

# ASX and Media Release

## QANTAS GROUP TRADING UPDATE – FIRST QUARTER FY19

Sydney, 25 October 2018

- First Quarter Group Total Revenue up 6.3 per cent to \$4.41 billion versus prior corresponding period<sup>1</sup>.
- Rising fuel costs substantially offset by net passenger revenue growth and capacity discipline.
- Value of forward bookings up 8 per cent on flat capacity compared with same time last year<sup>2</sup>.
- New lounge investment in Singapore hub to meet increased premium travel demand.

The Qantas Group achieved record levels of revenue for the first quarter of FY19, up 6.3 per cent compared with the same period last year.

Group Unit Revenue (RASK)<sup>3</sup> for the quarter increased by 5.4 per cent compared to the prior corresponding period, substantially offsetting higher fuel costs<sup>4</sup>.

The strong revenue performance also helped partially offset a rise in non-fuel costs, such as higher commissions paid to travel agents on the higher revenue and the impact of a weaker Australian dollar.

Total Group capacity was down by 0.3 per cent, with decreases in both the international and domestic market.

### SEGMENT UPDATE

Unit Revenue across Group Domestic operations (Qantas and Jetstar) increased by 6.8 per cent. Travel demand remained strong across business and leisure markets, and the resources sector continued to improve.

Unit Revenue across Group International<sup>5</sup> rose by 4.0 per cent. Structural changes to Qantas' international network continued to support revenue growth, including the Perth-London route, renewed codeshare agreements and traffic flows associated with refocusing on the Singapore hub.

### FLEET UPDATE

Qantas International retired another 747-400 in September, with the remaining nine to be steadily phased out by the end of calendar 2020. Two additional 787-9s will be delivered in November 2018, taking its total Dreamliner fleet to eight.

### FUEL AND OUTLOOK UPDATE

The Qantas Group affirms its existing outlook for capital expenditure, transformation benefits and depreciation.

The Group has now hedged 76 per cent of its fuel for FY19 and 39 per cent for FY20 with the ability to benefit from significant price falls. Based on a Jet Fuel forward market price of A\$130 per barrel for the remainder of

<sup>1</sup> Adjusted for the impact of AASB 15 for comparative purposes.

<sup>2</sup> As at 30 September 2018.

<sup>3</sup> Unit Revenue (RASK) is calculated as ticketed passenger revenue per ASK.

<sup>4</sup> Fuel cost includes foreign exchange impact of lower AUD.

<sup>5</sup> Group International comprises Qantas International, Jetstar International and Jetstar Asia in Singapore.

financial year 2019, the Group's full year fuel cost is now expected to be \$4.09 billion<sup>6</sup> compared with \$3.23 billion for financial year 2018.

The value of forward bookings at 30 September is up 8 per cent<sup>7</sup>, which represents a further improvement on the 6.2 per cent increase at 30 June. As a result, the Group still expects to substantially recover increased fuel costs in FY19.

Group capacity for the first half of FY19 is now expected to be flat, with Group Domestic capacity expected to fall by approximately 0-1 per cent and Group International capacity to be flat.

The Group is on track to deliver at least \$400 million in transformation benefits in FY19, with the majority of the cost improvements materialising in the second half.

### **SINGAPORE LOUNGE INVESTMENT**

Qantas has today announced a multi-million dollar investment in a new First Lounge and expansion of its existing Business Lounge at Singapore Changi Airport.

Combined, this will increase the airline's lounge capacity at Changi by 60 per cent when complete in late calendar 2019. The upgrade reflects increased demand for premium travel and the importance of the Singapore hub to the Group's broader network. (See separate release.)

### **CAPITAL MANAGEMENT UPDATE**

As of 23 October 2018, the share buyback of up to \$332 million announced in August was 53 per cent complete, with 30,454,244 shares acquired. This takes the total number of shares on issue after cancellation to 1,653,113,636.

Once this latest buyback is finished, Qantas will have bought back an estimated 26 per cent of its stock since October 2015, returning significant value to shareholders.

A fully franked 10 cent base dividend (increased from 7 cents) was paid to shareholders on 10 October, representing a further \$168 million return.

### **CEO COMMENTS**

Qantas Group CEO Alan Joyce said a combination of positive market conditions and the Group's strategic advantages was helping it perform well.

"Our record passenger revenue performance for the first quarter meant that we were able to substantially recover higher fuel prices," said Mr Joyce.

"Market demand for travel remains fundamentally strong and we're seeing some wind-back of competitor capacity growth.

"When you look across our portfolio, we have a number of factors that help us manage cyclical headwinds impacting the sector. We have a leading position in the domestic market, structural advantages in our international businesses and diversified earnings from Loyalty.

<sup>6</sup> Expected fuel cost at 24 October 2018 based on forward market rates of Jet Fuel US\$92/bbl and AUDUSD 0.7105, for the remainder of FY19. FY19 fuel costs assumes long term correlations between oil prices and the Australian Dollar to US Dollar exchange rate. Increases in refiner margin could further impact the total fuel cost.

