WESTPEAK RESEARCH ASSOCIATION

Allegiant Travel Company (Nasdaq: ALGT)

Transportation and Warehousing – Domestic Airlines

Taking Off or Grounded?

April 7, 2022

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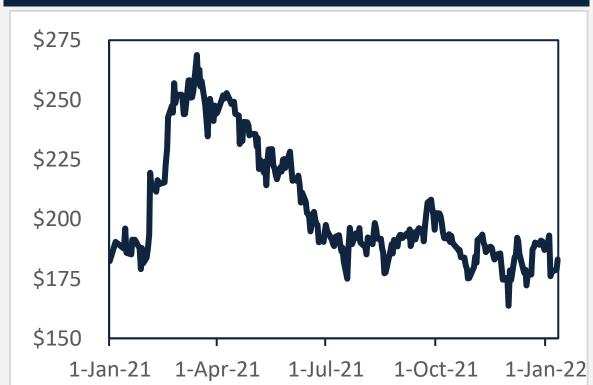
Equity Research	US
Price Target	**USD$ 117.26**
Rating	Sell
Share Price (Jan. 9 Close)	USD$ 150.33
Total Return	28.2%

Key Statistics	
52 Week H/L	$271.29/163.59
Market Capitalization	$3.31B
Average Daily Trading Volume	$210K
Net Debt	$1.57B
Enterprise Value	$4.58M
Net Debt/EBITDA	3.5x
Diluted Shares Outstanding	17.8M
Free Float	84.89%
Dividend Yield	0%

WestPeak's Forecast

	2021A	2022E	2023E
Revenue	$1.46B	$1.16B	$1.1.37B
EBITDA	$564M	$313M	$323M
Net Income	$33.7M	$63.3M	$71.9M
EPS	$1.47	$1.90	$3.62
P/E	19.6x	13.6x	15.1x
EV/EBITDA	10.6x	7.3x	7.8x

1-Year Price Performance



Allegiant Travel Company is a point-to-point, ultra-low-cost airline based in Nevada operating across the United States. Allegiant specializes in lower-volume routes between secondary airports that are not flown by the likes of Spirit, United, or Delta Airlines.

Thesis

Uncertainty around public healthcare and economic policy, geopolitical instability, and telltale signs of a rough road ahead paint a bleak picture for Allegiant Travel Company's near-term share price. Investor optimism around the easement of travel restrictions attributed to COVID-19 has inflated Allegiant Travel Company's ("Allegiant") stock without considering the variability of unprecedented policy decisions. The rising tensions in Eastern Europe and its effect on aircraft fuel pricing – the major operating expense for an ultra-low-cost airline like Allegiant. Allegiant's executive suite has taken note of the bloated price and risks manifesting in a position slashing 25,000 shares across the team.

Drivers

Tourism demand between smaller destinations is the main revenue driver for Allegiant. Heavy reliance on consumer discretionary spending for vacations is the highest weighted driver. Crude oil prices which set the floor pricing for refined jet fuel are soaring as Russia, one of the world's largest oil producers increases tensions in Eastern Europe.

Valuation

From our analysis, we computed a target share price of US117.26, offering a 28.2% sell upside from the current share price of $150.33. This implied valuation was achieved by weighting our DCF and comparable companies' analysis at 50%, respectively. As such, we initiate a sell rating on Allegiant Travel Company.

Business Overview/Fundamentals

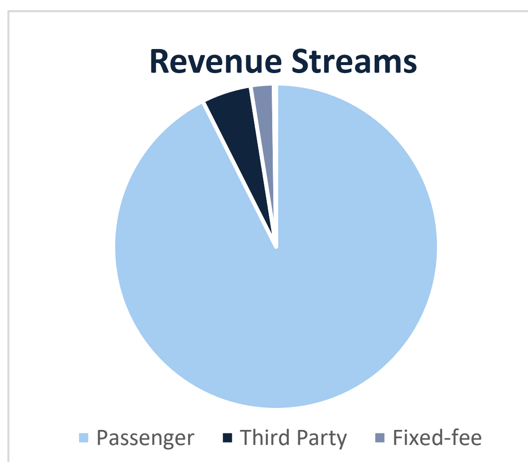
Company Overviews

Allegiant was founded in 1997 and, in conjunction with their initial public offering in 2006, they incorporated in the state of Nevada. They operate a low-cost, low utilization passenger airline marketed primarily to leisure travellers in under-served cities, allowing them to sell air transportation both on a stand-alone basis and bundled with the sale of air-related and third-party services and products. In addition, they provide air transportation under fixed fee flight arrangements. Their targeted market is made clear with the marketing strategy and selected liveries sporting blue, orange, yellow, and red across their Airbus A319s and A320s to depict pleasant tourist destinations. In addition to their Airbus fleet, bought mainly used or on lease-buyback transactions, is an order for 50 new Boeing 737 Max aircraft. The company also carries out the development of Sunseeker Resort in Florida and operates a golf course near the resort location. In connection with their leisure travel focus, they have recommenced the construction of their Sunseeker Resort in Southwest Florida. In October 2021, they entered into a credit agreement with affiliates of Castlelake L.P. to finance up to $350 million of the remaining construction cost with an expected completion date in mid-2023.

Source: Company Website

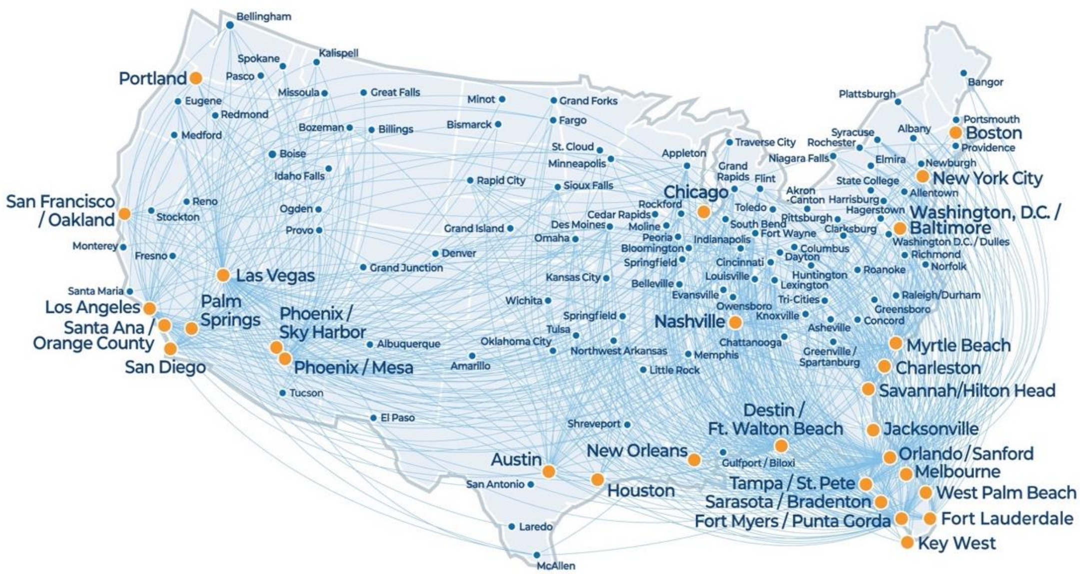
Business Segments

The last decade saw Allegiant Air making strategic decisions to expand into an all-encompassing tourism force. A closed-loop of travellers flying with their airline, staying in their hotels, and using their facilities would be the ideal situation. Under the duress of market contractions, Allegiant has set aside these aspirations and is looking to sell its Sunseeker hotel in Florida. The golf course management software developed by a subsidiary of Allegiant Travel Co, Teesnap, has struggled to gain traction in a niche market already flush with competitors. Allegiant has stated they wish to divest their interests from Teesnap. An acquisition from an existing golf course POS management service such as foreUp, Flex Booker, or Lightspeed Golf seems more likely as Allegiant concentrates its resources on its airline.



Scheduled Service Air Transportation

Allegiant provides scheduled air transportation on limited-frequency, nonstop flights predominantly between underserved cities and popular leisure destinations. As of Jan 9, 2022, their operating fleet consists of 110 Airbus aircraft on 615 routes between 132 cities.



Source: Company Website

Ancillary Air-related Products and Services

Allegiant provides unbundled air-related services and products in conjunction with air transportation for an additional cost to customers. These optional air-related services and products included baggage fees, advance seat assignment, travel protection products, change fees, use of call centre for purchases, priority boarding, customer convenience fee, and food and beverage purchases onboard the aircraft.

Third-Party Products and Services

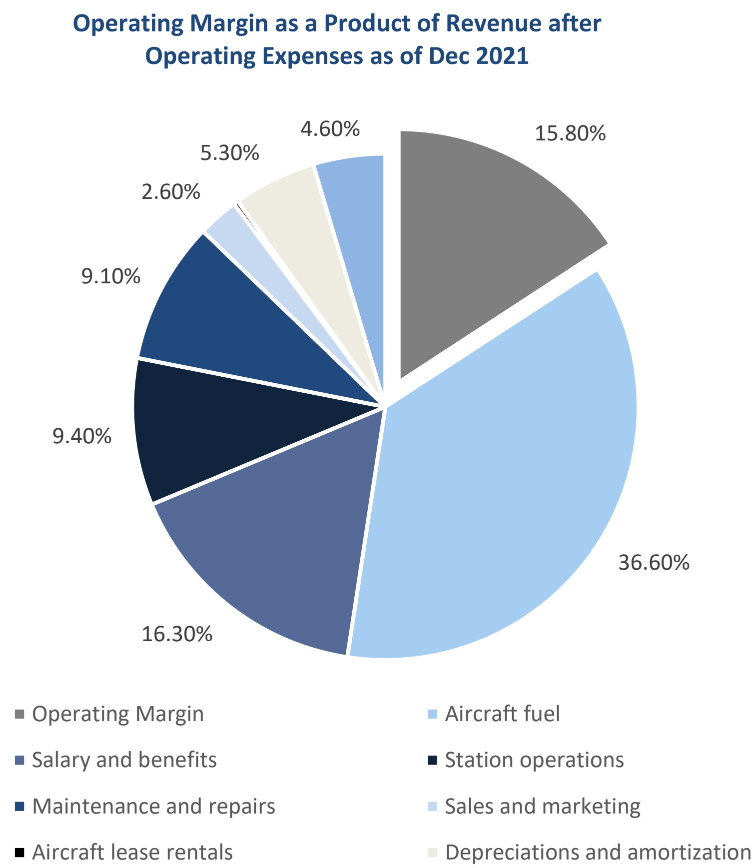
Allegiant offers third party travel products such as hotel rooms and ground transportation (rental cars and hotel shuttle products) to their passengers. The Sunseeker Resort would be classified under this revenue stream as would their golf course and their golf course management software. Allegiant has partnered with Mastercard® to offer a co-branded Allegiant World Mastercard®, a rewards program for frequent flyers and customers looking to save points on flights. Allegiant has a partnership with Las Vegas Raiders

Fixed Fee Contract Air Transportation

Through a host of case-specific contracts, Allegiant provides air transportation through charter service on a year-round and ad-hoc basis. Private flyers can charter one of their Airbus aircraft to pick them up and drop them off at any airport in North or Central America, with Allegiant taking the necessary steps to open South America later in 2022. Some notable partners who use this service include the Indianapolis Colts, the Memphis Tigers, and United States Air Force.

