

Economic and Financial Analysis Committee

Industry Financials

2nd Quarter 2025

Some Improvement, Downbeat Near-Term Outlook

Second Quarter Synopsis

- **Delta** and **United** continue to materially outpace the rest of the industry. **Alaska** also outperforming while amidst major changes in routes and product.
- Most carriers beat lowered analyst expectations for the second quarter but offered mixed third quarter guides.
- Long-haul international still strong but point-of-sale from Europe, Canada showed the first signs of weakness since coming out of the pandemic.
- Fuel costs dropped, helping to boost results but other costs (airport leases, landing fees, maintenance) noticeably higher.
- LCC/ULCC carriers continue to struggle with **JetBlue**, **Frontier**, **Spirit** posting losses, **Allegiant** and **Sun Country** niche operations were profitable.

Third Quarter Forecast

- Overall demand trends have stabilized, albeit at lower levels.
- Capacity cuts begin in earnest, with acceleration into the fourth quarter. Day-of-week and peak/off-peak scheduling used to be limited to ULCC carriers, now everyone is implementing variable scheduling. TSA throughput up 3.5%, with domestic capacity growth up only 0.2% in August, showing the supply-demand is turning positive.
- Five airlines guided to third quarter losses, including **American** and **Southwest**. (implied using guidance), as **Alaska**, **Delta** and **United** are expected to distance themselves from the rest of the industry in 3Q.
- Many airlines, including Southwest, are banking on further RASM outperformance in 4Q vs. 3Q. Wall St. analysts consider this to be “fairly aggressive” and potentially unobtainable for most carriers other than **DAL/UAL**.
- **Spirit** filed “going concern” notice in August, implying another possible bankruptcy. **Spirit** overlaps with **Southwest** on 43% of its routes.

Hiring and Pilot Supply Notes

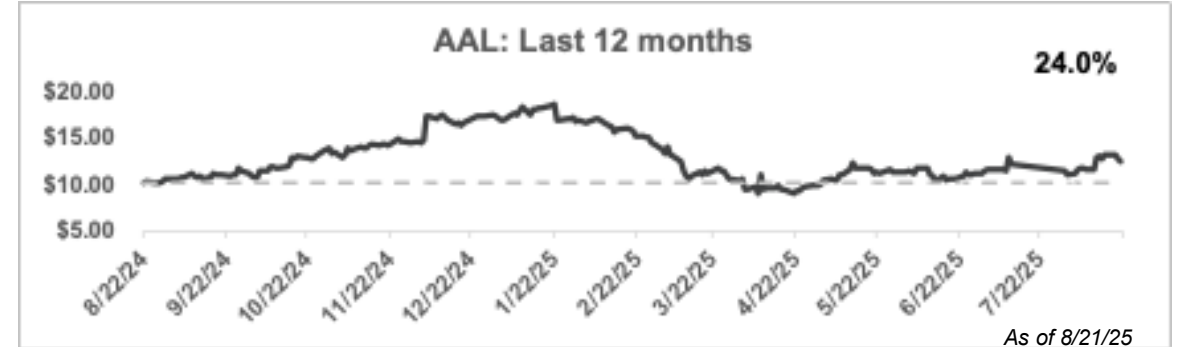
- **American** has begun hiring again. Hired **606** pilots so far. Will hire with emphasis on pilots from its wholly-owned regional carriers.
- **Delta** has stopped interviewing and hiring. Will reevaluate in Fall 2025. Hired **500** through July.
- **United** revised hiring down from **2000** to **1000-1500** for the year. Hired **781** through July.
- **Alaska** has stated it may begin hiring in the latter part of 2025. No new hires as of July.
- **Hawaiian** hired **63** pilots through July. Additional hiring will come from pool.
- **JetBlue** not hiring. **67** pilots accepted the VSP offer.
- **Southwest** has hired only D225 pilots through August, with another class scheduled for October. Plans to hire 140 off-the-street pilots in November & December.
- **Allegiant** has not hired through July. Possibly hiring for Boeing deliveries later this year.
- **Frontier** is only hiring pilot from its Cadet program. Hired **131** through July.
- **Spirit** not hiring. Announced another furlough of 270 pilots effective in November. Additionally, 140 captains to be downgraded.
- **Sun Country** hiring small numbers for new Amazon flying. Estimates **25-30**.
- **FedEx** not hiring. Still overstaffed by **300-400** by most estimates.
- **UPS** has hired **130** through July. Estimating **150-175** for 2025 to support new USPS contract.
- **Pilot Supply Notes:** # of ATP cert's issued **25%** higher than pre-pandemic but **18% lower** y/y. Estimated deficit of roughly 1,100 pilots in 2026 considering planned retirements/forecasted blk hours.

Global Network Carriers



Sources: Airline financial press releases, SEC filings, and SWAPA analysis

American Airlines



American

2Q25 adj. pretax income : \$869M

Management Commentary:

- Premium demand and spending from higher-income consumers remained resilient in the second quarter. **We're well positioned to attract premium customers with plans to expand our premium seating further in the years ahead.** However, the strength in international and premium was offset by domestic leisure weakness.
- We expect that July will be the low point and that performance will improve sequentially each month in the quarter as industry capacity growth slows and demand strengthens.
- **As we look out for the next 6 months, domestic marketplace is going to improve, and that's a great tailwind for us.** We're going to start benefiting from our new credit card agreement with Citi and we continue to invest meaningfully in the customer and the premium experience, which we think is also going to drive nice tailwinds for us.
- We don't have any aircraft retirements that are necessary between now and the end of the decade. So, when we're managing capacity, it's really just being tight around utilization during the off-peak periods.
- **At the end of last year, we had a 2-point EBITDA margin gap to United and Delta but that's a gap that we expect to close over time.**

Items of Interest

- Continued the restoration of revenue from indirect channels, driven by a faster-than-expected recovery in leisure channels, plan to return to historical share of indirect channel revenue by year-end. **Managed business revenue grew 10% YoY.**
- **Domestic RASM down 6%,** Atlantic/Pacific regions RASM up single digits on higher capacity. **Premium cabin RASM 4% higher than Main cabin.** Co-brand up 6% YoY.
- Unit costs higher but at midpoint of guidance on higher labor costs, timing of maintenance events and weather-related costs. Efficiencies and better asset utilization expected to save \$750M by YE2025.
- Raised \$1 billion through a loyalty term loan financing to settle \$1 billion convertible note. **Ended 2nd quarter with approximately \$38 billion of total debt and \$29B in net debt,** the lowest levels since the third quarter of 2015.
- \$12B in liquidity, \$2.5B in free cash flow with Capex of \$3.5B-\$4B in 2025.

Financial and Operating Statistics

American	2Q25	2Q24	2Q19	y/y	y/6y
Revenues	\$14,392M	\$14,334M	\$11,960M	0.4%	20.3%
Adj Operating Income (EBIT)	\$1,182M	\$1,384M	\$1,274M	(14.6%)	(7.2%)
Adj Operating Margin	8.2%	9.7%	10.7%		
Adj Pretax Income	\$869M	\$1,040M	\$1,072M	(16.4%)	(18.9%)
Adj Net Income	\$628M	\$774M	\$810M	(18.9%)	(22.5%)
Adj EPS	\$0.95	\$1.09	\$1.82	(12.8%)	(47.8%)
Capacity (ASMs)	77.6 billion	75.3 billion	72.3 billion	3.2%	7.3%
Yield	19.96¢	20.27¢	17.57¢	(1.5%)	13.6%
TRASM	18.54¢	19.05¢	16.54¢	(2.7%)	12.1%
CASM	17.08¢	17.21¢	14.94¢	(0.8%)	14.3%
CASM-ex	13.59¢	13.14¢	11.34¢	3.4%	19.8%
Fuel (econ)	\$2.29	\$2.70	\$2.14	(15.2%)	7.0%

Forward Guidance

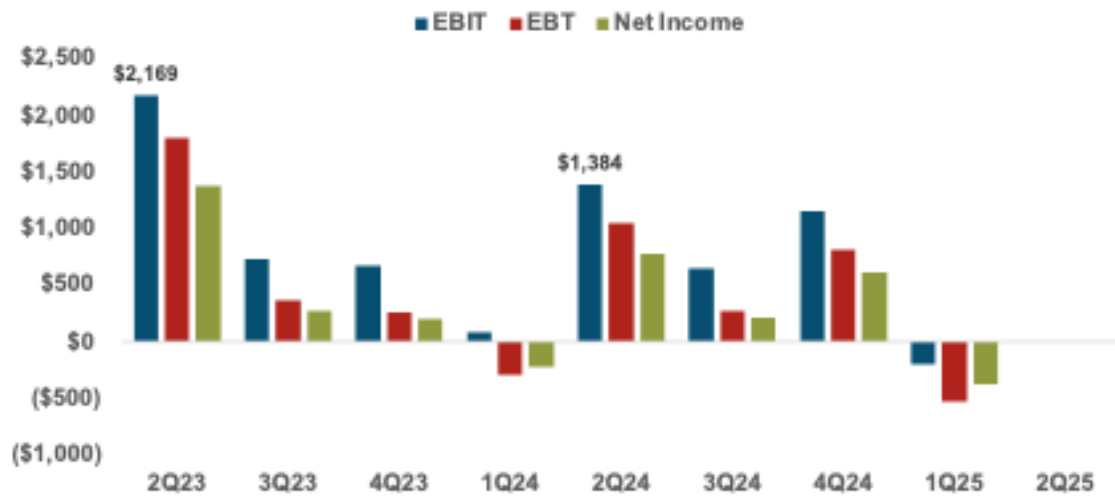
- FY 2025
 - EPS: Between (\$0.20) and \$0.80; midpoint \$0.30
- 3Q25
 - EPS: (\$0.10-\$0.60)
 - Capacity: Up 2% - 4%.
 - Revenue: Down 2% to up 1%.
 - CASM-ex: Up 3% - 5%.

EFA takeaway: American remains firmly in third place among the legacy carriers as profitability margins continue to lag, due to a variety of reasons.

