UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

Or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-40217

Sun Country Airlines Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	82-4092570
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2005 Cargo Road Minneapolis, Minnesota	55450
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (651) 681-3900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	SNCY	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated Filer ☑	Accelerated Filer ☐	Non-accelerated Filer ☐
	Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

Number of shares outstanding by each class of common stock, as of September 30, 2024:
Common Stock, $0.01 par value – 52,939,832 shares outstanding

Sun Country Airlines Holdings, Inc.
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PART I. Financial Information
ITEM 1. FINANCIAL STATEMENTS

SUN COUNTRY AIRLINES HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share and share amounts)

	September 30, 2024 (Unaudited)	December 31, 2023
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 56,791	$ 46,279
Restricted Cash	10,649	17,401
Investments	89,697	141,127
Accounts Receivable, net of an allowance for credit losses of $103 and $17, respectively	37,806	38,166
Short-term Lessor Maintenance Deposits	7,147	1,046
Inventory, net of a reserve for obsolescence of $731 and $977, respectively	9,731	7,793
Prepaid Expenses	13,226	15,823
Other Current Assets	977	3,716
Total Current Assets	226,024	271,351
Property & Equipment, net:		
Aircraft and Flight Equipment	721,269	685,559
Aircraft and Flight Equipment Held for Operating Lease	154,175	154,185
Ground Equipment and Leasehold Improvements	45,283	39,847
Computer Hardware and Software	21,498	17,875
Finance Lease Assets	338,875	304,384
Rotable Parts	26,307	19,848
Total Property & Equipment	1,307,407	1,221,698
Accumulated Depreciation & Amortization	(314,309)	(252,717)
Total Property & Equipment, net	993,098	968,981
Other Assets:		
Goodwill	222,223	222,223
Other Intangible Assets, net of accumulated amortization of $28,487 and $24,190, respectively	79,255	83,551
Operating Lease Right-of-use Assets	17,539	14,917
Aircraft Deposits	8,974	9,564
Long-term Lessor Maintenance Deposits	50,511	44,675
Other Assets	12,238	8,365
Total Other Assets	390,740	383,295
Total Assets	$ 1,609,862	$ 1,623,627

See accompanying Notes to Condensed Consolidated Financial Statements

SUN COUNTRY AIRLINES HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share and share amounts)

	September 30, 2024 (Unaudited)	December 31, 2023
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 49,223	$ 59,011
Accrued Salaries, Wages, and Benefits	32,740	33,305
Accrued Transportation Taxes	14,734	18,097
Air Traffic Liabilities	131,538	157,996
Finance Lease Obligations	42,212	44,756
Loyalty Program Liabilities	9,852	9,898
Operating Lease Obligations	3,161	2,219
Current Maturities of Long-term Debt, net	75,915	74,177
Income Tax Receivable Agreement Liability	9,544	3,250
Other Current Liabilities	11,905	15,873
Total Current Liabilities	380,824	418,582
Long-term Liabilities:		
Finance Lease Obligations	256,252	232,546
Loyalty Program Liabilities	4,330	3,839
Operating Lease Obligations	18,214	16,611
Long-term Debt, net	275,864	327,468
Deferred Tax Liability	19,588	9,148
Income Tax Receivable Agreement Liability	88,150	97,794
Other Long-term Liabilities	14,094	3,236
Total Long-term Liabilities	676,492	690,642
Total Liabilities	1,057,316	1,109,224
Commitments and Contingencies (see Note 10)		
Stockholders' Equity:		
Common stock, with $0.01 par value, 995,000,000 shares authorized, 59,282,838 and 58,878,723 issued and 52,939,832 and 53,291,001 outstanding at September 30, 2024 and December 31, 2023, respectively	593	589
Preferred stock, with $0.01 par value, 5,000,000 shares authorized, no shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	—	—
Treasury stock, at cost, 6,343,006 and 5,587,722 shares held at September 30, 2024 and December 31, 2023, respectively	(105,899)	(94,341)
Additional Paid-In Capital	524,138	513,988
Retained Earnings	133,696	94,229
Accumulated Other Comprehensive Income (Loss)	18	(62)
Total Stockholders' Equity	552,546	514,403
Total Liabilities and Stockholders' Equity	$ 1,609,862	$ 1,623,627

See accompanying Notes to Condensed Consolidated Financial Statements

SUN COUNTRY AIRLINES HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share and share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating Revenues:				
Passenger	$ 207,764	$ 214,355	$ 698,823	$ 709,490
Cargo	29,165	26,059	78,560	74,437
Other	12,541	8,462	37,951	20,150
Total Operating Revenues	249,470	248,876	815,334	804,077
Operating Expenses:				
Aircraft Fuel	54,737	61,179	187,229	185,829
Salaries, Wages, and Benefits	80,919	72,541	242,516	223,890
Aircraft Rent	—	22	—	2,281
Maintenance	15,973	15,330	50,129	44,311
Sales and Marketing	7,748	7,569	26,819	26,005
Depreciation and Amortization	23,754	22,762	71,194	64,577
Ground Handling	11,568	9,382	32,090	28,299
Landing Fees and Airport Rent	15,979	13,958	44,431	36,847
Other Operating, net	26,410	27,127	81,003	81,663
Total Operating Expenses	237,088	229,870	735,411	693,702
Operating Income	12,382	19,006	79,923	110,375
Non-operating Income (Expense):				
Interest Income	1,659	2,480	5,907	7,766
Interest Expense	(11,049)	(11,403)	(33,238)	(31,272)
Other, net	12	(15)	55	(370)
Total Non-operating Expense, net	(9,378)	(8,938)	(27,276)	(23,876)
Income Before Income Tax	3,004	10,068	52,647	86,499
Income Tax Expense	662	2,477	13,180	19,963
Net Income	$ 2,342	$ 7,591	$ 39,467	$ 66,536
Net Income per share to common stockholders:				
Basic	$ 0.04	$ 0.14	$ 0.75	$ 1.19
Diluted	$ 0.04	$ 0.13	$ 0.72	$ 1.12
Shares used for computation:				
Basic	52,876,339	55,435,386	52,866,797	56,051,173
Diluted	54,780,672	58,595,646	54,990,437	59,281,819

See accompanying Notes to Condensed Consolidated Financial Statements

SUN COUNTRY AIRLINES HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net Income	$ 2,342	$ 7,591	$ 39,467	$ 66,536
Other Comprehensive Income:				
Net unrealized gains on Available-for-Sale securities, net of deferred tax expense of $77, $46, $24, and $90, respectively	235	158	80	301
Other Comprehensive Income	235	158	80	301
Comprehensive Income	$ 2,577	$ 7,749	$ 39,547	$ 66,837

See accompanying Notes to Condensed Consolidated Financial Statements

SUN COUNTRY AIRLINES HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except share amounts)
(Unaudited)

	Nine Months Ended September 30, 2024								
		Common Stock		Treasury Stock					
	Warrants	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
December 31, 2023	3,224,093	58,878,723	$ 589	5,587,722	$ (94,341)	$ 513,988	$ 94,229	$ (62)	$ 514,403
Stock Issued for Stock-Based Awards	—	75,606	1	—	—	110	—	—	111
Common Stock Repurchases and Excise Tax	—	—	—	755,284	(11,596)	—	—	—	(11,596)
Net Income	—	—	—	—	—	—	35,313	—	35,313
Amazon Warrants	189,652	—	—	—	—	1,400	—	—	1,400
Stock-based Compensation	—	—	—	—	—	1,514	—	—	1,514
Other Comprehensive (Loss)	—	—	—	—	—	—	—	(139)	(139)
March 31, 2024	3,413,745	58,954,329	$ 590	6,343,006	$ (105,937)	$ 517,012	$ 129,542	$ (201)	$ 541,006
Stock Issued for Stock-Based Awards	—	195,760	2	—	—	587	—	—	589
Common Stock Repurchases, Excise Tax	—	—	—	—	23	—	—	—	23
Net Income	—	—	—	—	—	—	1,812	—	1,812
Amazon Warrants	252,869	—	—	—	—	1,867	—	—	1,867
Stock-based Compensation	—	—	—	—	—	1,570	—	—	1,570
Other Comprehensive (Loss)	—	—	—	—	—	—	—	(16)	(16)
June 30, 2024	3,666,614	59,150,089	$ 592	6,343,006	$ (105,914)	$ 521,036	$ 131,354	$ (217)	$ 546,851
Stock Issued for Stock-Based Awards	—	132,749	1	—	—	212	—	—	213
Common Stock Repurchases, Excise Tax	—	—	—	—	15	—	—	—	15
Net Income	—	—	—	—	—	—	2,342	—	2,342
Amazon Warrants	189,652	—	—	—	—	1,400	—	—	1,400
Stock-based Compensation	—	—	—	—	—	1,490	—	—	1,490
Other Comprehensive Income	—	—	—	—	—	—	—	235	235
September 30, 2024	3,856,266	59,282,838	$ 593	6,343,006	$ (105,899)	$ 524,138	$ 133,696	$ 18	$ 552,546

	Nine Months Ended September 30, 2023								
		Common Stock		Treasury Stock					
	Warrants	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
December 31, 2022	2,402,268	58,217,647	$ 582	892,409	$ (17,605)	$ 488,494	$ 22,048	$ (807)	$ 492,712
Stock Issued for Stock-Based Awards	—	147,105	2	—	—	554	—	—	556
Net Stock Settlement of Stock-Based Awards	—	—	—	406	(8)	—	—	—	(8)
Common Stock Repurchases and Excise Tax	—	—	—	1,230,932	(22,549)	7,501	—	—	(15,048)
Net Income	—	—	—	—	—	—	38,328	—	38,328
Amazon Warrants	189,652	—	—	—	—	1,400	—	—	1,400
Stock-based Compensation	—	—	—	—	—	2,678	—	—	2,678
Other Comprehensive Income	—	—	—	—	—	—	—	389	389
March 31, 2023	2,591,920	58,364,752	$ 584	2,123,747	$ (40,162)	$ 500,627	$ 60,376	$ (418)	$ 521,007
Stock Issued for Stock-Based Awards	—	187,975	2	—	—	613	—	—	615
Common Stock Repurchases and Excise Tax	—	—	—	416,751	(7,511)	—	—	—	(7,511)
Net Income	—	—	—	—	—	—	20,618	—	20,618
Amazon Warrants	252,869	—	—	—	—	1,867	—	—	1,867
Stock-based Compensation	—	—	—	—	—	4,415	—	—	4,415
Other Comprehensive (Loss)	—	—	—	—	—	—	—	(246)	(246)
June 30, 2023	2,844,789	58,552,727	$ 586	2,540,498	$ (47,673)	$ 507,522	$ 80,994	$ (664)	$ 540,765
Stock Issued for Stock-Based Awards	—	262,412	2	—	—	1,414	—	—	1,416
Common Stock Repurchases and Excise Tax	—	—	—	2,140,790	(33,008)	—	—	—	(33,008)
Net Income	—	—	—	—	—	—	7,591	—	7,591
Amazon Warrants	189,652	—	—	—	—	1,400	—	—	1,400
Stock-based Compensation	—	—	—	—	—	1,039	—	—	1,039
Other Comprehensive Income	—	—	—	—	—	—	—	158	158
September 30, 2023	3,034,441	58,815,139	$ 588	4,681,288	$ (80,681)	$ 511,375	$ 88,585	$ (506)	$ 519,361

