

First ULCC Metal Neutral Commercial Alliance – Investor Deck

Dec. 1, 2021

Executive summary

The Opportunity:

- Stimulating travel by US nationals to world class Mexican beaches by leveraging Viva's and Allegiant's low-cost operating structures with Allegiant's premium distribution arm
- Spread ULCC savings to more consumers – Allowing Allegiant to enter markets it otherwise could not, like Mexico City

The Geography:

- Mexican beaches: world's great travel bargain – Agreement provides lower risk investment for Allegiant to other international markets (Despite three previous applications for international/Mexican service, Allegiant never prioritized its implementation)
- Opportunity to stimulate demand for Mexican nationals to travel to US leisure destinations
- Seasonality – domestic Mexico travel trend is counter-cyclical travel to Allegiant domestic US demand

The Partners:

- Alignment of cultures: Both Chairman founders and largest shareholders driving complementary "owners" culture among leadership
  - Both airlines focused in ULCC space and are leaders during pandemic and beyond in respective jurisdictions

The Structure:

- Full "merger" of transborder flying between the two ULCC parties with 8 working groups to manage the transborder alliance
- Agreement pro consumer, greatly enhancing public benefit

The Potential (economics):

- Significant accretion for both entities – win/win

The Investment (equity):

- Strategic investment by Allegiant into Viva, expected to strengthen relationship

Allegiant and Viva Aerobus synergies drive strong customer benefits

Cost Synergies

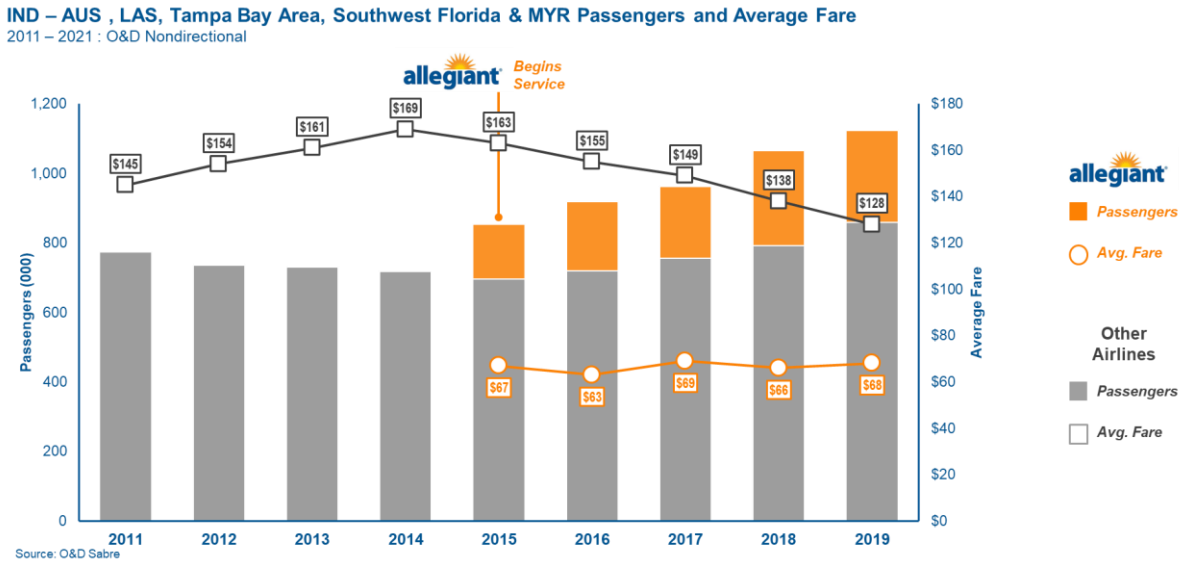
- Training & simulator facilities
- Consolidated materials/services purchases to reduce cost
- Airport fees/contracts cost reduction for VB @ US stations
- Enhanced utilization of aircraft and overhead on off-peak times

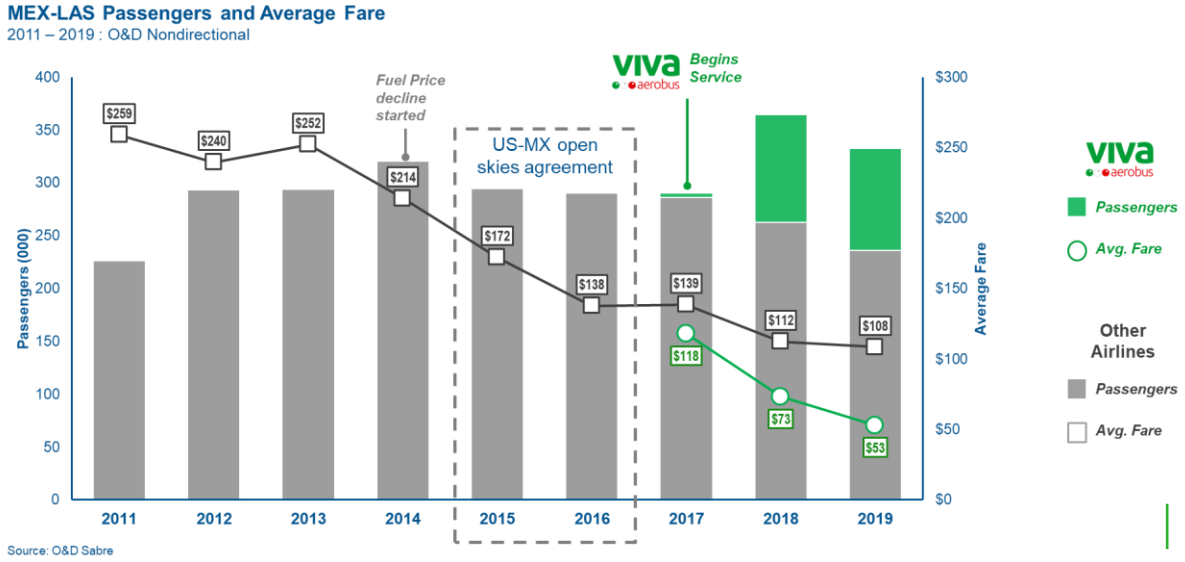
Revenue Synergies

- Allegiant's commercial experience in the US leisure market
- Allegiant's U.S. distribution at higher unit revenue
- Viva Aerobus' knowledge and business relationships with existing Mexican resorts and tour operators
- Upwards of 300 non-stop route ideas, a majority on routes with no existing non-stop service

Operational Synergies

- "Metal Neutral" flying with similar cost structures allow significant operational synergies
- Sharing of resources and facilities across both sides of the border:
  - *Customer call centers*
  - *Crew training*
  - *Maintenance*
- Viva Aerobus' bus network for last mile

