

TRAVEL AND HOSPITALITY

Skirting bankruptcy, Wheels Up receives \$500M in Delta-led funding round

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Wheels Up, which became the first private aviation firm to begin trading on the New York Stock Exchange in July 2021, is now raising funds in the midst of financial troubles. Image credit: Wheels Up

By LUXURY DAILY NEWS SERVICE

An emergency cash infusion will give private aviation firm Wheels Up a second shot at a post-pandemic recovery.

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Seeking support in the midst of severe financial troubles, the company is accepting \$500 million in strategic backing via a funding round led by United States-based travel player Delta Air Lines. Per the agreement, Wheels Up will cede almost all control to Delta Air Lines, giving up 95 percent of its common stock to its partners old and new, while granting the lead investor's CEO the title of company chairman in a move of corporate reinvigoration.

"Wheels Up sincerely appreciates the unwavering support of so many of our members and customers," said Todd Smith, interim CEO and CFO at [Wheels Up](#), in a statement.

"Over the past few months, we have been intensely focused on taking clear steps to improve our product offering and our operational delivery," Mr. Smith said. "Those actions are already showing results and we look forward to continuing and accelerating that progress with the support of our new partners.

"We are extremely grateful for Delta's support and look forward to welcoming our new partners, including Certares and Knighthed, to the Wheels Up family and leveraging their expertise to further enhance our services and member experiences."

Second chance in the sky

Two investment firms are being brought on board in the midst of Delta's deal guidance.

Both based in New York City, Certares and Knighthed Capital Management the former holds high-level financial acumen while the latter specializes in turnaround projects requiring restructuring will make contributions on the commerce front.

"This strategic partnership with Wheels Up is a natural extension of our focus and experience in travel, tourism and hospitality," said Greg O'Hara, senior managing director and founder of Certares, in a statement.

"This transaction extends upon our longtime partnership with Delta across many of our portfolio companies," Mr. O'Hara said. "We're looking forward to joining Delta, Knighthood and others in driving the company's ongoing transformation as it elevates private aviation as an industry leader."

The parties will weigh in on operations in the interest of accelerating business transformation at the private jet firm.



Second-quarter profits are down 21 percent year-over-year at Wheels Up. Image credit: Wheels Up

"We are delighted to be joining the Wheels Up team alongside Delta, Certares and other strategic partners," said Tom Wagner, cofounder of Knighthood, in a statement.

"The agreement in principle announced today brings not just capital, but Knighthood's extensive expertise, experience and resources to drive the next phase of Wheels Up's business transformation as a leading provider of on-demand private aviation," Mr. Wagner said. "We look forward to the journey ahead with our partners."

Wheels Up's latest earnings report previewed these cash flow-negative conditions.

Published this week, stats from a concerning second quarter frame the firm's most recent announcement. For the period ended June 30, 2023, revenues were down \$90 million year-over-year to \$335 million, representing a 21 percent decrease.

Regarding the results, the company cites reduced flight revenue and lessened aircraft sales.

While avoidance of commercial airlines created the perfect storm for private aviation players in years past ([see story](#)), especially at the height of the COVID-19 pandemic, the sector has struggled to progress after the global health crisis reached its peak.

The wealthy's desire for on-demand aviation has wavered ([see story](#)), rendering Wheels Up's by-the-hour business model barren despite attempts to boost bottom lines with membership perks ([see story](#)) and special rates ([see story](#)).

Delta Air Lines originally took a stake in Wheels Up in 2019 ([see story](#)). Moving forward, the collaboration will tap the aviation giant's operational prowess, an area previously leveraged by Wheels Up via a C-suite appointment ([see story](#)).

The partnership comes at a pivotal time when luxury travelers are increasingly seeking exclusivity, convenience and personalized services.

"The partnership will create new opportunities for Wheels Up to drive strategic, operational and financial improvements for its customers in the months and years ahead," said Ed Bastian, CEO of Delta, in a statement.

"Delta's unmatched expertise in premium travel, customer loyalty, corporate sales, operational reliability and aircraft maintenance, combined with Certares' and Knighthood's experience and global reach, are expected to speed Wheels Up on its path to profitability," Mr. Bastian said. "I would like to extend my sincere gratitude to Kenny Dichter, the visionary founder behind Wheels Up, for building the Wheels Up brand into a powerhouse in private aviation.

"We're grateful he will continue as Wheels Up's strategic advisor."