Alaska Air Group to acquire Virgin America in $2.6 billion deal

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Alaska Air Group Inc said on Monday that it would buy Virgin America Inc for $2.6 billion to become the top carrier on the US West Coast and compete more effectively with larger airlines.

The deal appears to end what Alaska Air Chief Executive Officer Brad Tilden called a "hard-fought competition" to purchase Virgin America.

JetBlue Airways Corp had also made an offer for the offshoot of billionaire Richard Branson's London-based Virgin Group, which had become famous for its mood lighting and media-rich entertainment on flights.

The deal would create the fifth-largest U.S. airline after a decade of mergers that have shrunk the industry to a handful of companies. The top four control more than 80 percent of the U.S. travel market.

Virgin America accounts for about 1.5 percent of U.S. domestic flight capacity, while Alaska Air and its Horizon Air subsidiary account for 5 percent, Deutsche Bank analyst Michael Linenberg wrote in a recent research note.

Shares of Alaska Air were down 4.6 percent at $78.22 in morning trading, while Virgin America jumped 40 percent to $54.47. That was still below the $57-per-share bid, which represents a premium of about 86 percent from Virgin America's stock price before reports in March that the airline was considering a sale.

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