



Basis Points – September 15, 2020

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Above the Fold

Air Carriers Use Frequent Flier Programs to Avert Financial Disaster

The Great Recession triggered a systematic failure in the debt and capital markets that left many industries, especially airlines, with few options to access capital. Obviously, there were government bailouts, massive consolidation and bankruptcy options that all helped would-be survivors get through those tough times, but some never made it through to the other side. The pandemic has brought similar challenges that have, in some cases, resulted in the complete [collapse](#) and/or liquidation of air carriers across the globe. As travel slowly picks back up and with major U.S. carriers getting unprecedented stimulus, several are turning to frequent flier programs for much-needed cash.

The Wall Street Journal recently reported that Delta Air Lines Inc. was the most recent airline to collateralize its SkyMiles program to help raise a planned \$6.5 billion. Delta will issue private notes and enter a term-loan facility backed by SkyMiles. United Airlines, American Airlines and Spirit all have executed similar strategies. The airlines sell miles like a virtual currency to banks, credit card companies and even retail partners, who then resell to the general public through spending promotions, credit card rewards or other programs. The co-branding typically associated with the resale of miles is also beneficial to both parties and helps reduce marketing costs for the carrier. Airlines can also control the value of miles by adjusting internal redemption values and equivalent ticket prices.

Three Things

1. *Old Tech Giant Going Viral* – In a last-minute twist that came just an hour after Microsoft announced it was no longer acquiring TikTok, Oracle has emerged as the winning bidder for the budding, viral social media company. According to the [Wall Street Journal](#), the deal is not likely to be structured as an outright sale and will be subject to review by the White House.
2. *Walmart Ziplines New Drone Deliveries* – Drone-maker Zipline is partnering with retail giant Walmart to deliver health and wellness products to customers within a 50-mile radius of a store starting early next year. Zipline's launch and release system is already in use in multiple countries and the company says it has already delivered more than 200,000 critical medical products with its devices.
3. *Google's Predictive Search Gets [un] Political* – Google's "autocomplete" feature helps save time and thought when you start typing in the search box. But effective immediately, Google will NOT show search suggestions that could be construed as political ... even if they are true. In other words, Google is [censoring](#) itself through algorithms that will also be monitored proactively by staff.

Did You Know?

The End of Lehman Brothers

It was on this day, 12 years ago, that the venerable investment bank with some 25,000 employees worldwide declared bankruptcy. The company began its life as a small dry goods store founded by German immigrant Henry Lehman in 1822 in Montgomery Alabama. Emanuel and Mayer Lehman joined the company in 1850, and the business began its first evolution by changing its name to Lehman Brothers. Credit card company American Express purchased the company in 1984 and then spun it back off in 1994 into what was a newly deregulated industry. The company thrived and expanded heavily into the loan origination business during the early 2000s, exponentially growing their exposure to commercial and residential real-estate-related assets. Before its collapse, the firm held more than \$111 billion in those assets, more than double just a year prior.

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