

# Alliance Aviation Services Limited Half Year Results Presentation FY2021

10 February 2021



**Alliance**  
AIRLINES

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# Key Messages

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

- Another record profit;
- Record operating cash flows;
- Change in mix of flight hours;
- The settlement of 10 E190 aircraft; and
- A positive outlook for FY2021 with growth forecast in FY2022 and beyond.



Underlying profit before tax of \$26.7m, up 72.3%



Operating cash flow of \$47.5m, up 225.3%



Revenue from operations of \$154.8m, up 2.3%\*



1 aircraft added to the fleet – Fleet total, 43



Net debt \$6.9m

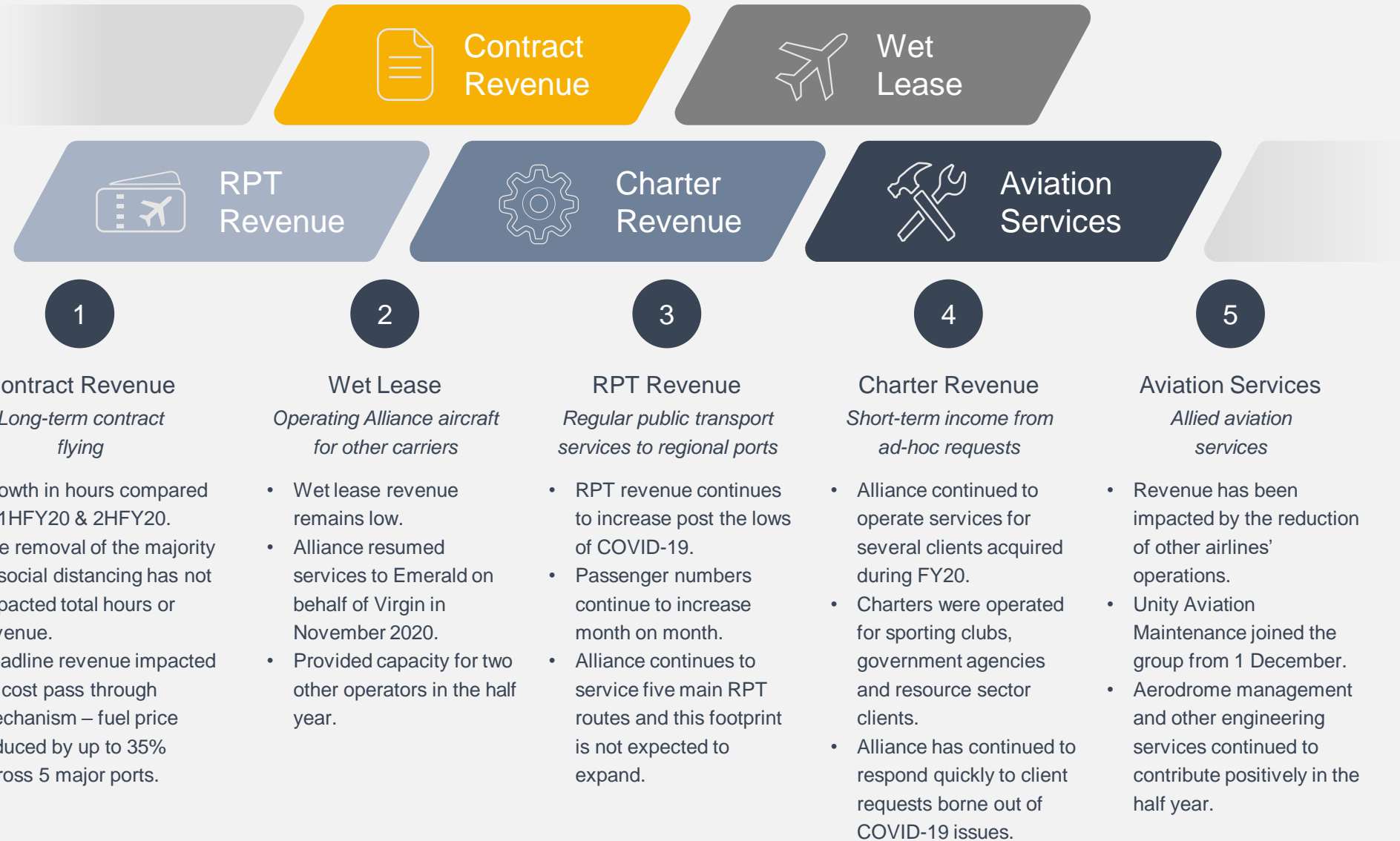


Change in mix of flight hours - 19,067 for the half

\*All contract and the majority of charter client contracts contain a rise and fall formula which impacts on the quantum of revenue recognised as well as fuel expensed. The average fuel price across Alliance's five main ports decreased by 34% in the first half of the financial year when compared to the prior year comparative. In the half year this has had a significant effect on reported revenue and direct costs. Fuel typically accounts for between XX% and XX% of a flight cost base dependent on port, flight time and flight schedule.

# Contract Revenue

Contract and charter continue to experience revenue growth in the first half



# FINANCIAL SUMMARY

For the half year ended  
31 December 2020



# Operational Metrics

**Alliance** consistently delivers strong operational performance.

Detail	31 December 2020	31 December 2019
Aircraft in service*	43	40
Flight Hours – contracted	13,106	11,240
Flight Hours – wet lease	149	4,547
Flight Hours – RPT	2,567	2,634
Flight Hours – charter	3,065	931
Flight Hours – other (incl. maintenance)	180	358
<b>Total Flight Hours</b>	<b>19,067</b>	<b>19,710</b>
Average Staff Numbers	552	593
Revenue per employee (\$k)	278	255
Contract % of Total Revenue	68%	63%

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

