

COVID-19 Sector Update: Airlines

April 2020



This industry insights was prepared by the Investment Management practice at Evalueserve. For detailed analysis on how the Covid-19 crisis has impacted the Investment Management industry, please contact us at InvestmentManagement@evalueserve.com

Industry at a Glance

Summary

- Global economy is grappling with a severe demand shock, as more than 100 countries closed their borders in the past month. According to the UN Department of Economic and Social Affairs, Global economy could shrink by up to 1 % in 2020 due to Covid-19
- Efforts by the Governments – stay-in-place order, property closures, social distancing - to contain the outbreak is impacting the economic activity that the transport sector is dependent on
- Passenger operations collapsed at an unprecedented rate due to increased travel restrictions. This coupled with fear of infection is keeping people away from traveling
- Major airlines are looking for government support, while taking stringent measures to build financial cushion such as capacity reduction, slashing salaries, lay-offs, asking / forcing employees to take unpaid leaves, suspending dividends, selling of assets, etc.
- No visibility as of now of the duration and severity

Transportation & Logistics is one of the worst hit sectors due to Covid-19

- Widespread outbreak of Coronavirus (Covid-19) has resulted in disrupting global supply chains, border restrictions, and travel restrictions by the government, etc. These stringent measures are resulting in significant declines in global commercial activities impacting the Transportation & Logistic sector growth and global economic growth.
- Economic downturns tend to hit the industry hard, say McKinsey; past five US recessions shows that Transportation & Logistics companies suffer more on average than the economy as a whole.
- Aviation: Continues to face severe decline in demand; raises concerns for many airlines to survive.
- The organizations have a pressure to keep core system operational throughout the lockdown with minimum workforce to ensure key essentials continue to move. A secondary effect is the deteriorating operating performance in terms of lesser volumes and higher operating costs with majority experiencing shortfall in their finances as well.

Coronavirus cripples the Airline industry

Global airlines is one of the most stressed sectors impacted by the coronavirus crisis given its exposure to travel restrictions. "On March 5th, the International Air Transport Association (IATA) estimated that industry revenues could take a hit of up to \$113bn. However, On March 17th, it said "We could not have foreseen the developments of the last days with massive restrictions on travel being put in place...and with no clear understanding how long they will remain in effect,". Many organizations will require financial support from governments, predominantly if more aggressive measures to control the virus-spread are implemented.

Airlines start layoffs amid demand collapse

United Airlines said it is likely to lay off more than half of its employees if no government aid is received. **British Airways** is expected to suspend ~36,000 of employees. **Air Canada**, to lay off ~5,100 cabin crew members as it takes a deep cut in its flight schedule for April. **Lufthansa** said state aid necessary for airlines survival and has slashed capacity, proposed short-time working and suspended its dividend, saying it was impossible to forecast the impact of coronavirus on profitability. **Air France** is temporarily laying off 80 % of its workforce. **Norwegian Air** plans to temporarily lay off ~50 % of its workforce and suspend 4,000 flights. **Scandinavian Airlines** temporarily laying off ~10,000 employees which represents approximately 90 % of its workforce.

GE Aviation, which supplies jet engines, is laying off about 10 % of its workforce, about 2,600 employees as announced on March 23. Additionally, GE is planning to furlough half of its aviation unit's engine manufacturing staff. **Skills**, is temporarily laying off 80 % to 90 % of its about 400 people staff doing machining and metal finishing work. Meanwhile, **ATS**, a large aircraft repair and maintenance firm laid off about 150 workers. **John Menzies**, which employs workers in fuelling, ground handling, lounge services and maintenance sectors, laid off ~ 17,500, more than half of its global workforce.

Source: [Business Insider](#) [Business Today](#) [Aerotime](#) [CBC](#) [Forbes](#) [CNBC](#) [Seattletimes](#) [BBC](#)

Airlines draws more debt to remain in business

On March 19, **American Airlines** withdrew \$2.7bn from its credit lines in addition to \$1bn drawn earlier in March to strengthen its balance sheet as it expects further fall in demand due to COVID19. **Air France-KLM** also announced drawing down on €1.765bn of bank debt. **Boeing Co.**'s plans to draw down \$13.8bn loan as it faces travel disruptions. **Singapore Airlines** secured \$13bn from the sale of shares and convertible bonds and loans.

Source: [Dallas News](#) [Reuters](#) [Global Capital](#) [Bloomberg](#) [Reuters](#)

Airlines across geographies seeks aid from the government

Airlines are looking for government aid in form of government-backed loans, cash grants etc. as they face the unprecedented storm. The financial assistance will help airlines to pay staff salary and to survive in challenging times as the consumer demand for air travel is expected to remain weak. **WSJ** reported that "U.S. airlines are seeking about \$50bn which would be about three times size of industry's post-9/11 bailout".

Source: [WSJ](#)

Moody's and Fitch revised outlook on Airline Industry

During March 2020, Moody's Investor Service revised its outlook for the Global Passenger Airlines industry to 'Negative' from 'Stable' reflecting increasing risk to airline's profitability and cash generation in the wake of the coronavirus outbreak. Fitch also updated its Global Airlines sector outlook to Negative from Stable due to severe demand erosion, demand recovery time horizon expectations and liquidity stresses.

Source: [Moody's](#) [Fitch](#)

Tailwinds from unprecedented decline in oil prices, hedging a hurdle in immediate gain

Crude oil prices dropped to an 18-year low as demand continues to evaporate and Saudi Arabia and other OPEC+ nations ramp up production. With much of the world in lockdown as the coronavirus pandemic rages on, demand for oil has fallen off a cliff. While the recent oil price plunge has the potential to reduce fuel costs for airlines, but fuel hedging has become a hindrance. Different hedging strategies mean that US carriers will feel an immediate benefit from lower oil prices, while their European peers that hedge more extremely should realize them later.