See accompanying Notes to Condensed Consolidated Financial Statements

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SUN COUNTRY AIRLINES HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2024	2023
Net Income	$ 39,467	$ 66,536
Adjustments to reconcile Net Income to Cash from Operating Activities:		
Depreciation and Amortization	71,194	64,577
Deferred Income Taxes	10,414	18,080
Other, net	7,409	14,433
Changes in Operating Assets and Liabilities:		
Accounts Receivable	5,947	(7,083)
Inventory	(3,254)	(1,478)
Prepaid Expenses	2,597	(1,929)
Lessor Maintenance Deposits	(12,766)	(8,689)
Aircraft Deposits	—	(482)
Other Assets	(1,683)	70
Accounts Payable	(8,544)	(5,855)
Accrued Transportation Taxes	(3,363)	(4,872)
Air Traffic Liabilities	(26,458)	(27,542)
Loyalty Program Liabilities	446	(1,590)
Operating Lease Obligations	(1,454)	(3,858)
Other Liabilities	(5,649)	2,333
Net Cash Provided by Operating Activities	74,303	102,651
Cash Flows from Investing Activities:		
Purchases of Property & Equipment	(42,615)	(210,641)
Purchases of Investments	(55,655)	(82,574)
Proceeds from the Maturities of Investments	107,750	110,850
Other, net	11,458	4,087
Net Cash Provided by (Used in) Investing Activities	20,938	(178,278)
Cash Flows from Financing Activities:		
Common Stock Repurchases	(11,493)	(55,051)
Proceeds from Borrowings	10,000	119,200
Repayment of Finance Lease Obligations	(26,249)	(16,390)
Repayment of Borrowings	(60,776)	(35,475)
Other, net	(2,963)	(1,665)
Net Cash (Used in) Provided by Financing Activities	(91,481)	10,619
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	3,760	(65,008)
Cash, Cash Equivalents and Restricted Cash--Beginning of the Period	63,680	102,928
Cash, Cash Equivalents and Restricted Cash--End of the Period	$ 67,440	$ 37,920
Non-cash transactions:		
Aircraft Acquired under Finance Lease	$ 40,116	$ —
Aircraft Acquired from the Exercise of Finance Lease Purchase Option, net of Accumulated Depreciation	$ 11,634	$ 2,386
Changes to Finance Lease Assets due to Lease Modifications	$ 6,513	$ 26,427

The following provides a reconciliation of Cash, Cash Equivalents and Restricted Cash to the amounts reported on the Condensed Consolidated Balance Sheets:

	September 30, 2024	September 30, 2023
Cash and Cash Equivalents	$ 56,791	$ 26,967
Restricted Cash	10,649	10,953
Total Cash, Cash Equivalents and Restricted Cash	$ 67,440	$ 37,920

See accompanying Notes to Condensed Consolidated Financial Statements

1. BASIS OF PRESENTATION

Sun Country Airlines Holdings, Inc. (together with its consolidated subsidiaries, "Sun Country" or the "Company") is the parent company of Sun Country, Inc., which is a certificated air carrier providing scheduled passenger service, air cargo service, charter air transportation and related services.

The Company has prepared the unaudited Condensed Consolidated Financial Statements according to U.S. Generally Accepted Accounting Principles (“GAAP”) and has included the accounts of Sun Country Airlines Holdings, Inc. and its subsidiaries. Certain information and footnote disclosures normally included in the audited annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for Form 10-Q. Therefore, the accompanying unaudited Condensed Consolidated Financial Statements of Sun Country Airlines Holdings, Inc. should be read in conjunction with the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the SEC ("2023 10-K"). Management believes that all adjustments necessary for the fair presentation of results, consisting of normally recurring items, have been included in the unaudited Condensed Consolidated Financial Statements for the interim periods presented. All material intercompany balances and transactions have been eliminated in consolidation.

The preparation of financial statements in accordance with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Due to impacts from seasonal variations in the demand for air travel, the volatility of aircraft fuel prices, the impact of macroeconomic conditions, and other factors, operating results for the nine months ended September 30, 2024 are not necessarily indicative of operating results for other interim periods or for the full year ending December 31, 2024.

2. REVENUE

Sun Country is a certificated air carrier generating Operating Revenues from Passenger (consisting of Scheduled Service, Charter, and Ancillary), Cargo and Other revenue. Scheduled Service revenue mainly consists of base fares. Charter revenue is primarily generated through service provided to the U.S. Department of Defense ("DoD"), collegiate and professional sports teams, and casinos. Ancillary revenues consist of revenue earned from air travel-related services, such as: baggage fees, seat selection fees, other fees and on-board sales. Cargo consists of revenue earned from flying cargo aircraft for Amazon.com Services, Inc. (together with its affiliates, “Amazon”) under the Amended and Restated Air Transportation Services Agreement (the “A&R ATSA”). Other revenue consists primarily of revenue from services in connection with Sun Country Vacations products and rental revenue related to certain aircraft-related transactions where the Company serves as a lessor. The Company recognized rental revenue of $10,092 and $5,870, during the three months ended September 30, 2024 and 2023, respectively; and $29,240 and $11,742 during the nine months ended September 30, 2024 and 2023, respectively.

In June 2024, the Company entered into the A&R ATSA with Amazon that will increase the number of 737-800 cargo aircraft that Sun Country operates on behalf of Amazon from 12 to 20. The A&R ATSA includes revised economics to reflect the higher-cost environment that has ensued since the original Air Transportation Services Agreement ("ATSA") was signed in December 2019. The A&R ATSA contains three performance obligations: Flight Services, Heavy Maintenance and Fuel; all of which are unchanged from the original ATSA. The first additional aircraft is expected to begin service in the first quarter of 2025, and all eight aircraft are expected to be operational by the end of the third quarter of 2025. The A&R ATSA includes an initial six-year term, which expires in October 2030. The agreement includes two additional, two-year renewal terms exercisable at Amazon's option, and a subsequent three-year renewal term subject to mutual written agreement, which, if not agreed to, will trigger a final two-year wind-down term. The Company did not receive any material financial reimbursements for start-up costs incurred in connection with the incremental aircraft. The warrant agreement was not amended in connection with the A&R ATSA, Amazon did not receive any additional warrants in connection with the A&R ATSA. Accordingly, warrants issued to Amazon will continue to vest in accordance with the terms of the warrant agreement executed in December 2019.

(Dollars in thousands, except per share and share amounts)

The significant categories comprising Operating Revenues are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Scheduled Service	$ 83,784	$ 96,483	$ 313,056	$ 360,607
Charter	50,769	47,437	149,090	143,250
Ancillary	73,211	70,435	236,677	205,633
Passenger	207,764	214,355	698,823	709,490
Cargo	29,165	26,059	78,560	74,437
Other	12,541	8,462	37,951	20,150
Total Operating Revenues	$ 249,470	$ 248,876	$ 815,334	$ 804,077

The Company attributes and measures its Operating Revenues by geographic region as defined by the United States Department of Transportation ("DOT") for airline reporting based upon the origin of each passenger and cargo flight segment.

The Company’s operations are highly concentrated in the U.S., but include service to many international locations, primarily consisting of scheduled service to Latin America and military charter service to various international destinations.

Total Operating Revenues by geographic region are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Domestic	$ 245,722	$ 242,504	$ 783,834	$ 767,509
Latin America	3,748	6,372	31,500	36,078
Other	—	—	—	490
Total Operating Revenues	$ 249,470	$ 248,876	$ 815,334	$ 804,077

Contract Balances

The Company’s contract assets relate to costs incurred to prepare the Amazon cargo aircraft for service under the original ATSA and the A&R ATSA, as well as warrants that have vested and will be amortized against Cargo revenue over the remaining term of the A&R ATSA. The balances are included in Other Current Assets and Other Assets on the Condensed Consolidated Balance Sheets.

(Dollars in thousands, except per share and share amounts)

The Company's contract liabilities are comprised of: 1) ticket sales for transportation that have not yet been provided (reported as Air Traffic Liabilities on the Condensed Consolidated Balance Sheets), 2) outstanding loyalty points that may be redeemed for future travel and other non-air travel awards (reported as Loyalty Program Liabilities on the Condensed Consolidated Balance Sheets) and, 3) the Amazon Deferred Up-front Payment received under the original ATSA (reported within Other Current Liabilities and Other Long-term Liabilities on the Condensed Consolidated Balance Sheets).

Contract Assets and Liabilities are as follows:

	September 30, 2024	December 31, 2023
Contract Assets		
Amazon Contract	$ 2,100	$ 1,493
Total Contract Assets	$ 2,100	$ 1,493
Contract Liabilities		
Air Traffic Liabilities	$ 131,538	$ 157,996
Loyalty Program Liabilities	14,182	13,737
Amazon Contract	1,681	2,225
Total Contract Liabilities	$ 147,401	$ 173,958

The balance in the Air Traffic Liabilities fluctuates with seasonal travel patterns. Most tickets can be purchased no more than twelve months in advance, therefore any revenue associated with tickets sold for future travel will be recognized within that timeframe. For the nine months ended September 30, 2024, $153,708 of revenue was recognized in Passenger revenue that was included in the Air Traffic Liabilities as of December 31, 2023.

Loyalty Program

The Sun Country Rewards program provides loyalty awards to program members based on accumulated loyalty points. The Company records a liability for loyalty points earned by passengers under the Sun Country Rewards program using two methods: 1) a liability for points that are earned by passengers on purchases of the Company's services is established by deferring revenue based on the redemption value, net of estimated loyalty points that will expire unused, or breakage; and 2) a liability for points attributed to loyalty points issued to the Company's Visa card holders is established by deferring a portion of payments received from the Company's co-branded agreement. The balance of the Loyalty Program Liabilities fluctuates based on seasonal patterns, which impacts the volume of loyalty points awarded through travel or issued to co-branded credit card and other partners (deferral of revenue) and loyalty points redeemed (recognition of revenue). Due to these reasons, the timing of loyalty point redemptions can vary significantly.

(Dollars in thousands, except per share and share amounts)

Changes in the Loyalty Program Liabilities are as follows:

	2024	2023
Balance – January 1	$ 13,737	$ 15,437
Loyalty Points Earned	6,573	6,209
Loyalty Points Redeemed [(1)]	(6,128)	(7,799)
Balance – September 30	$ 14,182	$ 13,847

(1) Loyalty points are combined in one homogenous pool, which includes both air and non-air travel awards, and are not separately identifiable. As such, the revenue recognized is comprised of points that were part of the Loyalty Program Liabilities balance at the beginning of the period, as well as points that were earned during the period.

3. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator:				
Net Income	$ 2,342	$ 7,591	$ 39,467	$ 66,536
Denominator:				
Weighted Average Common Shares Outstanding - Basic	52,876,339	55,435,386	52,866,797	56,051,173
Dilutive effect of Stock Options, RSUs and Warrants	1,904,333	3,160,260	2,123,640	3,230,646
Weighted Average Common Shares Outstanding - Diluted	54,780,672	58,595,646	54,990,437	59,281,819
Basic earnings per share	$ 0.04	$ 0.14	$ 0.75	$ 1.19
Diluted earnings per share	$ 0.04	$ 0.13	$ 0.72	$ 1.12

The Company has excluded 4,805,638 and 4,631,203 of stock options, RSUs and warrants that would have had an anti-dilutive effect on its diluted earnings per share calculation for the three and nine months ended September 30, 2024, respectively. The Company's anti-dilutive shares for the three and nine months ended September 30, 2023 were not material to the Condensed Consolidated Financial Statements.

