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PRESENTATION

Operator

Thank you for standing by. My name is Rebecca, and I will be your conference operator today. At this time, I would like to welcome everyone to the Allegiant Travel Company fourth-quarter and full-year 2024 earnings call. (Operator Instructions)

Thank you. I will now turn the call over to Sherry Wilson, Managing Director of Investor Relations. Please go ahead.

Sherry Wilson - Allegiant Travel Co - Managing Director, Investor Relations

Thank you, Rebecca. Welcome to the Allegiant Travel Company's fourth-quarter and full-year 2024 earnings call. We will begin today's call with Greg Anderson, President and CEO, providing an update on our business and high-level overview of our results. Drew Wells, Chief Commercial Officer, will walk through our revenue performance and outlook. And finally, Robert Neal, Chief Financial Officer, will speak to our financial performance. Following commentary, we will 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.

And with that, I'll turn it to Greg.

Gregory Anderson - *Allegiant Travel Co - Chief Executive Officer, President*

Sherry, thank you, and good afternoon, everyone. We appreciate you joining us today. Before we get into it, I wanted to take a moment to extend our heartfelt condolences to the loved ones of the passengers and crew who were involved in the tragic accident near DCA Reagan Airport last week. Our thoughts are with the individuals, their families, and all those impacted during this difficult time.

Now, to our earnings report. We concluded 2024 with a commendable performance, achieving an adjusted airline-only operating margin of over 13% for the December quarter, marking a 6.5 point increase from the previous year. This was driven by a 16% increase in December capacity, primarily due to aircraft utilization averaging 9.6 hours per day during the peak holiday period, reflecting a 21% year-over-year increase.

Despite significant growth during the peak period, our team attained a controllable completion rate of 99.7%, and I want to thank them for ensuring smooth operations during one of the busiest times of the year. Last year we introduced three primary initiatives, one of which focused on restoring utilization during peak leisure demand periods, a goal we successfully achieved in December and expect to maintain this momentum throughout 2025, particularly during spring and summer peak periods. Additionally, we prioritized upgrading our commercial technology and introducing new MAX aircraft, and we have made substantial progress in both of these areas.

The ongoing optimization of our Navitaire system has already led to incremental improvements and is expected to continue enhancing revenue throughout 2025. Furthermore, we ended the year with four MAX aircraft in service, beginning to address operational inefficiencies caused by previous aircraft delivery delays. The tactical excellence demonstrated by Team Allegiant around these three key priorities significantly strengthens our foundation for improved performance. Underlying our execution is the deliberate efforts of being laser focused on our core strength, the airline. Consequently, a significant step in this strategy is the goal of transitioning Sunseeker off Allegiant's balance sheet.

Over recent months, we have made significant progress in our strategic review of Sunseeker. This unique resort, located in a popular state, offers excellent amenities and is managed by a highly skilled team. We have great confidence in Sunseeker's future success and have observed material improvements in its financial performance. Nonetheless, we need to acknowledge that a new capital partner will be important for Sunseeker to achieve its full potential. As such, we have launched a competitive process with our team of experienced advisors for a potential sale or stake sale and have received promising indications of interest from several high-quality name investors.

Our goal is to conclude this process by summer. We will update when appropriate, and BJ will touch on the impairment announced last week and how we are guiding for the resort. Further, strengthening our balance sheet remains crucial. Although leverage is improving, there's still work to be done, and it continues to be a key focus for this management team.

Fortunately, we own the vast majority of our aircraft, which has allowed the fleet team to strategically sell older, underutilized A320 assets in a favorable market, resulting in substantial cash proceeds supporting our deleveraging efforts. The sale of these assets is aligned with our growing confidence in the delivery schedule from Boeing. Given the firmness of the aircraft market and the timing of our order, each MAX delivered and purchased represents significant value. In addition to the day one equity value, the operating economics of our MAX aircraft exceed the fleet average by as much as 30%. To add to that, every new aircraft delivered to us is configured with our impactful premium seating product, Allegiant Extra.

Currently, 46% of our fleet is equipped with our Allegiant Extra product, and we plan to end the year at 70%. This compares favorably with prior year's average of 23%. We continue to see strong demand from our customers for this premium seating as we expand the product more broadly across the network. Similarly, the Allegiant Allways Credit Card continues to perform as we expect to receive more than \$140 million in total remuneration during 2025. As we advance our commercial technology infrastructure, we are enthusiastic about the future products we will introduce to our customers, aiming to drive more to the top line and improve upon our industry-leading ancillary revenue.

Starting out 2025, we have a clear path ahead to deliver on. The industry capacity backdrop is one of the most constructive we have seen for some time. The health of the consumer is strong, and we are well positioned to capitalize on this trend with expected capacity growth of over 15%

throughout the year. This growth will further enhance our operational efficiency by utilizing our existing infrastructure and expanding productively. The midpoint of our airline full year EPS guidance of \$9 suggests an improvement in earnings of over 50% compared to 2024.

This is an exciting new chapter for Allegiant which, would not be possible without the ongoing excellence demonstrated by Team Allegiant and their persistent dedication and hard work. Additionally, I am encouraged by recent progress in contract negotiation with our pilot team. It is a privilege to work alongside the most talented team in the industry as we strengthen our position as the leading airline in the communities we serve, delivering reliable nonstop travel at unbeatable value.

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

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

Thank you, Greg, and thanks to everyone for joining us this afternoon. We finished 2024 with \$2.44 billion of airline revenue, approximately 2.6% below the prior year on total ASMs 1.1% higher. Our fixed fee and operations teams did an incredible job leveraging the available aircraft space all year to an Allegiant record \$81 million of fixed fee revenue. Further, our total ancillary per passenger of nearly \$76 improved almost \$3 versus 2023.

