

Alliance Aviation Services Limited Results Presentation 1H FY2022

9 February 2022





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Key Messages

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

- Robust and increasing FIFO earnings;
- Strong underlying operating cash flows;
- Record flight hours with increases in contract and wet lease hours;
- COVID-19 has impacted E190 deployment resulting in a delay in revenue generation. Significant wet lease flying operations to commence in April 2022³; and
- Continued expenditure to prepare Alliance for a major increase in revenue and operations.



Underlying profit before tax of \$20.7.m¹



Maintain cash generation which has funded growth



Revenue from operations of \$171.2m, up 11%



8 x E190 aircraft added to the fleet – Fleet total, 56²



Contracted wet lease hours increased but tempered by COVID19



Flight hours up 9% to 20,843. Growth to continue

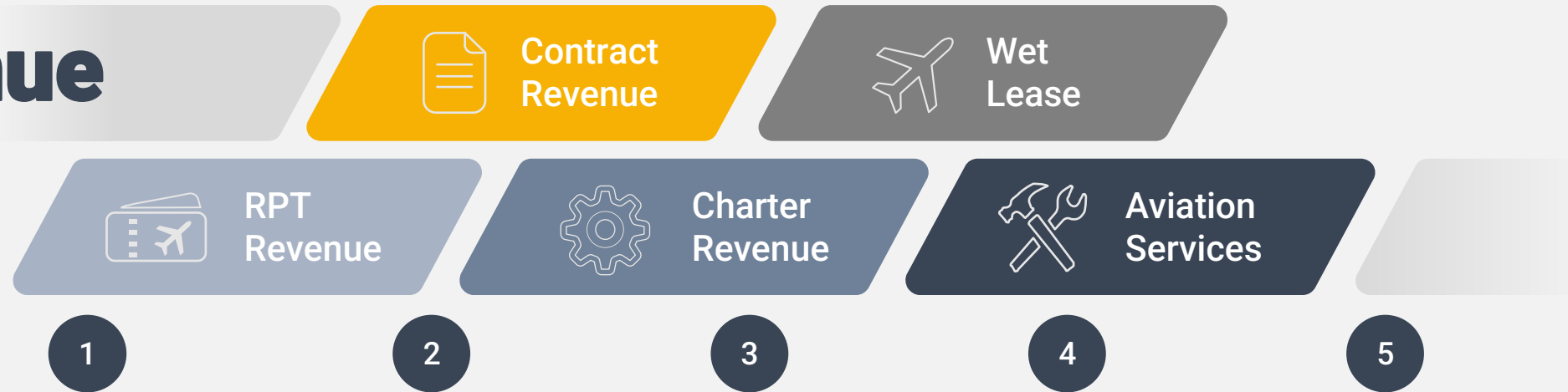
1. Underlying PBT and underlying cash flow are a non-statutory measures and used for the purpose of assessing the performance of Alliance during the year against comparable measures in the previous year.
2. This number includes two E190 aircraft currently on dry lease.
3. Subject to the impacts of COVID-19 on domestic capacity demands.

Continued E190 Deployment Activity

The first half of the 2022 Financial Year has continued to be the preparatory phase for future substantial growth. The deployment of the E190 is a material step change for the Group.

Activity	Status
Contracted wet lease activity	Qantas has wet lease options for 18 E190 aircraft (10 of which have been exercised). COVID-19 has impacted negatively on the planned utilisation and deployment of these aircraft and the forecast significant revenue generation has extended by six months from original expectations. It is forecast that all 10 aircraft will be deployed by April 2022 ¹ , with the additional eight aircraft options to be exercised between April and October.
E190 recruitment	Staff already employed to deliver our E190 fleet: 78 E190 pilots 77 E190 cabin crew 36 E190 licensed engineering staff
Reinforcement of the Alliance values	Continued to develop and communicate our strong culture and corporate objectives of safety, operational excellence and financial sustainability across a staff of 804.
Rockhampton Hangar	Construction has commenced in Rockhampton to deliver a state-of-the-art maintenance facility. This facility will be critical for the continual operational excellence of Alliance.

Five Revenue Streams



Contract revenue continues to experience growth and underpins the business. Wet lease activity increased however growth was delayed as a result of COVID-19. This is expected to rebound strongly from April 2022.

- 1 Contract Revenue**
Long-term contract flying
- Growth in revenue (21%) and hours (6%) compared to prior comparative period (pcp).
 - Sustained activity in the resources sector plus full half-year effect of new clients acquired.
 - No material contract renewals were due within the half-year.

- 2 Wet Lease**
Operating Alliance aircraft for other carriers
- Wet lease revenue increased during the half-year.
 - The forecast growth in wet lease did not materialise as a direct result of the impact of COVID-19 on the travel and tourism sectors.
 - Alliance can immediately deploy up to 10 aircraft at increased utilisation.

- 3 RPT Revenue**
Regular public transport services to regional ports
- RPT revenue decreased by 33% on the prior year as a result of a strategic decision of the Group to further reduce its RPT footprint and focus on being a wholesaler of capacity.
 - Alliance’s RPT footprint will be limited to underwritten services.

- 4 Charter Revenue**
Short-term income from ad-hoc requests
- Charter revenue reduced by 64% when compared to pcp reflecting the ad-hoc nature of the revenue.
 - Material charter client conversion to contract revenue in late FY2021.

- 5 Aviation Services**
Allied aviation services
- A number of inventory sales transaction occurred in the first half.
 - Aerodrome management continues to contribute positively.

