Economic and Financial Analysis Committee

Industry Financials

2nd Quarter 2024

Industry Scorecard

2Q 2024 (with comparisons to 2Q 2023)

2Q24	Key Financial Metrics (non-GAAP) - 2Q24					Unit Level Metrics (non-GAAP) - 2Q24 (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	15,407	2,269	14.7%	1,528	9.9%	7.3%	8.2%	(2.5%)	0.6%	$2.64
United	14,986	1,965	13.1%	1,384	9.2%	5.5%	8.3%	(2.4%)	2.1%	$2.76
American	14,334	1,384	9.7%	774	5.4%	8.5%	8.0%	(5.6%)	(0.2%)	$2.70
Southwest	7,354	405	5.5%	370	5.0%	7.6%	8.6%	(3.8%)	6.0%	$2.76
Alaska	2,897	468	16.2%	327	11.3%	2.5%	6.0%	(3.7%)	(2.6%)	$2.84
jetBlue	2,428	58	2.4%	26	1.1%	(4.1%)	(2.7%)	(4.4%)	2.4%	$2.87
Spirit	1,281	(167)	(13.0%)	(158)	(12.3%)	2.0%	1.7%	(12.1%)	2.9%	$2.78
Frontier	973	25	2.6%	31	3.2%	3.4%	13.0%	(11.0%)	(9.6%)	$2.84
Hawaiian	732	(49)	(6.7%)	(71)	(9.7%)	3.8%	4.1%	(0.8%)	3.8%	$2.62
Allegiant[4]	666	67	10.3%	14	2.1%	(4.0%)	(1.6%)	(1.8%)	5.6%	$2.83
Sun Country[5]	254	14	5.5%	3	1.2%	14.5%	18.2%	(15.8%)	(4.9%)	$2.86
Total	61,312	6,439	10.5%	4,228	6.9%					

[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

Industry Scorecard

6 months 2024 (with comparisons to 6 months 2023)

6m24	Key Financial Metrics (non-GAAP) - 6m24					Unit Level Metrics (non-GAAP) - 6m24 (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	27,970	2,909	10.4%	1,816	6.5%	8.1%	7.6%	(1.7%)	1.0%	$2.69
United	27,525	2,077	7.5%	1,334	4.8%	7.3%	8.7%	(1.1%)	3.4%	$2.82
American	26,904	1,461	5.4%	548	2.0%	9.4%	8.3%	(5.3%)	1.1%	$2.78
Southwest	13,683	28	0.2%	152	1.1%	9.6%	9.7%	(2.2%)	5.5%	$2.84
Alaska	5,129	336	6.6%	211	4.1%	1.2%	2.2%	(0.3%)	3.3%	$2.95
jetBlue	4,637	(100)	(2.2%)	(119)	(2.6%)	(3.5%)	(2.7%)	(3.5%)	4.1%	$2.92
Spirit	2,546	(342)	(13.5%)	(318)	(12.5%)	2.0%	1.9%	(10.2%)	4.6%	$2.84
Frontier	1,838	(6)	(0.3%)	10	0.5%	(0.8%)	10.4%	(8.3%)	(4.4%)	$2.88
Hawaiian	1,377	(189)	(13.7%)	(215)	(15.6%)	4.8%	3.4%	0.8%	5.4%	$2.70
Allegiant[4]	1,323	106	8.3%	13	1.0%	(2.6%)	(0.1%)	(1.4%)	9.9%	$2.92
Sun Country[5]	566	71	12.5%	40	7.0%	15.1%	17.3%	(12.5%)	(2.5%)	$2.94
Total	113,498	6,350	5.6%	3,472	3.1%					

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

A Glut of Domestic Capacity

Second Quarter Synopsis

- Industry earnings momentum has slowed. Excess capacity in the second quarter, resulted in pressure on RASM and fares, especially in the domestic United States and the short haul Latin America sector.
- The LCC/ULCC group was most affected, with subpar results at every carrier in that category. In response, several carriers announced deferrals of aircraft orders, product changes and other initiatives designed to arrest the slide in profitability.
- **Alaska**, **Delta** and **United** still outperforming the rest of the industry by a wide margin, although domestic oversupply affected their unit revenues as well.
- Non-fuel cost inflation continues at every airline, with labor and various other structural expenses such airport landing fees, terminal leases, aircraft maintenance and higher operational costs amid issues like FAA controller shortages.

Third Quarter Forecast

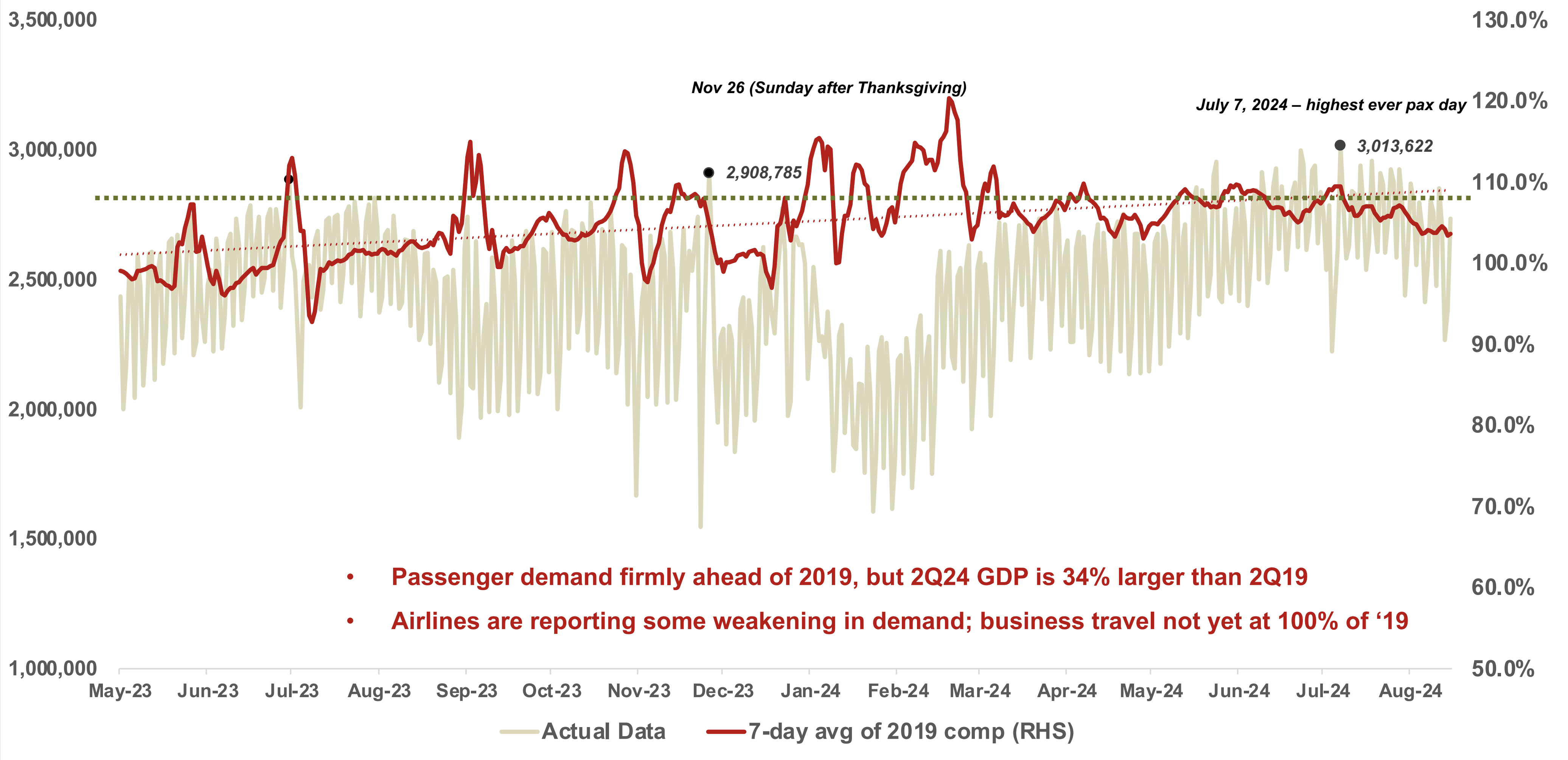
- Airlines are scrambling to cut capacity particularly the LCC's and ULCC's. **Frontier** extended the suspension of at least 50 routes into September and reduced capacity by nearly 3% going into the third quarter. **JetBlue**, **Spirit** and **Southwest** also plan significant capacity adjustments while the Legacy carriers are cutting at a much slower rate.
- There are signs of RASM inflecting positive late in third quarter and into fourth quarter, but it appears it will be too late to save many of the carriers third quarter results. Several airlines guiding to 3Q losses, including **American**, **Allegiant**, **JetBlue**, **Spirit** and **Southwest**.
- Product improvements, network changes and rebranding are occurring at numerous airlines including **Frontier, JetBlue, Spirit** and **Southwest**.
- Manufacturer delivery delays and GTF engine issues continue, with most airlines affected in one way or another.

A Busy Quarter For News

- **American** parted ways with its CCO, Vasu Raja, amid poor results from his strategy of direct distribution, foregoing the use of travel agencies or third-party distributors. American will return to its previous distribution methods but forecasts a loss of $1.5B from using this strategy and it expects to take several quarters to reverse the damage.
- **Delta** suffered a massive operational disruption (meltdown) from a tech outage related to a CrowdStrike cybersecurity update in late July/early August. Over 7,000 flights were canceled, leading to an estimated $550M in lost revenue and passenger compensation. The carrier plans to pursue legal action against CrowdStrike.
- **Frontier** is undergoing a rebrand, calling itself the "New Frontier". It will offer more premium type products, reduce capacity on off-peak days and defer numerous Airbus deliveries for several years to assist in managing future growth. The carrier believes its new strategy will help it overcome cost inflation and domestic overcapacity and return to profitability.
- **JetBlue** has also launched a new strategy, calling it the "Jet Forward" Plan. It will focus on operational improvements, revamping the network to focus on its original focus cities of BOS, FLL and JFK, upgrading the product to include a domestic First Class and renewed emphasis on cost control. They will also defer 44 A321neo deliveries until 20230 and beyond.
- **Spirit** is completely reworking their business model, eliminating most fees, offering four bundled fare classes including premium seating, priority check-in and a new boarding process. Earlier the carrier announced the deferral of all aircraft deliveries from 2Q 2025 through 2026 to 2030-2031 and pilot furloughs.
- **Southwest** plans to drop the open-seating policy of the past 50 years and adopt assigned seating. It will also offer premium legroom options and launch red-eye flying from LAS, LAX and PHX in February 2025.

2024 passenger traffic well ahead of 2019

TSA checkpoint data: May 1, 2023 – Aug 15, 2024

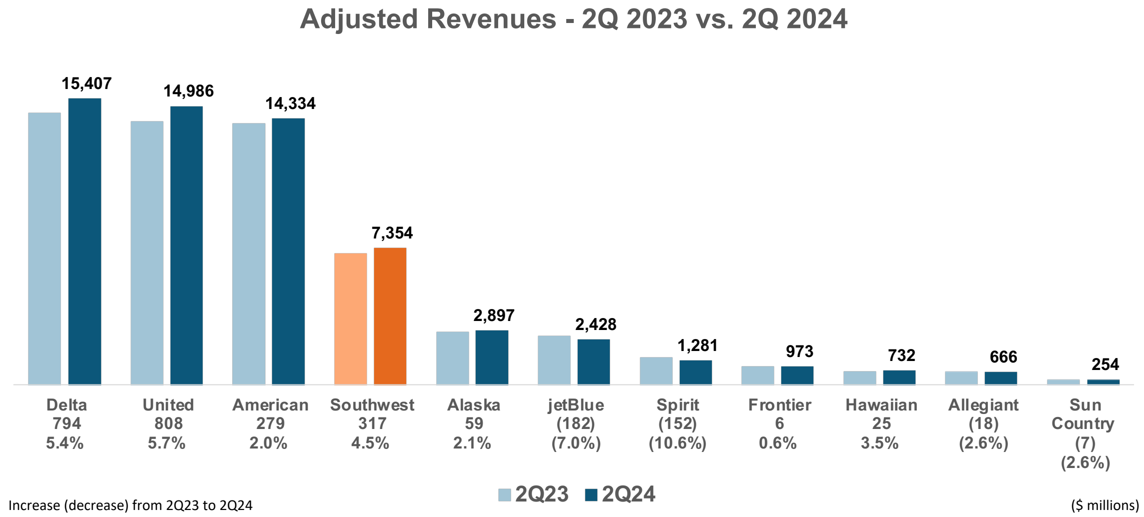


- Passenger demand firmly ahead of 2019, but 2Q24 GDP is 34% larger than 2Q19
- Airlines are reporting some weakening in demand; business travel not yet at 100% of '19

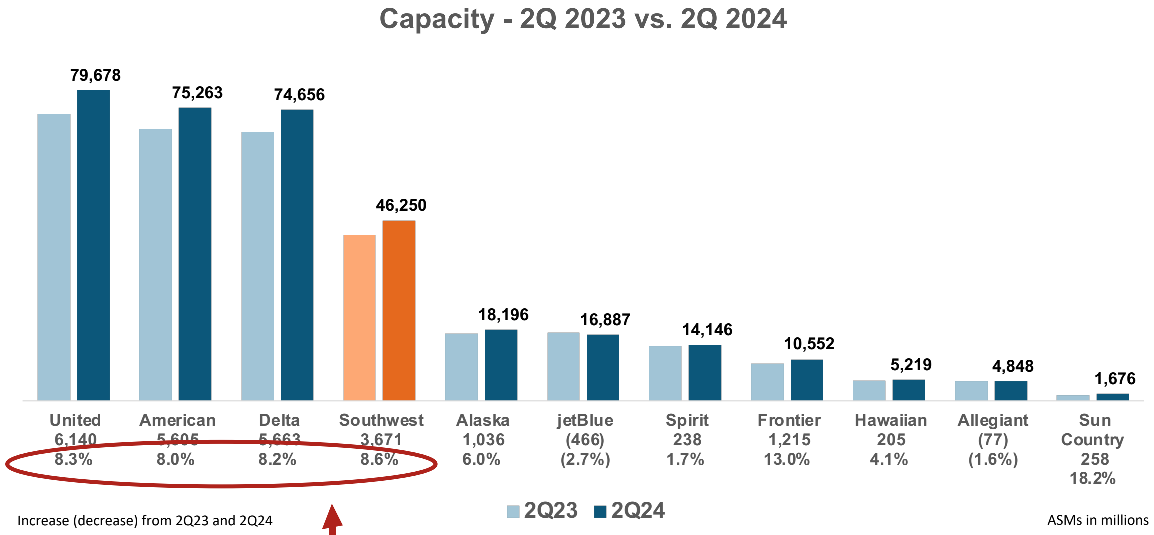
Industry had record ($61.3B) quarterly revenue…

… but capacity grew even more than revenue

2Q24 revenues were up 3.3% over 2Q23…



… but it took *7.3% more* capacity to make them



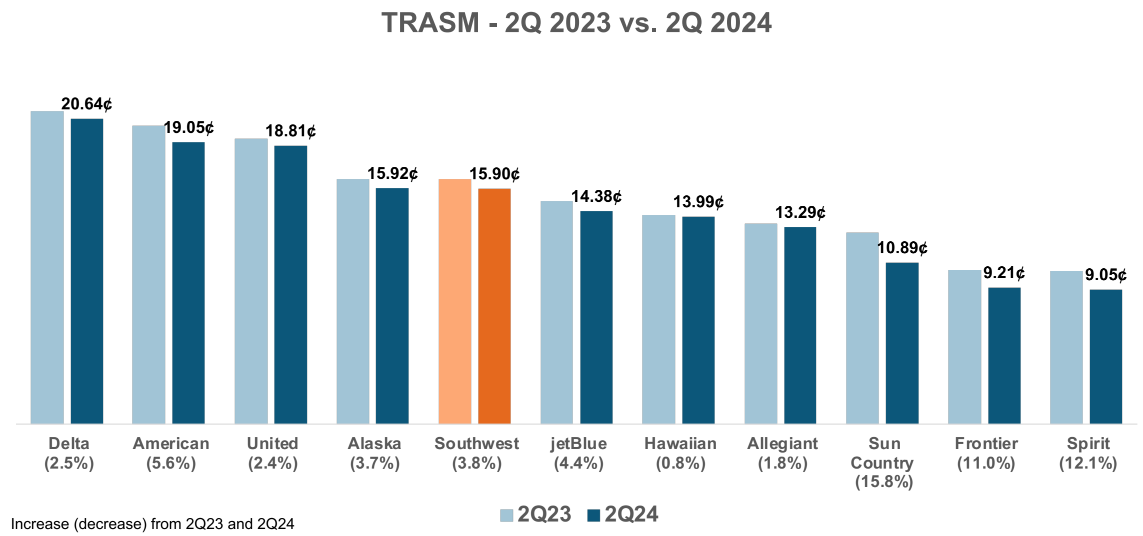
Big 4 added 21M ASMs in 2Q – almost as much as Spirit & Frontier's combined size

As a result, unit revenues & yields fell dramatically

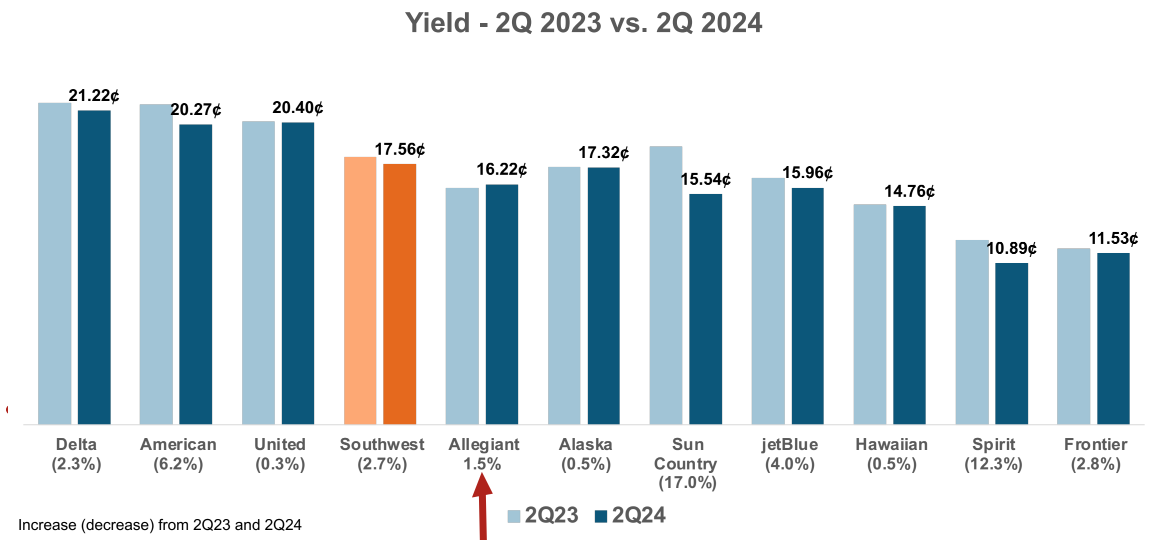
ULCCs (esp Spirit & Frontier) were especially hard hit

2Q TRASM was down 5.2%

… and 2Q Yields were down 4.2%



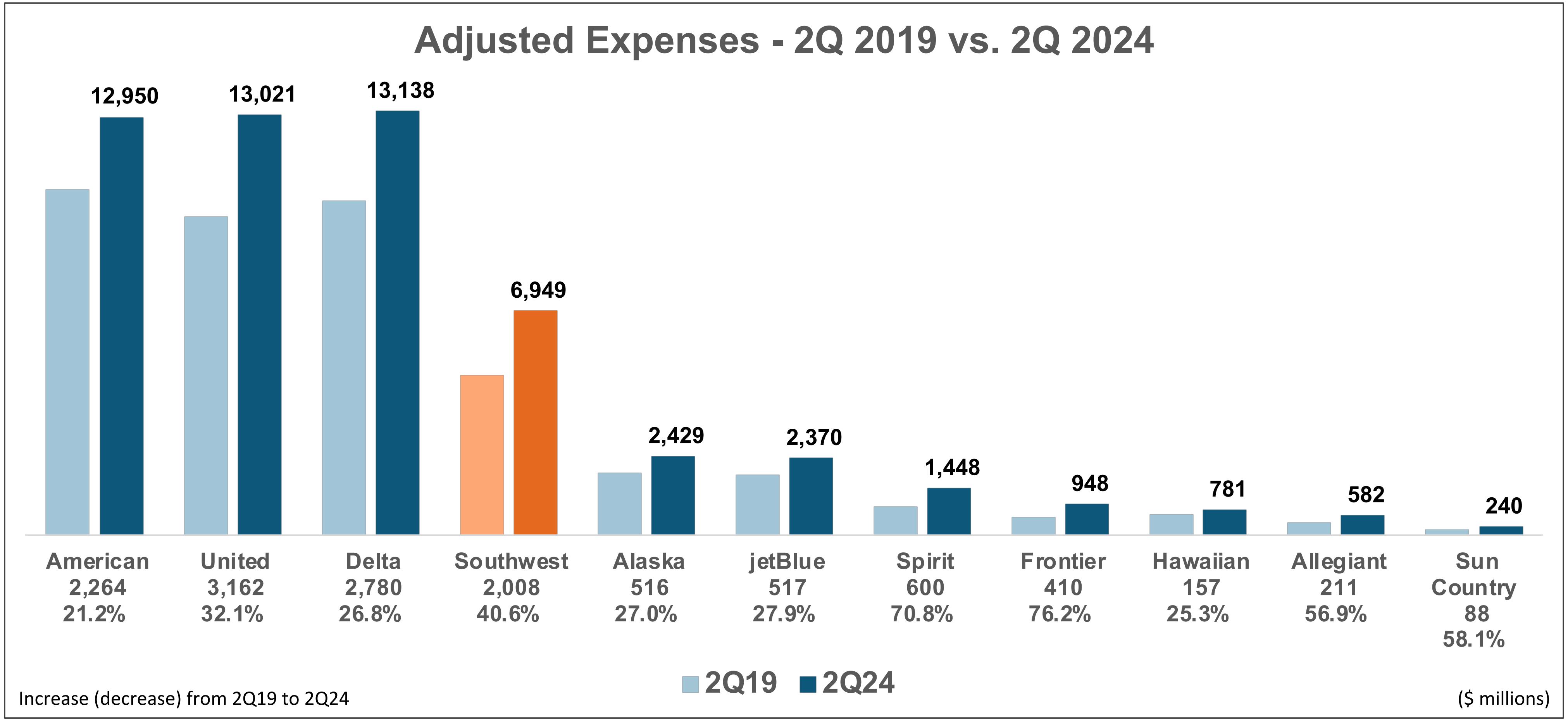
Every carrier saw declining TRASM



ALGT's capacity *fell* 1.8%

While unit revenues lag, costs are a bigger problem

Expenses are up 30.2% since 2Q19; *up 8.7% since 2Q23*



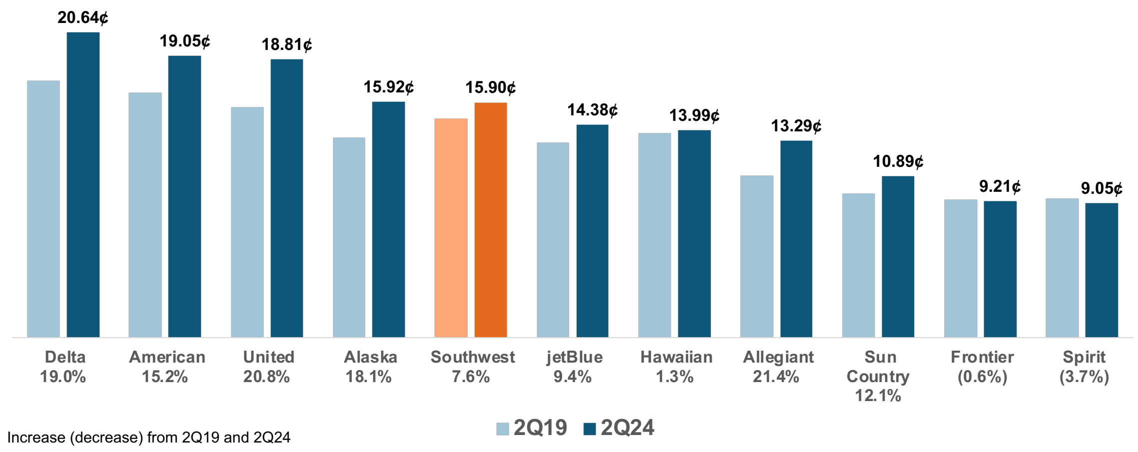
On a unit basis, cost inflation exceeds revenue growth

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

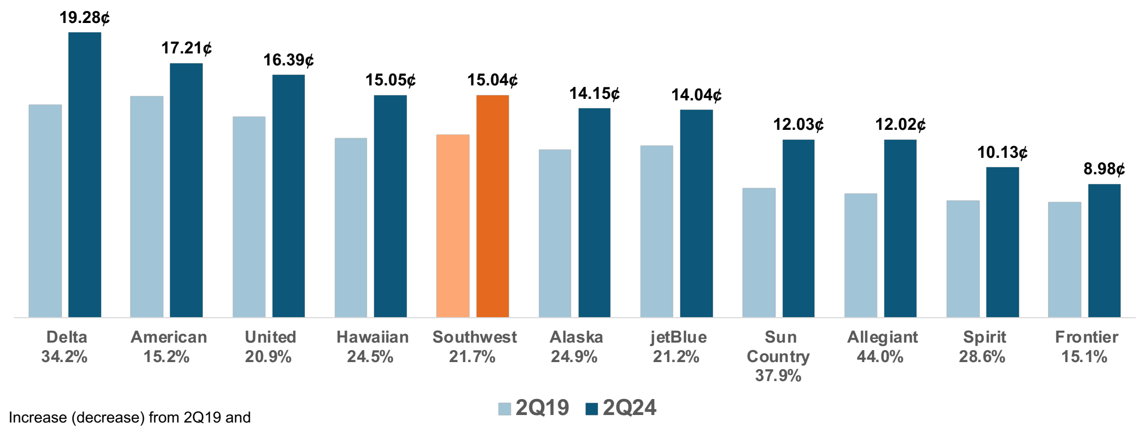
Average of TRASM is up 11.9% since 2Q19…

… but CASM is up 25.5%

TRASM - 2Q 2019 vs. 2Q 2024

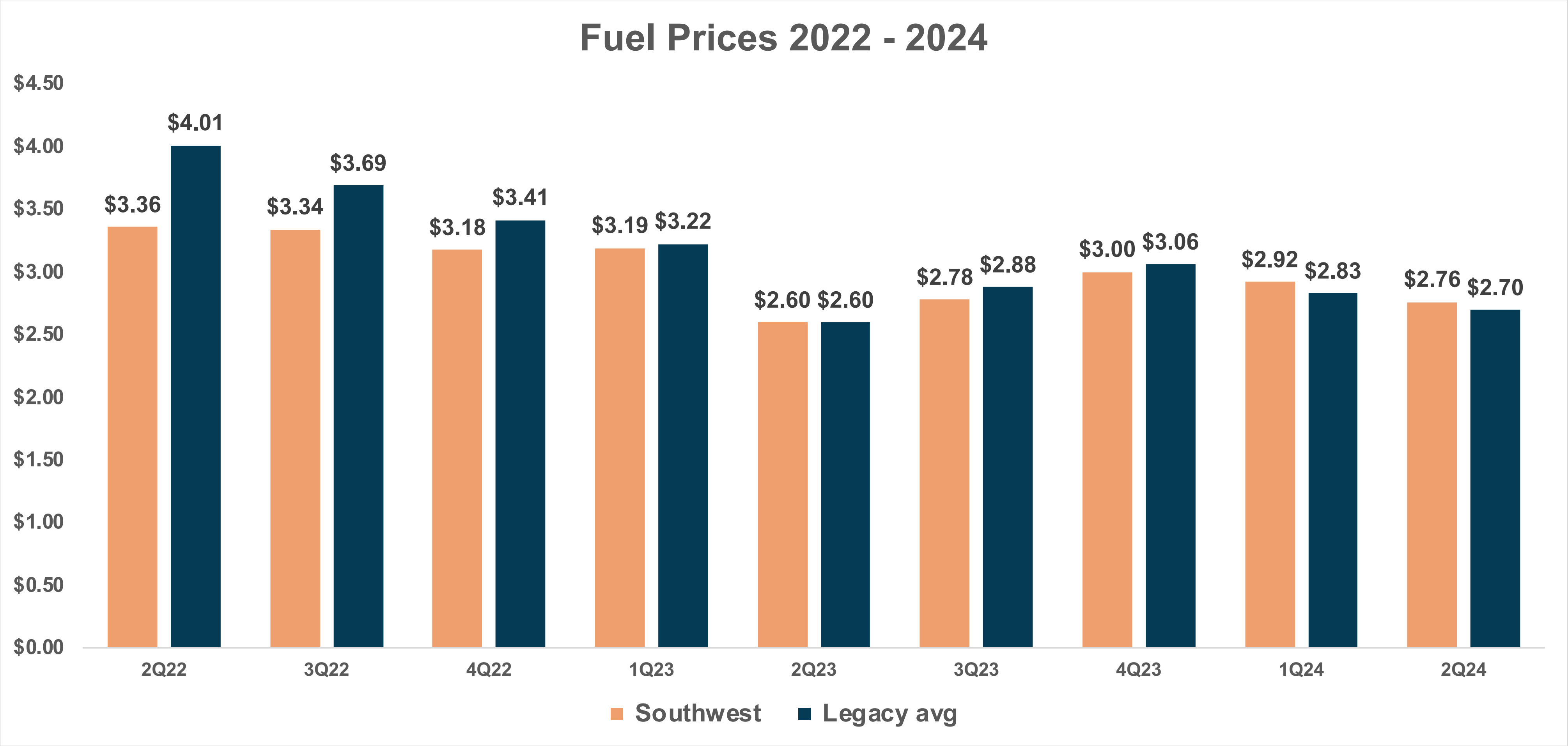


CASM - 2Q 2019 vs. 2Q 2024



Bright spot: relatively stable fuel prices

Last five quarters have seen little relative movement; FY24 outlook is stable



Every airline had margin compression in 2Q

Industry's overall operating margin declined from 15.0% to 10.5%

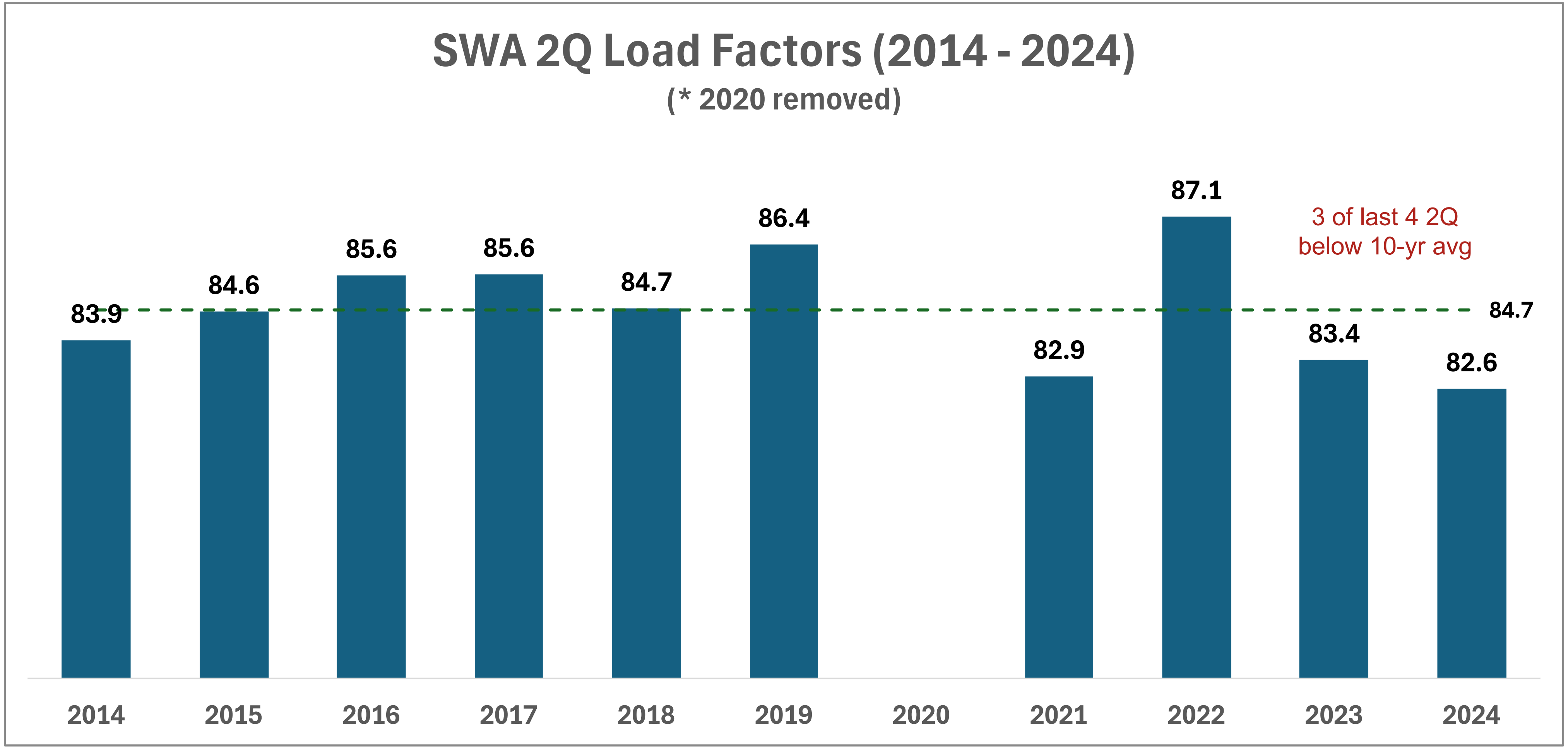
Increase (decrease) from 2Q23 to 2Q24

Legacies (+ Alaska) are now the high margin airlines

Industry's overall operating margin declined from 15.0% to 10.5%

SWA continues run of historically low load factors

Winter Storm Elliott hangover? All 6 quarters since meltdown below avg LF



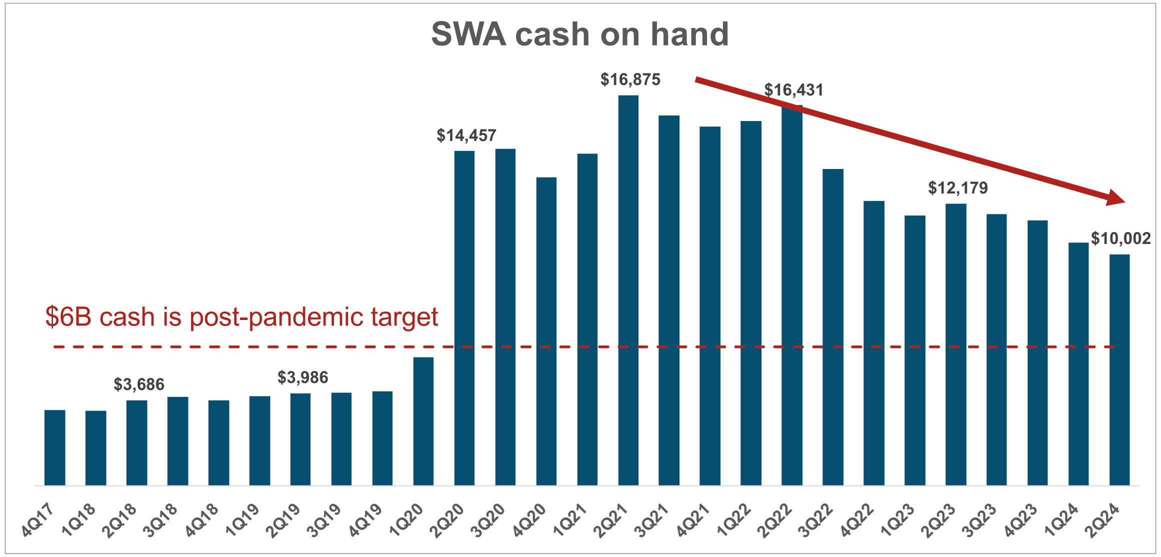
Sources: Diio.net

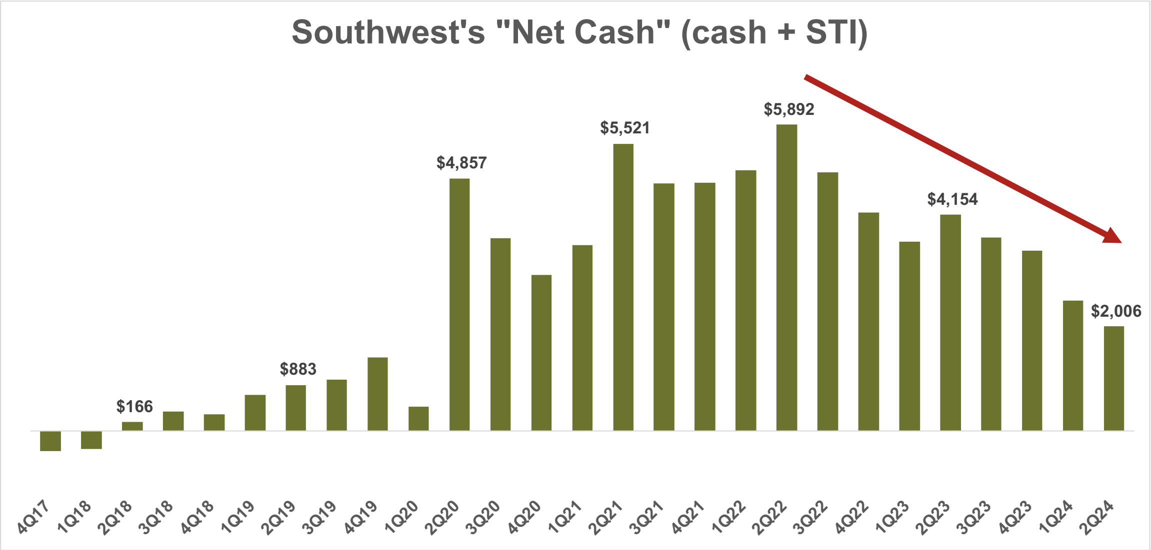
SWA cash stockpile is decreasing

$2.9B in debt comes due in 2025; S&P affirms BBB but lowers outlook to ‘negative’

Cash balance down $6.9B since pandemic peak

Net cash remains positive, but down 66%

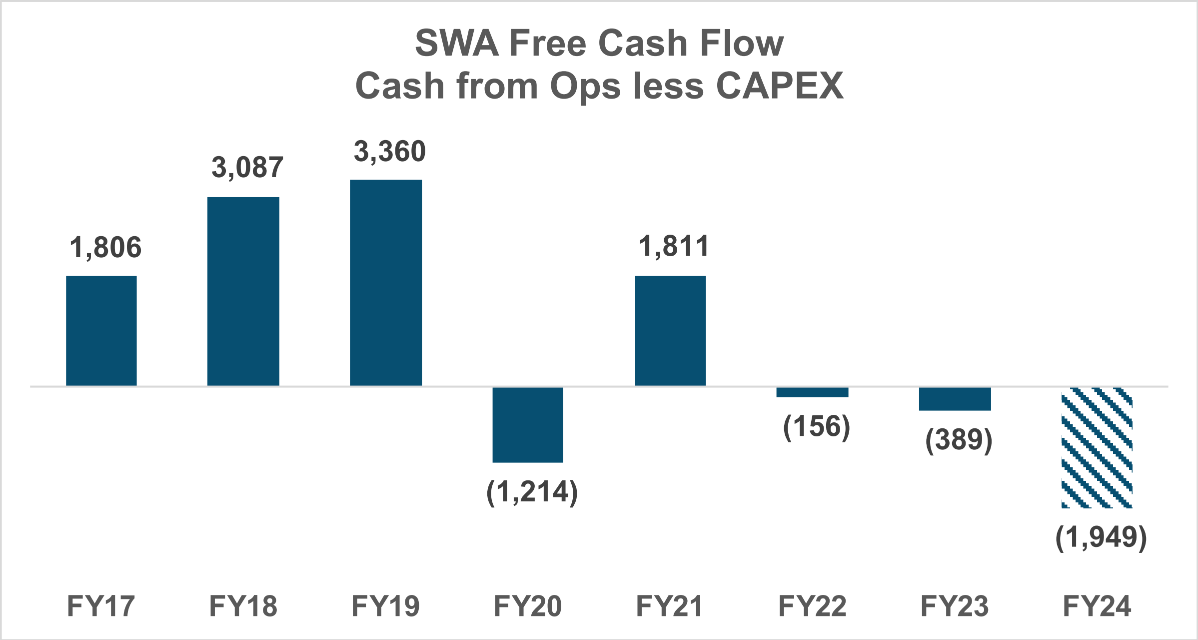




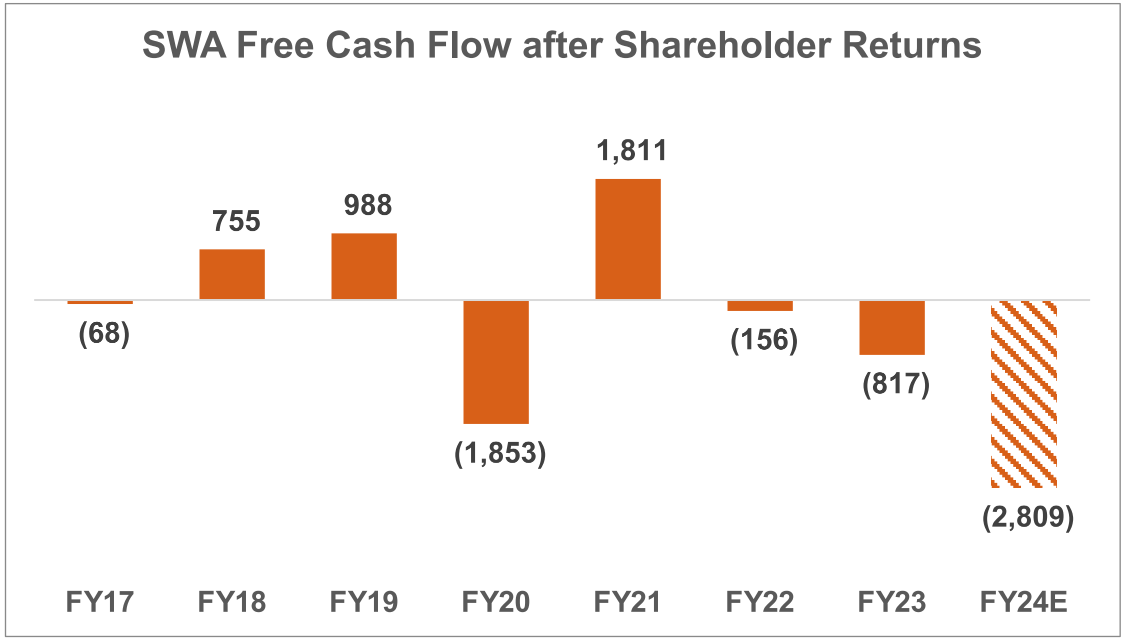
$643m in cash dividends paid since reinstatement