(Dollars in thousands, except per share and share amounts)

4. AIRCRAFT

As of September 30, 2024, Sun Country's fleet consisted of 63 Boeing 737-NG aircraft, comprised of 58 Boeing 737-800s and five Boeing 737-900ERs.

The following tables summarize the Company's aircraft fleet activity for the nine months ended September 30, 2024 and 2023, respectively:

	December 31, 2023	Additions	Reclassifications	Removals	September 30, 2024
Passenger:					
Owned	29	1	1	—	31
Finance leases	13	1	(1)	—	13
Sun Country Airlines' Fleet	42	2	—	—	44
Cargo:					
Aircraft Operated for Amazon	12	—	—	—	12
Other:					
Owned Aircraft Held for Operating Lease	5	—	—	—	5
Subleased Aircraft (1)	1	1	—	—	2
Total Aircraft	60	3	—	—	63

	December 31, 2022	Additions	Reclassifications	Removals	September 30, 2023
Passenger:					
Owned	29	1	—	(1)	29
Finance leases	11	—	2	—	13
Operating leases	2	—	(2)	—	—
Sun Country Airlines' Fleet	42	1	—	(1)	42
Cargo:					
Aircraft Operated for Amazon	12	—	—	—	12
Other:					
Owned Aircraft Held for Operating Lease	—	5	—	—	5
Total Aircraft	54	6	—	(1)	59

(1) The head leases associated with these subleases are classified as finance leases.

During the nine months ended September 30, 2024, the Company acquired one incremental owned aircraft and took control of two aircraft through finance lease arrangements, one of which was subsequently subleased to the same unaffiliated airline to whom we subleased another aircraft during the year ended December 31, 2023. During the nine months ended September 30, 2024, amendments were executed to extend the lease expiry terms for both subleased aircraft through the fourth quarter of 2025. Upon expiry of these subleases, both aircraft will be redelivered to the Company and are expected to be inducted into the Company's passenger fleet. Further, the Company purchased one aircraft previously classified as a finance lease, which is now unencumbered. Of the 36 Owned aircraft and Owned Aircraft Held for Operating Lease as of September 30, 2024, 31 aircraft were financed and five aircraft were unencumbered. In October 2024, the Company purchased an aircraft previously classified as a finance lease, which is now unencumbered.

(Dollars in thousands, except per share and share amounts)

During the nine months ended September 30, 2023, the Company acquired five 737-900ERs that are currently on lease to an unaffiliated airline ("Owned Aircraft Held for Operating Lease"). The Owned Aircraft Held for Operating Lease are financed through a term loan arrangement. See Note 6 within Part II, Item 8 in our 2023 10-K for more information on this transaction. Additionally, during the nine months ended September 30, 2023, the Company acquired an incremental aircraft and executed a lease amendment to purchase two aircraft at the end of its lease term. The lease amendment modified the classification of this lease from an operating lease to a finance lease and has an expiration date in fiscal year 2024. During the three months ended September 30, 2023, management approved a plan to retire an owned aircraft. Certain parts of the aircraft were maintained for future use by the Company or held for sale. The impact of the retirement and the assets held for sale were not material to the Company's Condensed Consolidated Financial Statements.

Depreciation, amortization, and rent expense on aircraft are as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
Aircraft Status	**Expense Type**	**2024**	**2023**	**2024**	**2023**
Owned	Depreciation	$ 14,011	$ 14,395	$ 42,519	$ 40,709
Finance Leased	Amortization	5,666	5,183	16,833	14,741
Operating Leased	Aircraft Rent [1]	—	22	—	2,281
		$ 19,677	$ 19,600	$ 59,352	$ 57,731

(1) Aircraft Rent expense includes credits for the amortization of over-market liabilities established on April 11, 2018 ("the Acquisition Date").

5. DEBT

Credit Facilities

On February 10, 2021, the Company executed a five-year credit agreement (the “Credit Agreement”) with a group of lenders. The Credit Agreement includes a $25,000 Revolving Credit Facility (the "Revolving Credit Facility") and a $90,000 Delayed Draw Term Loan Facility (“DDTL”), which are collectively referred to as the “Credit Facilities.” The Credit Agreement includes financial covenants that require a minimum trailing 12-month EBITDAR of $87,700 and minimum liquidity, as defined within the Credit Agreement, of $30,000 at the close of any business day. The Company was in compliance with these covenants as of September 30, 2024.

Due to previous transactions which utilized the DDTL and the subsequent repayment, no amounts under the DDTL were available to the Company as of September 30, 2024. As of September 30, 2024, the Company had $24,743 of financing available through the Revolving Credit Facility, as $257 had been pledged to support letters of credit.

Long-term Debt

Term Loan Credit Facility

During the nine months ended September 30, 2023, the Company executed a term loan credit facility with a face amount of $119,200 for the purpose of financing the five Owned Aircraft Held for Operating Lease. The loan is repaid monthly through March 2030. During the lease term, payments collected from the lessee are applied directly to the repayment of principal and interest on the term loan credit facility. The Owned Aircraft Held for Operating Lease, as well as the related lease payments received from the lessee, are pledged as collateral.

The interest rate on the term loan credit facility is determined using a base rate, which resets monthly, plus an applicable margin, and a fixed credit spread adjustment of 0.1%. The applicable margin during the lease term is fixed at 3.75%, and is subsequently reduced to 3.25% once the aircraft have been redelivered to the Company and a Loan-to-Value ("LTV") ratio calculation is completed. The interest rate in effect as of September 30, 2024 was 8.8%. To the extent that the LTV ratio exceeds 75% at the end of the lease term, a principal prepayment will be required in order to reduce the ratio to 75%. If at any point within 12 months of the end of the lease term for each respective aircraft the Company deems it probable that a principal prepayment will be required in order to reduce the LTV ratio to 75%, and such amount can be reasonably estimated, the estimated principal prepayment amount will be reclassified from Long-term Debt, net to Current Maturities of Long-term Debt, net on the Company's Condensed Consolidated Balance Sheets. In the event a principal prepayment is required, amounts received under the end of lease maintenance compensation clause will be applied towards any prepayment obligation. No amounts related to an estimated principal prepayment have been reclassified from Long-term Debt, net to Current Maturities of Long-term Debt, net on the Company's Condensed Consolidated Balance Sheets as of September 30, 2024.

Pass-Through Trust Certificates

During March 2022, the Company arranged for the issuance of Class A and Class B certificates (the "2022-1 EETC") in an aggregate face amount of $188,277 for the purpose of financing or refinancing 13 aircraft. The Company is required to make bi-annual principal and interest payments each March and September, through March 2031. These notes bear interest at an annual rate between 4.84% and 5.75%. The weighted average interest rate was 4.30% as of September 30, 2024.

In December 2019, the Company arranged for the issuance of Class A, Class B and Class C trust certificates Series 2019-1 (the “2019-1 EETC”), in an aggregate face amount of $248,587 for the purpose of financing or refinancing 13 aircraft, which was completed in 2020. The Company is required to make bi-annual principal and interest payments each June and December, through December 2027. These notes bear interest at an annual rate between 4.13% and 6.95%. The weighted average interest rate was 5.05% as of September 30, 2024.

(Dollars in thousands, except per share and share amounts)

Long-term Debt includes the following:

	September 30, 2024	December 31, 2023
2019-1 EETC (see terms and conditions above)	$ 119,208	$ 138,423
2022-1 EETC (see terms and conditions above)	138,532	158,775
Term Loan Credit Facility (see terms and conditions above)	97,124	108,442
Total Debt	354,864	405,640
Less: Unamortized debt issuance costs	(3,085)	(3,995)
Less: Current Maturities of Long-term Debt, net	(75,915)	(74,177)
Total Long-term Debt, net	$ 275,864	$ 327,468

Future maturities of the outstanding Debt are as follows:

	Debt Principal Payments	Amortization of Debt Issuance Costs	Net Debt
Remainder of 2024	$ 24,719	$ (277)	$ 24,442
2025	80,169	(956)	79,213
2026	61,087	(709)	60,378
2027	65,111	(525)	64,586
2028	36,299	(337)	35,962
Thereafter	87,479	(281)	87,198
Total as of September 30, 2024	$ 354,864	$ (3,085)	$ 351,779

The fair value of Debt was $338,425 as of September 30, 2024 and $383,061 as of December 31, 2023. The fair value of the Company's debt was based on the discounted amount of future cash flows using the Company's end-of-period estimated incremental borrowing rate for similar obligations. The estimates were primarily based on Level 3 inputs.

(Dollars in thousands, except per share and share amounts)

6. INVESTMENTS

A summary of debt securities by major security type:

	September 30, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Securities: (1)				
Corporate Debt Securities	$ 52,908	$ 66	$ (14)	$ 52,960
U.S. Government Agency Securities	30,349	7	(36)	30,320
Total	$ 83,257	$ 73	$ (50)	$ 83,280

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Securities: (1)				
Municipal Debt Securities	$ 6,981	$ —	$ (5)	$ 6,976
Corporate Debt Securities	59,222	76	(50)	59,248
U.S. Government Agency Securities	68,118	23	(125)	68,016
Total	$ 134,321	$ 99	$ (180)	$ 134,240

(1) The Company also holds Certificates of Deposit that are included in Investments on the Condensed Consolidated Balance Sheets totaling $6,417 and $6,887 as of September 30, 2024 and December 31, 2023, respectively.

As of September 30, 2024, the unrealized losses were the result of increases in market interest rates and were not the result of a deterioration in the credit quality of the securities. The Company believes that any unrealized losses are recoverable prior to the investment's conversion to cash.

7. FAIR VALUE MEASUREMENTS

The following table summarizes the assets measured at fair value on a recurring basis:

	September 30, 2024			
	Level 1	Level 2	Level 3	Total
Cash & Cash Equivalents	$ 56,791	$ —	$ —	$ 56,791
Available-for-Sale Securities:				
Corporate Debt Securities	—	52,960	—	52,960
U.S. Government Agency Securities	—	30,320	—	30,320
Total Available-for-Sale Securities	—	83,280	—	83,280
Total Assets Measured at Fair Value on a Recurring Basis	$ 56,791	$ 83,280	$ —	$ 140,071

(Dollars in thousands, except per share and share amounts)

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash & Cash Equivalents	$ 46,279	$ —	$ —	$ 46,279
Available-for-Sale Securities:				
Municipal Debt Securities	—	6,976	—	6,976
Corporate Debt Securities	—	59,248	—	59,248
U.S. Government Agency Securities	—	68,016	—	68,016
Total Available-for-Sale Securities	—	134,240	—	134,240
Total Assets Measured at Fair Value on a Recurring Basis	$ 46,279	$ 134,240	$ —	$ 180,519

8. INCOME TAXES

The Company's effective tax rate for the three and nine months ended September 30, 2024 was 22.0% and 25.0%, respectively. The Company's effective tax rate for the three and nine months ended September 30, 2023 was 24.6% and 23.1%, respectively. The effective tax rate represents a blend of federal and state taxes and includes the impact of certain nondeductible or nontaxable items. The change in the effective tax rate during the three and nine months ended September 30, 2024 was due to the impact of permanent stock compensation items on the effective rate.

