

COVID-19

Cash burn analysis

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Last week we estimated the COVID-19 impact on revenue

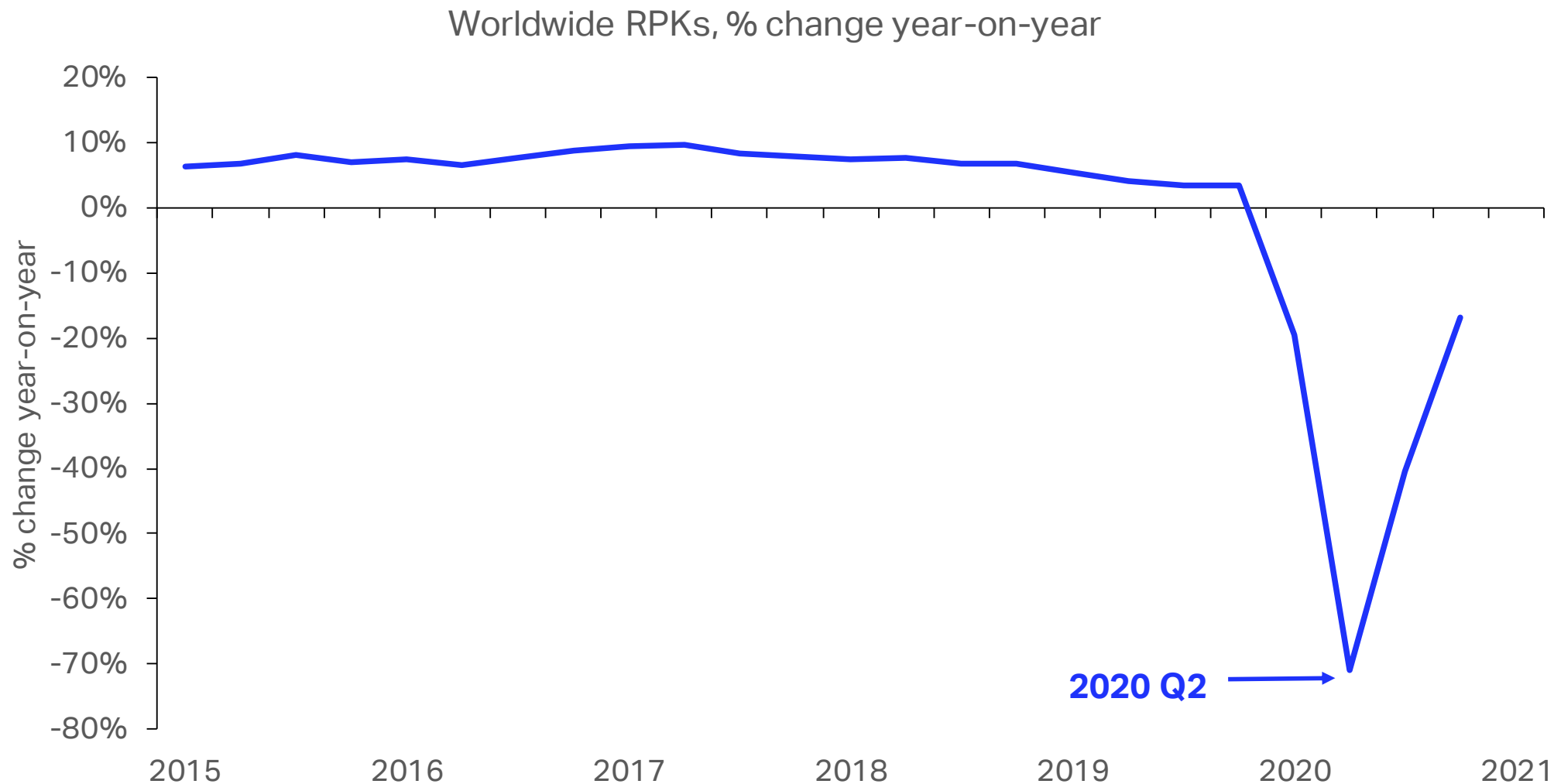
We expect a 38% fall in RPKs and \$252 billion pax revenue loss in 2020

