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## CORPORATE PARTICIPANTS

**Sherry Wilson** *Allegiant Travel Co - IR Contact Officer*

**Maurice Gallagher** *Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer*

**Gregory Anderson** *Allegiant Travel Co - President and CEO*

**Scott Deangelo** *Allegiant Travel Co - Executive Vice President, Chief Marketing Officer*

**Drew Wells** *Allegiant Travel Co - Senior Vice President, Chief Revenue Officer*

**Robert Neal** *Allegiant Travel Co - Chief Financial Officer, Senior Vice President*

**Micah Richins** *Allegiant Travel Co - President of Sunseeker Resorts*

## CONFERENCE CALL PARTICIPANTS

**Shannon Doherty** *Deutsche Bank - Analyst*

**Katherine Kallergis** *Morgan Stanley - Analyst*

**Scott Group** *Wolfe Research - Analyst*

**Savi Syth** *Raymond James - Analyst*

**Conor Cunningham** *Melius Research - Analyst*

**Duane Pfennigwerth** *Evercore - Analyst*

**Dan McKenzie** *Seaport Global - Analyst*

**Andrew Didora** *Bank of America - Analyst*

## PRESENTATION

### Operator

Thank you for standing by. My name is Amy, and I will be your conference operator for today. At this time, I would like to welcome you to the Allegiant Travel Company's second quarter 2024 earnings call.

(Operator Instructions)

Thank you, and it is now my pleasure to turn the call over to Sherry Wilson, Managing Director of Investor Relations. Please go ahead.

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### Sherry Wilson - Allegiant Travel Co - IR Contact Officer

Thank you, Amy. Good afternoon everyone, and welcome to the Allegiant Travel Company's second quarter 2024 earnings call. On the call with me today are Maury Gallagher, the company's Executive Chairman and CEO; Greg Anderson, President and Incoming CEO; Scott DeAngelo, our EVP and Chief marketing Officer; Drew Wells, our SVP and Chief Revenue Officer; Robert Neal, SVP and Chief Financial Officer; Micah Richins, President of Sunseeker Resorts, and a handful of others to help answer questions.

We will start the call with commentary and then open it up to questions. We ask that you please limit yourself to one question and one follow up.

The company's comments today will contain forward-looking statements concerning our future performance and strategic plan. Various risk factors could cause the underlying assumptions of these statements and our actual results to differ materially from those expressed or implied by our forward-looking statements. These risk factors and others are more fully disclosed in our filings with the SEC.

Any forward-looking statements are based on information available to us today. We undertake no obligation to update publicly any forward-looking statements, whether as a result of future events, new information or otherwise. The company cautions investors not to place undue reliance on forward-looking statements, which may be based on assumptions and events that do not materialize. To view this earnings release as well as the rebroadcast of the call, feel free to visit the company's investor relations site at [ir.allegiantair.com](http://ir.allegiantair.com).

And with that, I'll turn it over to Maury.

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**Maurice Gallagher** - *Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer*

Thank you, Sherry, and good afternoon, everyone. Thank you for joining our call today. Good news is, we are working our way back to the Allegiant of old. We are well positioned for 2025, and you will hear that from our different speakers today. And I'm happy on a personal note to glad on top.

We mentioned in our release four major efforts, including increasing our utilization, addition of our new Boeing aircraft, continuing development work on our Navitaire reservations platform, and the recently announced partnering with Prospect Hotel Advisors.

A note on Prospect, they both operated and bought and sold numerous properties, particularly on the West Coast of Florida where Sunseeker is located. After a recent review of the property, they've been impressed. They've complemented its quality of construction, its people, products and services, and its management team. So stay tuned as we dig into that aspect.

Turning to the airline, the number one asset we have available to us in the coming years, our ability to increase our flying with the existing fleet and personnel. Moreover, this increased flying will be concentrated on peak periods, which are very revenue accretive. Additionally, this increased flying will also drive down our unit cost, our CASMx.

As I move to the sidelines, I would be remiss in not applauding this world class management team. They are as good, if not better, than any team I have had the privilege to work with in this past 27 years. The people, you, the analyst represent, the investors in this industry will be well served by these excellent leaders in the coming years. Just as important also though is, we've been fortunate to have one of the best workforces, if not the best in the industry. Their excellence can be seen in every aspect of what we do from our 99%-plus completion factor to our industry leading NPS scores into our top three ranking among the industry's carriers.

And at this point, everyone understands brand and reputation matter, particularly in this social media world. Allegiant and its world-class team members continually rank near the top in these categories. This reputational quality is critical to profitability. Our unique business model over the years has served us well and continues to do so. However, the recent undoing of this low fare industry that we all are part of does not portend well for a number of the incumbent low fare carriers. A combination of weakening revenues, substantial cost increases, poor reputation and brand has condemned a number of the industry's low fare players to a loss situation that will be hard to turn around.

This environment has driven certain players to make massive schedule changes and in search of a viable business plan. The magnitude of these changes almost certainly suggests losses will increase near term. On the regulatory front, I worry about the efforts that the federal government is working to fix something that is not broken. By any measure, this Airline Deregulation Act of 1978 has been the best outcome for the US traveling public.

However, since Allegiant began in the early 2000s, there's been a constant drumbeat by the government on a path to re-regulate the industry. The current administration has made it known that they do not want any additional mergers. That mergers, they believe, have been bad for the industry. But when a current carrier's business does not work, there's only one of two options, you go out of business or you merge.

The DOT recently introduced a number of new regulations, which will only add to the cost the consumer must pay for air travel. As you are aware, the industry trade groups A4A and NACA filed suit in the Fifth Circuit to block one of these proposed regulations, the ancillary fee rule. This new regulation would have required a complete rewrite of the industry's websites with DOT dictating how we must present our products to our customers.

This rewrite, as you can imagine, would have cost and will cost every carrier millions to develop a website to comply with the proposed presentation format. I'm happy to report that yesterday the Fifth Circuit issued a motion to stay the implementation of the DOT's ancillary fee rule, a small victory.

Looking forward, as I said, I'm bullish on Allegiant's ability with its unique model, with 75% of its routes non-competitive, to grow profitably and strengthen its position in the coming years. I think my ownership position says as much. Unfortunately, low fares which politicians all pay lip service to, will be more difficult to find in the coming months and years with the unwinding of a number of low fare carriers. Accordingly, the majors market share should be increasing and will be increasing.

However, the one I care the most about, Allegiant, will do well in the coming years. It is a model that works. It has proven its resilience over 20 years. It has the team members to execute the plan and the leadership to oversee this effort.

Thank you very much. Greg?

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**Gregory Anderson** - *Allegiant Travel Co - President and CEO*

Maury, thank you and good afternoon everyone. I'd like to start by congratulating Maury on his transition back to the Executive Chairman role. He has been a true pioneer in this industry for the better part of the last four decades and culminating his career by building one of the most unique and successful airlines in the world. We have the right management team to carry on his legacy and I'm honored to work alongside them and all of team Allegiant in the continual strengthening of our differentiated airline.

