



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

Before I deliver a review of the 2022 financial year, I would like to acknowledge that this is Alliance's 11th AGM as a listed company and 20th anniversary of operations.

Since listing the company has achieved the following:

- Share price increase from \$1.60 at IPO to a closing price yesterday of \$3.28.
- Market capitalisation from \$144m to a current market capitalisation of \$527m.
- Fully owned fleet from 25 to 70 aircraft following the disposal of five Fokker 50's late in FY22.
- Flight hours increased from 17,447 to 47,519.
- Revenue increased from \$125.3m to \$367.5m.
- Underlying EBITDA from \$37.5m to \$91.0m.
- Staff levels have increased from 372 to 916.

2022 Financial Year

During the year the company continued to invest heavily in aircraft, infrastructure, and personnel to provide for future capacity requirements at a time when the aviation industry was still recovering from the effects of the COVID-19 pandemic.

Those effects manifested themselves in a number of ways that negatively impacted the aviation industry generally and specifically our business and included wet lease capacity available but not utilised, staff training programmes delayed and deferred and continued staff illnesses.

Fortunately, those issues have diminished but we still have lingering impacts, particularly in the pilot training area.

Disappointingly, the company incurred a statutory loss of \$7.1m before tax following the loss on disposal of the Fokker 50 Fleet. Considering the costs of building the E190 capacity and the lower than anticipated E190 wet lease utilisation, the company earned an underlying profit before tax of \$45.3m.

The 2022 Annual Report, which includes the audited financial statements for the year ended 30 June 2022, was published on 10 August 2022 and I would like to thank all of our finance personnel and auditors for their focus on getting our final reports to shareholders at the earliest available opportunity.

In summary:

- Revenue increased by 19% to \$367.5m.
- A reduction in underlying PBT from \$51.0m to \$45.3m.
- Underlying operating cash flow up to \$91.8m.
- The Company's flying activity increased 25% to 47,519 hours.
- Acquisition of all E190's completed.
- Construction of our Rockhampton Base Maintenance Facility commenced.
- The expansion of E190 wet lease operations for Qantas, albeit with some COVID-19 related delays.

Fleet numbers for the year increased by 13 with the addition of 14 E190 aircraft to the operational fleet taking the total to 61 aircraft.

Following the upgrade of Olympic Dam airport to jet operations during the year and having offered our Fokker 50 turboprop aircraft to our customer base without success, the company invited offers from organisations interested in purchasing the fleet of five Fokker 50 turboprop aircraft, associated spares, and tooling. A sales contract was entered into in June and whilst the early retirement of the aircraft incurred a loss on disposal of \$12.1 million. However, the financial and operational benefits of an all-jet operation in South Australia will outweigh that loss within two years. During the 4th quarter of this current financial year, South Australia will become an all E190 operation with the relocation of two Fokker jet aircraft to other ports.

On time performance for the year was 95% which is a 2% improvement on the previous year and returns the company to its stated KPI of 95% which is industry leading and a key part of the company's success in gaining and retaining long term contracted customers

Remuneration

The Board continues to maintain an appropriate approach to remuneration as outlined in the Annual Report.

Alliance's remuneration strategy focuses on driving performance and providing competitive packages that attract, retain, and motivate high quality employees required to deliver on both the short term and longer-term strategic goals of the company. The Board considers the current incentive framework, which is a mix of both short-term cash incentives and long-term share incentives appropriate for the size and complexity of the company.

By ensuring that the long-term incentives vest over a two-year period the Board considers the interests of management and shareholders in regard to sustained value growth are well and truly aligned.

Due to lack of incentive payments in FY21 and the incredible workload borne by the management team during the whole COVID-19 pandemic without any additional financial reward, the Board made a discretionary payment in August of 2021 and that payment appears in the Remuneration Report which is presented to you today for approval.

Whilst safety and OTP KPI's were met during FY22, financial KPI's were not and so no incentives will be paid for FY22.

Shareholder approval will today be sought for the grant of performance rights to Managing Director, Mr Scott McMillan, as part of his FY2023 remuneration arrangements. As Scott is a Director of the company, shareholder approval is required under the ASX listing rules.

There are no changes to the remuneration structure approved at our last Annual General Meeting.

Shareholders

Alliance continues to be well supported by its shareholders, some of whom have been with the company for all of its last ten years as a publicly listed company.

We thank these and our more recent shareholders for their continued support and we look forward to creating more shareholder value as we grow to a fleet of 70 operational aircraft.

Alliance did not declare a dividend for the 2022 financial year, as the Board believed the capital will be better retained within the business to fund capital expenditure to build future revenue capacity.

The Board continues to monitor the company's capital position and recognises that dividends are a key component of shareholder's ongoing investment and interest in the company.

Qantas Transaction

On 5th May 2022 Qantas Airways Limited announced its intent to acquire the remaining 80.27% of shares in Alliance Aviation Limited that it does not already own.

This offer was made at \$4.75 to be paid in Qantas Airways shares.

The transaction is fully supported by the Board of Alliance as we believe it to be in the best interest of all shareholders.

The transaction is subject to ACCC and shareholder approval.

The company is cooperating fully with the ACCC's process, and we will update shareholders and other stakeholders on progress as and when we can.

Closing remarks

Alliance has been operating for over 20 years and is proud of the innovation and service standards it has brought to the aviation industry.

The company is constantly reviewing strategy with a focus on continual improvement and modifying the business to take advantage of those areas in which our resources and experience can yield financial advantage for the shareholders. We will cease operations where no return is garnered or likely to be in the near future.

We regard ourselves as a "wholesaler", that provides quality services and capacity in the FIFO, wet lease, and charter markets and as a consequence we do not have a retail brand or significant marketing budget.

We have significant capacity now coming online for growth in all three areas of flight operations mentioned above and an operational fleet and staff that are perfectly matched to continue to provide the quality services for which we are recognised.

I would like to acknowledge the contribution of Lee Schofield in his role of Director and CEO of Alliance over the last 10 years and wish him well for the future.

As I hand over to our Managing Director, Scott McMillan to talk more about the strategy and performance of the business I would like to personally thank the Board of Directors, the senior management team, and the entire staff at Alliance for their support and hard work over the last 20 years.

It remains an honour for me to serve as your Chairman.

Steve Padgett, OAM
Chairman