

Business Conditions of Airlines in ASEAN

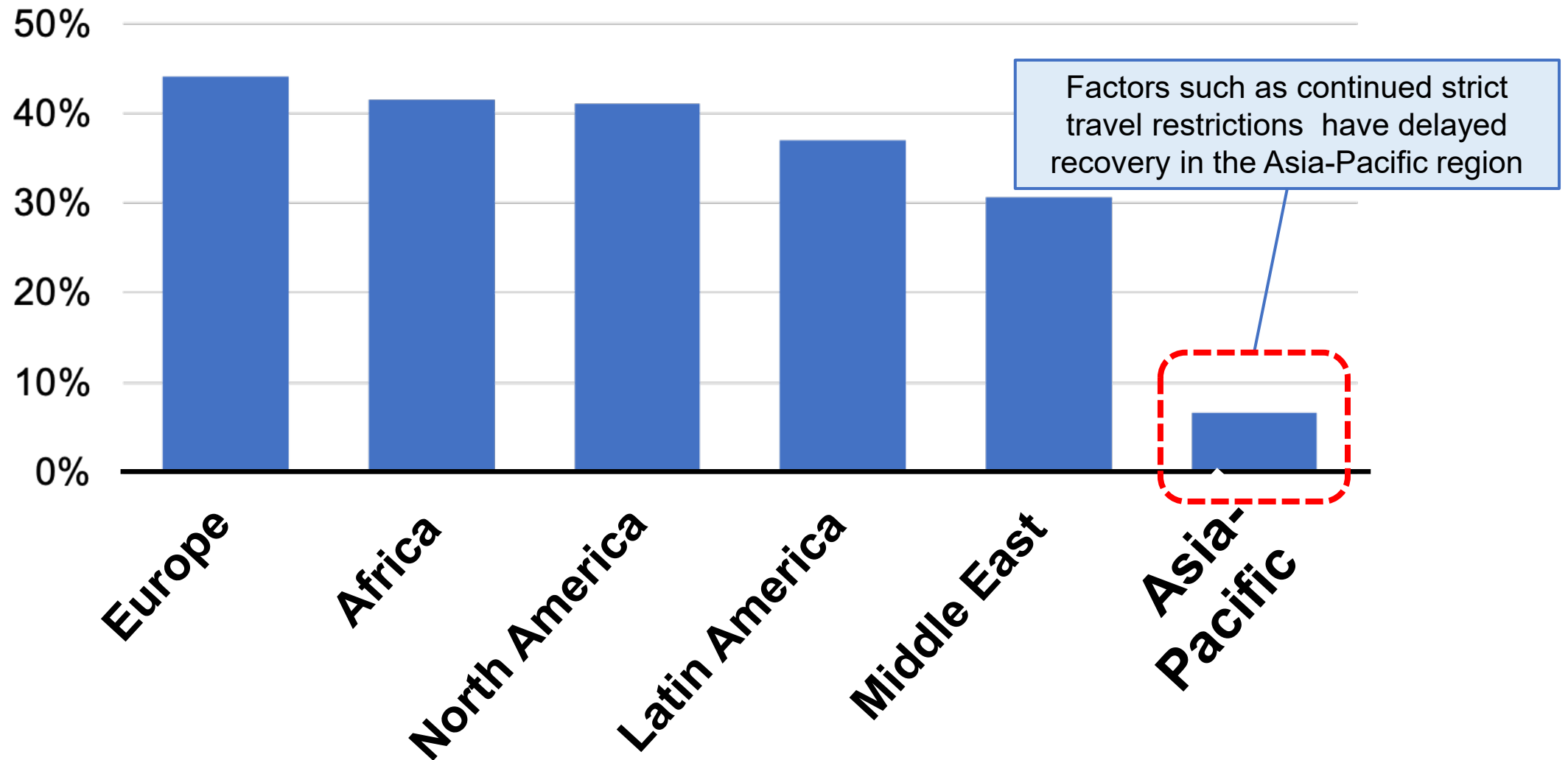
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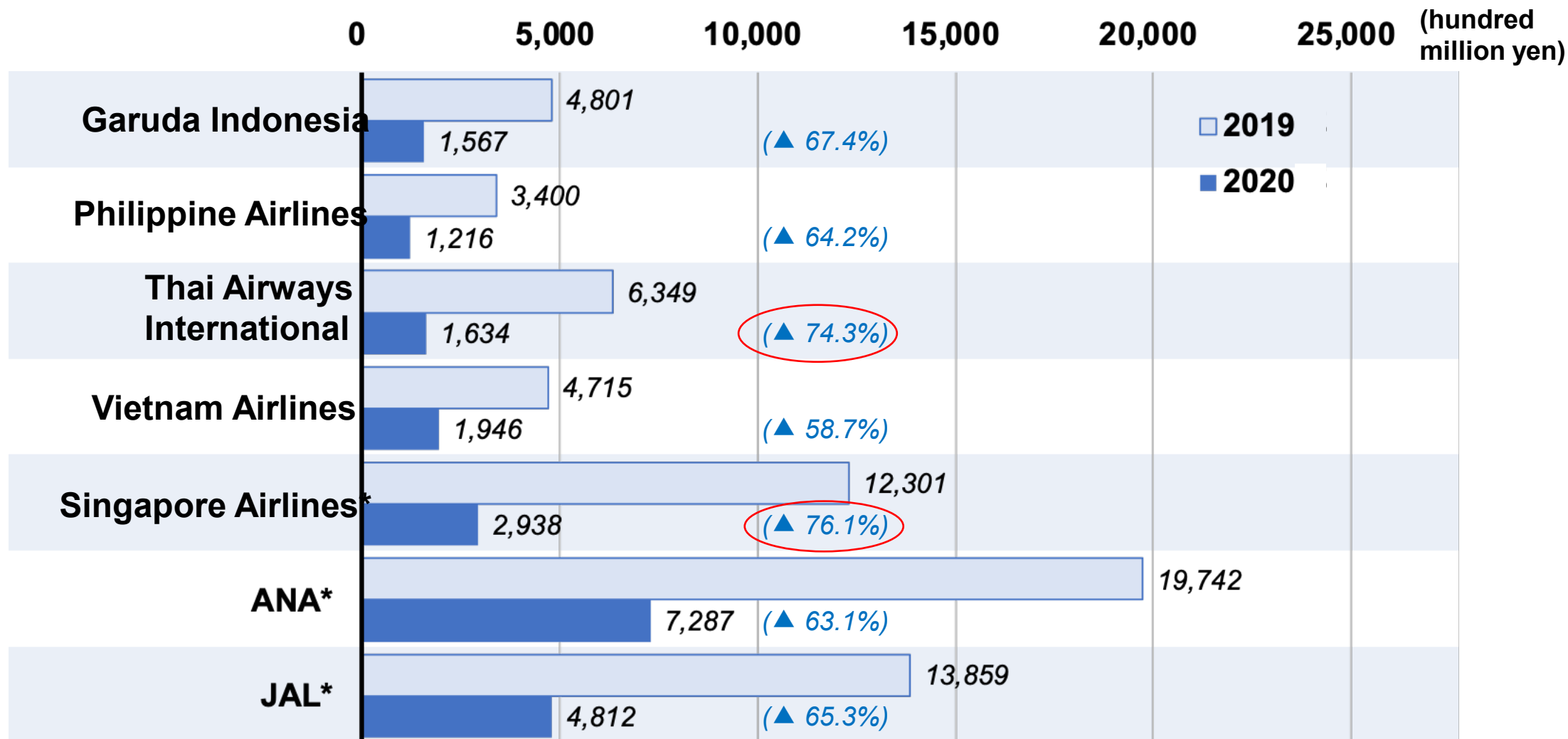
- 1. Recovery in International Flight Demand by Region**
- 2. Trends in Sales**
- 3. Trends in Profit and Loss**
- 4. Trends in Financial Structure**
- 5. Financial Conditions, Government Support, etc.**
- 6. Summary of Facts and Conceivable Future Scenarios**

