

# creditrisk monitor<sup>®</sup> VIRGIN AUSTRALIA HOLDINGS BANKRUPTCY<sup>1</sup> CASE STUDY

FILED ON 04/21/2020



CreditRiskMonitor's warning of Virgin Australia Holdings Limited's ("Virgin Australia") bankruptcy risk was determined by a combination of factors:

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1. Bankruptcy throughout this case study refers to a proceeding in Australia called Voluntary Administration, which has several similarities to the U.S. Bankruptcy code.

# MONTHLY AVERAGE FRISK® SCORE

CreditRiskMonitor's FRISK® score had been warning of financial stress at Virgin Australia (ASX: VAH) for more than a year. We issued an [airline industry blog](#) published March 11, 2020 as conditions continued to deteriorate and become more troubling.

The company ultimately filed for bankruptcy on April 21, 2020.

Negative FY19 earnings guidance on lower traffic given timing of Easter Holiday and local election period.

Virgin Australia to remove hundreds of employees after posting a full year loss of \$349 million.

Debt issuance planned to repurchase Velocity stake as PE backer requests an exit from its 35% stake.

Virgin Australia hired restructuring advisor and halts interest payments amid coronavirus.

Business Name	2019									2020			
	A	M	J	J	A	S	O	N	D	J	F	M	A
Virgin Australia Holdings Limited	3	3	2	2	2	2	2	2	2	2	1	1	1

**BANKRUPT!**

Three senior executives, including the CEO, CFO, and COO are replaced and middle management receives salary freezes.

Fitch Ratings warned on growing pressures to APAC airlines due to the spread of the coronavirus, particularly in Australia.

The FRISK® score is 96% accurate<sup>2</sup> in predicting the risk of corporate failure/bankruptcy over a 12-month horizon. All FRISK® scores are recalculated every night for each subsequent 12-month period.

FRISK® Score	BANKRUPTCY RISK RELATIVE TO THE HISTORICAL AVERAGE	
	FROM	TO
10	0.00x	0.12x
9	0.12x	0.27x
8	0.27x	0.34x
7	0.34x	0.55x
6	0.55x	0.87x
5	0.87x	1.40x
4	1.40x	2.10x
3	2.10x	4.00x
2	4.00x	9.99x
1	9.99x	50.00x

While the risk of bankruptcy varies at each FRISK® score, 96% of public companies that eventually go bankrupt enter the FRISK® "red zone" prior to filing. A FRISK® score of 5 or less is an important warning sign.

2. FRISK® score accuracy of 96% is based on backtesting of U.S. public companies; results may vary by country.

## THE FRISK® SCORE COMPONENTS

At the core of the CreditRiskMonitor® process is our 96% accurate FRISK® score, which indicates a company's level of financial stress on a scale of 1 to 10, based on the probability of bankruptcy over a 12-month horizon. When available, the FRISK® score incorporates a number of powerful risk indicators including:

A “Merton” type model using stock market capitalization and volatility

Financial ratios, including those used in the Altman Z”-Score Model

Bond agency ratings from Moody’s, Fitch, & DBRS Morningstar

## Crowdsourced CreditRiskMonitor® Usage Data

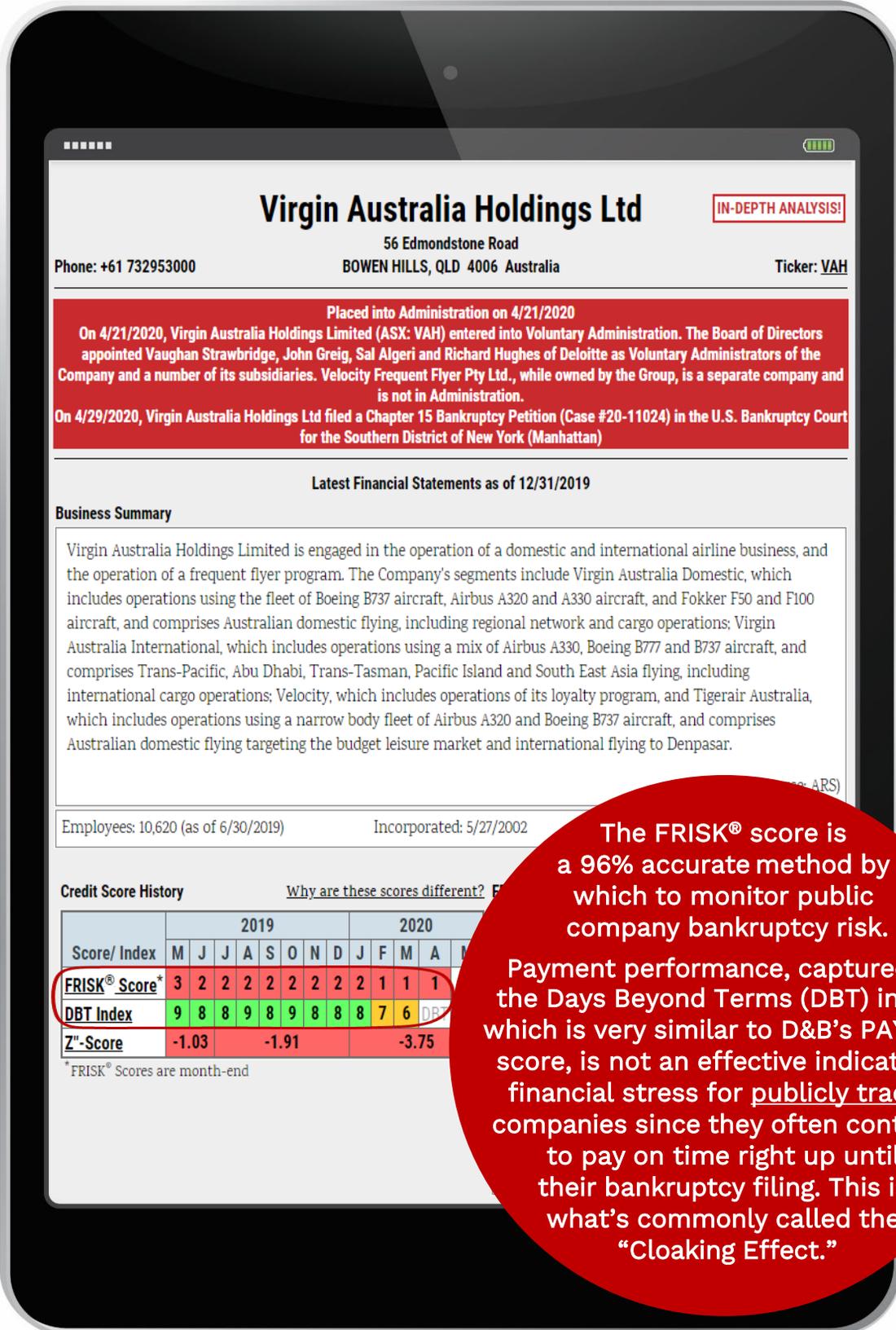
[Crowdsourcing](#) has enhanced the accuracy and timeliness of the FRISK® score. We collect and analyze data patterns from thousands of CreditRiskMonitor® subscribers, including professionals from more than 35% of the Fortune 1000 and other large corporations worldwide.

**The crowdsourcing advantage is even more powerful in our FRISK® score since many of the professionals who use our service are credit managers:**

- Credit managers control one of the largest sources of working capital going into a company
- They are not held to the same “Fair Disclosure” restrictions that prevent non-disclosed information sharing on public companies
- Credit managers use a variety of non-public information sources such as their own company’s management and sales representatives to be alerted to concerns in a public company’s performance
- It is commonly known credit managers confidentially share information with other credit managers, thus collectively, their behavior helps to provide advanced insight to financial problems in public companies

[Read more in Credit Research Foundation’s quarterly journal article, “Assessing Public Company Financial Risk by Crowdsourcing the Research of Credit Professionals”](#)

# COMPANY REPORT DETAIL



## Virgin Australia Holdings Ltd

IN-DEPTH ANALYSIS!

56 Edmondstone Road

Phone: +61 732953000

BOWEN HILLS, QLD 4006 Australia

Ticker: VAH

### Placed into Administration on 4/21/2020

On 4/21/2020, Virgin Australia Holdings Limited (ASX: VAH) entered into Voluntary Administration. The Board of Directors appointed Vaughan Strawbridge, John Greig, Sal Algeri and Richard Hughes of Deloitte as Voluntary Administrators of the Company and a number of its subsidiaries. Velocity Frequent Flyer Pty Ltd., while owned by the Group, is a separate company and is not in Administration.

On 4/29/2020, Virgin Australia Holdings Ltd filed a Chapter 15 Bankruptcy Petition (Case #20-11024) in the U.S. Bankruptcy Court for the Southern District of New York (Manhattan)

### Latest Financial Statements as of 12/31/2019

#### Business Summary

Virgin Australia Holdings Limited is engaged in the operation of a domestic and international airline business, and the operation of a frequent flyer program. The Company's segments include Virgin Australia Domestic, which includes operations using the fleet of Boeing B737 aircraft, Airbus A320 and A330 aircraft, and Fokker F50 and F100 aircraft, and comprises Australian domestic flying, including regional network and cargo operations; Virgin Australia International, which includes operations using a mix of Airbus A330, Boeing B777 and B737 aircraft, and comprises Trans-Pacific, Abu Dhabi, Trans-Tasman, Pacific Island and South East Asia flying, including international cargo operations; Velocity, which includes operations of its loyalty program, and Tigerair Australia, which includes operations using a narrow body fleet of Airbus A320 and Boeing B737 aircraft, and comprises Australian domestic flying targeting the budget leisure market and international flying to Denpasar.

