

COVID-19

Government aid

Brian Pearce

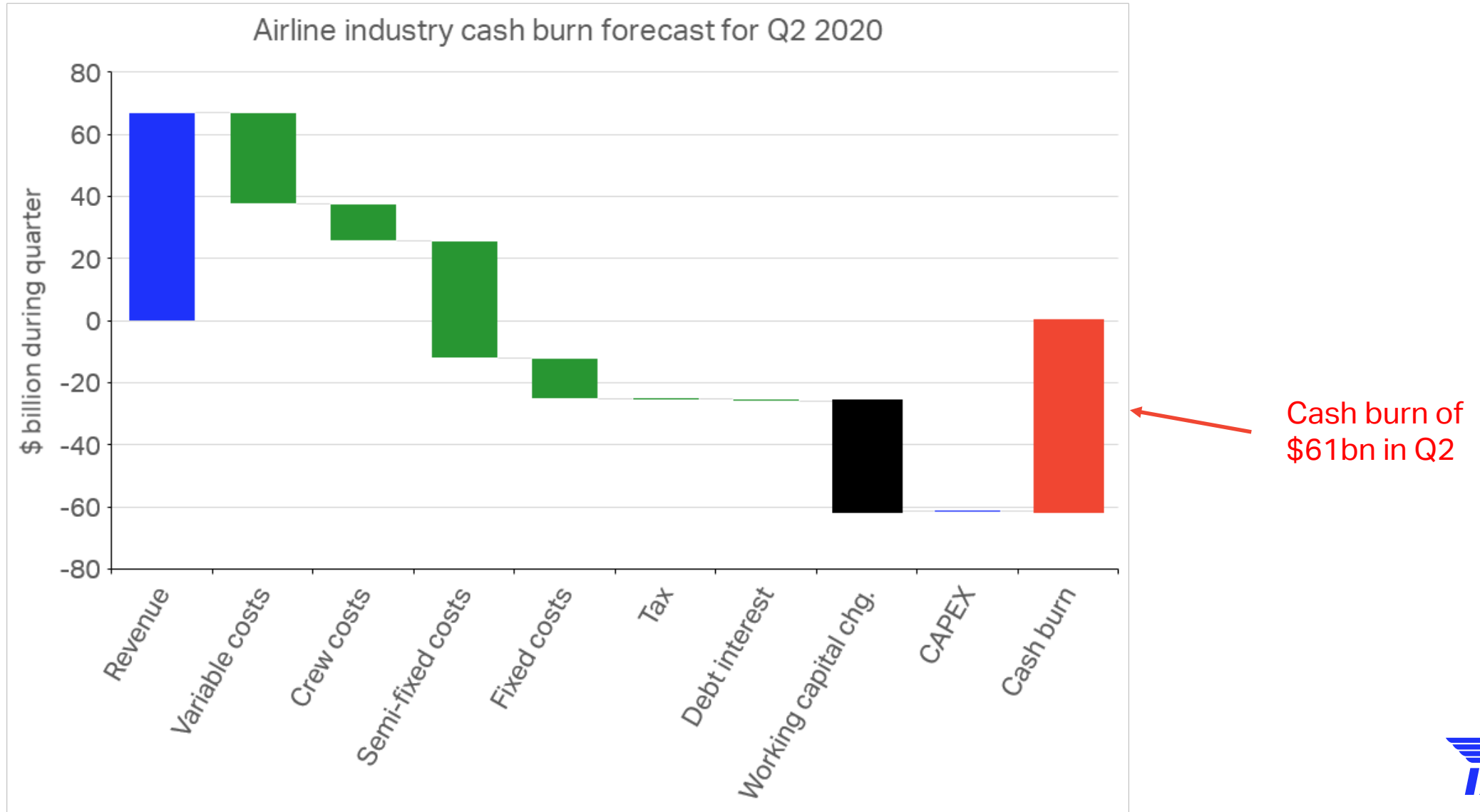
Chief Economist

26th May 2020



We estimated airlines' cash burn at \$60bn a quarter

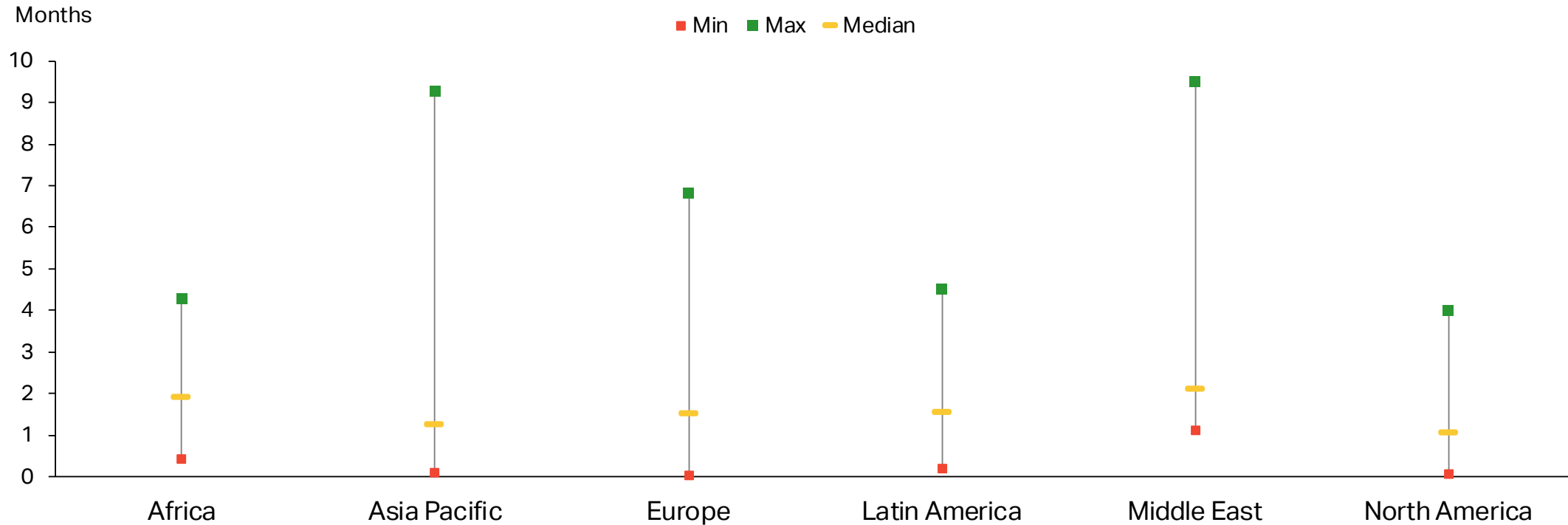
On top of unavoidable cost, ticket refunds will burn cash in 2020 Q2



