

# Alliance Aviation Services Limited



Results Presentation  
For Year Ended 30 June 2022

10 August 2022





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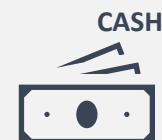
# Key Messages

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

- Significant increase in contracted wet lease revenue from April 2022;
- Stable earnings from contract revenue clients;
- Strong underlying operating cash flows;
- Record flight hours with increases in contract and wet lease hours;
- Significant growth in E190 activity from April 2022 however tempered by the continuing impacts of COVID-19 on the aviation industry as a whole; and
- Alliance has continued to invest in crew and aircraft to ensure increasing capacity demands were met.



Underlying profit  
before tax of  
\$45.3.m<sup>1</sup>



Increased underlying  
cash generation which  
continued to fund growth



Revenue from operations  
of \$367.5m, up 19%



14 x E190 aircraft added  
to the operating fleet –  
Fleet total, 61<sup>2</sup>



Contracted wet lease  
hours increased by 612%  
however continued to be  
tempered by COVID19



Flight hours up 25% to  
47,519. Growth to  
continue<sup>3</sup>

1. Underlying PBT and underlying cash flow are a non-statutory measures and used for the purpose of assessing the performance of Alliance during the year against comparable measures in the previous year.
2. This number includes two E190 aircraft currently on dry lease.
3. Subject to the impacts of COVID-19 on domestic capacity demands.

# E190 Deployment Activity

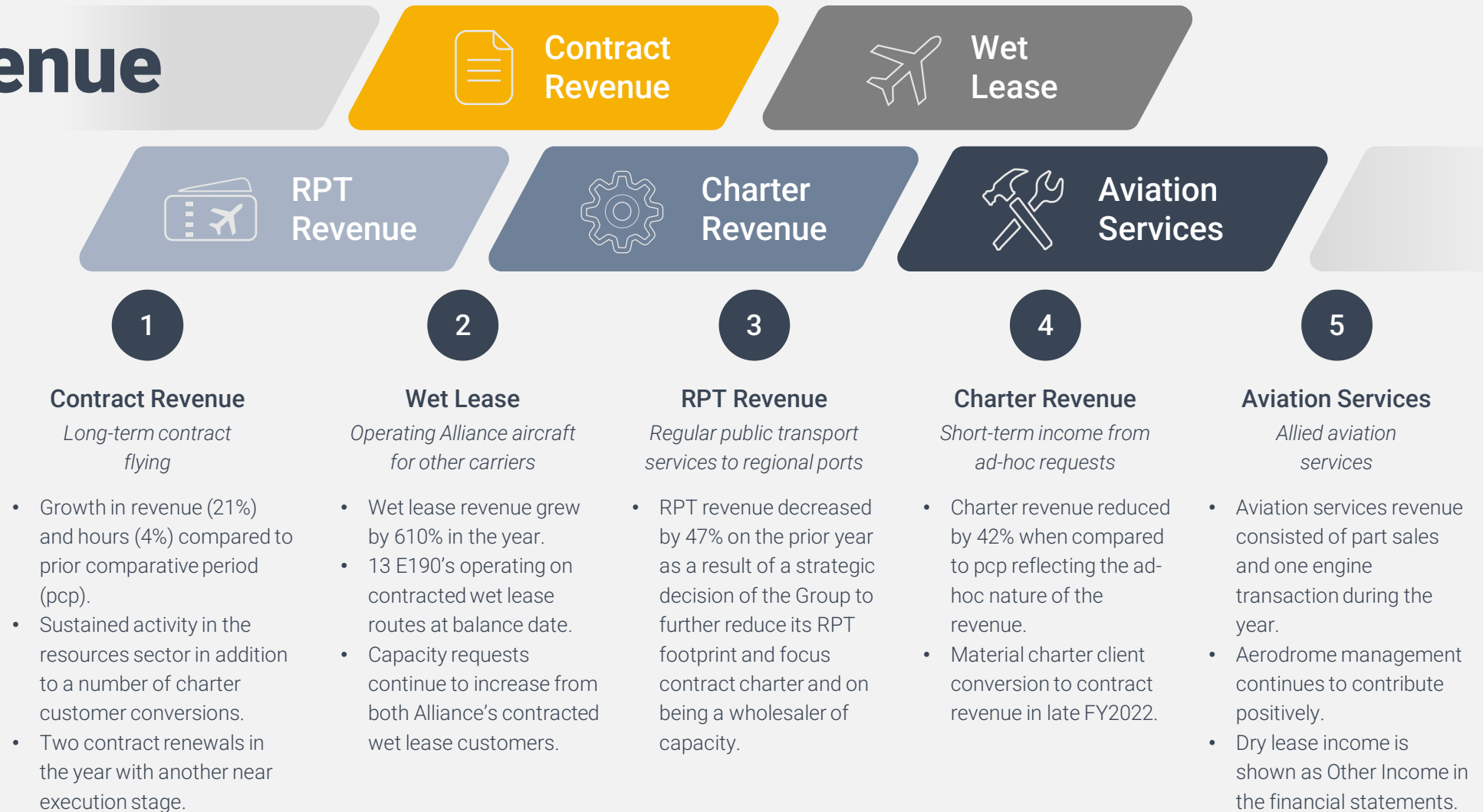
Alliance has continued to invest in E190 crew and E190 aircraft.

Demand is currently greater than capacity and Alliance has adapted its training programs to ensure new pilots are operational in the shortest time possible.

