



# Analyst Briefing

25<sup>th</sup> June 2021

# Disclaimer



This document has been prepared by Cathay Pacific Airways Limited (“the “Company”, and together with its subsidiaries, the “Group”) solely for information purposes and certain information has not been independently verified. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the accuracy, fairness, completeness, reasonableness or correctness of the information or opinions presented herein or any verbal or written communication in connection with the contents contained herein. Neither the Company nor any of its affiliates, directors, officers, employees, agents, advisers or representatives shall have any responsibility or liability whatsoever, as a result of negligence, omission, error or otherwise, for any loss howsoever arising in relation to any information presented or contained in this document or otherwise arising in connection with this presentation. The information presented or contained in this document is subject to change without notice and shall only be considered current as of the date of this presentation.

This document may contain certain forward-looking statements that reflect the Company’s beliefs, plans or expectations about the future or future events. These forward-looking statements are based on a number of assumptions, current estimates and projections, and are therefore subject to inherent risks, uncertainties and other factors beyond the Company’s control. The actual results or outcomes of events may differ materially and/or adversely due to a number of factors, including COVID-19, changes in the economies and industries in which the Group operates (in particular in Hong Kong and the Chinese mainland), macro-economic and geopolitical uncertainties, changes in the competitive environment, foreign exchange rates, interest rates and commodity prices, and the Group’s ability to identify and manage risks to which it is subject. Nothing contained in these forward-looking statements is, or shall be, relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update these forward-looking statements or to adapt them to future events or developments or to provide supplemental information in relation thereto or to correct any inaccuracies.

This document is for information purposes only and does not constitute or form any part of, and should not be construed as, an invitation or offer to acquire, purchase or subscribe for securities nor is it calculated to invite any such offer or invitation, whether in Hong Kong, the United States, or elsewhere.

This document does not constitute, and should not be construed as, any recommendation or form the basis for any investment decisions regarding any securities of the Company. Potential investors and shareholders of the Company should exercise caution when investing in or dealing in the securities of the Company

# Agenda



- Dynamic responses to COVID-19 challenges
- May 2021 YTD Operating Performance
- Outlook
- Summary
- Q&A

## Hosted by:

- Rebecca Sharpe, Chief Financial Officer
- Ronald Lam, Chief Customer and Commercial Officer

# Dynamic responses to COVID-19 challenges



## 2021 Liquidity - HK\$32.8bn

- Secured new funding from a range of capital markets
- Improved cash burn performance

2020

- HK\$28.6bn
- Deferred capital expenditure
- HKSAR led recapitalisation

## 2021 Workforce

- Closed loop arrangements
- Executive paycuts and voluntary unpaid leave
- Continuing workforce optimization

2020

- Q4 Restructuring
- New conditions of service
- Voluntary unpaid leave and executive paycuts

## 2021 Capacity

- Crew quarantine measures required ~60% cut to passenger capacity and ~25% cut to cargo
- Quarantine relaxation for vaccinated crew has allowed some capacity to be reintroduced
- May YTD passenger capacity less than 5% of 2019

