HSBC Global Research

7 February 2022

Cathay Pacific (293 HK)

Upgrade to Buy: Finally, it's time to board

Equities
Airlines

Hong Kong

- With pax capacity at as low as 2% and cargo at 20%, the only way is up for CX from here on, we argue
- CX is well positioned with elevated cargo yield, strong pent-up demand for pax, rebased costs and favourable fuel hedging
- We cut our profit forecasts but still expect 13% ROE in 2023e. Upgrade to Buy (from Hold) with TP of HKD8.00 (from HKD7.00)

A surprise profit in 2H21: On 24 January 2022, Cathay Pacific (CX), reported that it expects a loss (before preference dividends) of HKD5.60-6.10bn for FY21 which implies a profit of HKD1.5-2.0bn in 2H21e vs our and consensus expectations for a rather significant loss. This is despite the fact that it handled less than 5% of passengers (RPK) vs 2H19 courtesy of relatively strong cargo (84% of 2H19). This not only reflects a strong yield performance but also CX's efforts towards rebasing its cost base. We take a lot of comfort on its 2022-23e outlook from its 2H21 performance.

As strict as it gets: Cathay is operating at a level (20% of its pre-pandemic capacity and passenger flights have reduced to around 2% of their pre-pandemic capacity) which is even weaker than April-June 2020 when international travel was almost entirely shut. While it is difficult to say how and when will these restrictions will be lifted even partially, assuming the current trend continues, CX management expects these capacity levels to result in an operating cash burn of HKD1.0-1.5bn per month from February 2022, similar to the level seen in 2H20. Given its recapitalisation in 2021, CX can sustain a prolonged downturn without need for further capital, in our view.

Only way is up. We now forecast CX to return to profit in 2022 and generate double-digit ROE in 2023e. This is on the back of international RPK returning to 15% of 2019 level and 60% in 2022e and 2023e, respectively. On the cargo front, we are more optimistic and expect it to handle 69% and 90%, respectively. While it's difficult to pinpoint the timing of the reopening of international travel, there is little doubt about the trajectory especially from next year, as restrictions would have been in place for three years in a row, fuelling a very strong pent-up demand. Therefore, we firmly believe yields on both cargo and pax compared to pre-COVID-19 levels will be significantly higher. It is important to note that CX's hedging strategy would yield them gains given the current level of jet fuel (cUSD100/barrel) while it managed to rebase its cost structure in the past few years which sets the stage for a sharp recovery. We also illustrate a scenario where higher pax traffic recovery in 2023 (85% of 2019) could lift CX's earnings by 49% and ROE by 6ppt (Exhibit 9).

Upgrade to Buy (from Hold) with a higher target price of HKD8.00 (from HKD7.00): We now value CX based on a slightly higher multiple of 1.1x 2022e PB which is 1.5 SD above the mean consensus 12-month forward PB since mid-2011. **Key risks:** Further escalation of the COVID-19 virus outbreak could delay international travel recovery, sharp erosion in cargo yields and shortage of pilots could limit capacity expansion.

UPGRADE TO BUY

TARGET PRICE (HKD)	PREVIOUS TARGET (HKD)
8.00	7.00
SHARE PRICE (HKD)	**UPSIDE/DOWNSIDE**
6.44	+24.2%

(as of 28 Jan 2022)

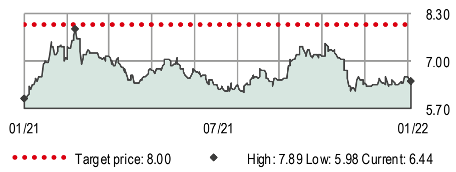
MARKET DATA

Market cap (HKDm)	41,456	Free float	15%
Market cap (USDm)	5,319	BBG	293 HK
3m ADTV (USDm)	4	RIC	0293.HK

FINANCIALS AND RATIOS (HKD)

Year to	12/2020a	12/2021e	12/2022e	12/2023e
HSBC EPS	-2.73	-0.90	0.13	1.00
HSBC EPS (prev)	-2.73	-1.56	0.47	1.11
Change (%)	0.0	42.8	-72.0	-9.7
Consensus EPS	-3.90	-1.49	0.13	0.63
PE (x)	nm	nm	49.2	6.4
Dividend yield (%)	0.0	0.0	1.4	6.8
EV/EBITDA (x)	17.5	6.3	3.6	2.1
ROE (%)	-20.7	-8.2	1.3	9.1

52-WEEK PRICE (HKD)



Source: Refinitiv IBES, HSBC estimates

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Financials & valuation: Cathay Pacific

