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Executive Search & Board Advisory

The Blenheim Report: The Transport & Logistics Numbers

TRANSPORT ($'000)														
Company	REVENUE HY1 FY2015	REVENUE HY1 FY2014	EBITDA HY1 FY 2015	EBITDA HY1 FY 2014	EBIT HY1 FY 2015	EBIT HY1 FY 2014	EBIT Margin HY1 FY 2015 %	EBIT Margin HY1 FY 2014 %	NPAT HY1 FY 2015	NPAT HY1 FY 2014	NPAT Margin HY1 FY 2015 %	NPAT Margin HY1 FY 2014 %	Capital Expenditure HY1 FY 2015	Capital Expenditure HY1 FY 2014
Asciano Ltd	1,933,900	1,974,900	547,700	539,400	391,100	373,400	20.2	18.9	189,700	187,500	9.8	9.5	264,300	312,200
- Pacific National	1,217,500	1,234,800	414,700	361,800	291,100	245,100	23.9	19.8						
- Terminals & Logistics	367,800	383,400	112,700	110,100	86,700	83,900	23.6	21.9						
- Bulk & Automotive	344,900	372,600	44,600	79,500	29,100	65,100	8.4	17.4						
Aurizon Holdings Ltd	1,965,000	1,959,000	739,000	674,000	486,000	423,000	24.7	21.6	308,000	263,000	15.7	13.4	552,000	417,000
- Network	530,000	521,000	324,000	315,000	218,000	217,000	41.1	41.6						
- Coal	970,000	958,000	289,000	275,000	204,000	187,000	21.0	19.5						
- Iron Ore	175,000	190,000	65,000	70,000	46,000	50,000	26.3	26.3						
- Freight	509,000	550,000	48,000	49,000	23,000	20,000	4.5	3.6						
Brambles Ltd	2,795,100	2,669,300	763,400	718,600	485,200	458,100	17.4	17.2	286,100	280,400	10.2	10.5	521,200	433,400
- Pallets America	1,180,600	1,142,400	298,100	308,000										
- Pallets EMEA	728,600	718,800	248,200	220,800										

TRANSPORT ($'000)														
Company	REVENUE HY1 FY2015	REVENUE HY1 FY2014	EBITDA HY1 FY 2015	EBITDA HY1 FY 2014	EBIT HY1 FY 2015	EBIT HY1 FY 2014	EBIT Margin HY1 FY 2015 %	EBIT Margin HY1 FY 2014 %	NPAT HY1 FY 2015	NPAT HY1 FY 2014	NPAT Margin HY1 FY 2015 %	NPAT Margin HY1 FY 2014 %	Capital Expenditure HY1 FY 2015	Capital Expenditure HY1 FY 2014
- Pallets Asia Pacific	181,400	181,000	56,900	55,000										
- Reusable Plastic Crates	471,500	440,900	118,800	108,000										
- Containers	233,000	186,200	62,800	39,800										
McAleese Group	356,800	289,600	49,500[3]	56,300[3]	26,300[3]	33,500[3]	7.4	11.6	52,500	-39,900	14.7	-13.8	n/a	n/a
-Heavy Haulage & Lifting	78,600	102,100	15,500	25,600	9,700	19,700	12.4	19.3						
-Bulk Haulage	147,700	125,800	27,200	24,200	15,600	14,900	10.5	11.8						
-Oil & Gas	85,800	161,700	7,900	9,600	3,600	2,200	4.2	1.3						
- Specialised Transport	44,700	13,200	2,500	500	1,200	100	2.6	0.7						
MMA Offshore Ltd	456,300	253,500	132,000	55,800	61,900	34,200	13.6	13.5	37,700	24,200	8.3	9.5	198,900	51,100
-Vessel Operations	404,800	176,800	120,700	35,200	55,000	20,700	13.6	11.7						
-Supply Base Operations	47,200	71,200	13,200	25,000	9,600	18,800	20.3	26.4						
-Dampier Slipway Operations	11,900	11,700	700	1,500	400	1,100	3.4	9.4						

