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Alliance Aviation Services Limited (ASX code: AQZ)
2022 Annual General Meeting
Managing Director's Address

Thank you, Chairman, and good morning to those present here in Brisbane and those joining us online. It is my pleasure to be addressing the important outcomes from 2022 and share some of our strategies and outlook for the future.

This year also represents our 20th year of operations, having commenced in April 2002 as a private company and listed on the ASX on 20 December 2011.

Outcomes of the 2022 Financial Year

The 2022 financial year was one of significant investment in fleet, personnel, and infrastructure.

Overall, capital expenditure totalled \$120.8m, representing a significant investment in future operations for FY23 and beyond.

These included:

Fleet

- Finalised the purchase of three additional Embraer E190 aircraft taking the fleet to 33 fully owned aircraft.
- Completed entry into service maintenance, refurbishment and repaint on 14 E190 aircraft.
- Leased two E190 aircraft to Airnorth.
- Contracted the sale of all five Fokker 50 aircraft, associated spare parts, tooling and ground support equipment.
- Received CASA approval for extended range operations for the E190 aircraft.
- Both Fokker and Embraer fleets operating at in excess of 99% dispatch reliability.
- Fully owned fleet at end of year:
 - 24 Fokker 100
 - 13 Fokker 70; and
 - 33 E190 (included 3 leased externally).

- Renewed commitment to the utilisation of the Fokker jet fleet for at least the next seven to 10 years.

Infrastructure

- Commenced construction of the three-bay 10,000 square metre base maintenance facility in Rockhampton with practical completion due in December this year. This project would not have been possible without the support of all three levels of government being the Commonwealth Government, the Queensland Government, and the Rockhampton Regional Council.
- Commenced consolidation of maintenance operations in Adelaide into a single hangar in preparation for Adelaide to be solely an E190 base in Q4 of the current financial year.
- Commenced amalgamation of operations of Unity Aviation Maintenance (UAM) and Alliance base maintenance operations in Brisbane which will be finalised this month.

Operational Personnel

- Total staff increased from 717 to 916.
- Total Pilots increased from 215 to 295 as at today.
- Total Cabin Crew increased from 201 to 358 as at today.
- Total Engineers increased from 111 to 162 as at today.
- Commenced employment of personnel for Rockhampton Maintenance facility.
- COVID-19 disruptions still impacting operational delivery but progressively diminishing in impact.
- Total E190 Pilots trained during the year were 47.
- Alliance continues to utilise Fokker 100 flight simulators in Brisbane and Perth and a company owned E190 flight simulator in Brisbane.
- An additional E190 flight simulator is expected to be in service in Brisbane in early 2023. Until the additional flight simulator is in service, the company will continue additional E190 training in Europe.

Operational and Financial Overview

During the year, flight hours grew by 25% to 47,519 and revenue increase by 19% to \$367.5m. In the same period, underlying Profit before tax was \$45.3m down from \$51.0m in FY21.

The company incurred a statutory loss of \$7.1m before tax which included the loss on disposal of the Fokker 50 fleet and related spares and equipment.

Net cash inflows from operations increased by 32% to \$52.4m and debt to fund the capital expenditure programme was increased by \$33.8m to \$190m.

Overall, the company's on time performance (OTP) improved from 93% to 95%.

During the year, two of Alliance's long term contracted customers renewed their contracts.

We thank our total customer base for the confidence they show in our ability to deliver services of a consistently high standard.

Our ability to retain these clients again highlights how Alliance's focus on three KPI's of safety, on time performance and financial sustainability remain a key feature in retaining our position as Australia's contracted aviation provider of choice.

The increase in scale and breadth of operations and the improvement in our OTP during the year under review could not have been achieved without the ongoing contributions of all of our staff.

During the year the company continued to reduce Regular Public Transport operations from 4,479 hrs to 1,946 hrs with a target to reduce these to zero over time.

I would like to welcome all the new staff to Alliance and thank those existing and retiring staff for their contribution to the company's success over the past 20 years.

Inventory

As I commented last year, inventory is a particularly important asset that allows us to provide reliable services. Having the right spare parts in the right place at the right time is crucial and requires significant capital investment.

At the date of this report the company holds \$87m in spares for the Fokker and Embraer fleets. Alliance does supply Fokker spares to other operators in Australasia and those revenues are reflected in our Aviation Services income stream.

Strategy

The company's strategy remains simple and that is to continue to provide safe, on time and financially sustainable aviation services to a quality customer base across all of Australasia.

These services are to be focussed on FIFO, wet lease and charter customers operating the company's fully owned fleet at increasing utilisation for the benefit of all stakeholders.

Internally, the company has commenced a transformation programme to improve responsiveness, and procedural simplicity. This will enhance the management team's focus on our simple KPI's and the continued delivery of safe, reliable, and flexible air charter services.

Events subsequent to Year End

- First Fokker F50 delivered to new owner with second being delivered this week.
- Contract extension for Newcrest.
- FIFO on time performance increased from 96% to 98%.
- Leased a 3rd E190 to Airnorth.

Outlook

As our investment in the fleet starts to conclude our focus is now on training additional operational staff at a safe rate. The company continues to invest heavily in internal and external training.

With the need to utilise some overseas pilot training we estimate that our previous E190 wet lease roll out is running up to ten weeks' late. On this basis we now do not anticipate having all E190's fully crewed and in service until early in the 4th Quarter of this financial year.

The E190 entry into service program is running on time and all E190's will be in service by February 2023.

Contract charter growth opportunities continue to be pursued in conjunction with increasing schedules for a number of current clients.

At that time, we will have all 70-jet aircraft in revenue service for the first time with significant profit and cash flow uplifts.

Closing remarks

Once again, I would like to thank all our stakeholders, whether they be suppliers old or new, professional advisers, customers old or new and of course all our staff, existing or new.

Aviation is a complex industry that can only work if all stakeholders work together and focus on the basics to achieve a common outcome. We would not have been able to achieve what we did in the 2022 financial year without all of you.

Finally, and on behalf of the Directors and our shareholders, I would like to thank the professional advisers who assisted us during the year and continue to do so. They are PwC, Norton White, King & Wood Mallesons, Herbert Smith Freehills, and Catapult Partners and to our financiers the ANZ Bank, Pricoa and NAIF.

I would also like to thank those organisations who carry out and publish research on Alliance being, Ord Minnett, Blue Ocean Equities, Credit Suisse, Morgans and Wilsons.

Scott McMillan
Managing Director