Figure 1: Macroeconomic, Qualitative and Quantitative Impact

Impact		
Macroeconomic	Qualitative	Quantitative
<p>GDP: The breakout of covid-19 has significantly impacted the economic outlook worldwide. UN is forecasting for world economy to go into recession except India and China ^[1]</p> <p>Unemployment: Record 10mn Americans have filed for unemployment in two weeks ending March 28, 2020, as the US tries to contain Covid-19. The coronavirus is expected increase the unemployment rate to 10.0% in Eurozone. ^[2] Around 1.7 Million Jobs Might be Lost in Middle East Due to COVID-19</p> <p>Oil Prices: US crude falls to 18-year low amid fall in demand from lockdowns and production increases by Saudi Arabia and Russia</p>	<p>Slump in demand: Significant impact on aviation industry due to the resulting travel restrictions leading to slump in demand from both business and leisure travelers and fear of infection keeping people away from travelling</p> <p>Reduced workforce: Transportation and Logistics Organizations under pressure to run essential services with significantly reduced workforce</p> <p>Health risk: The health and safety of frontline logistics workers continues to be at risk with the rising number of COVID-19 cases</p> <p>Decline in consumer confidence: Reduced Consumer confidence across geographies</p>	<p>Decline in revenue: According to IATA, the global airline industry is expected to lose more than \$250bn in revenues in 2020 (~40% fall in revenues compared to 2019) ^[3]</p> <p>Increase in Cost: The cost of sending cargo across the Pacific Ocean tripled by late March</p> <p>Equity: The S&P500 witnessed a decline of 24.2% while the airlines stock price worldwide decline ranged from 30% -60% for the period till March 24, 2020 YTD ^[4]</p> <p>Credit: Some key players in the industry (Lufthansa, American Airlines, Delta Airlines, United Airlines, ICAG, Southwest, Virgin Australia, Spicejet) witnessed a rating downgrade ^[5]</p>

Source: [1] [Bloomberg](#), [2] [Albawaba](#), [3] [IATA](#), [4] [S&P](#), [5] [S&P Global](#)

Government Support to the Rescue

Americas

North America

US passed the Coronavirus Aid, Relief and Economic Security (CARES) Act, that would provide two support programs, each capped at \$25 bn, for the US airlines – a) payroll protection grants, and b) a loan and/or loan guaranty program. The Act also provides excise tax, income tax and payroll tax relief. The aid package restricts share buy backs and dividends for at least 1 year until the loan is repaid, prohibits executive compensation and laying off or furloughing of employees.

The **Canadian government** introduced Canada Emergency Wage Subsidy MACLEANS for all organizations that have experienced at least 30% decline in revenue due to COVID-19 and would provide up to 75% for the first CAD 58,700 earned by employees. Also, the government is providing easy guaranteed loans.

Source: [FORBES](#)

South America

Brazil announced relief for the aviation, albeit limited, allowing airlines and airports to defer certain fee payments. Air navigation fee payments will be delayed by six months under an executive order.

Source: [Reuters](#)

EMEA

European Commission approved a French scheme deferring the payment of certain aeronautical taxes by airlines, ruling it in line with EU state aid laws. The scheme, to be accessible to airlines with an operating license in France, would offer to defer payment of certain taxes that would be due between Mar-2020 and Dec-2020 to after 01-Jan-2021 and to pay the taxes over a period of up to 24 months.

Source: [CAPA](#)

Italy would increase the taxpayer bill to more than €2.1 bn over the next three years to keep bankrupt airline Alitalia SpA aloft. It pledged €600 million loan to re-nationalize the loss-making carrier.

Source: [Bloomberg](#)

Norway offered 6 bn kroner (\$537 mn) in loan guarantees for the airline industry, with ~\$270 Mn available to Norwegian Air Shuttle ASA contingent on certain conditions. Finland pledged €600 mn of guarantees to

support Finn air (of which the state owns almost 56 %). Meanwhile, Sweden and Denmark announced \$300 mn in loan guarantees for Scandinavian carrier SAS.

Source: [Bloomberg](#)

The government of **Dubai** would inject equity into the state-owned Emirates given its strategic importance. Emirates has temporarily reduced employee wages by 25 – 50 % as part of efforts to preserve cash.

Source: [FT](#)

APAC:

The **Malaysian** government would provide airlines 15 % discount on monthly electricity bills for six months starting April 2020. It is also considering setting up a vehicle to take over debt from companies, and more radical alternatives such as merging airlines.

Source: [CAPA](#)

New Zealand government provided a 24-month NZD900 mn loan facility to Air New Zealand that it can draw if the cash reserves drop below certain thresholds. Loan needs to be repaid either through a capital raising or converting the debt to equity.

Source: [CAPA](#)

The **Singapore** Government will fund 75 % of up to SGD4,600 of aviation workers' monthly pay, and providing SGD350 million in fee relief for airlines, as part of the SGD48 bn economic stimulus package announced by the government as a response to the Covid-19 outbreak. Also, the State-backed Temasek Holdings (51 % stake in SIA) is backing SIA's financial rescue package, involving the issuance of SGD5.3 bn of new shares and selling convertible bonds worth SGD9.7 mn, by pledging to take up any remaining shares and bonds that are not subscribed.

Source: [CAPA](#)

The **South Korean** government deferred payments of airport landing, parking and facility fees, while State-run banks would provide KRW300 bn in unsecured loans to help low cost airlines. A proposal for a 30-50 % aircraft property tax reduction for major airlines, including Korean Air and Asiana, is yet to be finalized by the government.

Source: [CAPA](#)

The Hong Kong Airport Authority, backed by the Hong Kong government, rolled out an HKD1 bn package of financial relief to the aviation industry. Approximately 2/3rd consists of a government waiver of air traffic control charges for the 2019/2020 year, while the remaining 1/3 rd consists of airport fee relief for airlines and airport users.

Source: [CAPA](#)

The **Indonesian** government provided 98.5 bn rupiah (US\$6 mn) worth of incentives to airlines and travel agencies. Also, State-run oil company PT Pertamina will give discounts on jet fuel equivalent to 265 bn rupiah (US\$18 mn) at nine airports to support airlines to provide 30 % airfare discounts to boost domestic tourism.

Source: [ASEAN Briefing](#)

The **Australian** government came out with an aviation support package that includes waivers and refunds for fuel excise tax, domestic air traffic control fees, and domestic aviation security charges, worth AUD 715mn, including AUD 159mn upfront to cover the reimbursement of charges paid since 1-Feb-2020. Further, it announced AUD198 mn to help maintain Australia's regional network, and AUD100 mn will be provided directly to regional airlines to meet standing costs to ensure minimum operational viability.

Source: [CAPA](#)

Virgin Australia continues to seek financial support from the Australian Government in the order of AUD1.4 billion, as part of a broader industry support package to prepare for the crisis.