Tax Receivable Agreement

The total Tax Receivable Agreement ("TRA") balance as of September 30, 2024 and December 31, 2023 was $97,694 and $101,044, of which $9,544 and $3,250 was current, respectively. The TRA liability is an estimate and actual amounts payable under the TRA could differ from this estimate. During the nine months ended September 30, 2024 and 2023, the Company made payments of $3,350 and $2,425, respectively, to the pre-IPO stockholders (the “TRA holders”), which includes certain members of the Company's management and certain members of the Company's Board of Directors. The payment is included within Financing Activities on the Condensed Consolidated Statements of Cash Flows. Payments will be made in future periods as attributes that existed at the time of the IPO (the “Pre-IPO Tax Attributes”) are utilized.

9. STOCKHOLDERS' EQUITY

Equity Transactions

Common Stock Repurchases

The Company maintains a stock repurchase program, which has no expiration date and may be modified, suspended, or terminated by the Company's Board of Directors at any time. As of September 30, 2024, the Company did not have any remaining amount of Board authorization to repurchase shares of its Common Stock.

During the nine months ended September 30, 2024, the Company completed open market repurchases for 755,284 shares of its Common Stock at a total cost of $11,493, or an average price of $15.22 per share. During the nine months ended September 30, 2023, the Company repurchased 3,307,541 shares of its Common Stock at an average price of $16.64 per share. The repurchases were part of a secondary public offering of the Company's shares by the Apollo Stockholder, as well as open market purchases. The settlement of a $25,000 Accelerated Share Repurchase Program occurred during January 2023, upon which the Company received an additional 480,932 shares.

Amazon Agreement

On December 13, 2019, the Company signed a six-year contract with Amazon to provide cargo services under the ATSA. In connection with the ATSA, the Company issued warrants to Amazon to purchase an aggregate of up to 9,482,606 shares of common stock at an exercise price of approximately $15.17 per share. During the nine months ended September 30, 2024 and 2023, 632,173 warrants vested in each period. As of September 30, 2024 and 2023, the cumulative vested warrants held by Amazon were 3,856,266 and 3,034,441, respectively. The exercise period of these warrants is through the eighth anniversary of the issue date.

No incremental warrants were issued, nor was the original warrant agreement modified, upon the signing of the A&R ATSA. For more information on the A&R ATSA, see Note 2.

Stock Compensation

During the first quarter of 2024, the Company issued performance-based restricted stock units ("PRSUs") to certain employees. The PRSUs are long-term incentive opportunities that represent the right to receive shares of the Company's Common Stock based on the achievement of certain performance conditions over a three-year period. Potential payouts range from 50%-150% of a target level. The maximum number of shares that may be issued on the PRSU vesting date is 255,057. The Company recognizes PRSU stock compensation expense to the extent it is probable the performance condition(s) will be satisfied.

10. COMMITMENTS AND CONTINGENCIES

The Company has contractual obligations and commitments primarily with regard to lease arrangements, repayment of debt (see Note 5), payments under the TRA (see Note 8), and probable future purchases of aircraft.

The Company is subject to an audit by the Internal Revenue Service ("IRS") related to the collection of federal excise taxes on optional passenger seat selection charges covering the period of October 1, 2021 through June 30, 2023. During 2024, the Company received an assessment of approximately $2,700 from the IRS related to the results of the audit. The Company has appealed the results of the audit through a formal protest with the IRS. The Company believes a loss in this matter is not probable and has not recognized a loss contingency as of September 30, 2024.

The Company is subject to various legal proceedings in the normal course of business and expenses legal costs as incurred. Management does not believe these proceedings will have a materially adverse effect on the Company.

(Dollars in thousands, except per share and share amounts)

11. OPERATING SEGMENTS

The following tables present financial information for the Company's two operating segments: Passenger and Cargo.

	Three Months Ended September 30, 2024			Three Months Ended September 30, 2023		
	Passenger	Cargo	Consolidated	Passenger	Cargo	Consolidated
Operating Revenues	$ 220,305	$ 29,165	$ 249,470	$ 222,817	$ 26,059	$ 248,876
Non-Fuel Operating Expenses	154,911	27,440	182,351	142,045	26,646	168,691
Aircraft Fuel	54,701	36	54,737	61,157	22	61,179
Total Operating Expenses	209,612	27,476	237,088	203,202	26,668	229,870
Operating Income (Loss)	$ 10,693	$ 1,689	12,382	$ 19,615	$ (609)	19,006
Interest Income			1,659			2,480
Interest Expense			(11,049)			(11,403)
Other, net			12			(15)
Income Before Income Tax			$ 3,004			$ 10,068

	Nine Months Ended September 30, 2024			Nine Months Ended September 30, 2023		
	Passenger	Cargo	Consolidated	Passenger	Cargo	Consolidated
Operating Revenues	$ 736,774	$ 78,560	$ 815,334	$ 729,640	$ 74,437	$ 804,077
Non-Fuel Operating Expenses	469,824	78,358	548,182	428,889	78,984	507,873
Aircraft Fuel	187,185	44	187,229	185,770	59	185,829
Total Operating Expenses	657,009	78,402	735,411	614,659	79,043	693,702
Operating Income (Loss)	$ 79,765	$ 158	79,923	$ 114,981	$ (4,606)	110,375
Interest Income			5,907			7,766
Interest Expense			(33,238)			(31,272)
Other, net			55			(370)
Income Before Income Tax			$ 52,647			$ 86,499

12. SUBSEQUENT EVENTS

The Company evaluated subsequent events for the period from the Balance Sheet date through October 30, 2024, the date that the Condensed Consolidated Financial Statements were available to be issued.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise indicated, the terms "Sun Country," "we," "us" and "our" refer to Sun Country Airlines Holdings, Inc., and its subsidiaries.

Forward-Looking Statements

The following discussion and analysis presents factors that had a material effect on our results of operations during the nine months ended September 30, 2024 and 2023. Also discussed is our financial position as of September 30, 2024 and December 31, 2023. This section should be read in conjunction with our unaudited Condensed Consolidated Financial Statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited Consolidated Financial Statements and related notes and discussion under the heading, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2023 10-K. This discussion contains forward-looking statements that involve risk, assumptions and uncertainties, such as statements of our plans, objectives, expectations, intentions and forecasts. Our actual results and the timing of selected events could differ materially from those discussed in these forward-looking statements as a result of several factors, including those set forth under the section of this report titled, "Risk Factors" and elsewhere in this report. You should carefully read the "Risk Factors" included in our 2023 10-K to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements.

Business Overview

Sun Country is a new breed of hybrid low-cost air carrier that dynamically deploys shared resources across our synergistic Scheduled Service, Charter, and Cargo businesses. By doing so, we believe we are able to generate high growth, high margins and strong cash flows with greater resilience than other passenger airlines. Based in Minnesota, we focus on serving leisure and visiting friends and relatives ("VFR") passengers, Charter customers and providing crew, maintenance and insurance ("CMI") service to Amazon, with flights throughout the U.S. and to destinations in Canada, Mexico, Central America and the Caribbean. We share resources, such as flight crews, across our Scheduled Service, Charter and Cargo business lines with the objective of generating high returns and margins and mitigating the seasonality of our route network. We optimize capacity using an agile peak demand scheduling strategy which aims to shift flying to markets during periods of peak demand and away from markets during periods of low demand. We believe this flexible business model provides greater resiliency to economic and industry downturns than a traditional scheduled service carrier. This strategy has been implemented and executed by an experienced management team with deep knowledge of the industry.

Our Scheduled Service business combines low costs with a high-quality product to generate higher Total Revenue per Available Seat Mile ("TRASM") than Ultra Low-Cost Carriers ("ULCCs") while maintaining lower Adjusted Cost per Available Seat Mile ("CASM") than Low Cost Carriers ("LCCs"), resulting in best-in-class unit profitability. Our business includes many cost characteristics of ULCCs, such as an unbundled product (which means we offer a base fare and allow customers to purchase ancillary products and services for an additional fee), point-to-point service and a single-family fleet of Boeing 737-NG aircraft, which allow us to maintain a cost base comparable to ULCCs. However, we offer a high-quality product that we believe is superior to ULCCs and consistent with that of LCCs. For example, our product includes more average legroom than ULCCs, complimentary soft drinks and juices, complimentary in-flight entertainment, and in-seat power, none of which are offered by other ULCCs.

Our Charter business, which is one of the largest narrow body Charter operations in the United States, is synergistic with our other businesses and provides both inherent diversification and downside protection. Our

Charter business has several favorable characteristics, including: large repeat customers, more stable demand than Scheduled Service flying, and the ability to pass through certain costs, including fuel. Our diverse Charter customer base includes the DoD, collegiate and professional sports teams, and casino operators. Our Charter business includes ad hoc, repeat, short-term and long-term service contracts with pass through fuel arrangements and annual rate escalations. Most of our business is non-cyclical because the DoD and sports teams continue to fly during normal economic downturns and our casino contracts are long-term in nature.

On December 13, 2019, we signed the ATSA with Amazon to provide air cargo services. Flying under the ATSA began in May 2020 and we are currently operating 12 Boeing 737-800 cargo aircraft for Amazon. In June 2024, the Company entered into the A&R ATSA with Amazon that will increase the number of 737-800 cargo aircraft that Sun Country operates on behalf of Amazon from 12 to 20. The A&R ATSA includes revised economics to reflect the higher-cost environment that has ensued since the original ATSA was signed in December 2019. The first additional aircraft is expected to begin service in the first quarter of 2025, and all eight aircraft are expected to be operational by the end of the third quarter of 2025. The A&R ATSA includes an initial six-year term, which expires in October 2030. The agreement includes two additional, two-year renewal terms exercisable at Amazon's option, and a subsequent three-year renewal term subject to mutual written agreement, which, if not agreed to, will trigger a final two-year wind-down term.

Our CMI service is asset-light from a Sun Country perspective as Amazon supplies the aircraft and covers many of the operating expenses, including fuel, and provides all cargo loading and unloading services. We are responsible for flying the aircraft under our air carrier certificate, crew, aircraft line maintenance and insurance, all of which allow us to leverage our existing operational expertise from our passenger businesses. Our cargo business also enables us to leverage certain assets, capabilities, and fixed costs to enhance profitability and promote growth across our Company.

Operations in Review

We believe a key component of our success is establishing Sun Country as a high growth, low-cost carrier in the United States by attracting customers with low fares and garnering repeat business by delivering a high-quality passenger experience, offering state-of-the-art interiors, complimentary streaming of in-flight entertainment to passenger devices, seat reclining and seat-back power in all our aircraft.

Fuel price volatility, due to market conditions and geopolitical events and the impact of macroeconomic conditions, continue to impact the Company, as well as the industry. Our diversified business model, which includes a focus on leisure and VFR passengers, Charter and Cargo service, is unique in the airline sector and helps mitigate the impact of economic and industry downturns on our business when compared with other large U.S. passenger airlines. This strategy has allowed us to offset a majority of additional costs associated with fuel price volatility and the impact of macroeconomic conditions. Additionally, our Charter and Cargo businesses have the ability to pass on certain costs, including fuel. Our flexible business model gives us the ability to adjust our services in response to market conditions, which is targeted at producing the highest possible returns for Sun Country.

For more information on our business and strategic advantages, see the "Business" and “Management’s Discussion and Analysis of Operations” sections within Part I, Item 1 and Part II, Item 7, respectively, in our 2023 10-K.

