



6th February 2019

Alliance Aviation Services Limited (ASX code: AQZ)

Half year results summary: Period ending 31 December 2018

Key Points

- Profit before tax - \$14.1 million, up 38% - (Profit after tax - \$9.8 million up 39%);
- Operating cash flow - \$21.4 million;
- Total revenue - \$137.8 million, up 18%;
- Total flying hours – 19,670, up 21%;
- Net debt – \$48.5 million, a reduction of \$4.9 million for the half year;
- A fully franked interim dividend of 6.8 cents declared and payable in April 2019, 172% up on the previous comparative period; and
- Alliance retains a positive outlook for the 2019 financial year based on its strong half year result and it is forecast that the second half of the financial year will exceed the first half's financial performance.

Summary

Alliance Aviation Services Limited (“Alliance”) continues to deliver strong financial results from its air charter and aviation services operations with an increase in profit before tax of 38% for the half year ended 31 December 2018.

Alliance today announced an increased net profit before tax (PBT) result of \$14.1 million for the half year ended 31 December 2018 (2017: \$10.3 million). Net profit after tax for the half year has also increased to \$9.8 million (2017: \$7.1 million).

Total revenue increased by 18% or \$20.6 million in the half year to total \$137.8 million (2017: \$117.2 million). Wet lease revenue contributed significantly to the increase, rising by 104.5% or \$13.6 million when compared to the prior comparative period (2018: \$26.6 million, 2017: \$13 million). This increase in wet lease revenue is attributable to increased demand for services from a number of operators both domestically and internationally.

In addition to the increase in wet lease revenue, contract, charter and regular passenger transport (RPT) revenue also grew in the half year by 4%, 8% and 19% respectively when compared to the half year ending 31 December 2017.

Mr Lee Schofield, Chief Executive Officer of Alliance, commented, “Alliance has again delivered a strong financial result driven by continued growth in demand for our services. We continue to provide industry leading safe, on time and reliable air charter services to our loyal client base which has assisted Alliance in renewing a number of long term contracts in

the half year. Operational excellence underpins our business and has been integral in our financial performance. The team at Alliance has done a fantastic job in the half year which has seen a record 19,670 flying hours performed. The strong financial result and the record flight hours could not have been achieved without the tireless efforts of all the Alliance team.”

Stable operating cash flows resulted in Alliance reporting a net debt position of \$48.5 million as at 31 December 2018, with core debt having reduced by \$3.6 million for the half year. Alliance now has a conservative leverage ratio of 0.97 (Core debt / EBITDA (excluding any fleet aircraft sales)).

During the half year Alliance continued to invest in the introduction of additional aircraft into the operational fleet with five aircraft being commissioned. The aircraft additions were funded by cash flow which illustrates the strong cash generation achieved in the half year. These additional aircraft will fulfil current demand requirements for existing contract, charter and wet lease clients and also provides Alliance with the ability to attract new clients in a number of different ports.

Outlook

Alliance retains a positive outlook for the 2019 financial year based on its strong half year result and consistent with prior financial years, the second half of the financial year is expected to exceed the first half.

The resources sector continues to show positive signs with generally increasing commodity prices. The second half of the year is likely to see increased demand from existing clients. Moreover, we are tendering for a number of new niche resources sector contracts and have forecast that we will be successful in winning a number of these.

Wet lease revenues are expected to remain stable in the second half of the year, with charter operations expected to benefit from the increase in available capacity due to the additional aircraft in service. Tourism continues to be a focus of new revenue generation now and into the future. Our offering and operational expertise provides a compelling offering for tourist operators wanting to access regional Australia. The Tauck and JTB contracts are more than a “proof of concept”, they are important contributors to our financial and business performance.

RPT revenue grew in the first half of the year and it is expected that this should be repeated in the second half of the financial year due to an increase in demand expected on our resource sector RPT route.

The contribution from aviation services is forecast to increase in the second half as a result of steady revenue increases from part sales, engine and component leasing, aerodrome management services and engineering services. The internal consumption of inventory with the commissioning of new aircraft means that our airline operation is a major customer for this division.

Sustaining capital expenditure for the financial year ending 30 June 2019 will increase marginally to \$25-\$27 million as a result of additional aircraft having entered the fleet. We anticipate an ability to fund this increase within our normal operating cash flows.

Importantly, operating cash flows are forecast to increase in the second half of the financial year due to the expected increase in PBT and no forecast large inventory purchases.

Dividend

The Directors have resolved to declare a fully franked interim dividend of 6.8 cents per ordinary share. This is the largest interim dividend Alliance has declared and comes at a time of increasing profit, stable cash flows and a positive outlook for the future.

The record date for the dividend is 19 March 2019 and the dividend re-investment plan is available and will operate with no discount. The dividend is payable on 18 April 2019.

About Alliance

Alliance Aviation is Australasia's leading provider of contract, charter and allied aviation services currently employing in excess of 575 full time staff in Australasia and Europe.

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. In addition a wide range of specialised aviation services including wet leasing, airport management, aircraft trading, parts sales and engine leasing are provided in Australia and internationally.

In November 2018, Alliance Airlines was awarded CAPA Asia Pacific Regional Airline of the Year. This award is presented to the regional airline that has been the biggest standout strategically, has established itself as a leader, and demonstrated innovation in the regional aviation sector.

The Australian business currently operates a fleet of 23 Fokker F100, 10 Fokker 70LR jet aircraft and five Fokker 50 turboprops with additional fleet units scheduled to enter service during the remainder of 2019.

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, and Darwin.

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