

## Case Study Questions

### **Latam Airlines and COVID-19: Seeking Bankruptcy Protection in the United States**

---

On May 26 2020, Latam Airlines, the largest airline in Latin America, filed a petition for relief under Chapter 11 in the United States Bankruptcy Court for the Southern District of New York. Unable to meet coupon payments on its \$10.4 billion U.S. dollars in financial debt, Latam Airlines became the largest airline in the world driven to bankruptcy by COVID-19. The company was profitable before the pandemic brought most of the world's flights to a halt.

1. What is the difference between filing for bankruptcy reorganization versus bankruptcy liquidation? Why do you think Latam Airlines chose to file for bankruptcy protection through a reorganization rather than a liquidation proceeding?
2. Why do you think Latam Airlines chose to file for bankruptcy reorganization in the United States rather than its headquarter country, Chile?
3. The COVID-19 pandemic had significant impact on the aviation industry due to travel restrictions and a slump in demand among travelers. What were Latam Airline's greatest vulnerabilities, compared to other airline companies, before the start of the pandemic?
4. Is Latam Airlines a viable company in the long run? What changes should Latam Airlines make to adjust to the "new normal" of the airline industry after COVID-19 crisis?
5. If you were the chief investor officer of an international mutual fund, would you invest in Latam Airlines through debtor-in-possession (DIP) financing? If so, which DIP financing tranche (A or C) do you find more attractive?
6. In several countries around the world, governments provided financial assistance to the airlines. Do you think the Chilean government should help Latam Airlines?