

Airports Company South Africa SOC Limited
(Incorporated in the Republic of South Africa)
(Registration number 1993/004149/06)
JSE Code: BIACSA
("ACSA" or the "Company")

AIRPORTS COMPANY SOUTH AFRICA STATEMENT ON PRESENTATION TO PARLIAMENTARY PORTFOLIO COMMITTEE ON TRANSPORT

Noteholders are advised that Airports Company South Africa on 18 May 2020, briefed Parliament's Portfolio Committee on Transport on proposed changes to its corporate plan necessitated by travel restrictions imposed by governments around the world in response to the Covid-19 pandemic.

The company informed the Portfolio Committee that it has been revising its corporate plan in line with scenarios that set out the potential impacts of Covid-19 and travel restrictions on traffic volumes and thus on its financial performance and position.

The company developed potential future scenarios to which it could respond dependent on the sustainability of airlines and the traffic volume demand post Covid-19.

In the company's "New Normal" scenario, which is its worst-case scenario, it anticipates that the impact on traffic volume demand and airline sustainability will be long-term. Under this scenario, traffic volume is estimated to decline by up to 50% in 2020/21, an unprecedented impact on the global aviation sector. The New Normal scenario further includes significant responses introduced by management to mitigate the impact of the traffic volume decline anticipated.

These include reductions to operational expenditure and limitations to capital expenditure.

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, government support of up to R3-billion may be required in the next three years.

It is important to note that the financial position of the company was solid prior to Covid-19. The company had no intention of requiring government support. The company emphasised that the support would be in the form of guarantees and not bailouts.

The company also set out the implications of the recent downgrade of its debt by Moody's Investor Service which also put Airports Company South Africa on notice for a review.

Moody's said that factors that would lead to a further downgrade included if the company failed to strengthen its liquidity profile, if credit metrics were to weaken on a sustained basis, if there was a significant medium to longer term impact on traffic volumes or a sovereign downgrade.

Moody's said that factors that could lead to avoiding a downgrade included strengthening the company's liquidity profile, restoring its financial profile to the levels commensurate with the current rating and if there was evidence of government support.

Commenting after the Portfolio Committee presentation, CEO Mpumi Mpofu said that, outside of the healthcare sector, the aviation industry is being hit hardest by the reduction of commercial flying both in South Africa and around the world.

“Airports are complex operations where fewer than 10% of the people working there are directly employed by Airports Company South Africa. We are therefore acutely aware of the Covid-19 impact on our entire ecosystem. Our efforts to mitigate the business impact of Covid-19 are essential if we are to help preserve the livelihoods of thousands of people in the sector,” said Mpofu.

She says Airports Company South Africa believes the aviation sector’s most critical issue is the sustainability of airlines worldwide. Domestically the situation is rather unclear with SAA, SA Express and Comair under business rescue. Airports Company South Africa has made proposals on the resumption of domestic services, but the decision lies with the Department of Transport when it issues regulations for Level 3 arrangements.

“The situation in aviation is fluid. New estimates of the impact of Covid-19 are emerging almost daily. However, it is essential to take steps now to mitigate the impact. We will be guided by unfolding events and revisit plans accordingly.

“Airports Company South Africa has taken pride in its standing as a well-run state-owned company that has made a profit in all but one of its 26 years. While the circumstances in which we now find ourselves are extremely challenging, we will continue to apply the commitment and discipline that has served us well,” said Mpofu.

Airports Company South Africa anticipates having greater clarity in terms of the detail of its revised financial plan within the next week which will be communicated further

As with the company’s engagements with noteholders and investors early in April, further briefings will be scheduled in the coming days.

Should you wish to be invited to a further briefing, please send an e-mail indicating such to Nonkanyiso.Nyilika@airports.co.za or Livhuwani.Tshikunde@airports.co.za

Noteholders and investors who participated in the company’s previous briefings will be automatically invited to the next presentation.

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