Analyst Briefing
2023 Annual Results

13 March 2024

Hosted by

Ronald Lam, Chief Executive Officer

Rebecca Sharpe, Chief Financial Officer

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Agenda



- Group Strategy
- 2023 Group results highlights
- Business performance highlights
- Outlook
- Summary
- Q&A

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Group Strategy

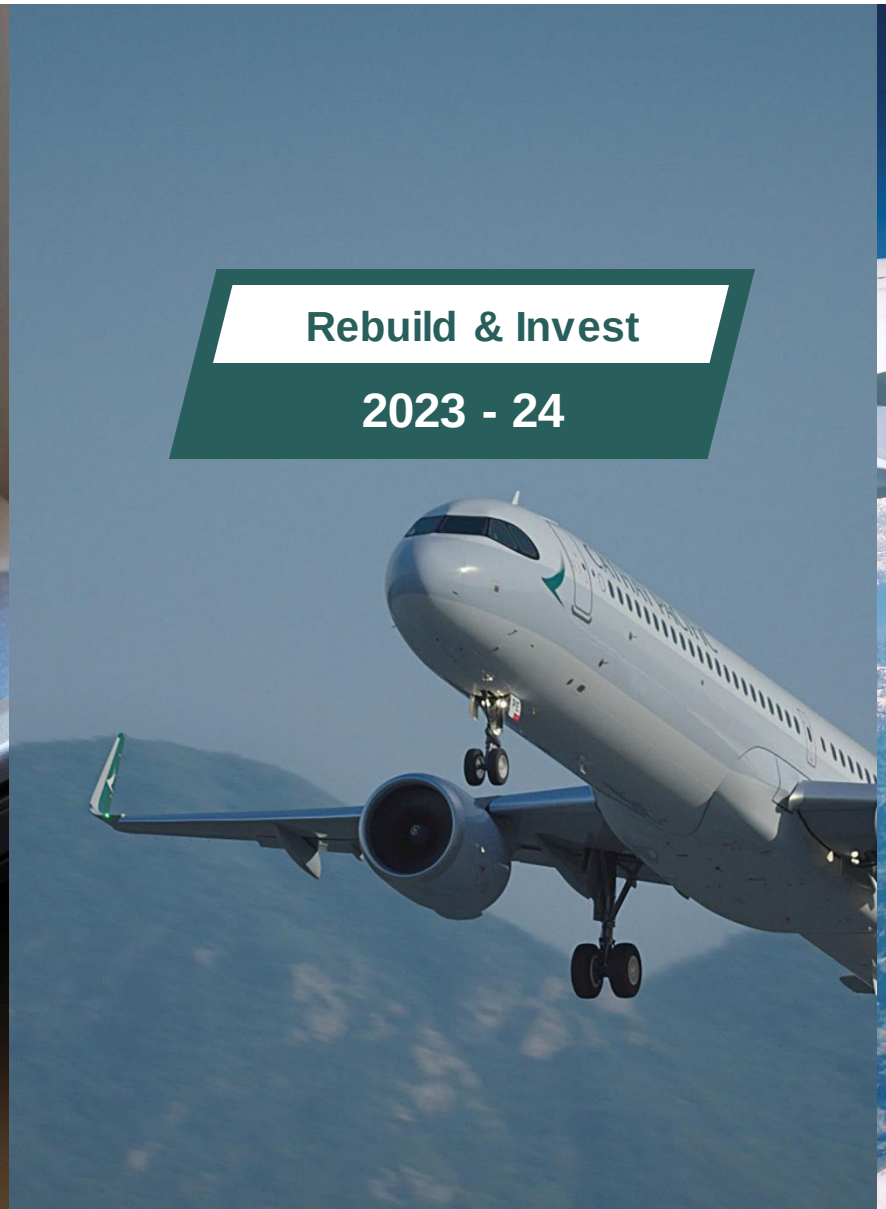
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Our goal is to move Cathay to new heights



Low Valleys

2020 - 22



Rebuild & Invest

2023 - 24



New Heights

2025 & Beyond

Rebuilding Flights

Passenger Flights (CX and UO)

70% in Dec 2023

80% in Q2 2024

100% in Q1 2025





Rebuilding Workforce

Group Employees

- Attrition normal
- **15%** or **3,000** growth in 2023
- **20%** or **5,000** growth in 2024

Rebuilding Financials

2023 Results

- HK**$9.8bn** consolidated profit
- Dividends of HK**$2.0bn** paid for preference shares
- Dividends of HK**$0.43** per ordinary share



Investing in fleets



from 2025

777-9



from 2026

A320/1neo (2nd order)