Operational Metrics

Alliance consistently delivers strong operational performance and has now built a platform to substantially increase operations and profitability.

Detail	30 December 2021	31 December 2020
Aircraft in service – Fokker ¹	43	43
Aircraft in service – Embraer ²	13	-
Flight Hours – contracted	13,892	13,106
Flight Hours – wet lease	4,517	149
Flight Hours – RPT	1,249	2,567
Flight Hours – charter	871	3,065
Flight Hours – other (incl. maintenance)	314	180
Total Flight Hours	20,843	19,067
Closing Staff Numbers	804	590
Contract revenue as a % of Total Revenue	75%	68%

¹ Includes all operational aircraft whether flying or in base maintenance.

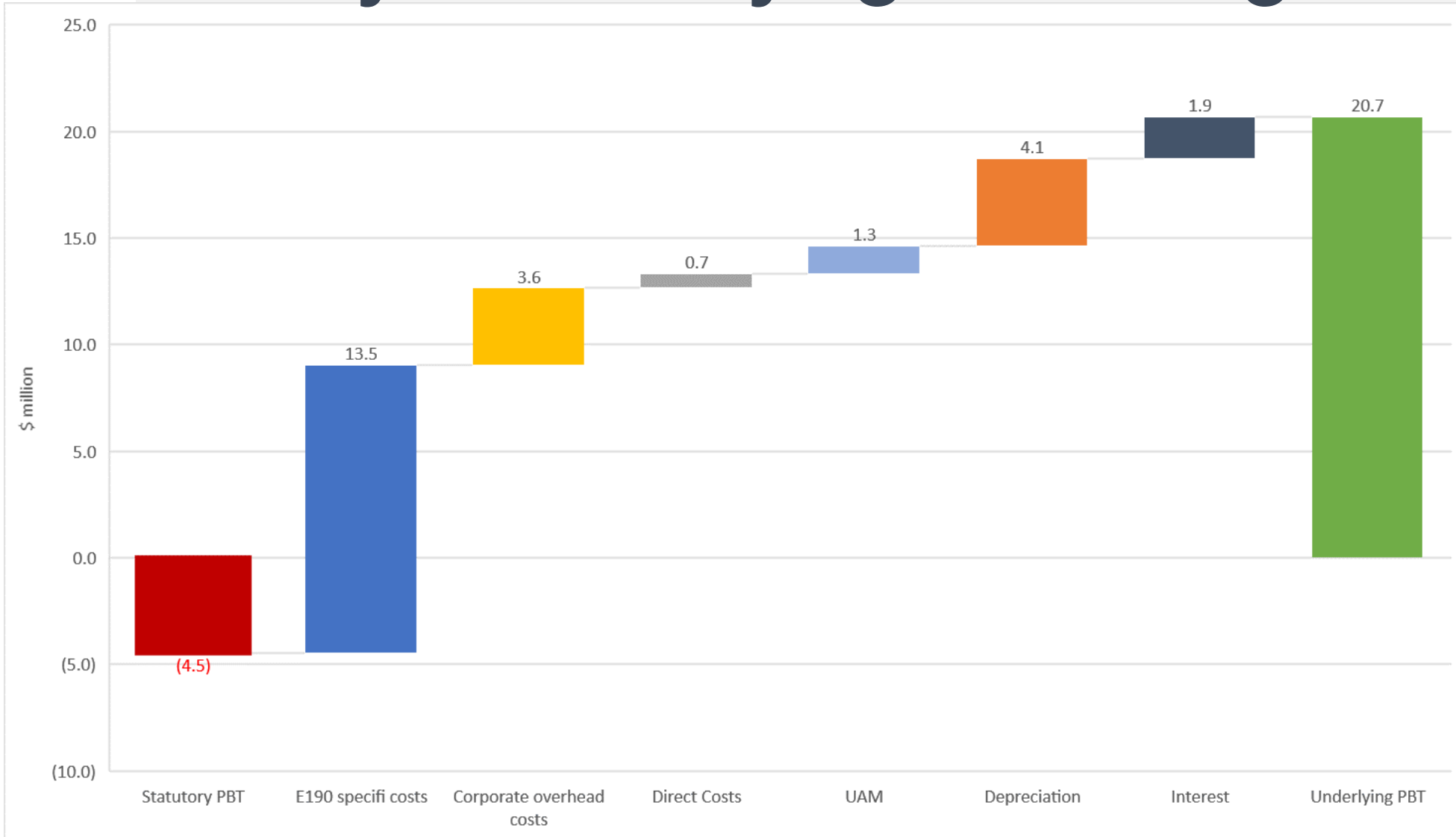
² Includes all operational aircraft whether flying or in base maintenance. Includes two E190's on dry lease to a third party.

Financial Summary

For the half year ended
31 December 2021



Statutory to Underlying PBT Bridge



Income Statement

Observations:

- Record contract revenues from existing clients and the full half-year impact of recently acquired clients;
- Wet lease revenue benefited from increased activity however was lower than forecast and delayed due to COVID-19;
- Customer conversion from charter to contract revenue is responsible for most of the charter revenue reduction. Ad-hoc charter also reduced as travel restrictions eased and schedules services resumed;
- The RPT footprint continues to reduce as Alliance focuses on the core business of being a wholesaler of capacity. An important strategic move as fuel prices increase;
- Operating expenses have increased as a result of the E190 introduction program. Freight costs have also increased significantly throughout the half; and
- Depreciation has increased in line increased fleet numbers.

