Allegiant Travel Company 2014

Investor day

November 2014

Operations update

Kris Bauer – Interim COO

Forward looking statements

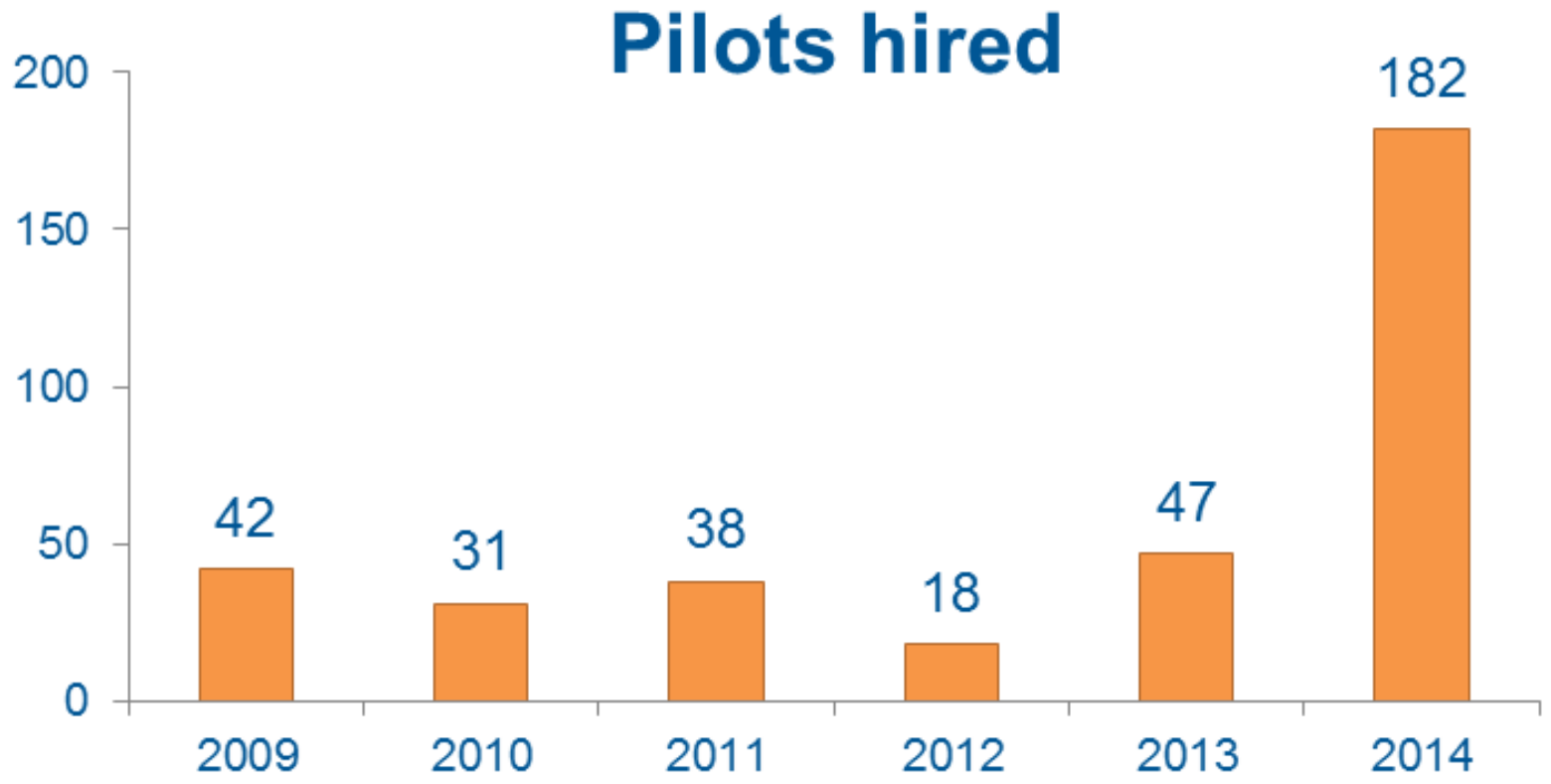
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Pilot staffing – how did we get here?