Cost Structure

Allegiant's costs are mainly derived from their operational expenses. Salaries and benefits, station operations, and mainly jet fuel equate to 92% of total costs. Allegiant is hedging its bets against the volatility in the crude oil commodity market by buying large contracts of fuel shipments well ahead of the usage time. This manner is effective in hedging against short-term volatility; however, Allegiant can only cover up to a month's worth of fuel with their prepaid fuel expenses. In 2012, Allegiant's fuel expense was US$3.42/gallon falling to US$2.18/gallon by 2019 and further to US$1.48/gallon in 2020, although those circumstances were extenuating. Between 2020 and 2021, aircraft fuel expenses cost US$218.4 million marking an increase of 98.3 per cent. For a better comparison, fuel costs increased by 2.9% relative to 2019. To achieve an operating margin of 15.8%, as outlined in the adjacent graphic, Allegiant's costs are filtered into over a third towards fuel with another near-fifth accounting for salary and benefits. Leasing and station operations contributed a further 20%.

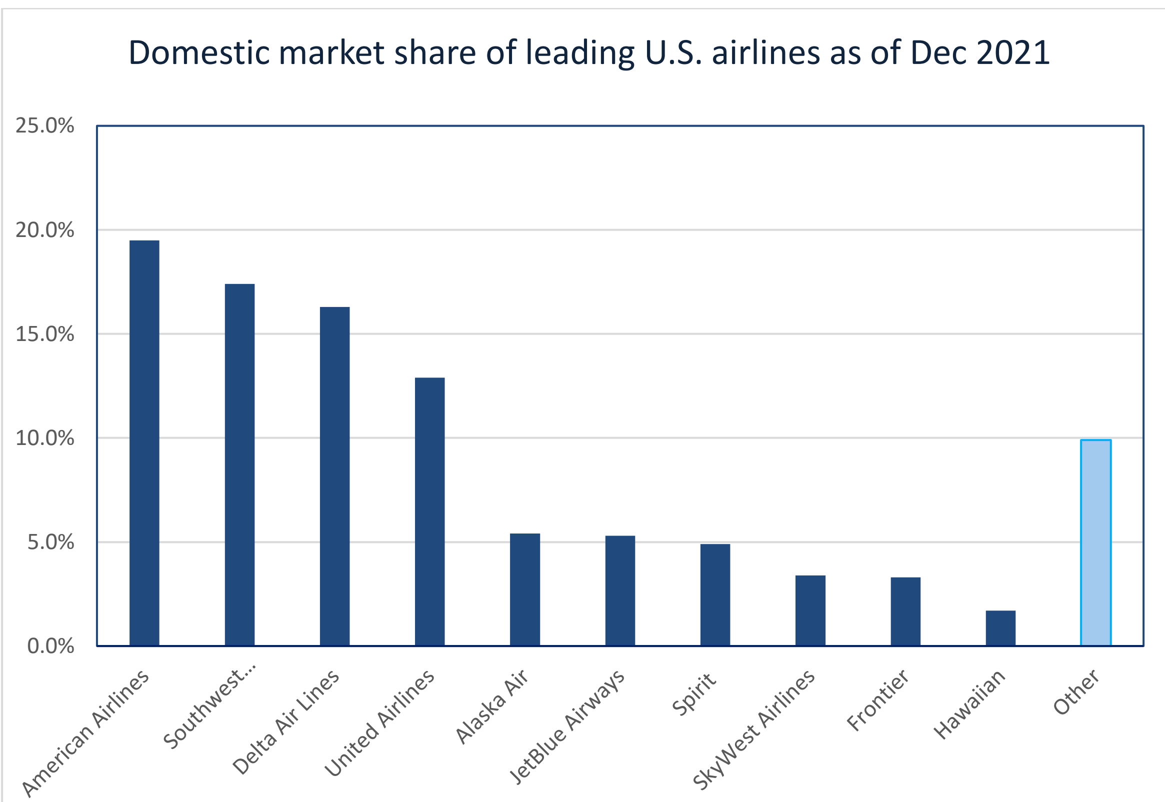


Company Strategy – Allegiant 2.0

Allegiant has reinvented and refined its preexisting strategy and incorporated the new trajectory under the name "Allegiant 2.0." Under this new direction, Allegiant aims to "sharpen [they're] focus on offering to meet more of the travel and leisure needs of [they're] customers." This overarching theme is subdivided into manageable, reasonable goals to ensure sustainable growth for the company. The core of their business has little change, partially due to the maturity of the industry and lack of room to develop a competitive edge but also, Allegiant has a differentiated business model on which they wish to capitalize. As such, they are "maintaining [their] roots of providing affordable accessible air travel while refining and strengthening [they're] air travel product." Allegiant has also identified a further 1,400 incremental routes of which approximately 80% currently have no non-stop service. This presents an opportunity for Allegiant to bring their non-stop model to these destinations, thus connecting more communities. Another growth opportunity comes in the form of geographic expansion as they are seeking government approval to offer transborder scheduled service into Mexico through a partnership with VivaAerobus. Assuming the Department of Transportation approves their bid for immunity from antitrust suits. To refine their strategy in the domestic market, data analysis and eCommerce are central to continued growth. Allegiant is looking to utilize customer data to capture "accretive, asset-light direct-to-consumer revenue opportunities;" essentially using available data to hone its target marketing endeavours. According to Allegiant, a stronger digital marketing presence will allow them to transform their eCommerce to create a “frictionless experience… to drive increased ancillary and third-party revenue.”

Industry Analysis

Revenue for the domestic airlines’ industry has experienced significant declines over the five years to 2021. While most of the period has been characterized by expansion amid broader economic growth, the COVID-19 pandemic caused unprecedented industry disruption. The U.S. domestic airline industry is a high market concentration, is highly competitive, and has a high barrier to entry landscape. The four largest airlines, American Airlines, Southwest Airlines, Delta Air Lines, and United Airlines, comprise over 60% of the total market. Other larger low-cost airlines provide more direct competition with Allegiant, these being JetBlue, Frontier, and Spirit. Amongst this stiff competition, Allegiant ranks 14th in size of annual passenger capacity. This market concentration has seen a decrease in recent years, falling from highs of 75% market capitalization across the largest four operators. This trend, fueled by divestitures from less profitable routes, a -decrease in overall demand for domestic flights, and the appeal of cheaper airfare, has given the likes of Allegiant, JetBlue, and Sun Country the opportunity to take over these less sought after routes by offering their no-frills service at a discount to the largest airliners.

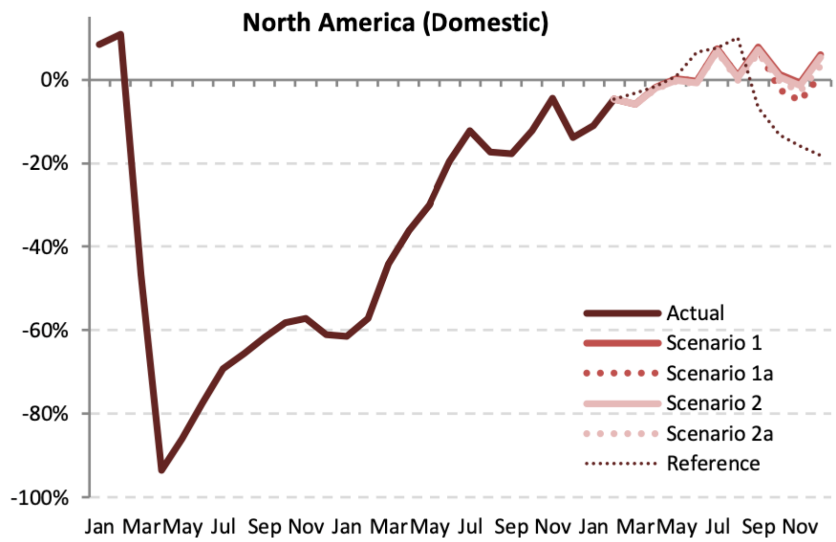


Source: Statista

Economic Recovery Trajectory

Demand for the Domestic Airlines industry will be characterized by broader economic recovery over the five years to 2026. The COVID-19 pandemic marked the most tumultuous time in industry history and many domestic airline operators will continue to underperform well into the future. Still, demand is forecast to recover moving forward, driven by loosening travel restrictions from continued mass vaccination efforts across the US. Resurging domestic demand will be amplified by substantial government relief funding for the domestic airline industry, which totalled more than $50.0 billion in March 2020. This figure does not consider the substantial amount of qualified tax benefits provided by government intervention, which will bolster demand in the immediate recovery phase. Overall, industry revenue is forecast to increase at an annualized rate of 8.4% to $159.1 billion over the five years to 2026. Revenue is anticipated to remain below pre-pandemic levels until the end of the five-year outlook period.

According to a study conducted by the International Civil Aviation Organization (ICAO), there are three likely paths toward economic recovery in the domestic airline industry. A baseline trajectory that follows a "business as usual" model, is excluded for a recovery method since it assumes the absence of the coronavirus and as such original growth rates, demand, and scheduling.



Source: ICAO - Economic Development for the Air Transport Bureau

An alternative to the baseline is a V-shaped recovery which tracks a quick recovery; however, this becomes increasingly unlikely the longer the pandemic lasts. The ICAO focused heavily on two scenarios, each with two alternatives. The first of which, Scenario 1, a W-shaped recovery or "Nike-swoosh" recovery. This would likely see a swift capacity rebound pushed by pent-up demand but at a diminishing rate of growth. The other option, Scenario 2 as referred to by the ICAO, follows a U- and L-shaped recovery. This trajectory sees gradual capacity recovery, followed by the acceleration of growth.

Government-backed Assistance

Operators primarily engaged in the scheduled transportation of passengers represent one of the most vulnerable industry groups regarding the pandemic's negative effects. As a result, industry revenue has decreased at an annualized rate of 5.3% to $106.3 billion over the five years to 2021, including an estimated decline of 53.8% in 2020 alone. Mass vaccination efforts have loosened travel restrictions, leading to an expected 59.7% recovery in 2021, but this growth remains highly uncertain.

