

Air France-KLM plans €2.3bn rights issue

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Air France-KLM is seeking to raise €2.256 billion (\$2.42 billion) from existing shareholders via the issue of 1,928 million new shares.

Net proceeds of the issuance will repay deeply subordinated bonds issued in April 2021 and held by the French state, and be used to strengthen the company's equity.

"The Company intends to free itself from the conditions set by the European Commission's temporary framework and will therefore allocate circa 1.7 billion euros to the repayment of the "Covid-19 recapitalization aid" granted in the form of undated subordinated notes," stated the airline group.

France is Air France-KLM's largest shareholder with 28.6% of the company, a stake it intends to maintain via participation in the rights issue.

"This subscription, should it occur, would be completed through offsetting claims held by the French State in respect of the deeply subordinated notes issued in April 2021 for an amount of circa 645 million euro," Air France-KLM added.

The Dutch State has said it intends to exercise its rights in proportion to its current shareholding in order for its shareholding to remain unchanged as well, subject to obtaining the necessary approvals from the Dutch parliament.

French shipping giant CMA CGM has committed to subscribe for a maximum of €400 million so that its total shareholding does not exceed 9% of the company's resulting share capital.

China Eastern Airlines and Delta Air Lines will participate on a cash-neutral basis by subscribing to new shares through the sale of part of their rights, using the net proceeds from selling rights to CMA CGM.

This follows CMA CGM's May announcement that it would become a strategic partner in Air France-KLM's cargo business.

"I would like to thank our main shareholders for their renewed support in this operation, and I am also delighted to welcome CMA CGM to our capital, as a new reference shareholder and industrial partner in our cargo activities," said Air France-KLM chief executive Benjamin Smith.

Shares will be issued at €1.17 per new share at a subscription parity of three new shares for every one existing share.

Based on the closing price of Air France-KLM stock on 20 May 2022, theoretical value of one right is €2.345 and the theoretical value of the ex-right share is €1.951.

The subscription price for the new shares of €1.17 reflects a discount of 40% compared with the theoretical value of the company's ex-right share price.

The rights issue will be open to the public in France only.

The French state, the Dutch state, China Eastern Airlines and Delta Air Lines have entered into a lock-up agreement from approval of the prospectus until 90 days following the date of settlement and delivery of the new shares, subject to certain exceptions.

CMA CGM has agreed a lock-up commitment as from the settlement-delivery of the new shares until the expiry of a three-year period following this date, being specified that CMA CGM may sell a maximum of 50% of the shares acquired in the context of the rights issue during an additional three-year period.

In addition, CMA CGM committed to a 10-year period to not acquire or subscribe to any shares issued by the company, unless such acquisition does not lead to an increase of its stake in the share capital.

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A shareholder holding 1% of the company's share capital as of 24 May 2022 would hold 0.25% on a non-diluted basis following the rights issue if it did not participate in it.

Deutsche Bank, HSBC, Natixis, Credit Agricole Corporate and Investment Bank and Societe Generale are acting as joint global coordinators, lead managers and joint bookrunners.

ABN AMRO Bank, Banco Santander, Citigroup and Cooperatieve Rabobank are acting as joint bookrunners.

Credit Industriel et Commercial, MUFG Securities (Europe) and SMBC Bank EU are acting as co-lead managers.

The preferential subscription rights will be detached on 25 May 2022 and traded on the regulated markets of Euronext in Paris from 25 May 2022 until 7 June 2022 inclusive.

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