From Descent to Landing: A Strategic and Financial Analysis of Spirit Aviation Holdings, LLC (2018 – 2025)

BUS 450: Strategic Management

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Table of Contents

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- SWOT Strategy Analysis
- Mission and Vision Statement
- Case Issues Relative to Objectives and Management Strategies

Holly Hendrickson: *Team Leader*

- Financial Ratio Analysis and Company Valuation
- IE Matrix Analysis
- Conclusion

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- Introductory Statement
- IFE Matrix Analysis
- CPM Matrix Analysis

Braden Pennington: *Editor*

- EFE Matrix Analysis
- Grand Strategy Matrix Analysis
- Implementation and Contingency

Zoe Sanders: *Editor and Formatter*

- Executive Statement
- QSP Matrix Analysis
- Space Matrix

Introductory Statement

- Spirt Airlines: Leader of the Ultra Low-Cost Carrier Model (ULCC)
- Unlike Traditional Airlines Uses Unbundled Fare
- Prioritizes Low Base Fare
- Can Lead to Negative Customer Perception
- We Will Analyze Spirits Business Model Through (2018-2025)
- Is the ULCC Model Effective?

Executive Statement

- 2018: America's Most Aggressive (ULCC) – No Frills Business Model
- Focus on Simplicity and Scale
- Continuous Loss and Gains from 2018 – 2025
- Considerable Operational Strengths Paired With Escalating Vulnerabilities
- Where Should Spirit Go From Here? – Seeking Return to Long Term Profitability

Mission & Vision Statement

Mission Statement

Spirit Airlines is dedicated to transforming reasonably priced air travel. We provide the most affordable base fares for budget-conscious travelers, whether their travel is for business or pleasure, enabling them to capitalize on more frequent travel opportunities. Our goal is to provide safe and efficient service, provide a unique pricing model, and ensure that Spirit provides a lasting positive impact as the U.S. airline industry grows. To do this, we focus on operating efficiency, financial stability, and clear pricing.

Vision Statement

We're determined to make Spirit Airlines the best ultra-low-cost airline, known for its friendly staff, great customer service, and low prices. We aim to expand our services in the travel industry market by strengthening our finances, investing in our staff and customers, and prioritizing fleet maintenance and structure. This will facilitate the development of our connections with clients and showcase our transparency and resilience.

IFE Matrix and Analysis

- Total Score for Strengths: (1.79)
- Total Score for Weakness: (0.89)
- More Internal Strengths Than Weaknesses
- Biggest Strength: ULCC Business Model
- Biggest Weaknesses: Limited Routes, Poor Customer Service, High Employee Turnover

	Strengths	Weight	Rating	Weighted Score
1	Low-cost business model- Ultra-low carrier (offers lower fares than traditional airlines)	0.07	4.0	0.28
2	Strong brand recognition- It also equates to customer retention. leads the ULLC category has a 36.36 % share in the ULLC market	0.07	4.0	0.28
3	Efficient operating process- standardized approach in implementing the same steps for operations.	0.06	3.0	0.18
4	Unbundled services- pay for what you want after the ticket price. This helps appeal to budget-conscious passengers. It's a trade-off between cost saving and passenger satistfaction.	0.06	3.5	0.21
5	Online and Mobile focus- versatile booking needs. 80% of total bookings in 2024 were made through their website, out of which 60% were made through the Spirit app. In 2024, the app saw 15% increase in user engagement.	0.05	3.0	0.15
6	Flexible loyalty program.- Points expiration program. "Free Spirit" lets you earn points on dollars spent, not miles flown.	0.05	3.0	0.15
7	Emphasis on cost cutting- The Model is for keeping low costs	0.05	3.5	0.18
8	Focus on innovation- check-in process powered by biometric matching	0.04	3.0	0.12
9	More leg room compared to the competition- offers 32 inches in Go Comfy vs standard 29 inches on other airlines.	0.04	3.0	0.12
10	High load factor. -They fill the seat capacity. Their model is to achieve high asset utilization, even if it's just base fare.	0.03	4.0	0.12

