

AVIATION



Cathay Pacific CEO Rupert Hogg, chairman John Slosar and chief customer and commercial officer Paul Loo at the results announcement by the Hong Kong-based carrier yesterday. Photo: Xiaomei Chen

Cathay posts HK\$2.3b profit to reverse two years of losses

Earnings helped by HK carrier's Air China stake and its customer loyalty programme Asia Miles

Danny Lee
danny.lee@scmp.com

Cathay Pacific Airways recorded a HK\$2.3 billion annual profit for 2018, reversing two straight years of losses, with the core airline business making a small HK\$241 million contribution to the upswing in fortunes.

Earnings were shored up by Cathay Pacific's 18.13 per cent stake in Air China, its loyalty business Asia Miles, and holdings in cargo business ventures.

The airline delivered its annual results yesterday, also reporting revenue of HK\$111 billion, 14.2 per cent higher than the previous year.

Cathay made a loss of HK\$1.25 billion in 2017.

The financial consequences of a massive data breach, the impact of the US-China trade war, strained labour relations, and a possible acquisition of a local rival

to ease competition concerns are shaping the airline's outlook.

As Cathay looks to the rest of 2019, it said business would remain "challenging", citing geopolitical discord, global trade tensions and "dampening" passenger and cargo demand.

"Our transformation programme is yielding positive results," chairman John Slosar said at a post-results meeting.

"We are making good progress on each of them. That being said, there is still much to do and we do

aspire to have much better results going forward."

CEO Rupert Hogg welcomed the results, saying the company had turned a corner on a "tough couple of years" of losses and company-wide restructuring.

Its shares have been risen 21 per cent this years on news of its interest in rival carrier HK Express. But the airline remained guarded about a possible acquisition of the budget carrier. "We can't elaborate," Slosar said.

The trade war between the US and China remained a worry as it could hurt the airline's booming cargo business, which had in recent years shored up the weakness in the passenger airline unit.

"Competition will remain intense, especially in economy class on long-haul routes," the Cathay chairman said. "Operational constraints will impose additional costs. These factors will affect both the passenger and the cargo business."

In addition, implications and potential penalties from a data breach scandal, affecting 9.4 million Cathay customers, loomed. No fines have been issued so far.

\$111b

Revenue in HK dollars, a rise of 14.2 per cent on the previous year, for Hong Kong's biggest airline Cathay Pacific