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1H19 RESULTS PRESENTATION





February 13, 2019

SUMMARY OF 1H19 GROUP OUTCOMES

Strong first half performance



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- | | | |
|--|--|---|
|  | UNDERLYING PROFIT BEFORE TAX (UPBT) | <ul style="list-style-type: none">• 1H19 \$112.3m up \$30.4m on 1H18• Highest 1H underlying result in 11 years• Delivered despite \$88.2m fuel and FX headwinds |
| <hr/> | | |
|  | STATUTORY PROFIT | <ul style="list-style-type: none">• Statutory profit after tax of \$73.8m up \$69.4m on 1H18• Includes \$24.6m of net restructure costs predominately relating to fleet simplification |
| <hr/> | | |
|  | RECORD GROUP REVENUE | <ul style="list-style-type: none">• Group revenue up 10% to \$3,071.0m• Highest 1H recorded revenue in the airline's history<ul style="list-style-type: none">– Driven by strong domestic yield, passenger growth and new routes including Sydney-Hong Kong |
| <hr/> | | |
|  | VA DOMESTIC RECORD UNDERLYING EBIT | <ul style="list-style-type: none">• Highest HY earnings since VA Domestic segment reporting commenced in FY12<ul style="list-style-type: none">– EBITDA of \$317.1m, +15.2% increase– EBIT of \$176.7m, +26.8% increase– EBIT Margin of 8.5%, an improvement of 1.1 percentage points |
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Note: This page contains Non-Statutory measures which are defined on slides 19, 20 and 21

SUMMARY OF 1H19 GROUP OUTCOMES

Strong first half performance



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CASH GENERATED FROM OPERATING ACTIVITIES

- \$276.4m for 1H19 representing \$5.8m (+2.1%) improvement on 1H18



IMPROVED FREE CASH FLOW GENERATION

- \$67.8m Free Cash Flow improvement on 1H18
 - Driven by improved earnings, fleet and capital management



BETTER BUSINESS PROGRAM

- On track to deliver \$400m in annualised net Free Cash Flow savings by Jun-19
- Program delivering \$355m in annualised free cash benefits as at Dec-18
- Program delivering sustainable earnings, Free Cash Flow and balance sheet improvements
- Better Business 2 in advanced planning for Jul-19 launch



CONTINUED IMPROVEMENT IN BALANCE SHEET METRICS

- Financial Leverage 4.1x, improved from 4.5x in 1H18
- Strongest reported Financial Leverage since FY08
- Adjusted Net Debt improved by \$287.0m to \$3,935.2m

1H19 SUMMARY GROUP RESULTS

Record 1H underlying result despite higher fuel costs and supported by the core VA Domestic business



PROFIT AND LOSS

Measure	1H18	1H19	Change	
Group Revenue (\$m)	2,791.0	3,071.0	+10.0%	↑
EBITDAR (\$m)	534.9	560.6	+4.8%	↑
EBITDA (\$m)	334.1	369.9	+10.7%	↑
EBIT (\$m)	160.7	191.8	+19.4%	↑
Underlying Profit Before Tax (\$m)	81.9	112.3	+37.1%	↑
Statutory Profit After Tax (\$m)	4.4	73.8	+\$69.4m	↑

Note: This page contains Non-Statutory measures which are defined on slides 19, 20 and 21

1H19 SUMMARY GROUP RESULTS

Better Business program driving sustainable improvement



KEY BALANCE SHEET AND CASH FLOW METRICS

Measure	1H18	1H19	Change	
Cash Generated from Operating Activities (\$m)	270.6	276.4	+2.1%	↑
Free Cash Flow (\$m)	(97.5)	(29.7)	+69.5%	↑
Financial Leverage (times)	4.5	4.1	(8.9%)	↓
Interest Cover (times)	1.1	1.6	+45.5%	↑
Cash and Cash Equivalents (\$m)	1,216.3	1,251.5	+35.2	↑
Adjusted Net Debt (\$m)	4,222.2	3,935.2	(287.0)	↓