	Weaknesses	Weight	Rating	Weighted Score
1	Limited route- lack of presence in key markets. This reduces the choice for potential travelers. It holds just 4.7% of the domestic market share.	0.07	2.0	0.14
2	Poor customer service/ negative experiences due to understaffing- this erodes customer commitment, who actively discourage others.	0.07	2.0	0.14
3	High employee turnover leads to new, inexperienced employees, which increases recruitment costs and disrupts workflow and teamwork. Over 2000 employes left the company in 2024, with a total of nearly 7000 since 2022. That is about 17% employee turnover.	0.06	2.0	0.12
4	Dependency on ancillary revenue- If customers do not spend on other products, the airline suffers. When customers become more sensitive to fees, they will go for an all-inclusive option. This accounts for 54.3% of total revenuei in 2021 and 51.5% in 2022.	0.06	2.0	0.12
5	Weak fares -The customers pay very low fares since most low economy passengers pay for the tickets only, and they may not purchase any on-board products .	0.05	2.0	0.10
6	Engine issues and grounding of flights -This stems from a rare condition in the powdered metal that is used to manufacture certain engines, like the ones in Airbus A320 Neo series. 20% of the fleet had been grounded by the end of 2024 for inspections and potential repairs.	0.05	1.0	0.05
7	Competition from other low-cost carriers like Southwest and Frontier, who fly the same routes as Spirit does.	0.04	2.0	0.08
8	Negative brand perception- unsatisfactory customer reviews -43% responded as terrible, while 27% as excellent	0.03	2.0	0.06
9	Dependancy on U.S. markets-limited international presence	0.03	2.0	0.06
10	Limited amenities - no in-flight entertainment, wifi available for a fee, passengers pay for snacks and food.	0.02	1.0	0.02
	Total IFE Score	**1.00**		**2.68**

EFE Matrix and Analysis

Opportunities:

- Rise in Demand for Low-Cost Travel
- Expansion Into New Markets
- Industry Merging/Decreased Competition
- Deregulation Trends
- Partnerships and Collaborations

Threats:

- Rising Fuel Prices
- Economic Volatility
- Customer Perception
- Labor Shortages

	Opportunities	Weight	Rating	Rating
1	Rise in demand for ultra-low cost travel- 24.8% increase in passenger flight segments from 2021-2022	0.10	4.0	0.4
2	Expansion into underserved U.S and Latin markets- +45 served airports added since 2010-present	0.08	3.5	0.28
3	New International routes- 6 international routes added in 2020 to Latin America	0.07	3.5	0.245
4	Industry mergers and decreased competition	0.05	2.5	0.125
5	Growth in demand for ancillary services- 44.54% increase in non-fare revenues from 2021-2022, primarily consisting of ancillary services	0.05	4.0	0.2
6	Economic growth/recovery- 26% rise in U.S GDP from 2018-2022	0.04	2.5	0.1
7	Deregulation trends	0.04	2.5	0.1
8	Digital transformation and mobile booking trends	0.03	3.0	0.09
9	Partnerships and collaboration through other airlines or services- Co-branded credit card with Bank of America.	0.03	2.5	0.075
10	Environmental sustainability trends	0.02	2.0	0.04

