

COVID-19 FINANCIAL IMPACT

INVESTORS

28 May 2020





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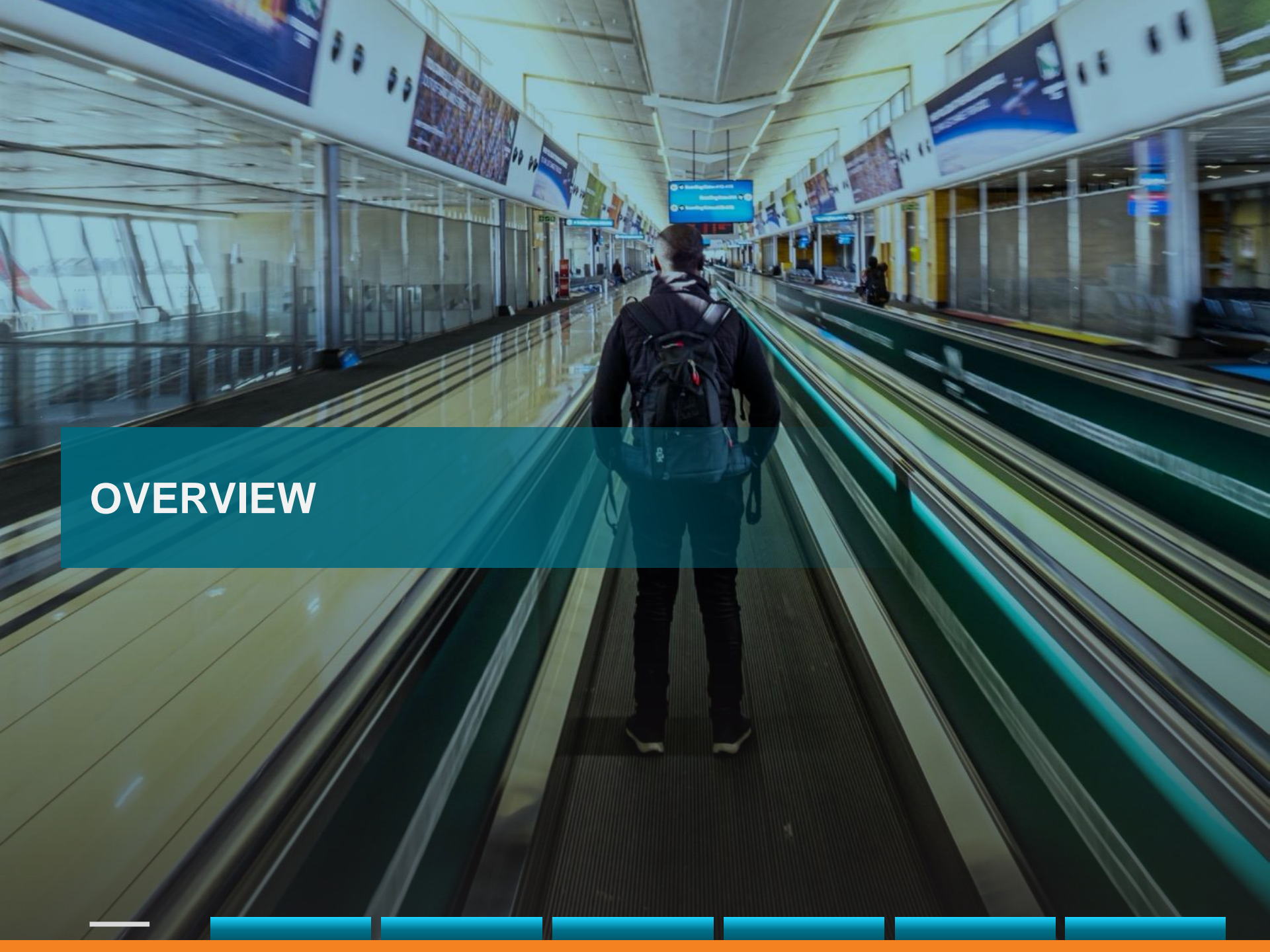
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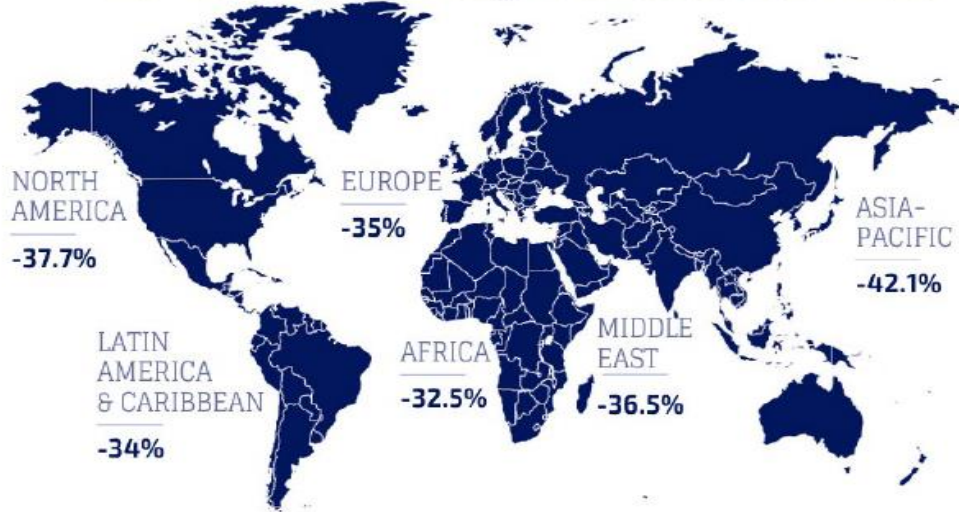
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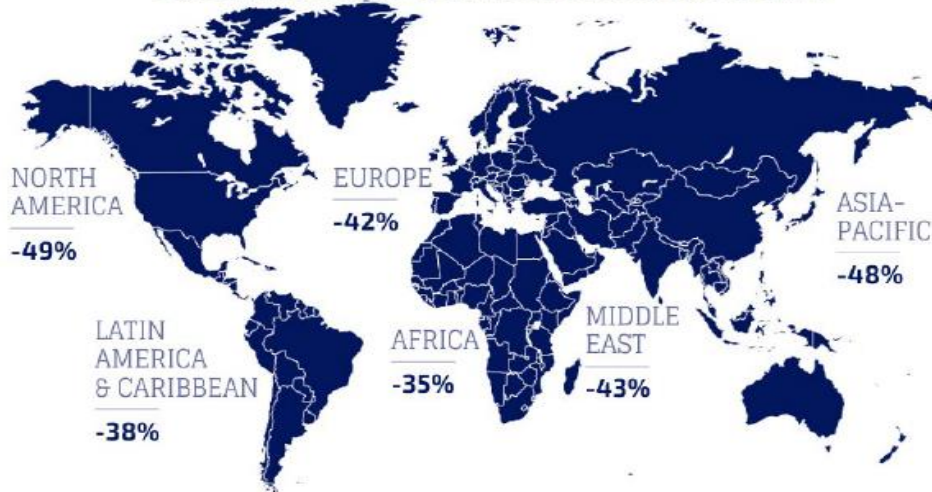
OVERVIEW