SWA Free Cash Flow situation is worsening

Negative FCF for past two years

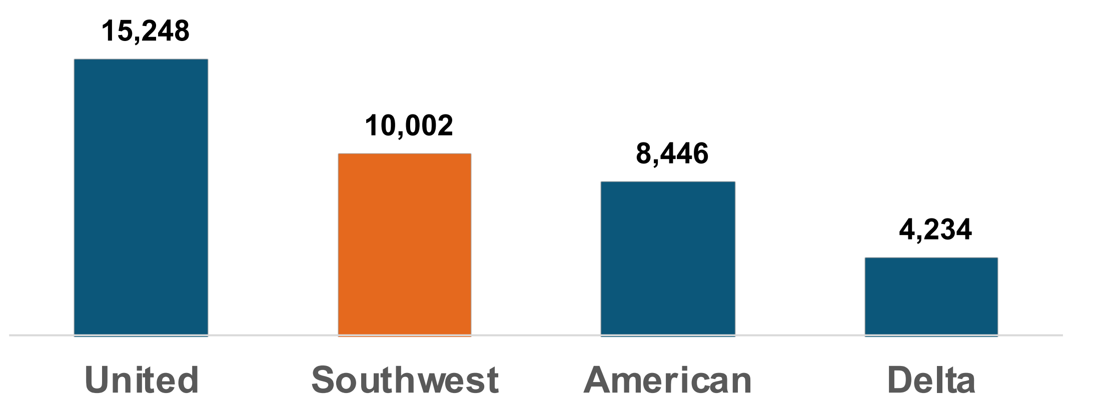


Even less left over after SHR



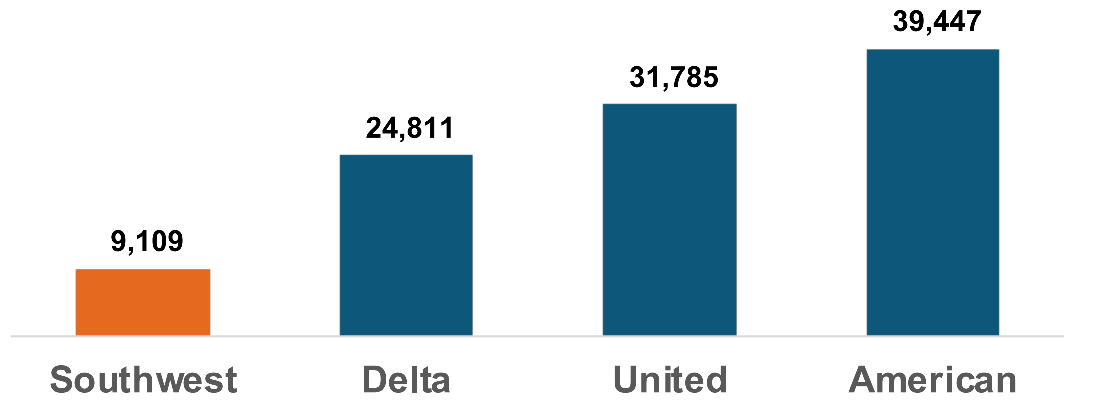
SWA's balance sheet still strongest of Big 4

Cash and Short-Term Equivalents – 2Q19 vs 2Q24



($ millions)

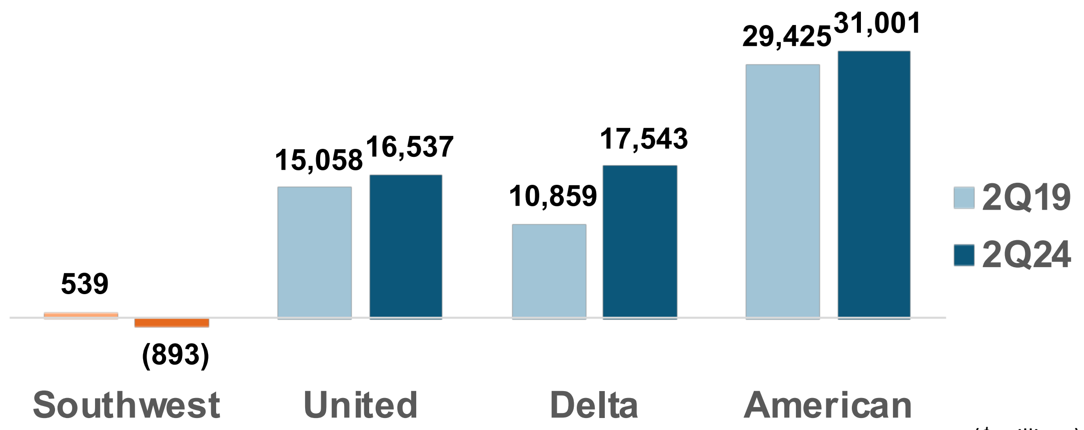
Total Adjusted Debt – 2Q24



Adj Debt = Total debt + operating lease liabilities

($ millions)

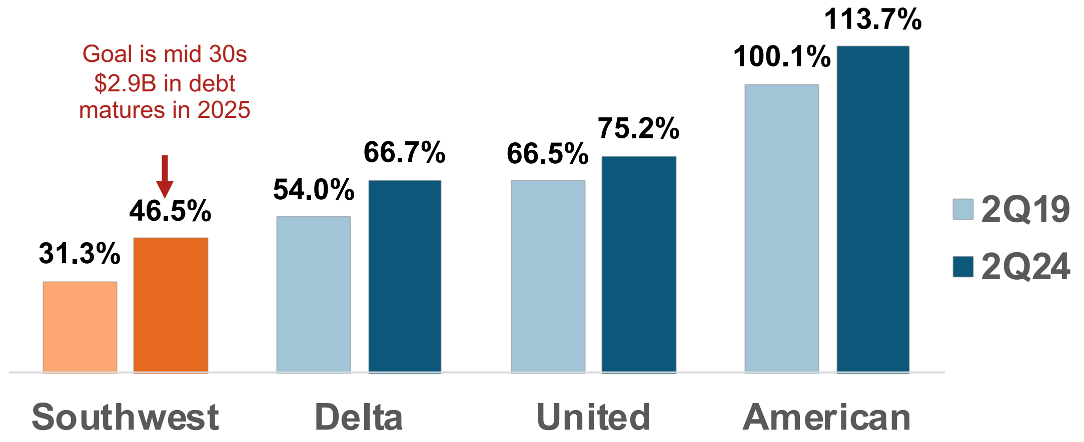
Adjusted Net Debt 2Q19 vs 2Q24



Adj Net Debt = Adj Debt less Cash/STI

($ millions)

Adjusted Debt-to-Capital Ratio – 2Q24



SWA attracts interest of activist investor

- **June 10 – Elliott Investment Management (EIM)** issues press release and presentation stating intention to force SWA BOD change, senior leadership change, and a comprehensive business review.
- **June 26 –** EIM issues press release condemning SWA's late June Investor update:
  - "Southwest is led by a team that has proven unable to adapt to the modern airline industry…"
- **July 3 –** SWA adopts a "poison pill" to prevent EIM from acquiring more than a 12.5% stake.
  - Formation of limited-duration shareholder's rights plan allowing current shareholders to buy more shares at 50% discount.
- **July 7 –** SWA appoints a new director, Rakesh Gangwal, former CEO of US Airways, to the SWA BOD.
  - COO/CEO at USAirways 1996-2001, Executive positions at United and Air France. Co-founder of IndiGo Airways in India in 2006.
- **July 25** – SWA announces 2Q24 earnings and previews its intention to add premium seating and assigned seat.
- **July 25** – EIM issues press release commenting on SWA's relatively poor 2Q24 earnings release and transformation plans.
  - Reinforces goals of BOD replacement and senior leadership change.
- **Aug 6** – EIM filed 13D regulatory filing disclosing a roughly 7% beneficial ownership.
  - Accumulation of 23.3M common shares along with 18.6M physical derivative agreement swaps giving voting power of over 41.9M shares.
- **Aug 14** – EIM releases a slate of 10 candidates for the SWA BOD and the intention to call for a special shareholder meeting along with disclosing an 8.2% share or 48.9M shares.
  - Michael Cawley-former COO/CFO Ryanair
  - David Cush-former CEO Virgin America
  - Sarah Feinberg-former head of Federal Railroad Administration
  - Joshua Gotbaum-Advisor to labor/companies, Ch 11 trustee Hawaiian Airlines
  - Dave Grissen-former group president of Marriott
  - Nancy Killefer-former McKinsey senior partner in consumer/retail
  - Robert Milton-former CEO Air Canada, Chairman UAL
  - Greg Saretsky-former CEO WestJet
  - Eash Sundaram-former CTO JetBlue
  - Patty Watson-CIO/EVP NCR Atleos

Little change to SWA order book

MAX7 in order book for 2024, but SWA assumes no delivery until late 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[3]	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; (3) Any MAX7 deliveries likely to be offset by increased -700 retirements

** Assumes 65% of options exercised*

2024 hiring to date / 2024 forecast

	To date	2024
United	812	**1100***
Delta	757	**945**
American	749	**749**
Southwest	283	**283**
Spirit	0	**Furlough 240**
Atlas	405	**450**
JetBlue	122	**122**
Alaska	18	**18***
FedEx	0	**0**

	To date	2024
Frontier	178	**278**
UPS	63	**170**
Allegiant	201	**250**
Breeze	15	**55***
Hawaiian	15	**30**
Avelo	8	**30**
Sun Country	9	**50***
	3,632	**4,530+**

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

**SWAPA estimates*

Hiring and Pilot Supply Notes

- **American** has stopped hiring for the remainder of 2024 and is offering lines with no pay for the September bid period.
- **Delta** reduced its hiring plan of 1,070 to 945 and plan no NH classes in Fall 2024.
- **Southwest** ceased off-the-street hiring, with small number of D225 pilots hired.
- **United** still hiring, although yearly total will be much smaller than earlier forecast.
- **Alaska** has not hired since February. Done for the year according to hiring sources.
- **JetBlue** done hiring, offering 500 no-fly lines starting in September.
- **Frontier** has 100 CJO's in pool, will offer LOA's to F/O's in September and possibly Oct.
- **Spirit** will furlough 240 pilots with 100 Capt. downgrades.
- **Allegiant** still hiring but class sizes smaller as the MAX deliveries are delayed. Over 100 pilots trained for MAX but not flying.
- Pilot supply stats: FAA certificates issued in July up 47% YoY, 78% above July 2019 levels. ATP certificates up 7% YoY and 87% higher than July 2019.
- 5,370 Age 65 retirements in 2024/2025. 6,194 new ATP's in 2024, assume 5,575 of those utilized in airline industry, the remainder corporate or other applications.

Global Network Carriers

American Airlines

DELTA

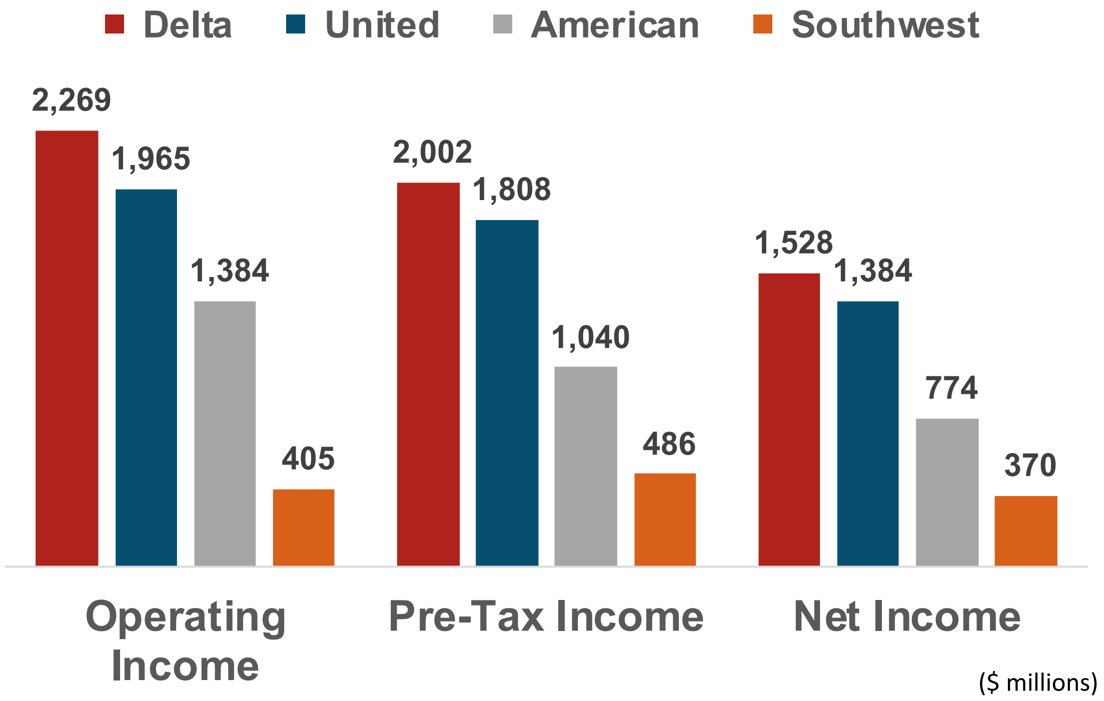
UNITED

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

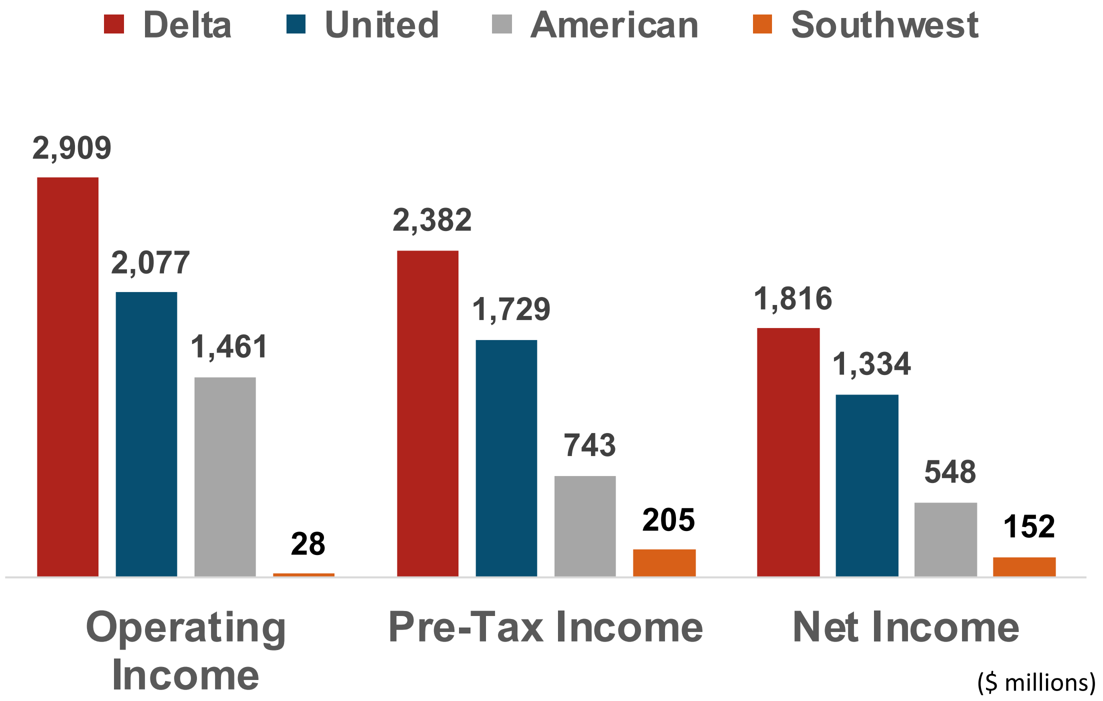
Key Financial Results

Global Network Carriers (Legacies) vs. Southwest

2d Quarter 2024

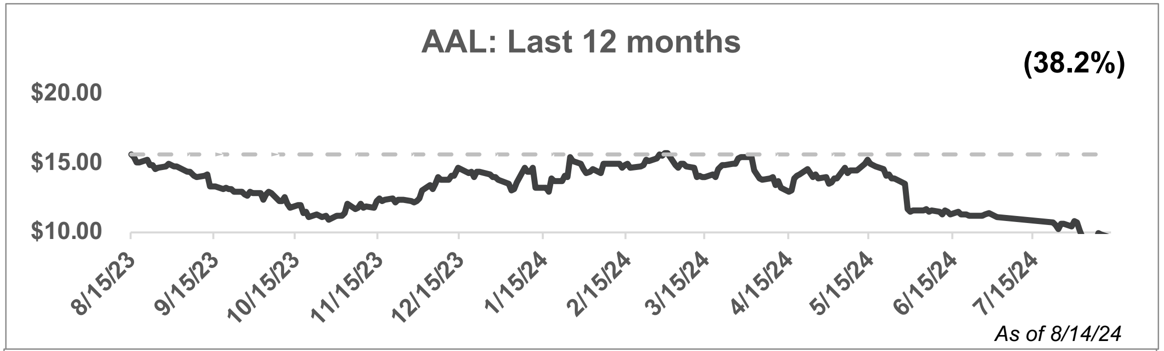


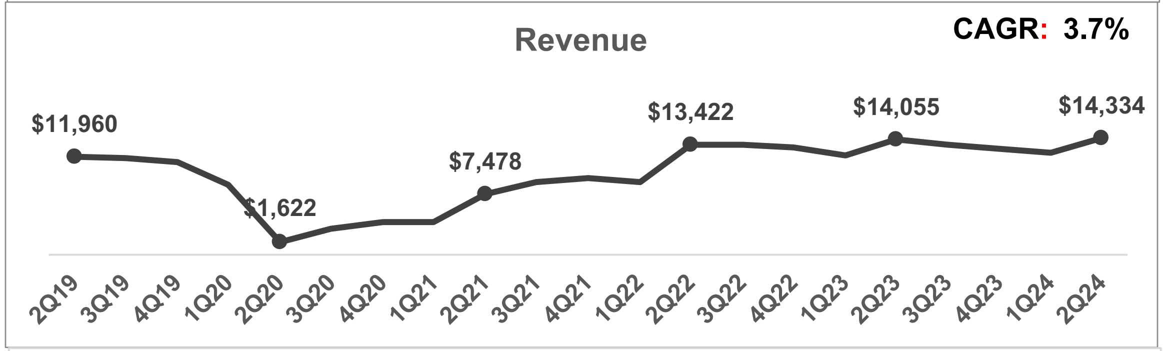
6 months 2024

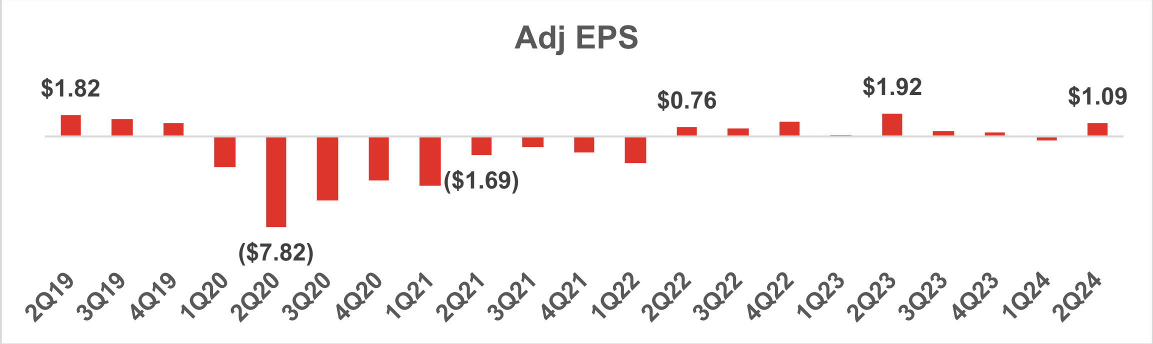


Non-GAAP – excludes special items

American Airlines







American

"We did not perform to our expectations due to our prior strategy"

2Q24 adj. pre-tax income: $1.0B

American reported a second quarter profit in line with revised guidance despite the impact of significant weather events in May and June, according to CEO Robert Isom. He also acknowledged that current subpar revenue performance was driven by an imbalance in domestic supply and demand and the prior sales distribution strategy. Capacity in 3Q/4Q has been pulled down and the company is revamping their corporate distribution channels in an effort to regain lost business travel. American plans to add more premium seating to its current and new aircraft as well as renegotiating their co-brand card agreement to help drive additional revenues. Cost performance was better than forecast and balance sheet repair continues to be a priority but the company expects negative PRASM in both 3Q/4Q due to fare discounting. This is expected to pressure results for the second half of 2024.

EFA takeaway: American's underperformance continues, and its domestic-centric network and failed distribution strategy did no favors in the second quarter.

Items of interest

- Reported highest quarterly revenue in company history but TRASM and yields were down YoY, reflecting softer domestic revenue environment.
- Transatlantic unit revenue was up YoY on 6% higher capacity. Large managed corporate revenue was up 3% YoY, a lower-than-expected gain due to distribution issues. Estimated $750 of lost revenue from previous distribution strategy.
- Premium revenue increased 9% YoY with paid load factors in the premium cabins at historic highs, up more than 6% YoY. Premium seating is expected to grow more than 20% by 2026.
- Loyalty revenues up 8% YoY with AAdvantage members responsible for 74% of premium cabin revenue. Total spend on co-brand cards up double-digits.
- CASM-ex was down slightly YoY in 2Q on lower maintenance spend and better cost controls. Third quarter and full year CASM-ex expected to be up low single digits despite the lower planned capacity. Cost pressure from adding sales staff and commissions.
- Will take delivery of 20 new A/C, down slightly from previous expectations. This will lower CAPEX to $2.9B. Expect moderate levels of CAPEX through remainder of decade.
- Have reduced total debt by $13B from peak levels in 2021 with $680M paid in 2Q. Liquidity of $11.7B. Free cash flow of $500M, well below previous guidance. May plan to refinance upcoming PSP loan depending on interest rates.

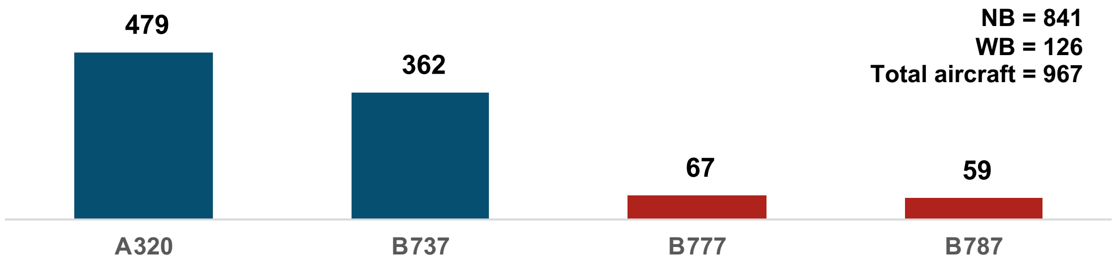
American Airlines

2Q Snapshot (as compared to 2Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
↑ *8.0%*	↑ *2.0%*	↓ *5.6%*	↓ *0.2%*	↑ *3.1%*

American Stats	2Q24	2Q23	2Q19	y/y	y/5y
Revenues	$14,334M	$14,055M	$11,960M	2.0%	19.8%
Adj Operating Income (EBIT)	$1,384M	$2,169M	$1,274M	(36.2%)	8.6%
Adj Operating Margin	9.7%	15.4%	10.7%		
Adj Pretax Income	$1,040M	$1,797M	$1,072M	(42.1%)	(3.0%)
Adj Net Income	$774M	$1,371M	$810M	(43.5%)	(4.4%)
Adj EPS	$1.09	$1.92	$1.82	(43.2%)	(40.1%)
Capacity (ASMs)	75.3 billion	69.7 billion	72.3 billion	8.0%	4.1%
Yield	20.27¢	21.62¢	17.57¢	(6.2%)	15.4%
TRASM	19.05¢	20.18¢	16.54¢	(5.6%)	15.2%
CASM	17.21¢	17.07¢	14.94¢	0.8%	15.2%
CASM-ex	13.14¢	13.16¢	11.34¢	(0.2%)	15.9%
Fuel (econ)	$2.70	$2.62	$2.14	3.1%	26.2%

American Mainline Fleet – 2Q24 (est.)

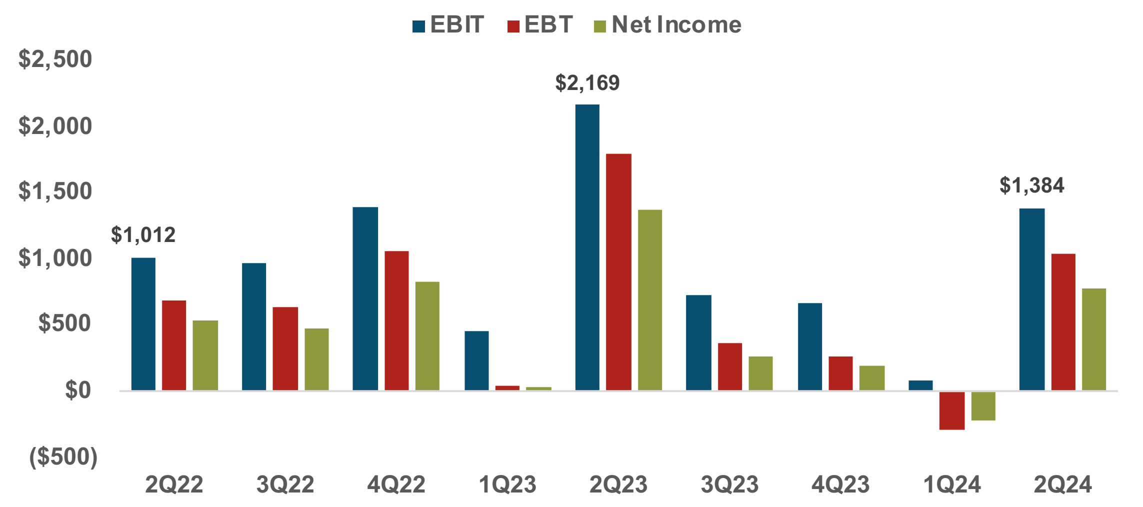


Source: planespotters.net

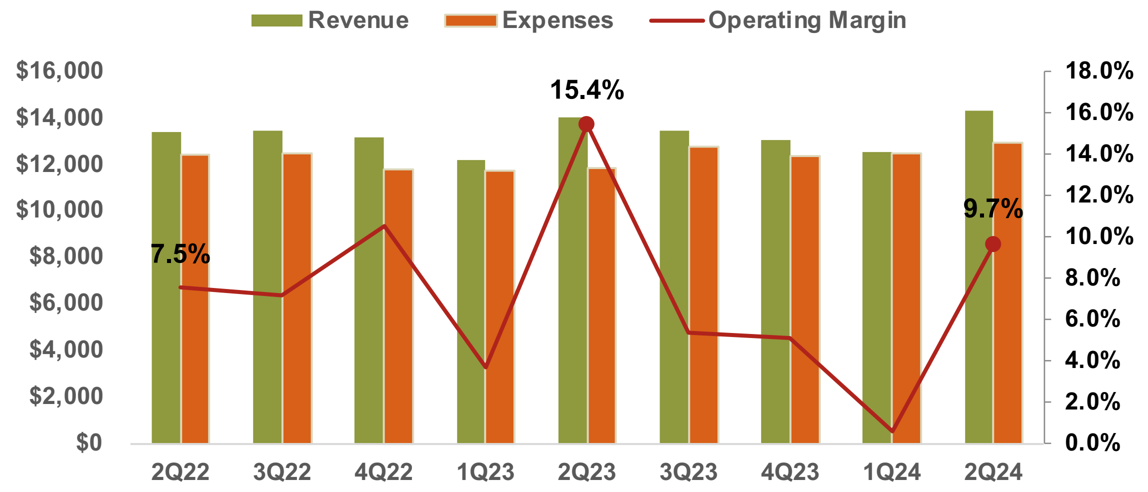
SWAPA

American - Financial Performance

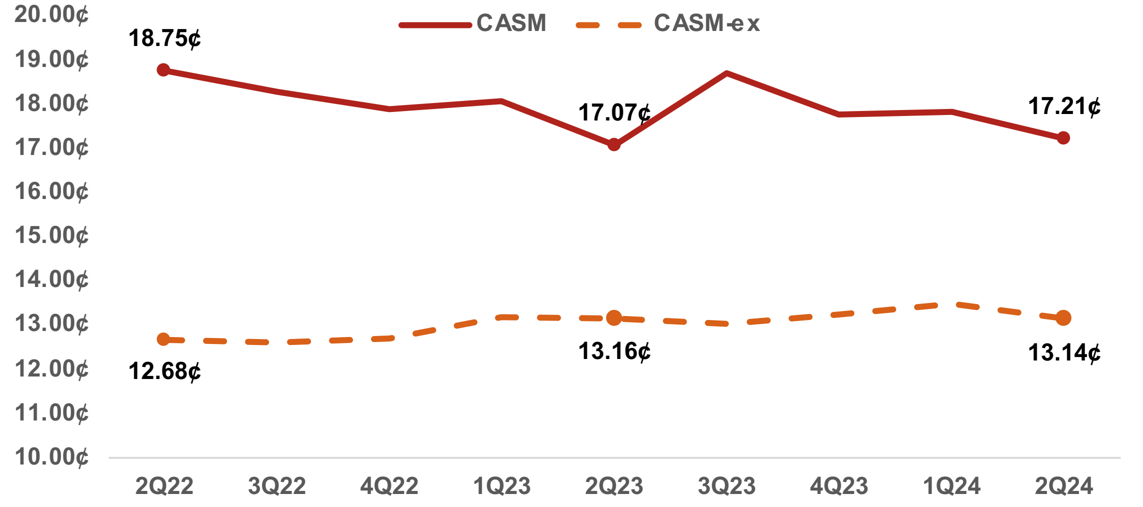
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



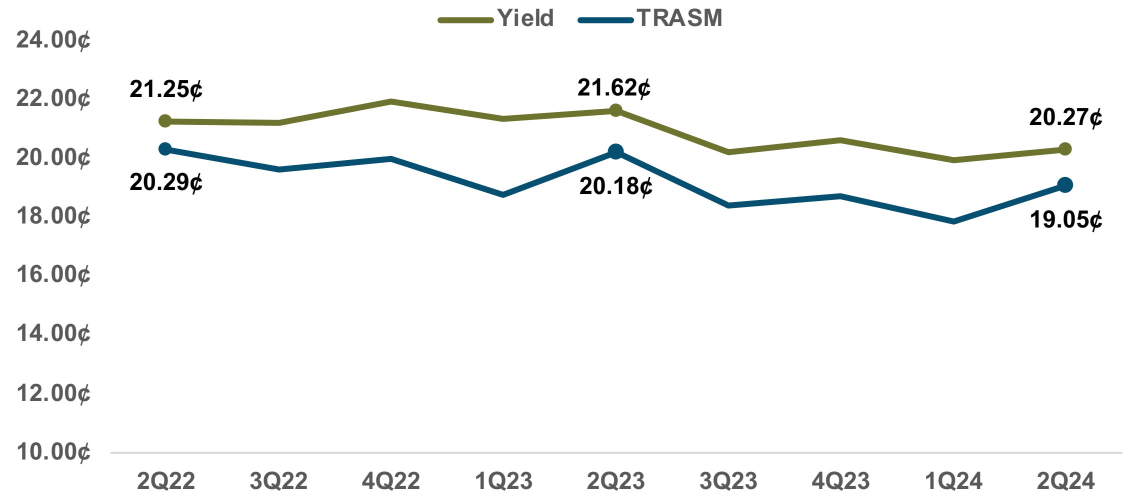
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM



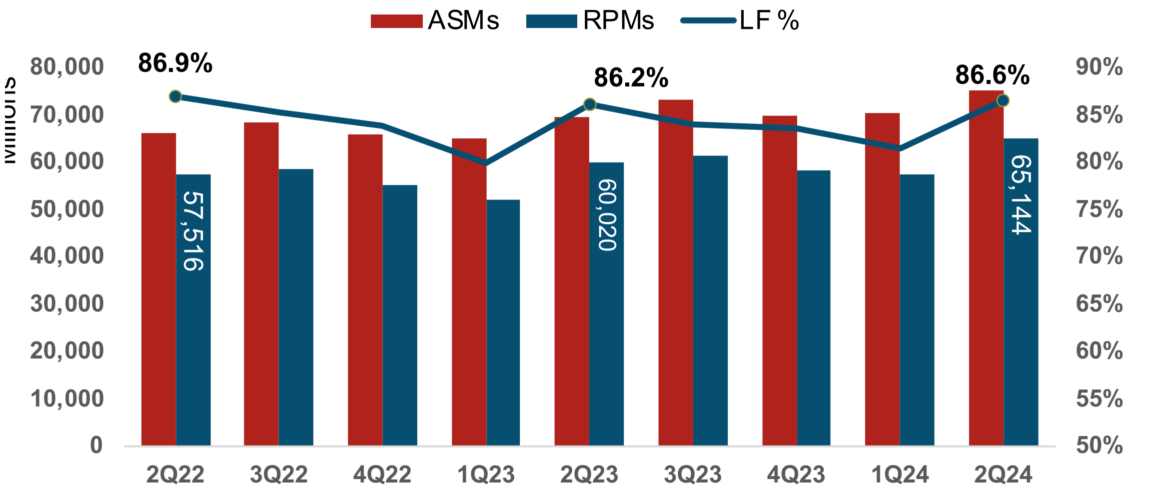
American - Network News

American Airlines

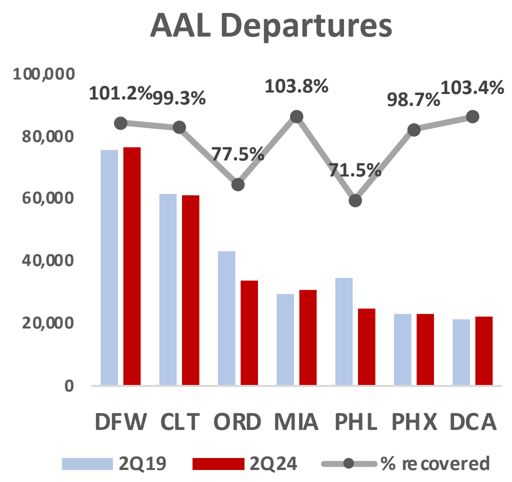
Network news and notes

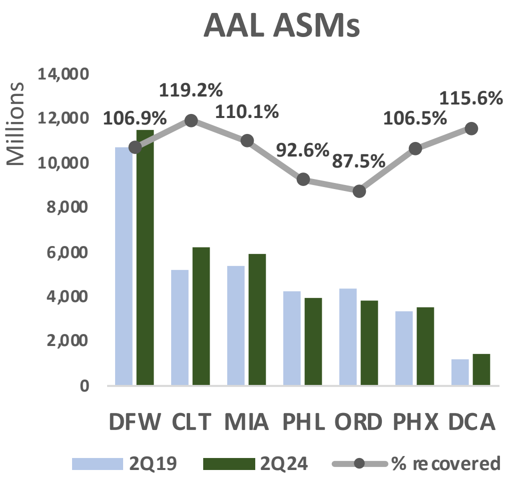
- Discontinuing service between SNA-MIA, AUS-IND and BOS-MEM in August, as the carrier continues to adjust capacity.
- Has cut more than 21 non-stop routes from AUS since the beginning of the year.
- Adding extra non-hub LGA flights to winter schedule to preserve slots returned from JBLU after canceled NEA.
- Trims LHR schedule from LAX/PHX during Fall/Winter schedule.

Capacity and Load Factors

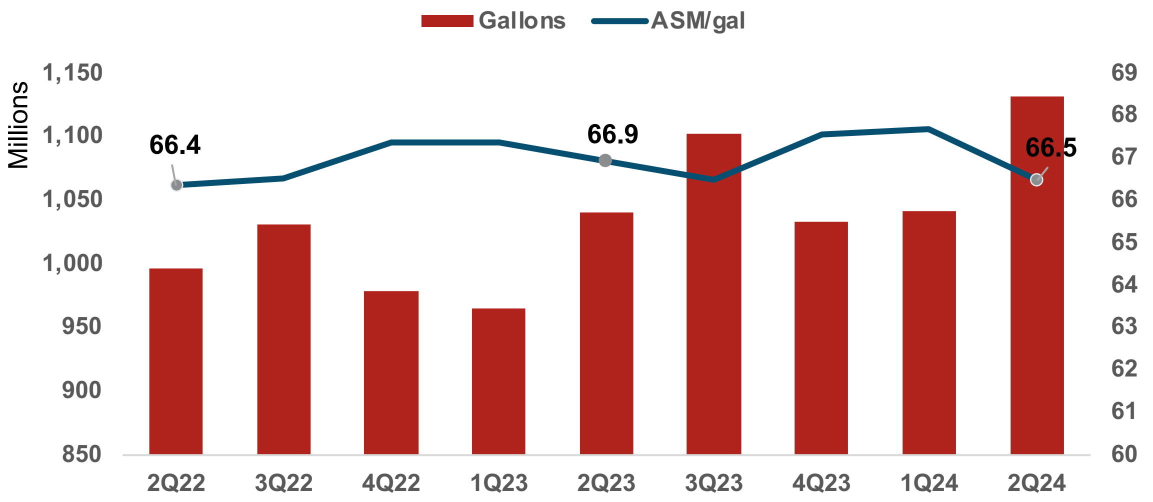


Restoration of major hubs and focus cities





Fuel & Fuel Efficiency



SWAPA

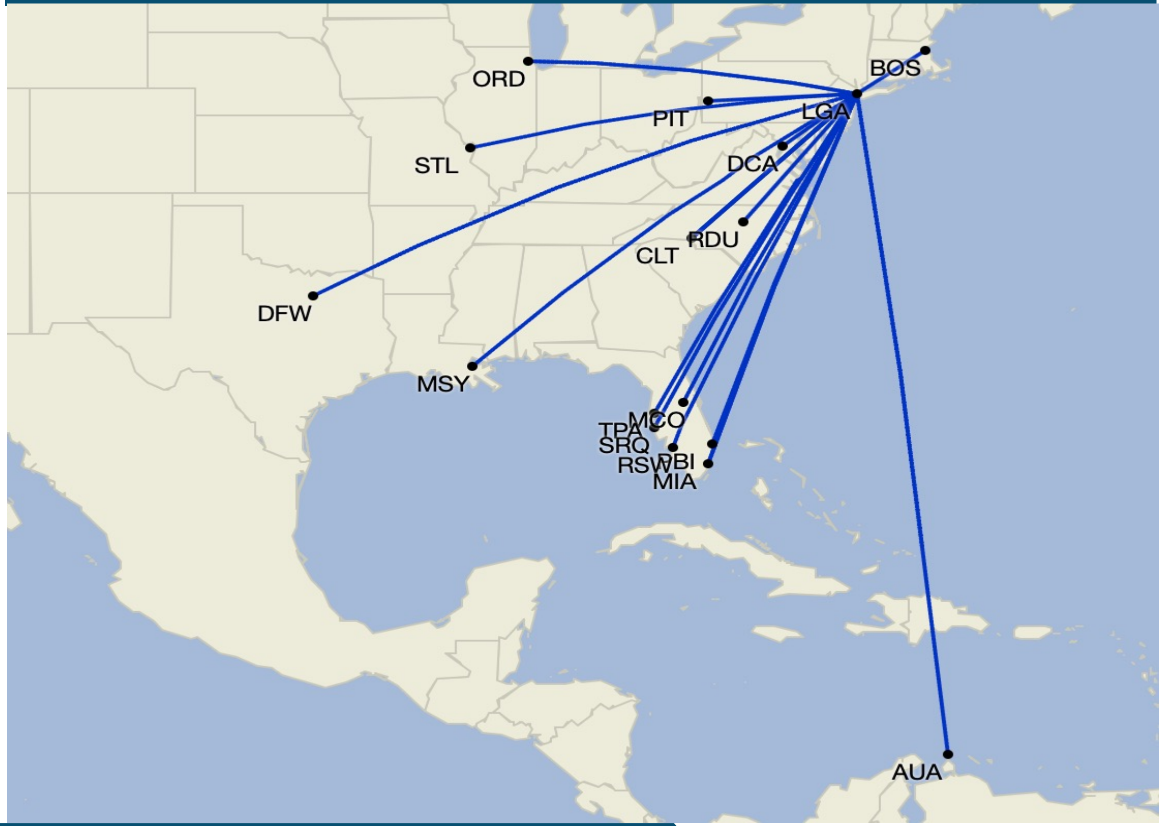
American

Analyst Commentary

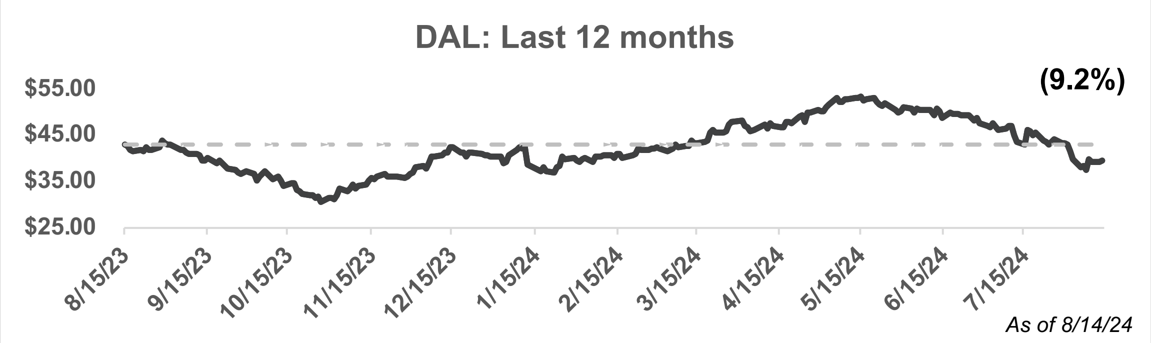
- American's short-lived material shift in commercial strategy significantly and negatively impacted the airline's revenue performance and market share. Management took active measures, but the damage is done. Also, lower growth in the fourth quarter suggests higher non-fuel cost outcomes.
- We think the return of market share and revenue enhancements will take several quarters to improve and expect a meaningful cost impact as AAL restaffs its salesforce and distribution costs increase.
- Management's lack of vigor, absence of anything "new" and embrace of the status quo are troubling for us. No incremental capacity cuts, revisions to order book or network rebalancing were discussed.
- Changes to distribution is step one but additional changes are needed. American expects to close the margin gap to peers, but without a wholesome review of the product and network, its hard to get there.
- While the company's financials may be pressured in the near-term, we don't view 2024 as representative of the true earnings power of the company. We think American can recapture some of its corporate share as the industry recalibrates supply/demand. Revenue generation resumes in 2025.
- American is adjusting its capacity outlook but why not more? We suspect if returns do not start to improve soon, fourth quarter schedules could be revised lower-which as things stand today, is likely needed regardless of how Aug/Sept performs.
- American's elevated leverage vs. peers drives our lowered rating. We see a long road to repair ahead.

