Economic and Financial Analysis Committee

Industry Financials

1st Quarter 2024

Industry Scorecard

1Q 2024 (with comparisons to 1Q 2023)

1Q24	Key Financial Metrics (non-GAAP) - 1Q24					Unit Level Metrics (non-GAAP) - 1Q24 (y/y change)				
Airline	Operating Revenue ($ mil)	Operating Profit (Loss) ($ mil)	Operating Margin	Net Profit (Loss) ($ mil)	Net Margin	Revenue Passenger Miles	Available Seat Miles	(T)RASM[1]	CASM-ex[2]	Fuel ($/gal)[3]
Delta	12,563	640	5.1%	288	2.3%	9.1%	6.8%	(0.7%)	1.6%	$2.76
United	12,539	112	0.9%	(50)	(0.4%)	9.3%	9.1%	0.6%	4.7%	$2.88
American	12,570	77	0.6%	(226)	(1.8%)	10.5%	8.5%	(4.9%)	2.4%	$2.86
Southwest	6,329	(377)	(6.0%)	(218)	(3.4%)	12.0%	11.0%	(0.1%)	5.0%	$2.92
Alaska	2,232	(145)	(6.5%)	(116)	(5.2%)	(0.2%)	(2.1%)	3.8%	10.2%	$3.08
jetBlue	2,209	(157)	(7.1%)	(145)	(6.6%)	(2.8%)	(2.7%)	(2.4%)	7.1%	$2.97
Spirit	1,266	(176)	(13.9%)	(160)	(12.7%)	1.9%	2.1%	(8.2%)	6.2%	$2.90
Frontier	865	(31)	(3.6%)	(21)	(2.4%)	(5.4%)	7.6%	(5.3%)	1.5%	$2.93
Hawaiian	646	(140)	(21.7%)	(144)	(22.2%)	5.9%	2.7%	2.6%	7.1%	$2.83
Allegiant[4]	656	39	6.2%	(1)	(0.1%)	(1.1%)	1.4%	(1.0%)	14.5%	$3.03
Sun Country[5]	311	57	18.2%	37	11.7%	15.6%	16.4%	(9.6%)	(0.1%)	$3.01
Total	52,186	(101)	(0.2%)	(756)	(1.4%)					

[1] TRASM for airlines that report it
[2] CASM-ex excludes fuel, special items, profit sharing, third-party business expenses, fuel hedges, and MTM accounting
[3] Economic fuel cost/gal, includes effect of fuel hedging and settlements on derivatives
[4] Airline-only operations
[5] Includes AMZN cargo ops

Contrasting outcomes and expectations

First Quarter Synopsis

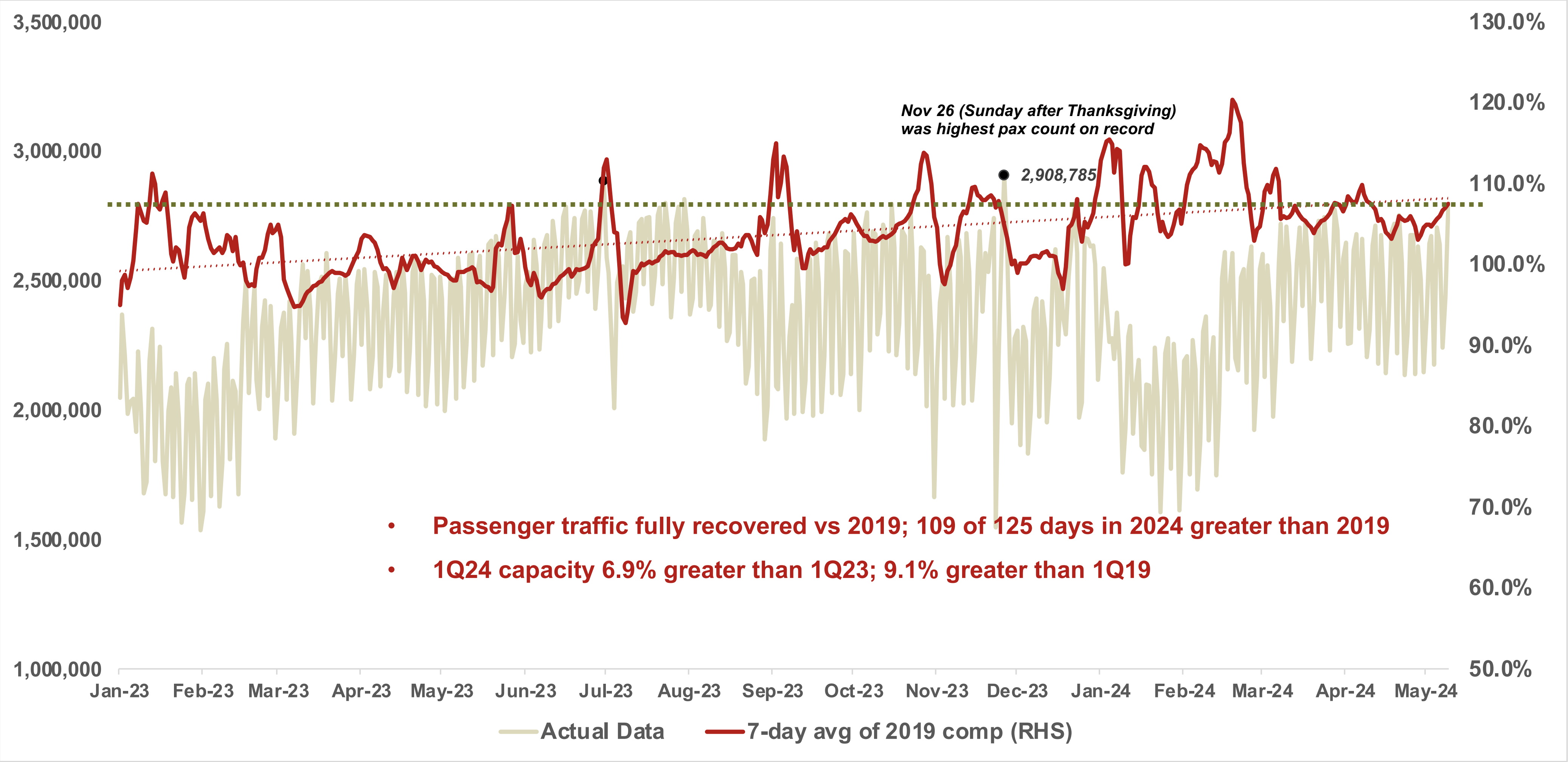
- The industry becomes ever more bifurcated, with **Delta** and **United**, and to a lesser extent, **Alaska,** outperforming everyone else despite the effects of the grounded MAX-9's. In the ULCC space, **Allegiant** and **Sun Country** were profitable.
- Delivery delays, certification issues and grounded aircraft continue to affect nearly every airline. **Allegiant**, **American**, **Southwest** and **United** are dealing with delivery delays while JetBlue and Spirit contend with grounded aircraft.
- Cost inflation from Labor, Maintenance and Airport fees continues unabated with quarterly year-over-year increases of anywhere from 15% up to 50%.
- Certain carriers reworking portions of their network to better match supply with demand as well as to lower costs. **Frontier**, **JetBlue**, **Southwest** and **Spirit** are the primary carriers utilizing this strategy.

Second Quarter Forecast

- Far-International and premium travel show no signs of slowing down at present.
- Corporate travel should continue to recover, with business travel meeting or exceeding 2019. Big three legacies all at 90% or higher as compared to pre-COVID. **Southwest** managed business traffic up double digits.
- Domestic leisure traffic starting to moderate with carriers discounting fares to stimulate traffic.
- Average capacity growth in second quarter of 7% is down from earlier forecasts, but industry still expects unit revenue growth.

2023 passenger traffic firmly ahead of 2019

TSA checkpoint data: Jan 1, 2023 – May 9, 2024

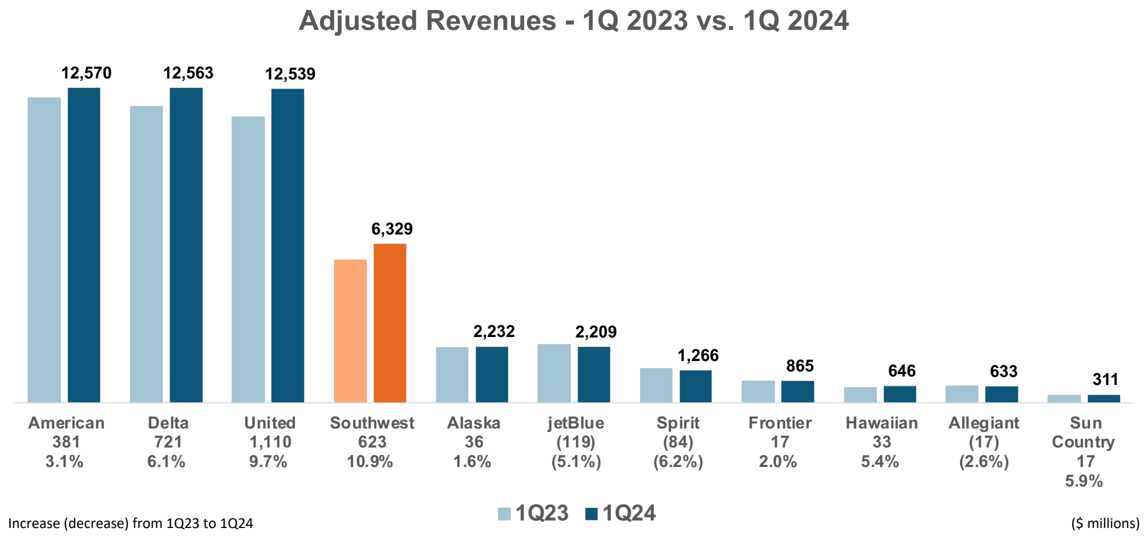


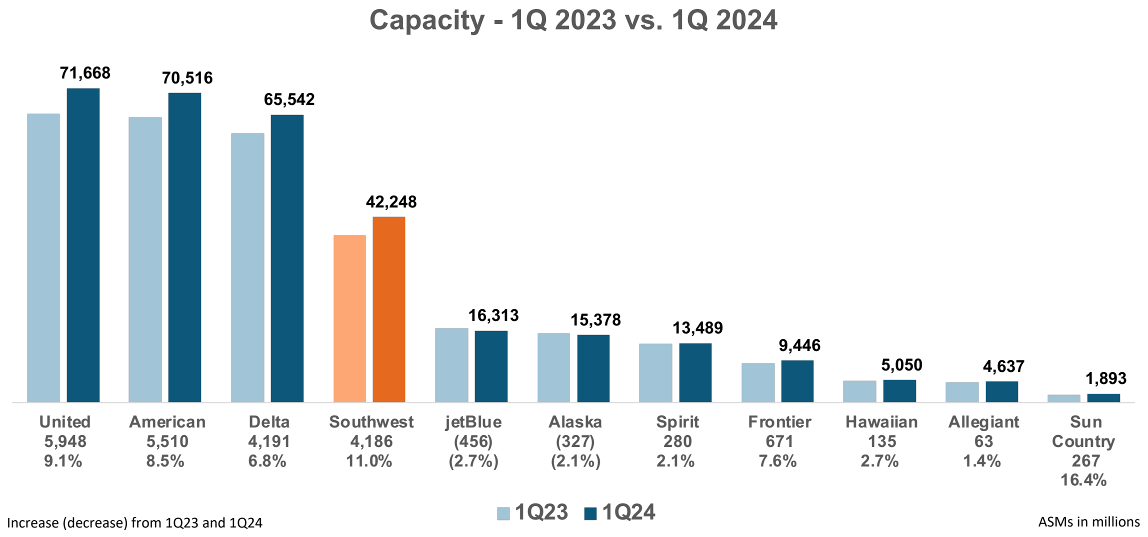
Industry had record 1Q revenue on record 1Q capacity

Traditionally good news, higher rev on higher capacity supports profitability

1Q24 revenues up 6% over 1Q23…

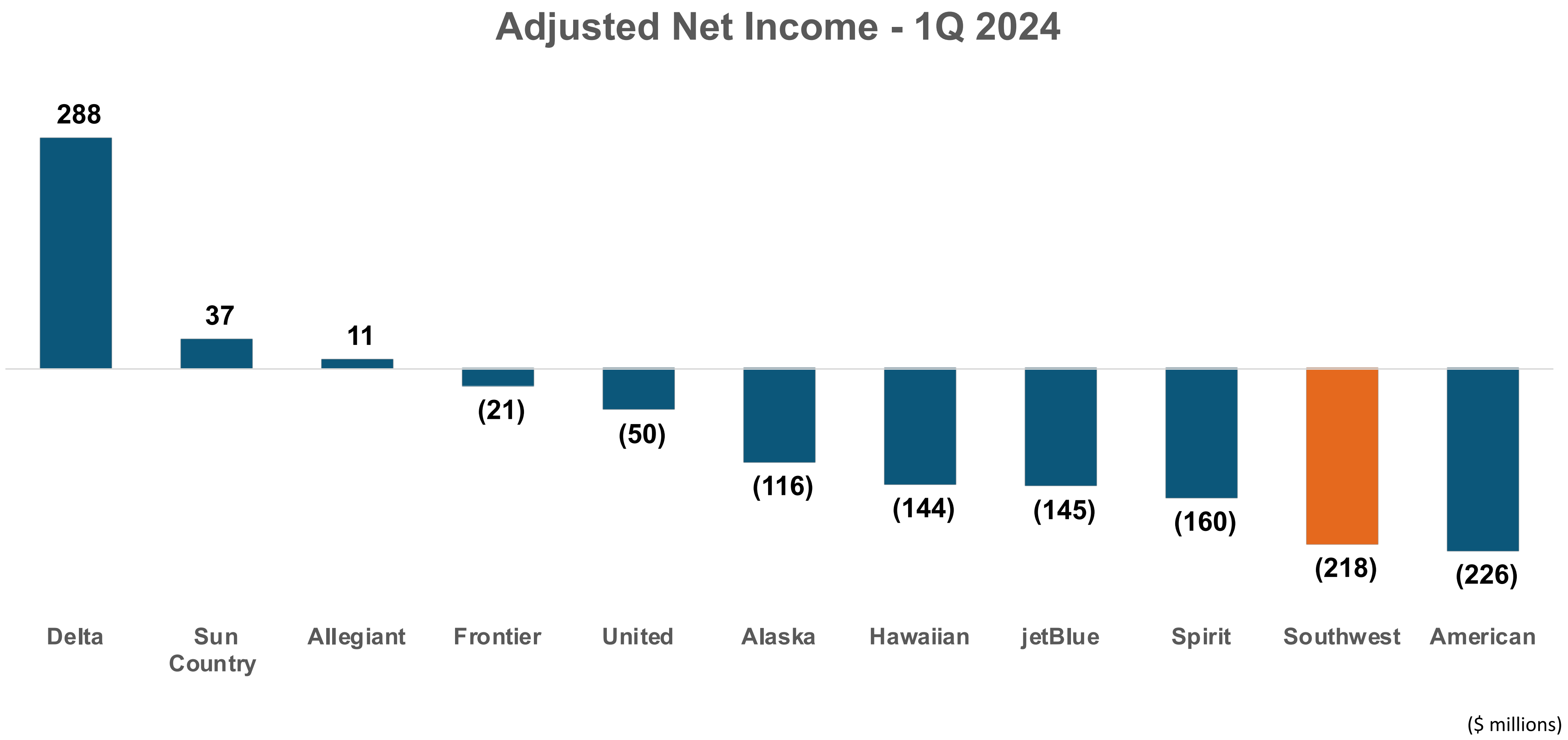
… on 7% greater capacity





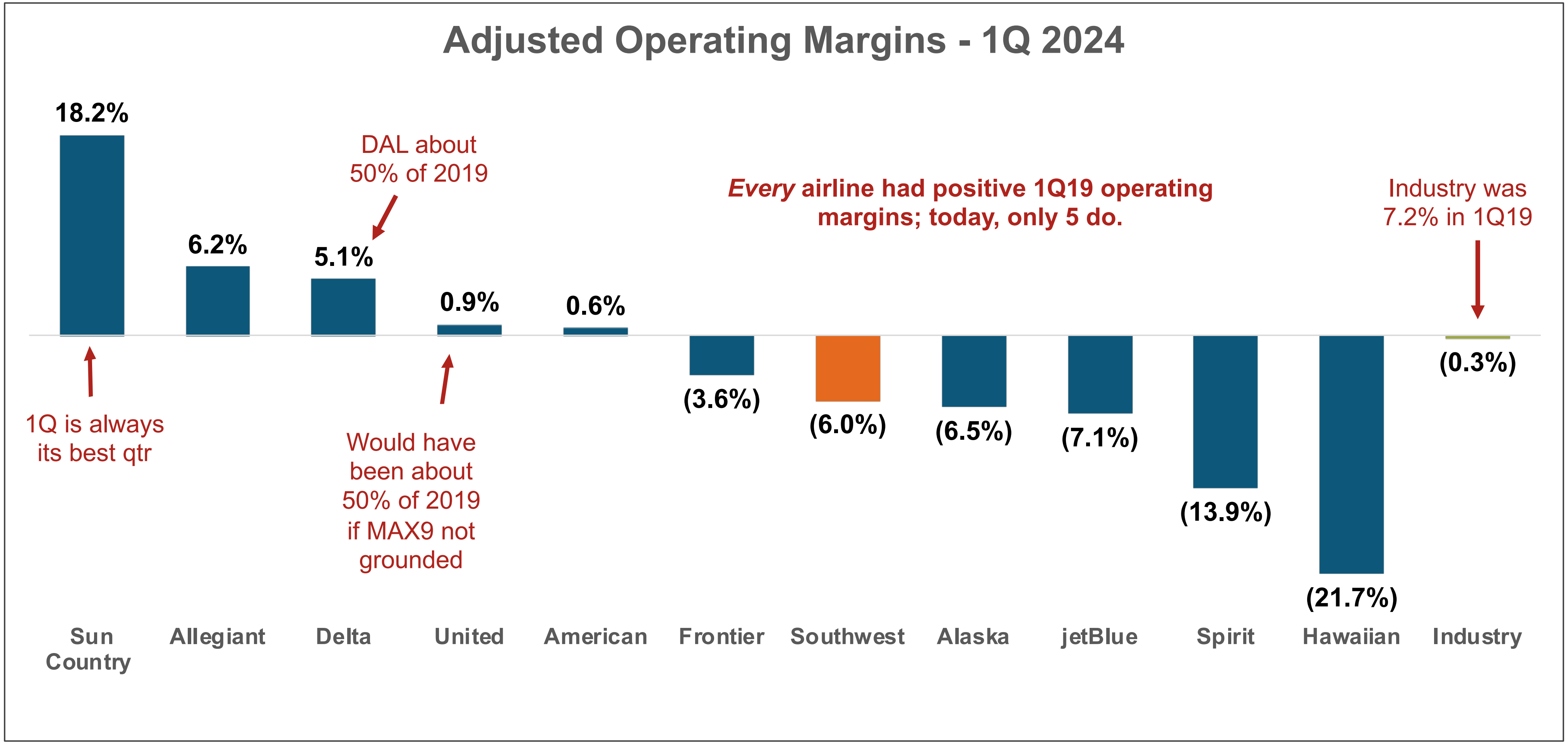
But most carriers lost money in 1Q

1Q is historically weak, but US airlines usually post small 1Q profits



Problem: Industry margins are not nearly recovered

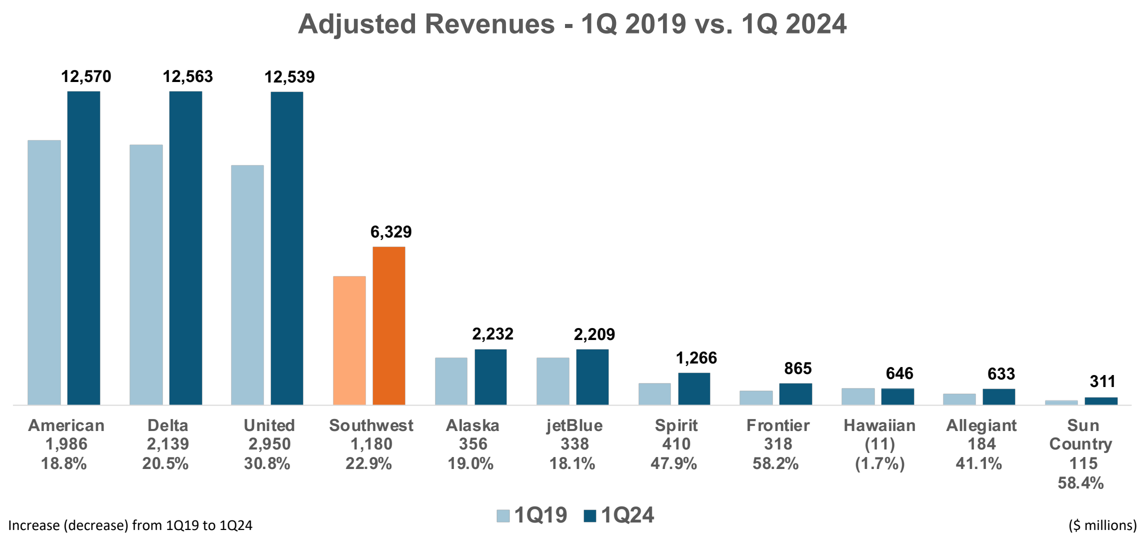
1Q24 margins are less than half than that of 1Q19



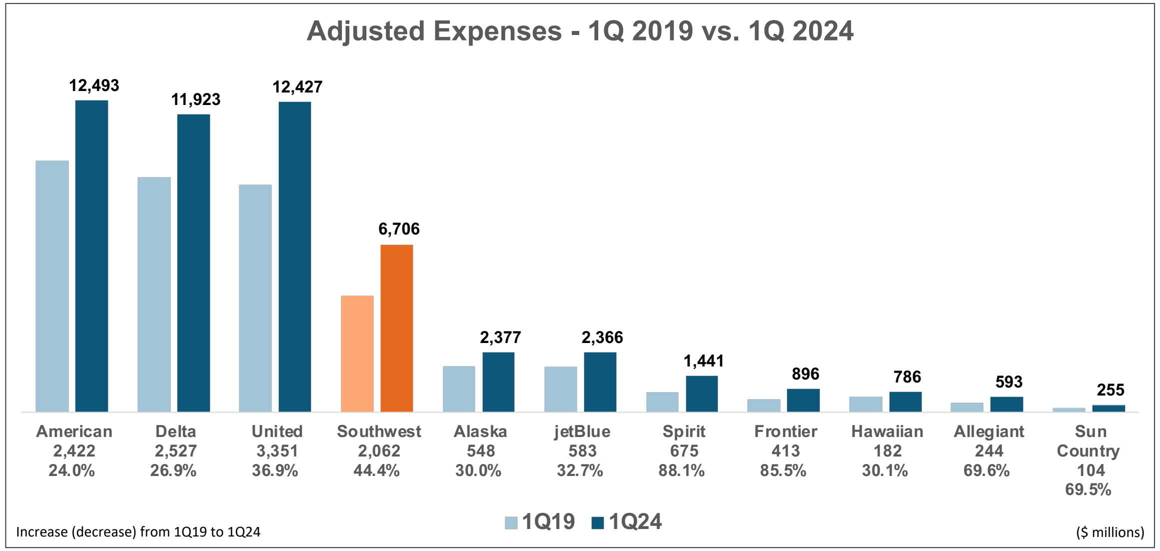
Margins are a cost issue; revenues haven't caught up

Most carriers have had large revenue jumps, but inflationary costs are higher

Revenues are up 23.6% over 1Q19…



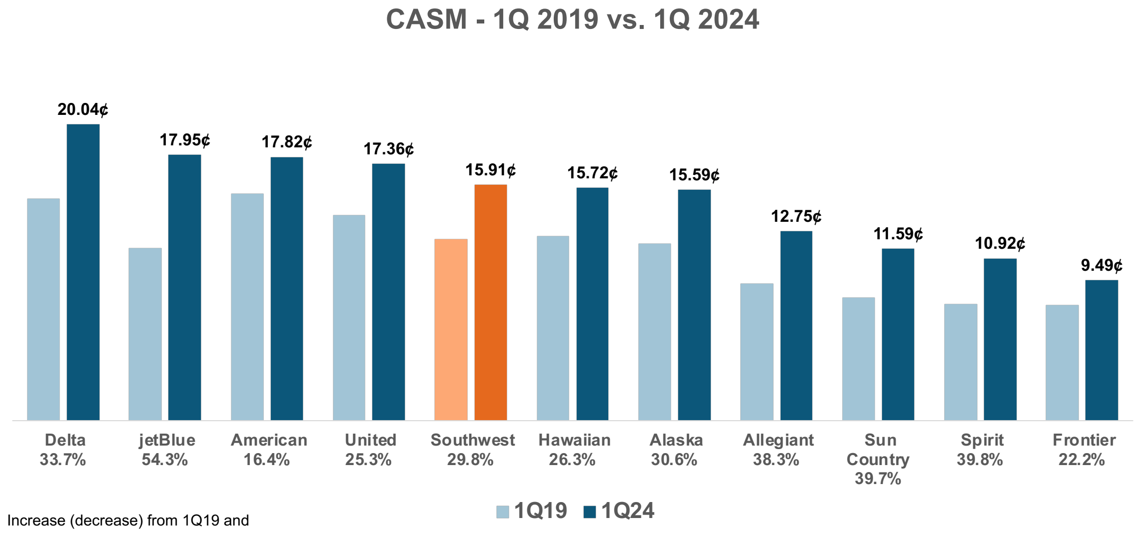
… but costs are up 33.5%



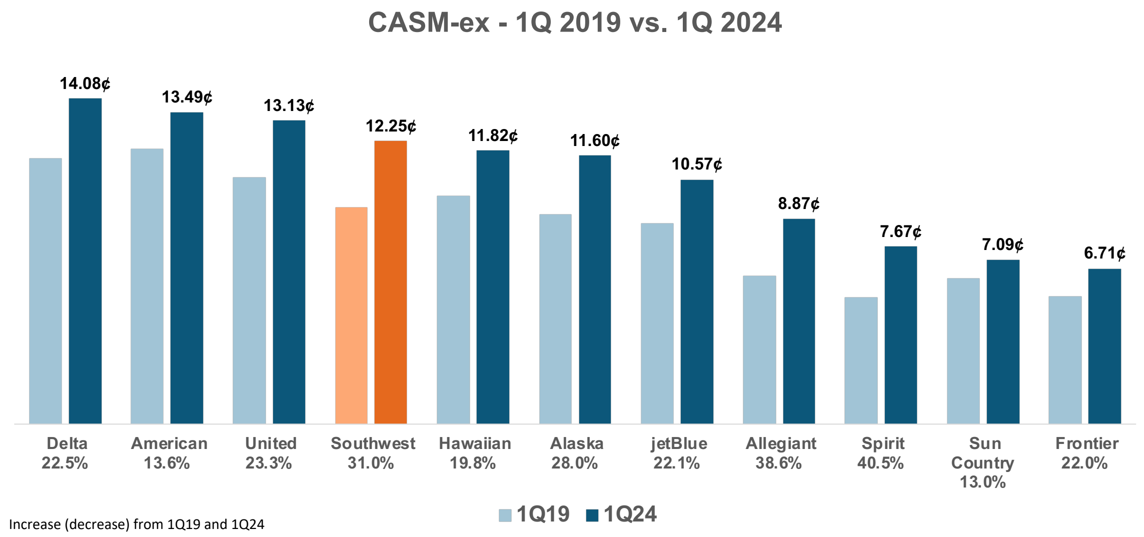
CASM and CASM-ex fuel are notably higher over last 5 years

Fuel is up 42% vs 1Q19

Avg CASM is up 32%...



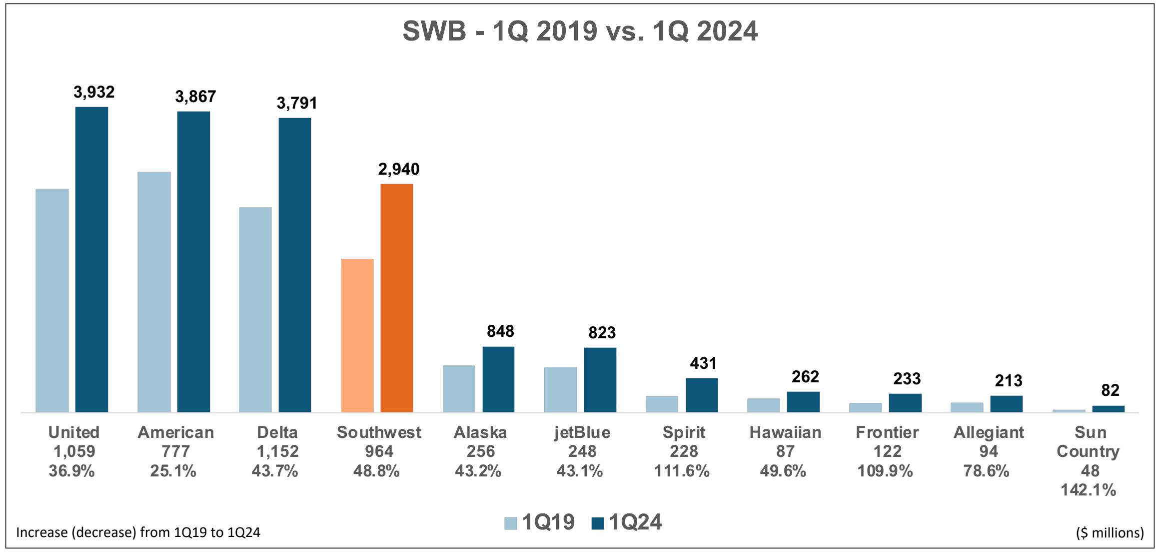
… and CASM-ex is up 24%



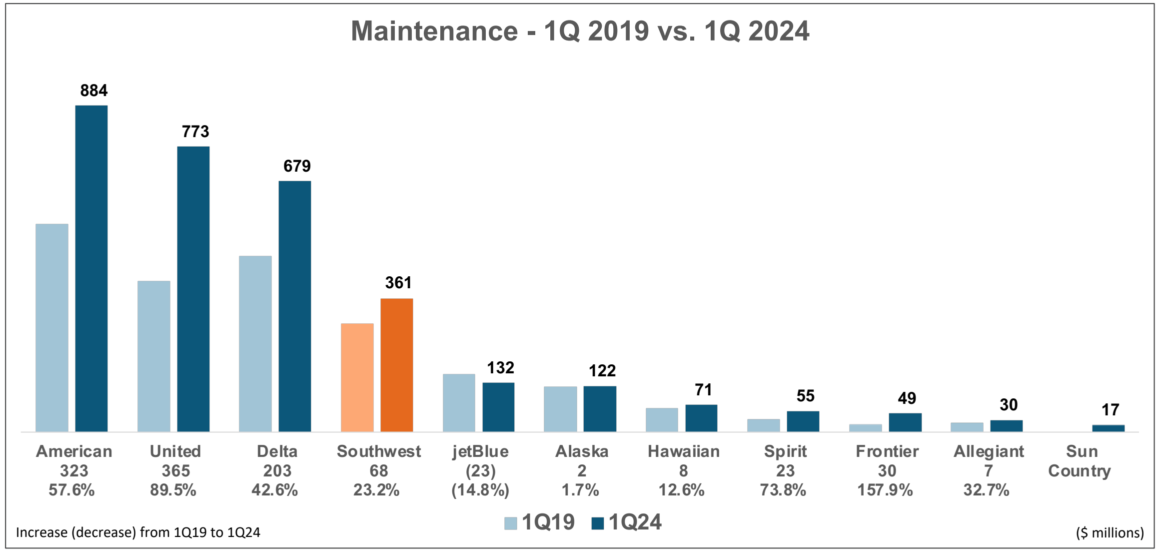
CASM-ex: major cost centers have had large run-ups

SWB (salary, wages, benefits) and Maintenance costs are a large culprit

SWB is up 40.6% since 2019…

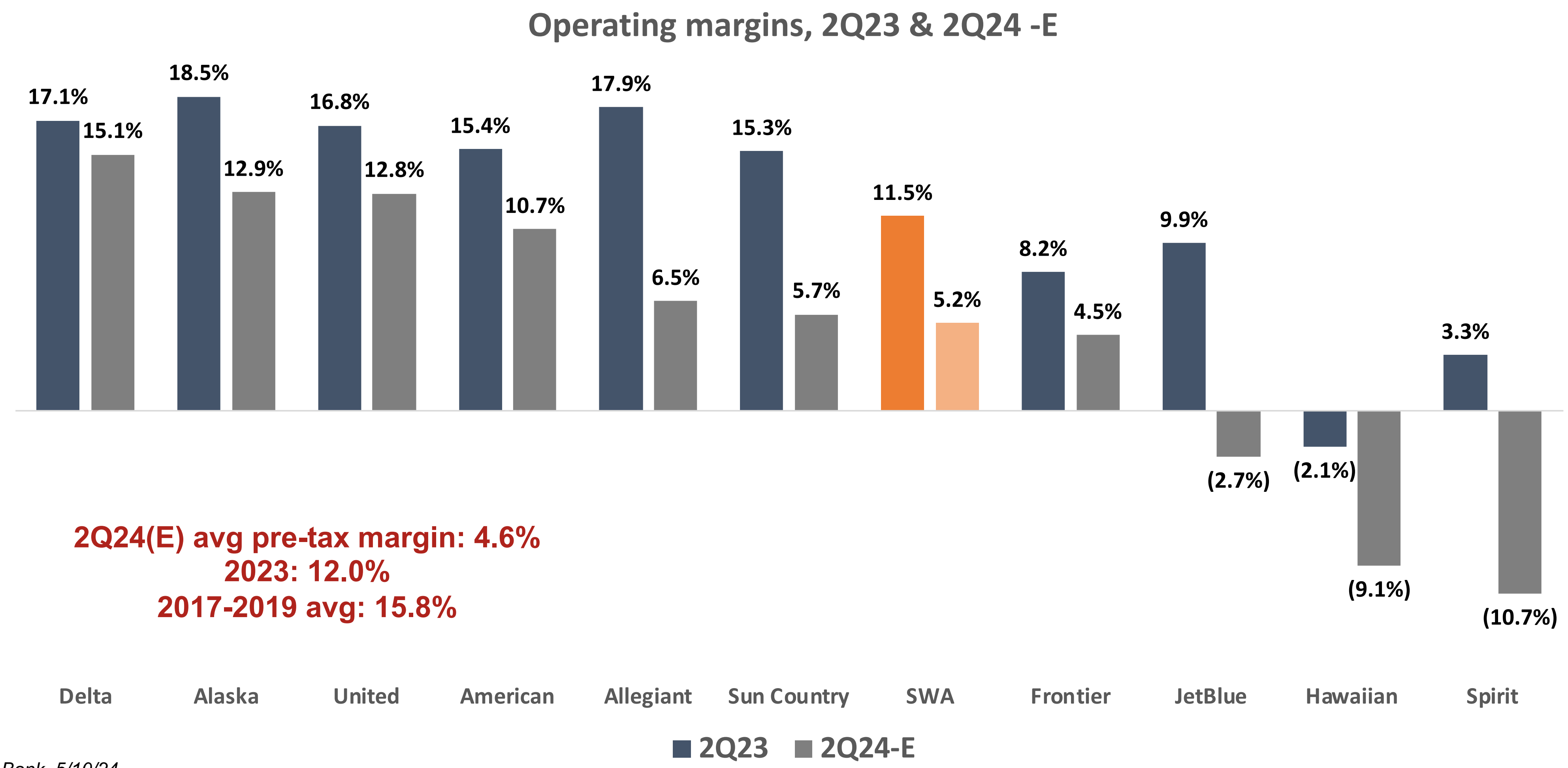


… while Maintenance is up 47.6% (!)



Expected 2Q24 margins will be less than a year ago

Every airline expected to report lower 2Q operating margins



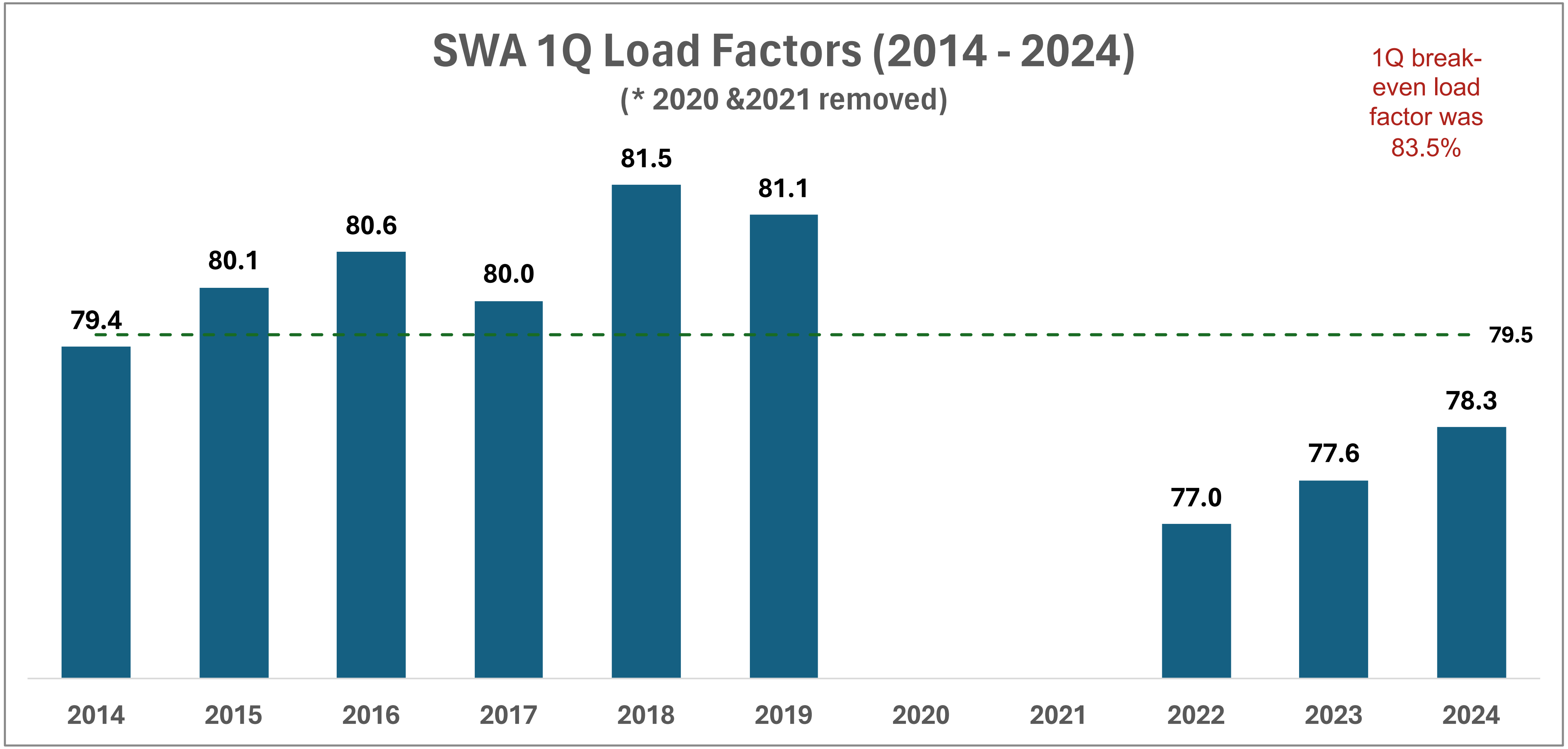
Source: Deutsche Bank, 5/10/24

Southwest and its terrible, horrible, no good, very bad quarter

- Record 1Q revenue… but…
- Missed revenue forecast – twice – by ~$215m
- Lost $231m – 5th consecutive 1Q loss
- Guided to lower RASM in 2Q (down 1.5%-3.5%)
- Reduced 'network optimization' target down from $1.5B to $1.0B
- Announced large Boeing aircraft delays, now 20 vs 79 (was >100).
- Announced withdrawal from four cities (IAH, SYR, BLI, CZM)
- Lowered EoY headcount by 2,000; expects voluntary time off measures
- Committed to reduced capacity (FY24 at 4%), 4Q will be down ~4%
- Growth will be ~ GDP or less; will not return until ROIC is greater than WACC
- Street slashed FY EPS expectations
- Stock fell 14% on earnings day

