

# Aircraft Orderbook is a Major Asset which Facilitates Advantageous Sale Leaseback Financing

February 14, 2024

**FRONTIER**



# Disclaimer

This presentation (including the accompanying oral presentation) is being delivered on behalf of Frontier Group Holdings, Inc. ("Frontier") ("we", "our", "us", or the "Company").

Before you invest, you should read the documents that the Company has filed with the Securities and Exchange Commission ("SEC") for more complete information about the Company. You may get these documents for free by visiting the SEC's website at [www.sec.gov](http://www.sec.gov). This presentation is for informational purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy any securities and may not be relied upon in connection with the purchase or sale of any security.

## **Non-GAAP Financial Measures**

In addition to financial information prepared in accordance with generally accepted accounting principles in the United States ("GAAP"), this presentation includes certain non-GAAP financial measures. We believe these non-GAAP financial measures are useful supplemental indicators of our operating performance. We believe the non-GAAP numbers provided are well recognized performance measurements in the airline industry that are frequently used by our management, as well as by investors, securities analysts and other interested parties in comparing the operating performance of companies in our industry. The non-GAAP measures have limitations and may not be comparable across all carriers, and you should not consider them in isolation or as a substitute for our GAAP financial information.

## **Cautionary Statement Regarding Forward-Looking Statements and Information**

Certain statements in this presentation should be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on the Company's current expectations and beliefs with respect to certain current and future events and anticipated financial and operating performance. Words such as "expects," "will," "plans," "intends," "anticipates," "indicates," "remains," "believes," "estimates," "forecast," "guidance," "outlook," "goals," "targets" and similar expressions are intended to identify forward-looking statements. Additionally, forward-looking statements include statements that do not relate solely to historical facts, such as statements which identify uncertainties or trends, discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward-looking statements in this presentation are based upon information available to the Company on the date of this presentation. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as required by applicable law.

# Disclaimer

## Cautionary Statement Regarding Forward-Looking Statements and Information (continued)

Actual results could differ materially from these forward-looking statements due to numerous risks and uncertainties relating to the Company's operations and business environment including, without limitation, the following: unfavorable economic and political conditions in the states where the Company operates and globally, including an inflationary environment and potential recession, and the resulting impact on cost inputs and/or consumer demand for air travel; the highly competitive nature of the global airline industry and susceptibility of the industry to price discounting and changes in capacity; the Company's ability to attract and retain qualified personnel at reasonable costs; the potential future impacts of the COVID-19 pandemic, and possible outbreaks of another disease or similar public health threat in the future, on the Company's business, operating results, financial condition, liquidity and near-term and long-term strategic operating plan, including possible additional adverse impacts resulting from the duration and spread of the pandemic; high and/or volatile fuel prices or significant disruptions in the supply of aircraft fuel, including as a result of the war between Russia and Ukraine; the Company's reliance on technology and automated systems to operate its business and the impact of any significant failure or disruption of, or failure to effectively integrate and implement, the technology or systems; the Company's reliance on third-party service providers and the impact of any failure of these parties to perform as expected, or interruptions in the Company's relationships with these providers or their provision of services; adverse publicity and/or harm to the Company's brand or reputation; reduced travel demand and potential tort liability as a result of an accident, catastrophe or incident involving the Company, its codeshare partners or another airline; terrorist attacks, international hostilities or other security events, or the fear of terrorist attacks or hostilities, even if not made directly on the airline industry; increasing privacy and data security obligations or a significant data breach; further changes to the airline industry with respect to alliances and joint business arrangements or due to consolidations; changes in the Company's network strategy or other factors outside its control resulting in less economic aircraft orders, costs related to modification or termination of aircraft orders or entry into less favorable aircraft orders; the Company's reliance on a single supplier for its aircraft and two suppliers for its engines, and the impact of any failure to obtain timely deliveries, additional equipment or support from any of these suppliers; the impacts of union disputes, employee strikes or slowdowns, and other labor-related disruptions on the Company's operations; extended interruptions or disruptions in service at major airports where the Company operates; the impacts of seasonality and other factors associated with the airline industry; the Company's failure to realize the full value of its intangible assets or its long-lived assets, causing the Company to record impairments; the costs of compliance with extensive government regulation of the airline industry; costs, liabilities and risks associated with environmental regulation and climate change; the Company's inability to accept or integrate new aircraft into the Company's fleet as planned; the impacts of the Company's significant amount of financial leverage from fixed obligations, the possibility the Company may seek material amounts of additional financial liquidity in the short-term and the impacts of insufficient liquidity on the Company's financial condition and business; failure to comply with the covenants in the Company's financing agreements or failure to comply with financial and other covenants governing the Company's other debt; changes in, or failure to retain, the Company's senior management team or other key employees; current or future litigation and regulatory actions, or failure to comply with the terms of any settlement, order or arrangement relating to these actions; increases in insurance costs or inadequate insurance coverage; and other risks and uncertainties set forth from time to time under sections captioned "Risk Factors" in the Company's reports and other documents filed with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which was filed with the SEC on February 22, 2023.

