

# VAH Annual General Meeting



18 November 2015





# Chairman's address



# CEO's address





# Key highlights



	<b>FY15</b>		<b>vs. FY14<sup>1</sup></b>
Underlying Loss Before Tax <sup>2</sup>	(\$49m)		\$163m
VA Domestic EBIT <sup>2</sup>	\$111m		\$210m
VA International EBIT <sup>2</sup>	(\$69m)		(\$23m)
Operating cash flow	\$218m		\$226m
Financial leverage <sup>2</sup>	5.9x		(20)%

# Strategic update

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Capitalising on growth opportunities



Driving yield enhancement



Executing our cost reduction program



Strengthening the balance sheet



Setting a new standard in customer experience



Developing our people



# New domestic T1 at Perth Airport

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# New 'The Business' cabin

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# International enhancements

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- Selected frequency increases on Tasman and other Pacific Island routes
- Upgrade of fleet of Boeing 777 aircraft
- Addition of 75,000 seats on Trans-Tasman routes, in conjunction with Air New Zealand
- Deployment of A330 on MEL-NAN<sup>1</sup> and BNE-NAN<sup>2</sup> services

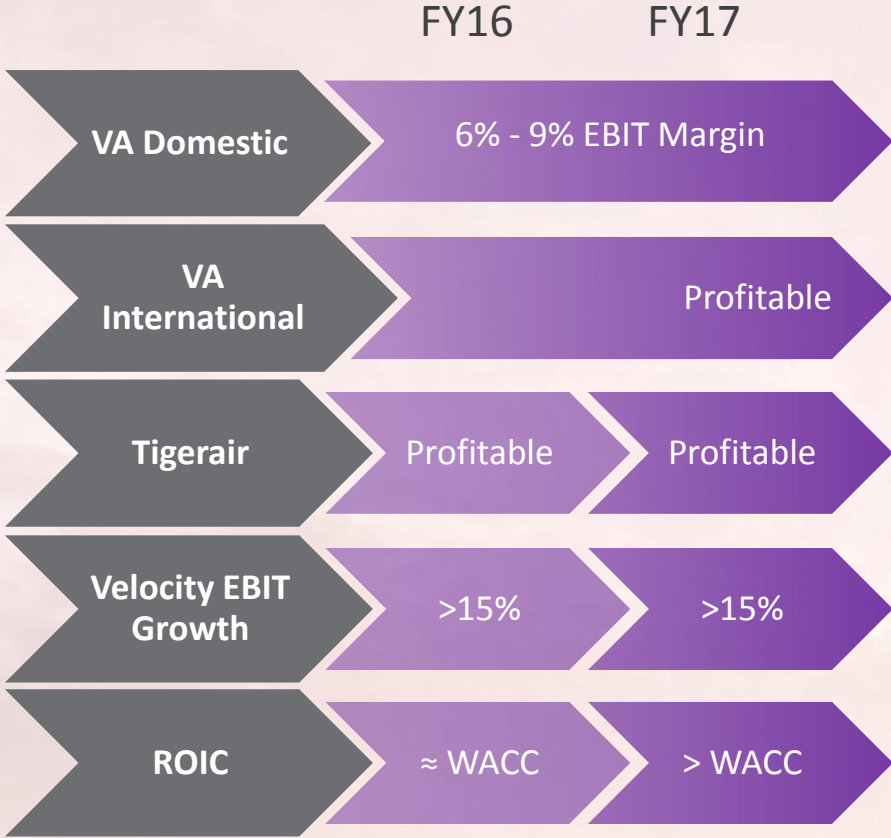


# Tigerair Australia improvements

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# Looking forward<sup>1</sup>



Note: 1 Please refer to the "Forward Looking Statements" section on page 26 when considering this information. All forward projections on this page are at the underlying performance level, which is defined on pages 13, 14 & 15.



