



# Analyst Briefing 2023 Interim Results

9 August 2023

## **Hosted by**

Rebecca Sharpe, Chief Financial Officer

Lavinia Lau, Chief Customer and Commercial Officer

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# Agenda



- Rebuilding Cathay
- 2023 interim results highlights
- Business performance highlights
- Outlook
- Summary
- Q&A



# Rebuilding Cathay

# Making progress on our rebuild journey

36

## PEOPLE

- Training
- Recruitment
- Remuneration

## FLEET\*

- Fleet size: **225**
- Parked overseas: **25**
- New deliveries: **6**
- Lease returns: **3**

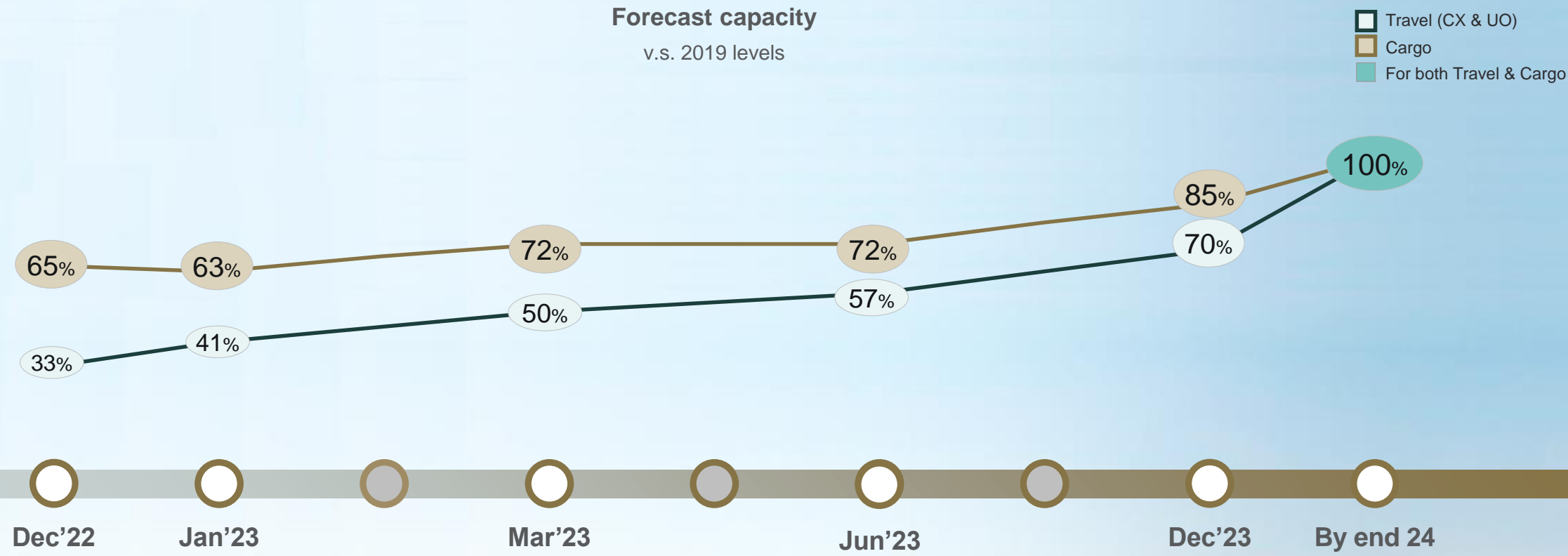
## CAPACITY

- Jun 2023 vs 2019
  - Travel: **57%** | Cargo: **72%**
- Destinations: **74\***
- **>1,100** passenger flights per week\*

## FINANCIAL

- 1H 2023 profit **HK\$4.3bn** vs 1H 2022 loss **HK\$5.0bn**
- HK\$7.8 billion bridge loan facility expired on 8 June without the need to drawdown
- HK\$1.5 billion deferred preference shares dividends paid on 30 June
- Announced plan to redeem HK\$19.5bn preference shares by end July 2024

# On track in rebuilding our capacity



Premium Travel

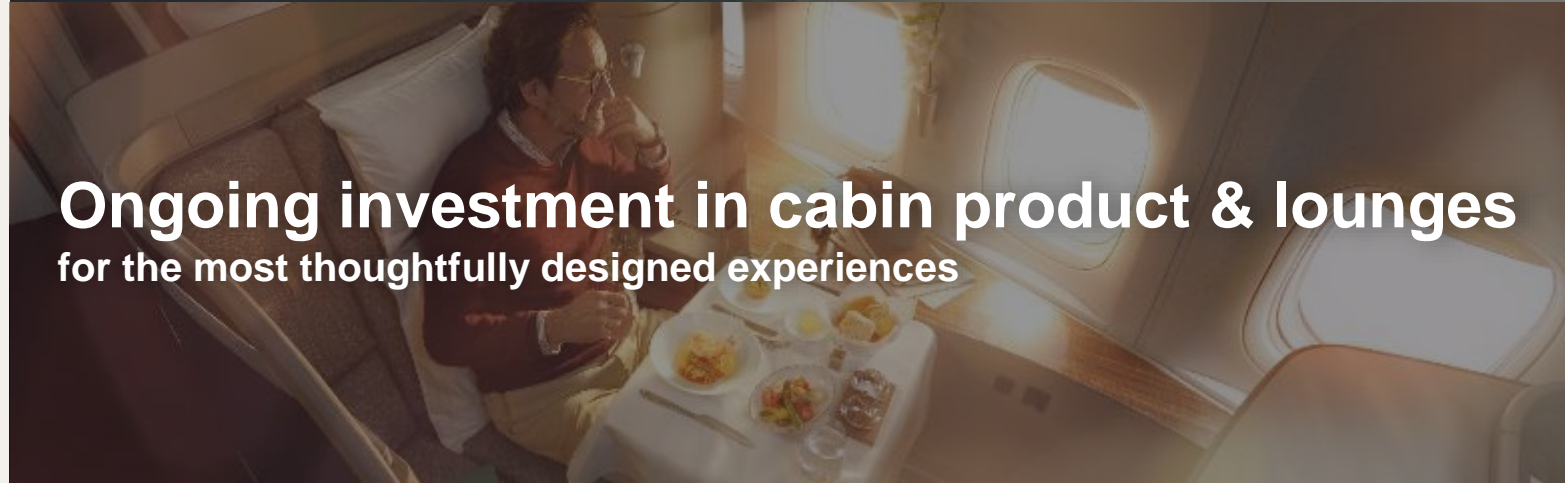


## 5 new aircraft deliveries in 1H 2023

27 new aircraft deliveries from 2H 2023 onwards



Ongoing investment in cabin product & lounges  
for the most thoughtfully designed experiences



Back in top 10 of the world's best airlines  
in renowned industry rankings



Cargo



Cargo Airline of the Year

Air Transport World's 2023 Airline Industry Achievement Awards



Rebrand

to align our cargo business with the master brand

WE KNOW HOW

the reliable expert in air cargo solutions

SHIPPING A WORLD OF POSSIBILITY  
WE KNOW HOW

An Cathay Cargo, we're in perfect position. From handling temperature-sensitive vaccines and fresh produce to catering for premium business, our industry shows that all our cargo is ready to make a difference to the world.



