

# **Allegiant Presentation**

**Canada Arizona Business Council**

September 2012



# Unique business model and results

- Highly resilient and profitable
  - Profitable last 37 quarters <sup>(1)</sup>
  - \$138mm EBITDA <sup>(2)</sup> LTM 1Q12
  - LTM Return on Capital 12.1% <sup>(2)</sup>
- Strong balance sheet
  - Rated BB- and Ba3 <sup>(3)</sup>
  - \$369mm unrestricted cash <sup>(4)</sup>
  - \$144mm debt
  - Owned fleet
  - Debt/EBITDA 1.0x<sup>(2)</sup>
- Management owns >20%

Built to be different
Leisure customer
Small cities
Little competition
Low cost aircraft
Low frequency/variable capacity
Bundled products
Closed distribution
Low costs
Highly profitable

(1) Excluding non-cash mark to market hedge adjustments prior to 2008 and 4Q06 one time tax adjustment

(2) See GAAP reconciliation and other calculations in Appendix

(3) Rated BB- by Standard & Poor's, rated Ba3 by Moody's

(4) Unrestricted cash includes investments in marketable securities

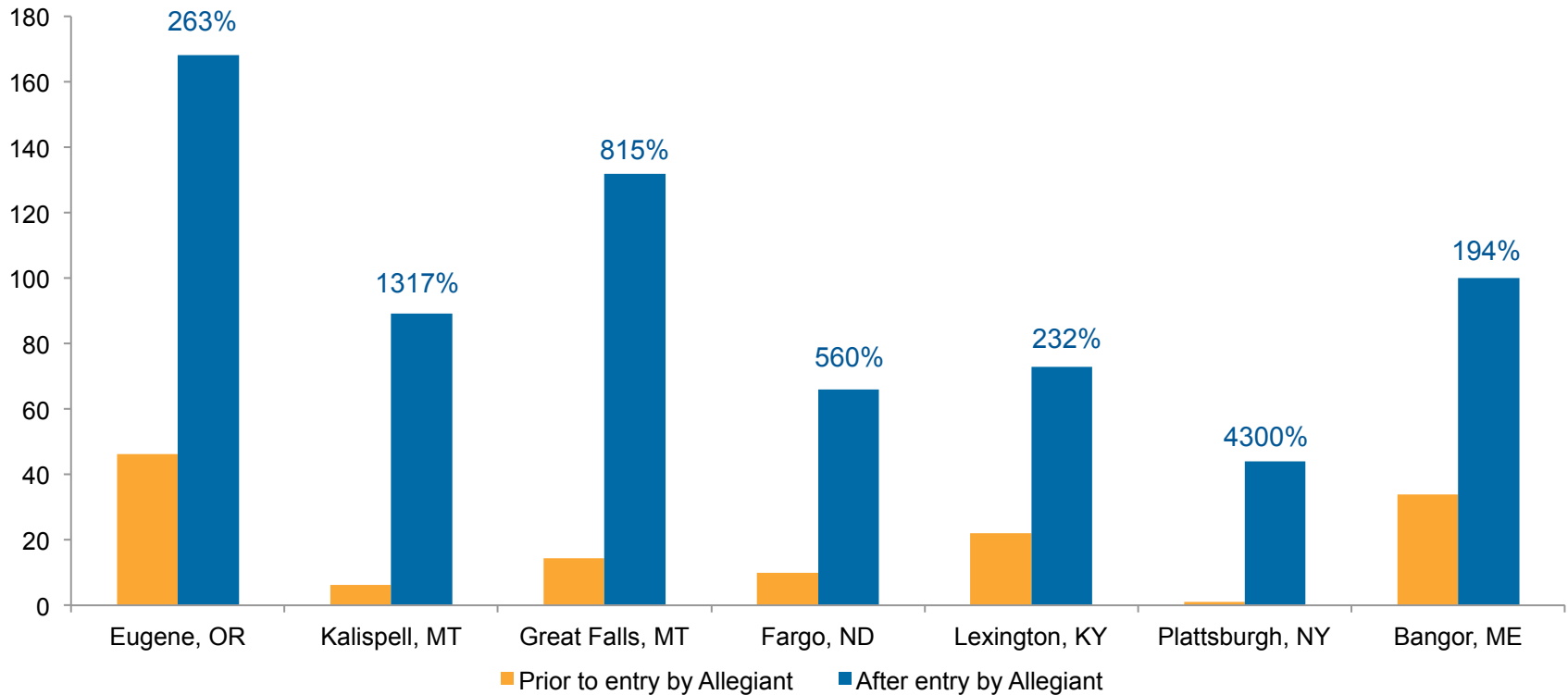


# Leisure customer in small cities

- Taking people where they want to vacation
- Stimulation of demand - non-stop flights, low prices
- Prior to ALGT, small cities had few good options
- Leisure - more resilient than business, proven in 2001 & 2009
- Packages – air + hotels, cars, etc.
- Variable capacity to match seasonal demand patterns
- Small cities and leisure customers require less frequency

