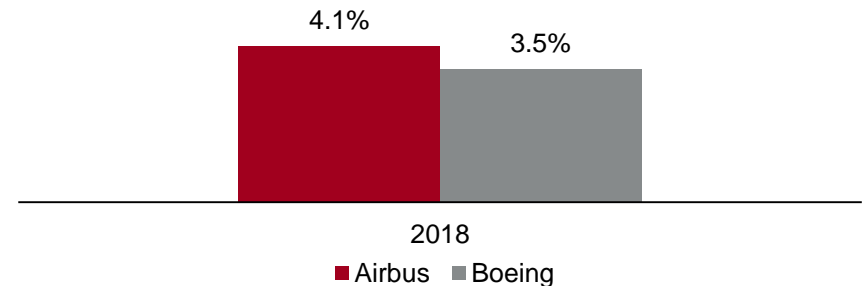
Source: Ascend Flightglobal Fleet Forecast 2015, Oxford Economics, Boeing Current Market Interactive Forecast 2018-2037

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, %

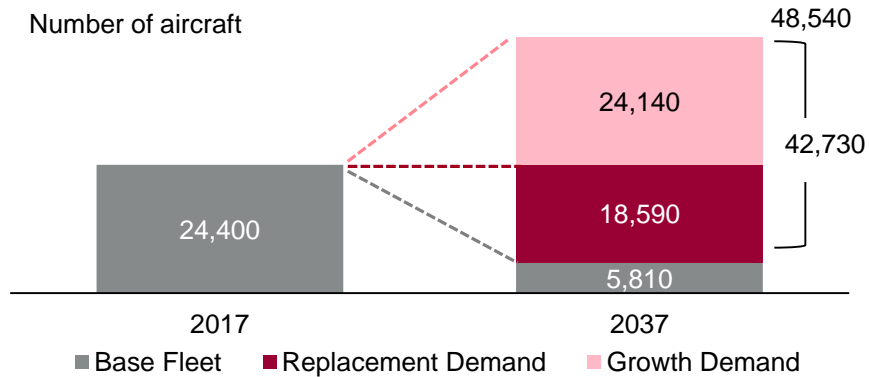


Source: Airbus Global Market Forecast, Boeing Capital Market Outlook



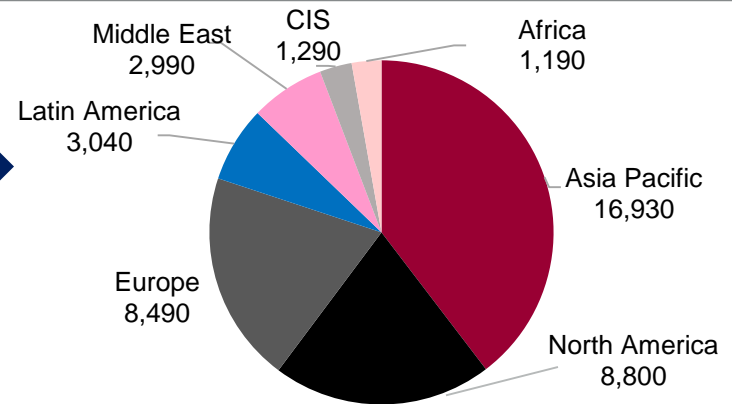
# Aircraft Operating Leasing Drivers

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



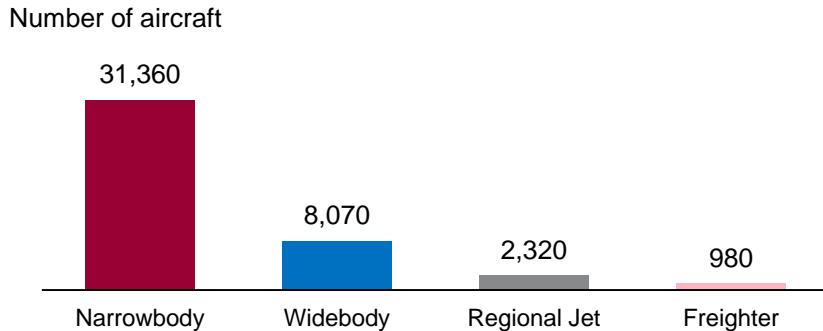
Source: Boeing CMO 2018-2037

## New aircraft demand led by Asia Pacific



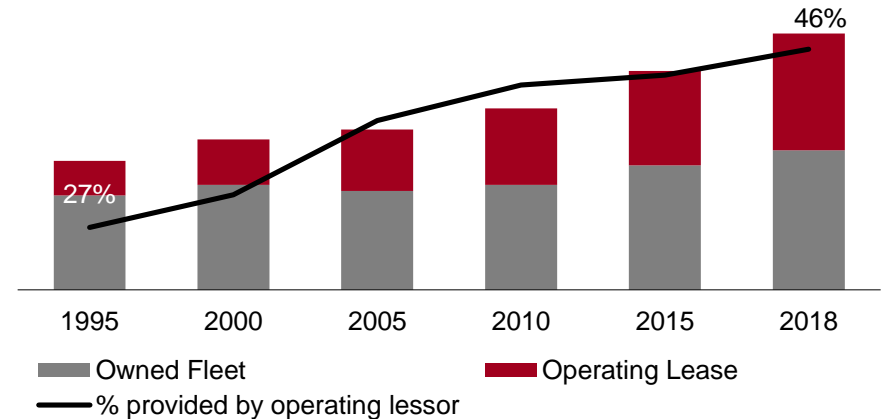