SWA continues run of historically low load factors

More passengers needed to generate more revenue

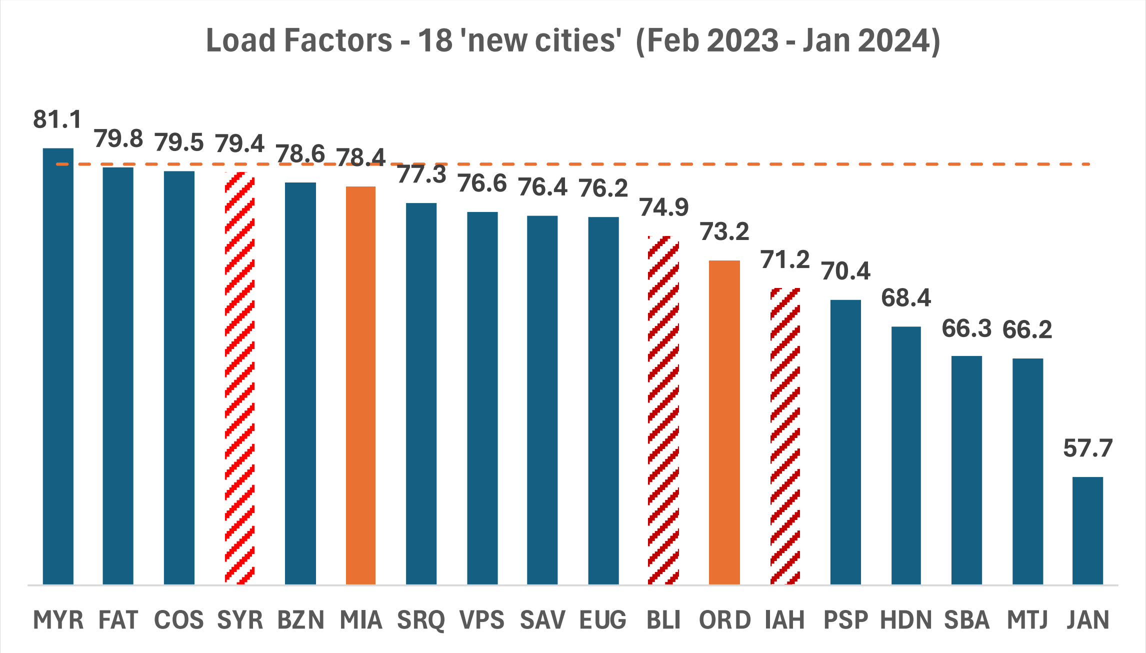


Sources: Diio.net

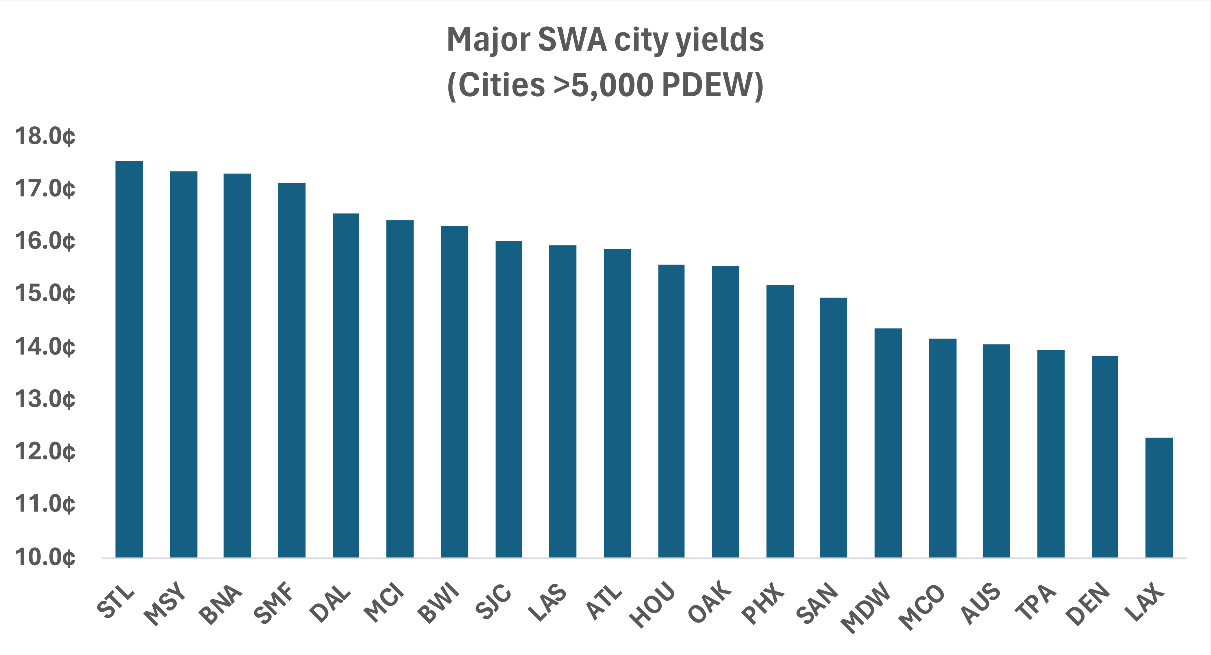
Snapshots of SWA network

New cities still 'under development'; Yields best at cities SWA dominates

Load Factors in 18 'new' cities



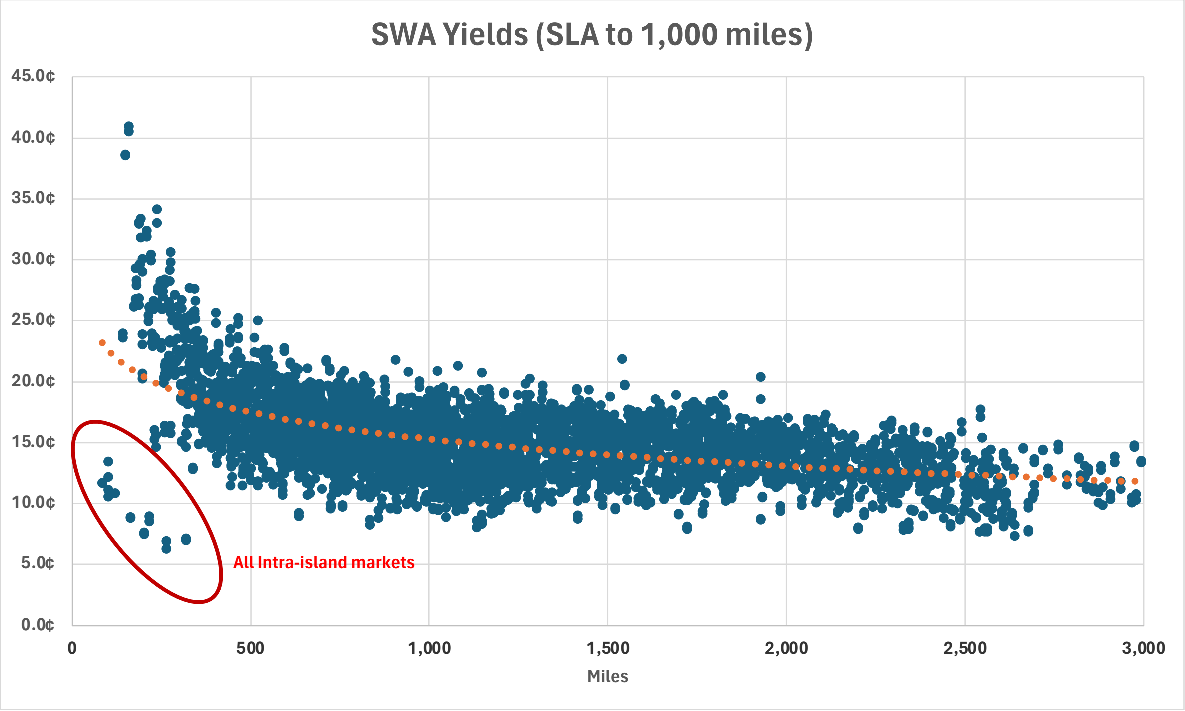
Yields in major SWA cities



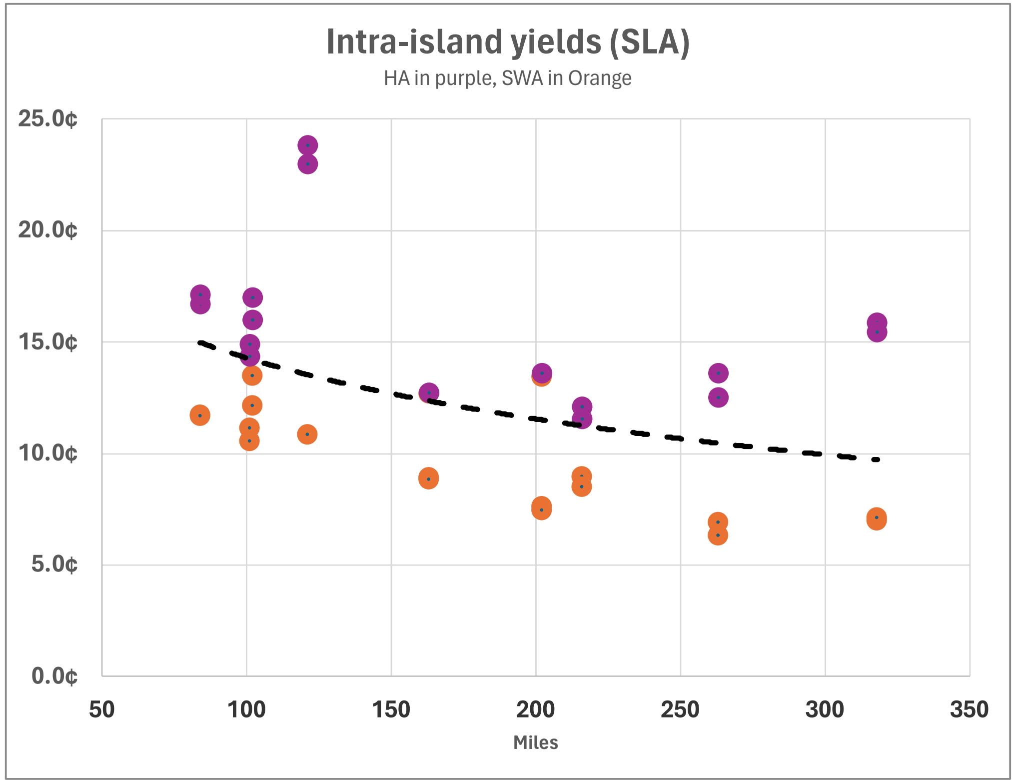
Hawaiian service needs a better airplane

MAX8 is too big for intra-island; low fares required to fill airplane

Stage length grows in 2024

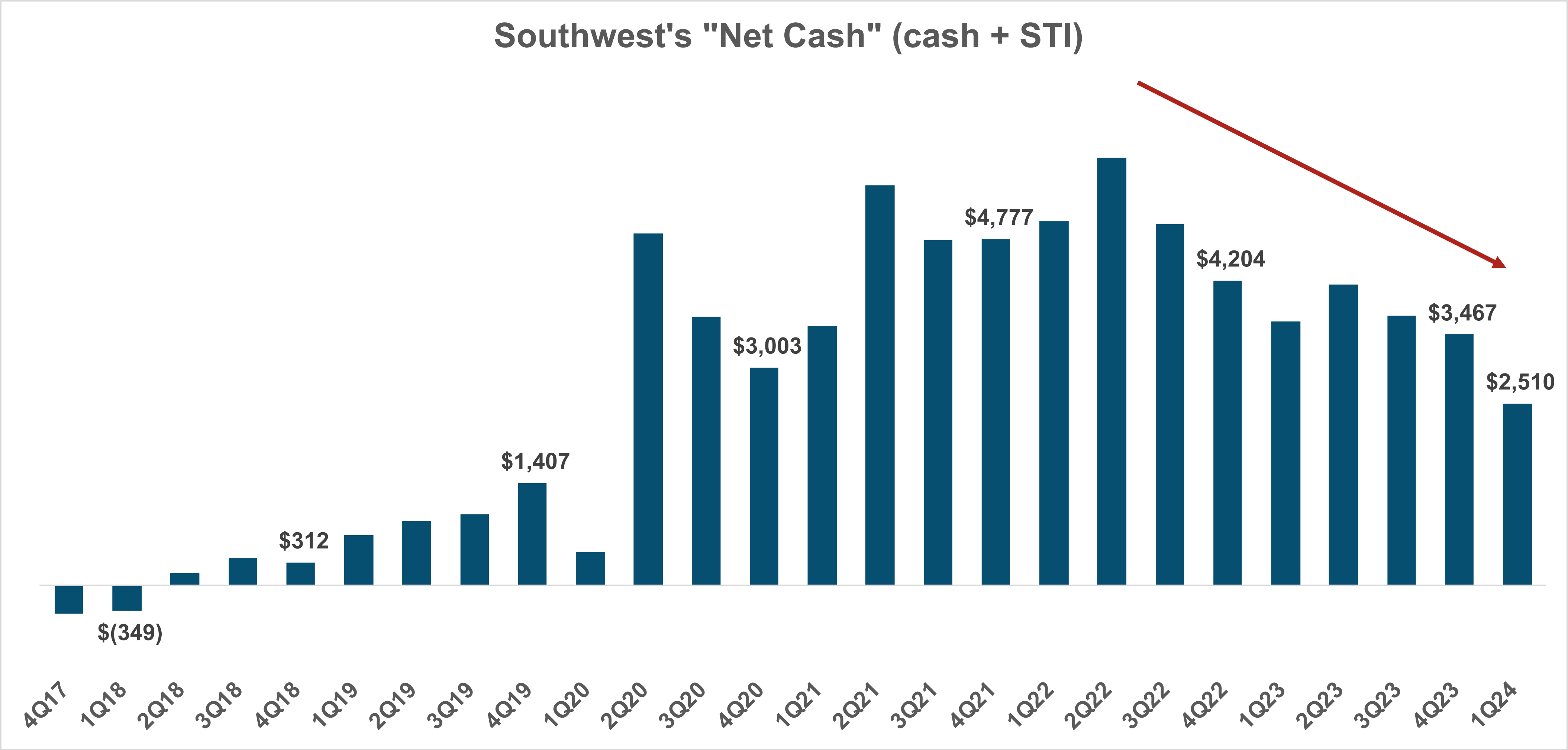


Fewer departures in 2H24



Is SWA is starting to have a 'cash problem'?

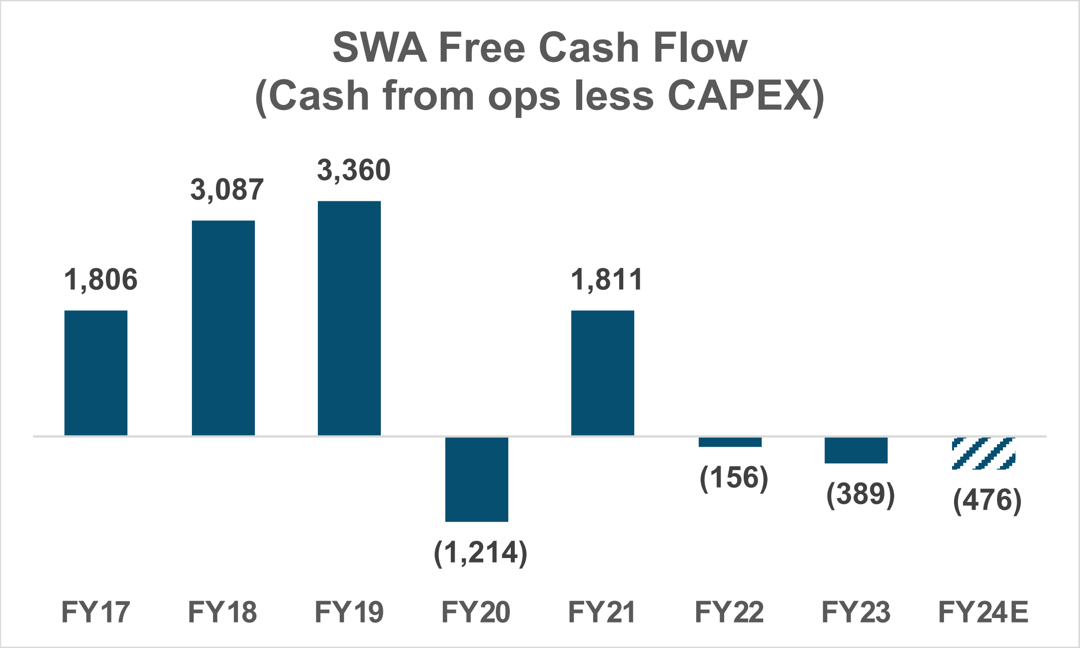
LUV is still 'net cash' but the amount is decreasing



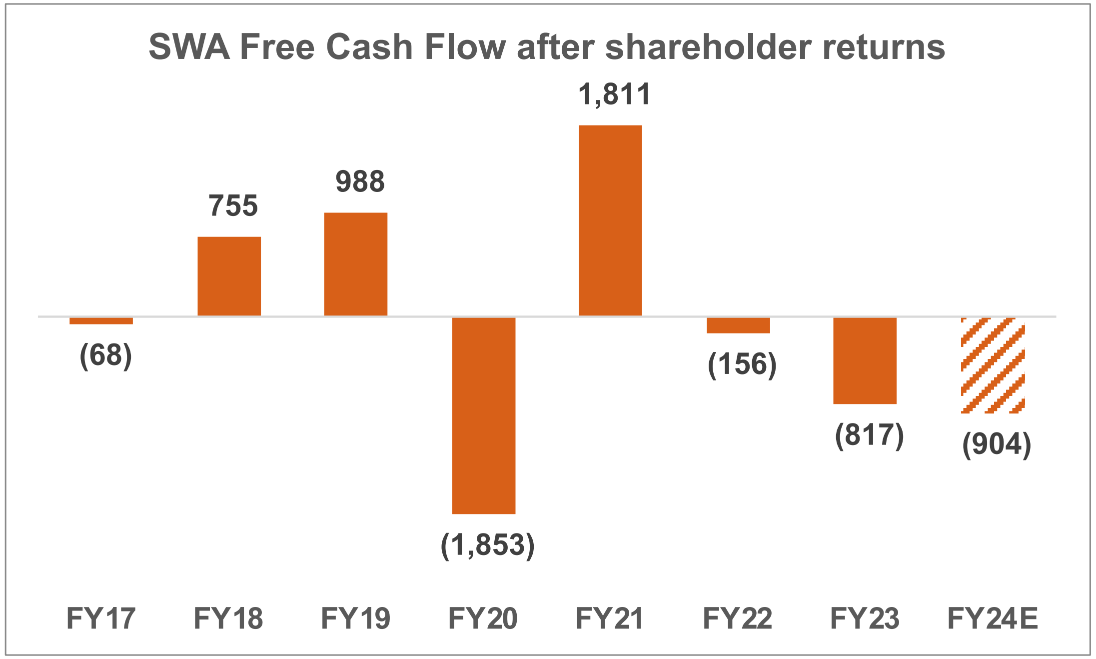
SWA is not generating Free Cash Flow

It is still 'net cash' but the amount is decreasing

Negative FCF for past two years

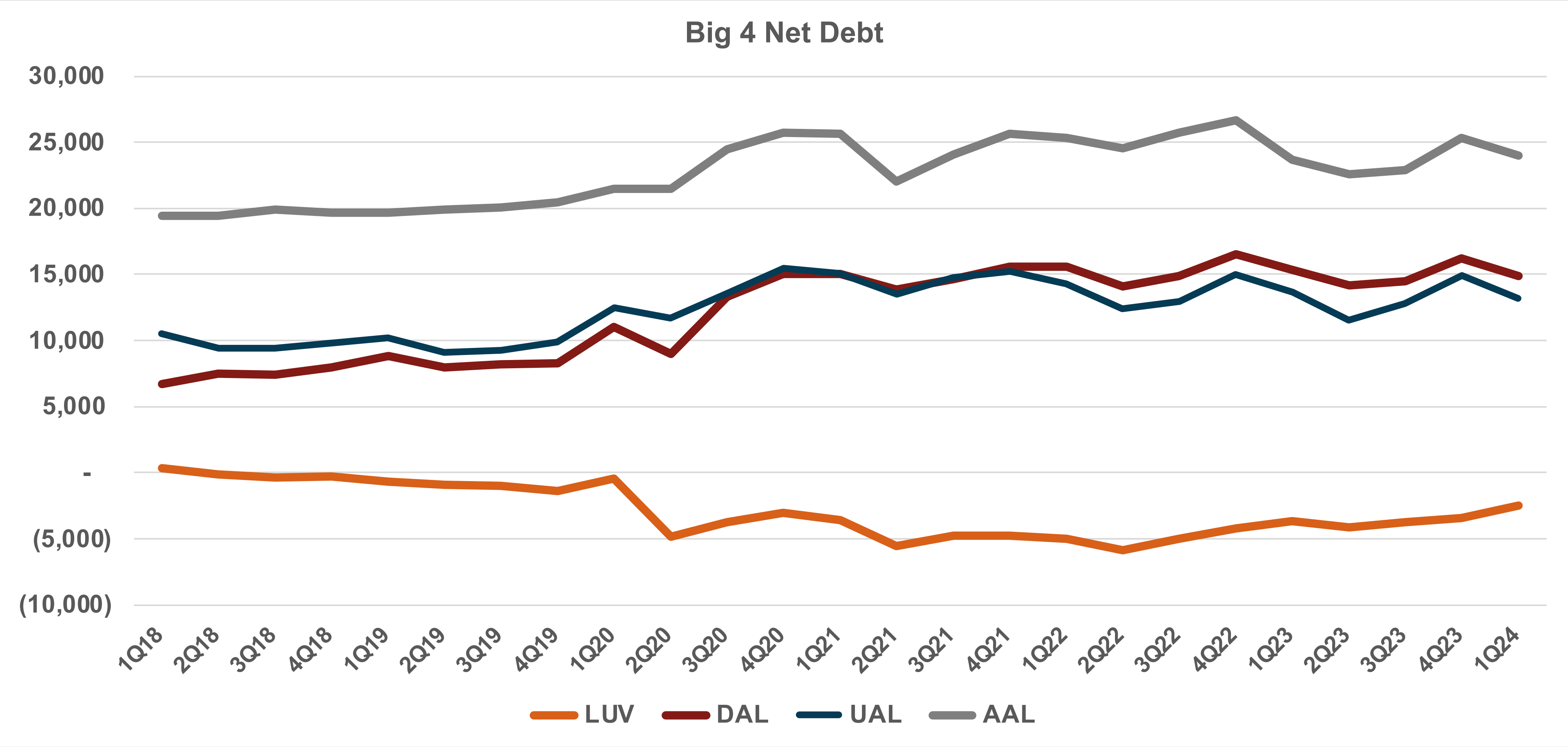


Even less left over after SHR



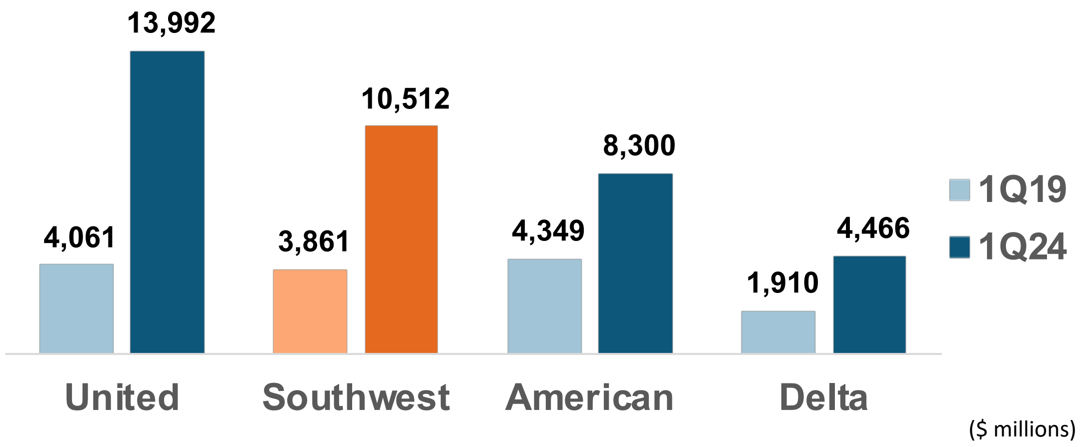
Perspective is also helpful

LUV’s balance sheet is the strongest in the industry

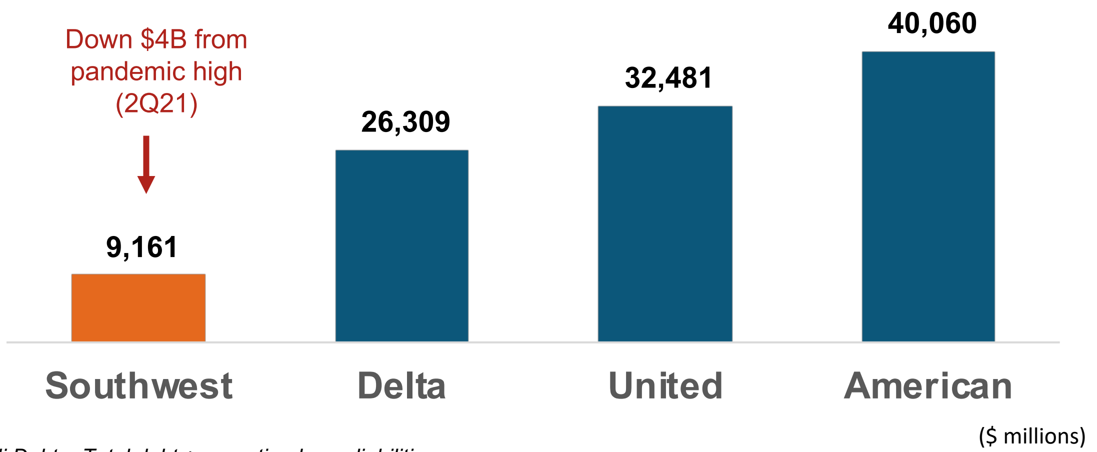


SWA's 'fortress' balance sheet remains intact

Cash and Short-Term Equivalents – 1Q19 vs 1Q24

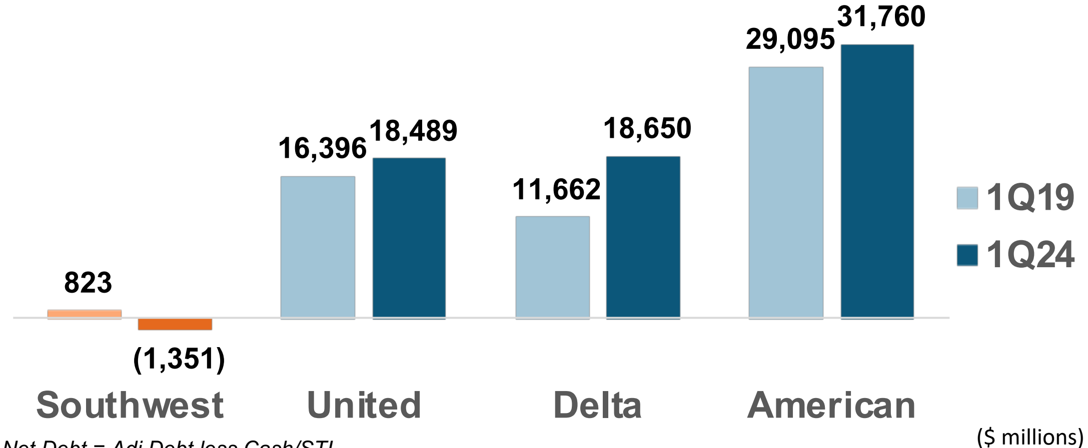


Total Adjusted Debt – 1Q24



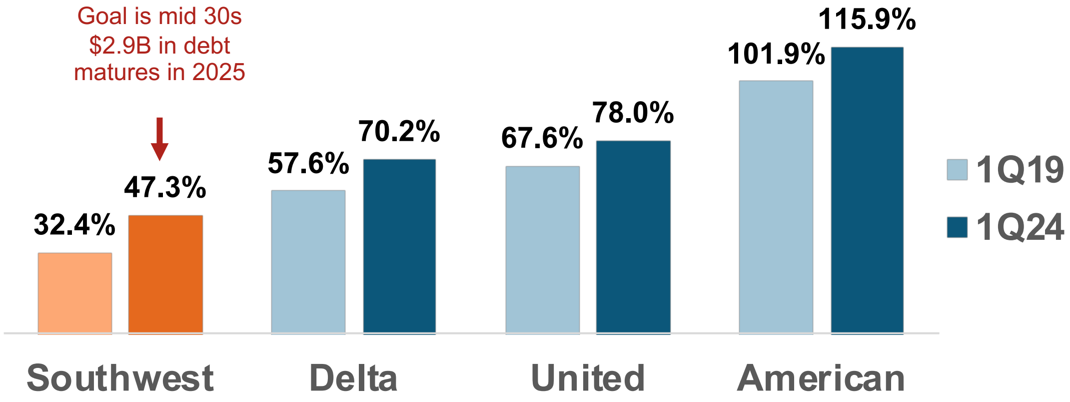
Adj Debt = Total debt + operating lease liabilities

Adjusted Net Debt 1Q19 vs 1Q24



Adj Net Debt = Adj Debt less Cash/STI

Adjusted Debt-to-Capital Ratio – 1Q24



SWA updates order book for 2024 (again)

MAX7 in order book for 2024, but SWA assumes no delivery until 2025

	YE 2023	YE 2024	YE 2025	YE 2026	YE 2027
Start of period	817	817	802	839	875
-700 retirements		(31)	(35)	(35)	(35)
-800 retirements		(4)	(4)[2]	(4)[2]	(4)[2]
MAX 7 deliveries		0[1]	67	59	19
MAX 8 deliveries		20[1]			46
MAX 7/8 options			9	16	16
End of period	817	802	839*	875*	917*

[1] 27 firm MAX7, 58 firm MAX8 in 2024, but only expect 20 MAX8 actual deliveries; [2] SWAPA EFA assumption

** Assumes 65% of options exercised*

2024 hiring to date / 2024 forecast

	To date	2024
United	609	**1500-1700***
Delta	568	**1,060**
American	363	**1,550**
Southwest	261	**261**
Spirit	0	**Furlough**
Atlas	225	**550**
JetBlue	112	**225 (VIL)**
Alaska	18	**250**
FedEx	0	**0**

	To date	2024
Frontier	99	**475**
UPS	0	**250-300**
Allegiant	123	**275**
Breeze	15	**55***
Hawaiian	15	**30**
Avelo	8	**30**
Sun Country	9	**50***
	2,425	6,816+

Source: SWAPA analysis, FAPA.aero, Bold indicates revised

**SWAPA estimates*

Notable route updates & trends

- **American** will focus on small city connectivity, ordering 143 EMB-175's for increased service from CLT, DFW and ORD. (less restrictive scope clause).
- **United** had commitments for 183 A/C, now plan for 61. Will lease 35 A321neo's to replace lift, also convert MAX-10's to MAX-9's.
- **Southwest** drops four cities. Reduces <u>ATL from 116 (peak) to 85</u> by Sept/Oct; <u>FLL: 57 to 32; ORD 34 to 18</u>
- **JetBlue** drops service to several cities including MCI, and three in South America. Reducing LAX service to mostly focus city routes. Will average 11 A/C grounded per month in 2024.
- **Hawaiian** A321neo's have all been inspected and will be available this month.
- **Frontier's** network overhaul nearly complete with the last of 13 pilot bases opening in June. 80% of network out-and-back. 25% of network is "under development". No 321neo issues.
- **Spirit** averaging 25 A/C on ground now, rises to 40 by YE, up to 70 (!) in 2025. Looking at significant changes in operating model and branding, nothing announced yet.

Global Network Carriers

American Airlines

DELTA

UNITED

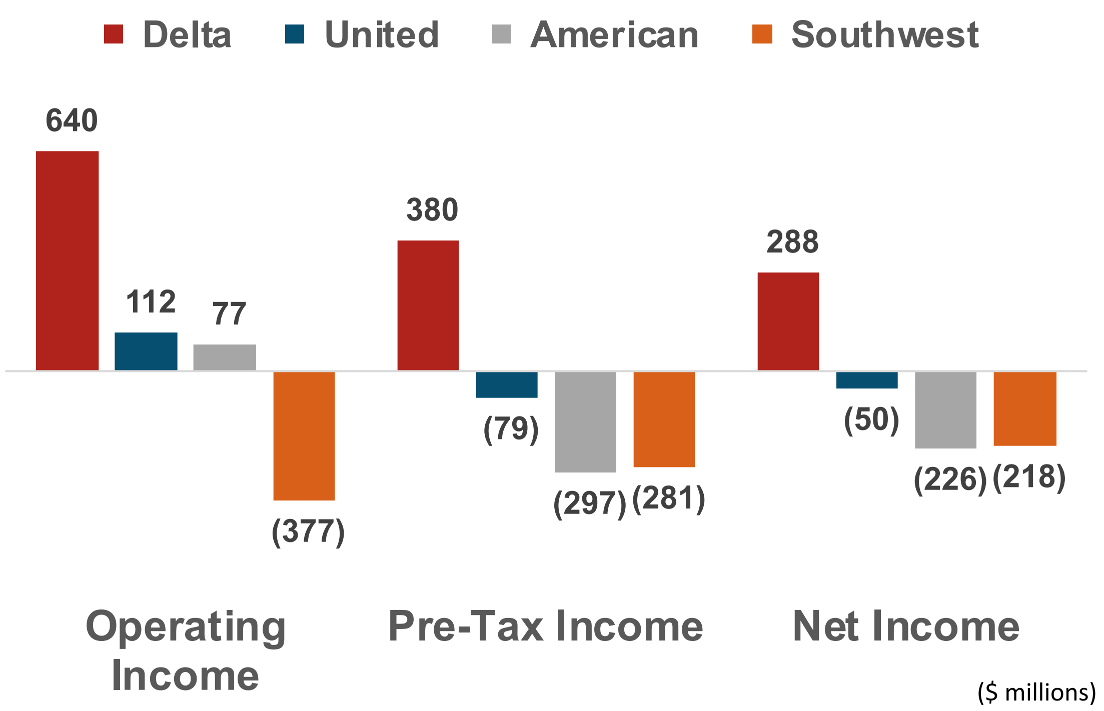
Sources: Airline financial press releases, SEC filings, and SWAPA analysis

SWAPA

Key Financial Results

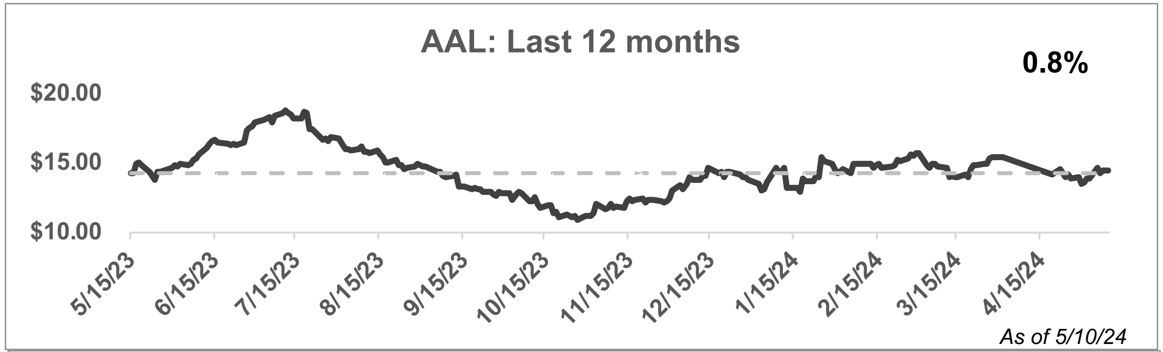
Global Network Carriers (Legacies) vs. Southwest

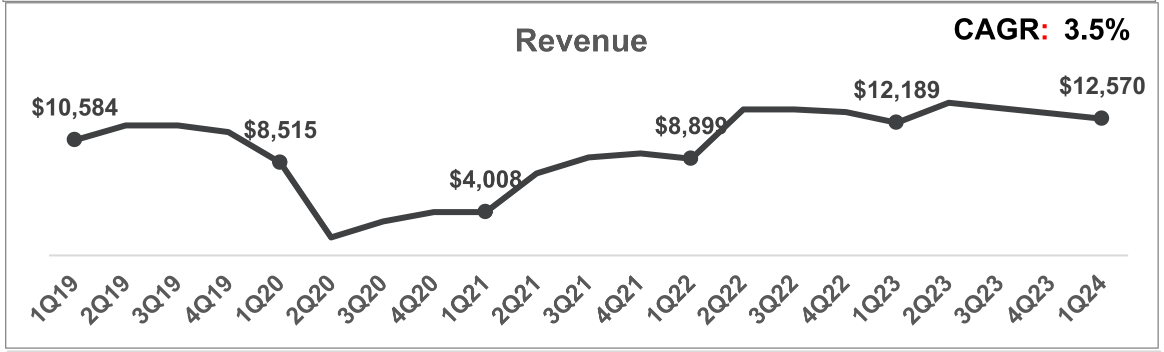
1st Quarter 2024

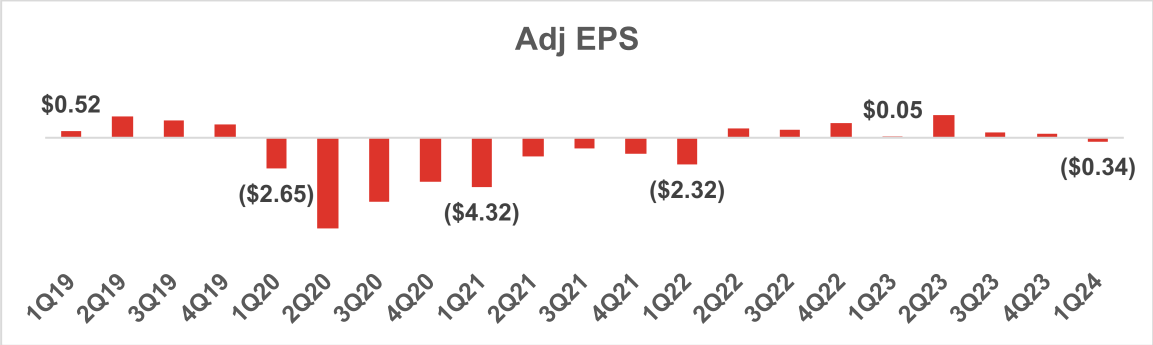


Non-GAAP – excludes special items

American Airlines







American

"Our focus on delivering premium content to customers is paying off"

1Q24 adj. pre-tax income (loss): ($297M)

American reported a loss for 1Q despite record revenues, strong operational metrics and unit costs that were on the low end of guidance. A significant increase in fuel expense and declining year-over-year RASM was noted by the CFO as some of the reasons behind the loss. CEO Robert Isom said the airline is still on track to deliver FY24 profit goals. These goals are reachable due to the ramp up of the New Distribution Capabilities (NDC) strategy in addition to rolling out additional premium content in the form of seats in the cabin, loyalty and new lounges. Industry capacity is expected to moderate in key AAL cities and increased aircraft utilization will allow for cost savings which should also be a tailwind going forward. AAL will increase regional jet flying due to less restrictive scope and this will help rebuild some markets and add connection opportunities to its Sunbelt hubs. Debt paydown remains a top priority.

EFA takeaway: Heightened focus on premium products, better capacity allocation could help American close the gap with Delta and United.

Items of interest

- Total revenue was higher than forecast with first quarter capacity at the higher end of the guidance range. Increased business travel and premium revenues were the drivers. Latin America RASM down 11%, most of any region.
- Premium content made up 61% of revenue and increased 17% YoY. AAdvantage members accounted for 72% of the premium content and premium cabins saw a 10% increase in revenue YoY.
- RASM dropped nearly 5% YoY. Competitive capacity in many markets, too much growth in off-peak times and the transition to the NDC strategy were cited as the main reasons for the decline. Adjusting schedule timing and days of week flying as well as better optimization of the digital strategy shift should help unit revenue in 2Q.
- Will be able to use more regional flying as the pilot "shortage" moderates. Operates 465 regional jets, will now add 20-25 per quarter for remainder of year at Sunbelt hubs of CLT, DFW, MIA and PHX. Mainline A/C deliveries reduced from 29 to 22 due to Boeing delays.
- AA is negotiating a new co-brand agreement which is expected to increase revenues on both Barclays and Citibank. Spend and acquisition on current cards both up nearly 10%.
- Liquidity in excess of $10B with net debt of $33B. Reduced debt by 950M in 1Q and nearly $12B in total, 80% of goal of $15B reduction by 2025. Plan to generate $2B FCF in 2024.

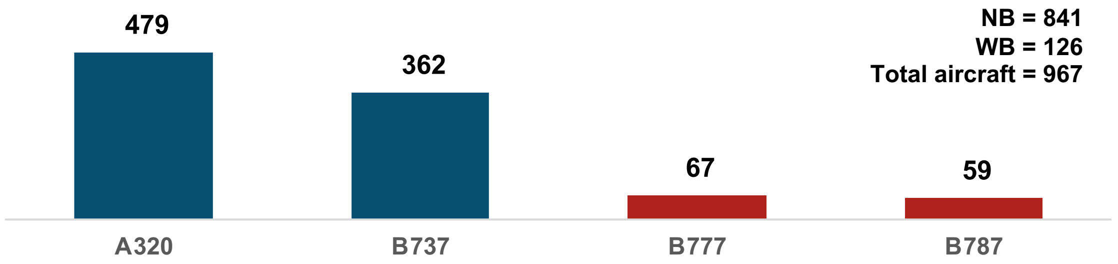
American Airlines

1Q Snapshot (as compared to 1Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
▲ 8.5%	▲ 3.1%	▼ 4.9%	▲ 2.4%	▼ 12.8%

American Stats	1Q24	1Q23	1Q19	y/y	y/5y
Revenues	$12,570M	$12,189M	$10,584M	3.1%	18.8%
Adj Operating Income (EBIT)	$77M	$451M	$513M	(82.9%)	(85.0%)
Adj Operating Margin	0.6%	3.7%	4.8%		
Adj Pretax Income	($297M)	$45M	$314M	n.m.	n.m.
Adj Net Income	($226M)	$33M	$237M	n.m.	n.m.
Adj EPS	($0.34)	$0.05	$0.52	n.m.	n.m.
Capacity (ASMs)	70.5 billion	65.0 billion	66.7 billion	8.5%	5.8%
Yield	19.94¢	21.35¢	17.62¢	(6.6%)	13.2%
TRASM	17.83¢	18.75¢	15.87¢	(4.9%)	12.4%
CASM	17.82¢	18.08¢	15.31¢	(1.4%)	16.4%
CASM-ex	13.49¢	13.18¢	11.88¢	2.4%	13.6%
Fuel (econ)	$2.86	$3.28	$2.04	(12.8%)	40.2%

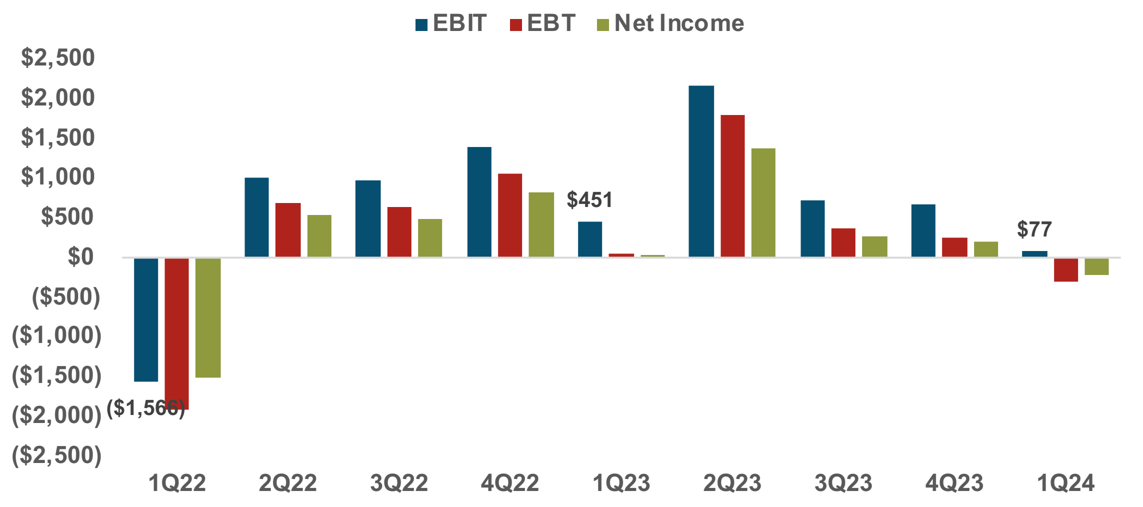
American Mainline Fleet – 1Q24 (est.)