Employees: 10,620 (as of 6/30/2019)

Incorporated: 5/27/2002

#### Credit Score History

Why are these scores different? F

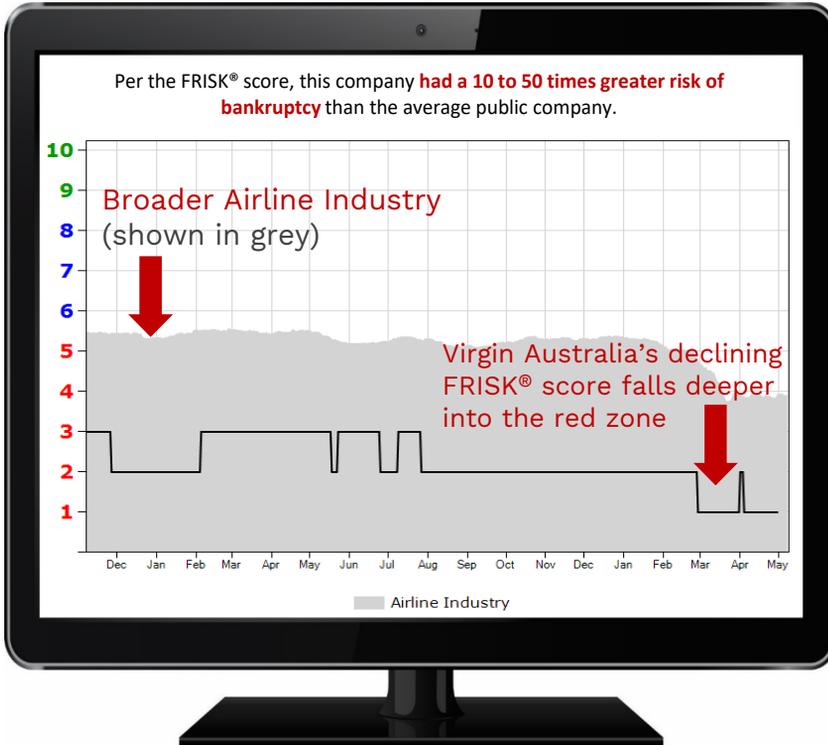
Score/ Index	2019						2020					
	M	J	J	A	S	O	N	D	J	F	M	A
FRISK® Score*	3	2	2	2	2	2	2	2	1	1	1	1
DBT Index	9	8	8	9	8	9	8	8	8	7	6	DBT
Z"-Score	-1.03			-1.91			-3.75					

\*FRISK® Scores are month-end

The FRISK® score is a 96% accurate method by which to monitor public company bankruptcy risk.

Payment performance, captured by the Days Beyond Terms (DBT) index, which is very similar to D&B's PAYDEX® score, is not an effective indicator of financial stress for publicly traded companies since they often continue to pay on time right up until their bankruptcy filing. This is what's commonly called the "Cloaking Effect."

# FRISK® DEEP DIVE



The FRISK® score relative to the broader Airline industry raised an additional red flag signaling heightened risk relative to peers, as well...

**MAKING IMMEDIATE ATTENTION REQUIRED.**

# ADJUSTED MARKET CAP VOLATILITY



One of the inputs of the FRISK® score is a company's market cap volatility, adjusted for dividends, over the course of a year. Incorporating this information allows us to capture the "wisdom of markets" on a daily basis. This ensures our subscribers are getting the most up to date view of the risks they face since stocks tend to be more liquid and faster moving than bond prices and ratings.

# FRISK® STRESS INDEX

#	Business Name	Country	Current FRISK® score
1	Avianca Holdings SA	Panama	1
2	Avianca Holdings SA (ADR)	Panama	1
3	Transportes Aereos Portugueses SGPS SA	Portugal	1
4	Virgin Australia Holdings Ltd	Australia	1
5	Fastjet PLC	United Kingdom	1
6	Grupo Aeromexico SAB de CV	Mexico	2
7	Gol Linhas Aereas Inteligentes SA	Brazil	1
8	Gol Linhas Aereas Inteligentes SA (ADR)	Brazil	1
9	Norwegian Air Shuttle ASA	Norway	1
10	SAS AB	Sweden	1

## FRISK® Stress Index - SIC classification: Air transportation, scheduled

See COVID-19 Impact on Frisk Scores around the world...

