

An aerial view of an airport terminal and tarmac. In the foreground, two Alliance aircraft are parked at gates. The terminal building is a large, modern structure with a circular section. In the background, there is a large industrial facility with many tall chimneys and towers. The sky is overcast with some light clouds.

H1 2018

Alliance Aviation Services Limited
Results Presentation

February 2018

Key Messages

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

- A strong financial performance in the first half predominately from increased flying activity;
- Investment of \$8.2 million in growth capital expenditure to fulfil capacity requirements;
- Improved operating cash flows, continued debt reduction and a renewal of debt facilities on improved terms; and
- Fully franked 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 improved results across all flying revenue types.

- Wet lease revenue increased in the half year, with flights performed on behalf of Virgin Australia and other operators;
- Contract revenue continues to benefit from incremental increases in flight schedules across a broad range of clients;
- RPT revenue from the three newly established ports has been in line with expectations;
- Charter income has seen improvement in the half; and
- Aviation Services continues to develop and grow as a business. New warehouse sourced and resources allocated to drive this business.

Realising Results from Strategy

PBT \$10.3 million

PBT up 19% on prior year comparative

Flying activity improved on prior year across all revenue types.

Fulfilling capacity requirements

The introduction of two new aircraft in the half year with three further aircraft to be introduced in the second half of the year.

2.5 cent dividend

Reinstatement of interim dividend due to increased profit and improved cash flows.

Profit

Flying

Investment

Balance Sheet

Dividend

16,207 hours, 34% increase

Diversified flying

Wet lease and regular passenger transport (RPT) flying hours substantially increased from prior periods. Increased flying hours in contract and charter when compared to prior year comparative.

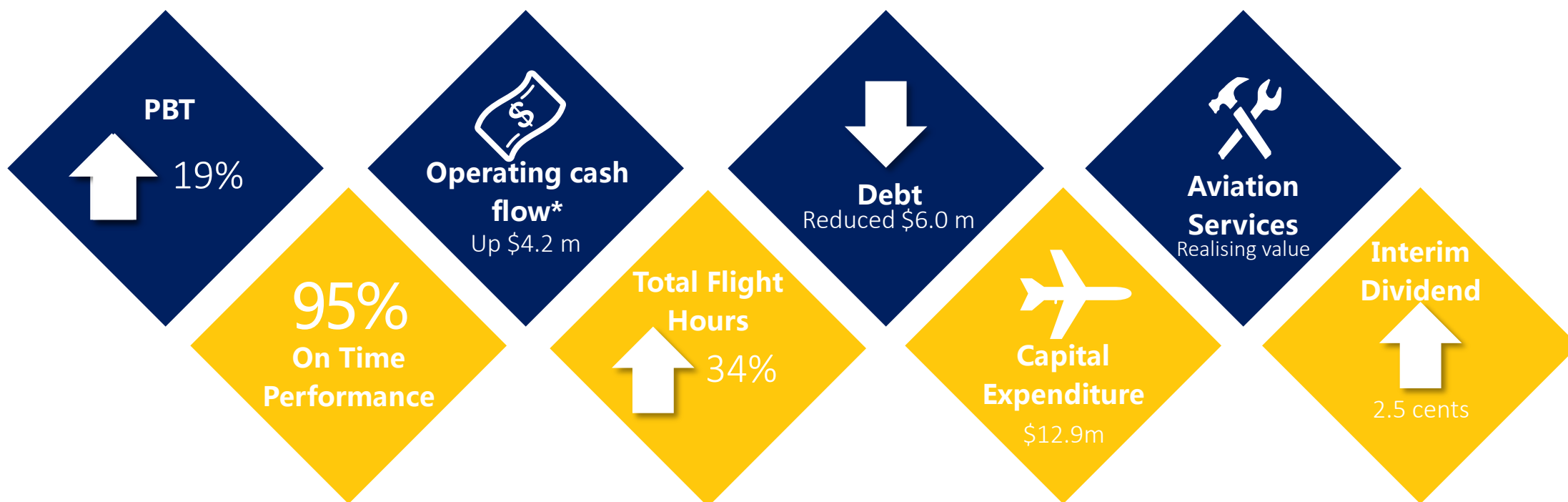
Refinance

Debt facilities renewed on improved terms

New three year debt term. Improved balance sheet with Inventory holdings of \$47m. New warehouse and resources for part sales business.

Key Measures and Statistics

Key Measures



**Operating Cash flow includes the settlement of USD2.6m of Austrian aircraft in the half.*

The Financial Numbers

For the half year ended 31 December 2017



Financial Statements

Alliance has delivered a strong financial performance for the half year ended 31 December 2017.

