What is the outlook for the aviation sector as it bids to recover from the impact of the COVID-19 crisis?

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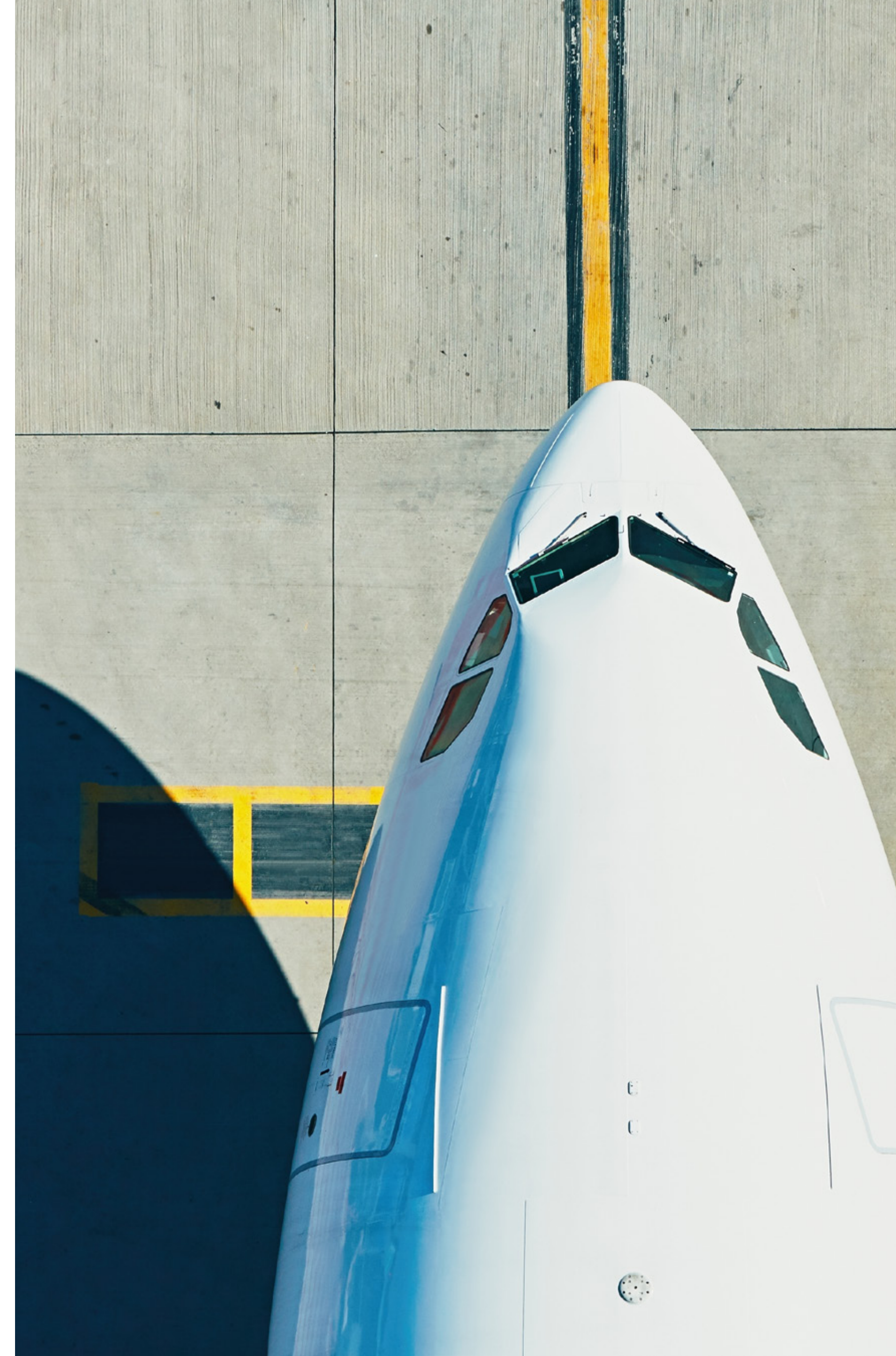
COVID-19 has struck the aviation industry especially hard, with travel restrictions to combat the spread of the virus effectively grounding planes for much of 2020. The latest estimates from IATA show that last year, European passenger traffic fell by 73% in the Middle East, 72% in Africa, and 70% in Europe, when measured by revenue per kilometre. Total estimated losses according to IATA in 2020 amount to $118 billion dollars when compared to 2019.

