



Analyst Briefing 2020 Annual Results

10 March 2021

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Agenda



- Briefing highlights & responses to COVID-19
- 2020 Group Performance 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

2020 vs 2019 at a glance



HK\$46.9bn

Revenue

HK\$107.0bn

HK\$(13.9)bn

Adjusted attributable
loss

HK\$1.7bn

HK\$(21.6)bn

Attributable loss

HK\$1.7bn

HK\$28.6bn

Available
unrestricted liquidity

HK\$20.0bn

0.75

Gearing
(pre HKFRS16)

0.99

The impact of COVID-19 & our responses



Survive: COVID-19 operational response actions



Flight capacity

- Significant reductions in passenger flight capacity to match demand (**93% reduction in total capacity** for April to December 2020); capacity continues to be dynamically managed based on forecast demand
- Cargo capacity loss due to extensive passenger schedule cuts, but **freighters operating at full capacity**



Workforce

- **Three rounds of voluntary unpaid leave scheme** – all with >80% employee uptake
- Employee furloughs / stand-downs are in place in several regions where labour laws allow
- **Continuing executive pay cuts**



Operating costs

- **Cut in discretionary spending** (e.g. marketing, training, travel etc)
- Coordinated discussions with priority relationship vendors for **cash deferral, discounts & mitigations**
- Working with the HKSAR Government and Hong Kong Airport Authority on **cost saving and cash deferral measures**



Capital expenditure

- **Capital expenditure deferrals** where possible
- A321neo and A350 **deferred fleet deliveries**
- **Advanced negotiations** ongoing with Boeing for the deferral of 777-9 deliveries

Recapitalisation: Support from HKSAR Government and all major shareholders



✓ **HKSAR Government committed a total of HK\$27.3Bn**

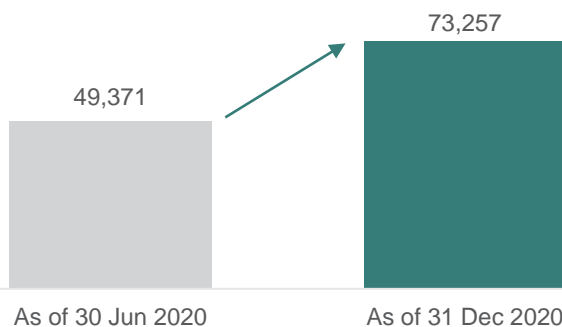
- HK\$19.5Bn investment via Preference Shares subscription
- HK\$7.8Bn Bridge Loan Facility

✓ **Continued commitment from major shareholders**

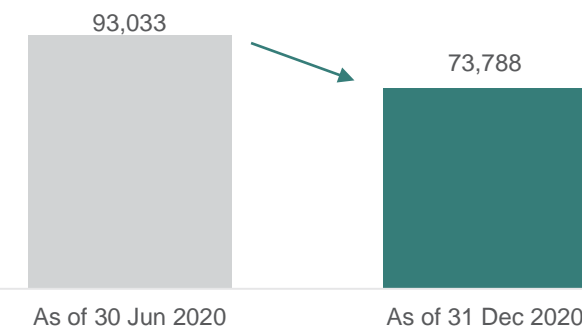
- Swire Pacific & Air China signed irrevocable undertakings to take up their pro-rata portion of the HK\$11.7Bn Rights Issue
- The Rights Issue was over subscribed by 137%

HK\$39Bn

Total Equity (HK\$M)

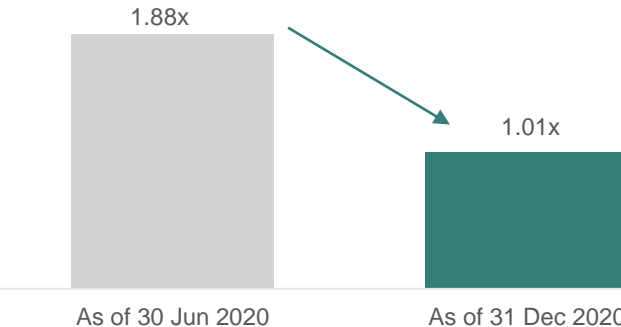


Net Debt (HK\$M)



Net Debt = Total Debt – Liquid Funds

Gearing



Gearing = Net Debt / Total Equity (post-HKFRS 16)

Restructure: More focused, efficient and competitive



Dual Brand

- Cessation of Cathay Dragon with effect from 21 October 2020
- Regulatory approval sought for a significant number of routes to be operated by Cathay Pacific and Hong Kong Express
- Clear delineation of full service and low cost propositions
- Elimination of operational duplication between CX & KA

Rationalisation

- Early voluntary retirement for senior cockpit crew
- Approximately 8,500 positions eliminated representing ~24% of the groups established headcount. Actual redundancies of ~5,900.
- Majority of Hong Kong based pilots and cabin crew transitioned to new conditions of service, with higher variable pay and market competitive terms.

Fleet

- Airbus agreement to defer delivery of A350-900 and A350-1000 aircraft from 2020-21 to 2020-23, and to defer delivery of A321neo aircraft from 2020-23 to 2020-25.
- Advanced negotiations are taking place with Boeing for the deferral of the delivery of our 777-9 aircraft.
- 92 passenger aircraft have been transferred to locations outside of Hong Kong which provide better environmental conditions.