Our primary objective as a management team is delivering industry-leading results. Last quarter I spoke at length about the three key initiatives we are working on that will position the airline for a strong 2025. First is the increased peak period utilization. Next is optimizing our next-gen revenue management system Navitaire, and lastly is to bring our new Boeing aircraft into service. Executing these initiatives requires great work from our team members and I'm incredibly appreciative of all they do. Thank you.

It is important, we are the airline of choice for our people and to that end, the last CBA remaining open is a contract with our pilots, which is long overdue. We look forward to bringing these negotiations to a successful conclusion and working with the IBT on a contract our pilots will get behind and that also supports our unique model.

With that as background, let me turn to our airline performance in the second quarter. The team did an outstanding job in achieving controllable completion of 99.7%, among the best in the industry. And as noted, we are focused on increasing our peak utilization. I'm happy to report that June's 7.8 hours per day was a half hour increase year-over-year. The airline delivered an adjusted operating margin of 10.3% during the second quarter, well ahead of the 7% to 9% guidance that we provided last quarter. This would not have been possible without the increased utilization I just referenced, which was supported by stable pilot staffing levels.

I'm pleased to report the increased utilization performance has continued into July despite the headwinds of the global vendor induced software outage. On that note, I'm very proud of team Allegiant for the way we all came together working around the clock during the outage to ensure our systems were back up and running as quickly as possible. Make no mistake, we faced significant challenges, but our team effectively managed the situation, resulting in hundreds of flights saved the day of the outage as we resumed a normal operation that same afternoon, and since that time we have delivered an impressive 99.5% controllable completion factor.

We expect the global software outage will impact our margin by three points in the quarter. As a result, on a reported basis, we expect an airline only margin of negative 5.5% or a loss of 2.5% excluding it, and nearly half of the financial impact from the outages related to our customer service plan where we issue additional compensation to help assist their disrupted travel.

Recognizing that the third quarter is typically our lowest financial performing period, our current guidance reflects temporary challenges for the following reasons. First, our peak utilization for the third quarter summer months is still about 20% below 2019's average of 9.5 hours per aircraft. However, we estimate if peak summer utilization were at 2019 levels, as we expect to be closer to next summer, we would – this would provide a substantial benefit of six points of margin to our third quarter financial performance.

Next, we are still optimizing our Navitaire revenue management system. The fact that our ancillary revenue increased year-over-year in the second quarter highlights how Drew and the team improved our ancillary revenue despite the loss of functionality with Navitaire. The absence of important functionality from a year ago vis-à-vis the Navitaire cutover is currently affecting our third quarter margin by three points. While this impact is reflected in our current estimates, we are steadily progressing toward resolving this issue.

And lastly, we are addressing the challenges related to the Boeing delivery delays. We are currently absorbing \$30 million of annual expenses that are not associated with productive assets such as pilots that were hired and trained on the MAX aircraft. Our team is focused on getting to a realistic delivery schedule and fair compensation for the extended delays. We estimate these efforts will substantially mitigate this impact, which currently stands at a negative two points of margin.

All that said, we look forward to delivering significantly improved performance starting later this year and into 2025 as we continue to execute on our plan. We have line of sight to sustained peak utilization increases. For the peak weeks of December, we are scheduled for nine hours of utilization per aircraft per day. We expect similar utilization for the peak periods in 2025. These planned increases in utilization are expected to be accomplished with roughly the same number of aircraft and infrastructure as we have in 2024.

In addition, the 1,400 incremental routes we have identified provide us with many more options that fit our network beautifully. Most of these routes are in underserved communities that are currently without nonstop service. And on the commercial technology front, the team continues working through the optimization of Navitaire, which should yield an estimated incremental \$4 per passenger at maturity. This is driven by improved dynamic pricing and new ancillary fee revenues versus our legacy homegrown system. We feel confident that Navitaire will be largely optimized by 2025.

Regarding our MAX order, discussions with Boeing indicate we will take our first delivery this quarter. As we start integrating this new aircraft into our fleet, we remain confident in the operational efficiencies we will gain from improved fuel burn, increased gauge and the integration of Allegiant Extra efficiencies that we will be able to scale as we head into 2025.

Regarding Boeing deliveries, we are planning for an elongated delivery cycle and expect a slower delivery cadence in 2025 and 2026. This slower fleet growth should result in a reduction in our near and medium term capital needs. However, we are in active discussions with Boeing and we will have more to share when those talks are finalized.

In the meantime, we believe it was the right move to suspend our dividend, allowing us to focus on working through our capital program while concurrently enhancing our financial returns. And our entire management team is focused on driving higher earnings by taking a fresh look at removing structural costs from our business and executing on our plan. Although we are not immune to pricing fluctuations, our network, comprising roughly of 75% non-competitive routes, coupled with our ability to pull back capacity to meet demand trends, provides a formidable moat around our business. We've seen the model produce successful results in various economic conditions and we expect no difference going forward.

And touching on Sunseeker, we forecast our cash loss estimate for the year to be roughly \$15 million – cash loss estimate for the year to be roughly \$15 million. This includes a full year EBITDA loss of \$25 million, expected to be offset by up to \$10 million of incremental proceeds from business interruption insurance due to the delays in opening the resort. Clearly, Sunseeker's financial results are not meeting expectations. We are proactively addressing this by engaging Prospect Hotel Advisors and experienced hospitality management firm with a successful track record.

They will pair nicely with our Sunseeker team, both working to improve near term financial performance in parallel with developing potential strategic alternatives for Sunseeker. Given Prospect's team's proven track record of positioning and selling many resort properties, we look forward to leaning into their expertise to help maximize volume as we – maximize value as we explore alternatives.

And before I turn it over to Scott, I just want to reiterate that we are focusing on our strengths, which is operating our airline and removing distractions that aren't additive to our plan. The combination of increased utilization, the addition of our Boeing aircraft, the optimization of our revenue management software and the benefits from Prospect Advisors should position us well for a much improved 2025 and beyond. Scott?

**Scott Deangelo** - Allegiant Travel Co - Executive Vice President, Chief Marketing Officer

Thanks, Greg. While the current domestic air travel supply versus demand environment has been well documented at this point, and while it is having some impact on our business, as we hear from our customers that modestly more of them are planning to spend less than spend more on leisure travel this year, there is marginal goodness we expect to see from the industry's domestic capacity reductions. Drew will talk more about the puts and takes here in his remarks.

Also, awareness of and preference for our Allegiant brand and adoption of our evolving product continue to improve. Our net promoter score rose to 67% in the second quarter. That's 12 points higher than we reported last quarter, and our customers continue to rate us materially higher than all other airlines in the nation. It's also important to remember who our customers are. Nearly half of our customers have annual household incomes of greater than \$100,000, and nearly two-thirds have annual household incomes of greater than \$75,000.