In March 2020 the airline industry secured nearly $60 billion in U.S. government funding under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, saving the industry from bankruptcy. However, there were strings attached that have significant consequences for potential investors. The airlines had to agree to forego layoffs, stock buybacks, and dividend payments. The dire situation for airline earnings was already highly unfavourable to buybacks and dividends, so those restrictions mattered little. The prohibition of layoffs, on the other hand, limited the companies; flexibility in adapting to a dramatically different business environment. Nonetheless, the aid represented a significant win for the airlines and their employees.

Over the next five years, industry revenue is expected to rebound as the broader economy recovers and pandemic-related restrictions are lifted. The need for government assistance for industry recovery is crucial, especially regarding employment in terms of handling pent-up demand in the post-pandemic landscape. Additionally, increasing disposable income, corporate profit and improved consumer confidence in the domestic economy will likely generate growth in passenger air travel, benefiting the industry. Industry revenue is forecast to increase at an annualized rate of 8.4% to $159.1 billion over the five years to 2026. Revenue will remain below pre-pandemic values until the end of the outlook period and are subject to change based on the duration of domestic travel limitations and recovery in the industrial labour market.

Closing Competition

Providers of less expensive air transportation have increased the level of price competition in the industry, raising the focus on quantity over quality. While quality is still an important measure of success for an airline, this type of competition is more prevalent at the higher end of the market, somewhere Allegiant is disinterested. Price competition is the most important tool in attracting customers in times of poor economic conditions when unemployment is increasing, and incomes are falling. During stable economic times, airlines may offer additional services and higher quality services to avoid having to cut prices.

jetBlue AIRWAYS

spirit™

sun country airlines

Allegiant's closest competition is the much smaller Sun Country Airlines which provides nearly identical services as Allegiant apart from the third-party products. Sun Country's fleet is just shy of half that of Allegiant's however, it does include a few more efficient Boeing 737 models. From the name alone, the average customer would be able to distinguish Sun Country's target market. As such, they are in direct competition for Allegiant's less-travelled routes between small cities and warm destinations.

JetBlue Airways is an east-coast concentrated airline with a market capitalization double that of Allegiant's and an impressive aircraft fleet ranging from Airbus A320s to Embraer E190s. They cover more Caribbean destinations outside Allegiant's realm.

Furthermore, with the outbreak of the COVID-19 pandemic, operators are now competing based on safety precautions taken to mitigate the threat of the virus spreading on flights. This includes their sanitation measures, safety protocols for flight and crew, ability to provide testing for employees, as well as measures to seat passengers safely apart. All domestic airlines have been able to decide which safety precautions to enforce and for the most part, all major airlines are requiring both passengers and flight crew to wear masks. However, some airlines have employed further measures such as blocking off the middle seat, boarding from back to front and offering limited seat selection. Airlines that make their passengers and employees feel safe will likely fare better than those that do not.

Consumer Preference Trends in Domestic Air Travel

Increased Flexibility

Domestic airlines, such as Allegiant or JetBlue, have adopted and are continuously amending cancellation policies and rescheduling procedures to create the most flexibility for their customers. Most airlines waived change fees early in the pandemic. Travellers can feel confident booking travel and know that they won't be penalized if their plans change. Additionally, the Cirium Airline Insights Review found travellers are booking within a six to eight-week window instead of six to eight months ahead as they did pre-pandemic. This change means domestic airlines are changing their projections and enhancing communication between their revenue management and planning teams.

Contactless Technology

Domestic airlines will be looking to take their operations completely touchless, from booking to checking in, to inflight accommodations. This end-to-end contactless experience incorporates the customer's smartphone for check-in, payment options, and choosing inflight entertainment. It can also check for COVID symptoms. This innovative health technology, developed by tech company Elenium Automation, monitors passengers' heart rate, temperature, and respiratory health for signs of illness. It also uses voice recognition so that people don't have to touch screens.

Information Inundation

From travel restrictions to flight cancellations, domestic airlines will need to keep their customers informed. According to the International Air Transport Association (IATA), travel restrictions have tightened in the past two months for many countries. Flight cancellations and quarantine measures can force travellers to change their plans on short notice. Steve Hasker, Chief Executive at Thomson Reuters, said people are relying more on "24-7, digital always-on, real-time available information, served through software and powered by AI and ML." Staying current about travel requirements is crucial for travellers. As such, Allegiant has included this information on their websites in a very visible area, as a homepage banner, where customers can access it more easily. Other airlines directly point to the official travel policies at the government websites or past IATA information. Delta is taking a step ahead in the user experience and has created its travel restrictions map powered by Smartvel with detailed and up-to-the-minute information on travel restrictions by U.S. state.

COVID-19 Passports

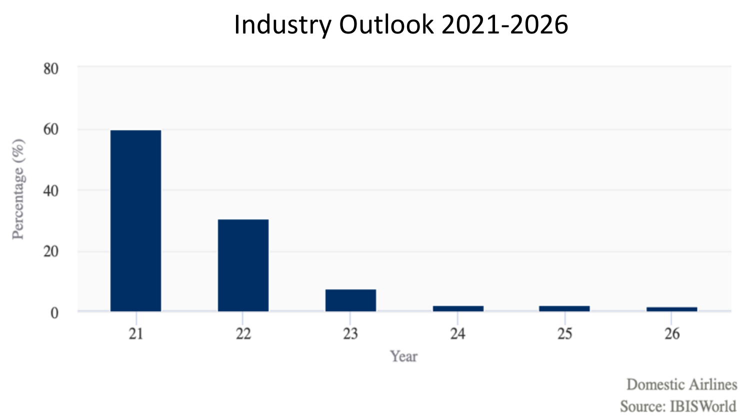
The vaccine rollout varies widely across the United States, which can affect the travel demand. Indications from multiple sources show there's pent-up demand for travel. When countries ease travel restrictions, bookings will increase. However, that can lead to new variants of COVID, which leads to new restrictions. To end this cycle and boost travel, it very much relies on an effective and widely distributed vaccine.

Competition from Amtrak

Other modes of transportation can also offer competition as lower-cost alternatives for budget-minded consumers. Trains operated by Amtrak offer some competition for travels too long or inconvenient by car, yet too short to warrant a flight.

Amtrak's competitive advantage remains so long as Allegiant's flight path is relatively short and on the east coast. Upon leaving the east coast, the route coverage is sparse. Allegiant's focus on leisure travel also removes another step from Amtrak's competition since most train patrons are businesspeople. JetBlue's presence on the east coast is a more direct competitor to Allegiant's routes.

Outlook



Domestic air transport services have remained relatively unchanged over the five years to 2021. There is very little scope to expand domestic services due to strong competition and a saturated market. This has resulted in deteriorating operating conditions for most airlines, particularly in response to unstable costs with volatile fuel prices. In response, mergers and acquisitions have become more prominent in the industry as major players attempt to expand their market share. Additionally, the industry plays a critical role in the US economy, and therefore, passenger and cargo airline services have consistently been fully accepted by downstream consumers. Airlines offer a quick, relatively affordable method for private consumers to travel, and cargo airlines remain the most popular mode of transporting high-value, time-sensitive goods. Therefore, as levels of disposable income, domestic travel activity and total manufacturing output continue to increase, airborne transportation services will likely continue to be fully accepted by downstream markets.

Catalysts

Travel Restrictions

The uncertainty of the severity of the Omicron and potential subsequent variations of COVID-19 create a blindspot in the short term to Allegiant's performance. If vaccination rates reach levels of herd immunity, infection rates will likely drop, and travel will resume. Another outcome that could drive more demand for travel is the reclassification of COVID-19 as endemic from its current pandemic. This will likely retract some of the policies safeguards enacted by health officials thus allowing easier access to flights and subsequently increasing demand. If the Omicron variant does not subside in the coming months, there will be little to no incentive for health officials to loosen restrictions on travel thus making nonessential travel more difficult to access. If Omicron subsides, there could always be another variant that is just as infectious if not even more challenging to contain. Both scenarios would leave Allegiant with much of its fleet grounded as they did during the first three waves of the pandemic in early 2020, late 2020, and mid-2021. Allegiant stated in its most recent annual report that during the constrictions of the pandemic, it completely halted any investments into capital expenditures outside of its airline business. If such circumstances were to present themselves, it is reasonable to assume that Allegiant would put all other ventures on hold to ensure the financial health of its airline. Having to shed all other ventures just to insulate the most vital aspects of the business would not reflect well on the overall health of the company and would likely drive investors' outlook down.

Aviation Accident

As outlined in Allegiant Travel's management discussion on risks to the company, aviation accidents, terrorist incidents, and other negative outlooks would cause an immediate and acute fall in Allegiant's share price. Even if Allegiant bears no fault in an incident, the mere presence of their logo will bring bad public relations attention to the company. In the event of a terrorist attack or aviation accident, the domestic airline industry would likely experience significantly reduced demand for travel services.

Overspilling Tensions in Eastern Europe

Russian and Belarusian escalations on the border of Ukraine pose an immense threat to the price of crude oil. If any military action beyond drills and training were to take place, Russia and Belarus would be hit hard with crippling sanctions from western nations, likely spanning the entirety of the Russian economy. While the countries in western Europe rely on Russian oil, they will likely see a greater value in doubling down on sanctions to apply pressure on the Russian government. With Russian oil exports immobilized, one of the largest oil producers would be removed from the global market and as such supply would sharply fall causing a spike in price. Unless other OPEC nations or the USA step in to fill the void in the market, operating an aircraft will become exceedingly expensive.

Management Team

Maurice J. Gallagher, Jr. - Chairman and CEO

Maurice J. Gallagher, Jr. leads the management team at Allegiant Travel Co. He's been a majority owner and joined the board of directors in 2001. He served as the CEO since 2003 and was designated Chairman of the Board in 2006. Before his tenure at Allegiant, Gallagher managed the companies he founded. One such of the companies was Mpower Communications Corp., a telecommunications company, for which he served as acting CEO from 1997 to 1999 and as chairman of the board from its inception in 1996 until 2002. Gallagher also founded ValuJet Airlines, Inc. which preceded AirTran Holdings, Inc. and spent time as an officer and director for ValuJet. Before ValuJet, Gallagher owned and operated WestAir, a commuter airline that has since evolved into United Express, an air carrier service with a code-sharing agreement with United Airlines. Outside of the aviation industry, Gallagher is heavily invested in NASCAR and Truck Racing, owning two teams the Petty GMS Motorsports and the GMS Racing team. He graduated from UC Davis in 1971 where he received his BA in history before attending UC Berkeley for his MBA which he received in 1974. Gallagher's compensation package was $1,516,280; $1,499,853 of which was in equity with the remaining $16,447 falling under "other."