- Government shutdown
- New fleet type
- Still operating a growing airline

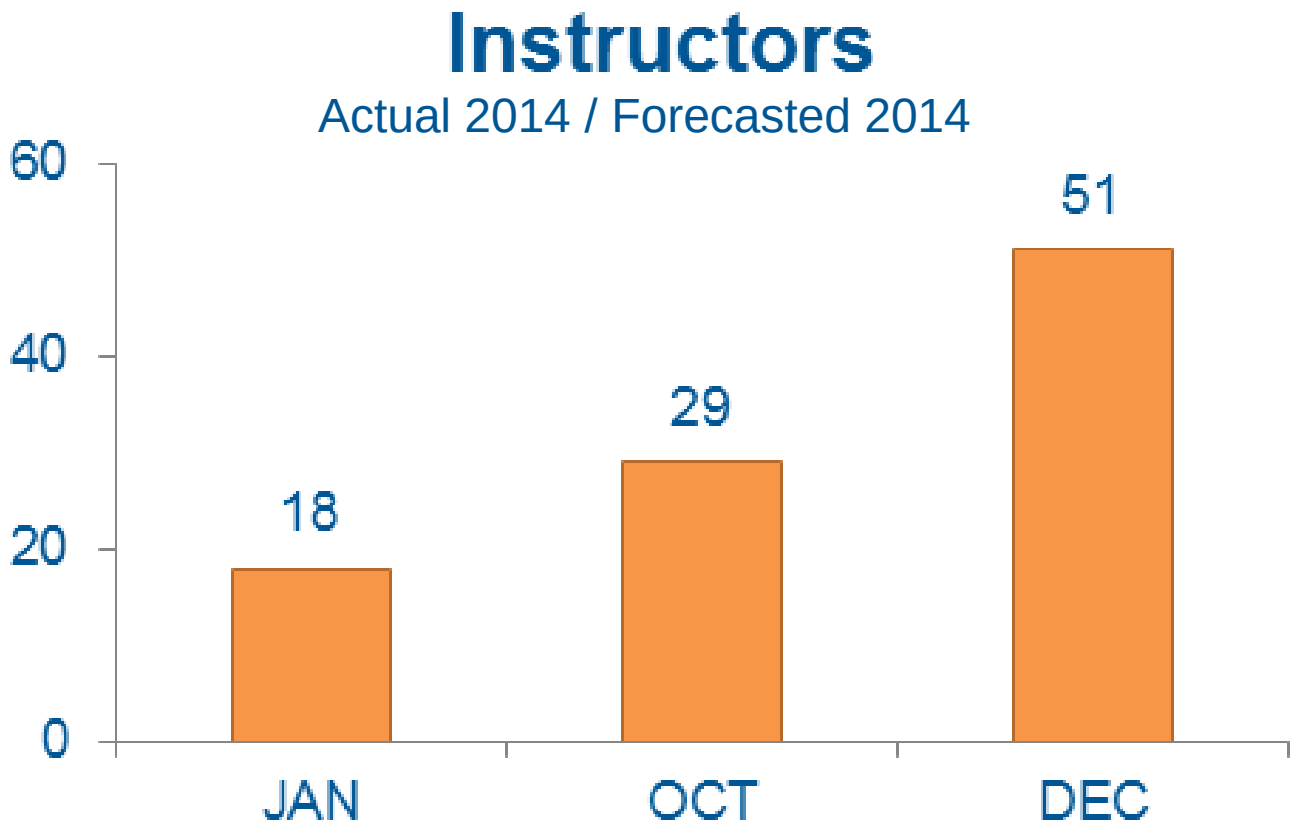
Hiring requirements

- 2014 has been unique

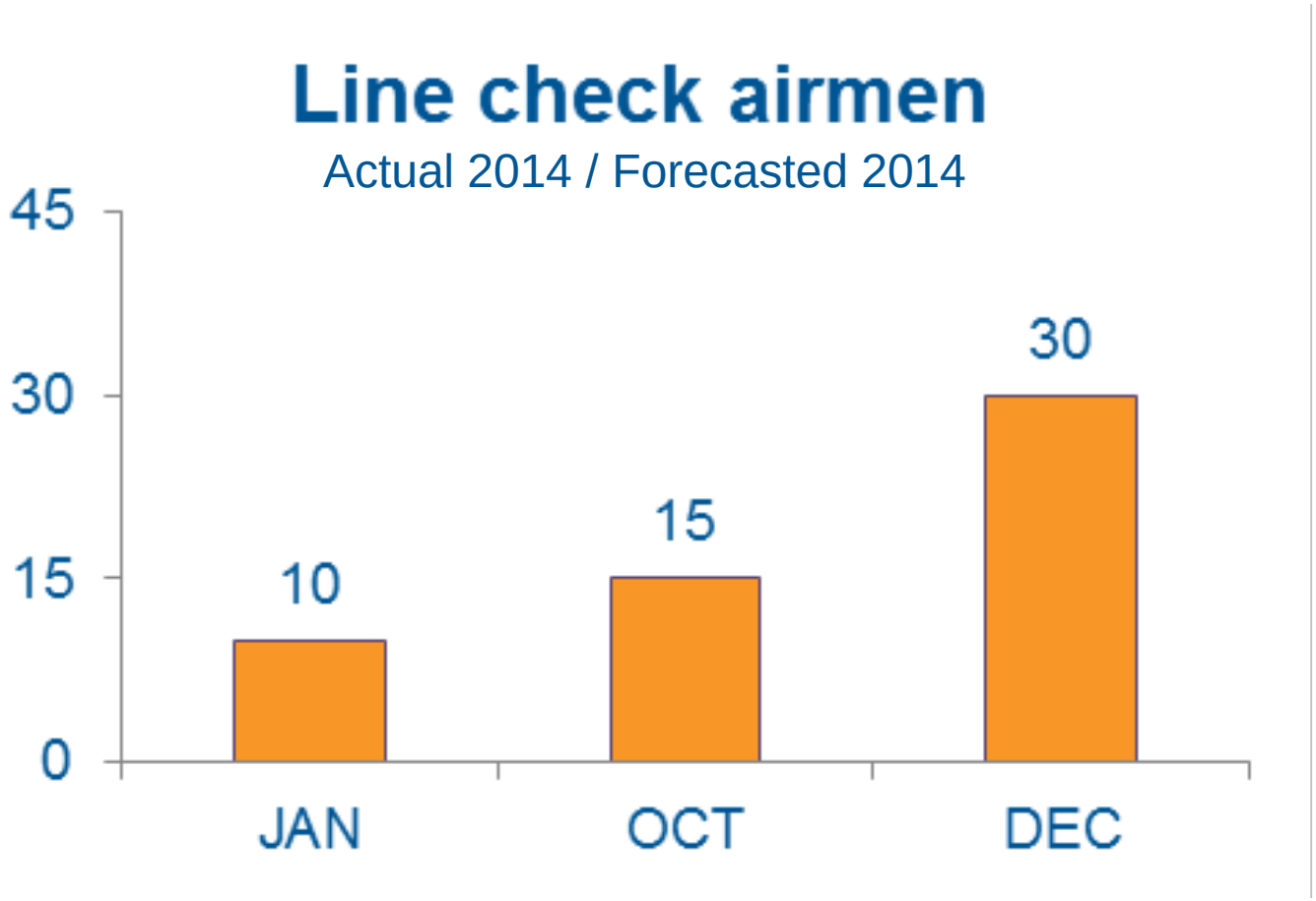


2014 - expected new pilots hired throughout the year

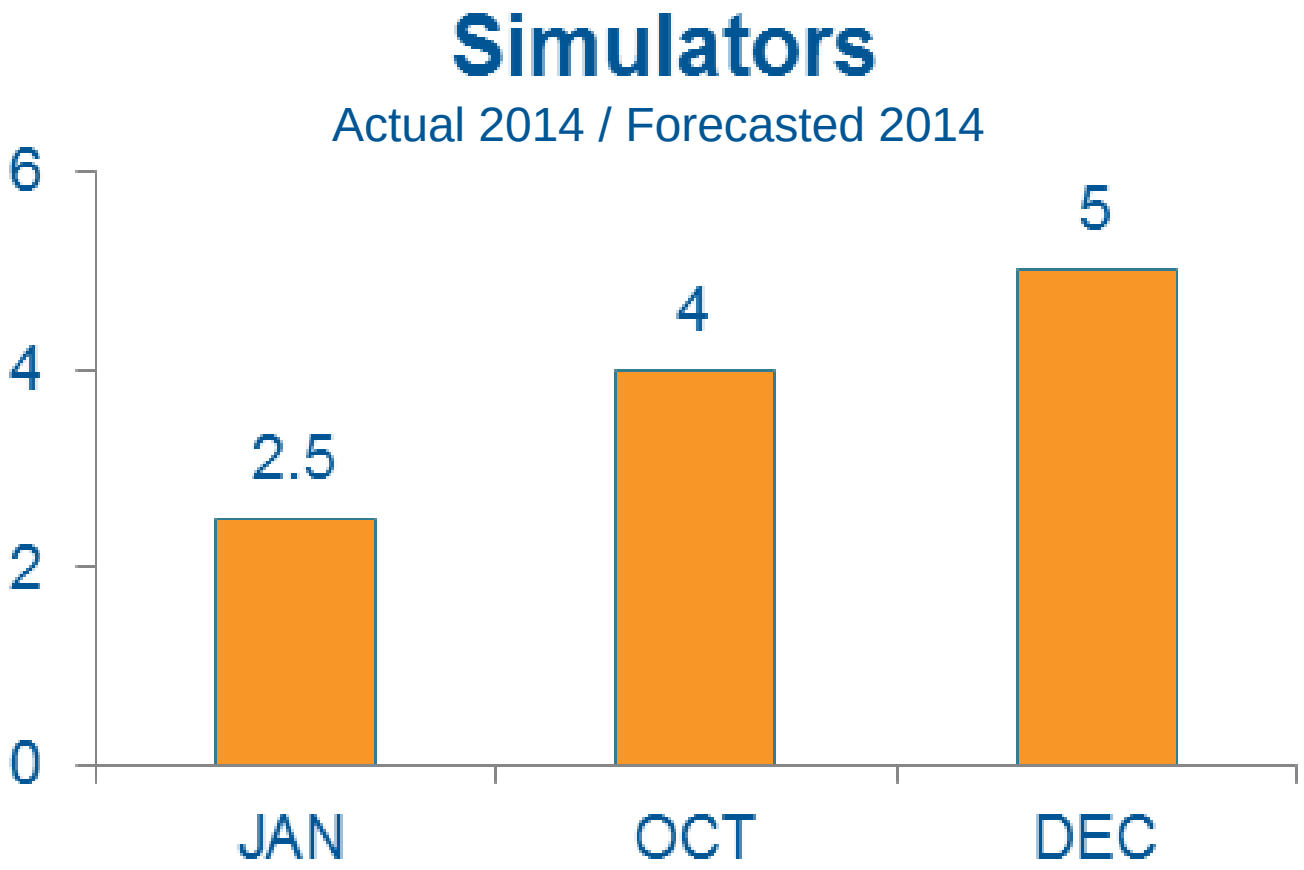
Resources - instructors



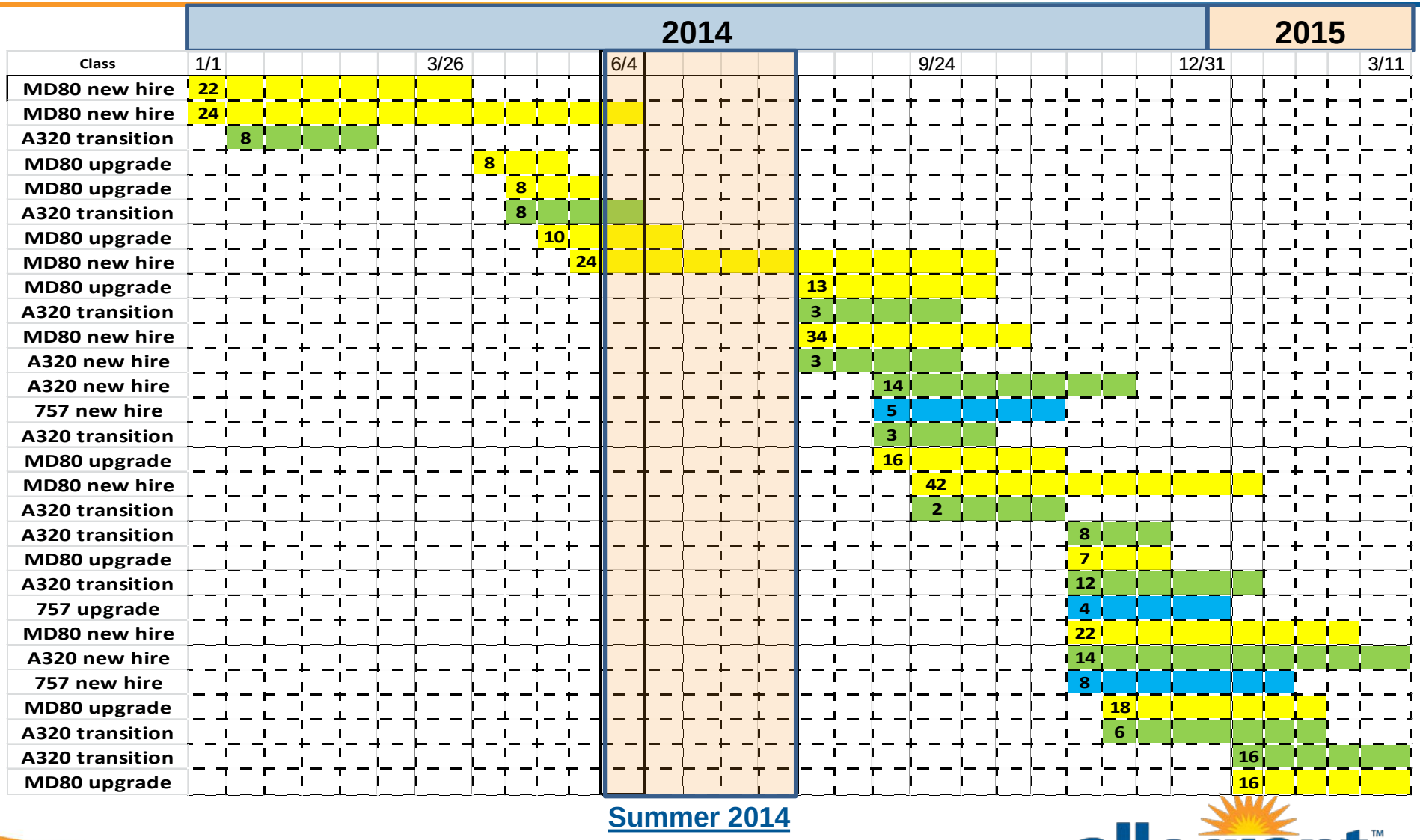
Resources – line check airmen



Resources – simulators



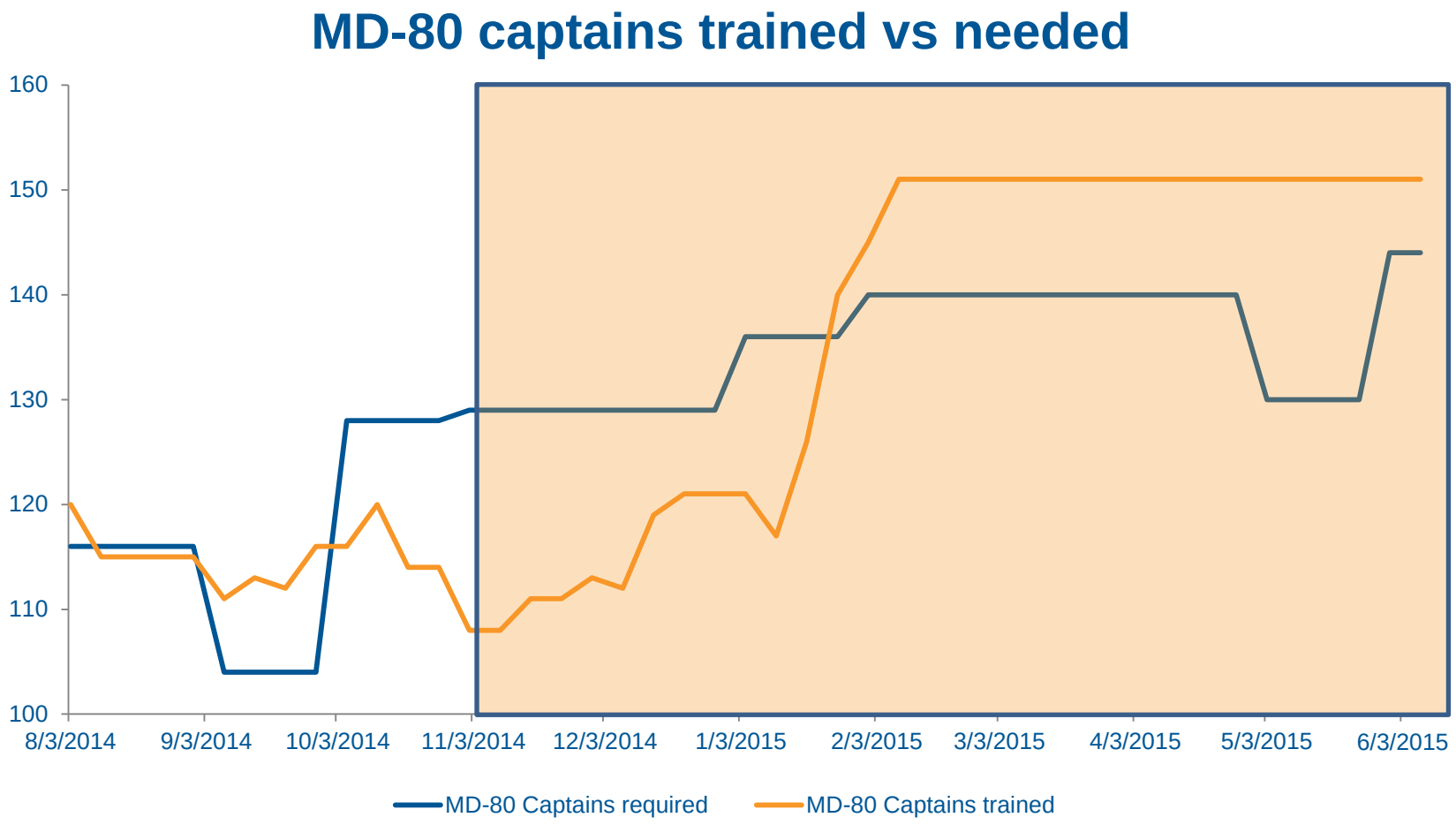
Proposed training schedule



Summer 2014

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MD-80 captain requirements



Shaded area is forecasted

New hire pilot data

- Not having issues finding quality pilots
  - 11/14/2014 Class: average total flight time 5,741 hours
  - 10/14/2014 Class: average total flight time 5,462 hours
  - 09/19/2014 Class: average total flight time 5,528 hours
  - 09/05/2014 Class: average total flight time 6,613 hours

Network update

Lukas Johnson – VP Network & Pricing

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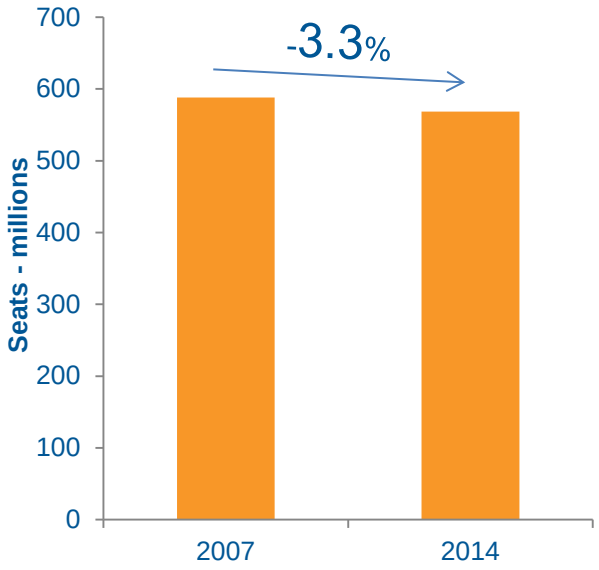
Bio

- Responsible for:
  - Network
  - Revenue management
  - Air ancillary
  - Crew planning
- Joined Allegiant in 2010
- Previously worked in actuarial consulting
- B.A. Math - Northwestern University

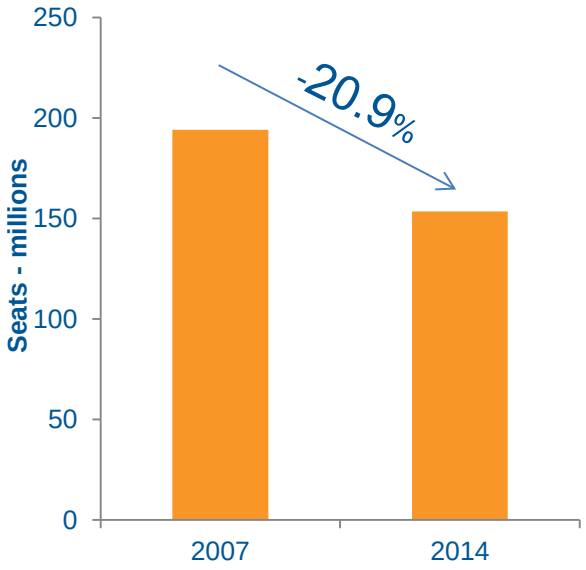
Consolidation a catalyst

US domestic seats 2007 vs 2014 by airport size

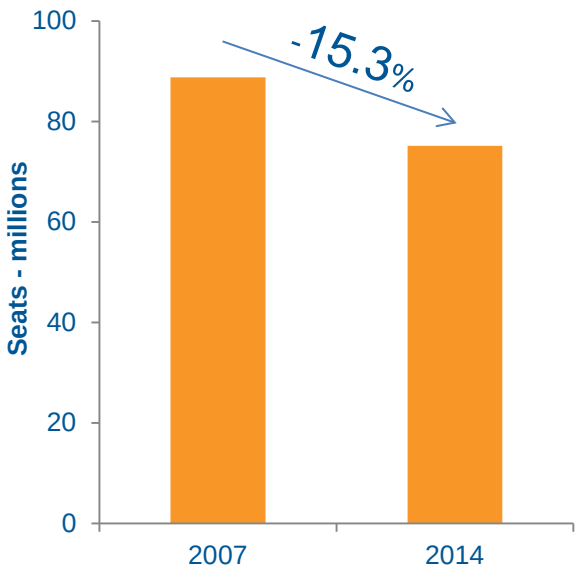
Large hubs



Medium hubs



Small hubs



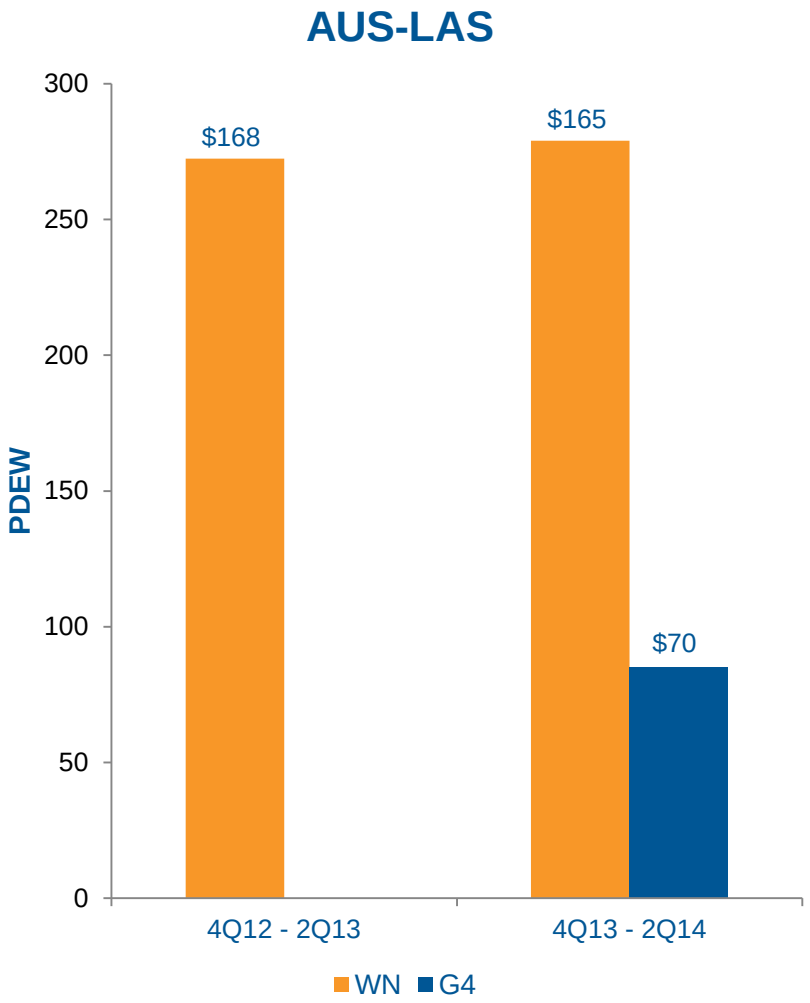
Hub classification by 2013 enplanements
Large = Over 1.0%
Medium = Between 0.25% and 1.0%
Small = Between 0.05% and 0.25%
2007 seats - DOT T100 data for CY2007 (Diio T100 Summary by Originating Airport)
2014 seats - Diio Scheduled Level of Ops Report- 1/1/14-12/31/14

