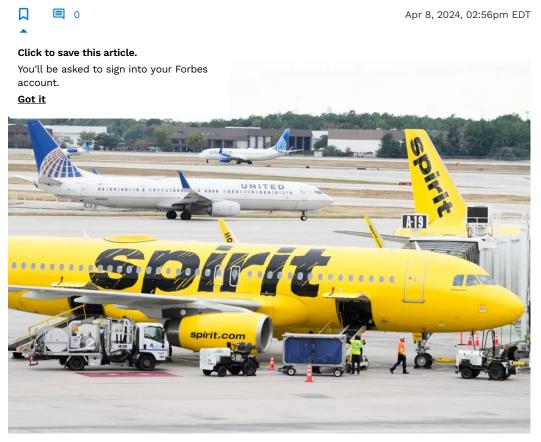
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# Spirit Airlines Defers Airbus A320s —Why That Is Bad News For Boeing

**Marisa Garcia** Senior Contributor ① *I offer an insider's view of the business of flight.* 

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HOUSTON, TEXAS - NOVEMBER 21: Ground crews work to prepare a Spirit Airlines plane as a United ... [+] HOUSTON CHRONICLE VIA GETTY IMAGES

Spirit Airlines SAVE -2.7% and Airbus have reached an agreement which allows the low-cost airline to defer deliveries of A320 aircraft scheduled for the second quarter of 2025 through 2026 by five years, from 2030-2031. This deferral will improve the airline's liquidity by around \$340 million over the next two years.

The deferal also benefits Airbus by freeing up the manufacturer to sell planes to other airlines sooner. That's bad news for Boeing BA -0.7% because one

prime interested party could be United Airlines, which has been let down by Boeing <u>delivery delays</u>.

## Spirit Airlines Strengthens Its Balance Sheet



AUSTIN, TEXAS - FEBRUARY 12: Customers wait to be assisted at a Spirit Airlines check-in counter at ... [+] GETTY IMAGES

By deferring these planes, Spirit Airlines buys itself some time to strengthen its finances after the merger with JetBlue fell through.

The decision to postpone deliveries will impact the airline's capacity growth over the next two years. Spirit would have 219 planes in its fleet by 2025 instead of the 234 it originally intended. However, the airline is ready to reset priorities.

"Deferring these aircraft gives us the opportunity to reset the business and focus on the core airline while we adjust to changes in the competitive environment," said Ted Christie, Spirit's President and Chief Executive Officer in a company statement. "In addition, enhancing our liquidity provides us additional financial stability as we position the Company for a return to profitability."

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Spirit will still take delivery of two direct-lease aircraft scheduled for the second and third quarter 2025. Spirit has kept its aircraft on order scheduled for delivery between 2027 and 2029. The amended agreement also defers the dates by which Spirit must act on its aircraft options in the original order. Spirit has not changed the total number of aircraft on order or option with Airbus.

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# Big News For Airbus, Bad News For Boeing



An Airbus A320 passengers aircraft of Spirit airlines arriving from Miamia is pictured while an ... [+] AFP VIA GETTY IMAGES

Senior aviation analyst <u>Addison Schonland</u>, co-founder of AirInsight, sees today's news in a positive light. "This is big news—it's expected, but big nonetheless," Schonland <u>wrote</u> in reaction to the Spirit Airlines announcement. "This move gives Airbus something it wants—delivery flexibility for its best-selling model, the A321neo."

While, as Schonland noted there is "no shortage of customers who will take these delivery slots," he places United Airlines "at the front of the line" in picking up the planes Spirit has put off.

Schonland describes United Airlines as "eager for A321neos" which would help deliver the capacity the airline needs after Boeing's prolonged delays on the 737 MAX 10. Being able to satisfy that need gives Airbus a stronger foothold at the airline that Boeing helped build.

"United recently started taking deliveries of A321neos after decades since its last Airbus new delivery," Schonland said. "Accelerating these deliveries secures United and ultimately allows Airbus to move into a better position to replace the airline's aging A310s and A320s. With United's preference for Boeing hampered by a MAX rate of 38, this is Airbus' moment."

### **Pratt & Whitney Engine Issue Supplies Cash, Costs**

### **Pilots**

Spirit is among the airlines affected by a manufacturing fault in the Pratt & Whitney GTF Engines that power its Airbus aircraft, which requires extended grounding and maintenance to resolve.

The airline recently reached a compensation agreement with Pratt & Whitney for the fault, which further boosts Spirit's liquidity between \$150 million and \$200 million.

However, due to the extended grounding of planes to undergo engine maintenance, and this decision to defer deliveries of new aircraft, Spirit also announced it would furlough around 260 pilots by September 1.

Ryan Muller, chair of Spirit Airline's Master Executive Council at the Air Line Pilots Association described the furloughs to <u>Reuters</u> as "deeply troubling for our entire pilot group." The union is "exploring voluntary measures" to keep more Spirit pilots flying.

In the airline's statement, Christie said of the furloughs: "We are doing everything we can to protect Team Members, while balancing our responsibility to return to positive cash-flow and thrive as a healthy company with long-term growth prospects."

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Marisa Garcia

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I spent 16 years in aviation, working hands-on in hangars, training centers, and boardrooms from 1994 to 2010. During that time I worked with... **Read More** 

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