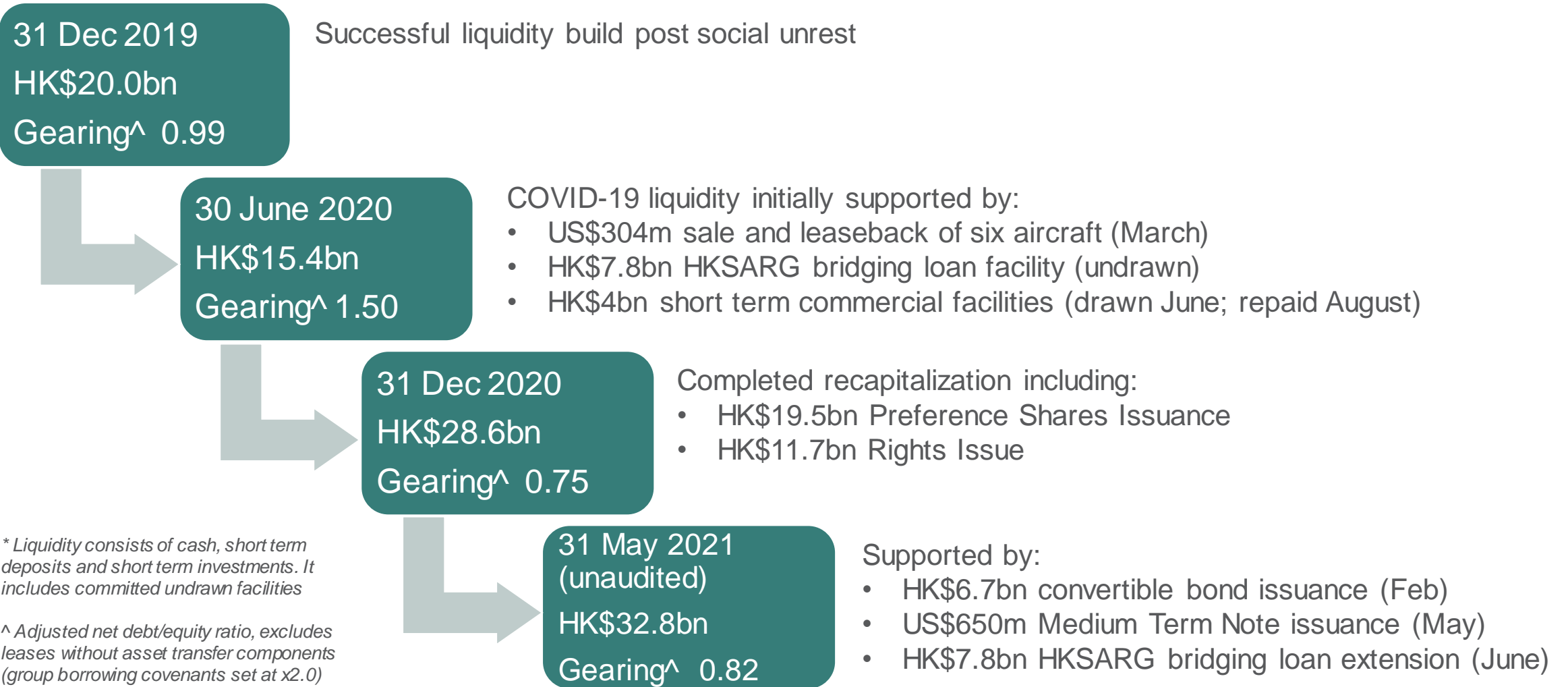
- Cut 93% of passenger capacity (Apr – Dec)
- Maximised freighter capacity + cargo only passenger flights

## 2021 Fleet

- 89 of 239 aircraft remain parked
- Taken delivery of 3 new aircraft
- 5 aircraft returned on lease expiry

- Agreed deferral of aircraft deliveries with Airbus
- Parked 92 aircraft in long term storage

# Liquidity \*



\* Liquidity consists of cash, short term deposits and short term investments. It includes committed undrawn facilities

<sup>^</sup> Adjusted net debt/equity ratio, excludes leases without asset transfer components (group borrowing covenants set at x2.0)

# Operating cost management remains a key focus



## Flight capacity

- Reactivation of passenger capacity is carefully managed to ensure our flights are cash generative

## Fuel

- Fuel prices have increased significantly – we are reducing fuel burn by operating our most efficient aircraft

## Supplier relationships

- We continue to appreciate significant support including discounts, improved payment terms and collaborative cost saving initiatives

