



SOUTH AFRICAN AIRWAYS

South African Airways (SOC) Limited First Meeting of Creditors

20 December 2019



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Welcome



First Meeting of Creditors

Welcome

- First Meeting of Creditors of South African Airways (SOC) Limited (“SAA”, “the Company”)

Objectives of the First Meeting of Creditors

- The main objectives of today's meeting are as follows:
 - The joint BRPs needs to inform creditors as to whether or not there is a reasonable prospect of a successful Business Rescue;
 - The appointment of a Creditors' Committee; and
 - The receipt of Claims from Creditors.



The Business Rescue Process



Business Rescue

- Business Rescue involves proceedings to facilitate the rehabilitation of a company that is financially distressed by providing for:
 - A temporary supervision of the company, and of the management of its affairs, business and property; and
 - A temporary moratorium on the rights of claimants against the company or in respect of property in its possession.

Primary Objective of Business Rescue

- The development and implementation of a Business Rescue Plan that either:
 - A. Rescues the company by restructuring its affairs, business, property, debt and other liabilities and equity in a manner that maximizes the likelihood of the company continuing its existence on a solvent basis; OR
 - B. A process that results in a better return for the company's creditors or shareholders than would result from the immediate liquidation of the company.



Business Rescue Timeline

The following summary sets out the salient dates on which certain events have taken place during Business Rescue:

Event	Date
Board Resolution to Commence Business Rescue Proceedings, filed at the CIPC	5 December 2019
Commencement of Business Rescue Proceedings	5 December 2019
Appointment of the BRP – Leslie Matuson	5 December 2019
Notices Published to all Affected Persons	12 December 2019
Notice of First Meeting of Creditors and Employees	16 December 2019
Appointment of a Joint BRP – Siviwe Dongwana	19 December 2019
The First Meeting of Creditors	20 December 2019
The First Meeting of Employees	20 December 2019
The Publication of Business Rescue Plan	To be agreed
The Meeting to consider and vote on the Business Rescue Plan	5 – 10 days thereafter



Request for Extension

- In terms of section 150(5) of the Companies Act 71 of 2008 (“the Act”), the Business Rescue Plan (“Plan”) must be published by the company within 25 days after the date on which the business rescue practitioner (“BRP”) was appointed, or such longer time as may be allowed by:
 - the Court; or
 - the holders of a majority of the creditors’ voting interests.
- In accordance with the above provision, the Plan has to be published by 13 January 2020, in the absence of a further extension allowed, as set out above.

Reasons for the request for an extension in respect of the publication of the Plan

- We are currently evaluating various scenarios and the funding requirements for each;
- Development of the Plan to be published requires engagement with various stakeholders to establish their level of agreement and preferred scenario
- The joint BRPs hereby requests your approval for an extension to 28 February 2020, for the publication of the Plan.
- Any creditor who are not in favour of an extension are to submit an objection letter to the independent chair of the creditors committee



Business Rescue Waterfall

In terms of the Companies Act, the following order of priority is provided for:

- 1 The Business Rescue Costs, including but not limited to legal costs, operating costs and other costs associated with the Business Rescue.
- 2 Pre-Commencement Secured Creditors, in respect of such encumbered assets.
- 3 Employees for their Employment during Business Rescue (Post-Commencement Employees).
- 4 Secured Post-Commencement Creditors.
- 5 Unsecured Post-Commencement Creditors.
- 6 Remuneration, reimbursement or expenses relating to Employment prior to Business Rescue.
- 7 Pre-Commencement Concurrent Creditors.



Background



Background

- The reasons for distress are detailed in the sworn statement of Directors.
- This is available at www.matusonassociates.co.za/saa



Actions to Date



Actions to Date

Stakeholder Management

- Meetings with the Department of Public Enterprise (“DPE”) and National Treasury
- Meeting with Union Representatives
- Meeting with International Air Transport Association (“IATA”) and other trade partners
- Meetings with Lenders
- Meeting with legal representatives of Aircraft and Engine Lessors

Operational Review

- Mandated, as requested by the Lenders, Alvarez and Marsal to provide an objective, impartial insight into the operations of SAA
- A review of potential future business scenarios and thereafter to complete the business plan.
- Identification of non-core assets available for sale
- Cost reduction and cash preservation initiatives
- Review of underlying divisions and subsidiaries – Mango, SAA Technical, Air Chefs, Voyager and SAA Cargo.

Group Treasury and Cash Flow

- Day-to-day group treasury function to support continued daily operations
- Mandated PWC to prepare the short-term cash flow forecasting for SAA and its subsidiaries



Overview of Alvarez & Marsal

Alvarez & Marsal has set the standard for helping organizations tackle complex business issues, boost operating performance and maximize stakeholder value

35
Years

4
Continents

15,000+
Engagements

22
Countries

4,000+
Employees

50+
Hub offices



Corporate Transformation	Growth & Commercial Excellence	Operations Performance Improvement	Transaction Advisory	Forensic, Dispute and Risk Services	Tax Advisory
<ul style="list-style-type: none"> • Business operating model transformation • Operational excellence • Head office and support functions • Change leadership and management • Complex programme delivery and remediation 	<ul style="list-style-type: none"> • Commercial operating model transformation • Commercial spend productivity • Channel strategy development • Salesforce effectiveness • Product development and introduction 	<ul style="list-style-type: none"> • Supply chain optimization • S&OP process • Direct and indirect procurement • Working capital optimisation • Supply chain risk management 	<ul style="list-style-type: none"> • Financial due diligence • Operational due diligence • Commercial due diligence • Tax due diligence • Carve-out & integration • Integrated pre/post-deal services 	<ul style="list-style-type: none"> • Forensic accounting and investigations • Disputes and investigations • Regulatory • Global asset risk services 	<ul style="list-style-type: none"> • Tax strategy and tax optimized models • International and local taxation • Transfer pricing • Accounting for income taxes