TRANSPORT ($'000)														
Company	**REVENUE HY1 FY2015**	**REVENUE HY1 FY2014**	**EBITDA HY1 FY 2015**	**EBITDA HY1 FY 2014**	**EBIT HY1 FY 2015**	**EBIT HY1 FY 2014**	**EBIT Margin HY1 FY 2015 %**	**EBIT Margin HY1 FY 2014 %**	**NPAT HY1 FY 2015**	**NPAT HY1 FY 2014**	**NPAT Margin HY1 FY 2015 %**	**NPAT Margin HY1 FY 2014 %**	**Capital Expenditure HY1 FY 2015**	**Capital Expenditure HY1 FY 2014**
Qantas Airways Ltd	8,071,000	7,903,000			500,000	-156,000	6.2	-2.0	206,000	-235,000	2.6	-3.0	n/a	n/a
-Qantas Domestic	3,007,000	3,086,000			227,000	57,000	7.5	1.8						
-Qantas International	2,748,000	2,621,000			59,000	-262,000	2.1	-10.0						
-Jetstar Group	1,786,000	1,671,000			81,000	-16,000	4.5	-1.0						
-Qantas Freight	550,000	568,000			54,000	11,000	9.8	1.9						
Qube Holdings Ltd[4]	715,870	581,371	129,723	99,431	84,893	71,264	11.9	12.3	60,300	43,400	8.3	7.5	176,000	91,100
-Logistics	318,500	301,100	45,700	43,000	30,800	30,200	9.7	10.0						
-Ports & Bulk Division	382,400	265,100	79,200	50,400	45,500	32,200	11.9	12.1						
Toll Holdings Ltd	4,407,300	4,523,200	377,500	390,500	248,800[1]	259,300[1]	5.6	5.7	136,600	175,900	3.1	3.9	251,900	204,900
-Global Resources & Government Logistics	717,000	809,000			59,000[2]	67,000[2]	8.2	8.3						
-Global Logistics	728,000	728,000			61,000[2]	54,000[2]	8.4	7.4						

TRANSPORT ($'000)														
Company	REVENUE HY1 FY2015	REVENUE HY1 FY2014	EBITDA HY1 FY 2015	EBITDA HY1 FY 2014	EBIT HY1 FY 2015	EBIT HY1 FY 2014	EBIT Margin HY1 FY 2015 %	EBIT Margin HY1 FY 2014 %	NPAT HY1 FY 2015	NPAT HY1 FY 2014	NPAT Margin HY1 FY 2015 %	NPAT Margin HY1 FY 2014 %	Capital Expenditure HY1 FY 2015	Capital Expenditure HY1 FY 2014
-Global Forwarding	842,000	795,000			20,000[2]	14,000[2]	2.4	1.8						
-Global Express	1,106,000	1,130,000			66,000[2]	68,000[2]	6.0	6.0						
-Domestic Forwarding	997,000	1,045,000			67,000[2]	81,000[2]	6.7	7.8						
Virgin Australia Holdings Ltd	2,377,500	2,242,100	200,600	127,800	54,300	-6,000	2.3	-0.3	-53,100	-74,300	-2.0	-3.3	n/a	n/a
-Domestic	1,832,600	1,694,100	190,200	89,000	103,800	25,900	5.7	1.5						
-International	596,000	589,700	10,400	38,800	-49,500	-31,900	-8.3	-5.4						

[1]Toll Holdings have reported Operating EBIT.
[2] Toll Holdings have reported EBITA excluding individually significant item, includes profits from associates.
[3]McAleese have reported Trading EBITDA and Trading EBIT which is before significant items.
[4]Qube Reported Underlying values for the Group and their Divisions.

PROFIT GUIDANCE

Japan Post's $6.5b offer for Toll approved by FIRB
The Sydney Morning Herald
19 MAR 2015

Japan Post's proposed $6.5 billion takeover offer of logistics group Toll Holdings has taken a step forward after being approved by the Foreign Investment Review Board. Treasurer Joe Hockey approved the deal on Thursday.

