

CALC

(股票代码: 01848.HK)

China Aircraft Leasing Group

Full value chain aircraft solutions provider

2023 Interim Results

2023.08





Contents

- 01 / Results Highlights
- 02 / Financial Highlights
- 03 / Operation Highlights
- 04 / Industry Outlook

1.1 Solid 1H2023 financial and operational performance

For the six months ended 30 June 2023, in HK\$

2.33 ^{+23.0%}
bn

Strong revenue

200 mn

Improved profit to
shareholders

Robust Revenue
High Dividend Payout

2.28 ^{+65.6%}
bn

EBITDA

4.14

Accumulated DPS¹
18 payouts announced
(since listing)

As of 30 June 2023

189 ⁺¹³
aircraft

Fleet size

162 owned + 27 managed
(including 2 aircraft for Russian carries)

213 aircraft

On backlog²

Quality Assets
Stable Operation

100%

Best fleet utilization
(owned fleet)
(excluding the 2 aircraft written down)

90%

Narrowbody-
dominant fleet
(owned fleet)

As of 30 June 2023

42 ⁺⁴

Airline clients

20 ⁺³

Countries and
regions

Global Footprint
Top-tier Clientele

100.6%

Rent collection ratio³
(up 7 pp. YoY)

11.8%

Adj. rental yield⁴

Note: 1. Including proposed 2023 interim dividend of HKD 0.15 per share.

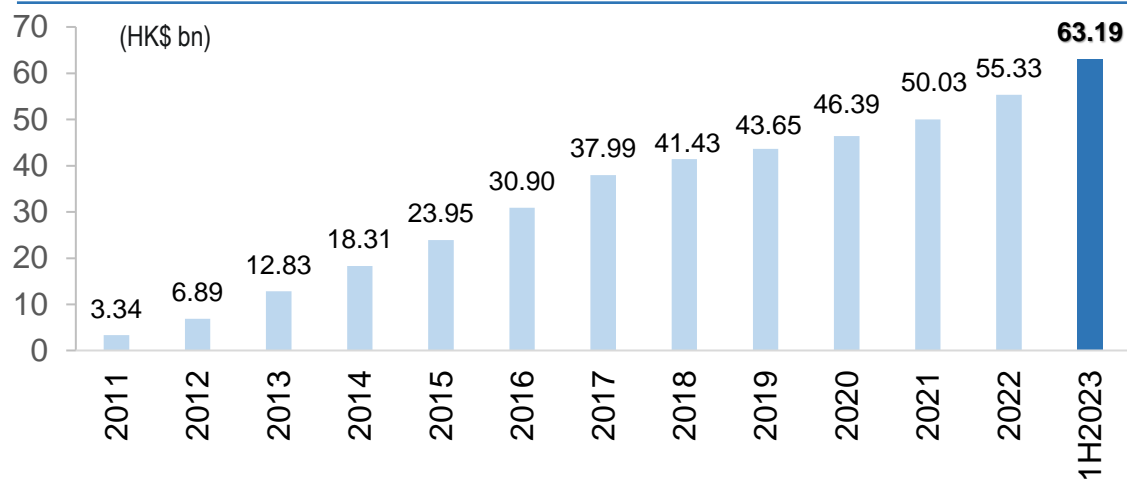
Note: 2. the commitment to purchase 64 of them shall be novated to DAE in Aug 2023.
Please refer to the announcement of the Company dated 14 Aug 2023.

Note: 3. represented by the cash received over the amount of invoice billing

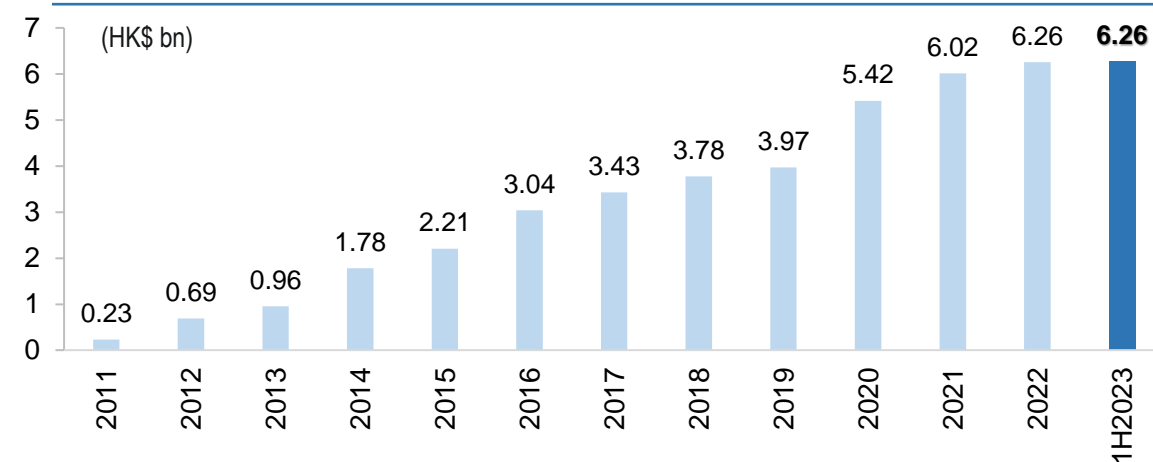
4. Adjusted average rental yield is a weighted average calculated as the sum
of expected annualized gross lease receipt and government grants divided
by the net book value of aircraft

1.2 Strong balance sheet and stable capital structure

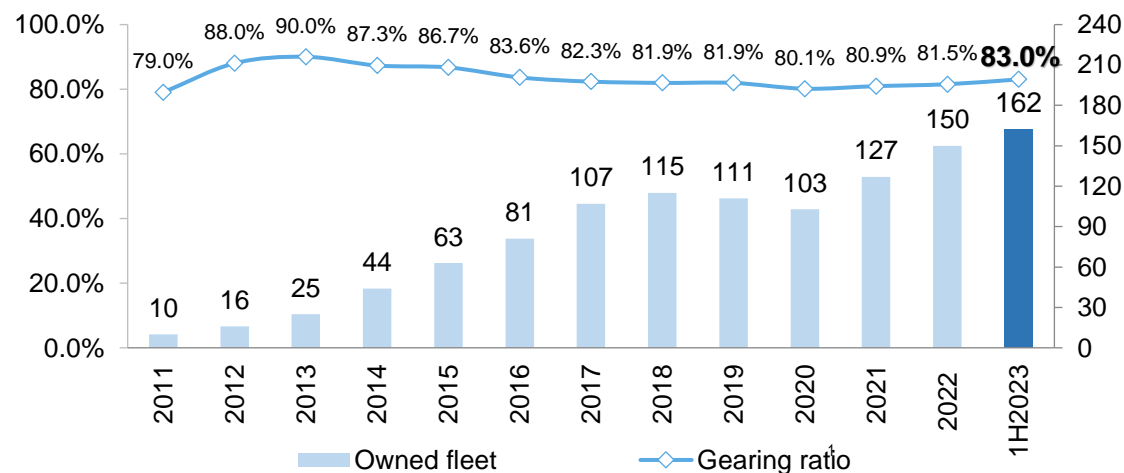
Steady growth of total assets



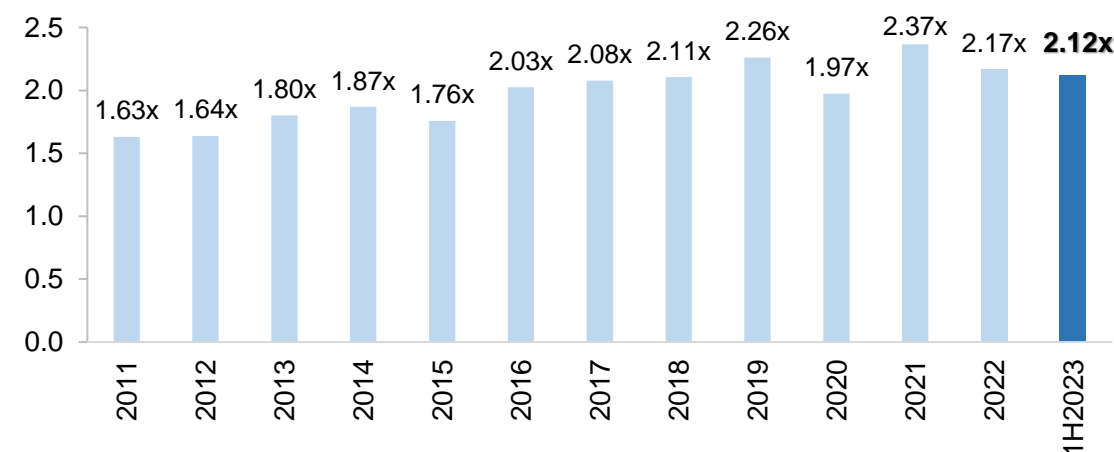
Stable net assets



Gearing ratio remained steady amid fleet growth



Healthy interest coverage ratio²



Note: 1. Gearing ratio = interest-bearing debts/total assets.

