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UNITED MERGER'S MIDWIVES; CFO Mikells found cash, staving off return to Ch. 11

Paul Merrion
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CEO Glenn Tilton took the bows last week after striking a deal with Continental to make United the world's largest airline, but the merger owes plenty to a pair of lower profile execs who made the carrier fit for marriage.

Chief Financial Officer Kathryn Mikells refilled the company's depleted coffers with a series of financings that averted a one-way return trip to Chapter 11. Company President John Tague made its planes fly on time, improved customer service and boosted revenue by charging passengers new fees.

"They both were extremely important," says James O'Connor, lead director at United's Chicago-based parent, UAL Corp. "You can start with John and how we run the airline and what the on-time performance has been. Kathryn always kept her eye on the ball, taking advantage of every opportunity to keep us out of harm's way."

But do they have a future at the merged carrier? Continental CEO Jeffery Smisek will lead the company. He promises to tap talent from both sides but has deep ties to his Houston-based management team.

"It's never both sides" in a merger, says Thomas Lys, a professor who teaches mergers and acquisitions at Northwestern University's Kellogg School of Management. "It's one or the other."

Kathryn Mikells has fans in one place that counts: Wall Street. She headed UAL's investor relations before becoming chief financial officer in November 2008, and analysts respect her straight-shooting style and adroit work with United's finances.

She raised more than $4 billion, selling everything from frequent-flier miles and spare parts to stock, as United hemorrhaged billions during the past two years amid record oil prices, plunging revenue and bad hedges on fuel.

"To a large degree, she was responsible for strengthening United's financial position, and that laid the groundwork to allow the merger to happen," says Ray

Neidl, a New York-based independent consultant and longtime Wall Street airline analyst.

As director of financial planning, Ms. Mikells, 44, played a critical role during United's first year in bankruptcy, monitoring the airline's cash to stay within the terms of its debtor-in-possession loans.

Cash flow "became the go-to metric, and she was the keeper of the DIP debt covenant facts," says Doug Hacker, United's executive vice-president of strategy at the time. "With wars, SARS and all the body blows we were going through, someone had to be level-headed."

Bankruptcy also thrust her into tough renegotiations on aircraft leases and airport terminal bond payments, and she kept track with a chart she developed showing myriad financial and legal decisions that needed to be made during the often-hectic process.

"When things got really stressful, she was unflappable," Mr. Hacker says. "There are three words I think of when I think of Kathy: serious, dependable and diligent."

Ms. Mikells grew up in Chicago and graduated from Taft High School on the Northwest Side. She and her husband spend most of their time at home in Winnetka, busy with their two young daughters' sports and other family activities, co-workers say.

A former executive at GE Capital, Household International and Canadian Imperial Bank, Ms. Mikells earned a finance degree from the University of Illinois at Urbana-Champaign and an MBA from the University of Chicago. She joined United as a financial analyst in 1994 and quickly moved through several jobs in various parts of the airline.

She had stints as CFO of United's Mileage Plus unit, managed corporate real estate and oversaw capital spending. Early on, she was assigned to the airline's Web-oriented NewVentures unit, where she worked closely with Boeing Co. on the development of an in-flight Internet service called Connexion, which was grounded after the Sept. 11 attacks.

Her most vital work came in the months after she was named CFO. Hammered by rising oil prices and the global recession, United desperately needed cash to stave off a second Chapter 11 filing that might have spelled the end. She negotiated asset sales, stock offerings and secured loans that brought the company enough money to ride out the storm.

While the financings boosted United's cash stockpile to $3.8 billion, the increased leverage could be risky if the merger falls through or doesn't deliver the expected cost and revenue benefits. United's interest costs were up 32.8% in the first quarter, and a $255-million revolving credit commitment is tapped out. That leaves a $150-million credit line and only about $200 million in remaining assets United can borrow against if another crisis hits the airline industry.

“There is little left to sell,” says Helane Becker, an analyst at Jesup & Lamont Securities Corp. in New York.

If Ms. Mikells doesn’t remain on United’s management team, she would walk away with about $5.6 million in severance pay.

“She’ll get picked up in a minute,” Chicago executive recruiter **Peter Crist** says. “There are a lot of big CFO searches out there.”