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Jul. 28, 2022

Credit: Isaac O'Bannon, CPA Practice Advisor.

By Ron Hurtibise, South Florida Sun Sentinel (via TNS).

JetBlue has agreed to buy Florida-based Spirit Airlines for $3.8 billion, raising questions about the budget airline's future status in South Florida, where it employs 3,400 people and generates significant economic activity.

The agreement Thursday, which is subject to approval by federal regulators, comes a

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scrutiny from federal regulators over the next year and a half.

Approval and closure of the transaction is not expected until the first half of 2024, the joint release states.

"So it's business as usual throughout the lengthy regulatory review process, and we will continue to compete against each other and operate as separate companies until the transaction is approved," Spirit spokesman Erik Hofmeyer said by email.

The news release offered clues about the combined entity's South Florida presence.

"JetBlue will ensure a smooth transition for Spirit's corporate team members by retaining a Fort Lauderdale support center, in addition to JetBlue's other support centers," it said.

Whether that shared support center will be retained at Spirit's current headquarters in Miramar or at the new headquarters under construction in Dania Beach — or both — remains to be seen. Currently, the Dania Beach project is being built with 200 apartments for exclusive use by Spirit employees.

"It's premature to speculate on some areas at this time," Hofmeyer said. "Bottom line is there will continue to be a large presence in South Florida with our operations, office and training facilities."

Officials of the region's primary tourism promotion organization and Fort Lauderdale Hollywood International Airport agreed that it's too early to decipher potential impacts of the acquisition on local tourism and airport operations.

"Until we know the number of flights available, routes, load factor, etc., it's premature to say what the impact of this merger would be on the local tourism economy," said Stacy Ritter, president and CEO of the Greater Fort Lauderdale

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the acquisition.

"We are always concerned about how these decisions impact local employees and companies that support them," he said in a statement released by the Alliance. "However, JetBlue has been consistent that the primary motivation for the merger is access to aircraft, equipment and people."

Spirit's decision to expand and build a more robust headquarters in Dania Beach resulted from a "data-driven" detailed analysis of nationwide locations, Swindell said.

"The factors leading to that decision, including access to talent and the importance of South Florida to aviation, are still relevant today for Spirit and any airline. The new facility could be a strategic location for JetBlue, which serves all three South Florida airports with Fort Lauderdale as a focus city," he said.

Similar questions about Spirit's continued presence in South Florida surfaced in February following news of Frontier Airlines' proposed $2.9 billion acquisition of Spirit and the possible transfer of Spirit's headquarters operations to Frontier's home in Denver.

At the time, Spirit CEO Ted Christie said the Dania Beach headquarters project remained an important part of the airline's future.

"A sizable piece of that project is designed to satisfy our training needs of crews," he said. "Regardless of what happens, we need that space."

The combined airline, which will be based in New York and led by Hayes, would have a fleet of 458 aircraft with 300 more on order from AirBus.

JetBlue said Thursday that it would pay $33.50 per share in cash for Spirit, including

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break-up fee of $70 million and stockholders of Spirit a reverse break-up fee of $400 million, less any amounts paid to stockholders of Spirit prior to termination.

News of the JetBlue and Spirit combination comes after weeks of Frontier and JetBlue tussling over who would ultimately get to add the budget airline to its arsenal. While Spirit initially struck a deal with Frontier and had stood by that proposed agreement, its shareholders were not on board.

The decision by Spirit and Frontier to terminate their deal was announced Wednesday while Spirit shareholders were still voting on the proposal. It was apparent that despite the support of Spirit's board, shareholders were prepared to reject the deal and seek a richer one from JetBlue.

JetBlue anticipates $600 million to $700 million in annual savings once the transaction is complete. Annual revenue for the combined company is anticipated to be about $11.9 billion, based on 2019 revenues.

Their respective loyalty programs remain unchanged and customer accounts will not be affected in any way.

The deal still needs the required regulatory approvals and approval from Spirit's stockholders. The companies expect to conclude the regulatory process and close the transaction no later than the first half of 2024.

Assuming the deal goes through, JetBlue would become the nation's fifth-largest airline behind American Airlines, Delta Air Lines, Southwest Airlines and United Airlines, according to industry officials.

Spirit's stock rose more than 4% before the market open, while shares of JetBlue were up slightly.

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