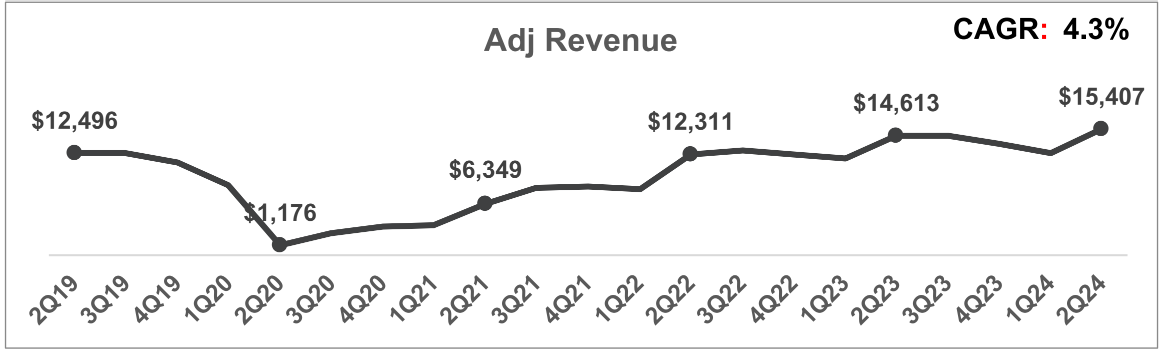
Guidance	3Q24	FY 2024	Notes
Capacity	Up 2% - 4%	Up 5% - 6%	
TRASM	Down 2.5% - 4.5%	Down 3% - 5%	
CASM-ex	Up 1% - 3%	Up 1% - 3%	
Fuel	$2.55 - $2.75	$2.65 - $2.75	1.13B - 1.15 gallons expected 3Q
Adj EPS	~ Breakeven	~$0.70 - $1.30	
Operating margin	2% - 4%	3.5% - 5.5%	
CAPEX		~$2.0B	aircraft CAPEX

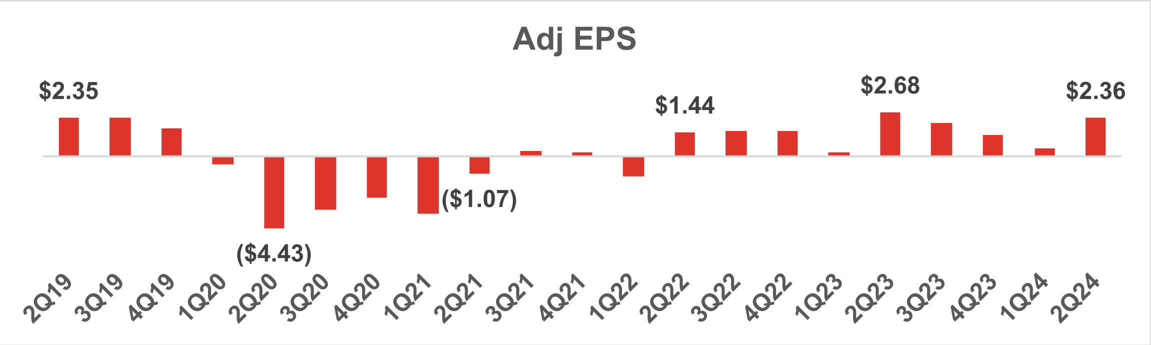
American adds winter non-hub flying from LGA to preserve unused slots



Delta Air Lines







Delta

DELTA

“Delta’s industry leadership has never been greater than now”

2Q24 adj. pre-tax income: $2.0B

Delta reported 2Q earnings that matched Wall St. estimates but were still down compared to a year ago. The airline noted record revenues, with what they call “diverse revenues streams” generating 56% of the total revenue, however domestic unit revenue was down nearly 3%, worse than forecast. This was attributed to overcapacity in the domestic market that affected main cabin revenue trends. The company believes June and July will be the low point, with unit revenue trends to significantly improve in August and beyond. Travel demand remains “robust”, with corporate travel expected to increase in the back half of the year with the premium/international segment remaining strong as well. Non-fuel costs were better than forecast due to strong operational metrics but will increase in the second half as investments in the business will increase. Balance sheet repair and free cash flow generation will continue as priorities going forward.

EFA takeaway: Delta’s multiple revenue streams helped to overcome domestic weakness in pricing and RASM. Can this continue even as other airlines lag?

Items of interest

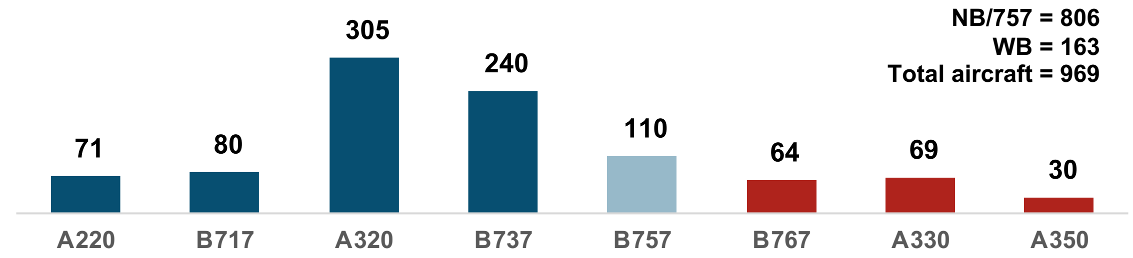
- Record revenues with diverse revenue streams continuing to outperform. Premium revenue grew 10% vs. second quarter 2023. Loyalty revenues up 8% driven by co-brand spend growth and increasing premium card mix. Total unit revenue down due to domestic weakness.
- Amex renumeration was $1.9B, 9% higher than 2Q23. Cargo revenue reversed trend, growing 16% YoY. Paris Olympics will negatively affect 3Q revenues by approximately $100M.
- International travel revenue grew 4%, with Transatlantic leading the way. Latin America, particularly short-haul remains challenged, with Latin PRASM down 12%.
- Corporate travel grew double-digits, with managed business travel continuing to increase. Companies indicated to Delta that travel will be at 90% or higher of current levels in Fall 2024.
- Pacific region continues to be restored, with Korean Air partnership and new routes from SEA performing well.
- Non-fuel CASM was up 0.6%, better than forecast on a better completion factor. Full year costs will be affected by higher maintenance costs ($350M) and network restoration but still lower than forecast. Completion factor 99.4%.
- Fleet growth for 2024 will be less than 2%, with 40 total deliveries and 20 retirements. Took delivery of 11 aircraft in 2Q. Full year CAPEX $5B, with Delta paying cash for most deliveries.
- Adjusted net debt of $19.2B with $2.7B in free cash flow generation in 2Q. $2.1B in debt repayment and increased dividend by 50%. FY 2024 FCF expected to be $3B-$4B.

2Q Snapshot (as compared to 2Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
↑ 8.2%	↑ 5.4%	↓ 2.5%	↑ 0.6%	↑ 4.8%

Delta statistics	2Q24	2Q23	2Q19	y/y	y/5y
Adj Revenues	$15,407M	$14,613M	$12,496M	5.4%	23.3%
Adj Operating Income (EBIT)	$2,269M	$2,494M	$2,138M	(9.0%)	6.1%
Adj Operating Margin	14.7%	17.1%	17.1%		
Adj Pretax Income	$2,002M	$2,220M	$1,997M	(9.8%)	0.3%
Adj Net Income	$1,528M	$1,723M	$1,532M	(11.3%)	(0.3%)
Adj EPS	$2.36	$2.68	$2.35	(11.9%)	0.4%
Capacity (ASMs)	74.7 billion	69.0 billion	71.8 billion	8.2%	4.0%
Yield	21.22¢	21.72¢	18.00¢	(2.3%)	17.9%
TRASM	20.64¢	21.18¢	17.35¢	(2.5%)	19.0%
CASM	19.28¢	18.97¢	14.37¢	1.6%	34.2%
CASM-ex	13.14¢	13.06¢	10.47¢	0.6%	25.5%
Fuel (econ)	$2.64	$2.52	$2.08	4.8%	26.9%

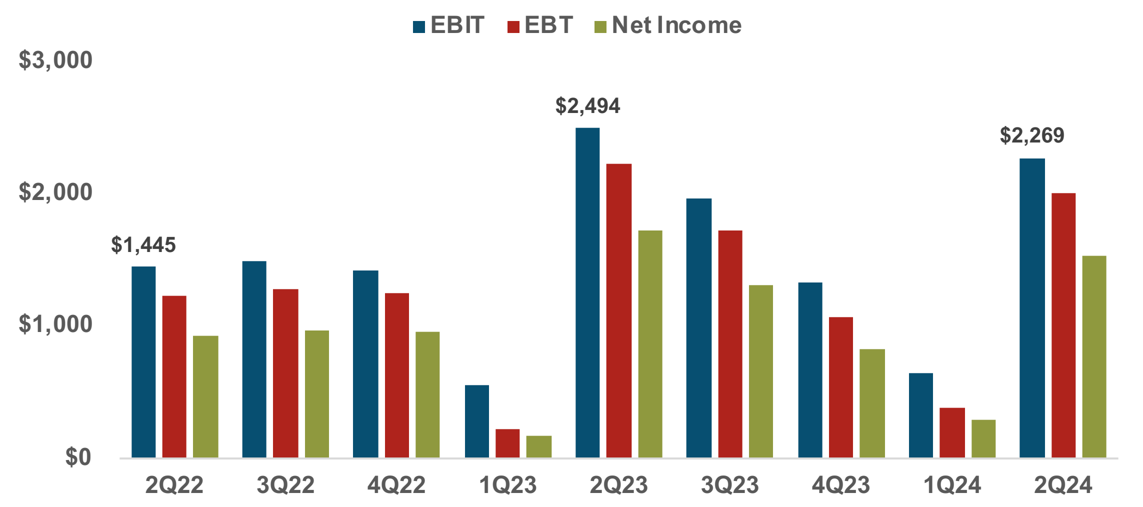
Delta Mainline Fleet – 2Q24



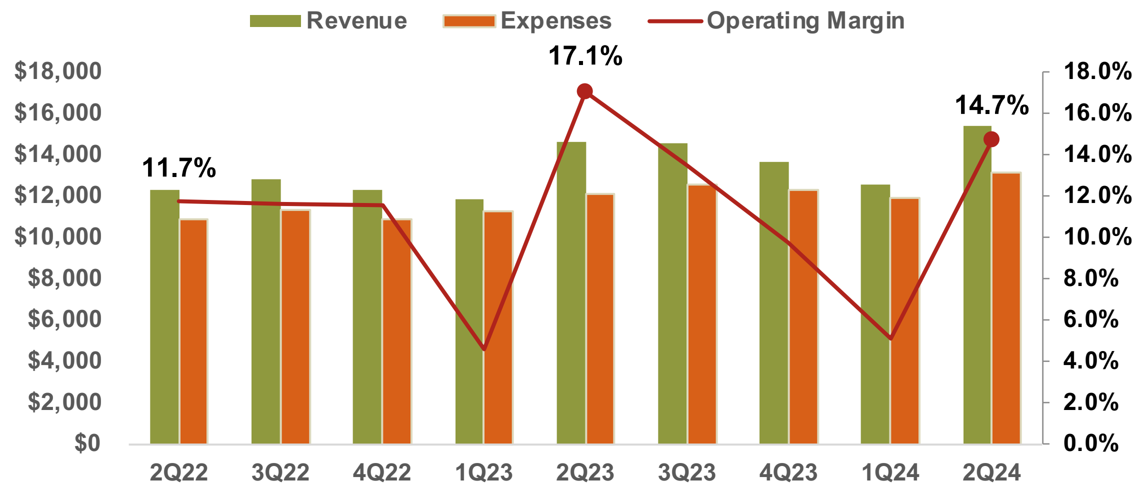
SWAPA

Delta - Financial Performance

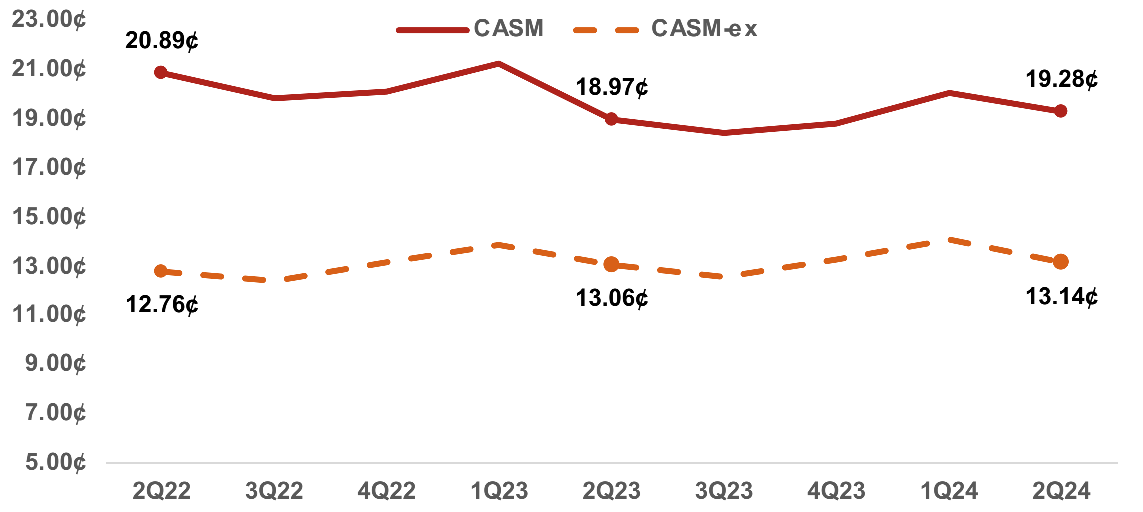
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



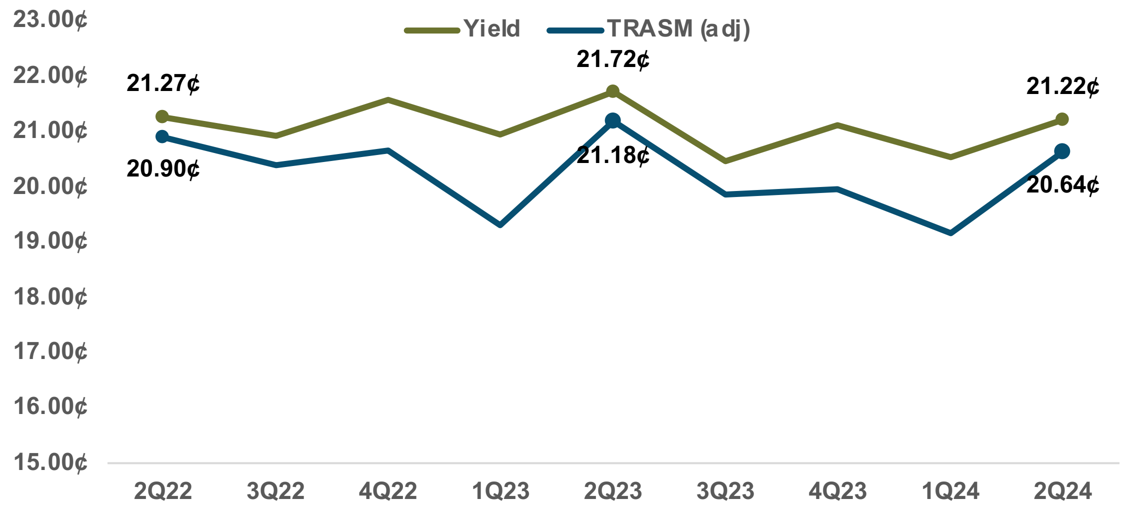
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM (adj)



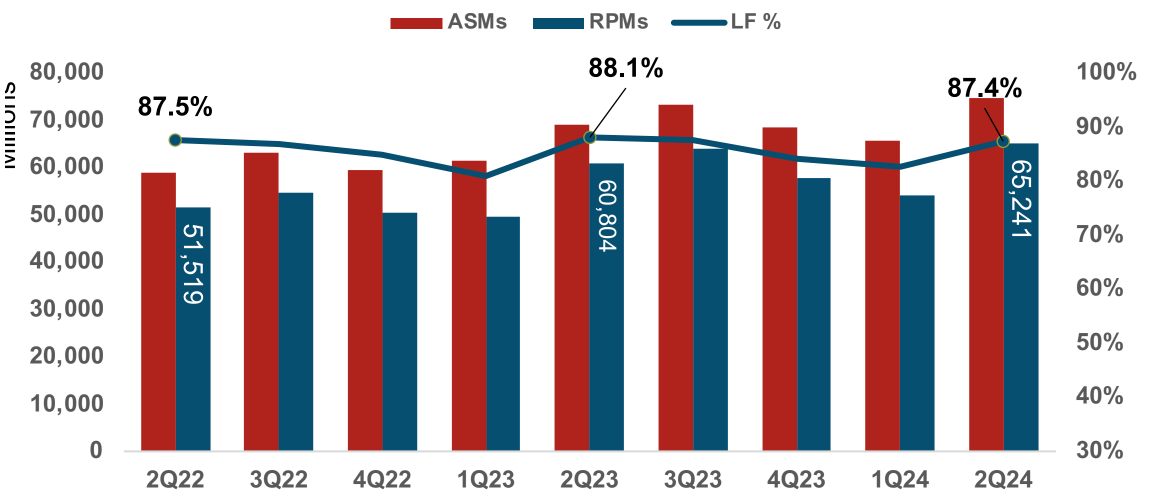
Delta - Network News

DELTA

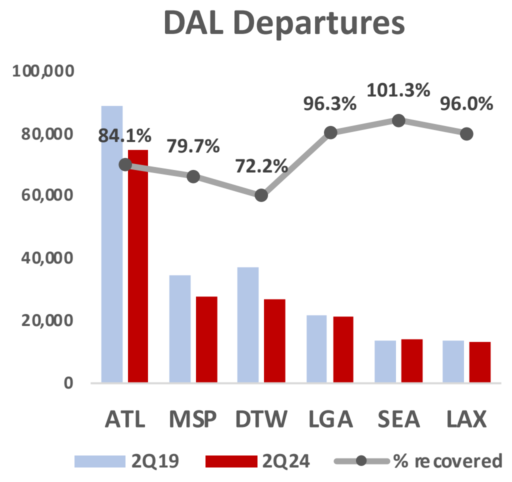
Network news and notes

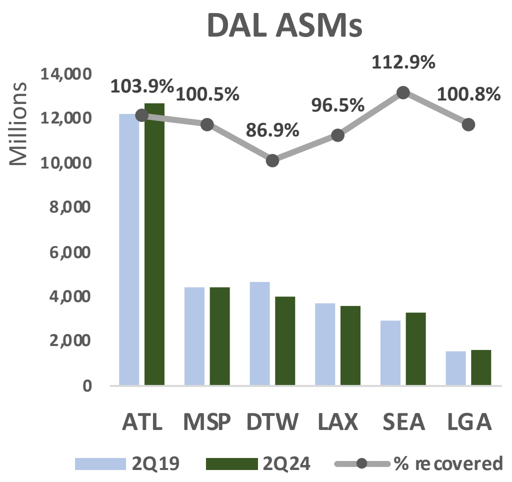
- Announced a partnership with Riyadh Air to expand connectivity and travel options with Saudi Arabia. This includes future Delta service to Riyadh.
- Implemented largest international summer schedule in history with more than 1,700 weekly flights to 80 international destinations.
- Launched SEA-TPE in June.
- Will serve TPA-AMS and MCO-LHR in October. Suspended TLV service again due to Middle East hostilities.
- Announced largest winter ski destination schedule, with an increase of 25% from LAX and increases from ATL and MSP.

Capacity and Load Factors

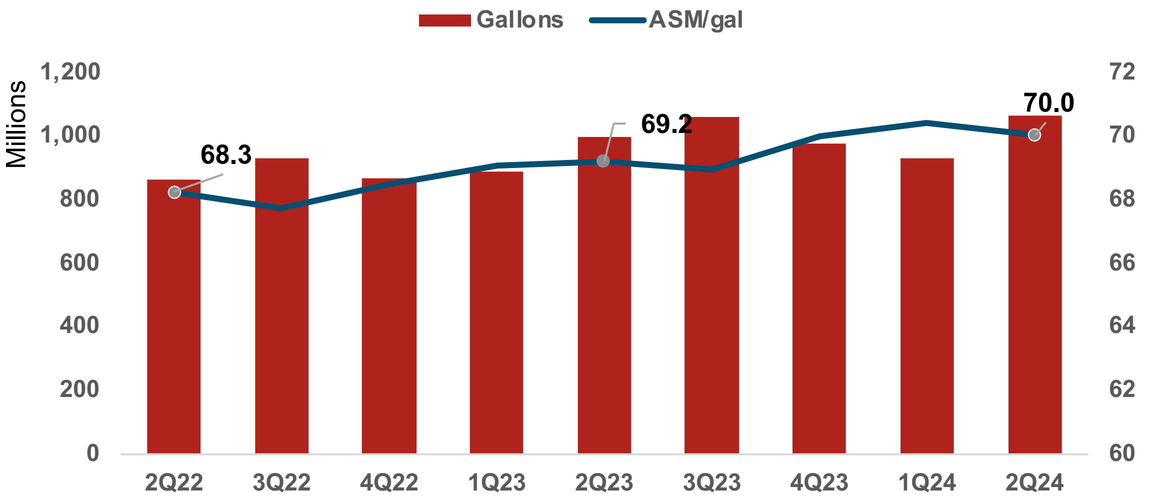


Restoration of major hubs and focus cities





Fuel & Fuel Efficiency



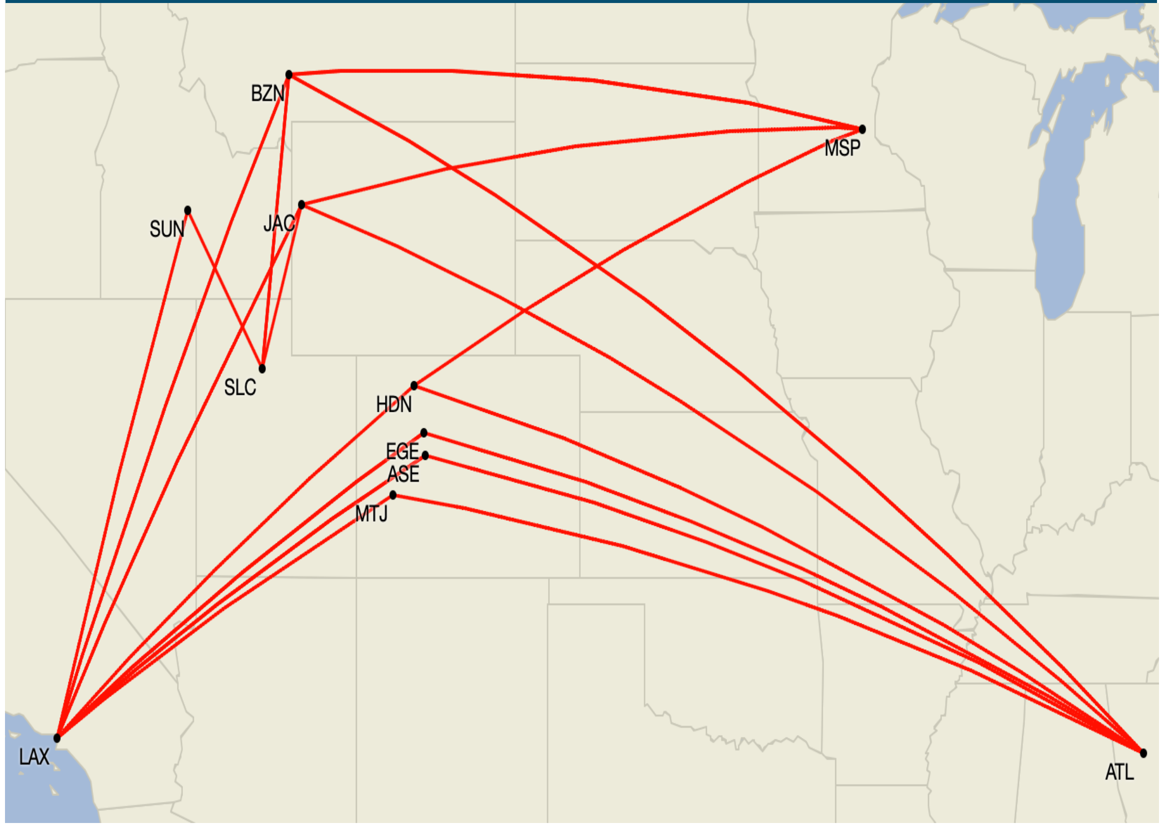
SWAPA

Delta

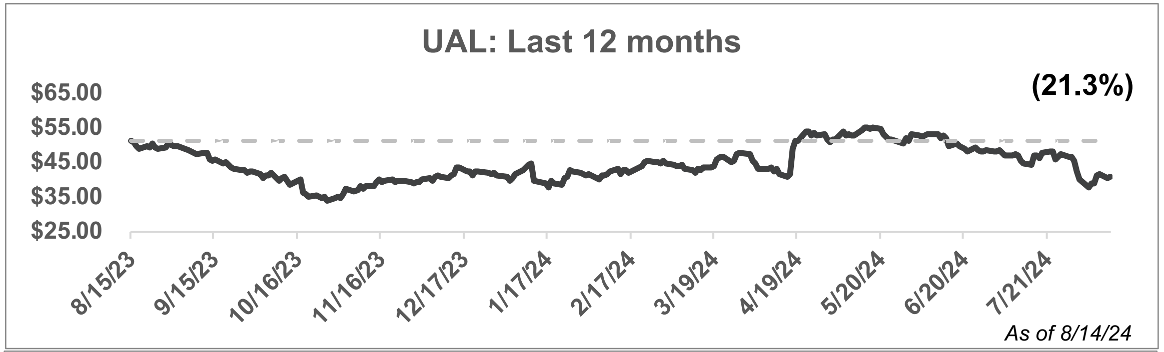
- With industry capacity decelerating, we suspect Delta, and other airlines, should see some improvement in unit revenues in the fall and winter seasons.
- Our long-term focus remains on the company's differentiated strategy which is still working.
- Delta's disappointing third quarter guide was primarily related to the domestic entity. Notably, long-haul international remains strong.
- We continue to see unique structural advantages at Delta vs. legacy peers which supports a margin advantage, stronger balance sheet and lower earnings volatility.
- Delta cannot outrun industry issues. The hope or idea had been that Delta could weather the storm given a diverse revenue stream but discounting from large domestic players hurt.
- Nonetheless, Delta's financials remain among the best in the industry, which speaks to just how bad the low end of the US domestic market is today.
- The good news is that domestic capacity is clearly moderating, but the bad news is we have yet to identify a path back to sustained profitability for the low margin airlines and this is going to affect the Legacy carriers in terms of pricing and capacity.
- It was reassuring to hear Delta reaffirm that its premium products continue to outperform.
- We are concerned that close-in pricing could pose a risk for the latter half of the year.

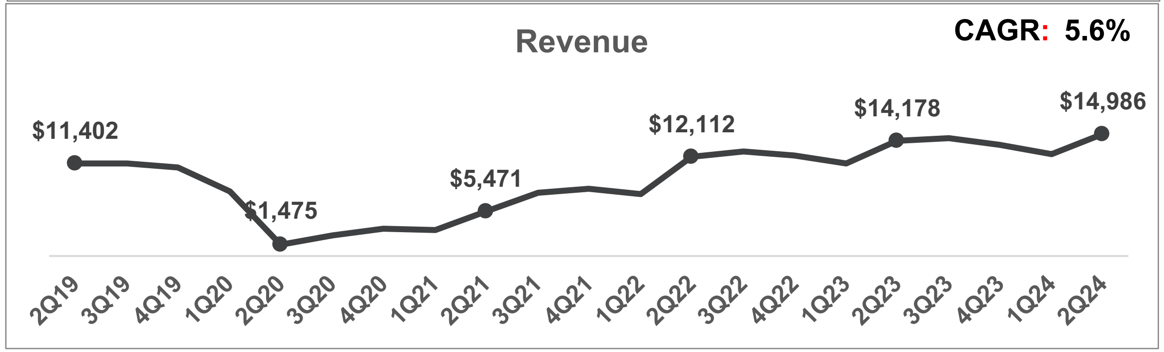
Guidance	3Q24	FY 2024	Notes
Total Revenue	$14.8B - $15.1B		Up 2% - 4%
Capacity	Up 5%-6%		
CASM-ex	Up 1%-2%		No add'l FY24 guidance
Fuel (incl refinery)	$2.60 - $2.80		
Op Margin	11% - 13%		
EPS	$1.70 - $2.00	$6.00 - $7.00	FY2024 unchanged

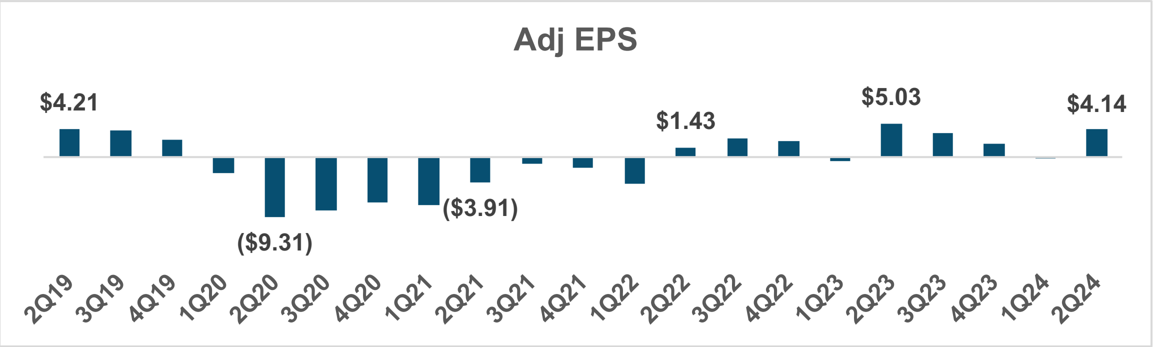
Delta plans for largest winter ski destination schedule in history



United Airlines







United

"We are making strategic and technical adjustments to drive revenue"

2Q24 adj. pre-tax income : $1.8B

Second quarter earnings at United came in ahead of expectations, with better cost and operational performance contributing to the strong results. Unit revenues were "healthy" in Europe but declined markedly in all other regions. The company attributed this to weaker pricing and, like Delta, expect the August/September timeframe to be the low point. Revenue diversification was a notable advantage, with all product suites showing year-over-year growth. United is taking steps to aggressively manage costs as well as reduce domestic capacity in the fourth quarter. The company has made improvements to adapt to "a more challenging operating environment", which has increased reliability and the customer experience. The United Next strategy moves forward, with increases in premium and Basic Economy seating as the company focuses on driving revenue premiums through product segmentation and up-gauging in aircraft.

***EFA takeaway*: United remains steadfast in its belief that the industry has changed. They are well-positioned if this trend continues, but overcapacity remains a threat.**

Items of Interest

- Total revenues were up, but TRASM down almost 250 basis points on nearly a 10% increase in capacity. Domestic PRASM was lower as fares came under pressure from too many seats.
- International PRASM fell by 3.6% on double-digit capacity increases YoY. Atlantic region was positive but Latin America and Asia continue to see YoY declines. Cargo yields were higher than forecast which has helped cushion some of the RASM declines. Expecting Latin America RASM to stabilize in 3Q but Pacific region will remain negative due to China weakness.
- Expecting an August pivot on unfavorable capacity trends but will only impact half of 3Q . Advanced PRASM booked 4%-5% higher in second half of 3Q.
- Mileage Plus loyalty program revenues up 11%, with premium revenues up 8.5% and Basic Economy revenues up 38% YoY. Reported that A321neo A/C produce 8% better margins.
- CASM-ex was up less than forecast on better expense management, less crew-related expenses resulting from disruptions and the timing of maintenance events which were pushed until second half of 2024. Due to capacity reductions and impacts from Hurricane Beryl will make third quarter CASM-ex the highpoint of the year.
- Took delivery of 4 -9MAX and 5 A321neo A/C. Expecting 66 deliveries this year down from over 100 expected at beginning of 2024. CAPEX reduced accordingly. $18.2B in liquidity.
- Generated nearly $2B of Free Cash Flow. Prepaid $1.8B MileagePlus term loan.

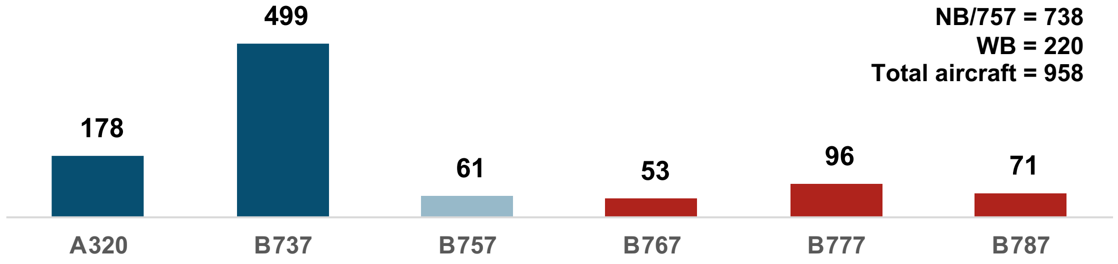
UNITED

2Q Snapshot (as compared to 2Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
8.3%	*5.7%*	*2.5%*	*2.1%*	*3.8%*

United statistics	2Q24	2Q23	2Q19	y/y	y/5y
Revenues	$14,986M	$14,178M	$11,402M	5.7%	31.4%
Adj Operating Income (EBIT)	$1,965M	$2,376M	$1,543M	(17.3%)	27.3%
Adj Operating Margin	13.1%	16.8%	13.5%		
Adj Pretax Income	$1,808M	$2,173M	$1,416M	(16.8%)	27.7%
Adj Net Income	$1,384M	$1,667M	$1,100M	(17.0%)	25.8%
Adj EPS	$4.14	$5.03	$4.21	(17.7%)	(1.7%)
Capacity (ASMs)	79.7 billion	73.5 billion	73.2 billion	8.3%	8.8%
Yield	20.40¢	20.46¢	16.64¢	(0.3%)	22.6%
TRASM	18.81¢	19.28¢	15.57¢	(2.4%)	20.8%
CASM	16.39¢	17.22¢	13.56¢	(4.8%)	20.9%
CASM-ex	12.10¢	11.85¢	9.93¢	2.1%	21.9%
Fuel (econ)	$2.76	$2.66	$2.16	3.8%	27.8%

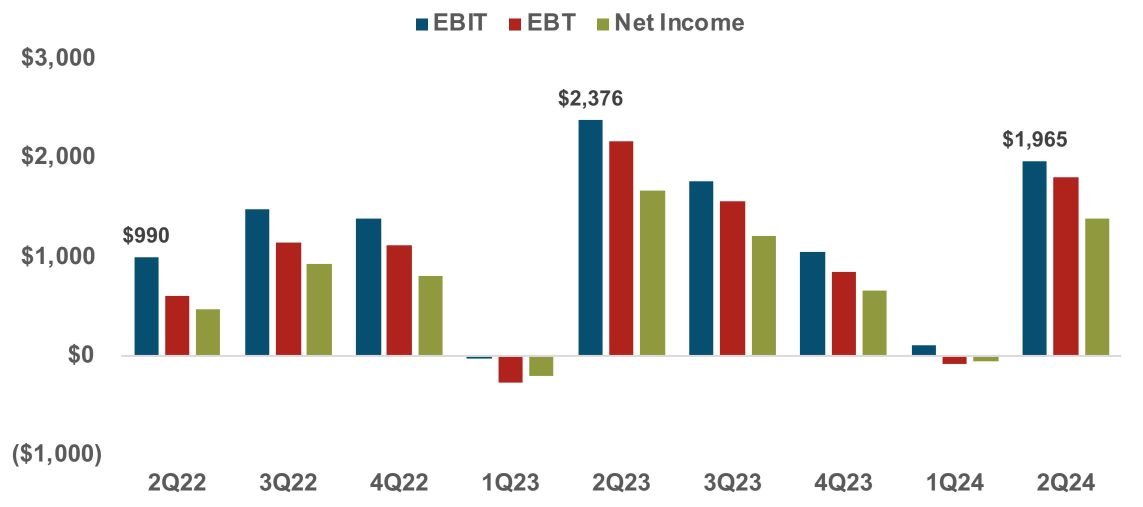
United Mainline Fleet – 2Q24



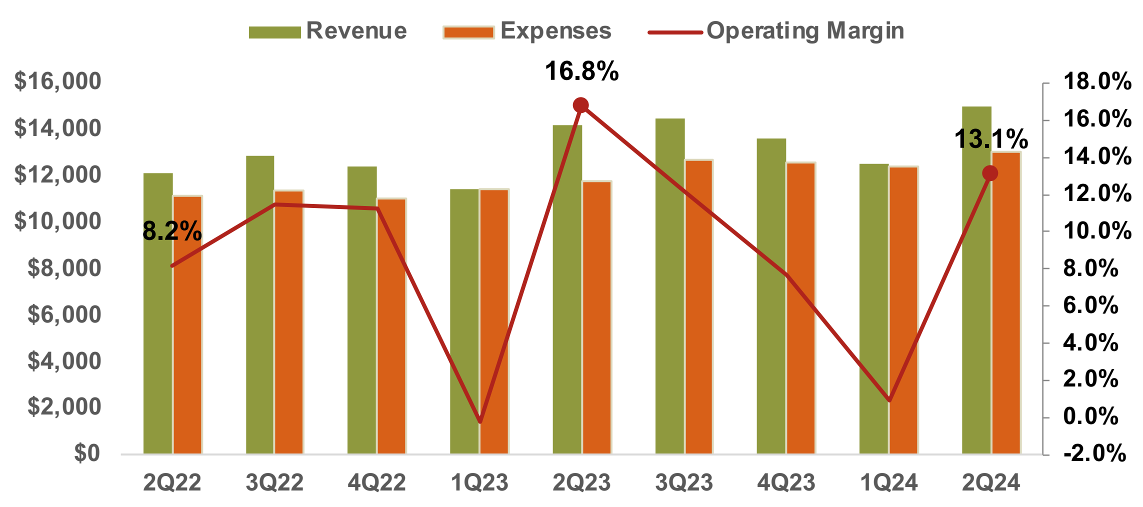
SWAPA

United - Financial Performance

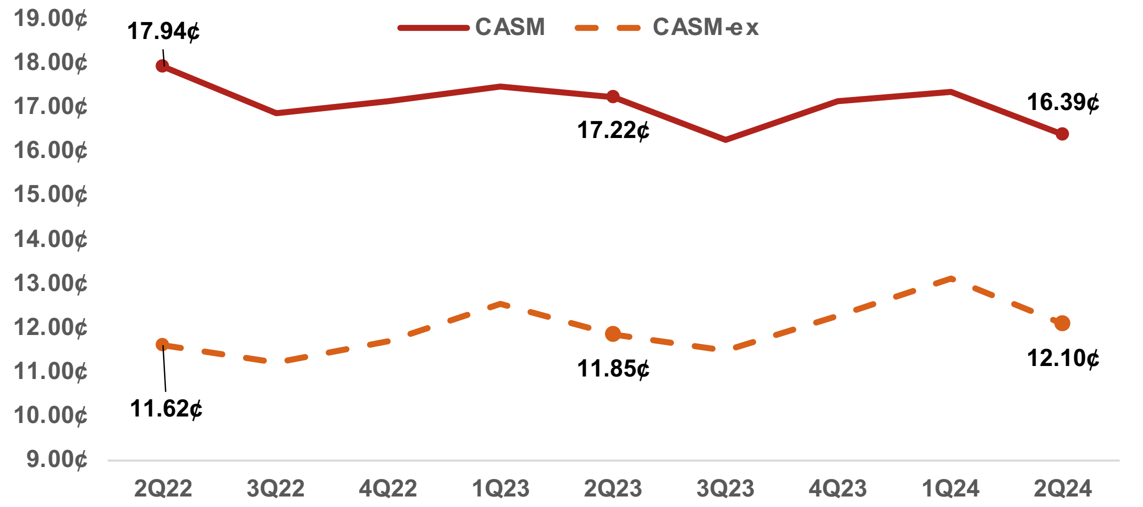
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



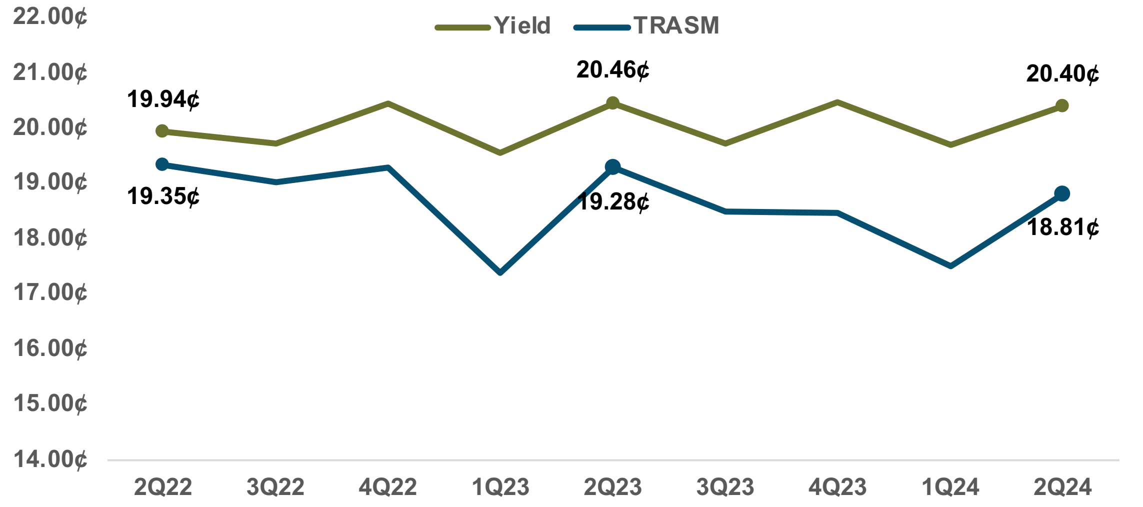
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM



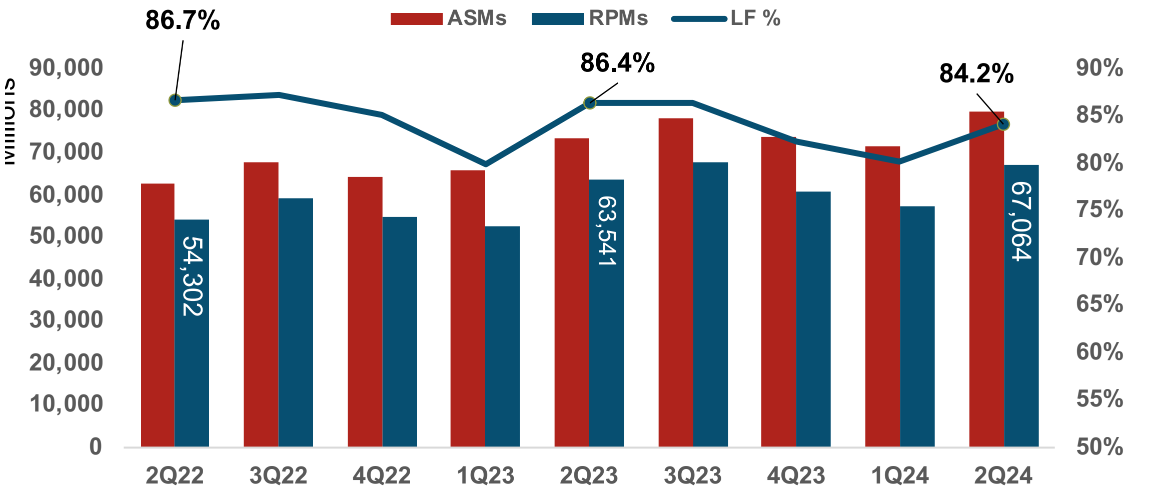
United - Network News

UNITED

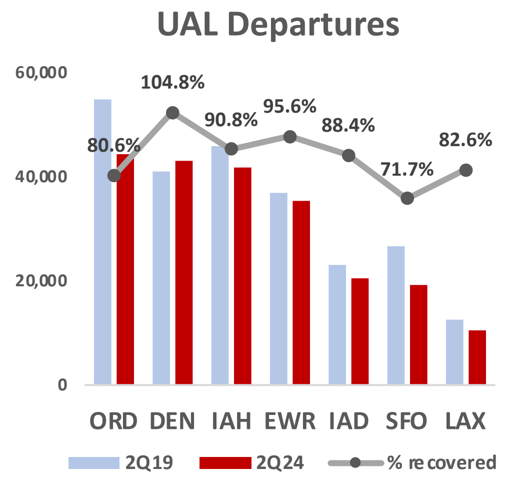
Network news and notes

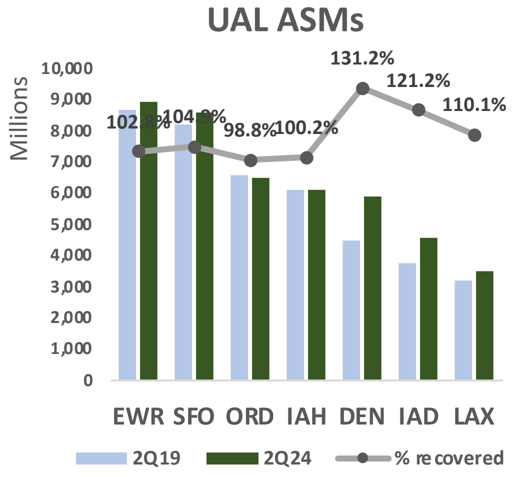
- Operated largest schedule in airline's history, with mainline departures at 2,700 daily.
- Launched or reinstated 12 domestic routes from four different hubs.
- United's international schedule was 35% larger than the next largest US carrier by ASM's in the second quarter.
- Began service to Tulum from LAX/ORD as well as SFO-BCN, ORD-ATH and HND-GUM in second quarter.
- Added second daily flight to Porto, Portugal, IAD-FCO and EWR-Reykjavik.

