

Alliance Aviation Services Limited Results Presentation FY2021

11 August 2021



Alliance
AIRLINES



Contents

03.	KEY MESSAGES
04.	INDUSTRY LEADING COVID-19 RESPONSE
05.	FIVE REVENUE STREAMS
06.	FINANCIAL SUMMARY
14.	DEPLOYING THE E190's
15.	OUTLOOK
17.	STABLE CONTRACT CLIENT BASE
18.	COMMODITY EXPOSURE
19.	FOOTPRINT
20.	OPERATIONAL PERFORMANCE
21.	DISCLAIMER
22.	ACKNOWLEDGEMENTS

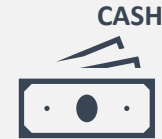
Key Messages

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

- Another record profit whilst investing for growth;
- Record underlying operating cash flows;
- Stable flight hours, with increases in contract and charter;
- Payment for 26 of the 32 E190 aircraft;
- Significant growth capacity funded and immediately available; and
- Subject to COVID impacts, a strong growth outlook for FY22 and beyond.



Underlying profit before tax¹ of \$51m, up 25%



Underlying operating cash flow¹ of \$75.9m, up 73%



Revenue from operations of \$308.7m, up 3%



5 x E190 aircraft added to the fleet – Fleet total, 48



Corporate Debt renewed, including long term debt matched to growth



Flight hours stable- 37,913
Anticipated growth of up to 3 times annualised

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.

Industry Leading COVID-19 Response

Alliance was initially negatively impacted by COVID-19 through a reduction in wet lease activity.

The response to COVID-19 has been consistent, industry leading and placed the business in an enviable position to capitalise on growth opportunities.

This next stage of this leading response is mandated vaccinations.



Lead the way with pre-flight temperature and COVID testing.



Responded to changing market conditions to grow contract and charter business.



Capitalised on market disruption with purchase of E190 fleet at historically low prices.

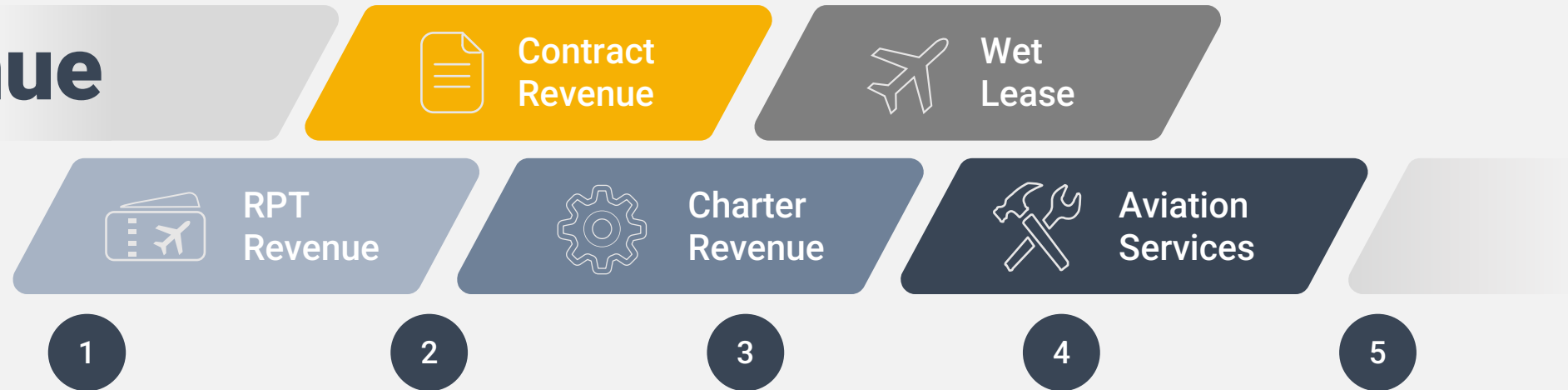


Secured new contracted wet lease business to guarantee deployment of newly acquired E190s.



Introduced compulsory COVID-19 vaccinations for all staff and contractors.

Five Revenue Streams



Contract and charter continue to experience revenue growth. **Wet lease** activity reduced as a result of COVID-19 however is expected to rebound strongly in FY22.

