QANTAS AIRWAYS LTD
FACT SHEET
OCTOBER 2024

INCOME ASSET MANAGEMENT

Issuer Outline

Qantas Airways Limited provides airline services. The Company engages in the operation of international and domestic air transportation services, as well as offers provision of freight services and the operation of a frequent flyer loyalty program. Qantas Airways serves customers worldwide.

Sector:	Consumer, Cyclical
Sub-Sector:	Airlines
Country:	AU
Ownership:	Public

Key Financials (AUD m)

LTM (31 Dec)	06/2024	06/2023
Revenue	21,939	19,815
EBITDA	3,854	4,495
NPAT	1,255	1,746
EBITDA Margin (%)	18	23
Total Assets	20,564	20,354
Total Debt	6,591	6,726
Net Debt	4,873	3,555
Key Credit metrics		
Debt / EBITDA	1.30x	1.66x
EBIT / Interest Expense	11.34x	6.92x
EBIT Margin %	10.49%	10.04%
RCF / Debt	59.27%	57.23%

Issuer Credit Rating & Outlook

Agency	Rating	Outlook
S&P	NR	NR
Moody's	Baa2	STABLE
Fitch	NR	NR

Summary Bond Details

ISIN	Issue Amount	Ranking	Coupon	Coupon Frequency	First Call[1]	Maturity Date	Issue Rating (S&P/Moody's/Fitch)
AU3CB0240109	AUD300m	Sr Unsecured	4.750%	Semi-annual	12 October 2026	12 October 2026	NR / Baa2 / -
AU3CB0283182	AUD500m	Sr Unsecured	3.150%	Semi-annual	27 September 2028	27 September 2028	- / Baa2 / -
AU3CB0268357	AUD425m	Sr Unsecured	2.950%	Semi-annual	27 November 2029	27 November 2029	- / Baa2 / -
AU3CB0274280	AUD500m	Sr Unsecured	5.250%	Semi-annual	9 September 2030	9 September 2030	- / Baa2 / -
AU3CB0313419	AUD500m	Sr Unsecured	5.900%	Semi-annual	19 September 2034	19 September 2034	- / Baa2 / -

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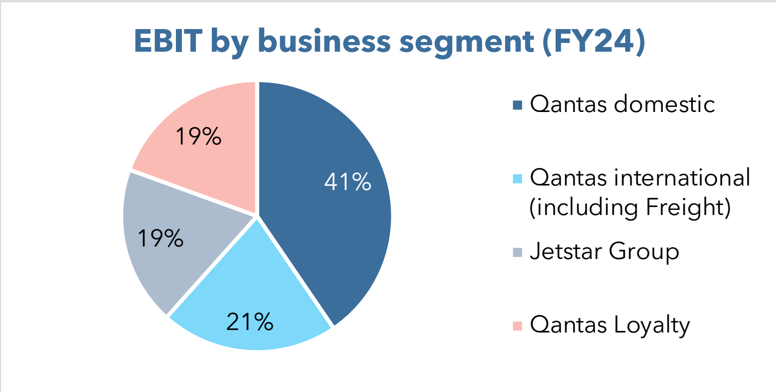
FY24 performance business by segment (AUD M)

	Revenue	Change vs FY23	Underlying EBIT	Change vs FY23
Qantas domestic	7,241	up 4%	1,063	down 16%
Qantas international (including Freight)	8,666	up 12%	556	down 39%
Jetstar Group	4,922	up 16%	497	up 23%
Qantas Loyalty	2,573	up 18%	511	up 13%

Source: FY24 Annual Report



IAM Credit View

We have a positive view of Qantas Airways Ltd underpinned by its strong business profile, solid post COVID financial performance, and conservative credit metrics, including leverage below 2x that provides a considerable buffer should the demand for air travel deteriorate in the next 12-18 months. Qantas has emerged from the pandemic with a stronger business and financial profile with a structurally lower cost base, improved EBIT margins, dominant domestic market share (>60%), and strong premium and low cost brands. While FY24 results were modestly weaker than FY23, with underlying profit before tax of AUD2.08B versus AUD2.465B the year prior largely as fare prices moderated and on lower freight earnings, this continues to be improved from FY19 results and is on the back of ongoing recovery in flying capacity. Total Group available seat kilometres (ASK) is at 93% of pre-COVID level, up 21% from a year ago. Qantas Loyalty business continues to perform well and now accounts for around 20% of the total underlying EBIT.

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Company Background

Qantas Airways Ltd is Australia's principal airline. It operates under two brands in the Australian domestic market - Qantas and Jetstar - which together comprise over 60% of domestic passenger traffic. Its closest domestic competitor Virgin Australia, accounts for ~30% of domestic passengers. Internationally, Qantas is the major premium airline serving Australia, with Jetstar operating the international low fare leisure market. Through its Qantas Loyalty business, Qantas also owns the Qantas Frequent Flyer program, the most popular frequent flyer program in Australia.
Qantas' main competitor Virgin Airlines entered into voluntary administration in April 2020 due to insufficient liquidity and was subsequently bought by Bain Capital which changed the strategy to focus on mid-market services. It had previously offered a full-service brand Virgin Australia and a low cost brand Tiger Airways. This leaves Qantas well positioned as the only dual branded domestic operator, and saw domestic market share rising to around 70% of passengers while dominating the key corporate market.

Strengths of QANTAS

- Strong business profile with a dominant market share (over 60%) in the domestic airline market. Qantas' dual brand strategy - Qantas as full service brand and Jetstar the low-cost brand - is also a strength.
- Robust outlook for air travel, with the Australian market travel inventions remaining stable in the next 6-12 months. Flying is the only viable means of travel between Australia's geographically diverse cities, and overseas destinations.
- Strong financial framework leading to conservative leverage and excellent liquidity. Qantas' gearing (debt/EBITDA) was at 1.3x at FY24 and is expected to remain below 2x in the next 12-18 months. This provides a significant buffer to the 2.5x < downgrade trigger from Moody's. FFO/Debt has recovered to > 10%. Total Liquidity is high at AUD2.7B comprising AUD1.7B of cash and AUD1.0B of committed undrawn facilities, with a further ~AUD7.5B of unencumbered fleet & other assets which can be unlocked in times of stress.
- Strong brand and growing Qantas Loyalty business provides earnings diversity and reduces earnings volatility from the airline business.

Weaknesses of QANTAS

- Cost of living pressures from higher interest rates, higher fuel prices and inflation, are pressuring demand for discretionary spending. Current demand for air travel remains strong but may soften over the next 12-18 months particularly if monetary policy response disappoints expectations. Mitigating this risk is Qantas' proven ability to respond to changes to the operating environment and sensitivity to pricing by shifting capacity between Qantas and Jetstar brands, and also between domestic and international networks.
- Recent controversies such as the ACCC investigations on advertising on already cancelled flights, class action from customers asserting inflexible flight credit schemes and allegations of illegal outsourcing of staff during the pandemic have tarnished Qantas' reputation and may result in fines. However we believe actions by the new CEO including investing in more points eligible flights should help ease the brand perception damage, and any fines levied should be easily absorbed by the balance sheet.

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