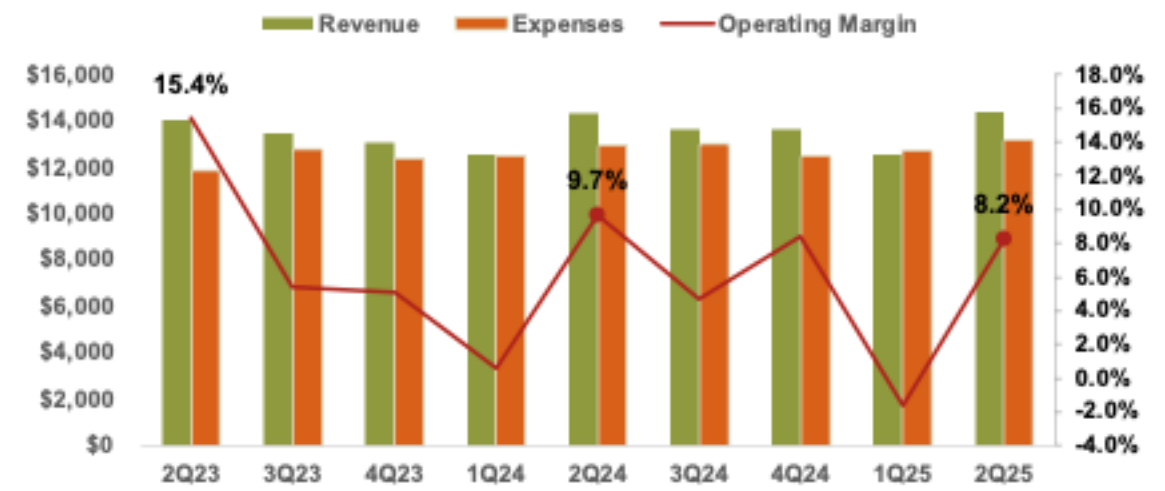
American - Financial Performance



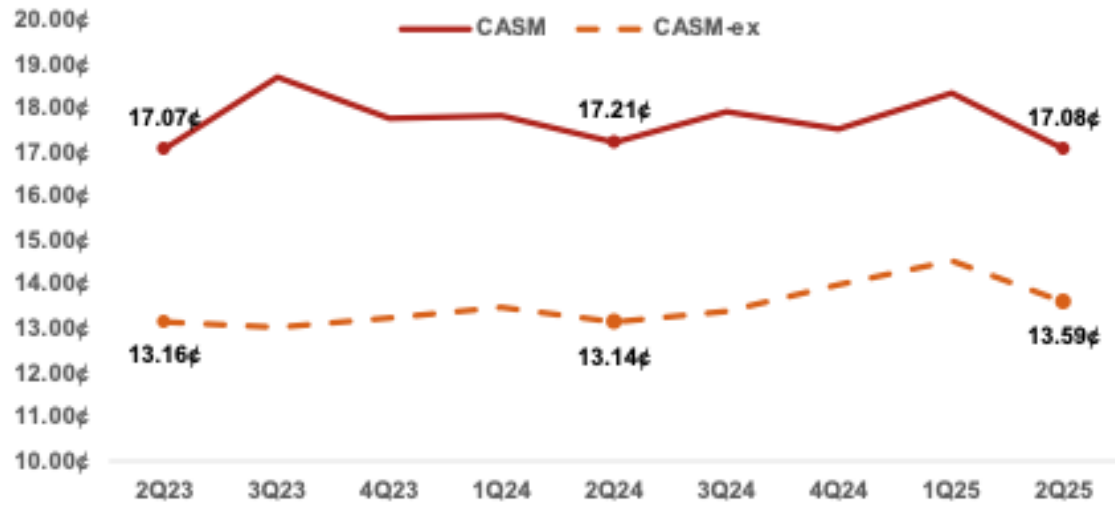
Non-GAAP Operating, Pre-Tax, and Net Income (\$ mil)



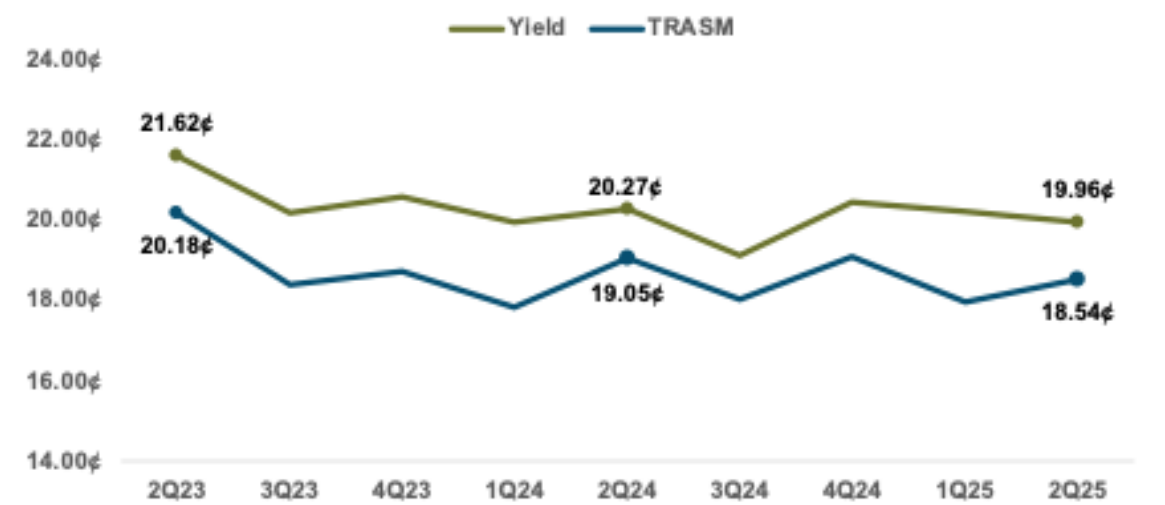
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



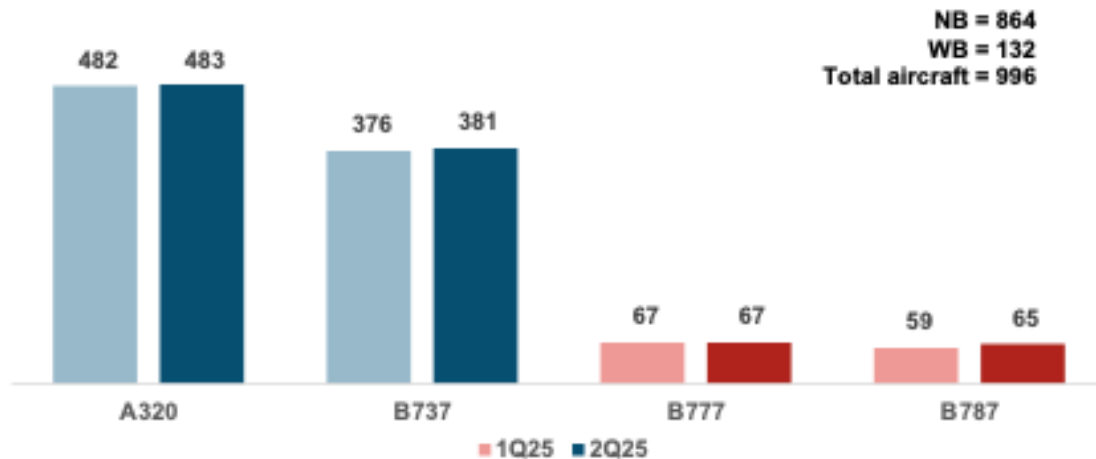
Yields & TRASM



Network News and Notes

- Expect to take delivery of 50 new aircraft this year at the high end of previous range of 40 to 50 deliveries. B787's, B737MAX and A321neo's.
- Continue to rebuild Chicago after Covid. Will peak at 485 departures per day in 2025 and over 500 in 2026. PHL and MIA are also slated to grow in 2H of 2025.
- Third largest carrier in NYC with 260 departures per day across three airports, with LGA being the largest at 150 per day. Redistributed flights after terminating JetBlue partnership.
- Will upgauge Barcelona and Madrid this winter to Boeing 777-300ER's from DFW, PHL and ORD.

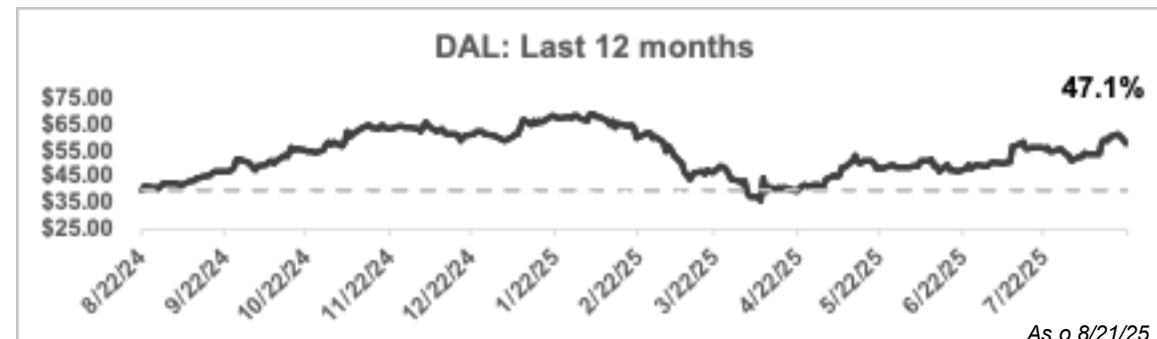
Mainline Fleet



Analyst Commentary

- *American strikes the right themes, but with underwhelming magnitude. American's talking points were, as expected, similar to those of Delta and United; Premium outpacing Main, International RASM strong across all entities, Loyalty spend on the rise, and so on. **There's no question in our mind that American is deserving of being painted with the same thematic brush as its Global Premium peers. It's just the magnitude of its output that disappoints.***
- *Despite the noise in the guide, the balance sheet continues to show signs of improvement as management works towards its debt reduction target of <\$35bn by YE27.*
- ***Near-term it's rough; we're now forecasting margin contraction through yearend.** The 3Q revenue guide strikes us as conservative given the tighter supply backdrop for mainline cabin seats at the industry level. That said, AAL has disproportionate exposure to hurricane season given its hub in Miami and separately, AAL is committed to winning back share in Chicago which we interpret to mean that it will weigh on RASM.*
- ***We believe the upper half of American's guidance is achievable, leading to a strong earnings recovery heading into 2026.** Accordingly, we reiterate our conviction on AAL due to an attractive risk-reward supported by idiosyncratic earnings drivers (notably regaining lost corporate share and improving co-brand card economics in 2026).*
- ***While American's outlook may appear softer than other carriers at first glance, the company continues to win back corporate indirect channel share, which was lost early in 2024.** The company highlighted indirect channel share deficiency of 3%, which was ahead of management's initial expectations for the second quarter.*
- ***The issue for American is margins are razor thin, providing a lot less cushion than you get at Delta or United.** What is clear though is that American has massively under-earned this year with the current 2025 EPS outlook set to be \$0.30 at the midpoint vs. \$2.20 initially expected back in January. There is ample potential at American, but they have yet to harness it.*
- *We feel comfortable with our FY 2025 EPS forecast as the demand recovery takes hold in 2H25.*

Delta Air Lines



2Q25 adj. pretax income: \$1.8B

Management Commentary:

- Our performance reflects strong execution in a demand environment that has stabilized and the continued resilience of our diverse high-margin revenue streams.
- The environment has been stable, since resetting to a lower growth rate earlier this year. **Overall demand for air travel remains comparable to last year with softness largely contained to main cabin and particularly during off-peak periods.**
- Post summer, we have proactively adjusted capacity to address areas of softness with reductions in main cabin and off-peak flying beginning in August on a year-over-year basis.
- **After reinvesting in the business, debt reduction remains our top capital allocation priority.** Delta is investment-grade rated at all 3 major credit agencies, has a fully funded pension and significant unencumbered assets and secured debt capacity. We expect to pay down \$3B in debt in 2025 and reduce leverage.
- Operationally, Delta once again led network peers across key reliability and customer experience metrics, including on-time performance, completion factor and Net Promoter Score. **Our core consumer is in good shape, and our brand is strong.**

Items of Interest:

- Total revenue was a record \$15.5 billion, approximately 1 percent higher than the June quarter of 2024 on 4 percent capacity growth. Adjusted total unit revenue (TRASM) was down 3 percent YoY, with domestic RASM down 5% YoY.
- **Diverse, high margin revenue streams contributed 59 percent of total revenue,** highlighting Delta's differentiated business model. Premium revenue continued to outpace main cabin, growing 5% on a year-over-year basis. Loyalty revenue was up 8%, driven by co-brand spend growth and card acquisitions.
- **American Express remuneration was \$2 billion, up 10% year-over-year. Cargo and MRO revenue grew 7% and 29% respectively. Full year card remuneration of \$8B.**
- Non-fuel CASM was 13.49¢, an increase of 2.7 percent YoY, adj. fuel expense down 11% YoY. Severe weather impacts were offset by lower maintenance costs.
- Adjusted net debt of \$16.3 billion at June quarter end, a reduction of \$1.7 billion. FCF \$2B 1st half of 2025, expect \$3B-\$4B FY. Liquidity of \$6.4 billion at quarter-end.

