

Airborne Disease Causing Airlines to Flee

A Case Study on SAS's Recapitalization Plan During the COVID-19 Pandemic

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Abstract

This thesis investigates how SAS managed the liquidity crisis caused by the COVID-19 pandemic and what alternatives SAS, as a government-related entity, had in the financially distressed situation. The study contributes to the literature by providing a case study of how an extraordinary demand shock could be tackled from a company's perspective and how the decision process plays out from several stakeholders' perspectives. The study shows that SAS implemented a recapitalization plan by issuing securities with equity treatment and implemented debt for equity swaps to strengthen their balance sheet and raise liquidity. SAS was limited in its alternatives to the recapitalization plan due to regulations from the European Commission, the expected market interest, negotiations with stakeholders, and SAS's financial position.

Keywords: recapitalization, capital structure, case study, airline industry

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1 Introduction

On June 30th, 2020, the airline company Scandinavian Airlines (SAS) announced its plans to implement a recapitalization plan in a press release. The purpose of this plan was to increase their existing equity by 14.25 billion SEK and improve the company's financial position which deteriorated drastically during the SARS-CoV-2 (COVID-19) outbreak. The plan involved shifting part of existing debt, 2.25 billion SEK, to equity as well as issuing equity amounting to 12 billion SEK, in the forms of hybrid bonds and common shares (SAS, 2020a).

2020 has been a challenging year for society, and specifically the airline industry, following the outbreak of COVID-19. As societies have been locked down and isolated, the aircraft industry has been put on hold. The airline industry has experienced several crises in the last two decades, notably 9/11, the SARS outbreak, and the Great Recession, which were all affecting the demand for traveling and eventually challenging airlines' financial positions. However, COVID-19 has had more deteriorating effects on the industry than any of the other crises. Europe has experienced the highest drop in air connectivity related to COVID-19 compared to other parts of the world. In April 2020 the drop reached -93% compared to the same period last year (IATA, 2020a).

The need for capital injection is widespread across companies in the aviation industry affected by the disruption of traveling. Most airlines have had to make quick decisions on how to maintain liquidity and make choices affecting the capital structure, in the setting of uncertainty when demand will bounce back. This thesis intends to understand how SAS managed the liquidity crisis during the COVID-19 outbreak and what alternatives to the recapitalization plan they had. To get an in-depth understanding of the research area, this thesis aim is to make a case study answering the following questions:

1. *How did SAS manage the liquidity crisis during the COVID-19 outbreak?*
2. *Why did SAS implement the recapitalization plan during the COVID-19 pandemic, what were the alternatives?*

This study finds that SAS managed the liquidity crisis during the COVID-19 outbreak through the implementation of the recapitalization plan to restore their value of equity and increase liquidity. SAS had several alternatives to how the recapitalization plan could have

been structured. However, the reason why they chose to implement the recapitalization plan in the way they did was mainly due to three reasons. First, the upper and lower bound of the amount issued was highly affected by regulations imposed by the European Commission, the expected market interest and the liquidity requirements. Second, negotiations with stakeholders put limitations on the terms and conditions for the debt to equity conversions. Third, SAS was limited in which instruments to use in the transaction due to their financial position. As a result, the decision was not entirely made by SAS but affected by several stakeholders.

SAS was granted loan guarantees by the Swedish and Danish states, and they launched a revised business plan as a first step to handle the deteriorating demand early in the COVID-19 pandemic. The early measures taken were however not enough to manage the liquidity crisis, since the loan guarantees would only cover part of the liquidity shortage and the revised business plan was focused primarily on long-term strategies rather than handling the urgent crisis. Furthermore, more drastic measures were required which gave rise to the recapitalization plan.

1.1 Purpose

The purpose of this thesis is two-folded. The first is to generate a deeper understanding of how SAS managed the liquidity crisis during the COVID-19 outbreak, why they implemented the recapitalization plan, and what alternatives they had. Second, the study aims to provide material that can be used as a basis to form a case for teaching purposes for the Department of Finance at the Stockholm School of Economics.

1.2 Contribution

Although similar transactions have been made, the study contributes to the literature by providing a case study on how a financial distressing situation could act out and be tackled by a company partly owned by the government. The study examines how a financially distressed company manages the situation and what discussions that are present in order to get all stakeholders to agree. Capital structure choices are well-studied areas, and this study could contribute with new insights on the specific strategies a company faces connected to a demand shock with no previous counterpart and within an industry characterized by state involvement.

2 Theoretical framework

This section aims to give an overview of relevant regulations and earlier studies, and it is divided into two parts. First, a regulatory framework is presented. Second, earlier academic findings applicable to this case study are introduced.

2.1 Regulatory Framework

2.1.1 European Commission Regulates State Aid

The main reasons for governments to invest in airlines are to ensure air connectivity and protect jobs, both directly and indirectly (Sun et al, 2021). For European airlines with governmental involvement, the EU state aid control sets restrictions for any support given from member states. This is regulated in the Treaty on the Functioning of the European Union stating the following (article 107(1)): “any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favoring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market.”

The European Commission regulates state aid to ensure that support is only given when economic development is needed, making sure corporations are treated in an equal way and not acting as beneficial to any corporation compared to its competitors (European Commission, 2021a). In March 2020, the European Commission established a fast-track solution for the state aid approval process, allowing states to give aid in forms of subordinated debt, equity injections, and hybrid solutions. The airline industry is thus affected by the state-ownership relevant for many airlines, resulting in different prerequisites which implies that aviation operates on different terms as states have different abilities to finance support and difference in what conditions they could give (Truxal, 2020). The temporary framework for state aid regulates eligible companies to be granted support and has a prerequisite in the terms stating that the business must be economically sustainable as of December 2019 (European Commission, 2020b).

2.1.2 Mandatory Liquidation

Regulations on mandatory liquidation set a lower bound for equity in a company for the members of the board to not be personally liable for the company’s payments. If there is a reason to believe that the equity value will amount to less than 50% of the registered share capital, the regulations within mandatory liquidation are triggered. In that case, the members

of the board need to follow a regulated process to not be personally liable for the company's commitments, where the first step is to prepare a special balance sheet for liquidation purposes. If the need for a special balance sheet is not triggered, the following steps in the process imposed by the regulations on mandatory liquidation do not have to be followed (SFS 2021:543, Aktiebolagslagen).

2.2 Literature Review

2.2.1 Capital Structure

The Modigliani-Miller theorem establishes capital structure theories that are still highly relevant today (Modigliani & Miller, 1958). In a perfect market, capital structure choices and types of securities do not impact the company's market value or the cost of capital. Accounting for the imperfect market conditions, a company will benefit from interest tax shields by adding more debt. Tax will thereby impact financing decisions by creating interest tax shields when issuing debt (Graham, 2000). The tradeoff theory builds on Modigliani-Miller's framework and aims to also account for financial distress. The optimal debt ratio is determined by maximizing the tax benefit without taking on a higher cost of financial distress (Kraus & Litzenberger, 1973).

Optimal debt levels could be influenced by corporations' bargaining power towards labor unions. Corporations have an incentive to increase debt and use internal cash for debt payments to minimize discussions regarding wages with labor unions. Financial leverage could thereby act as a strategic motive for corporations in regard to the negotiations with labor unions, in addition to adding liquidity (Matsa, 2010). This is supported by Benmelech et al, who investigates financially distressed corporations in regard to their labor costs. Their studies show that airlines can achieve a reduction of labor costs by renegotiations during times of poor financial position (Benmelech et al, 2012). They also find support for a similar pattern for airlines' renegotiations efforts towards lessors, showing an increased bargaining power towards lessors when airline corporations experience financial distress (Benmelech & Bergman, 2008).

2.2.2 Agency Cost and Signaling

Corporate restructuring occurs when a company makes significant changes to its capital structure, usually implemented when corporations need capital or have the potential to improve their capital structure to reach a more optimal level. On an aggregated level, companies prefer to use retained earnings when financing new investments, followed by

issuing debt and lastly issuing equity (Myers, 2001). When issuing equity, the stock price is expected to fall upon announcement, due to the information asymmetry between the management and the investors. The pecking order theory shows that companies tend to use internal funding if possible and external funding when needed. External funding would typically start with the safest securities, different types of debt, and equity issuance as a last resort of funding (Myers & Majluf, 1984).

Equity issuance is interpreted as a bad signal in regards to expectations of the company's future and could be enhanced by a large issue of shares (Asquith & Mullins, 1986). A company's desire to sell equity might leave investors wondering how good the investment opportunity is. In contrast, adding leverage can be seen as a positive signal because committing the firm to large future debt payments signals confidence that the company will be able to have the cash flow needed to meet the future debt obligations (Berk & DeMarzo 2017, 609-613).

Agency costs could occur when there is a risk of conflicting interest between the company's management, equity holders, and debt holders. For example, the conflicting interests might result in managers acting in their best interest at the cost of the investors. High cost of debt and low free cash flows in excess of what is needed are ways of reducing wasteful spending, and thus, decreasing the agency cost. Another way of reducing agency costs can be done by the debt holders in the form of covenants, which reduces the management's ability to act against the debt holders' interest (Berk & DeMarzo 2017, 603).

2.2.3 Airlines Debt Structure

Increased competition and new entries by low-cost carriers affect the financing decisions that airlines have to make to keep up with the competitive environment. Airlines tend to issue long-term debt as a way of coping with increased competition. By issuing debt with a longer maturity, companies could avoid rollover risk and thereby secure funding and mitigate the risk of expensive refinancing (Parise, 2018).

Airlines operate in a capital intensive environment where high investments are required to acquire aircraft. Most airlines have aircraft as their main asset on the balance sheets (IATA, 2021), consequently, lenders use aircraft as the main collateral for investments in airlines. Benmelech & Bergman show support for lower cost of debt when debt is secured with collateral, which increases airlines' debt capacity. Companies that have debt with collateral, rather than unsecured debt, usually have better credit ratings and lower credit spreads compared to those with unsecured loans, implying a possibility to get a lower cost of

debt (Benmelech & Bergman, 2009). However, a later study they conducted indicated industry-wide effects of airline bankruptcies, resulting in higher cost of debt industry-wide (Benmelech & Bergman, 2010). Studies on asset pricing for airlines concludes that conservative capital structures, with lower levels of debt, are advantageous. One reason is that it implies higher financial flexibility and makes it possible to acquire aircraft when prices are beneficial, for example, during industry recession when aircraft sales are traded at discount to fundamental value (Pulvino, 1996). As an alternative to purchasing aircraft, leasing is a popular way to access airplanes. Leases are also shown to initially increase profitability by increasing flexibility in operations and they are a common way to tackle demand uncertainties for airlines (Bourjade et al., 2017).

3 Methodology

This section provides an explanation of the methodology used to answer our research question and describes the data collection process.

3.1 Case Study Methodology

To gain concrete, contextual and in-depth insights about a real-world event, the main reasons, and specific choices in regards to the SAS recapitalization plan, we chose to perform a case study. A case study should be used when trying to understand the dynamics in a single sitting, which is applicable in our study (Eisenhart, 1989). Miller supports this choice: “Given the complexities of the real-world setting, actual decision procedures are inevitably heuristic, judgmental, imitative and groping (...) On this score, has there ever been any doubt that the Harvard cases give a far more accurate picture of the way things really look and get done out on the firing line than any maximizing "model of the firm" that any economist ever drew?” (Miller, 1977).

Case studies have been criticized since they are too specific and that subjective judgments are used to collect the data, thus case studies give little generalizable results (Yin, 2003). In contrast, Dubois & Gadde argue that to understand the interaction between a phenomenon and its environmental context, in-depth case studies are the best research design (Dubois & Gadde, 2002). Siggelkow supports this view, and emphasizes that “The main object of case studies should be to provoke thought and new ideas, rather than to poke holes in existing theories.” (Siggelkow, 2007). Even though some specific parts of our conclusions might only be valid in the case of SAS, we believe that the motives behind the

recapitalization and choice of securities issued have similarities to other issuances and can therefore provide hints and motivations for future research, as suggested by Siggelkow.

3.2 Data Collection

Our primary source of data is interviews with both independent and dependent interviewees. Dependent interviewees are those who had a position to influence the decision and the outcome of the recapitalization. Independent interviewees had no direct involvement in the decision, but were still a crucial part of the transaction in question or could contribute with insights from important perspectives.

Further understanding, applications and dimensions of a theoretical concept can be revealed by incorporating multiple sources of data sources. Here, there is a distinction between passive data that can be identified by research on existing sources and active data that needs to be created or discovered through active engagement from the researcher. The engagement to create active data positively contributes to the study, triggering the researcher to think about other theories and sources that could enhance the work. Thus, the written sources are appropriately complemented by interviews (Dubois & Gadde, 2002). Yin supports this view and proposes that case study writers should use multiple sources of data. According to him, this enhances the validity and reliability of the results presented in the study (Yin, 2014). In our study, we made sure that we used multiple sources of data by interviewing both dependent and independent stakeholders with different points of view as well as gathering secondary data from company filings, issuance prospectus, presentations, annual reports, industry reports, press releases, research reports, and general media coverage of SAS and the issuance.

The interviews took place in October and November 2021, with an average length of 40 minutes. Some interviews were conducted face-to-face while other interviews were held online, based on preferences from the interviewees. The interviews followed a semi-structured approach, meaning that they did not strictly follow a prepared list of questions. Semi-structured interviews are well suited when the aim is “exploration of the perceptions and opinions of respondents regarding complex and sometimes sensitive issues.”, the method also enables clarification of answers and questions to gain additional information (Wiley, 1994). Second, the interviews were conducted in a heterogeneous group, with people who have varied perspectives and insights into the transactions as well as professional and educational backgrounds, which precluded the use of a standardized interview schedule. The interviews were recorded and transcribed within a few days. In addition to the interviews, we

have gathered secondary data from company filings, presentations, annual reports, issuance prospectus, press releases, industry reports, and media coverage of SAS and the issuance. The additional sources of information served both as background information of the case as well as preparation materials for the interviews. Furthermore, the sources enhanced our understanding of the case which allowed us to ask follow-up questions as well as challenge the statements during the interviews.

There are some limitations in the data collection. First, some stakeholders did not respond to our interview request. Having more interviews would contribute to higher accuracy and a better, detailed description of the case. It was mostly the independent interviewees that declined our interview requests, mainly investors and advisors (legal and financial), due to time constraints and compliance reasons. Second, some interviewees could not answer all of our questions due to confidentiality. Despite the limitations, the interviews could create a clear and sufficient picture of the case and made it possible to conduct an in-depth analysis of the implications and results. The conducted interviews are found in table 1 below, presenting the interviewees and their respective roles connected to the recapitalization plan.

