

## Regional Express Holdings

## Transportation

REX-ASX A\$1.39 TARGET PRICE A\$1.35 HOLD

HOLD

Regional Express Holdings Ltd. is a holding company which engages in the provision of operating commercial airlines. It includes air transportation of passengers and freight. It operates through Regular Public Transport and Charter segments. The company was founded on February 2002 and is headquartered in Mascot, Australia.

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## Initiate with HOLD - Yield to support share price at current levels – Watch for oil price moves!

## Investor return

Regional Express Holdings (REX) has had a strong price performance on a rolling year to date basis with the stock price up over 70%. This reflects a return to profitability in FY17 due to a recovery in revenue per available seat km (RASK) and lower operating costs [particularly Jet fuel costs (down over 17% on the previous comparable period (pcp)) on a per available seat km (ASK) basis].

**We believe REX looks fairly valued at the current price but given its attractive forecast yield we believe investors should still achieve a total gross stock return of ~6.0% over 12 months and are thus recommending investors continue to HOLD REX.**

## Outlook

REX stated at the FY17 annual general meeting that it expects profit before tax (PBT) to be up by at least 20% on FY17. We are currently forecasting a 24% growth in underlying PBT reflecting a continuation of lower oil, and thus jet prices, and disciplined capacity management resulting in good RASK performance.

It also stated it wanted to maintain a healthy dividend payout ratio. REX's FY17 payout ratio was ~80%. We have assumed FY17 was a bit of a catch up given REX had not paid a dividend since FY12 so have assumed a payout ratio of 60% going forward resulting in a gross forecast yield in FY18F of ~8.9%. We note prior to FY12, REX's payout ratio ranged from ~35%-40%.

## Risk as for all airlines is a rising oil and thus Jet fuel price

The Brent oil forward curve, although in backwardation, has an average Brent price in FY19F and FY20F of ~US\$60/bbl and US\$58/bbl respectively, well up on the average Brent crude prices in FY16 (US\$45/bbl) and FY17 (US\$51/bbl). We have assumed the fuel price on a per ASK basis is up in FY19F, thus the slight drop off in earnings. Clearly REX will try and pass the additional cost on in airline ticket prices and therefore our forecast may be a little on the conservative side.

## Valuation

The average of the three 12-month forward valuation techniques we use for REX is \$1.35, thus our \$1.35 price target.

We have a "base case" 12-month forward discounted cash flow valuation for REX of \$1.30; a valuation based on REX trading at its historic average EV/EBITDAR multiple of 3.8 times of \$1.37 and a \$1.38 valuation based on REX trading at its historic 12-month forward P/E multiple of 10 times.

## Company Data

Effective shares outstanding (m)	110
Price (\$)	1.445
Market Capitalisation (\$m)	159.2
Free Float (%)	25%
Free Float Market Capitalisation (\$m)	39.2
12 month low (\$)	0.76
12 month high (\$)	1.68
Average daily volume (3 month) ('000)	23.5
Forecast Stock Capital Return	(2.9%)
<b>Forecast Total Stock Gross Return</b>	<b>6.0%</b>

Data Source: FactSet

## Earnings Summary (A\$m)

Year end June	FY17	FY18F	FY19F	FY20F
<b>Sales revenue</b>	<b>281.0</b>	<b>284.8</b>	<b>291.7</b>	<b>298.8</b>
<b>EBITDAR</b>	<b>33.9</b>	<b>38.2</b>	<b>36.9</b>	<b>37.4</b>
PBT	17.8	22.1	21.0	21.2
<b>Underlying NPAT</b>	<b>12.6</b>	<b>15.5</b>	<b>14.7</b>	<b>14.8</b>
Reported NPAT	12.6	15.5	14.7	14.8
Reported EPS (c)	11.7	14.4	13.7	13.8
<b>Underlying EPS (c)</b>	<b>11.7</b>	<b>14.4</b>	<b>13.7</b>	<b>13.8</b>
<b>Underlying P/E (x)</b>	<b>9.5</b>	<b>9.7</b>	<b>10.1</b>	<b>10.1</b>
DPS (c)	10.0	8.6	8.2	8.3
<b>Payout ratio (%)</b>	<b>86%</b>	<b>60%</b>	<b>60%</b>	<b>60%</b>
Franking (%)	100%	100%	100%	100%
Dividend yield (%)	9.0%	6.2%	5.9%	6.0%
<b>Gross Yield (%)</b>	<b>12.9%</b>	<b>8.9%</b>	<b>8.5%</b>	<b>8.5%</b>