End-2019 cash reserves already low at many airlines

Compared to 2019 revenues, the median airline had 2 months of cash

Balance Sheet Liquidity
(Cash and Equivalents Coverage of Revenues*)



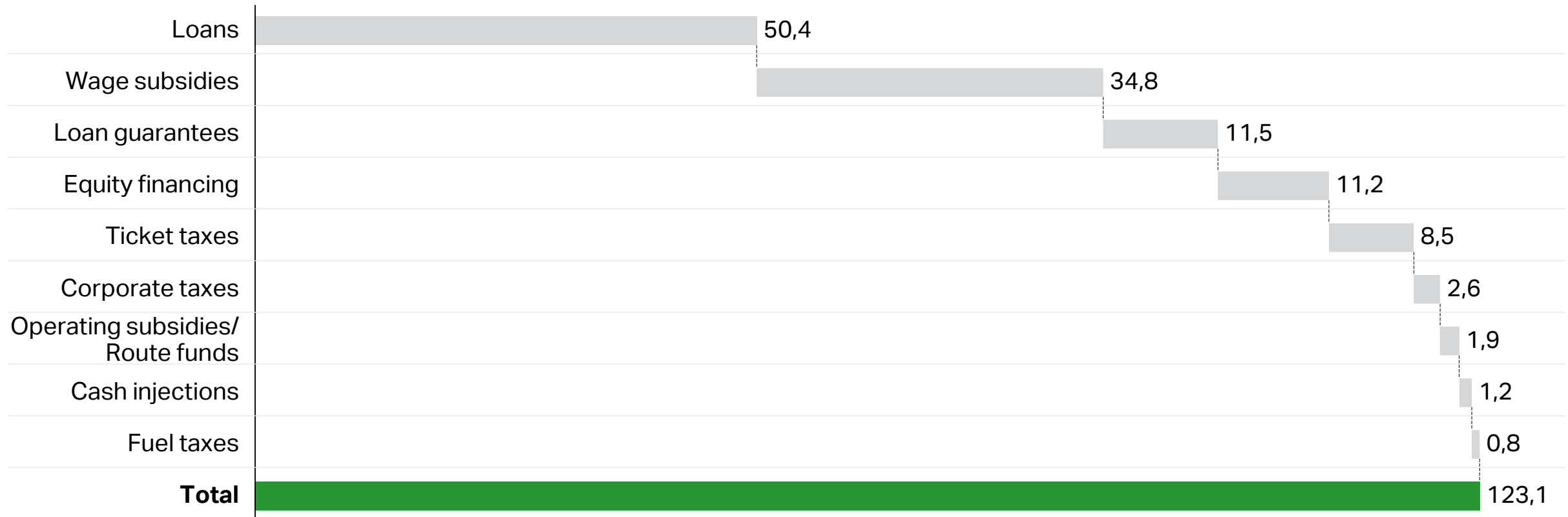
*Latest available 12 months cumulative revenues Africa, Latin America and the Middle East might not be representative due to small sample size.



Governments have now provided USD 123bn of cash

Financial aid in a variety of forms is keeping the industry on life support

Government aid made available to airlines due to COVID-19, by type (USD bn)

