

H1 2019

Alliance Aviation Services Limited
Results Presentation

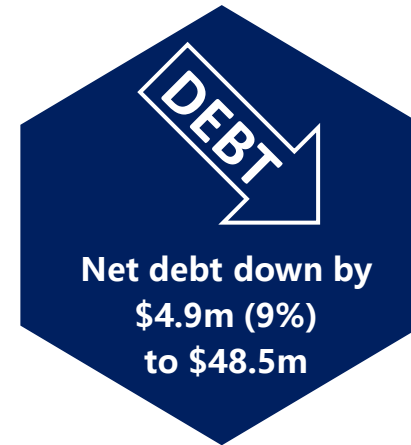
February 2019



Key Messages

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

- A strong financial performance underpinned by increased flight hours and increased revenue;
- The lowest net debt position in Alliance's history;
- The introduction of five additional aircraft funded from cash flows; and
- A record interim dividend declared.



Five Revenue Streams



Contract Revenue

Long term contract flying



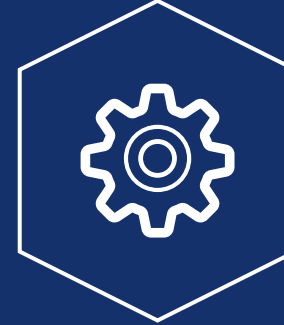
Wet Lease

Operating Alliance aircraft for other carriers



RPT Revenue

Regular public transport (RPT) services to regional ports



Charter Revenue

Short term income from ad-hoc requests



Aviation Services

Complementary services including leases, aerodrome management and part and aircraft sales

Revenue Analysis

Alliance continues to see revenue growth across all flying categories with wet lease operations experiencing the largest growth in the half year.

- Contract hours were stable when compared to 1H FY18 and up by 5% on 2H FY18 due to increased services to a number of resource sector clients (scheduled and shutdowns) and the start of tourism operations for JTB;
- Wet lease hours increased in the year by 91% with revenue increasing by 104.5%. These increases were a result of additional hours from contracted wet lease clients and hours flown for other operators who had short to medium term wet lease needs;
- Charter revenue grew in the half year with Alliance operating services for existing clients and a number of new clients;
- RPT revenues performed in line with expectations, with some growth on the resource sector RPT route; and
- Aviation Services continues to develop and grow as a business with the first half revenues providing a strong base for the second half of the year.

Financial Summary

For the half year ended 31 December 2018



Financial Statements

Alliance has delivered a strong financial result for the half year ended 31 December 2018

Detail	31 December 2018	31 December 2017
Aircraft in service*	38	31
Flight Hours – contracted	9,596	9,647
Flight Hours – wet lease	6,683	3,506
Flight Hours – RPT	2,611	2,347
Flight Hours – charter	507	522
Flight Hours – maintenance	273	185
Total Flight Hours	19,670	16,207
Average Staff Numbers	529	473
Revenue per employee (\$k)	260	247
Contract % of Total Revenue	59%	65%

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

Alliance Aviation Services - Income Statement

			%
	1H FY19	1H FY18	pcp
(\$ in millions)	Actual	Actual	change
Revenue			
Contract revenue	80.8	77.8	4%
Wet lease revenue	26.6	13.0	105%
Charter revenue	4.6	4.2	10%
RPT revenue	21.3	17.9	19%
Aviation services	3.9	4.1	(6%)
Other (Incl FX)	0.3	0.5	(18%)
Total revenue	137.5	117.5	17%
Operating expenses	(106.4)	(90.0)	18%
EBITDA	31.2	27.5	13%
Depreciation and amortisation	(15.6)	(15.4)	1%
EBIT	15.6	12.1	29%
Finance costs	(1.5)	(1.8)	(18%)
PBT	14.1	10.3	38%
Income tax expense	(4.3)	(3.2)	34%
NPAT	9.8	7.1	39%
Basic EPS (cents)	7.9	5.8	37%

Observations:

- Wet lease revenue increased significantly throughout the half year as a result of flying performed for a number of operators both domestically and internationally;
- Contract revenue increased as a result of schedule increases and the commencement of the JTB flying;
- Operating expenses increased due to additional flight hours and the full half year effect of additional crew that were recruited in the first half last year;
- Depreciation stable and showing the impact of low cost parts sourced internally and the introduction of aircraft that are at a relatively low cost; and
- Income tax expense recognised in the period as a result of accounting profit; however, only cash tax payable is New Zealand tax.