Table 1

This table provides interviewee information. The table states names, company role as well as role in the specific transaction, and level of dependent for each interviewee.

<i>Interviewee</i>	<i>Role & company</i>	<i>Role in recapitalization</i>	<i>Dependence</i>
Anna Almén	Head of Legal Department, SAS	Recapitalization group	Dependent
Carl Brodén	Finance and Restructuring Counsel, Roschier	N/A	Independent
Eric Ericsson	Captain, SAS	Employee	Independent
Erik Andrén	VP - Group Treasurer, SAS	Recapitalization group	Dependent
Gunilla Törnblom	VP - Group Accounting, SAS	Recapitalization group	Dependent
Henrik Tingstorp	Partner, Simplicity	Noteholder	Dependent
Jacob Pedersen	Senior analyst, Sydbank	Equity analyst	Independent
Lars Lönnquist	Fund manager, Spiltan Fonder	Noteholder	Dependent
Magnus Örnberg	Executive VP & CFO, SAS	Management team	Dependent
Robin Sultani	Associate, Roschier	N/A	Independent
Stefan Wigstrand	Portfolio manager, Catella Fondförvaltning	Shareholder (index fund)	Independent
Tommi Saukkoriipi	Fund manager, SEB	Shareholder (index fund)	Independent

3.3 Research Quality

Yin presents four tests that are commonly used to test the research quality in empirical studies. These tests are more complex than the standard “validity” and “reliability” concepts. The four concepts as described are presented below (Yin, 2003).

Construct validity is the first test, which in short determines if the case study measures what it is aimed to measure. Critics of case studies state that the construct validity measure is difficult to fulfill for case study writers since writers can subjectively collect data. As mentioned above, Yin suggests that using multiple sources of data and establishing a chain of evidence could resolve this matter and increase the construct validity. Such a documented process would enable the external reader to follow the process and draw similar conclusions as the researcher (Yin, 2003). For our study, we made sure construct validity was maintained by using multiple data sources, both passive and active data, as described in section 3.2. Furthermore, we created a chain of evidence by making sure that the citations to the relevant data are sufficient and easy to trace back.

Internal validity is the second test that concerns the casual relationship between the cause and effects that are to be examined. This test is only relevant in explanatory, casual case studies, and not exploratory or descriptive ones (Yin, 2014). Using multiple sources of data, which could allow for different results and developments of the study, could mitigate the risk that the internal validity is violated. In addition, he recommends using a pattern-matching technique together with time series analysis to further enhance the internal validity. “Pattern matching” relates to the comparison of an empirically based pattern, meaning that you compare an empirical pattern based on the findings from your case study with a predicted one that you made before you collected your data (or alternative predictions). These patterns would support the initial hypothesis and imply an internal validity to the study (Yin, 2014). To create internal validity, we have thoroughly investigated previous studies that have been conducted on the airline industry and the choice of capital structure. Apart from using multiple sources of data, we have also conducted pattern matching to externalize implicit mental models and assumptions as much as possible.

External validity refers to the possibility to generalize the results drawn from the case study. Silverman argues that since case studies by their nature are case-specific, the results drawn from them can not be generalized (Silverman, 2000). Yin on the other hand, claims that case studies still can maintain external validity and argues that case studies can be generalizable to theories on which they are based, or replicated in the following studies. One important consideration when ensuring external validity is to observe the original research question. The formulation of the question can both hinder and improve the generalizability of the study, thus affecting external validity. Aligned with that, Yin proposes to use a research question based on “why” or “how” which would prefer generalizability and external validity (Yin, 2014).

Reliability measures if a later researcher that follows the same process of the study would derive the same results and conclusions, while the goal is to minimize errors and biases. According to Yin, the best way to ensure reliability is to document the methodology and processes to create a case study database (Yin, 2014). To ensure reliability in our study, we documented our progress and created a case database with all relevant and necessary data to replicate the study. However, since our active data is based on semi-structured interviews that are affected by the interaction between the interviewee and the interviewers, they are complicated to replicate. To eliminate the issue and increase the reliability, we documented our questions and stored the original interview as well as the transcribed interviews so that future researchers can ask similar questions. Furthermore, one cannot exclude the risk that interview subjects might recall the event differently if being subjects in a study conducted in the future, which will also affect the results of the study. We tried to mitigate this risk by asking similar questions to several respondents to get an overall picture and eliminate the risk that they might recall the event differently from the reality.

To summarize, we are convinced that the case-study methodology is suitable for investigating the recapitalization of SAS. Furthermore, we made sure to take all the above four tests into account in our study to maximize the quality of our research. By doing this, we could draw objective, valid, and reliable conclusions that we believe can be applied to other situations than the examined event of SAS.

4 Case Background

This section is divided into three parts, presenting the market environment that airlines operate in and SAS's position before introducing the recapitalization plan. The first part is focusing on the total industry characteristics, the second part is about SAS-specific information, and, in the third part, the current setting before the plan is announced is introduced.

4.1 Airline Industry

4.1.1 Industry Characteristics

Air transport contributes to economic development, it enables transport to remote places, and gives incentives to cut flight costs. This makes it possible to transport people and enhance international trade (IATA, 2020b). According to IATA, air transport of goods reached 6.5 trillion USD, and for tourism 3.5 trillion USD during 2019 (IATA 2020a). Beyond driving

economic development through transporting people and goods, air transport contributes to knowledge sharing and cross-border investments. A study conducted by Oxford economics in Europe showed that air connectivity positively contributes to higher GDP levels (IATA, 2020b).

The airline market is sensitive to changes in macroeconomics where crises, both economic, political, and environmental, have a high impact on the industry (Vasigh et al, 2010). In addition, market trends are pressuring the airline industry to turn to more sustainable operations and reduce emissions to decrease negative climate impact. According to the European Commission, the airline industry constitutes the fastest-growing source of greenhouse emissions despite fuel efficiency improvements (European Commission, 2021b). Awareness about environmental footprint has increased, and in Sweden the expression “flight shame” has been widely accepted, originating from an anti-flying social movement. The term has spread across the Nordics, perceived to further influence the amount of local short-distance air travel, which has suffered a decline in the last couple of years (Nilsson, 2020). Tommi Saukkoriipi, fund manager and shareholder of SAS through index funds, mentioned that the sustainability concerns for airlines could influence the attractiveness to invest in such companies (Saukkoriipi, 16.11.21). This trend is further recognized by IATA, who noticed a sharp increase in the last couple of years in the frequency of climate issues discussed at earning calls with investors within the airline industry (IATA, 2019).

The airline industry is featured by strong labor unions, something that senior equity analyst Jacob Pedersen, who covers SAS, comments on “I have never experienced something like the airline industry when it comes to the impact from the union and the workers”. The strong presence of labor unions makes the business model and decision-making more complex compared to other types of industries (Pedersen, 11.11.21).

4.1.2 Airline Regulatory Market

Airlines operate in an environment highly dependent on rules and regulations, both in terms of air security and the competitive environment. On a global level, the security for airlines is regulated by the international civil aviation organization (ICAO) which is an operating arm from the United Nations specialized in international air security and air transport, ensuring shared guidelines and standards. In regards to regulations within the competitive market, the movement towards state deregulation has changed the industry over the last decades. The competitive environment in the airline industry is determined on a regional level rather than a global level, highly dependent on market maturity. Europe and the US are both perceived as

mature markets compared to other regions around the world, giving the two regions similarities in how they operate (Vasigh et al, 2010). Air transport within the EU was highly regulated in terms of competition before 1999 and the US before 1978. The pricing model for the US was built on airlines informing the government on appropriate prices to determine flight ticket prices, guarded by the state in terms of competition. As a result of US deregulations, the EU adopted similar liberalization measures as in the US, resulting in more flexible airfares and new routes within Europe. The deregulations have made it easier for new entrants to enter the airline market and put pressure on airlines to offer lower flight prices (Scharpenseel, 2001).

Airline operators could be divided into legacy carriers, low-cost carriers, charter airlines, and cargo airlines. As a consequence of the less regulated competitive markets, the barriers to entry for low-cost carriers have decreased. As a result, the low-cost carriers have gained significant market shares over the years from traditional legacy carriers due to their lower airfares. This was possible to achieve because of the lower cost structure they possessed compared to traditional legacy carriers (Vasigh et al, 2010).

4.1.3 Airline Profits

Profits for airlines are highly volatile, where the main reasons are a cyclical market with high correlation between economic outlook and customer demand, as well as volatile fuel prices and a great need of fuel to fly the aircraft. The high degree of cyclicity and volatility in airline profits usually make it hard to raise capital for airlines (Vasigh et al, 2010).

Airlines operating as low-cost carriers have been the most profitable ones due to a more efficient cost model, while the legacy carriers still dominate the international flights. Pressure to offer low fares has made the legacy carriers cut costs as well, achieved by reducing the level of service included when purchasing a flight ticket, and charging extra for optional services. In addition to extra revenue streams, charging for services enables cost savings since fewer customers use the services when charged for it, decreasing the labor cost to manage these services. The trend of going towards more low-cost services makes the legacy carriers lose part of what used to differentiate these airlines to pure low-cost carriers, resulting in a risk of losing current positioning (Vasigh et al, 2010).

A general challenge for all airlines is the high degree of fixed costs, most commonly associated with either rental of aircraft or maintenance costs for acquired airplanes. Terminal gate expenses are a substantial semi-fixed cost which low-cost carriers reduce by operating flights to airports with less attractive locations, making it possible to offer lower prices to

customers. The major operating costs for airlines are costs for fuel and labor. Interest expenses are usually a high non-operating cost due to the high amount of debt that airlines need to finance their assets. The marginal cost for airlines is low, which allows for airlines to offer deeply discounted fares before departure in case of vacant seats (Vasigh et al, 2010).

Examining industry tendencies through the S&P Global 1200 Airlines, a global market index for airlines, the net income has been positive every quarter between 2018-2019 with margins ranging between 3% and 10%. Following this period, Q1 (January - March) 2020 showed a drop in demand, resulting in negative net income, with a margin of -20%. During Q2 (April - June) 2020, demand for air travel decreased even more, which resulted in a loss and a margin of -137% (Capital IQ, 2020a). (See appendix 9.1 for a total overview of key ratios for S&P Global 1200 Airlines).

4.1.4 Airline Capital Structure

The capital structure within the airline industry has gone through a development where the debt to equity ratios have seen a high increase. Historically, debt to equity ratios could reach above 1 in a normal market environment and airlines have on an aggregated level been able to pay their suppliers and debt holders with their existing revenue streams. Regional differences show a better performance in general for airlines within Europe and the US in comparison with the rest of the world. In these two regions, the return on invested capital has been higher than the cost of capital during 2016-2019 (IATA, 2021). Examining the development at the beginning of 2020, the debt to equity ratio increased rapidly to above 2.5 by the end of Q2 (January - March) (Capital IQ, 2020a). (See appendix 9.2 for further details on aggregated capital and debt to equity ratio).

Before the COVID-19 outbreak, airlines were on aggregate level non-investment grade, with a median within the range BB+ to BB- rating. Airlines have generally had low credit ratings and no airlines were reaching an A rating or above (IATA, 2020b). Airlines operate in a highly competitive market - table 2 shows SAS's financial data in comparison with some of its competitors. SAS has over the last year had a high number of outstanding shares benched to its competitors, thus a lower EPS, moreover Finnair is the only competitor with lower net debt than SAS (Capital IQ, 2020b).

Table 2

This table shows financial metrics over SAS and some of the competitors. The data is from February 1st 2020, thereby representing company position prior to COVID-19 outbreak. LTM stands for last 12 months and NTM stands for next 12 months. Figures are presented in million US dollar (except EPS).

<i>Airline</i>	<i>LTM Total Revenue</i>	<i>LTM EBIT</i>	<i>NTM EPS</i>	<i>Shares Outstanding</i>	<i>Market Capitalization</i>	<i>LTM Net Debt</i>
Finnair Oyj	3 505,4	184,2	0,35	127,6	760,9	702,7
Norwegian Air Shuttle ASA	4 787,1	92,2	(122,08)	1,6	643,7	6 370,0
SAS AB	5 096,4	269,7	0,22	382,6	581,4	2 543,1
International Airlines Group	28 862,7	3 738,8	1,32	1 985,2	15 048,0	8 613,8
Air France-KLM SA	30 767,2	1 274,2	1,64	427,5	4 059,6	7 977,8
Deutsche Lufthansa AG	41 302,5	1 648,7	3,5	478,2	7 483,8	7 538,8

Source: Capital IQ (2020b)

Beyond the standardized corporate financial metrics, airlines use specific key performance ratios. The three most widely used are *available seat kilometers*, measuring passenger capacity, *revenue passenger kilometers*, showing the number of kilometers traveled by paying passengers, and *load factor*, indicating capacity utilization by calculating traveling passengers divided by airlines availability (Vasigh et al, 2010). In the table below, an overview of SAS and closest competitors are presented with airline-specific ratios for full-year 2019. In the table we can see that Air France - KLM group achieves the highest load factor, while SAS has the lowest one, indicating a lower level of operational efficiency compared to their competitors.

Table 3

This table shows an overview of airline specific key ratios for SAS and some of its competitors. Figures are from total year 2019 and presented in million.

<i>Airline</i>	<i>Available seat kilometers</i>	<i>Revenue passenger kilometers</i>	<i>Load factor</i>
Finnair Oyj	47 188	38 534	81,7%
Norwegian Air Shuttle ASA	100 031	86 616	86,6%
SAS AB	52 371	39 375	75,2%
International Airlines Group	328 211	N/A	84,6%
Air France - KLM SA	299 606	263 499	87,9%
Deutsche Lufthansa AG	359 567	296 511	82,5%

Source: Finnair (2019); Norwegian (2019); SAS (2019b); Iairgroup (2019); AirFranceKLM (2019); Lufthansa (2019)

4.2 SAS

4.2.1 Business Idea

SAS is a passenger air transport service provider centered in the Nordics which operates domestic and international flights. In addition to commercial airline operations, the company offers services in air cargo, in-flight sales, loyalty program services, ground handling, and

maintenance of airplanes. Operations are managed as of April 2020 with a total of 163 aircraft, mainly used for short-haul flights. SAS operates most of their flights with leased planes but has also acquired some airplanes (Capital IQ, 2020). The business idea is to make life easier for people by delivering smooth flights for both business and leisure travel (SAS, 2021).

