Source: Aviation Business, Asia Pacific, 8 September 2008

Strong profit, despite 'annus horribilis'

Despite turning in a three per cent uplift in profit (after tax) of $24.3 million for the year ended 31 July, Regional Express is understandably cautious in its outlook for this year: "The extreme volatility of fuel prices, exchange rate, pilot attrition, makes it impossible to provide a reliable profit forecast for the year," the airline says. "If the fuel prices and exchange rate stays within current levels and if our pilot attrition rate does not go beyond 25 per cent per annum, we believe that the Group should be able to maintain its current level of profitability." Rex's revenues and costs were both up, but the company maintains an impressive balance sheet, with cash reserves of more than $15 million and no long-term debt.

The "annus horribilis" resulted from a record pilot attrition rate of 50 per cent, which resulted in a six-fold increase in cancellation rate and capacity reductions and suspensions. But the fuel price didn't help either. Rex doesn't hedge, instead it adopts a dynamic fuel levy approach by reacting to the fuel price fluctuations more rapidly than most airlines. "Our hedge is the fuel levy," deputy chairman John Sharp says.

Rex has acquired around 4.1 million of its own shares close to the $1.07 mark under a previously announced buy-back program. Chairman Lim Kim Hai (pictured), says the buy-back will resume when the share price is right.