2019

Alliance Aviation Services Limited
Results Presentation

August 2019

Alliance
AIRLINES

Contents

Key Messages

Alliance Aviation Services Limited announces a full year result which includes:

- Sustainable revenue growth
- The largest profit result in the Company's history;
- The highest number of flight hours operated in a financial year;
- The introduction of five additional aircraft;
- Debt at its lowest level and
- A record full year dividend declared.

$32.8m profit before tax, up 25.7%

Full year final dividend of 8.8 cents, up 40%

Revenue of $277m, up 11.9%

5 aircraft added to the fleet – Fleet total, 38

Core debt down by $5.2m (8%) to $60m

Flying hours of 38,026, up by 9.9%

Five Revenue Streams

Growth experienced across all flying categories with wet lease flying hours increasing by 22%

Contract Revenue

Wet Lease

RPT Revenue

Charter Revenue

Aviation Services

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Contract Revenue

Long-term contract flying

- Contract revenue increased by 8% in the year.
- Schedule and margin increases.
- Quality FIFO contracts with all mines in production.
- Tourism charter increases.
- Underpinned by high commodity prices and increasing production levels

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Wet Lease

Operating Alliance aircraft for other carriers

- Wet lease hours and revenue increase by 22%.
- Additional hours from contracted wet lease clients.
- Ad-hoc wet lease skewed in the first half of the year for domestic and international operators.

3

RPT Revenue

Regular public transport services to regional ports

- RPT services performed in line with expectations.
- No planned increases in RPT services.

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Charter Revenue

Short-term income from ad-hoc requests

- Charter revenue grew in the year by 69%.
- Federal election charter win.
- Greater capacity available due to the increase in fleet size.

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Aviation Services

Allied aviation services

- Aviation Services is a strong contributor with high margin part sales, aerodrome management and engine/parts leasing

FINANCIAL SUMMARY

For the year ended 30 June 2019

Financial Statements

Alliance consistently delivers strong operational and financial performances.

Detail	30 June 2019	30 June 2018
Aircraft in service*	38	33
Flight Hours – contracted	19,660	18,828
Flight Hours – wet lease	11,555	9,447
Flight Hours – RPT	5,158	4,814
Flight Hours – charter	1,095	1,027
Flight Hours – maintenance	558	496
Total Flight Hours	38,026	34,612
Average Staff Numbers	532	485
Revenue per employee ($k)	520	511
Contract % of Total Revenue	60%	62%

** Includes all operational aircraft whether flying or in base maintenance.*

Income Statement

Observations:

- Contract revenue increased as a result of additional/new schedules from both existing and new clients;
- Wet lease revenue increased significantly throughout the year as a result of new contracted routes and a la;
- Operating expenses increased as a result of additional activity and slight increase in crew and engineers required to support operations and new bases;
- Depreciation stable despite increased activity and realising the impact of low cost parts sourced internally and the introduction of aircraft at a relatively low cost; and
- Income tax expense recognised in the period but offset by carried forward tax losses. Tax will only be paid in NZ..

($ in millions)	FY19 Actual	FY18 Actual	% PCP Change
Revenue			
Contract revenue	165.3	153.0	8%
Wet lease revenue	45.4	37.1	22%
Charter revenue	13.4	7.9	70%
RPT revenue	41.2	36.1	14%
Aviation services	10.9	12.9	(16%)
Other (Incl. FX)	0.5	0.9	(44%)
Total revenue	276.7	247.9	12%
Operating expenses	(210.3)	(187.8)	(12%)
EBITDA	66.4	60.1	11%
Depreciation and amortisation	(30.8)	(30.6)	(1%)
EBIT	35.6	29.5	21%
Finance costs	(2.8)	(3.4)	18%
PBT	32.8	26.1	26%
Income tax expense	(10.1)	(8.0)	(26%)
NPAT	22.7	18.1	26%
Basic EPS (cents)	18.65	14.72	27%

Statement of Financial Position

Observations:

- The cash balance was stable throughout the year;
- Increased in receivables are a result of increased activity and a number of high value invoices being issued in June;
- PP&E has increased due to the addition of aircraft throughout the year and an increased number of base maintenance checks; and
- Total borrowings reduced by $5.2M.

