

Rolls-Royce losses double as virus hits aviation sector

March 11 2021, by Roland Jackson



The company saved more than £1.0 billion in costs last year, including via the loss of 7,000 jobs in a restructuring drive that seeks to shed "at least" 9,000 roles by the end of 2022.

British aircraft engine maker Rolls-Royce said Thursday that net losses more than doubled last year to £3.2 billion as the coronavirus pandemic hammered the aviation sector and forced it to axe thousands of jobs.

The deadly Covid-19 pandemic had a "severe impact" on the group's

performance and near-term outlook, Rolls-Royce said in a results statement.

The loss after tax, equivalent to \$4.4 billion or 3.7 billion euros, compared with a loss of £1.3 billion in 2019.

The aviation industry was ravaged last year as the contagion grounded aircraft worldwide and sparked a crisis in air transport.

Rolls, which operates in the air, defence and energy sectors, has slashed costs as it seeks to navigate damaging fallout.

The company saved more than £1.0 billion in costs last year, including via the loss of 7,000 jobs as part of a planned restructuring drive.

"2020 was an unprecedented year," said Chief Executive Warren East.

"The impact of the Covid-19 pandemic on the group was felt most acutely by our civil aerospace business."

'Regrettable' job cuts

East said the company responded swiftly by "launching the largest restructuring in our recent history, consolidating our global manufacturing footprint and delivering significant cost reduction measures."

The firm suffered a record underlying pre-tax loss of £4.0 billion, which contrasted with profit of £583 million a year earlier.

Revenues tanked almost 29 percent to about £11.8 billion.

East said the group had taken "decisive actions" to enhance its finances

and improve operational efficiency.

He noted that this resulted "in a regrettable, but unfortunately very necessary, reduction in the size of our workforce".

The engine giant is seeking to axe at least 9,000 roles in total—or 17 percent of its global workforce—by the end of 2022.

The company, whose products power Airbus and Boeing aircraft, also secured extra liquidity via a rights issue, bonds, and further credit facilities last year.

In total, Rolls-Royce raised £7.3 billion to survive the pandemic via shareholders and borrowing from the Bank of England.

The group also launched a £2.0-billion asset disposal plan in August.

Rolls had announced last month that it would temporarily shut its jet engine factories for a fortnight this summer to combat slumping demand.

'Hard' road back

Looking ahead, the company warned Thursday of a "highly uncertain" near-term outlook for civil aerospace—but was broadly optimistic over a vaccine-led recovery in the long term.

"We continue to plan for a range of recovery scenarios, including the risk of further setbacks to the recovery in air travel caused by new strains of the Covid-19 virus," Rolls said.

"However, our central assumption is for a gradual market recovery in 2021, with a slow start to the year but accelerating in the second half as

global vaccine roll-outs progress and travel restrictions ease."

In Thursday morning London deals, Rolls shares gained 1.6 percent to 114.75 pence on London's rising FTSE 100 index.

CMC Markets analyst Michael Hewson noted that "air travel is unlikely to be able to return to any semblance of normal this year.

"This morning's numbers are a sobering reminder of how much damage the pandemic has done to an iconic brand—and also illustrate how hard the long road back will be."

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