Capacity and Load Factors

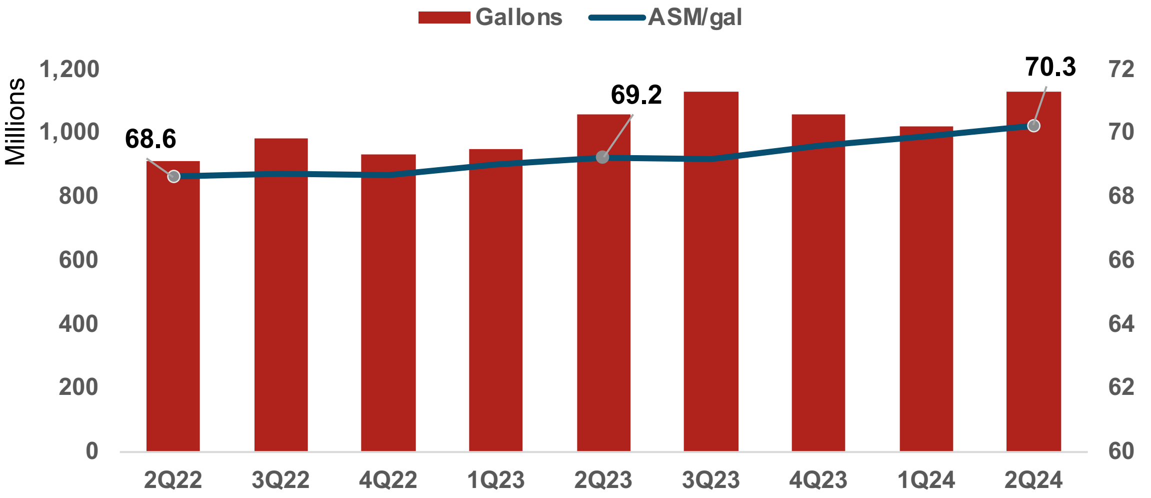


Restoration of major hubs and focus cities





Fuel & Fuel Efficiency



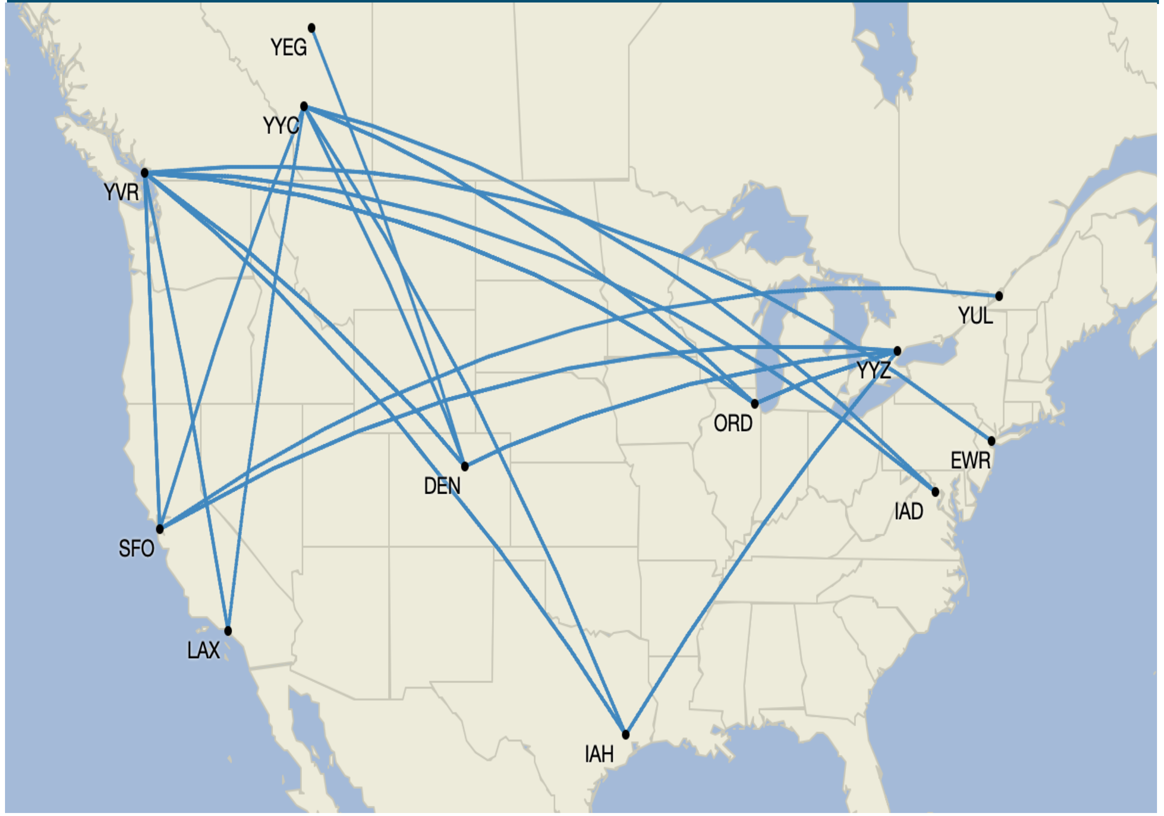
SWAPA

United

- We are resetting our 2024 outlook as industry capacity adjusts. United is doing its part in reducing capacity with a 3% cut in the fourth quarter. United continues to benefit from revenue diversification with premium and basic economy growing YoY.
- We went into the earnings season cautioning on weaker lower-end consumer and over-capacity in short haul markets. The United guide embeds that weakness. We did not cut our estimates enough. We believe the overcapacity will be corrected.
- Balance sheet progress is impressive. Free cash flow generation is allowing the airline to pay down debt. We are also encouraged that UAL is taking new A/C deliveries following the FAA investigation.
- United continues to position itself to improve long-term margins through product changes and network effects somewhat unique to them. The trendline for them remains more positive than not.
- United can't completely sidestep an industry where discounting is rampant at the low end. Can capacity adjustments result in better performance?
- United emphasized that the industry's continued evolution is playing out as they envisioned. We happen to agree.
- Despite industry volatility, we believe United possesses exposure to the strongest industry tailwinds.
- Despite considerable challenges, the "United Next" plan is showing good traction with United positioned to benefit from cost convergence and premium product demand.

Guidance	3Q24	FY 2024	Notes
Capacity	~Up 5%		not given; call comments implied
Revenue			
TRASM			no RASM/TRASM guide for 3Q
CASM-ex			
Fuel			no fuel guide for 3Q
CAPEX		<$6.5B	reduction reflects BA delivery delays
EPS (adj)	\$2.75 - \$3.25	\$9.00 - \$11.00	reaffirmed FY 2024 EPS guide

United operates the largest schedule in its history to Canada



Hybrid/Low-Cost Carriers

Alaska

HAWAIIAN AIRLINES

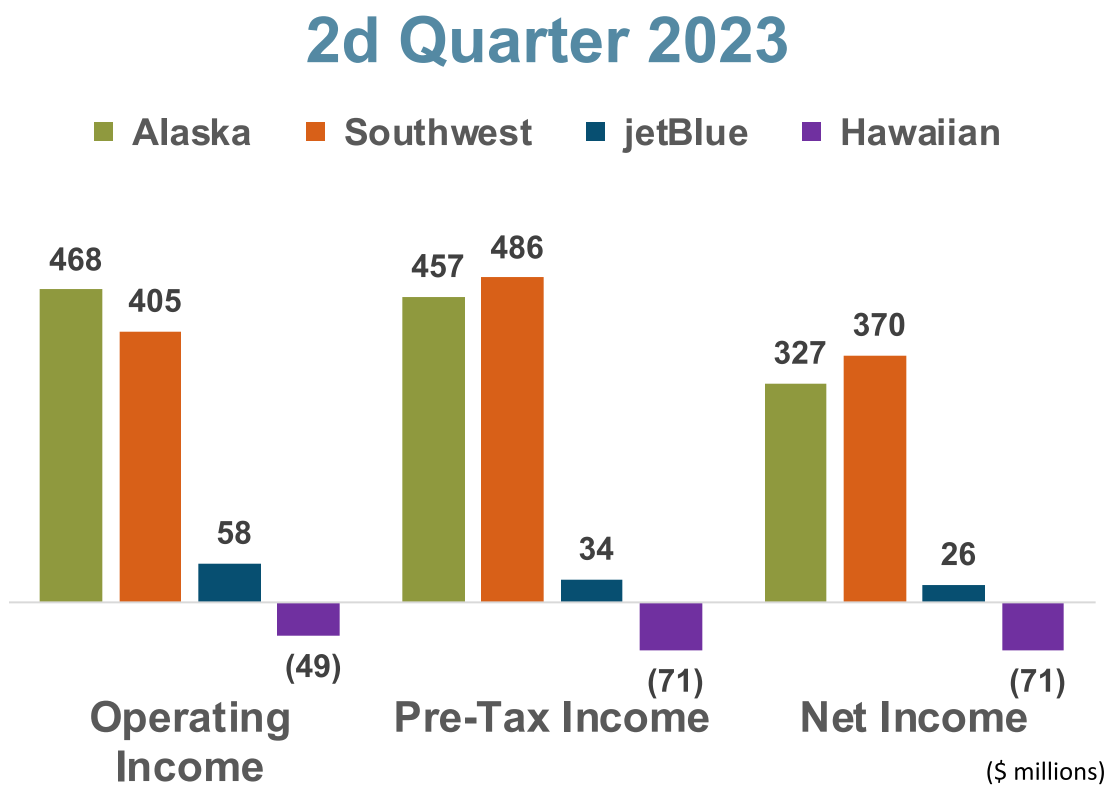
jetBlue

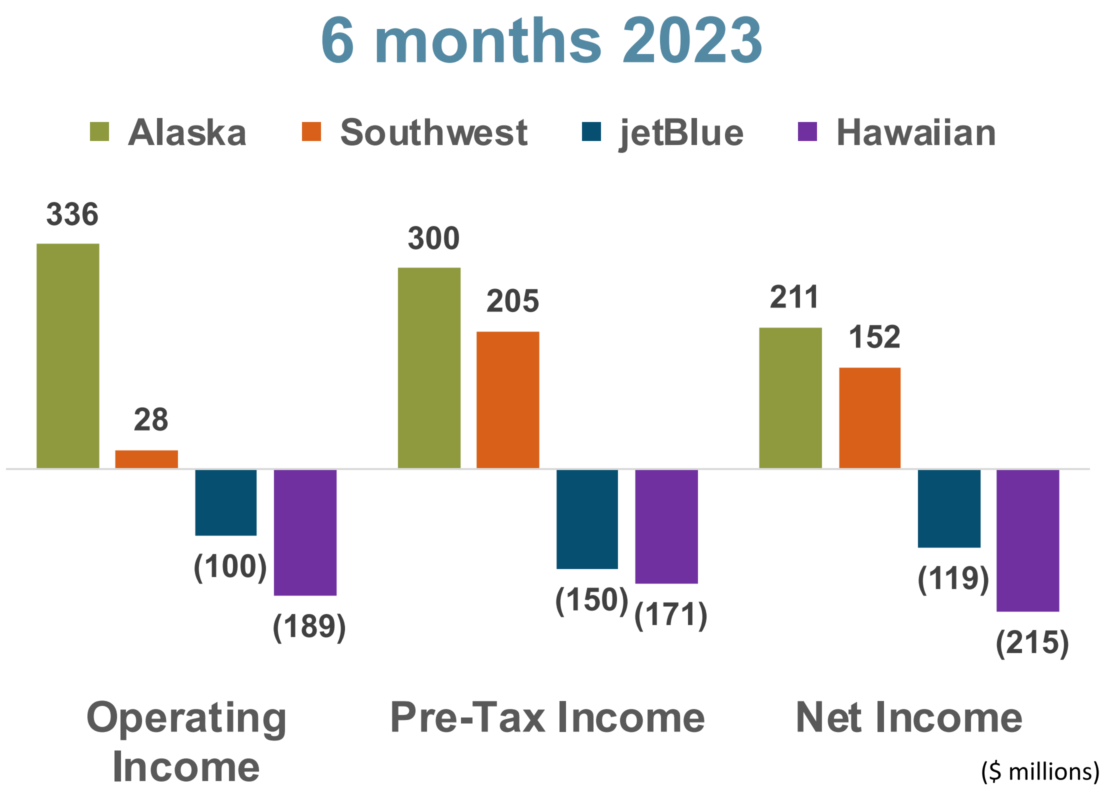
Southwest

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

Key Financial Results

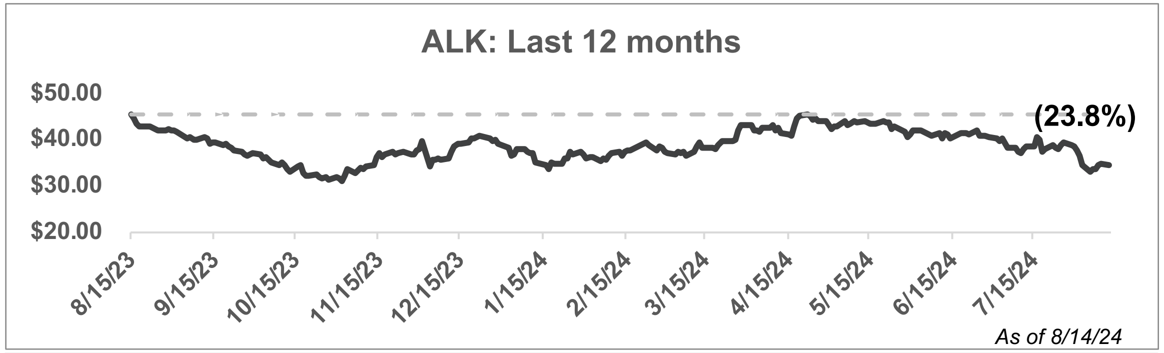
Hybrid/LCC vs. Southwest

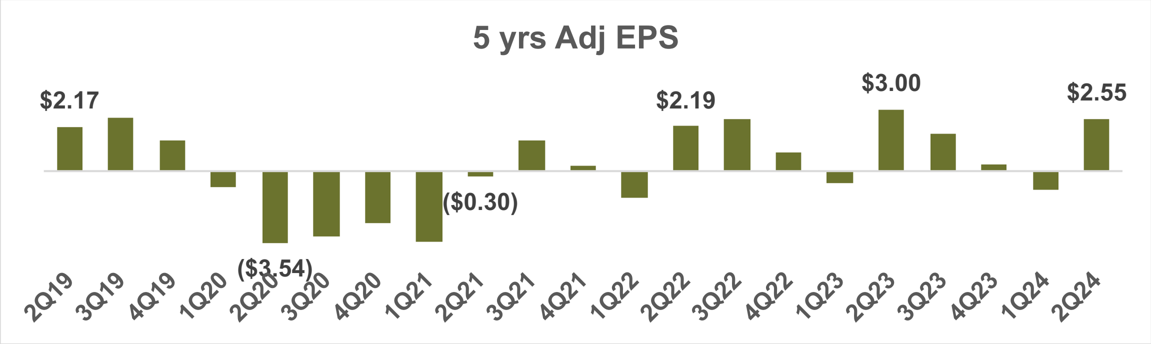




Non-GAAP – excludes special items

Alaska Airlines





Alaska

"We continue to work to elevate our brand and travel experience"

2Q24 adj. pre-tax income: $457M

Alaska reported above consensus second quarter earnings on good cost execution. The carrier believes its adjusted pre-tax margin of nearly 16% will likely lead the industry although an excess of domestic capacity affected pricing on various routes. Both PRASM and net income were lower year-over-year. The company highlighted corporate and premium categories as areas of strength, as the tech industry continues its delayed recovery. Alaska will add additional premium seating to its 737-800's/900's/Max-9's in an 18-month project designed to capture more premium revenue. Like other carriers, it has reduced capacity in August/September as pricing has weakened significantly in those months. 2Q CASM-ex came in better than forecast but the company signaled that third quarter unit costs will be higher due to labor, maintenance and less optimal flying. Despite these challenges, Alaska expects solid profitability in 2024. The Hawaiian merger and enhancing the brand are top priorities.

EFA takeaway: Alaska's premium product focus and improving corporate travel will better offset domestic weakness than other LCC/ULCC carriers.

Items of Interest

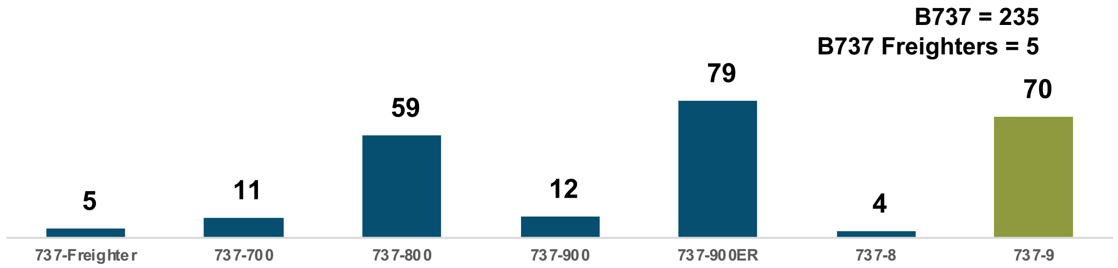
- Produced record revenues in 2Q, up 2% YoY, but capacity was up 6%, resulting in a decrease in unit revenues of nearly 4%. Also reflects $60M in lost revenue due to fleet grounding.
- Load factor of 84% was lower YoY, due to double-digit capacity additions by competitors, which pressured yields and loads more than forecast. Corporate travel revenues have eclipsed 2019 but overall volume has recovered to 85% of 2019 levels. Bay area (SFO) travel is greatly improved, although still only at 80% of 2019 revenues.
- First Class and Premium revenues were up 8% and 6% respectively and continue to outpace Main Cabin revenue growth. Paid First Class load factor was 71%, up 4%. Loyalty program revenues totaled $430M for 2nd quarter.
- 220 aircraft to be retrofit with additional premium seats, at approximately $1M per aircraft. After modifications, 28% of total seats available will be a premium product.
- Advance bookings look strong, with 65% of forecasted revenue booked for August/September. Planning for flat to positive unit revenues in 3Q on flat capacity.
- Fuel prices lower in 2Q with refinery margins on the West Coast returning to par with Gulf Coast. Working on other initiatives to neutralize the risk of higher West Coast refining costs.
- Material increase in 3Q unit costs due to maintenance, Boeing delays and new F/A contract.
- Share repurchases of $49M. $2.5B in cash with debt repayments of $110M. Debt/cap 45%.

2Q Snapshot (as compared to 2Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
▲ 6.0%	▲ 2.1%	▼ 3.7%	▼ 2.6%	▲ 2.9%

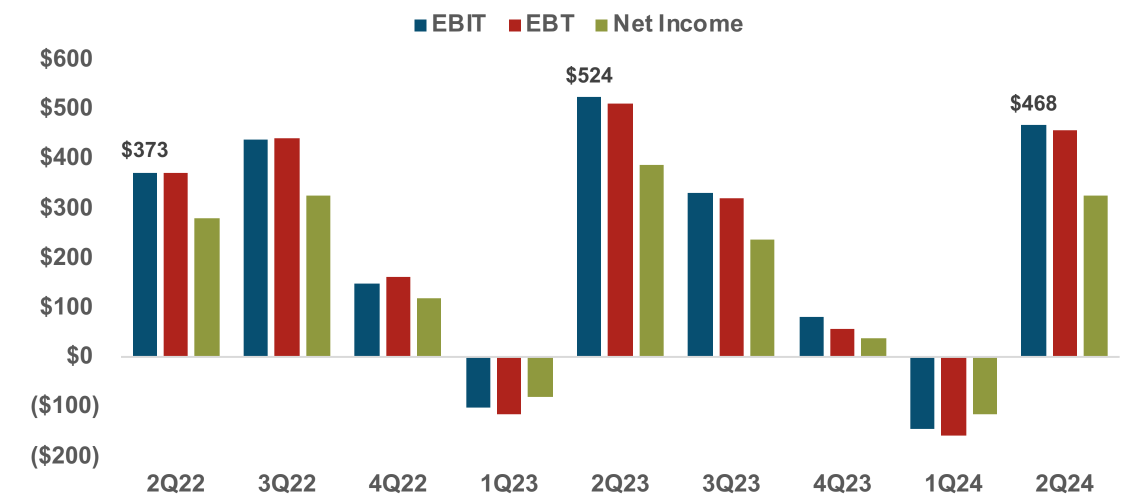
Alaska Stats	2Q24	2Q23	2Q19	y/y	y/5y
Revenues	$2,897M	$2,838M	$2,288M	2.1%	26.6%
Adj Operating Income (EBIT)	$468M	$524M	$375M	(10.7%)	24.8%
Adj Operating Margin	16.2%	18.5%	16.4%		
Adj Pretax Income	$457M	$512M	$362M	(10.7%)	26.2%
Adj Net Income	$327M	$387M	$270M	(15.5%)	21.1%
Adj EPS	$2.55	$3.00	$2.17	(15.0%)	17.5%
Capacity (ASMs)	18.2 billion	17.2 billion	17.0 billion	6.0%	7.2%
Yield	17.32¢	17.40¢	14.43¢	(0.5%)	20.0%
TRASM	15.92¢	16.54¢	13.48¢	(3.7%)	18.1%
CASM	14.15¢	14.57¢	11.33¢	(2.9%)	24.9%
CASM-ex	9.89¢	10.15¢	8.33¢	(2.6%)	18.7%
Fuel (econ)	$2.84	$2.76	$2.27	2.9%	25.1%

Alaska Mainline Fleet – 2Q24

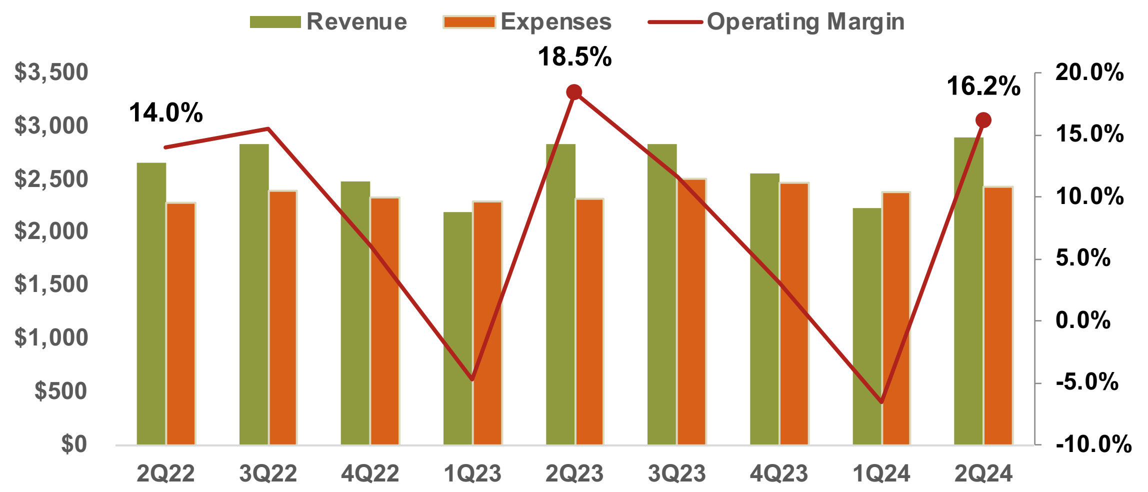


Alaska - Financial Performance

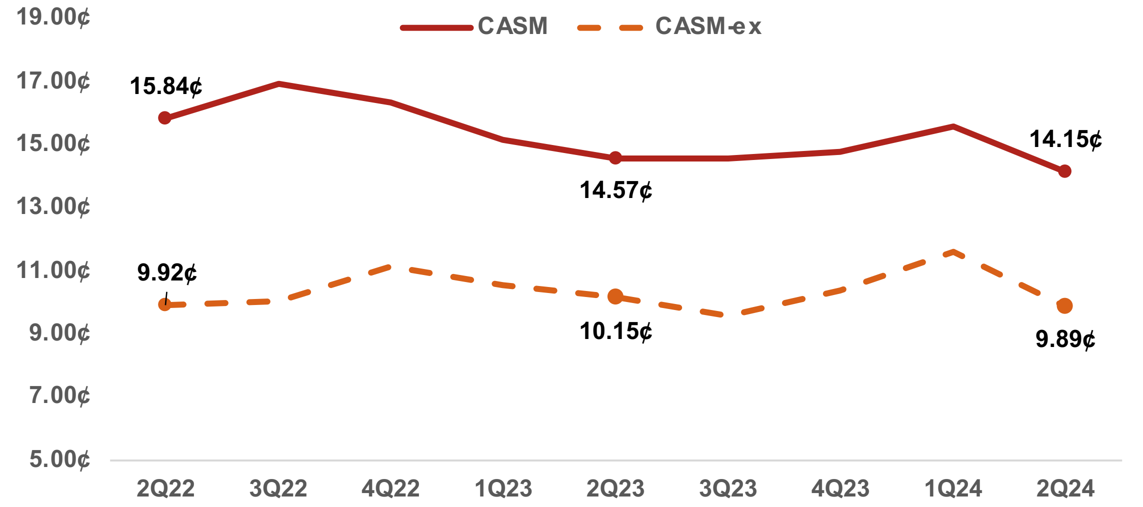
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



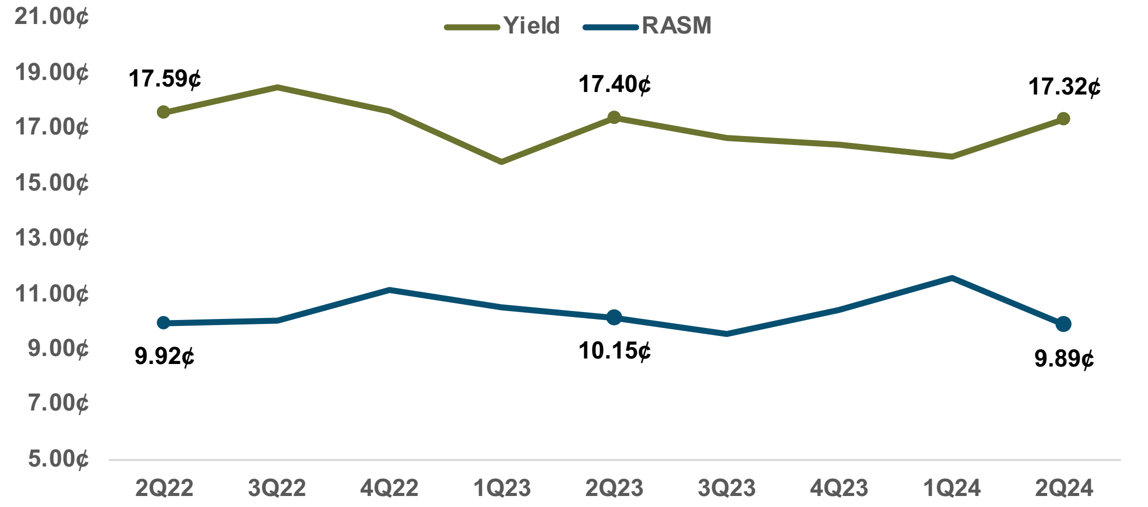
Quarterly Revenue, Expenses, Adj. Operating Margin



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



Yields & TRASM

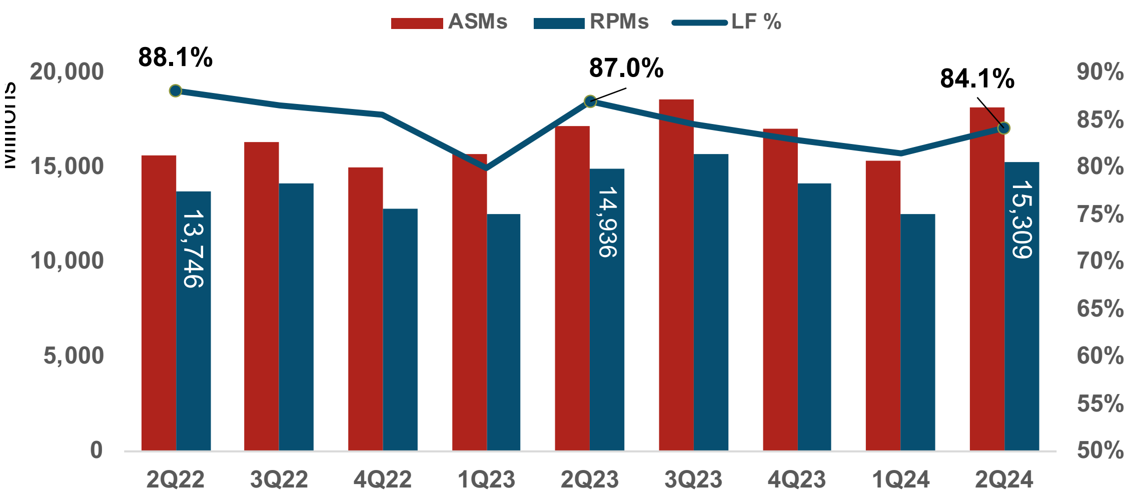


Alaska - Network News

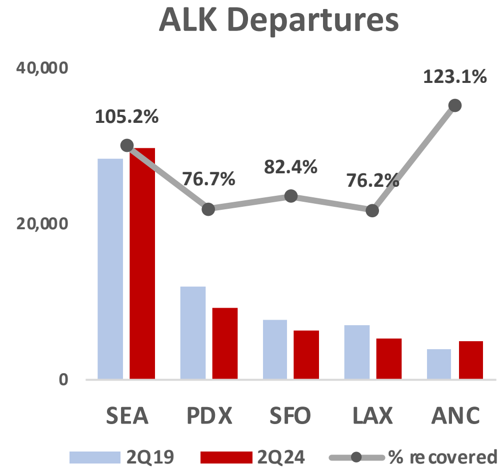
Network news and notes

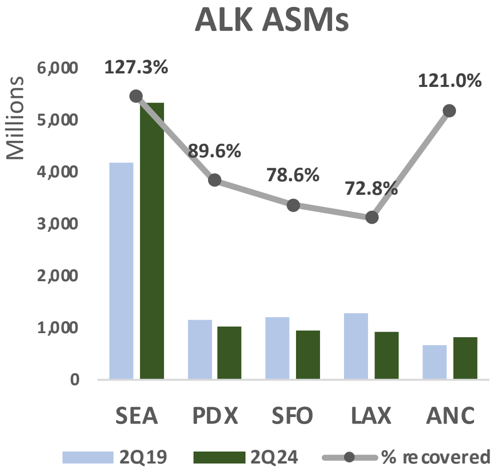
- Announced PDX-MSY, the 55th nonstop destination from PDX.
- Enhanced code-share agreement with British Airways to allow booking BA on Alaska website to London and beyond.
- Adds several new Mexico/Central America routes from competitor cities such as MCI, STL and JFK.
- Replacing SNA-BZN, SAN-CUN with SNA-BOI and SAN-RNO in December 2024.
- Seeking DOT approval for one of five available perimeter exemption routes, from SAN-DCA. It would be the sole non-stop service, with indirect competition from United (SAN-IAD) and Southwest (SAN-BWI).

Capacity and Load Factors

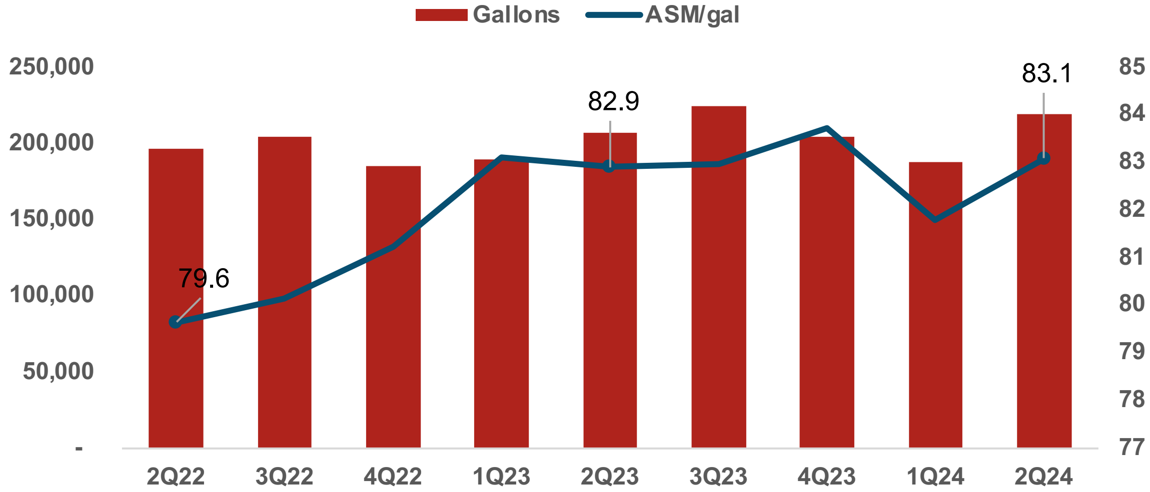


Restoration of major hubs and focus cities





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



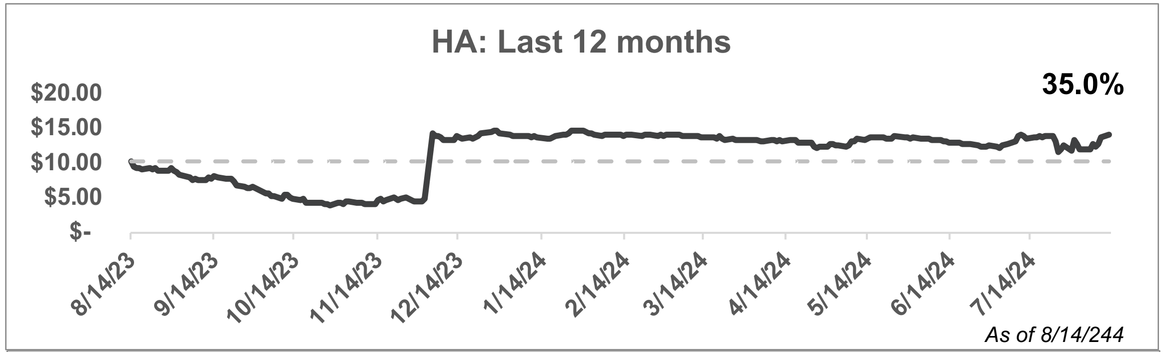
Alaska

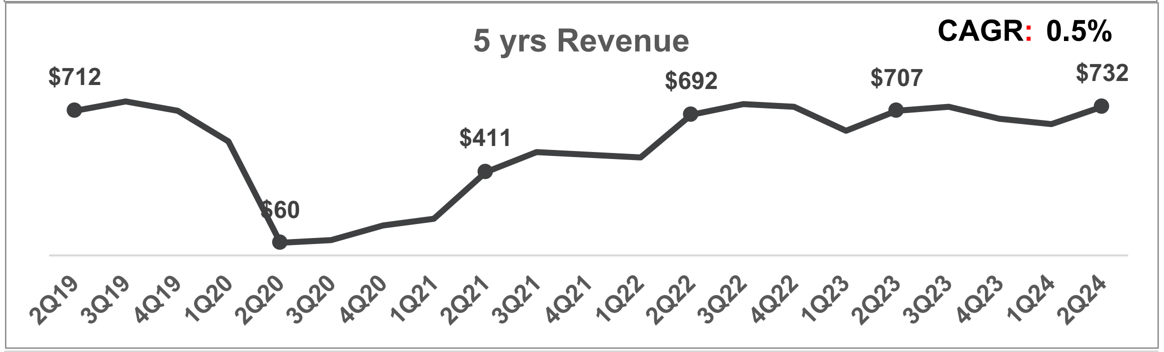
Guidance	3Q24	FY 2024	Notes
Capacity	Up 2% - 3%	Up < 2.5%	
RASM	Flat to positive		
CASM-ex	Up HSD		
Fuel (econ)	$2.85 - $2.95		
Pre-tax Margin			
EPS	$1.40 - $1.60	$3.50 - $4.50	
CAPEX		~$1.2B - $1.3B	

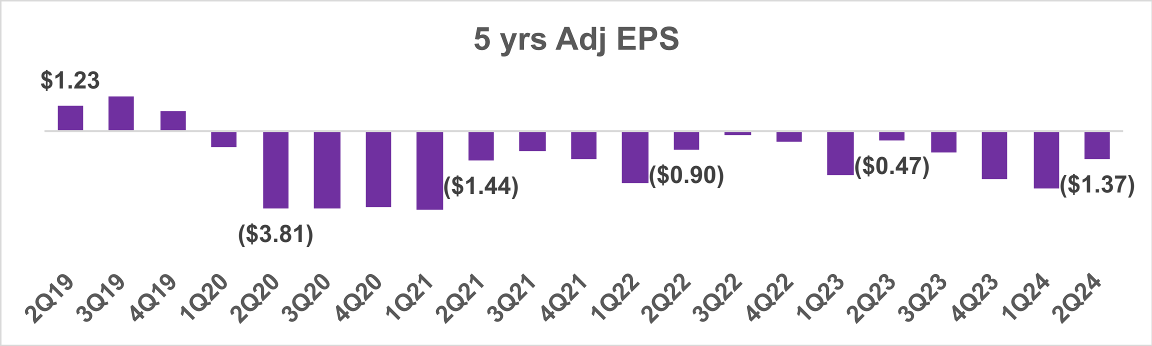
- A weaker revenue guide further highlights the oversupply currently in the market. The company will be making changes to their network as they look to improve historically lower return quarters.
- Our concern is when cost pressures ease, it will come when a difficult integration with HA begins.
- Alaska continues as a well-diversified, profitable, domestic-focused airline. Completion factor, on-time performance, cost and margins were impressive in 2Q.
- We are encouraged that the company is relentlessly focused on rightsizing its cost structure given its lower-than-planned growth rate. Also, the balance sheet remains one of the best.
- Alaska's core remains strong. Not surprisingly, Alaska is leaning further into premium. People in economy will pay the price via economy seat pitch. The carrier is attempting to distance itself from the domestic-centric airlines. Risk remains from domestic demand remaining soft.
- We remain cautious on medium term execution given the current macro uncertainty, weak earnings at HA and execution complexity.
- We should have anticipated disappointment in guidance but instead got ahead on our estimates. We believed ALK benefited from one of the best competitive dynamics in the industry, reduced growth and increased corp. revenue.
- The company remains among industry profit leaders and is well-positioned for success.

Alaska adds 18 new sun/ski routes, many from non-hub cities

Hawaiian Airlines







Hawaiian

"Our performance reflects steady demand for travel to Hawaii"

2Q24 adj. pre-tax income (loss): ($71M)

Hawaiian posted a second quarter loss amid weakness in travel to/from Japan, slower-than-expected recovery of the Maui market and excessive industry capacity in Honolulu. The carrier noted the weak Japanese Yen continues to hurt point-of-sale in Japan, with little signs of improvement. Hawaiian is focusing on U.S. point-of-sale which is expected to diversify flow traffic to and from other cities in Asia. Other int'l markets and West Coast flying are much better but RASM remains challenged as supply outstrips demand. Capacity cuts are expected to help as B-787 deliveries were shifted to early 2025. A positive note is that the A321 fleet is fully available with the GTF engine inspections complete. The A330 freighter operation is working well, with the ramp-up to ten aircraft expected by 1Q25. The DOJ review period for the Alaska merger was extended to mid-August amid requests for more information.

EFA takeaway: Hawaiian has not made money since before the pandemic. Approval of the Alaska merger is becoming a critical necessity.

Items of interest

- Total revenue was up on higher YoY capacity, as steady demand for travel to Hawaii persisted on the majority of its routes. Other revenue was up 6.4% as cargo revenue increased due to the Amazon freighter operation. There are three A330's in service, with plans to accept four additional in 2024 and the remainder in 2025.
- The Maui market continues to be affected by the catastrophic fires of 2023. Bookings during the second quarter and advanced bookings in 3Q/4Q continue to be weaker than forecast, at price points below previous years. Capacity has been trimmed on certain routes in response.
- Excluding the Japan market, which has been severely affected by the Dollar/Yen exchange rate, other International markets RASM was modestly lower as well. Yields and load factors both declined in 2Q and are expected to decline in 3Q as well. The company is addressing this through its sales and distribution efforts.
- Neighbor Island travel has shown improvement with better yields and YoY unit revenue improvement. Hawaiian states they have a 30% higher LF than Southwest and PRASM that is twice that of Southwest.
- 2Q CASM-ex better than expected due to timing of maintenance events. Carrying 25% more pilots than in 2019 for same capacity due to training and less productivity. Expect that to ease in 2025 to approximately 6%-7% overstaffed.
- Financed 10 A321's raising $400M. Refinanced loyalty note due in 2026 to 2029 at a higher interest rate to bolster liquidity. Have deferred CAPEX to 2025. Liquudity of $1.5B end 2Q.

