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ASX RELEASE

Alliance Aviation Services Limited ("Alliance") (ASX: AQZ)

Growth strategy delivering results

Key Half Year 2024 Metrics

- Statutory profit before tax: $37.7 million, up from $9.5 million
- Total revenue from operations: $299.4 million, up $64.0 million
- Operating cash flow of $12.0 million down from $23.6 million (includes $28.4 million of aircraft and spares settlements)
- Flight hours increased to 50,793, up from 32,365 (HY23) with 97% of those hours contracted aviation services (FIFO and wet lease) with investment grade customers
- Operational fleet of seventy (70) aircraft
- Alliance retains a positive outlook for FY2024 with continued growth forecast with additional fleet deployment and increased utilisation from the existing fleet

Summary

Alliance is delighted to announce its results for the half year end 31 December 2023 (HY24). During the period the Group experienced record flight hours, two additions to the operational fleet and record financial results for the first half of a financial year.

Alliance reported a HY24 statutory profit before tax (PBT) of $37.7 million, an increase of $28.2 million or 296% (HY23: $9.5 million). Revenue from operations increased by 27.2% to $299.4 million (HY23: $235.3 million) with significant growth in contracted wet lease revenue.

Alliance's Managing Director, Scott McMillan, said, "The performance of Alliance in the first half of the financial year continues to highlight the strength of our business, which has grown in both activity and financial results. Contracted wet lease operations continue to increase month to month and have pleasingly more than doubled in the past year.

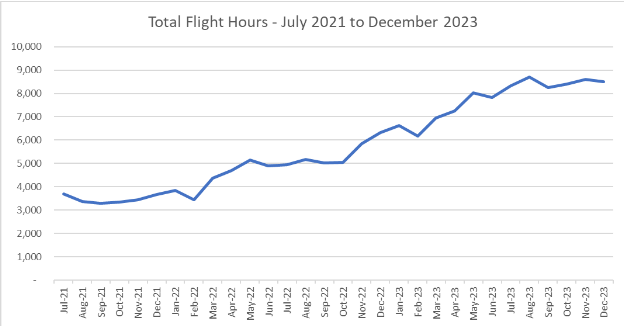
"Contract charter provides the foundation for fleet expansion activities, with increased activity in the half year. Our market leading on time performance coupled with our ability to react quickly to capacity demands is our competitive advantage. It is why we remain the preeminent FIFO and wet lease operator in Australia.

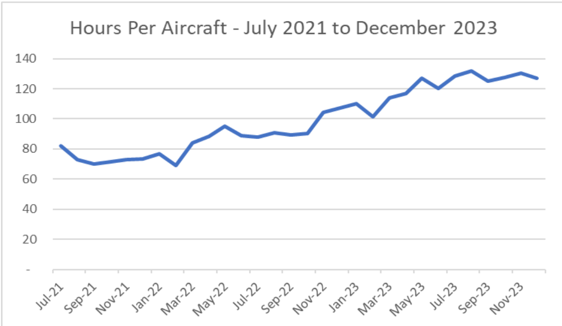
"Our strategy to acquire additional fleet units in advance of immediate operational requirements has proven to be successful. We know that there is incredible demand in Australia for ~100 seat jet aircraft. It is the perfect size aircraft for FIFO, regional and sub-trunk flying. With our fleet build strategy, we are perfectly positioned to capture this demand.

"By remaining incredibly focused on operating safe and on-time jet services, we will continue to retain contracts for which we have a proven track record. Extending three different BHP group contracts in the half year for between five and seven years was an outstanding result."

At 31 December 2023, 22 out of 30 wet lease aircraft options under long term contract had been activated by Qantas, with a further three options to take effect in the second half of the financial year and one option in July 2024. To fulfil these and future capacity demands Alliance has continued to invest in the recruitment and training of pilots, cabin crew and engineers ahead of operational requirements to ensure that services can be delivered when required.

The Company operated record flight hours of 50,793 for HY24 whilst at the same time increasing utilisation per operational aircraft. This is despite adverse weather in Queensland in December having a detrimental impact on the half year result with the Group not being able to operate 95 productive hours during the month.





Statutory Results Overview

Earnings Metric	HY2024	HY2023	Variance
Revenue and Income	$304.5m	$238.5m	28%
Statutory EBITDA	$80.4m	$40.5m	99%
Statutory PBT	$37.7m	$9.5m	296%
Aircraft in Service	70*	62*	13%

*Includes three E190's on dry lease. Dry lease revenue is included as Other Income in the financial statements.

Flight Hour Type	1HFY24	2HFY23	1HFY23
Contract Charter	14,156	13,565	13,578
Ad-hoc Charter	666	595	608
Wet Lease	35,191	27,864	17,248
RPT	499	510	561
Other	281	296	370
Total	**50,793**	**42,830**	**32,365**

FIFO charter activity reached a record high in the half year, increasing by 9% or 578 flight hours when compared to the prior comparative period. The increase in activity is a result of additional services for existing clients and the full half year impact of services for two new clients.

Headline contract revenue increased by 2% to $155 million (HY23: $152 million) however this percentage and absolute increase is impacted by 16% lower fuel prices which pass through to customer revenue.

Contracted wet lease revenue increased by 106% to $127.6 million in the half year with wet lease activity reaching a high of 35,191 hours (HY23: 17,248 hours). The Group operated increased flights for both contracted wet lease clients during the period.