Source: [CAPA](#)

Taiwan government is planning a second stimulus package, worth NT\$40 billion (US\$1.32 billion), to be announced soon, bringing the government expenditure earmarked for the purpose to a total of NT\$100 bn, targeting mainly the worst-hit businesses - airlines and hotels.

Source: [Focus Taiwan](#)

India is planning a rescue package worth as much as \$1.6 billion for the aviation sector that includes temporary suspension of most taxes levied on the sector including a deferment of aviation fuel tax.

Source: [ET](#)

Airlines Capacity and Traffic

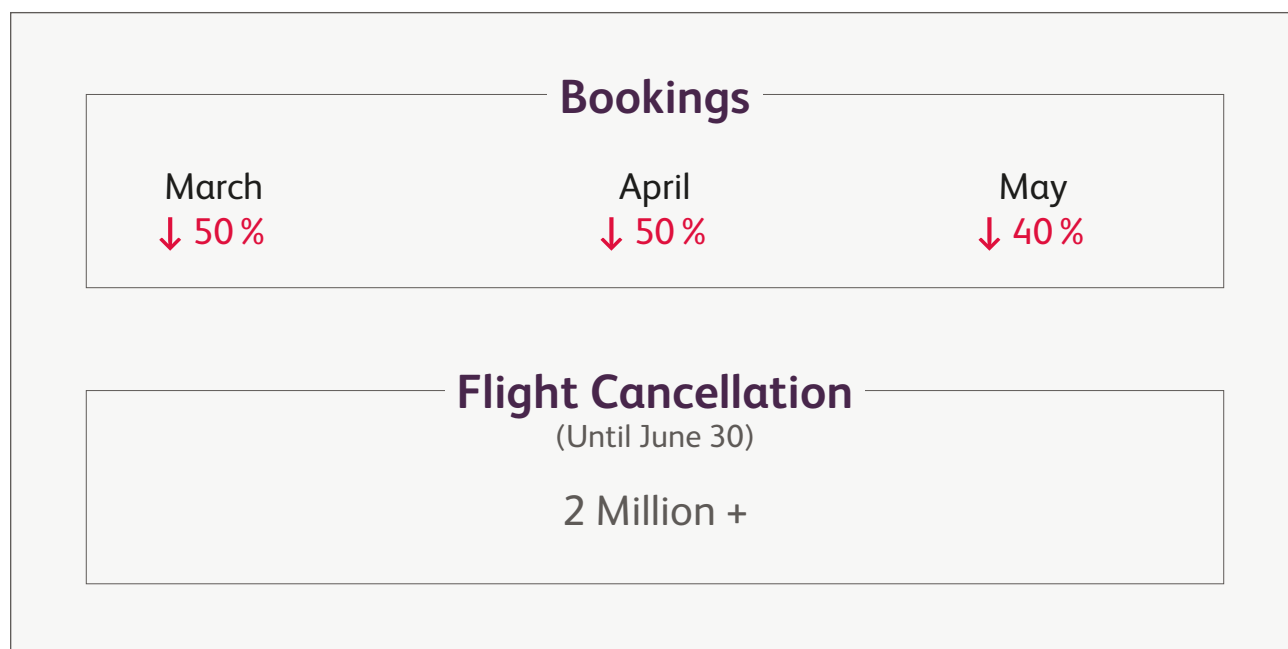
Table 1: Change in global scheduled flights year-over-year

(week compared with equivalent week in the previous year)

Region	6-Jan	13-Jan	20-Jan	27-Jan	3-Feb	10-Feb	17-Feb	24-Feb	2-Mar	9-Mar	16-Mar	23-Mar	30-Mar
All	1.5%	1.3%	0.5%	0.2%	-3.6%	-9.9%	-10.7%	-10.1%	-7.9%	-10.1%	-12.4%	-28.7	-47.7%
Singapore	-1.1%	-0.1%	1.2%	-0.3%	-8.2%	-15.4%	-18.5%	-22.4%	-25.4%	-35.7%	-35.5%	-76.9%	-89.3%
Italy	0.8%	-5.0%	-4.2%	-4.8%	-4.3%	-3.5%	14.5%	-6.2%	-8.8%	-21.6%	-73.9%	-88.0%	-89.2%
Germany	-8.6%	-8.8%	-8.4%	-8.5%	-7.9%	-8.0%	-6.6%	-5.1%	-5.0%	-15.4%	-30.2%	-71.9%	-88.6%
Spain	-1.1%	-4.6%	-4.8%	-4.5%	-3.8%	-2.5%	0.6%	13.1%	-1.4%	-2.9%	-13.7%	-74.3%	-88.5%
Hong Kong	-11.3%	-10.8%	-8.0%	-8.7%	-20.6%	-44.7%	-57.7%	-63.3%	-70.4%	-77.5%	-80.8%	-81.7%	-88.3%
UAE	-2.4%	-1.4%	-1.8%	-2.1%	-1.9%	-3.3%	-3.5%	-3.3%	-2.9%	-8.3%	-24.4%	-57.6%	-85.8%
France	1.4%	-1.5%	-1.9%	-1.3%	-0.3%	0.6%	1.7%	-0.5%	-2.0%	-3.8%	-13.7%	-41.3%	-81.4%
UK	-1.8%	-4.1%	-4.2%	-5.1%	-4.3%	-4.0%	-3.0%	-1.9%	-2.7%	-15.5%	-19.3%	-53.5%	-75.6%
India	2.9%	2.8%	1.6%	1.2%	1.9%	6.2%	10.8%	6.7%	9.9%	10.0%	8.3%	1.8%	-68.0%
Australia	-3.4%	-3.4%	-3.2%	-3.9%	-3.6%	-5.0%	-1.7%	-2.5%	-1.7%	-2.3%	-2.9%	-15.9%	-63.1%
South Korea	1.8%	2.1%	3.4%	1.4%	-3.4%	-9.3%	-15.7%	-17.9%	-34.1%	-52.1%	-56.1%	-55.7%	-56.6%
China	7.8%	8.8%	1.6%	-0.5%	-22.7%	-63.3%	-70.8%	-62.3%	-41.6%	-42.9%	-38.7%	-37.5%	-43.9%
Japan	2.6%	2.3%	20.0%	2.1%	-0.8%	-3.2%	-4.6%	-5.6%	-7.6%	-15.0%	-19.2%	-24.3%	-27.9%
USA	1.6%	1.3%	1.5%	2.2%	1.5%	1.3%	1.5%	0.6%	-2.1%	-1.3%	-0.5%	-4.8%	-23.0%