- | 1 | 2 | 3 | 4 | 5 |
|---|--|---|---|---|
| Contract Revenue | Wet Lease | RPT Revenue | Charter Revenue | Aviation Services |
| <i>Long-term contract flying</i> | <i>Operating Alliance aircraft for other carriers</i> | <i>Regular public transport services to regional ports</i> | <i>Short-term income from ad-hoc requests</i> | <i>Allied aviation services</i> |
| <ul style="list-style-type: none"> • Growth in hours compared to FY20 and revenue up by 6% on the prior year. • Driven by sustained activity in the resources sector. • Contract schedules have normalised and 2HFY21 was not impacted by COVID-19. • Contracts with four key clients were renewed/extended during the year and four new contracts added. | <ul style="list-style-type: none"> • Wet lease revenue lower but increasing. • Alliance resumed services on behalf of Virgin and activity levels grew during the second half. • Wet lease services for Qantas commenced late in the second half and are poised to grow. | <ul style="list-style-type: none"> • RPT revenue decreased by 3% on the prior year as a result of COVID-19. • Ongoing lockdowns and border restrictions resulted in reductions in services in the second half. • Alliance's RPT footprint is not expected to expand. | <ul style="list-style-type: none"> • Charter revenue up by 66% on the prior year. • Charters were operated for sporting clubs, government agencies and resource sector clients. • A notable increase in domestic tourism demand came through in the second half, however less sporting and government work in the second half. | <ul style="list-style-type: none"> • Revenue for the year was stable when compared to FY20 and consistent with the mid-term run rate. • Unity Aviation Maintenance joined the group from December 2020. • Aerodrome management and other engineering services continued to contribute positively in the during the year. |

FINANCIAL SUMMARY

For the year ended
30 June 2021



Operational Metrics

Alliance consistently delivers strong operational performance.

Detail	30 June 2021	30 June 2020
Aircraft in service*	48	42
Flight Hours – contracted	25,873	23,733
Flight Hours – wet lease	2,262	6,297
Flight Hours – RPT	4,759	4,612
Flight Hours – charter	4,479	2,453
Flight Hours – other (incl. maintenance)	540	525
Total Flight Hours	37,913	37,620
Average Staff Numbers	601	551
Revenue per employee (\$k)	514	542
Contract % of Total Revenue	69%	68%