**Frequencies**  
exceeded 2019 levels in April

**20 destinations**  
operated by end of June

**First Airbus A321neo**  
delivered in March

Lifestyle



## Co-branded Cathay Mastercard

strong momentum in acquisition and spending



## Cathay Shop

growing online-to-offline-to-online retail ecosystem



## Introducing 'Cathay'

a fully re-envisioned travel lifestyle publication



# Continued progress on sustainability journey





# 2023 interim results highlights

# 1H 2023 vs 1H 2022 at a glance



**HK\$43.6bn**

Revenue

HK\$18.6bn

**HK\$4.8bn**

Cathay Pacific and  
subsidiaries' profit/  
(loss) before  
exceptional items

HK\$(2.5)bn

**HK\$4.3bn**

Group attributable  
profit/(loss)

HK\$(5.0)bn

**HK\$28.9bn**

Available  
unrestricted liquidity

HK\$26.7bn

**0.50**

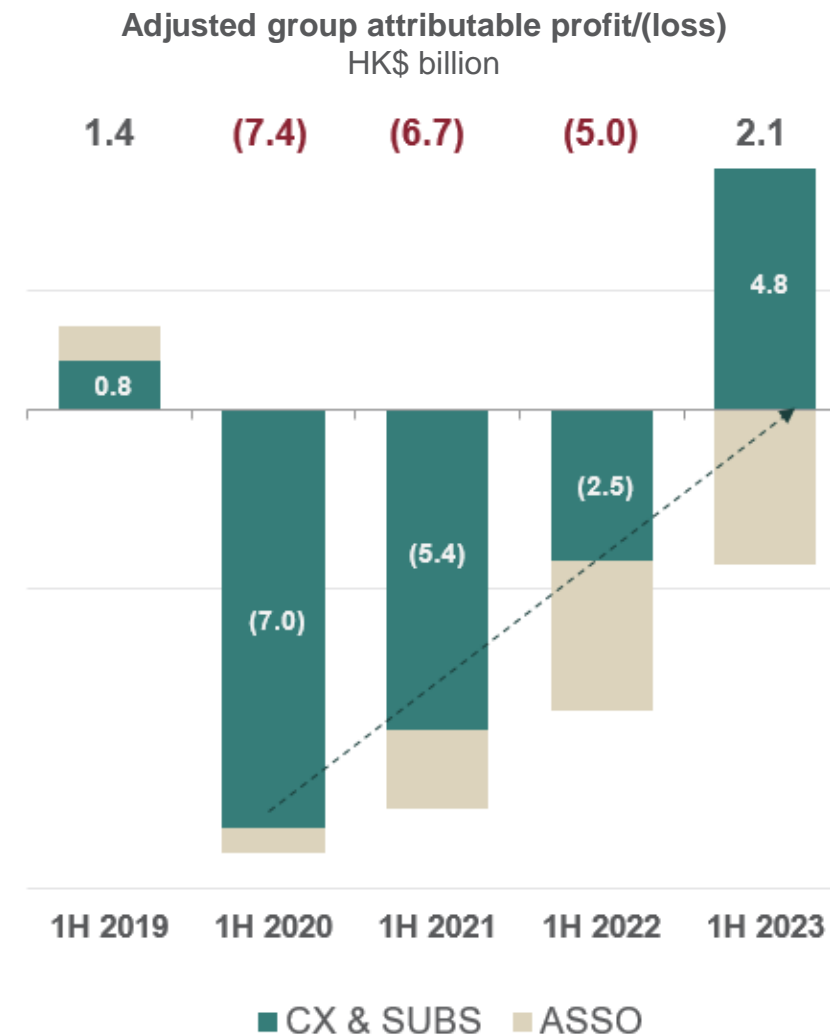
Gearing  
(pre HKFRS16)

0.74

# Profitable 1H for first time since 2019



HK\$ million	2023 1H	2022 1H	2021 1H	2020 1H	2019 1H
Cathay Pacific and subsidiaries' profit/(loss) after taxation before exceptional items	4,763	(2,516)	(5,352)	(6,991)	817
Share of losses from associates	(2,632)	(2,483)	(1,310)	(409)	589
<b>Adjusted group attributable profit/(loss)</b>	<b>2,131</b>	<b>(4,999)</b>	<b>(6,662)</b>	<b>(7,400)</b>	<b>1,406</b>
Exceptional items	2,137	-	(903)	(2,465)	(59)
<b>Group attributable profit/(loss)</b>	<b>4,268</b>	<b>(4,999)</b>	<b>(7,565)</b>	<b>(9,865)</b>	<b>1,347</b>



