

COVID-19

Outlook for airlines' cash burn

Brian Pearce

Chief Economist

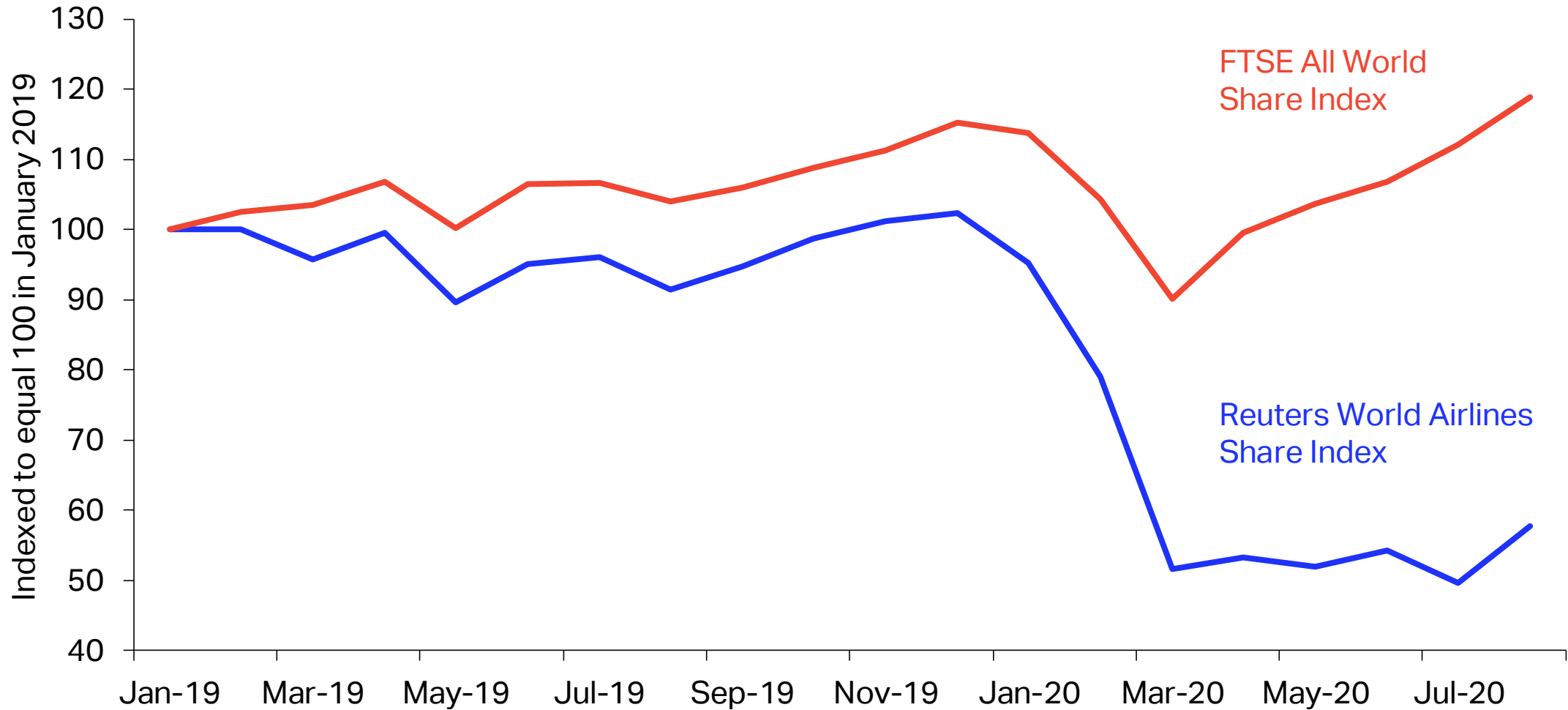
6th October 2020



Financial markets pessimistic about airlines' cash burn

Airline share prices remain 40% down, yet equity market has recovered

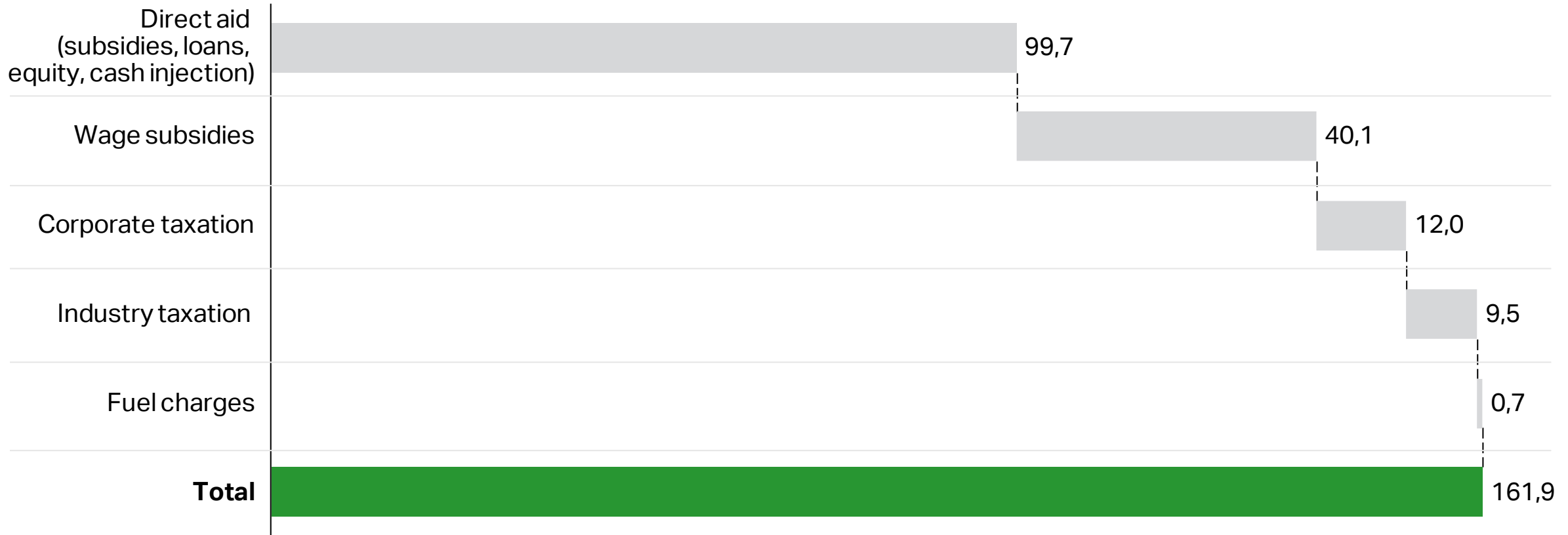
Worldwide share prices, airlines and all sectors



