Company Overview

Business Description

SAS AB is the Stockholm-listed holding company of the SAS group, the flag carrier of Denmark, Norway and Sweden.

Operates passenger, charter and cargo flying from hubs in Copenhagen, Oslo and Stockholm

Fleet of 100 aircraft averaging 7.9 years old: 20 owned, 63 on operating leases, 15 JOLCOs and two on finance leases

Approximately 113 destinations in 34 countries and 212 routes in fiscal 2021

Reported $12.43bn of assets and $9.41bn of liabilities as of 31 May 2022

Approximately 4,800 employees, 98% of them in Scandinavia

(1) SAS AB and 13 affiliated debtors filed voluntary chapter 11 petitions in the Southern District of New York on 5 July 2022 (Case No. 22-10925 (MEW)).

Corporate History

The 1946 Founding

SAS was founded in 1946 by national aircraft companies owned by the governments of Denmark, Norway and Sweden. Its first intercontinental route, Stockholm to New York, opened the same year.

The 1951 Consortium

In February 1951 the airlines were reorganized into a single entity, Scandinavian Airlines System Denmark-Norway-Sweden, owned by three companies now known as SAS Danmark A/S, SAS Norge AS and SAS Sverige AB.

The 2001 Listing

In 2001 SAS created a holding company, SAS AB, through three parallel public offers to the shareholders of each Consortium Constituent. SAS AB was listed in Stockholm on 6 July 2001, with secondary listings in Copenhagen and Oslo. At the Petition Date the Danish and Swedish states each held 21.8% and Wallenberg Investments AB 3.4%.

Operations Overview

Production Platforms	Four production platforms (SAS Scandinavia, SAS Connect, SAS Link and external capacity) simplify operations, cut cost per unit and let SAS adapt capacity to demand.
Route Network	Approximately 113 destinations in 34 countries in fiscal 2021, flown over 212 routes, down from 299 routes in fiscal 2019. Hubs at Copenhagen, Oslo and Stockholm Arlanda. A founding member of Star Alliance.
Fleet	100 aircraft averaging 7.9 years old; monthly payments on leases ran to approximately $33.5m. Aircraft lease liabilities of approximately $1.53bn and finance liabilities of $960m as of 31 October 2021. SAS AB guarantees all Consortium and Gorm leasing obligations.
Loyalty and Cargo	SAS EuroBonus, founded in 1992, has nearly 5 million members in Scandinavia and about 7 million worldwide. Cargo is sold through non-debtor SAS Cargo Group A/S using belly space on the passenger network; 8.4% of fiscal 2021 revenue.

Prepetition Obligations

Debtors' Funded Debt

USD in Millions *As of 5 July 2022*

Debt Instrument	Borrower / Guarantor	Rate / Security	Amount
Danish Term Loan	Consortium Constituents	Unsecured; government bond rate + 3.14% (min. 2.11%)	$ 155.0
Swedish Term Loan	Consortium Constituents	Unsecured; base rate + 3.14%	$ 150.0
Nordea Term Loan	Consortium Constituents / Eksfin	Unsecured; NIBOR + 0.55%	$ 152.0
Commercial Hybrid Bonds	SAS AB	STIBOR + 15.90% from October 2030; unsubordinated	$ 162.0
Swiss Bonds	SAS AB / Consortium Constituents	Subordinated; 0.625%, 10-year resets	$ 133.0
State Hybrid Bonds 1	SAS AB	Subordinated; STIBOR + 10.40% from October 2027	$ 500.0
State Hybrid Bonds 2	SAS AB	Subordinated; STIBOR + 11.40% from October 2027	$ 100.0
Total Funded Debt			**$ 1,352.0**

1) Approximately $1.35bn of funded debt in aggregate principal, excluding claims against guarantors and co-liable parties, on which the same instruments appear more than once. All of the debtors' funded debt is unsecured (Hildén Decl. ¶ 17).
2) The Swiss bonds are perpetuals issued in 1986, 40 years old at the filing, with a 0.625% coupon resetting every ten years.
3) The state hybrid bonds and the Swiss bonds sit behind the operating creditors; the commercial hybrid bonds are unsubordinated.