Region of airline registration	RPKs 2020 % yoy	Passenger revenue \$ billion 2020 vs. 2019 levels
Asia-Pacific	-37%	-88
North America	-27%	-50
Europe	-46%	-76
Middle East	-39%	-19
Africa	-32%	-4
Latin America	-41%	-15
Industry	-38%	-252



38% fall in average 2020 RPKs based on this profile

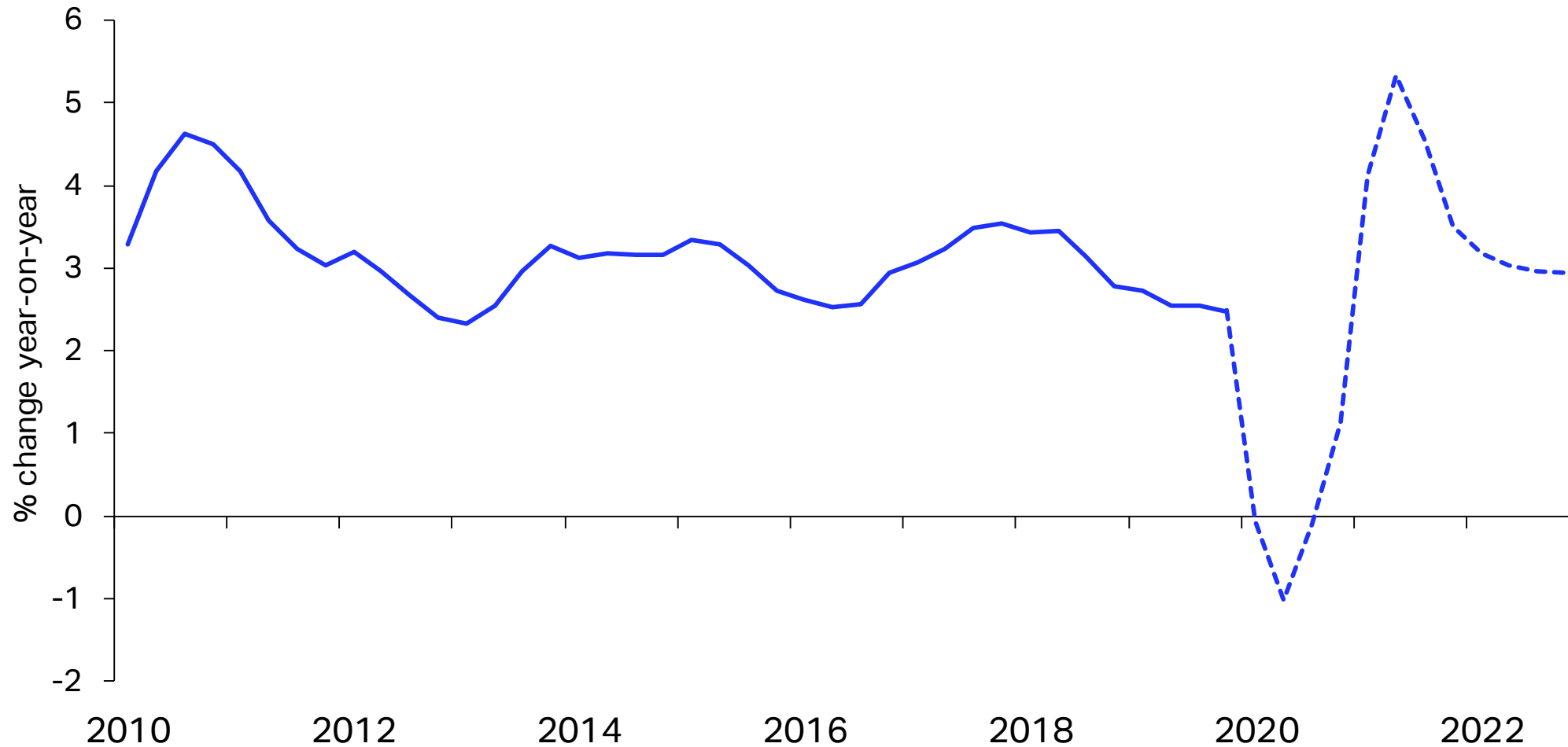
During Q2 we would expect traffic to be more than 70% lower