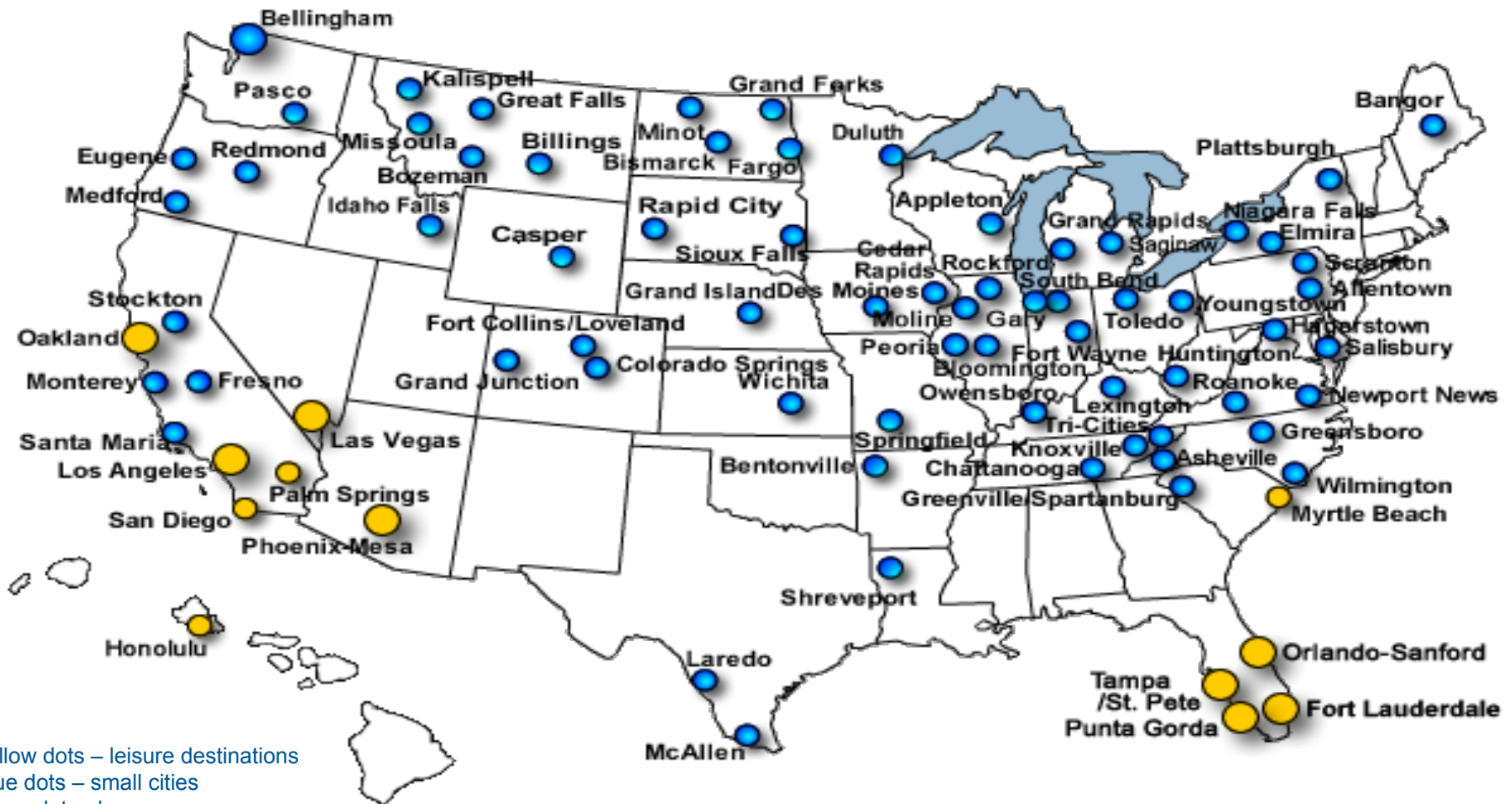
# Allegiant effect

## Passengers per day each way (to Las Vegas or Orlando)



%s are % of growth in passengers after Allegiant enters the market

# Nationwide footprint



Based on current published schedule through Nov 30, 2012

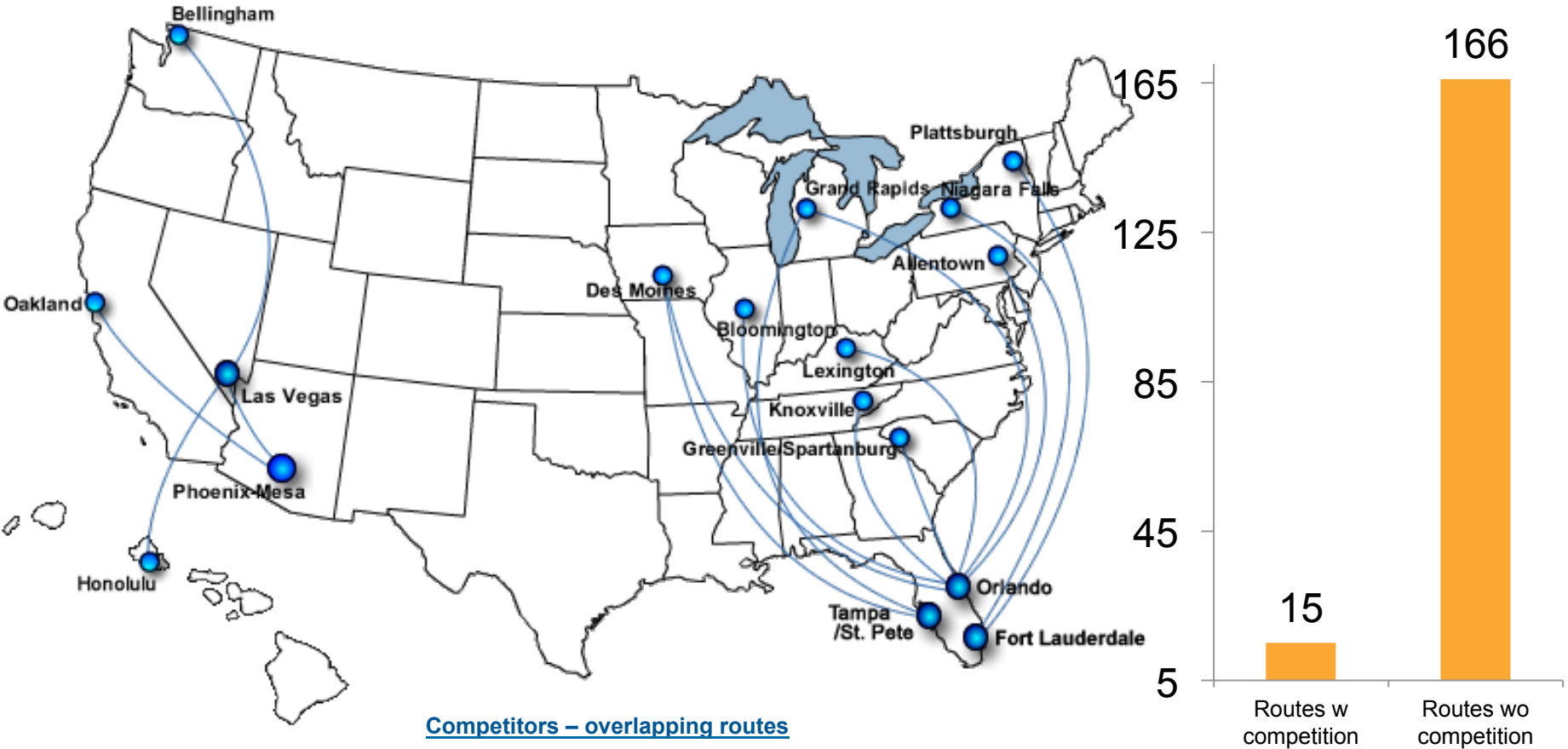
181 routes, 62 operating aircraft

68 small cities, 12 leisure destinations



# Little competition

Uniquely built to profitably serve small city markets



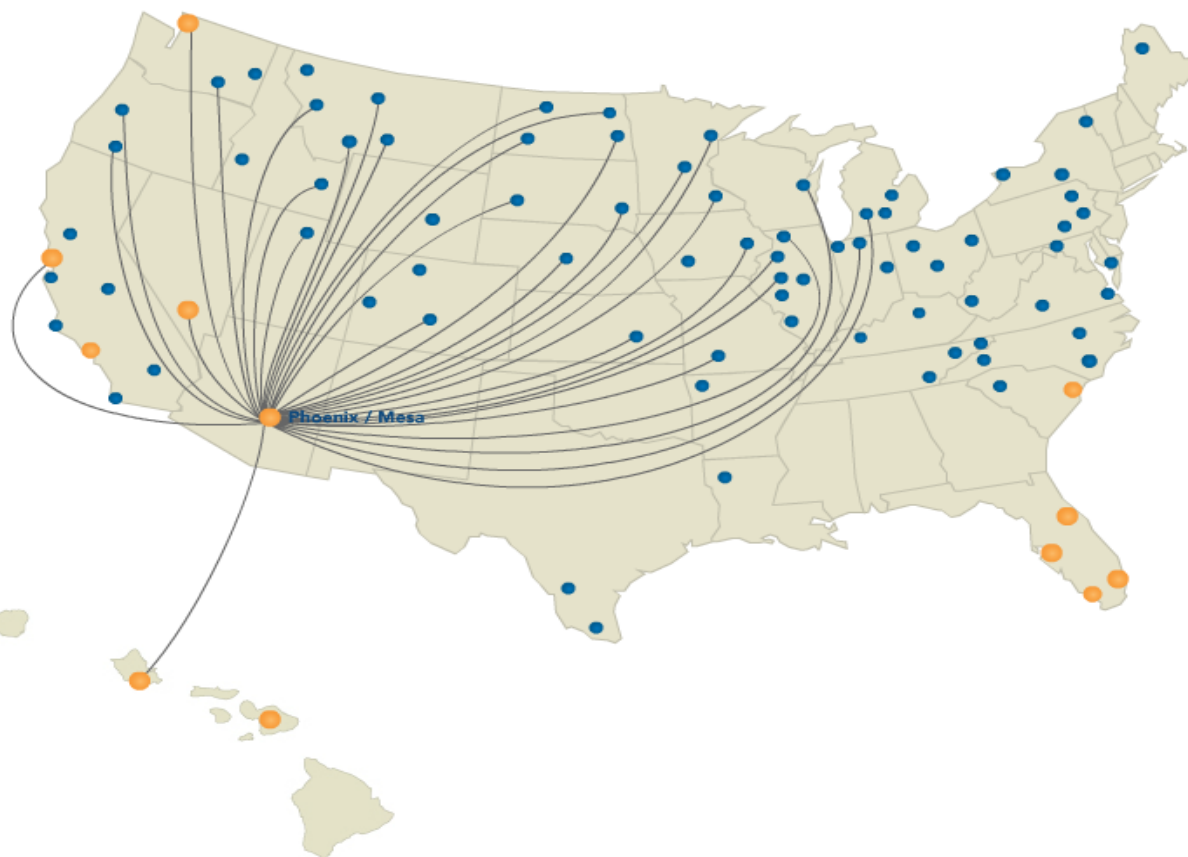
## Competitors – overlapping routes

Frontier – 5	Spirit – 3
Southwest – 3	AirTran – 3
Hawaiian – 1	Alaska - 1

**allegiant**<sup>TM</sup>  
Travel is our deal.

# Phoenix-Mesa Gateway Route Map

Click on a city to view routes. To clear the map [click here](#).



## Route Map

All Allegiant flights are nonstop - Allegiant does not offer one-stop or connecting flights.