($ in millions)	30 June 19	30 June 18	30 June 17
Cash	9.6	11.8	8.7
Receivables	40.0	31.3	34.3
Inventory	49.0	50.9	46.7
Total current assets	**98.6**	**94.0**	**89.7**
PP&E	202.5	177.4	170.8
Intangibles	0.5	0.4	0.5
Total non-current assets	**203.0**	**177.8**	**171.3**
Total assets	**301.6**	**271.8**	**261.0**
Trade & other payables	43.5	31.0	30.4
Borrowings	3.7	3.1	5.4
Current tax liabilities	0.0	0.1	0.1
Provisions / other	8.6	7.4	6.9
Total current liabilities	**55.8**	**41.6**	**42.8**
Borrowings	56.4	61.9	63.5
Deferred tax liability	19.0	8.9	4.2
Provisions / other	1.5	1.6	1.3
Total non-current liabilities	**76.9**	**72.4**	**69.0**
Total liabilities	**132.7**	**114.0**	**111.8**
Net assets	**168.9**	**157.8**	**149.2**
Gearing (D/D+E)	**26.2%**	**29.2%**	**31.6%**

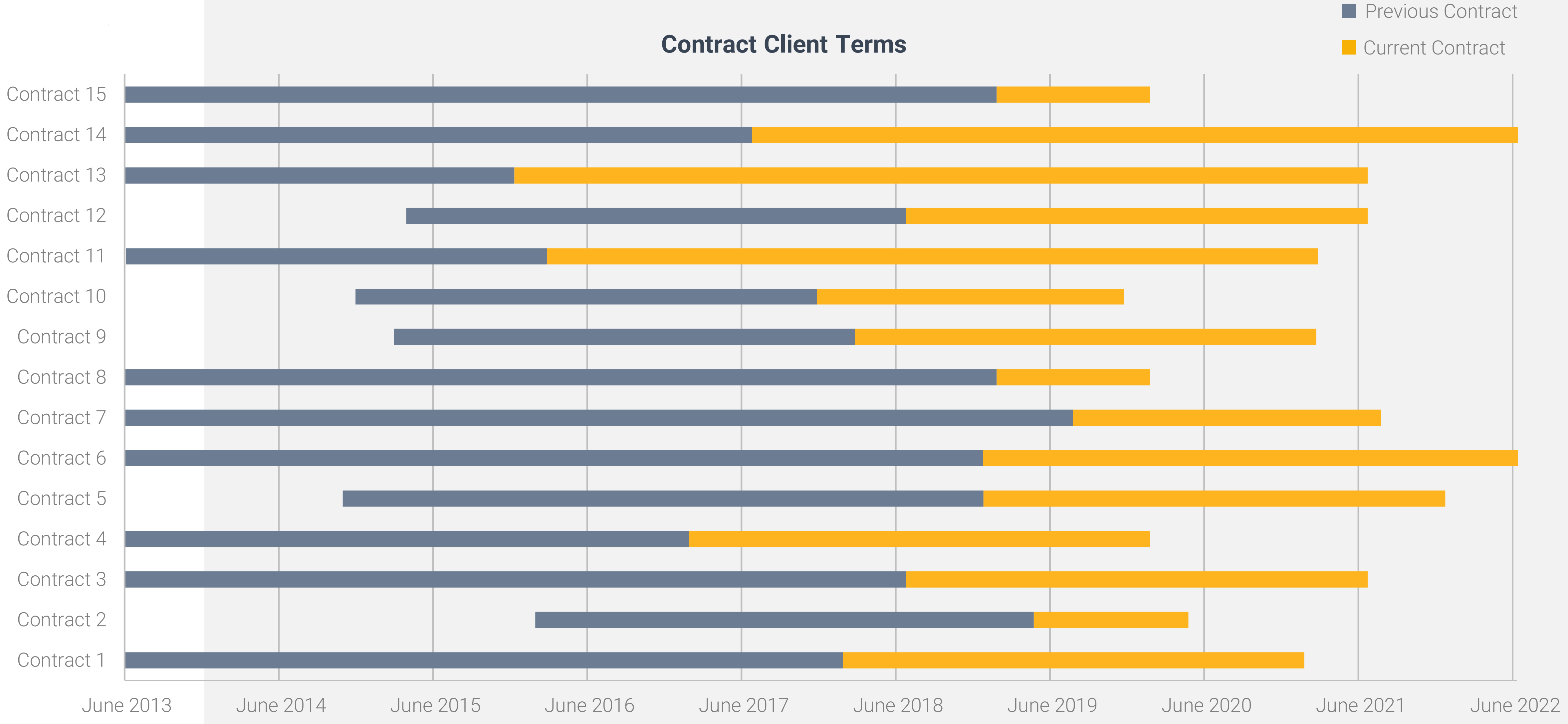
Cash Flow Statement

Observations:

- Operating cash outflows include $5.2m of inventory spares package acquisitions;
- Additional cash expended on an increased number of base maintenance and entry into service checks affecting both payments to suppliers and payments for PPE;