"The government welcomes foreign investment where it is not contrary to our national interest," Mr Hockey said. "Foreign investment has helped build Australia's economy and will continue to enhance the well-being of Australians by supporting economic growth and prosperity."

Japan Post now needs to secure approval from Toll's shareholders to complete the takeover. A shareholder meeting to vote on the offer will be held in May. Analysts have recommended that investors accept the bid of $9.03 in cash, given its 53 per cent premium to Toll's three-month volume weighted average price. About one-third of Toll's shareholders are retail investors. Toll chairman Ray Horsburgh said he expected a "successful and speedy" conclusion to the transaction.

Japan Post is owned by the Japanese government, which is planning to float the postal group within the next 12 months. The Japanese government has not specified exactly how much of Japan Post it plans to sell, but is considering retaining about one-third of the postal group's shares after it is floated.

Toll's shares closed on Thursday at $8.79.

http://www.smh.com.au/business/japan-posts-65b-offer-for-toll-approved-by-firb-20150319-1m35mr.html#ixzz3UtbmwQqp

The five reasons Qantas is back in the black
The Sydney Morning Herald
26 FEB 2015

It has only been a year since Prime Minister Tony Abbott ruled out the prospect of a federal bailout for the then-ailing national carrier, Qantas Airways. At that time, the airline was making headlines for all the wrong reasons, including plans to sack 5000 staff over a three-year period as it dealt with a triple-whammy from high fuel prices, a domestic fight with Virgin Australia Holdings and an influx of capacity from international rivals.

"We are facing some of the toughest conditions Qantas has ever seen," chief executive Alan Joyce said last February.

Fast forward 12 months, and Qantas is now firmly back in the black, reporting a $367 million underlying profit before tax in the first half. To the delight of investors, the share price has more than doubled to trade at the highest levels since 2010 and there are smiles all around at the airline's Mascot headquarters near Sydney Airport.

"I'm very happy for Qantas employees and Qantas customers as a consequence of these results," Joyce said on Thursday.

UBS has forecast Qantas could report underlying earnings of $1 billion for the full year.

These are the five key factors behind the airline's quick turnaround.

1. Cost-cutting
When Qantas in February announced its plans to transform its business by cutting $2 billion of annual costs over three years, many analysts thought the target was overly ambitious in light of the airline's track record on such initiatives. And given the airline's history of poor relations with much of its unionised workforce, few imagined it would be able to push through its proposal for an 18-month pay freeze in every enterprise bargaining agreement that came up for negotiation. But to date, Qantas has proven highly successful in achieving major cost savings reaching $374 million in the first half, up from a prior estimate of $350 million. For the full year, it should achieve $675 million of cost savings, which more than with the $646 million annual pretax underlying loss it reported last year.

2. Lower oil price and the end of the carbon tax
The halving of the oil price since July only resulted in a $33 million benefit in the first half of the financial year, due to the timing of the fall and the fact the airline had hedged much of its exposure to fuel. But the second-half gain is expected to be far more substantial, with Qantas saying its total fuel bill for the financial year will be less than $4 billion, compared with $4.5 billion last year. That means savings of more than $450 million in the second half. In addition, Qantas will receive a $120 million full-year benefit from the removal of the carbon tax.

To date, Qantas has chosen to keep the majority of the gains from the lower oil price rather than pass it on to consumers in the form of lower ticket prices. For its normal fares, airline will remove the fuel surcharge but instead raise the base fare by an equivalent amount. Qantas loyalty program members redeeming their frequent flyer points for tickets will receive a benefit in the form of an average 14 per cent fall in fuel surcharge on some routes, including flights to the US, Asia, South America and South Africa. It has yet to lower the surcharge on routes covered by its partnership with Emirates, including the Middle East, Europe and North Africa.

