

# Sun Country Airlines

May 2021

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# Business Overview

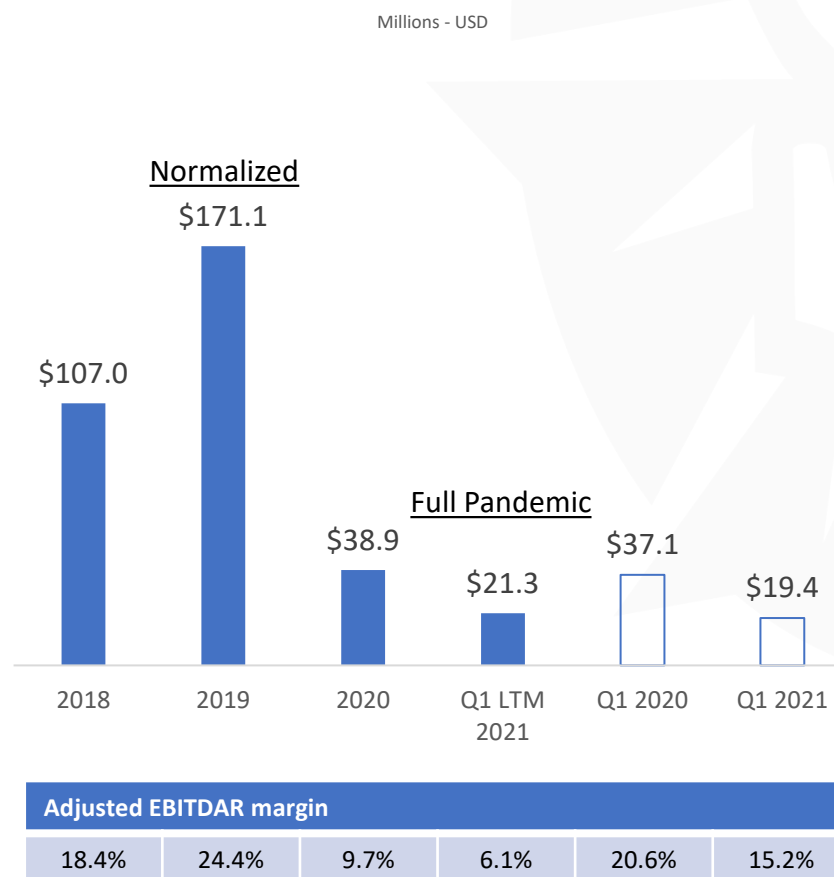


# A New Breed of Hybrid LCC

## Sun Country Overview

- High growth low cost airline with a unique and resilient business model
- Serves the VFR and leisure passenger, charter and cargo sectors
- Differentiated low fixed cost, asset light business model designed to granularly flex capacity to meet market demand
- Best performing airline in the U.S. in 2020 and Q1 21 based on Adjusted EBITDAR margins

## Adjusted EBITDAR <sup>(1)</sup>

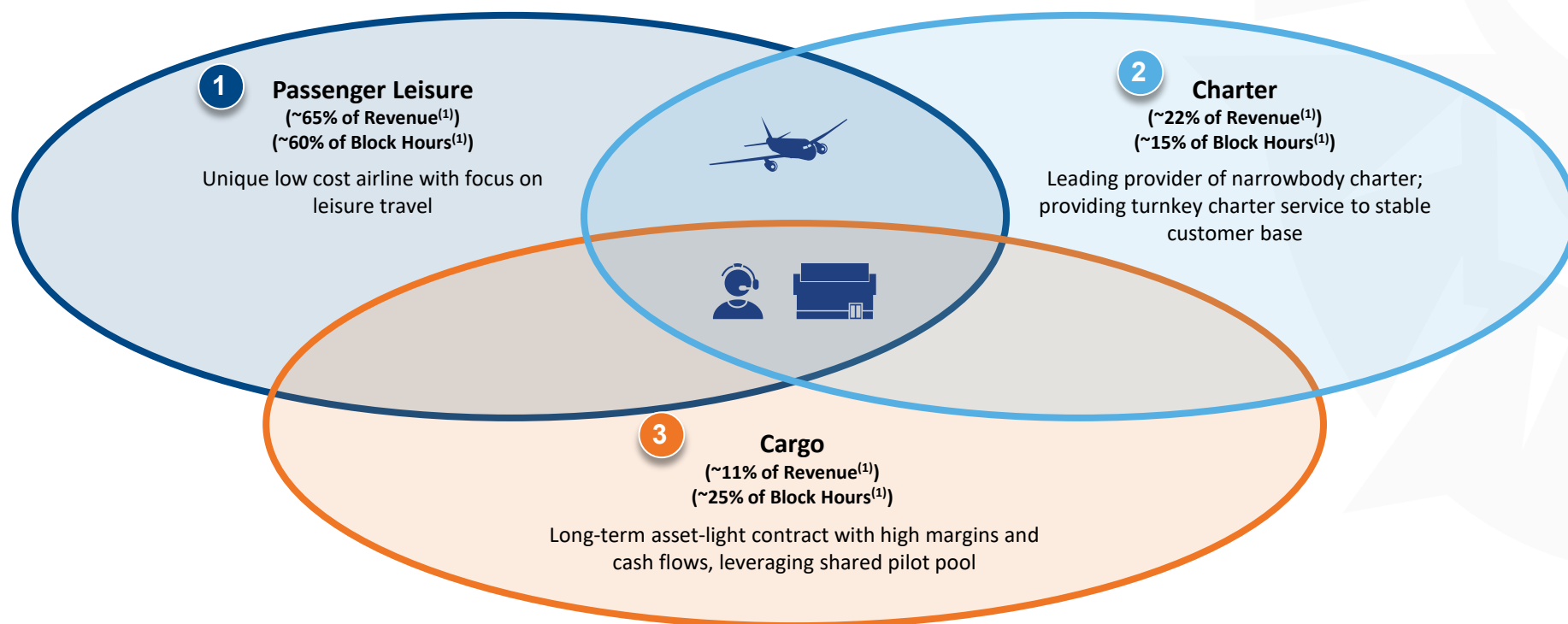


**Ability to quickly adapt to any demand environment**




# Unique, Diversified Business Model

Sun Country's symbiotic business lines share assets to maximize operating leverage.

