

# Management Presentation

November 2011



# Forward looking statements

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# Unique business model and results

- Highly resilient and profitable
  - Profitable last 35 quarters <sup>(1)</sup>
  - \$126mm LTM EBITDA <sup>(2)</sup>
  - LTM Return on Capital 15.7% <sup>(2)</sup>
- Strong balance sheet
  - Rated BB- and Ba3 <sup>(3)</sup>
  - \$303mm unrestricted cash
  - \$148mm debt
  - Owned fleet
  - Debt/EBITDA 1.2x<sup>(2)</sup>
- Management owns >20%

Built to be different
Leisure customer
Small cities
Low frequency/variable capacity
Low cost aircraft
Little competition
Bundled products
Closed distribution
Low costs
Highly profitable

(1) Excluding non-cash mark to market hedge adjustments and 4Q06 one time tax adjustment

(2) See GAAP reconciliation in Appendix

(3) Rated BB- by Standard & Poor's, rated Ba3 by Moody's

# Leisure customer in small cities

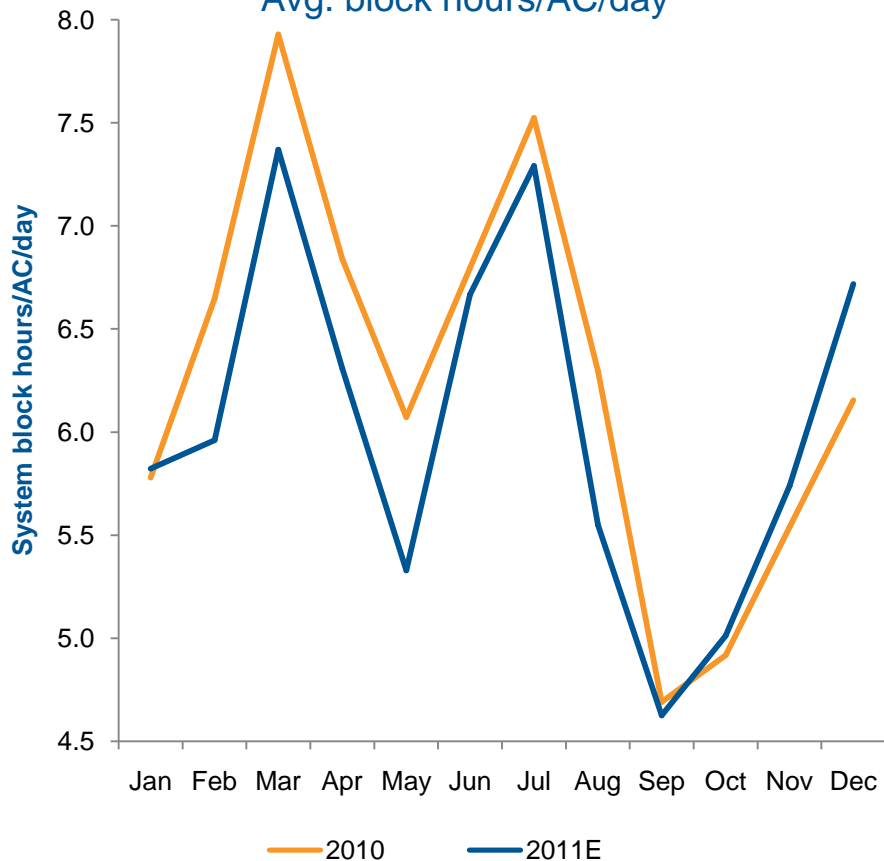
- Taking people where they want to vacation
- Stimulation of demand - non-stop flights, low prices
- Prior to ALGT, small cities had few good options
- Leisure - more resilient than business, proven repeatedly
- Packages – air + hotels, cars, etc.
- Variable capacity to match seasonal demand patterns
- Small cities require less frequency due to size of market



# Capacity management

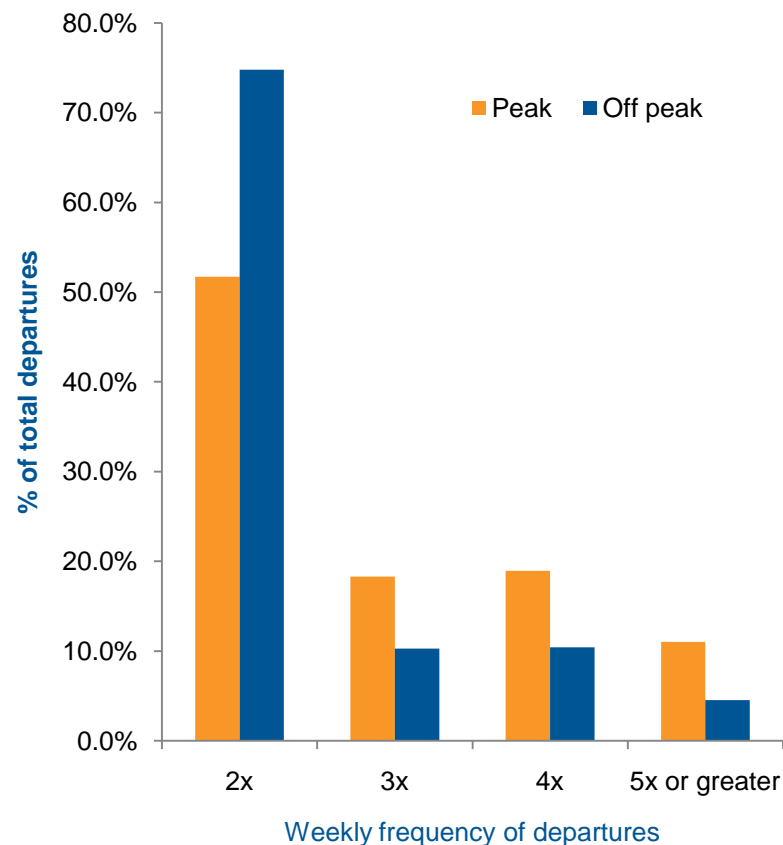
## Leisure = seasonality

Avg. block hours/AC/day



## Small cities = low frequency

Weekly market frequency



Peak = peak travel time from week of June 13 – Aug 8 2011, off peak = Aug 15 – Sept 19 2011



# Low cost aircraft

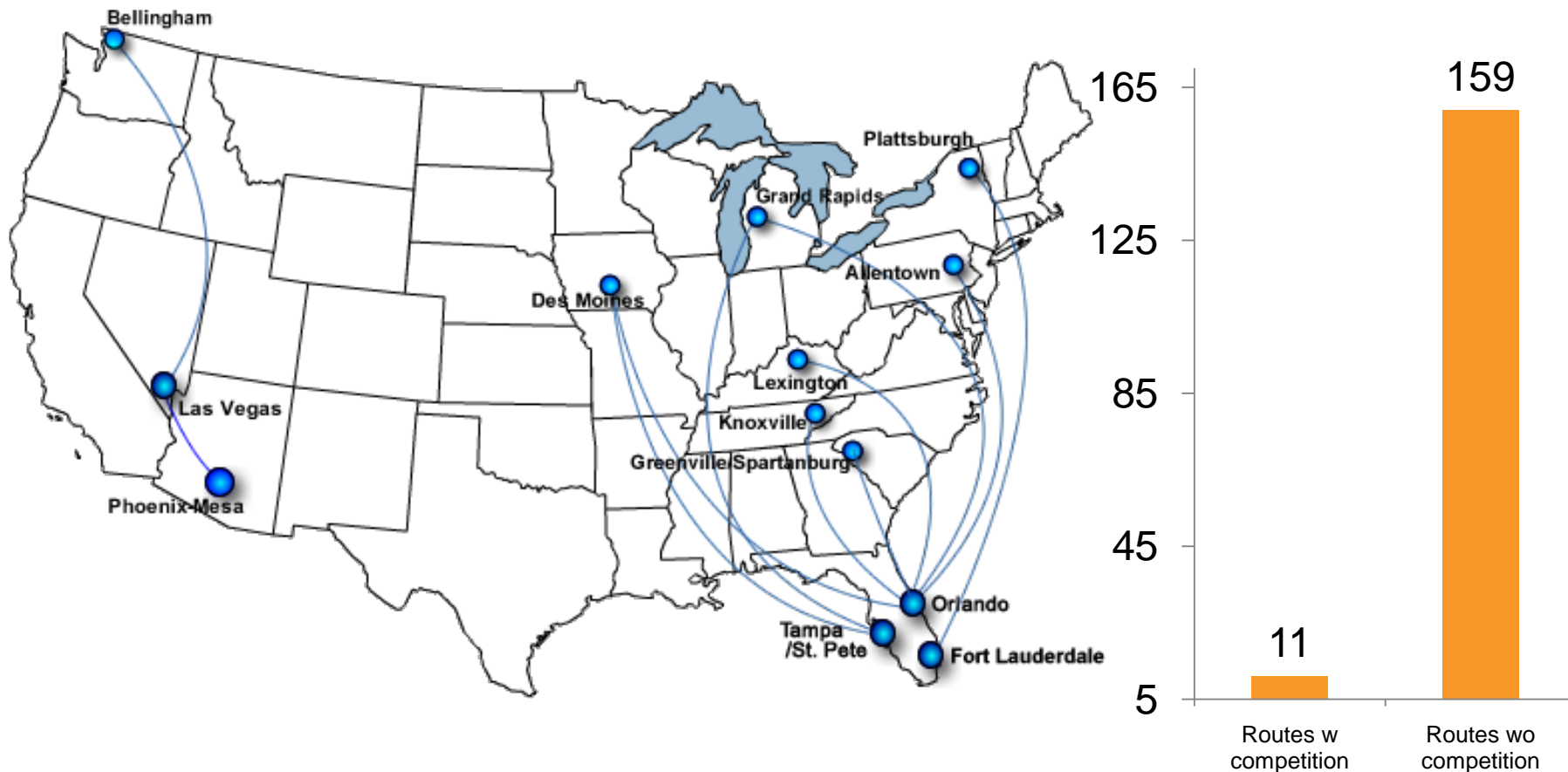
- Owned fleet – 63<sup>(1)</sup> owned aircraft, only 2 on operating leases
- MD-80
  - 52 in operating fleet, 8 more in the pipeline
  - \$3mm total for purchase + induction
  - \$2.5mm EBITDA/ aircraft LTM 3Q11<sup>(2)</sup>
  - Increasing capacity to 166 seats, 11% increase in seats
- 757
  - One in operating fleet, 3 leased out through 2/3Q12
  - Committed to purchase 2 more in 1Q12, in service 2Q12
  - \$15mm total for purchase + induction
  - 217 seats, 8 hour range