Primary industry codes only  Primary and secondary industry codes

Businesses From:  CLEAR

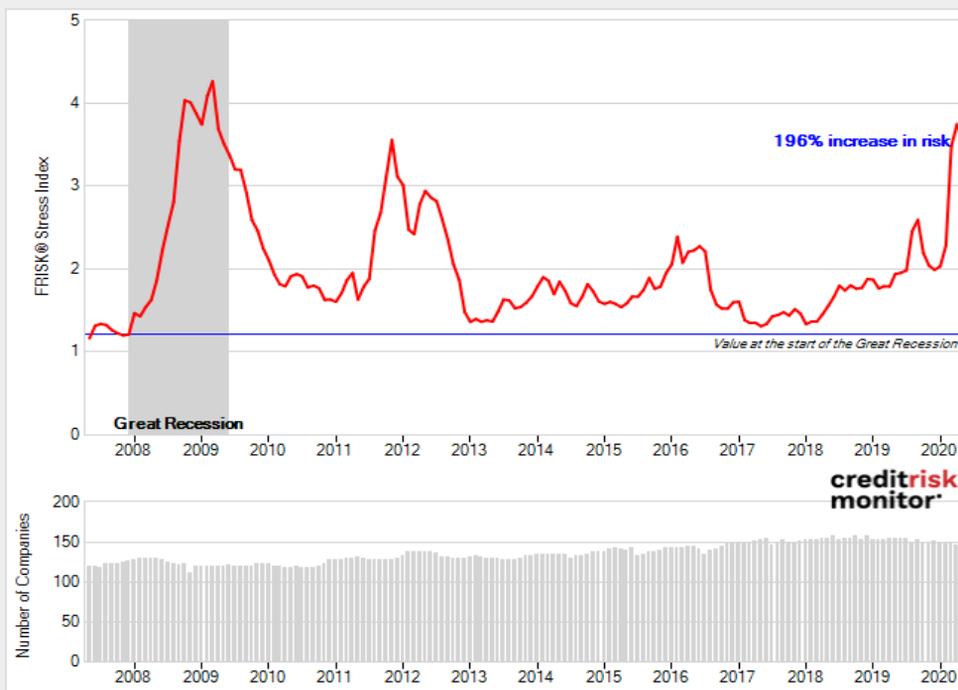
In Industry:

Country:

UPDATE RESULTS

Scale:

Total Companies in all months **233**



The FRISK® Stress Index shows the collective probability of failure in a group of companies (such as an industry, country or portfolio) over the next 12 months. It is designed to show trends in risk level across groups of companies and is shown on a zero to 50 scale, with 50 being the most risky.

The average probability of failure for SIC code 4512 (Air transportation, scheduled) has increased 196% since 2007. Virgin Australia was among the weakest names in the industry as evidenced by its FRISK® score of 1.

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# PEER ANALYSIS ON ALTERNATE SUPPLIERS AND CUSTOMERS

The Peer Analysis expands to provide a ranking of a company's competitors, which can help provide options for alternate suppliers or new customers

## Analysis: SIC classification: Air transportation, scheduled

Calendar Year/Quarter: 2019.4

Businesses in Peer Group: 631	Ranking Within Peer Group	Number Of Peers Ranked	Company Value	Peer Group Range		
				Low	Median	High
<b>Credit Ratings</b>						
Z-Score	149	156				
<b>Performance ratios:</b>						
Net Sales (Thousands of U.S. Dollars)		29				
Gross Margin % Of Sales	22	166				
Gross Margin % Of Sales -- TTM	24	169				
SGA % Of Sales	153	169				
SGA % Of Sales -- TTM	159	170				
Operating Margin % Of Sales	95	172				
Operating Margin % Of Sales -- TTM	156	174				
EBITDA Margin Of Sales		93				
EBITDA Margin Of Sales -- TTM		129				
Net Profit Margin % Of Sales	136	172	-3.12	-75.29	2.54	559.52
Net Profit Margin % Of Sales -- TTM	158	174	-8.53	-5,208.02	2.62	594.26
Pre-tax Income % Of Sales	133	172	-2.84	-75.89	3.53	602.55
Effective Tax Rate	31	171	0.00	-2,150.00	20.87	323.74
Depreciation % Of Prop/Plant/Equipment	103	159	15.43	0.00	12.44	108.54
Capital Expense % Of Prop/Plant/Equipment	79	125	15.60	0.29	11.05	145.03
Interest Coverage		91				
Interest Coverage -- TTM		127				
<b>Liquidity ratios:</b>						
Cash Ratio	69	158	0.42	0.00	0.36	3.88
Quick Ratio	97	153	0.50	0.04	0.70	9.50
Current Ratio	124	158	0.54	0.09	0.92	9.50
<b>Efficiency ratios:</b>						
Accounts Receivable Turnover	35	171				
Days Sales Outstanding	38	172				
% of Inventory Financed by Vendors	18	108				
% of Inventory Financed by Vendors -- TTM	20	123				
Inventory Turnover	60	149				
Inventory Turnover -- TTM	59	149				
Days Sales in Inventory	60	139				
Inventory to Working Capital	114	133				
Accounts Payable Turnover	133	148				
Accounts Payable Turnover -- TTM	132	149				
<b>Leverage &amp; debt coverage:</b>						
Total Debt to Equity Ratio		143				
Debt to Tangible Equity Ratio		135				
Total Debt to Assets Ratio	147	152	0.79	0.00	0.36	6.25
Short-Term Debt % of Total Debt	14	151	10.13	1.93	21.34	100.00
Short-Term Debt % of Working Capital	135	151	-42.30	-4,236.64	-28.31	910.25
Liabilities to Net Worth Ratio		139				
Total Liabilities to Equity Ratio		147				
TTM EBITDA to Total Debt		124				
Net Debt to TTM EBITDA		118				

