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## **Alliance Aviation Services Limited (ASX code: AQZ)**

### **Half Year Results: 31 December 2015**

#### **Summary**

Alliance Aviation Services Limited (AQZ) today announced a net profit after tax (NPAT) of \$4.9 million for the half year ended 31 December 2015. It has reported an underlying NPAT of \$4.1 million which includes adjustments for restructuring costs and accounting income tax in the current half.

Total revenue for the half was \$92.9 million which was derived from a stable number of flying hours compared with the previous year. Total revenue is down on the previous year principally as a result of reduced fuel prices which have been passed through to our customers as part of our long term contracts.

Alliance continues to pursue a range of strategies to broaden its revenue base, lower capital expenditure and reduce debt. Outcomes included:

- Charter and wet lease revenue was \$10.8 million an increase of 30% compared with the previous half year. Alliance continues to focus on strengthening this part of the business;
- Alliance successfully completed the closure of the heavy maintenance bases in Australia. Towards the end of the first half Alliance has started to derive the savings forecast both in terms of employee costs and capital expenditure;
- Capital expenditure was \$10.9 million down from \$14.7 million, a 25% reduction; and
- Alliance successfully established a European operation which will acquire (during the next 2 years) 21 Fokker aircraft. These aircraft will be held for sale, lease or conversion to aircraft parts. The financial and operational benefits will start to be derived in the second half.

#### **Outlook**

Alliance continues to be challenged by industry in terms of their operating schedule, our contract margin and payment terms. Despite these challenges the business has responded through cost control and delivering on the strategies previously announced.

Alliance retains the outlook announced in August 2015.

As a result of recent contract wins, the successful restructure of the engineering business and the current operational performance, Alliance expects the second half to exceed the first and deliver the 'stable' result announced by the Directors in August 2015.

Alliance is also encouraged by the early level of interest in the European operations and believes some financial gain will be derived in the current year.

Capital expenditure is performing as forecast and the Directors expect to deliver the savings previously announced.

### **Financial Results**

A reconciliation of the underlying NPAT of \$4.1 million compared with the half year audited statutory financial accounts and the prior year is as follows:

\$ Millions	31 December 2015			31 December 2014		
	Actuals	Adjustments	Underlying	Actuals	Adjustment	Underlying
Revenue	92.9	-	92.9	103.4	-	103.4
OPEX*	(73.6)	0.8*	(72.8)	(79.6)	0.5	(79.1)
EBITDA	19.3	-	20.1	23.8	-	24.3
Depreciation	(11.5)	-	(11.5)	(57.5)	45.3	(12.2)
FX Losses (Gains)	(0.5)	-	(0.5)	(0.7)	-	(0.7)
Financing Costs	(2.4)	-	(2.4)	(2.4)	-	(2.4)
Income Tax	-	(1.6)	(1.6)	11.0	(13.7)	(2.7)
NPAT	4.9	(0.8)	4.1	(25.8)	32.1	6.3

\*Redundancy and restructuring costs associated with the closure of the Brisbane Heavy Maintenance Facility. Income Tax adjustment is the re-recognition of tax losses from previous periods.

### **Dividend**

The Directors have resolved not to pay an interim dividend. Alliance is committed to regular dividends. The Directors will consider a dividend at the FY16 full year results. This decision will be made considering the working capital needs of the business and the future outlook at that time.

### **Conclusion**

Alliance is a business which is changing and adapting. This includes the types of services and solutions it provides our customers as well as the way it manages cost.

With a core contracted schedule of flights, Alliance is Australia's leading provider of contract and ad hoc air charter services.

Alliance has opportunities to continue to broaden its revenue base and also establish a successful aircraft and parts business supporting current and future Fokker operators, globally.

Alliance remains committed to debt reduction in the medium term and will continue the strategy it adopted 12 months ago.

Alliance continues all of this with exceptional customer service and industry leading on time performance and reliability.

## **About Alliance Aviation**

*Alliance Aviation is Australia's leading provider of contract and ad hoc air charter services.*

*The Company provides essential services to mining, energy, tourism and government sectors.*

*The company holds Flight Safety Foundation "BARS Gold" status, the first such carrier in Australia to be so recognised.*

*Alliance operates a fleet of 15 Fokker 100, 8 Fokker 70LR jet aircraft and 5 Fokker 50 turboprops at world leading on time performance and despatch reliability.*

*The Company has a national footprint with operations based in Brisbane, Townsville, Cairns, Melbourne, Adelaide, Perth and Auckland.*

*For more information contact:*

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