# Exceptional items recorded in 1H 2023

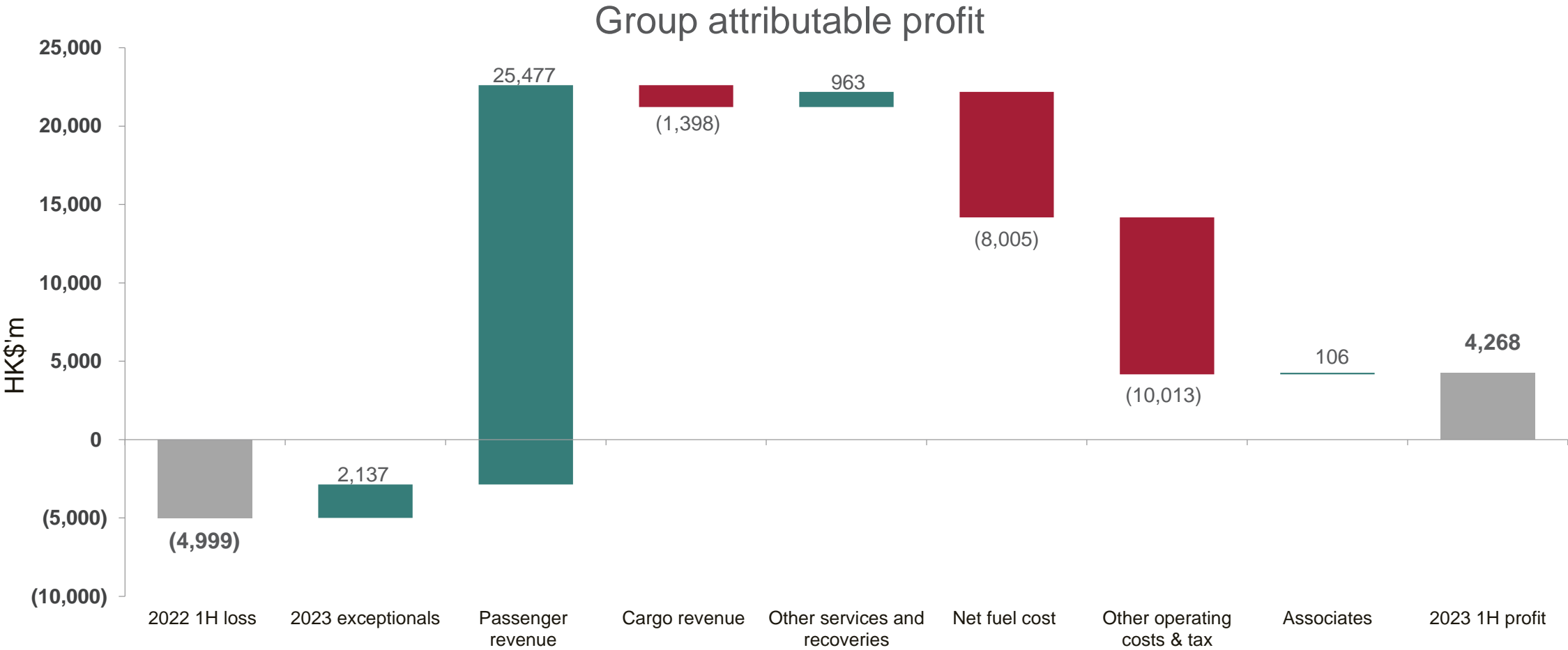


HK\$ million	1H2023	1H2022
<b>Adjusted group attributable results</b>	<b>2,131</b>	<b>(4,999)</b>
Gain on deemed partial disposal of an associate <sup>(1)</sup>	<b>1,929</b>	-
Reversal of impairment <sup>(2)</sup>	<b>208</b>	-
<b>Group attributable results</b>	<b>4,268</b>	<b>(4,999)</b>

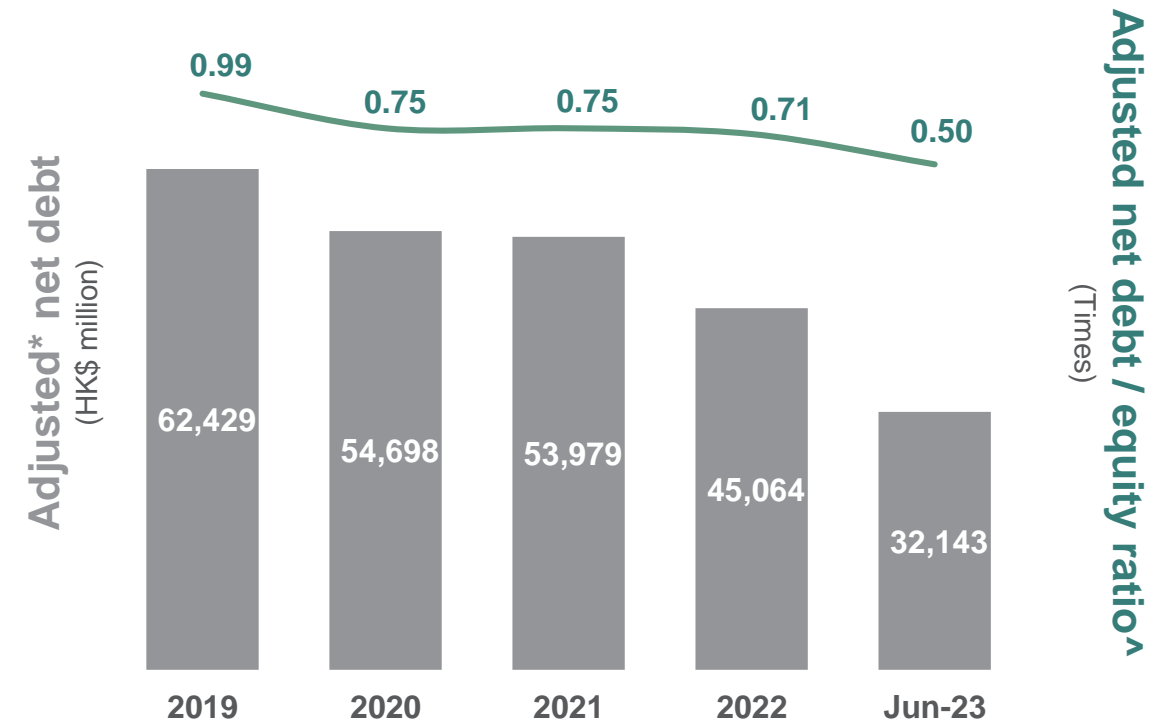
Notes:

- (1) On 16 January 2023, the Group's interest in Air China was diluted from 18.13% to 16.26% as a result of Air China issuing 1,676 million new A shares to other third party investors. A one-off non-cash gain on the deemed partial disposal of HK\$1.9bn was recorded.
- (2) Reversal of impairment under Cathay Pacific in connection with three previously impaired aircraft returning to service

