



ETIHAD AIRWAYS ACCELERATES TRANSFORMATION PLAN TO MITIGATE IMPACT OF PANDEMIC

News / Airlines, Finance



Etihad Airways has announced its financial and operating results for 2020, recording a 76% fall in passengers carried throughout the year (4.2 million, compared to 17.5 million in 2019) as a result of lower demand and reduced flight capacity caused by the unparalleled global downturn in commercial aviation.

As a consequence of the Covid pandemic and ensuing flight and travel restrictions, total passenger capacity was reduced by 64% in 2020 to 37.5 billion Available Seat Kilometres (ASKs), down from 104 billion in 2019, with the seat load factor declining to 52.9%, 25.8 percentage points lower compared to 2019 (2019: 78.7%).

The airline recorded US \$1.2 billion passenger revenues in 2020, down by 74% from US \$4.8 billion in 2019, due to fewer scheduled services and drastically fewer people travelling. A contributing factor to this was the total suspension of passenger services into and out of the UAE from end of March until early June 2020 to limit the spread of Covid, in line with a UAE government mandate. More than 80% of total passengers carried in 2020 were flown during the first three months of the year, demonstrating the precipitous drop in demand as the global crisis deepened over the course of the year.

The airline's cargo operation, on the contrary, recorded an extremely strong performance, with a 66% increase in revenue from US \$0.7 billion in 2019 to US \$1.2 billion in 2020, driven by huge demand for medical supplies such as Personal Protective Equipment (PPE) and pharmaceuticals, paired with limited global airfreight capacity. Cargo yield saw an improvement of 77%.

Operating costs meanwhile decreased by 39% year-on-year, from US \$5.4 billion in 2019 to US \$3.3 billion in 2020, due to a combination of reduced capacity and volume-related expenses, as well as a focus on cost containment initiatives. Overheads reduced by 25% to US \$0.8 billion (2019: US \$1.0 billion) in this timeframe, despite their fixed nature, owing to cash and liquidity management initiatives during the crisis, while the finance cost reduced by 23% through an ongoing focus on balance sheet restructuring.

Overall, this resulted in a core operating loss of US \$1.70 billion (2019: US \$0.80 billion) in 2020, with the EBITDA turning to negative US \$0.65 billion (2019: positive US \$0.45 billion).

Prior to the pandemic, Etihad was ahead of transformation targets set in 2017, having registered a 55% cumulative improvement in core results by end-of-year 2019. This momentum continued into the start of 2020, with a record first quarter (Q1) that showed year-on-year improvement of 34%. The airline is continuing to target a complete turnaround by 2023, having accelerated its transformation plans and restructured the organisation during the pandemic into a leaner and more agile business.

Tony Douglas, Group Chief Executive Officer, said: "Covid shook the very foundation of the aviation industry, but thanks to our dedicated people and the support of our shareholder, Etihad stood firm and is ready to play a key role as the world returns to flying. While nobody could have predicted how 2020 would unfold, our focus on optimising core business fundamentals over the past three years put Etihad in good stead to respond decisively to the global crisis. We have taken bold action to protect our people and our guests, develop an industry-leading health and hygiene programme, and restructure our business to better position us for recovery. As the world's first airline to vaccinate all our operating pilots and cabin crew against Covid, we are ready to welcome back travellers to experience best-in-class travel with Etihad Airways."

Adam Boukadida, Chief Financial Officer, said: "We started the year on a firm footing by surpassing our transformation targets for Q1 and were looking forward to a strong performance for the year ahead – and then the pandemic took hold. As passenger revenues nosedived, we took immediate action to secure Etihad's long-term financial health, with a wide range of measures to mitigate the impact of Covid on our business. Despite significant pressures on our cashflow, we maintained liquidity by focusing on cost control, maximising cargo revenue, enhancing our charter capabilities and raising innovative credit facilities such as the world's-first sustainability-linked transition sukuk. This was supported by Etihad retaining an A with a 'stable outlook' credit rating by Fitch, making it one of a handful of airlines to maintain a pre-Covid rating."

Summary of 2020 results:

	2020	2019
Passenger revenue (US\$ billion)	1.2	4.8
Cargo revenue (US\$ billion)	1.2	0.70
Operating revenue (US\$ billion)	2.7	5.6
EBITDA (US\$ billion)	(0.65)	0.45
Core operating result (US\$ billion)	(1.7)	(0.8)
Total passengers (million)	4.2	17.5
Available seat kilometres (billion)	37.5	104.0
Seat load factor (%)	52.9	78.7
Number of aircraft	103	101
Cargo tonnage (leg tonnes '000)	575.7	635.0

Highlights of 2020

Putting health and wellbeing first

In 2020, Etihad established Etihad Wellness, an industry-leading programme to ensure wellbeing at every stage of the customer journey and provide greater peace of mind when travelling.

- A key service differentiator for the airline, Etihad Wellness is championed by specially-trained Wellness Ambassadors who are available 24/7 to provide essential travel health information and care pre-flight through a webchat on etihad.com, at the airport, and on board.
- Etihad Wellness maintains the highest standards of cleanliness and hygiene at every customer touchpoint, with aircraft deep cleaning and sanitisation after every flight and complimentary wellness kits for every guest, among many other measures.
- To reinforce the effectiveness of Etihad Wellness, the airline is providing global Covid insurance with every ticket, so passengers are covered when they are away from home.
- As a further commitment to safety, Etihad is the only airline in the world to require 100% of passengers to show a negative PCR test result before departure and on arrival in Abu Dhabi. This safety measure was introduced in August 2020.