Financial and Operating Statistics

Delta	2Q25	2Q24	2Q19	y/y	y/6y
Adj Revenues	\$15,507M	\$15,407M	\$12,496M	0.6%	24.1%
Adj Operating Income (EBIT)	\$2,049M	\$2,269M	\$2,138M	(9.7%)	(4.2%)
Adj Operating Margin	13.2%	14.7%	17.1%		
Adj Pretax Income	\$1,805M	\$2,002M	\$1,997M	(9.8%)	(9.6%)
Adj Net Income	\$1,370M	\$1,528M	\$1,532M	(10.3%)	(10.6%)
Adj EPS	\$2.10	\$2.36	\$2.35	(11.0%)	(10.6%)
Capacity (ASMs)	77.6 billion	74.7 billion	71.8 billion	4.0%	8.2%
Yield	20.88¢	21.22¢	18.00¢	(1.6%)	16.0%
TRASM	19.97¢	20.64¢	17.35¢	(3.2%)	15.1%
CASM	18.73¢	19.28¢	14.37¢	(2.9%)	30.3%
CASM-ex	13.49¢	13.14¢	10.47¢	2.7%	28.8%
Fuel (econ)	\$2.26	\$2.64	\$2.08	(14.4%)	8.7%

Forward Guidance

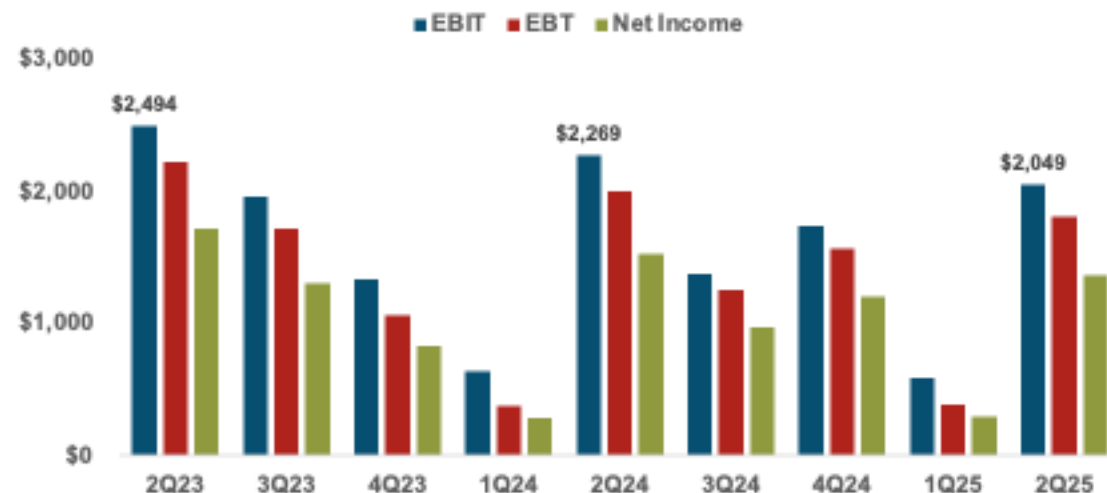
- FY 2025
 - Reinstated guidance; now projecting EPS of \$5.25-\$6.25
 - Free Cash Flow (FCF) of \$3 billion-\$4 billion
 - Gross Leverage less than 2.5X
- 3Q25
 - Total Revenue YoY: 0%-4%
 - Operating Margin: 9% - 11%
 - EPS: \$1.25-\$1.75

EFA takeaway: A stronger-than expected quarter continues to illustrate the strength of Delta's durable and differentiated model. United seems to be the only other airline capable of challenging Delta currently.

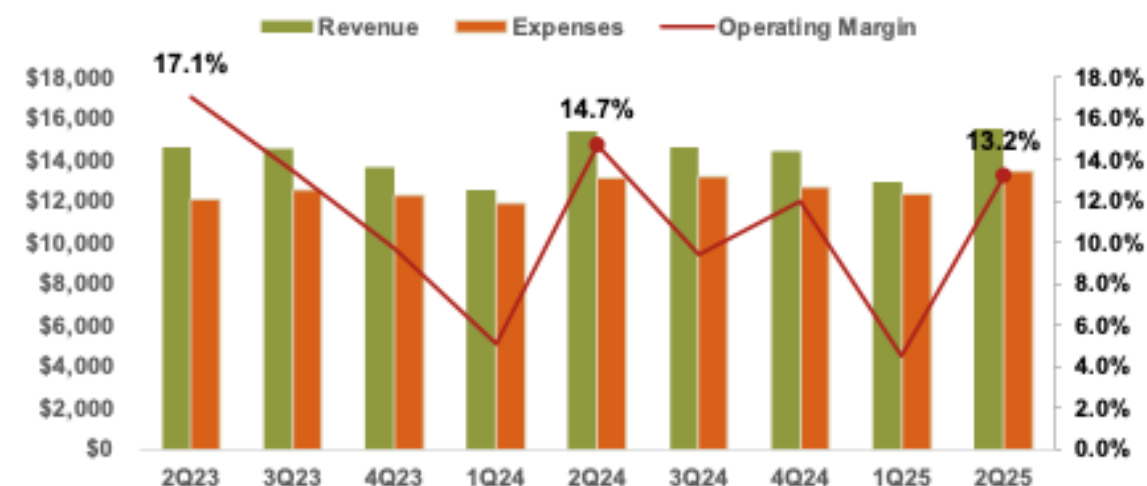
Delta - Financial Performance



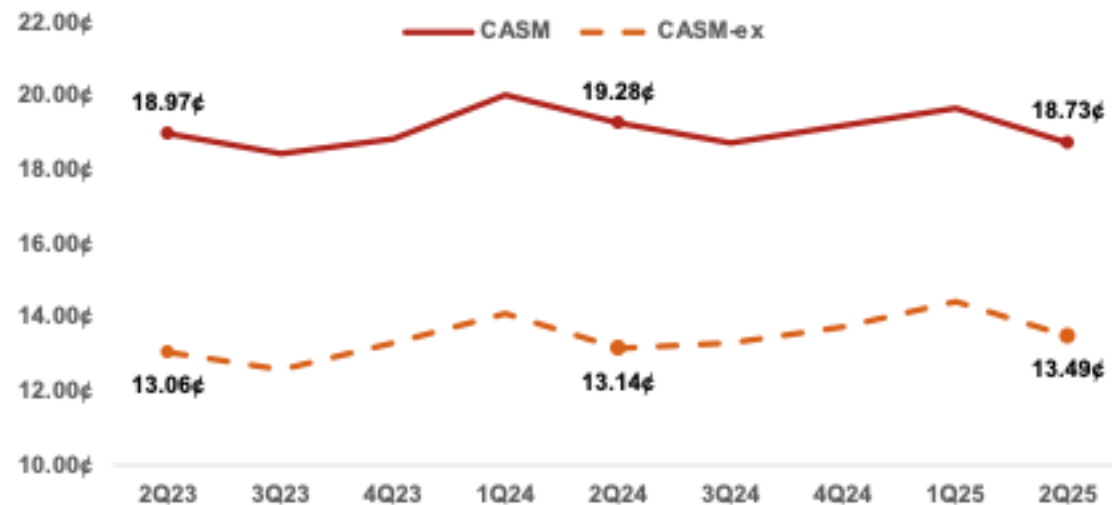
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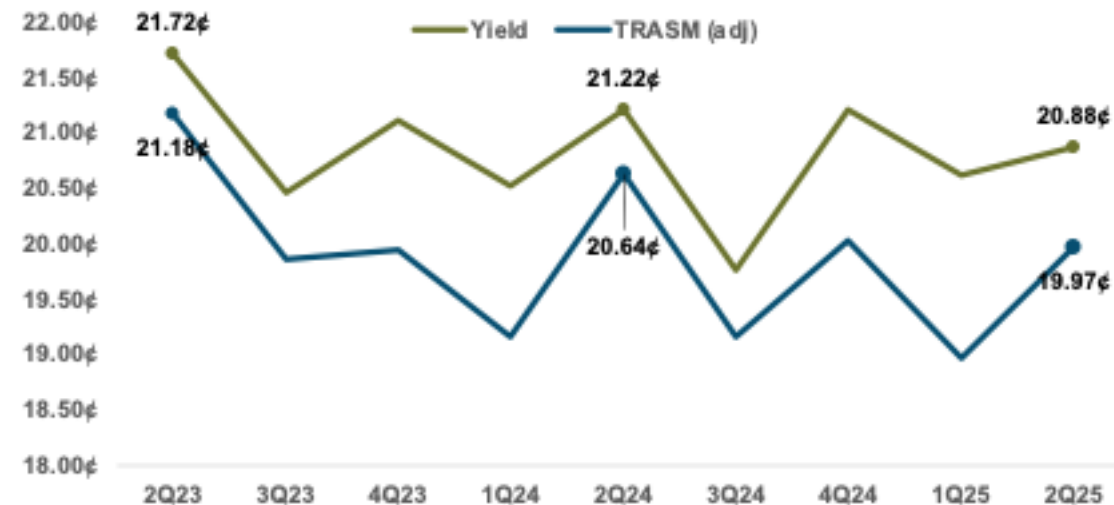
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



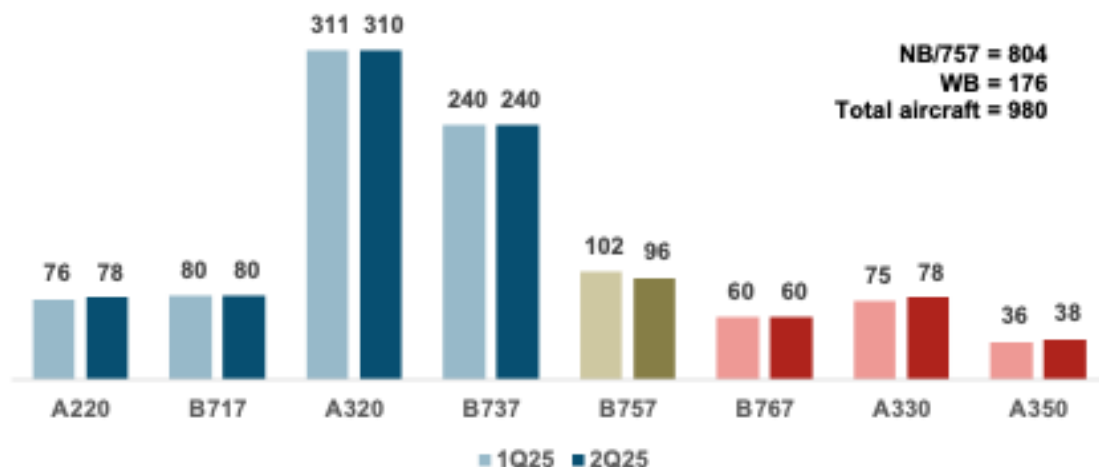
Yields & TRASM (adj)



Network News and Notes

- Took delivery of 10 aircraft during the June quarter, bringing the total year-to-date to 19, including the A350-900, A330-900, A321neo and A220-300
- Retired 10 aircraft during the June quarter, bringing the total to 14 retirements year-to-date
- Launched nonstop flights from SLC to Seoul-Incheon, opening a new gateway between the U.S. and Asia
- Announced nonstop service from SEA to Barcelona and Rome beginning May of 2026. Will also reenter the LAX-HKG market in June 2026
- **Plan to grow AUS into a focus city, going from 80 dept/day to 120 dept/day in future schedules.**
- Announced strengthened partnership with WestJet through a minority equity stake, subject to regulatory approvals.