Our fourth quarter total airline revenue of nearly \$610 million was up slightly on a year-over-year basis. This result significantly outperformed our expectations during our last call and outpaced our revised expectations in early December.

The main drivers of the outperformance were faster-than-expected recovery to hurricane-impacted destinations, continued core ancillary strength, as well as a stronger-than-expected holiday period. Over the Christmas week, we operated our aircraft roughly 9.6 hours per aircraft per day, in line to slightly above our 2019 levels. I could not be more proud of the operation and all of our team members that successfully navigated the push.

In total, the three-week holiday period, consisting of the last two weeks of December and first week of January, grew more than 14% year over year while ending just better than negative 1% in unit revenue. The increased utilization over the holidays, along with post-Thanksgiving travel falling into December, drove December ASMs 16.4% higher year over year and a theme that will continue into 2025.

The first quarter capacity is expected to grow 14% versus 1Q 2024, while the year as a whole is expected to be up 17% versus 2024. The first quarter will mark the first time in three years with quarterly growth over 10%. In fact, only 2 of the last 10 quarters exceeded 1.5%. Pre-pandemic, you'd have to go back to 2011 to find the last year without a single quarter over 10% ASM growth.

The planning team is ecstatic to have some flexibility and freedom in deploying capacity once more. This means growing in high demand months, announcing new routes, and testing the limits of route level capacity. It allows the team to focus on driving dollars to the bottom line rather than trying to fit 12 pounds of good flying into a 10-pound bag. Diving into that growth a little bit. While we have focused heavily on flying in peak months, just about a third of net growth will take place in March, June, and July, and roughly a third of that will take place on peak leisure days in those peak leisure months.

Over half of all growth will come in shoulder months like February, April, and August, April being a large beneficiary due to Easter shifting later. The dynamics of that flying are different than a typical year. On average, a third of seats in any given week during the first half of the year will be in existing markets flying more than any prior year. This produces 300% more seats operating in excess of prior years versus the first half in 2024. Also, between 4% and 5% of seats will be on new routes.

In mid-November, we announced a record time 44 new routes with start dates in spring and summer 2025. The long lead time means it's still early to judge many of the routes, though we're particularly excited about new service to our three new cities: Colorado Springs, Colorado; Columbia, South Carolina; and Gulf Shores, Alabama.

Let me touch on Gulf Shores a little more. We've heard from our customers that they travel to the Alabama Coast for an annual vacation but currently drive as much as 15 hours each way. This looks a lot like prior Allegiant success stories like Punta Gorda or Destin, Florida, where we've been able to spur additional trips each year, owing to our unique and affordable nonstop network.

Whether through new routes or increased frequency, our general approach to 2025 is growing into our infrastructure. And while the growth profile I just outlined will have unit revenue impacts in the near term, we strongly believe the benefits of the flying will still outweigh the marginal cost of that increased flying. The added elevated flying will either work and continue to mature into future seasons or be trimmed back if it doesn't produce.

In addition to the growth-driven unit revenue impacts, Easter timing will play a role in shaping the final result for leisure-oriented carriers like us in both the first and second quarters. When combining the headwind of Easter timing and the tailwind of New Year's travel, we expect a 1 to 1.5 point headwind to TRASM in the first quarter. Additionally, a mild stage increase through the first half of the year will carry an additional 1 point headwind.

Lastly, while our network has diversified away from near-border exposure in the last 10 to 15 years, the strengthening US dollar to 20ish year highs against the Canadian dollar has applied some pressure on those origination cities. Many of the same initiatives that supported ancillary growth in 2024 will continue to produce benefit into 2025 to help mitigate the impacts of growth. Aircraft with the Allegiant Extra layout will see more than 5 times as many departures in the first quarter of 2025 versus the first quarter of 2024.

For the full year, more than two-thirds of departures should have an Allegiant Extra aircraft. We continue to regain lost functionality from our 2023 Navitaire cutover. We expect to fully recapture the lost \$2 per passenger in the first half of 2025 and the \$2 of expected upside early in 2026. Finally, the contribution from Allianz Travel Insurance has roughly doubled on a per-passenger basis since its launch in February. All things considered, we expect 1Q TRASM down slightly more than negative 6%, implying airline rev, excluding fixed fee, up about 7% for the quarter.

We ended the year with another phenomenal performance from our co-branded Visa Allegiant Allways program. We continue to add new cardholders at a great clip, ending 2024 with over 540,000 accounts. This kind of scale gives us confidence that the program offering has matured nicely, and we are excited to collaborate further with our bank partners to better both engage our existing cardholders and ensure we're providing the best offering for existing and future cardholders alike. The power of loyalty revenue is evident across the industry, and we believe our program is still in the early days of its full potential.

And now I'd like to hand it over to Robert Neal.

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

Thank you, Drew. Good afternoon, everyone, and thanks for joining us today. As I speak to our results and guidance this afternoon, please note that all of these are on an adjusted basis and will exclude any special items.

In the fourth quarter, we delivered net income of \$38.9 million on a consolidated basis, yielding earnings per share of \$2.10. The Airline segment reported an adjusted net income of \$55.6 million, or earnings of \$3 per share. For the full year, we posted a consolidated net income of \$45.7 million, resulting in a consolidated EPS of \$2.48. Our Airline segment generated full year 2024 net income of \$107.5 million, or \$5.84 of airline-only earnings per share.

