



# Analyst Briefing 2021 Annual Results

9 March 2022

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# Agenda



- Briefing highlights & responses to COVID-19
- 2021 Group financial highlights
- Operating performance
- Outlook
- Summary
- Q&A

## Hosted by:

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



# Briefing highlights & responses to COVID-19

# 2021 vs 2020 at a glance



**HK\$45.6bn**

Revenue

HK\$46.9bn

**HK\$(4.5)bn**

Adjusted attributable  
loss

HK\$(15.2)bn

**HK\$(5.5)bn**

Attributable loss

HK\$(21.6)bn

**HK\$30.3bn**

Available  
unrestricted liquidity

HK\$28.6bn

**0.75**

Gearing  
(pre HKFRS16)

0.75

# Dynamic responses to COVID-19 challenges



## FY 2021

### Liquidity

- Liquidity:  
Jun 2021: HK\$32.8bn  
Dec 2021: HK\$30.3bn
- Secured new funding from a range of capital markets
- Reduced monthly operating cash burn

### Operating costs

- Total costs (without fuel):  
1H 2021: HK\$17.7bn  
2H 2021: HK\$20.0bn
- Cash preservation & cost optimisation initiatives
- Executive pay cuts and voluntary unpaid leave

### Capacity

- Cut 92% of pre-pandemic passenger capacity
- Eased quarantine rules enabled some capacity to be reactivated from May to Dec
- 2H 2021: 68% of pre-pandemic cargo capacity (vs 47% in 1H 2021)

### Fleet

- Fleet:  
Jun 2021: 238 aircraft  
(89 parked)  
Dec 2021: 234 aircraft  
(74 parked)
- 9 aircraft deliveries and 14 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



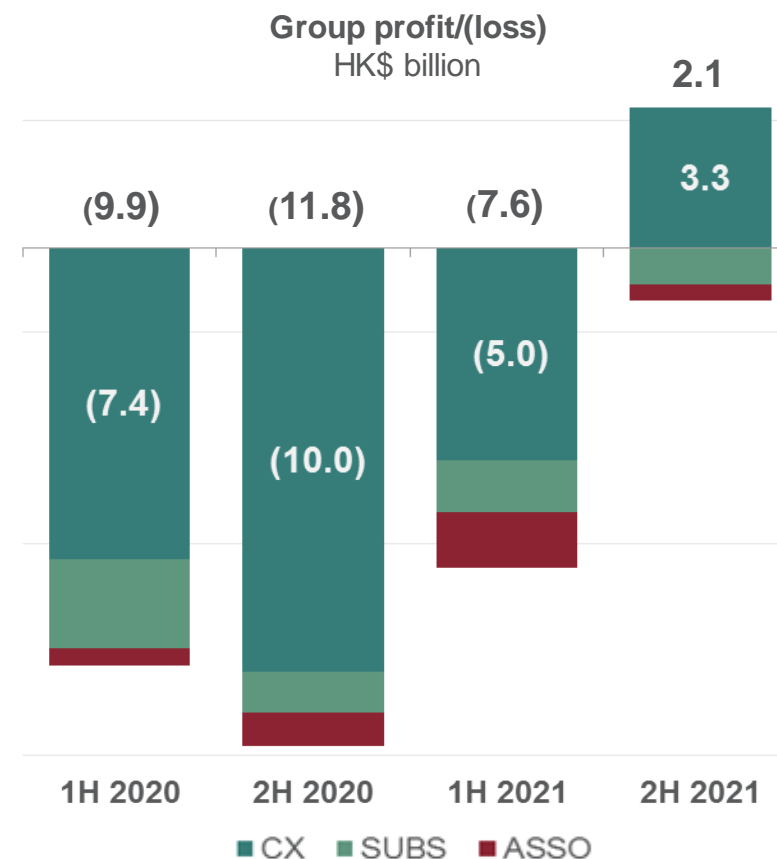
# Group financial highlights

# Improved results in 2021, particularly in the second half



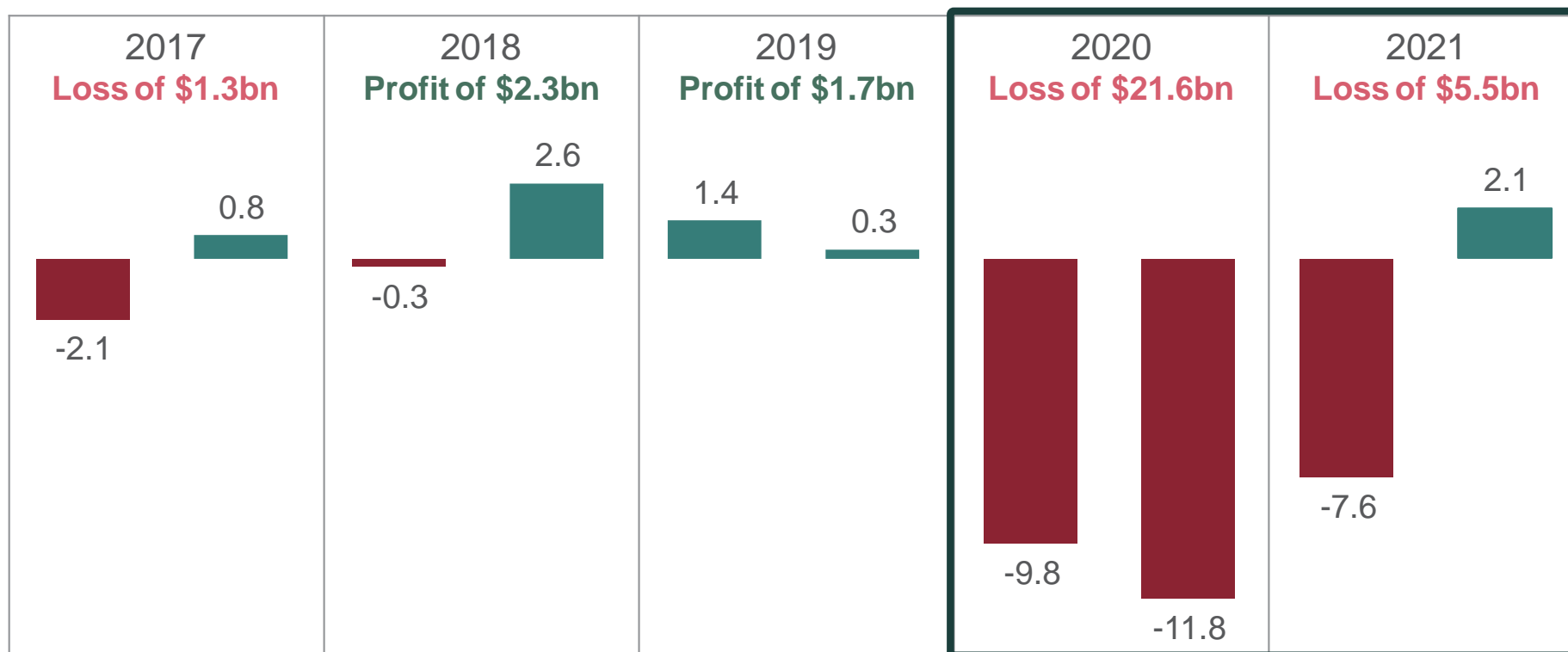
HK\$ million	2021 1H	2021 2H	2021 Full Year	2020 1H	2020 1H	2020 Full Year
<b>Cathay Pacific's profit/(loss) after taxation</b>	(5,031)	3,303	<b>(1,728)</b>	(7,361)	(10,032)	<b>(17,393)</b>
Share of losses from subsidiaries	(1,224)	(865)	<b>(2,089)</b>	(2,095)	(948)	<b>(3,043)</b>
Share of losses from associates	(1,310)	(400)	<b>(1,710)</b>	(409)	(803)	<b>(1,212)</b>
<b>Group attributable profit/(loss)</b>	<b>(7,565)</b>	<b>2,038</b>	<b>(5,527)</b>	<b>(9,865)</b>	<b>(11,783)</b>	<b>(21,648)</b>
<b>Adjusted* Group attributable profit/(loss)</b>	<b>(6,662)</b>	<b>2,142</b>	<b>(4,520)</b>	<b>(7,400)</b>	<b>(7,809)</b>	<b>(15,209)</b>