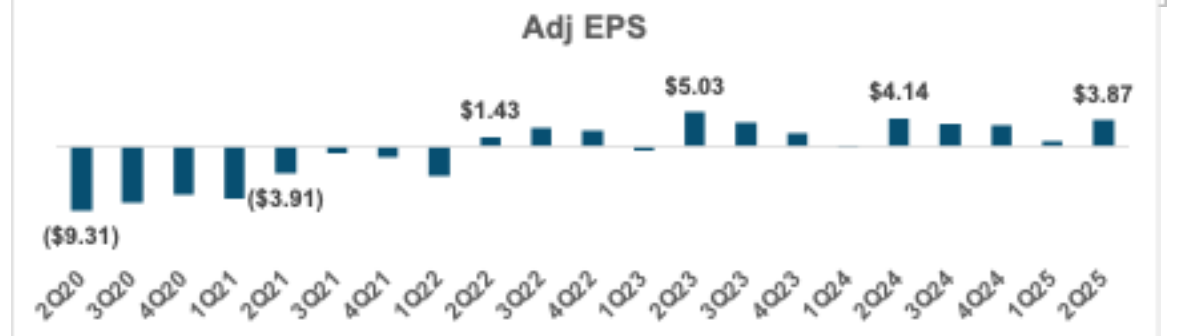
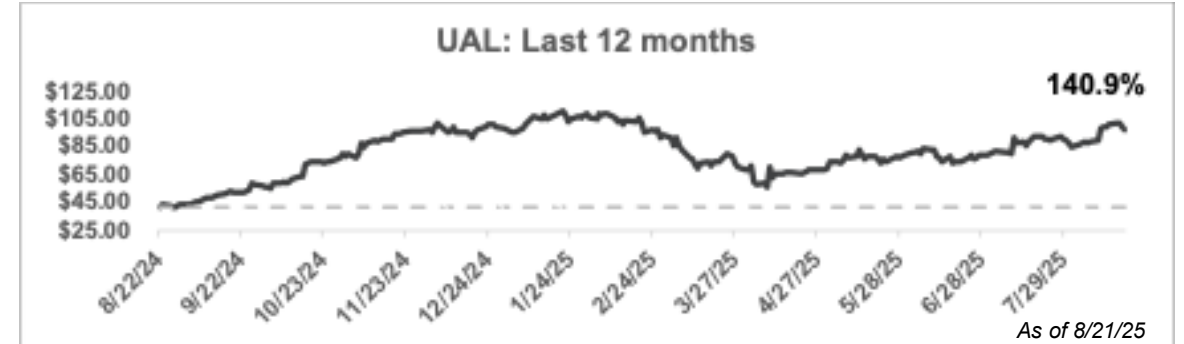
Mainline Fleet



Analyst Commentary

- *Delta offered an encouraging update and kickoff to 2Q25 airline earnings season. While demand is stable as anticipated, Delta called out encouraging signals and reasons for increased conviction for the improvement of y/y RASM (unit revenue) moving through 2H25, particularly in the domestic market.*
- ***We continue to believe Delta's balanced capital deployment strategy, structural advantages, and opportunity to grow higher-margin businesses should enable it to retain its relative operational and financial leadership vs. legacy peers.***
- *Delta's premium products, international network and loyalty scale certainly helped revenue and margins, but main cabin revenue down 6% year over year suggests that low fare competitors could remain pressured through the summer.*
- *On the cost side, Delta has kept maintenance and other expenses in check through the second quarter, maintaining unit cost inflation within prior guidance. We forecast 3Q non-fuel unit costs to be down 50bps, partially due to easier comps off last year's CrowdStrike impact to capacity.*
- *Delta struck a cautiously optimistic tone on the call, noting that demand has stabilized since resetting to a lower overall level earlier this year. Overall, demand is similar to last year with softness primarily in domestic and international main cabin (which we note is the most price sensitive travel cohort). **Delta's premium, loyalty, cargo, MRO and other ancillary segments remain healthy, and management noted that they are not seeing any signs of a slowdown in premium bookings.***
- *We think the company can demonstrate its structural, durable earnings power through an airline earnings down cycle. Delta also has an investment grade balance sheet, is on track to generate \$3 - \$4 billion of free cash flow this year while reducing debt by at least \$3 billion.*
- *While we remain bullish on continued Premium momentum, as we believe it's largely a function of de-commoditization and a broader demographic shift, the growing spread speaks more to weakness in Main Cabin, in our view. **For this reason, Delta's disclosure may well have a negative read-through for domestic-centric LMAs, particularly Southwest (which has already spoken to widespread discounting even during the peak).***

United Airlines



2Q25 adj. pretax income: \$1.7B

Management Commentary:

- *This is almost the exact same setup that we had a year ago at this time with weak RASM results across the industry, leading to supply cuts starting in mid-August, leading to better margin results, which then led to strong stock price performance. But demand also matters in this equation and demand, while it's stabilized, was about 5 points weaker in the first half of the year than we were expecting at the start of the year.*
- *The 2 brand loyal airlines continue to just gradually win share quarter-over-quarter and the advantages that we have are structural, permanent, irreversible and they're growing and it's simply not practical to copy them.*
- *Overall, premium RASMs were 6 points better than non-premium. It's nice to see once again that the premium capacity remains resilient. Given the consistency of these results, we plan to further lean into premium products and capacity in the coming years. We have a core plan with premium seats, gauge, connectivity.*
- *So, when you take lower demand, positive yields and this pretty strong inflection in business demand for United, that's the reason I feel great about the setup for Q4.*

Items of Interest:

- Total operating revenues, capacity all up YoY. TRASM down 4%, but adjusting for EWR operational issues, TRASM would have been down roughly 2.5%, with EPS at the high end of guidance. **EWR had a 15% LF decrease in June following ATC and runway issues, but the airport has largely recovered since late June with a 6% jump in sales in July. Expect increased sales/booking strength into 4th quarter on higher capacity.**
- International RASM down only 1% vs. domestic down 7%. Pacific region had positive RASM growth, with Atlantic negative YoY for the first time in several quarters.
- Premium, loyalty and Cargo revenues all up nearly double-digits YoY. Will be introducing Polaris Studio Suites later this year, for additional revenue generation.
- Prepaid Mileage Plus bonds two years early, making loyalty program completely debt free. **UAL has approximately \$40B of unencumbered assets** with gross debt reduced by \$11B since 2021 and FCF of \$2B for 2025. Average cost of debt now below 5%.
- Over \$18B in liquidity. Repurchased \$235M in stock with \$829M left on authorization.

Financial and Operating Statistics

United	2Q25	2Q24	2Q19	y/y	y/6y
Revenues	\$15,236M	\$14,986M	\$11,402M	1.7%	33.6%
Adj Operating Income (EBIT)	\$1,772M	\$1,965M	\$1,543M	(9.8%)	14.8%
Adj Operating Margin	11.6%	13.1%	13.5%		
Adj Pretax Income	\$1,670M	\$1,808M	\$1,416M	(7.6%)	17.9%
Adj Net Income	\$1,267M	\$1,384M	\$1,100M	(8.5%)	15.2%
Adj EPS	\$3.87	\$4.14	\$4.21	(6.5%)	(8.1%)
Capacity (ASMs)	84.3 billion	79.7 billion	73.2 billion	5.9%	15.2%
Yield	19.74¢	20.40¢	16.64¢	(3.2%)	18.6%
TRASM	18.06¢	18.81¢	15.57¢	(4.0%)	16.0%
CASM	16.49¢	16.39¢	13.56¢	0.6%	21.6%
CASM-ex	12.36¢	12.10¢	9.93¢	2.1%	24.5%
Fuel (econ)	\$2.34	\$2.76	\$2.16	(15.2%)	8.3%

Forward Guidance

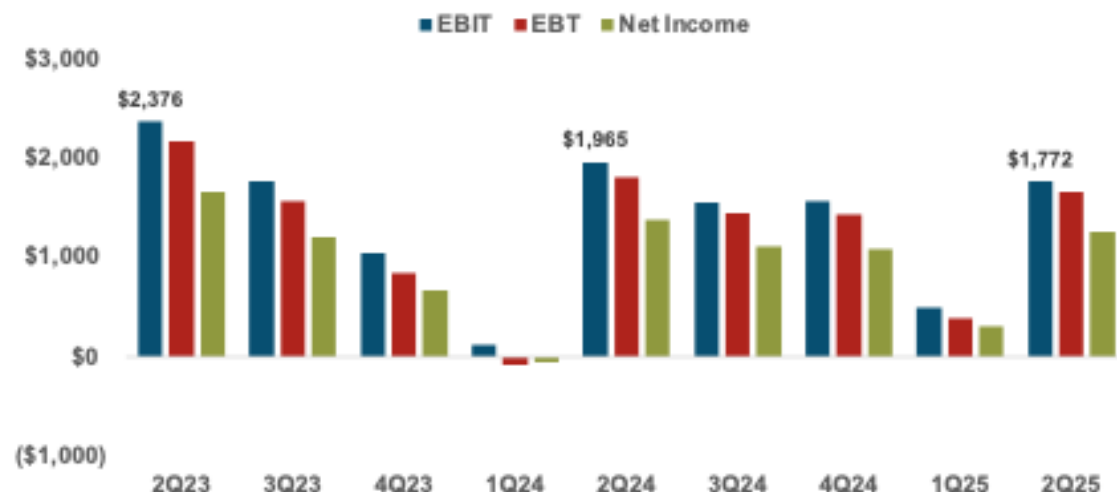
- FY 2025
 - Adjusted diluted earnings of \$9-\$11 per share
 - CAPEX: < \$6.5B
- 3Q
 - Earnings per share: \$2.25-\$2.75

EFA takeaway: United has recovered from the June EWR disruption and is positioned well for a strong financial performance the remainder of the year.

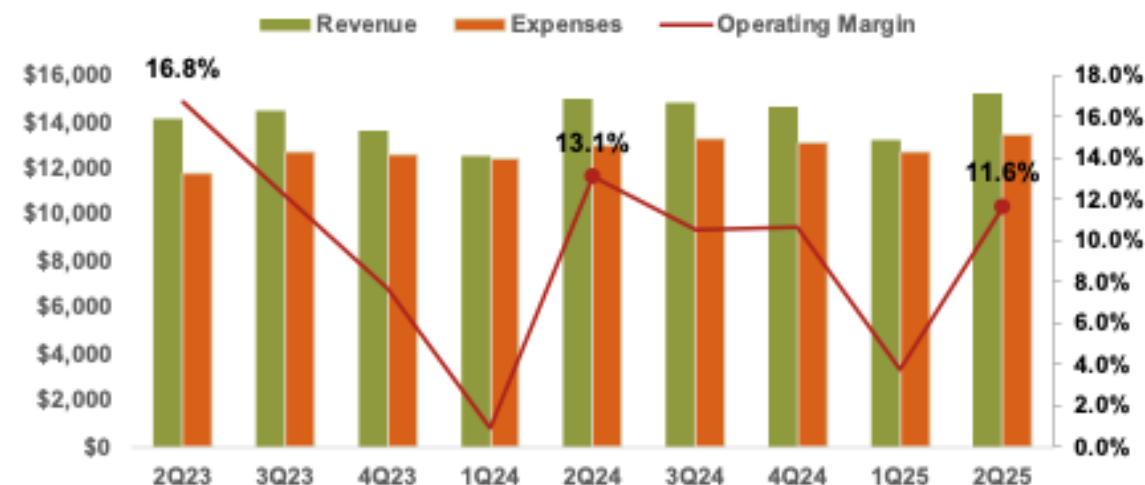
United - Financial Performance



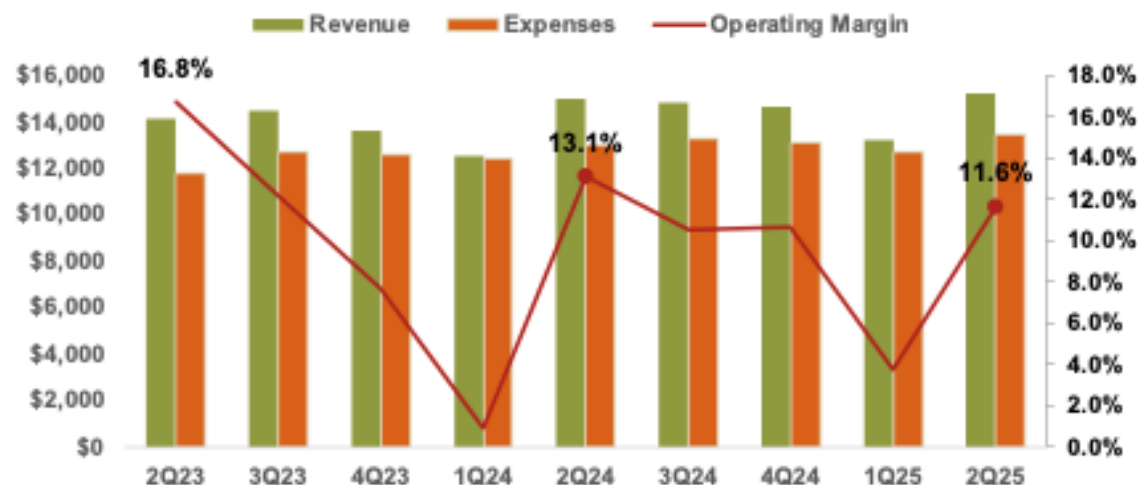
Non-GAAP Operating, Pre-Tax, and Net Income (\$ mil)