The situation is still changing rapidly even at the time of writing. The emergence of variants of the virus in late 2020 led to travel bans being reinstated between some countries and as we look ahead into 2021, the arrival of vaccines is unquestionably a positive development, even if they won't provide an instant cure for the sector. However, we anticipate a time lag between vaccines rolling out on a mass scale, and consumer confidence returning.

Overall, it is likely the industry will see a stepped phase recovery with industry estimates suggesting regional air travel should start to return towards the end of 2021, but long haul flights are not expected to come back in significant numbers until 2022-2023. Less optimistic forecasts suggest widebody and long-haul aircraft could remain grounded for considerably longer. The more hopeful forecasts are, obviously, predicated on the vaccines being a success as we all hope. In addition, government supports are still quite active in the industry and we expect they will continue to be a critical lifeline for the industry for another 12 months at least.

In this article, we look ahead to what the next 12 months could bring, for airlines, lessors and lenders within the sector. We will outline the various restructuring options available to all stakeholders within the sector, using some recent cases and our market experience.



01. Financial concerns

The key challenges for the sector are the long-term financial impacts the pandemic will have on company balance sheets; these include increased debt burdens and significant working capital requirements to restart operations across all segments.

Recent estimates of $160 billion have been made with respect to the level of additional debt raised in the sector to assist companies through the initial phases of COVID-19 and with limited liquidity or free cash flow available from operations, liquidity challenges will come sharply into focus in 2021.

In order to raise such debt facilities and with airlines not anticipating the length and depth of the crisis, airlines have drawn down on available credit facilities and secured further funding by providing unencumbered aircraft as security to lenders. This has resulted in debt-laden balance sheets and a narrowing ability to raise further debt on the back of a smaller asset pool. To prevent events of default and insolvency in the sector, airlines and lessors have relied upon significant creditor and state support ultimately to survive the crisis.

Payment holidays, deferrals and 'power by the hour' agreements have become normal course; however, the scale of the underlying issues has resulted in some creditors initially receiving requests for three months, with such requests now being extended to twelve months and beyond.

While airlines are seeking such deferrals on their individual fleets, the lessors have received multiple such requests. This has placed significant pressure on the leasing sector and their funding partners in addition to potential significant impairment of fleet values due to the current crisis, which will further impact on the underlying financial stability of many companies.

The industry now finds itself in a waiting game reliant on governments opening borders before any improvement can occur. While the sector remains in stasis, it is burning considerable cash in the maintenance and preservation of aircraft. After that, airlines will face significant working capital requirements in order to start back up again.

02. Creating stress

This situation is putting leasing companies under considerable stress. We are already seeing a lot of 'power by the hour' deals being negotiated in the market, where lessors only get paid when and if the plane flies, reducing income for them.

Last year, Nordic Aviation Capital was the first large aircraft lessor to engage in a corporate restructuring in Ireland under Part 9 of the Companies Act due to the pandemic. Given the extent of COVID-19's effect, we expect processes under the Irish Companies act, such as examinership and Part 9 schemes of arrangement, to form an essential part of the industry's recovery after COVID-19.

Restructuring can sometimes be mistaken with an insolvency process where a company can no longer continue as a going concern, however the aforementioned processes allow companies

> Restructuring processes allow companies preserve their underlying value and restructure their balance sheets to allow them continue to trade into the future.

preserve their underlying value and restructure their balance sheets to allow them continue to trade into the future. We believe this is a positive and necessary development in order for them to remain viable. The reason there have not been as many schemes to date is because there wasn't sufficient clarity about the market in 2020 which would have determined the next steps. Now that a recovery is hopefully within sight, there is more certainty for stakeholders and will allow them consider their restructuring requirements in a more robust manner for long term survival.

In addition to restructuring across the sector, we also anticipate an element of consolidation in the market with some leasing companies seeking merger opportunities. There may also be fewer operators, or smaller airlines than before. We are also seeing positive signs of new investment into the market as investors seek to enter the market at a time of lower cost for assets, and we anticipate that where there are sales, it will be to preserve value rather than because an operator has failed outright.