Activity	Status – June 2022	Status – December 2021
Contracted wet lease activity	18 options exercised with 13 delivered. Balance of five aircraft will be called up in July, November, December and January (x2).	10 options exercised with five delivered.
E190 recruitment	Staff employed to deliver our E190 fleet: 116 E190 pilots 135 E190 cabin crew 40 E190 licensed engineering staff	Staff employed to deliver our E190 fleet: 78 E190 pilots 77 E190 cabin crew 36 E190 licensed engineering staff
Rockhampton Hangar	Project Status Final slab – 23/08/2022 Roof cladding – 01/09/2022 Wall cladding - 04/10/2022. Practical Completion – 21/12/2022 Operational – February 2023	Construction has commenced in Rockhampton to deliver a state-of-the-art maintenance facility. This facility will be critical for the continual operational excellence of Alliance.
E190 simulator	To increase training throughput, up to 44 pilots will conduct simulator training overseas. One additional E190 simulator being sourced and expected in service in Brisbane late CY2023	One E190 simulator operational in Brisbane

# Five Revenue Streams

Wet lease activity experience the most significant growth in FY2022. Contract revenue continues to increase from a mix of new customers and increased rates.





# Operational Metrics

Alliance continues to deliver a strong operational performance. The Company is now transitioning from a period of investment in growth to a return on investment phase.

Detail	30 June 2022	30 June 2021
Aircraft in service – Fokker <sup>1</sup>	42	43
Aircraft in service – Embraer <sup>2</sup>	19	5
Flight Hours – contracted	26,926	25,873
Flight Hours – wet lease	16,112	2,262
Flight Hours – RPT	1,934	4,759
Flight Hours – charter	1,946	4,479
Flight Hours – other (incl. maintenance)	601	540
Total Flight Hours	<b>47,519</b>	<b>37,913</b>
Closing Staff Numbers (FTE)	916	717
Contract revenue as a % of Total Revenue	57%	69%

<sup>1</sup> Includes all operational aircraft whether flying or in base maintenance.

<sup>2</sup> Includes all operational aircraft whether flying or in base maintenance. Includes two E190's on dry lease to a third party.

# Financial Summary

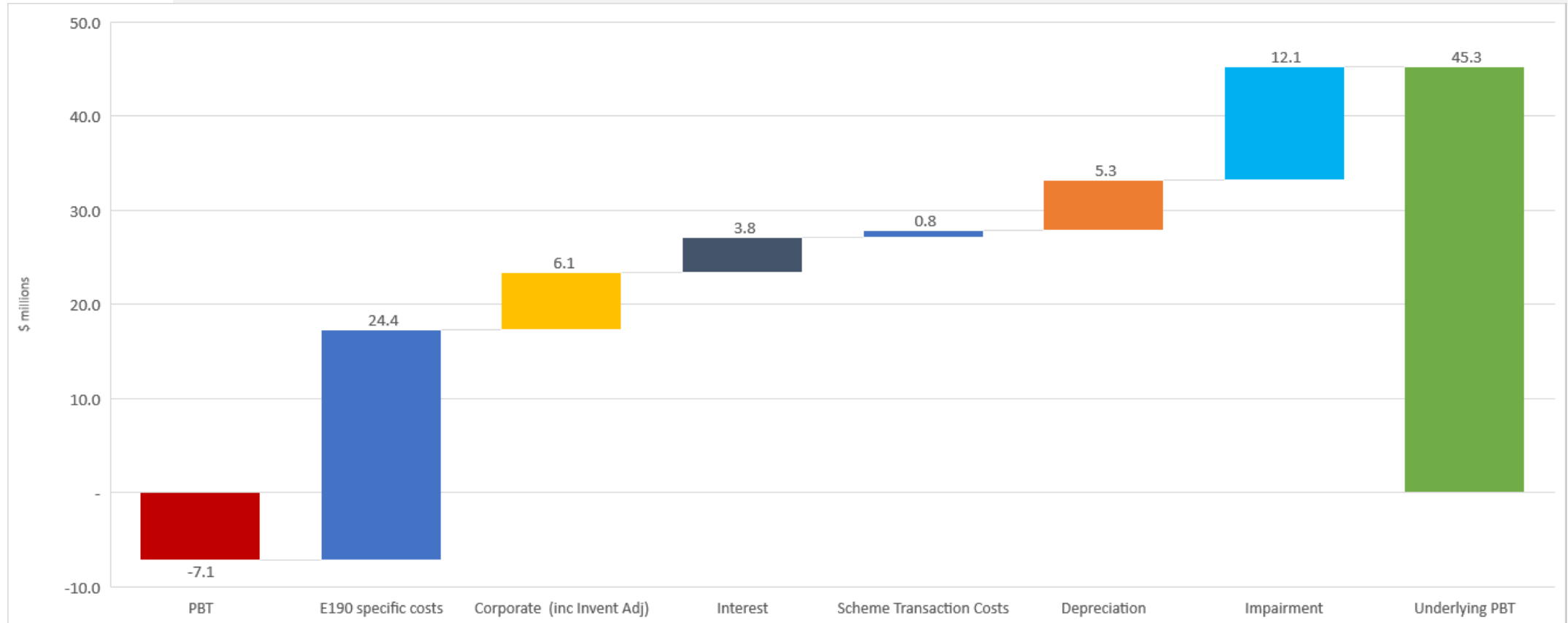
For the year ended  
30 June 2022





# Statutory to Underlying PBT Bridge

Alliance continued to invest in growth in FY2022 with activity growth not occurring until April 2022.