- Group record cash generated from operating activities of \$276.4m, \$5.8m above 1H18 including fuel and FX headwinds of \$88.2m
- Strongest recorded 1H Financial Leverage since 1H08
- Adjusted Net Debt continues to improve – reducing to \$3.94bn (down 6.8% from 1H18)

Note: This page contains Non-Statutory measures which are defined on slides 19, 20 and 21

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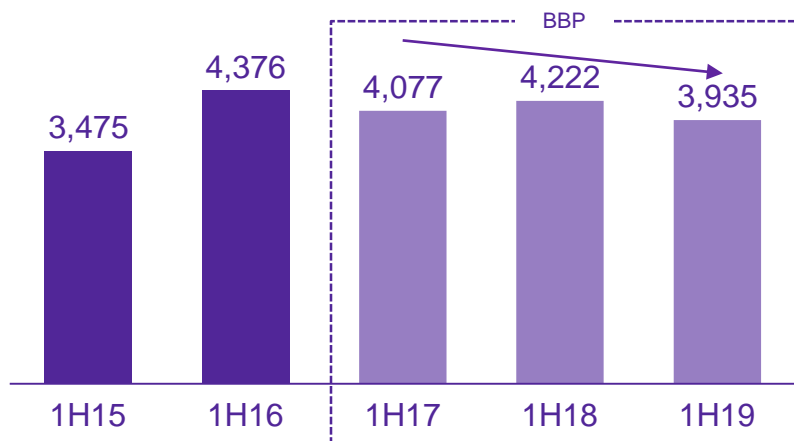
BETTER BUSINESS PROGRAM

Continued improvement in key metrics despite weaker AUD

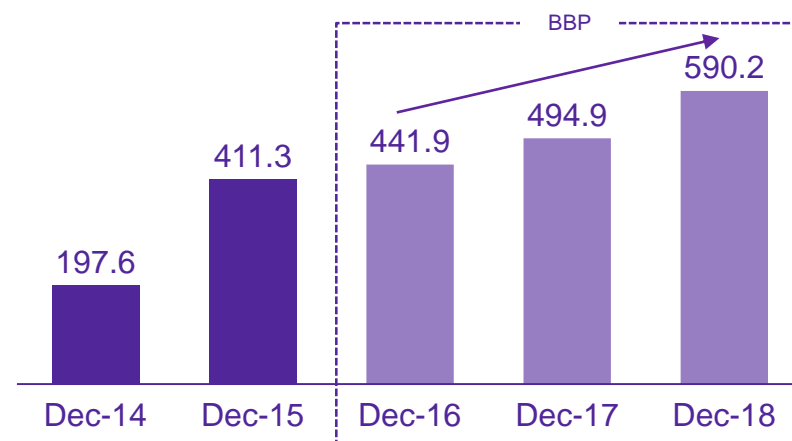


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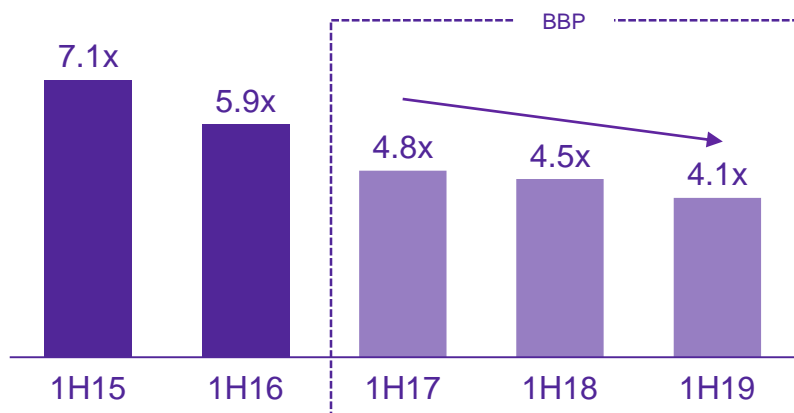
ADJUSTED NET DEBT (\$M)



