

AVATION PLC
(“Avation” or “the Company”)

TRADING UPDATE

Avation PLC (LSE: AVAP) provides the following trading update as of 30 June 2023.

Market

Avation expects lease revenue for the year-ended 30 June 2023 to be approximately US\$90 million.

The market for air travel has continued to recover strongly with overall air passenger traffic at over 90% of pre-COVID levels according to IATA's latest air passenger market analysis report. Domestic air travel, a key market segment for Avation, exceeded pre-COVID levels for the first time in April 2023 with international travel growth also showing strong momentum.

Aircraft market values, which dipped during the COVID pandemic period, have also largely recovered with narrowbody aircraft market values increasing in early 2023 in response to rising travel demand in domestic and regional markets and limited production rates for new aircraft.

Fleet

During the six months ended 30 June 2023 Avation completed the sale of a Boeing 737-800 aircraft and transitioned an ATR 72-600 aircraft to a new airline customer in the Pacific region.

As of 30 June 2023, Avation's commercial aircraft fleet comprises 36 aircraft. Avation's fleet is leased to 17 commercial airlines in 14 countries. Avation has two firm orders for ATR 72-600 aircraft scheduled for delivery in April and May 2024 and holds a further 28 long-term purchase rights for ATR 72 aircraft. Avation's 28 purchase rights can be converted to firm orders for ATR aircraft to be delivered prior to 30 June 2027.

The weighted average age of the aircraft fleet on 30 June 2023, was 6.4 years, the weighted average remaining lease term was 5.0 years and the total future minimum lease payments receivable under non-cancellable leases was approximately US\$492 million (unaudited).

Avation is in the process of completing the sale of an unutilised ATR 72-600 aircraft. The sale of this aircraft is expected to complete in early July.

The Company has also entered into a lease agreement commencing August 2023 for another unutilised ATR 72-600 aircraft with an airline based in the Pacific region.

Following the sale and lease commencement noted above Avation's fleet will be fully utilised for the first time since early 2020.

Hedging

Since 31 December 2019 Avation has reduced its loans and borrowings by US\$331.0 million and now has US\$800.5 million outstanding loans and borrowings. The total includes \$455.2 million secured bank loans and US\$345.2 million unsecured 8.25% Notes due 2026. The average interest rate on Avation's loans and borrowings at 30 June 2023 was 6.13% (unaudited).

Avation hedges exposure to floating interest rates on its portfolio of loans and borrowings.

At 30 June 2023 46.3% of secured bank loans and 100.0% of unsecured notes are at fixed interest rates. Avation has entered into interest rate swap agreements with a total principal value representing 49.1% of secured bank loans and has entered into floating rate leases which effectively hedge interest rate exposure on 4.4% of secured bank loans. The remaining 0.2% of bank loans are unhedged but the Company plans to repay these loans in full shortly.

Liquidity

As of 30 June 2023, Avation had total cash and bank balances (including restricted cash) of US\$118.0 million (unaudited). The Company currently has US\$83.6 million of cash and bank balances on deposit at an average interest rate of 5.16%.

The collection rate of cash compared with contracted revenues for the year ended 30 June 2023 was 93% (unaudited) compared to 91% in the year ended 30 June 2022.

Trade receivables include a material amount of rent and other arrears due from an airline customer in Southeast Asia. The Company is actively engaged with airline customers who are materially in arrears, including discussion of payment plans. Whilst the Company believes all its customers will satisfy their obligations there is no guarantee the Company will recover all balances due. The Company will review its provisioning against such trade receivables ahead of its full year results announcement.

Sustainability

The Company's two ATR 72-600 aircraft on order from the manufacturer will feature the new Pratt and Whitney Canada PW127XT engine which is expected to have 20% lower maintenance costs, extended time on wing, 3% lower fuel consumption and 5% more power compared with the existing engine variant. The manufacturer expects that the PW127XT engine will be certified to operate with 100% Sustainable Aviation Fuel ("SAF") from 2025. When using SAF net emissions of CO₂ will be reduced by approximately 80%. The Company's 28 long-term purchase rights for ATR 72 aircraft, if exercised, will also feature the PW127XT engine.

The Company intends to follow Task Force on Climate Related Financial Disclosures recommended disclosures on Climate Change Risk in its annual report for the year-ended 30 June 2023.

Results Release

The Company expects to release its full year results around 28 September 2023 with an investor call to be held on the day of release of results. The specific details of the results release and investor call will be provided closer to the date.

Executive Chairman, Jeff Chatfield, said:

Since inception in 2006, Avation has purchased 73 aircraft, investing over US\$1.9billion, transitioned 13 aircraft between lessees and repossessed 19 aircraft, principally during the COVID pandemic. We have proven and demonstrated our internal capabilities as a lessor handling aircraft during the pandemic. Our capabilities are based on the strength of our human resources within our commercial, technical, legal and finance teams. We believe we have emerged from the COVID pandemic more focussed and competent than before.

-ENDS-

Enquiries:

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Avation welcomes shareholder questions and comments and advises the email address is:
investor@avation.net

Notes to Editors:

Avation PLC is an aircraft leasing company, headquartered in Singapore, owning and managing a fleet of commercial passenger aircraft which it leases to airlines around the world. More information on Avation is available at www.avation.net.