**These ongoing efforts have delivered encouraging improvements in our monthly cash burn performance**

# Workforce



## Flexible / dynamic

- Closed loop operations
- Vaccinations reducing quarantine

## Talent / cost balance

- Executive paycuts
- Unpaid leave; 80% take up
- Sabbaticals

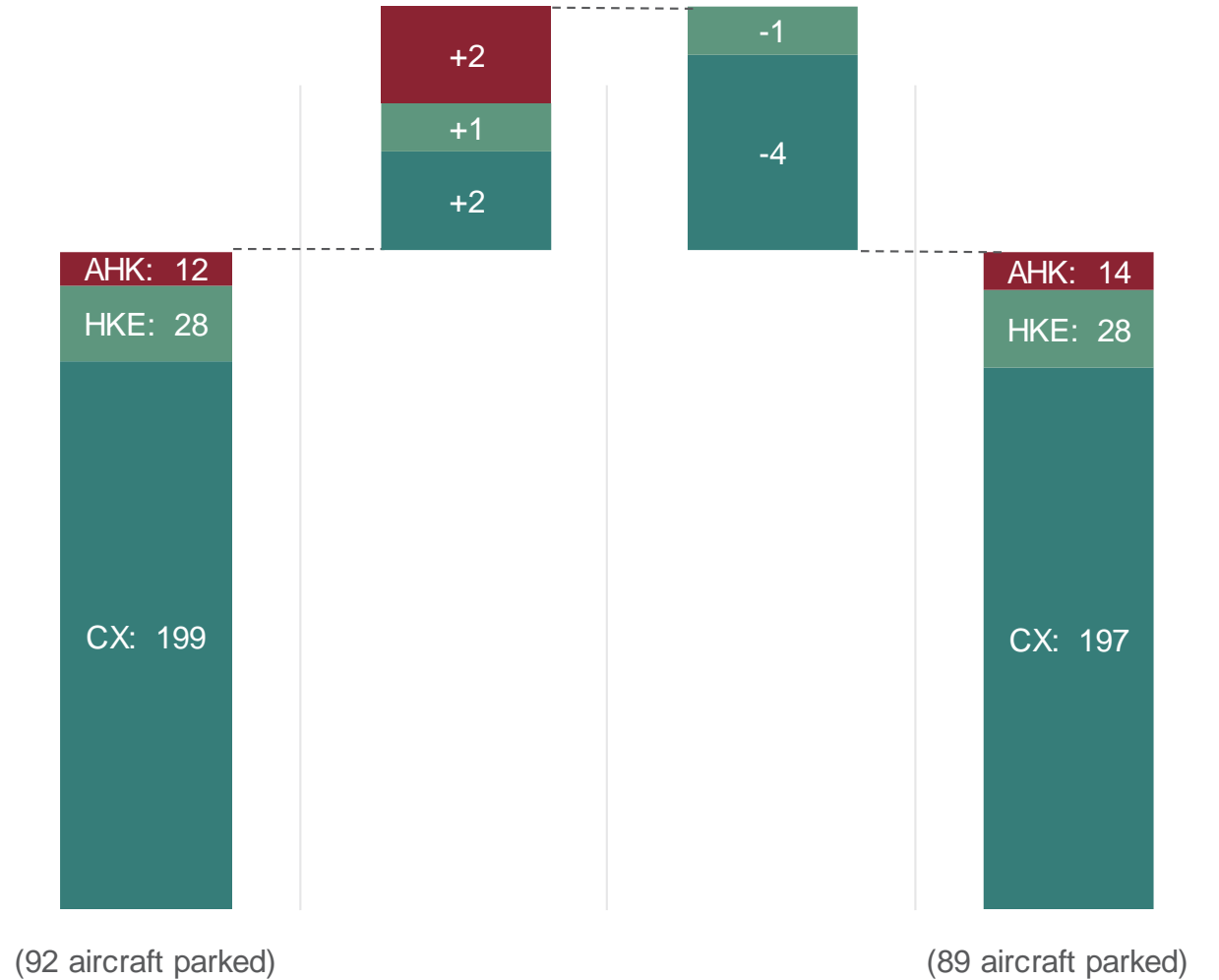
## Optimisation

- Bedded down 2020 Q4 restructure
- Closure of outport pilot bases
- Voluntary separation schemes