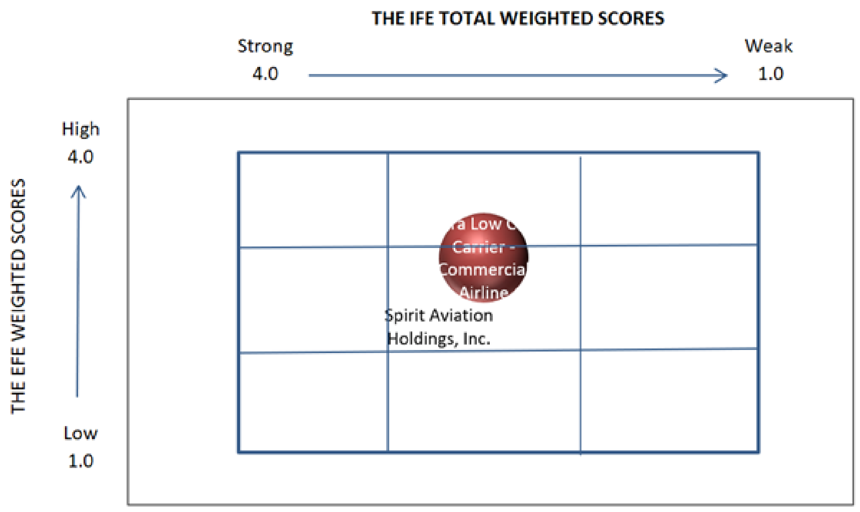
	Threats	Weight	Rating	Weighted Score
1	Rising fuel prices- rose 2.7% since 2019-2024	0.10	2.0	0.20
2	Intense competition- other ULCCs like Frontier and Allegiant have nearly identical price points, and slight deviations could be consequential.	0.08	2.5	0.20
3	Economic volatility- spikes in inflation can cause a decline in travelers and a rise in fuel prices	0.06	3.0	0.18
4	Customer service perception- scored almost at the bottom on a J.D. Power survey compared to other airlines in 2023	0.06	1.5	0.09
5	Merger uncertainty- JetBlue's acquisition of Spirit was announced in 2022 but was denied by a federal judge in 2023. This creates uncertainty and can lead to lower confidence in investors	0.05	2.5	0.13
6	Regulatory/legal risks	0.04	2.0	0.08
7	Labor shortages	0.03	3.0	0.09
8	Supply chain issues- delays in aircraft parts or labor shortages of manufacturers	0.03	2.5	0.08
9	Cybersecurity vulnerabilities- due to increased use of online booking/mobile apps	0.02	2.5	0.05
10	Extreme weather disruptions	0.02	3.0	0.06
	Total EFE Score	**1.00**		**2.81**

CPM Matrix and Analysis

- Spirit Airlines Trails it's Primary Competitors in Several Key Categories
- Southwest Airlines: (3.37)
- JetBlue: (3.24)
- Spirit Airlines: (2.52)
- Spirit's Strengths are Narrowly Focused

		Spirit Airlines		Southwest Airlines		JetBlue	
Critical Success Factors	**Weight**	**Rating**	**Score**	**Rating**	**Score**	**Rating**	**Score**
On Time Performance	0.10	2	0.20	4	0.40	3	0.30
Route Connectivity	0.08	3	0.24	4	0.32	3	0.24
Cost Per Seat Mile	0.10	4	0.40	3	0.30	2	0.20
Brand Reputation	0.08	2	0.16	4	0.32	4	0.32
Revenue Model	0.08	4	0.32	2	0.16	3	0.24
Efficiency	0.08	3	0.24	3	0.24	3	0.24
Digital Experience	0.04	2	0.08	3	0.12	3	0.12
Customer Experience	0.10	1	0.10	3	0.30	4	0.40
Safety Record	0.10	3	0.30	4	0.40	4	0.40
Loyalty Program Value	0.06	2	0.12	3	0.18	4	0.24
Employee Relations	0.09	2	0.18	4	0.36	3	0.27
Enviromental Impact	0.09	2	0.18	3	0.27	3	0.27
Totals	**1.00**		**2.52**		**3.37**		**3.24**

Internal/External Matrix and Analysis



- IE Matrix = Weighted Scores of IFE and EFE Matrix
- One Core Division: Aviation
- Recent Filing of Bankruptcy is Leading to Spirit Emerging on Surer Footing
- Room for Growth
- Now is the Time for Spirit to Reallocate its Resources
- Time to Give Back to Customers

Division	Percent of Firm's Division Revenues	Estimated EFE Score	Estimated IFE Score
Ultra Low Cost Carrier - Commercial Airline	$257,045	2.8	2.7

SWOT Analysis

SO Strategies	
1	Avoid risky or off-putting marketing; focus instead on clarity, affordability, and reliablility to attract travelers tightening their budgets during downturns.
2	Spirit can leverage its ultra-low-cost model to aggressively enter the 400 + identified viable routes in the U.S. and Mexico, undercutting legacy carriers and gaining share in under-served markets.
3	Spirit's ability to adjust routes quickly allows it to exploiut gaps left by consolidatioin, moving into routes where larger carriers have reduced service.
4	With fresh capital post-bankruptcy, Spirit can invest in fare bundles (like free baggage or early boarding) to improve satisfaction while still keeoing costs low.