1. Recovery in International Flight Demand by Region



Source: IATA Air Passenger Market Analysis, August 2021

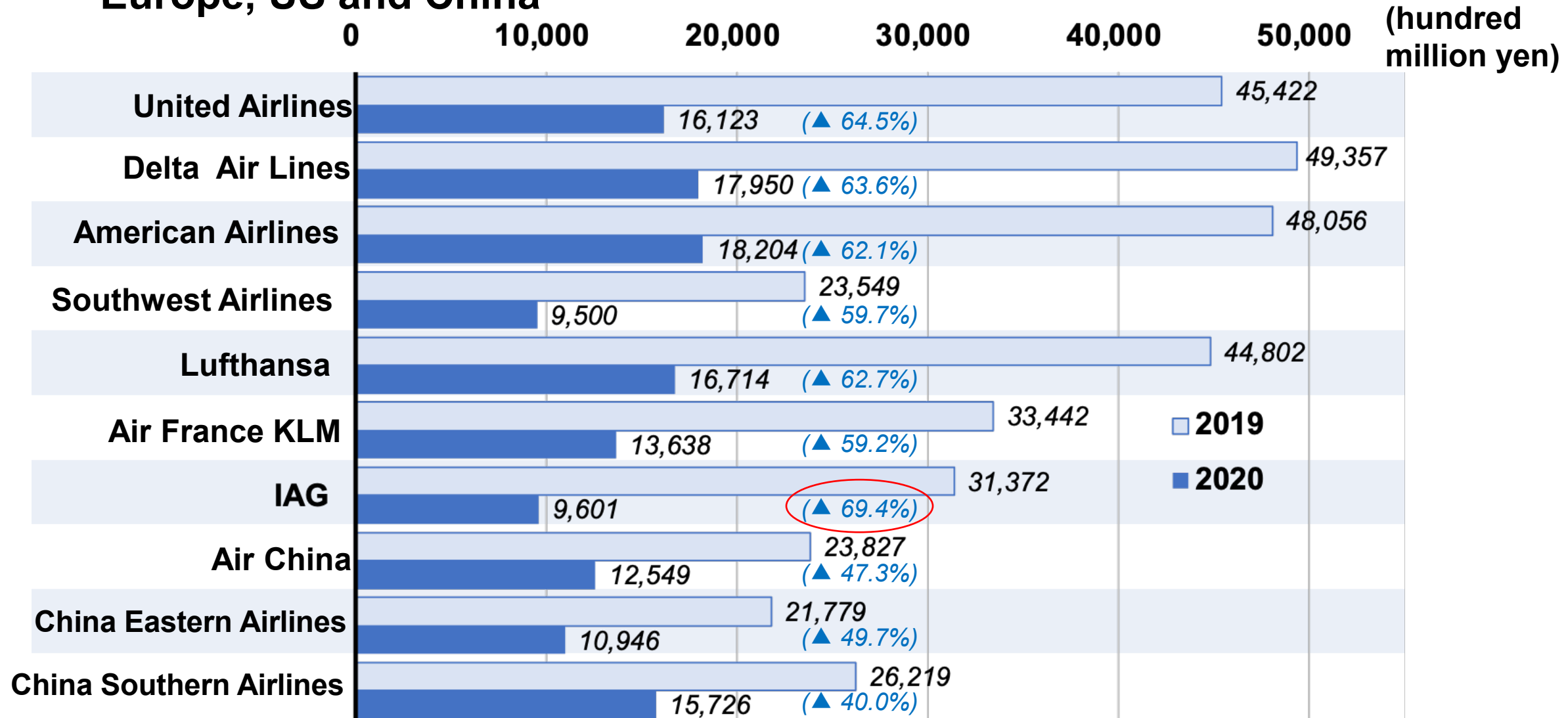
Sales from January to December 2020 (year-on-year) – ASEAN and Japan



*For Singapore Airlines, ANA and JAL, Sales from April 2020 to March 2021 (year-on-year)