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

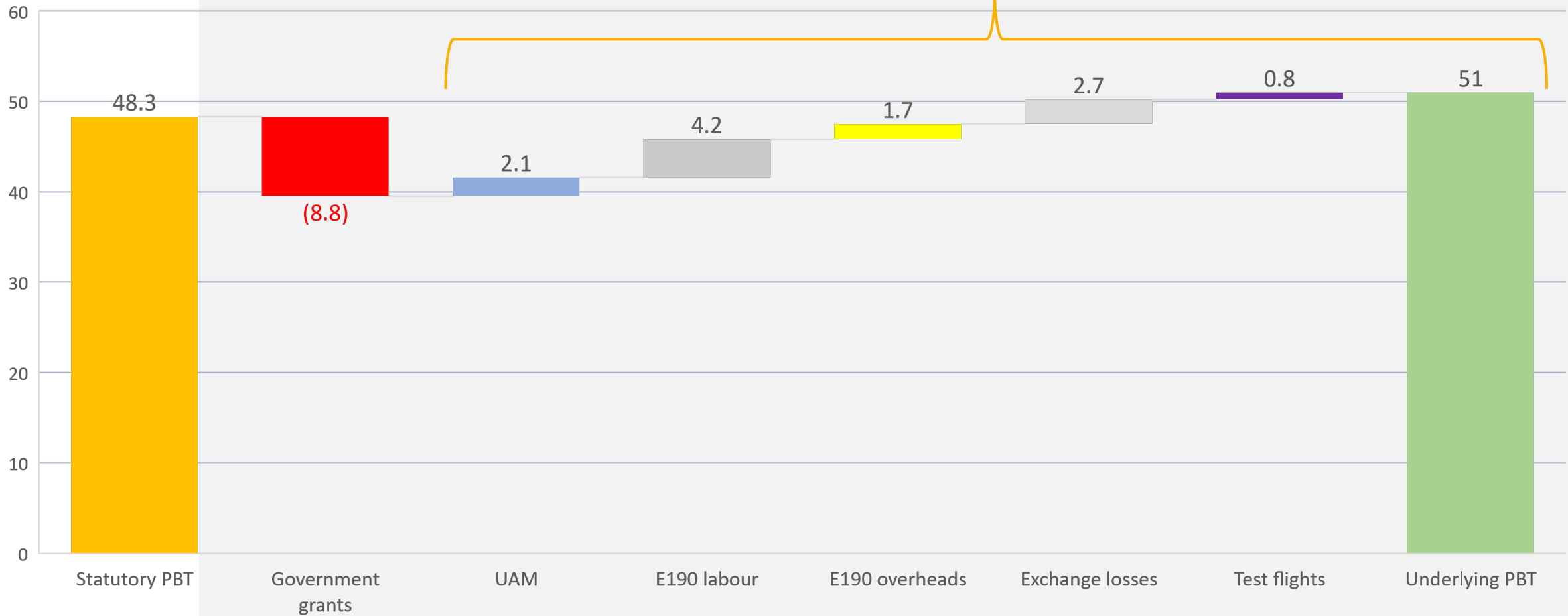
E190 Ramp Up & Deployment Activity

The commencement of E190 commercial operations in May was a significant milestone and part of the ongoing ramp up in E190 capacity.

Activity	Scale
Amendment of Air Operators Certificate	Six month project involving some specialist contractors and designated Alliance personnel.
Transportation, Assembly and Certification of E190 Full Flight Simulator in Brisbane	Eight month project lead by appointed external contractor.
Entry to Service Checks on each E190	Six to eight week base maintenance check and painting of new aircraft livery.
Recruitment and training of E190 specific pilots	Training and checking of each pilot takes between four and eight weeks. 62 new pilots have been through this process to date.
Recruitment and training of additional Cabin Crew for E190 operations	67 new Cabin Crew have been employed and trained on the E190 – a process that takes six to eight weeks per crew. An additional 42 existing staff have been trained on the E190 – typically a two to three week process.
Training of Licenced Aircraft Maintenance Engineers (LAMEs) on the E190	Training and certification of an existing LAME on the E190 is a two to three month process. 43 existing LAMEs have been trained on the E190 to date.

Statutory to Underlying PBT Bridge

E190 expansion programme



Income Statement

Observations:

- Sustained activity in FIFO. Added four new clients during the year;
- Charter revenue performed strongly in the year with a varied mix of clients contributing to the growth;
- RPT revenue was impacted by COVID-19 travel restrictions. The revenue has stabilised in the 2nd half of FY2021;
- Aviation services performed well despite the negative impacts of COVID-19 on Alliance's airline client base;
- Operating expenses are consistent with the prior year with no material change in the unit costs associated with operations;
- Depreciation has increased in line increased fleet numbers; and
- Alliance has moved into an income tax payable position in FY21.

(\$ in millions)	FY2021 Actual	FY2020 Actual	% PCP Change
Revenue			
Contract revenue	214.2	202.5	6%
Wet lease revenue	7.8	24.4	(68%)
Charter revenue	43.7	26.4	66%
RPT revenue	33.6	34.6	(3%)
Aviation services	8.0	10.0	(20%)
Other (Incl. FX)	(0.8)	0.3	(366%)
Total revenue	306.6	298.2	3%
Operating expenses	(218.8)	(219.7)	-
EBITDA	87.8	78.5	12%
Depreciation and amortisation	(36.9)	(35.1)	(5%)
EBIT	50.9	43.4	16%
Finance costs	(2.6)	(2.7)	-
PBT	48.3	40.7	19%
Income tax expense	(14.6)	(13.7)	(6%)
NPAT	33.7	27.0	25%
Basic EPS (cents)	21.00	21.09	-

Statement of Financial Position

Observations:

- Cash utilised throughout the year to pay for E190 acquisitions (aircraft and associated parts, SIM, tooling and GSE);
- Inventory includes \$33 million of Embraer spare parts acquired throughout the year;
- Right of use assets and lease liabilities have increased due to the inclusion of the Unity Aviation Maintenance hangar land lease, renewal of the Brisbane hangar and office lease and the Adelaide hangar lease;
- Debt increased by \$119.4 million to fund E190 acquisitions. Net debt \$120.1 million at year end; and
- Current tax liabilities reflect Alliance moving to a cash tax payable position due to increased profits and fully utilised tax losses.