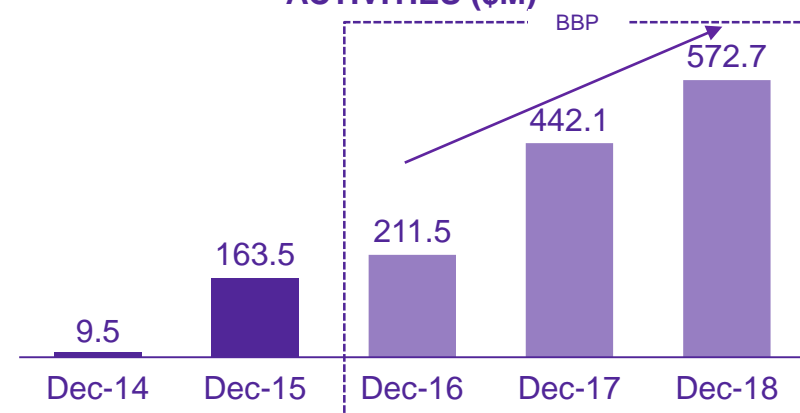
ROLLING 12 MONTH EBITDA (\$M)



FINANCIAL LEVERAGE (TIMES)



ROLLING 12 MONTH NET CASH FROM OPERATING ACTIVITIES (\$M)



Note: This page contains Non-Statutory measures which are defined on slides 19, 20 and 21