Data Source: Company, APP Securities

## Share Price Performance



Source: FactSet

APP Securities contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

Regional Express (REX)						REX-ASX						
Summary						Profit and Loss A\$m						
						FY16	FY17	FY18F	FY19F	FY20F		
<b>Recommendation</b>	<b>HOLD</b>					<b>Sales revenue</b>	<b>261.9</b>	<b>281.0</b>	<b>284.8</b>	<b>291.7</b>	<b>298.8</b>	
<b>Price (\$)</b>	<b>1.39</b>					<i>Growth</i>	2.2%	7.3%	1.4%	2.4%	2.4%	
<b>Target Price (\$)</b>	<b>1.35</b>					Operating costs	(241.7)	(247.0)	(246.6)	(254.8)	(261.4)	
Upside (Downside) (%)	(2.9%)					<b>EBITDAR</b>	<b>20.2</b>	<b>33.9</b>	<b>38.2</b>	<b>36.9</b>	<b>37.4</b>	
Gross Yield (%)	8.9%					<i>Growth</i>	-20.9%	68.2%	12.5%	-3.4%	1.3%	
<b>Total Stock Return (%)</b>	<b>6.0%</b>					Operating lease expense	(0.2)	(0.8)	(0.8)	(0.8)	(0.8)	
Shares (m)	110.2					<b>EBITDA</b>	<b>19.9</b>	<b>33.1</b>	<b>37.4</b>	<b>36.1</b>	<b>36.6</b>	
Effective shares outstanding (m)	107.4					D&A	(16.1)	(16.3)	(16.1)	(16.2)	(16.4)	
Market Capitalisation (\$m)	149.3					EBIT	3.8	16.9	21.3	19.9	20.2	
Free Float Market Capitalisation (\$m)	39.2					Net interest	0.5	0.9	0.8	1.1	1.0	
<b>Valuation</b>						<b>PBT</b>	<b>4.3</b>	<b>17.8</b>	<b>22.1</b>	<b>21.0</b>	<b>21.2</b>	
<b>P/E (x)</b>						Tax	(1.3)	(5.2)	(6.6)	(6.3)	(6.4)	
Forecast P/E (x)	10.0					Profit	3.0	12.6	15.5	14.7	14.8	
12 month forward EPS (underlying) (\$)	0.14					Minority interests	0.0	0.0	0.0	0.0	0.0	
<b>Value per share (\$)</b>	<b>1.38</b>					<b>Underlying NPAT</b>	<b>3.0</b>	<b>12.6</b>	<b>15.5</b>	<b>14.7</b>	<b>14.8</b>	
<b>EV/EBITDAR</b>						Non-recurring items	(12.6)	0.0	0.0	0.0	0.0	
Forecast EV/EBITDAR (x)	3.8					<b>Reported NPAT</b>	<b>(9.6)</b>	<b>12.6</b>	<b>15.5</b>	<b>14.7</b>	<b>14.8</b>	
12 month forward EBITDAR (\$m)	37.6					<b>Cashflow A\$m</b>						
<b>Enterprise Value</b>	<b>143.0</b>					Operating EBITDA	19.9	33.1	37.4	36.1	36.6	
Net Debt (incl. off B/S)	(8.3)					Change in working capital	3.4	(4.3)	0.7	0.1	0.2	
Value	151.3					Net interest	(1.7)	(1.1)	(0.9)	(0.4)	(0.4)	
<b>Value per share (\$)</b>	<b>1.37</b>					Tax paid	1.3	(3.9)	(6.0)	(5.7)	(5.7)	
<b>Discounted Cash Flow Valuation</b>						Other	6.2	3.1	0.0	0.0	0.0	
<b>Value per share (\$)</b>	<b>1.30</b>					<b>Operating cashflow</b>	<b>29.1</b>	<b>26.9</b>	<b>31.2</b>	<b>30.1</b>	<b>30.6</b>	
<b>Average Valuation per share (\$)</b>						Capital expenditure	(20.1)	(20.6)	(10.1)	(19.6)	(20.1)	
	<b>1.35</b>					Net Divest/ (Acquist'ns	0.2	2.3	0.0	0.0	0.0	
<b>Financial Metrics</b>						Other	0.0	0.0	0.0	0.0	0.0	
	<b>FY16</b>	<b>FY17</b>	<b>FY18F</b>	<b>FY19F</b>	<b>FY20F</b>	<b>Investing cashflow</b>	<b>(19.9)</b>	<b>(18.3)</b>	<b>(10.1)</b>	<b>(19.6)</b>	<b>(20.1)</b>	
Reported EPS (c)	(8.8)	11.7	14.4	13.7	13.8	Change in Debt	(5.2)	(6.6)	(5.0)	(0.2)	(0.4)	
<b>Underlying EPS (c)</b>	<b>2.8</b>	<b>11.7</b>	<b>14.4</b>	<b>13.7</b>	<b>13.8</b>	Change in Equity	0.0	0.0	0.0	0.0	0.0	
Underlying EPS diluted (c)	2.8	11.7	14.4	13.7	13.8	Dividends paid	0.0	0.0	(11.0)	(9.5)	(9.1)	
<b>Underlying P/E (x)</b>	<b>27.8</b>	<b>9.5</b>	<b>9.7</b>	<b>10.1</b>	<b>10.1</b>	Other	(0.7)	(2.5)	0.0	0.0	0.0	
Underlying P/E (diluted) (x)	27.8	9.5	9.7	10.1	10.1	<b>Financing cashflow</b>	<b>(5.8)</b>	<b>(9.1)</b>	<b>(16.1)</b>	<b>(9.7)</b>	<b>(9.4)</b>	
<b>DPS (c)</b>	<b>0.0</b>	<b>10.0</b>	<b>8.6</b>	<b>8.2</b>	<b>8.3</b>	Net cashflow	3.5	(0.6)	5.0	0.7	1.1	
Payout ratio (%)	0.0%	85.5%	60.0%	60.0%	60.0%	<b>Balance Sheet A\$m</b>						
<b>Franking (%)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	Cash	26.8	26.3	31.3	32.0	33.1	
Dividend yield (%)	0.0%	7.2%	6.2%	5.9%	6.0%	Receivables	9.6	10.8	11.0	11.2	11.5	
<b>Gross Yield (%)</b>	<b>0.0%</b>	<b>12.9%</b>	<b>8.9%</b>	<b>8.5%</b>	<b>8.5%</b>	Inventory	23.0	24.6	25.0	25.6	26.2	
Book value (\$)	1.71	1.83	1.88	1.92	1.97	Other	1.1	0.1	0.1	0.1	0.1	
Net Tangible Assets (\$)	1.70	1.82	1.87	1.91	1.96	<b>Total Current Assets</b>	<b>60.5</b>	<b>61.8</b>	<b>67.4</b>	<b>68.9</b>	<b>70.9</b>	
<b>Price to Book value (x)</b>	<b>0.41</b>	<b>0.57</b>	<b>0.69</b>	<b>0.67</b>	<b>0.66</b>	Aircraft	108.6	96.7	90.9	94.3	98.0	
Price to NTA (x)	0.45	0.61	0.74	0.73	0.71	Other PPE	92.9	106.9	107.0	107.1	107.3	
<b>Cash Conversion</b>	<b>148%</b>	<b>96%</b>	<b>102%</b>	<b>100%</b>	<b>100%</b>	Intangibles	1.0	0.9	0.6	0.4	0.3	
Op. cashflow per share	0.27	0.25	0.29	0.28	0.29	Other	7.5	6.5	6.5	6.5	6.5	
<b>Price to OCFS (x)</b>	<b>2.9</b>	<b>4.4</b>	<b>4.8</b>	<b>5.0</b>	<b>4.9</b>	<b>Total Non Current Assets</b>	<b>210.0</b>	<b>211.0</b>	<b>205.0</b>	<b>208.4</b>	<b>212.1</b>	
Interest cover (EBIT/Net int) (x)	(7.6)	(18.7)	(26.4)	(17.5)	(19.8)	<b>Total Assets</b>	<b>270.5</b>	<b>272.8</b>	<b>272.3</b>	<b>277.3</b>	<b>283.0</b>	
<b>Underlying ROE (%)</b>	<b>1.6%</b>	<b>6.6%</b>	<b>7.8%</b>	<b>7.2%</b>	<b>7.1%</b>	Payables	25.9	18.3	18.6	19.0	19.5	
Underlying ROA (%)	0.3%	1.6%	2.0%	1.8%	1.8%	Short Term Debt	6.6	7.1	7.1	7.1	7.1	
<b>Multiples</b>						Provisions	26.0	31.1	32.1	32.5	33.1	
	<b>FY16</b>	<b>FY17</b>	<b>FY18F</b>	<b>FY19F</b>	<b>FY20F</b>	<b>Total Current Liabilities</b>	<b>58.5</b>	<b>56.5</b>	<b>57.7</b>	<b>58.6</b>	<b>59.7</b>	
Net debt	3.5	(2.6)	(12.7)	(13.6)	(15.1)	Long term debt	23.6	16.6	11.5	11.3	10.9	
Implied off B/S Debt	1.4	4.8	4.8	4.8	4.9	Deferred tax	0.4	1.9	0.0	0.0	0.0	
Market Equity (Y/E)	84.8	122.3	153.1	153.1	153.1	Other	1.9	1.4	1.4	1.4	1.4	
<b>EV</b>	<b>89.7</b>	<b>124.4</b>	<b>145.2</b>	<b>144.3</b>	<b>143.0</b>	<b>Total Non Current Liabilities</b>	<b>25.9</b>	<b>19.8</b>	<b>12.9</b>	<b>12.7</b>	<b>12.3</b>	
<b>EV/EBITDAR (x)</b>	<b>4.4</b>	<b>3.7</b>	<b>3.8</b>	<b>3.9</b>	<b>3.8</b>	<b>Total Liabilities</b>	<b>84.4</b>	<b>76.4</b>	<b>70.6</b>	<b>71.3</b>	<b>72.0</b>	
EV/EBIT (x)	23.6	7.4	6.8	7.3	7.1	Shareholders Equity	72.0	72.0	72.0	72.0	72.0	
<b>Growth Rates</b>						Retained Earnings/(Losses)	112.1	124.7	130.9	136.7	142.7	
	<b>FY16</b>	<b>FY17</b>	<b>FY18F</b>	<b>FY19F</b>	<b>FY20F</b>	Reserves/Other	2.0	(0.2)	(1.1)	(2.7)	(3.6)	
Revenue growth	2.2%	7.3%	1.4%	2.4%	2.4%	Minority Interests	0.0	0.0	0.0	0.0	0.0	
<b>EBITDAR growth</b>	<b>(20.9%)</b>	<b>68.2%</b>	<b>12.5%</b>	<b>(3.4%)</b>	<b>1.3%</b>	<b>Total Equity</b>	<b>186.1</b>	<b>196.4</b>	<b>201.8</b>	<b>206.0</b>	<b>211.1</b>	
Underlying EPS growth	(55.2%)	322.8%	23.1%	(4.8%)	0.9%							