Buy

Financial statements

Year to	12/2020a	12/2021e	12/2022e	12/2023e
Profit & loss summary (HKDm)				
Revenue	46,934	45,417	60,362	103,593
EBITDA	4,906	13,442	19,678	22,616
Depreciation & amortisation	-14,599	-13,099	-13,270	-13,537
Operating profit/EBIT	-9,693	343	6,408	9,079
Net interest	-2,895	-2,445	-2,222	-1,891
PBT	-22,321	-6,183	1,948	7,923
HSBC PBT	-13,870	-5,280	1,948	7,923
Taxation	674	150	-502	-863
Net profit	-21,876	-6,619	842	6,457
HSBC net profit	-14,083	-5,761	842	6,457
Cash flow summary (HKDm)				
Cash flow from operations	-8,696	6,018	14,949	22,196
Capex	-5,418	-3,374	-1,523	-1,675
Cash flow from investment	-11,758	-3,374	-1,523	-1,372
Dividends	0	0	-708	130
Change in net debt	-8,608	-4,938	-14,841	-23,105
FCF equity	-14,114	2,643	13,427	20,522
Balance sheet summary (HKDm)				
Intangible fixed assets	15,061	15,381	15,740	16,142
Tangible fixed assets	131,925	121,880	109,774	97,509
Current assets	27,567	34,670	40,232	55,913
Cash & others	19,341	27,447	31,716	42,249
Total assets	204,574	198,774	190,352	194,604
Operating liabilities	38,184	35,250	37,264	47,500
Gross debt	93,129	96,297	85,725	73,152
Net debt	73,788	68,850	54,009	30,904
Shareholders' funds	73,257	67,223	67,357	73,944
Invested capital	117,028	109,234	96,766	79,816

Ratio, growth and per share analysis

Year to	12/2020a	12/2021e	12/2022e	12/2023e
Y-o-y % change				
Revenue	-56.1	-3.2	32.9	71.6
EBITDA	-73.6	174.0	46.4	14.9
Operating profit	-371.5		1770.8	41.7
PBT	-1140.6			306.7
HSBC EPS	-793.5			666.6
Ratios (%)				
Revenue/IC (x)	0.4	0.4	0.6	1.2
ROIC	-8.4	0.3	6.2	10.3
ROE	-20.7	-8.2	1.3	9.1
ROA	-10.3	-3.0	0.7	3.7
EBITDA margin	10.5	29.6	32.6	21.8
Operating profit margin	-20.7	0.8	10.6	8.8
EBITDA/net interest (x)	1.7	5.5	8.9	12.0
Net debt/equity	100.7	102.4	80.2	41.8
Net debt/EBITDA (x)	15.0	5.1	2.7	1.4
CF from operations/net debt		8.7	27.7	71.8
Per share data (HKD)				
EPS Rep (diluted)	-4.24	-1.03	0.13	1.00
HSBC EPS (diluted)	-2.73	-0.90	0.13	1.00
DPS	0.00	0.00	0.09	0.44
Book value	8.35	7.32	7.34	8.37

Key forecast drivers

Year to	12/2020a	12/2021e	12/2022e	12/2023e
Capacity growth (ATK) %, y-o-y	-56	-22	13	93
Traffic (RTK) %, y-o-y	-58	-16	14	85
Overall load factor	70	76	76	73
Change in overall yield %, y-o-y	-2	18	20	-5
Change in unit costs per ATK %, y-o-y	27	3	5	-11
Spot jet fuel price (USD/bbl)	45	75	85	88

Valuation data

Year to	12/2020a	12/2021e	12/2022e	12/2023e
EV/sales	1.8	1.9	1.2	0.5
EV/EBITDA	17.5	6.3	3.6	2.1
EV/IC	0.7	0.8	0.7	0.6
PE*	nm	nm	49.2	6.4
PB	0.8	0.9	0.9	0.8
FCF yield (%)	-34.0	6.4	32.4	49.5
Dividend yield (%)	0.0	0.0	1.4	6.8

* Based on HSBC EPS (diluted)

ESG metrics

Environmental Indicators	12/2020a
GHG emission intensity*	1,254.1
Energy intensity*	4,839.9
CO_2 reduction policy	Yes
Social Indicators	**12/2020a**
Employee costs as % of revenues	33.6
Employee turnover (%)	9
Diversity policy	Yes

Governance Indicators	12/2021a
No. of board members	16
Average board tenure (years)	n/a
Female board members (%)	6.2
Board members independence (%)	25

