

7 August 2019

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

RECORD REVENUE AND RECORD PROFIT

Key Points

- Profit before tax - \$32.8 million, up 25.7% - (Profit after tax - \$22.7 million up 25.5%);
- Operating cash flow - \$37 million;
- Total revenue from operations - \$277.1 million, up 11.9%;
- Total flying hours – 38,026, up 9.9%;
- Debt – \$60 million, a reduction of \$5.2 million in the financial year;
- A record fully franked final dividend of 8.8 cents declared and payable in November 2019; and
- Alliance retains a positive outlook for growth in the 2020 financial year.

Summary

Alliance Aviation Services Limited (ASX: AQZ) continues to produce financial results that outperform previous reporting periods. Alliance today announced a record profit before tax (PBT) result of \$32.8 million for the year ended 30 June 2019, an increase of \$6.7 million or 25.7% on the previous financial year. Net profit after tax (NPAT) for the same period increased by \$4.6 million to \$22.7 million (2018: \$18.1 million).

Alliance continues to deliver safe, on time and cost effective air services to its broad client base, whilst supporting other operators and clients through the Company’s aviation services operation.

During the year and since balance date, Alliance further enhanced its enviable contract retention reputation by successfully negotiating a number of renewals containing improved terms.

A record number of 38,026 flight hours (2018: 34,612) were operated during the year utilising up to 38 aircraft (2018: 33). The full year effect of fleet additions in the year will not be seen until FY2020.

Total revenue from operations increased by 11.9% or \$29.4 million during the financial year to \$277.1 million (2018: \$247.7 million). All flying revenue streams reported increases during the year, with contract revenue accounting for 40% (or \$12.3 million) of the increase.

Wet lease contributed \$8.3m to the increase in flying revenue with charter and regular passenger transport (RPT) revenue contributing \$5.4m and \$5.1 million respectively.

Alliance's Chief Executive Officer, Mr Lee Schofield said, "Alliance has delivered the best financial result in the Company's history. This financial result is underpinned by the continued focus of all Alliance employees on ensuring the safe, on time and cost effective provision of services to all of our clients. This is what makes Alliance the pre-eminent aviation services company in Australia."

Mr Schofield continued, "Whilst we have announced the best financial result in the Company's history, we will continue to focus on financial and operational growth as this continues to be an important part of our strategy. Our capital investment program will see additional aircraft enter the fleet in the coming months to ensure we can meet the future demands of our current and future client base. The recent acquisition of an additional five Fokker 100 aircraft further provides the business with a number of opportunities that will add significant value to the business."

Operating cash flow of \$37 million was slightly lower than the previous financial year. This was primarily due to a significant base maintenance and entry into service program where a number of operating cash flow items are subsequently capitalised as assets. This program will continue into the first half of new financial year but will normalise in the second half.

The Company's net debt reduced to \$50.4 million in the year, bringing Alliance's leverage ratio to 0.90 (2018: 1.09).

Outlook

Alliance retains a positive outlook for the 2020 financial year. Scheduled services are expected to increase for a number of resource sector clients as a result of high commodity prices and increasing mine production levels.

Tourism services continue to increase each year and Alliance will commence flights into Western Australia from Victoria in the new financial year, the newest addition to its tourism offering.

Wet lease revenue is expected to increase in the financial year, with charter operations expected to continue to benefit from the increase in available capacity due to the additional aircraft being entered into service.

RPT revenue is forecast to remain stable in the new financial year.

Aviation services revenue is forecast to increase as Alliance focuses on maximising revenue from part sales, engine and component leasing, aerodrome management services and engineering services.

Sustaining capital expenditure for the financial year ending 30 June 2020 will increase to \$34-\$36 million. The main contribution to this increase is the addition of 16 engines being entered into the Rolls-Royce Total Care Program and expenditure associated with the increased fleet. The internal consumption of parts will continue to have a positive impact on cash-flow and depreciation during the financial year.

Dividend

The Directors have resolved to declare a fully franked final dividend of 8.8 cents per ordinary share. The record date for the dividend is 17 September 2019 and the dividend re-investment plan is available and will operate 2% discount. The dividend is payable on 14 November 2019.

About Alliance

Alliance Aviation is Australasia's leading provider of contract, charter and allied aviation services currently employing in excess of 590 full time staff in Australia and Europe.

The Australian business currently operates a fleet of 23 Fokker F100, 11 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 as evidenced by BHP's recent presentation to Alliance of an Aviation Safety Award.

The Company has operational bases in Brisbane, Townsville, Cairns, Melbourne, Adelaide, Perth, Rockhampton and Darwin.

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