Detail	31 December 2017	31 December 2016
Aircraft in service*	31	28
Flight Hours – contracted	9,647	8,813
Flight Hours – wet lease	3,506	1,712
Flight Hours – RPT	2,347	989
Flight Hours – charter	522	368
Flight Hours – maintenance	185	212
Total Flight Hours	16,207	12,094
Average Staff Numbers	473	436
Revenue per employee (\$k)	247	235
Contract % of Total Revenue	65%	69%

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

Alliance Aviation Services - Income Statement

	1H FY18	1H FY17	%
(\$ in millions)	Actual	Actual	pcp
			Change
Revenue			
Contract Revenue	77.8	70.2	11%
Charter Revenue	4.2	3.1	36%
Wet lease Revenue	13.0	6.0	117%
RPT Revenue	17.9	5.0	258%
Aviation Services	4.2	16.9	(75%)
Other (Incl FX)	0.4	0.4	(22%)
Total revenue	117.5	101.6	16%
Operating expenses	(90.0)	(78.4)	15%
EBITDA	27.5	23.2	18%
Depreciation & Amortisation	(15.4)	(12.4)	24%
EBIT	12.1	10.8	12%
Finance costs	(1.8)	(2.1)	(16%)
PBT	10.3	8.7	19%
Income tax expense	(3.2)	0.0	
NPAT	7.1	8.7	(18%)
Basic EPS	5.8	7.2	(19%)

Observations:

- Wet lease and RPT revenue increases have had a significant impact in the half year;
- Contract revenue grew by 11%, driven by increases in schedules across a number of clients;
- Charter revenue exceeded expectations in the half year. Two new short term charter contracts signed;
- Investment in the half year in additional aircraft, crew, engineering and operational staff. Additional investment in the introduction of the RPT ports; and
- Depreciation higher due to increased number of aircraft and higher utilisation due to increased activity;
- Income tax expense recognised in the period as a result of accounting profit, however no cash tax payable.

Alliance Aviation Services - Statement of Financial Position

(\$ in millions)	31-Dec-17	30-Jun-17	31-Dec-16
Cash	8.7	3.5	6.6
Receivables	34.3	30.4	26.9
Inventory	46.7	43.0	40.7
Total current assets	89.7	76.9	74.2
PP&E	170.8	173.2	167.0
Deferred tax asset	–	–	0.1
Intangibles	0.5	–	–
Total non-current assets	171.3	173.2	167.1
Total assets	261.0	250.1	241.3
Trade & other payables	30.4	22.4	24.1
Borrowings	5.4	14.2	11.9
Current tax liabilities	0.1	0.1	0.1
Provisions / other	6.9	6.0	5.5
Total current liabilities	42.8	42.7	41.6
Borrowings	63.5	60.8	64.5
Deferred tax liability	4.2	1.0	–
Provisions / other	1.3	1.3	1.3
Total non-current liabilities	69.0	63.1	65.8
Total liabilities	111.8	105.8	107.4
Net assets	149.2	144.3	133.9
Gearing (D/D+E)	31.6%	34.2%	36.3%

Observations:

- Cash increased in the half year due to less Austrian settlements and a focus on debtor/creditor management;
- Receivable and Payables have proportionately increased due to increased activity levels;
- Final Austrian settlement occurred in January 2018;
- Total debt reduced \$6M in the half year;
- Net asset position has increased 11% on prior year comparative; and
- Gearing ratio reduced 2.6% in the last half.



