

# rex. FY14 Full Year Results



## AGENDA

- ➔ OPERATIONAL REVIEW
- ➔ FINANCIAL HIGHLIGHTS
- ➔ OUTLOOK & PROFIT FORECAST
- ➔ DIVIDEND

## ANNOUNCEMENT FY14 Full Yr Results

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## GROUP OPERATIONAL REVIEW

- ➔ Took delivery of the spares holdings of Pinnacle (July 2013)
- ➔ Rex became sole operator of Sydney–Orange and Sydney-Newcastle routes following Brindabella Airlines collapse (Dec 2013)
- ➔ Took ownership of remaining 18 Saab 340B+ aircraft at lease end (March 2014)
- ➔ Commenced thrice daily service Armidale – Sydney (March 2014)



## GROUP OPERATIONAL REVIEW

- ➔ Official opening of Saab 340 Full Flight Simulator at Australian Airline Pilot Academy (Apr 2014)
- ➔ Pilot attrition rate for the FY was at record low
- ➔ 15 cadets promoted to Captain since inception of Cadet Command Upgrade Programme
- ➔ Pel-Air's Fast Jet contract with Australian Defence Force extended another year



## GROUP OPERATIONAL REVIEW

### SUBSEQUENT EVENTS

- ➔ In July 2014 Pel-Air secured a contract extension to continue providing air charter services to Iluka Resources in South Australia
- ➔ Air Link re-commenced RPT services in Aug 2014



## GROUP OPERATIONAL REVIEW

### TENDERS PENDING

Awaiting the outcome of the following:

- ➔ Procurement of dedicated airborne search and rescue services for the Australian Maritime Safety Authority (AMSA)
- ➔ Queensland State Government Invitation to Offer for Regional Queensland Air Services 2014



## GROUP OPERATIONAL REVIEW









### Key Regular Public Transport Indicators

	FY14	FY13	Change
Passengers (M)	1.053	1.091	-3.4%
ASKs (M)	726	739	-1.8%
Average Fare	\$192.1	\$190.6	+0.8%
Load Factor	54.3%	55.6%	-1.3% pts
Revenue/ASK	29.0c	29.5c	-1.7%
Total cost/ASK (excl. fuel)	29.2c (23.9c)	28.3c (23.3c)	+3.4% (+2.4%)
Fuel % Total Cost	16.5%	15.9%	+0.6% pts



## GROUP OPERATIONAL REVIEW

### AIRLINE RELIABILITY INDEX

Airline	On Time Departure					Cancellation Rate (%)				
	FY14	FY13	FY12	FY11	FY10	FY14	FY13	FY12	FY11	FY10
 Regional Express	1 <sup>st</sup>	1 <sup>st</sup>	3 <sup>rd</sup>	1 <sup>st</sup>	3 <sup>rd</sup>	0.5%	0.7%	0.4%	0.4%	0.2%
 QANTASLINK	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	5 <sup>th</sup>	2 <sup>nd</sup>	2.5%	2.5%	2.0%	1.9%	0.7%
 Virgin Australia	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	1 <sup>st</sup>	1.3%	1.6%	1.7%	1.5%	0.8%
 Jetstar	6 <sup>th</sup>	8 <sup>th</sup>	8 <sup>th</sup>	6 <sup>th</sup>	6 <sup>th</sup>	1.9%	1.3%	1.6%	1.4%	1.1%
 Virgin Australia Regional	4 <sup>th</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	4 <sup>th</sup>	4 <sup>th</sup>	1.5%	1.7%	1.3%	2.0%	1.6%
 Skywest	3 <sup>rd</sup>	4 <sup>th</sup>	6 <sup>th</sup>	N/A	N/A	1.3%	2.4%	1.5%	N/A	N/A
 Tigerair	N/A	7 <sup>th</sup> *	5 <sup>th</sup>	2 <sup>nd</sup>	5 <sup>th</sup>	N/A	0.2%*	0.2%	0.3%	0.7%
 Tigerair	7 <sup>th</sup>	5 <sup>th</sup>	1 <sup>st</sup>	7 <sup>th</sup>	7 <sup>th</sup>	2.2%	1.2%	0.5%	3.0%	1.5%

\* YTD Apr 2013. Skywest rebranded as Virgin Australia Regional Airlines eff. 7 May 13