COVID-19 is not just affecting airlines, but the entire aviation supply chain: airports, catering, engineering, and retail. The financial challenges are equal for both large international hubs and regional and private airports, with high levels of cash burn to preserve facilities and significant amounts of debt. While airports have the ability to divert capital project funds in order to maintain facilities and meet operating costs, they also face significant working capital challenges in restarting full operations in due course, and they themselves may have to consider an element of restructuring.

03. Key stakeholders

The principal stakeholders within the sector which will be engaged in the restructure processes will be airlines, lessors and secured creditors, with original equipment manufacturers playing a key role in helping both participants arrest capital expenditure commitments in the near term. The airlines have been front and centre of the immediate impact on trade and will continue to be affected by the inability to generate revenue for a considerable period of time.

Beyond the airlines, the aircraft lessors are also facing significant pressures, across multiple portfolios, to engage in short-term restructures, which in turn creates issues for the secured and unsecured lenders that have provided funding for aircraft.

The current level of commercial aircraft subject to lease is estimated to be about 40%, with Ireland holding a 60% share of the global leasing market. The relationship between airlines and lessors is a typical debtor-creditor relationship. In the current crisis, airlines' ability to generate revenue has been decimated with lease defaults and/or deferrals, as referred to above, becoming a more regular feature of the market.

Some aircraft lessors have cash reserves to enable them to ride out the current crisis for some time. Many investment-grade aircraft lessors were fortunate to access the capital markets up to the end of the first quarter of 2020 in private placement, bond issuance or asset-backed securitisations.

The secured lenders in this sector previously would have held comfort in loan-to-value metrics where they would lend to a maximum of 80% of an asset value and created a buffer against their debt. However, given the collapse in the sector, asset values will have diminished, at least in the near term, and created a higher level of risk for the secured lenders.

The aforementioned liquidity challenge will in itself create other challenges for airlines and lessors with regards to underlying financial and performance covenants, which regularly form part of finance and leasing transactions.

Clarity on risks:

Risk of non-payment – risk of default

Based on Iata's impact assessment (January 2021) a transition from cash burn to cash positive is in sight, but the sector still faces a challenging six to nine months with positive cash generation not estimated until Q4 of 2021 at the earliest, and as with many other sectors such forecasts are changing regularly as the impact of the pandemic moves by geography and phase of recovery.

Based on such figures, the risk of non-payment or default in the sector remains significantly high and when considering the additional debt burden taken by many in the sector in 2020, an increase in defaults and a requirement to extend, defer or amend underlying financial covenants is not unexpected.

Given the ongoing uncertainty in the sector, airlines will find it difficult to raise debt or equity, and if either is available, it will be at a higher price than that was previously achievable within the markets.

Financial covenants – risk of default

Financial covenants are a key term in any finance and leasing agreement on which the lender can rely. Such covenants and their underlying tests, in normal circumstances, can give a lender early warning signs that a customer is not performing as planned.

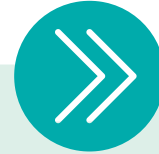
The principal test which lessors may rely on, and which may now be under the most scrutiny, is the loan-to-value test to ensure the lender's security covers the remaining debt of the customer. Given the current distress in the market, the potential number of insolvencies, and subsequent impact on asset values, this will heighten the risk of covenant breaches for lessors.

Maintenance/holding covenants – risk of default

Given the number of fleets that have been grounded, airlines also must be cognisant of the non-financial covenants of their underlying agreements and specifically the maintenance covenants for aircraft not in use.

Many leasing agreements have specific covenants that a lessee must undertake to maintain and preserve the underlying secured assets. As multiple fleets have been grounded, the underlying cost of meeting such covenants is high for lessees and engagement with the lessors is crucial to ensure a technical default does not occur.

Early engagement with specialised advisers is extremely important to allow all stakeholders determine the optimum strategy to protect value in the business and its underlying asset base.



Addressing the underlying concerns – what are my options?

Early engagement with specialised advisers is extremely important to allow all stakeholders determine the optimum strategy to protect value in the business and its underlying asset base. Given the levels of distress in the aviation sector, engaging early and therefore having a suite of options should be the preferred choice versus a lender being 'forced' to take a position because of an event of default.