# Income Statement

## Observations:

- Wet lease revenue experienced the most significant increase in FY2022 as a result of increased activity from April 2022;
- Contract revenue grew as a result of increases in prices and the conversion of clients from Charter to Contract;
- The RPT footprint continues to reduce as Alliance focuses on its core business. An important strategic move as fuel prices increase;
- Dry lease revenue of \$3.5 million included in Other Income;
- Operating expenses have increased as a result of the E190 introduction program. Total Staff Costs alone increased by \$38.3 million or 42.9%;
- Finance costs have increased due to the higher levels of debt; and
- Depreciation has increased in line increased fleet numbers and utilisation.

(\$ in millions)	30 June 2022 Actual	Restated 30 June 2021 Actual	% PCP Change
<b>Revenue</b>			
Contract revenue	257.8	214.2	21%
Wet lease revenue	55.4	7.8	610%
Charter revenue	25.4	43.7	(42%)
RPT revenue	17.9	33.6	(47%)
Aviation services	8.9	8.0	11%
Other (Incl. FX)	4.0	(0.8)	600%
<b>Total revenue</b>	<b>369.4</b>	<b>306.5</b>	<b>21%</b>
Operating expenses	(321.8)	(218.8)	(47%)
<b>EBITDA</b>	<b>47.6</b>	<b>87.7</b>	<b>(46%)</b>
Depreciation and amortisation	(47.0)	(36.9)	(27%)
<b>EBIT</b>	<b>0.6</b>	<b>50.8</b>	<b>(99%)</b>
Finance costs	(7.7)	(2.6)	(196%)
<b>PBT</b>	<b>(7.1)</b>	<b>48.2</b>	<b>(115%)</b>
Income tax expense	1.9	(14.6)	114%
<b>NPAT</b>	<b>(5.2)</b>	<b>33.6</b>	<b>(115%)</b>
<b>Basic EPS (cents)</b>	<b>(3.2)</b>	<b>21.0</b>	<b>(85%)</b>