1 – committed to purchase 2 757s in 1Q12

2 – see GAAP reconciliation in appendix

# Little competition

Uniquely built to profitably serve these markets





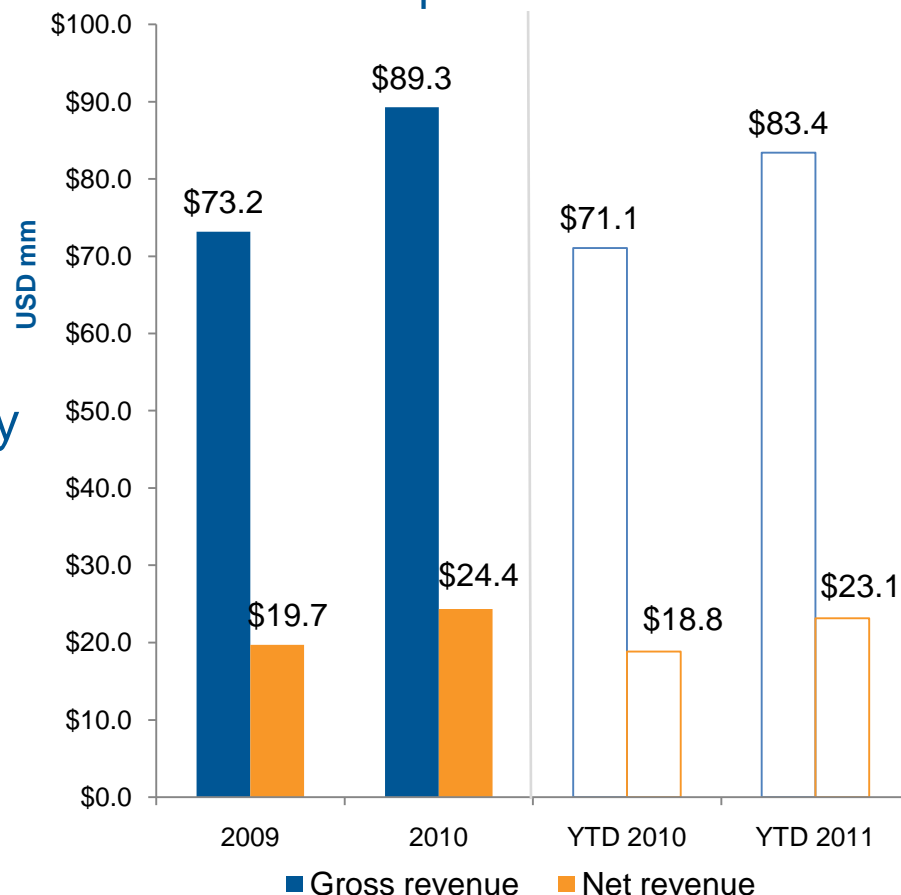
# Ancillary revenue – third party products

- Bundled vacation packages
- Very high margins
  - 35% LTM pre-tax income
  - \$102mm gross revenue LTM
- Wholesale price for hotel & car, we manage margin, no inventory risk

Growth	YoY 2010	YoY YTD 2011
Gross revenue	+22%	+17%
Net revenue	+24%	+23%

Gross revenue is Non GAAP  
YTD – 1<sup>ST</sup> three quarters of the year

Ancillary revenue - third party products



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★★★★★  
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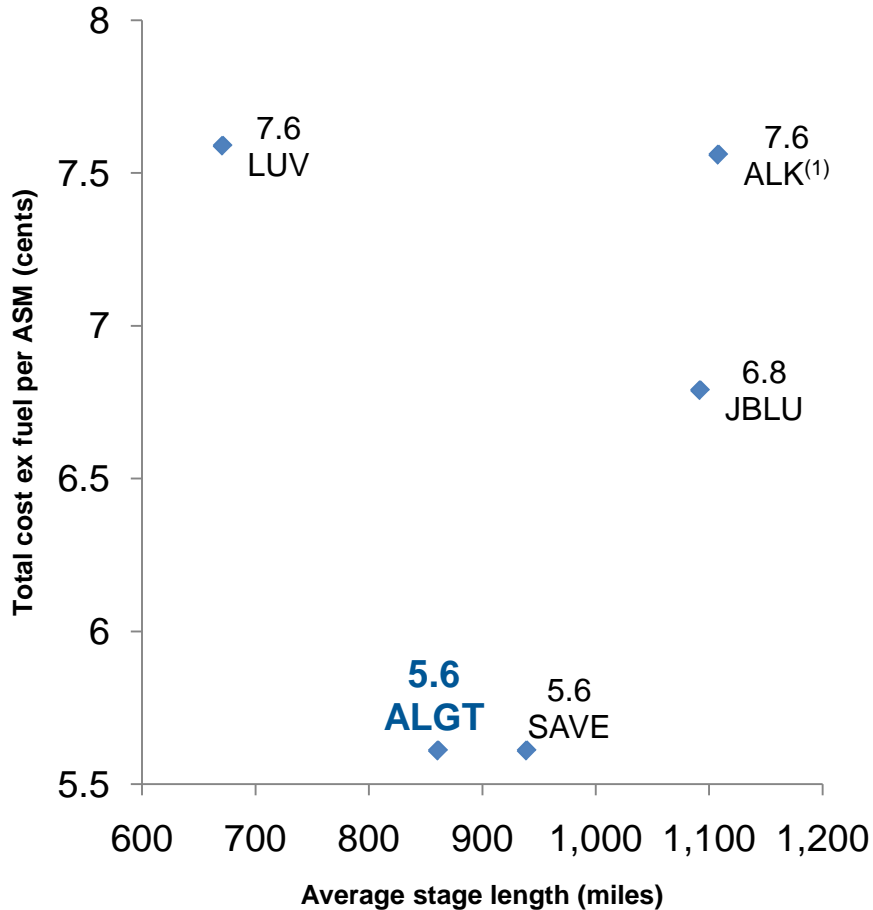
**Phoenix-Mesa**

- 21mm unique visitors (last 12 months)
- 34% new visits
- 6.5 average page views
- ~ 5.5 min on site
- 89% of YTD 2011 sales were through the site