## Sun Country Business Line Synergies



## Shared Foundational Assets

Aircraft	Pilots	Shared Services
 Standard fleet of 31 Boeing 737s that are used across scheduled service and charter	 454 pilots that serve across the entire set of assets	 An already lean operation supporting the entire set of assets

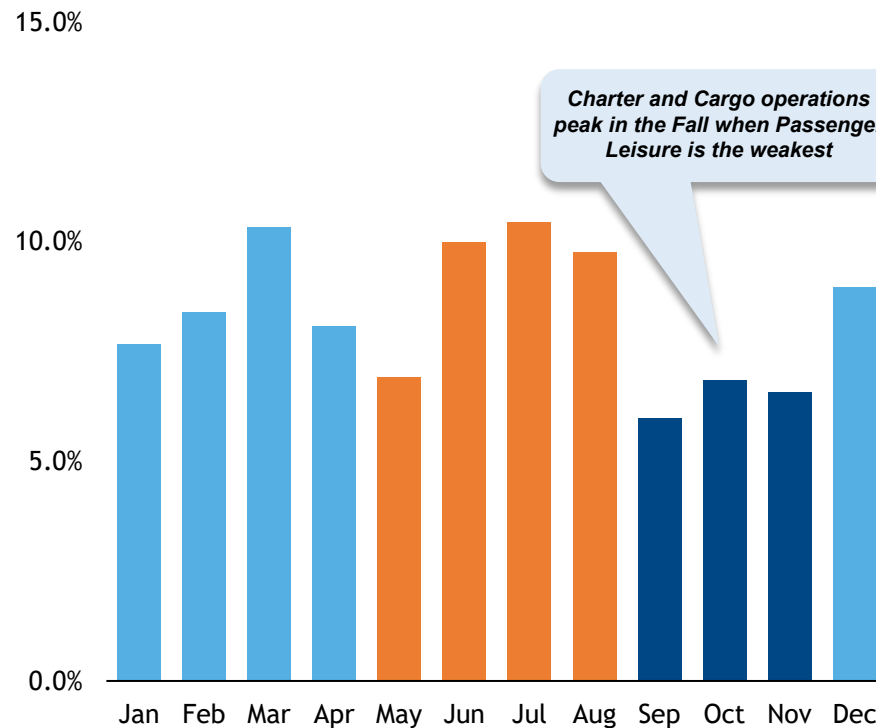
1. Percentage of revenue and block hours are based on 2019 data and annualized Q1 2021 cargo data. Q1 2021 cargo revenue was \$21.6m annualized to \$86.3m. Q1 2021 cargo block hours were 8,242 annualized to 32,968

# Agile Passenger Capacity Built to Capture Peak Demand

Unlike other passenger airlines, we can quickly shift our capacity to fly only when demand is high which results in higher yields

## Seasonal Demand Dictates Monthly Schedule<sup>(1)</sup>

(% of Block Hours)



Charter and Cargo operations peak in the Fall when Passenger Leisure is the weakest

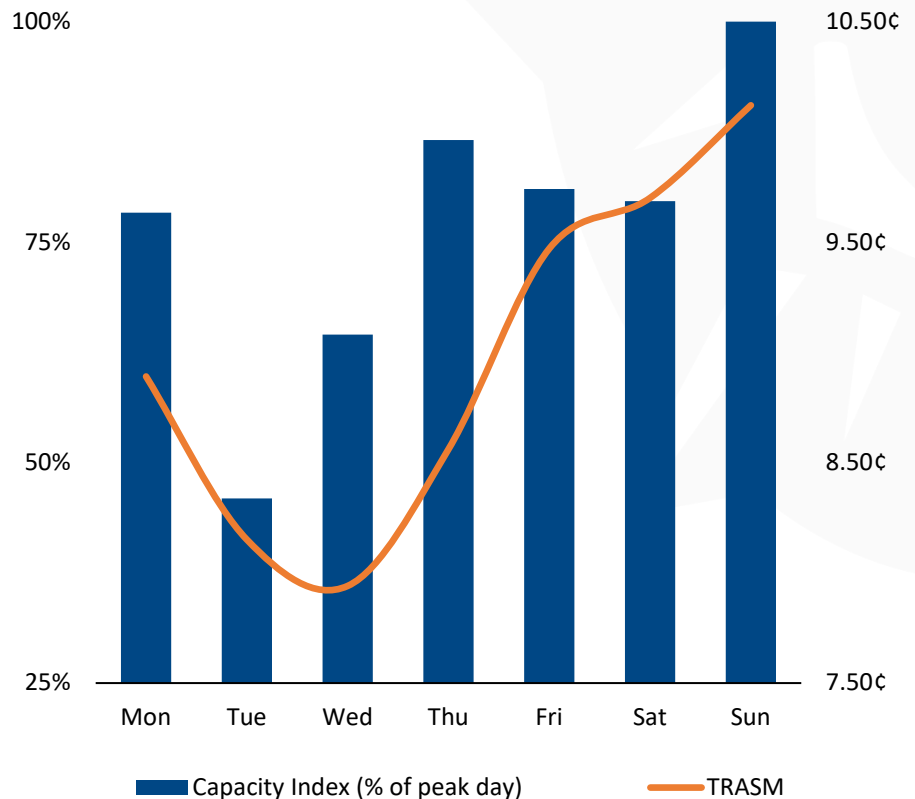
- |  |   |   |
|--|---|---|
| <b>Winter</b> <ul style="list-style-type: none"> <li>• MSP to warm leisure</li> <li>• Midwest origination</li> </ul> | <b>Summer</b> <ul style="list-style-type: none"> <li>• MSP to VFR<sup>(2)</sup></li> <li>• MSP to leisure</li> <li>• Hawaii</li> <li>• Southern big city to Mexico/Caribbean</li> </ul> | <b>Fall</b> <ul style="list-style-type: none"> <li>• MSP to VFR<sup>(2)</sup></li> <li>• Big cities to LAS</li> <li>• Holiday scheduling</li> </ul> |
|--|---|---|

• Based on FY2019 data.  
• Visiting Friends and Relatives.

## Day-of-Week Capacity Determined by Demand Patterns<sup>(1)</sup>

(% of Peak Day ASMs)