Source: Financial statements of each company

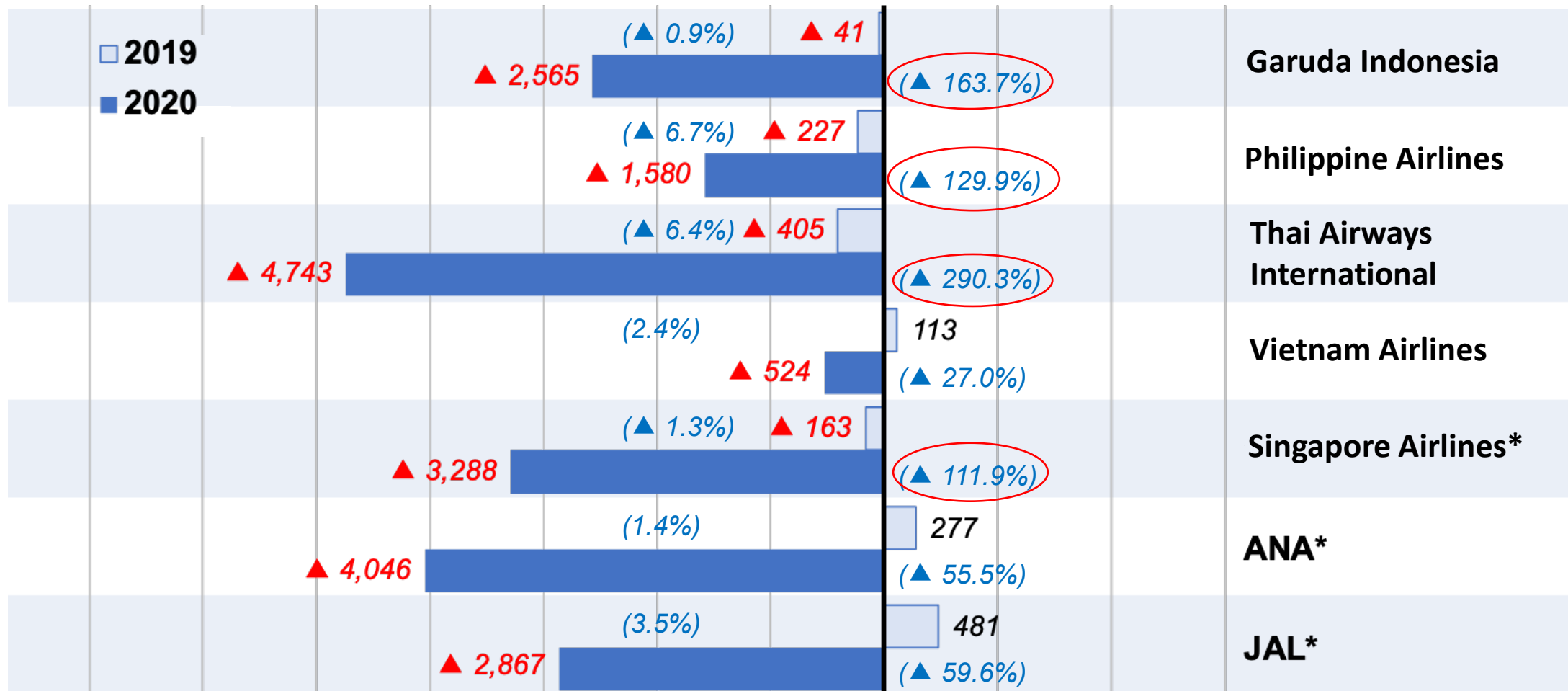
(Reference) Sales from January to December 2020 (year-on-year) – Europe, US and China



Source: Financial statements of each company

Bottom line (return on sales) from January to December 2020 – ASEAN and Japan

-7,000 -6,000 -5,000 -4,000 -3,000 -2,000 -1,000 0 1,000 2,000 3,000 (hundred million yen)



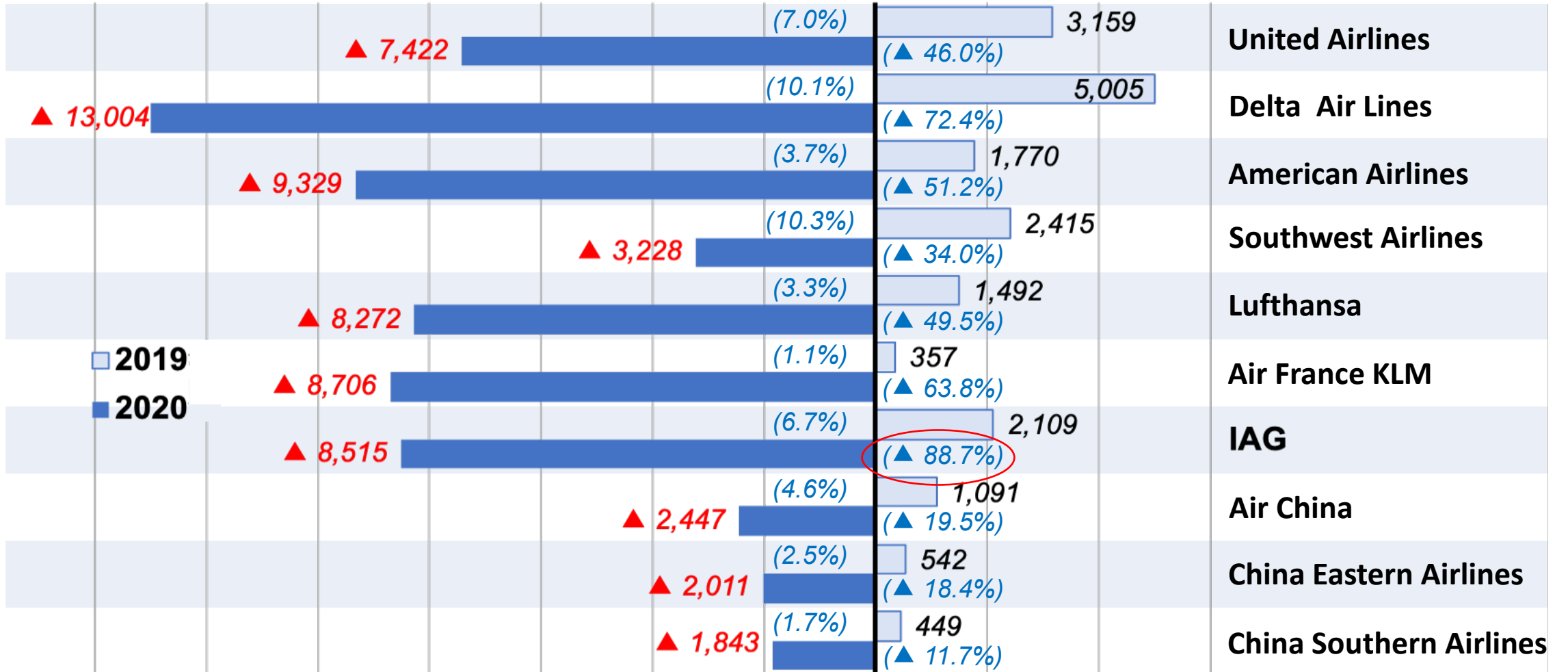
*For Singapore Airlines, ANA and JAL, Bottom line (return on sales) from April 2020 to March 2021