from 2027

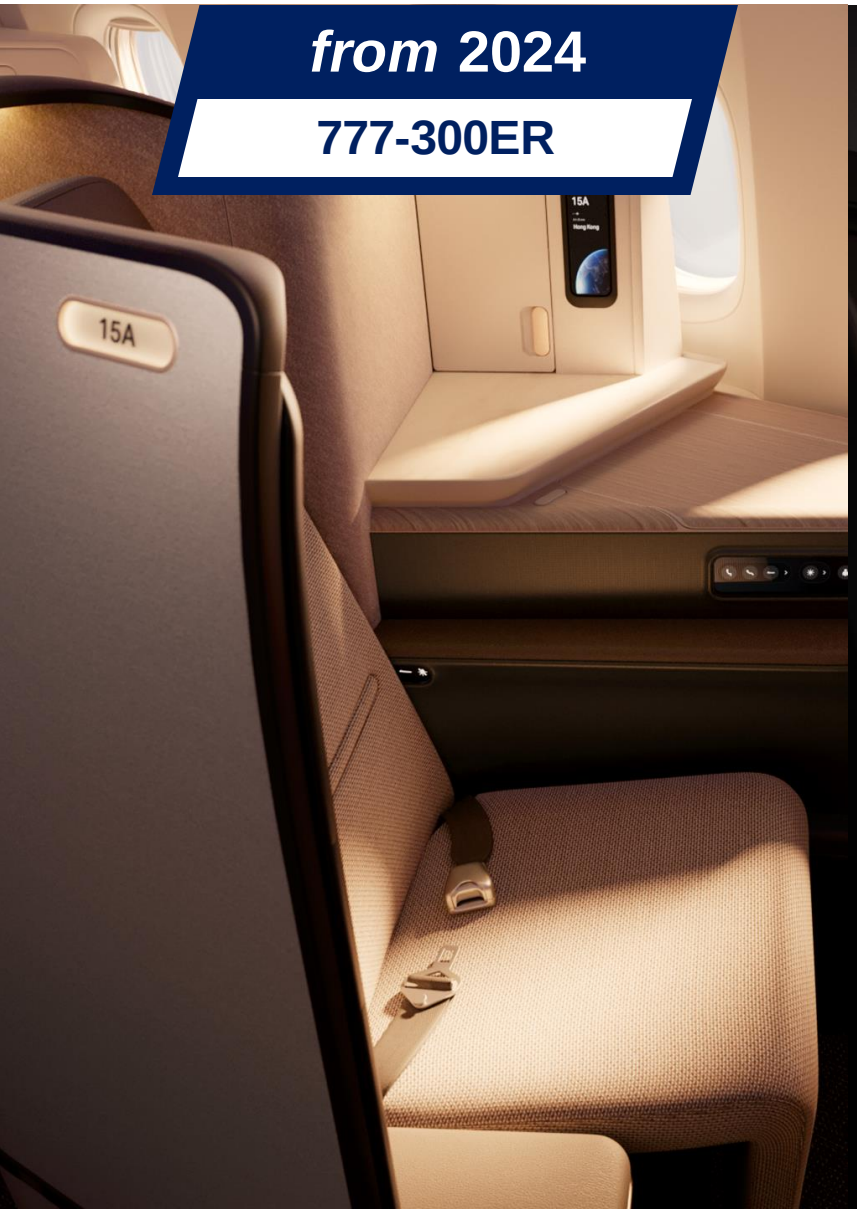
A350F



from 2028

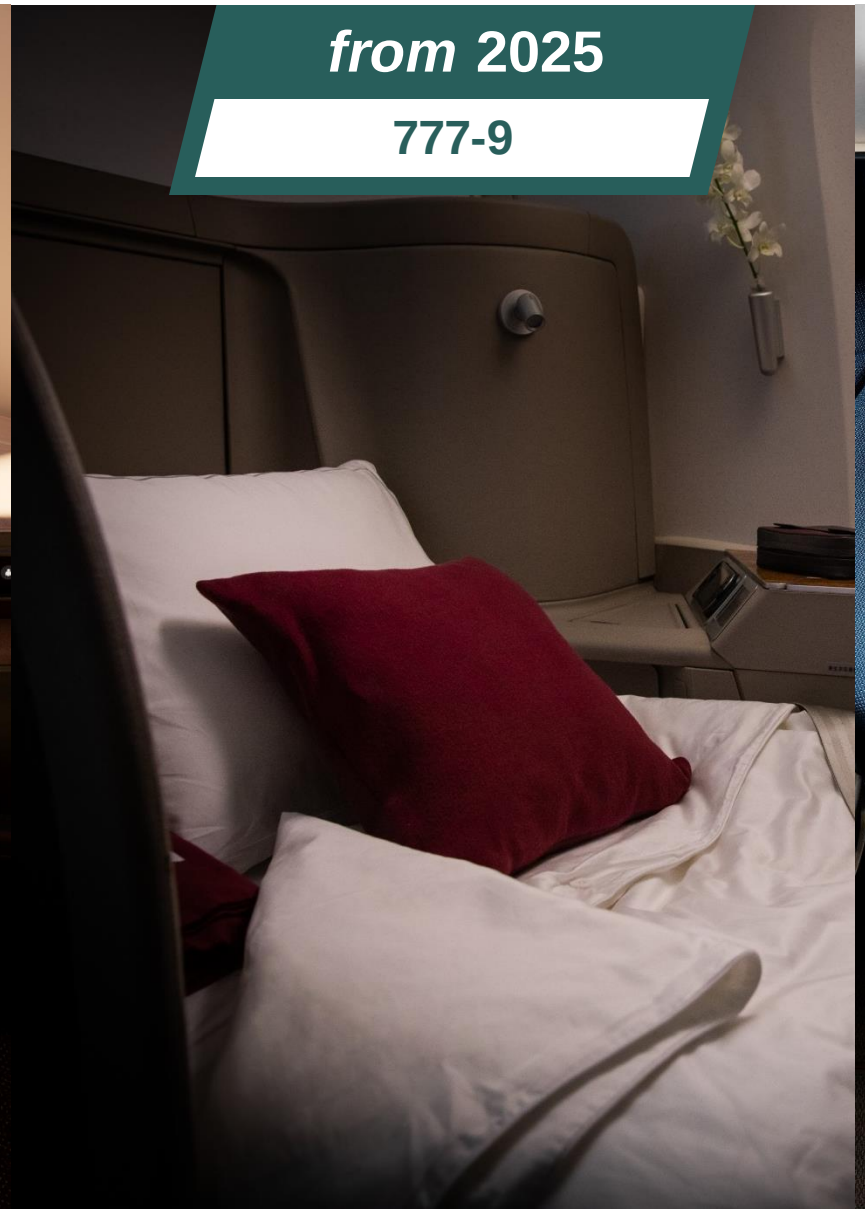
Mid-size Wide-body

Investing in cabins



from 2024

777-300ER



from 2025

777-9



from 2026

A330

PURPOSE

WHY WE EXIST

TO MOVE PEOPLE FORWARD IN LIFE

VISION

WHAT WE WILL BECOME

ONE OF THE WORLD'S GREATEST SERVICE BRANDS

CULTURE

HOW WE WORK TOGETHER

THOUGHTFUL

We put customers at the centre of everything we do

We believe that happy employees lead to happy customers

We act lawfully, ethically and responsibly

PROGRESSIVE

We are forward-thinking, encouraging experimentation and learning

We value diversity of opinion and a constructive exchange of views

We are agile and ready to adapt to achieve our goals

CAN-DO

We overcome challenges together with positivity and determination

We trust and empower our people

We relentlessly create value and improve efficiency

STRATEGY

HOW WE ACHIEVE THE VISION

OUR UNIQUE POSITION

Deep roots in Hong Kong

Proudly part of China

Connecting the world

OUR LINES OF BUSINESS

World's best premium airline

Asia's best low cost carrier

World's best travel lifestyle business

World's best air cargo carrier

OUR AREAS OF LEADERSHIP

Safety & operational excellence

Digital

Sustainability

Our unique position defines the new Cathay

Deep Roots in Hong Kong

植根香港

植根香港



Proudly Part of China

背靠祖國

背靠祖国





Connecting the World

聯通世界

联通世界

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Think and act like the best in our four business lines



World's best premium airline



World's best air cargo carrier



Asia's best low cost carrier

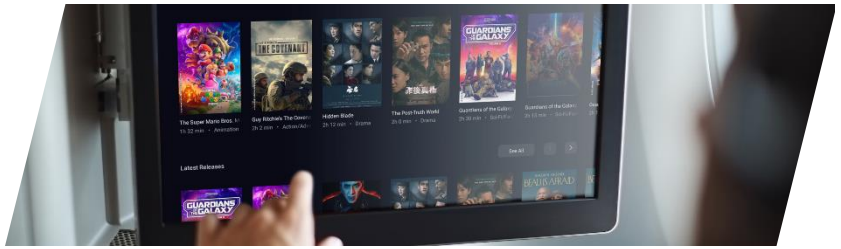


World's best travel lifestyle business

Achieve leadership in three areas to be the best



Safety & operational excellence



Digital



Sustainability

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2023 Group results highlights

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2023 vs 2022 at a glance

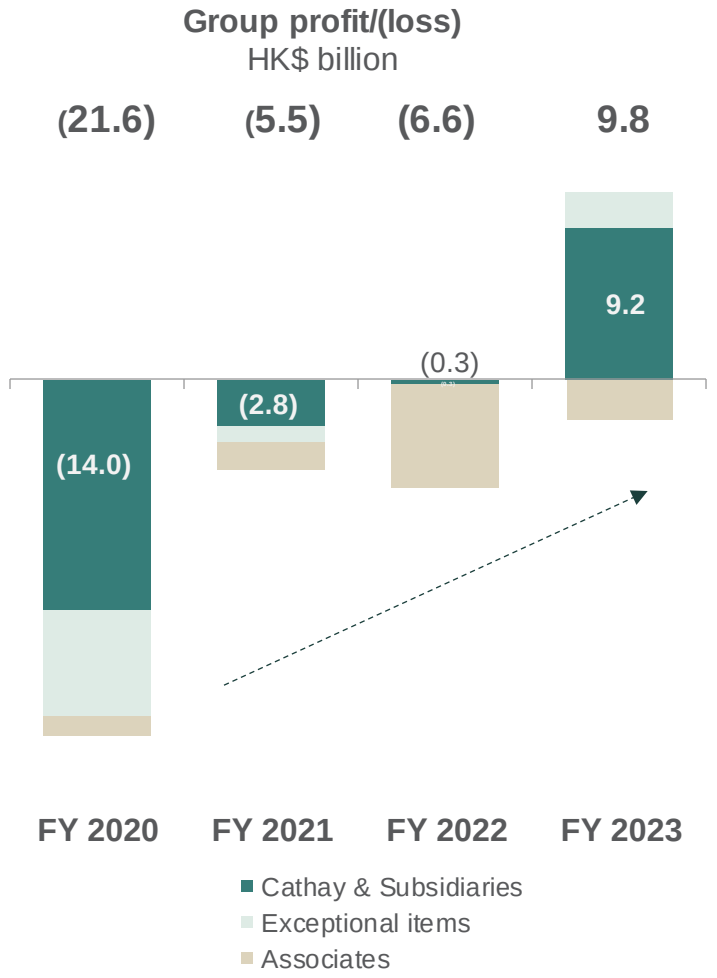
HK$94.5bn		**HK$20.0bn**	
Revenue	HK$51.0bn	**Available unrestricted liquidity**	HK$27.2bn
HK$9.2bn		**0.69**	
Cathay Pacific and subsidiaries' profit/(loss) before exceptional items	HK$(0.3)bn	**Gearing** (pre HKFRS16)	0.71
HK$9.8bn		**HK$0.43**	
Group attributable profit/(loss)	HK$(6.6)bn	**Dividend per ordinary share**	-

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Profitable full year for the first time since 2019

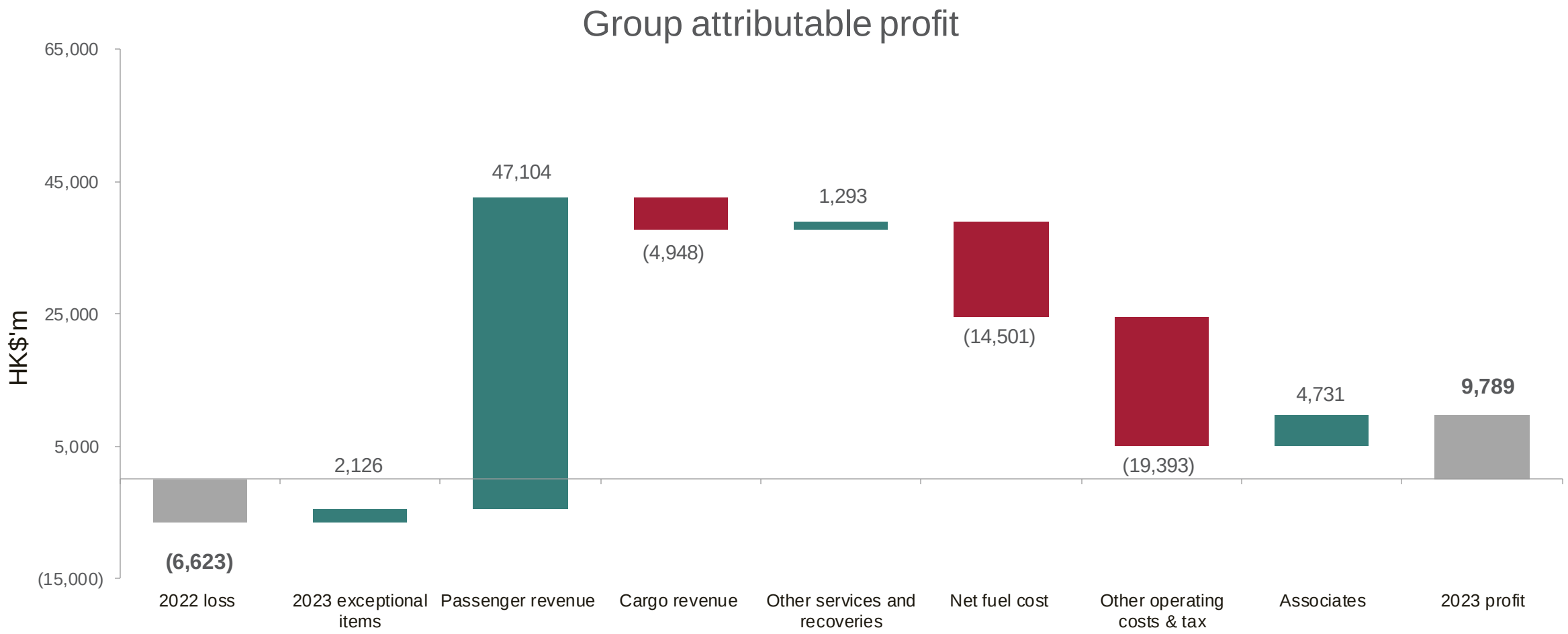
HK$ million	2023 1H	2023 2H	2023 Full Year	2022 1H (restated)*	2022 2H	2022 Full Year (restated)*
Cathay Pacific and subsidiaries' (loss)/profit before exceptionals	4,763	4,462	**9,225**	(2,591)	2,261	(330)
Exceptional items	2,137	(11)	**2,126**	-	-	-
Cathay Pacific and subsidiaries' (loss)/profit after exceptionals	6,900	4,451	**11,351**	(2,591)	2,261	(330)
Share of losses from associates	(2,632)	1,070	**(1,562)**	(2,483)	(3,810)	(6,293)
Group attributable (loss)/profit	4,268	5,521	**9,789**	(5,074)	(1,549)	(6,623)

***** Restated long service payment obligation amounting of HK$75 million due to adoption of the HKICPA guidance of abolition of the MPF-LSP offsetting mechanism in June 2022.