# Income Statement

## Observations:

- Contract revenue has increased in the first half due to increased flight schedules for several clients;
- Charter revenue continues to perform strongly. Services continued in the half year for new clients acquired in FY20;
- RPT revenue is lower than the prior comparative period however has increased against 2HFY20 as a result of an increased route network and an increasing number of passengers;
- Operating expenses were lower in the half due to the inclusion of government rebates of \$6.9 million and other recurrent cost efficiencies;
- Depreciation has increased in line increased fleet numbers; and
- Alliance will be in an income tax payable position for FY21.

(\$ in millions)	1HFY2021 Actual	1HFY2020 Actual	% PCP Change
<b>Revenue</b>			
Contract revenue	105.8	94.8	11.6%
Wet lease revenue	0.6	17.5	(96.6%)
Charter revenue	29.3	10.6	176.4%
RPT revenue	16.5	21.8	(24.3%)
Aviation services	2.0	6.0	(66.7%)
Other (Incl. FX)	(0.9)	0.1	(1000.0%)
<b>Total revenue</b>	<b>153.3</b>	<b>150.8</b>	<b>1.7%</b>
Operating expenses	(100.4)	(116.6)	13.9%
<b>EBITDA</b>	<b>52.9</b>	<b>34.2</b>	<b>54.7%</b>
Depreciation and amortisation	(18.3)	(17.3)	(5.8%)
<b>EBIT</b>	<b>34.6</b>	<b>16.9</b>	<b>104.7%</b>
Finance costs	(1.0)	(1.4)	28.6%
<b>PBT</b>	<b>33.6</b>	<b>15.5</b>	<b>116.8%</b>
Income tax expense	(10.2)	(4.9)	(108.2%)
<b>NPAT</b>	<b>23.4</b>	<b>10.6</b>	<b>120.8%</b>
<b>Basic EPS (cents)</b>	<b>14.6</b>	<b>8.5</b>	<b>71.8%</b>

# Statement of Financial Position

## Observations:

- The PP&E increase relates to various settlements of the Embraer fleet and Unity acquisitions;
- Inventory includes \$9 million of Embraer spares settled to date;
- Right of use assets and lease liabilities have increased due to the inclusion of the Unity Aviation Maintenance hangar land lease and the Adelaide hangar lease;
- Debt reduced by \$2.4 million in the half-year; and
- Current tax liabilities reflect Alliance moving to a cash tax payable position due to increased profits and fully utilised tax losses.