- The revised calculation of the Adjusted group attributable loss excludes impairment and related charges and restructuring costs. The previous calculation presented in the 2020 annual report was an adjusted loss of HK\$13,855m.



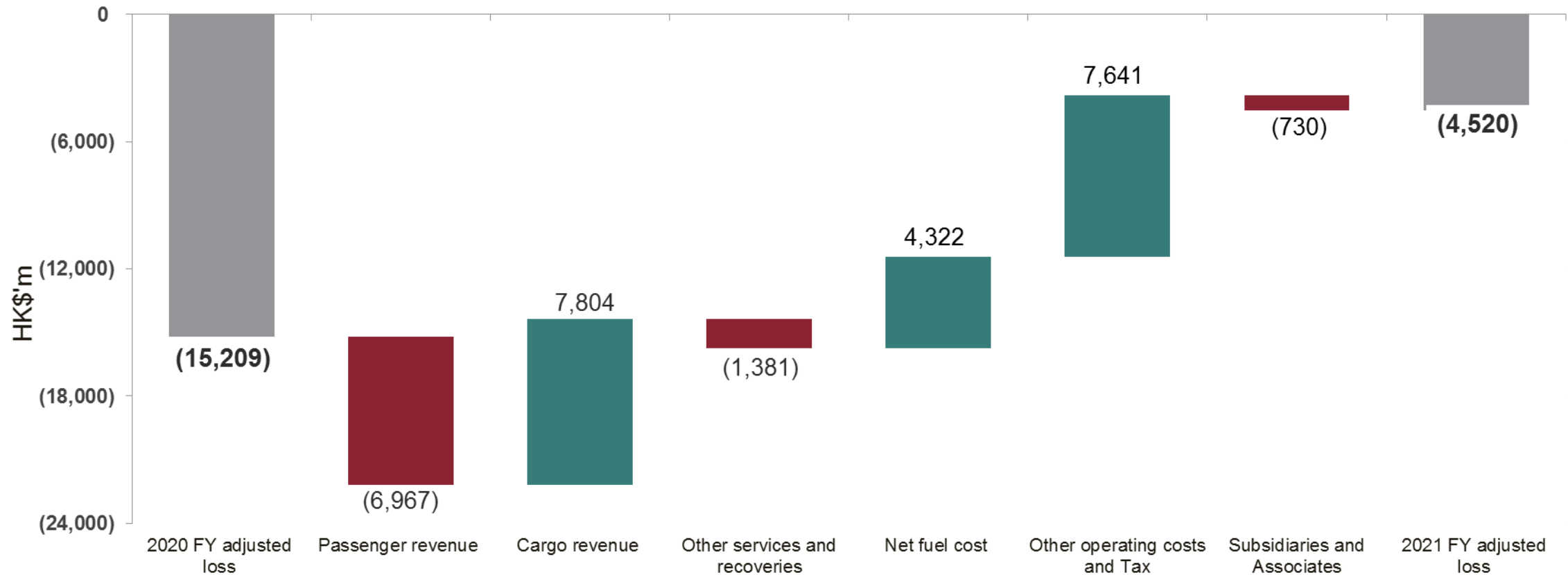


# Profit and loss trending



*Profit/Loss figures stated are attributable to the shareholders of Cathay Pacific (excludes non-controlling interests)*

