

COVID-19 FINANCIAL IMPACT

INVESTORS

6 APRIL 2020





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06042020

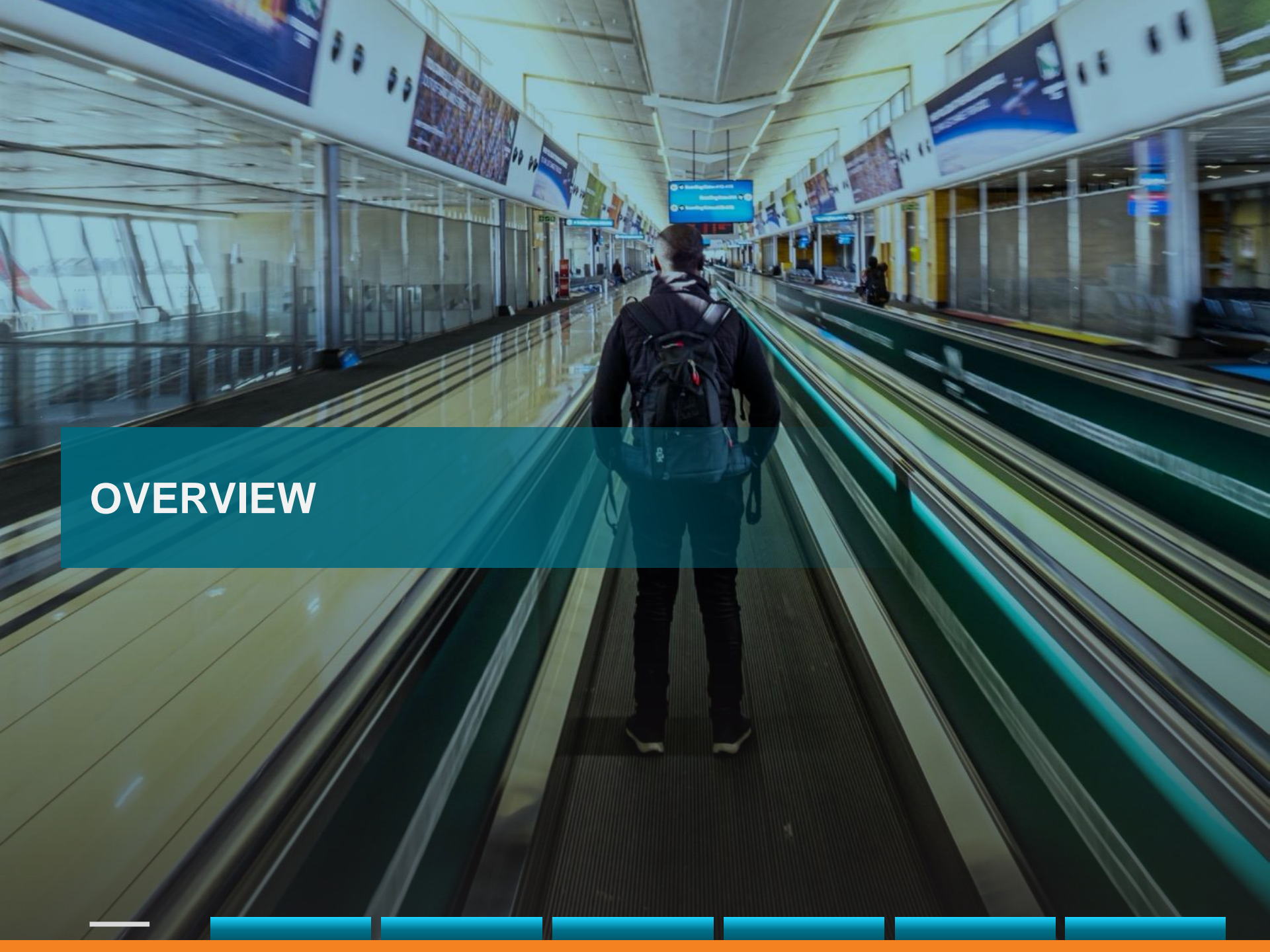
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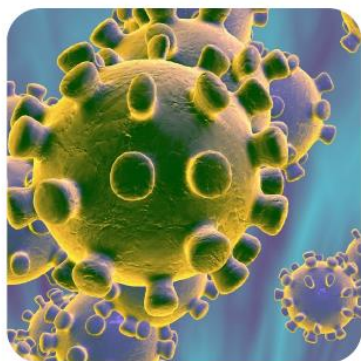


