

Annexure E : Liquidation Scenario



Preliminary illustrative liquidation outcome

SAA SOC estimated liquidation outcome summary (stated in Rand millions)

Creditor	Total claim	Estimated recovery	Recoveries (Cents / Rand)	Shortfall
Preferent creditors:				
SARS	51	50	98	(1)
Employees	161	159	98	(3)
Post commencement finance (PCF)	2,000	1,969	98	(31)
Suspended lease payments (PCF)	284	280	98	(4)
Total preferent creditors	2,496	2,457	394	(39)
Concurrent creditors:				
RSA Lenders				
Absa (R2.7bn)	2,259	-	-	(2,259)
Investec (R1.5bn)	1,266	-	-	(1,266)
Nedbank (R1.8bn)	1,800	-	-	(1,800)
RMB (R1.5bn)	1,227	-	-	(1,227)
Standard Bank (R1.5bn)	1,058	-	-	(1,058)
Absa (GBF - R130m)	130	-	-	(130)
Nedbank (GBF - R200m)	145	-	-	(145)
RMB (GBF - R250m)	250	-	-	(250)
Total RSA Lender recoveries	8,134	-	-	(8,134)
Other concurrent creditors				
Trade creditors	1,778	-	-	(1,778)
Pension	107	-	-	(107)
Non preferent portion of employee claims	388	-	-	(388)
Other on-balance sheet concurrent creditors	10,970	-	-	(10,970)
Litigation liabilities	355	-	-	(355)
Additional passenger claims	705	-	-	(705)
Net operating lease liabilities	8,374	-	-	(8,374)
Potential maintenance liabilities	1,431	-	-	(1,431)
SAA Technical claim for properties	715	-	-	(715)
Total concurrent creditors	24,823	-	-	(24,823)
TOTAL CLAIMS/RECOVERIES	35,453	2,457		(32,996)

Nil recoveries for concurrent creditors is expected (this may result in a 'contributing' liquidation should concurrent creditors submit their claims):

- For the purposes of this preliminary outcome analysis, we have assumed that additional liabilities such as (operating) lease liabilities, additional passenger claims and litigation crystallise and have included such claims to the extent quantifiable and known (estimates only).

No secured creditors exist – RSA Lenders are secured by way of Government guarantee only; accordingly any shortfalls suffered in liquidation would need to be met by Treasury.

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The table opposite presents a very preliminary, high level estimate of the outcome for creditors were SAA SOC to be immediately liquidated:

- Predicated on the reported (unaudited) position as at 31 October 2019, adjusted for any known additional liabilities (to date) or liabilities expected to materialise in a liquidation;
- Net present value adjustments have not as yet been incorporated – given the complexities of such a business, we would anticipate the duration of a liquidation of SAA to last several years, further (negatively) impacting potential recoveries.

Asset realisations as presented are predicated on a "fire sale" or break up basis. We have further assumed that there is a concurrent breakup or disposal of all SAA Subsidiaries.

Overall recoveries in SAA SOC (and therefore to RSA Lenders) are critically dependent on the value for which owned aircraft could be disposed of, the extent to which operating lease liabilities (and related claims) crystallise on early termination and the overall quantum of preferent creditors:

- A detailed analysis will be required to assess the condition and status of each aircraft (and lease terms), likewise the financial impact of any lease negotiations/ability of SAA to cede such leases, thereby mitigating potential lessor losses and a myriad of claims;
- Extent to which additional (and as yet unknown) contingent liabilities (such as damages claims) arise could further have a potentially significant impact on recoveries.