

# ASX/Media Release

## QANTAS GROUP POSTS FIRST FULL YEAR PROFIT SINCE COVID

- Underlying Profit Before Tax: \$2.47 billion.
- Statutory Profit After Tax: \$1.74 billion.
- Statutory earnings per share: 96 cents.
- \$1 billion COVID recovery plan completed.
- On-market share buy-back of up to \$500 million announced.
- Order for 12 Boeing 787s and 12 Airbus A350s announced; deal includes access to Sustainable Aviation Fuel to help meet up to 90 per cent of the Group's interim SAF target<sup>1</sup>.
- More than 1 million sale fares released today by Jetstar and Qantas.
- Frequent Flyers to share in over 1 billion bonus points as a 'thank you'<sup>2</sup>.
- ~\$340 million<sup>3</sup> set aside to reward more than 21,000 staff, including granting of up to 1,000 Qantas shares each.

**Sydney, 24 August 2023:** The Qantas Group has posted its first full year statutory profit since FY19 and will share the benefits by rewarding employees, reinvesting for customers and returning capital to shareholders.

For FY23, the Group achieved an Underlying Profit Before Tax of \$2.47 billion and a Statutory After Tax Profit of \$1.74 billion. This compares with \$7 billion in accumulated statutory losses<sup>4</sup> over three prior years.

Underpinning the profit was completion of the Group's \$1 billion recovery program (launched in the first year of those losses), a 132 per cent increase in flying compared with FY22 and strong travel demand driving significantly higher revenue.

Operational performance improved considerably during the year after a challenging ramp up, with Qantas achieving the best on-time performance of the major domestic airlines for 11 months out of 12 and Jetstar returning to pre-COVID levels. Customer satisfaction, while not back to pre-COVID levels, has also improved in line with operational performance.

Normalising of international capacity and the unwinding of inefficiencies from the return to flying will help put downward pressure on fares and strengthen financial performance.

This strength enables the Group to keep investing heavily in customer experience, including firm orders for a further 24 Boeing and Airbus widebody aircraft from FY27 onwards to replace Qantas' A330 fleet, plus purchase right options for future renewal and growth.

A major fare sale and over 1 billion in loyalty bonus points to say 'thank you' to customers have also been announced. (See separate release).

### CEO COMMENTS

Qantas Group CEO Alan Joyce said: "These results show a substantial turnaround in both our finances and service over the past year.

<sup>1</sup> Based on meeting certain criteria under Airbus and Boeing deals, including partnership with the manufacturers on SAF projects.

<sup>2</sup> 1,000 points or 30 Status Credits for QFF customers who have flown one flight in the past 12 months, 5,000 points or 75 Status Credits for 10 or more flights.

<sup>3</sup> Includes executive and non-executive retention schemes and bonuses, previously flagged.

<sup>4</sup> Before tax.



“Flight delays and cancellations have largely returned to pre-COVID levels and we’ve shifted from heavy losses to a strong profit and pipeline of investment worth billions of dollars.

“We safely flew almost 70 billion more seat kilometres and doubled the number of people we carried to 46 million compared to the year before. Travel demand is incredibly robust and we’ve taken delivery of more aircraft and opened up new routes to help meet it.

“The data shows customer satisfaction has improved significantly and we’re constantly working to deliver great travel experiences.

“It’s because we’re in a strong financial position that we’re able to invest in new aircraft, new destinations and new training facilities – all things that will make us better in the future.

“Our people have done a superb job under very difficult circumstances. Today’s result means more than 21,000 non-executive staff will receive up to \$6,000 worth of Qantas shares<sup>5</sup> as a thank you for their part in our recovery, plus another \$500 staff travel credit. This is in addition to a \$5,000 cash payment to eligible employees as new enterprise agreements are finalised.”

### **GROUP DOMESTIC PERFORMANCE**

Group Domestic, consisting of Qantas, QantasLink and Jetstar, increased flying to 103 per cent of pre-COVID levels by the end of the second half of FY23. This was supported by strong travel demand from leisure and business travel, helping to deliver Underlying EBIT of \$1.5 billion.

The combination of Qantas’ network, frequency, lounges, loyalty program and inclusions like inflight Wi-Fi helped it retain its share of corporate and small business travel, while Jetstar continued to offer millions of low fares to popular leisure destinations. Demand from the resources sector also drove significant revenue.

### **GROUP INTERNATIONAL AND FREIGHT PERFORMANCE**

The return to service of seven refurbished Airbus A380s during the year, plus delivery of two new Boeing 787s and eight new A321LRs, helped Group International (Qantas and Jetstar) increase flying from 54 per cent of pre-COVID levels to 81 per cent over the period.

This activity combined with strong demand, particularly in premium cabins, helped drive Underlying EBIT of \$1.1 billion. Passenger loads averaged above 85 per cent for both Qantas and Jetstar.

Qantas Freight made a significant contribution even as market yields continued to normalise, delivering an additional ~\$150 million<sup>6</sup> in structural earnings growth that is expected to be maintained through a permanent increase in e-commerce and efficiencies from fleet renewal.

### **QANTAS LOYALTY PERFORMANCE**

Qantas Loyalty achieved significant growth across several parts of its portfolio, driving record Underlying EBIT of \$451 million.

Frequent Flyer membership increased by around 1 million to 15.2 million and there was 19 per cent growth in the Qantas Business Rewards program, which now counts one-in-five of all Australian small-to-medium enterprises as points-earning members.