Note: 2. Interest coverage ratio = EBITDA / interest expenses

1.3 On the way towards INVESTMENT GRADE

HIGHEST credit ratings in PRC
(May 2023)

2023 International ratings
(June/July 2023)

Improve operational and
financial strengths

Int'l rating upgrade to
drive sustainable growth



CALC(TJ)



CALC(1848.hk)

- UPGRADE ↑
- Optimize fleet portfolio
 - **Portfolio trade and novation**
(e.g. signed novation agreement with DAE in Aug 2023)
 - Enhanced full value chain operations
 - Expand financing channels
 - Optimize debt structure



Lower leverage
Cut financing costs
Improve profitability

CALC(1848.hk)

On-going strong support from China Everbright Limited

- Became the actual controlling party of CALC(TJ) in 2020
- Increasing shareholdings over the past years to **38.08%** (Jun 2023)
- Provided standby revolving credit of **US\$ 94mn**



1.4 Strive to promote China-made aircraft in overseas market

CALC

After years of efforts for the successful delivery of ARJ21 to its first overseas carrier, CALC has further set up special project team for China-made aircraft related businesses and affairs to strengthen strategic cooperations with COMAC across the industry value chain so as to play a key role in supporting the manufacturing, marketing, financing, aftermarket services of the China-made aircraft.



Jul 2023

- Made its **FIRST International flights** from Jakarta to Kuala Lumpur
- COMAC opened a **customer service office** in Jakarta, the **FIRST** one outside China.

Jun 2023

- Delivered **SECOND ARJ21** to TransNusa

Apr 2023

- Indonesia carrier TransNusa officially put its first ARJ21 aircraft into commercial operation and successfully **completed its MAIDEN COMMERCIAL FLIGHT** from Jakarta to Bali

Dec 2022

- Successfully delivered an ARJ21 aircraft to its **FIRST overseas carrier** TransNusa in Indonesia
- This is the first time for China-made regional passenger jet entering the overseas market, a milestone for the establishment of "One Belt, One Road" and "Dual Circulation" strategic roadmap.

Jan 2021

- CALC placed a firm order for 30 ARJ21 aircraft and an option for 30 more from COMAC
- Also signed a tripartite project investment cooperation memorandum with CEL and COMAC to establish in-depth cooperation in areas such as overseas operations of the China-made aircraft, aviation asset management and aftermarket.





Contents

- 01 / Results Highlights
- 02 / Financial Highlights
- 03 / Operation Highlights
- 04 / Industry Outlook

2.1 1H2023 Results Overview

HK\$ mn	1H2023	1H2022	Change
Total revenue	2,326.3	1,890.8	23.0%
Profit/(Loss) for the period	306.9	(70.4)	NA
Profit/(Loss) attributable to shareholders	201.2	(130.2)	NA
EBITDA	2,284.6	1,379.5	65.6%
Basic EPS (HK\$)	0.270	(0.175)	NA
Interim dividend per share (HK\$)	0.15	0.15	NA

Note: * Dividend payout ratio was 55.6%.

2.2 Steady revenue growth


<i>HK\$ mn</i>	1H2023	1H2022	Change
Total lease income	2,056.5	1,653.8	24.3%
Finance lease income (1H2023: 49 aircraft vs. 1H2022: 49 aircraft)	296.6	284.4	4.3%
Operating lease income (1H2023: 113 aircraft vs. 1H2022: 89 aircraft)	1,759.9	1,369.4	28.5%
Net income from aircraft transactions and aircraft components trading (1H2023: 1 aircraft vs. 1H2022: 2 aircraft)	44.7	66.5	(32.8%)
Government grants	100.1	94.9	5.5%
Interest income from loans to associates and joint ventures	56.8	52.7	7.8%
Asset management service fees income from CAG	9.3	8.4	10.7%
Other income	58.9	14.5	306.2%
Total revenue	2,326.3	1,890.8	23.0%

2.3 Total operating expenses

<i>HK\$ mn</i>	1H2023	1H2022	Change
Interest expenses (Total interest-bearing debts at 30 June 2023 reached HK\$52.5 billion, an increase of 19% from HK\$44.2 billion at 30 June 2022; Avg. 3-month LIBOR 1H2023: 5.55% vs 1H2022: 1.18%, up 437 bps)	(1,075.9)	(757.9)	42.0%
Depreciation (1H2023: 108 aircraft vs. 2022: 97 aircraft)	(748.0)	(590.7)	26.6%
Other operating expenses	(199.6)	(192.4)	3.7%
Total operating expenses	(2,023.5)	(1,541.0)	31.3%

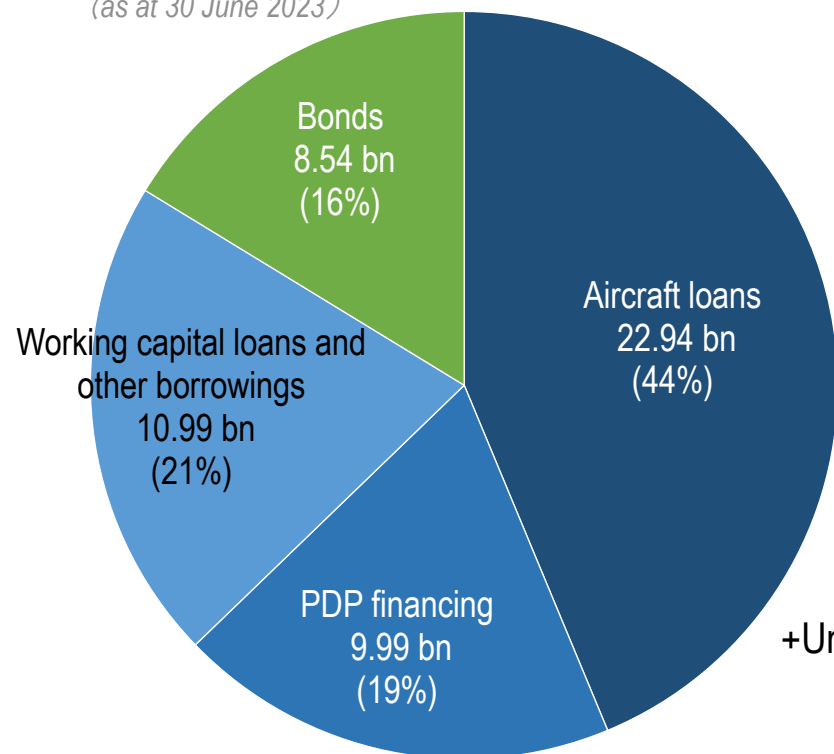
2.4 Diversified financing channels ensure sufficient liquidity

Interest-bearing debts totaled HK\$52.5 bn

% of RMB debts = 22.3%, may further 

May consider increase financing in RMB given its relatively stable interest rate environment, abundant liquidity supply and low funding cost in PRC market

(as at 30 June 2023)



- New/renewed facilities obtained in 1H2023 **> HK\$ 14.5 bn**
- **Actively exploring green financing as well-recognized issuer**

RMB **1.5** bn

3-yr corporate bonds
(low-carbon transition)

- **1.83x** oversubscription
- Coupon rate **3.85%**
- FIRST low-carbon transition corp. bonds
- Record high in terms of subscription scale and number of investors among its past issues with same term

- **Abundant Liquidity**

HK\$ **10.2** bn

Cash and bank balances of HK\$6.2 bn
+Undrawn borrowing facilities of HK\$4.0 bn
(As of 30 June 2023)

HK\$ **1.7** bn **+16.0%**

Net CF from operating activities
(1H2023)

HK\$ **2.3** bn **+65.6%**

EBITDA
(1H2023)

2.5 Interest rate and exchange rate risk management

Interest rate risk management

- Majority of the interest-bearing debt (HK\$52.5 bn) have been hedged. Only HK\$24 bn floating rate loans were unhedged and would affect cash flows, while only HK\$10.3 bn or less than 20% of the interest-bearing debt would affect profit attributable to shareholders

US\$ interest rate risk sensitivity test

(HK\$ mn)	Cash outflow	Profit attributable to shareholders
If US\$ interest rate up 1%	240	(103)
If US\$ interest rate down 1%	(240)	103

Foreign exchange risk management

- Effectively control currency risk exposure with hedging arrangements

(RMB mn)	30 Jun 2023
Unhedged RMB currency exchange risk exposure	3,466.5

Foreign exchange rate risk sensitivity test

(HK\$ mn)	Impact on profit before income tax
RMB appreciates against USD* by 1%	(374.5)
RMB depreciates against USD* by 1%	374.5

Note: * Based on exchange rate of US\$1 = RMB7.25.



