

11<sup>th</sup> August 2021

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

### *Record profit whilst investing for future growth*

#### **Key FY 2021 Highlights**

- Underlying profit before tax - \$51.0 million, up 25%;
- Statutory profit before tax - \$48.3 million, up 19%;
- Total flying hours for the year stable – 37,913 hours;
- Underlying operating cash flow - \$75.9 million, up 73%; and
- Expansionary capital expenditure of \$176 million on the E190 programme which will result in an increase of up to 3 times annualised flight hours by the end of FY2022.

#### **Summary**

Alliance Aviation Services Limited (ASX: AQZ) today announces a record statutory full year profit before tax (PBT) of \$48 million with an underlying PBT of \$51 million. This is an increase of 19% and 25% when compared to the previous financial year. Statutory net profit after tax (NPAT) also increased by 26% to \$34 million.

Commenting on the 2021 financial year results, Alliance’s Managing Director, Scott McMillan, stated, “Alliance has produced a record result at a time when we are investing heavily in supporting the growth of the business. The underlying business, utilising the Fokker fleet, continues to reap the benefits of past planning and investment and is the financial and operational foundation on which the E190 expansion has been built. This expansion program will provide the Company with an increase in annualised flight hours of up to 3 times by the end of FY2022.

“Due to earlier than expected capacity demand, Alliance has brought forward investment required to deploy the E190 fleet. We have and continue to recruit pilots, cabin crew, engineers, and other operational and corporate staff to support the earlier deployment of the fleet. We expect to have at least 14 E190 aircraft in service by December 2021 with the balance to be deployed by mid-2022.

“I must also take this opportunity to thank all of our staff. They are key to Alliance’s success in delivering our three key performance indicators of safety, on time performance and financial sustainability. Their collective response to the operational challenges presented by COVID-19 has been exceptional.”

Contract retention continues to be a pillar of Alliance’s success with four material contract renewals completed during the year and Alliance attracted four new clients to its contract book.

### Financial results overview

Alliance's underlying financial performance continues to improve year on year.

Metric	FY21	FY20	Variance (%)
Revenue from operations	\$308.7m	\$298.6m	3%
Underlying EBITDA <sup>1</sup>	\$87.8m	\$78.6m	12%
Underlying PBT <sup>1</sup>	\$51.0m	\$40.7m	25%
Underlying Operating cash flow <sup>1</sup>	\$75.9m	\$44.0m	73%

The increase in total revenue, in the year, was driven by growth in contract and charter revenues of 6% and 66% respectively. These increases more than offset wet lease and RPT revenues decreasing by 68% and 3% when compared to the previous year. Both wet lease and RPT revenues however did increase in the second half of the financial year as COVID-19 related travel restrictions eased across the country.

Alliance brought forward the E190 implementation program to facilitate the earlier deployment of aircraft. Additional operating costs, of \$11.5 million, were incurred by Alliance to 30 June 2021 as a result of the E190 program. During the year Alliance was in receipt of \$8.8 million of aviation-related government assistance.<sup>1</sup>

Underlying operating cash flow for the year was \$75.9 million, an increase of 73% or \$31.9 million when compared to the previous year. This continues to reflect increasing profitability driven by the permanent changes in the market and the continued focus on efficiency within the business.<sup>1</sup>

Cash outflows for investing activities were \$205.7 million for the financial year (FY2020: \$30.8 million). \$175.9 million was expended on the purchase of 26 E190 aircraft, base maintenance costs for nine E190 aircraft and the purchase of the E190 full flight simulator.

Fokker fleet capital expenditure was \$20.5 million for the year. The balance of cash outflows was for the acquisition of Unity Aviation Maintenance Pty Ltd, and sundry support and other equipment purchases.

### Operational overview

Flight Hour Type	FY2021	FY2020	Variance (%)
Contract	25,873	23,733	9%
Charter	4,479	2,453	83%
Wet Lease	2,262	6,297	(64%)
RPT	4,759	4,613	3%
Other	540	525	3%
<b>Total</b>	<b>37,913</b>	<b>37,620</b>	<b>1%</b>
Other operational statistics	FY2021	FY2020	Variance (%)
Aircraft in service	48	42	14%
On-time performance	93%	95%	(2%)

<sup>1</sup> These items have been adjusted from the statutory results to show the underlying performance as reflected in the Financial results overview table. There were no adjustments to the FY2020 results.