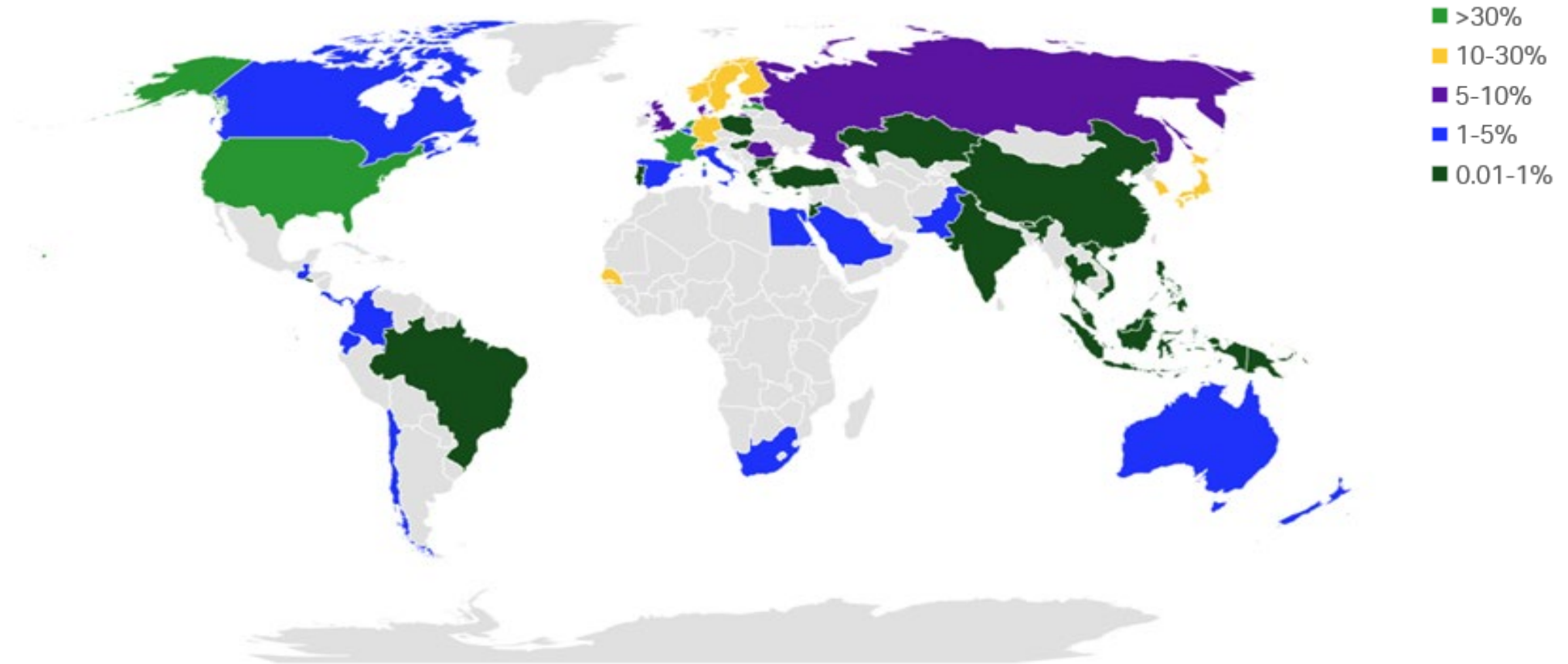


Source: IATA Economics using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports. Government measure included up until 15 May 2020

But Government aid is very unevenly spread by country

Very limited support or none for emerging market airlines

Total amount of government aid as % of airline ticket revenues to/from/within country in 2019



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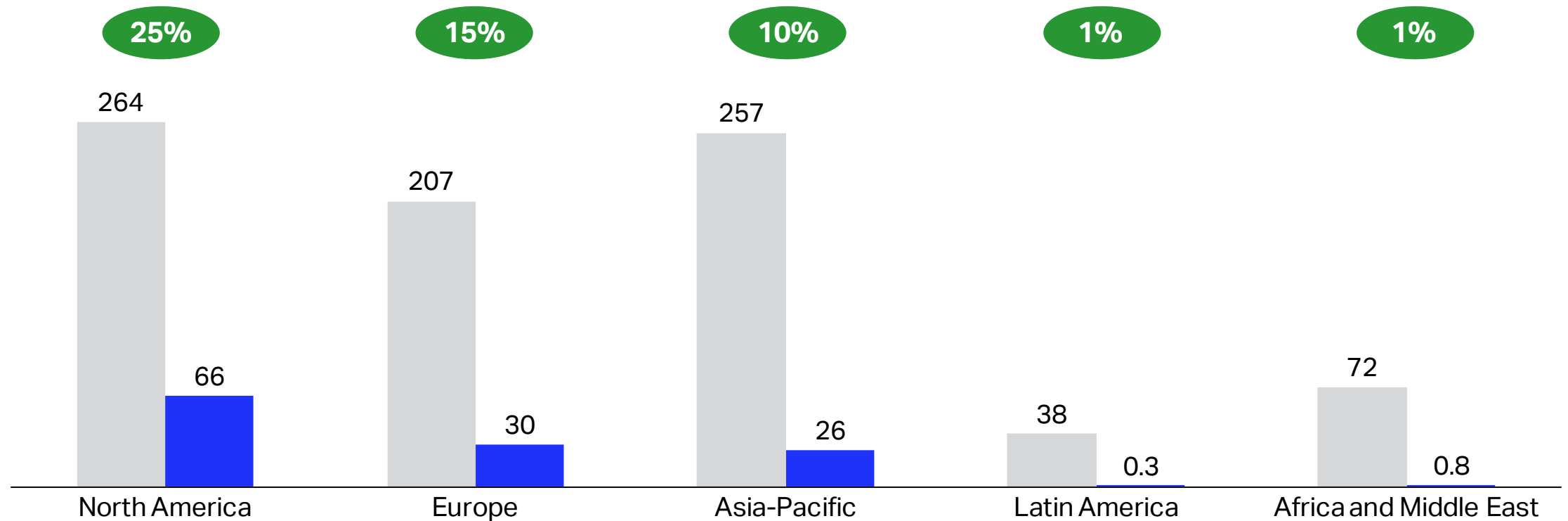
Source: IATA Economics using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports. Note: revenue data is base fare revenue for all services flying within, to and from the country.

Aid varies from 1% to 25% of regional revenues

Latin America & AME aid is only 1% of airlines' 2019 operating revenues

Total amount of government aid vs. airline revenues to/from/within region in 2019 (USD bn)

Legend: 2019 revenues (grey bar), Financial relief (blue bar)