Source: [OAG](#)

Figure 2: Impact on aviation bookings



Source: [IATA](#)

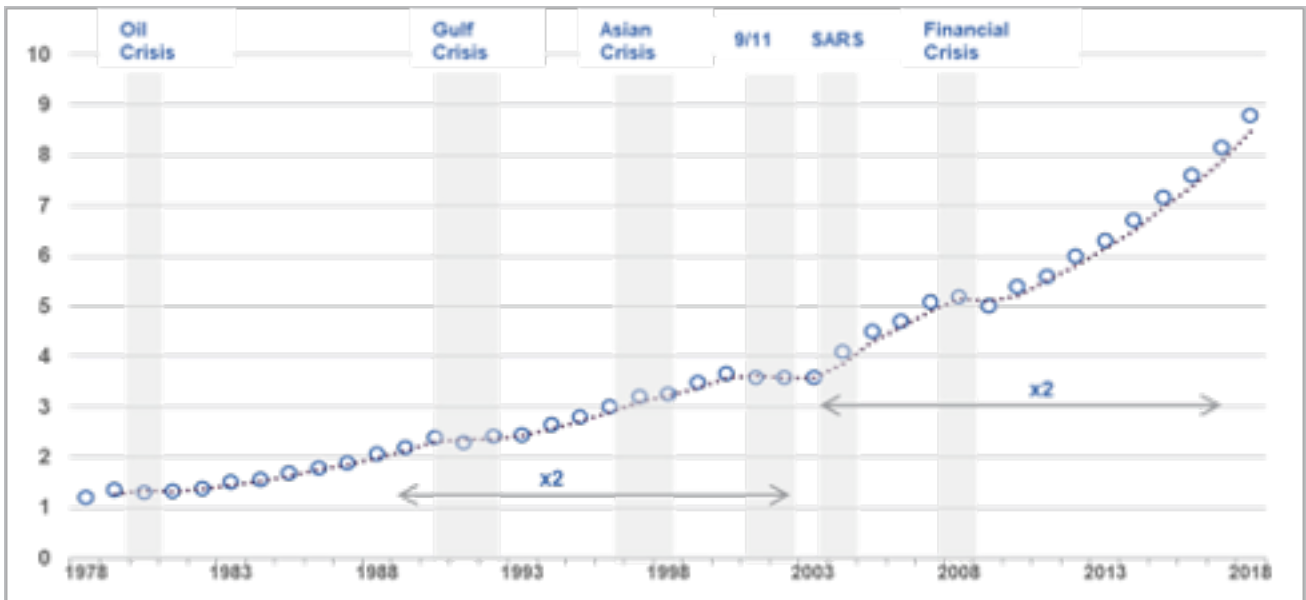
Impact of various crisis on the global airline traffic

Unprecedented

- The 9/11 terrorist attacks had a short-term impact when the U.S. airspace closed for couple of days and the situation started getting back to normal in few weeks. While Covid-19 poses a more severe impact from extended closures.
- Covid-19 pandemic is also very different to SARS as that was primarily contained to Asia resulting in limited impact to U.S. and Europe.

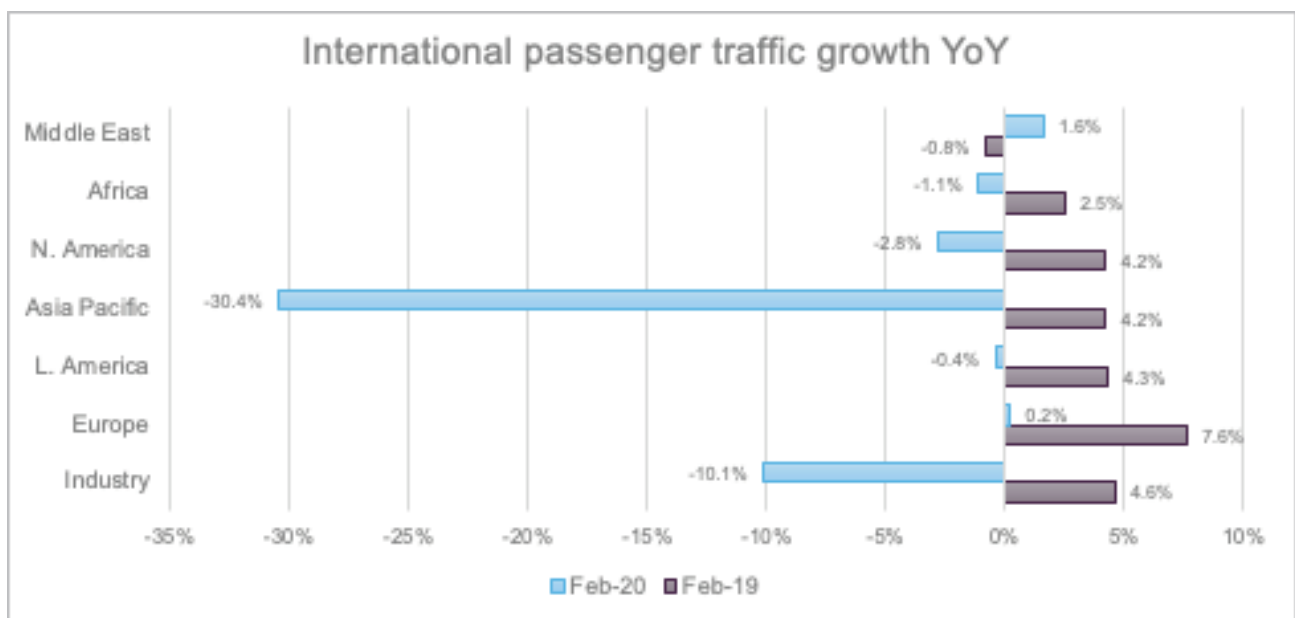
Outbreak of Covid-19 is across regions including U.S., Europe, and Asia; making it a global pandemic. As such, severity and duration of such pandemic is still unknown and continues to impact the global economy with a severe hit on Airlines industry.