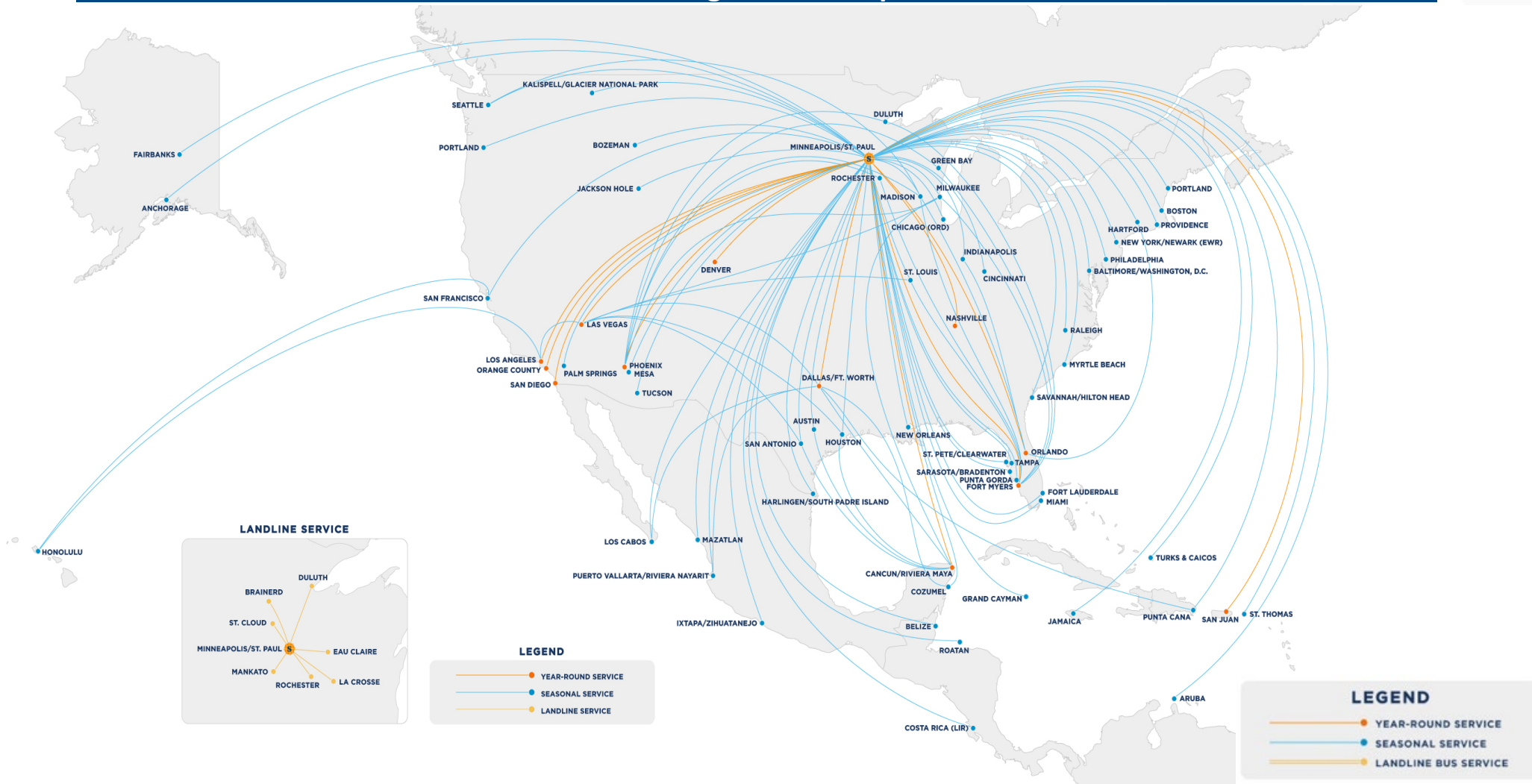
(TRASM)





# Sun Country Route Network

## Current Passenger Leisure Operations

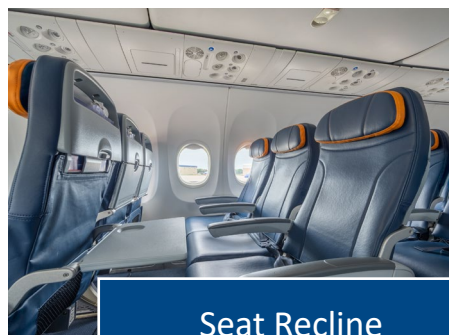


97% of our markets are seasonal which reflects demand trends of our customer

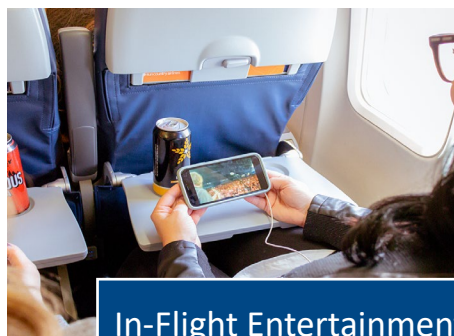
# Superior Passenger Product Offering



Weighted Average Seat Pitch: 31"



Seat Recline

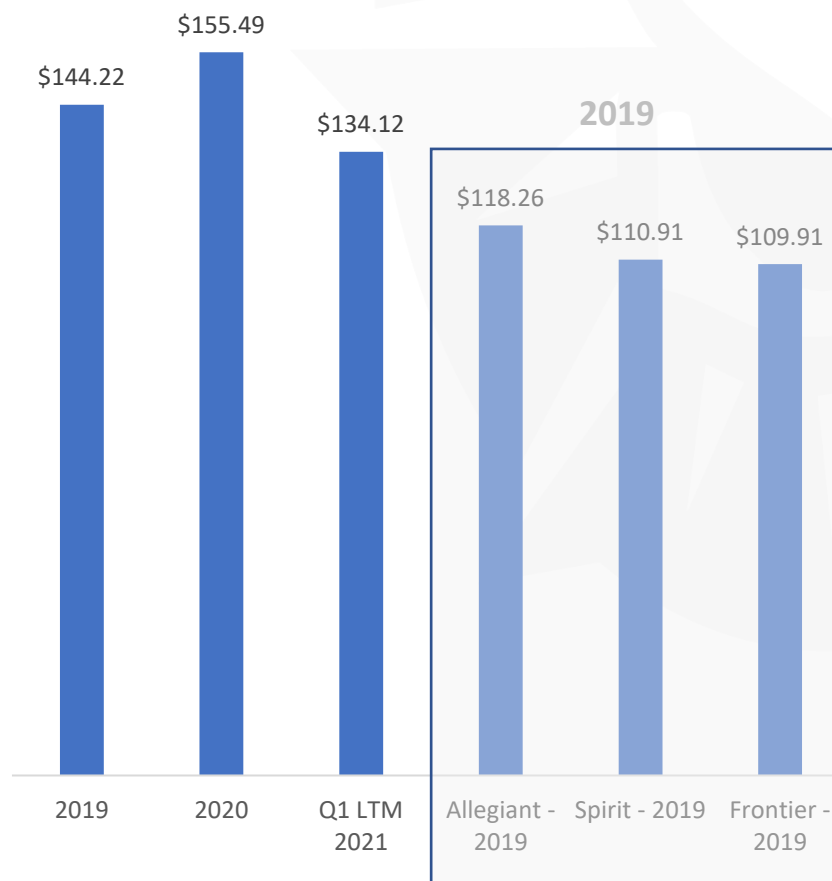


In-Flight Entertainment



In-Seat Power

## Average Revenue per Passenger<sup>(1)</sup>



1 - Sun Country revenue/passenger = average base fare + ancillary revenue per passenger, Allegiant is average fare – total, Spirit is total revenue per passenger flight segment, Frontier is total revenue per passenger

