



Alliance Aviation Services Limited
A.C.N. 153 361 525

PO Box 1126
EAGLE FARM QLD 4009

Telephone
+61 7 3212 1201

www.allianceairlines.com.au

**Alliance Aviation Services Limited (ASX code: AQZ)
2021 Annual General Meeting
Chairman's Address**

Before I provide a review of the 2021 financial year, I would like to acknowledge that this is Alliance's 10th AGM as a listed company. During that time the company has achieved the following:

- Share price increase from \$1.60 at IPO to a 2021 closing high of \$4.62
- Market capitalisation from \$144m to a high of \$741m
- Aircraft fleet from 25 to 72
- Flight hours from 17,447 to 37,913
- Revenue from \$125.3m to \$306.6m
- EBITDA from \$37.5m to \$87.8m
- Staff from 372 to 801

I believe that it is important to review what has been achieved in the past as these achievements lay the foundation for the future.

2021 Financial Year

Alliance was again able to outperform previous financial years and announced another record financial result for the 2021 financial year. This result was achieved in an ever-changing operational environment as a result of the COVID-19 pandemic. The flexibility of Alliance's employees and the agility and speed at which the company could implement operational changes continued to be at the core of the company's success in the 2021 financial year.

The 2021 Annual Report, which includes the financial statements for the year ended 30 June 2021, was released to shareholders in August 2021. Highlights from this report include:

- Revenue increased by 3% to \$298.6 million;
- An increase in underlying profit before tax of 25% to \$51.0 million;
- Underlying operating cash flow up 73% or \$75.9 million;
- The Company's flying activity increased to 37,913 hours;

- Contracts were entered into to acquire 32 E190 aircraft;
- Alliance's largest ever debt financing completed in May 2021; and
- The commencement of E190 wet lease operations under a long-term contract for Qantas.

Fleet numbers for the year increased by six with the addition of one Fokker 70 and five E190 aircraft to the operational fleet taking the total to 48 aircraft. The Fokker aircraft continue to be the backbone of our FIFO and charter operations whilst the majority of E190 aircraft are to be utilised on wet lease contracts and other expansionary opportunities. A number of E190s are also servicing central Australian FIFO operations for Alliance which has allowed for the deployment of additional Fokker capacity for growth opportunities in Western Australia.

On time performance for the year was 93% which is lower than previous years but still well above industry standard. The Management team have implemented strategies to ensure that the company returns to the 95% average of the last few years.

The retention of long-term contracts continues as a cornerstone of Alliance's success with four key client contracts being renewed throughout the year and the company securing four additional long-term contract clients in the same period.

Remuneration

The Board continues to maintain an appropriate approach to remuneration as outlined in the Annual Report. In summary Alliance's remuneration strategy focuses on driving performance and providing competitive packages that attract, retain and motivate high quality employees required to deliver on both the short term and longer-term strategic goals of the company. The Board considers the current incentive framework, which is a mix of both short-term cash incentives and long-term share incentives appropriate for the size and complexity of the company. By ensuring that the long-term incentives vest over a two-year period the Board considers the interests of management and shareholders in regard to sustained value growth are well and truly aligned.

For the 2021 Financial Year the Board considered that the financial and operational performance criteria were not met (with the safety metric having been met) and therefore decided not to award any of the performance incentives for that period.

Shareholder approval will today be sought for the grant of performance rights to Managing Director Mr Scott McMillan and Executive Director Mr Lee Schofield as part of their FY2022 remuneration arrangements. As they are both Directors of the company, shareholder approval is required under the ASX listing rules. The only change to the scheme from previous years is that the stretch target is capped at 40% of total fixed annual remuneration as opposed to 50% in prior years.

Shareholders

Alliance continues to be well supported by its shareholders, some of whom have been with the company for all of its last ten years as a publicly listed company. We thank these and our more recent shareholders for their continued support and we look forward to creating more shareholder value as we grow to a fleet of 72 operational aircraft.

The outstanding financial result also reflected positively for shareholders with new records being set in the 2021 financial year for both the share price (a high of \$4.62) and market capitalisation (a high of \$741 million).

Alliance did not declare a dividend for the 2021 financial year as the Board believed the capital was better retained within the business to fund the substantial E190 expansion program. The Board will continue to monitor the capital requirements of the company as we progress into the 2022 calendar year ensuring that capital deployment delivers positive outcomes for Alliance and its shareholders.

Closing remarks

Alliance listed as an essential service to the mining and energy industry. We still proudly service the large miners and energy providers today but have also diversified our revenue streams. Our contract charter business model remains the foundation of the company with it representing 69% of 2021 flight hours. Since 2018 contract flight hours have grown by an average of 10% annually.

The Board strategy to grow and diversify the business has been evolving over the last six years and has been successful in continuing to grow the contract charter business whilst diversifying into wet lease services. This strategy culminated in the execution of Alliance's largest wet lease contract in February 2021. This contract will see more than 50% of the newly acquired E190 fleet and Fokker aircraft performing wet lease services for a number of customers. The financial benefits of these strategies will materialise in the 2022 financial year and beyond.

Before I hand over to our Managing Director, Scott McMillan to talk more about the strategy of the business and the next 12 months, I would like to personally thank the Board of Directors, the senior management team and the entire staff at Alliance for their support and hard work over the last 10 years.

The results we have achieved this year are as a consequence of this and the dedication clearly demonstrated by everyone involved in our company.

Steve Padgett OAM
Chairman