## Statistical Data, Estimates and Forecasts

This presentation contains statistical data, estimates and forecasts that are based on independent industry publications or other publicly available information, as well as other information based on our internal sources. This information involves many assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the data contained in these industry publications and other publicly available information. Accordingly, we make no representations as to the accuracy or completeness of that data nor do we undertake to update such data after the date of this presentation.

Frontier Airlines®, Frontier®, the Frontier Flying F logo, FlyFrontier.com®, Discount Den®, Low Fares Done Right®, LFDR®, Save More. Get More®, The Sky is for Everyone®, myFrontier®, EarlyReturns®, Frontier Miles<sup>SM</sup>, The Works<sup>SM</sup>, The Perks<sup>SM</sup>, Kids Fly Free<sup>SM</sup>, Friends Fly Free<sup>SM</sup>, and GoWild<sup>SM</sup> are trademarks or servicemarks of Frontier in the United States and other countries.

# Sale Leaseback vs. Debt Financing: A 12-year Ownership Illustrative Scenario

	SLB	Debt
Gain on Sale	☑	
Rent / Lease Return	☑	
Depreciation		☑
Interest Expense		☑
Loss/Gain on Disposition		☑
Net Income	Scenario expected to be similar over 12Y term <sup>1</sup>	
NPV <sup>2</sup>	Higher	Lower

Expected gain on sale is realized at inception of transaction and is driven by strength of our orderbook

Sale and lease terms are individually at market as illustrated on subsequent slide

Higher NPV for SLB financing driven by upfront cash gain on sale

<sup>1</sup> Assumes 2023 new A320neo is sold at a \$5 million gain at current market pricing and monthly rent of \$350k; debt financing assumes 70% LTV at an ~8% interest rate and a market depreciation rate of 8%, with a 25-year useful life and 10% salvage value.

<sup>2</sup> Takes into consideration, among other items, the impact of any potential accelerated tax depreciation and equity investment required to fund LTV

# Merits of Sale Leaseback Financing

## ✓ **Aligns with our business model**

- Youngest, most fuel-efficient fleet<sup>1</sup>
- Supports high-utilization
- Access to latest technology
- Enables flexibility, e.g., opportunistic lease extensions

## ✓ **Provides optimal economics vs. debt financing in current macro environment**

- Minimizes residual value risk
- Limits upfront capital requirements
- Upfront cash gain
- Favorable market lease terms

<sup>1</sup>Based on fuel efficiency as measured by available seat miles per fuel gallon consumed during the year ended December 31, 2023; compared to other major U.S. carriers.

# Demonstrated Ability to *Consistently* Capture Favorable Market Lease Rates

<b>\$MM</b>	<b>2023</b>
Rent Expense	\$554
(-) Lease return cost & maint. reserves	18
= Adjusted Base Rent Expense <sup>1</sup>	<b>\$536</b>