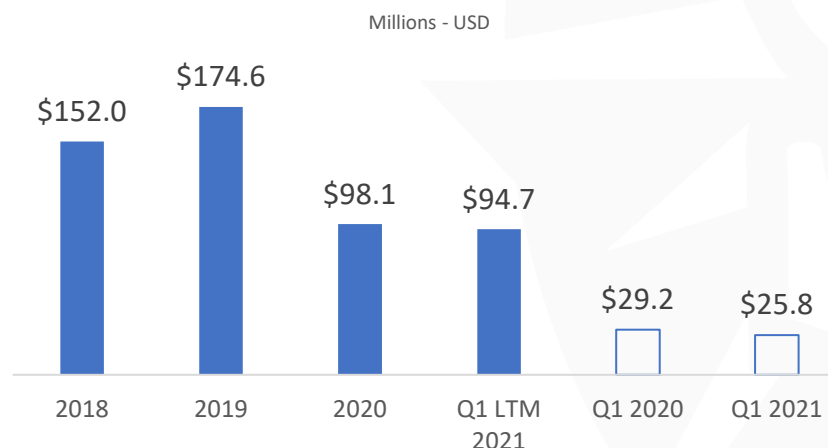


# Leading Charter Business

## Overview

- **Contract based business** – provides recurring revenues
- **Pass-through economics** – fuel and other costs paid by customer (i.e., no fuel risk)
- **High growth and high margin**
- **Largely insulated from economic cycles**
  - Casino, VIP and Tour flying under multi-year contracts
  - Other large customer groups are U.S. military and NCAA sports teams that typically fly during all economic cycles
- **Market leader** in narrow body charter market
- Only U.S. passenger airline with a meaningful charter business
- Complements passenger leisure and cargo operations
- Scheduled seamlessly with passenger business

## Charter Revenue



## Charter Revenue per Block Hour



# Stable Cargo Business

Long-term contract is a source of significant, stable cash flow

- 12 Boeing 737-800 converted freighter aircraft operated on behalf of Amazon
  - Increased from original plan of 10 aircraft
- 10 year contract, initial term six years and two additional, two-year extension options
- Partnership with one of the fastest growing companies globally
- Only ULCC with a meaningful cargo business
- Complements passenger leisure and charter operations

# Positioned to Grow through the Recovery



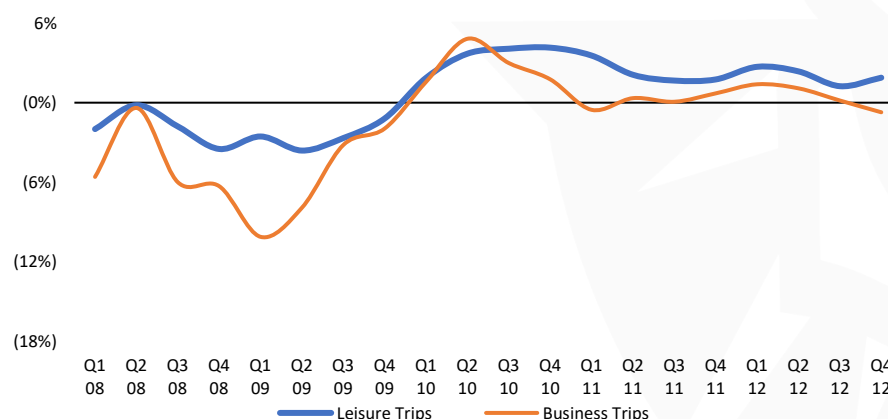
# Leisure Typically Rebounds First After Economic Declines

Leisure travel is more resilient than business travel; low cost carriers outperform network carriers during economic recessions

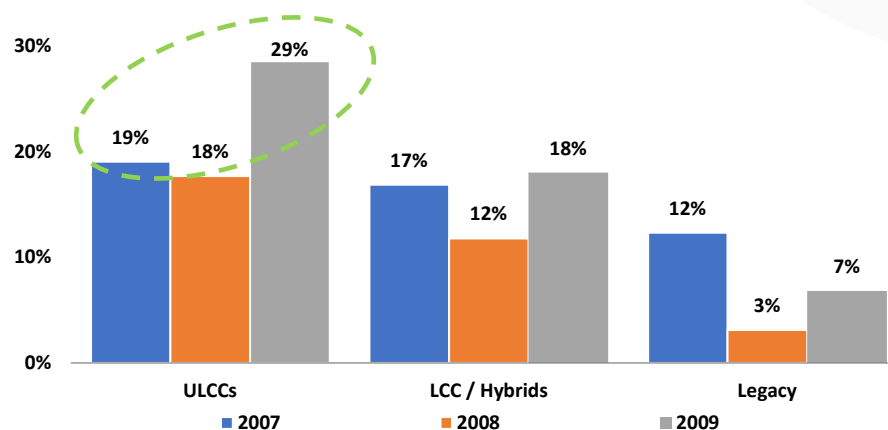
## Our Focus Positions Us Well for Recovery

- Sun Country's low costs and leisure focus position us well to recover earlier than most carriers
- **Virtually All Leisure / VFR**
  - Historically, lower-fare leisure / VFR travel is the first to come back after an economic downturn
- **Domestic Focus**
  - With zero exposure to transatlantic and transpacific flights, Sun Country is sheltered from many travel restrictions in Passenger Leisure
- **Flexible Operations**
  - Sun Country's nimble operations should allow us to adapt to the quickly changing environment throughout the recovery

## Leisure vs. Business Travel in the U.S.



## 2007 – 2009 Financial Performance | EBITDAR Margin<sup>(1)(2)(3)</sup>



Source: Oxford Economics & IHS Global Insight, Company filings.

