

5th August 2020

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

RECORD REVENUE AND PROFIT

Key FY 2020 Highlights

- Profit before tax - \$40.7 million, up \$7.9 million or 24.1%;
- Profit after tax - \$27.0 million, up \$4.3 million or 18.9%;
- Total revenue from operations - \$298.6 million, up 7.8%;
- Total flying hours for the year steady – 37,620 hours;
- A successful placement and share purchase plan raising \$96 million for fleet expansion;
- Operating cash flow - \$44.0 million, up \$7.0 million or 19.0%;
- Net cash position - \$44.4 million with debt a low \$54.4 million;
- Extension of banking facilities to January 2022; and
- Alliance retains a positive outlook for continued growth in the 2021 financial year.

Summary

Alliance Aviation Services Limited (ASX: AQZ) today announces a record full year profit before tax (PBT) of \$40.7 million. This is an increase of 24.1% when compared to the previous financial year. Net profit after tax (NPAT) also increased by 18.9% to \$27.0 million.

Commenting on the 2020 financial year results, Alliance’s Managing Director, Scott McMillan, stated, “Alliance is pleased to release these results today as we continue to demonstrate the underlying robustness and diversity of Alliance’s business model despite the impacts of COVID-19.

“The operational credibility on which Alliance has built its reputation is second to none, as demonstrated during the COVID-19 pandemic. Our staff’s achievements during the last six months are truly remarkable and they should be very proud of the great team effort. Performance against our internal key performance indicators of safety, reliability/on-time performance and financial sustainability has again been outstanding.”

Alliance’s operational excellence continued to be the key to successful contract negotiations. During the year, five long-term contract renewals were completed with a 100% retention rate.

Results overview

Alliance’s operations have been largely resilient to the impact of COVID-19 with the exception being wet lease, inbound tourism and RPT services.

Alliance was quick to initiate a number of risk mitigation strategies that ensured the health and wellbeing of our staff as well as safeguarding the operations and financial sustainability of the Company.

Flight hours of 37,620 were operated in the year which was slightly lower than the previous year's record of 38,026 hours. The reduction in high utilisation flying operations (such as wet lease and RPT flying) was the main driver of the decrease in total hours. These reductions were offset by increases in contract and charter flight hours.

Total revenue from continuing operations in the year increased by 7.8% or \$21.5 million to \$298.6 million (2019: \$277.1 million). Contract and charter revenues experienced growth of 22.5% and 97.7% respectively. These increases were offset by subdued operations in wet lease and RPT services with revenues decreasing by 46.3% and 15.9%. These decreases are as a direct result of the border closures and restrictions of movement imposed by various governments due to the COVID-19 pandemic.

Contract revenue continued on its growth trajectory with a number of resource sector clients increasing flights throughout the year. The implementation of social distancing requirements on flights for FIFO clients led to additional revenues in the second half of the year.

Charter revenue rose by \$13.1 million or 97.7% in the year. An increased fleet size allowed Alliance to operate 124.0% more charter hours than the previous year. The expanded client base for charters included various state government emergency services agencies, sporting groups and 10 new resource sector clients. Inbound tourism charters ceased operations in March 2020 due to COVID-19 restrictions.

With COVID-19 impacting negatively on the majority of airlines in Australia, Alliance's long-term wet lease contract was suspended in March 2020. This suspension led to a reduction in wet lease revenue of \$20.9 million or 46.3%.

Alliance's RPT services were not immune from the impacts of COVID-19. Services from Brisbane to Port Macquarie were suspended in April 2020 as a result of adverse travel restrictions and services from Brisbane to Gladstone and Bundaberg reduced to a minimum frequency. Adelaide to Olympic Dam services continued as normal. As a result of these reduced schedules, RPT revenue decreased by \$6.6 million or 15.9%.

During the year Alliance added four aircraft into the operating fleet which were required for capacity expansion.

Operating cash flow for the year was \$44.0 million, an increase of 19.0% or \$7.0 million. Increased flying for contract and ad-hoc charters positively impacted the margin and hence the operating cash flow during the year. During the second half of the financial year, Alliance increased frequency of payments to a number of smaller suppliers such as caterers, ground handlers, airports and other aviation service providers in order to assist them in navigating the impacts of COVID-19. Alliance felt this was the right thing to do.

During the year Alliance also completed the \$7.5 million Helvetic Airways aircraft and parts transaction. Three of the five aircraft acquired have been parted out and the two remaining aircraft are recorded as inventory.

Cash flows from investing activities were \$30.8 million for the year (2019: \$22.0 million) and were in line with forecast expenditure. These out flows related to heavy maintenance on the existing Fokker fleet, the introduction of additional aircraft and the costs associated with the Rolls-Royce total care program.

Alliance is in a net cash positive position of \$44.4 million as at 30 June 2020 due to the receipt of the placement funds in June 2020. The net debt position of the Company (if the placement funds were to be excluded) would have been \$46.1 million as at 30 June 2020, bringing the leverage ratio to 0.69 (2019: 0.9).

Outlook

Alliance retains a positive outlook for the 2021 financial year. A number of key opportunities exist that will allow for the Group's continued growth:

- A number of ad-hoc contracts that have been awarded during the COVID-19 pandemic are expected to convert into long-term charter contracts;
- During COVID-19 a number of contract clients increased schedules to accommodate social distancing. In the majority of cases social distancing has ceased however the schedules for a number of clients continue to be higher than pre-COVID-19 levels;
- RPT revenues, which reduced significantly as a result of COVID19, are expected to increase throughout the new financial year. A number of new RPT routes are also being launched;
- Contracted wet lease is expected to increase slowly throughout the year. This is largely dependent on COVID-19; and
- Aviation services revenue from part sales, engine and component leasing, and other engineering services will remain at similar levels to prior years.

Alliance's base maintenance schedule has changed significantly due to the impact of COVID-19. All base maintenance for the financial year ending 30 June 2021 will be undertaken within Australia or Singapore. Alliance does not forecast any material increase in maintenance costs as a result of these changes.

On 3 August 2020, the Company announced a fleet expansion project that includes the delivery of 14 Embraer E190 aircraft in the 2021 financial year. Due to the timing of the deliveries and the deployment schedule it is forecast that the additional aircraft will not have a material impact on the 2021 earnings however will increase earnings for the 2022 financial year and beyond. The fleet acquisition price is USD 79.4 million.

Based on the current forecast Fokker fleet maintenance plan, the sustaining capital expenditure for the 2021 financial year is expected to be \$32.5 million (\$26.7 million of cash). One additional F70 will be added to the Fokker fleet in the 2021 financial year at a cost of \$1.6 million (\$1.0 million cash). The total cash capital expenditure on the Fokker fleet in financial year 2021 is anticipated to be approximately \$34.1 million.

Dividend

Due to the Embraer fleet expansion project and a number of other growth projects being pursued, the Board has decided not to declare a final dividend for the year ending 30 June 2020.

- 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 services currently employing in excess of 550 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 24 Fokker F100, 13 Fokker 70LR jet aircraft and five Fokker 50 turboprops with an additional F70LR to enter the fleet in 2020.

In August 2020, Alliance announced the purchase of 14 Embraer E190 jet aircraft. These aircraft are required for fleet expansion and will be delivered to Alliance over an eight month period beginning in September 2020. The first revenue service is expected to commence in February 2021.

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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