(\$ in millions)	30 June 2021 Actual	30 June 2020 Actual	% PCP Change
Cash	36.2	98.8	(63%)
Receivables	50.9	54.4	(6%)
Inventory	86.5	57.4	(51%)
Total current assets	173.6	210.6	(18%)
PP&E & Intangibles	407.1	217.3	87%
Right of use assets	28.0	8.0	250%
Total non-current assets	435.1	225.3	93%
Total assets	608.7	435.9	40%
Trade & other payables	44.2	48.5	9%
Borrowings	4.8	12.0	60%
Current tax liabilities	3.5	0.0	(100%)
Lease liabilities	2.2	1.4	(57%)
Provisions / other	11.8	8.9	(33%)
Total current liabilities	66.5	70.8	6%
Borrowings	151.5	42.4	(257%)
Deferred tax liability	42.2	32.1	(31%)
Lease liabilities	27.0	7.0	(286%)
Provisions / other	1.3	1.5	13%
Total non-current liabilities	222.0	83.0	(167%)
Total liabilities	288.5	153.8	(88%)
Net assets	320.2	282.1	14%

Cash Flow Statement

Observations:

- Strong Fokker operating cash flow continues;
- Operating cash flows also included \$8.8 million of government rebates and \$33.4 million of E190 inventory purchases, and \$11.5m of E190 setup costs;
- Payments for PP&E consisted of \$20.6 million on Fokker fleet capex and \$175.9 million on the Embraer fleet program (incl. aircraft, entry into service maintenance, ferry flights, paint and the E190 simulator);
- Payments for PP&E also included the Unity Aviation Maintenance Pty Ltd acquisition; and
- Debt increased to fund capital expansion.

(\$ in millions)	30 June 2021 Actual	30 June 2020 Actual
Receipts from customers (inclusive of GST)	336.9	315.9
Payments to suppliers (inclusive of GST)	(294.7)	(269.5)
Net interest (paid)/received	(1.4)	(2.4)
Income tax paid	(1.0)	-
Net cash inflow from operating activities	39.8	44.0
Net payments for aircraft, property, plant & equipment	(205.7)	(30.8)
Free cash flow	(165.9)	13.2
Proceeds from share issue	3.4	90.5
Proceeds from borrowings	146.5	18.0
Repayment of borrowings	(44.6)	(23.7)
Principal elements of lease payments	(2.0)	(1.6)
Dividends paid	-	(7.3)
Net cash outflow from financing activities	103.3	75.9
Net increase in cash and cash equivalents	(62.6)	89.1
Effects of currency translation on cash and cash equivalents	-	0.1
Cash & cash equivalents at the beginning of period	98.8	9.6
Cash & cash equivalents at the end of period	36.2	98.8

Capital Expenditure

Observations:

- Fokker fleet maintenance is below forecast due to the usage of inventory on hand and less hours required for the checks;
- Other miscellaneous expenditure is higher in the year due to the purchase of equipment and tooling required for E190's;
- Two E190 settlements were brought forward from the initial settlement schedule into FY2021; and
- The purchase of Unity Aviation Maintenance Pty Ltd is also reflected in the E190 programme in FY2021.
- FY2022 forecast includes the remaining purchases of 6 E190 aircraft and maintenance check costs on the balance of acquired E190's;
- Provisional sum for E190 engine maintenance requirements whilst maintenance program is being established; and
- Provision for IT system upgrade in FY2022.

(\$ in millions)	FY2021 Actual	FY2022 Forecast
Existing fleet maintenance		
Cash outflows		
Base maintenance (Fokker)	5.6	6.5
Engine care program (Fokker and E190)	14.3	20.0
Other miscellaneous	2.6	4.0
Operating costs capitalised	2.4	2.5
Total cash outflows	24.9	33.0
Non-cash		
Parts from inventory used in base maintenance	10.8	12.5
Total existing fleet maintenance	35.7	45.5
Growth capital expenditure		
Cash outflows		
E190 program	182.5	56.4
Entry into service (Fokker)	0.6	0.0
Operating costs capitalised (Fokker FY21 – E190 FY22)	1.6	2.5
Total cash outflows	184.7	58.9
Non-cash		
Parts from inventory used in base maintenance (Fokker FY21 – E190 FY22)	4.2	3.0
Total growth capital expenditure	188.9	61.9
Total capital expenditure ¹	224.6	107.4

