

Alliance Aviation Services Limited Results Presentation

5 August 2020



Alliance
AIRLINES



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Key Messages

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

- Strong revenue growth;
- Another record profit;
- Stable flight hours;
- The introduction of four additional Fokker aircraft;
- A net cash position with reduced debt; and
- A positive outlook for FY2021.



\$40.7m profit before tax, up 24.1%



Net cash position of \$44.0 m



Revenue from operations of \$298.6m, up 7.7%



4 aircraft added to the fleet – Fleet total, 42



Debt reduced to \$54.4m



Flying hours of 37,620 for the full year

Five Revenue Streams

Contract and charter revenue experience substantial growth in the first half.



COVID-19 Response

Alliance reacted quickly and effectively in response to the unprecedented year due to the COVID-19 pandemic, thus avoiding downturn seen elsewhere in the aviation industry.



Health & Wellbeing

Implemented health and wellbeing measures that protected our staff, clients, customers, suppliers and contractors.



PPE & Safe Work Procedures

Invested in PPE and implemented COVID-19 safe work procedures which allowed Alliance to continue uninterrupted services.



Understanding Client Requirements

Moved quickly to understand the changing capacity needs of our clients and dispatched additional resources.

COVID-19 Response (cont.)



COVID-19 Response Team

Established an internal COVID-19 response team that could effectively deal with issues when they arose.



Embraced Technology

Accelerated implementation of digital technologies such as video conferencing and collaboration tools.



Financial Extensions

Extended bank facilities for twelve months.

COVID-19 Impact on Reported Results

Social Distancing

Increase in flights for existing customers due to social distancing requirements.



New Charter Clients

The addition of ten new resource sector charter clients.



RPT & Wet Lease Suspended

Wet lease services were suspended and RPT schedules initially reduced as a result of COVID-19 travel restrictions.



Operating Costs

Actions taken included a freeze on recruitment, reduced working hours, redundancies, reduction in non-essential expenditure and the cancellation of the management incentive scheme.



COVID-19 Impact on Reported Results (cont.)

Dividend Cancelled

Due to the uncertainty of the impacts of COVID-19, the interim dividend was cancelled to ensure maximum flexibility in managing capital requirements.



Government Rebates

Aviation assistance rebates of \$2 million received in FY2020.
No job-keeper payments received.



Working Capital

Working capital requirements increased temporarily as Alliance assisted smaller suppliers with more frequent payments.



Fleet Expansion

Completed a placement in June 2020 for \$92 million to fund fleet expansion.



FINANCIAL SUMMARY

For the year ended 30 June 2020



Financial Statements

Alliance consistently delivers strong operational and financial metrics.

Detail	30 June 2020	30 June 2019
Aircraft in service*	42	38
Flight Hours – contracted	23,733	19,660
Flight Hours – wet lease	6,297	11,555
Flight Hours – RPT	4,612	5,158
Flight Hours – charter	2,453	1,095
Flight Hours – other (incl. maintenance)	525	558
Total Flight Hours	37,620	38,026
Average Staff Numbers	551	532
Revenue per employee (\$k)	542	520
Contract % of Total Revenue	68%	60%

** Includes all operational aircraft whether flying or in base maintenance.*

Income Statement

Observations:

- Contract revenue has increased due to an additional flights for a number of clients;
- The wet lease contract was suspended in March 2020 and as a consequence wet lease revenue for the year has reduced by 46%;
- RPT revenue was also impacted by COVID-19 with schedule reductions occurring throughout the last quarter of the financial year;
- Operating expenses increased in line with the change in revenue mix;
- Depreciation has increased due to levels of activity and fleet numbers; and
- Income tax expense continues to be recognised in the period but is offset by carried forward tax losses.