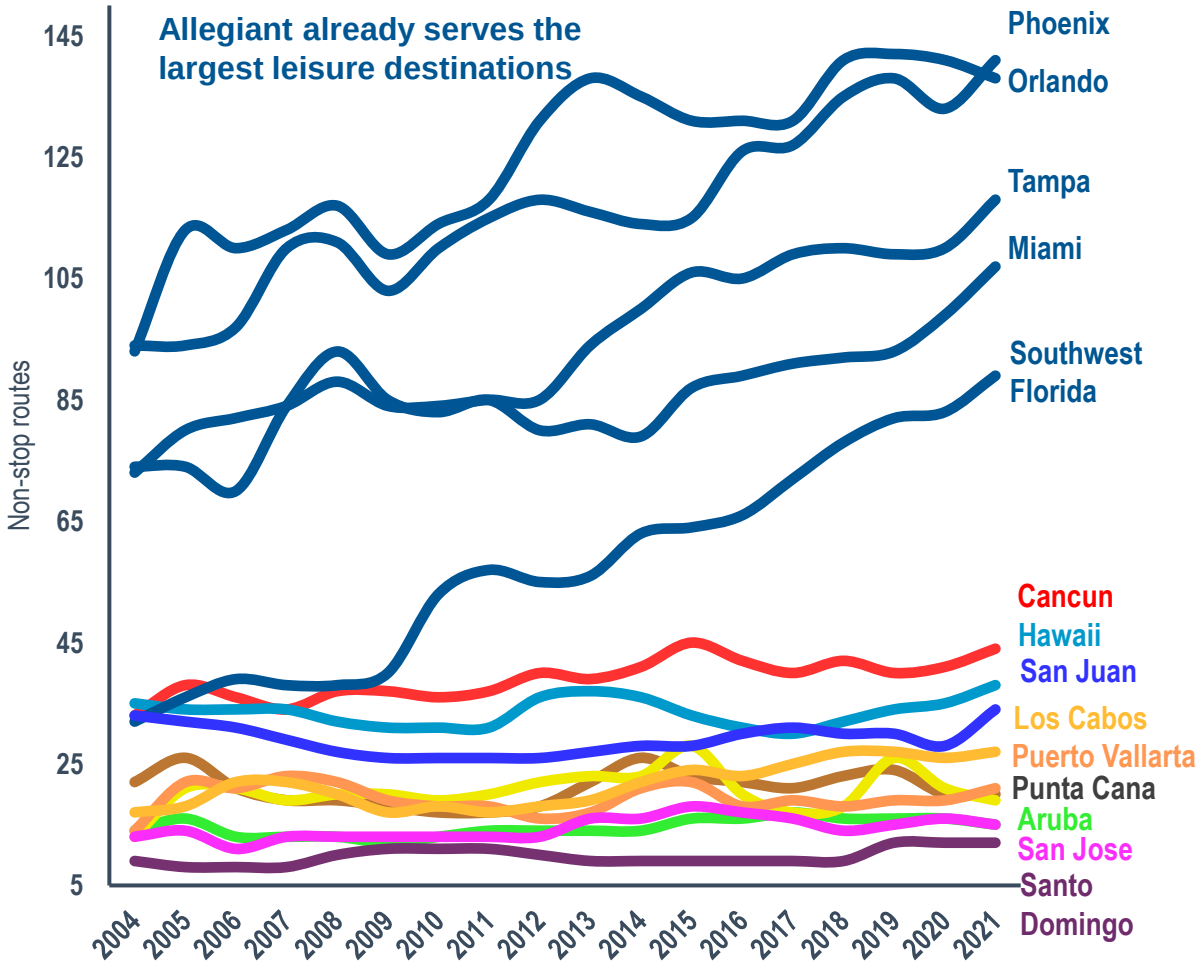


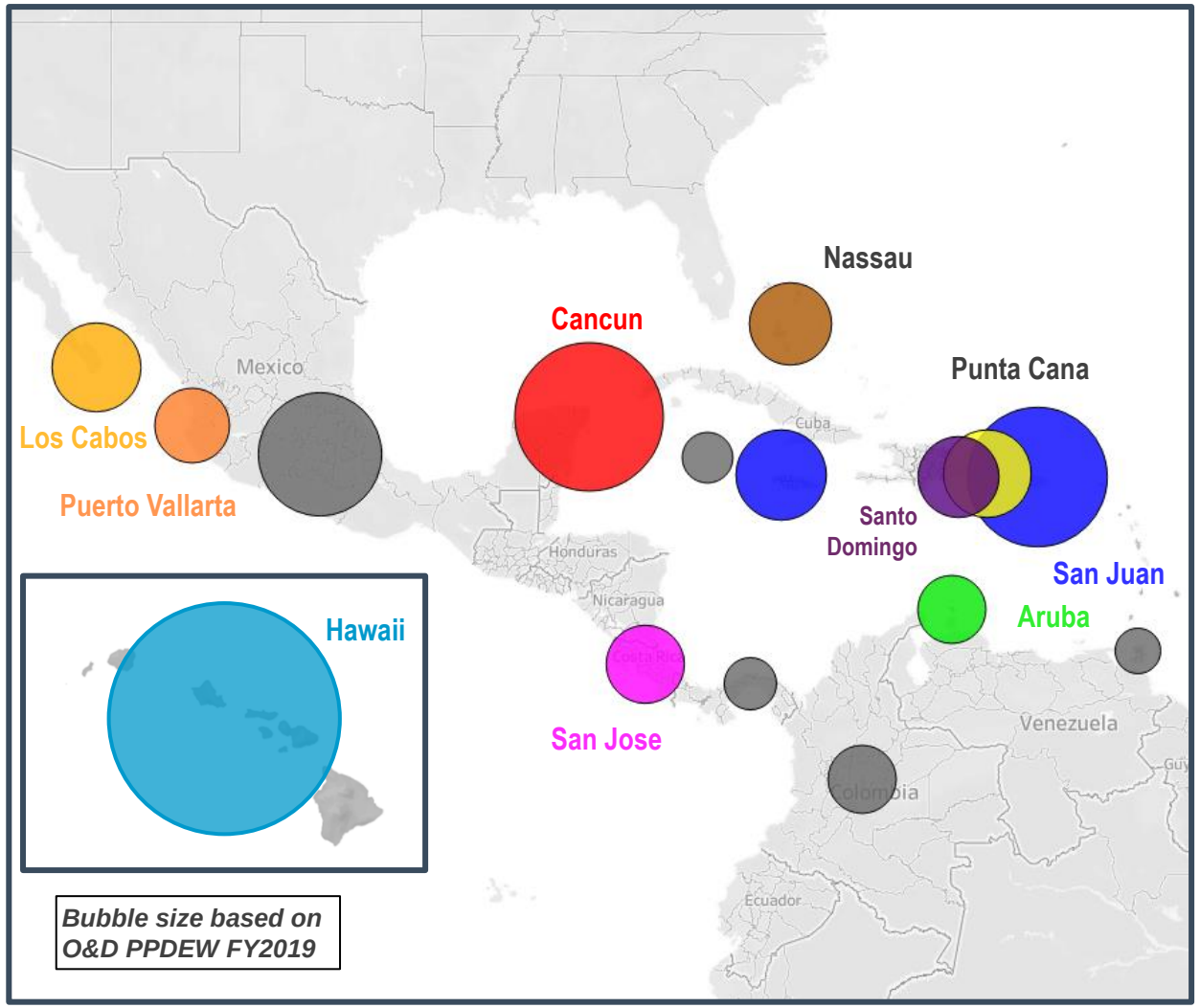


Leisure destinations within narrowbody range

Non-Stop Routes To Leisure Destinations From US

2004-2021





Sabre O&D Market Intelligence, Schedules

Market opportunity ~25M leisure US pax per year

~ 31m Pax MEX-USA (2019)

~30%

- Mexican nationals Visiting Friends and Relatives (VFR); as well as Mexican passengers flying to the US for business and leisure.
- The market where VivaAerobus and other Mexican airlines compete

The market where VivaAerobus and other Mexican airlines compete.