One factor that has been mentioned as a differential one for SAS compared to their competitors is that SAS is somewhere in between the two groups defined as low-cost carriers and legacy carriers. This is described to be because SAS is uniquely looked upon as a legacy carrier, but still faces direct wing-to-wing competition with the low-cost carriers due to the characteristics, distance, and frequency of SAS's flights. Even though SAS offers a higher price than their low-cost competitors, SAS has been able to adapt and survive in the highly competitive market. "I think (...) that what makes SAS a company with a future in the region is that SAS offers a product that none of the low-cost carriers can or want to offer. In that sense, SAS actually has a quite unique product offering.", Pedersen mentioned in regards to the competitive environment described. He continued; "The balancing for SAS is that they need to be able to make a profit on this complex product, and they have been able to do that before COVID-19 hit, but I think it will be more difficult in the future in regards to the changing dynamic of the market looking a few years ahead." (Pedersen, 11.11.21).

4.2.2 Shareholder Structure

Founded in 1946, SAS was formed by a coalition of airlines across Sweden, Denmark, and Norway. The Danish Luftfartselskab A/S was established in 1918, followed by the Swedish AB Aerotransport in 1924 and the Norwegian Luftfartselskap A/S in 1927. The parent companies forming SAS were initially held privately to later become state-owned, but before the merger, the ownership structure differed among the companies. The Danish parent company was publicly traded on the stock exchange from the start to the merger. The Swedish parent company was first owned by a German aircraft corporation and later on, in the '30s the state became the major owner. An additional airline initiative established by the Wallenberg family, Swedish Interkontinental Lufttrafik AB, became part of the AB Aerotransport after the merger, resulting in shared ownership between the Swedish state and the Wallenberg family. The Norwegian parent company was bought by the state from the founders right before the merger (SAS, 2018a).

In 2001, SAS changed its legal structure and established one united parent company, SAS AB, where operations are run by three of its subsidiaries; SAS Sweden, SAS Norway,

and SAS Denmark, the “consortium” (SAS, 2020f). This change enabled the company to introduce one single share, traded in all Scandinavian countries' stock exchanges (SAS, 2001). Moreover, SAS has several subsidiaries apart from the consortium (see appendix 9.3 for holding company structure).

In the spring of 2020, the largest shareholders of SAS were the Swedish and Danish states, owning 28.6% of the company (OECD, 2021). The Norwegian government divested their stake in SAS in 2018, previously owning 9.9% of total shares (SAS, 2018a).

4.2.3 Financial Position

In 2008, SAS suffered financial concerns due to highly volatile fuel prices and a weaker economic outlook impacting the demand for air traffic. Weaker cash flows and increased debt to capital ratio resulted in a credit rating downgrade at the end of the year down to a B rating (S&P Global Ratings, 2008). As a consequence of the weaker financial position for the company, SAS performed a rights issue of shares amounting to 6 billion SEK, where shareholders got 14 subscription rights per owned share. The capital raised was supposed to strengthen the balance sheet and support the implementation of a new strategic approach, Core SAS, focusing on reorganizing the company and making cost savings (SAS, 2009, 23). Despite efforts to strengthen the financial position, SAS's credit rating was again downgraded, this time to B-, due to further tough market conditions contributing to lower liquidity levels (S&P Global Ratings, 2009). The SAS board responded to the decreasing profits and financial position by introducing more cost savings, a new credit facility, taking on additional debt, and proposing an additional rights issue in early 2010 amounting to 5 billion SEK. Shareholders were offered 3 new shares for every share owned (SAS, 2010a). Following the delivery of new shares, SAS performed a reverse stock-split where shareholders were entitled to 1 share for every 30 shares owned (SAS, 2010b).

Despite improved liquidity and cost structure from efforts taken in 2010 combined with a better market outlook, SAS was downgraded to CCC+ credit rating in 2012 (S&P Global Ratings, 2010). The downgrade was due to rising liquidity concerns in the short term. The concerns were based on ongoing negotiations with the labor unions in regards to the risk that they might not reach a beneficial agreement for SAS (S&P Global Ratings, 2012). SAS responded to the downgrade with a restructuring program, 4Excellence Next Generation, focusing on four core areas; cost, liquidity, equity, and flexibility. In addition, another issue of preference shares was introduced, raising capital of 3.5 billion SEK (SAS, 2014).

Following strengthened financial position and improved efficiencies, SAS received higher ratings, first a B rating in 2016, and B+ in 2017 (see appendix 9.4 for historical credit ratings) (S&P Global Ratings, 2017). The higher ratings were partially due to new issuance of shares, in addition to the previous issuances, which raised an additional 1.3 billion SEK. After the upgraded rating, SAS improved their equity on the balance sheet further by converting its convertible bond (see appendix 9.5 for a full historic overview of share capital) (SAS, 2020g). As a result, SAS improved its financial position but still had high levels of debt, adjusting for operating leases and preference shares to be included in the debt component. Despite efforts to improve the balance sheet further after the upgraded credit ratings, SAS did not experience an additional upgrade. The main reason was volatility in earnings despite SAS efforts to mitigate changes in fuel prices and currency rates with hedging, making their cash flows volatile (S&P Global Ratings, 2017).

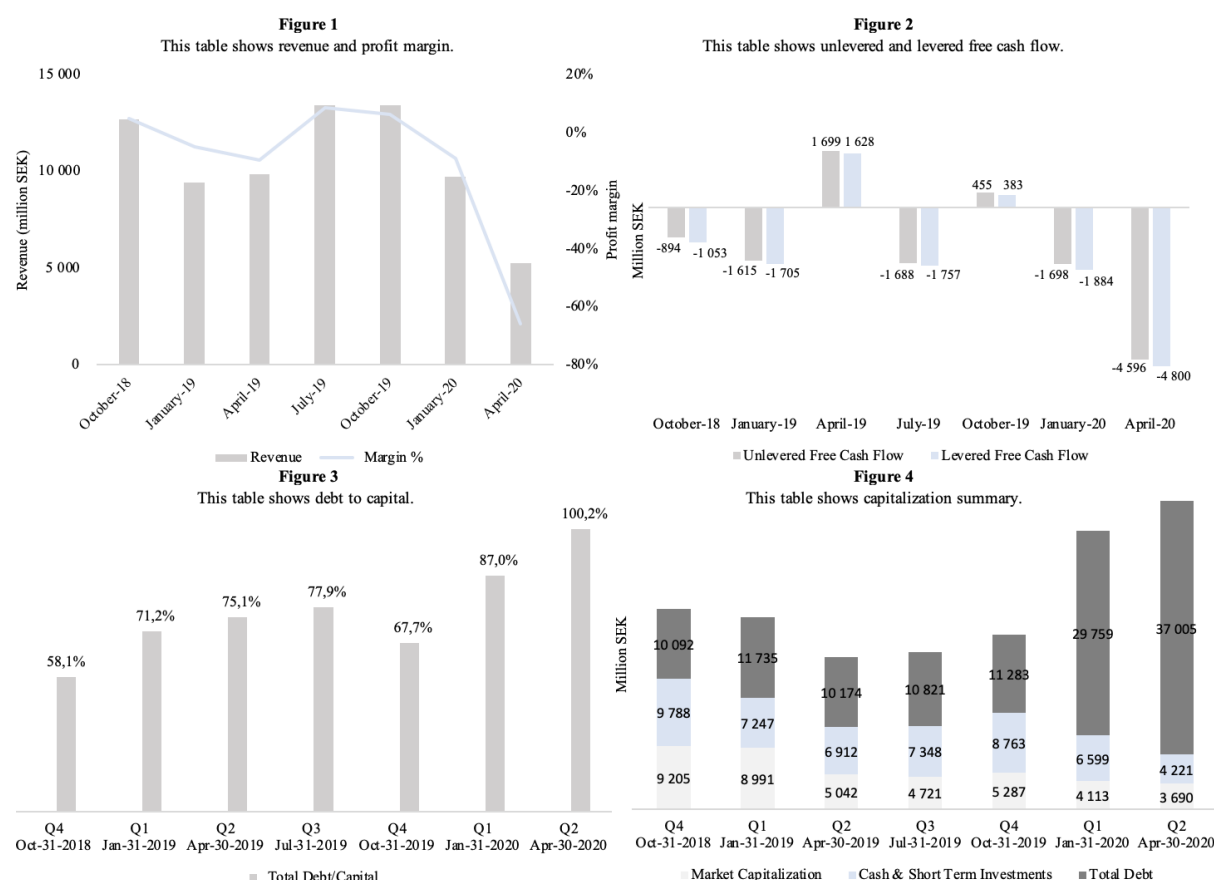
In 2018, the group decided to decrease their share capital by compulsory redemption of preference shares (SAS, 2018b). The following year, SAS continued to redeem preference shares and decided to issue hybrid bonds amounting to 1.5 billion SEK with floating rate and perpetual tenor, treated as equity in the company's financial reports (SAS, 2019a).

4.2.4 Key Ratios

SAS stated a target for return on invested capital of 12% annually, which the company reached during 2015 - 2018. For the full year of 2019, return declined to reach 8% due to weaker earnings and new investments in aircraft. The average return on capital between the years 2009-2019 has been 8% (SAS, 2019b, 7).

Airlines' business model is characterized by high volumes and low margins, hence making demand forecasting crucial to reach an optimal operational plan and a profitable business. For SAS, the largest cost consists of salaries and jet fuel; in 2019 each component corresponded to 22% and 21% respectively out of the total costs (SAS, 2020g, 28). The financial quarters leading up to 2020 show a stable gross margin for SAS until April 2020 when gross margin shrunk to -15%. The margin was impacted by lower revenue streams, resulting in a negative net income of -3.5 billion SEK (see appendix 9.6 for income statement key ratios), and a decreasing cash flow (see figure 2) (Capital IQ, 2020b). Cash reserves were low after decreasing quarter by quarter (see figure 4). A significant drop in revenue, -47% compared to last year, resulted in a profit margin of -66% (see figure 1). Debt increased quarterly from Q3 (May - July) 2019 and onwards (see figure 4), eventually resulting in a

debt-capital ratio of 100.2% by the end of April 2020 (see figure 3). This suggests that liabilities exceed the company's total assets, leading to a negative value of equity.



Source: Capital IQ (2020b)

SAS market capitalization declined during this time as well (see figure 4), where the stock price experienced a sharp decline from December 2019 and onwards. Trading volumes increased to abnormally high levels in March and the following months, (see appendix 9.7 for stock price and traded volume) (Capital IQ, 2020b).

4.3 Aviation Demand Shock

4.3.1 Industry-wide Effects

Following the COVID-19 outbreak, countries' lock-downs and closed borders resulted in a demand drop for the aviation industry, being one of the hardest-hit industries (Suau-Sanchez et al, 2020). Looking at the drop in stock prices, it was also one of the industries that deteriorated the most (Chen et al. 2020). The border restrictions as a consequence of the COVID-19 outbreak hindered global air transport to operate, which led to worsened revenue passenger kilometers month by month. Compared to 2019, revenue passenger kilometers reached -14% in February and -91% in May (S&P Global report, 2020).

At the end of March, Standard & Poor's (S&P) announced downgrades for multiple European airlines. Uncertainty regarding the severity and longevity of COVID-19 and its effects on airlines made S&P expect significantly lower revenues and deteriorating liquidity positions. All airlines were put on a watchlist with a negative outlook to further follow-up on company performance. S&P's forecasted that the second quarter would be the most challenging for the European airlines, whereas they expected that an initial recovery would take place in quarter 3 and that quarter 4 would be more in line with normal market conditions. SAS was one out of multiple airlines to be downgraded, receiving a B rating, reflecting a liquidity outlook in the nearest time frame estimated to be enough to cope with their commitments (S&P Global ratings, 2020a). A follow-up report in May showed a worsening outlook for airlines and high pressure to reduce costs to avoid bankruptcy. Cash reserves were expected to further decline due to airlines' low cash flows, high cost structure, and high degree of prepaid tickets that had to be refunded (S&P Global Ratings, 2020b). At the beginning of summer 2020, SAS got downgraded to CCC rating, reflecting weak liquidity and an unsustainable capital structure (S&P Global Ratings, 2020c). Many airlines globally experienced similar reviews and concerns, making most airlines lose 2-3 notches from pre-outbreak (measured as February 1st) to summer 2020 (see appendix 9.8).

4.3.2 Initial Effects of SAS

The strict recommendations as a result of the COVID-19 pandemic eliminated the basis of SAS's business model. For the first time in history, SAS did not offer any international scheduled flights to or from Scandinavia. Consequently, around 90% of the workforce was put on temporary short-term work. COVID-19 eliminated airlines' business in the short outlook and was expected to cause long-term negative effects on future demand due to changes in travelers' perception of the travel experience, in addition to a general hesitation to travel (SAS, 2020h).

The first time SAS saw reported numbers that were affected by the COVID-19 outbreak was in their Q1 (November - January) report released in February 2020 (SAS, 2020i). At that time, the effects were small and COVID-19 was more or less still limited to China, which was at the time the only market where SAS had cancelled its existing flights. Following the small effects, SAS kept their guidance for the full year and their results were still aligned with the expectations. However, only two weeks later, the market changed completely as COVID-19 started to spread throughout the rest of the world. The impact on SAS markets was then expected to be large. "To get a perspective of how dramatic it was,

when we released the Q1 2020 report, we kept the guidance for the full year with some qualifications. Then only two weeks goes by and suddenly there is no longer even a market. We went from full operations into our most important season, the summer, and suddenly the demand dropped to zero.”, Erik Andrén, vice president of group treasurer at SAS who was a part of the recapitalization group that worked intensively with the recapitalization plan, mentioned. Andrén also added that their quarterly report for the first quarter looked quite encouraging and that the expectations for the future were good; the overall view in the organization was that it would be a strong year for SAS up until the market collapsed (Andrén, 21.10.21).

Even though the demand dropped dramatically, there were still some conflicting views within SAS regarding how the crisis would impact the aircraft industry. While some within the organization, already pretty early after the COVID-19 outbreak, wanted to act right away and saw some indications that pointed towards this being a large and elongated crisis, there were still some that had their hopes up and thought that everything would go back to normal in a short time frame. In the beginning of the pandemic, some people in the organization thought that “we will get through this, we have good cash reserves” and did not believe that the crisis would continue long enough to have a substantial impact on the company. Anna Almén, head of the legal department and part of the recapitalization group, witnesses this (Almén, 21.10.21).