2020 Group Financial Highlights

Unprecedented impact of COVID-19 on the Group's businesses



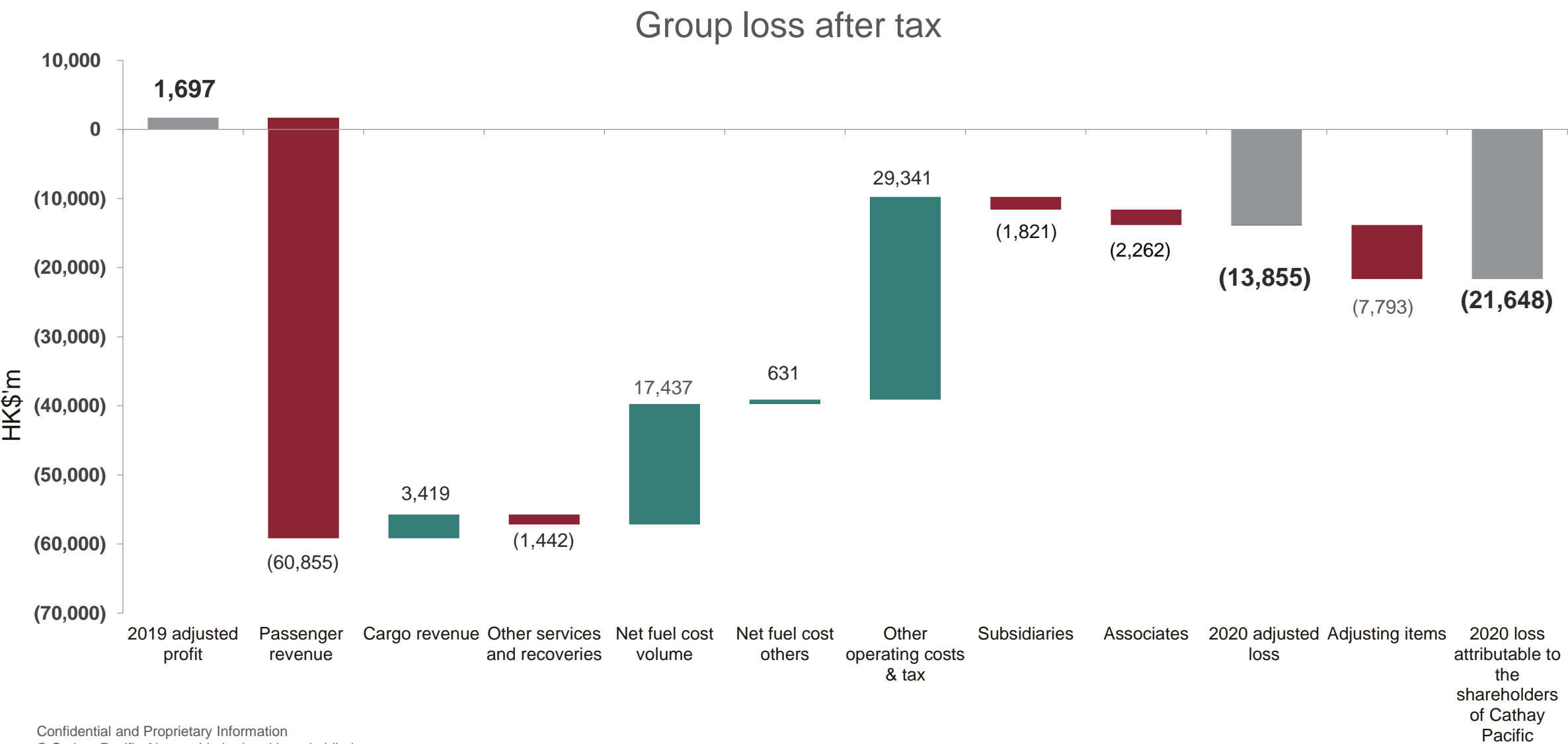
HK\$ million	1H 2020	2H 2020	Full Year 2020	1H 2019	2H 2019	Full Year 2019
Cathay Pacific and Cathay Dragon's (loss)/profit after taxation	(7,361)	(10,032)	(17,393)	675	(434)	241
Share of (losses)/profits from subsidiaries	(2,095)	(948)	(3,043)	83	(121)	(38)
Share of (losses)/profits from associates	(409)	(803)	(1,212)	589	899	1,488
Group attributable (loss)/profit	(9,865)	(11,783)	(21,648)	1,347	344	1,691
Adjusted* Group attributable (loss)/profit	(7,414)	(6,441)	(13,855)	1,406	291	1,697

**An adjusted (loss)/profit attributable to the shareholders of Cathay Pacific was arrived at after excluding the exceptional, restructuring, impairment and non-recurring costs, and their estimated tax impacts (in Slide 13).*

The Cathay Pacific Group experienced the most challenging 12 months of its more than 70-year history in 2020.

The impact of COVID-19 on the Group's business and the global economy is unprecedented.

Significant fall in passenger revenue mitigated by cost reductions



Restructuring, impairment and other exceptional costs



HK\$ million	Full Year 2020	Full Year 2019
Adjusted attributable result	(13,855)	1,697
Restructuring costs	(2,383)	-
KA deferred tax asset write off	(1,590)	-
Impairment and related charges – 34 aircraft	(2,872)	-
Impairment and related charges – subsidiary assets	(1,184)	-
Exceptional and non-recurring items	(41)	(6)
Estimated tax impact	658	-
Air China cross shareholding impact	(381)	-
Attributable result	(21,648)	1,691

