

VIRGIN REAFFIRMS GUIDANCE FOR RETURN TO PROFITABILITY IN 2015/16

News / Airlines, Finance



Virgin Australia chief executive John Borghetti says the airline group is on track to **return to profitability** in the current financial year, reaffirming previous guidance.

Borghetti told shareholders at the company's annual general meeting in Brisbane on Wednesday that Virgin was continuing to gain more higher-yielding customers and was "well advanced in reaching our goal of 30 per cent of our business coming from corporate and government by the end of FY17".

"We outlined at our 2015 financial year results in August that we expected to be profitable in 2016 and deliver a return on invested capital in line with our cost of capital – and I am pleased to confirm that we remain on track to meet this target," Borghetti said in prepared remarks.

On November 5, Virgin reported a statutory net profit after tax for the three months to September 30 2015 of \$1.7 million, bouncing back into profitability following a \$59.1 million statutory loss in the prior corresponding period.

Virgin said at the time yields – or average airfares per passenger – across both its Virgin and wholly-owned low-cost unit Tigerair Australia increased in the quarter, compared with the prior year, while underlying cost per available seat kilometre excluding foreign exchange and fuel were lower.

Borghetti told shareholders on Wednesday Virgin was on track to “achieve in excess of \$1.2 billion in cumulative cost savings by FY17, excluding fuel pricing and hedging benefits, \$200 million more than our original target of \$1 billion”.

Further, the airline had “built strong momentum” in strengthening the domestic business by improving margins and enhancing yield growth, boosting revenue at its wholly-owned low-cost unit Tigerair Australia and growing earnings at its Velocity frequent flyer business while focusing on the customer experience.

The annual general meeting is the first being chaired by new chairman Elizabeth Bryan. Singapore Airlines chief executive Goh Choon Phong and Air New Zealand chief executive Christopher Luxon, who are both directors on the Virgin board, are also in attendance.

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