(\$ in millions)	FY2020 Actual	FY2019 Actual	% PCP Change
Revenue			
Contract revenue	202.5	165.3	22.5%
Wet lease revenue	24.4	45.4	(46.3%)
Charter revenue	26.4	13.4	98.5%
RPT revenue	34.6	41.2	(16.0%)
Aviation services	10.0	10.9	(8.1%)
Other (Incl. FX)	0.3	0.5	(40.0%)
Total revenue	298.2	276.7	7.8%
Operating expenses	(219.7)	(210.3)	(4.5%)
EBITDA	78.5	66.4	18.5%
Depreciation and amortisation	(35.1)	(30.8)	(14.0%)
EBIT	43.4	35.6	22.4%
Finance costs	(2.7)	(2.8)	3.6%
PBT	40.7	32.8	24.6%
Income tax expense	(13.7)	(10.1)	(35.6%)
NPAT	27.0	22.7	19.7%
Basic EPS (cents)	21.09	18.65	13.1%

Statement of Financial Position

Observations:

- Cash at bank reflects the receipt of placement funds - \$90.4 million;
- Receivables increased in the last quarter of the year due to an increase in activity and revenue;
- Inventory increased by \$8.4 million due to purchase of Fokker aircraft and spares. Alliance will continue to realise inventory value through aviation services and lower operating costs;
- Leases are now recognised as assets and liabilities in accordance with AASB 16. No material impact on Alliance due to fleet ownership model; and
- Net debt (excluding placement funds) is \$46.1 million with the gearing ratio of 0.69 EBITDA.

(\$ in millions)	30 June 2020 Actual	30 June 19 Actual	% PCP Change
Cash	98.8	9.6	929.2%
Receivables	54.4	40.0	36.0%
Inventory	57.4	49.0	17.1%
Total current assets	210.6	98.6	113.6%
PP&E & Intangibles	217.3	203.0	7.1%
Right of use assets	8.0	-	-
Total non-current assets	225.3	202.9	11%
Total assets	435.9	301.6	44.6%
Trade & other payables	48.5	43.5	(11.5%)
Borrowings	12.0	3.7	(224.3%)
Lease liabilities	1.4	-	-
Provisions / other	8.9	8.6	(3.5%)
Total current liabilities	70.8	55.8	(26.9%)
Borrowings	42.4	56.4	24.8%
Deferred tax liability	32.1	19.0	(68.9%)
Lease liabilities	7.0	-	-
Provisions / other	1.5	1.5	0%
Total non-current liabilities	83.0	76.9	(7.9%)
Total liabilities	153.8	132.7	(15.9%)
Net assets	282.1	168.9	67.1%

Cash Flow Statement

Observations:

- Operating cash flows increased in the year due to increased profitability;
- Operating cash outflows included the one off settlement of the Helvetic aircraft and parts package (held as inventory) of \$7.5m;
- Debt repayments include \$15 million that can be re-drawn; and
- The final dividend payment for the FY2019 was paid in November 2019.

(\$ in millions)	30 June 2020 Actual	30 June 2019 Actual
Receipts from customers (inclusive of GST)	315.9	294.4
Payments to suppliers (inclusive of GST)	(269.5)	(254.8)
Net interest paid	(2.4)	(2.5)
Income tax paid	0.0	(0.1)
Net cash inflow from operating activities	44.0	37.0
Net payments for aircraft, property, plant & equipment	(30.8)	(22.0)
Free cash flow	13.2	15.0
Proceeds from share issue	90.5	-
Proceeds from borrowings	18.0	-
Repayment of borrowings	(23.7)	(5.2)
Principal elements of lease payments	(1.6)	-
Dividends paid	(7.3)	(12.1)
Net cash outflow from financing activities	75.9	(17.3)
Net increase in cash and cash equivalents	89.1	(2.3)
Effects of currency translation on cash and cash equivalents	0.1	0.1
Cash & cash equivalents at the beginning of period	9.6	11.8
Cash & cash equivalents at the end of period	98.8	9.6

Capital Expenditure

Fokker Fleet

Observations:

- Capital expenditure in FY2021 will focus on existing Fokker fleet maintenance;
- Base maintenance checks will be completed in Australia and Singapore with a single line of maintenance constant throughout the year;
- One additional F70 is forecast to enter the fleet in FY2021; and
- In addition to the Fokker Fleet capital expenditure, Alliance has entered an agreement to purchase 14 Embraer E190 aircraft and a significant spare parts package. See slide 20 for further details.