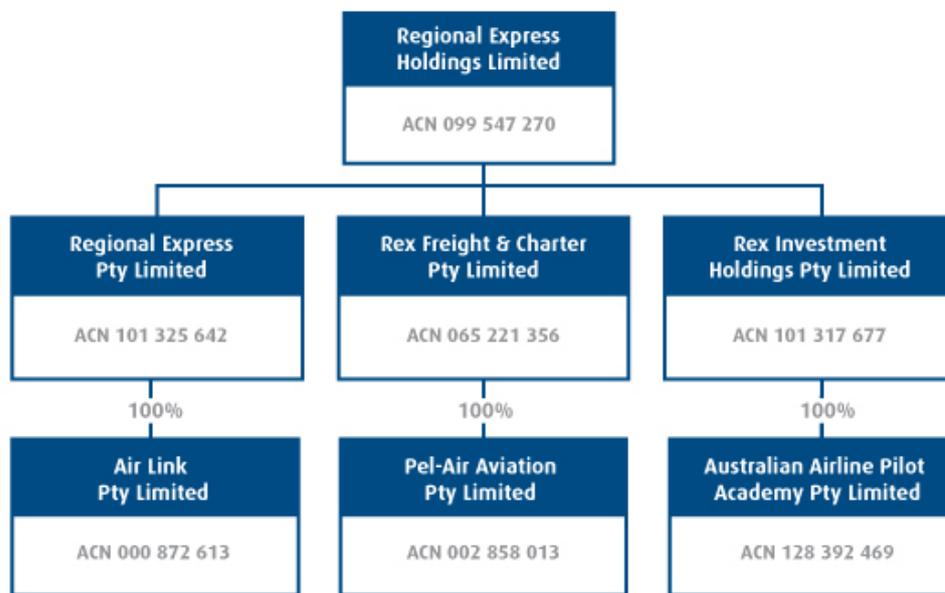
### Company Overview

Regional Express Holdings Ltd (REX) is a holding company which engages in the provision of operating commercial airlines. It includes air transportation of passengers and freight. It operates through Regular Public Transport and Charter segments. The company was founded on February 12, 2002 and is headquartered in Mascot, Sydney in New South Wales.

REX arose from the 2001 collapse of Ansett Airlines, which was the parent company of Kendell Airlines and Hazelton Airlines. Investors purchased the Hazelton and Kendell businesses, which were profitable entities before they were taken over by Ansett. Australiawide Airlines was formed and officially incorporated on 12 February 2002. The assets of the two airlines were purchased by Australiawide and merged to form the airline Regional Express, known as REX.

Regional Express Holdings' main asset is Regional Express Pty. Ltd., which owns another airline - Dubbo-based Air Link. Another company is REX Freight and Charter Pty. Ltd., which is the company that owns Pel-Air. The third subsidiary company is REX Investment Holdings Pty. Ltd., which as of September 2007 is dormant.

Figure 1. Regional Express Corporate Structure



Source: Company data

#### Regional Express Pty Limited

Previously known as Australian Express Airlines Pty Limited, this arm was incorporated on 11 July 2002. It holds the assets and operates the business of the airline Regional Express (REX). It also holds the Air Operator's Certificate to conduct the company's airline and charter activities as well as the Certificate of Approval to undertake aircraft and aircraft component maintenance and overhaul.

#### Air Link Pty Limited

Established in 1971 as an aircraft charter operation based in Dubbo, NSW, it commenced regular passenger air services in 1991. It had operated services linking the NSW regional towns of Bourke, Cobar, Coonamble, Walgett and Lightning Ridge to Dubbo and Sydney and services between Mudgee and Sydney. This was discontinued in Dec 2008 and it continues to provide passenger charter services. In August 2014, Air Link began operating some regular passenger air services on the Sydney to Dubbo and Dubbo to Broken Hill routes. REX acquired 100% of Air Link's shares and business activities including its fleet of nine aircraft on the 30th November 05. Air Link continues to operate as a separate entity in the REX Group.

#### REX Freight & Charter Pty Limited

Previously Hazelton Air Charter Pty Limited, this subsidiary was incorporated on 22 June 1994. It is the company which holds the 100 percent investment shareholding in Pel-Air Aviation Pty Limited.

Figure 2. Regional Express Network



Source: Company data

#### Pel-Air Aviation Pty Ltd (Pel-Air)

Incorporated in 1984 and has evolved to become a successful and leading air charter company with a niche in overnight Air Freight, specialist services to the Australian Defence Force and medical evacuation services. Pel-Air became a wholly owned subsidiary of REX in June 2007. Pel-Air now employs about 100 personnel with operational and maintenance facilities at Brisbane QLD, Nowra NSW and Essendon VIC. Furthermore, there are crew based in Townsville and Mackay QLD. Pel-Air was restructured between 2008 and 2011 and it now specialises in the following market segments:

- Defence and government related aviation support operations
- Aero-medical services for Ambulance Victoria
- Fly in/fly out charter services
- Express freight services
- Air Tours charter services

Pel-Air Aviation currently has 11 jet and seven turbo prop aircraft in its fleet, making it one of the larger independent operators of Corporate Jet and Turbo-prop aircraft in Australia.

#### REX Investment Holdings Pty Limited

Incorporated on 10 July 2002, this subsidiary, previously known as Country Express Pty Limited, holds investments, including overseas investments and AAPA below.

#### Australian Airline Pilot Academy

The Australian Airline Pilot Academy (AAPA) was established to offer an intensive training program that enables students to graduate with a Commercial Pilots Licence, a Multi Engine Rating and a Command Instrument rating amongst other training programs to cater to the needs of the parent company as well as other airlines. Originally located in Mangalore, Victoria, it re-located to Wagga Wagga in April 2009 where it will be based permanently.

## Financials

Regional Express Holdings Limited operates the following business segments:

- Regular public transport - Provides scheduled air transport services.
- Charter - Provides air transport services outside the scheduled destinations and timetable
- Freight - Provides freight services on the Queensland routes

REX earns over 95% of its revenue from regular public transport (RPT) revenue and charter with a small contribution from freight and other passenger services.

### FY17 Review

In FY16 REX was successful in winning RPT services to 16 Queensland ports after winning the Queensland Government regulated route tender. Additionally, in FY16 REX won another state government regulated route tender in Western Australia (WA). With the start of the Perth/Albany and Perth/Esperance routes on 28 February 2016, REX we now consider REX to be a pan-Australia regional airline with operations servicing 58 ports spanning all states of Australia.