Contents

- 01 / Results Highlights
- 02 / Financial Highlights
- 03 / Operation Highlights
- 04 / Industry Outlook

3.1 Fleet management

CALC

1H2023

13 aircraft
New deliveries

1 aircraft
Portfolio trade

26 aircraft
Signed LOI for leasing

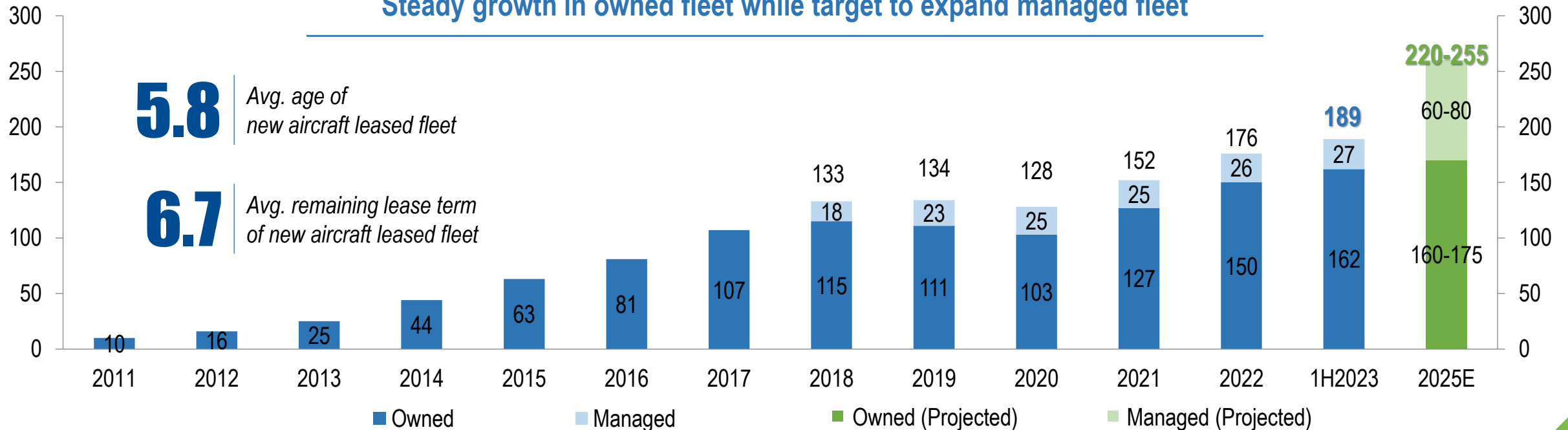
2H2023

8 aircraft
Scheduled deliveries

10 aircraft
Projected disposals

21 aircraft
LOI or LA signed/in progress for P-trade

Steady growth in owned fleet while target to expand managed fleet



Notes: CALC is a one-stop aircraft full-life-cycle solution provider. Its business covers new aircraft and middle-to-aged aircraft. The new aircraft leased fleet refers to the aircraft under the age of 12 in its owned fleet.

3.2 Flexible strategy to optimize fleet portfolio

Narrowbody-dominated fleet

(as of 30 June 2023)

OEMs	Series	Type	Owned ¹	Managed	Orderbook
Airbus	A320 CEO family	NB	85	17	-
	A320 NEO family	NB	37	6	120
	A330 CEO family	WB	13	1	-
Boeing	B737 NG family	NB	23	2	-
	B737 Max family	NB	1	-	65 ²
	B787 family	WB	1	1	-
COMAC	ARJ21	Reginal Jet	2	-	28
Total			162	27	213

Quality & sustainable growth

Long-standing partnership with OEMs to support more flexible fleet strategy

Large orderbook dominated by new-generation fuel-efficient aircraft from Airbus to help global airline clients upgrade their fleet while reduce carbon emissions.

Continuous cooperation in existing Boeing fleet
Remain active in Boeing's products
Continue to join hands and explore various opportunities

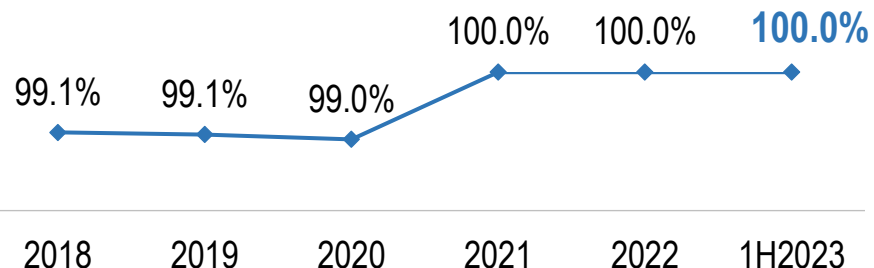
Strengthen cooperation with COMAC across the aviation industry chain to grasp opportunities arose along with growing presence of China-made aircraft in overseas market

Notes: 1. Including 1 A320 series and 1 B737 series aircraft that involving Russian airlines.

2. the commitment to purchase 64 of them shall be novated to DAE in Aug 2023. Please refer to the announcement of the Company dated 14 Aug 2023.