# Fleet



31 Dec 2020      Aircraft deliveries      Lease return      31 May 2021







# Operating performance

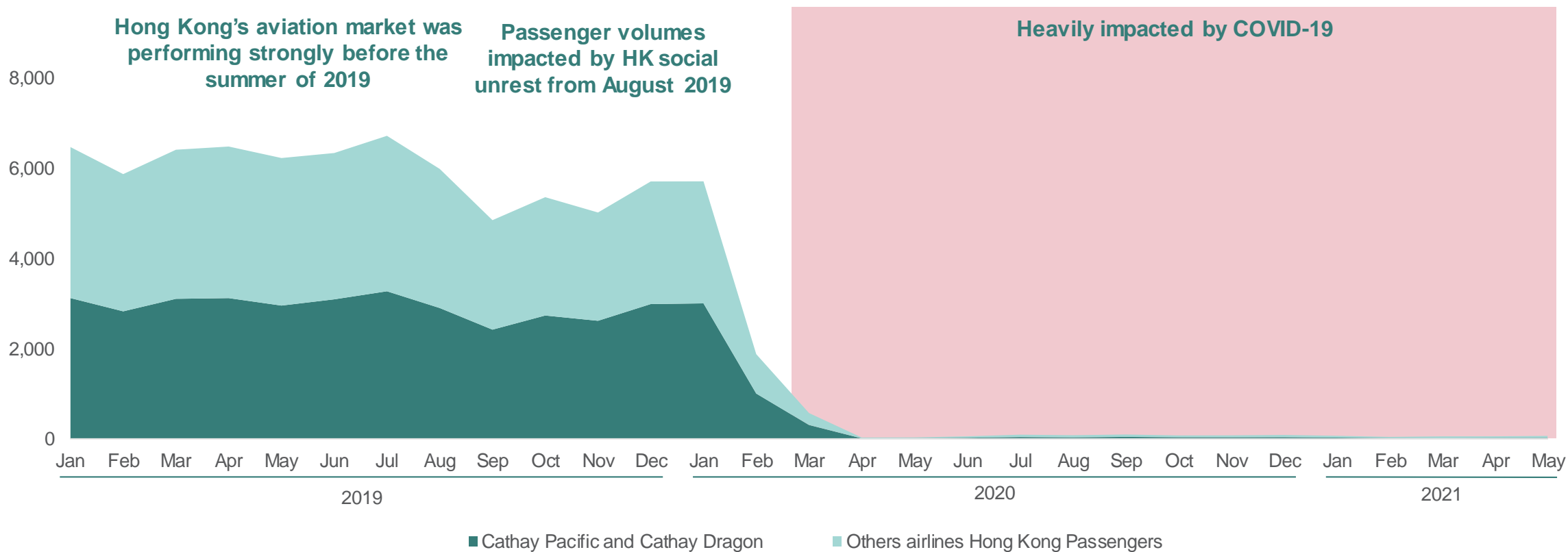
- Passenger Services
- Cargo Services
- Subsidiaries