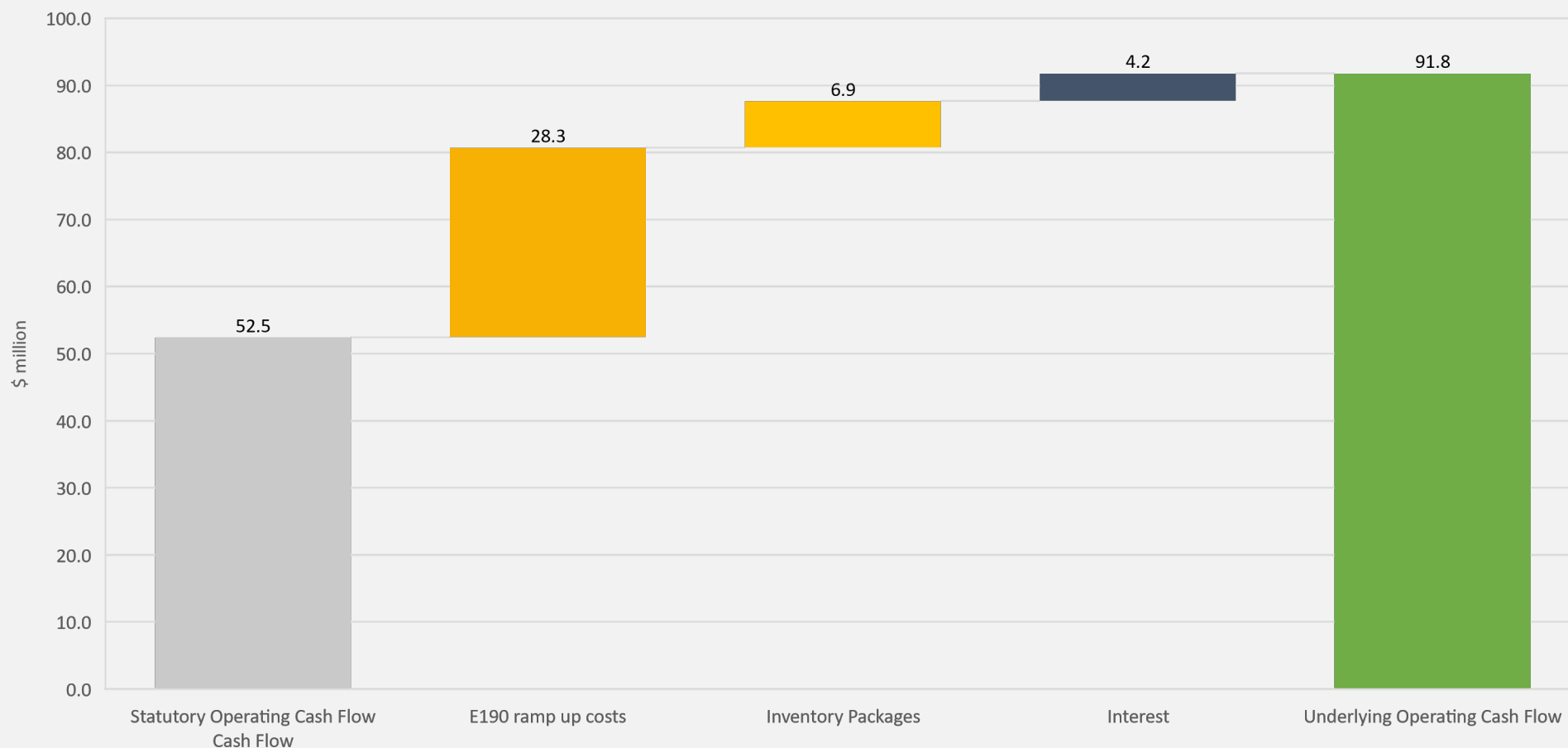
# Statement of Financial Position

## Observations:

- 32 E190 aircraft have now been paid for with 19 in service at balance date. One E190 settles between the months of July and December;
- F50 asset held for sale recognised in FY2022;
- Trade and other payables increased due to the increasing costs base and activity;
- Provisions increased due to the impact of CPI on annual and long service leave balances;
- The increase in borrowings was a result of increases in facilities for working capital requirements and the initial draw downs from NAIF for the Rockhampton Hangar Project; and
- Debt increased by \$33.8 million to \$190 million. Net debt at 30 June 2022 was \$169.2 million.

(\$ in millions)	30-Jun-22	30-Jun-21	% PCP Change
	Actual	Actual	
Cash	20.9	36.2	(42%)
Receivables	57.1	49.4	16%
Inventory	82.4	85.0	(3%)
Disposal grouped held for sale	4.6	0.0	n/a
<b>Total current assets</b>	<b>165.0</b>	<b>170.6</b>	<b>(3%)</b>
PP&E & Intangibles	474.2	407.1	16%
Right of use assets	27.2	28.0	(3%)
<b>Total non-current assets</b>	<b>501.4</b>	<b>435.1</b>	<b>15%</b>
<b>Total assets</b>	<b>666.4</b>	<b>605.7</b>	<b>10%</b>
Trade & other payables	76.6	44.2	(73%)
Borrowings	5.2	4.8	(8%)
Current tax liabilities	1.2	3.5	66%
Lease liabilities	2.6	2.2	(18%)
Provisions / other	15.2	11.8	(29%)
<b>Total current liabilities</b>	<b>100.8</b>	<b>66.5</b>	<b>(52%)</b>
Borrowings	184.8	151.5	(22%)
Deferred tax liability	39.2	41.3	5%
Lease liabilities	26.9	26.9	0%
Provisions / other	1.3	1.3	0%
<b>Total non-current liabilities</b>	<b>252.2</b>	<b>221.0</b>	<b>(14%)</b>
<b>Total liabilities</b>	<b>353.0</b>	<b>287.6</b>	<b>(23%)</b>
<b>Net assets</b>	<b>313.4</b>	<b>318.1</b>	<b>(2%)</b>

# Statutory to Underlying Operating Cashflow



# Cash Flow Statement

## Observations:

- Statutory operating cash flow increased by 32% as a result of increasing contract prices and activity and the increasing wet lease services;
- Operating cash flow includes \$6.9 million of inventory settlements, and \$39.1 million of setup costs incurred as part of the E190 fleet expansion project;
- Payments for PP&E consisted of \$68.1 million in Embraer fleet capex and \$19.7 million in Fokker maintenance and engine program costs;
- \$11.5 million was drawn down in the year for the Rockhampton Hangar Project.
- Debt drawdowns utilised to fund the purchase of the 9 E190 aircraft, working capital requirements and the Rockhampton Hangar Project.

(\$ in millions)	30 June 2022	30 June 2021
Receipts from customers (inclusive of GST)	415.4	336.9
Payments to suppliers (inclusive of GST)	(354.9)	(294.7)
Net interest (paid)/received	(6.6)	(1.4)
Income tax paid	(1.5)	(1.0)
<b>Net cash inflow from operating activities</b>	<b>52.4</b>	<b>39.8</b>
Net payments for aircraft, property, plant & equipment	(99.3)	(205.7)
<b>Free cash flow</b>	<b>(46.9)</b>	<b>(165.9)</b>
Proceeds from share issue	-	3.4
Proceeds from borrowings	38.5	146.5
Repayment of borrowings	(4.7)	(44.6)
Principal elements of lease payments	(2.2)	(2.0)
Dividends paid	-	-
<b>Net cash outflow from financing activities</b>	<b>31.6</b>	<b>103.3</b>
Net increase in cash and cash equivalents	(15.3)	(62.6)
Effects of currency translation on cash and cash equivalents	-	-
Cash & cash equivalents at the beginning of period	36.2	98.8
<b>Cash &amp; cash equivalents at the end of period</b>	<b>20.9</b>	<b>36.2</b>



# Capital Expenditure

## Observations:

- Fokker capital expenditure stable with additional aircraft due for maintenance in FY2023;
- Rolls-Royce program consistent with prior years. \$3 million of E190 engine maintenance provisioned in FY2023;
- Payments were made for the final nine E190 aircraft<sup>2</sup>. Capital expenditure was also incurred on E190 entry into service maintenance checks, ferry flights, livery and other associated costs to enter 14 aircraft into the fleet; and
- The Rockhampton Hangar Project has commenced with earthworks commencing in December 2021. This is a fully funded project with total funded build cost to Alliance of \$30 million with \$9.8 million expended at balance date.