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

Deploying the E190's

26 of the 32 E190s have been funded and deployment is ahead of schedule



	30 June 21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22
Number of Aircraft Acquired	26	5	1	-	-
Number of Aircraft in Service*	5	16	20	26	32
Number of Aircraft fully deployed^	4	11	14	22	29
Annualised Hours Generated	~12,000	~30,000	~35,000	~60,000	~80,000

*Includes all aircraft approved for use on the Company's Air Operator Certificate and available to be operated

^includes only aircraft that have been contracted for use by customers

Outlook

Observations:

- The Fokker fleet is the backbone of existing operations for many years to come.
- The Embraer fleet enables growth opportunities.
- Alliance is entering the new financial year with strong momentum and intends to build on this momentum with the E190 fleet expansion despite recent COVID-19 lockdowns and travel restrictions.

Alliance retains a positive outlook for the FY2022 with organic growth opportunities geographically and across contract, charter and wet lease revenue streams.

- Contract and charter operations are expected to benefit from the re-deployment of five Fokker aircraft into the Western Australian market during the year.
- Four recently acquired contract clients will contribute to growth in FY2022.
- Contracted wet lease revenue is forecast to increase significantly during the year. This increase will be from both historical and new contracted wet lease arrangements.
- Alliance has one aircraft on dry lease with further opportunities to dry lease additional aircraft.
- RPT revenues are forecast to be stable throughout the year, subject to any COVID-19 related border closures or travel restrictions.
- The charter sector is forecast to continue at similar levels experienced in the second half of FY2021. Domestic tourism charters have increased during the year and it is forecast for this to continue in FY2022.
- Alliance will continue to prepare for the full deployment of 32 E190 aircraft. This will include the recruitment of pilots, engineers and cabin crew and the addition of aircraft to its air operator's certificate.
- 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 the 3 times annualised increase in 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.