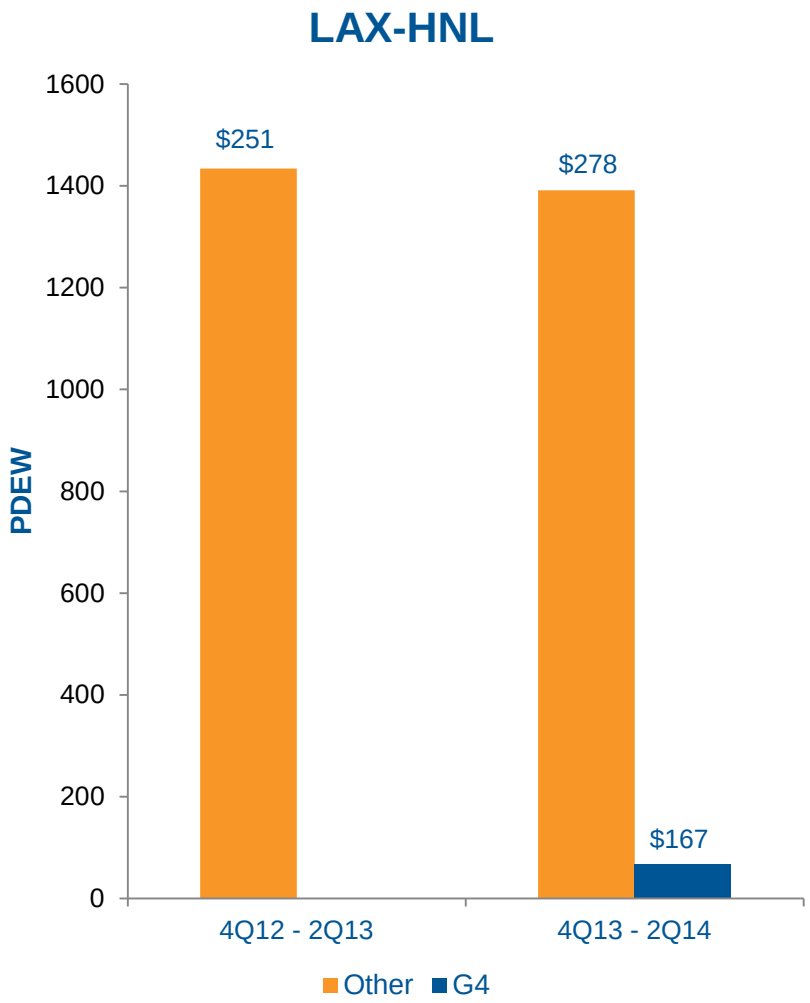
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Evolving our network

- New cities announced 11/12/14
  - Indianapolis, IN
  - Pittsburgh, PA
  - Jacksonville, FL
  - Omaha, NE
  - Richmond, VA
- Focus on underserved leisure/VFR markets
  - Not business routes or fortress hubs
- Larger origination cities
  - Opens up new secondary destinations
  - Less discounting for off-peak flying – increased utilization
  - Airports are hungry for new service, will incentivize

Passenger stimulation





Numbers above PDEW bar = Average net fare in period per Diio Mi

Airbus utilization

- Airbus aircraft allows previously marginal flying to be profitable
  - Longer routes (Bismarck, ND to Orlando)
  - Off-peak day flying (Columbus, OH to St. Pete Wed/Sat 2x weekly)
  - Off-peak season flying (Syracuse, NY to St. Pete in September)
  - Previously canceled markets (Ft. Wayne, IN to Phoenix)

2014 Utilization by A/C type

	Peak	Off-Peak	Total
Airbus	9.9	5.3	7.9
Non-Airbus	7.1	1.9	4.9
All Aircraft	7.5	2.4	5.3

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Guidance

- 2015 Scheduled ASMs +9 to 13%
  - Increase in ASMs weighted towards 2H 2015
- 2015 East Coast > 50% of system ASMs
  - 2011 East Coast was 34% of system ASMs
- 2015 Average stage length down 1 to 2%
- 4Q14 TRASM 0 to +2%

Cost update

Trent Porter – VP Financial Planning & Analysis

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Forward looking statements

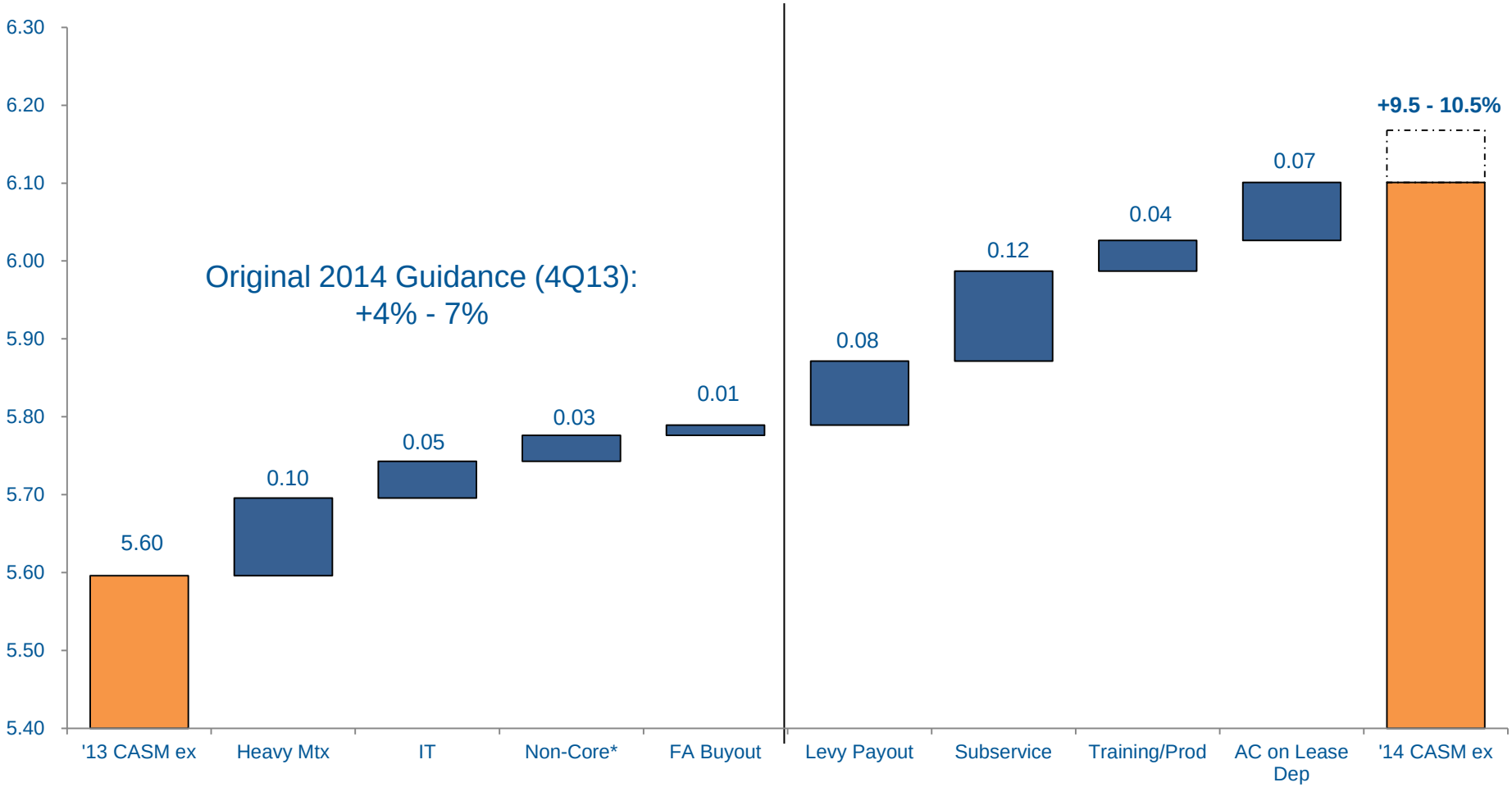
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Bio

- Responsible for:
  - Financial planning
  - Labor negotiations
  - Budgeting/forecasting
  - Business intelligence & analytics
- Joined Allegiant in 2009
- Capital & Long Term Strategic Planning at US Airways
- B.S. Degrees in Accounting, Finance & Economics (Utah State)
- MBA – Finance (Univ. of AZ); MIM – Global Finance (Thunderbird)

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2014 CASM ex-Fuel



*Non-Core includes Teesnap, Game Plane, Gallagher Motorsports

2015 Expectations

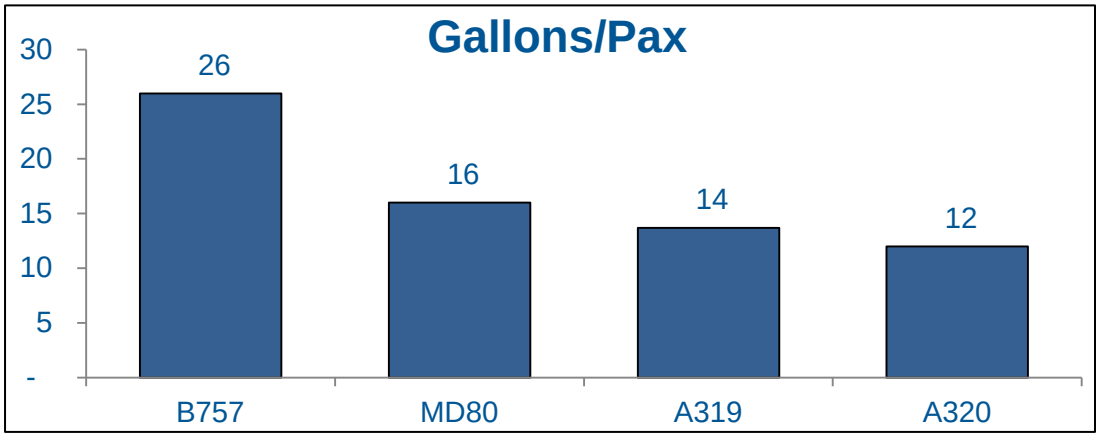
- Fuel

Airbus AC

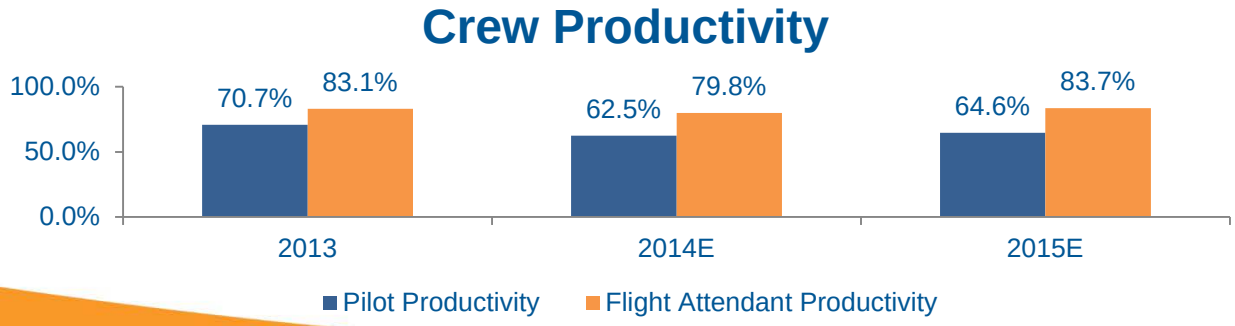
14% (2014) ➡ 21% (2015)

Airbus Block Hours

20% (2014) ➡ 32% (2015)



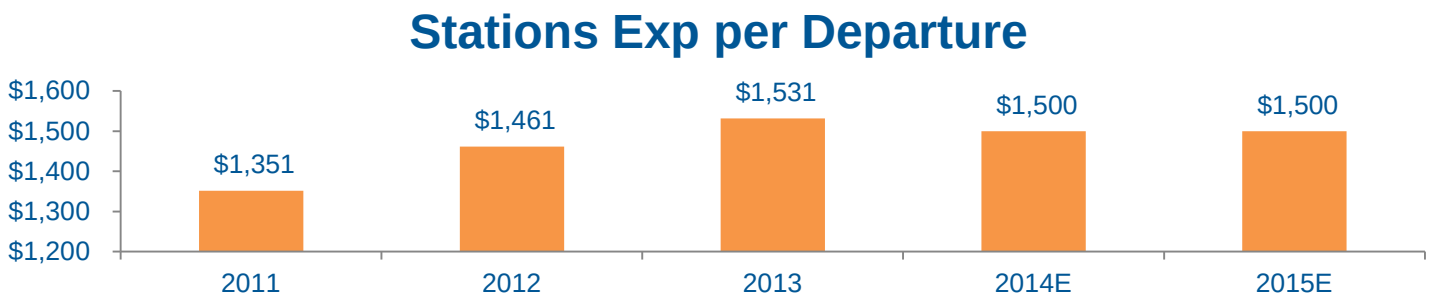
- Salaries & Benefits
  - Realization of efficiencies from multi-fleet overhead investments
  - Build back Pilot & Flight Attendant Productivity



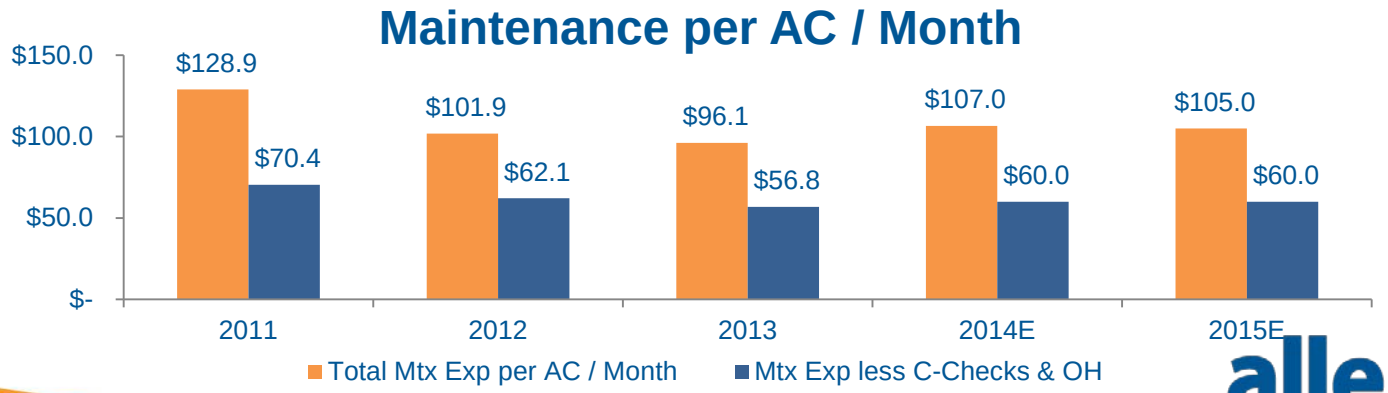
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2015 Expectations (cont.)