Traditional options available to secured lenders in an event of default may also now be limited, in that repossession of aircraft from a practical, logistical and value perspective may not be a preferred route to recover funds. Lenders and lessors will have to review each of their portfolios on a risk-appropriate basis and take action where there is a lack of engagement or an appropriate strategy to meet current market issues.

Restructuring options

There are a number of restructuring options available to companies across various jurisdictions where a court process may be used to negotiate formally a preferred outcome. We will focus on Part 9 Scheme of Arrangement (Ireland), examinership (Ireland) and Chapter 11 (US), in addition to reviewing briefly some direct stakeholder approaches which can also be considered.

01 Part 9 Scheme of Arrangement – Ireland

Ireland is fast becoming a preferred base for complex restructuring processes and this has been seen most recently in the case of Nordic Aviation Capital (NAC) DAC, which successfully applied to the Irish courts for a restructure of its positions under a Scheme of Arrangement, after negotiations with its principal stakeholders.

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While NAC is the first such restructure in the aviation sector, the Part 9 Scheme of Arrangement process has been successfully used by other large multijurisdictional entities such as Ballantyne RE plc, an Irish reinsurance special purpose vehicle, to restructure its reinsurance obligations and $1.65 billion of senior New York law-governed debt.

The Nordic scheme effectively provided the company with a 12-month standstill from its creditors for certain payments of interest and principal on its borrowings. In addition, and critically, the scheme also waives a number of covenants, such as those mentioned previously, which likely would otherwise have been breached as a result of the current market distress.

The scheme was implemented across 89 different facilities governed by a mixture of English, New York and German law and reflecting a variety of different financing structures.

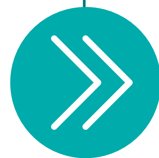
Commenting on the process, NAC stated in a press release on 9 July: "Whilst NAC entered the current global crisis in a strong liquidity position, the fall out in the aviation sector as a result of the COVID-19 outbreak resulted in the company receiving requests from the majority of lessees seeking to defer some or all elements of their lease payments. To mitigate this, the company has been liaising with its lenders and their advisors since April to agree a standstill on and deferral of its debt obligations. This agreement will ensure NAC's stability as the aviation market gradually recovers."

From an Irish perspective, this was a noteworthy development. The Nordic arrangement was implemented via a solvent Irish scheme of arrangement, and Ireland could well play a key role as a preferred location for future restructuring deals. There are two reasons for this. Firstly, Ireland is base for many of the world's largest leasing companies; secondly, there remains a question over whether UK restructuring processes will be recognised within the EU after leaving on January 1st, whereas a restructuring in the Irish courts

system would be recognised throughout the EU member states, thus allowing applicants apply a restructure over a number of geographies and reduce costs.

Irish courts and practitioners have already shown flexibility in delivering effective restructuring solutions across a number of sectors to include aviation, which helps Ireland's case as a restructuring jurisdiction. Ireland is open for business, and with highly skilled restructuring professionals offers a very cost-effective option compared to U.S. Chapter 11 or the UK Super Schemes.

Given the positive feedback in general from the Irish courts about such schemes, and the speed at which the process can be implemented, we believe Irish-led schemes will become more prevalent given the concentration of lessors based in Ireland and the relative flexibility of the process.



What is a Part 9 scheme of Arrangement?

The process is an Irish Companies Act procedure, which can be proposed by any company subject to the jurisdiction of the courts of the Republic of Ireland. This can be achieved through centre of main interest (COMI) or by virtue of the parties governing law being in Ireland.

The process is very flexible and allows a company to compromise with its members or creditors (or any class of them), subject to it being deemed fair for all classes subject to the restructure. If the scheme is approved by the requisite majority and then sanctioned by the court, it will bind all parties within the relevant class, whether or not they voted in favour of what was proposed.

A key point for this process is that it is not a formal insolvency process. A company does not have to be insolvent, or facing imminent insolvency, before it can propose a scheme. No insolvency practitioner is appointed, and the company directors retain control throughout the process.

However, compared with Irish examinership legislation, there is no statutory moratorium available with regards ongoing payments during the process, and therefore a company should always be aware of its underlying liquidity position throughout such a process.

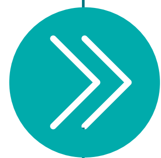
The process
Before the launch of the formal scheme, negotiations and commercial terms will be discussed and agreed and a 'lock up' formalised to ensure the scheme meets the requisite approvals.