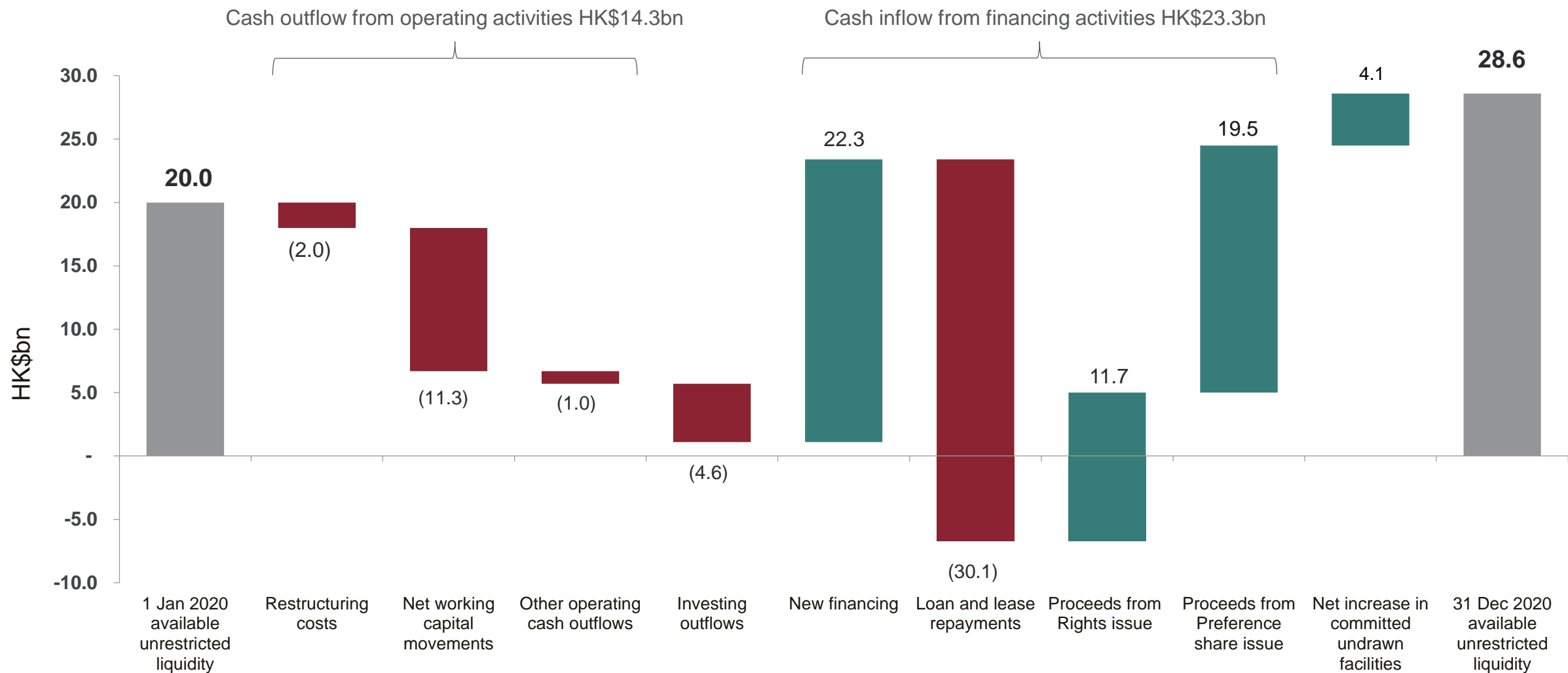
Net borrowings and liquidity position



	31 Dec 2020 (HK\$M)	31 Dec 2019 (HK\$M)
Non-current interest bearing liabilities	68,880	76,508
Current interest bearing liabilities	24,249	20,752
Less: Liquid funds	(19,341)	(14,864)
Net borrowings	73,788	82,396
Less: Lease liabilities without asset transfer components	(19,090)	(19,967)
Adjusted net borrowings	54,698	62,429
Cash and cash equivalents	6,166	8,881
Other liquid funds	13,175	5,983
Total Liquid funds	19,341	14,864
Committed undrawn facilities	9,396	5,289
Less: Amounts pledged as part of long-term financing	(144)	(142)
Available unrestricted liquidity	28,593	20,011
Net Debt/Equity Ratio	1.01	1.31
Adjusted* Net Debt / Equity Ratio (group covenants <2.0)	0.75	0.99

* Net debt is adjusted to exclude lease liabilities without asset transfer components

