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28<sup>th</sup> November 2023

**Alliance Aviation Services Limited (ASX code: AQZ)**  
**2023 Annual General Meeting**  
**Chairman's Address**

The 2023 financial year could only be described as a year of two halves for Alliance. Operations in the 1<sup>st</sup> half of the year were very challenging as aviation companies in Australia, and the world, were still dealing with the lingering impacts of COVID, specifically related to training.

The 2<sup>nd</sup> half of the financial year is best described as a progressive return to normality for Alliance. The training pipeline started to return to normal, demand for our services increased across both contract and wet lease categories and aircraft utilisation of the Fokker and Embraer fleets also increased. By the end of the financial year any lingering COVID impacts were minimal.

The turnaround in the second half was a material driver in Alliance reporting the largest underlying profit before tax in the Company's history of \$56.9 million. This record result was achieved at a time where the Company continued to invest heavily in aircraft, infrastructure and personnel to meet capacity requirements. This investment continues today as Alliance continues to experience increased demand for its services.

The 2023 Annual Report contained several factors that were records for Alliance. Some of these were:

- Record total flight hours of 75,195
- Record wet lease hours of 45,112
- Record revenue and income of \$517.2 million
- Record underlying PBT of \$ 56.9 million
- Record aircraft in service of 68
- Record staff number of 1,082 FTE
- 96% of the Groups flying activity were operated for long term contract or wet lease clients.

It is a great reflection on the staff at Alliance, that all the above was achieved at the same time Alliance improved its on-time performance to 96%, higher than the target of 95%. This industry leading outcome is again at the forefront of the Alliance's success in gaining and retaining long term contracted customers.

## Remuneration

The Board continues to maintain an appropriate approach to remuneration as outlined in the Annual Report.

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 incentive portion of executive remuneration vests over a two-year period following the performance period, the Board considers the interests of management and shareholders in regard to sustained value growth are well and truly aligned. However, a small number of shareholders have indicated that the LTI component of the incentive plan needs review, and we undertake to do that prior to the commencement of the next financial year.

Whilst the on-time performance KPI was met for the 2023 financial year, the other KPIs were not met and so no incentives will be paid for FY23.

Shareholder approval will today be sought for the grant of performance rights to Managing Director, Mr Scott McMillan, as part of his FY2024 remuneration arrangements. As Scott is a Director of the Company, shareholder approval is required under the ASX listing rules.

## Shareholders

We thank our shareholders for their continued support, more so as the Board navigated through the last 12 months with the Qantas Airways Limited ("Qantas") Scheme of Arrangement matter and ACCC review into that taking place.

With the 2<sup>nd</sup> half of the last financial year being a key turning point both operationally and financially for the Company we now look to the future as we continue to fully deploy the current fleet of 70 aircraft and take delivery of the 34 additional E190 aircraft as announced during early 2023. Growing the operating fleet size from 70 to approximately 93 over the next 2.5 years will allow the Company to maintain efficient levels of maintenance costs, increased operational capacity as required, which will add significantly more to shareholder value.

Alliance did not declare a dividend for the 2023 financial year, as the Board believed the capital will be better retained within the business to partly fund the 34 E190 aircraft transactions. The Board, however, continues to monitor the Company's capital position and recognises that dividends are a key component of shareholders' ongoing investment and interest in the company.

## Qantas Transaction Mutual Termination

On 19 October 2023, Alliance and Qantas jointly announced the mutual termination of the Scheme Implementation Deed that was entered into in May 2022. The Board of Directors of Alliance considered the termination of the Deed was in the best interest of shareholders and other stakeholders of the Company, given that continuing to seek competition clearance would require significant resources and could involve complex and contested court proceedings.

Qantas continues to be a significant shareholder in Alliance as well as a long-term wet lease customer with 26 E190 options out of 30 currently exercised with 22 in service. We anticipate the final four options to be called during the latter part of this current financial year.

Given the termination of the Qantas Scheme Implementation Deed, the Board is in the process of finalising the operational and strategic plan for the medium to long term future.

This will be communicated to all stakeholders in the first quarter of 2024.

### **Closing remarks**

The 2023 Annual Report, which includes the audited financial statements for the year ended 30 June 2023, was published on 9 August 2023 and I would like to thank all of our finance personnel and auditors for their focus on getting our final reports to shareholders at the earliest available opportunity.

The Company's strategy of moving to become a wholesaler of aircraft charter services has been achieved, however there continues to be significant areas of growth for the Company. There will be further opportunities as a result of the additional 34 E190 fleet acquisition and with our current and prospective FIFO clients. Demand remains strong.

As I hand over to our Managing Director, Scott McMillan to talk more about the strategy and performance of the business I would like to personally thank the Board of Directors, the senior management team, and the entire staff at Alliance for their support, hard work, and commitment over the year.

It remains an honour for me to serve as your Chairman.

**Steve Padgett, OAM**

**Chairman**