GOVERNMENT INVESTMENT IN AIRBALTIC WILL RETURN MULTIPLE TIMES FOR LATVIA - MARTIN GAUSS

News / Airlines, Finance, Personalities

On May 11, the CEO of airBaltic Martin Gauss presented and shared the experience on how airBaltic is dealing with the COVID-19 crisis, how the new business strategy looks and what the future holds for Baltic economies.

Preparedness and fast adaption to the situation.

airBaltic had a well-developed crisis plan for various economic and operational crisis of the company. By analysing the COVID-19 spread and impact in other markets before the outbreak reached the Baltics, the airBaltic team was able to work on different scenarios in order to prepare for the upcoming crisis. Since February 28, an action group COVID-19AG was established at the company, which regularly evaluated the latest situation and took the necessary measures.

The new business plan Destination 2025 CLEAN

It foresees a reduced fleet for the upcoming years, initially resuming operations with 22 Airbus A220-300 single type fleet. The new plan takes into account the reduced capacity for the years 2020-2022, while at the same time foresees return to growth with up to 50 Airbus A220-300 aircraft after 2023.During the crisis we at airBaltic have set priorities for going forward – Stay, Revise and Grow – each stage consists of the top tasks to support airBaltic's future development.

The stage Stay.

Each crisis in the past has shown that there is always growth coming after recovery. At the beginning it is important to find ways how to maintain the business to still be there when the crisis is over. For airBaltic just like for any other business the main aim of the first stage was to achieve a significant cost reduction in order to be able to stay. This included revised payment schedules with suppliers, staff reduction and postponement of investments as well as management salary reductions. During the crises an active and regular communication with the employees and the public is vital in order to secure the possibility for business in the future. airBaltic had to make a hard decision to reduce workforce by 700 employees at the same time still retaining more than 1 000 employees. airBaltic's strong cash position, enabled the company to pay employees and provide additional compensation, as well as a re-employment guarantee.

The new revised business plan with a clear strategy secured the equity increase of up to 250 million euros by the majority shareholder the Latvian Government. The State investment is based on the new business plan of the company and will cover the extraordinary costs caused by the COVID-19 during and after the crisis. The investment will enable the company to return to profitable operations. In the upcoming years this investment would be returned to Latvia multiple times in taxes, direct payments to the State companies as well as providing a strong positive GDP impact. The Baltics will have a strong carrier connecting the region to the world. While the company has achieved significant cost reduction it is operating with reduced revenues. There are various categories which the company needs to pay – i.e., leasing contracts, insurance, rent, fuel hedge contracts, staff salaries and compensations for unemployed staff as well as additional expected cost for restarting operations.

The stage Revise.

During the second stage we are introducing changes to our products to reflect key components: GREEN, CLEAN, EASY. airBaltic will restart operations with a single Airbus A220-300 fleet and foresees around 40% in seat reduction for the next year. In addition, in this phase airBaltic is revising its products and service taking into consideration suggestions from its passengers. This is the time when businesses' can revise their offer and create improved products adjusted for the future needs. Already now airBaltic offers more flexibility for all fare products with a date change option and will introduce new product features and names of Economy class tickets once international flying is possible again.

The safety and health of our passengers, our employees and the society stand above all. When we will resume flights, all passengers will be provided with a face mask and disinfectant wipes. Our new flight operations will follow the recommendations issued by authorities. We are still continuing our work on specific guidelines for various other safety activities.

The stage Grow.

With all the planned support and actions taken from airBaltic it is planned to return to the third pillar of our current plan – growth. Once the flights are resumed airBaltic will adjust to the demand and will offer destinations from all three Baltic Capital airports to the business hubs in Europe. Over time we will also evaluate options to launch new destinations. By 2023 airBaltic plans to reach the before crisis level of operations, and once airBaltic is back on a growth path the company will re-employ the staff who have currently left the company and will return to 2 000 – 2 500 people team within the next years. By 2025 – we plan to fly with up to 80 Airbus A220-300 aircraft and perform an IPO taking the airline to the international stock markets. The past two months have been very historic for our company and the aviation industry in general. The timely decisions we have taken during this period are already shaping the future our company will have. Our management and our employees have shown their dedication to the company and to the Baltics by leading the airline through this crisis.

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