3.3 Steady operations outperforming peers

Best utilization rate¹



Double-digit rental yield and good rent collection

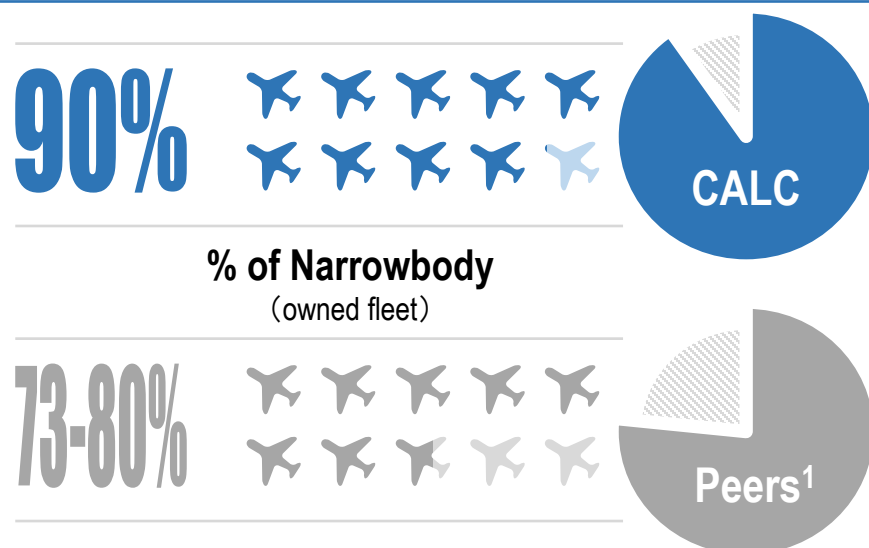
11.8%

Adj. rental yield²

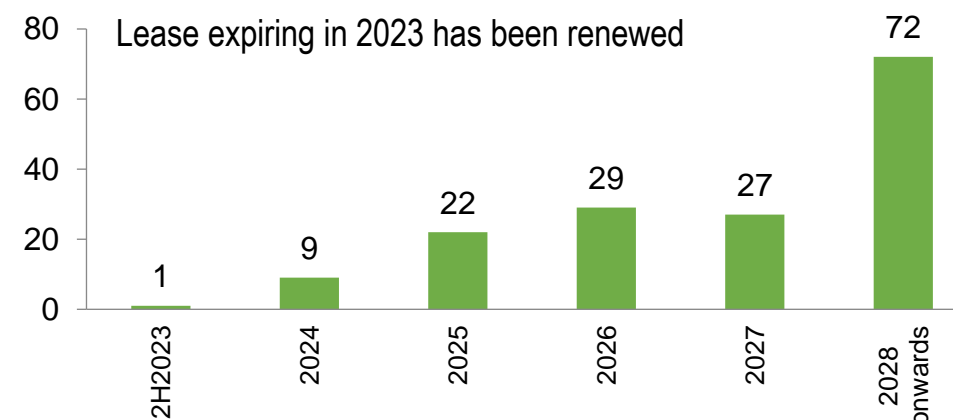
100.6%

Rent collection ratio³

Highly liquid narrowbody-dominant fleet with stable value



Lease expiries



Note: 1. Only includes listed lessors with a fleet of more than 100 aircraft, i.e. Air Lease, AerCap and BOCA.

Note: 2. Adjusted average rental yield is a weighted average calculated as the sum of expected annualized gross lease receipt and government grants divided by the net book value of aircraft

3. represented by the cash received over the amount of invoice billing

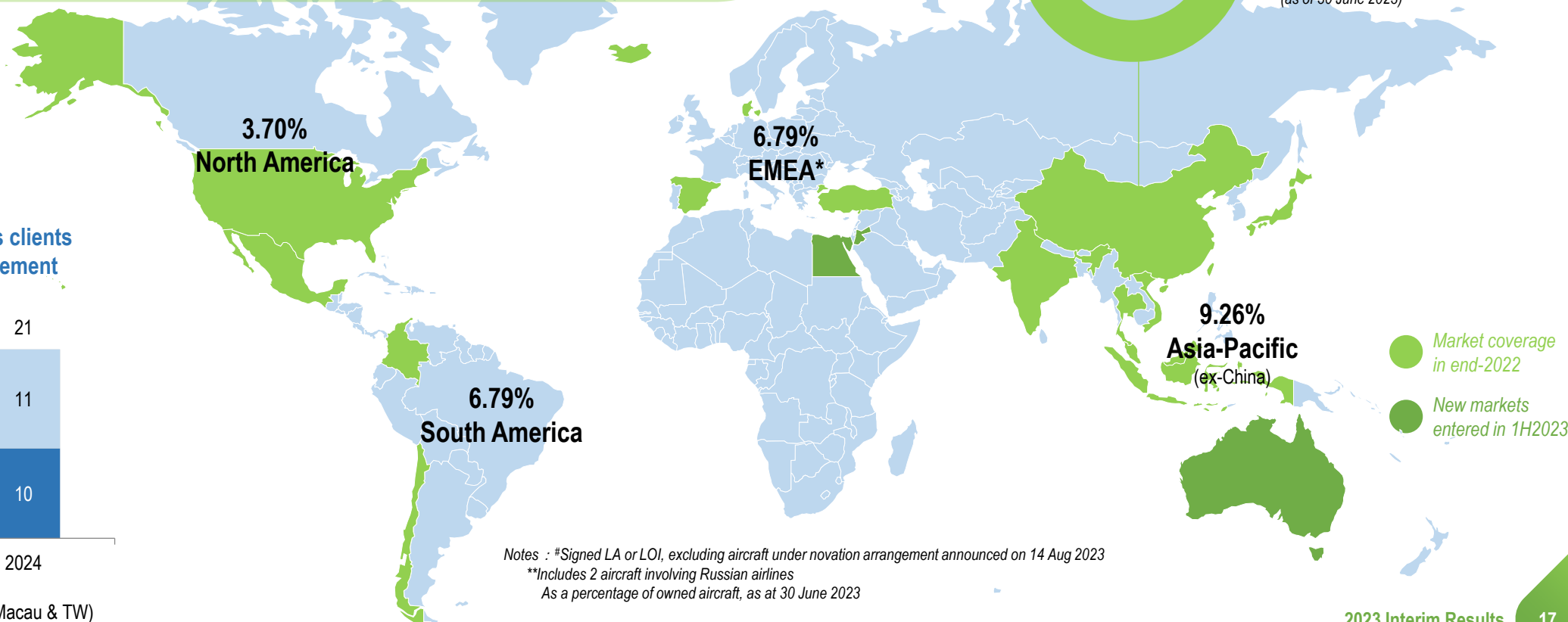
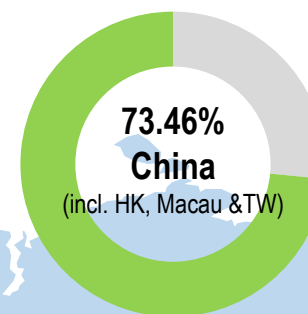
3.4 Global footprint with creditworthy clientele

- China is our home market
- We would continue to actively expand our global footprint with top-tier clients in the future.
- Repossessed aircraft have been remarketed to flag carriers/top-tier airlines such as Royal Jordanian, LATAM, etc.
- Over 60% of the new aircraft scheduled for deliveries in 2H2023 and 2024 have been mandated[#] for lease to flag carriers/top-tier airlines including United Airlines, Frontier, Air India, LATAM, etc.

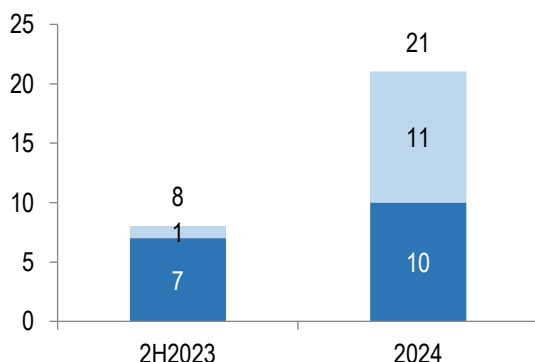
42 airlines

20 countries & regions

(as of 30 June 2023)



Increasing overseas clients in order book placement



■ Overseas ■ China (incl. HK, Macau & TW)

Notes : [#]Signed LA or LOI, excluding aircraft under novation arrangement announced on 14 Aug 2023

^{**}Includes 2 aircraft involving Russian airlines

As a percentage of owned aircraft, as at 30 June 2023

3.5 Proven track record in portfolio trading and management

Active player in portfolio trade

110⁺
aircraft

Total trading number

(Accumulated total since listing)
(as of 30 June 2023)

HK\$ **40⁺**
bn

Total trading volume



Aircraft trading benefits

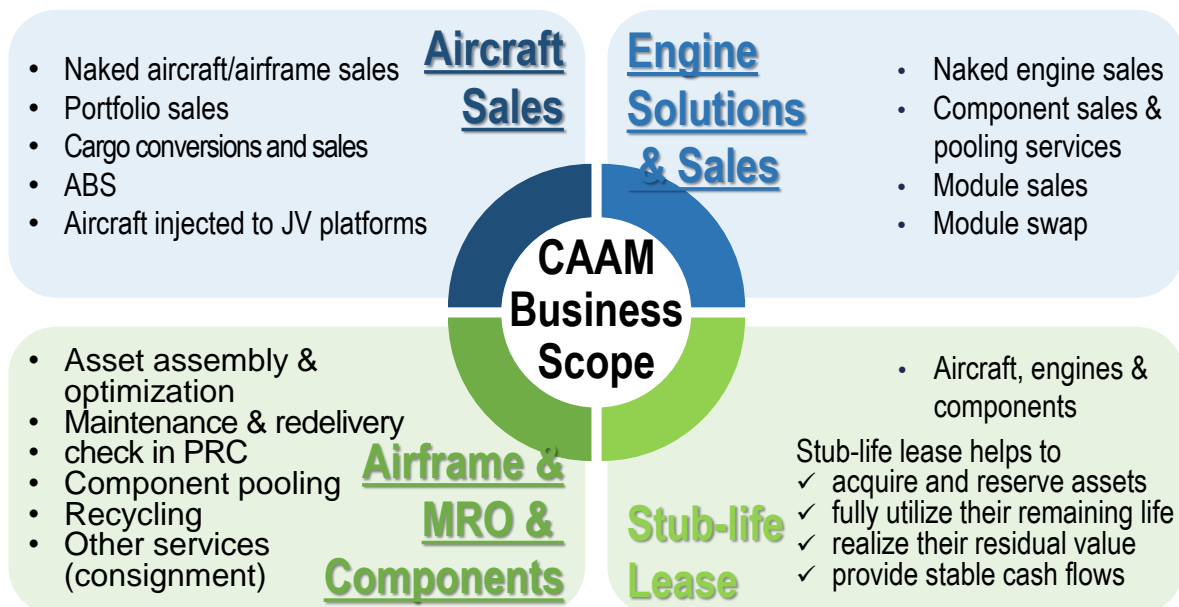
- Provide additional revenue source
- Open up more business opportunities with customers
- Improved capital efficiency, higher ROE and lower leverage
- Optimize fleet portfolio
- Looking forward, we'll tap portfolio trade opportunities where appropriate and steadily enlarge our managed fleet, and strengthen the role of asset managers, building word of mouth and confidence among investors.

