



# FY 2017

Alliance Aviation Services Limited  
Results Presentation

August 2017

# Key Messages

Alliance Aviation Services Limited, announces a full year result which includes:

- A sustainable and diversified revenue;
- An inventory balance which will generate significant cash flow in the future;
- Strong operating cash flow and continued debt reduction; and
- Investment of \$6.3 million in capital expenditure to grow the business.



# Four Revenue Streams



## Contract Income

*Long term contract flying*



## Wet Lease

*Operating Alliance aircraft for other carriers*



## Charter Income

*Short term income from ad-hoc requests*



## Aviation Services

*Complementary services including leases, parts, and aircraft sales.*

## Revenue Analysis

**Alliance** is diversified both in terms of revenue types and geographic footprint.

- Significant growth in flying hours in H2 which has enhanced the financial results as forecast. Mine maintenance flights were a little lower than the previous year which is reflected in the contract flying hours. This is expected to improve in FY18;
- Wet lease flying hours continued to grow in the second half;
- Charter income reflects soft industry conditions; and
- Aviation services will continue to develop as the business leverages the significant inventory holding.

# Realising Results from Strategy

**PBT \$19.6 million**

PBT up 45% on previous year,  
Diversified revenue base and results from  
aviation services being realised.

**Fleet project fully funded**

Increased inventory holding,  
Invested from operating cashflow in inventory  
and three additional aircraft as PPE for future.  
This will generate strong cash flow in the  
future.

**3.0 cent dividend**

Full Year Dividend

**Profit**

**Flying**

**Investment**

**Balance Sheet**

**Dividend**

**25,117 hours, 11% increase**

**Diversified Flying**

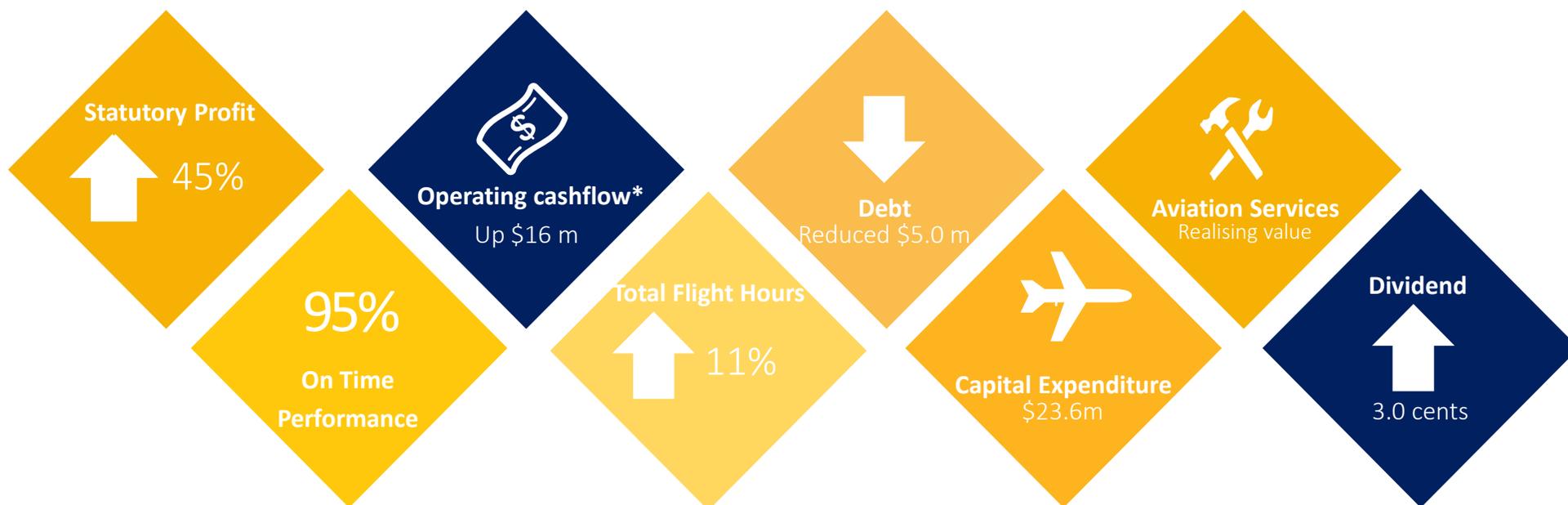
Virgin Australia partnership approved and a signed  
contract for increased wet lease flying.  
Two material contracts renewed.