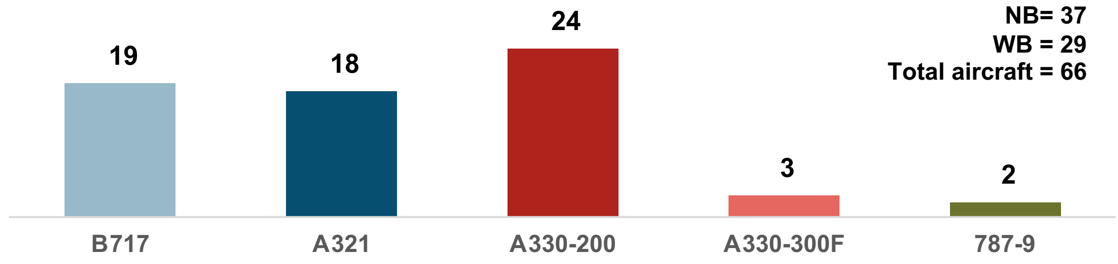
HAWAIIAN AIRLINES.

2Q Snapshot (as compared to 2Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
↑ 4.1%	↑ 3.5%	↓ 0.8%	↑ 3.8%	↑ 2.7%

Hawaiian Stats	2Q24	2Q23	2Q19	y/y	y/5y
Revenues	$732M	$707M	$712M	3.5%	2.8%
Adj Operating Income (EBIT)	($49M)	($16M)	$89M	n.m.	n.m.
Adj Operating Margin	(6.7%)	(2.2%)	12.5%		
Adj Pretax Income	($71M)	($30M)	$81M	n.m.	n.m.
Adj Net Income	($71M)	($24M)	$59M	n.m.	n.m.
Adj EPS	($1.37)	($0.47)	$1.23	n.m.	n.m.
Capacity (ASMs)	5.2 billion	5.0 billion	5.2 billion	4.1%	1.3%
Yield	14.76¢	14.84¢	14.56¢	(0.5%)	1.4%
TRASM	13.99¢	14.10¢	13.81¢	(0.8%)	1.3%
CASM	15.05¢	14.29¢	12.09¢	5.3%	24.5%
CASM-ex	11.50¢	11.08¢	9.38¢	3.8%	22.6%
Fuel (econ)	$2.62	$2.55	$2.14	2.7%	22.4%

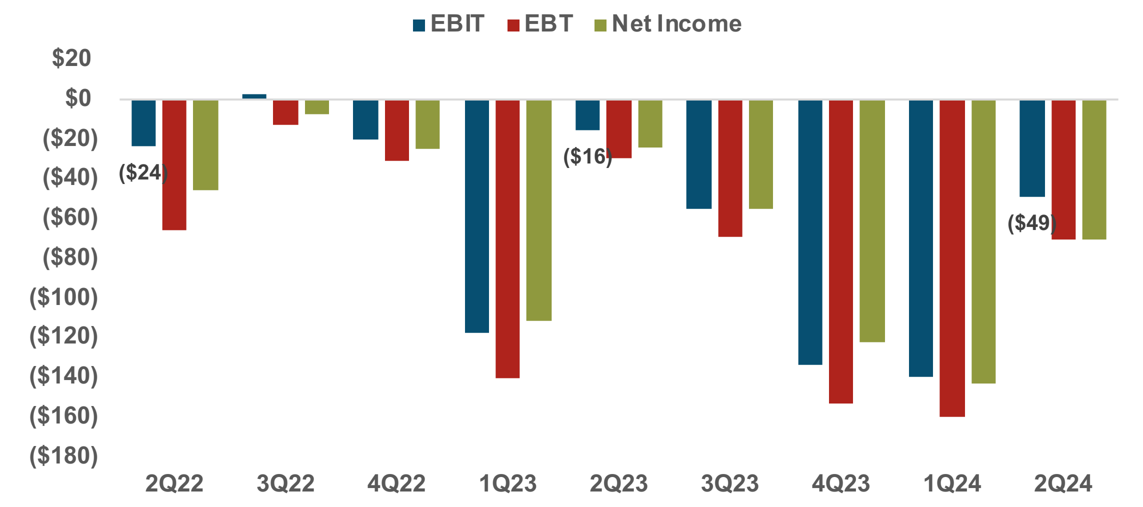
Hawaiian Fleet – 2Q24



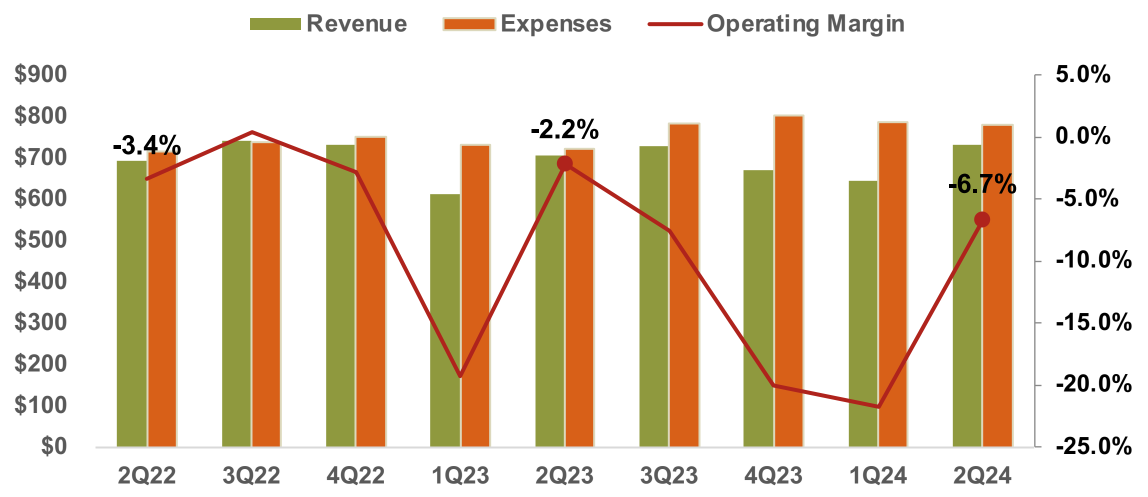
SWAPA

Hawaiian - Financial Performance

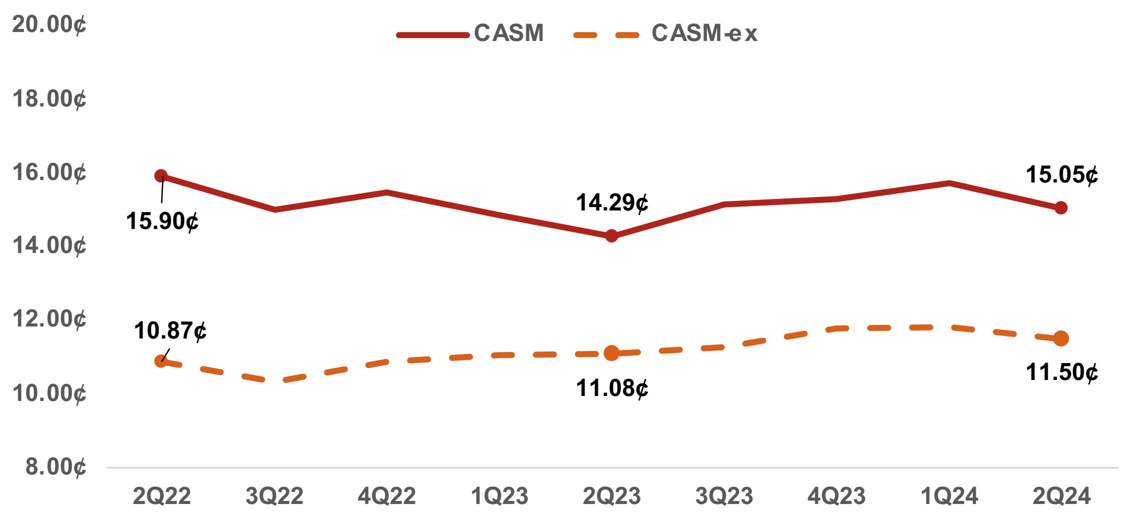
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



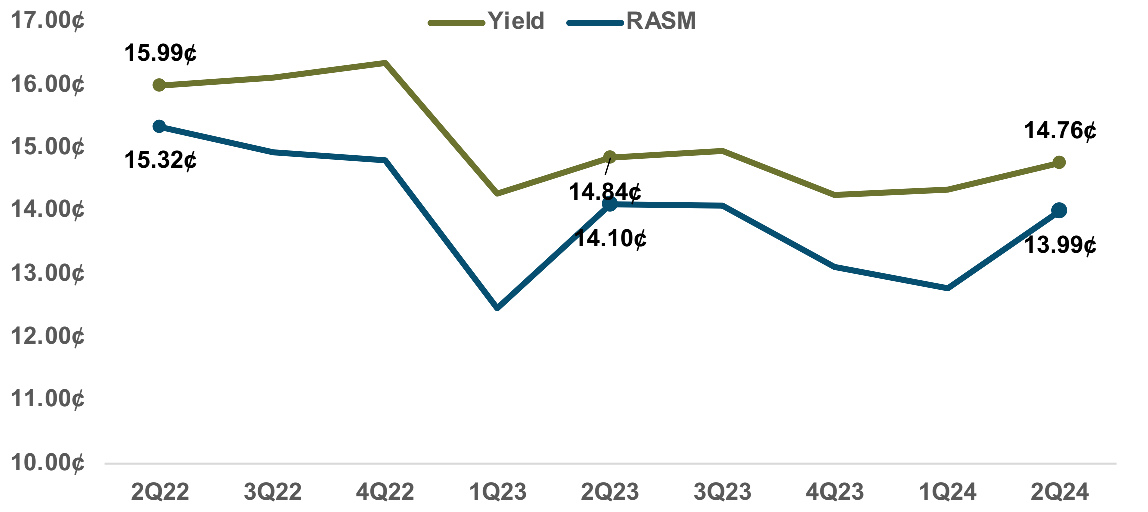
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM

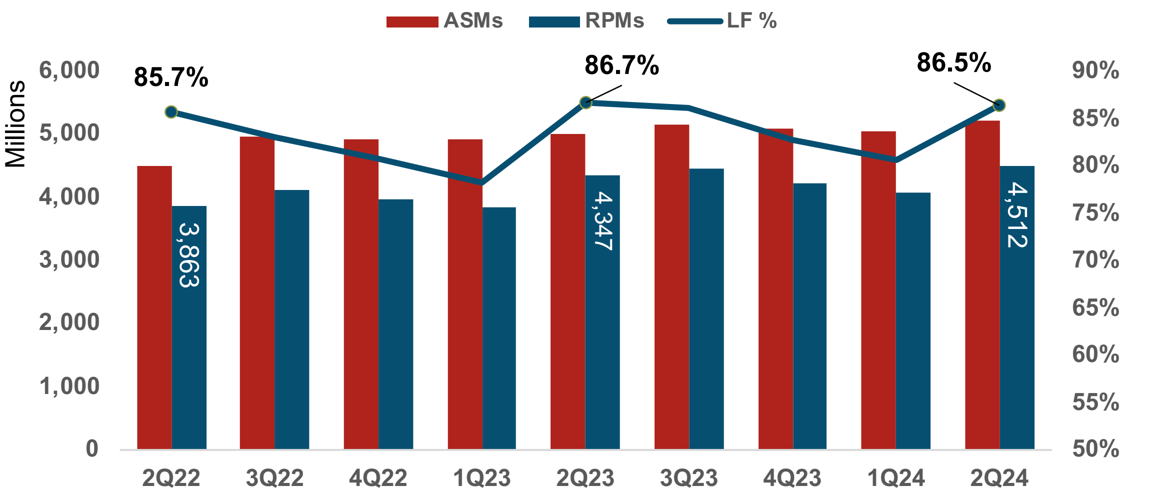


Hawaiian - Network News

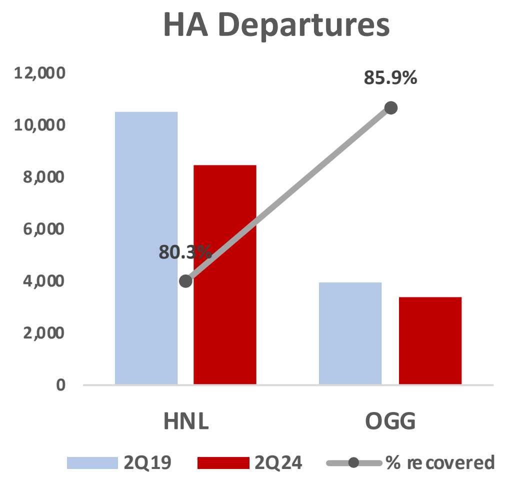
Network news and notes

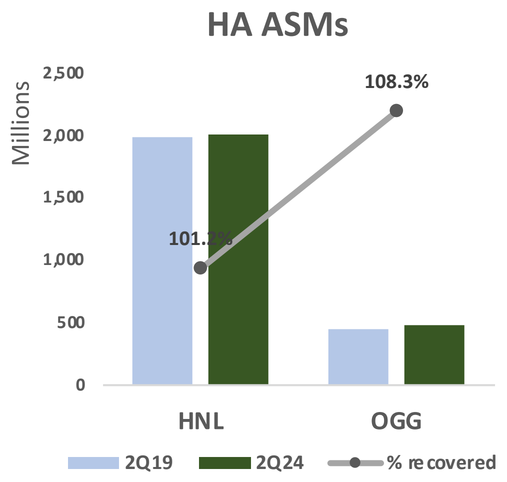
- Added a third A330 to support Amazon freight operations.
- Will increase service from HNL to LAX, SEA and SFO in November/December to capture holiday travel.

Capacity and Load Factors

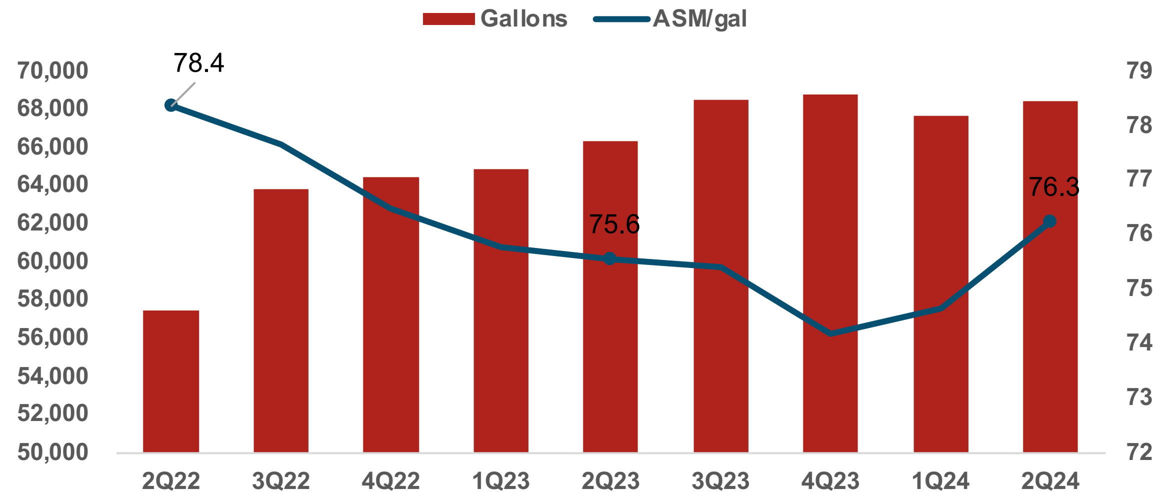


Restoration of major hubs and focus cities





Fuel & Fuel Efficiency

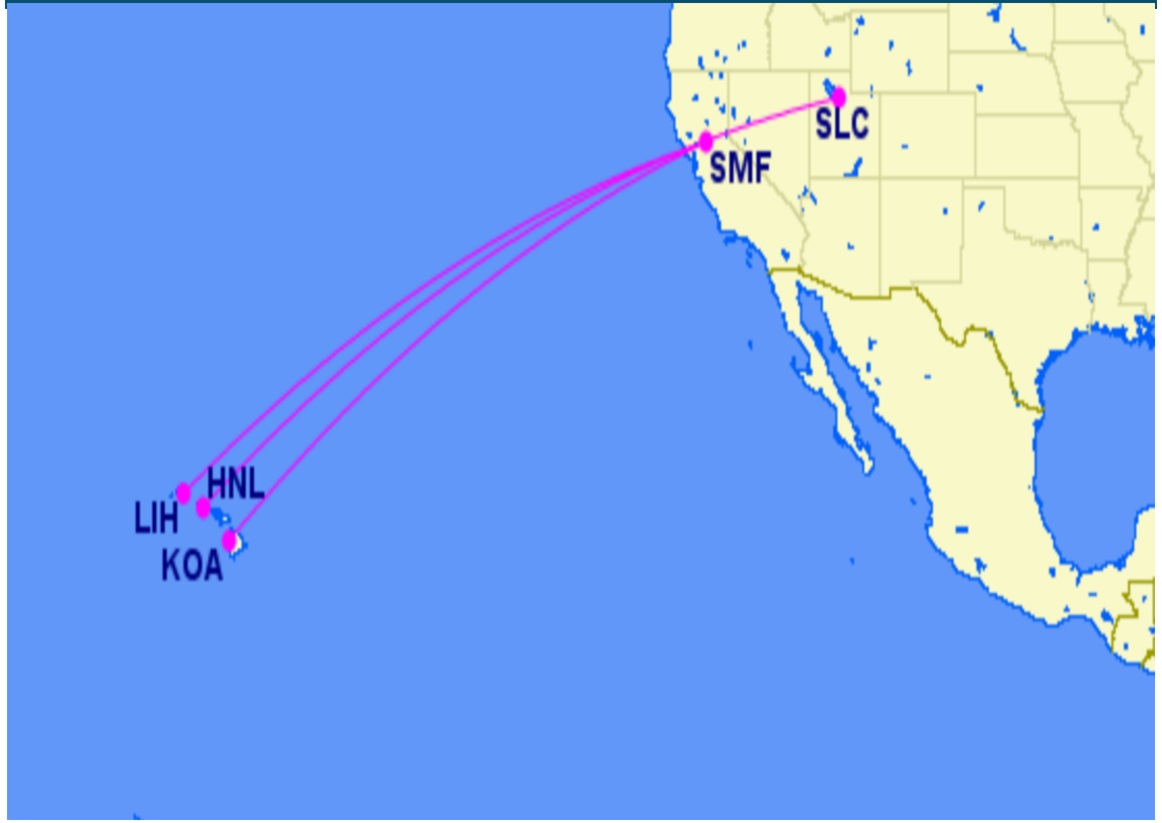


Hawaiian

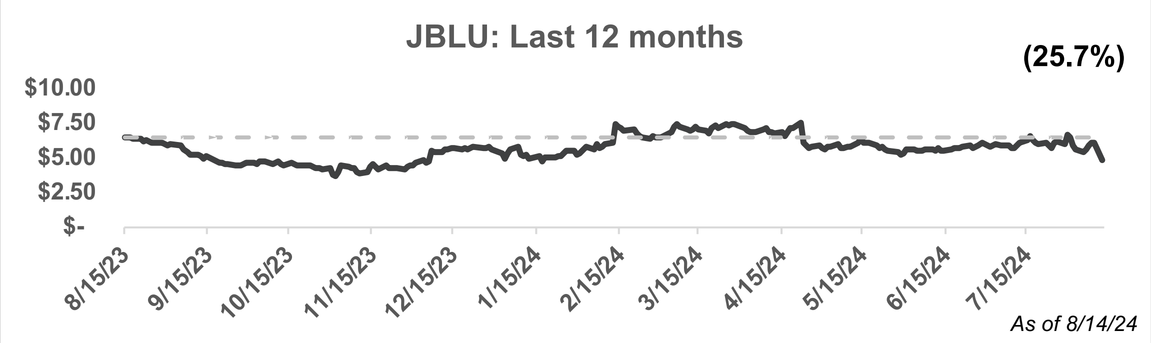
Guidance	3Q24	FY 2024	Notes
Capacity	Up 5.5% - 8.5%	Up 4.0% - 7.0%	FY reduced 0.5 pt from 1Q
RASM	Down 4.5% - 1.5%		
CASM-ex	Down 3.0% - 0.8%	Up 0.4% - 2.7%	
Fuel	$2.71	$2.71	FY lowered from $2.83
CAPEX		$350M-$400M	reduced from $500-$550

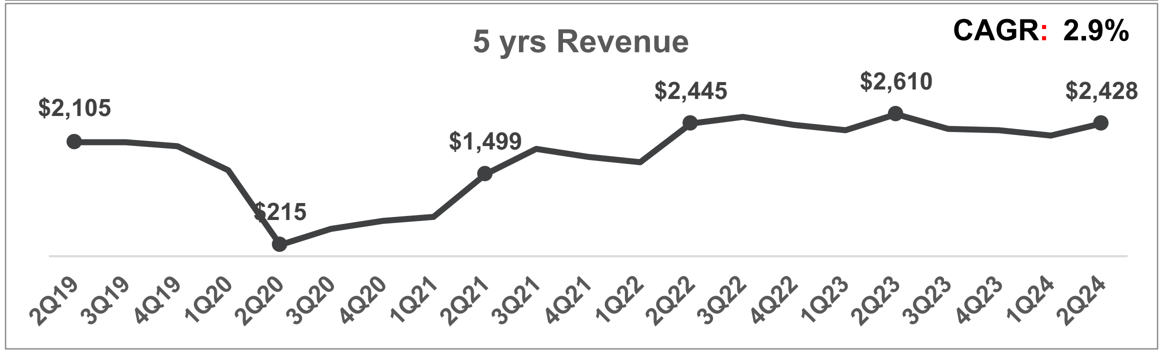
- With HA's adjusted 2Q loss that was a few pennies short of consensus, we're walking away with a revised thesis: Competitive capacity from Japan and the West Coast now call into question HA's return to profitability and we're now forecasting losses through 2026. We previously argued that 2024 was a transition year to a better 2025.
- The key drags on the business remain the competitive dynamic on inter-island flying, a recovery to Japan that continues to lag and the effects of the Maui wildfires.
- An expensive pilot deal is driving increased labor expense, along with higher rents and landing fees that HA is unable to overcome with revenue. We think HA is at financial risk under an economic downturn.
- We think the slow recovery in Japanese tourism and below historical average interisland fares will remain big issues in the short to medium term. The business is still far off from returning to pre-Covid results.
- We believe it would be much more difficult for the DOJ to make the same type of anti-consumer case that was made in the JBLU/Spirit trial. We are constructive on the airlines argument for winning a trial if it should come to that.

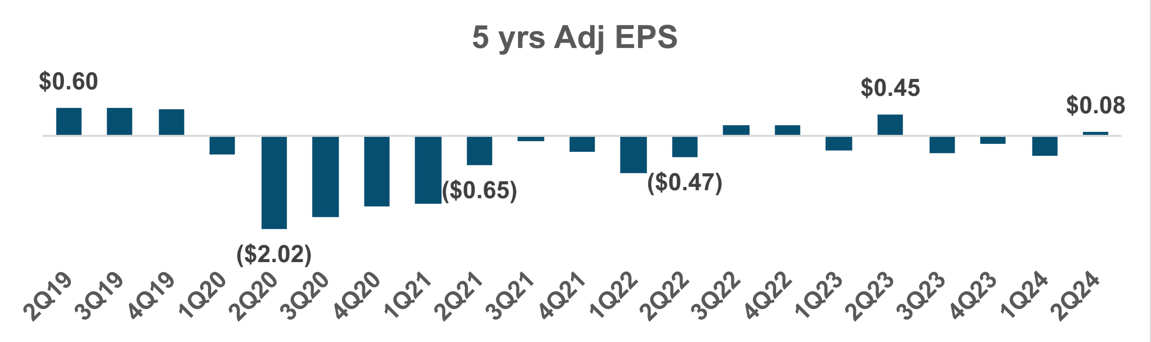
Hawaiian adds three new routes replacing SWA and challenging Delta



JetBlue Airways







JetBlue

"We have refocused our strategy in order to be profitable again"

2Q24 adj. pre-tax income: $34M

JetBlue reported a 2Q pretax profit, surprising most analysts as a loss had been forecast. Continued strength in premium products, better cost control and operational reliability were main contributors. The company announced a new strategy called "JetForward" which is being billed as a "back to basics strategy" that trims unprofitable routes, institutes additional cost controls and adds more differentiated products. JetBlue will refocus its network around East Coast geographies, leisure and trans-con flying which is expected to add nearly $200M to revenue. They continue to face GTF engine issues and expect that to continue through 2025. The airline will defer aircraft deliveries to reduce CAPEX as well as refinance short-term debt to raise additional liquidity. Capacity management and aircraft utilization are designed to help the carrier return to profitability in the next 12 months.

EFA takeaway: JetBlue is revamping its entire strategy and returning to its "roots". It seems like a good plan, but how long will it take to see results?

Items of Interest

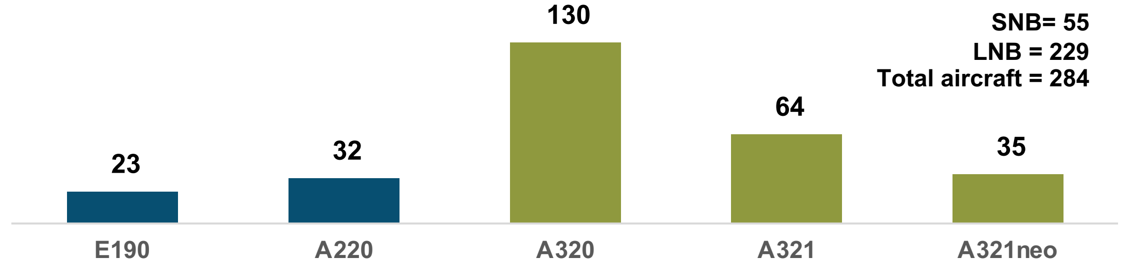
- Second quarter revenue was strengthened by premium performance, with RASM up double digits in that category on 30% more capacity. Overall revenues were down on lower capacity and unit revenues remain challenging in Latin America leisure markets.
- Completion factor was nearly 99%, a significantly better result YoY. 2Q CASM-ex beat expectations due to better operational reliability and management of disruptions.
- Achieved $140M of $300M in 2024 revenue initiatives, well ahead of internal forecasts. On track to realize the full amount by year-end.
- Expecting year-over-year positive RASM growth as competitive capacity improvements in Latin leisure markets and the wind-down of the NEA. Overall revenue growth and capacity will be down for the year. Closing 15 cities and ceasing over 50 routes by October.
- Implementing a new strategy called JetForward which will encompass several key themes. Rightsizing the network, implementing new products (domestic first class) and making several financial changes such as deferring 44 Airbus deliveries, new cost controls and new financing.
- Will average 11 AOG in 2024 due to P&W engines. In 2025 expecting mid-to-high teen grounded aircraft. E-190 to exit fleet by 2025, leaving A-220 and A-320 family. Receiving 20 A-220's and 7 A-321neo's in 2024. Saving $3B on CAPEX by deferring A/C.
- Business and cost transformation, along with structural cost program, expected to save upwards of $300M by 2027. GTF engine and labor rates will step up costs through 2024.
- Seeking financing for CAPEX & S/T debt. Liquidity of $1.6B. Unencumbered assets $11B.

2Q Snapshot (as compared to 2Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
↓ *2.7%*	↓ *7.0%*	↓ *4.4%*	↑ *2.4%*	↑ *9.1%*

jetBlue Stats	2Q24	2Q23	2Q19	y/y	y/5y
Revenues	$2,428M	$2,610M	$2,105M	(7.0%)	15.3%
Adj Operating Income (EBIT)	$58M	$259M	$252M	(77.6%)	(77.0%)
Adj Operating Margin	2.4%	9.9%	12.0%		
Adj Pretax Income	$34M	$236M	$238M	(85.6%)	(85.7%)
Adj Net Income	$26M	$152M	$180M	(82.9%)	(85.6%)
Adj EPS	$0.08	$0.45	$0.60	(82.2%)	(86.7%)
Capacity (ASMs)	16.9 billion	17.4 billion	16.0 billion	(2.7%)	5.4%
Yield	15.96¢	16.62¢	14.74¢	(4.0%)	8.3%
TRASM	14.38¢	15.04¢	13.14¢	(4.4%)	9.4%
CASM	14.04¢	13.68¢	11.58¢	2.6%	21.2%
CASM-ex	10.24¢	10.00¢	8.46¢	2.4%	21.0%
Fuel (econ)	$2.87	$2.63	$2.16	9.1%	32.9%

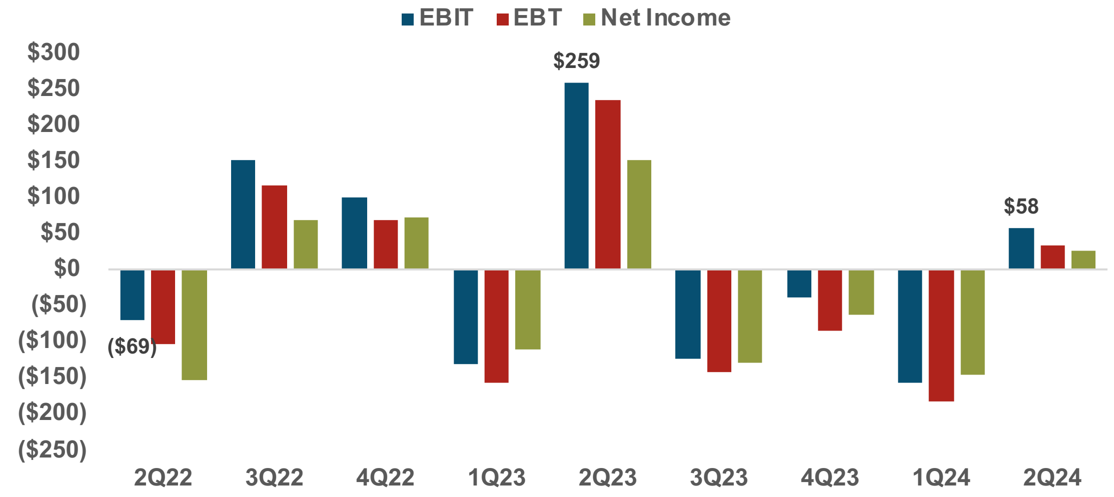
JetBlue Fleet – 2Q24



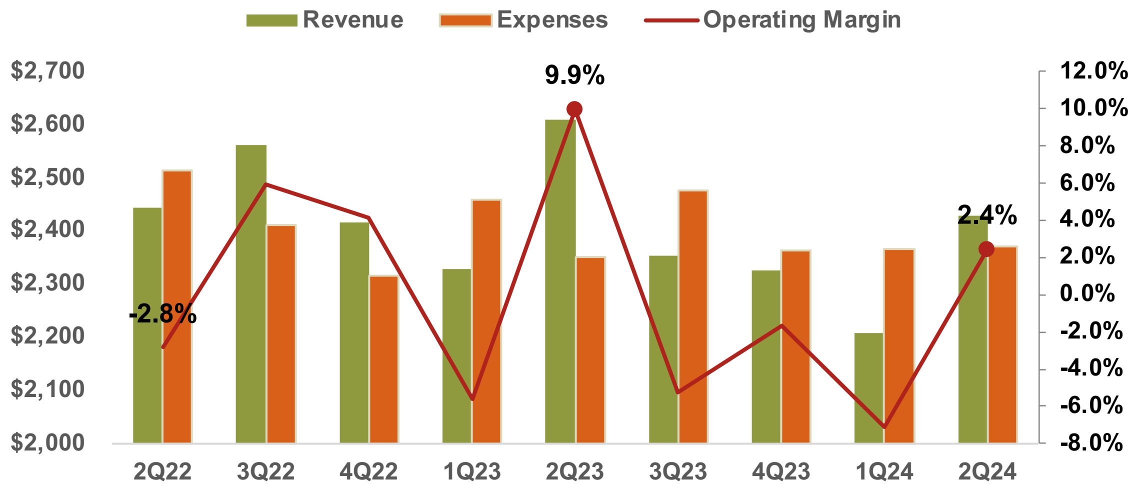
JetBlue - Financial Performance

jetBlue

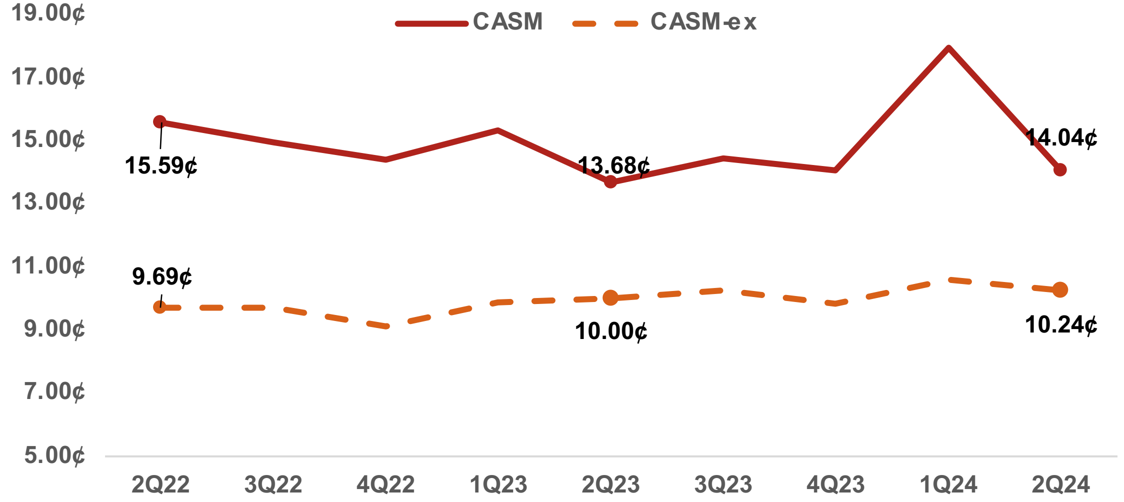
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



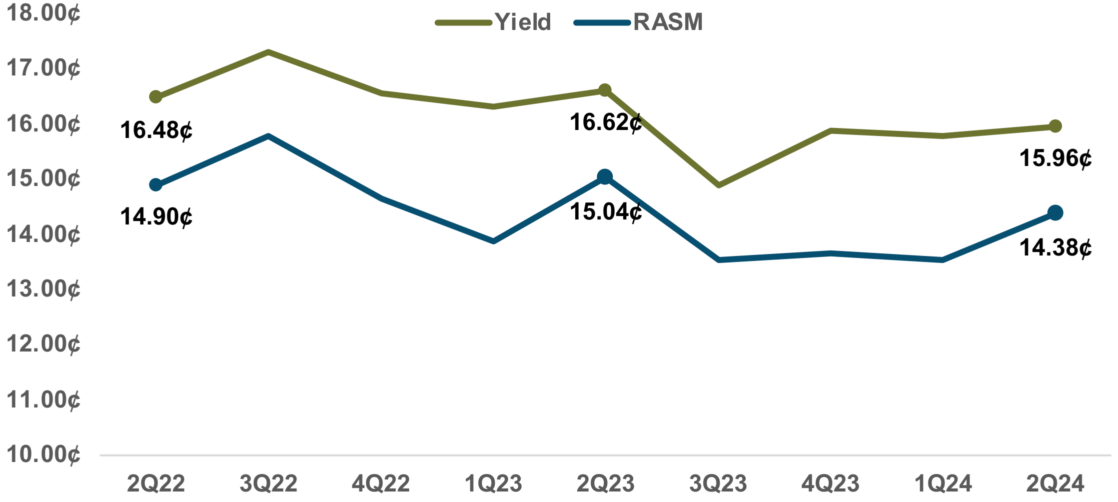
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM



SWAPA

JetBlue - Network News

Network news and notes

- Launching service to MHT and Presque Isle, Maine. Serving FLL, MCO and RSW.
- Will triple number of seats available from PVD and BDL to Florida during winter schedule.
- ALB & BUF to see increased service to FLL and MCO.
- The “JetForward” strategy refocuses service from the Northeast, Florida and the Caribbean going forward, as underperforming cities and routes are eliminated. Closing 15 cities and terminating over 50 routes by Fall with more expected by years end 2024 or early 2025.

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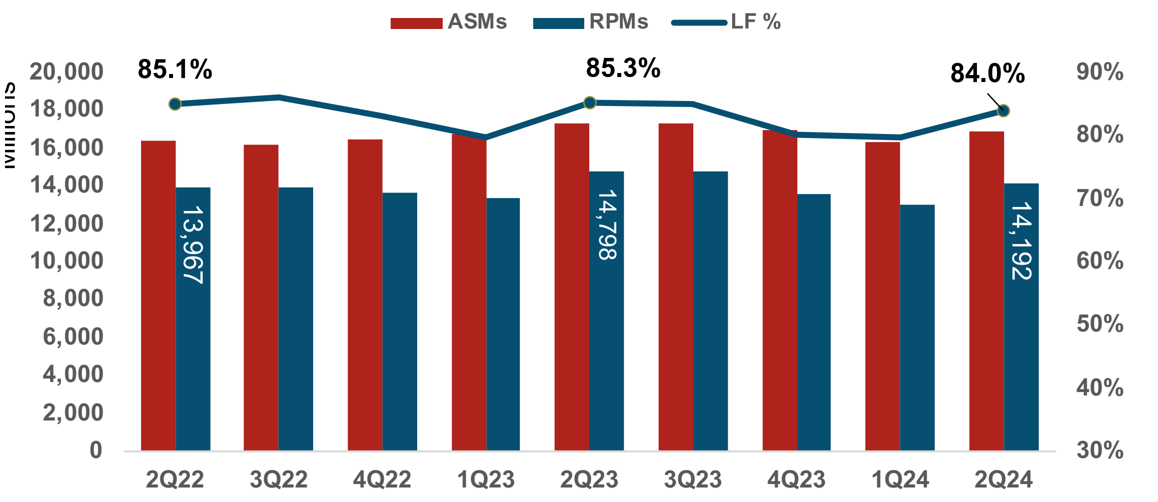
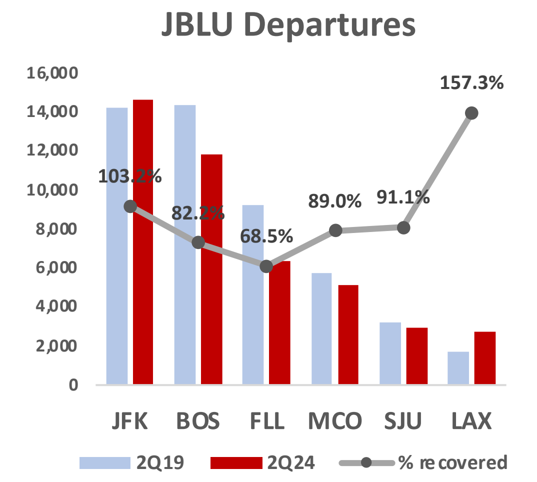
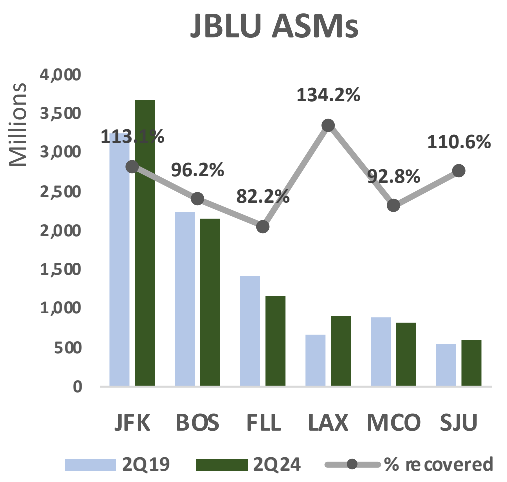
Capacity and Load Factors

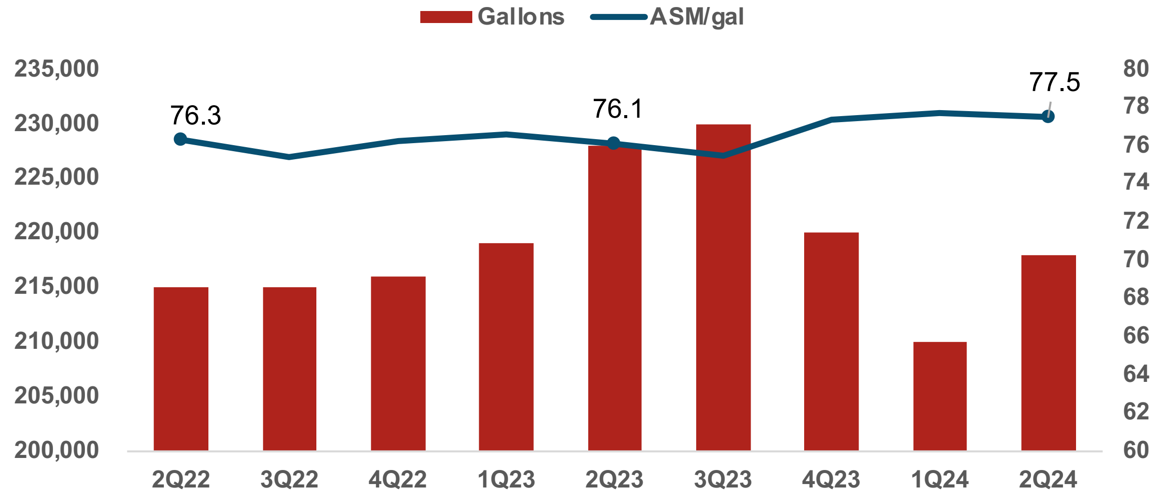


Restoration of major hubs and focus cities





Fuel & Fuel Efficiency



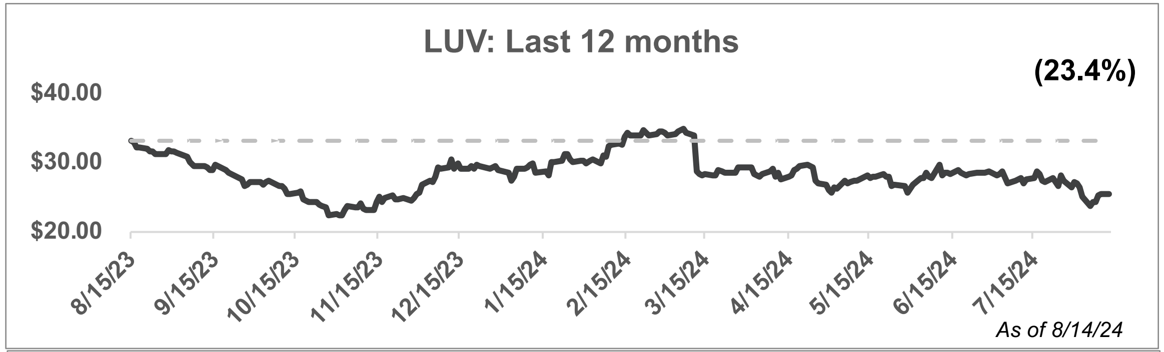
JetBlue

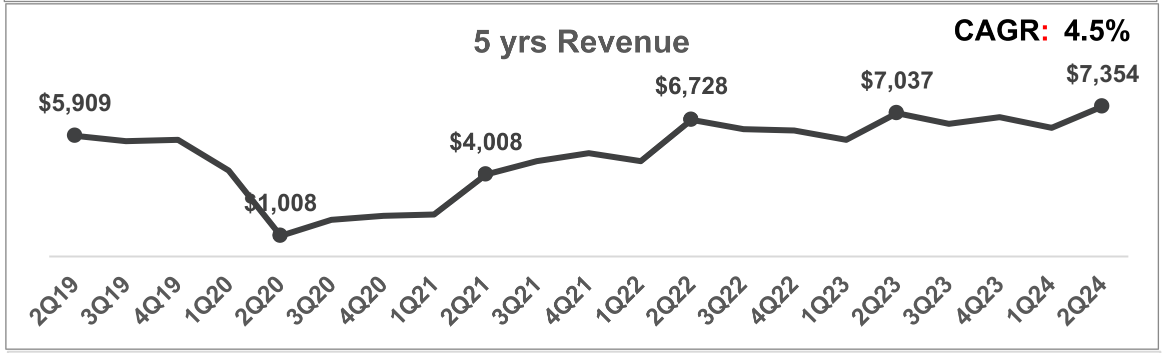
- JetBlue reported a better-than-expected EPS due to revenues that, while down, were down less than originally forecast. We attribute JBLU relative strength to insulation from industry promotional activity given the airline's Northeast exposure and revenue initiatives enacted before the industry oversupply.
- That said, we do not see a return to profitability as likely until 2026/2027, with free cash flow inflection even later.
- While we widen our loss in the third quarter due to lower-than-expected revenue generation, we think that the company is reacting quickly to changing competitive dynamics and taking a proactive approach.
- We think the network changes are ultimately going to help the company reduce structural costs and enhance overall unit revenue performance.
- This pivot is a ton of work, and it will all take time, we think 2027 if all goes according to plan. JetBlue is saying all the right things as they temper growth and refocus on where there is value.
- Costs continue to be impacted by higher labor rates, maintenance, air traffic control and the GTF issue. The outlook is not very inspiring, but it highlights the need for change. We believe reduction in industry capacity is needed before many buy into the turnaround story.
- JetBlue earns our praise for vigor, particularly in light of the uninspiring commentary from AAL and SWA, but that's not to say that management's EBIT ambitions will lead to cash generation.