OVERVIEW

COVID-19 IMPACT



Disease outbreak directly affects air traffic and revenues of aviation industry



Number of cases / countries affected

- Flights cancellations
- Aircraft groundings
- Travel bans
- Border closures

Traffic decline

- Fewer flights
- Lower load factors
- Impact on yield

Revenue loss

- Proportionate to traffic loss
- Decline in unit revenues, especially in non-aeronautical (airports)

COVID-19 IMPACT



ICAO UNITING AVIATION

Air traffic reduction no longer limited to initial outbreak countries

International passenger seat capacity change compared to originally-planned

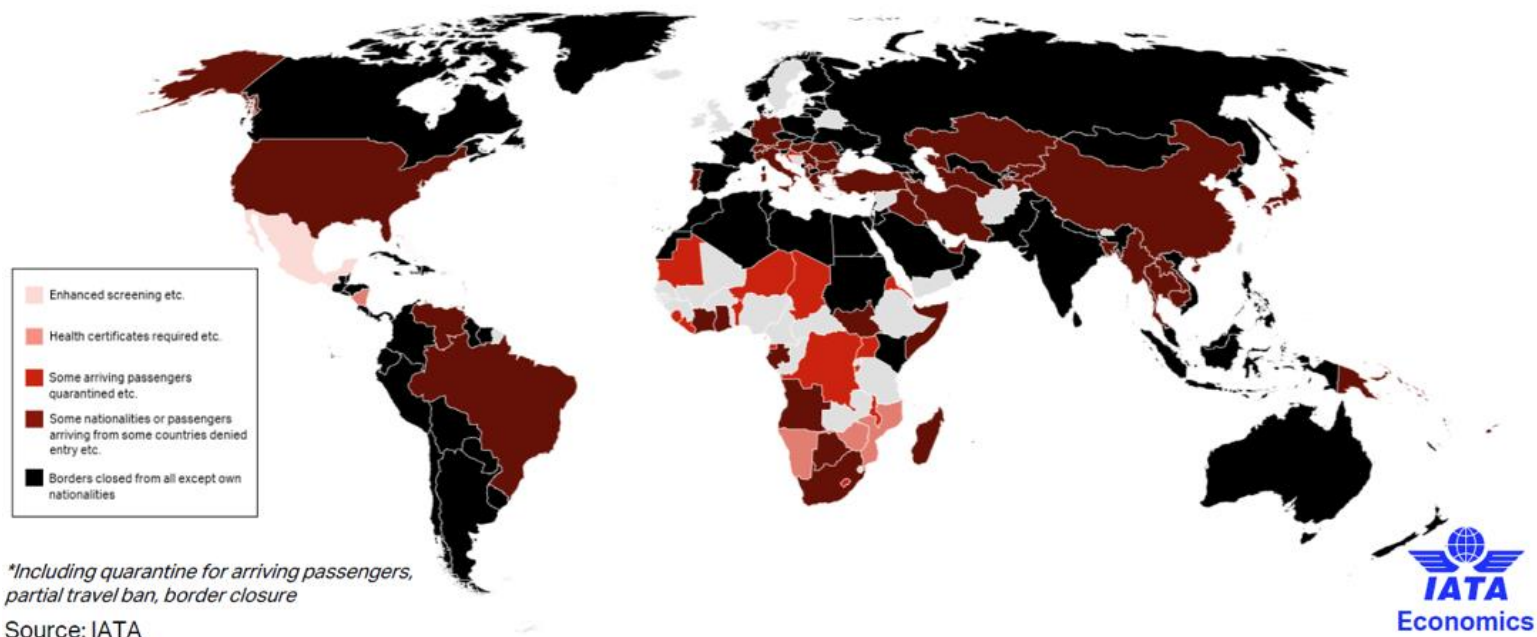
Region	January 2020	February 2020	March 2020
AFRICA	0%	-2%	-23%
ASIA/PACIFIC	0%	-22%	-52%
EUROPE	0%	-1%	-26%
LATIN AMERICA/CARIBBEAN	0%	1%	-11%
MIDDLE EAST	0%	-2%	-27%
NORTH AMERICA	0%	-2%	-17%
Total	0%	-8%	-32%
Originally-planned capacity	376,027,900	352,632,800	384,162,700
Actual capacity (estimated)	375,495,100	324,885,300	262,331,100