## GROUP OPERATIONAL REVIEW

### Industry Recognition



Rex won the Transport and Logistics Industry Skills Council (TLISC) 2014 Awards for Excellence in the area of Innovation and Excellence in Workforce Development Award (Aviation)



Rex has twice been voted 'Best Regional Airline' in the Australian Traveller Readers' Choice Awards Survey in the 3 year history of the award

This accolade is an important recognition as the Awards are voted by the most important people in the industry - the travellers themselves









## GROUP OPERATIONAL REVIEW

**AVIATION WEEK**  
TOP PERFORMING  
REGIONAL AIRLINE 2009-14

In June 2014 Rex was ranked as the world's top performing regional airline (6<sup>TH</sup> consecutive year) in *Aviation Week and Space Technology* magazine's Top Performing Airlines ranking

Worldwide, Rex was ranked 5th best performing listed airline

Carrier	Ranking	Score
	5 <sup>th</sup>	67.4
	15 <sup>th</sup>	57.0
	26 <sup>th</sup>	50.4
	50 <sup>th</sup>	38.9
	59 <sup>th</sup>	33.8
	65 <sup>th</sup>	30.2



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## FINANCIAL HIGHLIGHTS

### GROUP INCOME STATEMENT REVIEW

	FY14 \$M	FY13 \$M	Change
Passenger Revenue	202.3	207.9	-2.7%
Total Revenue	253.3	258.3	-1.9%
Fuel Cost	37.8	36.2	+4.5%
Carbon Tax on fuel	2.5	2.4	+2.5%
Other Costs & Expenses	201.8	202.4	+0.3%
En-route charges	1.9	2.0	-0.3%
Profit Before Tax	10.7	19.2	-44.4%
Profit After Tax	7.7	14.0	-44.9%



## FINANCIAL HIGHLIGHTS

### EARNINGS

➔ PBT fell by 44.4% or \$8.5M

➔ EPS at 7.0 cents



## FINANCIAL HIGHLIGHTS

### **\$8.5M Group PBT decline due to:**

- ➔ Continued deterioration of economy resulting in drop in passengers (38k fewer pax, \$5.5M less pax revenue) as well as drop in charter revenue
- ➔ Record fuel price adding \$1.7M in fuel costs
- ➔ Reduction of interest income (about \$1M) due to heavy investments undertaken



## FINANCIAL HIGHLIGHTS

### **SHARP REDUCTION FROM PRIOR FY.... but Performance still strong:**

- ➔ Net Assets grew by \$8.2M to \$189M (\$1.72 per share)
- ➔ Cash Balance of \$22.0M
- ➔ Gross Return on revenue 4.2%
- ➔ Gross Return on Net Assets 5.6%
- ➔ Gross Return on market capitalisation\* 12.9%







\* Based on closing share price of 75 cents at FY end





# FINANCIAL HIGHLIGHTS

## WORLDWIDE COMPARATIVE FINANCIAL PERFORMANCE

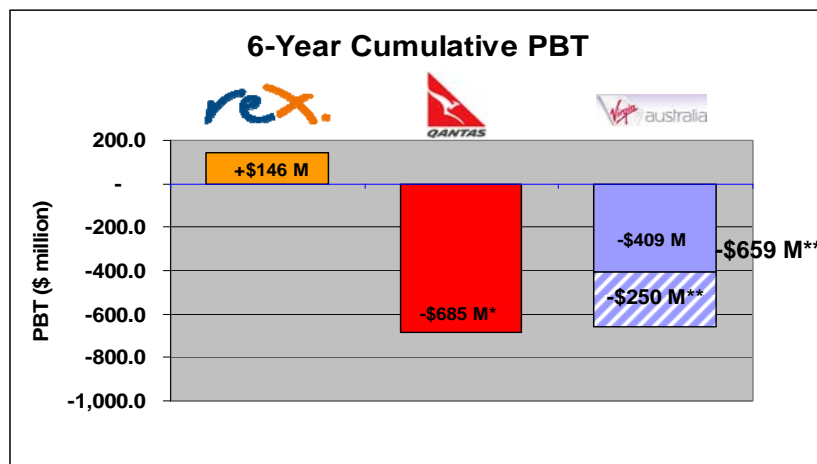
						
Gross Revenue Margin	Full Yr ended 30 June 14	Full Yr ended 30 June 14	Full Yr ended 31 Dec 13	Full Yr ended 31 Dec 13	Full Yr ended 31 Dec 13	Full Yr ended 31 Mar 14
Latest Year	4.2%	-6.7%*	2.6%	3.6%	6.8%	2.4%
5 yr Average	9.3%	-1.1%*	1.4%	7.1%	4.3%	4.1%
10 yr Average	10.7%	2.4%*	3.3%	5.8%	5.4%	8.7%