John Redmond - President

Before becoming president at Allegiant, John Redmond served on the board of the company for nine years. His appointment in 2016 follows a career in the entertainment and hospitality industry, holding executive positions at MGM Grand Inc., Caesars World Inc., and Echo Entertainment Group Ltd. He currently serves on the Board of Directors for Allegiant, Vail Resorts Inc. and recently left his board position at Tropicana Las Vegas Hotel and Casino Inc. Redmond's compensation included $3,024,519 in equity and a further &90,519 in "other" compensation.

Scott Sheldon – Executive Vice President and COO

A longtime employee of Allegiant and recent promotion to Executive Vice President, Scott Sheldon served as the CFO between 2010 and mid-2019. For three years before becoming CFO, Sheldon held the position of the principal accounting officer. Sheldon built his career working in public accounting, starting his career at Perry-Smith, LLP, a regional firm in Sacramento, California. Sheldon received $2,109,624 in equity compensation alongside the cash compensation standardized for all VPs at $232,917. A further $18,921 was provided in other compensation.

Gregory Anderson – Executive Vice President, CFO

Gregory Anderson succeeded Scott Sheldon as principal accounting officer and received a promotion in April of 2019 to executive and CFO. He served as the senior vice president of treasury from January of 2017 to the time of his promotion. He, like Scott Sheldon, also held several accounting positions in Allegiant before making his way up the food chain. Anderson worked in US Airways' corporate accounting division and public accounting for EY before US Airways. Anderson's compensation consisted of the same $232,917 as all equal executive VPs and his equity compensation totalled $2,005,872. In other income, he accumulated $16,590.

Robert Wilson – Executive Vice President, CIO

Robert Wilson was promoted to the Chief Information Officer from his VP of information systems role, a position he had held since 2009 when joining the company. Prior to Allegiant, Wilson worked in software development and design for airline operations for 14 years. His career includes domestic and international experience across a diverse range of airline operations. Mr Wilson's compensation for the 2020 fiscal year consisted of $1,079,820 worth of equity, the identical VP salary of $232,917, and $13,258 in other income. This compensation package ranked Wilson as the 3rd best-compensated CIO in the Aerospace & Defense industry for 2020.

Shareholder Base, Liquidity, Market Depth

Shareholder Base

Allegiant has 17.8 million shares outstanding and a free float of 15.05 million shares - rendering a free float of 84.5%. Allegiant's shareholder base primarily comprises institutional investors, with approximately 87.51% held by institutions. Insiders make up 12.49% of ownership. In the past three months, the executive suite at Allegiant has initiated 18 sell transactions totalling over 25,000 shares or $4.8M in equity value. In the last twelve months, out of 39 insider trades, 29 of them were sales totalling 44,985 shares. This demonstrates a strong sell sentiment from the management at Allegiant.

Insider Trade	3 Months	12 Months
Number of Shares Bought	0	37,705
Number of Shares Sold	25,612	44,985
Total Shares Traded	25,612	82,960
Net Activity	(25,612)	(7,280)

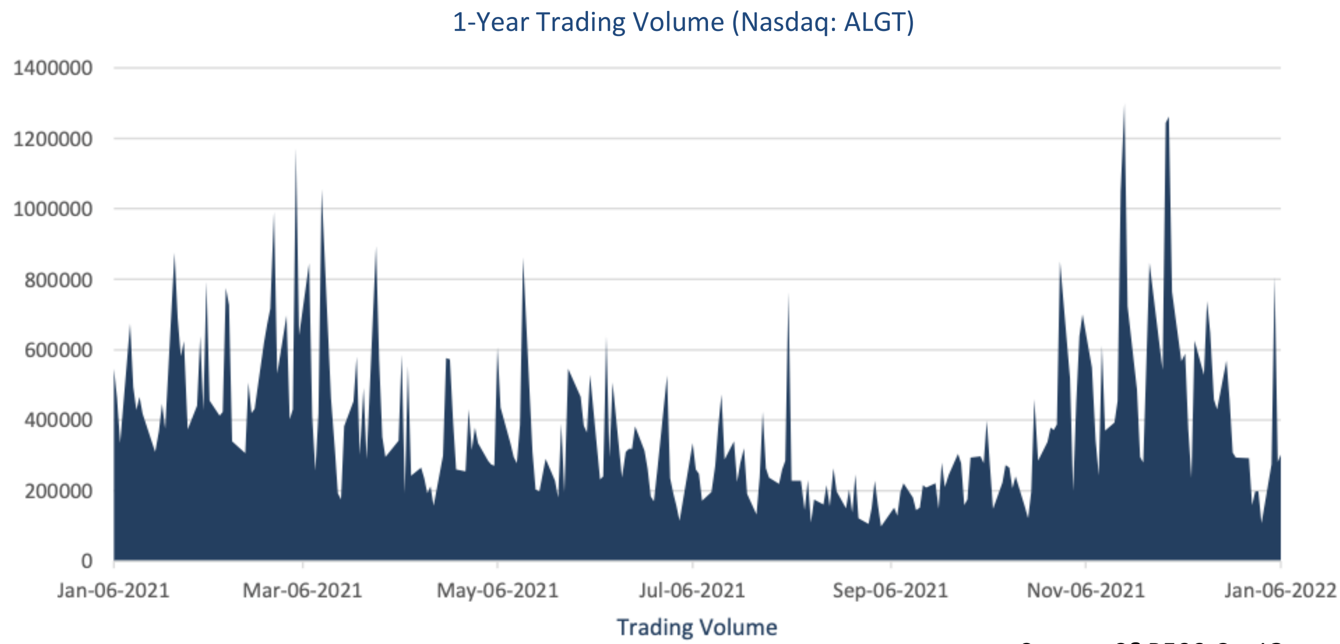
Source: Nasdaq

Holder	Amount of Common Stock	Percentage CS Out	Total Value
Blackrock Inc.	2,295,433	12.69	$ 448,711,242.00
Vanguard Group, Inc. (The)	1,595,540	8.82	$ 311,896,159.00
Wasatch Advisors Inc	1,237,953	6.84	$ 241,995,052.00
Neuberger Berman Group, LLC	843,369	4.66	$ 164,861,772.00
Par Capital Management Inc	559,500	3.09	$ 109,371,060.00
U.S. Global Investors, Inc.	556,391	3.08	$ 108,763,312.00
State Street Corporation	516,012	2.85	$ 100,870,025.00
Macquarie Group Limited	423,905	2.34	$ 82,864,949.00
Franklin Resources, Inc.	374,950	2.07	$ 73,295,226.00
Geneva Capital Management LLC	364,979	2.02	$ 71,346,094.00
	8,768,032	48%	$1,713,974,891.00

Source: Edgar Online

Liquidity

As of January 9, 2022, Allegiant has an average trading volume of 226,387 shares with an average share price of US$192.28. This implies that the amount of money exchanged trading Allegiant was around US$42.5M, in comparison to its market capitalization of US$2.9B. Increases in the trading volume are often seen around quarterly earnings reports, as well as major market events, the most recent being the market crash in March 2020. The top 10 holders own around 50% of total shares which could lead to risks involving a large selloff.



Source: S&P500 CapIQ

Valuation

The final valuation was calculated with the following weightings: 25% exit EV/EBITDA multiple of 4.2x, 25% perpetuity growth rate of 5.0x, 25% median EV/EBITDA implied price multiple of 4.4x, and 25% P/E implied price ratio of 8.6x. From the comparable companies' analysis, an implied share price of US$127.62 was reached with the Discounted Cash Flow implied share price providing an implied share price of US$106.90. From these values, a target share price of US$117.26 was found – a 39.3% downside on the current share price.

Comparable Company Analysis

The following firms have been selected as competitors or comparable to Allegiant Travel. Their business models are similar as are their customer base. All major airlines have seen a tremendous decline in passenger revenue since 2020. By contrast the largest airlines with Allegiant, only the 14th largest airline in North America, and similarly sized ultra-inexpensive airlines, reasonable deductions were made on Allegiant's performance. The closest airline to Allegiant in customer base, service route, and operation size is JetBlue Airways and Spirit Airlines. Some differences to a make note of when reviewing these comparables are the primary operation locations between the three companies. JetBlue has more flights throughout the eastern United States whereas Allegiant is focused on the western and central US. Spirit, the biggest among the three by market capitalization, is spread evenly across the United States.

American Airlines Group (NasdaqGS: AAL)

American Airlines Group Inc. operates as a network air carrier. The company provides scheduled air transportation services for passengers and cargo through its hubs in Charlotte, Chicago, Dallas/Fort Worth, Los Angeles, Miami, New York, Philadelphia, Phoenix, and the District of Columbia. As of December 31, 2020, it operated a mainline fleet of 855 aircraft. in December 2013. American Airlines Group Inc. was founded in 1930 and is headquartered in Fort Worth, Texas.

United Airlines Holdings (NasdaqGS: UAL)

United Airlines Holdings, Inc., through its subsidiaries United Airlines, provides air transportation services in North America, Asia, Europe, Africa, the Pacific, the Middle East, and Latin America. The company transports people and cargo through its mainline and regional fleets. It also sells fuel; and offers catering, ground handling, and maintenance services for third parties.

Spirit Airlines, Inc. (NYSE: SAVE)

Spirit Airlines, Inc. provides airline services to 78 destinations in 16 countries in the United States, Latin America, and the Caribbean. As of December 31, 2020, the company had a fleet of 157 Airbus single-aisle aircraft. The firm, formerly known as Clippert Trucking Company, changed its name to Spirit Airlines, Inc. in 1992.

Southwest Airlines Co. (Nasdaq: LUV)

Southwest Airlines Co. is a Dallas-based air carrier serving 130 million passengers from 101 US destinations and a further 10 countries. Southwest provides more comfort services than most airlines with connectivity services, rewards programs, and a suite of digital platforms to simplify the process of air travel.

JetBlue Airways Corporation (NasdaqGS: JBLU)

JetBlue Airways is based in Long Island City, NY. The company was founded in 1998 and gained formal approval to undertake flights to Buffalo, NY, and Ft. Lauderdale, FL, from John F. Kennedy International Airport in New York City in 2000. Currently, the company makes 1,000 daily trips, primarily serving domestic locations from John F. Kennedy International Airport and is a leading carrier in Boston, Orlando, and San Juan. JetBlue makes trips to over 100 destinations, and the company has expanded its international operations in recent years to serve the Bahamas, Bermuda, Barbados, and the Dominican Republic. JetBlue has one of the youngest and most fuel-efficient fleets of all US airlines; however, with 30% of the fleet grounded due to COVID-19, that efficiency is sitting untapped.