Components of Operations

For a more detailed discussion on the nature of transactions included in the separate line items of our Condensed Consolidated Statement of Operations, see “Management’s Discussion and Analysis of Operations” in Part II, Item 7 in our 2023 10-K.

(Dollars in thousands, except per share amounts)

Operating Statistics

	Three Months Ended September 30, 2024 [1]				Three Months Ended September 30, 2023 [1]			
	Scheduled Service	Charter	Cargo	Total	Scheduled Service	Charter	Cargo	Total
Departures [2]	7,259	2,809	3,519	13,730	6,878	2,688	3,432	13,128
Block hours [2]	21,416	5,366	8,957	36,191	19,935	5,274	9,287	34,874
Aircraft miles [2]	8,226,118	1,849,230	3,439,083	13,661,813	7,776,676	1,841,921	3,599,149	13,341,868
Available seat miles (ASMs) (thousands) [2]	1,530,058	328,142		1,884,889	1,446,462	322,722		1,791,485
Total revenue per ASM (TRASM) (cents) [3]	10.42	15.47		11.15	11.72	14.70		12.11
Average passenger aircraft during the period [4]				43.6				42.0
Passenger aircraft at end of period [4]				44				42
Cargo aircraft at end of period				12				12
Leased Aircraft [5]				7				5
Average daily aircraft utilization (hours) [4]				6.8				6.6
Average stage length (miles)				1,001				1,005
Revenue passengers carried [6]	1,112,455				1,090,172			
Revenue passenger miles (RPMs) (thousands) [6]	1,288,460				1,252,583			
Load factor [6]	84.2 %				86.6 %			
Average base fare per passenger [6]	$ 75.31				$ 88.50			
Ancillary revenue per passenger [6]	$ 65.81				$ 64.61			
Total fare per passenger [6]	$ 141.13				$ 153.11			
Charter revenue per block hour [6]		$ 9,462				$ 8,994		
Fuel gallons consumed (thousands) [2]	16,565	3,525		20,344	15,536	3,513		19,262
Fuel cost per gallon, excluding indirect fuel credits				$ 2.69				$ 3.19
Employees at end of period				2,965				2,692
Cost per available seat mile (CASM) (cents) [7]				12.58				12.83
Adjusted CASM (cents) [8]				8.04				7.75

(1) Certain operating statistics and metrics are not presented as they are not calculable or are not utilized by management.
(2) Total System operating statistics for Departures, Block hours, Aircraft miles, ASMs and Fuel gallons consumed include amounts related to flights operated for maintenance; therefore, the Total System amounts are higher than the sum of Scheduled Service, Charter and Cargo amounts.
(3) Scheduled Service TRASM includes Schedule Service revenue, Ancillary revenue, and ASM generating revenue classified within Other Revenue on the Condensed Consolidated Statements of Operations.
(4) Scheduled Service and Charter utilize the same fleet of aircraft. Aircraft counts and utilization metrics are shown on a system basis only.
(5) Includes both the Company's Owned Aircraft Held for Operating Lease as well as subleased aircraft. These aircraft are leased to unaffiliated third parties.
(6) Passenger-related statistics and metrics are shown only for Scheduled Service. Charter revenue is driven by flight statistics.
(7) CASM is a key airline cost metric. CASM is defined as operating expenses divided by total available seat miles.
(8) Adjusted CASM is a non-GAAP measure derived from CASM by excluding fuel costs, costs related to our cargo operations, and certain other costs that are unrelated to our airline operations.

(Dollars in thousands, except per share amounts)

	Nine Months Ended September 30, 2024 [1]				Nine Months Ended September 30, 2023 [1]			
	Scheduled Service	Charter	Cargo	Total	Scheduled Service	Charter	Cargo	Total
Departures [2]	22,109	7,638	9,726	39,879	19,456	7,816	9,643	37,295
Block hours [2]	70,312	15,355	25,008	111,908	61,438	15,994	25,633	104,188
Aircraft miles [2]	27,413,311	5,300,705	9,465,884	42,579,400	24,139,614	5,522,791	9,732,308	39,758,210
Available seat miles (ASMs) (thousands) [2]	5,098,876	937,057		6,108,695	4,489,968	961,953		5,516,826
Total revenue per ASM (TRASM) (cents) [3]	10.95	15.91		11.58	12.80	14.89		13.01
Average passenger aircraft during the period [4]				42.6				41.8
Passenger aircraft at end of period [4]				44				42
Cargo aircraft at end of period				12				12
Leased Aircraft [5]				7				5
Average daily aircraft utilization (hours) [4]				7.4				6.9
Average stage length (miles)				1,100				1,088
Revenue passengers carried [6]	3,437,005				3,093,536			
Revenue passenger miles (RPMs) (thousands) [6]	4,335,623				3,900,975			
Load factor [6]	85.0 %				86.9 %			
Average base fare per passenger [6]	$ 91.08				$ 116.57			
Ancillary revenue per passenger [6]	$ 68.86				$ 66.47			
Total fare per passenger [6]	$ 159.95				$ 183.04			
Charter revenue per block hour [6]		$ 9,709				$ 8,956		
Fuel gallons consumed (thousands) [2]	54,634	10,558		65,884	48,046	11,063		59,734
Fuel cost per gallon, excluding indirect fuel credits				$ 2.86				$ 3.12
Employees at end of period				2,965				2,692
Cost per available seat mile (CASM) (cents) [7]				12.04				12.57
Adjusted CASM (cents) [8]				7.51				7.56

(1) Certain operating statistics and metrics are not presented as they are not calculable or are not utilized by management.
(2) Total System operating statistics for Departures, Block hours, Aircraft miles, ASMs and Fuel gallons consumed include amounts related to flights operated for maintenance; therefore, the Total System amounts are higher than the sum of Scheduled Service, Charter and Cargo amounts.
(3) Scheduled Service TRASM includes Schedule Service revenue, Ancillary revenue, and ASM generating revenue classified within Other Revenue on the Condensed Consolidated Statements of Operations.
(4) Scheduled Service and Charter utilize the same fleet of aircraft. Aircraft counts and utilization metrics are shown on a system basis only.
(5) Includes both the Company's Owned Aircraft Held for Operating Lease as well as subleased aircraft. These aircraft are leased to unaffiliated third parties.
(6) Passenger-related statistics and metrics are shown only for Scheduled Service. Charter revenue is driven by flight statistics.
(7) CASM is a key airline cost metric. CASM is defined as operating expenses divided by total available seat miles.
(8) Adjusted CASM is a non-GAAP measure derived from CASM by excluding fuel costs, costs related to our cargo operations, and certain other costs that are unrelated to our airline operations

(Dollars in thousands, except per share amounts)

Results of Operations
For the Three Months Ended September 30, 2024 and 2023

	Three Months Ended September 30,		%
	2024	2023	Change
Operating Revenues:			
Scheduled Service	$ 83,784	$ 96,483	(13)%
Charter	50,769	47,437	7 %
Ancillary	73,211	70,435	4 %
Passenger	207,764	214,355	(3)%
Cargo	29,165	26,059	12 %
Other	12,541	8,462	48 %
Total Operating Revenues	249,470	248,876	— %
Operating Expenses:			
Aircraft Fuel	54,737	61,179	(11)%
Salaries, Wages, and Benefits	80,919	72,541	12 %
Aircraft Rent	—	22	(100)%
Maintenance	15,973	15,330	4 %
Sales and Marketing	7,748	7,569	2 %
Depreciation and Amortization	23,754	22,762	4 %
Ground Handling	11,568	9,382	23 %
Landing Fees and Airport Rent	15,979	13,958	14 %
Other Operating, net	26,410	27,127	(3)%
Total Operating Expenses	237,088	229,870	3 %
Operating Income	12,382	19,006	(35)%
Non-operating Income (Expense):			
Interest Income	1,659	2,480	(33)%
Interest Expense	(11,049)	(11,403)	(3)%
Other, net	12	(15)	NM
Total Non-operating Expense, net	(9,378)	(8,938)	5 %
Income Before Income Tax	3,004	10,068	(70)%
Income Tax Expense	662	2,477	(73)%
Net Income	$ 2,342	$ 7,591	(69)%

"NM" stands for not meaningful

Total Operating Revenues were $249,470 for the three months ended September 30, 2024. The quarter-over-quarter change in Total Operating Revenues was nominal. The increase in rental revenue included within Other revenue, as well as the increase in Cargo revenue due to the A&R ATSA, were largely offset by a decrease in Passenger revenue as a result of an 8% decrease in total fare per passenger. These items are discussed in further detail below.

(Dollars in thousands, except per share amounts)

Passenger. Passenger revenue decreased $6,591, or 3%, to $207,764 for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. The table below presents select operating data for lines of revenue within Passenger, expressed as quarter-over-quarter changes:

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	% Change
Scheduled Service and Ancillary Statistics:			
Departures	7,259	6,878	6 %
Block Hours	21,416	19,935	7 %
Passengers	1,112,455	1,090,172	2 %
Average base fare per passenger	$ 75.31	$ 88.50	(15)%
Ancillary revenue per passenger	$ 65.81	$ 64.61	2 %
Total fare per passenger	$ 141.13	$ 153.11	(8)%
RPMs (thousands)	1,288,460	1,252,583	3 %
ASMs (thousands)	1,530,058	1,446,462	6 %
TRASM (cents)	10.42	11.72	(11)%
Passenger load factor	84.2 %	86.6 %	(2.4)%
Charter Statistics:			
Departures	2,809	2,688	5 %
Block hours	5,366	5,274	2 %
Charter revenue per block hour	$ 9,462	$ 8,994	5 %

The decreases in both total fare per passenger and TRASM were impacted by increased capacity across the industry. The increase in capacity by the Company and across the industry also had an impact on the 2.4% reduction in load factor. Volume increases due to operational growth partially offset the quarter-over-quarter decreases in both total fare per passenger, TRASM, and load factor. As a result of the operational growth, both Scheduled Service departures and ASMs increased by 6%, which drove the 2% increase in passengers. The 2% increase in Schedule Service passengers during the period also resulted in greater sales of ancillary products.

Passenger revenue benefited from the $3,332, or 7%, increase in Charter revenue during the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. This increase was the result of a 5% improvement in Charter revenue per block hour and a 2% increase in block hours. The improvement in Charter revenue per block hour was due to rate increases and management initiatives to reduce the number of ferry flights.

Cargo. Revenue from cargo services increased $3,106, or 12%, to $29,165 for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The increase was primarily driven by rate escalations as a result of the A&R ATSA, partially offset by a 4% quarter-over-quarter decrease in block hours.

Other. Other revenue increased $4,079, or 48%, to $12,541 for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. Other revenue benefited from the $10,092 of rental revenue primarily associated with seven leased aircraft during the three months ended September 30, 2024, as compared to $5,870 of rental revenue associated with five leased aircraft during the three months ended September 30, 2023.

(Dollars in thousands, except per share amounts)

Operating Expenses

Aircraft Fuel. We believe Aircraft Fuel expense, excluding indirect fuel credits, is the best measure of the effect of fuel prices on our business as it consists solely of direct fuel expenses that are related to our operations and is consistent with how management analyzes our operating performance. This measure is defined as GAAP Aircraft Fuel expense, excluding indirect fuel credits that are recognized within Aircraft Fuel expense, but are not directly related to our Fuel Cost per Gallon.

