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QATAR AIRWAYS AGREES TO ACQUIRE 10% OF LATAM AIRLINES

Thomas Muskett-Ford

Qatar Airways has hired Weil, Gotshal & Manges LLP in New York and Carey in Santiago to acquire a 10 per cent stake in Chilean counterpart LATAM for US$613 million.

LATAM, the region's largest carrier, turned to Sullivan & Cromwell LLP's Washington, DC and New York offices and Claro & Cía in Santiago for the transaction, which was announced on Tuesday. The deal calls on LATAM shareholders to approve a capital increase through the issuance of new shares by the 2 September. Qatar will then acquire these shares, which will be priced at US$10 each.

LATAM's share price was up 17 per cent on Wednesday following the deal's announcement. The company has been struggling to stay solvent as economic recession, slowing foreign investment and currency fluctuations in countries across Latin America take their toll. This has led LATAM to pursue some of the most innovative financing options on the market, including a series of precedent-setting aircraft-backed credit facilites, which closed in June 2015 and April this year.

With its deal with Qatar all but approved, the Chilean airliner now says it will have cash reserves totaling US$1.5 billion by the end of 2016.

Meanwhile, Qatar's acquisition marks its entry into the Latin American market. The company admits that regional demand is currently lacklustre, but expects the situation to improve as Latin America's squeezed middle class recovers.

Counsel to Qatar Airways

Weil, Gotshal & Manges LLP

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