**Debt Reduction**

Continued with debt reduction,  
Together with investing for the future,  
Alliance continued to repay debt.

# Key Measures and Statistics

## Key Measures



*\*Operating Cashflow is cash flow from operations less sustaining capital expenditure and funding of the Austrian fleet project which remain in inventory at year end.*

# Future Strategy

Continuing on the same path and strategy



## Diversified

Flying and Revenue

### Profitable

**Diversification**, and growth is providing sustainable returns. Aviation Services and wet lease flying will be a major part of the business moving forward. Introducing regional regular public transport (RPT) in FY18.



## Investment

Aircraft and Inventory

### Capital Expenditure

**Inventory** holding means that Alliance can leverage this both for lower sustaining capital expenditure but realise the sale of aircraft and parts for profits and cash flow. Invested in 3 aircraft as PPE during the year from this pool of parts for future opportunities



## Balance Sheet

### Debt Reduction

**Balance Sheet** will continue to be strengthened with improved inventory holdings and debt reduction from operating cashflow. This debt reduction will continue in FY18.

# The Financial Numbers

For the year ended 30 June 2017



# Financial Statements

The financial position of Alliance as at 30 June 2017 has improved compared with 30 June 2016.

Detail	30 June 2017	30 June 2016
Aircraft in service*	29	28
Flight Hours – contracted/charter	17,872	18,456
Flight Hours – wet lease	4,600	853
Total Flight Hours	25,117	22,695
Average Staff Numbers	435	426
Revenue per employee (\$k)	466	401
Contract % of Total Revenue	81%	82%

\* Includes all operational aircraft whether flying or in heavy maintenance.

### Alliance Aviation Services - Income Statement

	FY17	FY16	% pcp
(\$ in millions)	Actual	Actual	Change
<b>Revenue</b>			
Contract Revenue	155.9	161.3	(3%)
Charter / Wet Lease	22.1	16.8	32%
Aviation Services	21.7	0.9	-
Other	3.1	3.7	
<b>Total revenue</b>	<b>202.9</b>	<b>182.6</b>	<b>11%</b>
Operating expenses	(153.2)	(140.1)	
<b>EBITDA</b>	<b>49.6</b>	<b>42.5</b>	<b>17%</b>
<i>Margin %</i>	<i>24.5%</i>	<i>23.3%</i>	
Depreciation	(26.4)	(23.0)	
<b>EBIT</b>	<b>23.3</b>	<b>19.6</b>	<b>19%</b>
<i>Margin %</i>	<i>11.5%</i>	<i>10.7%</i>	
Finance costs	(4.0)	(4.9)	
FX Costs	0.3	(1.1)	
Income tax	-	-	
<b>NPAT</b>	<b>19.6</b>	<b>13.5</b>	<b>45%</b>
<b>EPS</b>	<b>15.3</b>	<b>11.8</b>	<b>30%</b>

### Alliance Aviation Services - Cash Flow Statement

	FY17	FY16
(\$ in millions)		
Receipts from customers (inclusive of GST)	218.4	208.6
Payments to suppliers (inclusive of GST)	(192.9)	(178.3)
Net interest paid	(3.8)	(4.8)
Income tax paid	(0.1)	-
<b>Net cash inflow (outflow) from operating activities</b>	<b>21.7</b>	<b>25.5</b>
Net payments for aircraft, property, plant & equipment	(13.5)	(18.5)
<b>Free Cash Flow</b>	<b>8.2</b>	<b>7.0</b>
Net proceeds from issue of shares	-	-
Payments to existing shareholders for companies	-	-
Proceeds from borrowings	2.5	9.6
Repayment of borrowings	(7.5)	(15.1)
Dividends paid	(1.9)	-
<b>Net cash inflow (outflow) from financing activities</b>	<b>(6.9)</b>	<b>(5.5)</b>
Net increase (decrease) in cash & cash equivalents	<b>1.3</b>	<b>1.5</b>
Cash & cash equivalents at the beginning of period	2.1	0.6
<b>Cash &amp; cash equivalents at the end of the half year</b>	<b>3.4</b>	<b>2.1</b>

