

Cathay Pacific books \$1.25bn net profit

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13/03/2024

Hong Kong SAR-based Cathay Pacific Airways has recorded a net profit of HK\$9.8 billion (\$1.25 billion) for the year ended 31 December 2023, its first since 2019. This followed a HK\$6.6 billion loss in the previous year.

Cathay Pacific's annual passenger revenue increased by 309% from 2022 to HK\$55.96 billion. Available seat kilometres (ASKs) increased by 327%, while traffic, measured in revenue passenger kilometres (RPKs) increased by 397%.

Cathay carried 18 million passengers in 2023 which was 541% more than in 2022. Load factor was 85.7%, compared with 73.6% in 2022.

Yield, however, decreased by 17.7% to HK76.3 cents.

Meanwhile, Cathay Cargo's revenue in 2023 decreased by 17.9% to HK\$22.2 billion, as compared with 2022.

Available cargo tonne kilometres (AFTKs) increased by 59.7%, owing to the increased passenger flight schedule providing more belly space for cargo. Traffic, measured in cargo revenue tonne kilometres (RFTKs), increased by 40.3%.

Total tonnage increased by 19.7% to 1,381 thousand tonnes. Load factor was 62%, compared with 70.6% in 2022.

Cargo yield, however, dropped 41.3% to HK\$2.74. This was still 46.5% above 2019 pre-pandemic yields.

Throughout the pandemic, Cathay said it maintained a prudent approach to cost management, and this remained a priority in 2023. However, the airline group noted challenges in certain areas, including inflation in the supply chain.

Non-fuel costs for 2023 increased by 51.2% to HK\$52.4 billion compared with 2022. Total fuel costs for Cathay (before the effect of fuel hedging) increased by HK\$10.7 billion (or 82.4%) compared with 2022 as Cathay operated more flights.

Low-cost subsidiary HK Express reported a profit of HK\$433 million for 2023, reversing a HK\$1.4 billion loss in 2022.

The airline benefitted from robust travel demand, especially for short-haul destinations in Asia, and by December 2023 the airline was operating more than 130% of its pre-pandemic passenger flights.

Cargo subsidiary Air Hong Kong reported a profit of HK\$778 million for 2023, almost the same as its 2022 profit of HK\$776 million.

The Cathay airlines and subsidiaries performed strongly across both halves, reporting an attributable profit of HK\$9.2 billion, but the results from associates including Air China, the majority of which are recognised three months in arrears, were a full-year loss of HK\$1.6 billion.

The attributable HK\$9.8 billion profit for 2023 included an exceptional non-recurring non-cash gain of HK\$1.9 billion as a result of a dilution of Cathay's interest in Air China following the completion of their A-shares offering in January 2023.

"While the businesses of our airline services subsidiaries improved in 2023 compared with 2022, the financial performance of some subsidiaries declined as the benefits of higher volumes were more than offset by higher interest expenses.

"Results from associates, recognised three months in arrears, improved compared with 2022, but were still lossmaking for the year due to incomplete recovery of international routes, intensified competition in the domestic market and fluctuations in oil prices and exchange rates," Cathay said.

Looking ahead, citing supply chain and training challenges, Cathay Pacific and HK Express expect to reach 80% of their pre-pandemic passenger flights within the second quarter of 2024, and 100% within the first quarter of 2025.

"We acknowledge this would be up to three months later than our previous projections; however, we have learned from our recent experiences and our focus continues to be rebuilding in a measured and responsible manner as we look ahead to the exciting opportunities

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presented by the upcoming Three-Runway System at Hong Kong International Airport,” Cathay said.

Cathay ended 2023 with a group fleet of 230 aircraft, with another 75 on order through 2029 including 48 Airbus A320neo-family, six A350Fs and 21 Boeing 777Xs.

This year, mainline Cathay plans to induct four new A321neos and HK Express will take seven A321neos.

Meanwhile, the group has seven aircraft with operating leases expiring in 2024, comprising three mainline Cathay 777-300ERs, four HK Express A320s, and four Air Hong Kong A300-600Fs.

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