

# Avianca targets over 30% fleet cut post-Chapter 11

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Colombia's Avianca Holdings is expected to cut its fleet by over 30% upon emergence from Chapter 11 bankruptcy protection.

Avianca's fleet profile will comprise 98 passenger and 11 freighter aircraft, compared with 147 passenger and 11 freighter units when the carrier first entered bankruptcy protection, according to a filing outlining the company's Chapter 11 exit plan.

A total of 90 firm contractual deliveries remain scheduled through 2029 under the plan, including two Boeing 787-9s in 2024. The carrier reduced firm commitments with Airbus to 88 A320neo aircraft from 108, and cancelled or deferred A320neo deliveries in 2020 through 2024.

A total of 20 A320neos are scheduled for delivery per year between 2025 and 2028, with two in 2024 and eight in 2029.

In addition to reducing the number of future deliveries, Avianca has rejected leases for 12 aircraft shortly after commencement of Chapter 11 and has rejected or may reject 47 additional existing aircraft leases.

The carrier has commenced a process of amending and assuming its remaining aircraft leases on improved economic terms, entering into approximately 58 new leases with deliveries between 2021 and 2023.

Avianca is also entering into approximately 15 new leases for aircraft previously subject to leases that it is concurrently rejecting, providing a simplified lease structure and better economic terms.

Many of the new and amended leases include usage-based arrangements that will allow Avianca to adjust its expenses depending on the level of demand for passenger travel.

Avianca rejected aircraft leases for 10 new A320neo aircraft that would have been leased from BOC Aviation starting in 2023.

[It had agreed a new operating lease mandate](#) with California-based Aviation Capital Group (ACG) for four A320neos in early September, comprising a mix of repossessed A320neos from Interjet and new, not-taken-up units previously intended for lease to other customers.

Over the summer, Avianca agreed new aircraft leases for five new A320neos from CDB Aviation.

## **Creditors to vote on reorganisation plan**

The Bogota-headquartered Group has won approval from the Bankruptcy Court for the Southern District of New York for creditors to cast a vote on its reorganisation plan.

Creditors will receive 72% of the airline's equity in exchange for cancelling roughly \$935 million in debtor-in-possession (DIP) loans.

Additionally, certain holders of tranche B DIP facility claims have agreed to backstop \$200 million cash and/or assets in exchange for new common equity.

If approved, the company's current ordinary and preference shareholders will not receive any distribution.

"As a result of the foregoing, the value of the outstanding shares is expected to be reduced to zero, due to the decrease in equity of the company attributable to the debtors' liabilities to third parties and creditors, as well as the capital injection by new investors," Avianca said in a filing.

The court has set a hearing to approval the carrier's reorganisation plan for 26 October with votes due by 14 October.

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