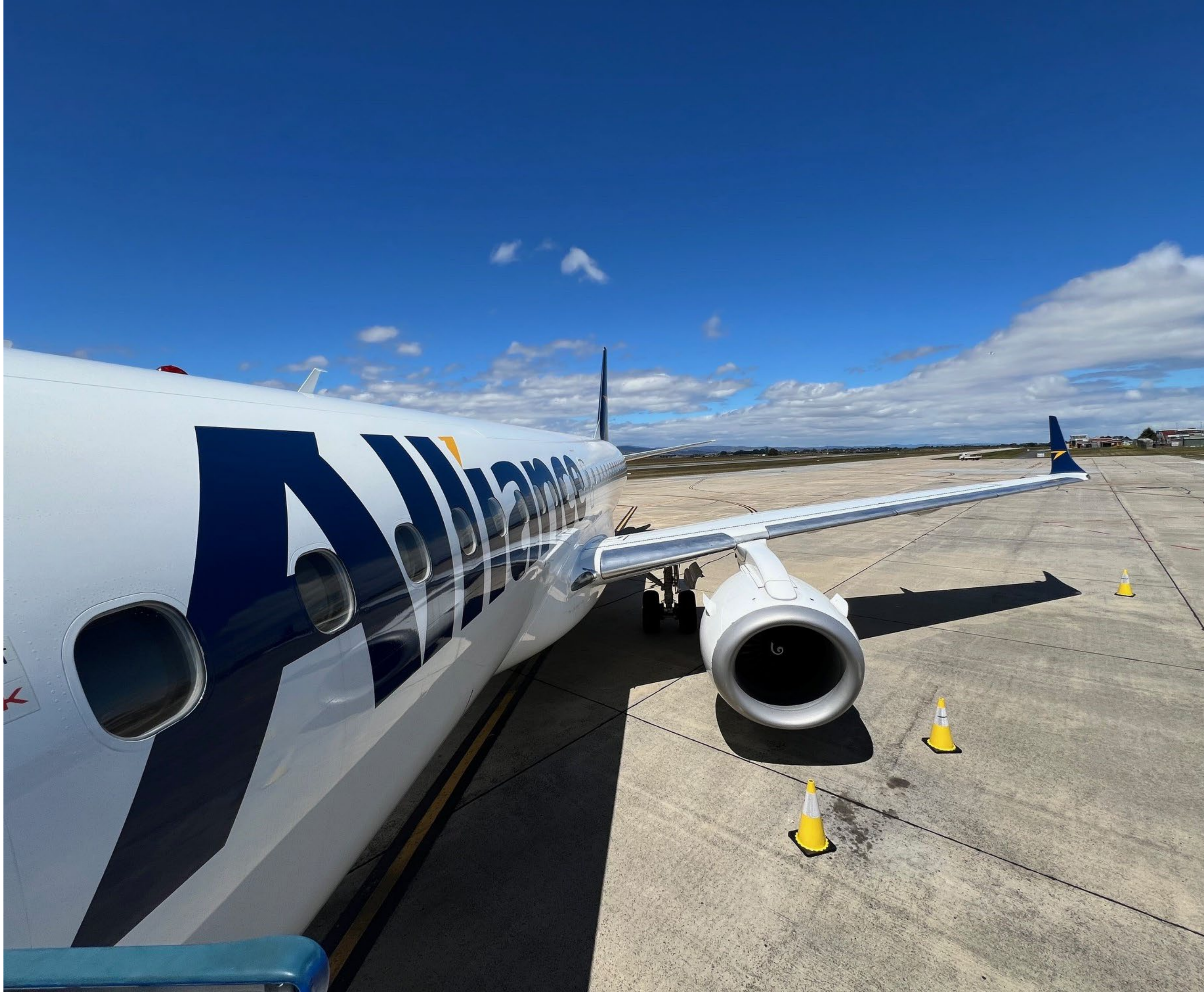
Alliance Aviation Services Limited

Results Presentation

Half Year Ended
31 December 2023



Introduction to Alliance

Alliance was founded in 2002.

Alliance provides contracted air transportation solutions to meet the needs of large corporate mining companies and other aviation industry clients.

Alliance operated 70 aircraft and employed 1,333 employees as at 31 December 2023.

Alliance attributes its success to three key performance indicators:

- Safety,
- On-time performance, and
- Financial sustainability.

These indicators underpin all strategy and activity at Alliance.

1,333
FTE Employees

96%
On time performance

70
Aircraft all owned

98%
Australasian owned

$37.7m
HY24 PBT

$519m
Market Capitalisation

The Alliance attributes

1 Contracted revenue from investment grade clients

Alliance has serviced major resource companies since inception with a contracted revenue model. The Company has an outstanding track record of contract retention. The attributes that make Alliance a great FIFO operator position it to deliver contracted Wet Lease flying for Australian airlines.