Alaska Air Group (NYSE: ALK)

Alaska Air Group is the fifth largest airline in the United States that services approximately 115 destinations throughout the United States and North America. Alaska Air, together with its regional partners Horizon Air and SkyWest Airlines operate a domestic network focused on connecting the Pacific Northwest, west coast, and Alaska to the contiguous United States, Hawaii, Canada, and Latin America.

Delta Airlines, Inc. (Nasdaq: DAL)

Delta Air Lines Inc. is one of the world's largest airlines. The company operates a system of hubs, international gateways and key airports in Atlanta, Boston, Detroit, Los Angeles, New York City, Amsterdam, London, Paris, Mexico City, Sao Paulo, Seoul, and Tokyo. Collectively, Delta and its subsidiaries offer service to 900 destinations in 140 countries through more than 15,000 daily flights. Delta's operations have traditionally focused on the United States' domestic market, where it has become one of the fastest-growing carriers. International flights account for less than one-third of the company's annual revenue.

Discounted Cash Flow Assumptions

Business Segment 1 – Passenger:

Allegiant Travel Co's management has clearly outlined its intention with pursuing a concentrated airline service above all else. Therefore, the revenue forecast for passenger sales is more likely to rebound to the highs seen in 2019. After a stunning performance in 2021 to recover passenger revenue by 281% in Q2-2021, 133% in Q3-2021, and 90% in Q4-2021, Allegiant's growth in 2022 can be expected to slow. We forecasted sustained growth of 5% across 2022 with that figure increasing to a forecasted 7.5% annual revenue growth over 2023 to 2026. By 2026, Allegiant can expect scheduled service revenues above US$2.1B.

Business Segment 2 – Third Party Products:

This assumption is set upon the basis of the sale of Teesnap and the recommencement of construction on the Sunseeker Resort development. Teesnap's revenue for Allegiant was inconsequential but the Sunseeker Resort, scheduled for completion in 2023, will generate a diversified revenue stream for Allegiant. Management is enthusiastic about the prospects Sunseeker Resort brings to Allegiant's business. As such, we have forecasted revenue growth of -19.2% in 2022 to account for the decrease in revenues from Teesnap. In 2023 and beyond the forecasting paints a more positive image of 10% annual growth.

Business Segment 3 – Fixed Fee Contracts:

Fixed Fee contracts, like third party products, comprise a minute part of Allegiant's bottom line. However, Allegiant's Management has not made mention of pushing for more chartered flights, from which most of the fixed fee contracts are derived, and as such, does not expect substantial fluctuations within the business segment. A forecast of 2% means growth tracks inflation.

Capital Expenditures:

Due to the cessation of expanding hospitality ventures, the remaining capital expenditures are likely to be in the form of new aircraft. Allegiant recently put forth an order for fifty Boeing 737 Max jets with the option to purchase another 50 in 2025 if they so choose. Management suggests that as some of their older Airbus aircraft are written off or sold off, more Boeing will be purchased to fill the space. Consequently, capital expenditures will at least remain consistent with pre-pandemic levels and are more likely to rise. This is displayed by an increasing CAPEX expense forecasted to grow to 17.5% by 2026 with a mean of 16.48% across 2023 and 2026.

Estimated Property and Equipment Useful Years:

We employed the straight-line depreciation method and estimated that PPE held constant across all years. Taking pre-pandemic historicals as a benchmark for future ratios is the closest; in this case, it is a mean of 8.38 years.

Income Tax Rate:

We assumed a tax rate of 23% based on historical annual reports.

Weighted Average Cost of Capital (WACC)

Allegiant's WACC was calculated to be 8.9%.

The cost of equity was computed using a risk-free rate of 2.2%, an expected market return of 9.4%, and a beta of 1.40. This returned a cost of equity equal to 12.4%. All figures were sourced from Bloomberg.

The cost of debt was calculated by applying a pre-tax cost of debt of 2.1% and an effective tax rate of 22.8%. Taking the debt adjustment factor into account at 1.7%, this produced a cost of debt equal to 1.6%. Again, all figures were sourced from Bloomberg.

Perpetuity Growth Rate:

Allegiant is a mature company within a mature industry, growth rates are likely to track the overall growth of the economy. As such a simple assumption that inflation hovering around 5% leads to a perpetuity growth rate of the identical value. Allegiant has a history of stable growth and there are no indications that it should fail to meet that precedent.

Terminal EV/EBITDA Multiple:

After a careful selection of comparable companies, we chose to take the mean of the 2022E EV/EBITDA multiples at 4.2x. This is in line with our hypothesized exit multiple since it shows Allegiant is in a maturing industry with high barriers to entry.

Recommendation

Sell

Based on our analysis, we believe that Allegiant is overvalued at the current price of US$193.17. Allegiant is trading at a premium due to optimistic growth potential and enthusiasm that leisure travel will return to its prior self sooner rather than later. However, rising inflation will dissuade consumer discretionary spending, a key driver behind leisure travel. Inflation isn't the only thing rising either, tension in Eastern Europe is nearing a breaking point and this creates uncertainty around the stability of crude oil prices. Couple the unpredictability around economic and geopolitical circumstances with a management team that is not confident in the current share price and synthesis of red flags appear around Nasdaq: ALGT.

With these factors considered, we initiate a **SELL** on Allegiant Travel Co with a target share price of US$117.26 and a current share price of US$150.33, resulting in a sell upside of 28.2%

Risks

Reclassification of COVID-19

If COVID-19 were to be reclassified as endemic as opposed to its current categorization as a pandemic, it would likely result in a large spike in demand as healthcare policy is lifted. The bureaucratic hurdles in place to limit unnecessary travel would be reversed in due course to open-air travel for domestic customers. This effect would be amplified if Allegiant's partnership with VivaAerobus is completed as it will open the door for Allegiant to take on international customers.

De-escalation in Europe

If talks are held between Ukraine and the aggressive parties gathering on their northern border to calm the situation and avoid military action. Investors can expect an easing of volatility due to the reduction in geopolitical conflict. As such, commodity prices that are closely associated with production facilities in the region will maintain or even increase. With crude oil prices decreasing or maintained, Allegiant will be able to capitalize on the price reductions to make their long-term jet fuel contracts.

Boeing's Successful Rollout

Boeing's first release of the 737 MAX was a tragic event – the MCAS software leading to the deaths of hundreds within a matter of months. After recertification by the FAA to guarantee the functioning of the new angle of attack sensors, the revised Boeing 737 MAX is taking to the skies once more. Now, Allegiant will be able to take advantage of the fuel efficiency savings provided by the new aircraft. So long as this revised aircraft doesn't have any errors that compromise the safety of operation, Allegiant stands to benefit from the new planes.

Appendix 1: Summary Page

Summary Page

(Figures in mm USD)	Dec-16 FY2016	Dec-17 FY2017	Dec-18 FY2018	Dec-19 FY2019	Dec-20 FY2020	Dec-21 FY2021	Dec-22 FY2022	Dec-23 FY2023	Dec-24 FY2024	Dec-25 FY2025	Dec-26 FY2026
Income Statement											
Revenue	1,378.9	1,511.2	1,667.4	1,841.0	990.1	1,673.4	1,731.0	1,855.3	1,994.5	2,144.2	2,305.4
EBITDA	477.8	352.3	372.8	519.8	(104.7)	488.9	597.2	556.6	595.3	637.9	680.1
Net Income	220.9	198.1	161.8	232.1	(184.1)	194.5	251.8	240.0	226.9	200.8	148.5
Earnings Per Share	$ 13.39	$ 12.31	$ 10.13	$ 14.47	$ (11.51)	$ 11.31	$ 14.17	$ 13.51	$ 12.77	$ 11.30	$ 8.36
Cash Flow Statement											
Capital Expenditures	(199.7)	(568.4)	(334.8)	(506.8)	(281.2)	(193.4)	(326.7)	(361.4)	(395.0)	(426.2)	(450.7)
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Divestitures	-	-	-	-	-	-	-	-	-	-	-
Dividend Payment	(67.5)	(45.7)	(45.2)	(45.6)	(11.4)	-	(49.7)	(49.7)	(49.7)	(49.7)	(49.7)
Dividend Per Share	$ 2.80	$ 2.80	$ 2.80	$ 0.70	$ 0.70	$ -	$ 2.80	$ 2.80	$ 2.80	$ 2.80	$ 2.80
Dividend Payout to Earnings	30.6%	23.1%	28.0%	19.6%	-6.2%	-	19.8%	20.7%	21.9%	24.8%	33.5%
Dividend Payout to Core FCF	11.7%	4.6%	6.6%	4.7%	1.7%	-	6.4%	6.0%	5.5%	5.0%	4.7%
Dividend Yield	2.0%	2.0%	2.1%	0.5%	0.5%	-	1.4%	1.4%	1.4%	1.4%	1.4%
Balance Sheet											
Current Assets	422.1	541.3	495.2	562.2	943.6	1,322.3	1,511.2	1,549.4	1,622.4	1,714.8	1,840.9
Non-Current Assets	1,249.5	1,638.9	2,003.4	2,448.6	2,315.3	2,424.0	2,556.5	2,692.0	2,805.3	2,873.4	2,855.8
Assets	1,671.6	2,180.2	2,498.7	3,010.8	3,258.9	3,746.4	4,067.6	4,241.4	4,427.7	4,588.2	4,696.7
Current Liabilities	392.9	544.3	514.0	612.6	689.3	576.7	696.0	679.4	688.6	698.0	707.8
Non-Current Liabilities	805.1	1,082.6	1,294.4	1,514.7	1,870.2	1,925.3	1,925.3	1,925.3	1,925.3	1,925.3	1,925.3
Liabilities	1,198.0	1,626.8	1,808.3	2,127.3	2,559.6	2,502.0	2,621.3	2,604.7	2,613.8	2,623.3	2,633.1
Shareholders' Equity	473.6	553.3	690.3	883.6	699.4	1,244.3	1,446.4	1,636.7	1,813.9	1,964.9	2,063.6
Cash	76.4	70.6	95.9	121.9	152.8	76.2	514.8	548.1	614.9	704.0	819.8
Debt	722.0	950.1	1,119.4	1,248.6	1,441.8	1,434.6	1,434.6	1,434.6	1,434.6	1,434.6	1,434.6
Net Debt	645.7	879.5	1,023.5	1,126.7	1,289.0	1,358.4	919.8	886.5	819.7	730.6	614.9
Minority Interests	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	1.4 x	2.5 x	2.7 x	2.2 x	n/a	2.8 x	1.5 x	1.6 x	1.4 x	1.1 x	0.9 x
Operating Metrics											
Return on Equity (ROE)											
Return on Assets (ROA)											
Return on Invested Capital (ROIC)											
Valuation Metrics											
Stock Price (High)	$ 168.16	$ 169.35	$ 172.68	$ 179.13	$ 189.24	$ 268.81	$ 193.17	$ 193.17	$ 193.17	$ 193.17	$ 193.17
Stock Price (Low)	$ 114.19	$ 109.69	$ 97.84	$ 97.84	$ 66.23	$ 174.74	$ 193.17	$ 193.17	$ 193.17	$ 193.17	$ 193.17
Stock Price (Average)	$ 141.18	$ 139.52	$ 135.26	$ 138.49	$ 127.74	$ 221.78	$ 193.17	$ 193.17	$ 193.17	$ 193.17	$ 193.17
Diluted Shares Outstanding (Average)	16.5	16.1	16.0	16.0	16.0	17.2	17.8	17.8	17.8	17.8	17.8
Market Capitalization (Average)	2,327.9	2,245.6	2,159.8	2,221.5	2,042.7	3,813.1	3,432.1	3,432.1	3,432.1	3,432.1	3,432.1
Enterprise Value (Average)	2,973.5	3,125.1	3,183.3	3,348.2	3,331.8	5,171.5	4,351.9	4,318.6	4,251.7	4,162.7	4,046.9
P/E	10.5 x	11.3 x	13.3 x	9.6 x	n/a	19.6 x	13.6 x	14.3 x	15.1 x	17.1 x	23.1 x
EV/EBITDA	6.2 x	8.9 x	8.5 x	6.4 x	n/a	10.6 x	7.3 x	7.8 x	7.1 x	6.5 x	6.0 x
FCF Yield to Market Capitalization	5.3%	-11.3%	0.3%	-3.9%	-17.9%	1.5%	16.0%	2.9%	3.8%	4.5%	5.3%
FCF Yield to Enterprise Value	4.2%	-8.1%	0.2%	-2.6%	-11.0%	1.1%	12.6%	2.3%	3.1%	3.7%	4.5%
Free Cash Flow											
EBIT	372.6	230.6	243.5	364.0	(281.0)	315.0	403.0	330.7	313.7	279.7	211.8
Tax Expense	(127.1)	(0.9)	(37.5)	(69.1)	177.0	(71.7)	(91.8)	(75.3)	(71.4)	(63.7)	(48.2)
D&A	105.2	121.7	129.4	155.9	176.3	173.9	194.2	225.8	281.6	358.2	468.3
Capital Expenditures	(199.7)	(568.4)	(334.8)	(506.8)	(281.2)	(193.4)	(326.7)	(361.4)	(395.0)	(426.2)	(450.7)
Changes in NWC	(27.2)	(36.3)	5.2	(29.5)	(156.3)	(166.3)	369.0	(21.5)	3.0	6.1	(0.5)
Unlevered Free Cash Flow	123.8	(253.2)	5.8	(85.7)	(365.2)	57.5	547.8	98.4	131.9	154.1	180.6
Valuation Summary											