Regardless of household income the year-over-year, differences in passenger segments booked between higher and lower household incomes was less than two percentage points. We also surveyed our new customers this year, asking them how often they fly and what other airlines they most frequently flew with before they first flew Allegiant. More than 60% of these new customers fly three or more times per year.

Only 10% of these new customers said they flew with the ULCC most often before flying us. Rather more than 80% of these new customers said they flew most often with the nation's four largest carriers before they flew with us, typically connecting, via connecting flights and often via the regional arms of network carriers. This is consistent with prior data that we've seen and I've shared for customers overall in past years, and it's consistent with Allegiant having its own swim lane where we win among leisure travel customers, no matter income or prior airlines flown who are choosing Allegiant based on nonstop flights, overall value and/or smaller, more convenient airports. Most importantly, nearly 90% of these new customers say they are likely or extremely likely to fly with Allegiant again.

Our high margin third party product revenue increased 28% during both the second quarter and first half of the year compared to 2023. Our Allways Rewards Visa card led the way as the program surpassed 525,000 cardholders in the quarter and earned nearly \$40 million in total co-brand credit card compensation, up 34% versus Q2 2023. Year-to-date, we've earned nearly \$70 million in total co-brand credit card compensation, up 22% versus 2023, and we're on track to sign up more than 140,000 new cardholders this year, which would make this our second highest new cardholder acquisition year ever in the program's eight year history, behind only 2022. Our award winning co-brand credit card program continues to gain steam, showing strong growth even during a period that had virtually flat capacity growth versus prior year.

And lastly, we continue our transition from legacy technology systems to modern open integration technology platforms that will enable us to enhance our web and app booking experience and merchandising capabilities, incorporate generative AI in both self service and sales capacities, and ultimately drive increased take rates for high margin air ancillary products and bundles, along with continued increased attachment for high margin third-party hotel, car rental and co-brand credit card offerings.

And with that, I'll turn it over to our Chief Revenue Officer, Drew Wells.

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**Drew Wells** - Allegiant Travel Co - Senior Vice President, Chief Revenue Officer

Thank you, Scott, and thanks to everyone for joining us today. I'm pleased to report second quarter airline revenue of \$649.5 million and TRASM of \$13.03. Both figures among the best second quarter performances in Allegiant history. On a year-over-year basis, TRASM was down approximately 4.5% and System ASMs decreased 0.8%, both versus 2Q 2023.

Among carriers that have reported 2Q results, Allegiant continues to represent one of the best performances versus pre-pandemic, with both the double digit TRASM and ASM gains versus the first half of 2019, along with a second consecutive quarterly record fixed fee performance leading the way once more with strong ancillary performance year-over-year. Scott detailed the Allways Rewards Visa card performance, but both the expansion of Allegiant Extra aircraft and successful price testing drove immense value. In June, after retrofitting 11 additional aircraft.

We're targeting 26 more aircraft, 13 in each of the third and fourth quarters through the back half of the year. When combined with our initial four Boeing MAX aircraft, we will feature the Allegiant Extra product on nearly half of the fleet by year end. As a reminder, the Allegiant Extra aircraft features six rows of additional legroom along with priority access, reserved overhead bin space and an included snack onboard. When starting the small three to four plane test in 2019. We believed it worked on paper given the mix of itineraries from our customers, but certainly there was no certainty it would work in practice.

In 2024 more than 300 unique markets have seen the Allegiant Extra product, and while the overall revenue environment is dramatically better, driving a higher opportunity cost and hurdle rate, Extra has excelled to a product currently contributing more than \$3 in incremental revenue per passenger on flights with the Allegiant Extra layout. These benefits have helped to offset the continued headwinds from a loss of functionality during our Navitaire reservation management system implementation. We are in the early steps of creating a detailed timeline, but as Greg mentioned, we expect to see benefits show up in 2025.

While certainly a unit revenue positive, I don't think we fully maximize our earnings potential through April and early May. As mentioned last quarter, we had more available pilots in March than initially planned as Boeing delivery timelines, and therefore our pilot transition training timing and needs continued to slip. This held true in the first half of Q2 as well. Additionally, demand held in better than our capacity deployment would imply, and we likely should have been down just single digits instead.

The third quarter capacity plan will reflect that learning from the second quarter, with overall ASMs expected to grow roughly 1.5 points versus the third quarter 2023 and the post summer capacity expected to be down just slightly, this obviously will carry a stronger headwind to 3Q unit revenues when compared to the benefit of off peak 2Q capacity decisions, but we believe it is the right thing for earnings.

Further, while we will likely see a reduced impact relative to the other carriers given our network setup, we are not fully immune from industry capacity decisions, which will affect our results. And as with most years, as July goes, the quarter goes and approximately 44% of our third quarter ASMs are expected to fly in July. We currently expect third quarter unit revenues to be down approximately 7.5% year-over-year. The quarter exit rate does look better than July on a year-over-year basis for flat capacity routes. However, given our ASM distribution for September, to impact the quarter meaningfully, we need roughly double the percentage change that July requires.

Most important to our longer term plans though, is the inflection point of our utilization profile. As we discussed last quarter, the restoration of our peak utilization is paramount in our return to acceptable margin profiles. Summer 2024 was the first step toward that with successful small gains and a strong operational performance. We will look to push harder still as our current outlook for the holiday period has us back to just a single digit percentage deficit first 2019 utilization as opposed to the 20% plus reduction from this summer. We continue to gather confidence in the pilot headcount numbers and our planning and operations teams keep working to find ways to drive valuable flying upside while not sacrificing operational integrity.

And with that, I'd like to turn it over to Robert.

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**Robert Neal** - Allegiant Travel Co - Chief Financial Officer, Senior Vice President

Thanks, Drew, and good afternoon everyone. Before I review our financial results, I just want to extend my sincere thanks to our team members. Throughout this year we have been reacting and adjusting to a continuously changing aircraft delivery schedule and fleet retirement plan. The situation has been fluid and dynamic, causing various workgroups to be prepared for multiple operating scenarios.

It's not easy and the impacts have been felt throughout the organization, but in the face of this, our people have delivered operational excellence while still keeping a focus on cost execution. Thank you to team Allegiant for all you do.

Now, I'll speak to our financial results and guidance today on an adjusted basis, excluding any special items. Today, we reported consolidated net income of \$32.5 million for the second quarter, yielding a consolidated earnings per share of \$1.77. Consolidated EBITDA came in at \$118.3 million with an EBITDA margin of 17.8%.

Adjusted net income at the airline was \$41 million, resulting in an airline EPS of \$2.24, which was above our initial expectations. Airline financial results were driven by stronger than anticipated top-line revenue and better than expected cost performance. Airline EBITDA for the quarter was \$126.3 million, resulting in an EBITDA margin of 19.4% for the airline.

Fuel costs, of course, continue to play a significant role in our financial results. For the second quarter, average fuel cost was \$2.83 per gallon, slightly below our guide of \$2.90. For the third quarter, we are estimating our fuel cost to be \$2.80 per gallon.