4.3.3 The Revised Business Plan

In SAS’s Q2 (February - April) report, the company stated that the COVID-19 pandemic has had a large impact on their business and therefore presented their revised business plan (SAS, 2020h). The revised business plan was based on four main pillars: First, “Preferred airline for Scandinavia’s frequent travelers”, meaning that they prioritized main traffic flows in Scandinavia to European major cities to strengthen their relationship with their core customers. Second, “Hyper modern single-type Airbus fleet”, meaning that SAS will continue its fleet renewal, having Europe’s most modern and efficient aircraft fleets by 2025 as their goal. This implies lower fuel consumption and maintenance costs as well as improving productivity by reducing standby levels. Third, “Fully competitive operation model”. To adapt to the lower demand, the revised business plan intended to generate 4 billion SEK in further efficiency improvements by 2022, coming from a broad range of different measures implemented. First, this included personnel cost reduction by a reduced workforce by up to 5000 positions including a resizing of the administration department.

Second, they implemented strict cost control procedures and renegotiated contracts with suppliers as well as reduced their spendings on marketing, product, and IT development. In addition, they adapted their fleet size to reach a one-type fleet as well as adjusted future deliveries from Airbus and lessors until they saw a return in demand. Fourth, “Global leadership in Sustainable aviation”. SAS works continuously to reduce their environmental impact through innovation and investments in technology (SAS, 2020c). In addition to the revised business plan, another early action they took to cope with the deteriorating demand from passengers was to use their existing passenger planes to fly cargo. This was implemented to boost revenues and make use of the planes they had in their fleet at the time (Reuters, 2020). However, Eric Ericsson, one of the pilots that were still employed after the cut in workforce, emphasizes that the pilots that usually flew passenger aircraft did not have a workload that was even near the one before the crisis, implying that the readjustment to cargo was not enough to make use for the fleet and employed pilots they had at the time (Ericsson, 12.11.21). As a result, it was inevitable that further actions were needed to cope with the shock in demand.

4.3.4 Negotiations With Lessors and Loan Guarantee

SAS needed to take additional actions, beyond changing their business plan, to keep the liquidity level as high as possible despite the shortage in earnings. Two early measures were implemented: negotiations with their lessors and a state guarantee loan. The negotiations with the lessors resulted in the possibility to postpone the payments for some leasing rents as well as lowering the leasing rents permanently (Almén, 21.10.21). In addition to this, a revolving credit facility amounting to 3.3 billion SEK was put in place for SAS guaranteed to 90% by the Swedish and Danish states (SAS, 2020j).

5 The Case: SAS Recapitalization Plan

This section presents SAS intentions for the recapitalization, discussions that followed, and how the final plan was structured. The section is divided into three parts. First, the recapitalization plan is presented. Second, how other airlines that manage similar challenges are introduced. Lastly, the strategic options SAS had at this point is presented.

5.1 The Recapitalization Plan

The revised business plan was, as mentioned, the first step to cope with the liquidity crisis and deteriorating demand. However, the plan was not sufficient to restore SAS's liquidity position to what it was before the pandemic. As a result, a group was formed to address how the crisis would be handled (the "recapitalization group"). The main goal of the recapitalization group was to find a solution to restore SAS liquidity and comply with its financial obligations. The group consisted of an internal lawyer, the head of treasury, the CFO, representatives from group business control, colleagues from group accounting, and a colleague from investor relations (Almén, 21.10.21).

On June 30th, 2020, SAS announced their recapitalization plan in a press release. At that time, the plan was supported by the three largest shareholders, the government of Sweden and Denmark (the "Major Shareholders") and Knut and Alice Wallenberg Foundation ("KAW"). Two weeks earlier, on June 17th, 2020, the parliament gave recommendations to the government to approve the proposal and support SAS by up to 5 billion SEK. The government motivated their willingness to take part in the recapitalization with SAS's key role in the Swedish aviation infrastructure as well as the company's position as a driving force towards a more sustainable aircraft industry in terms of climate change (Sveriges Riksdag, 2020). At the same point in time, the Danish government communicated its intention to support the refinancing of SAS (SAS, 2020a). Magnus Örnberg, at the time, appointed new CFO of SAS, said that the recapitalization plan aimed to save the company from bankruptcy and served as a prerequisite for the balance sheet to be ready for a ramp-up in demand post-pandemic. He added, "we got accused of being too optimistic but on the other hand also too pessimistic, 'do you really need that much money?' was a question we received continuously during the summer" (Örnberg, 02.11.21). At the time, no one could tell the future outlook for SAS nor the industry, which was highly dependent on how the pandemic would develop going forward. SAS analysis pointed towards demand coming back after the summer of 2020 (Almén, 21.10.21).

5.1.1 Initial Recapitalization Plan

The plan was intended to restore 14.25 billion SEK of equity by securing 12 billion SEK of new funding and converting 2.25 billion SEK of existing debt to equity. Securities issued or affected in the transaction was:

1. Conversion of the “Bonds” amounting to 2,250 million SEK into common shares at 81.3% par value at a subscription price of 1.89 SEK per share. The Bonds are an existing senior unsecured fixed rate due November 2022 (SAS, 2020a).

2. Conversion of the “Existing Hybrid Notes” amounting to 1,500 million SEK into common shares at 70.8% par value at a subscription price of 1.89 SEK per share. The Existing Hybrid Notes are subordinated perpetual floating rate capital securities (SAS, 2020a).

3. “Directed Issue” of common shares amounting to 2,006 million SEK at a subscription price of 1.16 SEK per share to the Major Shareholders. The issue will be split by 1,016 million SEK to the Government of Denmark and 990 million SEK to the Government of Sweden (SAS, 2020a).

4. “Rights Issue” of new common shares amounting to 3,994 million SEK that is available to eligible shareholders, at a subscription price of 1.16 SEK per share. Approximately 2,994 million SEK is expected to be covered by pro rata subscription from the Major Shareholders split equally, and approximately 250 million SEK is covered by a pro rata subscription from KAW (SAS, 2020a).

5. “New State Hybrid Notes” amounting to 6,000 million SEK issued to the Major Shareholders. The New State Hybrid Notes consists of two sets of hybrid notes. One amounting to 5,000 million SEK will be split equally between the Major Shareholders. This set of hybrid notes will have a floating interest rate of 3M STIBOR plus an initial margin of 250 bps annually. The margin will increase exponentially over time according to a predetermined schedule. During the second and third years, the margin will increase to 350 bps per annum, during years four and five to 400 bps per annum, and during years six and seven to 700 bps per annum. During year eight and thereafter, the margin will be 950 bps per annum. The other set of the hybrid notes will be placed with Denmark, amounting to 1,000 million SEK, and have a floating interest rate of 3M STIBOR plus a margin starting at 350 bps. The margin increases with a similar schedule as the first set of hybrid notes. During the second and third years, the margin will increase to 450 bps per annum, during years four and five to 600 bps per annum, and during years six and seven to 800 bps per annum. During year eight and thereafter, the margin will be 1050 bps per annum (SAS, 2020a). See table 4 for an overview of the recapitalization plan.

Table 4

This table presents SAS initial recapitalization plan. The table shows investor, size of investment and security characteristics. The investment amount is shown in million SEK.

<i>Investor</i>	<i>Investment</i>	<i>Haircut</i>	<i>Type of security</i>	<i>Type of offer</i>	<i>Security status</i>
Major shareholders	6 000		Hybrid notes	Directed issue	New
Major shareholders, KAW	2 006		Common shares	Directed issue	New
All shareholders	3 994		Common shares	Rights issue	New
Hybrid noteholders	1 500	29,2%	Common shares	Set-off issue	Existing
Bondholders	2 250	18,7%	Common shares	Directed issue	Existing

Source: SAS (2020a)

After the first announcement in June, the recapitalization plan was still conditional on meetings approvals where the Major Shareholders conditioned their participation on the proposed conversion of bonds and hybrid notes into common shares. In other words, the Major Shareholders' capital injections were conditioned on the burden-sharing measures that the conversion implied, otherwise they stated that they would not approve the recapitalization plan as it was suggested. In addition to this, the European Commission had to approve the recapitalization plan and it had to be exempted from the mandatory bid obligation from the Swedish Securities Council for the plan to get through (SAS, 2020a).

On July 10th, 2020, a second press release announced that SAS cancelled the noteholders' meeting planned to be held on the 17th of July. The meeting was supposed to be with the noteholders of the "Bonds" and the "Existing Hybrid Notes", and was cancelled since the proposed conversions in the recapitalization plan were not expected to be approved by the noteholders. Following the disagreements, the "Noteholder committee" was created, led by Spiltan fonder, consisting of the holders of the "Bonds" and the "Existing Hybrid Notes" to reach an agreement on the conditions. The committee was formed following an initiative to oppose the proposed conversion led by Spiltan fonder (SAS, 2020b). As Lars Lönnquist, fund manager and the spokesman for the Bonds owned by Spiltan fonder, was reached by a phone call from the advisory bank of SAS, he was immediately dissatisfied with the conditions. Following that, he spoke to other bondholders he knew who agreed with his view and gave him the authority to speak for them. As a result, he collected enough votes against the proposal which was the starting point for the cancelled noteholders meeting and the following discussions to reach a more favorable agreement for the noteholders (Lönnquist, 21.10.21).

5.1.2 Revised Recapitalization Plan

After several meetings and discussions with the noteholders, they finally reached an agreement that the noteholders could approve. At that point in time, several key personnel in SAS had been working the entire summer to get an agreement and there was always an underlying worry that the next proposal would not be approved by the stakeholders (Örnberg, 02.11.21). As a result, on the 7th of August 2020, SAS announced that they had reached an agreement in principle with certain noteholders and that they will continue to work on their revised recapitalization plan. The agreement in principle included revised conversion terms for the Existing Hybrid Notes into common shares and an amendment regarding the conversion of the Bonds which was now intended to be converted into the “New Commercial Hybrid Notes” or common shares at the option of the Bondholders in accordance with the “Bondholder offer” (SAS, 2020c).

The agreement in principle with the noteholders led to changing terms for the conversion of the Existing Hybrid Notes, which were now intended to be converted at a 90% par value instead of the initial 70.8% proposed. In addition, the subscription price was lowered to 1.16 SEK per share from 1.89 SEK per share. The “Bondholder offer” was also added as a part of the agreement in principle, which allowed the holders of the bonds to subscribe for either newly issued common shares at 100% par value at a subscription price of 1.16 SEK, or they could choose to convert the “Bonds” at a 100% par value into “New Commercial Hybrid Notes” that have a floating interest rate of 6M STIBOR plus an initial margin of 340 bps annually. The margins would increase under the following schedule: during the second and third year, to 440 bps per annum, during the fourth and fifth year to 590 bps per annum, during the sixth and seventh year to 1090 bps per annum, during the eight to tenth year to 1440 bps per annum, and during the eleventh year and thereafter to 1590 bps per annum. The “New State Hybrid Notes”, and the “New Commercial Hybrid Notes” were treated as equity in the SAS balance sheet and callable by SAS at any time at par value. The New Commercial Hybrid Notes also ranked senior to the New State Hybrid Notes. However, the issue of common shares to the holders of the Bonds was limited to 969 827 586 shares, corresponding to 50% of the nominal amount of the Bonds. In case of oversubscription, the allotment would be scaled down at a pro rata basis and the claim under the Bonds that were not converted into common shares would be converted into New Commercial Hybrid Notes (SAS, 2020d).

The revised recapitalization plan was expected to be approved by the Noteholders committee but awaited approval by the Major Shareholders. SAS warned that if the revised

recapitalization plan was not implemented, SAS would not be able to recover from the liquidity shortage caused by the COVID-19 crisis which could force the company into bankruptcy (SAS, 2020d).

Following the agreement in principle with certain noteholders, the Board announced that they would amend parts of the initial recapitalization plan including an extension of the time plan for the implementation. The revised plan was approved by the three biggest shareholders (the Major Shareholders and KAW). In addition to the time plan, the revised plan included: First, revised conversion terms for the Existing Hybrid Notes. Second, amendment in the conversion of the Bonds in accordance with the Bondholder offer. Third, an increase of the interest rate by 90 basis points annually for the “New State Hybrid Notes” to the Major Shareholders. The revised recapitalization plan needed approval from the extraordinary general meeting and was conditioned on approval by the European Commission as well as exemptions from the mandatory bid obligation from the Swedish Securities Council to be able to implement (SAS, 2020d).

Ten days after the agreement in principle with the noteholders, on the 17th of August 2020, the European Commission approved SAS’s revised recapitalization plan. In that sense, they declared the participation of the Major Shareholders in the recapitalization plan on certain conditions. The conditions included bans on payment of dividends and other non-mandatory interest payments to non-government actors, prohibition of bonus payments and other restrictions on compensation to SAS management, and bans of aggressive commercial expansion and acquisitions above predetermined thresholds. In addition to the approval from the European Commission, the Swedish securities council granted exemptions from the mandatory bid requirements on the 19th of August 2020 (SAS, 2020j). The approval from the European Commission was particularly important and one of the bigger concerns since that was the part of the deal where SAS could make the least impact. With other stakeholders, negotiation and insights into the decision were possible, but to influence the decision from the European Commission was not in the hands of SAS, making that part of the plan one of the most uncertain (Örnberg, 02.11.21).

On the 2nd of September 2020, the noteholders officially approved the conversion in regards to the revised recapitalization plan at the scheduled noteholder meeting, but the final decision was still subject to approval from the extraordinary shareholder meeting scheduled to be held on the 22nd of September (SAS, 2020d). As planned, the extraordinary general meeting authorized the board to issue new hybrid notes and shares in accordance with the recapitalization plan. The three largest shareholders (the Major Shareholders and KAW) had

then undertaken to subscribe for shares corresponding to 81.5% of the rights issue of common shares in total (SAS, 2020d).