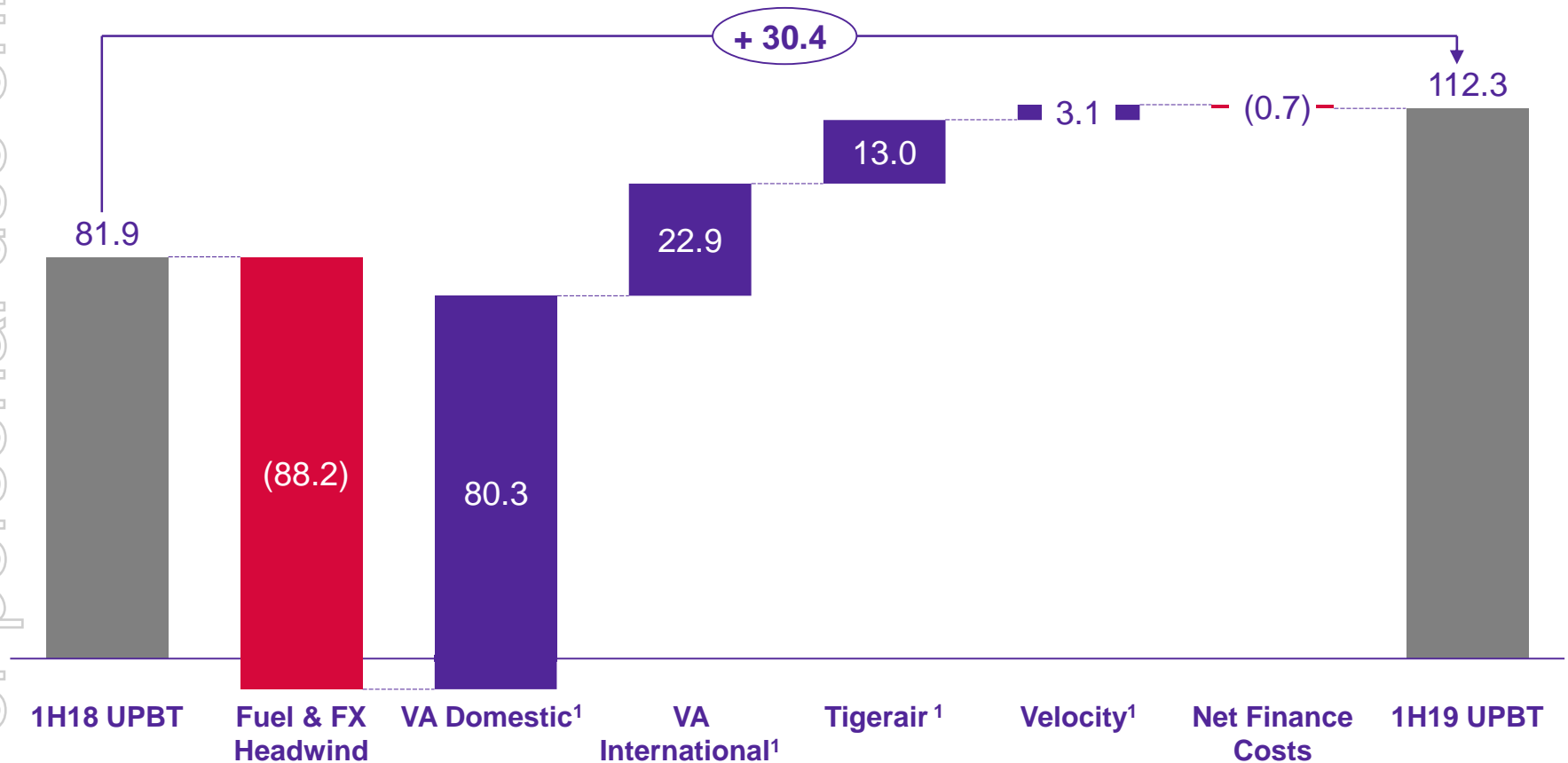
1H19 SUMMARY GROUP RESULTS

Continued strength in VA Domestic performance driving recovery of increased fuel costs



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1H19 GROUP UNDERLYING PROFIT PERFORMANCE (\$M)



External Revenue (% of group revenue)	63%	21%	10%	6%	-	100%

1. Underlying EBIT as defined on slides 19, 20 & 21, adjusted for impact of fuel and FX headwind
 Note: This page contains Non-Statutory measures which are defined on slides 19, 20 and 21

VIRGIN AUSTRALIA DOMESTIC

Record Underlying EBIT performance for core operating segment



KEY UNDERLYING METRICS

Measure	1H18	1H19	Change
Revenue (\$m)	1,887.5	2,082.3	+10.3%
EBITDA (\$m)	275.3	317.1	+15.2%
EBITDA Margin	14.6%	15.2%	+0.6 pts
EBIT (\$m)	139.4	176.7	+26.8%
EBIT Margin	7.4%	8.5%	+1.1 pts
RASK			+7.1%
ASK			+3.0%
Yield			+6.3%
Guests			+4.1%

- Strong domestic performance despite \$43.0m segment fuel and FX headwind
- Disciplined capacity management and improved fleet utilisation contributing to balance sheet improvements

Key financial and operational milestones

- Record EBIT performance
- Record Yield and RASK results
- Highest Load Factor in seven years
- Highest EBIT margin since 1H12

Continued investment in the customer experience

- Virgin Australia App enhancements
- Implementation of self-service technology across our domestic ports
- Progressing the roll-out of inflight Wi-Fi
- Launch of two new routes
 - Perth-Hobart
 - Perth-Gold Coast (seasonal)

VIRGIN AUSTRALIA INTERNATIONAL

Strong Yield and passenger growth with new routes and increased trans-Tasman frequencies



KEY UNDERLYING METRICS

Measure	1H18	1H19	Change
Revenue (\$m)	578.0	666.1	+15.2%
EBITDA (\$m)	18.4	0.9	(95.1%)
EBITDA Margin	3.2%	0.1%	(3.1) pts
EBIT (\$m)	(2.7)	(12.0)	(344.4%)
EBIT Margin	(0.5%)	(1.8%)	(1.3) pts
RASK			+0.8%
ASK			+14.0%
Yield			+3.4%
Guests			+8.2%

- Strong revenue performance driven by new routes and yield growth
- Underlying result delivered despite \$32.2m segment fuel and FX headwind

Continued investment in the Greater China strategy

- Daily Sydney-Hong Kong flights launched in July
- Melbourne-Hong Kong increased to daily
- Virgin Atlantic codeshare between London and Hong Kong commenced

Strong market take-up of enhanced trans-Tasman offering

- Launched three new routes
- Increased frequencies between Australia and Auckland

Improved guest experience

- Announced an international lounge network with 5 lounges across Australia and New Zealand
- Brisbane and Wellington lounges to open soon
- B777 fitted out with inflight Wi-Fi and A330 fleet to commence fit-out in 2H19