Appendix 2: Discounted Cash Flow Analysis

Discounted Cash Flow Analysis

WACC Calculations

Cost of Equity	
Risk-free rate	2.2%
Expected market return	9.4%
Market Risk Premium	**7.3%**
Beta	1.40
Cost of Equity	**12.4%**

Cost of Debt	
Pre-tax cost of debt	2.1%
Debt Adjustment Factor	1.7%
Effective tax rate	22.8%
Cost of Debt	**1.6%**

WACC	
Market value of equity	3,432.1
Market value of debt	1,574.2
Total Capitalization	5,006.3
Cost of equity	12.4%
Cost of debt	1.6%
WACC	**8.9%**

Free Cash Flow

(Figures in mm USD)	Dec-16 FY2016	Dec-17 FY2017	Dec-18 FY2018	Dec-19 FY2019	Dec-20 FY2020	Mar-21 Q1-2021	Jun-21 Q2-2021	Sep-21 Q3-2021	Dec-21 Q4-2021	Dec-21 FY2021	Dec-22 FY2022	Dec-23 FY2023	Dec-24 FY2024	Dec-25 FY2025	Dec-26 FY2026
EBIT	372.6	230.6	243.5	364.0	(281.0)	24.6	138.9	66.3	85.3	315.0	403.0	330.7	313.7	279.7	211.8
Less: Tax expense	(127.1)	(0.9)	(37.5)	(69.1)	177.0	(1.8)	(27.5)	(11.0)	(19.4)	(71.7)	(91.8)	(75.3)	(71.4)	(63.7)	(48.2)
Add: Depreciation and amortization	105.2	121.7	129.4	155.9	176.3	34.2	44.5	46.4	48.8	173.9	194.2	225.8	281.6	358.2	468.3
Less: Capital expenditures	(199.7)	(568.4)	(334.8)	(506.8)	(281.2)	(69.5)	(65.0)	(32.0)	(26.8)	(193.4)	(326.7)	(361.4)	(395.0)	(426.2)	(450.7)
Less: Change in net working capital	(27.2)	(36.3)	5.2	(29.5)	(156.3)	107.9	86.7	(126.0)	(235.0)	(166.3)	369.0	(21.5)	3.0	6.1	(0.5)
Unlevered Free Cash Flow	**123.8**	**(253.2)**	**5.8**	**(85.7)**	**(365.2)**	**95.4**	**177.6**	**(56.3)**	**(147.2)**	**57.5**	**547.8**	**98.4**	**131.9**	**154.1**	**180.6**
Discount factor						-	-	-	0.25	0.25	1.25	2.25	3.25	4.25	5.25
Present Value of Unlevered Free Cash Flow						**-**	**-**	**-**	**(144.1)**	**(144.1)**	**517.5**	**81.2**	**100.0**	**107.2**	**115.5**

Discounted Cash Flow Valuations

Perpetuity Growth Method	
Perpetuity Growth Rate	5.0%
PV sum of unlevered FCF	777.4
Terminal value	3,108.5
Enterprise Value	**3,885.8**
Add: Cash	193.6
Less: Debt	1,574.2
Less: Other EV adjustments	(45.8)
Equity Value	**2,551.0**
Shares outstanding	17.8
Implied Share Price	**$ 143.58**

Current Price	$ 193.17
Implied Price	**$ 143.58**
Total Return	**-25.7%**

Exit Multiple Method	
Terminal EV/EBITDA Multiple	4.2 x
PV sum of unlevered FCF	777.4
Terminal value	1805.25
Enterprise Value	**2,582.6**
Add: Cash	193.6
Less: Debt	1,574.2
Less: Other EV adjustments	(45.8)
Equity Value	**1,247.8**
Shares outstanding	17.8
Implied Share Price	**$ 70.23**

Current Price	$ 193.17
Implied Price	**$ 70.23**
Total Return	**-63.6%**

Perpetuity Growth Rate \ WACC	9.90%	9.40%	8.90%	8.40%	7.90%
4.00%	$ 76.86	$ 90.33	$ 106.55	$ 126.47	$ 151.51
4.50%	$ 87.54	$ 103.44	$ 122.96	$ 147.50	$ 179.26
5.00%	$ 100.40	$ 119.54	$ 143.58	$ 174.71	$ 216.58
5.50%	$ 116.19	$ 139.76	$ 170.27	$ 211.31	$ 269.45
6.00%	$ 136.02	$ 165.93	$ 206.15	$ 263.15	$ 350.15

Terminal EV/EBITDA Multiple \ WACC	9.90%	9.40%	8.90%	8.40%	7.90%
2.2 x	$ 18.98	$ 20.69	$ 22.45	$ 24.26	$ 26.11
3.2 x	$ 42.30	$ 44.58	$ 46.92	$ 49.32	$ 51.79
4.2 x	$ 65.62	$ 68.46	$ 71.38	$ 74.38	$ 77.47
5.2 x	$ 88.94	$ 92.34	$ 95.85	$ 99.45	$ 103.15
6.2 x	$ 112.25	$ 116.23	$ 120.31	$ 124.51	$ 128.83

Appendix 3: Comparable Company Analysis

Comparable Company Analysis

(Figures in mm USD)

Company	Ticker	Equity Value	Enterprise Value	EV/EBITDA Multiple 2021A EV/EBITDA	2022E EV/EBITDA	2023E EV/EBITDA	P/E Multiple 2021A P/E	2022E P/E	2023E P/E
American Airlines Group	(NasdaqGS: AAL)	12,024.3	30,071.3	n/a	4.9 x	4.4 x	(5.2 x)	6.6 x	5.9 x
United Airlines Holdings, Inc.	(NasdaqGS: UAL)	15,047.5	27,143.2	n/a	4.5 x	3.8 x	(7.8 x)	6.8 x	6.5 x
Spirit Airliens, Inc.	(NYSE: SAVE)	2,458.1	2,459.6	4.0 x	3.2 x	2.6 x	(4.9 x)	7.4 x	7.0 x
Southwest Airlines Co.	(Nasdaq: LUV)	26,529.9	10,539.7	n/a	3.3 x	2.4 x	28.9 x	11.9 x	11.7 x
JetBlue Airways Corporation	(NasdaqGS: JBLU)	4,649.6	4,651.2	n/a	4.2 x	2.8 x	(26.1 x)	9.2 x	8.1 x
Alaska Air Group	(NYSE: ALK)	6,927.1	6,932.8	18.5 x	4.5 x	3.4 x	14.1 x	9.1 x	7.7 x
Delta Air Lines, Inc.	(Nasdaq: DAL)	26,053.7	26,075.0	n/a	4.4 x	3.0 x	33.1 x	8.6 x	6.8 x
Allegiant Travel Company	**(XCH: TCK)**	**3,432.1**	**4,766.8**	**9.7 x**	**5.3 x**	**5.3 x**	**17.1 x**	**13.6 x**	**14.3 x**
Median					**4.4 x**	**3.0 x**		**8.6 x**	**7.0 x**
Mean					**4.2 x**	**3.2 x**		**8.5 x**	**7.7 x**
High					**4.9 x**	**4.4 x**		**11.9 x**	**11.7 x**
Low					**3.2 x**	**2.4 x**		**6.6 x**	**5.9 x**