3. Lower depreciation charges
In August, Qantas took a $2.6 billion -write-down on the value of its fleet alongside its full-year results, which was one of the major factors in the airline reporting a record $2.8 billion bottom-line loss that Joyce described as "confronting".

The airline took the impairment because changes to the Qantas Sale Act passed last year allowed it to split its international division into a new corporate entity. Eventually, it could sell as much as 49 per cent to an interested foreign party. There are no plans for that in the near term, but it has allowed Qantas to assign more realistic values to its international aircraft, which previously had not been written down because they were shielded by the high value of the domestic fleet. This lowered Qantas's net tangible asset base but will allow it to save $250 million annually on depreciation, including $200 million in its international division. Qantas surprised with even lower depreciation charges than expected in the first half as a result of the retirement of ageing Boeing 767 aircraft. In total, it expects depreciation charges of $1.1 billion this financial year, compared with $1.42 billion last year. That means the bigger depreciation benefit was realised in the first half.

4. End of domestic capacity war
The change in the competitive environment has been a big positive for Qantas. Previously, capacity in the domestic market had been rising well ahead of demand when Qantas had stubbornly tried to maintain a line in the sand at 65 per cent market share. But in May, after Virgin Australia Holdings stopped adding capacity for a few months, Qantas declared it would leave its capacity flat. The truce has resulted in Qantas filling more seats on aircraft. Its yields, or returns on airfares, have risen in the domestic market since September. Virgin last week reported a 3 per cent improvement in its domestic yields in the first half, showing both airlines have gained financially from giving up the fight.

5. Less international competition
The international capacity outlook is also improving, with rivals lowering their growth rate into Australia as a result of the lower dollar. For months, Qantas International has reported rising yields, with improvements seen on the majority of its routes. In November, the number of seats available on international flights to and from Australia fell by 0.7 per cent compared with the year-earlier month, government data shows. That compares with an overall 46 per cent increase in international competitor capacity since 2009.
In December, Qantas said the international division, which has not been profitable since the financial crisis, was expected to break even on an underlying basis in the first half of the financial year and on Thursday it reported a $59 million first-half EBIT. Virgin's international arm last week reported a $49.5 million EBIT loss for the same period, but it is more heavily exposed to highly competitive leisure routes in south-east Asia that are served by Jetstar rather than Qantas International. But Qantas said Jetstar International and also been profitable, with EBIT of $51 million due to network changes and the introduction of the fuel efficient Boeing 787.

http://www.smh.com.au/business/aviation/the-five-reasons-qantas-is-back-in-the-black-20150226-13nbws.html#ixzz3UtduqGFT

Qube presses ahead with Moorebank as profit rises 33pc
The Australian
25 FEB 2015

QUBE Holdings will finalise legal agreements for development of the $1 billion Moorebank freight terminal next month, as shares in the logistics company spiked more than 7 per cent after it reaffirmed guidance that both operating -divisions would deliver revenue and earnings growth this year.

Announcing a 33 per cent increase in interim profit to $54.7 million, chief executive Maurice James said the business was generating strong cashflow, which was supporting investment in growth initiatives and further diversification in Qube’s markets and logistics activities. The company invested $176m in facilities, equipment and acquisitions in the half year, with between $300m and $350m in capital expenditure expected over the full 12 months.

“The longer-term development of the Moorebank project is expected to be a transformational project for Qube that will deliver significant growth opportunities for Qube’s existing logistics activities, as well as create new attractive growth options through property and warehousing--related activities that complement the logistics operations at Moorebank,” Mr James said.

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) rose 30 per cent to $129.7m, exceeding the consensus estimate of $124m. The shares jumped 19c, or 7.2 per cent, to a record $2.83, after reaching an intraday high of $2.90.

A Credit Suisse note cited stronger than expected EBITDA, with working capital also exceeding estimates by about $25m.

Mr James said market conditions remained “very challenging”, with Qube continuing to “grind it out”. “I think the difficulty is the hostile Senate and general business uncertainty, so it’s a bit hard to see a catalyst (for any improvement).”