5.1.3 Final Recapitalization Plan

On the 23rd of October 2020, SAS announced that the recapitalization plan was implemented successfully. The outcome of the Bondholder offer, showed that 56,44% of the offered shares were subscribed for and the remaining bonds were converted into the New Commercial Hybrid Bonds at an aggregate amount of 1,615 million SEK. In addition, a directed issue of common shares was issued to the holders of the Existing Hybrid Notes and the Major Shareholders. The Major Shareholders also participated in the Rights Issue and subscribed for the New State Hybrid Notes amounting to 6,000 million SEK. Furthermore, 100% of the offered common shares were issued. (See appendix 9.9 for a full time line over recapitalization plan).

To summarize, the recapitalization plan resulted in the Major Shareholders (government of Sweden and government of Denmark) owning 21.8% of the shares and votes in the company each, before the recapitalization of Sweden and Denmark's ownership accounted for 14.3% each (OECD, 2021). The recapitalization plan restored the equity by 14.25 billion SEK. As a result, the number of shares and votes increased to an amount corresponding to a dilution of approximately 95% (SAS, 2020e). Table 5 shows the final recapitalization plan.

Table 5

This table presents SAS final recapitalization plan. The table shows investor, the size of actual investment and security characteristics. The investment amount is shown in million SEK.

<i>Investor</i>	<i>Investment</i>	<i>Haircut</i>	<i>Type of security</i>	<i>Type of offer</i>	<i>Security status</i>
Major shareholders	6 000		Hybrid notes	Directed issue	New
Major shareholders, KAW	2 006		Common shares	Directed issue	New
All shareholders	3 994		Common shares	Rights issue	New
Hybrid noteholders	1 500	10,0%	Common shares	Set-off issue	Existing
Bondholders (option 1)	635	0,0%	Common shares	Directed issue	Existing
Bondholders (option 2)	1 615	0,0%	Hybrid notes	Set-off issue	Existing

Source: SAS (2020e)

The terms for the final recapitalization plan was the following:

1. Conversion of the “Bonds” amounting to 2,250 million SEK into common shares at 100% par value at a subscription price of 1.16 SEK per share or a conversion of the “Bonds”

at 100% par value into “New Commercial Hybrid Notes” in accordance with the “Bondholder offer” (SAS, 2020e).

2. Conversion of the “Existing Hybrid Notes” amounting to 1,500 million SEK into common shares at 90% par value at a subscription price of 1.16 SEK per share. The Existing Hybrid Notes are subordinated perpetual floating rate capital securities (SAS, 2020e).

3. “Directed Issue” of common shares amounting to 2,006 million SEK at a subscription price of 1.16 SEK per share to the Major Shareholders. The issue will be split by 1,016 million SEK to the Government of Denmark and 990 million SEK to the Government of Sweden (SAS, 2020e).

4. “Rights Issue” of new common shares amounting to 3,994 million SEK that is available to eligible shareholders, at a subscription price of 1.16 SEK per share. Approximately 2,994 million SEK is expected to be covered by pro rata subscription from the Major Shareholders split equally, and approximately 250 million SEK is covered by a pro rata subscription from KAW (SAS, 2020e).

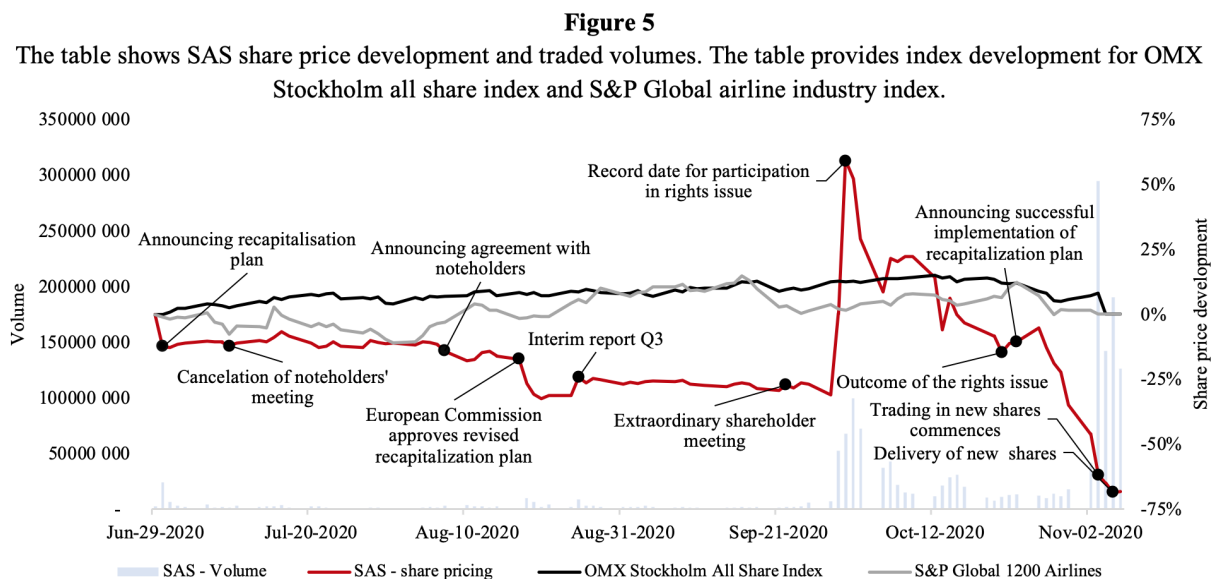
5. “New State Hybrid Notes” have changed interest rates in the revised recapitalization plan compared to the interest rates in the initial recapitalization plan. The first set of the “New State Hybrid Notes” amounting to 5,000 million SEK that will be split equally between the Major Shareholders will now have a floating interest rate of 6M STIBOR plus an initial margin of 340 bps annually. The margin will increase exponentially over time according to a predetermined schedule. During the second and third years, the margin will increase to 440 bps per annum, during years four and five to 590 bps per annum, and during years six and seven to 790 bps per annum. During year eight and thereafter, the margin will be 1040 bps per annum. The other set of the hybrid notes that will be placed with Denmark, amounting to 1,000 million SEK, now have a floating interest rate of 6M STIBOR plus a margin starting at 440 bps. The margin increases with a similar schedule as the first set of hybrid notes. During second and third years, the margin increases to 540 bps per annum, during years four and five to 690 bps per annum, and during years six and seven to 890 bps per annum, and during year eight and thereafter, the margin will be 1140 bps per annum (SAS, 2020e).

6. “New Commercial Hybrid Notes” that have a floating interest rate of 6M STIBOR plus an initial margin of 340 bps annually. The margins will increase in accordance with the following schedule: during the second and third year, to 440 bps per annum, during the fourth and fifth year to 590 bps per annum, during the sixth and seventh year to 1090 bps per annum, during the eighth to tenth year to 1440 bps per annum, and during the eleventh year

and thereafter to 1590 bps per annum. As the New State Hybrid Notes, the New Commercial Hybrid Notes will be treated as equity in SAS balance sheet and be callable by SAS at any time at par value. The New Commercial Hybrid Notes will also rank senior to the New State Hybrid Notes (SAS, 2020e).

5.1.4 External Reactions

In mid-June, governments in Sweden and Denmark announced their support to SAS's plans to refinance, the news was met positively even though equity analyst Pedersen warned shareholders to be cautious and stated that "shareholders will get nothing" (Ramnewall, 2020). Later in June, on the day of the announcement of the recapitalization plan, SAS share price dropped by -13%. The announcement did not come as a surprise, the industry-wide travel disruption was expected to result in extensive structural changes for affected businesses (Pedersen, 11.11.21). The figure below illustrates stock movements following the recapitalization period and volumes traded for SAS's share. The table includes stock index development, OMX Stockholm all share index and airline-specific S&P Global 1200 airlines index.



Source: Capital IQ (2020b)

Summer months tendencies showed small negative movements, leading to a lower valuation during September until the subscription period is coming to an end. A steep peak occurred between September 28 and September 30 when the stock price increased +131% in just two days. The rapid increase in the stock price was leading up to September 30th, being the record date for participation in the right issue. Oslo stock exchange exercised a trading halt for SAS shares partly during the 29th due to large stock movements that were hard to explain

as the day marks the first day SAS shares are traded excluding subscription rights (TT Nyhetsbyrån, 2020). Pedersen commented on the stock movement, “I can only explain it by inefficient trading in a normally quite illiquid stock with massive private investor-impact” (Pedersen, 11.11.21). Analysts have further commented on the movement saying that they believe that the great interest among investors could be due to strong trust in the company to manage the crisis and references to SAS’s previous rights issues over the years (Lundstedt, 2020). To be eligible for participation in rights issues on the 30th, shareholders have to latest acquire shares during the 28th, two days ahead of the record date. One SAS share equals nine subscription rights, for each subscription right shareholders have the right to buy one new share for 1.16 SEK (SAS, 2020g). The subscription period ran between October 2nd up until October 19th and trading with subscription rights ended October 15th. On November 3rd traded volume reached a peak and the stock price dropped. This day marked the first day for new shares to start trading. At this time, the stock price fell as a consequence of the new shares available (Hansson, 2020). As an existing shareholder, the dilution of the rights issues was 95% and the total number of shares outstanding reached 7.3 billion shares (Nyhetsbyrån Direkt, 2020). Share price development was in line with expectations with an initial drop as new shares were delivered and many investors wanted to sell (Tingstorp, 18.10.21). Lönnquist had similar expectations for the stock movement but expected a longer time frame with stock valuation below 1 SEK following the new stock issuance (Lönnquist, 21.10.21). The drop in the stock price following the announcement of the recapitalization was described as obvious by analyst Pedersen, SAS restructuring parallels Norwegian's efforts in implementing refinancing actions some weeks before SAS, supporting the expectation of a hit in share price (Pedersen, 11.11.21).

S&P viewed the SAS recapitalization plan as weak for creditors and downgraded the rating twice, first to a CC rating and later on to SD (selective default). This was due to the burden-sharing measures in the recapitalization plan which implied that the lenders, in this case, bondholders and hybrid noteholders, got their securities shifted to new securities that may not correspond to the same value as their initial investment intended (S&P Global Ratings, 2020d). SAS was not the only airline receiving a default rating by this time (see appendix 9.8 for company-specific credit ratings), on an aggregated level approximately 20% of airlines globally were receiving ratings of CCC- or below. Airlines within this category are expected to have a very little chance to recover or default (IATA, 2020b). After several negotiations, bondholders were willing to support the recapitalization plan after minor

changes, showing their efforts to find a solution for SAS to continue its operations. This is not unique to the SAS situation during the COVID-19 outbreak. Recapitalization plans in general during this time are described to be met differently compared to previous crises, says Stefan Wigstrand, portfolio manager and shareholder of SAS through index funds. Wigstrand continues, “It has been different this time and I think it has to do with a pandemic being very different by definition compared to other types of crises. The pandemic created a pragmatism in the market where you were willing to agree on things you normally would not in an economic downturn or some other financial crisis” (Wigstrand, 19.11.21).

5.2 Strategies from Other Airlines in Europe

Not only did SAS experience a sudden drop in demand, causing their financial position to quickly deteriorate, but similar experiences occurred industry-wide. Estimated cash reserves indicated that some of the airlines would run out of reserves before the travel restrictions were removed in May and June (OECD, 2021). For airlines in Europe, this was when several state aid packages in different forms were granted from governments following approval by the European Commission.

The major Nordic-based airlines in addition to SAS, Finnair, and Norwegian, both announced plans to raise capital in mid-June. Finnair announced their rights issue where the Finnish state subscribed to 50% of the total new shares and added a state loan guarantee amounting to 600 million EUR (European Commission, 2020a). For Norwegian, several actions were made to ensure its financial position. The Norwegian state guaranteed 3 billion NOK in loans and in addition major changes were made to its debt structure, shifting debt to equity of a total value of 12.7 billion NOK. Under the state guarantee scheme, loans to Norwegian were guaranteed by 90%, under certain conditions. To meet the conditions, the company was obliged to raise additional equity and convert some of its current debt to equity. In regards to this, Norwegian implemented a restructuring plan by doing a rights issue and converting debt into equity, the debt that was converted was mainly leases (Norwegian, 2020). However, not all of SAS’s leases were converted to equity, some of the aircraft leases were instead repudiated (Reuters, 2021).

The Air France-KLM group sought support from the two home regions’ governments, the French and Dutch, who granted support loans amounting to 7 billion EUR and 3.4 billion EUR respectively. The support from the French government was divided into two parts, one as a syndicated loan supported by a group of banks where the French state guaranteed up to 90%, and one in the form of a shareholder loan (AirfranceKLM, 2020a). The support from

the Dutch government was granted in the form of a revolving credit facility where liquidity was provided by a group of banks. The Dutch government guaranteed 90% of the credit and granted a direct state loan with coupon payments (AirfranceKLM, 2020b).

Lufthansa received a state loan of 3 billion EUR and was granted a recapitalization package amounting to 6 billion EUR by the German state. The recapitalization package was divided into three areas; equity injection in the forms of new shares, silent participation in non-convertible equity instruments, and silent participation in convertible debt instruments (European Commission, 2020c). Lufthansa, being the first airline seeking equity injection and Germany being a part of the EU, needed to divest some of its slots at Frankfurt airport and several aircraft to fulfill requirements by the European Commission to prevent having a distortive effect on competition (Goeteyn & Hakes 2020).

International Airlines Group got a credit facility of 2.2 billion EUR, backed by the UK and Spanish governmental corporate funds (Iairgroup, 2020a), and as a second action issued new shares amounting to 2.7 billion EUR (Iairgroup, 2020b). Table 6, presented below, summarizes actions taken by some of the European airlines to strengthen their capital structure.

Table 6

This table shows capital injections by other European airlines during same time frame as SAS recapitalization plan.

