

10th February 2021

(ASX: AQZ)

ASX RELEASE - Alliance Aviation Services Limited (“Alliance”)

RECORD HALF YEAR FINANCIAL PERFORMANCE

Key Half Year Highlights

- Statutory profit before tax - \$33.6 million, up \$18.1 million or 116.8%;
- Underlying profit before tax - \$26.7 million, up \$11.2 million or 72.3%;
- Operating cash flow for the half year - \$47.5 million, up \$32.9 million or 225.3%;
- Total revenue - \$154.8 million¹, up \$3.5 million or 2.3%;
- Net debt \$6.8 million and leverage ratio of 0.53; and
- Alliance retains a positive outlook for the 2021 financial year and growth in the 2022 financial year and beyond as the additional aircraft are deployed.

Record Result

Alliance has today announced a record half year statutory profit before tax (PBT) of \$33.6 million with an underlying PBT of \$26.7 million, in line with the guidance provided on 3 December 2020. This is an increase of 116.8% and 72.3% respectively when compared to the prior comparative period (“PCP”). Statutory net profit after tax (NPAT) also increased by 119.7% to \$23.4 million.

Alliance’s Managing Director, Scott McMillan, stated, “Alliance has achieved a significant number of milestones over the course of the first half of the 2021 financial year. The robustness of our business model, the commitment of our staff and the relationships we have with our clients ensures Alliance will continue to grow the business in future years.”

Results Overview

Alliance’s financial performance continues to improve half on half as set out below:

Metric	1H20	2H20	1H21
Revenue from operations	\$151.3m	\$147.3m	\$153.3m ¹
EBITDA	\$34.2m	\$44.4m	\$52.9m
PBT	\$15.6m	\$25.1m	\$33.6m
Aircraft in Service	40	42	43

¹ Contract and charter client contracts contain a cost pass through mechanism for movements in fuel pricing which impacts on the quantum of revenue recognised as well as fuel expensed. The average fuel price across Alliance’s five main ports decreased by 34% in the first half of the financial year when compared to the prior year comparative. In the half year this has had a significant effect on the reported revenue and direct costs but not on profitability.

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The increase in total revenue in the half year was driven by growth in contract and charter revenues of 11.6% and 176.6% respectively. These increases more than offset wet lease and RPT revenues decreasing by 96.6% and 24.4% when compared to the PCP.

Operating cash flow for the half year was \$47.5 million, an increase of 225.3% or \$32.9 million when compared to PCP. This reflects increasing profitability, a change in revenue mix, a focus on cost reduction and the receipt of \$6.9 million of government rebates during the period.

Cash out flows for investing activities were \$101.4 million for the half year (1HFY2020: \$19.9 million) and included Fokker fleet sustaining and growth capital expenditure of \$13.2 million, and \$0.7 million respectively, \$80.8 million for the settlement of 10 E190 aircraft (and associated maintenance and spares costs) plus settlement of Unity Aviation Maintenance Pty Ltd.

Operational Overview

Flight Hour Type	1H20	2H20	1H21
Contract	11,240	12,493	13,106
Charter	931	1,522	3,065
Wet Lease	4,547	1,750	149
RPT	2,634	1,978	2,567
Other	358	167	180
Total	19,710	17,910	19,067

The increase in total hours is as a result of the significant market shift by clients now using contracted and charter services on a permanent basis. Total hours were up, despite the 91% decrease in wet lease hours due to the suspension of flying for Virgin Australia. This wet lease flying for Virgin Australia resumed in November 2020 on a small scale between Brisbane and Emerald.

Outlook

Alliance retains a positive outlook for the 2021 financial year with growth forecast for FY2022 and beyond based on:

- Additional capacity available for our existing contract and charter client base;
- The recently announced wet lease agreement with QANTAS is due to commence by mid-2021 with three aircraft entering service with an option to increase to a total of 14 aircraft;
- Alliance will continue to pursue dry lease and other wet lease opportunities within Australia and the Pacific. Alliance's strategic goal is to become the pre-eminent wet lease operator in these regions;
- RPT revenues are expected to continue to increase as border restrictions are lifted and passenger movements increase;
- Aviation services revenue from part sales, engine and component leasing, aerodrome services and other engineering activities is expected to increase as other carriers increase capacity and fleet utilisation.

Fleet Management & Expansion

During the half year Alliance announced the acquisition of 30 Embraer E190 aircraft with settlement to occur between September 2020 and November 2021. Three aircraft have been delivered to Australia and are expected to be deployed mid-2021. Due to the timing of the deliveries and the deployment schedule it is forecast that the additional aircraft will not have a material impact on the 2021 earnings however will increase earnings for the 2022 financial year and beyond.

The total fleet acquisition package price was USD148.0 million and as at balance date USD90.2 million remained to be settled of which USD72.6m will be settled by 30 June 2021.

Based on the current forecast Fokker fleet maintenance plan, the sustaining capital expenditure for the 2021 financial year is expected to be \$34.8 million (\$28.1 million of cash). This level of maintenance is expected to be sustainable for the Fokker fleet in future years.

Capital Management

Due to the Embraer fleet expansion project which includes acquisition and entry into service costs, the Board is in the process of negotiating additional financing of ~AUD90 million to fund the outstanding commitment.

The Board is focussed on maintaining a strong balance sheet. Given the commitments made for this major expansion of the Company, the Board has determined that it is prudent not to declare an interim dividend at this time.

- Ends -

This announcement has been authorised for release by Alliance Aviation Services Limited's Board of Directors.

About the Alliance Group

Alliance is Australasia's leading provider of contract, charter and allied aviation and maintenance services currently employing in excess of 600 full time staff.

The Company provides essential services to mining, energy, tourism and government sectors and holds IATA's IOSA certification and Flight Safety Foundation "BARS Gold" status, the first such carrier in Australia to be so recognised.

Alliance currently operates a fleet of 24 Fokker F100, 14 Fokker 70LR jet aircraft and five Fokker 50 turboprop aircraft.

In June 2020 Alliance announced the acquisition of 14 E190 jet aircraft together with associated spare parts, spare engines, tooling and a Full Flight Simulator. The first of these aircraft arrived in Brisbane on 29th October 2020 and will enter service in March 2021.

In December 2020 Alliance announced the acquisition of an additional 16 E190 jet aircraft with settlement taking place between December 2020 and November 2021.

Fleet units from both acquisitions will be added to the Alliance operating fleet progressively through 2021 and 2022 providing the company with substantial growth capacity.

Alliance has world leading operational performance, a key attribute sought by its customers.

The Company has operational bases in Brisbane, Townsville, Cairns, Melbourne, Adelaide, Perth, Darwin and Rockhampton and a dedicated engineering base located at Brisbane Airport.

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