(\$ in millions)	30 June 2022 Actual	FY2023 Forecast
<b>Existing fleet maintenance</b>		
<b>Cash outflows</b>		
Base maintenance providers	6.8	8.5
Engine care program/Engine Maintenance	12.9	17.2
Other miscellaneous	1.8	4.0
Operating costs capitalised	1.7	2.5
<b>Total cash outflows</b>	<b>23.2</b>	<b>32.2</b>
<b>Non-cash</b>		
Parts from inventory used in base maintenance	14.3	8.7
<b>Total existing fleet maintenance</b>	<b>37.5</b>	<b>40.9</b>
<b>Growth capital expenditure</b>		
<b>Cash outflows</b>		
Embraer program	68.1	14.2
Rockhampton Hangar Project	9.8	20.2
Operating costs capitalised	3.2	1.5
<b>Total cash outflows</b>	<b>81.1</b>	<b>35.9</b>
<b>Non-cash</b>		
Parts from inventory used in base maintenance	2.2	1.5
<b>Total growth capital expenditure</b>	<b>83.3</b>	<b>37.4</b>
<b>Total capital expenditure <sup>1</sup></b>	<b>120.8</b>	<b>78.3</b>

<sup>1</sup> Equates to movement in PP&E plus depreciation (adjusted for Right of Use Depreciation)

<sup>2</sup> The nine aircraft include two on dry lease



# Growth Strategy

*FY2023 and beyond*



← A6 K A6 →



# Deploying the E190's

33 E190 aircraft have been acquired.

18 Contracted to Qantas

9 Alliance Fleet

3 Dry Lease

3 In Maintenance when at full capacity



	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Q3FY23
Number of Aircraft in Australia	15	22	23	29	33	33
Number of Aircraft in Service	11	17	19	25	31	33
Annualised Block Hours Available	~33,000	~51,000	~57,000	~75,000	~93,000	~99,000

# Rockhampton Maintenance Hangar



- The construction of a three bay 10,000 square metre maintenance facility at Rockhampton Airport is progressing as planned which commissioning expected in February 2023.
- As well as securing Alliance's supply chain with the onshoring of its base maintenance there are strong ESG outcomes resulting from the project:
  - Alliance's continued support of regional Australia with a development at Rockhampton Airport which will likely incentivise more aviation investment in the area
  - Alliance is looking to recruit up to 25 apprentices from the Rockhampton community with an indigenous commitment
  - The project has created local employment opportunities and Alliance will also advertise nationally for skilled personnel to relocate to the fast-growing Rockhampton region
  - State-of-the-art energy efficient building with a 100kw solar array and storage on site
  - Water harvesting with 500kl water tanks
  - The saving of approximately 1.5 million litres of fuel burn per annum.



# Outlook

## Observations:

- Contract revenue continue to be robust and is expected to increase both organically and with the addition of new clients; and
- The Embraer fleet expansion project will reap significant rewards from FY2023 onwards.

**Alliance** retains a positive outlook for the 2023 financial year. Investment in growth has occurred in FY2022 and FY2023 is the year to deliver increased profitability.

- Contract revenue will continue to grow organically along with significant opportunities for new client wins. The full year impact of transitioned clients will also occur in FY2023.
- Charter activity will benefit in the latter half of FY2023 as more capacity becomes available.
- Contracted wet lease revenues are forecast to increase significantly from FY2022 levels. This is predicated on there being no further COVID-19 impacts and Alliance's pilot training programme aligning to the plan.
- Alliance has three aircraft on dry lease as at reporting date. No further increase in dry lease aircraft forecast.
- RPT revenues will decrease during the year to align with Alliance's strategic goal of being a wholesaler of capacity. These revenues are an immaterial part of Alliance's business
- Alliance will have deployed 33 E190 aircraft by the end of January 2023.
- The Directors have formed the view that the best use of the Company's capital for the near term continues to be utilised on the completion of the substantial expansion program which will occur by January 2023. As a result, the Board has decided not to declare a dividend for the year ending 30 June 2022. Capital management continues to be a focus of the Board and an assessment on dividend payments will be completed as part of the 31 December 2022 interim review..

