



# Analyst Briefing 2021 Interim Results

11 August 2021

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# Agenda



- Briefing highlights & responses to COVID-19
- Group financial highlights
- Passenger and cargo operations
- Operating costs
- Subsidiaries and associates
- Outlook
- Q&A

## Hosted by

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



# Briefing highlights & responses to COVID-19

# 1H 2021 vs 1H 2020 at a glance



**HK\$15.9bn**

Revenue

HK\$27.7bn

**HK\$(6.7)bn**

Adjusted attributable  
loss

HK\$(7.4)bn

**HK\$(7.6)bn**

Attributable loss

HK\$(9.9)bn

**HK\$32.8bn**

Available  
unrestricted liquidity

HK\$15.4bn

**0.82**

Gearing  
(pre HKFRS16)

1.50

# Dynamic responses to COVID-19 challenges



1H 2021

## Liquidity

- Secured new funding from a range of capital markets
- Reduced monthly operating cash burn
- Liquidity increased to HK\$32.8bn

## Operating costs

- Total costs (without fuel): HK\$17.7bn
- Cash preservation & cost optimisation initiatives
- Executive pay cuts and voluntary unpaid leave

## Capacity

- Cut 95% of pre-pandemic passenger capacity
- Cargo capacity impacted by crew quarantine rules
- Eased quarantine rules enabled some capacity to be reactivated from May

## Fleet

- 238 aircraft (89 remain parked)
- 7 new aircraft deliveries and completed 8 lease returns

FY 2020

- Liquidity:  
Jun 2020: HK\$15.4bn  
Dec 2020: HK\$28.6bn
- Recapitalisation (led by HKSAR)
- Deferred capital expenditure

- Total costs (without fuel):  
1H 2020: HK\$26.7bn  
2H 2020: HK\$23.2bn
- Retired Cathay Dragon brand
- Restructure, including 5,900 redundancies

- Cut 93% of passenger capacity (Apr – Dec)
- Maximised cargo capacity

- Fleet:  
Jun 2020: 235 aircraft  
Dec 2020: 239 aircraft
- Parked 92 aircraft in long term storage
- Deferred Airbus deliveries



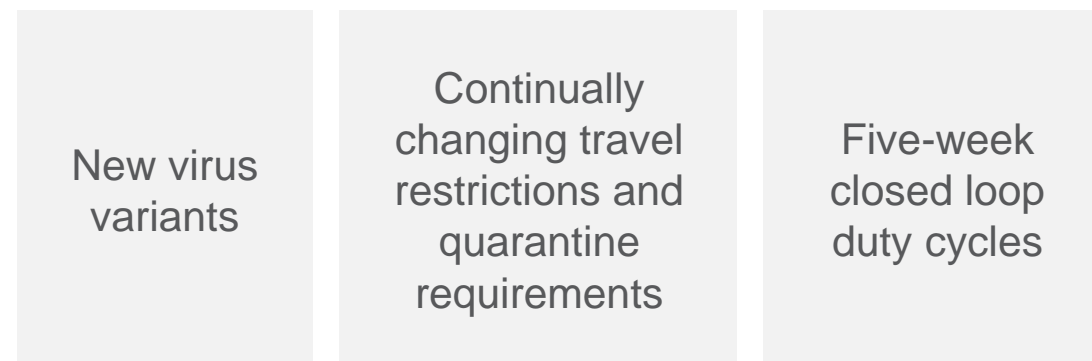
# Group financial highlights

# COVID-19 continues to have a significant impact on the Cathay Group

| HK\$ million                             | 1H 2021        | 1H 2020        |
|--|----------------|----------------|
| Cathay Pacific's loss after taxation     | <b>(5,031)</b> | (7,361)        |
| Share of losses from subsidiaries        | <b>(1,224)</b> | (2,095)        |
| Share of losses from associates          | <b>(1,310)</b> | (409)          |
| <b>Group attributable loss</b>           | <b>(7,565)</b> | <b>(9,865)</b> |
| <b>Adjusted* Group attributable loss</b> | <b>(6,662)</b> | <b>(7,400)</b> |

\* The revised calculation of the Adjusted group attributable loss was arrived at after excluding impairment and related charges and restructuring costs. The previous calculation presented in the 2020 annual report was an adjusted loss of HK\$7,414m

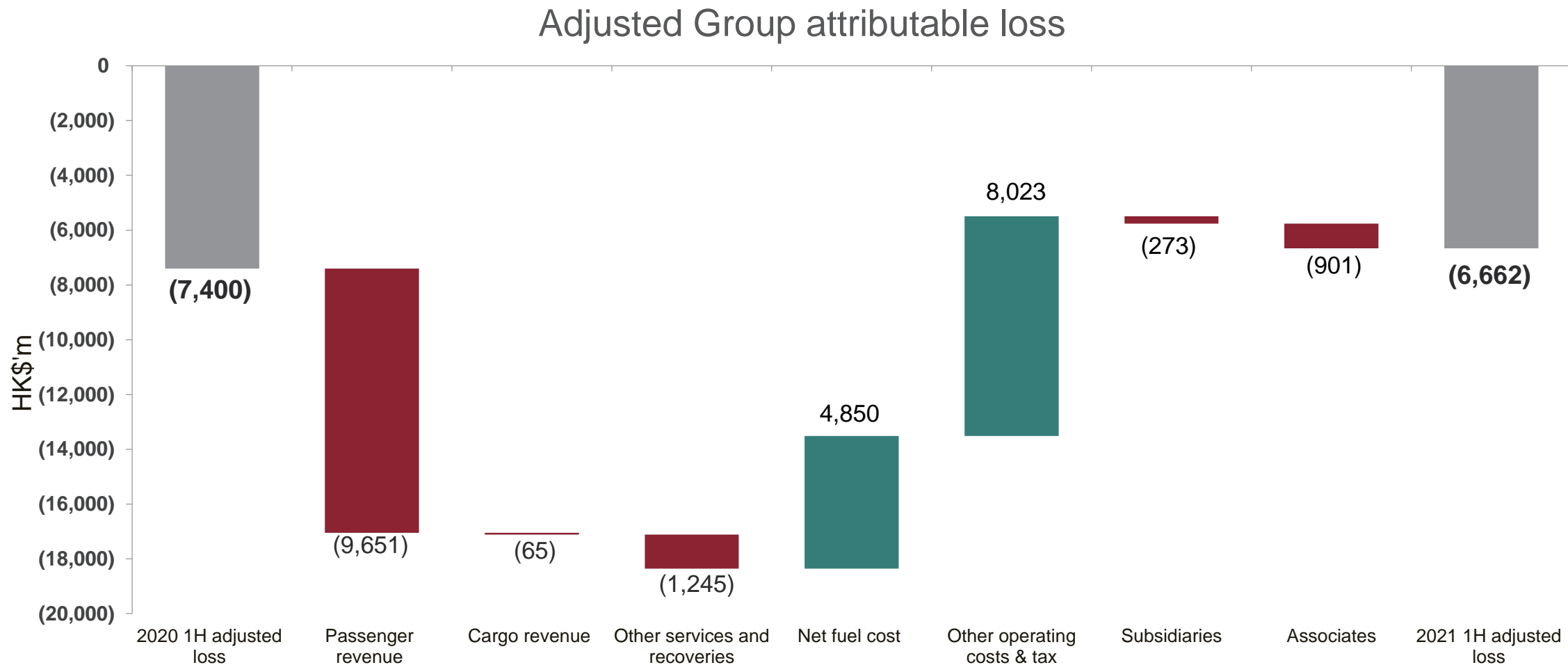
The continuing COVID-19 challenges saw Cathay Pacific operate lower capacity than each half of 2020