~20%

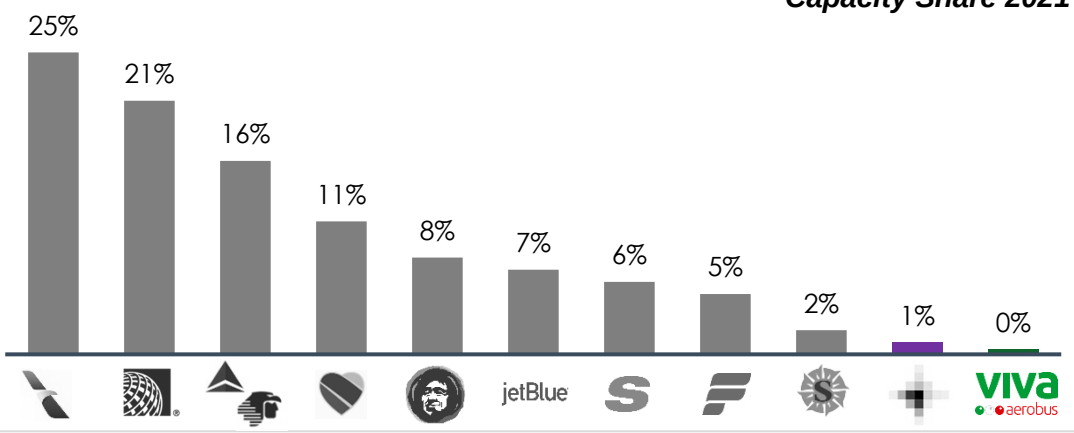
US Passengers flying to Mexico for business purposes.

These passengers generally fly on US legacy airlines

~50%

US passengers flying for leisure to Mexican beaches like Cancun or Los Cabos.

Capacity Share 2021

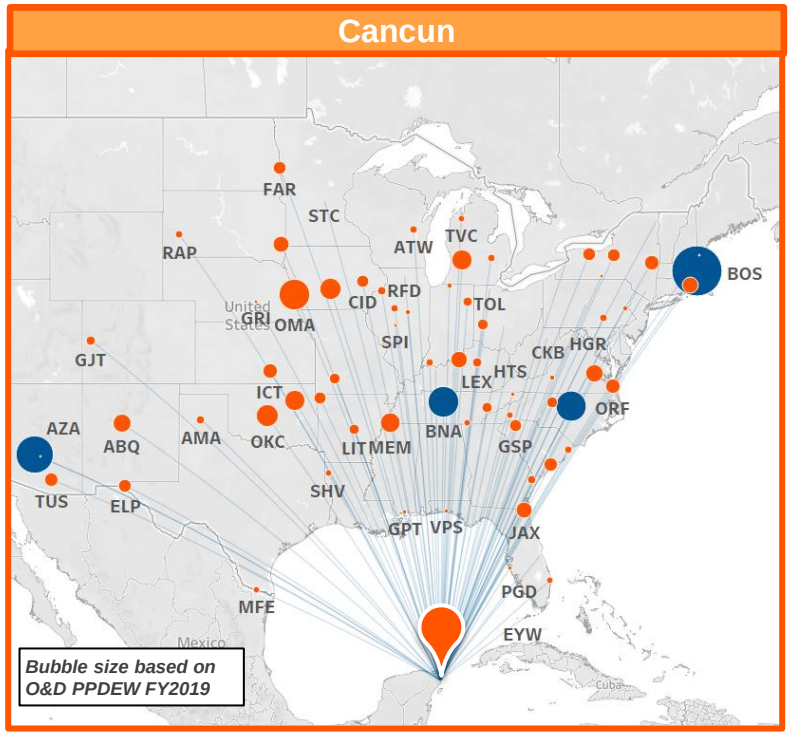


THE OPPORTUNITY:

A market exclusively served by US carriers via hubs but with a **huge point to point potential for ULCC's.**

Non-stop markets without ULCC service

Cancun

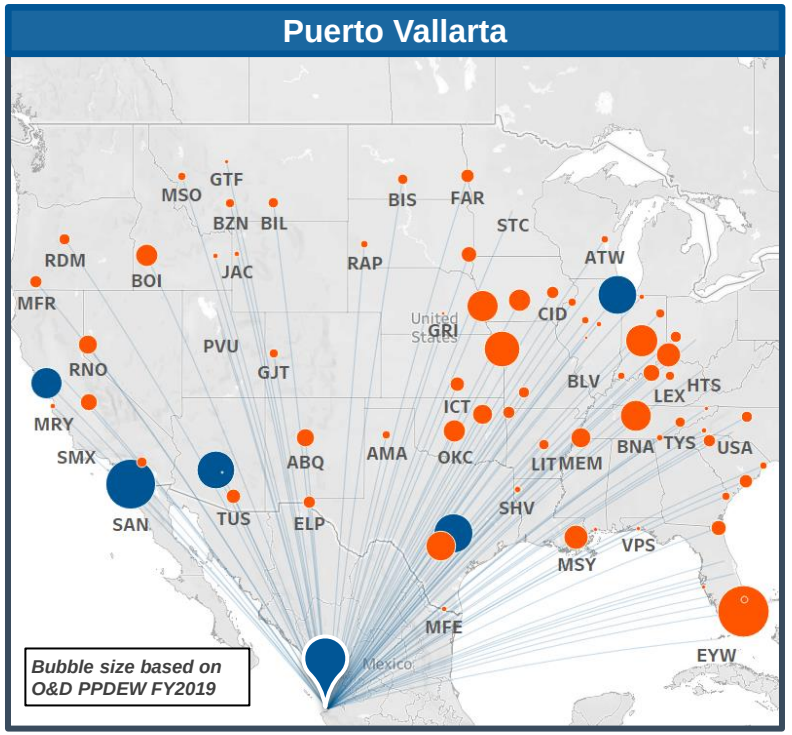


83 Allegiant airports

- **76** *no non-stop service*
- **7** *non-stop but non-ULCC*

(FY 2021 metro basis)

