

# Analysts: Delta faces liquidation

Bankrupt airline considered the weakest of legacy carriers and the most at risk for takeover.

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**WASHINGTON (Reuters) - Delta Air Lines Inc. is the weakest among traditional U.S. airlines and faces risk of liquidation if things do not go well in bankruptcy court, analysts said Tuesday.**

"There is a tangible risk that Delta could be up for liquidation," said CreditSights analyst Roger King at the Reuters Aerospace and Defense Summit.

Fitch Ratings analyst Bill Warlick added that Delta had mortgaged everything it had left.

"That's the one to watch moving into 2006 if things do not proceed well in the bankruptcy process," he said. "It's certainly conceivable that a carrier like Delta could face a liquidity squeeze."

Delta, the No. 3 U.S. carrier, filed for Chapter 11 bankruptcy protection in September and is seeking \$3 billion in cost cuts and revenue hikes it says it needs to survive.

Delta could not be reached immediately for comment.

## Consolidation eyed

Analysts attending the summit held in Washington said the airline industry needed to consolidate to become profitable.

"Of all the network carriers, they [Delta] have the weakest network profile and therefore would be most at risk as a target in future M&A," Warlick said.

Unlike Northwest, Delta has nothing it can fall back on, CreditSights' King added. Delta's hubs are not attractive for European business, and it faces competition from low-cost carriers on their domestic routes, he said.

"Their balance sheet is full of a lot of secured debt," said King. "Everything is liened up, including probably the pencils."

King said that he expected Delta pilots -- who are fighting the airline's bid to void their contract in bankruptcy court -- to vote against a strike if the judge hearing the case rules against them.

"When it actually comes time to vote, people tend to vote for the job," he said.

Earlier at the summit, Duane Woerth, president of the Air Line Pilots Association, said there was a possibility that the pilots would strike if the court rejected their contract.

"There is a chance because the level of frustration is so high," he said. But he added: "It'll be (more) an act of venting than strategy."