The number of Qantas Points redeemed by members increased to 126 per cent of pre-COVID levels, helped by the release of thousands more redemption seats across Qantas and its partner airlines, as well as growth in hotels and holiday offerings.

<sup>5</sup> Based on recent share price level.

<sup>6</sup> Compared to pre-COVID.



A record number of points were earned across financial products as credit card acquisitions and spending continued to grow. Compared with FY22, Qantas Health Insurance policies grew by 41 per cent and Travel Insurance policies by more than 60 per cent.

## FINANCIAL FRAMEWORK AND SHAREHOLDER RETURNS

As at 30 June 2023, the Group had liquidity sources of around \$10 billion, including \$4.4 billion in cash and undrawn facilities and \$5.6 billion in unencumbered assets.

Net debt fell to \$2.89 billion<sup>7</sup> – well below the \$3.7 billion to \$4.6 billion target range and the FY19 level of \$4.7 billion. This exceptional balance sheet strength, combined with cashflows from what is a structurally enhanced business, is expected to underpin future aircraft deliveries and shareholder returns.

The Board today approved a return to shareholders of up to \$500 million via an on-market share buy-back, which will commence in September 2023<sup>8</sup>. This follows a return of \$1.0 billion during FY23 via share buy-backs at an average price of \$6.19.

## FLEET AND SUSTAINABILITY

The Group has today announced a firm order for 24 widebody aircraft, consisting of 12 Boeing 787s and 12 Airbus A350s. With deliveries starting in FY27 and continuing into the next decade, these aircraft will replace the bulk of the current A330 fleet, with purchase right options stretching out until at least FY37 to provide flexibility for future growth and, ultimately, replacement of the A380 fleet.

This order secures delivery slots for sought-after widebody aircraft with pricing that represents an excellent opportunity for the Group. It is in addition to the order for 12 specially modified A350s to operate Project Sunrise flights, arriving in FY26.

The Group's fleet plan has significant flexibility built in, allowing for adjustments depending on market conditions and its financial framework.

As part of this new order, Qantas will partner with Airbus and Boeing to access to up to 500 million litres of Sustainable Aviation Fuel (SAF) per annum from 2028, including from the United States<sup>9</sup>. This represents up to 90 per cent of the SAF required to reach the Group's 2030 interim target of 10 per cent of its total fuel needs and enhances the Group's pathway to reducing emissions. *(See separate release for more information.)*

## FARES

Fares peaked in the second quarter of FY23 after increasing due to strong demand and industry-wide supply chain constraints.

Additional capacity, moderating fuel costs and a stronger Australian dollar applied downward pressure in the second half, with fares falling by around 12 per cent. In inflation adjusted terms, domestic fares are now 4 per cent higher than pre-COVID levels and international fares are 10 per cent higher.

## EMPLOYEE BONUSES

To recognise the huge part that Qantas Group employees have played in the return to profit, around \$340 million has been set aside in bonuses for more than 21,000 people, including pilots, cabin crew, engineers and head office staff. This was originally flagged in September 2021 in response to the challenges and hardship employees faced in dealing with the COVID crisis and to incentivise the turnaround.

<sup>7</sup> As at 30 June 2023.

<sup>8</sup> Buy-back expected to consist of two tranches, with the second tranche (shares to be purchased in excess of the 10/12 rule in the *Corporations Act 2001*) subject to shareholder approval at Qantas' 2023 Annual General Meeting.

<sup>9</sup> Based on meeting certain criteria under Airbus and Boeing deals, including partnership with the manufacturers on SAF projects. The agreement includes ~80 million litres of SAF per annum from existing projects. The remaining volume will be sourced through investment in new projects.

These bonuses include up to 1,000 Qantas shares (valued at around \$6,000) that will now vest and a \$5,000 'recovery boost' that eligible employees are receiving as enterprise agreements are finalised – a total of around \$11,000 each. All non-executive employees have today been awarded another \$500 staff travel credit in addition to \$500 given earlier this calendar year, valued at \$20 million in total.

Funds set aside also provide for recovery and retention and bonus schemes for managers and executives not covered by enterprise agreements.

In addition, improvements to staff travel benefits in the past year have seen thousands of employees and their family members access heavily discounted domestic and international air fares.

## OUTLOOK

The Group has entered FY24 with a very strong balance sheet, \$1 billion in reoccurring cost benefits from its recovery program, and strong trading conditions as consumers continue to prioritise travel.

Key assumptions for FY24 are<sup>10</sup>:

- Total fuel bill for the first half of FY24 is expected to be \$2.6 billion.
- Group Domestic capacity is expected to remain above pre-COVID levels throughout FY24.
- Group International capacity will continue to recover, on track to return to 100 per cent of pre-COVID levels in 2H24.
- Qantas Loyalty is on track to deliver on its FY24 EBIT target of \$500 – 600 million, six months earlier than anticipated, with an Underlying EBIT of more than \$500 million expected for calendar year 2023.
- Approximately \$400 million in transitional costs incurred in FY23 will unwind in FY24.
- Continued transformation of more than \$300 million in FY24 is expected to offset CPI.
- Net Debt is expected to increase in FY24 but will remain below the bottom of the target range, with that range expected to increase as invested capital rebuilds.

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**Authorised for release by the Qantas Board of Directors.**

<sup>10</sup> See Investor Presentation for more detail.