# Improved results due to strong cargo revenues and cost management



# Impairment charges and restructuring costs

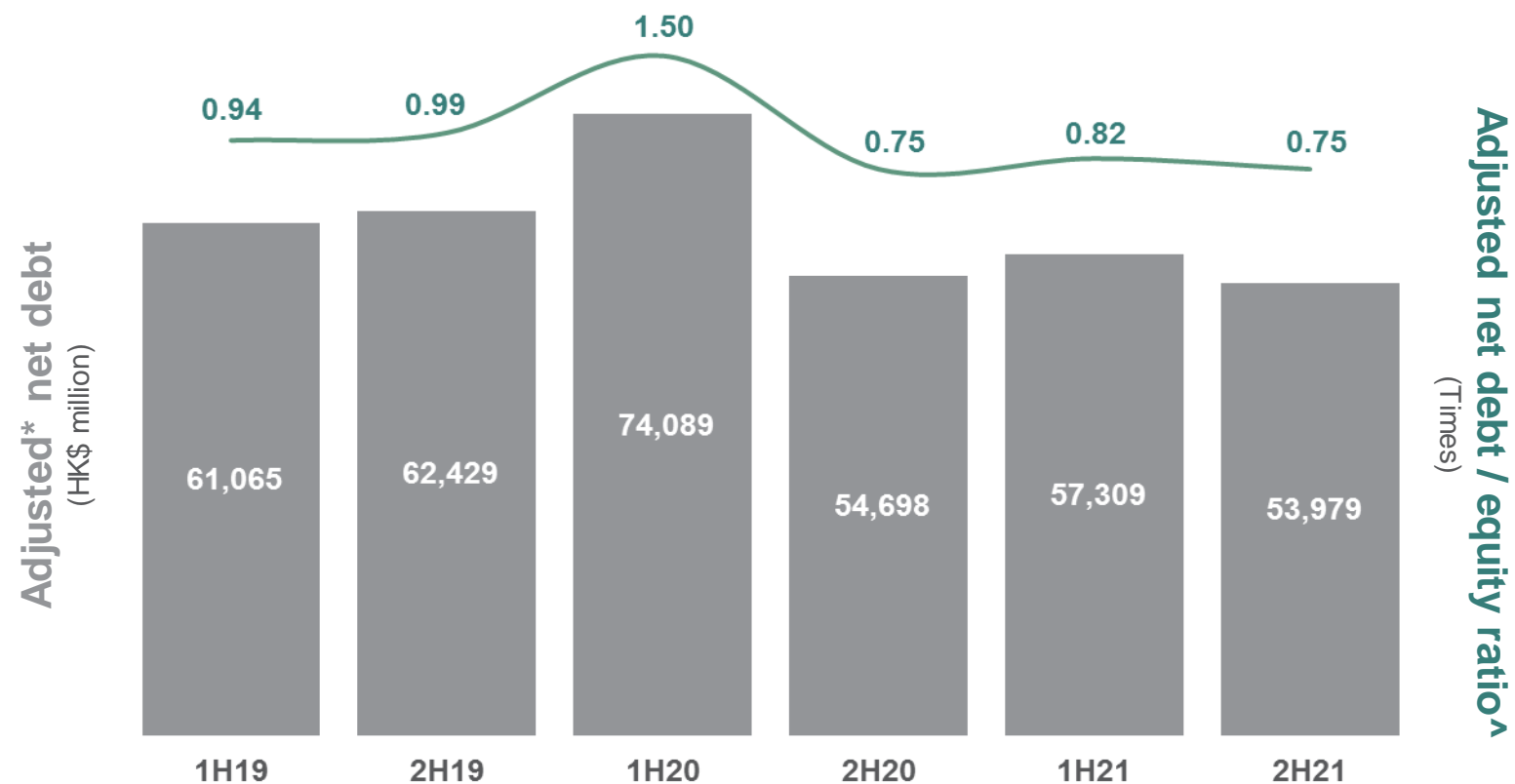


HK\$ million	Full Year 2021	Full Year 2020
<b>Adjusted attributable result</b>	<b>(4,520)</b>	(15,209)
Impairment and related charges – Cathay Pacific <sup>(1)</sup>	<b>(777)</b>	(2,815)
Restructuring costs	<b>(385)</b>	(2,383)
Impairment and related charges – subsidiaries and associates <sup>(2)</sup>	<b>(54)</b>	(1,241)
Gain on deemed partial disposal of an associate	<b>210</b>	-
<b>Attributable result</b>	<b>(5,527)</b>	(21,648)

*Notes:*

- (1) *Impairment and related charges – aircraft: 2021 includes 9 aircraft that are unlikely to re-enter meaningful economic service before they retire or are returned to lessors (2020: 34 Cathay Pacific and Cathay Dragon aircraft)*
- (2) *Impairment and related charges – subsidiary assets: 2021 mainly three HK Express aircraft that are unlikely to re-enter meaningful economic service before they retire or are returned to lessors (2020: mainly impairments on our laundry and catering plants)*