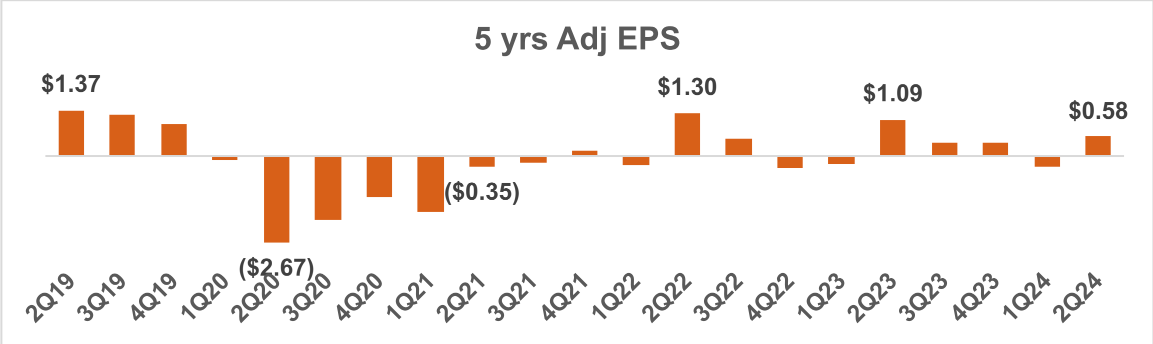
Guidance	3Q24	FY 2024	Notes
Capacity	Down 6% - 3%	Down 5.0% - 2.5%	
Revenue	Down 5.5% - 1.5%	Down 6.0% - 4.0%	Revised down from 'flat'
CASM-ex	Up 6.0% - 8.0%	Up 6.5% - 8.5%	
CAPEX	~$365M	~$1.6B	
Fuel	$2.82 - $2.97	$2.80 - $3.00	
Adj Op Margin			removed FY op margin guide

JetBlue closes 15 cities as part of network restructuring

Southwest Airlines







Southwest

"Our results are not reflective of what we are capable of delivering"

2Q24 adj. pre-tax Income: $486M

Southwest reported a modest 2Q, noticeably reduced from one year ago. Unit revenues were down less than forecast but still had an outsized effect on the quarterly results. The company noted issues with the new revenue management system as well as too many discounted fares for the summer travel season. Major product changes were announced, including assigned seating and premium seating with research showing over 80% favored assigned seating. CEO Bob Jordan said he believes there is well over $1 billion in incremental revenues from these initiatives. The company plans growth at or below "macroeconomic growth trends" for the next several years, which will mean little to no fleet growth. Capacity moderation and revenue management modifications should lead to modest improvements by 4Q, although quarterly losses are still expected, possibly into 2025.

EFA takeaway: Southwest is beginning the transformation to a differentiated business model. The short and medium-term environment appears challenging.

Items of Interest

- Record quarterly revenues were reported but RASM was down amid excess capacity and fare discounting. Better operations during severe weather and incremental bookings from other carriers during disruptions helped to cushion the RASM downturn.
- Network optimization and GDS "maturation" added 3% combined unit revenue benefit in 2Q. Capacity will be down 4% YoY in 4Q which should improve 4Q RASM.
- Hiring halted; expect to end year with head count down roughly 2,000 from YE 2023.
- Fuel costs at $2.76 were in line with expectations, this included a $0.07 per gallon premium expense and $0.04 per gallon gain in fuel derivative contracts. Fuel efficiency improved slightly over 1% due to more MAX-8 aircraft and hedge contract value was $194M end of 3Q.
- CASM-ex was higher in 2Q due to new labor contracts and slower capacity growth. Higher maintenance costs were also a factor. 3Q costs will be higher as well due to continued lower capacity growth. Plan to expand VTO and leave programs to further reduce labor costs.
- Have received 10 MAX-8 aircraft with 10 more expected by end of year. Retiring 31 -700's and returning four leased -800's. No changes to fleet plan at present but further modifications planned. Reductions in aircraft will exceed deliveries.
- $10B in liquidity and $8B in outstanding debt for a $2B net cash position. $29M in debt payments in 2024 with interest income exceeding interest expense. Have $3.9B in debt liabilities in 2025. Have paid $215M in dividends in 2024.

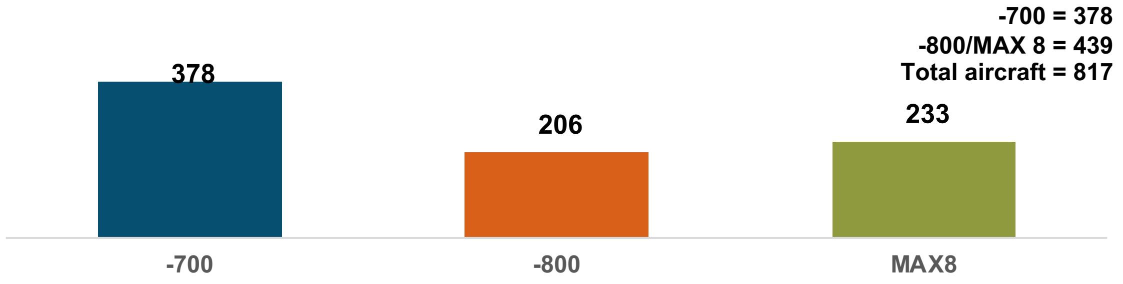
Southwest®

2Q Snapshot (as compared to 2Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
↑ 8.6%	↑ 4.5%	↓ 3.8%	↑ 6.0%	↑ 6.2%

Southwest Stats	2Q24	2Q23	2Q19	y/y	y/5y
Revenues	$7,354M	$7,037M	$5,909M	4.5%	24.5%
Adj Operating Income (EBIT)	$405M	$807M	$968M	(49.8%)	(58.2%)
Adj Operating Margin	5.5%	11.5%	16.4%		
Adj Pretax Income	$486M	$904M	$968M	(46.2%)	(49.8%)
Adj Net Income	$370M	$693M	$741M	(46.6%)	(50.1%)
Adj EPS	$0.58	$1.09	$1.37	(46.8%)	(57.7%)
Capacity (ASMs)	46.3 billion	42.6 billion	40.0 billion	8.6%	15.7%
Yield	17.56¢	18.05¢	15.89¢	(2.7%)	10.5%
TRASM	15.90¢	16.53¢	14.78¢	(3.8%)	7.6%
CASM	15.04¢	14.66¢	12.36¢	2.6%	21.7%
CASM-ex	11.50¢	10.85¢	9.09¢	6.0%	26.5%
Fuel (econ)	$2.76	$2.60	$2.13	6.2%	29.6%

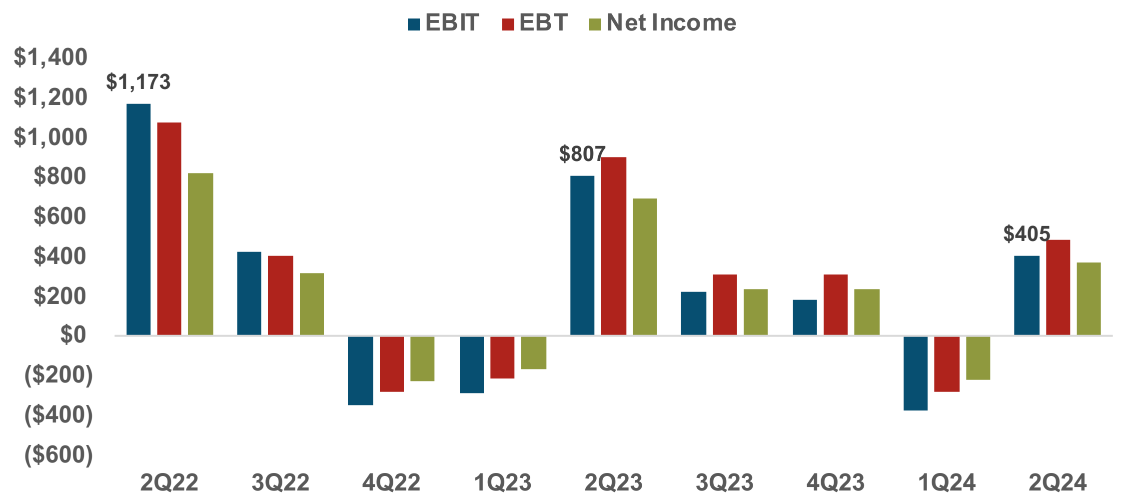
Southwest Fleet – 2Q24



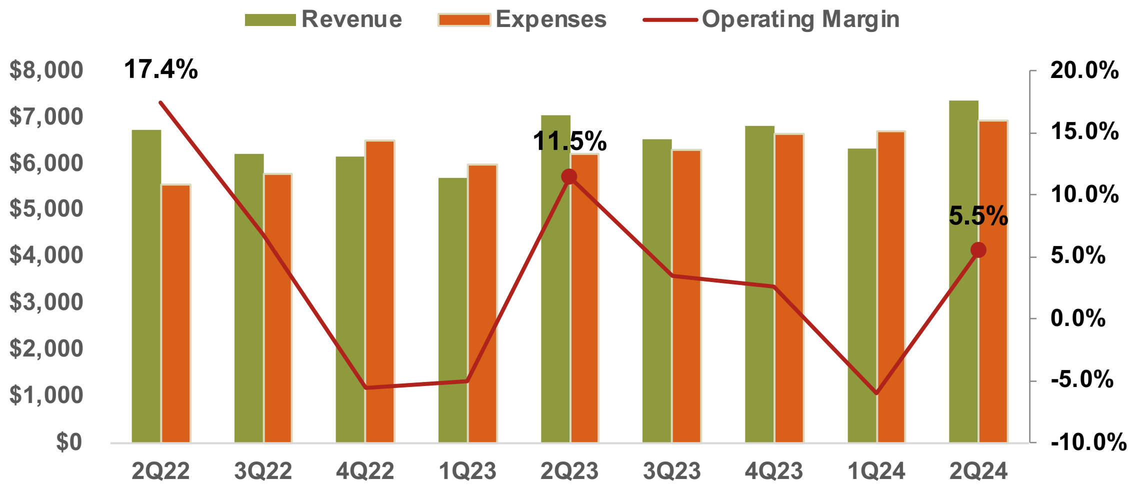
SWAPA®

Southwest - Financial Performance

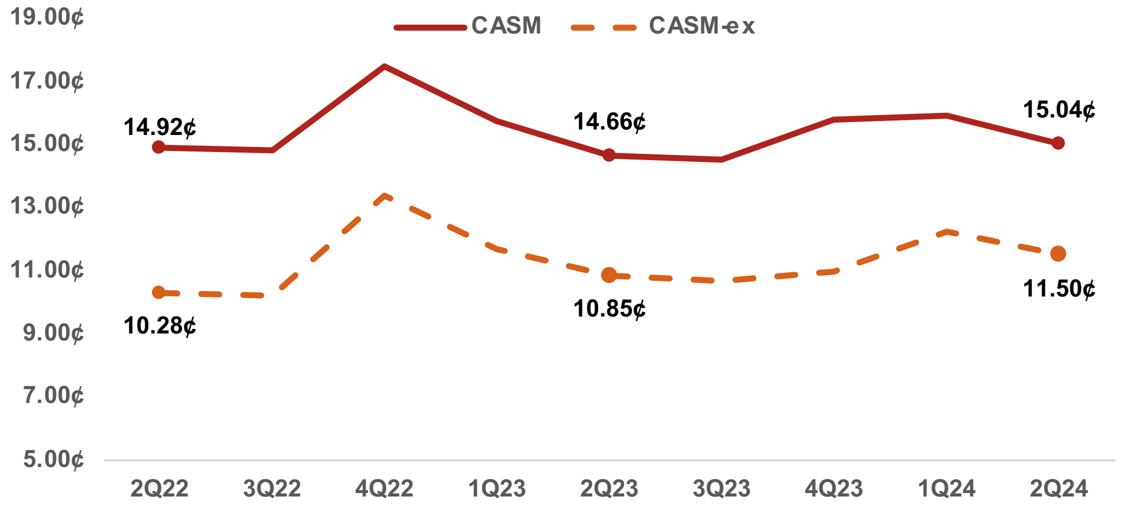
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



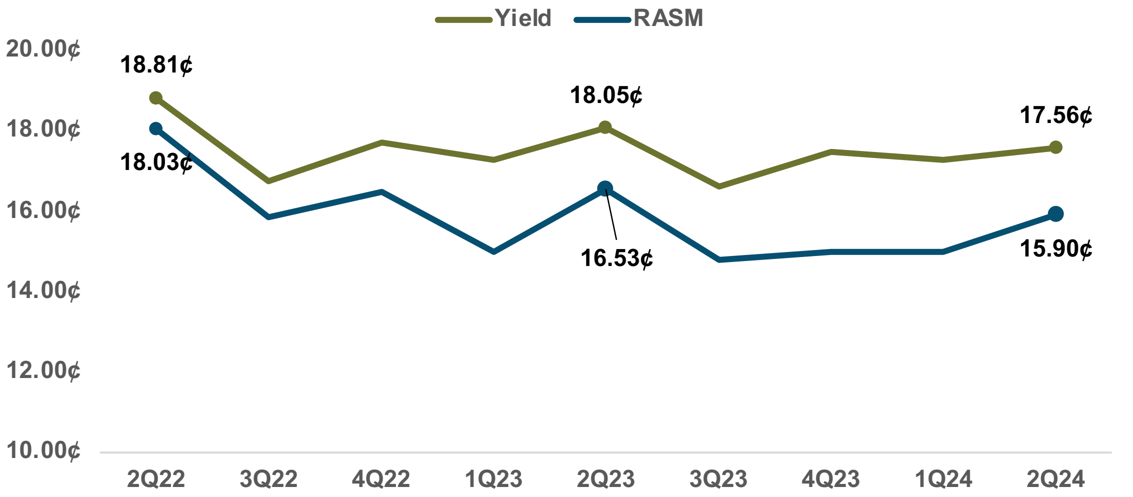
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM

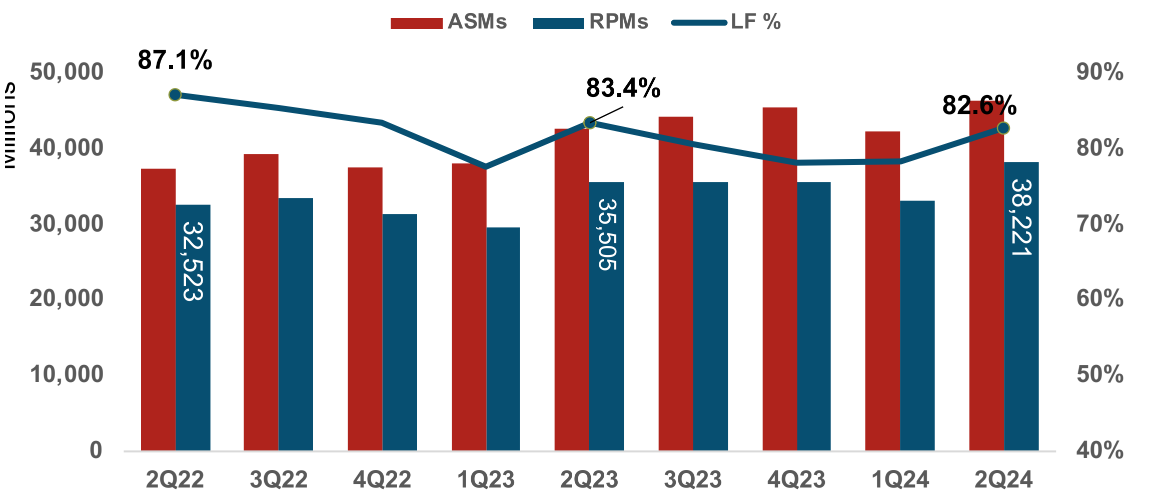


Southwest - Network News

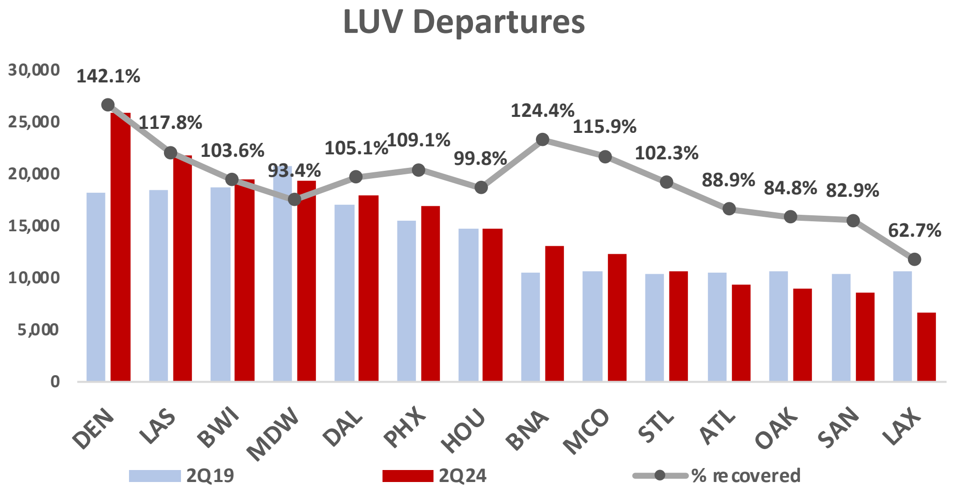
Network news and notes

- Will introduce redeye flying for the first time in company history starting February 2025. LAX-BWI/BNA, PHX-BWI, LAS-BWI/MCO are first routes.
- Reducing capacity beginning in August through reductions in seasonal flying. Several international destinations see weekend only flying along with certain Florida cities as well as CHS, MYR and SAV.
- DEN-CLT, ORF and PVD increase to daily service in August. Adding LAS-ALB, LAS-CLE and LAS-RDU.
- October base schedule sees an increase in CUN service, with MCI-CUN becoming daily and weekend service to CUN from ATL/BNA/PHX and SAT returning.

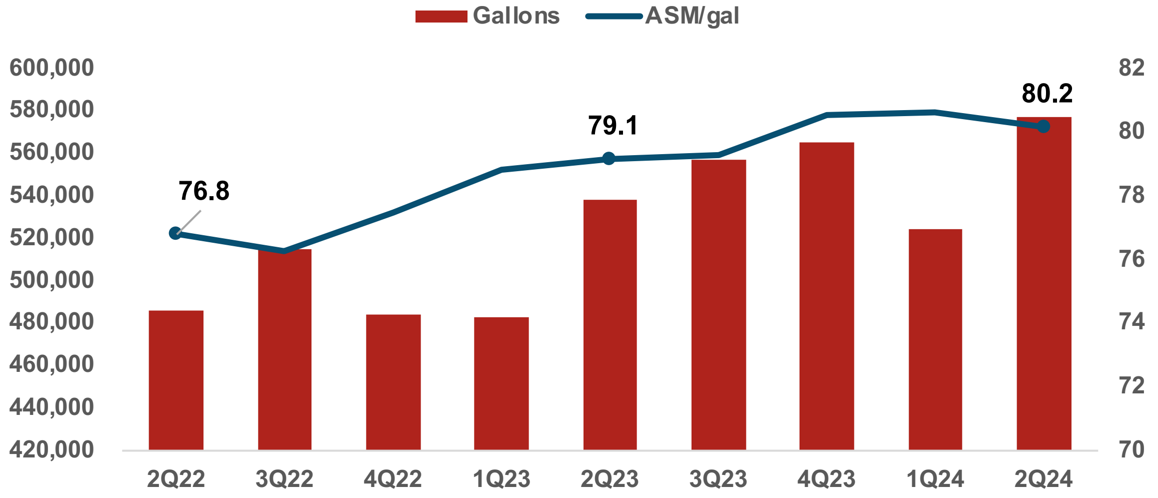
Capacity and Load Factors



Restoration of major hubs and focus cities



Fuel & Fuel Efficiency

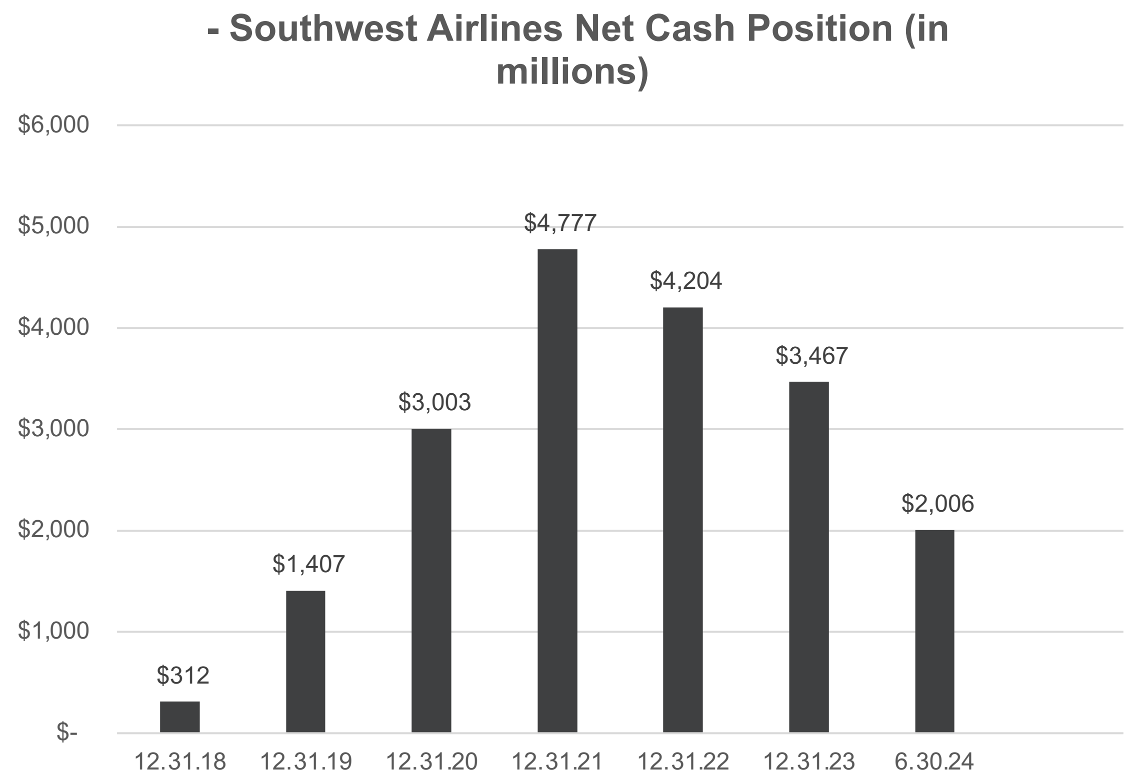


Southwest

- Not only do we see significant downside risk to our estimates for the third quarter, but we think a quarterly loss during what is seasonally one of the industry's strongest quarters is very possible.
- Southwest delivered a slightly better 2Q following a meaningful guidance reduction, but management provided a somber view on 3Q revenue despite materially lower capacity growth.
- The lack of forward disclosure on the product changes is a bit disappointing but suggests some reaction from SWA BOD and leadership team given the potential for Elliott to call a special meeting.
- The revised down 2Q guide and guiding to a 3Q loss is flat-out unacceptable. While SWA has its own idiosyncratic headwinds with revenue management, it is a bit odd that no additional changes to the network were announced. Costs remain elevated despite offering leaves and early retirements.
- Expectations for product changes are now very high and there is ample execution risk associated with them. We see the potential of change underway at SWA but we see a 3 year turnaround.
- There is increasing evidence of capacity rationalization across the industry, but we wonder if it will be enough for the weakest players. Encouragingly, in addition to moderated capacity plans with no net fleet growth for several years, now Southwest will undergo product changes.
- We expect internationally exposed carriers to continue to outperform Southwest in the near-term as recent operational hiccups and higher costs continue to pressure the airline

Guidance	3Q24	FY 2024	Notes
Capacity	Up 2%	Up ~4%	No change to FY plans
RASM	Flat to Down 2%		Comp to 2022
CASM-ex	Up 11% - 13%	Up 7% - 8%	3Q: 5pts labor, 3 pts Boeing/overstaffing
Fuel cost	$2.60 - $2.70	$2.70 - $2.80	~3 - 4¢/gal net hedging cost
CAPEX		~2.5B	
Aircraft		802	
Interest Exp	~$62m	~$252m	

Southwest cash position has declined as financial results lag



Ultra Low-Cost Carriers (ULCCs)

allegiant

FRONTIER AIRLINES

spirit airlines

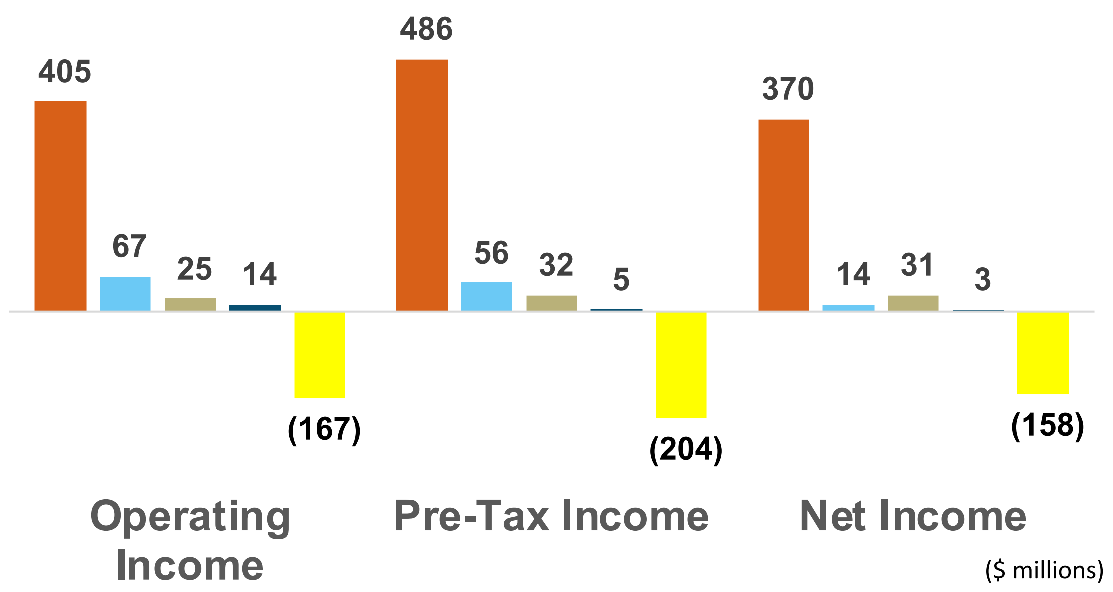
sun country airlines

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

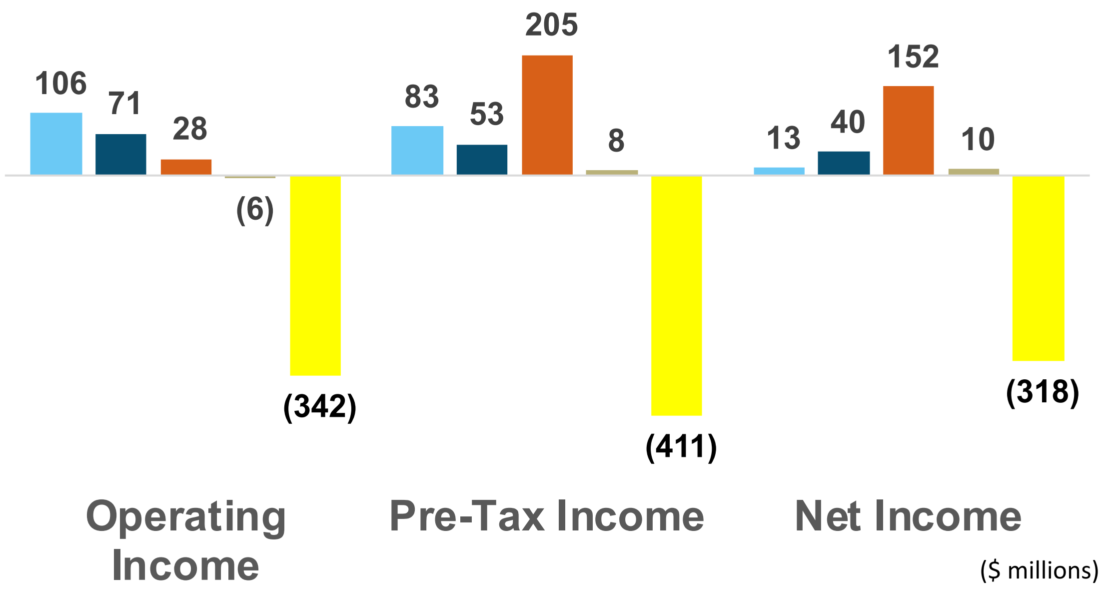
Key Financial Results

ULCCs vs. Southwest

2d Quarter 2023

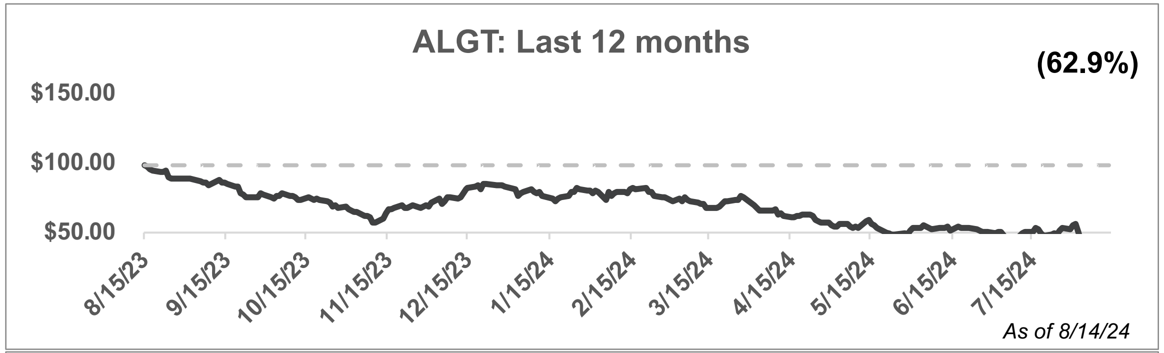


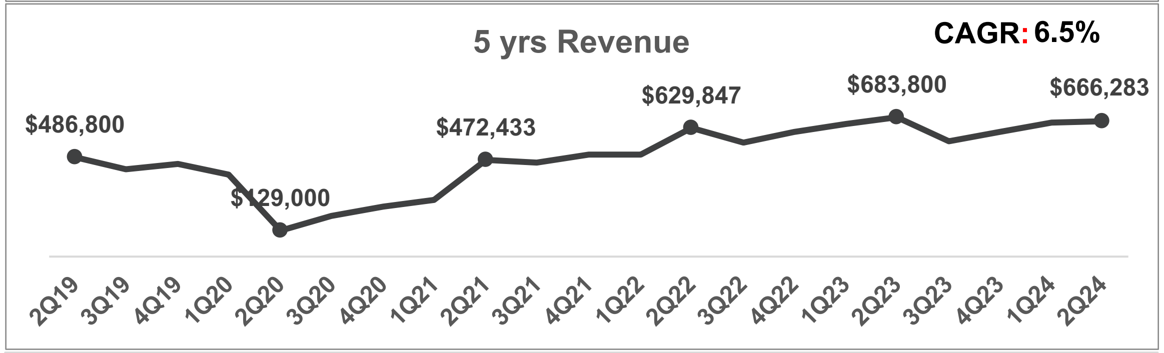
6 months 2023

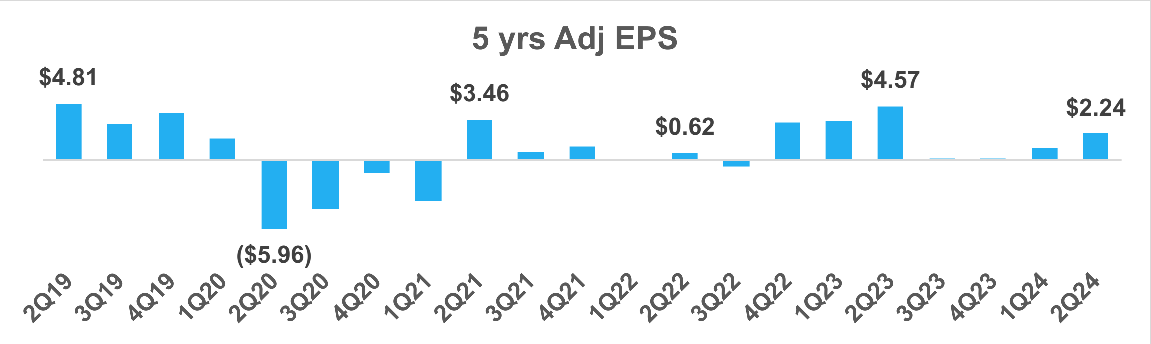


Non-GAAP – excludes special items

Allegiant Travel Co.







Allegiant

"We're bullish on Allegiant's future with its unique model and position"

2Q24 adj. pre-tax income (airline only): $56M

Allegiant reported a second quarter profit that beat estimates as peak demand remained strong throughout the quarter and ancillary revenues outperformed. The airline again highlighted its unique network structure of 75% non-competitive routes providing a "layer of insulation". Peak aircraft utilization was improved YoY but still 20% below 2019's average. The Navitaire revenue management system optimization, excess capacity and Boeing delivery delays are expected to result in potential quarterly losses in third and fourth quarters, but the airline is guiding to improvement in latter half of 2024 and into 2025. The company has identified 1400 possible new routes, but overall expansion will remain relatively flat with minimal fleet growth. The Allegiant Extra product and third-party product revenue are bright spots, but the company has hired advisors to determine the best path for the money losing Sunseeker resort.

EFA takeaway: Allegiant's airline is in relatively good shape, but company's overall performance is being dragged down by Sunseeker and industry overcapacity.

Items of Interest

- Airline only revenue and TRASM were among quarterly records, but TRASM was still down nearly 5% YoY. Continued headwinds from excess industry capacity and the Navataire RM system were cited as factors in the decline. The company believes the RM system will not be fully optimized until 2025.
- Allegiant Extra was added to 11 A/C during the quarter, with 26 more targeted this year. When combined with the expected MAX deliveries, half the fleet will be fitted by YE 2024. The product contributes more than $3 in incremental revenue per passenger. Third party product revenue (loyalty, co-brand card) was up 28% YoY.
- The company cited an excess of pilots due to training requirements for the MAX which is expected to ease by October. Peak aircraft utilization was better than 2Q 2023 but still down 20% as compared to 2019. Boeing delivery delays have cost ALGT $30M of annual expenses.
- Non-fuel costs were up nearly 6%, on heavy maintenance expenses, pilot retention bonuses and lower capacity. Better A/C utilization is expected to moderate those costs in 3Q/4Q.
- Sunseeker resort expected to lose $25M this year. A $10M offset from insurance is possible.
- Due to continued industry oversupply, RM system issues and Sunseeker, ALGT expects to lose $3 per share in 3Q. RASM decline of 7%. Flat fleet growth through YE 2024.
- Liquidity of $1.1B. Have $73M of debt due plus $75M of PDP debt to be refinanced in 3Q. Suspended dividend in July to use for A/C CAPEX later in 2024.