# Significant impact on Hong Kong aviation environment



## Monthly Air Passengers in Hong Kong

'000 Passengers



Sources: Hong Kong International Airport, Cathay Investor Relations

# COVID-19 continues to disrupt passenger traffic



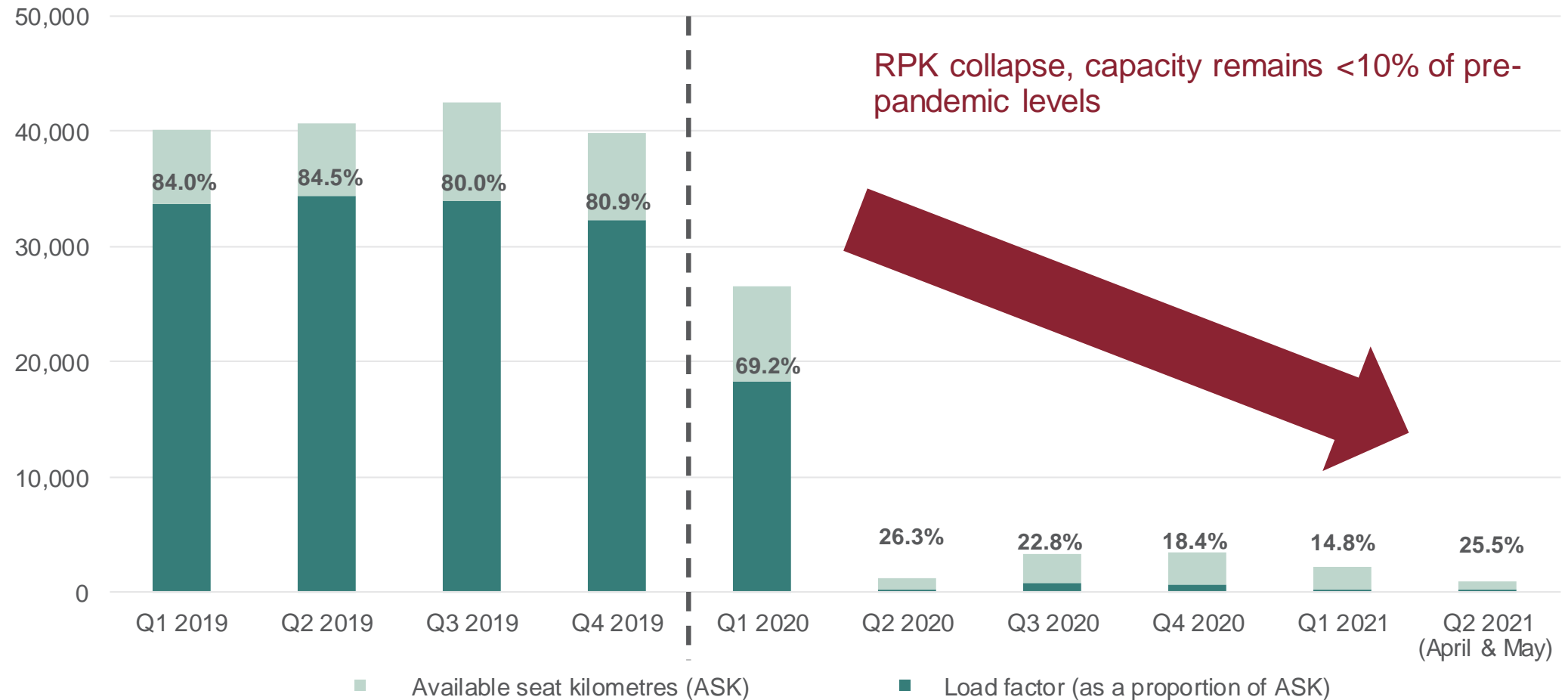
		Up to May 2021	Up to May 2020	Up to May 2019
Available seat kilometres (ASK)	Million	<b>3,090</b>	27,199	67,083
Revenue passenger kilometres (RPK)	Million	<b>554</b>	18,522	56,177
Revenue passengers carried	'000	<b>116</b>	4,362	15,161
Passenger load factor	%	<b>17.9</b>	68.1	83.7

- Travel restrictions and quarantine requirements imposed by governments worldwide continue to disrupt the global passenger air travel market
- Quarantine requirements for Hong Kong based aircrew operating passenger flights in place from mid-Feb to early May 2021 led to a further ASK capacity reduction