Benefits from the 2020 restructuring supported a first half loss result that was smaller than each half of 2020



# Significant fall in passenger revenue mitigated by cost reductions



# Impairment charges and restructuring costs



| HK\$ million  | 1H 2021        | 1H 2020        |
|---|----------------|----------------|
| <b>Adjusted attributable result</b>                               | <b>(6,662)</b> | <b>(7,400)</b> |
| Impairment and related charges – aircraft <sup>(1)</sup>          | <b>(460)</b>   | <b>(1,242)</b> |
| Impairment and related charges – subsidiary assets <sup>(2)</sup> | <b>(40)</b>    | <b>(1,223)</b> |
| Restructuring costs   | <b>(403)</b>   | -              |
| <b>Attributable result</b>  | <b>(7,565)</b> | <b>(9,865)</b> |

*Notes:*

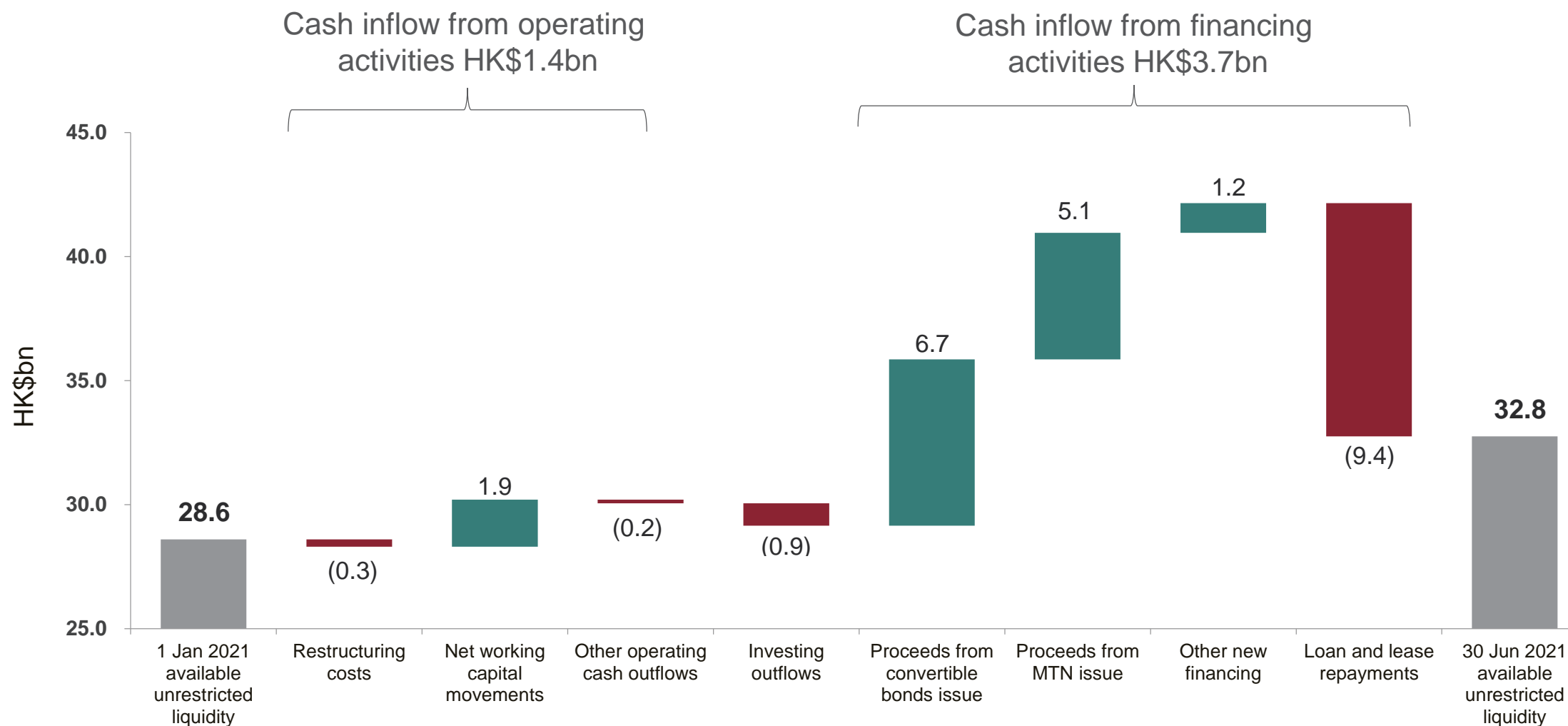
- (1) *Impairment and related charges – aircraft: 2021 includes eight Cathay Pacific aircraft that are unlikely to re-enter meaningful economic service before they retire or are returned to lessors (2020: 16 Cathay Pacific and Cathay Dragon aircraft)*
- (2) *Impairment and related charges – subsidiary assets: 2021 includes three HK Express aircraft that are unlikely to re-enter meaningful economic service before they retire or are returned to lessors (2020: impairment and related charges recognised for our laundry and catering plants)*

