

# Management Presentation

February 2013



# Forward looking statements

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# Unique business model and results

- Highly resilient and profitable
  - Profitable last 40 quarters <sup>(1)</sup>
  - \$190mm 2012 EBITDA <sup>(2)</sup>
  - LTM Return on Capital 15.6% <sup>(2)</sup>
- Strong balance sheet
  - Rated BB- and Ba3 <sup>(3)</sup>
  - \$353mm unrestricted cash <sup>(4)</sup>
  - \$151mm debt
  - Debt/EBITDA 0.8x<sup>(2)</sup>
- Management owns >20%

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

(1) Excluding non-cash mark to market hedge adjustments prior to 2008 and 4Q06 one time tax adjustment

(2) See GAAP reconciliation and other calculations in Appendix

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

(4) Unrestricted cash includes investments in marketable securities

# 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



# Little competition

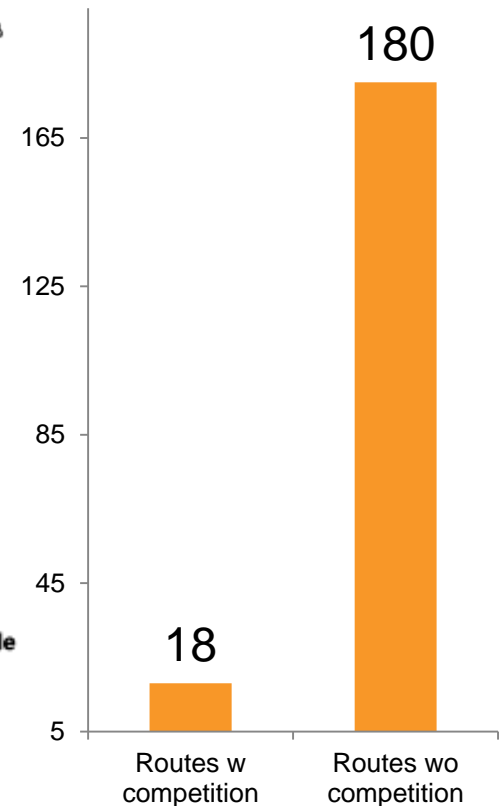
## Uniquely built to profitably serve small city markets



### Competitors – overlapping routes

Frontier – 3	Spirit – 1
Southwest – 6	US Airways - 3
Hawaiian – 2	Alaska – 3
Sun Country – 1	United - 1

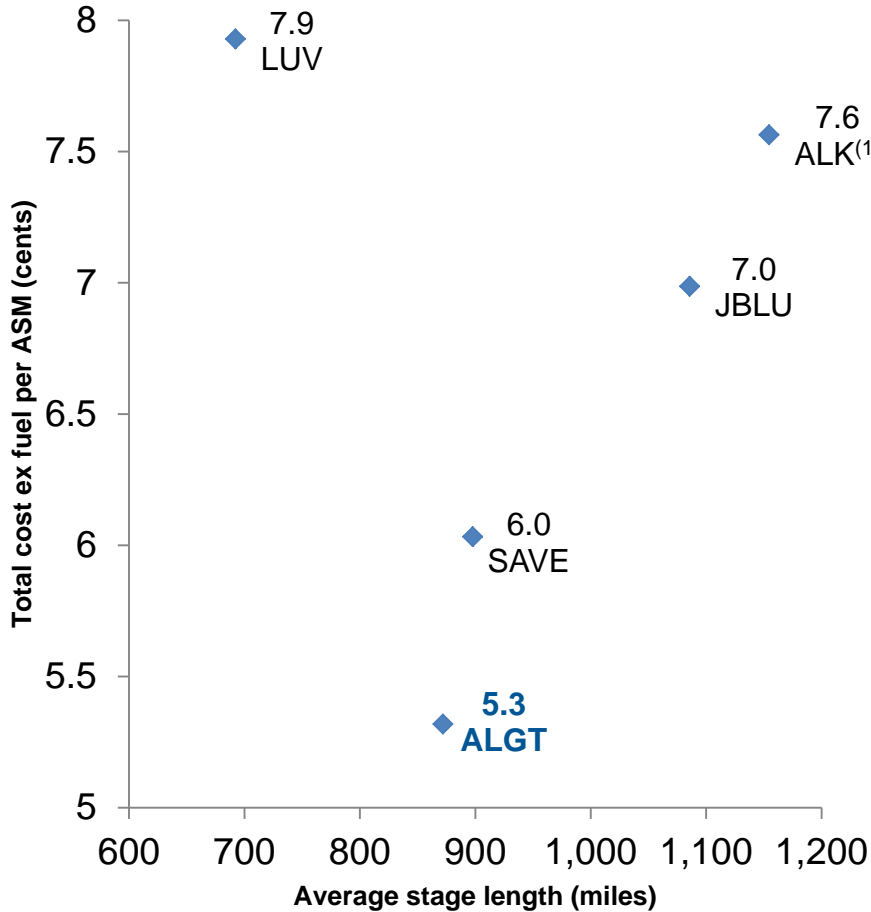
Based on current published schedule through Aug 13, 2013



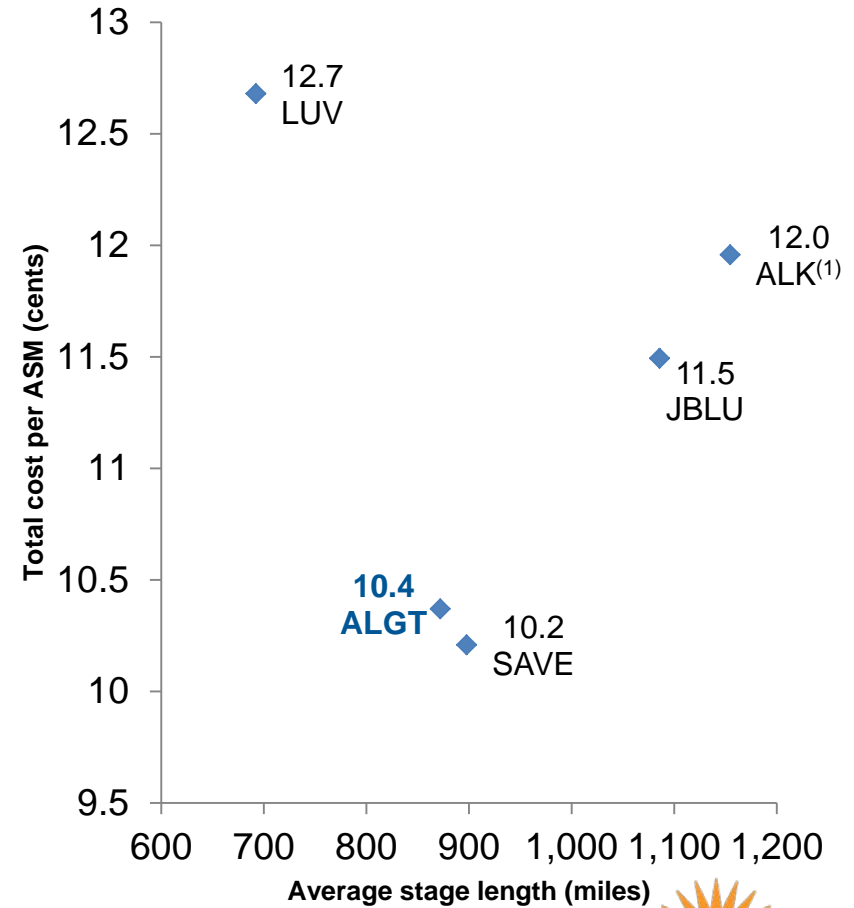
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# Excellent cost structure