- Stations
  - LAS Catering brought in-house for savings



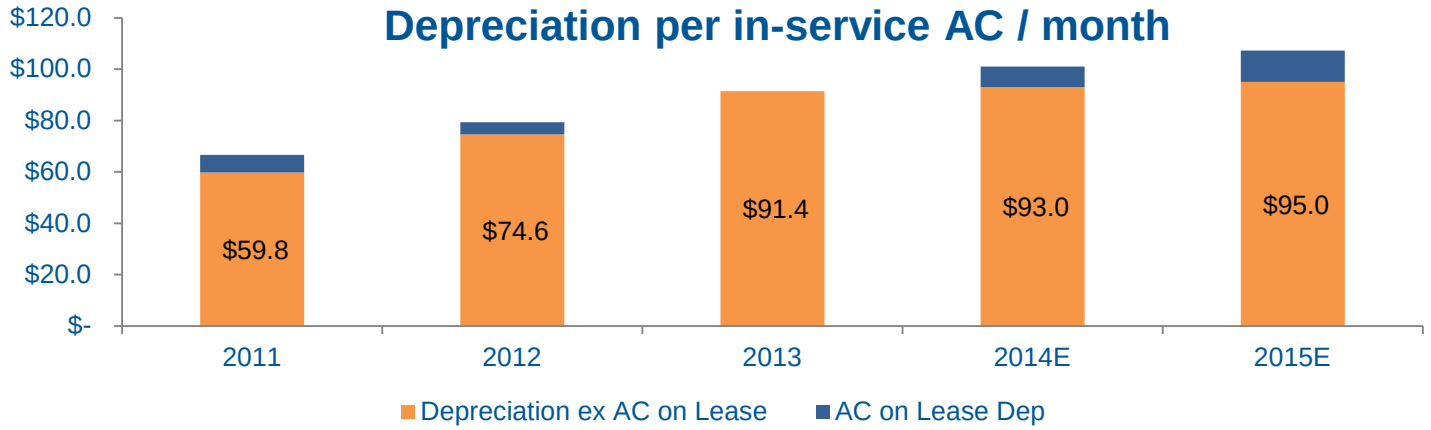
- Maintenance – 2015 Mtx / AC / Mon between ~ $100k - $110k
  - New Heavy Mtx (5 Yrs) – AAR (MD-80s/B757) & Pemco (Airbus)
  - Same Number of Events for 2015



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2015 Expectations (cont.)

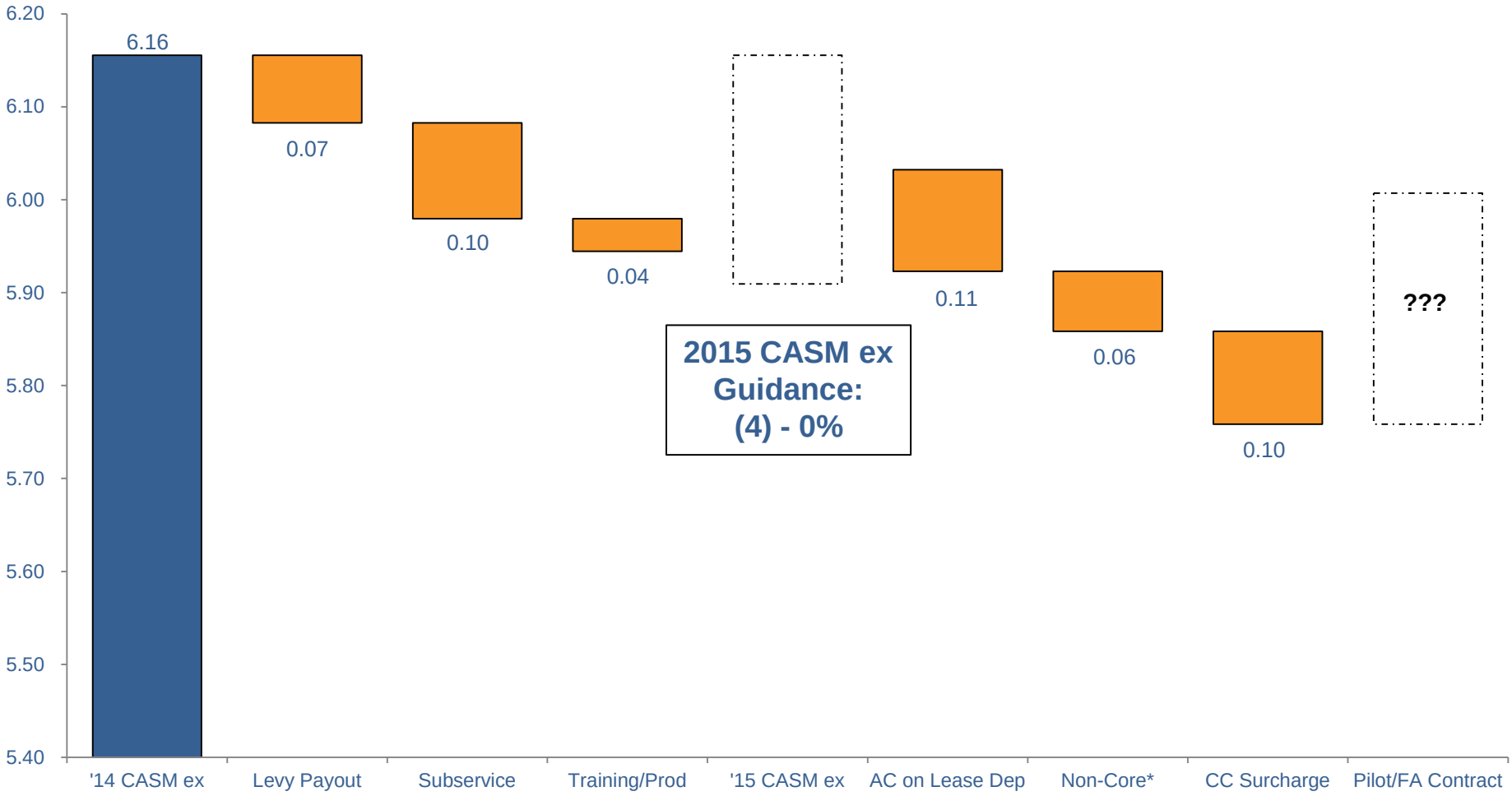
- Depreciation



- Sales & Marketing
  - Game Plane Investments & Gallagher Motor Sports Sponsorship
  - Credit Card Surcharge

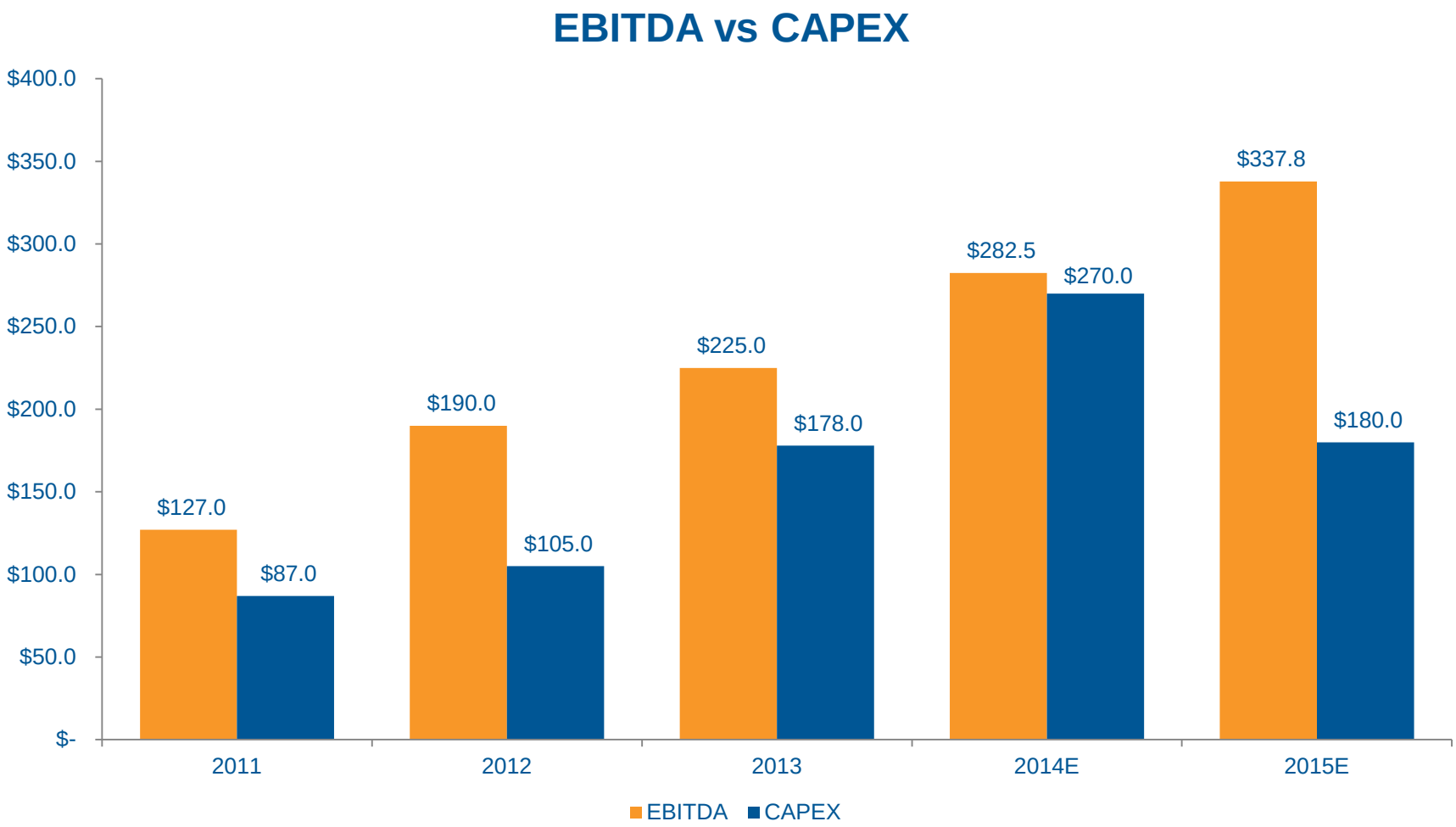
- Other Expenses
  - Continue TDY Bases & Non Cap IT Opex Investment
  - 2014 +$1.0M Merlot Implementation

2015 CASM ex-Fuel



*Non-Core includes Teesnap, Game Plane, Gallagher Motorsports

Cash generation & CAPEX



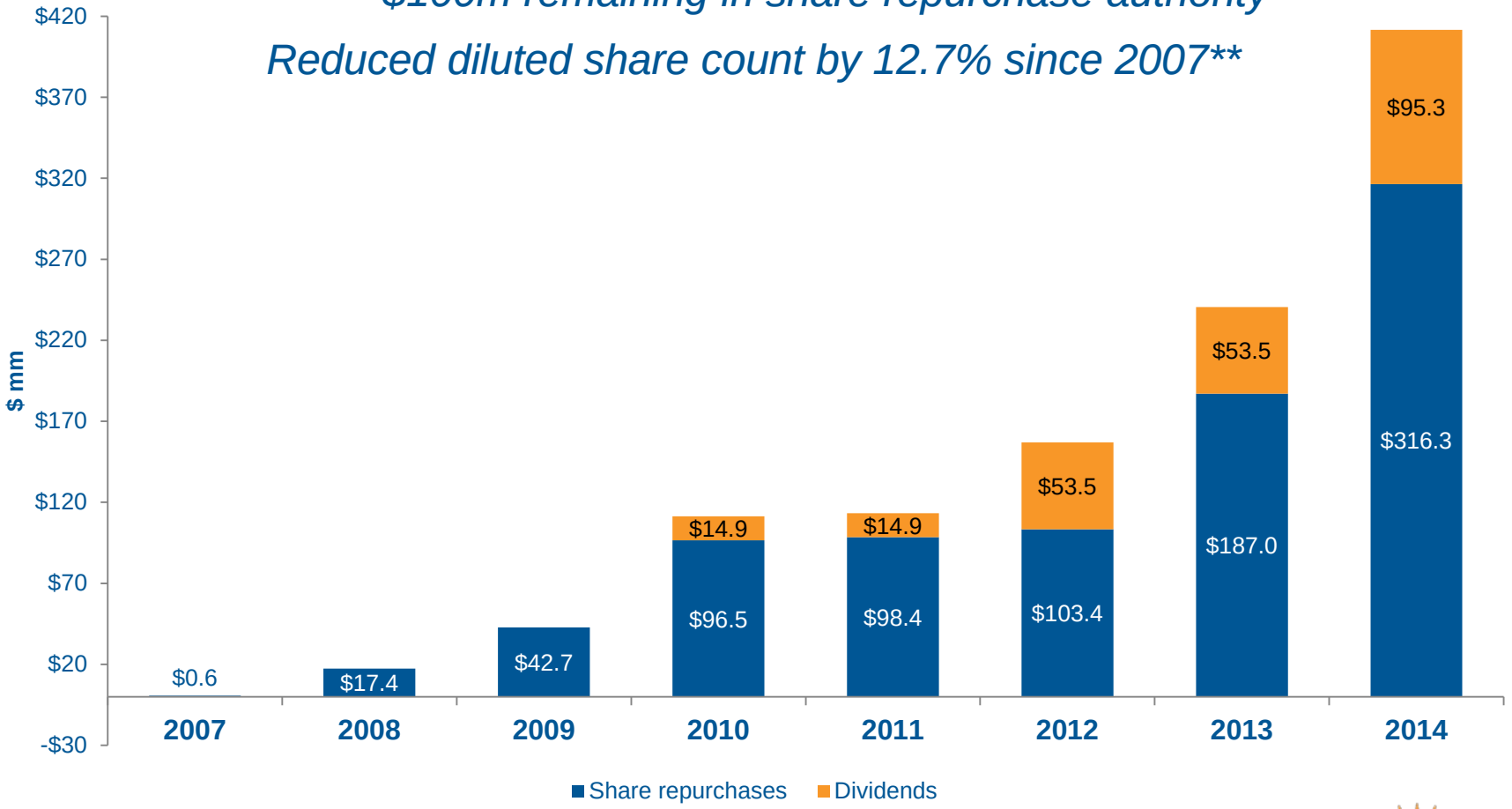
2014 & 2015 EBITDA is based on First Call consensus as of 11/11/14