An increasing number of travel plans are being abandoned worldwide

GLOBAL TRAVEL RESTRICTIONS

Travel restrictions are closing down international aviation

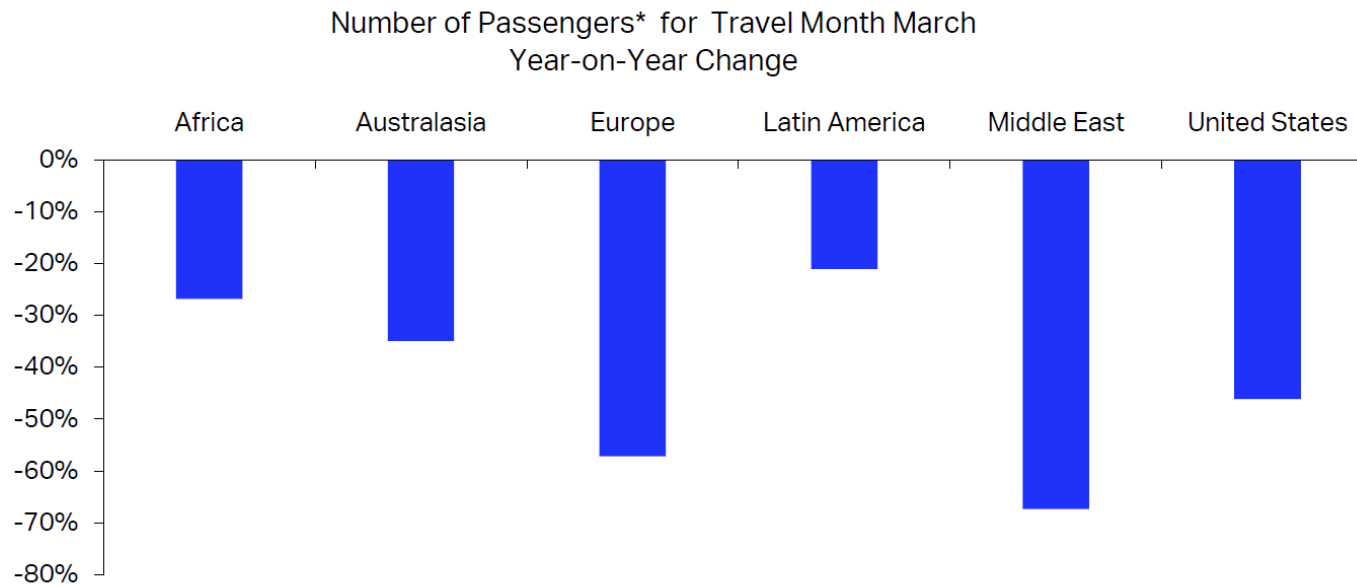
Markets with severe* restrictions cover 98% of global passenger revenues



Stricter restrictions have since been adopted by more countries, e.g. South Africa Lockdown

BOOKINGS DECREASE

But dramatic case spread outside Asia Pacific hit bookings and led to a surge of 'imported' cases in Asia



* Based on bookings data for the month of March
Source: IATA Economics using DDS



A nighttime photograph of a modern transit station. In the foreground, a double-decker bus is stopped at a platform. To the right, a line of cars is parked or waiting. The station building is illuminated, and a large billboard is visible on the upper level. The scene is lit with a mix of warm and cool lights, creating a vibrant atmosphere.