2020 movement in available unrestricted liquidity





Operating performance

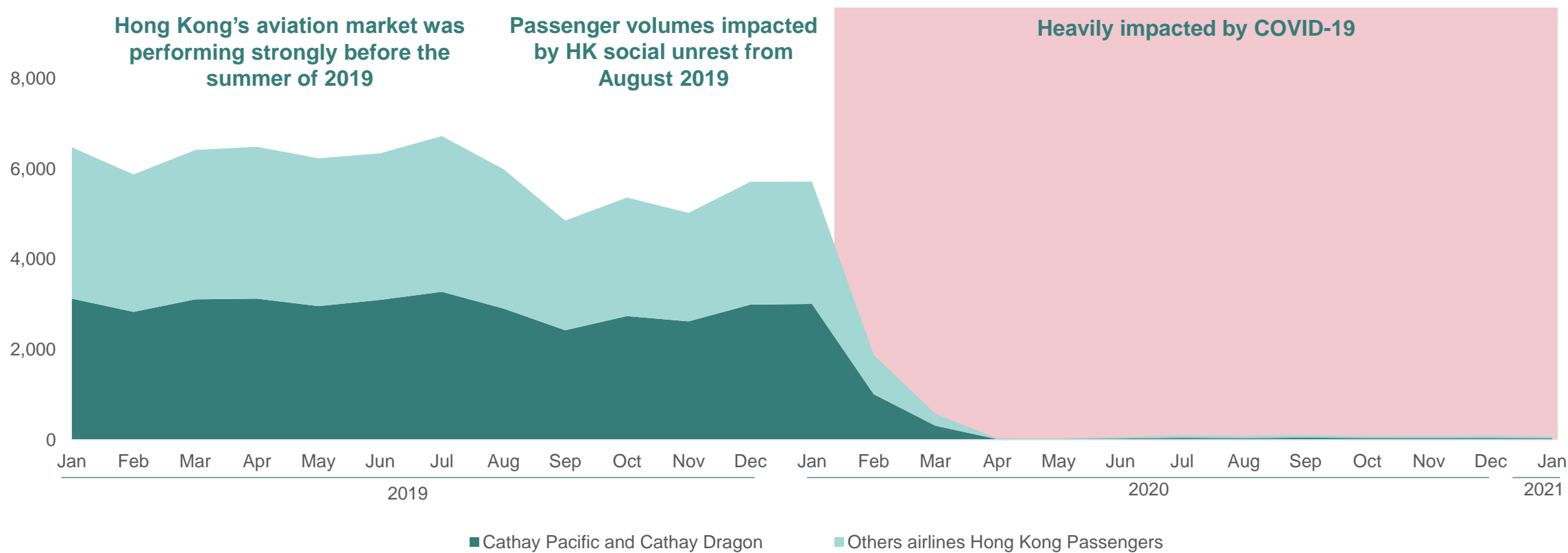
CX & KA Passenger Services

Significant impact on Hong Kong aviation environment



Monthly Air Passengers in Hong Kong

'000 Passengers



Sources: Hong Kong International Airport, Cathay Investor Relations

COVID-19 has resulted in severe passenger traffic reductions



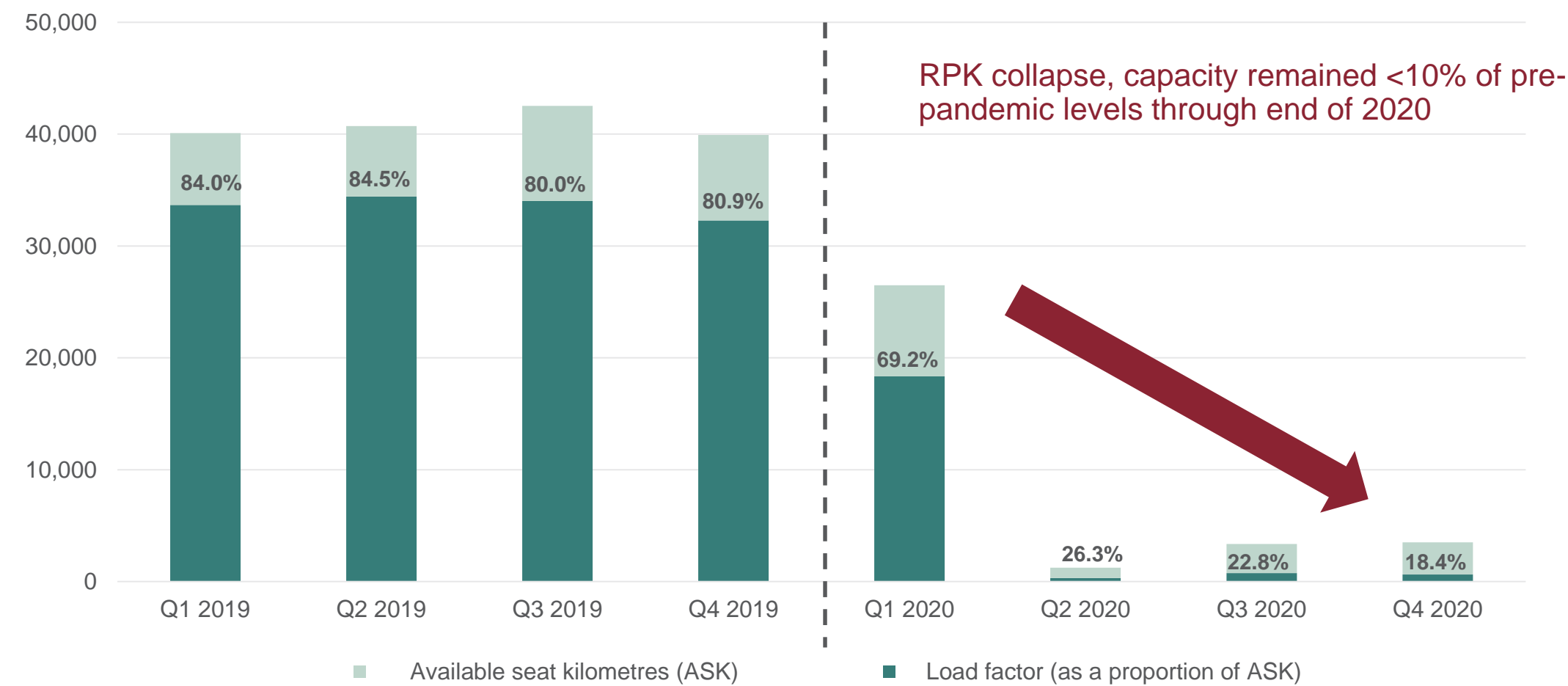
		2020	2019	% Var
Passenger revenue	<i>HK\$ million</i>	11,313	72,168	-84.3%
Available seat kilometres (ASK)	Million	34,609	163,244	-78.8%
Revenue passenger kilometres (RPK)	Million	20,079	134,397	-85.1%
Revenue passengers carried	'000	4,631	35,233	-86.9%
Passenger load factor	%	58.0	82.3	-24.3%pt
Passenger yield	<i>HK cents</i>	56.3	53.7	+4.8%
Passenger revenue per ASK	<i>HK cents</i>	32.7	44.2	-26.0%

- Very weak demand for passenger travel.
- Travel restrictions and quarantine requirements imposed by governments worldwide brought about an unprecedented disruption of the global air travel market.
- This led to substantial ASK capacity reductions for Cathay Pacific in 2020 (73% in March, and 93% on average from April).