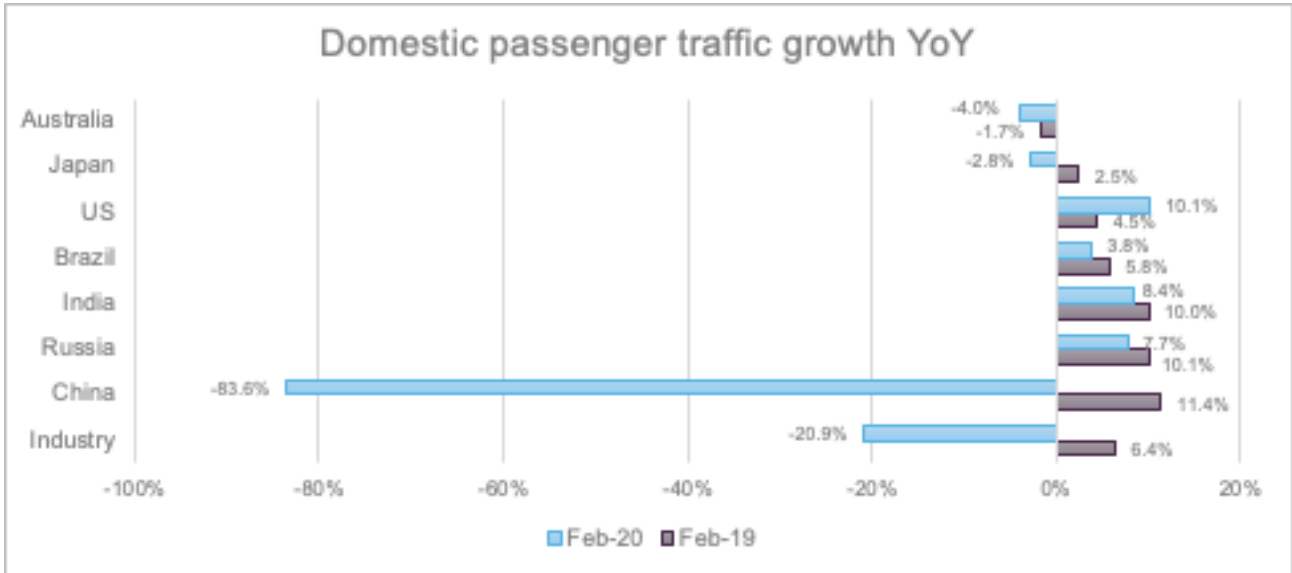
Table 2: World Annual Traffic (trillion RPKs)



Source: Airbus

Tables 3 & 4: International & Domestic Passenger Traffic Growth





Source: [IATA](#)

The traffic growth numbers are expected to be severely impacted at least for the month of March - June 2020 as more countries closed their borders in March and capacity reductions are made by global airlines to control costs and match demand.

Credit Rating Action in the wake of COVID-19

Ratings were downgraded, put on negative watch list and outlook was revised to negative across issuers reflecting the dramatic contraction of the global economy coupled with virtual collapse of travel and mobility representing an unprecedented demand shock.

Rating Agency	Rating Action			
	Downgrade	Downgrade; On watch possible downgrade	Ratings Affirmed	Watch List
S&P	Hawaiian Holdings, Inc. (B)	Turk Hava Yollari Anonim Ortakligi (B) WestJet Airlines Ltd. (B) Virgin Australia Holdings Limited (CCC) SAS AB (B) Grupo Aeromexico S.A.B. de C.V. (B+) Southwest Airlines Co. (BBB) Air Canada (BB) Allegiant Travel Company (B+) American Airlines Group Inc. (B) United Airlines Holdings, Inc. (BB-) JetBlue Airways Corp. (BB-) Delta Air Lines, Inc. (BB) Deutsche Lufthansa AG (BBB-) Int'l Consolidated Airlines Group, S.A. (BBB-) British Airways PLC (BBB-) easyJet PLC (BBB)		Azul S.A. (B+) LATAM Airlines Group S.A (LATAM) Gol Linhas Aereas Inteligentes S.A. (B)
Moody's	TRANSPORTES AEREOS PORTUGUESES, S.A. (Caa1)	Turk Hava Yollari Anonim Ortakligi (B2) Virgin Australia Holdings Limited (B3) SAS AB (B2) SAS Denmark-Norway-Sweden (P) B3 Grupo Aeromexico S.A.B. de C.V. (B2) Aerovias de Mexico, S.A. de C.V. (B3) Azul S.A. (B1) Azul Investments LLP (B2) LATAM Airlines Group S.A (LATAM) (B1) Southwest Airlines Co. (Baa1) easyJet Plc (Baa2)	Air New Zealand Limited (Baa2)	Qantas Airways Ltd. (Baa2) Wizz Air Holdings plc (Baa3) Air Canada (Ba1) WestJet Airlines Ltd. (Ba3) Gol Linhas Aereas Inteligentes S.A. (B1) Gol Finance (B2) GOL Equity Finance (B2) Allegiant Travel Company (Ba3) American Airlines Group Inc. (Ba3) United Airlines Holdings, Inc. (Ba2) Hawaiian Holdings, Inc. (Ba3) JetBlue Airways Corp. (Ba1) Delta Air Lines, Inc. (Baa3) Deutsche Lufthansa Aktiengesellschaft (New) (Ba1) Int'l Consolidated Airlines Group, S.A. (Baa3) British Airways, Plc (Baa3)

Rating Agency	Rating Action			
	Downgrade	Downgrade; On watch possible downgrade	Ratings Affirmed	Watch List
Fitch	American Airlines Group Inc. (B+)	Virgin Australia Holdings Limited (B-) Azul S.A. (B1) Azul Investments LLP (B) LATAM Airlines Group S.A (LATAM) (B+) Gol Linhas Aereas Inteligentes S.A. (B) Gol Finance (B)	Southwest Airlines Co. (A-) Wizz Air Holdings plc (BBB)* Air Canada (BB)* WestJet Airlines Ltd.(BB-)* United Airlines Holdings, Inc. (BB)* Hawaiian Holdings, Inc. (BB-)* JetBlue Airways Corp. (BB+)* Delta Air Lines, Inc. (BBB-)* British Airways, Plc (BBB-)* * outlook changed to negative from stable	

Source: [S&P](#), [Moody's](#), [Fitch](#)