- Implemented minimum reductions in expenditure:
 - R600 million in OPEX; and
 - R800 million in CAPEX
- Requested a waiver from AFD on projected breach of debt covenants
- Continued to implement working capital management plans to preserve the cash position
- Continued engagements with banks to secure credit facilities and bolster liquidity profile
- Revised financial plan to stabilise weakening credit metrics
- Complete revision of corporate strategy to support financial plan

Estimated airport passenger traffic losses for YE 2020



Estimated airport revenue losses for YE 2020

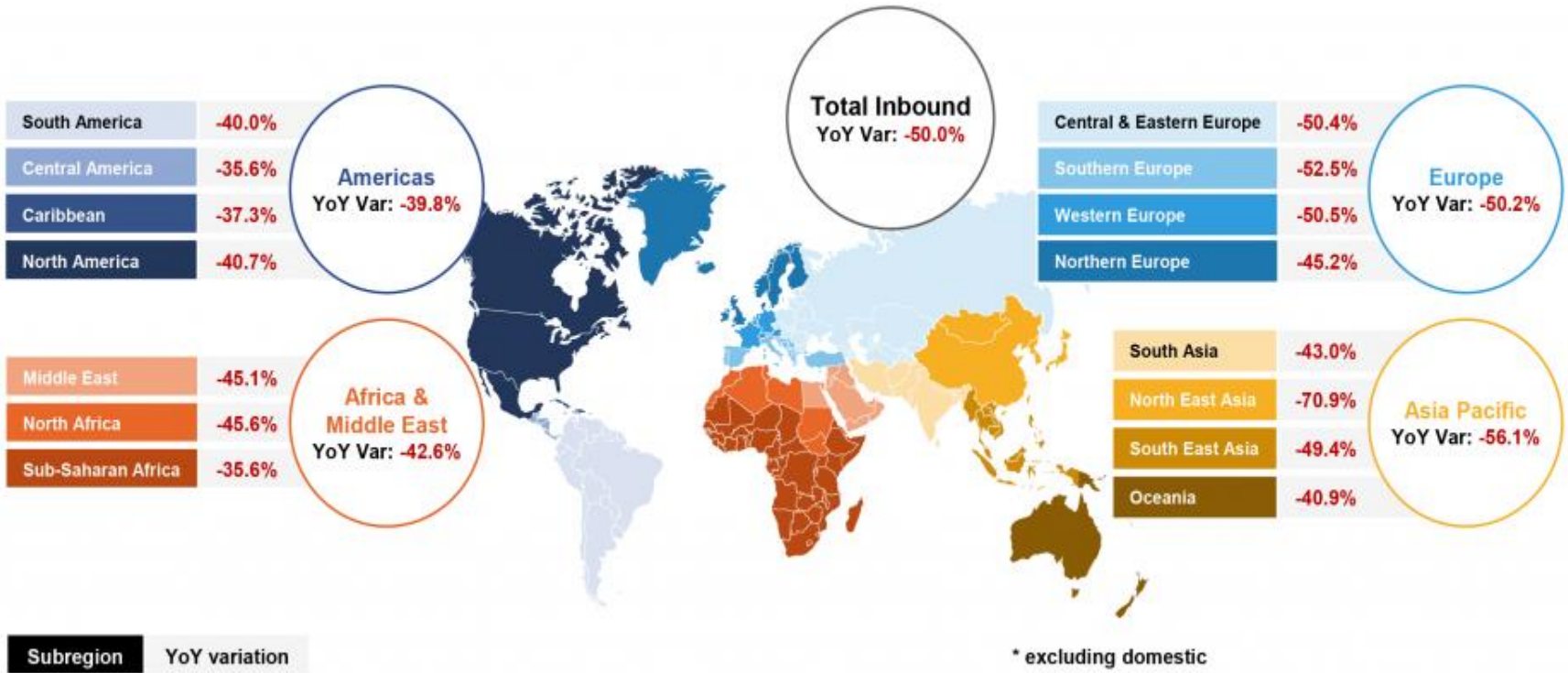


Passenger traffic is expected to decline by almost 40% in 2020 as a result of COVID-19 and associated measures such as travel bans and lockdowns.

