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CEO Speech – Qantas Group Post-COVID Recovery Plan

Qantas Airways Limited attaches the “CEO Speech – Qantas Group Post-COVID Recovery Plan”.

Yours faithfully,

Andrew Finch
Group General Counsel and Company Secretary

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CEO speech – Qantas Group Post-COVID recovery plan

Qantas Group CEO, Alan Joyce

Sydney, 25 June 2020

Good morning.

Today we're making some very significant – and in some cases, very difficult – announcements about the future of the Qantas Group.

And they are focused on exactly that – making sure the national carrier has a strong future.

Aviation is used to sudden shocks. Qantas has dealt with several just in the past decade, and come through them stronger.

But we've never experienced anything like this before.

No one has.

Right now, all airlines are in the middle of the biggest crisis our industry has ever faced.

Efforts to contain COVID – which we all agree are so important – have devastated travel demand almost overnight.

Airline revenues have collapsed. Entire fleets are grounded. And the world's biggest carriers are taking extreme actions just to survive.

The Qantas Group entered this crisis in better shape than most.

We've used record profits to strengthen our balance sheet.

We've built the leading full service and low fares airlines in our home market.

We've carved out a separate earnings stream with Qantas Loyalty.

And this gives us some of the brightest prospects for recovery.

But this crisis has still hit us very hard. And the impact will be felt for a long time – particularly, I'm very sorry to say, the impact on our people.

There are some green shoots domestically. We're planning to be back to 40 per cent of our pre-crisis domestic flying during July and hopefully more in the months that follow.. But we'll be living with COVID for some time and recent events show we can't take a low infection rate for granted.

It's clear that International travel is likely to be stalled for a long time.

IATA – the peak body for airlines – says it will take more than three years for global travel to return to 2019 levels.

That means all airlines – including Qantas – must take action now. We have to position ourselves for several years where revenues will be much lower. And that means becoming a smaller airline in the short term.



THREE YEAR PLAN

Today, we're announcing a three year plan to guide our recovery and take us through to better days ahead. It's a plan I've agreed to stay on as Group CEO to see through.

The plan has three immediate actions to safeguard the national carrier's future – and, the majority of jobs it supports.

The first is to **rightsized** our workforce, fleet and capital spending for a world that has less flying for an extended period.

The second is **restructuring** to deliver ongoing savings across the Group's operations in a changed market.

And the third is **recapitalising** through an equity raise that will strengthen our balance sheet and accelerate our recovery.

IMPACT ON OUR PEOPLE

The actions we must take will have a huge impact on thousands of our people.

This is something that weighs heavily on all of us. But the collapse of billions of dollars in revenue leaves us little choice if we are to save as many jobs as possible, long term.

Many of the 6,000 job losses we're announcing today are people who have spent decades here. It's not unusual to have several members of one family working at Qantas and Jetstar.

What makes this even harder is that right before this crisis hit, we were actively recruiting. We were gearing up for Project Sunrise. We were getting ready to buy planes.

Now, we're facing a sudden reversal of fortune that is no one's fault – but is very hard to accept.

Across the world, airlines are shrinking by up to 50 per cent.

To avoid anything on this scale, we will be extending the stand down for a large number of our people as we wait for the recovery we know is coming.

Separate to job losses, about 15,000 people will remain stood down for some time – people for whom we have no work now, but will in future.

Around half of those stood down will be back flying domestically – we think – by the end of the year. The remainder – mostly, those supporting international flying – will return more slowly.

Thousands of Qantas and Jetstar people have already found secondary employment during stand down. And the feedback from those employers is incredibly positive.

For many of our people on stand down, JobKeeper has made all the difference. We're having good discussions with the government about possibly extending Jobkeeper, or some other form of support, for those in the aviation industry who will be stood down for an extended period.

We're also in dialogue with state and territory governments about their border openings – because once that happens, we can get more of our people back to work.

We will do the best we can to manage the impact on those leaving the Qantas Group, and those on continued stand down. We'll offer voluntary – rather than compulsory – redundancies as much as possible. We'll give support for career transition. And for those stood down, we'll give ongoing access to long service and annual leave, as well as our welfare programs.

We will consult with relevant unions over the coming days and weeks – who are well aware of the challenges facing the industry and, I hope, are ready to work with us.

RECAPITALISATION

As I mentioned, the Qantas Group has extremely bright prospects for recovery.

And the faster we recover, the sooner more of our people can get back to work.

To help with this, we have announced an equity raising for the first time in a decade – which follows a long period of returning significant capital to shareholders.

The proceeds from the raising – up to \$1.9 billion – will strengthen our balance sheet and accelerate our recovery.



And once we have recovered, this capital will help us take advantage of opportunities that emerge.

There is a lot of detail on the equity raising, and an update on our financial position, in the materials released to the market today.

RECOVERY AND BEYOND

This year was supposed to be one of celebration for Qantas. It's our centenary.

Clearly, it is not turning out as planned.

We draw strength from our long history. We know that – no matter how tough it is in the moment – we've always come back from a crisis stronger than before.

And we draw strength from our beginnings. Because Qantas was founded in turbulent times – straight after a world war and a devastating pandemic.

So our centenary year is, perhaps, a new beginning. The start of our 'next century'.

And while we have to make some very painful decisions, we have to focus on that future.

We know that flying will return. Our people will be back in the skies. No aircraft will sit idle. And new ones will be arriving – including for more ultra long-haul flights.

We're confident, because we've been in tough spots before. In 2013, Qantas faced an uphill battle. The turnaround that followed set us up for years of growth that was only derailed by COVID.

We know this new plan can get us back on track. Back to growth, back to profit and back to pushing boundaries with things like Project Sunrise.

In closing, I want to recognise our people. Their dedication to the national carrier – even during this time of great upheaval and uncertainty – is a big part of what will carry us through.

I want to also recognise our customers. Throughout all the recent turbulence, their support and loyalty has been amazing. From emails I've received, through to notes written on napkins to crew on board.

Our commitment to you is unchanged. Millions want to see the people and places they love – and need an airline to take them. Particularly in a country the size of Australia.

We will be smaller for a period of time, but we will still deliver a high level of care, and service and, above all, safety.

We'll continue to serve regional communities. And support Australian tourism.

As the national carrier, we have a very important job to do. A proud history to uphold. And a bright future to look forward to.

Thank you.