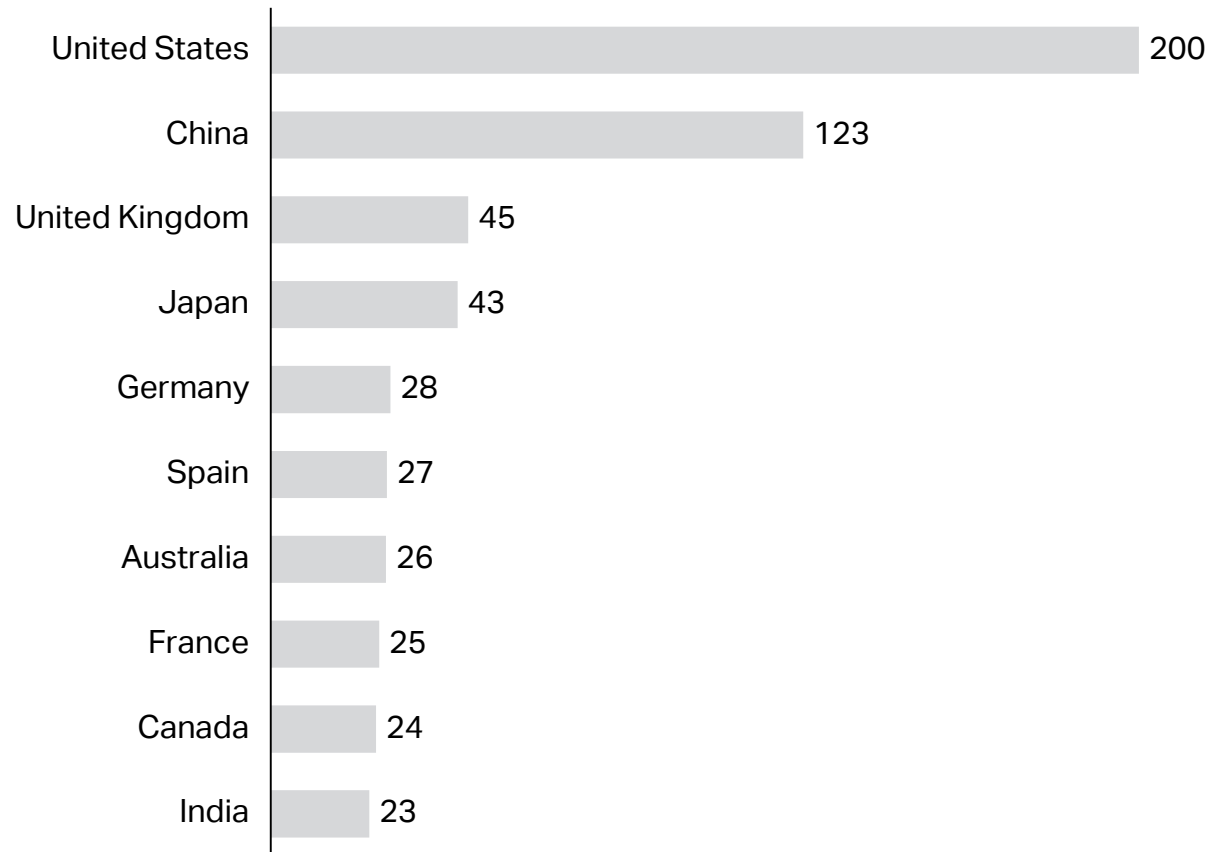
Source: IATA Economics using public information and data from SRS Analyser, DDS, FlightRadAR 24, TTBS, ACIC, Platts, Airline Analyst, annual reports. Note: revenues in this slide are total airline operating revenues by region of registration.



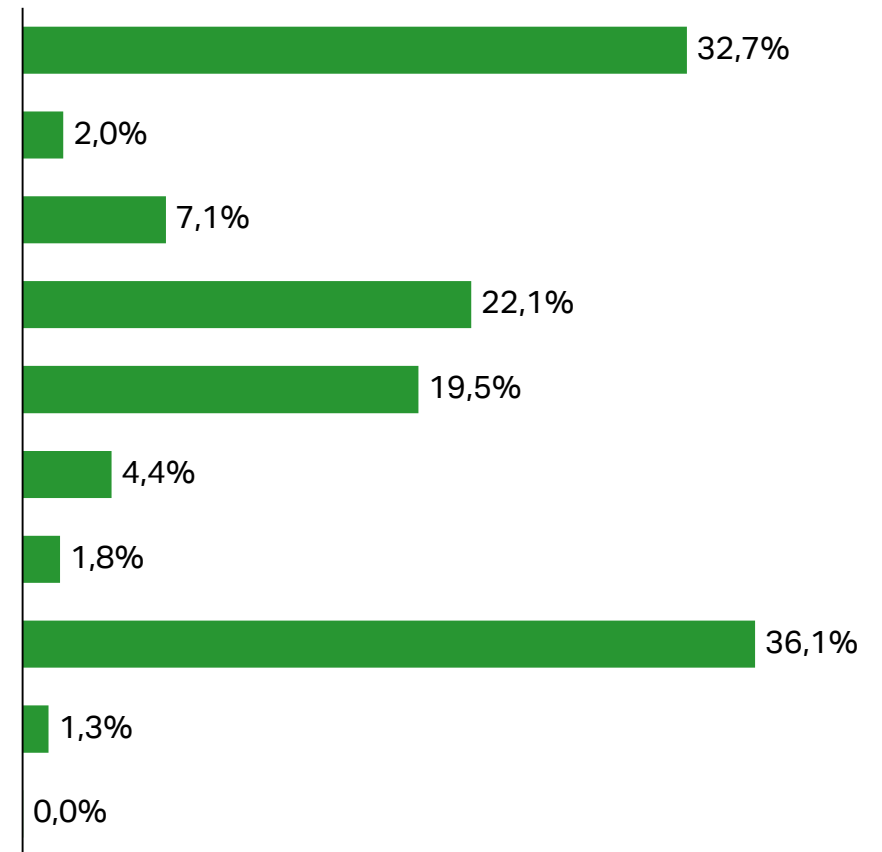
Wide variation in aid for top-10 passenger markets

Government support varies even between developed economies

Top 10 markets by 2019 ticket revenues (USD bn)