In FY2021, Alliance continued to benefit from the change in market conditions because of COVID-19 and the shift of clients from several RPT operators to Alliance. Although total flight hours were similar to that of the previous financial year, contract hours increased by 2,140 whilst charter hours realised the largest percentage increase of 83% or 2,026 flight hours.

Wet lease hours in the first half of FY2021 continued to be negatively impacted by the COVID-19 pandemic (down 97% when compared to the prior financial year). However, flight hours did increase by 1,964 or 1,318% in the second half of the year as services resumed for both existing and newly contracted wet lease clients.

Alliance's operating fleet increased during the year with the addition of five E190 aircraft bringing the operating fleet size to 48 aircraft. One E190 aircraft was dry leased in July 2021.

Disappointingly, on time performance for the year dropped from 95% to 93%. This resulted in this specific performance target for the company's performance incentive plan not being met.

### ***Fleet management and E190 expansion***

Alliance has been one of the most successful aviation companies in the world during the COVID-19 pandemic and during this time has secured 32 E190 aircraft to further expand the business.

As at balance date, Alliance has paid for 26 of 32 E190 aircraft with the balance to be settled progressively to October 2021. Current deployment plans are as follows:

- Five E190's to be deployed on specific Central Australian FIFO routes;
- Up to 18 aircraft to service Alliance's recently announced wet lease contract;
- Two aircraft for dry lease (one currently leased);
- Three aircraft to cover base maintenance checks; and
- Four aircraft for additional expansionary opportunities across the network.

Deploying five E190 aircraft across selected FIFO routes in Central Australia will release five Fokker aircraft which will be added to the Western Australia fleet (an increase of 33.3%) to service organic and expansionary growth in Alliance's FIFO operations. This will further cement Alliance's market leading position as the operator of choice in Western Australia.

With the final settlement of E190's due in October 2021, Alliance will own outright a combined fleet of 75 Fokker and E190 aircraft, a full flight simulator, six spare engines and a multitude of spare parts, tooling and ground support equipment. Net debt is forecast to peak at \$156 million in December 2021.

### ***Outlook***

Alliance retains a positive outlook for the FY2022 with organic growth opportunities geographically and across the majority of revenue streams. Alliance is entering the new financial year with strong momentum and intends to build on this with the E190 fleet expansion.

- Resource and energy sector services are expected to increase organically across the network during the year and will benefit from the capacity five additional Fokker aircraft will bring;
- Alliance expects to have 14 E190 aircraft in service by December 2021. These aircraft will be servicing a mixture of wet lease and contracted clients;
- The introduction of E190 aircraft will also provide Alliance capacity for more ad-hoc charter services. Charter services are typically an output of idle capacity of the Group and due to recent growth idle capacity has been limited;

- Alliance has one E190 on dry lease at signing date and expects this number to grow during the year; and
- Alliance will continue to focus on cost management during the year, thus ensuring that profitability margins are maintained and where possible increased.

Whilst COVID-19 and subsequent government border closures continue to cause disruption to the aviation sector in general, Alliance's robust and diverse business model means that the majority of its operations have been largely unaffected and Alliance's core business remains strong. Subject to ongoing impacts of COVID-19 on domestic travel Alliance retains a positive outlook for FY2022.

### ***Dividend***

Since February 2020 the Company's share price has risen by 170%.

The Directors have formed the view that capital is best retained within the business to complete the substantial expansion program which will lay the foundation for an annualised increase of up to 3 times the flight hours by the end of FY2022.

As a result, the Board has decided not to declare a final dividend for the year ending 30 June 2021. This will be revisited at the end of the first half of FY2022.

**- Ends -**

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

## **About Alliance**

*Alliance is Australasia's leading provider of contract, charter and allied aviation and maintenance services currently employing in excess of 800 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 seven E190, 24 Fokker F100, 14 Fokker 70LR jet aircraft and five Fokker 50 turboprop aircraft. 25 additional E190s are scheduled to be added to the fleet by mid-2022.*

*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.*

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