

COMAIR LIMITED (IN BUSINESS RESCUE)

19 MAY 2020

redfordcapital

FIRST MEETING OF CREDITORS

SECTION 147(1) OF THE COMPANIES ACT

AGENDA

1. Welcome
2. Key Dates
3. The Company's Financial Position
4. Reasons for Financial Distress
5. Overview of Business Rescue Proceedings
6. Reasonable Prospects of Rescuing the Company
7. Claims and Claim Forms
8. Creditors' Committee

WELCOME

1. Shaun Collyer -

- background and experience

2. Richard Ferguson

- background and experience

3. Purpose of this First Statutory Meeting of Creditors

- To provide an opinion on whether there is a reasonable prospect of rescuing Comair Limited
- To receive proof of claims
- To establish a creditors' committee

KEY DATES

Commencement of Business Rescue Proceedings	5 May 2020
Appointment of the Business Rescue Practitioners	5 May 2020
Notice to Affected Persons in terms of s129(3) and (4)	12 May 2020
Notice to Regulatory Bodies in terms of s140(1A)	12 May 2020
First Meeting of Creditors	19 May 2020
First Meeting of Employees	19 May 2020
Publication of the Plan	9 June 2020
Vote for Approval of the Plan	24 June 2020



REASONS FOR FINANCIAL DISTRESS

- February 2019: SAA agrees to pay Comair R1.1 billion in settlement of Competition Commission complaint
- 5 December 2019: SAA enters business rescue proceedings - R790 million, of the R1.1 billion, is unrecoverable
- 29 February 2020: For the first time Comair is reflecting a net loss before tax
- 5 March 2020: First South African patient diagnosed with COVID19
- 15 March 2020: A National State of Disaster is declared
- 18 March 2020: Disembarkation of foreign nationals is suspended at all airports, and South Africans are advised against air travel.
- 23 March 2020: A national lockdown is announced, starting on 26 March 2020.
- 26 March 2020: Comair suspends all British Airways (operated by Comair) and Kulula flights
- 23 April 2020: A phased lifting of the national lockdown is announced – Comair can only resume domestic flights under lockdown level 2
- Comair remains grounded and:
 - Cannot generate any revenue to pay ongoing costs and obligations
 - Has insufficient cash in order to pay its ongoing costs and obligations

FINANCIAL POSITION – Comair is Financially Distressed

Summarized Statements of Profit or Loss:
(Refer to 'Notice in Respect of Financial Information')

GROUP (All R'bn)	8 Months YTD 29 February 2020	Audited 30 June 2019	Audited 30 June 2018
Revenue	4,99	7,13	6,54
Operating expenses	(4,76)	(6,26)	(5,41)
Depreciation and amortisation	(0,42)	(0,56)	(0,44)
Property rental income	0,01	0,01	-
Impairment of goodwill	-	(0,03)	-
Unrealised translation gain/(loss)	(0,02)	(0,01)	(0,01)
Profit on sale of assets	0,00	0,01	0,00
Profit from operations	(0,20)	0,28	0,67
Other income	0,64	1,36	0,05
Other expenses	(0,99)	(0,54)	(0,25)
(Loss)/profit before taxation	(0,55)	1,10	0,47
Taxation	0,06	(0,21)	(0,15)
(Loss)/profit for the period	(0,49)	0,90	0,33
(Loss)/profit attributable to:			
Owners of the parent	(0,50)	0,89	0,32
Non-controlling interest	0,01	0,00	0,00
	(0,49)	0,90	0,33

Summarized Statements of Financial Position:

GROUP	30 June 2019 R'bn	29 February 2020 R'bn
Assets		
Non-current assets		
Property, plant and equipment	6,31	6,27
Other non-current assets	0,12	0,12
	6,43	6,39
Current assets	1,71	1,08
Cash and cash equivalents	0,54	0,24
Other current assets	1,18	0,84
Total assets	8,15	7,47
Equity attributable to equity holders of parent	2,57	2,00
Liabilities		
Non-current liabilities	3,11	3,02
	3,11	3,02
Current liabilities	2,46	2,45
Trade and other payables	1,03	1,04
Other current liabilities	1,43	1,41
Total liabilities	5,57	5,48
Total equity and liabilities	8,15	7,47

NOTICE IN RESPECT OF FINANCIAL INFORMATION:

- In terms of the Listings Requirements of the JSE Limited, Comair has prepared the unaudited and unreviewed management accounts for the 8 months ended 29 February 2020 in accordance with International Financial Reporting Standards. The accounting policies used in the preparation of these results are consistent in all material respects with those applied in the previous annual financial statements.
- The management accounts have not been audited or reviewed by the Group's auditors, BDO South Africa Inc.
- The business rescue practitioners ("BRPs") in the preparation of the financial information set out in the presentations of 19 May 2020 have relied on information obtained from the books and records of the Company, and in particular the Company's February management accounts as prepared by the Company's financial team.
- Whilst the BRPs have made reasonable efforts to ensure the accuracy of this financial information, it should be noted that the BRP's investigations have been limited in nature due to:
 - time to constraints placed on practitioners by the Companies Act;
 - pressure from Affected Persons to effect a reasonably paced rescue;
 - limited financial resources available to the Company (and therefore the BRPs); and
 - the quality of certain of the records and affairs of the Companies.
- The BRPs have not carried out an audit of the Companies' books and records, nor have they had adequate opportunity to independently verify all information provided to them by the Company and/or relevant third parties.
- The BRPs do not undertake any responsibility in any way whatsoever to any person in respect of any errors in these presentations arising from incorrect information that may have been provided to them.

