

Ryanair Holdings PLC

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Norwegian Air facing liquidity crunch as airline sector suffers more pain from coronavirus fallout

Troubled carrier Norwegian Air is facing questions over its liquidity following news that the Scandinavian airline may struggle to meet conditions for a government bailout.

On Thursday, the Norwegian state said it will offer airlines around 6bn Krone (£450mln) in credit guarantees to help them sustain themselves during the crisis, which has led many major airlines to ground either all or the majority of their fleets as multiple countries introduce travel restrictions to prevent the spread of the virus.

READ: Ryanair to ground fleet, easyJet launches sale as government plans support

However, Norwegian Air is facing a conundrum in that it must convince the government that it can supply a further 30mln Krone (£2.3mln) in order to secure an initial bailout of 300mln Krone (£23mln), while to receive the full amount earmarked for the firm, around 3bn Krone (£225mln), it will need to persuade its creditors to suspend loan instalments and interest payments for three months.

With the airline having suffered large losses and shedding cash before the crisis hit, it is unknown whether creditors will be willing to accept the arrangement.

There is also a concern that the package will not enough to keep the business afloat if its entire fleet is grounded for a prolonged period.

Airlines begin crackdown on costs

Norwegian Air isn't the only carrier rushing to shore up its balance sheet as multiple airlines engage in heavy cost cutting exercises to ensure their survival until the outbreak subsides.

On Friday afternoon, Ryanair Holdings plc (LON:RYA) boss Michael O'Leary said he alongside all other members of staff at the Irish airline will take a 50% pay cut as the company faces a months-long period of stasis that will see most of its revenues vanish.

Chief executive of British Airways owner International Consolidated Airlines Group SA (LON:IAG) also announced earlier this week that he will take a 20% pay reduction for the rest of his employment at the airline after having pushed back his retirement date.

More recently, BA has announced that its pilots will be ordered to take two weeks of unpaid leave in April and May to control costs after 75% of its planes were grounded, while easyJet PLC (LON:EZJ) has asked pilots and cabin crew to take three months of unpaid leave.

Price: 16.945

Market Cap: €19.1 billion

1 Year Share Price Graph



February 2020 August 2020 February 2021

Share Information

Code: RYA

Listing: LSE

52 week High Low
17.595 8.05

Sector: Leisure, gaming and gambling

Website: www.ryanair.co.uk

Company Synopsis:

Ryanair operates a scheduled passenger airline serving routes between Ireland, the United Kingdom, Continental Europe and Morocco. It claims to be Europe's largest airline and is the parent company of Ryanair DAC, Ryanair UK, Buzz and Lauda airlines.

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Shares in Ryanair were 6.1% higher at €8.75 in mid-afternoon trading, while IAG jumped 12.2% to 218.8p and easyJet surged 13.7% to 576.8p.

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