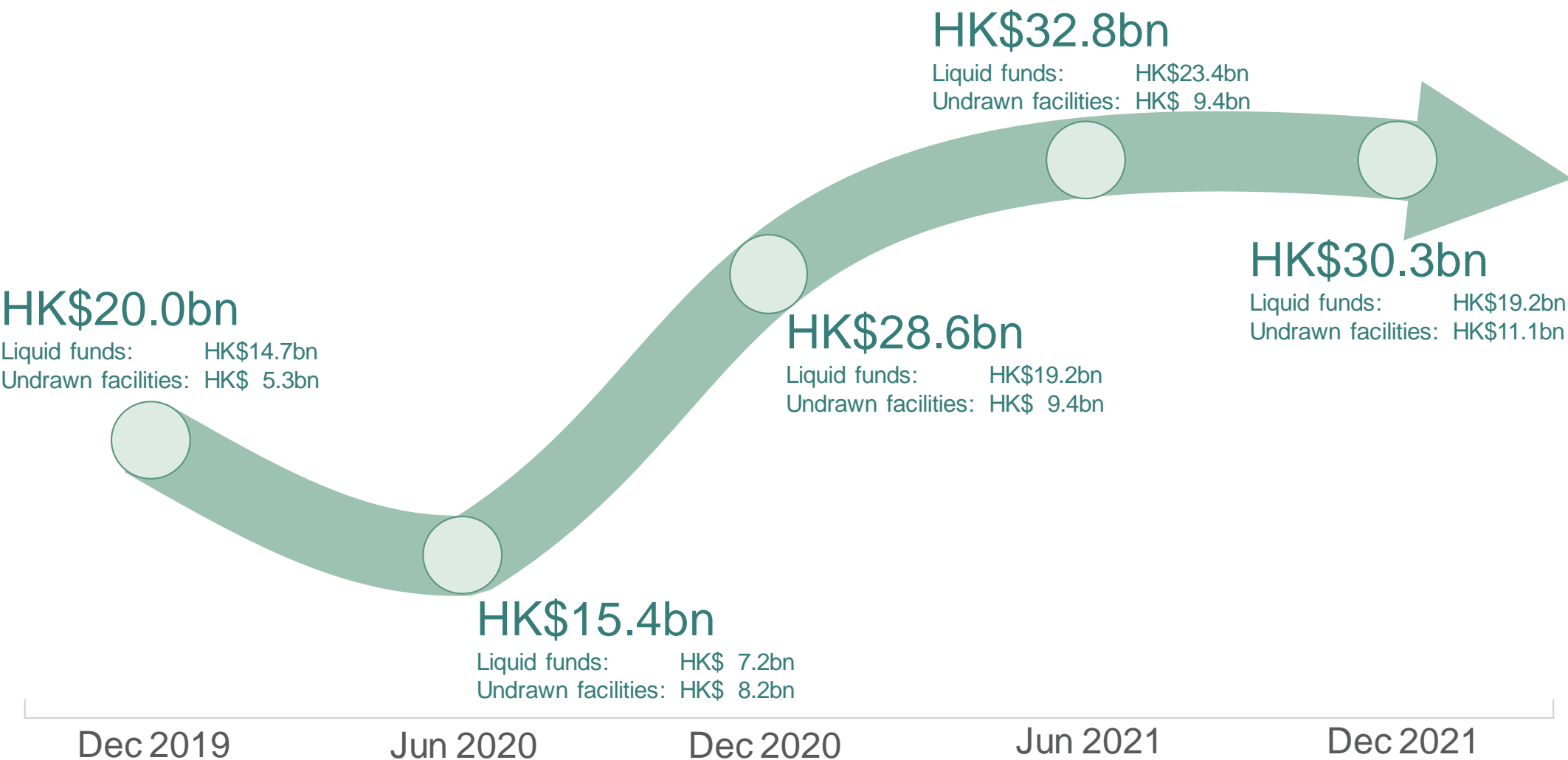
# Adjusted net debt position



\*: Adjusted net debt excludes operating lease liabilities

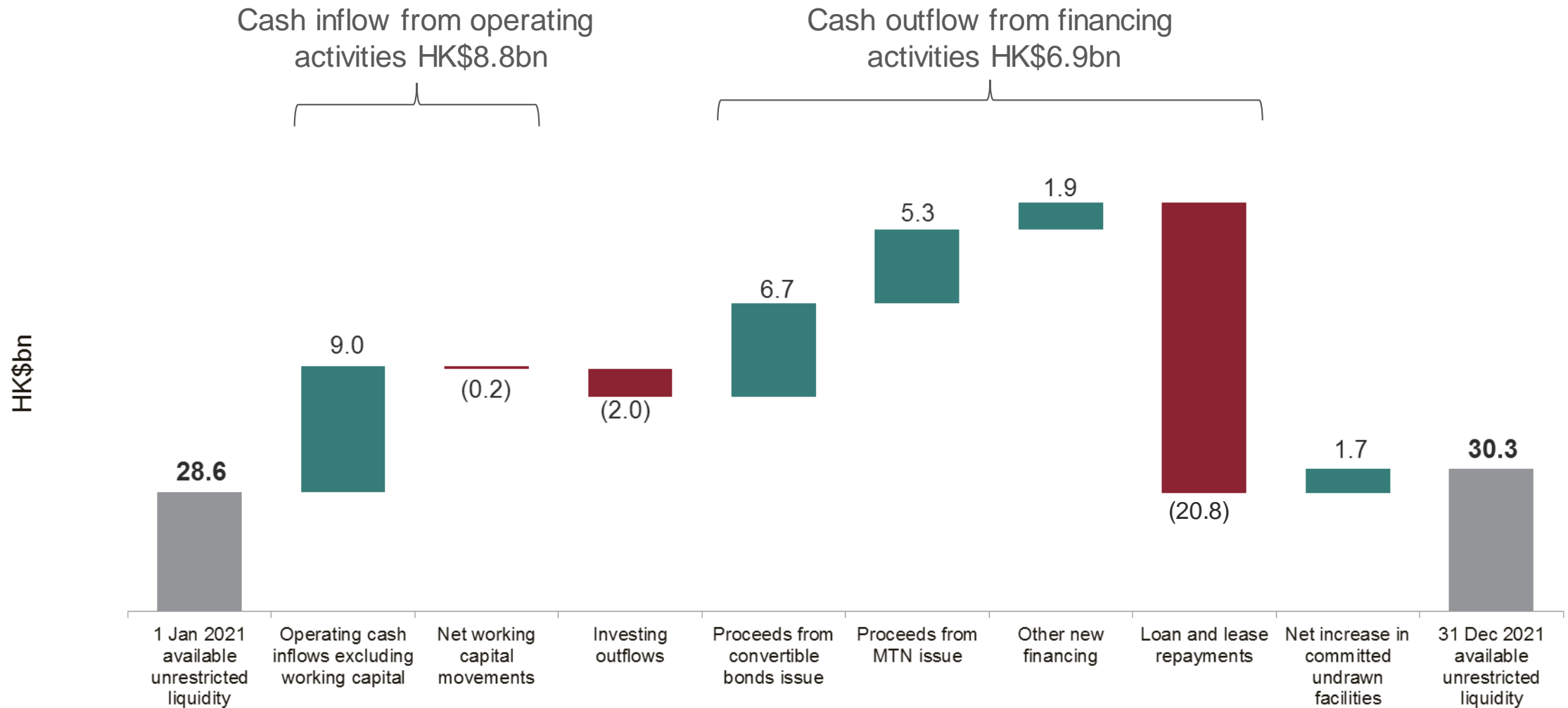
<sup>^</sup>: Adjusted net debt/equity ratio and is calculated in line with the debt covenant, which is set at a limit of 2.0 times

# In uncertain times we continue to maintain an elevated liquidity position ➤



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

# 2021 movement in available unrestricted liquidity

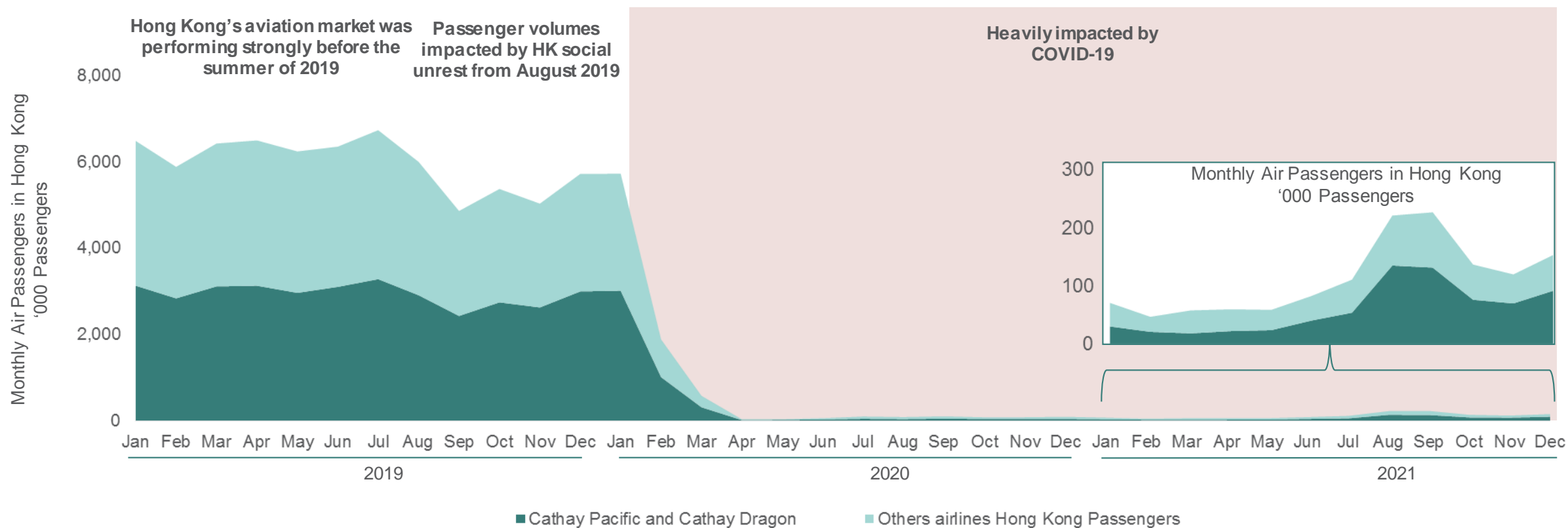




# Travel and cargo businesses

Cathay Pacific

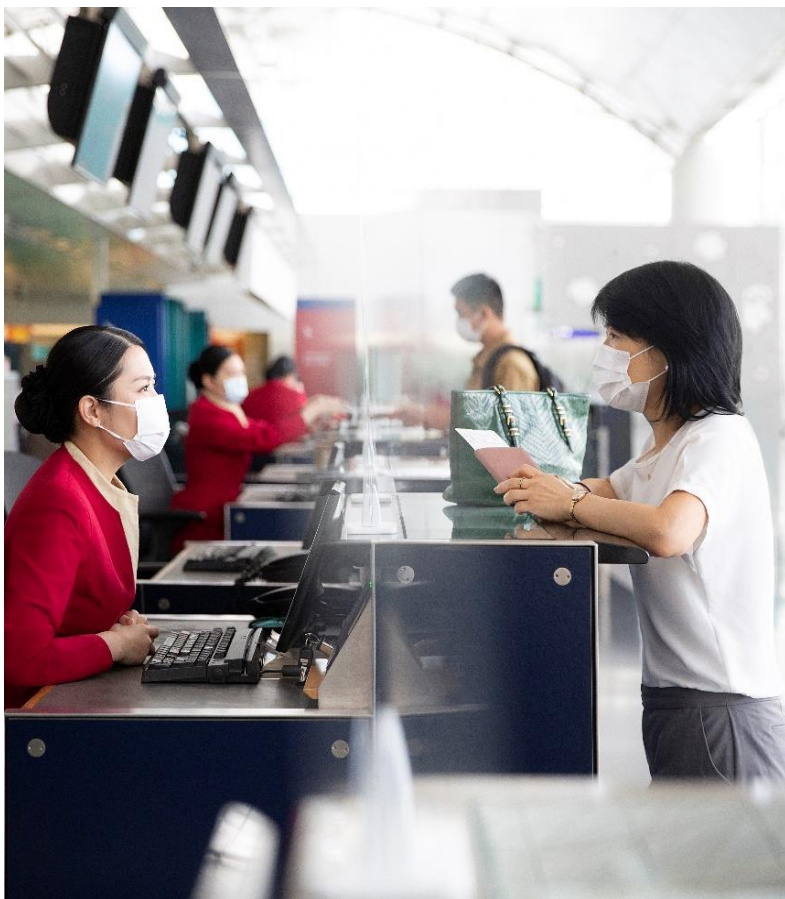
# Significant impact on Hong Kong aviation environment