<i>Airline</i>	<i>Date</i>	<i>Capital injection</i>	<i>Amount</i>
Norwegian Air Shuttle ASA	April 27	Debt for equity swap	15.1 B NOK
		Bond conversion	3,7
		Lease liabilities conversion	11
		Vendor debt conversion	0,4
		Rights issue	0.4 B NOK
		State loan guarantee scheme	3 B NOK
Finnair Oyj	June 10	Rights issue	500 M EUR
		Guarantee by Finnish state towards Finnair's lenders	
Air France - KLM SA	April 24	Loan	7 B EUR
		Syndicated loan from banks, backed up to 90% by French state	4
		Shareholder loan by state	3
	June 25	Loan	3.4 B EUR
		Revolving credit facility granted by banks, guaranteed to 90% by Dutch state	2,4
		Term loan	1
Deutsche Lufthansa AG	May 24	Loan	3 B EUR
		Support granted by German state through Economic Stabilisation Fund	6 B EUR
		Equity investment	0,3
		Silent participation - non-convertible equity instrument	4,7
		Silent participation - convertible debt instrument	1
International Airlines Group	June 30	Credit facility (Spain & UK governments support)	2.2 B EUR
	July 31	Rights issue	2.7 B EUR

Source: Norwegian (2020); Finnair (2020); AirfranceKLM (2020a); AirfranceKLM (2020b); European Commission (2020b); Iairgroup (2020b)

Two airlines that did not raise capital during this time were Ryanair and Swiss airlines (Pedersen, 11.11.21). Ryanair has publicly criticized the European Commission for promoting inefficiency in the European aviation market and favoring some airlines over others, creating unbalanced competition (Ryanair, 2020). The competitive market conditions within the airline industry were also mentioned when looking at airlines from an investment point of view, Saukkoriipi explains “the issue with airlines as an investment is that the companies are held under the arms of their respective governments, making it a national concern, which makes the competition a bit distorted since it is not on the same terms (The companies that are held under the arms of the governments) are rarely allowed to go bankrupt.” (Saukkoriipi, 16.11.21).

5.3 Strategic Options

Taking into account what the other airlines did as well as what SAS could have done instead of the implemented recapitalization plan, some strategic options are more or less feasible. The strategic options mentioned below all come with practical difficulties that are more thoroughly discussed in section 6.1. The strategic options that were mentioned or considered by our interview subjects, or implied by theory, are the following:

5.3.1 Issuing Debt

Hybrid bonds are, as previously described, a form of debt that is treated as equity in the balance sheet. Another option would be to issue debt in the form of, for example, bank debt or corporate bonds. Usually, issuing bank debt or corporate bonds could be a cheaper option for the company than issuing hybrid bonds since hybrid bonds often come with a relatively high interest rate.

5.3.2 Different Distribution or Other Types of Securities

Other types of hybrid securities that are classified as equity in the balance sheet could have been used instead of hybrid bonds. Examples of such securities are preference shares, equity warrants, and convertible bonds. Another alternative would be to do only a share issue, without adding a hybrid instrument, making the recapitalization a full equity issuance. In addition to the alternative to use other types of securities as those mentioned above, they could also use a different distribution between the used securities. For example, in the recapitalization, SAS converted the two types of bonds called the “Bonds” and the “Existing Hybrid Notes”. However, these were not the only bonds that SAS had outstanding (see

appendix 9.10 with all their outstanding bonds), meaning that they, in theory, could choose to convert other types of securities than the ones they did. They could for example convert their leases, similar to how Norwegian structured their recapitalization, or convert other bonds that were not unsecured. A different distribution could also refer to the number of hybrid bonds issued, and if they instead could have chosen to issue more common shares and less hybrid bonds, or vice versa.

5.3.3 Other Alternatives

A somewhat controversial option mentioned was the alternative to close down the entire company. Here, the discussion of whether Scandinavia needs their own aircraft company was raised (Örnberg, 02.11.21). On the same track, another alternative mentioned by one of the stakeholders was to push SAS into bankruptcy, writing down the share value to zero, making a settlement with the bondholders, and that the Swedish and Danish governments then should take control over the company as sole owners. The bondholders would then be paid in cash, and not in shares of SAS (Lönquist, 21.10.21).

6 Discussion

This section problematizes SAS's different alternatives and decisions in regards to the recapitalization plan, and gives a better understanding of why they implemented the recapitalization plan in the way they did.

6.1 Problematization of Strategic Options

SAS managed the liquidity crisis during COVID-19 through the recapitalization plan as described above. Several alternatives to the recapitalization plan have been mentioned, and one of the main reasons why the recapitalization plan was implemented as presented in section 5.1.3, was due to the regulations imposed by the European Commission mentioned in section 2.1.1 that put limitations on SAS. Since the Swedish and Danish governments were the largest shareholders, SAS was dependent on being granted state aid to survive through the crisis and had to follow the regulations and demands set on the company. As a result, members of the recapitalization group stated that the way the recapitalization eventually played out was much dependent on the regulations imposed by the European Commission. "I believe that one of the reasons that the recapitalization plan ended up as it did was because it had to fit into the regulations from the European Commission, it is not only the judgement of

the market that is important.” (Andrén, 21.10.21). However, SAS did have some theoretical options which, as mentioned earlier, are more or less feasible, and even though they did have strict regulations that needed to be followed which limited their alternatives in the recapitalization; some alternatives were possible even in practice. The advantages and disadvantages, as well as potential issues with the different alternatives, are presented below.

6.1.1 Issuing Debt

First, it needs to be mentioned that, as discussed throughout the thesis, one of the reasons for the recapitalization plan was that SAS needed to improve their financial position in regards to their balance sheet by lowering their debt levels concerning the equity share. As a result, one of the goals with the recapitalization plan was to increase equity and lower their debt, thus it does not make sense to increase the debt levels. However, in a liquidity crisis such as the one SAS was put into during COVID-19, one of the first external fundings that a company generally would prefer according to the pecking order theory is the safest one, which is different types of debt. Thus, the alternative is worth analyzing regardless.

Generally, in terms of signaling and agency costs, debt with potential covenants is preferred over equity as described in section 2.2.2. In SAS's case, they did not raise debt with covenants, however, the regulations and limitations imposed by the European Commission have similar implications to debt covenants, restricting for example bonus payments to the management and thus decreasing the risk of the agency costs. In terms of signaling, it was already evident that SAS was in a pressured situation and that they would not be able to survive without the recapitalization. This implies that the potential upside in terms of signaling when issuing debt rather than equity is not relevant in this case.

SAS's ability to obtain additional debt financing is, among other factors, dependent on their credit rating. As mentioned, SAS was rated as non-investment grade, which affects both the possibility to obtain debt from the banks as well as limiting the number of investors willing to invest in a potential corporate bond issue. Two factors that make lenders more willing to lend money to SAS despite a low credit rating and a weak balance sheet is: First, the possibility to use aircraft as collateral for their debt. Second, the owner structure where the Swedish and Danish governments are the two biggest owners which makes the probability of bankruptcy low (Lönquist, 21.10.21). However, those reasons do not make lenders willing to increase the amount lent regardless of the financial situation. The probability that, for example, the banks would be willing to lend more money to SAS could be argued to be almost non-existent given SAS's current financial situation. In terms of debt

financing in the form of corporate bonds, some fund managers have rating-based investment mandates which require fund managers to hold investments with minimum credit quality, meaning that a limited number of investors can invest in a non-investment corporate bond (Abad et al, 2021).

A company's willingness to adjust their debt levels is related to the theory of optimal capital structure which could serve as an explanation to why SAS did not prefer to issue additional debt. Looking at the capital structure as a problem of optimization and a tradeoff between interest tax shields and financial distress as explained in section 2.2.1, the benefit of potential interest tax shields in SAS's case is lower than what could be justified given the risk of financial distress. In this case, it would not be possible to maximize the tax benefit without taking on a higher cost of financial distress by increasing the debt burden on the company, since the company is already in a financially distressed situation.

If the optimal capital structure could not justify adding more debt to SAS, the increased bargaining power towards the labor unions and lessors that high debt comes with might. As discussed earlier, the airline industry is an industry that is heavily impacted by the strong labor unions, thus increasing SAS's bargaining power against the labor unions is highly important and could serve as a reason why it would be a good idea to have higher debt levels than what a company normally would be able to justify. Pedersen comments on this, “(The airline industry) is one of a kind and SAS management has not been able to make their own decisions, for example, regarding who they wanted to let go in their massive cut in the workforce, instead, it is in the union agreements. From my point of view, that is a problem of SAS and they need to get the steering wheel back from the unions.” (Pedersen, 11.11.21). If the bargaining power against the labor unions could give the management a greater influence, this could potentially increase the operational efficiency of the company. In SAS's specific case, this might be one of the most reasonable arguments to increase debt levels, however, it will still not be able to justify increased debt levels in SAS's current financial situation. Moreover, increasing debt levels and thereby management influence does not necessarily result in greater operational efficiency for the company. According to Ericsson, the company could benefit from a tighter administration and allowing more decisions to be taken within different functions closer to the operations, he describes “in many cases, we lack the functions within the company that have decision-making power to manage operations, there are too many economists that runs the business that are too focused on the numbers (...) sometimes we make decisions that are not based on business and the operations, when you do

not really understand the operations then you tend to take pure financial decisions which is not always advantageous for the revenues" (Ericsson, 12.11.21).

To summarize, despite the efforts to justify adding more debt, it does not seem to be an option in practice in SAS's case taking the arguments mentioned into account. Andrén also mentioned that issuing only debt was never a question, "It was never relevant to issue debt only, this recapitalization was not intended to just raise liquidity but also to strengthen the balance sheet" (Andrén, 24.11.21).

6.1.2 Different Distribution or Other Types of Securities

In regards to issuing other types of securities such as equity warrants, convertible bonds, or preference shares, convertible bonds were an instrument that was up for discussion but was dismissed very early in the process stating that "it was nothing we were very interested in issuing with the reason being that convertible bonds do not have equity treatment. This was an important factor in the decision." (Almén, 21.10.21).

When it comes to preference shares, Andrén mentioned that SAS has experience from both issuing preference shares and hybrid notes and came to the conclusion that hybrid notes were the most appropriate instrument to use in this situation. The main reason is that the hybrid notes were expected to have a higher attractiveness in the market and that the general market trend seems to move more towards a higher preference for hybrid bonds over preference shares in these situations. The conclusion was drawn together with their advisor at SEB after several market analyses. Another reason why SAS chose the hybrid bonds instead of the preference shares was due to an expectation of what the bondholders would prefer. "It was probably more plausible for the bondholders to go from one bond investment to another, rather than to convert to an equity instrument, even though a preference share and hybrid bonds have similarities" (Andrén, 24.11.21). Furthermore, Almén mentions that issuing hybrid bonds is somewhat more straightforward than issuing preference shares where no rights issue of shares is required for the issuance of hybrid bonds. "There is a little less formality from a legal point of view to issue hybrid bonds than preference shares, but that did not matter too much for us since we were in a lot of complicated processes anyway." (Almén, 24.11.21). In addition, they also looked at what other airlines did and what instruments they were using in their recapitalizations which were similar to how the SAS recapitalization plan turned out. In conclusion, since the instruments with equity treatment are limited, SAS concluded that hybrid notes were the best alternative with recommendations from SEB, based on previous experiences and the general market behavior (Andrén, 21.10.21).

The second option mentioned was to issue fewer hybrid notes and more common shares or use a different distribution between those two instruments. However, this decision was not entirely made by SAS but was a result of discussions involving the governments of Sweden and Denmark and several negotiations with the bondholders. SAS did decide how the offer was structured, however given the “Bondholder Offer”, the number of hybrid notes related to common shares issued was also dependent on how the interest of the holder of the “Bonds” was distributed between the two alternatives in the offer.

The third option mentioned, to do only a share issue without adding hybrid securities, was brought up during the interview with analyst Pedersen who spoke in favor of that alternative. One reason to issue equity through a share issue rather than issuing hybrid bonds with the fee structure that comes with it is that it would be less costly for the company in terms of interest rates. This could thus be argued to be a more sustainable solution long term, and thereby favor shareholders’ interests. For those reasons, Pedersen argues that a full equity raise would have been the best long-term solution for SAS and he believes that the primary reason that it was not the decision to do so was due to regulations imposed on SAS by the European Commission. Furthermore, he comments on the decision to use hybrid notes: “They needed to establish a fund that was not direct equity, which was the hybrid bonds. Even if that is considered equity in the balance sheet it is debt that will be visible in SAS, and I think it will not be visible in SAS for more than 4-5 years because it will become too expensive for SAS and not sustainable long-term.” (Pedersen, 11.11.21). He mentioned one of the issues with the high costs related to the preference shares SAS issued earlier, and implied that the same issue will be relevant for the hybrid bonds, “the problem with the preference share was that almost all the money created in SAS went to the owners of the preference shares, the owners of the common shares received almost nothing” (Pedersen, 11.11.21).

Using the pecking order theory to determine how to think about additional sources of financing, equity is the last source that companies prefer to use, after retained earnings and debt. This is due to several reasons, where one of them is related to signaling issues. As discussed in section 6.1.1, the signaling issue becomes minor in the SAS case because it was obvious that the entire airline industry suffered from the crisis. It was already well known that the company was struggling and the reputation would thus not be as damaged as it would have been for a well-functioning company in a less distressing situation. The information asymmetries between management and investors were therefore smaller, implying that the stock decline should not be as large as in other cases.

One potential problem with doing only a share issue without adding hybrid securities is the complexity of the deal and the different stakeholders with varying incentives. Stakeholders that could have been against a share issue without hybrid securities are the owners of the “Bond”, who might not be interested in converting their bonds to common shares, but are more willing to convert their bonds to hybrid bonds. Some bondholders are not allowed to hold shares due to their mandates which is one reason why they were reluctant to convert their bonds to shares (Lönquist, 12.10.21). In contrast, there were some conflicting views even among the bondholders, as it turned out that surprisingly many were willing to convert their bonds to shares. Almén comments on the “Bondholder Offer”: “I was personally surprised that so many chose to convert to shares. I felt that when we started to discuss the “Bondholder Offer” that few would choose the alternative to convert their bonds to shares. Many did, so it was good that it was made an option” (Almén, 21.10.21).

Some stakeholders could be in favor of only a share issue without adding a hybrid instrument as a complement, namely the shareholders. Since the interest rates on the hybrid notes are high, a large share of the company's capital will be used to pay interest, thus the capital will be largely decreased which minimizes the share that goes to the shareholders. In that point of view, the shareholders would be better off in a share-issue if that implies a lower cost of financing and a lower share of the capital could be distributed to the shareholders. However, a share-only issue would imply a greater dilution of their ownership which implies that the share-only issue would be a trade-off between financing costs and the potential dilution.

The third option mentioned was to convert any of the other outstanding bonds instead of the “Bonds” and the “Existing Hybrid Notes”. There are several reasons why they did not choose that option. First, they chose unsecured bonds since those are typically the ones that are the easiest to renegotiate. Unsecured bonds have the highest interest rates, to begin with, and a lower priority in a potential bankruptcy, thus a worse state in a negotiation. Also, since the interest rates were the highest on the chosen securities to convert, the incentives to convert those to other securities are higher than converting bonds with a more beneficial interest rate. The fee structure of the hybrid bonds to which the Bonds and the Existing Hybrid Notes were offered to be converted to is implying that the interest rate will get high within a few years, thus it would not be beneficial to convert low-cost bonds into those Hybrid Notes of a higher cost. However, the interest rate on the hybrid notes is higher, or at least the fee structure of the hybrid notes means that it will be higher within a very short

timeframe, but the difference is less if converting the Bonds and the Existing Hybrid Notes than if converting any of the other bonds.