INTERNATIONAL ARRIVALS BY REGION

Year to date arrivals to world regions *

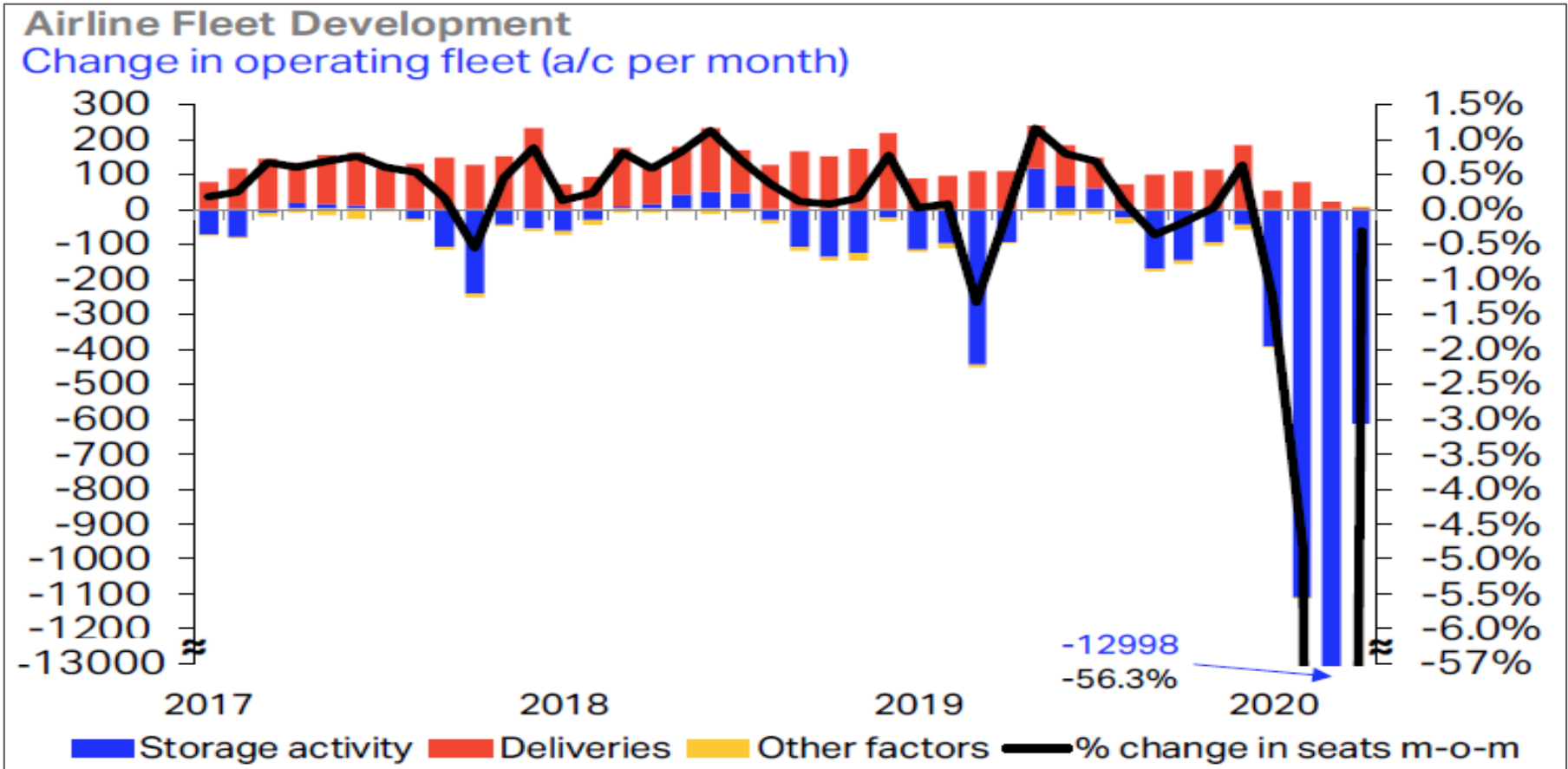
1 January to 19 April 2020; Market shares by region and Year-on-Year variations



Arrivals from 1 January to 19 April 2020 vs same period in 2019.
 Only considered pax staying 1 to 21 nights at destinations.
 Source: ForwardKeys air reservation data.

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Travel between countries has been restricted not only due to decline in capacity, but also due to tourists themselves having weak confidence in air travel safety.