Sources: Hong Kong International Airport, Cathay Investor Relations



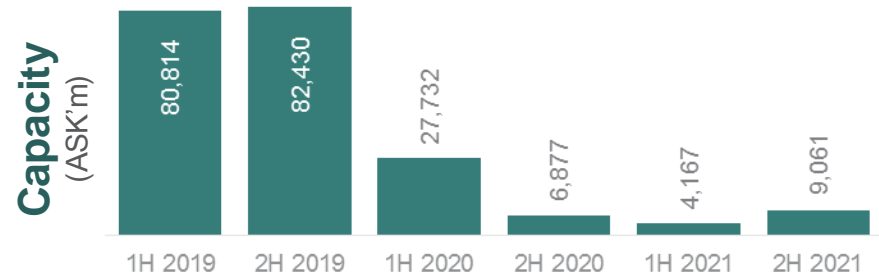
# COVID-19 continues to disrupt passenger traffic



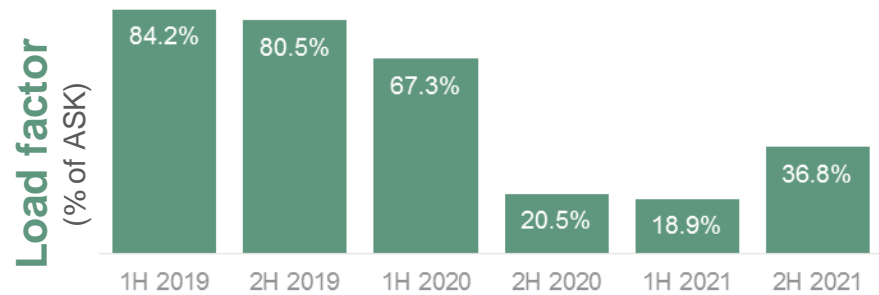
		2021	2020	% Var	2019
Cathay Pacific passenger revenue	HK\$m	4,346	11,313	-61.6%	72,168
Available seat kilometres (ASK)	Million	13,228	34,609	-61.8%	163,244
Revenue passenger kilometres (RPK)	Million	4,120	20,079	-79.5%	134,397
Revenue passengers carried	'000	717	4,631	-84.5%	35,233
Passenger load factor	%	31.1	58.0	-26.9%pt	82.3
Passenger yield	HK cents	105.5	56.3	+87.4%	53.7
Passenger revenue per ASK	HK cents	32.9	32.7	+0.6%	44.2

- Travel restrictions and quarantine requirements imposed by governments worldwide continue to disrupt the global passenger air travel market
- Our passenger capacity for the full year was just 8.1% of pre-pandemic levels. We benefited from a small student traffic 'peak' in August and September

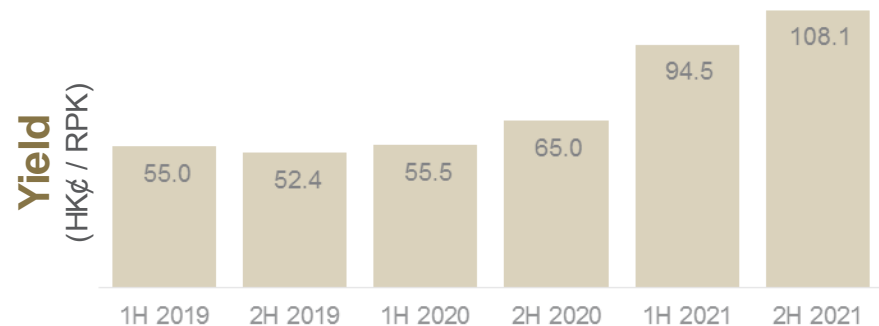
# Passenger revenue in terms of capacity, load factor and yield



- Across 2H 2021 we operated 11% of pre-pandemic capacity, up from 5% in 1H 2021



- Load factor gradually improved during the 2H 2021 with pockets of demand within Asia and student travel



- With lower capacity, yields remained at elevated levels

# Continuing market imbalance drives exceptionally strong cargo performance



		2021	2020	% Var	2019
Cathay Pacific cargo revenue	HK\$ million	32,377	24,573	+31.8%	21,154
Available cargo tonne kilometres (AFTK)	Million	10,094	11,329	-10.9%	17,558
Cargo revenue tonne kilometres (RFTK)	Million	8,220	8,309	-1.1%	11,311
Cargo carried	'000 tonnes	1,333	1,332	+0.1%	2,022
Cargo load factor	%	81.4	73.3	+8.1%pt	64.4
Cargo yield	HK\$	3.94	2.96	+33.1%	1.87
Cargo revenue per AFTK	HK\$	3.21	2.17	+47.9%	1.20

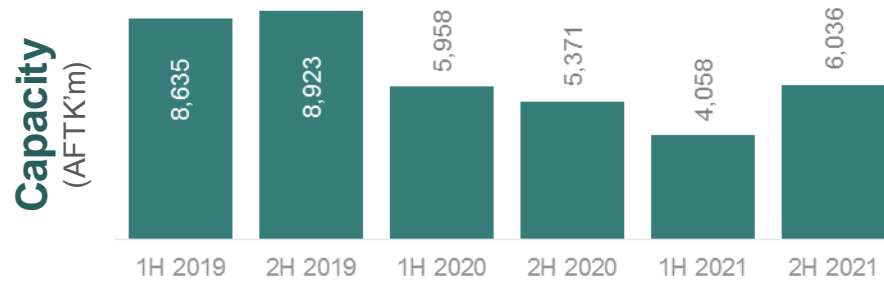
## Additional cargo-carrying capacity created by:

Cargo-only flights and cargo in passenger cabins

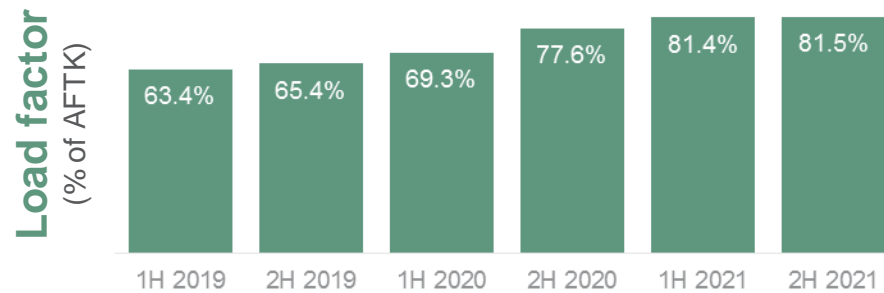
'Freighters'

Chartered flights from all-cargo subsidiary AHK

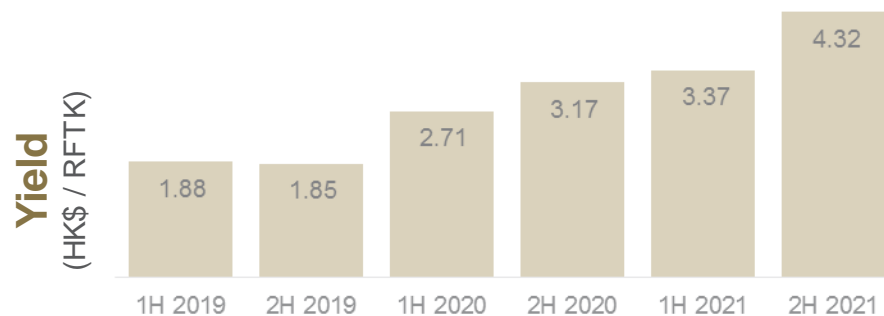
# Cargo revenue in terms of capacity, load factor and yield



- Freighter capacity increased in 2H 2021 after the lifting of crew quarantine requirements
- Cargo capacity constrained by limited passenger aircraft belly space



- High load factors through 2021



- Yields remained at elevated levels



# Operating costs

Cathay Pacific

# Effective cost management



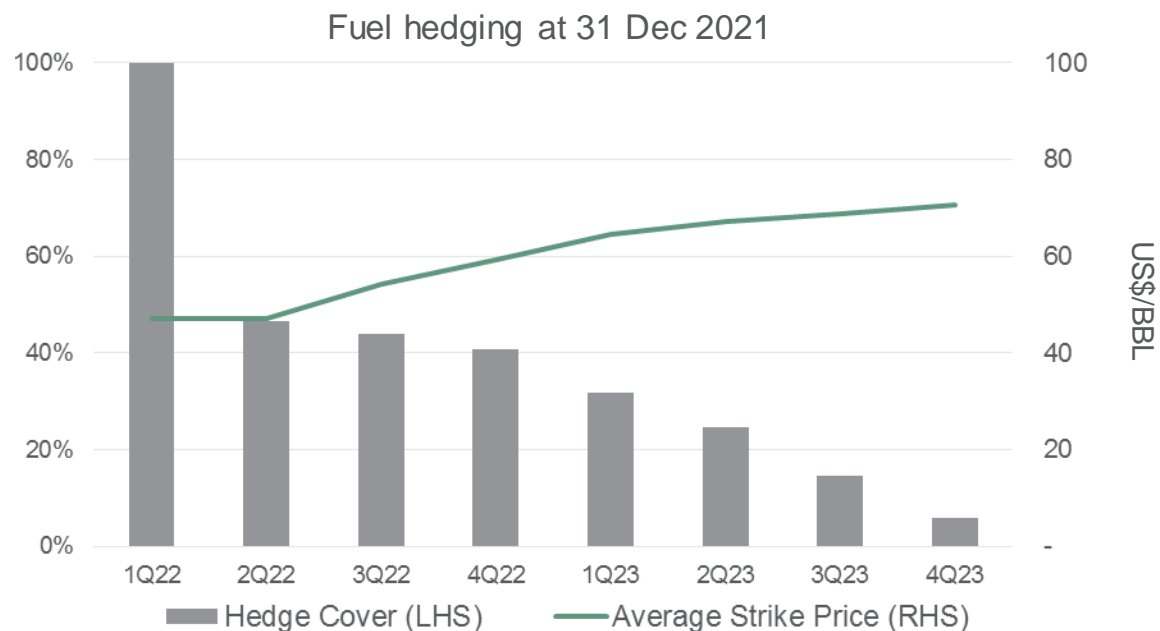
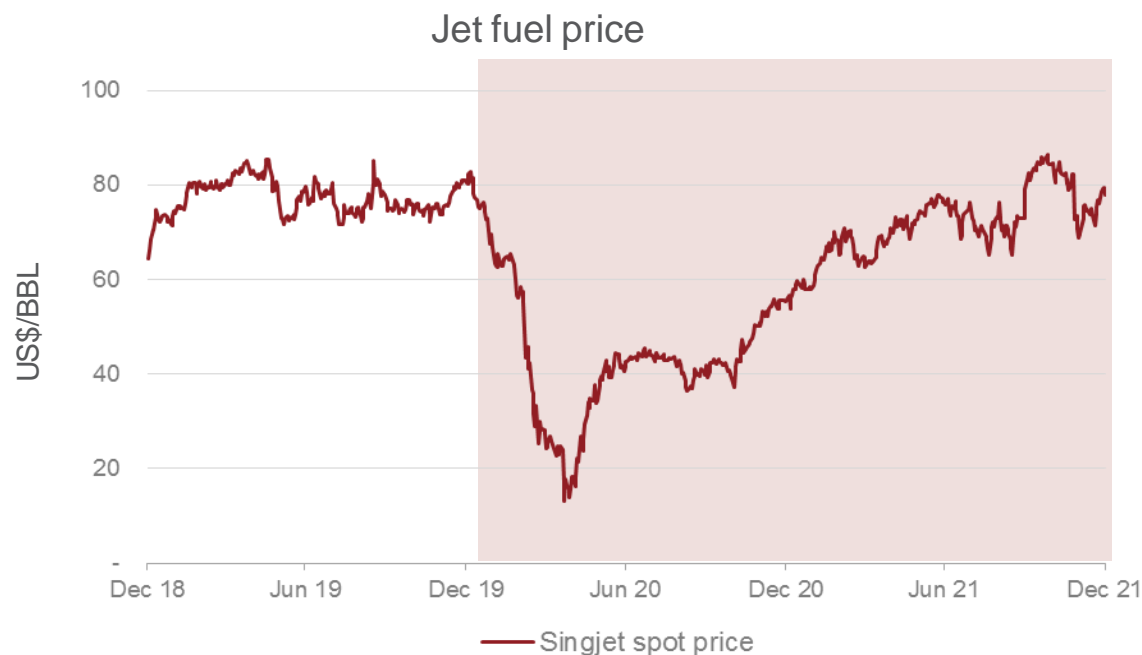
HK\$ million	2021	2020	% Var
Staff	9,542	13,616	-29.9%
Inflight service and passenger expenses	365	1,093	-66.6%
Landing, parking and route expenses	5,315	6,268	-15.2%
Aircraft maintenance	4,261	4,745	-10.2%
Depreciation, amortisation and rentals	11,345	12,984	-12.6%
Net finance charges	1,972	2,313	-14.7%
Others (including commissions)	3,956	3,669	+7.8%
<b>Total underlying costs (without fuel)</b>	<b>36,756</b>	<b>44,688</b>	<b>-17.7%</b>
Impairment and related charges	777	2,815	-72.4%
Restructuring costs	385	2,383	-83.8%
Gain on deemed partial disposal	(210)	-	N/A
<b>Total costs (without fuel)</b>	<b>37,708</b>	<b>49,886</b>	<b>-24.4%</b>

<b>Cost per ATK (without fuel)</b>	<b>3.32</b>	<b>3.41</b>	<b>-2.6%</b>
<b>Underlying* cost per ATK (without fuel)</b>	<b>3.24</b>	<b>3.06</b>	<b>+5.9%</b>

\* Underlying costs exclude impairment and related charges, restructuring costs and gains on deemed partial disposal of an associate. Please refer to announcement for details.