With a full-years benefit of those new routes, combined with growth in its existing network REX had a solid year with underlying profit before tax up \$13m (or nearly 300%) and underlying earnings per share (EPS) up over 200%.

A key driver to the turnaround in FY17, aside from the new routes was the \$4.2m drop in Jet fuel costs. Again, we note that this impact was weighted to 2H17 (fuel cost per ASK dropped 8% from \$0.040 in 1H17 to \$0.036 in 2H17). Thus, 1H18 will again see a pronounced benefit of the lower fuel costs rolling through.

As can be noted below the capacity growth (as measured by ASK) in the 1H was strong reflecting the new business noted above but dropped off in 2H17.

Figure 3. Regional Express Operating Data

\$m	1H16	2H16	FY16	1H17	2H17	FY17	FY18E	FY19E	FY20E
<b>ASK</b>	379,700	385,300	<b>765,000</b>	423,000	391,000	<b>814,000</b>	<b>805,860</b>	<b>818,754</b>	<b>831,854</b>
Growth				11.4%	1.5%	6.4%	-1.0%	1.6%	1.6%
<b>RPK</b>	208,076	190,282	<b>398,358</b>	239,418	208,390	<b>447,808</b>	<b>453,356</b>	<b>460,610</b>	<b>467,980</b>
Growth				15.1%	9.5%	12.4%	1.2%	1.6%	1.6%
<b>Load Factor</b>	54.8%	49.4%	<b>52.1%</b>	56.6%	53.3%	<b>55.0%</b>	<b>56.3%</b>	<b>56.3%</b>	<b>56.3%</b>
Growth				1.8%	3.9%	2.9%	1.2%	0.0%	0.0%
<b>Passengers</b>	550	510	<b>1,060</b>	612	547	<b>1,159</b>	<b>1,173</b>	<b>1,192</b>	<b>1,211</b>
Growth				11.3%	7.3%	9.3%	1.2%	1.6%	1.6%
<b>RASK</b>	34.9	33.6	<b>34.2</b>	34.1	35.0	<b>34.5</b>	<b>35.3</b>	<b>35.6</b>	<b>35.9</b>
Growth				-2.3%	4.2%	0.8%	2.4%	0.8%	0.8%
<b>Fuel cost /ASK</b>	0.047	0.045	<b>0.046</b>	0.040	0.036	<b>0.038</b>	<b>0.039</b>	<b>0.041</b>	<b>0.040</b>
Change				-15.6%	-19.3%	-17.3%	3.5%	4.0%	-1.5%

Source: Company data, APP Securities

### Outlook for FY18

REX stated at the FY17 annual general meeting that it expects profit before tax (PBT) to be up by at least 20% on FY17. We are currently forecasting a 24% growth in underlying PBT.

Key assumptions in our modelling are:

- ASK growth marginally down (1%) – First four months of FY18F ASK is down 2.1% on the previous comparable period (pcp)
- Passenger (pax) numbers and RPKs up 1.4% reflecting an increase in load factor from 55% to 55.8% - First four months of FY18F Pax numbers and RPKs are up 4.2% and 3.4% respectively on pcp with load factors up a solid 3.2%.
- Yield growth of 1.0% generating a RASK growth of 2.4% reflecting the stronger load factors
- Costs to be marginally (1%) up but below CPI

We note that from FY10 to FY17, REX has:

- grown total revenue at a compound average growth rate (CAGR) of 3.0%,

- total operating expenditure (excluding fleet funding i.e. operating lease, depreciation and debt servicing costs) at a CAGR of 4.3%, and
- operating expenditure (excluding fuel) at a CAGR of 5.0%.

Fuel requirements until November 2017 are hedged with a forecast saving of \$1m. Given the lift in oil and thus Jet prices recently we are forecasting the fuel bill for FY18F to be marginally up on FY17.

Figure 4. Regional Express Profit and Loss

\$m	1H16	2H16	FY16	1H17	2H17	FY17	FY18E	FY19E	FY20E
Passenger	113	114	227	128	122	249	253	260	266
Freight	1	1	1	1	1	1	1	1	1
Charter	14	11	25	12	11	23	23	23	24
Passenger services	1	1	2	1	1	3	3	3	3
Other Revenue	4	2	6	2	2	5	5	5	5
<b>Total Sales</b>	<b>133</b>	<b>129</b>	<b>262</b>	<b>144</b>	<b>137</b>	<b>281</b>	<b>285</b>	<b>292</b>	<b>299</b>
Flight and Port	(24)	(25)	(48)	(28)	(26)	(54)	(53)	(55)	(57)
Fuel cost	(18)	(17)	(35)	(17)	(14)	(31)	(32)	(33)	(34)
Employee	(51)	(52)	(103)	(54)	(51)	(106)	(105)	(108)	(112)
Marketing	(3)	(4)	(7)	(4)	(4)	(7)	(7)	(8)	(8)
Engineering	(19)	(20)	(39)	(21)	(19)	(40)	(40)	(41)	(42)
Admin.	(4)	(4)	(7)	(4)	(4)	(8)	(8)	(8)	(8)
Other	0	(2)	(2)	0	(2)	(2)	(2)	(2)	(2)
<b>Total operating expenditure</b>	<b>(119)</b>	<b>(123)</b>	<b>(242)</b>	<b>(127)</b>	<b>(120)</b>	<b>(247)</b>	<b>(247)</b>	<b>(255)</b>	<b>(261)</b>
<b>Underlying EBITDAR</b>	<b>14</b>	<b>6</b>	<b>20</b>	<b>17</b>	<b>17</b>	<b>34</b>	<b>38</b>	<b>37</b>	<b>37</b>
Operating leases	(0)	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)
<b>EBITDA</b>	<b>14</b>	<b>6</b>	<b>20</b>	<b>17</b>	<b>16</b>	<b>33</b>	<b>37</b>	<b>36</b>	<b>37</b>
Depreciation	(8)	(8)	(16)	(8)	(8)	(16)	(16)	(16)	(16)
<b>EBITA</b>	<b>6</b>	<b>(2)</b>	<b>4</b>	<b>9</b>	<b>8</b>	<b>17</b>	<b>22</b>	<b>20</b>	<b>20</b>
Amortisation of intangibles	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>Underlying EBIT</b>	<b>6</b>	<b>(2)</b>	<b>4</b>	<b>9</b>	<b>8</b>	<b>17</b>	<b>21</b>	<b>20</b>	<b>20</b>
Interest income	0	0	1	0	1	1	1	1	1
Interest expense	(1)	1	(0)	(1)	1	0	0	0	0
<b>Net Interest income/(expense)</b>	<b>(1)</b>	<b>1</b>	<b>1</b>	<b>(1)</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Underlying PBT</b>	<b>5</b>	<b>(1)</b>	<b>4</b>	<b>8</b>	<b>10</b>	<b>18</b>	<b>22</b>	<b>21</b>	<b>21</b>
Taxation	(1)	0	(1)	(2)	(3)	(5)	(7)	(6)	(6)
<b>Underlying profit after tax</b>	<b>3</b>	<b>(0)</b>	<b>3</b>	<b>6</b>	<b>7</b>	<b>12</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Underlying PBT</b>	<b>5</b>	<b>(1)</b>	<b>4</b>	<b>8</b>	<b>10</b>	<b>18</b>	<b>22</b>	<b>21</b>	<b>21</b>
Asset impairment	(7)	(2)	(8)	0	0	0	0	0	0
Goodwill impairment	(7)	0	(7)	0	0	0	0	0	0
Other	(5)	5	(0)	1	(1)	0	0	0	0
<b>Total items</b>	<b>(18)</b>	<b>3</b>	<b>(15)</b>	<b>1</b>	<b>(1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Statutory NPBT</b>	<b>(13)</b>	<b>3</b>	<b>(11)</b>	<b>9</b>	<b>9</b>	<b>18</b>	<b>22</b>	<b>21</b>	<b>21</b>
Tax	2	(1)	1	(2)	(3)	(5)	(6)	(6)	(6)
<b>Reported NPAT</b>	<b>(11)</b>	<b>2</b>	<b>(10)</b>	<b>6</b>	<b>6</b>	<b>13</b>	<b>16</b>	<b>15</b>	<b>15</b>

Source: Company data, APP Securities

REX also stated at its AGM it wanted to maintain a healthy dividend payout ratio.