# Capacity reflects reduced passenger demand, but supported by cargo flows



Capacity - ASKs



# Continuing market imbalance drives strong cargo performance



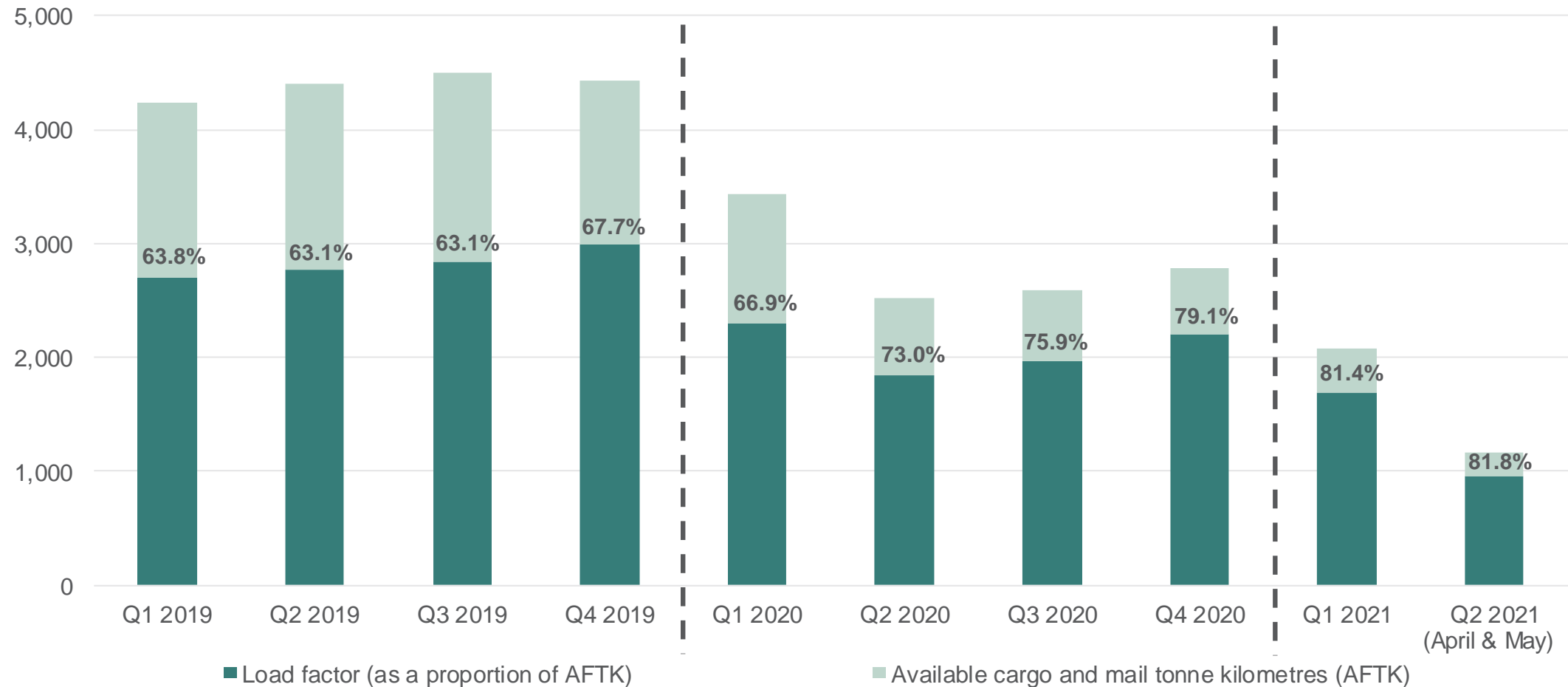
		Up to May 2021	Up to May 2020	Up to May 2019
Available freight tonne kilometres (AFTK)	Million	3,236	5,158	7,157
Revenue freight tonne kilometres (RFTK)	Million	2,639	3,544	4,550
Cargo carried	'000 tonnes	440	573	815
Cargo load factor	%	81.6	68.7	63.6

- Considerable loss of available capacity due to extensive cuts to passenger schedule and aircrew quarantine requirements.
- Load factor improved due to movement of essential shipments including COVID-19 vaccines.
- Additional cargo-carrying capacity created by:
  - increasing utilisation of our freighters
  - chartering flights from our all-cargo subsidiary Air Hong Kong
  - operating cargo-only passenger flights and carrying cargo in passenger cabins