2 Outstanding operations evidenced by industry leading on-time performance

Alliance's track record of on-time performance is significantly above industry averages. This is critical to FIFO customers as timely access to FIFO labour is of critical importance to resource sector production volumes. Similarly, it is important for Wet Lease customers as it contributes to their customer satisfaction and brand loyalty.

3 National footprint enabling regional services

Alliance has operational bases across Australia supporting its national customer base. The national footprint established to service mining operations can now be leveraged to provide Wet Lease capacity to Australian airlines.

4 Company-owned fleet of jet aircraft well suited to contract flying

Alliance specialises in 80 to 100-seat jet aircraft operations which are the ideal size for both FIFO and Wet Lease demand. The fleet is owned rather than leased which contributes to flexible, low-cost operations.

5 Experienced management team focused on aircraft operations

The management team has significant industry experience and specialises in aircraft ownership and operations. The whole team is dedicated to managing the business to three essential performance indicators: safety, on-time performance, and financial sustainability.

6 Significant investment made for future growth

Over the past three years, Alliance has invested significantly into building the platform for the E190 fleet. This foundation has been set to unlock future growth and profitability.
This investment is continuing as Alliance acquires another 34 E190 aircraft for expansion opportunities.

HY24 Highlights

Revenue	EBITDA
$304.5m	**$80.4m**

Profit before Tax	Operating Cash Flow
$37.7m	**$12.0m** [1]

Flight Hours	Aircraft in Service
50,793	**70**

1 – Includes $28.4 million of aircraft classified as Inventory

Revenue streams

Flying Revenue

Alliance generates revenue from the provision of flights to customers, predominately under long term contracts.

Contracted Fly-In-Fly-Out (FIFO)

Flights operated on behalf of resource sector customers.

- HY24 revenue grew by 2% to $155 million (HY23: $152 million). This increase is impacted by 16% lower fuel prices, which pass through customer revenue accounts.
- Contract charter flight hours increased by 4% to 14,146 (HY23: 13,578).
- The increase in activity is from a mix of schedule increases from existing clients and the full half year impact of clients attained in FY23.
- Three major contract renewals completed in the half year securing these clients for between five and seven years.

Ad Hoc Charter

Short-term flying contracts (<12 months) to a broad range of customers including corporates, government and sporting teams.

- Meeting ad-hoc charter demand is still challenging due to the capacity limitations..
- Flight hours however did increase in the half by 58 to 666 (HY23: 608) with revenue totalling $8 million for the half year (HY23: $8 million).

Contracted Wet Lease

Providing flight services to major airlines.

- Wet lease revenue grew to $128m (up 106%) compared to (HY23: $62 million).
- Total wet lease flight hours increased by 17,943 (up 104% to 35,191 hours (HY23: 17,248).
- 22 out of a possible 30 E190's operated on Qantas contracted wet lease services in the half with another four aircraft options exercised for commencement in 2HFY24 (3) and 1HFY25 (1).
- Wet lease services utilising the Fokker fleet also continued in the half at similar levels of activity

Aviation Services

Alliance provides specialised aviation services to airlines and clients.

- Aviation Services revenue decreased in the year due to lower parts and engine transactions.
- Alliance continued to manage aerodromes and provide ground handling services to a number of clients.
- Dry lease income is shown as Other Income in the financial statements.

Operational metrics

Alliance continues to realise significant economic benefits from its capital expansion programme. Flight Hours and asset utilisation has grown substantially over the half year with further growth projected for the remainder of FY24.

Detail	31 December 2023 Actual	31 December 2022 Actual
Aircraft in Service – Fokker	37	37
Aircraft in Services – Embraer	33	25
Aircraft in Service – Total	**70**	**62**
Flight Hours – Contracted	14,156	13,578
Flight Hours – Wet Lease	35,191	17,248
Flight Hours – RPT	499	561
Flight Hours – Charter	666	608
Flight Hours – Other (incl. maintenance)	281	370
Flight Hours – Total	**50,793**	**32,365**
Closing Staff Numbers (FTE)	**1,333**	**1,052**
Contract % Total Revenue $	**51%**	**64%**
Wet Lease % Total Revenue $	**42%**	**26%**

Financial Summary

For Half Year Ended
31 December 2023

Income statement

Observations

- Revenue has increased 28% compared to the prior comparative period.
  - Wet lease revenue grew a further $65.6 million compared to prior period. This was due to additional aircraft becoming available for services and increased utilisation across the fleet.
  - Contract revenue increased by 2% however this number is impacted by fuel prices which on average were 16% less than the prior comparative period. This reduction passes through to customer revenue.
- Controlling operating expenses continues to be a focus of the Group. Inflation, supply chain and other economic factors are all risks that must be managed.
- Depreciation has increased in line with fleet numbers and utilisation increases.
- Drawdown of additional debt, to fund the growth strategy, at higher than historical interest rates has increased finance costs in the half.
- Tax expense reflects the increase in profitability of the Group, however there is no cash tax payable in the half.