REX's FY17 payout ratio was ~80%. We have assumed FY17 was a bit of a catch up given REX had not paid a dividend since FY12 so have assumed a payout ratio of 60% going forward resulting in a gross forecast yield in FY18F of ~8.6%.

We note prior to FY12, REX's payout ratio ranged from ~35%-40%..

#### News Flow

REX has tendered for the Western Australian Government regulated air services contract between Perth and Carnarvon forecast to start in July 2018.

REX has tendered for the Victorian Police tender to provide surveillance aircraft forecast to start in January 2019.

REX has tendered for the Australian Defence Forces tender to provide fast jet support to start in the 3Q 2019.

Announcements on these tenders are expected over the balance of FY18.

## Return on invested capital

REX based on our calculations earned a return on invested capital of 10.2%. This is forecast to lift to 11.4% in FY18 given the forecast low capital spend this year.

Figure 4. Regional Express Return on Invested Capital

\$m	FY15	FY16	FY17	FY18F	FY19F	FY20F
Receivables	20	17	17	17	18	18
Inventories	20	23	25	25	26	26
Other assets	0	1	0	0	0	0
Investments	-	-	-	-	-	-
Property, plant & equipment	210	202	204	198	201	205
Assets For Sale	0	0	0	0	0	0
Intangible assets	8	1	1	1	0	0
(Payables)	23	27	20	20	21	21
(Revenue Received in Advance)	18	19	23	23	24	24
(Provisions)	7	7	9	9	9	9
<b>Balance Sheet Invested Capital</b>	<b>210</b>	<b>190</b>	<b>196</b>	<b>189</b>	<b>192</b>	<b>196</b>
Off Balance Sheet Debt	-	1	5	5	5	5
Implied Capped up at	n/m	6.0	6.0	6.0	6.0	6.0
<b>Invested Capital</b>	<b>210</b>	<b>191</b>	<b>201</b>	<b>194</b>	<b>197</b>	<b>201</b>
Average Invested Capital	<b>105</b>	<b>201</b>	<b>196</b>	<b>197</b>	<b>196</b>	<b>199</b>
Underlying EBIT	10	4	17	21	20	20
Operating Leases	0	0	1	1	1	1
Notional Depreciation	0	0	0	0	0	0
ROIC EBIT	<b>10</b>	<b>4</b>	<b>18</b>	<b>22</b>	<b>21</b>	<b>21</b>
<b>ROIC</b>	<b>9.2%</b>	<b>2.1%</b>	<b>9.2%</b>	<b>11.4%</b>	<b>10.8%</b>	<b>10.8%</b>

Source: Company data, APP Securities

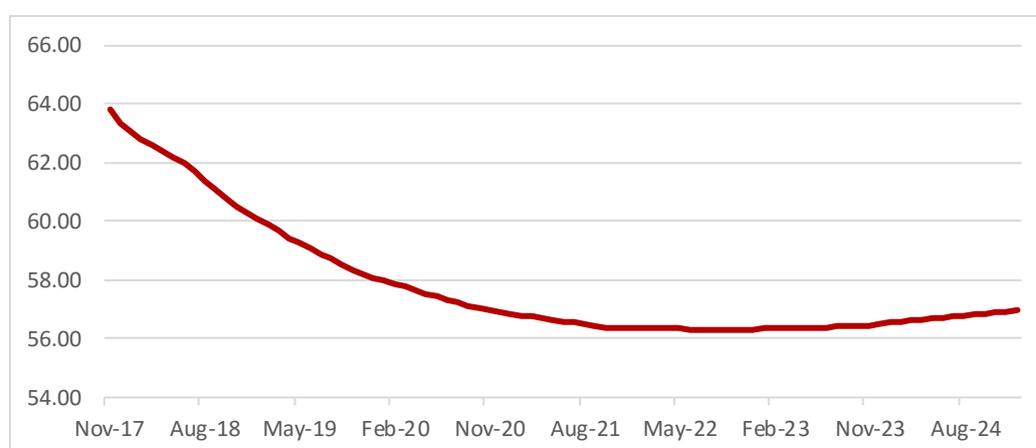
We are forecasting a drop off in capital expenditure (\$10m) in FY18 (in line with company guidance) but are assuming it reverts to ~\$20m p.a. going forward (average fleet capital expenditure since FY11 has been \$19.5m p.a.) as the aging fleet needs to be replaced and as the business grows.

## Watch for Jet Fuel price increases

The last public announcement by REX had it's fuel requirements hedged until November 2017 with a forecast saving of \$1m on pcp. We believe REX hedge on an opportunistic basis; i.e. on dips.

Given the move up in the crude price (up from US\$45/bbl in June to US\$63 in November), with very few "dips", we expect REX's fuel cost will slowly be appreciating as the existing hedges roll off.

Figure 5. Brent Oil forward curve (US\$/bbl)

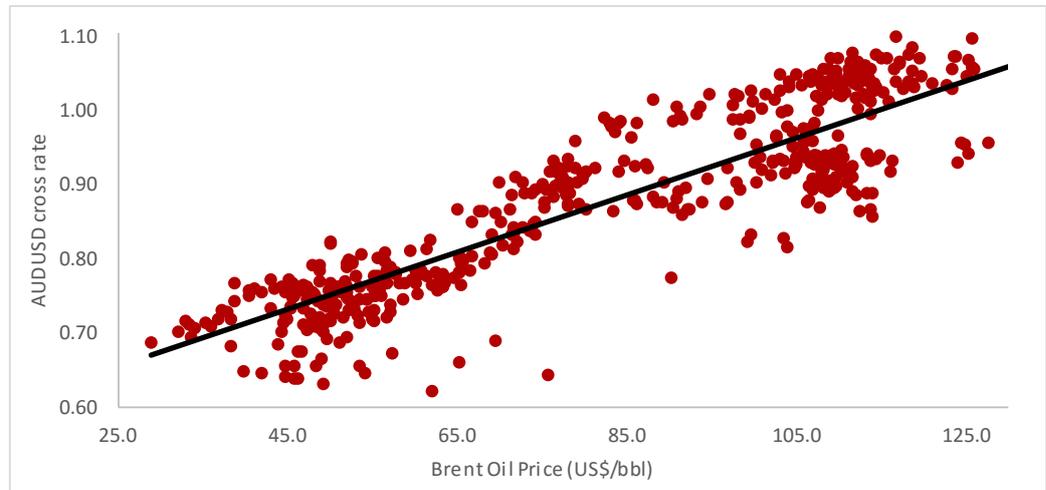


Source: FactSet

However; we note the forward curve, although in backwardation, has an average Brent price in FY19F and FY20F of ~US\$60/bbl and US\$58/bbl, well up on the average crude prices in FY16 (US\$45/bbl) and FY17 (US\$51/bbl).

