

Delta warns of 80% revenue drop as US carriers fear doom

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Delta Air Lines has taken out a \$2.6 billion loan and put some of its airlines up as collateral

Delta Air Lines on Friday warned the coronavirus pandemic will cut its second quarter earnings by 80 percent compared to 2019, and ratings agency S&P said other US carriers faced similar fates.

"We're now projecting our June quarter revenues will be down by \$10 billion compared to a year ago—an 80 percent reduction," Delta's chief executive Ed Bastian said in a note to employees.

The hotel and travel industries have borne the initial brunt of the impact of the drastic shutdowns caused by the global virus outbreak, but worse may be ahead, Bastian said, and "recovery will take an extended period once the virus is contained."

Amid the spreading economic carnage, Bastian said there are now 13,000 employees who have taken voluntary unpaid leave, and "we could use more." That is an increase from the 10,000 he reported Wednesday had gone on leave, foregoing salary but maintaining benefits such as health insurance.

In a regulatory filing, Delta also announced it had taken out a \$2.6 billion loan that was secured by "certain aircraft."

The virus's spread has forced carriers to slash routes as countries shut their borders and impose movement restrictions and US airlines have asked Congress for a \$50 billion bailout to survive the crisis.

Separately, S&P Global Ratings downgraded American Airlines credit to B from BB- due to "reduced demand from the continued spread of the virus on the company's credit metrics."

"While the company is reducing its capacity and some associated costs and is benefitting from the steep decline in oil prices, we expect these factors to be more than offset by its much weaker traffic," S&P said in a statement.

The agency has cut the debt ratings for a slew of American carriers this week, including Southwest Airlines, which also has struggled due to the year-long grounding of Boeing's 737 MAX aircraft.

S&P cut the outlook for United Airlines to negative.

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