1. ULCCs consists of Allegiant and Spirit.

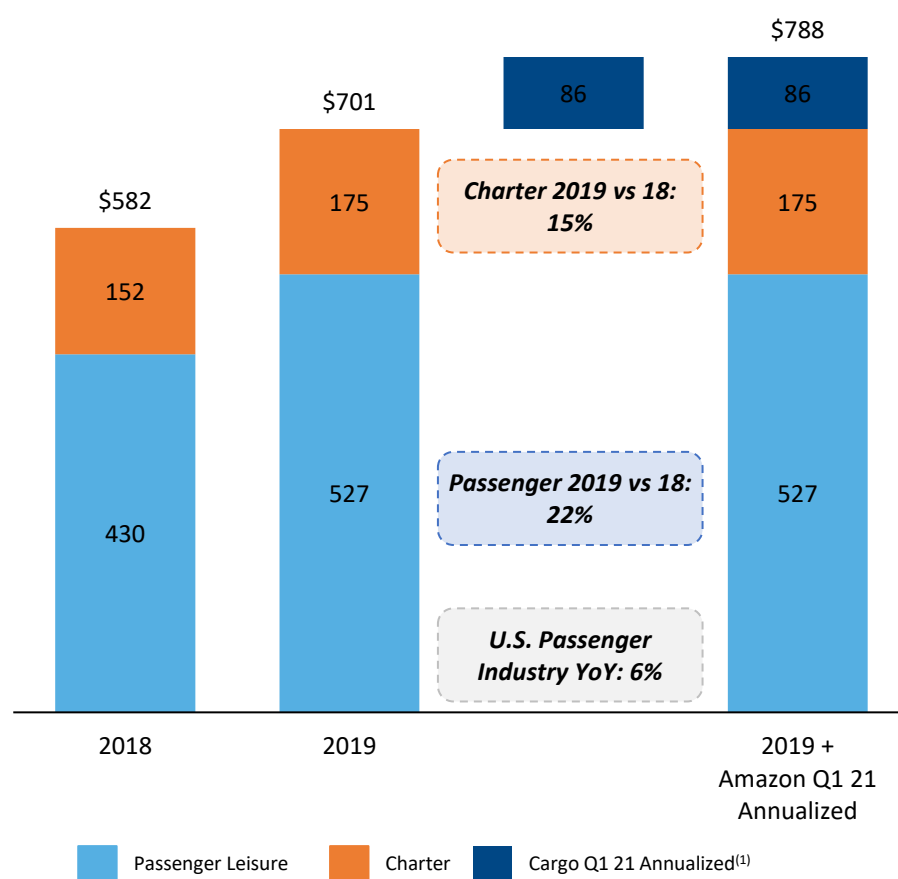
2. LCC / Hybrids consists of Southwest, JetBlue, Alaska Airlines and Hawaiian Airlines.

3. Legacy consists of Delta, American Airlines and United Airlines.

# Poised for Rebound After COVID and Beyond

## Near Term Revenue Growth Potential

(\$mm)



## Growth Beyond the Rebound



Virtually all leisure / VFR



Growth at MSP and beyond



Passenger Leisure Revenue Initiatives



Secular e-commerce trends in cargo



Charter growth

**Our leisure / VFR focus coupled with our charter and cargo businesses positions us to best capture rebound growth potential after COVID and beyond**

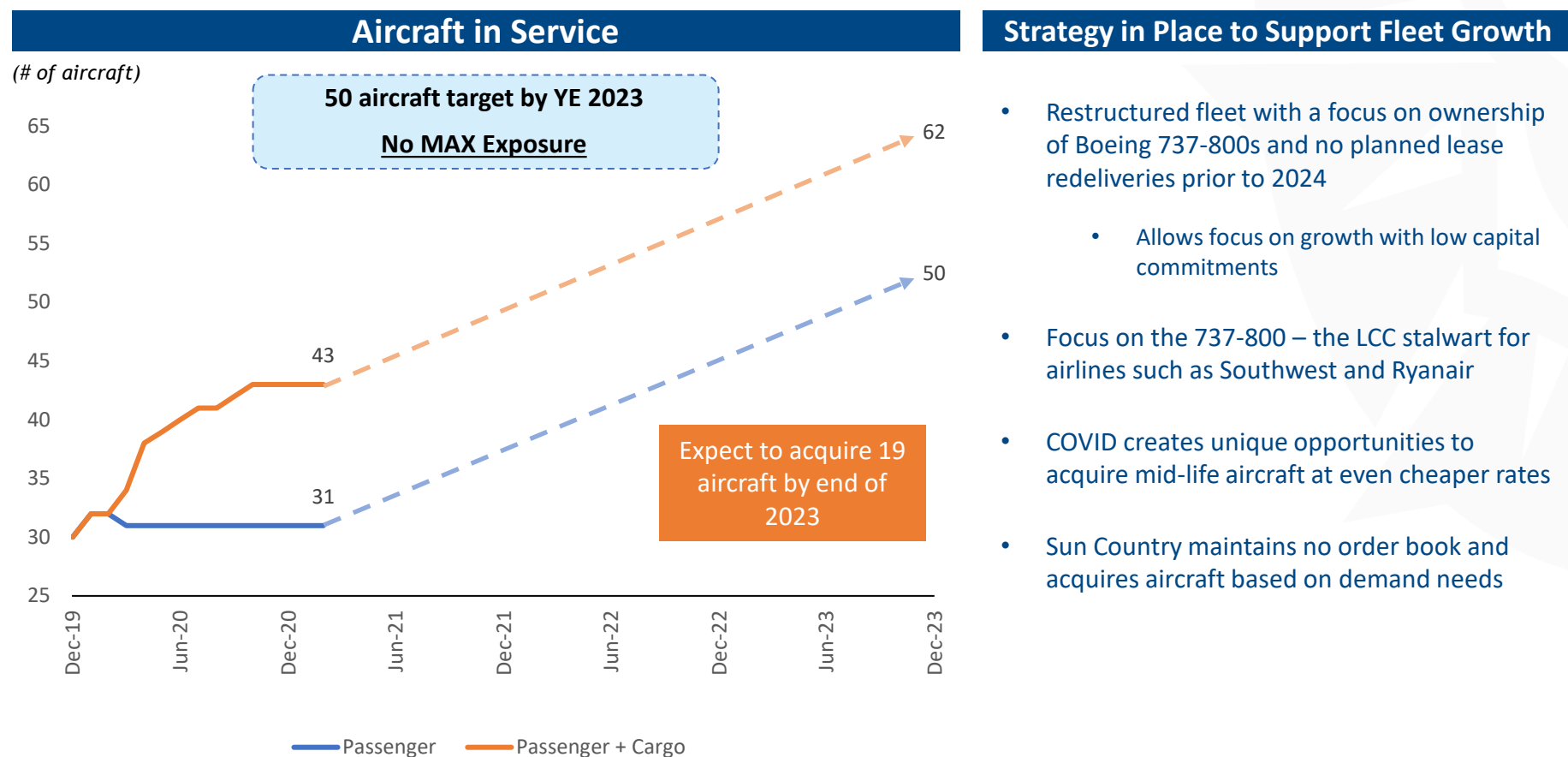
Note: Other revenue included in Passenger Leisure.