Countering this of course is that when the oil price increases globally, it typically reflects growth in global economic conditions which is reflected in global commodity prices. Given Australia is leveraged to the commodity cycle, there is a relatively strong correlation between the Brent crude price and the AUDUSD cross rate.

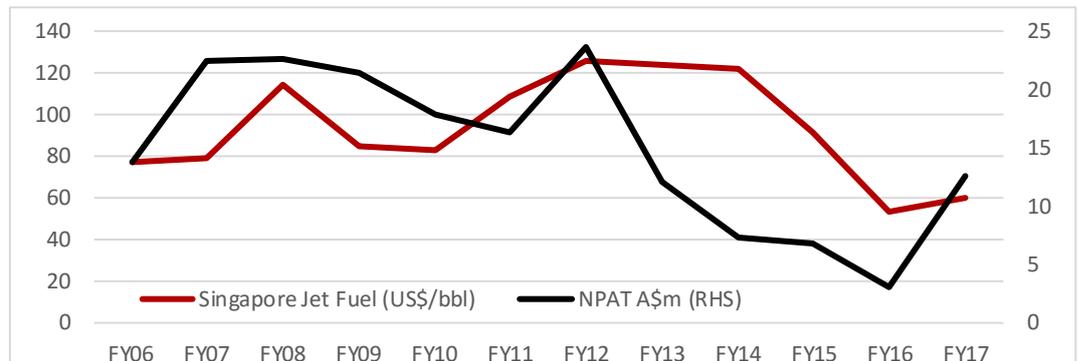
**Figure 6. Brent Oil price versus the AUDUSD cross rate over the last ten years**



Source: FactSet

On first look below the correlation between REX’s earnings and the US\$ Jet fuel price looks quite strong. In reality though, the correlation has been ~29% since FY06.

**Figure 7. REX underlying NPAT versus Singapore Jet fuel price (US\$/bbl)**



Source: FactSet

Of course, fuel costs are meaningful. However, we believe competition, the strength of the A\$, and the strength of the markets routes are serving are equally important.

Thus, as noted above we forecast oil and thus Jet prices will appreciate in FY19 and FY20 compared with that reported over FY16 and FY17, but is not that material as some might expect.

## Valuation

The average of the three 12-month forward valuation techniques we use for REX is \$1.35, thus our \$1.35 price target.

We have a:

- “base case” discounted cash flow valuation for REX of \$1.27 (based on a five-year cash flow forecast model, weighted average cost of capital (WACC) of 10% and a terminal growth rate of 2.0%).

**Figure 8. Regional Express Discounted Cash Flow.**

A\$m	FY18F	FY19F	FY20F	FY21F	FY22F	Terminal
EBITA	21.6	20.0	20.3	20.2	20.0	
Standard Taxation paid by company	(6.5)	(6.0)	(6.1)	(6.1)	(6.0)	
Depreciation	15.8	16.1	16.3	16.6	16.8	
Operating leases	0.8	0.8	0.8	0.8	0.8	
Increase in Working Capital	0.7	0.1	0.2	0.1	0.1	
Capital Expenditure	(10.1)	(19.6)	(20.1)	(20.6)	(21.1)	
Acquisitions/Other	0.0	0.0	0.0	0.0	0.0	
Disposals/Capital Raised	0.0	0.0	0.0	0.0	0.0	
<b>Standard Free Cashflow</b>	<b>22.3</b>	<b>11.3</b>	<b>11.4</b>	<b>11.1</b>	<b>10.7</b>	<b>132.6</b>
FCF Timing Factor	0.6	1.6	2.6	3.6	4.6	5.6
Discount Factor	1.1	1.2	1.3	1.4	1.5	1.7
<b>Discounted FCF</b>	<b>21.1</b>	<b>9.7</b>	<b>8.9</b>	<b>7.9</b>	<b>6.9</b>	<b>77.9</b>

Valuation	
Explicit Cashflows (5 years)	54.5
Terminal Item	77.9
Total Firm Value	132.4
Less: Net Debt (incl. off B/S)	(7.9)
Total Equity Claims	140.3
Diluted Shares	110.2
<b>Per Share Value (Operational)</b>	<b>\$1.27</b>

Source: Company data, APP Securities

- a \$1.37 valuation based on REX trading at its historic average EV/EBITDAR multiple of 3.8 times since FY08, and
- a \$1.38 valuation based on REX trading at 10 times forecast 12 month forward EPS (historic 12-month forward P/E multiple since is 10.3 times).

**Figure 9. Regional Express Historic Multiples.**

\$m	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18F	Average FY08 - FY17
P/Reported Earnings (x)	5.2	3.7	4.7	5.4	4.8	8.9	10.5	16.9	(8.7)	9.5	10.0	6.1
P/Underlying Earnings (x)	5.5	4.0	6.4	5.9	5.1	10.3	11.3	16.8	27.8	9.5	10.0	10.3
<b>P/Underlying Earnings (diluted) (x)</b>	<b>5.5</b>	<b>4.0</b>	<b>6.4</b>	<b>5.9</b>	<b>5.1</b>	<b>10.3</b>	<b>11.3</b>	<b>16.8</b>	<b>27.8</b>	<b>9.5</b>	<b>10.0</b>	<b>10.3</b>
<b>Market Capitalisation</b>	<b>123</b>	<b>86</b>	<b>117</b>	<b>97</b>	<b>121</b>	<b>126</b>	<b>82</b>	<b>115</b>	<b>85</b>	<b>122</b>	<b>160</b>	
Net debt reported (B/S)	(12)	(14)	16	10	(16)	(19)	22	12	3	(3)	(13)	
Off balance sheet debt (calculated)	46	46	54	53	45	44	26	0	1	5	5	
Net debt plus off balance sheet debt	35	32	69	63	29	25	49	12	5	2	(8)	
<b>EV including off balance sheet debt</b>	<b>157</b>	<b>118</b>	<b>187</b>	<b>160</b>	<b>150</b>	<b>150</b>	<b>130</b>	<b>127</b>	<b>90</b>	<b>124</b>	<b>152</b>	<b>139</b>
<b>EV/EBITDAR</b>	<b>3.3</b>	<b>2.5</b>	<b>4.2</b>	<b>3.8</b>	<b>2.6</b>	<b>3.8</b>	<b>4.3</b>	<b>5.0</b>	<b>4.4</b>	<b>3.7</b>	<b>4.0</b>	<b>3.8</b>

Source: Company data, APP Securities

## Global comparatives

We have tabled below the global airline companies that we are aware of. As a crude way of ranking we have sorted on two year forward price to earnings ratio. REX based on our forecast is sitting middle of the pack.

