

20 April 2020

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

## Moody's Ratings Update

Virgin Australia Holdings (ASX: VAH & VAHHA) provides the attached Moody's Updated Rating for release to the market, revising its long term credit ratings for the Group.

ENDS

This announcement was authorised for release by Virgin Australia Group CEO and Managing Director, Paul Scurrah.

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# MOODY'S

## INVESTORS SERVICE

### Rating Action: Moody's downgrades Virgin Australia to Caa1 from B3

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17 Apr 2020

Sydney, April 17, 2020 -- Moody's Investors Service has today downgraded Virgin Australia Holdings Limited's Corporate Family Rating to Caa1 from B3. Concurrently, Moody's has downgraded Virgin's senior unsecured and backed senior unsecured ratings to Caa2 from Caa1, and its backed senior unsecured MTN program to (P)Caa2 from (P)Caa1.

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Moody's has also left all ratings on review for further downgrade.

#### RATINGS RATIONALE

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. The passenger airline sector has been one of the sectors most significantly affected by the shock given its exposure to travel restrictions and sensitivity to consumer demand and sentiment. Today's action reflects the impact on Virgin of the breadth and severity of the shock, and the broad deterioration in credit quality it has triggered.

The rating action was prompted by the announcement that Virgin's shares had been suspended from official quotation on the ASX pending the release of an announcement regarding its ongoing financial assistance and restructuring alternatives.

Moody's base case assumption is that any outcome is likely to result in an economic loss to creditors relative to the value of the debt obligation's original promise.

#### LIQUIDITY

Moody's estimates that Virgin had approximately AUD900 million of unrestricted cash on its balance sheet in mid-March and minimal availability under its credit facilities. While the airline has no new aircraft deliveries until July 2021, and no significant debt maturities until October 2021, significantly lower bookings as it cuts capacity will lead to material cash burn in the short term. The pace and quantum of Virgin's cost reductions will be a critical factor in reducing the cash burn and ensuring it has the liquidity to meet its obligations.

#### ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

Moody's regards the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety.

Virgin is listed on the Australian Securities Exchange but around 90% of the company is owned by five key shareholders: Etihad Airways (20.94% stake), Singapore Airlines (20.09%), Nanshan Group (19.98%), HNA Group (19.82%) and Virgin Group (10.42%). Half of Virgin's board is comprised of independent directors, with the other half comprised of the CEO and directors appointed by its five key shareholders.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Moody's review will focus on (1) the details of any announcement by Virgin on its capital structure and liquidity, (2) the spread of the virus within Australia, as Virgin is largely a domestic airline, (3) any significant government support for the airline sector that would improve Virgin's liquidity, and (4) the airline's ability to reduce costs to reduce the cash burn.

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Passenger Airline Industry published in April 2018 and

available at [https://www.moodys.com/research/Passenger-Airline-Industry--PBC\\_1091811](https://www.moodys.com/research/Passenger-Airline-Industry--PBC_1091811) . Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

## COMPANY PROFILE

Virgin Australia Holdings Limited, headquartered in Brisbane, is Australia's second largest airline following its launch in 2000 and listing on the Australian Securities Exchange in 2003. As of fiscal 2019, it had generated revenues of AUD5.8 billion and carried around 24.8 million passengers.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1133569](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569) .

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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