# Other Information

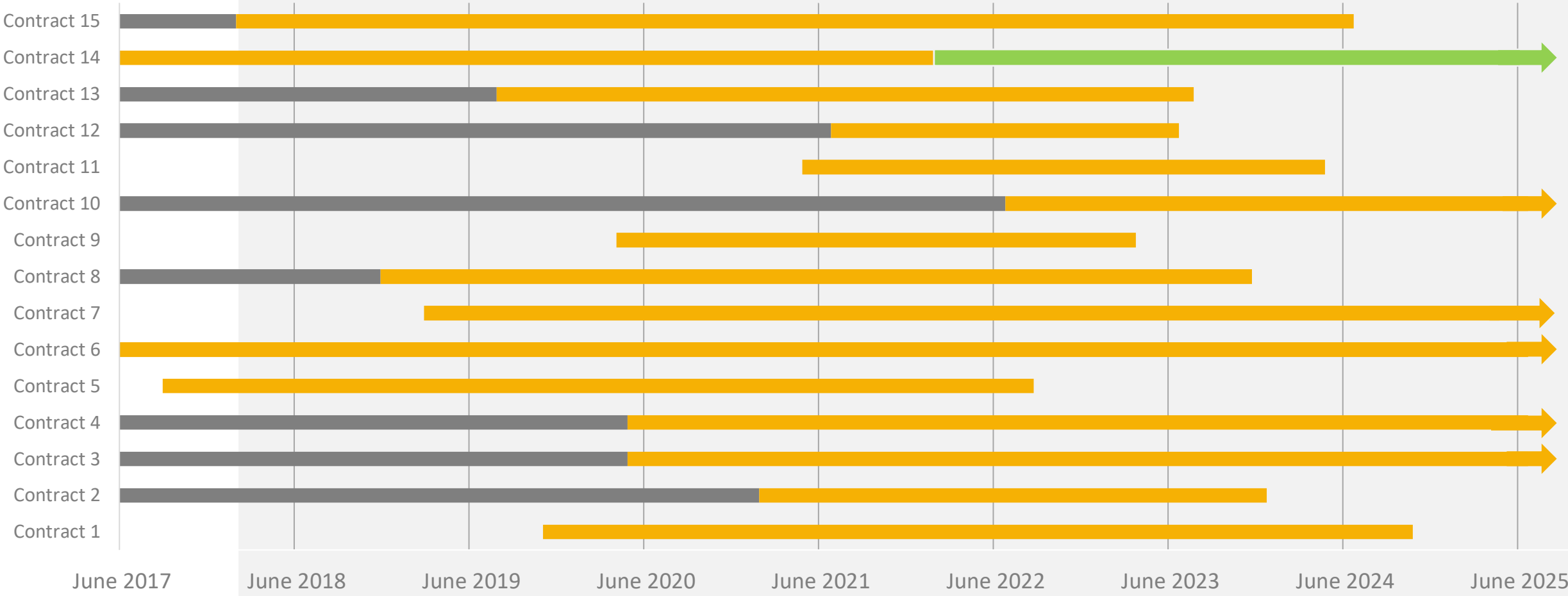
*For the year ended  
30 June 2022*



# Growing Contract Client Base<sup>1</sup>

One contract renewal currently being negotiated with two due for renewal in FY2023.  
Opportunities for new contracts in FY2023.

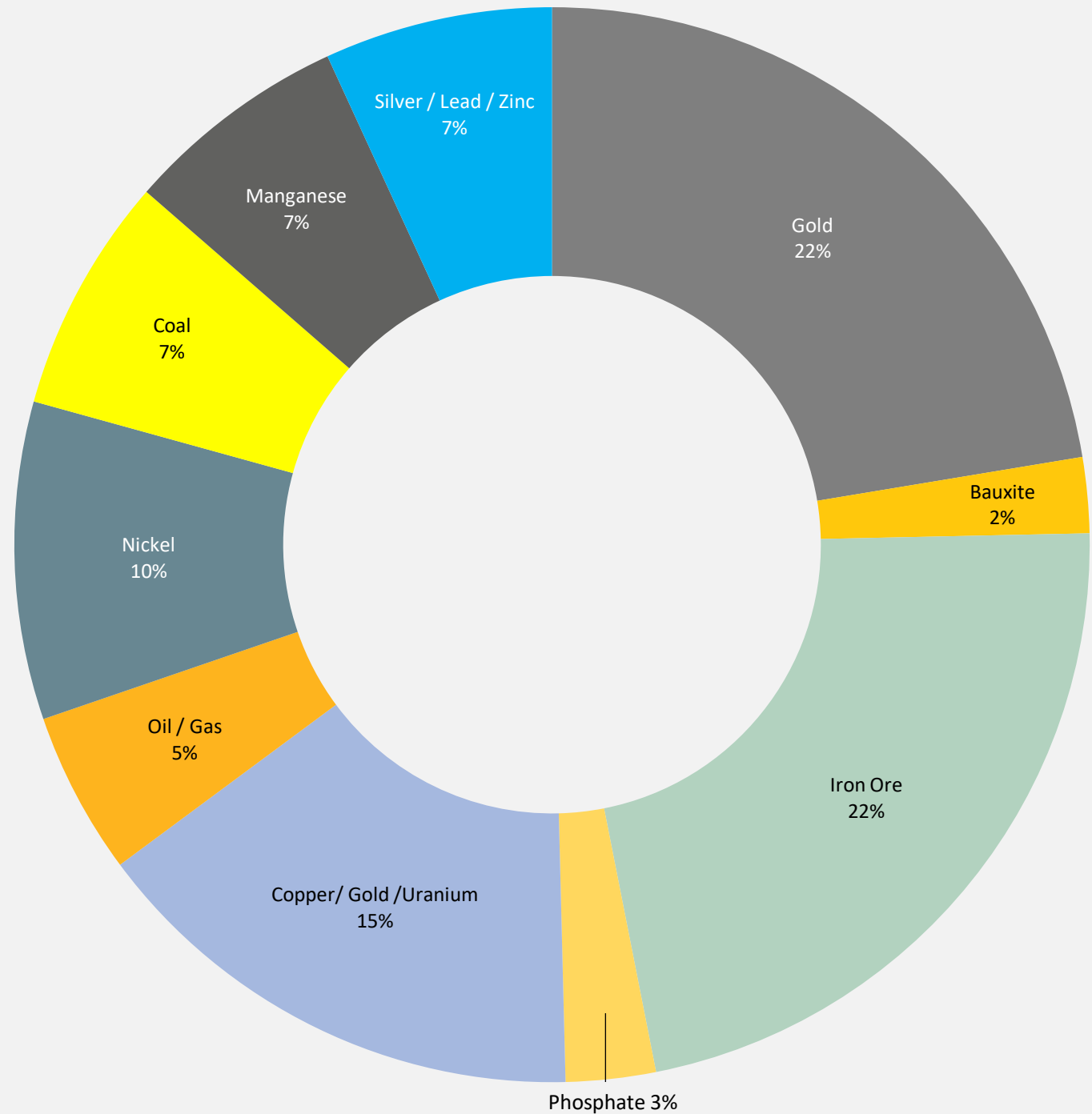
Previous contract  
Current contract  
In negotiation



