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Alliance

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ASX RELEASE

Alliance Aviation Services Limited (“Alliance”) (ASX:AQZ)

Record hours and profitability

2023 Financial Year Highlights

- Statutory profit before tax: \$52.2 million, up from a loss of \$7.1 million
- Underlying profit before tax: \$56.9 million; up from \$45.3 million
- Total revenue from operations: \$517.2 million, up \$147.8 million
- Underlying operating cash flow of \$55.9 million down from \$91.8m
- Flight hours have increased by 27,675 to 75,195 with 96% of those hours contracted aviation services (FIFO and wet lease)
- 33 E190s in Australia at balance date with 31 in operation; and
- Alliance retains a positive outlook for FY2024 with forecast growth in utilisation across the fleet underpinned by contracted revenue.

Summary

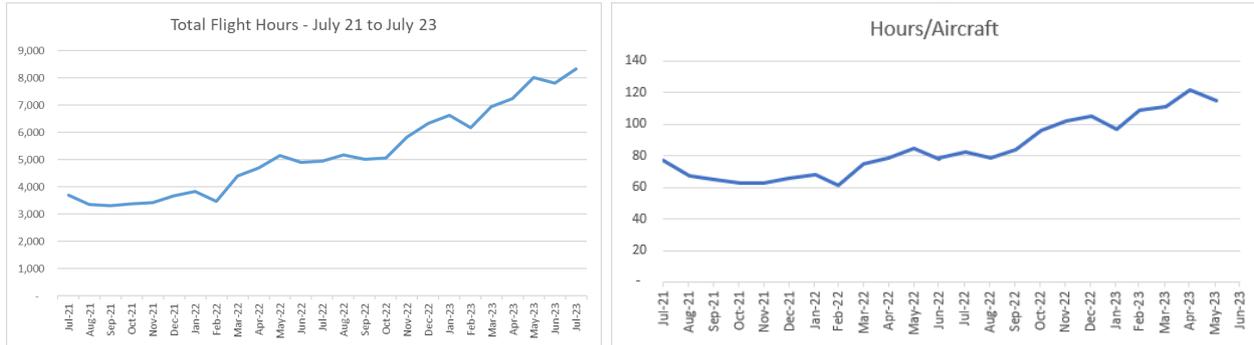
Alliance Aviation Services Limited today announces a full year statutory profit before tax (PBT) of \$52.2 million with an underlying profit before tax of \$56.9 million. The underlying adjustment of \$4.7 million relates to one off fees for the proposed Scheme of Arrangement pertaining to the Qantas offer and associated ACCC review.

Alliance has continued to invest in recruitment and training activities throughout the first half of the 2023 financial year and has not adjusted for any of these “expansion” costs in the underlying result. All 33 E190 aircraft are now in Australia with 31 in service.

Alliance’s Managing Director, Scott McMillan, stated, “During the second half of the 2023 financial year we started to realise substantial financial return from the multi-year investment in the E190 fleet and related additional resources. E190 activity increased by 160% when compared to the first half of the year with the majority of this growth in contracted wet lease services. This increase was achieved through a combination of additional fleet capacity becoming available and an increase in fleet utilisation.

“While we have conducted wet lease flying in the past, it has been largely ad-hoc in nature. We are now focused on growing this segment under a contracted revenue model. The attributes that make us the best FIFO operator in the country are equally applicable for contracted wet lease: superior operating performance (material for customer service levels relating to on-time arrival), geographic infrastructure, low operating cost, availability of suitable aircraft and labour resources (including pilots).”

The Company recorded record flight hours for FY2023 whilst at the same time increasing utilisation per active aircraft.



The traditional FIFO flying continues to underpin the Company in terms of providing a secure and stable contracted revenue and earning profile. The Company services some of the largest mining operations in Australia, all of which are in production. Alliance has continued to renew contracts and has also added two new clients in FY2023.

Statutory Results Overview

Metric	FY2023	FY2022	Variance
Revenue from operations	\$517.2m	\$369.4m	40%
Statutory EBITDA	\$122.3m	\$47.6m	157%
Statutory PBT	\$52.2m	\$(7.1)m	n/a
Aircraft in Service	68*	61	12%

*Includes three E190's on dry lease. Dry lease revenue is included as Other Income in the financial statements.

Contract FIFO charter activity was stable for the year however revenues increased by 15% to \$297.0 million (FY2022: \$257.8 million). This increase in revenue is a result of the addition of two clients in the second half of FY2023 and margin increases on contracts renewed during the year.