\* Excludes Impairment loss of 2.947 billion in FY13/14



# FINANCIAL HIGHLIGHTS

## AUSTRALIAN AIRLINES COMPARATIVE PERFORMANCE



\* Excludes Impairment loss of 2.947 billion in FY13/14

\*\* Virgin Australia Expected PBT for FY13/14



## FINANCIAL HIGHLIGHTS

### Capital Expenditure

#### Major capital investments in FY14:

- ✈ Purchase of 25 Saab 340 B+ aircraft
- ✈ Purchase of the Pinnacle spares
- ✈ Purchase of a full flight simulator
- ✈ Construction of Rex simulator centre
- ✈ Totalling over \$56M with \$22.7M on 3yr financing



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## OUTLOOK

- ➔ Economy may take some time to recover from its current moribund state
- ➔ Removal of the carbon tax will help both the aviation sector and economy to recover faster
- ➔ The new FY will probably see our passenger numbers stabilising



## OUTLOOK

- ➔ Pax No. Decline FY14

1 <sup>st</sup> Half FY14	2 <sup>nd</sup> Half FY14	FY14 Pax Reduction
-30K	-8K	-38K



## PROFIT FORECAST

The Group believes that its profit deterioration has levelled off and FY 15's profit would be similar to or slightly improved on FY14's



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## DIVIDEND

In view of the

- ➔ sharp decline in profits
- ➔ recent substantial capital outlay
- ➔ uncertain economic environment ahead

The Board believes it prudent to conserve cash and consequently no dividend will be paid for FY14



## DIVIDEND

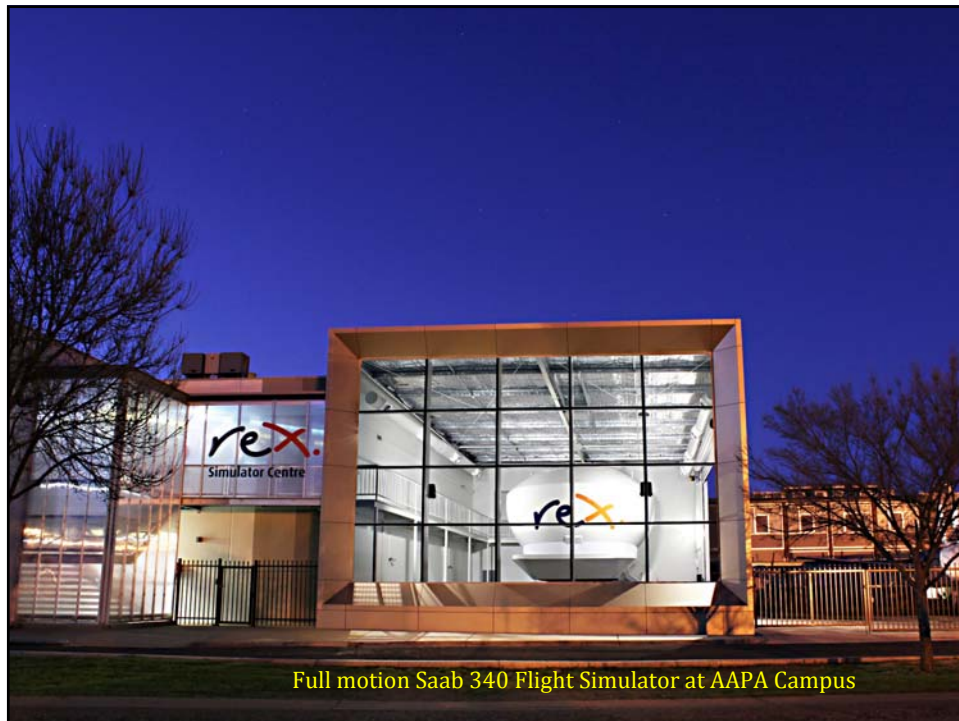
The Board is also of the view that there being no more major capital investment on the horizon, the Group should be in a position to **significantly increase the dividend payout ratio** once the recovery is firmly rooted



Q & A

**END OF  
PRESENTATION**

**THANK YOU**



Full motion Saab 340 Flight Simulator at AAPA Campus