

Deal of the Week: Alaska Air to Buy Virgin America for \$2.6B

Announcement Date	<ul style="list-style-type: none"> April 4, 2016 	
Acquirer	<ul style="list-style-type: none"> Alaska Air Group, Inc. (NYSE: ALK) 	
Acquirer Description	<ul style="list-style-type: none"> Provides passengers and cargo air transportation services primarily in the United States Founded in 1932 and headquartered in Seattle, Washington 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$10.3 billion EV: \$9.6 billion LTM Revenue: \$5.6 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$1.7 billion LTM EV / Revenue: 1.7x LTM EV / EBITDA: 5.8x
Target Company	<ul style="list-style-type: none"> Virgin America Inc. (NASDAQ: VA) 	
Target Description	<ul style="list-style-type: none"> Provides scheduled air travel services Founded in 2004 and headquartered in Burlingame, California 	
Target Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$2.4 billion EV: \$2.1 billion LTM Revenue: \$1.5 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$230.4 million LTM EV / Revenue: 1.4x LTM EV / EBITDA: 9.3x
Acquirer Advisors	<ul style="list-style-type: none"> BofA Merrill Lynch and UBS; Cowen & Company 	
Target Advisors	<ul style="list-style-type: none"> Evercore Group 	
Price / Consideration	<ul style="list-style-type: none"> Price: \$2.6 billion 	<ul style="list-style-type: none"> Consideration: Cash
Rationale	<ul style="list-style-type: none"> The acquisition of Virgin America, the sleek but embattled young airline that sought to make flying across the United States stylish, would propel Alaska Airlines into the top five American carriers The deal would also prove helpful in giving the older airline valuable space at major California airports and lucrative transcontinental routes “The goal is to be the premier airline on the West Coast,” Brad Tilden, Alaska Air’s chief executive, said in a telephone interview on Monday Transaction is expected to be accretive to adjusted EPS in first full year The companies said they expected to achieve \$225 million in annual cost savings following the merger, after incurring one-time integration costs of \$300 million to \$350 million 	
Deal Points	<ul style="list-style-type: none"> Alaska Air said it will pay \$57 per share, sending Virgin America stock soaring 40% Including debt and aircraft leases, the transaction is worth about \$4B 	
Of Note	<ul style="list-style-type: none"> The combined airline will have 1,200 daily departures, 280 aircraft, and hubs in Seattle, San Francisco, Los Angeles, Anchorage, Alaska, and Portland, Oregon Alaska Air was in a bidding war with JetBlue. The acquisition marks yet another step in consolidation in the airline business Virgin America was launched in 2007 by billionaire Richard Branson and went public in November 2014 As of December 2015, Branson's Virgin Group owned 18.2%. That made it Virgin America's second largest shareholder behind New York hedge fund Cyrus Holdings, which has a 27.9% stake 	