1. Sun Country's 2019 revenue (\$701mm) plus Cargo Q1 21 Revenue Annualized (\$21.6mm \* 4, or \$86mm).

# Fleet Plan: Responsible Growth

With no aircraft order book and experience purchasing mid-life aircraft, Sun Country can opportunistically acquire aircraft that make economic sense

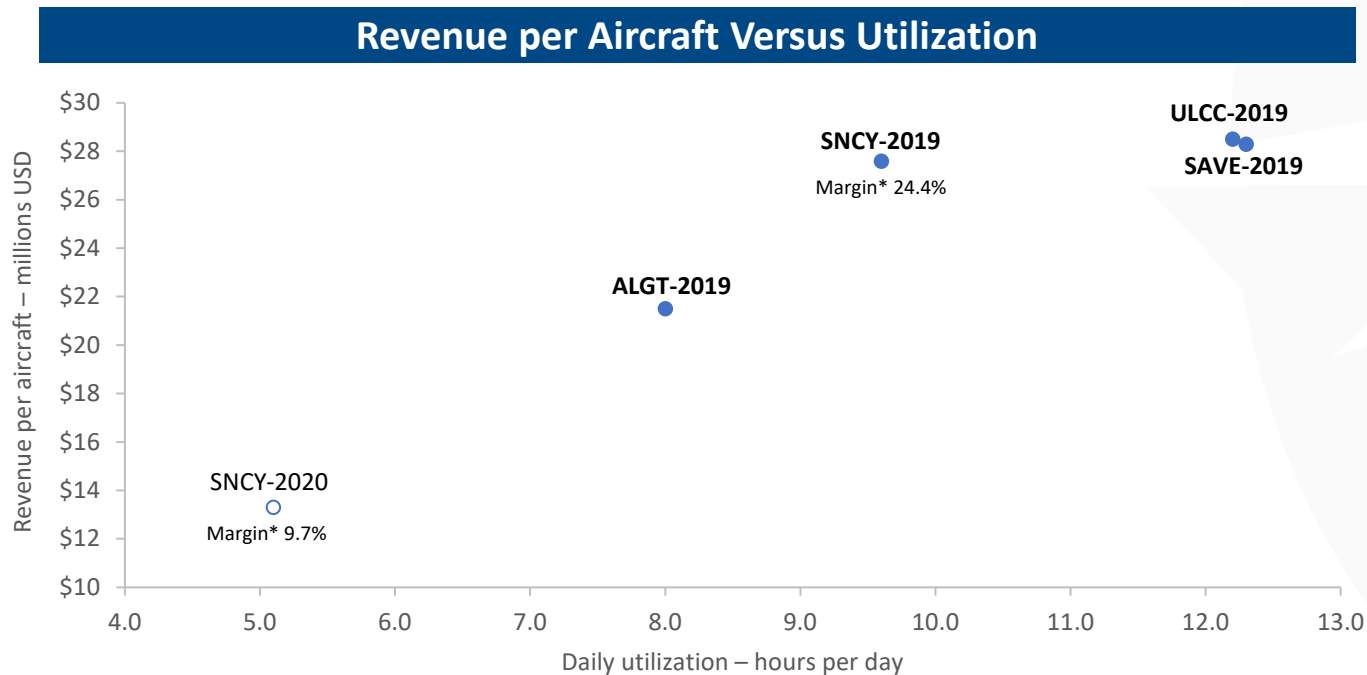
- 3 incremental aircraft commitments in Q1 21 with on going discussions for more



**No order book is a huge advantage vs. our competitors that are locked into expensive pre-COVID aircraft prices**



# Finding the Sweet Spot



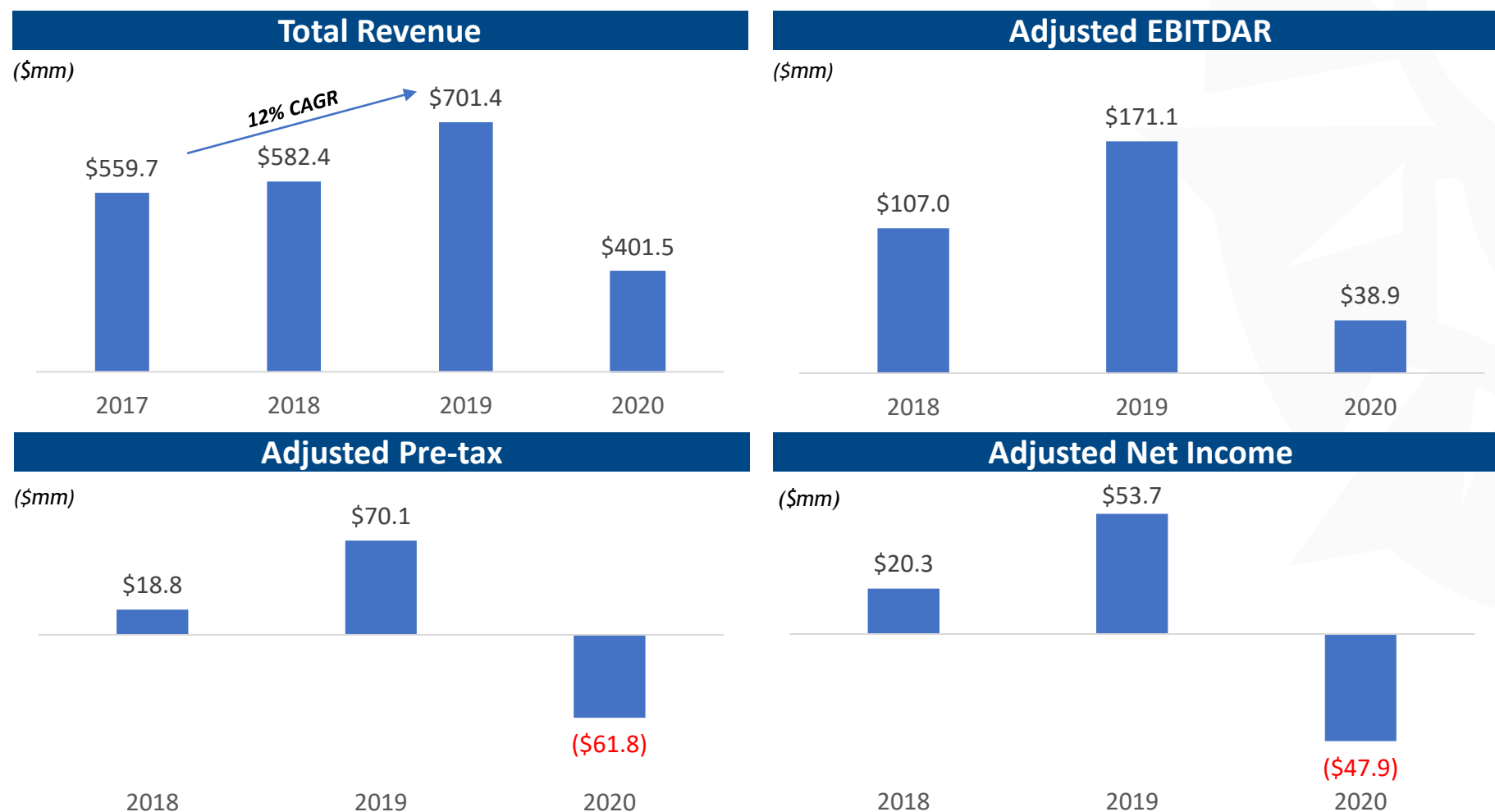
- Lower fixed costs allow for lower utilization
- Takes advantage of seasonal nature of leisure passenger
- Do not need to fly a lot to have low costs and higher margins
- Revenue shown above does not include cargo revenue
  - LTM cargo revenue was \$58.4m. Business started in May 2020

