# NORWEGIAN AIR SHUTTLE ASA STRENGTHENS ITS BALANCE SHEET THROUGH A FULLY UNDERWRITTEN RIGHTS ISSUE OF NOK 3 BILLION

**News / Airlines, Finance**




**Norwegian Air Shuttle ASA (“Norwegian” or the “Company”) is strengthening its balance sheet through a fully underwritten rights issue of NOK 3 billion in order to increase its financial flexibility and create headroom to the covenants of its outstanding bonds compared with the Company’s business plan.**

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**The Company is changing its strategic focus from growth to profitability. The Company intends to capitalize on the market position and scale built up over the last years. As a consequence of the changed focus, the capital expenditures will be reduced, which is expected to be achieved by a combination of (i) aircraft divestment, including JV, and (ii) postponement of aircraft deliveries. Further, the Company is working on several operational improvements, including (i) the extensive cost reduction program, #Focus2019, which will contribute to estimated reduction of minimum NOK 2 billion in 2019, (ii) optimization of the base structure and the route network and (iii) the agreement with Rolls-Royce related to compensation for the operational disruptions on its long-haul operations which was entered into in December 2018. The Company will update the market further on these initiatives on its Q4 2018 presentation. The fully underwritten rights issue in combination with these improvement initiatives will significantly improve the financial position of the Company during 2019.**

**“Norwegian has been through a period with significant growth. Focus going forward will increasingly be on cost savings and CAPEX reductions. We will now get in place a strengthened balance sheet that supports the further development of the company. With the strengthened balance sheet, the organization can now devote all its attention to further development of the company,” says CEO Bjørn Kjos.**

According to its preliminary 2018 figures, the Company delivered revenues of approximately NOK 40.3 billion, EBITDA of approximately NOK -2.2 billion, EBITDA excl other losses/gains of NOK –1.2 billion, EBIT of approximately NOK -3.8 billion and EBT of approximately NOK -2.5 billion in 2018. At the end of Q4 2018, the Company had cash and cash equivalents of NOK 1.9 billion and equity position of NOK 1.7 billion. Due to the rights issue, the Company will publish its Q4 2018 results on 7 February 2019 as set out below.

On 12 April 2018, it was announced that International Airlines Group (“IAG”) had acquired 4.61 per cent of the shares in the Company, and that IAG was considering to make an offer for all the shares in the Company. Subsequently, the Company received enquiries from several parties who expressed interest for structural transactions, financing of the Company and various forms of operational and financial cooperation. Discussions with such parties have been ongoing on several levels and with different approaches. The Company has previously announced that it received two preliminary and non-binding conditional proposals from IAG to acquire all the shares in the Company, which were rejected by the Company on the basis that they undervalued the Company and its prospects.

Following, among other issues, severe delays in aircraft and engine deliveries, the Company has for some time been assessing financing needs and financing alternatives, including raising equity. The Company secured stand-by underwriting commitment for a rights issue of up to NOK 3 billion in Q4 2018. However, during Q4 2018 and through December 2018, it has not been in position to raise equity while being engaged in new, concrete and specific negotiations related to the acquisition of the shares of the Company. No such discussions are currently ongoing.

On 24 January 2019, IAG announced that it does not intend to make an offer for the Company and that, in due course, it will be selling its shareholding in the Company.

The Company believes that a strengthened balance sheet will increase its competitiveness and stand-alone financial strength. The Board will nevertheless continue to be willing to engage in consolidation discussions that can develop shareholder value in Norwegian.

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The proposed issuance of new shares will generate gross proceeds of approximately NOK 3 billion and will be conducted as a fully underwritten rights issue, in order to ensure equal treatment of Norwegian's more than 16,000 shareholders. The rights issue is, subject to certain conditions, fully underwritten. Norwegian' largest shareholders, Bjørn Kjos, Chief Executive Officer in the Company, and Bjørn Halvor Kise, Chairman of the Board of the Company, have pre-committed to subscribe for NOK 343 million in aggregate through HBK Holding AS (NOK 300 million) and Sneisungen AS (NOK 43 million). Certain other larger shareholders have pre-committed and underwritten NOK 267 million. Since only a few shareholders have been invited to underwrite prior to this announcement, other professional shareholders will be allowed to participate in the underwriting until 5 February 2019. Additional shareholders have indicated their support for the rights issue. The remaining NOK 2,390 million of the rights issue is underwritten by DNB Markets, a part of DNB Bank ASA (“DNB Markets”), Sterna Finance Ltd., a company indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family, and Danske Bank, Norwegian Branch (“Danske Bank”). DNB Markets has been retained as Sole Global Coordinator and Joint Bookrunner for the rights issue. Arctic Securities and Danske Bank are acting as Joint Bookrunners for the rights issue.

The Company will call for an extraordinary general meeting ("EGM") to be held on or about 19 February 2019 to resolve the rights issue. Shareholders now representing 33 per cent of the shares have undertaken to vote in favor of the rights issue at the EGM and additional shareholders have indicated that they will support the rights issue at the EGM. Terms of the rights issue, including the subscription price and the number of shares to be issued, will be proposed by the Board of Directors and are expected to be announced on or about 18 February 2019.

According to the current timetable, and subject to approval by the EGM, the subscription period for the rights issue is expected to commence on or about 22 February 2019 and end on or about 8 March 2019. Norwegian’s shares are expected to be traded exclusive of subscription rights from on or about 20 February 2019. Freely tradable subscription rights will be applied for listing on the Oslo Stock Exchange and will be tradable from the commencement of the subscription period and until on or about 6 March 2019, two days prior to the expiry of the subscription period.

The Company will prepare and publish a prospectus for the rights issue, which will be subject to approval by the Norwegian Financial Supervisory Authority prior to publication.

All dates and other figures with respect to the rights issue included herein remain tentative and subject to change. Any changes will be announced at the extraordinary general meeting or through stock exchange announcements.

The Company has received a proposal from certain large shareholders that representation from the shareholders of the Company should be increased in the election committee at the next annual general meeting, and that Article 8 of the Articles of Association of the Company should be changed so that the chair of the Board of Directors of the Company is no longer a permanent member of the committee. HBK Holding AS, the largest shareholder of the Company, supports the proposal.

**Changes to the Company’s financial calendar**

In connection with the fully underwritten rights issue, the Company will publish its Q4 2018 results on 7 February 2019. The traffic update for February 2019 will be published on 11 March 2019.

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