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Passenger revenue improved significantly since full reopening of borders



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Exceptional items recorded in 2023



HK$ million	2023	2022 (restated)
Adjusted group attributable results	**7,663**	(6,623)
Gain on deemed partial disposal of an associate(1)	**1,929**	-
Net reversal of impairment(2)	**197**	-
Group attributable results	**9,789**	(6,623)

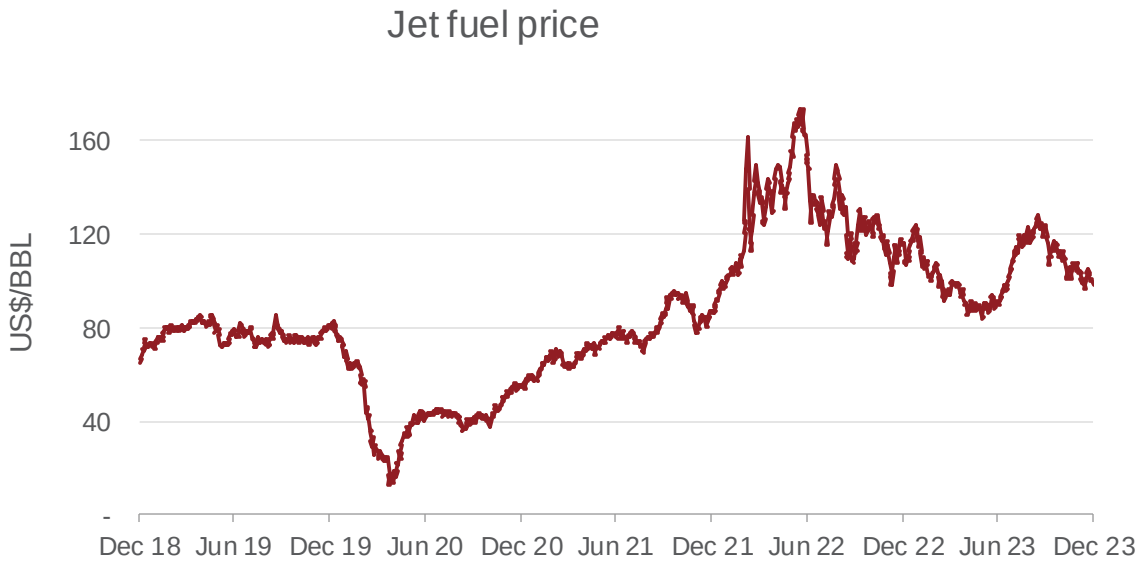
Notes:

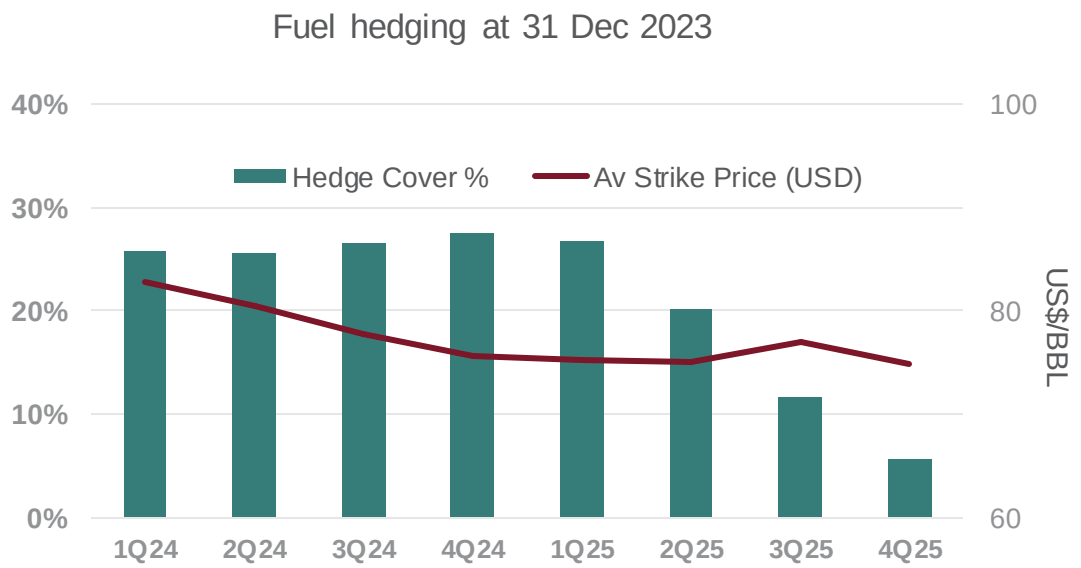
(1) On 16 January 2023, the Group's interest in Air China was diluted from 18.13% to 16.26% as a result of Air China issuing 1,676 million new A shares to other third party investors. A one-off non-cash gain on the deemed partial disposal of HK$1.9bn was recorded.

(2) Reversal of impairment under Cathay Pacific in connection with three previously impaired aircraft returning to service in the first half of 2023

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Fuel costs increased due to capacity growth, which was partially offset by lower fuel prices



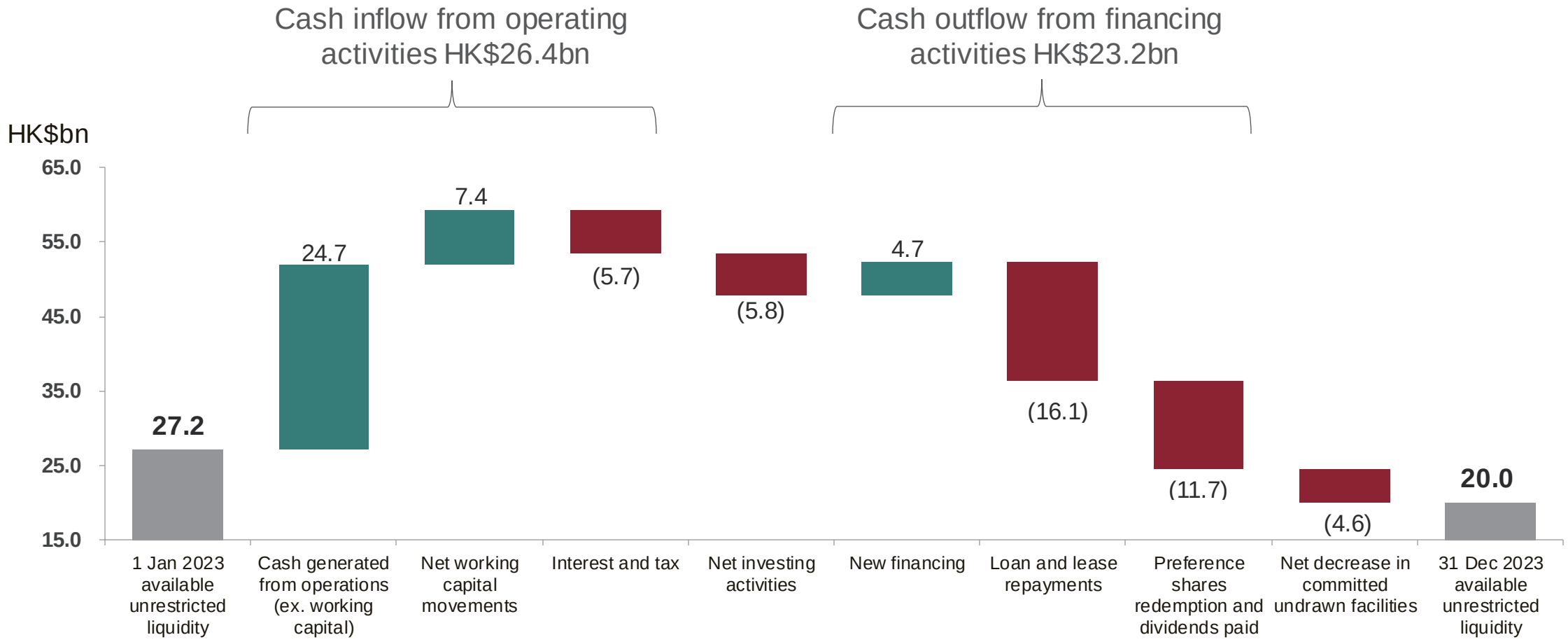


Fuel costs		2023	2022	% Var
Group gross fuel cost	*HK$ million*	**25,683**	14,127	81.8%
Group fuel hedging gains	*HK$ million*	**(694)**	(3,639)	-80.9%
Group fuel cost	*HK$ million*	**24,989**	10,488	138.3%
Into-plane fuel price ex hedging	*US cents/AG*	**271.6**	323.4	-16.0%
CX Fuel consumption per million ATK	*bbl*	**1,241**	1,195	3.8%