Capacity reflects reduced passenger demand, but supported by cargo flows



Capacity - ASKs





Operating performance

CX & KA Cargo Services

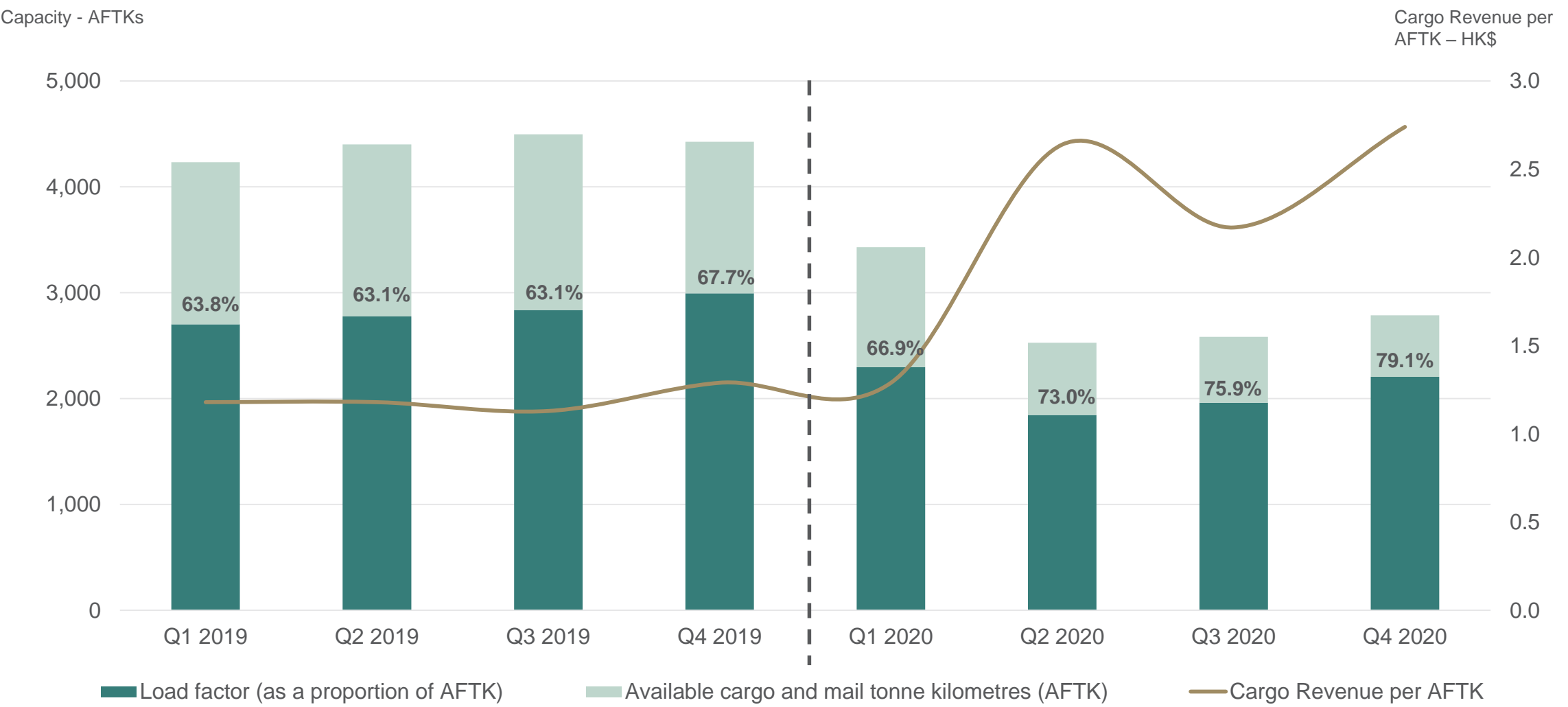
Strong Cargo performance as a result of the market imbalance



		2020	2019	% Var
Cargo revenue	HK\$ million	24,573	21,154	+16.2%
Available freight tonne kilometres (AFTK)	Million	11,329	17,558	-35.5%
Revenue freight tonne kilometres (RFTK)	Million	8,309	11,311	-26.5%
Cargo carried	'000 tonnes	1,332	2,022	-34.1%
Cargo load factor	%	73.3	64.4	+8.9%pt
Cargo yield	HK\$	2.96	1.87	+58.3%
Cargo revenue per AFTK	HK\$	2.17	1.20	+80.8%

- Considerable loss of available capacity due to extensive cuts to passenger schedule.
- Yield and load factor improved.
- Additional cargo-carrying capacity created by:
 - increasing utilisation of CX freighters;
 - chartering flights from our all-cargo subsidiary Air Hong Kong;
 - operating cargo-only passenger flights and carrying cargo in passenger cabins

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





Operating performance

CX & KA Operating Costs

Significant focus on reducing operating cost and cash burn



As reported (HK\$M):	2020	2019	% Var
Staff	13,616	17,604	-22.7%
Inflight service and passenger expenses	1,093	5,284	-79.3%
Landing, parking and route expenses	6,268	16,900	-62.9%
Aircraft maintenance	4,745	9,231	-48.6%
Depreciation, amortisation and rentals	12,984	13,772	-5.7%
Net finance charges	2,313	2,446	-5.4%
Others (including commissions)	3,669	7,200	-49.0%
Restructuring costs	2,383	-	N/A
Impairment and related charges	2,815	-	N/A
Total costs (without fuel)	49,886	72,437	-38.6%

Cost per ATK (without fuel)	3.41	2.19	+55.7%
Underlying * cost per ATK (without fuel)	3.09	2.19	+41.1%