Source: Court Filings

Top Unsecured Claims

Largest Unsecured Creditors

USD *As of 5 July 2022*

#	Creditor	Nature of Claim	Amount
1	**Intertrust (Sweden) AB**	Trustee, State Hybrid Bonds	$ 599,424,352
2	**Intertrust (Sweden) AB**	Trustee, Commercial Hybrid Bonds	$ 161,363,435
3	**Kingdom of Denmark**	Danish Term Loan	$ 154,274,443
4	**Eksportfinansiering Norge AS**	Nordea Term Loan	$ 150,732,767
5	**Swedish National Debt Office**	Swedish Term Loan	$ 149,586,278
6	**Citibank N.A., Zurich**	Swiss Bonds (paying agent)	$ 133,937,329
7	**Københavns Lufthavne A/S**	Airport charges	$ 25,560,925
8	**Avinor AS**	Airport charges	$ 14,122,455
9	**Eurocontrol**	Route charges	$ 11,827,688
10	**Swedavia AB**	Airport charges	$ 7,848,128

1) Top ten entries from the consolidated list of 30 largest unsecured creditors attached to the lead debtor's voluntary petition (Dkt. 1).
2) The six largest are the funded debt instruments themselves, filed by trustees and paying agents.

Source: Court Filings

Events Leading to Bankruptcy

Financial Deterioration

COVID-19 collapsed traffic from more than 30 million passengers and 800 daily departures in fiscal 2019. SAS ran operating losses in the billions of dollars across fiscal 2020 and 2021 despite cost-cutting.

The fleet carried a heavy lease bill: roughly $33.5m a month across operating leases, JOLCOs and finance leases, much of it above market rates for surplus aircraft.

The 2020 Recapitalization

To survive the first year of the pandemic, SAS raised approximately $1.2bn in 2020: $200m of directed shares to the Danish and Swedish states, a $400m rights issue, $500m of state hybrid notes, a further $100m of state hybrids from Denmark, $150m of existing hybrids converted to shares, and $225m of senior bonds converted into $60m of shares and $160m of commercial hybrid notes.

SAS FORWARD

Announced 22 February 2022: approximately $750m of annual cost savings, about $2bn of debt-to-equity conversions, a $950m equity raise, a redesigned fleet and network, a revamped operating model and a digital transformation.

EUR

Events Leading to Bankruptcy (cont'd)

Lessor and Labor Talks

Attempts to renegotiate lease terms out of court failed. Many leases were significantly above market and several covered surplus aircraft that no longer fit the network. Talks with labor on cost reductions also failed.

The Pilot Strike

On 4 July 2022, the day before the filing, the SAS Scandinavia pilots' unions formally began a strike involving approximately 900 pilots, expected to cancel about 50% of scheduled flights and cost $10-13m per day.

The DIP Solicitation

Seabury and SEB solicited equity from more than 90 private and state financing sources in and outside Scandinavia, and solicited bids for approximately $700m of debtor-in-possession financing. Several sources indicated interest in financing during and after the cases, but no DIP was committed when the petitions were filed.

Events Leading to Bankruptcy (cont'd)

Industry Precedent Transactions

SAS filed into a market where the pandemic had already pushed the large Latin American carriers through the same court: Avianca, Aeromexico and LATAM Airlines Group all filed chapter 11 in 2020.

The SAS decision papers lean on two of them. Judge Wiles cited In re LATAM Airlines Group S.A., 620 B.R. 722 (Bankr. S.D.N.Y. 2020), where equity rights granted outside the plan process were refused as a sub rosa plan, and pointed to Grupo Aeromexico as the precedent for a DIP call option approved without objection and with committee support.

SAS was, however, the first flag carrier owned by European Union member states to use the US court. The case raised the question the Marelli plan never had to: what happens when the shareholders that must approve a capital raise are also the creditors wiped out inside the plan.