# Formal business







*Virgin* australia



# Disclaimer, definitions and ASIC guidance



## Disclaimer

The following non-IFRS information has not been audited or reviewed by KPMG: Underlying Loss Before Tax, Underlying performance, Restructuring and transaction Costs, Share of equity accounted losses, Hedging and financial instruments, Earnings Before Interest, Tax, Depreciation, Amortisation and Aircraft Rentals (EBITDAR), Earnings Before Interest & Tax (EBIT), EBIT Margin, RASK (Segment unit revenue), CASK (Segment unit cost), Group unit cost ex fuel ex FX (CASK), Yield, Financial leverage, Adjusted Net Debt, Return on Invested capital (ROIC) EBIT, Invested capital, Cost of capital / WACC and ROIC.

This presentation has not been audited or reviewed by KPMG; however, IFRS data has been derived from the unaudited annual consolidated financial statements that are in the process of being audited by KPMG.

## Definitions

**Underlying Loss Before Tax:** is a non-statutory measure that represents statutory loss before tax excluding the impact of restructuring and transaction costs (as defined below), share of equity accounted losses from associates (as defined below), impact of hedging and financial instruments (as defined below). This is a measure used by Management and VAH's Board to assess the financial performance of VAH. The Group changed its accounting policy for heavy maintenance in the prior year and adopted AASB 9 – *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements.

**Underlying performance:** is a non-statutory measure that refers to earnings or returns calculated based on the Underlying Loss Before Tax excluding restructuring and transaction costs, equity accounted losses and hedging and financial instruments (as above).

**Restructuring and transaction costs:** is a non-statutory measure that includes the following items outlined in Note 4 of the Virgin Australia Holdings Limited Preliminary Final Report for the full-year ended 30 June 2015: Business and capital restructure and transaction costs (\$84.4m), Finance income from Tiger acquisition (\$21.8m) and Accelerated depreciation due to changes in useful life of assets and net loss on disposal of assets (\$7.6m). For the year ended 30 June 2014, this item included business and capital restructure costs (\$101.9m), impairment losses (\$56.9m), Accelerated depreciation due to changes in useful life of assets and net loss on disposal of assets (\$3.1m), Accelerated amortisation resulting from a capital restructure (\$12.3) and different interest rate swap terminations associated with capital restructure (\$8.4m).

**Share of equity accounted losses:** is a non-statutory measure that includes the following items outlined in Note 4 of the Virgin Australia Holdings Limited Preliminary Final Report for the full-year ended 30 June 2015: Associate earnings (loss of \$16.6m) representing the share of equity earnings from Tiger Airways Australia Pty Limited and Virgin Samoa Limited for the full year ended 30 June 2015. For the year ended 30 June 2014, the share of equity accounted earnings from Tiger Airways Australia Pty Limited and Virgin Samoa Limited was a loss of \$48.7m.

**Hedging and financial instruments:** is a non-statutory measure that includes the following items outlined in Note 4 of the Virgin Australia Holdings Limited Preliminary Final Report for the Year Ended 30 June 2015: Unrealised ineffectiveness on cash flow hedges and non-designated derivatives (loss of \$17.4m) and time value movements on cash flow hedges (loss of \$10.0m). For the year ended 30 June 2014, this item includes: Unrealised ineffectiveness on cash flow hedges and non-designated derivatives (loss of \$20.2m) and time value movements on cash flow hedges (loss of \$18.3m). The Group has early adopted AASB 9 *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements.

**Earnings Before Interest, Tax, Depreciation, Amortisation and Aircraft Rentals (EBITDAR):** is a non-statutory measure per Note 4 of the Virgin Australia Holdings Limited Preliminary Final Report for the Year Ended 30 June 2015. It is used by Management and VAH's Board as a measure to assess the financial performance of VAH and its individual segments. It is defined as Underlying Profit / (Loss) before tax (as defined above) with the addition of depreciation, aircraft rentals and net finance costs. The Group has changed its accounting policy for heavy maintenance in the prior year and adopted AASB 9 – *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements.