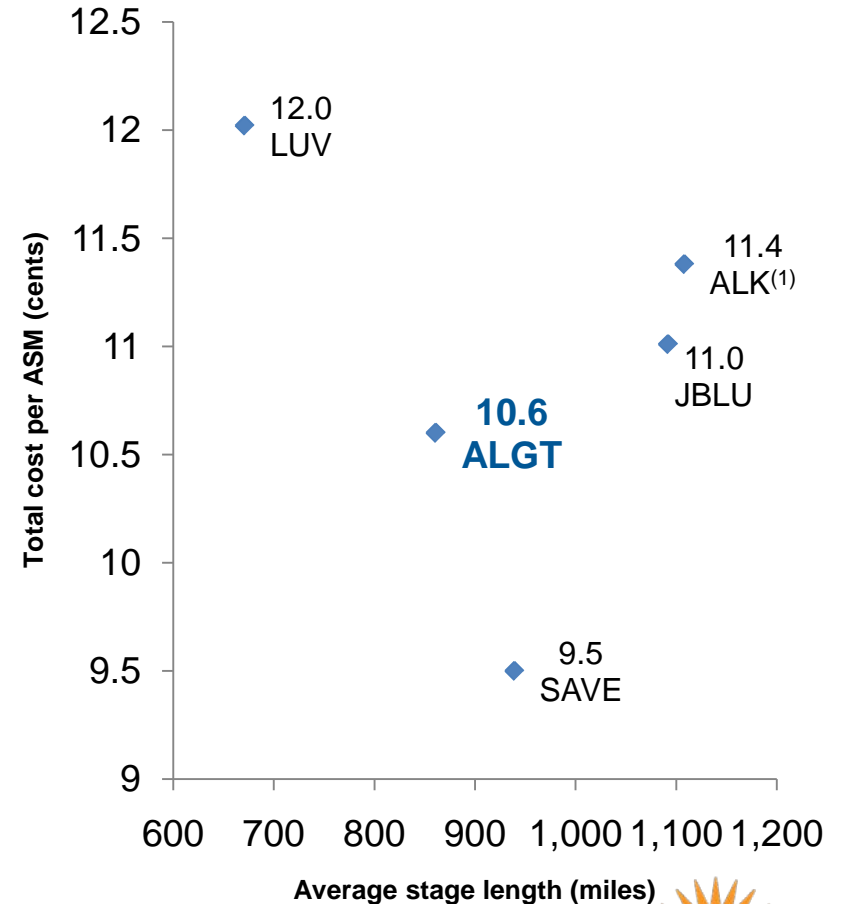


# Excellent cost structure

Operating cost ex fuel/ASM  
(CASM ex) vs stage length



Operating cost/ASM (CASM)  
vs stage length

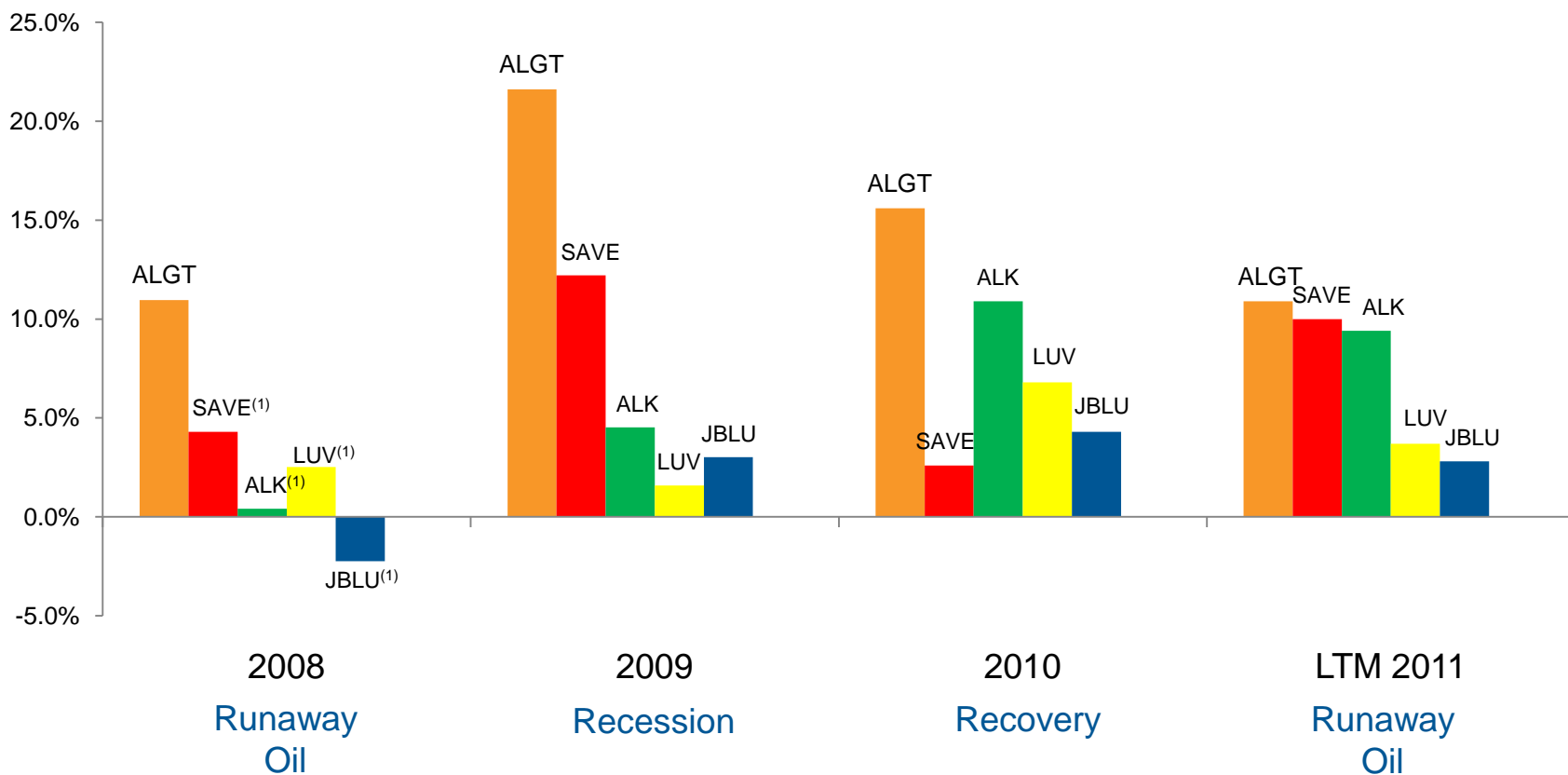


(1) ALK is mainline statistics

LUV = Southwest Airlines, ALK = Alaska Airlines, JBLU = JetBlue Airways, SAVE = Spirit  
Time period – LTM 3Q11, ASM – available seat miles,



# Best pre-tax margins



Avg AC in period

36

43

49

52

Scheduled fuel price

\$3.22

\$1.90

\$2.43

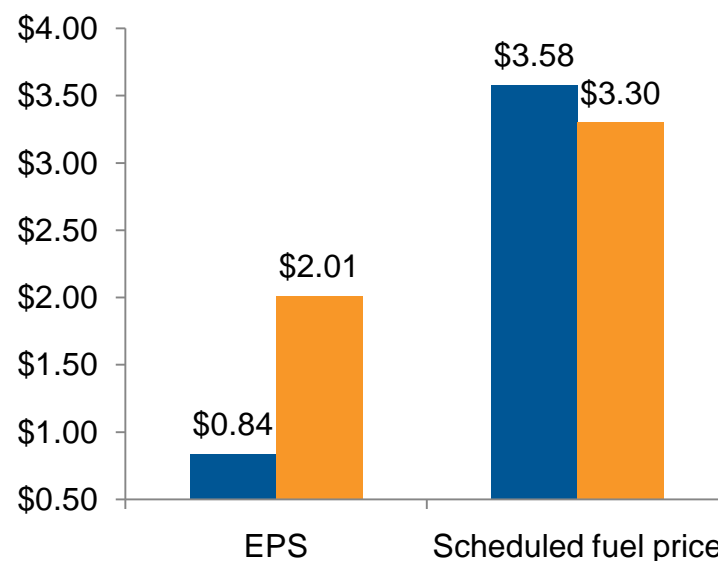
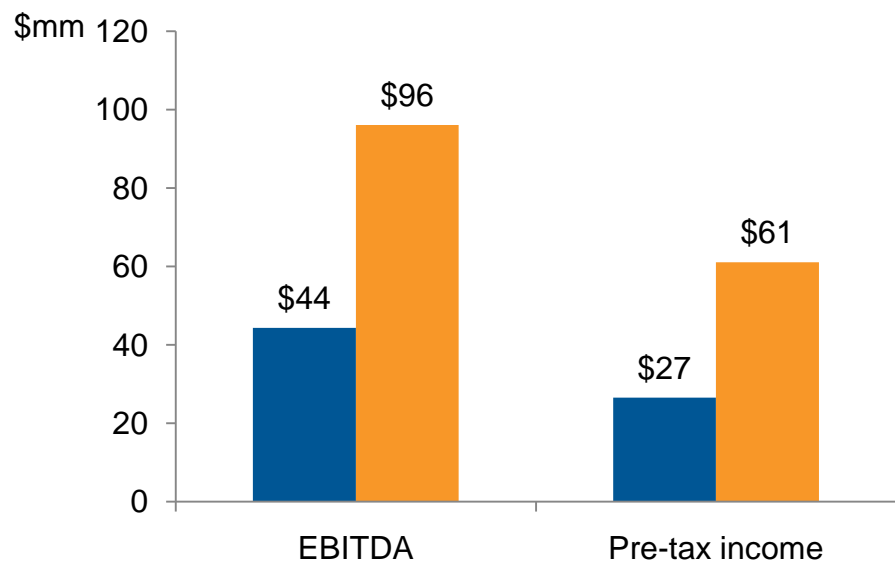
\$3.13

(1) LUV = Southwest Airlines; JBLU = JetBlue Airways; SAVE = Spirit Airlines, ALK = Consolidated Alaska Air Group excluding special items



# Better equipped to handle higher fuel

	YTD 2008	YTD 2011	% change
System ASMs (billions)	3.40	4.79	41%
Average aircraft	36.1	51.4	43%
Avg fare – scheduled service	\$85.59	\$88.36	3%
Avg ancillary - total	\$28.34	\$36.34	28%
Avg fare - total	\$113.93	\$124.70	10%
Pre-tax margin	7.0%	10.4%	