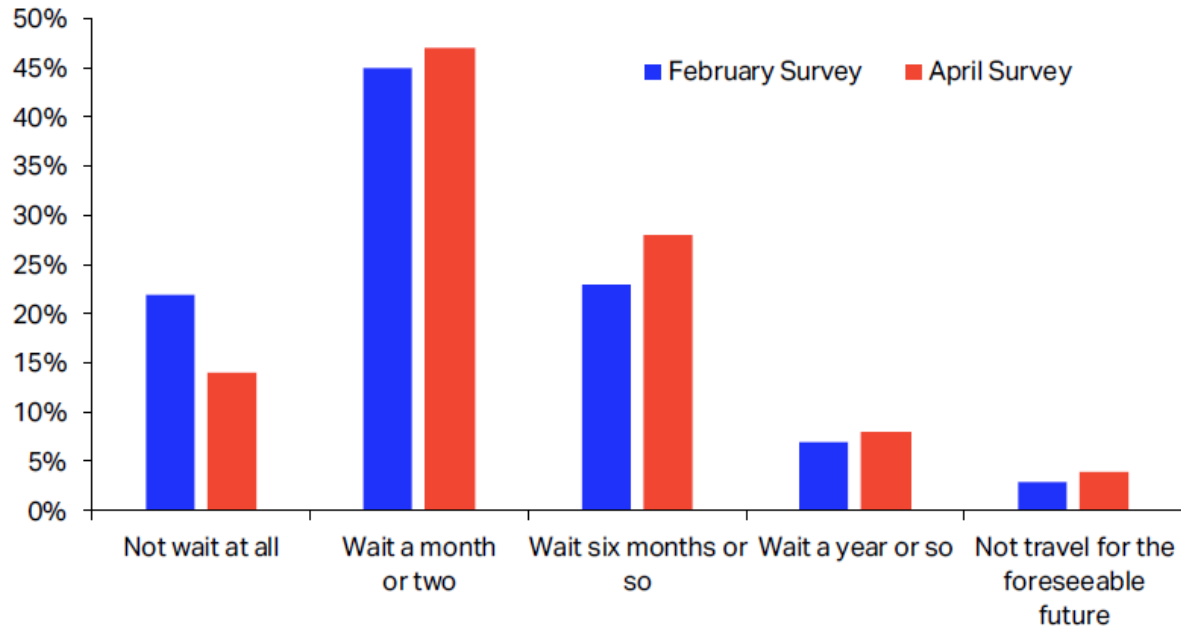


- In April 2020, global seat capacity fell by almost 60% compared to April 2019, as underutilized aircraft was stored
- Capacity largely unchanged between April & March 2020- capacity fall due to COVID19 has likely hit a trough
- Almost no new deliveries of aircraft recorded in April 2020 as airlines either postponed or cancelled orders

Source: IATA 2020

Passenger confidence key to the post-COVID-19 recovery in air travel

Returning to Travel After Containment Announcement



Source: IATA

As the magnitude of the pandemic rose since early 2020, passenger confidence also took a knock

An increasing number of respondents indicate they will take some time before making travel plans once markets open up

Airlines will most likely have to endure historically low load factors for about six months post resumption of business due to relative slower rebuild in passenger confidence

GLOBAL AIRSPACE AND AIRCRAFT MOVEMENTS - DAY



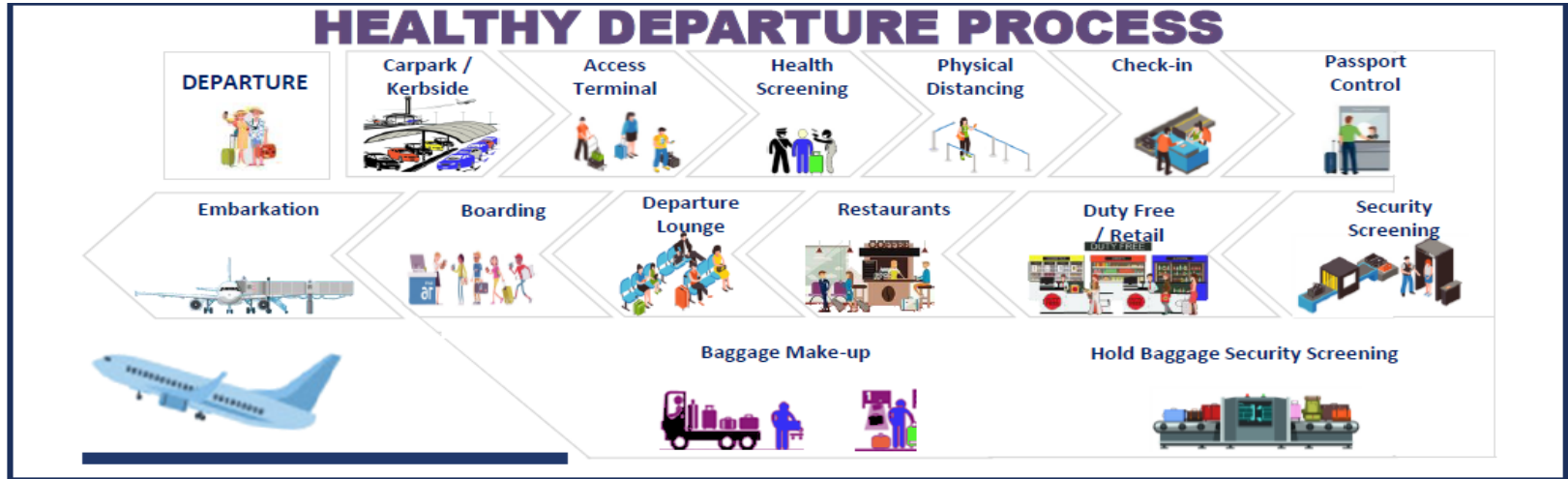
Feed from Flight Radar 24, snapped at **19:45, 27 May, 2020**




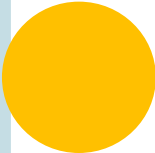
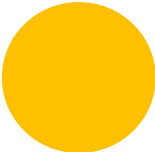

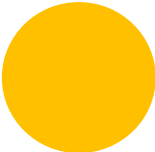
A nighttime photograph of a modern transit station. In the foreground, a bus is stopped at a platform. To the right, a line of cars is parked or waiting. The station building is illuminated, and a large billboard is visible on the upper level. The scene is lit with a mix of warm and cool lights, creating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

OPERATIONS UPDATE

PASSENGER AND AIRCRAFT PROCESSING SUB-SYSTEMS

HEALTHY EXPERIENCE



Air Transport	Priority Activities	Status
Implications for the business	Operational measures to be implemented	
<ul style="list-style-type: none"> • Repatriation flights allowed • Certain “essential” categories allowed to return to other countries for work or study purposes • Cargo operations for essential and other goods • Limited domestic travel allowed • No scheduled international travel allowed  <p>Scenario:</p> <ul style="list-style-type: none"> • 20% - 25% domestic travel volume based on current slot confirmation. • Uncertainty exists due to load factors. 	<ul style="list-style-type: none"> • Domestic flights are permitted, however limited for business travel • Retail – Subject to prioritization of services required. • Auxiliary Support Services (Parking, Car Rental, Public Transport – Gautrain & BRT), Airport Hotels • Standard Operating Procedures (SOPs) to be implemented accordingly (social distancing across all parts of the terminal in use, security measures, boarding process, jet bridge usage, pre-boarding procedure, etc.) 	  
Key Dependencies		
<ul style="list-style-type: none"> • Domestic Airlines have to be operating – Lead times for airline operations to be considered for bookings, and that remains uncertain at the moment. • Operations would include Fixed Based Operators (FBO’s and Air Mercy Services or Air Ambulance Operations), Aircraft Maintenance Organisations (AMO’s) and Ground Handling Companies, Fueling Companies • Whilst primary focus is on the golden triangle, inter-provincial travel should also be implemented 		