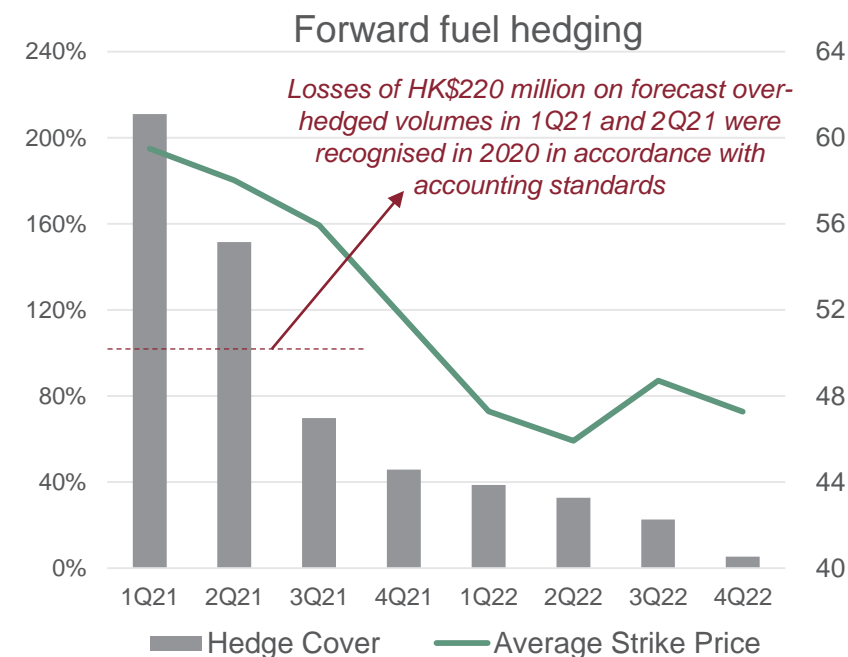
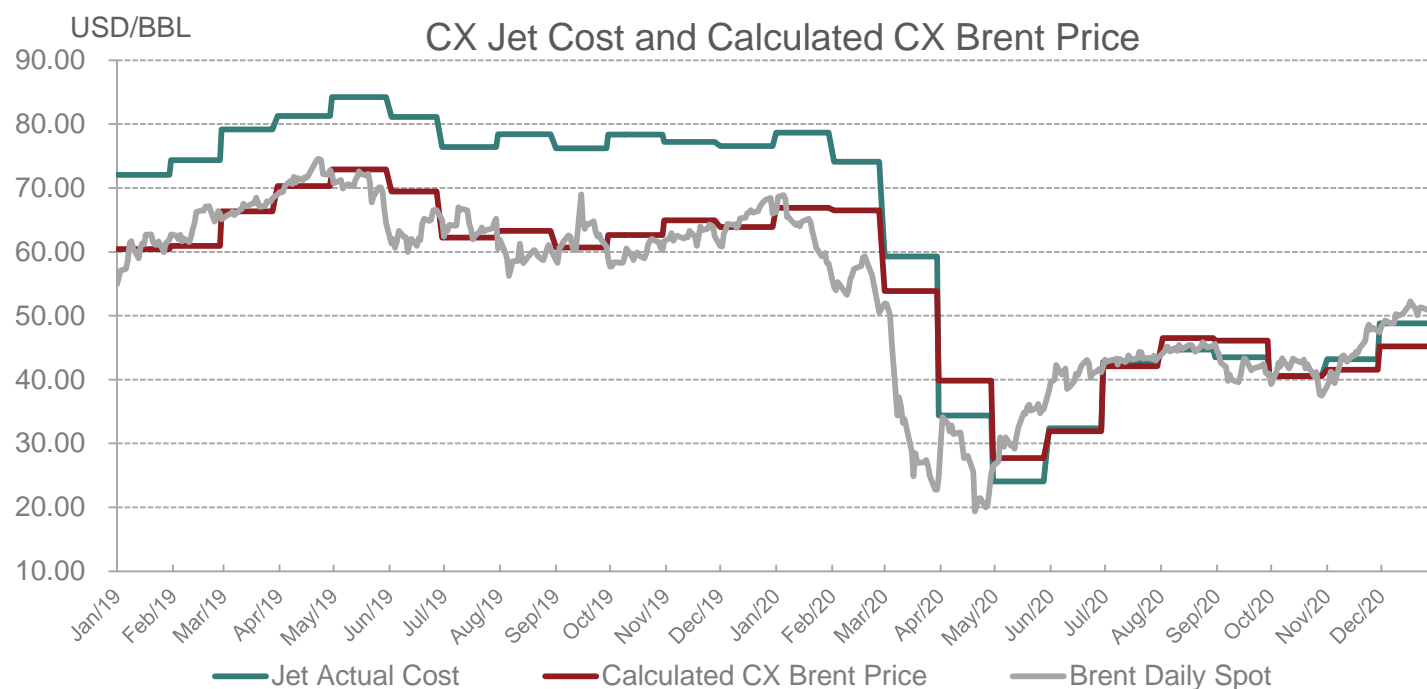
Underlying costs exclude exceptional items, restructuring, impairment and related charges, and are adjusted for the effect of foreign currency movements. Please refer to announcement for details.

Operating costs per ATK skewed by capacity reductions



- Despite significant mitigating actions, underlying cost per ATK (without fuel) adjusted for exceptional, restructuring, impairments and foreign exchange movements increased +41.1%.
- This reflected the effect of significantly reduced capacity on fixed or semi-variable costs.
- Average into-plane fuel prices fell -29.3%, offset by an increase in fuel hedging losses as a result of fixed volume fuel hedges. Overall fuel costs decrease -62.8%.
- Fuel consumption per ATK declined -12.1%, due to decreased load factors and a greater proportion of capacity provided by more fuel efficient aircraft.
- Aircraft utilization decreased -63.9% to 4.3 hours a day reflecting passenger capacity cuts in 2020. Consequently 34 aircraft are not expected to re-enter meaningful economic activity with an impairment of HK\$2,751m.