Alliance Aviation Services - Statement of Financial Position

(\$ in millions)	31-Dec-18	30-Jun-18	31-Dec-17
Cash	13.1	11.8	8.7
Receivables	31.7	31.3	34.3
Inventory	49.1	50.9	46.7
Total current assets	93.9	94.0	89.7
PP&E	188.1	177.4	170.8
Intangibles	0.5	0.4	0.5
Total non-current assets	188.6	177.8	171.3
Total assets	282.5	271.8	261.0
Trade & other payables	36.3	31.0	30.4
Borrowings	3.1	3.1	5.4
Current tax liabilities	0.1	0.1	0.1
Provisions / other	8.0	7.4	6.9
Total current liabilities	47.5	41.6	42.8
Borrowings	58.4	61.9	63.5
Deferred tax liability	1.7	1.6	4.2
Provisions / other	13.2	8.9	1.3
Total non-current liabilities	73.2	72.4	69.0
Total liabilities	120.7	114.0	111.8
Net assets	161.8	157.8	149.2
Gearing (D/D+E)	27.5%	29.2%	31.6%

Observations:

- Cash has increased over the year as a result of increased profitability and enhanced cash flow management;
- Cash includes the out flows of \$5.2 million for one off inventory purchases and \$5.8 million for dividend;
- PP&E has increased due to the addition of four additional fleet units and a number of base maintenance checks over the half year; and
- Total borrowings reduced by \$3.6M.



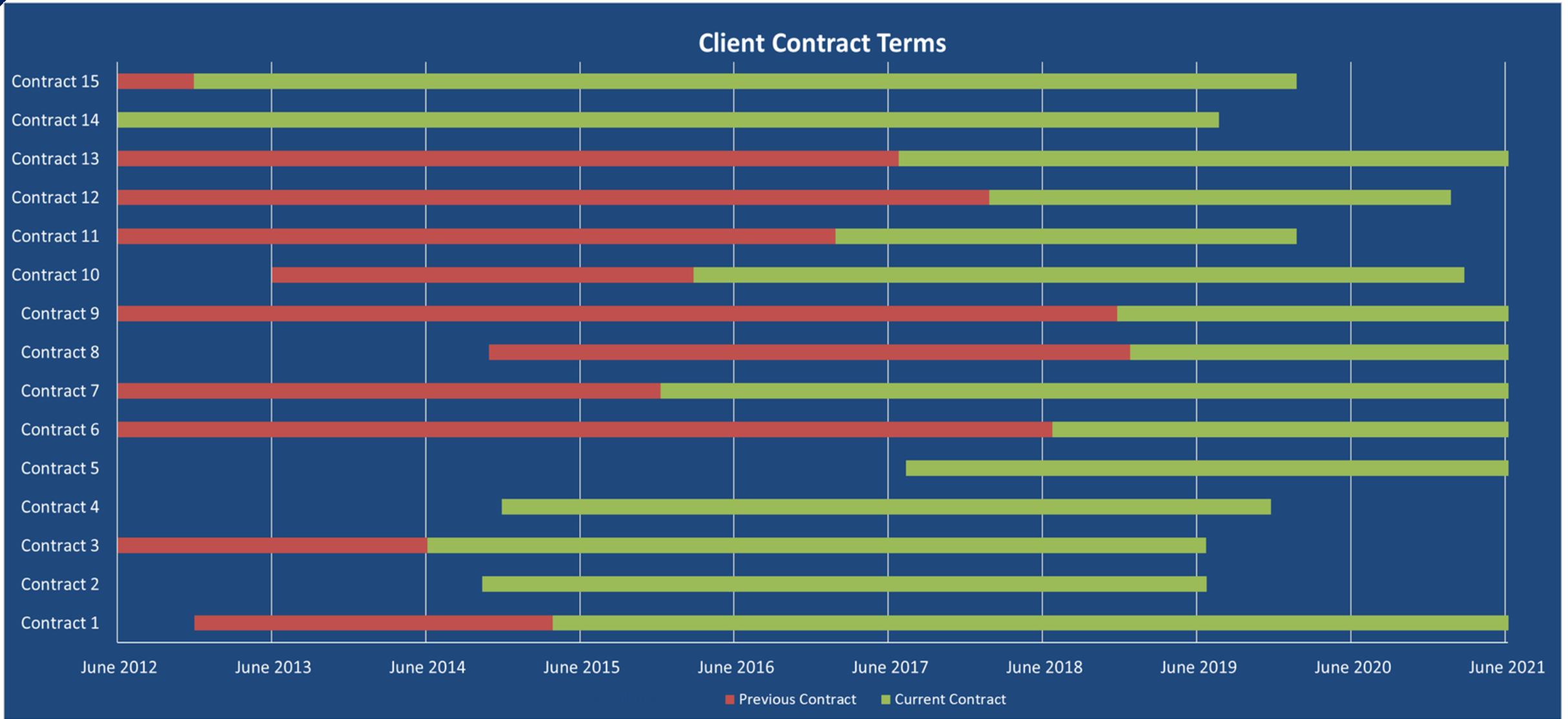
Alliance Aviation Services - Cash Flow Statement