# Net debt and liquidity position

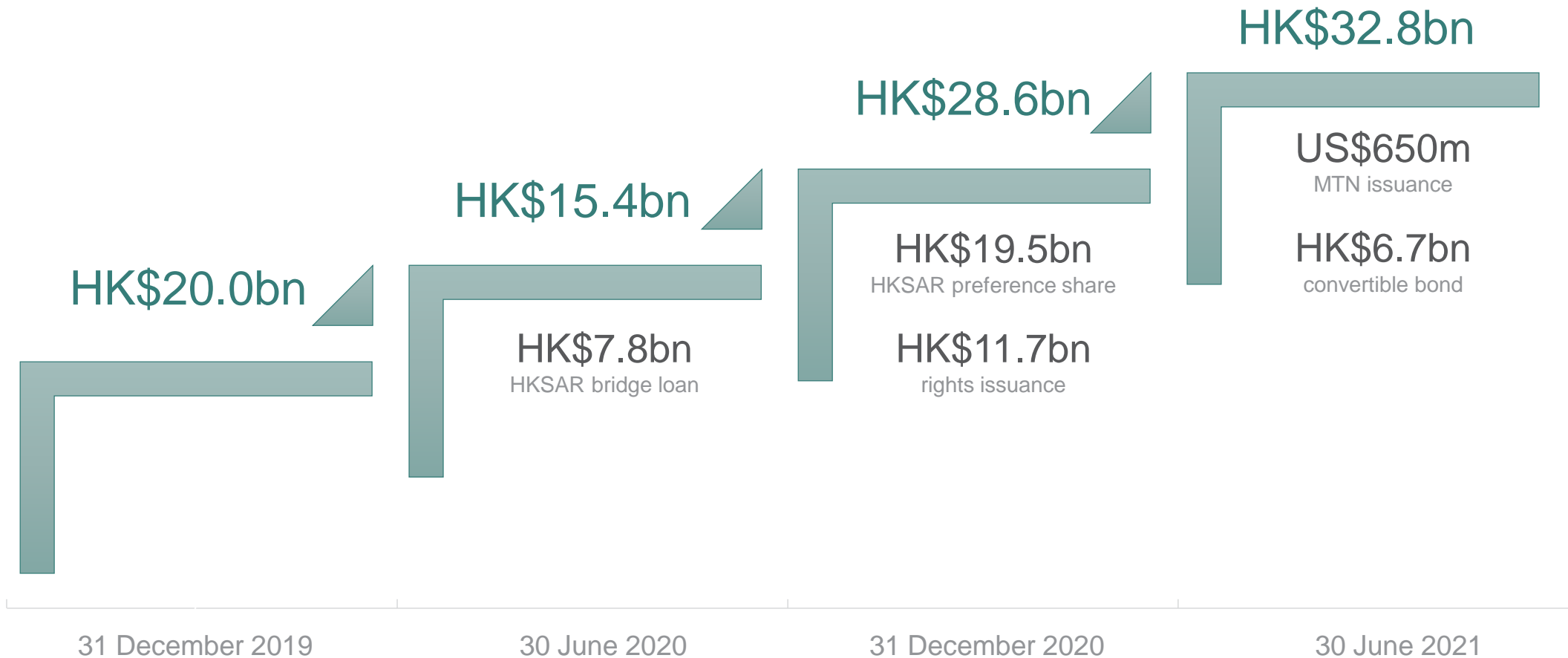


| HK\$ million  | 30 Jun 2021   | 31 Dec 2020   |
|---|---------------|---------------|
| Non-current interest bearing liabilities                    | 73,894        | 68,880        |
| Current interest bearing liabilities                        | 24,802        | 24,249        |
| Less: Liquid funds (including pledged deposits)             | (23,557)      | (19,341)      |
| <b>Net debt</b>   | <b>75,139</b> | <b>73,788</b> |
| Less: Lease liabilities without asset transfer components   | (17,830)      | (19,090)      |
| <b>Adjusted net debt</b>                                    | <b>57,309</b> | <b>54,698</b> |
| Liquid funds (excluding pledged deposits)                   | 23,413        | 19,197        |
| Committed undrawn facilities                                | 9,406         | 9,396         |
| <b>Available unrestricted liquidity</b>                     | <b>32,819</b> | <b>28,593</b> |
| Net debt / Equity Ratio                                     | 1.08          | 1.01          |
| <b>Adjusted net debt / Equity Ratio (covenants &lt;2.0)</b> | <b>0.82</b>   | <b>0.75</b>   |

