LATAM Group Receives Offers For Exit Financing That Exceed US$5 Billion Each and Expects to Recover Pre-pandemic Profitability by 2024

LATAM has released its five-year business plan along with its exit financing from Chapter 11. LATAM forecasts returning to 2019 profitability by 2024, and a 78% operational result increase by 2026 when compared to pre-pandemic operations.

As part of its exit financing process, LATAM has received several offers to date from its most significant claim holders and its majority shareholders, each of which provides more than US$5 billion of new funds, reaffirming the market's confidence in LATAM.

LATAM Business Plan Highlights

The business plan includes a vision of the demand recovery, the fleet plan, and financial and operational projections through 2026, in addition to other information. In particular, the group forecasts a return to pre-pandemic capacity (measured in ASKs) by 2024 and a growth of 7% by 2026, compared to 2019, resulting from an estimated recovery of the domestic markets by 2022 and the international ones by 2024, in line with market consensus.

The recovery is supported by LATAM Airlines Brazil's domestic market's operational ramp-up to date, which reached a capacity (measured in ASKs) of 77% in August, compared to 2019, and is forecast to surpass 100% of 2019 levels in the beginning of 2022. The domestic markets of the affiliates in Colombia, Ecuador, Peru and Chile have already reached 72% in August, while the international recovery of the group, both regional and long-haul continues to be affected by travel restrictions.

Total revenues are projected to increase 13% by 2026 with passenger revenues growing 8% and cargo revenues increasing 59% compared to 2019.

Cost reduction initiatives addressed during the Chapter 11 process, including leveraging LATAM's digital transformation to improve efficiency, supplier renegotiations and fleet restructuring, amount to over US$900 million annually and have allowed LATAM to structurally change its cost base. Fleet costs alone note annual cash cost savings of over 40% compared to 2019. The group also expects improvements in its passenger CASK (cost per ASK) ex-fuel, which before the impact of inflation, is estimated to be 3.3 cents in 2024, with certain domestic operations even lower. Furthermore, LATAM has increased the variable portion of its cost structure from 65% in 2019 to 80% in 2021-2022, which will allow the group to better adapt to the nonlinear demand recovery path ahead.

LATAM projects an operating margin (EBIT) of 11.2% in 2026, the highest since 2010.

"Despite the dramatic crisis we have faced, we have taken full advantage of our restructuring, not only by becoming substantially more efficient but also by cementing a better value proposition for customers, all of which has been reaffirmed by the significant interest we have received in providing exit financing" said LATAM Airlines Group SA, CEO Roberto Alvo.

"We will emerge from this process as a highly competitive and sustainable group of airlines, with a very efficient cost structure, all the while maintaining the unparalleled network and connectivity that LATAM offers in all the markets it serves."

Extension of Exclusivity Period Request

LATAM filed a motion seeking to extend the period of exclusivity to file a reorganisation plan to 15 October 2021, and to solicit acceptances of a plan to 15 December 2021. The requested extensions will further LATAM's development of a reorganisation plan that satisfies its exit capital and financing needs and assist in negotiations with the various stakeholders in its Chapter 11 proceedings.