As Greg and Drew have highlighted, we began seeing notable financial strength in the quarter, driven by improved peak utilization, implementation of revenue initiatives, and delivery of 737 MAX aircraft ahead of our estimates. The airline earned \$139.2 million in EBITDA during the quarter, resulting in an EBITDA margin of 22.8%, which is nearly 7 points higher than the fourth quarter of 2023.

On the cost side, fuel averaged \$2.50 for the quarter, in line with our expectations. Adjusted nonfuel unit costs were \$0.0829, an improvement of 2.5% year over year, slightly underperforming the estimate we provided in December. This miss was driven by increased stock compensation

related to the share price increase throughout the quarter, the maintenance expense true-up, and timing-related impacts from a new maintenance and material system, which went live in the third quarter.

As a reminder, fourth quarter CASMex does include roughly \$20 million related to our pilot retention bonus. For the full year 2024, we had unit costs of 5.4% on capacity up 1.1%. While we had a tailwind from serviceable engine sales mentioned in our December traffic release, we saw cost headwinds from eight months of our new flight attendant CBA and four additional months of our pilot retention bonus accrual as compared to 2023.

Turning to the balance sheet. We ended the year with \$1.1 billion in available liquidity, including \$833 million in cash and investments and \$275 million in revolver capacity. Net leverage improved almost a full turn from the end of the third quarter, down to 3.2 times. This result was achieved by improved fourth quarter earnings, proceeds from equipment sales, early debt repayments during the quarter, and benefits from our amended agreement with Boeing as disclosed in November. Total debt balances were down nearly \$200 million during 2024.

As mentioned on our October call, we expect that the third quarter marked our peak leverage. And based on current fleet expectations, we should continue deleveraging throughout 2025. While we'll continue to invest in the business, the balance sheet remains a top priority for this team.

Fourth quarter airline capital expenditures included \$34.1 million in aircraft and engine-related spend, other airline CapEx of \$8.8 million, and \$18.7 million in deferred heavy maintenance costs. For the full year, total airline capital expenditures were \$326 million, \$16 million higher than our forecast with three more aircraft in service than contemplated at the third quarter earnings call.

Following downward revision to earnings estimates for our Sunseeker entity throughout 2024, the assets were tested for recoverability, and we recorded a total noncash impairment of \$322 million in the fourth quarter. As of today's call, we've fully repaid the debt associated with Sunseeker assets, allowing us increased flexibility as we continue evaluating strategic alternatives for the resort.

Moving over to fleet. During the quarter, we retired one A320ceo and placed into service three 737 MAX aircraft, ending the year with 125 airplanes in our operating fleet. Looking ahead to 2025, we are anticipating delivery of nine 737 MAX aircraft during the year.

While Boeing's recent estimates have 12 aircraft delivering to us during 2025, we're planning conservatively to keep a better balance of [hiring] flight crews with aircraft available to operate, particularly through our summer peak. We plan to retire 12 aircraft during this year, so we should close 2025 with a total of 122 aircraft in service, with some slight upside to that number.

As I've mentioned on prior calls, estimates today differ from contractual commitments. Should aircraft deliveries exceed our expectations this year, we are prepared to accelerate exit of A320 family aircraft once we have more visibility into 2026. Based on these estimates, we're projecting all-in capital expenditures for 2025 to be approximately \$515 million at the midpoint of our guidance, including approximately \$300 million in aircraft and engine-related CapEx, \$125 million in airline and other capital expenditures, and \$90 million in deferred heavy maintenance. This guidance, of course, is subject to change depending on the timing of aircraft deliveries.

Turning to our 2025 outlook. We're providing full year expectations for the Airline segment. And based on uncertainty around timing and potential outcomes for Sunseeker, we'll continue to guide that segment on a quarterly basis. That said, we expect to deliver full year 2025 airline earnings per share of \$9, a significant improvement over 2024.

In the first quarter, the airline is expected to produce an airline-only operating margin of around 9.5%, more than 3 points higher than the prior year. This result implies a nonfuel unit cost reduction of around 7% year over year on capacity growth of 13.5% as we're better able to leverage our existing infrastructure, assets, and staffing.

We're growing into our headcount as well as our fleet, and we expect to deliver airline-only earnings per share of \$2.25 in the quarter. We're expecting Sunseeker to produce \$2 million in EBITDA during the first quarter. Due to the recent impairment charge, depreciation expense is now expected at \$3 million per quarter. These results, combined with the airline, should produce a first quarter consolidated earnings per share of \$2.

As we move through the year, we remain focused on cost discipline, improving efficiency through increased utilization, operational excellence, and continued balance sheet improvement. The momentum we've built exiting 2024 puts us in a strong position for 2025 and beyond.

In closing, I'd like to express my gratitude to the entire Allegiant team. Their dedication and hard work continue to drive our performance, and I'm extremely proud of what we've accomplished in the fourth quarter. The increase in December capacity was completed with two fewer aircraft and a 9% reduction in overhead headcount over the holiday peak, and the team still delivered strong operational performance. This ability to increase peak utilization is core to our margin restoration efforts.

Thank you all for your time today. And with that, Rebecca, we can now go to analyst questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Savi Syth, Raymond James.

Savi Syth - Raymond James - Analyst

Hey, good afternoon, everyone. Drew, if I might, you gave some really interesting helpful information on the capacity growth, but it was a lot to digest. I'm just wondering if you could maybe take a step back and help us think of it just maybe across the quarters, how you're thinking about the progression of the capacity growth for the four quarters and which quarters might have more capacity growth in peak versus off-peak period.