Puerto Vallarta

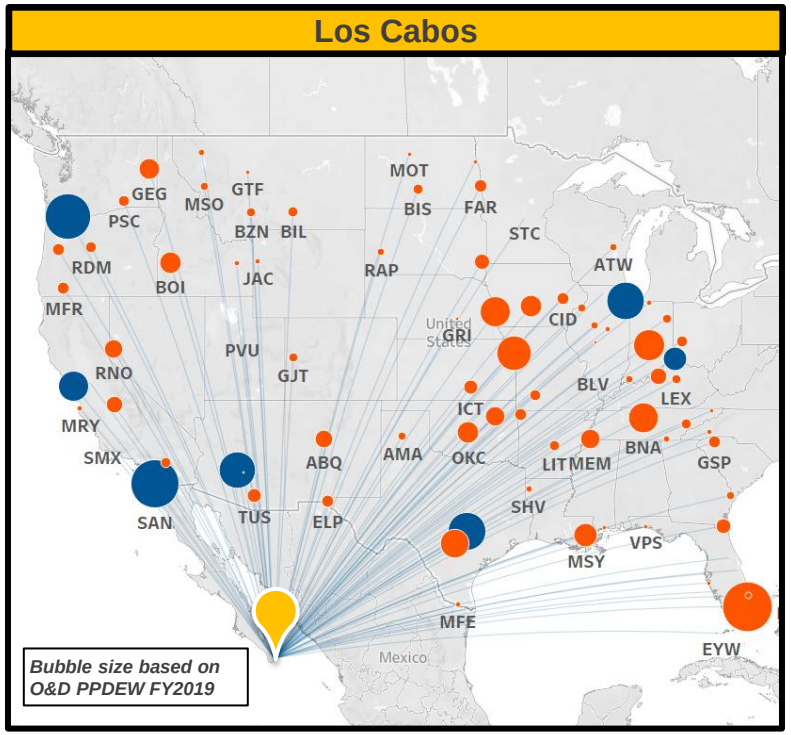


90 Allegiant airports

- **82** *no non-stop service*
- **8** *non-stop but non-ULCC*

(FY 2021 metro basis)

Los Cabos



91 Allegiant airports

- **81** *no non-stop service*
- **10** *non-stop but non-ULCC*

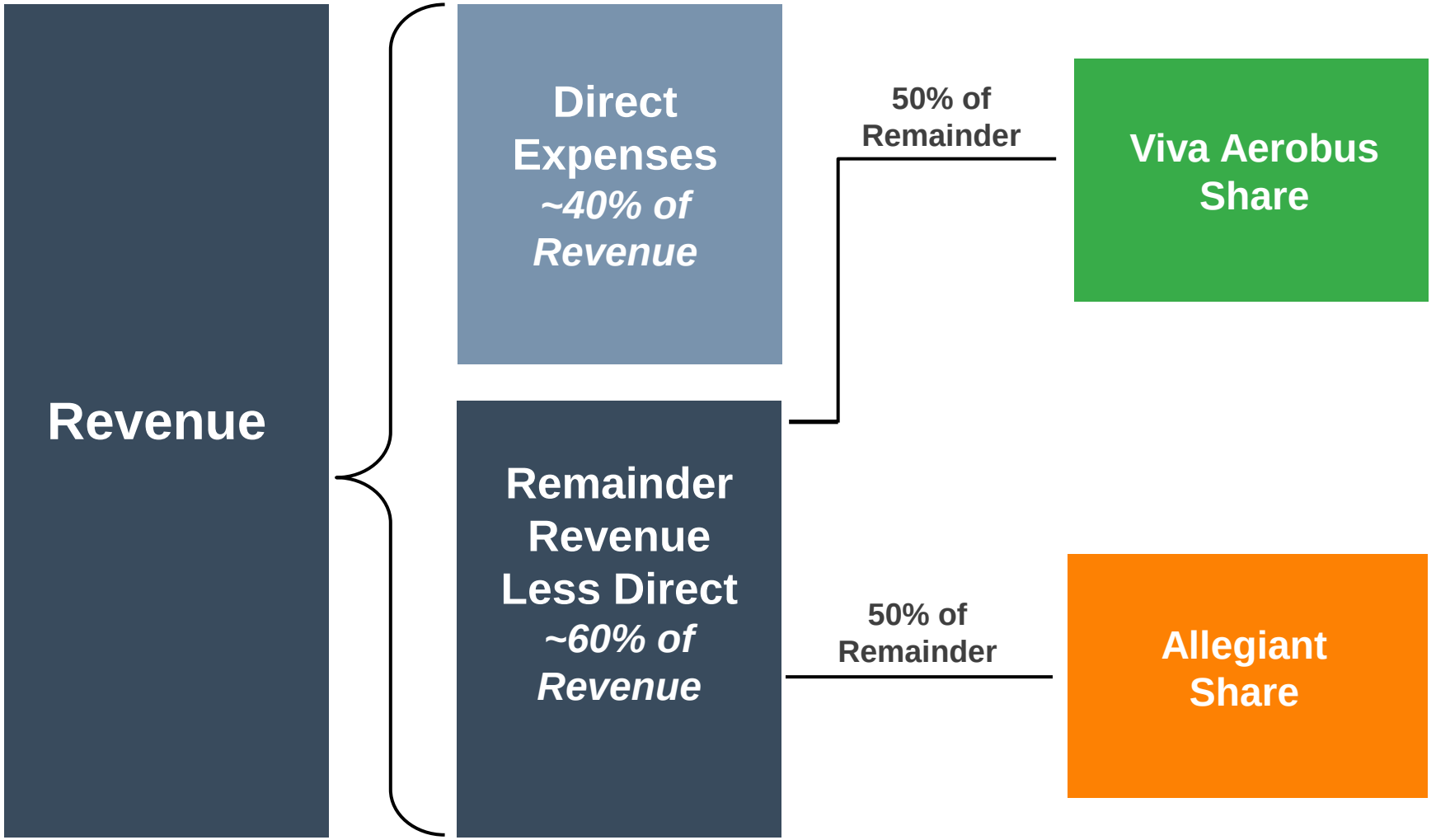
(FY 2021 metro basis)

Source: Schedules. Sabre O&D Market Intelligence
Note: Includes all Allegiant airports as of FY2021 within 1,900mi range. Many route opportunities would require additional customs federal inspection facilities