(\$ in millions)	1H FY19 Actual	1H FY18 Actual
Receipts from customers (inclusive of GST)	151.0	130.0
Payments to suppliers (inclusive of GST)	(128.3)	(106.8)
Net interest paid	(1.3)	(1.9)
Income tax paid	-	-
Net cash inflow from operating activities	21.4	21.3
Net payments for aircraft, property, plant and equipment	(10.8)	(7.8)
Free cash flow	10.6	13.5
Proceeds from borrowings	-	4.1
Repayment of borrowings	(3.6)	(10.1)
Dividends paid	(5.8)	(2.3)
Net cash outflow from financing activities	(9.4)	(8.3)
Net increase in cash and cash equivalents	1.2	5.2
Cash & cash equivalents at the beginning of period	11.9	3.5
Cash & cash equivalents at the end of period	13.1	8.7

Observations:

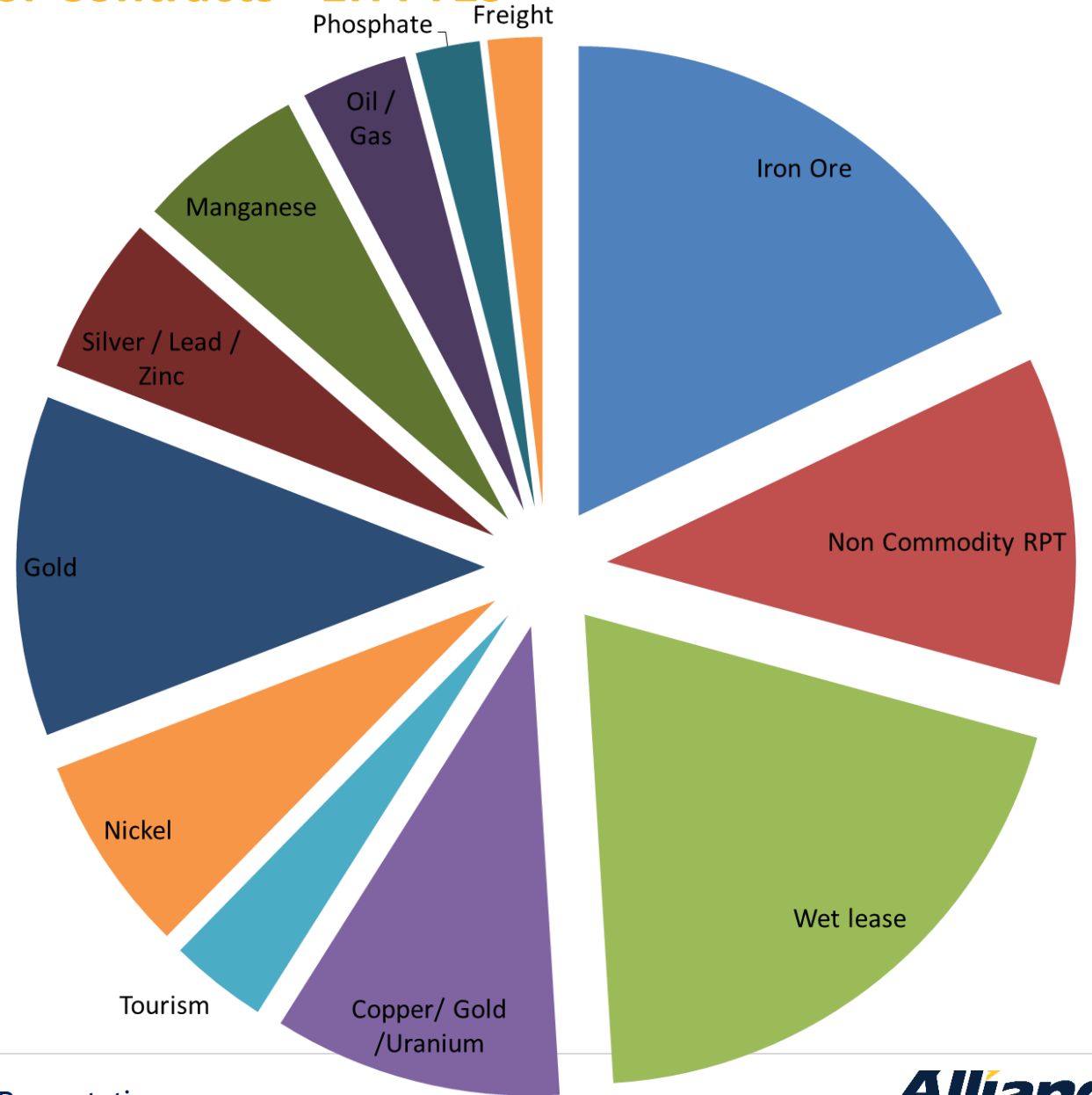
- Cash from operating activities stable and includes \$5.2M of inventory payments;
- Increase in PP&E payments due to the expenditure incurred on the addition of four aircraft into the fleet and an increased amount expended on inventory and repairs for the base maintenance program in the half year;
- Debt amortisation decreased from 1 July 18; and
- Record dividend payments.