This period of negotiation is fluid and will be dependent on a number of factors to include experience of advisers, engagement of all creditors and complexity of the company's funding structures which may be subject to the scheme.

In the case of NAC, the process commenced in April and concluded in July, with the court process taking about 28 days from application. Therefore, the lock-up period in this case was approximately three months, which when considering the broad range of creditor classes, quantum of debt and company structure, demonstrates the ability to restructure quickly with adequate engagement from all stakeholders.

At the court application stage, the company will seek to have the matter admitted to the Commercial Court and seek directions in regards the convening of the creditors' meeting. Every notice summoning a meeting of creditors must be accompanied by a scheme circular explaining the effect of the scheme and stating any material interests of the directors of the company and how the directors would be affected by the scheme in so far as it differs from the like interests of other persons. Where the scheme affects the rights of debenture holders, a similar explanation in relation to debenture trustees must be given.

Once sanctioned by the courts, a copy court order must be delivered to the Companies Registration Office (CRO) within 21 days of the order being made by the Commercial Court and the scheme takes effect immediately on delivery of copy order to the CRO.



Voting and sanction

Another key point that is relevant to an Irish-based scheme is in seeking recognition under Chapter 15 of the US Bankruptcy Code for foreign-based restructures, and to date such schemes have been approved under the said code.

Given the recent exit of the UK from the European Union (EU) and with no current agreement in place between the UK and EU on recognition of insolvency processes across member states, the recognition of Irish schemes across the EU is of considerable importance when considering the availability of restructuring tools across the sector.

The key benefits of an Irish Part 9 scheme are in the flexibility and speed of the process. Based on recent applications, the costs applicable to an Irish scheme are considerably less than those which may be incurred in, say, a Chapter 11 process, which, given the current liquidity and market issues, can only be a further reason for its consideration.

02 Examinership process – (Ireland)

While Part 9 schemes in Ireland are a consensual process led through the courts, there is an alternative court process in Ireland, which can also be used to restructure a business.

Examinership is an Irish Companies Act procedure, which can be proposed by any company where it can establish COMI in Ireland. It permits a company to compromise with its creditors and propose a viable scheme of arrangement to the court. The appointment of an examiner provides the applicant company with an automatic moratorium from all its creditors, for balances due and owing up to the date of the application.

Any amounts falling due during the protection period, including borrowings or leasing obligations, must be met and an applicant would have to demonstrate they had adequate cash flow for the protection period to meet such costs.

The scheme is only required to be approved by one class of impaired creditors, subject to no creditor being unfairly prejudiced by the scheme and it is a process that can be applied for by companies which are insolvent or likely to become insolvent.

The scheme must demonstrate that all creditors would achieve the same or a better return from such a process versus a liquidation of the company. Such a scheme of arrangement must be prepared and approved by the Courts within 150 days of an application for Court protection being made. (This was previously 100 days, but the Irish government passed temporary legislation in August to extend this period to 150 days, given the current global economic issues. This extension will apply to applications made prior to 31 December.

Initially, the appointment of an examiner, which is normally a recognised insolvency practitioner, is on an interim basis, on foot of an application by the company, and would be by way of an ex parte application with no advance notification required to creditors. A full hearing would be set down for about one week post-petition. Parties would be put on notice of the hearing and an objection could be made to the appointment at this time.

In order for a company to apply for court protection, an independent experts report (IER) is generally required as part of any petition, the contents of which are detailed under s.511 of the Companies Act 2014.

In summary, such a report would provide an overview of the business and reasons for its financial difficulties, and the independent expert must opine on the viability of the business to continue as a going concern and what conditions would allow for this.

Where the petitioner is a creditor (such as a secured lender), it should be possible to file and obtain protection without an IER, on the basis that an IER would be filed within a period of 10 days during which period the directors would be required to assist in its preparation.

The key benefits of Examinership, versus those of a Part 9 scheme, are that an examiner's scheme can be negotiated throughout the protection period, and up until its presentation at the various meetings of creditors versus a lock up most likely having to be negotiated in advance of a Part 9 process to ensure its success.

In addition, the company automatically is protected from its creditors for all balances due and owing prior to the appointment of the examiner, whereas in a Part 9 scheme, no such moratorium exists, and a creditor could move against a company where a default position arises.

