JUNEYAO AIR AIMS TO DOUBLE FLEET AS DISNEY LANDS IN SHANGHAI

News / Airlines



Juneyao Airlines Co. aims to double its fleet by 2020, expecting the mid-year opening of Disney's Shanghai park and more tourist travel to further drive flight demand as the privately run Chinese carrier considers joining a global alliance.

"The potential for growth is huge," company Chairman Wang Junjin told reporters Sunday on the sidelines of the National People's Congress in Beijing. "In a country with a population of 1.3 billion people, there were only something more than 400 million passenger trips made last year."

The Shanghai-based carrier, which Wang says has been China's most punctual since November, expects to grow its fleet to 100 from the current 50. The airline, whose Chinese name means "fortune," has been in talks with alliances without a presence in Shanghai and will make a decision whether to join one by the end of this year, he added.

As China rebalances its economy toward consumer spending after annual expansion slowed, the government is building scores of airports to facilitate growing air travel demand as the middle class

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expands. Passenger traffic rose 11.4 percent last year in China to 440 million trips, according to the aviation administration. It has projected 485 million passenger trips this year, with privately-run airlines seen better positioned to capture growth with nimble management and an efficient cost base.

Shares Surge

Shares of Juneyao Air and low-cost carrier Spring Airlines Co. have surged since they listed in Shanghai last year. Juneyao's share price has almost tripled since its May 27 debut, while Spring has increased more than 360 percent since listing in January of last year.

Juneyao was named after the oldest of the three Wang brothers, Wang Junyao, who made the family's first fortune selling flavored milk and yogurt to children in the 1990s, but passed away in 2004 before the carrier started operations in 2006. The brothers were born in a village on the outskirts of the eastern Chinese coastal city of Wenzhou.

At 23.6 percent, Juneyao's return on equity is second only to Spring Air's 28.1 percent among carriers based in mainland China, with both carriers beating most full-service and low-cost rivals in the Asia-Pacific region, according to data compiled by Bloomberg. Of the Big Three state carriers, China Eastern Airlines Corp. has the most attractive return on equity at 12.5 percent, with the fourth-largest Chinese carrier Hainan Airlines Co. garnering 9.3 percent.

In the first two months of 2016, Juneyao's revenue grew 40 percent from the same period a year ago, Wang said Sunday. This builds on its strong showing of the last three years -- Juneyao's passenger revenue has jumped almost 88 percent, while Spring Air's has risen by 60 percent, according to data compiled by Bloomberg.

Russia, Thailand

Wang said Juneyao is expecting to receive as many as 10 new aircraft in 2016, mostly Airbus Group SE's narrow-body A321 jets as he seeks to add routes in Thailand and Russia. Domestically, Wang expects the demand for Disneyland in Shanghai to shape some of the new routes this year.

Juneyao Air previously issued guidance that its 2015 net profit will likely rise by as much as 160 percent from 427.7 million yuan ($65.9 million) the year before, citing lower fuel prices, high growth in the air transportation market and the company's rising operation efficiency. The carrier is due to report earnings in April.

Wang said he expects the carrier's low-cost unit 9 Air to break even in 2016, with an earnings "surprise" from the Guangzhou-based airline expected only next year. He said 9 Air could start operating international flights from the second-half of this year, with Southeast Asia destinations most likely.

"China Southern Air's international flights are more long-haul, we are looking to tap the shorter haul destinations," Wang said.

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