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

**VAH (Administrator Appointed) : S&P Rating Update**

Virgin Australia Holdings (Administrator Appointed) (ASX: VAH & VAHHA) provides the attached S&P Ratings Update for release to the market.

**ENDS**

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

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Research Update:

# Virgin Australia Lowered To 'D' On Payment Moratorium And Chapter 15 Filing

April 30, 2020

## Rating Action Overview

- Virgin Australia Holdings Ltd.'s administrators have placed a moratorium on all creditor payments, including payments on the airline's debt. As a result, we consider that default is a virtual certainty on Virgin's next coupon payment for its US\$425 million senior unsecured 2024 bond on May 15, 2020.
- On April 29, 2020, the company and certain affiliates filed petitions pursuant to Chapter 15 of the Bankruptcy Code in the U.S. with regard to the company's voluntary administration proceedings in Australia.
- We consider that the moratorium on creditor payments and the airline's bankruptcy petition constitute a default under our criteria.
- On May 1, 2020, S&P Global Ratings lowered its issuer credit rating on Virgin Australia to 'D' from 'CC', and lowered its related issue ratings on the airline's unsecured debt to 'D' from 'C'.

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## Rating Action Rationale

**We lowered the ratings on Virgin Australia to 'D' to reflect the moratorium on all creditor payments while the company is in voluntary administration.** The airline's administrators have announced that the company will not pay its next coupon payment on its US\$425 million senior unsecured notes on May 15, 2020, due to a moratorium on all creditor payments. Following the first creditor meeting on April 30, 2020, the company's administrators are seeking to schedule the next creditor meeting for August 22, 2020, with no creditor payments expected to be made during the intervening period.

**We consider the payment moratorium to represent a default under our criteria.** During the administration process, the company will explore options to recapitalize the business, or otherwise, realize value from the company's asset base to maximize returns to creditors. We expect that unsecured lenders will be forced to accept less value for amounts owing under the terms of the existing unsecured debt facilities as part of the anticipated debt restructuring and recapitalization process.

**The 'D' ratings also reflect the company's filing of a Chapter 15 bankruptcy petition.** On April 29, 2020, the company and certain affiliates filed petitions pursuant to Chapter 15 of the Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York with regard to the company's voluntary administration proceedings in Australia, under supervision of the Federal Court of Australia.

The company's administrators filed for Chapter 15 to protect ongoing global operations, and to ensure fairness to all creditors and stakeholders, wherever located, by preventing commencement of competing proceedings in other jurisdictions.

The ratings are expected to remain at 'D' until the recapitalization process is complete and the outstanding senior unsecured notes have been restructured.

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

### **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 | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 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: Understanding S&P Global Ratings' Rating Definitions, June 3, 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	D/--	CC/Negative/--
Senior Unsecured		
AUD250 mil 8.075% med-term nts ser 2 due 03/05/2024	D	C
Recovery Rating	5(10%)	5(10%)
US\$350 mil 7.875% nts due 10/15/2021	D	C
Recovery Rating	5(10%)	5(10%)
US\$425 mil 8.125% Callable nts due 11/15/2024	D	C
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.

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