FINANCIAL IMPLICATIONS

G-VZIG

SOLID FINANCIAL POSITION PRE-COVID-19

Total Assets	R31 billion	Total Liabilities	R9 billion
Cash Position	R2 billion	Net Debt	R4.6 billion
Investment Property	R7 billion	Gearing Ratio	17%

‘The company remains solvent but faces liquidity challenges due to the impact of COVID-19’

SCENARIO CONSIDERATIONS

Two main uncertainties modelled:

1. Airline sustainability
2. Medium term traffic volume

Moved the 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

**OVERTAKEN BY EVENTS
A SHORT TERM RECOVERY IS NO LONGER POSSIBLE**

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



➤ Impact:

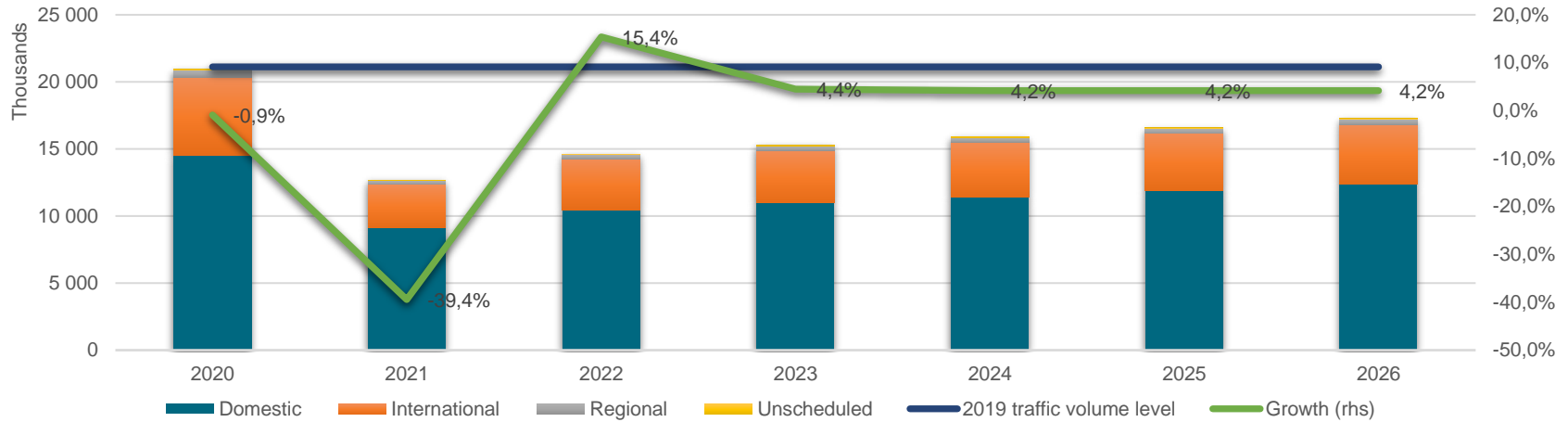
- Deteriorating credit metrics
- Projected breach of financial covenants
- Rising liquidity risks

➤ Responses:

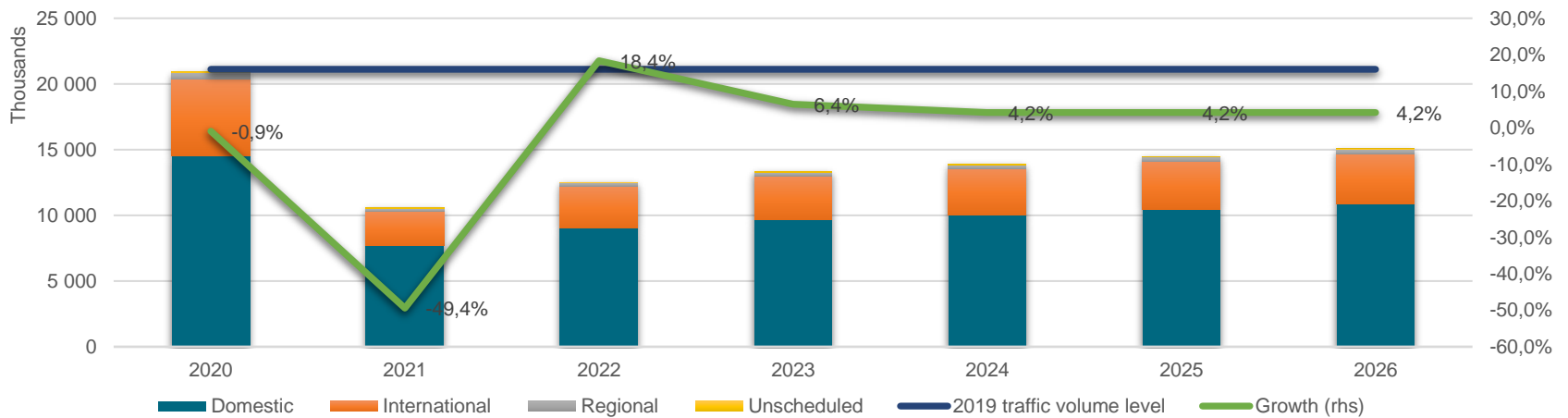
- Implement short-term responses
- Revise financial plan
- Increase and tap into borrowing facilities
- Seek shareholder or government support should assumptions worsen

BASE CASES WITH CONSERVATIVE RECOVERY PROFILE

Traffic volume: 40% decline in 2021



Traffic volume: 50% decline in 2021



A nighttime photograph of an airport tarmac. In the foreground, a row of white cargo containers is parked on a yellow and black striped path. The container in the front is labeled 'AKE 18454 BA' and 'BRITISH AIRWAYS'. In the background, a British Airways aircraft is visible, along with a large glass and steel terminal building. The sky is dark blue, and there are light trails from a vehicle in the lower right. A teal semi-transparent banner is overlaid across the middle of the image.