Airlines have been kept on life support

\$160bn aid from government and another \$20bn from suppliers

Government aid made available to airlines due to COVID-19, by type (USD bn)



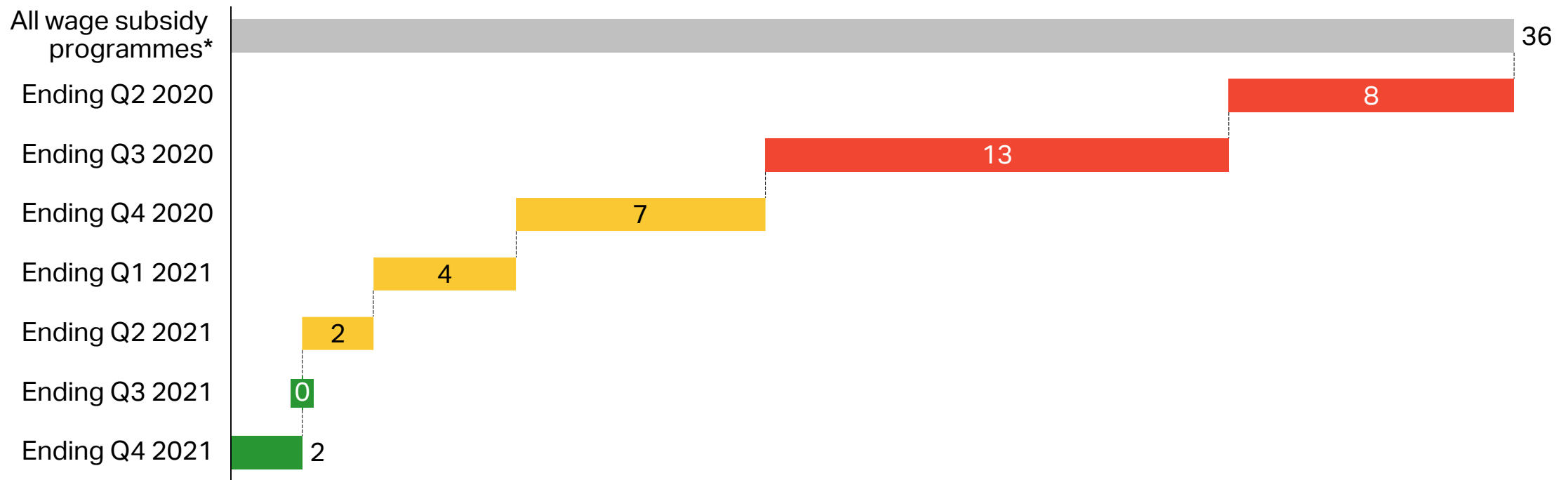
Source: IATA Economics using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports. Government measure included up until 7 Sep 2020