Stable Contract Client Base

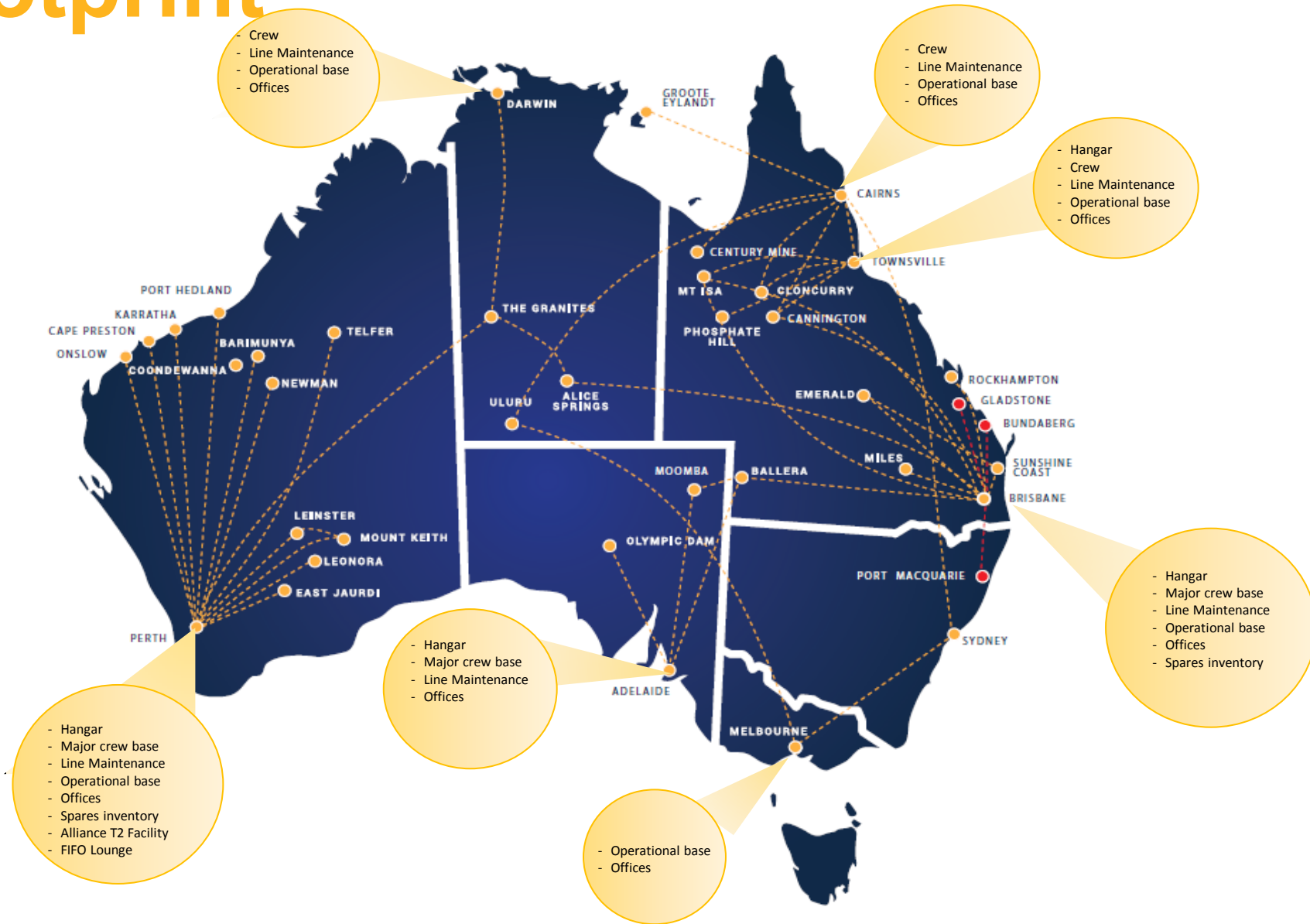


Major Commodity/Sector Exposure by 15 Major Contracts - 1H FY19

Commodity / Sector Exposure



Footprint



Operational Excellence



95% OTP



 Austrian Technik Bratislava Long-term heavy maintenance provider	 WINGMAN Wyvern Wingman certification	 Rolls Royce total care program
 Renewed IOSA certification in FY18	 BARS Gold standard achieved	 Long-term heavy maintenance provider

Outlook

Alliance retains a positive outlook for the 2019 financial year based on its strong half year result and consistent with prior financial years the second half of the year is expected to exceed the first half.

- Demand for contract flying is expected to increase in the second half of FY19, with a number of mine maintenance programs being scheduled and a number of clients adding to existing schedules. A number of smaller resource sector contracts will also contribute to the increased hours. Flights operated for tourism operators JTB and Tauck will also increase in the half year;
- Wet lease hours are expected to remain stable in the second half of the year;
- The charter sector continues to show signs of growth. Available capacity via the introduction of additional aircraft is forecast to increase revenues in the second half of the financial year;
- Aviation Services continues to increase its contribution from spare parts sales, engine and component leasing, aerodrome management services and engineering services.
- The Board maintains its focus on capital management in times of profit growth and significant operating cash flows and will monitor future dividend payouts along with the needs of the business into the future.