(\$ in millions)	FY2020 Actual	FY2021 Forecast
Existing fleet maintenance		
Cash outflows		
Base maintenance providers	7.9	9.5
Engine care program	15.0	15.2
Other miscellaneous	0.7	1.0
Operating costs capitalised	2.5	1.9
Total cash outflows	26.1	27.6
Non-cash		
Parts from inventory used in base maintenance	8.4	5.0
Total existing fleet maintenance	34.5	32.5
Growth capital expenditure		
Cash outflows		
Entry into service maintenance providers	7.3	1.0
Operating costs capitalised	1.4	0.1
Total cash outflows	8.7	1.1
Non-cash		
Parts from inventory used in base maintenance	4.6	1.5
Total growth capital expenditure	13.3	2.6
Total capital expenditure ¹	47.8	34.5

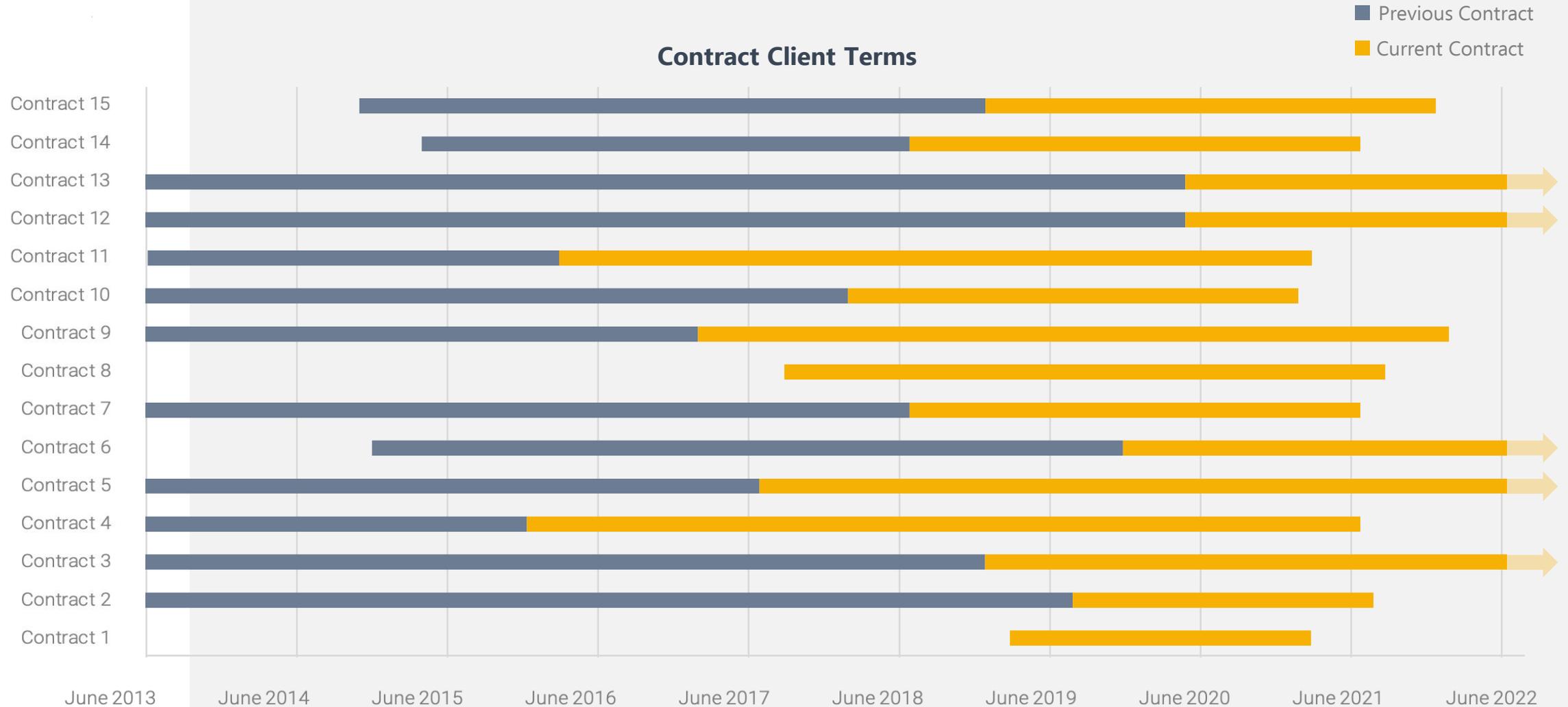
¹ – Equates to movement in PP&E plus depreciation (adjusted for Right of Use Depreciation)