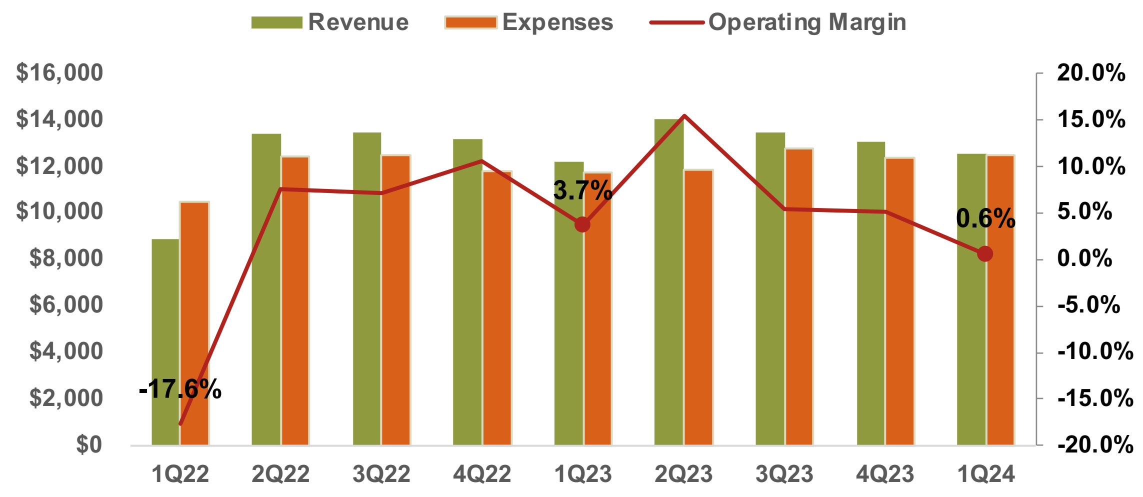
Source: planespotters.net

American - Financial Performance

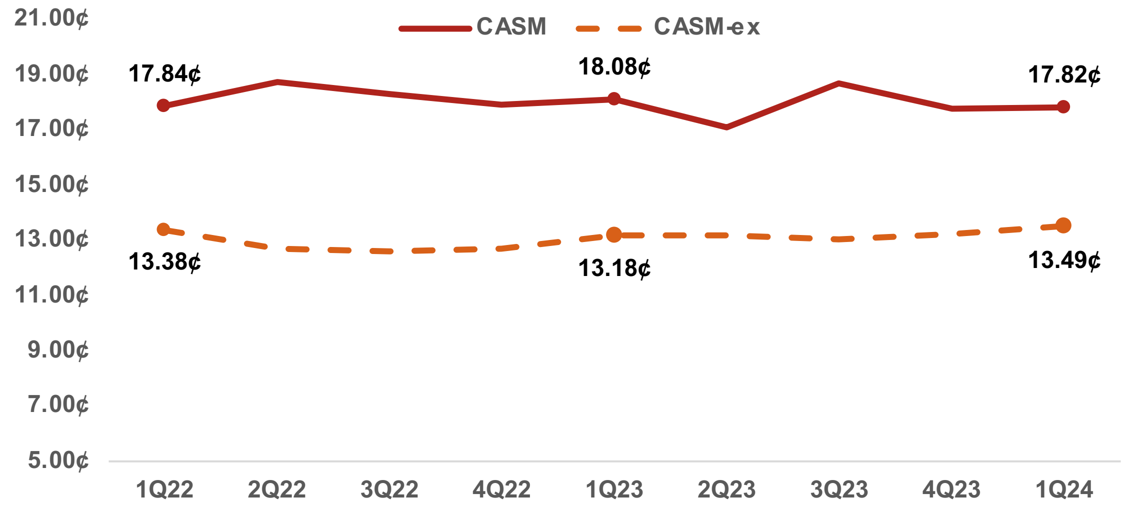
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



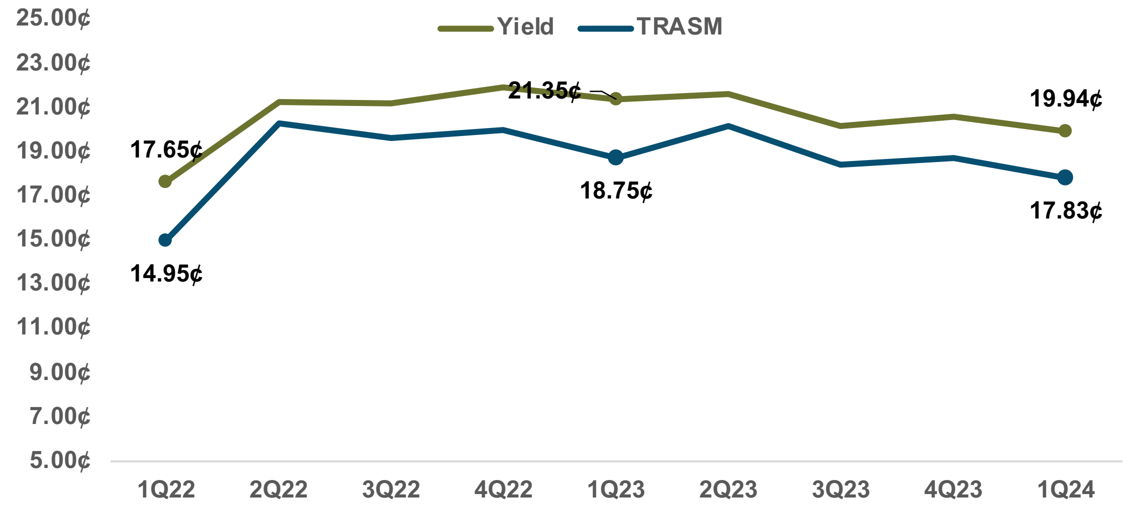
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM

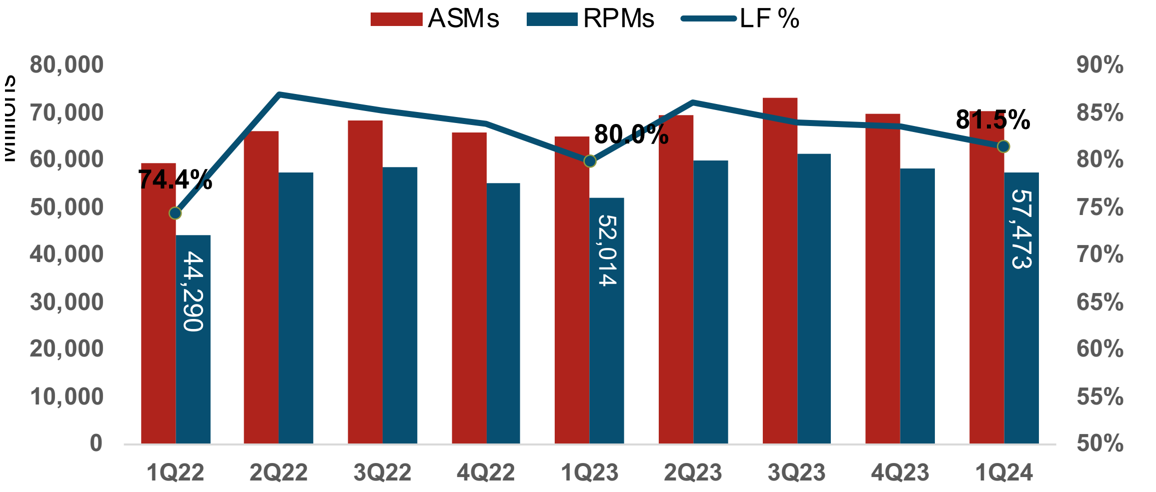


American - Network News

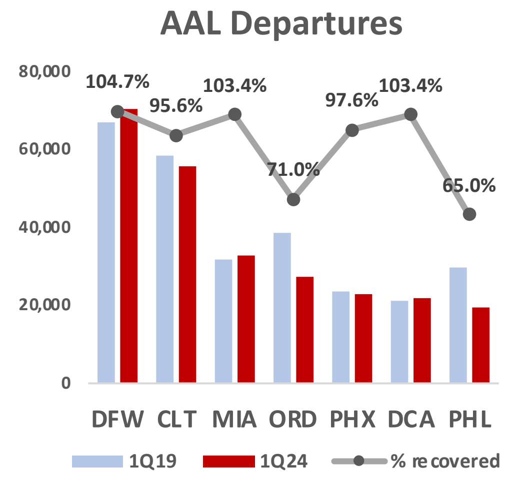
Network news and notes

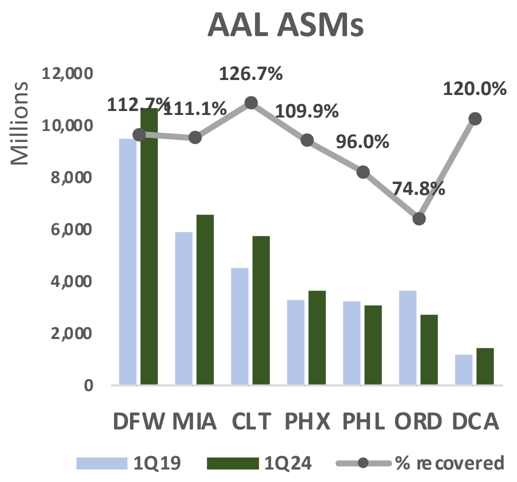
- Resuming service to Port-au-Prince (POP) in May, the only US carrier to do so at the present time. Will utilize a B-737-800 for one daily flight.
- Due to Boeing delivery delays of the 787, American will adjust numerous routes to Europe this summer and into the Fall. Athens, Barcelona, Dublin, Paris and Rome will all see reduced service.
- Plan to increase regional flying in ORD in the third and fourth quarter as more regional jets are delivered.

Capacity and Load Factors

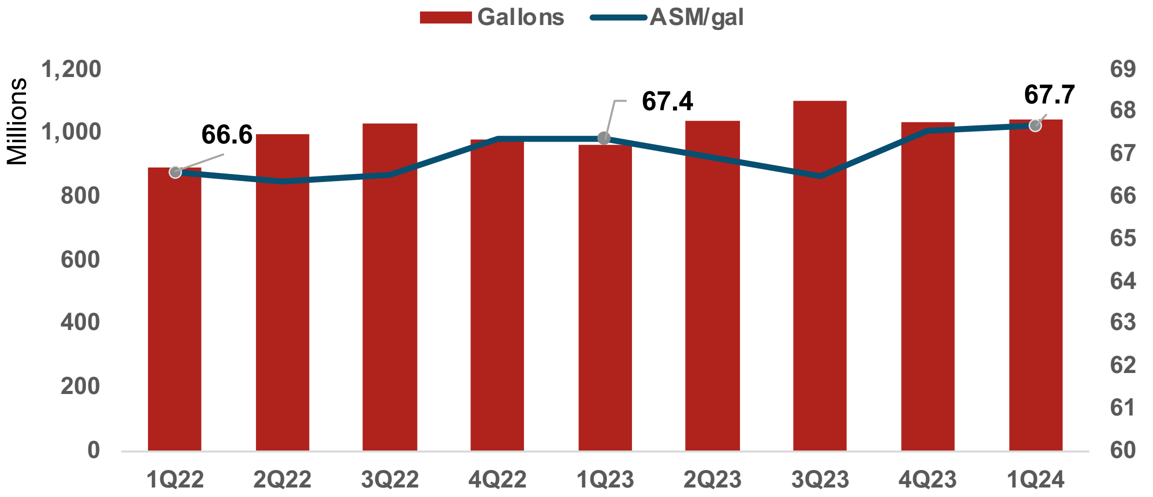


Restoration of major hubs and focus cities





Fuel & Fuel Efficiency



American

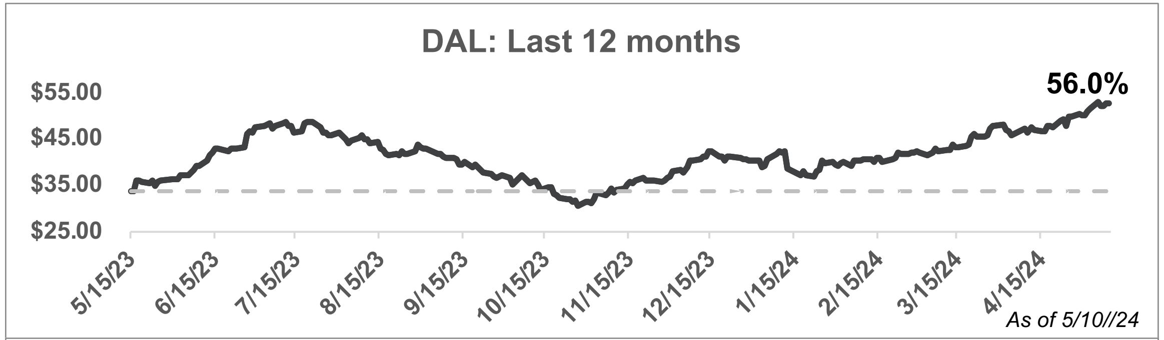
Analyst Commentary

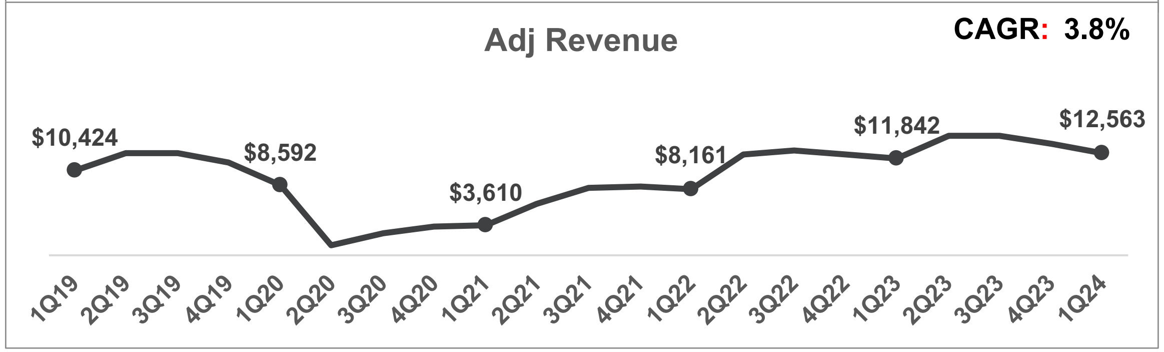
- American seems to be making significant progress on debt paydown and manageable CAPEX commitments should allow for healthy free cash flow generation in the coming years.
- We are projecting a solid earnings trajectory for 2024 after AA's latest report. We think second quarter TRASM will accelerate as competitive capacity is reallocated out of AA's strongest domestic hubs and short-haul international markets.
- We maintain a constructive view overall on American, given the company's modest near-term CAPEX requirements and free cash flow outlook. The company focus on upsell, loyalty and partnerships are increasingly driving American's revenue growth.
- American's unit revenue outlook implies stronger trend than peers, meaningfully higher than pre-pandemic. We believe this is aggressive and may fall short.
- Unit costs will benefit from higher capacity although inflationary pressures have not abated. Higher fuel prices will also crimp free cash flow.
- Unlike prior quarters, American leaned a bit more aggressively into premium. The company spent time emphasizing the importance of premium content and in fact it rose to 61% of revenues..
- American's path to closing the margin gap with Delta and United is largely a function of revenue as they continue to execute on the cost side (relatively) given a strong operation and capacity planning.

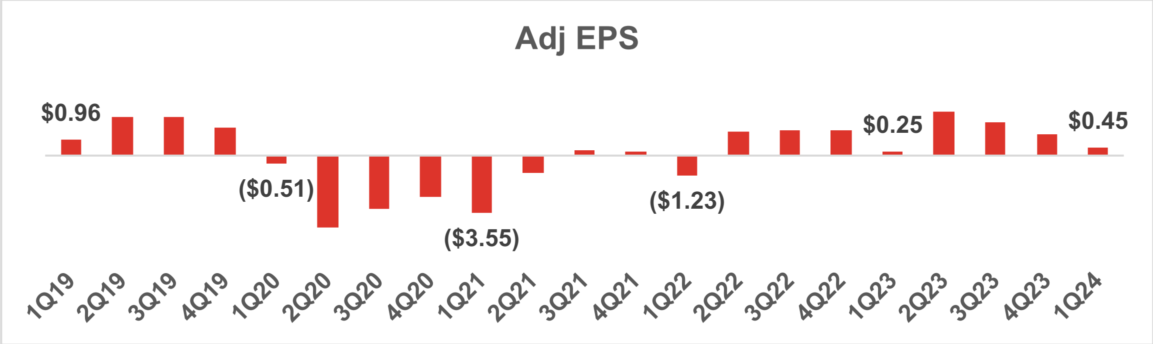
Guidance	2Q24	FY 2024	Notes
Capacity	Up 7% - 9%	Up MSD	
TRASM	Down 1% - 3%		
CASM-ex	Up 1% - 3%	Up 0.5% - 3.5%	
Fuel	$2.75 - $2.95	$2.50 - $2.75	1.12B - 1.14B gallons expected 2Q
Adj EPS	~($0.15) - ($0.35)	$2.25- $3.25	
Operating margin	9.5% - 11.5%	~6% - 9%	FY op margin guide not updated
CAPEX		~$3.1B	2025-2030: a/c CAPEX $3.0-$3.5B

American will serve a record 41 Caribbean destinations this summer

Delta Air Lines







Delta

"The experiences on Delta set us apart as a leading consumer brand"

1Q24 adj. pre-tax income: $380M

Delta began the first quarter earnings period with a solid report, with record revenues resulting from strong demand for its product. The carrier's CEO, Ed Bastian, noted that "generational shifts and evolving consumer preferences are driving secular growth in premium experiences". Delta continues to see premium and international travel outperform, with business travel finally beginning to approach 2019 levels. Loyalty revenue streams continue to grow as well, with the Amex partnership seeing record renumeration. Core hub restoration is nearly complete, with the full return of regional flying to be the final stage in the process. Non-fuel costs were ahead of guidance, but fuel prices were higher than forecast. Debt reduction remains a top priority as free cash flow has accelerated, but the company continues to reinvest into its product to maintain its industry leading brand.

> ***EFA takeaway: Delta maintains its lead over the rest of the industry in financial results and demand for its differentiated product offerings.***

Items of interest

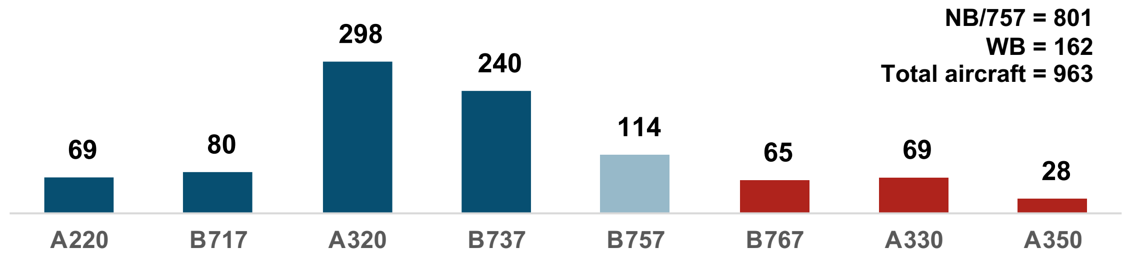
- Highlights for the quarter included industry leading completion factor, a first quarter record for domestic unit revenues and 26 cancel-free days.
- International passenger revenues 12% higher YoY, with transatlantic PRASM stronger than the Latin and Pacific regions. Delta specifically called out minor weakness in the short-haul leisure markets of Mexico and the Caribbean due to much higher industry capacity.
- Diversified revenue streams continue to outperform, with Loyalty, Premium, Cargo and MRO comprising 57% of total revenues. Premium cabin continues to outperform Main, with revenues up 10%, while Loyalty revenues were up 12%. Corporate sales up 14%.
- American Express renumeration was $1.7B, 5% higher YoY. The long-term target remains at $10B within the next few years. Acquisitions of co-brand card at an all-time high.
- Pacific region capacity growth was 30%, as Japan and Korea see a strong rebound in demand. Unit revenue growth and profitability expected to normalize this year after 4 years of decline.
- Non-fuel CASM up on elevated volume of heavy maintenance and supply chain constraints although on the better end of guidance. This is expected to continue throughout the year, but increased efficiency is expected to offset partially.
- Adjusted fuel costs were lower as refinery profit lowered per gallon costs by $0.05.
- Free cash flow of $1.4B. Plan $4B in debt reduction in 2024. Liquidity of $7.4B with adjusted net debt of just over $20B, a decline of $1.2B since YE 2023.

1Q Snapshot (as compared to 1Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
▲ *6.8%*	▲ *6.1%*	▼ *0.7%*	▲ *1.6%*	▼ *9.8%*

Delta statistics	1Q24	1Q23	1Q19	y/y	y/5y
Adj Revenues	$12,563M	$11,842M	$10,424M	6.1%	20.5%
Adj Operating Income (EBIT)	$640M	$546M	$1,028M	17.2%	(37.7%)
Adj Operating Margin	5.1%	4.6%	9.9%		
Adj Pretax Income	$380M	$217M	$832M	75.1%	(54.3%)
Adj Net Income	$288M	$163M	$639M	76.7%	(54.9%)
Adj EPS	$0.45	$0.25	$0.96	80.0%	(53.1%)
Capacity (ASMs)	65.5 billion	61.4 billion	62.4 billion	6.8%	5.0%
Yield	20.53¢	20.95¢	17.93¢	(2.0%)	14.5%
TRASM	19.17¢	19.30¢	16.63¢	(0.7%)	15.3%
CASM	20.04¢	21.25¢	14.99¢	(5.7%)	33.7%
CASM-ex	14.08¢	13.86¢	11.49¢	1.6%	22.5%
Fuel (econ)	$2.76	$3.06	$2.05	(9.8%)	34.6%

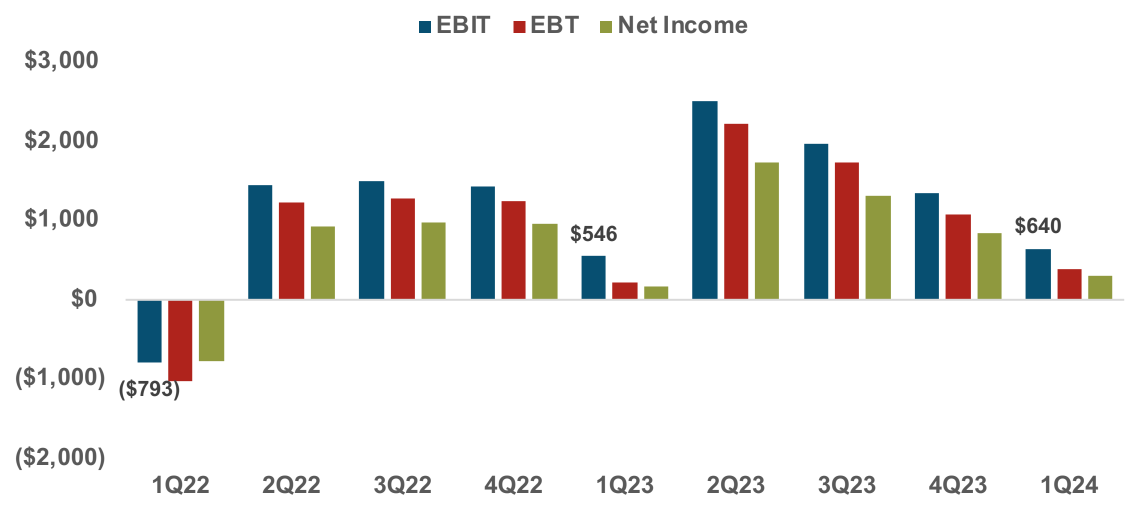
Delta Mainline Fleet – 1Q24



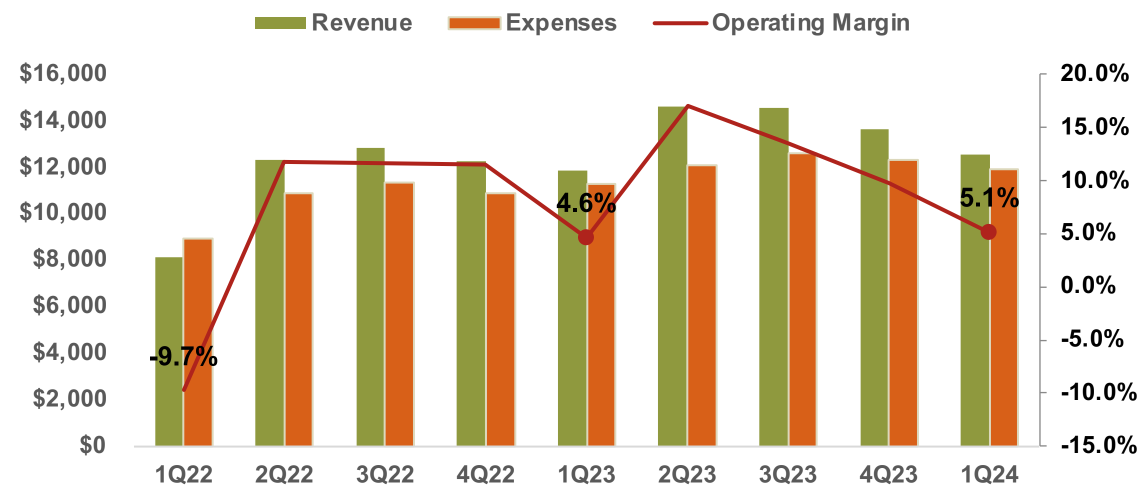
Delta - Financial Performance

DELTA

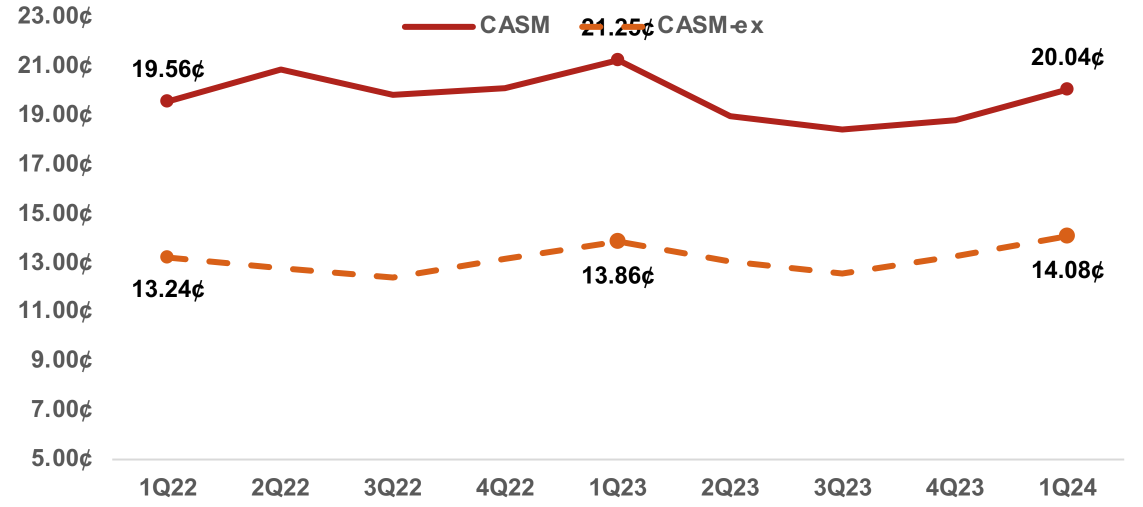
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



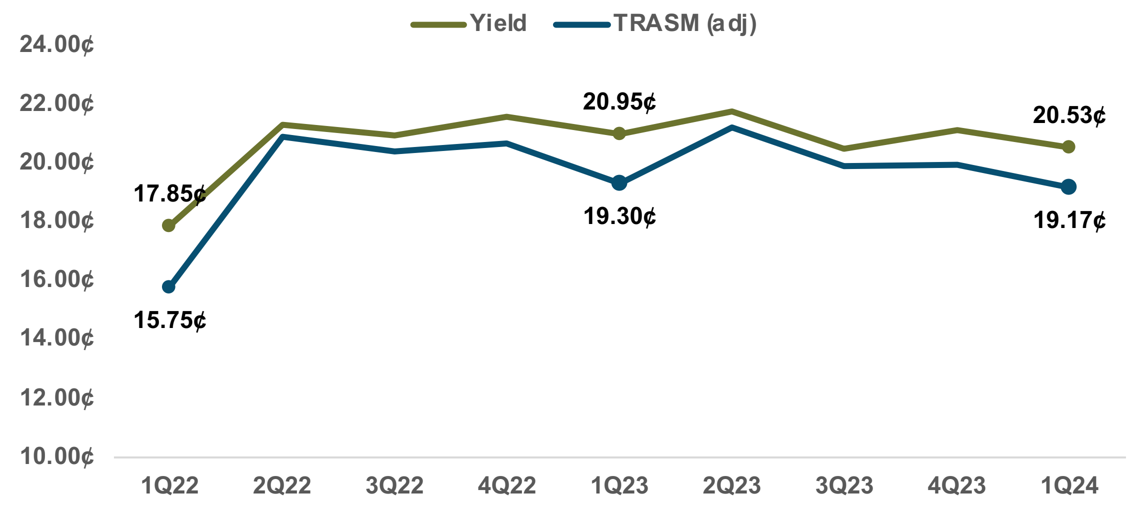
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM (adj)

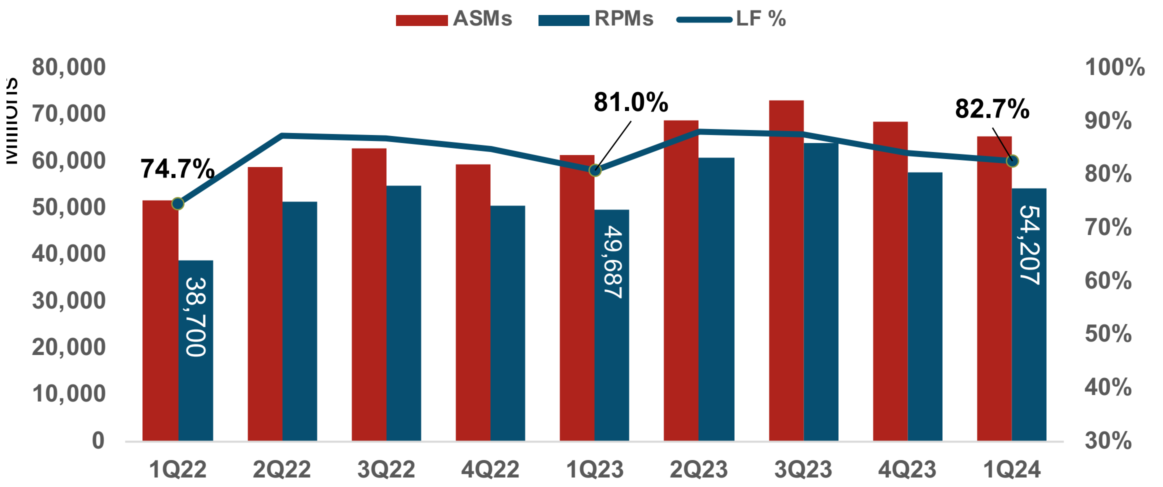


Delta - Network News

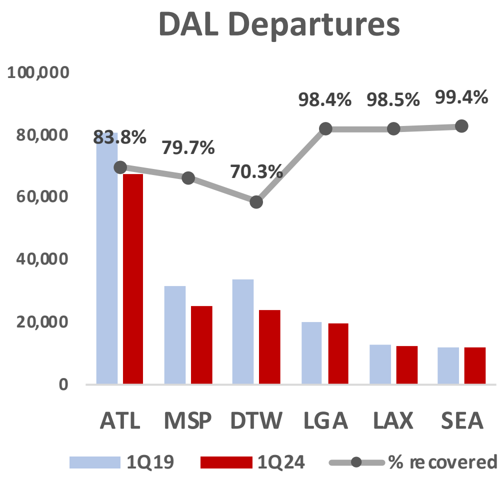
Network news and notes

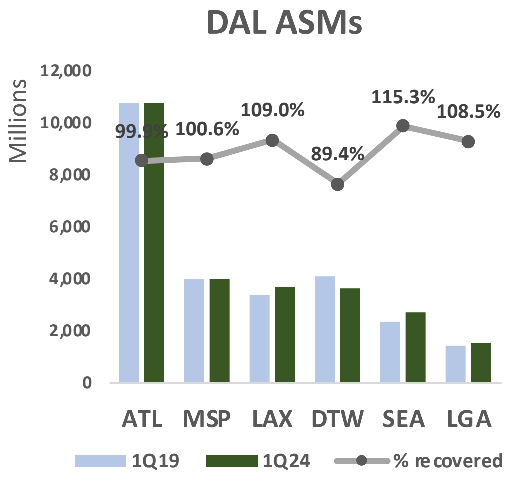
- Ending service between LAX-LHR, leaving JV partner Virgin Atlantic to fly the route. Will increase ATL-LHR this summer.
- Will fly LAX-BNE (Brisbane) three times per week starting December.
- Began JFK-MUC (Munich) first week of April but is ceasing ATL-Stuttgart and JFK-Geneva. Plan to operate to 27 European cities starting in May.
- DOT decided not to renew JV with Aeromexico. If finalized, approximately two dozen routes (4% transborder seats) would be cut if the partnership is dissolved. Delta's ATL hub most severely impacted.

Capacity and Load Factors

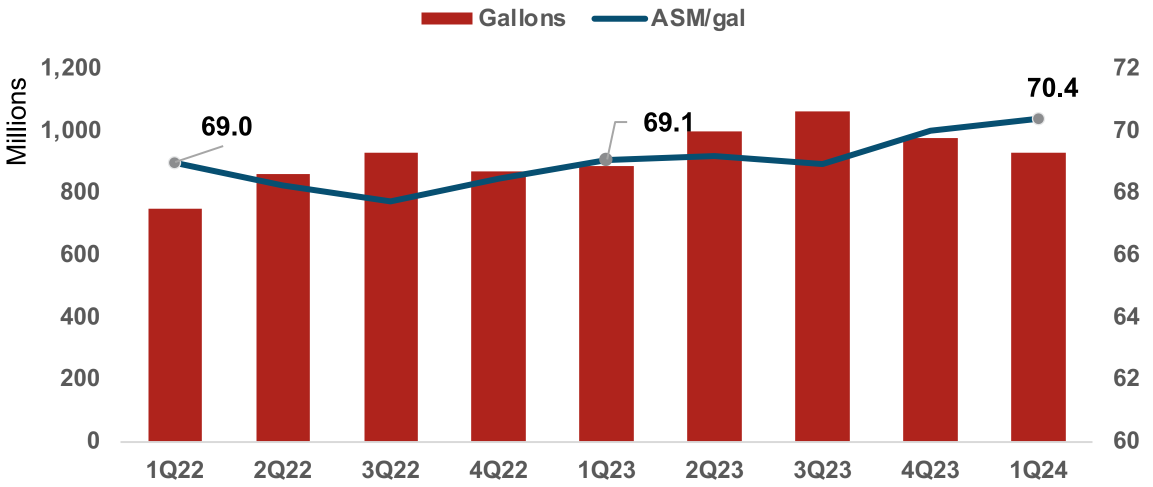


Restoration of major hubs and focus cities





Fuel & Fuel Efficiency

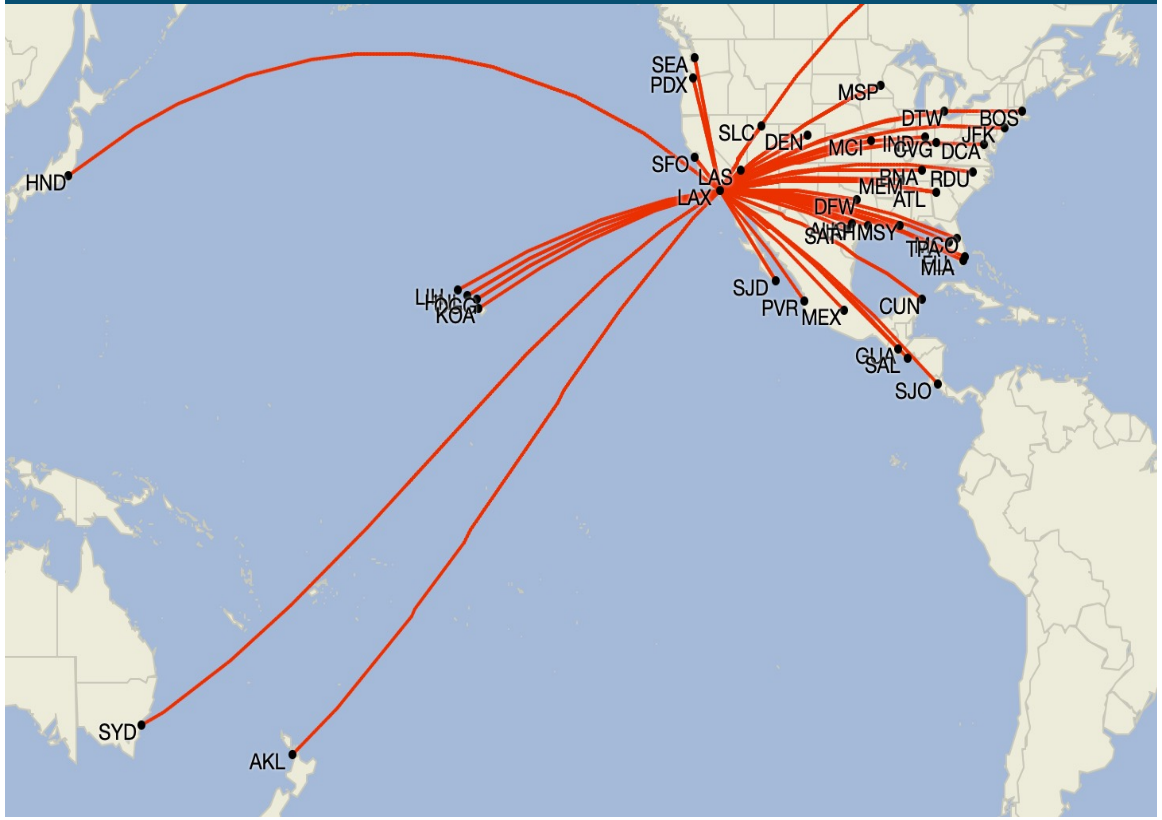


Delta

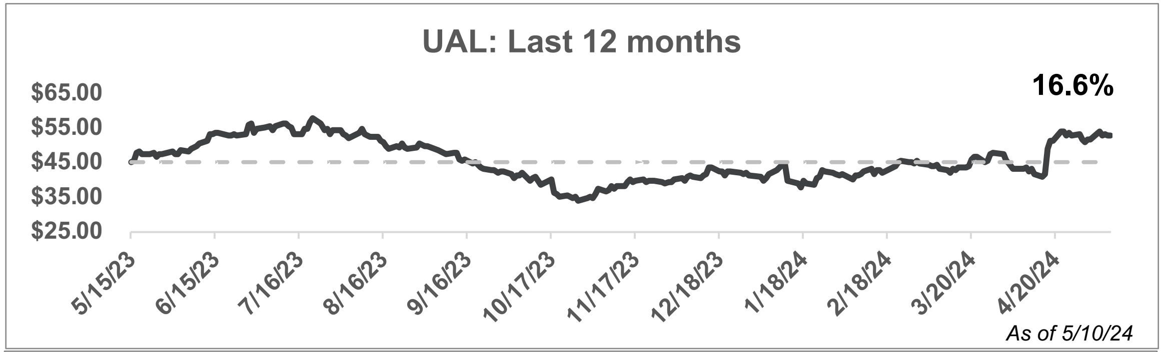
- Both unit revenue and unit costs were better than we modeled, which drove earnings per share higher. We think there were more pros than cons in DAL's outlook, which gives us the confidence to raise our outlook for the rest of the year. Demand continues to be better than we thought.
- Better unit costs are encouraging, reflecting solid operations and increased focus on efficiency. We agree with Delta's debt reduction focus and see it as a de-risking mechanism.
- Delta continues to drive its premium brand forward. We were not only pleased with the company's strong top-line results, but they also executed well on the cost side.
- There is a massive dichotomy in the industry right now; those that have a better grip on the operating environment and those that don't. Delta's results speak to why they are a winner.
- Delta's cash generation is allowing them to lower the risk on the business by paying down debt. As industry capacity moderates in the back half of the year, this will only benefit Delta further.
- Delta afforded an encouraging start to the season, with a 2Q guide that aligned with our expectations. Our prevailing thesis of premium and international outperformance remains.
- Loyalty continues to separate business models. Delta's overall financial output continues to muscle its way back into territory occupied by other high-quality S&P names.

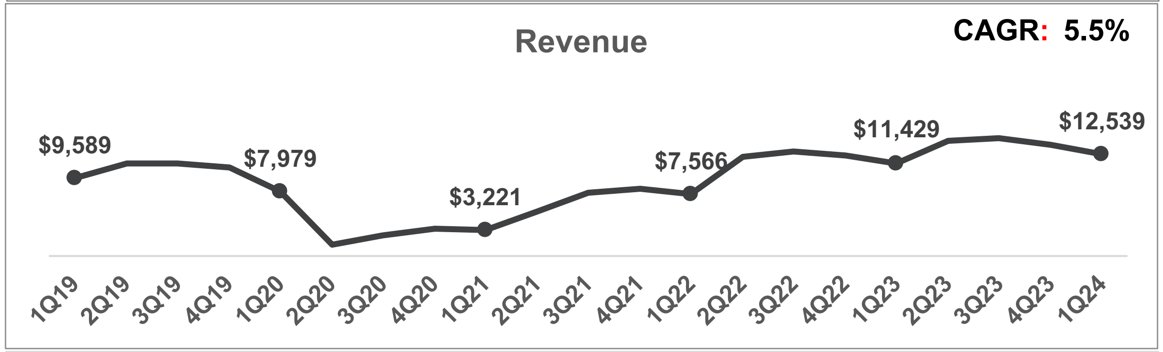
Guidance	2Q24	FY 2024	Notes
Total Revenue	$15.3B - $15.6B		Up 5% - 7%
Capacity	Up 6%-7%	Up 3% - 5%	
CASM-ex	Up 23%		No add'l FY24 guidance
Fuel (incl refinery)	$2.70 - $2.90	$2.70	Includes 10¢ refinery benefit
Op Margin	14% - 15%		
EPS	$2.20 - $2.50	$6.00 - $7.00	FY2024 unchanged

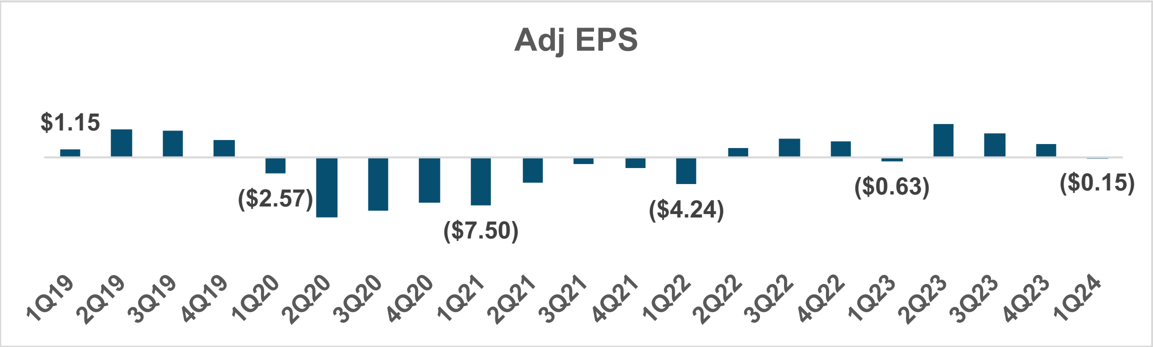
Delta now has number one market share (19.8%) from LAX



United Airlines







United

"United Next demonstrates resilience amid difficult industry conditions"

1Q24 adj. pre-tax income (loss) : ($79M)

While United reported a loss in the first quarter, their results were surprisingly strong, considering the grounding of the MAX-9 and delivery delays from Boeing. The carrier's CFO stated the company would have been profitable otherwise. Revenues increased on robust domestic and transatlantic demand as well as continued strength in premium revenue streams. Unit costs trended higher in 1Q, with continuing pressure for the remainder of 2024 due to forced capacity reduction stemming from less A/C deliveries. United detailed significant fleet changes over the next few years, including the leasing of additional Airbus aircraft and switching MAX-10 orders to the MAX-9. Despite the changes, the airline believes it has created a moat around the business with its diversified revenue streams and will continue to press ahead with the United Next product. Reduced CAPEX will allow for greater free cash flow and additional opportunities for debt reduction as well.

***EFA takeaway*: United continues to execute on its United Next plan and along with Delta, is pulling away from the rest of the industry, at least for now.**

Items of Interest

- Revenues and consolidated TRASM up YoY on nearly double-digit capacity increase. Domestic revenue and PRASM up well above expectations, with PRASM increasing 6.1%, offsetting the 4.2% drop in international PRASM.
- Latin and Pacific region capacity was up while PRASM was down over 12% in both regions; Weakness in Mexico and other close-in Latin America markets and underperforming routes in the Pacific were noted. Business travel strengthened, with London in high demand.
- Premium revenues up 14% on 10% more premium capacity. The airline believes its premium revenue streams will lead the industry, while Basic Economy sales were up 35% YoY. With gauge increases, premium seating will continue to grow faster than any other US airline.
- CASM-ex up on less capacity, supply chain issues and labor. Overstaffing and 40 less aircraft will elevate CASM-ex in 2Q and beyond.
- Will lease 35 A321neo's in 2026/2027. Converted portion of MAX-10 order to MAX-9 starting 2025-2027. United expects only 66 deliveries this year, down from over 100. Planning to take 100 narrowbody aircraft each year from 2025-2027, mix of MAX-9/321's.
- CAPEX now down from $9B to $6.5B for 2024 but will rise to $7B-$9B each year from 2025-2027. Greater FCF generation from less CAPEX will be used to pay down debt.
- Total debt of $27B with available liquidity of $16.9B.