# 1H 2021 movement in available unrestricted liquidity



# Steps to increase liquidity \*



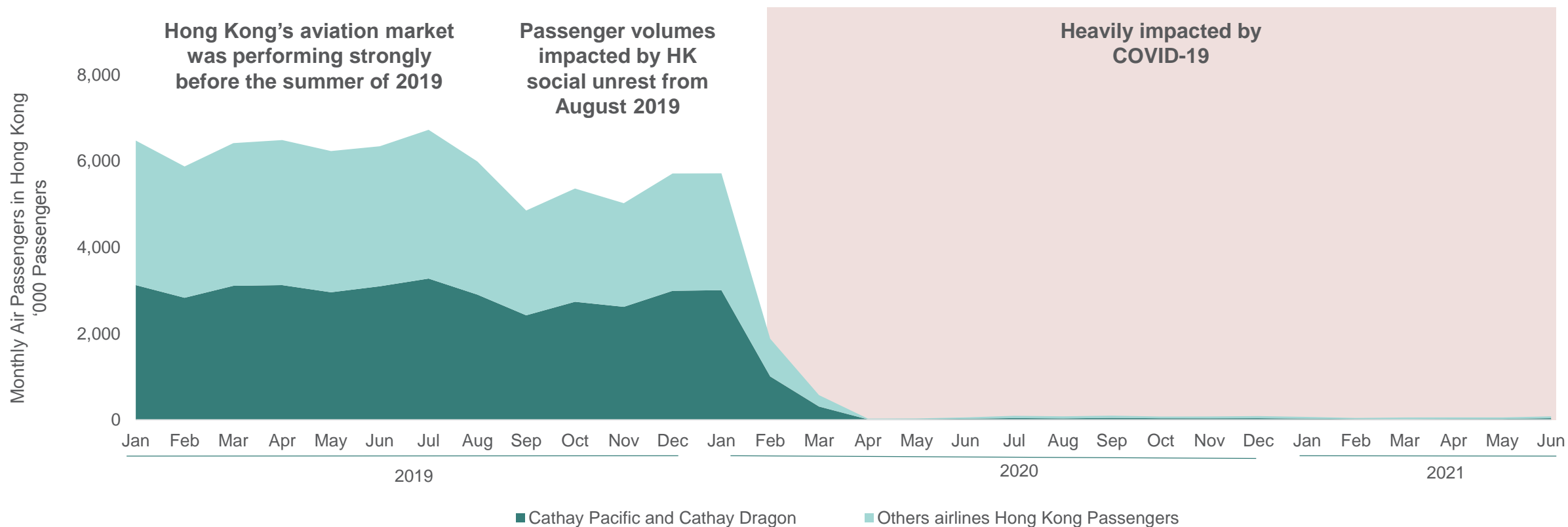
\* Liquidity consists of cash, short term deposits and short term investments. It includes committed undrawn facilities



# Passenger and cargo operations

Cathay Pacific

# Significant impact on Hong Kong aviation environment



Sources: Hong Kong International Airport, Cathay Investor Relations

# COVID-19 has resulted in severe passenger traffic reductions



|                                    |                     | 1H 2021      | 1H 2020 | % Var           |
|------------------------------------|---------------------|--------------|---------|-----------------|
| Cathay Pacific passenger revenue   | <i>HK\$ million</i> | <b>745</b>   | 10,396  | <b>-92.8%</b>   |
| Available seat kilometres (ASK)    | <i>Million</i>      | <b>4,167</b> | 27,732  | <b>-85.0%</b>   |
| Revenue passenger kilometres (RPK) | <i>Million</i>      | <b>788</b>   | 18,668  | <b>-95.8%</b>   |
| Revenue passengers carried         | <i>'000</i>         | <b>157</b>   | 4,389   | <b>-96.4%</b>   |
| Passenger load factor              | <i>%</i>            | <b>18.9</b>  | 67.3    | <b>-48.4%pt</b> |
| Passenger yield                    | <i>HK cents</i>     | <b>94.5</b>  | 55.5    | <b>+70.3%</b>   |
| Passenger revenue per ASK          | <i>HK cents</i>     | <b>17.9</b>  | 37.5    | <b>-52.3%</b>   |

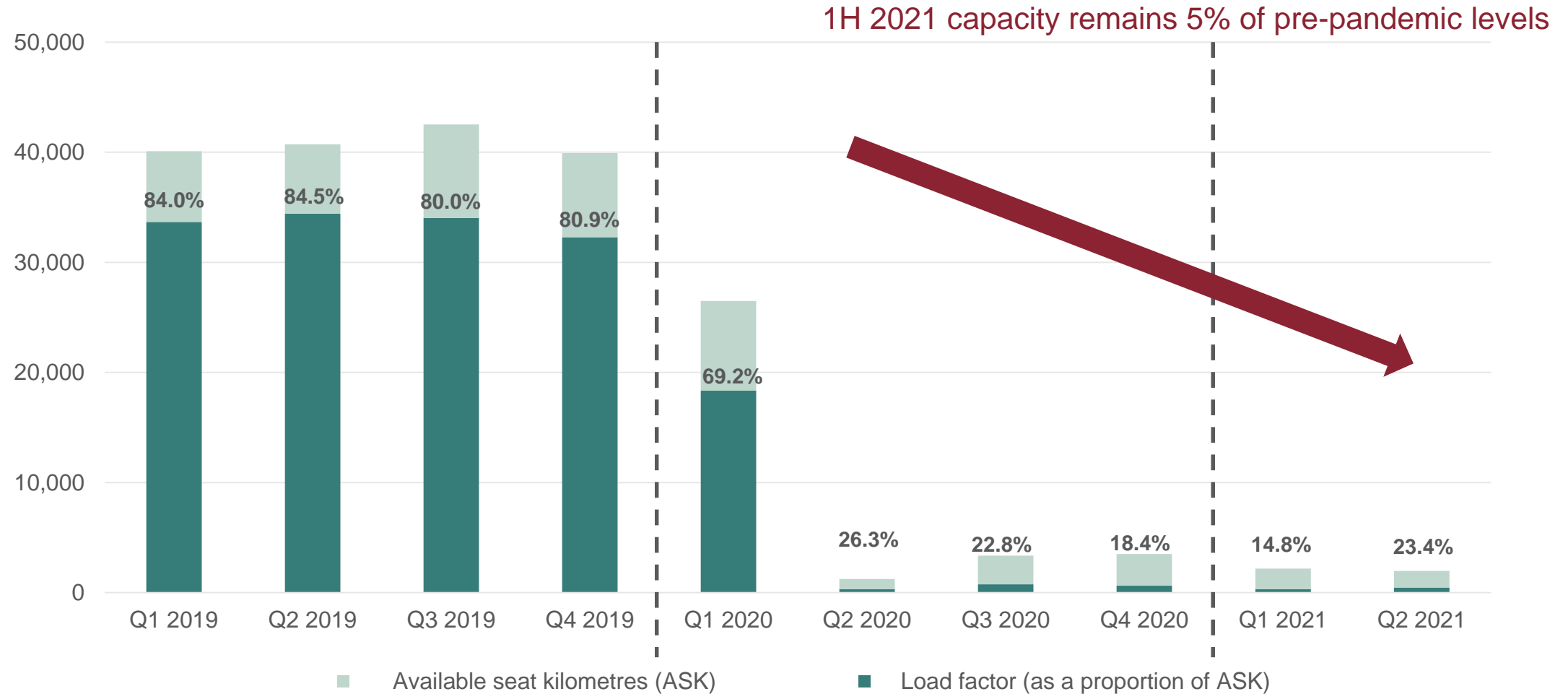
- Travel restrictions and quarantine requirements continue to disrupt the global passenger air travel market
- Capacity was further cut in response to the quarantine requirements for Hong Kong based aircrew that were in place from mid-Feb and remain ongoing
- Our passenger capacity was just 5% of pre-pandemic levels



