Alliance Aviation Services Limited
Results Presentation

5 February 2020

Contents

Key Messages

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

- Strong revenue growth;
- The largest first half profit result in the Company's history;
- The highest number of flight hours operated in a first half year;
- The introduction of two additional aircraft; and
- A record interim dividend declared.

$15.5m profit before tax, up 10%

Revenue from operations of $151.3m, up 9.8%

Interim dividend of 7.3 cents per share

2 aircraft added to the fleet – Fleet total, 40

(42 by mid Feb 2020)

Flying hours of 19,710 for the half year

Five Revenue Streams

Contract and charter revenue experience substantial growth in the first half.

Contract Revenue | Wet Lease | RPT Revenue | Charter Revenue | Aviation Services

1 Contract Revenue

Long-term contract flying

- Growth through increased schedules from existing client base.
- Yield increases.
- Commodity prices are high and production levels have increased which has been reflected in the activity seen in the half year.
- Tourism charters have been operating as per expectations in the first half of the year.

2 Wet Lease

Operating Alliance aircraft for other carriers

- Contract wet lease revenue has increased on prior comparative period (pcp).
- Ad-hoc wet lease hours have reduced when compared to pcp. This is due to Alliance having operated for a number of carriers in the first half of FY2019. This was not repeated in 1H FY2020.

3 RPT Revenue

Regular public transport services to regional ports

- RPT services performed in line with expectations.

4 Charter Revenue

Short-term income from ad-hoc requests

- Charter revenue grew by 130% - a mix of new clients and existing clients .
- An increasing number of multi stop tourism charters occurred in the first half of the year.
- Greater capacity being available due to the increasing fleet.
- Revenue mix changes during the first half.

5 Aviation Services

Allied aviation services

- Aviation Services continues to provide strong margin contribution with increased sales of high value/low cost parts and components.
- Aerodrome management and other engineering services also continue to contribute positively.

FINANCIAL SUMMARY

For the half year ended 31 December 2019

Financial Statements

Alliance consistently delivers strong operational and financial metrics.

Detail	31 December 2019	31 December 2018
Aircraft in service*	40	38
Flight Hours – contracted	11,240	9,596
Flight Hours – wet lease	4,547	6,683
Flight Hours – RPT	2,634	2,611
Flight Hours – charter	931	507
Flight Hours – maintenance	358	273
Total Flight Hours	19,710	19,670
Average Staff Numbers	593	529
Revenue per employee ($k)	255	260
Contract % of Total Revenue	63%	59%

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

Income Statement

Observations:

- Contract revenue has increased due to a mixture of yield and activity;
- Contracted wet lease revenue has increased in line with increased activity however ad-hoc wet lease has reduced from the prior comparative period;
- Operating expenses have increased in line with activity;
- Depreciation has increased due to levels of activity and fleet numbers; and
- Income tax expense continues to be recognised in the period but are offset by carried forward tax losses.

($ in millions)	1H FY20 Actual	1H FY19 Actual	% PCP Change
Revenue			
Contract revenue	94.8	80.8	17%
Wet lease revenue	17.5	26.6	(34%)
Charter revenue	10.6	4.6	130%
RPT revenue	21.8	21.3	2%
Aviation services	6.0	3.9	53%
Other (Incl. FX)	0.1	0.3	(67%)
Total revenue	150.8	137.5	10%
Operating expenses	(116.6)	(106.4)	(10%)
EBITDA	34.2	31.2	10%
Depreciation and amortisation	(17.3)	(15.6)	(11%)
EBIT	16.9	15.6	8%
Finance costs	(1.4)	(1.5)	7%
PBT	15.5	14.1	10%
Income tax expense	(4.9)	(4.3)	(14%)
NPAT	10.6	9.8	8%
Basic EPS (cents)	8.45	7.93	7%

Statement of Financial Position

Observations:

- A loan facility of $18 million was accessed to fund aircraft and spares acquisition and the brought forward maintenance program;
- Cash position increased by 26% at the half year end and payables reduced by 5%;.
- Inventory increased by $8.3 million due to purchase of aircraft and spares. Focus continues to be on realising inventory value through aviation services and lower operating costs;
- Leases are now recognised as assets and liabilities in accordance with AASB 16. No material impact on Alliance due to fleet ownership model; and
- Gearing continues to be low. Net debt is likely to continue to be below 1x EBITDA.