(\$ in millions)	1HFY2022 Actual	1HFY2021 Actual	% PCP Change
Revenue			
Contract revenue	127.9	105.8	21%
Wet lease revenue	14.9	0.6	2,383%
Charter revenue	10.6	29.3	(64%)
RPT revenue	11.0	16.5	(33%)
Aviation services	5.8	2.0	191%
Other (Incl. FX)	(0.1)	(0.9)	89%
Total revenue	170.1	153.3	11%
Operating expenses	(148.7)	(100.4)	(48%)
EBITDA	21.4	52.9	(60%)
Depreciation and amortisation	(22.5)	(18.3)	(23%)
EBIT	(1.1)	34.6	(103%)
Finance costs	(3.4)	(1.0)	(240%)
PBT	(4.5)	33.6	(113%)
Income tax expense	1.1	(10.2)	111%
NPAT	(3.4)	23.4	(114%)
Basic EPS (cents)	(2.10)	14.6	(114%)

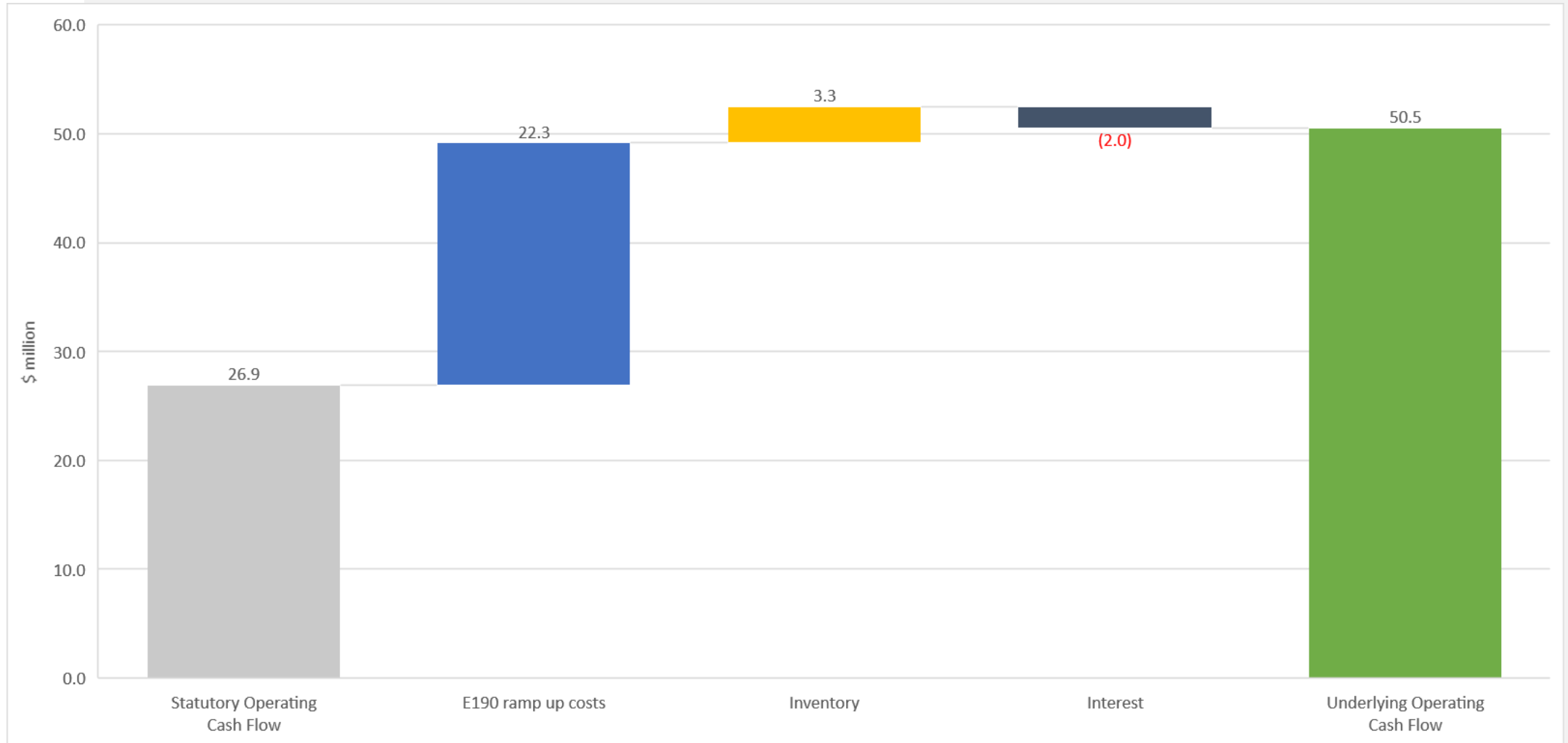
Statement of Financial Position

Observations:

- All 32 E190 aircraft have now been paid for with 13 in service at balance date;
- Borrowings are classified as current due to a temporary breach of the December 2021 bank leverage covenant. The use of the statutory EBITDA result and the inclusion of the operating lease commitments resulted in the breach of the leverage ratio. The financiers have provided unconditional waivers whilst the covenant metrics are being reset. There is no refinance risk; and
- Net debt \$154.7 million as at 31 December 2021.

