

## LATAM AIRLINES GETS DIP FINANCING FOR USD2.45 BILLION

LATAM Airlines completes debtor-in-possession loan

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Multiple international and Latin American law firms have helped in the closing of LATAM Airlines' US\$2.45 billion debtor-in-possession (DIP) financing, after overcoming several judicial hurdles.

Cleary Gottlieb Steen & Hamilton LLP in New York, Chile's Claro & Cía, Demarest Advogados in São Paulo, Rodrigo, Elías & Medrano Abogados in Lima, Philippi Prietocarrizosa Ferrero DU & Uría (Peru) and Ecuador's Pérez Bustamante & Ponce advised the airline.

Baraona Fischer & Cía in Santiago advised Chilean investors Cueto Group and Eblen Group as shareholders of LATAM, while Alston & Bird LLP in New York, Chilean firm Carey, Brazil's Mattos Filho, Veiga Filho, Marrey Jr e Quiroga Advogados, Heka Law Firm in Quito, Houthoff in Amsterdam, Estudio Olaechea in Lima and Posse Herrera Ruiz in Bogotá all advised one of the company's other shareholders, Qatar Airways. The three shareholders also provided part of the financing.

White & Case LLP in New York, Miami and Los Angeles, Cescon, Barriou, Flesch & Barreto Advogados in São Paulo, Ferrere (Ecuador) and three DLA Piper LLP offices advised US investor Oaktree Capital Management as lender. Quinn Emanuel Urquhart & Sullivan LLP in New York and Hogan Lovells LLP advised US lender Knighthead while Davis Polk & Wardwell LLP in New York and Barros & Errázuriz Abogados in Santiago advised stakeholder Delta Air Lines. Dechert LLP in New York advised a group of creditors for the transaction.

Separate teams of Cescon Barriou and DLA Piper (Peru) advised TMF's Brazilian and Peruvian branches respectively as local collateral agents.

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The deal closed on 8 October, after the US Bankruptcy Court for the Southern District of New York approved the financing on 18 September. The closing took place only days after Colombian counterpart Avianca obtained a US\$2 billion DIP financing early last week.

LATAM's final DIP deal comes after several court hearings over the last few months. Creditors objected to the airline's first DIP loan proposal in mid-July, claiming that the US\$2.45 billion deal was too expensive and that the package unfairly permitted lenders to exchange debt for equity at a discounted rate. On 10 September, LATAM submitted a modified request to the New York bankruptcy court, but that request was rejected by the judge, who said the deal threatened to create an unfair share of equity between stakeholders.

Latin Lawyer understands several other international and Latin American law firms may have been involved in the final closing of the deal too, but this could not be confirmed prior to publication.

The DIP financing is divided into several tranches. In the first portion, Oaktree will lend US\$1.125 billion instead of US\$1.3 billion, as was suggested in the original proposal. US lenders Knighthead and Jeffries will provide the remaining US\$175 million to bring the combined amount of the first tranche to US\$1.3 billion.

In the second tranche, LATAM is set to receive US\$750 million from Qatar Airways, the Cueto Group and the Eblen Group, while either Knighthead or Jeffries will provide another US\$150 million. LATAM will receive the last US\$150 million from either new or other existing shareholders.

DIP financings form part of restructuring proceedings and allow a company to continue its operations during such process.

LATAM first filed for Chapter 11 bankruptcy proceeding in New York in May, after travel restrictions – imposed to fight the covid-19 pandemic – had a huge financial impact on Latin America's aviation industry. The filing took place just weeks after Colombian counterpart Avianca began its own bankruptcy proceeding in New York. In June, Mexican airline Aeroméxico followed in their footsteps and filed for bankruptcy in New York too.

LATAM, which is Latin America's largest aviation group, reported a 75% revenue drop in the second quarter of 2020 compared with the

same time period last year, as well as a 94% decrease in passenger revenues.

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