Well-recognized aircraft asset manager

Side-car platforms	CAG	Maotai JV	Henan JV	Total
As of 30 June 2023	23	2	2	27

3.6 Associated company CAAM business updates

One-stop old aircraft sustainability solutions provider



Signature deal

CAAM completed the comprehensive solutions in 1H2023 to the 5 old B737NG aircraft acquired from Air China Limited to assist the airline's fleet retirement plan. CAAM successfully maximized the residual value of the assets through a series of complex sustainability solutions including parts swap, P2F conversions, portfolio trading, aircraft disassembly, component repair and sales.

Fully licensed

- Our MRO joint venture FL ARI obtained the base maintenance license by CAAC for 3C-check (36000FH/24000FC/108MO) of A320 series aircraft in June, improving its maintenance and overhaul capabilities further.

Business	PRC licenses	International licenses
Aircraft disassembly	<ul style="list-style-type: none">CCAR-145 aircraft disassembly MRO license (the first aircraft disassembler to obtain this certification)	<ul style="list-style-type: none">FAA's FAR 145 Maintenance ApprovalMember of AFRA
MRO	<ul style="list-style-type: none">CCAR-145-R3 license for 3C-checks of A320 series (A320neo&A320ceo) and base maintenance approval for B737NG series aircraft	<ul style="list-style-type: none">FAA 145 Certified UnitEU EASA Part 145, Part M, Part 21, Part 147 Maintenance Certifications
Component sales	<ul style="list-style-type: none">CAMAC's aircraft component distributor license	<ul style="list-style-type: none">Member of ASAMember of ISTAT

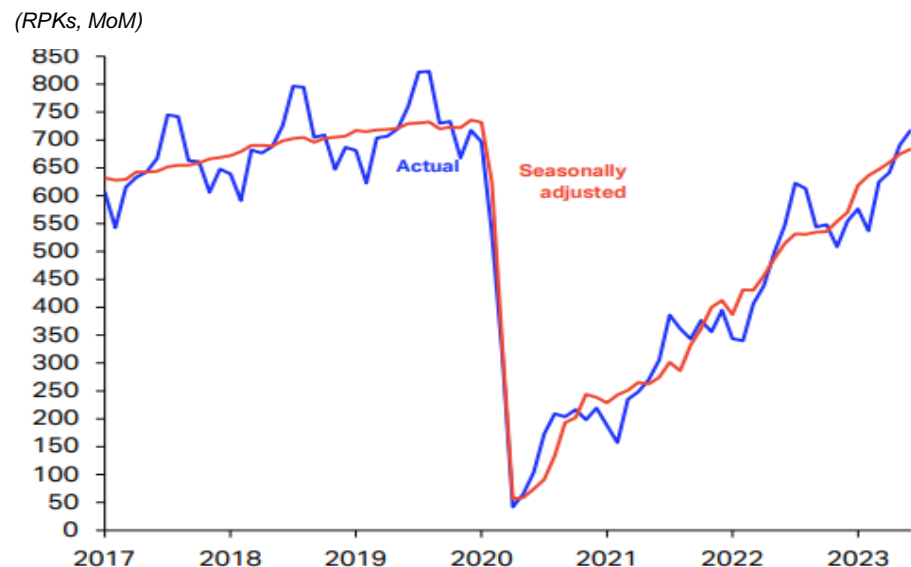


Contents

- 01 / Results Highlights
- 02 / Financial Highlights
- 03 / Operation Highlights
- 04 / Industry Outlook

- In 1H2023, total global air traffic (measured in revenue passenger kilometers or RPKs) increased by **47.2%** yoy. Passenger traffic in June 2023 rose **31.0%** compared to June 2022. Globally, traffic is now at **94.2%** of pre-COVID levels.
- In June 2023, domestic traffic increased by 27.2% YoY, **outpacing pre-COVID levels** with a **5.1%** increase, driven by the robust performance of major domestic markets.
- In 1H2023, Asia Pacific airlines experienced robust recovery, with passenger traffic surged by **125.6%** as compared to 2022 levels.
- According to ICAO, global aviation demand will increase at an average rate of 4.3% per annum over the next 20 years.
- IATA had recently announced an expected strengthening of airline industry profitability in an upgrade of its outlook for 2023, by which the industry's net profits were expected to reach US\$9.8 billion in 2023, more than **DOUBLE** its previous forecast

Recovery in global aviation market demand



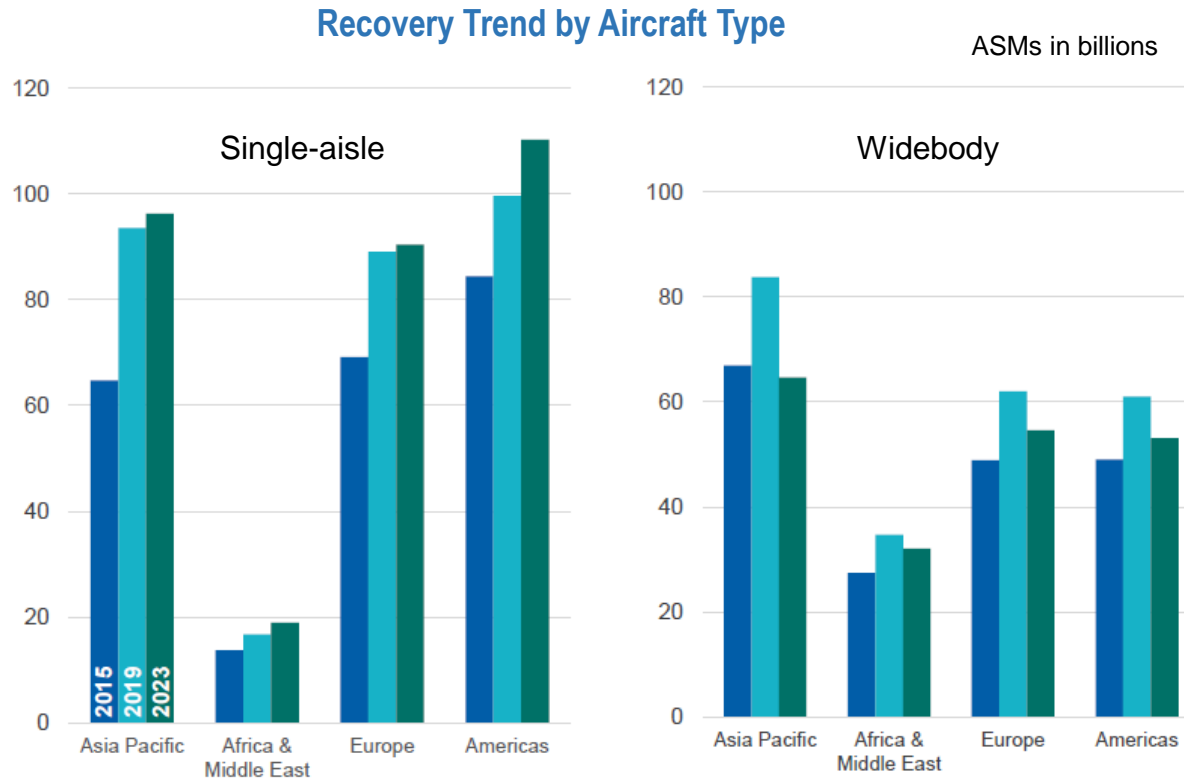
Source: IATA Analysis of Air Transport Market, June 2023