ST Strategies	
1	Spirit should double down on cost efficiently- maintaining a single aircraft type and high seat density- to offset fuel annd labor expenses better than competitors.
2	Spirit's ability to operate in non-hub airports gives it a niche advantage, allowing it to side step direct competition with major carriers in saturated markets.
3	Focus on essential and leisure tarvel routes less sensitive to economic downturns (e.g., VFR markets), where demand remains even in weaker economies.
4	Rather than pursue risky managers, SPirit can emphasize its independent ULCC model as a competitive alternative in a highly regulated market.

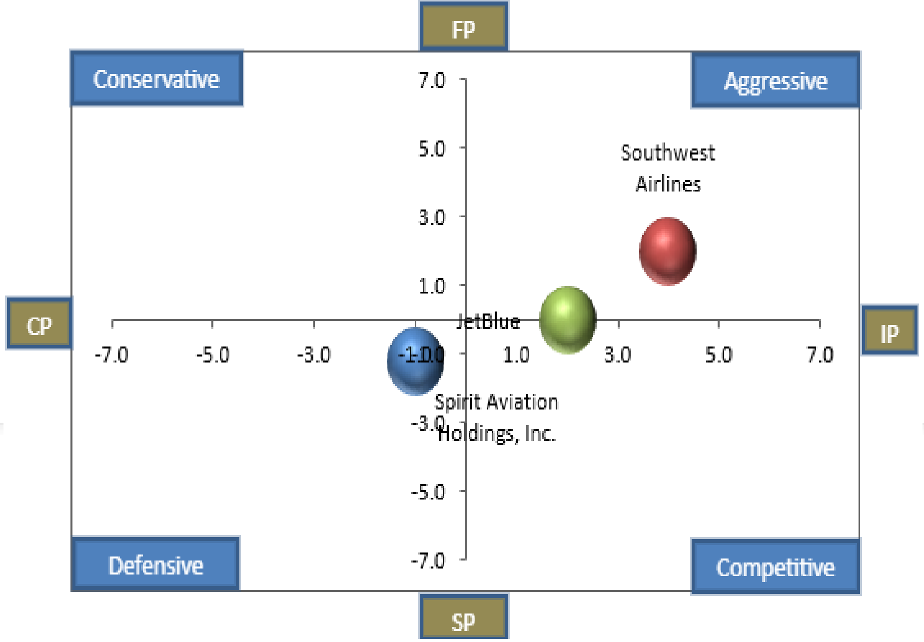
WO Strategies	
1	Spirit can address high complaint rates by executing its plan to offer bundled fares with added perks, easing the backlash from excessive fees.
2	By entering underserved or secondary markets identified in its route study, Spirit can grow its presence without needing to match the scale of legacy carriers.
3	Use new ancillary revenue streams (e.g., Wi-Fi, premium snacks, seat selection upgrades) to help offset losses from grounded aircraft and operational disruptions.
4	As travelers return post-recession, Spirit can rebrand itself with cleaner advertising and a refreshed image to appeal to value-focused but quality-conscious flyers.

WT Strategies	
1	Tighten cost controls furthur and reduce unnecessary spending to protect against cost inflation while still climbing out of debt.
2	Avoid merger attempts and instead focus on internal improvements and dependable scheduling to rebuild trust and stay clear of regulatory hurdles.
3	Develop training programs and better in-flight service to slightly elevate customer experience-reducing churn to competitors with better reputations.
4	Avoid risky or off-putting marketing; focus instead on clarity, affordability, and reliablility to attract travelers tightening their budgets during downturns.

