

10<sup>th</sup> August 2022

## ASX RELEASE

### Alliance Aviation Services Limited ("Alliance") (ASX: AQZ)

#### *Record hours and continued investment in expansion = solid foundation for significant growth*

#### **Key FY2022 Highlights**

- Underlying profit before tax: \$45.3 million, down \$5.7 million;
- Statutory loss before tax: \$7.1 million;
- Total revenue from operations: \$367.5 million, up \$58.9 million;
- Underlying operating cash flow of \$91.8 million, up 21%;
- Increase in wet lease deployment from April 2022 tempered slightly by residual COVID-19 restrictions, pilot retention and general industry disruption;
- Fokker 50 early retirement write down of \$12.1 million; and
- Alliance retains a positive outlook for FY2023 and beyond with exponential growth resulting from further E190 deployment and higher utilisation of the E190 fleet.

#### **Summary**

Alliance Aviation Services Limited today announces a statutory loss before tax (LBT) of \$7.1 million with an underlying profit before tax (PBT) of \$45.3 million. Alliance continued to invest in pilot, cabin crew and engineer recruitment and training activities throughout the second half of the 2022 financial year. Investment in corporate support functions and E190 entry in service maintenance checks also continued during the year.

\$14.0 million was incurred in E190 expansion related expenditure in the second half, bringing the full year total to \$39.1 million (\$25.2 million – 1HFY2022). In addition to the expansion related activities, Alliance also incurred a non-cash \$12.1 million write down of the Fokker 50 fleet, \$0.4 million inventory stocktake adjustment and \$0.75 million in transaction fees relating to the Qantas Airways Limited Scheme of Arrangement.

Alliance's Managing Director, Scott McMillan, stated, "For Alliance to be able to service the capacity demands of all our clients in the 2023 financial year and beyond it was essential that the Company continued to invest in growth during the second half of the year with the full knowledge that forecast activity growth would only commence from April 2022."

Mr McMillan continued, "April 2022 wet lease activity increased 61% compared to the 3<sup>rd</sup> quarter FY2022 average. Although this growth was significant it was tempered by the residual restrictions imposed as a result of COVID-19 and general industry disruption that aviation has faced. It is important to note however that Alliance's contract charter services have remained largely uninterrupted by these issues. Looking forward, the demand for wet lease services is strong with both wet lease and contracted clients requesting additional capacity as soon as it becomes available."

Alliance's record of contract retention continued during the year with two out of three renewals finalised and the third scheduled to be finalised imminently.

### **Underlying Results Overview**

<b>Metric</b>	<b>FY2022</b>	<b>FY2021</b>	<b>Variance</b>
Revenue from operations	\$367.5	\$308.7m	19%
Underlying EBITDA	\$91.0m	\$90.5m	1%
Underlying PBT	\$45.3m	\$51.0m	(11%)
Aircraft in Service	61*	48	27%

\*Includes two E190's on dry lease. Dry lease revenue is included as Other Income in the financial statements.

During the year, wet lease and contract revenue grew by 610% and 20% respectively. The increase in wet lease revenue can be attributed to an increase in aircraft utilisation, increases in the aircraft options exercised by Qantas and an increase in hours operated for Virgin Australia.

Contract revenue increased in the year as a result of price and schedule increases from existing clients, the full year impact of new clients obtained in the previous financial year and the conversion of ad-hoc charter clients to contract clients. These increases were offset with lower than forecast mine maintenance flights in the second half of FY2022.

Ad-hoc charter revenue decreased in the period by 42% as a number of significant shorter-term contracts were converted to longer term contracts and thus recognised as contract revenues during FY2022.

As stated previously, Alliance's strategic objective is to focus on contract charter and being a wholesaler of capacity. With this objective in mind Alliance continued to reduce its limited regular public transport (RPT) services in FY2022 with revenue decreasing by 47%.

Underlying operating cash flow for the year was \$91.8 million, an increase of 21% or \$15.9 million on the prior year. The improved underlying cashflow is a result of strong, stable and increasingly profitable contract charter operations and the positive impact of increased wet lease utilisation that occurred in the last quarter of the financial year.

Capital expenditure cash outflows were \$99.3 million (2021: \$205.7 million). Fokker fleet sustaining capital expenditure of \$21.5 million was slightly below forecast and \$68.1 million was expended on entry into service checks and associated costs on 14 E190 aircraft. The construction of the Rockhampton maintenance facility commenced in the year with \$9.8 million being expended to date (fully funded from borrowings).

In view of the ongoing expansion activities of the Company, the Board has determined not to pay a dividend.

## Operational Overview

Flight Hour Type	FY2022	FY2021	Variance (%)
Contract	26,926	25,873	4%
Charter	1,946	4,479	(57%)
Wet Lease	16,112	2,262	612%
RPT	1,934	4,759	(59%)
Other	601	540	11%
<b>Total</b>	<b>47,519</b>	<b>37,913</b>	<b>25%</b>

The wet lease activity growth in the year has been the main contributor to the increase in total flight hours. This was as a result of the reductions in COVID19 related travel restrictions. Contract hours increased in the year however a number of mine maintenance flights for contract clients did not occur. This is a timing issue only and it is forecast that these services will occur in FY2023.

The reduction in RPT hours is consistent with the Company's intention to focus on contract charter and being a wholesaler of capacity and to scale back its limited RPT schedule. Charter hours decreased however the majority of this activity transferred to contract hours during the year.

### Outlook

The Company had forecast that the final quarter of the 2022 financial year would see a substantial uplift in financial performance. This did occur however it was tempered by the ongoing impacts of COVID-19 on crew and the general disruption witnessed domestically to aviation as a whole.

In the same period Alliance did experience a level of crew turnover with a number of pilots resigning to take roles overseas. These resignations impacted both the training and the activity pipelines.

To ensure that both aircraft and crew are deployed in a timely manner, Alliance has initiated the following:

- A focus of increasing recruitment of pilots
- Non-monetary incentivisation for pilots to stay with Alliance Airlines
- Increase in the training pipeline by utilising an E190 simulator in Gatwick (currently 12 pilots overseas)
- Increased utilisation of the local E190 simulator
- Transition of the Unity Aviation Maintenance operations into those of Alliance Airlines. The result is a single maintenance organisation responsible for Fokker and Embraer line maintenance
- Simplifying the business – Fokker 50 early fleet retirement, reduction of RPT routes enables Alliance to focus on the E190 fleet introduction and its robust contract charter activities.

Alliance maintains a positive outlook and by the end of January 2023, the Group will have deployed all 33 of its E190 aircraft.

**- 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 more than 960 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 20 E190, 24 Fokker F100, 13 Fokker 70LR jet aircraft (and five Fokker 50 aircraft now contracted for sale). Thirteen additional E190 aircraft are scheduled to be added by January 2023. Three E190 aircraft are currently leased out to a third party.*

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

*The Company has operational bases in Brisbane, Townsville, Cairns, Adelaide, Perth, Darwin,, Alice Springs and Rockhampton.*

*Alliance is locally owned with the majority of the Company's shareholders located in Australia or New Zealand.*

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