

Reuters

## US Airways raises offer for Delta Air Lines

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By Chris Reiter

NEW YORK (Reuters) - US Airways Group Inc. (NYSE:[LCC](#) - [News](#)) raised its takeover offer for larger, bankrupt rival Delta Air Lines Inc. (Other OTC:[DALRQ.PK](#) - [News](#)) by about 20 percent to \$10.3 billion on Wednesday, sweetening a deal for creditors and putting pressure on Delta management.

Delta last month rejected the original bid, valued at \$8.5 billion at Tuesday's market close, saying the company was worth at least \$9.4 billion, and possibly as much as \$12 billion, as an independent carrier.

After making its original bid on November 15, US Airways' efforts to acquire Delta had stalled with creditors undecided. The latest bid sets a February 1 deadline for creditors to react.

The official creditor committee, which is key to deciding what plan succeeds, wasn't immediately available to comment. The nine-member committee includes Boeing Co. (NYSE:[BA](#) - [News](#)), Coca-Cola Co. (NYSE:[KO](#) - [News](#)), the Air Line Pilots Association, and the Pension Benefit Guaranty Corp.

A less powerful creditor group that represents some bondholders and other unsecured creditors -- which has been more receptive to US Airways' original proposal -- suggested it might back the new offer.

"We welcome US Airways' move and intend to carefully analyze this over the next several days," said a person close to the ad hoc creditor group, which could yet play a crucial role in deciding Delta's fate.

Delta's management said it would review the new offer, but that the proposal didn't address its past concerns relating to anti-trust and labor issues and the combined company's debt burden.

"On its face, the revised proposal does not address the significant concerns that have been raised," the company said in a statement. It noted that the new offer would saddle the combined company with an additional \$1 billion in debt.

### 'IRRESISTIBLE OFFER'

Analysts and industry watchers expect other mergers in the industry to hinge on the success of US Airways' bid for Delta. The increased offer boosts its prospects.

"This would seem to be an irresistible offer," airline consultant Robert Mann said. "I think Delta's stuck. I think they've kind of cornered themselves."

A raised bid was expected after US Airways on Monday bolstered the financial muscle behind its effort by adding Morgan Stanley (NYSE:[MS](#) - [News](#)) as a backer alongside Citigroup (NYSE:[C](#) - [News](#)). The two banks have committed \$8.2 billion in financing for the offer.

The new bid offers Delta's creditors \$5 billion in cash and 89.5 million US Airways shares. The original offer, which was rejected by Delta last month, was for \$4 billion cash and 78.5 million US Airways shares.

"What we did clearly get was a view the creditors were struggling with the decision and struggling with comparing the two offers," US Airways Chief Executive Doug Parker told Reuters in an interview. "We wanted to eliminate any doubts that the merger with US Airways is better for Delta's unsecured creditors than Delta's stand-alone

plan."

#### DEADLINE PRESSURE

US Airways said the offer would expire on February 1 unless it gets support from Delta's creditors to perform due diligence and postpone a February 7 hearing that would start the voting process on Delta's stand-alone plan.

"This is solely put in place to get things moving," said Standard & Poor's equity analyst Jim Corridore.

US Airways expects the acquisition of the larger Atlanta-based carrier to add to earnings per share in the first full year after completion.

But it could be a stretch for the Tempe, Arizona-based carrier that was created from the merger of America West and then bankrupt US Airways in September 2005. The offer would more than double its shares outstanding, which stood at 88.2 million at the end of September. The new debt would also far exceed its current market value of \$5.1 billion.

US Airways shares were up \$1.04 cents, or 1.8 percent, at \$58.94 in mid-day trading on the New York Stock Exchange.

Delta's 8.3 percent bond due in 2029 -- the most heavily traded credit in the U.S. corporate bond market on Wednesday -- jumped more than 4 cents on the dollar to 68.25 cents, according to MarketAxess.

(Additional reporting by Paritosh Bansal, Kyle Peterson, and Neil Shah)