	June 2023 (% yoy)		Jun 2023 (% change vs the same month in 2019)	
	RPK	ASK	RPK	ASK
Total Market	31.0%	28.8%	-5.8%	-5.5%
International	33.7%	31.7%	-11.8%	-13.2%
Domestic	27.2%	24.7%	5.1%	8.7%
Asia Pacific	90.1%	73.3%	-12.4%	-10.4%
Africa	31.8%	40.5%	-9.8%	-6.9%
European	13.0%	11.5%	-4.9%	-5.3%
Latin America	18.7%	17.1%	2.6%	3.6%
Middle East	28.3%	24.5%	-4.5%	-8.1%
North America	12.9%	13.8%	0.6%	0.8%

4.2 Robust demand drives rapid growth in narrowbody aircraft

Single-aisle surpass 2019 level

- Measured in available seat miles (ASMs), single-aisle fleet have fully recovered to above 2019 level while widebody recovery was at 85% of 2019 level.

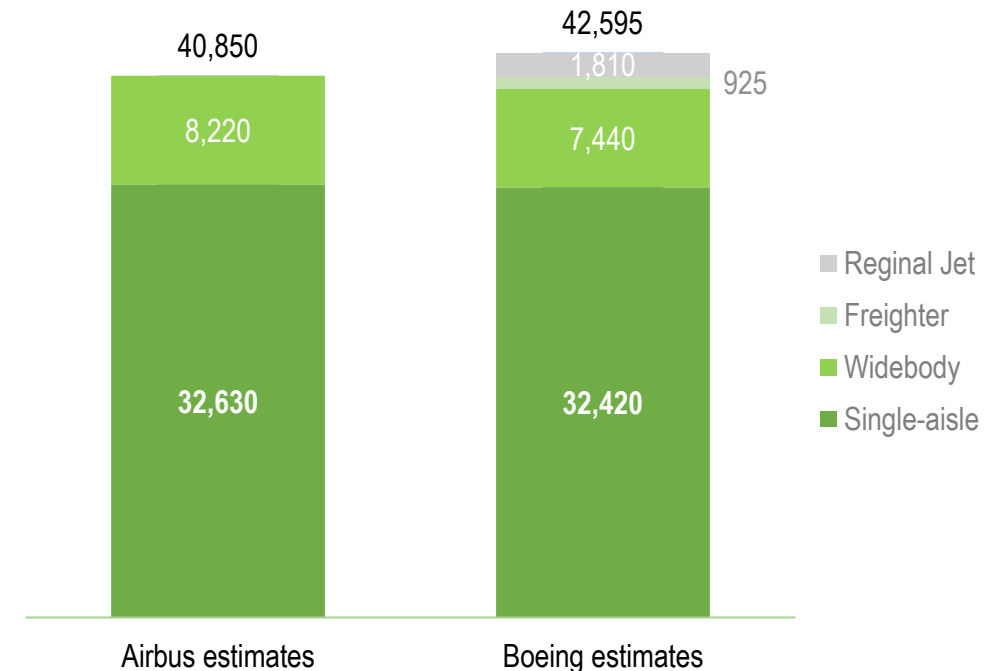


Source: Boeing "Commercial Market Outlook 2023-2042",

Strong upcoming demand for narrowbody

- Airbus predicts in the "Global Market Forecast 2023" that the world will need **32630** new single-aisle aircraft in the next 20 years, accounting for 80% of global new aircraft demand, similar to Boeing's forecasts in "Commercial Market Outlook 2023-2042".

Global demand for new aircraft 2023-2042



Source: Boeing "Commercial Market Outlook 2023-2042", Airbus "Global Market Forecast 2023".

4.3 Aircraft value and lease rate keep trending up

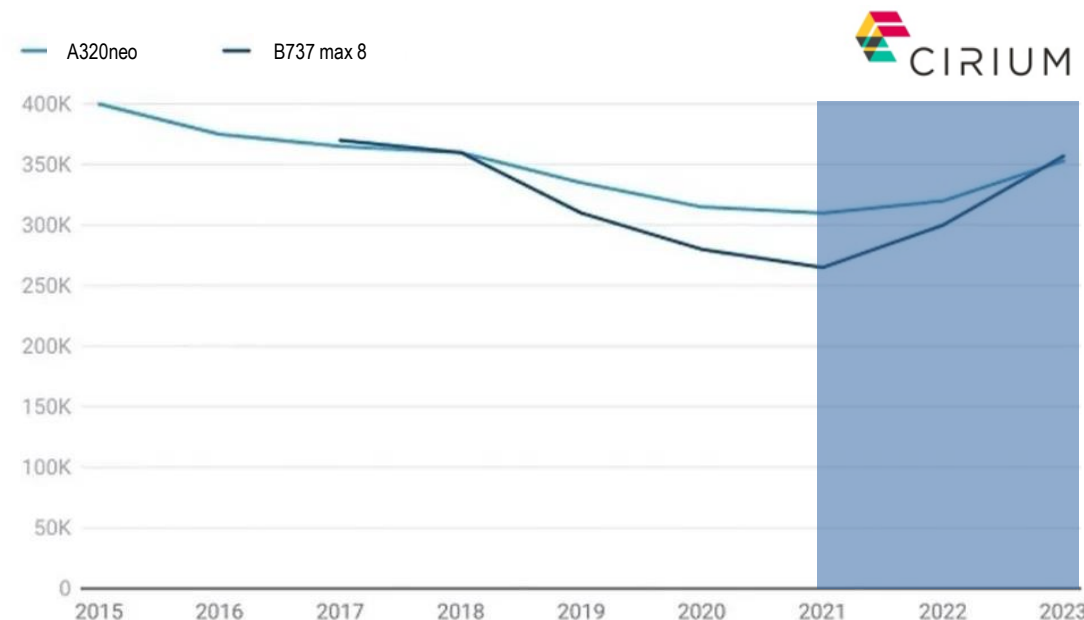
- The rapid growth of air travel amid ongoing supply chain issues, coupled with high inflation and interest rates, had been and is expected to **continue pushing up lease rates**. It is generally expected that the narrow-body shortage would likely persist for a couple of years, contributing to **high market value and lease rates**.
- According to Cirium, the recovery in passenger traffic and constrained supply of new aircraft seemed to shift pricing power from airlines to lessors.

Fleet weighted average market to base value ratio (Passenger)



Source: Cirium.

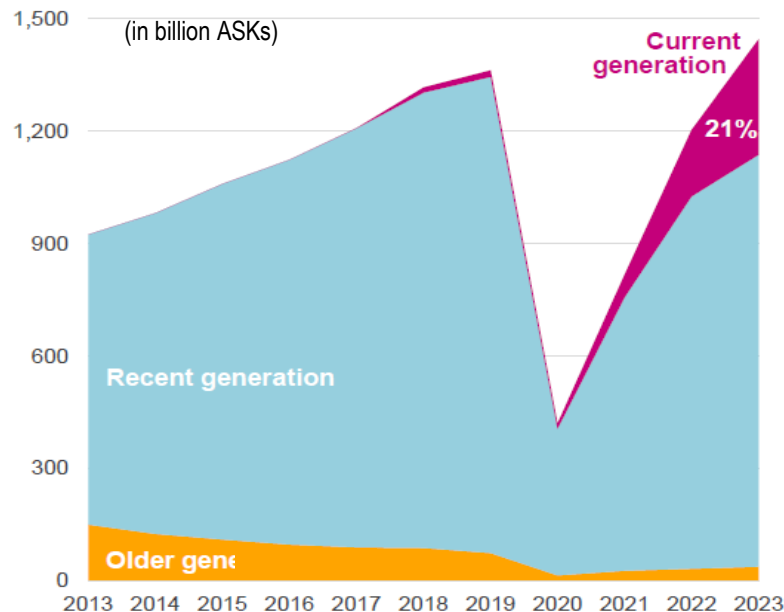
Monthly rent change for new generation narrowbody (in US\$)



