

ASX/Media Release

QANTAS TO ACQUIRE ALLIANCE AVIATION TO BETTER SUPPORT RESOURCES SEGMENT

5 May 2022: Qantas has reached an agreement to fully acquire Australian-based operator, Alliance Aviation Services Ltd (ASX: AQZ) (**Alliance**), enabling the national carrier to better serve the growing resources sector.

The agreement, which is subject to a vote from Alliance shareholders and competition clearance, would see Alliance become a wholly-owned part of the Qantas Group.¹

There is no change to Qantas' arrangements with Alliance as a result of today's announcement given the approvals required, which would take a minimum of several months to secure.

Alliance has a fleet of 70 jet aircraft that seat up to 100 people each, making them well suited to charter operations. Between these charter services and a small number of passenger routes that overlap with large mine sites, Alliance accounts for around 2 per cent of the total domestic market.

The national carrier is Alliance's biggest single customer, with a long-term agreement that sees Alliance operate up to 18 newly acquired E190 jets for QantasLink. This arrangement has helped open new direct routes and increase frequency across regional Australia.

Qantas bought just under 20 per cent of Alliance in February 2019 and at the time flagged its long-term interest in acquiring 100 per cent of the airline. The ACCC investigated that minority holding for three years and made no findings that it lessened competition.

Under the agreement announced today, the remaining 80 per cent would be acquired through a scheme of arrangement where Alliance shareholders receive Qantas shares worth \$4.75² for each Alliance share they hold³, representing a 32 per cent premium to Alliance's volume weighted average price for the past three months. Qantas would issue new shares valued at approximately \$614 million in a transaction that is expected to be EPS accretive for Qantas shareholders, before synergies.

Qantas has advised the ACCC of today's announcement and provided detail of the anticipated benefits to customers. Qantas will continue to update the market on expected completion timing as the competition clearance and Alliance shareholder vote processes progress.

CEO Commentary

Qantas Group CEO Alan Joyce said acquiring the remaining shares in Alliance would mean QantasLink can better compete in the highly competitive charter segment, particularly given the shared fleet type of Fokker aircraft.

¹ The agreement is a Scheme Implementation Deed, a copy of which is attached to the ASX announcement detailing the acquisition of same date by Alliance.

² The scheme consideration will be reduced by the amount of any dividends paid by Alliance in the ordinary course from now until completion of the acquisition.

³ The number of Qantas shares received by Alliance shareholders will be determined using the volume weighted average price of Qantas shares in the 20 business days prior to the scheme record date (prior to transaction completion).



“Alliance’s fleet of Fokker aircraft are perfect for efficiently serving resources customers in WA and Queensland. They also have a big inventory of spare parts that would significantly extend the practical life of a combined fleet of around almost 70 Fokkers.

“Keeping these aircraft operating reliably for longer than either carrier could achieve by themselves will help keep costs down, which is ultimately good news for charter customers. There are also benefits from bringing together our operations planning and training facilities.

“The resources sector continues to grow and any new tender for airline services will be very competitive. It makes a lot of sense for us to combine with Alliance to improve the services we can offer, which is a positive for both airlines as well as the travelling public.

“We’ve opened up several new passenger routes using up to 18 of Alliance’s E190s, so bringing all 33 of these aircraft, plus their crews, into the Qantas Group would really expand what we could achieve.

“We plan to extend our program of guaranteed lower fares for residents in those few communities where Alliance operates its own passenger services, as well as access to our Frequent Flyer program,” added Mr Joyce.

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Authorised for release by the Qantas Board of Directors