# Passenger revenue improved significantly since full reopening of borders



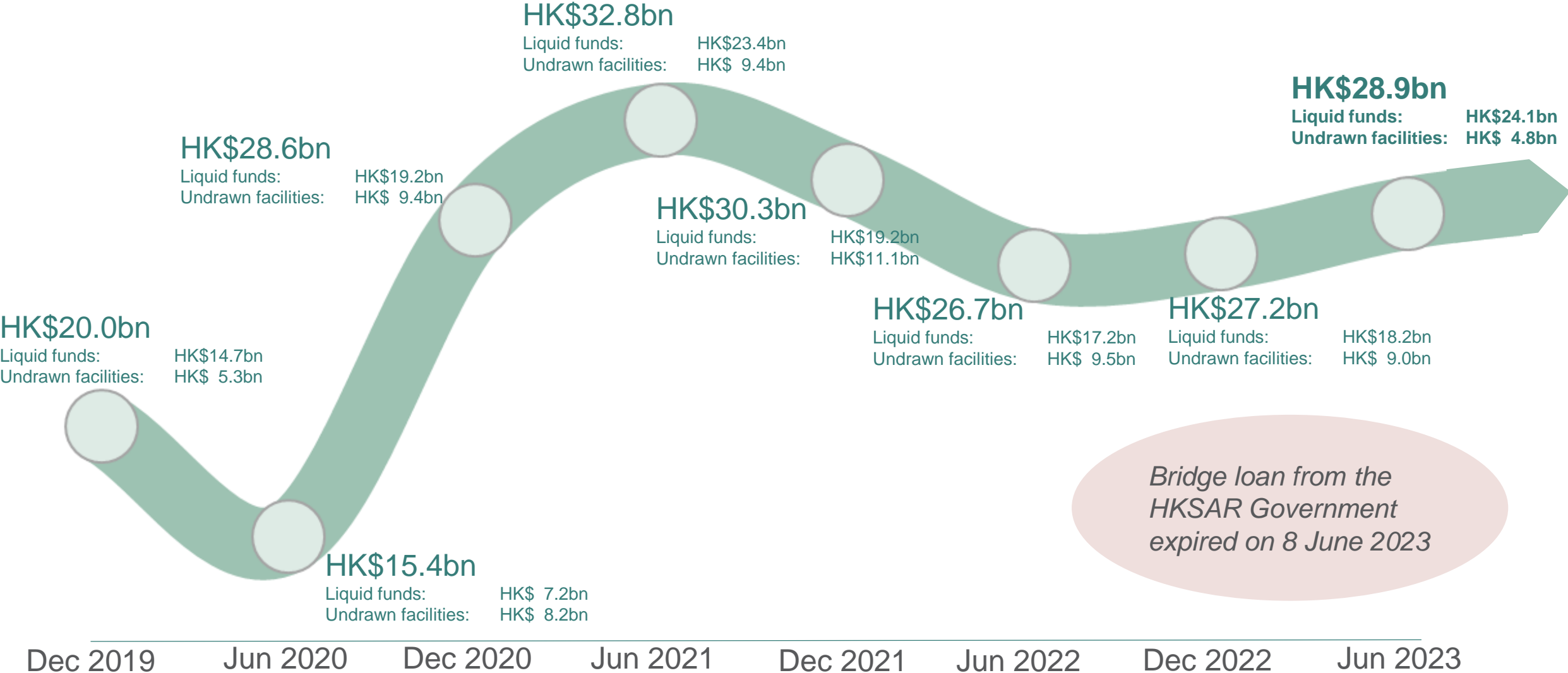
# Adjusted net debt position



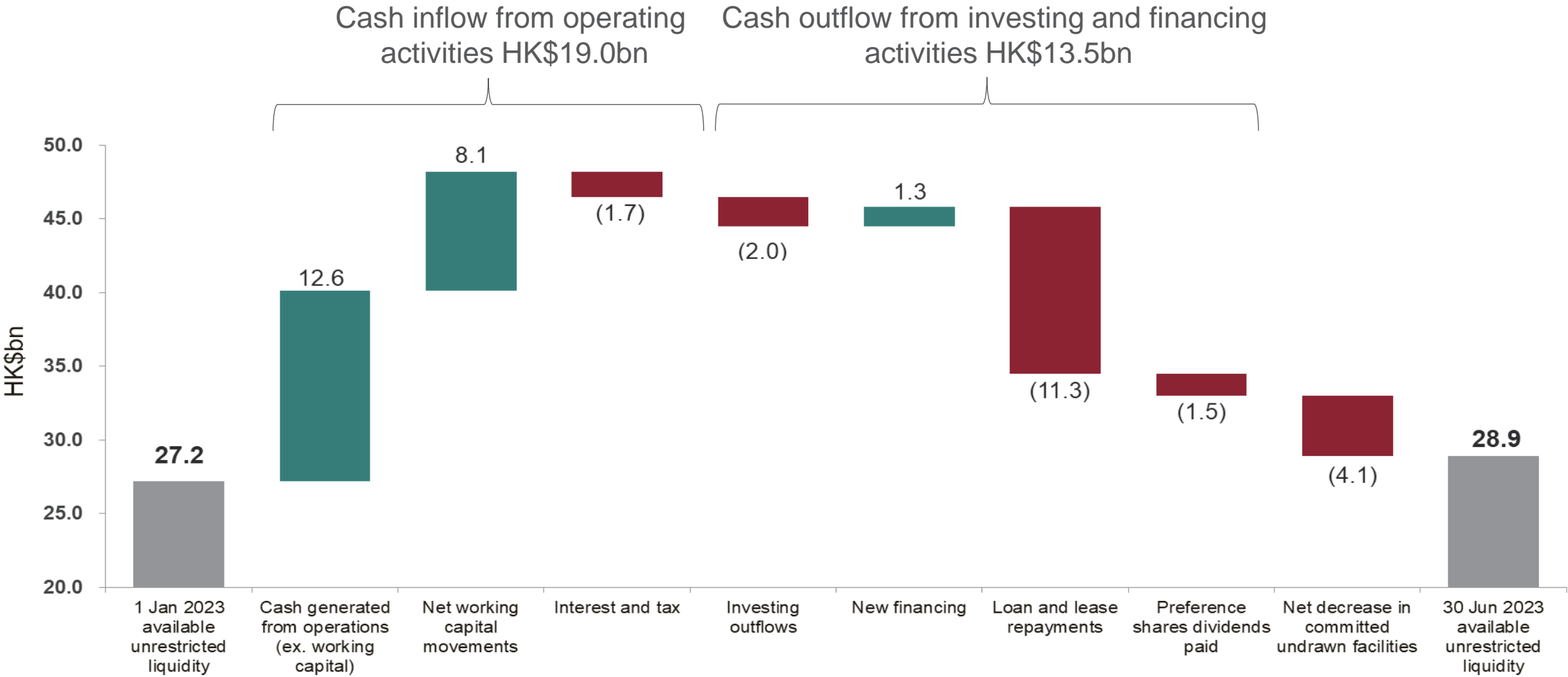
\*: Adjusted net debt excludes operating lease liabilities