4.4 Upcoming substantial fleet retirement and replacement

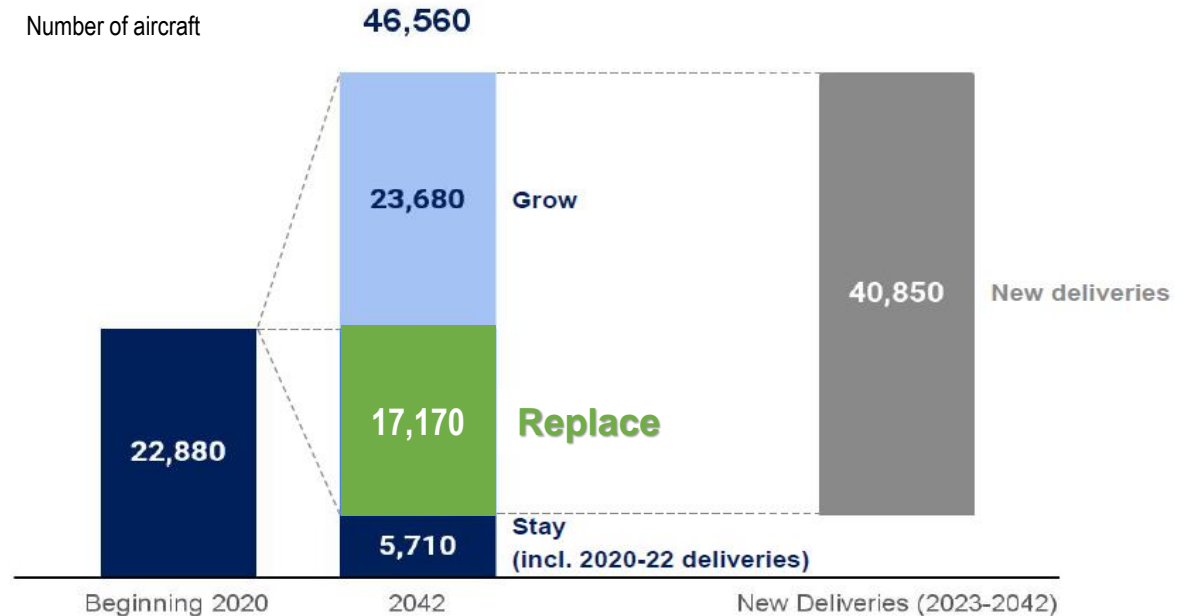
- Oliver Wyman previously suggested the average age of commercial aircraft would decline dramatically over the next decade as airlines renew their fleets with more fuel-efficient models, which would drive average annual retirements to increase **20-25%** compared to the previous decade.
- Airbus and Boeing also predicted around **17000-21000** aircraft to be retired and replaced by new aircraft in the next 20 years.
- Global trend of green aviation has urged airlines to upgrade their fleet to **the latest, most efficient and lowest-emission aircraft**.
- Airbus and Boeing both predicted global fleet size would almost double in the next 20 years, half of the new deliveries would replace retired fleet. According to Airbus GMF 2023, only **25%** of global in-service fleet were new generation aircraft. Boeing CMO suggested more obvious need of modernization in single-aisle fleet with only **21%** of them were the latest generation (Boeing used the term “current generation”) aircraft though the renewal seemed gaining momentum.

Global scheduled single-aisle capacity



Source: Boeing "Commercial Market Outlook 2023-2042".

Huge demand for replacement in global fleet between 2023 and 2042

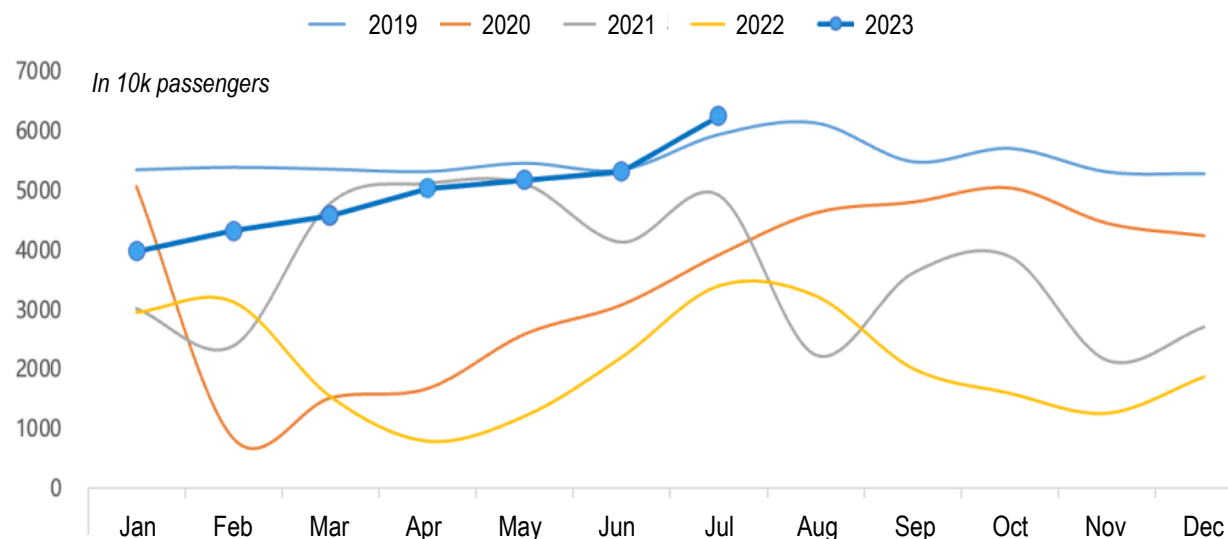


Source: Airbus "Global Market Forecast 2023".

4.5 Air traffic speed up pace of recovery in China YTD

- CAAC data showed that in 1H2023, total air transport turnover, passenger number, cargo and mail volume reached 53.13 billion ton-kilometers, 284 million persons, 3.276 million tons, respectively, representing 84.6%, 88.2%, and 93.1% of their corresponding 2019 levels. Industry performance had in general **returned to the level of the same period in 2019**.
- Robust demand in summer season started from July had driven continuous growth in aviation sector with a total transport turnover of 11.37 billion ton-kilometers, a 67.1% increase yoy, **exceeding pre-pandemic level for the first time** after 8-consecutive-month growth. The passenger volume reached 62.428 million, an 83.7% increase yoy, and up 5.3% compared to the same month in 2019, which was also **a historical monthly record high**.
- Domestic flights carried 59.075 million passengers, an increase of 16.8% compared to the previous month and 74.6% yoy, surpassing its 2019 level by 12.1%. The international flights was on the way of recovery, with a total passenger volume of 3.353 million, a month-on-month increase of 32.6%.

2019-2023 monthly air passenger volume



Source: CAAC, DAST.

Recovery of international routes expected to speed up

138 ⁺⁷⁸
countries

**Outbound group tour
destinations from China**

24 ^{~ Doubled}
flights/week

**Chinese passenger
flights allowed to US**

- China on 10 Aug announced a third round of resumption of outbound group tour services to countries and regions including the US, Japan, South Korea, Australia, India and most European countries, expanding the scope from 60 to 138 countries and regions.
- On 11 Aug, the U.S. Transportation Department said it would will increase the number of Chinese passenger flights allowed to fly to the U.S. to 18 weekly round-trips on Sept. 1 and increase that to 24 per week starting Oct. 29 , up from the current 12.

