

US carrier JetBlue launches hostile takeover of Spirit Airlines

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Spirit has reiterated its support for a merger with Frontier Airlines.

Low-cost US carrier JetBlue Airlines announced on Monday a hostile takeover bid for its rival Spirit Airlines, which had rejected a previous offer in favor of a merger with Frontier.

Earlier this month, Spirit reiterated its support for a deal with Frontier Airlines, saying the \$3.6 billion JetBlue offer involved excessive regulatory risk.

It said the US Justice Department's challenge of JetBlue's alliance with American Airlines raised the odds that a takeover of Spirit might get blocked.

JetBlue called the antitrust concerns a "smokescreen" and said the deal with Frontier will face similar regulatory scrutiny.

"They based their rejection on unsupportable claims that are easily refuted," JetBlue Chief Executive Officer Robin Hayes said in a letter to Spirit shareholders.

"The Spirit Board of Directors has failed to act in the best interests of their shareholders by refusing to engage constructively on our clearly superior proposal," he said.

The company offered a cash buyout of Spirit at \$30 a share—adding that it was prepared to return to its original offer of \$33 if Spirit agreed to return to the negotiating table.

JetBlue launched a "Vote No" campaign asking Spirit shareholders to reject the proposed merger with Frontier at a meeting June 10.

"JetBlue offers more value—a significant premium in cash—more certainty, and more benefits for all stakeholders," Hayes said.

"We are confident we can address any regulatory concerns the Spirit Board, regulators or courts may have."

Airline competition

Asked about the competing deals, US Transportation Secretary Pete Buttigieg said competition in the industry is critical.

It "needs to be demonstrated that this would not have a negative effect on competition in order to meet those legal hurdles," he said on CNBC.

Amid growing concentration in the airline sector, he said it is up to the Justice Department to decide "where you draw the line."

In early February, budget carriers Spirit and Frontier announced they were combining to create a competitive low-cost carrier that aims to test the dominance of larger rivals.

The merger would create the nation's fifth-largest airline by seat capacity, behind American, United, Delta and Southwest.

But in April, JetBlue challenged the deal, offering a similar argument about challenging larger US carriers.

Spirit shares jumped 13.5 percent, while JetBlue fell 6.1 percent. Frontier rose 5.9 percent.

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