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

# Liquidity position remains elevated



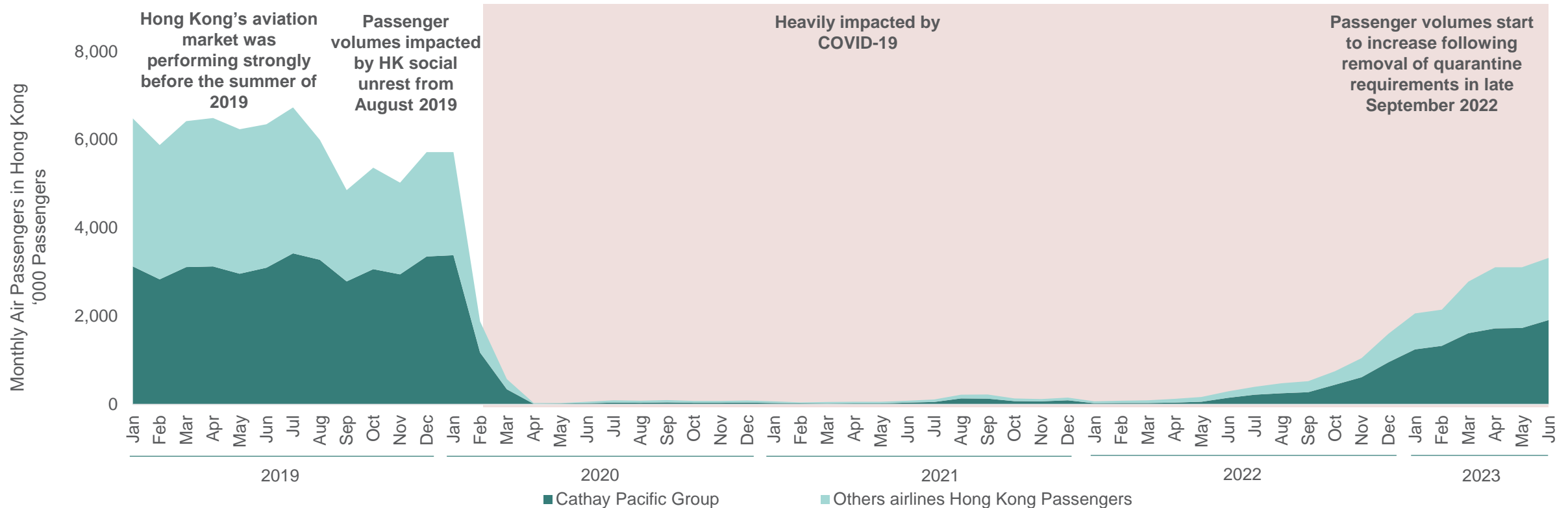
# Strong operating cash performance is supporting the liquidity position





# Business performance highlights

# Passenger numbers continue to increase at the Hong Kong international aviation hub



Sources: Hong Kong International Airport, Cathay Investor Relations

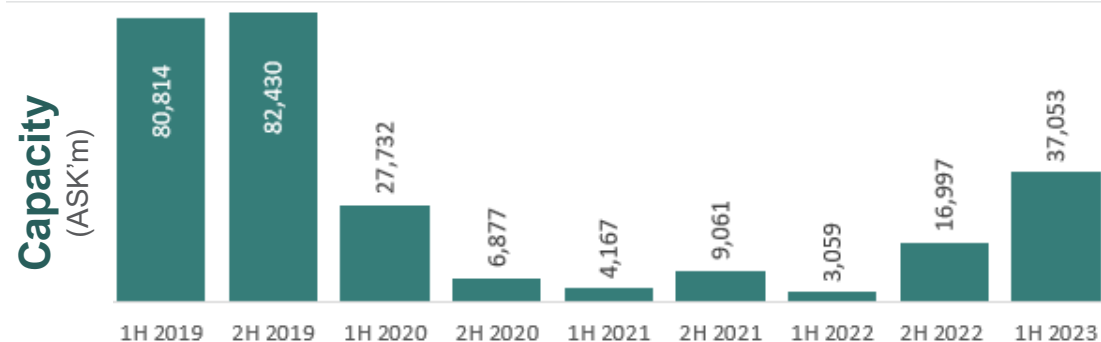
# Considerable rebound in travel demand



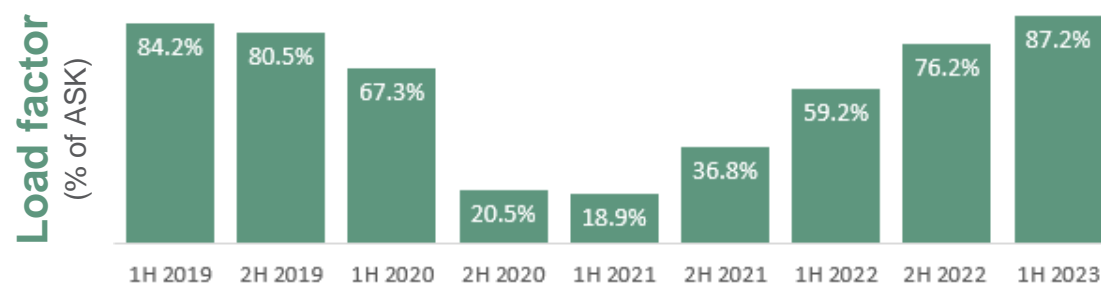
		1H 2023	1H 2022	% Var
Cathay Pacific passenger revenue	HK\$ million	25,013	2,068	+1,109.5%
Available seat kilometres (ASK)	Million	37,053	3,059	+1,111.3%
Revenue passenger kilometres (RPK)	Million	32,308	1,810	+1,685.0%
Revenue passengers carried	'000	7,816	335	+2,233.1%
Passenger load factor	%	87.2	59.2	+28.0%pt
Passenger yield	HK cents	77.4	114.3	-32.3%
Passenger revenue per ASK	HK cents	67.5	67.6	-0.1%

- Progressively increased passenger flight capacity during 1H 2023
- By end of Jun 2023, Cathay Pacific covered 64 destinations and operated more than 700 flights per week compared to end of Dec 2022 which was 58 destinations and 393 flights per week

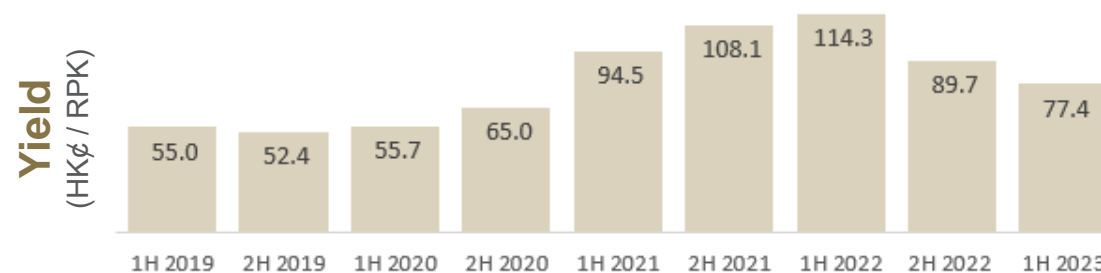
# Strong demand driving high load factors as we rebuild



- 1H 2023 flight capacity 85% higher than 2022 full year capacity



- Load factor has recovered quickly, illustrating the strength of passenger demand
- 1H 2023 load factor exceeded 2019 levels



- Supported by strong bookings and lower capacity, passenger yield remained well above pre-pandemic levels