Management Commentary on impact of Covid-19

Company Name	Date Announced	Financial Impact	Metric Impact Guide	Commentary
United Airlines	17-Mar-20	\$1.5B decline in revenue expected in March 2020 compared to March 2019	Revenue	<p>Impact of the virus on United's business has become worse with the new travel restrictions for the UK and Ireland.</p> <p>The United leaders acknowledged March as its busiest month of the year, but is projecting that revenue in March 2020 will be USD 1.5 billion lower than last March.</p> <p>United has taken steps to manage the crisis by reducing schedules, imposing a hiring freeze, introducing a voluntary leave program, reducing discretionary spending, cutting the CEO base by 100% and deferring a salary increase.</p>
	3-Mar-20	-10 %	Domestic schedules growth for April	<p>As a result of the decline in demand resulting from COVID-19, in addition to the capacity reductions on the Company's trans-Pacific routes announced last month, the Company has also announced that it has pulled down 10% of its domestic schedules and 20% of its international schedules in April. The Company also anticipates making reductions in May of at least 20% and plans to proactively evaluate and cancel flights on a rolling 90-day basis until it sees signs of a recovery in demand. The Company currently expects adjusted capital expenditures for full year 2020 to be approximately \$4.5 billion. The Company's capital expenditures were front loaded in 2020, and as such, the Company has spent approximately \$2 billion year-to-date. The Company also suspended share buybacks under its existing share repurchase program on Monday, February 24, 2020 after the virus outbreak expanded to Italy.</p>
		-20 %	International schedules growth for April	
-20 %	Schedules growth for May			
Southwest Airlines	16-Mar-20	n/a	Financial guidance withdrawal	<p>The Company is withdrawing its previous 2020 financial guidance due to the rapidly changing environment as the COVID-19 pandemic evolves, and is providing the following updates.</p> <p>The Company experienced more dramatic declines in passenger bookings in March and second quarter 2020, as well as an unprecedented increase in close-in trip cancellations. The Company has recently experienced several days of net negative bookings, primarily in March and April 2020, where trip cancellations outpaced new passenger bookings. The Company's month-to-date load factor through March 15, 2020, was approximately 67 percent, with recent days trending toward 50 percent. As the impact of the COVID-19 pandemic grows, and based on current booking and cancellation trends, we expect revenue trends for the remainder of March and second quarter 2020 to deteriorate further.</p>
		-20 %	Reduced Available seat miles	<p>The Company will soon reduce its published flight schedules, which will reduce available seat miles (ASMs, or capacity) by at least 20 percent for the time period April 14, 2020 through June 5, 2020. The Company is also instituting a hiring freeze; offering voluntary leave options for Employees; and aggressively evaluating all capital spending, discretionary spending, and all non-essential costs for near-term cost reductions or deferrals.</p>

Company Name	Date Announced	Financial Impact	Metric Impact Guide	Commentary
Ryanair	16-Mar-20	n/a	n/a	Over the past week, the spread of the COVID-19 virus and associated Government travel restrictions, many of which have been imposed without notice, have had a significant and negative impact on the schedules of all Ryanair Group Airlines.
	2-Mar-20	n/a	n/a	We expect that this COVID-19 virus will result in further EU airline failures over the coming weeks.. While we are heavily booked over the next two weeks, there has been a notable drop in forward bookings towards the end of Mar, into early Apr. It makes sense to selectively prune our schedule to and from those airports where travel has been most affected by the Covid-19 outbreak.
Lufthansa	4-Mar-20	More than 150	Planes grounded	Lufthansa said that it would ground 150 of its more than 750 planes worldwide , days after announcing a slimmed-down timetable over the effects of the novel coronavirus. "25 long-haul aircraft and 125 short- and medium-haul aircraft" will no longer fly, a spokesman for the group also including carriers Eurowings, Austrian and Swiss told AFP.
Delta Airlines	10-Mar-20	Mid to high-single digit decline	1Q19 revenue growth	Two weeks ago, our revenue trajectory changed dramatically as the virus spread meaningfully outside of Asia. Since then, we have seen a 25% to 30% decline in net bookings and are prepared for it to get worse. We expect demand erosion will continue in the near term and a built-up plan that prioritizes free cash flow generation and preserves liquidity. We are actioning system capacity reductions of at least 15% down versus our plan. We are taking international down 20% to 25% and domestic down 10% to 15%. We're implementing cost reduction initiatives and are taking out \$1.8 billion of expense versus our plan. We've also undertaken \$3 billion of cash flow and liquidity-enhancing initiatives including CapEx deferrals, delaying voluntary pension contributions and suspending share repurchases. Unfortunately, there's little we can do to impact the March quarter which we currently expect will see a mid to high-single digit decline in unit revenues for the quarter. We are also withdrawing our full-year guidance until we have more clarity on the duration and severity of the current situation.
		-15 %	Capacity change as compared to the plan	
		-\$1.8Bn	Expenditure change versus the plan	
American Airlines	10-Mar-20	n/a	n/a	The consequences of the coronavirus outbreak to economic conditions and the travel industry in general and the financial position and operating results of our company in particular have been material, are changing rapidly, and cannot be predicted.
Qantas Airways Ltd	9-Mar-20	n/a	Bookings, capacity	In the past fortnight we've seen a sharp drop in bookings on our international network as the global coronavirus spread continues. We expect lower demand to continue for the next several months , so rather than taking a piecemeal approach we're cutting capacity out to mid-September. This improves our ability to reduce costs as well as giving more certainty to the market, customers and our people.