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

Sure. Savi, let me take a quick stab at that. So yeah, we guided out the first quarter, approximately, 14% for that. The second and third quarter is likely about the same coming in at the low 20s. And then we'll certainly see the lowest year-over-year growth in the fourth quarter, in large part because of everything we talked about here in December of '24 not getting to lap -- or not getting the same utilization comp there.

In terms of the overall growth profile, I talked about the peak months, March, June, and July will be about a third of the overall growth. But the bigger focus on the net ASM increase will be the shoulder months. February, April, May, August, October, getting more of the overall lift and the balance will take place in January and September. So I don't know if I went too high level for you there or would you like me to dive in.

Gregory Anderson - Allegiant Travel Co - Chief Executive Officer, President

And Savi, real quick, this is Greg. Just wanted to add maybe another perspective to '25, and the way we've been talking about it here internally, in a lot of ways, it's like a onetime catch-up year, kind of a level setting. And that's due to some of the prior year delivery delays or other constraints that we've seen. And so, what we're really trying to do in '25 is optimize that existing infrastructure that's in place, grow with roughly the same FTE count, maybe slightly up, roughly or a flat aircraft count, and then drive higher absolute earnings. But I would think of '25 more as an anomaly when it comes to growth.

As we think about '26 and beyond, we'd get back to a different formula than '25 and really earning that right to grow.

Savi Syth - Raymond James - Analyst

That's helpful perspective. Appreciate it. And maybe just on the follow-up, on the unit cost, just curious how we should think about it because given your guide on unit revenue, it looks like there's a lot of unit cost improvement here. Is that also fair to assume like more first half weighted and moderates as you go into the back half, and generally, how we should think about that?

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

Yeah, I think that's right. Hey Savi, it's BJ I think that's right. 1Q will probably be down the most on a year-over-year basis. 2Q, 3Q still be down, really nice cost improvement middle of the year, but you do have some of the Boeing aircraft entering the fleet in the middle of the year.

You have the increased utilization means that we're also utilizing the A319s a little bit more. So you don't see quite the same year-over-year unit cost improvement in 2Q and 3Q. And then 4Q, similar to Drew's answer, just we had a good amount of growth in 4Q of '24, and then we also had that gain on engine sales in the fourth quarter.

Savi Syth - Raymond James - Analyst

Helpful. Thank you.

Operator

Duane Pfennigwerth, Evercore ISI.

Duane Pfennigwerth - Evercore ISI - Analyst

Hey, thanks. Just on the debt that you're paying down related to Sunseeker, can you talk a little bit about how you're accomplishing that? What financing you're using to take down that debt? And how to think about the rate on what you're taking on versus the debt that you're taking out? And I guess just like why you thought this was important to do now? Thank you.

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

Sure. Yeah. Hey, Duane, it's BJ Couple of things there. One, the debt on Sunseeker was beginning to amortize just after the end of the quarter, I think, beginning in April. And given the cash flow production of that asset, it was something that we wanted to get ahead of.

In addition, we've been very focused on balance sheet improvement really beginning in the back half of 2024 when we started to realize what our level of operations was going to be on the airline side in the back half of '24 and through '25. And so, one of the first places to go when we're trying to get leverage in the right place was paying off debt that was maturing earliest.

And then we've also had the strategic review going on, and we've been learning a lot along the way, and we thought it would be best to have maximum flexibility there. So that's really the reason. And then how we did that, I mentioned we had proceeds from sale of fleet equipment during the fourth quarter, improved earnings. We had a loan out to another entity that was repaid to us. And so, just overall, the balance sheet improvement didn't come from net-net refi of that debt.

Duane Pfennigwerth - *Evercore ISI - Analyst*

Okay. And then I guess, hard to comment while this is going on, but I guess if everything went right, when would you think you'd be able to separate yourself from this asset? And I guess, any color from the, quote-unquote, interested parties? Do you think we'll need to see quarters or years for this to spool up before there's separation? Thanks for taking the questions.

Gregory Anderson - *Allegiant Travel Co - Chief Executive Officer, President*

Yeah, of course, Duane, thanks for the question. Maybe let me hit on it a little bit more. And that's that we've talked about in the past that we're focused on the parallel paths. And those paths are -- we need to improve the existing resort, and the team has done that. You see the EBITDA positive in the first quarter, they're driving group business and doing a lot of things to improve the financial performance.

And then the second two items that we've been looking at is the distribution partner or a soft brand and then a capital partner. And I mentioned that because as we've gone through the process with our experienced advisors, what we're learning is that -- or what we've learned that investors want a seat at the table to determine who that distribution partner is or that flag, the Marriotts, the Hiltons, and the likes. And so, all of those potential flags or distribution partners have toured the property. They're very positive on it. And then in terms of the next steps, we're in a competitive process.

I appreciate you respecting that on the call in your comments. It's hard to talk about. But I'll try and give you a little bit as high a level as I think we can hit. And that's that there's high single-digit number of investors. These are well-known, high-quality investors.

The indications of interest that they've provided are promising. We're advancing the process. There's no two structures that are exactly alike. But what we're working towards is at least we sell -- at the minimum, we sell a majority ownership and our advisors who we're working with, our goal is to drive as much value to our shareholders as we possibly can. More to come, but as I mentioned in my opening remarks that we would expect the transaction buttoned up by this summer.

And if all went well, it could be early summer, but we're really working through the process and trying to get to the right deal.

Duane Pfennigwerth - *Evercore ISI - Analyst*

Oh, that's great, Greg. Thanks for the info.

