

Elliott seeks new leadership and strategy for Southwest Airlines

Activist fund reveals a \$1.9bn stake in the low-cost carrier and cites 'unacceptable' performance



Elliott's 11% stake in Southwest makes it one of the airline's largest investors © Gary Hershorn/Getty Images

Claire Bushey in Chicago and **Maria Heeter** in New York 3 HOURS AGO



Activist investor Elliott Management on Monday said it wanted to bring in new leadership at Southwest Airlines, reconstitute the board and overhaul the carrier's strategy and operations.

Elliott sent a letter to Southwest's board of directors saying chief executive Bob Jordan had delivered "unacceptable financial and operational performance quarter after quarter", while costs have increased and revenues have lagged behind other airlines.

The fund said the airline's board had reinforced an "insular culture" and that only one of Southwest's eight most senior executives had experience at another airline.

Elliott has taken a \$1.9bn position in [Southwest](#). The airline, which has an \$18bn market capitalisation, now counts the fund as one of its largest investors with an 11 per cent ownership stake.

Southwest's share price closed at \$27.25 on Friday, below its pre-pandemic level in March 2020 before Covid-19 devastated global aviation. It jumped 7 per cent in morning trading, to \$29.80.

"We believe Southwest's stock can achieve \$49 per share within 12 months," Elliott said in the letter.

Southwest said in a statement that it was first contacted by Elliott on Sunday, and looked forward “to better understanding their views on our company”.

“The Southwest board of directors is confident in our CEO and management’s ability to execute against the company’s strategic plan to drive long-term value,” the airline said.

Savanthi Syth, analyst at Raymond James, said Southwest’s brand, fleet and balance sheet with net cash of more than \$11bn make it “unique among US airlines”, and an unsurprising activist target. While the airline is no longer distinguished by its policy of not charging change fees or cancellation fees, it could improve in other ways, such as adding red-eye flights or assigned seating, she added.

“There aren’t structural changes that cannot be overcome with sufficient ‘shots on goal’ to drive margin recovery,” Syth said.

One of the four largest carriers in the US, Southwest has continued to suffer the fallout from a system-wide meltdown in 2022 as well as a lack of jets that hurt revenue goals.

In December 2022, a blizzard led to hundreds of cancelled flights. Southwest’s technology left it unable to recover, leading to more cancellations and stranding millions of travellers, ultimately [costing the carrier \\$825mn](#), plus a \$140mn civil penalty from the US Department of Transportation.

Elliott said Southwest’s software, monetisation strategy and operations are outdated, hurting its ability to compete with other carriers.

In the first quarter Southwest posted a \$231mn net loss, and said it would cut 2,000 employees by the end of the year and drop service at four US airports.

The carrier also lowered expectations for revenue growth because Boeing is [only delivering](#) 20 of the 46 single-aisle jets it pledged, as the manufacturer attempts to improve product quality. Southwest only flies Boeing planes to avoid the higher operational costs of a mixed Boeing and Airbus fleet.

Airlines, which have historically avoided activist shareholders, have increasingly come under [investor scrutiny](#). Earlier this year activist investor Carl Icahn won two seats on the board of JetBlue, which scuttled expansion plans after a federal judge blocked its acquisition of budget airline Spirit Airlines.

Elliott, which manages about \$65bn, sparked CEO shake-ups following recent fights at NRG Energy and Crown Castle, a US mobile phone tower operator. This spring, Elliott took a \$2.5bn stake in semiconductor company Texas Instruments and a more than \$1bn stake in HVAC equipment manufacturer Johnson Controls.