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



Capacity - ASKs



# Strong Cargo performance as a result of the market imbalance



|   |              | 1H 2021 | 1H 2020 | % Var    |
|---|--------------|---------|---------|----------|
| Cathay Pacific cargo revenue            | HK\$ million | 11,112  | 11,177  | -0.6%    |
| Available cargo tonne kilometres (AFTK) | Million      | 4,058   | 5,958   | -31.9%   |
| Cargo revenue tonne kilometres (RFTK)   | Million      | 3,301   | 4,129   | -20.1%   |
| Cargo carried                           | '000 tonnes  | 549     | 667     | -17.7%   |
| Cargo load factor                       | %            | 81.4    | 69.3    | +12.1%pt |
| Cargo yield                             | HK\$         | 3.37    | 2.71    | +24.4%   |
| Cargo revenue per AFTK                  | HK\$         | 2.74    | 1.88    | +45.7%   |

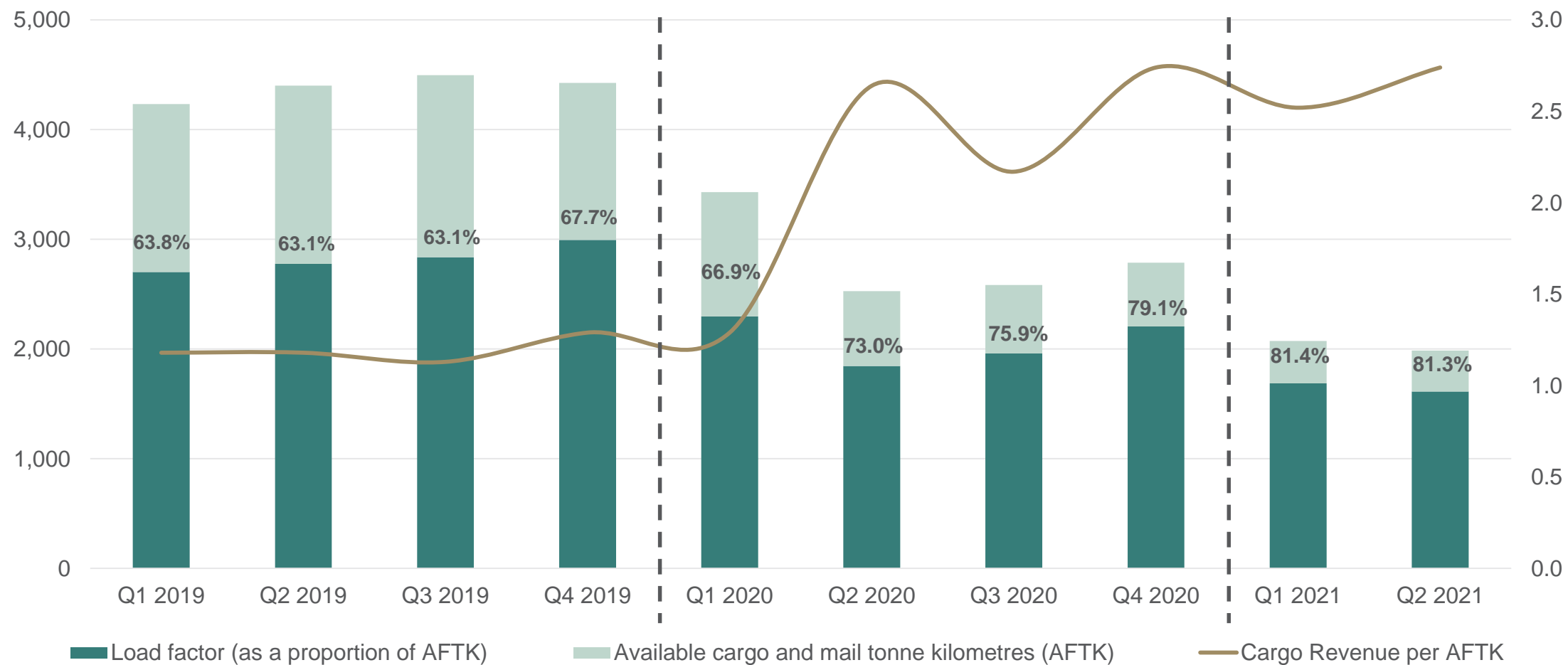
- Passenger schedule cuts have impacted our available cargo capacity
- Significant focus on maximizing our cargo capacity, including:
  - Improved utilisation of our freighters
  - Operating cargo-only passenger flights
  - Chartering additional flights from our all-cargo subsidiary Air Hong Kong
  - Operating four converted Boeing 777-300ER 'preighters'
- Yield and load factor remain very strong

# Cargo capacity constrained by lack of passenger belly availability, but yield and load factor compensate



Capacity - AFTKs

Cargo Revenue per AFTK – HK\$





# Operating costs

Cathay Pacific

# Significant focus on reducing operating cost and cash burn



| HK\$ million                                   | 1H 2021       | 1H 2020       | % Var         |
|--|---------------|---------------|---------------|
| Staff  | 4,853         | 7,420         | -34.6%        |
| Inflight service and passenger expenses        | 140           | 941           | -85.1%        |
| Landing, parking and route expenses            | 2,080         | 3,861         | -46.1%        |
| Aircraft maintenance                           | 1,451         | 3,193         | -54.6%        |
| Depreciation, amortisation and rentals         | 5,666         | 6,751         | -16.1%        |
| Net finance charges                            | 947           | 1,327         | -28.6%        |
| Others (including commissions)                 | 1,738         | 1,891         | -8.1%         |
| Restructuring costs                            | 403           | -             | N/A           |
| Impairment and related charges                 | 460           | 1,281         | -64.1%        |
| <b>Total costs (without fuel)</b>              | <b>17,738</b> | <b>26,665</b> | <b>-33.5%</b> |
| <b>Cost per ATK (without fuel)</b>             | <b>3.98</b>   | <b>3.10</b>   | <b>+28.4%</b> |
| <b>Underlying* cost per ATK (without fuel)</b> | <b>3.79</b>   | <b>2.95</b>   | <b>+28.5%</b> |

\* Underlying costs exclude impairment and related charges and restructuring costs. Please refer to announcement for details.