Rank	Company Name
1	Costa Verde Aeronautica SA
2	Azul SA
3	JG Summit Holdings, Inc.
4	Chimimport AD
5	Rogers & Company Ltd

Rank	Company Name
1	Egyptian Transport and Commercial Serv
2	Naigai Trans Line Ltd
3	Chimimport AD
4	Axxion SA
5	Regional Express Holdings Ltd

Green - Ranked in Upper Quartile of Peer Group  
 White - Ranked in the Middle Two Quartiles of Peer Group  
 Red - Ranked in Lower Quartile of Peer Group  
 Orange - Confidential  
 Grey - Data is Not Available

Virgin Australia demonstrated bottom quartile ranking in key financial ratios (shown in red) versus its industry peers.

# QUARTERLY PERFORMANCE RATIOS

Ineffective hedges and impairments led to steep EBIT losses

Significant net losses and cumulatively negative free cash flow

## Performance Ratios - Sequential Quarters

(Thousands of Australian Dollars)

Period Ended	6 mos 12/31/2019	6 mos 6/30/2019	6 mos 12/31/2018	6 mos 6/30/2018	6 mos 12/31/2017
<b>Net Sales \$</b>	<b>\$3,118,200</b>	<b>\$2,756,100</b>	<b>\$3,071,000</b>	<b>\$2,629,700</b>	<b>\$2,791,000</b>
% change	13.14%	-10.25%	16.78%	-5.78%	14.73%
<b>Gross Margin \$</b>	<b>\$1,875,100</b>	<b>\$1,452,400</b>	<b>\$1,705,600</b>	<b>\$1,429,800</b>	<b>\$1,555,700</b>
% change	29.10%	-14.85%	19.29%	-8.09%	17.98%
% of sales	60.13%	52.70%	55.54%	54.37%	55.74%
change as % of incremental sales	116.74%	n/m	62.50%	n/m	66.16%
<b>SG&amp;A \$</b>	<b>\$1,082,000</b>	<b>\$1,078,600</b>	<b>\$1,046,800</b>	<b>\$982,600</b>	<b>\$977,900</b>
% change	0.32%	3.04%	6.53%	0.48%	0.24%
% of sales	34.70%	39.14%	34.09%	37.37%	35.04%
change as % of incremental sales	0.94%	n/m	14.55%	n/m	0.64%
<b>Operating margin \$</b>	<b>\$105,200</b>	<b>(\$301,800)</b>	<b>\$167,200</b>	<b>(\$136,000)</b>	<b>\$83,700</b>
% change	134.86%	-280.50%	222.94%	-262.49%	152.02%
% of sales	3.37%	-10.95%	5.44%	-5.17%	3.00%
change as % of incremental sales	112.40%	n/m	68.71%	n/m	68.25%
<b>EBIT \$</b>	<b>(\$210,100)</b>	<b>(\$300,900)</b>	<b>\$167,200</b>	<b>(\$135,900)</b>	<b>\$83,600</b>
% change	30.18%	-279.96%	223.03%	-262.56%	169.67%
% of sales	-6.74%	-10.92%	5.44%	-5.17%	3.00%
change as % of incremental sales	25.08%	n/m	68.68%	n/m	56.81%
<b>Pre-tax income \$</b>	<b>(\$88,600)</b>	<b>(\$383,000)</b>	<b>\$87,700</b>	<b>(\$209,800)</b>	<b>\$8,400</b>
% change	76.87%	-536.72%	141.80%	-2,597.62%	103.46%
% of sales	-2.84%	-13.90%	2.86%	-7.98%	0.30%
change as % of incremental sales	81.30%	n/m	67.41%	n/m	70.06%
<b>Net income (loss) \$</b>	<b>(\$97,300)</b>	<b>(\$403,900)</b>	<b>\$54,800</b>	<b>(\$670,700)</b>	<b>(\$10,300)</b>
% change	75.91%	-837.04%	108.17%	-6,411.65%	94.41%
% of sales	-3.12%	-14.65%	1.78%	-25.50%	-0.37%
change as % of incremental sales	84.67%	n/m	164.40%	n/m	48.52%
<b>Tax expense \$</b>	<b>\$0</b>	<b>\$6,200</b>	<b>\$13,900</b>	<b>\$447,900</b>	<b>\$4,000</b>
Effective tax rate	0.00%	-1.62%	15.85%	-213.49%	47.62%
<b>Depreciation expense \$</b>	<b>\$290,200</b>	<b>\$170,700</b>	<b>\$153,500</b>	<b>\$140,800</b>	<b>\$152,200</b>
% of sales	9.31%	6.19%	5.00%	5.35%	5.45%
% of capital expenses	98.88%	61.85%	56.58%	50.61%	48.67%
% of PP&E, net (annualized)	15.43%	10.70%	9.89%	9.31%	10.26%
<b>Capital expenditures \$</b>	<b>\$293,500</b>	<b>\$276,000</b>	<b>\$271,300</b>	<b>\$278,200</b>	<b>\$312,700</b>
% change	6.34%	1.73%	-2.48%	-11.03%	25.33%
% of PP&E, net (annualized)	15.60%	17.30%	17.47%	18.40%	21.08%
% of working capital (annualized)	-49.88%	-47.47%	-60.34%	-97.73%	-108.29%
<b>Free cash flow \$</b>	<b>(\$94,400)</b>	<b>(\$69,000)</b>	<b>(\$8,300)</b>	<b>\$100,800</b>	<b>(\$121,300)</b>
% change	-36.81%	-731.33%	-108.23%	183.10%	-10,208.33%
Source:	Interim Report 2/25/2020	ARS 9/17/2019	Interim Report 2/12/2019	ARS 9/17/2019	Interim Report 2/12/2019