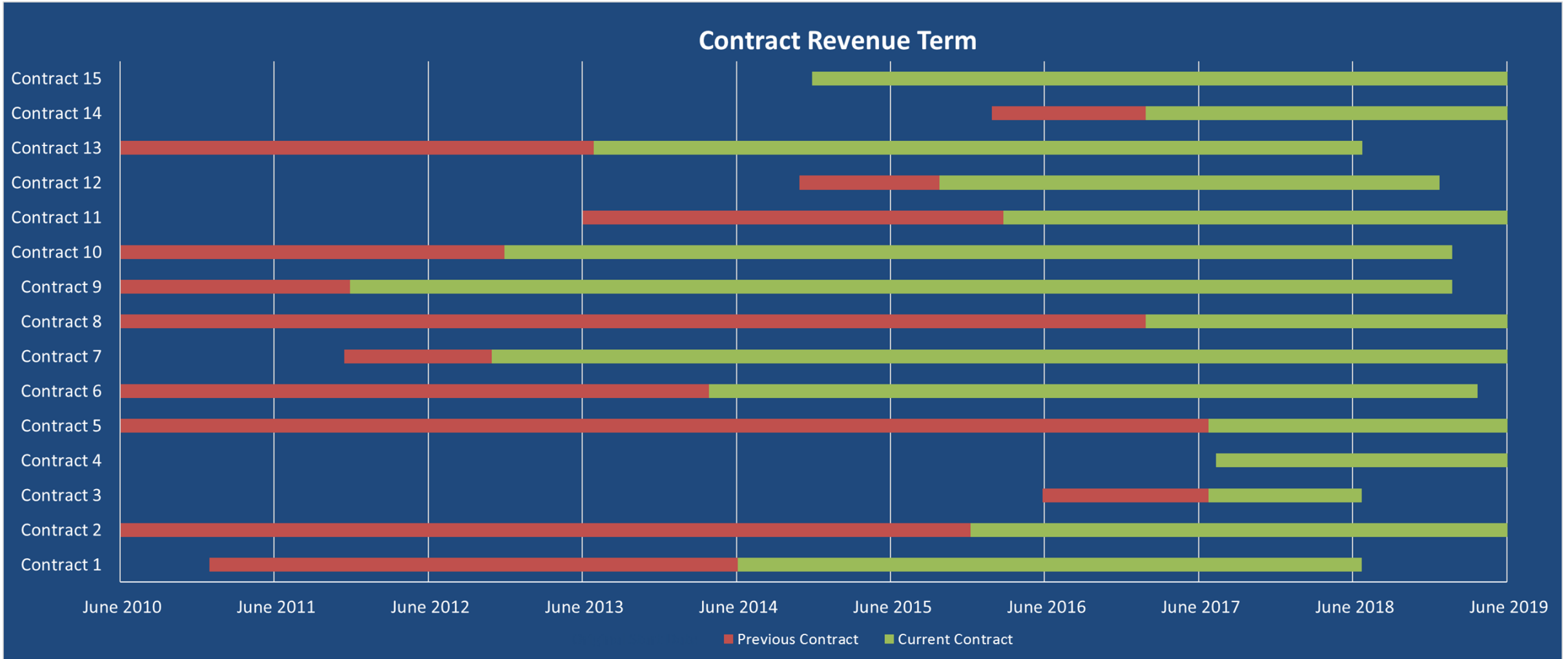
Alliance Aviation Services - Cash Flow Statement

	1H FY18	1H FY17
<i>(\$ in millions)</i>		
Receipts from customers (inclusive of GST)	130.0	111.5
Payments to suppliers (inclusive of GST)	(106.8)	(92.2)
Net interest paid	(1.9)	(2.1)
Income tax paid	–	–
Net cash inflow (outflow) from operating activities	21.3	17.2
Net payments for aircraft, property, plant & equipment	(7.8)	(7.3)
Free Cash Flow	13.5	9.9
Proceeds from borrowings	4.1	–
Repayment of borrowings	(10.1)	(3.5)
Dividends paid	(2.3)	(1.9)
Net cash inflow (outflow) from financing activities	(8.3)	(5.4)
Net increase (decrease) in cash & cash equivalents	5.2	4.5
Cash & cash equivalents at the beginning of period	3.5	2.1
Cash & cash equivalents at the end of the half year	8.7	6.6

Observations:

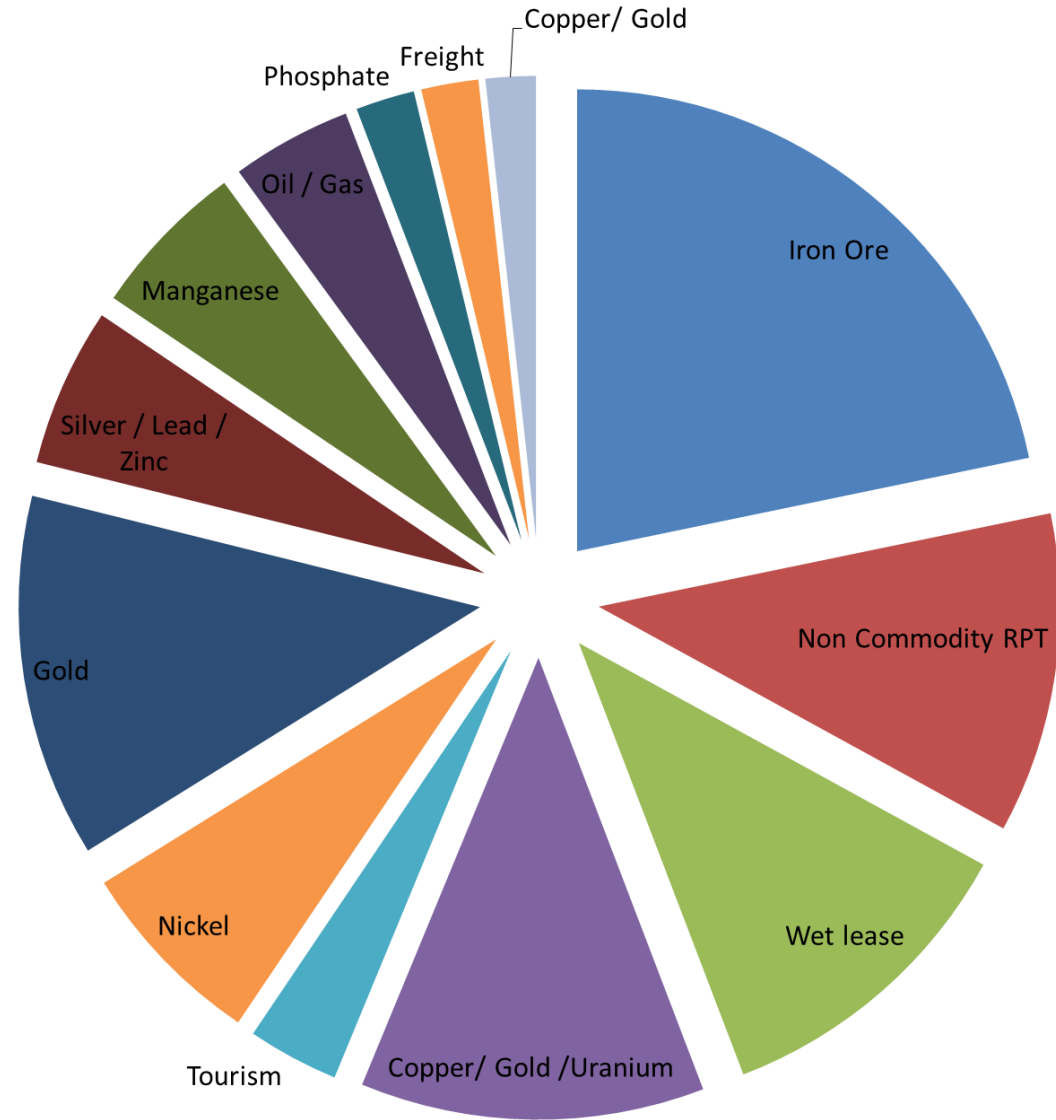
- Continued focus on debtor days has assisted in increased receipts from customers;
- Payments to suppliers includes USD2.6M of Austrian aircraft settlements. The final aircraft delivery settled in January 2018;
- Investment made in the half year from operational cash flow with the introduction of three RPT ports and additional resources required for increased activity; and
- Two additional aircraft brought into the operational fleet.

