Cathay Pacific reports first-half loss of US$1.27 billion

12 August 2020

Cathay Pacific has been batterred by the impact of coronavirus on travel, with passenger numbers down 76 percent on-year in the first six months of 2020

Hong Kong carrier Cathay Pacific said Wednesday it lost HK$9.9 billion (US$1.27 billion) in the first half of this year as the coronavirus pandemic sent passenger numbers tumbling, eviscerating its business.

Before the pandemic, Cathay Pacific was one of Asia's largest international airlines and the world's fifth-largest air cargo carrier. But it has been battered by the evaporation of global travel.

"The first six months of 2020 were the most challenging that the Cathay Pacific Group has faced in its more than 70-year history," chairman Patrick Healy said in a stark statement announcing the results.

"The global health crisis has decimated the travel industry and the future remains highly uncertain, with most analysts suggesting that it will take years to recover to pre-crisis levels."

The airline said it carried 4.4 million passengers in the first six months of 2020—a 76 percent plunge on-year—as the coronavirus burst out of central China and spread around the world.

At the height of the global lockdowns in April and May, Cathay Pacific's entire fleet was averaging just 500 passengers a day.

Cargo remained the lone bright spot, rising nine percent on-year to HK$11.2 billion. Demand was driven up by a squeeze on space for cargo, which is often carried in the holds of passenger planes.

Despite the grim results, Cathay's share price rose 12 percent on Wednesday, its biggest one-day jump since 2008.

Bloomberg News said the rally was caused by a tweet by China's state-run tabloid Global Times saying Hong Kong's airport may soon restart transfer flights to the mainland.

The paper gave no source for its tweet but investors were buoyed because transfer flights could give Cathay some much-needed extra passengers.

Unlike other big international carriers, Cathay has no domestic market to fall back on, and it was already under pressure after months of huge protests in Hong Kong last year caused passenger numbers to plunge.

It was also punished by Beijing last year when some of its 33,000 employees expressed support for Hong Kong's pro-democracy movement.

Rescue package

Healy said 2020 had started promisingly, with signs that demand was beginning to return after the sometimes-violent protests had put travellers off visiting the financial hub.

But then the pandemic struck.

In response to the health crisis, Cathay Pacific has tried to save cash by reducing capacity, cutting executive pay, introducing voluntary leave schemes and slashing other non-essential costs.

It has so far refrained from any large-scale job cuts.

Hong Kong's government also came to its rescue earlier this year with a HK$39 billion recapitalisation plan.

The deal allowed Cathay Pacific to raise some HK$11.7 billion in a rights issue on the basis of seven rights shares for every 11 existing shares held.

Preference shares were sold to the government via Aviation 2020, a new company it owns, for HK$19.5 billion and warrants for HK$1.95 billion, subject to adjustment.

In return, Aviation 2020 received two "observers" to attend board meetings.

Healy predicted little optimism for business picking up any time soon, quoting the International Air Transport Association as saying global travel is unlikely to reach pre-pandemic levels until at least 2024.

And he said Asia-Pacific airlines were likely to suffer for longer given spiralling tensions between the United States and China.

"With a global recession looming, and geopolitical tensions intensifying, trade will likely come under significant pressure," he said.

"And this is expected to have a negative impact on both air travel and cargo demand."

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