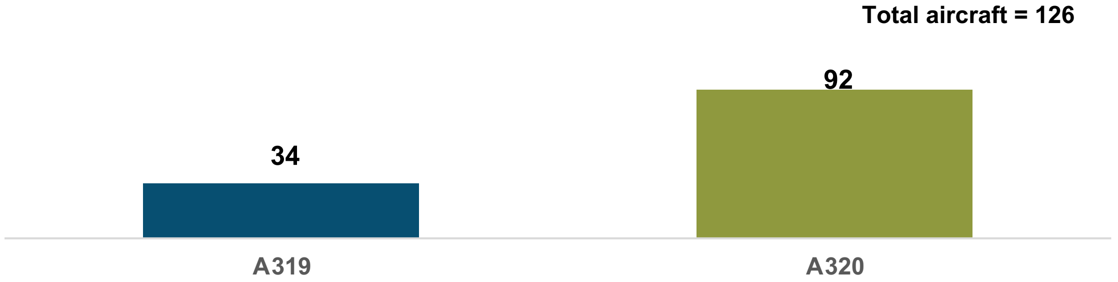
allegiant

2Q Snapshot (as compared to 2Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
↓ 1.6%	↓ 2.6%	↓ 1.8%	↑ 5.6%	↑ 5.2%

Allegiant Stats	2Q24	2Q23	2Q19	y/y	y/5y
Airline Revenues	$666M	$684M	$487M	(2.6%)	36.9%
Adj Operating Income (EBIT)	$67M	$128M	$116M	(47.5%)	(42.0%)
Adj Operating Margin	10.3%	18.6%	23.7%		
Adj Pretax Income	$56M	$110M	$99M	(49.6%)	(43.9%)
Adj Net Income	$14M	$84M	$78M	(83.7%)	(82.5%)
Adj EPS	$2.24	$4.57	$4.81	(51.0%)	(53.4%)
Capacity (ASMs)	4.8 billion	4.9 billion	4.3 billion	(1.6%)	12.5%
Yield	16.22¢	15.98¢	13.51¢	1.5%	20.0%
TRASM	13.29¢	13.53¢	10.95¢	(1.8%)	21.4%
CASM	12.02¢	11.01¢	8.35¢	9.2%	44.0%
CASM-ex	8.23¢	7.79¢	5.65¢	5.6%	45.7%
Fuel (econ)	$2.83	$2.69	$2.22	5.2%	27.5%

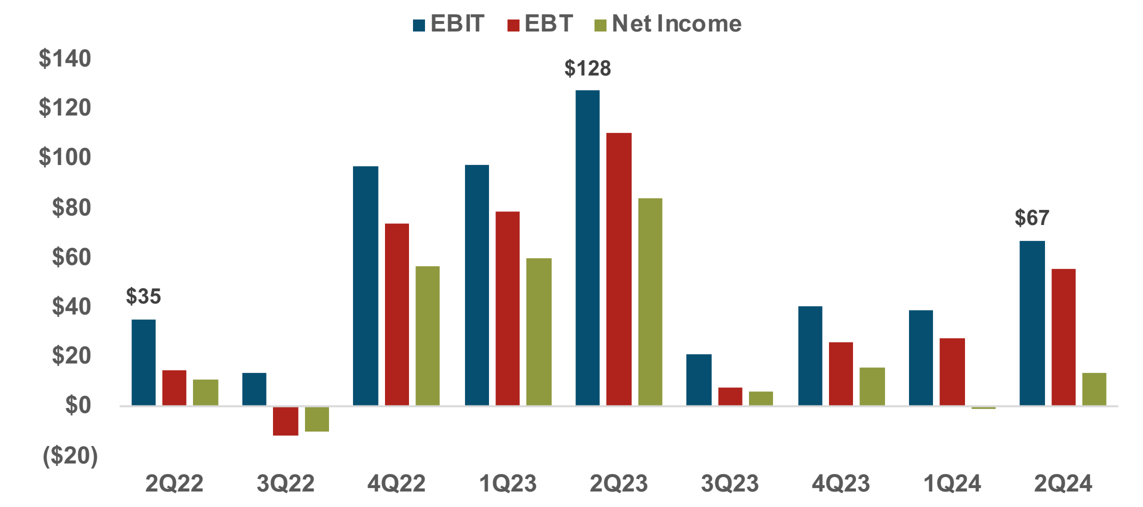
Allegiant Fleet – 2Q24



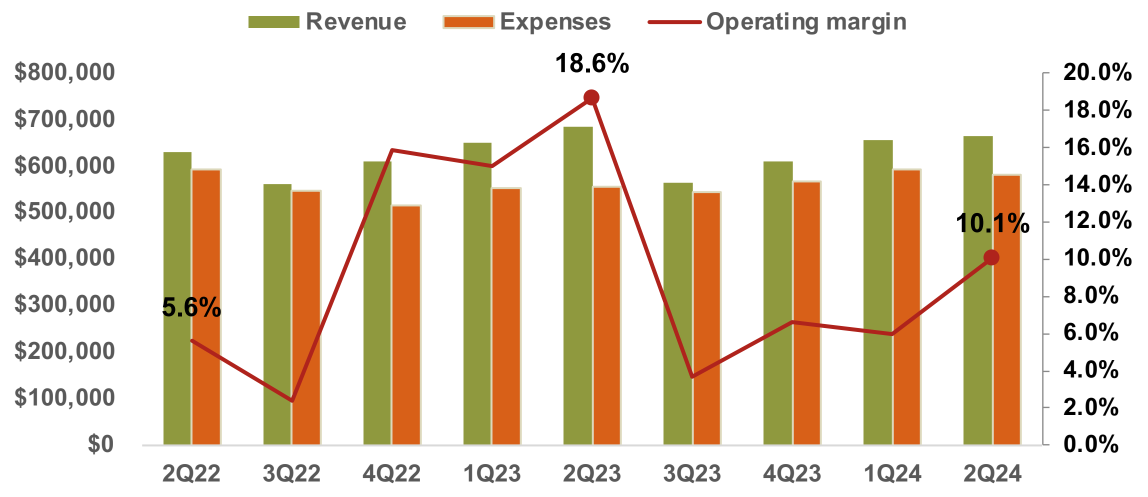
SWAPA

Allegiant - Financial Performance

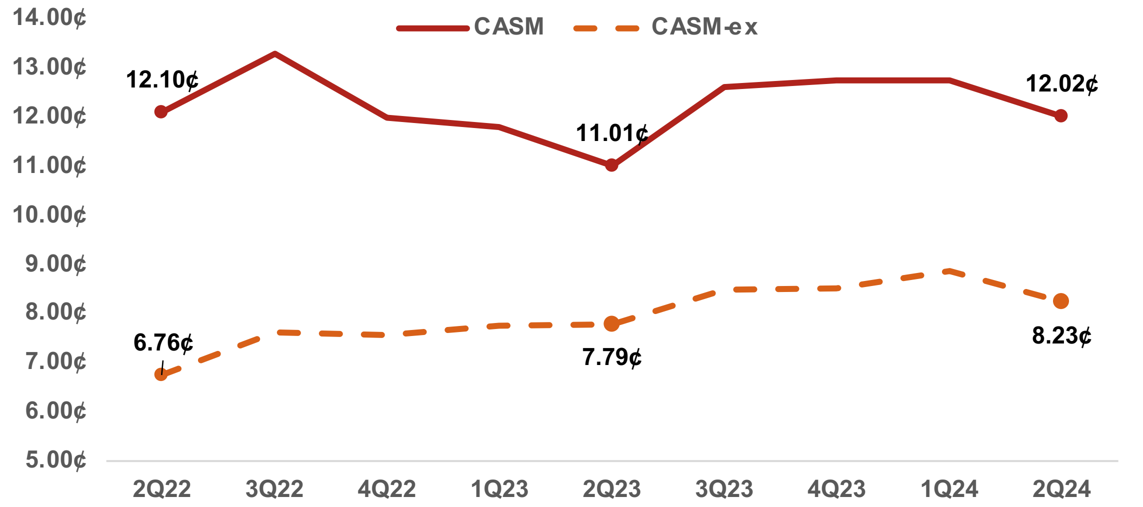
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



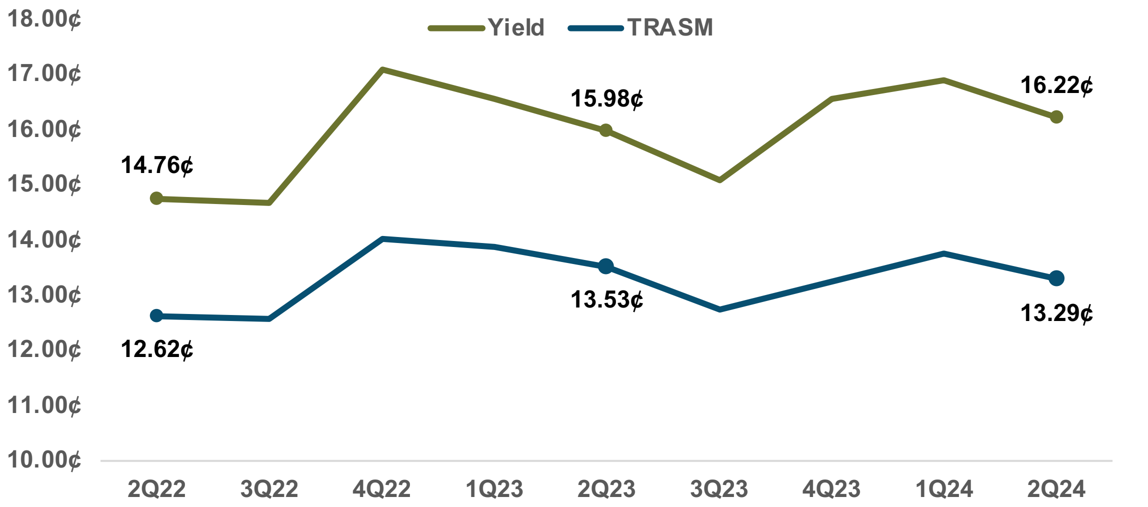
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM

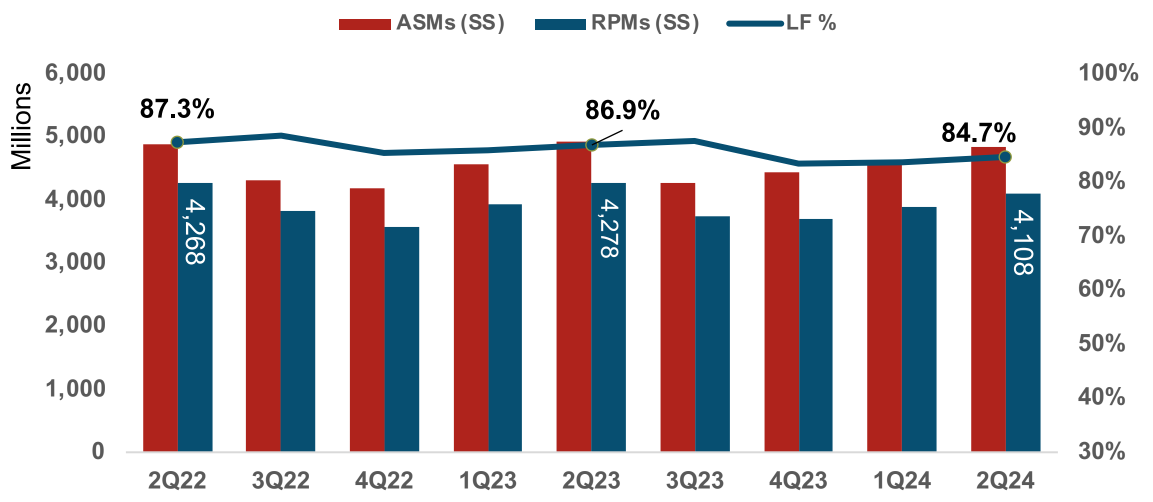


Allegiant - Network News

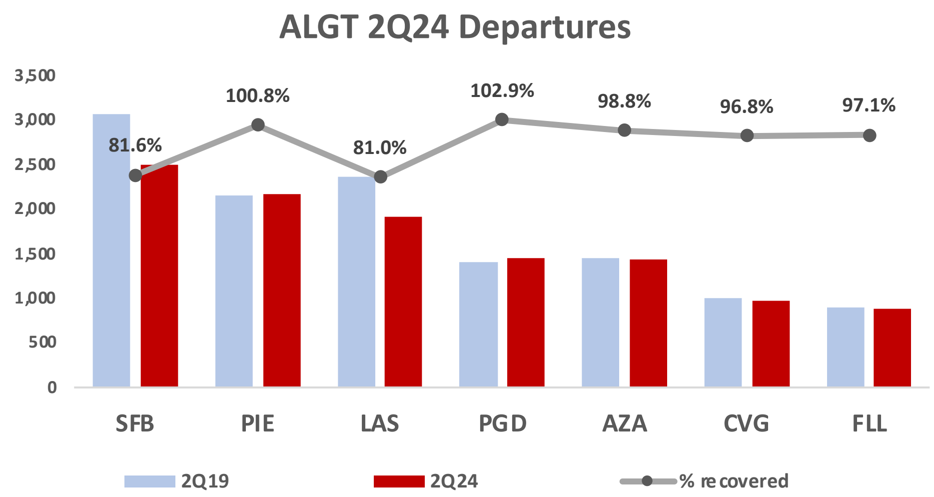
Network news and notes

- Added eight new non-stop routes to 13 cities in November, primarily to warm weather destinations. Cities receiving new service are PBI, SAV, MLB, FLL, VPS and SRQ.
- Closing the AUS base after only three years. Reasons cited were delivery delays from Boeing and reductions in competitive capacity. Dropping 11 routes and keeping six as of early 2025 when the base is scheduled to close.
- Adding flights for NFL games with day-of-week routes specifically for certain games, primarily for Raider and Packer games.

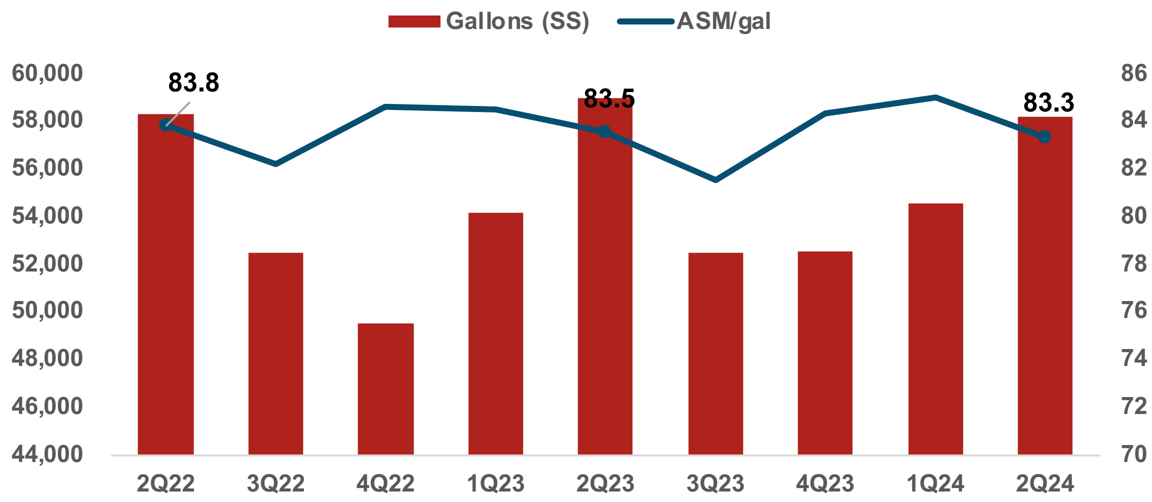
Capacity and Load Factors



Restoration of major hubs and focus cities



Fuel & Fuel Efficiency

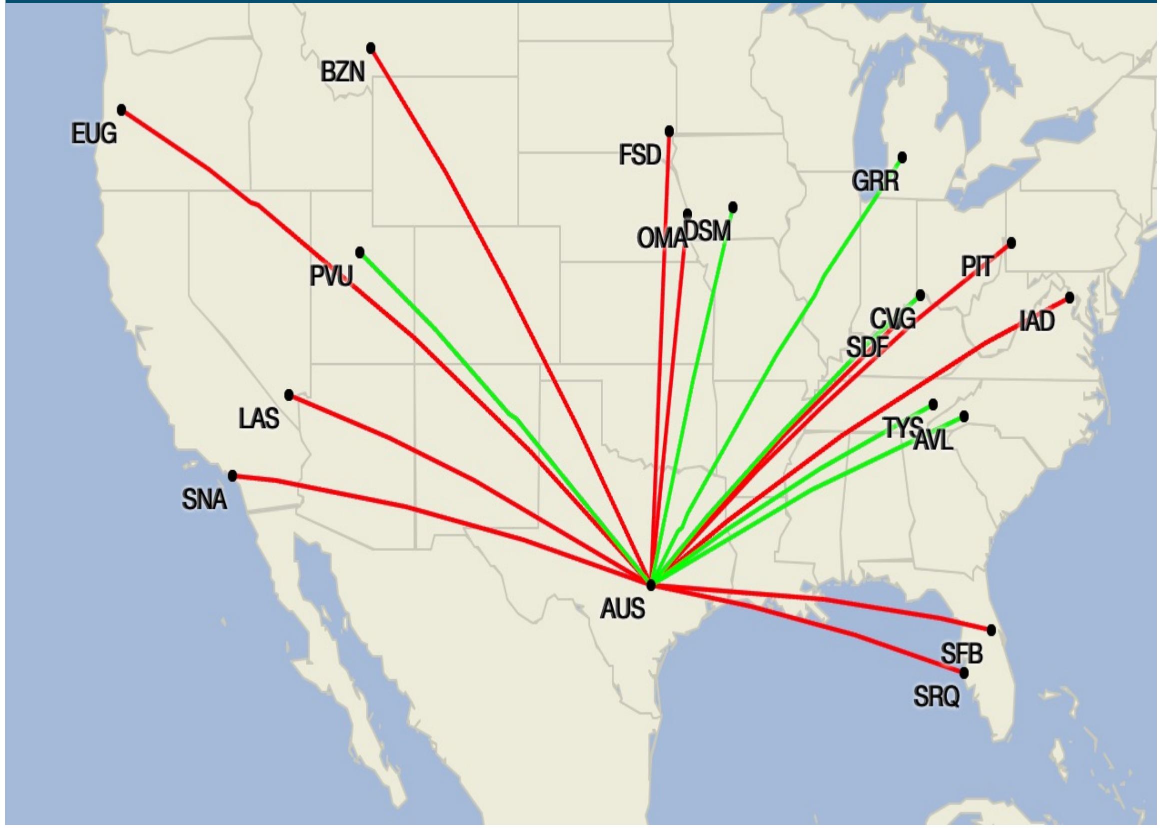


Allegiant

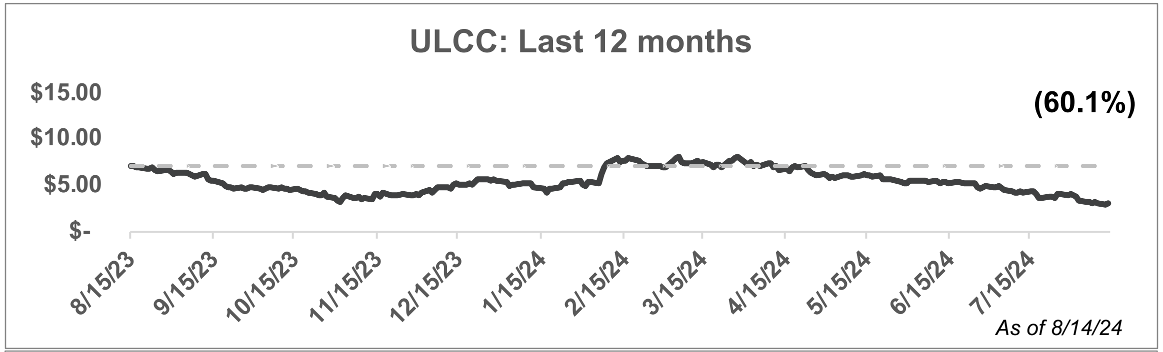
- Allegiant produced a nice beat of EPS expectations, but second quarter guidance was less than expected. They face several headwinds going forward including delivery delays and reduced aircraft utilization.
- We think there will be improvement as the Navataire system gets up and running. It has the potential to increase operating margins at the airline by 3%.
- We see a year of transition as Allegiant addresses key headwinds. Reduced utilization, integration of new reservations and revenue system and Boeing delivery delays.
- We are trimming our full year expectations as the Sunseeker resort ramps up slower than we expected as well as lower overall revenues due to the earlier mentioned headwinds.
- 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.
- 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.

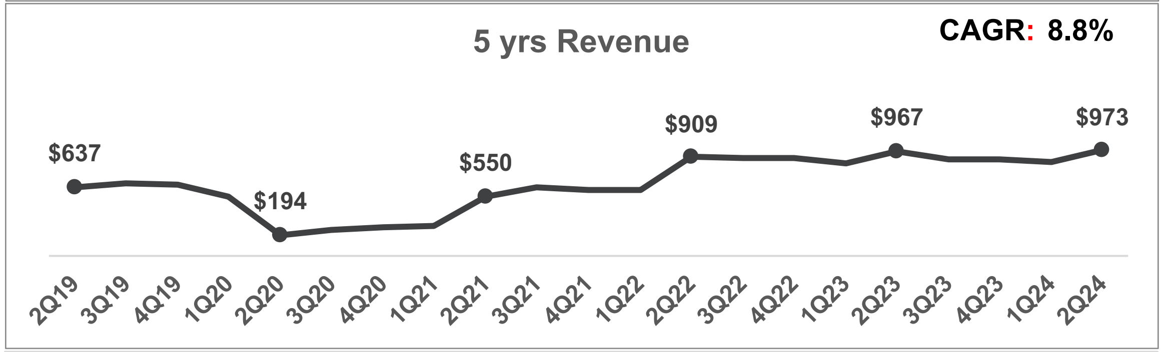
Guidance	3Q24	FY 2024	Notes
Capacity	Up ~ 1.3%	Up ~1.5%	FY top end guide reduced from 6% tp 4%
Operating margin	(4.5%) - (6.5%)		3pp 3Q impact due to Crowdstrike
EPS	($1.50) - ($2.50)		$0.75 impac due to Crowdstrike
Fuel	$2.80		
CAPEX		$470m - $510m	reduced on fewer Boeing deliveries
Fleet		124	Includes 4 x 737-8200

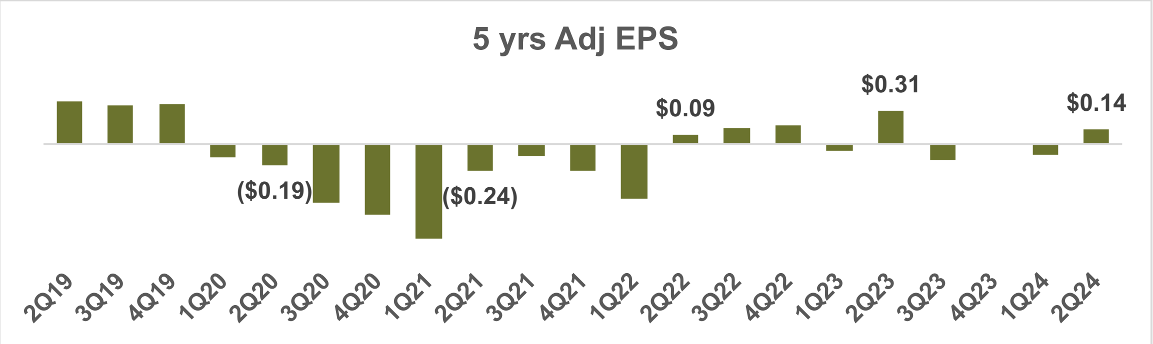
ALGT will close AUS as a base in early 2025 after only three years



Frontier Airlines







Frontier

"We believe we will be the clear low-cost winner in 2025 and beyond"

2Q24 adj. pre-tax income: $32M

Frontier was the last airline earnings for this period, reporting positive 2Q earnings, although lower than analyst consensus. The company was negatively affected by industry overcapacity and the changing consumer patterns which have resulted in decreased travel on non-peak days of the week. CEO Barry Biffle contends that "concentrating flying on peak days, coupled with the maturity of new revenue initiatives and their cost advantage will drive margin improvement". By 4Q, decelerated growth and new product enhancements should lead to positive RASM growth. The new product and distribution changes are branded as the "New Frontier", and will highlight transparent pricing, elimination of change fees and different service levels. The company is still receiving aircraft then immediately selling and leasing back which has helped earnings and lowered costs, but this benefit is expected to lessen as the carrier is deferring aircraft deliveries to manage growth and return to sustained profitability.

EFA takeaway: Revamped product, new network, deferred aircraft mirror other LCC/ULCC's. Will this be enough to compete effectively with the legacies?

Items of interest

- Total operating revenues increased slightly YoY on double-digit capacity growth. Departures increased 26% as stage length decreased 13% to 899 miles. Total revenue per passenger was $109 which was down 14% YoY. Ancillary revenues were down 13%.
- RASM decreased 11% YoY, largely driven by the impact of domestic seat growth, which outpaced seasonal demand. Above average concentration of capacity in new markets and the elimination of change fees also affected unit revenues.
- Annual run rate savings of more than $100M from cost savings program launched in 3Q 2023. Network simplification cited as the main driver, with O&B flying comprising 80% of network.
- Will defer 54 aircraft with delivery dates in 2025-2028 out to 2029-2031 as growth will moderate over the next several years. Capacity growth will be in single digits, down from previous guidance of double-digits. Took delivery of six A321neos during the quarter, with the fleet 80% comprised of Airbus neo aircraft. Will take delivery of nine A321neos 2nd half 2024.
- Dropped the A321XLR from the fleet plan completely as the aircraft did not meet the range and operating performance expected when the order was placed.
- CASM-ex was 10% lower YoY and stage-length (1000 nm) adjusted CASM-ex down 16%, all due primarily to five additional sale-leaseback transactions and savings from lease extensions.
- Liquidity of $658M. Cash net of debt $206M, $50M higher than March 2024.

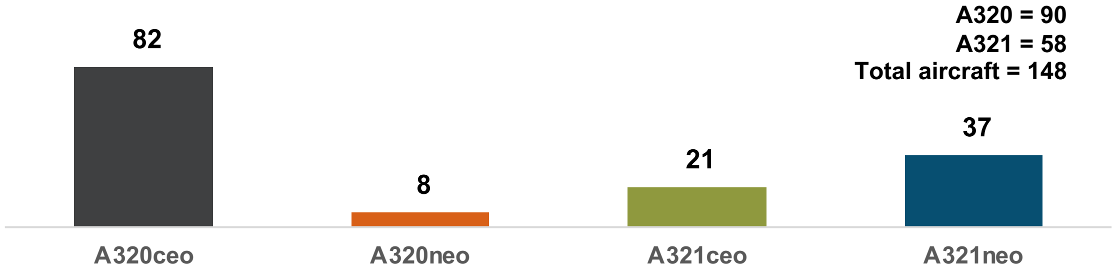
FRONTIER AIRLINES

2Q Snapshot (as compared to 2Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
▲ 13.0%	▲ 0.6%	▼ 11.0%	▼ 9.6%	▲ 5.6%

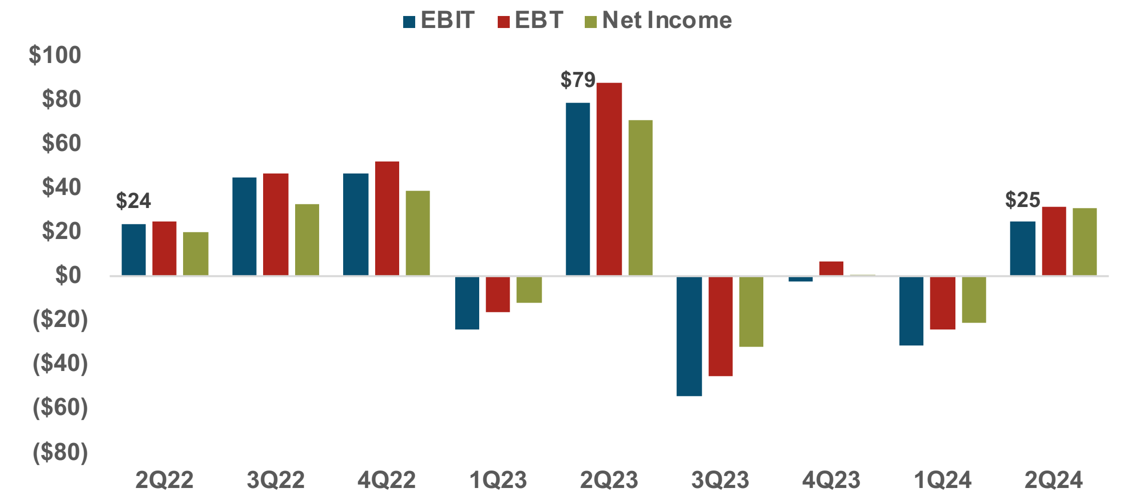
Frontier Stats	2Q24	2Q23	2Q19	y/y	y/5y
Revenues	$973M	$967M	$637M	0.6%	52.7%
Adj Operating Income (EBIT)	$25M	$79M	$99M	(68.4%)	(74.7%)
Adj Operating Margin	2.6%	8.2%	15.5%		
Adj Pretax Income	$32M	$88M	$103M	(63.6%)	(68.9%)
Adj Net Income	$31M	$71M	$79M	(56.3%)	(60.8%)
Adj EPS	$0.14	$0.31	$0.40	(54.8%)	
Capacity (ASMs)	10.6 billion	9.3 billion	6.9 billion	13.0%	53.4%
Yield	11.53¢	11.87¢	10.28¢	(2.8%)	12.1%
TRASM	9.21¢	10.35¢	9.27¢	(11.0%)	(0.6%)
CASM	8.98¢	9.51¢	7.80¢	(5.6%)	15.1%
CASM-ex	6.24¢	6.90¢	5.47¢	(9.6%)	14.1%
Fuel (econ)	$2.84	$2.69	$2.29	5.6%	24.0%

Frontier Fleet – 2Q24

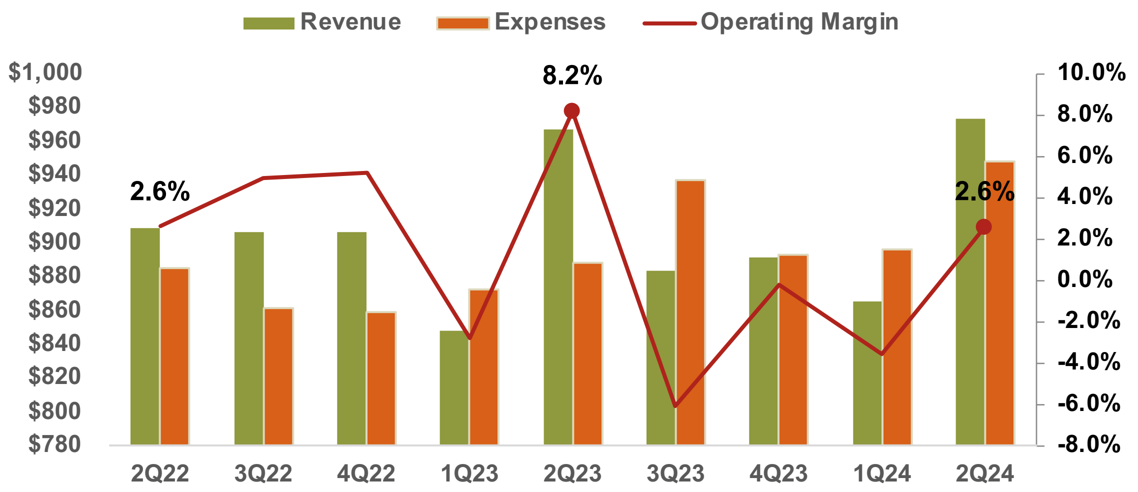


Frontier - Financial Performance

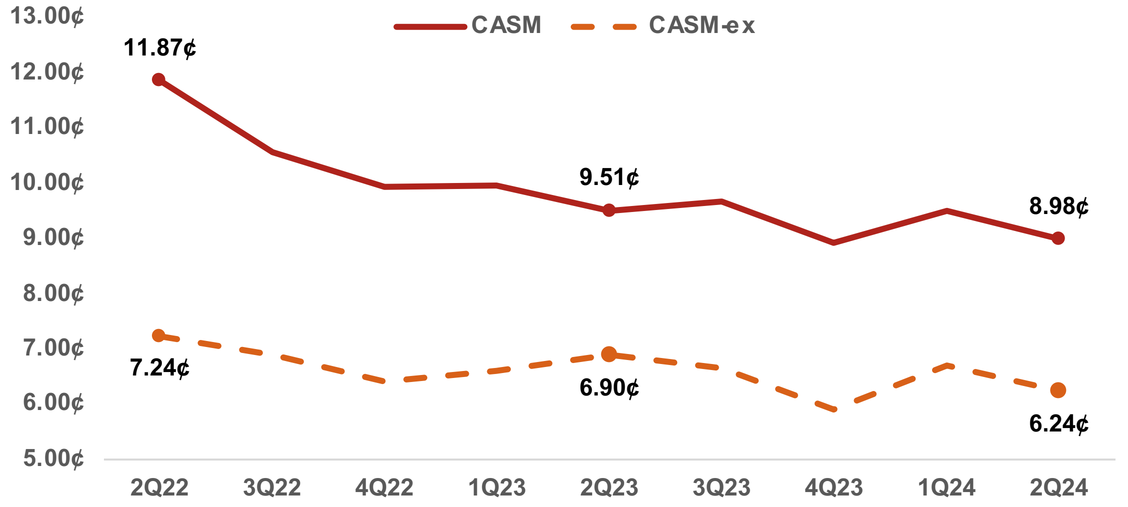
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



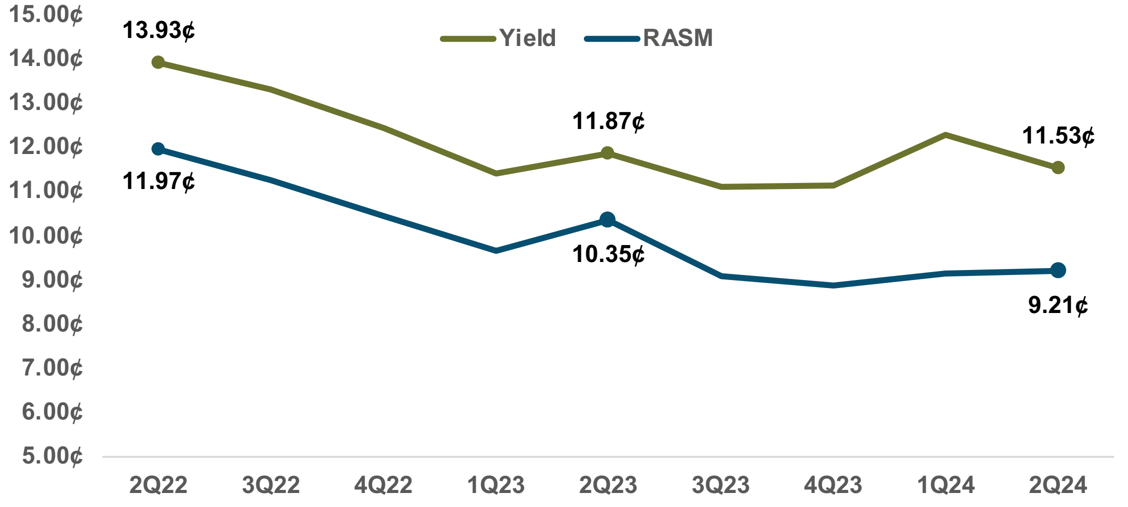
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM

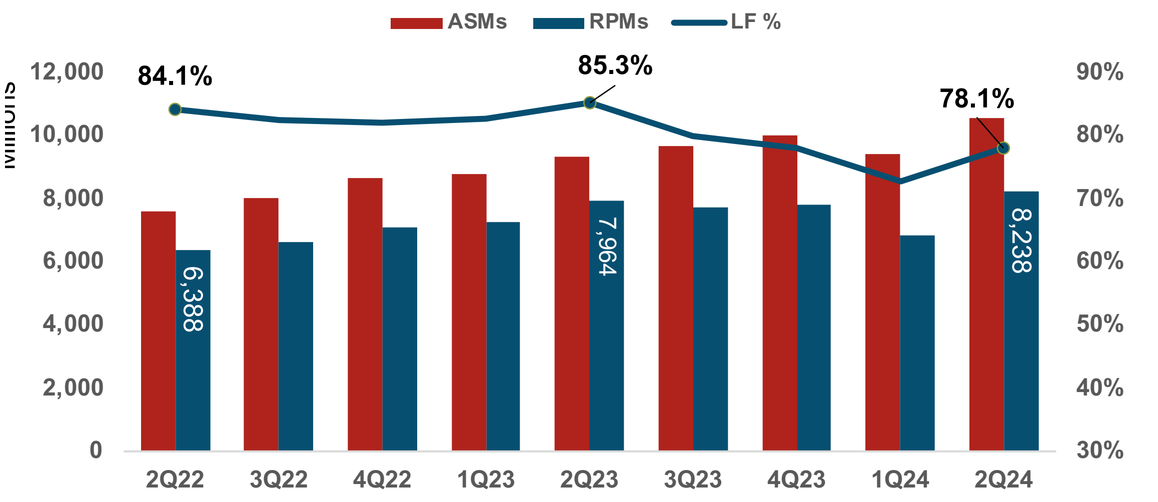


Frontier - Network News

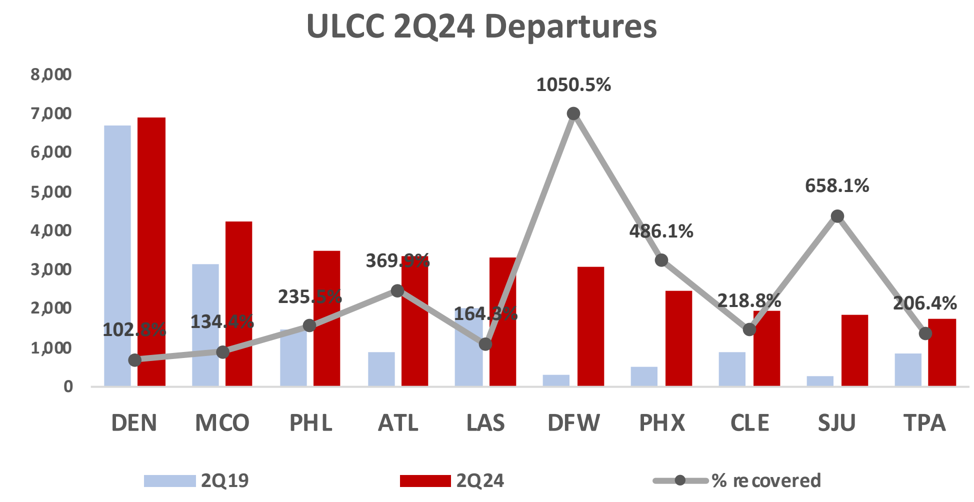
Network news and notes

- Cutting capacity in numerous cities, including international operations from CUN, PVR and SXM. Large reductions in CLE and PHL, both of which are considered focus cities.
- Adding additional service from JFK-ATL, competing directly against Delta and JetBlue. The carrier already serves LAS and SJU from JFK.
- Started daily service between LAX-SMF and SMF-SAN, both of which are flown by Southwest.

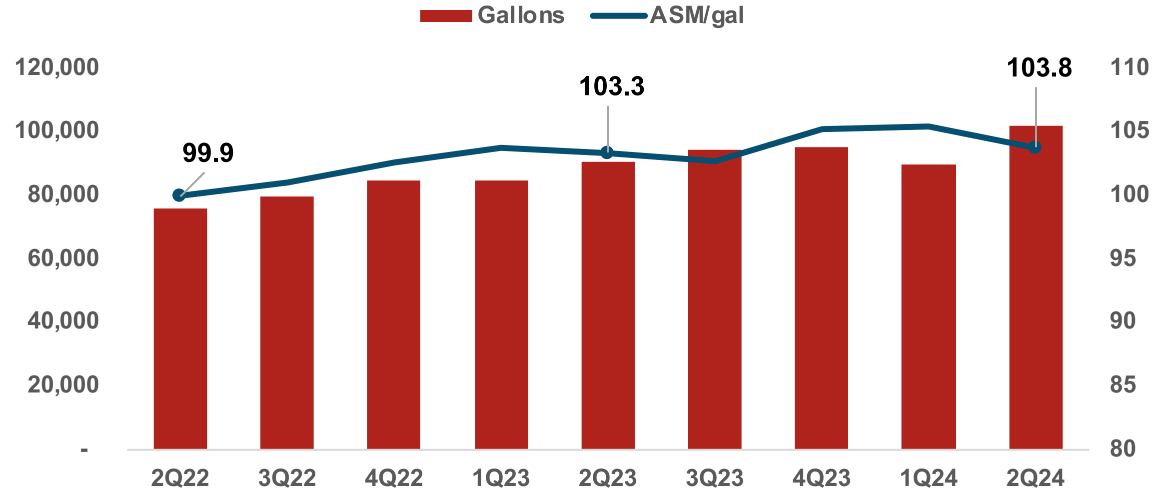
Capacity and Load Factors



Restoration of major hubs and focus cities



Fuel & Fuel Efficiency

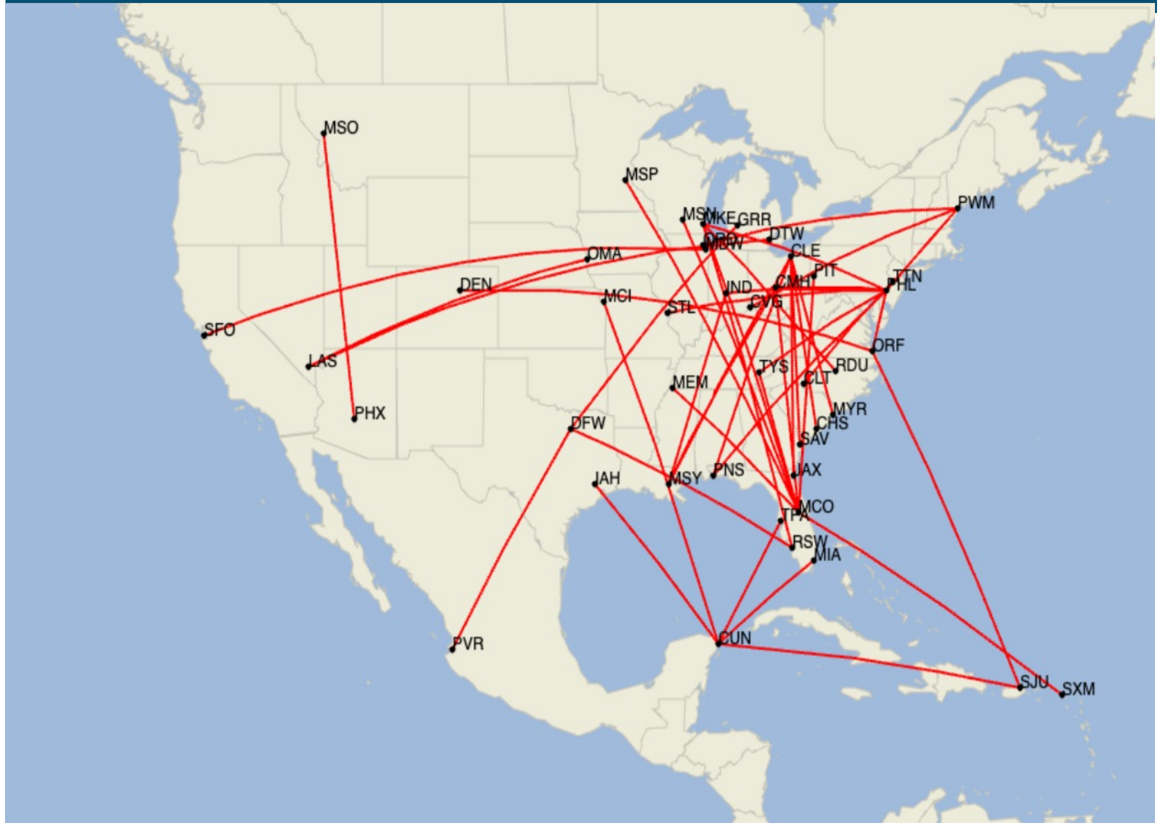


Frontier

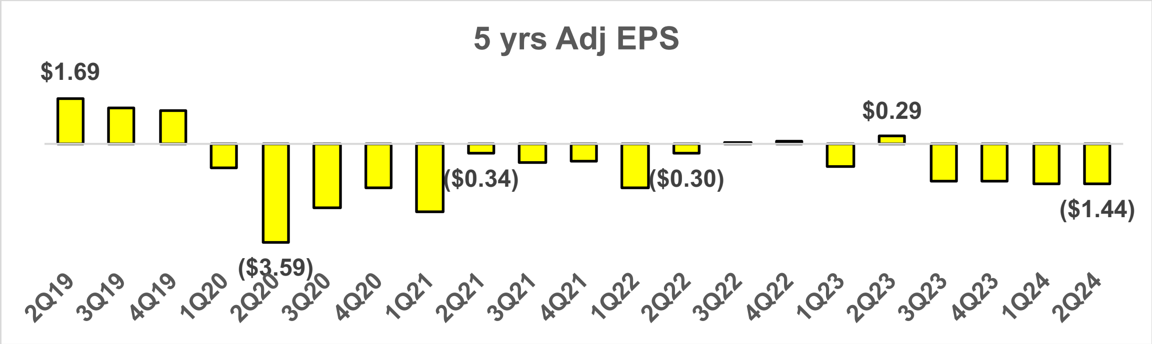
- Frontier reported results that matched our consensus but guided to muted ASM growth as we expected. Management guided to deep 3Q loss and breakeven at best in 4Q.
- We think deferring aircraft deliveries is prudent but we feel management underplayed the headwinds this will bring. The all-leasing model has been a major cost offset in the past 8 quarters and any gains will be less favorable going forward.
- Frontier concluded earnings season with scant deviation from the established theme: an oversupplied domestic market is driving weaker yields resulting in soft forward guidance. What deviates is Frontier's continued reliance on SLB gains to spruce up profit, with another $77M recorded in 2Q.
- This strategy yet may work as margins potentially expand at the expense of others forced out of the market. We do believe Frontier will need to thread the needle carefully as deferred A/C risk diminishes SLB contributions next year.
- Pivot after Pivot after Pivot. Frontier has attempted to fix its margin structure on the fly through aggressive network and product changes. These changes have not materially improved returns.
- The outlook for US domestic leisure airlines have been under pressure for some time. Oversupply is masking any benefits Frontier may see from network and product changes, tempering growth may help . In theory, margins should improve but Frontier remains a far cry from the 2019 Frontier.
- We see a potential risk being a material decline in discretionary demand due to US recession.

Guidance	3Q24	FY 2024	Notes
Capacity	Up 4% - 6%	Up 5% - 7%	FY reduced from +12%-15%
Adj. Op Ex (ex-fuel)	$700m - $720m	(1.5%) - 1.5%	
Fuel	$2.60 - $2.70	$2.70 - $2.80	
CAPEX		$130m - $170m	incl PDP, net of refunds
CASM-ex (SLA)		Down 1% - 2%	
Adj. pre-tax margin	(6%) - (3%)	3% - 6%	4 pts 3Q impact due to Crowdstrike and wx

Frontier drops 43 routes in one day, including focus cities CLE & PHL



Spirit Airlines



Spirit

"We are focused on securing the best possible outcome for the airline"

2Q24 adj. pre-tax income (loss): ($204M)

Spirit's second quarter results were characterized as "disappointing" by CEO Ted Christie, as the carrier continues to struggle financially. Elevated levels of capacity, higher costs and aircraft groundings all impacted the carrier. Non-ticket revenue continues to decline as changes made to the product (change fees/ancillaries) pressure the airline. Spirit is engaged in active negotiations with bondholders regarding the upcoming debt maturities and is looking at various options to raise additional capital. Additionally, they will introduce a completely new array of products, adding four discretionary options including their version of First Class in an attempt to compete for higher yielding traffic. Adjustments to the network to better align supply-demand trends and stringent cost management continue but the carrier is counting on the new strategy to "improve its competitive position" going forward.