($ in millions)	31 December 20 Actual	30 June 19 Actual	% PCP Change
Cash	12.1	9.6	26%
Receivables	41.2	40.0	3%
Inventory	57.3	49.0	17%
Total current assets	**110.6**	**98.6**	**12%**
PP&E & Intangibles	214.5	202.9	6%
Right of use assets	8.3	-	-
Total non-current assets	**222.8**	**202.9**	**10%**
Total assets	**333.5**	**301.5**	**11%**
Trade & other payables	41.3	43.5	5%
Borrowings	21.2	3.7	(473%)
Lease liabilities	1.8	-	-
Provisions / other	9.2	8.6	(8.%)
Total current liabilities	**73.5**	**55.8**	**(32%)**
Borrowings	54.8	56.4	3%
Deferred tax liability	23.9	19.0	(26%)
Lease liabilities	6.7	-	-
Provisions / other	1.6	1.5	(7%)
Total non-current liabilities	**87.0**	**76.9**	**(13%)**
Total liabilities	**160.5**	**132.7**	**(21%)**
Net assets	**173.0**	**168.9**	**2%**

Cash Flow Statement

Observations:

- During the half, the company strategically brought forward maintenance checks and commissioned additional fleet units. This has been funded by debt. The cash flow benefits of these initiatives will be seen in future periods;
- Operating cash outflows include payments to suppliers for parts, engines and aircraft (held as inventory) of $10m, which in not ongoing;
- Debt amortisation steady at $2.1m for the half year; and
- Record final dividend payment for the final 2019 was paid in November 2019.

($ in millions)	31 December 2019 Actual	31 December 2018 Actual
Receipts from customers (inclusive of GST)	159.8	151.0
Payments to suppliers (inclusive of GST)	(144.1)	(127.4)
Net interest paid	(1.1)	(1.3)
Income tax paid	-	-
Net cash inflow from operating activities	14.6	22.3
Net payments for aircraft, property, plant & equipment	(19.8)	(10.8)
Free cash flow	(5.2)	11.5
Principal elements of lease payments	(0.9)	(0.9)
Proceeds from borrowings	18.0	-
Repayment of borrowings	(2.1)	(3.6)
Dividends paid	(7.3)	(5.8)
Net cash outflow from financing activities	7.7	(10.3)
Net increase in cash and cash equivalents	2.5	1.2
Effects of currency translation on cash and cash equivalents	0.0	0.1
Cash & cash equivalents at the beginning of period	9.6	11.8
Cash & cash equivalents at the end of period	12.1	13.1