Agreement structure

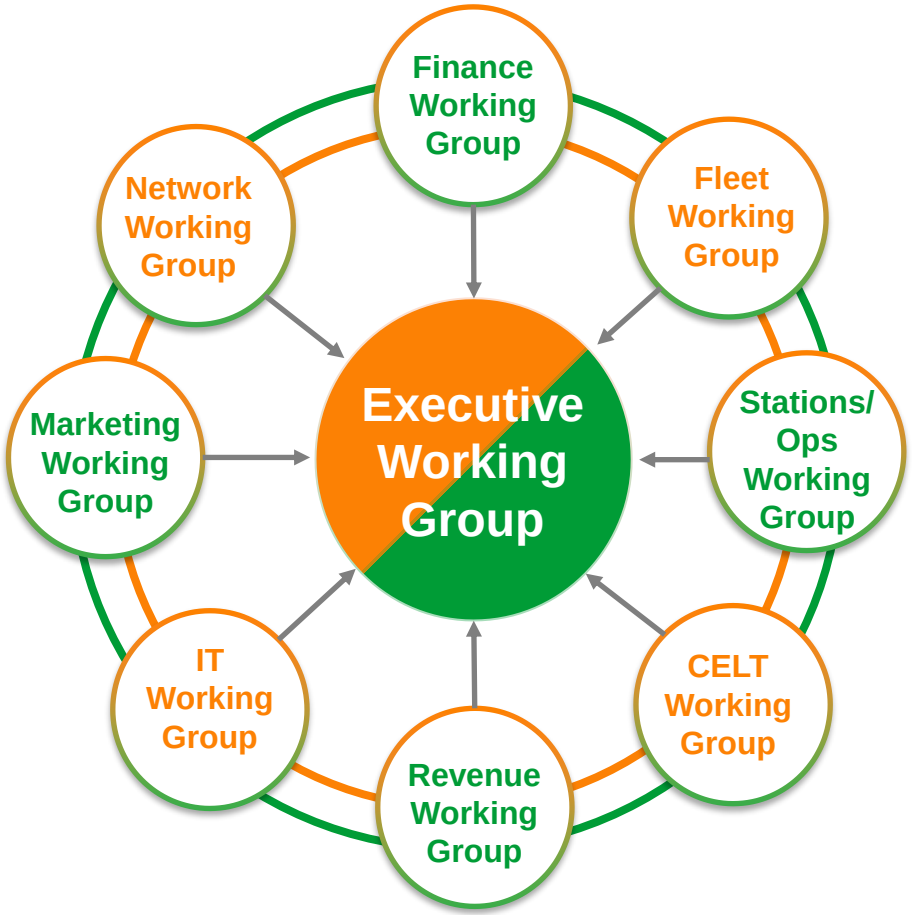
Key Terms	Details
Joint Venture Scope	• Scheduled service on all non-stop routes between the US and Mexico • Connecting flights beyond US/Mexico • Public charter coordination on all points between US and Mexico (private charters excluded)
Management	• JV Executive Committee – 4 executive leaders from each JV partner – meet 2x annually • 8 Other committees – Network, Marketing, Stations/Ops, IT, CELT, Revenue Management, Fleet, Finance & Accounting, to meet 4x annually to review, plan and coordinate
Exclusivity	• Exclusive partners – neither partner will request government approval for or implement a separate JV, alliance, or codeshare involving service between Mexico and the US while the JV is in effect • The parties may jointly decide to add an additional JV partner only on the condition of both parties' approval
Commercial Cooperation/Coordination	• Fully integrated alliance – marketing, sales, revenue management, network, IT, reciprocal codeshare • Complete "Metal neutrality" • Co-ground handling and co-located at airports where applicable • Joint branding where applicable • Reciprocity on loyalty and Frequent Flyer Program (FFP) benefits – loyalty points coordination
Revenue/Profit share	• 50/50 profit sharing on all "new" JV routes – controllable variable costs covered dollar for dollar for operating carrier, revenue above cost split equally • Incremental profit share on "existing" routes to US/Mexico points at established 2021 baseline
Network Governance	• By mutual consent – coordination between network and revenue management teams • Restrictions on unilateral network decisions for points between the US and Mexico
Timing	• JV to be implemented no later than 30 days after receipt of all government and regulatory approvals including antitrust immunity – joint network plan and flights for sale within the following 90 days
Term	• Indefinitely and for a minimum period of at least fifteen years with one-year cancellation window with payment penalty upon change of control

Alliance profit share



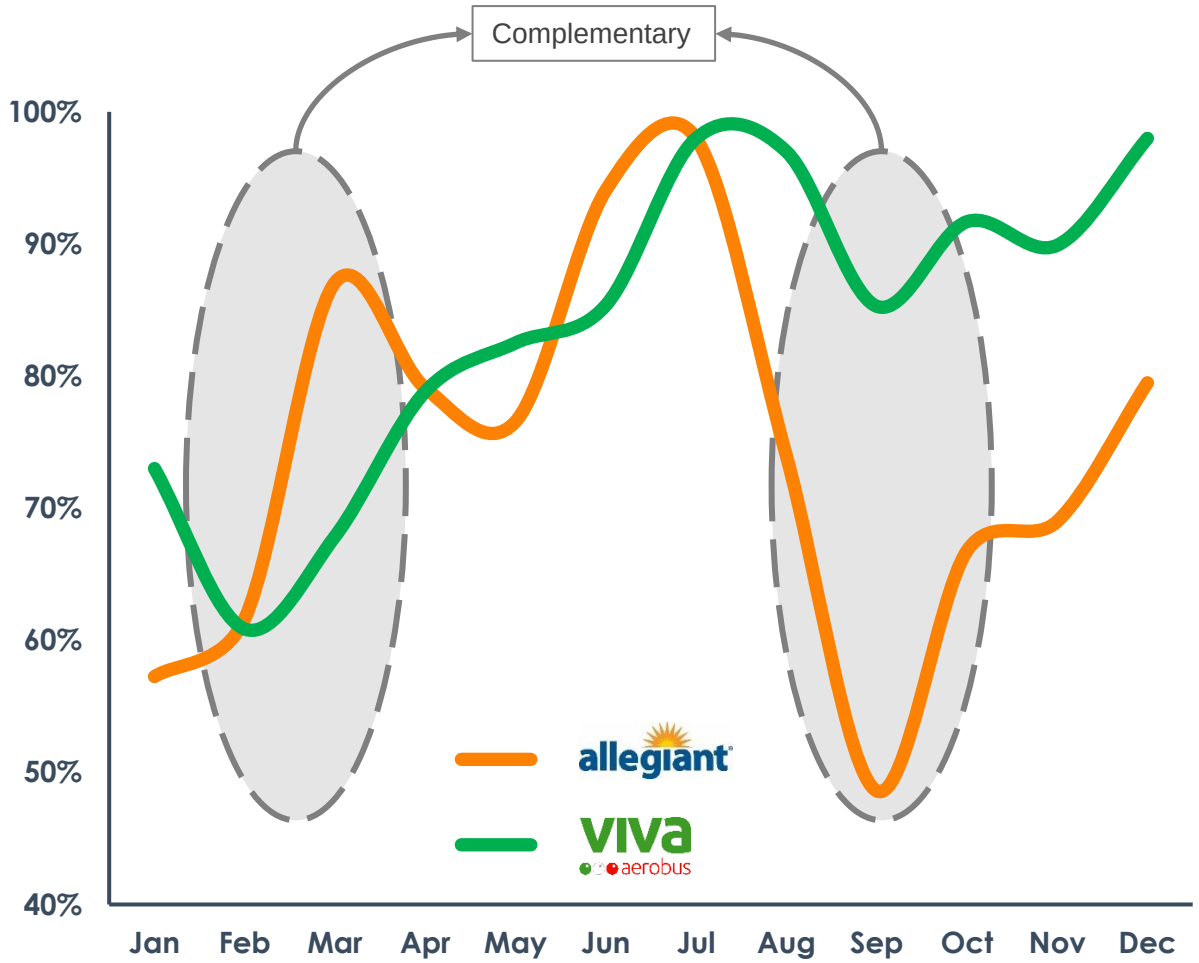
Together we do more

- Experienced and well-connected partners in Mexico helps insulate risk
- Alignments of cultures; Strong and complementary management teams on both sides
- Both Allegiant and VIVA are ULCCs based in the US and Mexico, respectfully, and both well positioned to thrive in post-pandemic world



