

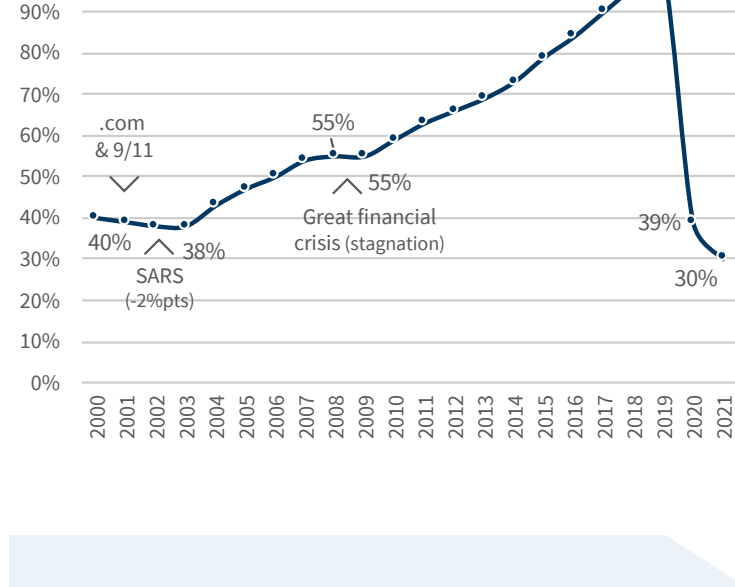
Successfully flying through the Danger Zone:

Part One: The Fight For Survival

Since the onset of the pandemic in March 2020, COVID-19 has unprecedentedly impacted the global and European aviation industry – the UK has experienced even higher hits with current passenger levels being only at 5% and airline flights operating at 25% relative to 2019.

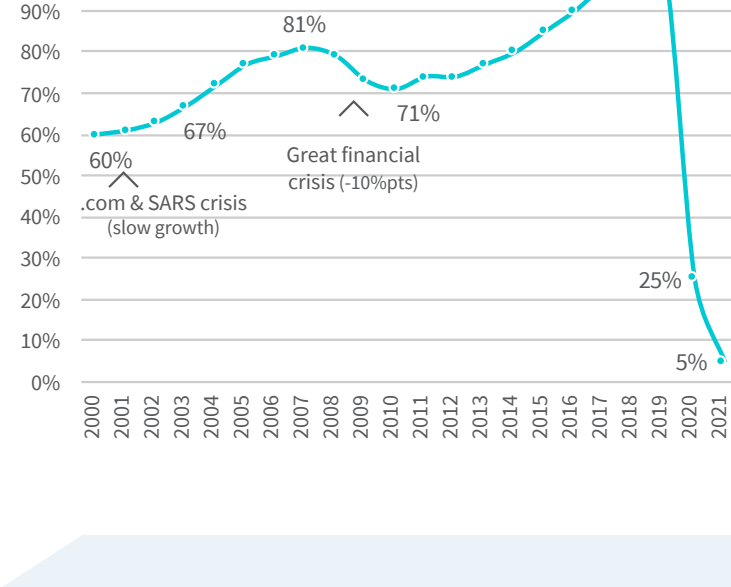
Global passenger as reported by IATA

(scheduled passenger, 2019 = 100)



Passenger development at UK airports as reported by UK CAA

(Terminal passengers, 2019 = 100)



All players in the UK aviation & travel ecosystem have seen profits being decimated and the majority face debt levels increasing significantly.

Example overview of economic effects of COVID-19 on UK companies in the travel ecosystem (2020 vs. 2019)

	Airlines		Airports	
	Network Carrier	Low Cost Carrier	Major London Airport	Major Regional Airport
Volume change vs. 2019	-75% (revenue passenger kilometres)	-87% (available seat kilometres)	-78% (passengers)	-76% (passengers)
Revenues in 2020 % change vs. 2019	£4.0 BN -70%	£3.0 BN -47%	£0.2 BN -75%	£0.07 BN -69%
EBIT 2020 Profit / loss margin in % of revenue	£-3.9 BN -98%	£-0.9 BN -30%	£-0.2 BN -190%	£-0.02 BN -30%
Net Debt increase	+103%	+310%	+14%	N/A

≈ -4% of 2019 offered seat capacity taken out of the market by bankrupt airlines.

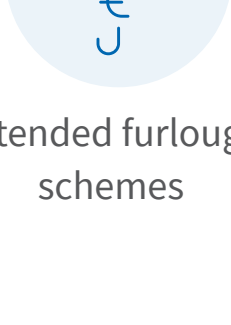
Government support

Governments supported the sector with large bailout programs. Despite having the largest ever experienced crisis in aviation, the impact of European airline bankruptcies has been relatively low so far. However, there has been significant government support provided to date.