OPERATIONS UPDATE

LOCKDOWN UPDATE

- All International and Domestic passenger flights prohibited
- Repatriation of foreign nationals from South Africa allowed with conditions
- Evacuation of South African Citizens allowed
- Technical flights that meet strict requirements allowed
- Identified airports to have standby operational staff to receive aircrafts in distress
- Disembarkation of flight cargo crew permitted with conditions





FINANCIAL IMPLICATIONS

G-VZIG

SCENARIO CONSIDERATIONS

HIGH TRAFFIC VOLUME DEMAND

MOVED CHEESE

- COVID-19 impact is short term
- Demand returns within 3 months
- Majority of airlines are liquidated
- Concessionaires have ability to absorb
- Payment holidays lead to bad debts for some airlines / concessionaires
- Award decisions delayed until cash flows are normalised
- Investment decisions delayed until airline capacity returns
- Potential major changes to business plans – no longer driven by a traffic forecast (perhaps)
- Traffic forecast finalisation might take longer

GOVERNMENT SUPPORT
FOR AIRLINES?



GET BETTER SOON

- COVID-19 impact is short term
- Demand returns within 3 months
- Airlines can supply into demand
- Concessionaires have ability to absorb
- Limited 'payment holidays' provided – no discounts
- Debt collection returns to normal within 6 months
- Award decisions delayed by 3 – 6 months
- Investment decisions delayed by 3 – 6 months
- Time delay to business plans, but no significant medium to long term changes
- Traffic forecast finalised within the next 2 -3 months

Sensitivities based on
this scenario

LOW SUSTAINABILITY OF AIRLINES

NEW NORMAL

- COVID-19 impact is long term
- Demand does not return
- Majority of airlines are liquidated
- Concessionaires go out of business
- Bad debt increase
- Award decisions delayed indefinitely
- Investment decisions delayed indefinitely
- Sell non-core assets / securitise assets to obtain cash
- Downsize the business – significant business plan changes

LOCKDOWN AND
TRAVEL BANS?



