

QANTAS AIRWAYS LIMITED (QAN)

23 AUGUST 2018

RESULTS	Full Year 2018	Full Year 2017	CHANGE
Revenue (\$m)	17,060	16,057	+6.2%
Underlying EBIT (\$m)	1,786	1,590	+12%
Available Seat Kilometres (ASK)	152,428	150,323	+1%
Revenue Passenger Kilometres	126,814	121,178	+4.7%
Underlying profit before tax (PBT)	1,604	1,401	+14%
PBT Consensus (\$m)	1,607		
Final Dividend (\$)	0.10	0.07	+42.8%

Qantas Airways (QAN) stronger profit but higher fuel cost tailwinds ahead.

- **Australia's largest listed airline, Qantas Airways Limited (QAN)** recorded a strong profit before tax increase of 14% in line with market expectations for the full 2018 financial year. Qantas recorded this record result despite the pressures of higher fuel prices. Underlying EBIT \$1,786 million up 12% over the year. The ASK (the total number of seats available for passengers, multiplied by the number of kilometres flown) increased by 1.4% boosted by increases in the Asian growth markets offset by reduction in the domestic market. Revenue Passenger per Kilometres (RPK) lifted 4.7% from improved demand across all customer segments. Qantas warned that fuel prices are set to increase again but the company is confident the growth in overall business demand will help offset most of this pressure by cost management and fuel hedging.
- **Qantas Domestic** operating margin increased to 12.9% from 11.5% and underlying earnings EBIT up 19.1% to \$768 million. Corporate travel growth especially for new small to medium business clients helped lift the result. Qantas continued to invest in customer experience delivering with improved offerings for regional travellers and improvements in business lounges with upgrades in Melbourne underway. **Qantas International** revenue lifted to \$6,892 million up 7%, while operating margins were flat as tighter business controls offset costs. Customers made use of the new Dreamliner routes, including Perth – London and the first five 787-9s were delivered, which helped improve cost efficiencies and yield premiums.
- **Jetstar Group** underlying earnings EBIT increased to a record \$461 million up 10.5% even with a solid increase in fuel costs. Jetstar reported a 3% seat factor improvement over the year.
- **Qantas Loyalty** revenue increased by 2.7% to \$1,546 million but operating margins fell slightly due to mildly higher redemptions from Qantas Classic International. However, Qantas Travel Money increased its customer value proposition and was awarded a 5 star Canstar rating.
- Qantas announced an on-market share buyback of up to \$332 million and said it will pay a final dividend of \$0.10 on 10 October 2018.

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