Government support for wages is starting to end

The restart is not strong enough to prevent substantial job losses

Most wage subsidies are coming to an end...

End date of 36 wage subsidy programmes globally



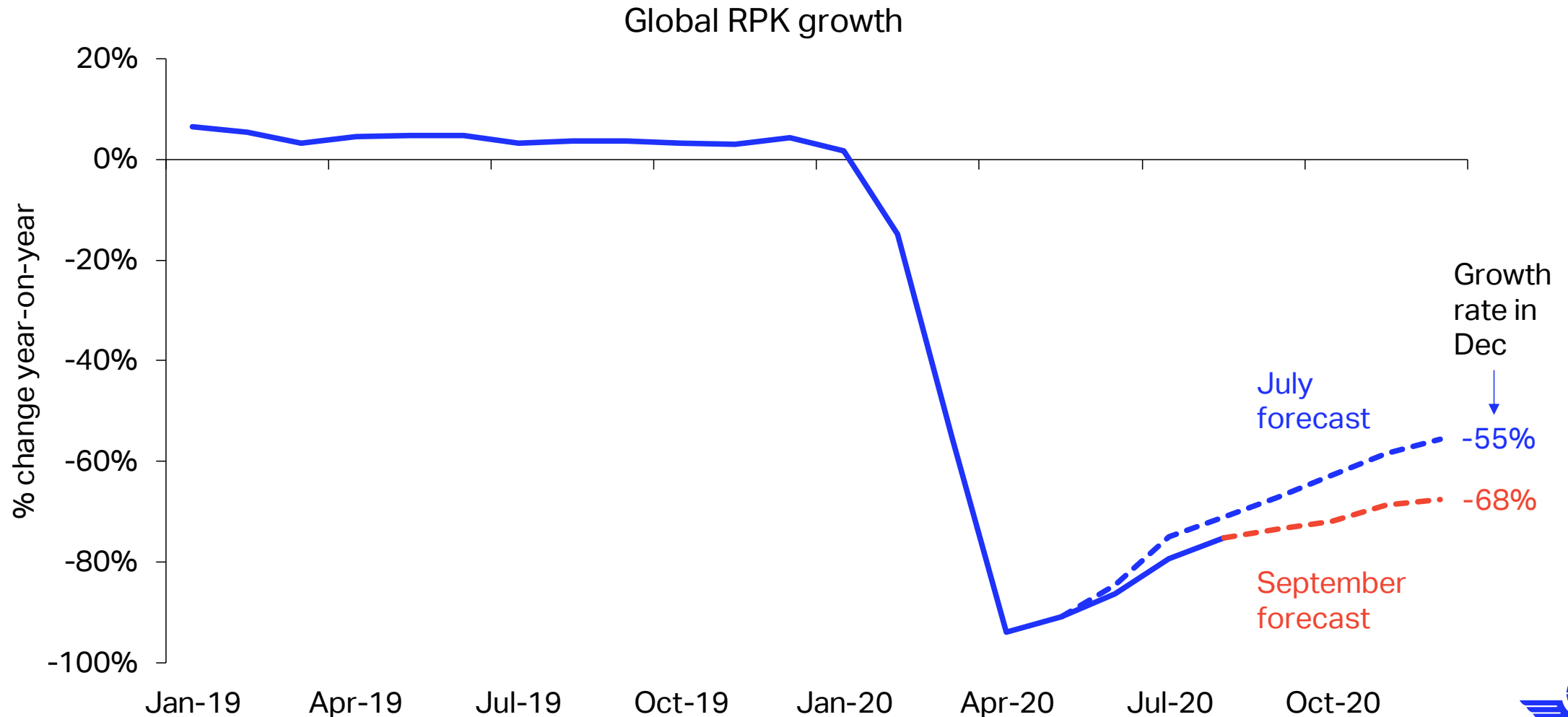
*includes programmes where information on end date available