- We continue to follow our fuel hedging policy to reduce exposure to fuel price risk by hedging a percentage of expected fuel consumption

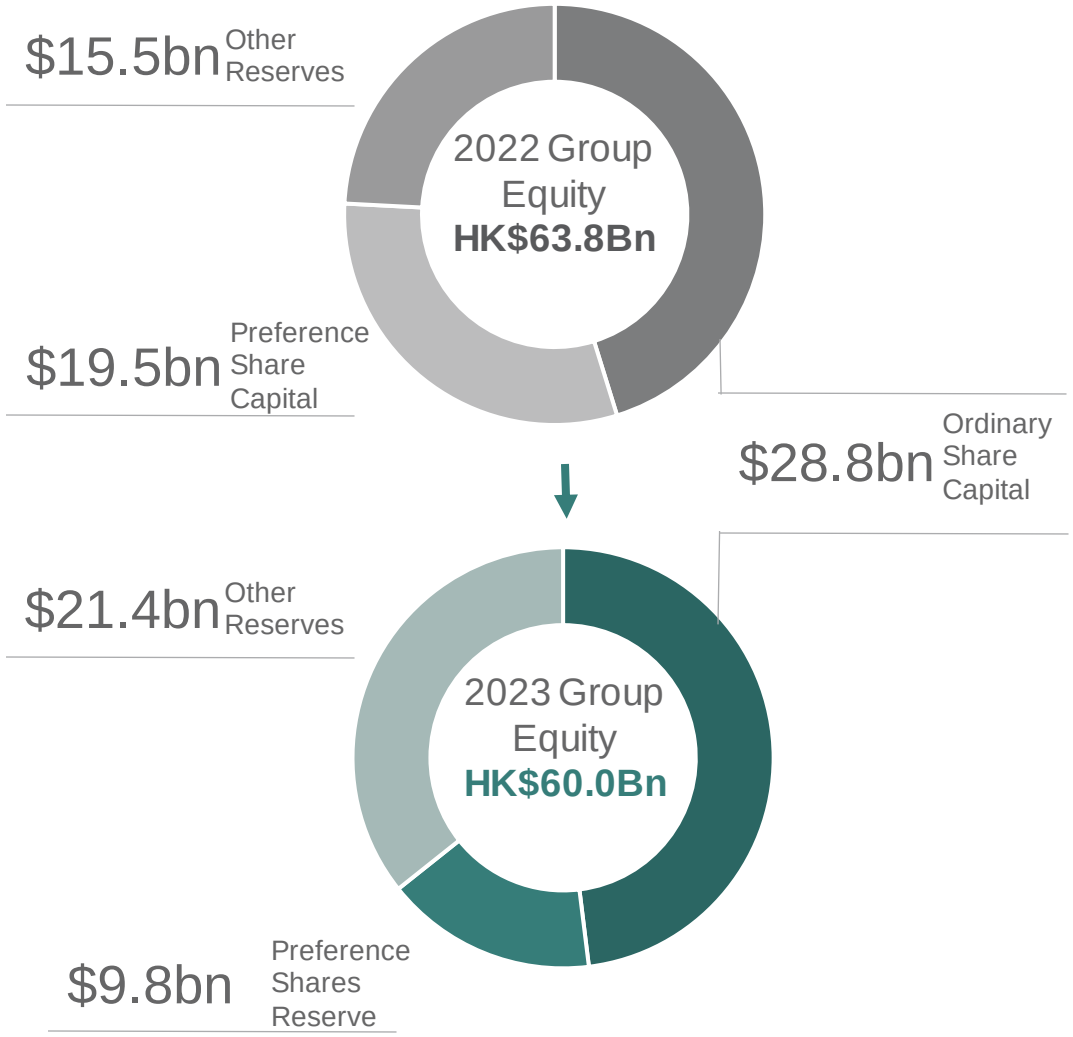
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Strong operating cash performance facilitated the repayment of preference shares



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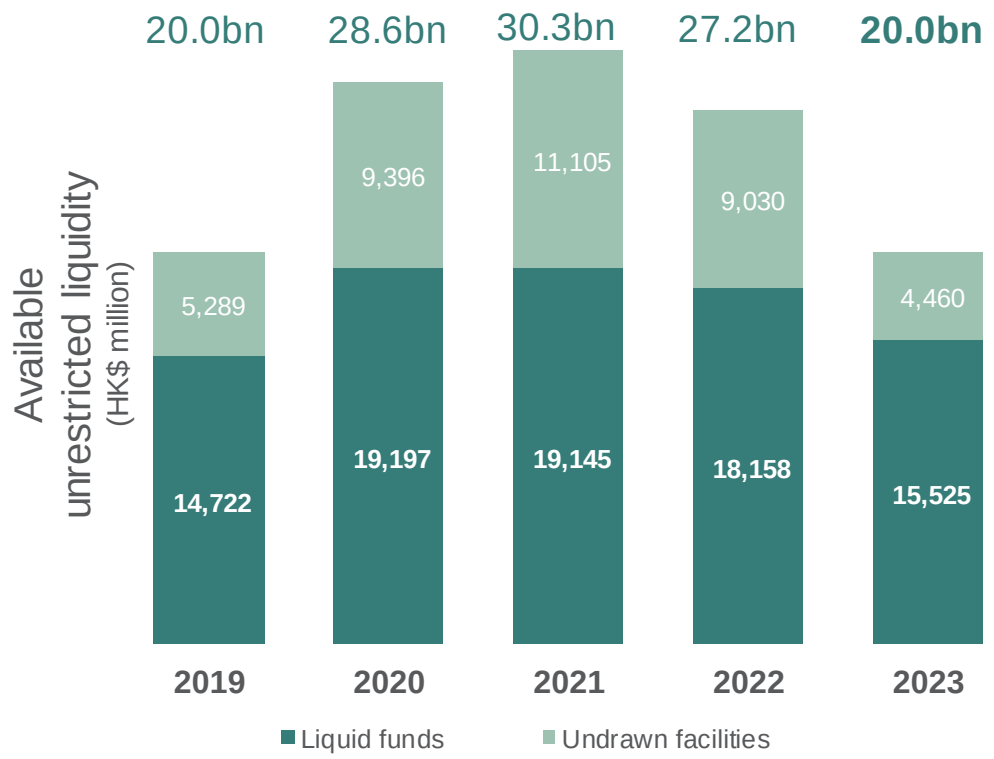
Equity reduced following preference shares redemption

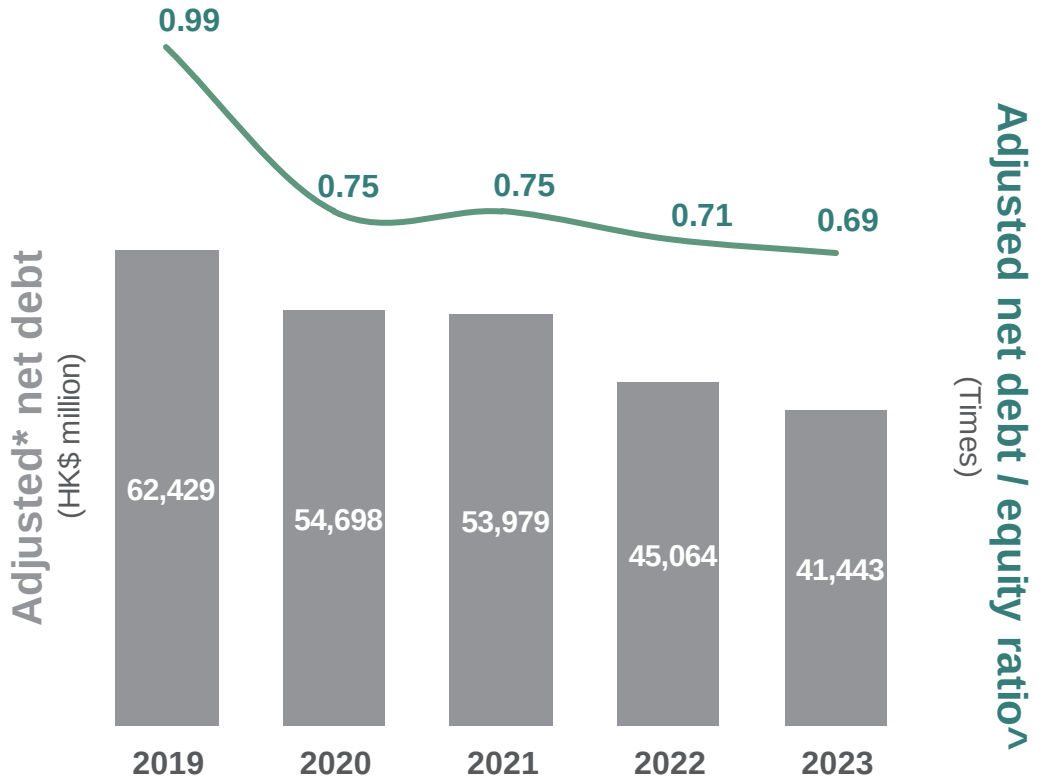


- Preference share dividends: HK$2.0bn paid in 2023
- Capital Reduction of HK$19.5bn standing in the Preference Shares Capital Account was completed in November 2023
- The Preference Shares Reserve Account arising from the Capital Reduction will be used to redeem all of the preference shares of HK$19.5bn
- Bought back 50% of the preference shares of HK$9.8bn in December 2023