Includes experience of A&M professionals prior to joining A&M



Airlines



Aircraft Manufacturers/Serviceers



Airports



Other Aviation



Other Travel



Includes experience of A&M professionals prior to joining A&M



Opinion of the Business Rescue Practitioner



Opinion

- It is the view of the joint BRPs that, notwithstanding inevitable risks and challenges, there is a reasonable prospect of a Business Rescue Plan being successfully implemented, subject to the following:
 - Availability of further Post-Commencement Funding (“PCF”).
 - Ongoing support from all stakeholders, including Government, Employees, Trade Unions and Trade Suppliers.
 - All options will be investigated, together with input from stakeholders.



Liquidation

- We believe that the Business Rescue Process will achieve a better outcome for all stakeholders than an immediate liquidation.
- PriceWaterhouseCoopers (“PwC”), one of the world’s leading accounting and advisory firms, have performed an “initial high level calculation“. SAA leases most of the aircraft used in its business and accordingly in a liquidation there will be limited assets which can be realised for distribution to creditors (“**Distributable Proceeds**”).
- The preliminary view is that after the allocation of the Distributable Proceeds to preferent creditors (comprising post commencement financiers, preferent claims of employees, post commencement unpaid lease payments) no funds will be available for distribution to concurrent creditors.
- The contingent and damages claims will crystallise on a liquidation which will increase the quantum of the concurrent claims which reinforces the preliminary view of PwC on the estimated dividend for concurrent creditors.
- Therefore the preliminary assessment of the anticipated concurrent dividend is zero cents in the rand.



Termination of Business Rescue Proceedings

- In terms of the Act, should the joint BRPs at any time conclude that there is no longer a reasonable prospect of rescuing the Company, the joint BRPs are obliged to advise affected persons and apply to court for an order discontinuing the proceedings and placing the Company into liquidation.

Termination of Business Rescue Proceedings

- The BR Plan proposed is rejected and proceedings are not extended.
- The court orders the conversion of the Business Rescue Proceedings into liquidation.
- The BRPs conclude that the Company is no longer in financial distress.
- The BRPs file a notice of substantial implementation of the approved Plan.



Proof of Claims



- Outstanding amounts for services rendered and goods delivered prior to 5 December 2019, being the date of commencement of Business Rescue, are subject to the moratorium.
- A claim form will need to be submitted for such amounts - these claims will be reconciled to the Company's records and any discrepancies investigated.
- The payment of these amounts will be dealt with in terms of the Business Rescue Plan.
- The claim form is available at the following link: www.matusonassociates.co.za/saa
- A manual claim form is available for those creditors who experience difficulties submitting their claim form online.
 - Manual claims can be submitted to the joint BRPs at creditors@saabusinessrescue.co.za



Creditors' Committee



Creditors' Committee

- One of the main objectives of today's meeting is to form a Creditors' Committee.

Functions, Duties and Membership of the Creditors' Committee

- A committee, appointed in terms of s147 of the Companies Act, may:
 - Consult with the BRPs about any matter relating to the Business Rescue Proceedings; and
 - Receive and consider reports relating to the Business Rescue Proceedings.
 - Members need to be independent creditors or an authorised agent of an independent creditor.
- It is the view of the joint BRPs that the input of a pro-active Creditors' Committee will add significantly to the process and will be helpful in achieving the goals set out in the Business Rescue Plan.

Role of the Independent Chairperson

- A creditors' committee can function more effectively under the guidance of an experienced and independent professional in the role of chairperson. An independent chairperson does not represent any particular creditor. The chairperson can engage with and support creditors, understand their concerns and interests, guide them appropriately and raise issues with the joint BRPs in a constructive and efficient manner.



Independent Chairperson of the SAA's Creditors' Committee

- Juliette Du Hutton a Partner of Bowmans has been appointed by the company to act as an Independent Chairperson (“IC”) to the SAA’s Creditors’ Committee.
- Juliette has experience in all aspects of business rescue under the Companies Act and has lectured UCT Master’s students on the topic of business rescue.
- Business rescue matters in which Juliette has been involved include:
 - RBA Holdings Limited and four other subsidiaries in the RBA group of companies;
 - Evraz Highveld Steel and Vanadium Limited;
 - Shiva Uranium (Pty) Ltd; and
 - Basil Read Limited
- Nominations for the Creditors’ Committee can be directed to the IC at creditorscommittee@saabusinessrescue.co.za



Conclusion



Conclusion

General Enquiries

- The joint BRPs will communicate monthly with all stakeholders, in a written report, as required by the Act.
- Further information relevant to the Business Rescue Proceedings of South African Airways (SOC) Limited can be found on www.matusonassociates.co.za/saa, including this presentation.
- Creditor queries relating to ongoing payment terms, claims and or general queries can be directed to the joint BRPs at creditors@saabusinessrescue.co.za

Creditors

- Creditor queries relating to Business Rescue proceedings and or the formulation of a Plan to be through the Independent Chairperson of the Creditors Committee
- The joint BRPs will arrange meetings with the Creditors Committee on a regular basis.
- Committee members will be advised of these meetings timeously and minutes of these meetings will be provided.

Employees

- A separate forum for employees and their representatives will be formed

Press

- All press queries to be sent directly to Louise Brugman at louise@vestor.co.za



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Thank You