Despite this, underlying EBITA in the logistics division expanded by 3.5 per cent to $32.2m, with acquisitions and investments helping ports and bulk to lift EBITA by 40 per cent to $47.8m.

Mr James said there was continued strong growth in ports and bulk, even with the volatility in commodity and oil and gas prices, and pressure on rates and supply- chain costs from bulk customers. The logistics result was solid, he said, given flat port container volumes.

Earnings and margins were also impacted by several factors including construction activity at the container stevedoring terminals at Port Botany. This resulted in additional costs to Qube’s rail and road operations to meet service commitments to customers.

Mr James said the second half would be better due to a full contribution from the acquisition of CRT, which provides specialised bulk freight haulier services, as well as productivity improvements and no one-off costs.

In relation to Moorebank, Qube said in December it had agreed terms with the commonwealth-owned Moorebank Intermodal Company for a whole-of-precinct development involving MIC’s Moorebank land, as well as land owned by Qube and Aurizon. The agreement, subject to approvals, is expected to optimise capacity, efficiency and reduce capital costs.

http://www.theaustralian.com.au/business/companies/qube-presses-ahead-with-moorebank-as-profit-rises-33pc/story-fn91v9q3-1227237678779

Brambles brushes off oil price plunge as US heats up
The Sydney Morning Herald
23 FEB 2015

Brambles chief executive Tom Gorman said the oil price collapse does not change his positive view of the oil and gas sector as he vowed to meet cost inflation in his United States pallets business head on. In September, Brambles spent £312 million ($612 million) acquiring Ferguson Group, a Scottish supplier of containers to the oil and gas industry. When the deal was announced, Brent crude oil, the global benchmark, was fetching about $US100 a barrel. It is now near $US60 a barrel, tempering the outlook for industry and its service providers. But Mr Gorman said Ferguson's customers, around 43 per cent of whom operate in the North Sea, are well placed on the cost curve and are profitable at current oil prices.

"To be clear, we like the company [Ferguson] and we like the oil and gas business. We are really pleased with the company and the growth that we think is there."

He said that while customers will be more aggressive in pricing conversations in a weaker oil price environment, there has been no material change in outlook or guidance for Ferguson. Ferguson only accounts for around two per cent of Brambles' revenue, but the acquisition did raise some questions about the group's capital allocation and strategy.

Mr Gorman also hinted that Brambles may take advantage of the weaker market and make further acquisitions in oil and gas services.

"In a downturn or period of volatility, there is an opportunity for those who are able to take advantage," he said.

His comments come as Brambles reported a 6 per cent rise in underlying first-half profit to $US485.2 million ($618 million). Revenue for six months to December 31 rose 5 per cent to $US2.8 billion.

UBS analyst Simon Mitchell said the result was "largely in line with expectations", as weak performance in the pallets America business was offset by stronger earnings in emerging markets.

Under its CHEP and IFCO brands, Brambles supplies pallets, reusable plastic crates, and intermediate bulk containers to retailers, consumer goods and manufacturing businesses to help manage their supply chains. Looking at the groups operating in more than 50 countries, Mr Gorman said that the United States economy is by far the most promising, while the Euro Zone is stagnant.

"Of the major markets, the most positive story is the US. We have seen improvement now for the last couple of periods. Full-year GDP growth is at 2.5 per cent, consumer confidence has improved significantly, and the unemployment rate has declined," he said. "The UK is also a good news story. In the emerging markets, the best story is India. Europe is still somewhat muted."

While the US market, where Brambles derives around 37 per cent of its revenue, is starting to fire up, increased maintenance costs to keep pallets in good condition and spiking freight costs weighed on US earnings in the half. Brambles has successfully extended the average life of pallets in its pool and is losing less pallets, but the older pallets require heavier maintenance.

"We will reduce our operating expenses with design changes. That process is ongoing and underway," Mr Gorman said.