HIGH SUSTAINABILITY OF AIRLINES

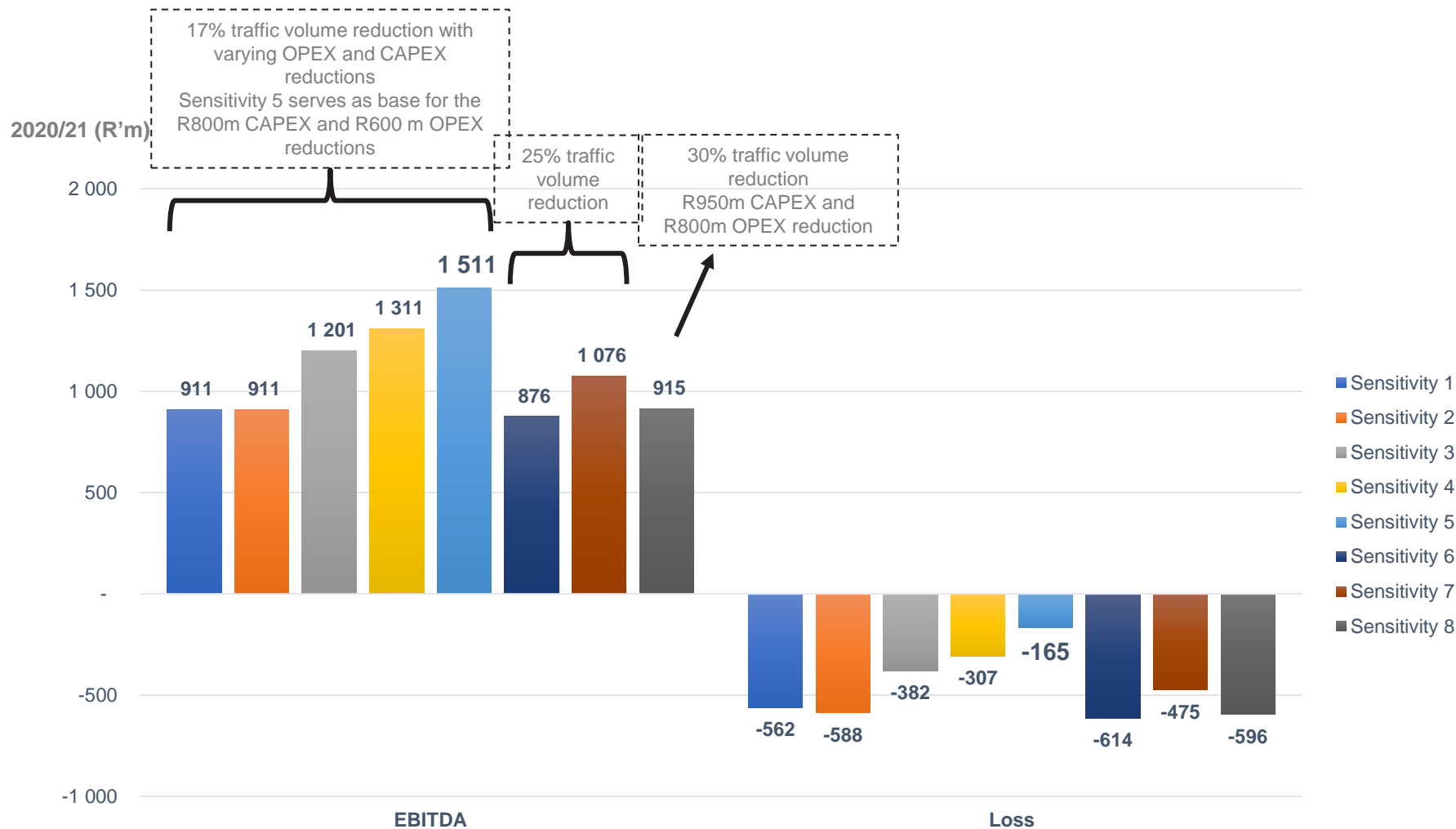
CUT THE CLOTH

- COVID-19 impact is longer term
- Demand does not return as expected
- Airlines can supply into demand
- Concessionaires have ability to absorb
- Limited 'payment holidays' provided – no discounts
- Debt collection returns to normal within 6 months
- Award decisions delayed by 3 – 6 months (and to take cognisance of changes to investments)
- Investment decisions to be reviewed based on reduced demand
- Business plan revision required
- Traffic forecast finalisation might take longer