**Implied Aircraft and Spare Engine Market Rent (\$MM)<sup>2</sup>**



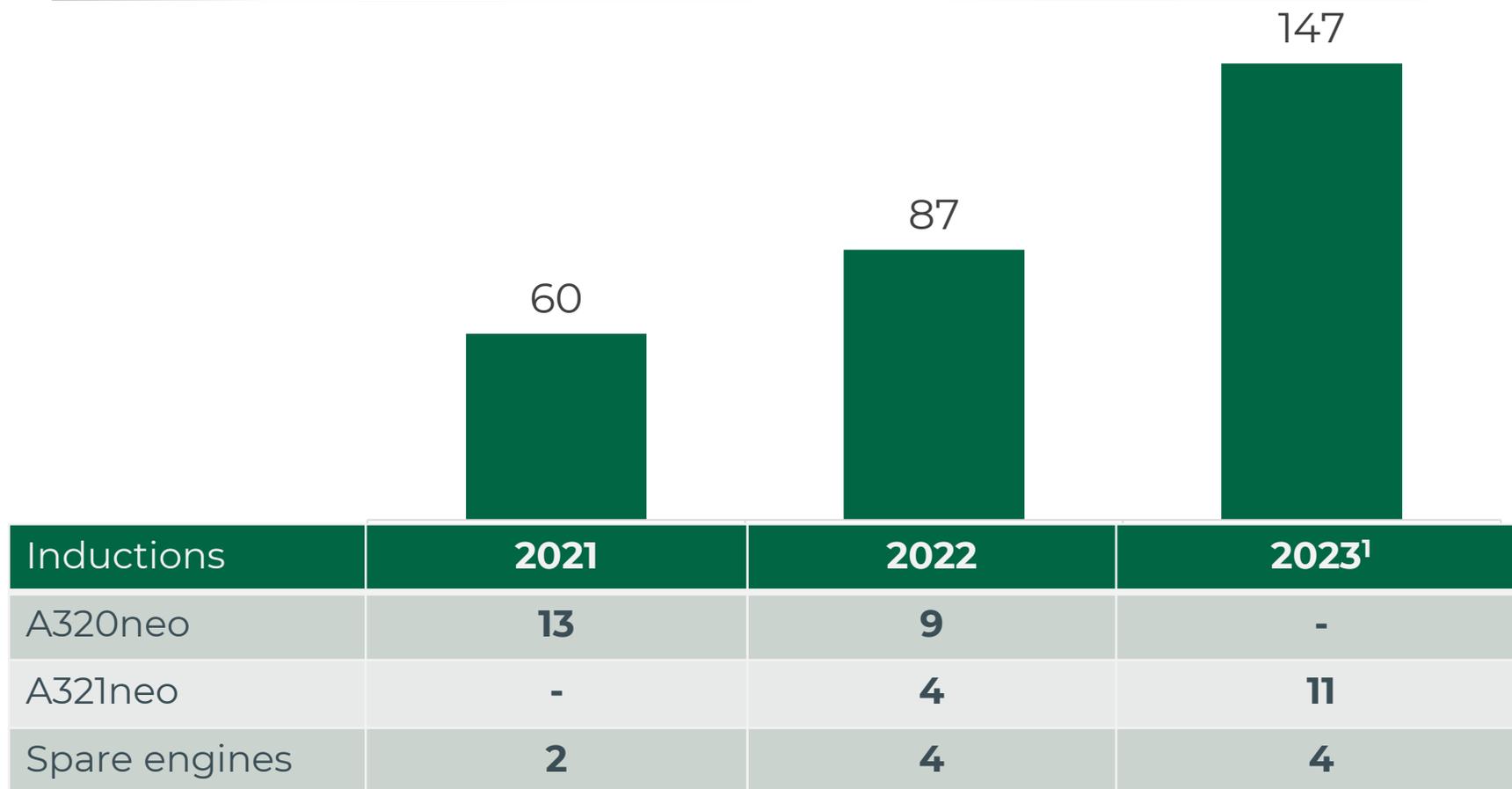
**~\$525  
to \$625**

***We enjoy favorable lease terms given the strength and sustainability of our business model through all economic cycles***

<sup>1</sup>Includes aircraft and spare engine rent, the latter of which historically approximates 5% of adjusted rent expense. <sup>2</sup>According to a publicly available report issued by IBA, an aviation consultant, on September 20, 2023; reflects market lease rate ranges for A321neo and A320neo aircraft from 2017 through 2023 (excluding 2020 and 2021 due to COVID-related distortions). Implied annual rent includes a spare engine rent burden of ~ 5%.

# Track Record of Generating *Recurring* Gains – Core Component of Our Ongoing Operating Strategy

## Sale Leaseback Gain in \$MM



Sale leaseback gains are reflected in operating expenses as these transactions have been a core part of our ongoing operating strategy

We intend to continue to finance deliveries with sale-leaseback transactions for the foreseeable future

<sup>1</sup>Excludes 10 A321neo deliveries financed with direct leases not in our orderbook

# Sale Leaseback Accounting Treatment

- Our orderbook has been entirely financed with sale leaseback transactions
  - Sale leaseback gains are reflected in operating expenses for GAAP and non-GAAP purposes as these transactions have been a *recurring* and core part of our ongoing operating strategy
- Other U.S. public airlines have also reflected sale leaseback gains in operating expenses

# Frontier Has an Enviably Orderbook

210 Airbus aircraft on order through the end of the decade<sup>1</sup>

## Future Deliveries

 161  
A321neo<sup>2</sup>

 49  
A320neo

- ✓ A320neo family is one of the most in-demand fleet types on the market
- ✓ Supports Frontier's ability to sustain our industry leading cost position
- ✓ Real asset to Frontier while others are eager to secure orders with Airbus
- ✓ Attractive asset for future sale leaseback or debt financing

<sup>1</sup> As of December 31, 2023

<sup>2</sup> Assumes we exercise the option to convert 18 A320neo aircraft to A321XLR aircraft

**FRONTIER**

## INVESTOR RELATIONS CONTACT

David Erdman  
Senior Director, Investor Relations  
[david.erdman@flyfrontier.com](mailto:david.erdman@flyfrontier.com)  
720-798-5886