(\$ in millions)	31 December 2020 Actual	30 June 20 Actual	% PCP Change
Cash	45.1	98.8	(54.4%)
Receivables	40.5	54.4	(25.5%)
Inventory	62.9	57.4	9.6%
<b>Total current assets</b>	<b>148.5</b>	<b>210.6</b>	<b>(29.5%)</b>
PP&E & Intangibles	303.1	217.3	39.5%
Right of use assets	19.8	8.0	147.5%
<b>Total non-current assets</b>	<b>322.9</b>	<b>225.3</b>	<b>43.3%</b>
<b>Total assets</b>	<b>471.4</b>	<b>435.9</b>	<b>8.1%</b>
Trade & other payables	35.0	48.5	27.8%
Borrowings	3.2	12.0	73.3%
Current tax liabilities	7.2	0.0	n/a
Lease liabilities	2.9	1.4	(107.1%)
Provisions / other	10.1	8.9	(13.5%)
<b>Total current liabilities</b>	<b>58.4</b>	<b>70.8</b>	<b>17.5%</b>
Borrowings	48.8	42.4	(15.1%)
Deferred tax liability	35.1	32.1	(9.3%)
Lease liabilities	17.4	7.0	(148.6%)
Provisions / other	1.6	1.5	(6.6%)
<b>Total non-current liabilities</b>	<b>102.9</b>	<b>83.0</b>	<b>(23.9%)</b>
<b>Total liabilities</b>	<b>161.3</b>	<b>153.8</b>	<b>(4.8%)</b>
<b>Net assets</b>	<b>310.1</b>	<b>282.1</b>	<b>9.9%</b>



# Cash Flow Statement

## Observations:

- Record operating cash flow in the half year as a result of increased profitability;
- Operating cash flows also included \$6.9 million of government rebates and \$9 million of inventory settlements as part of the E190 transaction;
- Payments for PP&E consisted of \$13.9 million in Fokker fleet capex and \$87.4 million in Embraer fleet program;
- Payments for PP&E also included the Unity Aviation Maintenance Pty Ltd acquisition; and
- Core debt reduction of \$2.4 million bringing net debt to \$6.9 million.

(\$ in millions)	31 December 2020 Actual	31 December 2019 Actual
Receipts from customers (inclusive of GST)	170.9	159.8
Payments to suppliers (inclusive of GST)	(122.8)	(144.1)
Net interest (paid)/received	(0.6)	(1.1)
<b>Net cash inflow from operating activities</b>	<b>47.5</b>	<b>14.6</b>
Net payments for aircraft, property, plant & equipment	(101.4)	(19.8)
<b>Free cash flow</b>	<b>(53.9)</b>	<b>(5.2)</b>
Proceeds from share issue	3.4	-
Proceeds from borrowings	15.0	18.0
Repayment of borrowings	(17.4)	(2.1)
Principal elements of lease payments	(0.9)	(0.9)
Dividends paid	-	(7.3)
<b>Net cash outflow from financing activities</b>	<b>0.1</b>	<b>7.7</b>
Net increase in cash and cash equivalents	(53.7)	2.5
Effects of currency translation on cash and cash equivalents	3.0	0.0
Cash & cash equivalents at the beginning of period	98.8	9.6
<b>Cash &amp; cash equivalents at the end of period</b>	<b>45.1</b>	<b>12.1</b>

# Capital Expenditure

## Observations:

- Existing Fokker fleet maintenance as per forecast;
- The last ex-Austrian F70 has now entered the fleet bringing total operational Fokker aircraft to 43;
- Deposit payments on both E190 contracts are included in the Embraer program cash out flows as are the settlement payments and associated costs for 10 E190s, entry into service maintenance and ferry costs; and
- The purchase of Unity Aviation Maintenance Pty Ltd is also reflected in the Embraer program.

(\$ in millions)	1H FY2021 Actual	2H FY2021 Forecast	FY2021 Forecast
<b>Existing fleet maintenance</b>			
<b>Cash outflows</b>			
Base maintenance providers	2.0	7.8	9.8
Engine care program	10.2	5.5	15.7
Other miscellaneous	1.0	0.5	1.5
Operating costs capitalised	0.9	1.7	2.6
<b>Total cash outflows</b>	<b>14.1</b>	<b>15.5</b>	<b>29.6</b>
<b>Non-cash</b>			
Parts from inventory used in base maintenance	0.5	3.5	4.0
<b>Total existing fleet maintenance</b>	<b>14.6</b>	<b>19.0</b>	<b>33.6</b>
<b>Growth capital expenditure</b>			
<b>Cash outflows</b>			
Embraer program (incl Unity transaction)	87.4	84.8	172.2
Entry into service (Fokker)	0.7	-	0.7
Operating costs capitalised (Fokker)	0.4	-	0.4
<b>Total cash outflows</b>	<b>88.5</b>	<b>84.8</b>	<b>173.3</b>
<b>Non-cash</b>			
Parts from inventory used in base maintenance (Fokker)	0.1	-	0.1
<b>Total growth capital expenditure</b>	<b>88.6</b>	<b>84.8</b>	<b>173.4</b>
<b>Total capital expenditure <sup>1</sup></b>	<b>103.2</b>	<b>103.8</b>	<b>207.0</b>