Leading the way for sustainability

In 2020, despite the challenges of Covid, Etihad continued to pave the way for more environmentally friendly travel by implementing key sustainability initiatives.

- In January 2020, the airline welcomed a unique, green-themed Boeing 787 into the fleet as the flagship aircraft of its Greenliner programme. As part of a partnership with Boeing, the aircraft serves as a flying testbed for sustainable practices such as highly optimised route profiles to reduce fuel consumption and carbon emissions.
- Under the Greenliner programme, Etihad partnered with industry leaders Boeing, NASA and Safran on the 2020 ecoDemonstrator programme. This saw an Etihad Boeing 787 aircraft test initiatives to enhance safety and reduce CO2 emissions and noise, including two

innovative wellness technologies to combat Covid - a handheld ultraviolet light disinfecting system and an antimicrobial coating to prevent growth of bacteria on tray tables, armrests and other surfaces.

- In January 2020, Etihad announced an ambitious target of zero net carbon emissions by 2050, with an additional goal of halving 2019 net emission levels by 2035. The company's environmental targets will be achieved through a combination of internal initiatives and collaboration with industry partners to harness technology and innovation for operational efficiencies and the development of sustainable aviation fuels, supported by carbon offsetting.
- In a global first for sustainable financing, Etihad became the first airline in the world to issue a sustainability-linked transition sukuk in October 2020, raising US\$ 600 million. The deal is linked to Etihad's carbon reduction targets, with the funds going towards investments in more energy-efficient aircraft and research and development into sustainable aviation fuel.
- In another first, Etihad announced the launch of the Middle East's first aircraft carbon offset programme in December 2020 by committing to purchase carbon offsets to completely neutralise CO2 emissions of its flagship Greenliner aircraft for a full year of operations in 2021. The carbon credits are linked to Tanzanian forestry project Makame Savannah.

Mr Douglas added: "While dealing with the reality of the pandemic, Etihad has continued to lead the field in the development of more sustainable flying. Despite the present challenges, we cannot ignore the elephant in the room. The future of flying has to be sustainable for our planet and we need to take responsible climate action today to meet our obligations for the future."

Taking care of the Etihad family

The airline continued to do everything possible to support employees while having to restructure its business to cope with the pandemic.

- In September 2020, Etihad was able to offer early enrolment to frontline staff, including pilots and cabin crew, into the UAE's national vaccination programme. Etihad's percentage of vaccinated staff has continued to grow through an internal drive to increase awareness and understanding of the vaccine.
- The airline was one of the first companies in the UAE to offer staff the option of receiving the vaccination in the workplace after its aeromedical centre became an approved vaccination clinic.
- More than 75% of the airline's total UAE-based workforce has now received the vaccine, with Etihad becoming the first airline in the world to have 100% of its operating flight crew vaccinated. This milestone was reached in February 2021.
- Due to the prolonged nature of the pandemic and curtailed capacity, the airline was forced to rationalise its manpower and make redundancies across several areas of the business.
- The airline's total workforce stood at 13,587 employees by the end of 2020, down by 33% from 20,369 the year before. In order to minimise job losses as much as possible, the airline introduced temporary company-wide salary reductions ranging from 25% for non-managerial roles to 50% for management and executives.

A modern fleet built around the Dreamliner

Etihad took delivery of two new Boeing 787 Dreamliners in 2020, bringing the total fleet count to 103 aircraft, with an average age of only 6.2 years. The Boeing 787 Dreamliner continues to be the backbone of the Etihad global fleet – one of the youngest and most efficient in the world.

- With 39 Dreamliners in total, Etihad is one of the world's largest operators of this highly

efficient aircraft type.

- The airline's operations in 2020 have focused on B787-9 and B787-10 flying due to the aircraft's range, efficiency and belly-hold cargo payload capability, while part of the remaining fleet has been parked due to reduced passenger operations.

Connecting travellers through Abu Dhabi

Etihad is continuing to gradually resume services and grow its global network as international borders reopen, in line with entry and health regulations set by UAE authorities and those at the end destination.

- For the majority of 2020, point-to-point travel to and from Abu Dhabi was restricted to citizens and residents, but as a result of the UAE's rigorous testing and safety precautions, Abu Dhabi reopened to tourists from a permitted 'green list' of countries on 24 December 2020.
- At the end of 2020, the airline operated to 50 passenger and seven cargo destinations from Abu Dhabi, representing approximately 35% of its pre-Covid capacity.
- June 2020 saw Air Arabia Abu Dhabi start operations as the first low cost carrier (LCC) based out of Abu Dhabi. A joint venture between Etihad and Air Arabia, the carrier closed the year serving eight markets, increasing Abu Dhabi's air connectivity, diversifying the travel offering to and from the UAE capital, and complementing the Etihad passenger network.
- Following the historic normalisation of diplomatic relations between the UAE and Israel in 2020, Etihad announced daily year-round scheduled services set to commence between Tel Aviv and Abu Dhabi in March 2021.

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