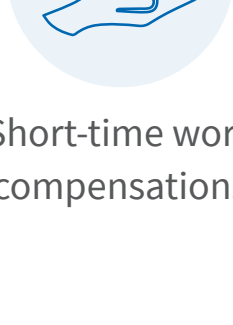
€ 42 BN

In form of loans, loan guarantees, credit guarantees, recapitalisation, state aid/takeover provided by European governments until April 2021 to European airlines.

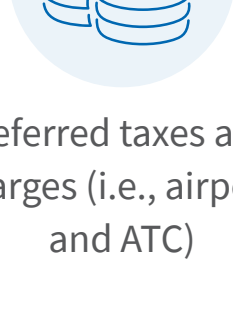
Further support included:



Extended furlough schemes



Short-time work compensations



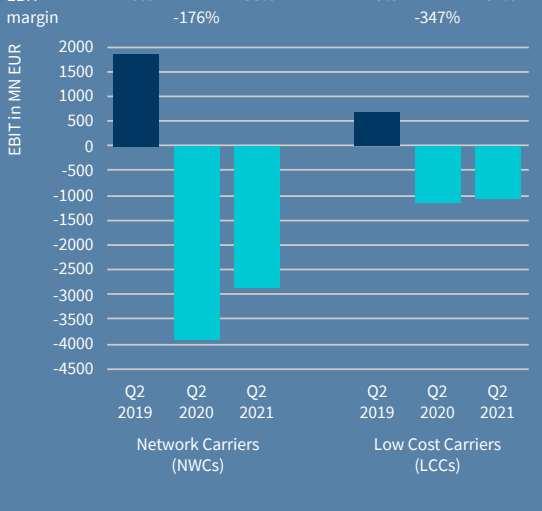
Deferred taxes and charges (i.e., airports and ATC)

European airlines have seen ongoing performance deteriorations in Q1 2021. UK and Irish airlines show a higher deterioration versus the European average.

Q2 profitability of European airlines

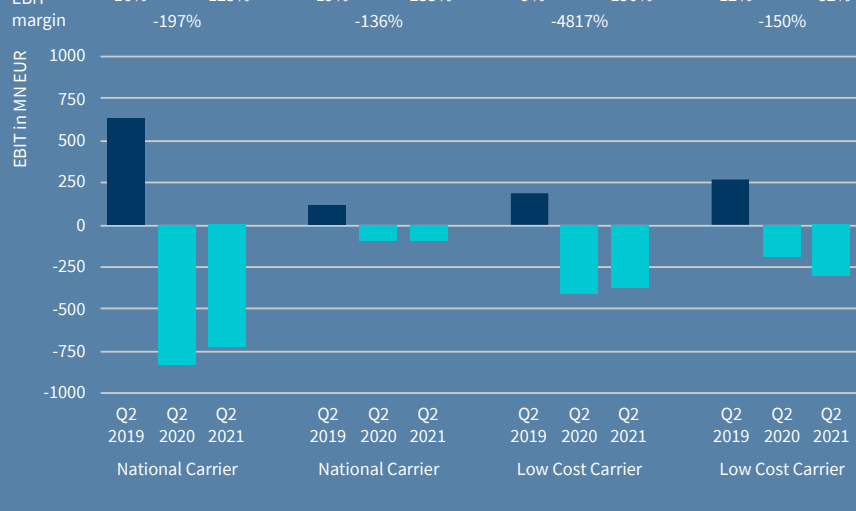
Profitability of European basket

EUR BN, % of revenues



Profitability of UK and Irish airlines

EUR MN, EBIT margin in % of revenues

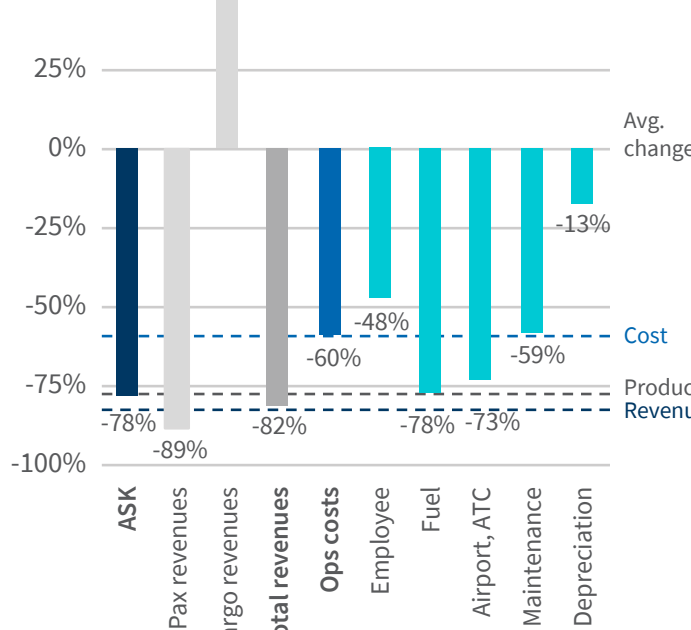


Achieving sufficient reductions of employee, aircraft and maintenance cost has been a challenge for management teams

Losses were triggered by the steep revenue decline and an impossible mission to reduce cost on the same trajectory.