# QUARTERLY LEVERAGE RATIOS

Quarterly shareholders' equity and tangible net worth rapidly declined overtime and turned negative

High financial leverage became uncontrollable and debt-to-assets subsequently reached 79%

## Leverage Ratios - Sequential Quarters

(Thousands of Australian Dollars)

Period Ended	12/31/2019	6/30/2019	12/31/2018	6/30/2018	12/31/2017
<b>Total debt \$</b>	<b>\$5,354,600</b>	<b>\$3,028,800</b>	<b>\$2,561,000</b>	<b>\$2,568,100</b>	<b>\$2,401,900</b>
% change	76.79%	18.27%	-0.28%	6.92%	-1.29%
<b>Stockholders' equity \$</b>	<b>(\$1,599,600)</b>	<b>\$618,900</b>	<b>\$993,500</b>	<b>\$1,095,000</b>	<b>\$1,659,000</b>
% change	-358.46%	-37.71%	-9.27%	-34.00%	5.41%
<b>Total debt to equity ratio</b>	<b>n/a</b>	<b>4.89</b>	<b>2.58</b>	<b>2.35</b>	<b>1.45</b>
% change	n/a	89.84%	9.91%	61.99%	-6.36%
<b>Tangible net worth \$</b>	<b>(\$2,172,300)</b>	<b>\$38,200</b>	<b>\$372,200</b>	<b>\$478,000</b>	<b>\$1,041,300</b>
% change	-5,786.65%	-89.74%	-22.13%	-54.10%	8.85%
<b>Total debt to tangible net worth</b>	<b>n/a</b>	<b>79.29</b>	<b>6.88</b>	<b>5.37</b>	<b>2.31</b>
% change	n/a	1,052.32%	28.07%	132.92%	-9.32%
<b>Total assets \$</b>	<b>\$6,782,400</b>	<b>\$6,468,200</b>	<b>\$6,050,800</b>	<b>\$6,188,400</b>	<b>\$6,354,000</b>
% change	4.86%	6.90%	-2.22%	-2.61%	-0.03%
<b>Total debt to assets ratio</b>	<b>0.79</b>	<b>0.47</b>	<b>0.42</b>	<b>0.42</b>	<b>0.38</b>
% change	68.59%	10.66%	1.98%	9.79%	-1.25%
<b>Tangible assets \$</b>	<b>\$6,209,700</b>	<b>\$5,887,500</b>	<b>\$5,429,500</b>	<b>\$5,571,400</b>	<b>\$5,736,300</b>
% change	5.47%	8.44%	-2.55%	-2.87%	-0.04%
<b>Short-term debt \$</b>	<b>\$542,200</b>	<b>\$771,900</b>	<b>\$768,700</b>	<b>\$295,100</b>	<b>\$317,300</b>
% change	-29.76%	0.42%	160.49%	-7.00%	12.96%
<b>Short-term debt % of total debt</b>	<b>10.13%</b>	<b>25.49%</b>	<b>30.02%</b>	<b>11.49%</b>	<b>13.21%</b>
% change	-60.27%	-15.09%	161.21%	-13.02%	14.44%
<b>Short-term debt % of working capital</b>	<b>-42.30%</b>	<b>-72.03%</b>	<b>-61.29%</b>	<b>-54.21%</b>	<b>-53.39%</b>
% change	41.28%	-17.53%	-13.07%	-1.53%	-6.59%
<b>Total liabilities \$</b>	<b>\$8,382,000</b>	<b>\$5,849,300</b>	<b>\$5,057,300</b>	<b>\$5,093,400</b>	<b>\$4,695,000</b>
% change	43.30%	15.66%	-0.71%	8.49%	-1.82%
<b>Total liabilities to equity ratio</b>	<b>n/a</b>	<b>9.45</b>	<b>5.09</b>	<b>4.65</b>	<b>2.83</b>
% change	n/a	85.67%	9.44%	64.36%	-6.86%
<b>Total liabilities to tangible net worth ratio</b>	<b>n/a</b>	<b>153.12</b>	<b>13.59</b>	<b>10.66</b>	<b>4.51</b>
% change	n/a	1,026.93%	27.52%	136.33%	-9.81%
Source:	Interim Report	Interim Report	ARS	Interim Report	
	2/12/2019	9/13/2018	2/27/2018		