Company Name	Date Announced	Financial Impact	Metric Impact Guide	Commentary
Air France - KLM	16-Mar-20	-70 % and -90 %	Ask	<p>Faced with growing restrictions on the possibility of travelling and a strong downward trend in demand which has resulted in a drop in traffic and sales over the last few weeks, the Air France-KLM Group is obliged to gradually reduce its flight activity very significantly over the next few days, with the number of available seat kilometers (ASK) potentially decreasing between -70 % and -90 %. This reduction in capacity is currently scheduled to last two months, and the Group will continue to monitor the evolution of the situation on a daily basis and adjust it if necessary.</p> <p>To deal with this situation, the Group has already taken a number of strong measures to secure its cash flow:</p> <ul style="list-style-type: none"> ■ Additional savings measures have been identified, which will generate €200 million in 2020 ■ An initial review of the investment plan has reduced the capital expenditure plan by €350 million, to which will be added the impact of the decline in activity on the amount of maintenance investments ■ Air France-KLM Group drew a revolving credit facility for a total amount of €1.1 billion and KLM drew a revolving credit facility for a total amount of €665 million. <p>The Group estimates that the drop in revenues from the Passenger business resulting from the reduction in capacity will only be offset by around 50 % by the drop in variable costs before cost savings measures.</p>
		EUR 350mm	Capex reduction compared to plan	
		EUR 200 million	Cost saving measure	
	20-Feb-20	EUR 150-200 Mn	EBIT through the end of April 2020 compared to the prior guidance	<p>Coronavirus have impacted the demand outlook especially in the Asian network. It will come as no surprise that our Asian traffic flows have been impacted as flights to the Chinese Mainland have been suspended and demand to other regional destinations has softened. Though we are doing all possible to accommodate our customers affected, our teams estimate the impact on our operating result at between EUR150 million and EUR200 million through the end of April 2020.</p> <p>Fuel price has recently decreased linked to Coronavirus and the fuel bill for 2020 is now expected to be EUR300 million below 2019. The Coronavirus cases will impact our capacity compared to what we have planned initially and depending our merge capacity will be lower than the planned one, we will have an impact in terms of unit costs, which means that for the time-being, we are still positive about unit cost control of course but we stick to relatively large range in terms of target. So, same as the last year, to be honest, with unit cost ex-currency between zero and minus 1 % for the year 2020.</p>
	EUR 300 million	Fuel bill for 2020 reduced		

Company Name	Date Announced	Financial Impact	Metric Impact Guide	Commentary
International Consolidated Airlines Group	16-Mar-20	-75 %	Capacity for April & May	<p>The rapid spread of COVID-19, and associated government travel restrictions and advisories are having a significant and increasingly negative impact on the demand for global air traffic on almost all routes operated by IAG's airlines. To date IAG has suspended flights to China, reduced capacity on Asian routes, cancelled all flights to, from and within Italy and made various changes to our network.</p> <p>IAG is implementing further initiatives in response to this challenging market environment. Capacity, in terms of available seat kilometers, in the first quarter of 2020 is now expected to be reduced by around 7.5 per cent compared to last year. For April and May, the Group plans to reduce capacity by at least 75 per cent compared to the same period in 2019.</p> <p>IAG is also taking actions to reduce operating expenses and improve cash flow. These include grounding surplus aircraft, reducing and deferring capital spending, cutting non-essential and non-cyber related IT spend, freezing recruitment and discretionary spending, implementing voluntary leave options, temporarily suspending employment contracts and reducing working hours.</p> <p>Given the continued uncertainty on the potential impact and duration of COVID-19, it is still not possible to give accurate profit guidance for the full year 2020.</p>

Recent News & Development

Region	Airline Name	Date	Key news	Source
Americas	American Airlines	3-Apr-20	Plans to cut domestic flights by 70 %-75 % in April and ~80 % in May; International flights to be cut down by ~90 % during these summer months. No plans to halt US flight services	Reuters
		2-Apr-20	Nearly 1,500 pilots given partial paid leave in April to trim workforce, including 600 pilots of Boeing 737 and Airbus A320	Dallasnews
		2-Apr-20	Borrowed a total of \$2.73 billion from three credit facilities, including \$450 million from April 2016 facility, \$750 million from 2013 revolver and ~\$1.53 billion from 2014 revolver	YahooFinance
		31-Mar-20	Intends to seek up to \$12 billion aid package to ensure no lay-offs or pay cuts in next 6 months	YahooFinance
		20-Mar-20	Fitch downgraded the rating to B+ from BB-; outlook revised to negative from stable	Marketwatch
	Delta Airlines	24-Mar-20	S&P cuts Delta's debt rating to "BB" from "BBB-"	Reuters
		14-Mar-20	To lay off more than 800 contractors to manage the impact of coronavirus impact on its business	Wsbvtv
		13-Mar-20	CEO to forgo his six month salary; airlines plans to cut overall capacity by ~40 % over few coming months	Bizjournals
		9-Mar-20	Warren Buffett raises stake in Delta Airlines to 11 % by raising his total holdings to 17.9 million shares.	Forbes
	United Airlines	2-Apr-20	Revenues down by over \$100 million per day; flight schedules cut by ~70 % during April, further cuts expected in May	Thepointsguy
		23-Mar-20	Fitch downgraded outlook to negative amid fears about its ability to pay back loans	Thehill
		21-Apr-20	Could lay off more than half of its employees in line with its previously announced 60 % schedule cut, if government fails to provide financial assistance	Businessinsider
		12-Mar-20	Raises \$2 billion in term loan to pay certain transaction fees and expenses and for general corporate purposes	Reuters
	Southwest Airlines	2-Apr-20	Intends to apply for its share of \$25 billion in government grants to avoid layoffs. Already secured \$2.3 billion in term loans and has cut over 2,000 flights in a day	Dallasnews
		31-Mar-20	Suspended share repurchases and has trimmed CEO's salary by 10 %	Dallasnews
		5-Mar-20	Operating revenues are expected to go down by ~\$300 million in the first-quarter, leading to an overall cut in the quarterly outlook	Reuters
	Air Canada	1-Apr-20	Extends suspension of flights in and out of West Kootenay Regional Airport until April 30, 2020	Nelsonstar
		31-Mar-20	Announced a temporary lay-off of half of its workforce, affecting ~16,500 employees and ~1,300 managers, starting April 3, 2020	ET
		27-Mar-20	Proposed Air Canada/Transat Deal will likely prevent competition in air travel sale and vacation packages	Onemileatatime
		16-Mar-20	Capacity to be reduced by ~50 % while targeting \$500 million in cost reductions and capital deferrals	Bnnbloomberg