Viva Aerobus and Allegiant's complementary seasonality

Departures as % of Peak Month
2019



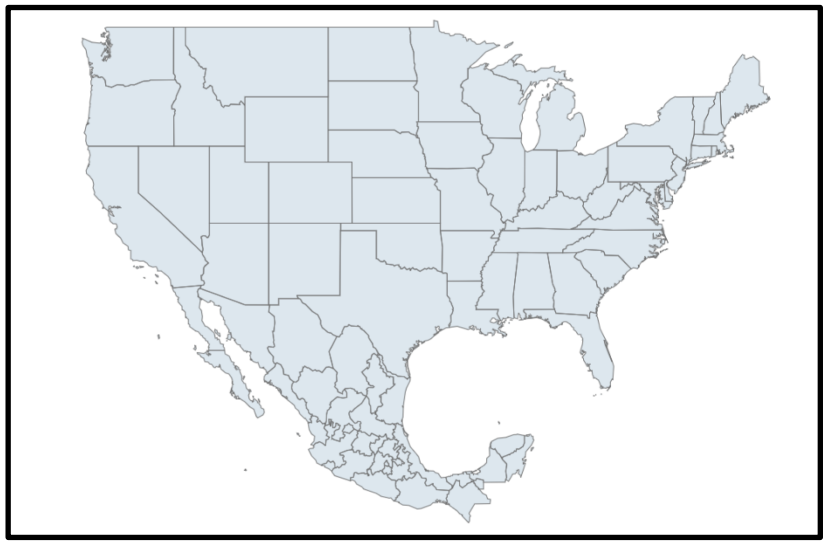
- **Q1 strongest quarter for beach traffic, but weakest for Viva**
- **Opportunity to maximize flying on Saturday - an off-peak day for Allegiant, particularly on the US West Coast, but a peak day in Mexican beach markets**

Source: Schedules

Alliance with ATI* will enhance Allegiant's ability to provide consumer benefits

CUN Non-Stop City Pairs *Example*

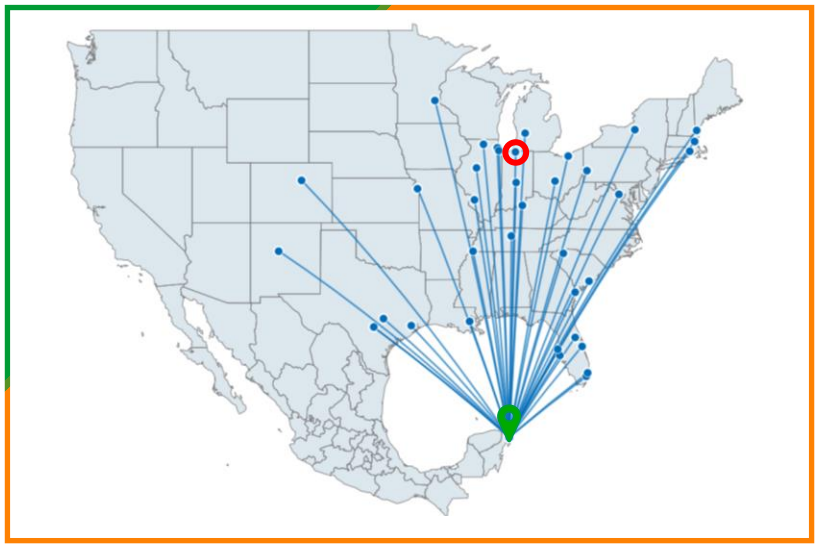
1. Current Plan Entry Plan (none)



2. Allegiant Only Network (No Alliance) +20 Years



3. Alliance Network (ATI Approval)

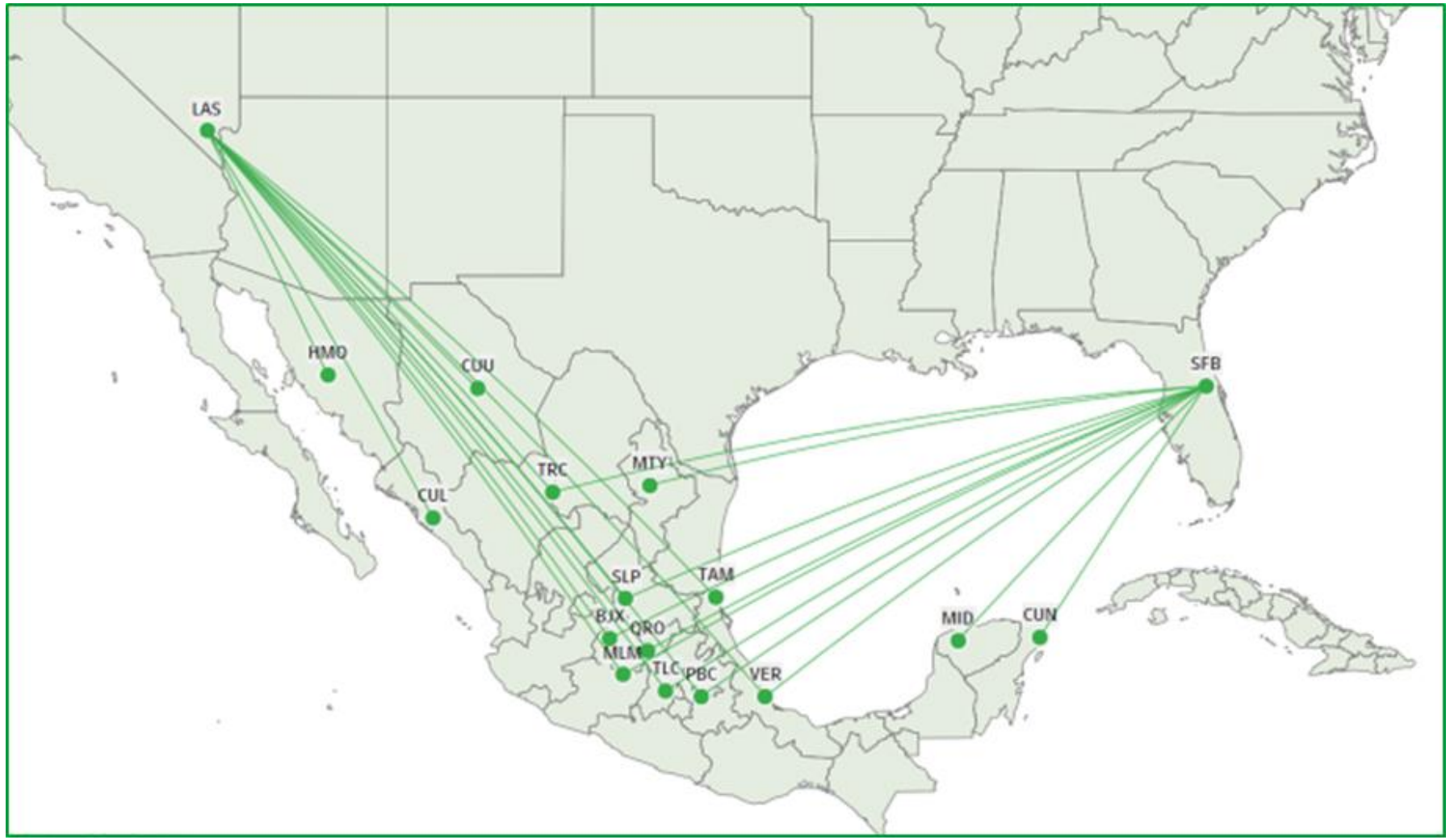


- **Call Out:** CUN – SBN
  - Not easily routable for G4
    - No out & back
    - No aircraft or crew base
  - Viva could operate it easily
  - Allegiant has a strong Point of Sale in SBN

**ATI Antitrust Immunity*

New routes from midsize Mexican cities to leisure destinations in the US

Allegiant's lower costs at US airports and the ability to connect with Allegiant's network will enable Allegiant and Viva to launch thin routes from mid-size Mexican cities to US leisure destinations.



