

WOW Air seeks debt restructuring as Icelandair quits talks

March 25 2019



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Iceland's loss-making carrier WOW Air said it was in talks to restructure its debt after Icelandair ended brief negotiations aimed at buying a stake

in the no-frills airline.

"Icelandair Group has decided that its possible involvement in WOW Air's operations ... will not materialise. Therefore, all discussions between the parties have been cancelled," it said in a statement late Sunday, just days after the talks opened last week.

Icelandair chief executive Bogi Nils Bogason told the Frettabladid newspaper that the "[financial situation](#) and operations were such that we saw no reason to continue" the talks.

"We were seeking a long-term commitment, not just a way to resolve the short-term problems. Once we began examining the case and possible scenarios, we decided to end the talks."

Subsequently, WOW said "a majority of WOW Air bond holders and other creditors of WOW Air are in advance discussions with the aim of reaching an agreement on a voluntary restructuring."

That included "an agreement of converting current debt into equity" to fund "the company towards long term sustainability."

According to Frettabladid, WOW Air is reportedly in need of \$42 million to save the company.

WOW has been struggling for a while now.

This is the second time Icelandair has ditched plans to buy the airline. The first was in November 2018.

Last week, Indigo Partners, a private equity group that owns stakes in several low-cost airlines including Frontier Airlines in the United States, also pulled out of a preliminary deal to acquire 49 percent of WOW.

Founded in 2011, WOW exploited Iceland's location in the middle of the North Atlantic to offer a low-cost service between Europe and North America as well as tapping into a tourist boom to the volcanic island.

However, the privately-owned airline posted a pre-tax loss of almost \$42 million for the first nine months of 2018.

It has recently undergone major restructuring, reducing its fleet from 20 to 11 aircraft, eliminating several destinations, including those to the US, and cutting 111 full-time jobs.

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A report by a governmental work group said a WOW Air bankruptcy would lead to a drop in Iceland's gross domestic product, a drop in the value of the krona and rising inflation.

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Citation: WOW Air seeks debt restructuring as Icelandair quits talks (2019, March 25) retrieved 3 May 2024 from <https://phys.org/news/2019-03-wow-air-debt-icelandair.html>

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