<sup>1</sup> – Equates to movement in PP&E plus depreciation (adjusted for Right of Use Depreciation)

# Outlook

## Observations:

- The Fokker fleet is the backbone of existing operations for many years to come.
- The Embraer fleet enables growth opportunities.

**Alliance** retains a positive outlook for the 2021 financial and forecasts growth in FY2022 and beyond

- Alliance continues to increase its operational activity across a number of revenue types. Revenue streams impacted negatively by COVID-19 in 2HFY20 are showing signs of growth.
- Contract revenue is expected to continue to increase in FY2021 as the annualised impact of increased schedules is realised. Mine maintenance programs are also expected to have a positive effect in the second half of the year.
- Contracted wet lease revenue will increase in the second half of FY2021 and beyond. The recently announced capacity deal with QANTAS will commence mid-2021. Alliance will also continue to pursue dry lease and other wet lease opportunities within Australia and the Pacific.
- The charter sector is forecast to continue to remain strong. The shift from RPT services to closed charter continues and we forecast the majority of this to be permanent. Domestic tourism charters continues to be a focus for Alliance and it is expected there will be a number of additional domestic tours in the remainder of FY2021.
- RPT revenues are forecast to increase as border restrictions are lifted enabling passenger movements to increase.
- The Board is focused on maintaining a strong balance sheet. Given the commitments made for major expansion of the Company, the Board has determined that it is prudent not to declare an interim dividend at this time.

# OTHER INFORMATION

*For the half year ended 31 December 2020*



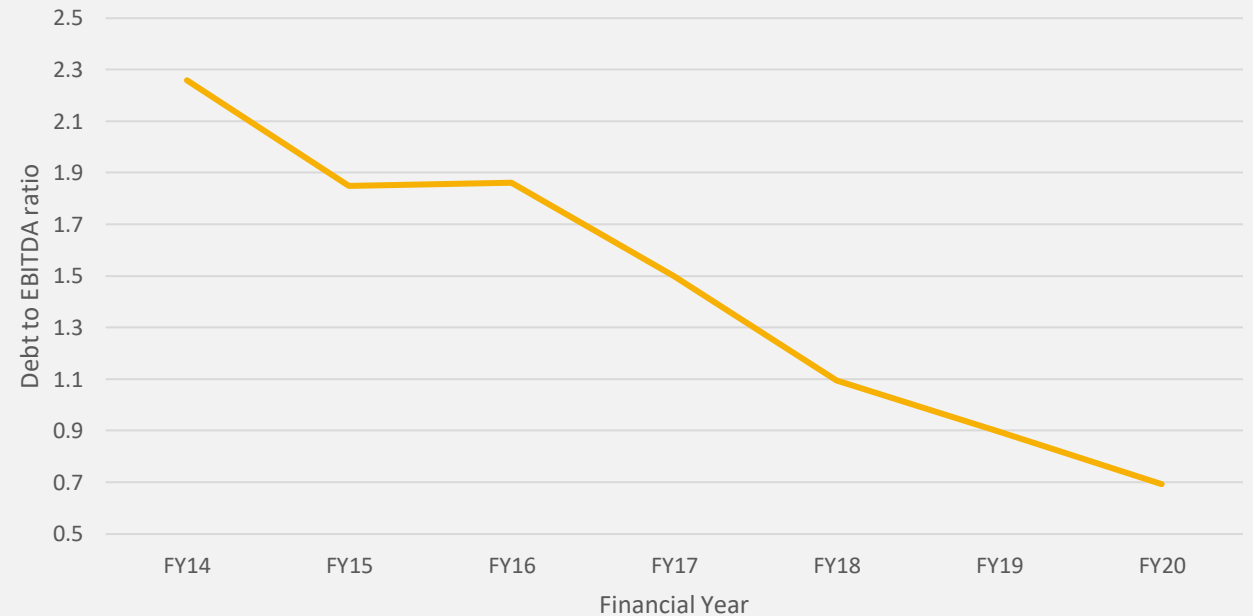
# Funding the E190's

Alliance has a strong balance sheet and has focussed on ensuring debt capacity is available for expansionary purposes.