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Liquidity position returning to pre-pandemic levels



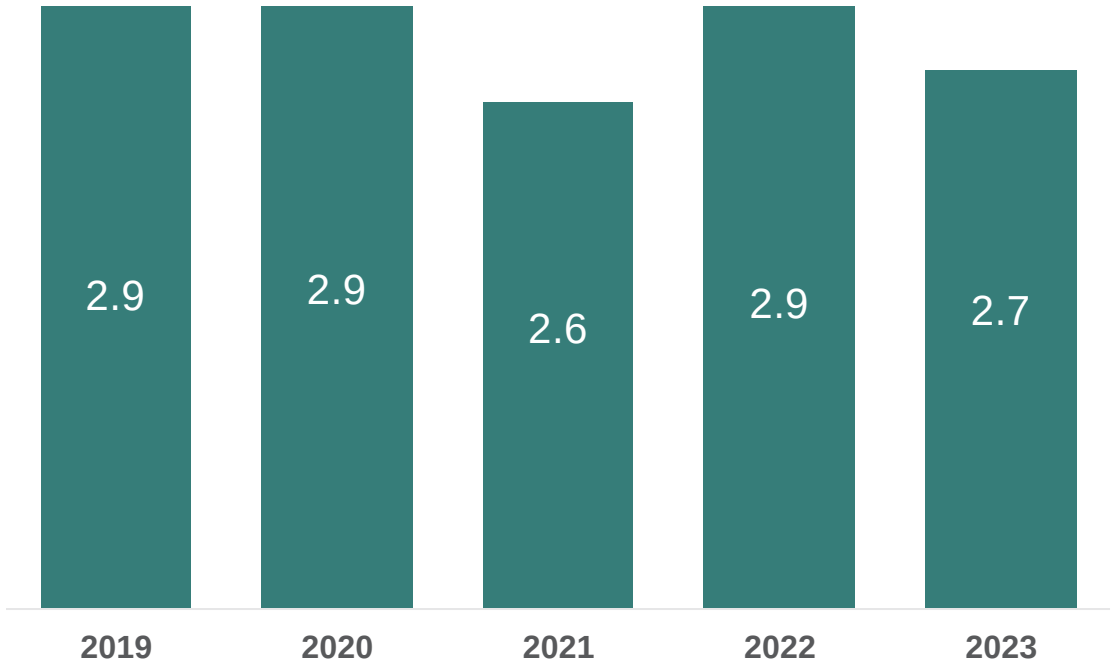


**: Adjusted net debt excludes operating lease liabilities*
^: Adjusted net debt/ equity ratio and is calculated in line with debt covenants, which is set at a limit of 2.0 times

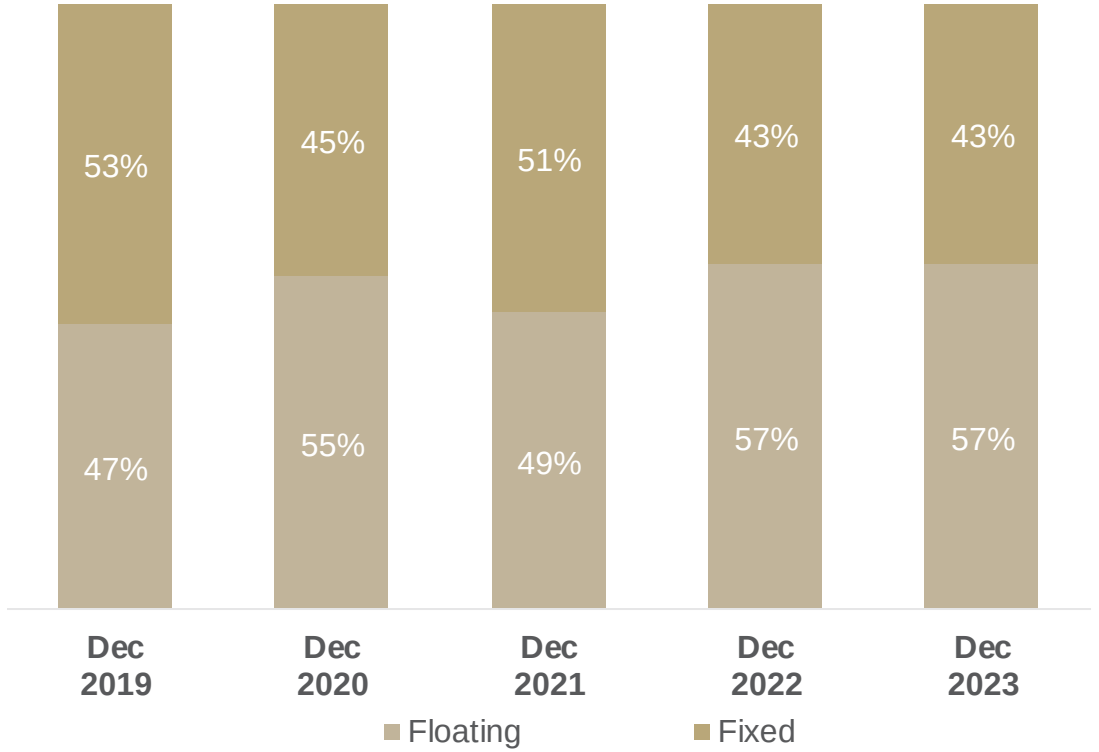
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Financing charges and interest rate profile

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

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Business performance highlights

- Our Lines of Business
- Our Areas of Leadership

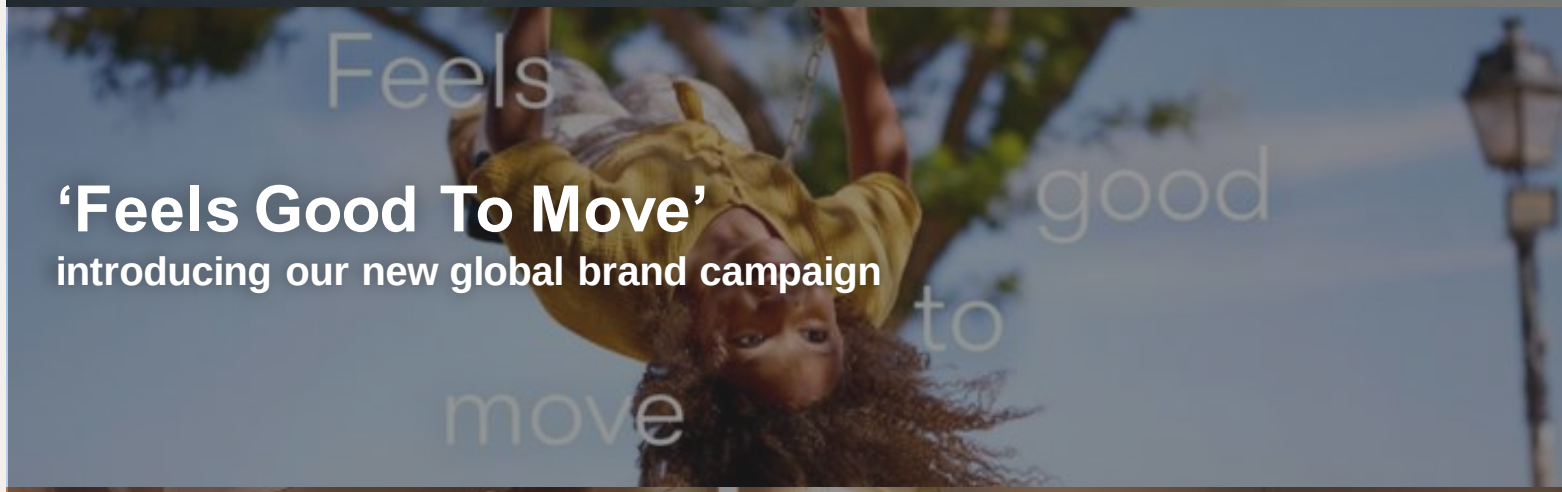
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Premium Travel

