CORONAVIRUS CRISIS - LUFTHANSA TECHNIK REVENUE DROP BY 40%

News / Finance, Maintenance / Trainings

The crisis in the aviation industry brought on by the coronavirus pandemic has hit Lufthansa Technik AG hard. In fiscal year 2020, revenue* plummeted by 43% year-on-year to €3,747 million (prior year: €6,572 million). Adjusted EBIT dropped well into the red to €-383 million (prior year: €463 million).

In the second quarter of 2020, the pandemic led to a temporary suspension of the majority of air traffic worldwide, resulting in extensive downtime and decommissioning of commercial aircraft, as well as postponements of maintenance events. As a consequence, demand for maintenance, repair and overhaul (MRO) services for aircraft, engines and components suffered a massive slump. Lufthansa Technik, the MRO world market leader, felt the impact of this development in the capacity utilization of its workshops. Certain product divisions, such as Engines and Component Services, saw their capacity utilization temporarily drop by well over half.

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As a result, the company has had to reduce its workforce: Including external staff, the number of employees worldwide has already declined by more than 3,000 in the wake of the crisis – a reduction of 12.5% compared with 2019. This also included around 1,900 temporary workers around the world. In terms of in-house staff, the number fell by 5% to 22,745 at the end of 2020 (year-end 2019: 23,855). Numerous investments also had to be stopped or postponed. At €152 million, expenses for investments were thus significantly lower than in the previous year (€313 million).

Dr. Johannes Bussmann: "Ending the toughest year in the company's history with confidence"

"The year 2020 was the toughest in our company's history to date. And yet we can end it with some confidence," said CEO Dr. Johannes Bussmann. "Our broad product portfolio and global network have saved us from an even worse fate. We have managed to retain almost all of our customers. Our partnerships, some of which go back many years, have proven to be stable, enabling us to win numerous new orders despite the situation. Under the circumstances, we made the best of this year."

In fiscal year 2020, Lufthansa Technik had more than 4,500 aircraft under exclusive contracts. Over the course of the year, the company won 16 new customers and concluded more than 500 new contracts with a total volume of €2.3 billion for 2021 and the following years. Among other things, Lufthansa Technik's broad international positioning paid off here: When demand came to an almost complete standstill in some regional markets, business in other regions was already beginning to stabilize. Although the broad product portfolio was not enough to offset the considerable economic consequences of the pandemic, it did mitigate them considerably. The VIP & Special Mission Aircraft Services division, for example, enjoyed very good capacity utilization throughout the year. Notable projects include the cabin completion of the first Airbus A350 for the Special Air Mission Wing of the German Ministry of Defense as well as the support provided for SOFIA, the flying telescope operated by NASA and the German Aerospace Center (DLR) – both projects that underscored Lufthansa Technik's leading position in this field.

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Innovative crisis products and expansion of digital services

Many of the contracts signed in 2020 were for specially developed crisis products, showing that Lufthansa Technik was able to respond quickly and flexibly to changes in customer demand. Examples include solutions to temporarily convert passenger aircraft into auxiliary freighters as well as parking and storage services for decommissioned aircraft, engines or components. The global network for smart, on-demand engine repairs (Mobile Engine Services) was further expanded, including the addition of a new location in Dublin.

Moreover, the coronavirus pandemic led to increased demand for digital MRO services. For example, in December alone, more than 600 United Airlines aircraft were signed up for Lufthansa Technik's AVIATAR, which is now being used to collect additional data and develop further predictive maintenance solutions.

"The order from United Airlines was a real milestone for our AVIATAR platform. Winning so many aircraft all at once is a great success in times like these," added Dr. Bussmann. "And I'm optimistic that more will follow, because many airlines used the past year to take a close look at the digital future of technical fleet management. Our leading position in this market is thus another reason for me to look to the future with confidence."

RISE program to lead the way out of the crisis

In addition to the measures taken in spring 2020 to safeguard liquidity – such as short-time work, hiring freezes and reductions in material costs – Lufthansa Technik launched the RISE program in the second half of 2020. Its goal is to secure the company's leading position in the MRO market. Lufthansa Technik aims to use RISE first and foremost to improve its competitiveness, for example by introducing a leaner and more efficient corporate structure adapted to the new challenges arising from the coronavirus crisis and able to accommodate the permanent changes in the MRO market. Instead of the previous eight product divisions, there will be only five in the future: Aircraft Component Services, Aircraft Maintenance Services, Digital Fleet Services, Engine Services and Original Equipment & Special Aircraft Services.

"Until the coronavirus crisis is under medical control, I can't make a reliable assessment of when the aviation and MRO industries will recover their strength," Dr. Bussmann said. "I also know that in taking the necessary measures, we're asking a lot of our employees in these difficult times. But I'm firmly convinced that these measures will help us find the strength we need to emerge from the crisis successfully in the end."

*All the figures in this press release relate to Lufthansa Technik AG and its fully consolidated companies including Lufthansa Industry Solutions. Previous year's profit and loss as well as employees figures have been adjusted due to a Line Maintenance transfer from Lufthansa Technik AG to Deutsche Lufthansa AG.

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