(\$ in millions)	31 December 2021 Actual	30 June 2021 Actual	% PCP Change
Cash	13.0	36.2	(64%)
Receivables	51.1	50.9	(0%)
Inventory	86.4	86.5	(0%)
Total current assets	150.5	173.6	(13%)
PP&E & Intangibles	455.5	407.1	12%
Right of use assets	27.0	28.0	(4%)
Total non-current assets	482.5	435.1	11%
Total assets	633.0	608.7	4%
Trade & other payables	61.5	44.2	(39%)
Borrowings	167.7	4.8	(3,394%)
Current tax liabilities	2.1	3.5	40%
Lease liabilities	2.1	2.2	5%
Provisions / other	13.4	11.8	(14%)
Total current liabilities	246.8	66.5	(271%)
Borrowings	0.0	151.5	100%
Deferred tax liability	41.0	42.2	3%
Lease liabilities	26.4	27.0	2%
Provisions / other	1.4	1.3	(9%)
Total non-current liabilities	68.8	222.0	69%
Total liabilities	315.6	288.5	(9%)
Net assets	317.40	320.2	(1%)

Statutory to Underlying Operating Cashflow



Cash Flow Statement

Observations:

- Operating cash flow from contract, charter and aviation services continues to remain strong;
- Operating cash flow includes \$3.3 million of inventory settlements, and \$25.2 million of setup costs incurred as part of the E190 fleet expansion project;
- Payments for PP&E consisted of \$45.5 million in Embraer fleet capex and \$12.3 million in Fokker maintenance and engine program costs;
- Debt drawdowns utilised to fund the purchase of the final six E190 aircraft.

(\$ in millions)	1HFY2022	1HFY2021
Receipts from customers (inclusive of GST)	205.6	170.9
Payments to suppliers (inclusive of GST)	(175.7)	(122.8)
Net interest (paid)/received	(3.0)	(0.6)
Income tax paid	-	-
Net cash inflow from operating activities	26.9	47.5
Net payments for aircraft, property, plant & equipment	(60.3)	(101.4)
Free cash flow	(33.4)	(53.9)
Proceeds from share issue	-	3.4
Proceeds from borrowings	13.5	15.0
Repayment of borrowings	(2.1)	(17.4)
Principal elements of lease payments	(1.2)	(0.9)
Dividends paid	-	-
Net cash outflow from financing activities	10.2	0.1
Net increase in cash and cash equivalents	(23.2)	(53.7)
Effects of currency translation on cash and cash equivalents	-	-
Cash & cash equivalents at the beginning of period	36.2	98.8
Cash & cash equivalents at the end of period	13.0	45.1

Capital Expenditure

Observations:

- One additional Fokker aircraft forecast in maintenance in FY2022;
- Rolls-Royce program consistent with prior years. Nil E190 engine maintenance forecast in FY2022;
- Payments were made in the half-year for the final six contracted E190 aircraft. E190 entry into services maintenance checks, ferry flights, livery and other associated costs to enter 8 aircraft into the fleet were also incurred in the first-half;²
- Entry into service maintenance will be performed on 11 aircraft in the second half of FY2022 with the balance of 6 in FY2023; and
- The Rockhampton Hangar Project has commenced with earthworks commencing in December 2021. This is a fully funded project with total funded build cost to Alliance of \$30 million.

(\$ in millions)	1HFY2022 Actual	2HFY2022 Forecast	FY2022 Forecast
Existing fleet maintenance			
Cash outflows			
Base maintenance providers	4.6	4.6	9.2
Engine care program/Engine Maintenance	7.8	6.6	14.4
Other miscellaneous	1.0	0.3	1.3
Operating costs capitalised	1.3	1.5	2.8
Total cash outflows	14.1	13.0	27.7
Non-cash			
Parts from inventory used in base maintenance	3.9	4.0	7.9
Total existing fleet maintenance	18.6	17.0	35.6
Growth capital expenditure			
Cash outflows			
Embraer program	45.5	12.7	58.2
Rockhampton Hangar Project	1.4	10.5	11.9
Operating costs capitalised	1.5	3.3	4.8
Total cash outflows	48.4	26.5	74.9
Non-cash			
Parts from inventory used in base maintenance	2.6	1.5	4.1
Total growth capital expenditure	51.0	29.5	80.5
Total capital expenditure ¹	69.6	46.5	116.1

¹ Equates to movement in PP&E plus depreciation (adjusted for Right of Use Depreciation)