**Revenue per aircraft comparable to higher utilization ULCC peers**

Note: SNCY – 2019 & SNCY – 2020 are Sun Country results for 2019 and 2020. ALGT – Allegiant results for 2019, ULCC – Frontier results for 2019, SAVE – Spirit results for 2019  
\* - Margin represents Adjusted EBITAR margin. See reconciliation tables in appendix for more details

# Financial Results

Sun Country achieved a record year in 2019 as a result of the holistic business transformation



**Our record financial results in 2019 do not reflect the contribution from our cargo business, which provides additional growth with high margins and cash flows to Sun Country**

# Strongest Q1 2021 Results in Industry

## Q1 2021 Commentary

- Only carrier with positive Adjusted EBITDAR and Adjusted Operating Income
- 29.2% decline in operating revenue due to COVID-19 demand reduction for scheduled service
  - Cargo services launched in May 2020 with 12 aircraft flying in Q1 2021
- Decreasing aircraft ownership with shift in aircraft fleet composition from operating leases to owned aircraft
- Since the beginning of March 2021, demand trends have been improving

## Q1 Financial Results

\$ in millions	Q1 2021	Q1 2020	Var %
Passenger	\$104.2	\$178.5	(41.6)
Cargo	21.6	-	NM
Other	1.8	1.8	0
<b>Operating Revenue</b>	<b>127.6</b>	<b>180.3</b>	<b>(29.2)</b>
Aircraft Fuel	24.3	55.6	(56.3)
Salaries, Wages, and Benefits	44.1	38.1	15.7
Remaining	34.3	71.4	(51.8)
<b>Total Operating Expenses</b>	<b>102.7</b>	<b>165.1</b>	<b>(37.8)</b>
Operating Income	24.9	15.2	63.8
<b>Adjusted Operating Income</b>	<b>1.2</b>	<b>15.6</b>	<b>(92.3)</b>
<i>Adj. Op Income Margin</i>	<i>0.9%</i>	<i>8.7%</i>	<i>(7.7) pts</i>
<b>Adjusted EBITDAR</b>	<b>19.4</b>	<b>37.1</b>	<b>(47.7)</b>
<i>Adj. EBITDAR Margin</i>	<i>15.2%</i>	<i>20.6%</i>	<i>(5.4) pts</i>
Net Income (Loss)	12.4	7.3	69.9
<b>Adjusted Net Income (Loss)</b>	<b>(\$4.9)</b>	<b>\$7.6</b>	<b>(164.5)</b>
<i>Adjusted Net Income Margin</i>	<i>(3.8%)</i>	<i>4.2%</i>	<i>(8.1) pts</i>
<b>Adjusted Earnings Per Share</b>	<b>(\$0.09)</b>	<b>\$0.16</b>	<b>(159.2)</b>

# In Summary...



**Resilient and Diverse Business Model**



**Low Cost Capital Light Operations**



**Outperformance in Difficult Environments**



**Well Positioned for High Growth in Rebound**



**Poised for Long-Term Growth Beyond the Rebound**

# Appendix





# Seasoned Management Team with Decades of Experience

Sun Country has a seasoned management team with decades of experience at some of the world's largest and most successful airlines; virtually the entire management team is new since 2017

**Jude Bricker**

*CEO, Board Member*



Aviation Experience: 16 years  
Joined Sun Country: 2017



**Dave Davis**

*President & CFO, Board Member*



Aviation Experience: 22 years  
Joined Sun Country: 2018



**Greg Mays**

*COO*



Aviation Experience: 29 years  
Joined Sun Country: 2019



**Grant Whitney**

*Chief Revenue Officer*



Aviation Experience: 20 years  
Joined Sun Country: 2019



**Eric Levenhagen**

*Chief Administrative Officer,  
General Counsel*



Aviation Experience: 11 years  
Joined Sun Country: 2016



**Jeff Mader**

*Chief Information Officer*



Aviation Experience: 2 years  
Joined Sun Country: 2018



**Brian Davis**

*Chief Marketing Officer*



Aviation Experience: 16 years  
Joined Sun Country: 2018



**Dee Powers**

*VP Human Resources*



Aviation Experience: 43 years  
Joined Sun Country: 2017





# Description of Special Items

Special Items, Net – in millions USD						
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Q1 LTM 2020</u>	<u>Q1 2020</u>	<u>Q1 2021</u>
CARES Act grant recognition	\$0.0	\$0.0	(\$62.3)	(\$94.5)	\$0.0	(\$32.2)
CARES Act employee retention credit	-	-	(2.3)	(2.7)	-	(0.3)
Contractual obligations for retired technology	-	7.6	-	-	-	-
Sale of airport slot rights	-	(1.2)	-	-	-	-
Sun Country Rewards program modifications	(8.5)	-	-	-	-	-
Early-out payments and other outsourcing expenses	2.0	-	-	-	-	-
Aircraft purchases impacts	-	-	-	5.7	-	5.7
Other	-	<u>0.7</u>	<u>0.1</u>	<u>0.1</u>	-	-
<b>Total Special Items, net</b>	<b>(\$6.4)</b>	<b>\$7.1</b>	<b>(\$64.6)</b>	<b>(\$91.4)</b>	<b>\$0.0</b>	<b>(26.9)</b>

# Non-GAAP Reconciliation - Adjusted EBITDAR

Adjusted Earnings Before Interest, Taxes, Depreciation & Amortization and Aircraft Rent (“EBITDAR”) is included as a supplemental disclosure because we believe it is a useful indicator of our operating performance. Adjusted EBITDAR is a well recognized performance measurement in the airline industry that is 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.

Adjusted EBITDAR Reconciliation – in millions USD						
	FY 2018	FY 2019	FY 2020	Q1 LTM 2020	Q1 2020	Q1 2021
Net income (loss)	\$25.5	\$46.1	(\$3.9)	\$1.3	\$7.3	\$12.4
Special items, net <sup>(1)</sup>	(6.4)	7.1	(64.6)	(91.4)	-	(26.9)
Interest expense	6.4	17.2	22.1	23.6	5.6	7.1
Stock compensation expense	0.4	1.9	2.1	4.6	0.4	2.9
Loss (gain) on asset transactions, net	(0.8)	0.7	0.4	0.3	0.1	-
Other adjustments <sup>(2)</sup>	-	0.2	4.9	5.1	-	0.3
Interest income	(0.4)	(0.9)	(0.4)	(0.1)	(0.3)	-
Provision for income taxes	0.2	14.1	(0.8)	2.2	2.4	5.4
Depreciation and amortization	16.9	34.9	48.1	50.2	10.5	12.6
Aircraft rent	65.2	49.9	31.0	25.6	11.0	5.6
<b>Adjusted EBITDAR</b>	<b>107.0</b>	<b>171.1</b>	<b>38.9</b>	<b>21.3</b>	<b>37.1</b>	<b>19.4</b>
Adjusted EBITDAR margin	18.4%	24.4%	9.7%	6.1%	20.6%	15.2%
Adjusted EBITDA	41.8	121.2	7.9	(4.3)	26.0	13.8
Adjusted EBITDA margin	7.2%	17.3%	2.0%	(1.2%)	14.4%	10.8%
Total revenue	\$582.4	\$701.4	\$401.5	\$348.8	\$180.3	\$127.6