Deep economic recession will delay traffic recovery

Fiscal and monetary stimulus should generate strong rebound in 2021

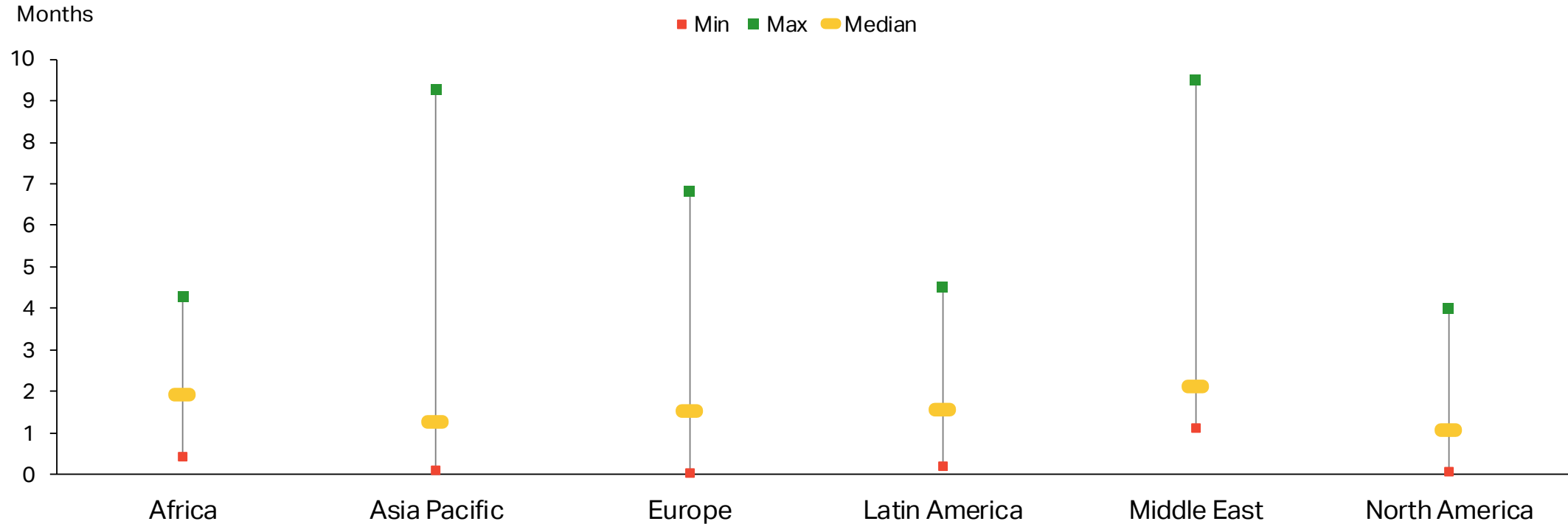
Global GDP growth



Risk is airlines run out of cash before recovery arrives

The typical airline had 2 months of cash at the start of this year

Balance Sheet Liquidity
(Cash and Equivalents Coverage of Revenues*)