# Cargo capacity constrained by lack of passenger belly availability, but load factor compensates



Capacity - AFTKs



# Subsidiaries



- Currently running a twice-weekly service to Taichung and once-weekly to Ningbo, compared to the 25 destinations operated pre-COVID 19



- Benefiting from continued strong cargo market performance



- Airline services subsidiaries - continue to be affected by the low number of passenger flights



# 2021 first half loss guidance



# 1H2021 guidance - somewhat lower loss than each half in 2020



2020 Full Year Loss – HK\$21.6bn

2021 First Half

2020  
First Half Loss  
HK\$ 9.9bn

2020  
Second Half  
Loss  
HK\$ 11.8bn



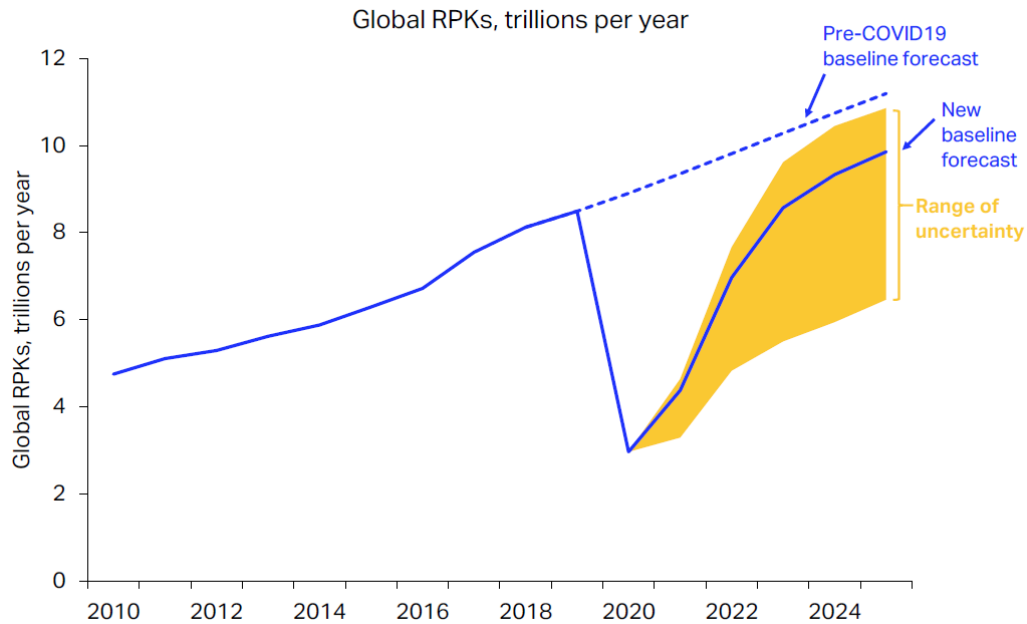
Expect a very  
substantial loss  
but lower than  
losses in each of  
the halves of  
2020



# Outlook



## Medium term outlook to 2024



Source: IATA/Tourism Economics 'Air Passenger Forecasts' January 2021

## Short term outlook in 2021



Source: IATA Economics Airline Industry Financial Forecast update, April 2021. Data is seasonally adjusted.

- Short term path depends on vaccination levels, new COVID-19 variants and policy responses.

# Global vaccine roll-out is a key element to recovery



- COVID-19 will continue to impact global travel until herd immunity is reached
- 90% of our pilots and more than 65% of our cabin crew in Hong Kong have booked or received vaccinations
- Supporting the Hong Kong SAR Government's community vaccination drive with a range of incentives for both our employees and the wider Hong Kong public

# Passenger outlook



- Promote Vaccination
  - Our employees
  - The Hong Kong community
- Risk based Border Opening
  - Hong Kong – Chinese mainland
  - Low risk countries: travel bubbles
  - Low risk individuals: vaccination-based relaxation of quarantine requirements
- Adapt to New Travel Normal
  - Digital health pass
  - “Cathay Care” assurance