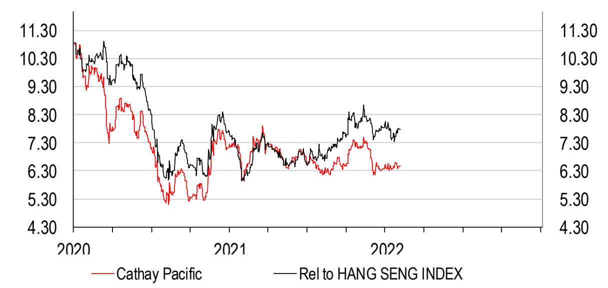
Source: Company data, HSBC

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (HKD)	6.44	Free float	15%
Target price (HKD)	8.00	Sector	Airlines
RIC (Equity)	0293.HK	Country/Region	Hong Kong
Bloomberg (Equity)	293 HK	Analyst	Parash Jain
Market cap (USDm)	5,319	Contact	+852 2996 6717

Price relative



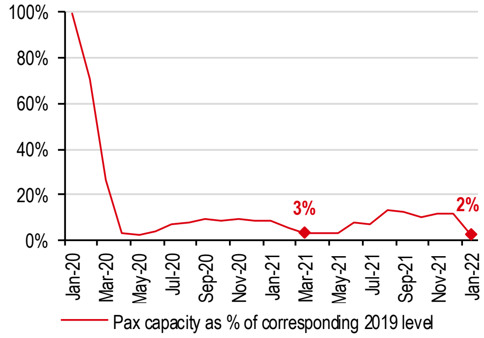
Source: HSBC

Note: Priced at close of 28 Jan 2022

Passenger traffic recovery still disrupted by travel restrictions

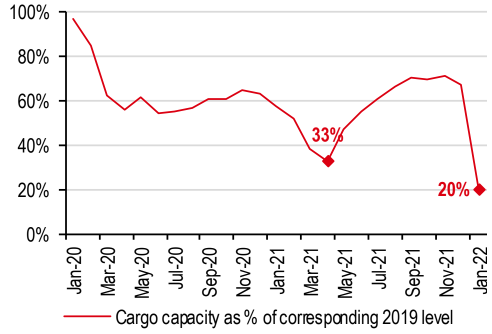
Cathay is operating even leaner capacity now vs the peak of COVID-19 pandemic…
In the past month, Hong Kong has seen a resurgence of COVID-19 cases and has been reporting some of the highest daily cases since the onset of the pandemic. To contain this outbreak, Hong Kong has further tightened quarantine requirements for aircraft crew and prohibited flights from eight high-risk countries. Consequently, Cathay's capacity in January 2022 stands reduced to 20% of its pre-pandemic levels for its cargo operations while its pax capacity is just at 2%; both measures weaker than even than during the peak of the pandemic in April-June 2020 when international travel was almost entirely shut down.

Exhibit 1. CX: Passenger capacity is at 2% of 2019 level



Source: Company data

Exhibit 2. CX: Cargo capacity is at 20% of 2019 level

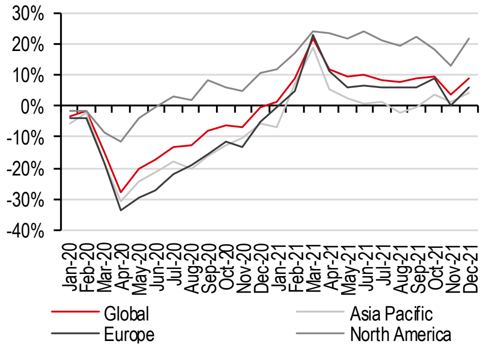


Source: Company data

…but it can only get better from here
While it is difficult to determine when travel and flight restrictions would be eased, with such bare minimal operating capacity, the only way for CX is up from here, we believe. For instance, CX's air cargo capacity previously troughed at 33% in April 2021, again due to strict crew quarantine requirements, but soon recovered to over 65% in 3Q21 and nearly 70% in 4Q21. While pax flight capacity never improved meaningfully, it was up from a previous trough of 3% in March 2021 to average 11% in 3Q21 and 4Q21.

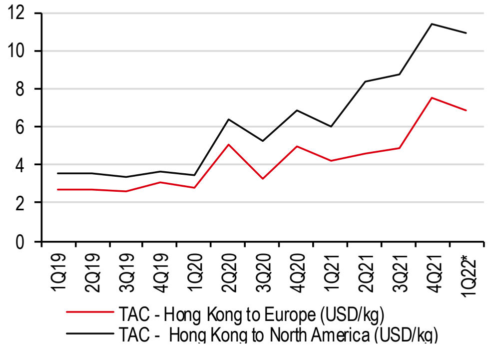
Cargo yields keep steady and will likely make up for the delay in pax recovery
CX attributed its improved financial performance in 2H21 to the strong cargo environment. Looking ahead to 2022, we expect more of the same for cargo operations. With international travel recovery pushed out further, air freight rates may continue to hold up due to limited belly hold capacity. Air freight rates climbed higher sequentially in 2H21 and continue to edge higher y-t-d. Congested ocean shipping was also a key driver for air cargo growth during 2021 and we expect this situation to sustain for the most part of 2022 (see *2022 could top 2021, we believe*, 24 January 2022). Low inventory levels and cost-competitiveness of air cargo vs sea freight could also continue to drive air cargo this year.