Non-fuel unit costs increased 5.6% on a slight capacity reduction of 0.8% when compared to the second quarter of 2023. This increase was better than our previous estimate of up 7%, supported by improvements in various cost centers and on timing of flight equipment sales during the quarter, increases in unit costs included one extra month of the pilot retention bonus given the accrual began in May of 2023, higher labor costs in other work groups, depreciation expense related to heavy maintenance and IT systems, and the slight capacity reduction as compared to the prior year.

While unit costs are structurally higher for the industry, we are mindful that at Allegiant our results this year reflect higher unit costs associated with labor agreements, but they don't benefit from increased utilization and productivity in our peak leisure periods, something we are highly focused on delivering as Greg mentioned.

Turning to the balance sheet, total liquidity at the end of the quarter was \$1.1 billion, including \$851 million in cash and investments and \$275 million in undrawn revolver capacity. During the quarter, we made principal payments totaling \$31.7 million. Our consolidated net leverage at the end of the quarter was 3.8 times trailing 12 month EBITDA, which includes \$89 million in costs related to our pilot retention bonus.

During the remainder of the year, we expect to repay approximately \$73 million in regular scheduled principal amortization and expect \$50 million to \$75 million in PDP debt to be naturally refinanced by year end as associated maxed aircraft are delivered. As previously noted, in conjunction with Boeing deliveries, we expect our net leverage to peak at year end and remain around those levels through the first half of next year before we start to delever during the back half of 2025, as we expect to see sustained margin improvement following the key initiatives we've outlined.

In early July, we announced the temporary suspension of our dividend. We are focused on managing our liquidity and leverage as we prepare to deploy CapEx for aircraft deliveries later this year. We remain excited about the earnings potential of these aircraft and believe this is a prudent capital allocation to support long-term airline earnings.

Regarding fleet, we inducted one A320 aircraft into revenue service during the quarter, which was delivered to us back in March. We anticipate our first MAX 8 delivery from Boeing in September, and we are currently expecting a total of four units this year, down from six discussed on the last earnings call. Our plan here represents our best estimate and is not based on a forecast from Boeing.

As a result of the continued delivery delay shifting our initial 737 MAX operations into the fourth quarter, we have updated our capacity assumptions for the remainder of the year and now expect full year capacity to increase roughly 1.5% as compared to 2023. We are prepared in the event aircraft deliveries shift further to adjust operational plans to align with aircraft availability.

Looking ahead, we are in active discussions with Boeing on an updated delivery schedule, which would take into account the time needed to properly ramp this new fleet type into the business to better manage disconnected timing of aircraft and flight crew availability for the MAX fleet. We are working with Boeing on a schedule which would envision a slower delivery profile than we had originally planned. Based on our current forecast, we are expecting full year capital expenditures of roughly \$400 million for the full year 2024, of which \$190 million is aircraft or engine related.

Other airline capital expenditures are now expected to be approximately \$125 million, down \$40 million from our prior guide, and we continue to expect heavy maintenance CapEx to come in at \$85 million for the full year, unchanged from the last quarter.

For the third quarter, we estimate a consolidated loss per share of \$3 at the midpoint of our guidance. Roughly \$0.75 of that loss is attributable to the systems outage in July, and about a dollar is attributable to losses at Sunseeker. The third quarter represents our seasonally low period and as noted, July utilization was well below levels we've historically achieved.



On a unit cost basis, we expect third quarter CASMx will increase roughly 7% over the same period of 2023. The increase is comprised of three points related to the system outage, roughly four points in labor costs, and a point and a half related to ground handling and station charges, offset by reductions of about a point in marketing, and another half a point from a handful of other items. At the time of our last call, we were expecting fourth quarter CASMx to be flat to down versus the prior year, but given the continued Boeing delays, we have removed roughly three points of capacity from the fourth quarter and now expect CASMx to be up low single digits year-over-year.

As I wrap up, I want to reiterate that while we continue to invest in the future of Allegiant, our financial priorities are focused on strengthening our balance sheet and delivering improved financial performance in the coming quarters. And finally, on behalf of everyone here at the table and the entire Allegiant team, I want to thank Maury for the years of leadership and building this unique and amazing company. And congratulations to Greg on his very well deserved appointment as CEO. We know the company is in good hands and the entire team is behind you.

And with that, Amy, this concludes our prepared remarks. We can now begin the Q&A portion of the call.

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## QUESTIONS AND ANSWERS

**Robert Neal** - *Allegiant Travel Co - Chief Financial Officer, Senior Vice President*

(Operator Instructions) Michael Linenberg, Deutsche Bank.

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**Shannon Doherty** - *Deutsche Bank - Analyst*

Hi, everyone, this is Shannon Doherty on for Mike. Greg, congratulations on your new role. Maybe to you and Micah. I found one sentence within this morning's strategic review announcement particularly interesting, and that was regarding maximizing strategic alternatives, which will be key as you identify the right path forward. With the profitability of Sunseeker getting worse, can you one, tell us how long you expect it to be? How long do you expect it to take to get to profitability on an EBITDA basis now? And two, how long are you willing to produce losses at Sunseeker or before seeking a divestment?

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**Gregory Anderson** - *Allegiant Travel Co - President and CEO*

Hey, Shannon, why don't I kick it off here and just maybe give a little bit more color on, the strategic positioning and maybe a little bit more on Prospect and what we're thinking there with. They bring some extensive experience, a proven track record in positioning and selling these resorts, and they come highly recommended by big players. And what's interesting as well is Prospect is very complementary of the design and the service levels of the resort and more importantly, the Sunseeker management team. But as we go through our strategic review, I want to say that all options are on the table.

We're, you know, we're digging in and Prospect's going to help in some doors for us. Help open some doors for us. Excuse me. And we're focused on parallel paths that's optimizing the existing asset. How do we increase distribution and then concurrently positioning ourselves as we, engage in discussions with potential strategic partners.

But Prospect will be able to provide some perspective on the value of Sunseeker and how we best maximize and limit any further capital investments. But there's, I think, more value there that's currently being reflected. But in terms of the back half of your question, I don't know, Micah, if you want to add any commentary on the earnings profile.

**Micah Richins** - *Allegiant Travel Co - President of Sunseeker Resorts*

No, I think for us in being able to understand what the rest of 2024 looks like, and I think more importantly, what 2025 will look like is going to be driven, as we've talked before, on how we see group business materializing. I'm happy to report, like we talked about this on the last call, we think we can do around 60,000 group rooms in 2025. And the sales team here has been working very, very hard and continue to be on pace with that.

I can't tell you how different the results will be. If we're looking at, achieving 60,000 group rooms versus something like 37,000, we think we'll achieve in 2024. It changes literally everything in terms of ADR that we can drive, occupancy we can drive, and then very high dollar catering spend as well, and for food and beverage. So, we're not interested in continuing to lose money we didn't build for that. We certainly are looking at every alternative here to improve the financial results. We think we'll see improvements to a degree in fourth quarter and we're really excited for what we think Q1 and beyond will look like in 2025.