Fuel costs & hedging



Fuel costs and KPI's	2020	2019	% Var
Group gross fuel cost (HK\$m)	8,362	29,711	-71.9%
Group fuel hedging losses (HK\$m)	3,017	101	2,887.1%
Group fuel cost (HK\$m)	11,379	29,812	-61.8%
Note: CX & KA represent 93% of the Groups fuel cost			
Average into-plane fuel price ex hedges (US\$/bbl)	\$137.22	\$193.72	-29.2%
CX&KA Fuel consumption per mATK (bbl)	1,195	1,360	-12.1%



Operating performance

Subsidiaries and Associates



Financial Performance		2020	Period from 20th July 2019 to 31st Dec 2019
Total Revenue	HK\$m	861	1,893
Loss after taxation	HK\$m	(1,723)	(246)
Ancillary revenue penetration	%	18.8	21.7
Operating Statistics – HKE			
Available seat kilometres (ASK)	Million	1,742	4,583
Revenue passenger kilometres (RPK)	Million	1,237	4,023
Passenger yield	HK cents	51.4	45.2
Cost per ASK (with fuel)	HK cents	160.6	48.0
Passenger load factor	%	71.0	87.8
Aircraft utilisation	Hours/day	1.5	8.9
On-time performance	%	91.7	90.4
Average age of fleet	Years	5.1	4.9

- HK Express reported a significant loss for 2020.
- The airline suspended flying from mid-March 2020 until early August
- Currently running a twice-weekly service to Taichung, compared to the 25 destinations it typically operates.
- As at 31 Dec 2020, HK Express operated an all Airbus narrow-body fleet of 28 aircraft. The young fleet had an average age of just over five years.

Other major subsidiaries



- air Hongkong** - Air Hong Kong's financial results improved compared with those of 2019 due to additional COVID-19 related air cargo demand and with 680 extra sectors flown for Cathay Pacific.



- Financial results for all airline service subsidiaries declined in 2020 as a result of reduced volumes from the reduction in passenger flights.
- This resulted in impairments charges of:
 - HK\$658m for Vogue Laundry
 - HK\$526m for Cathay Catering
 - An associated HK\$39m goodwill impairment at Group level.

Major associates



- Cathay Pacific 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 2020 results include Air China's results for the 12 months ended 30th September 2020, adjusted for any significant events or transactions in the period from 1st October 2020 to 31st December 2020.
- Air China's financial results declined in the 12 months to 30th Sep 2020.



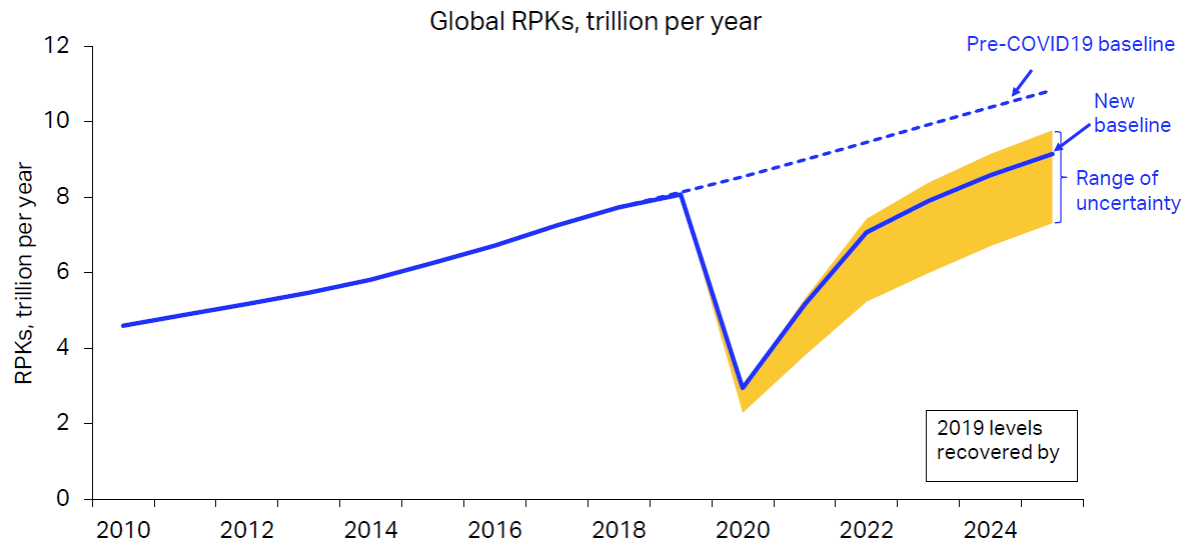
- Air China Cargo's financial results improved from last year due to significantly improved yields, higher utilisation of freighters and lower fuel prices.



Outlook

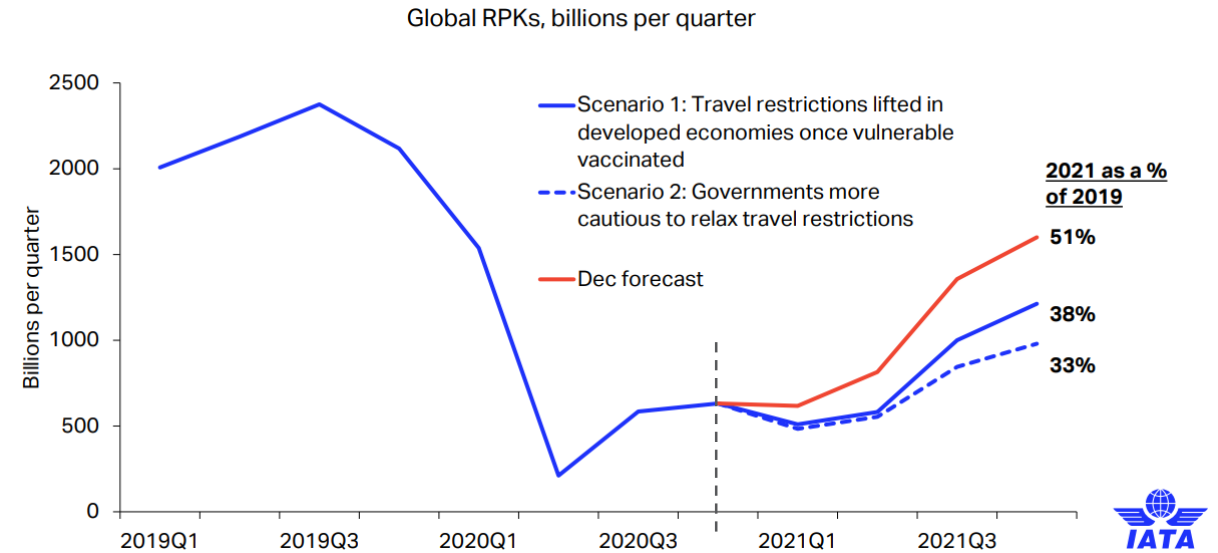


Medium term outlook to 2024



Source: IATA Economics Bi-Annual Air Passenger Outlook 24th November 2020

Short term outlook in 2021



Source: IATA Economics Air Passenger Forecasts 24th February 2021

- IATA anticipates medium term passenger traffic recovery to pre-pandemic levels in 2024.
- However, short term path depends on new COVID-19 variants and policy responses.