Exhibit 3. FTK has been on a steady recovery trajectory… (% vs. 2019)



Source: IATA

Exhibit 4. Air cargo freight rates to stay strong amid restricted international travel



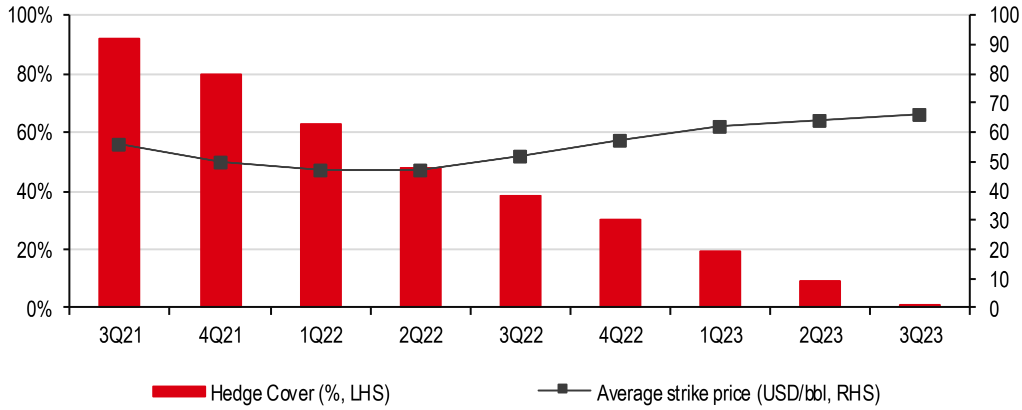
Note: * 1Q22 as of 10 Jan 2022. Source: TAC Index, Refinitiv Datastream

Rebased costs and finally being on the right side of fuel hedging

Over the past decade (2011-20), CX incurred cumulative hedging losses of HKD25bn as its fuel hedges turned unfavourable in most years. Its hedges in 3Q21-3Q23 are at a strike price of about USD50-65/bbl of Brent crude while current spot rates are close to USD100/bbl, implying that it may finally reap some hedging gains during 2021-23e.

At the same time, since the onset of the COVID-19 pandemic, CX has managed to significantly reduce its cost base by negotiating employee salaries including executive pay-cuts and voluntary unpaid leave. As traffic recovers, CX should be able to benefit from an operating leverage with this lower costs base, favourable fuel hedging and higher yields.

Exhibit 5. CX's fuel hedging may turn favourable in 2021-23e

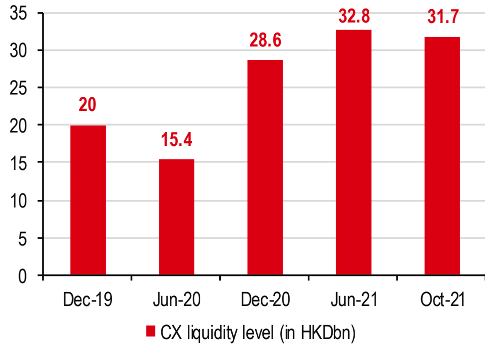


Source: Company data

Improved liquidity should help tide Cathay through the current downturn

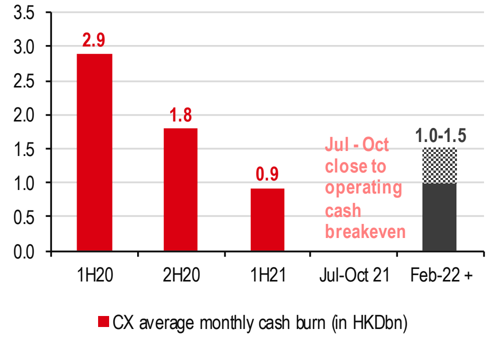
CX's liquidity stood at HKD31.7bn as of October 2021, almost double the level in 2Q20 aided by recapitalisation (preference and rights issue), issuance of convertible bonds and medium-term notes and the bridge loan from the Hong Kong SAR Government. CX's current cash burn of HKD1.0-1.5bn per month from February 2022, while worsening vs 2H21, should still be manageable as it could improve with a recovery in traffic, in our view.

Exhibit 6. CX: Liquidity has improved following recapitalizations



Source: Company data

Exhibit 7. CX: Cash burn shows improvement as travel restrictions eased



Source: Company data

Earnings forecasts changes

We sharply reduce our passenger capacity and traffic forecasts, to reflect the reduced capacity in 1Q22 due to the travel and crew restrictions. We model for CX's 2022e pax traffic to improve to 15% on 2019 levels vs 3% in 2021e, mainly reflecting a traffic recovery in 2H22 with easing of travel restrictions, and expect pax traffic to reach 60% of 2019 levels in 2023e. For CX's cargo business, we forecast traffic to marginally decline in 2022e (-5% y-o-y or 69% of 2019 level). We expect CX's cargo traffic to rise to 90% of 2019 levels in 2023e. Our lower traffic forecasts are offset to some extent by higher pax and cargo yields.

