NEWS RELEASE

AIRPORTS COMPANY SOUTH AFRICA EXPECTS TO IMPROVE LIQUIDITY THROUGH MONETISATION OF INVESTMENT PROPERTY PORTFOLIO AND NON-CORE ASSETS

***BEDFORDVIEW, 11 February 2021* –** The adverse impact of COVID-19 on global aviation led to Airports Company South Africa revising its strategy and financial plan as far back as April 2020. This was because of global travel bans and border closures which led to no passenger flights for a period of four months.

The company engaged all key stakeholder indicating revenue losses because of the lockdown. It further indicated a requirement of R11bn over six years to get back to its pre-COVID-19 performance levels.

Airports Company South Africa has since received some support from Government (its major shareholder) through the issuance of preference shares and by securing credit facilities from lenders. The company continues to make progress in its drive to enhance liquidity and to secure its long-term sustainability through transactions that monetise assets and activities that significantly reduce both operational and capital expenditure.

The company this week issued a request for proposals for transaction advisory services to advise Airports Company South Africa on the potential monetisation of some of its investment property portfolio. The transaction adviser, once appointed, will assess, and advise on the appropriate monetization programme and the portfolio.

The monetization process is likely to involve a variety of mechanisms proposed by a transaction advisor. However, Airports Company South Africa has no intention to sell or otherwise dispose of any investment property assets.

Airports Company South Africa’s asset base of more than R30-billion includes an investment property portfolio of R7,7 billion. Properties in this portfolio have consistently performed well above the cost of capital, thereby subsidising landing fees for airlines and passenger service charges for passengers.

The company has already reduced annual operational expenditure by R1,2 billion, while capital expenditure of R14,5-billion has been deferred.

“In responding effectively to the devastating impact of the pandemic we have adapted our strategy to focus on enhancing Airports Company South Africa’s core aeronautical activities. Our strategic response includes a process to release wealth associated with non-core assets says Siphamandla Mthethwa, Chief Financial Officer.

“The monetisation of non-core investment properties will make cash available for core business activities as well as reduce the budget allocation to non-core activities.

“In the process we are confronting tough choices and difficult decisions. However, we believe that our response is necessary to sustain Airports Company South Africa through the recovery in aviation which will take at least three to five years”.

"Before Covid-19, Airports Company South Africa enjoyed a reputation as a well-run state-owned company. We believe that this reflects qualities embedded in our culture that position Airports Company South Africa to manage through the crisis in the best way possible," says Mthethwa.

Airports Company South Africa has also announced the sale of its 10% equity holding in Mumbai International Airport Limited (MIAL) for approximately R1,2-billion.

Mthethwa says that the sale of the stake in Mumbai International Airport Limited marks a successful and profitable exit for Airports Company South Africa from the investment the company made in 2006.

The sale to Adani Airport Holdings includes the transfer of airport operator rights held by Airports Company South Africa to MIAL. This means that the company will also be released from providing an Airport Operator Guarantee that amounted to R700-million in the 2020 financial year.

"From the outset in 2006, Airports Company South Africa provided management expertise to the airport and supported its infrastructure development and expansion. We are proud of the achievements we have supported at Mumbai International Airport over the past 15 years," says Mthethwa.

EFF statement on AIRPORTS COMPANY SOUTH AFRICA RFP

Airports Company South Africa has noted a statement on these matters that was issued by the Economic Freedom Fighters (EFF).

Says Spokesperson Refentse Shinners: "The company wishes to stress that the RFP for transaction advisory services does not envisage the sale of assets, but the investigation of options to monetise Airports Company South Africa's investment property portfolio. It must be emphasized that this process is nothing new, in May of last year Airports Company South Africa presented its revised financial plan to the Portfolio Committee of Transport detailing that we plan on exploring various options to mitigate the financial challenges caused by the Covid-19 impact.

"These and other strategic responses to the impact of Covid-19 that have been adopted by the company are vital to our long-term sustainability. This is a strategic process that Airports Company South Africa is undertaking.

"We have to act now to minimise job losses and to ensure Airports Company South Africa's viability over the next three to five years," says Shinners.

Airports Company South Africa also wishes to point out that, it is an entity of the Department of Transport, and not the Department of Public Enterprises as insinuated in the statement.

Litigation among senior employees

At the same time, the Board of Airports Company South Africa confirms that it is aware of media reports about defamation litigation underway between two senior employees.

According to Spokesperson Refentse Shinners The Board is aware of an internal grievance process that was initiated last year involving the two individuals. This process is currently under way and is close to conclusion.

"The Board will allow Management to finalise the process, following which any recommendations will be implemented. The Board and Management have followed due process on this matter and will not be drawn on disputes made public to undermine internal processes," says Shinners.

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Media enquiries:
Gopolang Peme, Media Specialist, Airports Company South Africa
E-mail: gopolang.peme@airports.co.za
Mobile: 067 422 9988