	EV/EBITDA Implied Price		P/E Implied Price	
Median	$ 147.67	$ 78.60	$ 121.17	$ 94.82
Mean	**$ 134.60**	**$ 88.03**	**$ 120.64**	**$ 103.57**
High	$ 170.59	$ 149.24	$ 168.92	$ 157.69
Low	$ 85.55	$ 47.02	$ 93.98	$ 79.65

Appendix 4: Income Statement

Income Statement	FY2016	FY2017	FY2018	FY2019	FY2020	Q1-2021	Q2-2021	Q3-2021	Q4-2021	FY2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	FY2022	FY2023	FY2024	FY2025	FY2026
Revenue	**1,378.9**	**1,511.2**	**1,667.4**	**1,841.0**	**990.1**	**279.1**	**472.4**	**459.5**	**462.3**	**1,673.4**	**281.1**	**488.3**	**477.5**	**484.1**	**1,731.0**	**1,855.3**	**1,994.5**	**2,144.2**	**2,305.4**
COGS	368.4	592.0	646.2	620.4	528.7	47.7	92.3	128.0	152.6	420.6	78.7	136.7	133.7	135.6	484.7	556.6	598.3	643.3	691.6
Gross Profit	**1,010.5**	**919.2**	**1,021.2**	**1,220.6**	**461.4**	**231.4**	**380.1**	**331.5**	**309.8**	**1,252.8**	**202.4**	**351.5**	**343.8**	**348.6**	**1,246.3**	**1,298.7**	**1,396.1**	**1,501.0**	**1,613.8**
SG&A (sales)	34.6	52.7	73.5	78.9	43.5	11.6	17.6	22.0	23.1	74.4	12.7	22.0	21.5	21.8	77.9	92.8	102.7	112.6	126.8
R&D (n/a)	-	-	-			-			-	-	-	-	-	-	-	-	-	-	-
OPEX (salary and station operations)	498.1	514.2	574.9	621.9	522.6	161.0	179.1	196.7	152.6	689.5	92.8	161.1	157.6	159.8	571.2	649.4	698.1	750.5	806.9
EBITDA	**477.8**	**352.3**	**372.8**	**519.8**	**(104.7)**	**58.8**	**183.4**	**112.7**	**134.1**	**488.9**	**97.0**	**168.5**	**164.7**	**167.0**	**597.2**	**556.6**	**595.3**	**637.9**	**680.1**
D&A	105.2	121.7	129.4	155.9	176.3	34.2	44.5	46.4	48.8	173.9	44.3	47.0	49.9	53.0	194.2	225.8	281.6	358.2	468.3
EBIT	**372.6**	**230.6**	**243.5**	**364.0**	**(281.0)**	**24.6**	**138.9**	**66.3**	**85.3**	**315.0**	**52.7**	**121.5**	**114.8**	**114.0**	**403.0**	**330.7**	**313.7**	**279.7**	**211.8**
Interest expense	28.8	39.0	53.8	76.8	89.7	16.8	16.7	16.6	16.6	66.7	17.0	17.0	17.0	17.0	68.0	17.0	17.0	17.0	17.0
Interest income	(4.2)	(7.4)	(9.6)	(14.1)	(9.6)	(0.9)	(0.4)	(0.5)	(0.5)	(2.4)	2.0	2.0	2.0	2.0	8.0	2.0	2.0	2.0	2.0
EBT	**348.0**	**199.0**	**199.3**	**301.2**	**(361.1)**	**8.7**	**122.5**	**50.3**	**69.2**	**250.7**	**33.7**	**102.5**	**95.8**	**95.0**	**327.0**	**311.7**	**294.7**	**260.7**	**192.8**
Income Tax	127.1	0.9	37.5	69.1	(177.0)	1.8	27.5	11.0	15.9	56.2	7.7	23.6	22.0	21.8	75.2	71.7	67.8	60.0	44.4
Net income	**220.9**	**198.1**	**161.8**	**232.1**	**(184.1)**	**6.9**	**95.0**	**39.3**	**53.3**	**194.5**	**25.9**	**78.9**	**73.8**	**73.1**	**251.8**	**240.0**	**226.9**	**200.8**	**148.5**
Shares Outstanding, Basic	16.5	16.1	15.9	16.0	16.0	16.2	17.1	17.8	17.8	17.2	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Shares Outstanding, Diluted	16.5	16.1	16.0	16.0	16.0	16.2	17.1	17.8	17.8	17.2	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Earnings Per Share, Basic	**$ 13.41**	**$ 12.33**	**$ 10.15**	**$ 14.48**	**$ (11.51)**	**$ 0.42**	**$ 5.57**	**$ 2.21**	**$ 3.00**	**$ 11.31**	**$ 1.46**	**$ 4.44**	**$ 4.15**	**$ 4.12**	**$ 14.17**	**$ 13.51**	**$ 12.77**	**$ 11.30**	**$ 8.36**
Earnings Per Share, Diluted	**$ 13.39**	**$ 12.31**	**$ 10.13**	**$ 14.47**	**$ (11.51)**	**$ 0.42**	**$ 5.56**	**$ 2.21**	**$ 3.00**	**$ 11.31**	**$ 1.46**	**$ 4.44**	**$ 4.15**	**$ 4.12**	**$ 14.17**	**$ 13.51**	**$ 12.77**	**$ 11.30**	**$ 8.36**

Appendix 5: Cash Flow Statement

Cash Flow Statement	FY2016	FY2017	FY2018	FY2019	FY2020	Q1-2021	Q2-2021	Q3-2021	Q4-2021	FY2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	FY2022	FY2023	FY2024	FY2025	FY2026
Operating Activities																			
Net income	220.9	198.1	161.8	232.1	(184.1)	6.9	95.0	39.3	53.3	194.5	25.9	78.9	73.8	73.1	251.8	240.0	226.9	200.8	148.5
Depreciation and amortization	105.2	121.7	129.4	155.9	176.3	43.2	44.5	46.4	48.8	182.9	44.3	47.0	49.9	53.0	194.2	225.8	281.6	358.2	468.3
Gain/loss on aircraft and other equipment disposals	5.0	9.3	2.4	(8.5)	(1.8)	-	-	-		-	-	-	-	-	-	-	-	-	-
Special Charge	-	35.3	-	-	292.8	1.7	0.9	0.3		2.9					-				
Share-based compensation expense	9.4	13.9	15.1	18.2	19.3	-	-	-		-					-				
Deffered income taxes	30.6	42.7	38.2	68.5	69.3	-	-	-		-					-				
Other adjustments	4.3	5.9	4.5	5.5	19.1	8.3	9.9	8.6		26.8					-				
Provision for obsolence of expendable parts, supplies, and fuel	-	-		-	-	-	-	-		-					-				
Amortization of deferred financing costs	-	-		-	-	-	-	-		-					-				
										-					-				
Cash Flow Before Working Capital	**375.3**	**426.9**	**351.4**	**471.7**	**390.9**	**60.1**	**150.2**	**94.6**	**102.1**	**407.1**	**70.2**	**125.9**	**123.7**	**126.2**	**446.0**	**465.9**	**508.6**	**558.9**	**616.7**
Accounts receivable	(18.2)	(30.6)	35.6	10.5	4.4	-	-	-	36.4	36.4	66.0	(13.6)	10.8	9.0	72.2	1.6	(2.8)	(3.0)	(3.2)
Inventories					-	-	-	-	(156.5)	(156.5)	180.2	(3.5)	(1.2)	(1.5)	174.1	(5.9)	(4.2)	(1.6)	(5.2)
Prepaid expenses	2.0	(7.7)	(5.2)	(5.5)	10.2	-	-	-	1.1	1.1	14.8	(11.6)	0.6	(0.4)	3.4	(0.7)	0.9	1.2	(1.9)
Tax receivable					(164.6)	-	-	-		-					-				
Working Capital Asset Account					-	-	-	-		-					-				
Working Capital Asset Account					-	-	-	-		-					-				
Accounts payable	9.2	4.8	8.6	(2.1)	7.0	-	-	-	14.1	14.1	(19.9)	23.9	(6.9)	(4.5)	(7.5)	(1.2)	1.4	1.3	1.1
Accrued liabilities	7.6	9.3	12.0	21.3	(26.4)	-	49.2	(49.2)	(130.1)	(130.1)	82.7	64.8	(13.2)	(7.6)	126.7	(15.4)	7.7	8.2	8.7
Air traffic liability	(6.1)	12.7	7.9	37.7	57.6	95.5	33.7	(85.2)		44.0					-				
Maintenance liability	(18.9)	(20.7)	(49.6)	(81.1)	(40.4)	-	0.0	24.6		24.6					-				
Other adjustments	(2.8)	(4.1)	(4.1)	(10.3)	(4.2)	12.4	3.8	(16.2)		-					-				
Net CFO	**348.2**	**390.7**	**356.6**	**442.2**	**234.6**	**168.0**	**237.0**	**(31.4)**	**(132.9)**	**240.7**	**394.0**	**185.9**	**113.9**	**121.2**	**815.0**	**444.4**	**511.6**	**565.0**	**616.2**
Investing Activities																			
Capital expenditures (purchase of property and equipment)	(199.7)	(568.4)	(334.8)	(506.8)	(281.2)	(69.5)	(65.0)	(32.0)	(26.8)	(193.4)	(79.7)	(81.1)	(82.3)	(83.5)	(326.7)	(361.4)	(395.0)	(426.2)	(450.7)
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Divestitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of investment securities	(444.5)	(363.3)	(371.5)	(436.2)	(686.6)	(89.3)	(584.4)	(354.8)		(1,028.5)					-				
Proceeds from maturities of investments securities	361.1	319.9	436.6	454.8	504.6	194.5	241.8	243.2		679.6					-				
Aircraft pre-delivery deposits	(125.4)	(11.8)	-	-	87.6	-	-	-		-					-				
Other investing activities	6.8	5.1	0.7	11.8	9.9	(0.0)	2.5	(0.4)		2.1					-				
-	-	-	-	-	-	-	-	-		-					-				
Net CFI	**(401.8)**	**(618.5)**	**(269.0)**	**(476.5)**	**(365.7)**	**35.7**	**(405.1)**	**(143.9)**	**(26.8)**	**(540.2)**	**(79.7)**	**(81.1)**	**(82.3)**	**(83.5)**	**(326.7)**	**(361.4)**	**(395.0)**	**(426.2)**	**(450.7)**
Financing Activities																			
Dividends paid	(67.5)	(45.7)	(45.2)	(45.6)	(11.4)	-	-	-	-	-	(12.4)	(12.4)	(12.4)	(12.4)	(49.7)	(49.7)	(49.7)	(49.7)	(49.7)
Prooceeds from the issuace of debt	321.2	497.5	211.3	874.9	428.0	105.0	1.7	-		106.7					-				
Repurchase of common stock	(66.4)	(90.5)	(3.7)	(18.6)	(33.8)	-	-	-		-					-				
Prinicipal payments on debt and capital lease obligations	(154.1)	(138.9)	(232.2)	(705.8)	(217.8)	(151.5)	(48.1)	(40.0)		(239.6)					-				
Other financing activities	(0.6)	(0.4)	7.5	3.4	6.7	-	3.9	-		3.9					-				
Debt issuance cost	-	-	(0.0)	(33.3)	(7.2)	(0.6)	0.0	(0.1)		(0.7)					-				
Proceeds from issuance of common stock	-	-	-	-	-	-	335.1	0.0		335.1					-				
-	-	-	-	-	-	-	-	-		-					-				
Net CFF	**32.6**	**222.1**	**(62.4)**	**75.1**	**164.6**	**(47.2)**	**292.7**	**(40.1)**	**-**	**205.4**	**(12.4)**	**(12.4)**	**(12.4)**	**(12.4)**	**(49.7)**	**(49.7)**	**(49.7)**	**(49.7)**	**(49.7)**
FX effect	-				-	-	-	-		-					-				
Net Change in Cash Balance	**(21.1)**	**(5.7)**	**25.3**	**40.9**	**33.5**	**156.5**	**124.6**	**(215.4)**	**(159.7)**	**(94.1)**	**301.8**	**92.4**	**19.1**	**25.3**	**438.6**	**33.3**	**66.8**	**89.0**	**115.8**
Beginning Cash Balance	**97.5**	**76.4**	**70.6**	**95.9**	**136.8**	**170.3**	**326.8**	**451.4**	**236.0**	**170.3**	**76.2**	**378.1**	**470.5**	**489.6**	**76.2**	**514.8**	**548.1**	**614.9**	**704.0**
Ending Cash Balance	**76.4**	**70.6**	**95.9**	**136.8**	**170.3**	**326.8**	**451.4**	**236.0**	**76.2**	**76.2**	**378.1**	**470.5**	**489.6**	**514.8**	**514.8**	**548.1**	**614.9**	**704.0**	**819.8**