CX reported that it expects a loss before preference dividends of HKD5.60-6.10bn for 2021 which implies a profit of HKD1.5-2.0bn in 2H21e vs our previous estimate and consensus expectations (loss of cHKD2.7bn) for a rather significant loss. We now forecast a HKD6.0bn loss for 2021e, which is closer to the upper end of the company's guidance range. We continue

Exhibit 8. CX: Earnings forecast revisions (2021-23e)

	New			Old			Difference		
HKDm	**2021e**	**2022e**	**2023e**	**2021e**	**2022e**	**2023e**	**2021e**	**2022e**	**2023e**
ASK (% y-o-y)	-62%	217%	165%	-56%	345%	75%	-5.6.ppt	-127.8.ppt	90.0.ppt
RPK (% y-o-y)	-79%	405%	301%	-74%	681%	119%	-5.3.ppt	-276.0.ppt	182.4.ppt
Passenger Yield (% y-o-y)	45.9%	10.0%	-20.0%	45.2%	-15.0%	-15.0%	0.7.ppt	25.0.ppt	-5.0.ppt
Passenger load factor (%)	31.1%	49.5%	75.0%	34.2%	60.0%	75.0%	-3.1.ppt	-10.5.ppt	0.0.ppt
AFTK (% y-o-y)	-10.9%	-12.5%	60.0%	-16.8%	40.0%	15.0%	5.9.ppt	-52.5.ppt	45.0.ppt
RFTK (% y-o-y)	-1.1%	-5.0%	30.0%	-6.6%	35.0%	5.0%	5.5.ppt	-40.0.ppt	25.0.ppt
Cargo Yield (% y-o-y)	30.3%	0.0%	-30.0%	17.2%	-15.0%	-20.0%	13.1.ppt	15.0.ppt	-10.0.ppt
Cargo load factor (%)	81.4%	88.4%	71.8%	82.3%	79.3%	72.4%	-0.9.ppt	9.1.ppt	-0.6.ppt
Financials (HKDm)									
Revenues	45,417	60,362	103,593	40,658	73,113	94,344	12%	-17%	10%
EBITDA	13,442	19,678	22,616	7,879	19,859	22,939	71%	-1%	-1%
EBIT	343	6,408	9,079	(5,221)	6,590	9,538	n/m	-3%	-5%
Associates	(3,178)	(2,238)	735	(2,198)	(157)	1,179	-45%	-1326%	-38%
Reported Net profit (before pref. dividends)	(6,034)	1,445	7,060	(10,339)	3,613	7,750	42%	-60%	-9%
Reported Net profit (after Pref. dividends)	**(6,619)**	**842**	**6,457**	**(10,924)**	**3,011**	**7,147**	**39%**	**-72%**	**-10%**
HSBC net profit (after Pref. dividends)	**(5,761)**	**842**	**6,457**	**(10,066)**	**3,011**	**7,147**	**43%**	**-72%**	**-10%**
Reported EPS (RMB)	(1.03)	0.13	1.00	(1.70)	0.47	1.11	39%	-72%	-10%
HSBC EPS (RMB)	(0.90)	0.13	1.00	(1.56)	0.47	1.11	43%	-72%	-10%
Ratios									
ROE (%)	-8.2%	1.3%	9.1%	-14.8%	4.7%	10.4%	6.6.ppt	-3.4.ppt	-1.3.ppt
EBITDA margin (%)	29.6%	32.6%	21.8%	19.4%	27.2%	24.3%	10.2.ppt	5.4.ppt	-2.5.ppt
EBIT margin (%)	0.8%	10.6%	8.8%	-12.8%	9.0%	10.1%	13.6.ppt	1.6.ppt	-1.3.ppt

Source: HSBC estimates

to expect CX to turn to profits in 2022e but lower our profit estimates, including for 2023e to reflect our reduced traffic assumptions and delayed recovery of international travel.

Scenario analysis

While we model for a gradual recovery in international pax traffic, we highlight that there is significant pent-up demand going in to 2023e, given international travel would have already been restricted for a third year in a row (2020-22e). In a scenario where pax traffic for CX was to recover at a very swift pace when restrictions are eased, CX's earnings could rise sharply vs our base case forecasts.