Region	Airline Name	Date	Key news	Source
Europe	Lufthansa	3-Apr-20	Germany in talks to inject billions into Lufthansa	Straitstimes
		1-Apr-20	Cuts hours for two-thirds of staff	Marketwatch
		19-Mar-20	The executive board to take a 20 % pay cut	Reuters
		17-Mar-20	Moody's downgrades Lufthansa to 'Ba1' from 'Baa3'. All ratings placed on review for downgrade	Moody's
		16-Mar-20	Cuts 90 % of long-haul flights	Reuters
		14-Mar-20	Suspends dividend for 2019	Malaymail
	ICAG	3-Apr-20	Cancelled its final dividend, saving \$366 million	Dailymail
		2-Apr-20	British Airways furloughs more than 30,000 staff on 80 % pay	Guardian
		2-Apr-20	IAG to cut capacity by 90 % in April & May	Reuters
		30-Mar-20	British Airways extended its credit facility to \$1.38 billion.	Travelweekly
		20-Mar-20	British Airways pilots hit with 50 % salary cut	FT
		17-Mar-20	Moody's placed the Baa3 issuer rating of British Airways, Plc on review for downgrade	Moody's
	Air France - KLM	3-Apr-20	Air France likely to get as much as 4 billion euros in French-guaranteed loans while KLM is expected to receive close to 2 billion backed by The Hague	Reuters
		16-Mar-20	To gradually reduce its activity by up to 90 %	Aerotime
		16-Mar-20	80 % of workforce to be temporarily laid off	Aerotime
	EasyJet	1-Apr-20	Working with Credit Suisse and Goldman Sachs to explore fundraising scenarios	Bloomberg
		30-Mar-20	Grounds entire fleet of planes for at least two months	Guardian
		30-Mar-20	To furlough 4,000 of its 9,000 staff initially for two months from April 1, 2020	Guardian
	Ryanair	3-Apr-20	Estimates a \$325mn hit because of fuel hedges for year ended March 31, 2020	Bloomberg
		16-Mar-20	Expects 'minimal if any' traffic in April, May	RTE
		16-Mar-20	Cuts staff and executive pay by 50 %	Irishexaminer
	Swiss Air	17-Mar-20	Appointed a new chief financial and chief operating officer to have greater corporate stability	Flightglobal
		15-Mar-20	Expects financial aid from the state to survive coronavirus impact on air industry	Swissinfo
		14-Mar-20	Plans to keep half its fleet out of service and reducing working hours for flight personnel	Reuters
	Austrian Airlines	23-Mar-20	Extends flight grounding till April 19, 2020 while removing the scheduled flights from automated booking system	Simpleflying
		23-Mar-20	Agreed to pay its staff 90 % of their normal salaries, in line with their shortened working hours till mid-April	Simpleflying
		17-Mar-20	Terminates all regular flight operations from March 18, 2020 till further notice, except one long and one medium haul aircraft	Thenewsmarket
	Turkish Airlines	2-Apr-20	Suspends all international flights until May 1, 2020 and restriction on domestic flights to 14 metropolitan cities	AA
		23-Mar-20	Wants to avoid lay-offs and plans to make salary cuts from top level	Simpleflying

Region	Airline Name	Date	Key news	Source
Middle East	Emirates	22-Mar-20	Temporarily suspended all passenger flights from March 25	CNBC
		23-Mar-20	Staff takes pay-cut of 25-50 % to avert layoff	TheNational
		31-Mar-20	Dubai to inject Equity in its state owned Emirates Airlines	al-monitor
		2-Apr-20	To resume limited outbound passenger flights from April 6, 2020	NDTV
	Etihad Airways	23-Mar-20	Halted all passenger flights from March 25	Arabianbusiness
		25-Mar-20	Staff takes 25-50 % temporary pay-cut amid coronavirus crisis	Arabianbusiness
		2-Apr-20	Airline to resume some passenger flight from April 5	Gulfnews
	Qatar Airways	18-Mar-20	Lays off 200 Filipinos as coronavirus hits travel	Indiatoday
		25-Mar-20	Announces capacity increases of 10,000 seats to its network as international routes across the world are suspended by many airlines	Businessstraveller
		29-Mar-20	May need state support as cash runs out	Nasdaq
		1-Apr-20	Announced a temporary reduction of 40 % of staff at Hamad International Airport	Bloomberg
		Cathay Pacific	3-Apr-20	Daily Passengers down 99 % from Cathay's daily expected average, and a load factor of 18.3 %
20-Mar-20			Slashed 96 % of flight capacity for April and May	Businessstraveller
China Eastern		2-Apr-20	Number of domestic daily flights in China climbed to 20.5 % in March to 6,533, ~ 42 % of the daily flights before the coronavirus struck	Reuters
		2-Apr-20	Aimed to operate 40 %-50 % of its domestic flights in March, but there was demand for ~30 % based on bookings	Marketscreener
Malaysian Airlines		26-Mar-20	Cancels over 4,000 flights, and reduces capacity from Mar 22 to June 30	Businessstraveller
All Nippon Airways		1-Apr-20	Puts 6,400 cabin crew on furlough, cuts ~80 % of its international and ~30 % of its domestic flights	NHK
		1-Apr-20	Announced more cuts to the originally planned 4,653 flights on 72 routes from 29 March until 24 April	Flightglobal
Indigo		25-Mar-20	Asks employees to take 10-20 per cent salary cuts	Businesstoday
		20-Mar-20	Grounds 30 planes following the Indian government's decision to bar international flights	Mint
SpiceJet		2-Apr-20	Terminates contract of 13 expat pilots flying Bombardier Q400 planes	Moneycontrol
		31-Mar-20	March salaries of all employees cut by 10 % to 30 %	NDTV
Korean Air		12-Mar-20	Grounded 100 of 145 passenger aircraft in its fleet.	Flightglobal
		10-Mar-20	Cuts more than 80 % of its international capacity ; encourages employees to take voluntary leave	BBC
Virgin Australia		31-Mar-20	Asks government for up to \$1.4bn taxpayer loan	Guardian
		30-Mar-20	Would put 8,000 workers on leave and cut more than 1,000 jobs permanently	Reuters
Qantas		30-Mar-20	Didn't seek bail-out. However, given its revenue is 3x higher than Virgin's, if Virgin gets a \$1.4 bn loan, it should get a \$4.2 bn loan	Reuters
		19-Mar-20	Stands down 20,000 workers without pay	Guardian
		19-Mar-20	Halts all international flights	CNN
Singapore Airlines		27-Mar-20	Secures \$13 bn of financing	Indiatoday
		23-Mar-20	Cuts 96 % of the capacity up to April 2020	ET
		23-Mar-20	Imposes cost cuts affecting about 10,000 staff	Dailysabah

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