

ASX Code: QAN

Price: \$5.17

12 Mth Target Price: \$6.00

Rating: Neutral

Business Summary

Qantas Airways Limited (QAN) operates its main business of transportation of passengers using two complementary airline brands - Qantas and Jetstar. The Company also operates other airlines, and businesses in specialist markets such as Q Catering.

Jetstar: The Jetstar Group is a low fares network of airlines operating in the leisure and value based markets offering all day, every day low fares. It offers more than 4,000 flights a week to more than 60 destinations in 17 countries and territories across the Asia Pacific region with a fleet of 115 aircraft.

QantasLink: QantasLink operates over 2000 flights each week to 56 metropolitan, regional and international destinations across Australia and to Port Moresby in Papua New Guinea.

Qantas Freight: Qantas Freight operates a network of 21 cargo handling terminals in 15 gateway ports across Australia and in a dedicated terminal in Los Angeles. These terminals handle freight for Qantas and Jetstar, as well as many other carriers. Qantas Freight operates a fleet of 11 freighter aircraft to supplement capacity to import and export destinations in Australia and around the world. The aircraft operate a mix of scheduled and charter services. It also owns a number of logistics businesses including: Express Freighters Australia, JETS Transport Express and Qantas Courier New Zealand.

Q Catering: Qantas Catering Group Limited is a wholly owned subsidiary that operates two catering businesses - Q Catering and Snap Fresh. Q Catering has catering centres in four Australian ports - Sydney, Melbourne, Brisbane and Perth. Snap Fresh is a state-of-the-art plant in Queensland built to centralise meal production for airlines and to supply non-aviation markets.

Express Ground Handling: Express Ground Handling, a wholly owned subsidiary of Qantas Airways within the Qantas Airports and Catering Group, provides ground handling services to Jetstar and several regional airlines.

Holidays: The Jetset Travelworld Group (JET) is an integrated travel business operating wholesale travel businesses, a range of franchise based and affiliate retail travel agency networks, airline representative operation, as well as, travel management services.

Latest Research

What would the old QAN have done?

In another environment, regulation fuel headwind would be easy to look through. However, the willing absorption of costs perhaps might be a potential sign that recent public issues are/can leak into earnings. As a result,

our valuation falls more than our revisions to try and incorporate higher risk premia. Legal, regulatory, and political overhangs appear to be growing and

harder to fundamentally price

For more information see research 25 Sep 2023.

Snapshot

Date	16 January 2024
Market Cap.	\$8,915m
Shares on issue	1,724.5m
12 Month High	\$6.94
12 Month Low	\$4.67

Rating

Rating	Neutral
12 Mth Target Price	\$6.00
Capital Gain	13.6%
Gross Yield	NA%
Implied Total Return	13.6%

Investment Fundamentals

FYE 30 Jun		2023A	2024F	2025F	2026F
Profit	\$m	1,737.0	1,591.0	1,586.0	1,620.0
Profit (norm)*	\$m	1,737.0	1,591.0	1,586.0	1,620.0
EPS*	¢	93.0	90.0	94.0	98.0
EPS Growth	%	0.0	-3.2	4.4	4.3
P/E*	x	5.7	5.9	5.6	5.4
P/E Relative	%	0.0	0.0	0.0	0.0
DPS	¢	0.0	0.0	0.0	25.0
Yield	%	0.0	0.0	0.0	4.7
Franking	%	0.0	0.0	0.0	0.0

* Adjusted for goodwill and unusual items
Source: Based on Citi estimates

Share Price Chart



Total Return on \$10,000 Investment



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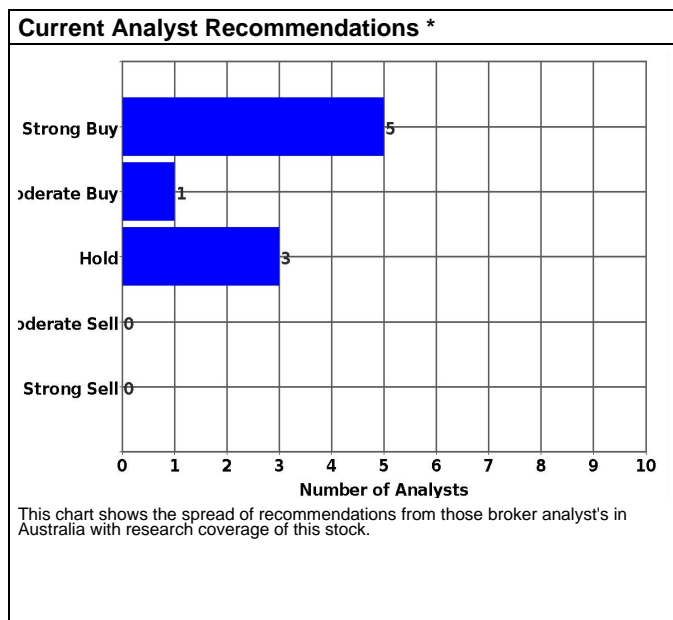
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Profit & Loss (\$M)					
	2019A	2020A	2021A	2022A	2023A
Sales Revenue	17,597	14,054	5,722	8,700	19,521
Total Revenue ex. Int.	17,966	14,257	5,934	9,108	19,815
EBITDA	3,125	2,271	765	972	4,449
Depreciation & Amort.	-1,665	-2,045	-1,929	-1,801	-1,762
Goodwill Amortisation	--	--	--	--	--
EBIT	1,460	226	-1,164	-829	2,687
Net Interest	-185	-271	-301	-301	-217
Profit Before Tax	1,275	-45	-1,465	-1,130	2,470
Income Tax	-374	744	623	331	-728
Outside Equity Int.	--	--	--	--	2
Profit after Tax	901	699	-842	-799	1,744
Significant Items after Tax	-10	-2,663	-886	-61	2
Reported Profit after Tax	891	-1,964	-1,728	-860	1,746
Preferred Dividends	--	--	--	--	--