The primary components of Aircraft Fuel expense are shown in the following table:

	Three Months Ended September 30,		% Change
	2024	2023	
Total Aircraft Fuel Expense	$ 54,737	$ 61,179	(11)%
Indirect Fuel Credits	68	175	(61)%
Aircraft Fuel Expense, Excluding Indirect Fuel Credits	$ 54,805	$ 61,354	(11)%
Fuel Gallons Consumed (thousands)	20,344	19,262	6 %
Fuel Cost per Gallon, Excluding Indirect Fuel Credits	$ 2.69	$ 3.19	(16)%

Aircraft Fuel expense decreased 11% quarter-over-quarter due to a 16% decrease in the average fuel cost per gallon. This was partially offset by a 6% increase in consumption as a result of our operational growth.

Salaries, Wages, and Benefits. Salaries, Wages, and Benefits expense increased $8,378, or 12%, to $80,919 for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The quarter-over-quarter increase in Salaries, Wages, and Benefits was impacted by a 10% increase in employee headcount, an increase in total system block hours as a result of operational growth, and contractual rate increases for our pilots.

Aircraft Rent. Aircraft Rent expense was nominal for both periods presented as a result of our aircraft fleet shifting from aircraft under operating leases to all owned aircraft or aircraft under finance leases.

Maintenance. Maintenance expense increased $643, or 4%, to $15,973 for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The quarter-over-quarter increase in Maintenance expense was primarily driven by an increase in landing gear events as well as an increase in the size of our fleet and operations. These were partially offset by a decrease in routine, time-based heavy maintenance events.

Sales and Marketing. Sales and Marketing expense increased $179, or 2%, to $7,748 for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The quarter-over-quarter increase was driven by a rise in Global Distribution System ("GDS") fees as a result of an increase in sales through indirect distribution channels, as well as increases in advertising and other expenses. These were partially offset by a reduction in credit card fees as a result of the decrease in total fare per passenger.

Depreciation and Amortization. Depreciation and Amortization expense increased $992, or 4%, to $23,754 for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The increase was due to the impact of a change in the composition of our aircraft fleet that resulted in an increased number of owned aircraft and aircraft under finance leases. As of September 30, 2024 and 2023, there were 51 and 47 aircraft that were owned or under finance leases, respectively.

Ground Handling. Ground Handling expense increased $2,186, or 23%, to $11,568, for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. This quarter-over-quarter increase was the result of a 5% increase in Passenger segment departures as a result of our expanding operations, as well as rate increases due to market pressures.

Landing Fees and Airport Rent. Landing Fees and Airport Rent increased $2,021, or 14%, to $15,979 for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. This quarter-over-quarter increase was the result of a 5% increase in Passenger segment departures as a result of our expanding operations, as well as rate increases due to market pressures.

Other Operating, net. Other operating, net decreased $717, or 3%, to $26,410 for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The decrease was primarily the result of our part sales programs, partially offset by an increase in operations.

Non-operating Income (Expense)

Interest Income. Interest income decreased $821, or 33%, to $1,659 for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The decrease was primarily due to the reduction in the Company's average investment balance quarter-over-quarter.

Interest Expense. Interest expense decreased $354, or 3%, to $11,049 for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The decrease was primarily due to decreasing debt balances and aircraft purchased with operating cash, partially offset by an increase in aircraft under finance leases. For more information on the Company's Debt, see Note 5 of the Condensed Consolidated Financial Statements included in Part I, Item I of this report.

Other, net. Other, net did not change by a material amount for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023.

Income Tax. The Company's effective tax rate for the three months ended September 30, 2024 was 22.0% compared to 24.6% for the three months ended September 30, 2023. The decrease in the effective tax rate was due to a reduction in the impact of permanent stock compensation items.

(Dollars in thousands, except per share amounts)

Results of Operations
For the Nine Months Ended September 30, 2024 and 2023

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	% Change
Operating Revenues:			
Scheduled Service	$ 313,056	$ 360,607	(13)%
Charter	149,090	143,250	4 %
Ancillary	236,677	205,633	15 %
Passenger	698,823	709,490	(2)%
Cargo	78,560	74,437	6 %
Other	37,951	20,150	88 %
Total Operating Revenues	815,334	804,077	1 %
Operating Expenses:			
Aircraft Fuel	187,229	185,829	1 %
Salaries, Wages, and Benefits	242,516	223,890	8 %
Aircraft Rent	—	2,281	(100)%
Maintenance	50,129	44,311	13 %
Sales and Marketing	26,819	26,005	3 %
Depreciation and Amortization	71,194	64,577	10 %
Ground Handling	32,090	28,299	13 %
Landing Fees and Airport Rent	44,431	36,847	21 %
Other Operating, net	81,003	81,663	(1)%
Total Operating Expenses	735,411	693,702	6 %
Operating Income	79,923	110,375	(28)%
Non-operating Income (Expense):			
Interest Income	5,907	7,766	(24)%
Interest Expense	(33,238)	(31,272)	6 %
Other, net	55	(370)	NM
Total Non-operating Expense, net	(27,276)	(23,876)	14 %
Income Before Income Tax	52,647	86,499	(39)%
Income Tax Expense	13,180	19,963	(34)%
Net Income	$ 39,467	$ 66,536	(41)%

"NM" stands for not meaningful

Total Operating Revenues increased $11,257, or 1%, to $815,334 for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. The revenue growth was driven by an increase in rental revenue included within Other revenue, as well as an increase in Cargo revenue due to the A&R ATSA, partially offset by a decrease in Passenger revenue as a result of a 13% decrease in total fare per passenger which was impacted by increased industry capacity. These items are discussed in further detail below.

(Dollars in thousands, except per share amounts)

Passenger. Passenger revenue decreased $10,667, or 2%, to $698,823 for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. The table below presents select operating data for lines of revenue within Passenger, expressed as year-over-year changes:

	Nine Months Ended September 30,		% Change
	2024	2023	
Scheduled Service and Ancillary Statistics:			
Departures	22,109	19,456	14 %
Block Hours	70,312	61,438	14 %
Passengers	3,437,005	3,093,536	11 %
Average base fare per passenger	$ 91.08	$ 116.57	(22)%
Ancillary revenue per passenger	$ 68.86	$ 66.47	4 %
Total Fare per passenger	$ 159.95	$ 183.04	(13)%
RPMs (thousands)	4,335,623	3,900,975	11 %
ASMs (thousands)	5,098,876	4,489,968	14 %
TRASM (cents)	10.95	12.80	(14)%
Passenger load factor	85.0 %	86.9 %	(1.9)%
Charter Statistics:			
Departures	7,638	7,816	(2)%
Block hours	15,355	15,994	(4)%
Charter revenue per block hour	$ 9,709	$ 8,956	8 %

The year-over-year decreases in both total fare per passenger and TRASM were impacted by increased capacity across the industry. The increase in capacity by the Company and across the industry also had an impact on the 1.9% reduction in load factor. The fare decreases were offset by a 7% increase in average daily aircraft utilization and growth in the passenger fleet, which supported an increase in volume. As a result, Scheduled Service departures and ASMs increased by 14%, which drove the 11% increase in Scheduled Service passengers. The 11% increase in Scheduled Service passengers during the period also resulted in greater sales of ancillary products.

Passenger revenue benefited from the $5,840, or 4%, increase in Charter revenue during the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The increase was primarily due to the 8% increase in Charter revenue per block hour. The improvement in Charter revenue per block hour was due to rate increases and management initiatives to reduce the number of ferry flights.

Cargo. Revenue from cargo services increased $4,123, or 6%, to $78,560 for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The increase was primarily driven by rate escalations as a result of the A&R ATSA, partially offset by a 2% year-over-year decrease in block hours.

Other. Other revenue increased $17,801, or 88%, to $37,951 for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. Other revenue benefited from the $29,240 of rental revenue primarily associated with seven leased aircraft during the nine months ended September 30, 2024, as compared to $11,742 in rental revenue associated with five leased aircraft during the nine months ended September 30, 2023.

(Dollars in thousands, except per share amounts)

Operating Expenses

Aircraft Fuel. We believe Aircraft Fuel expense, excluding indirect fuel credits, is the best measure of the effect of fuel prices on our business as it consists solely of direct fuel expenses that are related to our operations and is consistent with how management analyzes our operating performance. This measure is defined as GAAP Aircraft Fuel expense, excluding indirect fuel credits that are recognized within Aircraft Fuel expense, but are not directly related to our Fuel Cost per Gallon.

The primary components of Aircraft Fuel expense are shown in the following table:

	Nine Months Ended September 30,		% Change
	2024	2023	
Total Aircraft Fuel Expense	$ 187,229	$ 185,829	1 %
Indirect Fuel Credits	1,290	827	56 %
Aircraft Fuel Expense, Excluding Indirect Fuel Credits	$ 188,519	$ 186,656	1 %
Fuel Gallons Consumed (thousands)	65,884	59,734	10 %
Fuel Cost per Gallon, Excluding Indirect Fuel Credits	$ 2.86	$ 3.12	(8)%

Aircraft Fuel expense increased 1% year-over-year primarily due to a 10% increase in consumption, partially offset by an 8% decrease in the average fuel cost per gallon.

Salaries, Wages, and Benefits. Salaries, Wages, and Benefits expense increased $18,626, or 8%, to $242,516 for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The year-over-year increase in Salaries, Wages, and Benefits was impacted by a 10% increase in employee headcount, an increase in total system block hours as a result of operational growth, and contractual rate increases for our pilots.

Aircraft Rent. Aircraft Rent expense decreased by $2,281 to $0 for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. Aircraft Rent expense decreased due to the composition of our aircraft fleet shifting from aircraft under operating leases to all owned aircraft or aircraft under finance leases.

Maintenance. Maintenance expense increased $5,818, or 13%, to $50,129 for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The year-over-year increase in Maintenance expense was primarily driven by an increase in routine, time-based heavy maintenance and landing gear events, as well as the increase in the size of our fleet and operations.

Sales and Marketing. Sales and Marketing expense increased $814, or 3%, to $26,819 for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The change year-over-year was primarily driven by an increase in advertising and other costs, partially offset by a reduction in credit card fees as a result of the year-over-year decrease in total fare per passenger.

Depreciation and Amortization. Depreciation and Amortization expense increased $6,617, or 10%, to $71,194 for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The increase was due to the impact of a change in the composition of our aircraft fleet that resulted in an increased number of owned aircraft and aircraft under finance leases. As of September 30, 2024 and 2023, there were 51 and 47 aircraft that were owned or under finance leases, respectively.

Ground Handling. Ground Handling expense increased $3,791, or 13%, to $32,090, for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The year-over-year increase was primarily the result of an 9% increase in Passenger segment departures as a result of our expanding operations, as well as rate increases due to market pressures.

Landing Fees and Airport Rent. Landing Fees and Airport Rent increased $7,584, or 21%, to $44,431 for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The increase was a result of airports exhausting their remaining Coronavirus Aid, Relief, and Economic Security Act funding, which increased rates. The increase was also impacted by rate increases due to market pressures and the 9% increase in Passenger segment departures as a result of our expanding operations.

Other Operating, net. Other operating, net for the nine months ended September 30, 2024 was materially unchanged year-over-year. This was primarily the result of our part sales programs, mostly offset by an increase in operations.

Non-operating Income (Expense)

Interest Income. Interest income decreased $1,859, or 24%, to $5,907 for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The decrease was primarily due to the reduction in the Company's average investment balance year-over-year.