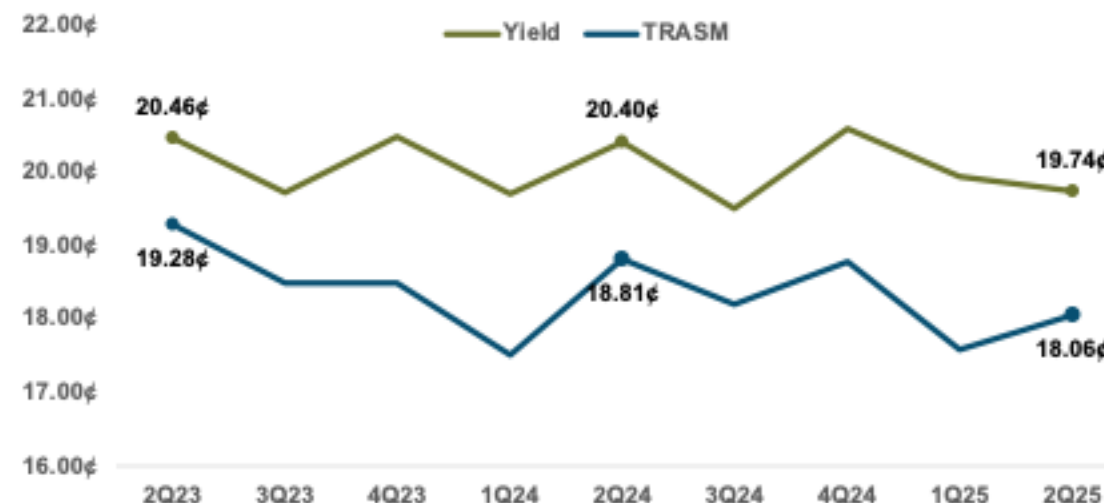
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



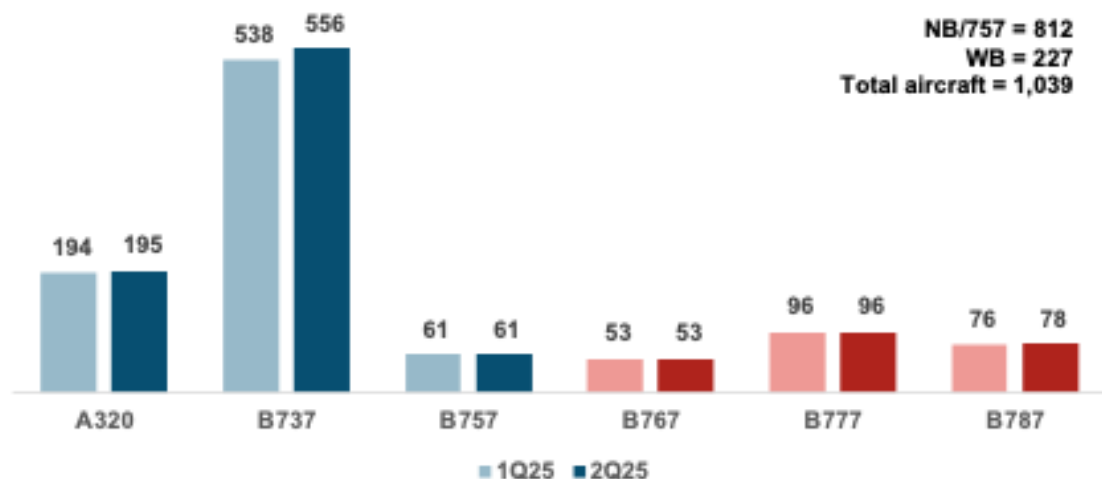
Yields & TRASM



Network News and Notes

- Took delivery of 23 aircraft (B-737MAX-9, B-787, A321neo) and retired two aircraft.
- Announced three new international destinations and two new routes to existing destinations, with service to Bangkok, Thailand; Ho Chi Minh City, Vietnam; and Adelaide, Australia.
- United launched the largest international expansion in its history, inaugurating service to eight new destinations: Nuuk, Greenland; Ulaanbaatar, Mongolia; Faro, Portugal; Puerto Escondido, Mexico; Palermo, Italy; Dakar, Senegal; Bilbao, Spain; and Madeira Island, Portugal.
- Launched 12 domestic and four Canada routes in the quarter.
- Flew the airline's largest schedule for a quarter in company history, as measured by available seat miles, growing domestic and Canada capacity by 6.6% and international capacity by 5.3% in available seat miles compared to last year.

Mainline Fleet



Analyst Commentary

- United echoed Delta's optimism from last week. It is encouraging to see another week of the positive trend, which appears logical in light of improvement in macroeconomic uncertainty. **On the whole, United is performing well, generating ample free cash flow, and guiding in line with the Street.**
- Notably, improving domestic demand trends should help mitigate the elevated-growth risk, albeit we suspect partial unwinding of industry capacity cuts later in 4Q if the demand recovery holds. Conversely, Transatlantic (TATL) appears to be losing momentum.
- Impressively, domestic ticket sales are showing positive y/y yields for the first time this year since February. We note, 50% of 3Q tickets were sold as of July 1 during the Newark (EWR) operational/sentiment issues and before the observed pickup in industry demand. **Accordingly, United expects to see stronger flown revenues and RASM (unit revenue) later in 3Q25 and into 4Q25.**
- **United has positioned themselves through product, network and loyalty to drive above-industry returns if underlying pricing does in fact, improve.**
- The July commentary of a 6-point sequential improvement will certainly grab headlines and fuel momentum especially given it is coming most prominently from corporate travel (up double digits). Despite the improvement, there is no revision coming today, but groundwork for a solid finish to the year is now laid.
- **As discussed, UAL's diversified revenue streams that focus on higher end premium, international, and loyalty are helping drive margins to the top of the industry.**
- Commentary on 2H25 unit costs growing similarly to 2Q25 at +2.2% was better than our previous +3.5-4.0% forecasts, and we lower our 3Q25/4Q25 growth down to +2.5%. We believe this is a solid outcome, particularly given the potential new flight attendant deal that could be signed at the end of the month.
- **UAL's cabin segmentation, strong balance sheet execution despite high capex, and attractive valuation are the reasons for our Buy rating.** UAL has been opportunistic post-pandemic, focusing on international service, premium products, and better gauge.

Hybrid/Low-Cost Carriers

Alaska®

jetBlue®

Southwest®

Sources: Airline financial press releases, SEC filings, and SWAPA analysis

Alaska Airlines

Alaska®



Alaska/Hawaiian

2Q25 adj. pretax income:\$295M

Management Commentary:

- *Alaska Accelerate is working. The powerful combination of these two networks and the changes we've made are already delivering greater utility and choice for Hawaii residents and visitors alike. **These changes drove our Hawaiian assets to its first profitable quarter since 2019 and just 10 months post-acquisition.***
- ***Alaska generated year-over-year unit revenue performance that we are confident will lead the industry.** As we continue to implement our initiatives, our sights are set on diversifying our revenues even further from the 50% we generate outside the main cabin today. A key driver of this growth is premium revenue, which continues to outperform.*
- *Capacity adjustments continue to align more closely with current demand trends, creating a more favorable setup for the second half of the year and providing further upside.*
- *We are well positioned to launch Korea in September and Rome in May of 2026 with plans to add more destinations at a steady cadence as we build to our fleet of seventeen 787s. **Our goal remains clear: to serve at least 12 long-haul destinations from Seattle by 2030.***

Items of Interest:

- Year-over-year RASM only down 0.6%, which is expected to lead the industry.
- Commercial initiatives and revenue diversification were cited; **in the second quarter 49% of revenue was generated outside the main cabin.** Premium revenue grew 5% year-over-year, cargo revenue grew 34% year-over-year, and loyalty program cash remuneration grew 5% year-over-year at \$558M for the quarter. **Managed corporate revenue declined 5% year-over-year in Q2, primarily due to lower yields.**
- **Targeting 29% premium seat share by next summer** when all 218 Boeing narrow-body aircraft retrofits will be complete.
- **Second quarter unit costs were up 6.5% year-over-year, in line with expectations** and prior guidance. The primary drivers of the unit cost profile were elevated airport real estate cost growth rates as well as maintenance costs and new labor contracts.
- Ended the quarter with total liquidity of \$3 billion. \$80 million in scheduled debt repayments during the quarter and expect to repay approximately \$150 million in Q3. Net leverage ended the quarter at 2.4x, while our debt to cap ended at 60%.

Financial and Operating Statistics

Forward Guidance

- FY 2025
 - RASM: Flat to up low single-digits
 - Capacity: Up 2%
 - CASM-Ex: Up mid single-digits
- 3Q
 - Capacity: Up 2%-3% (all Hawaiian assets) EPS: \$1.00-\$1.40
 - RASM: Flat to up low single digits
 - CASM-ex: Up mid to high single digits.

EFA takeaway: Alaska is rapidly capitalizing on the synergies provided by the Hawaiian merger. The move into far-international from SEA is a bold move; will it be the step to bring the carrier into the same realm as Delta and United?

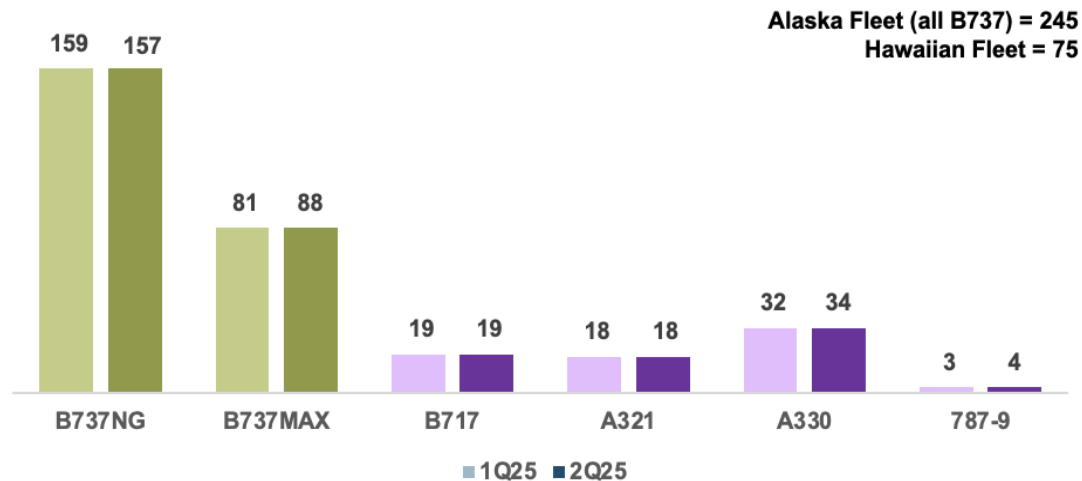
Alaska - Network, Fleet and Analyst Commentary



Network News and Notes

- Expanded the combined fleet by 12 aircraft during the quarter, adding four 737-9's, three 737-8's, one 787-9, two E175 and two A330F's for the freight operation.
- Exercised options for twelve 737-10s with expected deliveries through 2028.
- Announced a new B-787 base in SEA and ordered five additional 787's to support international growth. Amazon cargo operation is now up to ten aircraft. (A330's).**
- Reached an agreement to sell Alaska's twelve 737-900s, with four aircraft sold in the second quarter and the remaining eight to be sold in the second half of 2025.
- Announced new nonstop service between Seattle and Rome beginning in May 2026. SEA-ICN (Seoul) begins in September.
- Will suspend three underperforming routes, from HNL to Boston, Seoul, South Korea and Fukuoka, Japan in November.**
- On August 5th, announced new service to LHR and KEF from SEA starting in 2026.