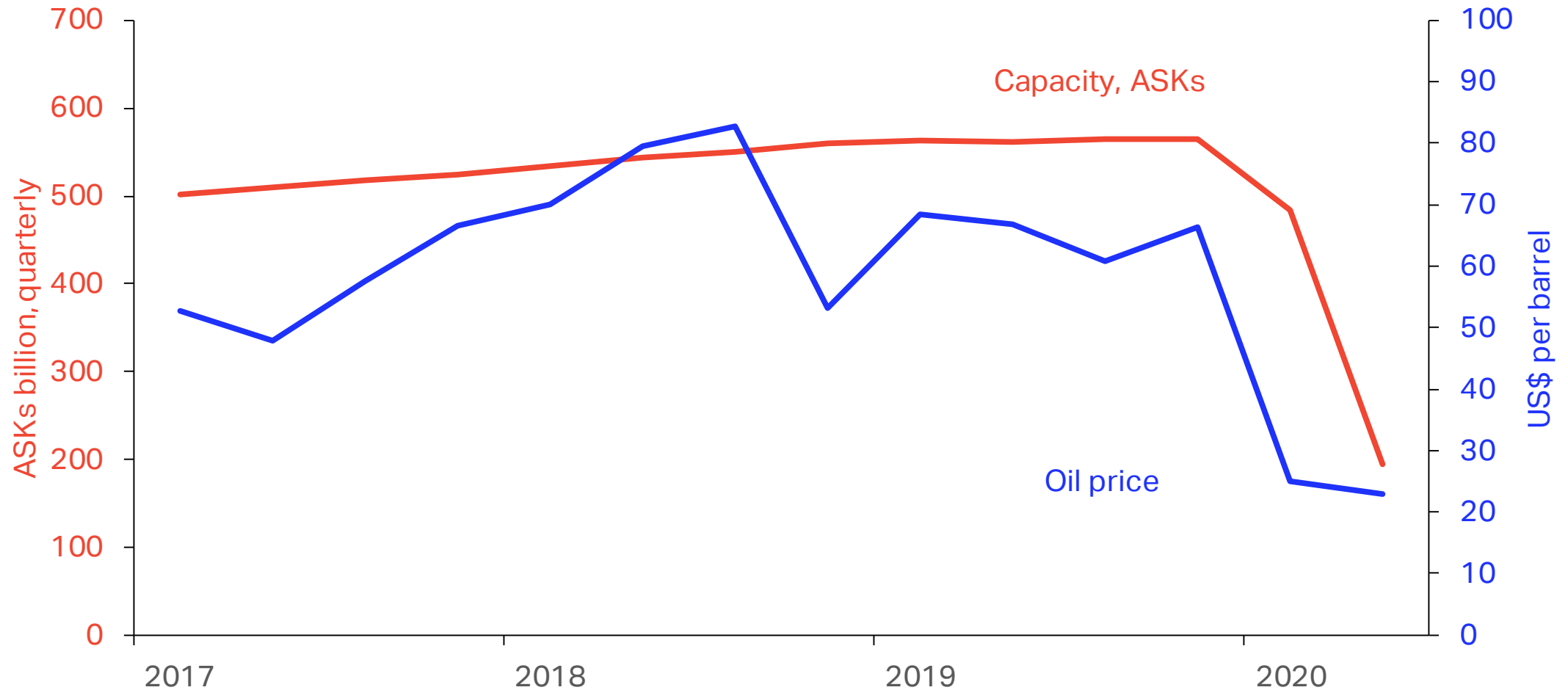
*Latest available 12 months cumulative revenues Africa, Latin America and the Middle East might not be representative due to small sample size.