Cash Flow (\$M)					
	2019A	2020A	2021A	2022A	2023A
Receipts from Customers	19,050	14,460	7,507	12,236	21,555
Funds from Operations	3,116	1,532	-145	2,958	5,199
Net Operating Cashflow	2,807	1,083	-386	2,670	5,085
Capex	-1,944	-1,549	-747	-906	-2,563
Acquisitions & Investments	-60	-24	-48	-120	-75
Sale of Invest. & Subsid.	150	--	--	--	33
Net Investing Cashflow	-1,651	-1,571	-722	-240	-2,625
Proceeds from Issues	--	1,342	58	--	--
Dividends Paid	-363	-204	--	-1	--
Net Financing Cashflow	-705	1,853	-181	-1,310	-2,628
Net Increase Cash	451	1,365	-1,289	1,120	-168
Cash at Beginning	1,694	2,157	3,520	2,221	3,343
Exchange Rate Adjust.	12	-2	-10	2	-4
Cash at End	2,157	3,520	2,221	3,343	3,171

Ratios and Substantial Shareholders						
	2019A	2020A	2021A	2022A	2023A	
Profitability Ratios						
EBITDA Margin	%	17.76	16.16	13.37	11.17	22.79
EBIT Margin	%	8.30	1.61	-20.34	-9.53	13.76
Net Profit Margin	%	5.12	4.97	-14.72	-9.18	8.93
Return on Equity	%	26.25	45.90	-164.13	405.58	34,880
Return on Assets	%	5.49	4.55	-3.45	-2.93	9.79
Debt/Safety Ratios						
Net Debt/Equity	%	89.26	328.64	1,164	-2,047	35,550
Interest Cover	x	7.89	0.83	-3.87	-2.75	12.38
Top 5 Substantial Shareholders						
Perpetual Limited and its related bodies corporate					5.5%	
Pendal Group Limited					5.2%	

Balance Sheet (\$M)					
	2019A	2020A	2021A	2022A	2023A
Cash & Equivalent	2,157	3,520	2,221	3,343	3,171
Receivables	1,101	522	584	1,111	1,056
Inventories	364	306	279	269	290
Other Current Assets	570	546	345	909	550
Current Assets	4,193	4,952	3,430	5,633	5,105
Prop. Plant & Equipment	12,977	13,166	11,896	11,181	13,152
Intangibles	1,225	1,050	849	778	687
Other Non-Current Assets	647	670	446	959	607
Non-Current Assets	15,184	15,074	14,450	14,020	15,249
Total Assets	19,377	20,026	17,880	19,653	20,354
Interest Bearing Debt	5,224	8,535	8,229	7,232	6,726
Other Liabilities	10,717	9,965	9,135	12,611	13,618
Total Liabilities	15,941	18,500	17,364	19,843	20,344
Net Assets	3,436	1,526	516	-190	10
Share Capital	1,719	3,053	3,168	3,178	2,080
Reserves	111	-173	432	649	200
Retained Earnings	1,603	-1,357	-3,087	-4,024	-2,275
Outside Equity Int.	3	3	3	7	5
Total Shareholders Equity	3,436	1,526	516	-190	10



Principals & Directors	
Principals	
Company Secretary	Mr Andrew John Finch Mr Benjamin David Jones Mr Benjamin William Elliott
Directors	
	Ms Belinda Jane Hutchinson(Non-Executive Director)
	Mr Richard James Barr Goyder(Non-Executive Director,Non-Executive Chairman)
	Ms Jacqueline Cherie Hey(Non-Executive Director)
	Ms Maxine Nicole Brenner(Non-Executive Director)
	Mr James Todd Sampson(Non-Executive Director)
	Mr Antony Nigel Tyler(Non-Executive Director)
	Dr Heather Joy Smith(Non-Executive Director)
	Ms Vanessa Judith Hudson(Chief Executive Officer,Managing Director)
	Mr William Douglas Parker(Non-Executive Director)

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