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**Maurice Gallagher** - *Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer*

Yes, hang on one minute ma'am. This is Maury speaking for the board. The board is very cognizant of Sunseeker's performance and long term, while everybody, we got the product we thought we wanted, and it is a really top notch product. It just takes time to get this to a point where it needs to be economically. But the board is very focused on working with Prospect, who has done exceptional, both operational and we don't think so much.

We need operational, we need revenue driven alternatives that Prospect can bring with us. And then certainly looking at the financial alternatives that can come with some different Prospect or clients that Prospect can drive for us. So stay tuned. Sorry. Go ahead, Amy.

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**Shannon Doherty** - *Deutsche Bank - Analyst*

Oh, no. Really great answers. Thank you all. If I may just shift back to the airline, can you remind us what is limiting you at this point to get back to the aircraft utilization you need to boost your margins? I know you indicated that you can get to full utilization levels in 2025 on 2024 levels of aircraft and infrastructure, so I'm just wondering why you're not there now.

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**Gregory Anderson** - *Allegiant Travel Co - President and CEO*

Why don't I kick that off Shannon. And this is Greg again. And perhaps Drew or others may want to just jump in here. But the biggest constraint that we've been facing in terms of the peak periods has been stabilized staffing levels, particularly with our pilots, that's improved dramatically. And then what we've also seen is from our strategic planning and performance, that has resulted in a much strengthened infrastructure and operational excellence. And so I think these two items coupled together gives us confidence to start increasing our peak utilization. Drew, anything do you want to add?

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**Drew Wells** - *Allegiant Travel Co - Senior Vice President, Chief Revenue Officer*

Maybe just a little more color on summer 2024, we planned June and July to the maximum block hours we thought we could fly, given the headcount we forecasted, as well as working with off planning and performance to ensure we were keeping a resilient operation. So as we move forward, that headcount number continues to grow more commensurate with where our aircraft growth has been and allowing us to fly more. I think it's generally that simple through most of the peaks.

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**Gregory Anderson** - *Allegiant Travel Co - President and CEO*

And just one other thing to add real quick, I forgot to mention, is the Boeing delays and the inefficiencies that have come with that. And so those are issues we've also been working through. But couple everything together, we expect a more normalized pattern in 2025.

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**Maurice Gallagher** - *Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer*

Well, and one other thing, the timing hasn't been in our favor. Getting ready for the Marchs and the Junes in July is something historically we did in the fall. And, what you could predict when you have airplanes, and pilots in particular to do that. But we were losing a pilot a day last summer in 2023, and as a result had no sense of how far we can push scheduling. That started slowing down nicely in the back half of the year. But candidly, we missed our date as to when we could feel comfortable pushing utilization. So we lost as much as nine months to a year of timing to get into that really peak periods, which are the spring when March and the summer and June, July.

So that's going to be why 2025 is, we're very comfortable with headcount and airplanes, albeit the Boeing product, but even that's got a better color than we had last fall. So it's unfortunate the timing is kind of stretched out so far, but it's definitely become a clearer picture. The fog has gone away to a great degree.

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**Shannon Doherty** - *Deutsche Bank - Analyst*

Thanks again.

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**Operator**

Ravi Shanker, Morgan Stanley.

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**Katherine Kallergis** - *Morgan Stanley - Analyst*

Hi. Thank you. This is Katherine on for Ravi. Just kind of going off of that question. Curious, what the catalyst was to conduct this review of the Sunseeker and whether or not you're agnostic between having Sunseeker on your balance sheet or off of it? Thanks.

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**Maurice Gallagher** - *Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer*

Yes, why don't I kick that off, Katherine, and I think just we've had some time to settle into the property and we felt, and we've been having discussions around with Prospect for some time now and seeing what the right timing is in terms of the actual engagement. And as we kind of gear up as well into the peak period of which will be the first quarter of 2025, we wanted to start now and see what we could do.

So, I think that that's, in essence, the timing or helps, helps hopefully frame the timing and why we announced now. And then on the second part of your question, in terms of, as I mentioned, all options are on the table. That includes a sell or stake sell. And I think down the road, as we think about it, in the not too distant future, an option will be to remove it off of our balance sheet.

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**Katherine Kallergis** - *Morgan Stanley - Analyst*

Thank you. And if I could just ask a quick follow up just on, like, demand overall, just curious, what you're seeing there, whether or not there's any cracks in demand that you're seeing, especially, maybe low end versus higher end consumer. Thanks.

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**Drew Wells** - *Allegiant Travel Co - Senior Vice President, Chief Revenue Officer*

Yes, Drew here. I wouldn't say that we're seeing, any consumer cracks. I think it's been pretty well covered from most of the airlines at this point. There's a ton of seats in the industry right now that's weighing a little bit through the summer. And I think most of us have talked about seeing that relief exiting the quarter when overall capacity is coming down. So, yes, I'm not seeing much on the consumer front that's worthy of reporting here. I think it is a capacity problem.

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**Gregory Anderson** - *Allegiant Travel Co - President and CEO*

Yes. And just to reiterate, I had a brief comment in my prepared remarks, when we look at customers by household income segment, if you will, the difference between the highest and the lowest is within rounding error a couple percentage points or less. So, no, we don't see an issue where it's disproportionately a demand environment that is favoring or against higher or lower income groups.

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**Operator**

Scott Group, Wolfe Research.

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**Scott Group** - *Wolfe Research - Analyst*

Hey, thanks. Afternoon and congrats, Maury and Greg, I want to just follow up on that last question, because to your point, you guys don't really have a lot of competition on your routes, and your own capacity isn't really growing. And I thought I heard you say RASM is going to be down about 7% in Q3, which I think is the worst, the biggest year-over-year decline among the airlines so far. So doesn't that suggest that it is a demand issue if supply shouldn't be as much of a factor for you if your routes aren't as competitive?

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**Maurice Gallagher** - *Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer*

Yes, it's always a fun one for us to try to tackle, right. We know even going pre pandemic, there's correlation between our same-store performance and the overall level of – our same-store performance and the overall level of capacity domestically. That's just always existed regardless of our network effects. So we are feeling that. And you think about the distribution of our ASM through the third quarter relative to the industry capacity, it's kind of misaligned from where we like it to be, right. Where we have most of our seats, we have the most pressure from an industry capacity perspective. As that relieves, September goes down to half the ASMs of July. So there's a bit of a distribution issue, I think, that is certainly unique to us among carriers that have reported.

Second of that, remember, we're still comping the Navitaire implementation and the loss of some of that ancillary. We've had strong performance thus far and ability to offset some of that, but that still is an overhang that will exist for at least one more quarter here. I think those are really the primary drivers looking. Scott, more or anything else there.