**30% of pre-COVID passenger flight capacity in Q4 2021**

# Cargo outlook



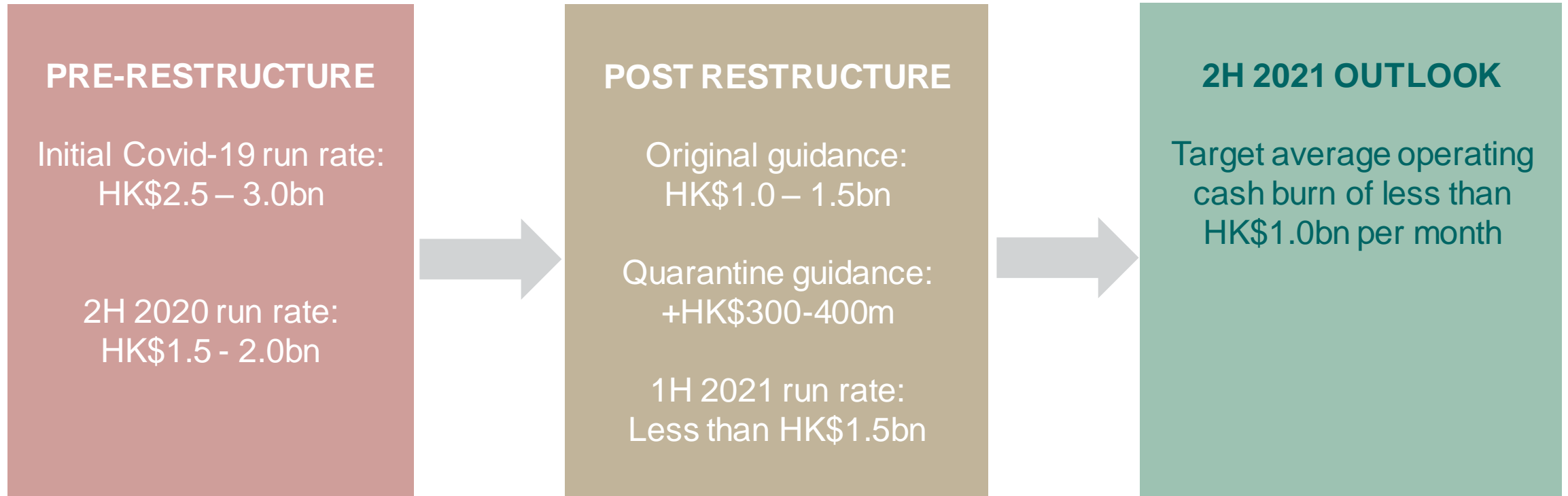
## Capacity

- Capacity remains constrained by limited passenger flights
- Ocean freight supply chain constraints supporting air cargo demand into second half of 2021
- Return to full freighter capacity and increased cargo only passenger flights with crew quarantine restrictions lifted

## Demand

- Demand overall remains strong - recovered to pre COVID levels in first quarter of 2021
- Hong Kong/China to US trade lanes are showing particularly robust demand
- Inventory/Sales ratios remain low in North America indicating continued air cargo demand as restocking grows

# Monthly operating cash burn



*Monthly operating cash burn includes: aircraft loan and lease repayments; cash support provided to subsidiaries; fuel hedging settlements; and excludes: unsecured loan repayment/refinancing; aircraft capex and related new funding; one-off restructuring costs*



# Summary



# Summary



- Continuing challenging environment for global travel
- Liquidity and cost management at the core of our responses
- Fleet capacity flexed to changes in demand
- Expect improvement in passenger operations through higher vaccination rates and shorter quarantines
- Cargo demand remains strong



# Q&A

For more information, please visit our website

[www.cathaypacific.com](http://www.cathaypacific.com)

For queries, please email us at [ir@cathaypacific.com](mailto:ir@cathaypacific.com)