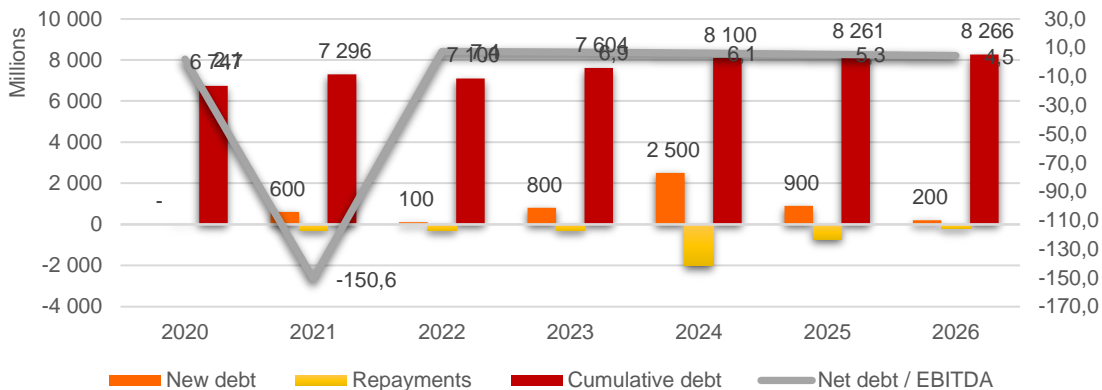
REVISED FINANCIAL PLAN

- **Implemented reductions in expenditure for 2020/21:**
 - R605 million in OPEX
 - CAPEX limited to R810 million
- **Further reductions in expenditure**
 - Further reduction of R600 million in OPEX
 - Total OPEX reductions of R1,2 billion, which is 25% of the operating costs
 - CAPEX limited to less than R1 billion for the next 5-6 years
- **Review of strategic investment portfolio**
 - Investment property portfolio – consider ability to bolster liquidity without sacrificing long term sustainability
 - International airport investments

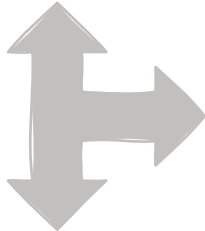
NEW NORMAL – DEBT AND CREDIT METRICS

Borrowings:

40% traffic reduction, R1.2 billion OPEX reduction and CAPEX limited to R800m



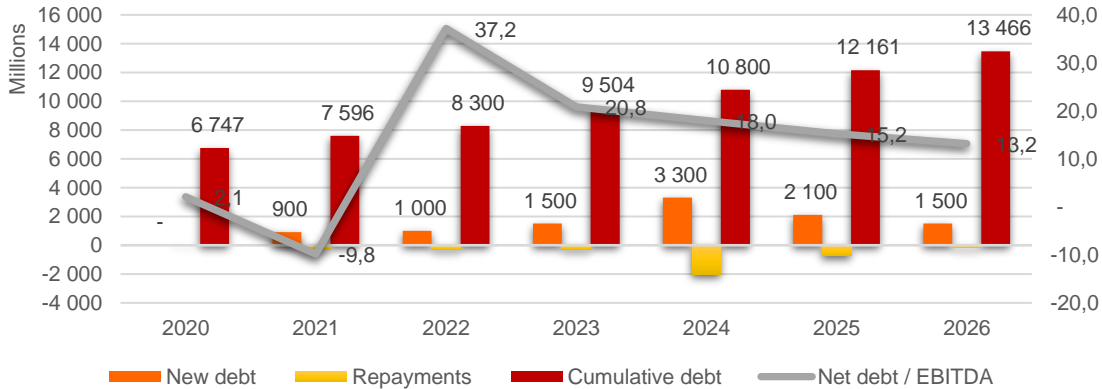
Best case:
Funding requirement of R4 billion to R5 billion over 5-6 years



Plan for the Worst

Borrowings:

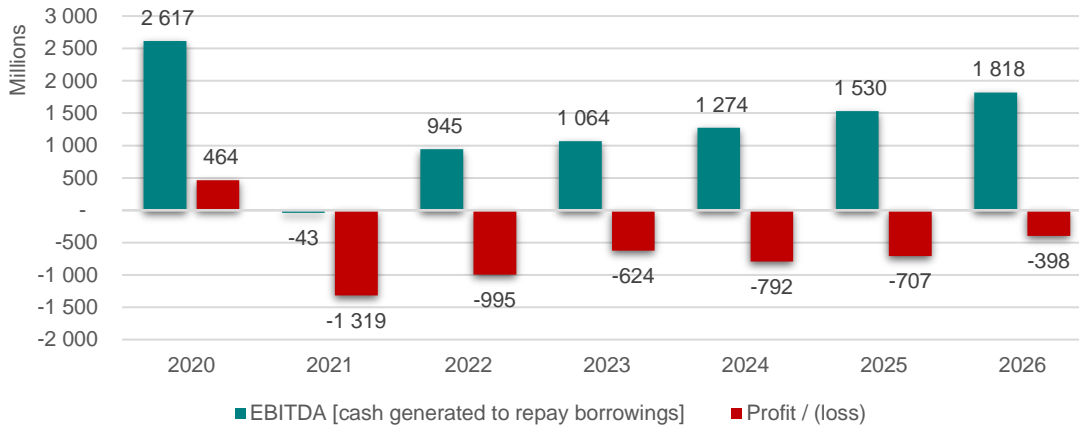
50% traffic reduction, R1.2 billion OPEX reduction and CAPEX limited to R800m