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**Scott Deangelo** - *Allegiant Travel Co - Executive Vice President, Chief Marketing Officer*

Just September is just a got awful month. It has been and it just continues to be. I think as you look at the kind of, if you graph the last three years, you had the ascending line going in 2021, 2022 into 2023, and now it's going down. And it goes down faster in the September's now than it would have historically. So that's why, September is just for us, our toughest month of the year.

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**Maurice Gallagher** - *Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer*

Yes. And we won't dwell on it, but, I think we're the second carrier to have reported since the

CrowdStrike outage, which certainly hit us. And I think Greg mentioned it earlier in his remarks. So we have that baked in where others may have not already.

**Scott Group** - *Wolfe Research - Analyst*

Okay. And I know the color on CASM for fourth quarter was helpful. Any thoughts, preliminary thoughts about how to think about capacity and costs in 2025?

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**Robert Neal** - *Allegiant Travel Co - Chief Financial Officer, Senior Vice President*

Hey, Scott, it's BJ. It's a little bit early. I think we want to wait and see what the cadence of Boeing deliveries looks like and kind of how we get up and running there. Before I speak too much about what kind of capacity we can deploy in 2023, but, or, sorry, in 2025. But Greg did mention in his prepared remarks we would expect fleet count at the end of next year to be relatively flat to 2024, maybe up an airplane or two. So most of our growth would come through utilization.

And if you just look at 2019 levels, there's room for kind of 15% to 20% ASM growth in the existing infrastructure. And not to say that we intend to grow that much next year, but you can understand how that growth would be achieved in a much more efficient way. And so I think you could envision CASMx being flat to down depending on growth levels.

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**Gregory Anderson** - *Allegiant Travel Co - President and CEO*

Scott, I think we may have said this in the past, and I think it holds true. That's every incremental power of flying, I think, will reduce CASMx by about a 0.5%. So we're talking more in the peak periods, but so if you think about that on a full year basis, but just to reiterate BJ's point, we have that infrastructure in place and with the roughly flat aircraft count. Incremental flying or incremental utilization will help drive CASM down.

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**Scott Group** - *Wolfe Research - Analyst*

Helpful. Thank you, guys. Appreciate the time.

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**Gregory Anderson** - *Allegiant Travel Co - President and CEO*

Thanks, Scott.

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**Operator**

Savi Syth, Raymond James.

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**Savi Syth** - *Raymond James - Analyst*

Hey, good afternoon everyone. If I might just actually follow up on that last question. Is there something different that gives you confidence or something that's happened that gives you confidence that you'll get the MAX aircraft in September in terms of the FAA approvals and kind of along that like the, getting to the flattish fleet next year? Are you planning on just adjusting retirements based on what you end up getting? Or is that kind of based on, you have a retirement plan and you'll kind of stick to it?

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**Maurice Gallagher** - *Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer*

Sure, Savi, I'll try to take that. And anybody else can jump in here. The main thing that's happened since the time of the last call, I think I mentioned on the last call that, the first airplane being first of spec was subject to some additional review and certification by the FAA and they can choose whether or not to retain or delegate some of those certifications. If they delegate, it would be to Boeing.

What has happened during since the last call is that they chose to retain those certifications, which means longer timeline, but it means that the clock starts ticking, and so we're marching to what we're hoping is around another 30 days or so before an airplane delivers. So that's really the thing that's changed. And then as I think about next year, our retirements are largely locked in.

It's pretty difficult for us to bring planned retirements back into the fleet next year. Not impossible, but just with constraints at the MROs. And, you think about the types of airplanes that are being retired, they're going to be the ones with the heaviest checks, which means they need the most man hours and the most days at the MRO. It's just going to be really difficult. So we've taken a pretty conservative view on how many aircraft we'll deliver from Boeing next year and then holding retirements constant, we would end up one or two aircraft positive at the end of next year. And we think that's okay. We just grow with utilization.

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**Savi Syth** - *Raymond James - Analyst*

Helpful. Thank you. And just on the ancillary revenue outperformance, what's driving that? Because it seems like Navitaire is still having a drag, and I'm guessing you haven't gotten that functionality back. And you mentioned the \$4 a passenger, but I'm guessing that doesn't turn on middle of next year when you've got the Navitaire fix in? Or how should we think about the timing of all this?

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**Gregory Anderson** - *Allegiant Travel Co - President and CEO*

Yes, so in terms of comp for where we are today, we're down about \$2 from the implementation. The additional \$2 to get to the \$4 was what we were banking on or believing that Navitaire would provide to us in terms of the future functionality. About a \$2 hole there. If you work through the Allegiant Extra part, call it 20-ish percent of flying in June. At about \$3 incremental per passenger, you get to something like a 50%, 60% overall benefit to the system. That helps ship away at that.

Further, the teams have been working really hard at optimizing within the constraints we have. We've had success with the existing bundle set up to help chip away again so, a lot of goodness on the ancillary front there, but things that will still pale to what we believe we can do with Navitaire when that comes online. It's a little early to talk timeline of when we'll see the benefits specifically. I believe it'll be in 2025. I would venture to say probably later part of 2025 versus the early part. And then the part we had, but I think both Scott and I hit on it. The co-brand program continues to be phenomenal. I don't know if you want anything else on that stuff?

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**Scott Deangelo** - *Allegiant Travel Co - Executive Vice President, Chief Marketing Officer*

No, just that. It's just worth noting that this nearly record setting growth in the co-brand credit card program was done in a month where we were basically flat capacity wise, which you typically don't see given that as a general rule, half of new card signups come on a customer's first or second flight ever with Allegiant and obviously, while we've had new route announcements, we haven't been expanding like we did pre-pandemic and/or in 2022. So a lot to like about what the future looks like when we can finally remove that ceiling from capacity growth and really hyper fuel the card program.

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**Operator**

Conor Cunningham, Melius Research.

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**Conor Cunningham** - *Melius Research - Analyst*

Hi everyone. Thank you. Drew, you mentioned this a little bit, but a lot of the airlines are talking about the September inflection. I know that your structure of your route network is a lot different, but I was just curious if you give any color on how you expect the month – the months to play out. It just seems pretty important in the context of unit revenue declining 7%. So is the expectation that July is down a lot and September is down

a lot? I'm just curious on any thoughts there in general, I know that demand is lower in September for you all, but just any thoughts would be helpful. Thank you.

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**Drew Wells** - Allegiant Travel Co - Senior Vice President, Chief Revenue Officer

Yes, we usually stop short of doing much at the month level. I mean, directionally, I think you're right. July will likely be down a little bit more than the guide for the quarter and September less than that. So I mean that's probably about as much as well get on a month level.

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**Conor Cunningham** - Melius Research - Analyst

Okay. And then maybe I'll ask the 2025 utilization question a little bit different. So I totally understand the cost benefit, but there's also an offset if you increase ASMs by I think well be a lot in the context of adding aircraft and pushing utilization. Just curious on how you think about the unit revenue impact you're willing to take to kind of offset the cost that you're currently carrying in general? Thank you.

