



# ASX/Media Release

## QANTAS GROUP RECOVERY GATHERS SPEED

- Group Domestic capacity increasing beyond previous estimates to reach 90 per cent of pre-COVID levels in Q4 FY21; Jetstar to exceed 100 per cent due to strong leisure demand.
- All Qantas and Jetstar domestic crew now back at work.
- Recovery strategy puts short term focus on cash positive flying over profit margins – meaning more low fares to help drive demand.
- Continuing to target resumption of rest of international network from late October; continued flexibility for customers.
- Premium international lounges in Sydney, Melbourne and Brisbane to reopen.
- New deal signed with Accor.

**Sydney, 15 April 2021:** Growing domestic demand and the opening of a two-way travel bubble with New Zealand are helping keep the Qantas Group's recovery on track and allowing more parts of the business to be brought out of hibernation.

### UPDATE ON DOMESTIC TRAVEL DEMAND

An earlier recovery in domestic travel received a major setback from lockdowns during the peak Christmas and New Year travel period, which had a prolonged impact on consumer confidence. This cost the Group an estimated \$400 million in lost earnings (EBITDA) for FY21.

The recent Brisbane lockdown came on the eve of the peak Easter travel period but was much shorter and was met with far more measured responses from various states. The direct impact on the Qantas Group is estimated at \$29 million EBITDA for FY21.

The current environment is characterised by extremely strong leisure demand – helped by the Federal Government's half-price fare offer – and the return of the majority of corporate and small to medium business travel. As a result, the Group is revising its estimates of reaching 80 per cent of its pre-COVID domestic capacity for the fourth quarter of FY21 and is now expecting this to be beyond 90 per cent, provided there are no significant border closures.

The Group's short-term strategy remains generating positive cashflow rather than returning to pre-COVID profit margins – meaning the positive impact on FY21 earnings from this increased activity will be relatively small. In turn, this means even more low fares that will continue to stimulate demand.

The continued growth in domestic capacity is expected to continue into FY22, with Jetstar to reach 120 per cent of pre-COVID levels, and Qantas to be at 107 per cent.

The Qantas Group continues to respond to new travel demand patterns, which has led to 34 new domestic routes being added since July last year. This continued focus on maintaining its strategic and competitive position, including its network and frequency advantages, puts the Group's market share at around 70 per cent.

### FLEET UPDATE

To help meet increased demand for low fares leisure travel and fill structural gaps in the Australian market, Jetstar will deploy six Airbus A320 aircraft on loan from Jetstar Japan on leisure routes.



Jetstar also expects to deploy up to five of its Boeing 787-8 aircraft, usually flown on international routes, in the domestic market from mid-year until international flying returns. On sale from today, these 335-seat aircraft will initially be flown between Melbourne/Sydney-Gold Coast and Melbourne/Sydney-Cairns.

The Group has also engaged Alliance Airlines to operate three Embraer E190 aircraft from May to provide capacity on existing Qantas routes in northern and central Australia. Under an agreement announced [earlier this year](#), Qantas can access up to 14 E190 aircraft from Alliance Airlines, giving it the flexibility to respond to changes in demand.

During the fourth quarter, 90 per cent of the Group's aircraft will be active, compared with just 25 per cent at the height of the national lockdown in mid-2020. Qantas and Jetstar will have more aircraft operating on domestic and resources markets than pre-COVID, including all Boeing 737s and Airbus A320/A321s. Some aircraft which operate international flights including the entire A380 fleet (which are in long-term storage) and some Airbus A330s and Jetstar 787-8s, have not resumed flying.

All Qantas' 787-9s have been reactivated and are operating repatriation flights on behalf of the Australian Government and some freight-only services.

## **RESPONSE TO TRANS-TASMAN BUBBLE**

Qantas and Jetstar have seen strong demand since the two-way trans-Tasman bubble was announced with tens of thousands of bookings made in the first few days. The rate of Frequent Flyers using Qantas Points to book seats on the Tasman was 80 times higher than normal for the first four hours.

Flight bookings for the first few weeks of travel are stronger out of Australia than New Zealand, with capacity reduced to reflect demand patterns seen during the short two-week booking period. From late-May, Qantas has added more flights to fill gaps left in the market and meet expected demand over the ski season.

Today, Qantas announced its international First lounges in Sydney and Melbourne along with its Premium Lounge in Brisbane will reopen from 19 April 2021 to coincide with the trans-Tasman travel bubble. These lounges have been closed for more than a year.

Platinum One, Platinum and Gold frequent flyers along with Business customers and Qantas Club members flying on the Tasman will be invited to visit these two First lounges until the airline's other international lounges reopen.

## **INTERNATIONAL RESTART**

Preparations for the reopening of international borders and the resumption of international flights in late October (beyond flights between Australia and New Zealand) are continuing, including reactivating aircraft and training employees.

The Group maintains flexibility to bring forward, push back or stagger the resumption of our international flights to align with any updates to the Australian Government's COVID-19 vaccine rollout timeline or approach to international travel.

Additional flexibility for Qantas international bookings is in place to allow fee-free flight date changes to enable customers to book flights with confidence. Jetstar offers the option of purchasing FareCredit on bookings which allow passengers to cancel flights for any reason.

## **QANTAS AND ACCOR RENEW LOUNGE AGREEMENT**

Qantas and Accor have signed a new seven-year agreement for the world-leading hospitality group to continue management of Qantas lounges in Australia and overseas.



The new agreement is an extension of the 14-year partnership with Accor providing day-to-day management of food and beverage services and employee training across the airline's network of domestic and international lounges.

## **COMMENTS FROM QANTAS GROUP CEO, ALAN JOYCE**

"We're now seeing really positive signs of sustained recovery.

"This is the longest run of relative stability we've had with domestic borders for over a year and it's reflected in the strong travel demand we saw over Easter and the forward bookings that are flowing in each week from all parts of the market.

"The Australian Government's half-price fares program is having a direct and indirect impact on the sector.

"The direct response to the program has been fantastic, with over 250,000 fares sold in the first two weeks.

"Indirectly, we saw a big spike in travel demand before the fares even went on sale because the announcement itself gave people confidence, which is something that had been missing for months.

"Corporate travel, including the small business segment, is now back to around 65 per cent of pre-COVID levels, and increasing month-on-month.

"The two-way bubble with New Zealand is great news for the tourism sector as a whole. It means we can bring other parts of our business out of hibernation, like our aircraft and First lounges in Australia.

"The increased domestic flying and resumption of flights across the Tasman are also helping get more of our people back to work.

"It's important to keep this uptick in perspective. We are still facing a massive financial loss this year, which will be the second one in a row. We've lost more than \$11 billion in revenue since the pandemic started and that number will keep growing until international travel recovers.

"We've used debt and shareholder equity to get through to this point, and our people have had the benefit of direct government support, which continues for those still stood down due to international border closures.

"As the recent lockdown in Brisbane showed, airlines and many other sectors remain vulnerable to snap travel restrictions until Australia's vaccination rollout is complete.

"The vaccination program is absolutely key to restarting international flights in and out of Australia. While there have clearly been some speedbumps with the vaccine rollout, we are still planning for international flights to resume in late October. We remain in regular dialogue with the Government."

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**Authorised for release by the Group General Counsel and Company Secretary**