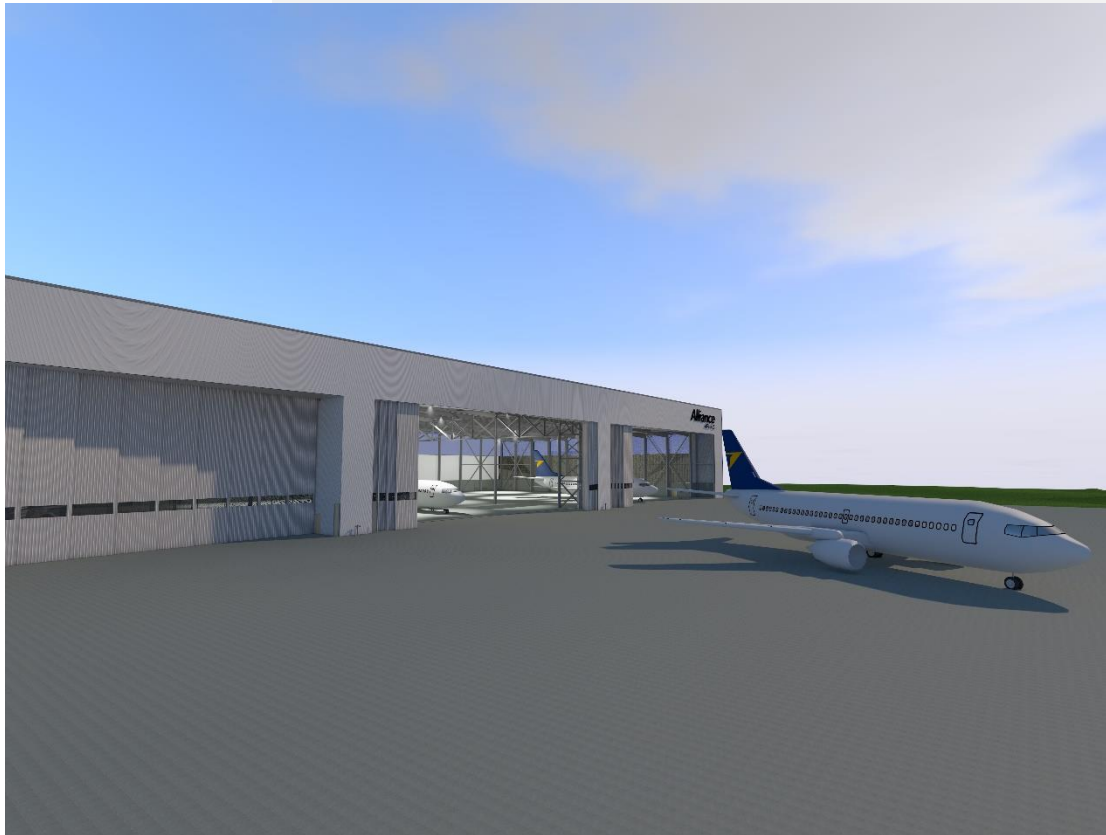
² The nine aircraft include two on dry lease

Growth Strategy

2HFY2022 and beyond



Rockhampton Maintenance Hangar



The Savings

- \$5-\$7 million annual reduction in base maintenance costs.
- Inclusive of 1.5 million litres of fuel burn per annum.

The Hangar

- \$60 million project to be built at Rockhampton Airport.
- 3 bay hangar to accommodate Code C aircraft (up to A321XLR).
- The creation of 100 jobs during construction and ongoing employment for over 100 employees once fully operational.
- Full export replacement of base maintenance activities.
- Working with local schools, TAFE and universities to assist in development of traineeship pathway.
- Site works commenced in December 2021.
- Commencement of operations from early 2023.

The Funding

- Supported by all three levels of government.
- QLD Treasury's Jobs and Regional Growth Fund - \$9 million.
- Federal Government Department of Infrastructure, Transport and Regional Development via the Rockhampton Regional Council - \$25 million.
- Northern Australia Infrastructure Facility Loan – Up to \$30 million.

Deploying the E190's

32 E190 aircraft have been acquired



	December 2021	March 2022	June 2022	September 2022	December 2022
Number of Aircraft in Australia	15	22	26	30	32
Number of Aircraft in Service	11	17	26	30	32
Annualised Hours Generated	~33,000	~51,000	~78,000	~90,000	~96,000

Growth Strategy

FY21: Acquisition & Plan COMPLETE

- Contracts executed to acquire of 32 E190 aircraft
- Acquisition of Unity Aviation Maintenance to facilitate maintenance of new aircraft type
- Enter into Wet Lease Agreement with Qantas for up to 18 E190
- Amend Air Operations Certificate for E190
- Transportation, assembly and certification of E190 full flight simulator to Brisbane
- Commence recruitment and training of E190 specific pilot and cabin crew
- Training of Licenced Aircraft Maintenance Engineers (LAMEs) on the E190.

1HY22: Set the Foundation COMPLETE

- Entry to Service Checks on 18 out of the 32 E190's
- Recruitment and training of E190 specific staff
 - 78 pilots ready to be deployed
 - 77 cabin crew ready to be deployed
 - 36 engineers trained
- Rockhampton Aircraft Maintenance Facility approved and construction commenced
- Qantas has exercised 10 of 18 wet lease options, 8 aircraft deployed as at balance date.

Future: Significant Growth Opportunity

- 32 E190 aircraft with ~ 105,000 annualised flight hour potential
- Poised to take advantage of growth in domestic travel demand through Qantas Wet Lease Agreement, charter revenue and sustained activity in the resource sector.
- Construction of Rockhampton aircraft maintenance facility expected to be completed in November 2022. Estimated \$5-7m annual reduction in base maintenance expenditure and 1.5m litres fuel saving per annum.
- Significant tenders underway in resources sector.

Outlook

Observations:

- The Company is providing guidance of between \$45 and \$50 million in underlying PBT for the full year, subject to unforeseen impacts including COVID-19.
- Contract revenue continues to increase period on period and remains the backbone of the current business; and
- The Embraer fleet expansion project continues and is currently poised to reap significant rewards from April 2022.

Alliance retains a positive outlook for the 2022 financial year in line with exponential growth from the 2023 financial year as the additional aircraft are deployed.

- Contract revenue will continue to grow organically, with three renewals in 2HFY2022. A number of tenders for new work are also being aggressively pursued.
- Charter activity will become more stable in future periods and will again be a product of idle capacity.
- Contracted wet lease revenues are forecast to significantly increase in April 2022. Alliance can support up to 10 E190's and spare Fokker capacity being deployed to satisfy wet lease requirements.
- Alliance has two aircraft on dry lease with further opportunities to dry lease additional aircraft.
- RPT revenues are forecast to be stable throughout the year, subject to any COVID-19 related border closures or travel restrictions.
- Alliance continues to invest in both fleet and crew to fulfil the deployment of 32 E190 aircraft by the end of CY2022. As a result of this deployment the company's annualised operating capacity will increase to 135,000 hours from 37,913 hours operated in FY2021.
- The Directors have formed the view that the best use of the Company's capital for the near term continues to be utilised on the completion of the substantial expansion program which will occur by December 2022. As a result, the Board has decided not to declare an interim dividend for the half-year ending 31 December 2021. Capital management continues to be a focus of the Board and dividends will be further assessed at 30 June 2022.

