



**Alliance Aviation Services Limited**  
A.C.N. 153 361 525

PO Box 1126  
EAGLE FARM QLD 4009

Telephone  
**+61 7 3212 1212**

Facsimile  
+61 7 3212 1522  
[www.allianceairlines.com.au](http://www.allianceairlines.com.au)

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Alliance Aviation Services (ASX code: AQZ)

## **Strengthened Alliance Aviation renews debt facilities**

- **Follows significant reductions in debt and operating costs**
- **Debt facilities renewed on similar terms**
- **Enhanced structure better aligned with business model**

Alliance Aviation Services Limited (“Alliance” or “the Company”) is pleased to announce the renewal of debt facilities with its existing banking syndicate (Australia and New Zealand Banking Corporation and Commonwealth Bank of Australia). The facilities are for a term of three years, expiring 5 July 2018.

Alliance has secured the facilities on substantially the same terms as the previous financing package. Settlement will occur on 30 June 2015 at the same pricing.

The renewal follows:

- A reduction in the Company’s net debt from approximately \$96M to \$86M over the course of the past 6 months;
- Improved aircraft utilisation following the sale of the aircraft;
- Cash savings from operational changes, specifically from the outsourcing of part of the heavy maintenance of aircraft; and
- Reduction in total workforce of 85 (16%) in the total workforce in FY2015.

The facilities have also been tailored to better suit Alliance’s current business model, including the removal of USD denominated debt and the introduction of a revolving capital expenditure facility designed to support the new heavy maintenance payment profile announced on 21 April 2015.

The structure of the new facility limits is as follows:

- Amortising Term Loan: AUD \$82.0 million – fully drawn
- Revolving Capital Expenditure Facility: AUD \$9.0 million - undrawn
- Working Capital Facility: AUD \$7.75 million – partially drawn

Commenting on the refinancing, Managing Director Scott McMillan, said: “This is an excellent result for Alliance. It highlights the strong relationship we have with our banking syndicate and the support they have for our business and strategy.”

The new facility is aligned with the Board strategy to reduce debt in the medium term. Alliance expects total debt to reduce to between \$60 and \$70 million over the next 2 to 3 years.

Mr McMillan said, "With this financing package now secured, Alliance is well positioned to execute its strategy to retain and grow its market position and revenue base."

### **Sale of F100 Aircraft**

Alliance confirms that it has completed the previously announced sale of the two F100 aircraft. The foreshadowed debt reduction has also been completed.

### **Alliance Strategy**

In December 2014 Alliance announced a number of measures to improve the ongoing performance of the business. An update of these is as follows:

- Fleet Composition – The Company indicated that it would reduce its fleet composition by 30 June 2015. This has been completed successfully with the sale of two F100 aircraft and the removal of one F50 from service.

#### **Fewer fleet numbers mean lower ongoing maintenance and fixed costs**

- Base Maintenance Program – Alliance has completed the closure of its Adelaide Base Maintenance program and has outsourced a large proportion of its heavy maintenance obligations. The first aircraft from this new program has successfully returned to service for a materially lower overall cost.

#### **Lower capital expenditure in FY16 will improve cash flow and provide improvements to the net profit after tax in future years**

- Personnel – The Company is focussed on lowering all overheads. FY15 has had a continued focus on headcount with a total reduction of 85 employees since 1 July 2014.

#### **The focus on overheads continues to lower future expenditure**

- Revenue – Alliance continues to maintain existing contracts. The Company has enhanced its capability for future Business Development with the appointment of a new General Manager Commercial.

#### **The current focus is the development of new revenue sources to enhance continued diversification**

- Debt Facility – Alliance has successfully refinanced the debt facility. Total debt has reduced by over AUD 10 million during FY15 with a strategy to reduce it further over the next 2 to 3 years.

#### **The new debt facility provides the Company and investors with confidence that it has the correct financing strategy for the next 2-3 years.**

Ends

Alliance Aviation Services Limited

*For more information contact:*

*Matthew Dyer*

*Chief Financial Officer*

*Alliance Aviation Services Limited*

*61 7 3212 1201*

## **About Alliance Aviation**

*Alliance Aviation is Australia's leading provider of fly-in, fly-out ("FIFO") transportation.*

*The Company provides an essential service to the mining and energy industry – the safe and efficient air transportation of their employees and contractors to and from remote locations.*

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

*The Company will now operate a fleet of 15 Fokker 100, 8 Fokker 70LR jet aircraft and 5 Fokker 50 turboprops at industry leading on time performance.*

*Alliance flies workers to and from some of the largest mining operations in Australia for a predominantly "blue chip" mining and energy customer base, and also provides ad-hoc charter, aircraft wet lease and aviation engineering services to a range of corporate, tourism and government customers throughout Australasia.*

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