Appendix 6: Balance Sheet

Balance Sheet	FY2016	FY2017	FY2018	FY2019	FY2020	Q1-2021	Q2-2021	Q3-2021	Q4-2021	FY2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	FY2022	FY2023	FY2024	FY2025	FY2026
Current Assets																			
Cash and cash equivalents	76.4	70.6	95.9	121.9	152.8	301.6	418.4	193.6	76.2	76.2	378.1	470.5	489.6	514.8	514.8	548.1	614.9	704.0	819.8
Accounts receivable	40.7	71.1	36.0	25.5	192.2	188.1	175.4	147.4	111.0	111.0	45.0	58.6	47.8	38.7	38.7	37.1	39.9	42.9	46.1
Inventories (Expendable parts, supplies and fuel)	16.8	17.6	19.5	28.4	24.0	26.3	30.2	28.4	184.9	184.9	4.7	8.2	9.4	10.8	10.8	16.7	20.9	22.5	27.7
Prepaid expenses	16.3	23.9	29.1	34.6	24.6	32.1	32.5	31.6	30.5	30.5	15.7	27.3	26.7	27.1	27.1	27.8	26.9	25.7	27.7
Restricted Cash	-	-	-	14.9	17.6	25.2	32.9	42.3	42.3	42.3	42.3	42.3	42.3	42.3	42.3	42.3	42.3	42.3	42.3
Short-term investments	269.3	352.7	314.5	335.9	532.5	426.4	767.4	877.3	877.3	877.3	877.3	877.3	877.3	877.3	877.3	877.3	877.3	877.3	877.3
Other	2.7	5.3	0.2	1.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	**422.1**	**541.3**	**495.2**	**562.2**	**943.6**	**999.7**	**1,456.9**	**1,320.8**	**1,322.3**	**1,322.3**	**1,363.2**	**1,484.3**	**1,493.1**	**1,511.2**	**1,511.2**	**1,549.4**	**1,622.4**	**1,714.8**	**1,840.9**
Non-Current Assets																			
Property and equipment	1,095.3	1,512.4	1,847.3	2,236.8	2,050.3	2,072.2	2,116.6	2,148.0	2,126.0	2,126.0	2,161.5	2,195.5	2,228.0	2,258.5	2,258.5	2,394.0	2,507.3	2,575.4	2,557.8
Long-term investments	124.8	78.6	51.5	15.5	-	-	-		-	-	-	-	-	-	-	-	-	-	-
Deferred major maintenance	17.3	31.3	67.9	129.7	127.5	131.9	145.3	146.6	146.6	146.6	146.6	146.6	146.6	146.6	146.6	146.6	146.6	146.6	146.6
Deposits and other assets	12.0	16.6	36.8	44.5	21.6	24.4	27.3	27.1	27.1	27.1	27.1	27.1	27.1	27.1	27.1	27.1	27.1	27.1	27.1
Operating lease rigth-of-use asset				22.1	115.9	117.0	128.5	124.3	124.3	124.3	124.3	124.3	124.3	124.3	124.3	124.3	124.3	124.3	124.3
Total Non-Current Assets	**1,249.5**	**1,638.9**	**2,003.4**	**2,448.6**	**2,315.3**	**2,345.5**	**2,417.8**	**2,446.0**	**2,424.0**	**2,424.0**	**2,459.5**	**2,493.5**	**2,526.0**	**2,556.5**	**2,556.5**	**2,692.0**	**2,805.3**	**2,873.4**	**2,855.8**
Total Assets	**1,671.6**	**2,180.2**	**2,498.7**	**3,010.8**	**3,258.9**	**3,345.2**	**3,874.7**	**3,766.8**	**3,746.4**	**3,746.4**	**3,822.7**	**3,977.8**	**4,019.1**	**4,067.6**	**4,067.6**	**4,241.4**	**4,427.7**	**4,588.2**	**4,696.7**
Current Liabilities																			
Current portion of long-term debt	86.2	214.8	152.3	173.3	231.5	171.7	144.4	139.6	139.6	139.6	139.6	139.6	139.6	139.6	139.6	139.6	139.6	139.6	139.6
Accounts payable	16.0	20.1	27.5	27.7	34.2	37.8	74.1	53.0	67.1	67.1	47.2	71.1	64.2	59.6	59.6	58.4	59.8	61.1	62.2
Accrued liabilities	96.7	105.1	122.0	161.7	116.1	129.8	182.9	148.6	18.5	18.5	101.2	166.0	152.8	145.2	145.2	129.9	137.6	145.8	154.5
Air traffic liability	194.0	204.3	212.2	250.0	307.5	403.0	436.7	351.5	351.5	351.5	351.5	351.5	351.5	351.5	351.5	351.5	351.5	351.5	351.5
Total Current Liabilities	**392.9**	**544.3**	**514.0**	**612.6**	**689.3**	**742.3**	**838.1**	**692.8**	**576.7**	**576.7**	**639.5**	**728.2**	**708.1**	**696.0**	**696.0**	**679.4**	**688.6**	**698.0**	**707.8**
Non-Current Liabilities																			
Long-term debt	722.0	950.1	1,119.4	1,248.6	1,441.8	1,459.6	1,441.1	1,434.6	1,434.6	1,434.6	1,434.6	1,434.6	1,434.6	1,434.6	1,434.6	1,434.6	1,434.6	1,434.6	1,434.6
Deffered income tax	75.3	119.0	164.0	232.5	301.8	303.4	310.7	311.0	311.0	311.0	311.0	311.0	311.0	311.0	311.0	311.0	311.0	311.0	311.0
Other	7.7	13.4	10.9	33.6	24.4	27.1	22.9	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0
Noncurent operating liabilities					102.3	103.1	114.8	110.3	110.3	110.3	110.3	110.3	110.3	110.3	110.3	110.3	110.3	110.3	110.3
Obligation for pension and posteriterment medical benefits									42.4	42.4	42.4	42.4	42.4	42.4	42.4	42.4	42.4	42.4	42.4
Total Non-Current Liabilities	**805.1**	**1,082.6**	**1,294.4**	**1,514.7**	**1,870.2**	**1,893.2**	**1,889.5**	**1,882.9**	**1,925.3**	**1,925.3**	**1,925.3**	**1,925.3**	**1,925.3**	**1,925.3**	**1,925.3**	**1,925.3**	**1,925.3**	**1,925.3**	**1,925.3**
Total Liabilities	**1,198.0**	**1,626.8**	**1,808.3**	**2,127.3**	**2,559.6**	**2,635.5**	**2,727.6**	**2,575.7**	**2,502.0**	**2,502.0**	**2,564.8**	**2,653.5**	**2,633.4**	**2,621.3**	**2,621.3**	**2,604.7**	**2,613.8**	**2,623.3**	**2,633.1**
Shareholders' Equity																			
Common stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	238.2	253.8	270.9	289.9	329.8	333.1	671.9	675.8	675.8	675.8	675.8	675.8	675.8	675.8	675.8	675.8	675.8	675.8	675.8
Retained earnings (accumulated deficit)	753.4	907.9	1,025.1	1,211.1	1,015.6	1,022.5	1,117.5	1,156.8	1,210.1	1,210.1	1,223.6	1,290.0	1,351.4	1,412.1	1,412.1	1,602.4	1,779.6	1,930.6	2,029.3
Treasury stock	(517.8)	(605.7)	(605.0)	(617.6)	(646.0)	(646.0)	(642.2)	(642.2)	(642.2)	(642.2)	(642.2)	(642.2)	(642.2)	(642.2)	(642.2)	(642.2)	(642.2)	(642.2)	(642.2)
Accumulated other comprehensive income (loss)	(0.2)	(2.8)	(0.7)	0.1	(0.0)	0.0	(0.1)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Shareholders' Equity	**473.6**	**553.3**	**690.3**	**883.6**	**699.4**	**709.7**	**1,147.1**	**1,191.1**	**1,244.3**	**1,244.3**	**1,257.9**	**1,324.3**	**1,385.7**	**1,446.4**	**1,446.4**	**1,636.7**	**1,813.9**	**1,964.9**	**2,063.6**
Minority interests									-	-	-	-	-	-	-	-	-	-	-
Total Equity	**473.6**	**553.3**	**690.3**	**883.6**	**699.4**	**709.7**	**1,147.1**	**1,191.1**	**1,244.3**	**1,244.3**	**1,257.9**	**1,324.3**	**1,385.7**	**1,446.4**	**1,446.4**	**1,636.7**	**1,813.9**	**1,964.9**	**2,063.6**

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