$ Million	31 December 2023 Actual	31 December 2022 Actual	%PCP Change
Revenue			
Contract revenue	154.7	152.1	2%
Wet Lease revenue	127.6	62.0	106%
Charter revenue	8.1	8.1	-
RPT revenue	6.3	7.7	-18%
Aviation services	1.9	5.1	-63%
Other (incl. FX)	5.9	3.5	69%
Total Revenue	**304.5**	**238.5**	**28%**
Operating expenses	(224.1)	(196.2)	
EBITDA	**80.4**	**42.3**	**90%**
Depreciation & amortisation	(34.6)	(27.2)	
EBIT	**45.8**	**15.1**	**203%**
Finance costs	(8.1)	(5.6)	
PBT	**37.7**	**9.5**	**297%**
Income tax expense	(11.4)	(2.9)	
NPAT	**26.3**	**6.6**	**298%**
Basic EPS (cents)	**16.3**	**4.1**	**301%**

Statement of financial position

Observations

- The lower receivables balance reflects the majority of debtors paying invoices on time.
- Inventory increases in the half year of $36 million includes two E190 and two Fokker 100 aircraft acquisitions which will be disassembled with the parts and componentry either used to service the existing fleet or for sale.
- PP&E increased in the half year due to 9 base maintenance checks, the purchase of four E190 airframes and the purchase of two TAY650 engines required for the fleet.
- Trade and other payables have decreased as cash flow improved.
- Provisions increased as a result of annual CPI increments on annual and long service leaves balances and the increase in staffing levels.
- Borrowings increased during the period to cover payments towards the AerCap aircraft acquisitions.

$ Million	31 December 2023 Actual	30 June 2023 Actual	%PCP Change
Cash	36.9	22.3	
Receivables	61.8	79.1	
Inventory	125.6	89.6	
Total Current Assets	**224.3**	**191.0**	**2%**
PPE & intangibles	611.7	563.6	
Right of Use Assets	23.9	25.1	
Total Non-current Assets	**635.6**	**588.7**	**13%**
Total Assets	**859.8**	**779.7**	**10%**
Trade & other payables	80.4	85.7	
Borrowings	7.5	7.5	
Current tax liabilities	0.2	0.2	
Lease liabilities	2.6	2.5	
Provisions / other	21.2	19.5	
Total current liabilities	**111.9**	**115.4**	**3%**
Borrowings	274.1	227.8	
Deferred tax liability	71.0	59.6	
Lease liabilities	24.7	25.6	
Provisions / other	1.8	1.7	
Total non-current liabilities	**371.6**	**314.7**	**(18%)**
Total Liabilities	**483.5**	**430.1**	**(12%)**
Net Assets	**376.3**	**349.8**	**8%**

Cash flow statement

Observations:

- Receipts from customers reflect the increase in revenue.
- Payments to suppliers have been impacted by increased activity, inflation, the additional aircraft purchases and increased staff levels.
- Payments to suppliers includes $28.4m for two E190 and two Fokker 100 aircraft acquisitions and an E190 parts package. All of these will be disassembled with the parts and componentry either used to service the existing fleet or for sale.
- Interest expense has increased due to increase in debt utilised and the higher effective interest rate.
- Payments for PP&E consisted of $3.6 million in Embraer fleet capex, $38.8 million in Fokker maintenance and engine program costs and $3.6 million for the Rockhampton Hangar.
- Debt drawdowns resulted from aircraft purchases.

$ Million	31 December 2023 Actual	31 December 2022 Actual
Receipts from customers (incl GST)	326.5	262.4
Payments to suppliers (incl GST)	(306.9)	(237.2)
Net Interest (paid) / received	(7.6)	(4.7)
Income tax paid	-	3.1
Net cash inflow from operating activities	**12.0**	**23.6**
Net payments for aircraft, property, plant & equipment	(42.4)	(55.0)
Free cash flow	**(30.4)**	**(31.4)**
Proceeds from borrowings	50.0	20.4
Repayment of borrowings	(3.7)	(2.6)
Principal elements of lease payments	(1.3)	(1.4)
Net cash inflow from financing activities	**45.0**	**16.4**
Net (decrease) / increase in cash & cash equivalents	14.6	(15.0)
Cash & cash equivalents at the beginning of period	22.3	20.9
Cash & cash equivalents at the end of period	**36.9**	**5.9**

Capital expenditure

Observations:

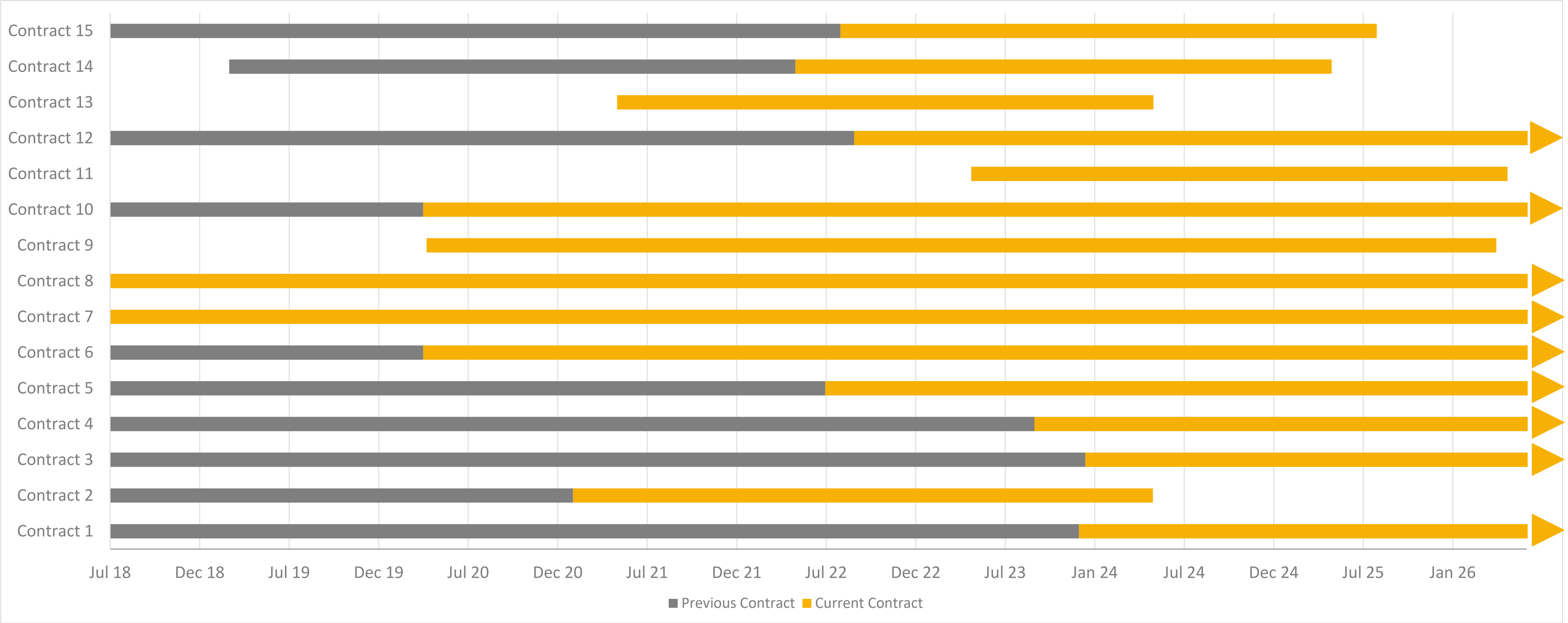
- Existing fleet maintenance now incorporates Fokker and Embraer base maintenance checks on the fleet of 70 aircraft.
- Rolls-Royce program costs have increased in line with utilisation.
- Growth capital expenditure in the half year consists of the final costs for the final two (of 33) E190's to enter the fleet.
- Growth capital expenditure for 2HFY24 includes costs to get four E190 aircraft into service.
- The Rockhampton Hangar project saw an additional $3.6 million in expenditure on fit out, tooling and ground services equipment.
- The growth capital expenditure does not take into account the acquisition costs of the additional E190's but does take into account the entry into service costs. See slide 17 for details.

($ in millions)	1HY24 Actual	2HY24 Forecast
Existing fleet maintenance		
Cash outflows		
Base maintenance providers	14.7	12.2
Engine care program/Engine Maintenance	13.9	11.3
Other miscellaneous	6.6	2.0
Operating costs capitalised	2.4	1.0
Total cash outflows	**37.6**	**26.5**
Non-cash		
Parts from inventory used in base maintenance	27.5	13.7
Total existing fleet maintenance	**65.0**	**40.2**
Growth capital expenditure		
Cash outflows		
Embraer program	3.6	5.5
Rockhampton Hangar Project	3.6	1.5
Operating costs capitalised	0.9	0.5
Total cash outflows	**8.1**	**7.5**
Non-cash		
Parts from inventory used in base maintenance	8.3	3.0
Total growth capital expenditure	**16.4**	**10.5**
Total capital expenditure	**81.4**	**50.7**

Contract business model

		FIFO Contract	Wet Lease Contract
	Passenger Revenue Risk	No	No
	Customers	Blue chip resources and energy companies	Major Australian airlines
	Direct costs such as fuel, airport charges, air navigation charges and catering.	Built into the charter rate with a mechanism in the contract allowing for variations in fuel and other costs to be passed through. Alliance has the working capital funding burden of passing on costs	Incurred by the customer directly Alliance does not fund the working capital
	Aircraft Type	Predominately Fokker	E190 & Fokker
	Scheduling	Typically, Tuesday, Wednesday, Thursday	Seven days a week
	Aircraft Utilisation	Low Aircraft typically fly to the mine site in the morning and return in the afternoon. FIFO contracts pricing reflects this.	High Aircraft are completing multiple scheduled flights per day to multiple ports. Contracts include minimum monthly flight hours per aircraft and revenue increases as more flights are scheduled.