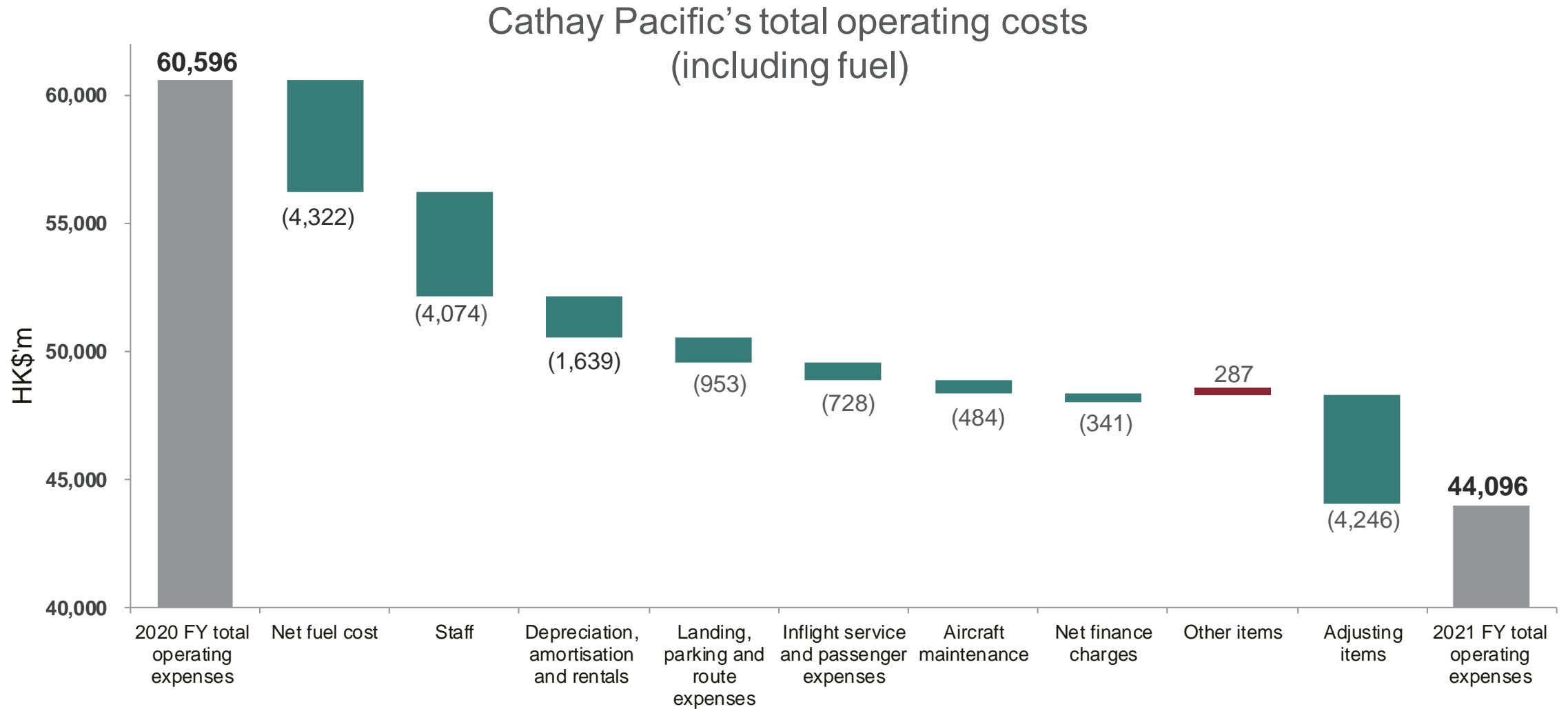


# Fuel costs & hedging



Fuel costs		2021	2020	% Var
Group gross fuel cost	HK\$ million	9,367	8,362	12.0%
Group fuel hedging (gains)/losses	HK\$ million	(2,336)	3,017	-177.4%
Group fuel cost	HK\$ million	7,031	11,379	-38.2%
CX Average into-plane fuel price ex hedging	US cents/AG	192.26	137.22	40.1%
CX Fuel consumption per million ATK	bbl	1,223	1,195	2.3%

# Reductions in operating costs







# Subsidiaries and associates



Operating statistics		2021	2020	% Var
Available seat kilometres (ASK)	Million	71	1,742	-95.9%
Revenue passenger kilometres (RPK)	Million	6	1,237	-99.5%
Passenger yield	HK cents	173.5	51.4	+237.5%
Cost per ASK (with fuel)	HK cents	2,967.1	160.6	+1,747.5%
Passenger load factor	%	8.8	71.0	-62.2%pt
Aircraft utilisation	Hours/ day	0.1	1.5	-93.3%
On-time performance	%	96.8	91.7	+5.1%
Average age of fleet	Years	5.2	5.1	+0.1years

Financial performance		2021	2020	% Var
Total Revenue	HK\$ million	20	861	-97.7%
Loss after taxation	HK\$ million	(1,978)	(1,723)	+14.8%
Ancillary revenue penetration	%	27.4%	18.8%	+8.6%pt

- HK Express operated flights to Bangkok, Kaohsiung, Phuket, Taichung and Taipei (pre-COVID-19: 25 destinations)
- At December 2021, 10 of the 27 aircraft in the fleet remained parked in long term storage

# Other major subsidiaries



## air Hongkong

Air Hong Kong's financial results improved compared with those of 2020, with capacity (ATK) increasing by 2.8% to 948 million

CATHAY PACIFIC  
CATERING SERVICES

Produced an average of 4,701 meals for 39 flights per day, a decrease against 2020 of 63.8% and 16.7% respectively



Handled 1.4m tonnes of cargo, an increase of 4% compared with 2020



The number of flights handled under the ramp and passenger handling businesses declined by 17.5% and 39.0% respectively against 2020



Processed 33 million items of laundry, a level similar to 2020.