Cumulative return to shareholders

$412m returned to shareholders since 2007

*$100m remaining in share repurchase authority**

*Reduced diluted share count by 12.7% since 2007***



*- As per announcement on 10/22/14

**-Diluted share count in 2007 20.5m, share count 1st 9 mos of 2014 17.9 m

2014 includes activity up to 9/30/14

Fleet update

Tom Doxey– VP Fleet & Corporate Finance

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Bio

- Responsible for:
  - Fleet Planning
  - Aircraft Transactions
  - Corporate Finance
  - Materials / Supply Chain
- Joined Allegiant in 2009
- Held various finance-related roles at US Airways prior to joining Allegiant
- BA, Brigham Young University
- MBA, Arizona State University

Topics of discussion

- Current fleet plan & transaction focus
- Overview of recently executed fleet deals
- Airbus update
- MD-80 update
- Financing flexibility

Current fleet plan & transaction focus

- Continuously evaluate potential aircraft transactions and seek to acquire additional aircraft opportunistically
- The following counts include only executed transactions:

	2013	2014E	2015E	2016E	2017E	2018E
MD-80 (150 seat)	1	0	0	0	0	0
MD-80 (166 seat)	51	53	53	53	53	53
757 (218 seat)	6	6	6	6	6	6
A319 (156 seat)	3	4	9	12	12	24
A320 (177 seat)	5	7	10	10	10	10
Total	**66**	**70**	**78**	**81**	**81**	**93**
y/y fleet growth	*5%*	*6%*	*11%*	*4%*	*0%*	*15%*
% Airbus Aircraft	*12%*	*16%*	*24%*	*27%*	*27%*	*37%*

Actual and projected fleet count of in service aircraft – end of period

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Fleet deals executed during 2014

- Transactions for 16 future A320 series aircraft have been executed so far during 2014
  - Forward Purchase Transactions:
    - 1 A320 delivering in 2015
    - 1 A319 delivering in 2016
    - 2 A319s delivering in 2016
  - Purchase of Aircraft Currently on Lease:
    - 12 A319s redelivering in 2018
- Discussions are ongoing for additional transactions

Purchase of 12 leased A319s

- In June 2014, the Company entered into separate agreements to acquire the ownership interests in twelve special purpose companies each owning one A319 aircraft currently on lease to a European carrier until 2018
- Allegiant does not intend to become a leasing company
- Strategy is vastly different from other airlines that have announced intention to become a leasing company (quantities, timing, growth expectations, etc.)
- Sale and lease back transactions are one type of acquisition strategy and provide aircraft commonality and greater fleet plan certainty than spot market transactions
- Leasing is not a core business but is P&L accretive (3Q'14 totals in $USD '000s):

Revenue	10,225
Expenses	5,593
3Q'14 Pre-tax Income	4,632

- Hedged foreign currency income

Airbus update

- Current fleet of 10 A320 series aircraft (7 A320s + 3 A319s)
- Airbus transition allows for additional efficiency on variable costs for the higher utilization portion of the network while allowing us to maintain low costs at relatively low daily utilization
- High Degree of Commonality:
  - A319s previously operated by easyJet
    - 3 in service
    - 2 in delivery (see photo – N303NV)
    - 7 additional commitments
    - 12 owned and on lease
  - A320s previously operated by Iberia
    - 7 in service
    - 2 in delivery
    - 1 additional commitment



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Airbus update (cont'd)

- A320 Market Update
  - Lease rates have firmed somewhat over the past 18 months
  - Pricing for sale transactions has remained relatively constant
  - Fewer A320s available for sale, as many lessors have opted to lease mid-aged A320s into emerging market airlines
  - Many airlines "bridging" to the NEO through short-term extensions
  - More weakness in A319s than in A320s
- Additional Aircraft Sourcing
  - We remain confident in our ability to continue to source the aircraft needed to support fleet growth and eventual MD-80 replacement
  - We maintain close relationships with most airlines that have large owned fleets of A320s
  - Specialized technical & commercial knowledge of asset

Fleet flexibility with MD-80 aircraft

- MD-80 remains an important and viable component of the fleet
- Depreciation roll off provides flexibility to keep aircraft in the fleet or to retire aircraft if large A320 family transaction becomes available

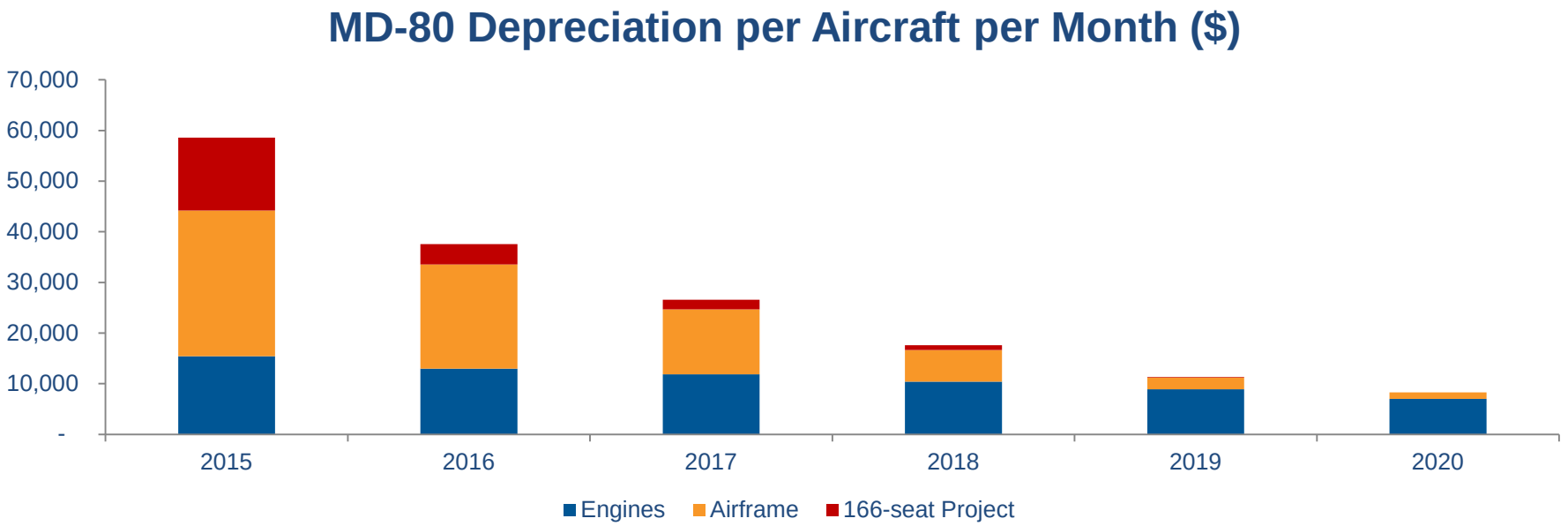
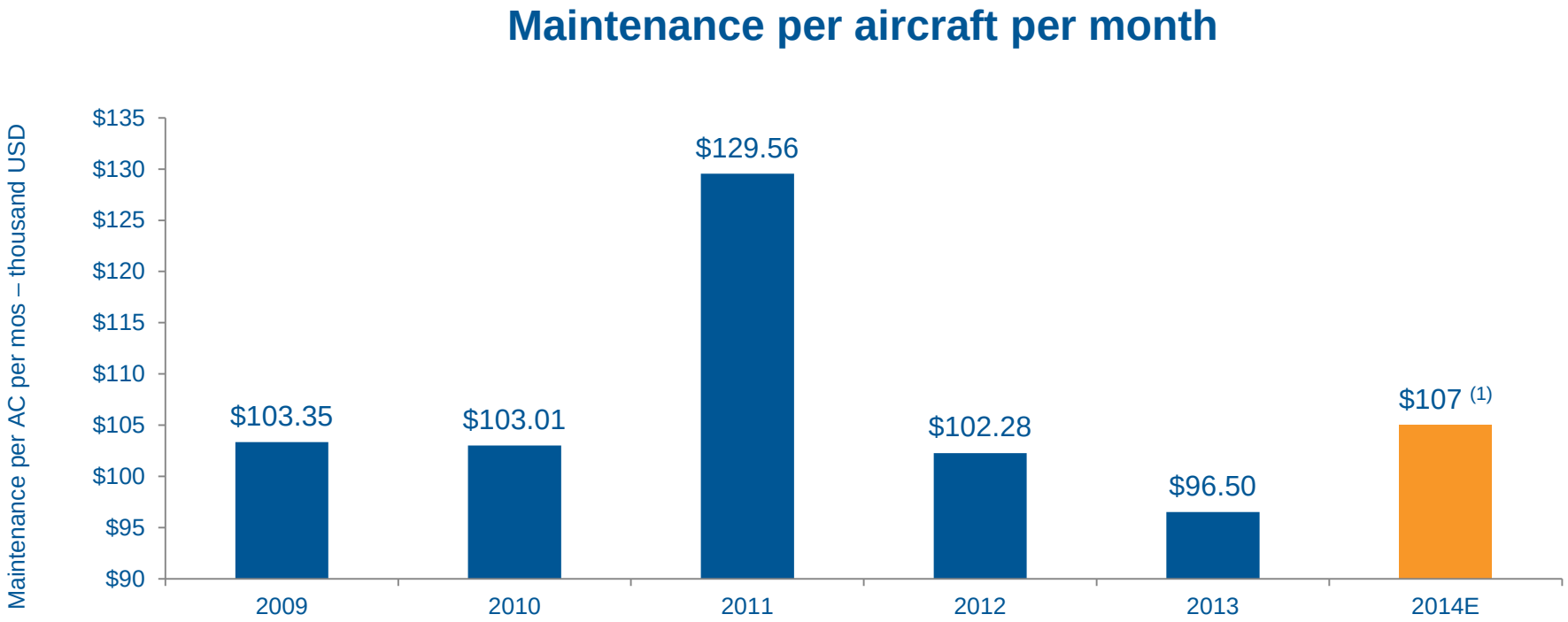


Chart above is for current fleet only

Fleet flexibility with MD-80 aircraft (cont'd)

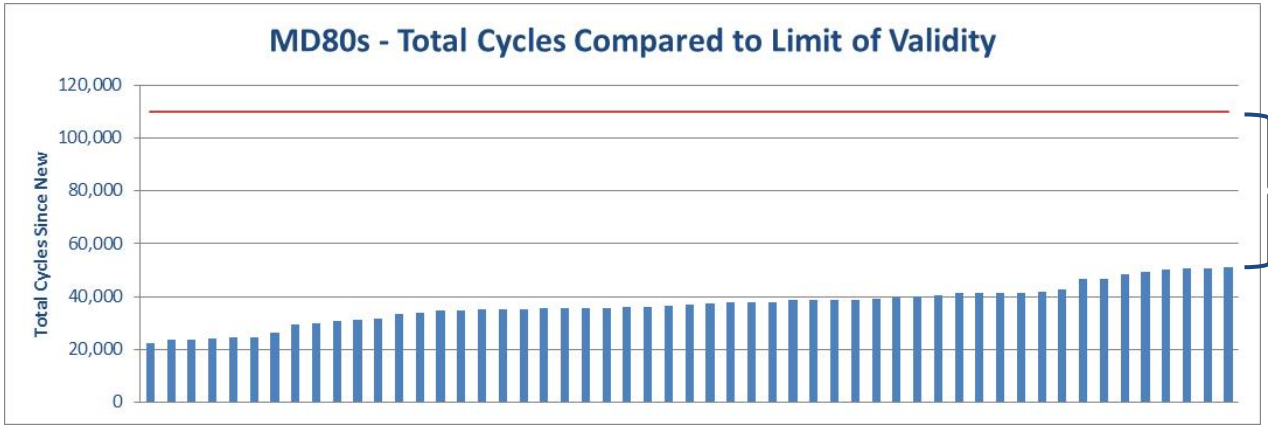
- Maintenance costs have been stable over the long-term
- Due to maintenance program timing, costs will be lumpy in the short-term



(1) Represents midpoint of previously guided $105,000 - $110,000 per month per aircraft

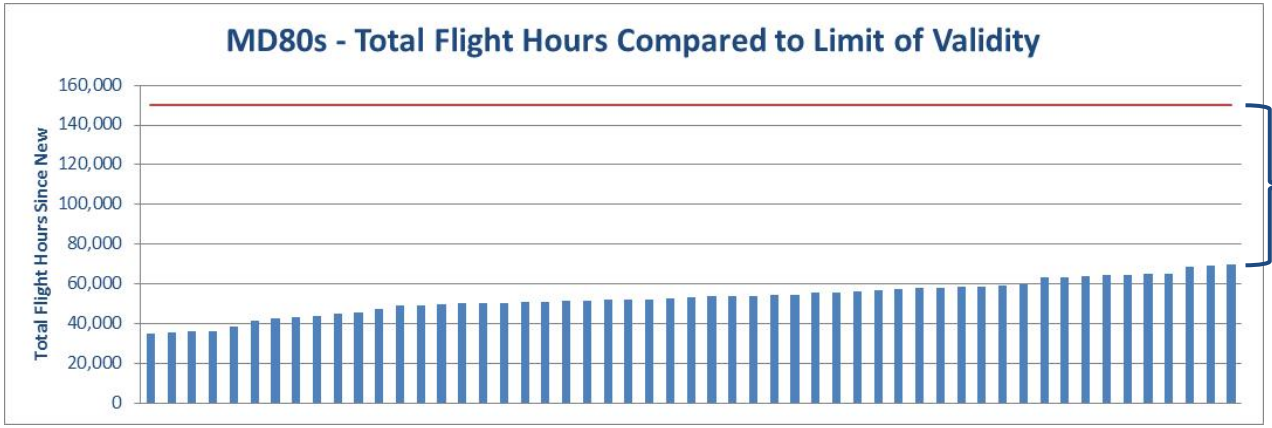
Fleet flexibility with MD-80 aircraft (cont'd)

- Boeing has completed the FAA approval for the Widespread Fatigue Damage / Limit of Validity for the MD-80 at 110,000 cycles and 150,000 flight hours



~ 58,000 cycles remaining on most restrictive aircraft

= 77 yrs.
@750 cycles / yr.