US freight expenses are rising as the economy grows and demand for trucking increases. US government restrictions on truck driver hours and more stringent drug testing has also reduced total trucking hours.

Brambles reaffirmed its full year guidance for constant-currency revenue growth of 8 to 9 per cent and underlying profit of between $US1,055 million and $US1,085 million. Brambles declared in interim dividend of 14¢ per share. Brambles shares shed 2¢ to $10.70 on Monday.

http://www.smh.com.au/business/brambles-brushes-off-oil-price-plunge-as-us-heats-up-20150223-13lvcm.html#ixzz3UtkOPwp4

McAleese Makes Ground In Turnaround Task
Australasian Transport News
23 FEB 2015

With a first half profit under its belt, McAleese looks to be shifting to a better place after a troubled start to its listed life. A $52.5 million net profit after tax (NPAT) will ease the pain of last year's $37.9 million first half loss, albeit with an 8.4 per cent revenue reversal to $357 million. The view from the top was suitably sober given the state of the mining market, non-operational aspects of the result and the work that needs to be done in its heavy-lift segment.

Asset sales during the period generated $86.8 million in net proceeds and included divestment of Liquip International and Beta Fluid Systems for $68.3 million and the sale of surplus Cootes Transport and Heavy Haulage & Lifting (HH&L) division equipment at $9.8 million and $8.3 million respectively.

"Despite difficult conditions within some of our key end markets, we have delivered a result that was on plan for the period," managing director and CEO Mark Rowsthorn says. "Our near term focus is to continue to enhance our existing operations, to extract efficiencies and further strengthen our capital structure. As the outlook for our key end markets stabilise it remains our intention to diversify our operations into new activities and geographies."

Those difficult conditions failed to stop the group picking up Queensland outfit Busby Transport for $1.58 million or its $3 million purchase of 50 per cent of Heavy Haulage Australia or the remaining 25 per cent of National Crane Hire for $4 million.

Overall, the Group generated operating cash flow of $24.6 million, and invested $42.9 million in capital expenditure, with investment in new fleet for the Bulk Haulage division and existing Cootes Transport fleet upgrades the primary areas of investment. Bulk haulage brought in $147.7 million, up 17.4 per cent compared with $125.8 million for earnings before interest and tax (EBIT) of $15.6 million, up 4.8 per cent against the earlier $14.9 million. However, heavy haulage and lifting saw revenue fall $78.6 million, down 23.1 per cent against $102.1 million, with EBIT down 51 per cent from $19.7 million to $9.7 million.

McAleese's diversification into less-than-container-load (LTL) linehaul through WA Freight Group (WAFG) turned a first EBIT of $1.2 million on revenues of $44.7 million, with the company saying "continued to be affected by the slowdown in the Australian manufacturing and resources sectors amid subdued general freight activity".

The wisdom of ditching non-performing contracts in the fuel division was born out, with revenue almost halving from $161.7 million to $85.8 million but EBIT up 65 per cent from $2.2 million to $3.6 million.

The long tail of Mona Vale accident costs from Cootes continued but were down to $2 million from $11.4 in the previous first half but New South Wales Roads & Maritime Services (RMS) show cause and Improvement notices have been lifted in December.

http://www.fullyloaded.com.au/industry-news/1502/mcaleese-makes-ground-in-turnaround-task/

MMA's profit up, outlook soft
The West Australian
23 FEB 2015

MMA Offshore, formerly Mermaid Marine, has posted a 55.8 per cent jump in first-half profit to $37.7 million on the back of its acquisition of Singapore's Jaya group. However the company's shares fell on a lower interim dividend and expectations of a weaker second half result because of the recent dive in world oil prices.

Revenue was up 80 per cent on the previous corresponding period to $456.3 million and EBITDA was up a massive 136.6 per cent to $132 million. The company declared an interim dividend of four cents a share, down from 5.5 cents in the previous corresponding period.