### Routes for Phoenix-Mesa

Appleton, WI  
Bellingham, WA  
Billings, MT  
Bismarck, ND  
Bozeman, MT  
Branson-Springfield, MO  
Cedar Rapids, IA  
Chicago/Rockford, IL  
Colorado Springs, CO  
Duluth, MN  
Eugene, OR  
Fargo, ND  
Grand Forks, ND  
Grand Island, NE  
Grand Rapids, MI  
Great Falls, MT  
Honolulu, HI  
Idaho Falls, ID  
Las Vegas, NV  
Medford, OR  
Minot, ND  
Missoula, MT  
Moline/Quad Cities, IL  
Oakland / Bay Area, CA  
Ogden, UT  
Pasco (Tri-Cities), WA  
Peoria, IL  
Rapid City, SD  
Rochester, MN  
Sioux Falls, SD  
South Bend, IN  
Springfield-Branson, MO  
St. Cloud, MN



# Our “competition”

- Vision Airlines
  - Charter carrier that decided to emulate Allegiant – Destin FL
  - Scrambling to stay viable – flying Direct Air routes
- Direct Air
  - Public charter operator, liquidated April 2012
- Frontier
  - RJET looking to spin the company off after purchasing in 2009
  - Desires to be Ultra Low Cost Carrier like Allegiant
- Southwest
  - Struggling to find their identity with the AirTran merger
  - Legacy costs driving legacy fares

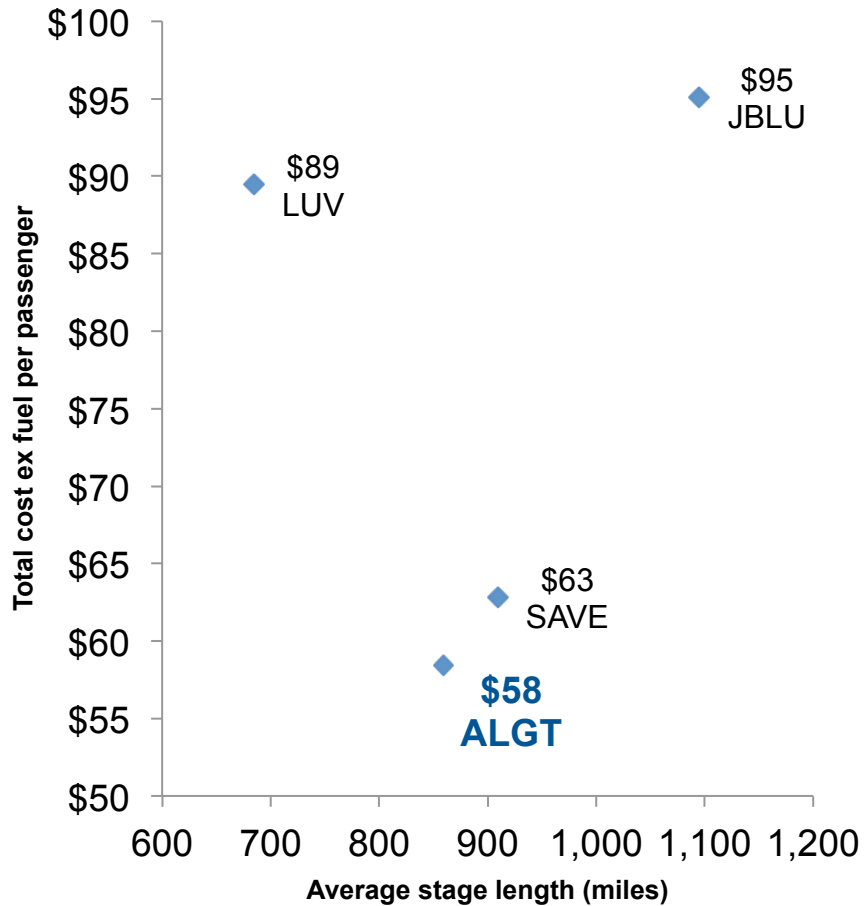


# State of our competition, cont.

- AirTran
  - Acquired by Southwest
  - Leaving several of the small cities previously operated
- Spirit
  - Understands importance of ancillary fees
  - Significant growth and focuses on big cities
- JetBlue
  - Growth in spite of marginal profitability
  - Focus on market share and brand
- Virgin America
  - \$177m in reported losses since 2009, more than \$500m in total
  - Disaster!!

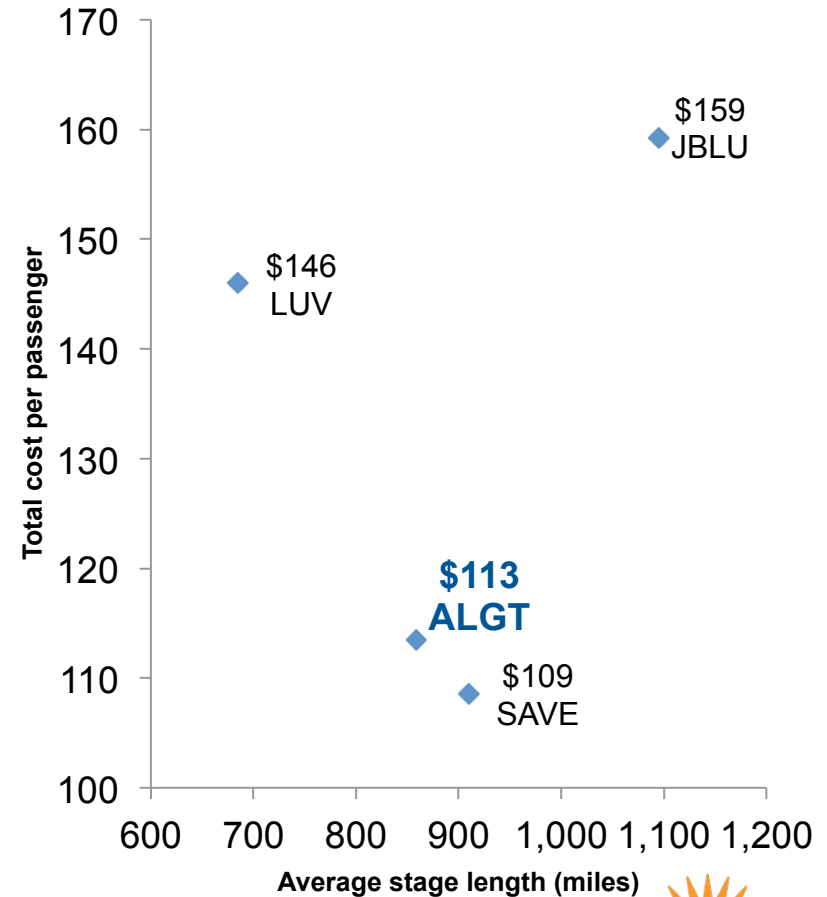
# Low costs are the foundation

Operating cost ex fuel/passenger  
vs stage length



LUV = Southwest Airlines, JBLU = JetBlue Airways, SAVE = Spirit  
Time period – LTM 1Q12, ASM – available seat miles,

Operating cost/passenger  
vs stage length



# Low cost aircraft

## ■ MD-80

- 59 owned, 54 operating, 58 operating EOY 2012
- \$3mm total for purchase + induction
- \$2.9mm EBITDA/ aircraft LTM 2Q12<sup>(1)</sup>
- Increasing capacity to 166 seats, 11% increase in seats
  - 31 166 seat AC Aug 3, completion EOY 2012

## ■ 757

- 6 owned, 1 operating, 2 leased out, 4 operating EOY 2012
- \$15mm total for purchase + induction
- 223 seats, 8 hour range, up to 4,000 nautical miles

## ■ A319

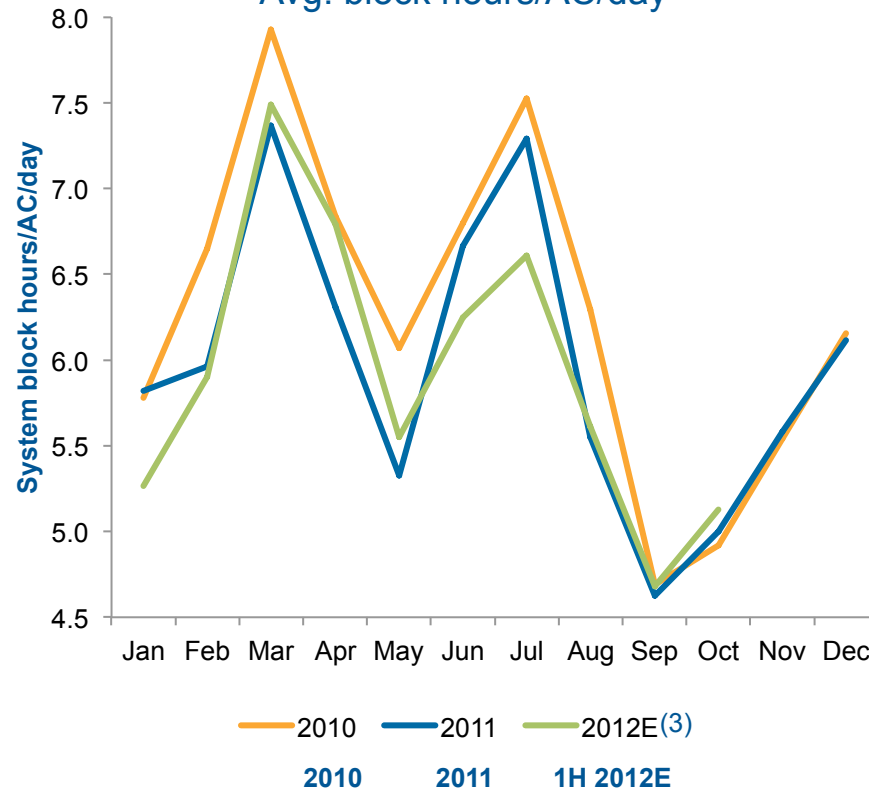
- Acquiring 19, growth and replacement aircraft