Interest Expense. Interest expense increased $1,966, or 6%, to $33,238 for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The increase was due to the change in our aircraft fleet that resulted in an increase of aircraft under finance leases and owned aircraft that were financed with debt proceeds. For more information on the Company's Debt, see Note 5 of the Condensed Consolidated Financial Statements included in Part I, Item I of this report.

Other, net. Other, net changed by $425 to a net benefit of $55 for the nine months ended September 30, 2024, as compared to a net expense of $370 for the nine months ended September 30, 2023. The change is a result of secondary offering costs incurred during the nine months ended September 30, 2023.

Income Tax. The Company's effective tax rate for the nine months ended September 30, 2024 was 25.0% compared to 23.1% for the nine months ended September 30, 2023. The increase in the effective tax rate was due to the impact of permanent stock compensation items.

(Dollars in thousands, except per share amounts)

Segments
For the Three Months Ended September 30, 2024 and 2023

	Three Months Ended September 30, 2024			Three Months Ended September 30, 2023		
	Passenger	Cargo	Total	Passenger	Cargo	Total
Operating Revenues	$ 220,305	$ 29,165	$ 249,470	$ 222,817	$ 26,059	$ 248,876
Operating Expenses:						
Aircraft Fuel	54,701	36	54,737	61,157	22	61,179
Salaries, Wages, and Benefits	62,317	18,602	80,919	54,527	18,014	72,541
Aircraft Rent	—	—	—	22	—	22
Maintenance	12,171	3,802	15,973	11,679	3,651	15,330
Sales and Marketing	7,748	—	7,748	7,569	—	7,569
Depreciation and Amortization	23,749	5	23,754	22,756	6	22,762
Ground Handling	11,563	5	11,568	9,382	—	9,382
Landing Fees and Airport Rent	15,829	150	15,979	13,858	100	13,958
Other Operating, net	21,534	4,876	26,410	22,252	4,875	27,127
Total Operating Expenses	209,612	27,476	237,088	203,202	26,668	229,870
Operating Income (Loss)	$ 10,693	$ 1,689	$ 12,382	$ 19,615	$ (609)	$ 19,006
Operating Margin %	4.9 %	5.8 %	5.0 %	8.8 %	(2.3)%	7.6 %

Passenger. Passenger Operating Income decreased $8,922 to $10,693 for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The Operating Margin Percentage for the three months ended September 30, 2024 decreased by 3.9 percentage points, as compared to the three months ended September 30, 2023. The quarter-over-quarter decreases in Passenger Operating Income and Operating Margin Percentage were primarily driven by an 8% reduction in total fare per passenger which was impacted by increased capacity across the industry, partially offset by a 5% increase in Passenger segment departures. Operating Income and Operating Margin Percentage were also pressured by increased expenses as a result of contractual rate increases for our pilots, an increase in landing gear events, and rate increases for Landing Fees and Airport Rent; partially offset by a 16% decrease in the average fuel cost per gallon. For more information on the changes in the components of Operating Income for the Passenger segment, refer to the Results of Operations discussion above.

Cargo. Cargo Operating Income increased by $2,298, to $1,689, for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. Operating Margin Percentage for the three months ended September 30, 2024 improved by 8.1 percentage points, as compared to the three months ended September 30, 2023. The changes in both Operating Income and Operating Margin Percentage were driven by rate escalations due to the A&R ATSA and scheduling efficiency improvements between our segments, which offset the contractual rate increases for our pilots. For more information on the components of Operating Income for the Cargo segment, refer to the Results of Operations discussion above.

(Dollars in thousands, except per share amounts)

Segments
For the Nine Months Ended September 30, 2024 and 2023

	Nine Months Ended September 30, 2024			Nine Months Ended September 30, 2023		
	Passenger	Cargo	Total	Passenger	Cargo	Total
Operating Revenues	$ 736,774	$ 78,560	$ 815,334	$ 729,640	$ 74,437	$ 804,077
Operating Expenses:						
Aircraft Fuel	187,185	44	187,229	185,770	59	185,829
Salaries, Wages, and Benefits	190,413	52,103	242,516	171,080	52,810	223,890
Aircraft Rent	—	—	—	2,281	—	2,281
Maintenance	39,428	10,701	50,129	33,339	10,972	44,311
Sales and Marketing	26,819	—	26,819	26,005	—	26,005
Depreciation and Amortization	71,179	15	71,194	64,527	50	64,577
Ground Handling	32,076	14	32,090	28,299	—	28,299
Landing Fees and Airport Rent	43,980	451	44,431	36,545	302	36,847
Other Operating, net	65,929	15,074	81,003	66,813	14,850	81,663
Total Operating Expenses	657,009	78,402	735,411	614,659	79,043	693,702
Operating Income (Loss)	$ 79,765	$ 158	$ 79,923	$ 114,981	$ (4,606)	$ 110,375
Operating Margin %	10.8 %	0.2 %	9.8 %	15.8 %	(6.2)%	13.7 %

Passenger. Passenger Operating Income decreased $35,216 to $79,765 for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The Operating Margin Percentage for the nine months ended September 30, 2024 decreased by 5.0 percentage points, as compared to the nine months ended September 30, 2023. The year-over-year decreases in Passenger Operating Income and Operating Margin Percentage were primarily driven by a 13% decrease in total fare per passenger as a result of increased capacity across the industry, partially offset by a 9% increase in Passenger segment departures. Operating Income and Operating Margin Percentage were further impacted by increased expenses as a result of contractual rate increases for our pilots, an increase in heavy maintenance and landing gear events, and rate increases for Landing Fees and Airport Rent; partially offset by an 8% decrease in the average fuel cost per gallon. For more information on the changes in the components of Operating Income for the Passenger segment, refer to the Results of Operations discussion above.

Cargo. Cargo Operating Income increased by $4,764, to $158, for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. Operating Margin Percentage for the nine months ended September 30, 2024 improved by 6.4 percentage points, as compared to the nine months ended September 30, 2023. The changes in both Operating Income and Operating Margin Percentage were driven by rate escalations due to the A&R ATSA and scheduling efficiency improvements between our segments, which offset the contractual rate increases for our pilots and resulted in materially consistent year-over-year Operating Expenses. For more information on the components of Operating Income for the Cargo segment, refer to the Results of Operations discussion above.

(Dollars in thousands, except per share amounts)

Non-GAAP Financial Measures

We sometimes use information that is derived from the Condensed Consolidated Financial Statements, but that is not presented in accordance with GAAP. We believe these non-GAAP measures provide a meaningful comparison of our results to others in the airline industry and our prior year results. Investors should consider these non-GAAP financial measures in addition to, and not as a substitute for, our financial performance measures prepared in accordance with GAAP. Further, our non-GAAP information may be different from the non-GAAP information provided by other companies. We believe certain charges included in our operating expenses on a GAAP basis make it difficult to compare our current period results to prior periods as well as future periods and guidance. The tables below show a reconciliation of non-GAAP financial measures used in this report to the most directly comparable GAAP financial measures.

Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted Net Income and Adjusted EBITDA

Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted Net Income, and Adjusted EBITDA are non-GAAP measures included as supplemental disclosure because we believe they are useful indicators of our operating performance. Derivations of Operating Income and Net Income 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 measures described above have limitations as analytical tools. Some of the limitations applicable to these measures include: they do not reflect the impact of certain cash and non-cash charges resulting from matters we consider not to be indicative of our ongoing operations; and other companies in our industry may calculate these non-GAAP measures differently than we do, limiting each measure’s usefulness as a comparative measure. Because of these limitations, the following non-GAAP measures should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP and may not be the same as or comparable to similarly titled measures presented by other companies due to the possible differences in the method of calculation and in the items being adjusted.

For the foregoing reasons, Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted Net Income and Adjusted EBITDA have significant limitations which affect their use as indicators of our profitability. Accordingly, readers are cautioned not to place undue reliance on this information.

The following table presents the reconciliation of Operating Income to Adjusted Operating Income, and Adjusted Operating Income Margin for the periods presented below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Adjusted Operating Income Margin Reconciliation:				
Operating Revenue	$ 249,470	$ 248,876	$ 815,334	$ 804,077
Operating Income	12,382	19,006	79,923	110,375
Stock Compensation Expense	1,490	1,039	4,574	8,132
Adjusted Operating Income	$ 13,872	$ 20,045	$ 84,497	$ 118,507
Operating Income Margin	5.0 %	7.6 %	9.8 %	13.7 %
Adjusted Operating Income Margin	5.6 %	8.1 %	10.4 %	14.7 %

(Dollars in thousands, except per share amounts)

The following table presents the reconciliation of Net Income to Adjusted Net Income for the periods presented below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Adjusted Net Income Reconciliation:				
Net Income	$ 2,342	$ 7,591	$ 39,467	$ 66,536
Stock Compensation Expense	1,490	1,039	4,574	8,132
Secondary offering costs	—	—	—	640
TRA adjustment (1)	—	—	—	(357)
Income tax effect of adjusting items, net (2)	(343)	(239)	(1,052)	(2,018)
Adjusted Net Income	$ 3,489	$ 8,391	$ 42,989	$ 72,933

(1) This represents the adjustment to the TRA for the period, which is recorded in Non-Operating Income (Expense).

(2) The tax effect of adjusting items, net is calculated at the Company's statutory rate for the applicable period. The TRA adjustment is not included within the income tax effect calculation.

The following table presents the reconciliation of Net Income to Adjusted EBITDA for the periods presented below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Adjusted EBITDA Reconciliation:				
Net Income	$ 2,342	$ 7,591	$ 39,467	$ 66,536
Stock Compensation Expense	1,490	1,039	4,574	8,132
Secondary offering costs	—	—	—	640
TRA adjustment (1)	—	—	—	(357)
Interest Income	(1,659)	(2,480)	(5,907)	(7,766)
Interest Expense	11,049	11,403	33,238	31,272
Provision for Income Taxes	662	2,477	13,180	19,963
Depreciation and Amortization	23,754	22,762	71,194	64,577
Adjusted EBITDA	$ 37,638	$ 42,792	$ 155,746	$ 182,997

(1) This represents the adjustment to the TRA for the period, which is recorded in Non-Operating Income (Expense).

CASM and Adjusted CASM

CASM is a key airline cost metric defined as operating expenses divided by total available seat miles. Adjusted CASM is a non-GAAP measure derived from CASM by excluding fuel costs, costs related to our cargo operations, depreciation and amortization recognized on certain assets that generate lease income, stock-based compensation, certain commissions and other costs of selling our vacation products from this measure as these costs are unrelated to our airline operations and improve comparability to our peers. Adjusted CASM is an important measure used by management and by our Board of Directors in assessing quarterly and annual cost performance. Adjusted CASM is 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. The measure is also the subject of frequent questions from investors.

Adjusted CASM excludes fuel costs. By excluding volatile fuel expenses that are outside of our control from our unit metrics, we believe that we have better visibility into the results of operations and our non-fuel cost initiatives. Our industry is highly competitive and is characterized by high fixed costs, so even a small reduction in non-fuel operating costs can lead to a significant improvement in operating results. In addition, we believe that all domestic carriers are similarly impacted by changes in jet fuel costs over the long run, so it is important for management and investors to understand the impact and trends in company-specific cost drivers, such as labor rates, aircraft costs and maintenance costs, and productivity, which are more controllable by management.

