

Southwest forecasts lingering losses as bookings slow down

Posted on January 26, 2023 by Business Editor



Southwest Airlines said Thursday it expects its holiday meltdown to continue to weigh on its bottom line, but said it still expects to be profitable this year.

The carrier reported a net loss of \$220 million for the fourth quarter after the travel chaos drove up expenses and cost it millions in revenue during what was expected to be the busiest travel period since before the Covid pandemic.

“Thus far in January 2023, the Company has experienced an increase in flight cancellations and a deceleration in bookings, primarily for January and February 2023 travel, which are assumed to be associated with the operational disruptions in December 2022,” Southwest said in a quarterly report.

Analysts had been anticipating a per-share profit of 19 cents for the first quarter, based on estimates compiled by Refinitiv.

The Dallas-based airline said booking trends look positive in March, however, and it forecast first-quarter revenue up 20% to 24% over last year with capacity rising 10%. It also estimated fuel and other costs would be higher than it previously estimated.

Southwest’s fourth-quarter loss compares with a \$68 million profit during the same period in 2021. Its record revenue of \$6.17 billion was up more than 22% from a year earlier.

Here’s how Southwest performed in the fourth quarter, compared with Wall Street expectations according to Refinitiv consensus estimates:

- Adjusted loss per share: 38 cents vs an expected loss of 12 cents.
- Total revenue: \$6.17 billion vs an expected \$6.16 billion.
- The airline said the mass cancellations hit its pretax results by \$800 million, in line with its estimate earlier this month of a hit between \$725 million and \$825 million.

Southwest canceled around 16,700 flights from Dec. 21 through Dec. 31 after severe winter weather swept through the U.S.

While rival airlines had largely recovered around Christmas after the winter weather, Southwest's technology was unable to process all the flight changes and crews had to call the carrier to get rescheduled. The airline decided to scrap most of its flights in the following days to reset its operation, CEO Bob Jordan said earlier this month.

Southwest said Thursday it has returned the thousands of bags that went misplaced during holidays, a process which included hiring FedEx and others. Jordan said that the company has completed 95% of the reimbursement requests but the company declined to disclose what those were worth.

"Admittedly, it's a subjective element that you've got to kind of find where the line is there, but I think our teams leaned into the customer and largely did the right thing there," Jordan said on the earnings call.

Some reimbursement requests have been more complicated and included customer expenses like dog-sitting because of the travel disruptions, CEO Jordan told CNBC earlier this month.

The Transportation Department is investigating whether Southwest's schedules over the holidays were "unrealistic," a spokesperson said late Wednesday.

Despite the rocky end of the year, Southwest reported a \$539 million profit for 2022. That's still down 45% from a year earlier, however.

For full-year 2023, it plans to expand flying as much as 17%, post another profit and expand margins, echoing the upbeat outlook shared by rivals like American, Delta and United.

Southwest shares lost 3% on Thursday to end the session at \$35.70.

Leslie Josephs www.cnbc.com