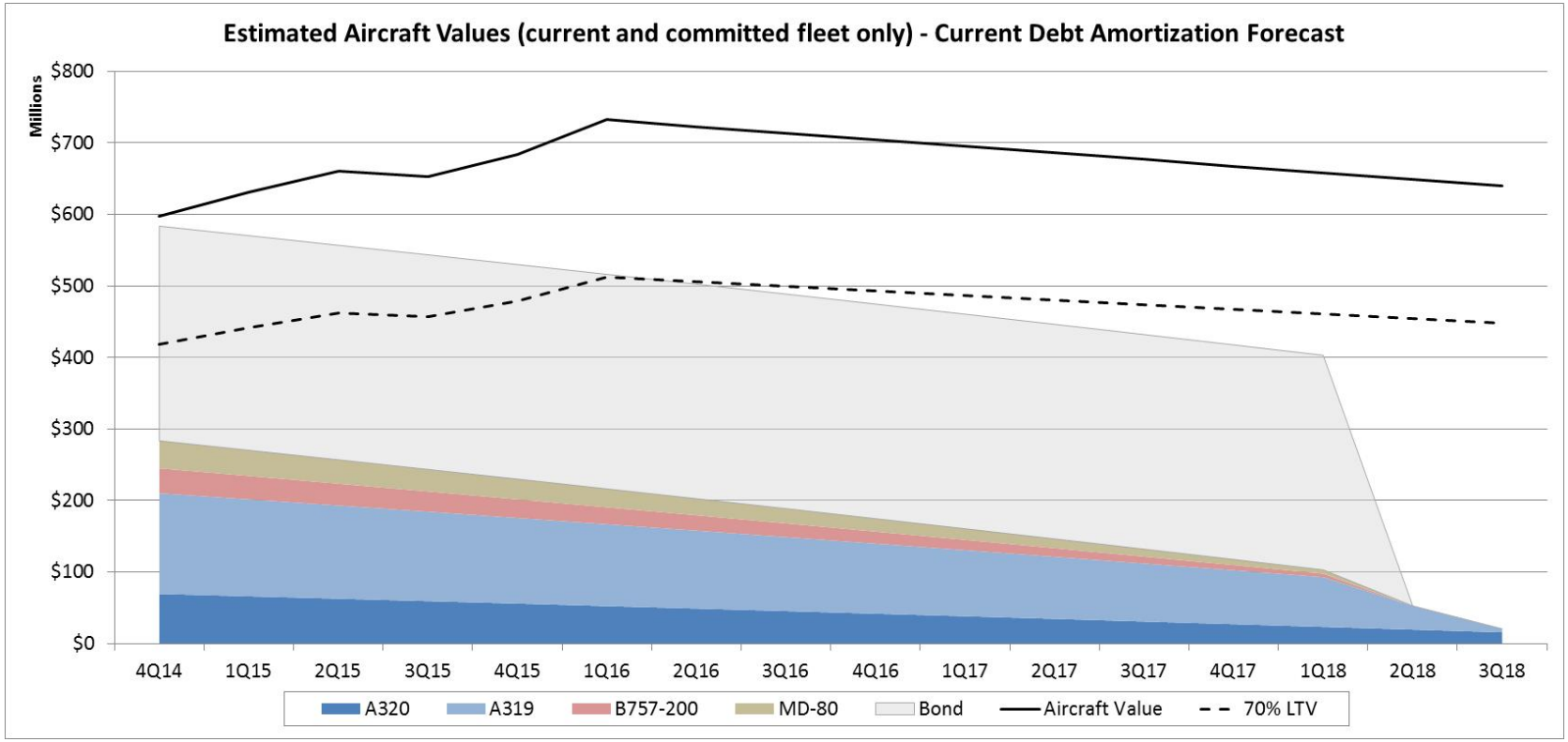
~ 80,000 flight hours remaining on most restrictive aircraft

= 46 yrs.
@1,750 flight hours /yr.

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Current debt / financing flexibility

- Steep amortization of current loan balances will provide significant flexibility to optimize cash levels



Aircraft values are estimates using appraised market value forecasts and include current and committed aircraft only. Debt balances are based on amortization schedules for debt pertaining to current owned aircraft.

Marketing update

Brian Davis – VP Business Development

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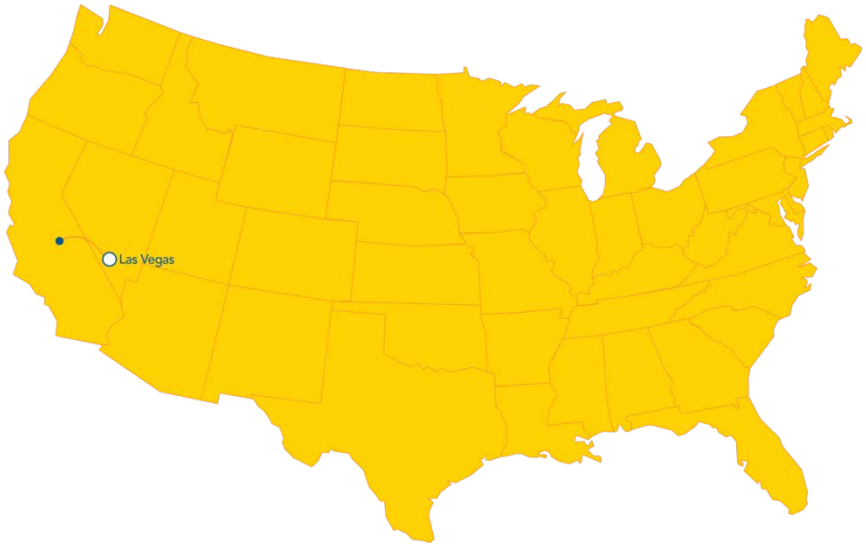
Bio

- Responsible for:
  - Marketing
  - Public relations
  - Loyalty
  - Co-branded credit card
- Joined Allegiant in 2005
- Worked in government affairs, charters, fuel, and airport group at Allegiant
- The Wharton School – University of Pennsylvania
  - Master of Business Administration

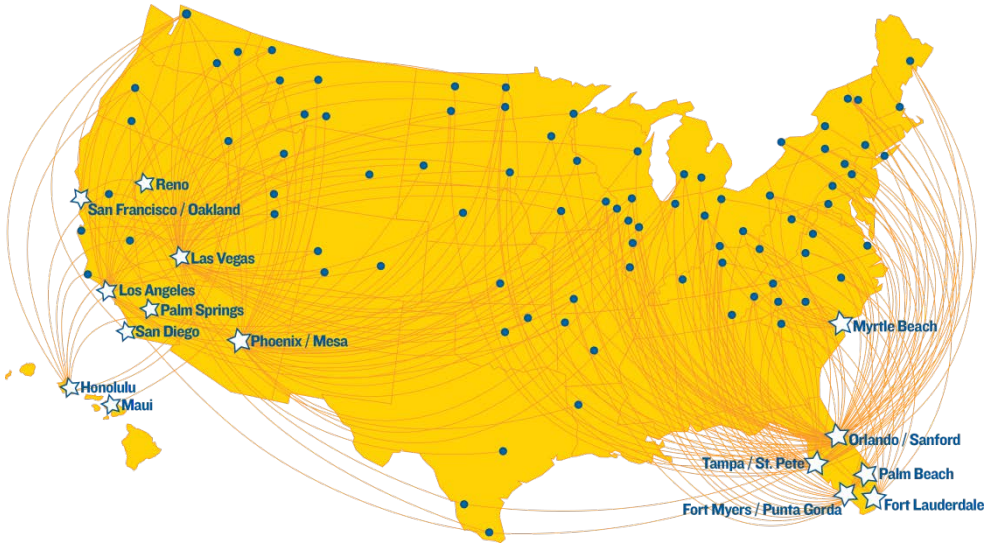

allegiant®
15 YEARS
of SUNSHINE
1999 - 2014

Allegiant – 15 Years of Sunshine

allegiant air®



allegiant®
Travel is our deal.®



allegiant™
Travel is our deal.

Historic marketing strategy (1999-2013)





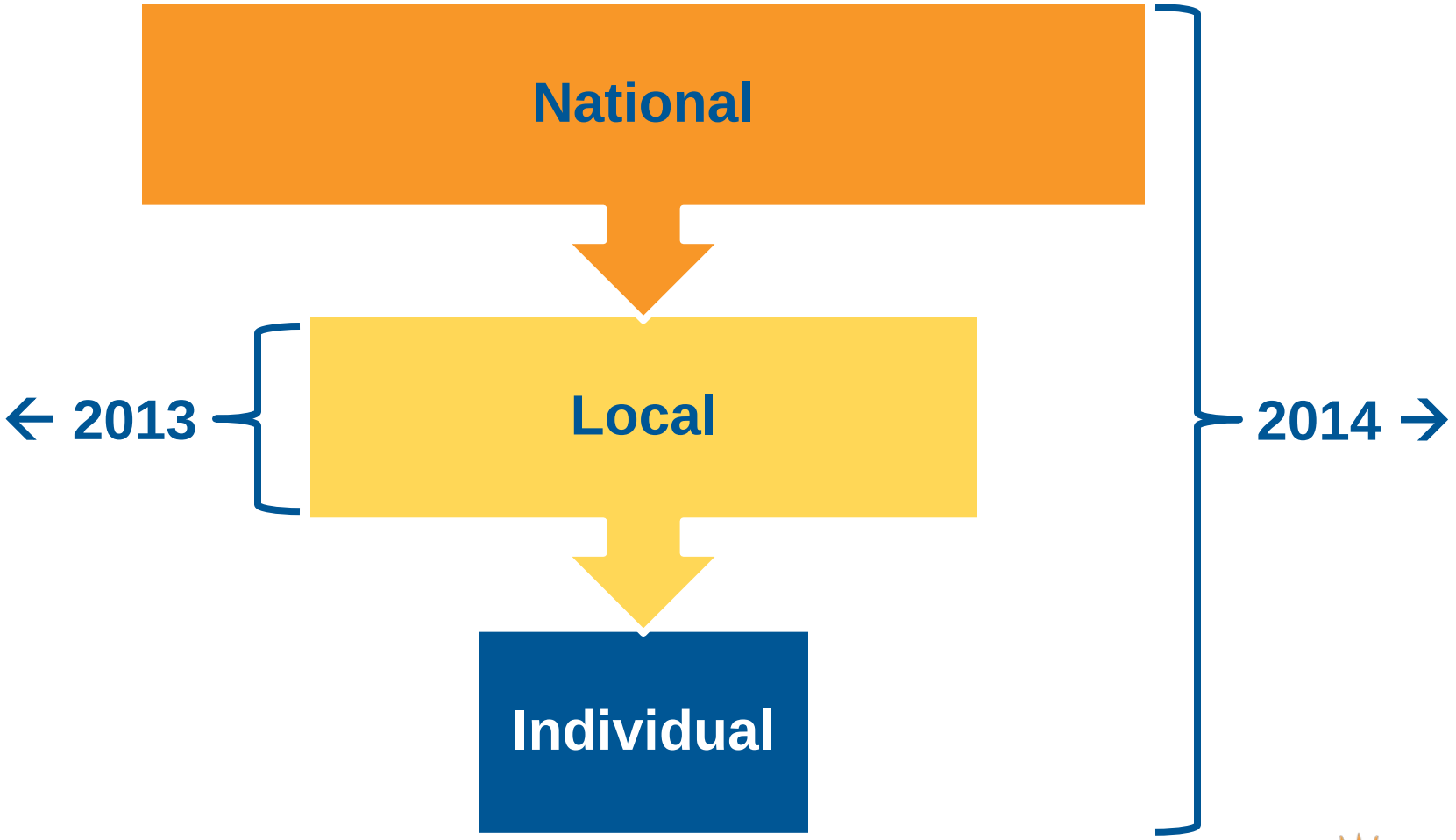






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Allegiant – evolution of marketing strategy



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National marketing – television ads



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National marketing – The Game Plane



- Aligned with ALGT's leisure focus

Distributed through syndication to:

- 77% of US television households
- markets with 83% of G4 capacity

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National Marketing – GMS Racing

- Sponsorship of three drivers in ARCA and Truck Series racing
- High visibility among demographic with significant overlap to ALGT customers







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National marketing – Allegiant & Make-A-Wish

- 75% of all Make-A-Wish wishes involve air transportation
- Allegiant celebrated our 210th wish in November 2014
- Created special aircraft livery to celebrate our 100th wish



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Local marketing – advertising





Outdoor

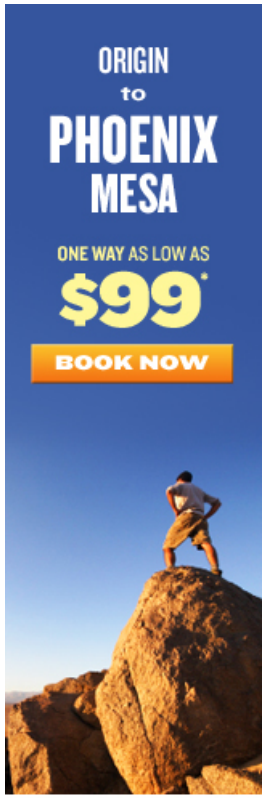
Print

Television

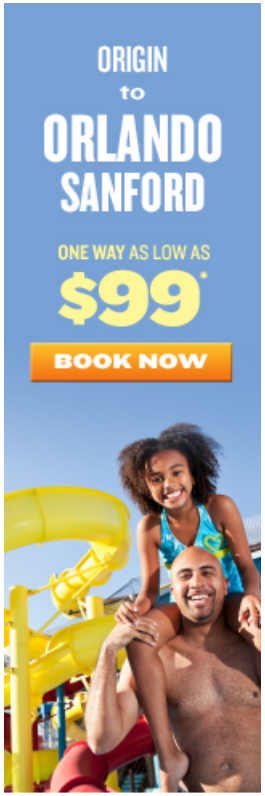


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Travel is our deal.