Mainline Fleet



Analyst Commentary

- Like others, Alaska's full-year guide implies a healthy revenue acceleration from 3Q to 4Q, seemingly at odds with the seasonality of demand. **However, we believe Alaska did a modestly better job than others in justifying its confidence. Notable callouts include the recent double-digit acceleration in Corporate revenue, further premiumization of 737 cabins, the upcoming premium card launch, as well as idiosyncratic cargo upside and continued recovery in Hawaiian's contribution.***
- For us, the riskiest element of Alaska's plan is the international expansion, though (like with JetBlue and maybe someday, Southwest) leveraging one's domestic heft in order to expand into further-flung long-haul destinations is a natural evolution in the typical airline's lifecycle.*
- Net/net, we're walking away from ALK's earnings release with increased conviction in the margin and EPS recovery once past the horrible macro backdrop of 2025.*
- Reflecting back on the last three months, Alaska has been consistently flagging the overcapacity issues in June & July with Alaska planning accordingly and executing through a challenging environment.*
- The numbers speak for themselves as 2Q margins will prove to be the best of the US domestic airlines despite going through a complicated integration process with Hawaiian.***
- Our takeaway is that revenues are a bit better than we expected as ALK has seen an uptick in demand, but higher unit costs are a headwind to the 2H25 earnings outlook.*
- Alaska's integration efforts are just beginning to shape the airline into a global carrier, and current execution combining Alaska and Hawaiian is already reaping rewards** with a solid revenue and cost beat relative to our and consensus' 2Q estimates.*
- We note that **Hawaiian's June Q adjusted pretax margin expanded 11 percentage points year-over-year (we are only 10 months post-acquisition) and was profitable for the first time since 2019.** We continue to emphasize that the merger turnaround story will be more powerful than demand fluctuations over the next 12 months.*

JetBlue Airways

jetBlue®



As of 5/9/25

Management Commentary:

- **JetForward is a comprehensive multiyear transformation, and we are making meaningful progress.** Our operation is improving. We are building on our industry-leading in-flight experience, and we are getting back to our roots, reigniting JetBlue's spirit of innovation and disruption.
- We realized cost benefits from reduced disruption-related spend such as lower overtime pay and fewer customer re-accommodation. **Additionally, we are seeing indications that customers are choosing us more often, proof that the investments we are making in our operations, such as implementing increased schedule buffers and launching new tools to enable customer self-service are having a positive impact.**
- As the quarter progressed, we saw a significant strength in bookings within 14 days of travel. The close-in bookings were especially apparent for peak travel and throughout June. In addition to close-in strength, our second quarter RASM results were supported by actually the better match supply with demand.
- Premium Cabin, Loyalty, and Transatlantic continue to demonstrate resilience.
- **We officially end E190 flying at the end of this summer, simplifying our fleet from three to two types.**

Items of Interest:

- Peak travel time was strong with off-peak weaker than expected. Close-in bookings saw significant strength (<14 days), particularly in June, with revenue up 7% in that period. **Premium/Loyalty/Transatlantic revenues all up YoY.**
- **Partnership with United (Blue Sky) was approved.** Consist of three parts: Interline agreement, collaboration of both Loyalty programs and United joining the Paisly travel platform. Will contribute \$50M in EBIT by 2027.
- Costs rose 6% 2nd quarter. 3Q expenses up 4%-6% from maintenance and SWB increases. **Will offset increases by using proceeds from sales of E-190's.** Also received proceeds from sale of JetBlue Ventures VC fund.
- **Will average fewer than 10 AOGs in 2025 from GTF engine issues** and this year is the peak, will decrease into 2026 and end in 2027.
- \$3.4B in liquidity. Full year interest expense of \$600M, Capex \$1.2B in 2025.

Financial and Operating Statistics

Forward Guidance

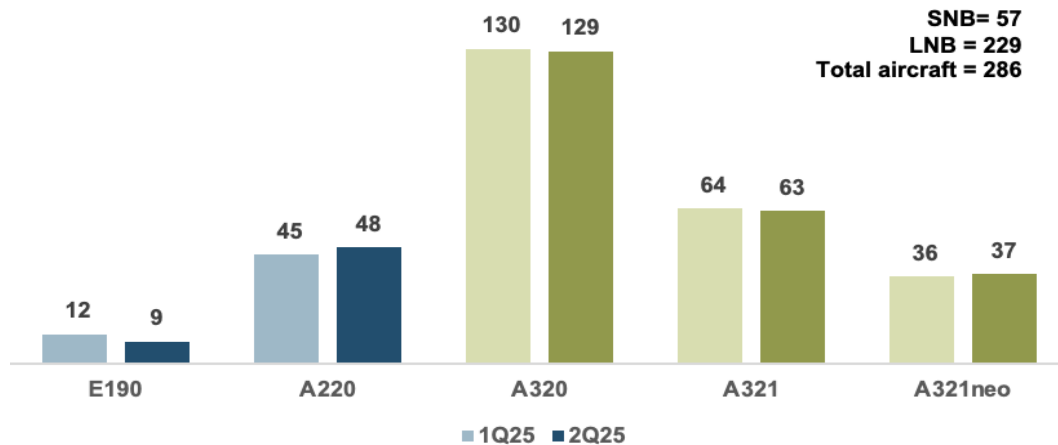
- FY 2025
 - ASM's: Down (2.5%)-(0.5%)
 - CASM-Ex: Up 5%-7%
 - Interest and Capex: \$600M & \$1.2B
- 3Q
 - ASM's: (1%)-2%
 - RASM: Down (6%)-(2%)
 - CASM-ex: Up 4%-6%
 - Fuel: \$2.50-\$2.65

EFA takeaway: Seems to be making progress on the JetForward Plan, although still unable to generate profitability yet. United partnership will help but consolidation or a Spirit cessation of service would most likely be the best near-term scenario.

Network News and Notes

- Executed definitive agreements to sell the remaining Embraer E190 fleet as well as two upcoming Airbus A321neo XLR deliveries.
- Pausing four of 10 planned A320 refurbishments. Expect to end 2025 with approximately 280 aircraft.
- Building FLL, with new service to ATL, AUS, ORF and TPA. Adding additional flights to LAS, LAX, PHX, RDU and RIC. Service returned to PHL and Guayaquil, Ecuador.
- **By December 2025, will operate 95 daily departures to 37 cities from FLL.**
- Expect to obtain slots from United to operate additional flights from EWR as part of the Blue Skies partnership.

Mainline Fleet



Analyst Commentary

- *JetBlue should also benefit from the sale of its E190 fleet, which will alleviate CASM ex-fuel by 2pts in the third quarter. The Blue Sky agreement with United (\$50mm EBIT contribution through 2027), premium credit card signups, preferred seating, focus on reliability and East Coast network optimization should also drive benefits for the airline looking into 2026.*
- *In the near term we wait for operating margin to return to sustainable positive outcomes. **However, if operating margins continue to be materially negative, the airline may need to raise more capital within the next 18 months.***
- *JBLU's 2Q25 unit costs grew +6.0%, better than the +6.5-8.5% outlook, but was aided 50bps by gains on asset sales. Further, 3Q25 unit cost guidance of +4-6% looked solid relative to flattish capacity, but unit costs will benefit by 200bps from similar types of asset sale gains.*
- ***In a sea of recent airline optimism, JetBlue takes the conservative route.** There has been a growing debate around the improvement in bookings as some have pulled the improvement they have seen in July through year-end, while others are a bit more wary (like JetBlue). **But, make no mistake, JetBlue still faces significant challenges, but working with what they have right now.***
- ***JetForward has helped to mitigate headwinds.** We are not convinced it will place JetBlue in the elusive category of the industry's winners, but in terms of getting JetBlue out of its rut, it has shown positives.*
- *The improved AOG profile should enable JetBlue to efficiently return to sustainable low-single digit capacity growth over the next couple of years and drive favorable unit cost growth, helping the company return to profitability.*
- *We were encouraged to hear that JetBlue expects Blue Sky to contribute \$50 million more incremental EBIT than previously planned (largely associated with the addition of Paisly benefits) which should further accelerate its JetForward strategy.*
- ***We note gains on sales of aircraft but do not view this as sustainable and continue to see an environment where JBLU's unit cost growth exceeds unit revenue growth this year.***

Southwest Airlines



As of 5/9/2025

Management Commentary:

- *Our plan remains on track, and I have high confidence in our transformational journey and the significant value it brings. And that value accelerates this year and then more meaningfully in 2026.*
- *Turning to the macro environment. Industry demand stabilized in the second quarter. A Our recent bookings show clear signs of improvement. **This improving demand environment, along with moderated capacity in the industry and the accelerating ramp-up of the contribution from our Southwest-specific initiatives provides a constructive backdrop for the second half of the year and into 2026.***
- *We've been very pleased with our co-brand agreement with Chase, and we're excited about the new and enhanced benefits on our credit cards announced this morning, which align with our new product offering.*
- *We currently estimate that checked bag fees will result in more than \$350 million of EBIT for the full year 2025, which compares favorably to our initial estimates. Our cost savings target of \$370M remains on track as well.*
- *We are confident we have an appropriate capital allocation framework and guardrails in place to operate as efficiently as possible and maintain our relative balance sheet strength and position.*

Items of Interest:

- Quarterly operating and passenger revenues were both down YoY. RASM declined 3% on a slight increase in capacity, which was in-line with guidance. Discounting to offset a temporary reduction in the conversion rate of Basic Economy was cited.
- **Passenger load factor was 78.5%, the lowest 2nd quarter LF since 2009** but passenger yields did increase. Domestic leisure travel has stabilized, according to the company but still predicts lower YoY RASM in the third quarter.
- Operating expenses and CASM-ex both increased, in-line with guidance. Labor costs, aircraft retrofit, and maintenance expenses all had YoY increases.
- **Terminated its fuel hedging program, with \$209M in premium costs to be paid out over the next two years.** Fuel costs slightly higher than forecast.
- Announced a new \$2B share repurchase program. **Paid down nearly \$2.6B in debt but now has slightly more debt than cash on the balance sheet.** Targeting \$4.5B in liquidity, comprised of cash and revolving credit. \$16B in unencumbered assets.

Financial and Operating Statistics

Forward Guidance

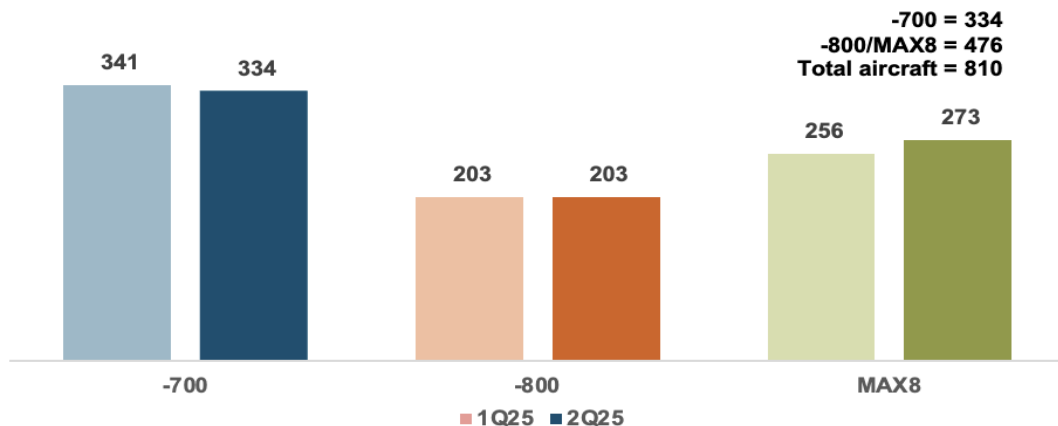
- FY 2025
 - EBIT \$600M-\$800M
- 3Q
 - RASM: Down 2% to up 2%
 - Capacity: Flat
 - Fuel: \$2.40-\$2.50.
 - CASM-ex: Up 3.5%-5.5% year-over-year.
 - Scheduled debt repayments of approximately \$2.6B; interest exp: ~\$35M.