<sup>7</sup> Compared with the same time last year.

“We have a strong focus on cost and we’re continuing to invest in aspects of customer experience that deliver a competitive edge and margin benefit. The lounge investment we’ve announced in Singapore is a good example of that.

“Based on the value of forward bookings and broader market conditions, we’re confident in our ability to manage higher fuel costs and keep investing, while still delivering strong net free cash flow and long term shareholder value,” added Mr Joyce.

### AASB15 IMPACT

The first quarter trading update is presented in accordance with new accounting standard AASB 15. For comparative purposes, the first quarter of financial year 2018 has been restated. This restatement has adjusted Total Revenue and Ticketed Passenger Revenue used for the calculation of RASK. Some adjustments are as a result of reclassification between revenue and expenses, so will not impact Underlying PBT.

QANTAS GROUP OPERATIONS	Pre AASB 15			Post AASB 15		
	Quarter 1 2017/18	Quarter 1 2018/19	Change	Quarter 1 2017/18	Quarter 1 2018/19	Change
Group Total Revenue (\$ millions)	4,186	4,446	6.2%	4,147	4,408	6.3%
Group Unit Revenue change (% pcp)			5.3%			5.4%

Please refer to the FY18 Supplementary pack slide 17 for the expected impact of adopting AASB 15 estimated to be a reduction in Underlying PBT between \$25 to \$50 million in FY18 and a similar impact in FY19.

**Media Enquiries:** Qantas Media +61 418 210 005 [gantasmedia@qantas.com.au](mailto:gantasmedia@qantas.com.au)

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<b>QANTAS AIRWAYS LIMITED</b>			
<b>ABN 16 009 661 901</b>			
<b>QUARTERLY MARKET UPDATE</b>			
<b>2018/19 QUARTER 1</b>			
	<b>2018/19</b>	<b>Quarter 1 2017/18</b>	<b>Change</b>
<b>QANTAS GROUP OPERATIONS</b>			
Passengers Carried ('000)	14,103	13,842	1.9%
Revenue Passenger Kilometres (m)	32,372	31,980	1.2%
Available Seat Kilometres (m)	38,698	38,804	(0.3)%
Revenue Seat Factor (%)	83.7%	82.4%	1.3 pts
Group Unit Revenue (c/ASK)			5.4%
<b>QANTAS DOMESTIC</b>			
Passengers Carried ('000)	5,723	5,684	0.7%
Revenue Passenger Kilometres (m)	6,961	6,929	0.5%
Available Seat Kilometres (m)	8,792	8,938	(1.6)%
Revenue Seat Factor (%)	79.2%	77.5%	1.7 pts
<b>JETSTAR DOMESTIC</b>			
Passengers Carried ('000)	3,545	3,410	4.0%
Revenue Passenger Kilometres (m)	4,258	3,971	7.2%
Available Seat Kilometres (m)	4,875	4,761	2.4%
Revenue Seat Factor (%)	87.3%	83.4%	3.9 pts
<b>GROUP DOMESTIC</b>			
Group Domestic Available Seat Kilometres (m)	13,667	13,699	(0.2)%
Group Domestic Unit Revenue (c/ASK)			6.8%
<b>QANTAS INTERNATIONAL</b>			
Passengers Carried ('000)	2,184	2,059	6.1%
Revenue Passenger Kilometres (m)	14,911	14,589	2.2%
Available Seat Kilometres (m)	17,691	17,325	2.1%
Revenue Seat Factor (%)	84.3%	84.2%	0.1 pts
<b>JETSTAR INTERNATIONAL</b>			
Passengers Carried ('000)	1,587	1,620	(2.0)%
Revenue Passenger Kilometres (m)	4,706	4,904	(4.0)%
Available Seat Kilometres (m)	5,415	5,826	(7.1)%
Revenue Seat Factor (%)	86.9%	84.2%	2.7 pts
<b>JETSTAR ASIA</b>			
Passengers Carried ('000)	1,064	1,069	(0.5)%
Revenue Passenger Kilometres (m)	1,536	1,587	(3.2)%
Available Seat Kilometres (m)	1,925	1,954	(1.5)%
Revenue Seat Factor (%)	79.8%	81.3%	(1.5) pts
<b>GROUP INTERNATIONAL</b>			
Group International Available Seat Kilometres (m)	25,031	25,105	(0.3)%
Group International Unit Revenue (c/ASK)			4.0%

**Note:** Any adjustments to preliminary statistics will be included in the year to date results next reporting period. Where figures have been rounded, discrepancies may occur between the sum of the components of items, the total and percentage changes which are derived from figures prior to rounding.

**Key**

(m): Millions

RPKs: The number of paying passengers carried multiplied by the number of kilometres flown

ASKs: The number of seats available for sale multiplied by the number of kilometres flown.