LOW TRAFFIC VOLUME DEMAND



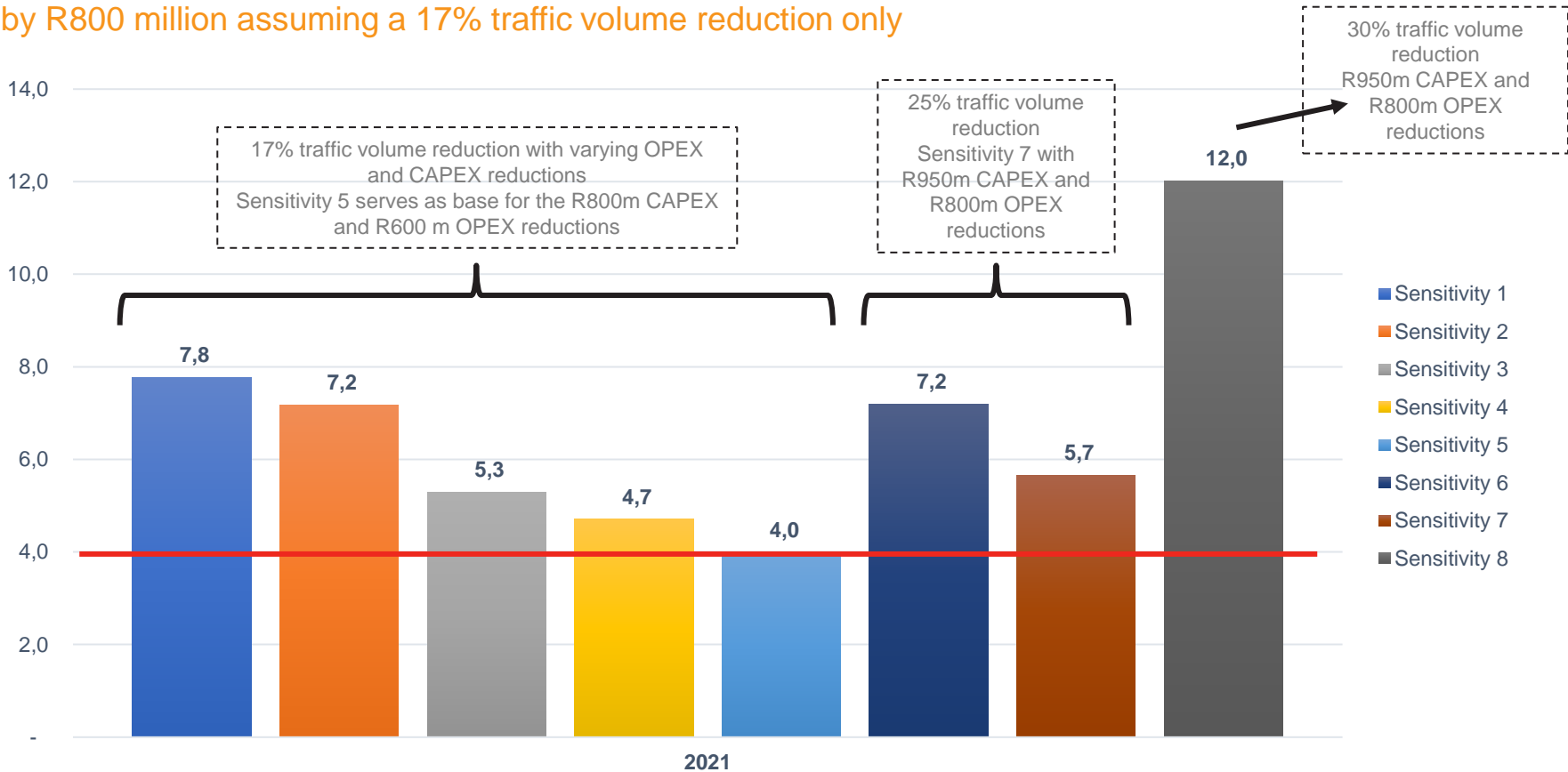
EBITDA AND LOSS PER SENSITIVITY



CREDIT MATRICES PER SENSITIVITY

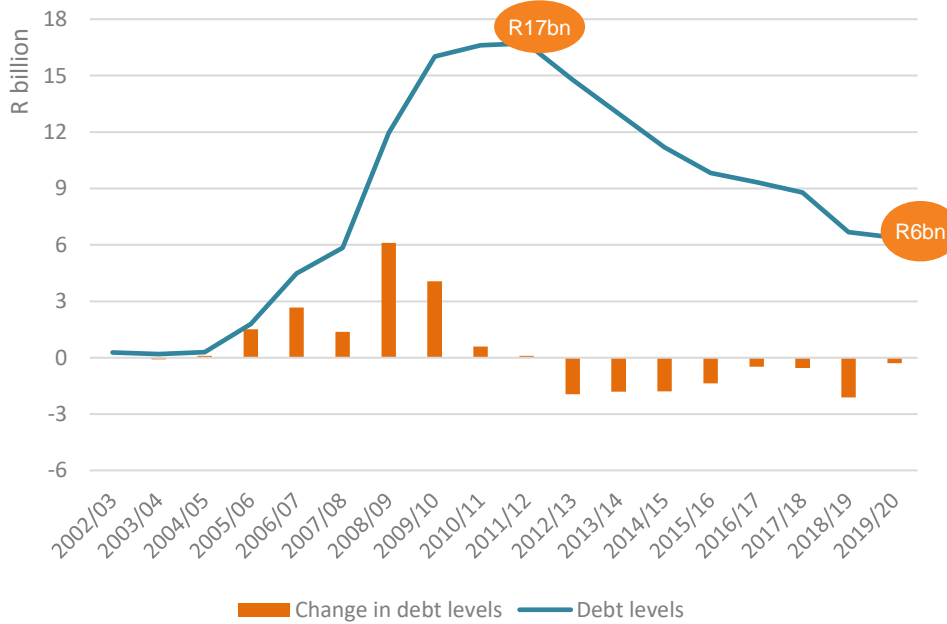
Net Debt / EBITDA in 2020/21 – Not to exceed 4

Sensitivity 5 achieves this by reducing OPEX by R600 million and CAPEX by R800 million assuming a 17% traffic volume reduction only