Direct marketing – targeted online

















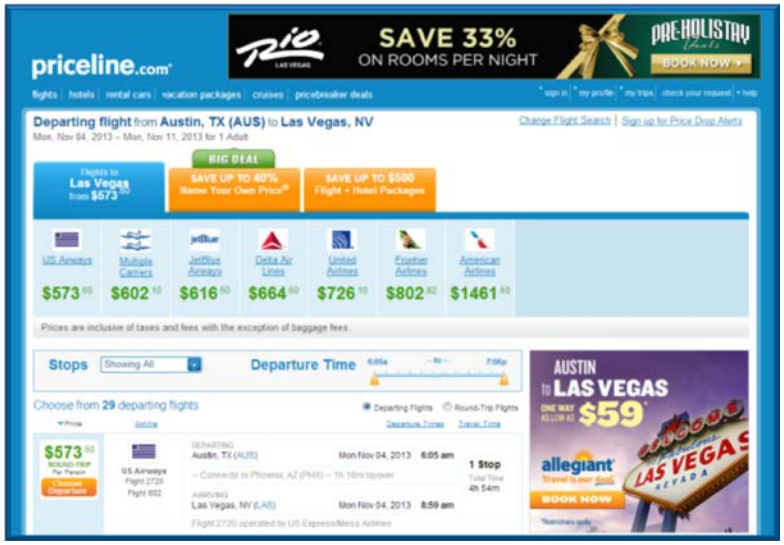
Dynamically populated with lowest price currently available from nearest airport

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Direct marketing – targeted online

Launched in October 2013:

- OTA Display
  - Priceline, Orbitz, CheapFlights, CheapTickets
- Search Result Display
- Ad Network Display

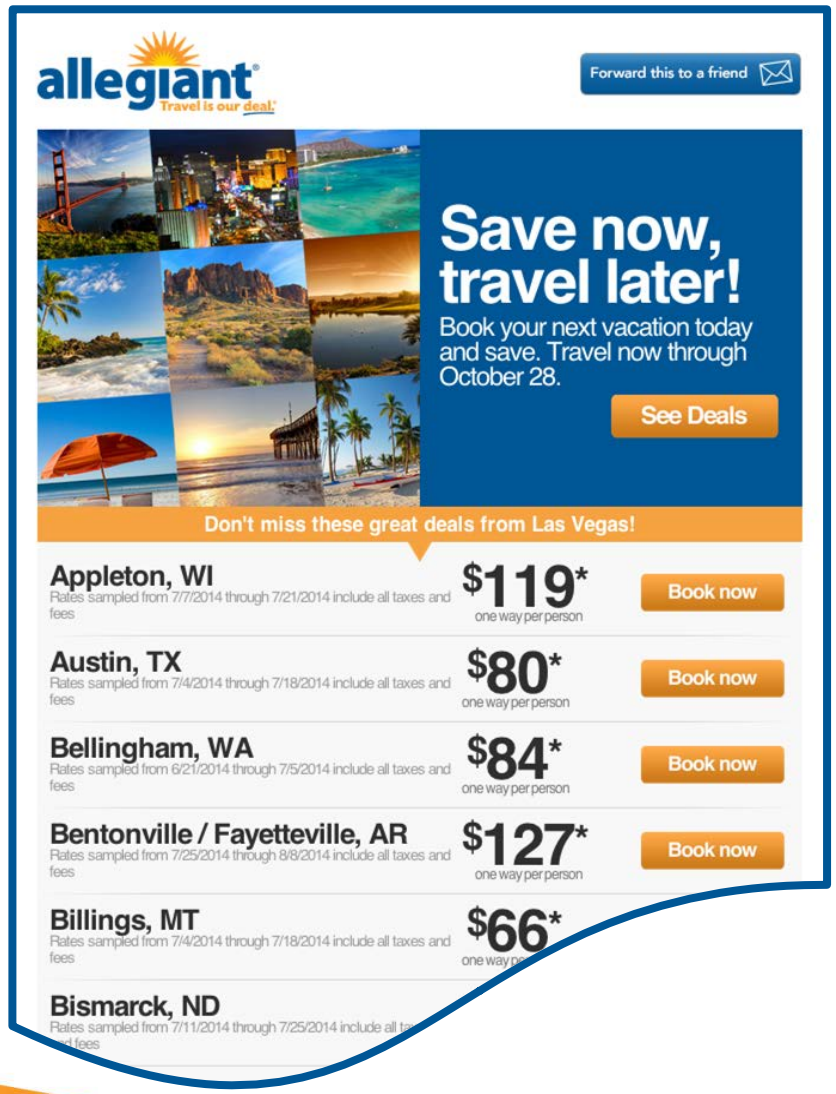






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Direct marketing – weekly email deals

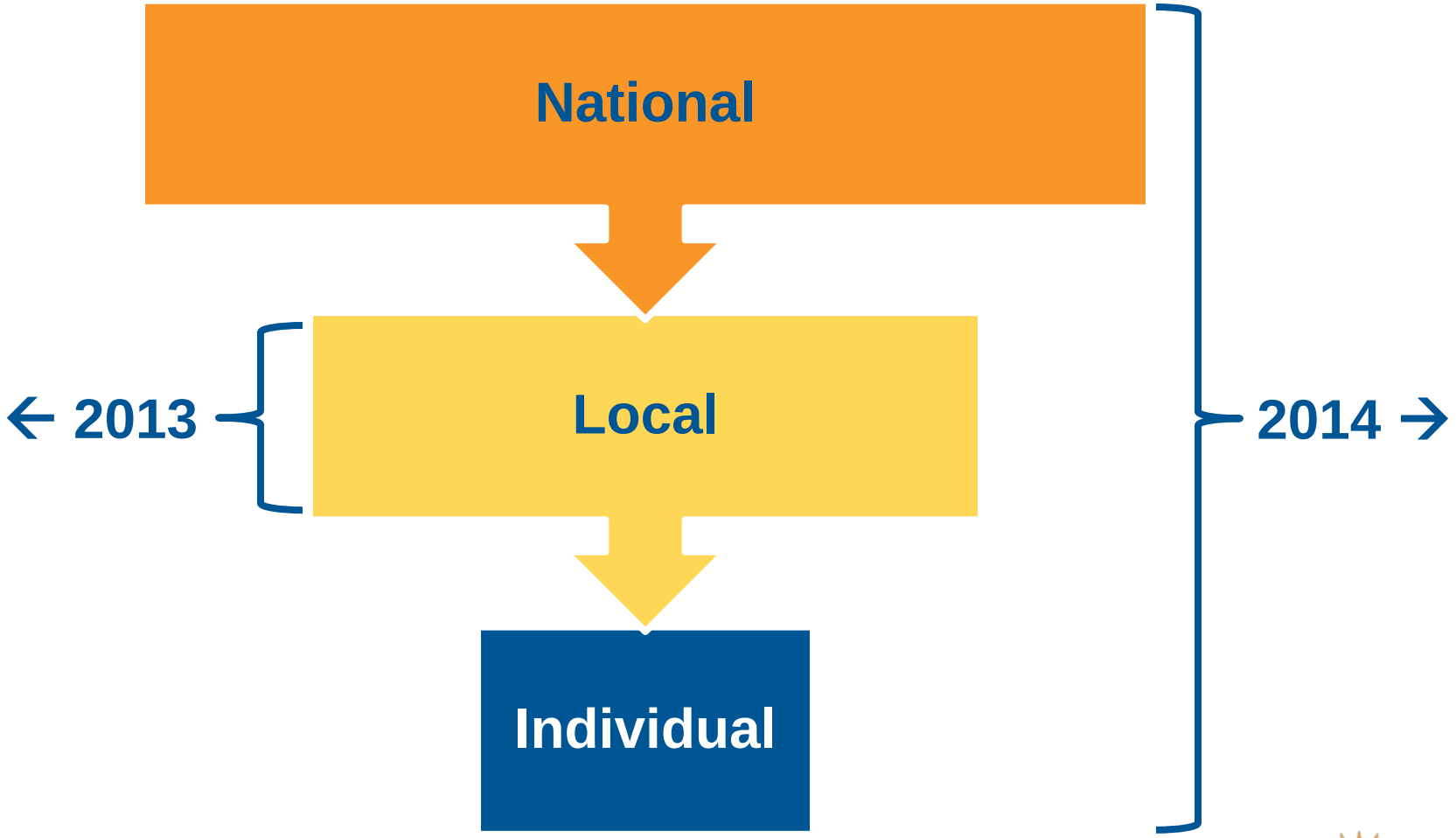


- 4.6 Million Active Subscribers
- Dynamic, Market-Specific Deals
- Deep Links to Featured Deals

	Industry	Allegiant
Unique Opens	10.7%	17.4%
Click Through	1.5%	3.8%
Unsubscribe	0.14%	0.12%

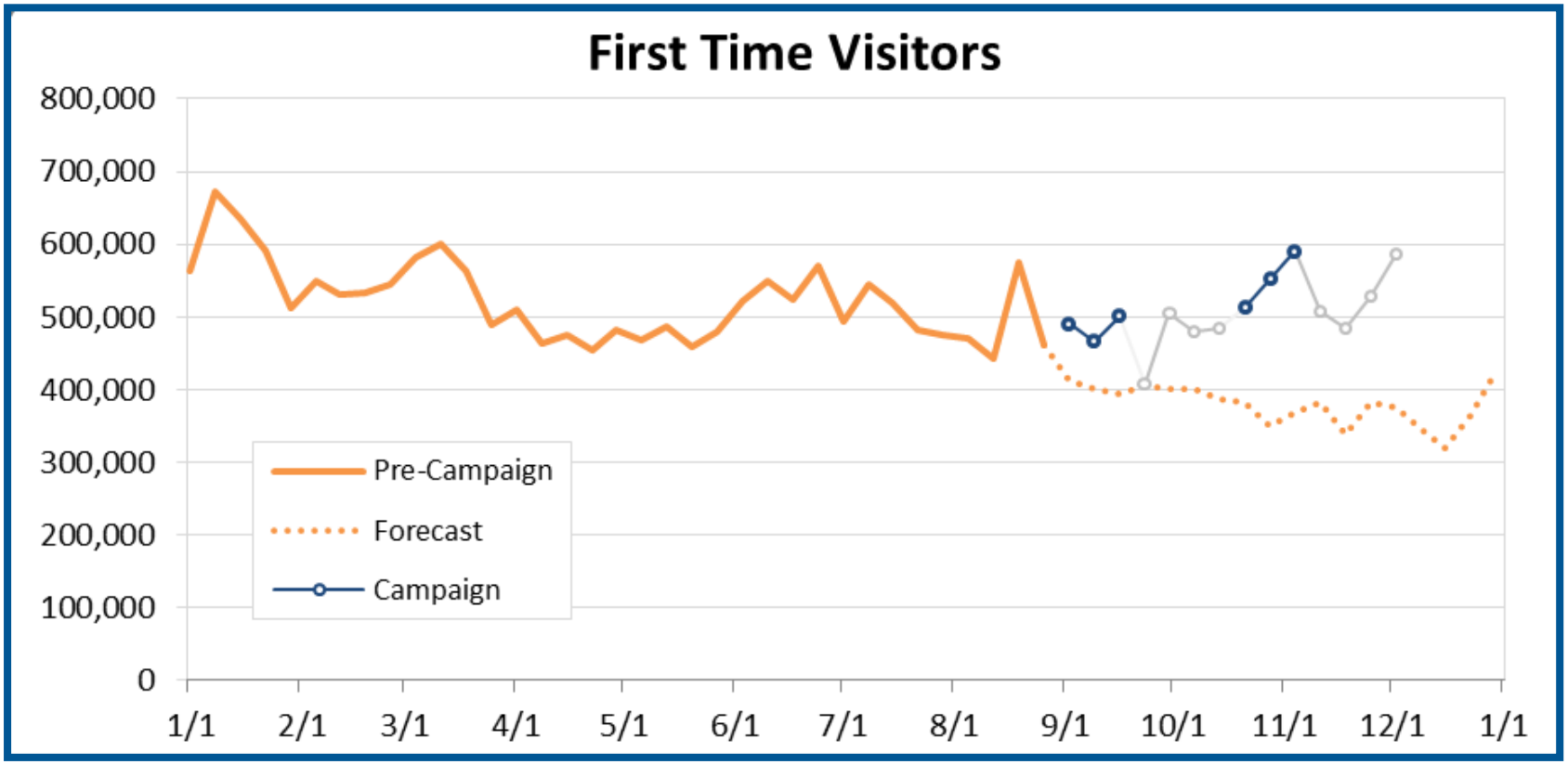
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Evolution of marketing strategy



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Marketing – measuring effectiveness



- When compared to Google's index of "travel", the three-tiered marketing strategy has shown significant increases in first-time visitors to the website.

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Technology update

Todd Cinnamon– VP IT

Forward looking statements

This presentation as well as oral statements made by officers or directors of Allegiant Travel Company, its advisors and affiliates (collectively or separately, the "Company“) will contain forward-looking statements that are only predictions and involve risks and uncertainties. Forward-looking statements may include, among others, references to future performance and any comments about our strategic plans. There are many risk factors that could prevent us from achieving our goals and cause the underlying assumptions of these forward-looking statements, and our actual results, to differ materially from those expressed in, or implied by, our forward-looking statements. These risk factors and others are more fully discussed in our filings with the Securities and Exchange Commission. Any forward-looking statements are based on information available to us today and 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 users of this presentation not to place undue reliance on forward looking statements, which may be based on assumptions and anticipated events that do not materialize.