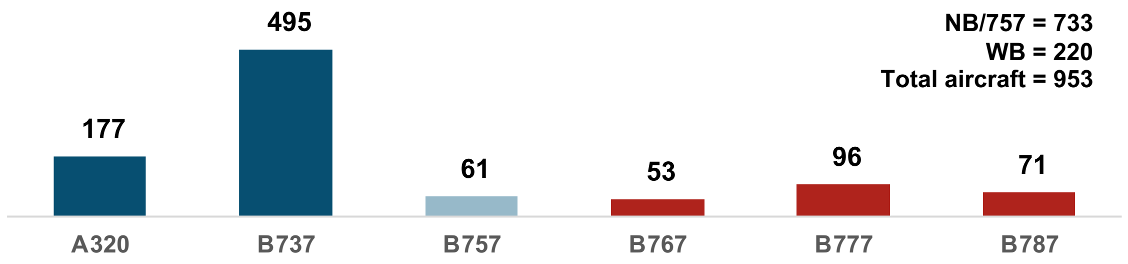
UNITED

1Q Snapshot (as compared to 1Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
9.1%	*9.7%*	*0.6%*	*4.7%*	*13.5%*

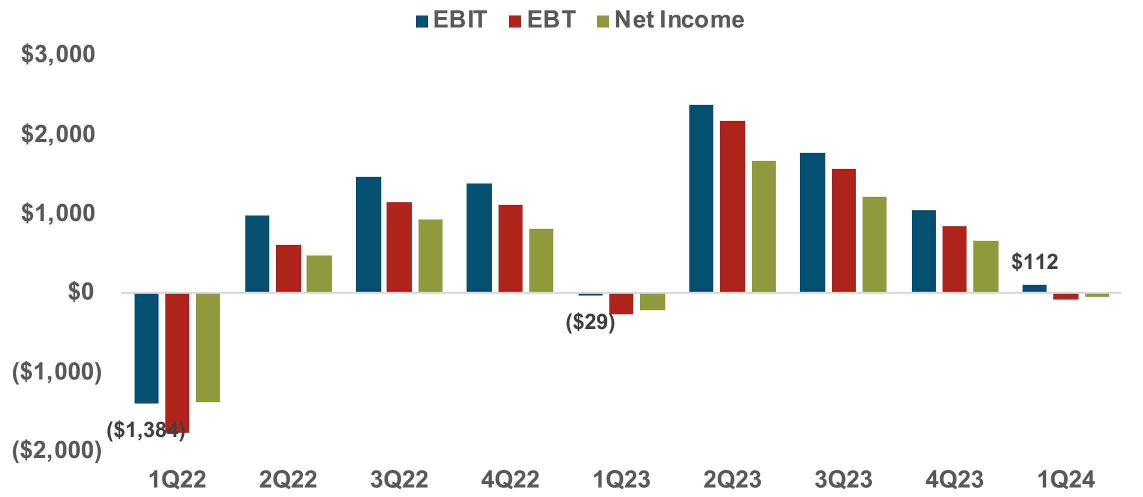
United statistics	1Q24	1Q23	1Q19	y/y	y/5y
Revenues	$12,539M	$11,429M	$9,589M	9.7%	30.8%
Adj Operating Income (EBIT)	$112M	($29M)	$513M	n.m.	(78.2%)
Adj Operating Margin	0.9%	(0.3%)	5.3%		
Adj Pretax Income	($79M)	($266M)	$389M	n.m.	n.m.
Adj Net Income	($50M)	($207M)	$309M	n.m.	n.m.
Adj EPS	($0.15)	($0.63)	$1.15	n.m.	n.m.
Capacity (ASMs)	71.7 billion	65.7 billion	65.6 billion	9.1%	9.2%
Yield	19.70¢	19.56¢	16.43¢	0.7%	19.9%
TRASM	17.50¢	17.39¢	14.61¢	0.6%	19.8%
CASM	17.36¢	17.46¢	13.85¢	(0.6%)	25.3%
CASM-ex	13.13¢	12.54¢	10.65¢	4.7%	23.3%
Fuel (econ)	$2.88	$3.33	$2.05	(13.5%)	40.5%

United Mainline Fleet – 1Q24

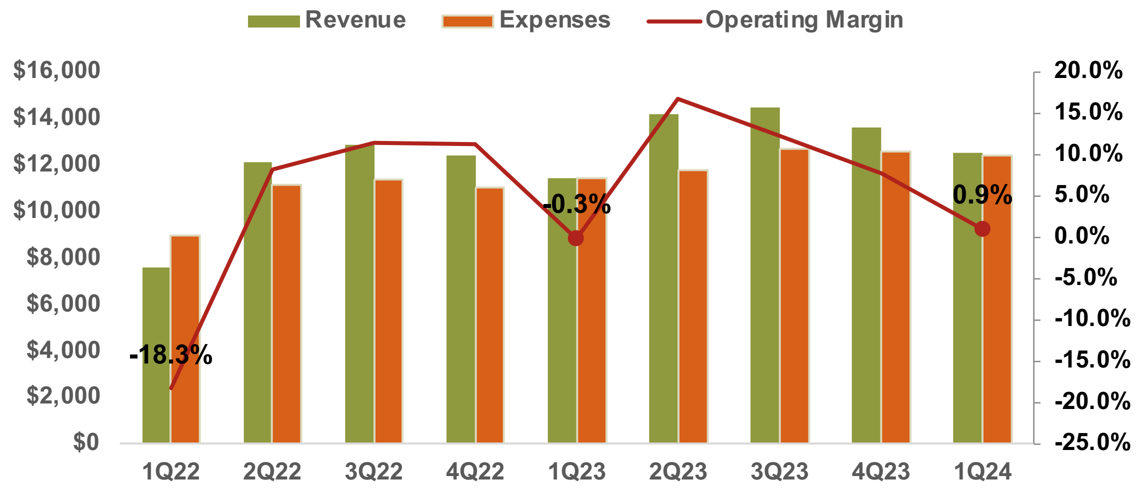


United - Financial Performance

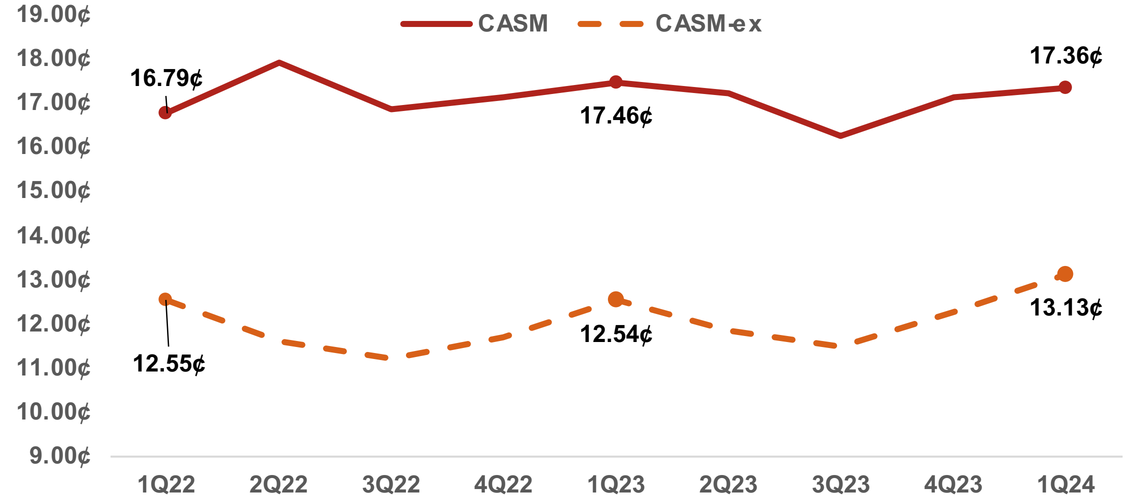
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



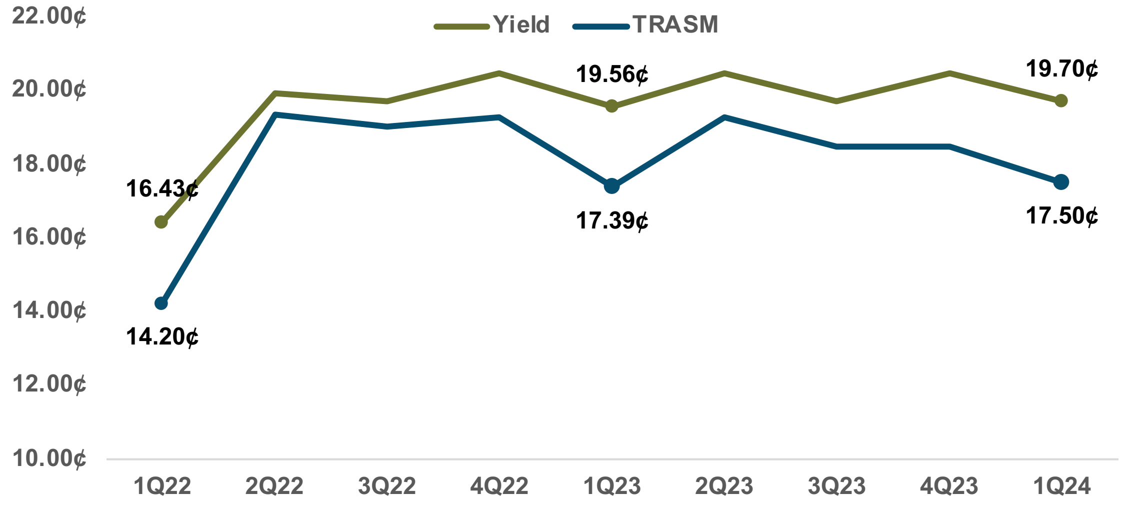
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM

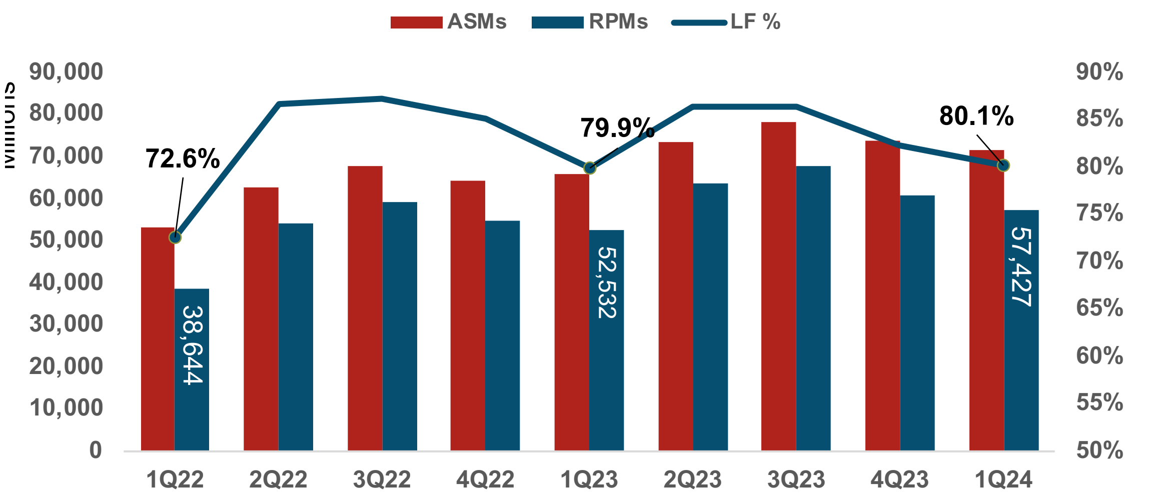


United - Network News

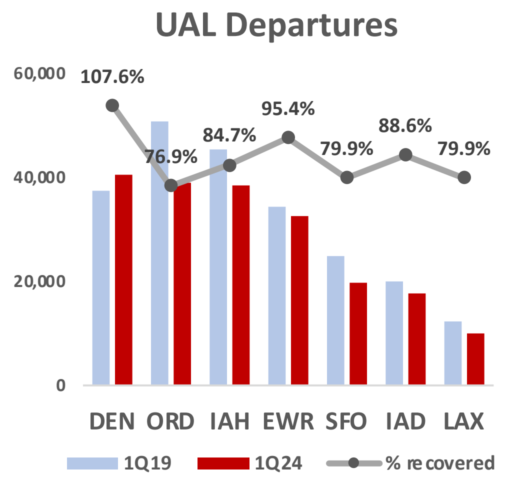
Network news and notes

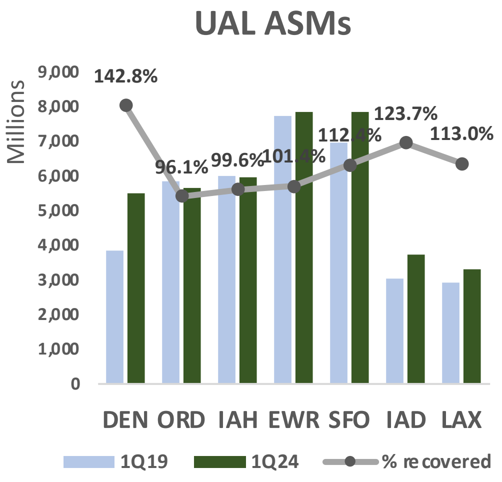
- Operated largest domestic schedule by ASM's in Q1, including largest Florida schedule with 19% more flights
- Began service to new airport in Tulum, Mexico from Houston and Newark in March.
- New routes to Faro, Portugal from EWR and Cebu, Philippines from Tokyo have been delayed due to FAA oversight and restrictions.
- First airline to serve Marrakesh, Morocco, starting in Fall 2024.
- Increasing Pacific service, with added service to Hong Kong, Shanghai and Seoul this summer.

Capacity and Load Factors

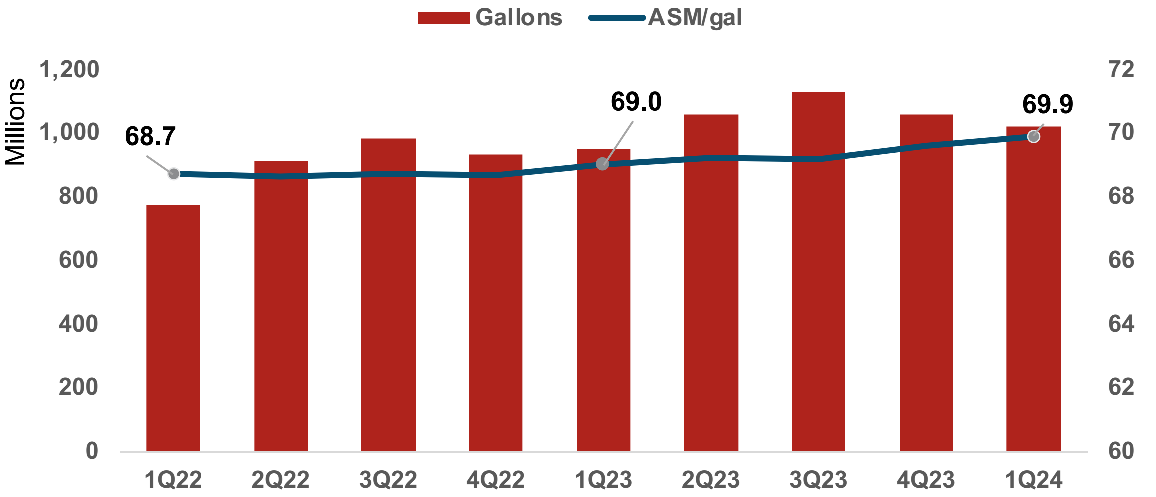


Restoration of major hubs and focus cities





Fuel & Fuel Efficiency

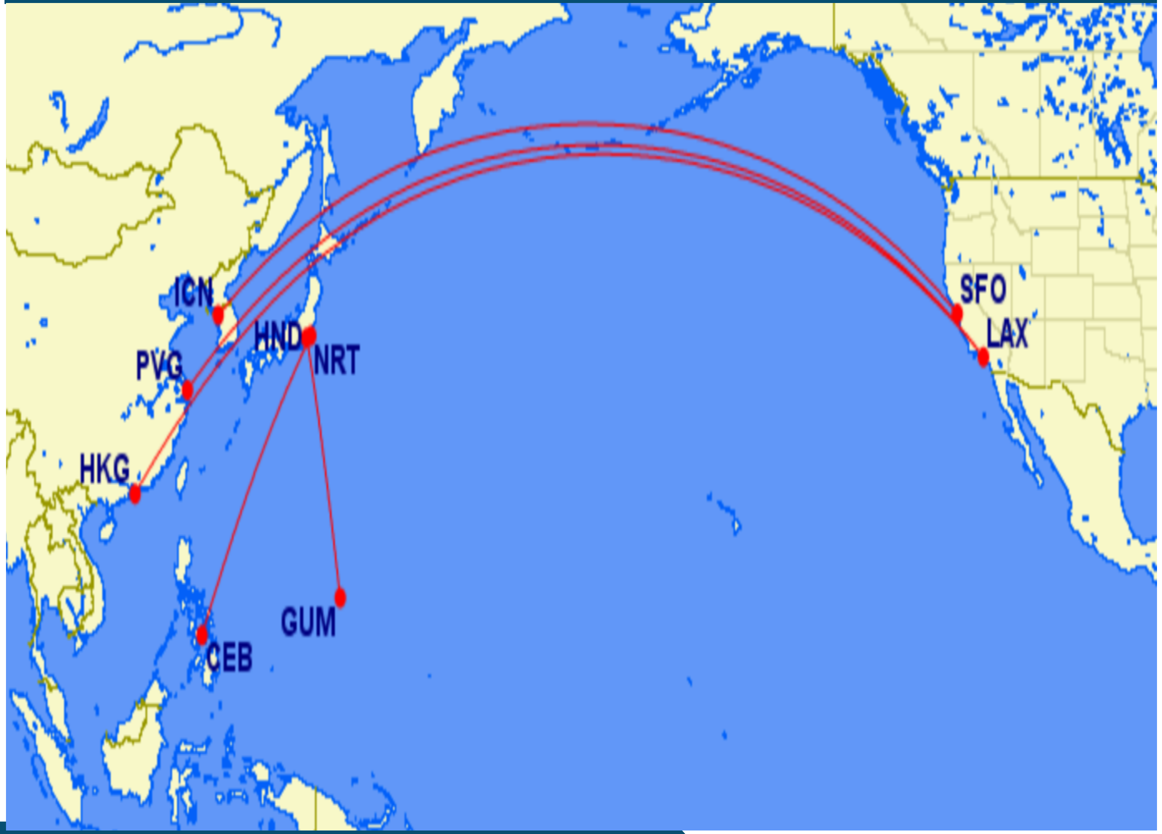


United

- Unit revenue commentary was stronger than we expected, particularly for domestic and transatlantic which offset Pacific headwinds and negative unit revenues in Latin America. We forecast unit costs to remain elevated through the year on overstaffing and lower capacity.
- United's results and outlook continue to showcase key areas of strength in premium, corporate and international. Despite all the distractions (MAX grounding, BA delivery issues etc), what is obvious to us is the culture change: management has embraced a solution-based, no-excuse attitude, and its working. The market needs to grow accustomed to UA setting targets and beating them.
- The drivers of strength in the US airline industry skew more to United than anyone else.
- Despite considerable industry challenges, the "United Next" plan introduced in late June 2021 is showing good traction with United particularly well positioned to benefit from industry cost convergence and continued strength in premium product demand.
- Additionally, the likely moderating capex plans (albeit still elevated) should remove a material investor sentiment overhang, albeit United still needing to demonstrate the path to significantly positive FCF generation. We expect continued focus on disciplined growth and maximizing profits going forward.
- They hinted at capital returns once near-term obstacles are cleared and they appear to have a stable flight plan to margin expansion. Absent the MAX grounding, UAL would have been profitable

Guidance	2Q24	FY 2024	Notes
Capacity			
Revenue			
TRASM			no RASM/TRASM guide for 2Q
CASM-ex	unchanged		"similar on y/y basis vs the first quarter"
Fuel			no fuel guide for 2Q
CAPEX		~$6.5B	reduction reflects BA delivery delays
EPS (adj)	$3.75 - $4.25	$9.00 - $11.00	reaffirmed FY 2024 EPS guide

UAL increases Asia capacity by over 50% with new routes/frequencies



Hybrid/Low Cost Carriers

Alaska

HAWAIIAN AIRLINES

jetBlue

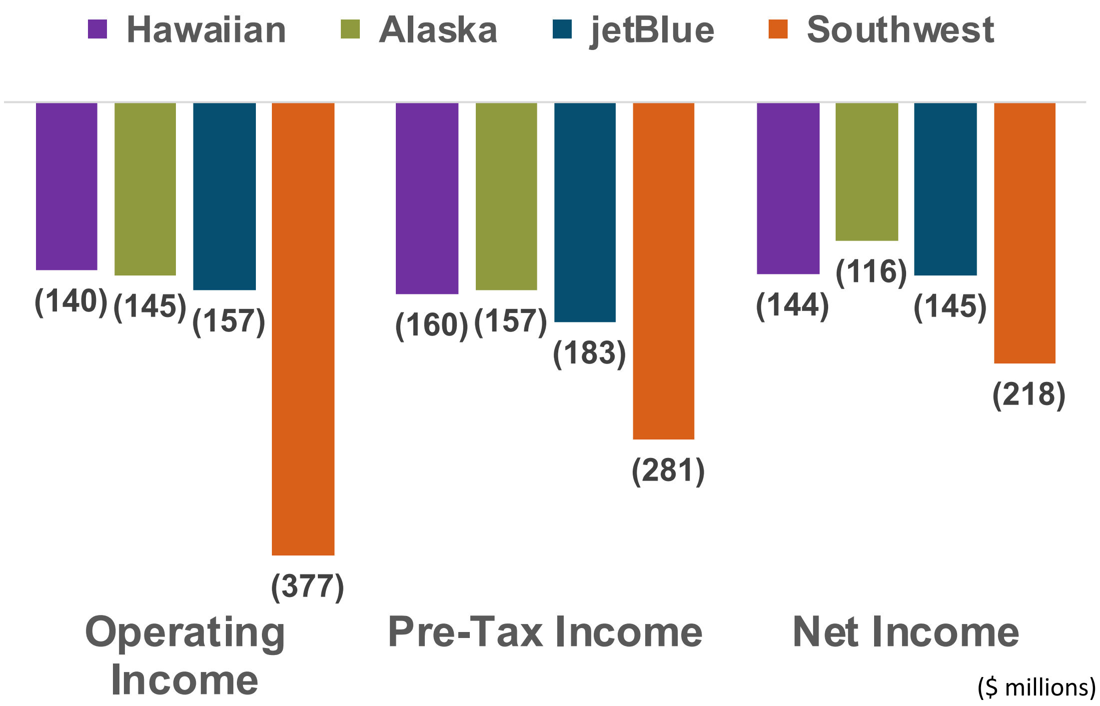
Southwest

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

Key Financial Results

Hybrid/LCC carriers vs. Southwest

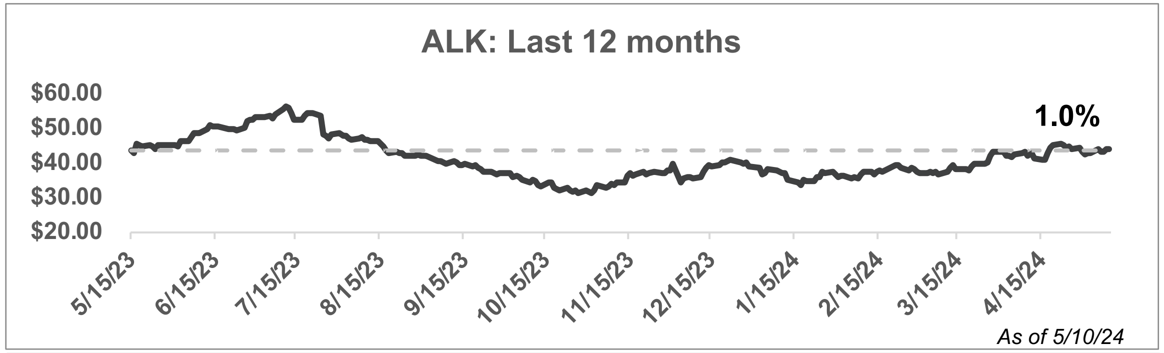
1st Quarter 2024

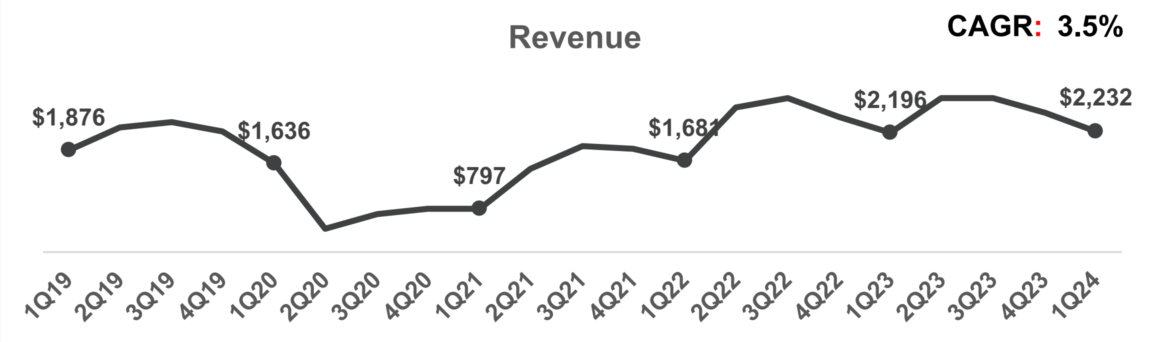


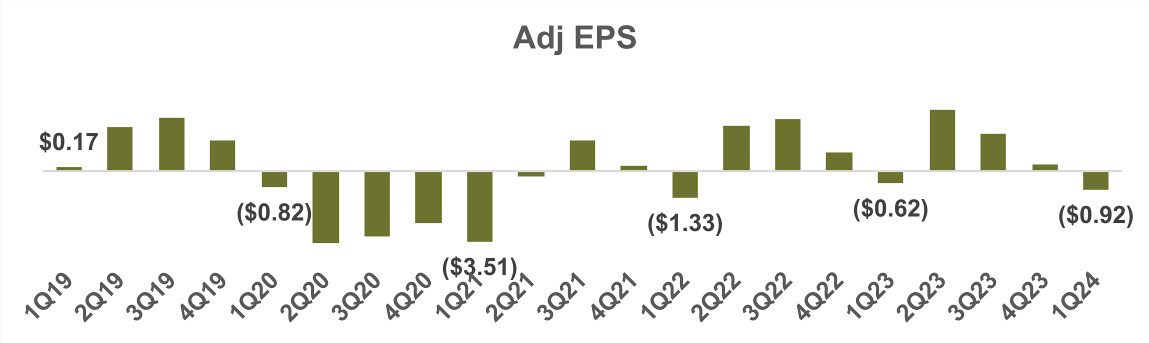
($ millions)

Non-GAAP – excludes special items

Alaska Airlines







Alaska

“The underlying improvement in our core business is a fantastic result”

1Q24 adj. pre-tax income: ($157M)

Despite a tough situation resulting from the MAX-9 grounding, Alaska reported encouraging quarterly results, with the airline noting a 30% improvement year-over-year and a slight profit without the grounding. With a full fleet, unit revenue would have risen 5% YoY, according to CCO Andrew Harrison, which was far above guidance. The carrier spoke of a “material step-up in business travel” and strong close-in leisure demand as contributing factors. Business travel from the tech and professional services industries increased significantly in the first quarter, almost reaching 2019 levels. The carrier reached a partial settlement with Boeing for the revenue losses but expects a drop in deliveries in 2024 so will delay aircraft retirements. With the network reshape and capacity constraints limiting competitive intensity, the company expects a solid second quarter.

EFA takeaway: Alaska surprised to the upside with robust leisure and business demand. They are positioned well for the remainder of 2024.

Items of Interest

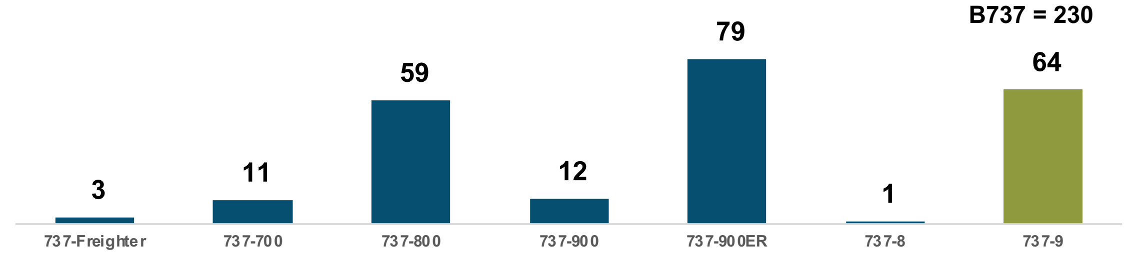
- Despite the lost revenue from the MAX-9 grounding, still achieved record first quarter revenues. The quarterly capacity reduction from the grounding was less than initial expectations due to higher utilization, better completion rates and the absence of significant winter weather.
- Absent the grounding, capacity would have been up 3.5%, with unit revenues up 3.8% YoY. Reallocation of flying, with continued leisure demand and the return of Tech business travel in Seattle and San Francisco was cited as factors.
- Premium and First-Class revenues finished up 4% and 11% respectively, with paid F/C load factor of 68%, a monthly record. Loyalty renumeration was $430M, up 4.2%. Approximately 48% of generated revenues are from outside Main cabin travel.
- Higher utilization, extended retirement dates of older aircraft and added capacity at Horizon/Skywest are planned to offset uncertainty and delays surrounding aircraft deliveries from Boeing. 2% productivity improvement from reduction in FTE’s.
- Profit impact from grounding was approximately $162M, equivalent to 7% margin loss. Core unit costs were up 5%, exclusive of grounding, primarily labor and supply chain.
- Fuel price paid continues to be higher than industry average due to West Coast refining costs. The company plans to self-supply from other sources to mitigate going forward.
- Liquidity of $2.8B. $100M of debt payments in 1Q. Debt to Cap ratio 47%. 1Q ROIC of 9%.

1Q Snapshot (as compared to 1Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
↓ 2.1%	↑ 1.6%	↓ 3.8%	↑ 10.2%	↓ 9.7%

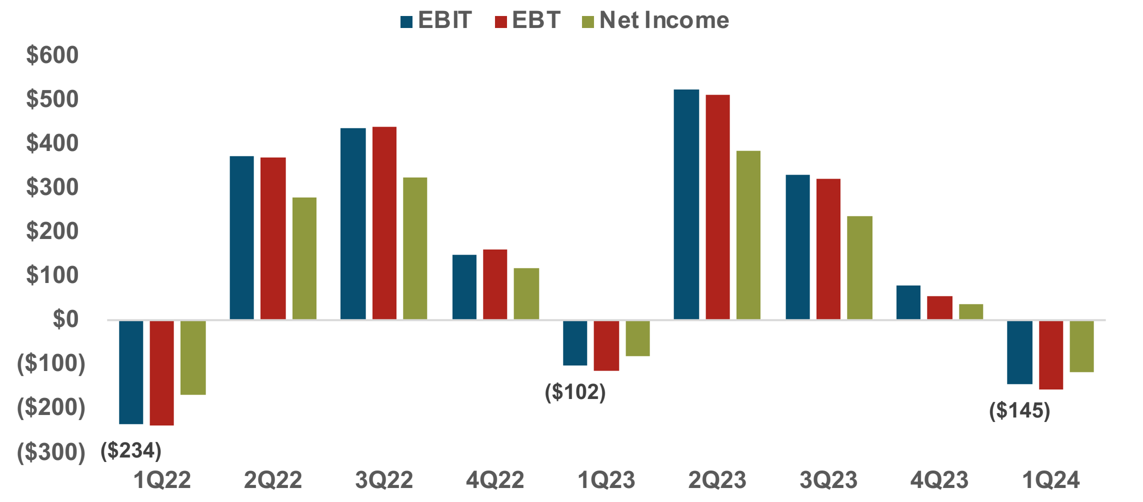
Alaska Stats	1Q24	1Q23	1Q19	y/y	y/5y
Revenues	$2,232M	$2,196M	$1,876M	1.6%	19.0%
Adj Operating Income (EBIT)	($145M)	($102M)	$47M	n.m.	n.m.
Adj Operating Margin	(6.5%)	(4.6%)	2.5%		
Adj Pretax Income	($157M)	($115M)	$28M	n.m.	n.m.
Adj Net Income	($116M)	($79M)	$21M	n.m.	n.m.
Adj EPS	($0.92)	($0.62)	$0.17	n.m.	n.m.
Capacity (ASMs)	15.4 billion	15.7 billion	15.5 billion	(2.1%)	(0.8%)
Yield	16.00¢	15.80¢	13.78¢	1.3%	16.1%
TRASM	14.51¢	13.98¢	12.10¢	3.8%	19.9%
CASM	0.00¢	15.17¢	11.94¢	n.m.	n.m.
CASM-ex	11.60¢	10.53¢	9.06¢	10.2%	28.0%
Fuel (econ)	$3.08	$3.41	$2.13	(9.7%)	44.6%

Alaska Mainline Fleet – 1Q24

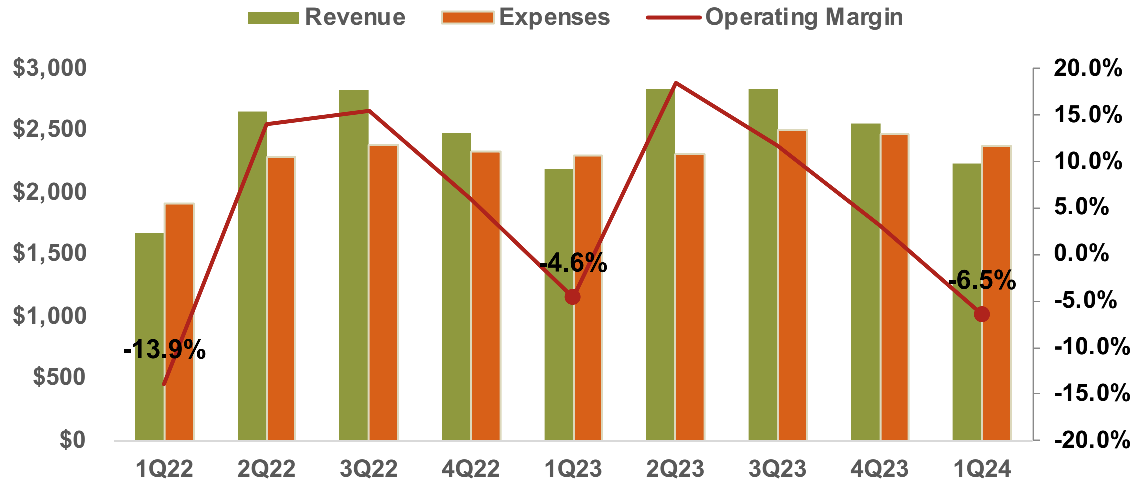


Alaska - Financial Performance

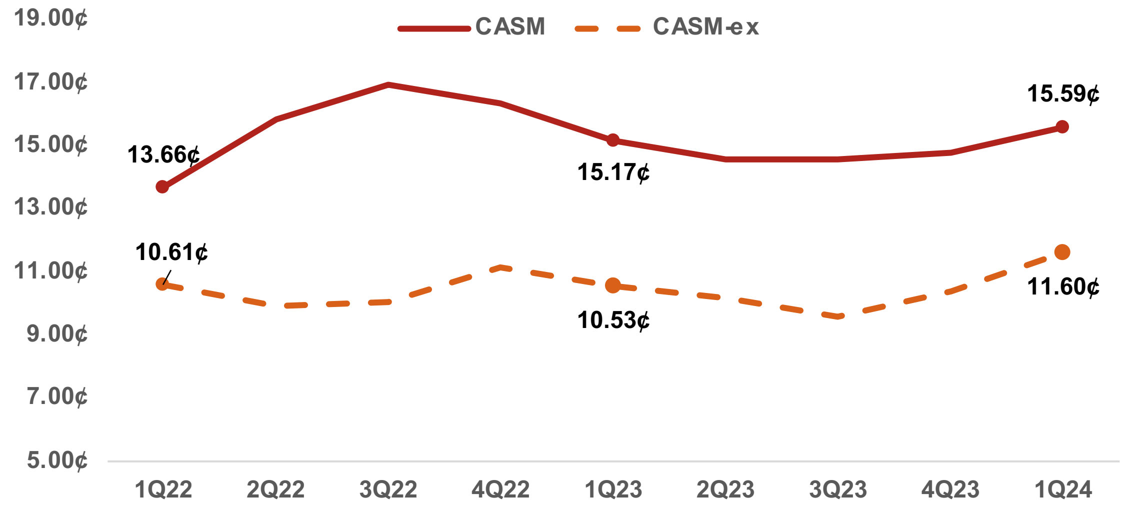
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



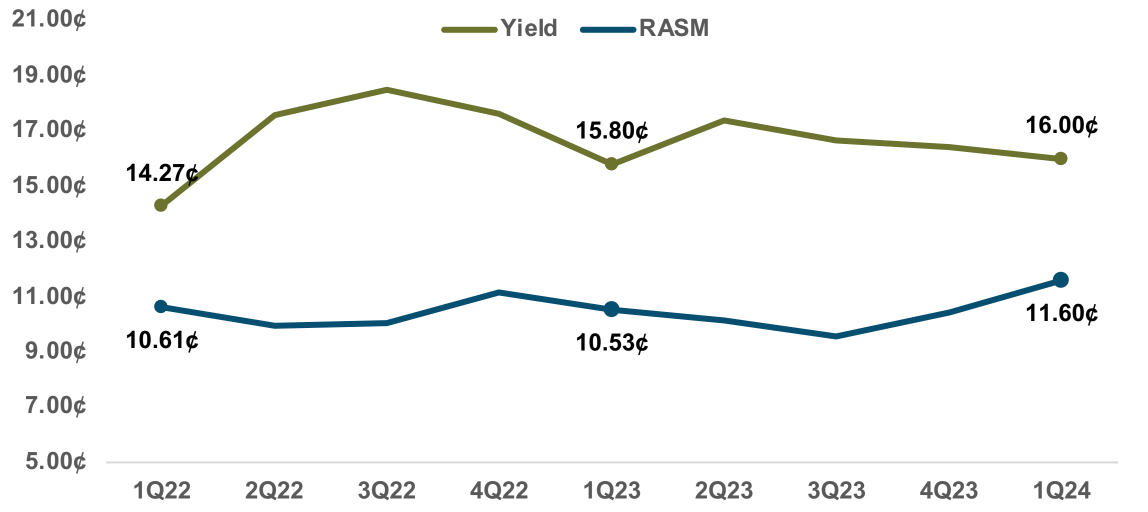
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex (consolidated; ALK no longer breaks out mainline)



Yields & TRASM

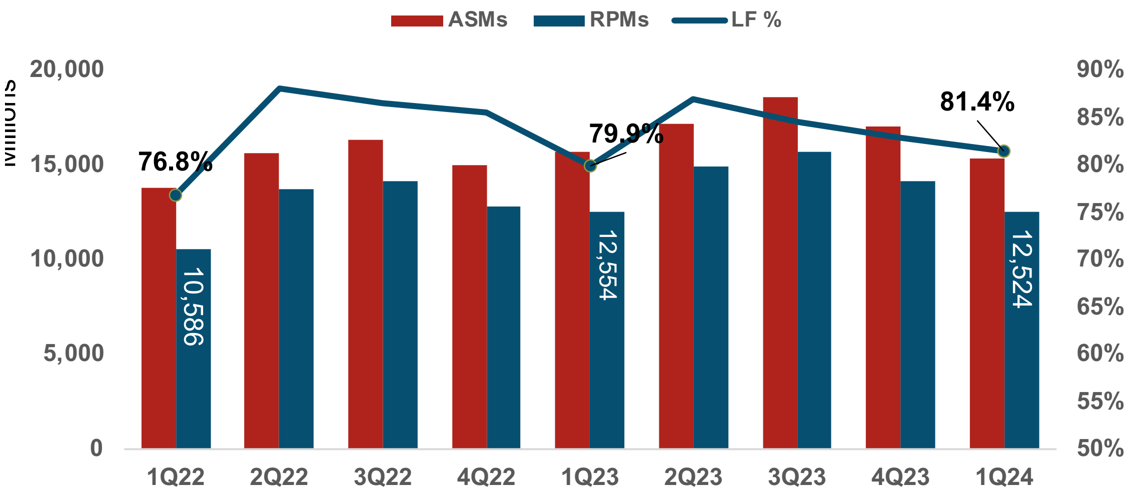


Alaska - Network News

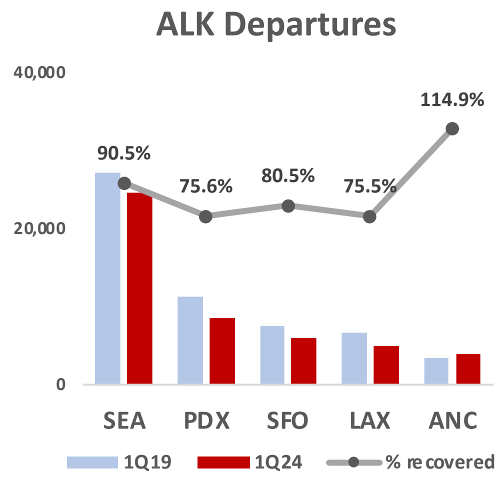
Network news and notes

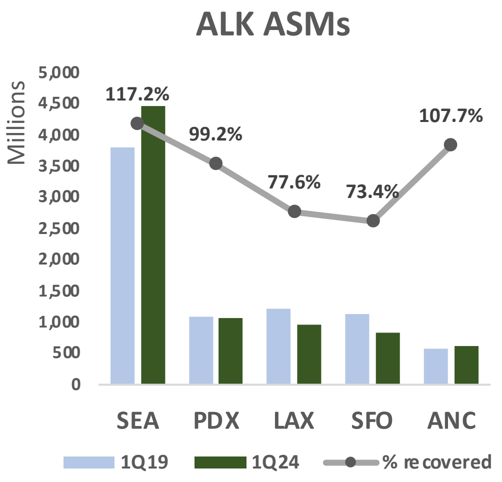
- Announced Santa Rosa (STS)-LAS, the 7th route from this airport. STS is also a base for Avelo.
- Making significant cuts to November/December schedule, with SEA and SFO most affected. Numerous routes downgraded to 1X daily with Horizon/Skywest taking over the route.
- Expanding service from San Diego and Los Angeles, with new routes from SAN-LAS and LAX-RNO, as well as adding frequencies to nine different destinations from LAX. New service begins in September/October.

Capacity and Load Factors

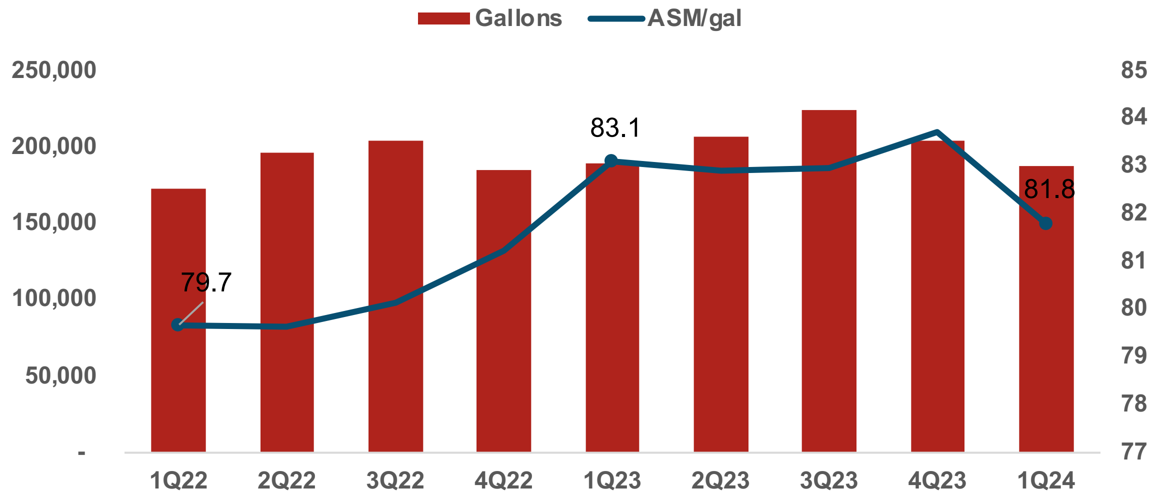


Restoration of major hubs and focus cities





Fuel & Fuel Efficiency (consolidated; ALK no longer breaks out mainline)

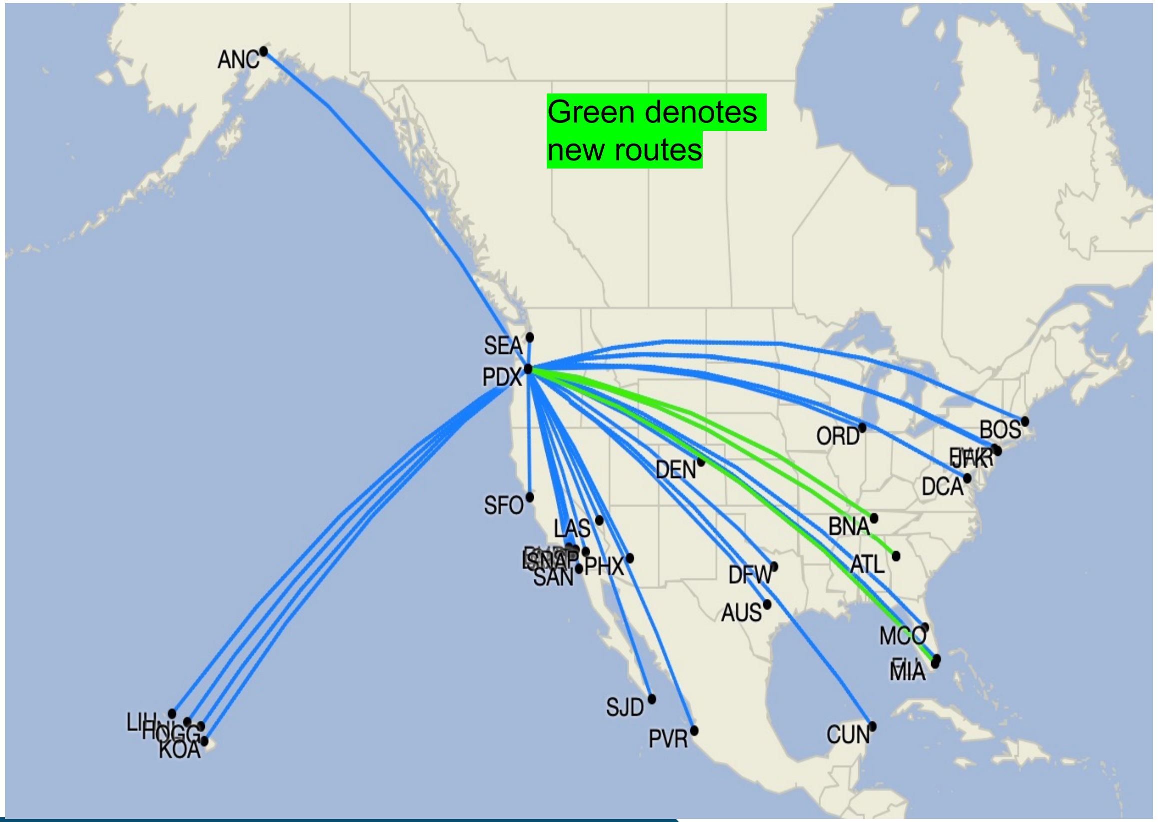


Alaska

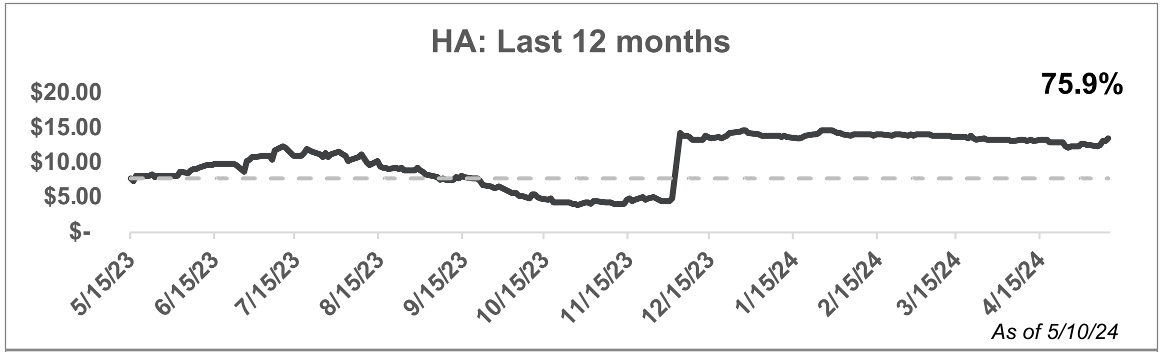
- ALK's earnings recovery has trailed the broader industry post-pandemic given its market exposures. Those headwinds have now shifted to tailwinds as corporate travel returns to pre-pandemic levels.
- Managements network adjustments were successful in improving March quarter profitability, excluding the impact of MAX grounding. We are encouraged by the airline's revenue management approach and their success monetizing the cabins.
- We think Alaska has a base of very loyal customers who have mitigated the collateral damage to airlines reputation for service following the Boeing incidents. Managements positive commentary regarding demand and prudent capacity growth has us looking upward in the second quarter.
- Management is doing a good job running the business to expand margins and generate free cash flow. They are managing to maintain a relative cost and profitability advantage over its peers. (Outperformed DL, UA by 3%).
- There are several bullish takeaways from the Alaska report. We think the company may even be too conservative as demand resilience could drive a second quarter above guided range.
- Alaska as a standalone entity is now showing the promise we were looking for in the latter half of 2023. The company's fundamentals should outperform most if not all LCC/ULCC competitors. The gripe on the merger is the time it will take to fix the issues facing Hawaiian. A leap of faith is needed.