<sup>1</sup> Top 15 FIFO contracts – FY22 Flight Revenue

# Commodity Exposure

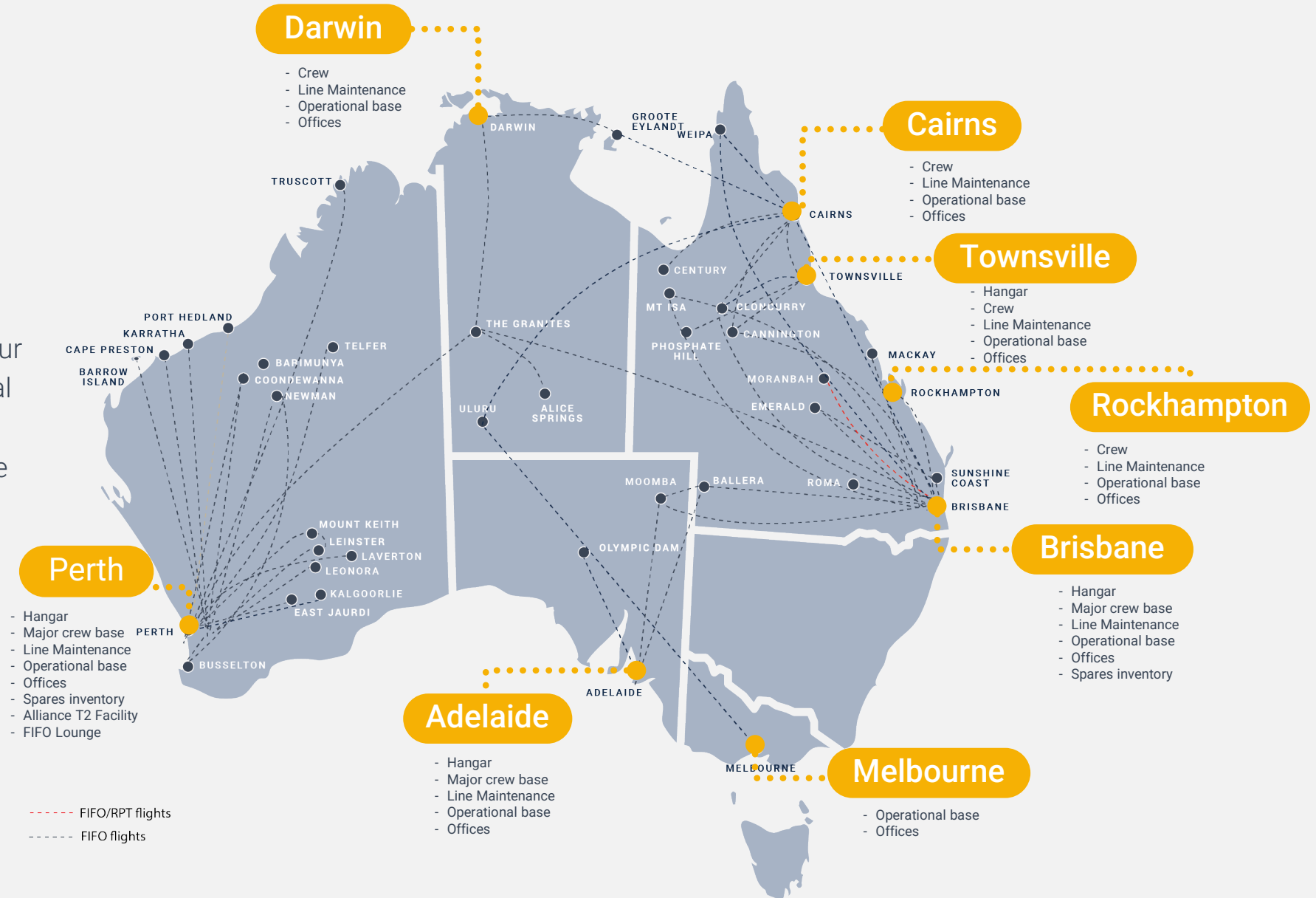
Major commodity exposure as a percentage of FY2022 revenue by the top 15 contracted clients.