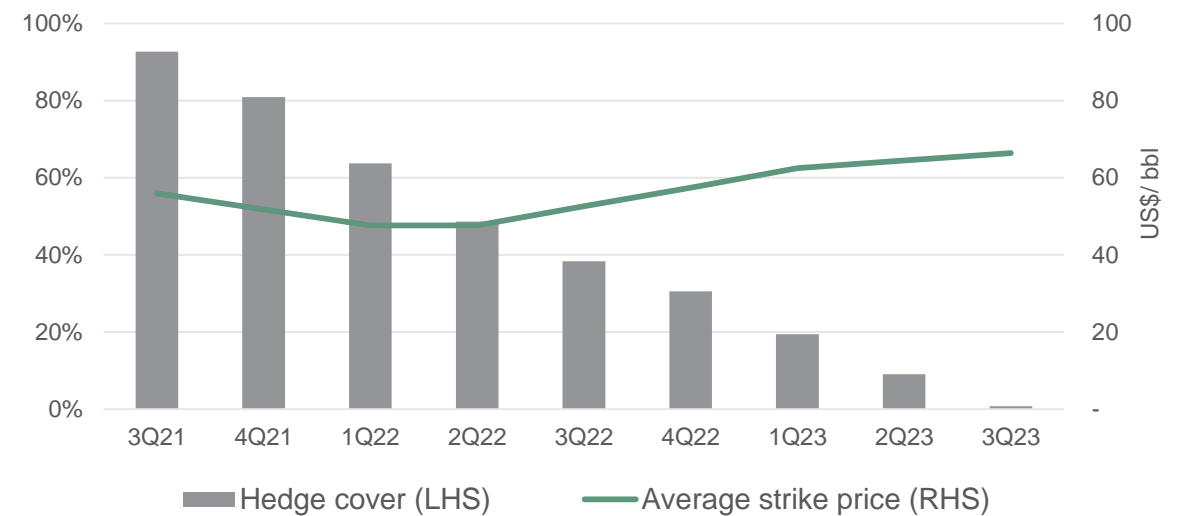
# Fuel costs & hedging



### CX into-plane fuel price

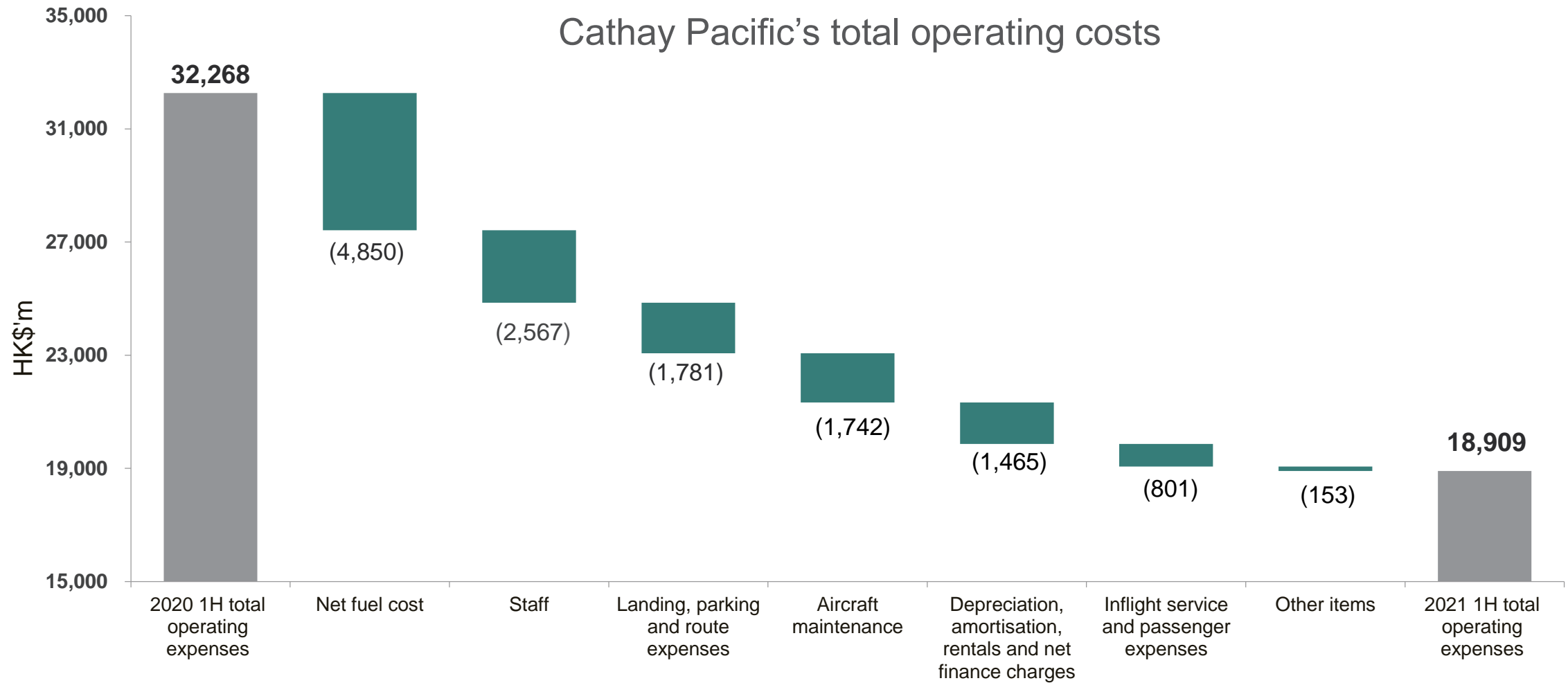


### Fuel hedging position at 30 Jun 2021



| Fuel cost                                    |              | 1H 2021 | 1H 2020 | % Var   |
|--|--------------|---------|---------|---------|
| Group gross fuel cost                        | HK\$ million | 2,937   | 5,719   | - 48.6% |
| Group fuel hedging (gains)/losses            | HK\$ million | (625)   | 1,599   | -139.1% |
| Group fuel cost                              | HK\$ million | 2,312   | 7,318   | - 68.4% |
| CX Average into-plane fuel price ex. hedging | US/AG        | ¢165.0  | ¢152.0  | 8.6%    |
| CX Fuel consumption per million ATK          | bbl          | 1,109   | 1,253   | -11.5%  |