Government aid as % of 2019 ticket revenues



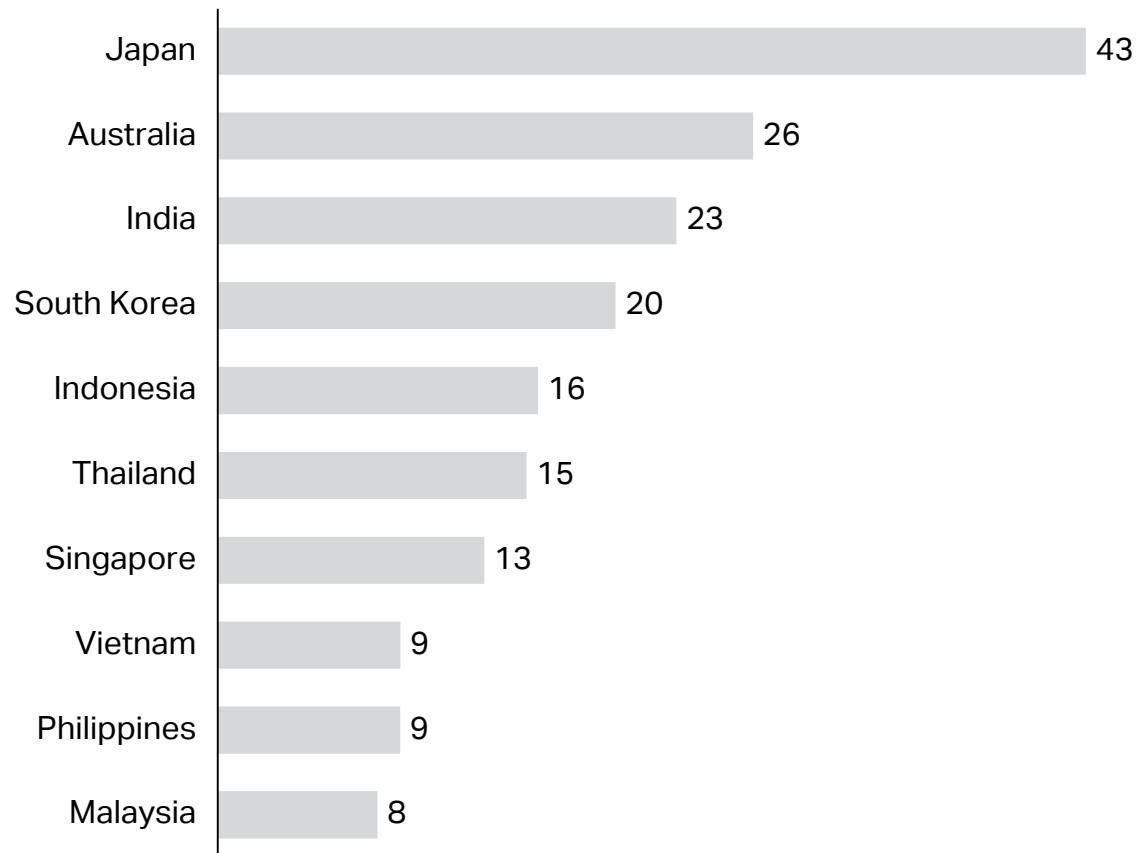
Source: IATA Economics using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports. Note: revenue data is base fare revenue for all services flying within, to and from the country. In addition, some governments – e.g. Australia and China - provide a package of indirect support to airlines including the waiver of government charges.



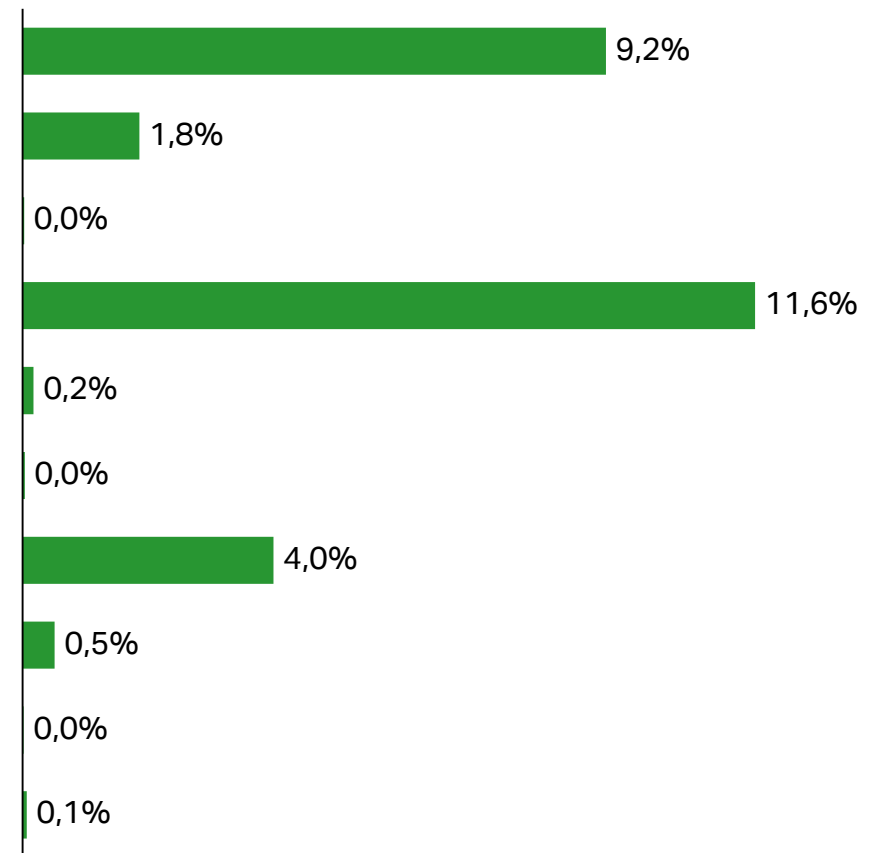
In Asia Pacific South Korea has provided most aid

Emerging market support for airlines in this region is minimal so far

Top 10 Asia-Pacific markets by 2019 ticket revenues (USD bn)