TIGERAIR AUSTRALIA

Strong Yield and unit revenue performance amid fleet simplification



KEY UNDERLYING METRICS

Measure	1H18	1H19	Change
Revenue (\$m)	302.3	302.6	+0.1%
EBITDA (\$m)	5.1	12.0	+135.3%
EBITDA Margin	1.7%	4.0%	+2.3 pts
EBIT (\$m)	(8.3)	(8.0)	+3.6%
EBIT Margin	(2.7%)	(2.6%)	+0.1 pts
RASK			+13.0%
ASK			(11.5%)
Yield			+14.2%
Guests			(9.0%)

- EBIT impacted by accelerated depreciation from fleet transition
- Capacity and passengers down due to reduction in fleet size

Key financial and operational milestones

- Significant improvement in EBITDA despite \$12.7m segment fuel and FX headwind
- Network optimisation and improvement strategy underpinning Yield and RASK growth
- Plan to move to 737 fleet supported by Virgin Australia's maintenance capability to improve fleet performance in the long-term
 - Aligning lease end dates and opportunities for early aircraft exits where possible

VELOCITY FREQUENT FLYER

Revenue growth from a combination of new members and partners



KEY UNDERLYING METRICS

Measure	1H18	1H19	Change
Revenue (\$m)	191.3	208.9	+9.2%
EBITDA (\$m)	59.2	63.8	+7.8%
EBITDA Margin	30.9%	30.5%	(0.4) pts
EBIT (\$m)	56.2	59.0	+5.0%
EBIT Margin	29.4%	28.2%	(1.2) pts
Members (m)	8.6	9.5	+10.5%

- Strong 1H19 revenue growth with new partners exceeding expectations
- Velocity well-positioned for renewed growth having cycled changes to the credit card interchange regime

Focus on strengthening member engagement

- Record redemption levels for rewards
- 10% growth in membership

Continued investment in digital experience

- Launch of Velocity App on iPhone and Android
- Refreshed Velocity website
- Focus on increasingly personalised member communications

HEDGING UPDATE AND OUTLOOK

Hedging providing effective protection across FY19 and FY20 against higher fuel costs and lower AUD relative to the USD



Hedging Update

Input	Remaining FY19	FY20
Fuel (Brent)	90%	60%
FX (AUD/USD)	90%	50%

- Operating costs hedged on a 2-year forward rolling program to provide protection against rising oil prices and falling exchange rates
 - Participation in any favourable price movements maintained through the use of options
- Significant portion of cash reserves in USD
 - Mitigates falls in the AUD relative to the USD

FY19 Group Outlook

- Based on forward bookings, Group revenue in 3Q19 is expected to grow by at least 7% on the prior corresponding quarter
- Due to uncertain market conditions we are unable to provide more specific FY19 guidance
- The Group will continue to monitor current trends and will update the market if required

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SUPPLEMENTARY FINANCIAL SLIDES



GROUP FINANCIAL SUMMARY

Continued improvement in Underlying Profit Before Tax and statutory profit metrics



Group Financial Summary (\$m)	1H18	1H19	Change
Revenue and income	2,791.0	3,071.0	↑ 280.0
Statutory profit after tax	4.4	73.8	↑ 69.4
Add back: Income tax expense	4.0	13.9	9.9
Statutory profit before tax	8.4	87.7	↑ 79.3
Add back			
(Gains)/losses on disposal of assets	0.0	(1.5)	(1.5)
Onerous contract expense	60.4	15.5	(44.9) 1
Business and Capital Restructure and Transaction Costs	16.7	10.6	(6.1) 2
Restructuring sub-total	77.1	24.6	↓ (52.5)
Share of net profit of equity-accounted investee	(3.5)	0.0	3.5
Ineffectiveness on Cash Flow Hedges	(0.1)	0.0	0.1
Underlying Profit Before Tax	81.9	112.3	↑ 30.4
Add back Time Value Movement on Cash Flow hedges	20.6	27.0	6.4 3
Underlying Profit Before Tax and TVM on Cash Flow Hedges	102.5	139.3	↑ 36.8