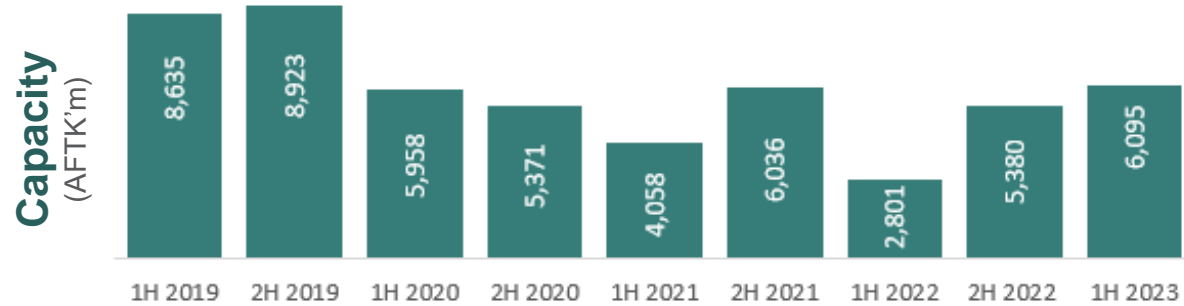
# Cargo market softening from exceptional 2021 and 2022 levels



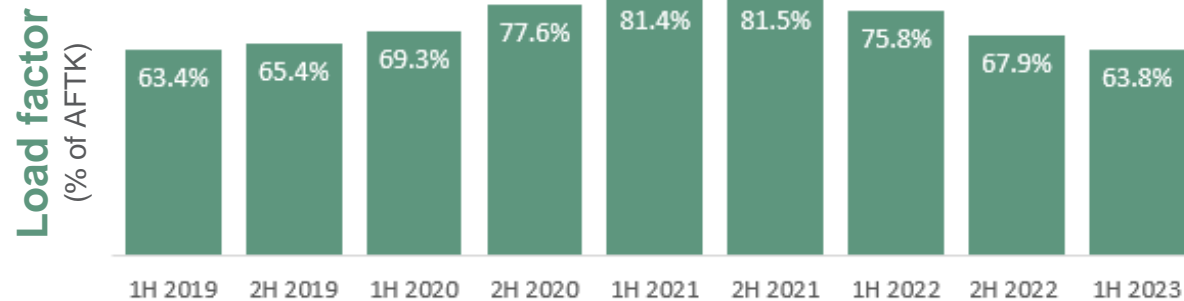
		1H 2023	1H 2022	% Var
Cathay Pacific cargo revenue	HK\$ million	10,741	12,148	-11.6%
Available cargo tonne kilometres (AFTK)	Million	6,095	2,801	+117.6%
Cargo revenue tonne kilometres (RFTK)	Million	3,886	2,123	+83.0%
Cargo carried	'000 tonnes	651	526	+23.8%
Cargo load factor	%	63.8	75.8	-12.0%pt
Cargo yield	HK\$	2.76	5.72	-51.7%
Cargo revenue per AFTK	HK\$	1.76	4.34	-59.4%

- Additional cargo capacity provided by the bellies of our passenger aircraft as passenger network capacity increased
- More cargo carried compared to 1H 2022
- Became the first cargo airline and cargo terminal operator to have cargo shipments accepted by HKIA Logistics Park in Dongguan and transported to HKIA by ship for outbound airfreight

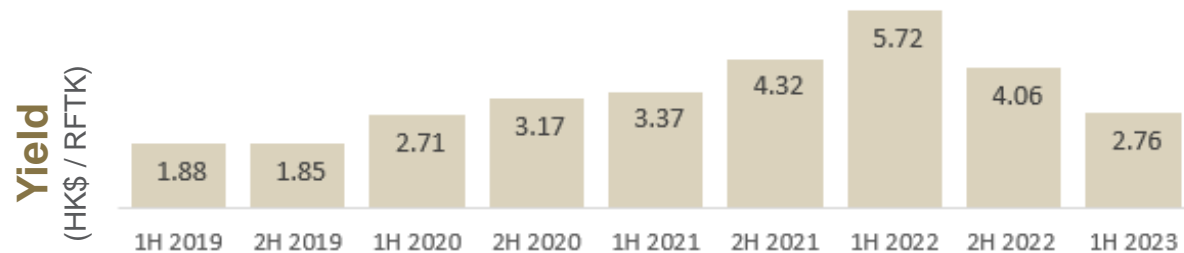
# Cargo capacity continues to increase with load factor normalising



- 1H 2023 71% of 1H 2019



- Load factors continue to normalise from the exceptional levels in 2021



- Although moderating from historical highs seen during pandemic, cargo yield remained higher than pre-pandemic levels