From a lender perspective, an examiner (who when appointed is an Officer of the Court and independent of the company) would be in a position to ensure no assets/limited assets moved during the protection period, to include cash balances which may be subject to a secured position and protect against cash burn, where a company seeks to meet payments in a stressed scenario.

Examinership facilitates cross-border restructuring because it is a specified insolvency process under Regulation (EU) 2015/848 on insolvency proceedings and subject to limited exceptions, the appointment of an examiner and any proposals under a scheme of arrangement for the company which have been confirmed by the Irish Court are automatically recognised and binding throughout the EU, apart from Denmark. Examinership is generally a recognised process in the United States under the US Chapter 15 recognition process and is a more cost-effective process than Chapter 11.

The flexibility of examinership and its recognition across the EU and also under Chapter 15 in the US was a key reason for Norwegian Air entering into examinership in November 2020. In addition to its operating airline a number of related Companies, primarily involved in aircraft leasing also entered the process.

The leasing entities were Irish registered companies and were the main applicants for the appointment of an examiner, however, the company was also

able to prove sufficient connection to Ireland for Norwegian Air Shuttle (Norwegian Air), a Norwegian based company, to enter the process and the appointed examiner is now seeking to negotiate a viable scheme of arrangement for the business to continue as a going concern. Such a scheme will consider the size of the operating fleet, lease agreements in place with lessors and the overall debt position on the company's balance sheet.

It is anticipated that a scheme will be presented to company creditors and the High Court in Ireland during Q1 2021, and the outcome of the process could further strengthen Ireland's position as a destination of choice for international restructuring processes.

While there are a number of benefits to an examinership process, it is not without certain drawbacks, where complex companies with cross -jurisdictional positions may not meet the COMI requirement. There may also be a significant funding requirement during the examinership process to maintain the company as a going concern, which could require external financing from existing lenders. Additionally, if a scheme is not agreed within the period, the courts may order the winding up of the company, if deemed just and equitable.

03 Chapter 11 – (US)

Chapter 11 is a form of bankruptcy that involves a reorganisation of a debtor's business affairs, debts and assets, and for that reason is known as "reorganisation" bankruptcy.

Companies generally file Chapter 11 if they require time to restructure their debts. This version of bankruptcy gives the debtor a fresh start. However, the terms are subject to the debtor's fulfillment of its obligations under the plan of reorganisation.

Chapter 11 as a process has been used heavily within the aviation sector for many years with recent filings under Chapter 11 for LATAM, the Chilean-based airline, Avianca and Aeromexico, and it is envisaged that a number of other such applications will be forthcoming in the future.

The business is not able to make some decisions without the permission of the courts: these include the sale of assets, other than inventory, starting or terminating a rental agreement and stopping or expanding business operations.

The court also has control over decisions related to retaining and paying attorneys and advisers and entering contracts with vendors and unions. Finally, the debtor cannot arrange a loan that will commence after the bankruptcy is complete.

Chapter 11 bankruptcy is the most complex of all bankruptcy cases. It is also usually the most expensive form of a bankruptcy proceeding. For these reasons, a company must consider Chapter 11 reorganisation only after careful analysis and exploration of all other possible alternatives.

04 Non-formal processes – consensual negotiations

Consensual negotiations should be the default starting position for companies in distress and we have seen a number of such positions in the market, with airlines, for example Azul (Brazil), seeking direct deferrals or payment holidays from their lending and leasing creditors.

While such negotiations can yield quick results, in most circumstances they will not produce a long-term viable restructuring plan, which given the depth of distress in the market will be required.

In addition to the lack of long-term restructuring outcomes, where each creditor is approached individually, some creditors may hold out on agreeing any terms while they await the outcome of negotiations with other creditors and may hold out for what they believe is a better return for them, thus making the process difficult to achieve optimum results.

Furthermore, this process can be expensive and time-consuming for management of the company seeking the consensual agreements of its creditors, with individual engagement and negotiation taking place with each party on a standalone basis and each agreement having to be documented and formalised on an individual basis also.

Given the heightened liquidity risk in the sector already, incurring significant costs in a non-binding process could further add to a company's insolvency risk and create an event of default prior to all agreements being put in place. With this in mind, it would be preferable for some level of creditor group negotiation in this scenario to ensure the company has the best chance for survival.