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 – 2012, SAVE LTM 3Q12, ASM – available seat miles,



# Low cost aircraft

	<b>MD-80</b>	<b>757</b>	<b>A319</b>	<b>A320</b>
Depreciation/amortization or rent <sup>(1)</sup>	\$65	\$100	\$75 - \$150	
Seats	166	223	156	177
# Owned	58	6		9 <sup>(2)</sup>
# Leased			9 <sup>(3)</sup>	
In svc EOY 2013	51 <sup>(4)</sup>	6	2	7

- 2012 EBITDA per aircraft \$3.2mm<sup>(5)</sup>
  - \$267k per aircraft per month

Acquisition costs = purchase + induction costs

(1) - Either depreciation or AC rent per aircraft per month in thousands USD. A319 and A320 monthly rates are blended together

(2) - to be delivered through 2014

(3) - to be delivered through 2015

(4) - retiring 7 MD-80 aircraft throughout 2013

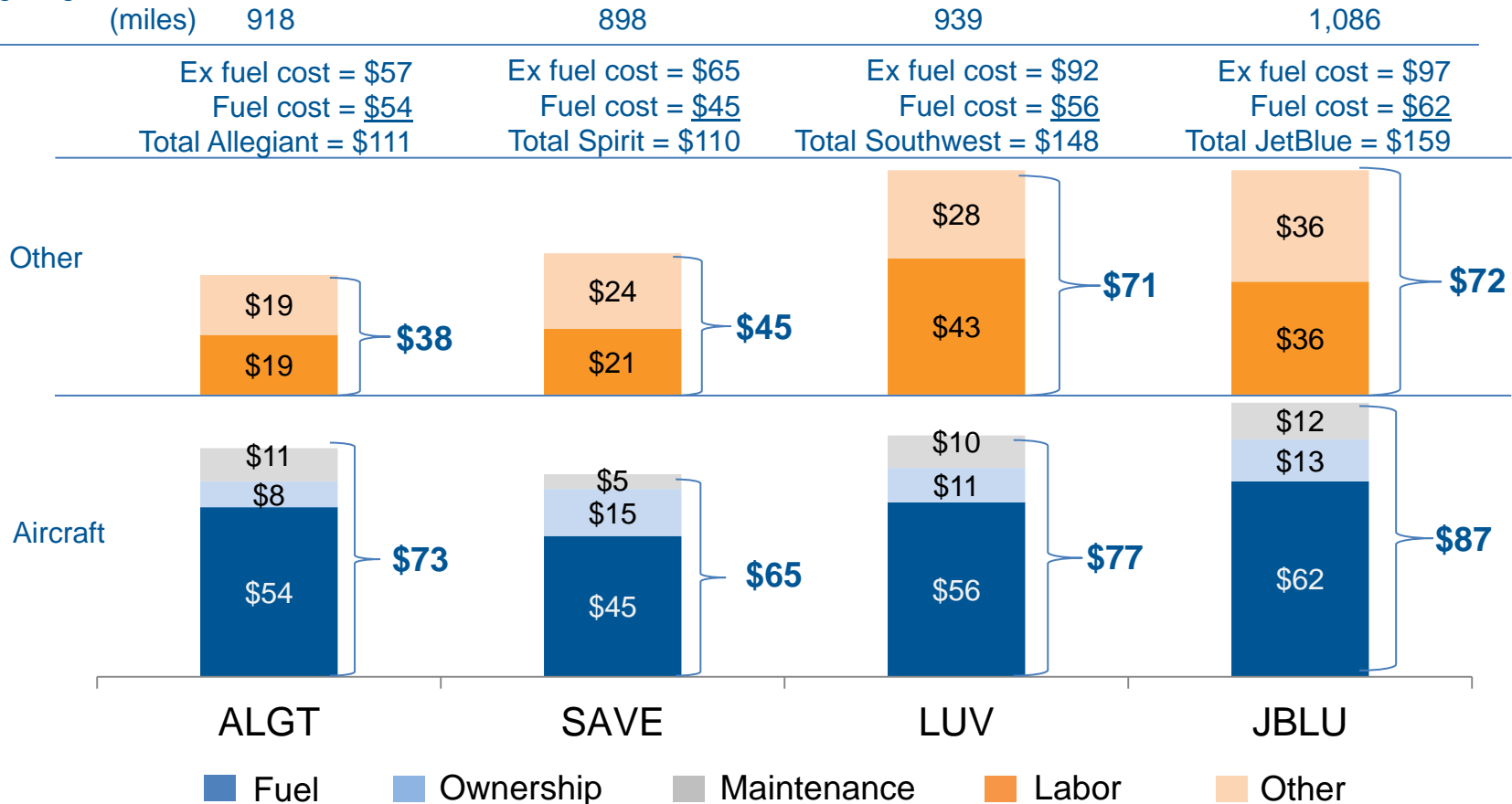
(5) - see GAAP reconciliation in Appendix



# Low cost drivers

## 2012 cost per passenger

Avg length of haul  
(miles)



Source: Company filings

Ownership includes depreciation & amortization + aircraft rent

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

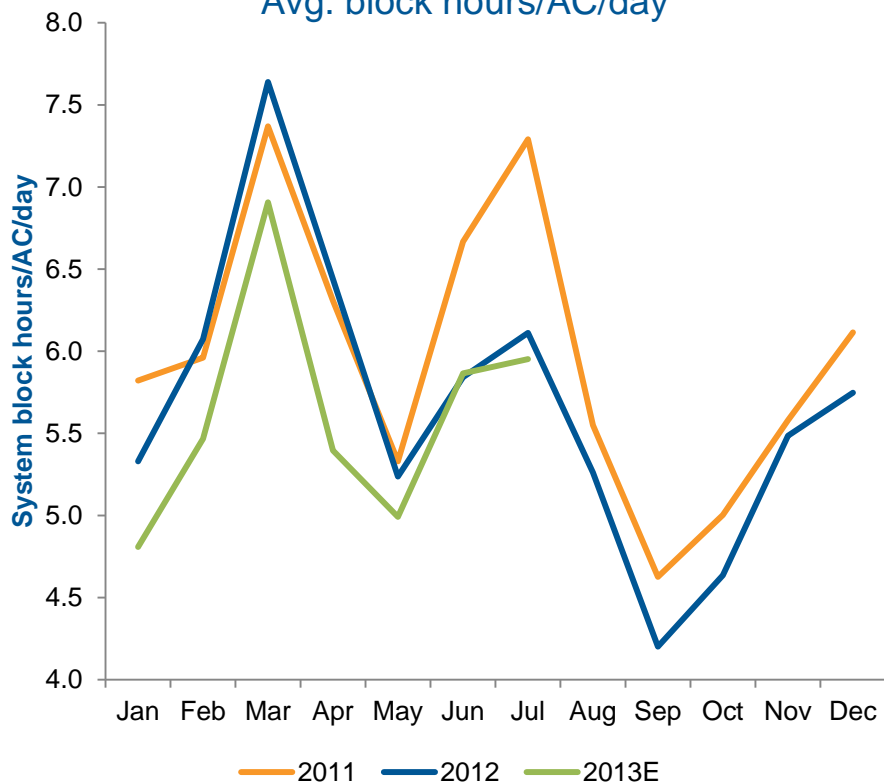
SAVE – LTM 3Q12, reports earnings Feb 19



