FLYBE CEO ON JOINT VENTURES: NO THANKS

News / Airlines

Flybe Group Plc, Europe's biggest regional airline, wants to expand code-sharing agreements with long-haul carriers to boost passenger numbers after barely breaking even in its last fiscal year.

Flybe stock fell to an 11-month low after Chief Executive Officer Saad Hammad said the U.K. carrier earned a "wee" pretax profit in the 12 months through March. He said the figure in line with estimates from analysts, who were predicting earnings of 3.3 million pounds ($4.6 million), according to a Bloomberg survey. The company is scheduled to release detailed financial figures in June.

The CEO is trying to restore earnings after the breakup of an unprofitable joint venture with Finnair OYJ contributed to a 35.6 million-pound pretax loss in the year through March 2015. Hammad said in a phone interview Thursday that a decline in the proportion of seats filled in the fourth quarter of fiscal 2016 stemmed from recent terrorist attacks in Paris and Brussels that deterred travelers.

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“The operating environment is still very difficult and uncertain” following the attacks, and Flybe faces other challenges as it’s not fully hedged against shifts in the pound-dollar exchange rate or oil prices, Wyn Ellis, an analyst at Numis Securities Ltd., said by phone.

Flybe fell as much as 16 percent to 53.75 pence, the lowest intraday price since May 2015, and was down 9 percent as of 11:53 a.m. in London. The stock has dropped 36 percent this year, valuing the airline at 126.2 million pounds.

The company wants to bring the number of code-sharing airline partners into double digits from nine now after existing deals generated about extra 500,000 passengers in the fiscal year, Hammad said.

The carrier, whose destinations stretch from Scotland and Norway to Spain and Bulgaria, signed a code-sharing agreement with Virgin Atlantic Airways Ltd. last month, building on accords with other carriers including Dubai-based Emirates, IAG SA’s British Airways and Air France-KLM Group. Flybe will limit future cooperation to code-sharing, which enables partners to book seats on each other’s flights and split revenue, because full-fledged joint ventures are too complex, Hammad said.

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