- The addition of 16 engines to the Rolls-Royce total care program was recognised in payments for PPE in the year;
- Debt amortisation steady at $5.2m for the full year; and
- Significant dividend payments for both the final 2018 and interim 2019 dividends to reward shareholders.

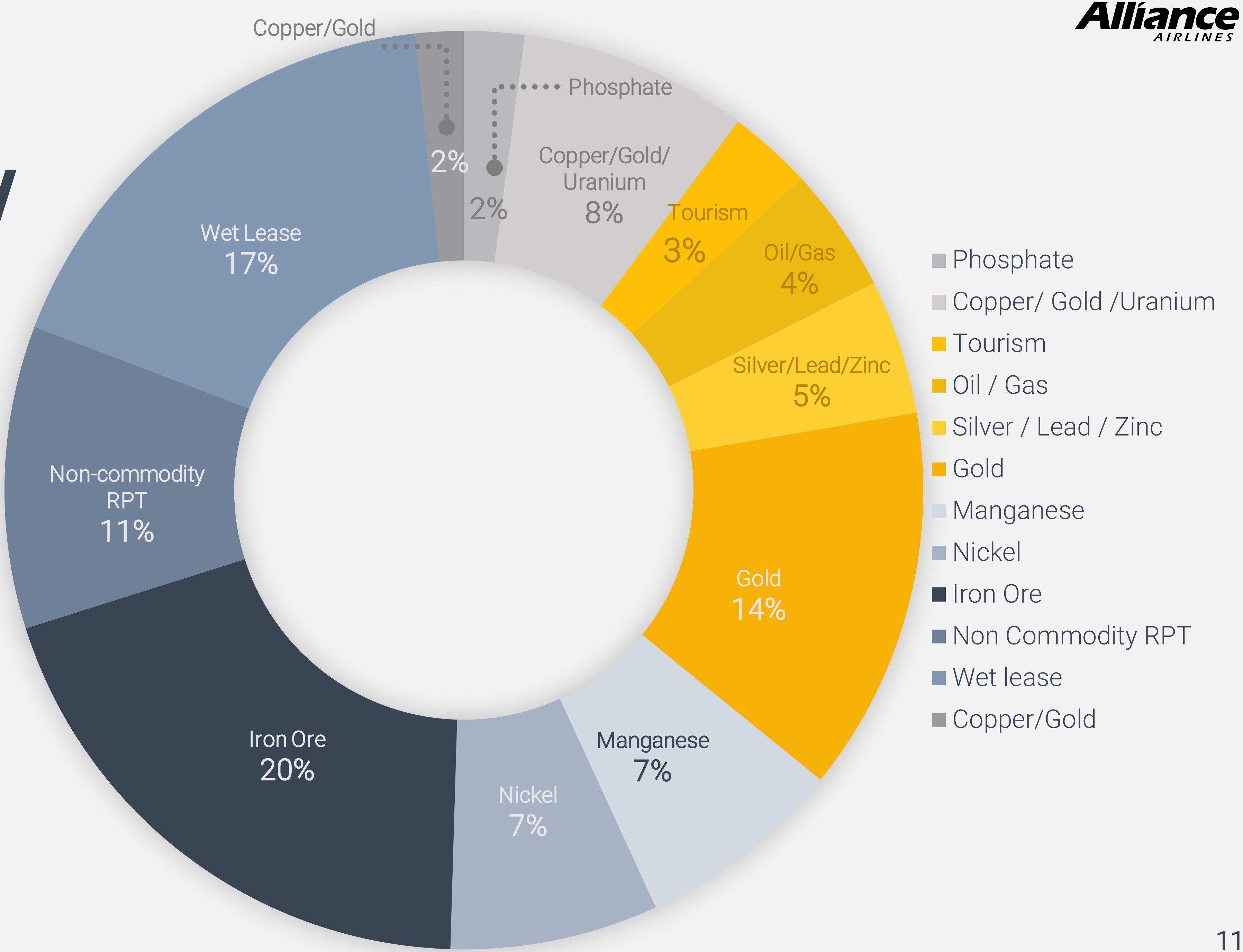
($ in millions)	FY19 Actual	FY18 Actual
Receipts from customers (inclusive of GST)	294.4	269.2
Payments to suppliers (inclusive of GST)	(254.8)	(227.5)
Net interest paid	(2.5)	(3.4)
Income tax paid	(0.1)	-
Net cash inflow from operating activities	37.0	38.3
Net payments for aircraft, property, plant & equipment	(22.0)	(14.9)
Free cash flow	15.0	23.4
Proceeds from borrowings	-	4.1
Repayment of borrowings	(5.2)	(14.1)
Dividends paid	(12.1)	(4.8)
Net cash outflow from financing activities	(17.3)	(14.8)
Net increase in cash and cash equivalents	(2.3)	8.6
Effects of currency translation on cash and cash equivalents	0.0	(0.3)
Cash & cash equivalents at the beginning of period	11.9	3.5
Cash & cash equivalents at the end of period	9.6	11.8