# Capacity management

## Leisure = seasonality

Avg. block hours/AC/day



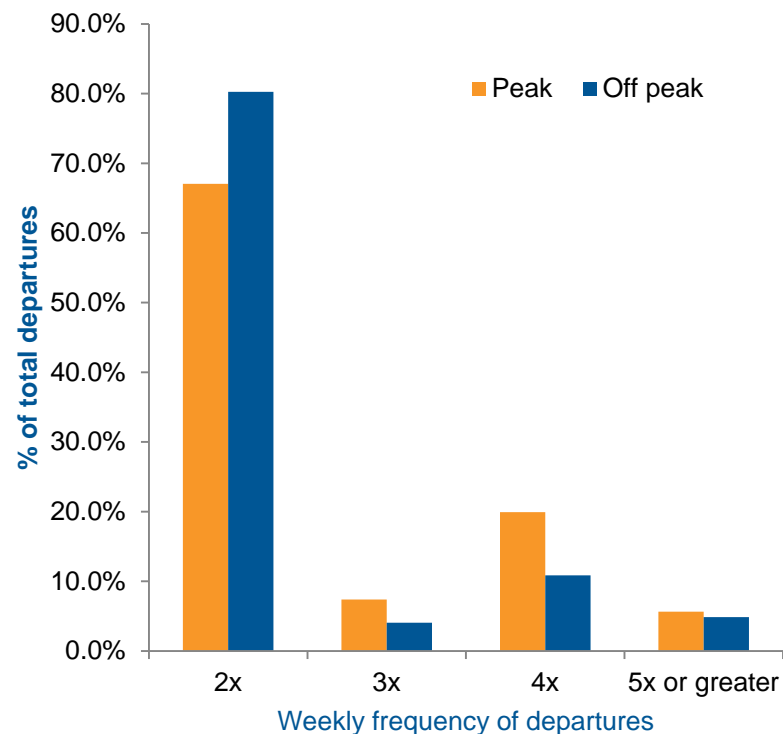
2011      2012      2013E

Avg Sched AC <sup>(2)</sup>

50      58      64

## Small cities = low frequency<sup>(1)</sup>

Weekly market frequency



1 - Peak = sample peak travel time from week of June 11 – Aug 5, 2012, sample off peak = Aug 13 – Sept 16, 2012

2 – Scheduled aircraft does not include the MD-80s dedicated to charter service

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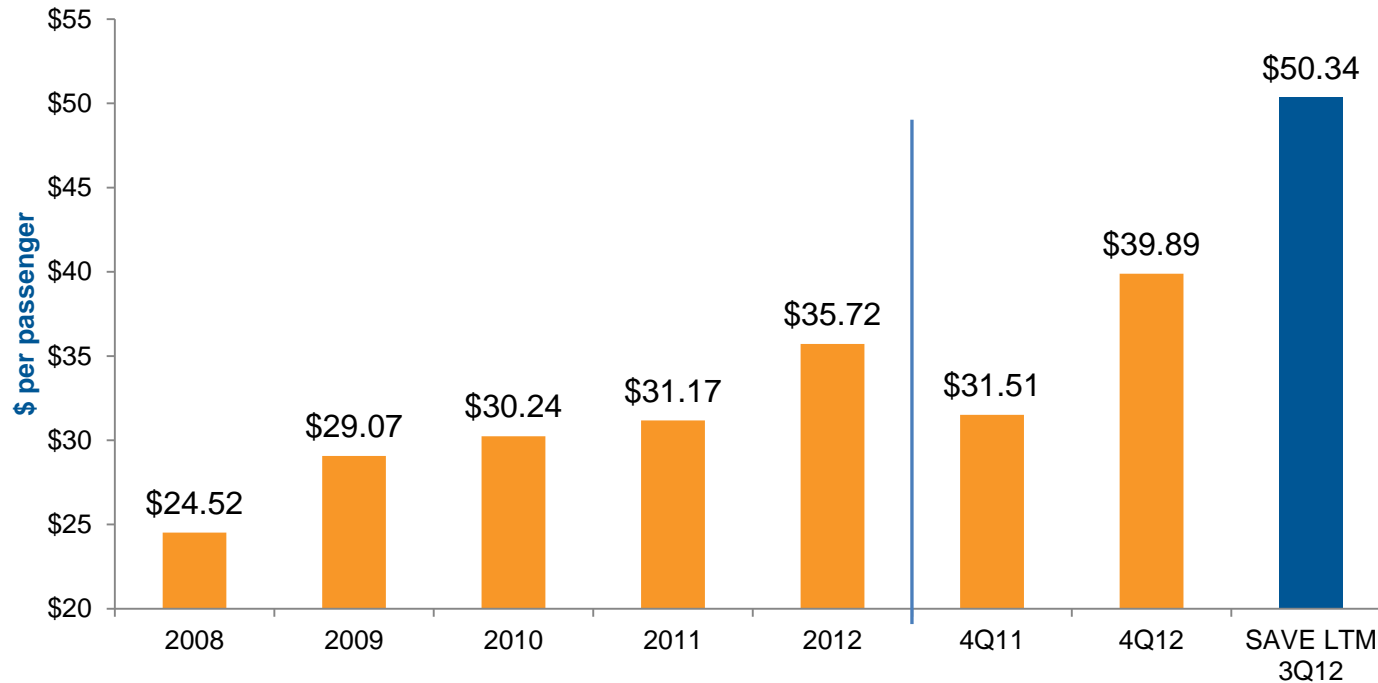
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# Ancillary air related fees

- April 2012 – introduced carry on bag fee

## Avg fare – ancillary air related



SAVE = Spirit, non-ticket revenue / flight segments



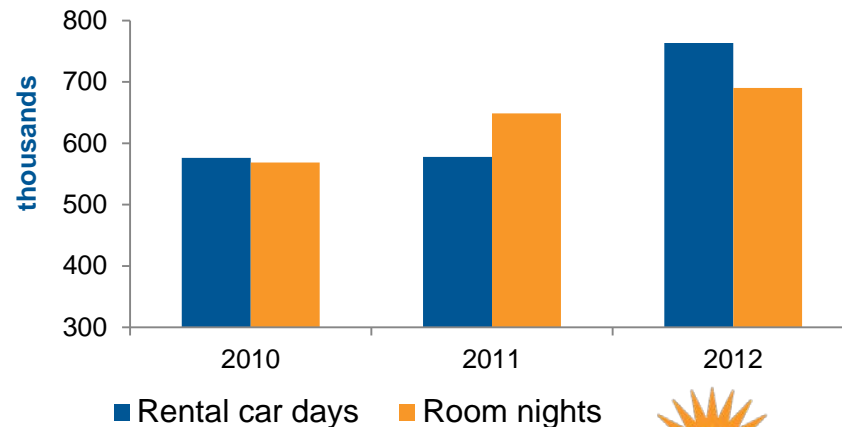
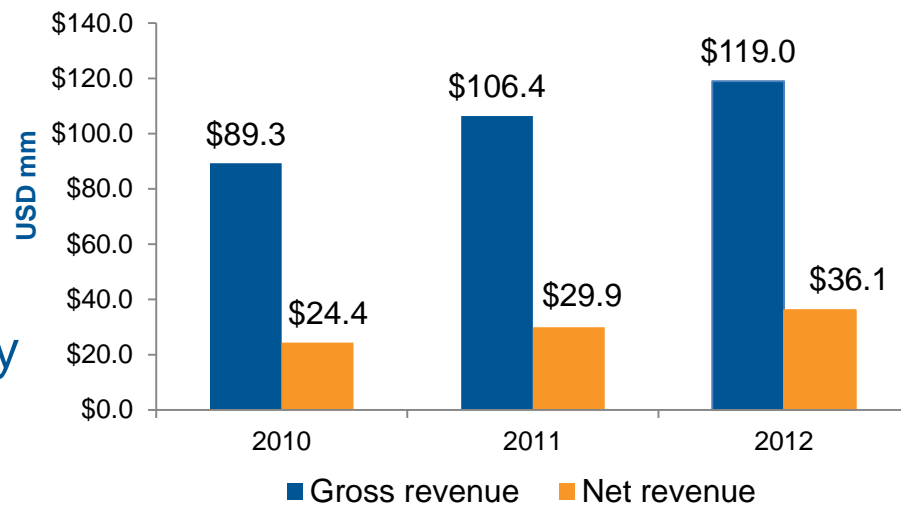
# Ancillary revenue – third party products