Contract Charter business model

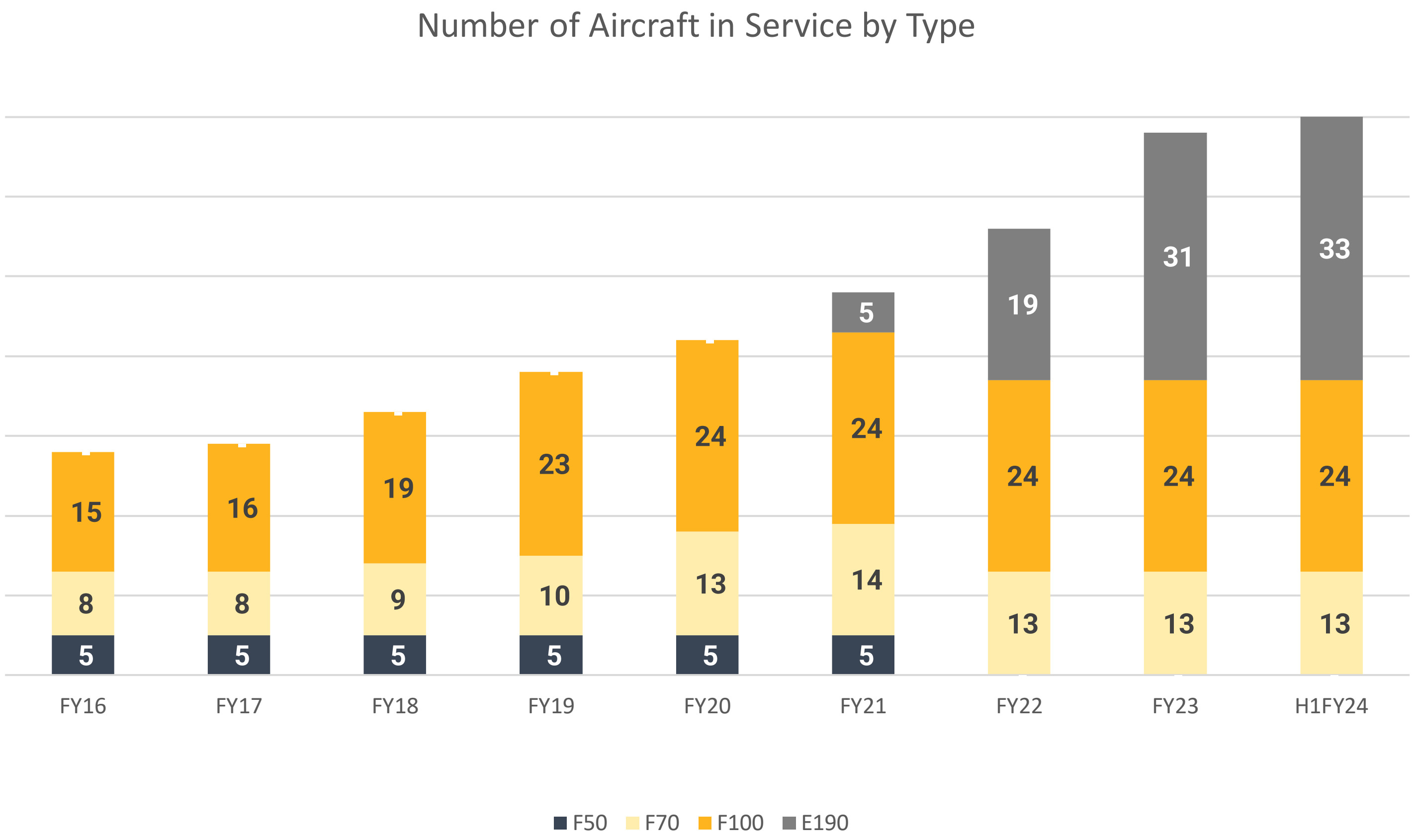


Driving Growth

Growing fleet driving growth

Aircraft in service

The total aircraft in service has more than doubled over the past five years with the expansion into E190 aircraft. This has underpinned significant growth for the Company.



Includes all operational aircraft whether flying or in heavy maintenance.

Expanding the E190 fleet for growth

Fleet Acquisition

- Alliance has entered a sale and purchase agreement to acquire 30 x E190s from AerCap (the **AerCap Deal**).[1] Subsequent to this Alliance also acquired four airframes from Azorra in late December 2023.
- As at 31 December, two aircraft have been settled with AerCap and four aircraft have been settled with Azorra.
- The final price of each aircraft is adjusted for the maintenance status of the airframe and engines. Accordingly, there is a significant degree of variation in unit cost. The higher the initial cost the lower the ongoing capital expenditure will be.
- The acquisition provides additional capacity for growth well into 2026. Alliance strategy has always been to have excess capacity available to respond to changing customer needs.