1 – see GAAP reconciliation in appendix

# Capacity management

## Leisure = seasonality

Avg. block hours/AC/day



Avg Sched AC <sup>(2)</sup>

46      50      56

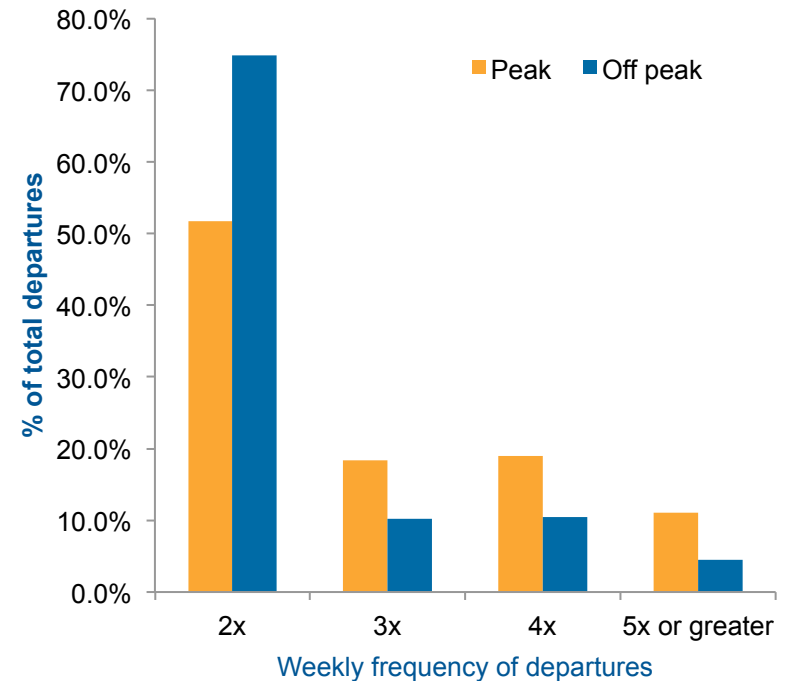
1 - Peak = sample peak travel time from week of June 13 – Aug 8 2011, sample off peak = Aug 15 – Sept 19 2011

2 - Scheduled aircraft does not include the 2 MD-87s dedicated to charter service

3 - lower than historical due to constant 4 aircraft in 166 seat modification

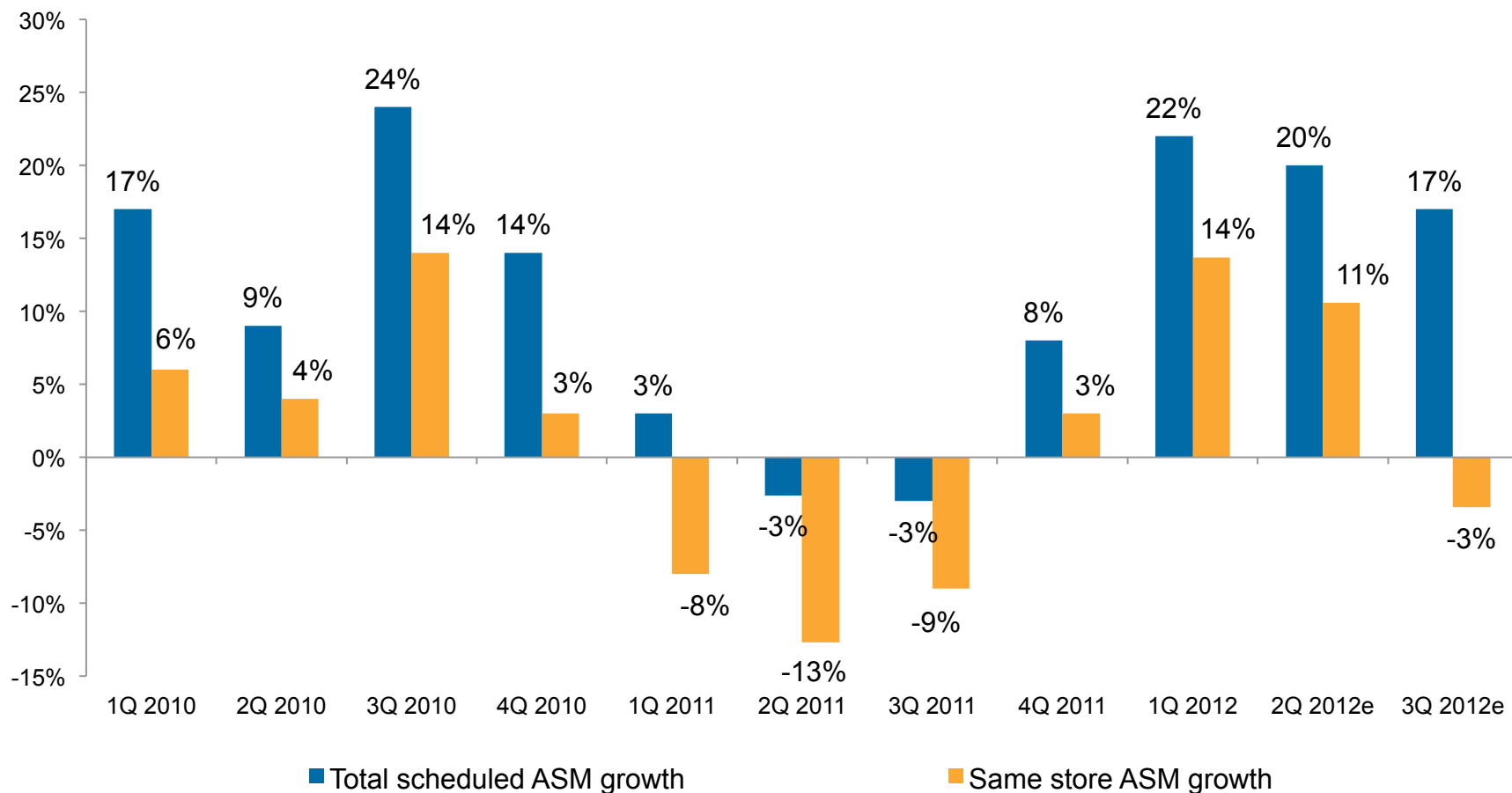
## Small cities = low frequency<sup>(1)</sup>

