

ASX/Media Release

QANTAS GROUP PROFIT IN 1H24 SUPPORTS CONTINUED INVESTMENT IN CUSTOMERS

- Underlying Profit Before Tax: \$1.25 billion (down 13 per cent).
- Statutory Profit After Tax: \$869 million (down 13 per cent).
- Statutory earnings per share: 52 cents (down 4 per cent).
- Net debt: \$4.0 billion.
- Additional on-market share buy-back of up to \$400 million announced.
- Fares falling as capacity continues to normalise; restart costs unwinding.
- Significant improvement in customer satisfaction; more work to do.
- Capital expenditure rising in FY25 to between \$3.7–3.9 billion.
- 8 additional A321XLRs on order for Qantas Domestic.
- Acceleration of Qantas International Wi-Fi from end calendar 2024.
- \$500 staff travel credit for around 24,000 employees.

Sydney, 22 February 2024: The Qantas Group has continued its investment in customers and new aircraft, supported by a \$1.25 billion Underlying Profit Before Tax for the first half of FY24.

Earnings were 13 per cent lower than the same period of FY23 as fares and capacity continued to normalise.

Lower fares contributed to reduced revenue per available seat kilometre¹ which had around a \$600 million impact on profit, while freight yields fell by \$146 million. However, this was mostly offset by contribution from increased flying of \$485 million and unwinding of transition costs from the post-COVID restart of \$179 million. Unit cost (excluding fuel) fell by 5.2 per cent year-on-year.

Total flying increased by 25 per cent on an available seat kilometre basis and the Group carried 3.3 million more passengers compared with 1H23.

Travel demand remains strong across all sectors, with leisure continuing to lead and business travel now approaching pre-COVID levels. Intent to spend on travel among Qantas Frequent Flyers over the next six months remains significantly higher than most other major spending categories².

INVESTING IN CUSTOMERS AND PEOPLE

The Qantas Group has today announced several major investments for customers, including revealing the interiors of its new A220 aircraft, accelerated rollout of Wi-Fi on international flights and a major upgrade to digital platforms. A double Qantas Points/Status Credits [offer](#) for Frequent Flyers has also been launched in addition to regular domestic and international fare sales.

For information on new initiatives, please see separate release [here](#).

The Group continues to invest heavily in people, including recruitment and training. New aircraft represent a significant career opportunity and are a key driver of promotions and investment in new skills.

¹ Ticketed passenger revenue divided by ASKs. For a detailed calculation of RASK, please see the Investor Presentation.

² Based on monthly survey of ~2,000 Qantas Frequent Flyers; see pg 11 of Investor Presentation for detail.

As part of recognising the efforts of its people, around 24,000 non-executive employees will receive a \$500 staff travel voucher to go towards already heavily discounted standby fares available to Group employees, family and friends.

CEO COMMENTS

Qantas Group CEO Vanessa Hudson said: “We know that millions of Australians rely on us and we’ve heard their feedback loud and clear.

“There’s a lot of work happening to lift our service levels and the early signs are really positive. Our customer satisfaction scores have bounced back strongly since December and we have more service and product improvements in the pipeline.

“Having the financial strength to keep investing is key, and that makes the strong performance that all business units had in the first half so important.

“We understand the need for affordable air travel and fares have fallen more than 10 per cent since peaking in late 2022. At the same time, we’ve seen a cost benefit from fewer cancellations and delays, and scale benefits as more international flying returns.

“Our people have been instrumental in the initial recovery we’re seeing and I thank them sincerely. The journey we’re on will take time, but the spirit they are bringing is fantastic and it’s made us optimistic about what we can achieve together.

“I want to thank our customers and our partners for their support as we keep working to make the Qantas Group an organisation that everyone is proud of. We need to deliver a service that is consistently better in order to succeed long term, and that’s what we’re focussed on,” added Ms Hudson.

GROUP DOMESTIC

Qantas Domestic increased its flying by 5 per cent in 1H24³ in response to the ongoing recovery in business travel while premium leisure and resource sector demand remained strong. Market share was maintained and customer satisfaction increased materially from December onwards.

More flying saw revenue increase by around 3 per cent, however falling fares were a factor in Underlying EBIT for Qantas Domestic declining by 18 per cent to \$641 million compared with 1H23, which is still significantly above FY19 levels.

Some industry overheads, such as airport and security charges, grew above the rate of inflation and there were also higher costs associated with greater investment in customer experience. Transition costs from the post-COVID restart continue to unwind and improved operational performance drove additional efficiency.

Jetstar Domestic’s performance improved significantly. Less operational disruption (including resolving supply chain issues) and an increase in flying by 15 per cent saw its Underlying EBIT increase by 35 per cent to \$175 million.

GROUP INTERNATIONAL AND FREIGHT

Qantas International increased its capacity by 39 per cent in 1H24⁴ as an additional A380 returned to flying and one new Boeing 787 entered service. All pre-COVID routes have now restarted and new ones were announced, including Perth-Paris. Unit cost declined as economies of scale improved through increased flying.

Jetstar’s international flying increased by 38 per cent compared with 1H23, which included new routes such as Melbourne-Fiji and Brisbane-Tokyo, plus a recovery in airlines based in Japan and Singapore. This extra capacity combined with strong leisure demand and a material improvement in operational reliability to drive an increase in Underlying EBIT to \$150 million, even as fares moderated.

³ Compared with 1H23.