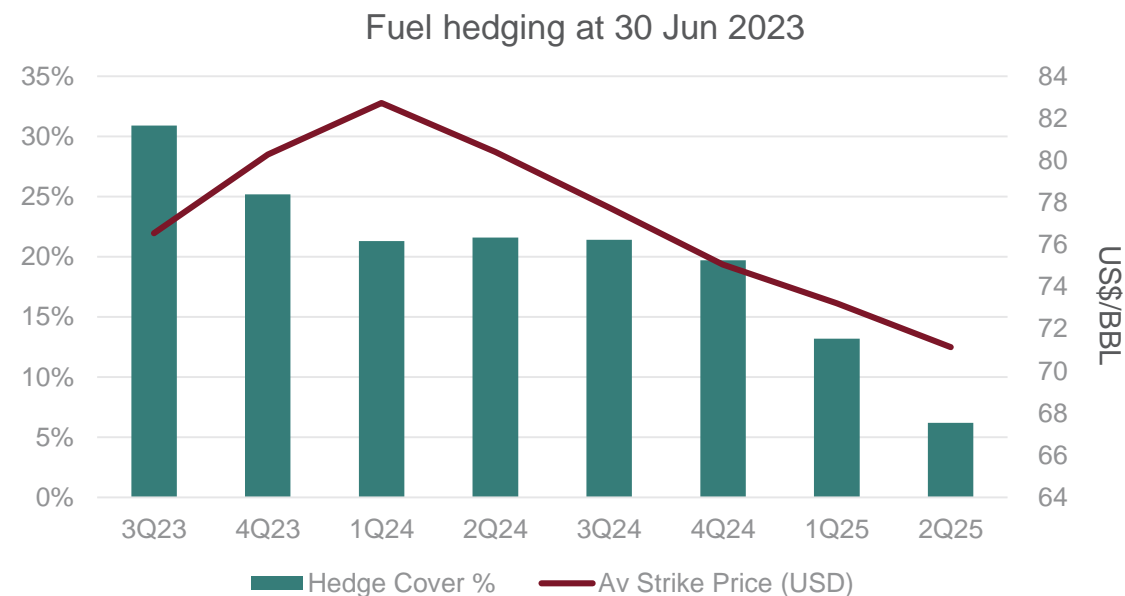
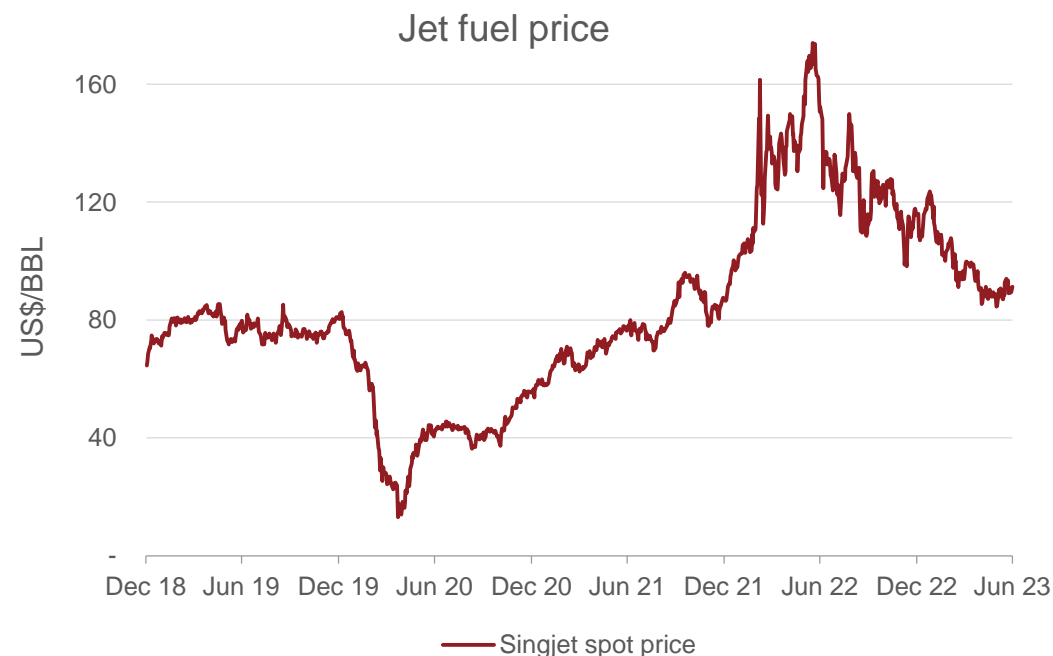
# Capacity rebuild driving lower per-unit cost



<i>HK\$ million</i>	1H 2023	1H 2022	% Var
Staff	5,400	4,210	+28.3%
Inflight service and passenger expenses	1,225	166	+638.0%
Landing, parking and route expenses	4,536	2,091	+116.9%
Aircraft maintenance	2,751	1,093	+151.7%
Depreciation, amortisation and rentals	5,616	5,490	+2.3%
Net finance charges	880	966	-8.9%
Other items (including commissions)	4,231	2,040	+107.4%
<b>Total underlying costs (without fuel)</b>	<b>24,639</b>	<b>16,056</b>	<b>+53.5%</b>
Gain on deemed partial disposal	(1,929)	-	-
Reversal of impairment	(208)	-	-
<b>Total costs (without fuel)</b>	<b>22,502</b>	<b>16,056</b>	<b>+40.1%</b>
<b>Cost per ATK (without fuel)</b>	<b>2.34</b>	<b>5.19</b>	<b>-54.9%</b>
<b>Underlying* cost per ATK (without fuel)</b>	<b>2.56</b>	<b>5.19</b>	<b>-50.7%</b>

\* Underlying costs exclude non-recurring items. Please refer to announcement for details.

# Higher fuel cost reflected capacity increase

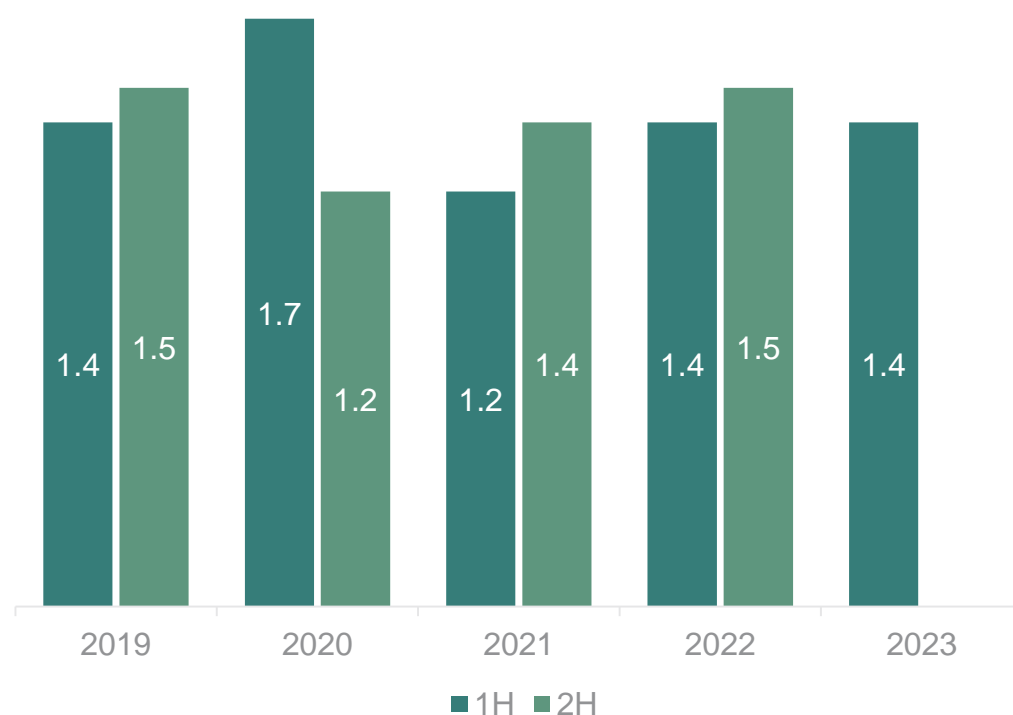


Fuel costs		2023	2022	% Var
Group gross fuel cost	HK\$ million	11,118	4,618	140.8%
Group fuel hedging gains	HK\$ million	(483)	(1,988)	75.7%
Group fuel cost	HK\$ million	10,635	2,630	304.4%
Into-plane fuel price ex hedging	US cents/AG	262.9	305.2	13.9%
CX Fuel consumption per million ATK	bbl	1,222	1,316	7.1%