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**Drew Wells** - Allegiant Travel Co - Senior Vice President, Chief Revenue Officer

Yes, this may come across overly flippant, so someone can put me in my place here, but in general, were earnings driven, right? And I'm willing to take a unit revenue hit largely to the point that were still driving earnings with a reasonable enough margin buffer in the event of fuel spikes or unforeseen changes to demand or cost structure. So at the end of the day, we're trying to maximize EPS and if we're forecasting that even a meaningfully lower TRASM is accomplishing that, then I believe that's the right path forward.

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**Maurice Gallagher** - Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer

And Drew just we – on that utilization, as we think about next year on roughly that flat fleet count, we would prioritize or focus that generally in those peak periods, right, wherever there is the strongest leisure demand. And so that would still be, I guess, our approach, Connor, to ensure that we're, to Drew's point, driving the highest margins that we possibly can.

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**Gregory Anderson** - Allegiant Travel Co - President and CEO

Yes. When you think about where we have the most headroom of our TRASM versus fuel CASM, especially peak periods have the most amount of runway there relative to say, the September that Maury already talked about.

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**Maurice Gallagher** - Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer

The other piece of this is the benefits from the Boeing products are going to be exceptional. The fuel savings alone is about 120 gallons, 130 gallons an hour. The ability to fly those airplanes more hours because they're reliable, they show up. When we did 13 new airplanes and 17, 18, the profitability of those airplanes was exceptional. Just begin you got a bunch of fuel savings and they just show up and they're brand new. I mean, there's real benefit to that. That is part of the assumption factor that we put together. So we need to make sure those come along.

And as just the Lehmann sitting here looking at the outside, these airplanes are already flying, so there's no certification issues outside the cabin. And we have 180 seats, 190 seats, whatever. It'll be all one class configuration for the most part, with a little upfront niceness. It's just hard to believe you can't certify that interior. They've been doing it for 50 years, 60 years now. So we're going to try and push Boeing and the FAA to get together and have a nice little powwow and let's get this thing done. They've been doing this for a year now, so it's just taking too long.

**Conor Cunningham** - *Melius Research - Analyst*

Okay, thank you.

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**Operator**

Duane Pfennigwerth, Evercore.

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**Duane Pfennigwerth** - *Evercore - Analyst*

Hey, thank you. Can we just come back to the revenue guidance and maybe, Maury, you can chime in this time, as you've seen a lot of cycles, is it fair to say you're seeing pushback to higher affairs? Is it fair to say you're needing to stimulate demand? And how is demand responding to that stimulation relative to, again, lots of cycles that you've seen in the past?

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**Maurice Gallagher** - *Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer*

Well, let me jump in there. Go back to 2008 2009. Rate, fuel prices in July hit \$147 a barrel. We went from \$53, \$54 a customer for gas to \$25 by the end of the year. You're not seeing any drop in fuel here to offset the declining revenues, which is unique, and you're not going to see anything with what's going on in the Middle East and Russia and stuff like that. Oil is just not going to be coming down anytime soon, in my opinion. So you've got to deal with this higher cost of gas.

And now revenue is operating independently. Back then, revenue and gas, you had look things going the wrong way. Gas came down with it. It's just not, those two aren't tied at the hip anymore. And that's a huge differentiator. If you. We lost \$0.70, \$0.80, \$0.90 of gas down to \$2 a gallon from \$3 whatever high-2s, top-30 to us that we'd be right there at the top.

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**Duane Pfennigwerth** - *Evercore - Analyst*

That's helpful. And then maybe this one not for Maury, just some, just some detailed ones. Can you walk us through the special charges that you're excluding on the airline side and on the hotel side here in 2Q. And if you could, could you bridge your 3Q loss guidance to how you will actually report? We have three different loss guides in the guidance. One has x, the vendor impact, and then I assume your consolidated does not. So maybe you could just clean up those issues for us. Thank you.

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**Maurice Gallagher** - *Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer*

Sure. Let me give it a try, Duane. First let me hit on the different EPS calcs. We talked about this heading into the call and thought that it might be an issue. Some of what you're seeing, EPS won't tie out, and it's just due to the way the individual segments are tax affected when adjusting for special items. Something I'd rather just take offline, because it'll take a little while to get through, but it can be tough to get to.

And then on the special items on the airline side, in the second quarter, we had the sign on bonus for our flight attendants as part of their new CBA, and then the rest was accelerated depreciation on A320 airframes.

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**Gregory Anderson** - *Allegiant Travel Co - President and CEO*

And then on the outage, Duane, I'll just add, we wanted to just break that out to give transparency, but I think as reported in the third quarter, and I'm looking at back, we would not exclude that as a special, the outage. Right. Okay, so just as you think about the third quarter, the outage would not be part of a special.



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**Duane Pfennigwerth** - Evercore - Analyst

That's all helpful. And maybe just one last one. Do you have a, maybe a clean EBITDA loss x any business interruption for Sunseeker in 2Q and again, what your guidance implies for 3Q on a clean EBITDA basis?

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**Maurice Gallagher** - Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer

Do not have that available for you on clean EBITDA basis. Let me come back to you here.

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**Duane Pfennigwerth** - Evercore - Analyst

Fine. Thank you for taking the questions.

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**Maurice Gallagher** - Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer

Thanks, Duane.

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**Robert Neal** - Allegiant Travel Co - Chief Financial Officer, Senior Vice President

By the way, Duane, just as a matter of course, zeroing in on EBITDA loss for Sunseeker doesn't do anything. We're really not thinking about this quarter or that quarter. It's an annual number and getting that thing start moving in the right direction. So, I mean, it'd be nice if you can manage at the quarter level, but you just can't.

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**Operator**

Dan McKenzie, Seaport Global.

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**Dan McKenzie** - Seaport Global - Analyst

Oh, yes. Hey, thanks. I guess. Just picking up on Sunseeker and the strategic review. Another question here. So the comment about Sunseeker's spooling up to the first quarter of next of 2025, does that timeframe tie to an expectation that it would be profitable at that point? Or if not just given where we are today? Can you help us understand the shape of the path back to profitability on at least how you're thinking about economics at maturity at this point?

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**Maurice Gallagher** - Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer

I'll start. And Micah may want to jump in on the path to profitability. Just the comment that I was making around getting a prospect in advance of the first quarter, 2025. Dan, that was just more because that's such a peak period, an important quarter for the year in terms of where the demand comes in Southwest Florida. But with that, let me ask Micah to jump in terms of the path to profitability.

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**Micah Richins** - Allegiant Travel Co - President of Sunseeker Resorts

Yes, I think it'll sound like I'm beating the same horse, but to understand what the performance is going to look like in 2025 and whether we can get to profitability completely, or certainly we'll see a dramatic improvement we think over 2024 is all related to our ability to drive group business

and then do that distributedly across all four quarters, you might ask, well, why do we feel confident that we're going to see that type of growth in 2025? And the reason is tied to the forward-looking bookings that we are seeing that our wonderful sales team has been putting forth for us.