- Bundled vacation packages
- Very high margins
  - 29% of 2012 pre-tax income
- Wholesale price for hotel & car, we manage margin, no inventory risk

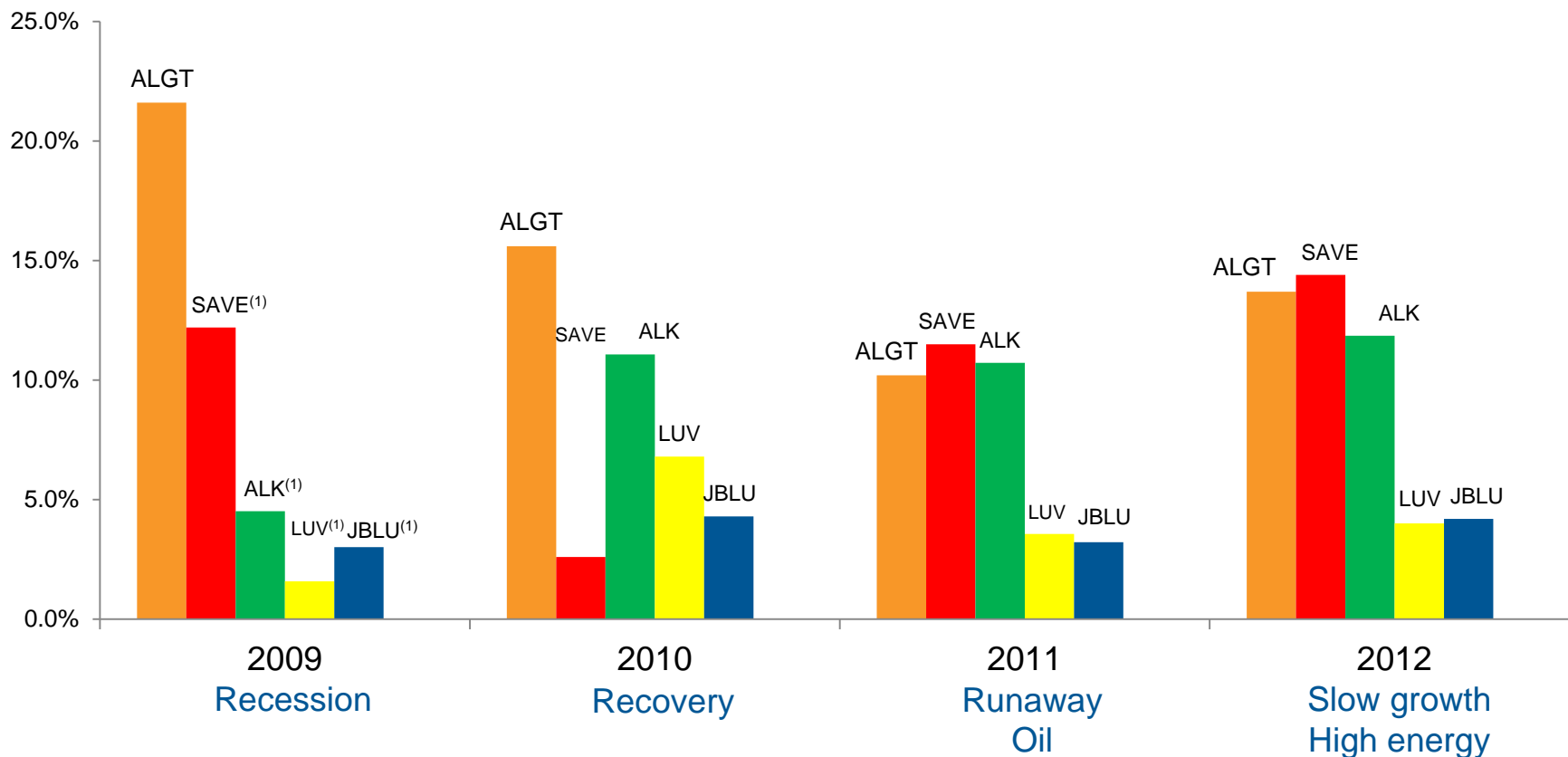
Growth	YoY 2012	YoY 4Q12
Gross revenue	+12%	+9%
Net revenue	+21%	+21%
Room nights	+7%	(4)%
Rental car days	+32%	+49%

Net revenue = gross revenue – cost of goods sold – transaction costs

## Ancillary revenue – 3<sup>rd</sup> party



# Best pre-tax margins



Avg AC in period

43

49

52

60

Avg scheduled service fuel cost

\$1.90

\$2.43

\$3.30

\$3.37

(1) LUV = Southwest Airlines; JBLU = JetBlue Airways; SAVE = Spirit Airlines  
 ALK = Consolidated Alaska Air Group non-GAAP pre-tax margin, SAVE LTM 3Q12



# Appendix

# GAAP reconciliation

## EBITDA calculations

\$mm	2012	2011	2010	2009	2008
Net Income	78.6	49.4	65.7	76.3	35.4
+Provision for Income Taxes	46.2	30.1	37.6	44.2	19.8
+Other Expenses	7.8	5.9	1.3	1.6	.7
+Depreciation and Amortization	57.5	42.0	35.0	29.6	23.5
<b>=EBITDA</b>	<b>190.1</b>	<b>127.4</b>	<b>139.6</b>	<b>151.8</b>	<b>79.4</b>
Total debt	150.9	146.0	28.1	45.8	64.7
+7 x annual rent	<u>0</u>	<u>7.7</u>	<u>12.0</u>	<u>13.5</u>	<u>19.7</u>
Adjusted total debt	150.9	153.7	40.1	59.3	84.4
<b>=Adjusted Debt to EBITDA</b>	<b>0.8x</b>	<b>1.2x</b>	<b>0.3x</b>	<b>0.4x</b>	<b>1.1x</b>
Average aircraft in period	60	52.3	47	43	36
<b>=EBITDA per aircraft</b>	<b>3.2</b>	<b>2.4</b>	<b>2.9</b>	<b>3.6</b>	<b>2.2</b>
Interest expense	8.7	7.2	2.5	4.1	5.4
<b>= Interest coverage</b>	<b>21.9x</b>	<b>17.7x</b>	<b>55.4x</b>	<b>37.2x</b>	<b>14.7x</b>





# GAAP reconciliation

## Return on equity

<b>\$mm</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net Income (\$mm)	78.6	49.4	65.7	76.3