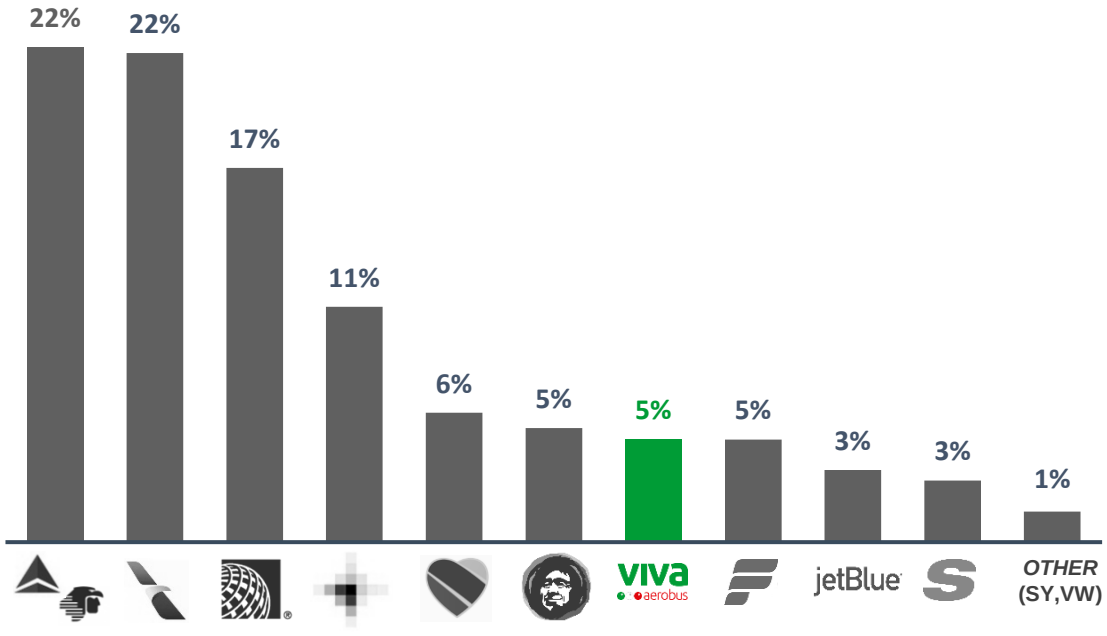
Expected benefits to Viva

- **Lower ground handling cost**
- **Lower fuel contracts**
- **Lower airport / gates costs**
- **Connecting with other US destinations**

Allegiant and Viva together will be a far more effective competitor

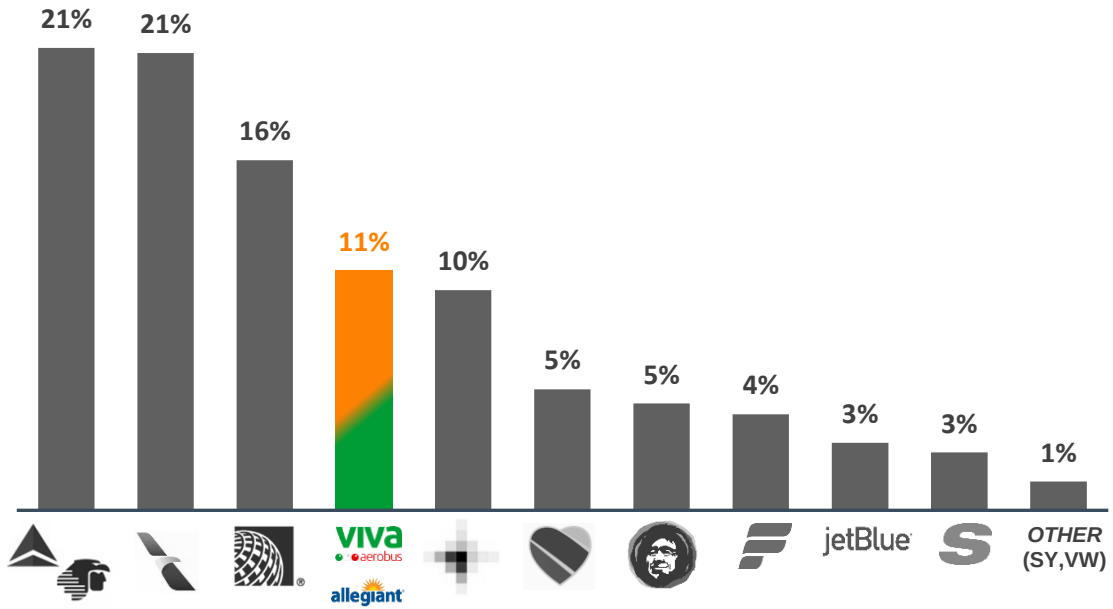
Transborder Market Distribution

2021: O&D Passengers



Potential Transborder Market Distribution

With Allegiant/Viva Aerobus Alliance



Sources: O&D Sabre (Market Intelligence). Potential Transborder Market Distribution assumes 2026 network with 88 transborder routes and on average 16 A/C lines dedicated to Alliance flying

Alliance expected to produce strong financial growth and create jobs

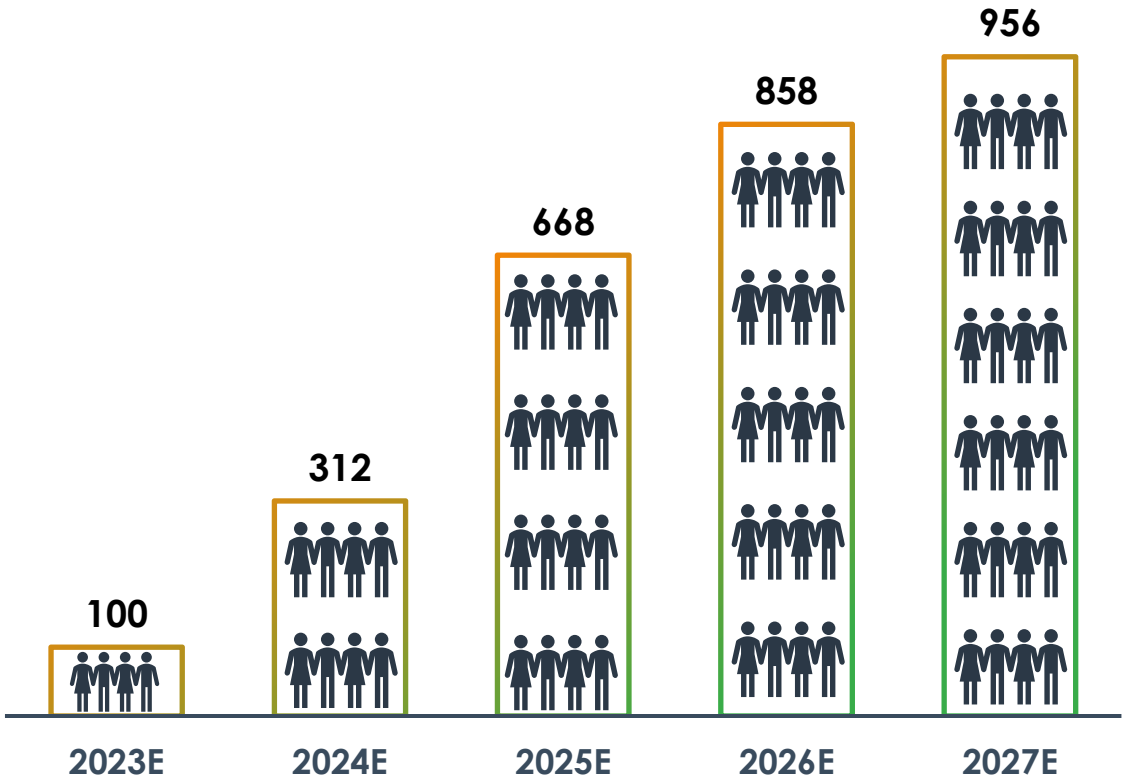
Incremental Aircraft Lines due to Alliance