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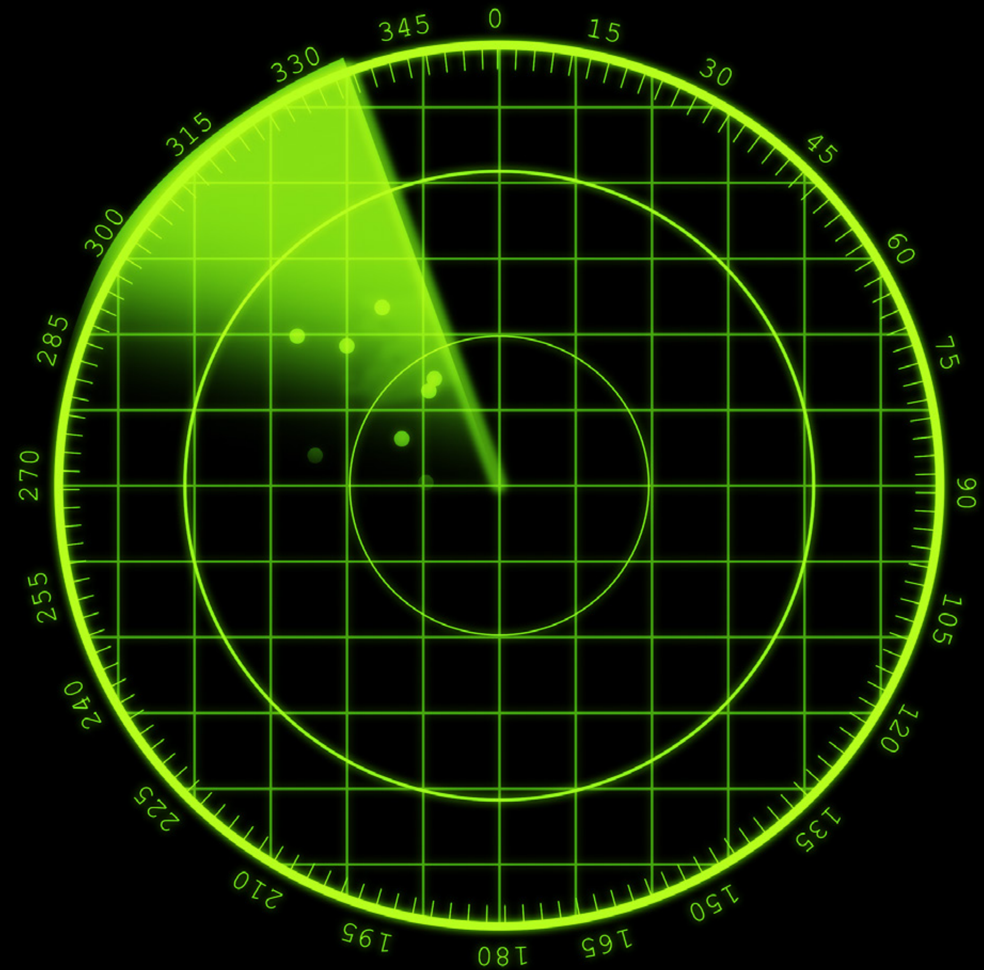
Chartering new paths

During this time of unprecedented change, we are responding to support the aviation industry as it overcomes the challenges presented by the global pandemic. Our experience comes from decades of working together with the world's aviation leaders, right across the aviation finance spectrum. Through resilience, collaboration and unity, we are ready to help our clients navigate this crisis.

Connect with us today.
Deloitte.ie/aircraft-leasing



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05 Ad-hoc groups

The formation of an ad-hoc group of creditors, motivated as a group to achieve a long-term restructuring of a business, is an alternative approach to individualised engagements, and has been used successfully in many cases.The intention of such a group is to negotiate a viable restructuring plan for the business, which can then be brought to a wider body of creditors for approval. This in itself is difficult in normal circumstances, and given the structure of the airline sector, where different groups of creditors will have differing levels of security and positions, achieving consensus for all creditor groups through one ad-hoc group would be challenging.

While providing a benefit of streamlining processes, the informality of the group and narrowness of the focus on one class of creditor is not the most effective route to achieve a long-term and viable restructure. However, it may act as a catalyst for a company to move toward a process of formal restructuring and act as a sounding board prior to seeking an overall lock up of creditor positions.