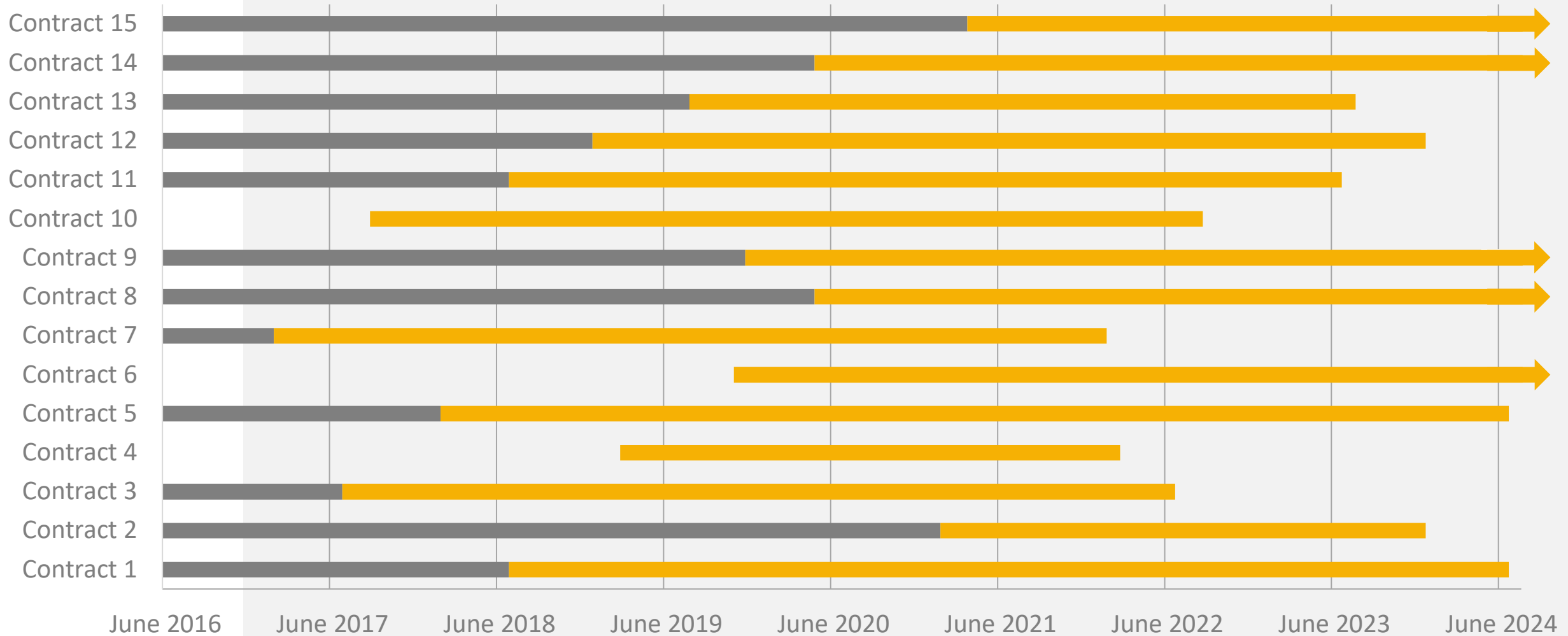
OTHER INFORMATION

For the year ended 30 June 2021



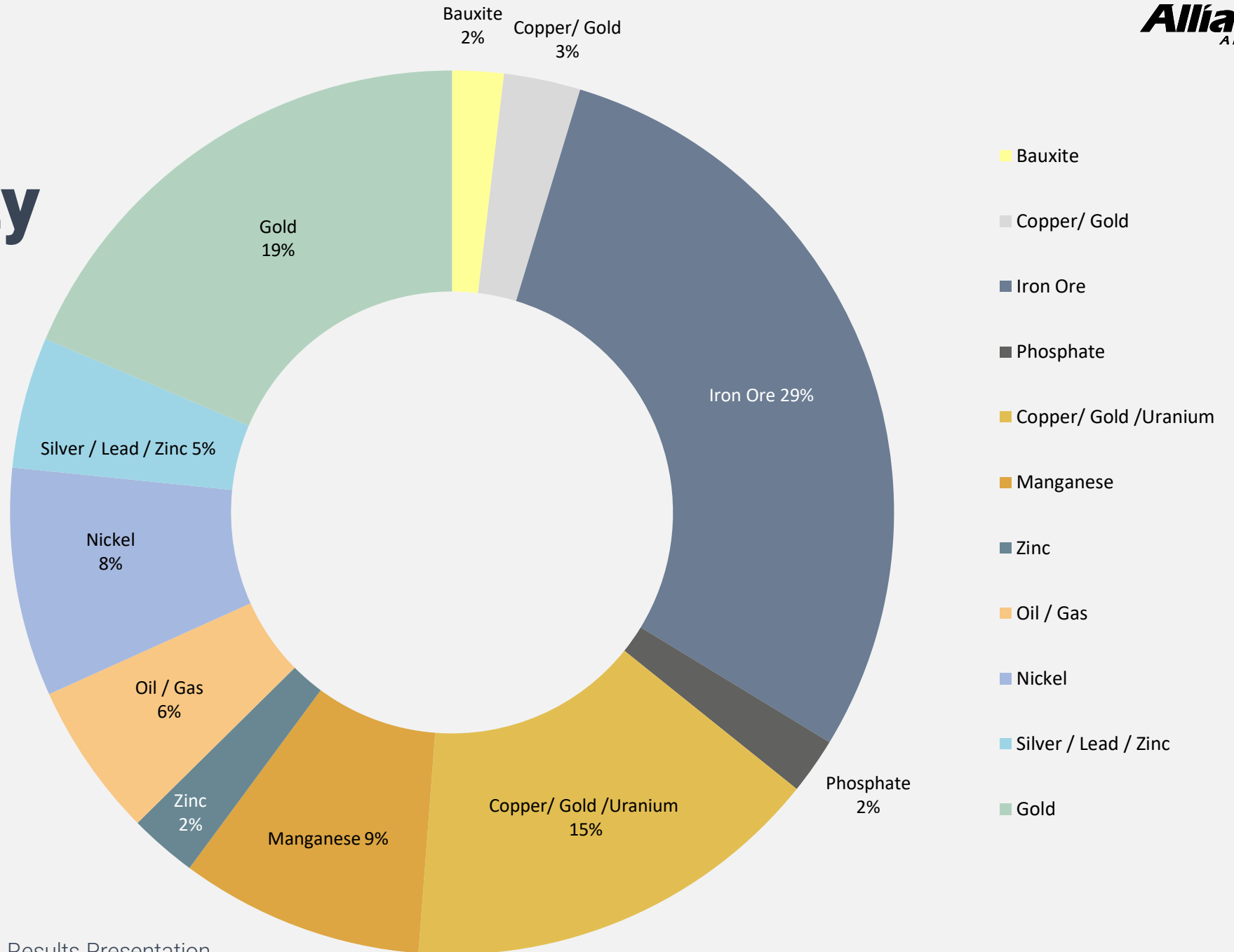
Stable Contract Client Base