OTHER INFORMATION

For the year ended 30 June 2020

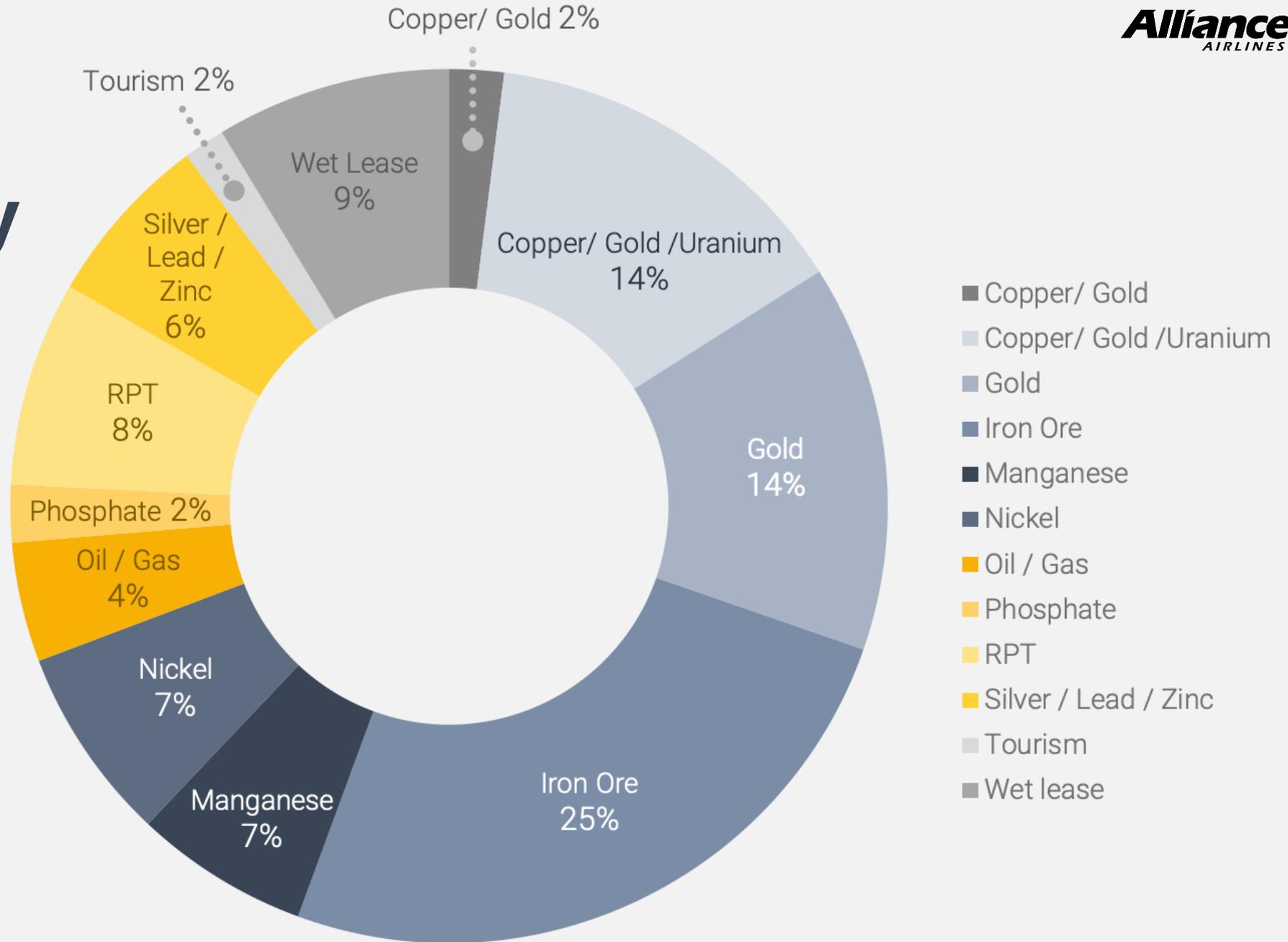


Stable Contract Client Base

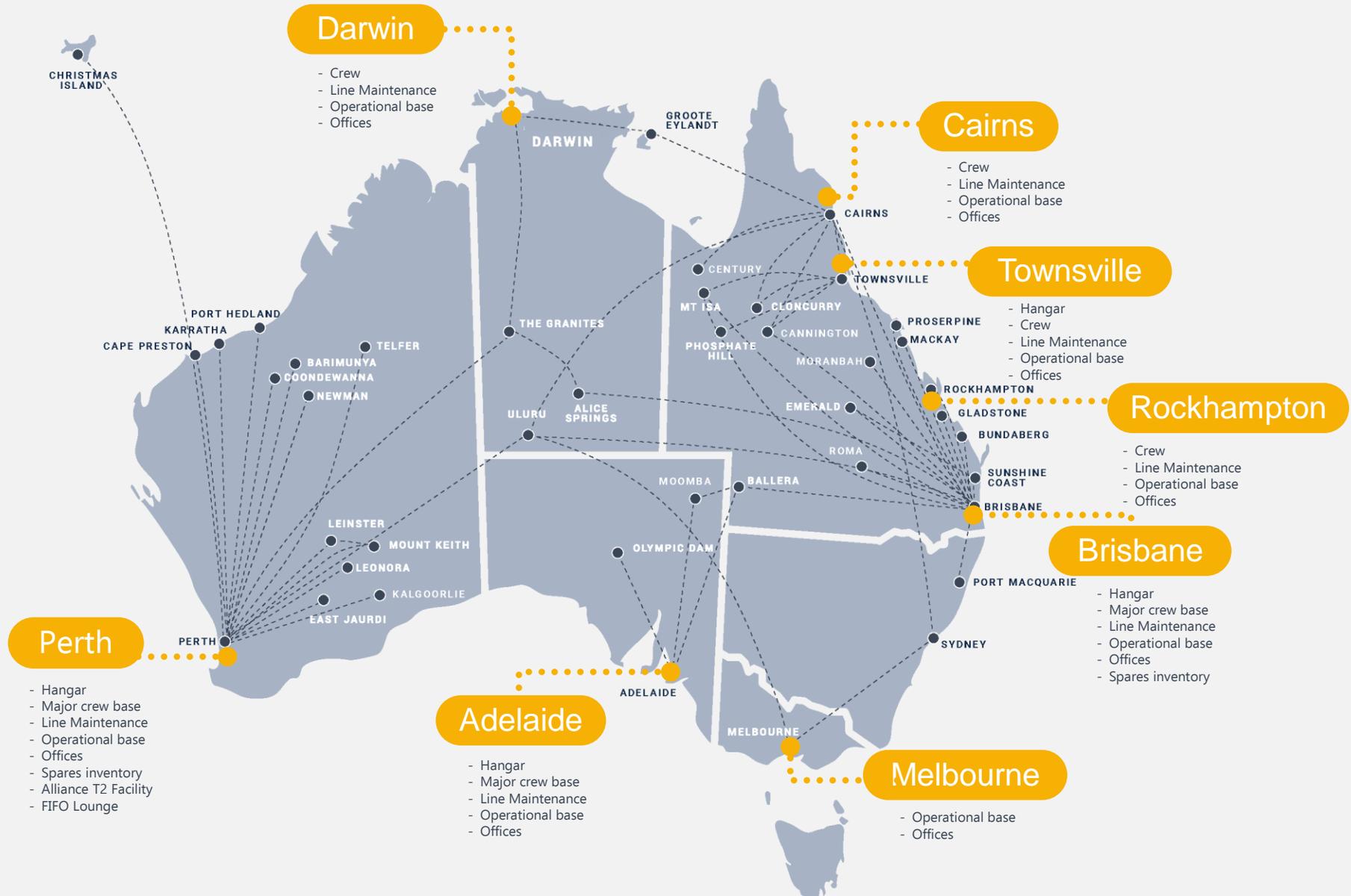


Commodity / Sector Exposure

Forecast major commodity/sector exposure by the top 15 contracts.



Footprint



Operational Excellence



95% O
T
P

Alliance Airlines consistently achieved 95% on time performance throughout FY2020

Forecast Fokker Fleet FY 2021



*F100 – 100 Seat Jet Aircraft
No. in fleet – 24
(2 in storage)*



*F70 – 80 Seat Jet Aircraft
No. in fleet - 14¹*



*F50 – 50 Seat Turbo-Prop Aircraft
No. in fleet - 5*

1. Including one leased aircraft

Safety Certifications



WINGMAN

*Wyvern Wingman
certification*



*Renewed IOSA
certification in FY20*



*BARS Gold standard
maintained*

Fleet Expansion E190 Acquisition



14 x Embraer E190s
With seating for between 94 and 114 passengers.



Delivered in Australia over 8 months with Alliance livery
Commencing September 2020 with payments aligned to delivery