Weekly market frequency



# Capacity changes

## Year over year change in scheduled ASMs



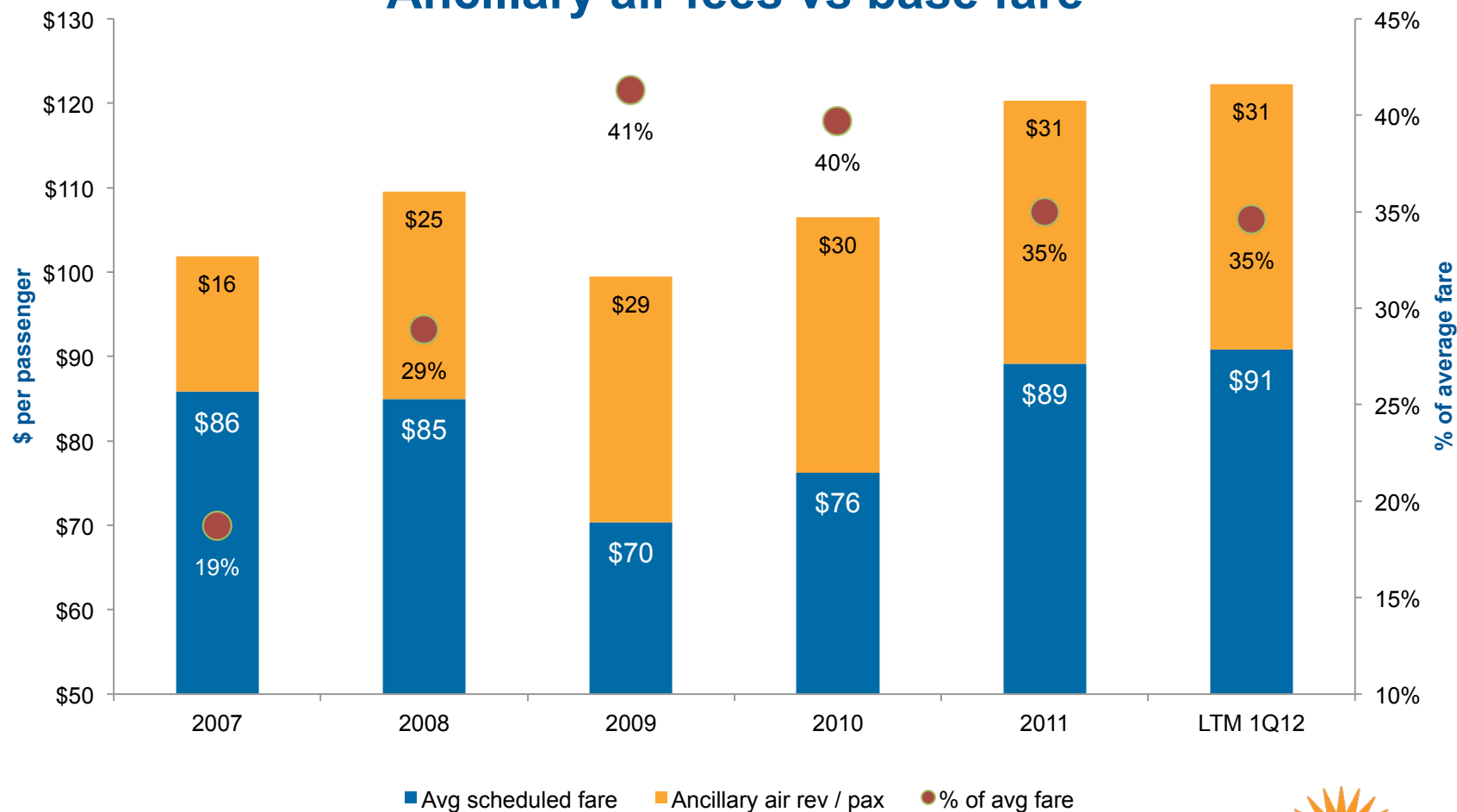
ASMs – available seat miles

Scheduled ASM growth in 2nd quarter 2012 and 3rd quarter 2012 is the midpoint of guided range



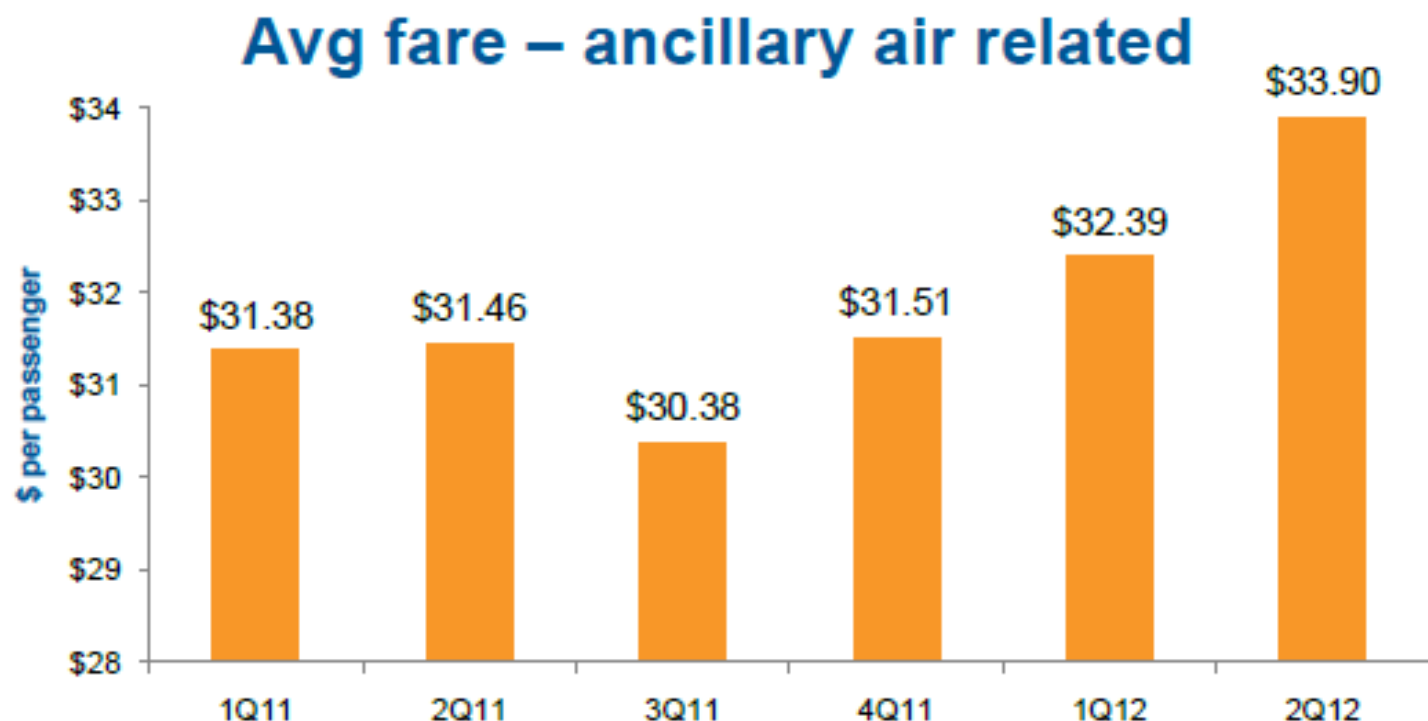
# Fees are critical

## Ancillary air fees vs base fare



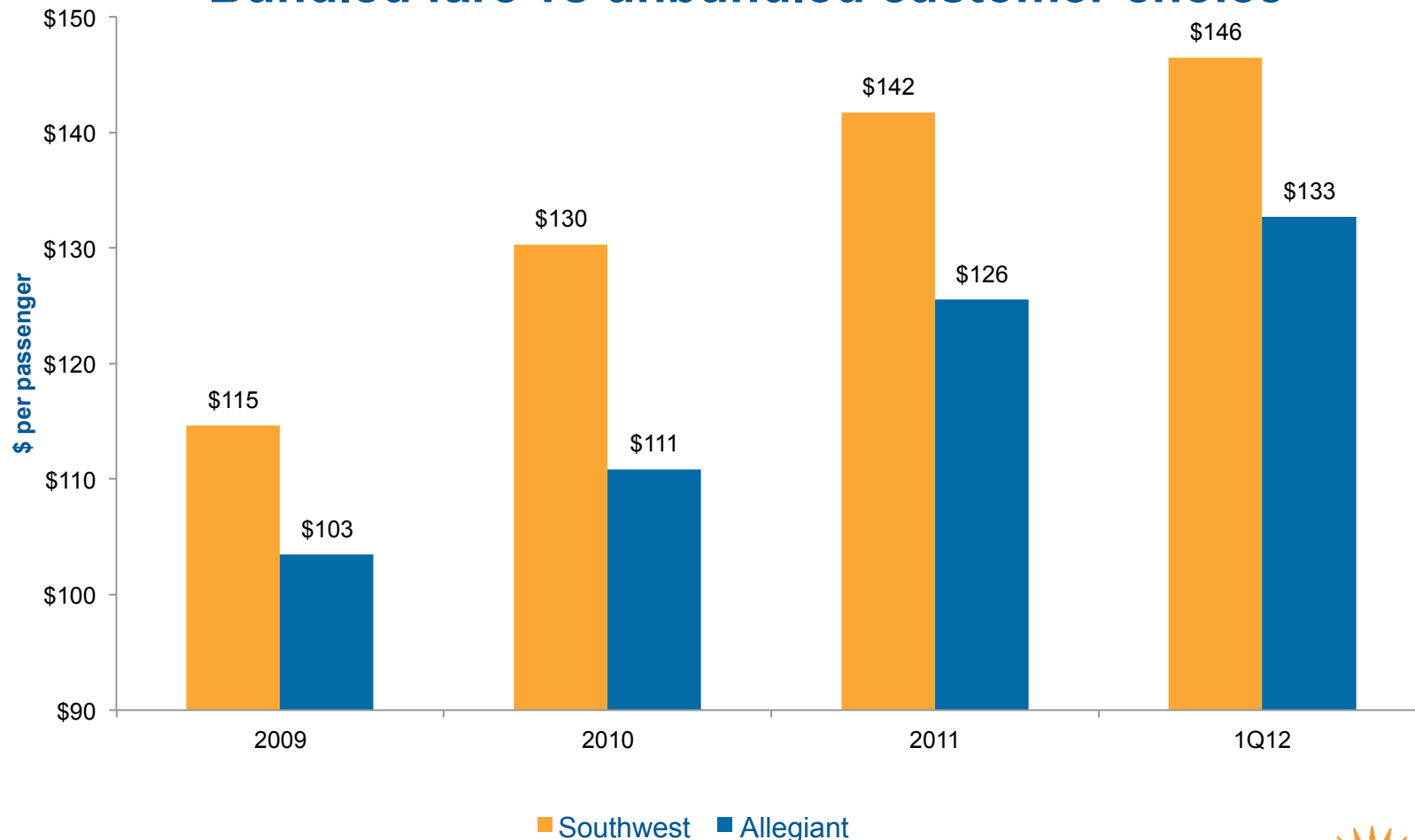
# Carry on bag fee

- Began charging for bags to be placed in overhead
  - Bags that fit under seat are free



# Bags don't fly free

## Bundled fare vs unbundled customer choice



Southwest passenger revenue / revenue passengers  
Allegiant total fare per passenger