# Cost reductions across all categories





# Subsidiaries and associates





| Financial performance         |                     | 1H 2021      | 1H 2020      |
|-------------------------------|---------------------|--------------|--------------|
| Total Revenue                 | <i>HK\$ million</i> | <b>10</b>    | 844          |
| Loss after taxation           | <i>HK\$ million</i> | <b>(976)</b> | <b>(779)</b> |
| Ancillary revenue penetration | <i>%</i>            | <b>19.8%</b> | 17.1%        |

| Operating statistics               |                   | 1H 2021        | 1H 2020 |
|------------------------------------|-------------------|----------------|---------|
| Available seat kilometres (ASK)    | <i>Million</i>    | <b>26</b>      | 1,726   |
| Revenue passenger kilometres (RPK) | <i>Million</i>    | <b>2</b>       | 1,236   |
| Passenger yield                    | <i>HK cents</i>   | <b>191.3</b>   | 53.4    |
| Cost per ASK (with fuel)           | <i>HK cents</i>   | <b>3,663.6</b> | 92.3    |
| Passenger load factor              | <i>%</i>          | <b>6.9</b>     | 71.6    |
| Aircraft utilisation               | <i>Hours/ day</i> | <b>0.1</b>     | 3.1     |
| On-time performance                | <i>%</i>          | <b>97.9</b>    | 91.5    |
| Average age of fleet               | <i>Years</i>      | <b>5.1</b>     | 5.4     |

- HK Express reported a significant loss for 1H 2021
- Currently operating flights to Taichung and Ningbo, compared to the 25 destinations operated pre-COVID.
- At 30 June 2021, HK Express operated an all Airbus narrow-body fleet of 28 aircraft with an average age of just over five years.

# Other major subsidiaries



## air Hongkong

Air Hong Kong's financial results improved compared with those of 1H 2020, with capacity (ATK) increasing by 8.6% to 475m



Produced an average of 2,500 meals for 25 flights per day, a decrease versus 1H 2020 of 89% and 61% respectively



Handled 0.6m tonnes of cargo, a decrease of 12% compared to 1H 2020



The number of flights handled by the ramp and passenger handling businesses declined by 50% and 58% against 1H 2020



Processed 13m items (1H 2020: 19m), reflecting lower demand from our key customers in the aviation and hotel industry

# Major associates



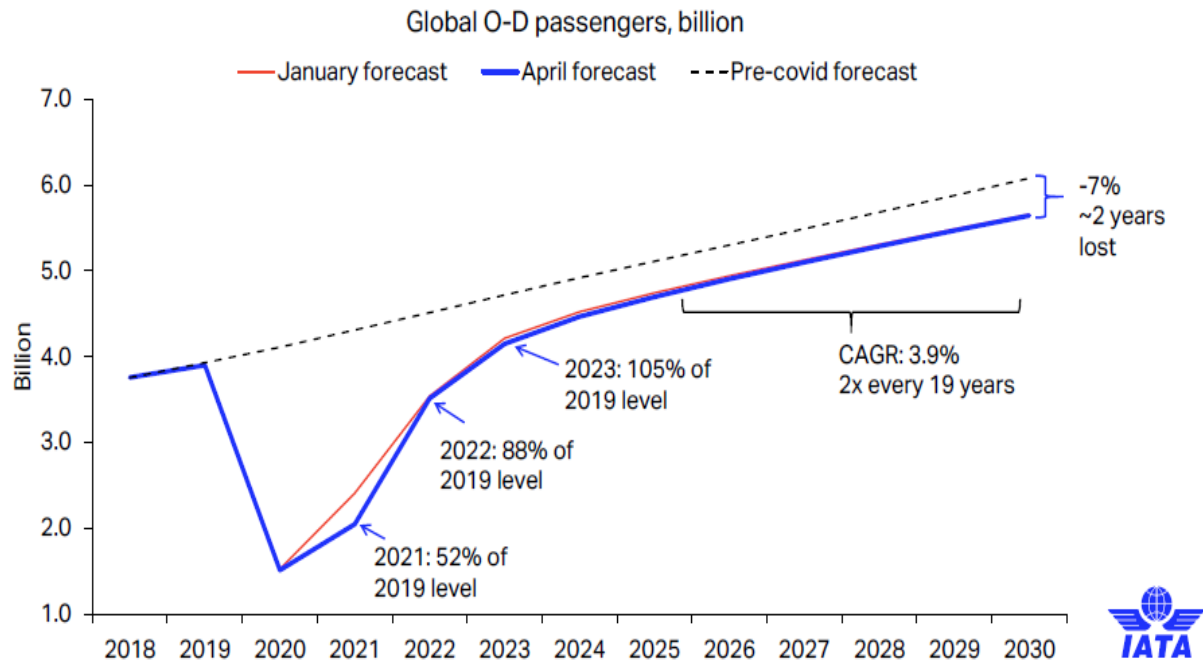
- The Cathay Group has an 18.13% interest in Air China
- Our share of Air China's results is based on its financial statements drawn up three months in arrear. Consequently, our 1H 2021 results include Air China's results for the six months ended 31 March 2021, adjusted for any significant events or transactions in the period from 1 April 2021 to 30 June 2021
- Air China's financial results declined in the six months to 31 March 2021



- The Cathay Group owns an equity and an economic interest totaling 34.78%
- Air China Cargo operated 15 freighters, flying to 12 cities in the Chinese Mainland and 15 cities outside the Chinese Mainland
- Due to a reduction in yield and higher fuel prices, Air China Cargo's financial results in the first half of 2021 were lower than the same period last year



# Outlook



Source: IATA Economics using data from Tourism Economic/IATA Air Passenger Forecast, April 2021.