RPT hours continue to reduce as the Company focuses on its core business of contract charter and wet lease services. RPT services will further reduce from February 2024.

Operating costs continue to be impacted by inflation, supply chain and other economic factors. The Group continues to focus on managing these challenges as they arise however some recent contract negotiations have resulted in increases to the cost base and passed through where contracts allow. All customer contracts contain either a CPI or an agreed periodic price increment.

Cash flow

Statutory operating cash flow for the half year was $12.0 million. Importantly operating cash flow includes material outflows of $28.4 million for two E190 and two Fokker F100 aircraft and a smaller package of spare E190 parts. Whilst these are classified as inventory, they are part of a build-up of spare parts which will facilitate lower maintenance costs in the future or increased part sales. These items have been classified as inventory (rather than PPE and as such normally accounted and investing cashflow). The underlying operating cash flow was $40.1 million.

The operating cash flow continues to include the cost of pilot, cabin crew and engineering recruitment, training, and other overhead costs necessary for the deployment of additional E190 aircraft. As per earlier guidance it is expected that this investment, which occurs ahead of significant revenue generation, will continue at least to 30 June 2024 when the programme will transition to a consistent training program.

Capital expenditure cash outflows were $42.4 million (HY23: $55.0 million). The fleet sustaining cash capital expenditure of $37.5 million was slightly above forecast due to increased payments for the engine program as a result of increased utilisation. $3.6 million was expended on entry into service checks and associated costs on the two E190 aircraft that entered the operational fleet in the half year.

The fit out of the Rockhampton maintenance facility continued with $3.6 million being expended in the half year. The first E190 aircraft from the AerCap transaction is currently being parted out in the facility with a second aircraft, to be parted out, arriving later this month.

The Company continues to fund growth and accordingly will not pay a dividend.

Growth Expenditure

The settlement of the additional 30 E190 aircraft from AerCap has been delayed in the half year with two aircraft settled in the period. The delays are expected to continue in the future with aircraft settlements being extended by an average of three months. A further seven aircraft are expected to settle in the second half of the year.

Nine aircraft deliveries are now estimated to settle in FY2024, 13 in FY2025 and eight in FY2026. Up to 11 of these aircraft may be disassembled for parts (these will be classified as Inventory), 10 required initially for Alliance contract and wet lease commitments (classified as Capital Expenditure) and the balance are unallocated and available for future growth or sale.

Funding and Commitments

Debt increased in the half year by $46.3 million which consisted of a drawdown of $50 million for the purpose of aircraft acquisitions and loan repayments of $3.7 million. Gross debt was $281.6 million at the end of the reporting period with net debt of $244.6 million.

All covenants have been complied with and our debt providers ANZ, NAIF and PRICOA continue to be supportive, especially given the earnings performance of the Group and the expected longer-term growth in cash flows.

The Group however is at an inflection point when viewed using the scope of an auditor. Strictly contracted commitments for future aircraft purchases need to be matched by dedicated funding. Given the settlements are over the course of 2.5 years the Company perceives this to be low risk but understands the accounting policies and audit procedures.

The Group has committed to significant future capital expenditure. This has been committed so as to transform the Group to take advantage of opportunity in the market for ~100 seat aircraft. The size of the capital commitment is uncertain with aircraft acquisition price dependent on the remaining maintenance life. To date the latest aircraft acquisition price has varied from $7 million to $12 million. However, the higher price means more value which leads to lower future maintenance costs.

The Board has a range of funding options including debt facilities, sale of aircraft (at a profit) and the operating cash flow from increased activity. The Board is confident in funding this growth phase. As the source of funding is not fully committed, the auditors are required to note an Emphasis of Matter.

Taxation

While tax is provided for in the Income Statement, a combination of carried forward losses, timing differences on the deductibility of certain operational and capital costs and the differences in accounting and tax depreciation has resulted in Alliance being in a non-tax payable position for the half year. It is forecast that this position will continue until 2026.

Strategy

- Complete the transformation of the business to meet the significant growth opportunities.
- The efficient deployment of capital during this continuing expansion of fleet and infrastructure.
- Enhancing management skills and capability.
- Investment in new technology to support significant growth.

Outlook

- Second half growth in earnings.
- To continue to deploy capacity to increasing wet lease and FIFO demand.
- Delivery of seven E190 aircraft in the second half of the financial year.
- Focus on cost control and capability to ensure that the Group's profitability margins are maintained in a high inflation economy.

- 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 more than 1,300 staff.

The Company provides essential services to mining, energy, and government sectors as well as wet lease services for other airlines.

Alliance holds IATA's IOSA certification, the only Australian contract and charter operator to do so and Flight Safety Foundation "BARS Gold" status, the first such carrier in Australia to achieve gold status.

Alliance is unique in that it owns its whole fleet.

Currently that fleet consists of 37 Fokker 70/100 aircraft, 41 Embraer E190 aircraft with firm purchase commitments stretching to mid-2026 for a further 26 E190 aircraft.

The company dry leases three E190 aircraft to a third party with those leases having just been extended for a further five years.

Alliance has world leading operational performance, a key attribute sought by its customers. Alliance has operational bases in Brisbane, Townsville, Cairns, Adelaide, Perth, Darwin, and Rockhampton.

Alliance is locally owned with the majority of the Company's shareholders located in Australia and New Zealand.

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