Chairman Tony Howarth admitted the recent plunge in the oil price had had a dramatic impact on the sector globally with oil and gas majors reacting by curbing capital expenditure and seeking to reduce their operating costs. However he noted the Australian construction market was less affected because most of the current offshore support work related to the construction of large LNG projects which had already been sanctioned and were well into the construction phase.

"The international market is expected to be challenging in the current environment with pressure on rates and utilisation across all vessel segments," he said.

Managing director Jeffrey Weber said the Dampier Supply Base continued to experience lower demand as a result of reduced Gorgon construction activity.

"Whilst there is no doubt that the current market is as challenging as we have seen for many years, we are still continuing to see activity in all regions with tenders being released for new and existing work, albeit in a highly competitive market," he said. Cost reduction and productivity improvement measures are underway as the company looks to optimise the business for the future. We expect activity in the second half to be weaker as a result of reduced Australian construction activity as the Gorgon project moves to completion, combined with the impact of lower oil prices. However, the business generated strong cash flow in the first half and the balance sheet is solid so we are in a good position to weather the storm."

MMA shares were off five cents, or 4.83 per cent, to 98.5 cents at the close.

https://au.news.yahoo.com/thewest/a/26400629/mmas-profit-up-outlook-soft/

Virgin Australia Holdings Ltd posts $53 million loss
The FINANCIAL
19 FEB 2015

Virgin Australia Group Chief Executive Officer John Borghetti said: “Virgin Australia Group’s results for the first half of the 2015 financial year reflect a significant improvement in financial performance. This has been driven primarily by the Group’s continued progress in driving yield growth in the domestic market and the disciplined execution of our five-year $1 billion cost reduction program, both of which are central parts of the Virgin Vision strategy. The Group has succeeded in driving domestic yield growth despite ongoing subdued consumer sentiment which continues to impact overall demand. The performance of the international business has been impacted by increased competitive pressure in key international markets. Virgin Australia Group will be implementing a series of initiatives to improve the performance of this business.

“Virgin Australia Group saw a benefit of approximately $3 million from the decline in oil prices in comparison to the first half of the 2014 financial year, due to the nature of the hedging program we have in place. This reflects an adverse variance of approximately $4 million in the first quarter of the 2015 financial year and a gain of approximately $7 million in the second quarter. While the unit cost for fuel was broadly in line with market rates for the first half of the 2015 financial year, the Group derived a strong hedging benefit in the prior corresponding period which impacted the year on year benefit. Based on Virgin Australia Group’s current hedging position and market rates, the Group expects to see further benefit in the second half of the 2015 financial year.

“Our loyalty program Velocity Frequent Flyer has continued its strong growth trends in terms of member acquisition and member engagement, with membership now at 4.8 million. We completed the sale of a 35 per cent stake in the program to Affinity Equity Partners during the first half, launched unique partnerships with Australia Post and Aussie Home Loans and announced an Australian-first partnership with one of the country’s largest fuel retailers, BP.

“Tigerair Australia has delivered an improvement in financial performance, recording a $6.7 million reduction in Loss Before Tax on the prior corresponding period and achieving profitability in the second quarter of the 2015 financial year. We expect to see continued year on year improvement.

“Strengthening our balance sheet is a key priority and the business achieved a strong total cash position of $1.1 billion in the first half of the 2015 financial year, up from $783.8 million at 30 June 2014. The Group also diversified funding sources through the successful pricing of its first issue of unsecured notes in the international debt capital markets, despite challenging conditions in those markets.

“Our people and their willingness to go above and beyond for our customers remains central to our ability to differentiate the Virgin Australia Group in the market. I would like to thank each and every one of our team members for their dedication to our business and to the successful execution of the Virgin Vision strategy”, Mr Borghetti said.