IAG based on Q2 2021

change vs. Q2 2019



Managing liquidity

Despite the fact that current liquidity has recently improved (due to actions taken), tight management going forward is imperative given the volatile and uncertain recovery.

Managing liquidity will be a challenge over the next 24 months.



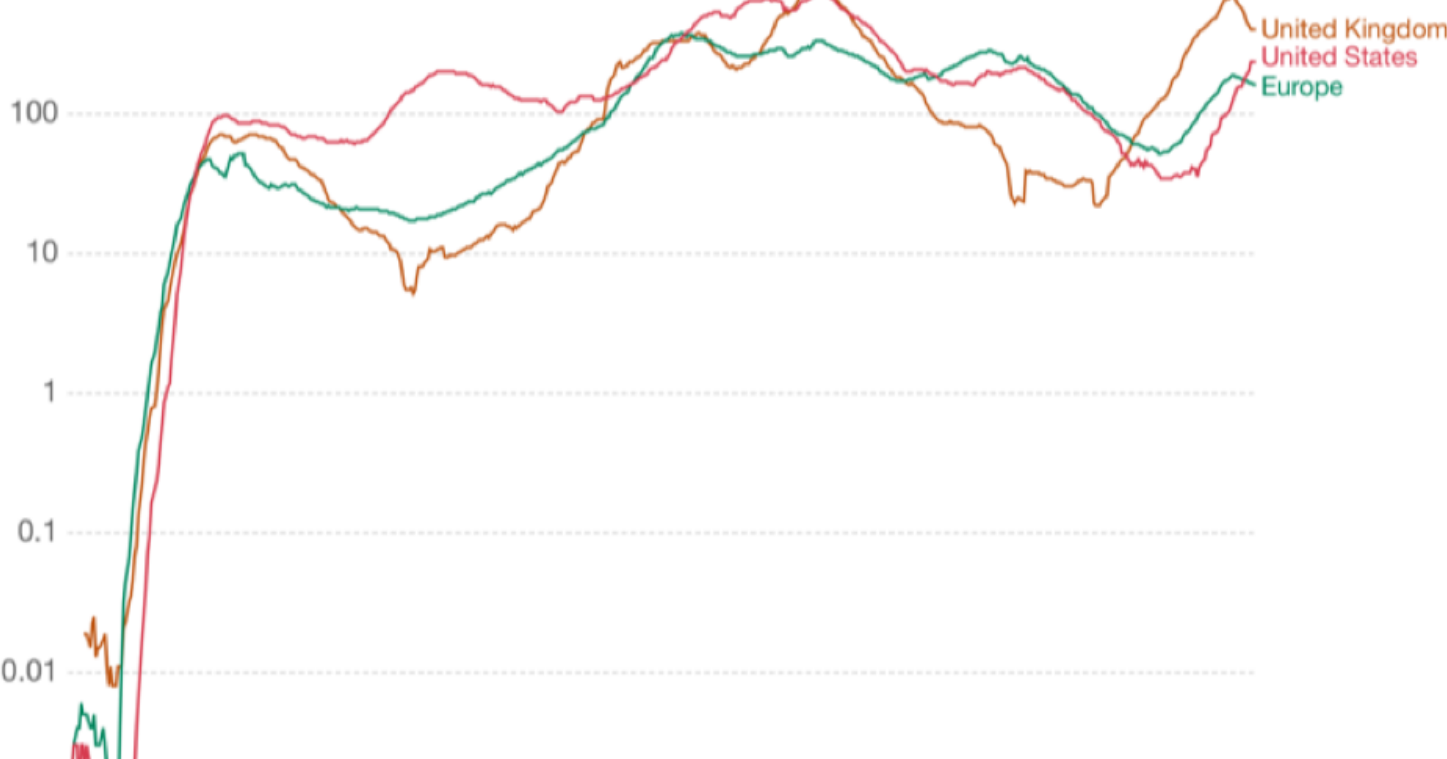
We expect to see a Cumulative revenue gap of \$ 200+ BN in the next four years.

\$ 200+ BN

In addition, forecasts have been adapted downwards given the ongoing critical pandemic situation. The timing of the recovery is difficult to rely on – therefore the aviation industry faces prolonged uncertainty.

Development of the Great Pandemic by selected regions

Daily new confirmed COVID-19 cases per million people



With the aviation industry faced to fight for survival, the next 24-months will be a critical 'danger zone' period.

Learn more at fticonsulting.com/covid19

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