

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

**CHAIRMAN’S AGM ADDRESS**

Avation PLC (LSE: AVAP), the commercial passenger aircraft leasing company advises that the Annual General Meeting being held today in Singapore includes the following Chairman’s address. The purpose of this statement is to provide investors with an update on current operations for the half-year financial period commencing 1 July 2021.

**Fleet Update**

As at 1 December 2021, Avation’s fleet totals 42 aircraft. Included in this number are:

- three ex-Virgin Australia ATR72-600 aircraft that are subject to a sale agreement with Aegean Airlines (announced November 2021);
- three unutilised ex-Virgin Australia ATR72 aircraft that may be leased or sold.

Excluding the aircraft subject to sale agreements the average age of the fleet is 5.1 years and the average remaining lease term is 6.3 years. Avation’s customers include 17 airlines in 13 countries.

The Company confirms that it is concluding the transition of an Airbus A320 from Air France to a new client in the coming days and that it expects to take re-delivery of a Boeing 737-800 from Garuda Indonesia in the coming weeks. This aircraft may be sold or leased depending on market demand. Avation is also remarketing two ATR72-600 aircraft that are at the end of lease from Loganair. Avation advises that the next aircraft scheduled to come off lease is not until March 2023.

Avation’s airline customers continue to return to service. In the past few months, all major airline customers have increased utilisation of aircraft with many flying at close to pre-COVID levels.

Return to Fleet Growth in 2022

In order to facilitate a return to fleet growth, Avation has two ATR72-600 aircraft on order for delivery into the fleet in 2022. With clear signs that airlines are looking to increase capacity as the travel restrictions associated with COVID-19 are removed Avation has, for the first time since the pandemic, begun responding to requests for proposals to finance new aircraft and also re-initiated the search for opportunistic aircraft acquisitions from airlines and other lessors.

**Operational Update**

At the outset of the COVID-19 pandemic, Avation instituted a programme of support for its airline customers by agreeing to defer payment of a portion of their rent in the short-term. The cashflow impact of this support programme has been mitigated by adjusting the amortisation profiles of related financings with the agreement of lenders. Avation provided support to 14 airline customers.

As at today’s date, 14 of 17 airline customers are being charged normal monthly rental levels.

Debtor collection has been challenging during the pandemic due to the severe disruption to airline cashflows and Avation has had to monitor and work closely with airlines to ensure operational cashflow is maintained.

## Airline Customers subject to Restructuring or Insolvency

### Virgin Australia

Avation's claim against Virgin Australia has been adjudicated by the Trustee of the Creditors Trust in the sum of AUD101.4 million. The Administrator advised in December 2020 of an expected pay-out of 9.5-13 cents on the dollar for unsecured claims. In November 2021 the Trustee of the Creditors Trust advised that unsecured claims in respect of Virgin Australia had increased from initial estimates provided by the Administrator by AUD1.7 billion to AUD5.8 billion in total. Avation expects that this increase in claims will lower the pay-out to creditors from the estimate provided by the Administrator.

The Company believes that around 45% of its claim should take priority over unsecured claims and is participating in group litigation in order for its priority claims to be recognised. A decision is expected in March 2022.

Avation has three unutilised ATR aircraft which were previously on lease to Virgin Australia, having re-positioned or sold ten of the thirteen aircraft that were returned. Avation is discussing opportunities for these aircraft with a number of interested parties.

### Philippine Airlines

On 6 September 2021, Avation announced that Philippine Airlines ("**PAL**") had filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in order to complete a prearranged restructuring process. Avation and PAL have agreed terms for PAL to retain the use of a Boeing 777-300ER aircraft on lease from Avation. The restructuring appears to be progressing on track with support from creditors.

Avation has commenced collecting rent on the aircraft for the first time since early 2020. Under the restructuring, Avation will also be entitled to receive payments relating to utilisation since 1 September 2020 on a power by the hour basis along with a promissory note for a portion of rent outstanding for the period prior to 1 September 2020. In March 2022 the aircraft will return to a fixed monthly rent.

### Garuda Indonesia

It is anticipated that Garuda Indonesia will enter some form of restructuring or insolvency in the near future. In anticipation of this, the Company has entered into a termination agreement with Garuda Indonesia with regard to the lease for one Boeing 737-800, pursuant to which the aircraft is expected to be returned in the coming weeks. The aircraft is unencumbered and will be re-marketed for sale or lease following its return.

## **Finance Update**

### Cashflow

Cashflow from operations continues to improve as the return to normal trading conditions continues as countries open air travel to vaccinated travellers. Avation's largest five customers, which make up almost 70% of monthly revenue, are either current or in compliance with repayment plans.

Cash inflows for the remainder of the financial year are expected to be boosted through the settlement of aircraft sales, collections from insolvency proceedings/restructuring related to Virgin Australia and Philippine Airlines and from collections of outstanding amounts related to rent deferral arrangements and the increase in receivables as a result of COVID-19.

### Secured Debt

Avation confirms that it is current with all payments to secured lenders. The Company advises that as at today's date it is either in compliance with or has received temporary waivers in respect of all financial covenants in place with secured lenders.

The Company has recently been in contact with secured lenders to determine the appetite for secured lending against aircraft. Lenders have advised that they are amenable or expect

to return to lending against the type of young popular aircraft that Avation's strategy focuses upon in the near term.

Avation has three aircraft financed by a warehouse facility, which matures in August 2022 and is a current liability. These aircraft are on long-term leases and it is the intention of the Company to re-finance these assets with long-term amortising debt facilities that match the lease duration of the aircraft.

## **Outlook**

Avation and the airline industry are emerging from the COVID-19 pandemic and returning to normal operations. In the coming months aircraft sales, collections of receivables from customers and the insolvency proceedings of Virgin Australia and PAL in addition to cashflow from operations should provide Avation with sufficient cash to support a return to fleet growth in 2022. Other than the two ATR aircraft on order for delivery in 2022 Avation will consider aircraft sale and leaseback opportunities or opportunistic purchases from lessors or airlines.

Avation will also consider applying cash to de-lever the balance sheet with a specific focus on the outstanding Avation Capital S.A. Senior Notes ("Notes") due October 2026. Any repurchase of Notes improves future profitability, lowers the cost of the debt, lowers future cash interest payments and will support the long-term refinancing of the Notes. Avation does not provide guidance as to the value of any future repurchases or the split between applying cash to fleet growth and de-leveraging which will be driven by market conditions at the relevant time.

Avation is optimistic about the long-term opportunity for air travel particularly the turbo-prop and narrow-body aircraft sectors. The Company intends to position itself for a return to growth through opportunistic purchases and delivery of its orderbook in a post-pandemic environment.

– ENDS –

## **Enquiries**

Avation PLC – Jeff Chatfield, Executive Chairman

+65 6252 2077

Avation welcomes shareholder questions and comments and advises the email address is: [investor@avation.net](mailto: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](http://www.avation.net).