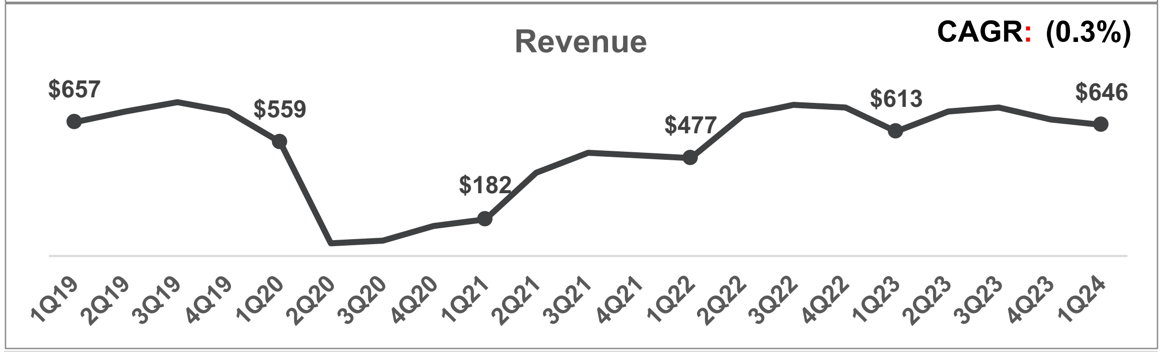
Guidance	2Q24	FY 2024	Notes
Capacity	Up 5% - 7%	Up > 3%	
Revenues			
CASM-ex			
Fuel (econ)			
Pre-tax Margin			
EPS	$2.20 - $2.40	$3.25 - $5.25	
CAPEX		~$1.2B - $1.3B	

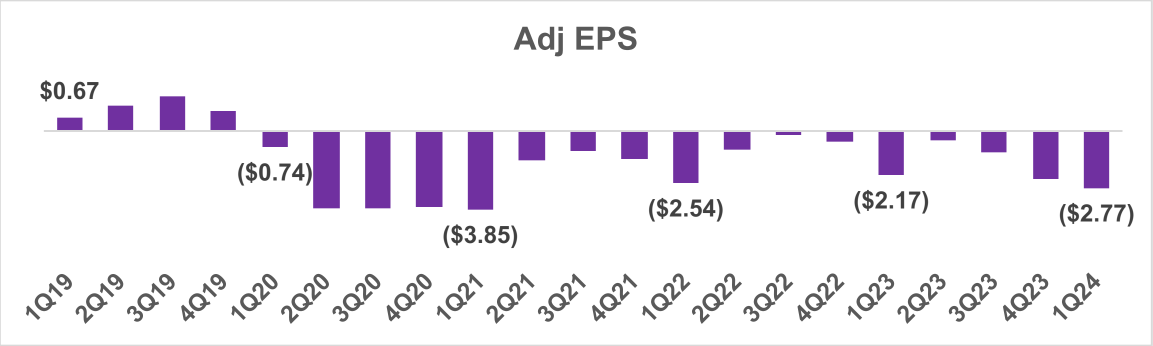
Alaska grows PDX capacity by 25% Fall 2024 with new & add'l flights



Hawaiian Airlines







Hawaiian

"We continue to focus on returning to sustained profitability "

1Q24 adj. pre-tax income (loss): ($160M)

Hawaiian reported another quarterly loss but according to CEO Peter Ingram, has made significant progress on major initiatives and seen "important improvement in key operational metrics". The 1st 787 revenue flight and the placement of the 2nd A330 in Amazon operations took place in April, with further growth in the freighter operation to occur later in the year. The fleet of A321neo's should finally be fully available sometime in May, as all engine inspections will be complete. The company's performance on its North American routes was better than expected but Japan travel remains flat due to a weak Yen and high prices in Hawaii for food and lodging. HA noted that the potential merger is moving along as planned, with shareholder approval obtained and DOJ compliance information ongoing. Despite the positive news, the company forecasts a loss for 2Q.

EFA takeaway: Some positive news with the fleet and the Amazon freighter operation does not obscure the fact that Hawaiian continues to lose money.

Items of interest

- Total revenue was up on a single digit capacity increase, topping guidance, on solid close-in demand and strong fares resulting from continued strength in premium products. System RASM was up 2.6%.
- North America to the islands saw healthy demand, augmented by two factors; accommodation of other airline passengers affected by MAX-9 grounding and the timing of Easter, which pushed more traffic into first quarter.
- International markets excluding Japan saw strong U.S. point-of-sale demand, but overall international RASM was down due to lower yields offsetting improved load factors.
- Neighbor Island travel remains strong, with Hawaiian posting a 28% higher load factor and PRASM double that of Southwest.
- Ancillary and premium revenue was up 16% in 1Q as demand for upgraded products remained strong with good pricing power. The company is testing new distribution methods, much like other carriers, using Sabre and other preferred providers.
- CASM-ex for 1Q was better than expectations, particularly considering the ASM decrease, due primarily to timing of heavy maintenance events. Pilot training and fleet induction costs will be front loaded to the first half of this year, with costs moderating later in 2024.
- Expecting 7x A330 freighter conversions by YE 2024. evaluating the payoff of the Covid era loyalty bond early, in 2026. Liquidity of $1.5B with outstanding debt of $1.75B.

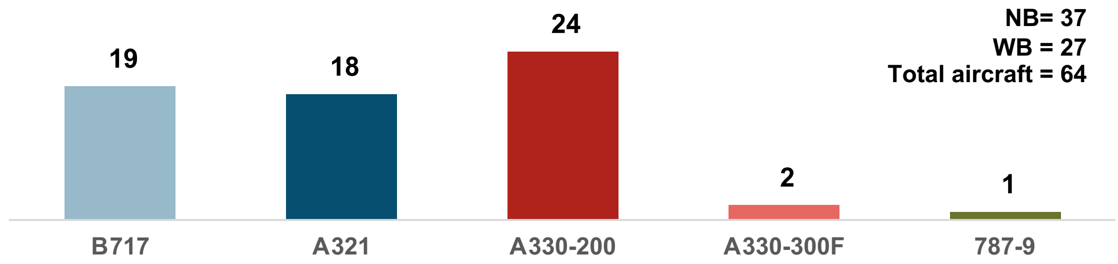
HAWAIIAN AIRLINES.

1Q Snapshot (as compared to 1Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
2.7%	5.4%	2.6%	7.1%	7.2%

Hawaiian Stats	1Q24	1Q23	1Q19	y/y	y/5y
Revenues	$646M	$613M	$657M	5.4%	(1.7%)
Adj Operating Income (EBIT)	($140M)	($118M)	$53M	n.m.	n.m.
Adj Operating Margin	(21.7%)	(19.2%)	8.0%		
Adj Pretax Income	($160M)	($141M)	$44M	n.m.	n.m.
Adj Net Income	($144M)	($112M)	$33M	n.m.	n.m.
Adj EPS	($2.77)	($2.17)	$0.67	n.m.	n.m.
Capacity (ASMs)	5.0 billion	4.9 billion	4.9 billion	2.7%	4.1%
Yield	14.33¢	14.27¢	14.57¢	0.4%	(1.6%)
TRASM	12.78¢	12.46¢	13.54¢	2.6%	(5.6%)
CASM	15.72¢	14.85¢	12.45¢	5.9%	26.3%
CASM-ex	11.82¢	11.04¢	9.87¢	7.1%	19.8%
Fuel (econ)	$2.83	$3.05	$2.00	(7.2%)	41.5%

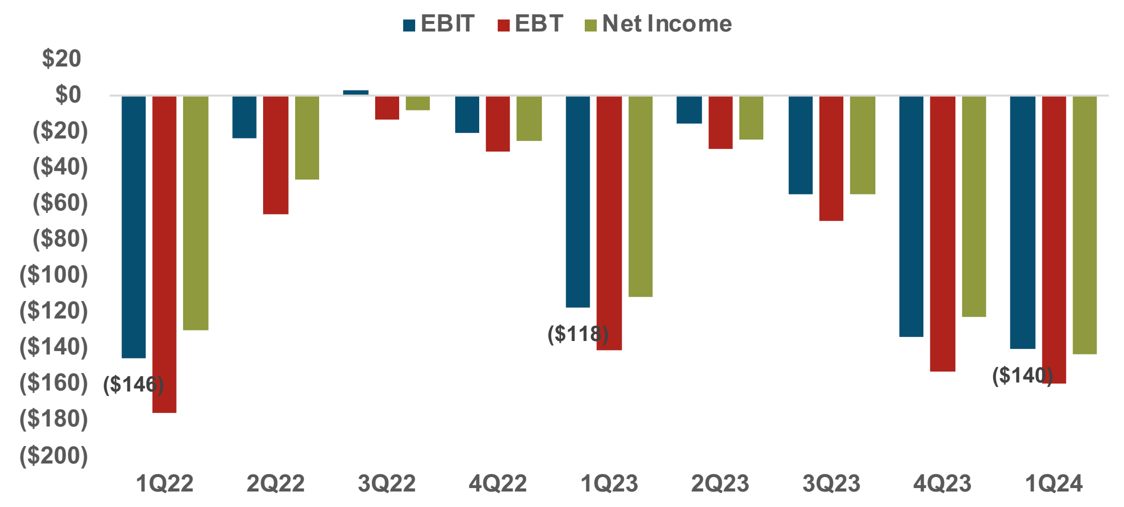
Hawaiian Fleet – 1Q24



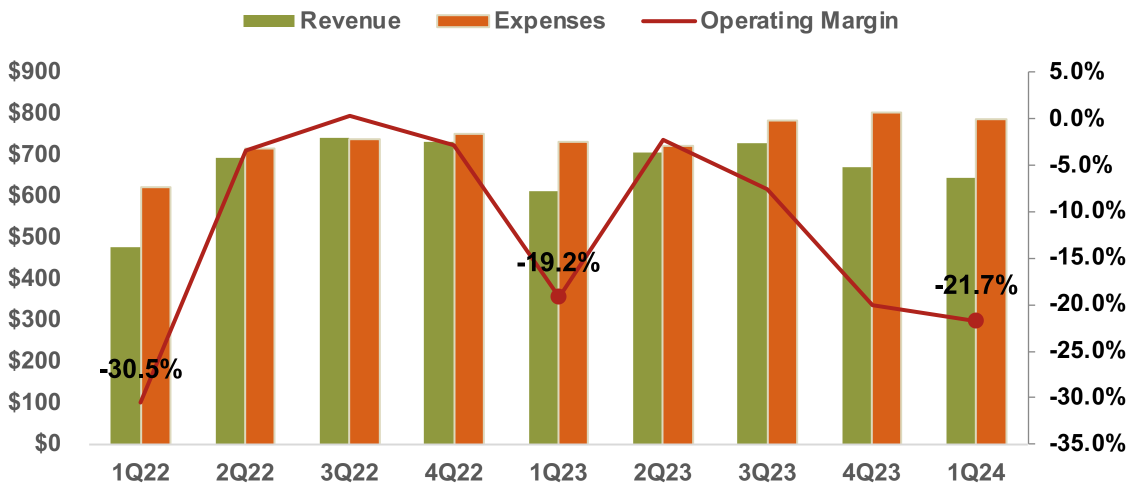
SWAPA

Hawaiian - Financial Performance

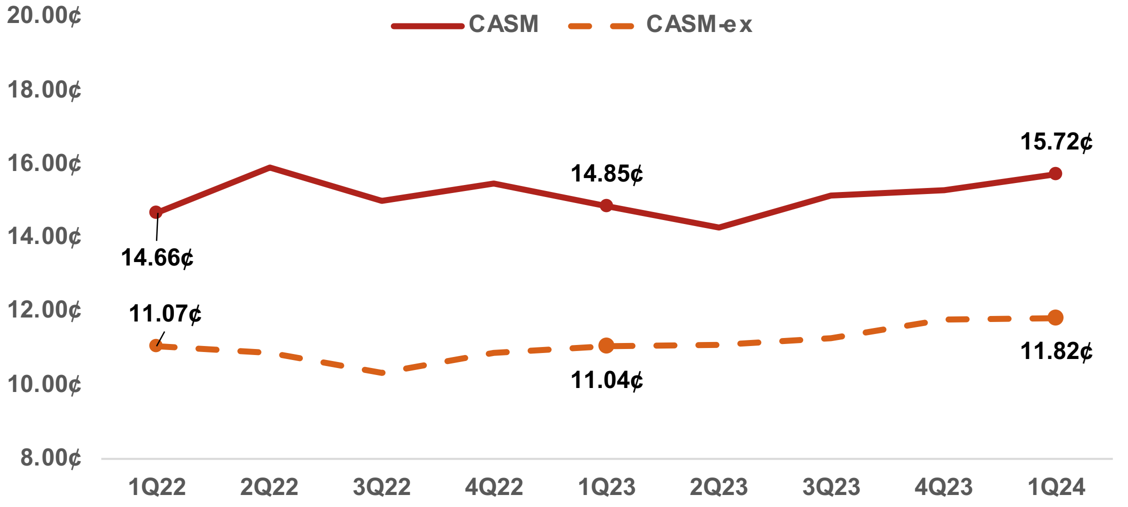
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



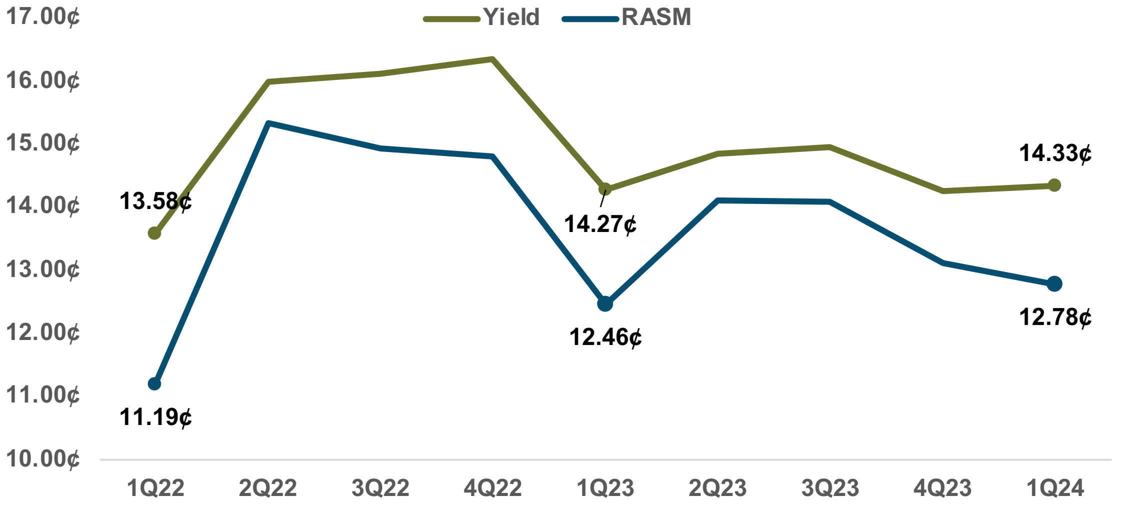
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM

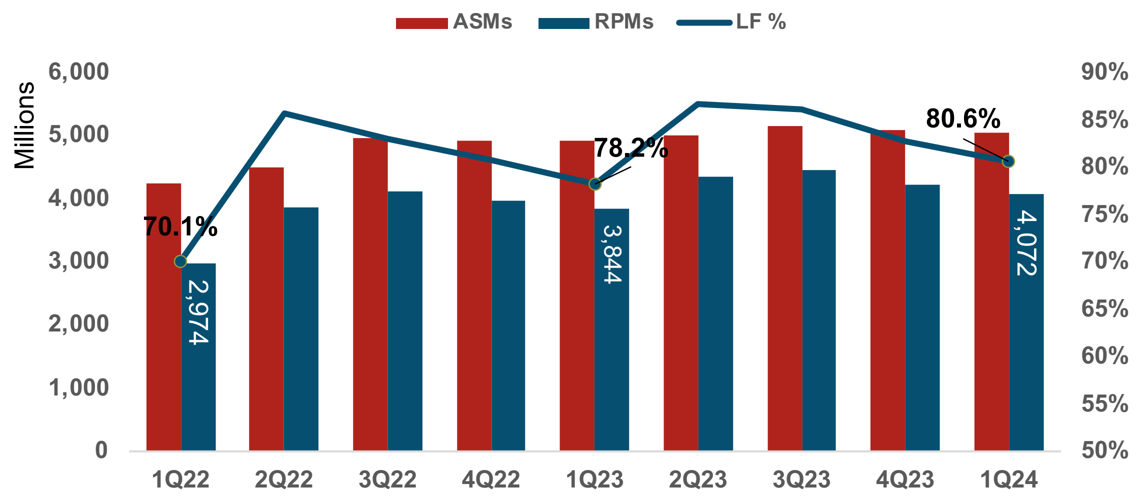


Hawaiian - Network News

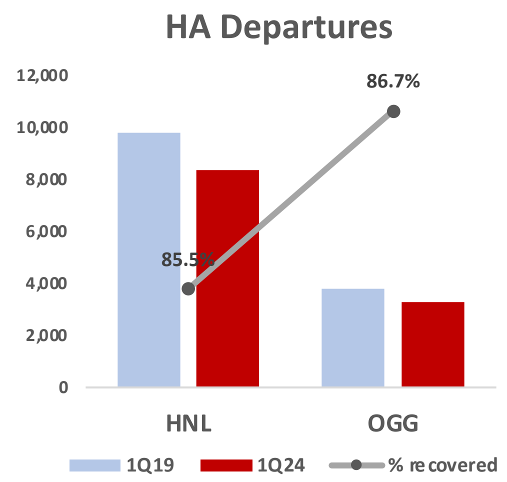
Network news and notes

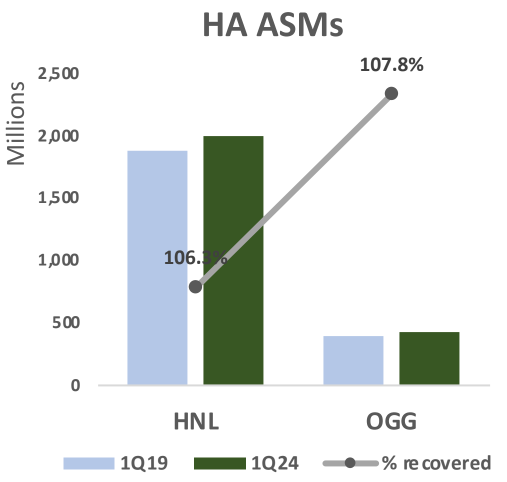
- Increased summer flying to AUS, BOS, LAS and PPG with additional frequencies, all utilizing A330 aircraft.
- Adding a fourth roundtrip between HNL and LAX between May 24th and September 2nd.
- Received two B787's, which are flying HNL-SFO, HNL-LAX and HNL-PHX currently.

Capacity and Load Factors

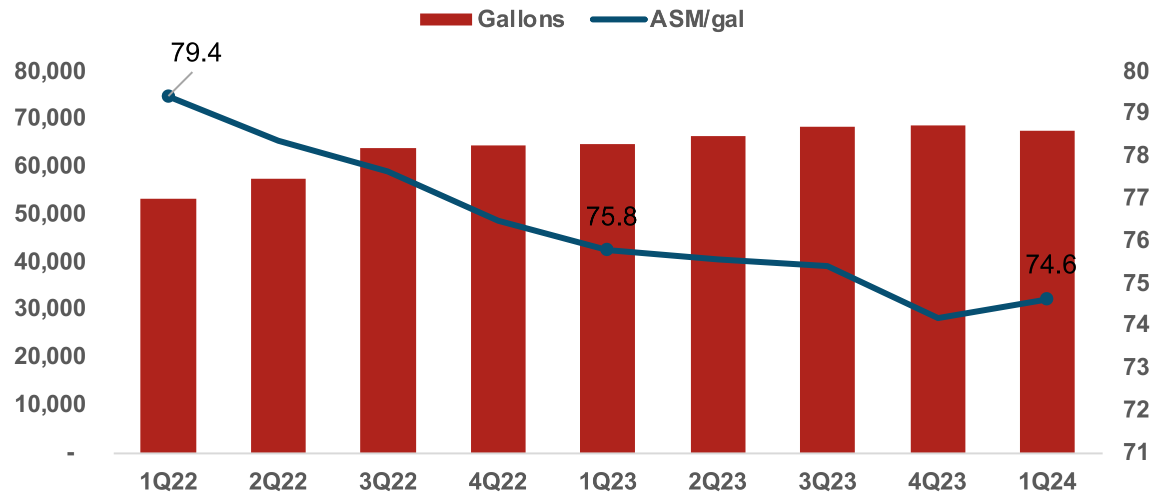


Restoration of major hubs and focus cities





Fuel & Fuel Efficiency



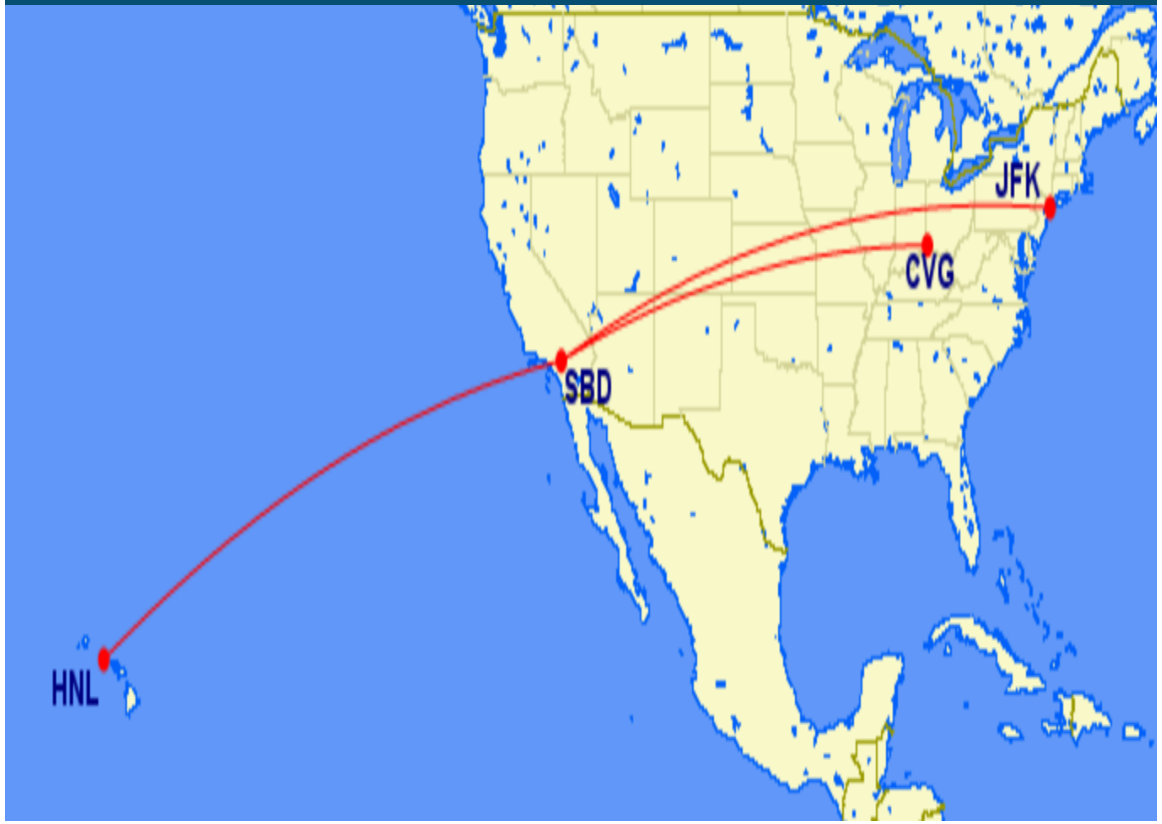
Hawaiian

HAWAIIAN AIRLINES.

- Hawaiian reported another loss, albeit smaller than our forecast. Guidance is for another loss in 2Q. We expect industry capacity to Hawaii to trend down which should help. We note that Hawaiian continues to dominate inter-island service.
- We also believe Japan travel continues to be affected by the weak Japanese yen and high hotel/food costs once in the state. This is keeping many Japanese travelers away.
- We do see some potential headwinds with increased competition in inter-island, decreased traffic to/from Maui (although recovering), parked narrowbody aircraft (GTF engine) and slower-than-expected return of the Japanese leisure traveler.
- Hawaiian has seen a shortening of their booking curve since the pandemic. We suspect this change is here to stay and could result in changes to the inventory and revenue management going forward. Pricing has begun to improve modestly in inter-island and is expected to improve further in the months ahead.
- Hawaiian remains a deal stock given the pending acquisition by ALK. Some have drawn parallels to JBLU/SAVE but the path for ALK/HA is easier as no brand is eliminated. It is likely the deal is approved.
- We view the merger as a combination of two complementary networks with minimal overlap, which we believe will create significant value for consumers.

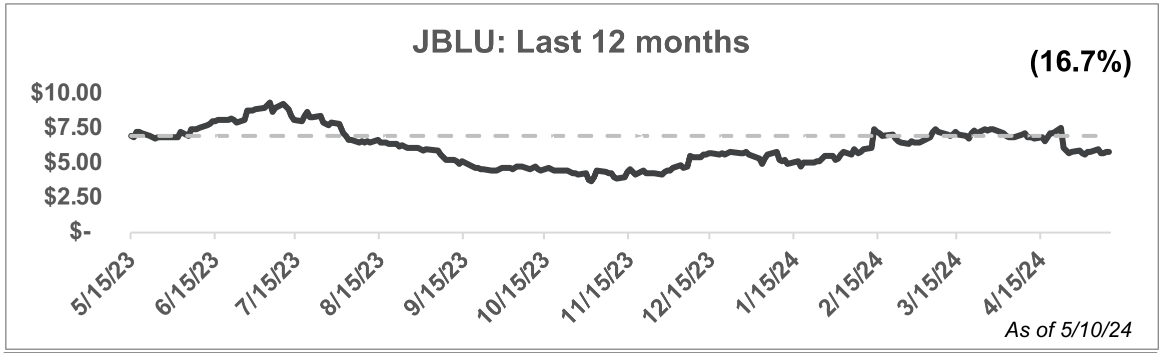
Guidance	2Q24	FY 2024	Notes
Capacity	Up 3.5% - 6.5%	Up 4.5% - 7.50%	FY reduced 1.5pts from 1Q guide
RASM	Down 1.5%-Up 1.5%		
CASM-ex	Up 5.0%-8.0%	Up 1% - 4%	FY raised 1pt from 1Q guide
Fuel	$2.85	$2.83	FY raised 24¢ from 1Q guide
CAPEX		$500M-$550M	unchanged

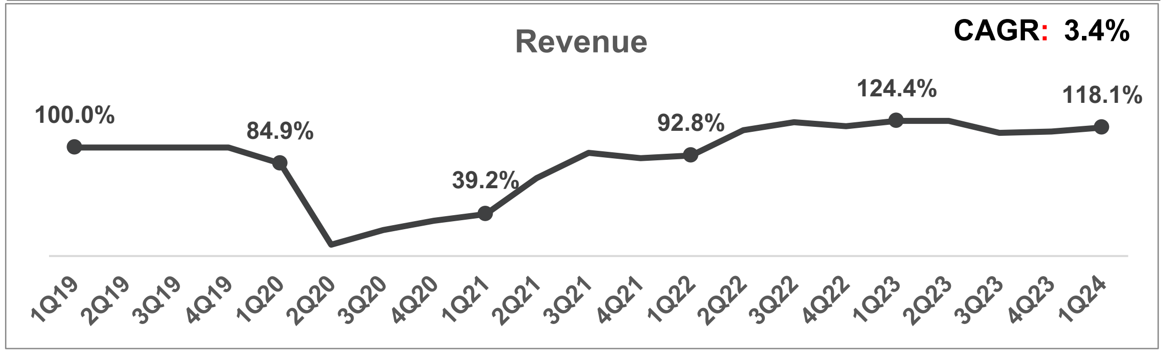
Hawaiian operates two A330 freighters for Amazon, seven by YE2024

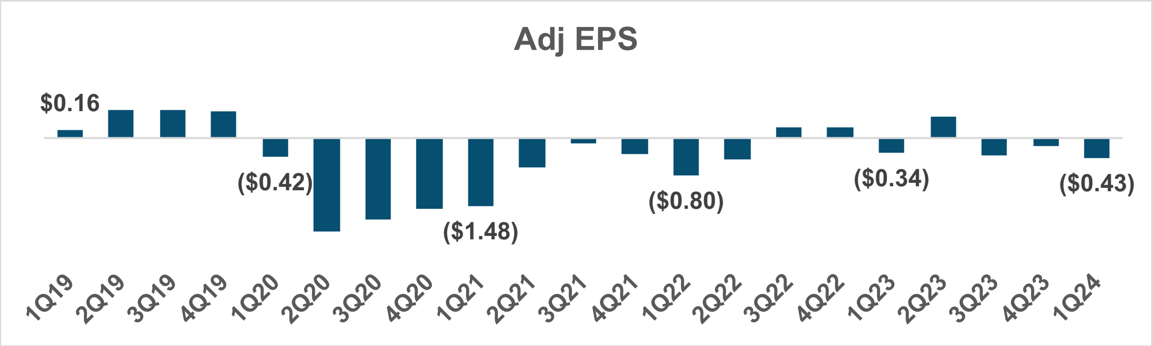


JetBlue Airways

jetBlue







SWAPA

JetBlue

"We are moving quickly to execute on our refocused standalone plan"

1Q24 adj. pre-tax income (loss) : ($183M)

JetBlue reported a 1Q loss, which was expected, however the downward revisions to the second quarter outlook was an unpleasant surprise to analysts. The company cited continuing Latin America weakness although revenues were higher than forecast and better completion factors helped costs. JetBlue discussed a "long-term plan to return to profitability" but gave scant details. Will exit several cities and markets while focusing on the core cities of BOS, FLL and JFK. Also noted that their new Europe markets are "adequately served", suggesting that further transatlantic expansion will pause for now. Capacity growth will continue to be hampered by GTF engine issues through 2024 which will pressure costs. Mgmt remains confident of a turnaround, aided by new revenue initiatives and additional reductions in expenses.

EFA takeaway: JetBlue needs to regain some measure of profitability. Can the new management team's plan accomplish this by 2025?

Items of Interest

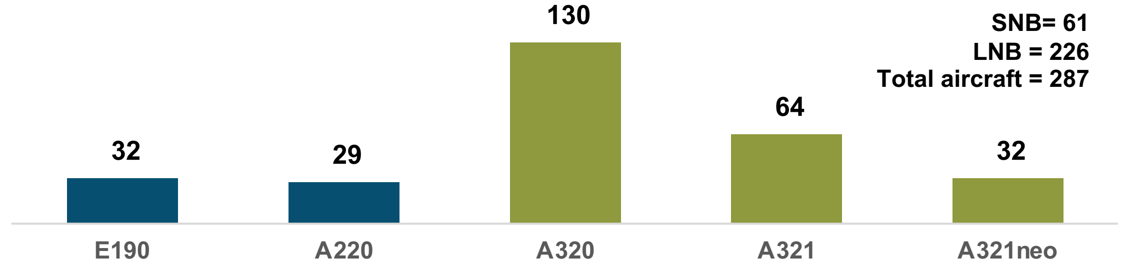
- Unit revenues declined within the guided range year-over-year, but if Latin flying was excluded, system-level unit revenues would have positive. Easter travel and strong peak period travel contributed 1.5% of unit revenue growth.
- Premium cabin continues to perform well, with double-digit increases on a single-digit decrease in capacity. Mid-cabin product (Economy Plus) also performed well, with YoY revenue growth on the Transcontinental and Transatlantic segments. Total transatlantic revenue was up 25% YoY.
- Latin region capacity makes up 35% of total capacity, nearly double the size of the next largest competitor. Yields and fares under significant pressure due to elevated capacity from competitors. Expected to see further pressure in second quarter, leading to lower revenue forecasts. Reducing or ceasing service to several South American cities.
- Continuing to make progress on $300M in revenue initiatives, primarily adding preferred seating, loyalty and JetBlue travel products. Corporate card spend up 10% YoY.
- Improved operational performance helped to lower CASM-ex in the first quarter. Structural cost savings and fleet modernization saved $30M in 1Q. On track for $200M in 2024.
- Will average 11 aircraft on ground per month due to GTF engines. Replacing E190's with A220's on a 1-1 basis with the E190's retiring EOY 2025.
- $1.7B in liquidity with $600M credit line. Deferred $2.5B of CAPEX. Have $1.6B in financing for aircraft deliveries in 2024. Will hedge 27% of second quarter fuel needs, 16% for 2024.

1Q Snapshot (as compared to 1Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
↓ 2.7%	↓ 5.1%	↓ 2.4%	↑ 7.1%	↓ 15.1%

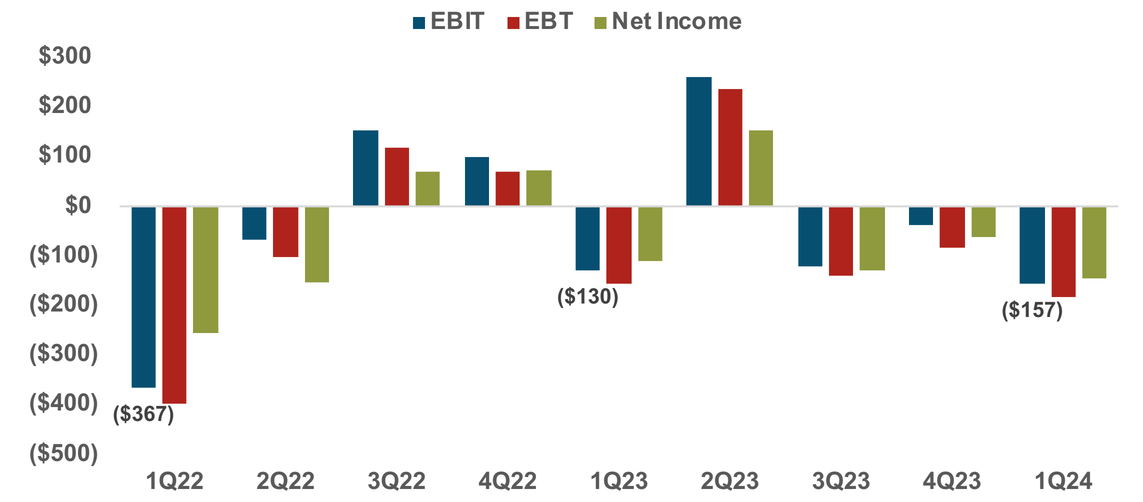
jetBlue Stats	1Q24	1Q23	1Q19	y/y	y/5y
Revenues	$2,209M	$2,328M	$1,871M	(5.1%)	18.1%
Adj Operating Income (EBIT)	($157M)	($130M)	$88M	n.m.	n.m.
Adj Operating Margin	(7.1%)	(5.6%)	4.7%		
Adj Pretax Income	($183M)	($157M)	$70M	n.m.	n.m.
Adj Net Income	($145M)	($111M)	$51M	n.m.	n.m.
Adj EPS	($0.43)	($0.34)	$0.16	n.m.	n.m.
Capacity (ASMs)	16.3 billion	16.8 billion	15.4 billion	(2.7%)	5.7%
Yield	15.80¢	16.31¢	14.15¢	(3.1%)	11.7%
TRASM	13.54¢	13.88¢	12.12¢	(2.4%)	11.7%
CASM	17.95¢	15.32¢	11.63¢	17.2%	54.3%
CASM-ex	10.57¢	9.87¢	8.66¢	7.1%	22.1%
Fuel (econ)	$2.97	$3.50	$2.05	(15.1%)	44.9%

JetBlue Fleet – 1Q24

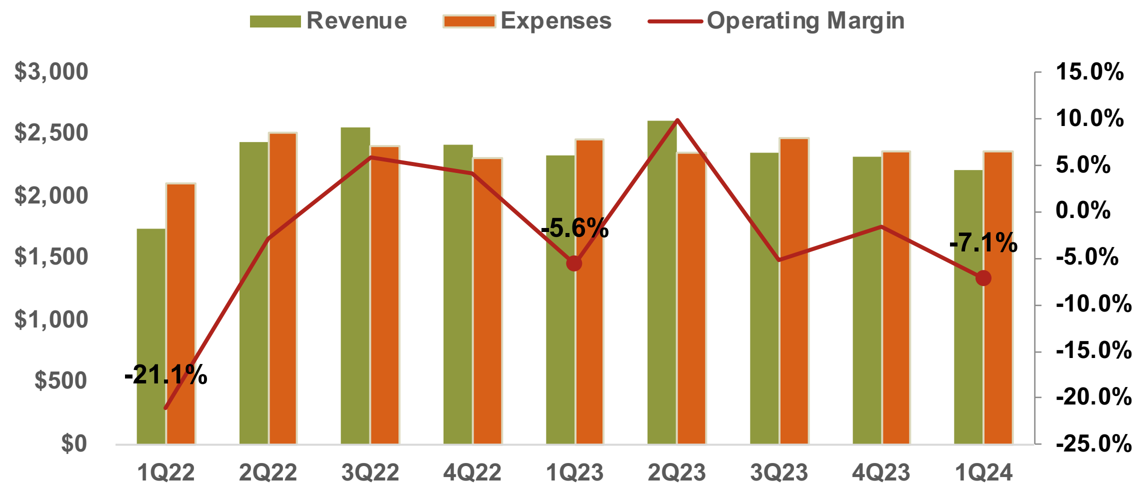


JetBlue - Financial Performance

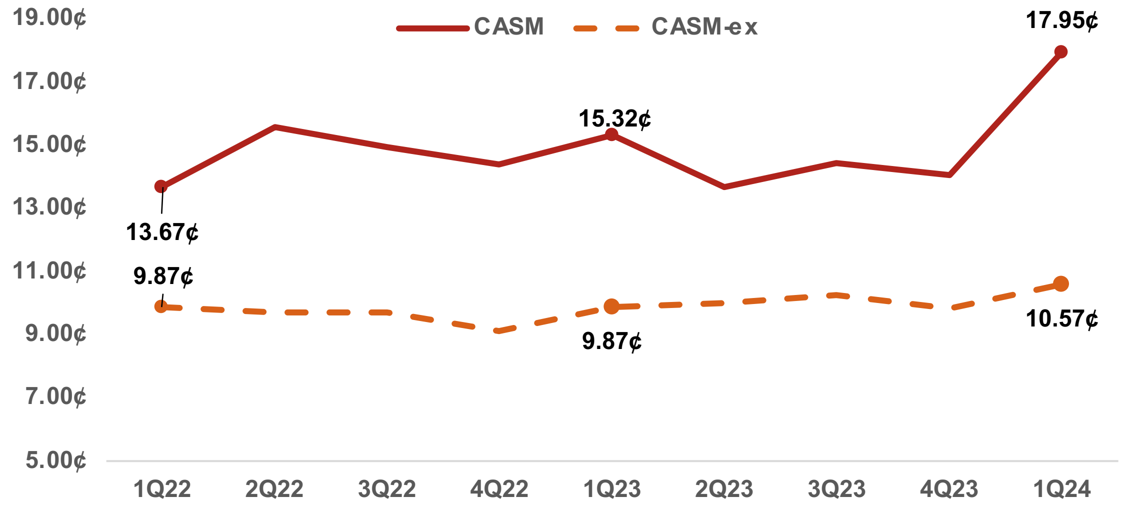
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



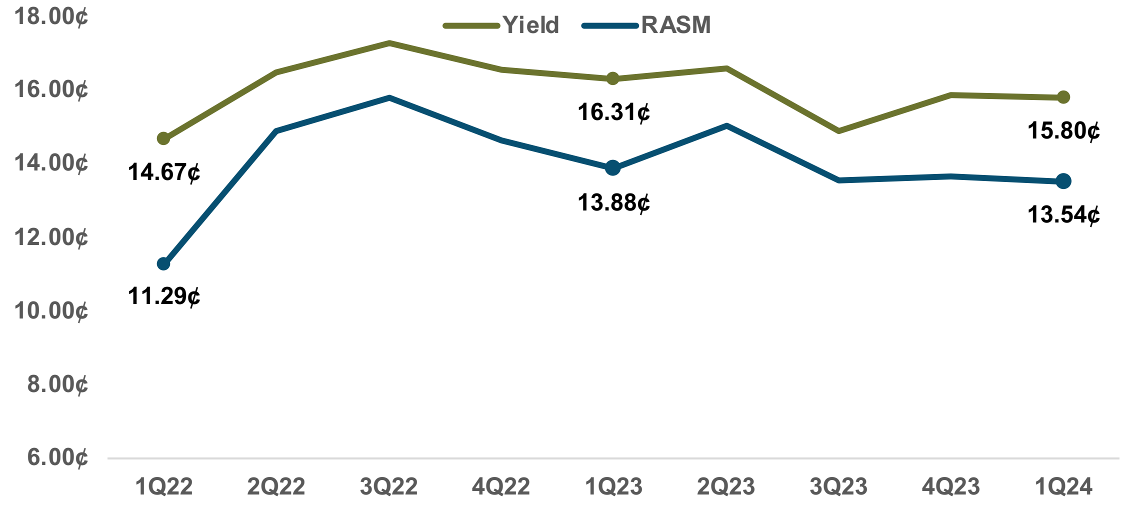
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM

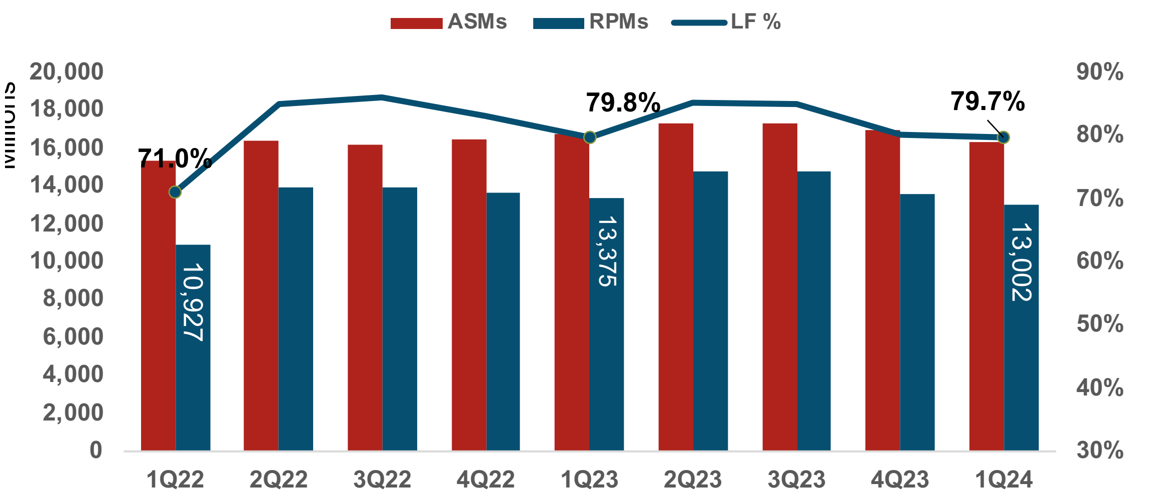


JetBlue - Network News

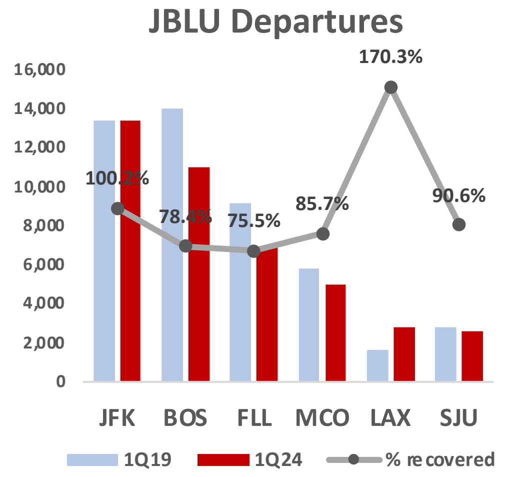
Network news and notes

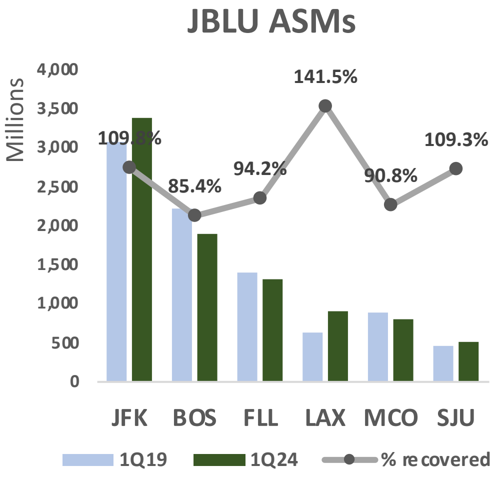
- Dropping service to BWI, BOG, BTV, MCI, LIM, SWF and UIO.
- Refocusing on core cities of BOS, FLL and JFK. Latin leisure and VFR (visiting friends/relatives) will remain an important part of network, despite airlines adding 60% extra capacity to Caribbean/Latin America.
- Announced additional cuts to LGA, dropping service to ATL, MSY, NAS and RSW. Reduced frequency to BOS, FLL and MCO as it reallocates capacity away from former Northeast Alliance (AAL) routes.
- Will add more Caribbean flying through its SJU focus city.