Source: IATA Economics using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports. Government measure included up until 1 Oct 2020

Passenger revenues not expected to recover quickly

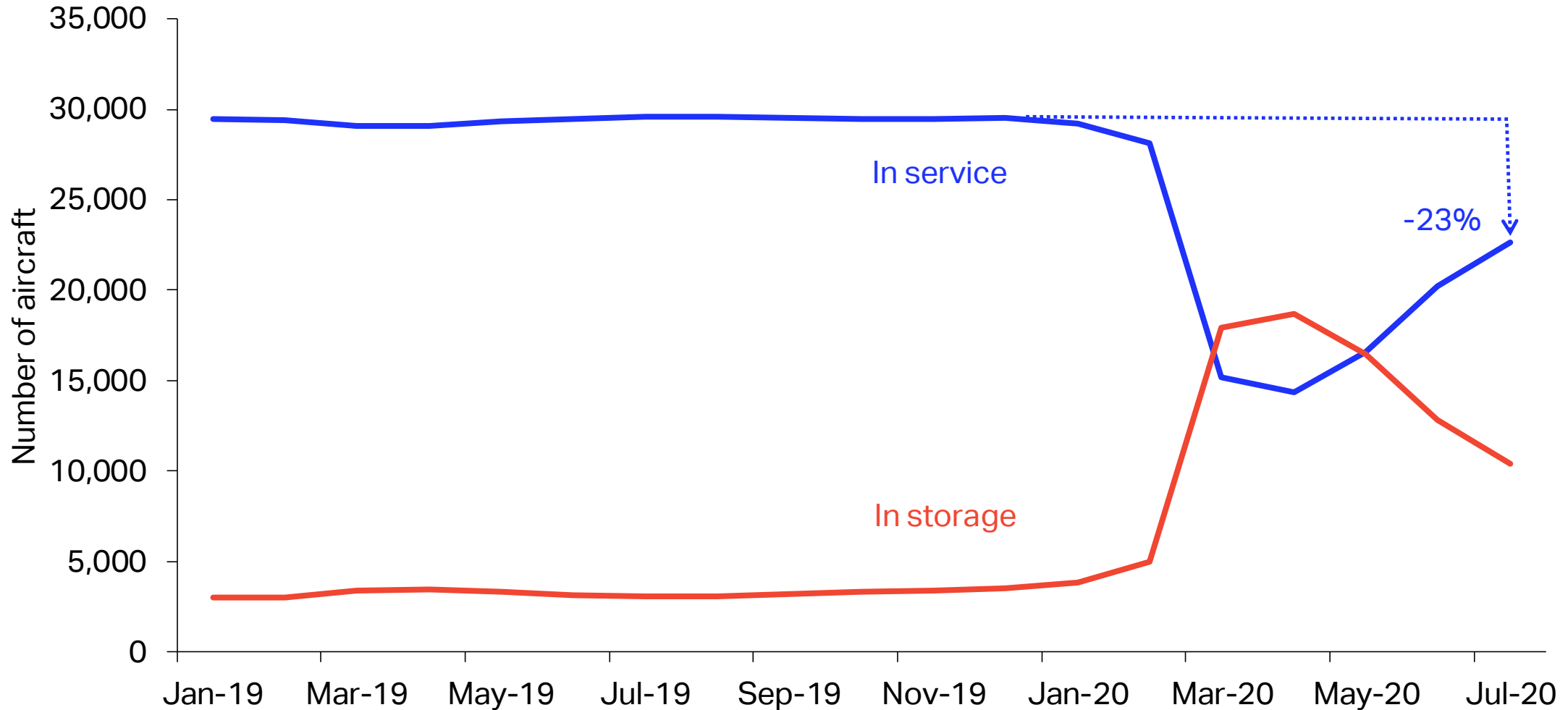
By year-end RPKs only 1/3 of normal levels and yields down sharply