Operator

Tom Fitzgerald, TD Cowen.

Thomas Fitzgerald - *TD Cowen - Analyst*

Hi, everyone. Thanks so much for the time. Just curious how spring break's booking up across all your products but as well as on Allegiant Extra.

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

Sure. Yeah, I have Allegiant Extra details off the top of my head in advance. But very generally, there's a couple different pieces of March specific to the spring break. So Easter shifting out will put a pretty big headwind on the final week. Remember, well over a third, even as much as 40% of our spring breaks had coalesced around that week last year.

And being a bit compressed on capacity, we certainly couldn't take full advantage of that. So that week will look relatively poor on a year-over-year basis. Additionally, the first week of March tends to get a little softer with Easter pushing back as well. The middle two that are more apples-to-apples look great. I think we have some solid flight capacity market strength there, and then we'll see how the growth markets handle it.

But so far, pleased with how the middle of March is looking. A bit early to talk to April, but obviously, with Easter moving out there, that's going to look really good on any year-over-year basis. So feel good about the peak period.

Thomas Fitzgerald - *TD Cowen - Analyst*

Okay. That's really helpful. And then just as a follow-up, I think on the last call, Duane had asked about how you're merchandising Allegiant Extra. And you talked about as an ancillary versus its distinct fare product. And one of your competitors recently moved to start retailing their extra legroom seat as its own distinct fare class. I'm just curious how you view the pros and cons of those two strategies, and if you'd ever consider changing how you retail it. Thanks again for the time.

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

Yeah. It's almost like you're in some of our revenue strategy meetings where we've discussed this for the better part of a couple of quarters now. There's some tax implications depending on how you want to position it. As I understand, anything that moves into the same clique as the fare, everything is subject to the 7.5% excise tax by keeping them separated. The premium seat would still keep that 7.5%, but other pieces of the product or that bundle would not.

We do like having a little bit more flexibility in how we can approach the product mix in a distinct offering versus from the fare class. There's a few other backend complications that are more Allegiant-centric than anything, that would make bundling it together upfront a little bit more challenging. So I don't have necessarily a very clear answer for which is going to be better. We will continue to debate this for a while. But for the foreseeable future, we like where we're at.

We like having it separated. I feel like it's the best overall thing for the consumer experience, but to be determined.

Operator

Mike Linenberg, Deutsche Bank.

Mike Linenberg - *Deutsche Bank - Analyst*

Oh, yeah. Hey, good afternoon. Just back on Sunseeker, seeing it turn to EBITDA positive. Can you just remind us of the seasonality of the resort? What is typically the strongest quarters for Sunseeker?

Gregory Anderson - *Allegiant Travel Co - Chief Executive Officer, President*

Hey, Mike, it's Greg. Let me hit it at a high level, and Mike is on, if I misspeak or if there's any detail he wants to add. But typically, the first quarter is the strongest quarter, the fourth quarter being probably the second strongest, and then the summer would be the softest period. Is that right, Michael?

Unidentified Company Representative

Absolutely.

Mike Linenberg - *Deutsche Bank - Analyst*

Great. Thanks. And then just, BJ, I heard you mention you talked about, I think it was \$20 million in pilot bonus accrual. Where are we now? How much have you accrued? Because I know it's been going on for some time. And as we move into 2025, how does that change just as you add more airplanes and grow your pilot ranks, what number should we think per quarter?

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

Sure, Mike. Yeah, thanks for the question. We were just under \$140 million, I believe, at the end of 2024. And it was building right around \$20 million a quarter. For 2025, I have it coming up by about \$22.5 million a quarter.

Mike Linenberg - *Deutsche Bank - Analyst*

Perfect. Thanks for taking my questions.

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

Thanks, Mike.

Operator

Dan McKenzie, Seaport Global.

Daniel McKenzie - *Seaport Global Securities LLC - Analyst*

Oh, hi guys. Thanks for the time here. It looks like the sale of Sunseeker will swing cash nicely positive this year. And I know you can't talk a whole lot about it, so I'm not sure how it would be recorded exactly. But could you speak to the potential use of cash and the implications for year-end debt and leverage metrics?

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

Dan, thanks for the question. I'm glad you asked that. I should mention that my prepared comments around deleveraging throughout the year did not include any assumptions on cash proceeds from Sunseeker transaction. That was just based on airline earnings. So we haven't -- look, we're still exploring, and there could be many different ways that a transaction would be structured.

So I'm hesitant to run away with anything. But I would tell you, our primary focus is just on continued improvement of our balance sheet. So maybe we'll pay cash for the airplanes, maybe we'll pay down some debt. I know what you're probably looking for. I don't think we'd be committing to any kind of shareholder returns with those proceeds, but we can have that discussion when we get there.

Opportunistically, I think we do have \$70 million-plus in authority on share repurchases if we wanted to look at that.

Daniel McKenzie - Seaport Global Securities LLC - Analyst

Yeah. Okay. And then with respect to Allegiant's strategic focus here, Frontier, of course, has expressed interest in Spirit. And I'm wondering if you could just speak to the overlap that you would have with Spirit. And I'm just wondering, is M&A something that's even on the radar for you? Or strategically, would some kind of acquisition or bolt-on acquisition at some point appeal to you guys?

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

Yeah, I'll kick it off with the overlap. It's relatively thin. I want to say approximately 4%, give or take. I haven't rerun it since the schedule was extended recently. But I can't imagine we've deviated far from that.