Variable costs can be reduced sharply

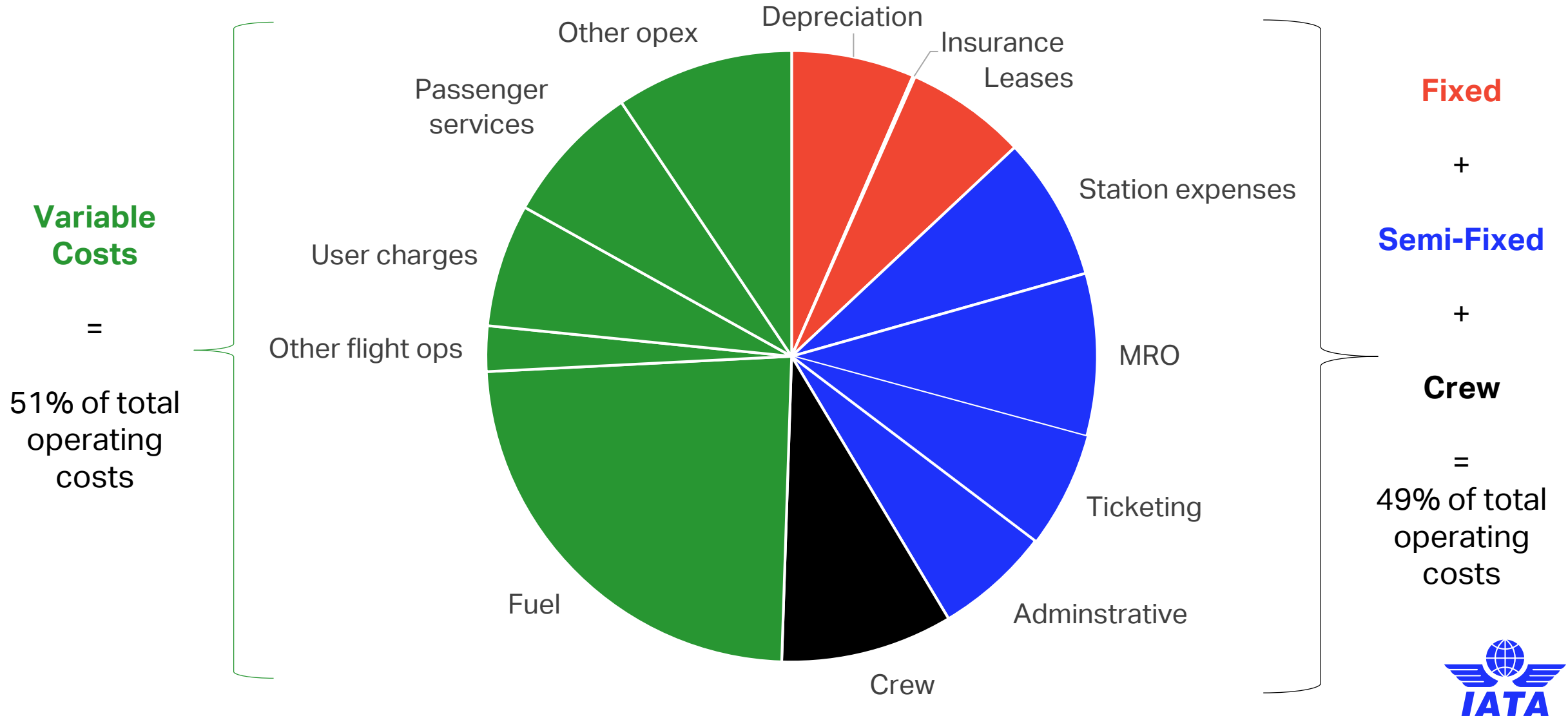
Much capacity has been grounded and fuel prices have collapsed

Worldwide airlines capacity (ASKs) and oil prices (Brent)