Delivery

- The aircraft deliveries are currently experiencing on average a three-month delay. This is expected to continue for the balance of the aircraft.

Funding

- The two AerCap aircraft that have been delivered were delivered with a materially higher amount of engine life than forecast, thus increasing the estimated value of the acquisition.
- It is likely the 28 remaining aircraft will cost between AUD $300 million and $336 million due to better than expected green time of these units.
- Seventeen aircraft are expected to settle in the next 12 months. The Group had cash reserves of $37 million at 31 December 2023 and is forecast to continue to generate positive operating cash flow for the foreseeable future.
- The Directors have considered financing options for the balance of the fleet acquisition taking into account the continuing delays and the intended use being part out, wet or dry lease, contract or ad-hoc charter services or the sale of a number of aircraft to other airlines.
- The Directors are considering a number of different funding alternatives as to satisfy the additional commitments.

Quarter Ending	June 23	Sept 23	Dec 23	Mar 24	June 24	Sept 24	Dec 24	Mar 25	June 25	Sept 25	Dec 25	Mar 26	Jun 26
E190 Delivery	-	1	5	5	2	3	5	4	1	2	3	1	2
E190 Fleet Units[3]	33	34	39	44	46	49	54	58	59	61	64	65	67

1. As announced on 27 February 2023
2. Total E190 fleet units may be lower where aircraft are disassembled for parts. This is for illustrative purposes only.

Strategy and outlook

Alliance retains a positive outlook for the remainder of the 2024 financial year as it continues to capture the growth from the recent capital investment.

Observations:

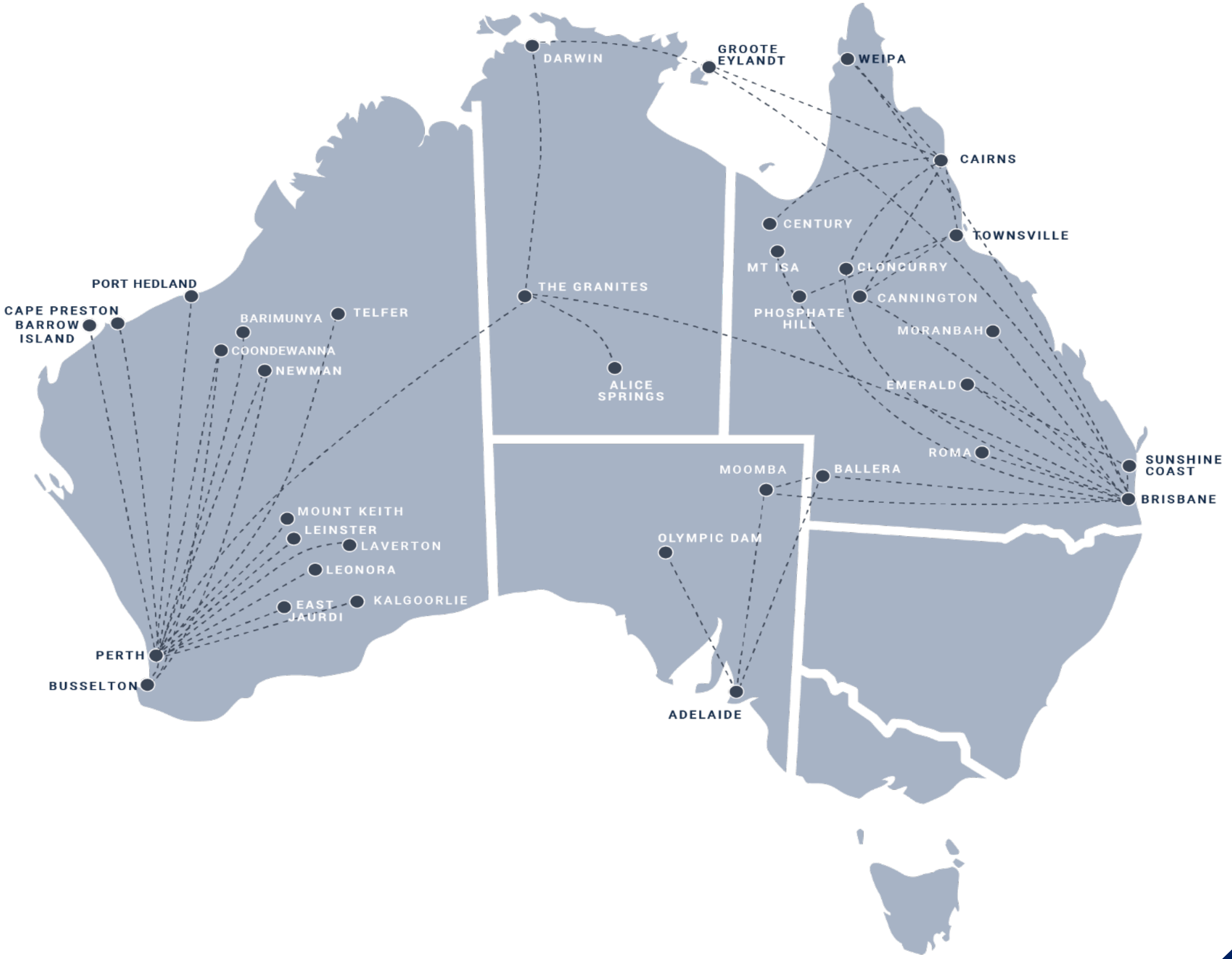
- Activity is forecast to grow in 2HFY24 from both contract charter and wet lease activity.
- 33 E190 aircraft are now in the operating fleet with additional fleet to enter service in 2HFY24.
- These additional aircraft will be operating high utilisation contracted wet lease services under long term contract.
- The recent capital investment continues to deliver significant uplift in profitability and cash flows through increased capacity and improved utilisation.
- Contract revenue will continue to grow organically with capacity demands strong from existing clients. Growth opportunities also exist with potential clients.
- Charter activity will increase as more capacity becomes available.
- Contracted wet lease revenues will continue to increase as more aircraft are dedicated to wet lease and utilisation increases.
- Alliance has three aircraft on dry lease as at reporting date with opportunity for more leases in the future.
- An additional 28 aircraft are due for settlement between January 2024 and June 2026.
- Profitability and cash flows are already being positively impacted by the benefits of the initial 33 aircraft acquired in 2020 and 2021.
- Significant cash flows are anticipated once the recent acquisition program is completed.
- As the Company owns the aircraft, cash flows will be significant once the current capital program is complete. The cash flows generated upon finalisation of this program will then be made available to shareholders as dividends.

