

Comair's interim dividend surprises market

By [Max Gebhardt](#)

13 Feb 2014

Shares in Comair rose more than 10% after the airline said on Tuesday (11 February) that it had decided to pay an interim dividend of 5c a share, not something it ordinarily does.



A tongue-in-cheek kulula plane's livery - but there was nothing tongue-in-cheek about Comair's results for the first six months of its 2014 financial year. Image: [Defence Web](#)

The operator of British Airways and low-cost carrier kulula said it had decided to pay an interim dividend after it had delivered a particularly strong first half performance for its 2014 financial year.

Headline earnings per share more than doubled to 34.3c a share when compared with the corresponding period. Revenue was up 23% to R2.9bn and operating profit was up 55% to R365m.

The company said the rise in revenue was mainly attributable to the 15% increase in capacity arising from the replacement of its Boeing 737-300s with the larger 800s and by the increase in ticket prices driven by the weakening of the rand.

It said that the four new Boeing 737-800s were introduced into the kulula fleet during the comparative period and contributed for the full six months of the first half of the current financial year.

The more fuel efficient fleet also helped Comair contain the effects of rising aviation fuel prices.

Fuel prices push up costs

The company said the fall in the rand's value against the dollar had resulted in a 14% escalation in the fuel price relative to the comparative period. It had also adversely affected the airline's US dollar-based maintenance costs.

"By December last year, the jet fuel price had reached a new high, 225% up on its previous stable level of R4 per litre in 2010," the company said in a statement.

Comair's chief executive Erik Venter said that the higher fuel cost had added R22m to the airlines cost base, adding that the domestic passenger market continued to show year-on-year shrinkage of about 5%.

"The continued devaluation of the rand has driven the rand price of fuel and dollar-based technical services to record levels, and we don't foresee growth in market volumes as ticket prices will remain at these levels to recover escalating costs. We also don't anticipate any near-term recovery in local consumer spending," Venter said.

The company was able to put in a strong cash performance, resulting in a cash balance of R695m as at the end of December last year. This came after the company had made pre-delivery payments towards its next four new Boeing 737-800s for delivery in late 2015 and 2016 and invested R140m in cash for the purchase of a previously owned 737-800.

Despite the rising cost base Venter remained optimistic about the company's prospects. He said the current after-tax profit margin of 5% leaves scope for further improvement in profitability.

"We remain well placed for the 2014 financial year despite a further 12% increase in the fuel price since December, driven mainly by the depreciation of the rand. Our travel business, flight training facility, catering business and airport lounges also show opportunities for further growth," Venter added.

For more, visit: <https://www.bizcommunity.com>