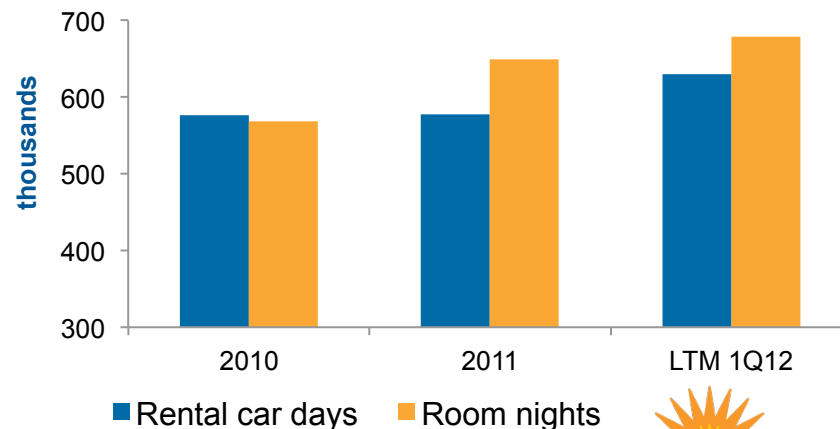
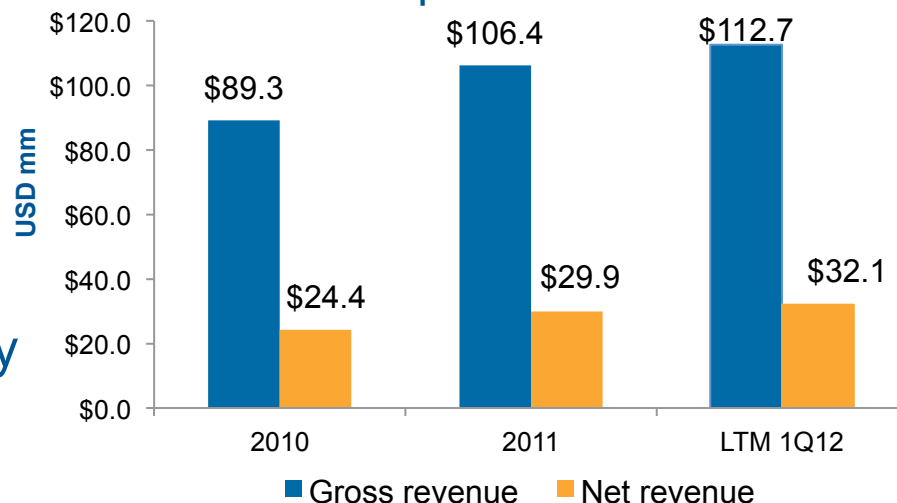
# Ancillary revenue – third party products

- Bundled vacation packages
- Very high margins
  - 37% of LTM pre-tax income
- Wholesale price for hotel & car, we manage margin, no inventory risk

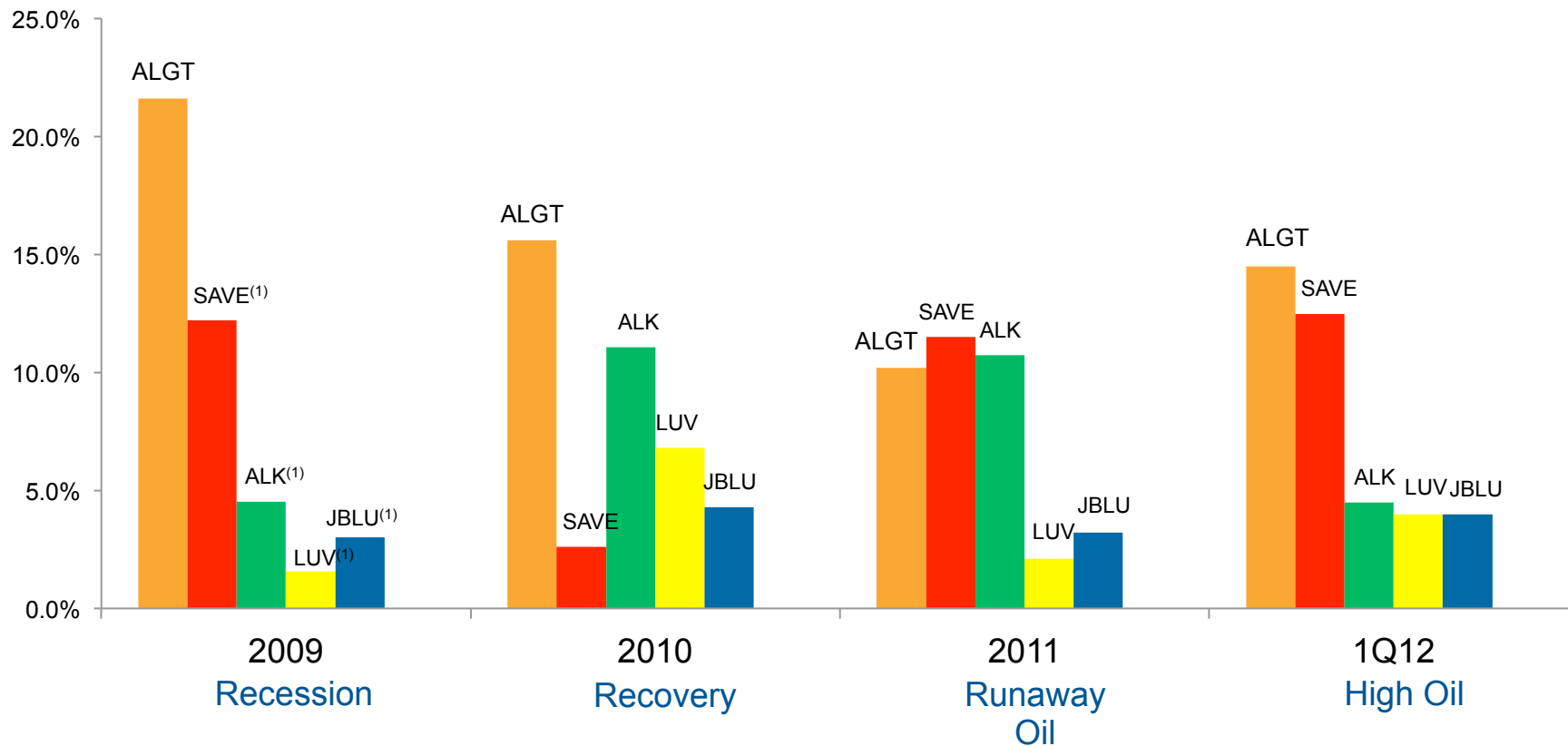
Growth	YoY LTM 1Q12	YoY 1Q12
Gross revenue	+21%	+24%
Net revenue	+21%	+30%
Room nights	+17%	+20%
Rental car days	+14%	+33%