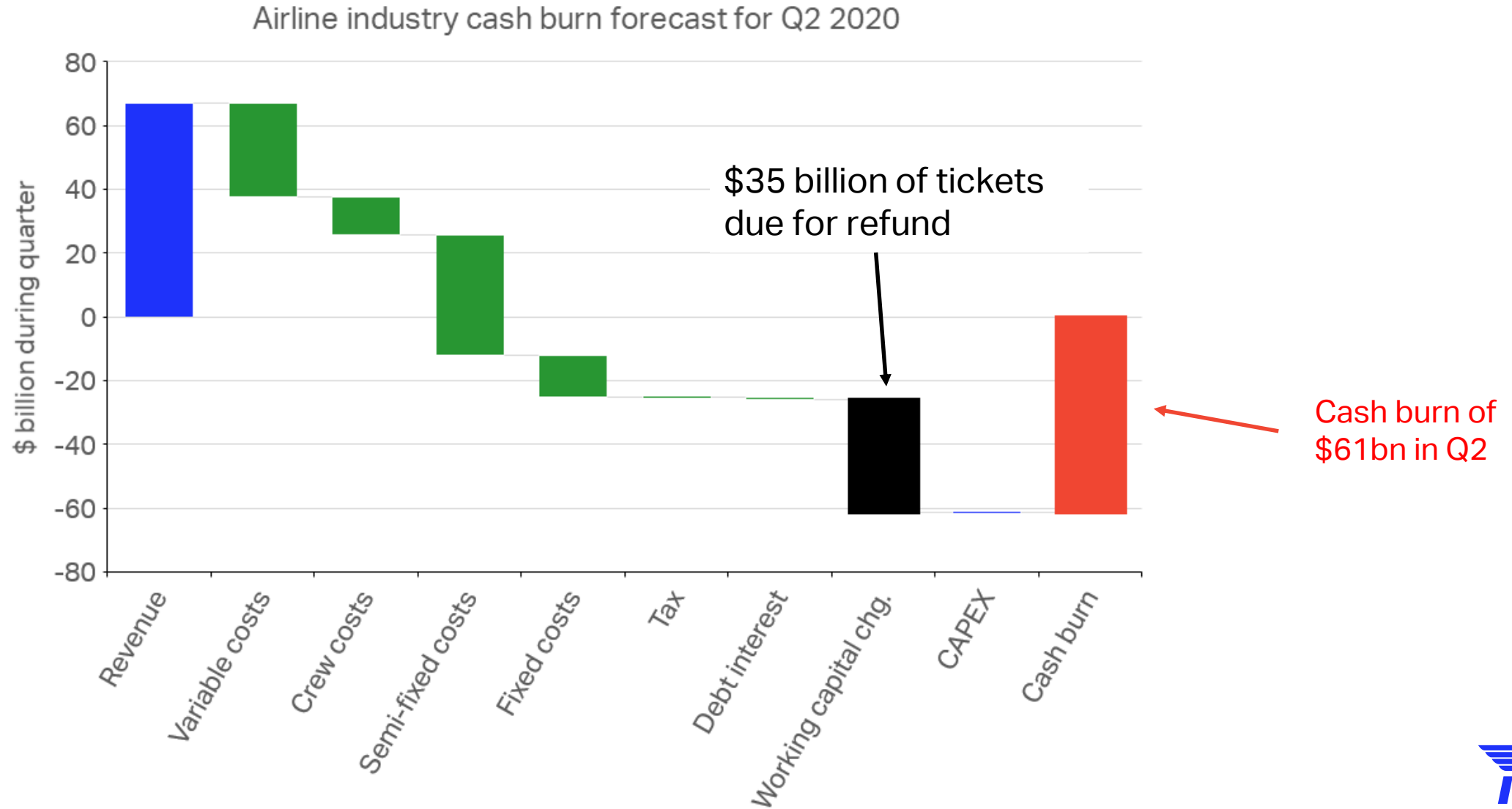
But airlines have significant fixed and semi-fixed costs

Over a short period of time many costs cannot be avoided



There is also an estimated \$35 billion of ticket refunds

On top of unavoidable cost ticket refunds may burn cash in 2020 Q2



Airlines may burn cash at rate of \$61 billion in Q2

Based on impact assessment released on 24th March

	2019 Q2 US\$ bn	2020 Q2 US\$ bn	% yoy	Comments
Revenue	210	67	-68%	71% fall Q2 RPKs, also includes cargo and ancillaries
- Fixed costs	13	13	0%	
- Semi-fixed costs	57	38	-33%	Overhead cuts based on airline reports
- Crew costs	18	12	-33%	Furloughs and cuts based on airline reports
- Variable costs	98	29	-70%	65% fall ASKs, 31% fall in hedged fuel price
- Depreciation	13	13	0%	
- Debt interest	1	1	0%	Fall of risk free rate offset by rise in credit spreads
- Tax	3	0	-100%	Assumed deferral of any corporate tax liabilities
= Net profit	7	-39		Loss of \$39 billion forecast for Q2
+ Depreciation	13	13	0%	Non-cash cost so added back to cash flow
+ Change in working capital	0	-35		Sold but un-flown ticket liability, due for refund
- CAPEX	17	0	-100%	Assumed all deliveries can be deferred/cancelled
= Change in cash balance	3	-61		Cash burned at rate of US\$61 bn in Q2

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