- As at balance date, Alliance had settlement obligations of USD90.2 million for the balance of the E190 fleet. Subsequent to balance date USD16.08 million has been settled.
- Alliance is currently negotiating to fund the balance of the E190 transaction.



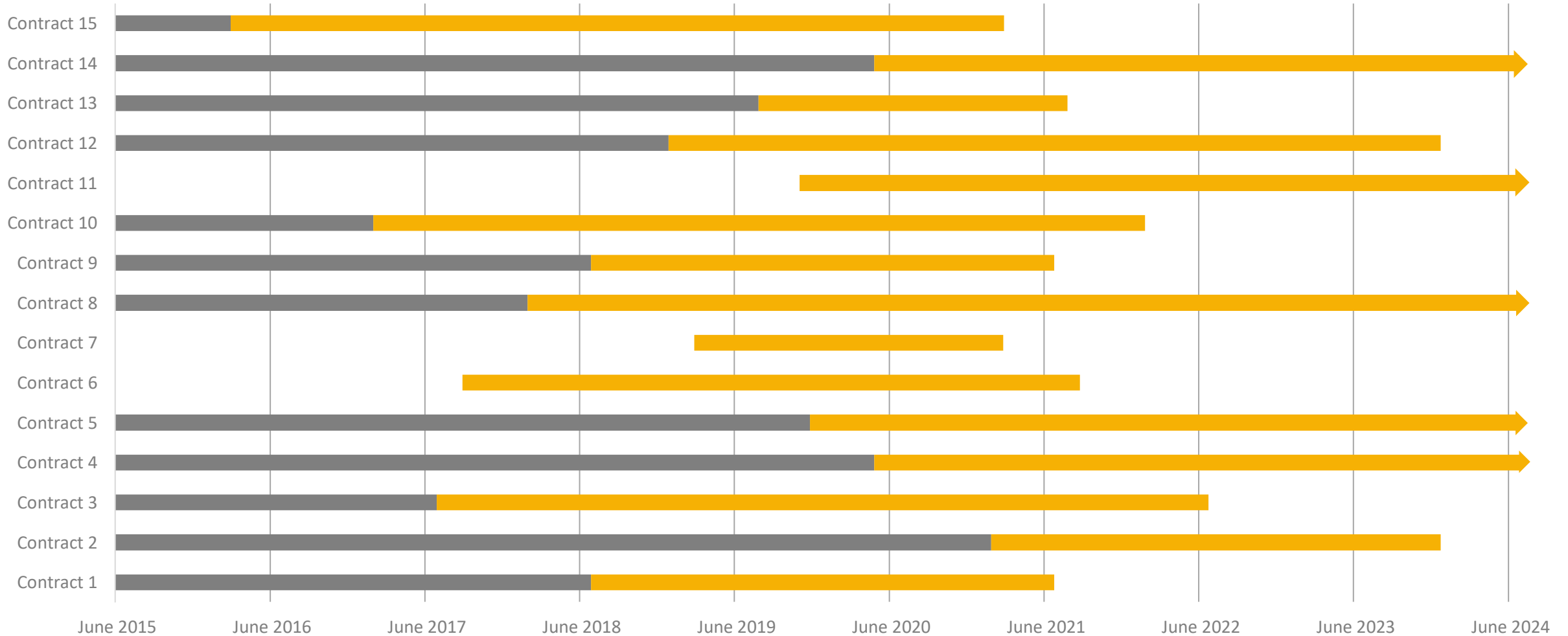
Historical debt to EBITDA ratio



# Stable Contract Client Base

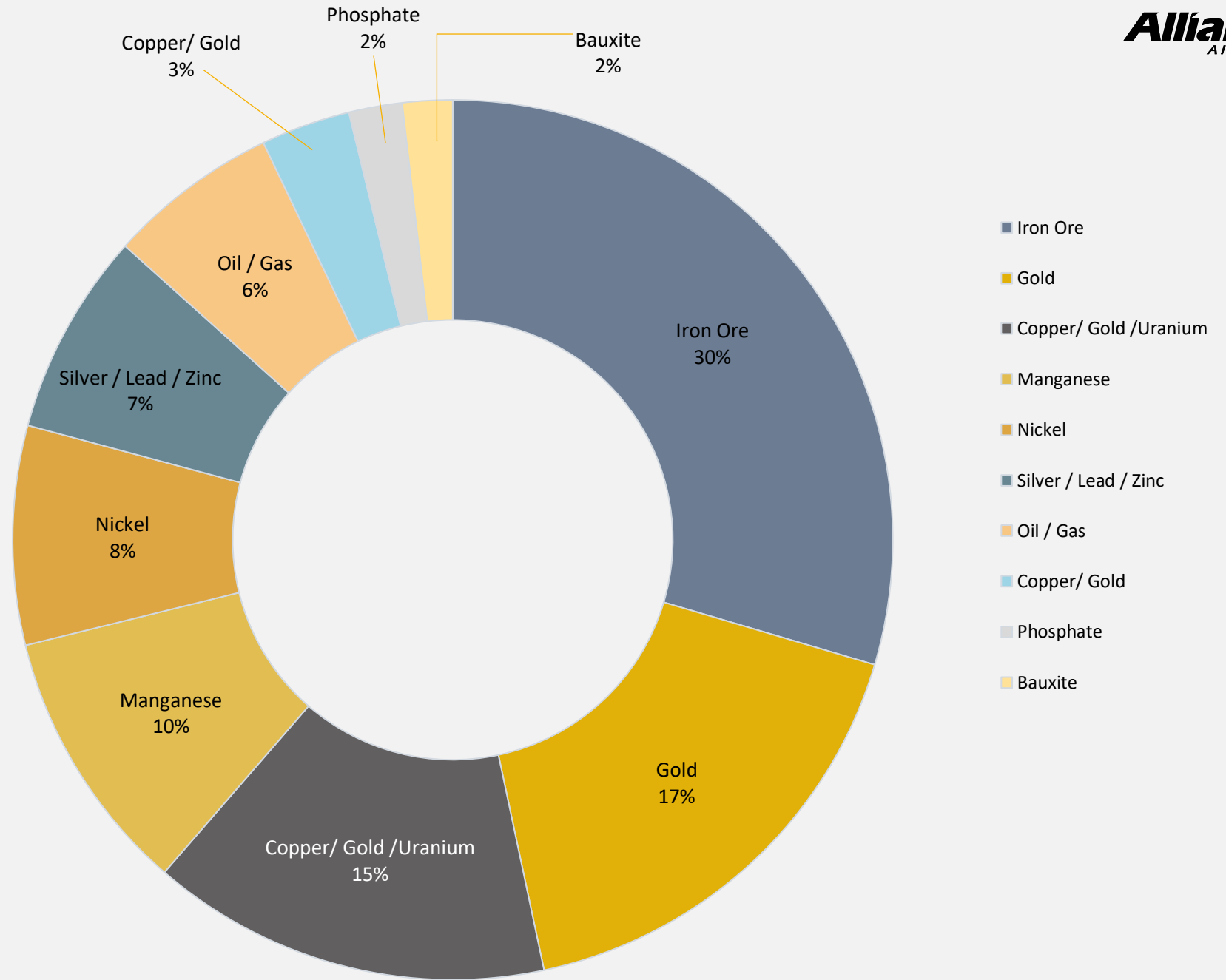
## Contracted Client Terms

■ Previous Contract  
■ Current Contract

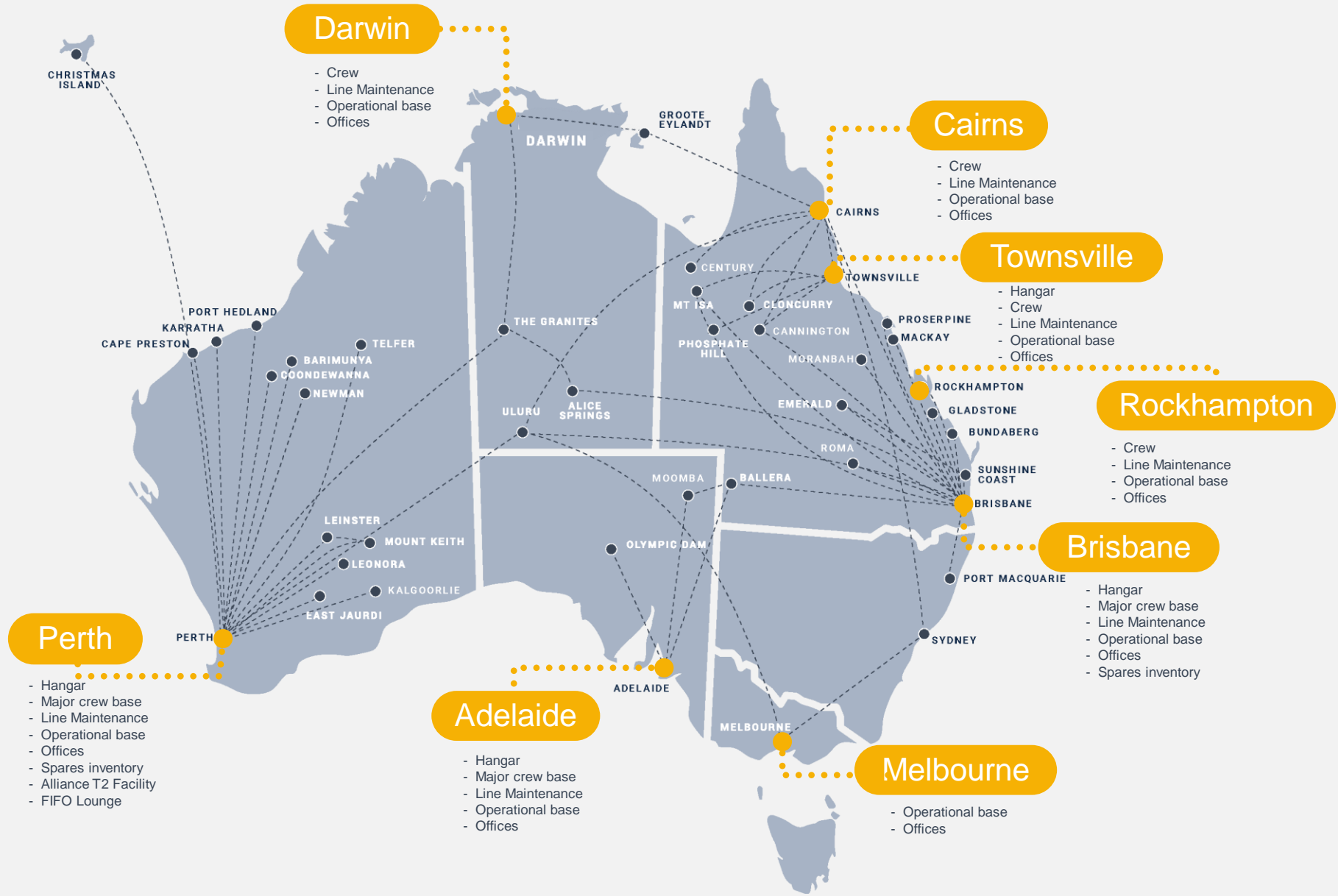


# Commodity Exposure

Major commodity exposure as a percentage of 1HFY21 revenue by the top 15 contracted clients.



# Footprint





# Operational Excellence



96% OTP

Alliance Airlines consistently achieved 96% on time performance for the last 12 months.

## Forecast Fokker Fleet FY 2021



*F100 – 100 Seat Jet Aircraft  
No. in fleet – 24  
(2 in storage)*



*F70 – 80 Seat Jet Aircraft  
No. in fleet - 14<sup>1</sup>*



*F50 – 50 Seat Turbo-Prop Aircraft  
No. in fleet - 5*

1. Including one leased aircraft

## Forecast E190 Fleet FY 2021



*E190 – 94-114 Seat Jet Aircraft  
No. in operating fleet – 5  
No. settled & not in service - 20  
Remaining to be settled – 5*

### Cruising speed

839 kph

### Maximum range

4,445 km

### Engine

Two GE CF34-10E5  
(18,500 lb)  
turbo fans

## Safety Certifications



**WINGMAN**

*Wyvern Wingman certification*



*Renewed IOSA certification in FY20*



*BARS Gold standard maintained*

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