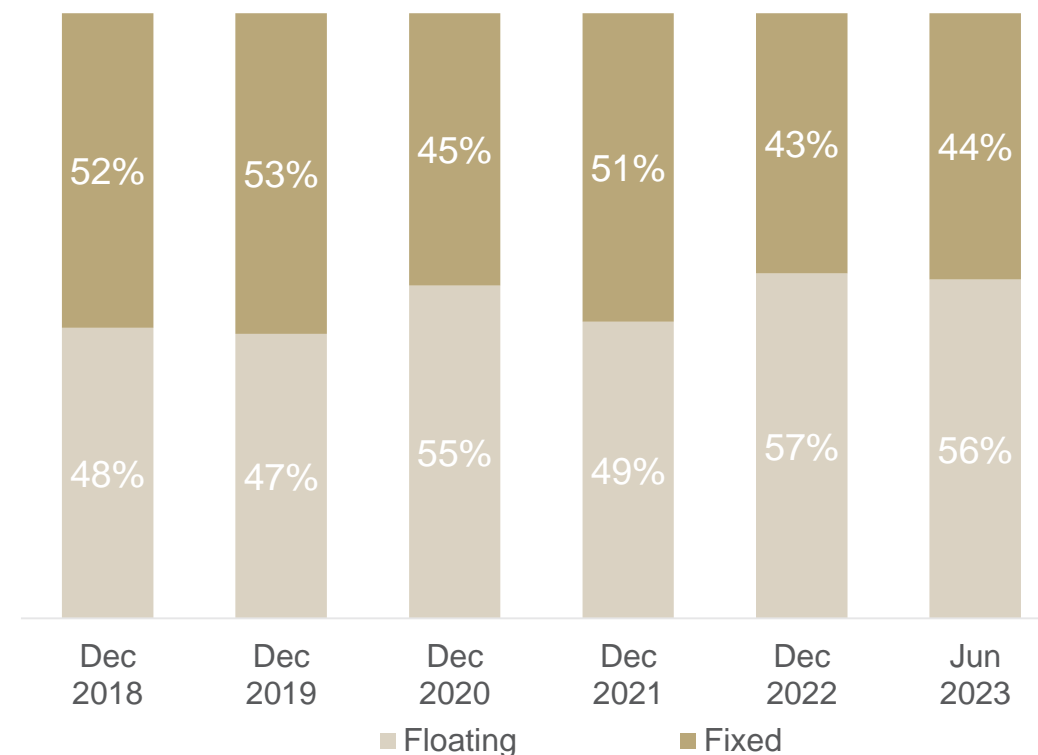
# Financing charges and interest rate profile



## Net financing charges (HK\$bn)



## Interest rate profile: borrowings (after derivatives)



Includes outstanding loans and borrowings, lease liabilities, and interest rate swaps which are hedge accounted for



Financial performance		1H 2023	1H 2022
Total Revenue	HK\$ million	2,600	34
Profit / (Loss) after taxation	HK\$ million	333	(824)
Operating statistics		1H 2023	1H 2022
Available seat kilometres (ASK)	Million	4,054	69
Revenue passenger kilometres (RPK)	Million	3,465	13
Passenger yield	HK cents	73.6	140.1
Cost per ASK (with fuel)	HK cents	55.9	1,163.9
Passenger load factor	%	85.5	18.5
Aircraft utilisation	Hours/ day	6.8	0.14
On-time performance	%	91.1	96.9
Average age of fleet	Years	6.0	5.2

- HK Express reported a profit for the first half of 2023
- At end of June 2023 HK Express operated:
  - 20 destinations
  - >470 flights per week



# Other subsidiaries



## air Hongkong

- Air Hong Kong reported a profit in the first half of 2023. Its results have been consistently solid and stable.



- Cathay Pacific Catering Services (“CPCS”), Hong Kong Airport Services (“HAS”) and Vogue Laundry Service (“VLS”) have benefited from the improvement in passenger traffic



- Tonnes of cargo handled by Cathay Cargo Terminal increased in the first half of 2023 compared with the first half of 2022

# Major associates



- The Cathay Pacific Group had an 18.13% interest in Air China at 31 December 2022, which reduced to 16.26% following the issue of 1,676 million new A shares on 16 January 2023. As a result, a one-off non-cash gain of HK\$1.9 billion was recognised in the first half results for 2023.
- Our share of Air China's results is based on its financial statements drawn up three months in arrears\*. The period 1 October 2022 – 31 March 2023 was included in our 2023 first half results
- Air China's losses were mainly caused by the impact of COVID-19 in the fourth quarter of 2022



- The Cathay Pacific Group had an 24% equity interest in Air China Cargo
- Our share of Air China Cargo's results is based on its financial statements drawn up three months in arrears\*



# Outlook

# Financial: preference shares redemption



- Announced plan to redeem HK\$19.5bn preference shares by end July 2024
- Proposed Capital Reduction of HK\$19.5bn standing in the Preference Shares Capital Account
- The Preference Shares Reserves Account arising from the Proposed Capital Reduction will be used to redeem all of the preference shares in accordance with the plan
- Plan to buy back 50% of the preference shares before the end of 2023 at a redemption price of over HK\$9.75bn, and the remainder by the end of July 2024
- All future preference shares dividends shall be paid as they fall due. Dividends of HK\$292.5mn shall be paid on 14th August 2023

# Travel: investing into the future



- Announced intention to purchase up to 32 aircrafts for delivery by 2029
- Introducing the all-new Aria Suite on our Boeing 777-300ER fleet, ready for departure in Q2 2024
- New First Class on our Boeing 777-9 fleet to be delivered in 2025
- On track with training and recruitment. Target to recruit 3,000 employees in 2023, including 200-300 cabin crew from the Chinese Mainland

# Cargo: being agile to changing market dynamics



## Capacity

- Capacity will be further supplemented by increased passenger flight frequencies and destinations
- Targeting 85% of pre-pandemic cargo capacity by the end of the year 2023

## Demand

- Summer months see a traditional slowdown in air cargo movements
- Sustained pickup in demand expected towards the end of Q3
- Anticipate more intense competition as overall cargo demand lags behind supply
- Continue to source new demand and optimise our freighter schedules accordingly



# Summary

# On track and committed to our rebuild journey

## PEOPLE

- Target to recruit 3,000 employees in 2023
  - 200-300 cabin crew from the Chinese Mainland
- Target to recruit >800 cadet pilots in 2023/24

## FLEET

- New aircraft deliveries
  - 2H 2023: **5**
  - 2024: **12**
  - 2025+: **25**
- Intention to purchase: **32**

## CAPACITY\*

**2023**

- Travel: **70%** | Cargo: **85%**  
Destinations: **80**

**2024**

- Travel: **100%** | Cargo: **100%**

## FINANCIAL

- Operating cash generative
- Future preference shares dividends are intended to be paid as they fall due
  - Plan to buy back 50% of the preference shares before the end of 2023 and the remainder by the end of July 2024

\*Forecast end of year capacity v.s. 2019 levels



# 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)