Source: Financial statements of each company

(Reference) Bottom line (return on sales) from January to December 2020

– Europe, US and China

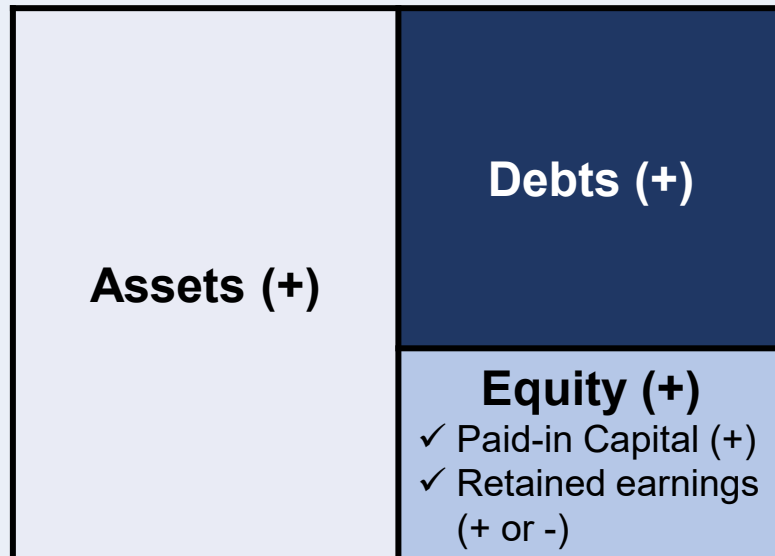
-14,000 -12,000 -10,000 -8,000 -6,000 -4,000 -2,000 0 2,000 4,000 6,000 (hundred million yen)



