AIRFINANCE GLOBAL

Apollo wins 'extensive' bidding process for SAS $700m DIP

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Apollo Global Management has won a bidding process to provide Scandinavian Airlines (SAS) with SEK 7 billion ($700 million) in debtor-in-possession financing.

The delayed-draw term loan carries a nine-month maturity but may be extended for an additional three-month period, up to three times, subject to an escalating extension fee.

SAS says the financing will be secured against various assets, including slots at London Heathrow, certain unencumbered aircraft and engines, and shares in certain entities, including the company and its loyalty programme.

The financing allows SAS, which is operating under Chapter 11 protection, to meet its obligations throughout its restructuring process.

The facility will bear interest at a rate per annum equal to the adjusted term SOFR (secured overnight financing rate) plus 9%.

SAS says it considers the proposal to be "on market terms". It anticipates receiving US bankruptcy court approval for the fundng by mid-September.

The deal follows a 15-day strike action that ended on 19 July with SAS pilots' unions agreeing on new collective bargaining arrangements. SAS had previously warned that the strike could "jeopardise" the company's access to DIP financing.

"We are pleased to have secured this financing commitment from investment firm Apollo Global Management, which follows an extensive and competitive process," says Carsten Dilling, chairman of the board of SAS.

"With this financing, we will have a strong financial position to continue supporting our ongoing operations throughout our voluntary restructuring process in the USA."

Apollo will provide the $700 million financing under a term loan agreement through a non-amortising senior secured super-priority DIP facility, of which $350 million will be available following court approval of the deal.

The remaining $350 million will be available upon satisfying certain conditions under the loan agreement.

Apollo partner Antoine Munfakh says the company "fully supports" the 'SAS Forward' restructuring initiative and the plan to recapitalise the carrier as it emerges from Chapter 11.

SAS Forward focuses on raising at least SEK 9.5 billion in new equity capital and reducing or converting over SEK 20 billion of pre-petition debt, hybrid securities and other obligations into new shares.

SAS says it intends to conduct a capital raising process to secure the "best available terms and conditions" in the first half of 2023.

Equity offer

Apollo would be permitted to convert its DIP loans into new equity if SAS believes the move would be in the interests of the carrier and its creditors.

The financing firm has agreed to negotiate with the Danish state on terms and conditions under which the government would acquire up to $250 million of equity interests of SAS associated with Apollo's conversion of its DIP loans into new equity.

SAS notes that any conversion of the DIP funding “may be insufficient” to meet its equity-raise objectives, and that it could seek to raise the additional equity necessary.

Apollo is due to receive a 1% upfront fee and a 1% advisor fee based on the total commitment on the closing date.

SAS expects to complete its court-supervised Chapter 11 process in nine-12 months from 5 July, when it filed for protection in the US bankruptcy court for the Southern District of New York.

Apollo secured a similar arrangement with Aeromexico. It is now one of Aeromexico's largest shareholders, along with Delta Air Lines, following the Mexican airline's restructuring process in 2020. Apollo Funds agreed to provide a $1 billion DIP facility, of which approximately $650 million was converted into equity in the reorganised Aeromexico.