Airlines unable to downsize fleet proportionately

Short-haul flying requires a higher proportion of the aircraft fleet

Commercial airlines' fleet of jets and turboprops

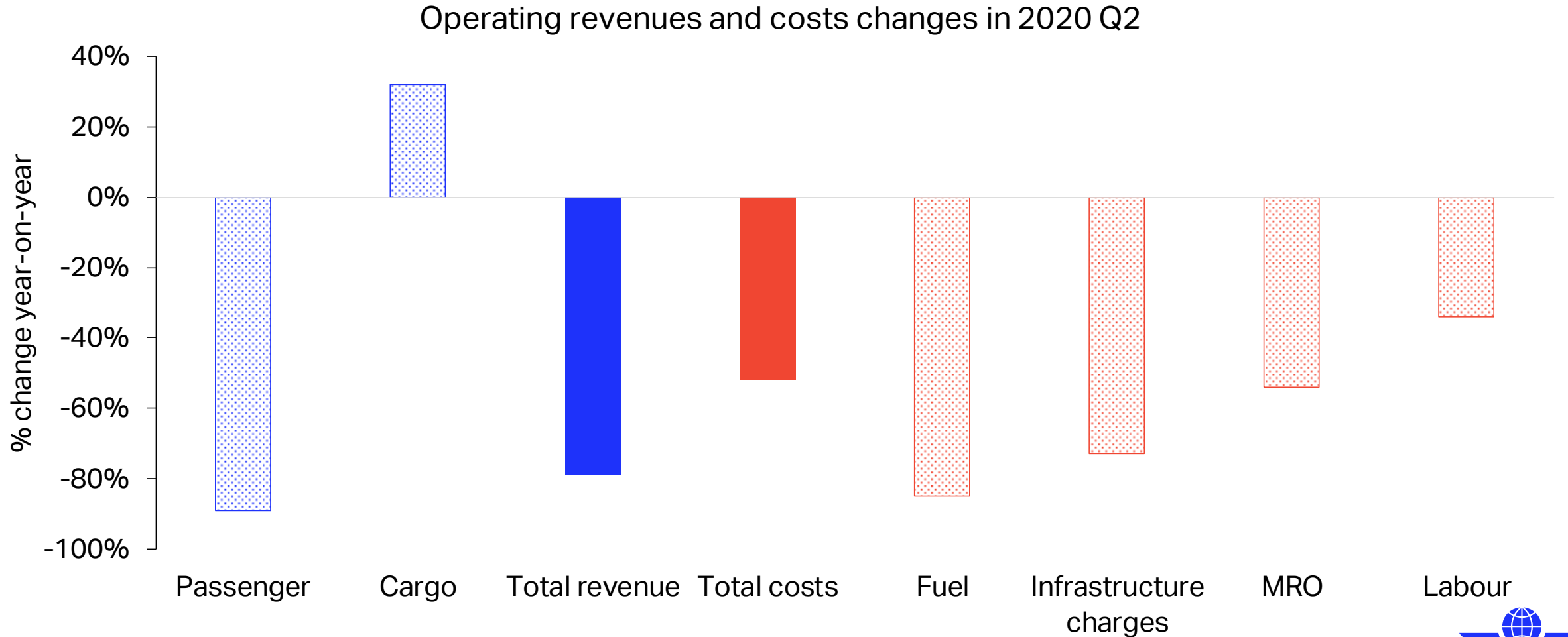


Source: IATA Economics analysis based on data from Cirium Ascend



The challenge is to downsize costs sufficiently

Many costs are hard to avoid as we saw in the 2020Q2 results



