

## ASX/Media Release

### FY21 RESULTS SPEECH – QANTAS GROUP CEO ALAN JOYCE

**26 August 2021**

Good morning.

As we foreshadowed back in May, the Group has posted a statutory loss before tax of over \$2.3 billion for the 2021 Financial Year.

At the underlying level, the loss was \$1.8 billion.

Total revenue lost since the start of the pandemic rose to around \$16 billion – and it's likely to exceed \$20 billion by the end of this year.

These are big numbers. And they sum up what continues to be very tough time for this industry, this company, and our people.

Sadly, behind those numbers are:

- thousands of lost jobs
- thousands of people stood down; and
- millions of cancelled trips.

International borders were essentially closed for the whole year, and there were only about 30 days when we didn't face some level of domestic travel restrictions.

At the same time, we've been working to restructure and rightsize the business – because, when you're faced with these kind of numbers, you have to.

It's about making sure when travel demand does return, we'll be performing at a level that repairs the balance sheet quickly.

A year ago, we mapped out a plan to take \$1 billion of costs out, on an annual basis. We aimed to deliver \$600 million of those savings in year one, and I'm pleased to say we achieved \$50 million above that.

#### **SEGMENT PERFORMANCE**

During the year, we saw previews of how well this business can perform when it gets half a chance.

Despite all the sudden border changes, 95 per cent of our domestic flying was cash positive – which is an amazing achievement given the level of disruption.

When we have been able to fly, we've maintained a domestic market share of around 70 per cent across Qantas and Jetstar. Strategically, our position has never been clearer or stronger.



Turning to other parts of the business, we saw another record profit from our Freight division. This was mostly because of higher international yields – which are being driven by the lack of belly space from international passenger flights – as well as the growth in online shopping.

Loyalty performed incredibly well, despite the limited opportunities to fly. Membership grew by 200,000 and so did member satisfaction levels – helped by everything we’ve done to keep members engaged, and the enduring value of Qantas Points.

Across the segments, we were able to generate positive net free cashflow of almost three-hundred million dollars in the second half. That saw us make inroads to paying back some of the debt we’ve taken on to get through COVID.

This performance – in trading conditions that were frankly diabolical – gives us a lot of confidence about how the Qantas Group is going to perform as we put lockdowns behind us in the next few months.

### **IMPORTANCE OF VACCINE ROLLOUT**

As we all know, the national vaccine rollout is key.

Getting more people vaccinated is critical to Australia opening up, and getting our planes and people back in the air.

The vaccine is ultimately about reducing risk and improving safety – which has always been core at Qantas.

We’re taking two practical steps as a result:

- Firstly, we’re making it a requirement for all employees at the Qantas Group to be vaccinated – something about 80 per cent have already taken it upon themselves to do.
- Secondly, we’re investing heavily to recognise customers who get the jab, by offering Frequent Flyer points, status credits and flight discounts.

We have a responsibility to make travelling with Qantas or Jetstar as safe as possible – and these two initiatives are part of that.

### **INTERNATIONAL RESTART**

Talking to airline CEOs overseas, it’s clear the rest of the world is opening up – especially across the UK, Europe and United States.

Australia now also has a plan for re-opening. And based on that plan, we’ve reshaped our own assumptions about restarting international flights.

The nature of COVID means we’ve had to change our plans a couple of times already. And we can’t rule out having to move them again.

I know the prospect of flying overseas might feel a long way off – especially with New South Wales and Victoria in lockdown. Some people might say we’re still being too optimistic.

But the current pace of the vaccine rollout means all Australian states are on track to reach the 80 per cent target by December – which is the trigger for starting to carefully open to some parts of the world.

That means there’s a lot of work that has to begin now.

That’s why today we’re sharing some detail of what restarting international will look like.



And if the emotional response to our recent vaccine ad is any indication, the idea of planning a trip might encourage even more people to get the jab.

Pending final decisions by government in the months ahead:

- We expect flights to countries with high vaccine rates to resume from mid-December '21 onwards – that includes Singapore, Japan, the US, the UK and hopefully New Zealand.
- Flights to places with lower vaccination rates will restart from April '22 at the earliest – like Bali, Jakarta, Manila and Johannesburg

One of the biggest unknowns is the quarantine requirements for fully vaccinated travellers entering Australia.

If it's 14 days in a hotel, demand levels will be very low. A shorter period with additional testing and the option to isolate at home will see a lot more people travel.

Like many elements of this plan, it relies on decisions by the Australian Government.

We're in regular discussion with the government and have shared our plans with them. While they don't have a crystal ball either, they agree our broad assumptions are reasonable.

## **FUTURE OF THE A380 FLEET**

One key change in the plans we're announcing today is the A380.

We intend to bring five A380s back into service about a year ahead of schedule – from mid-2022 onwards – to fly to the UK and US.

These were key markets for Qantas before COVID and given how well they have recovered, we expect travel demand on these routes to be strong enough for the A380.

We have the flexibility to bring back the other five A380s by early 2024, depending on how quickly the market recovers.

The remaining two will be retired, because they will be surplus to requirements.

The A380 is a great aircraft that our passengers love. The 10 aircraft we're bringing back will have all-new interiors and we expect them to be part of our fleet for many years to come – alongside our Dreamliners, Airbus A330s and ultimately the Airbus A350 for Project Sunrise and non-stop flights to New York and London.

## **CONCLUSION**

In closing, can I say that I'm extremely proud of what the national carrier has achieved in such a difficult year.

We've operated hundreds of charter and repatriation flights to bring Australians home, and thousands of freight flights to carry foreign aid and local exports. Most of these have been on behalf of the Australian Government, and this is what a significant amount of the support we've receive has been spent delivering.

These missions took us to 31 destinations overseas – including 19 that aren't part of our regular network – under very challenging conditions.

We've helped customers with almost \$1 billion in refunds and a huge amount of flexibility on future bookings. And at a time when people want to travel more than ever, we've started new routes and offered fares as low as \$19.



We've kept regional communities connected. We've kept our Frequent Flyers engaged. And together with partners like Australia Post, we've delivered a lot of Amazon and eBay packages.

And we've done all of this thanks to our customers, who continue to show tremendous loyalty. And we've done it thanks to our people, who continue to show incredible professionalism and commitment.

As a company, we're in a better position now to deal with uncertainty. But our people deserve to have some stability back in their lives.

With the vaccine rolling out, that won't be too far away. And I can't wait to see how well the Qantas Group performs on our way back to having 100 per cent of our people and planes back in the sky.

Thank you.

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