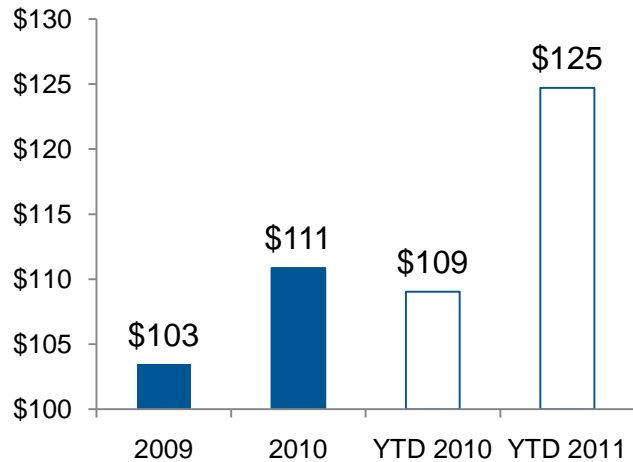
EBITDA – see GAAP reconciliation in appendix

■ YTD 2008  
■ YTD 2011

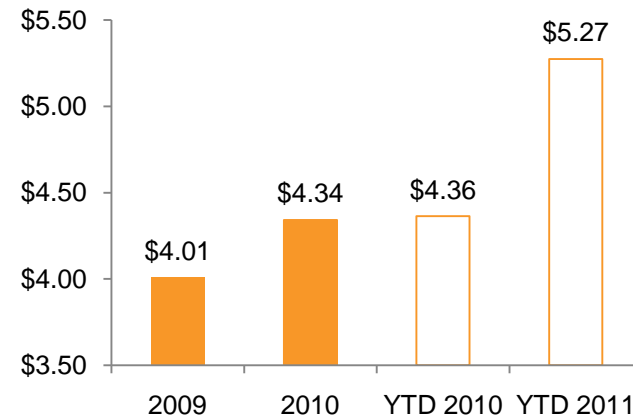


# Revenue momentum

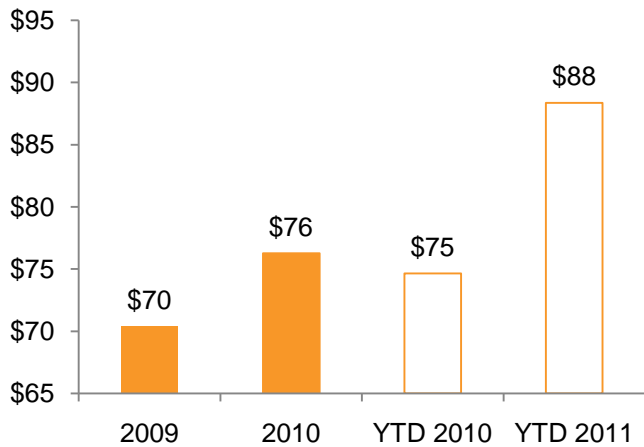
### Average fare - total



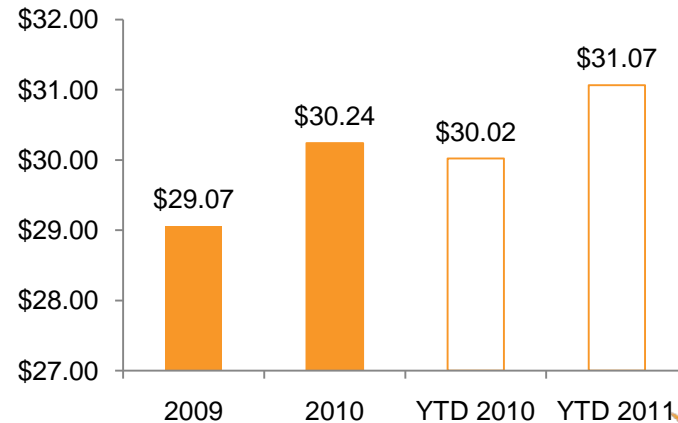
### Average fare - ancillary third party products



### Average fare - scheduled service



### Average fare - ancillary air-related charges



All revenue is revenue per scheduled passenger



# Revenue 3Q11

	3Q10	3Q11	YoY	\$ change
PRASM (cents)	6.89	8.58	25%	
TRASM (cents)	10.20	12.19	20%	
Avg fare – scheduled service	\$69.99	\$84.94	21%	\$14.95
Avg ancillary - total	\$33.66	\$35.69	6%	\$2.03
Avg total fare	\$103.65	\$120.63	16%	\$16.98
Fuel expense per passenger	\$40.07	\$53.28	33%	\$13.21
YoY PRASM changes in different market types <sup>(1)</sup>			YoY change in PRASM	% of markets
Markets with no change in capacity			19.4%	40.4%
Markets with increase in capacity			18.8%	14.2%
Markets with decrease in capacity			31.6%	45.4%

1 – Period covered 3Q10 vs 3Q11

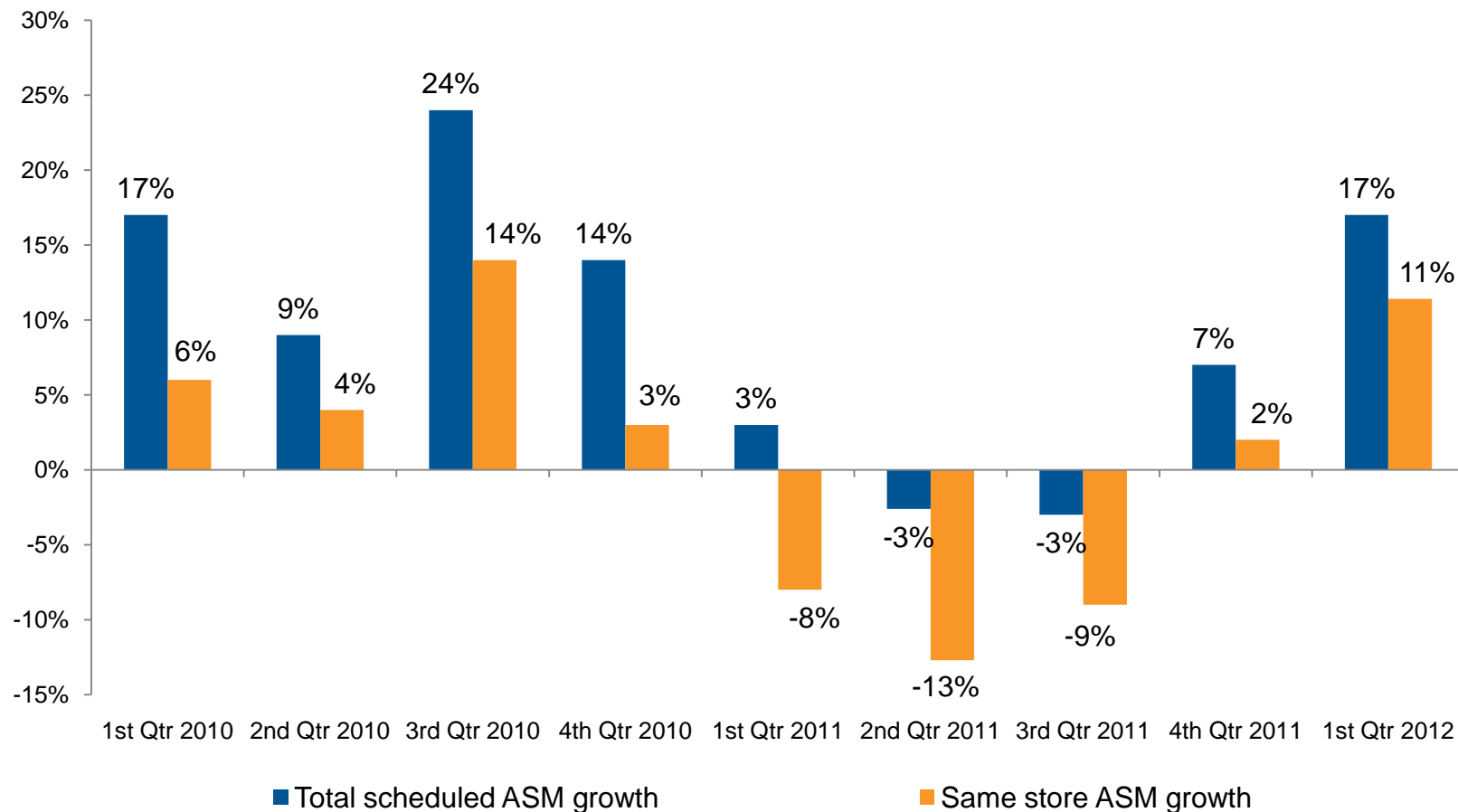
PRASM = scheduled service passenger revenue per scheduled ASM

