QANTAS COMPLETES $500 MILLION SHARE BUYBACK, EYES FURTHER SHAREHOLDER RETURNS

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Qantas is looking ahead to potentially returning further capital to shareholders after concluding a $500 million share buyback.

In a regulatory filing to the Australian Securities Exchange on Tuesday, Qantas said its $500 million share buy back program bought back 143.6 million shares for a weighted average price of $3.4819 per share since the program began in March.

The highest price paid was $4.21 per share on April 4, while the lowest price paid was $2.91 on June 6.

The $500 million buyback is part of the $1 billion the company has returned to shareholders in 2015/16, following the $505 million capital return at 23 cents a share conducted in the first half of the current financial year.

“A decision on future capital management initiatives will be made by the board and announced with the group’s full year results on 24 August 2016,” Qantas said in a statement on Monday.

Speaking to reporters on the sidelines of the International Air Transport Association (IATA) annual general meeting in Dublin on June 2, Qantas chief executive Alan Joyce said the airline group’s board would look at further capital returns, including a potential dividend, for the next financial year.

“The group has reached its optimum capital structure,” Joyce told reporters.

“We’ve got our investment-grade credit rating back. We are generating a lot of free cash.

“The board will get together at the end of the full year and look at the appropriate ways of capital management. All the options are still on the table, and the company will look at if it’s optimal to issue a dividend or if it’s optimal to do -another buyback.”

Qantas last paid a dividend to shareholders in 2009. Any consideration of a dividend would also depend on the company’s level of franking credits, given its tax losses in previous years.

“The dividend situation relates also to our position on franking credits,” Joyce said.

“We have the ability to issue around a nine-cent dividend with the franking credits we have. Given the cumulative tax losses, particularly going back a few years, we are rapidly going through them because the company is making good profits.

“We will be back in a position of paying cash tax with the corporations tax — by the way, we pay a hell of a lot of other taxes which I keep on emphasising — and that will allow us the consideration about paying a sustainable franked dividend going forward as well.”

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