

Korean Air to take over troubled Asiana Airlines for \$1.6 bn

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Korean Air will pay for Asiana using cash raised in a rights issue

South Korean flag carrier Korean Air said Monday it will buy out its smaller, troubled rival Asiana Airlines in a \$1.6 billion deal as it looks to consolidate with the global aviation sector devastated by the coronavirus pandemic.

The deal combining South Korea's two biggest airlines comes as carriers around the world struggle with low demand, haemorrhaging cash and grounding planes to survive.

"The main reason behind Korean Air's decision to acquire Asiana Airlines at this time is to stabilise the Korean aviation industry, which is suffering from the Covid-19 pandemic," Korean Air said in a statement.

"Once Korean Air completes its acquisition of Asiana Airlines, the airline is expected to be ranked as one of the top 10 airlines in the world."

Korean Air said it would pay 1.8 trillion won (\$1.6 billion) for Asiana, using cash from a 2.5 trillion won rights issue early next year. The deal also

includes Asiana's affiliates, including low-cost carriers Air Seoul and Air Busan.

"Considering that Korean Air's financial status could also be endangered if the Covid-19 situation is prolonged, it is inevitable to restructure the domestic aviation market to enhance its competitiveness," Korean Air added.

Asiana has long been plagued by financial problems, prompting parent company Kumho Industrial to put its 31 percent stake up for sale last year as it came under pressure from its creditors.

A previous deal for South Korean builder HDC Hyundai Developer to buy Asiana collapsed in September as the pandemic tore through the aviation industry.

Asiana reported operating losses of 268 billion won in the first six months of this year—with its debts soaring to 11.5 trillion won.

But Korean Air and its parent firm Hanjin Group expect Asiana's acquisition to boost their competitiveness in the global market.

"In general, countries with a population less than 100 million have a single full-service carrier," they said in a statement.

"However, Korea has two full-service carriers, which gives it a competitive disadvantage compared to countries like Germany, France and Singapore with a single major airline."

The Asiana deal will "give the airline the competitiveness to compete with global mega airlines".

South Korean's Yonhap news agency reported that the country's transport ministry and Asiana's creditors, including state-run Korea Development Bank, saw the deal as "inevitable" to prevent

greater losses during the pandemic.

The deal also involves an investment from Korea Development Bank, which said it hopes to get regulatory approvals by the end of next year, according to Bloomberg News.

State-run KDB said earlier Monday that it hopes to complete the transactions this year and seek approvals from antitrust bodies globally by the end of 2021.

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