Vaccine development



- Encouraging progress has been made worldwide with vaccine development.
- First vaccines have been flown to Hong Kong and a vaccination programme is currently taking place.
- Cathay Pacific Cargo is already handling shipments of COVID-19 vaccines using an expert, next-generation air cargo vaccine solution that addresses specific customer needs for speed, control and special handling for the fast and effective distribution of vaccines across the globe.
- Restart challenges facing the industry include:
 - International planning and cooperation
 - Digitisation of health credentials
 - Global standard to record and recognise



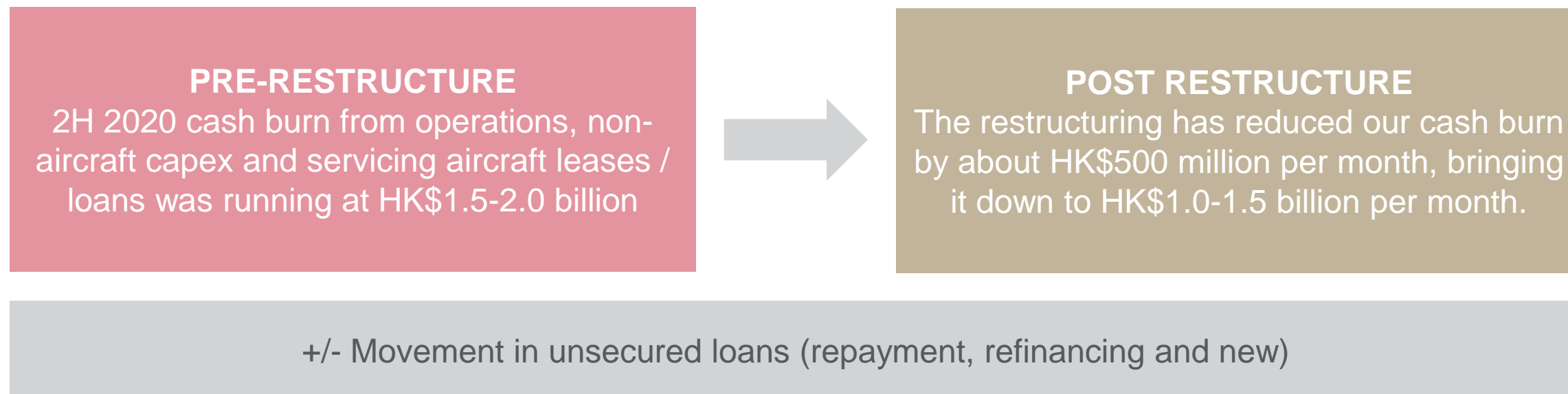
Expected passenger flight capacity 2021



- 2021 outlook remains challenging
- 1H will depend on ability to establish travel bubbles & other mitigating factors (testing & quarantine)
- We expect to operate at well below a quarter of pre-pandemic passenger flight capacity in the first half of 2021 with improvement in the second half of the year.
- Consequently, we expect to operate at well below 50% of pre-pandemic passenger capacity overall in 2021.
- Correlation between the roll-out of vaccination programmes in our key markets and the potential future relaxation of travel restrictions remains highly uncertain and difficult to predict.
- We will remain agile to respond according to the situation as it develops.

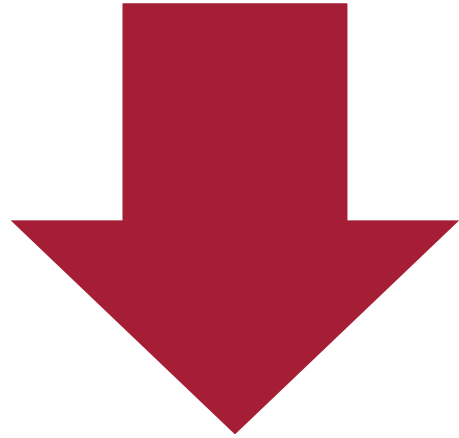


Monthly cash burn will be impacted by crew quarantine



However, effective 20 February 2021, **new crew quarantine measures** have resulted in a reduction to our passenger capacity of about 60% and a reduction to our cargo capacity of about 25% compared to January 2021 levels, and an **increase in cash burn of approximately HK\$300-400 million per month** over the previous HK\$1.0-1.5 billion range.

Cargo outlook remains a bright spot



Capacity

- Still a serious constraint due to grounding of passenger fleet
- Record high number of freighters and utilization in the air
- Cargo only passenger flights being deployed to partially mitigate capacity drop



Demand

- Demand overall remains strong and returning to pre-COVID levels
- Traffic on US trade lane remains robust as a result of strong e-commerce and other air cargo demand
- Air is the preferred mode of transport to get inventory to market as quickly as possible





Summary

Summary



- 2020 most challenging year in our history
- Decisive steps taken to:
 - reduce cash burn,
 - become more focused, efficient and competitive
- Well positioned to emerge from this crisis
 - Compelling dual brand strategy
 - Healthy liquidity



Q&A

For more information, please visit our website

www.cathaypacific.com

