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Rex recovers from dive

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REX had a drop in profitability last year but is now confident of a return to better passenger numbers with the recovering economy. *Source: Herald Sun*

REX airlines says first quarter net profit fell by 23 per cent on the same period last year but forecasts improving conditions in the next quarter.

Regional Express Holdings Ltd said today that net profit for the three months to September 30 was \$3.7 million, unaudited, down 22.9 per cent on the previous corresponding period.

Unaudited passenger revenue was down 14.6 per cent on the same period last year at \$47.5 million, while total revenue fell by 15.8 per cent to \$56.9 million.

"Rex sees the operating environment stabilising and expects the following quarter to achieve similar results to the prior year," the company said in a statement.

Deputy chairman John Sharp told the company's annual meeting on Wednesday there had been signs of a recovery in the airline sector.

"The group is unable to provide a profit guidance in light of a highly volatile economic outlook, passenger demand, exchange rate and fuel prices," Mr Sharp said.

"We are in an uncertain economic climate.

"However there are now signs of a recovery.

"Rex is well poised for whatever lies ahead having spent the last six years strengthening the business."

The airline posted a 5.6 per cent fall in net profit to \$22.98 million in the last financial year.

That result was achieved through cost controls and improved efficiency, Mr Sharp said.

Rex is free of debt and has a strong balance sheet, while its corporate and freight business Pel Air has "a small debt which will be soon paid off."

The company said its board would reassess its dividend postponement in February 2010, with the payment of an interim dividend to proceed if the situation warrants.

Rex shares were down 10 cents, or 8.62 per cent, at \$1.06 at 11.46am.