TRASM = total scheduled service revenue per scheduled ASM



# Capacity changes

## Year over year change in scheduled ASMs



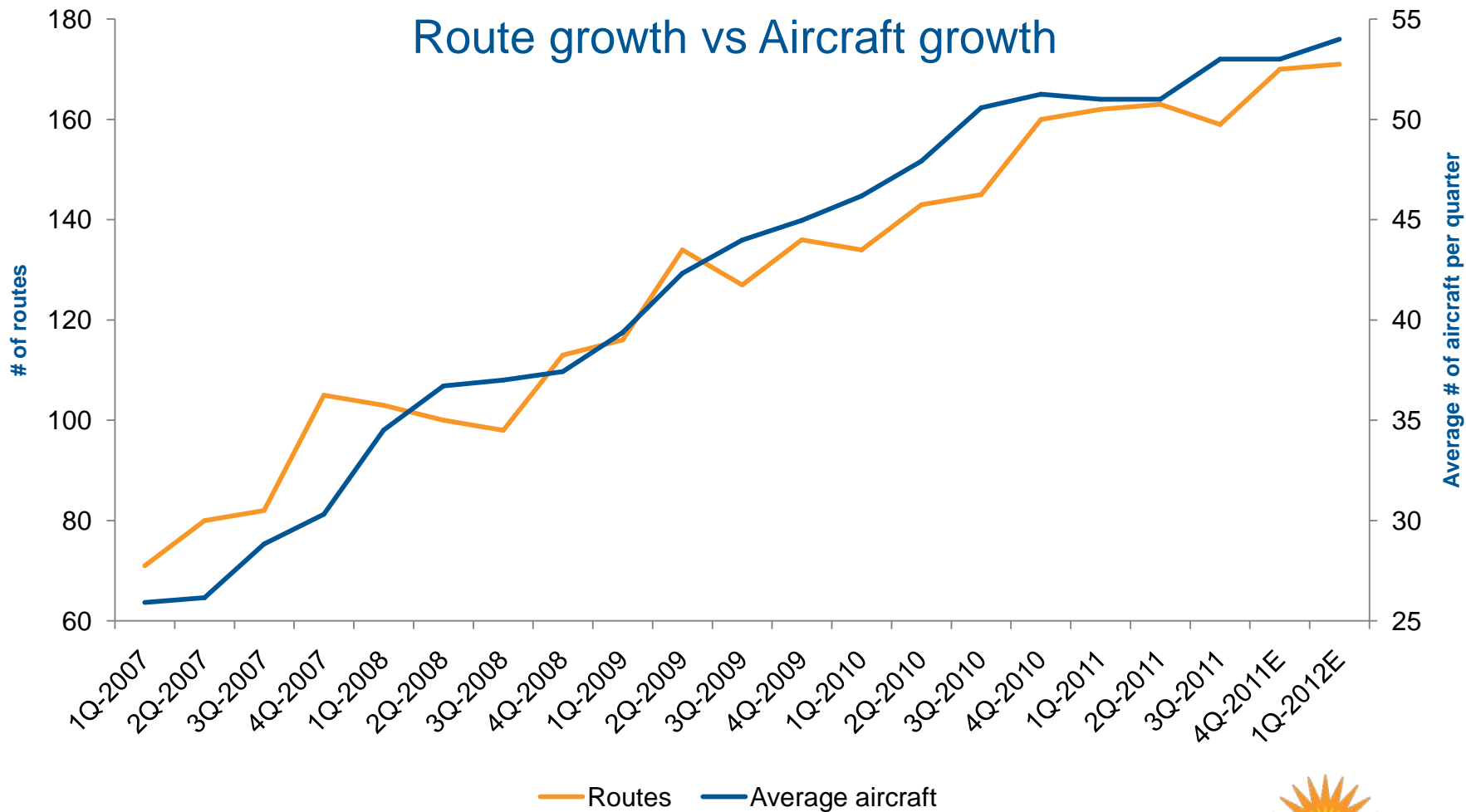
ASMs – available seat miles

Scheduled ASM growth in 4<sup>th</sup> quarter 2011 and 1<sup>st</sup> quarter 2012 is the midpoint of guided range





# Network growth



# Network update

- 18 new routes starting in 2H 2011
  - 12 routes – “connect the dots”
  - 6 routes new cities
  - 757 routes
  - Southwest/AirTran network changes
- 4Q11 growth driven by new routes
  - 2% growth same store sales
  - 70% of new ASMs come from new cities or connecting the dots
- Utilization
  - 4Q11 block hours per aircraft +3.4% YoY

# Fleet update

## ■ MD-80 fleet

- Status of 166 seat project
  - Approximately 10 by YE 2011
- Remaining four aircraft coming out of storage
  - In service by YE 2012, 59 MD-80s

## ■ 757 fleet

- Hawaii
  - ETOPS application submitted
  - Anticipate Hawaii service mid-2012
- 1 operating on existing and new routes
- 4 by 2H 2012, 6 by 1H 2013

# Guidance

- 4Q 11 PRASM +11 to 13%
- 52 MD-80s and 1 757 operating in 4Q 11
- Schedule currently selling through mid May 2012
- 2012 CASM ex fuel (5)% to (10)%

	<b>4<sup>th</sup> Quarter 2011</b>	<b>1<sup>st</sup> Quarter 2012</b>
System departures	5 to 9%	8 to 12%
System ASMs	6 to 10%	13 to 17%
Scheduled departures	2 to 6%	10 to 14%
Scheduled ASMs	5 to 9%	15 to 19%

Guidance subject to change



# Projected growth – scheduled ASMs

- FY 2011 ~ 0 to +4%
- FY 2012 ~ +20 to 25%
  - 166 seat upgrade to be completed 4Q12
  - 8 additional MD-80s phased in during year
  - 4 757 operating
- FY 2013 ~ +15 to 20%
  - Full year of 166 seat aircraft + 6 757 operating
- FY 2014 ~ 0 to 5%
  - Annualized effect from growth of fleet to 65 aircraft
  - No other fleet commitments made as of yet

Guidance subject to change

# Appendix

# GAAP reconciliation

## EBITDA calculations

\$mm	YTD 2011	YTD 2008	LTM 3Q11	2010	2009	2008	2007
Net Income	38.6	17.2	51.0	65.7	76.3	35.4	31.5
+Provision for Income Taxes	22.5	9.3	30.6	37.6	44.2	19.8	19.2
+Other Expenses	4.3	.6	4.6	1.3	1.6	.7	-3.6
+Depreciation and Amortization	30.7	17.2	39.9	35.0	29.6	23.5	16.0
<b>=EBITDA</b>	<b>96.1</b>	<b>44.3</b>	<b>126.1</b>	<b>139.6</b>	<b>151.8</b>	<b>79.4</b>	<b>63.1</b>
Total debt			147.8	28.1	45.8	64.7	72.1
7 x annual rent			7.7	12.0	13.5	19.7	21.0
<b>=Debt to EBITDA</b>			<b>1.2x</b>	<b>0.3x</b>	<b>0.4x</b>	<b>1.1x</b>	<b>1.5x</b>
Average aircraft in period			51	47	43	36	28
<b>=EBITDA per aircraft</b>			<b>2.5</b>	<b>2.9</b>	<b>3.6</b>	<b>2.2</b>	<b>2.3</b>
System passengers (mm)			6.0	5.9	5.3	4.3	3.3
<b>=EBITDA per passenger</b>			<b>\$20.87</b>	<b>\$23.65</b>	<b>\$28.49</b>	<b>\$18.48</b>	<b>\$19.32</b>
Interest expense			5.8	2.5	4.1	5.4	5.5
<b>= Interest coverage</b>			<b>21.7x</b>	<b>55.4x</b>	<b>37.2x</b>	<b>14.7x</b>	<b>11.4x</b>

Interest coverage = TTM EBITDA / TTM interest expense



# GAAP reconciliation

## Return on equity

<b>\$mm</b>	<b>LTM 3Q11</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>		
Net Income (\$mm)	51.0	65.7	76.3	35.4		
	<b>Sept 2011</b>	<b>Sept 2010</b>	<b>Dec 2010</b>	<b>Dec 2009</b>	<b>Dec 2008</b>	<b>Dec 2007</b>
Total shareholders equity (\$mm)	339.1	284.4	297.7	292.0	233.9	210.3
<b>Return on equity</b>	<b>16%</b>		<b>22%</b>	<b>29%</b>	<b>16%</b>	



# GAAP reconciliation

## Free cash flow calculations

\$mm	LTM 3Q11	2010	2009	2008
Net income	51.0	65.7	76.3	35.4
+ Provision for income tax	30.6	37.6	44.2	19.8
+ Other expenses	4.6	1.3	1.6	.7
+Depreciation & Amortization	39.9	35.0	29.6	23.5
<b>=EBITDA</b>	<b>126.1</b>	<b>139.6</b>	<b>151.8</b>	<b>79.4</b>
-Capital Expenditures	86.6	98.5	31.7	53.0
<b>=FCF</b>	<b>39.4</b>	<b>41.1</b>	<b>120.2</b>	<b>26.3</b>