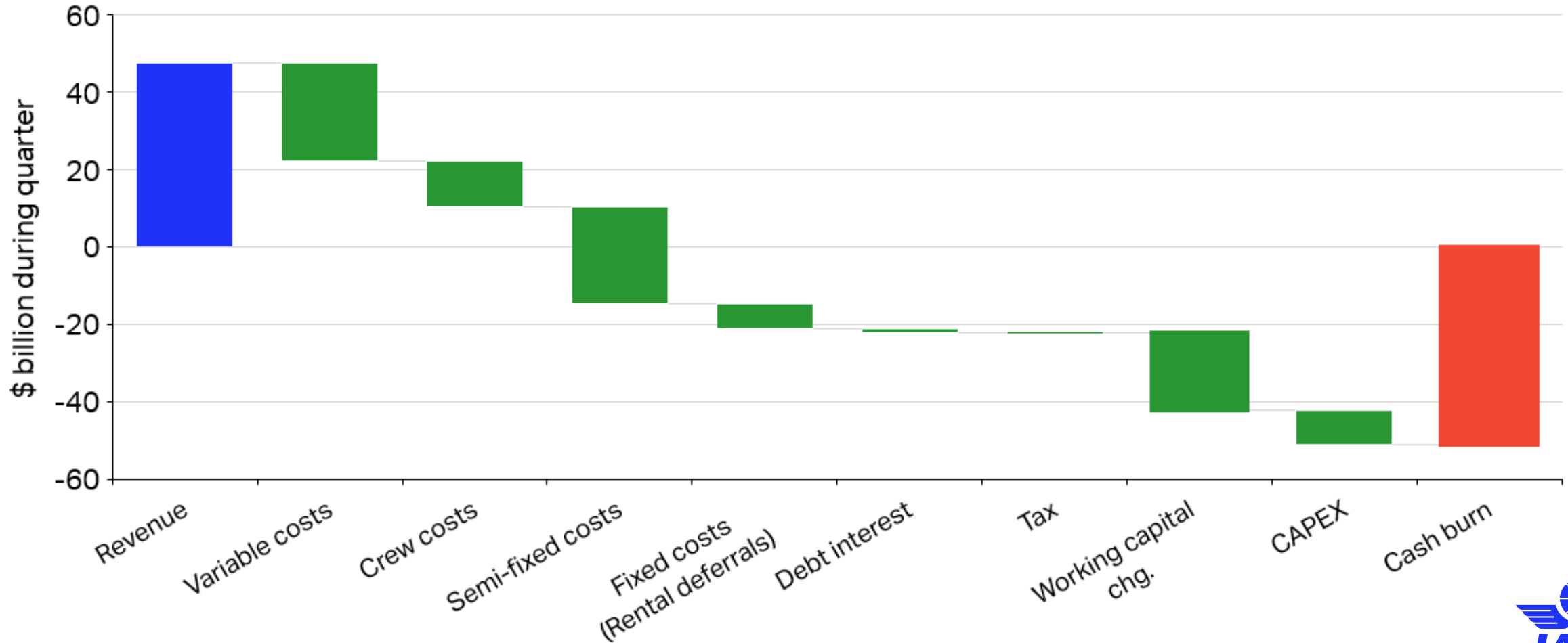
Source: IATA Economics analysis based on data from the Airline Analyst



Cash burn was probably at its greatest in 2020 Q2

Cash (\$51bn) drained by unavoidable costs, debt interest and refunds

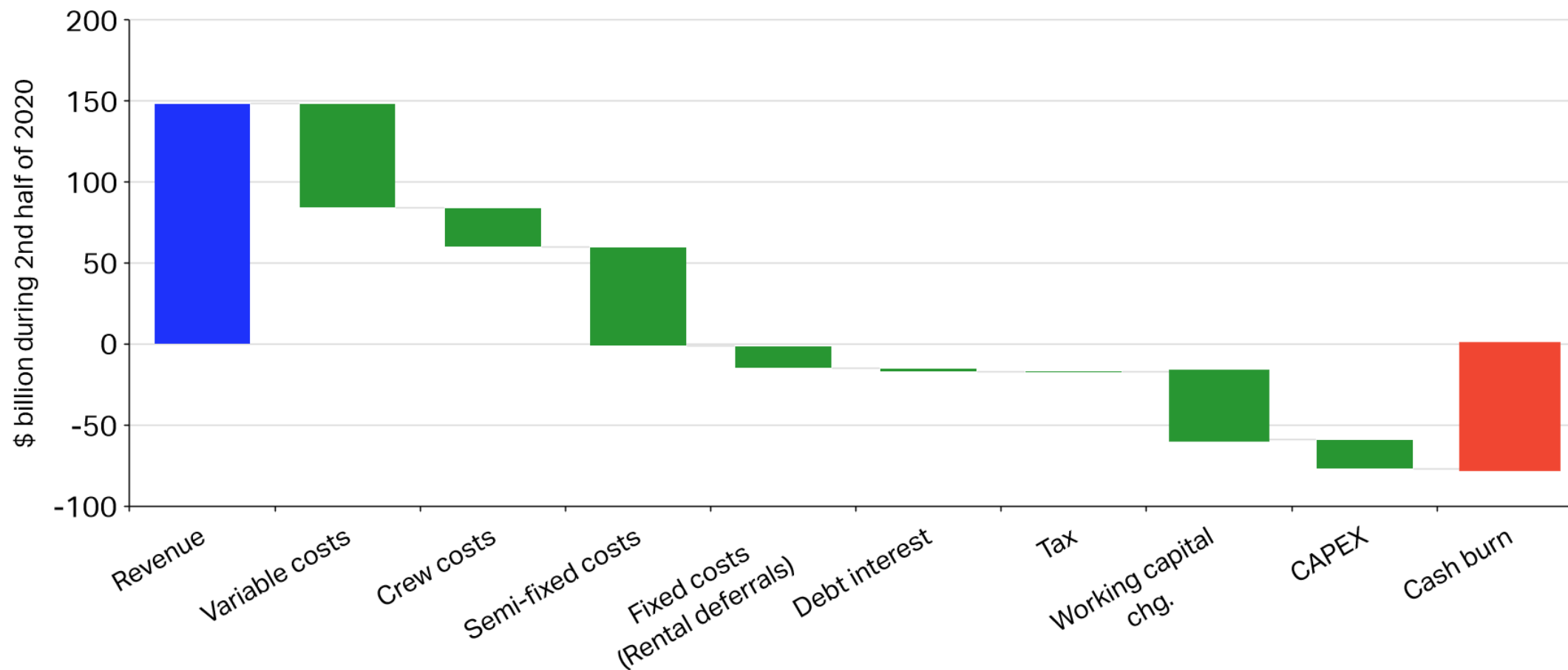
Airline industry cash burn estimate for 2nd quarter of 2020



