

# Delta warns of need to 'resize' after big loss on virus shutdowns

April 22 2020, by John Biers

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Planes belonging to Delta Air Lines sitting idle at Kansas City International Airport earlier this month

Delta Air Lines will need to "resize" the company in the wake of the coronavirus crisis, executives said Wednesday, as they sketched out a

picture of airline industry recovery that is expected to be slow and choppy.

The carrier, the first of the giant US airlines to report results for the quarter ending March 31, suffered its first quarterly loss in nearly a decade as the government-mandated shutdowns to contain the deadly outbreak devastated the global travel business.

The message from Chief Executive Ed Bastian was grim.

"Given the combined effects of the pandemic and associated financial impact on the global economy, we believe that it could be up to three years before we see a sustainable recovery," Bastian said during a conference call.

"And to succeed throughout this environment, we will likely need to resize our business in the near term to protect it in the long term."

Delta lost \$534 million in the first quarter, compared with profits of \$730 million in the same period a year ago. Revenues fell 18 percent to \$8.6 billion.

The US Treasury is providing aid to the airlines as part of the \$2.2 trillion stimulus legislation approved last month, with Delta taking \$5.4 billion. The deal bars the company from involuntary furloughs or layoffs of workers through September 30, and prohibits share repurchases or dividends through September 31, 2021.

But other leading airlines already signaled that job cuts will be needed given the expected slow recovery in air travel.

Bastian predicted that the return of air travel will be "choppy" and contingent on government policies on travel and consumer perception of

when it is safe to resume normal life.

He acknowledged that resizing the business would be "painful."

"We've encountered a lot of crisis in our industry," Bastian said. "This one where people physically do not feel safe to venture out of their homes is unique to us and we've got to inspire the confidence so that they can start traveling again."



Delta Airlines CEO Ed Bastian acknowledged that steps to 'resize' the company will be 'painful.'

## **Not spending on planes**

Like its peers, the company has taken radical steps to survive. Delta has parked 650 aircraft, while more than a third of its global staff, some 37,000 employees, have taken unpaid leave.

The carrier said it will slash expenses in June by 50 percent, which will reduce its daily cash burn from \$100 million at the end of March to \$50 million by the end of the month.

And the company has reduced its capital spending by more than \$3 billion, and has had "constructive dialogue" with plane builder Airbus to defer plane deliveries, Bastian said.

"We've got 600 aircraft on the ground. We don't need any more aircraft to be putting on the ground," he said, adding that the company doesn't plan to use any cash on new aircraft this year.

Speaking of Airbus, Bastian said, "The reality is, they're good partners and they're working with us on it."

Under the federal CARES Act, Delta is eligible for another \$4.6 billion in secured loans from the US Treasury.

Executives said Wednesday they planned to apply to reserve a loan, but

will assess over the coming months whether to pursue that option as they consider other means of building the additional liquidity they need.

The company's share price fell 2.6 percent to end at \$22.50.

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