

VIRGIN AUSTRALIA HOLDINGS LIMITED - VAH (ADMINISTRATORS APPOINTED): OUTCOME OF SECOND MEETING OF CREDITORS

4 September 2020: The Administrators of the Virgin Australia Group (Vaughan Strawbridge, John Greig, Sal Algeri and Richard Hughes – all Deloitte Restructuring Services partners) have confirmed the outcome of the second meeting of creditors held today.

At the meeting conducted online, creditors accepted 10 separate deeds of company arrangement (DOCAs) covering all 41 of the entities in voluntary administration as proposed by BC Hart Aggregator, LP (Bain Capital). It was the Administrators opinion that approving the DOCAs was in the best interest of all creditors.

The DOCAs will be signed, and completed, within 15 business days of today's date.

The Administrators signed a binding agreement for the sale of the business to Bain Capital on 26 June 2020, with completion of the sale to occur by either execution of DOCAs and transfer of shares in Virgin Australia Holdings Limited (VAH) to Bain Capital, or asset sale agreement involving the transfer of the business and assets into a new corporate structure and placing the existing Companies into liquidation.

The Bain Capital DOCAs, now formally approved by creditors, provides for:

- Unsecured creditors receiving between 13 and 9 cents in the dollar on their claims (from a pool of funds of between \$462 million and \$612 million)
- The value of all customer travel credits and prepaid flights provided post-administration
- Continued employment for the majority of employees and entitlements paid in full, including for those leaving the business
- Continuation of the Velocity Frequent Flyer program
- Retention of aircraft and equipment
- Interim funding and acceptance of economic risk by Bain from 1 July 2020.

Once the DOCAs are signed the Administrators will make an application to the Federal Court for the transfer of the shares in VAH to Bain Capital. The DOCAs cannot be successfully completed until the Court approves share transfer.

With the transfer of shares, expected to be completed by 31 October 2020, a proposed Creditors' Trust will be created to adjudicate claims and pay distributions to the Virgin Group creditors. The Voluntary Administrators will also act as Deed Administrators of the DOCAs and then as Trustees of the Creditors Trust. The timing of the payment of the dividend being to creditors has been estimated at between six and nine months from completion of the sale transaction.

Joint Voluntary Administrator Vaughan Strawbridge, and Deloitte Restructuring Services partner, said: "Our role as Voluntary Administrators is always a challenging one, and inevitably undertaken in challenging circumstances. That has certainly been the case here.

"Since our appointment on 20 April, we have worked hard to deliver the best possible outcome for all creditors and today they have overwhelmingly voted to support our opinion that it is in their interest to approve the DOCAs proposed by Bain Capital.

"This outcome provides certainty for employees and customers, a return to creditors, opportunities for suppliers and financiers to continue to trade with the Virgin Australia Group as well as maintaining a competitive Australian aviation industry for the benefit of consumers.

“While the outcome of the meeting today is a significant milestone for both the future of Virgin Australia and Australia’s aviation industry more broadly, we also acknowledge those loyal Virgin Australia Group employees who will lose their jobs and the difficulties that this will cause them and their families as well as the numerous suppliers and investors who will not receive all of the monies owed to them.

“The outcome has also been achieved due to the incredible support from Virgin management and staff, unions who have played an important part in securing the future jobs for so many of their members, financiers, service providers, trade suppliers, and other key stakeholders including the federal government.

“There is still a lot of work to do to complete the restructuring of the airline and complete the sale transaction before the business is ready to emerge from Voluntary Administration under Bain Capital’s ownership.”

Virgin Australia Group CEO and Managing Director Paul Scurrah said: “This is an important outcome for Virgin Australia, which brings us closer to exiting administration and allows us to focus on the future.

“It’s vital for Australia to have two major airlines for consumer choice, value airfares and to help support the recovery of Australia’s robust tourism sector after this crisis is over.

“While we can feel very proud that we have got to this point, the impact of COVID-19 remains very challenging for our business and industry. These are tough times and we must remain focused and adapt to this new environment.

“It’s been an incredibly tough journey for our people and they should be commended for how they have handled themselves. I’m pleased today gives us some more certainty around the company’s future.”

ENDS

This announcement was approved for release by Vaughan Strawbridge, Administrator Deloitte.

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