# GAAP reconciliation

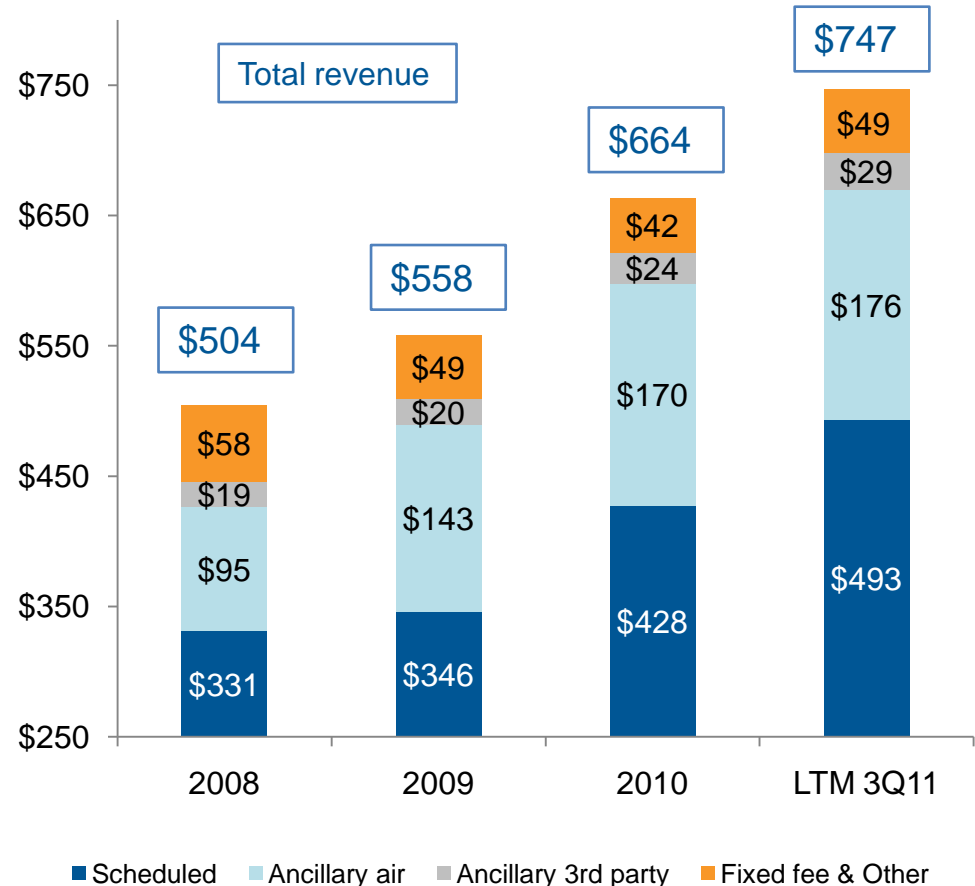
## Return on capital employed calculation

\$mm	LTM 3Q11	2010	2009	2008
+ Net income	51.0	65.7	76.3	35.4
+ Income tax	30.6	37.6	44.2	19.8
+ Interest expense	5.8	2.5	4.7	5.4
+ Interest income	(1.2)	(1.2)	(2.5)	(4.7)
<b>EBIT</b>	<b>86.2</b>	<b>104.6</b>	<b>122.7</b>	<b>55.9</b>
+ Interest income	1.2	1.2	2.5	4.7
Tax rate	37.5%	36.4%	36.2%	35.9%
<b>Numerator</b>	<b>54.6</b>	<b>67.3</b>	<b>79.6</b>	<b>38.9</b>
Total assets prior year	486.0	499.6	424.0	405.4
+ Current liabilities prior year	(154.1)	(158.6)	(131.0)	(128.0)
+ ST debt of prior year	16.3	23.3	25.3	18.2
<b>Denominator</b>	<b>348.2</b>	<b>364.3</b>	<b>318.3</b>	<b>295.6</b>
<b>= Return on capital employed</b>	<b>15.7%</b>	<b>18.5%</b>	<b>25.0%</b>	<b>13.1%</b>

# Revenue model

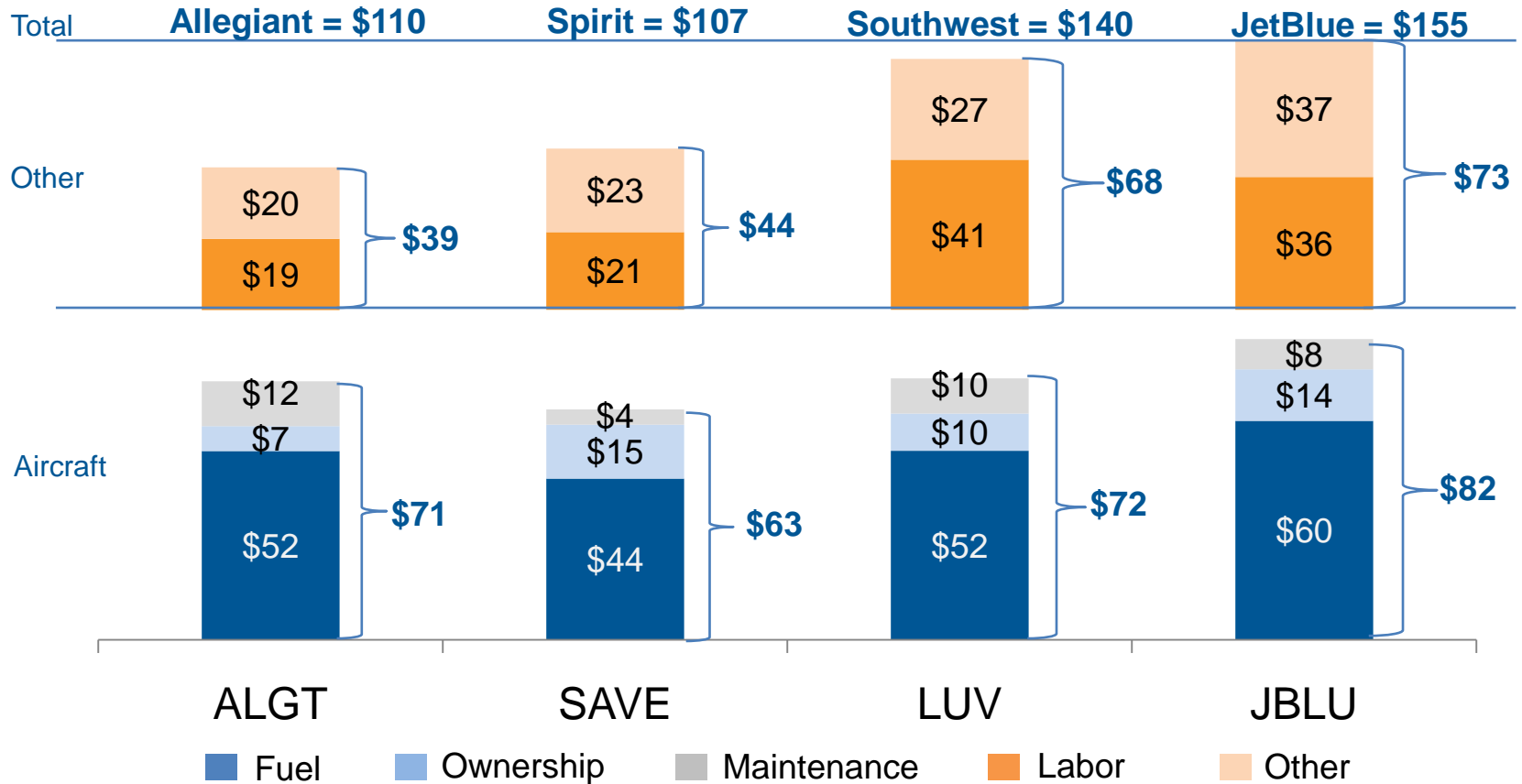
- Scheduled service
  - Air fare from small cities to leisure destinations
- Ancillary – Air related charges
  - Unbundled air product
- Ancillary 3rd party products
  - Hotels, rental cars
  - \$28m net revenue LTM
- Fixed fee & Other
  - Charter flying
  - Lease revenue

## Revenue growth (\$mm)



# Low cost drivers

## LTM 3Q11 cost per passenger



Source: Company filings

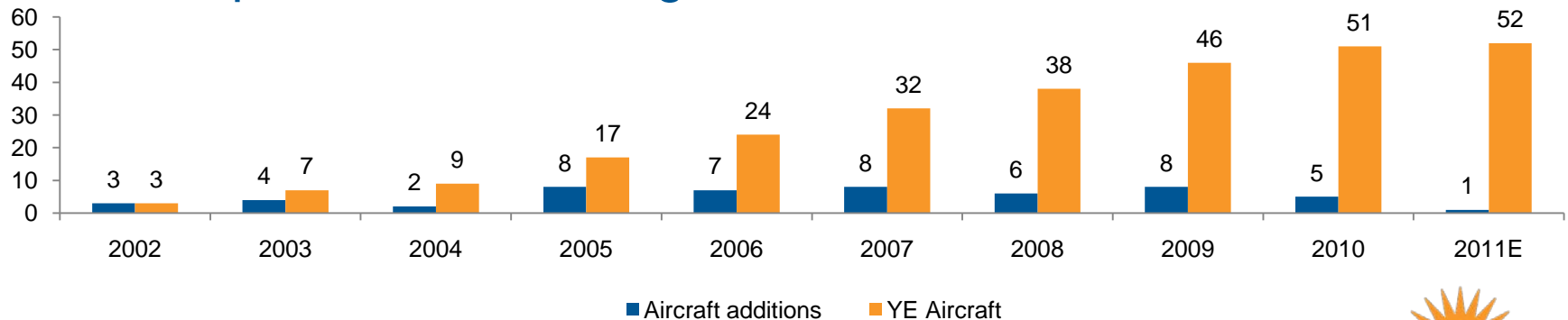
Ownership includes depreciation & amortization + aircraft rent