Cash burn continuing during 2020 H2 by \$77bn

Revenues weak, Government aid diminishing, restructuring beginning

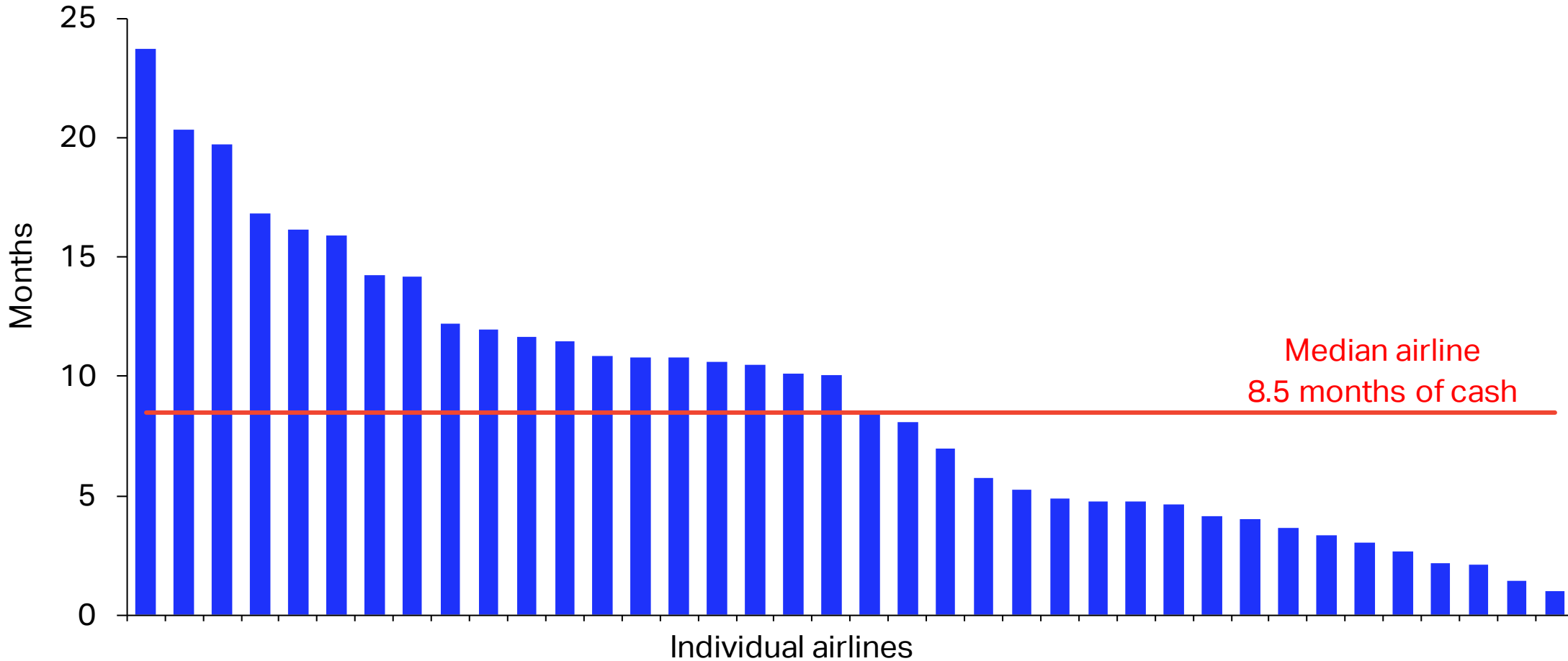
Airline industry cash burn forecast for 2nd half of 2020