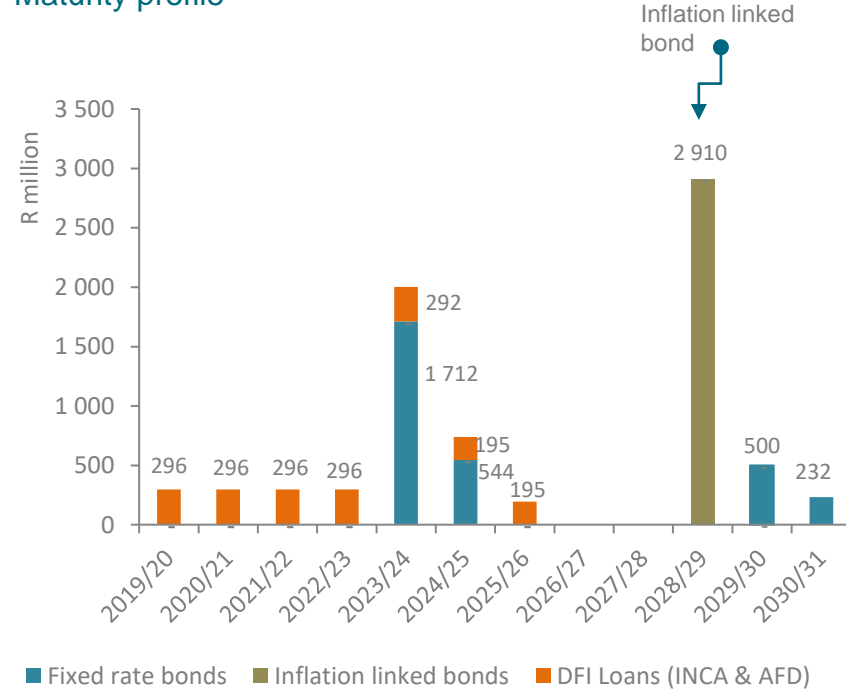


DEBT MANAGEMENT

Debt evolution



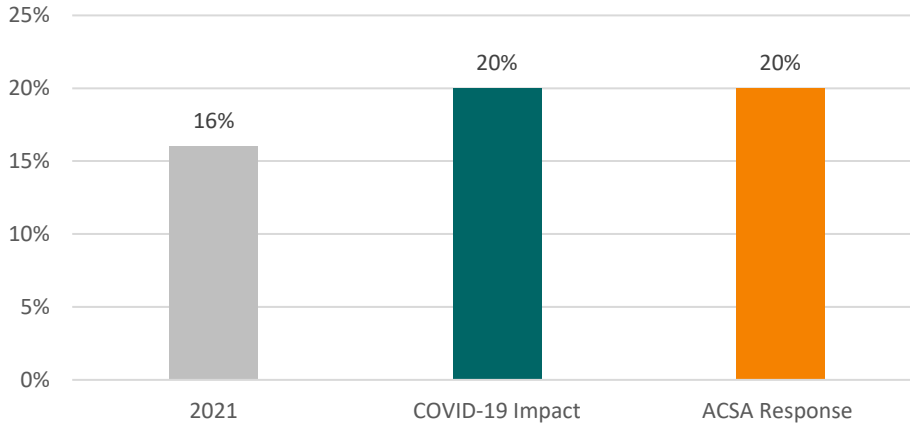
Maturity profile



Credit Rating Agency	Date	LT National Scale	Global Scale	Rating Action	Outlook
MOODY'S INVESTORS SERVICE	31 Mar 2020	Aa2.za	Ba1	Downgrade	Review