Chapter 11 Filing

The Chapter 11 Filing	SAS AB and 13 affiliated debtors, including the Consortium, SAS Norge, SAS Sverige, the North American subsidiary and seven Gorm leasing entities, filed voluntary chapter 11 petitions in the Southern District of New York on 5 July 2022. The cases are jointly administered under SAS AB, Case No. 22-10925 (MEW). Consolidated assets of approximately $12.43bn and liabilities of approximately $9.41bn as of 31 May 2022. Funded debt of approximately $1.35bn in aggregate principal, all of it unsecured. Operating lease liabilities were approximately $1.53bn.
Case Administration	Judge Michael E. Wiles. Debtors' advisors: Weil Gotshal & Manges (counsel), FTI Consulting (financial advisor), Seabury Securities and SEB (restructuring advisors), Kroll (claims and noticing agent). Board of eleven led by Carsten Dilling; Anko van der Werff, President and CEO.
Key Dates	First-day hearing on the cash management and other first-day motions, held on 8 July 2022. DIP bid deadline set for 12 August 2022; final DIP hearing on 21 September 2022.

Chapter 11 Filing (cont'd)

No Committed DIP at the Filing Date

SAS filed without a committed DIP facility. Approximately $444m sat in the debtors' cash pool and approximately $365m in standalone accounts at the Commencement Date, enough to operate, not enough to fund a restructuring.

Seabury and SEB solicited bids for approximately $700m of DIP financing from the same 90-plus sources approached for equity capital. Bids were due on 12 August 2022. Apollo Management Holdings, L.P. emerged as the winning bidder.

The facility the Apollo group signed was $700m in two pieces: $350m available at once and a second $350m available only if SAS met the savings targets under its cost reduction plan. Interest was priced at SOFR plus a margin, with fees and a 1% breakup fee approved in August 2022.

The second half of the facility came with terms that shaped the case: a call option over the reorganized equity and tag rights on new-money equity issued under the plan. Judge Wiles approved them in a written decision of 21 September 2022 while explaining why he probably should not have.

The Apollo DIP and Its Equity Terms

Call option. Apollo could convert its DIP loans, or pay cash, to buy equity issued under the eventual plan, at a price assuming $3.2bn of total enterprise value. On a later plan at $3.3bn, the court's own example, Apollo could still buy at $3.2bn, effectively at a discount.

Tag rights. Apollo could buy up to 30% of the new money equity issued under the plan, on the same terms offered to third parties, vesting on approval of the DIP.

Both rights were terminable for a price: $19.52m for the call option within the first twelve months (thereafter a return-based figure), and $21m for the tag rights after the creditors' committee negotiated the fee down from $28m. Together, at the hearing, the two fees came to $47.52m, or 6.79% of the DIP commitments.

The decision. Judge Wiles held that section 363 does not allow the elements of a future plan, or the terms on which equity will be issued under one, to be sold outside a plan process, said he could not have approved irrevocable rights, and approved these anyway because no one objected, some precedent existed and his own August order had signaled acceptance.

Chapter 11 Filing (cont'd)

The Outcome

The plan was confirmed on 22 March 2024. A Castlelake-led group won the court-approved equity solicitation and invested $1.2bn: $475m of new shares and $725m of senior secured convertible notes.

Expected holdings before any conversion: Castlelake 32.0%, the Danish state 25.8%, Air France-KLM 19.9%, Lind Invest 8.6% and certain creditors 13.6% of the new shares.

Apollo lost the plan process. The original $700m DIP was paid off under a payoff letter dated 15 November 2023, a replacement DIP of up to $500m was provided with Wilmington Savings Fund Society as agent, and SAS paid the $21m tag right termination fee out of the investors' escrowed deposit.

The Plan Distributions

Unsecured creditors share up to $325m of value through cash, a $75m pool of new shares and contingent value notes backed by SEK 2,325m held in reserve against any state non-tax claim for 2020 to 2023.

Three state-held classes were wiped out without voting: the Swiss bonds ($133m), the state hybrid bonds ($504.7m) and the Danish state hybrid bond ($101.6m). The court confirmed over them under section 1129(b); the three states did not consent to the court's jurisdiction and did not vote.

SAS emerged from chapter 11 on 28 August 2024, after the Swedish reorganization, the share cancellation and delisting, and the European Commission and EFTA state aid clearances came through. More than $2bn of debt was restructured.