Gregory Anderson - Allegiant Travel Co - Chief Executive Officer, President

Dan, I'll add on the consolidation question. And I think just underperformance, if that continues for, like, other carriers, maybe that could result, then we'll see they'll do what is best for them. But specifically, to Allegiant around consolidation, in our view, is that consolidation really isn't necessary for us. We have great assets. We have the right network. We have room for organic growth. Drew and his team, they talked about the 1,400 incremental routes.

Now, as I mentioned earlier, we need to earn that right to grow. But our focus is really on driving shareholder value, and that's what we've really worked towards '24, '25 and continue on in future years. So that's where our focus is at right now.

Daniel McKenzie - Seaport Global Securities LLC - Analyst

Yeah, of course. Can I might squeeze one last one in here? For investors that are taking a two- to three-year horizon, just given the sharp expansion in margins in '25, how should longer-term investors think about normalized margins for Allegiant at this point?

Gregory Anderson - Allegiant Travel Co - Chief Executive Officer, President

How about I'll kick it off, and feel free, Drew or BJ, to jump in. But as I think about -- as I mentioned earlier, '25, and that's a onetime catch-up year with '26 being a different growth formula. All else equal, if the environment were equal, I would expect '26 margins to be higher than '25. And as we think about how we look beyond that as well, our focus is getting back to historical margins with what we've seen. We have a plan to do that, but we need to continue to execute.

Some examples that may be worth highlighting why we have conviction that, again, all else being equal, '26 margins stronger than '25 is we still think there's upside with productivity internally here, how do we keep becoming more productive, growing productively. From the commercial standpoint, we talked about some of the enhancements that we've been working through in terms of Allegiant Extra or Navitaire. By the end of this year, coming into '26, those will largely be in full swing. Drew and his team have a number of other commercial initiatives that we think could be beneficial. The network maturation, that too should help drive [less] growth next year, which we expect would help drive margins.

So all in all, our goal is to get back to historic margins, and I think we're heading in the right direction. And so, hopefully, stay tuned, and we'll continue to execute on our plan.

Operator

Scott Group, Wolfe Research.

Scott Group - *Wolfe Research - Analyst*

Hey, thanks afternoon guys. So the guidance is airline RASM down more than 6% in the first quarter, and I get that there's timing issues in Easter and all that. But that's a pretty big step down from the down 1% in Q4. So I guess, any color there? And then what's assumed in the guidance for the rest of the year? So it's like capacity goes from 14% to 20% in Q2, Q3. Does RASM get better than the down 6%, or does it get worse? I'm just not really sure what's in the guide.

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

Sure. And maybe -- well, first, talking 4Q to 1Q. So obviously, Easter is a pretty big headwind on that front. But, additionally, if you look at the growth a little bit, there was very little growth in -- little to no growth, really, in October, November, and the vast majority of the December growth came from the backend of Thanksgiving falling into early December as well as concentrated around the holiday itself. So it's really, really productive growth there.

That won't quite realize the same way in January, February, and even early March in particular. So the way in which the growth is manifesting and how we see that, I guess, play out in revenue will look probably meaningfully different than how it did in December.

Looking, I guess, broader through the year, I do expect that because of Easter falling into the second quarter, because of some of the backdrop changes in the summer, that affected the entire industry last year, and at least to date look to be more constructive in '25, I think they should look a little bit better, probably similar to one another, but a little bit better than the first quarter. And then with growth tapering off in the fourth quarter, I would expect probably the best performance on a year-over-year basis in the fourth quarter.

Scott Group - *Wolfe Research - Analyst*

So I guess when you add it all up, right, does RASM down more than CASM this year, or is CASM down more than RASM this year?

Gregory Anderson - *Allegiant Travel Co - Chief Executive Officer, President*

CASM is down more than RASM.

Scott Group - *Wolfe Research - Analyst*

Okay.

Gregory Anderson - *Allegiant Travel Co - Chief Executive Officer, President*

Does that make sense? What I'm saying is it's accretive that the costs will come down more than the revenue side of the house. Is that what you're getting at, Scott?

Scott Group - *Wolfe Research - Analyst*

Yeah. I mean, ultimately, I guess you're saying Q1, CASM is down 7%, RASM is down 6%. You're saying CASM is going to be down less than 7% the rest of the year, right? So I guess you need RASM has got to be better than down 6% the rest of the year for that to be true, but that's what's in -- I just want to understand what's in the guide.

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

Yeah. And, Scott, I think, it's just important, the nuance there, you're asking about CASM. So both CASMex and CASM should be down. And just keep in mind the benefit as we get more and more of these MAX airplanes into the fleet on total CASM in the back half of the year.

Scott Group - Wolfe Research - Analyst

Okay. And then just last thing really quick. The engine gain in Q4, do we assume any additional engine gains as some of the new planes come in? Are there any other engine gains assumed in the guide?

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

There are some in the guide for 2025, pretty minor. Nothing as meaningful as what we had in 4Q. That's why we called it out. Just to remind you that we've always had disposition of scrap assets run through our other expense line. Sometimes it's a gain, sometimes it's a loss.

In 2024, it was lumpy, actually. We had a couple of quarters with gains on, it could be parts, landing gears, unserviceable engines, things like that. So I am assuming a little bit of that in 2024, but it'll be lumpy quarter to quarter. I don't know that we'll give a lot of clarity on it.

Gregory Anderson - Allegiant Travel Co - Chief Executive Officer, President

And, Scott, maybe just at a high level, it's worth adding that there's value in the order we view it with Boeing for our new MAX. We have a value in our existing fleet assets, which we own. And as we look out, and BJ and his team and how productive we are with those assets, how we optimize that value. And we're well positioned and experienced not only as a commercial airline, but also in monetizing aircraft assets over the value of their lifecycle.