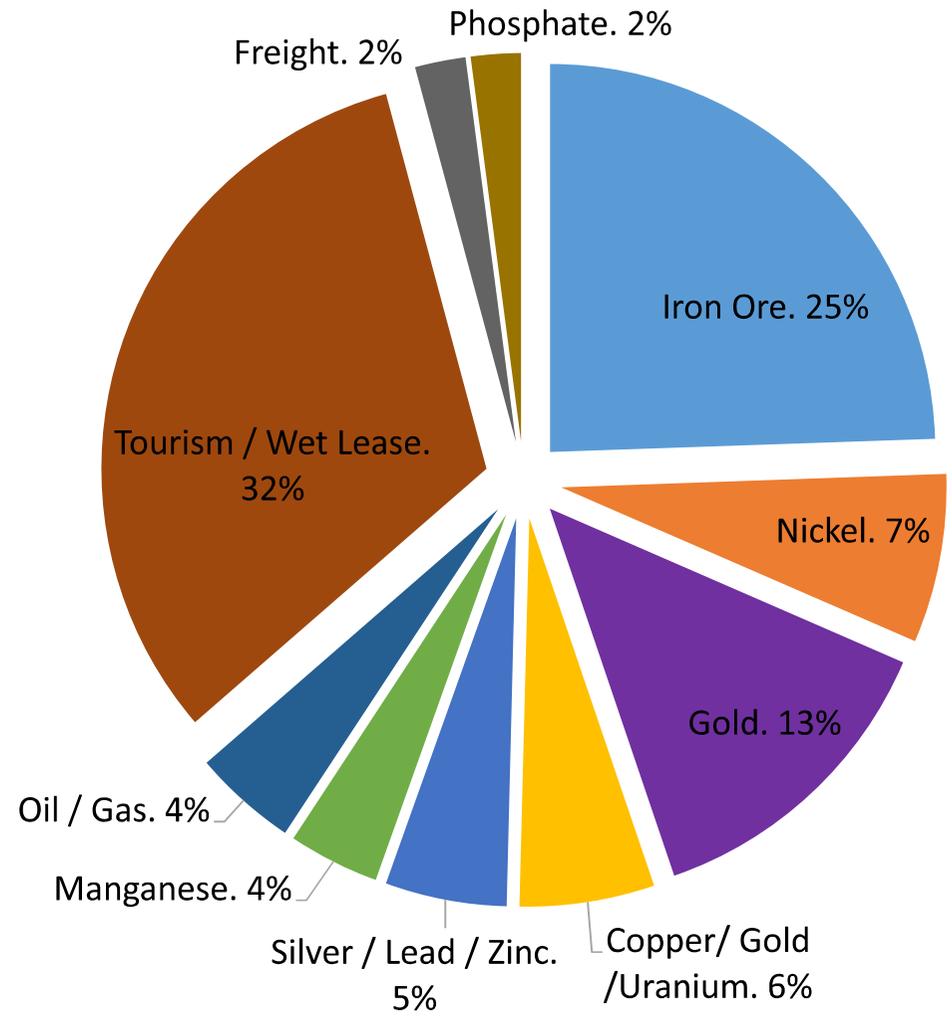
## Alliance Aviation Services - Statement of Financial Position

(\$ in millions)	30-Jun-17	30-Jun-16
Cash	3.5	2.1
Receivables	30.4	28.7
Inventory	43.0	37.1
<b>Total current assets</b>	<b>76.9</b>	<b>67.9</b>
PP&E	173.2	168.5
Intangibles	0.1	0.0
<b>Total non-current assets</b>	<b>173.2</b>	<b>168.5</b>
<b>Total assets</b>	<b>250.1</b>	<b>236.4</b>
Trade & other payables	22.4	22.9
Borrowings	14.2	11.3
Current tax liabilities	0.1	0.1
Provisions / other	6.0	5.2
<b>Total current liabilities</b>	<b>42.7</b>	<b>39.4</b>
Borrowings	60.7	68.5
Deferred tax liability	1.0	–
Provisions / other	1.3	1.5
<b>Total non-current liabilities</b>	<b>63.1</b>	<b>70.0</b>
<b>Total liabilities</b>	<b>105.8</b>	<b>109.5</b>
<b>Net assets</b>	<b>144.4</b>	<b>127.0</b>
<b>Gearing (D/D+E)</b>	<b>34.2%</b>	<b>38.6%</b>