2023E - 2026E – Transborder Flights



Job Growth at Allegiant and Viva due to Alliance

2023E-2027E



Source: Internal Financial Model

Alliance (JV) and equity investment will add value

- **$50 million equity stake in Viva – comparable to similar stakes by Delta/United/American in JV partners**
- **Board seat on Viva board to be held by Maury Gallagher pending Mexican governmental approval**

Revenue for Allegiant-operated flights in JV

JV profit sharing settlements in other revenue

Expenses for Allegiant-operated flights in JV

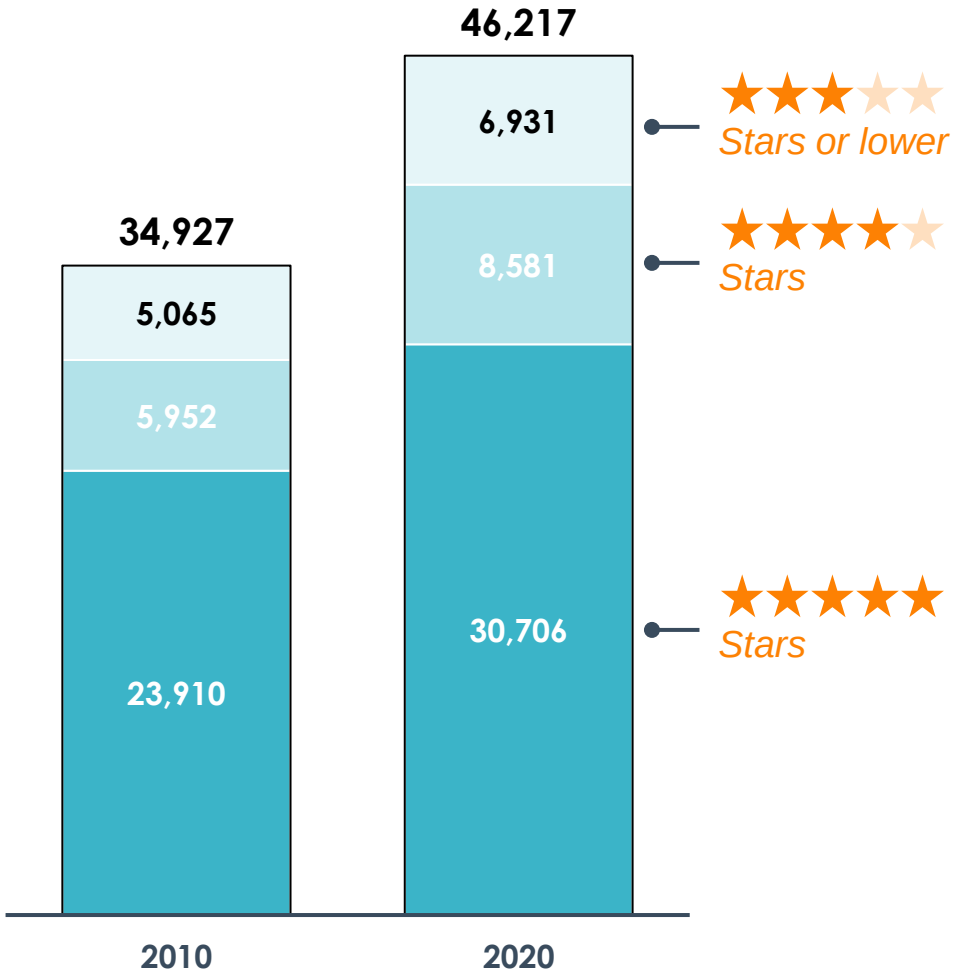
ALLEGIANT TRAVEL COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended September 30,	
	2021	2020
OPERATING REVENUES:		
Passenger	$ 423,796	$ 181,916
Third party products	24,541	11,337
Fixed fee contracts	11,117	5,284
Other	15	2,447
Total operating revenues	459,469	200,984
OPERATING EXPENSES:		
Salary and benefits	125,799	95,829
Aircraft fuel	118,370	52,540
Station operations	70,943	39,954
Depreciation and amortization	46,399	45,291
Maintenance and repairs	30,451	14,038
Sales and marketing	22,047	7,967
Aircraft lease rental	5,670	3,015
Other	22,379	19,755
Payroll Support Programs grant recognition	(49,210)	(77,909)
Special charges	332	33,585
Total operating expenses	393,180	234,065
OPERATING INCOME (LOSS)	66,289	(33,081)
OTHER (INCOME) EXPENSES:		
Interest expense	16,595	11,943
Capitalized interest	(401)	—
Interest income	(375)	(868)
Loss on debt extinguishment	—	—
Special charges	—	—
Other, net	239	552
Total other expenses	16,058	11,627
INCOME (LOSS) BEFORE INCOME TAXES	50,231	(44,708)
INCOME TAX PROVISION (BENEFIT)	10,977	(15,565)
NET INCOME (LOSS)	$ 39,254	$ (29,143)
Earnings (loss) per share to common shareholders:		
Basic	$ 2.18	$ (1.82)
Diluted	$ 2.18	$ (1.82)
Shares used for computation:		
Basic	17,766	16,006
Diluted	17,767	16,006
Cash dividends declared per share:	$ —	$ —

Asset light hotel management potential opportunities

Available Rooms in Cancun by Hotel Category

2010 and 2020



Hotels within 40mins from CUN

~456 hotels/resorts

Resorts size range from

500 to **2,500** rooms

New resorts opening in '22

6 resorts & **2,800** rooms

Average length of stay

5 days *(5 stars resorts)*



Source: Mexico Secretariat of Tourism

Expected timeline – subject to regulatory approval



External events outside of Allegiant and Vivaaerobus control could delay the expected timeline. These events include pandemic-related concerns, market performance, and Mexico's successful resolution of IASA's audit.