Capital Expenditure

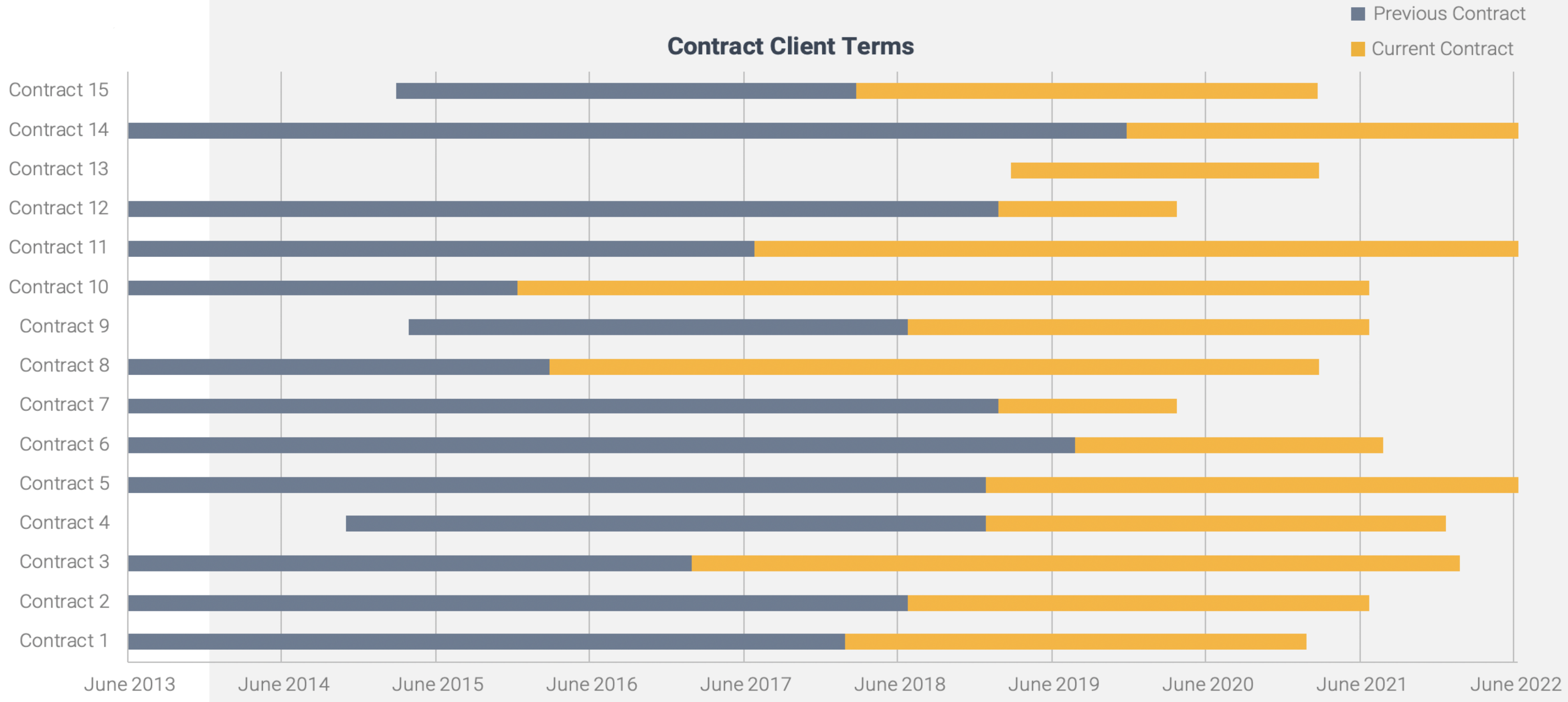
Observations:

- Capital expenditure for the second half will be materially lower than the first half;
- Growth capital expenditure includes the cost of entry into service checks of four aircraft; two are in service and two are due to enter service in February 2020; and
- Base maintenance checks accelerated for existing fleet to ensure the fleet is available for future growth.

($ in millions)	1H FY2020 Actual	2H FY2020 Forecast	FY2020 Forecast
Existing fleet maintenance			
Cash outflows			
Base maintenance providers	5.9	3.0	8.9
Engine care program	8.9	6.9	15.8
Other miscellaneous	0.5	0.5	1.0
Operating costs capitalised	1.5	1.0	2.5
Total cash outflows	16.8	11.4	28.2
Non-cash			
Parts from inventory used in base maintenance	4.6	1.5	6.1
Total existing fleet maintenance	21.4	12.9	34.3
Growth capital expenditure			
Cash outflows			
Entry into service maintenance providers	4.5	0.5	5.0
Operating costs capitalised	1.6	0.1	1.7
Total cash outflows	6.1	0.6	6.7
Non-cash			
Parts from inventory used in base maintenance	0.5	0.8	1.3
Total growth capital expenditure	6.6	1.4	8.0
Total capital expenditure [1]	28.0	14.3	42.3