Stable Contract Client Base



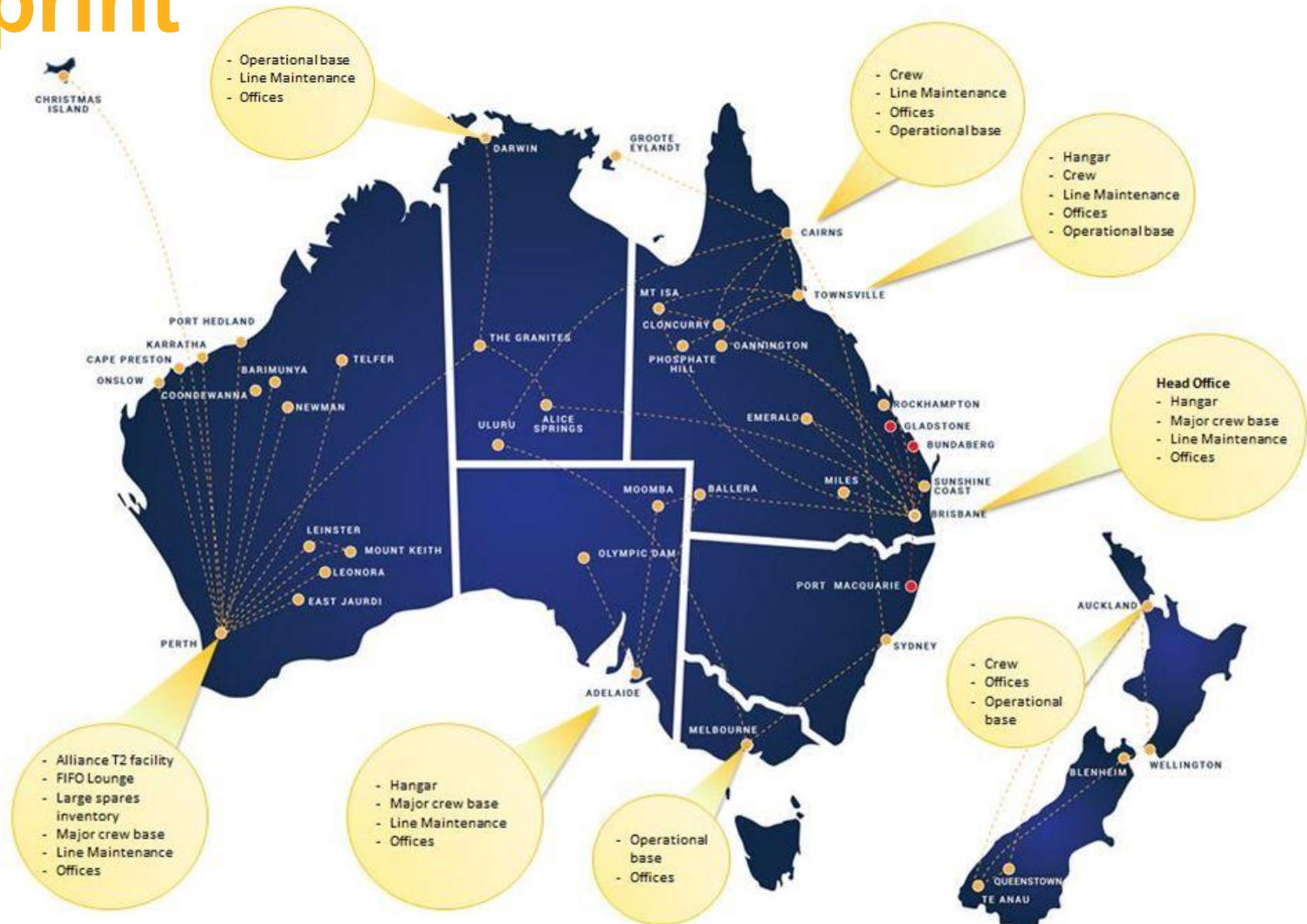
Major Commodity Exposure by 15 Major Contracts – H1 FY18

Commodity Sector Exposure



The diagram above outlines Alliance’s exposure across the top 15 contracts for HY18

Footprint



Operational Excellence

- Australia's most experienced and resourced F100/70 operator;
- IOSA and Wyvern certified and BARS Gold recognised;
- Substantial holdings of spare parts enhances aircraft reliability and extends economic life;
- Focus on sustainable employee costs and efficiency; and
- An improved engineering cost base.

Fleet
owned
outright

Industry leading on time
performance record
An invaluable Asset



Future Strategy

Capitalising on strong foundations



Diversified Growth

Flying and Revenue

Targeted activities

Growth, in both flying hours and revenue will result from opportunities in the tourism and charter sectors, further wet lease opportunities and the stability of the resources sector.

Aviation Services will see increased activity once the new warehouse becomes operational.



Investment in Capacity

Aircraft

Additional aircraft

Future capacity requirements means that Alliance will bring three aircraft ex-inventory into service in the second half. This will ensure available capacity for new flying opportunities and support for existing heavy maintenance program A Darwin base established in February 2018.



Balance Sheet

Cash flow

Operating cash flows will continue to improve with the increase in flying, the finalisation of the Austrian settlements and the renewal of debt facilities.

Outlook

Positive. Alliance maintains a positive outlook for the second half of FY18.

- Flying hours for FY18 forecast to achieve 35,000 flight hours;
- Resource sector continues to improve and show signs of increased activity;
- One material contract renewed in February 2018;
- Wet lease hours and revenue continue as expected;
- Aviation Services revenue stable with growth opportunities;

The Future. Alliance will continue to pursue new opportunities in the resources sector along with additional wet leasing activities and expand on its current tourism and leisure work.

Alliance has invested in the business in the half year with the establishment of a fully resourced part sales business and the addition of aircraft and crew. Further growth in the business in future periods is expected from all of these activities.

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Alliance Airlines Pays Homage to Sir Charles Kingsford Smith

Celebrating the 90th anniversary of one of the World's greatest aviators and his historic first trans-Pacific crossing between Oakland and Brisbane.