Source: Boeing CMO 2018-2037

## Predominantly single aisle aircraft



Source: Boeing CMO 2018-2037

## Share of operating lessors now stable



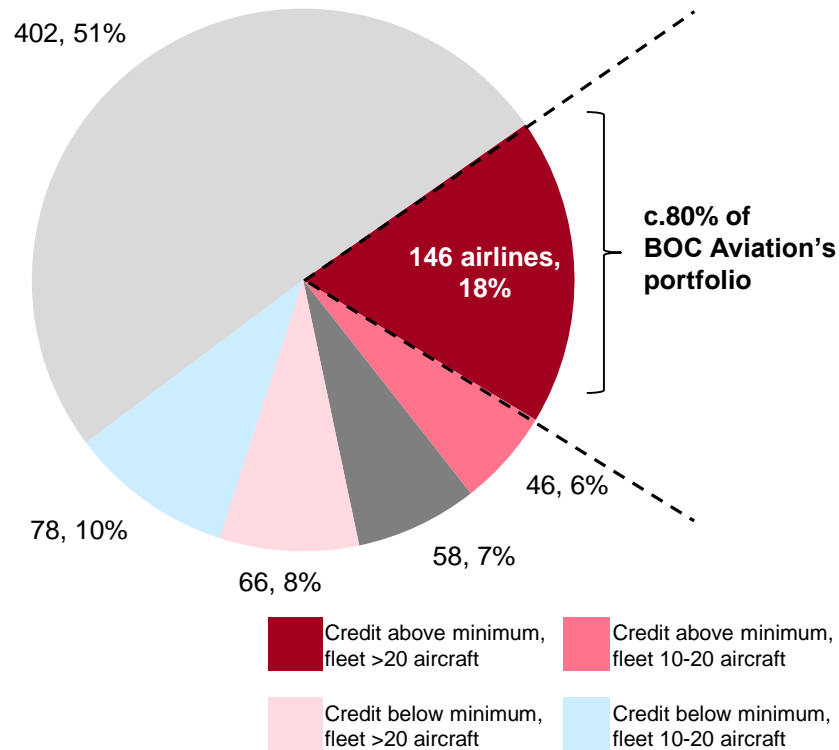
Source: Ascend, 31 December 2018



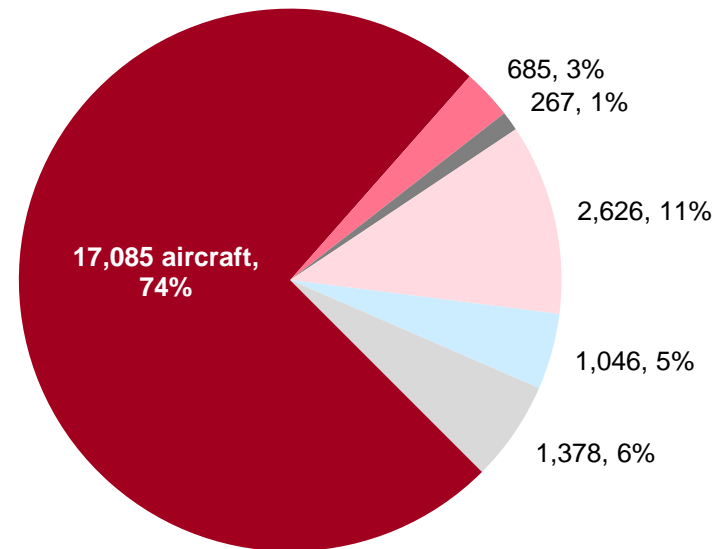
# Leasing: Customer Segmentation

- 796 airlines in service today
- Focus on 146 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 146 airlines operate 74% of the current in-service aircraft**



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





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