Airports Company South Africa SOC Limited
(Incorporated in the Republic of South Africa)
(Registration number 1993/004149/30)
Issuer Code: BIACSA

Airports Company South Africa SOC Limited: Financial Performance Highlights

Airports Company South Africa (ACSA) today reported financial results for the year to 31 March 2021 that reflect the devastating impact on aviation and tourism of the first year of the Covid-19 pandemic.

Revenue was R2,2-billion for the 12 months, less than a third of the R7,1-billion generated in the previous financial year. While the company produced a profit of R1,4-billion in the FY2019/20, the result for FY2020/21 was a loss of R2,6-billion. This was the second loss in the company’s 28-year history.

Chief Executive Officer Mpumi Mpofu said the wide and deep impact of global measures to combat the pandemic have had a staggering impact on airlines, airports and tourism around the world.

Global air traffic in 2020 fell by 65%, amounting to an equivalent of loss of some $125-billion for both aeronautical and non-aeronautical revenue. Across Africa, traffic declined by 68% resulting in a loss of $2,7-billion in airports’ revenue.

In South Africa, ACSA’s departing passenger figures for the year fell by 78.2% from 21-million to 4,6-million. Aircraft landings for ACSA declined by 65% from 248 519 to 86 434.

“These figures represent the low point in terms of pandemic impact because the 12 months involved either complete lockdown or significant restrictions on domestic and international flying,” said Mpofu.

“Since the start of the current financial year on 1 April 2021 there has been a continued gradual increase in domestic passenger figures, although off a low base. However, we are encouraged by developments of the past several weeks that suggest we can anticipate accelerated improvement.

“South Africa is not only off the United Kingdom’s red list but most of our key source markets have already opened for flying to and from the country. The increasing pace of vaccinations locally and in other countries, along with the advent of vaccination certificates should encourage continued recovery in cross-border travel,” said Mpofu.

She believes conditions have improved to the extent that, if Covid infection rates remain subdued, South Africa can anticipate a stronger summer holiday season in terms of both domestic and international passengers than was thought possible at the height of the third wave of Covid infections in July 2021.

Mpofu said the impact of the pandemic is reflected in every stream of ACSA's revenue. Aircraft landing fees were R368-million compared to R1,3-billion the previous year, aircraft parking fees were R29-million compared to R55-million and passenger service charges fell to R414-million to compared R2,4-billion.

Non-aeronautical revenue fell by 60% to R1,34-billion compared to R3,38-billion the previous year. The non-aeronautical revenue includes advertising, retail, parking, car hire, property rental and hotel operations.

In response to the emerging impacts of the pandemic, ACSA initiated a series of funding and liquidity management activities from as early as March 2020 onwards to secure its short-term position and to bolster its long-term financial sustainability.

The company disposed of its 10% shareholding in Mumbai International Airport for R1,26-billion, received a loan of R810-million from the Development Bank of Southern Africa, and received R2,3-billion from the issuance of preference shares to government.

As a result of the funding initiatives, the company's gearing ratio rose to 23% from 17% the previous year.

"Our responsible approach meant that when the pandemic struck, ACSA had already reduced its debt by some R10-billion over the previous seven years. The low gearing and asset base of more than R31-billion are therefore providing a solid base for recovery over the next three to five years," said Mpofu.

In terms of liquidity management, ACSA increased short-term credit facilities from R1,5-billion to R3-billion while maintaining effective management of working capital to preserve cash.

Mpofu said that ACSA had also taken significant steps to support its long-term financial sustainability. Capital expenditure projects that would have required investment of more than R14-billion were suspended in 2020. Operating expenditure has been cut significantly by R1.2-billion and headcount has been reduced by 20% to date, she added.

In terms of outlook for the current financial year and beyond, ACSA's Recover and Sustain strategy for the period up to 2025 involves extending and defending core businesses, exploring emerging business and revenue opportunities. Capital expenditure will be only on maintenance and replacement of critical airport infrastructure.

Noteholders are also advised that the issuer's audit reports were unqualified and that following restatements were made to the FY2018/19 and FY2019/20 figures in the FY2020/21 annual financial statements, as outlined in note G.16.

Property, plant and equipment and depreciation and intangible assets

Useful lives of fully depreciated/amortised assets still in use were reassessed and extended, resulting in restated (lower) depreciation and amortisation charges (and therefore restated net book values of assets).

Non-current assets held for sale

A vehicle was incorrectly classified as held for sale in the FY2019/20 financial year, resulting in overstatement of non-current assets held for sale, and understatement of property, plant and equipment and depreciation expense.

Trade and other receivables

Insurance expenses for the FY2020/21 and FY2021/22 financial years were incorrectly recognised in the FY2019/20 financial year. This error resulted in the overstatement of insurance expenses and understatement of prepayments in FY2019/20. In addition, VAT receivables with credit balances were reclassified to trade and other payables.

Operating expenses

Insurance expenses for the FY2020/21 and FY2021/22 financial years were incorrectly recognised in the FY2021/20 financial year, resulting in the overstatement of insurance expenses and understatement of prepayments in FY2019/20.

Employee costs

Consulting fees were incorrectly classified as employee costs instead of as part of the acquisition costs of assets in FY2019/20.

Taxation

Taxation expense and the deferred tax liability were restated for the tax effect of all the restatements.

The integrated annual report for Airports Company South Africa can be viewed and downloaded at:
https://www.airports.co.za/business/investor-relations/financial-information

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