We illustrate a scenario where CX's pax traffic rises to 85% of 2019 levels by 2023e (vs our base case of 60%), resulting in higher pax load factors of 7ppt but we conservatively assume no change in pax yields. The increase in pax traffic is offset to some extent by dilution of cargo load factors by 7ppt and yields by 20% given cargo operations are all international and impacted by higher pax aircraft belly load capacity. Based on these assumption, our scenario would result in a 49% increase in reported profit for CX vs our base case, and ROE would rise by c.6ppt.

Exhibit 9. CX: 2023e earnings scenario analysis

	Base case	Scenario	Change
Pax traffic assumptions			
RPK (% of 2019)	60%	85%	25 ppt
ASK (% of 2019)	66%	86%	20 ppt
Pax load factor (%)	75%	82%	7 ppt
Pax yield (HKD/RPK)	0.76	0.76	0%
Cargo traffic assumptions			
RFTK (% of 2019)	90%	90%	0 ppt
AFK (% of 2019)	80%	89%	8 ppt
Cargo load factor (%)	72%	65%	-7 ppt
Cargo yield (HKD/RPK)	3.06	2.45	-20%
Earnings forecasts			
Reported PAT (HKDm)	6,457	9,615	**49%**
Reported ROE (%)	12.8%	18.4%	**5.7 ppt**

Source: HSBC estimates

HSBC vs consensus

Our 2021e recurring loss estimate of HKD6.0bn is 41% narrower vs the consensus loss of HKD10.3bn. In 2022e, we estimate HKD1.4bn reported profit vs the consensus loss estimate of HKD1.8bn, as we expect some pick-up in international traffic from 2H22e.

Exhibit 10. CX: HSBC vs Consensus estimates of profits before preference dividends

	Reported net profit			Recurring net profit		
(HKDm)	**HSBC**	**Consensus**	**Difference**	**HSBC**	**Consensus**	**Difference**
2021e	(6,034)	(10,274)	41%	(5,176)	(10,472)	51%
2022e	1,445	(1,771)	n/m	1,445	(2,135)	n/m
2023e	7,060	3,189	121%	7,060	2,406	193%

Source: Bloomberg, HSBC estimates

Valuation and risks

Upgrade to Buy (from Hold) with a higher TP of HKD8.00 (from HKD7.00)

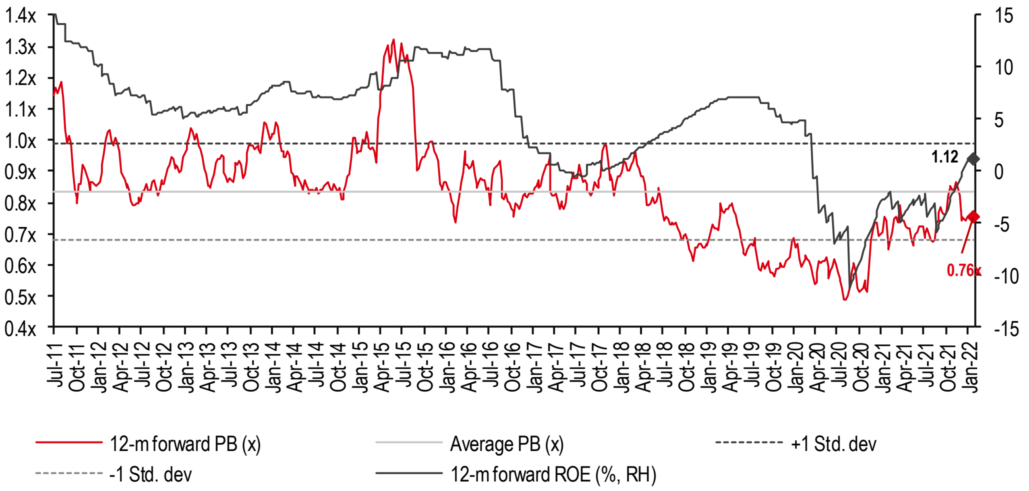
We continue to value CX based on a price-to-book approach. We now value the stock based on a slightly higher target multiple of 1.1x which is 1.5 SD above the mean consensus 12-month forward PB since mid-2011. Earlier we used a 1.00x PB multiple, which was 1 SD above the mean consensus 12-month forward PB since mid-2011. The higher multiple reflects the tailwinds from potential recovery in traffic from current levels and improved liquidity.

We apply our target PB multiple of 1.1x to 2022e BVPS of HKD7.34 (from HKD7.01) to arrive at our higher target price of HKD8.00 (from HKD7.00). Our revised target price implies 24.2% upside from current levels. We upgrade our rating on the stock to Buy from Hold.

Why Buy now?
With capacity at 2% for pax and 20% for cargo, we think it can only get better from here. We expect international traffic to recover strongly in 2H22e and continue into 2023 with prospects for improved yield. Strong cargo demand should help mitigate part of the losses in the near term, in our view.