## Observations:

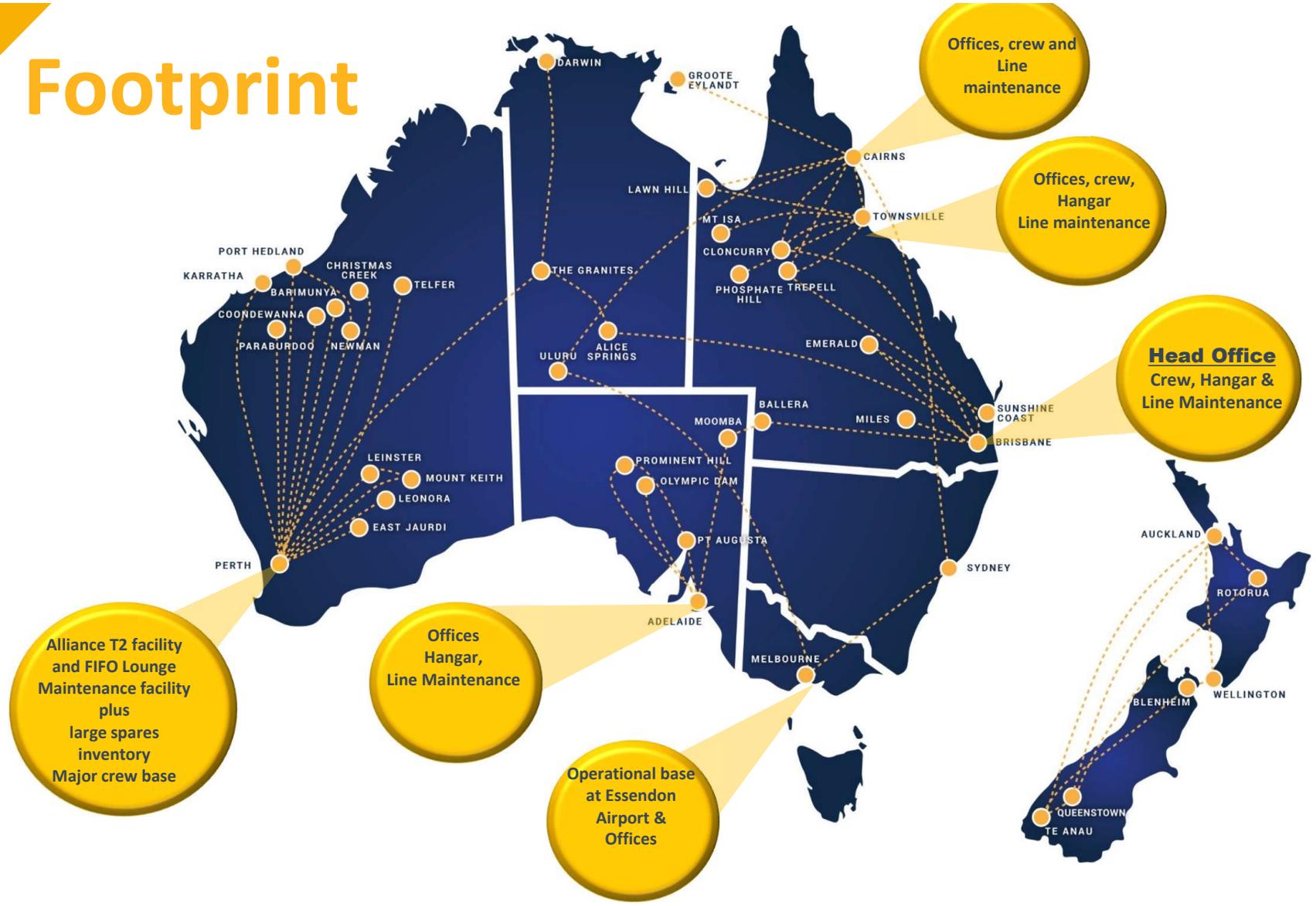
- Total revenue has continued to increase with a contribution from both wet lease income plus the aviation services part of the business;
- Contract revenue decreased because of frequency in the first quarter and a lower number of mine maintenance flights during the year;
- Cashflow from operations reflects inventory payments. Underlying cash flow from continuing operations has improved. Invested in further debt reduction and investment in PPE;
- Depreciation is higher than sustaining capital expenditure – same in FY16
- Inventory has increased as a result of further settlements of the Austrian Aircraft fleet acquisition.