Source: Financial statements of each company

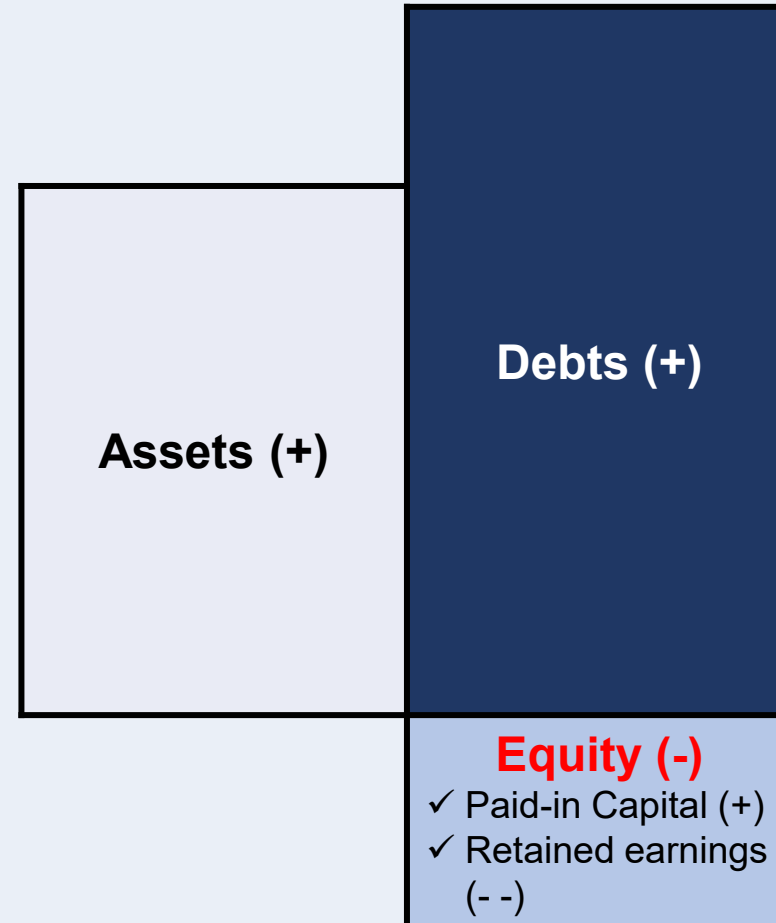
4. Trends in Financial Structure

Balance sheet of healthy company



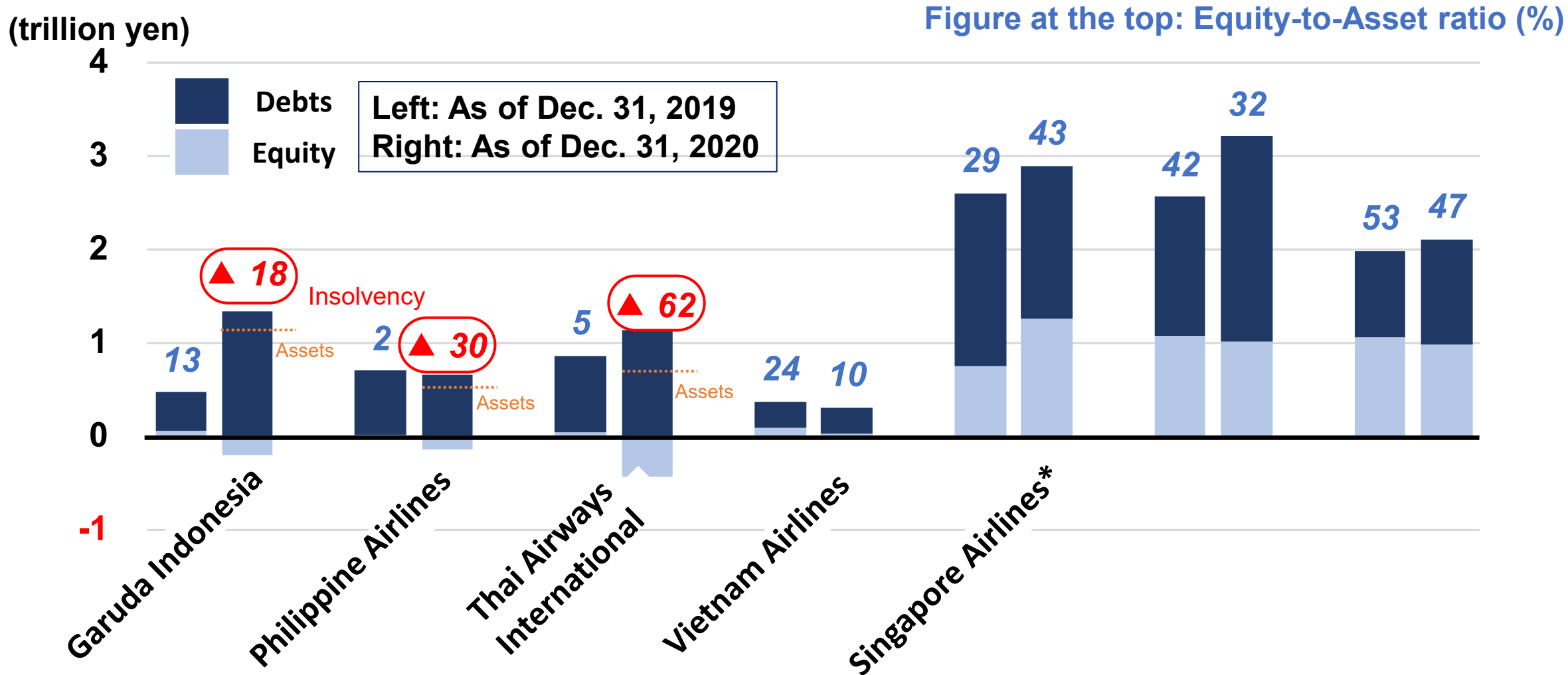
$$\text{Equity-to-Asset ratio} = \frac{\text{Equity}}{\text{Debts} + \text{Equity}} > 0$$

Balance sheet of insolvent company



$$\text{Equity-to-Asset ratio} = \frac{\text{Equity}}{\text{Debts} + \text{Equity}} < 0$$