The stock is trading at 0.76x consensus 12-month forward PB, which is close to 0.6 SD below its average PB since mid-2011 (even below its SARS, Global Financial Crisis, and MERS levels). As highlighted in Exhibit 11, the stock has traded at an average consensus 12-month forward PB of 0.85x with an average ROE of 5.27% since mid-2011. Current consensus 12-month forward ROE is 1.12%, while our estimates imply recurring ROE of -8.2% in 2021e and recovering to +1.3% in 2022e (vs -20.7% in 2020).

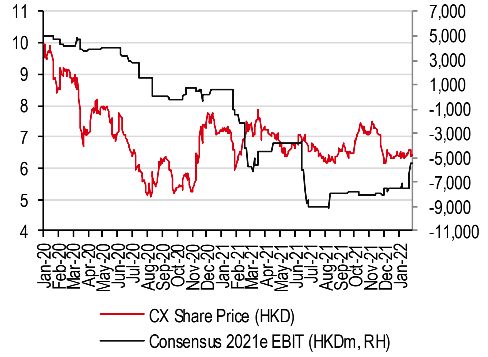
Exhibit 11. CX: Consensus 12-month forward PB-ROE since mid-2011



Source: Refinitiv Datastream, HSBC

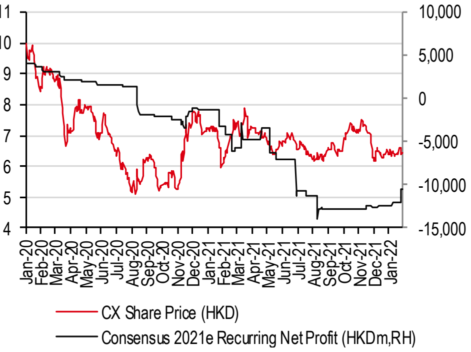
Downside risks: Further escalation of the COVID-19 virus outbreak; lower-than-expected passenger yield; continued decline in passenger arrivals in Hong Kong; severe cargo yield erosion due to an escalation in global trade tensions; shortage of pilots could limit capacity expansion; material loss of transit volumes to competitors; worse-than-expected RMB depreciation vs the USD; an escalation in global trade tensions; lower-than-expected cost savings from the transformation program; lower-than-expected synergies from the recent acquisition of Hong Kong Express (not listed); and potential regulatory fines and compensation claims from customers following the recent data breach.

Exhibit 12. CX: Consensus 2021e EBIT estimate revisions



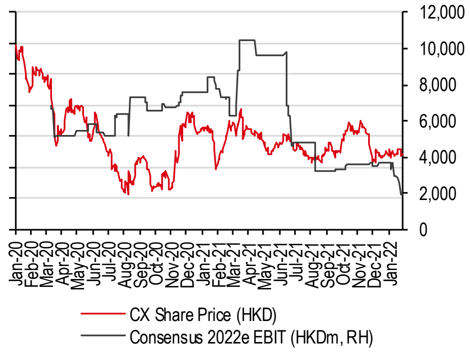
Source: Bloomberg

Exhibit 13. CX: Consensus 2021e reported profit estimate revisions



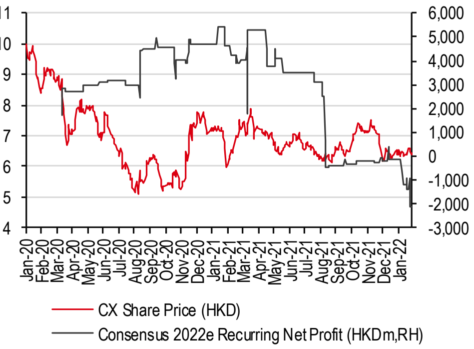
Source: Bloomberg

Exhibit 14. CX: Consensus 2022e EBIT estimate revisions



Source: Bloomberg

Exhibit 15. CX: Consensus 2022e reported profit estimate revisions



Source: Bloomberg

Exhibit 16. HSBC-covered mainland China- and Hong Kong-listed airlines valuation comparisons