Other excludes special items and one-time charges for other carriers

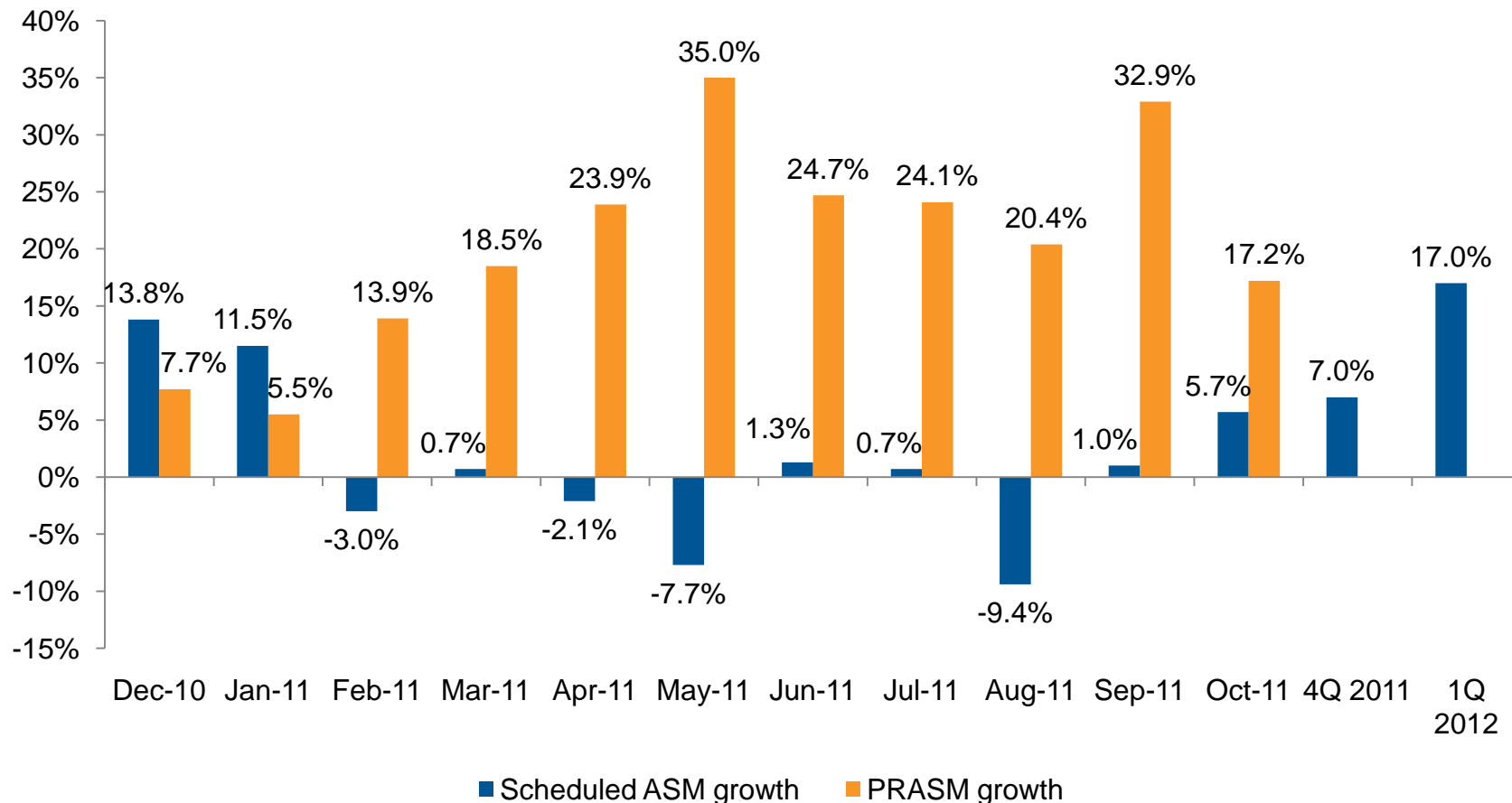


# History

- Current management took control June 2001
- MD-80s
- Hotel packages since 2002
- Pioneered US unbundled airline product starting in 2003
- Profitable 2 quarters of 2002, every quarter since 2003
- Disciplined, consistent growth



# Unit revenue gains with growth

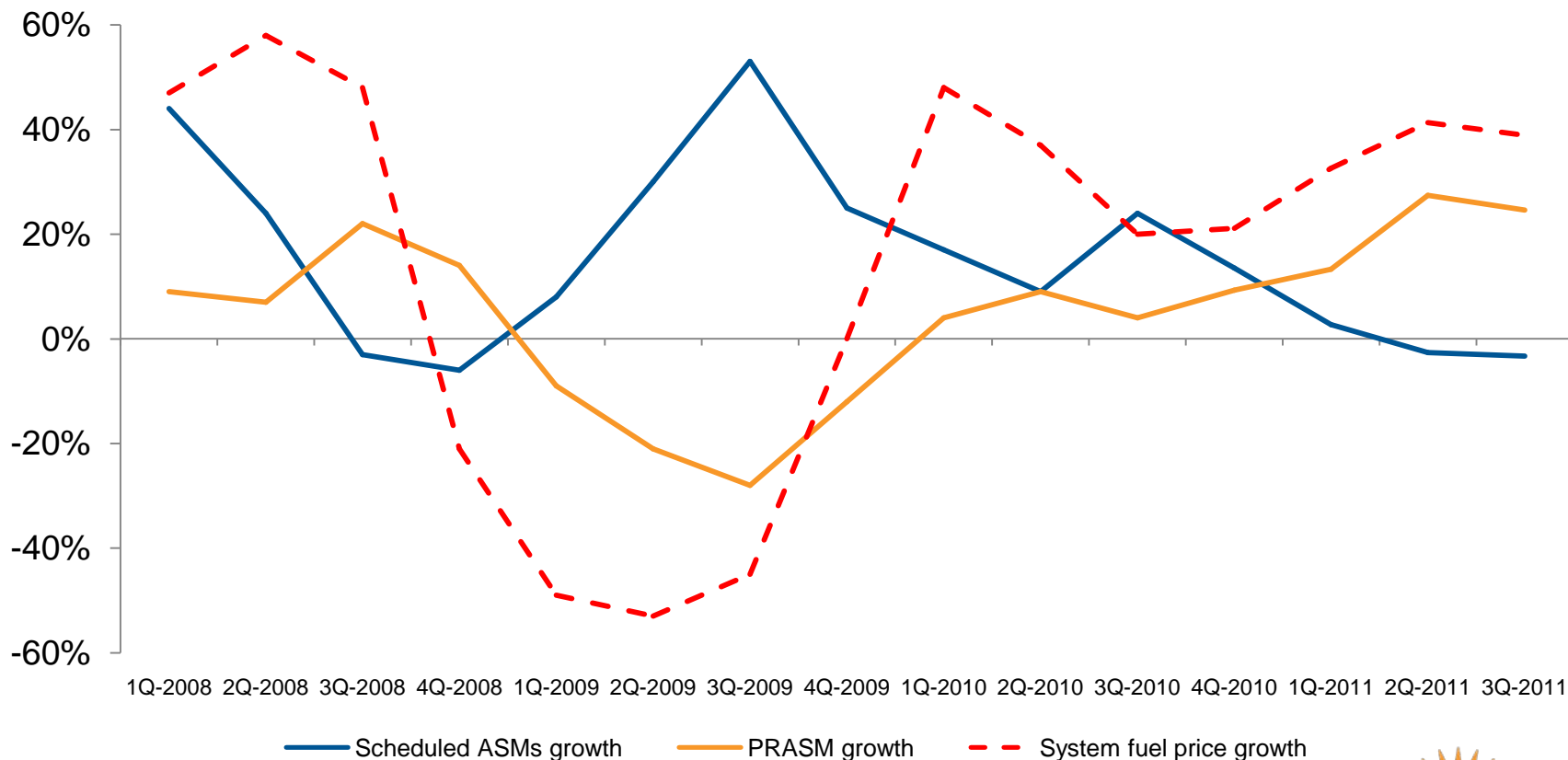


4Q-2011 & 1Q-2012 scheduled ASM growth is midpoint of guided range  
 Oct 2011 PRASM growth is mid point of range given



