

Shares in Latin America's biggest airline plunge after bankruptcy filing

May 27 2020, by Miguel Sanchez



LATAM, Latin America's largest airline, has filed for bankruptcy protections because of the impact on travel of the coronavirus pandemic

Shares in Latin America's largest airline plunged on the New York and Santiago stock exchanges on Tuesday after LATAM filed for bankruptcy in the US.

LATAM has suffered a drastic slump in business due to the coronavirus pandemic, which has hit travel and tourism all over the world. Last month the airline scaled back operations by 95 percent.

"LATAM entered this crisis as a healthy and profitable group of airlines," chief executive Roberto Alvo said in a statement.

"But we're subject to exceptional circumstances that have provoked a collapse in the [global demand](#) for our services and we're currently operating about five percent of our passenger flights."

He added: "We've had to take difficult but necessary measures to guarantee our long-term sustainability in these extraordinary times."

The shares opened with a drop of close to 50 percent on the NYSE, but recovered quickly before stabilizing at around a 35 percent drop.

Having been suspended for three hours at opening in Santiago, they had lost 36 percent by the close.

The news came after Chile's government said it was considering a bailout to help LATAM, whose headquarters is in the capital Santiago.

LATAM ended 2019 with liabilities, including debt, worth almost \$18 billion.

The decision to file for bankruptcy means "the [company](#) can now sit down and renegotiate these debts," Alvo told the online version of the Pulso newspaper.

"The law in the US allows us to unilaterally terminate a number of contracts, for example aircraft lease contracts."

He said this would allow the company to "adapt to a new demand situation."

Earlier on Tuesday, Alvo said the company had "entered into a voluntary reorganization under Chapter 11 protection in the United States."

Chapter 11 proceedings allow a company that is no longer able to repay its debt to restructure under court supervision without pressure from creditors.

'No help for owners'

Chile's government said it would study the possibility of bailing out LATAM.

"Here there is a country decision that we have to take," said Chile's finance minister Ignacio Briones, before adding that "the government will evaluate whether it is convenient and opportune to contribute to the LATAM reorganization process."

Speaking to Radio Cooperativa, Briones said the government would decide whether and how to bail out LATAM.

"Any (state) help to a company is not help for the owners," he said.

However, in a statement he said that LATAM "is a strategic company for Chile," noting that it directly generates 10,000 jobs and indirectly helps employ 200,000 people through 2,000 suppliers.

He also pointed to the company's importance to industrial imports,

[agricultural exports](#), tourism, mining and the connectivity of a country that stretches over 4,000-kilometers (2,500 miles) from north to south.

Ten days ago, LATAM announced it was laying off 1,400 out of its 42,000 employees in South America.

After it announced bankruptcy proceedings, the Chilean-Brazilian airline said there would be no immediate impact on passenger or [cargo flights](#).

Last week the company said it would start gradually restarting its operations from June.

"We believe that the Chilean government's help and that of other governments is essential," added Alvo.

The news came just two weeks after Latin America's second largest airline, Colombia's Avianca, also filed for bankruptcy in the US to reorganize its debt "due to the unpredictable impact" of the pandemic.

The International Air Transport Association has forecast a \$15 billion loss in revenue for Latin American airlines this year.

Before the pandemic, LATAM—a merger of Chile's LAN and Brazil's TAM—flew to 145 destinations in 26 countries, operating around 1,400 flights a day.

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