- These Strategies Help Spirit Take Advantage of its Business Model While Addressing its Challenges
- **SO:** Focuses on Using Strengths to Grow
- **WO:** Aim to Fix Internal Issues Using External Opportunities
- **ST:** Focus on Protecting Spirit Airlines From Outside Threats
- **WT:** Meant to Reduce Risk and Avoid Repeating Past Mistakes

SPACE Matrix and Analysis

- **Spirit Airlines: Defensive Quadrant**
  - Spirit is at a disadvantage and needs to take corrective measures
- **Southwest Airlines: Aggressive Quadrant**
  - Its Positive Scores Reflect it's Leading Position in the Market
- **JetBlue Airways: Competitive Quadrant**
  - Its Moderate Scores Suggest JetBlue is in a Competitive Position
- Spirit Airlines Needs to Shift its Focus Toward Financial Stabilization and Away From its Focus on the ULCC Model.



	Spirit Aviation Holdin	uthwest Airlin	JetBlue
X Axis	-1.0	4.0	2.0
Y Axis	-1.2	2.0	0.0

Internal Analysis:		*External Analysis:*	
Financial Position (FP)		**Stability Position (SP)**	
Operating Margin	3	Fuel Price	-4
Debt to Seat-Mile Ratio	4	Technological Changes	-5
Net Income	2	Price Elasticity	-3
Revenue	3	Competitive Pressure	-4
Cash Reserves	2	Travel Constraints	-4
Financial Position (FP) Average	**2.8**	**Stability Position (SP) Average**	**-4.0**

Internal Analysis:		*External Analysis:*	
Competitive Position (CP)		**Industry Position (IP)**	
Market Share	-5	Passenger Growth Rate	4
Fare Price Competitiveness	-1	Financial Stability	2
Customer Loyalty	-4	New Route Expansion Potential	3
Revenue Strength	-6	Access to Airports	4
Available Flight Destinations	-5	Partnerships/Alliances	3
Competitive Position (CP) Average	**-4.2**	**Industry Position (IP) Average**	**3.2**

QSP Matrix and Analysis

- Spirit Airlines Maintains a Moderate Internal Strength
- **IFE Score:** (2.68)
- **EFE Score:** (2.81)
- **Strategy 1** – Expand Into Underserved U.S. and Latin American Markets
- **Strategy 2** – Enhance Digital and Customer Service Capabilities through Technological Upgrades and Operational Investment

			Expand into underserved U.S. & Latin markets		Improve service quality and custom[er] satisfaction	
	Strengths	Weight	AS	TAS	AS	TAS
1	Low cost business model- Ultra low carrier (offers lower fare than traditional airlines)	0.07	3	0.21	1	0.07
2	Strong brand recognition - It also equates to customer retention. Leads ULCC category - It has 36.36 % share in the ULCC market	0.07	3	0.21	2	0.14
3	Efficient operating process- Standardized approach in implementing same steps for operation	0.06	2	0.12	1	0.06
4	Unbundled service - pay for what you want after the ticket price. This helps appeal to budget-conscious passengers. It's a trade-off between cost saving and passenger satisfaction	0.06	1	0.06	3	0.18
5	Online and mobile focus- online booking- versatile booking needs. 80% of their total bookings in 2024 were made through their website out of which 60% were made through the Spirit app. In 2024, the app saw 15 % increase in usage.	0.05	4	0.20	1	0.05
6	Flexible loyalty program: points expiration program. "Free spirit" lets you earn points on dollars spent not on miles flown.	0.05	1	0.05	3	0.15
7	Emphasis on cost cutting- Model is for keeping low costs	0.05	3	0.15	2	0.10
8	Focus on innovation-check-in powered by biometric matching	0.04	1	0.04	2	0.08
9	More leg room compared to competition-offers 32 inches in "Go Comfy" vs standard 29 inches on other airlines	0.04	1	0.04	2	0.08
10	High load factor -They fill seat capacity. Their model is to have a high asset utilization, and one of their strategies is achieving high seat density per flight, even if it's just base fare.	0.03	3	0.09	1	0.03