1. See Description of Special Items table in this Appendix.

2. Other adjustments for FY 2020 include expenses related to a voluntary employee leave program in response to the COVID-19 pandemic, a portion of which is offset by the CARES Act Payroll Support Program as the benefit of this program is also adjusted as a component of special items. Other adjustments for FY 2019 include expenses incurred in terminating work on a planned new crew base. Other adjustment for Q1 2021 and Q1 LTM 2020 represents the one-time costs to establish the Tax Receivable Agreement with our pre-IPO stockholders

# Non-GAAP Reconciliation - Adjusted Operating Income

Adjusted Operating Income is included as a supplemental disclosure because we believe it is a useful indicator of our operating performance. Adjusted Operating Income is a well recognized performance measurement in the airline industry that is 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.

Adjusted Operating Income Reconciliation – in millions USD				
	FY 2019	FY 2020	Q1 2020	Q1 2021
Operating Income	\$78.1	\$17.4	\$15.2	\$24.9
Special items, net <sup>(1)</sup>	-	-	-	(26.9)
Stock compensation expense	1.9	2.1	0.4	2.9
Employee relocation and costs to exit Sun Country's prior headquarters building and base closures	0.7	0.1	-	-
Contractual obligations for retired technology	7.6	-	-	-
Sale of airport slot rights	(1.2)	-	-	-
Other adjustments	0.2	-	-	0.3
<b>Adjusted operating income</b>	<b>87.3</b>	<b>19.6</b>	<b>15.6</b>	<b>1.2</b>
Total revenue	\$701.4	\$401.5	\$180.3	\$127.6
Adjusted operating income margin	12.5%	4.9%	8.7%	0.9%

1 - See Description of Special Items table in this Appendix.

# Non-GAAP Reconciliation - Adjusted Pre-tax Income

Adjusted Pre-tax Income is included as a supplemental disclosure because we believe it is a useful indicator of our operating performance. Adjusted Pre-tax Income is a well recognized performance measurement in the airline industry that is 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.

Adjusted Pre-tax Income Reconciliation – in millions USD					
	FY 2018	FY 2019	FY 2020	Q1 2020	Q1 2021
Pre-tax income (loss)	\$25.7	\$60.2	(\$4.7)	\$9.7	\$17.8
Special items, net	(6.4)	7.1	(64.6)	-	(26.9)
Stock compensation expense	0.4	1.9	2.1	0.4	2.9
Loss (gain) on asset transactions, net	(0.8)	0.7	0.4	0.1	-
Early pay-off of US Treasury loan	-	-	-	-	0.8
Loss on refinancing credit facility	-	-	-	-	0.4
Other adjustments	-	0.2	4.9	-	0.3
<b>Adjusted Pre-tax income (loss)</b>	<b>\$18.9</b>	<b>\$70.1</b>	<b>(\$61.9)</b>	<b>\$10.2</b>	<b>(\$4.7)</b>

1 - See Description of Special Items table in this Appendix.

# Non-GAAP Reconciliation - Adjusted Net Income

Adjusted Net Income is included as a supplemental disclosure because we believe it is a useful indicator of our operating performance. Adjusted Net Income is a well recognized performance measurement in the airline industry that is 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.

Adjusted Net Income Reconciliation – in millions USD					
	FY 2018	FY 2019	FY 2020	Q1 2020	Q1 2021
Net income (loss)	\$25.5	\$46.1	(\$3.9)	\$7.3	\$12.4
Special items, net	(6.4)	7.1	(64.6)	-	(26.9)
Stock compensation expense	0.4	1.9	2.1	0.4	2.9
Loss (gain) on asset transactions, net	(0.8)	0.7	0.4	0.1	-
Early pay-off of US Treasury loan	-	-	-	-	0.8
Loss on refinancing credit facility	-	-	-	-	0.4
Other adjustments	-	0.2	4.9	-	0.3
Income tax effect of adjusting items, net	1.6	(2.3)	13.1	(0.1)	5.2
<b>Adjusted net income (loss)</b>	<b>\$20.3</b>	<b>\$53.7</b>	<b>(\$47.9)</b>	<b>\$7.6</b>	<b>(\$4.9)</b>

1 - See Description of Special Items table in this Appendix.

# Non-GAAP Reconciliation - Adjusted CASM

Adjusted CASM, which is a non-GAAP financial measure, is also a key airline cost metric and excludes fuel costs, costs related to our freighter operations (starting in 2020 when we launched our freighter operation), certain commissions and other costs of selling our vacations product from this measure as these costs are unrelated to our airline operations and improve comparability to our peers. Adjusted CASM is one of the most important measures used by management and by our board of directors in assessing quarterly and annual cost performance. Adjusted CASM is also a measure commonly used by industry analysts and we believe it is an important metric by which they compare our airline to others in the industry, although other airlines may exclude certain other costs in their calculation of Adjusted CASM.

Adjusted CASM Reconciliation – in millions USD, except for ASMs and Adjusted CASM						
	FY 2017	FY 2018	FY 2019	FY 2020	Q1 2020	Q1 2021
Operating expense – as reported	\$530.0	\$549.0	\$623.3	\$384.1	\$165.1	102.7
Aircraft fuel	(118.4)	(165.3)	(165.7)	(83.4)	(55.6)	(24.3)
Cargo expenses, not already adjusted	-	-	-	(31.4)	-	(17.2)
Sun Country Vacations	(2.1)	(4.5)	(2.4)	(0.6)	(0.2)	(0.2)
Special items, net	-	6.4	(7.1)	64.6	-	26.9
Stock compensation expense	-	(0.4)	(1.9)	(2.1)	(0.4)	(2.9)
Other adjustments	-	-	(0.2)	(4.9)	-	(0.3)
Adjusted operating expense	\$409.5	\$385.2	\$445.9	\$326.3	\$109.0	\$84.7
Available seat miles (ASMs) – millions	5,250.5	5,463.2	7,064.6	4,311.1	1,757.1	1,376.8
<b>Adjusted CASM - cents</b>	<b>7.80</b>	<b>7.05</b>	<b>6.31</b>	<b>7.57</b>	<b>6.20</b>	<b>6.15</b>

1 - See Description of Special Items table in this Appendix.