Other Information

Expansive national footprint Contract Charter

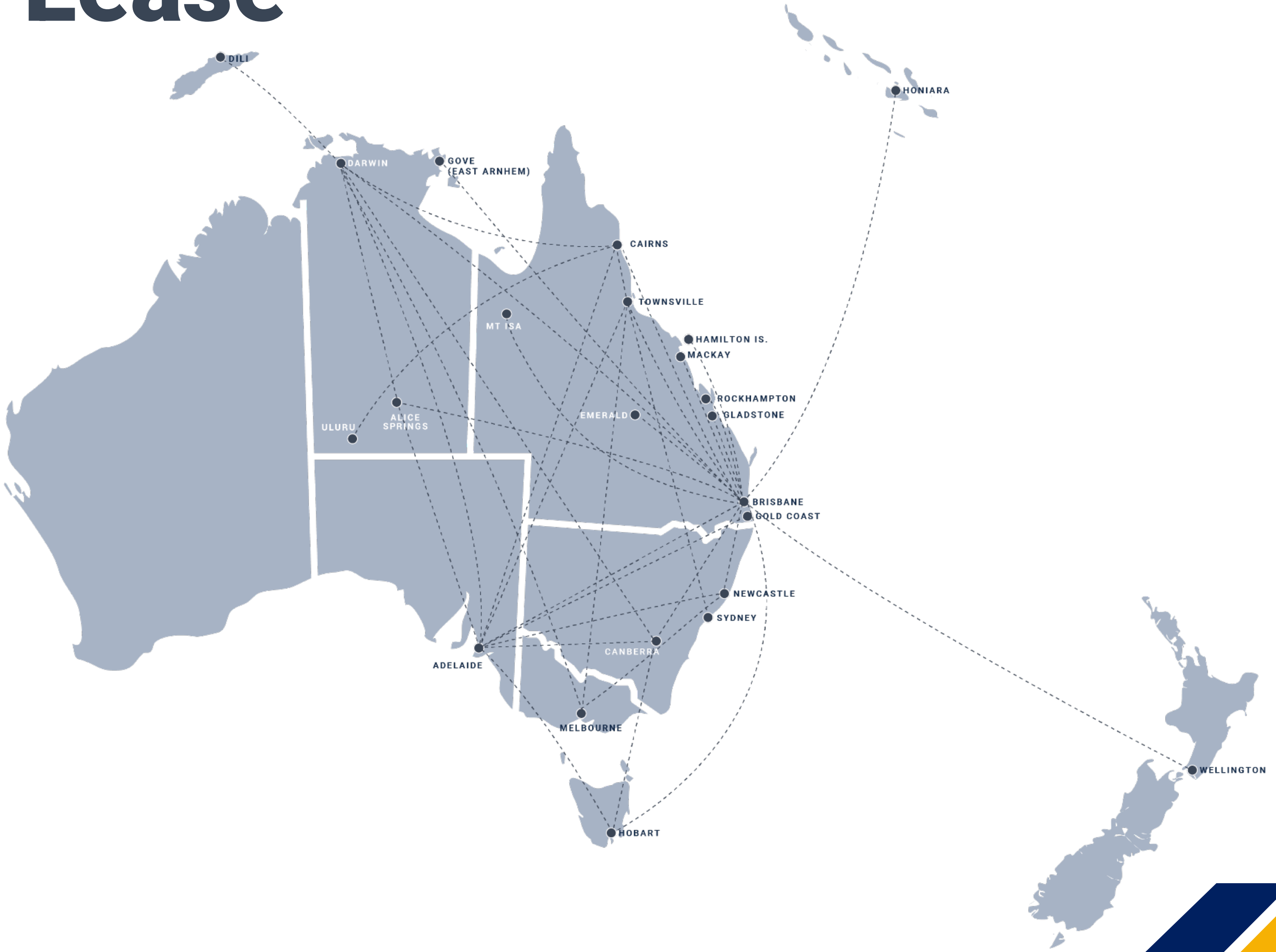
Alliance has crew and engineering bases in nearly every Australian capital city and a number of regional ports being Townsville, Cairns and Rockhampton. This is a notably greater regional presence than other Australian operators.