And so, that's just what the team is doing. They're finding less productive assets and monetizing it in this unique market.

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

Thanks, Greg. And, Scott, maybe just one more thing I should add in. I mentioned in my script that there is potential for Boeing to deliver more aircraft than we have in the plan. If that happens, and it happens early enough, and we feel like that delivery schedule is reliable, then maybe we'd change our position on that like in the fourth quarter or something. We would dispose of Airbus assets more quickly.

Operator

Ravi Shanker, Morgan Stanley.

Ravi Shanker - Morgan Stanley - Analyst

Great, thanks. Good evening guys. So maybe as a follow-up to some of the questions here. Great to see the traction with Allegiant Extra and getting to 70% of the planes at the end of the year. But can you just help unpack how you guys just ideated between the strategies of growing to higher margins through higher -- through more capacity versus trying to push to higher margins through less capacity and more price? Because it feels like the industry is going one way, and you guys may be going a different way. Now, I'm not saying that's the wrong thing to do because you guys have your own strategy, but just how would you come to that conclusion?

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

I think we're guilty of that since probably the start of 2020. It feels like we've grown when no one else has, and we've gotten the unit revenue when everyone else is growing, and it's been hard to tell that story for the last five years, so why would we stop now?

The core of this to me, and then maybe I'll hand it off, is really about growing into the infrastructure we have. The marginal cost that we add into the business through this flying is relatively low relative to what we believe we can achieve on the revenue side. So to me, this has really been about driving earnings and then harvesting the margin in the coming years, as Greg mentioned a little bit ago, as we get back to earning that right to grow. But by and large, we have the pieces in place to achieve this growth without having to add much on the foundational front.

Ravi Shanker - Morgan Stanley - Analyst

Got it. That's really helpful. And maybe as a follow-up, just for the Sunseeker timing, you said, I think, late summer. How firm is that deadline? And what are maybe some of the moving pieces in terms of the process that will enable you to either hit or maybe even advance that deadline?

Gregory Anderson - Allegiant Travel Co - Chief Executive Officer, President

Yeah. We just put it by summer, so it's kind of a little wider range. If we were to -- everything were to go as planned, it could be the early part of the summer, Ravi, but we're just trying to give some buffer there and really take the right time that is needed to get to the right deal and structure. And so, we're working through that. There's steps along the way, the process.

And so, we're in a more advanced step now than we were a month ago, meaning we've narrowed it down and really focusing on advanced due diligence and discussions with soft brands and things like that. So we're working through it as expeditiously as we can. So we're putting that out there. The best information we have today is when we think we'll conclude this transaction.

Ravi Shanker - Morgan Stanley - Analyst

Very good. Thank you.

Gregory Anderson - Allegiant Travel Co - Chief Executive Officer, President

Thanks, Ravi.

Operator

Conor Cunningham, Melius Research.

Conor Cunningham - Melius Research - Analyst

Hi, everyone. Just going back to the cost outlook here. It's a little confusing. So in the past, I think you've talked about having the infrastructure in place to grow 15%. And then you've also said that if you grow 5%, your CASMex is basically going to be flat.

So I'm just trying to understand in the context of 17% growth, why the best quarter on CASMex is going to be 1Q when you're going to have 20% growth. Like, is there anything that we're missing from a -- I don't know if there's like labor assumption, anything just within it that we need to know about on the cost side that may be throwing off that a little bit? Thank you.

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

Thanks, Conor. Yeah, let me try that. So first quarter, remember, you have -- or sorry, I should get to second quarter. I mentioned, I think, in response to another question on the call, there was some lumpiness in the other line. Some of that was related to asset and part sales from parting out A320 family equipment.

So that has some impact. And then you have more utilization on smaller aircraft and seats coming off of A320s for Allegiant Extra in 2Q and 3Q. Let's see what I'm missing here. Then you start to add some depreciation expense back into the business in the third quarter. What am I missing, guys?

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

You have the engine sale that we probably didn't have in that.

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

Yeah. And then, of course, the engine sale in the fourth quarter. So you don't really get much of a year-over-year benefit in the fourth quarter.

Conor Cunningham - Melius Research - Analyst

Maybe I can ask it a little bit different. Drew, just like again, we're pushing capacity again. I know that you guys have been very clear about that. But just as you build a schedule in the current environment, obviously, there's been a big debate around ultra-low-cost carriers in the model and all that stuff. But just have you changed your approach at all to building a schedule when you think about pushing growth now in the context of what you're seeing out there? Thank you.

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

No. By and large, it's the same approach, right, through the peak periods, you're trying to schedule up to whatever your first operational constraint is. Historically, in the summer, that's been our pilot headcount. Today, I think we're a little more balanced on that front and filling up our peak days until the aircraft space runs out. But one of the innovative things that we continue to bring to the industry is our ability to schedule it 2 and 3 times a week.

And as constraints allow, we push a number of those markets up to three and four to see where they can go. Outside of the peaks, we're still using a demand and fuel bakeoff to ensure we're doing the right level of flying. And we probably changed our margin threshold targets a little bit in terms of what we're willing to deploy, as we're focused more on the dollars than the margin in '25. But I think, by and large, it's the same general process, with just some minor tweaks.

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

Hey Conor, if I can just come back in on the cost question now that I had a little bit of help from the team here. Just a couple of things maybe to add in. When you think about 1Q '24, we had a bit of elevated costs related -- crew-related costs. This is crew-related travel and crews offline for training for the Boeing aircraft. And that relieves a little bit in the first quarter of '25. And so, you don't see as much pressure there. And then just remember, we didn't have the flight attendant deal in first quarter of '24.