Government aid as % of 2019 ticket revenues



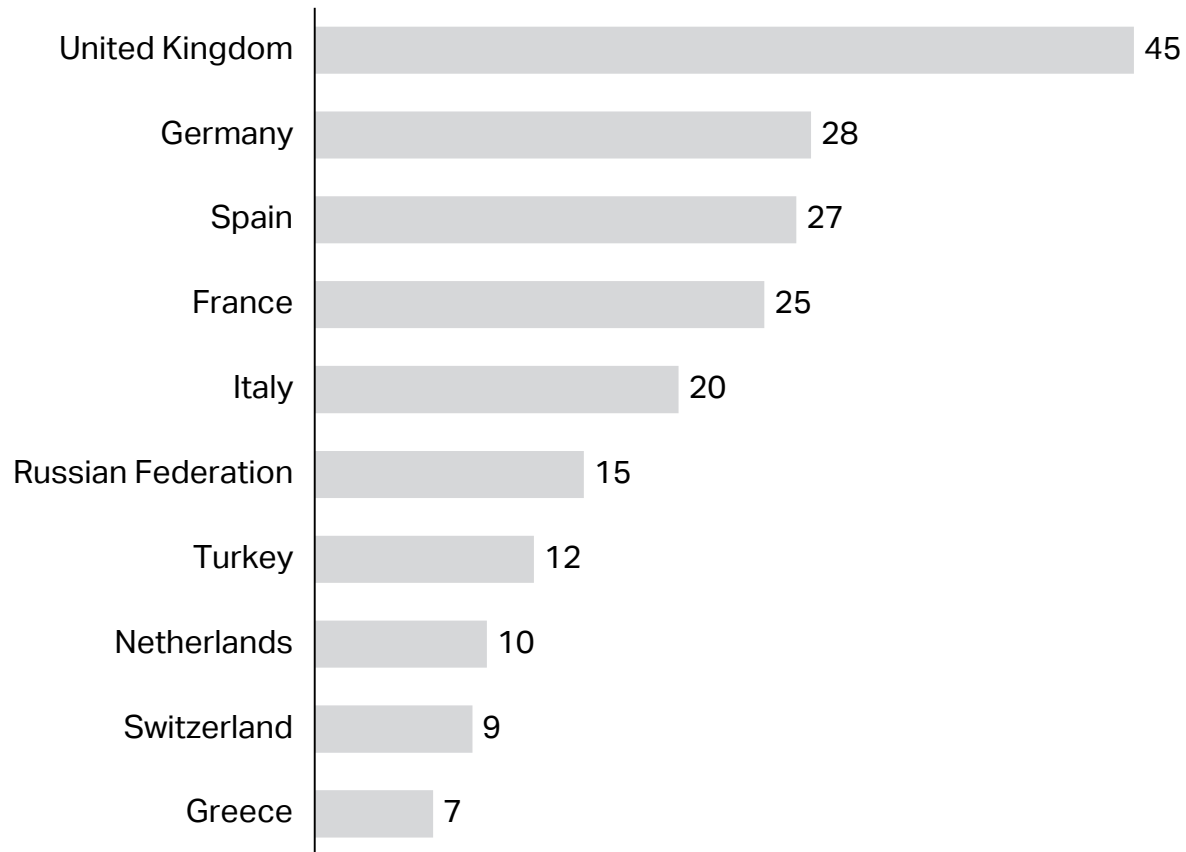
Source: IATA Economics using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports. Note: revenue data is base fare revenue for all services flying within, to and from the country. In addition, some governments – e.g. Australia and China - provide a package of indirect support to airlines including the waiver of government charges.



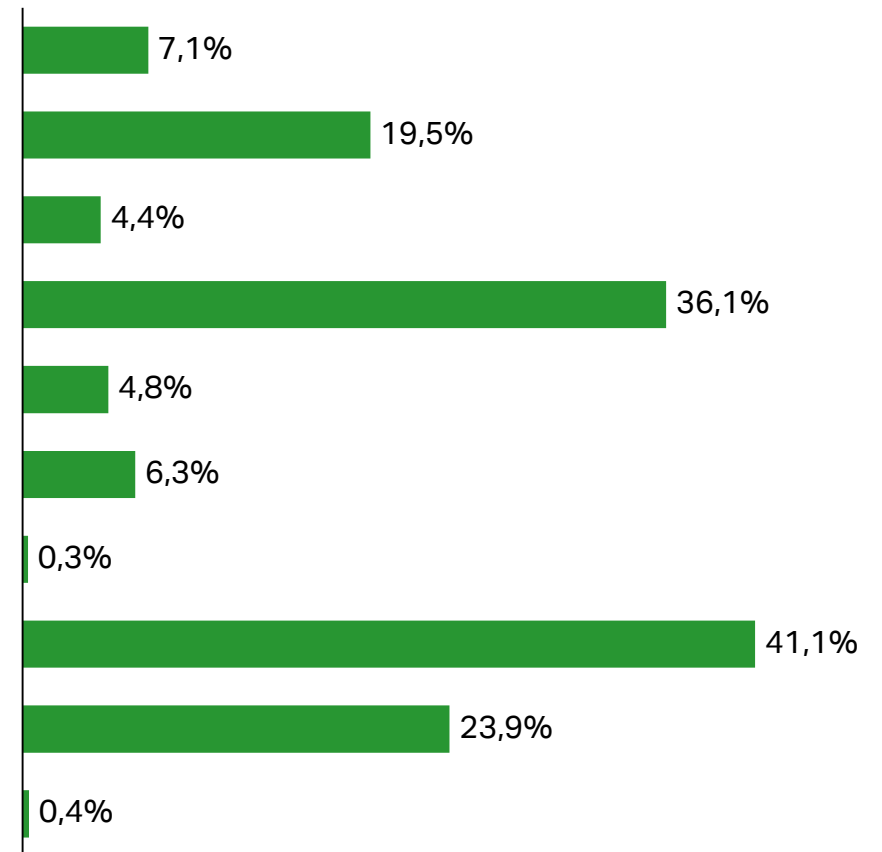
In Europe aid is more extensive but still uneven

Airlines in the more fragile economies have much less support

Top 10 European markets by 2019 ticket revenues (USD bn)