	<b>Dec 2012</b>	<b>Dec 2011</b>	<b>Dec 2010</b>	<b>Dec 2009</b>
Total shareholders equity (\$mm)	400.6	351.5	297.7	292.0
<b>Return on equity</b>	<b>21%</b>	<b>15%</b>	<b>22%</b>	

ROE = Net income / Avg shareholders equity



# GAAP reconciliation

## Return on capital employed calculation

\$mm	2012	2011	2010	2009
+ Net income	78.6	49.4	65.7	76.3
+ Income tax	46.2	30.1	37.6	44.2
+ Interest expense	8.7	7.2	2.5	4.7
- Interest income	1.0	1.2	1.2	2.5
<b>EBIT</b>	<b>132.5</b>	<b>85.5</b>	<b>104.6</b>	<b>122.7</b>
+ Interest income	1.0	1.2	1.2	2.5
Tax rate	37.1%	37.9%	36.4%	36.2%
<b>Numerator</b>	<b>84.0</b>	<b>53.9</b>	<b>67.3</b>	<b>79.6</b>
Total assets prior year	706.7	501.3	499.6	424.0
- Current liabilities prior year	177.6	166.6	158.6	131.0
+ ST debt of prior year	8.0	16.5	23.3	25.3
<b>Denominator</b>	<b>537.1</b>	<b>351.2</b>	<b>364.3</b>	<b>318.3</b>
<b>= Return on capital employed</b>	<b>15.6%</b>	<b>15.3%</b>	<b>18.5%</b>	<b>25.0%</b>

# GAAP reconciliation

## Free cash flow calculations

\$mm	2012	2011	2010
Cash from operations	176.8	129.9	98.0
- CAPEX	105.1	88.0	98.5
<b>= Free cash flow</b>	<b>71.7</b>	<b>41.9</b>	<b>(0.5)</b>

# GAAP reconciliation

## Net debt

\$mm

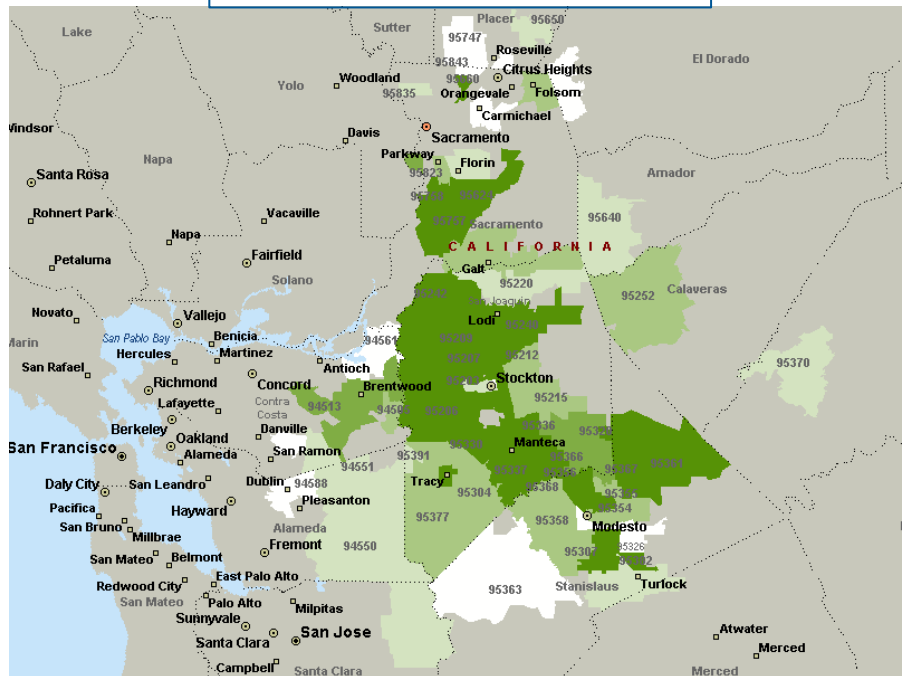
	Dec 2012	Dec 2011	Dec 2010
Current maturities of long term debt	11.7	7.9	16.5
Long term debt, net of current maturities	<u>139.1</u>	<u>138.2</u>	<u>11.6</u>
Total debt	150.8	146.1	28.1
Cash and cash equivalents	89.6	150.7	113.3
Short term investments	239.1	154.8	35.7
Long term investments	<u>24.0</u>	<u>14.0</u>	<u>1.3</u>
Total cash	<u>352.7</u>	<u>319.5</u>	<u>150.3</u>
<b>= Net debt</b>	<b>(\$201.9)</b>	<b>(\$173.4)</b>	<b>(\$122.2)</b>



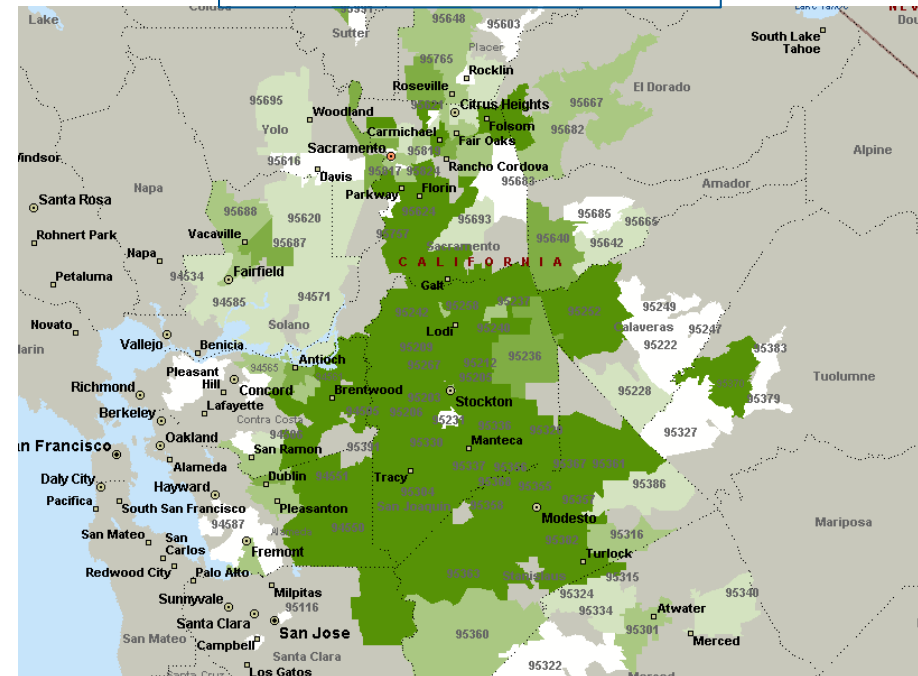
# Catchment area expansion

- Continue to see market growth in mature markets
- Customers show willingness to travel for access to low fares

Stockton Catchment 2009



Stockton Catchment 2012



Heat map by credit card zip code; darkest green is more than 400 segments

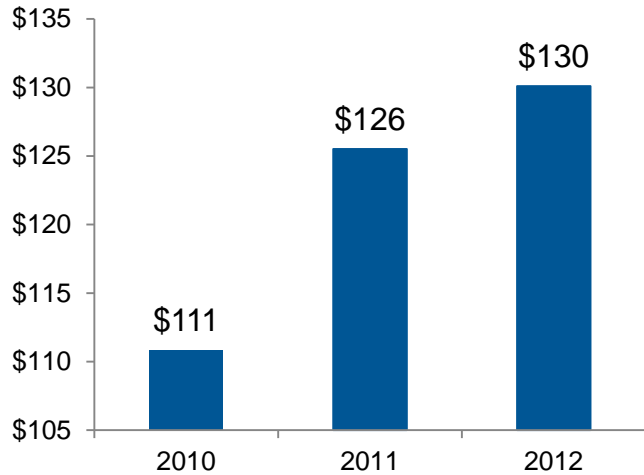
# International service<sup>(1)</sup>

- Late 2013 / early 2014
- Small cities to Las Vegas / Orlando
- Destination markets – Cancun
- Automation - payment, taxes
- Bilingual capabilities - website, call center, inflight & stations
- Regulatory
- A319