Four material contracts renewed/extended in FY2021

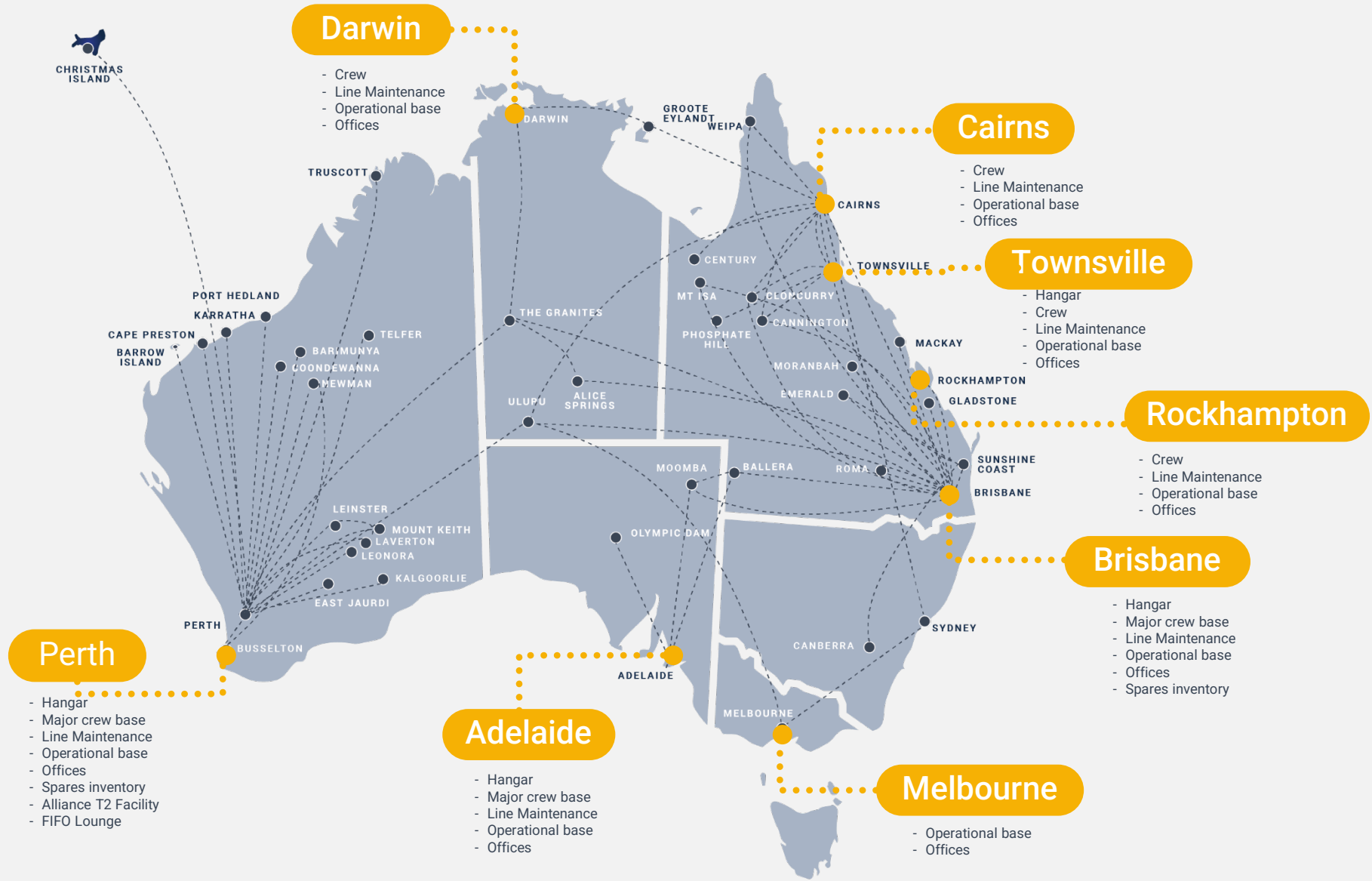


Commodity Exposure

Major commodity exposure as a percentage of FY2021 revenue by the top 15 contracted clients.