⁴ Compared with 1H23.



Domestic freight performance was largely stable, underpinned by the strength of e-commerce and modernisation of the Qantas Freight fleet. By contrast, international freight performance declined significantly as macroeconomic factors weighed on demand and capacity grew on key routes; overall, freight revenue was down by around \$200 million but yields remained circa 150 per cent above pre-COVID levels.

Changes in the freight market were the main driver of a 31 per cent drop in Underlying EBIT by the Qantas International (including Freight) division.

QANTAS LOYALTY

Qantas Loyalty expanded significantly during the half, adding more members to reach 15.8 million and adding several major program partners. Value of bookings via Qantas Hotels and Holidays increased by around 30 per cent compared with 1H23; TripADeal bookings grew by more than 60 per cent.

The number of Qantas-branded home and motor insurance policies increased by a factor of 2.5 times compared with 1H23 and financial services continued to grow, with more than 100,000 credit card acquisitions during the half and a 4 per cent increase in the value of purchases on cards earning Qantas Points.

Underlying EBIT grew by 23 per cent compared with 1H23 to reach \$270 million. The strong performance in calendar 2023 meant Loyalty achieved its earnings target of \$500 million per annum six months ahead of schedule.

The Group is still working to finalise improvements to the Frequent Flyer program that will represent a significant investment for members, with the aim of announcing them by April.

FLEET AND SUSTAINABILITY UPDATE

The Group took delivery of eight new and mid-life aircraft during 1H24 as its fleet renewal program ramps up. A further 14 aircraft are expected to arrive during 2H24. Below are key updates on the Group's overall fleet plan; please refer to Investor Presentation for more detail.

- 8 additional A321XLRs have been allocated to Qantas Domestic from the Group's existing Airbus order. This takes the total number of this type allocated to Qantas Domestic to 28 as part of the gradual replacement of its 737 fleet.
- Four additional mid-life A319s have been purchased for Network Aviation and will be based in WA to help meet demand from the resources sector. These additional aircraft are expected to arrive progressively during calendar 2024, taking this fleet to nine.
- Manufacturing delays have impacted the delivery dates for the first A321XLR for Qantas Domestic by three months to early-2025 and the A350 for Qantas International (and Project Sunrise) by approximately six months to mid-2026.

The A321LRs delivered to Jetstar are achieving a 20 per cent improvement in fuel burn per seat, contributing to a 12 per cent unit cost improvement compared with the older A320s they replace. This is helping towards the Group's interim emission reduction target of 25 per cent⁵ by 2030.

FINANCIAL FRAMEWORK AND SHAREHOLDER RETURNS

The Group ended the half with \$9.2 billion of liquidity, including \$1.5 billion in cash, \$1.4 billion in undrawn facilities and \$6.3 billion in unencumbered assets.

Net debt rose to \$4.0 billion at the end of December 2023 as new aircraft were delivered, the rebuild of forward revenue normalised, \$452 million of buy-backs were undertaken and bonuses were paid to around 20,000 employees. Net debt is now at the bottom of the target range (\$4.0 – 5.0 billion) and it is expected to move to the middle of that range as the Group aims for the most efficient use of its capital.

The Board has approved a return to shareholders of up to \$400 million in the form of an on-market share buy-back. This is in addition to the outstanding balance of \$48 million from the buy-back announced last year.

⁵ Compared to 2019 levels.



Qantas will commence this buy-back once it finalises the details and financial impact of planned improvements to its Frequent Flyer program and discloses these to the market. The program changes are expected to deliver a substantial improvement in value to members, supporting the long-term growth of Qantas Loyalty as it targets \$800 million–\$1 billion Underlying EBIT by FY30.

OUTLOOK

The Group is seeing strong travel demand across the portfolio. Unit revenue is expected to remain stable for domestic and continue to normalise for international as market capacity returns. Key assumptions and expectations for the remainder of FY24 are summarised below; please see the full Investor Presentation for more detail.

- FY24 fuel cost expected to be \$5.4 billion at current fuel prices, inclusive of hedging.
- FY24 net capital expenditure is expected to be \$3.0–3.2 billion.
- FY24 depreciation and amortisation expected to be \$1.8 billion.
- Targeting transformation initiatives (mix of efficiency and revenue benefits) of approximately \$400 million in FY24 to offset the impact of CPI.
- Net debt expected to be at or below the middle of the target range by the end of FY24.

QANTAS GROUP CAPACITY

Note: With capacity returning to pre-COVID levels, the Group will revert to using the immediate prior year as the baseline for reporting capacity rather than FY19.

ASKs (vs prior corresponding period)	3Q24	4Q24	2H24	FY24	FY24 (% of pre-COVID)	1Q25	1Q25 (% of pre-COVID)
Group Domestic	+7%	+3%	+5%	+7%	103%	+2%	105%
Qantas Domestic	+2%	(3%)	(1%)	+2%	98%	(1%)	99%
Jetstar Domestic	+17%	+15%	+16%	+15%	112%	+7%	115%
Group International (ex. JSA)	+32%	+23%	+27%	+33%	94%	+19%	102%
Qantas International	+33%	+20%	+26%	+32%	86%	+16%	90%
Jetstar International (ex. JSA)	+30%	+28%	+29%	+34%	119%	+25%	141%
Jetstar Asia (JSA)	+53%	+42%	+48%	+34%	42%	+78%	59%

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Authorised for release by the Qantas Board of Directors.