Government aid as % of 2019 ticket revenues

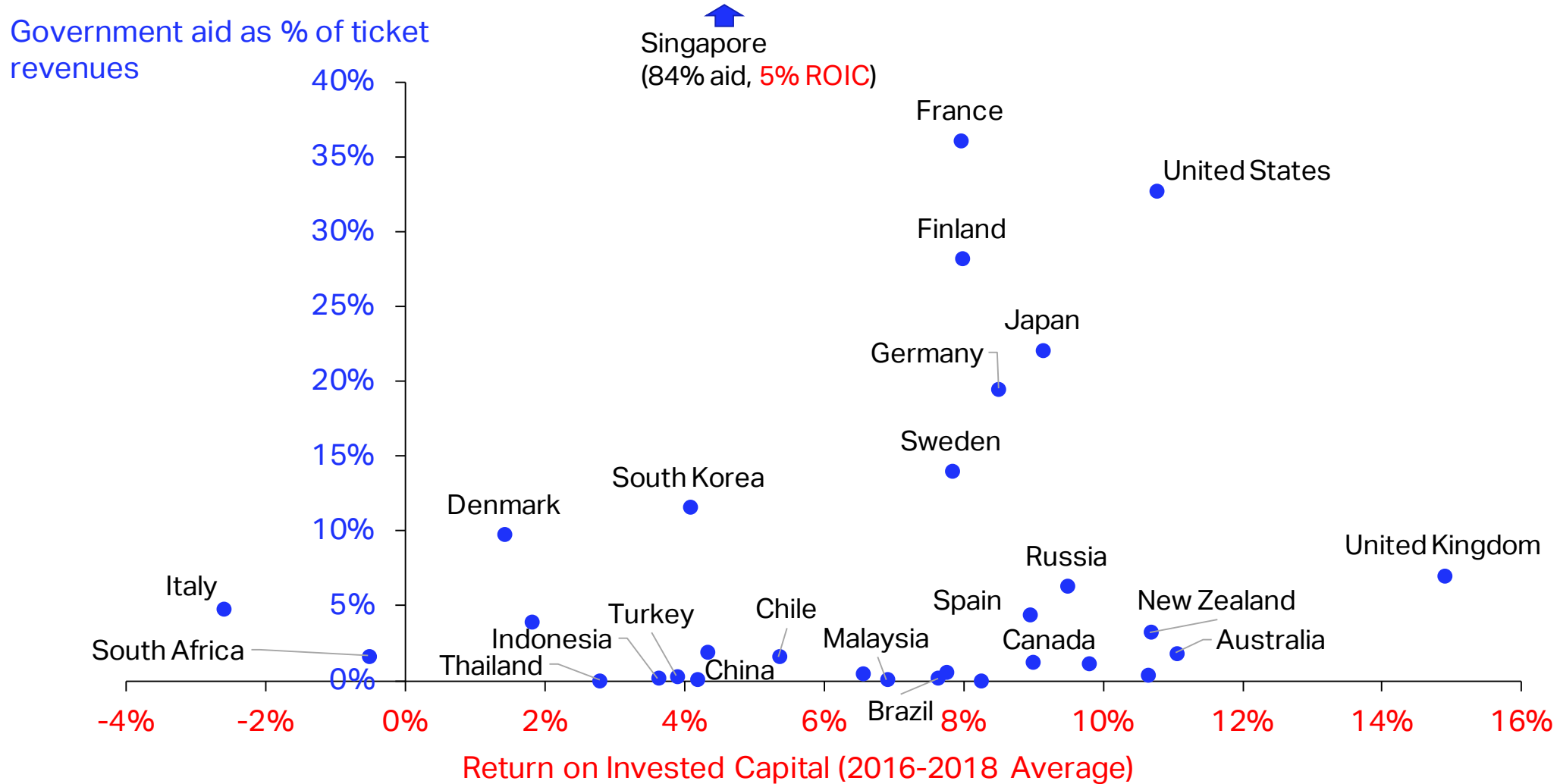


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Governments not linked aid to business model viability

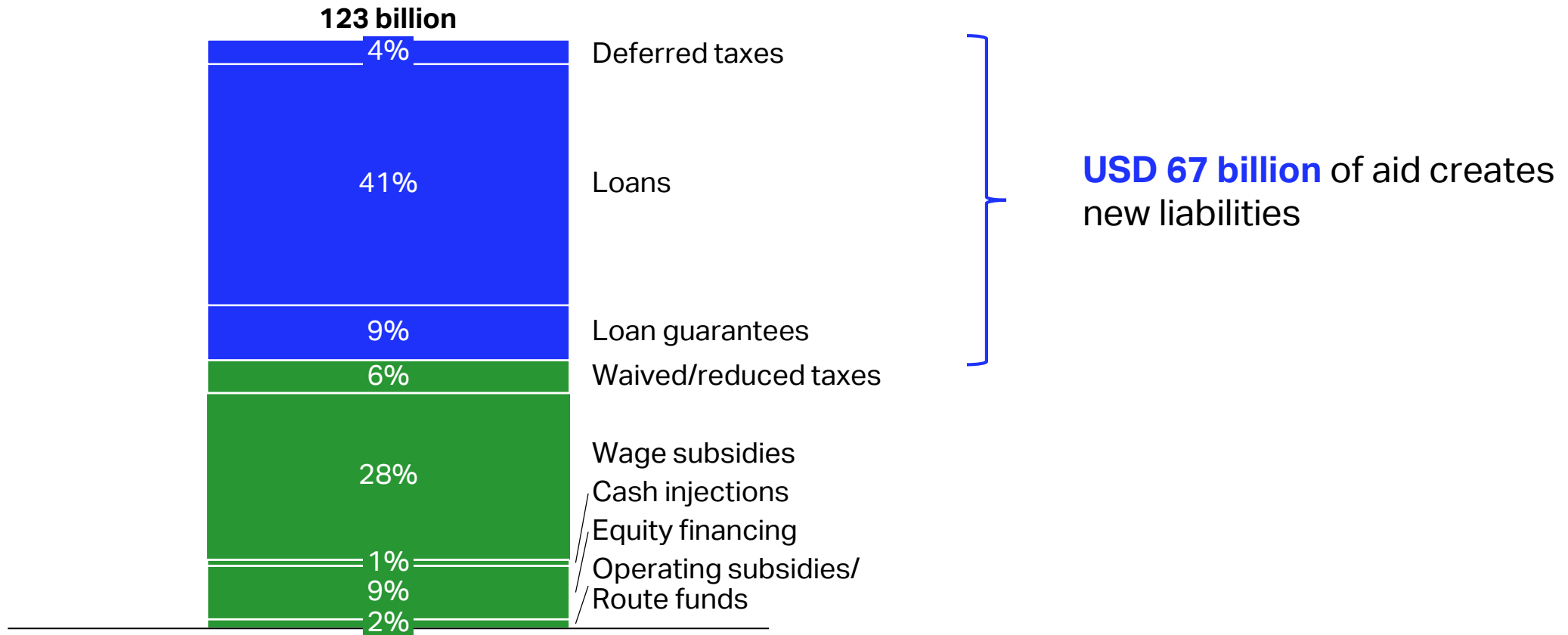
Correlation between size of aid and pre-crisis ROIC close to zero