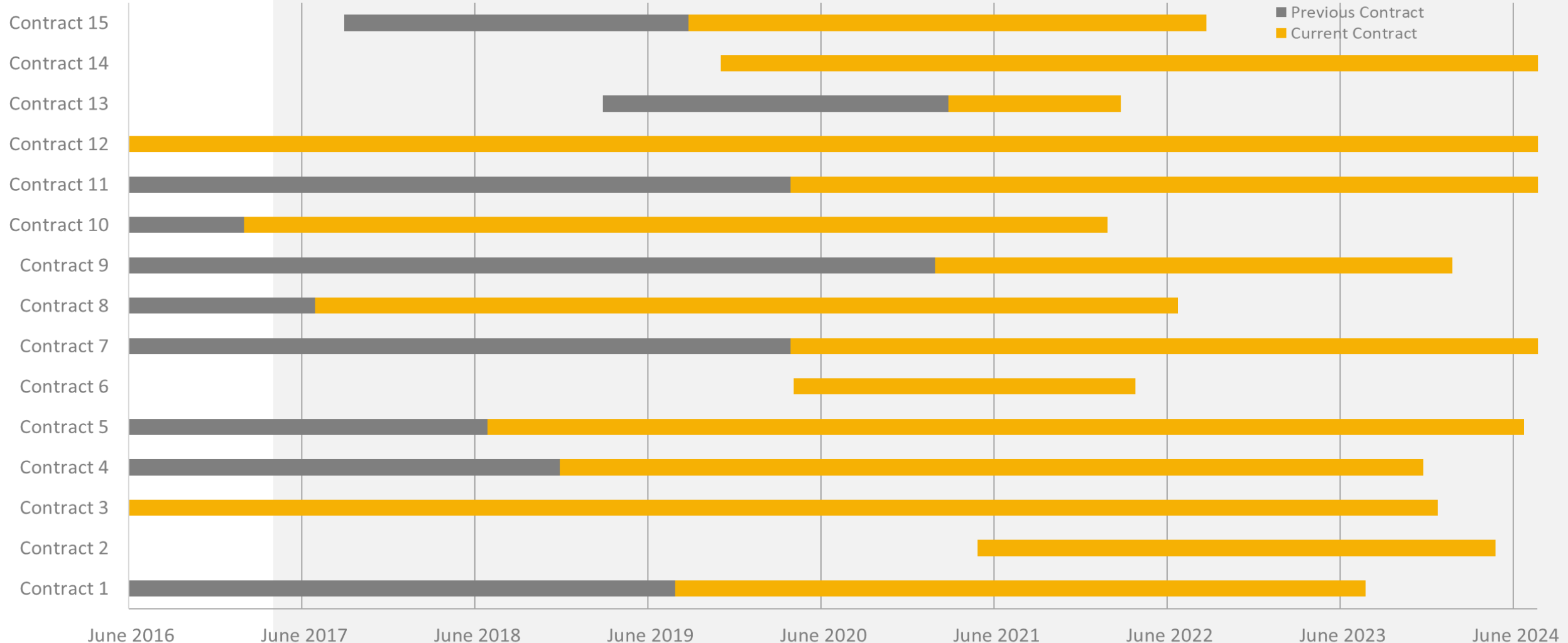
Other Information

*For the half-year ended
31 December 2021*



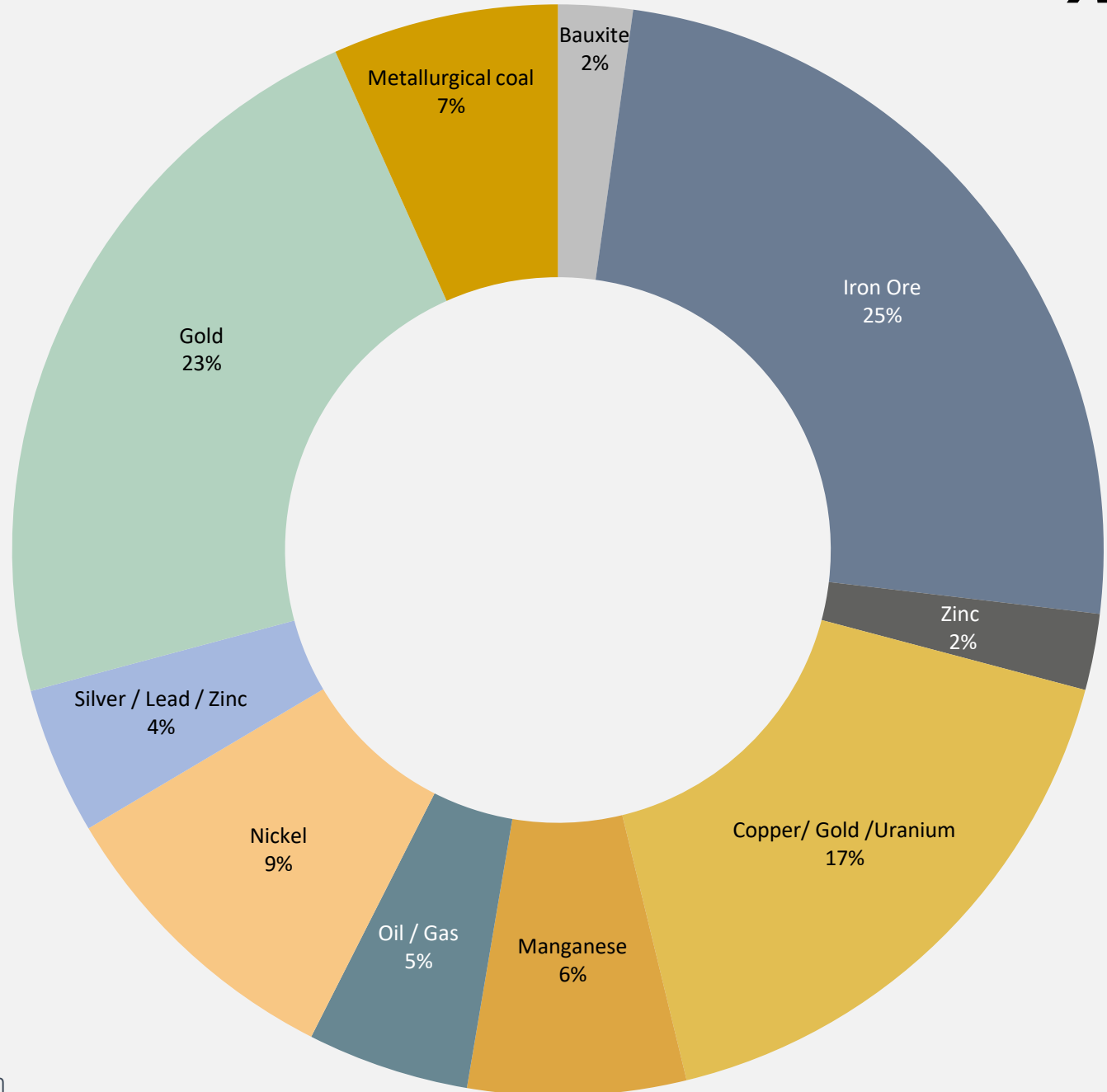
Growing Contract Client Base¹