Bio

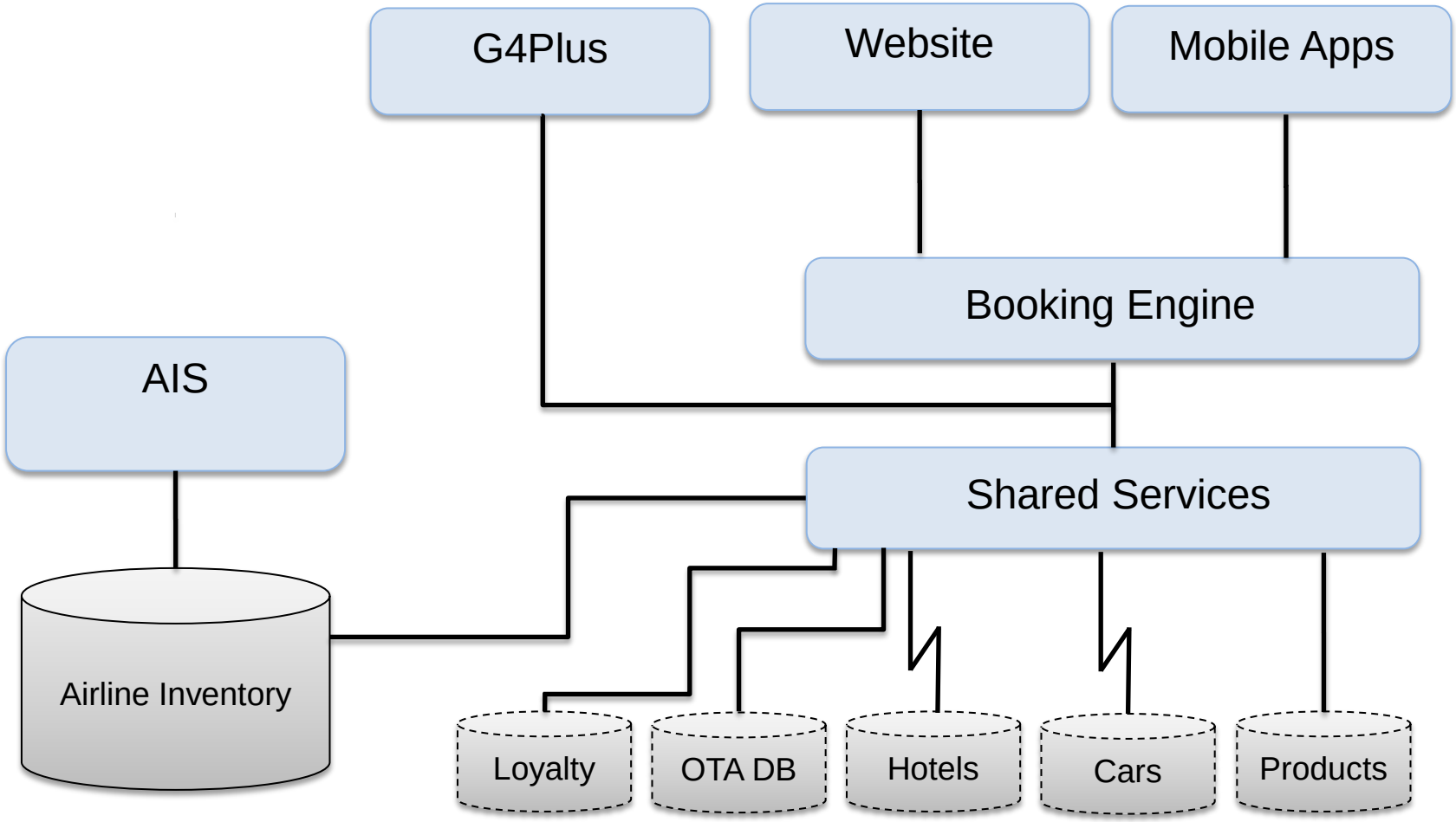
- Responsible for:
  - Software development lifecycle for Allegiant portfolio
- Joined Allegiant in 2012
- 24+ years in the travel space, including American Airlines, Sabre, GetThere.com and United (pre-merger)
- BS in Computer Science, Rensselaer Polytechnic Institute
- Masters in Software Engineering, Texas Christian University

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Platform advantages

- Scalability
- Flexibility and agility
- Marketing drives, not IT
- Code/service re-use
- Ability to perform Quality Assurance at all levels of the platform

Platform overview



IT wins - commercial

- Loyalty/Co-Branded credit card platform
- Add car/hotel to existing bookings on WWW
- Customer Database / My Accounts on WWW
- Promo Codes
- Seat Masking
- Legroom Plus / Giant Seats
- New Pricing Rules Engine for Car and TripFlex
- Fare Buckets
- iPad kiosk at airport ticket counters for check-in and bag drop
- New call center tools for creating/modifying reservations

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IT wins – airline operations

- iPads for mechanics on the line
- New boarding software at airport gates (DCS 1.0)
- Automated weight and balance / Eliminate F/A counts
- Mobile Check in

End of year pipeline

- Hotels for small markets (Priceline)
- Credit card surcharge

Ancillary update

Jude Bricker – SVP Planning

Forward looking statements

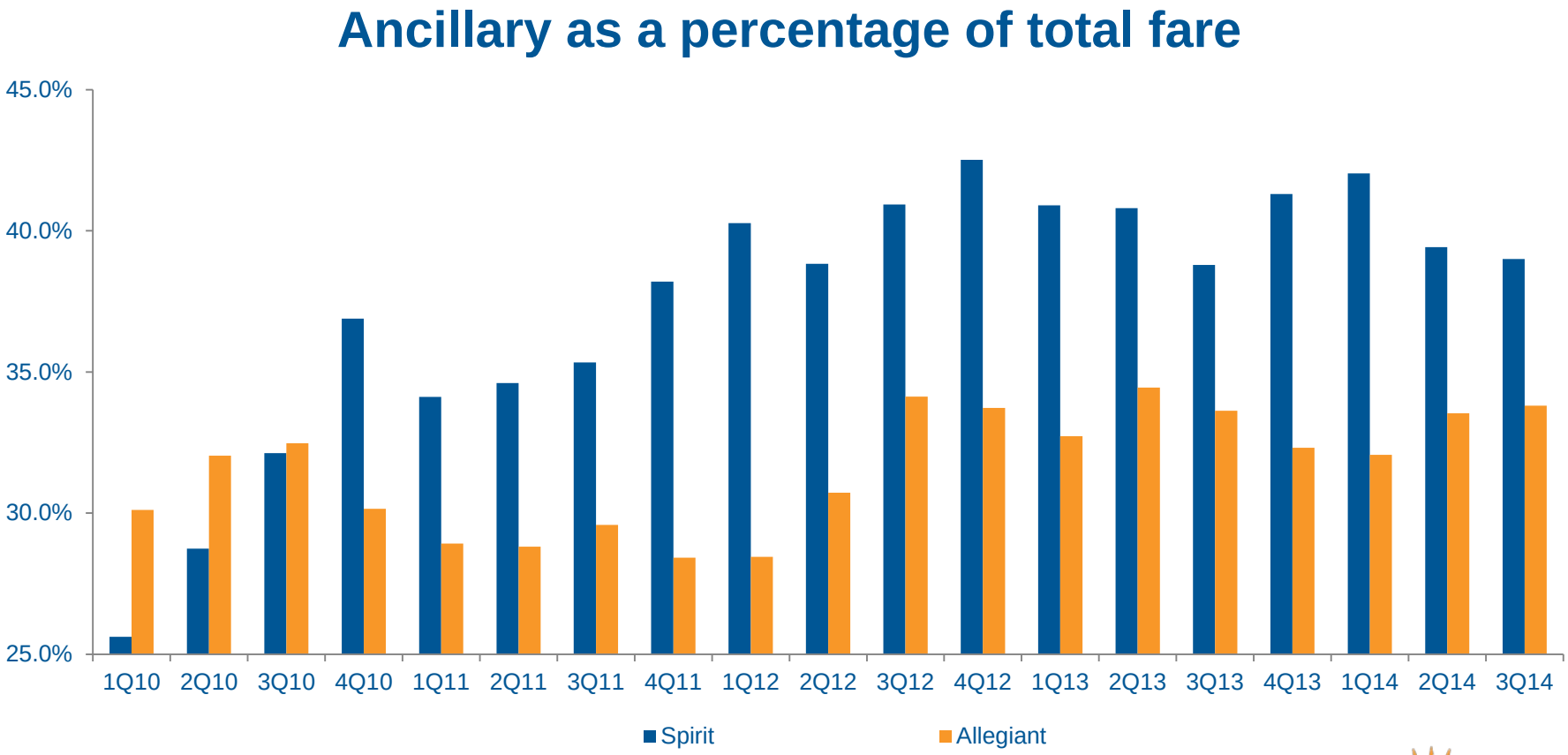
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Revenue initiatives

- Fare buckets
- Seat assignment pricing
- Pre-paid bag pricing
- Charge for check-in
- TripFlex pricing

Driving more towards ancillary

- Fare is critical decision point for customer

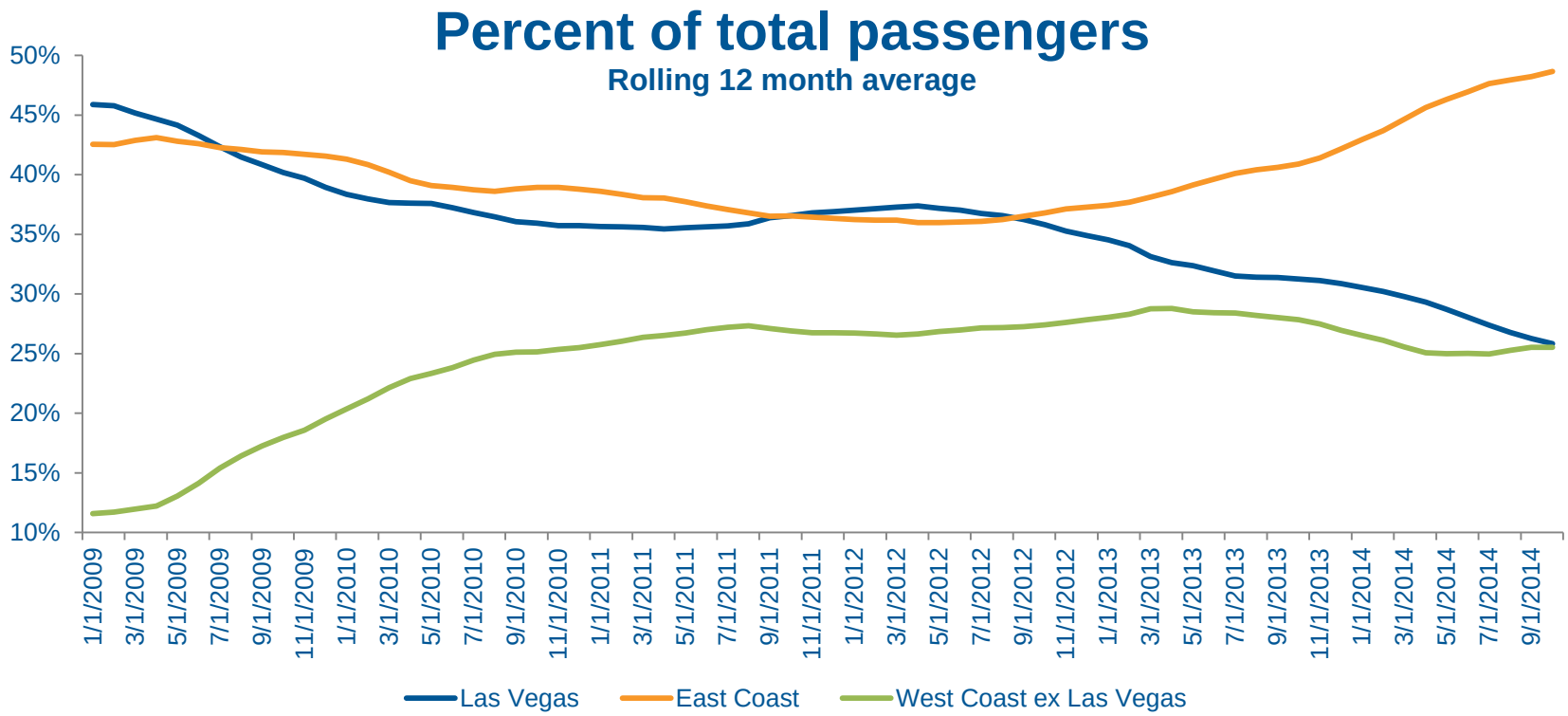


Third party ancillary

- Factors on hotels
  - Network shift to the East
  - End of the CET contract in August 2013
  - End of the air subsidy in November 2012
- Car bookings are improving based on new pricing tools

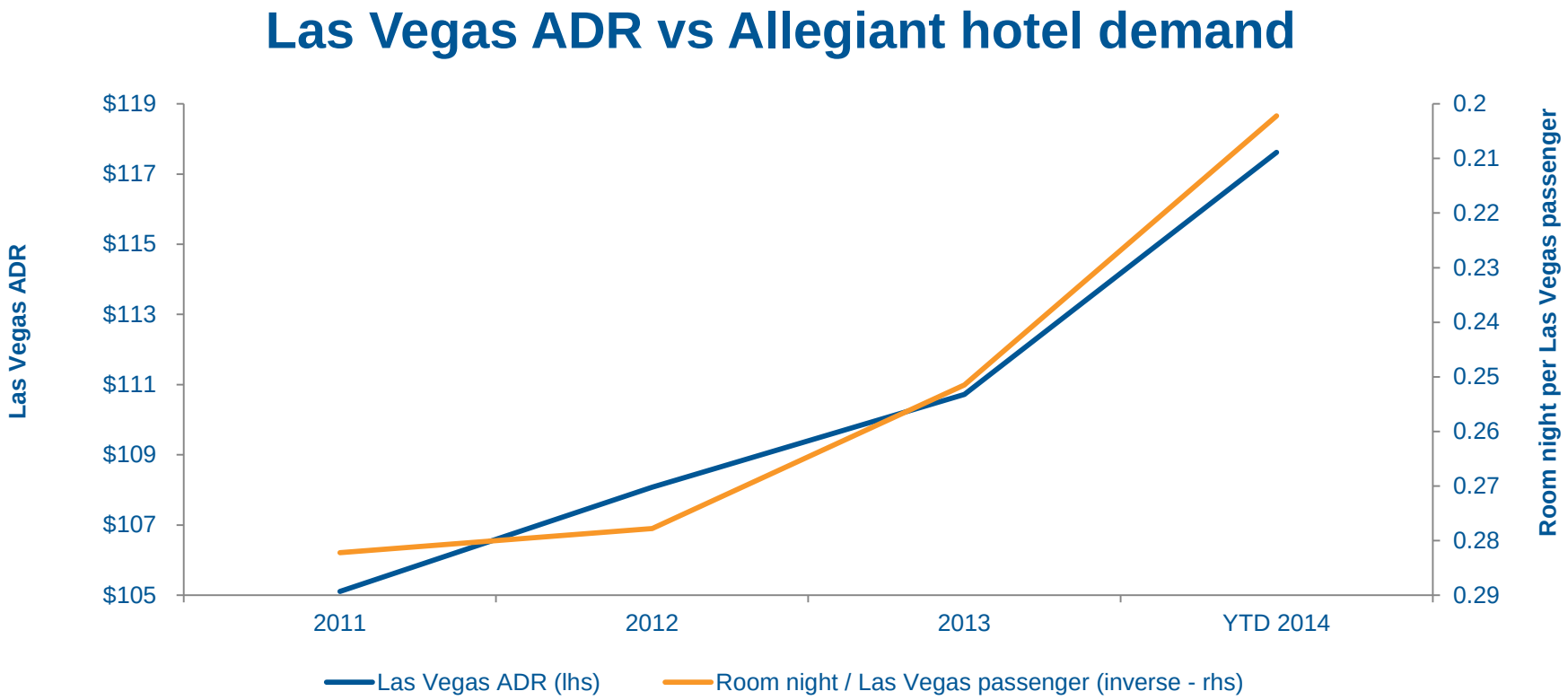
Network shift away from Las Vegas

- Opportunities have favored the east coast
  - Bulk of hotel bookings occur in Las Vegas



Counterintuitive to Las Vegas macro

- Stronger Las Vegas strip, reduces access to hotel inventory



Q&A

Maury Gallagher – Chairman & CEO

2015 Guidance

- 2015 Scheduled ASMs +9 to 13%
- 2015 CASM ex fuel (4) to 0%
- 2015 CAPEX $175mm to $185mm