CALC ANNOUNCES 2015 INTERIM RESULTS

News / Finance

China Aircraft Leasing Group Holdings Limited (“CALC” or the “Company”, stock code: 01848.HK), the largest independent operating aircraft lessor in China, today announced strong financial and operating results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2015.

FINANCIAL HIGHLIGHTS

The Group’s revenue and other income in the reporting period amounted to HK$635.7 million (six months ended 30 June 2014: HK$432.4), representing an increase of 47.0%. Profit before income tax was up by 82.9% to HK$157.8 million (six months ended 30 June 2014: HK$86.3 million). Profit attributable to owners of the Company surged by 85.8% to HK$116.7 million (six months ended 30 June 2014: HK$62.8 million). Basic earnings per share increased by 47.8% yoy to HK$0.198 (six months ended 30 June 2014: HK$0.134).

The Board declared the payment of an interim dividend of HK$0.04 per share in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: Nil)

Commenting on the Group’s business development in the first half of 2015, Mr. Chen Shuang,

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Chairman and Chief Executive Officer of CALC said, “CALC managed to capture multiple opportunities along the aircraft value chain arising from the rapid growth of aviation industry thanks to our international, experienced and dedicated team. In line with the Group’s mission to realise a globalised business strategy, the first half of 2015 was marked by several major milestones and breakthroughs, including our 50th aircraft delivery and the expansion of our footprints from Asia to Europe and advancing our innovations in the financing model.”

“Our aircraft disassembly project has been progressing well that we successfully won the land auction for an approximately 300,000 square meter plot and commenced construction. Once completed, the Group’s aircraft disassembly center located at Harbin will meet the need in the industry that is as yet unfulfilled, and further consolidate our position as a full value-chain aircraft solutions provider. By answering the strong demand for the disposal of aged aircraft, we grow ever closer to realising our long-term vision of extending China’s aviation value chain, aiding in the development of the country’s aviation industry while consolidating our leadership position on a global scale.”

INTERIM BUSINESS REVIEW

Marked 50-aircraft milestone and expanded into European market

For the six months ended 30 June 2015, the Group delivered six aircraft (six months ended 30 June 2014: nine aircraft), successfully crossing the 50-aircraft mark in the last half year. While aircraft deliveries occur mainly in the second half of the year, the Group expects annual delivery of 19 aircraft in 2015, on par with that of 2014. As of 25 August 2015, the Group is managing 52 current generation aircraft, with an average age of 2.8 years (excluding four used aircraft acquired in 2014). It has an aggressive fleet expansion plan to grow its fleet size to 168 aircraft by 2022.

Since the collaboration with its first overseas client Air India, the Group signed four Airbus aircraft lease agreements with Air Macau in May 2015. The momentum carried into June, when it signed a Letter of Intent to lease two A320 aircraft to Pegasus Airlines, its first European client and the fastest growing airline in Turkey, marking the beginning of European foray of China’s largest independent lessor.

Secured financing through various channels

As China’s pioneer in aircraft financing, the Group introduced and completed one of the first realisation of lease receivables of the nation, a financing channel that demonstrates its innovation in business and financing, while facilitating its capital flow. In the first half of 2015, the Group started its work for the realisation of some of its aircraft lease receivables, and expects to complete those transactions by the end of 2015 in parallel with its negotiations for further contracts. In March 2015, the lessor signed a framework agreement with the Bank of Communications Company Limited regarding the securitisation and debenture issuance for 20 aircraft.

The Group also made strategic moves to secure financing through other channels throughout the first half of 2015, included obtaining its first endorsement for the five A320 aircraft being delivered to Air India this year from the European Export Credit Agencies; placement of HK$892.2 million convertible bonds to three renowned asset managers: China Everbright Financial Investments Limited, Huarong (HK) International Holdings Limited and Great Wall Pan Asia International Investment Co., Limited; and gaining an intent line of credit by the Shanghai Branch of the China Construction Bank for RMB4.4 billion. Besides, the Group’s wholly-owned subsidiary, China Asset Leasing Company Limited, has become the first aircraft lessor to obtain approval for note issuance in China. The RMB340 million medium-term notes with an AA credit rating from China Cheng Xin International Credit Rating Co. Ltd. (CCXI) were successfully issued in mid-July.

OUTLOOK

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Develop China' first aircraft disassembly center into a premier global disassembly base
In the first half of 2015, key developments took us closer to the realisation of the Group's proposed aircraft disassembly center, which will be the first of its kind in China. Since reaching an agreement with the Harbin Municipal Government for the establishment of its disassembly facilities, the Group won via auction for an approximately 300,000 square meter plot of land in south of the Harbin Taiping International Airport in the Harbin Airport Economic Zone in July 2015, allowing work to formally commence. The next decade will see the implementation of our three-step strategy to progressively develop the aircraft disassembly center into a premier global disassembly base. The first phase of the project is expected to reach completion in 2018, with a target annual capacity for handling 20 aircraft. The ultimate goal is to equip the site to handle over 100 aircraft per annum.

Increase overseas market share while consolidating leadership position in the Chinese markets
Banking on the wealth of opportunities presented by the growing markets, the Group's strategy includes plans to diversify its client base and increase its overseas market share in line with its business blueprint, as well as the active consolidation of its leadership position in the Chinese markets. Attesting to the Group's ability to retain existing clients, agreements were reached in July with its long-time partner China Eastern Airline Corporation Limited for the lease of six additional A320 aircraft, cementing the already strong relationship.

Establishment of a China Aircraft Global Fund
Institutional investors are showing strong appetites for aircraft asset exposure in 2015. The Group is also exploring the possibility of establishing a China Aircraft Global Fund, which will serve as a new platform for its global aircraft leasing business.

The Group foresees minimal impact on the Group's business from the depreciation of the RMB against the US dollar. The majority of the Group's leases are payable in US dollars and matched with US dollar aircraft loans. Only four leases are payable in RMB, and these are matched with RMB denominated aircraft loans, eliminating the risk of currency mismatch. Moreover, the depreciation of the RMB may delay the rise of US interest rates, which will in fact be favourable to the Group.

Mr. Chen Shuang added, "Aircraft lease receivables realisation is an integral part of our business model. CALCwill also continue to actively seek new investors to diversify our financing channels, with a long-term plan to develop our aircraft leasing business into a new asset management model. With our position as 'a full value-chain aircraft solutions provider', we believe we have the right team and unique business model to drive sustainable growth of the Group's business and generate superior returns for our shareholders."

25 AUGUST 2015

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https://ids.50skyshades.com/news/finance/calc-announces-2015-interim-results

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