Capacity and Load Factors

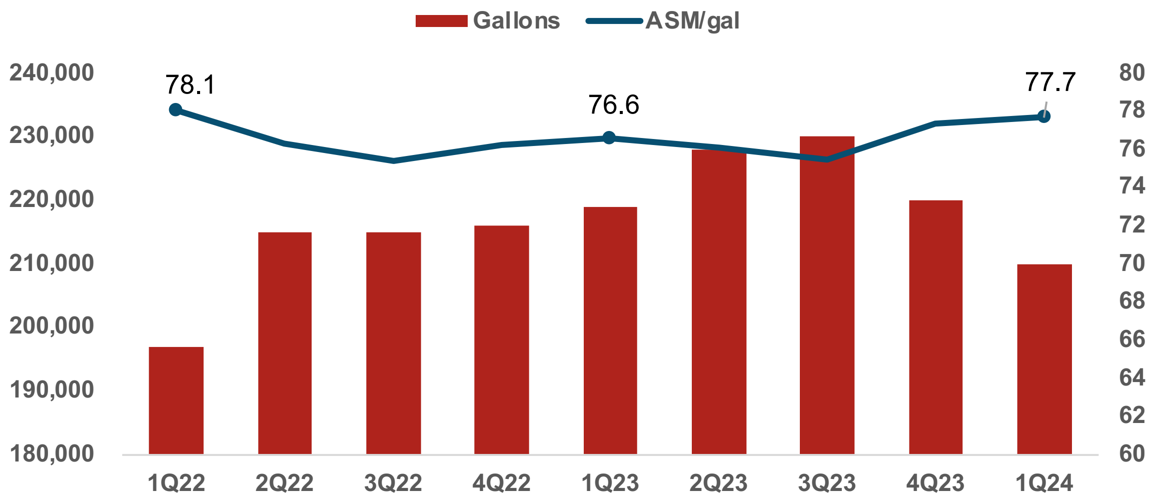


Restoration of major hubs and focus cities





Fuel & Fuel Efficiency

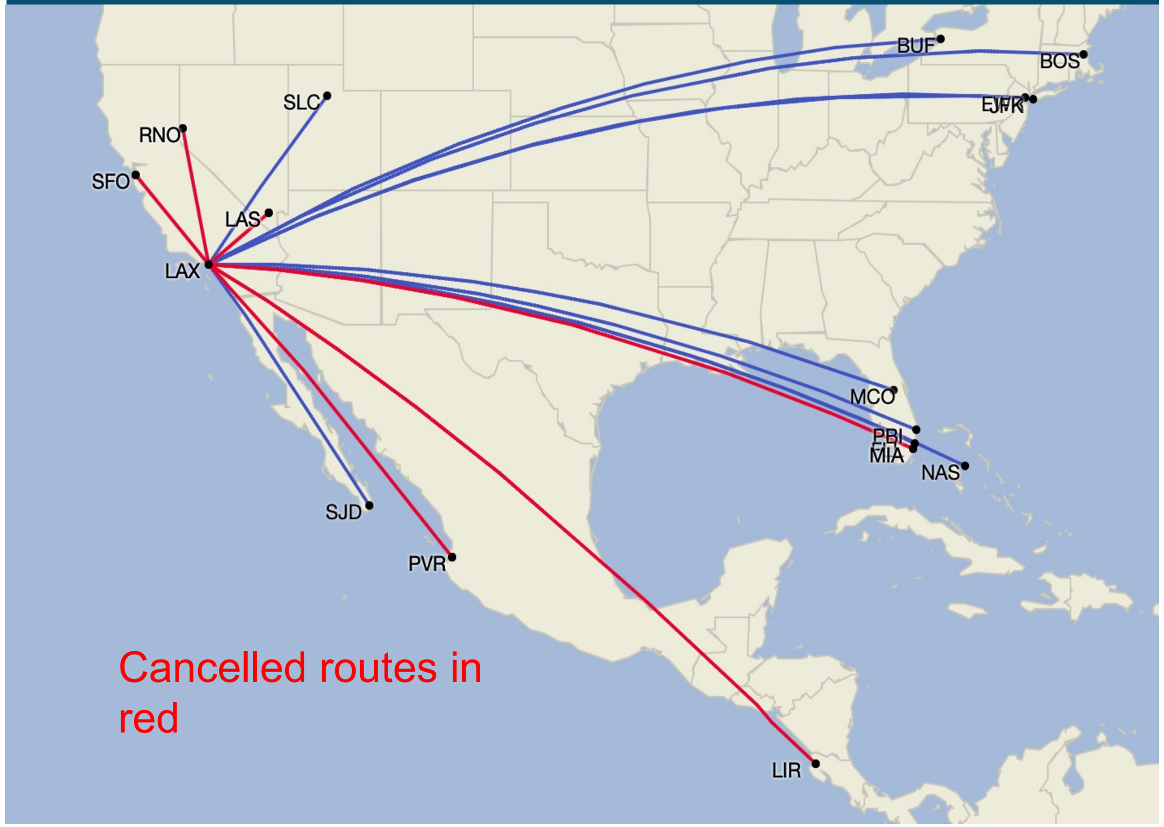


JetBlue

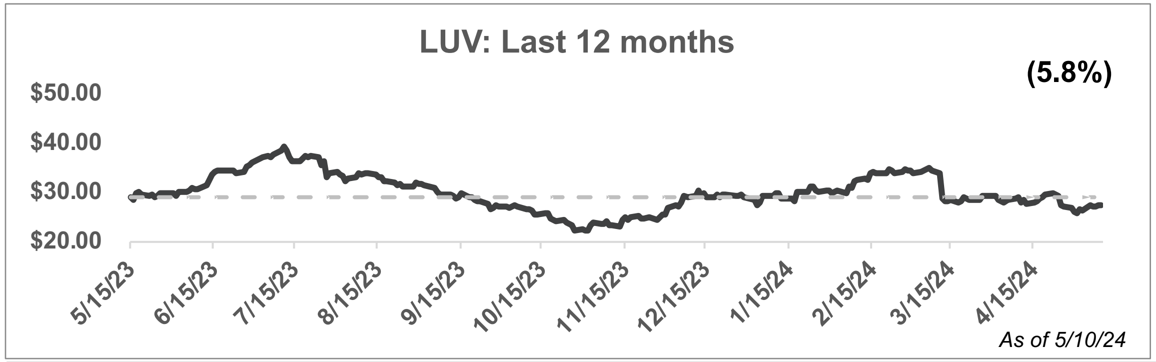
- JetBlue's bearish guidance for FY 2024 greatly surprised Wall St. Investors are concerned about the airline's liquidity although we note that no significant debt due before 2026.
- The company's return to profitability is being held back by several issues, including GTF engines, surplus industry capacity to Latin America and asset utilization.
- Replacing E190's with A220's and growing BOS and JFK should enable growth in revenue. We think management continues to prune money-losing routes and will focus on transcontinental flying.
- To summarize, we believe JBLU management used today's earnings call as an opportunity to reset expectations. The next steps are to pursue the turnaround in earnest and deliver on promised changes.
- Management will need to walk a fine line of shrinking to profitability as that tends to be a slippery slope in this industry. There needs to be clear proof that the network changes will drive fundamental improvement given capacity constraints and cost escalations.
- We think any movement on pilot economics has been pushed even further out. This should help costs in the short-term along with the structural cost savings program, although harder to reconcile.
- While we are of the view that JetBlue losses are more easily reversed than Spirit, for example, the pace of benefit from network recalibration is less robust than we had hoped.

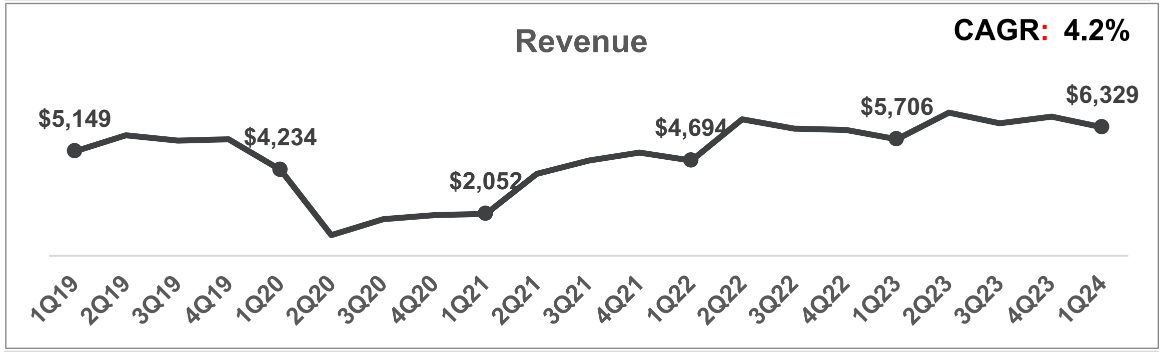
Guidance	2Q24	FY 2024	Notes
Capacity	Down 2% - 3%	Down LSD	
Revenue	Down 6.5% - 10.5%	Down LSD	Revised down from 'flat'
CASM-ex	Up 5.5% - 7.5%	Up M/HSD	
CAPEX	~$550M	~$1.6B	
Fuel	$2.98 - $3.11		

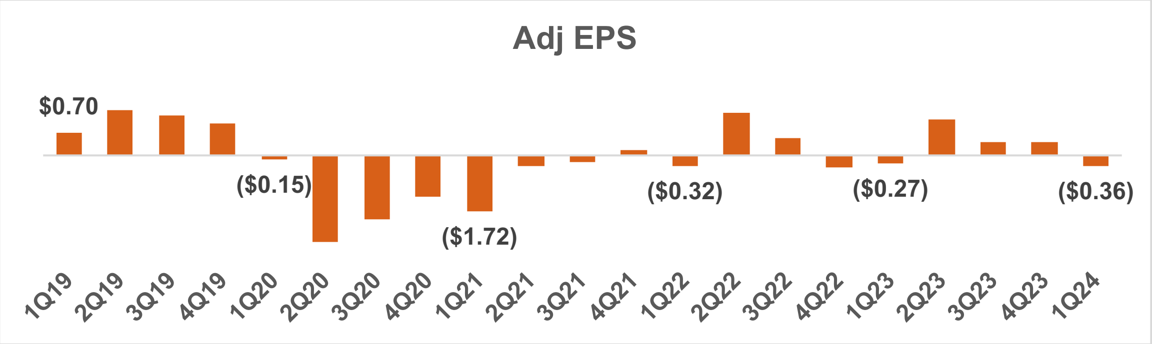
JetBlue drops LAX as a focus city, cutting departures and cities



Southwest Airlines







Southwest

"We need to increase revenue production to offset rising cost inflation"

1Q24 adj. pre-tax Income (loss): ($281M)

Southwest posted another 1Q loss, the 5th in a row, as record revenues were unable to keep up with rising costs. While demand remains strong, market-driven inflationary operating costs have increased at a disproportionate rate. To address this, the company will continue to rework the network, dropping 4 cities and restructuring service in several others, as capacity plans are resized downwards. CEO Bob Jordan spoke of efforts to increase revenue and productivity with more major changes like potentially changing onboard seating and/or the cabin experience to be announced at the September Investor Day. SWA will also engage in cost savings initiatives such as voluntary time off for employees, headcount reduction and reduced turn times. Minimal growth is expected until certain financial metrics are achieved.

EFA takeaway: The current set of initiatives are not working as planned so far. The company needs fresh revenue generating strategies to compete with the Big 3.

Items of Interest

- Records revenues for the first quarter but RASM was flat YoY due to lower-than-expected close-in leisure passenger volume plus underperformance of development markets started during the pandemic.
- Managed business revenues were a bright spot, at roughly flat as compared to first quarter 2019, and up 25% YoY. Ancillary revenues were up 18% YoY.
- West Coast and Northeast regions saw the most Improvement but cities in other airline hubs such as ATL, IAH and ORD underperformed, resulting in the exit of IAH and notable schedule reductions at ATL and ORD. Reductions in shoulder flying early morning, late night as well as short-haul flying contributed $100M in incremental revenue in March.
- Reduced the value of the strategic initiatives from $1.5B to roughly $1.0B for the full year. Further opportunities to optimize the network were noted as well as continued benefits from the new revenue management system.
- Increase in first quarter CASM-ex primarily from higher labor and maintenance costs associated with the 737-800 engine work. CASM-ex is expected to increase in the second quarter as well as the full year due to the same reasons, as well as lower capacity in 2H24.
- Will receive only 20 of a planned 79 MAX-8 aircraft this year. Retiring 35 aircraft but keeping 14 previously planned retirements. CAPEX will be reduced by over $1B from reduced A/C.
- Liquidity $10.5B, down over $1B due to ratification bonuses. Repaid $8M in debt.

Southwest®

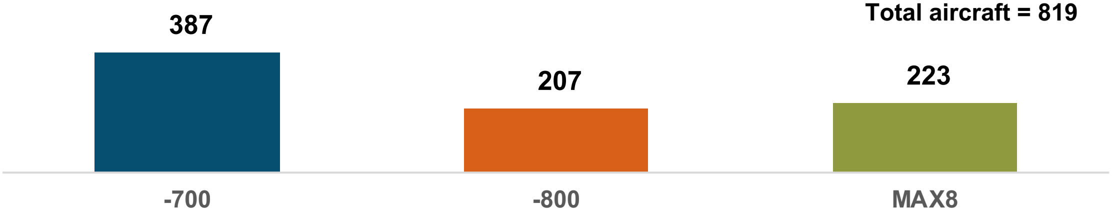
1Q Snapshot (as compared to 1Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
↑ *11.0%*	↑ *10.9%*	↓ *0.1%*	↑ *5.0%*	↓ *8.5%*

Southwest Stats	1Q24	1Q23	1Q19	y/y	y/5y
Revenues	$6,329M	$5,706M	$5,149M	10.9%	22.9%
Adj Operating Income (EBIT)	($377M)	($284M)	$505M	n.m.	n.m.
Adj Operating Margin	(6.0%)	(5.0%)	9.8%		
Adj Pretax Income	($281M)	($209M)	$504M	n.m.	n.m.
Adj Net Income	($218M)	($163M)	$387M	n.m.	n.m.
Adj EPS	($0.36)	($0.27)	$0.70	n.m.	n.m.
Capacity (ASMs)	42.2 billion	38.1 billion	37.9 billion	11.0%	11.5%
Yield	17.26¢	17.28¢	15.45¢	(0.1%)	11.7%
TRASM	14.98¢	14.99¢	13.59¢	(0.1%)	10.2%
CASM	15.91¢	15.74¢	12.26¢	1.1%	29.8%
CASM-ex	12.25¢	11.67¢	9.35¢	5.0%	31.0%
Fuel (econ)	$2.92	$3.19	$2.05	(8.5%)	42.4%

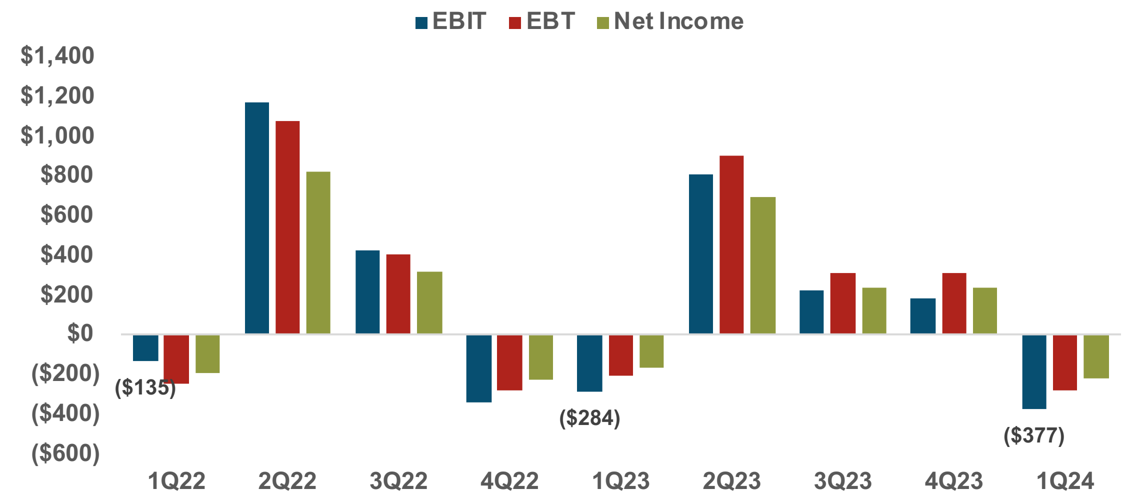
Southwest Fleet – 1Q24

-700 = 384
-800/MAX 8 = 435
Total aircraft = 819

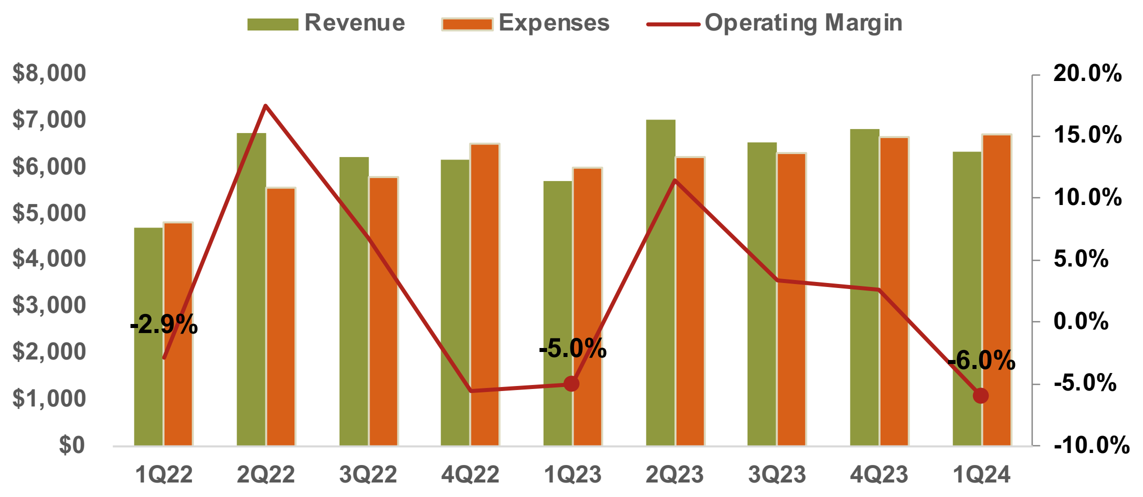


Southwest - Financial Performance

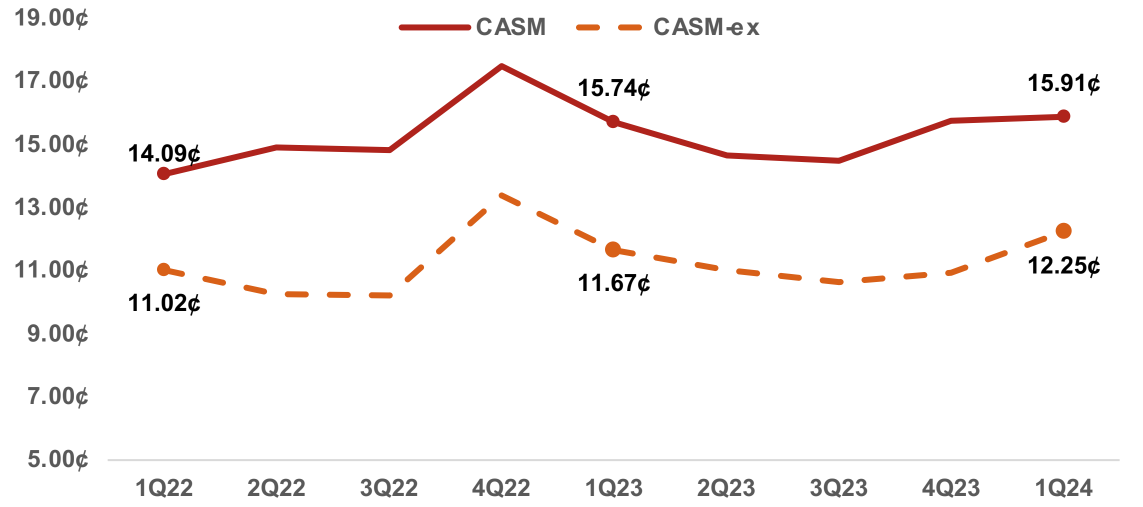
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



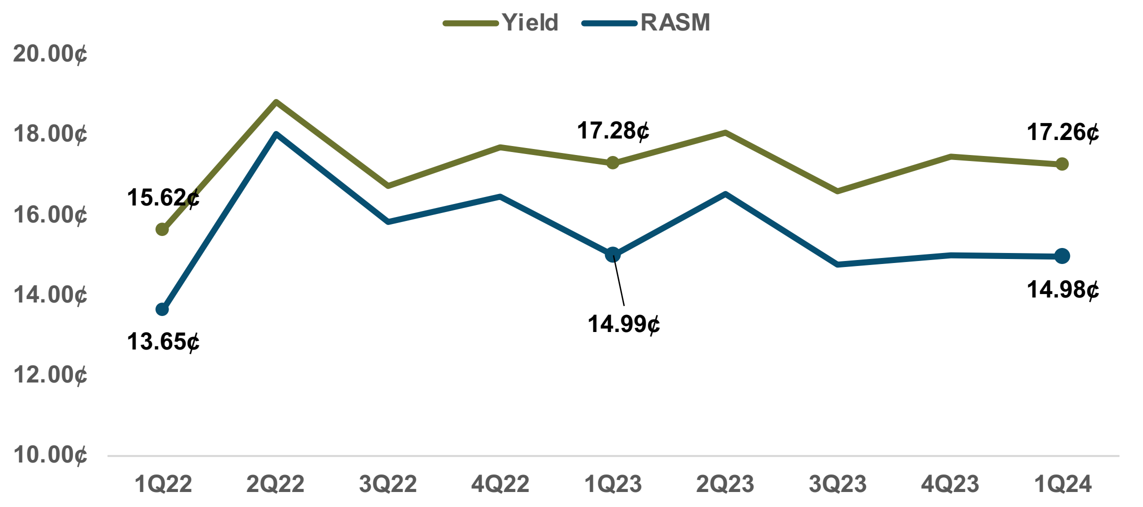
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM

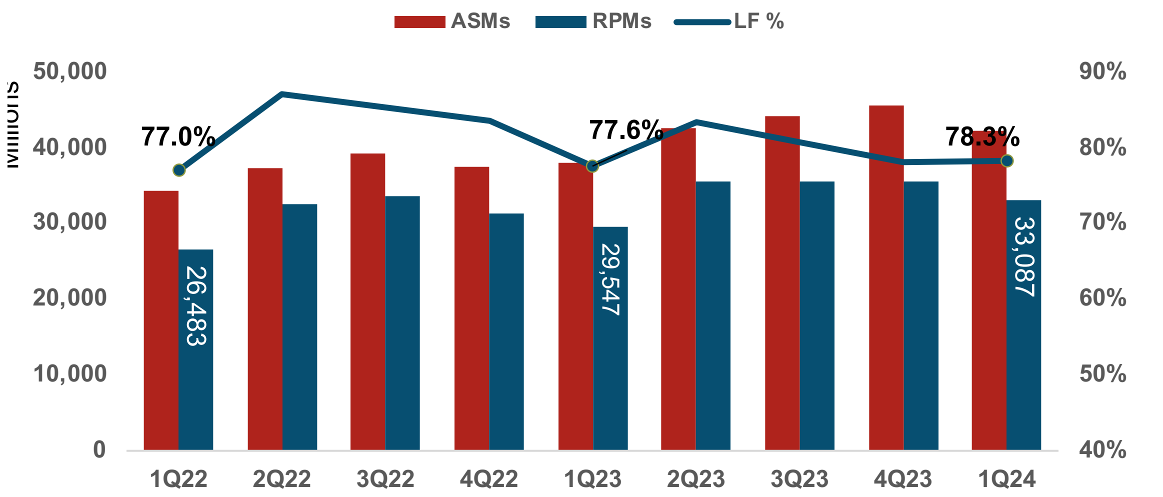


Southwest - Network News

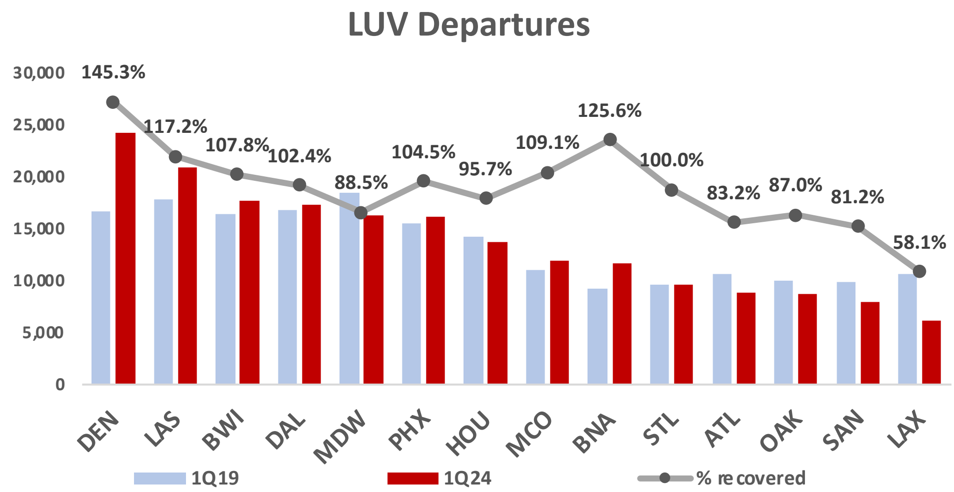
Network news and notes

- Closing four underperforming stations: BLI, CZM, IAH and SYR on August 4th.
- Reducing FLL to just over an average of 32 departures per day (currently 57-60 dept/day) by the September/October base schedule. All international flying moved to MCO except for weekend service to MBJ.
- Reducing departures/seats in ATL and ORD by September/October schedules, with ATL seeing reductions up to 30%.

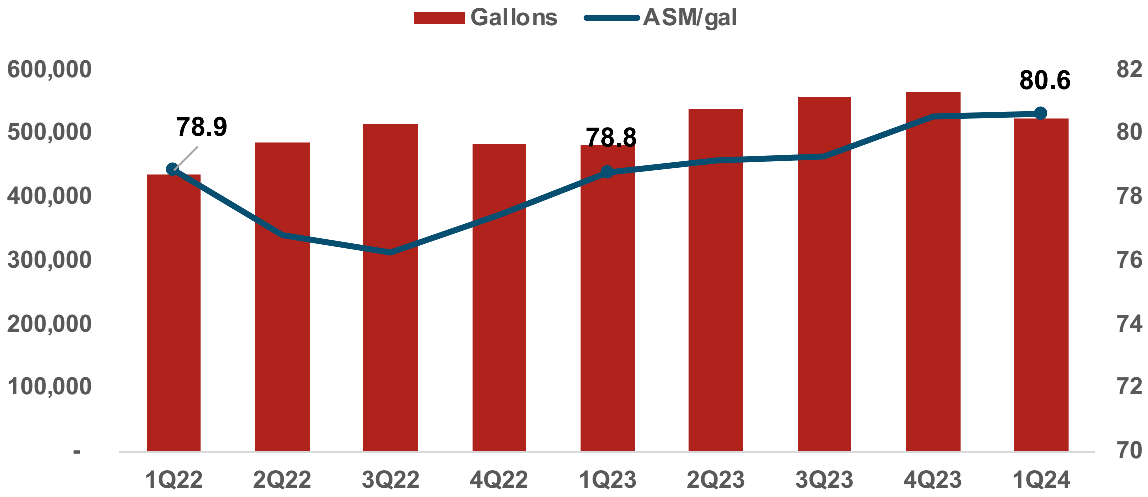
Capacity and Load Factors



Restoration of major hubs and focus cities



Fuel & Fuel Efficiency



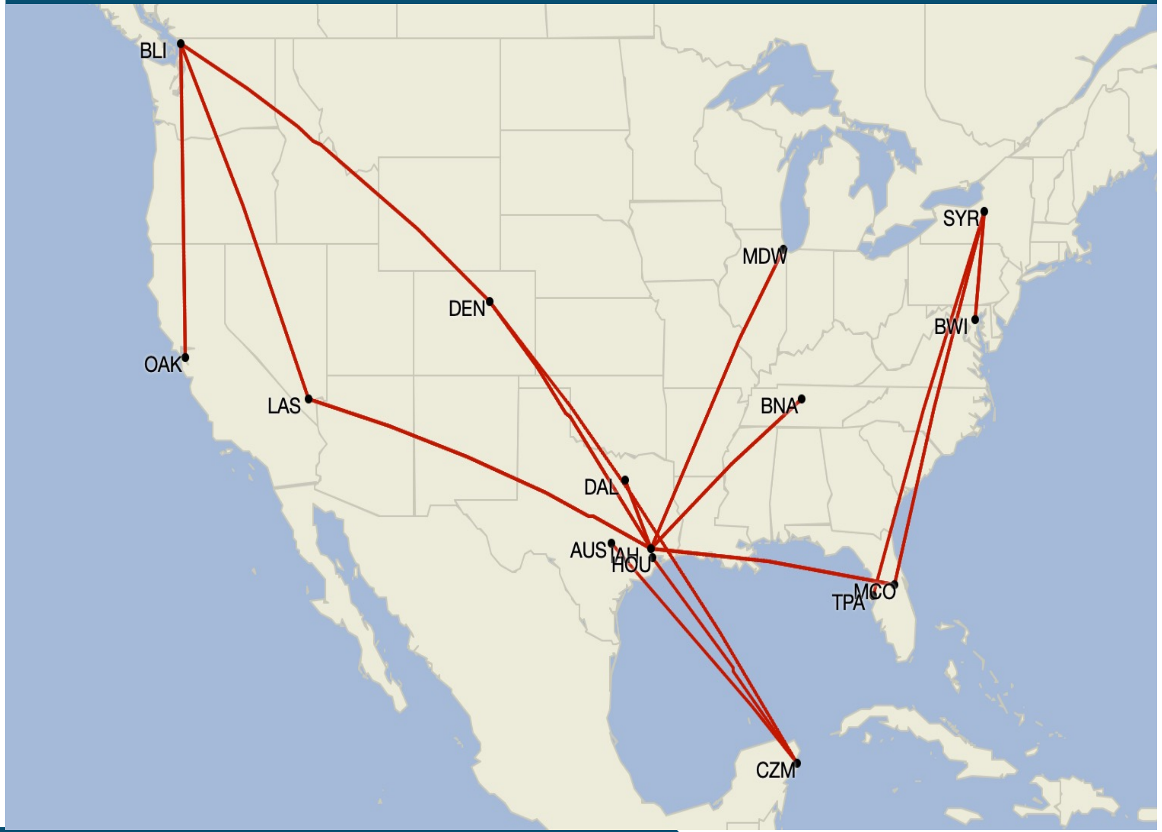
Southwest

Analyst Commentary

- Southwest outlined their plans to earn cost of capital back in January and we were skeptical of the timeline. Now that has been pushed out even further. We forecast the return of favorable financial metrics by late 2025, at the earliest.
- Southwest reported another quarterly loss as revenue growth continues to lag ASM growth. Higher costs are evident , including higher than historical wage rates, albeit in line with its peer group. Their diminished profitability is weighing on the balance sheet and raising investor concerns.
- We expect continued declines in liquidity as CAPEX, higher labor, fuel and increased maintenance costs pressure margins for the short to medium term.
- Over the past couple of years, Southwest has not been able to capitalize on arguably the best demand environment in airline history. Some of the headwinds are self-inflicted but customer tastes are evolving.
- Southwest has the network depth, balance sheet and brand to pivot quickly but they have been slow to move while costs have ballooned. A ton of work is needed to right-size the company.
- While revenue trends were solid, the company acknowledged that its key revenue initiatives are underperforming expectations and not offsetting cost inflations.
- Southwest announced results that clearly underwhelmed, though we were encouraged by management commentary that product-related course corrections are at least under consideration.

Guidance	2Q24	FY 2024	Notes
Capacity	Up 8%-9%	up 4%	FY capacity reduced 2pts
RASM	Down 1.5% - 3.5%		Comp to 2022
CASM-ex	Up 6.5% - 7.5%	Up 6% - 7%	FY CASM-ex; 5 pts labor, 2pts mx
Fuel cost	\$2.70 - \$2.80	\$2.70 - \$2.80	FY +15¢
CAPEX		~2.5B	reduced from \$3.5-4.0B (delayed a/c)
Aircraft		802	Was 814
Interest Exp	~\$62m	~\$252m	

Southwest will close BLI, CZM, IAH and SYR August 4th



Ultra Low-Cost Carriers (ULCCs)

allegiant

FRONTIER AIRLINES

spirit airlines

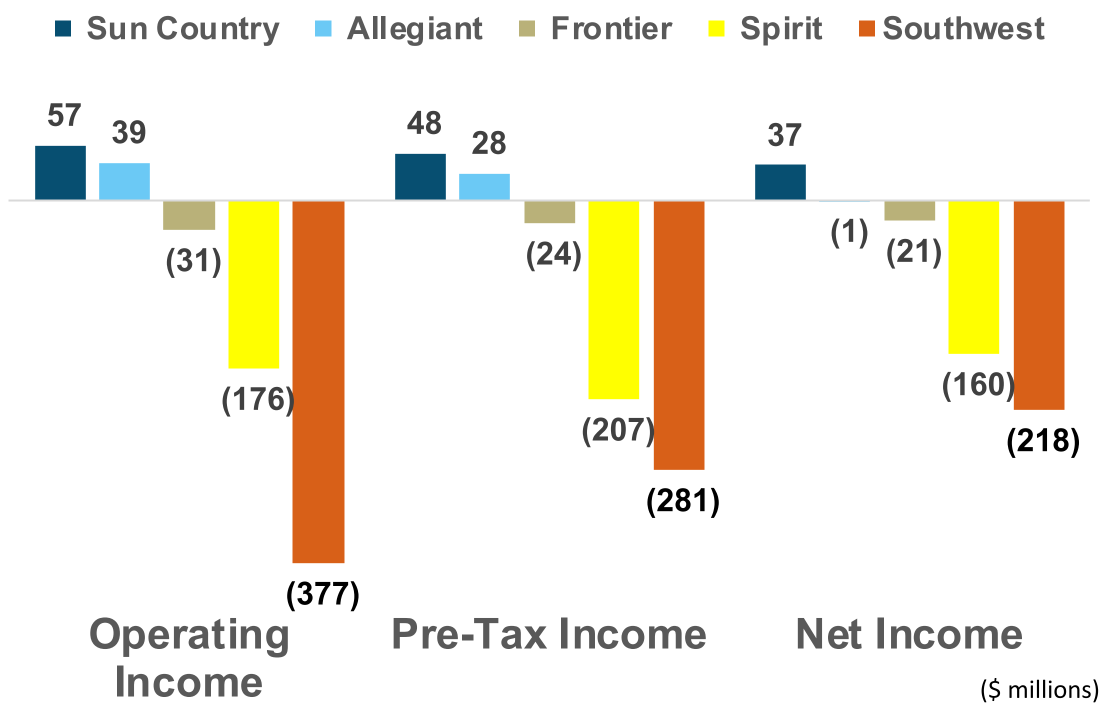
sun country airlines

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

Key Financial Results

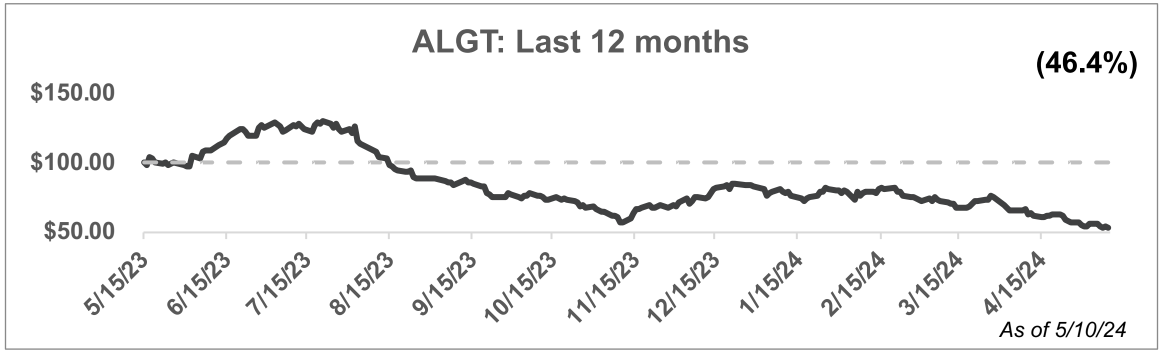
ULCCs vs. Southwest

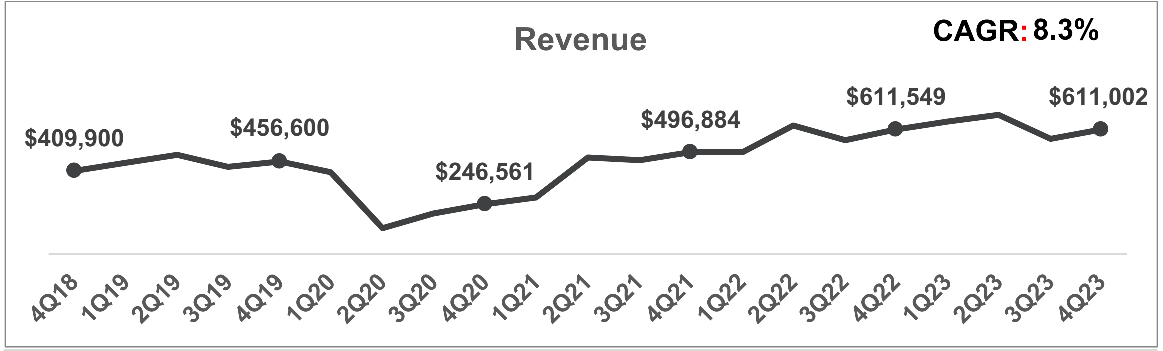
1st Quarter 2024

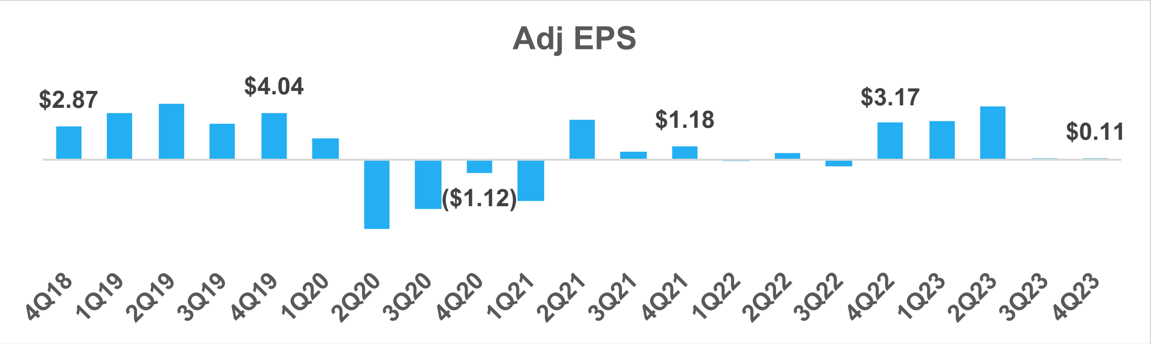


Non-GAAP – excludes special items

Allegiant Travel Co.







Allegiant

"2024 is a transitional year for Allegiant. We have a clear path forward."

1Q24 adj. pre-tax income (airline only): $26M

Allegiant reported quarterly earnings above industry expectations, but the CEO described several headwinds that impacted what is historically the company's strongest quarter of the year. Problems with the upgrade to the Navataire revenue management system and productivity declines associated with fleet/pilots were highlighted as problematic in 1Q. Delivery delays from Boeing also impacted growth and will continue, as the company does not expect any MAX aircraft in service until later this year. ALGT noted that pilot hiring, and attrition has improved considerably; they believe they will be able to return to the peak flying levels of 2019 by early 2025. The Sunseeker resort has opened with very positive reviews. The financials are lower than planned at present, but the ramp-up to full capacity is expected by late summer.

EFA takeaway: Allegiant is experiencing many of the same issues affecting other ULCC carriers. However, their core business model has plenty of growth potential.

Items of Interest

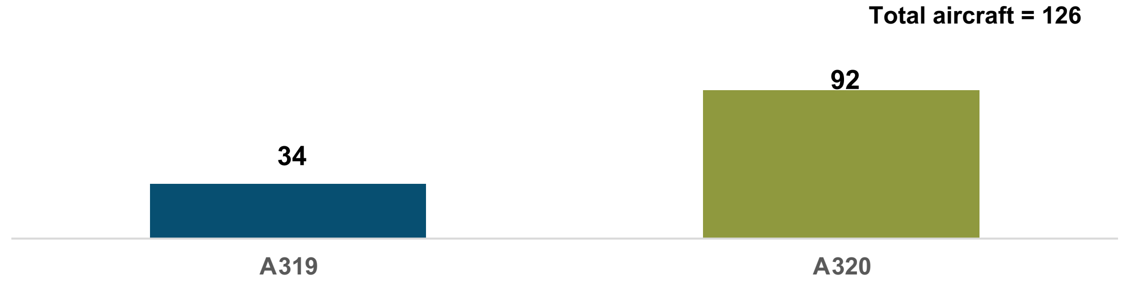
- Airline only revenue and TRASM were the second highest reported for the first quarter with ancillary per passenger and core products were strong.
- Overall TRASM was higher than 4th quarter 2023 but still down on a YoY basis. The forecast is for a decline in the second quarter as well. The new revenue system cutover is expected to help but is a medium-term solution.
- Allegiant Extra product is being implemented, with 15 aircraft so far and 11 additional aircraft expected to come online in May. The company compares the product to Delta's Comfort+.
- Loyalty and co-brand card compensation increased 24% YoY. High margin third-party hotel and rental car packages, newer air ancillary products such as Allegiant Extra, Legroom plus and future new products are expected to drive significant revenue growth in the future.
- Sunseeker has opened successfully but due to the change in dates, did not book as much business as originally planned. They also report excess room capacity going forward but with higher-than-expected costs. Approximately $23M in revenue. Should improve later in 2024.
- Non-fuel costs were up double-digits, mainly due to pilot retention bonuses, extra training costs associated with the MAX and maintenance costs. Fuel was also up slightly.
- Retired one A320 and took delivery of one A320, the last scheduled delivery of that type. The first MAX-8-200 will not enter service until 3Q. Will receive only 6 of 12 originally planned.
- $1.1B of liquidity with $275M in revolving line. Net debt $1.4B with $122M in CAPEX.

