

22 August 2019

QANTAS GROUP CEO REMARKS – FY19 RESULTS

- I'm pleased to report that the Qantas Group delivered an Underlying Profit Before Tax of \$1.3 billion and a Statutory Profit Before Tax of \$1.27 billion for Financial Year 2019.
- It's a strong result – and it's a *particularly* strong result when you consider some of the headwinds we managed in the year.
- Higher oil prices put our fuel bill up by over \$600 million.
- A lower Australian Dollar impacted us by more than \$150 million.
- And we had a \$92 million non-cash expense on provisions for items including employee leave provisions.
- There are some clear standouts in today's figures:
 - Our revenue was at record levels.
 - Our debt is below the bottom of our target range; and
 - Our statutory earnings per share have remained at the record level we achieved last year.
- So, it's fair to say we're pleased with how the business is performing.

PORTFOLIO SUMMARY

- Each key part of the Group delivered a strong profit in FY19.
- Domestically, Qantas and Jetstar continued to lead in the corporate, premium leisure and price sensitive markets. Both airlines have significant advantages over their competitors.
- Qantas International had a very strong second half after a tough start to the year. Fares had time to catch up to higher fuel prices and the total number of seats in the market shrank. Our investments in fleet and network are paying off, particularly with 787s, Perth-London and our Singapore hub. To put it simply, our strategy is working.
- Qantas Freight provided steady earnings, which will be supported going forward by a seven year deal with Australia Post.



- Jetstar's international services saw significant Unit Revenue growth. Jetstar Japan delivered the Group a record profit share and Jetstar Pacific in Vietnam remained profitable, but Jetstar Asia was challenged by a big increase in Singapore's airport charges. Our regional services in New Zealand were loss making and we're monitoring this market closely.
- Qantas Loyalty returned to double-digit earnings in the second half and posted another record profit for the year. The core Frequent Flyer program continued to perform very well; members love the program and are highly engaged. Loyalty's new revenue streams, like insurance and financial services, continued to grow – and we'll have more products preparing to launch by the end of the year.

REWARDING OUR PEOPLE

- We know that our people are core to our success.
- So, off the back of this result, we're very pleased to reward around 25,000 of our people with a \$1,250 staff travel bonus each.
- Because of an internal discount rate, \$1,250 on the staff travel system represents a lot of value. It can take a family of four on Jetstar to Hawaii and back. Or a couple could use it to fly Perth-London and back.
- This bonus is worth a total of \$32 million to our people. Since 2015, we've now set aside more than \$340 million in bonuses for non-executives. That's on top of the 3 per cent in annual pay increases we've given lately as part of a total wages bill of over \$4 billion.
- When you combine this with the career and training opportunities that come from our growth and innovation, you can see why Qantas ranks so highly in lists of Australia's preferred employers.

REWARDING OUR SHAREHOLDERS

- The Group's performance also translates into strong shareholder returns.
- Today, the Board has approved a fully-franked, ordinary dividend of 13 cents a share and an off-market buyback of almost 80 million shares.
- At the end of this buyback, we'll have reduced the issued capital in Qantas by about 30 per cent since 2015. That's the most of any company in All Ordinaries in the past five years, and it improves earning per share significantly.



INVESTING IN THE FUTURE

- Our strong financial performance also translates into a pipeline of customer investment across the Group. And it means our customers will notice more improvements in the next 12 months:
 - Our A380s are being completely refurbished – new seats, a new on-board lounge and new cabin layout. The first one is already being worked on and will be in service in September.
 - We're opening a new First lounge and expanded Business lounge in Singapore.
 - Jetstar will take the first of its new A321 NEOs, which have better range and will help open up new destinations.
 - Frequent Flyer will roll out \$25 million worth of improvements to a program that Australians already love – making it a lot easier to get a seat using points at times when you most want to travel; and
 - We're working on our waste reduction targets, including eliminating 100 million single use plastics per year.

PROJECT SUNRISE

- We're focused on the future, and on new horizons.
- In particular, our work towards non-stop flights from the East Coast of Australia to London and New York. That final frontier of modern aviation that we've called Project Sunrise.
- We've made good progress on Sunrise in recent months:
 - We know that Boeing and Airbus have aircraft that can do the job, and we have their best-and-final offers on the table – including a compelling offer from Boeing to deal with any delay to the 777X.
 - We have a high-level design of what our cabins would look like.
 - And we're working with regulators to allow flights beyond 20 hours.
- There's plenty of enthusiasm for Sunrise, but it's not a foregone conclusion. This is ultimately a business decision and the economics have to stack up.
- One of the hurdles is a deal with our pilots to fly the aircraft. We're asking for them for some productivity gains – just as we did with the introduction of the Dreamliner – and those discussions are ongoing.



- We'll be making the final YES-NO decision on Sunrise by the end of this year.
- In the meantime, we have an opportunity to do some exciting research.
- Qantas will run three separate research flights, using newly-built 787s before they go into regular service, to assess wellbeing and comfort.
- Between October and the end of the year, we'll collect these aircraft from the Boeing factory in Seattle, position them in New York and London, and fly direct to Sydney.
- We'll have researchers from Monash and Sydney universities on board, running tests on crew wellbeing and passenger comfort for almost 20 hours.
- For weight reasons, there will only be about 40 people on board in total to give the 787 the range it needs.
- These flights are ground-breaking in themselves. No commercial airline has done these kind of experiments before. No commercial airline has ever flown direct from New York to Sydney before. And we'll be offsetting the carbon emissions from all of them.
- The things we learn will be invaluable not just for Sunrise, but for all our long-haul services.

CONCLUSION

- Looking ahead, we're feeling confident about this financial year.
- We've hedged 100 per cent of our fuel. Markets are mixed but capacity settings are in balance. We have competitive advantages in key sectors. We remain focused on cost. And we're in a strong financial position.
- In a few months, Qantas will celebrate its 99th anniversary. And in that same moment, we'll enter our 100th year of operation.
- It's an amazing milestone. No other airline has operated continuously for a century. So, there's a lot to celebrate. And a lot of exciting things to come.