# Commodity / Sector Exposure

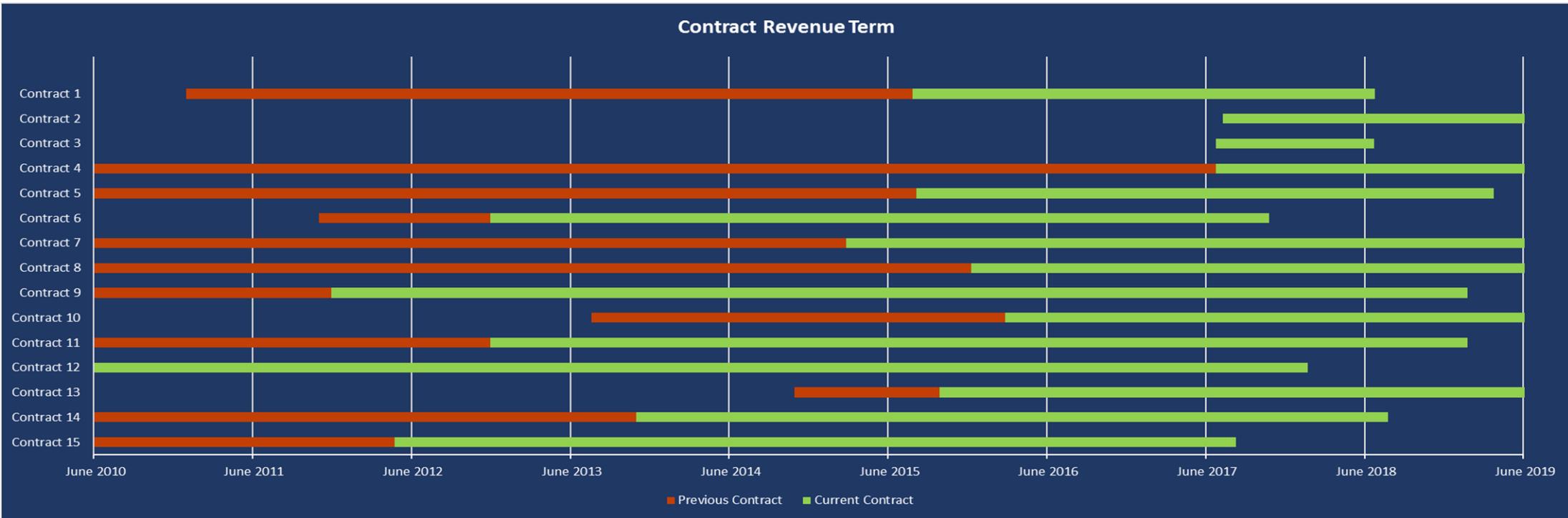


The diagram above outlines Alliance's exposure across the top 15 contracts for FY18