06 INSOL Statement of Principles for a Global Approach to Multi-Creditor Workouts (2000) - Coordination committees

Given the complexities highlighted above in the structure of the aviation sector, its key stakeholders, cross-jurisdictional requirements and complex funding positions, a coordinated approach to restructuring should yield the best results for all parties. Under the above statement of principles, coordinating committees form a key part of multi-creditor workouts in cross-jurisdictional processes and should be adopted globally.

The use of such committees has been proven to enhance a restructuring process for all parties in multiple sectors. To assist with the coordinated approach, it is usual for the relevant creditors to appoint one or more representative committees to progress dialogue with the debtor and to help manage the evaluation process and the standstill arrangements. Through the committee, the company can engage in in-depth discussions about its financial position and share information relevant to the restructuring.

Coordinating committees form a key part of multi-creditor workouts in cross-jurisdictional processes and should be adopted globally.

While the ultimate commercial decision on whether to accept a proposed restructuring remains with each individual creditor, the intention of such a committee is that reaching an agreement with them, having the members consisting of some or all of the most significant creditors of the company, should indicate that the proposal stands a good chance of being acceptable to creditors as a whole.

Coordinators are best described as facilitators of the negotiation process and coordinators of the provision of information to the relevant creditors (with appropriate professional advice). The appointment of coordinators should, in any case, be for the convenience of the parties and the efficiency of the process.

As part of the process of forming a committee, specialist advisers, both financial and legal, would be retained by the committee, and while not acting directly on behalf of each creditor, they will provide assistance in streamlining the provision of advice generally and remove an element of duplication where each creditor would normally appoint their own individual adviser (the formation of a committee does not preclude a creditor from still seeking further independent advice).

The company seeking the restructure will pay the professional fees associated with the committee advisers, but may not be willing to pay individual creditor costs. One of the principal advantages of using coordinators is that it helps to ensure that all the relevant creditors receive the same information and advice during the restructure process. For the company, the benefit of a committee is that it offers a more efficient and reliable process for pursuing restructuring negotiations with its creditors. Costs should also be reduced by needing to fund only one set of adviser’s fees.

Given the current scale of distress in the aviation sector and with multiple stakeholders involved in each potential restructure (airlines, lessors and lenders), the use and formation of such committees can only benefit all parties and are well suited to the structure of such processes.

There may well be some turbulence ahead, but there is a runway to recovery on the horizon.

Conclusion

As we work through 2021, we remain optimistic and hope to see some level of recovery in the aviation industry. The impact of COVID-19 to date has been quite profound both from a cash and working capital perspective in airlines and leasing companies, so we still face a period of uncertainty, both in 2021 and beyond.

It is worth emphasising that this crisis in the aviation sector, on foot of a pandemic, has never been seen in modern times. In effect, this means that any lessons learned following 9/11 or the 2010 Icelandic ash cloud are hard to rely upon. Data points from those events will not help in forecasting this time, and consequently it is difficult for the industry to plan forward with any degree of certainty.

Although COVID-19 impacted the whole world, the effect was not shared equally. Some countries opened at different times than others. Adding further to the uncertainty, a fresh spike in cases or another new variant of COVID-19 could lead to closing of borders overnight. It is clear that airlines, lessors, lenders and the broader aviation industry face significant short-term challenges, and key strategic decisions will be required for the long-term future survival of many. There may well be some turbulence ahead, but there is a runway to recovery on the horizon.

Act early
This will allow each business and its management team make the most appropriate decision for their continued success.

Maximise options
By acting early, businesses increase the number of options available to them, whether through direct stakeholder negotiation or creditor-supported formal restructuring processes.

Develop appropriate options analysis
Given underlying debt and liquidity challenges in the sector, by developing an appropriate options analysis and engaging with creditors, a business can successfully navigate this period of volatility and recover.

Deloitte’s restructuring advisory team in Ireland, supported by our wider aviation finance services (including tax, risk and accounting advisory teams), is best placed to advise clients in navigating the current trading environment. In addition to our local expertise, Deloitte’s wider global team allows us to consider all available processes across relevant jurisdictions through the preparation of a robust options analysis and cross-border supports. We have already advised a number of companies in seeking available options and have led a number of coordinating committees in cross-jurisdictional restructures for secured lenders.