Conor Cunningham - Melius Research - Analyst

Right, okay. I appreciate it. Thank you.

Operator

(Operator Instructions) Catherine O'Brien, Goldman Sachs.

Jack Ewell - *Goldman Sachs - Analyst*

Hey this is Jack Ewell on for Catie. Thanks for taking our questions. Just to dig in a little more on the 1Q margin expansion. You got RASM down 6%, CASM down 7%. Is this more about increasing efficiency to drive better margin, or would you also call out the revenue backdrop as a driver? All else equal, would you expect RASM to be worse at that level of growth and Easter shift? Maybe you could speak to same-store sales. Thank you.

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

Yeah. Thanks, Jack. I think the piece in all that, that's also helpful, right? Fuel is down a modest amount on a year over year, which will help, but also is a headwind towards revenue production at the same time. So I talked a little bit about flight capacity or same-store performance over the spring break. I might stop short of doing that in any greater detail.

Yeah, I think, maybe just through the quarter, getting the New Year's travel benefit into January will serve as a positive, similar to some commentary we heard this morning. I think February will be a little bit softer than we otherwise would have anticipated with the growth. But I think the spring break period looks pretty good when considering the Easter shift impact that's expected. I don't know if I ran around your question too much there, but I think not entirely out of line in total with maybe a little bit of extra softness in February than I would have anticipated.

Jack Ewell - *Goldman Sachs - Analyst*

That makes a lot of sense and super helpful. And just as a quick follow-up on Sunseeker, this year, the business drove -- well, 2024, the business drove a \$3 EPS degradation. Understood you're in discussions to sell at least a majority stake now, and therefore, not giving a full year guide. But given the EBITDA improvement you're speaking to in 1Q, would you expect the drag to earnings from Sunseeker to be smaller year over year in 2025, in addition to the expected improvement on an airline-only basis? And if Sunseeker is still a wholly-owned property for 2Q, understand it's a tougher seasonal quarter, but are there other factors that could drive some EBITDA momentum despite that seasonality?

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

Hey Jack, it's BJ. I'll start. I would say -- so on a full year basis, no, we wouldn't expect Sunseeker to be as much of an EPS drag as it was in 2024. I will tell you, we're still working through interest expense allocation to that segment. The actual loan on the property is paid off, but we may need to allocate some of the travel company, the consolidated interest expense to that segment. So still need to look at that. And then the EBITDA improvement is really nice to see in the first quarter. We see that really throughout the year, but not as pronounced in 2Q and 3Q.

Jack Ewell - *Goldman Sachs - Analyst*

Thank you.

Operator

Tom Wadewitz.

Unidentified Participant

This is Atul Maheshwari on for Tom Wadewitz. Thanks a lot for taking our question. Granted, it's a fluid situation, but if fuel prices were to move materially higher from here, either due to tariffs or otherwise, does that begin to put pressure on your capacity plans for aircraft utilization. Then what levers do you have that you can pull to still achieve your guidance?

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

Sure. Just to make sure I understood the question. If fuel were to spike meaningfully, how would that impact capacity and what levers do we have to pull to combat it?

Unidentified Participant

Exactly. That's the question.

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

Yeah. So I think depending on, I guess, how rapid the rise looks, we'd be pulling capacity out of our shoulder and off-peak periods relatively quickly. Depending on, I guess, the level of booking there, we tend to be about three months out to action that. We're going to put customers first if our flights are meaningfully sold, even if it would put us in a disadvantageous position. And just natural economics should take place after that. As you restrict supply, the fare should rise a little bit to help offset the cost of the fuel there.

We would have to take a deeper look at some of the peak periods. Historically, demand has been sufficient to offset largely any fuel price in the peakest of periods. So that would purely depend on the magnitude of that rise, as well as the, I guess, economic response to it from a demand perspective. And maybe just, not that it's directly related to this, but with more Boeing coming online, too, that does make us more resilient to whatever spikes in fuel may occur, just provides a slightly easier hurdle rate on that front.

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

Yeah. Atul, it was a little bit hard for me to hear your question. But just to add to Drew's last comment there, I think we would look at Drew and the commercial team trying to see as much flying as possible on the fuel-efficient MAX aircraft. And then perhaps that even opens up opportunity for some early exits on the A320 fleet, too.

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

And maybe the final piece here, because utilization is rising, it will put pressure on our fixed-fee team to be able to deliver at the same levels in '25 they did in '24. Your scenario would play really well to be able to get into the fixed-fee space and more earnestly and try to backfill some of the lost scheduled service capacity where fuel would be a passthrough.

Unidentified Participant

Okay, got it. That was very helpful. And then just quickly on the unit cost versus unit revenue dynamic. So CASM down more than RASM, is that going to be the case in each quarter of the year? Or is there certain quarters where that spread is going to be a lot higher than others?

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

Yeah, that might be a little bit far in the weeds for where we're going to go here. I think we've given some pretty good direction on that for the year as a whole as well as directionality for each of the two items. We feel really good about our position. We have levers to pull if things don't manifest as we see it today. But maybe we won't go quite that far.

Operator

I will now turn the call back over to Sherry Wilson for closing remarks.

Sherry Wilson - *Allegiant Travel Co - Managing Director, Investor Relations*

Thank you, everyone, for joining today's call. Please feel free to reach out with any questions. Otherwise, we will talk to you next quarter.

Operator

Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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