- 1** Onerous contract expense reflects costs associated with non-operational fleet
- 2** Reduction in restructure and transaction costs associated with the Better Business program
- 3** Increase in Time Value Movement on Cash Flow Hedges is a result of higher hedging activity in 1H19

Note: This page contains Non-Statutory measures which are defined on slides 19, 20 and 21

CASH FLOW SUMMARY

Highest cash generated from operating activities since FY08



Cash Flow Statement (\$m)	1H18	1H19	Change
Cash generated from operating activities	270.6	276.4	5.8
Transformation and net finance costs	(79.2)	(82.7)	(3.5)
Net cash from operating activities	191.4	193.7	2.3
Net cash used in investing activities	(325.1)	(263.6)	61.5
Net cash used in financing activities	(37.4)	(129.4)	(92.0)
Net increase in cash and cash equivalents incl. impact of FX	(179.8)	(164.0)	15.8
Cash and cash equivalents at 31 December	1,216.3	1,251.5	35.2
Free Cash Flow	(97.5)	(29.7)	67.8

- 1 Highest 1H result in 11 years
- 2 Reduced aircraft capex with four B737 deliveries in 1H18 and none in the current period. The current period includes pre-delivery payments for new aircraft delivering from FY20
- 3 1H19 included early repayment of an additional three B737 Enhanced Equipment Notes plus early repayment of other financing facilities

Note: This page contains Non-Statutory measures which are defined on slides 19, 20 and 21

BALANCE SHEET SUMMARY



Balance Sheet and Liquidity (\$m)	FY18	1H19	Change
Cash and cash equivalents	1,415.5	1,251.5	(164.0)
Other current assets	564.0	440.6	(123.4)
Property, plant and equipment	3,031.0	3,179.5	148.5
Other non-current assets	1,177.9	1,179.2	1.3
Total assets	6,188.4	6,050.8	(137.6)
Current interest-bearing liabilities	295.1	768.7	473.6
Non-current interest-bearing liabilities	2,273.0	1,792.3	(480.7)
Interest-bearing liabilities	2,568.1	2,561.0	(7.1)
Other liabilities	2,525.3	2,496.3	(29.0)
Total liabilities	5,093.4	5,057.3	(36.1)
Total equity	1,095.0	993.5	(101.5)
Unrestricted cash balance	1,000.8	989.8	(11.0)