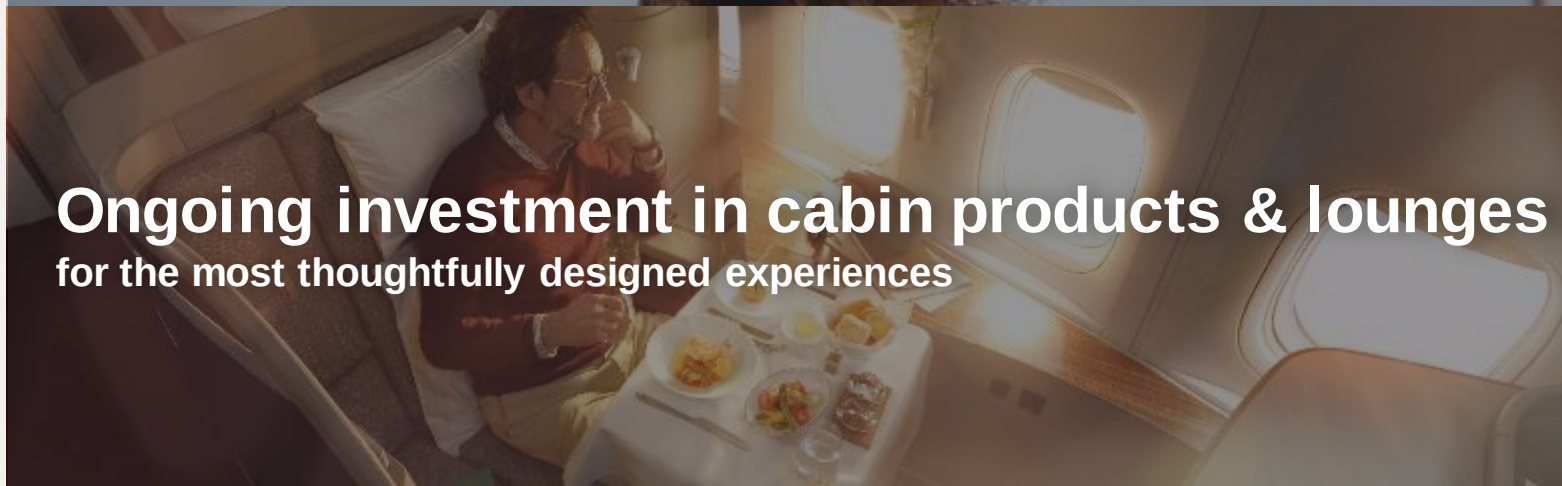
CATHAY PACIFIC



Seven new aircraft
delivered in 2023



‘Feels Good To Move’
introducing our new global brand campaign



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

Pent-up travel demand drove significant revenue growth in 2023

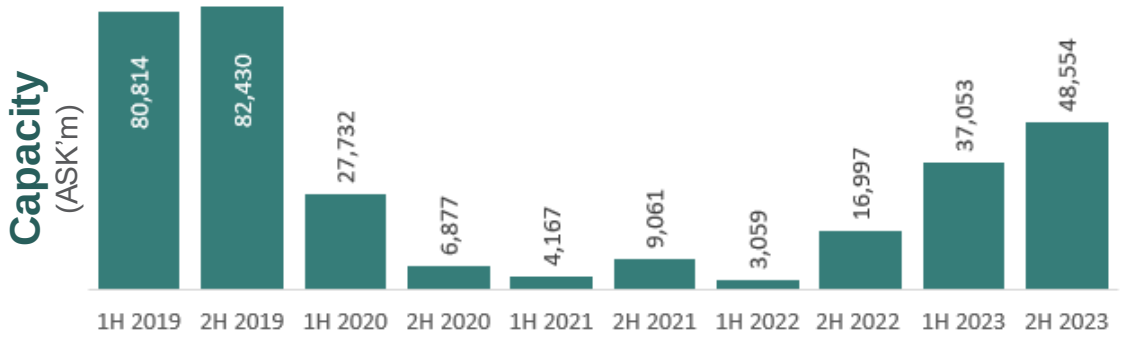


		2023	2022	% Var
Cathay Pacific passenger revenue	*HK$ million*	**55,951**	13,686	+308.8%
Available seat kilometres (ASK)	*Million*	**85,607**	20,056	+326.8%
Revenue passenger kilometres (RPK)	*Million*	**73,342**	14,764	+396.8%
Revenue passengers carried	*'000*	**17,985**	2,804	+541.4%
Passenger load factor	*%*	**85.7**	73.6	+12.1%pt
Passenger yield	*HK cents*	**76.3**	92.7	-17.7%
Passenger revenue per ASK	*HK cents*	**65.4**	68.2	-4.1%

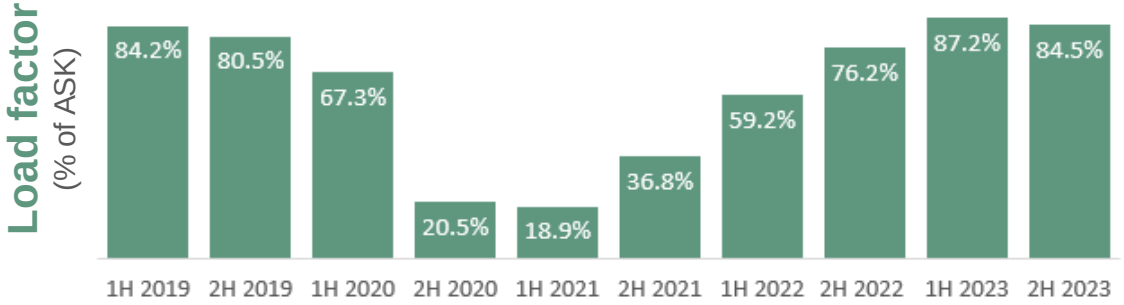
- Progressively added more flights and more destinations to our schedule following the full reopening of borders

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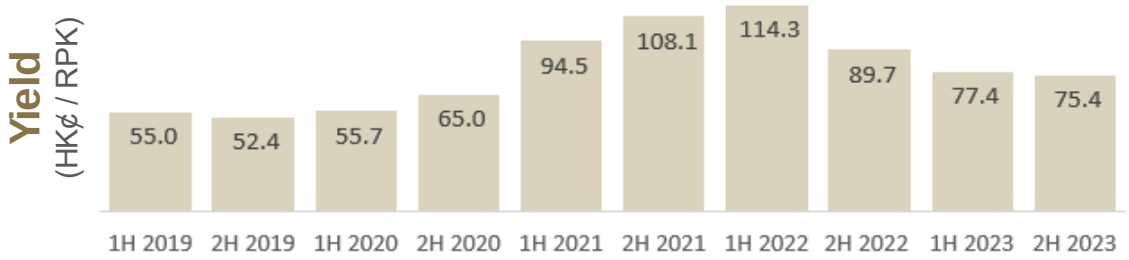
Strong demand drove high load factors and kept yield high



- Achieved our year-end target of 70% pre-pandemic capacity



- Load factor has recovered quickly, illustrating the strength of passenger demand
- Both 1H and 2H 2023 load factors exceeded 2019 levels



- Passenger yield remained well above pre-pandemic levels, supported by pent-up travel demand

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Cargo

CATHAY CARGO

Rebrand

to align our cargo business with the master brand

Global Carrier of the Year – Top Award	Best Cargo Airline – Asia	Cargo Airline of the Year	Best Green Air Cargo Carrier
Payload Asia Awards 2023	Air Cargo News Awards 2023	49th ATW Airline Industry Achievement Awards 2023	AFLAS Awards 2023

SWIRE

WE KNOW HOW

the reliable expert in air cargo solutions

SHIPPING A WORLD OF POSSIBILITY

WE KNOW HOW

Average yields remained elevated despite softening demand

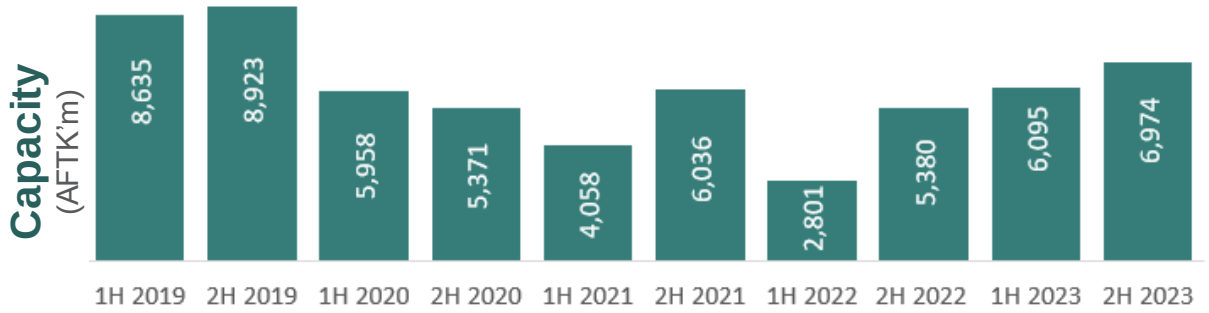


		2023	2022	% Var
Cathay Pacific cargo revenue	*HK$ million*	**22,162**	26,990	-17.9%
Available cargo tonne kilometres (AFTK)	*Million*	**13,069**	8,181	+59.7%
Cargo revenue tonne kilometres (RFTK)	*Million*	**8,099**	5,774	+40.3%
Cargo carried	*'000 tonnes*	**1,381**	1,154	+19.7%
Cargo load factor	*%*	**62.0**	70.6	-8.6%pt
Cargo yield	*HK$*	**2.74**	4.67	-41.3%
Cargo revenue per AFTK	*HK$*	**1.70**	3.30	-48.5%

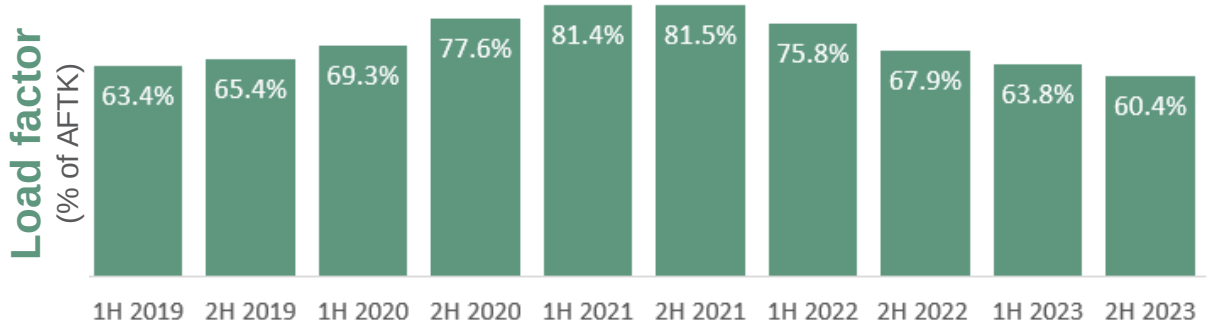
- Additional cargo capacity was provided by the bellies of our passenger aircraft as passenger network capacity increased
- Global economic headwinds impacted trade flows and production
- Stong e-commerce segment resulted in yields outperforming 2019 despite weakening demand