EFA takeaway: Somewhat guilty of what appears to be overpromising with ambiguous goals that has many analysts skeptical. The next 1-2 years are critical for the long-term success of the airline.

Network News and Notes

- Received 17 -8 aircraft and retired seven Boeing 737-700 aircraft in second quarter 2025, ending the quarter with 810 aircraft. Will now retire 55 aircraft in 2025, up from a previous estimate of 50. This includes the sale of five B-737-800 aircraft in the second half of year with plans to complete more transactions later this year. **Expects to receive 47 MAX-8 aircraft in 2025, up from 38.**
- Will launch service to St. Thomas early in 2026, the first new destination since 2021. Expect to launch two more new destinations this summer.
- China Airlines become the second interline partnership, following Icelandair. Operations begin in 2026.
- Icelandair partnership now operates from six gateways, with the addition of MCO, PIT and RDU.
- Starting in August, numerous network changes designed to drive extra connectivity. A 40% YoY change in connection opportunities is expected to drive higher load factor.

Mainline Fleet



Analyst Commentary

- The 2025 outlook Southwest provided with earnings is likely to only intensify the debate around the stock and company. **The debate really centers around Southwest's core business being significantly pressured as management implements its long-term transformation. Can these initiatives fill the gap? There is execution risk also, as evidenced by the BE rollout.**
- We would characterize Southwest 4Q guide as very aggressive and "seemingly" unobtainable.** The guide implies revenue growth of 11% in 4Q or 9% YoY. The problem with this is seasonality and we can find no precedent other than one quarter during COVID, when travel reaccelerated.
- The days of net cash are over, which we find rather astounding, considering the \$2.6B net cash position last quarter. We view risk here skewed to the downside.**
- Southwest's commentary on demand inflection and timing of benefits is consistent with peers, and it is not alone in missing 3Q expectations. **Absent the temporary Basic Economy hiccup, we are seeing Southwest's initiatives taking hold, driving improvement even without a full-fledged demand recovery.**
- Accelerated Boeing deliveries should drive aircraft sales, with Southwest planning to sell 5 -800NGs later this year and 7 early next year. The used aircraft market remains strong, and Southwest should benefit from the cash flow as its aircraft are unencumbered.
- With a new \$2.0B buyback over the next 24 months, LUV is inflecting to over \$2B of net debt based on our forecasts in the next several years compared to net cash levels seen since the start of COVID. **Other airlines have been focused on lowering net debt levels with free cash flow.**
- Southwest's full year guidance implies a significant improvement in Dec Q, which appears aggressive in our view.** Southwest has been moderating its capacity growth which should help bolster yields, but we note that the company's guidance has several assumptions including a sequential improvement in domestic leisure travel trends, accelerating incremental revenue from initiatives, and a better optimization of its basic economy product.

Ultra Low-Cost Carriers (ULCCs)



Sources: Airline financial press releases, SEC filings, and SWAPA analysis

Allegiant Travel Co.



As of 5/9/25

Management Commentary:

- *Allegiant has done a good job of controlling what we can control. Aircraft utilization is back to our historic productivity levels, increasing by 17% in the first half versus a year ago, while total aircraft and personnel have remained flat. Furthermore, we are continually enhancing our commercial offerings, and we are keeping a tight lid on costs.*
- ***Despite this weaker domestic demand backdrop, we achieved solid profitability** because we are one of the lowest cost providers in the industry and have a relentless focus on offering our customers attractive prices and a safe, reliable on-time product.*
- ***We are cautiously optimistic in our recent bookings that suggest a modest strengthening of leisure demand.** A key attribute of Allegiant is our flexible scheduling as we look to peak the peaks and fly off peak when it makes sense economically.*
- *Our outlook today contemplates some of the demand improvement observed in July. However, we believe there's still room for upside, particularly during the fourth quarter if macroeconomic conditions continue to improve.*
- *There are 4 cornerstones that fortify our moat. The network, tactical utilization, fleet flexibility and having a low-cost structure..*

Items of Interest:

- **Airline only adjusted operating margin of nearly 9% surpassed expectations.** Attributed to higher productivity, with A/C utilization up 17% and best cost control.
- Special charges of \$103 million related to the pending sale of Sunseeker Resort. On track to close on the sale in early September for \$200M.
- **Allegiant Extra, will start 2026 being deployed on 70% of our fleet, up from 50% at the beginning of 2025.** MAX aircraft expected to be more than 15% of ASM's at YE2025. Allegiant card renumeration expected to be \$140M in 2025.
- 3Q growth rate down 10% from earlier estimates. September schedule 52% of peak June schedule.
- Airline only CASM-ex down nearly 7% due to corporate budget initiatives.
- Liquidity was \$1.1B, including \$275M in revolving credit, 34% of revenues. Repaid \$152M in debt in 2Q. Total debt of \$2B, Capex of \$137M, mostly aircraft-related.

Financial and Operating Statistics

Forward Guidance

- FY 2025
 - Capacity: system ASM's up 12%
 - Aircraft CAPEX: \$260M - \$280M; other airline CAPEX \$95M - \$115M
- 3Q
 - Capacity: system up 9%
 - Fuel: \$2.55
 - Operating margin: (3.0%)-(6.0%).
 - Airline EPS: (\$1.25)-(\$2.25)

EFA takeaway: Allegiant's niche operation and route structure has helped to mitigate the drop in demand. Time will tell whether all the changes can return the carrier to previous levels of profitability.

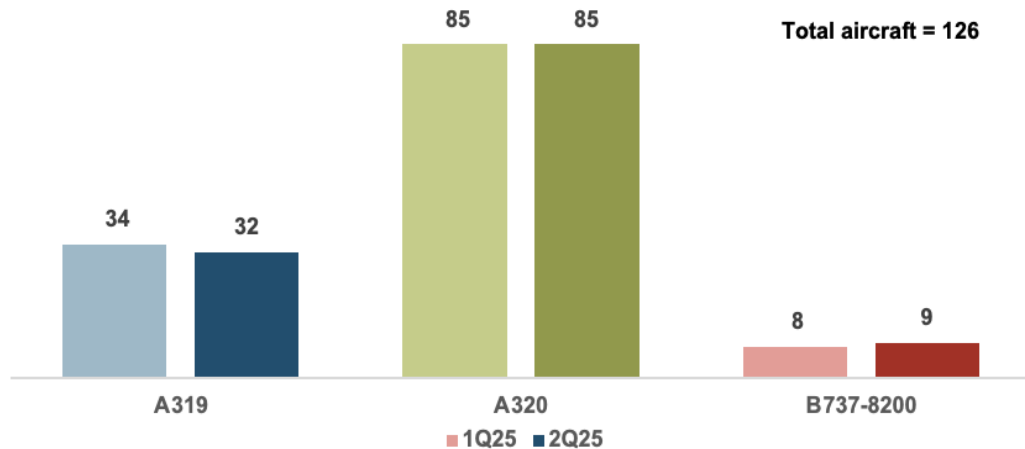
Allegiant - Network, Fleet and Analyst Commentary



Network News and Notes

- Allegiant retired two A320 family aircraft and took delivery of five 737 MAX aircraft, with one entering service at quarter-end. The company expects to take delivery of three MAX aircraft in the third quarter. FLL will transition to the first all MAX aircraft base in October.
- **Plan to accept nine new MAX-8-200 aircraft in 2026 and retire eight A320's.**
- Will begin new service from RSW in November, with service to Allentown (ABE), Appleton (ATW) and Des Moines (DSM).
- Other new routes this Fall include SRQ-TOL, FLL-FWA, MSY-PGD and BNA-GUF (Gulf Shores, AL).

Mainline Fleet



Analyst Commentary

- *While Allegiant's 2Q25 result and 3Q25 outlook beat our expectations and the Sunseeker drag is removed starting September 2025, our estimates are unchanged primarily reflecting a slower growth forecast following comments of largely flat y/y fleet/capacity in 2026.*
- *Allegiant observed the same recent demand recovery called out by U.S. peers, albeit somewhat more cautious on 4Q25 attributable to elevated competitive capacity in preliminary schedules, particularly in its largest market of Orlando.*
- ***In addition to cost execution, we are encouraged by progress on Allegiant's new commercial initiatives, albeit there doesn't appear to be any progress on pilot negotiations (likely 2H26 event at the earliest).***
- *We think that management framed 2025 well when calling it a "one-time catch-up year" with respect to capacity growth, but we think it will take longer than a year to harvest the fruit from investments made into the business over the past couple of years (e.g., introducing MAX aircraft, maturing Navitaire, restoring aircraft utilization, commercial initiatives, etc.).*
- ***Allegiant is also working to reduce its elevated cost base (e.g., reduced fixed marketing expenses, reduced IT spend, etc.), but the revenue generation is not keeping pace. We think that it will take some time for Allegiant to return to its historical high-single, low-double-digit operating margin performance.***
- *Allegiant's story has been much more complex than other airlines given the launch, development and now expected sale of Sunseeker Resort. **Investors crave the old Allegiant that drove industry-leading margins in pre-COVID cycles, enabled by a unique business model based around shaping supply with peak demand and competing in markets with little to no competition (80% monopoly routes).***
- *Allegiant not been fully immune from some of the natural forces like a difficult operating environment disproportionately hurting ULCCs, rising costs and less appetite for bare-bones offerings have weighed on results – with airline operating margins now 8.1% on a LTM basis vs. mid-to-high-teens pre-COVID.*
- ***Management needs to bring back confidence around the airline and return to historical margins.***

Frontier Airlines



As of 5/9/25

2Q25 adj. pretax income (loss): (\$70M)

Management Commentary:

- Encouragingly, in Frontier markets specifically, we're seeing a greater reduction in competitive capacity than the average in the industry by about 3 points, which alongside with our commercial initiatives is expected to support mid- to high single-digit RASM growth in the third quarter on a stage-adjusted basis.
- We're modernizing every part of our commercial offering from digital tools and distribution to loyalty and onboard experience with a focus on premiumization, which supports a better revenue outcome.
- **We have reduced utilization quite meaningfully on Tuesday, Wednesday, Saturday, more pronounced on Tuesday, Wednesday, particularly in the off-peak periods**, which is really driving the year-over-year flat capacity. We're starting to see the benefits of our capacity reductions, as it is rightsizing demand with capacity and now actually really starting to bear fruit.
- **Regarding domestic fares in the domestic marketplace, we believe that the entire industry is not making money.** If you take out your code share, take out your international flow, all that, the domestic is not making money. We see plenty of opportunity for the carrier like Frontier to come out the other side of this because there's going to be a huge opportunity for the lowest cost provider.

Items of Interest

- Total operating revenue for the second quarter of 2025 was five percent lower on two percent lower capacity primarily related to off-peak day-of-week reductions and weather/ATC-related disruptions.
- **Total revenue per passenger was flat YoY**, with enplanements and departures decreasing low single-digits YoY. Stage length increased five percent. Expect stage-length adjusted RASM to increase 3Q due to lesser capacity and mature markets.
- **CASM-ex increased YoY primarily due to a 13% reduction in average daily utilization and lower sale-leaseback gains.** All aircraft deliveries remaining in 2025 and into the first half of 2026 have committed sale-leaseback financing.
- Ended the quarter with \$766 million of total liquidity comprised of unrestricted cash and cash equivalents of \$561 million and \$205 million from revolving line of credit. Additional financing expected to boost liquidity by over \$200 million by year-end.

