

# SHIFTING WINDS



**FY2019**

**Annual General Meeting**

**21<sup>st</sup> November 2019**

**rex.**  
*Regional Express*



# Agenda

- Financial Performance
- Group Operational Review
- Revised Outlook & Profit Forecast
- Dividend

# FY19 Annual General Meeting

- **Financial Performance**
- Group Operational Review
- Revised Outlook & Profit Forecast
- Dividend

# Financial Performance

**Group PBT modest improvement by 1% compared to FY18 due to:**

- Contribution of new Perth – Carnarvon/Monkey Mia route
- Improvement in yield (2.7%)
- Slight improvement in passenger numbers in traditional network (+1.1%) with less flying (-1.2%)
- Increasing enrolment of international cadets at AAPA

Offset by:

- Fuel price increased by 30% (+\$9.8M) despite hedging efforts
- AUD steep weakening especially in 2HFY19

# FY19 Annual General Meeting

- Financial Performance
- **Group Operational Review**
- Revised Outlook & Profit Forecast
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# Group Operational Review

- Jul-18 Commenced Perth – Carnarvon / Monkey Mia Route
- Aug-18 Pledged \$1 Million for drought relief to Regional Australia
- Sep-18 Divestment of Air Link
- Oct-18 Ceased flights Sydney - Mildura
- Nov-18 Acquired one Saab340B+ aircraft
- Nov-18 Early redemption of mortgage on Saab340 aircraft
- Dec-18 Fully hedged for 2H FY19 fuel (Brent < USD60 / barrel)

# Group Operational Review

- Jan-19 Relief Fund increased to \$1.5M for flood & drought
- Apr-19 Acquired one Saab340B+ aircraft
- May-19 Acquired an additional Saab340B+ aircraft, bringing a total of 60 Saab340 aircraft in Rex's fleet
- Jun-19 Fully hedged for Q1FY20 fuel (Brent = USD60 / barrel)
- Jun-19 Announced interest in expansion to Northern Territory
- Jun-19 Pel-Air Contract Extension with Ambulance Victoria for 2 years

# Group Operational Review

## Airline Reliability Index

Airline	On Time Departure					Cancellation Rate (%)				
	FY19	FY18	FY17	FY16	FY15	FY19	FY18	FY17	FY16	FY15
	2 <sup>nd</sup> (83.8%)	2 <sup>nd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1.0%	1.3%	0.8%	0.5%	0.3%
Virgin Australia Regional	3 <sup>rd</sup> (78.3%)	3 <sup>rd</sup>	1 <sup>st</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	2.1%	2.6%	1.5%	2.0%	1.4%
QantasLink	1 <sup>st</sup> (84.3%)	1 <sup>st</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	1.6%	2.3%	2.6%	2.6%	2.1%

# Rex In The Community

## Rex has donated \$320K to regional communities:

- Partner with Foundation for Rural & Regional Renewal for drought and flood-affected regions
- Heart of Australia
- Little Heroes Foundation
- Dirranbandi Miss Showgirl Competition, Queensland Country Life Showgirl Awards
- 2019 New South Wales Regional Woman of the Year (WOTY) Award
- Red Faces Variety Show, Grow SA
- The Crows Bros, Eyre Peninsula Crows Supporter Group
- Club Scout Leaders Conference, Esperance Scout Group

In addition, Rex has implemented Community Fare in 18 routes across the network as of FY19



# Rex In The Community



Good Friday Appeal with Aviation Rescue Fire Fighting Services



Griffith Banna Lane Festival

# Rex In The Community



United Nations' Australian Youth Representative listening tours in Longreach



Bravehearts, Child Safety Foundation

# Group Operational Review

## Subsequent Events:

- Aug-19 Hedged Q2FY20 fuel requirements (Brent = USD58 / barrel)
- Aug-19 Obtained Development Approval to build a Simulator Centre at Rex's facility at Mascot, Sydney adjacent to its HQ
- Oct-19 Reached agreement with VinPearl Air for pilot training at AAPA
- Oct-19 Commencement of AAPA campus expansion project for 100 rooms
- Nov-19 Granted Labour Agreement for overseas recruitment of pilots and engineers
- Nov-19 Acquired ST Aerospace Academy (Australia), pilot academy based in Ballarat, Victoria

# ST Aerospace Academy (Australia)

- Incorporated in 2007
- Owns a Fleet of 20 Aircraft with an additional 5 on lease
- Trained more than 600 students since inauguration
- Currently training 150 Cadets



# ST Aerospace Academy (Australia)

→ Approvals:



- Granted CAAC (China) quota to train up to 170 cadets annually from China.
- Currently 150 cadets under training from Air China, Xiamen Airlines, Okay Airlines, Hainan Airlines and Scoot (MPL flight component)

# Infrastructure Developments

- Accommodation blocks for 100 cadets at AAPA (ETA August 2020)
- Setting up satellite base for AAPA (ETA Feb 2020)
- Setting up Simulator Centre at Sydney next to Rex HQ (ETA July 2020)
- Developing a new Sydney Airport Hangar (ETA March 2021)

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- **Revised Outlook & Profit Forecast**
- Dividend

# Revised Outlook & Profit Forecast

## Headwinds

- Weak Australian Dollar
- On-going trade war causing drastic slowdown in most developed economies with likely recession within the FY
- On-going pilot shortage

## Tailwinds

- Mining charters showing signs of strength
- Pilot Training expected to grow strongly
- International medivac activities expected to resume in 3Q FY20

# Revised Outlook & Profit Forecast

## Profit Forecast

- Trading conditions in the past 6 months suggest that passenger numbers will be sluggish
- Costs expected to increase due to the extremely weak AUD
- International economic situation expected to deteriorate
- Rex expects full year FY 20 profits to decline by 20-30%
- Rex remains confident that its strong foundations, highly efficient operations and almost no leverage will carry it through the turbulent conditions until the conclusion of the presidential elections in the United States

# FY19 Annual General Meeting

- Group Operational Review
- Financial Highlights
- Outlook & Profit Forecast
- **Dividend**

# Dividend

- FY19 final dividend at 8c per share fully franked following interim dividend of 4c
- Following the acquisition for cash of STAA (A), the development plans ahead and the uncertain global economic outlook, the Board has decided against an interim dividend
- The Board is committed to a final dividend payout should conditions not deteriorate any further

**Q&A**

**End of Presentation**

**Thank you**



# AGM 2019 Proxy Results