Gross revenue is Non GAAP

Ancillary revenue - third party products



# Best pre-tax margins



Avg AC in period

43

49

52

57

Avg scheduled service fuel price

\$1.90

\$2.43

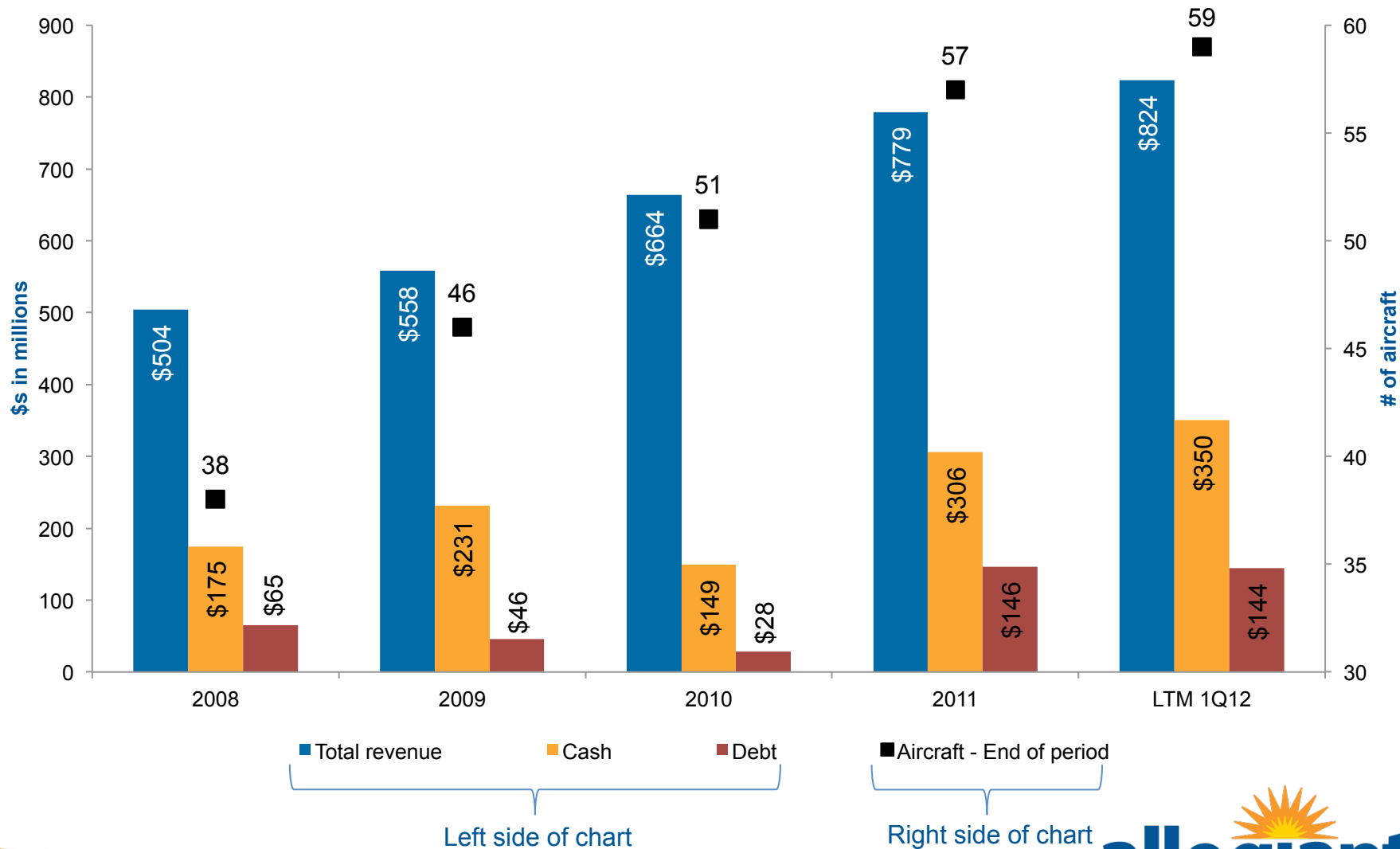
\$3.30

\$3.46

(1) LUV = Southwest Airlines; JBLU = JetBlue Airways; SAVE = Spirit Airlines, ALK = Consolidated Alaska Air Group adjusted pre-tax margin



# Built for the long term



# Future growth

## ■ MD-80

- 30+ small US cities using MD-80s
- Connecting the dots (GFK-SFB)
- Mexico/Caribbean leisure destinations
- Small cities in Mexico and Canada to US
- Additional 16 seats

## ■ 757

- Announced 10 cities/markets to Honolulu
- Announced Bellingham to Maui
- 4 aircraft Q3/Q4
- 6 aircraft at the beginning of 2013
- Future possibilities, LATAM to LAS & SFB

# Canadian Air Fares

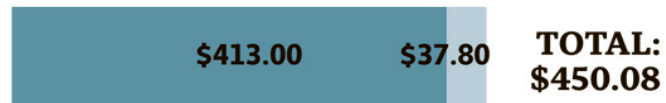
## LOWER FARES FROM U.S.

BASE FARE TAXES/FEES

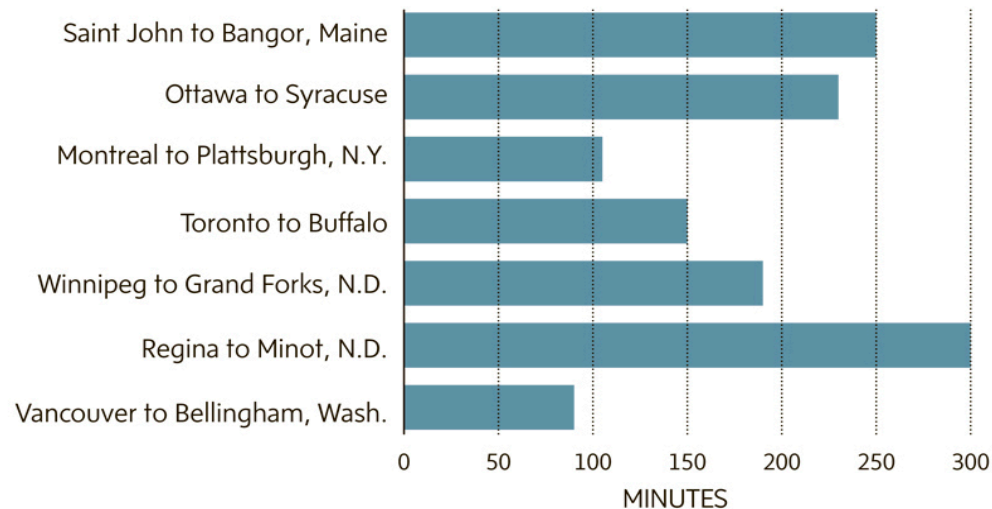
### VANCOUVER TO HONOLULU RETURN



### BELLINGHAM, WASH. TO HONOLULU RETURN



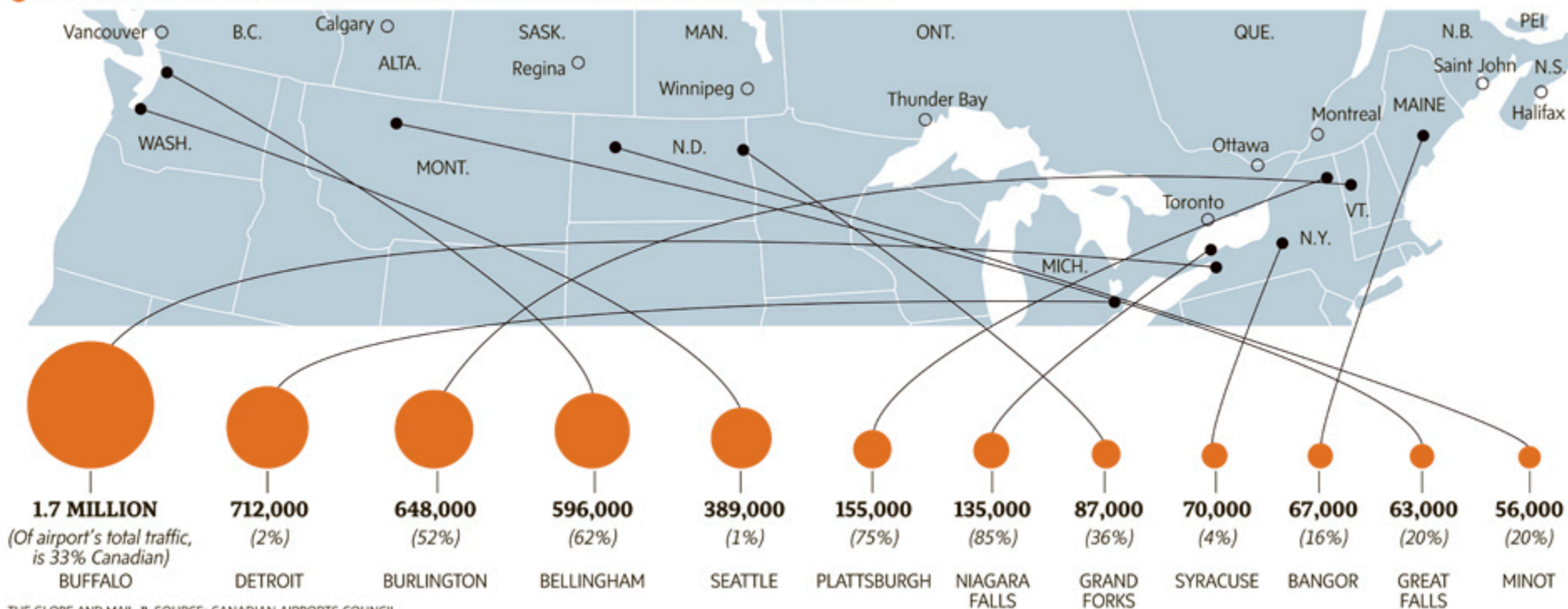
## AIRPORT DRIVE TIMES



THE GLOBE AND MAIL » SOURCE: CANADIAN AIRPORTS COUNCIL

# US airports Canadians fly

● NUMBER OF ONE-WAY TRIPS MADE BY CANADIANS WHO DEPARTED OR ARRIVED AT U.S. AIRPORTS IN 2011.