SAS was not assessed to be in as bad a situation as some of their competitors, which is the reason why they did not choose to, for example, convert their aircraft leases since that would risk harming the long-term relationship with the lessors. In addition, SAS was not sure that any effort to convert their aircraft leases as a part of the recapitalization plan would be successful (Andrén, 21.10.21). In addition to this, SAS assessed that they would still need all their aircraft and even had deliveries of aircraft during the pandemic. However, even if it was not relevant for SAS to convert their leases, they still negotiated with their lessors to get better terms both permanently and also being able to postpone some leasing payments.

6.1.3 Other Alternatives

The alternative to close down the company is dependent on the question whether Scandinavia needs their own aircraft company. This is a question that lies outside of the scope of this thesis, and awakening the matter of infrastructure and the impact on society. The question relates to section 2.1.1, describing why governments are invested in airlines which also explains the importance of the existence of those companies. The positive aspects of air transport on the economy as a whole is also mentioned in section 4.1, which serves as an additional explanation of the importance of the existence of SAS. Nevertheless, it was an alternative mentioned in the interviews which expanded the scope and complexity of the decision. Given the efforts made to make SAS survive, it is fair to assume that the assessment is that it is of importance that Scandinavia has their own airline company, which in the scope of this thesis dismisses the alternative to close down the company.

To argue that the best interest of the shareholders is to push the company into bankruptcy is complicated. In that case, the debtholders would get some of their credit back, whereas the shareholders would get nothing. Something that does speak in favor of this option however is that according to some of the bondholders, they would be more willing to take a larger haircut and write down their debt. Here again, the mandate that some bondholders have does not allow them to hold shares, thus they would value a cash payment higher than a payout in share, and be willing to convert their bonds at a lower par value. In that sense, it might be possible to get to a solution that is somewhat beneficial for the shareholders. Lönnquist commented: “many bondholders would probably accept a haircut at 20%, 30% or even 40% if we would receive cash instead of shares in exchange for their bonds. Maybe that would have been better for the states and the company, even if I do think

that the solution they came up with was probably for the best taking everything into account.” (Lönquist, 21.10.21).

6.1.4 Upper and Lower Bound for Equity Issuance

In terms of the lower and upper bound for SAS’s equity issuance, the regulations on mandatory liquidation need to be taken into consideration. In the SAS case, the registered share capital before the recapitalization was 7,689 million SEK, implying that the equity value needed to exceed 3,845 million SEK to not trigger the need to prepare a special balance sheet for liquidation purposes. The registered share capital was affected during the recapitalization and ended up being 8,650 million SEK (see appendix 9.11), (Bisnode, 2021).

If the parent company’s equity value would fall below the limit of 50% of the registered share capital, a need to prepare a special balance sheet for liquidation purposes would arise. Almén acknowledges that this was something that SAS continuously kept an eye on during the preparation for the recapitalization plan, to make sure no special balance sheet was needed. Fortunately, they were never in the situation where the rules were triggered, and could thus avoid having to start the process required in such a case. The recapitalization plan was not only intended to restore the equity value to avoid having to prepare a special balance sheet but served other purposes as well, it also needed to contribute liquidity to the company. To provide a sufficient amount of liquidity, the lower bound of the equity issuance was, therefore, higher than to be able to restore half of the registered share capital. Andrén mentions that they also paid attention to the expectation of how large the interest at the market would be which also served as one determinant of how much equity to raise. “It was a long process and several discussions, and a feeling of what the market could absorb at that time in the situation we were in, that set the lower bound” (Andrén, 24.11.21).

The upper bound of the equity issuance was set by the European Commission, SAS could not get a better financial position after the recapitalization to be granted support from the government meaning that the equity levels could not be higher compared to their total capital than before the transaction. In the state aid framework comparison is made to SAS financial position as of December 2019, setting the limit for equity intake in the recapitalization. The debt ratio to total capital was 67.7% in the SAS end-year report in October (see figure 3) out of SAS’s total capital, indicating the approximate limit for capital injection that could be achieved when implementing the recapitalization.

6.2 Evaluation of the Transactions

Evaluating whether the transaction in question was the right way to go and whether it generated the results wished for requires an analysis from several perspectives. Below, the transaction is evaluated based on who benefited from the recapitalization plan and who did not as well as how the new capital structure affects the company and the stakeholders.

6.2.1 Winners and Losers in the Transaction

First, when it comes to the different stakeholders and who were the winners and losers in the transaction, the opinions vary. As the company almost went bankrupt, Pedersen argued that the bondholders did not take the fair burden share and that the shareholders were the ones taking the biggest hit and came out as losers in the transaction. In addition, he mentioned that he was surprised that the normal structure for who gets paid in what order in bankruptcy did not seem to be followed. Pedersen mentioned for example the surprise that the customers, who in bankruptcy usually are the ones left empty-handed, did manage to get out with all their money back. “The real winners from this recapitalization (...) were the customers, they got all their money back. (Other winners in the transaction are) the bondholders. The shareholders were left, not empty-handed but at least with a very long nose, and had to take a huge hit.” (Pedersen, 11.11.21).

Pedersen argues that one of the winners, in addition to the bondholders and the customers, in the transaction were the employees that stayed in the company since those were the ones with the highest salary and still got to keep their job in the distressed situation (Pedersen, 11.11.21). However, conflicting views nuanced the picture that the ones staying in the company could be the ones carrying a large burden, since the high workload following from the reduced workforce was fully carried by the few workers staying in the company. In addition to this, the state aid that SAS was granted came with restrictions on for example prohibition of bonus payments and other restrictions on compensation to SAS management which gives a part of the burden to the managers who stayed. What contradicts this generalization is that it seems like the different groups of employees were affected differently in terms of workload. For example, Ericsson witnesses that the workload for the pilots that got to keep their job in the reorganization was very low, “we had barely anything to do”, he states. This implies that even though some employees that stayed might have had a higher workload, this is not true for all of the employees. In contrast, Ericsson argued that those who lost their jobs were the ones carrying the greatest burden from the recapitalization (Ericsson, 12.11.21).

Related to the massive cut in workforce, some argue that it was not as efficient as it could have been in regards to cutting the costs. “The pilots with the low salaries were fired and the pilots with the higher salary were the ones that could stay with the company, so even if SAS cut half their workforce they only got rid of a third of the salary costs. But I think that at that time the company did what was possible.”, Pedersen argues. He claims that the company did what was possible given the tight restrictions the management has upon them, “that is one of the problems, management decisions are not entirely up to management, usually the pilots, cabin crew, the labor unions and the workers of SAS also have a hand on the wheel in the cockpit.” (Pedersen, 11.11.21).

6.2.2 The New Capital Structure

One of SAS’s intentions was to raise their equity levels in relation to their debt. Almén reflects upon the recapitalization’s success in terms of that goal: “if we can show that the company will survive the crisis if the capital injection is implemented then we have a company that is attractive to be a shareholder in. In that way we succeeded, both with balancing the amount of the recapitalization and also to attract interest from the market.” (Almén, 21.10.21). However, the capital structure and SAS financial situation after the recapitalization do not come without issues. The main problem mentioned is the fee structure on the hybrid notes which in a short time means that SAS will have large costs for interest rates, both in comparison to their costs before the recapitalization but also compared to their competitors. This will lead to several disadvantages both financially but also operationally and could lead to issues in keeping the market share they currently have. First, they will get a harder time handling the interest rate burden that comes from increasing costs. Second, it is a disadvantage from a competitor’s point of view to have higher funding costs than the other airlines within the same market (Pedersen, 11.11.21).

Pedersen believes that SAS will have to raise more capital within the upcoming 4-5 years due to the fee structure and his view that the current capital structure is not a long-term solution for SAS. “If you look at what the company has gained from the equity raise in the recapitalization and compare it with the debt from COVID-19, it is obvious that the equity in SAS is almost only hybrid bonds, which is in fact debt, and not a good long-term solution for the company.” (Pedersen, 11.11.21).

7 Conclusion

SAS's recapitalization plan was a response to the liquidity crisis caused by the COVID-19 pandemic. Even if SAS in theory had several options to handle the liquidity crisis the company was in, the practical alternatives were limited. As a result, the decision was not entirely made by SAS but affected by several stakeholders. With a case study, this thesis tries to answer the following research questions: *How did SAS manage the liquidity crisis during the COVID-19 outbreak? Why did SAS implement the recapitalization plan during the COVID-19 pandemic, what were the alternatives?* How SAS managed the liquidity crisis was through the recapitalization plan, and the reason why it was implemented in the way it was is mainly due to three reasons.

First, SAS had an upper and lower bound on the amount of equity issued, which determined the size of the recapitalization. The financial position and need to improve the balance sheet, limitations put on the board to avoid personal liability as well as the expected market interest and liquidity requirements put a lower bound on the amount of equity that SAS had to issue. The upper bound of the equity amount issued was set by the European Commission, SAS could not get a better financial position after the recapitalization to be granted support from the government meaning that the equity levels could not be higher compared to their total capital than before the transaction.

Second, the stakeholders of SAS put limitations on the terms of the recapitalization plan and the conditions for the conversions. SAS's initial proposed recapitalization plan was renegotiated with the bondholders, resulting in different terms and conditions than the ones SAS initiated.

Third, SAS was limited in which instruments to use in the transaction due to their financial position and the motive behind the recapitalization plan. SAS needed to issue securities with equity treatment to strengthen their balance sheet and raise liquidity at the same time.

7.1 Future Research

For future research, we have identified two potential research topics. First, as this thesis is written shortly after the recapitalization plan was implemented, an interesting topic would be to research the implications of the recapitalization plan in a couple of years, studying if the results of the recapitalization plan turned out as it hoped. As some interviewees mentioned that they believe that SAS will have to undergo an additional rights issue in a couple of years,

stating that the recapitalization plan is not sustainable long-term, a study on the long-term effects of the recapitalization plan is interesting to investigate. Second, when the pandemic is over, future research could study the long-term effects COVID-19 has had on the demand within the airline industry and if the pandemic changed the industry fundamentally.

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9 Appendix

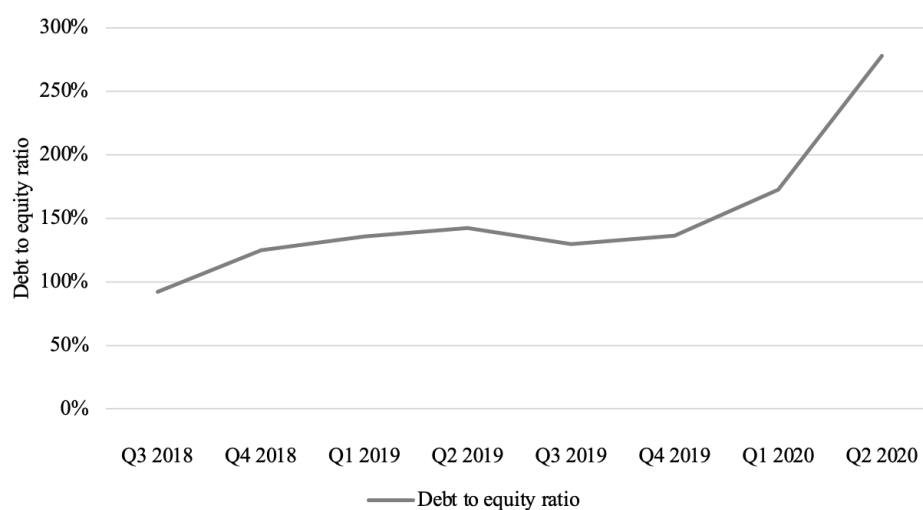
9.1 Global Airline Index: Aggregated Key Ratios

Currency: USD	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Total Revenue	519,8	490,9	454,1	534,1	566,0	533,3	392,1	93,2
Gross Profit	155,4	134,5	108,0	156,0	174,7	146,7	49,9	(96,1)
<i>Margin %</i>	<i>30%</i>	<i>27%</i>	<i>24%</i>	<i>29%</i>	<i>31%</i>	<i>28%</i>	<i>13%</i>	<i>-103%</i>
Operating Income	70,9	46,1	21,7	61,1	77,4	49,0	(38,9)	(145,4)
EBITDA	99,6	72,4	50,9	90,8	110,7	76,1	(6,2)	(113,6)
<i>Margin %</i>	<i>19%</i>	<i>15%</i>	<i>11%</i>	<i>17%</i>	<i>20%</i>	<i>14%</i>	<i>-2%</i>	<i>-122%</i>
EBIT	70,9	46,1	21,7	61,1	77,4	49,0	(38,9)	(145,4)
<i>Margin %</i>	<i>14%</i>	<i>9%</i>	<i>5%</i>	<i>11%</i>	<i>14%</i>	<i>9%</i>	<i>-10%</i>	<i>-156%</i>
Net Income	50,6	29,7	13,1	40,4	56,9	30,7	(77,4)	(127,7)
<i>Margin %</i>	<i>10%</i>	<i>6%</i>	<i>3%</i>	<i>8%</i>	<i>10%</i>	<i>6%</i>	<i>-20%</i>	<i>-137%</i>

All values are expressed as per share items.