> ***EFA takeaway: Spirit is pivoting its strategy yet again as a possible bankruptcy looms. Can this re-imagined product stave off what seems to be inevitable?***

Items of Interest

- Total revenues and TRASM decreased significantly during the second quarter as higher capacity has prevented the carrier from raising ticket prices or generating non-ticket revenue as they have done successfully in the past. Changes in fees have also had an outsized effect.
- Non-ticket revenue per segment declined nearly 10%, down $7 YoY to $63.44 for 2Q. Fare revenue per segment down 22% and total revenue per segment down 15%.
- Load factor was basically flat YoY, with aircraft utilization of 10.6 hours, down 6.2% YoY, primarily due to AOG with GTF engine issues.
- Adjusted CASM-ex rose higher than forecast due to increased labor costs, service to higher cost airports and higher percentage of aircraft under higher lease costs.
- Expecting $150M-$200M in compensation for the full year from Pratt & Whitney due to aircraft groundings. Average 20 A/C on ground in 2024 & up to 67 per month in 2025.
- Expect to see $75M of savings from reducing capital spend and the furlough of at least 240 pilots and 100 captain downgrades.
- Deferred all aircraft deliveries from 2Q 2025 thru 2026 until 2031-2032.
- Current liquidity of $1.1B. Attempting to refinance a $1B 8% bond and $500M in convertible bonds. Raised $186M from a lease and pre-delivery transaction. Will do a sale-leaseback transaction on 36 aircraft scheduled for delivery.

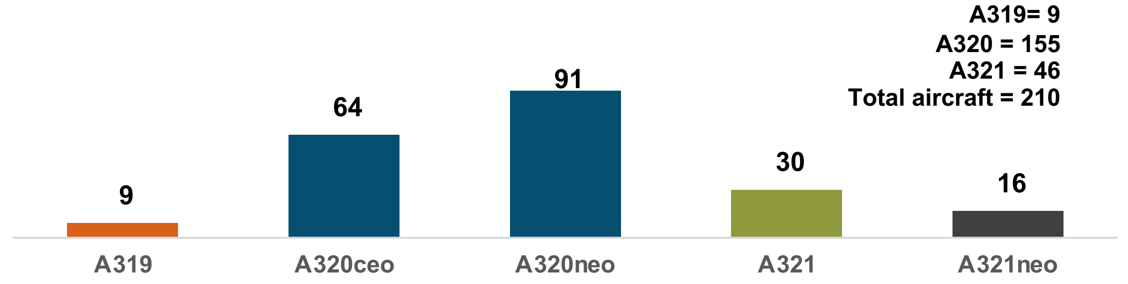
spirit airlines

2Q Snapshot (as compared to 2Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
1.7%	10.6%	12.1%	2.9%	6.1%

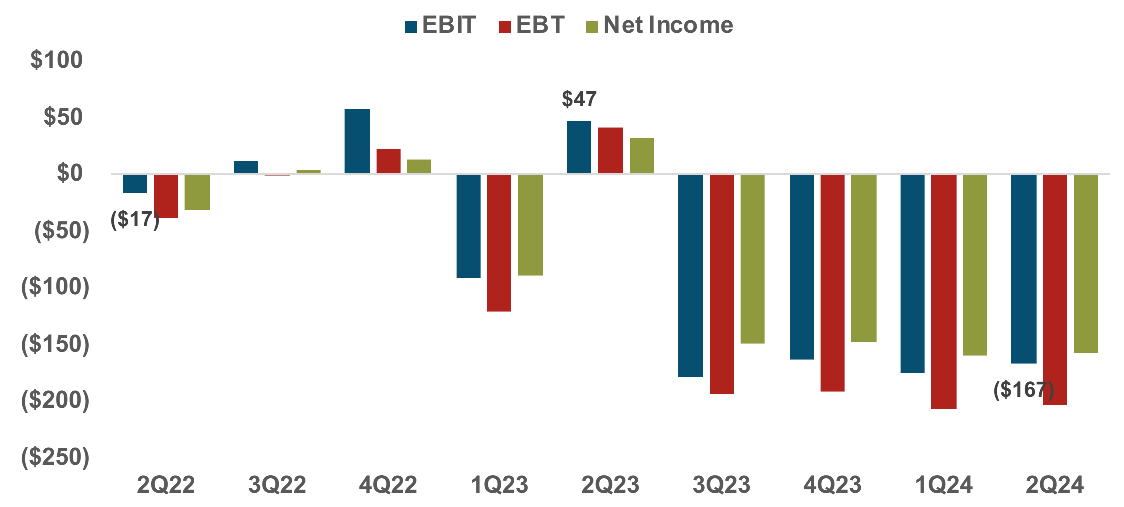
Spirit Stats	2Q24	2Q23	2Q19	y/y	y/5y
Revenues	$1,281M	$1,432M	$1,013M	(10.6%)	26.5%
Adj Operating Income (EBIT)	($167M)	$47M	$165M	n.m.	n.m.
Adj Operating Margin	(13.0%)	3.3%	16.3%		
Adj Pretax Income	($204M)	$42M	$150M	n.m.	n.m.
Adj Net Income	($158M)	$32M	$116M	n.m.	n.m.
Adj EPS	($1.44)	$0.29	$1.69	n.m.	n.m.
Capacity (ASMs)	14.1 billion	13.9 billion	10.8 billion	1.7%	31.3%
Yield	10.89¢	12.42¢	11.06¢	(12.3%)	(1.5%)
TRASM	9.05¢	10.30¢	9.40¢	(12.1%)	(3.7%)
CASM	10.13¢	10.15¢	7.88¢	(0.2%)	28.6%
CASM-ex	7.36¢	7.15¢	5.41¢	2.9%	36.0%
Fuel (econ)	$2.78	$2.62	$2.16	6.1%	28.7%

Spirit Fleet – 2Q24

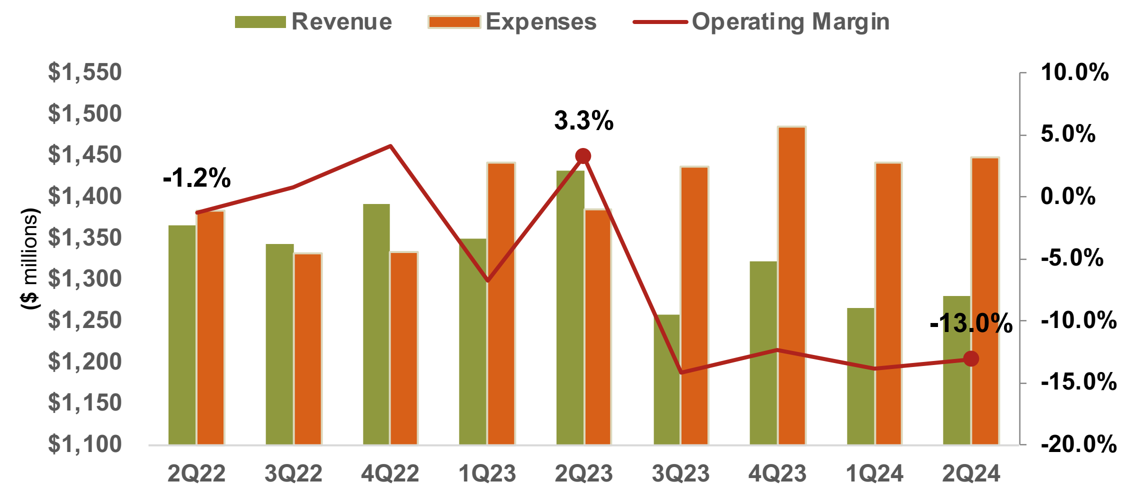


Spirit - Financial Performance

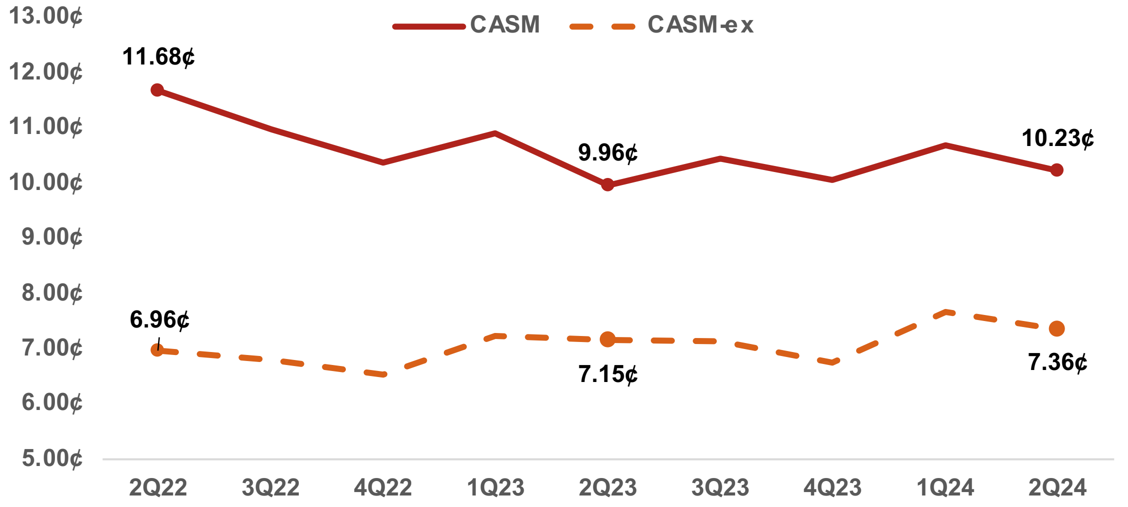
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



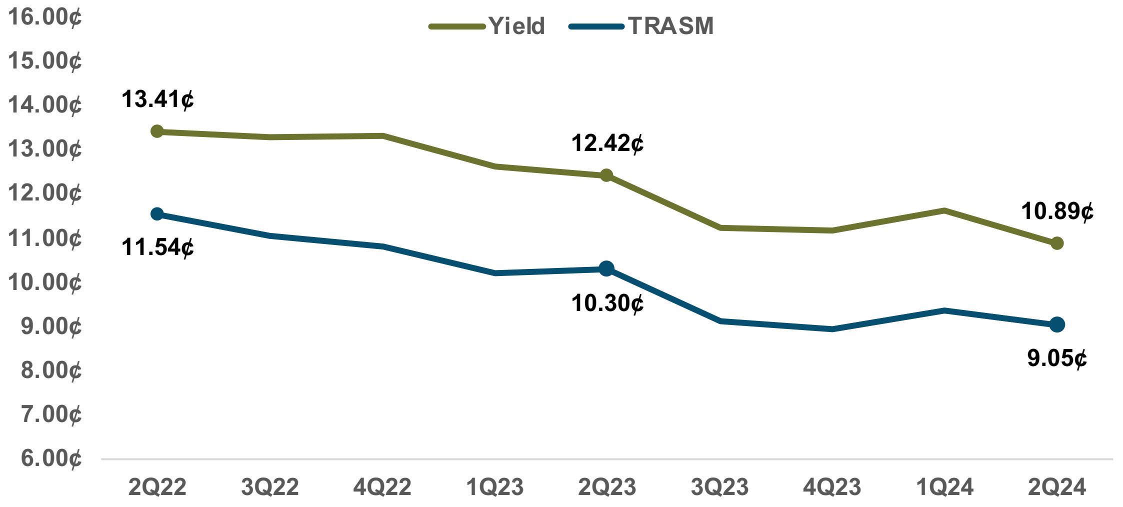
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM

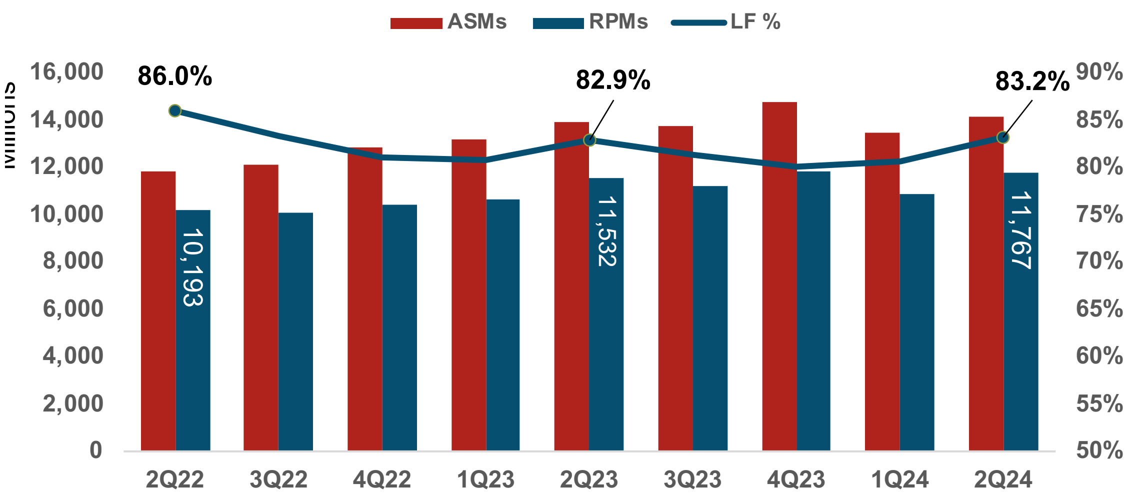


Spirit - Network News

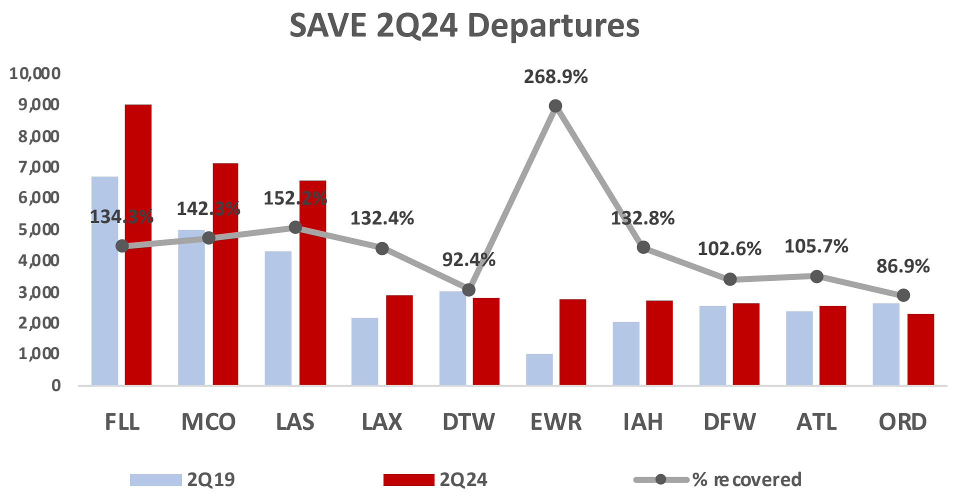
Network news and notes

- Exiting 42 routes and adding 77 new ones in the third quarter.
- Less than daily service has increased 140% as the airline will focus on specific day of week schedules going forward.
- Reduces flying from CLE as Frontier builds a focus city. Previously served 12 destinations, now down to three (FLL, MYR, MCO)

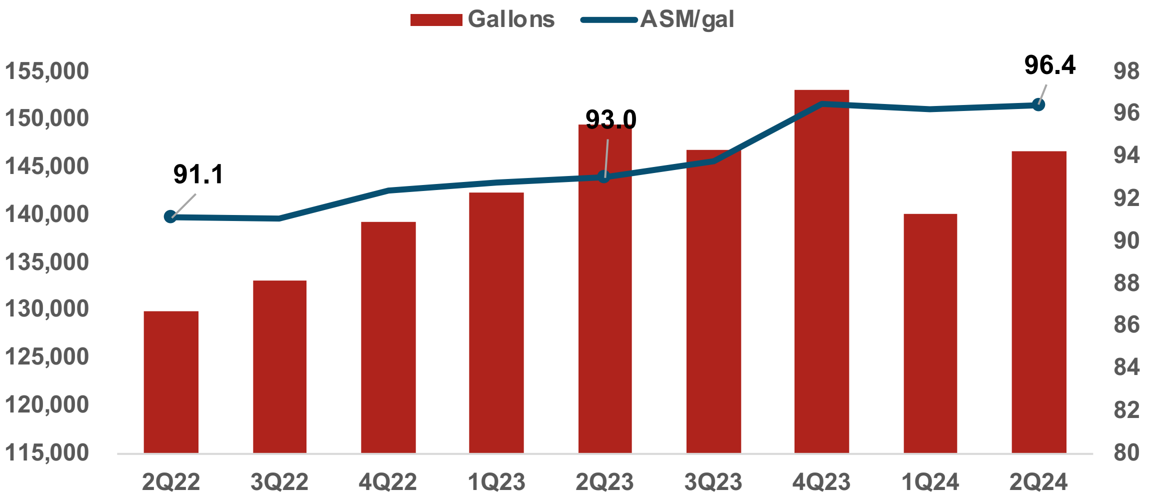
Capacity and Load Factors



Restoration of major hubs and focus cities



Fuel & Fuel Efficiency



Spirit

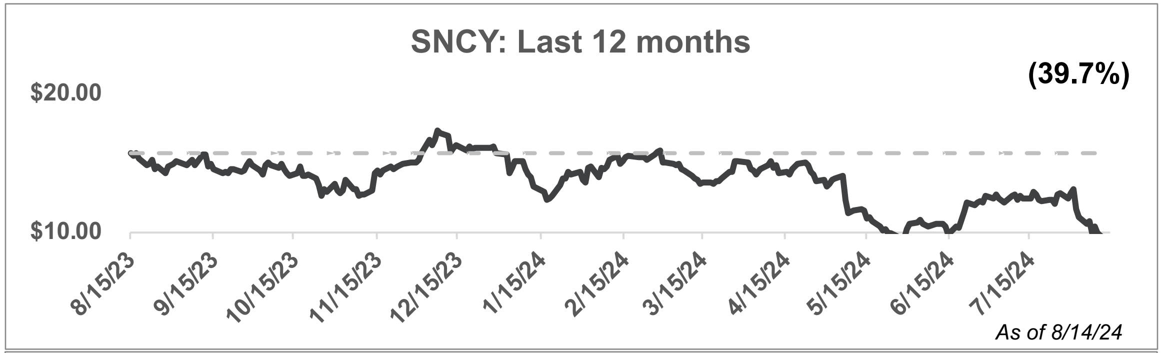
- Spirit's performance remains under pressure as the weak domestic pricing environment is compounded by further revenue headwinds from GTF engine issues and the product evolutions from other ULCC carriers.
- Spirit recently announced an expanded product suite and management expressed confidence that this will broaden the carrier's position in the marketplace. We believe this will take time to yield any benefits as the carrier navigates a volatile domestic environment.
- A successful renegotiation of the $1.2B debt due could provide near-term upside but we see risk in the patience of Spirit creditors to fund an uphill marketing battle where 3%-4% margin pressure will precede any revenue benefit.
- We continue to think the best outcome for Spirit, creditors and passengers would be a restructuring of obligations along with a merger with Frontier.
- Brand perception is going to be an up-hill battle that will cost time and money. While Spirit continues to execute on financial transactions that monetize assets and frees up capital, time appears against it.
- Discounters are unlikely to ever match the loyalty economics of the Big 3 and cost convergence may never reverse. We are not convinced about Spirit's long-term prosperity in the industry.
- Our YE 2025 liquidity forecast is at a level insufficient to fund ongoing operations. Elevated cost structure concerns us more than revenue generation.

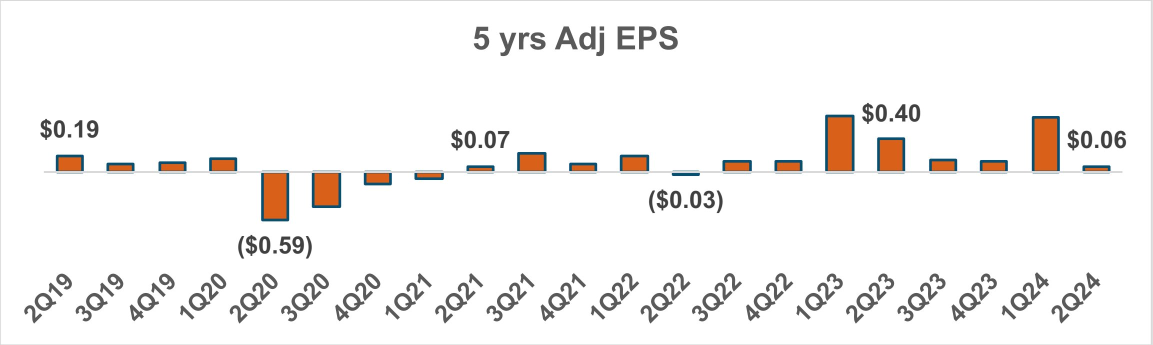
Guidance	3Q24	FY 2024	Notes
Capacity	Down 0.3%	Down Flat to LSD	
Revenues	$1,155 - $1,175m		
Adj Op Income	($335m) - ($305m)		
Adj Op Margin	(29.0)% - (26.0)%		includes 1.5 pp impact from AOG
Fuel	$2.65		~145m gallons in 3Q24
CAPEX		$(20)m	refunds of pre-delivery deposits

Spirit reshuffles flights from Florida as overcapacity affects yields

	Weekly flights in December 2023	Weekly flights in December 2024	YoY Change
Fort Lauderdale-Hollywood International Airport (FLL)	702	737	5%
Orlando International Airport (MCO)	624	442	-29.2%
Miami International Airport (MIA)	160	91	-43.1%
West Palm Beach International Airport (PBI)	14	7	-50%
Pensacola International Airport (PNS)	16	14	-12.5%
Southwest Florida International Airport (RSW)	80	36	-55%
Tampa International Airport (TPA)	156	119	-23.7%
		Overall	**-17.5%**

Sun Country Airlines





Sun Country

"We will move aggressively into our other segments, cargo and charter"

2Q24 adj. pre-tax income: $5M

Sun Country turned in another profitable quarter, although down from levels one year ago in the same period. Scheduled service revenue and passenger fares were down, as the company was impacted by industry overcapacity similar to other carriers. CEO Jude Bricker said the company will focus more on the cargo and charter segments and curtail scheduled service in response to ongoing soft demand. Reductions in off-peak flying will start in 3Q and will continue into the 4Q. Sun Country will also suspend some markets heading into the Summer 2025 schedule as they reallocate capacity to their expanding cargo market. When they return to growing scheduled service, they will look to rebuild capacity lost to the new cargo service as well as potential markets last served pre-pandemic. They have no current plans to change their product offerings like several other competitor airlines are planning in the future.

EFA takeaway: Sun Country's diversified business model key in current time of overcapacity. Pivot to cargo/charter should help to insulate future results.

Items of interest

- Total revenues were down YoY on a 21% decrease in scheduled service revenues. Average total fare per passenger fell 20% as over supply hurt pricing in all markets. The company believes fare pressure will lessen in the back half of 2024 as excess capacity is removed from the system.
- Charter revenues grew nearly 3%, cargo 2% and ancillary revenues 16% YoY. Charter revenue per block hour grew 14% YoY even as second quarter charter block hours declined 10%. Ad Hoc charter revenue grew significantly and was 23% of total charter revenue vs. 13% last year.
- Cargo block hours will grow in 3Q/4Q and then inflect sharply upward in 2025 as eight new aircraft from Atlas will be added throughout the year. AMZN contract was revised but full impact of rates will not go into effect until 2nd half of 2025.
- Scheduled service ASM's will be up 7% YoY in 3Q instead of previously planned 15% and growth will slow even further in 4Q. Cargo will take on greater importance in 2025 as revenues become 20% of total revenues up from 9% this year.
- Adjusted seat costs declined, despite increases in ground handling fees and higher airport costs. Better aircraft utilization (up 12%) was able to overcome these higher costs as pilot availability issues eased. Growth in scheduled service ASM's will raise CASM-Ex in 3Q/4Q.
- Total liquidity $153M. $100M in CAPEX spend in 2024 but no plans to purchase aircraft until capacity plans for 2027 are developed. Net debt of $552M, with positive FCF generated.

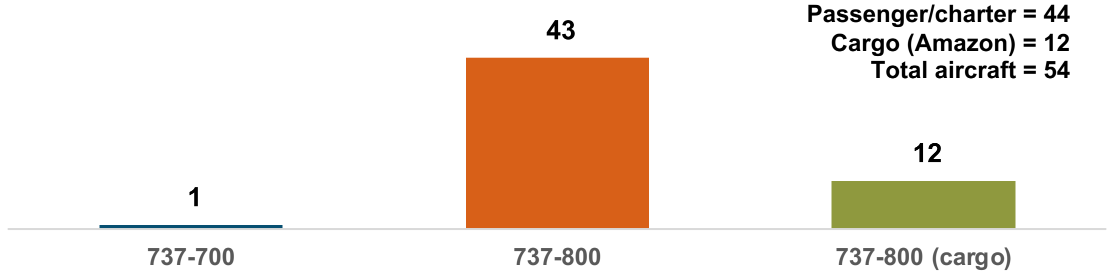
sun country airlines

2Q Snapshot (as compared to 2Q 2023)

Capacity	Revenues	TRASM	CASM-ex	Fuel
▲ 18.2%	▼ 2.6%	▼ 15.8%	▼ 4.9%	▲ 5.5%

Sun Country Stats	2Q24	2Q23	2Q19	y/y	y/5y
Revenues	$254M	$261M	$169M	(2.6%)	50.2%
Adj Operating Income (EBIT)	$14M	$40M	$17M	(65.3%)	(19.7%)
Adj Operating Margin	5.5%	15.3%	10.2%		
Adj Pretax Income	$5M	$31M	$13M	(85.0%)	(63.9%)
Adj Net Income	$3M	$24M	$4M	(87.6%)	(19.1%)
Adj EPS	$0.06	$0.40	$0.19	(85.0%)	(68.5%)
Scheduled Capacity (ASMs)	1.68 billion	1.42 billion	1.43 billion	18.2%	17.2%
Yield	15.54¢	18.73¢	14.00¢	(17.0%)	11.0%
TRASM	10.89¢	12.93¢	9.71¢	(15.8%)	12.1%
CASM	12.03¢	12.67¢	8.72¢	(5.1%)	37.9%
CASM-ex	7.49¢	7.88¢	6.23¢	(4.9%)	20.2%
Fuel (econ)	$2.86	$2.71	$2.26	5.5%	26.6%

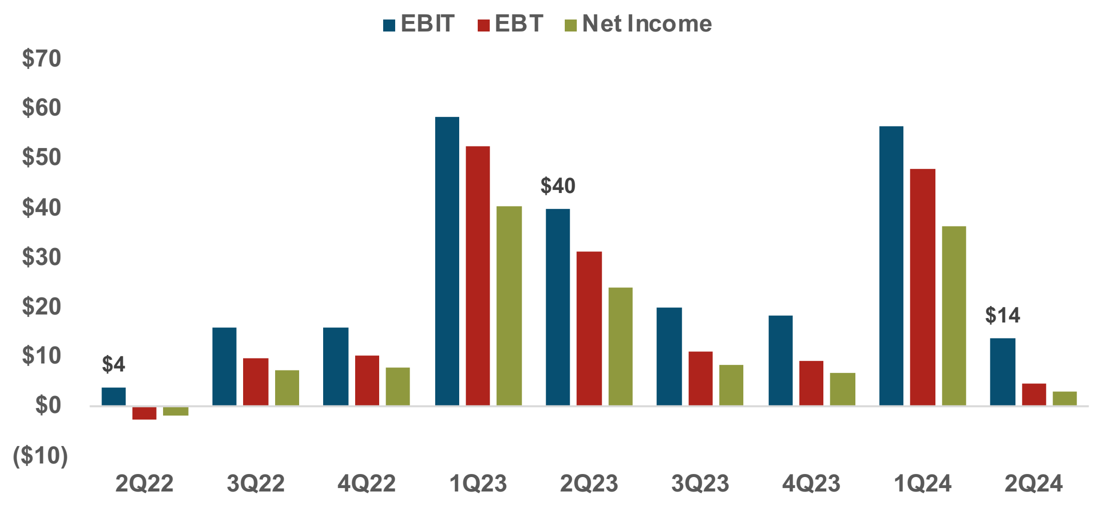
Sun Country Fleet – 2Q24



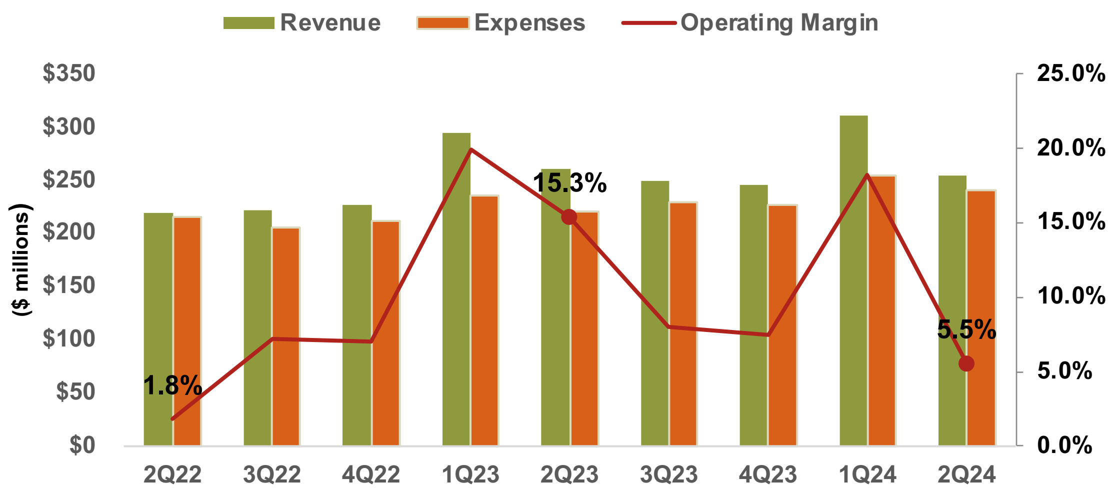
Sun Country - Financial Performance

sun country airlines

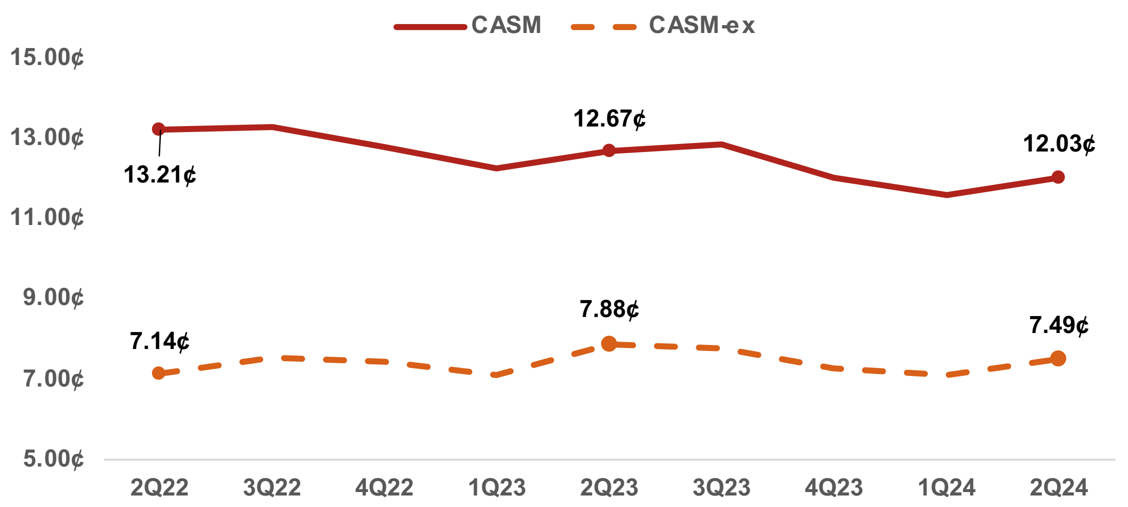
Non-GAAP Operating, Pre-Tax, and Net Income ($ mil)



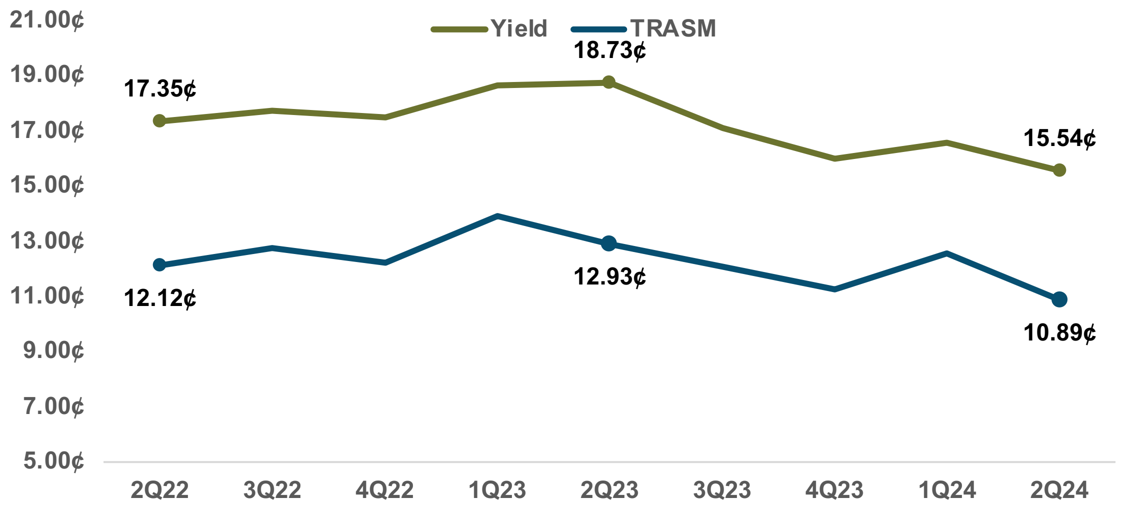
Quarterly Revenue, Expenses, Adj. Operating Margin



CASM & CASM-ex



Yields & TRASM

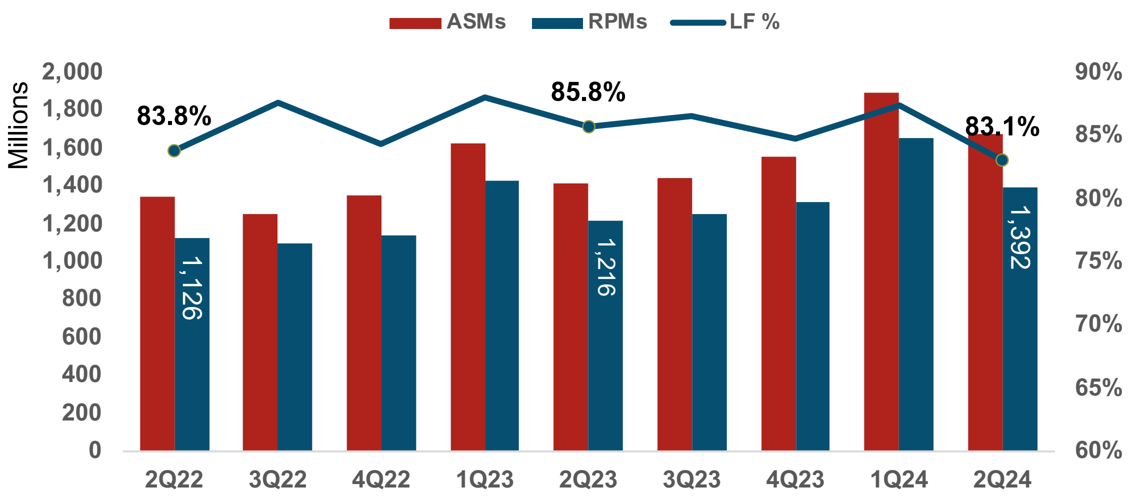


Sun Country - Network News

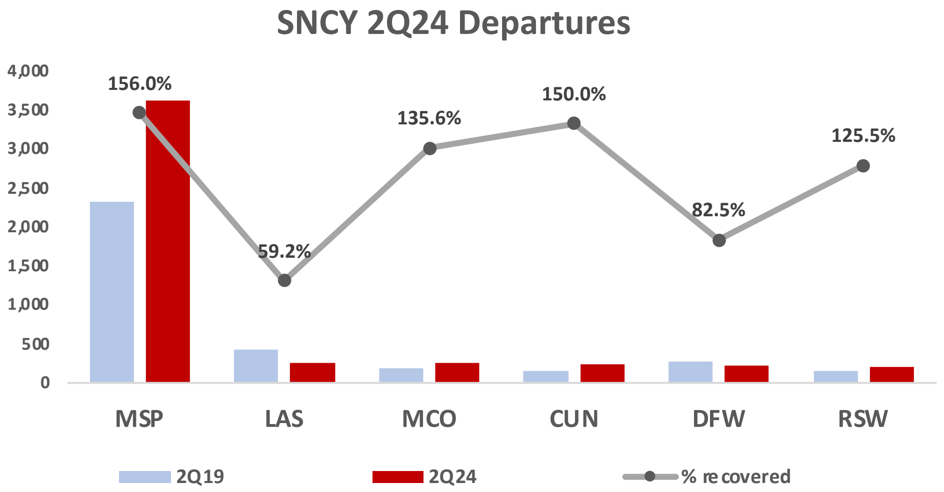
Network news and notes

- Extended schedule through April 2025. Will serve approximately 56 destinations from MSP.
- Announced new service to PUJ and MBJ from MKE. Sun Country now serves most international destinations from MKE.
- Extended Amazon freight agreement through 2030, with more routes added as new aircraft come into the system in 2025.

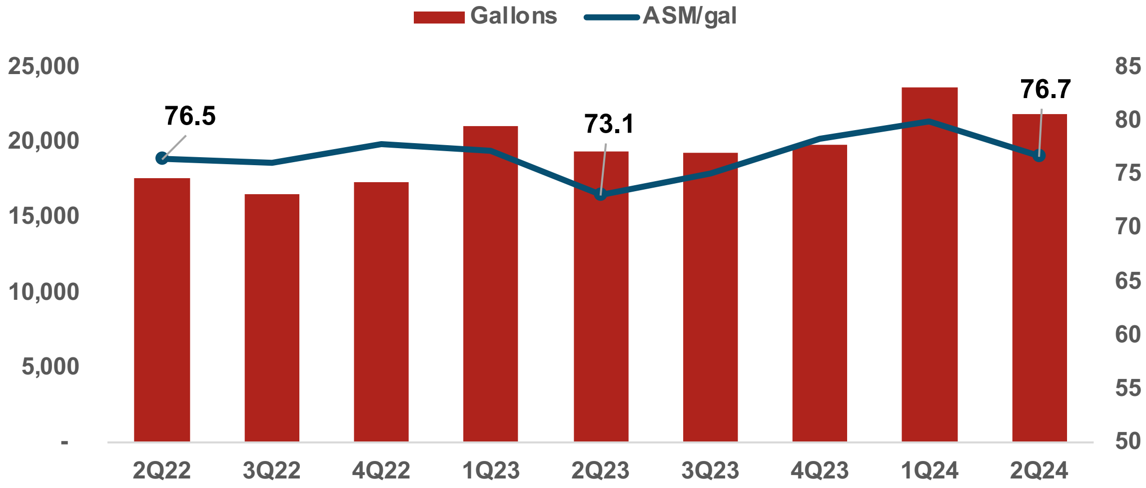
Capacity and Load Factors



Restoration of major hubs and focus cities



Fuel & Fuel Efficiency

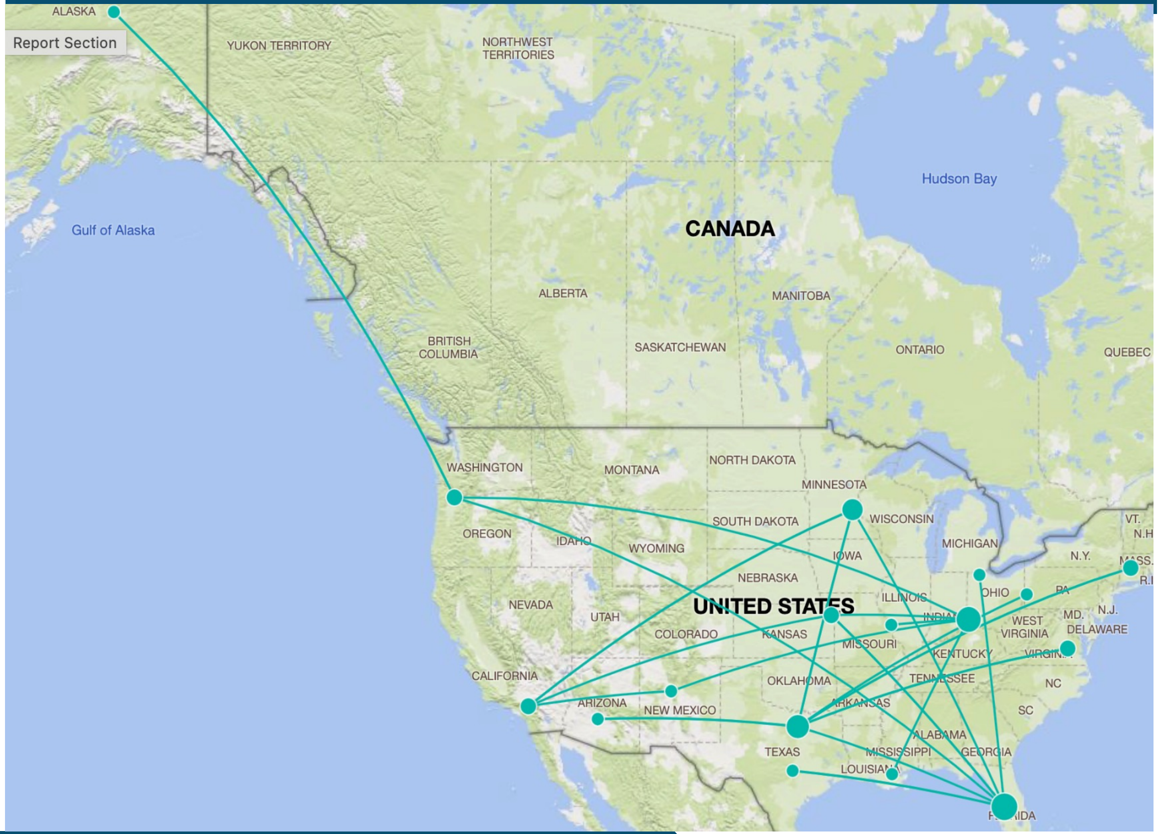


Sun Country

- Sun Country reported a good quarter but guided 3Q below our estimates. We will lower our expectations for the remainder of 2024, but this year remains a non-event ahead of SNCY's mid 2025 transition to more cargo flying at better economics.
- We see 2025 as a pivotal year, with the integration of the eight additional cargo aircraft for AMZN, with 2026 seeing the full benefit of the new model.
- We think the airline has positioned itself well to navigate the headwinds facing leisure carriers. The balance sheet remains in good shape, and they have dry powder available to pounce on attractive opportunities that may arise from industry dislocation.
- 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.

Guidance	3Q24	FY 2024	Notes
Capacity (sys block)			No system block guide
Total Revenue	Down 2% - Up 2%		$245m - $255m
Effective tax rate	23%		
Fuel	$2.82		Down 11% over 3Q23
Adj Oper Margin	3% - 5%		Down 5pp to 3pp vs 3Q23

Sun Country's current Amazon flying. Will add 8 A/C in 2025



Economic and Financial Analysis Committee

Industry Financials

2nd Quarter 2024