Virus-hit Rolls-Royce boosts finances with £5.0bn plan

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British aerospace giant Rolls-Royce, facing plunging demand as the coronavirus pandemic sparks an air transport crisis, launched plans Thursday to shore up its finances by up to £5.0 billion ($6.4 billion, 5.5 billion euros).

The company, whose products power Airbus and Boeing aircraft, is strengthening its balance sheet to help navigate the damaging fallout from the ongoing global health emergency that has grounded jets worldwide.

Rolls-Royce said in a statement that the package would comprise a £2.0-billion rights issue of shares, a bond offering of at least £1.0 billion, a new £1.0-billion loan facility, plus state support from UK Export Finance for an extension of an existing loan guarantee of up to £1.0 billion.

"These steps will provide the group with improved financial resilience and a more appropriate balance sheet structure in order to weather macro-economic risks before we return to strong cash generation, expected in 2022," Rolls said.

The "longer-term prospects remain strong," it added.

'Sharp deterioration'

The company also revealed it would complete 5,000 of the group's 9,000 planned job cuts by the end of this year.

"The sudden and material effect of the COVID-19 pandemic has had a significant impact on the commercial aviation industry, resulting in a sharp deterioration in the financial performance of our civil aerospace business and, to a lesser extent, our power systems business," said Chief Executive Warren East.

"We are undertaking decisive and transformative action to fundamentally restructure our operations, materially reduce our cost base and improve our financial position."

Thursday's announcement comes one month after Rolls-Royce—which operates in the air, defence and energy sectors—logged a massive net loss of £5.4 billion for the first half of 2020 as the virus outbreak worsened.

It also unveiled a £2.0-billion asset disposal programme last month as part of an ongoing overhaul.

"In our initial response to the COVID-19 outbreak, we rapidly implemented a number of proactive safety measures, in line with local and national guidelines, designed to ensure the safety and wellbeing of our people," the company said.

"We also implemented a set of measures to conserve cash from March 2020. Alongside this we took early actions to bolster our liquidity position, securing £4.2 billion of additional funding."

'Uncertainty' over recovery

The group was meanwhile cautious over the potential recovery of

international air transport.

"The pathway to strong cash flow, however, remains dependent on the timing and shape of recovery from COVID-19, notably with regards to long-haul air travel," it said.

"There is significant uncertainty about the precise pace of this recovery and the possibility of delays remains a risk. The board considers it prudent to prioritise resilience and flexibility."

The International Air Transport Association has warned that global air traffic will not return to pre-pandemic levels until at least 2024.

In Thursday morning deals, Rolls-Royce shares slid 2.7 percent to 126.50 pence while London's FTSE 100 index was 0.7 percent higher at 5,906.89 points.

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