timeframes.



Spares packages, tooling, GSE
Including 6 spare GE CF34 engines.



Price – USD 79.4m



Optional Extras:

- Option to acquire a further 5 x E190s
- Option to acquire an E190 flight simulator

Outlook

Alliance retains a positive outlook for the 2021 financial year based on the continued demand for its services from an increased client base.

- Alliance's robust and diverse business model has proven to be resilient in these challenging times.

Alliance will continue to monitor the impacts of COVID-19 on the 2021 operational and financial performance.

- Contract revenue is expected to continue to increase in FY2021 as scheduled services for a number of clients will continue at current elevated levels.

A number of short term charter clients are also expected to convert to longer term contract clients in the year.

- Contracted wet lease is expected to increase slowly throughout the year. This is largely dependant on COVID-19. Alliance has not forecast any material wet lease income in FY2021.

- The charter sector is forecast to perform strongly. A number of charter clients have confirmed continuing services in FY2021 and a number will convert to long-term contracts.

Inbound tourism is not forecast to return in FY2021. Domestic tourism services are expected to occur in the second half of the year.

- Aviation services is forecast to contribute at similar levels as FY2020. Alliance will continue to focus on extracting maximum value from its large inventory holding.

- 14 Embraer E190 jets will be delivered to Alliance in FY2021. These will be funded from a combination of the capital raising and working capital. Alliance's focus is on ensuring these aircraft generate a return to shareholders in as short a time as possible. Due to this sizable growth project, the Board of Directors have decided not to declare a dividend for FY2020.

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