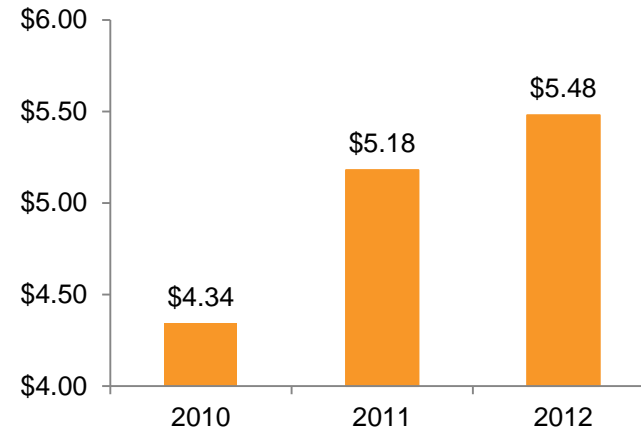
1 – In planning stages. Implementation of service subject to various conditions which may not be achieved within projected time table, if at all.

# Revenue momentum

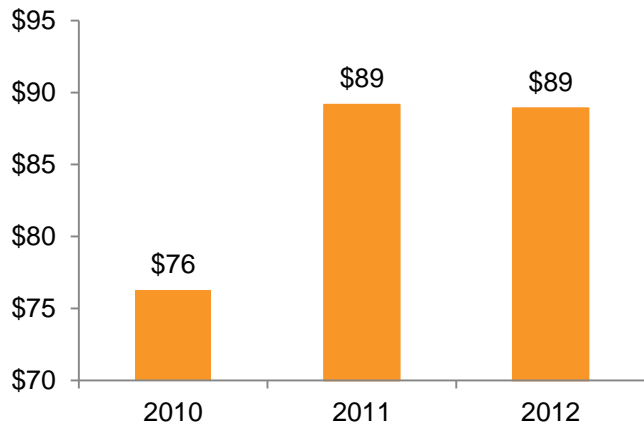
### Average fare - total



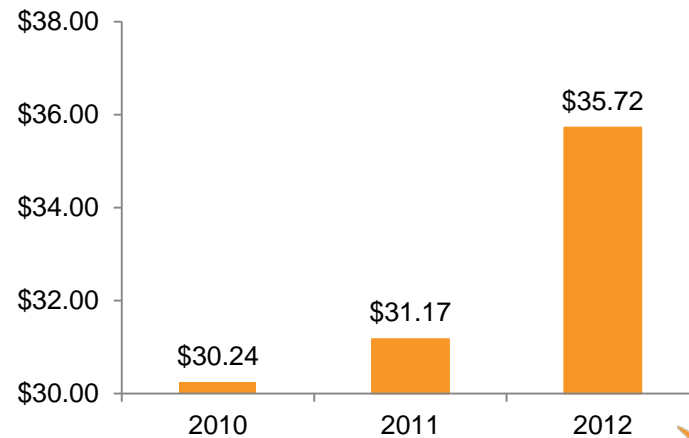
### Average fare - ancillary third party products



### Average fare - scheduled service



### Average fare - ancillary air-related charges

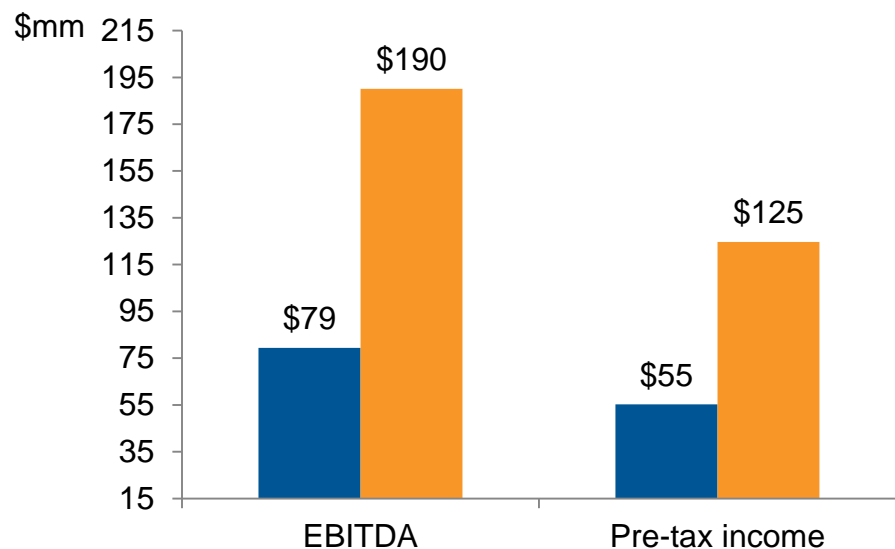


All revenue is revenue per scheduled passenger

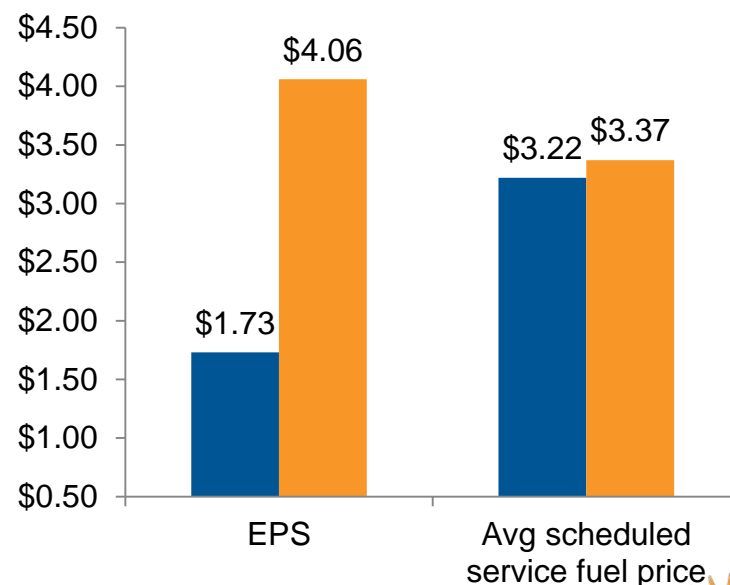


# Better equipped to handle higher fuel

	2008	2012	% change
System ASMs (billions)	4.4	7.5	71%
Average # of aircraft	36	60	67%
Avg fare – scheduled service	\$84.97	\$88.90	5%
Avg ancillary - total	\$29.43	\$41.20	40%
Avg fare - total	\$114.40	\$130.10	14%
Pre-tax margin	11.0%	13.7%	