No contracts were due for renewal in 1HFY22. 3 due in 2HFY22.



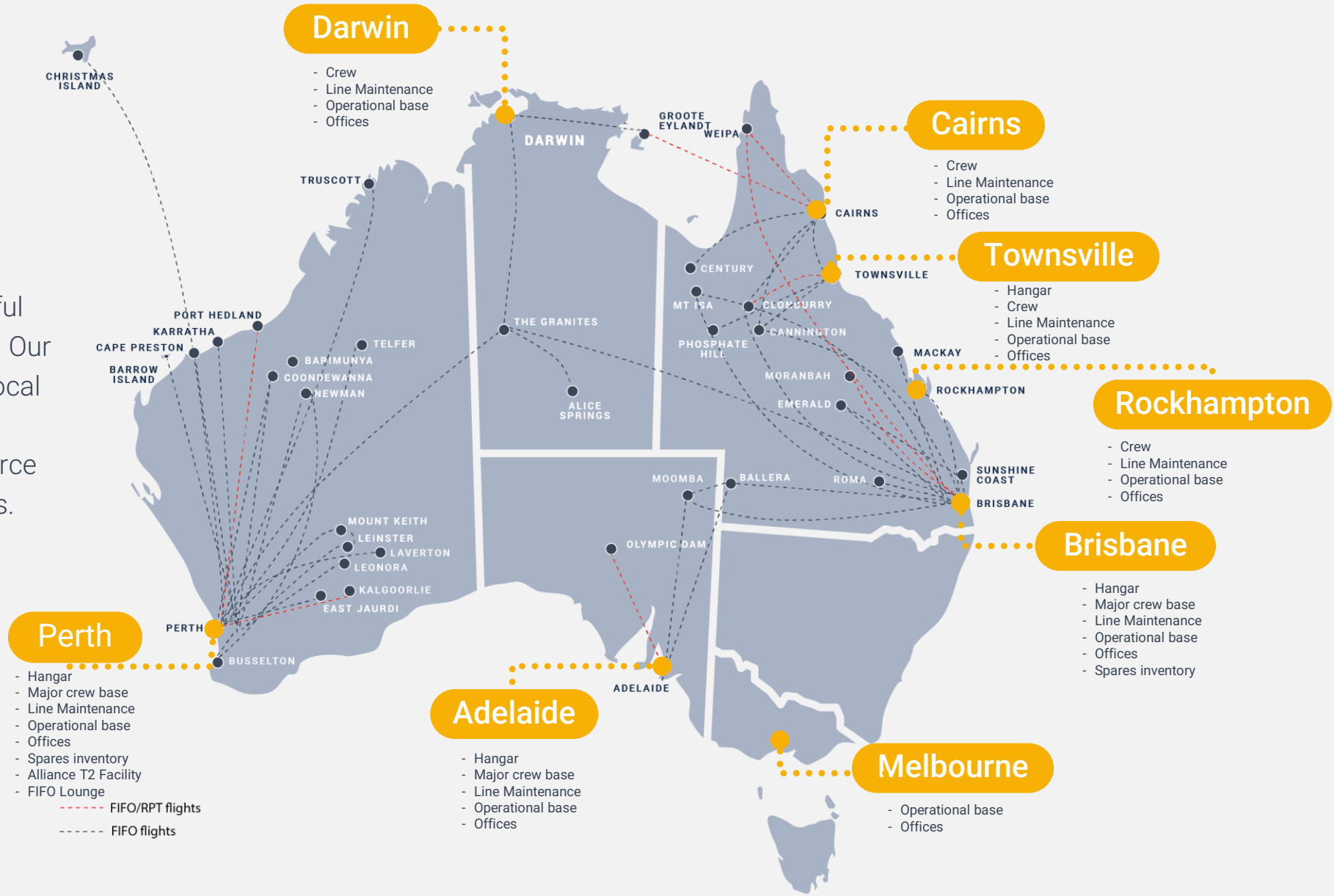
Commodity Exposure

Major commodity exposure as a percentage of 1HFY2022 revenue by the top 15 contracted clients.