As an example, and I've told you we're expecting somewhere around 60,000 group rooms to materialize in 2025. And Greg mentioned Q1 being critical. It absolutely is. We think we'll do somewhere around 19,000 room nights in Q1 in 2025 compared to doing 9,000 in 2024. And do I think I can get there? Well, I'm already roughly 15,000 of that on the books now with a decent funnel to get to where we think we need to for Q1. And Q2 we're roughly half of what we think on the books already. I like the positions that we're in.

Assuming that we continue to keep our funnel refreshed and continue to close business again changes everything about our profitability, our ability to drive rate, our ability to drive occupancy, and also to drive really good catering spend. So, again, I don't think we're ready to say that 2025 will be profitable. We don't know that yet, but we certainly see the signs that will indicate to us that we're going to see remarkable improvement over 2024.

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**Dan McKenzie** - *Seaport Global - Analyst*

And I guess a separate question here, separate topic, I guess. Greg, this is the second quarter in a row, I think, where you're calling out 9 percentage points to 11 percentage points of temporary margin pressures. So the Street's modeling, I think, three and a half points of margin expansion in 2025. And is the messaging really here now, two quarters in a row, that the internal projection for, say, next year is 8 percentage points to 10 percentage points of margin expansion? Is it – it seems, pretty basic, just based on what you're saying. And I guess I'm not asking for a guide, I guess I'm just trying to get a better sense of where the business is going.

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**Gregory Anderson** - *Allegiant Travel Co - President and CEO*

Yes, I think for 2025, there's some timing elements to that. Drew mentioned on the technology front with Navitaire, that'll take some time to mature, so. But at maturity, yes, we think that based on our estimate, that's worth three points, \$80 million on an annual basis. The peak flying is the one that I think will have the most upside into 2025. And as we talk about the incremental flying in those periods, we think that could be worth anywhere from four points to six points. So you can – you could do the math, but that's, we think substantial step up, and that's what we're planning for, into 2025.

But some of the other areas, like Boeing and the delays there, that'll take time as we get on the cadence with all the deliveries to build the efficiencies on that side of the house. But that \$30 million number, that's where we sit today. But that, along with the Navitaire, that'll take time to mature to 2025. But the peak period flying, I think we have a lot of confidence that we'll be able to step up that in 2025.

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**Dan McKenzie** - *Seaport Global - Analyst*

Terrific. If I had to squeeze one last one in here, BJ, I'm just wondering if you can speak to the PDP's. It looks like you're continuing to make progress payments for aircraft that are not being delivered. And if the PDP's were to sync with the actual deliveries, how much cash could that potentially free up for you?

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**Robert Neal** - *Allegiant Travel Co - Chief Financial Officer, Senior Vice President*

Let me think about the right way to answer that, Dan, just to be clear, we are not continuing to make PDP payments right now. We haven't been for some time. There was a payment made, I believe, in the first quarter and nothing since then. Naturally, PDP's would start to be due again as aircraft start to deliver. But to be candid with you, we are overpaid on PDP's at the moment.

And depending on how the new delivery schedule shakes out, it could free up some cash for us.

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**Operator**

Dan Didora, Bank of America.

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**Andrew Didora - Bank of America - Analyst**

Hey, everyone, it's Andrew. Just one real, I guess strategic question here, for Greg or Maury. And Maury, you may have answered this earlier, but have you ever given all the issues with the MAX? Have you ever considered walking away from the airplane at all and just going back to the simple model that you had for many years and if you were to decide that, what would be the biggest obstacles in doing so? Thank you.

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**Maurice Gallagher - Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer**

Well, a couple of things. Part of the reason we went to a new airplane was the ability to keep growing with the used airplane. 120 used airplanes, and we're just a big MRO after a while, just overhauling airplanes. Very short lead times to when you can identify a fleet. So you're planning for growth. And it was just felt that a new airplane would be a better way to go pick up the keys, go to work instead of turning yourselves into a maintenance organization. So that still holds, but it's even become more difficult.

All the players we talk to in the industry. If you're looking for used airplanes, I think we're looking at a tenfold increase, BJ on cost of a shell. We can sell from like 21 to used airplanes are ridiculously priced to the point you wouldn't buy them because the economics don't work, in my opinion.

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**Gregory Anderson - Allegiant Travel Co - President and CEO**

Yes. I mean, that's an unserviceable tear down airframe. Yes, that's true, but directionally.

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**Maurice Gallagher - Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer**

Yes, it's just not, and one thing I think we can put on the table that we've always approached this as a tortoise versus some of the rabbits that you see with some of the other carriers. Our nice steady growth has always been manageable. The management team can keep up with it, all of those things are good. So if you don't, if we don't take the MAX, there's really no alternatives out there to get airplanes to grow with. And more importantly, we're looking at retirements that we think are appropriate given the age of some of our airplanes. So no, we're not looking at that as an alternative. And furthermore, we got ourselves one hell of a deal. So it's got great economics in it relative to what you can buy today and do, Greg?

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**Gregory Anderson - Allegiant Travel Co - President and CEO**

Andrew, I'll just add just a couple quick comments to what Maury mentioned there, and that to his point, there's a lot of value in that order. Not just, equity value in the aircraft themselves, but the long term benefits that we feel the MAX brings to us. These extended delays, they've caused some significant disruption. But we look forward to concluding our talks with Boeing and a fair resolution to help address the challenges that we faced and, but also bring these aircraft online and begin flying them. And we're close. We're near that point and that's what we're planning to do and that's what we're executing towards.

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**Maurice Gallagher - Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer**

So I think as a macro strategic statement, we are profitable while many of the carriers in our business at the low end, low fare, are not. We will be profitable in returning to numbers that we're used to doing. And therefore that suggests we can grow. Furthermore, when we grow, we don't go and tweak the nose of big competitors when we do it. So all those aspects suggest that the long term future for the company is one that should

have growth. You need airplanes to grow and you need to be profitable. And all of these aspects will allow us to continue with the model as we talked about ad nauseam starting next year.

So we're very well positioned, relatively speaking. As I said in my opening comments last time, we have our own private swim lane and the rest of the world is playing water polo. I don't know if you guys watched any of the Paris stuff water polo is a nasty game. There's a lot more going on underneath that you don't see on top, and that's the same thing going on here.

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**Andrew Didora** - Bank of America - Analyst

Okay, well, thank you for that. All my other questions have already been asked, so I appreciate the thoughts.

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**Gregory Anderson** - Allegiant Travel Co - President and CEO

Andrew, thank you.

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**Operator**

Thank you all for your questions. At this time, we are unable to take any further questions. I would like to turn it back over to Mr. Gallagher for closing remarks. Please go ahead.

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**Maurice Gallagher** - Allegiant Travel Co - Executive Chairman of the Board, Chief Executive Officer

Thank you all very much. Thank you all very much. And company will be talking to you next quarter.

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**Operator**

Thank you so much. That does conclude today's call. You may now disconnect.

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