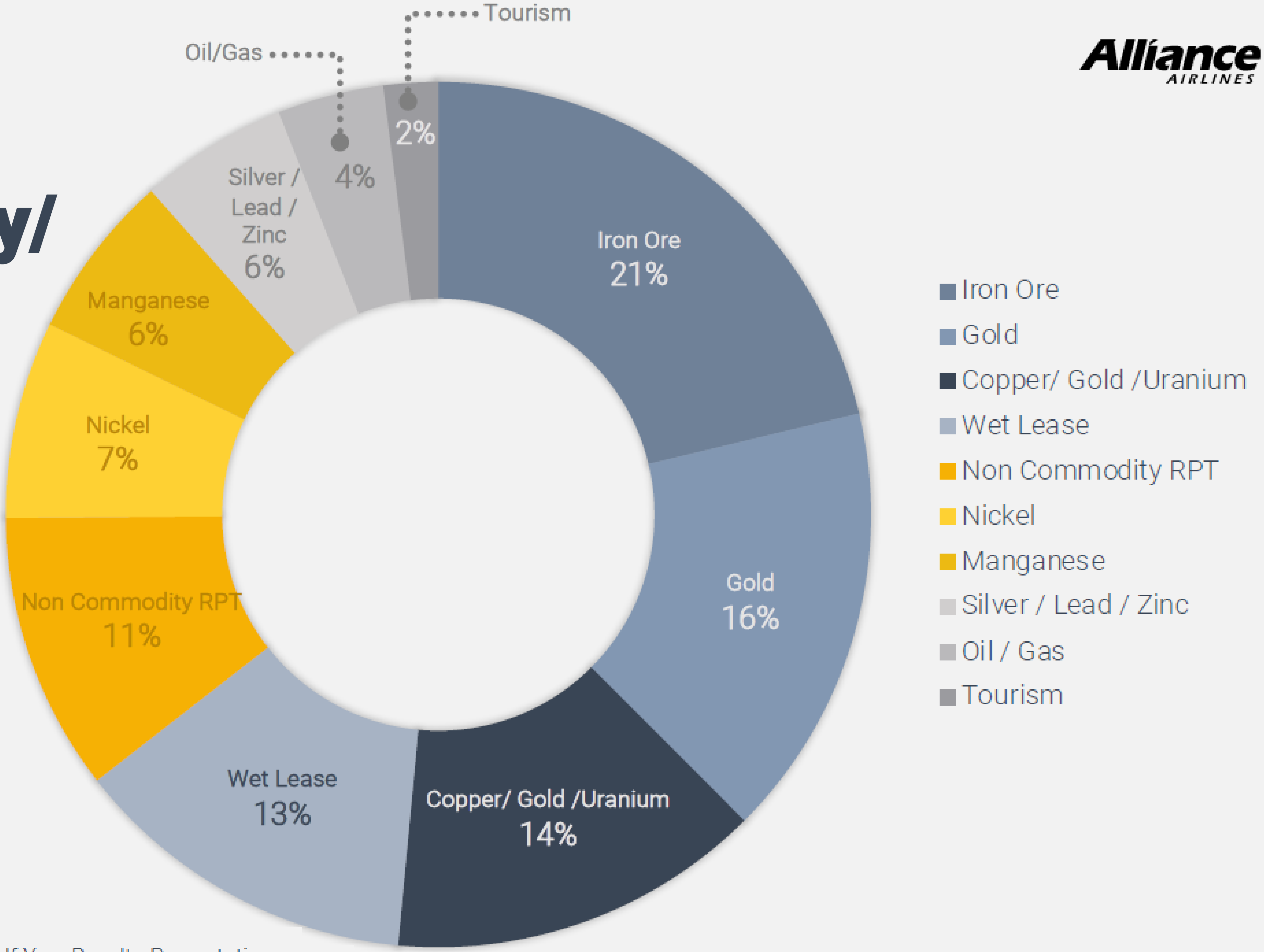
1 – Equates to movement in PP&E plus depreciation (adjusted for Right of Use Depreciation)