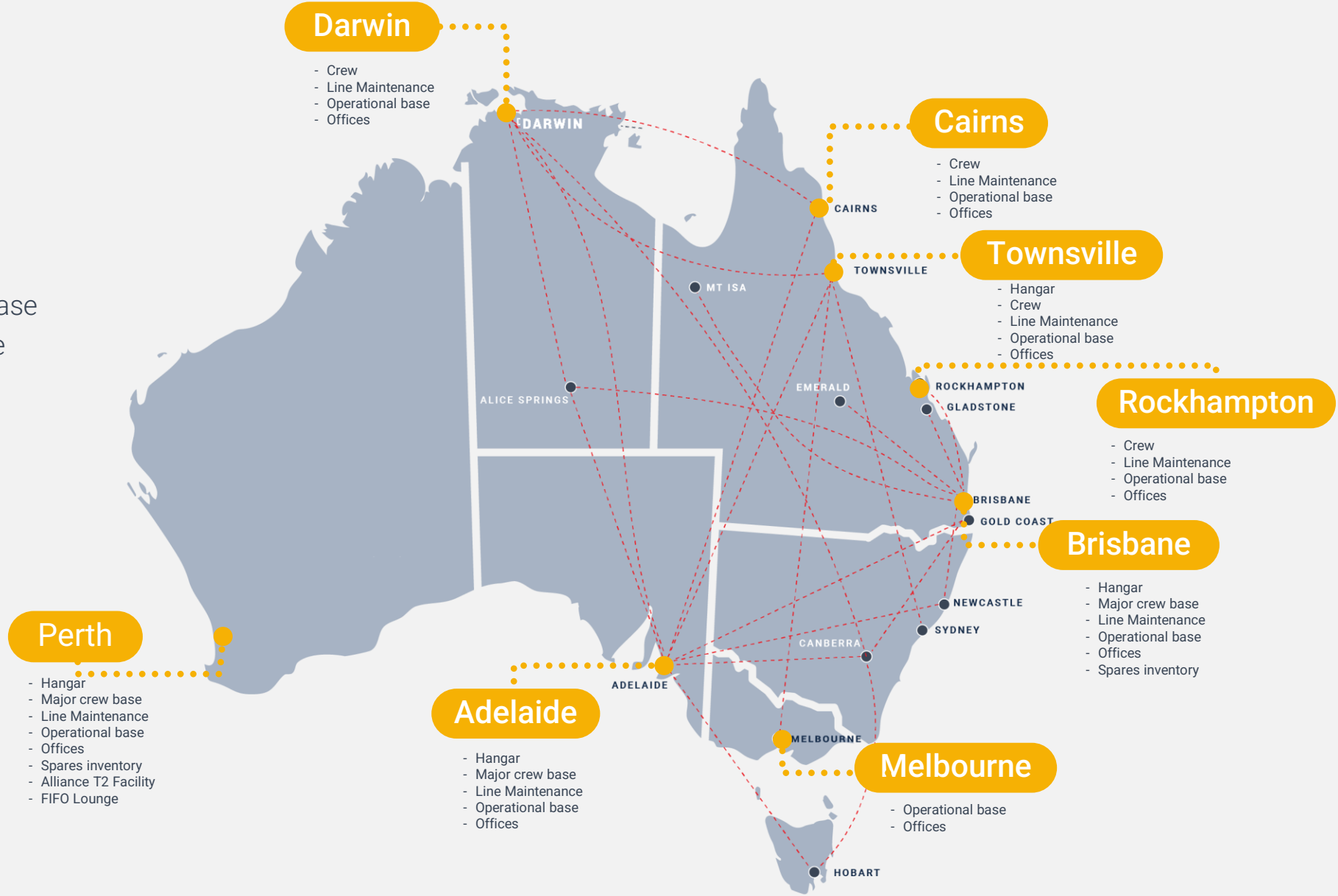
Footprint Contract

Alliance is the most successful charter operator in Australia. Our Australia wide network and local presence makes Alliance the number one choice for resource and energy sector companies.



Footprint Wetlease

Alliance is the premier wet lease operator for Australia and the Pacific.



Operational Performance



97% OT
P

Alliance Airlines delivered a 97% on time performance figure for the last 6 months. This is an improvement of 4% on the 30 June 2021 result.

Fokker Fleet 1HFY 2022



F100 – 100 Seat Jet Aircraft
No. in fleet – 24



F70 – 80 Seat Jet Aircraft
No. in fleet - 14¹



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

1. Including one leased aircraft

E190 Fleet 1HFY 2022



E190 – 94-114 Seat Jet Aircraft
Number in operating fleet – 13
Settled & yet to enter service - 19

Safety Certifications



IOSA
certification renewal in
FY2022



BARS Gold standard
maintained



AOC issued by CASA

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Disclaimer (cont.)

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