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Qantas Group FY20 Results CEO Speech

Qantas Airways Limited attaches the Qantas Group FY20 Results CEO Speech.

Yours faithfully,



Andrew Finch
Group General Counsel and Company Secretary

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ASX/Media Release

FY20 RESULTS SPEECH – QANTAS GROUP CEO ALAN JOYCE

Sydney, 20 August 2020

Good morning.

Let me start by saying this is clearly not a standard set of results for the Qantas Group.

It's been shaped by extraordinary events that have made for the worst trading conditions in our 100 year history.

To put it simply, we're an airline that can't really fly to many places – at least for now.

The impact of that is clear. COVID punched a $4 billion hole in our revenue and a $1.2 billon hole in our underlying profit in what would have otherwise been another very strong result.

FACTORS BEHIND UNDERLYING RESULT

I'll come to the statutory result in a moment – but the fact that the Group still delivered an underlying profit before tax of $124 million despite COVID says a lot about our resilience, and why we have confidence long term.

There are several important factors that supported the underlying result:

- The profit of almost $800 million that we made in the first half, which we saw unwind in the second half.
- The immediate action we took to reduce our costs as soon as travel demand collapsed.
- And several bright spots in our portfolio: Qantas Loyalty, Qantas Freight and our charter services for the resources market.

I also want to acknowledge the Federal Government's support.

They were very quick to recognise the impact of travel restrictions on aviation – and responded with industry-wide support, plus JobKeeper, which has been a lifeline for our employees.

Obviously, this result would have been very different without border closures – but they have been an important part of the public health response and we greatly appreciate the government's support.

The industry will need that support while the closures remain in place.

FACTORS BEHIND STATUTORY RESULT

Turning to our statutory result.

We flagged in June a $2.7 billion statutory loss for the year – a very large number that is worth explaining.

About half of this is non-cash.

And most of the cash component is the upfront cost for our recovery plan.

The two biggest drivers are:

- A $1.4 billion write down of assets including our A380 fleet, which reflects that these aircraft will be on the ground for years.
- More than $600 million in redundancies and other items, as part of restructuring our business.

REINVENTION AND RECOVERY

That's the sad reality of what the pandemic means for airlines – far fewer employees, at least for a while.

Some carriers are shrinking their workforce by 30, 40 per cent. Some may not survive at all.

For the Qantas Group, the job loss figure we've already announced is around 20 per cent overall and about 25 per cent at the management level.

But simply 'getting smaller' isn't going to define success in a post-COVID world.

Our new trading environment will involve:

- An industry and competitors that are structurally different.
- An economy recovering from deep recession.
- A customer base with new expectations.
- And continued uncertainty on borders.

We'll have to operate differently in response. And that will mean more hard decisions.

That's not to say everything will change.

The advantages the Qantas Group has built up over the years will be even more important.

We have a unique position as the only dual brand airline in the domestic market, with Qantas and Jetstar typically representing the bulk of our earnings.

We have a growing loyalty program, which has diversified well beyond flying.

And we have a brand, built up over 100 years, that people trust.

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The national carrier will continue to serve regional Australia, invest in tourism and employ thousands of highly skilled people.

But, just as we've done in the past, there will be some reinvention required to succeed in a different world.

PROGRESS OF RECOVERY PLAN

We announced our high-level plan for recovery at the end of June.

Over three years, it will save us $15 billion. That's achieved by hard decisions like job losses and ongoing stand down of our people because of less flying, as well as fuel savings and lower maintenance costs from putting aircraft into hibernation.

On a permanent basis, the plan will deliver around $1 billion in annual cost savings from FY23. A lot of that will come from reinvention – and we'll have more to say on this in the months ahead.

We've already made progress against the core elements of the plan:

- All of our A380s are now in long term storage in the US.
- Our 747s have been retired, six months ahead of schedule.
- We are (sadly) progressing with reductions to our workforce.
- And we have negotiated new terms with many suppliers, which we thank them for.

OUR PEOPLE AND OUR CUSTOMERS

In the face of all this change, I want to speak directly to our people and customers.

To our people – we know this crisis is taking a toll. There's been a lot of upheaval and uncertainty. Just as we thought domestic flying was in recovery mode, we've been hit by another set of border closures. It shows how important it is to have a national framework for domestic borders – so that there is clarity and consistency.

Despite the recent setbacks, we know conditions will ultimately improve. And the hard decisions we've made so far are about making sure the Qantas Group is ready to take part in the recovery.

For those leaving in coming weeks and months, I want to thank you sincerely for your service. We've seen from secondary employment opportunities just how well-regarded Qantas and Jetstar people are.

To our millions of customers – we are deeply grateful for your support and understanding.

These are tough times for everyone.

We know there are a lot of travel plans on hold – places you want to go, people you can't wait to see again. We'll be ready to take you as soon as borders re-open, with extra safety measures on-board.

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CONCLUSION

We spend a lot of time talking about the challenges we face – for obvious reasons. We know FY21 will be another tough year.

But there is opportunity on the horizon.

Hard decisions in the current climate are largely about survival – and also about eventually being able to grow again.

Coming out of this crisis, we'll be the only Australian airline that can fly long haul.

We want to expand on that when our balance sheet allows, picking up where we left off with Project Sunrise.

Domestically, there are lots of opportunities for Qantas, QantasLink and Jetstar, which will ultimately justify renewing our fleet.

Our message is simply this: the Flying Kangaroo's wings are clipped for now, but it's still got plenty of ambition. And we plan to deliver on it.

We are, and always will be, the Spirit of Australia.

Thank you.

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