1 US\$400m 144A bond has become current due to maturity in Nov-19

2 Predominantly due to the fair value movements in the hedge reserve

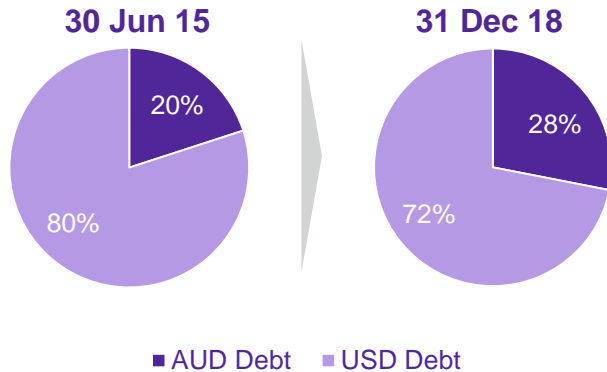
FINANCING OVERVIEW

Debt refinance program well progressed



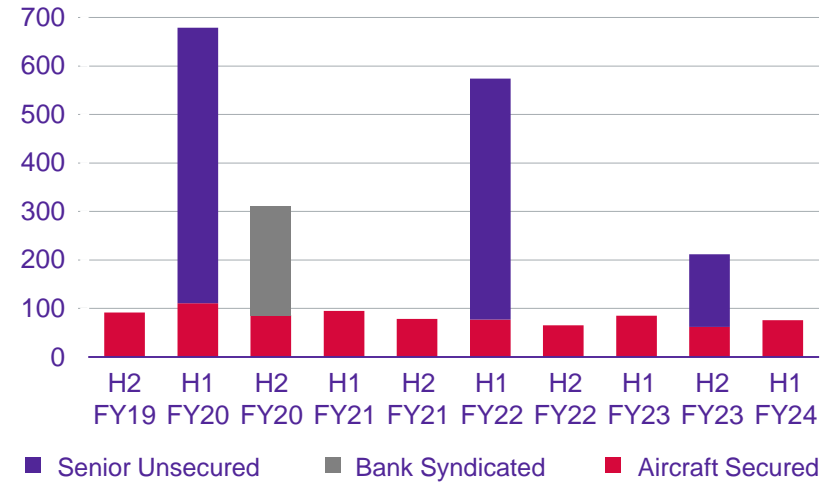
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DEBT CURRENCY MIX



- Lower AUD/USD adversely impacts translation of USD denominated liabilities
- Strategy to increase proportion of AUD to USD debt in both secured and unsecured markets and smooth the debt maturity profile over time
- Improving Free Cash Flow continues to drive deleveraging
- Better Business 2 in planning for FY20 commencement with a 3-year annualised target of \$300m

5-YEAR DEBT MATURITY PROFILE



- High cash balance to be held ahead of US\$400m 144A bond maturity in Nov-19
- \$579m of undrawn debt facilities were available as at 31 Dec 18
 - \$279m of corporate facilities (both secured and unsecured)
 - \$300m committed operating lease finance already in place for four MAX 8 deliveries
- Funding plan addressing nearer term debt maturities underway and expected to be executed by 30 Jun 19

VIRGIN AUSTRALIA GROUP OPERATING FLEET

Reflects on-going fleet simplification improvements



Group operating fleet ¹	As at 31 Dec 2018	As at 31 Dec 2018		As at 30 June 2018	As at 30 June 2017
		Leased	Owned		
B737-700/800	81	38	43	82	77
E190	-	-	-	-	7
A330	6	6	-	6	6
B777	5	1	4	5	5
ATR72-500/600	8	8	-	8	13
Virgin Australia Airlines	100	53	47	101	108
F100	14	-	14	14	14
A320 (Charter & Tigerair)	15	14	1	15	16
B737-800 (Tigerair)	4	-	4	3	3
Virgin Australia Group	133	67	66	133	141

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1. Excludes aircraft that have been removed from operational service

DISCLAIMERS, DEFINITIONS AND ASIC GUIDANCE



Disclaimer

The non-IFRS information has not been audited or reviewed by KPMG.

This presentation has not been audited or reviewed by KPMG; however, IFRS data has been derived from the Virgin Australia Holdings Limited Interim Financial Report for the half-year ended 31 December 2018 that has been reviewed by KPMG.

Definitions

Underlying Profit Before Tax or UPBT¹: is a non-statutory measure that represents statutory profit before tax excluding the impact of gains on disposal of assets, onerous contract expenses, Business and Capital Restructure and Transaction Costs (as defined below), share of net profit of equity-accounted investee and Ineffectiveness on Cash Flow Hedges (as defined below). This is a measure used by Management and Board of Virgin Australia Holdings Limited (VAH) to assess the financial performance of VAH.

Business and Capital Restructure and Transaction Costs (or Transformation): is a non-statutory measure that includes business and capital restructure and transaction costs.

Ineffectiveness on Cash Flow Hedges: is a statutory measure that includes the following items outlined in Note 2 of the VAH Interim Financial Report. For the half-year ended 31 December 2018: nil. For the half-year ended 31 December 2017: gain of \$0.1 million.

Time Value Movement on Cash Flow Hedges: is a non-statutory measure that includes the following items outlined in Note 2 of the VAH Interim Financial Report. For the half-year ended 31 December 2018: loss of \$27.0 million. For the half-year ended 31 December 2017: loss of \$20.6 million.