		Expand into underserved U.S. & Latin markets	
[O]pportunities	Weight	AS	TAS
[Ri]se in demand for ultra-low cost travel- 24.8% increase in [pa]ssenger flight segments from 2021-2022	0.10	4	0.40
[Ex]pansion into underserved U.S and Latin markets- +45 served [air]ports added since 2010-present	0.08	3.5	0.28
[N]ew International routes- 6 international routes added in 2020 to [La]tin America	0.07	3.5	0.25
[In]dustry mergers and decreased competition	0.05	2.5	0.13
[G]rowth in demand for ancillary services- 44.54% increase in non-[fa]re revenues from 2021-2022, primarily consisting of ancillary [se]rvices	0.05	4	0.20
[Ec]onomic growth/recovery- 26% rise in U.S GDP from 2018-2022	0.04	2.5	0.10
[D]eregulation trends	0.04	2.5	0.10
[Di]gital transformation and mobile booking trends	0.03	3	0.09
[Pa]rtnerships and collaboration through other airlines or services- [co]-branded credit card with Bank of America.	0.03	2.5	0.08
[En]vironmental sustainability trends	0.02	2	0.04

			Expand into underserved U.S. & Latin markets		Improve service quality and customer satisfaction	
	Weaknesses	Weight	AS	TAS	AS	TAS
1	Limited route- lack of presence in key markets reduces choice for potential travelers. It holds just 4.7 % of the domestic market share	0.07	3	0.21	1	0.07
2	Poor customer service/negative experiences due to understaffing erode customer commitment, who actively discourage others.	0.07	2	0.14	1	0.07
3	High employee turnover leads to new, inexperienced employees, which leads to increased recruitment costs and disrupts workflow and teamwork. Over 2000 employees left the company in 2024, with a total of nearly 7000 since 2022. That is about 17% employee turnover.	0.06	1	0.06	2	0.12
4	Dependency on ancillary revenue- If customers do not spend on other products the airline suffers. When customers become more sensitive to fees they will go for an all inclusive. This accounts for 54.3% of total revenue in 2021 and 51.5 in 2022	0.06	3	0.18	2	0.12
5	Weak fares - The customers pay very low fares since most low economy passengers pay for the tickets only, and they may not purchase anything on board	0.05	1	0.05	4	0.20
6	Engine issues and grounding of flights. This stems from a rare condition in the powdered metal used to manufacture certain engines like the ones in the Airbus A320 Neo series. 20% of the fleet had been grounded by the end of 2024 for inspection and potential repairs.	0.05	2	0.10	3	0.15
7	Competition from other low-cost carriers like Southwest and Frontier, who fly the same routes as Spirit does.	0.04	2	0.08	3	0.12
8	Negative brand perception - unsatisfactory customer reviews 43%					

		Expand into underserved U.S. & Latin markets		Improve service quality and custom[er] satisfaction	
Threats	Weight	AS	TAS	AS	TAS
Rising fuel prices- rose 2.7% since 2019-2024	0.10	2	0.20	2	0.20
Intense competition- other ULCCs like Frontier and Allegiant have nearly identical price points, and slight deviations could be consequential.	0.08	2.5	0.20	1	0.08
Economic volatility- spikes in inflation can cause a decline in travelers and a rise in fuel prices	0.06	3	0.18	3	0.18
Customer service perception- scored almost at the bottom on a J.D. Power survey compared to other airlines in 2023	0.06	1.5	0.09	4	0.24
Merger uncertainty- JetBlue's acquisition of Spirit was announced in 2022 but was denied by a federal judge in 2023. This creates uncertainty and can lead to lower confidence in investors	0.05	2.5	0.13	2	0.10
Regulatory/legal risks	0.04	2	0.08	2	0.08
Labor shortages	0.03	3	0.09	1	0.03
Supply chain issues- delays in aircraft parts or labor shortages at manufacturers	0.03	2.5	0.08	4	0.12
Cybersecurity vulnerabilities- due to increased use of online booking/mobile apps	0.02	2.5	0.05	2	0.04
Extreme weather disruptions	0.02	3	0.06	2	0.04
TOTALS			**4.91**		**3.47**

Grand Strategy Matrix and Analysis

- Spirit is Currently Experiencing Rapid Market Growth But Facing a Weaker Competitive Pull in the Industry
- Offering Their Services to Underserved Markets Grants Spirit an Opportunity to Expand Their Customer Base
- Spirit Faces Internal and External Factors That Limits its Competitive Presence
- The Merger Failure With JetBlue Signals Uncertainty to Investors and the Public