# Footprint



# Customer Relationships

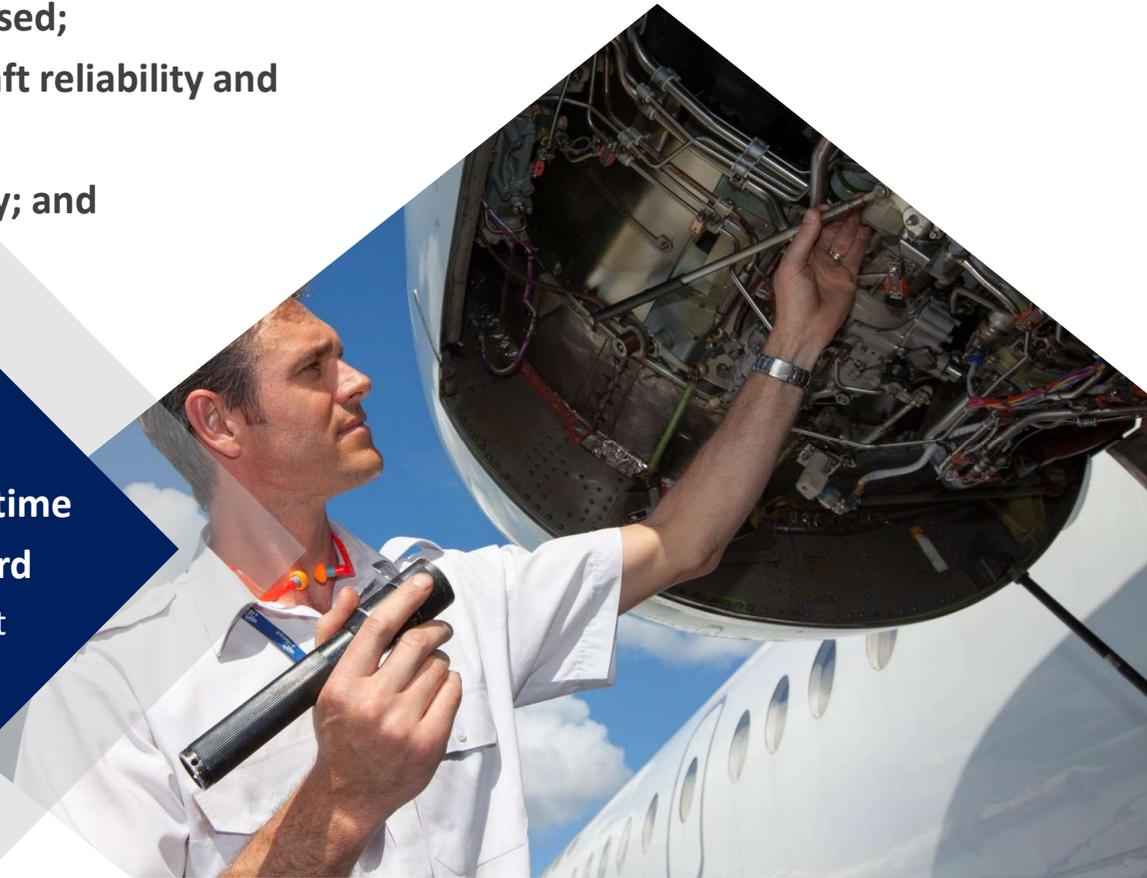


# Operational Excellence

- Australia's most experienced and resourced F100/70 operator;
- IOSA and Wyvern certified and BARS Gold Recognised;
- Substantial holdings of spare parts enhances aircraft reliability and extends economic life;
- Focus on sustainable employee costs and efficiency; and
- An improved engineering cost base.

Fleet  
owned  
outright

Industry leading on time  
performance record  
An invaluable Asset





# Outlook

**Optimistic**, Alliance has a positive outlook for its financial performance for FY18.

- A stable contract base. Resources sector continuing to improve;
- Developing partnerships and wet lease flying commitments;
- A significant inventory holding for both lower capital expenditure in the future together with sale opportunities for aircraft and parts;
- A diversified business in terms of geography, revenue type and sector.

**Debt**, Alliance will refinance its core debt during the first half of FY18. The results of this financing will be included in the H118 results. This refinance is being completed at a time when Alliance has significantly improved its balance sheet, has increasing profitability, expanded flying and the cash commitments for the fleet project have been fully funded.

**The Future**, As the business strategy and diversified revenue continues to deliver results, Alliance will pursue profitability, continue to strengthen its Balance Sheet and increase the dividend payout ratio to provide a higher yield to its shareholders.

This is all built on reliability and customer service.



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# **Alliance** *AIRLINES*