# Disclaimer, definitions and ASIC guidance



## Definitions (continued)

**Earnings Before Interest & Tax (EBIT):** is a non-statutory measure per Note 4 of the Virgin Australia Holdings Limited Preliminary Final Report for the Year Ended 30 June 2015. It is used by Management and VAH's Board as a measure to assess the financial performance of VAH and its individual segments. It is defined as Underlying Profit / (Loss) before tax (as defined above) with the addition of net interest expense. The Group has changed its accounting policy for heavy maintenance in the prior year and adopted AASB 9 – *Financial Instruments* from 1 July 2014 which has resulted in prior period restatements.

**EBIT Margin:** is a non-statutory measure derived from dividing Earnings Before Interest & Tax (EBIT) as defined above by total segment revenues.

**RASK (Segment unit revenue):** is a non-statutory measure derived from segment revenue divided by Available Seat Kilometres of the Regular Passenger Transport business.

**CASK (Segment unit cost):** is a non-statutory measure derived from segment revenue less total segment EBIT (as above) divided by Available Seat Kilometres of the Regular Passenger Transport business.

**Group unit cost ex fuel ex FX (CASK):** is a non-statutory measure derived from consolidated segment revenue less consolidated segment EBIT (as defined above) excluding fuel, hedging gains / (losses) on fuel, non-Regular Passenger Transport (RPT) costs, Velocity Frequent Flyer segment costs, foreign exchange gains / (losses) on non-fuel costs and unallocated corporate costs divided by Available Seat Kilometres of the Regular Passenger Transport business including Available Seat Kilometres of Tiger from 16 October 2014.

**Yield:** is a non-statutory measure derived from total consolidated segment revenues divided by Revenue Passenger Kilometres of the Regular Passenger Transport business.

**Financial leverage:** is a non-statutory measure and is defined as the ratio of adjusted net debt (as defined below) to EBITDAR (as defined above)

**Adjusted Net Debt:** is a non-statutory measure derived by taking interest bearing liabilities less cash and adding 7 times annual rentals on aircraft operating leases.

**Return on Invested capital (ROIC) EBIT:** is a non-statutory measure derived from underlying EBIT, adding back rentals on aircraft operating leases, and adjusting for a notional depreciation on the capitalised value of aircraft leases (7 times annual operating lease cost), or approximately 4% pa. This metric provides an indication of underlying earnings (as defined above) assuming all aircraft were owned by VAH.

**Invested capital:** is a non-statutory measure which provides an indication as to the invested capital within the VAH, and is derived from adding average adjusted net debt and total equity as reported in the consolidated statement of financial position.

**Cost of capital / WACC:** is a non-statutory measure that estimates the pre-tax weighted average cost of capital (WACC) for VAH, using an estimated 60 to 40 debt to equity split. VAH estimates its cost of capital as 10% for the 2015 financial year (2014 10%).

**ROIC:** is a non-statutory measure and is defined as ROIC EBIT/ Invested Capital (as defined above), and represents a measure of the Group's Underlying Profit/(Loss) (as defined above) as a percentage of Invested capital (as defined above).



# Disclaimer, definitions and ASIC guidance



## Definitions (continued)

**Forward Looking Statements:** This presentation contains certain forward looking statements. Forward looking statements can generally be identified by the use of words such as 'project', 'believe', 'foresee', 'plan', 'expect', 'aim', 'potential', 'goal', 'target', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'could', 'should', 'will' or similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. Forward looking statements, opinions and estimates provided in this presentation involve a number of risks, assumptions and contingencies, many of which are beyond the Virgin Australia Group's control and which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. It is believed that the expectations reflected in these forward looking statements, opinions and estimates are reasonable, but there can be no assurance that actual outcomes will not differ materially from these statements. Such forward looking statements, opinions and estimates are provided as a general guide only, should not be relied on as an indication or guarantee of future performance and speak only as of the date of this announcement. You should not place undue reliance on forward looking statements.

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## ASIC guidance

In December 2011 ASIC issued Regulatory Guide 230. In order to comply with this Guide, VAH is required to make a clear statement about whether information disclosed in documents other than the Virgin Australia Holdings Limited Preliminary Final Report for the full-year ended 30 June 2015 has been audited or reviewed in accordance with Australian Auditing Standards.

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