Implementation and Contingency Plan

- Spirit Airlines Strategy:
  - Optimize Operations
  - Enhance Customer Experience
  - Ensure Financial Stability
- $795 Million - Reduced Debt
- $350 Million - Equity Investment
- Over 400 Identified Profitable Routes
- 10.20 Cents Per Seat Mile
- 12.7 Hours Per Day
- Paid For Engine Recalls
- Start Rebranding to Make Plans More Open

Important Case Issues Relative to Objectives and Management Strategies

Financial Distress and Bankruptcy

Over $2.5 Billion in Losses From 2020

Over $1 Billion in Debt Payments Pending in 2025 and 2026

Intense Competitive Pressures

Extremely Competitive Market

Improved Incentives of Rivals Harms the ULCC Approach

Keep Fares Low But Leave Move Away From ULCC

Operational Disruptions From Engine Recalls

Spirit Was Forced to Halt Several of its Planes

Cutting Flights Has Harmed Profit and Upset Customers

Poor Customer Satisfaction

Bankruptcy Has Damaged Brand Name

Much Higher Complaint Rates Than Other Airlines (7.2 Complaints For Every 100,000 Passengers)

Failed Merger Attempts

Being Unable to Successfully Merge has Locked Spirit Out of Access to Resources and Opportunities

The Company Should Form Strategic Alliances in Order to Cut Costs, Increase Routes, and Avoid Difficult Merger Policies

Financial Ratios

- Between 2011 and 2018 Spirit Was One of the Most Profitable Budget Airlines in the Industry
- COVID-19 Travel Bans and Poor Financial Decisions Brought More Debt and Less Revenue
- Filed Bankruptcy in Late 2024
- Spirit has Achieved Newfound Financial Stability

Historical Ratios	
12/31/2018	
Current Ratio	1.61
Quick Ratio	1.61
Total Debt-to-Total-Assets Ratio	0.63
Total Debt-to-Equity Ratio	1.68
Operating Profit Margin %	11%
ROA %	3%
ROE %	8%

Historical Ratios	
12/31/2024	
Current Ratio	1.19
Quick Ratio	1.19
Total Debt-to-Total-Assets Ratio	1.01
Total Debt-to-Equity Ratio	-120.74
Times-Interest-Earned Ratio	-6
Fixed Assets Turnover	1.97
Total Assets Turnover	0.51
Accounts Receivable Turnover	27.46
Average Collection Period	13.29
Gross Profit Margin %	100.00%
Operating Profit Margin %	-22.50%
ROA %	-12.81%
ROE %	1.53%

Spirit Aviation Holdings, Inc.	as of: 3/31/2025
Stockholders' Equity - (Goodwill + Intangibles)	$639,931
Net Income x 5	($54,680)
(Share Price/EPS) x Net Income	$138,280,235
Number of Shares Outstanding x Share Price	$138,280,235
Method Average	**$69,286,430**

	Predecessor	Successor
	3/12/2025	3/31/2025
Current Ratio	1.19	1.13
Quick Ratio	1.19	1.13
Total Debt-to-Total-Assets Ratio	1.01	0.92
Total Debt-to-Equity Ratio	-120.74	11.32
Operating Profit Margin %	-38.02%	-0.76%
ROA %	0.75%	-0.12%
ROE %	-90.12%	-1.51%

Spirit Aviation Holdings, Inc.	as of: 12/31/2024
Stockholders' Equity - (Goodwill + Intangibles)	($80,134)
Net Income x 5	($6,147,475)
(Share Price/EPS) x Net Income	$36,682,967
Number of Shares Outstanding x Share Price	$36,682,967
Method Average	**$16,784,581**

Conclusion

- We Looked at Spirit Airlines Business Plan with the IFE, EFE, CPM, SWOT, SPACE, IE, Grand Strategy Matrix, QSPM, and Financial Ratio study.
- The ULCC Market Will Continue to Grow Over the Coming Years
- Spirit Faces Growing Threats and Tough Competition
- Spirt Needs to Increase its Customer Satisfaction
- Spirit Succeed in the Long Run and Stay Alive in the Tough ULCC Market

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Thank You!