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 and Availability of Annual Report

Airports Company South Africa today reported revenue of R7.12-billion, EBITDA of R2.6-billion and profit of R1.2-billion for the financial year to 31 March 2020.

Chief Executive Officer Mpumi Z. Mpofu said the improvement in profit is to a large extent at odds with the underlying operational performance of the company. She said the significant improvement in profit is attributable to the impact of accounting adjustments and events such as the R721-million fair-value adjustment to investment properties and R157-million in rates refunds.

"The impact of COVID-19 and travel restrictions resulted in the company foregoing performance bonuses, salary adjustments and reduce other operating expenses towards the end of the financial year in order to mitigate the liquidity challenges, but it also necessitated an increase of R270-million in provision for doubtful debts," she said.

Mpofu said the 1.7% decline in aeronautical revenue reflected the impact of a tough operating environment and effect of no tariff increase which contributed to the overall 0.03% drop in revenue.

"A 1.9% increase in non-aeronautical revenue offset the muted aeronautical income. However, earnings were eroded by significant cost pressures which saw operating costs rise by 2% to R2.6-billion.

"Major components of the cost base were security services and asset maintenance costs in response to security threats, regulatory compliance, and previously anticipated growth in traffic volumes in a bid to improve passenger experience," said Mpofu.

The group generated sufficient cashflows of R2.5-billion to fund its operations, investment in capital expenditure and servicing of debt. The group repaid R296-million of debt and ended the financial year with cash reserves of R1.7-billion.

As of 31 March 2020, the company's debt amounted to R6.4-billion (2019: R6.5-billion) with a gearing ratio of 17%. Debt has been reduced by R11-billion since 2012 when gearing stood at 60%.

Mpofu said that in spite of the challenging environment, the network of airports had been on track to weather the economic storm underway before COVID-19, recording 3.3% total passenger growth up to the end of February 2020. This comprised muted growth of 0.3% for cross-border traffic and 4.7% for domestic travel.

Overall, Airports Company South Africa recorded a 1% decline in departing passenger numbers to 20 924 465. Aircraft landings for the year were down 4% to 248 519 (2019: 259 169).

Said Mpofu: "Up until the end of the third quarter, we were able to withstand economic headwinds. Unfortunately, the pandemic and subsequent travel bans led to a drastic contraction in departing passengers and aircraft landings, resulting in an overall decline for the year."

Leading up to the last quarter, the company's plans to grow non-aeronautical revenue were yielding good results. Compared to the previous year, commercial and retail revenues were up 4% and 1% respectively. Annual escalations pushed car rental and property revenues up by 4% and 9% respectively, while advertising recorded an increase of 10%.

"The onset of the COVID-19 pandemic caused our earnings to take a dramatic downturn and this trend is set to continue in the next financial year," said Mpofu.

While circumstances have compelled the company to adapt its transformation agenda, in the year to end-March it met, and in many cases exceeded, its transformation targets. The share of commercial revenue generated by black businesses rose to 55.4% from 54% in the previous year.

In planning for the recovery from the pandemic, an amended corporate plan was submitted to the Department of Transport and National Treasury in August 2020 and September 2020, respectively.

Mpofu says the amended corporate plan is based on the company's assessment of the impact of COVID-19 and travel restrictions on traffic volumes, and the ramifications for the Group's financial performance and position.

“We anticipate that the impact on traffic volumes and airline sustainability will be long term. Significant responses that have been introduced to mitigate the impact of the anticipated traffic volume decline include considerable reductions in operational and capital expenditure,” said Mpofu.

The result of this scenario leads to a funding requirement over a five- to six-year period of up to R11- billion. Of this amount, up to R3.5-billion will be required in the next three years given current assumptions.

“It is important to note that the financial position of the Group was solid prior to COVID-19 in spite of the difficult operating environment. We continue to take great pride in our standing as a well-run State-owned company that has made a profit in all but one of its 26 years.”

Looking ahead, Mpofu says the only certainty is that high levels of uncertainty about the future will prevail for some time. Risks abound, including the re-emergence of new waves of COVID-19.

She says the resilience of domestic and international carriers is unclear. The future of domestic airlines is uncertain and exposure of capacity to airlines from the Middle East, which rely on oil-sourced funds, is concerning in the light of projected low oil prices.

“Capacity rationalisation is inevitable, and we are prepared to look for new ways of diversifying our revenue.”

“The COVID-19 pandemic has adversely impacted our outlook for the future. Fortunately, Airports Company South Africa is a fortified and resilient company, well positioned to weather this storm. The response of all our employees has been a source of inspiration, as I have witnessed first-hand the dedication, innovation and flexibility of each and every one of our employees who have worked tirelessly to ensure adaptation to a new normal,” said Mpofu.

“The road to recovery will be difficult but we are in a good position not only to recover ourselves but to support a wider recovery across the aviation and tourism value chains.”

The integrated annual report for Airports Company South Africa can be viewed and downloaded at:

http://www.airports.co.za/business/investor-relations/financial-information

Noteholders are also advised that the issuer's audit reports were unqualified and that there were restatements of the previous year's annual reports as stated in note G.16 of the annual report.

Johannesburg
27 October 2020

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