High reliance on short-term debt indicated funding issues and refinancing risks

# QUARTERLY LIQUIDITY RATIOS AND RATES OF RETURN

Working capital weakened due to more finance leases

Meager quick and current ratios decline further

## Liquidity Ratios - Sequential Quarters

(Thousands of Australian Dollars)

Period Ended	12/31/2019	6/30/2019	12/31/2018	6/30/2018	12/31/2017
<b>Current assets \$</b>	<b>\$1,484,900</b>	<b>\$2,165,300</b>	<b>\$1,692,100</b>	<b>\$1,979,500</b>	<b>\$1,699,400</b>
% change	-31.42%	27.97%	-14.52%	16.48%	-4.93%
% of short-term debt	273.87%	280.52%	220.12%	670.79%	535.58%
<b>Current liabilities \$</b>	<b>\$2,766,800</b>	<b>\$3,236,900</b>	<b>\$2,946,300</b>	<b>\$2,523,900</b>	<b>\$2,293,700</b>
% change	-14.52%	9.86%	16.74%	10.04%	-2.33%
<b>Working capital \$</b>	<b>(\$1,281,900)</b>	<b>(\$1,071,600)</b>	<b>(\$1,254,200)</b>	<b>(\$544,400)</b>	<b>(\$594,300)</b>
% change	-19.62%	14.56%	-130.38%	8.40%	-5.97%
% of sales (annualized)	-20.56%	-19.44%	-20.42%	-10.35%	-10.65%
<b>Cash \$</b>	<b>\$1,172,200</b>	<b>\$1,771,200</b>	<b>\$1,272,000</b>	<b>\$1,427,600</b>	<b>\$1,257,300</b>
% change	-33.82%	39.25%	-10.90%	13.54%	-11.54%
% of short-term debt	216.19%	229.46%	165.47%	483.77%	396.25%
<b>Cash ratio</b>	<b>0.42</b>	<b>0.55</b>	<b>0.43</b>	<b>0.57</b>	<b>0.55</b>
% change	-22.57%	26.75%	-23.67%	3.17%	-9.42%
<b>Quick assets \$</b>	<b>\$1,396,200</b>	<b>\$2,039,900</b>	<b>\$1,542,200</b>	<b>\$1,709,200</b>	<b>\$1,556,100</b>
% change	-31.56%	32.27%	-9.77%	9.84%	-10.06%
% of short-term debt	257.51%	264.27%	200.62%	579.19%	490.42%
<b>Quick ratio</b>	<b>0.50</b>	<b>0.63</b>	<b>0.52</b>	<b>0.68</b>	<b>0.68</b>
% change	-19.93%	20.41%	-22.71%	-0.18%	-7.93%
<b>Current ratio</b>	<b>0.54</b>	<b>0.67</b>	<b>0.57</b>	<b>0.78</b>	<b>0.74</b>
% change	-19.76%	16.47%	-26.78%	5.86%	-2.67%
Source:	Interim Report 2/25/2020	ARS 9/17/2019	Interim Report 2/12/2019	ARS 9/13/2018	Interim Report 2/27/2018

Anemic returns on equity and assets

## Rate of Return - Sequential Quarters

(Thousands of Australian Dollars)

Period Ended	6 mos 12/31/2019	6 mos 6/30/2019	6 mos 12/31/2018	6 mos 6/30/2018	6 mos 12/31/2017
<b>Return on equity</b>	<b>-15.72%</b>	<b>-40.65%</b>	<b>5.00%</b>	<b>-40.43%</b>	<b>-0.65%</b>
% change	61.33%	-912.34%	112.38%	-6,076.93%	93.41%
<b>Return on net tangible equity</b>	<b>-254.71%</b>	<b>-108.52%</b>	<b>11.46%</b>	<b>-64.41%</b>	<b>-1.08%</b>
% change	-134.72%	-1,046.56%	117.80%	-5,882.16%	92.58%
<b>Return on total assets</b>	<b>-1.47%</b>	<b>-6.45%</b>	<b>0.90%</b>	<b>-10.69%</b>	<b>-0.16%</b>
% change	77.24%	-820.56%	108.37%	-6,497.72%	94.25%
<b>Return on tangible assets</b>	<b>-1.61%</b>	<b>-7.14%</b>	<b>1.00%</b>	<b>-11.86%</b>	<b>-0.18%</b>
% change	77.46%	-816.44%	108.40%	-6,508.75%	94.22%
Source:	Interim Report 2/25/2020	ARS 9/17/2019	Interim Report 2/12/2019	ARS 9/17/2019	Interim Report 2/12/2019

# ANNUAL STATEMENT OF CASH FLOWS

Decline in cash from operating activities

## Statement of Cash Flows - Year-over-Year - Standardized - Year to Date

(Thousands of Australian Dollars)