Stable Contract Client Base

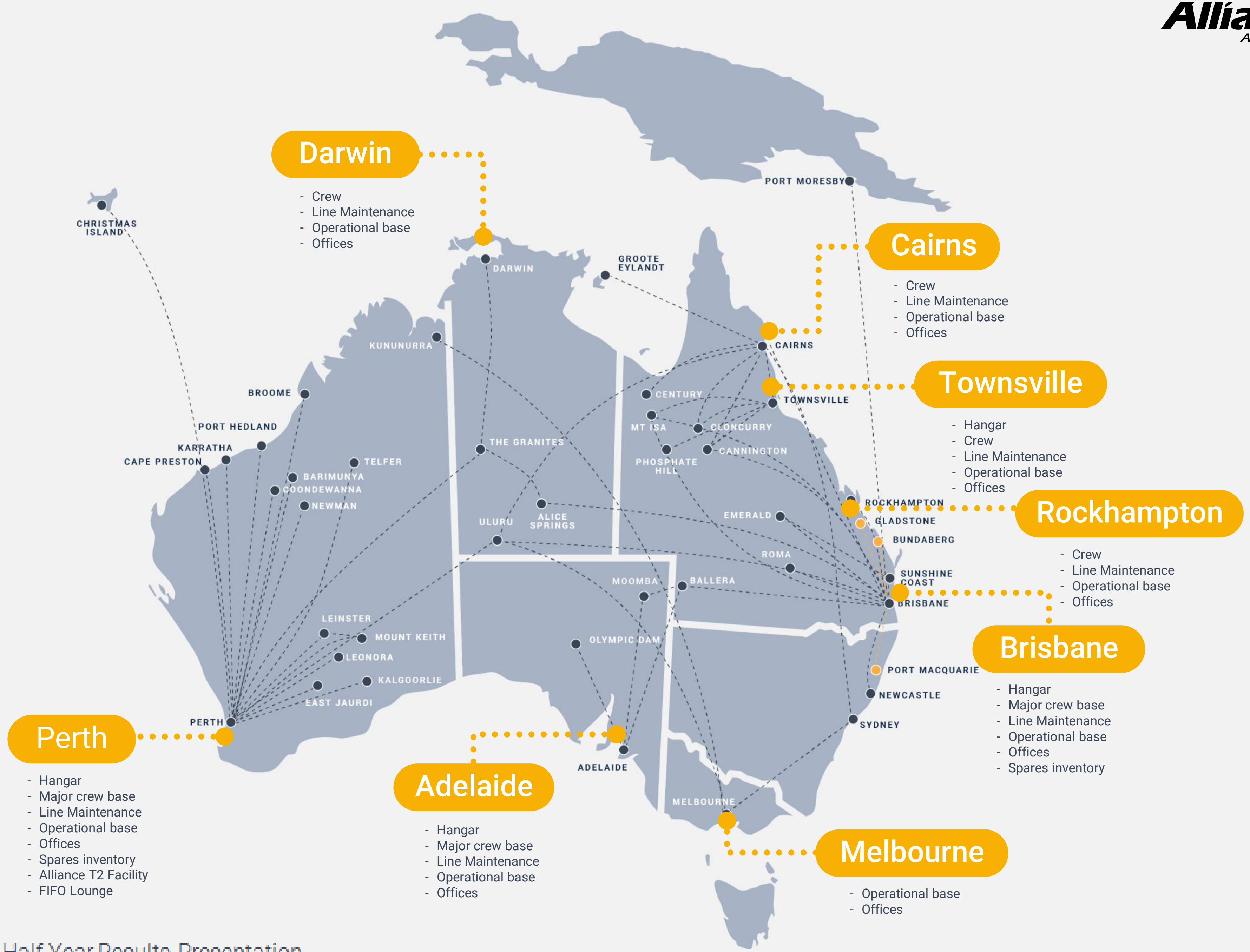


Commodity/ Sector Exposure

Forecast major commodity/sector exposure by the top 15 contracts.



Footprint



CHRISTMAS ISLAND
DARWIN
GROOTE EYLANDT
PORT MORESBY
KUNUNURRA
BROOME
PORT HEDLAND
KARRATHA
CAPE PRESTON
TELFER
BARIMUNYA
COONDEWANNA
NEWMAN
THE GRANITES
ULURU
ALICE SPRINGS
CAIRNS
TOWNSVILLE
CENTURY
MT ISA
CLONCURRY
CANNINGTON
PHOSPHATE HILL
EMERALD
ROCKHAMPTON
GLADSTONE
BUNDABERG
ROMA
SUNSHINE COAST
BRISBANE
MOOMBA
BALLERA
OLYMPIC DAM
LEINSTER
MOUNT KEITH
LEONORA
KALGOORLIE
EAST JAURDI
PERTH
ADELAIDE
MELBOURNE
PORT MACQUARIE
NEWCASTLE
SYDNEY
Darwin
- Crew
- Line Maintenance
- Operational base
- Offices
Cairns
- Crew
- Line Maintenance
- Operational base
- Offices
Townsville
- Hangar
- Crew
- Line Maintenance
- Operational base
- Offices
Rockhampton
- Crew
- Line Maintenance
- Operational base
- Offices
Brisbane
- Hangar
- Major crew base
- Line Maintenance
- Operational base
- Offices
- Spares inventory
Perth
- Hangar
- Major crew base
- Line Maintenance
- Operational base
- Offices
- Spares inventory
- Alliance T2 Facility
- FIFO Lounge
Adelaide
- Hangar
- Major crew base
- Line Maintenance
- Operational base
- Offices
Melbourne
- Operational base
- Offices