During the year Alliance made a strategic decision to relinquish its major inbound tourism charter contract so the aircraft could be deployed on more profitable operations.

As a result of the continued growth in activity in both contract charter and wet lease operations, there was minimal idle capacity to be able to service number of ad-hoc charter services. Alliance expects that this will continue of the near term.

Underlying operating cash flow for the year was \$45.6 million. The operating cash flow continues to include the costs of pilot, cabin crew and engineering onboarding and training and other overhead costs necessary for investment in our growth and commissioning the E190 fleet. It is expected that this investment will continue at least to 30 June 2024 which aligns with forecast operational requirements.

Capital expenditure cash outflows were \$96.9 million (FY2022:\$99.9 million). The fleet sustaining capital expenditure of \$22.5 million was slightly below forecast and \$40.1 million was expended on entry into service checks and associated costs on 12 E190 aircraft. \$12.3 million was also paid in the second half of the financial year as a deposit on the 30 E190 aircraft acquisition deal with AerCap.

The construction of the Rockhampton maintenance facility has been completed with \$17.8 million being expended in FY2023. Certification of the facility is expected to be completed in September 2023 with the first aircraft arriving at the end of that same month.

The Company continues to fund growth and accordingly will not pay a dividend.

Operational Overview

Flight Hour Type	FY2023	FY2022	FY2021
Contract Charter	27,143	26,926	25,873
Ad-hoc Charter	1,203	1,946	4,479
Wet Lease	45,112	16,112	2,262
RPT	1,071	1,934	4,759
Other	666	601	540
Total	76,195	47,519	37,913

Wet lease hours have increased during the year by 80% with contracted wet lease clients continuing to require additional capacity as soon as it can be deployed.

Contract charter increased by 1% when compared to the prior comparative period as it recovered some of the lost activity seen in the first half of the financial year. Several services for new clients commenced in the second half of the year.

In addition to these new clients there were a number of additional capacity requests from existing clients, some short term, and others longer term. As noted earlier, a strategic decision was made to cease contract inbound tourism services to enable those assets to be utilised on more profitable, higher utilisation wet lease services.

RPT hours continue to reduce as the Company focuses on its core business of contract charter and wet lease services.

Growth Capital Expenditure

The settlement of the additional 30 E190 aircraft from AerCap commences in September 2023. Aircraft deliveries will occur with 16 in FY2024, 10 in FY2025 and four in FY2026. Up to 11 of these aircraft may be disassembled for parts, 10 required initially for Alliance contract and wet lease commitments and the balance are unallocated and available for future growth.

In addition to the above and to assist in a capacity shortfall in early 2024, Alliance has also entered into a contract to acquire four E190 airframes from Azorra Aircraft Holdings LLC. These airframes have a long maintenance life remaining and are “sister ships” to the aircraft being acquired under the AerCap Deal. They will commence delivery in August 2023 and enter active service between November 2023 and March 2024.

Outlook

Alliance’s focus for the 2024 financial year is:

- To ensure that contracted wet leased aircraft are deployed profitably and on time.
- Accept delivery of the additional 20 E190 aircraft in the financial year and either enter them into service or disassemble as required.
- Pursue all opportunities in the contract FIFO charter market.
- Focus on cost control and ensuring that the Group’s profitability margins are maintained in a high inflation economy.

- Ends -

This announcement has been authorised for release by Alliance Aviation Services Limited’s Board of Directors.

About the Alliance Group

Alliance is an owner and operator of 80 to 114-seat jet aircraft, which it typically deploys into contracted aviation services. The contracted aviation services are two-fold, our traditional FIFO flying contracted to major mines in production and wet lease flying, contracted to major Australian airlines.

It also provides short term charter services to customers on an ad hoc basis. Its customers span sporting teams, corporates, government agencies, tourism groups and mining customers.

The Company is also a major trader in parts, inventory and spares and is one of the largest owners of Fokker and E190 inventory in the world.

Alliance holds IATA's IOSA certification and Flight Safety Foundation "BARS Gold" status, the first such carrier in Australia to be so recognised.

Alliance currently owns 70 jet aircraft inclusive of three E190 aircraft that are leased out to a third party.

Alliance has world leading operational performance, a key attribute sought by its customers. The Company has operational bases in Brisbane, Townsville, Cairns, Adelaide, Perth, Darwin, and Rockhampton and employs more than 1200 staff.

Alliance is locally owned with the majority of the Company's shareholders located in Australia and New Zealand.

For more information contact:

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