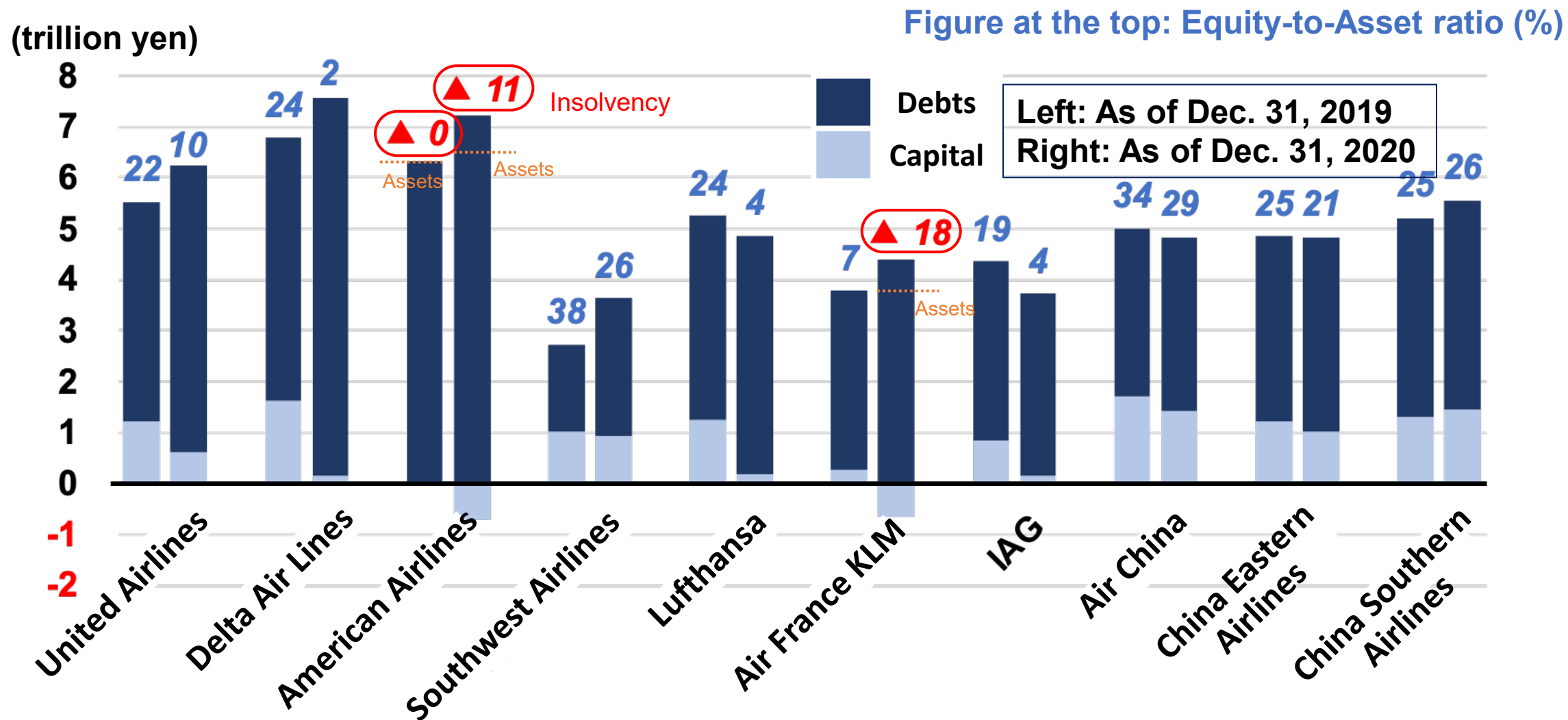
4. Trends in Financial Structure



*For Singapore Airlines, ANA and JAL, Debts, Equity and Equity-to-Asset ratio at the end of March 2021

Source: Financial statements of each company

4. Trends in Financial Structure



Source: Financial statements of each company

5. Financial Conditions, Government Support, etc.

Country/ region	Airline	Details of financial conditions and government support
Indonesia	Garuda Indonesia	<ul style="list-style-type: none"> ➤ In June 2021, Indonesian Ministry of State-owned Enterprises presented four options for reconstruction: <u>“capital injection by the government,” “reconstruction through moratorium on debt payments and restructuring,” “debt restructuring and establishment of a new successor company”</u> and <u>“closure and liquidation.”</u> ➤ In July 2021, with regard to the financial results for the fiscal year ended December 2020, which were submitted to the stock exchange, the accounting auditor stated that there were <u>serious doubts about continuation of the business of the company as a going concern.</u>
Philippines	Philippine Airlines	<ul style="list-style-type: none"> ➤ In June 2021, <u>sales and purchase of stocks</u> of the parent company, PAL Holdings, were <u>suspended.</u> ➤ In September 2021, the company filed for <u>Chapter 11</u> (equivalent to Japan’s Civil Rehabilitation Law) bankruptcy protection in America, but its flight operations continue