Even after large cash raise many airlines at risk

Median airline's cash would last just 8.5 months at H2 rate of cash burn

2020 end June cash+cash equivalents/2020 H2 monthly cash burn

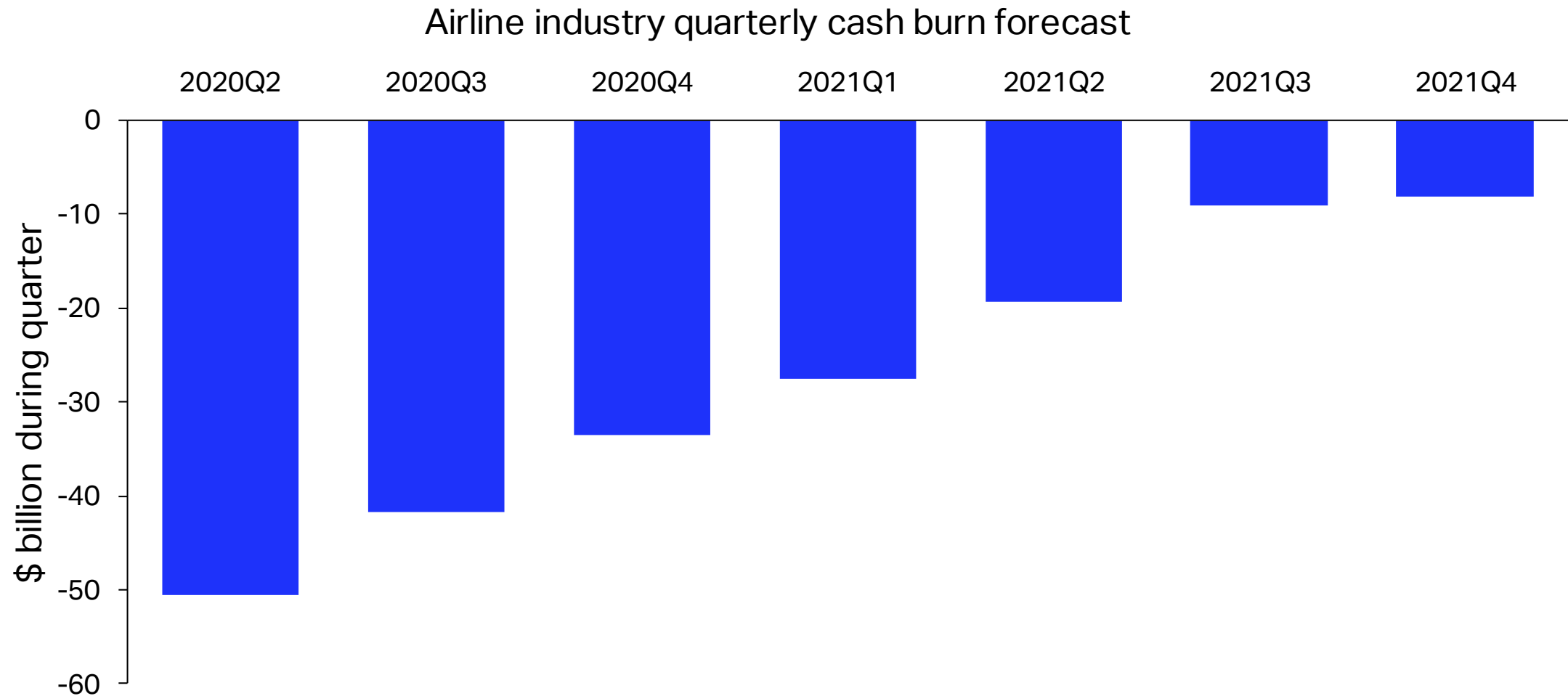


Median airline
8.5 months of cash



Airlines not expected to turn cash positive until 2022

Extended weakness of revenues will delay financial turnaround



Contacts

economics@iata.org

www.iata.org/economics

