COVID-19 Airlines' Liquidity Crisis

17th March 2020



COVID-19 & restrictions closed many markets to air travel Markets with >10 cases now cover 94% of global passenger revenues



Source: IATA Economics using data from DDS

IATA Economics

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The situation has moved beyond our 'Extensive Spread' scenario implying **\$113 bn loss of passenger revenues** (19%) worldwide in 2020

| Market | Impact on passenger numbers | Impact on passenger revenue (Billion US\$)* |
|---|-----------------------------------|--|
| Australia, China, Japan, Malaysia, Singapore, South Korea, Thailand, Vietnam | -23% | -49.7 |
| APAC excluding the above | -9% | -7.6 |
| Austria, France, Italy, Germany, Netherlands, Norway, Spain, Switzerland, Sweden, the United Kingdom | -24% | -37.3 |
| Europe <i>excluding the above</i> | -9% | -6.6 |
| Bahrain, Iraq, Iran, Kuwait, Lebanon, the United Arab Emirates | -23% | -4.9 |
| Middle East excluding the above | -9% | -2.3 |
| Canada, United States | -10% | -21.1 |

Source: IATA Economics

* Note:

Revenue numbers do not add up to the \$113 bn global total because of route overlaps e.g. China and Japan include revenues on the China-Japan market. We adjust for overlaps in calculating the worldwide total. Revenues are base fare revenues for all airlines serving routes to, from and within each country



Even before COVID-19 much of the industry was fragile Only around 30 airlines drove improvement. Long tail of weaker airlines



Economics

Source: IATA Economics using data from a McKinsey study for IATA

Outside the top-30 balance sheets debt levels are high So many airlines will have fixed obligations of debt to service and repay

Net debt adjusted for operating leases / EBITDAR



Source: IATA Economics using data from the Airline Analyst, own estimates

Cash covered less than 3 months of expenses for most Cash and equivalents at the start of 2020 as a ratio of non-avoidable costs

Number of Months Cash to Cover EBITDAR and Aircraft Rental Costs* 75% of airlines in the sample <3 months cash to cover costs (10.5, 12.0] (12.0, 13.5] [0.0, 1.5] (1.5, 3.0](3.0, 4.5](4.5, 6.0] (6.0, 7.5](7.5, 9.0](9.0, 10.5] Number of Months

Economics

Number of Airlines

*Latest available 12 months cumulative data

Source: IATA Economics using the Airline Analyst

There are also short-term liabilities to service and repay Cash and equivalents as a ratio of loans and bonds with less 1 year maturity

Quick Ratio (Cash and Receivables) / Current Liabilities



Economics

Now airlines are fast running out of cash. The typical airline had 2 months of cash at the start of this year

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.



Source: IATA Economics using the Airline Analyst

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