Cathay Pacific shares plunge as bond sale announced to stem cash crisis

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Shares in Hong Kong's marquee carrier Cathay Pacific plunged on Thursday after the struggling airline unveiled a HK$6.7 billion (US$870 million) bond sale to try to stem its rampant cash burn.

The firm's stock tumbled 9.7 percent as the market closed in Hong Kong, days after it warned new quarantine measures planned for passenger and cargo crew arriving in Hong Kong would further dent its finances.

Cathay Pacific on Thursday said it would offer five-year bonds maturing in February 2026 that could also be converted into shares at a 30 percent premium above the previous day's close.

Like all major airlines, Cathay Pacific has seen its business evaporate during the coronavirus pandemic but the Hong Kong carrier is especially vulnerable because it has no domestic market to fall back on.

It has been burning through cash at a rate of up to HK$1.5 billion a month but executives fear this will spike if Hong Kong authorities make good on stricter quarantine controls for aircrew.

Currently, most arrivals into the city must quarantine in dedicated hotels for three weeks, although aircrew and other vital logistic jobs have exemptions.

But leaders have announced plans to enforce a two-week quarantine on all aircrew on long-distance cargo and passenger flights.

On Monday, Cathay Pacific said those measures would increase its cash burn by HK$300-400 million a month and force it to cut its already limited flight capacity by almost two-thirds.

The airline raised $5 billion last summer—including a $3.5 billion bailout from the Hong Kong government—to stay afloat during the pandemic. At the time, analysts said that money should last some 15 months.

But Thursday's bond announcement shows the airline is still haemorrhaging revenue at a time when the global travel industry remains on its knees even as coronavirus vaccines are rolled out.

Once one of Asia's largest operators, Cathay Pacific closed its Cathay Dragon subsidiary last year and made about 6,000 staff redundant in a bid to save cash.

Passenger numbers have been some 98 percent below pre-pandemic levels since last April.

In December, what would once have been peak season, it flew just 1,290 passengers every day with most flights that were just 18 percent full.

But even before the pandemic, the carrier was in a tight spot.

Months of huge and disruptive democracy protests in 2019 led to a plunge in customers, especially from the lucrative mainland Chinese market.

The airline also found itself punished by authorities in Beijing because some of its employees joined or voiced support for the protests.

By the time the pandemic hit at the start of 2020, Hong Kong was already in recession and Cathay Pacific in the red.

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