Figure 10. Global Airline Forecast P/E Multiples

Ticker	Company	Price	Market Cap. (US\$ mn)	P/E		
				FY1	FY2	FY3
NAS-NO	Norwegian Air Shuttle ASA	174.00	747	n/m	n/m	8.9
293-HK	Cathay Pacific Airways Limited	11.64	5,858	n/m	80.3	13.3
GIAA-ID	PT Garuda Indonesia (Persero) Tbk Class B	310	593	31.4	33.2	13.9
<b>VAH-AU</b>	<b>Virgin Australia Holdings Limited</b>	<b>0.29</b>	<b>1,862</b>	<b>39.9</b>	<b>32.5</b>	<b>27.5</b>
C6L-SG	Singapore Airlines Ltd.	10	9,187	21.6	23.9	25.4
LAN-CL	LATAM Airlines Group SA	8,085	7,557	38.1	19.8	13.8
AAV-TH	Asia Aviation Public Co., Ltd.	6.35	944	20.0	18.2	16.1
AEROMEX-MX	Grupo Aeromexico SA de CV	31.36	1,174	n/m	17.2	
2618-TW	Eva Airways Corporation	15.40	2,140	17.9	17.0	15.7
THAI-TH	Thai Airways International Public Co. Ltd.	17.30	1,158	n/m	17.0	14.4
900945-CN	Hainan Airlines Holding Co. Ltd. Class B	1	9,176	18.1	15.1	12.5
020560-KR	Asiana Airlines Inc.	4,775.00	900	10.5	14.6	11.0
LUV-US	Southwest Airlines Co.	62.03	36,808	17.5	13.9	12.9
FIA1S-FI	Finnair Oyj	12.10	1,826	13.8	13.4	12.3
9202-JP	ANA Holdings Inc.	4,466.00	13,694	10.8	12.3	11.6
EZJ-GB	easyJet plc	14.30	7,656	14.8	12.2	11.0
JBLU-US	JetBlue Airways Corporation	22	7,045	12.7	12.0	11.2
2610-TW	China Airlines Ltd.	12.15	2,212	27.8	11.9	13.7
9201-JP	Japan Airlines Co., Ltd.	4,123.00	12,931	11.7	11.2	11.8
753-HK	Air China Limited Class H	8.64	16,054	11.6	11.0	9.7
ALK-US	Alaska Air Group, Inc.	68.28	8,402	10.1	10.7	9.6
670-HK	China Eastern Airlines Corporation Limited Class H	4.75	8,791	8.6	10.5	8.7
<b>REX-AU</b>	<b>Regional Express Holdings Limited</b>	<b>1.44</b>	<b>121</b>	<b>10.0</b>	<b>10.5</b>	<b>10.3</b>
1055-HK	China Southern Airlines Company Limited Class H	7.15	9,228	9.9	10.1	9.0
HA-US	Hawaiian Holdings, Inc.	42.50	2,230	7.7	9.7	10.6
WJA-CA	WestJet	26	2,390	10.7	9.3	8.5
AIRARABIA-AE	Air Arabia PJSC	1.23	1,563	8.8	8.9	8.9
<b>QAN-AU</b>	<b>Qantas Airways Limited</b>	<b>5.62</b>	<b>7,283</b>	<b>9.4</b>	<b>8.7</b>	<b>8.6</b>
AIR-NZ	Air New Zealand Limited	3	2,449	8.8	8.6	7.9
5238-MY	AirAsia X Bhd.	0.34	342	11.7	8.3	7.6
5099-MY	AirAsia Bhd.	3	2,641	6.9	7.9	7.8
THYAO-TR	Turk Hava Yollari A.O.	13	4,509	34.6	7.8	7.0
SAS-SE	SAS AB	26.20	1,190	8.2	7.4	7.0
LHA-DE	Deutsche Lufthansa AG	29	16,471	6.6	6.9	6.4
IAG-GB	International Consolidated Airlines Group SA	6	17,087	7.0	6.6	6.0
CEB-PH	Cebu Air Inc.	99.00	1,184	7.1	6.3	6.0
AF-FR	Air France-KLM SA	12.07	6,112	5.2	5.1	4.6
AFLT-RU	Aeroflot-Russian Airlines PJSC	144.60	2,727	5.3	4.7	4.1
<b>Average</b>				<b>14.5</b>	<b>14.5</b>	<b>10.9</b>
<b>Median</b>				<b>10.8</b>	<b>11.0</b>	<b>10.3</b>

Source: FactSet, APP Securities

## Risks

The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can affect the value of an investment in the Securities of the Company.

Based on the information available, a non-exhaustive list of the key risk factors affecting the Company is as follows:

**Fleet Age:** REX's fleet of 55 Saab aircrafts has an average age of 20 years with the oldest and newest having a five-year difference from the average. While REX is an efficient operator of its Saab and Metro aircraft, both types are now in the middle of their economic life and will need to be replaced in the longer term. As Saab 340s are no longer produced, a new aircraft type will have to be acquired in the future.

**Pilots:** REX has its own pilot cadet training programme (AAPA) in Wagga Wagga, NSW. A further 21 Vietnamese cadet pilots commenced training at AAPA over September and October in 2017.

**Regulation:** Safety rules introduced over about a decade by the Civil Aviation Safety Authority (CASA) have impacted the company. New regulations enforceable starting from the 1<sup>st</sup> of May 2018 relating to employee fatigue may mean that REX will need to employ more staff impacting on CASK.

In the last 12 years 17 regional airlines in Australia have stopped operating. One of the reasons reported to have hastened the decline is the additional regulatory costs. A former CASA chairman, said "regulation" had increased costs across the general aviation sector in areas like training, licensing and aircraft maintenance. He said the regulatory system in Australia was the costliest in the world.

**Foreign Currency Risks:** The Company derives its revenues in Australian dollars. However, it purchases aircraft, aircraft components and Jet fuel in US\$.

**Fuel Costs:** The impact of fuel costs on the aviation industry is well known. If fuel costs increase, any consequent fuel surcharges could have a dampening effect on air travel and result in lower profitability or even losses for the Company.

**Increased Competition:** Increase in Competition on routes from existing competitors or from new start-ups. New start-ups pose a particular risk as their promoters may price for market share that cause severe price disruptions at the start of such operations and again at the end of their existence. This had been a feature of the domestic and regional industry in Australia prior to the collapse of Ansett and was prevalent in FY14.

Routes which are not currently open to competition may become competitive in the future (for example, if REX's exclusive licences to operate certain routes in New South Wales are revoked, not renewed or not renewed on an exclusive basis). Increased competition may result in reduced prices and/or passenger numbers for flights operated by REX and may have a material adverse effect on its financial position and performance.

**External Shocks:** Airlines are vulnerable to external shocks like the SARS outbreak or to terrorism fears.

**Development of Alternative Modes of Transport:** Regional airlines also compete against rail and road transport. As regional centres become better serviced by railways or highways, a portion of the actual or potential customer base of the regional airlines may switch to these alternate modes of transport. Although this risk is less present in Australia, if relations with Japan or China become better, railways could take passengers away from Regional air services

## Board and Management

### **Hai Kim Lim, Executive Chairman**

Mr. Hai Kim Lim is Executive Chairman at Regional Express Holdings Ltd., Chairman at Lynk Biotechnologies Pte Ltd., and Chairman at Wooworld Pte Ltd. He received his graduate degree from École Nationale d'Administration Publique and an MBA from the National University of Singapore.

