

Rolls-Royce Holdings PLC

07:38 09 Jul 2020

Rolls-Royce expects civil aircraft market to be subdued well into 2021

Rolls-Royce PLC (LON:RR.) the aero engines maker, has said it expects only a gradual recovery in its markets as air travel recovers.

In a trading update ahead of its interim results for the period to June 30, 2020, the FTSE 100-listed group said: "We currently expect our widebody engine flying hours to recover to approximately 70% of 2019 levels in 2021 with OE deliveries likely to remain subdued."

The group also warned of a US\$1.5bn cash hit from reducing a hedging position on future business by US\$10bn to US\$27bn while it confirmed 9,000 job losses of which 8,000 are at its aerospace arm.

"We currently forecast widebody engine flying hours to be down in the region of 55% this year, with more long-haul routes opening up in the fourth quarter," it said in the statement. "We continue to plan for about 250 widebody engine deliveries in 2020, based on announced build rates from our airframer customers."

Reports at the weekend had suggested the engineer was planning a share issue or even a sale of one of its divisions to raise cash, but there was no mention in today's statement.

Instead, Rolls-Royce said the improved trading should mean a reduction in the amount of cash flowing out of the business, with a net outflow of £4bn expected for the year compared to £3bn in the first half.

Cash balances were £4.2bn at the end of June said the group, which added that it had liquidity (cash plus loan facilities) of £8.1bn in total.

Rolls said the cash improvement for the rest of the year would be down to lower inventory in the second half along with a gradual improvement in engine flying hour receipts and an acceleration of cash savings.

The engineer added it had also made progress resolving the issues with its Trent 1000 engine with the number of planes out of commission now below ten. Elsewhere, widebody flying hours had dropped by 50% in the first half, it said.

Power turbines were hit by the decline in oil and gas activity though defence remained steady with little coronavirus disruption.

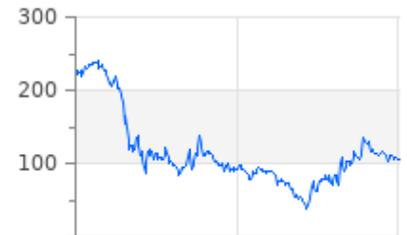
Warren East, Rolls-Royce chief executive, said: "The COVID-19 pandemic has created a historic shock in civil aviation which will take several years to recover. We are taking steps to resize our Civil Aerospace business to adapt to lower medium-term demand from customers and help secure our future.

"This means we have had to take the very difficult decision to lose people who have helped us become the company we are and who have been proud to work for Rolls-Royce."

Price: 105.9

Market Cap: £8.86 billion

1 Year Share Price Graph



January 2020 July 2020 January 2021

Share Information

Code: RR.

Listing: LSE

52 week High Low
243.993 34.5929

Sector: Aerospace

Website: www.rolls-royce.com

Company Synopsis:

Rolls-Royce, a world-leading provider of power systems and services for use on land, at sea and in the air, operates in four global markets - civil aerospace, defence aerospace, marine and energy.

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