4.6 China to be the world's largest aviation market with policy support

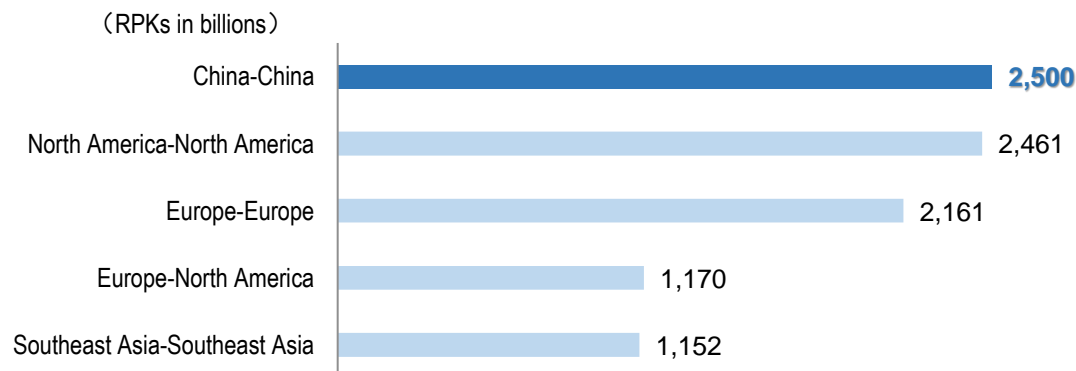
The 14th Five-Year Plan for Civil Aviation: Year 2023-2025 would be a “growth and release” period

- During the 14th Five-Year Plan period, total transport turnover and passenger numbers handled were expected to grow at an average annual rate of **17%**, reaching 175bn ton-kilometres and 930mn by 2025, respectively. Major targets include the strategic goal of China becoming a multi-field civil aviation power with world-leading airlines instead of only a air traffic leader.

Domestic PRC to have the world's largest traffic flow

- Both Airbus and Boeing predict that the world's largest traffic flow in the years from 2019 to 2042 will be in domestic PRC market, with CAGR of **5%**. By 2042, trips per capita in China would increase from 0.5 in 2019 to **1.7**.

Top 5 traffic flows in 2042

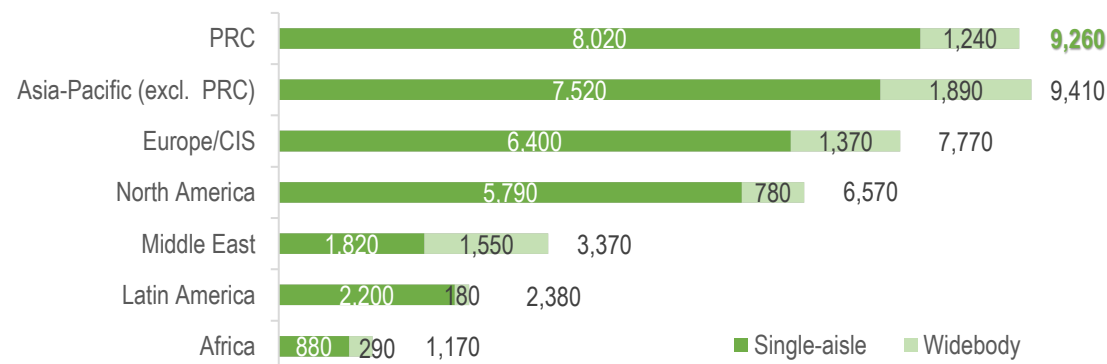


Source: Boeing "Commercial Market Outlook 2023-2042",

Huge demand for passenger aircraft and freighters expected along with the rapid growth of China's civil aviation

- China's 14th Five-Year Plan for Civil Aviation showed that its fleet size was expected to reach 5125 aircraft by 2025. It would need over **1700** new aircraft during the five-year period including 1300 for growth. Of these, around half or **850** would be leased fleet.
- Airbus predicted that **9,260** new passenger aircraft would be delivered to the PRC market in the next 20 years, accounting for 23% of global new deliveries of passenger aircraft between 2023 and 2042, marking **China the single largest country for new deliveries**.
- With fast growth in e-commerce and logistics, growth and replacement in freighters in China would reach 660 units, of which **180** from new-built and the rest **480** from conversion, with the latter accounts for over **30%** of global freighter conversions.

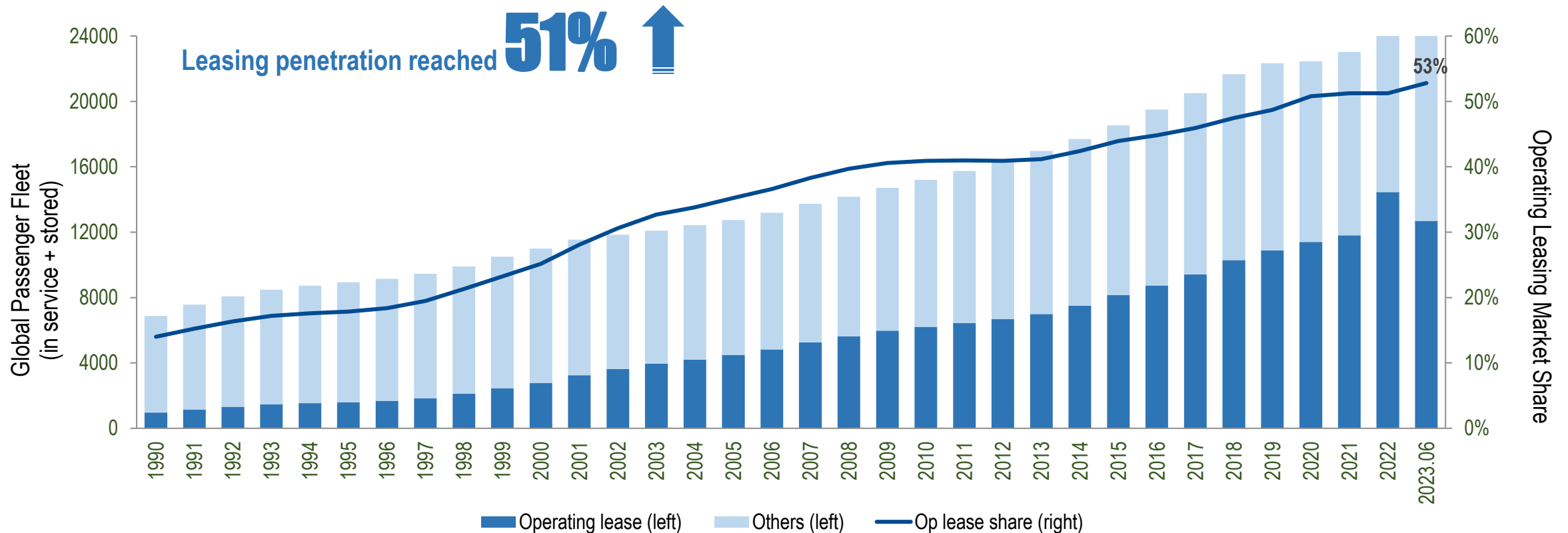
China will be the single largest country for new aircraft deliveries



Source: Airbus "Global Market Forecast 2023".

4.7 Lessors gaining power with growing market share

- Leasing penetration rate had continued to rise over the past years, and further pushed up to over 50% during the outbreak of Covid-19, manifesting the growing power of lessors in aviation industry.
- Report from FORTUNE BUSINESS INSIGHTS shows that the global aircraft leasing market is projected to grow from \$172.9 billion in 2023 to \$317.5 billion by 2030, exhibiting a CAGR of 9.07% during the forecast period.



Source: Cirium Fleet Analyzer, based on analysis of passenger aircraft with more than 100 seats (Seats number>100, Primary usage: Passenger).



THANKS

【Disclaimer】

This document may contain "forward-looking statements", including, but not limited to, statements regarding strategic initiatives and execution statements relating to the Company's future business development and economic performance.

While these forward-looking statements represent only our judgment and expectations for future business development, readers should note that numerous risks, uncertainties and other statutory requirements could cause actual developments and results to differ materially from expectations.

These factors include, but are not limited to: (1) general market, macroeconomic, governmental and regulatory trends, (2) fluctuations in local and international securities markets, exchange rates and interest rates, (3) market competition pressures, (4) technological developments, (5) changes in the financial condition or credit profiles of our customers, creditors and peers as well as developments in the markets in which they operate, (6) legislative developments, (7) changes in management and business structure and (8) other key factors that may adversely affect our business and financial model.

We undertake no obligation (and expressly disclaim no such obligation) to update or change our forward-looking statements as a result of new information, future events or other cases. This document may not be reproduced, distributed or transmitted to any other person or incorporated in any way into another document or material without our prior written consent.

This document does not constitute:

- (I) a proposal to sell securities in Hong Kong or any other territory; or
- (II) invite any person to enter into an agreement to buy, sell, subscribe or underwrite securities; or issue of any securities.

This document (and the information contained therein) may not be published or distributed to any person unless authorized by CALC.