- Short term path depends on vaccination levels, new COVID-19 variants and policy responses.
- Strong rebound when border travel barriers removed but not full recovery

# High vaccination levels key to recovery



- Cross-border travel will continue to be severely impacted until borders progressively open and travel constraints are lifted
- This is only going to be possible when sufficiently high vaccination levels are achieved
- A range of incentives and lucky draws were rolled out for vaccinated employees and the Hong Kong community

# Passenger outlook



- Pace and timing of recovery continues to be highly uncertain
- Dependent on operational and passenger travel restrictions being lifted, plan to operate 30% of pre-pandemic passenger flight capacity in Q4 2021

# Cargo outlook



## Capacity

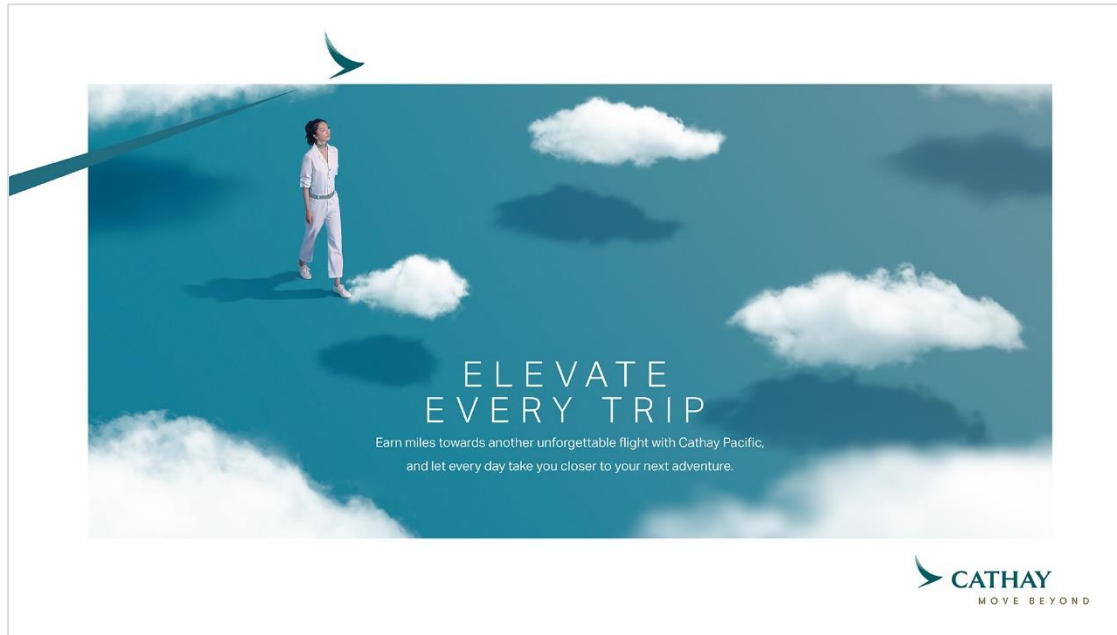
- Capacity remains constrained by limited passenger flights
- Ocean freight supply chain constraints supporting air cargo demand into second half of 2021
- Return to full freighter capacity and increased cargo only passenger flights with crew quarantine restrictions lifted
- Converting two more passenger aircraft into 'freighters', bringing our total to six 'freighters'

## Demand

- Demand overall remains strong - recovered to pre-pandemic 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



# Continued investment in the brand and experience



“Cathay” is our new premium travel lifestyle brand, bringing together all we love about travel together with the everyday lifestyle



Taken delivery of four Airbus A321neos, with two more arriving in the second half of 2021

A321neo inaugural flight on 4 August 2021

# Our 2050 target: net zero carbon emissions



# Monthly operating cash burn



## PRE-RESTRUCTURE

Initial Covid-19 run rate:  
HK\$2.5 – 3.0bn

2H 2020:  
HK\$1.5 - 2.0bn

## POST RESTRUCTURE

Original guidance:  
HK\$1.0 – 1.5bn

Quarantine guidance:  
+HK\$300-400m

1H 2021:  
Less than HK\$1.5bn

## 2H 2021 OUTLOOK

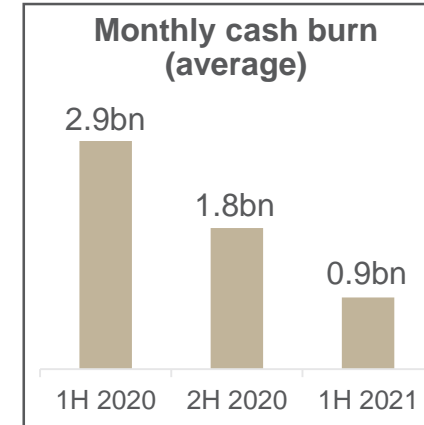
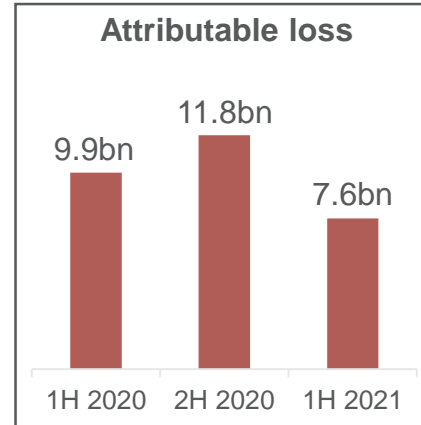
Target average operating cash  
burn of less than HK\$1.0bn per  
month

\* 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



- High vaccination levels critical to recovery
- Expect improvement in passenger operations through higher vaccination rates and shorter quarantines
- Cargo demand remains strong
- Liquidity and cash preservation management remain key focus



# 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)

