

FY18 CEO REMARKS

SYDNEY, 23 AUGUST 2018

- Good morning.
- I'm very pleased to report that the Qantas Group had a record Underlying Profit in financial year 2018 of \$1.6 billion.
- That's 14 per cent higher than last year and 5 per cent higher than our last record profit in 2016.
- These numbers show a company that is delivering across the board. A business able to reward its shareholders with a buyback and a higher, fully franked dividend; its employees with a bonus; and its customers with a better experience.
- All the detail of this result is in various documents we've released today, but I'd like to briefly take you through how the key parts of the Group are performing and some exciting plans for the future.

GROUP DOMESTIC

- Our domestic flying businesses – Qantas and Jetstar – achieved a record an Underlying Profit of \$1.1 billion. That's 25 per cent up on last year and it's made up of record performances by both airlines.
- We're seeing healthy levels of demand in all parts of the domestic market. Our corporate share remains strong, our SME share is growing and leisure travel is expanding. In the past year, more than 24 million passengers have flown with Jetstar domestically or overseas for less than \$100.

GROUP INTERNATIONAL

- Qantas International delivered a 7 per cent earnings increase off the back of a 4 per cent increase in capacity. Load factor – the measure of how full our flights are – rose to 84 per cent.
- It's fair to say customers have given their stamp of approval to several important changes to International.
- The new Perth–London route is the highest rating service on our network. And the introduction of the 787 on other routes – gradually replacing the 747 to places like San Francisco, New York and Hong Kong – has been very well received. So have changes to our hubs, giving customers the option to transit through Singapore or Perth with Qantas, or via Dubai with our partner Emirates.
- Most of these changes only kicked in from March, so the financial benefit attached to them will flow through properly in FY19. Just the change to our Singapore hub alone is estimated at \$80 million per annum.



- Jetstar International delivered another strong profit, even as it dealt with an \$11 million hit from the Bali volcano as well as supporting new routes. All three of the Jetstar airlines in Asia were profitable.
- Freight performed well, with the international market strengthening and the domestic market stable.

LOYALTY

- Qantas Loyalty posted another record profit through the combination of its traditional Frequent Flyer business as well as new ventures like health insurance and financial services.
- Underpinning this performance is the simple pulling power of Qantas Points, and their ability to shape consumer behaviour – and that translates into value for our growing list of program partners. This fundamental strength has helped mitigate the impact from interchange fee adjustments.
- There are lots of good statistics in these results on Qantas Loyalty but I'll share just one that helps to underscore its performance. While total growth in new credit cards issued in Australia shrank by 4 per cent, the growth in new cards that earn Qantas Points was up 7 per cent.
- We've planned further expansion into financial services for FY19.

FUEL

- Like other airlines, Qantas faces the challenge of higher fuel prices.
- Our fuel bill was up by almost \$200 million in FY18 and we're expecting it to be up another \$690 million in FY19.
- It's a significant increase – but we're confident we will substantially recover it, particularly given the strength of our forward bookings, our advantages in both the domestic and international markets, and our continued focus on transformation.

FINANCIAL FRAMEWORK AND SHAREHOLDER RETURNS

- The Group's strong performance meant we delivered on our financial framework in FY18.
- Debt is below the low end of our preferred range and return on invested capital for the Group was well above target.
- It puts us in an excellent position to keep investing, to deal with headwinds and to reward shareholders.
- Today we announce an increased, fully franked dividend of 10 cents per share together with an on-market buyback of up to \$332 million – a total shareholder return of \$500 million.



- Qantas has always paid its fair share of various types of tax, and now that we've exhausted our available tax losses, we incurred company tax during the second half of the year – which in turn generates franking credits for our shareholders.

REWARDING OUR PEOPLE

- Today's result is a credit to everyone at Qantas. Strategy drives our performance, but it's our people who deliver on it. They are the reason our customers keep coming back.
- In years when the business has achieved a truly standout result, we've been able to reward our non-executive employees with a bonus.
- This year, we have set aside a further \$67 million to reward up to 27,000 non-executive employees with a bonus of \$2,500 each. This brings us to a total of more than \$300 million in bonuses for frontline staff since 2015.
- We're also pleased to keep investing in training. In February, we announced the Qantas Group Pilot Academy – a centre of aviation excellence to give us a pipeline of future talent. It's on track to open during 2019, and the level of support from government and regional communities has been tremendous.
- Today we're committing to a second Pilot Academy facility to help meet global demand. It's a commercial opportunity for Qantas – to train pilots for other airlines – and an opportunity to support the broader aviation industry in a country that relies so heavily on air transport.
- Both facilities will be in regional Australia and we'll announce the locations in coming weeks.

INVESTING FOR OUR CUSTOMERS

- We already have a significant pipeline of investment for our customers:
 - New aircraft for Jetstar and Qantas.
 - The rollout Wi-Fi on much of our domestic network.
 - New routes – including a lot of preliminary work on Sydney to London and New York direct with Project Sunrise.
- In the next 12 months, work will start on a major upgrade of our A380 cabins. We're also upgrading the cabins of our turboprops and our Jetstar A320s.
- Today we unveil a long list of lounge upgrades, covering six ports:
 - Our flagship Sydney International First Lounge will be expanded by 15 per cent and refreshed to make sure it keeps its place as arguably the best in the world.
 - Our Auckland and Tokyo (Narita) lounges will be upgraded.



- Brisbane International, one of our two Dreamliner bases, will be expanded by a further 100 seats.
- And we'll upgrade two more regional lounges – Hobart and Tamworth.
- This investment is about meeting the demand we're seeing for premium travel. And it responds to what frequent flyers tell us about how important the lounge experience is to their overall journey.

LOOKING AHEAD

- Our decision to invest in new lounges, new aircraft and in things like the Pilot Academy – points to the confidence we have in our business.
- After 98 years, the national carrier is the strongest it's ever been. And we see that as a great platform to keep making it better.
- Thank you.