Majority of aid will leave airlines with more debt

\$67bn or 55% of Government aid creates debt. Only \$11bn of equity

Government aid made available to airlines due to COVID-19, by type (USD bn)

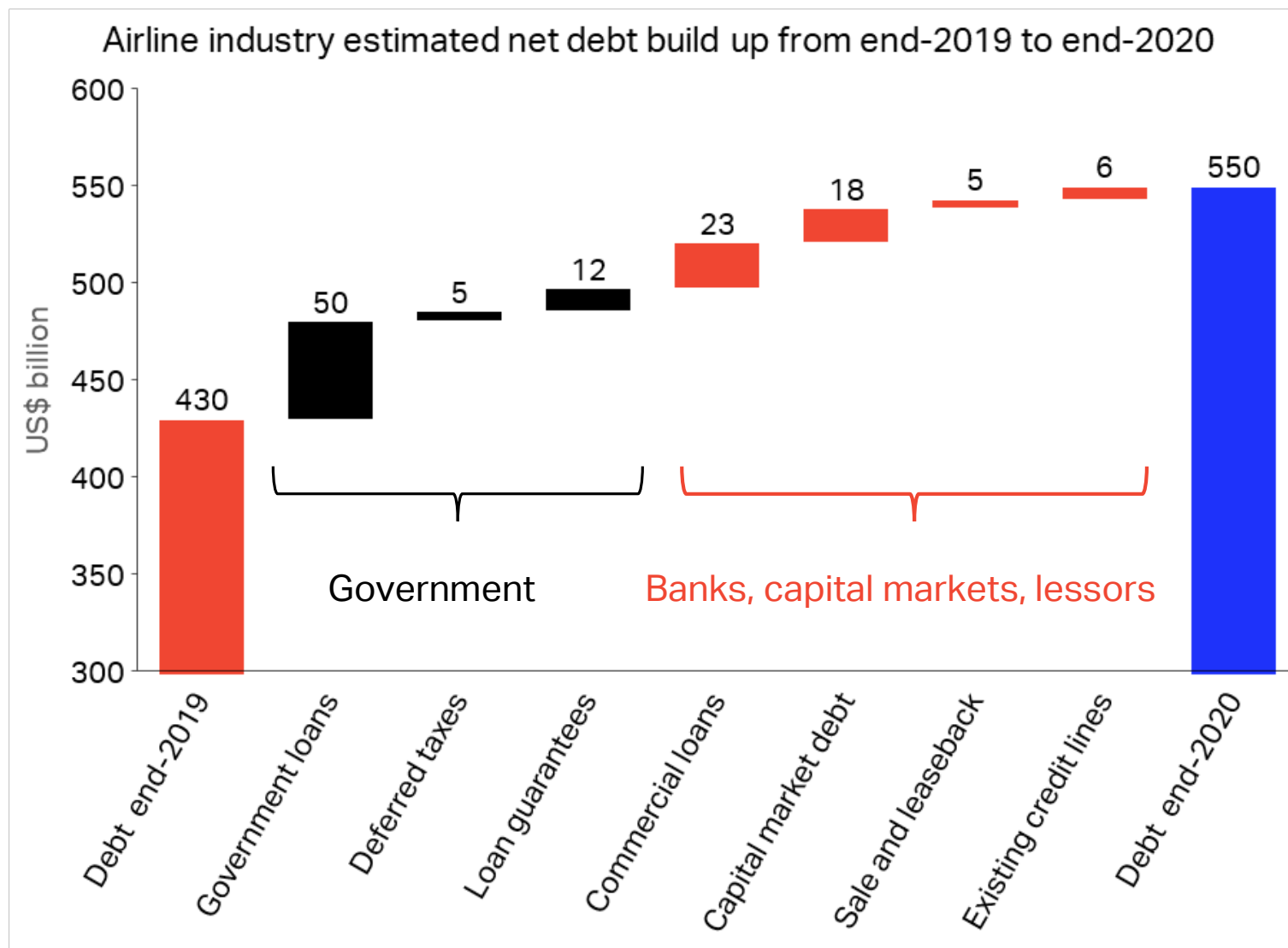


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Airlines will enter 'restart' with very high levels of debt

\$120bn rise in debt but <\$30bn new equity (\$11bn from Govt)



Source: IATA Economics using data from own estimates of Government aid, private debt estimates from Airfinance Journal 'Cash Burn and Liquidity Webinar, 14 May 2020. Debt includes adjustment for operating leases.

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