



QANTAS GROUP HALF YEAR FINANCIAL RESULTS – 22 FEBRUARY 2018

ALAN JOYCE – SPEECH

- Good morning
- I'm pleased to report that the Qantas Group achieved another record profit in the first half of the 2018 financial year, of \$976 million underlying before tax.
- This result beats our previous first half record, set in 2016.
- And it comes in the face of some challenges – higher fuel costs, a competitive domestic market and international capacity growth.
- Despite that: Qantas Domestic had a record result, Jetstar Group had a record result and Qantas Loyalty had a record result. Qantas International held its own in a market that is producing some extremely low air fares.
- We met – or exceeded – all targets of our financial framework. Debt is towards the bottom of our target range. Every division is returning more than its cost of capital. We generated a record amount of operating cash flow and free cash flow was almost three times higher than the previous first half.
- And we delivered for customers – launching our new Dreamliner, which is getting rave reviews; opening new lounges here and overseas; and starting new routes.





TOPLINE SEGMENT ANALYSIS

- This result shows what our previous record results have shown – we have a strong portfolio of businesses and the right integrated strategy for managing them.
- With Qantas Domestic, we're seeing the benefits of investing to generate margin growth – through improvements like Wi-Fi and cabin upgrades.
- With Jetstar, we have the ability to offer low fares that stimulate travel demand to a growing list of domestic and international leisure destinations – while still generating strong margins. As well as the record performance at home, our portfolio of Jetstar-branded airlines in Asia was profitable in the half.
- Qantas International faced the challenges of rising fuel price and more seats in the market. But it largely held its own, with a six per cent decline in profit and a slight rise in unit revenue.
- This is an important transition year for Qantas International and it's setting up a bright future. The airline is welcoming the Dreamliner and making key changes to its network – including hubbing through Singapore and Perth; taking over some routes from Emirates on the Tasman; and starting the unique Perth-London service. These changes will generate material benefits from FY19 onwards, and the early signs are very positive.
- Qantas Loyalty is generating record profits as it – also – deals with change. We flagged that the interchange reset for credit cards would impact earnings, with a return to higher rates of growth for Loyalty from FY19 onwards. It's opening up fresh revenue opportunities by expanding directly into areas like financial services and health insurance.





DELIVERING ON A TRIFECTA

- Our performance means we are able to keep delivering on the trifecta that's key to ongoing success:
 - Strong returns for our shareholders;
 - Better product and service for our customers; and
 - Opportunities for our people.

- For shareholders, we continue our focus on building long term value. The board has announced a further \$500 million of capital will be returned – comprising a 7 cent per share dividend, unfranked, and another buyback worth up to \$378 million.

- This additional buy-back is expected to bring the total reduction of shares on issue to 24 per cent since 2015. That's almost a quarter of our capital base.

- For customers, we are today announcing several new investments:
 - Jetstar will start taking delivery of new A320s from its existing order, beginning with 18 A321 NEOs from mid-2020.

 - These next generation aircraft have the extended range to fly from Melbourne and Sydney to Bali. That means we can redeploy some of the 787's that Jetstar currently use on these routes to new markets – places like Vietnam, China and Hawaii. Given the standout performance of Jetstar in recent years, we expect to see an excellent return on this investment.





- Our Sydney International Business Lounge is one of the most visited on our network. It will receive a complete redevelopment to increase its capacity by 30 per cent and give it a similar premium feel as our newest lounges in London, LA and Brisbane.
- We're also upgrading the cabins of our 45 QantasLink turboprops. These single-class aircraft fly regional routes throughout Australia and will have new seat cushions and new leather upholstery, to significantly improve the experience for customers.

OUR PEOPLE AND LOOKING TO THE FUTURE

- As well as investing in our product, we're also investing in our people.
- Qantas' success has always been rooted in the skill of well-trained professionals – on the ground and in the air.
- That's never going to change.
- Globally, aviation is one of the big growth industries. And the demand for skilled personnel is increasing each year. Boeing estimates the world will need about 640,000 more pilots in the next 20 years. And 40 per cent of the demand is here, in the Asia Pacific.
- Right now, we're in the middle of the biggest pilot training and recruitment drive in Qantas' history. But we want to make sure we have a talent pipeline that is charged well into the future - and keep our reputation for having some of the best pilots in the world.





- I'm very pleased to announce an important initiative not just for Qantas, but for Australian aviation.
- From 2019, we will establish the Qantas Group Pilot Academy to train the next generation of pilots. We want to attract qualified men and women – ideally, in equal number – to be pilots on our network. To learn from the best. And to be the best.
- Initially, training will be limited to cadets who plan to join the Qantas Group – around 100 a year. But over time, we see huge potential for the Academy to train for the industry more broadly. We have some of the most talented pilots in the world flying for us – so, imagine the demand to have Qantas pilots train others.
- Ultimately, we expect the Qantas Group Pilot Academy to be one of the biggest in the southern hemisphere, capable of producing 500 pilots a year.
- To do it, we'll partner with a leading education provider. And we'll engage with Federal, State and Territory Governments who want to attract a facility of this calibre. There's no reason why the Qantas Group Pilot Academy can't become one of Australia's competitive strengths in the region.
- This isn't the first pilot school in Qantas' history. In the mid-1920s, we trained some of Australia's earliest aviators at our flying schools in Brisbane and Longreach – including one Mrs Dorothy Reis, who in 1927 became the first-ever woman in Queensland (and I suspect one of the relatively few women in the world at that time) to receive her pilot's licence.





- We hope many more Australians – including many more women – will be graduates of our new academy.
- And over time, we'll look to extend the academy to train other specialised roles that are core to our future.

CONCLUSION

- Looking ahead, we're broadly positive about trading conditions and the prospects for consumer demand.
- After several years of turning this business around, Qantas now has a lot of momentum behind it.
- Consistent financial performance gives us the headroom to plan for the future.
- We're vigilant about maintaining that performance.
- And we're excited about what's ahead.
- Thank you.

