

# THE LEADING US LOW-COST AIRLINE WENT BANKRUPT



After the news of the bankruptcy last week, Spirit's stock plunged 45 percent in seconds, wiping out the market value of hundreds of millions of dollars. Overall, overnight, the stock had dropped 70 percent.

## US\$ 3 Billion Debt

Florida-based Spirit Airlines is in final negotiations with its debt holders regarding a restructuring plan to gain major creditors' support. According to a report from the Wall Street Journal, **the leading US low-cost airline currently has over \$3 billion in debt and may file for bankruptcy in the coming weeks.**

This year, Spirit has limited its growth plans, temporarily laid off employees, and put 23 aircraft up for sale. The company anticipates filing for Chapter 11 bankruptcy to help alleviate its debt.

Filing for Chapter 11 allows the airline to restructure its debt while continuing operations, but it could also result in significant cuts to routes and staff. If its financial recovery plans are unsuccessful, Spirit Airlines may face the risk of a total shutdown.

## Debts Must be Paid Within 1 Year

The company continues to incur losses despite the increased travel demand post-pandemic. It has a significant debt of \$3.3 billion, some of which is maturing in the short term. Over \$1.1 billion in secured debt is due within the next year.

In January, Spirit announced it would temporarily lay off 330 pilots to cut costs and strengthen its financial position. The company has reported a loss in five of the last six quarters and is facing severe challenges in managing its growing debt burden. Spirit has not achieved annual profitability since the pandemic, with revenues declining.

**Spirit Airlines initially planned to merge with Frontier Airlines in 2022, but the deal was put on hold after JetBlue made a higher bid.** The Justice Department opposed the merger because it would be anti-competitive, and a judge agreed with this position.

As a result, JetBlue withdrew from the merger. After this, Spirit resumed discussions with Frontier about a potential reunion. However, in October, Frontier unexpectedly called off these talks. Since the beginning of the year, Spirit Airlines' shares have lost over 86% of their value.

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