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AVIATION

Cathay Pacific to start repayment of missed dividends

Airline vows to return money to government in sign of confidence after losses rise again in 2022

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Cathay Pacific Airways posted a bigger loss in 2022 than the year before but saw an uptick in the final six months as Hong Kong began easing Covid-related travel curbs, and it vowed to start paying back this year the share dividends it owes the government.

The airline lost HK$6.5 billion last year, 18.5 per cent higher than the HK$5.5 billion in 2021, though airline operations rebounded to a HK$2.26 billion profit during the last half of the year.

CEO Ronald Lam Siu-por told a media briefing Cathay would begin to repay within this year the HK$1.5 billion in accumulated dividends owed to the government on HK$19.5 billion in preference shares – which are stocks with restricted voting rights.

Authorities acquired the shares as part of a financial lifeline extended to the company in 2020. The carrier has deferred the payment five times since 2021. The HK$39 billion recapitalisation package ensured the carrier could continue operating as the Covid-19 pandemic caused the travel market to collapse.

"Our intention is [to pay] within this year, starting to repay the outstanding dividend, and the next milestone will be August," Lam said, referring to when the next dividend payment was due.

Lam added he hoped the group would make a profit this year, but it was "too early to say".

Chairman Patrick Healy meanwhile said the airline would take a "measured and responsible approach" to rebuilding its operations, while acknowledging difficulties with crew rosters, resourcing, schedules and customer support hotlines.

He added Cathay and its budget carrier arm, HK Express, would operate at 50 per cent of their pre-pandemic passenger capacity, flying to more than 70 destinations in total by the end of March.

The group planned to reach 70 per cent by the close of the year, covering 80 destinations, and aimed to restore a full service by the end of 2024. It expected its cargo operations to return to 85 per cent of pre-pandemic levels by the end of this year.

Since the end of 2022, Hong Kong has gradually lifted its stringent anti-epidemic policies, including scrapping a medical surveillance period for arrivals in December and fully restoring cross-border travel with mainland China in February.

Cathay attributed the overall poor results to HK$6.3 billion in losses at associate companies, which had snowballed from HK$1.7 billion in 2021.

Revenue in 2022 grew by 12 per cent to HK$51 billion from a year earlier.

The airline carried a total of 2.8 million passengers in 2022, or a daily average of 7,682, marking a 291 per cent increase from the previous year.

Revenue from cargo flights remained a breadwinner for the airline with a profit of HK$26.9 billion, even though that was a 16 per cent decrease from 2021.

HK Express said it had been hit hard by the city's travel restrictions and quarantine requirements, although the carrier reported a nearly one-third decline in losses to HK$1.35 billion last year from HK$1.97 billion in 2021.

Cathay said it had recruited 2,000 people last year and was on track to hire its target of 3,000 frontline staff this year.

Last year, it said it planned to recruit 700 pilots and 2,000 cabin crew by the end of 2023.

Healy said Cathay had sufficient pilots and crew to support current operations, and he was confident recruitment would keep pace with the capacity rebuilding plan of 70 per cent by the end of the year.

However, the airline was dealing with a training backlog for pilots amid a global shortage of workers in the industry.

The lifting of travel restrictions both in Hong Kong and across the border helped the group reach a pre-pandemic passenger capacity of 40 per cent in January.

HK$6.5b

Cathay Pacific lost this much in 2022, 18.5 per cent more than in 2021, and said it was too early to say if it would be profitable this year

But Cathay still lags behind other carriers, with Singapore Airlines Group having reached 80 per cent of its passenger levels in the same month.

Law Cheung-kwok, a senior adviser at Chinese University's aviation policy and research centre, said the carrier's commitment to repaying the government showed it was confident about its medium-term business outlook.

But Law expressed scepticism over the airline's hopes to make a profit this year, given capacity would not fully return to pre-pandemic levels.

Shukor Yusof, the founder of aviation advisory firm Endau Analytics, warned that there were tough times ahead even though the mainland and Hong Kong have reopened to the rest of the world.

"The global financial and geopolitical outlook is uncertain at best, jet fuel remains firm, and China's economic slowdown cannot resuscitate Hong Kong's recovery any time soon," he said.

Cathay has joined three other carriers in the government's post-pandemic tourism drive to give away at least 500,000 airline tickets, with the company in March offering 80,000 free return flights to people in Southeast Asia.

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Cathay executives Lavinia Lau, Ronald Lam, Patrick Healy and Greg Hughes at its annual results briefing. Photo: Jonathan Wong