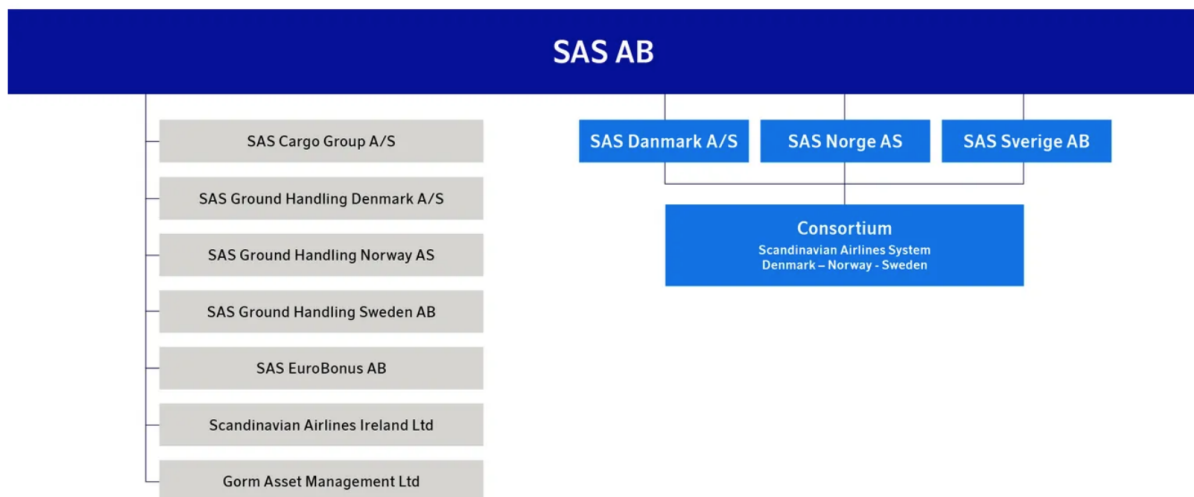
Source: Capital IQ (2020b)

9.2 Global Airline Index: Aggregated Capital and Debt to Equity Ratio



Source: Capital IQ (2020b)

9.3 SAS Holding Company Structure



Source: SAS (2020g)

9.4 SAS Credit Ratings

SAS historical credit ratings (Standard & Poor)		
<i>Date</i>	<i>Credit rating</i>	<i>Outlook</i>
4-Sep-07	BB	Stable
22-Jul-08	BB-	Stable
6-Nov-08	B	Developing
6-Nov-09	B-	Negative
19-Nov-12	CCC+	Watch Negative
5-Aug-13	B-	stable
8-Jul-16	B	stable
13-Nov-17	B+	stable
20-May-20	B	Watch Negative
10-Jun-20	CCC	Watch Negative

Source: S&P Global Ratings (2021)

9.5 SAS Share Capital

CHANGE IN SHARE CAPITAL¹

	Event	No. of new shares	Total no. of shares	Nominal value/share, SEK	Nominal share capital
May 2001	Company registration	50,000	50,000	10	500,000
July 2001	Non-cash issue	155,272,395	155,322,395	10	1,553,223,950
August 2001	Non-cash issue	6,494,001	161,816,396	10	1,618,163,960
May 2002 ²	New share issue, common shares	2,683,604	164,500,000	10	1,645,000,000
April 2009	New share issue, common shares	2,303,000,000	2,467,500,000	2.5	6,168,750,000
April 2010	New share issue, common shares	7,402,500,000	9,870,000,000	0.67	6,612,900,000
June 2010	Reverse split, common shares	-	329,000,000	20.1	6,612,900,000
February 2014	New issue of preference shares	7,000,000	336,000,000	20.1	6,753,600,000
January 2016	Conversion of convertible bond	1,082,551	337,082,551	20.1	6,775,359,275
November 2017	New share issue, common shares	52,500,000	389,582,551	20.1	7,830,609,275
February 2018	Redemption, preference shares	-4,898,448	384,684,103	20.1	7,732,150,470
November 2018	Redemption, preference shares	-2,101,552	382,582,551	20.1	7,689,909,275
September–November 2020	Reduction of share capital			-19.35	-7,402,972,362
Recapitalization	Bonus issue				+3,200,000,000
	Conversion of bond	+547,413,777		0.75	+410,560,333
	Conversion of hybrid bond	+1,163,793,087		0.75	+872,844,815
	Directed issue	+1,729,170,833		0.75	+1,296,878,125
	Rights issue	+3,437,102,162		0.75	+2,577,826,622
	Shares registered in November	+5,976,882		0.75	+4,482,662
	Total		7,266,039,292	1.19	8,649,529,469

Source: SAS (2020g)

9.6 SAS Key Ratios

Currency: SEK	October-18	January-19	April-19	July-19	October-19	January-20	April-20
Total Revenue	12 678,0	9 405,0	9 871,0	13 401,0	13 435,0	9 707,0	5 264,0
Gross Profit	8 714,0	2 666,0	3 635,0	5 296,0	5 266,0	3 402,0	(773,0)
<i>Margin %</i>	<i>69%</i>	<i>28%</i>	<i>37%</i>	<i>40%</i>	<i>39%</i>	<i>35%</i>	<i>-15%</i>
Operating Income	1 278,0	(452,0)	(1 122,0)	1 574,0	3 098,0	(1 094,0)	(4 039,0)
EBITDA	1 568,0	(33,0)	(667,0)	1 992,0	3 564,0	(630,0)	(3 581,0)
<i>Margin %</i>	<i>12%</i>	<i>0%</i>	<i>-7%</i>	<i>15%</i>	<i>27%</i>	<i>-6%</i>	<i>-68%</i>
EBIT	1 278,0	(452,0)	(1 122,0)	1 574,0	3 098,0	(1 094,0)	(4 039,0)
<i>Margin %</i>	<i>10%</i>	<i>-5%</i>	<i>-11%</i>	<i>12%</i>	<i>23%</i>	<i>-11%</i>	<i>-77%</i>
Net Income	623,0	(469,0)	(933,0)	1 162,0	861,0	(861,0)	(3 470,0)
<i>Margin %</i>	<i>5%</i>	<i>-5%</i>	<i>-9%</i>	<i>9%</i>	<i>6%</i>	<i>-9%</i>	<i>-66%</i>

Expressed as in millions of the trading currency.

Source: Capital IQ (2020a)

9.7 SAS Stock Price Before Recapitalization Plan



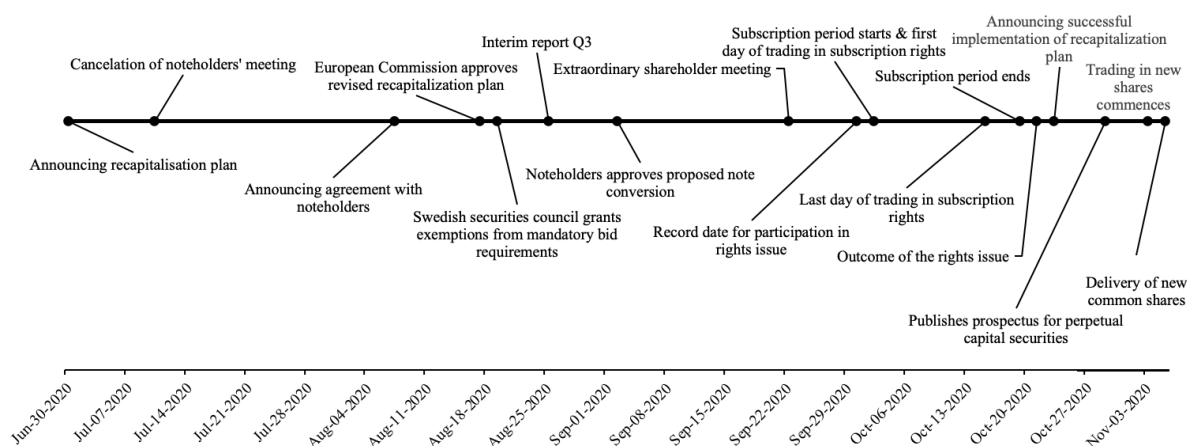
Source: Capital IQ (2020a)

9.8 S&P Airline Credit Ratings

S&P Global: Long-Term Ratings And Outlooks On Airlines				Notches downgrade during COVID-19
Company	Region	Feb. 1, 2020	Aug. 12, 2020	
Ryanair Holdings PLC	EMEA	BBB+/Stable	BBB/Watch Neg	1
Southwest Airlines Co.	North America	BBB+/Stable	BBB/Watch Neg	1
easyJet PLC	EMEA	BBB+/Stable	BBB-/Watch Neg	2
British Airways PLC	EMEA	BBB/Stable	BB/Negative	3
Delta Air Lines Inc.	North America	BBB-/Stable	BB/Negative	2
Deutsche Lufthansa AG	EMEA	BBB/Stable	BB/Negative	3
International Consolidated Airlines Group, S.A.	EMEA	BBB/Stable	BB/Negative	3
Alaska Air Group Inc.	North America	BB+/Stable	BB-/Negative	2
Air Canada	North America	BB+/Stable	BB-/Watch Neg	2
JetBlue Airways Corp.	North America	BB/Stable	B+/Negative	2
United Airlines Holdings, Inc	North America	BB/Positive	B+/Negative	2
Air Baltic Corp AS	EMEA	BB-/Stable	B/Stable	2
Allegiant Travel Co.	North America	BB-/Stable	B/Negative	2
Spirit Airlines Inc.	North America	BB-/Stable	B/Negative	2
Turk Hava Yollari A.O.	EMEA	B+/Stable	B/Negative	1
American Airlines Group Inc.	North America	BB-/Stable	B-/Negative	3
Transportes Aereos Portugueses, SGPS, S.A.	EMEA	BB- prelim/Stable	B-/Watch Neg	3
WestJet Airlines Ltd.	North America	B+/Stable	B-/Watch Neg	2
Hawaiian Holdings Inc.	North America	BB-/Stable	CCC+/Negative	4
Azul S.A.	Latam	B+/Stable	CCC-/Negative	5
Gol Linhas Aereas Inteligentes S.A.	Latam	B/Stable	CCC-/Watch Neg	4
SAS AB	EMEA	B+/Stable	CC/Negative	6
Avianca Holdings S.A.	Latam	B-/Stable	D	5
Grupo Aeromexico S.A.B. de C.V.	North America	BB-/Negative	D	8
Latam Airlines Group S.A.	Latam	BB-/Stable	D	8
Virgin Australia Holdings Ltd.	APAC	B+/Stable	D	7

Source: Capital IQ (2020a)

9.9 Timeline



Source: Illustrated by thesis writers

9.10 SAS Detailed View Over Current Bonds

FY 2019 (Oct-31-2019) Capital Structure As Reported Details									
Description	Type	Principal Due			Maturity	Seniority	Secured	Convertible	Repayment Currency
		(SEK)	Coupon/Base Rate	Floating Rate					
Bond - MEUR 10.0	Bonds and Notes	107,0	4.000%	NA	2021	Senior	No	No	EUR
Bond - MEUR 30.0	Bonds and Notes	320,0	3.700%	NA	2022	Senior	No	No	EUR
Bond - MEUR 35.0	Bonds and Notes	373,0	4.400%	NA	2020	Senior	No	No	EUR
Credit Facility, MEUR 150	Revolving Credit	-	NA	NA	2021	Senior	No	No	EUR
Credit Facility, MUSD 137 *	Revolving Credit	33,0	NA	NA	2021	Senior	Yes	No	USD
Credit Facility, MUSD 26 *	Revolving Credit	53,0	NA	NA	2020	Senior	No	No	USD
Credit Facility, MUSD 26 *	Revolving Credit	182,0	NA	NA	2020	Senior	No	No	USD
Credit Facility, MUSD 34 *	Revolving Credit	289,0	NA	NA	2021	Senior	No	No	USD
Credit Facility, MUSD 57 *	Revolving Credit	442,0	NA	NA	jan-01-2023	Senior	Yes	No	USD
Finance Leases *	Capital Lease	5 275,0	3.910%	NA	-	Senior	Yes	No	SEK
Subordinated Loans - Bond	Bonds and Notes	1 240,0	0.625%	NA	-	Subordinated	No	No	CHF
Unsecured Bond	Bonds and Notes	1 500,0	5.375%	NA	nov-01-2022	Senior	No	No	SEK
Unsecured Bond	Bonds and Notes	750,0	4.730%	NA	nov-01-2022	Senior	No	No	SEK

Source: Capital IQ (2020a)

9.11 SAS Registered Share Capital

Kapitalförändringar

Ärendenr	Förändring	Förändrat belopp	Summa efter ändring	Registrerat
689163/2020	Nyemission	18 750,00 kr	8 649 529 469,00 kr	2020-11-06
676292/2020	Nyemission	4 463 911,50 kr	8 649 510 719,00 kr	2020-11-04
663299/2020	Fondemission	3 200 000 000,00 kr	8 645 046 807,50 kr	2020-10-30
663299/2020	Nyemission	872 844 815,25 kr	5 445 046 807,50 kr	2020-10-30
663299/2020	Nyemission	410 560 332,75 kr	4 572 201 992,25 kr	2020-10-30
663299/2020	Nyemission	2 577 826 621,50 kr	4 161 641 659,50 kr	2020-10-30
663299/2020	Nyemission	1 296 878 124,75 kr	1 583 815 038,00 kr	2020-10-30
663299/2020	Minskning	-7 402 972 361,85 kr	286 936 913,25 kr	2020-10-30
651442/2018	Minskning	-42 241 195,20 kr	7 689 909 275,10 kr	2018-11-27
85794/2018	Minskning	-98 458 804,80 kr	7 732 150 470,30 kr	2018-02-15
671215/2017	Nyemission	649 860 376,20 kr	7 830 609 275,10 kr	2017-11-13
669067/2017	Nyemission	405 389 623,80 kr	7 180 748 898,90 kr	2017-11-09
35407/2016	Utbyte konv	21 759 275,10 kr	6 775 359 275,10 kr	2016-01-20
74646/2014	Nyemission	140 700 000,00 kr	6 753 600 000,00 kr	2014-03-05
261053/2010	Nyemission	16 481 037,21 kr	6 612 900 000,00 kr	2010-05-21
233104/2010	Nyemission	4 943 193 962,79 kr	6 596 418 962,79 kr	2010-05-06
233104/2010	Minskning	-4 515 525 000,00 kr	1 653 225 000,00 kr	2010-05-06
177499/2009	Nyemission	23 666 697,50 kr	6 168 750 000,00 kr	2009-04-29
145679/2009	Minskning	-1 233 750 000,00 kr	6 145 083 302,50 kr	2009-04-16
145679/2009	Nyemission	5 733 833 302,50 kr	7 378 833 302,50 kr	2009-04-16
68723/2002	Nyemission	26 836 040,00 kr	1 645 000 000,00 kr	2002-04-18
149342/2001	Nyemission	64 940 010,00 kr	1 618 163 960,00 kr	2001-08-29
119523/2001	Nyemission	1 552 723 950,00 kr	1 553 223 950,00 kr	2001-07-03
71243/2001	Nyemission	400 000,00 kr	500 000,00 kr	2001-05-04
28513/2001	Nybildning	100 000,00 kr	100 000,00 kr	2001-02-23

Source: Bisnode (2021)