

ASX/Media Release

QANTAS GROUP MARKET UPDATE: STRONG PERFORMANCE SUPPORTS FLEET INVESTMENT, SHAREHOLDER RETURNS

- Estimated Underlying Profit Before Tax of between \$2,425 million – \$2,475 million for FY23.
- Net debt of \$2,700 million – \$2,900 million expected at 30 June 2023.
- Fuel prices, costs associated with operational buffer and fares all moderating.
- On-market buy-back increased by up to \$100 million.
- On-track to share benefits of recovery with employees.

SYDNEY, 23 MAY 2023: Continued strong travel demand and completion of its three-year recovery program are expected to drive the Qantas Group to a FY23 Underlying Profit Before Tax of between \$2,425 million and \$2,475 million¹.

Flying activity has increased in the second half as new aircraft arrive², more widebody jets return from long-term storage and operational reliability improves.

Group Domestic capacity will be above pre-COVID levels at 104 per cent by the end of 2H23, led by a significant increase in flying on key routes between Melbourne, Sydney and Brisbane³.

Group International capacity will grow to greater than 80 per cent of pre-COVID levels by the end of 2H23, with the rate of increase slightly below plan due to some supply issues earlier in the half – such as a three-month delay to restarting Melbourne-Hong Kong due to a shortage of ground handlers in that overseas port.

Qantas has [announced](#) a further ramp up in flying from October 2023 onwards that will see Group International capacity reach around 100 per cent of pre-COVID levels by March 2024.

As forecast, the steady return of total market capacity has seen fare levels moderate from peaks reached in the first half of FY23, but yields are expected to remain materially above pre-COVID levels through FY24, particularly internationally. Similarly, international freight yields have moderated to levels of around 1.5 times pre-COVID levels.

Forward booking trends indicate strong travel demand continuing into FY24. Revenue intakes⁴ are at 118 per cent of pre-COVID levels for Group Domestic and 123 per cent for Group International.

Customer experience continues to improve through a strong focus on reliability and on-time performance.

As expected, costs associated with the operational buffer the Group applied to improve reliability are starting to roll off as the industry stabilises, enabling spare capacity to become revenue generating.

Jet fuel prices remain elevated but recent falls will deliver a cost improvement in 2H23, which is partly offset by adverse movements in foreign exchange for an overall benefit of \$150 million. Adverse bond rate movements are currently expected to have a \$40 million non-cash impact on provisions in 2H23. Qantas Loyalty remains on track to reach the top end of its FY23 Underlying EBIT target of \$425 million to \$450 million.

¹ Estimate based on current jet fuel price, FX levels and interest rates.

² Since 1 January 2023, the Group has taken delivery of four new aircraft, with a further eight expected by the end of calendar 2023.

³ Qantas Group flying on the triangle (Melbourne-Sydney-Brisbane) is increasing from around 75 per cent in 1H23 to reach around 95 per cent by the end of 2H23.

⁴ Compared to FY19 as a proxy for pre-COVID. Revenue intakes calculated on rolling 4-week average for the week ending 13 May 2023.



The Group has now finalised 38 enterprise agreements under its revised wage policy, representing around 80 per cent of its total workforce covered by EBAs. These employees are eligible for a \$5,000 recovery boost and around 20,000 employees are expected to be eligible for a recovery bonus of up to \$6,500 based on the current Qantas share price, vesting after its full year results in August 2023.

FINANCIAL FRAMEWORK

Given the Group's strong balance sheet and the positive outlook, the Board has increased the existing on-market buy-back by up to \$100 million. The existing buy-back of up to \$500 million was announced in February and is now 78 per cent complete at an average price of \$6.49 per share.

The Group is on track to achieve its revised capital expenditure target of \$2,600 million to \$2,700 million for FY23, which includes forward payments for aircraft due for delivery in future years.

Including the additional buy-back announced today, the Group's net debt is now expected to be between \$2,700 million and \$2,900 million at 30 June 2023, which is significantly below the bottom of its revised target range of \$3,700 million to \$4,600 million.

GROUP CEO COMMENTS

Qantas Group CEO, Alan Joyce, said: "We're seeing the broad trends we expected as the industry recovers and trading conditions remain very positive.

"More parts of the aviation supply chain are returning to normal, which means we're able to put some of the spare aircraft and crew we kept in reserve back in the schedule. That's combining with lower fuel prices to help put downward pressure on fares, which is good news for customers.

"We called out an extra \$200 million of overheads in FY23 because of the operational buffer we put in place, which can now start to roll off. Five of the aircraft that were in reserve last Christmas will be back flying by the end of this half.

"The industry remains capacity constrained and the travel category remains strong, so there's still a mismatch between supply and demand that's likely to persist for some time, especially for international flying.

"We're on track to take delivery of another eight new aircraft before the end of this calendar year and we're working hard to bring the last of our stored aircraft through heavy maintenance so we can get them back in the air," added Mr Joyce.

INVESTOR DAY

The Qantas Group will host an Investor Day on 30 May 2023, focusing on its medium to long term strategy and goals. The Group's Full Year Results will be released on 24 August 2023.

QANTAS GROUP CAPACITY

ASKs vs FY19 (%)	3Q23	4Q23	2H23	FY23	1H24
Group Domestic	97%	101%	99%	96%	108%
Group International	70%	79%	74%	67%	85%
Total Group	79%	87%	83%	77%	93%

Media Enquiries: Qantas Media +61 418 210 005 gantasmedia@qantas.com.au

Investor Relations Enquiries: +61 416 058 178 filiokidon@qantas.com.au

Authorised for release by the Qantas Board of Directors.