EBITDA – see GAAP reconciliation in appendix

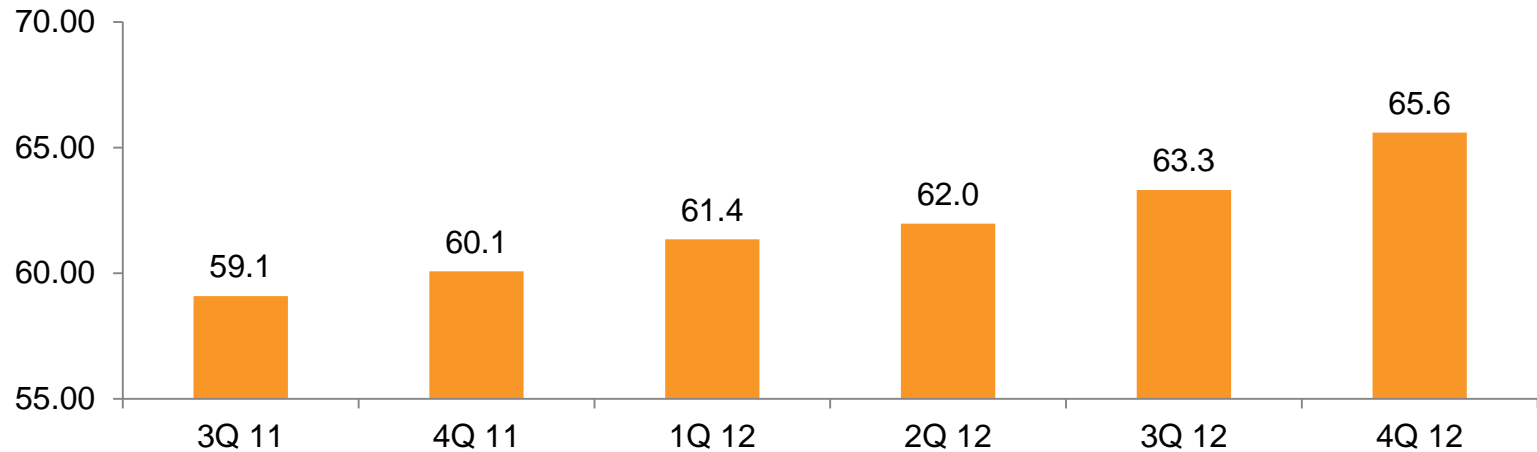




# Aircraft fuel

- Improving fuel efficiency even before adding A319s
  - Over 9% improvement 4Q12 vs 4Q11

## ASMs per gallon



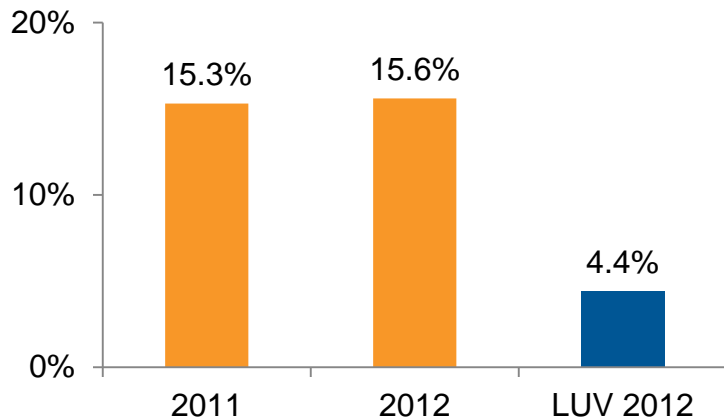
	3Q 11	4Q 11	1Q 12	2Q 12	3Q 12	4Q 12
150 seat MD-80	49	47	39	30	20	11
166 seat MD-80	1	7	17	26	36	45
757	1	1	1	3	4	5
\$ per gallon	\$3.12	\$3.08	\$3.28	\$3.14	\$3.11	\$3.20

Aircraft counts are end of period  
\$ per gallon is system \$ per gallon

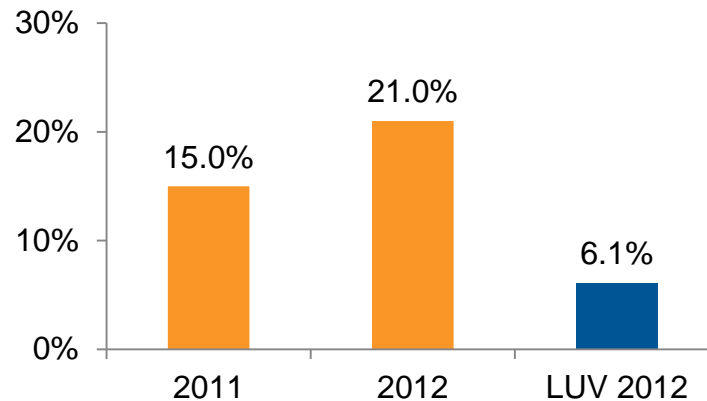


# Credit metrics

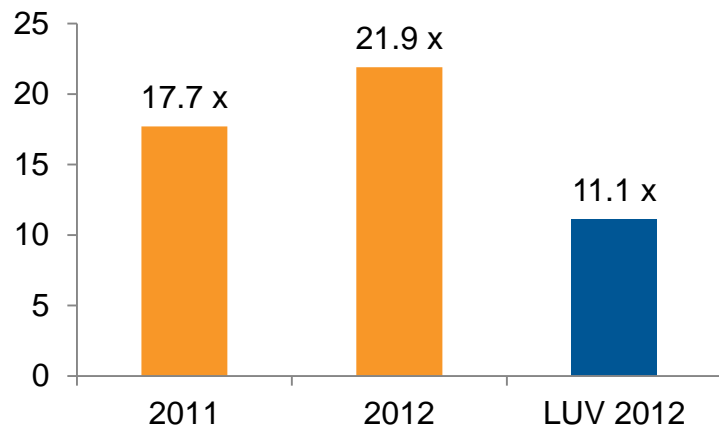
## Return on capital employed



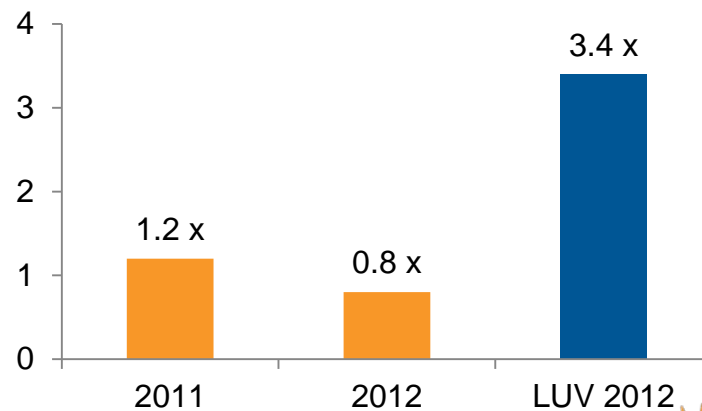
## Return on equity



## Interest coverage



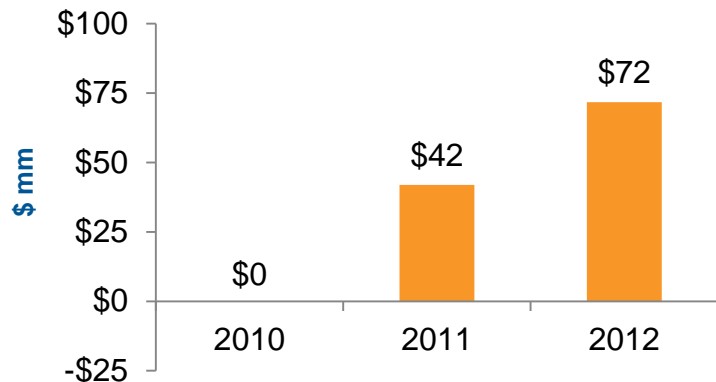
## Debt / EBITDA



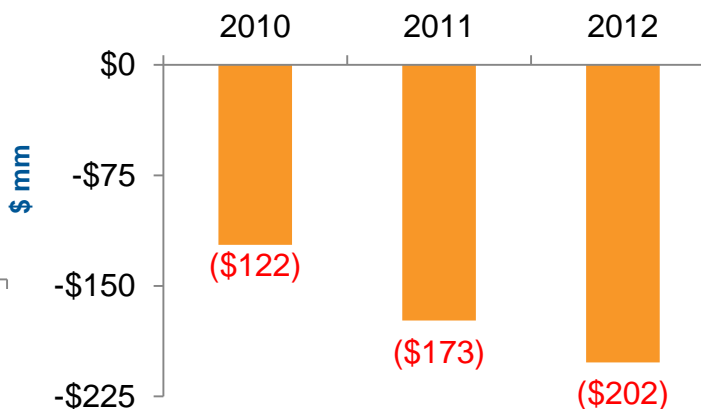
LUV = Southwest Airlines, based on published information

