FY22 RESULTS SPEECH – QANTAS GROUP CEO ALAN JOYCE

Sydney, 25 August 2022

Good morning and thank you for joining us.

I'd like to acknowledge the Traditional Custodians of the land, the Gadigal people of the Eora Nation and pay my respects to Elders, past, present and emerging.

Today we have released our results for the financial year 2022.

It's fair to say this has been an extremely challenging time for the Qantas Group, for our people and – unfortunately – for our customers.

Twelve months ago, almost all of Australia's borders were closed. Most of us were stuck at home. International travel felt like a very distant prospect.

Now, our flights are full, and we can't bring aircraft out of storage fast enough.

The numbers we're reporting today put the full impact of the Delta and Omicron lockdowns on the Group in stark financial terms.

But they also show how quickly – and how strongly – the recovery is now happening.

THIRD CONSECUTIVE LOSS AND REBOUND

At a headline level for FY22, the Group had an underlying loss before tax of almost $1.9 billion, and a statutory loss before tax of just under $1.2 billion.

That brings our total losses since the start of the pandemic to more than $7 billion and takes lost revenue to more than $25 billion.

To put that in perspective, on a statutory basis, COVID cost us more money in the past three years than we made in the five years before that.

The fact we've been able to steer through this is remarkable.

And now that we are through it, things are improving even faster than we expected.

People are not just flying again – they've brought a level of enthusiasm for travel that was beyond our best projections.

Revenue intakes for leisure travel are around 125 per cent of pre-COVID levels.

For business travel, it's 90 per cent – and that's despite the fact many people are still working from home during the current COVID and flu spike.

Forward bookings are extremely strong across our airlines and consumer research shows that travel is one category people want to keep spending on, even as inflation and interest rates see them pull back elsewhere.

GETTING BACK TO OUR BEST

As many of you have probably experienced, strong travel demand has also brought some difficulties.

We knew the recovery was coming and we were ready for the restart. What we weren't ready for – after 18 months of COVID being supressed – was such high levels of community transmission and the sick leave that followed.

Neither were many of our industry partners.

The rebound in travel demand also coincided with a massive labour shortage. Of course, that shortage has been more acute in aviation because of how many people left the industry during two very uncertain years.

It's the same story at airlines and airports around the world.

All of this resulted in well-publicised problems: long queues, delayed flights and misplaced bags.

It was incredibly tough for our people and deeply frustrating for our passengers.

It simply wasn't good enough, and for that, we have apologised.

We reached out to our Frequent Flyers earlier this week to thank them for their patience and for sticking with us.

But what they really want to know is how we're fixing it.

There is a lot of work happening to get Qantas back to its best.

Since April, we've hired more than 1,500 people and will add more in the next few months.

Our partners – including ground handlers and airports – are recruiting as well.

We're reducing our domestic flying – in part – to give us more buffer. We are rostering more crew across fewer flights, which means we can better cover sick leave that is averaging almost 50 per cent above normal.

We're also investing more in technology, including an upgrade to our airport kiosks and bag drop facilities, as well as new scanners at boarding gates.

There's significant improvement already.

Qantas' mishandled bag rate reached 11 in every one thousand in July but it's now down to 6 in one thousand. That's almost back to pre-COVID levels and will be at pre-COVID levels in September.

Cancellations reached 7.5 per cent in July but fell below 5 per cent in August and will be back to pre-COVID levels in September.

On time performance was 52 per cent and is now 66 per cent. That's still not good enough and we expect it in the mid-70s, or higher, in September – on its way back to pre-COVID levels of 80.

This does depend on some factors out of our control – like extreme weather events or air traffic control – but the operation will be a lot more robust overall.

QANTAS FREIGHT AND LOYALTY

While passenger flying has only really come back in the past six months, Qantas Freight and Qantas Loyalty have been standout performers throughout the pandemic.

Freight posted another record result in FY22, and while international yields are coming down, we believe the market has undergone a structural shift.

Before COVID, Australia lagged most of the world in e-commerce, but lockdown saw us catch-up. Those goods ordered online are filling our aircraft, which is why we're investing to expand our freighter fleet.

Qantas Loyalty is also growing. Since the start of the pandemic, it's added over 1 million new members. It says a lot about how attractive that program is.

In May, we announced the acquisition of a majority stake in the Australian-owned online holiday package business, TripADeal. It's already delivering for the Group and our customers. Sales in the first month were up 70 per cent and Frequent Flyers have so far redeemed 150 million points on TripADeal packages.

INVESTING IN CUSTOMERS

This ability to invest is heavily linked to our recovery program.

From the start of the pandemic, our focus has been restructuring the business so we can get back to profit, and back to investing.

Just last month, the first of the Group's next-generation narrow-body aircraft arrived in Jetstar.

This is the start of a 10-year fleet renewal program that will also see Qantas update its 717 and 737 fleets with the Airbus A220 and A321. These aircraft can fly further, carry more people, generate less noise and burn less fuel.

There's a lot of work happening in Qantas to get ready for these aircraft. Our people are incredibly excited, and we think our customers will love them.

Today we announce several more investments for our customers, starting with improvements to our lounges.

- Internationally, our Auckland lounge will be completely upgraded.
- Domestically, we'll add a new Business Lounge to our existing Qantas Club in Adelaide and also renovate our Chairmans Lounge.
- Regionally, our Port Hedland and Rockhampton lounges will be upgraded and expanded.

Work on these lounge projects starts progressively from now through to early next year.

The second announcement is a new international route.

Since Australia's borders opened last November, our teams have been working hard to restart our international network and meet demand for new ones – like Perth-Rome, Sydney-Seoul and Melbourne-Delhi.

Today we're announcing Qantas will start flying from Auckland to New York with our 787 Dreamliner, starting from June next year.

INVESTING IN OUR PEOPLE

We're also investing heavily in our people.

Our training pipeline has never been busier and today we're officially opening our new cabin crew training centre right here in Mascot.

We know how tough the pandemic has been on our people. Many of them were stood down for months and they have done an incredible job through the restart. I sincerely thank them for that.

Now that we're moving back to profit, we want to share the benefits of the recovery.

We're setting aside almost $200 million for a non-executive recovery boost of $5,000 and 1,000 Qantas share rights, worth roughly another $5,000.

One advantage of working for an airline is staff travel.

Today we're announcing a major improvement to those benefits, including better access for family members and expanding the already significant fare discounts. It's something we know our people really value.

CAPITAL MANAGEMENT

Throughout COVID, our shareholders have given tremendous support. Early on, they supported us with $1.4 billion to help fund our recovery program, which was on top of the billions we borrowed to get through this crisis.

Our debt is now below our target range – so in addition to the investments we're making in customers and our people, we're in a position to start repaying shareholders.

I'm pleased to say that the Board, in line with our financial framework, has approved shareholder return of up to $400 million in the form of an on-market share buyback.

CONCLUSION

In aviation, the phrase "walk and chew gum" comes up a lot because it's a complex industry.

We plan new aircraft at least 10 years ahead. Our flights go on sale 12 months in advance.

Training new people can take months. And it all has to come together to deliver on time performance, measured in minutes.

The pandemic has tested everyone…and aviation has been sorely tested.

We're the first to admit we haven't gotten everything right lately.

But – with the help of our people – we are getting back to our best.

And – given what we have in the pipeline – it will get even better from there.

Thank you.

Media Enquiries: Qantas Media +61 418 210 005, qantasmedia@qantas.com.au
Investor Relations Enquiries: +61 0416 058 178 filipkidon@qantas.com.au

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