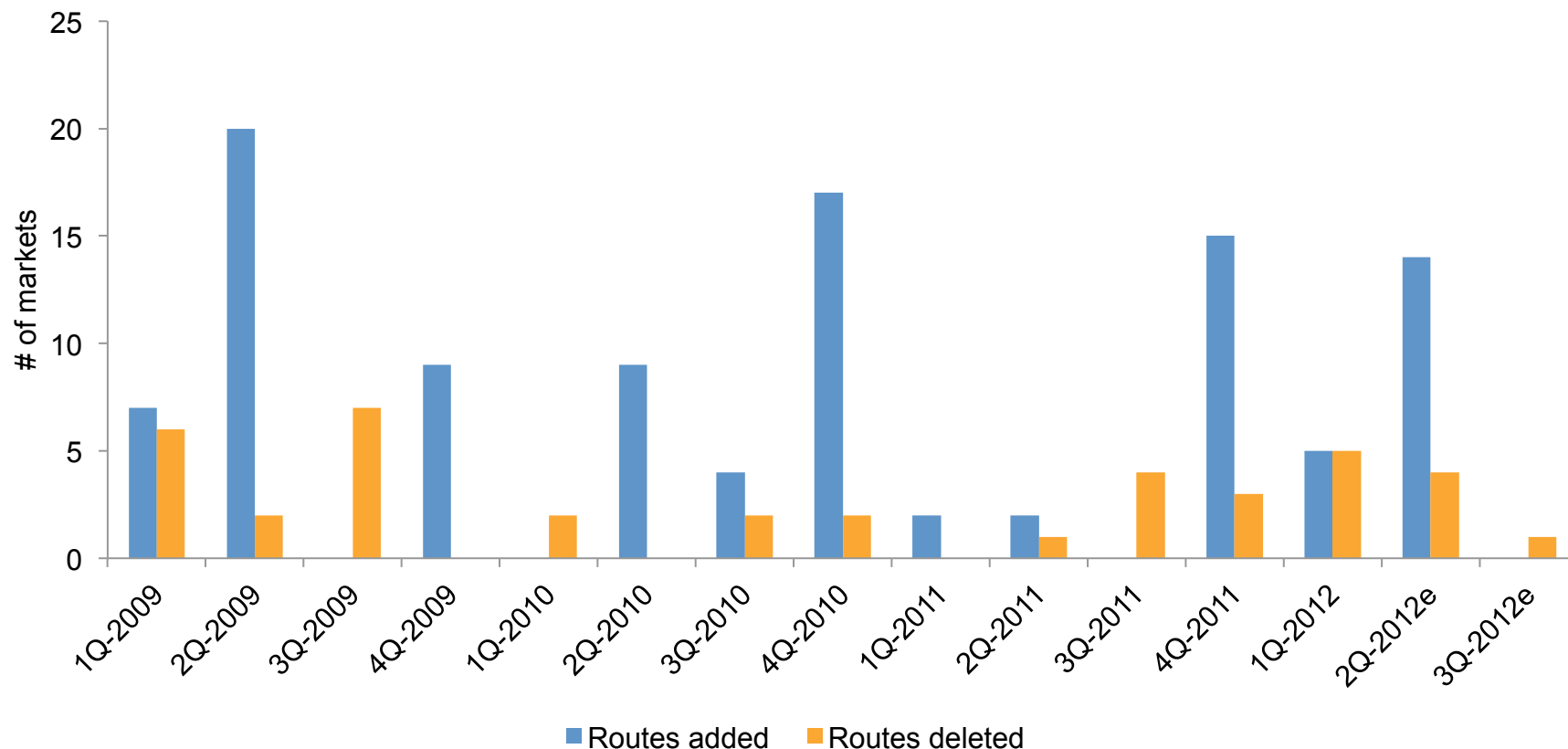


THE GLOBE AND MAIL ■ SOURCE: CANADIAN AIRPORTS COUNCIL

# New types of routes

- Connecting larger airports
  - Phoenix to Oakland
  - Phoenix to Las Vegas
  - Las Vegas to Honolulu
- Low costs enable us to get more aggressive
- Extensive email database

# Route management over time

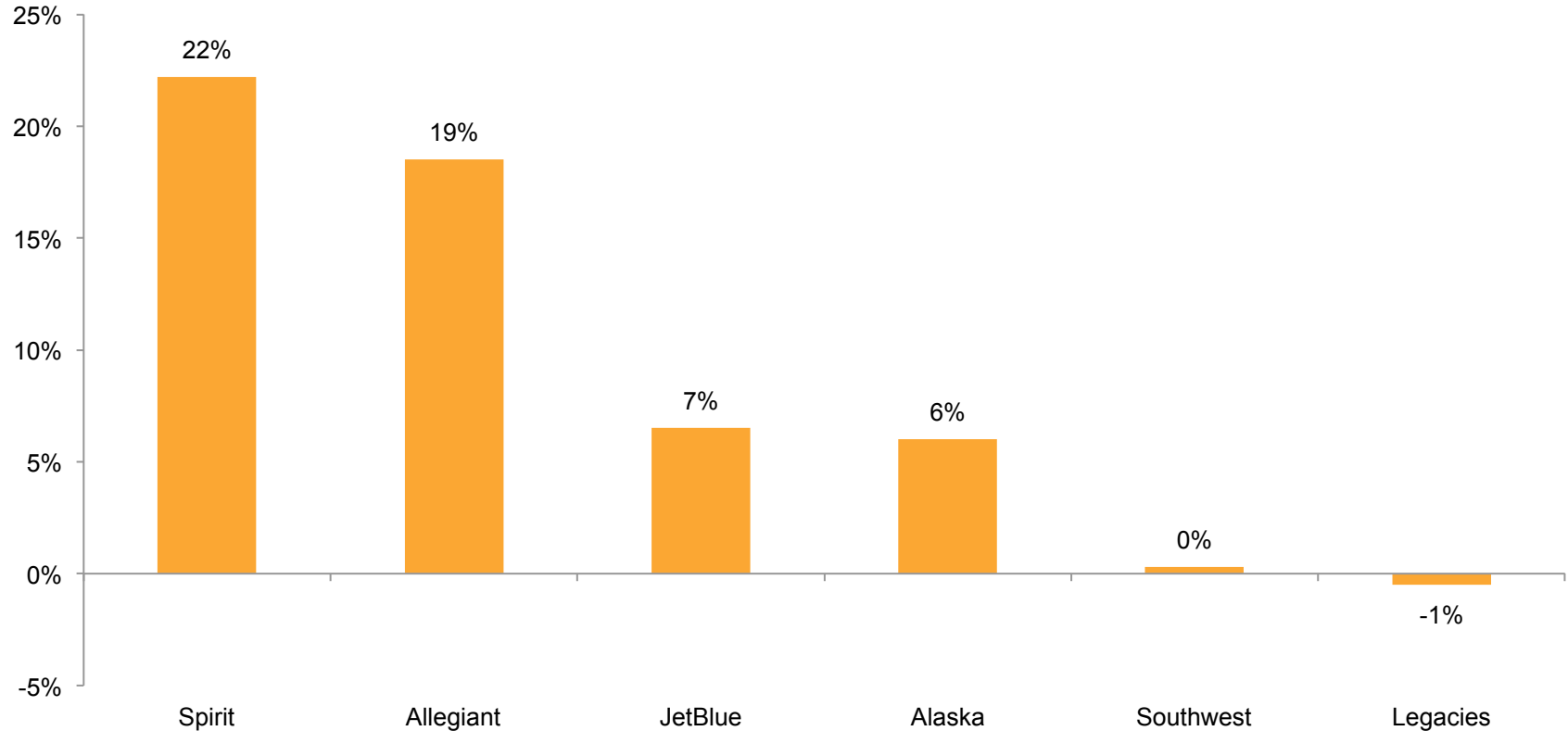


Does not include shifting of 10 markets from Sanford to Orlando International in 1Q 10 and shifted back to Sanford in 1Q 11



# Domestic capacity

## 2012 expected domestic ASM growth



Source – Barclays research 4/18/2012, APG DAT

# Current events

- AMR chapter 11
  - Consolidation is likely
- 50 seaters are dead
  - Huge impact on service to small communities
- Universal view is small communities will lose seats
- but ALGT can help save small cities!

# Airbus update

- Long term replacement strategy
  - +5 to 10 year process
- Superior economics to MD-80
  - Better fuel and maintenance costs, higher ownership
    - Ownership costs – same scenario when we began to acquire the MD-80
- Leased vs. buy
  - Opportunistic in the market
  - Values are distressed
- 2 deals for 19 aircraft
  - Working on additional deals
- 156 seat aircraft
- 1<sup>st</sup> aircraft in service Q2 2013

# No change in business plan

Built to be different	A319
Small cities	Better performance, opens up +20 cities MD-80 can not fly into. Some marginal MD-80 markets could be profitable A319 markets
Low cost aircraft	Distressed asset type. New engine technology will continue to drive asset values down
Low frequency/variable capacity	Still low ownership costs allow us to match frequency and demand
Low costs	Better fuel costs and maintenance costs than the MD-80

# Hawaii update

- Began flying Las Vegas and Fresno to Honolulu
  - 1<sup>st</sup> flights June 29/30
- Additional growth to Honolulu
  - Bellingham, WA, Eugene, OR, Santa Maria, Stockton and Monterey, CA
    - Begin mid-November
  - Boise, ID, Spokane, WA and Phoenix-Mesa
    - Begin early February 2013
- Maui
  - Bellingham, WA
    - Begins 11/14/12
- 4 757s now operating, 6 by 1Q13

# Thank you



**allegiant**<sup>TM</sup>  
Travel is our deal.