Alliance AIRLINES

Operational Excellence

95% OTP

Alliance Airlines consistently achieved 95% on time performance throughout the first half of FY2020

Forecast Fleet – June 2020

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

F70 – 80 Seat Jet Aircraft
No. in fleet - 13

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

Safety Certifications

WINGMAN

Wyvern Wingman certification

IATA IOSA
IATA Operational Safety Audit

Renewing IOSA certification in FY20

BARS®
BASIC AVIATION RISK STANDARD
GOLD FLIGHT SAFETY FOUNDATION

BARS Gold standard maintained

Outlook

Alliance retains a positive outlook for the 2020 financial year based on a strong first half and opportunities for growth and improvements in the second half.

- Contract revenue is expected to increase as existing mining and resource sector clients continue to request additional capacity for their expanding workforce.

  Contracted inbound tourism operations may be affected by the softening of visitor numbers into Australia and this is being monitored by Alliance.

- The charter sector has shown signs of growth in the first half and this is expected to be stable in the second half.

  The new Melbourne to Kununurra seasonal service commences in May 2020.

- Contracted wet lease hours are expected to be stable in the second half of the financial year. Opportunities continue to exist for ad-hoc wet lease flights however timing is unknown.

- Aviation services will continue to contribute high margin sources of revenue to Alliance.

  There continues to be more opportunities in the sale of parts and components, other engineering services and aerodrome management that would add value to Alliance.

- Free cash flow will be strong in the second half of FY2020 due to the cessation of aircraft and spares acquisitions and low expenditure being incurred on base maintenance and entry into service maintenance checks.

- The focus of the Board of Alliance continues to be on providing the maximum return to shareholders of the Group.

Disclaimer

Reliance on third party information

This presentation was prepared by Alliance Aviation Services Limited (ACN 153 361 525) (“Alliance”). This presentation may contain information that has been derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

Presentation is summary only

The information contained in this presentation is in summary form only and does not purport to be complete. It should be read in conjunction with Alliance’s Interim Report for the half year ended 31 December 2019. Any information or opinions expressed in this presentation are subject to change without notice and Alliance is under no obligation to update or keep current the information contained within this presentation.

Not investment advice

This presentation is not intended to be, and should not be considered to be, the giving of investment advice by Alliance or any of its shareholders, directors, officers, agents, employees or advisers. The information provided in this presentation has been prepared without taking into account the recipient’s investment objectives, financial circumstances or particular needs. Each party to whom this presentation is made available must make its own independent assessment of Alliance after making such investigations and taking such advice as may be deemed necessary.

No offer of securities

Nothing in this presentation should be construed as either an offer to sell or a solicitation of an offer to buy or sell Alliance securities in any jurisdiction.

Forward looking statements

This presentation may include forward looking statements. Although Alliance believes the expectations expressed in such forward looking statements are based on reasonable assumptions, these statements are not guarantees or predictions of future performance, and involve both known and unknown risks, uncertainties and other factors, many of which are beyond Alliance’s control. As a result, actual results or developments may differ materially from those expressed in the statements contained in this presentation. Investors are cautioned that statements contained in this presentation are not guarantees or projections of future performance and actual results or developments may differ materially from those projected in forward looking statements. Past performance is not a reliable indication of future performance.

No Liability

To the maximum extent permitted by law, neither Alliance or any of its shareholders, directors, officers, agents, employees or advisers accepts, and each expressly disclaims, any liability, including without limitation any liability arising from fault or negligence, for any errors or misstatements in, or omissions from, this presentation or any direct, indirect or consequential loss arising from the use of this presentation or its contents or otherwise arising in connection with it.