Footprint



Operational Performance



93% O
T
P

Alliance Airlines delivered a 93% on time performance figure for the last 12 months. This was below our usual standard and is a key focus for improvement

Forecast Fokker Fleet FY 2022



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



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



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

1. Including one leased aircraft

Forecast E190 Fleet FY 2022



E190 – 94-114 Seat Jet Aircraft
No. in operating fleet – 5
No. settled & not in service - 21
Remaining to be settled – 6

Cruising speed

839 kph

Maximum range

4,445 km

Engine

Two GE CF34-10E5
(18,500 lb)
turbo fans

Safety Certifications



Renewed IOSA
certification in FY20



BARS Gold standard
maintained

Disclaimer

Reliance on third party information

This presentation was prepared by Alliance Aviation Services Limited (ACN 153 361 525) ("Alliance"). Certain market and industry data used in this presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. Neither Alliance nor its representatives have independently verified any such market or industry data provided by third parties or industry or general publications.

Presentation is summary only

This presentation is for information purposes only and is a summary only. It should be read in conjunction with Alliance's Annual Report for the year ended 30 June 2021 and Alliance's other periodic and continuous disclosure information lodged with the Australian Securities Exchange (ASX), which is available at www.asx.com.au. The content of this presentation is provided as at the date of this presentation (unless otherwise stated). Reliance should not be placed on information or opinions contained in this presentation and, subject only to any legal obligation to do so, Alliance does not have any obligation to correct or update the content of this presentation.

Not investment advice

This presentation does not and does not purport to contain all information necessary to make an investment decision, is not intended as investment or financial advice (nor tax, accounting or legal advice), must not be relied upon as such and does not and will not form any part of any contract or commitment for the acquisition of shares in Alliance. Any decision to buy or sell securities or other products should be made only after seeking appropriate financial advice. This presentation is of a general nature and does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. Alliance is not licensed to provide financial product advice in respect of its shares.

No offer of securities

This presentation is for information purposes only and is not a prospectus, product disclosure statement or other offering document under Australian law or any other law (and will not be lodged with the Australian Securities and Investments Commission (ASIC) or any other foreign regulator). This presentation is not, and does not constitute, an invitation or offer of securities for subscription, purchase or sale in any jurisdiction.

Past Performance

Past performance, including past share price performance of Alliance and pro forma financial information given in this Presentation, is given for illustrative purposes only and should not be relied upon as (and is not) an indication of Alliance's views on its future financial performance or condition. Past performance of Alliance cannot be relied upon as an indicator of (and provides no guidance as to) the future performance of Alliance. Nothing contained in this Presentation nor any information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee, whether as to the past, present or future.

Disclaimer (cont.)

Future performance and forward-looking statements

This Presentation contains certain “forward-looking statements”. The words “expect”, “anticipate”, “estimate”, “intend”, “believe”, “guidance”, “should”, “could”, “may”, “will”, “predict”, “plan” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of Alliance, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions.

No Liability

To the maximum extent permitted by law, neither Alliance or any of its shareholders, directors, officers, agents, employees or advisers accepts, and each expressly disclaims, any liability, including without limitation any liability arising from fault or negligence, for any errors or misstatements in, or omissions from, this presentation or any direct, indirect or consequential loss arising from the use of this presentation or its contents or otherwise arising in connection with it.

Acknowledgments

Our thanks to the following for the images used in the presentation:

Front Cover – VH-UYZ on approach to Alice Spring Airport – Image by Rob Finlayson (<https://pbase.com/aviationimagesrf/alliance>).

Page 6 – VH-UQW Departing from Cairns Airport – Image by Alliance staff member Grant Jones.

Page 16 – VH-UYB Departing Wellcamp Airport – Image by Garry Wilkinson (<https://www.facebook.com/garrywilkinsonphotography/>).