This improves Alliances ability to be flexible and responsive to client needs.



Expansive national footprint
Contract Wet Lease

Alliance's wet lease operations are based on a fixed schedule with seasonal fluctuations. Under contracted wet lease Alliance has operated to every state in Australia



Rockhampton hangar

Operational Update

- Handover of site occurred on 1st November 2023.
- Staff numbers currently sit at 12.1 FTE.
- Apprenticeship training has commenced with three apprentices employed.
- First aircraft inducted on 3 November 2023.

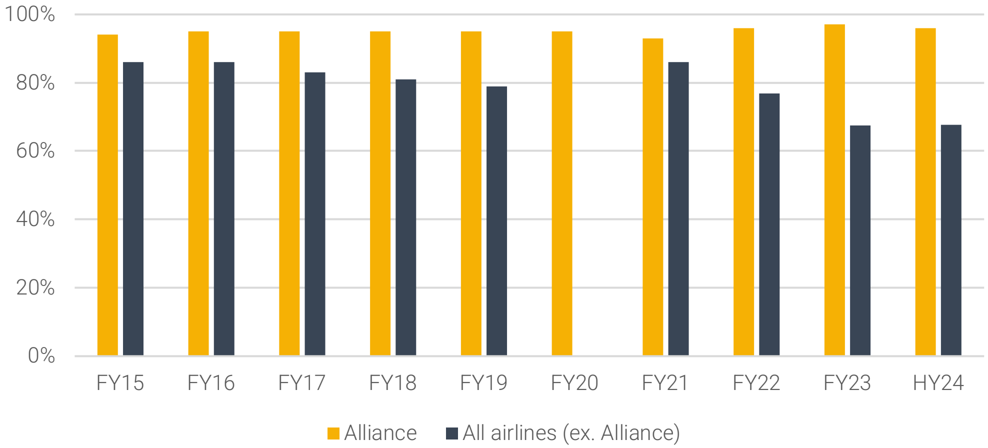
Business Outcomes

- In-house heavy maintenance allows the company to control cost, quality and timing:
    - The scale of the fleet means it is cost effective.
    - Aircraft have less time out of service.
    - Alliance is better able to optimise its asset utilisation and maximise availability of its aircraft by controlling heavy maintenance.
    - This strategy also reduces Alliance's reliance on third parties.
    - Once fully operational all of Alliance's base maintenance activities will be carried out in Rockhampton.

Superior operational performance

On time performance comparison

The Alliance on time performance record is one of its major differentiating factors and a key driver of its exceptional track record of contract renewals. Alliance's average on time performance was higher than each individual Australian airline operator's over the past ten years.[1] This is attributable to an experienced management team, appropriate fleet size, extensive parts inventory and maintenance capability, and owning the aircraft.



Note 1: BITRE did not report FY20 as a result of COVID-19 related disruptions to the industry.
Source: Department of Infrastructure, Domestic airline on time performance Annual Reports, Company Data.

Safety certifications

Safety is one of Alliances three key performance indicators and part of its culture. There is a commitment throughout every level of the organisation to ensure the safety of its employees, customers and stakeholders.

Alliance continuously invests in systems and training to ensure operations are conducted at high safety standards.

Safety is the number one priority. Alliance is proud to hold IATA Operational Safety Audit certification and the Basic Aviation Risk Standard (BARS) Gold standard. The BARS standard was established by BHP and Rio Tinto as a not for profit to serve the contract aviation sector and implement a set of industry aviation standards.

Alliance has retained its IOSA safety accreditation from IATA since it was first awarded in FY16. It also holds BARS gold standard accreditation which is critical for its FIFO business.

Alliance Airlines has been a deeply committed partner of Breast Cancer Network Australia (BCNA) since 2015. Never one to do things by halves and motivated by the courage of the breast cancer survivors they have met through BCNA, in 2019 Alliance committed to the magnificent “Pink Lady VH-NUU” aircraft. The Pink Lady plane is not only a symbol of their commitment to our cause, but a visual reminder of the support available to all those affected by breast cancer, particularly in the regional cities and towns of Queensland and Australia.

Kirstan Pilatti, CEO Breast Cancer Network of Australia

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