# Growth and pre-tax margin vs fuel

	1Q 08	2Q 08	3Q 08	4Q 08	1Q 09	2Q 09	3Q 09	4Q 09	1Q 10	2Q 10	3Q 10	4Q 10	1Q 11	2Q 11	3Q 11
Qtr pre-tax margin	11%	3%	7%	23%	31%	25%	16%	13%	21%	17%	12%	13%	14%	9%	8%



# 166 seat project economics

## Revenue (actuals LTM 3Q11)

Average scheduled fare	\$86.82
Average ancillary fare	<u>\$36.09</u>
Total scheduled fare	\$122.91

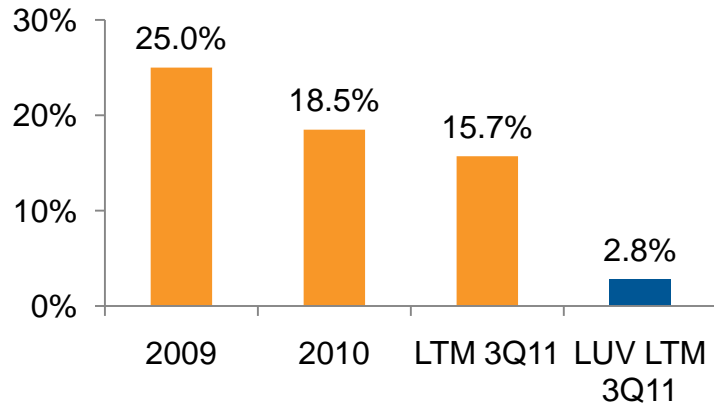
## Assumptions

75% load factor (16 x .75)	12 pax
\$ per pax fuel (\$3.28 gal x 40 gal/dept)	\$10.93
\$ per pax non fuel (inflight, D&A, marketing, etc.)	<u>\$30.00</u>
Total marginal cost per pax	\$40.93
Departures/AC/year (YTD 2011 = 2.6 dept/AC/day)	949
# additional sched pax/AC/year	11,388

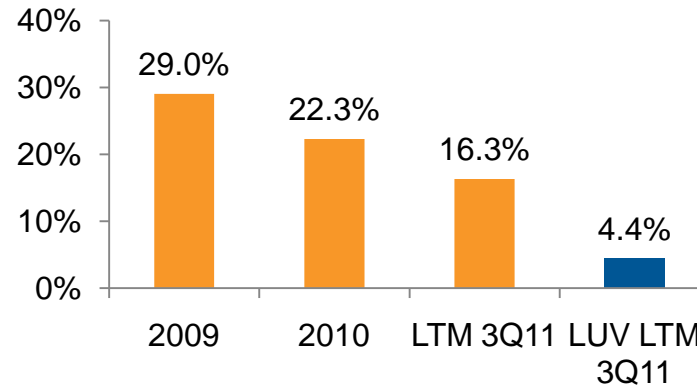


# Credit metrics

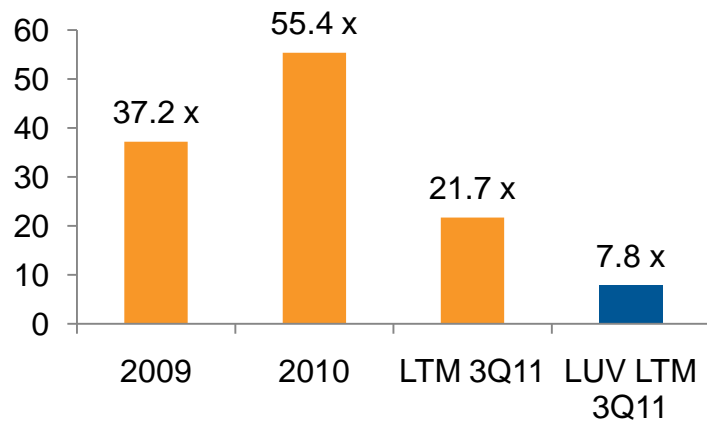
## Return on capital employed



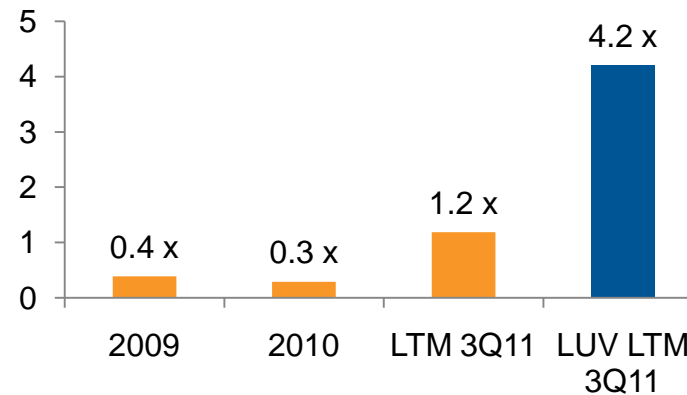
## Return on equity



## Interest coverage



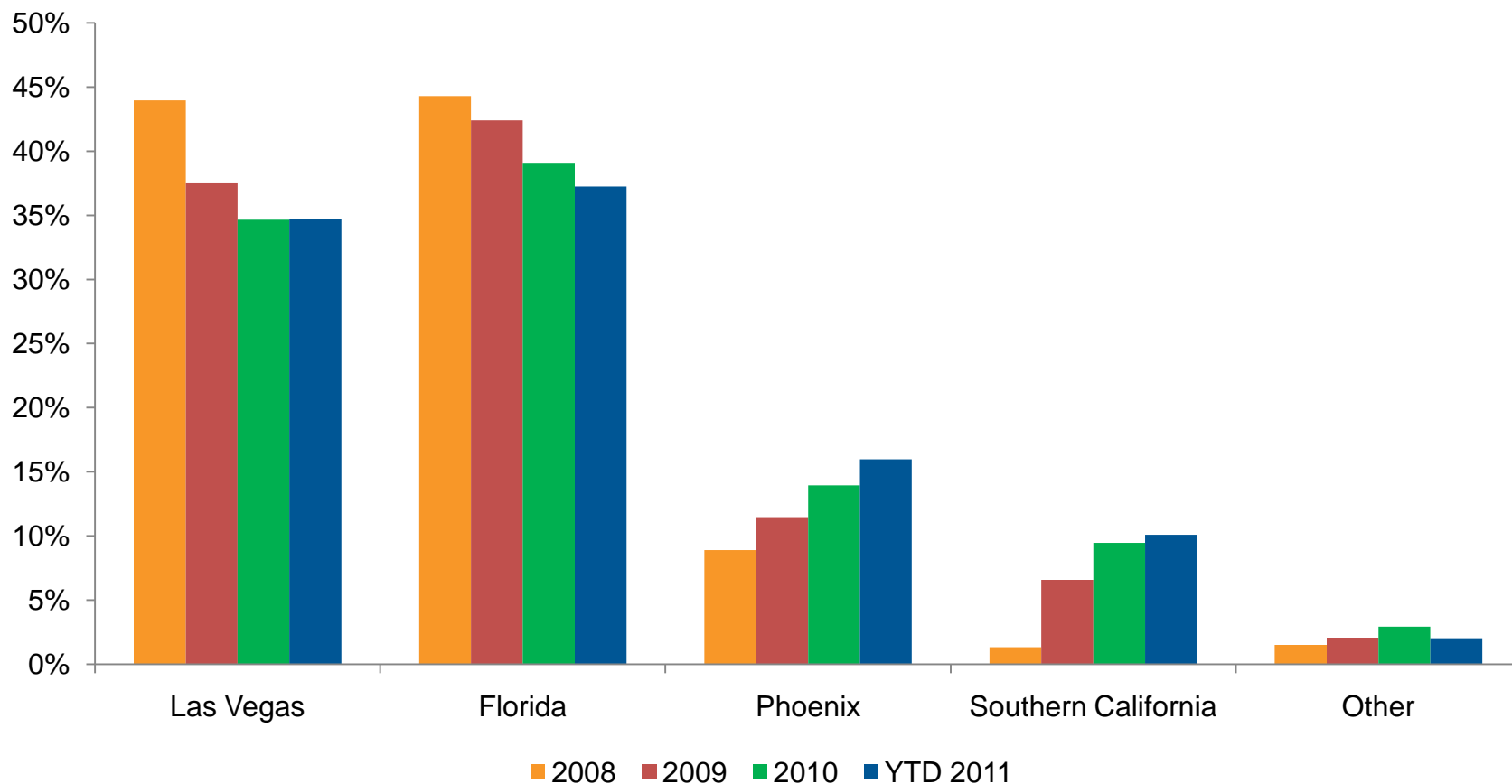
## Debt / EBITDA



LUV = Southwest Airlines, based on published information

# Geographic diversity

% of total departures



Florida includes Orlando, St. Petersburg/Tampa, Fort Lauderdale, and Punta Gorda  
Southern California includes Los Angeles, Long Beach, San Diego and Palm Springs  
Other includes Oakland, San Francisco, and Myrtle Beach



# Market management over time



Does not include shifting of 10 markets from Sanford to Orlando International in 1Q 10 and shifted back to Sanford in 1Q 11



# AC utilization over time