Conclusion and Outlook

“Virgin Australia Group is now six months into the Virgin Vision 2017 strategy and the Group is on track on all key initiatives. “We will continue to remain customer focused, and by doing so, we will be a more resilient and efficient business, with a stronger balance sheet, better yields and a diversified earnings base. “As a result, we expect an improved performance in the second half of the 2015 financial year compared to the second half of the 2014 financial year. However, due to current market conditions, we are not able to provide more specific guidance”, Mr Borghetti said.

http://finchannel.com/index.php/business/travel-news/item/40301-virgin-australia-holdings-ltd-posts-53-million-loss

Fuel price fall to lift airline profits, says Moody's
Australian Financial Review
19 JAN 2015

Global airline profit margins are poised to expand significantly this year as a result of the falling fuel price, in part because only some of the gains are likely to be passed onto consumers in the form of lower airfares, according to a Moody's report. The ratings agency said airlines were likely to use the windfall from the fuel price fall to reduce debt, purchase aircraft and increase returns to shareholders rather than to significantly grow their fleets to wage market share battles.

"We expect airlines in the mature markets of the US, Australia and, to a lesser degree, Europe to continue to balance capacity growth with passenger demand as part of their quest to earn acceptable financial returns," Moody's said in the report, which raised its outlook for the global industry to "positive" from "stable".

Moody's said the recent pull-back in capacity growth in the Australian market should help Qantas Airways and Virgin Australia Holdings report improved financial results this year. The ratings agency has maintained its Ba1 rating with a "negative" outlook on Qantas and its B2 rating with a "stable" outlook on Virgin.

Moody's said operating profit margins for the global airline industry were poised to expand to 12 to 14 per cent this year from an estimated 8.5 to 9.5 per cent last year, in part because the fall in the oil price that could bring $US35 billion of benefits to global carriers after the effects of hedging and the weakening of currencies against the US dollar.

US carriers are forecast to benefit the most from the falling oil price because their record load factors, or percentage of seats filled, combined with sustained demand lessen the incentive to reduce fares.

Moody's said it expects a decline in fares for long-haul flights, particularly in Asia, because fuel surcharges were regulated by governments including China and Japan.

Qantas and Virgin both impose hefty fuel surcharges on international flights and neither has reduced them despite the fall in the oil price.

The fees are not regulated by the government, but Australian Competition and Consumer Commission chairman Rod Sims last week said the regulator was trying to determine whether the airlines had engaged in deceptive and misleading conduct relating to the fuel surcharges. He said the results of an investigation should be known within a few months.

Moody's said Qantas and Virgin had experienced some of the weakest profits of any of the airlines it rated as a result of their battle for market share. But both airlines are now keeping capacity steady, in a move that analysts expect will boost their financial results this year.

CIMB this month said it expected Qantas to report a $715 million pre-tax profit this financial year, but Virgin would report a $9 million pre-tax loss, in part due to ongoing losses from budget subsidiary Tigerair Australia.

http://www.afr.com/business/transport/aviation/fuel-price-fall-to-lift-airline-profits-says-moodys-20150119-12t8y5

Rail freight firm Aurizon doubles profits to $308m
ABC Online
15 FEB 2015

Rail freight operator Aurizon Holdings has more than doubled its half-year profit to $308 million for the six months to December 2014.

Underlying earnings, which strip out one-off items, grew by a more modest 15 per cent because profits in the half year ended December 2013 were affected by redundancy costs and asset write-downs.

Aurizon chief executive officer Lance Hockridge said the result was driven by cost control and productivity improvement in a low-growth environment.

The company said trading conditions remained subdued, but its forecast for coal haulage this financial year was unchanged at 210-220 million tonnes.

Iron ore haulage was expected to reach 23 million tonnes for the year.

Aurizon, known as QR National before being publicly listed, increased its interim dividend by 26 per cent to 10.1 cents per share.

The company's stocks fell 0.9 per cent on the ASX in the first hour of the session.

http://www.abc.net.au/news/2015-02-16/rail-freight-firm-aurizon-doubles-profits/6116270

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ABN 21 160 009 236

Level 14, 9 Castlereagh St, Sydney NSW 2000

p +61 2 9253 0950

w blenheimpartners.com