Worst case:
Funding requirement of R10 billion to R11 billion over 5-6 years

Profitability:

40% traffic reduction, R1.2 billion OPEX reduction and CAPEX limited to R800m

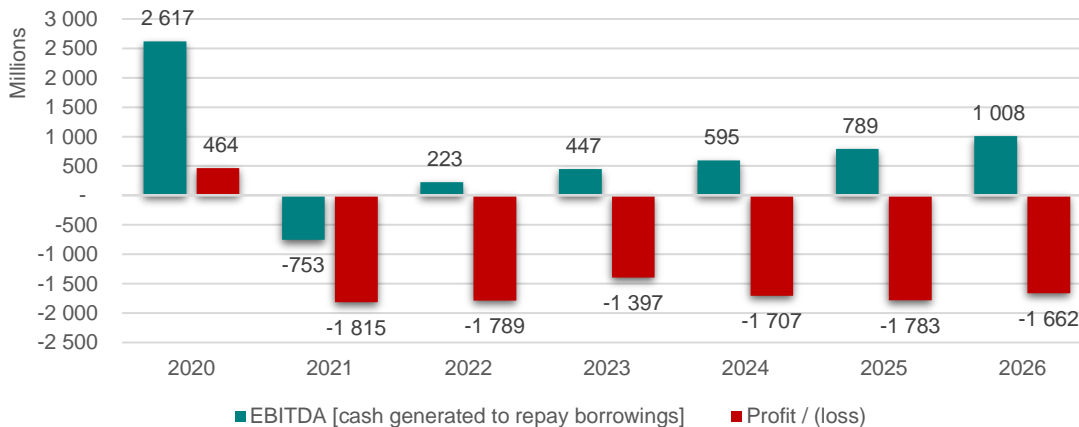


Best case:
Moderate cash generation improvements from the low of 2021
Profitability not achieved in the medium term

Profitability impacted by the capital cost (depreciation) and high fixed cost base but cash flows improve in both scenarios

Profitability:

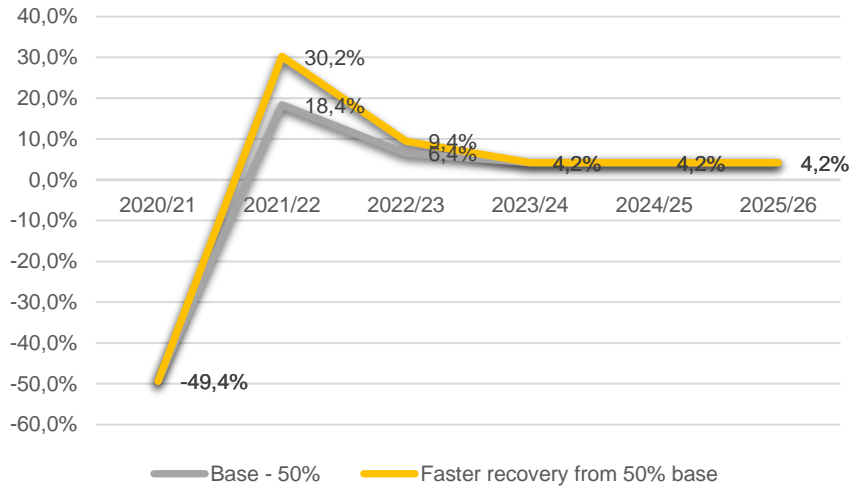
50% traffic reduction, R1.2 billion OPEX reduction and CAPEX limited to R800m



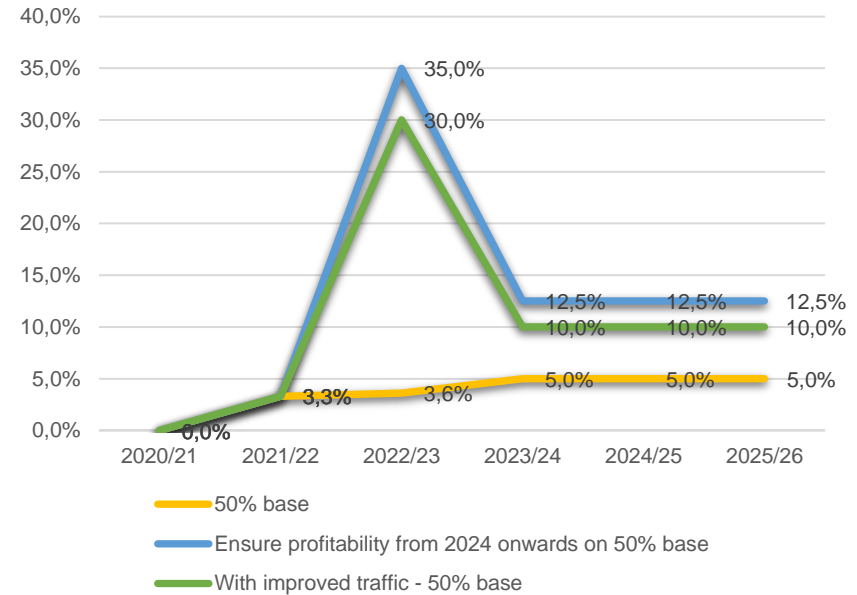
Worst case:
Cash generation turns positive and slowly recovers
Profitability remains severely strained