# Major associates



- The Cathay Pacific 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 arrears. Consequently, our 2021 results include Air China's results for the year ended 30 September 2021, adjusted for any significant events or transactions in the period from 1 October 2021 to 31 December 2021
- Air China's financial results declined in the year to 30 September 2021



- As part of a mixed ownership reform for Air China Cargo, the Cathay Pacific Group's equity and economic interest in Air China Cargo reduced from 34.78% to 24% in September 2021.
- For the year ended 31st December 2021, the Group has recognised the share of results of Air China Cargo three months in arrears, which represents the nine months ended 30th September 2021, adjusted for any significant events or transactions in the period from 1st October 2021 to 31st December 2021.



# Outlook

# Travel outlook



- Following the emergence of Omicron, Hong Kong-based crew quarantine requirements were tightened
- All flights from the 9 Specified Places with Flight Suspensions (Group A) are currently banned until 20 April 2022, including the UK and the US
- Transit bans from high-risk places are also in place
- Passenger capacity at around 2% of the pre-pandemic passenger capacity will be operated until at least end of March 2022

# Cargo outlook



## Capacity

- Capacity remains constrained with limited passenger flights
- Quarantine requirements for Hong Kong-based aircrew have been tightened in 2022
- With the current restrictions, cargo capacity remains at less than one-third of 2019 levels
- Reduced schedule for long-haul cargo operations, regional operations remain intact

## Demand

- Strong demand expected to continue

# Lifestyle brand and experience





# Cathay Pacific commits to net-zero carbon emissions by 2050



Aircraft

A321Neo achieves 22%\* lower emissions

A350 Family achieves 25%\* lower emissions

B777-9x to provide 21%\* lower emissions

Operational improvements

Reducing Engine Taxi-In (RETI) – reducing engine use on the ground

Paperless flying – our digitised inflight manual replaces 75kg of paper per flight

Sustainable aviation fuels

Committed to 10% SAF by 2030

Fulcrum Bioenergy – 2014 equity investment and SAF offtake agreement

Offsets

Fly Greener – Our voluntary program has offset 300k tonnes of CO2

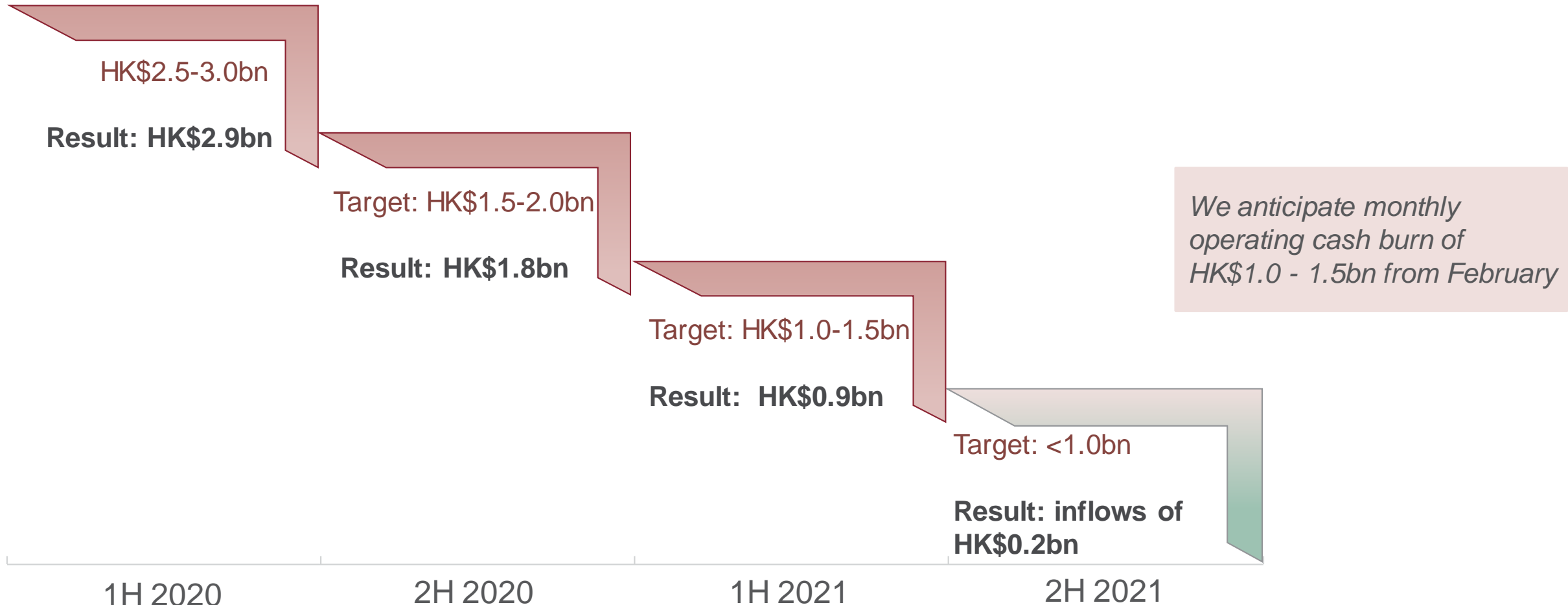
New Technology

Founding member of the Aviation Climate Taskforce

– Accelerating breakthroughs in emerging technology to decarbonize aviation

\*: Compared to previous generation aircraft  
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# Operating cash burn has continued the declining trend Cash generative across the second half of 2021



- 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

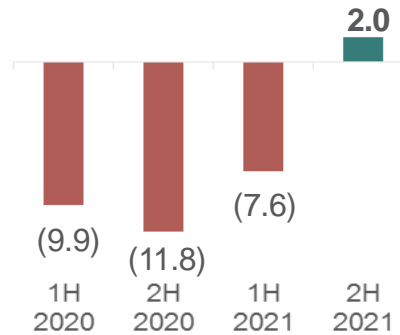


# Summary

# Summary



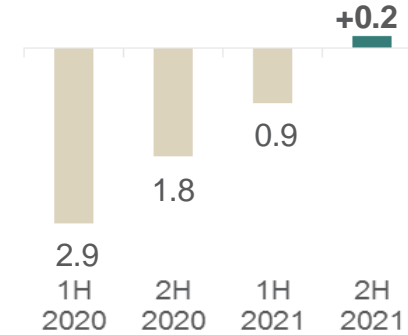
**Attributable profit/(loss)**  
(HK\$'bn)



## Outlook

**Q1 2022:** Capacity remains severely limited

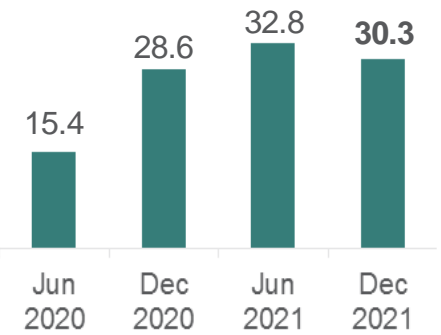
**Average monthly cash burn**  
(HK\$'bn)



## Outlook

**Q1 2022:** Expect increased monthly cash burn

**Liquidity**  
(HK\$bn)



## Outlook

Liquidity remains at a healthy, elevated level

- The start of 2022 has been extremely challenging with capacity constrained by tightened quarantine requirements and travel restrictions
- We are absolutely confident in the long-term future of Hong Kong as a leading international aviation hub and Cathay's critical role at the centre of it



# 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)