5. Financial Conditions, Government Support, etc.

Country/region	Airline	Details of financial conditions and government support
Malaysia	Malaysia Airlines	<ul style="list-style-type: none">➤ Announced in February 2021 that it had received approval from the UK court to reduce its debts under the UK company law.➤ In response to this, a sovereign wealth fund has decided to provide 3.6 billion ringgit (about 94 billion yen) of additional capital support.
Thailand	Thai Airways International	<ul style="list-style-type: none">➤ After the bankruptcy in May 2020, <u>the business revitalization plan was approved</u> by the Thailand's Central Bankruptcy Court in June➤ In the 2021 January-June financial results, the bottom line returned to the black thanks to gains from consolidation of debts and sale of assets held. However, the operating profit or loss is in the red, and the business environment continues to be severe.

5. Financial Conditions, Government Support, etc.

Country/ region	Airline	Details of financial conditions and government support
Vietnam	Vietnam Airlines	<ul style="list-style-type: none">➤ In June 2021, the Vietnam's Ministry of Planning and Investment warned that Vietnam Airline was in danger of bankruptcy as losses and debts continued to accumulate.➤ Reportedly, three banks in Vietnam were going to provide interest-free loans (government-supported loans) totaling 173.8 million US dollars (approx. 19 billion yen) from June to July 2021.
Singapore	Singapore Airlines	<ul style="list-style-type: none">➤ Singapore Airlines has raised a total of 16 billion US dollars (approx. 1.7 trillion yen) as a government support, and is financially more comfortable than other companies in ASEAN, leaving other companies in ASEAN struggling with restructuring and downsizing far behind.

6. Summary of Facts and Conceivable Future Scenarios

1

In ASEAN region, the recovery in international aviation demand has been delayed because (1) **vaccination has been delayed** compared to developed countries, except for some countries such as Singapore, (2) **spread and control** of infections have been repeated, and (3) relatively **conservative immigration control** has been continuing.

2

Some airline companies in the ASEAN region, such as Thai Airways International, Philippine Airlines and Garuda Indonesia, have been **in the red since before COVID-19**, and they are currently in an extremely serious management condition.

3

On the other hand, **the Singapore government has injected a huge amount of money** immediately after the global spread of COVID-19 to support the management of Singapore Airlines, and the airline still maintains a sound financial structure even though it posted a significant loss.

The background to this is the **Singapore government's national strategy** to make Singapore a major transit gateway for human flow and logistics in ASEAN.

6. Summary of Facts and Conceivable Future Scenarios

4

In the future, airlines with deteriorating financial conditions will have no choice but to move toward **balanced contraction** through, for example, selling of aircrafts to raise funds. On the other hand, airlines with sound financial conditions will be able to **expand their networks** as demand recovers, and the **relative size and competitiveness of airlines** in the ASEAN region after overcoming COVID-19 are expected to change significantly from those before COVID-19.

5

Accordingly, the **competitiveness of hub airports** in the ASEAN region, which are the main bases of each airline, may also change, and this may affect the destinations of non-ASEAN airlines in the ASEAN region and the scale of their operations.

6. Summary of Facts and Conceivable Future Scenarios

Airline	Main details of partnership (related to code-sharing)
Singapore Airlines (SQ-Star) Malaysia Airlines (MA-One)	<ul style="list-style-type: none">➤ Oct. 1: Mutual code-sharing on Singapore-Malaysia routes➤ Nov. 29: Start of VTL➤ Nov. 29: <u>SQ codes for MA-operated domestic flights in Malaysia</u>➤ Jan. 1: <u>MA codes for nine SQ-operated flights to/from Europe and Africa</u>
Singapore Airlines (SQ-Star) Garuda Indonesia (GA-Sky)	<ul style="list-style-type: none">➤ Oct. 1: Mutual code-sharing on Singapore-Indonesia routes➤ Oct. 1: <u>GA codes for SQ-operated flights to/from London</u>➤ Nov. 29: Start of VTL➤ Jan. 1: <u>GA codes for SQ-operated flights to/from Mumbai</u>

Thank you for your kind attention