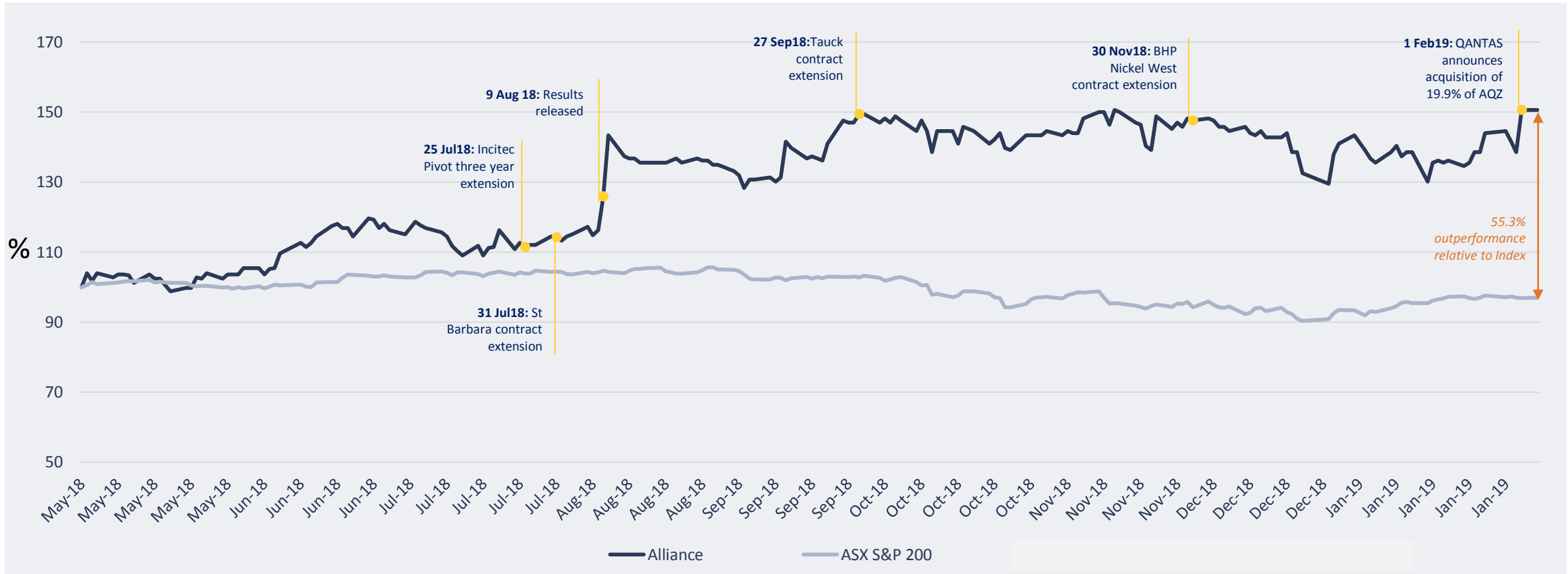
Appendix A



Share price performance

Since 1 May 2018 the Alliance share price has increased significantly. This has been as a result of a number of contract wins, superior earnings performance, reduced debt levels, strong cash generation and payment of dividends.

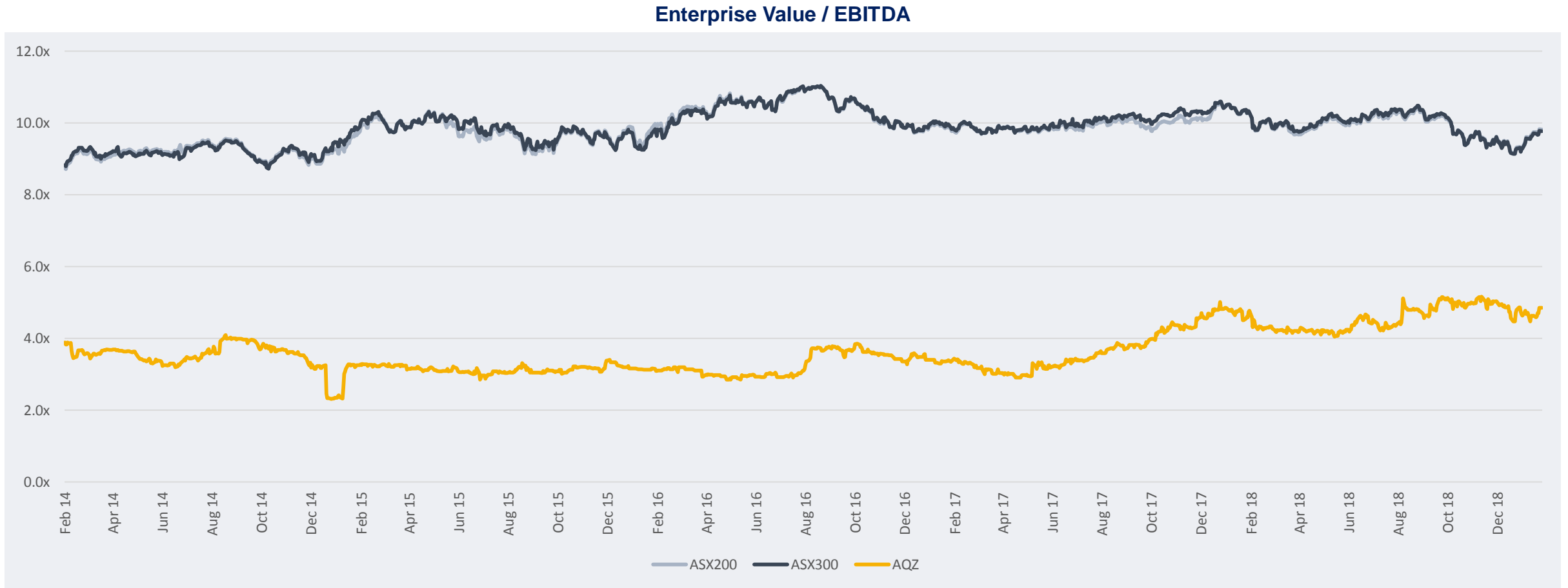
LTM Share Price Performance (indexed to 100)



Source: Bloomberg Professional Service.

Rolling multiples

Alliance has historically traded at EBITDA multiples well below the ASX 200 and ASX 300 market indicators.



Source: Bloomberg Professional Service.

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