Company	Ticker	Curr	HSBC Rating	Latest Price	Target Price	Mkt Cap (USDm)	Turnover* (USDm)	Free Float	P/B (x) 2021e	P/B (x) 2022e	EV/EBITDA (x) 2021e	EV/EBITDA (x) 2022e	ROE (%) 2021e	ROE (%) 2022e	PE (x) 2021e	PE (x) 2022e	Yield (%) 2021e	Yield (%) 2022e	Net Debt/ Equity 2020	Share price 1M	Share price 6M	Share price 1Y	Share price YTD
Air China	753 HK	HKD	Hold	5.83	6.10	19,106	10.1	37%	1.0	1.1	58.3	16.2	-22.7%	-7.9%	nm	nm	0.0%	0.0%	1.9x	9%	16%	11%	7%
Air China-A	601111 CH	CNY	Reduce	10.02	7.10	19,106	60.6	17%	2.2	2.4	58.3	16.2	-22.7%	-7.9%	nm	nm	0.0%	0.0%	1.9x	14%	42%	44%	10%
Cathay Pacific	**293 HK**	**HKD**	**Buy**	**6.44**	**8.00**	**5,319**	**4.0**	**15%**	**0.9**	**0.9**	**6.3**	**3.6**	**-8.2%**	**1.3%**	**nm**	**49.2**	**0.0%**	**1.4%**	**1.0x**	**0%**	**2%**	**8%**	**1%**
CEA-H	670 HK	HKD	Buy	3.01	3.90	12,108	2.9	29%	0.8	0.9	29.9	11.4	-23.0%	-7.7%	nm	nm	0.0%	0.0%	3.0x	2%	4%	-1%	2%
CEA-A	600115 CH	CNY	Reduce	5.74	5.10	14,360	23.3	22%	2.0	2.2	31.7	12.0	-23.0%	-7.7%	nm	nm	0.0%	0.0%	3.0x	19%	22%	28%	11%
CSA-H	1055 HK	HKD	Buy	4.93	5.90	15,442	5.4	36%	1.0	1.0	17.0	10.2	-13.5%	-1.6%	nm	nm	0.0%	0.0%	2.0x	8%	19%	19%	6%
CSA-A	600029 CH	CNY	Hold	7.33	7.60	17,308	44.3	20%	1.8	1.9	17.7	10.7	-13.5%	-1.6%	nm	nm	0.0%	0.0%	2.0x	13%	30%	30%	8%

Note: Latest prices as of close on 28 Jan 2022. *Turnover is based on average over past three months.
Source: Refinitiv Datastream, HSBC estimates

Disclosure appendix

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*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

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Hold	33%	(29% of these provided with Investment Banking Services in the past 12 months)
Sell	6%	(29% of these provided with Investment Banking Services in the past 12 months)

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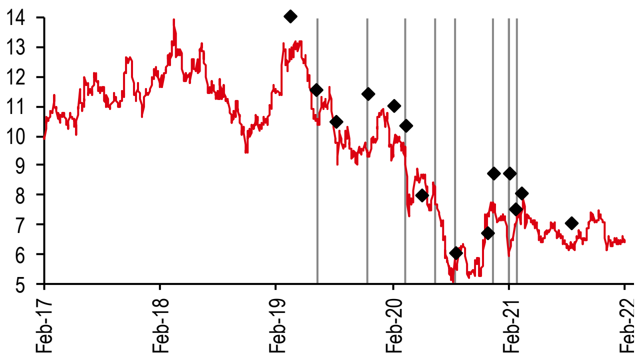
Share price and rating changes for long-term investment opportunities

Cathay Pacific (0293.HK) share price performance HKD Vs HSBC rating history



Source: HSBC

Rating & target price history

From	To	Date	Analyst
Buy	Hold	05 Jun 2019	Parash Jain
Hold	Buy	12 Nov 2019	Parash Jain
Buy	Hold	11 Mar 2020	Parash Jain
Hold	Restricted	09 Jun 2020	
Restricted	Hold	12 Aug 2020	Parash Jain
Hold	Buy	10 Dec 2020	Parash Jain
Buy	Restricted	27 Jan 2021	
Restricted	Buy	29 Jan 2021	Parash Jain
Buy	Hold	19 Feb 2021	Parash Jain

Target price	Value	Date	Analyst
Price 1	13.97	13 Mar 2019	Parash Jain
Price 2	11.50	05 Jun 2019	Parash Jain
Price 3	10.41	07 Aug 2019	Parash Jain
Price 4	11.41	12 Nov 2019	Parash Jain
Price 5	10.96	03 Feb 2020	Parash Jain
Price 6	10.32	11 Mar 2020	Parash Jain
Price 7	7.94	29 Apr 2020	Parash Jain
Price 8	Restricted	09 Jun 2020	
Price 9	6.00	12 Aug 2020	Parash Jain
Price 10	6.70	20 Nov 2020	Parash Jain
Price 11	8.70	10 Dec 2020	Parash Jain
Price 12	Restricted	27 Jan 2021	
Price 13	8.70	29 Jan 2021	Parash Jain
Price 14	7.50	19 Feb 2021	Parash Jain
Price 15	8.00	10 Mar 2021	Parash Jain
Price 16	7.00	11 Aug 2021	Parash Jain

Source: HSBC

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HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price date	Disclosure
CATHAY PACIFIC	0293.HK	6.48	31 Jan 2022	1, 4, 5, 7, 13

Source: HSBC

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