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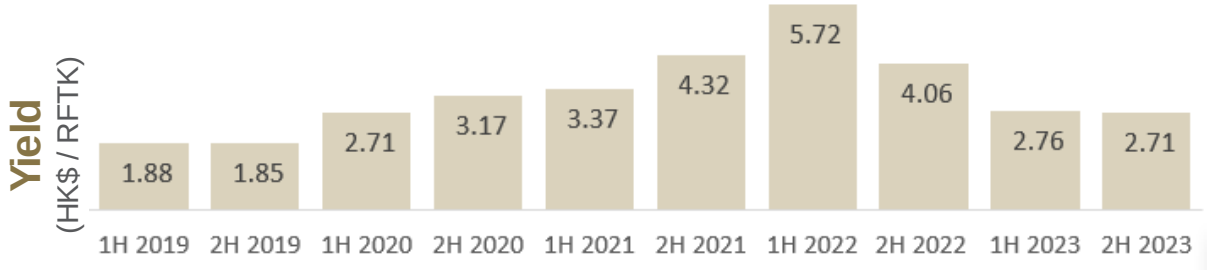
The ongoing cargo market normalisation is impacting revenue



- Capacity increased by almost 60% compared with 2022



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



- Although lower than the historical highs seen during the pandemic, cargo yields remained higher than pre-pandemic levels

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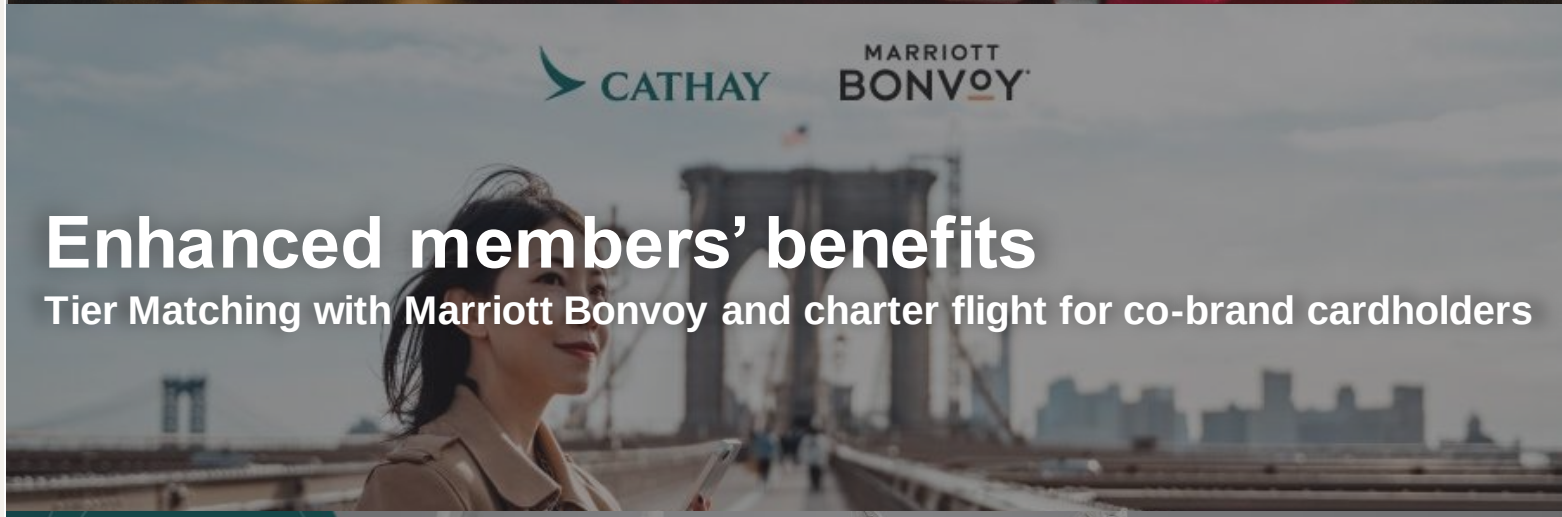
Lifestyle

