

22 April 2020

ASX Market Announcements Office  
Australian Securities Exchange  
20 Bridge Street  
Sydney NSW 2000

## S&P Global Ratings Update

Virgin Australia Holdings (ASX: VAH & VAHHA) provides the attached S&P Global Ratings report for release to the market, revising its long term credit ratings for the Group.

**ENDS**

**This announcement was authorised for release by Vaughan Strawbridge, Deloitte.**

**For further information, please contact:**

Virgin Australia Public Affairs  
1800 142 467 or +61 7 3333 9666  
[publicaffairs@virginaustralia.com](mailto:publicaffairs@virginaustralia.com)

Virgin Australia Investor Relations  
[investor.relations@virginaustralia.com](mailto:investor.relations@virginaustralia.com)

Research Update:

# Virgin Australia Ratings Lowered To 'CC' On Proposed Recapitalization After Voluntary Administration; Outlook Negative

April 21, 2020

## Rating Action Overview

- Australia-based airline company Virgin Australia Holdings Ltd. has announced that it has entered into voluntary administration, with an intention to undertake a proposed debt restructuring and recapitalization of the business.
- We expect the proposed debt restructuring and recapitalization process to constitute a default under our criteria, because we expect that unsecured debt providers will be forced to accept less value for amounts owing under the terms of the existing unsecured debt facilities.
- On April 21, 2020, S&P Global Ratings lowered its issuer credit rating on Virgin Australia to 'CC' from 'CCC', and lowered its related issue ratings on the airline's unsecured debt to 'C' from 'CCC-'. The recovery ratings on the unsecured debt remain unchanged at '5'. We also removed all ratings from CreditWatch, where they were placed with developing implications on March 26, 2020.
- The negative outlook reflects our expectation that if the debt restructuring process is completed as anticipated, we expect to lower the issuer credit rating to 'SD' (selective default) and the issue rating on the group's unsecured debt to 'D' (default).

### PRIMARY CREDIT ANALYST

**Joel Yap**  
Melbourne  
(61) 3-9631-2196  
joel.yap  
@spglobal.com

### SECONDARY CONTACT

**Craig W Parker**  
Melbourne  
(61) 3-9631-2073  
craig.parker  
@spglobal.com

## Rating Action Rationale

**We lowered the issuer credit ratings on Virgin Australia to 'CC' because we expect that the company's unsecured debt providers will be forced to accept less value for amounts owing under the terms of the existing unsecured debt facilities as part of the proposed debt restructuring and recapitalization process.** If unsecured debt providers are forced to accept less value for amounts owing under their debt facilities, it will constitute a default under our criteria.

However, we expect that a debt restructuring should facilitate a recapitalization of the company, which should enable Virgin to emerge from the restructuring and continue as Australia's

second-largest domestic airline.

We also note that while Virgin Australia owns the Velocity Frequent Flyer business, it has not been placed into voluntary administration and is a separate entity.

Virgin Australia's credit quality has deteriorated following intensifying pressure on the airline's cash outflow and liquidity due to government-led COVID-19-related restrictions.

**Environmental, Social, and Governance (ESG) Credit Factors for this rating change:**

- Social Management Factors

## **Outlook**

The negative outlook reflects our expectation that we will lower the issuer credit rating to 'SD' (selective default) and the issue rating to 'D' if the debt restructuring occurs as anticipated.

We will reevaluate the issuer credit rating and issue-level ratings, including our recovery ratings, once the terms of the recapitalization are known and the restructuring is completed.

## **Related Criteria**

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Transportation Cyclical Industry, Feb. 12, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- General Criteria: Rating Implications Of Exchange Offers And Similar Restructurings, Update, May 12, 2009

## **Ratings List**

**Downgraded; CreditWatch/Outlook Action**

	To	From
<b>Virgin Australia Holdings Ltd.</b>		
Issuer Credit Rating	CC/Negative/--	CCC/Watch Dev/--

**Virgin Australia Holdings Ltd.**

Senior Unsecured	C	CCC-/Watch Dev
------------------	---	----------------

**CreditWatch/Outlook Action**

	To	From
<b>Virgin Australia Holdings Ltd.</b>		
Senior Unsecured		
AUD250 mil 8.075% med-term nts ser 2 due 03/05/2024	C	CCC- /Watch Dev
Recovery Rating	5(10%)	5(10%)
US\$350 mil 7.875% nts due 10/15/2021	C	CCC- /Watch Dev
Recovery Rating	5(10%)	5(10%)
US\$425 mil 8.125% Callable nts due 11/15/2024	C	CCC- /Watch Dev
Recovery Rating	5(10%)	5(10%)

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

S&P Global Ratings Australia Pty Ltd holds Australian financial services license number 337565 under the Corporations Act 2001. S&P Global Ratings' credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).

Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.