Financial and Operating Statistics

Forward Guidance

- FY 2025
 - No new guidance
- 3Q
 - EPS: \$(0.26) to \$(0.42)
 - Fuel: \$2.51

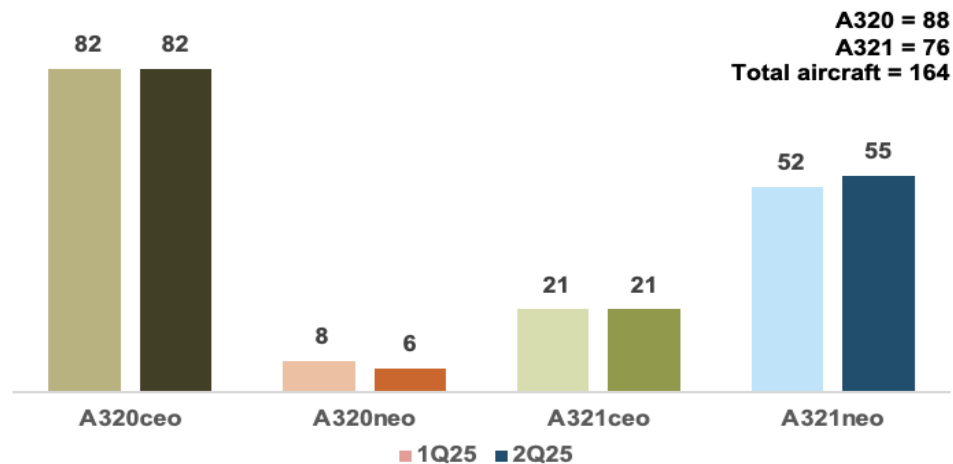
EFA takeaway: Frontier is counting on increased premium product offerings and gains from sale-leasebacks to help it return to profitability.

Frontier - Network, Fleet and Analyst Commentary

Network News and Notes

- Took delivery of three A321neo aircraft during the second quarter. 13 aircraft deliveries expected in the next 6 months, including 2 A321neo aircraft in the third quarter and 11 in the fourth quarter, comprised of 7 A320neos and 4 A321neos. Frontier operated 164 aircraft at quarter's end.
- As of June 30, 2025, the Company had commitments for an additional 180 aircraft to be delivered through 2031, including purchase commitments for 27 A320neo aircraft and 153 A321neo aircraft, with A321neo aircraft representing approximately 85 percent of future committed deliveries.
- Launched 35 new routes and announced an expansion of service across the Eastern and Midwestern United States to include nonstop connections between Baltimore-Chicago O'Hare, and Myrtle Beach-Trenton, and 9 new routes from Atlanta.
- Network strategy will continue to focus on large markets with limited or no ULCC service, such as ATL and ORD.

Mainline Fleet



Analyst Commentary

- *Frontier's 2Q25 print and 3Q25 guide mostly disappointed, although commentary on demand and yield recovery was encouraging and notched another week in the first sustained demand recovery this year called out by the industry.*
- **Profit recovery shifts to the right as ULCC adapts to an evolving backdrop.** *We note that the month of July (which was very challenged) accounts for over a third of the quarter's capacity and roughly half of total revenue, which is why we do not expect to see improvement in Frontier's Sep Q financials.*
- *Capacity contraction will continue to pressure unit costs, especially with close-in cuts and excess labor, but should improve overall yields and revenue generation.*
- **If the improving demand and yield trends hold through Dec Q, management are cautiously optimistic that they can achieve a profit in the back half of the year and expect a solid foundation for profitability in 2026.**
- *Frontier is focused on cost control and matching capacity to demand, evidenced by capacity contraction of 4% to 5% in the third quarter. The contraction will pressure unit costs in the near term which is partially driven by a higher portion of unproductive pilots as Frontier awaits more deliveries and travel rebound to deploy more capacity. Longer term, double-digit margins are still within the scope of the company as future growth should alleviate unit cost pressure.*
- *We now see a greater unit revenue improvement in 3Q25 than our prior estimate (reported unit revenues +3.3% vs our prior +1.8%), but lower unit costs and negative total revenue growth as capacity has been reduced further.*
- *A tough domestic airline industry backdrop presents headwinds. While its low-cost structure allows the airline to generate profits at lower price points relative to other US airlines, market oversupply and weaker pricing threatens ULCC's margin-generating abilities.*
- *Frontier followed in the footsteps of other domestic-centric names; a challenging second quarter result and a third quarter guide emerging slightly worse than consensus. **We believe a return to consistent profitability – even inclusive of continued sale leaseback gains – will prove challenging for Frontier, given its current position as the second-least profitable airline in the United States.***

Spirit Airlines



As of 8/14/2024

Financial and Operating Statistics

- Spirit filed a 10Q for the second quarter but did not host a conference call or offer any management commentary.

Items of Interest:

- Capacity down 24.5%, TRASM increased nearly 5% but CASM-ex increased 19% YoY.
- Operating margin declined 6.2% to (-18%) for the second quarter.
- With capacity drastically reduced, the airline now represents roughly 4% of domestic ASM's, down from 5.3% in 22023.
- **Spirit's credit card processor has requested additional collateral to renew its credit card agreement, which expires in December 2025.**
- The carrier consumed \$250M of cash from operations, finishing the second quarter with liquidity of \$683M, comprised of \$408M in cash and \$275M in available credit.
- The carrier plans to raise capital, which may include selling aircraft, real estate and excess gates.
- **The carrier noted a "going concern" disclosure in the filing, which signals another possible bankruptcy risk or another court assisted financial remedy.**

Forward Guidance

- FY 2025
- 3Q
 - No formal guidance given for third quarter.

EFA takeaway: Spirit appears to be enroute to another bankruptcy filing. A liquidation or asset sale is certainly possible without dramatic improvement.

Spirit - Network, Fleet and Analyst Commentary



Network News and Notes

- Fleet of approximately 215 aircraft but only operating roughly 194 with current schedule. 21 aircraft are not being utilized and up for sale.
- Carrier restructuring route network to focus on DTW, EWR, FLL, MCO. Major schedule reductions in ATL, DFW, LAS and LAX, with capacity in those cities down anywhere from 31%-51%.
- August capacity down 29% Year-over-Year.

Analyst Commentary

- *No analyst reports available as the Company did not formally announce earnings.*

Mainline Fleet

Sun Country Airlines



As of 5/9/2025



Sun Country

2Q25 adj. pretax income: \$10M

Management Commentary:

- **We're pleased to report our 12th consecutive quarter of profitability.** Our diverse business model is unique in the airline industry. Due to the predictability of our charter and cargo businesses, we are able to deliver the most flexible scheduled service capacity in the industry.
- The combination of our scheduled flexibility and low, fixed cost model allows us to respond to both predictable leisure demand fluctuations and exogenous industry shocks. We believe due to our structural advantages, we'll be able to reliably deliver industry-leading profitability throughout all cycles.
- **The theme in 2025 for Sun Country is about growth in our cargo business.** At the end of August, we expect to have all 8 2025 cargo additions in service, bringing our cargo fleet to 20 aircraft. We anticipate fleet growth, along with contractual rate increases will roughly double versus prior contract our cargo revenue once these additional aircraft reach mature utilization.
- It is important to note that our adjusted CASM will remain elevated as we do not anticipate to resume the growth of our scheduled passenger service until the back half of 2026 following the annualization of our cargo growth.

Items of Interest:

- Scheduled service demand remained robust during the quarter, which helped to offset the decline in scheduled service capacity. Scheduled service TRASM increased 3.7% YoY while ASM's decreased 6%. Avg fare of \$151 higher by 6.5%.
- Charter revenue increased 6.4%, slightly lower than charter block hour growth of 8%. **Cargo revenue up 36% on a 9.5% increase in cargo block hours as 15 aircraft were in service at the end of the quarter. Highest quarterly cargo revenue in history.**
- Adjusted CASM increased 11.3% and was heavily impacted by the 6.2% decline in scheduled service ASMs arising from the shift out of the passenger business into cargo business. Landing fees/airport rents/employee SWB increased double digits.
- Total liquidity at the end of Q2 was \$206.6 million. 2025 CapEx to be between \$70 million and \$80 million with \$21 million spent so far. \$25M left in share buybacks.
- Total debt \$562M, down from \$619M. \$44M in debt payments by YE2025.

Financial and Operating Statistics

Forward Guidance

- FY 2025
 - No new guidance
- 3Q
 - Revenue: \$250M-\$260M
 - Capacity: Block hours up 5% -8%. Sched service ASMs down 9%-10%
 - Fuel: \$2.61
 - Operating margin: 3% - 6%
 - CASM-ex: Will remain elevated.

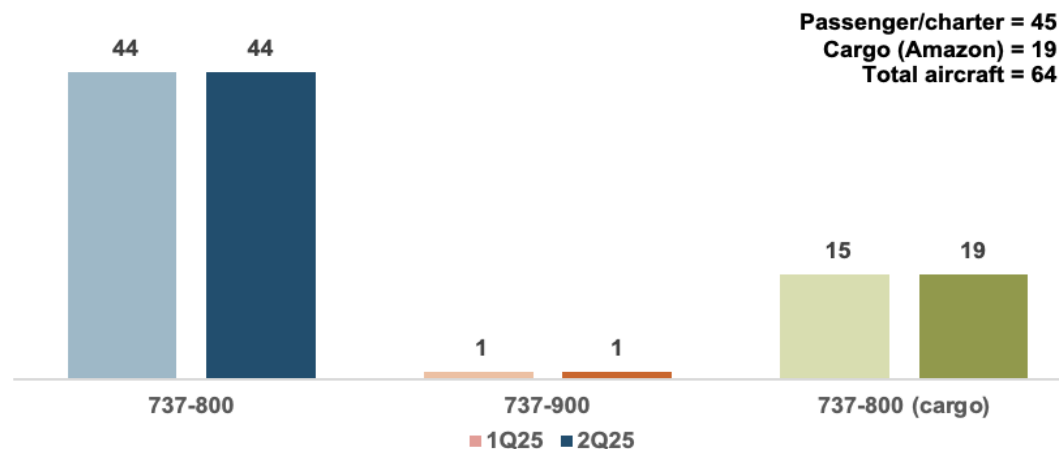
EFA takeaway: Sun Country continues to deliver quarterly profits with its diversified business model. Will focus on the Air Freight segment until latter half of 2026.

Sun Country - Network, Fleet and Analyst Commentary

Network News and Notes

- Took delivery of eight cargo aircraft under the new agreement signed in June 2024. Five of those eight are currently in service, and the other three are expected to be in service by the end of the third quarter. By the end of the third quarter, will operate 20 cargo aircraft.
- Extended leases on two of the five passenger aircraft that are on lease to other operators.
- In May, took re-delivery of one of the Boeing 737-900ER aircraft that was previously on lease. This aircraft is expected to enter service by the end of the third quarter.
- **Retired one 737-800 in the second quarter. The Company currently expects to end 2025 with 45 passenger aircraft and 20 cargo aircraft.**

Mainline Fleet



Analyst Commentary

- We note that Sep Q faces a roughly a 4-point margin drag as the company shrinks its scheduled service to grow cargo, but still absorbs fixed costs tied to less productive assets.
- **The bottom line is that Sun Country remains one of the few low fare carriers to have "cracked the code" in maintaining consistent profitability, despite a "challenging environment".** In that regard, June Q represented its 12th consecutive profitable quarter.
- **Sun Country's earnings call was largely spent on ensuring brighter days are ahead as well** - but will have to wait until likely the back half of 2026 to fully flex its diversified business model, as Cargo ramp/return to scheduled service growth appears to be pushed slightly to the right.
- But whereas other airlines' guidance is reliant predominately on improved domestic demand, Sun Country's improvement appears to be an element of 'when', not 'if', as Cargo achieves full run rate and Scheduled Service can return to normal utilization levels.
- While the print will lead to numbers heading lower for 2H25 than when we entered Friday, we agree with CEO Jude Brickers assessment that the near-term outlook for Sun Country is pretty good.
- Considering the largely de-risked growth for 2026, with a margin profile that should continue to register near the best in the industry (made more impressive given the absence of premium, international, and Loyalty tailwinds), we continue to believe Sun Country should trade at a premium to LCC's.
- **We continue to believe Sun Country's business model will yield equity outperformance, particular to low-cost peers,** with unparalleled visibility to industry leading earnings growth next year

Economic and Financial Analysis Committee

Industry Financials

2nd Quarter 2025