# Strong cash generation

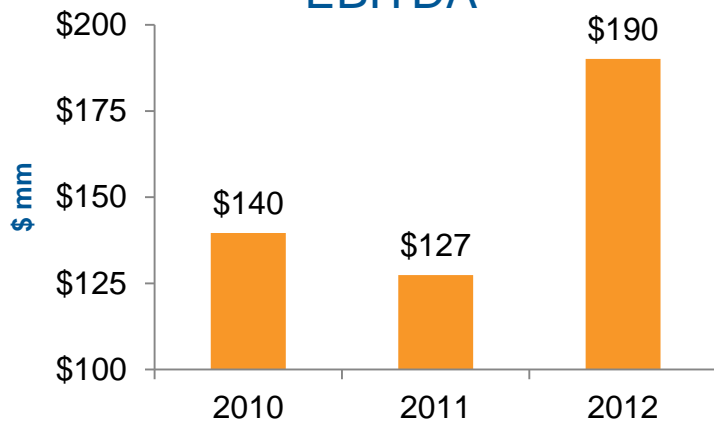
## Free cash flow



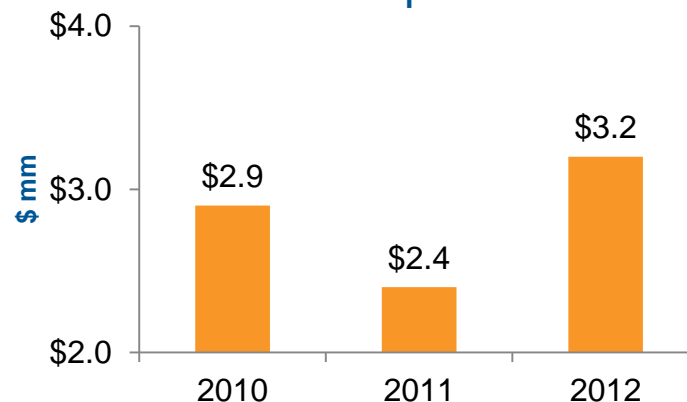
## Net debt



## EBITDA



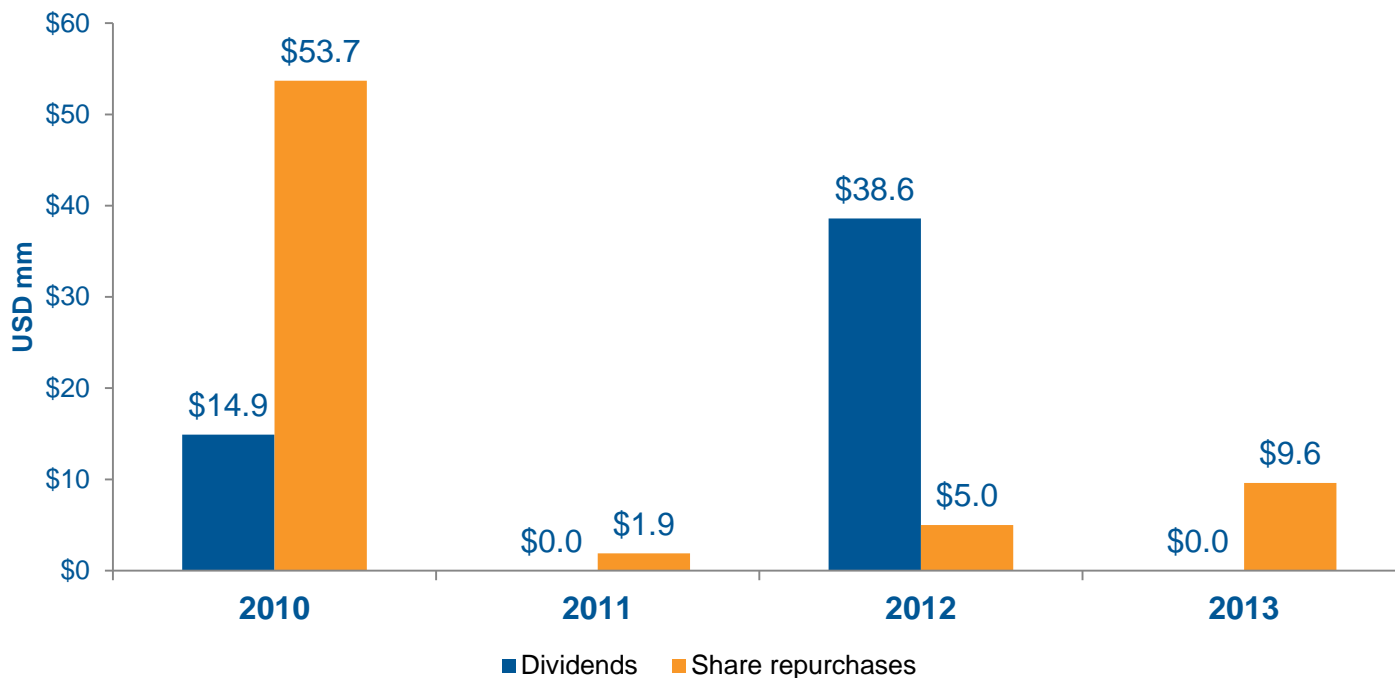
## EBITDA per AC



See reconciliation tables

# Returning cash to shareholders

■ Over \$156mm since 2008



	2010	2011	2012	2013
Shares repurchased (000)	1,207.0	34.3	54.7	126.0

2013 share repurchases as of Feb 11, 2013



# Current events

- Expected to have 51 MD-80s with 166 seats by Feb 17
- Have taken delivery of 1 A319 aircraft
  - 2 A319s expected to be in service 2Q13
- Currently flying 9 routes to Hawaii
- Currently operating 6 757 aircraft
- Starting 8 new routes in February
  - 3 of the 8 are Hawaii routes

# Guidance

- 1Q 13 PRASM (8) to (6)%
- 1Q 13 CASM ex fuel 1% to 3%
- 1Q 13 Fixed fee + other revenue \$4mm to \$6mm
- 2013 CAPEX \$150mm to \$160mm

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	<b>1<sup>st</sup> Quarter 2013</b>	<b>2<sup>nd</sup> Quarter 2013</b>
System departures	(8) to (4)%	(7) to (3)%
System ASMs	12 to 16%	14 to 18%
Scheduled departures	(2) to 2%	0 to 4%
Scheduled ASMs	15 to 19%	19 to 23%

Guidance subject to change

