

5th February 2020

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

RECORD HALF YEAR REVENUE AND PROFIT

Key Points

- Profit before tax - \$15.5 million, up 10.0% - (Profit after tax - \$10.7 million up 8.2%);
- Total revenue from operations - \$151.3 million, up 9.8%;
- Record flying hours for the first half - 19,710;
- A fully franked interim dividend of 7.3 cents declared; and
- Alliance retains a full year positive outlook.

Summary

Alliance today announced a record first half profit before tax (PBT) result of \$15.5 million for the half year ended 31 December 2019, an increase of \$1.4 million or 10% on the prior comparative period. Net profit after tax (NPAT) for the same period increased by 8.2% to \$10.6 million (1H 2018: \$9.8 million).

The financial and operating results for the half year continue to reflect Alliance’s commitment to its three core principles of safety, on time performance and sustainable long term financial results.

A record number of 19,710 flight hours (1H 2018: 19,670) were operated during the half year utilising a fleet of up to 40 aircraft (1H 2018: 38).

Total revenue from operations increased by 9.8% or \$13.5 million during the half year to \$151.3 million (1H 2018: \$137.8 million). Alliance’s revenue growth in the first half of the year has been influenced by a change in the mix of flying hours, a focus on pursuing higher yield services and a change in the mix of wet lease customers.

While wet lease revenue reduced by 34%, it was more than replaced with higher revenue across all other revenue streams including contract revenue (17% increase), RPT revenue (2% increase), aviation services revenue (53% increase) and charter revenue which increased by 130% over the same period. The diversification of revenue streams is an attractive feature of the Alliance business.

Contract revenue remains the largest source of revenue and grew as a result of increased scheduled services and the full first half year effect of a number of yield improvements.

Charter revenue benefited from an increased fleet size in the first half which allowed for a number of high yield ad-hoc charters to be operated, a number of short term contracts to be fulfilled and the operation of multi sector tourism charters.

Wet lease revenue in the prior comparative period was influenced by Alliance operating ad-hoc services for a number of domestic and international carriers. This was not repeated in the half year ended 31 December 2019. It is important to note however, that contracted wet lease revenue increased by 10.5% when compared to the prior comparative period.

RPT revenue was stable and aviation services benefited from an increasing number of part and component transactions.

Alliance continues to be the preferred airline for the Australian mining and resources sector. A number of expiring contracts were renewed in the first half of the year. Importantly, all of these renewals contained improved terms reflecting the company's position and continued improvement in the sector.

Alliance strategically elected to accelerate capital expenditure by bringing forward several base maintenance checks. This positions the company for growth and prepares it for the upcoming change to Alliance's fleet maintenance program. The change across suppliers and maintenance locations should drive further efficiency and cost control across the business.

Alliance's Chief Executive Officer, Mr Lee Schofield said, "Alliance has had a great start to the 2020 financial year by delivering the best first half result in the company's history. We continue to deliver the highest levels of service to all of our clients, safely, on time and in a cost effective manner."

Mr Schofield continued, "We believe our fleet size of 40 aircraft (increasing to 42 in mid February 2020) is optimal to deliver an appropriate return on capital for our investors and service the immediate addressable market. Moreover, we have four aircraft which are in storage and can be commissioned if growth over and above what is forecasted comes to pass."

Operating cash flow for the half year was \$14.6 million, a decrease of \$7.7 million from the prior year comparative period (\$22.3 million). The decrease in operating cash flow is the result of a number of factors including the settlement of five aircraft and inventory package from Helvetic Airways and a general increase in cash outflows due to the accelerated base maintenance program that occurred in the first half of the year. Alliance's program of fleet and inventory package acquisitions is complete and the benefits of past purchases will be realised by way of savings in cash outflows and decreased parts costs.

Outlook

Alliance retains a positive outlook for the 2020 financial year, based on a strong first half result and a forecast improved second half of the year.

Contract revenues are expected to grow organically as schedule increases are forecast for a number of mining and resource sector clients. The mining industry remains strong.

Wet lease revenues are expected to remain stable in the second half of the year.

Contracted inbound tourism operations may be affected by the softening of visitor numbers into Australia; however charter operations are expected to benefit from the new seasonal Melbourne to Kununurra services commencing in May 2020.

RPT revenue will remain stable and aviation services are forecast to produce a similar result in the second half.

Based on the current fleet utilisation and maintenance plan, the sustaining capital expenditure for the second half of the year will be \$12.9 million (\$11.4 million of cash) bringing the full year total to \$34.3 million (\$28.2 million cash). Forecast expenditure on growth capital expenditure is \$1.4 million (\$0.6 million cash) bringing the full year total to \$8 million (\$6.7 million cash).

Dividend

The Directors have resolved to declare a fully franked interim dividend of 7.3 cents per ordinary share. The record date for the dividend is 17 March 2020 and the dividend re-investment plan is available and will operate 2% discount. The dividend is payable on 21 May 2020.

[ends]

About Alliance

Alliance Aviation is Australasia's leading provider of contract, charter and allied aviation services currently employing in excess of 580 full time staff in Australia and Europe.

The Australian business currently operates a fleet of 23 Fokker F100, 12 Fokker 70LR jet aircraft and five Fokker 50 turboprops with additional fleet units scheduled to enter service during the remainder of 2020.

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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