### **Neville Howell, Chief Operating Officer & Executive Director**

Mr. Howell has over 35 years of aviation experience and has been with the Company since its inception in August 2002. He has operated the Saab 340 as a First Officer and Captain for over 18 years for both Hazelton Airlines and Regional Express. Prior to his role as GM Flight Operations (GMFO) and Chief Pilot, Mr. Howell was Manager Training & Checking and Deputy Chief Pilot. He is an extensively qualified and experienced simulator and aircraft instructor and has held positions as both Training and Check Captain. Mr. Howell was the Chief Flying Instructor and Chief Pilot for the first integrated pilot training academy in Australia and has provided cadet pilot training for both domestic and international carriers. He is a qualified lecturer in a number of aviation subjects and has a Diploma of Aviation. He holds a number of Civil Aviation Safety Authority (CASA) delegations and has done since 1984. Mr. Howell became Chief Operating Officer in July 2014. As Chief Operating Officer he is responsible for Regional Express operations including flight operations, continuing airworthiness, maintenance control, airport operations and the human factors group. Mr. Howell is the accountable manager for the Regional Express Air Operator Certificate (AOC) and also holds the CASA approval as Alternate Chief Pilot.

### **Professor Ronald Bartsch, Independent Non-Executive Director**

Mr. Ronald Bartsch is on the Board of Directors at Regional Express Holdings Ltd. Mr. Bartsch was previously employed as Head-Safe & Regulatory Compliance by Qantas Airways Ltd.

### **John Sharp, Deputy Chairman & Independent Director**

Mr. John Sharp is Deputy Chairman at Regional Express Holdings Ltd. and Chairman at Pel-Air Aviation Pty Ltd. He is on the Board of Directors at Regional Express Holdings Ltd., Climate Change Authority, Skytraders Pty Ltd., The French-australian Chamber of Commerce & Industry and Tudor House Foundation Ltd. Mr. Sharp was previously employed as a Member by House of Representatives, Chairman by Aviation Safety Foundation Australasia, Chairman by Power & Data Corp. Pty Ltd., and Chairman by Winifred West Schools Foundation Ltd. He also served on the board at Airbus Group Australia Pacific Ltd., Australian Aerospace Ltd. and Flight Safety Foundation.

### **James Davis, Independent Director**

Mr. James Davis is Independent Director at Regional Express Holdings Ltd. and Chairman at Regional Aviation Association of Australia. He is on the Board of Directors at Regional Express Holdings Ltd. Mr. Davis was previously employed as a Manager-Flight Operations & Standards by Hazelton Airlines Ltd. and Chairman by Australian Airline Pilot Academy Pty Ltd. He also served on the board at Air Link Pty Ltd. and Pel-Air Aviation Pty Ltd.

### **Lee Thian Soo, Non-Executive Director**

Mr. Lee has extensive international business experience and currently is the Chairman and owner of a company supplying specialty medical devices, systems and drugs to healthcare institutions in the ASEAN region. He is also on the board of a biomedical company and a mobile/internet gaming company.

Mr. Lee was one of the founding shareholders and directors of REX in August 2002.

Mr. Lee was appointed to the board of REX on 27 June 2003. He was re-elected to the Board on 16 November 2006, 25 November 2009, 27 November 2012 and 27 November 2015.

### **Christopher Peter Hine, Group Flight Operations Advisor, Chairman's Office Chairman, Australian Airline Pilot Academy**

Mr. Christopher P. Hine is on the Board of Directors at Regional Express Holdings Ltd. Mr. Hine was previously employed as Chairman by Australian Airline Pilot Academy Pty Ltd. He received his undergraduate degree from the University of South Australia.

**Mayooran Thanabalasingam, GM-Information Technology & Communications**

Mr. Mayooran Thanabalasingam is GM-Information Technology & Communications at Regional Express Holdings Ltd. He is on the Board of Directors at Australian Airline Pilot Academy Pty Ltd.

**Png Yeow Tat, General Manager, Engineering**

Tat has been in aviation engineering for more than 35 years and has many years of experience in various senior management positions. He graduated with an Honours Degree in Electrical and Electronic Engineering from the UK. Tat joined REX in June 2007 as the Logistics Advisor and subsequently as the Engineering Advisor in the Chairman's Office. He became the Deputy General Manager and Part 145 Alternate Accountable Manager for both REX and Air Link Approved Maintenance Organisations (AMOs) in June 2013. He is a member of the REX Engineering Management Committee and a member of the REX Management Committee.

**Warrick Lodge, General Manager-Sales & Network Strategy**

Warrick manages a team responsible for scheduling, pricing, revenue management, sales and commercial analysis. His duties include the monitoring of network performance and analysis of both existing and new market opportunities. Warrick has more than 24 years of regional airline experience in the specialised areas of scheduling, pricing and revenue management and held the position of Manager Network Planning with Kendell Airlines, having joined that company in 1992. Warrick has been with REX since its inception in 2002 and is also a member of the REX Management Committee.

**Irwin Tan, General Manager, Corporate Services**

Irwin's background was originally in genetic research after graduating with first class honours in biotechnology from the University of New South Wales in Sydney. Irwin left the field of genetic research when he joined Morrison Express Logistics in 1999 and then Singapore Airlines in 2001. He was later transferred to Singapore Airlines Cargo as an executive where he took on various appointments in product development, advertising, sales and airline alliances before taking on the role of Regional Marketing Manager in South West Pacific in 2003. Irwin joined REX in July 2005 and was appointed the Company Secretary on 7 September 2005. Irwin is also a member of the REX Management Committee.

**Mayooran Thanabalasingam, General Manager, Information Technology and Communications**

Mayooran leads a team of Information Technology (IT) professionals responsible for ensuring day-to-day operations of the airline. With over 15 years of experience and an extensive background in information technology, he has managed a range of IT projects and initiatives for REX including the Internet Booking Engine, the Amend Booking Engine, Web Check-in and numerous Mobile/iPad applications. Mayooran has a Master of Business Administration (Computing) from Charles Sturt University. He also has a Graduate Certificate in Management (Information Technology) as well as an Associate Diploma of Electrical Engineering / Computer Engineering. He commenced with REX in April 2004. Mayooran is a member of the REX Management Committee and a Director of the Australian Airline Pilot Academy (AAPA).

**Paul Fisher, General Manager Flight Operations and Chief Pilot**

Paul has over 26 years of aviation experience and has been with the Company since its inception in August 2002. He has operated the Saab 340 as a First Officer and Captain for over 14 years for both Hazelton Airlines and Regional Express. Prior to his role as GM Flight Operations (GMFO) and Chief Pilot, Paul has served in various roles within the Training and Checking department along with being the Adelaide Flight Operations Manager, Flight Standards Manager and the Training & Checking Manager / Deputy Chief Pilot. He holds a number of Civil Aviation Safety Authority (CASA) delegations. As GMFO he is responsible for all facets of the Company's flight operations and all operational matters affecting the safety of flight operations.

**Mark Burgess, Deputy General Manager, Engineering**

Mark Burgess is a Licensed Aircraft Maintenance Engineer with over 30 years' experience and has been with the Company since its inception in 2002. His career began as an apprentice in the British A. His career began as an apprentice in the British Armed Forces where he maintained helicopters for 12 years and left as a Senior Rank. He continued his career in the oil and gas industry with CHC Helicopters and also British Midland Regional Prop and Jet RPT services. He migrated to Australia in 2001 to work for Kendell Airlines in Wagga Wagga and became Production Leader co-ordinating maintenance and manpower on heavy checks for Saab 340 aircraft. In 2008 he moved to Adelaide as the Line Maintenance Supervisor and oversaw expansion of REX maintenance activities from line to heavy maintenance. He is a member of the REX Engineering Management Committee.

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