CATHAY



Attractive mileage partnerships

Major retail partnerships, engagement events and redemption campaigns



Enhanced members' benefits

Tier Matching with Marriott Bonvoy and charter flight for co-brand cardholders

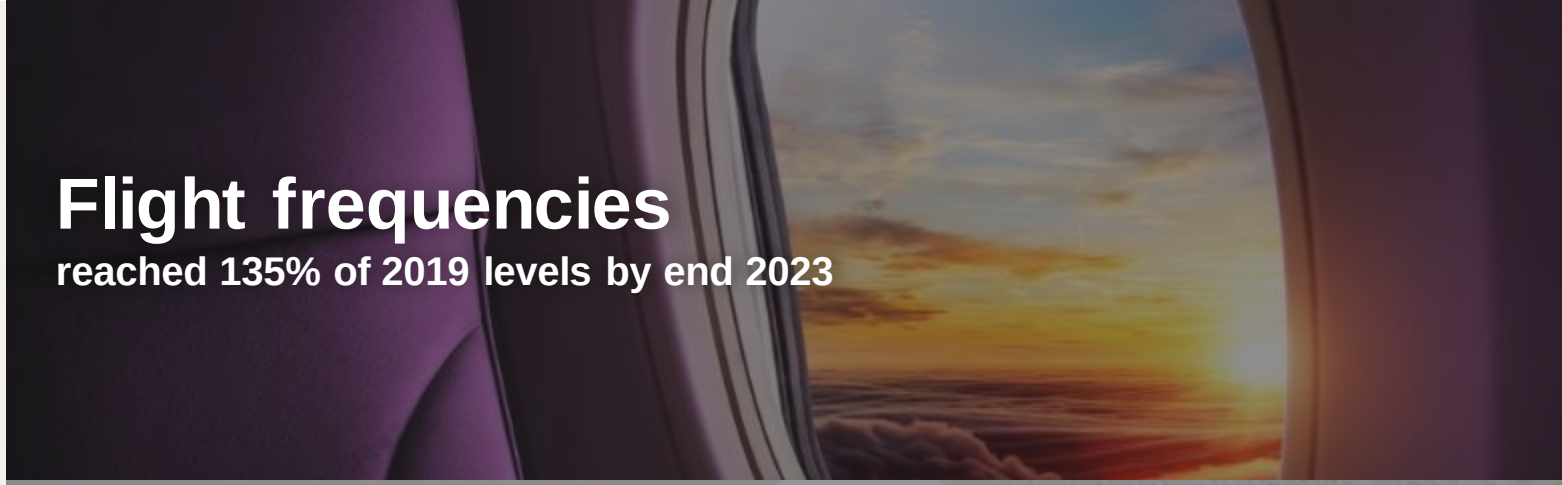


New and revitalised products and channels

Branded merchandise, fresh experiences, inflight shopping and livestreaming

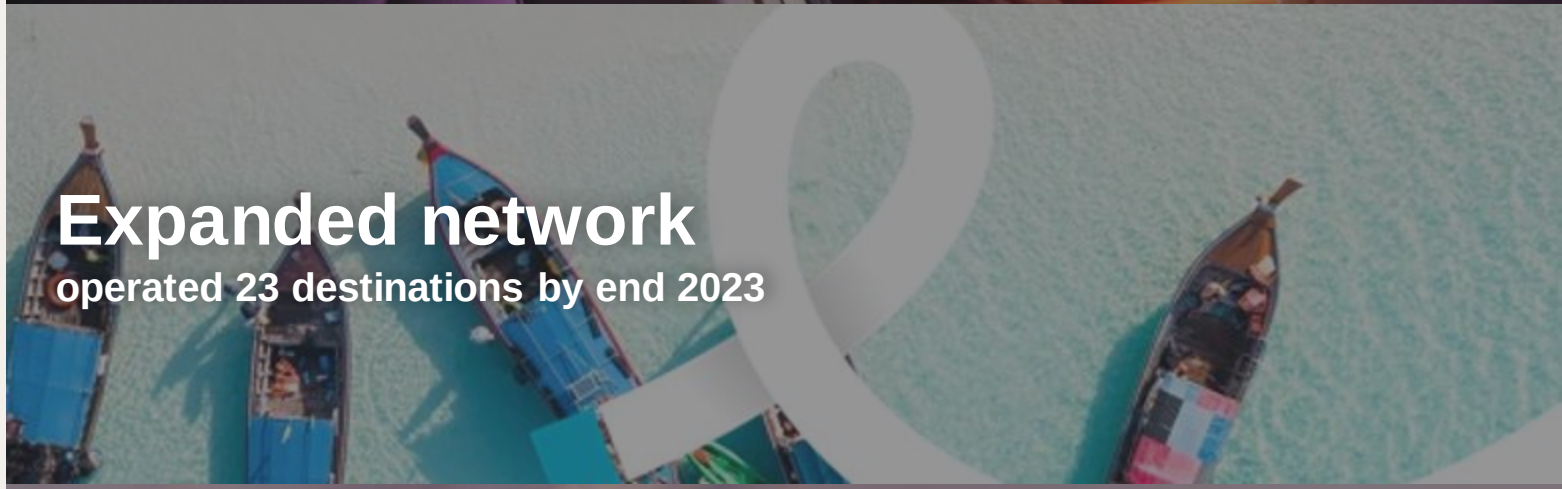
Low Cost Travel

HKexpress



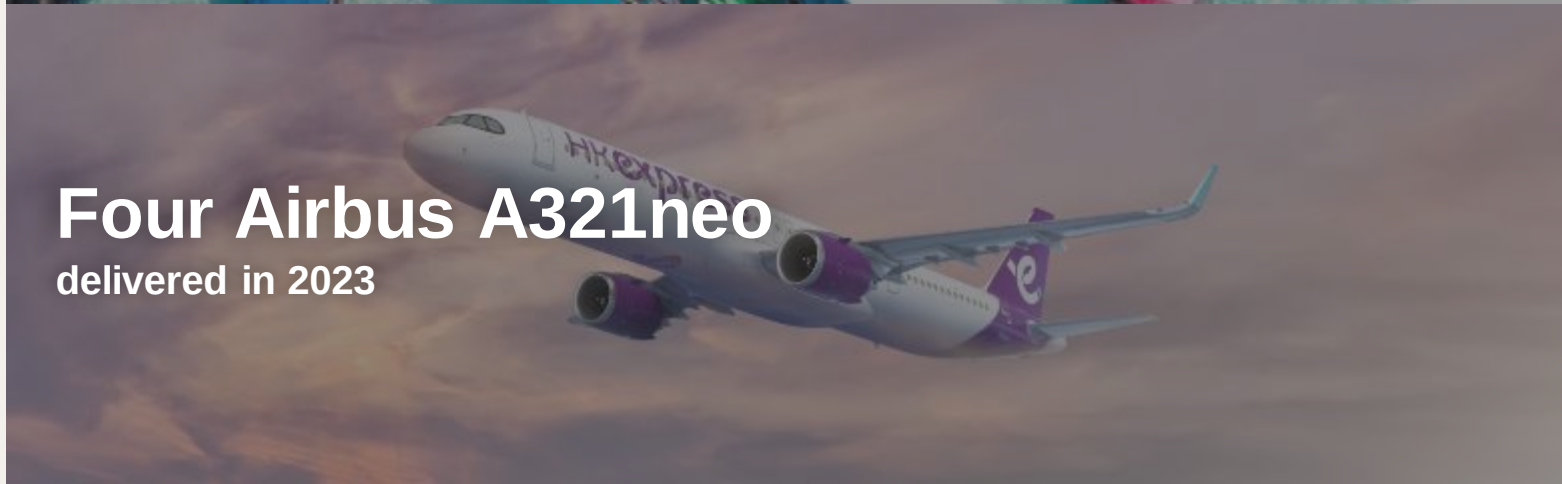
Flight frequencies

reached 135% of 2019 levels by end 2023



Expanded network

operated 23 destinations by end 2023



Four Airbus A321neo

delivered in 2023

Celebrated 10 years in the sky



Financial performance		2023	2022	% Var
Total Revenue	*HK$ million*	**5,603**	692	+709.7%
Profit/(loss) after taxation	*HK$ million*	**433**	(1,369)	+1,802

Operating statistics		2023	2022	% Var
Available seat kilometres (ASK)	*Million*	**9,432**	983	+859.5%
Revenue passenger kilometres (RPK)	*Million*	**8,112**	671	+1,108.9%
Passenger yield	*HK cents*	**67.6**	96.3	-29.8%
Cost per ASK (with fuel)	*HK cents*	**54.8**	237.3	-76.9%
Passenger load factor	*%*	**86.0**	68.3	+17.7%pt
Aircraft utilisation	*Hours/day*	**7.3**	0.9	+711.1%
On-time performance	*%*	**87.6**	93.1	-5.5%pt
Average age of fleet	*Years*	**7.1**	5.7	+1.4 years

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Other subsidiaries and major associates

- Air Hong Kong recorded a profit at a similar level to 2022

- Airline services subsidiaries operating performance improved benefiting from the gradual business resumption

- 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 arrear*. The period 1 October 2022 – 30 September 2023 will be included in our full year results.
- Air China recorded a profit in Q3 2023, but overall for the 12 month period included in the Cathay Group financial statements a loss was recorded, albeit a smaller loss than the same period in 2022.

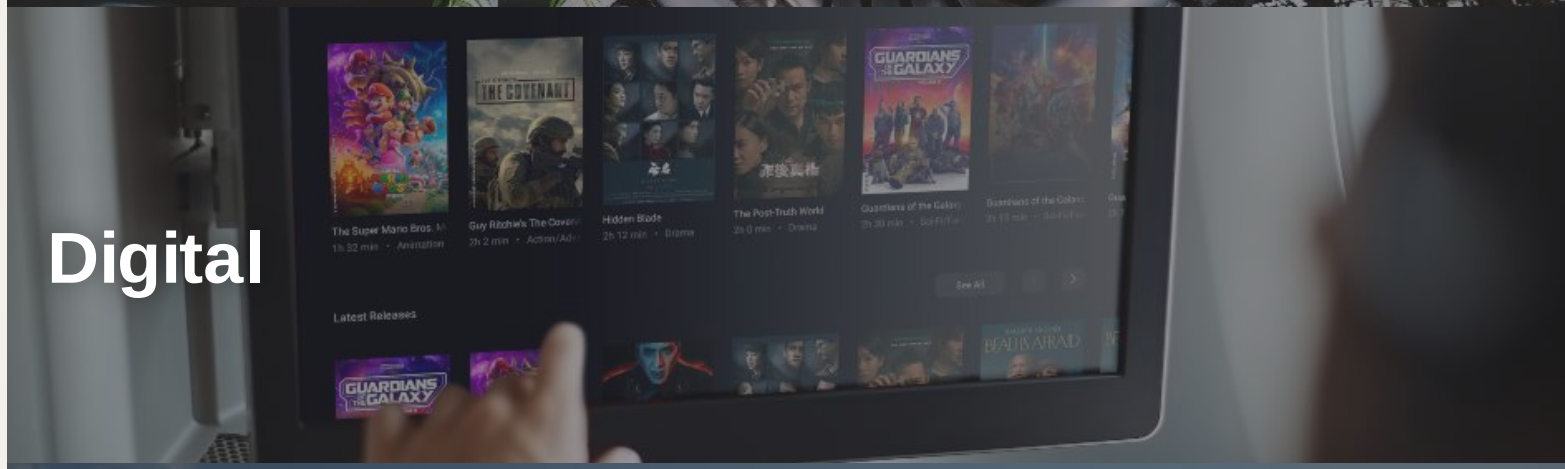
* Adjusted for any significant events or transactions between 1 October and 31 December 2023

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Our Areas of Leadership

CATHAY







Capacity rebuild driving lower per-unit cost



HK$ million	2023	2022	% Var
Staff	**11,839**	8,759	+35.2%
Inflight service and passenger expenses	**2,986**	690	+332.8%
Landing, parking and route expenses	**10,110**	5,068	+99.5%
Aircraft maintenance	**6,270**	2,447	+156.2%
Depreciation, amortisation and rentals	**11,006**	10,981	+0.2%
Other items (including commissions)	**8,609**	4,689	+83.6%
Net finance charges	**1,546**	1,991	-22.4%
Tax	**827**	1,022	-19.1%
Underlying costs* (without fuel and before tax)	**52,366**	34,625	+51.2%
Underlying costs* per ATK (without fuel and before tax)	**HK$2.47**	HK$3.43	-28.0%

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

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Our Sustainability Report 2023



- Our Sustainability Report 2023 will be published on 3rd April 2024

- Our areas of focus:
  - Climate Change & Sustainable Aviation Fuel ("SAF")
  - Materials & Waste/ Single Use Plastics
  - Giving back to the community

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Outlook

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Continue to rebuild our financials



- Preference share dividends of HK$0.2bn paid in Feb 2024 and all future preference shares dividends shall be paid as they fall due
- Ordinary share dividends in the amount of HK$0.43 per share to be paid on 2nd May to shareholders on record on 5th April 2024
- Plan to buy back the remaining 50% of the preference shares in the amount of HK$9.8bn by the end of July 2024, subject to market conditions
- We anticipate maintaining a lower yet healthy level of liquidity going forward, similar to pre-pandemic levels
- On 7th February 2024, the Cathay Pacific Group's interest in Air China was diluted from 16.26% to 15.87% as a result of Air China issuing 393 million new H shares to a specific investor

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Travel: continue to rebuild network and invest for the future





- Entire aviation ecosystem – both in Hong Kong and globally – continues to face constraints with resources and supply chain
- We will reach 80% of pre-pandemic passenger flights within Q2 2024 and work towards reaching 100% within Q1 2025
- On track with recruitment and training:
  - In 2024, we will further grow our Group workforce by around 20% or 5,000 people compared with 2023
  - Training activities are projected to be more than double 2023 levels in 2024
- Continue to strengthen our existing major routes and develop routes connecting Hong Kong with more destinations in the Chinese Mainland and along the Belt and Road
- Launching all-new Business class experience – Aria Suite – and new Premium Economy seat on redesigned 777-300ER aircraft
- Yields to continue to normalise throughout 2024

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Cargo: being agile to changing market dynamics



- Capacity will be further supplemented by increased passenger services on some key cargo routes
- Continued strong demand from e-commerce in our home market of Hong Kong and the wider Greater Bay Area
- Expect trade flow directional imbalances to persist, impacting overall load factors
- Expect yields to reduce from 2023 levels as the cargo industry continues to normalise
- IATA World Cargo Symposium in Mar 2024 hosted by Cathay Cargo in Hong Kong

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Summary

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Clear strategy to rebuild and invest

People

- **20%** or **5,000** growth in 2024
- Double training activities in 2024

Fleet

- New aircraft deliveries
  - 2024: **11**
  - 2025: **7**
  - 2026+: **57**

Flights

- **80%** in Q2 2024
- **100%** in Q1 2025

Financials

- Payment of dividends of HK**$0.43** per ordinary share in May 2024
- Plan to buy-back **50%** preference shares by end July 2024

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Q&A

For more information, please visit our website
www.cathaypacific.com

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