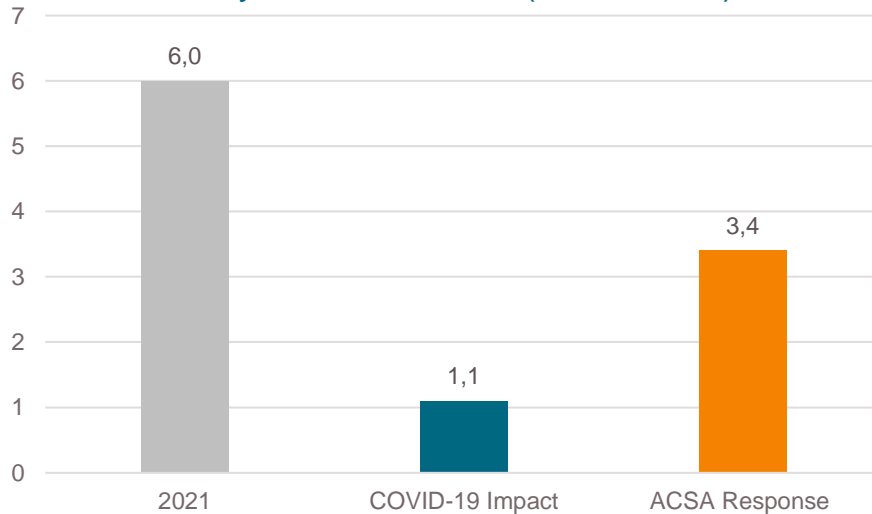
FINANCIAL COVENANTS

Net Debt To Capitalisation (*Below 65%*)

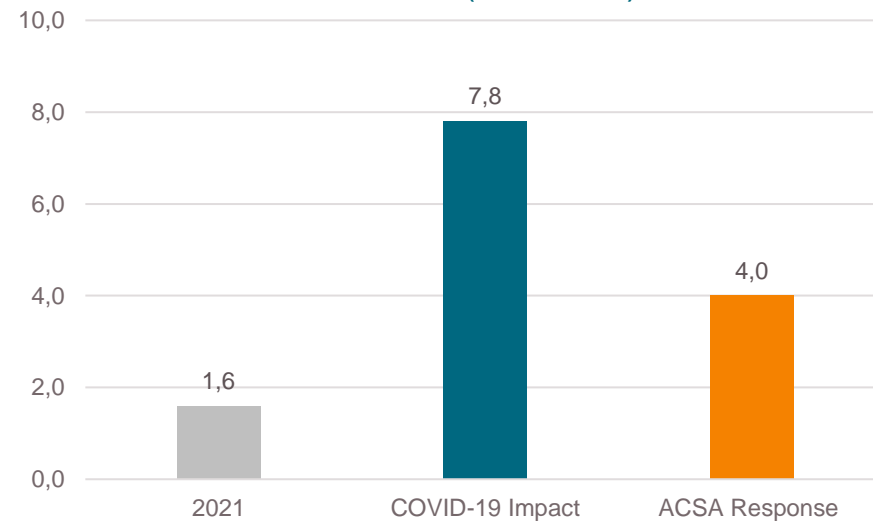


- Deteriorating credit metrics
- Projected breach of financial covenants
- Rising credit and liquidity risks
- Tap into borrowing facilities

DSCR Ratio by Available Cash (*Above 1.5x*)



Net Debt to EBITDA Ratio (*Below 4x*)





RESPONSE

- **Minimum reductions in expenditure:**
 - R600 million in OPEX; and
 - R800 million in CAPEX
- Engage Lenders on headroom against financial covenants
- Implement working capital management plans to preserve the company's cash position
- Mitigating rising credit and liquidity risks
- Implement short-term response plans and revise medium- to long-term business plans



CONCLUSION

- Erosion of headroom against financial covenants
- Implementation of short-term response plans by
 - Reducing Capex and Opex
- Strengthening liquidity profile
- Stabilise weakening credit metrics
- Revision of current business plans

Departures 14:37

Flight	Destination	Time	Gate	Status	New Time
HM060	Seychelles	13:50	A11	Closed	
SA028	Harare	14:55	A01	Final Call	
SA060	Las Vegas	15:00	A01	to Gate	
SA0062	Naseru	15:00	A19	Closed	
BP206	Gaborone	15:00	A19		
SA1775	Gaborone	15:45	A35		
FH0336	Harare	15:50	A21		
SA0086	Manzini - King Msw	16:05	A29		
SA0156	Ndola	16:05	A27		
SA0164	Lusaka	16:20	A19		
SA0102	Harare	16:20	A21		
DT579	Luanda	16:35	A07-08		
SA286	Hong Kong	17:00	A01		
SA0458	Gaborone	17:00	A01		
KQ763	Nairobi	17:30	A15		
TK043	Istanbul	18:10	A05		

THANK YOU

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