LIQUIDITY CONSTRAINTS – Cannot pay debts when due

- Section 128(1)(f) of the Companies Act states that a company is financially distressed when it is unable to pay its obligations when they become due or cannot reasonably undertake to do so within the next 6 months
- Following the commencement of lockdown on 26 March 2020, and the extension of “no-fly” restrictions from 23 April 2020 by President Ramaphosa, Comair is unable to resume operations to generate revenues
- Comair is therefore unable to pay its debts and obligations, including employee obligations as and when they become due and payable
- Comair therefore meets the definition as contained in Section 128(1)(f) of the Companies Act of a “financially distressed” company

BUSINESS RESCUE - Key features

Proceedings to facilitate the rehabilitation of a company that is financially distressed by providing for—

- (i) the temporary supervision of the company, and of the management of its affairs, business and property;
- (ii) a temporary moratorium on the rights of claimants against the company; and
- (iii) the development and implementation, if approved, of a plan to rescue the company by restructuring its affairs, business, property, debt and other liabilities, and equity

BUSINESS RESCUE - Key features

What does it mean to "rescue" Comair in terms of a plan?

1. To restructure Comair's affairs, business, property, debt and other liabilities, and equity in a manner that maximises the likelihood of Comair continuing in existence on a solvent basis; or
2. If it is not possible for the company to so continue in existence, results in a better return for the company's creditors or shareholders than would result from the immediate liquidation of the company



BUSINESS RESCUE - Key features

- Practitioners' Role includes:
 - Section 140 – Full Management and Control of Comair, with the duties, responsibilities and liabilities of a director
 - Section 141 – Investigate affairs to understand if there is a reasonable prospect of rescuing the company: it is a forward looking process
 - Section 150 – Prepare, in consultation with affected persons, a business rescue plan for consideration and approval by creditors and, if applicable, shareholders
 - Section 152 – Implement the plan, if adopted

BUSINESS RESCUE - Key features

- Practitioners' Tools include:
 - Section 133 – a moratorium on legal proceedings and enforcement action against Comair and property lawfully in its possession
 - Section 134(1)(c) - no person may exercise any right over property in the lawful possession of Comair, whether owned by Comair or not
 - Section 136(2) – we may suspend, for the duration of the business rescue proceedings, any obligation of the company that would become due under a pre-commencement agreement, or apply to Court to cancel any such agreement
- Post Commencement Finance (PCF)
 - Section 135 - PCF employees who work during business rescue, and PCF financiers from whom Comair "obtain[s] financing"
 - SAPOA Judgment – services provided after commencement under a pre-commencement agreement results in an unencumbered claim

BUSINESS RESCUE - Key features

In terms of Section 132 of the Act business rescue proceedings end when –

- the court sets aside the resolution or order that began the business rescue proceedings
- the court converts business rescue proceedings into liquidation proceedings
- there is no longer reasonable grounds to believe that the Company is in financial distress and the business rescue practitioner files a Form CoR125.2
- a business rescue plan has been proposed and *rejected* and no affected person has acted to extend the proceedings in any manner contemplated by the Act, or
- a business rescue plan has been *adopted* and the business rescue practitioner has subsequently filed a notice of substantial implementation of the plan (Form CoR125.3).

REASONABLE PROSPECTS

- In the case of Comair, there are reasonable prospects for Comair to be rescued, based on the following key considerations:
 - Comair is a critical infrastructure asset for South Africa, enjoying a 39% market share for domestic travel (pre-Covid19), and it has a good reputation and goodwill with its public customers
 - Comair's assets exceed its liabilities, however, whilst grounded it does not have cash to pay its obligations (including preservation of its assets)
 - Comair is therefore dependent on post-commencement finance (PCF) in order to continue with the successful implementation of the business rescue plan
 - The support of key stakeholders (namely the banks & lessors) for the business rescue process is therefore required, because without it we will have no choice but to place the company in liquidation
- ***A reasonable prospect of rescue depends on each of Comair's stakeholder's engaging constructively during the process – it's a team game!***

CLAIMS AND CLAIM FORMS

- If you believe that you have a claim against Comair, the appropriate procedure would be for you to:
 - download a claim form from <https://www.comair.co.za/business-rescue/creditor-claims>;
 - complete and submit your claim, via e-mail to creditorclaims@comair.co.za
- Claim forms will be received up to **1 June 2020** in order to reconcile creditors' claims against Comair's records, ahead of the publication of the business rescue plan on 9 June 2020



CREDITORS COMMITTEE

- If you wish to sit on the creditors' committee, please send an email indicating your willingness to sit on this committee to: creditorscommittee@comair.co.za
- We will circulate a list, naming all persons who have sent such an email, to the creditors
- We will co-ordinate and convene the first meeting of this committee, and only those persons who are present at this meeting will be members of the committee
- We will thereafter circulate a list of committee members to the creditors.



CLOSING REMARKS

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Thank You