

23 August 2021

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## Qantas Airways

Industrials

**BUY**

**QAN A\$4.87 TARGET PRICE A\$6.48**

Qantas Airways Limited (QAN) is involved in operation of international and domestic air transportation services, the provision of freight services and the operation of a frequent flyer loyalty program.

### Company Data

Number of shares	1886.0 M
Market Capitalisation	\$9185.0M
Free float (%)	99.7
12-month high/low	\$5.66/\$3.77
Average Daily Turnover (\$m)	51.4
% S&P/ASX200	0.43%
DDM Ranking	75
% All Ordinaries	0.37%
GICS Industry Group	Industrials

Source: FactSet, Barclay Pearce Capital

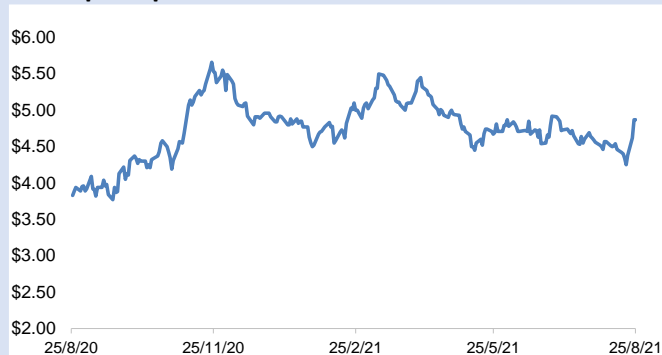
### Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	5,934.0	10,562.3	15,923.2	18,163.3
EBITDA (\$M)	410.0	2,141.1	3,414.2	3,925.6
Reported NPAT (\$M)	-1,728.0	-67.6	942.8	1,334.1
Adjusted NPAT (\$M)	-1,351.2	21.9	919.4	1,257.2
Reported EPS (c)	-91.8	-8.4	52.3	74.8
Adjusted EPS (c - FD)	-71.3	2.0	51.9	73.0
Adjusted EPS growth (%)	-1,308.5	-102.8	2,483.7	40.7
Adjusted P/E (x)	-0.1	242.7	9.4	6.7
Dividend (c/sh)	0.0	0.6	13.3	33.0
Gross yield (%)	-	0.1	2.7	6.8
Net yield (%)	-	0.1	2.7	6.8
ROIC (%)	-23.3	0.8	21.2	37.3

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

### Share price performance.



Source: FactSet, Barclay Pearce Capital

## FY21 Financial Results

On 23rd August, Qantas Airways (QAN) released their results for the full year ended 27 June 2021 with the following highlights:

### QAN Highlights

- Underlying Loss Before Tax: \$1.83 billion
- Statutory Loss Before Tax: \$2.35 billion
- \$12 billion revenue impact from COVID-19 crisis in FY21
- Net debt reduced in 2H21 to \$5.9 billion
- Statutory Net Free Cash flow of \$267 million in 2H21
- Restructuring program ahead of target, delivering \$650 million in year one
- Total liquidity of \$3.8 billion, providing buffer against uncertainty
- 95 per cent of domestic flying cash positive
- Updated plan for restart of international services from end-2021

### CEO statement

QAN CEO Alan Joyce said: "This loss shows the impact that a full year of closed international borders and more than 330 days of domestic travel restrictions had on the national carrier. The trading conditions have frankly been diabolical."

"It comes on top of the significant loss we reported last year and the travel restrictions we've seen in the past few months. By the end of this calendar year, it's likely COVID will cost us more than \$20 billion in revenue."

"We've had to make a lot of big and difficult structural changes to deal with this crisis, and that phase is mostly behind us. As a result we're geared to recover quickly, in-line with a national vaccine rollout that is speeding up."

### Outlook

Recent outbreaks and associated domestic and trans-Tasman border closures are expected to have an impact in the order of \$1.4 billion on the Group's Underlying EBITDA in the first half of FY22. This estimate assumes borders in Victoria and New South Wales re-open in early December 2021. If borders open earlier and flying returns more quickly, capacity can be adjusted accordingly.

Unfortunately, the extended border closures will also extend the stand downs of domestic crew and airport staff beyond the eight weeks previously announced – however, no job losses are expected.

## Earnings changes

For FY21, QAN reported an EPS of -71.3 in line with market expectations. Also, the outlook is unsurprising. Hence, we expect don't expect any significant earnings revisions for future periods.

## Valuation

We are updating our target price from \$6.48 to \$5.33 and retaining our BUY recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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**Hold** – Describes stocks that are neither a buy nor underperform.

**Underperform** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Buy	40.2%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	( 100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	( 0.0% of stocks with recommendations are Barclay Pearce clients)