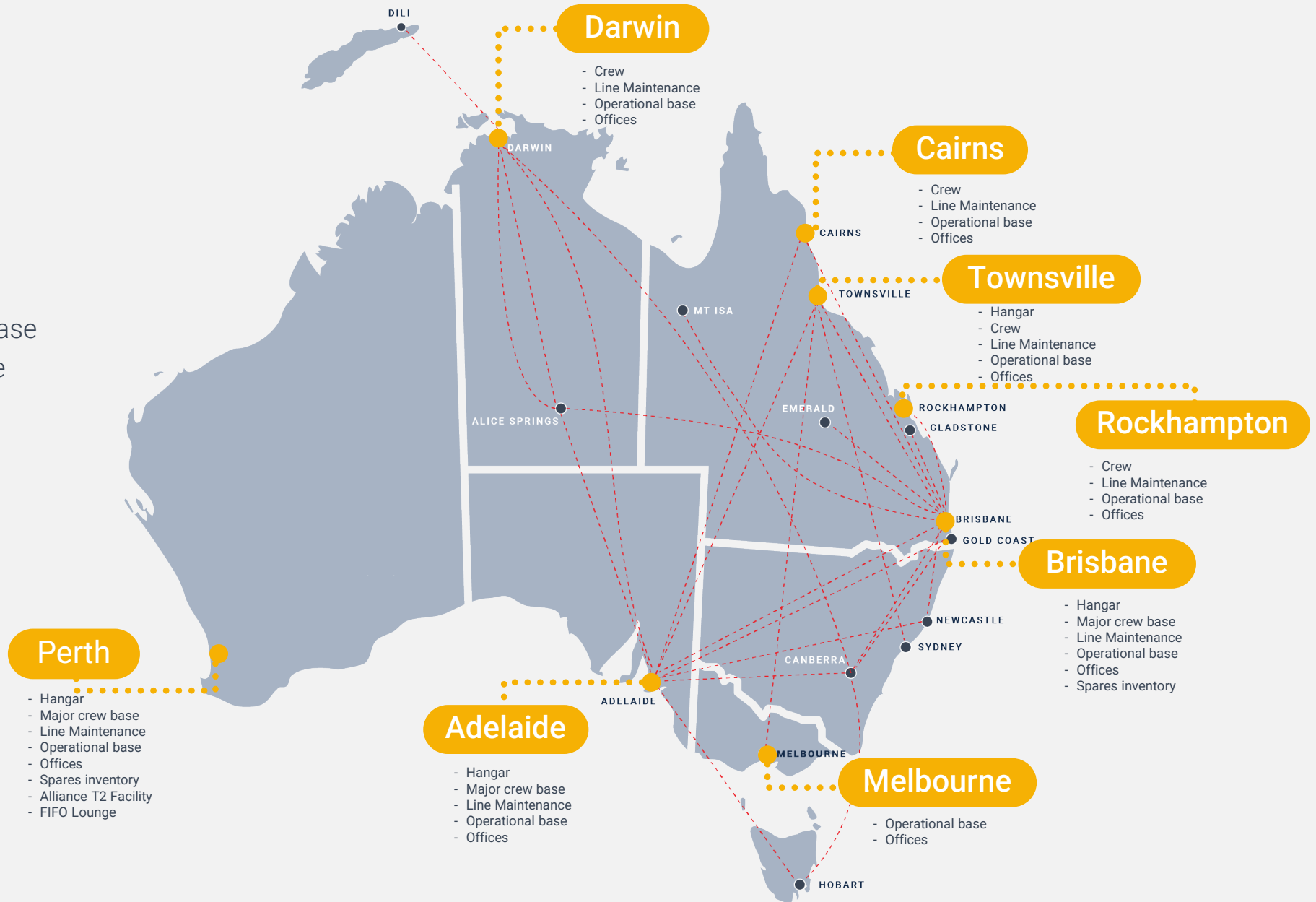
# Footprint Contract

Alliance is the most successful charter operator in Australia. Our Australia wide network and local presence makes Alliance the number one choice for resource and energy sector companies.



# Footprint Wetlease

Alliance is the premier wet lease operator for Australia and the Pacific.



# ESG Overview

## Environmental

Alliance is committed to embracing opportunities to manage and reduce its impact on the environment. The Company's current initiatives include:

- Contracting General Electric on a special project targeting a reduction of fuel consumption across its fleet.
- Alliance has changed its flight planning provider to one that enables flight path optimisation to reduce fuel consumption and increase efficiencies.
- Alliance offers all of its customers a 100% carbon offsetting solution under its emission offset program.
- The new Rockhampton hangar will be fitted with 500kl water harvesting and a 100kw solar array and related on-site storage.

## Social

Alliance is dedicated to supporting the people and communities that it services and operates in.

- Alliance recognises the responsibility the private sector has in creating work opportunities and upskilling staff. There are currently 8 personnel completing their apprenticeship in Alliance.
- Alliance hosted its third Hangar2Hangar cycling event in April 2022 and raised \$150,000 for Breast Cancer Network Australia.
- Alliance proudly sponsors a number of sporting and community groups across Australia. This year it sponsored the Queensland Reds Rugby team.
- Alliance is supporting Foodbank, one of the largest hunger relief charities in Australia, by funding the acquisition of a refrigerated truck for its operations.
- The Rockhampton Hangar project is also delivering significant social benefits.

## Governance

The Alliance Board has ultimate responsibility of the Company and the systems, policies and procedures in place to ensure its acting as a good corporate citizen.

- ESG Risks are incorporated and monitored through the Board risk management framework.
- The Board monitors developments in laws, regulations, ASX principles and business practices to ensure an effective governance framework is in place.
- Safety is the most important operational requirement for Alliance. Alliance has retained its IOSA safety accreditation from IATA since it being first awarded in FY16.
- Alliance also retained its Gold Basic Aviation Risk Standard.

# Operational Performance



96% OT P

Alliance Airlines delivered a 96% on time performance figure for the financial year.

## Fokker Fleet Forecast FY2023



*F100 – 100 Seat Jet Aircraft  
No. in fleet – 24*



*F70 – 80 Seat Jet Aircraft  
No. in fleet - 13*

## E190 Fleet Forecast FY2023



*E190 – 94-114 Seat Jet Aircraft  
No. in operating fleet – 33  
No. in service for Qantas - 18  
No. in service for Alliance – 9  
No. in service on dry lease - 3  
No. in maintenance at full capacity - 3*

## Safety Certifications



*IOSA  
certification renewal in  
FY2022*



*BARS Gold standard  
maintained*



*AOC issued by CASA*





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