Stable Contract Client Base

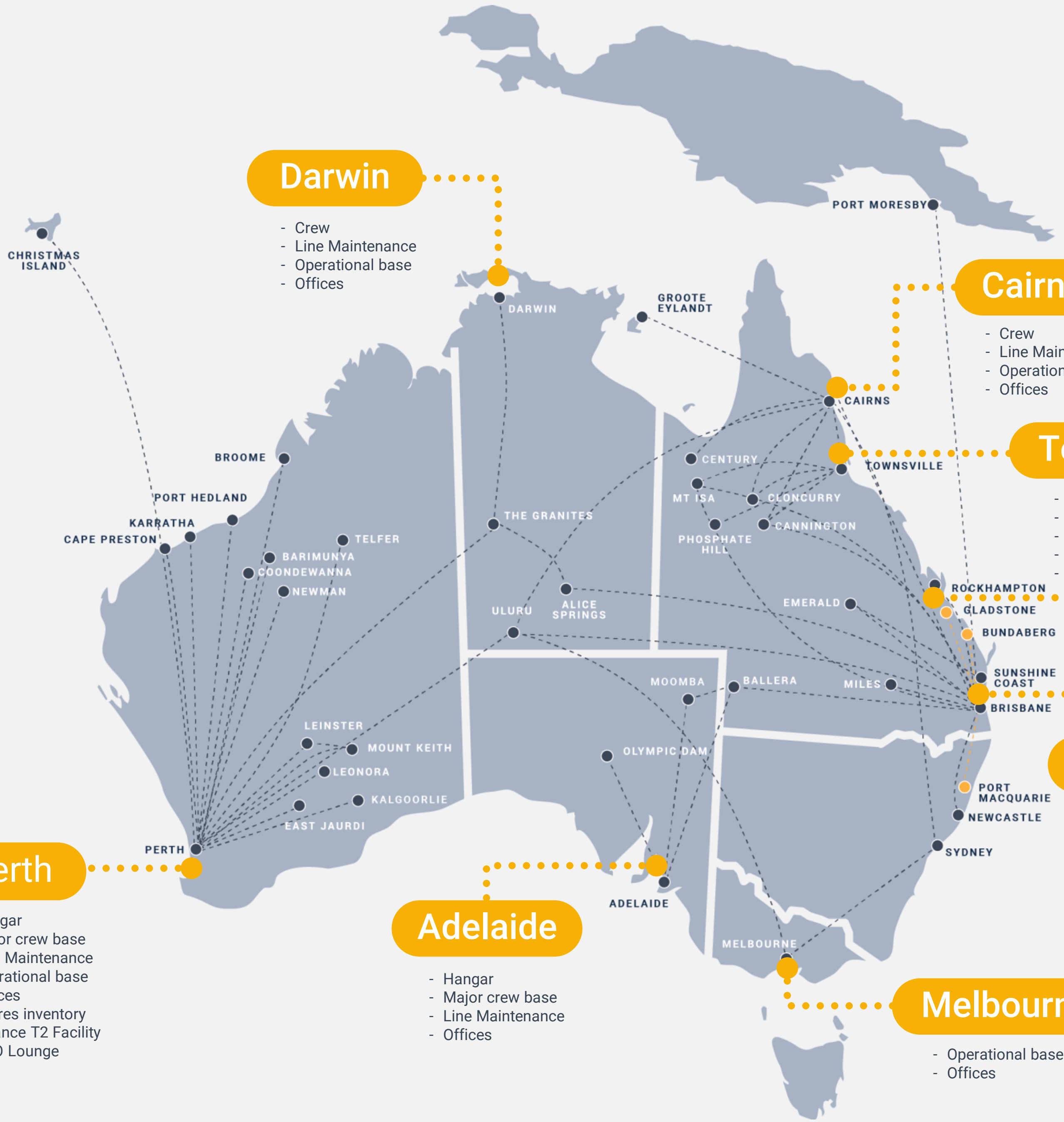


Commodity/ Sector Exposure

Forecast major commodity/sector exposure by the top 15 contracts.



Footprint



Darwin
- Crew
- Line Maintenance
- Operational base
- Offices

Cairns
- Crew
- Line Maintenance
- Operational base
- Offices

Townsville
- Hangar
- Crew
- Line Maintenance
- Operational base
- Offices

Rockhampton
- Crew
- Line Maintenance
- Operational base
- Offices

Brisbane
- Hangar
- Major crew base
- Line Maintenance
- Operational base
- Offices
- Spares inventory

Perth
- Hangar
- Major crew base
- Line Maintenance
- Operational base
- Offices
- Spares inventory
- Alliance T2 Facility
- FIFO Lounge

Adelaide
- Hangar
- Major crew base
- Line Maintenance
- Offices

Melbourne
- Operational base
- Offices

Operational Excellence

Austrian Technik
Long-term heavy maintenance provider

Wingman
Wyvern Wingman certification

Rolls-Royce
Rolls Royce total care program

IATA IOSA
Renewed IOSA certification in FY 2019

KLM UK
Long-term heavy maintenance provider

BARS
BARS (Basic Aviation Risk Standard) Gold standard achieved

Hawker Pacific
Long-term heavy maintenance provider

95% OTP

Alliance Airlines consistently achieved 95% on time performance throughout 2019

CAPA Centre For Aviation
Asia Pacific Airline of the Year 2018

Outlook

Alliance retains a positive outlook for the 2020 financial year based on a number of opportunities that will allow the business to continue to grow.

- Contract flying hours are expected to increase as clients continue to add services into their existing schedules and the full year impact of both new and renewed contracts is realised in FY2020.

  Increases are expected in the tourism sector as inbound operators are look for new and varied itineraries.

- The charter sector has shown signs of growth and this is expected to continue in FY2020 with capacity being available due to the addition of fleet and crew.

- Wet lease hours are expected to increase in the year for both contract and ad-hoc clients. Opportunities exist within Australia and in the South Pacific;

- Aviation Services will continue to contribute high margin profit via part and engine sales, leasing, engineering services and aerodrome management services. Revenue is expected to increase in FY2020.

- The Board maintains its focus on capital management. Significant expansion is forecast to occur in the first half of FY2020 with the addition five aircraft to the fleet. The settlement of the Helvetic fleet transaction will occur in the first quarter of the year. The Board will continue to monitor future dividend payouts along with the needs of the business now and into the future.

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