Underlying Earnings Before Interest, Tax, Depreciation, Amortisation and Aircraft Rentals or EBITDAR¹: is a non-statutory measure per Note 2 of the VAH Interim Financial Report for the half-year ended 31 December 2018. It is used by Management and VAH's Board as a measure to assess the financial performance of VAH and its individual segments. It is defined as Underlying Profit Before Tax (as defined above) excluding the impact of depreciation, amortisation, aircraft rentals and net finance costs.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation or EBITDA¹: is a non-statutory measure per Note 2 of the VAH Interim Financial Report for the half-year ended 31 December 2018. It is used by Management and VAH's Board as a measure to assess the financial performance of VAH and its individual segments. It is defined as Underlying Profit Before Tax (as defined above) excluding the impact of depreciation, amortisation and net finance costs.

Underlying Earnings Before Interest & Tax or EBIT¹: is a non-statutory measure per Note 2 of the VAH Interim Financial Report for the half-year ended 31 December 2018. It is used by Management and VAH's Board as a measure to assess the financial performance of VAH and its individual segments. It is defined as Underlying Profit Before Tax (as defined above) excluding the impact of net finance costs.

Underlying Earnings Before Interest & Tax Margin or EBIT Margin^{1,2}: is a non-statutory measure derived from Underlying Earnings Before Interest & Tax (as defined above) divided by total segment revenue.

1. The comparative has been restated to include Time Value Movement on Cash Flow Hedges within underlying earnings

2. The comparative has been restated to reflect the revised allocation of Virgin Australia Domestic revenue after excluding the effect of eliminations of intersegment revenue

DISCLAIMERS, DEFINITIONS AND ASIC GUIDANCE



Definitions (continued)

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation Margin or EBITDA Margin^{1,2}: is a non-statutory measure derived from Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (as defined above) divided by total segment revenue.

Free Cash Flow: is a non-statutory measure derived from cash generated from operating activities less cash payments for business restructuring expenses less net cash used in investing activities less equity distributions paid to non-controlling interests.

RASK²: is a non-statutory measure derived from segment revenue divided by Available Seat Kilometres (defined below) of the regular passenger transport businesses.

Yield²: is a non-statutory measure derived from segment revenue divided by Revenue Passenger Kilometres (defined below) of the regular passenger transport business.

Load Factor: is a non-statutory measure of the capacity utilisation of the Group's regular passenger transport business derived from number of revenue generating guests carried divided by available seats.

ASK or Available Seat Kilometre: is a non-statutory measure derived from total number of seats available for passengers multiplied by the number of kilometres flown on Virgin Australia or Tigerair Australia operated flights.

RPK or Revenue Passenger Kilometre: is a non-statutory measure derived from number of paying passengers multiplied by the number of kilometres flown on Virgin Australia or Tigerair Australia operated flights.

Financial Leverage¹: is a non-statutory measure and is defined as the ratio of Adjusted Net Debt (as defined below) to EBITDAR (as defined above).

Adjusted Net Debt: is a non-statutory measure derived from Net Debt (as defined below) adding 7 times annual aircraft rentals.

Net Debt: is a non-statutory measure derived from interest-bearing liabilities less cash and cash equivalents.

Interest Cover¹: is a non-statutory measure derived from EBIT for a 12 month period divided by net finance costs for the same period.

DISCLAIMERS, DEFINITIONS AND ASIC GUIDANCE



Forward Looking Statements

This document contains certain forward looking statements. Forward looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'potential', 'goal', 'target', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'could', 'should', 'will' or similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. Forward looking statements, opinions and estimates provided in this document involve a number of risks, assumptions and contingencies, many of which are beyond the Virgin Australia Group's control and which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. It is believed that the expectations reflected in these forward looking statements, opinions and estimates are reasonable, but there can be no assurance that actual outcomes will not differ materially from these statements. Such forward looking statements, opinions and estimates are provided as a general guide only, should not be relied on as an indication or guarantee of future performance and speak only as of the date of this announcement. You should not place undue reliance on forward looking statements.

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In December 2011, ASIC issued Regulatory Guide 230. In order to comply with this Guide, Virgin Australia Holdings Limited is required to make a clear statement about whether information disclosed in documents other than the Virgin Australia Holdings Limited Interim Financial Report for the half-year ended 31 December 2018 has been audited or reviewed in accordance with Australian Auditing Standards.

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