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Airwork announces continued growth with additional freighter leases and reaffirms guidance

The company announced in October 2014 that it would expand the fleet and customer base in its fixed wing business to support margin improvement through the acquisition of further Boeing 737-400s for conversion to freighters.

"We have received very strong demand from the market for this aircraft type and our innovative leasing solutions," Chief Executive Officer Chris Hart says. "To date we have entered into binding agreements to lease three of these aircraft as freighters. These leases remain subject to the completion of a significant passenger-to-freighter conversion and refurbishment/upgrade program and will commence following completion of this work. The company expects to complete three aircraft in the 2015 financial year (out of a total of seven) with the full increased earnings impact of these leases being recognized in the 2016 financial year.

Mr Hart says the leases have been signed with well-established operators in Europe who contract largely to global parcel carriers and major postal agencies, and will continue for a minimum period of five years. "We continue to see strong demand for this aircraft type, predominantly from express parcel delivery carriers throughout the world," he says.

Committed capital expenditure for the aircraft acquisition and conversion programme in the 2015 financial year is expected to be $45m – $50m, which will be debt funded. Further conversions are subject to additional leases and are expected to be phased throughout the 2016 financial year.

General Trading

Airwork has advised the market that it remains pleased with progress. It continues to grow its helicopter business organically. It has added to its helicopter leasing fleet and its Engineering facility expansion at Ardmore is well under way, with completion projected for later this year.

The company recognises some challenges faced by the oil and gas industry due to falling oil prices. The market is experiencing a slowdown in helicopter trading which could negatively affect the company's engineering revenues. However, the company could benefit from greater leasing opportunities as the market seeks more cost effective and less capital intensive solutions and could also see greater opportunities in the airline and express freight markets, as evidenced by the recent aircraft leases.

The Board reaffirms its previous guidance of a full year net profit after tax of $14.5m for the financial year ending 30 June 2015.

Ends

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