Cathay Pacific rebounds to first-half profit as travel picks up

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Hong Kong carrier Cathay Pacific on Wednesday reported profits in the first half as travel demand grows.

Hong Kong carrier Cathay Pacific on Wednesday swung to a healthy profit in the first half of the year thanks to a pick-up in travel, with the airline expecting passenger capacity to reach 70 percent of pre-pandemic levels by end of the year.

The airline said it made a $546 million profit in January-June, rebounding from a loss of $640 million in the same period last year.

It also suffered big losses in the first six months of 2020 and 2021 as the city was battered by coronavirus travel restrictions.

Chairman Patrick Healy said Cathay had "worked to rebuild connectivity at the Hong Kong international aviation hub following the full reopening of borders in Hong Kong" and in mainland China.

The airline has been making "good progress" in adding flights and destinations between January and June, which was a "positive period", Healy added in the exchange filing.

"While we are still only part way along our rebuilding journey, our results for the first six months of 2023 demonstrate that we are on the right track," he said.

He added that Cathay would hit its target of "70 percent pre-pandemic passenger flight capacity levels... by the end of 2023".

"We are confident of reaching 100 percent by the end of 2024."

Cathay carried a total of 7.8 million passengers in the first half of the year, bringing in $3.2 billion.

Total revenue—including cargo and other services—more than doubled year-on-year to $5.6 billion.

But weaker overseas demand meant the cargo unit's revenues dropped

11.6 percent to $1.4 billion.

Hong Kong last year belatedly abandoned its "zero-COVID" policy, which imposed strict rules on travelers and kept the city internationally isolated for two and a half years—tanking the finance hub's economy.

Cathay Pacific Group Chair Patrick Healy said the company's interim results demonstrate it is "on the right track" to recovery.

Recovery 'on track'

The airline has struggled to catch up to regional rivals such as Singapore Airlines, and is racing to rebuild its capacity amid a manpower crunch.

Healy said at a Wednesday press briefing that Cathay was still behind its rivals as it began recovery from an "incredibly low base".

"We started later but the trajectory of that recovery, when compared with... the starting point of our key regional competitors, is absolutely on track (and) in some cases faster," Healy said.

Cathay earlier said it would recruit more staff from China and increase the number of Mandarin-speaking flight attendants after allegations of discrimination against mainland Chinese passengers.

Chief operations and service delivery officer Alex McGowan said at the Wednesday briefing that the airline was targeting to hire around 200 to 300 cabin crew from mainland China, with recruitment underway.

Cathay also saw the return of around 250 pilots who had left during the pandemic, McGowan said.

"We did see an elevated turnover of pilots during a very difficult period of the pandemic... That turnover has now been back at normal levels for some time," he added.

The airline also announced it will bolster its fleet by purchasing 32 Airbus A321neo and A320neo aircraft, to be delivered by 2029.

Only around 25 idle Cathay planes remain parked in the Australian desert—a storage method adopted during the pandemic—and all are expected to be returned by the second quarter next year.

Cathay also said that before year-end it plans to buy back 50 percent of preference shares it issued to the Hong Kong government in 2020 after receiving a $5 billion bailout to keep it afloat during the pandemic. The buyback for the remaining shares is set to be completed by July 2024.