1Q Snapshot (as compared to 1Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
5.7%	*0.1%*	*5.5%*	*12.4%*	*10.6%*

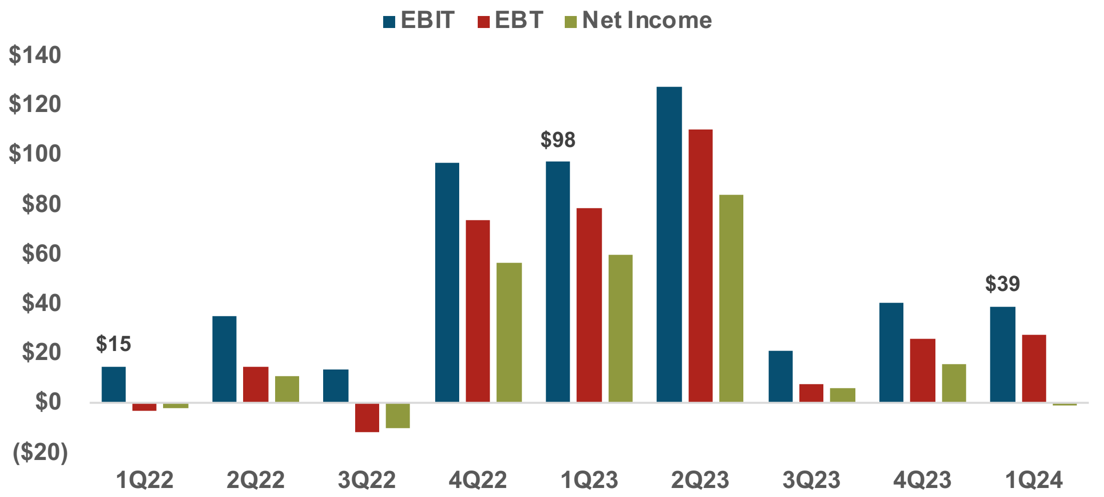
Allegiant Stats	1Q24	1Q23	1Q19	y/y	y/5y
Airline Revenues	$656M	$650M	$448M	1.0%	46.4%
Adj Operating Income (EBIT)	$39M	$98M	$99M	(59.9%)	(60.3%)
Adj Operating Margin	6.2%	15.0%	22.0%		
Adj Pretax Income	$28M	$79M	$81M	(65.1%)	(66.2%)
Adj Net Income	($1M)	$60M	$65M	n.m.	n.m.
Adj EPS	$13.90	$3.30	$3.98	321.2%	249.2%
Capacity (ASMs)	4.6 billion	4.6 billion	3.8 billion	1.4%	22.0%
Yield	16.90¢	16.55¢	14.05¢	2.1%	20.3%
TRASM	13.76¢	13.89¢	11.46¢	(1.0%)	20.0%
CASM	12.75¢	11.80¢	9.22¢	8.1%	38.3%
CASM-ex	8.87¢	7.75¢	6.40¢	14.5%	38.6%
Fuel (econ)	$3.03	$3.42	$2.14	(11.4%)	41.6%

Allegiant Fleet – 1Q24

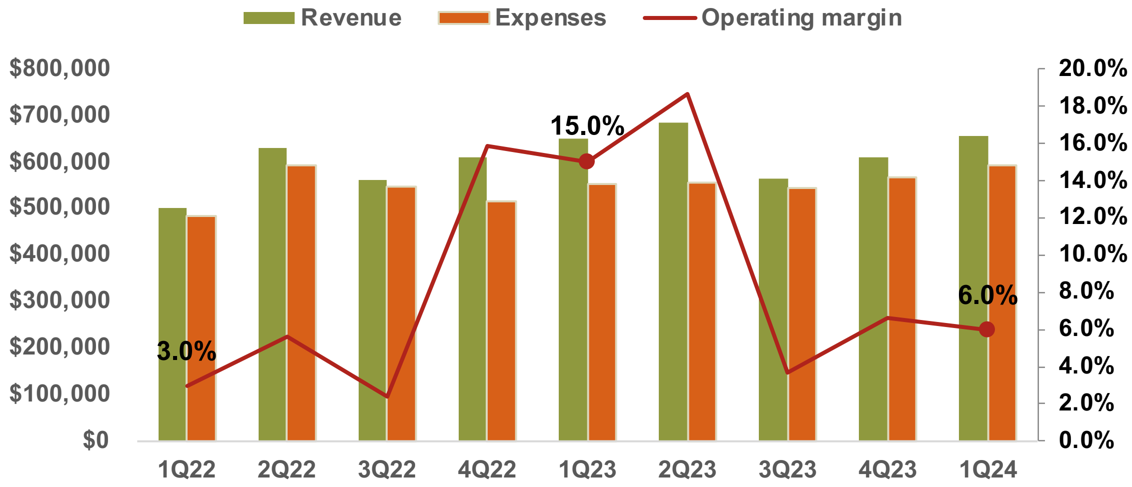


Allegiant - Financial Performance

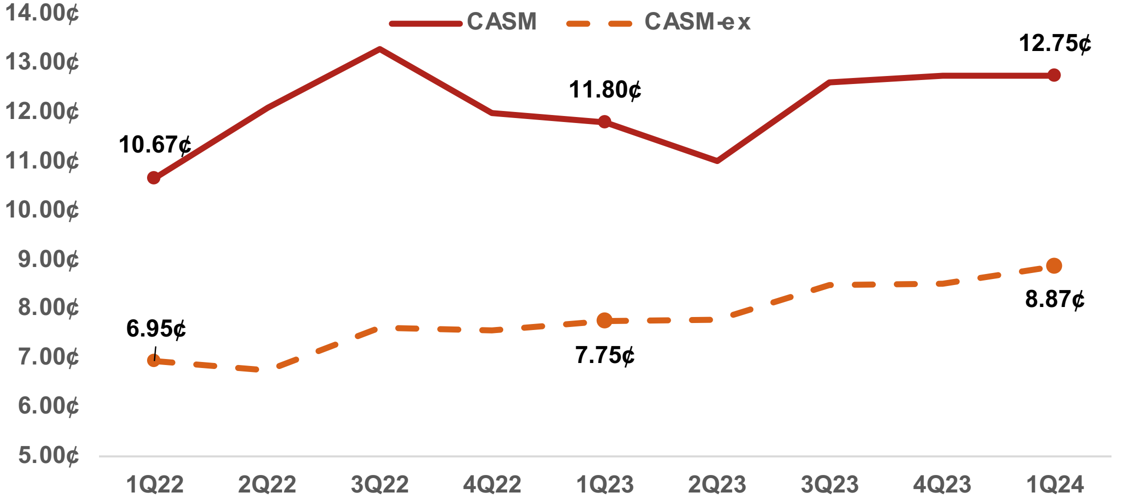
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



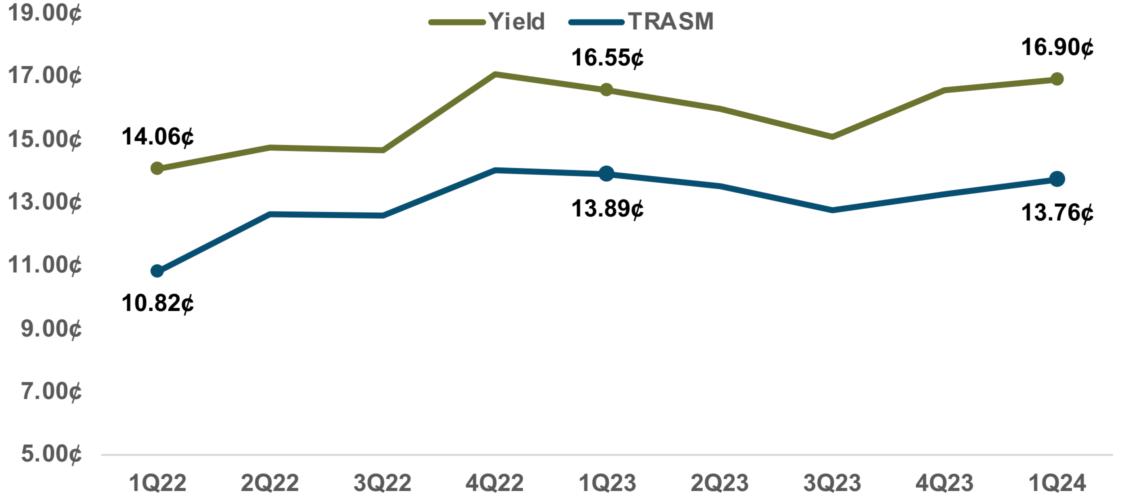
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM

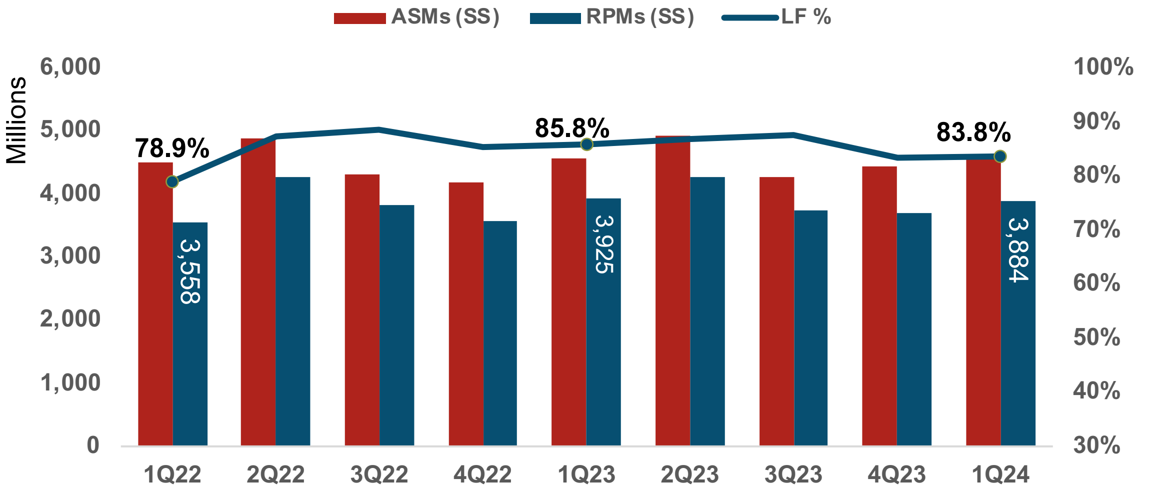


Allegiant - Network News

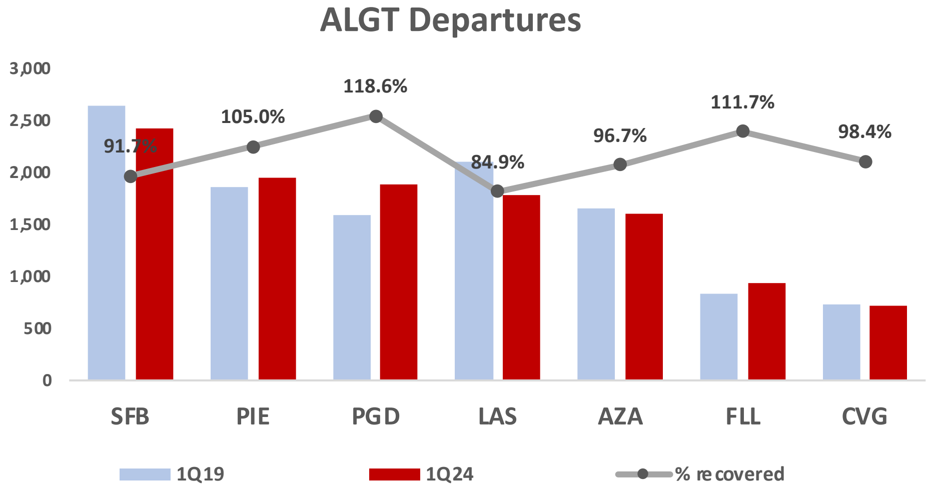
Network news and notes

- Added additional service from CVG. The carrier now has 21 routes currently and is the carriers eighth busiest airport.
- Starting 14 new routes in June, with the bulk of the service from LAX, TYS and JAX.

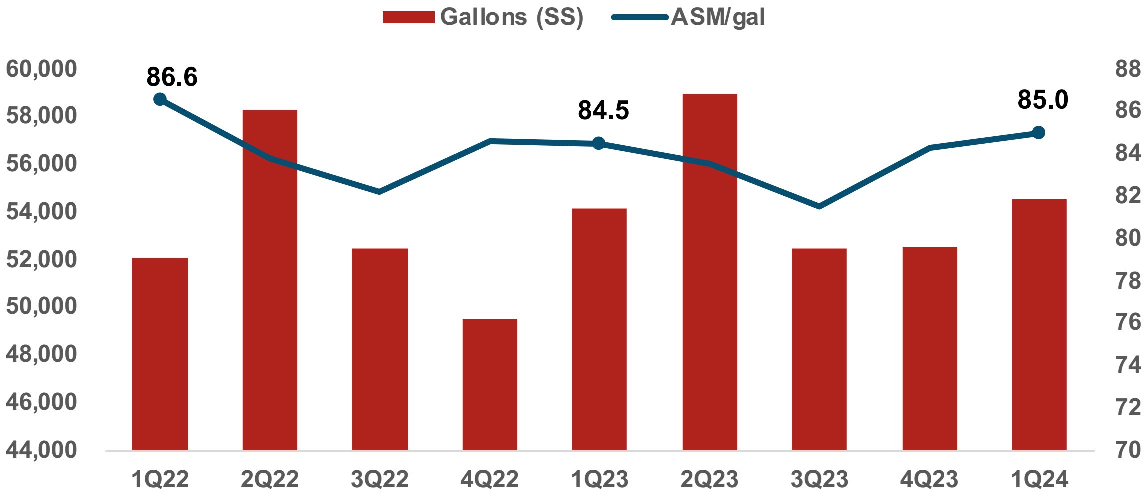
Capacity and Load Factors



Restoration of major hubs and focus cities



Fuel & Fuel Efficiency

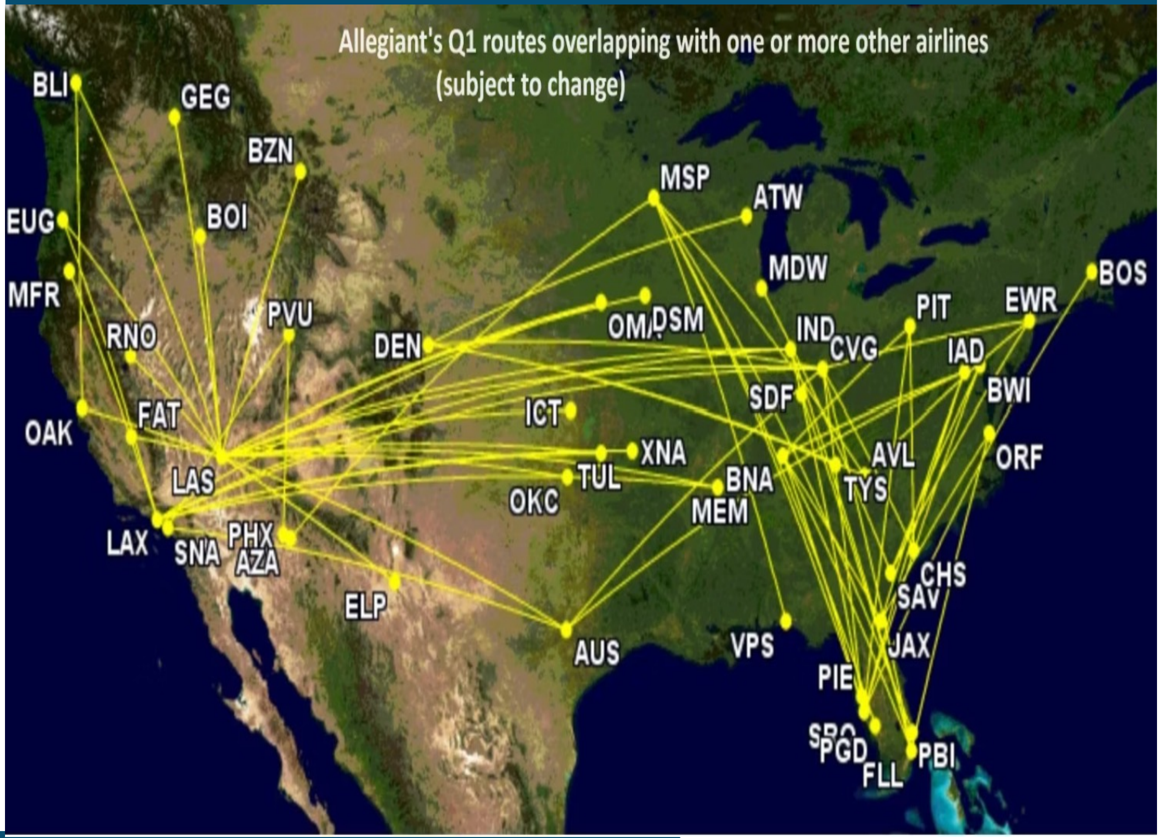


Allegiant

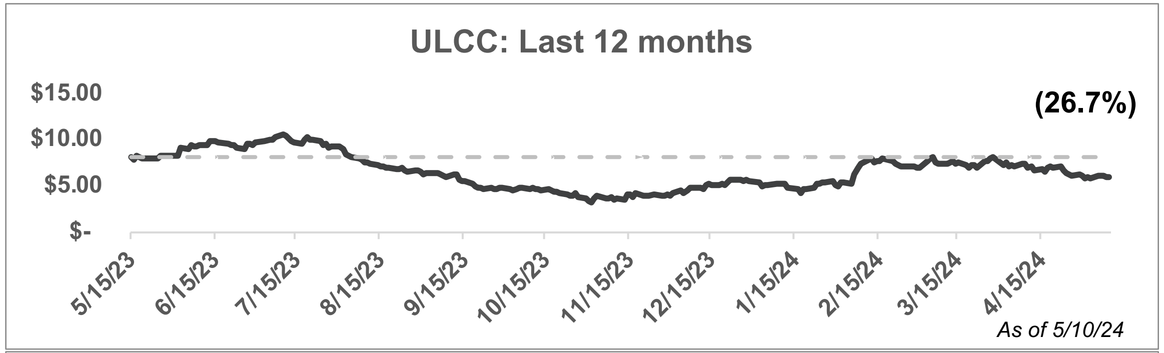
- Allegiant produced a nice beat of EPS expectations, but second quarter guidance was less than expected. They face several headwinds going forward including delivery delays and reduced aircraft utilization.
- We see a year of transition as Allegiant addresses key headwinds. Reduced utilization, integration of new reservations and revenue system and Boeing delivery delays.
- Despite beating our estimates in the first quarter on better cost control, we are reducing our estimates for the second quarter on weaker revenue due to the Easter timing shift and growing pains at Sunseeker.
- We see a meaningful moderation in CAPEX plans due to lower aircraft deliveries, however we still believe the ALGT balance sheet will see elevated leverage levels as those deliveries coincide with softer unit revenues and continued start-up costs with Sunseeker resort.
- Allegiant posted slightly less robust earnings than we had expected. Compounding the weaker commercial outcomes are delivery delays from Boeing.
- The company guided to worse-than-expected losses at Sunseeker resort and softer-than-expected revenue guidance for the second quarter. We think this will give investors pause, due to lower core airline profitability.
- The higher costs from a new pilot agreement should be partially offset by increased productivity.

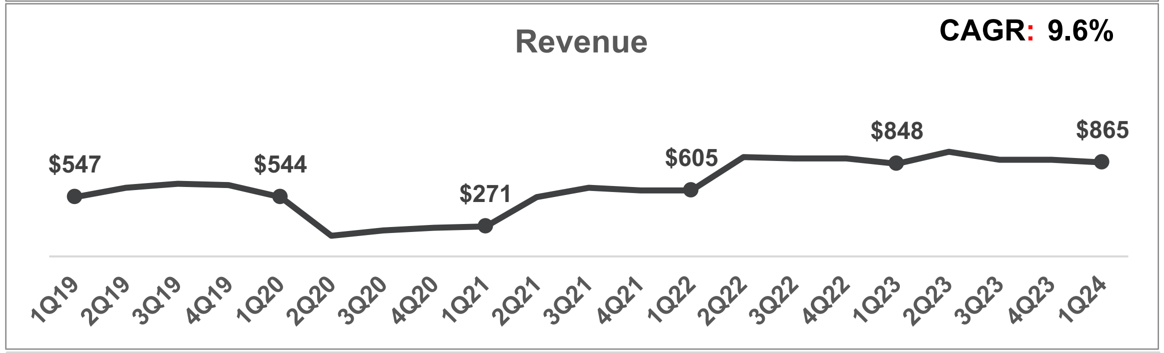
Guidance	2Q24	FY 2024	Notes
Capacity	Down ~ 1.0%	Up 2% - 4%	FY top end guide reduced from 6% tp 4%
Operating margin	7.0% - 9.0%		
EPS	$1.25 - $1.75		
Fuel	$2.90		
CAPEX		$470m - $510m	reduced on fewer Boeing deliveries
Fleet		126	Down 4 from 1Q report; Includes 6 x 737-8200

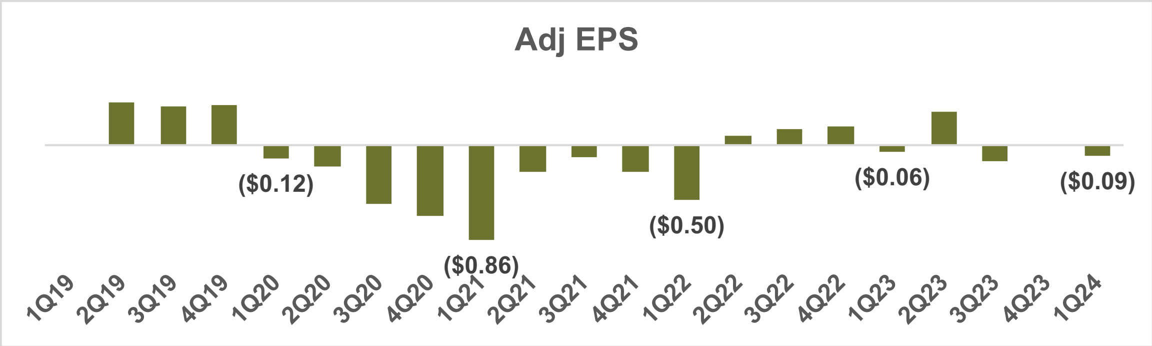
Allegiant competes with other airlines on only 15% of its routes



Frontier Airlines







Frontier

“Our objective is to widen our relative cost advantage to the industry”

1Q24 adj. pre-tax income (loss): ($24)M

Frontier reported a loss for the first quarter, although slightly less than expected. Interestingly, this was achieved using sale of newly received aircraft and then leasing them back while booking the gains. This drove costs lower in the quarter. CEO Barry Biffle was unapologetic about using this legal accounting tactic and suggests they will keep using this strategy as they obtain new Airbus aircraft. The company is also very positive on its large-scale network changes and will focus on yield rather than volume even with capacity increasing in the low teens this year. Frontier will open its 13th and final crew base in June in San Juan, as it enters the final stages of the transition to a mostly out-and-back network. Due to this change, a significant portion of their flying will be in new markets, as these mature the company expects meaningful RASM gains. Other revenue initiatives are planned as well, all of which should drive higher margins.

EFA takeaway: Frontier moves forward with big network changes and new product offerings that could open a path to better financial results

Items of interest

- Total operating revenues higher year-over-year on capacity growth of nearly 8%. Departures increased 14% on a stage length that was 9% shorter.
- Total Revenue per passenger was $124, down 1% as compared to 1Q 2023. This decline and the corresponding RASM decline was driven by a decrease in flown load factor from 83% to 73% but yields increased as the carrier focused on higher fares and ancillary revenues.
- In March, approximately 67% of the network was operated as an out-and-back and by April that percentage was up to 75%. This is expected to reduce the cancellation rate by 10% and improve on-time arrivals by 5%.
- Introduced ”BizFare” and “Upfront Plus” for premium product customers. This product is modeled after business class offering used by European carriers in intra-Europe flying.
- Will introduce NDC, website and mobile app in 2H 2024 that will improve merchandising and lower distribution costs. Expected to see increased revenue per passenger and LF’s from use.
- Adjusted CASM-ex was down 3% due to sale-leaseback transactions and “aggressive cost management”. Plan to achieve $200M in run rate cost savings by YE2024. Fuel expense down and fuel efficiency up as well.
- Liquidity of $622M with cash of $156M net of total debt. Took delivery of six A321neo’s in first quarter, taking another six in second quarter and 11 in second half 2024. All will be financed through sale-leaseback transactions.

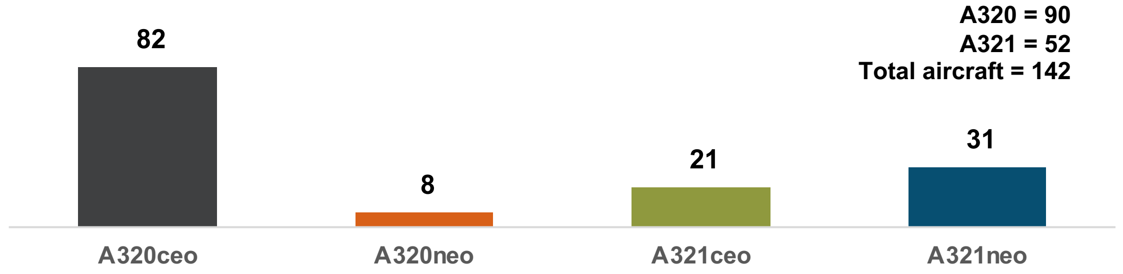
FRONTIER AIRLINES

1Q Snapshot (as compared to 1Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
↑ *7.6%*	↑ *2.0%*	↓ *5.3%*	↑ *1.5%*	↓ *15.1%*

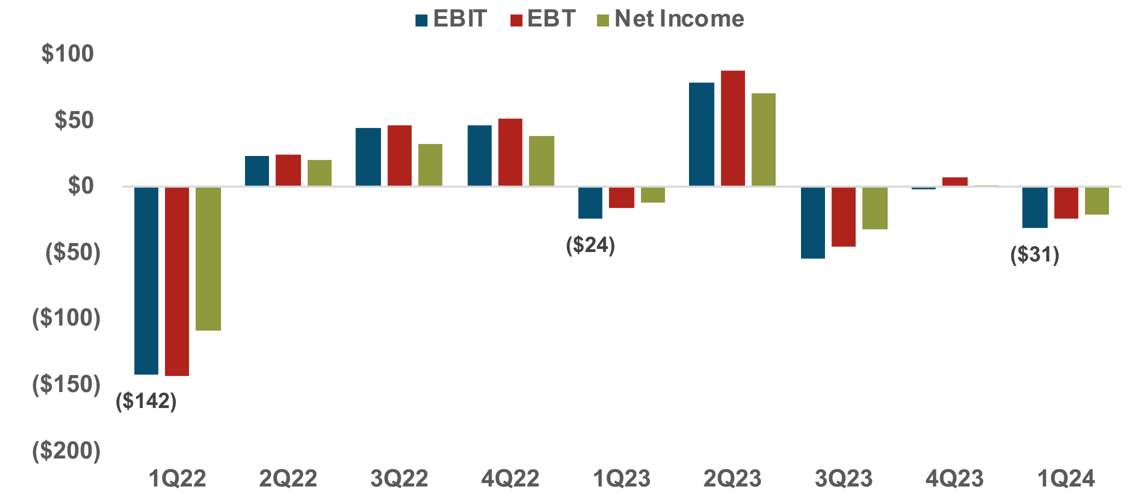
Frontier Stats	1Q24	1Q23	1Q19	y/y	y/5y
Revenues	$865M	$848M	$547M	2.0%	58.2%
Adj Operating Income (EBIT)	($31M)	($24M)	$64M	n.m.	n.m.
Adj Operating Margin	(3.6%)	(2.8%)	11.6%		
Adj Pretax Income	($24M)	($16M)	$25M	n.m.	n.m.
Adj Net Income	($21M)	($12M)	$52M	n.m.	n.m.
Adj EPS	($0.09)	($0.06)		n.m.	
Capacity (ASMs)	9.4 billion	8.8 billion	6.2 billion	7.6%	51.9%
Yield	12.30¢	11.43¢	9.97¢	7.6%	23.3%
TRASM	9.16¢	9.67¢	8.79¢	(5.3%)	4.2%
CASM	9.49¢	9.95¢	7.77¢	(4.6%)	22.2%
CASM-ex	6.71¢	6.61¢	5.50¢	1.5%	22.0%
Fuel (econ)	$2.93	$3.45	$2.20	(15.1%)	33.2%

Frontier Fleet – 1Q24

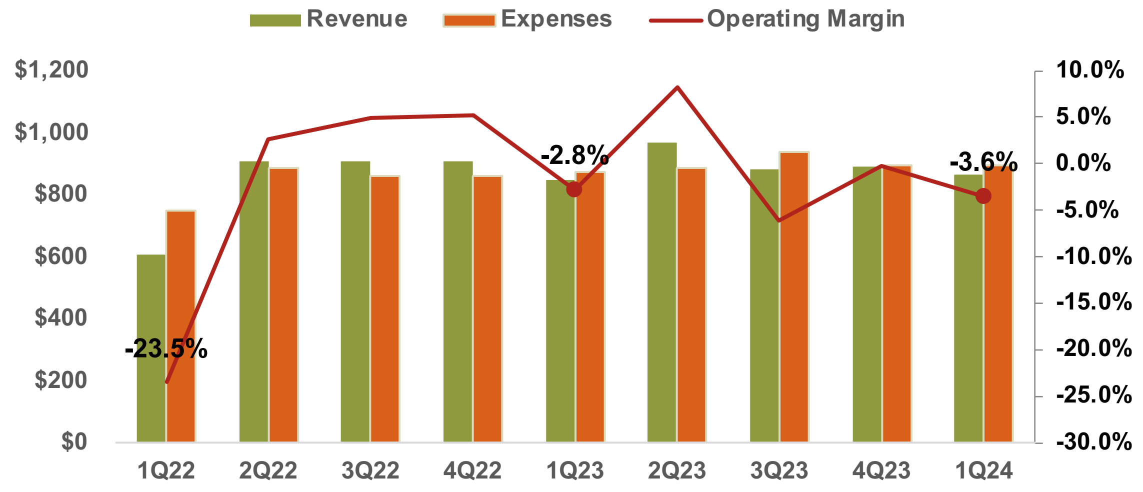


Frontier - Financial Performance

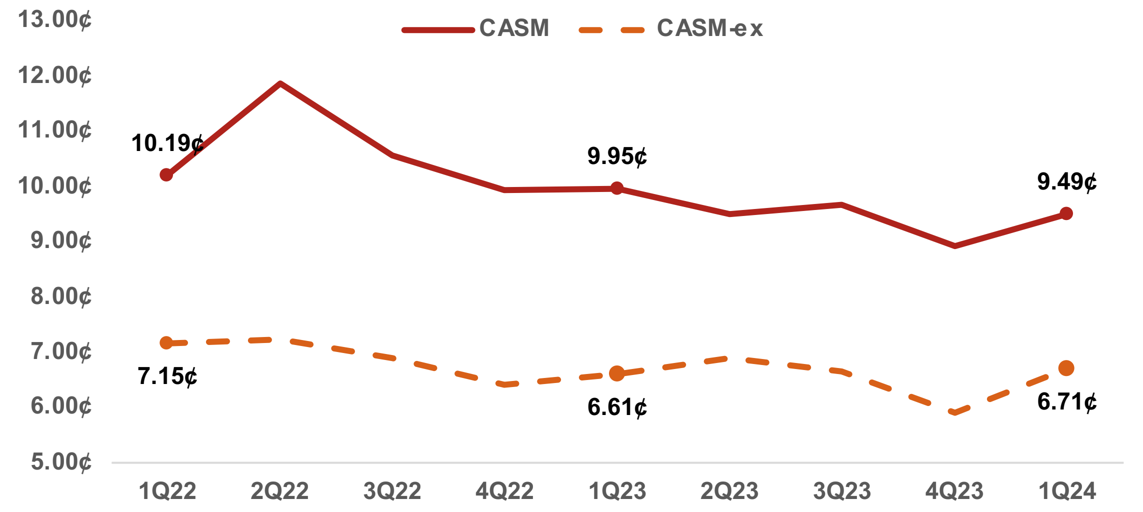
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



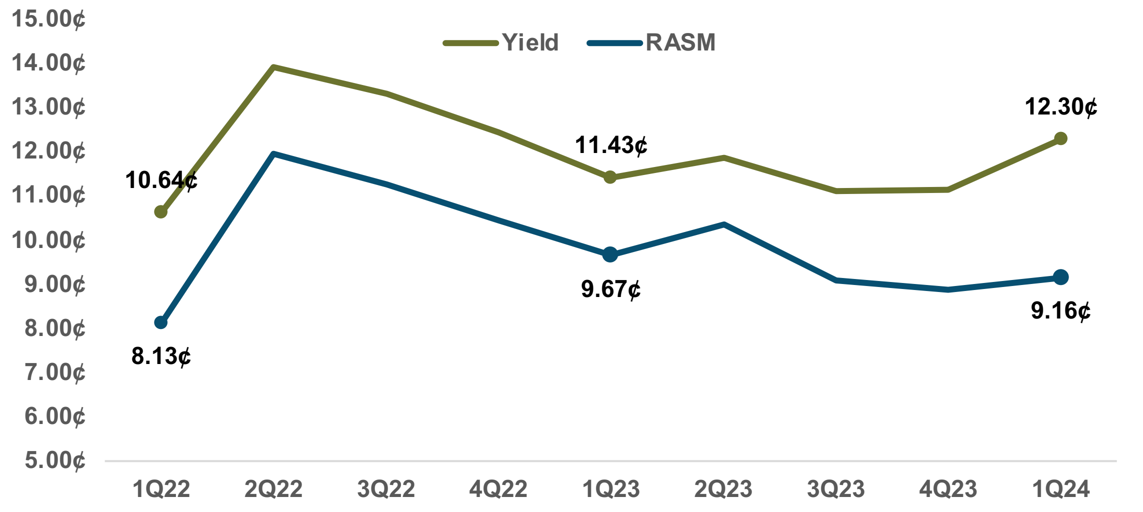
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM

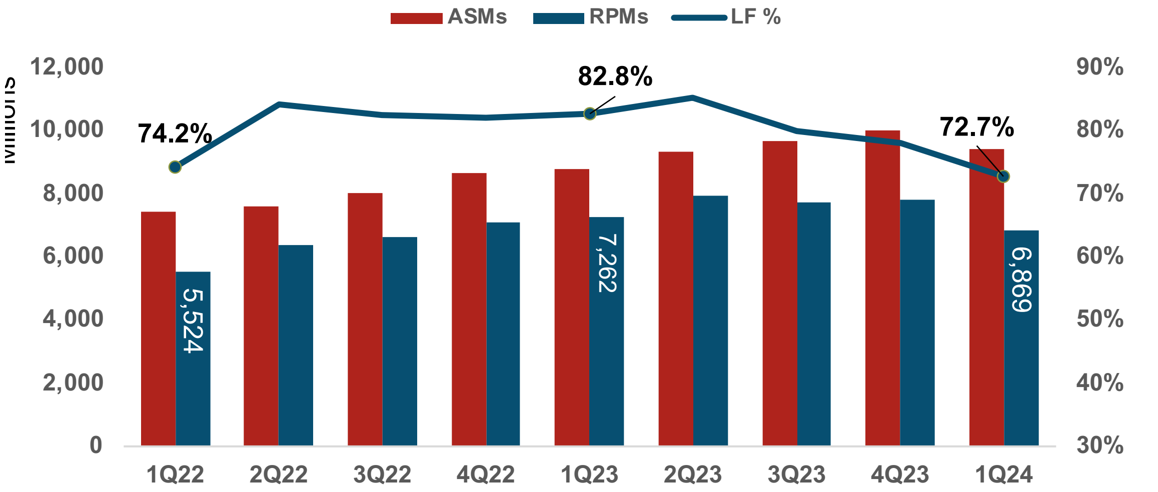


Frontier - Network News

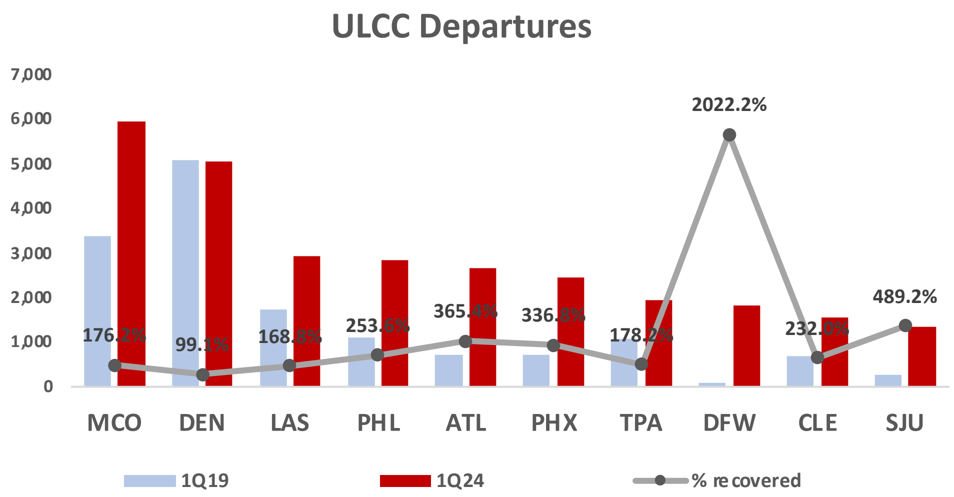
Network news and notes

- Opened Cleveland crew base in mid-March, will serve 30 destinations by summer. CVG and ORD will open as crew bases in May and SJU by June, bringing the total to thirteen by end of second quarters.
- Will add several international flights from SJU, including Barbados, the Dominican Republic, St. Maarten and Punta Cana.
- Will fly LAX-SFO for the first time since 2007, service started mid-April.
- 20%-25% of markets will be new by June 2024.

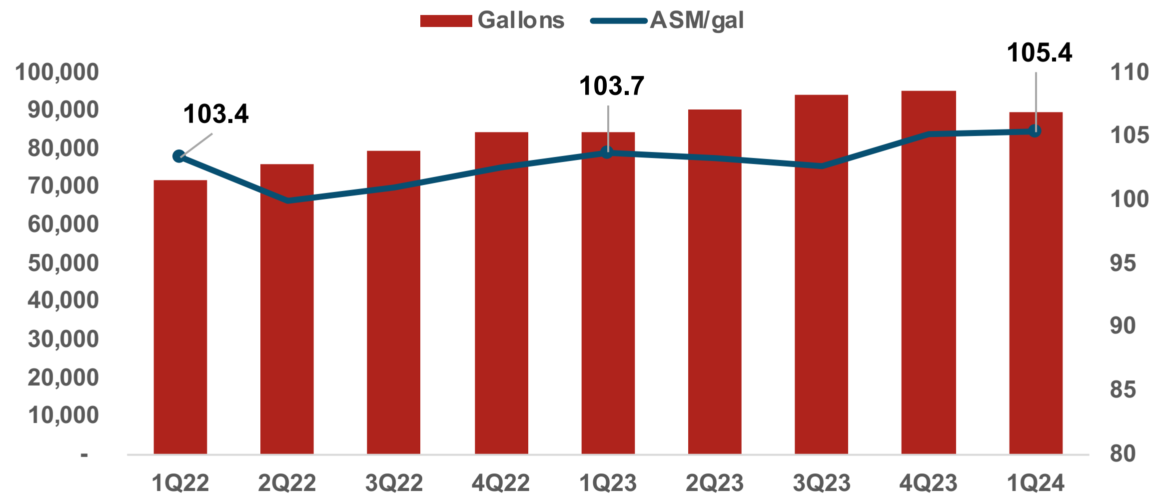
Capacity and Load Factors



Restoration of major hubs and focus cities



Fuel & Fuel Efficiency

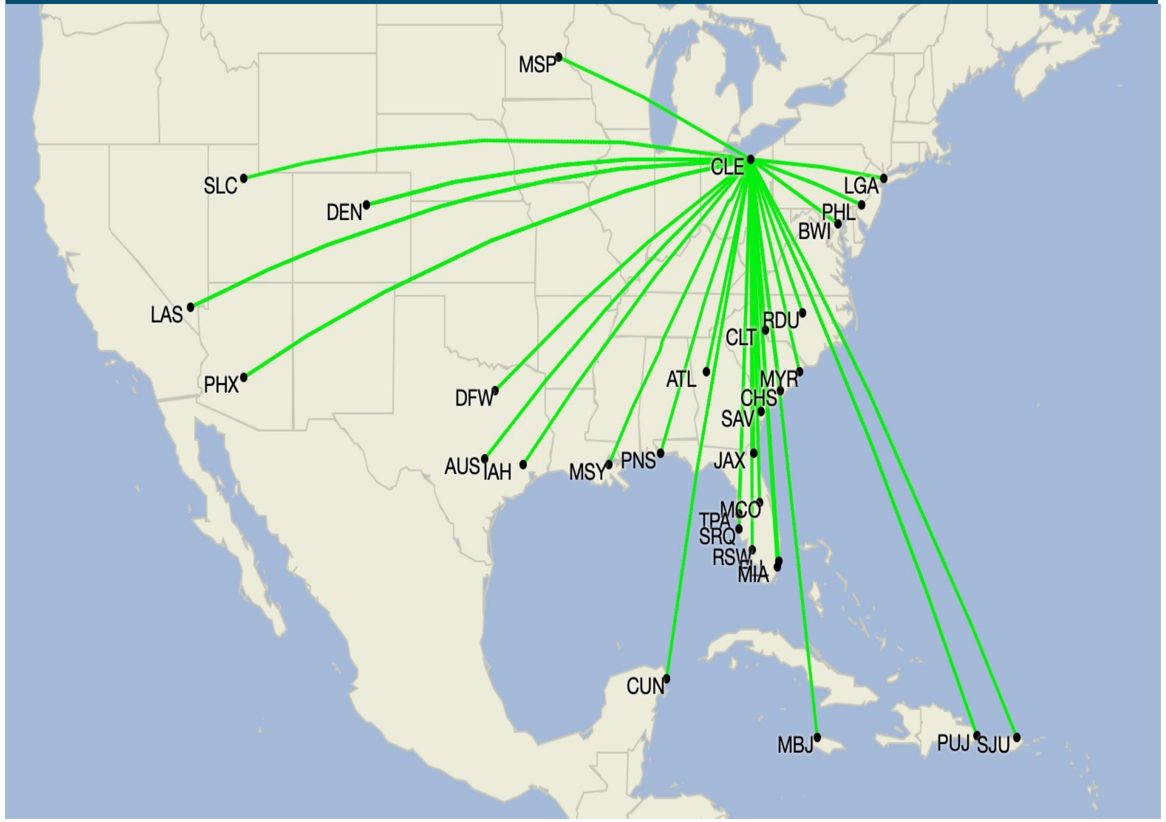


Frontier

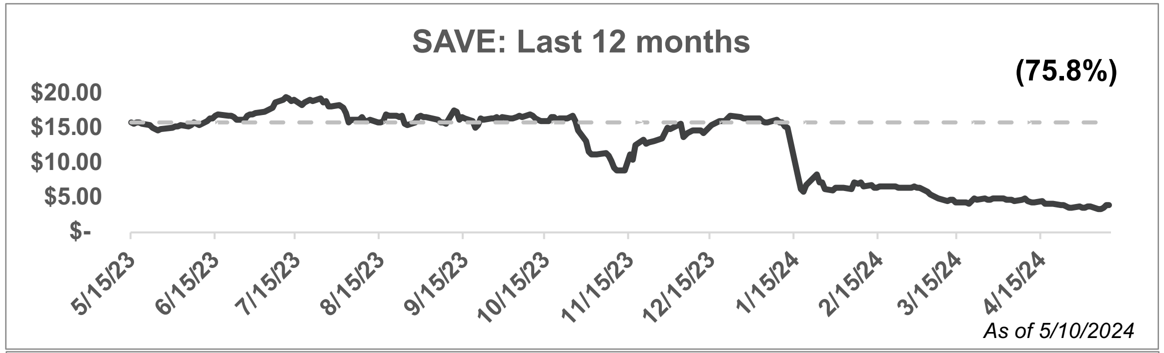
- Their focus has become yields, rather than volume. We noticed the load factor was well below other quarters.
- We still think they have a depth of untapped markets and a large order book of A320neo family aircraft to get there. We think fares will trend higher and profitability to improve.
- Management has multiple "irons in the fire" that collectively should drive profitability from the second quarter onward. Revenue initiatives, network changes, digital applications, cost initiatives are some of steps that should drive this.
- We remain concerned that outsized sale-leaseback gains are increasingly core to Frontier's profitability , potentially front-loading returns at the expense of diminished economics somewhere down the road.
- Due to the new relationship between Legacy and low-fare airlines, we see persistent headwinds and find the upside to travel recovery lies with the larger carriers.
- Management has a lot of conviction, but first half of 2024 performance has yet to show real proof that we need to see before underwriting the outlook.
- The unique nature of their aircraft financing model gives them some breathing room relative to their peers. If the network adjustments take hold, 2025 has the makings of a much cleaner year.