TRAFFIC VOLUME RECOVERY PROFILE AND TARIFF ASSISTANCE ASSUMPTIONS

New Normal Traffic Recovery Profiles



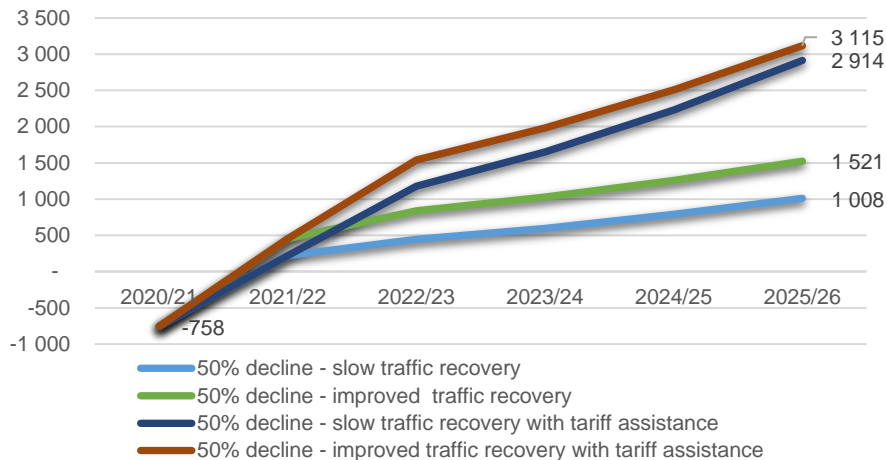
New Normal Tariff Assistance Assumptions



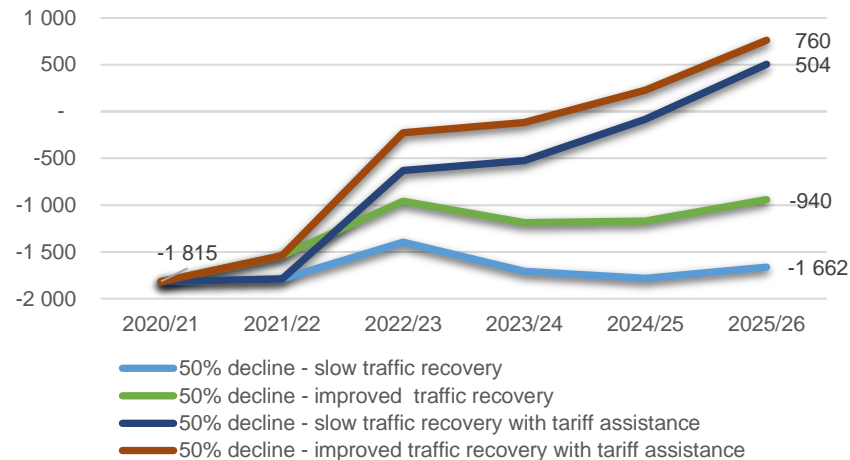
The 50% decline in 2020/21 scenario assume a conservative recovery for traffic volume and no assistance from the economic regulatory framework

- Traffic recovery is likely to be better than what is assumed for the worst case
- Tariff assistance is a reasonable expectation due to the obligation the Airports Company Act places on the economic regulator

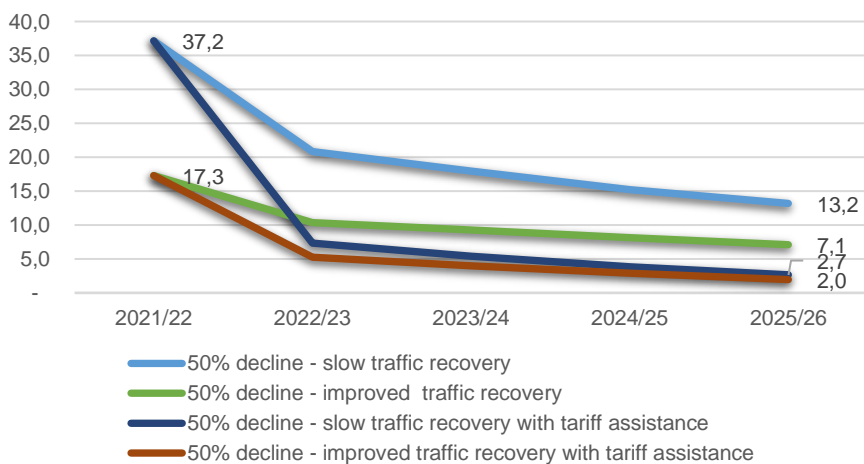
EBITDA (R'm)



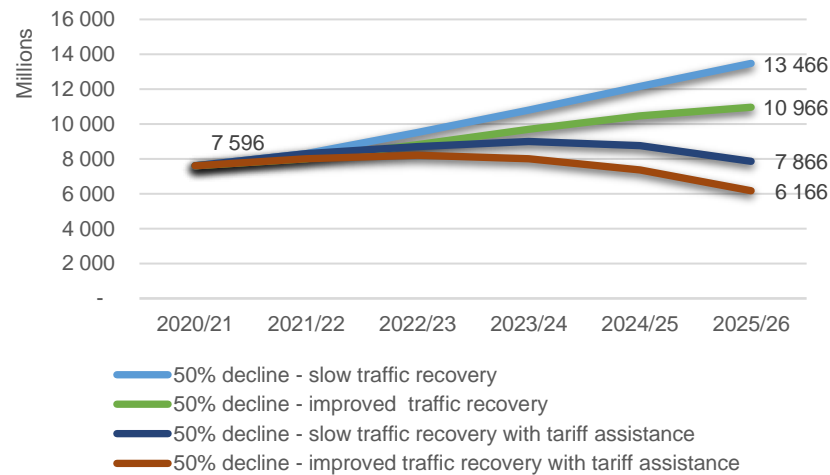
Profitability (R'm)



Net Debt : EBITDA (x times)



Debt Profile (R'm)





CONCLUSION

- Implement revised financial plan responses:
 - Reduce costs
 - Review strategic investments
- Secure waiver from AFD on debt covenants
- Secure facilities with banks to bolster liquidity profile
- Seek shareholder or government support should assumptions worsen

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		
DT578	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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