Period Ended	6 mos 12/31/2019	6 mos 12/31/2018	6 mos 12/31/2017	6 mos 12/31/2016	6 mos 12/31/2015
	Reclassified 12/31/2019				
<b>Cash Flows from Operating Activities:</b>					
Cash receipts	\$3,358,800	\$3,337,000	\$3,009,300	\$2,825,900	\$2,848,800
Cash payments	(3,097,300)	(3,060,600)	(2,738,700)	(2,682,400)	(2,750,600)
Cash interest paid	n/a	n/a	(71,300)	(70,000)	(69,800)
Changes in working capital	(62,400)	(13,400)	(7,900)	(50,300)	(18,200)
<b>Total cash from operating activities</b>	<b>199,100</b>	<b>263,000</b>	<b>191,400</b>	<b>23,200</b>	<b>10,200</b>
<b>Cash Flows from Investing Activities:</b>					
Capital expenditures	(293,500)	(271,300)	(312,700)	(224,400)	(536,900)
Other investing cash flow items, total	170,800	7,700	(12,400)	67,900	274,100
<b>Total cash from investing activities</b>	<b>(122,700)</b>	<b>(263,600)</b>	<b>(325,100)</b>	<b>(156,500)</b>	<b>(262,800)</b>
<b>Cash Flows from Financing Activities:</b>					
Financing cash flow items	(943,700)	(102,300)	(28,900)	(38,900)	(22,400)
Issuance/retirement of stock, net	0	(700)	0	931,400	n/a
Issuance/retirement of debt, net	235,200	(95,700)	(8,500)	(331,100)	142,000
<b>Total cash from financing activities</b>	<b>(708,500)</b>	<b>(198,700)</b>	<b>(37,400)</b>	<b>561,400</b>	<b>119,600</b>
<b>Foreign exchange effects</b>	<b>(300)</b>	<b>35,300</b>	<b>(8,700)</b>	<b>43,900</b>	<b>11,200</b>
<b>Net change in cash</b>	<b>(632,400)</b>	<b>(164,000)</b>	<b>(179,800)</b>	<b>472,000</b>	<b>(121,800)</b>
<b>Net cash-beginning balance</b>	<b>1,740,000</b>	<b>1,415,500</b>	<b>1,396,100</b>	<b>1,123,800</b>	<b>1,028,500</b>
<b>Net cash-ending balance</b>	<b>\$1,107,600</b>	<b>\$1,251,500</b>	<b>\$1,216,300</b>	<b>\$1,595,800</b>	<b>\$906,700</b>
Source:	Interim Report 2/25/2020	Interim Report 2/25/2020	Interim Report 2/27/2018	Interim Report 2/17/2017	Interim Report 2/11/2016

# NEWS ALERTS: A TIMELINE OF CONCERNING NEWS ITEMS

<p><b>Moody's Investors Service stated that Virgin Australia's earnings update was a credit negative event, which would increase the company's debt/EBITDA from 4.8x towards a higher-end 5.5x.</b></p>		
05/17/2019	Moody's Investors Service	Moody's – Virgin Australia Holdings Limited: Virgin's trading update is credit negative
<p><b>Private equity backer, Affinity Equity Partners, planned to sell its minority investment of 35% in Virgin Australia's Velocity Frequently Flyer program. The acquisition required Virgin Australia to raise \$700 million, which would be entirely debt financed, to repurchase the stake.</b></p>		
07/10/2019	Australian Associated Press	Virgin Australia frequent flyer backer to exit
<p><b>Executive shakeup took disturbing turn for the worse as four new C-suite leaders were appointed, including the CEO, CFO, COO, and CCO. Simultaneous executive changes in combination with financial stress are one of the leading red flags prior to corporate failure.</b></p>		
08/27/2019	Reuters	Virgin Australia Appoints Keith Neate as CFO
<p><b>In addition to raising \$425 million, Virgin Australia would issue another \$325 million to fund the Velocity transaction and its ongoing cash flow shortfalls.</b></p>		
10/27/2019	Australian Associated Press	Virgin Australia raises issues size of notes offering
<p><b>Virgin Australia's FRISK® score was downgraded to "1," indicating up to 50x higher risk of bankruptcy versus the average public company. This reading was much worse than the airline industry's average FRISK® score of "5".</b></p>		
02/28/2020	CRMZ News Service	Virgin Australia Holdings Ltd: FRISK® score downgraded to 1
<p><b>Virgin Australia management announced that it would reduce flight capacity and had in excess of \$1 billion in cash and no debt maturities until late 2021. However, the coronavirus pandemic caused an unprecedented collapse in air travel, which upended its ability to satisfy short-term obligations within weeks of the public statements.</b></p>		
03/12/2020	CRMZ News Service	Virgin Australia announces steep cuts as coronavirus hits demand
<p><b>Virgin Australia was placed into Administration on April 21, 2020 and later filed a Chapter 15 Bankruptcy Petition in U.S. bankruptcy courts.</b></p>		
04/21/2020	Reuters	Virgin Australia Says Entered Voluntary Administration

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