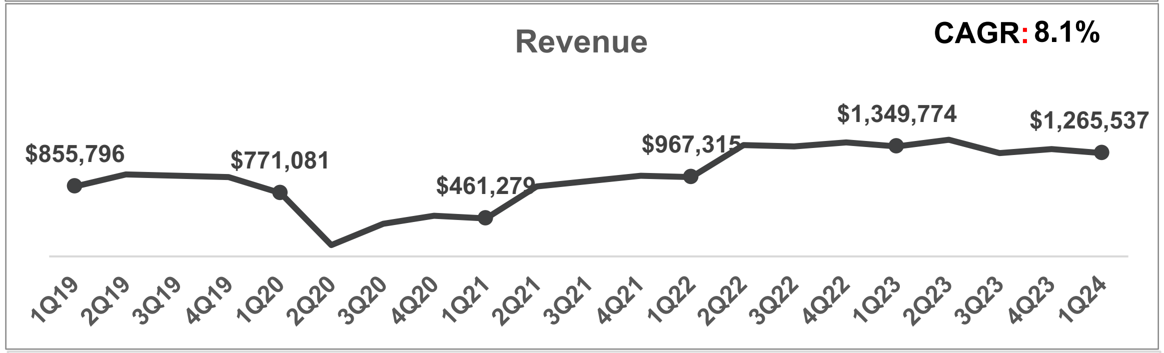
Guidance	2Q24	FY 2024	Notes
Capacity	Up 12% - 14%	Up 12%-15%	
Adj. Op Ex (ex-fuel)	$705m - $720m		
Fuel	$2.80 - $2.90	$2.80 - $2.90	
CAPEX		$180m - $230m	incl PDP, net of refunds
CASM-ex (SLA)		Down 1% - 3%	
Adj. pre-tax margin	3% - 6%	3% - 6%	

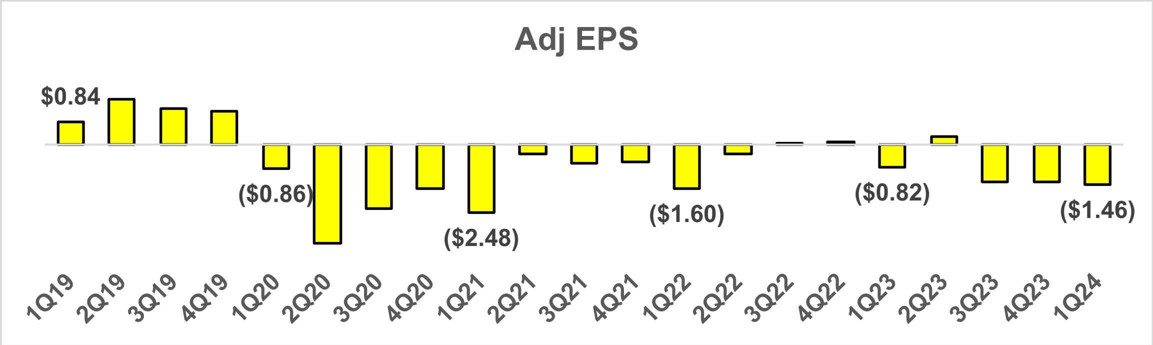
The new Cleveland pilot base opens with 30 destinations



Spirit Airlines







Spirit

"We are developing a standalone plan to improve our financial results"

1Q24 adj. pre-tax income (loss): ($207M)

Spirit posted a loss for the first quarter, with many of the same persistent issues affecting the airline. Operational issues, particularly with ATC along the Eastern Seaboard, overcapacity in several markets and aircraft groundings were mostly to blame, according to CEO Ted Christie. The carrier noted weaker demand for its product on off-peak days as well as increased competitive capacity in numerous markets. They plan to move aircraft into other parts of their network to maximize revenue. Other strategies to mitigate new merchandising strategies, changes to ancillary revenue buckets and reducing capacity in Caribbean/Latin American markets. The Airbus grounding and structural issues will continue to affect Spirit through 2025 but the company says its liquidity is sufficient at present. Senior leadership believes their modifications will have a material effect on the brand and customer experience.

EFA takeaway: Spirit's financial condition is precarious, with grounded aircraft and large debt obligations. The success of the new strategies is critical for survival.

Items of Interest

- Operating revenues and TRASM both fell year-over-year on slightly increased capacity. Revenue per passenger flight, fare revenue and non-ticket revenue all decreased as well. Continued pressure in company's international markets, driven by elevated capacity by both US and non-US carriers.
- Aircraft utilization was 10.4 hours, down 7% compared to first quarter 2023's 11.2 hours. Primarily due to aircraft grounded from P&W issues.
- Despite severe ATC issues and weather, completion factor was 99% for controllable events. Will purposely limit Florida flying this summer to accommodate for delays.
- Will average 25 aircraft on ground presently, with up to 40 by year-end and as many as 70 in 2025. Expect to see $150M-$200M in liquidity benefits from P&W for AOG in 2024.
- Deferring aircraft orders in 2025/2026 to 2030/2031. This will result in a minimum of 260 pilot furloughs, with the possibility of additional, depending on attrition. Will contribute cost reductions of $100M. Deferrals to increase liquidity by $230M.
- CASM-ex up on operational issues and lowered capacity from grounded aircraft. Will continue to "wring out costs" where possible.
- Will accept 27 Airbus neo aircraft while retiring 17 older Airbus aircraft.
- Liquidity of $1.2B. Have hired firms to help negotiate nearly $2B in debt due in 2025/26.

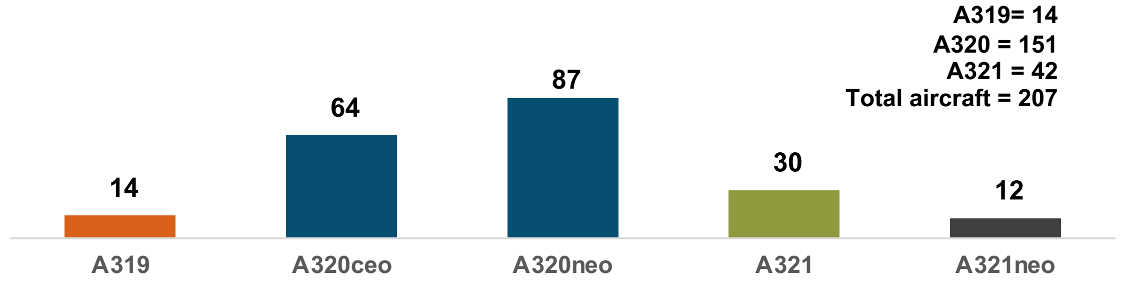
spirit airlines

1Q Snapshot (as compared to 1Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
↑ 2.1%	↓ 6.2%	↓ 8.2%	↑ 6.2%	↓ 15.5%

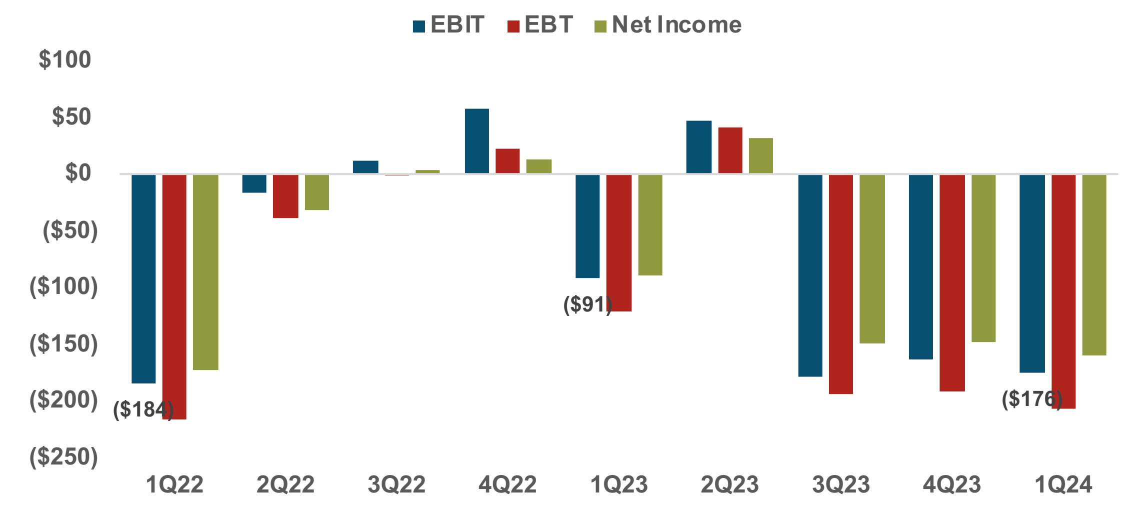
Spirit Stats	1Q24	1Q23	1Q19	y/y	y/5y
Revenues	$1,266M	$1,350M	$856M	(6.2%)	47.9%
Adj Operating Income (EBIT)	($176M)	($91M)	$90M	n.m.	n.m.
Adj Operating Margin	(13.9%)	(6.8%)	10.5%		
Adj Pretax Income	($207M)	($121M)	$74M	n.m.	n.m.
Adj Net Income	($160M)	($89M)	$58M	n.m.	n.m.
Adj EPS	($1.46)	($0.82)	$0.84	n.m.	n.m.
Capacity (ASMs)	13.5 billion	13.2 billion	9.8 billion	2.1%	37.2%
Yield	11.63¢	12.64¢	10.52¢	(8.0%)	10.6%
TRASM	9.38¢	10.22¢	8.71¢	(8.2%)	7.7%
CASM	10.92¢	11.07¢	7.81¢	(1.4%)	39.8%
CASM-ex	7.67¢	7.22¢	5.46¢	6.2%	40.5%
Fuel (econ)	$2.90	$3.43	$2.09	(15.5%)	38.8%

Spirit Fleet – 1Q24

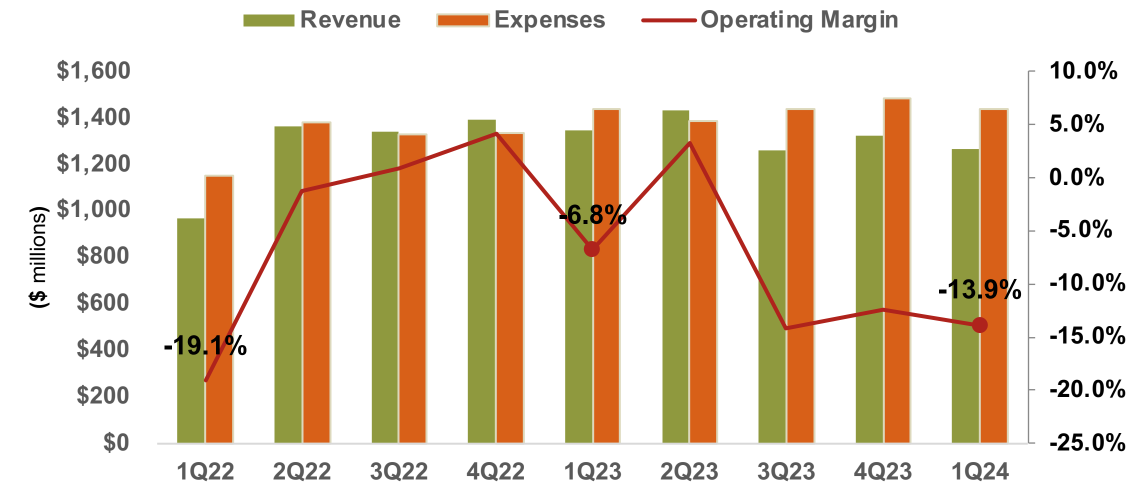


Spirit - Financial Performance

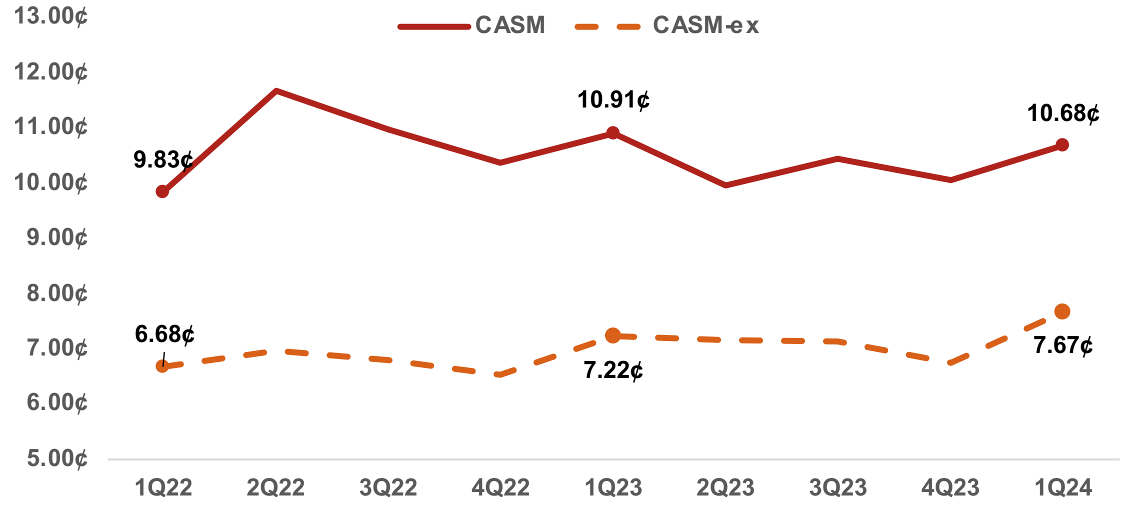
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



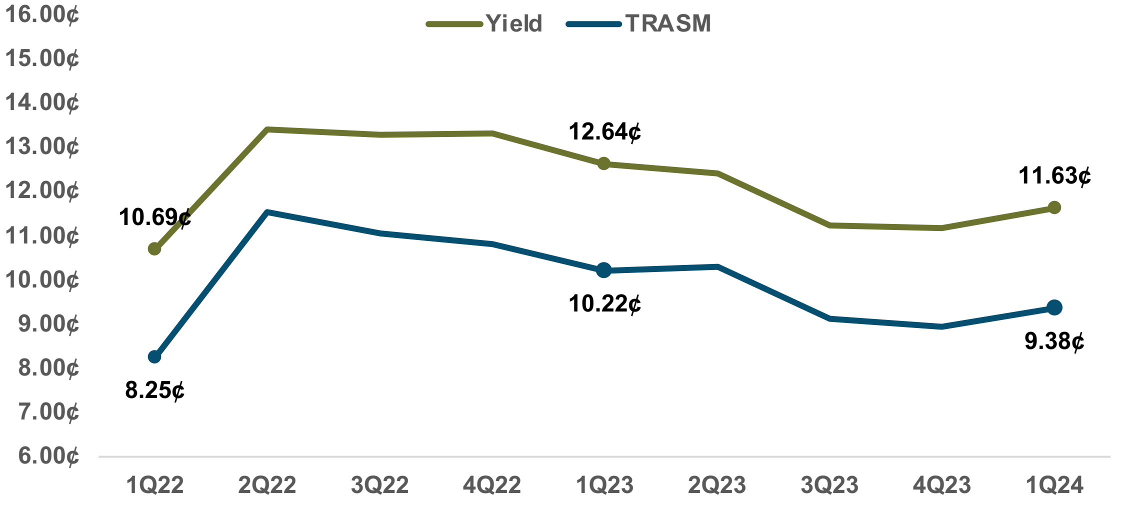
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM

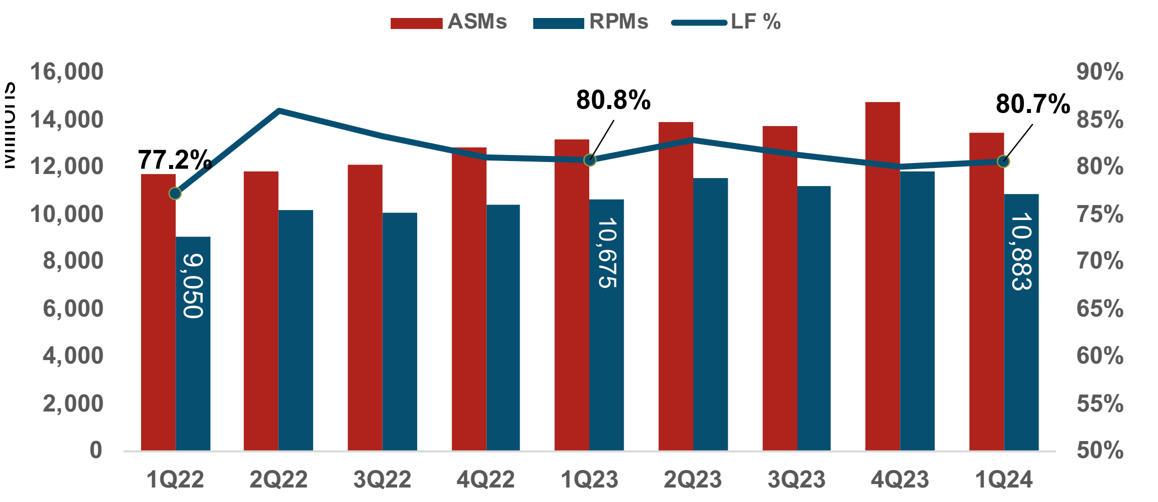


Spirit - Network News

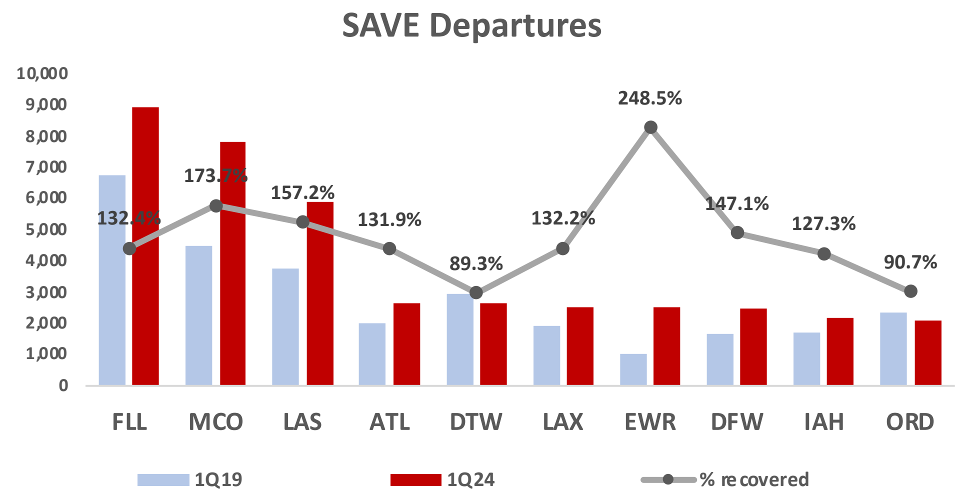
Network news and notes

- Will add routes with less than daily flights, to keep capacity in check. Removing flights from MCO and MIA to redeploy to other focus ciities.
- Adding SLC-FLL and SLC-SAN to summer schedule, as well as BOS-CMH, DTW and PIT.
- Will rebuild FLL as Southwest shrinks, adding PHX, IND, IAH and increased frequencies to BNA, CLT, MYR, ORD and RIC.

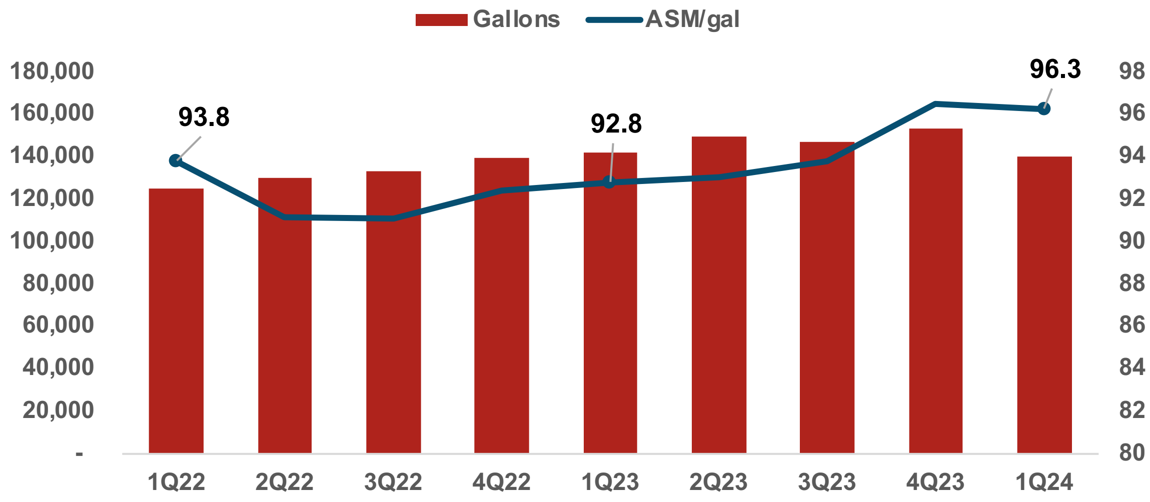
Capacity and Load Factors



Restoration of major hubs and focus cities



Fuel & Fuel Efficiency



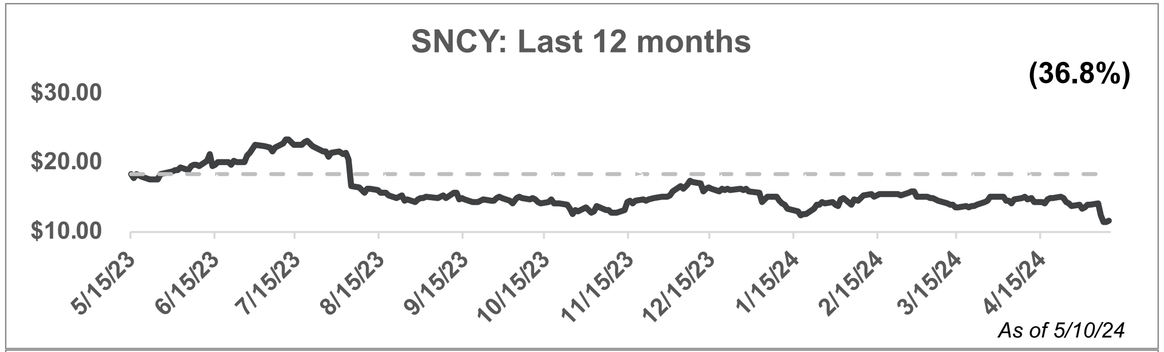
Spirit

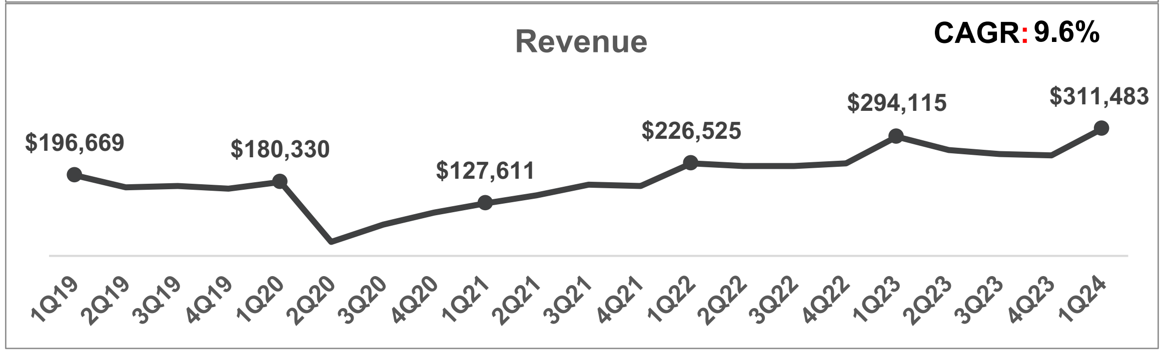
- Issues at Spirit are not that different from issues at other airlines. The aircraft groundings, industry overcapacity and change in consumer preferences were noted during the call.
- Spirit is poised to announce phase two of its ”go forward” standalone plan in response to various operational and financial challenges. Phase one of eliminating underperforming markets, redirecting flying to markets with better supply-demand characteristics. The changes have not produced the desired affect just yet, with oversupply and ATC issues driving the underperformance.
- The newest phase includes right-sizing the business and re-branding the airline. We think the company continues to be impacted by grounded aircraft and lower-than-expected revenue generation. There is much uncertainty regarding the timeline to returning to sustained profitability. Also, Spirit has maturing bonds next year that are creating an overhang.
- The company also alluded to significant pivots in its operating model, acknowledging that the industry’s post-COVID evolution and resulting impairment of its business model.
- The equity and credit focus is more important to us than RASM and CASM dynamics as loyalty and convertible bonds are coming due in the next two years.
- Spirit’s disappointing guidance overshadowed what was a fairly decent quarter. The airline noted continued overcapacity in Florida and the Caribbean markets

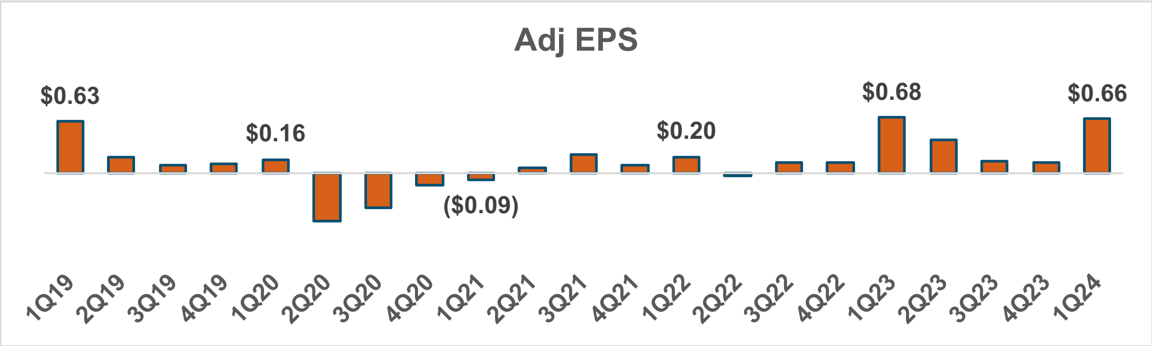
Guidance	2Q24	FY 2024	Notes
Capacity	Down 12.0%	Flat to +MSD	
Revenues	$1,320 - $1,340m		
Adj Op Income	($145m) - ($121m)		
Adj Op Margin	(15)% - (12)%		
Fuel	$2.80		~147m gallons in 2Q24
CAPEX		$(30)m	refunds of pre-delivery deposits

Spirit downsizes MIA and MCO and eliminates competitive routes

Sun Country Airlines







Sun Country

"Our quarterly results demonstrate our resiliency and earning power"

1Q24 adj. pre-tax income: $48M

Sun Country produced a solid profit in what is traditionally their strongest quarter, despite slower March bookings, according to CEO Jude Bricker. He noted that the company has allocated too much capacity in off-peak periods, so they plan to adjust their surplus capacity into other segments. Staffing constraints have eased allowing scheduled service to reach a satisfactory level particularly as other airlines (Delta) have increased capacity in Sun Country's main city of MSP. The flexibility in adjusting its route network month by month to account for changing demand patterns should help to increase revenue opportunities. Charter and cargo segments performed well during the quarter and Sun Country looks to add additional contracts this year. Costs eased as utilization increased and the balance sheet remains strong.

EFA takeaway: Sun Country's business model is performing well but they will need to adjust their scheduled service as they face increased competition.

Items of interest

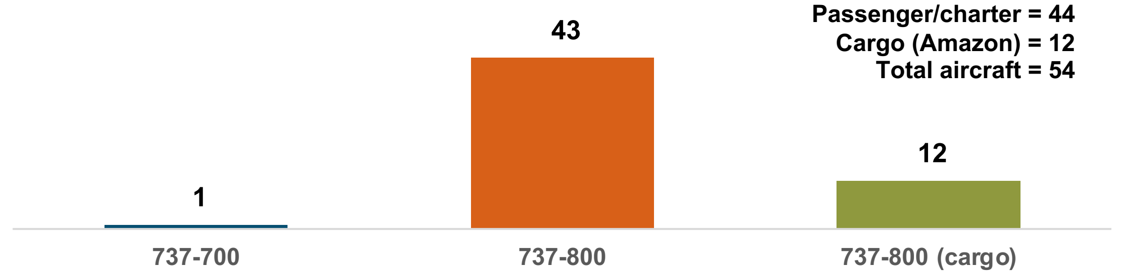
- Total revenue increased on an increase in scheduled service capacity as well as increased charter and cargo revenues. The cargo segment benefitted from the annual rate escalation from Amazon that went into effect in December 2023.
- Scheduled service TRASM was lower by double-digits as fares and yields declined due to increased competitive capacity. Total fare per passenger was $196 fell by 11.3% as the number of revenue passengers on scheduled service grew by 16%. Ancillary revenue was up 3%, the highest on record.
- The company expects a seasonally driven fall in unit revenue in the second quarter that is exacerbated by the Easter shift and nearly 20% increase in scheduled service.
- Charter revenue per block hour was nearly 6% higher YoY due to the impact of lower fuel prices and lower fuel reimbursement from charter customers.
- Cargo revenue was $24M, 2.5% higher YoY on block hours that decreased just over 1%. Cargo activity is expected to remain at current levels for the next quarter.
- Total operating expenses increased due to a 29% increase in maintenance expense and a 34% increase in landing fees and airport rent. Unit costs declined on better utilization.
- Fleet stands at 63 aircraft, with seven out on lease. By 2025, after all aircraft are on property, it will allow for 40% more block hours than currently produced.
- Total liquidity is $179M. $29M in CAPEX 1Q and under $100M for 2024, mostly maintenance.

1Q Snapshot (as compared to 1Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
↑ 16.4%	↑ 5.9%	↓ 9.6%	↓ 0.1%	↓ 12.8%

Sun Country Stats	1Q24	1Q23	1Q19	y/y	y/5y
Revenues	$311M	$294M	$197M	5.9%	58.4%
Adj Operating Income (EBIT)	$57M	$59M	$46M	(3.1%)	22.3%
Adj Operating Margin	18.2%	19.9%	23.6%		
Adj Pretax Income	$48M	$53M	$43M	(8.4%)	12.2%
Adj Net Income	$37M	$40M	$33M	(9.7%)	9.4%
Adj EPS	$0.66	$0.68	$0.63	(2.9%)	5.3%
Scheduled Capacity (ASMs)	1.89 billion	1.63 billion	1.53 billion	16.4%	23.5%
Yield	16.60¢	18.66¢	14.93¢	(11.1%)	11.1%
TRASM	12.58¢	13.92¢	10.85¢	(9.6%)	15.9%
CASM	11.59¢	12.25¢	8.30¢	(5.4%)	39.7%
CASM-ex	7.09¢	7.10¢	6.27¢	(0.1%)	13.0%
Fuel (econ)	$3.01	$3.45	$1.81	(12.8%)	66.0%

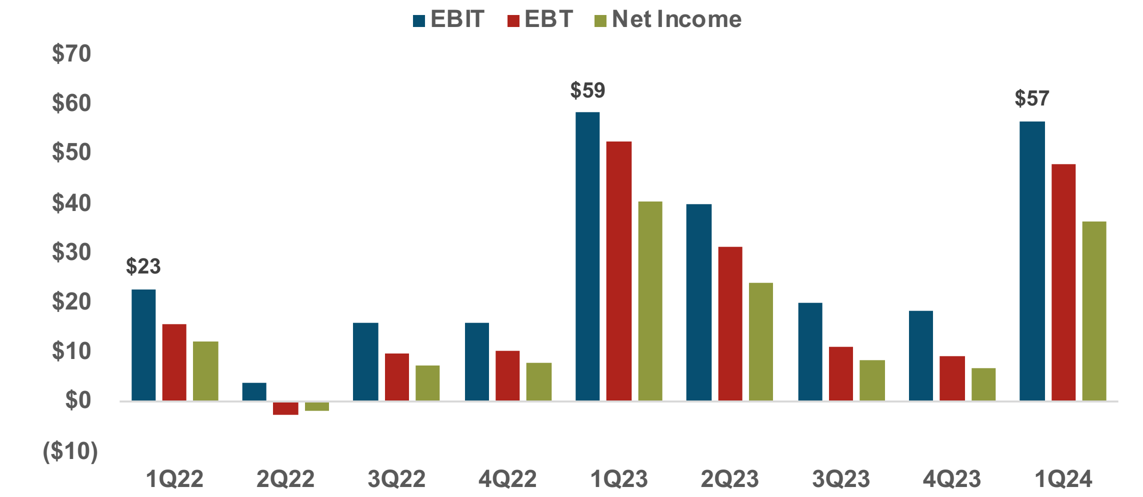
Sun Country Fleet – 1Q24



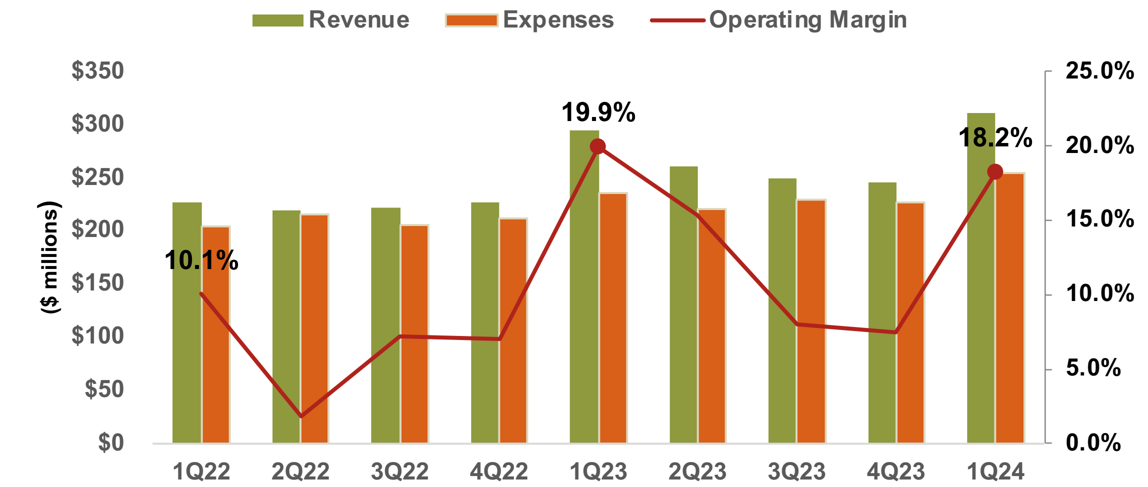
Sun Country - Financial Performance

sun country airlines

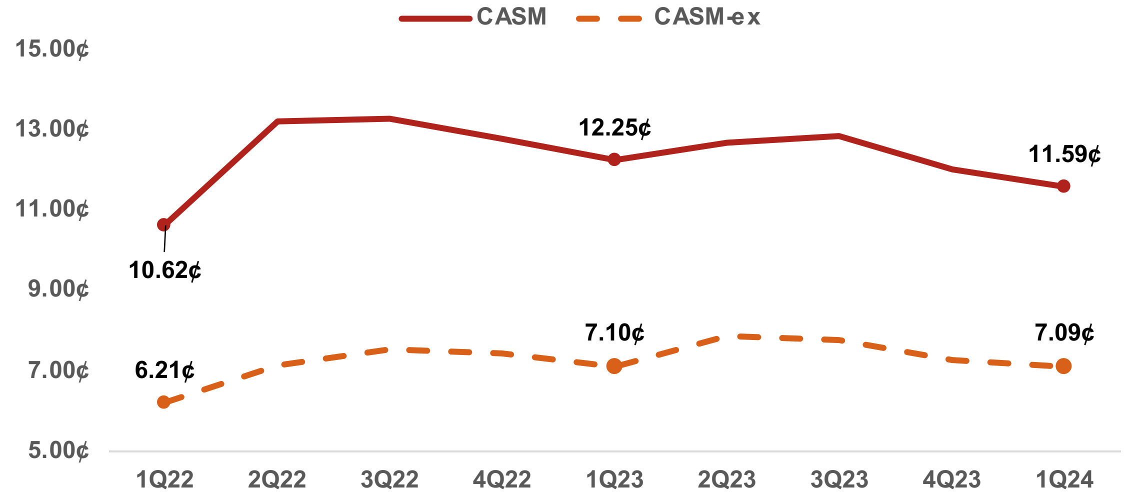
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



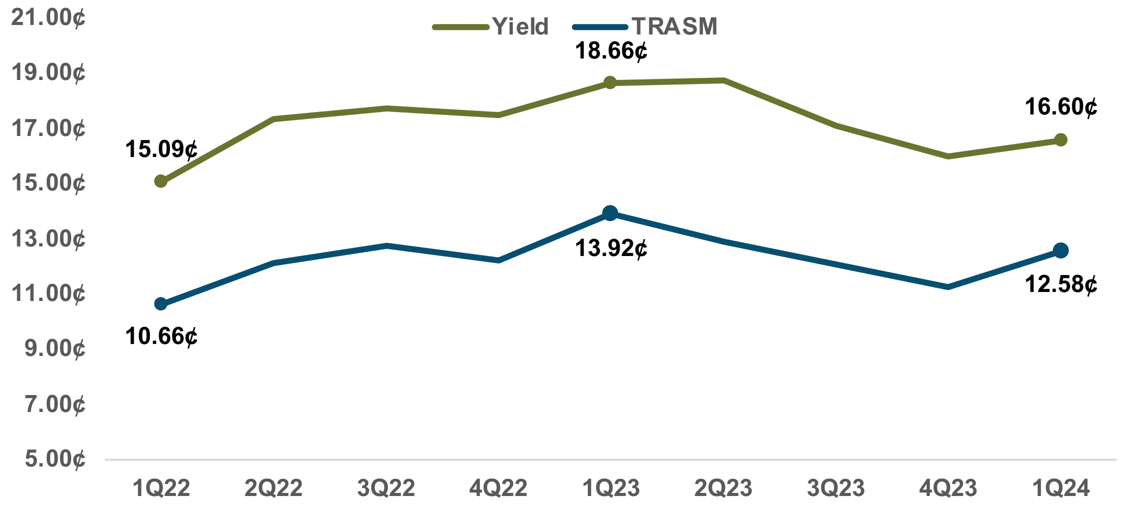
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM



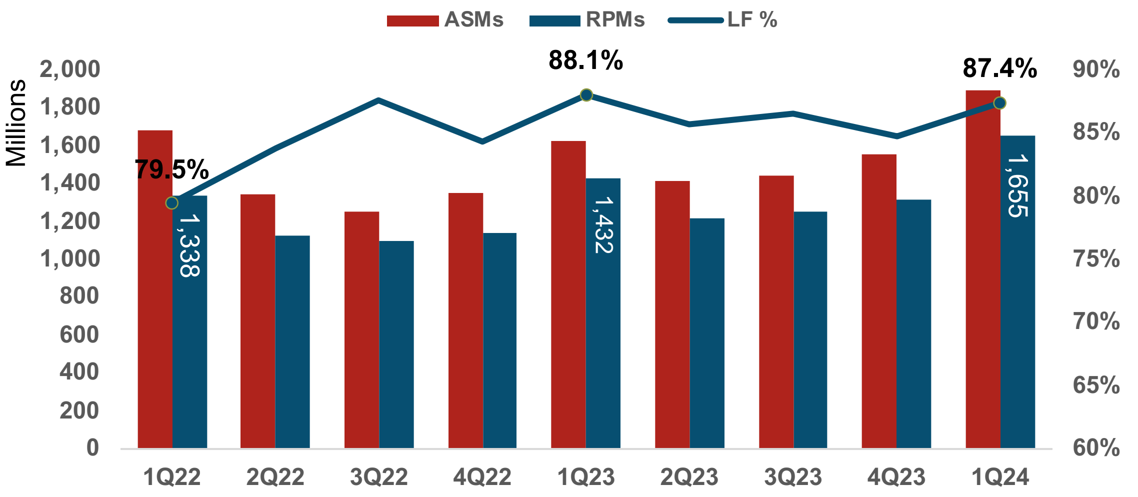
SWAPA

Sun Country - Network News

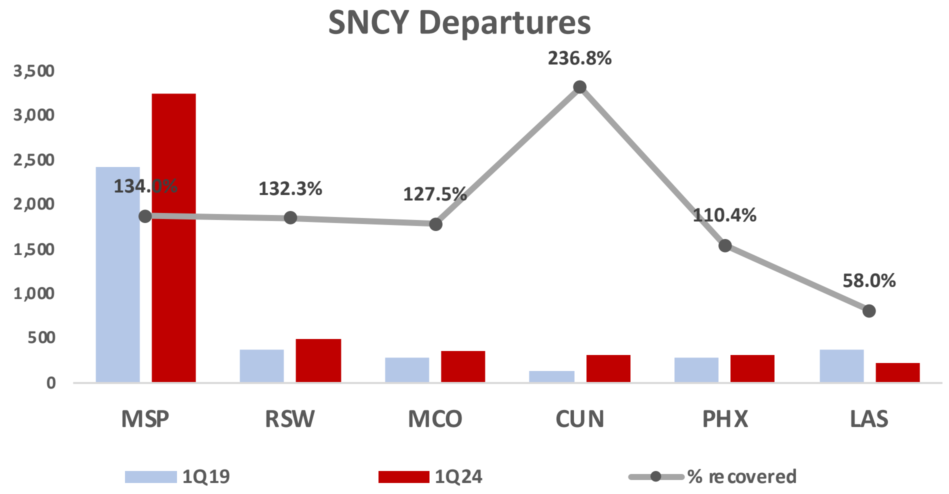
Network news and notes

- Extended scheduled flying through December 2024. Will operate 122 routes serving 108 airports.
- Long-term contract flying comprised 75% of total charter flying in 1Q.
- Two new routes announced are MSP-MRY and MSP-MHT starting August.

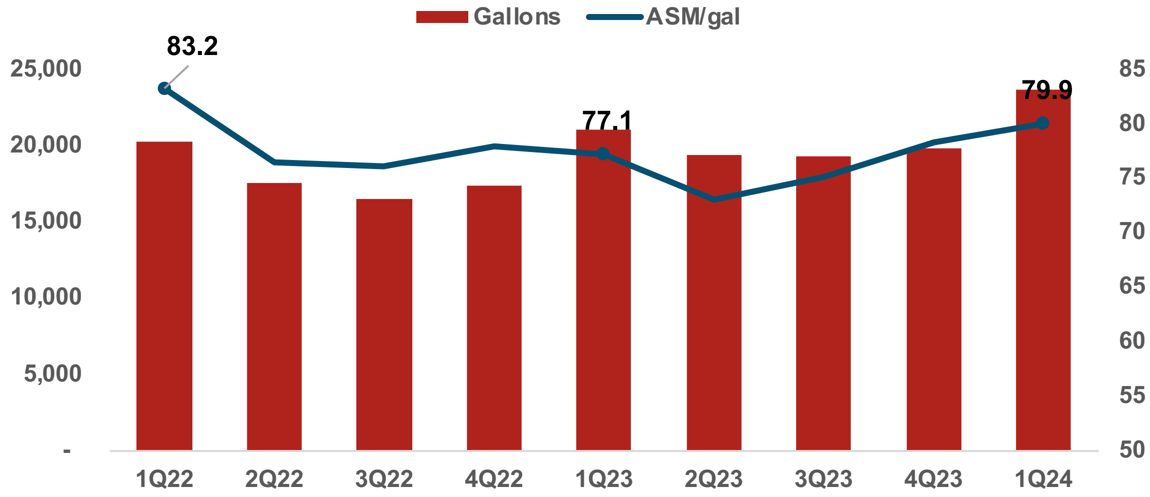
Capacity and Load Factors



Restoration of major hubs and focus cities



Fuel & Fuel Efficiency



Sun Country

Guidance	2Q24	FY 2024	Notes
Capacity (sys block)	Up 8% - 11%		Compared to 2Q23 (system block)
Total Revenue	Down 2% - Up 1%		$255m - $265m
Effective tax rate	23%		
Fuel	$2.93		Up 8% over 2Q23
Adj Oper Margin	4% - 7%		Down 3pp to Up 1pp vs 1Q23

- Sun Country's quarter was about what we expected, although second quarter guidance disappointed. Revenue was a record but was at the low end of the range. We believe Easter shift didn't benefit the quarter much and will actually harm the second quarter.
- Sun Country has flexibility to either park aircraft on off-peak days or move them into charter service. We expect them to market more available block hours in 3Q and 4Q this year vs. previous years as they seek to raise revenue.
- Although Sun Country reported an industry-leading first quarter operating margin (its seasonally strongest quarter) we were disappointed in the company's second quarter operating margin outlook. We believe this is a function of a relatively aggressive capacity plan as staffing constraints have moderated and increased competitive capacity in its key markets.
- We believe management will address the oversupply situation post-summer peak. Because of this, we are forecasting a sequential improvement in load factors and RASM in second half 2024. We continue to favor airlines with diverse revenue streams and resilient business models such as Sun Country.

Sun Country operates two seasonal focus cities, DFW and LAS

Economic and Financial Analysis Committee

Industry Financials

1st Quarter 2024