We have excluded costs related to the Cargo operations, as well as depreciation and amortization recognized on certain assets that generate lease income as these operations do not create ASMs. The Cargo expenses in the reconciliation below are different from the total operating expenses for our Cargo segment in the “Segment Information” table presented above, due to several items that are included in the Cargo segment, but have been captured in other line items used in the Adjusted CASM calculation. We have entered into a series of aircraft-related transactions where we serve as an aircraft lessor. As of September 30, 2024, we leased or subleased seven aircraft. Depreciation and Amortization expense on these aircraft materially began during the three months ended June 30, 2023. Adjusted CASM further excludes special items and other adjustments, as defined in the relevant reporting period, that are not representative of the ongoing costs necessary to our airline operations and may improve comparability between periods. We also exclude stock compensation expense when computing Adjusted CASM. The Company's compensation strategy includes the use of stock-based compensation to attract and retain employees and executives and is principally aimed at aligning their interests with those of our stockholders and long-term employee retention, rather than to motivate or reward operational performance for any period. Thus, stock-based compensation expense varies for reasons that are generally unrelated to operational decisions and performance in any period.

As derivations of Adjusted CASM are not determined in accordance with GAAP, such measures are susceptible to varying calculations and not all companies calculate the measures in the same manner. As a result, derivations of Adjusted CASM as presented may not be directly comparable to similarly titled measures presented by other companies. Adjusted CASM should not be considered in isolation or as a replacement for CASM. For the aforementioned reasons, Adjusted CASM has significant limitations which affect its use as an indicator of our profitability. Accordingly, readers are cautioned not to place undue reliance on this information.

(Dollars in thousands, except per share amounts)

The following tables present the reconciliation of CASM to Adjusted CASM:

	Three Months Ended September 30,			
	2024		2023	
	Operating Expenses	Per ASM (in cents)	Operating Expenses	Per ASM (in cents)
CASM	$ 237,088	12.58	$ 229,870	12.83
Less:				
Aircraft Fuel	54,737	2.90	61,179	3.41
Stock Compensation Expense	1,490	0.08	1,039	0.06
Cargo expenses, not already adjusted above	27,120	1.45	26,417	1.48
Sun Country Vacations	220	0.01	200	0.01
Leased Aircraft, Depreciation and Amortization Expense (1)	1,977	0.10	2,192	0.12
Adjusted CASM	$ 151,544	8.04	$ 138,843	7.75
ASM (thousands)	1,884,889		1,791,485	

	Nine Months Ended September 30,			
	2024		2023	
	Operating Expenses	Per ASM (in cents)	Operating Expenses	Per ASM (in cents)
CASM	$ 735,411	12.04	$ 693,702	12.57
Less:				
Aircraft Fuel	187,229	3.06	185,829	3.37
Stock Compensation Expense	4,574	0.07	8,132	0.14
Cargo expenses, not already adjusted above	77,368	1.28	77,195	1.40
Sun Country Vacations	1,013	0.02	902	0.02
Leased Aircraft, Depreciation and Amortization Expense (1)	6,297	0.10	4,466	0.08
Adjusted CASM	$ 458,930	7.51	$ 417,178	7.56
ASM (thousands)	6,108,695		5,516,826	

(1) Includes both the Company's Owned Aircraft Held for Operating Lease as well as subleased aircraft. These aircraft are leased to unaffiliated third parties.

Liquidity and Capital Resources

Our primary sources of liquidity as of September 30, 2024 included our existing cash and cash equivalents of $56,791 and short-term investments of $89,697, our expected cash generated from operations, and the $24,743 of available funds from the Revolving Credit Facility. In addition, we had restricted cash of $10,649 as of September 30, 2024, which generally consists of cash received as prepayment for chartered flights that is maintained in separate escrow accounts prior to the date of transportation in accordance with DOT regulations. The restrictions are released once the charter transportation is provided.

We believe our unrestricted cash and cash equivalents, short-term investments, and availability under our Revolving Credit Facility, combined with expected future cash flows from operations, will be sufficient to fund our operations and meet our debt payment obligations for at least the next twelve months. However, we cannot predict what the effect on our business and financial position might be from a change in the competitive environment in which we operate or from events beyond our control, such as volatile fuel prices, economic conditions, pandemics, weather-related disruptions, the impact of airline bankruptcies, restructurings or consolidations, U.S. military actions, regulations, or acts of terrorism.

For a more detailed discussion on our Liquidity and Capital Resources, see "Management's Discussion and Analysis of Operations" in Part II, Item 7 in our 2023 10-K.

Aircraft – As of September 30, 2024, our fleet consisted of 63 Boeing 737-NG aircraft. This includes 44 aircraft in the passenger fleet, 12 cargo operated aircraft through the ATSA, and seven aircraft currently on lease to unaffiliated airlines. For more information on our fleet, see Note 4 of the Condensed Consolidated Financial Statements included in Part I, Item I of this report.

Maintenance Deposits - In addition to funding the acquisition of aircraft, we are required by certain of our aircraft lessors to fund cash reserves in advance for scheduled maintenance to act as collateral for the benefit of the lessors. Qualifying payments that are expected to be recovered from lessors are recorded as Lessor Maintenance Deposits on our Condensed Consolidated Balance Sheets. As of September 30, 2024, we had $57,658 of total Lessor Maintenance Deposits. All maintenance deposits as of September 30, 2024 are estimated to be recoverable either through reimbursable maintenance events or through application towards the purchase of the aircraft.

Investments - We invest our cash and cash equivalents in highly liquid securities with strong credit ratings. As of September 30, 2024, the Company held $83,280 of debt securities, all of which are classified as current assets because of their highly liquid nature and availability to be converted into cash to fund current operations. Given the significant portion of our portfolio held in cash and cash equivalents and the high credit quality of our debt security investments, we do not anticipate fluctuations in the aggregate fair value of our investments to have a material impact on our liquidity or capital position.

We also hold $6,417 of Certificates of Deposit that are included in Investments on the Condensed Consolidated Balance Sheets as of September 30, 2024.

Credit Facilities - We use our Credit Facilities to provide liquidity support for general corporate purposes and to finance the acquisition of aircraft. As of September 30, 2024, the Company had $24,743 of the $25,000 Revolving Credit Facility available due to $257 being pledged to support letters of credit, and no balance drawn. The Company was in compliance with the covenants within the Credit Facility as of September 30, 2024.

Debt - At our discretion, we obtain debt financing in order to purchase, or refinance aircraft. The Company has not entered into a debt financing arrangement during the nine months ended September 30, 2024.

For more information on our credit facilities or debt, see Note 5 of the Condensed Consolidated Financial Statements included in Part I, Item I of this report.

TRA Liability - During the nine months ended September 30, 2024 and 2023, we made a payment of $3,350 and $2,425 to the TRA holders, respectively. Payments will be made in future periods as Pre-IPO Tax Attributes are utilized. For more information on the TRA liability, see Note 8 of the Condensed Consolidated Financial Statements included in Part I, Item I of this report.

(Dollars in thousands, except per share amounts)

Liquidity and Financial Condition Indicators

The table below presents the major indicators of financial condition and liquidity:

	September 30, 2024	December 31, 2023
Cash and Cash Equivalents	$ 56,791	$ 46,279
Available-for-Sale Securities	83,280	134,240
Amount Available Under Revolving Credit Facility	24,743	24,650
Total Liquidity	$ 164,814	$ 205,169
	September 30, 2024	**December 31, 2023**
Total Debt, net	$ 351,779	$ 401,645
Finance Lease Obligations	298,464	277,302
Operating Lease Obligations	21,375	18,830
Total Debt, net, and Lease Obligations	671,618	697,777
Stockholders' Equity	552,546	514,403
Total Invested Capital	$ 1,224,164	$ 1,212,180
Debt-to-Capital	0.55	0.58

Sources and Uses of Liquidity

	Nine Months Ended September 30,		%
	2024	2023	Change
Total Operating Activities	$ 74,303	$ 102,651	(28)%
Investing Activities:			
Purchases of Property & Equipment	(42,615)	(210,641)	(80)%
Purchases of Investments	(55,655)	(82,574)	(33)%
Proceeds from the Maturities of Investments	107,750	110,850	(3)%
Other, net	11,458	4,087	180 %
Total Investing Activities	20,938	(178,278)	112 %
Financing Activities:			
Common Stock Repurchases	(11,493)	(55,051)	(79)%
Proceeds from Borrowings	10,000	119,200	(92)%
Repayment of Finance Lease Obligations	(26,249)	(16,390)	60 %
Repayment of Borrowings	(60,776)	(35,475)	71 %
Other, net	(2,963)	(1,665)	78 %
Total Financing Activities	(91,481)	10,619	NM
Net Increase (Decrease) in Cash	$ 3,760	$ (65,008)	106 %

"NM" stands for not meaningful
"Cash" consists of Cash, Cash Equivalents and Restricted Cash

Operating Cash Flow Activities

Operating activities in the nine months ended September 30, 2024 provided $74,303, as compared to $102,651 during the nine months ended September 30, 2023. During the nine months ended September 30, 2024, our Net Income was $39,467, as compared to $66,536 during the nine months ended September 30, 2023.

Our operating cash flow is primarily impacted by the following factors:

Seasonality of Advance Ticket Sales. We sell tickets for air travel in advance of the customer's travel date. When we receive a cash payment at the time of sale, we record the cash received on advance sales as deferred revenue in Air Traffic Liabilities. Air Traffic Liabilities typically increase during the fall and early winter months as advanced ticket sales grow prior to the late winter and spring peak travel season and decrease during the summer months. Most tickets can be purchased no more than twelve months in advance, therefore any revenue associated with tickets sold for future travel will be recognized within that timeframe. For the nine months ended September 30, 2024, $153,708 of revenue recognized in Passenger revenue was included in the $157,996 of Air Traffic Liabilities as of December 31, 2023.

Aircraft Fuel. Aircraft Fuel expense represented approximately 25% of our total operating expense for the nine months ended September 30, 2024 and 2023, respectively. The market price for jet fuel is volatile, which can impact the comparability of our periodic cash flows from operations. Fuel cost per gallon decreased by 8% year-over-year. Fuel consumption increased by 10% during the nine months ended September 30, 2024, compared to the prior year as a result of the increase in fleet size and total operations. We expect volatility in Aircraft Fuel prices per gallon due to market conditions and global geopolitical events.

Investing Cash Flow Activities

Capital Expenditures. Our capital expenditures were $42,615 and $210,641 for the nine months ended September 30, 2024 and 2023, respectively. Our capital expenditures during the nine months ended September 30, 2024 included the acquisition of one aircraft and other items not individually material. Our capital expenditures during the nine months ended September 30, 2023 primarily included the purchase of five Owned Aircraft Held for Operating Lease and one incremental aircraft for our passenger fleet.

Investments. The Company's net investment activity resulted in cash inflows of $52,095 and $28,276 during the nine months ended September 30, 2024 and 2023, respectively, due to maturing debt securities exceeding purchases of investments.

Financing Cash Flow Activities

Debt. During the nine months ended September 30, 2023, the Company executed a term loan credit facility with a face amount of $119,200 for the purpose of financing the five Owned Aircraft Held for Operating Lease. The term loan credit facility is repaid monthly through March 2030. For more information on our debt financings and future repayment schedules, see Note 5 of the Condensed Consolidated Financial Statements included in Part I, Item I of this report.

Finance Leases. Our repayments of finance lease obligations were $26,249 and $16,390 for the nine months ended September 30, 2024 and 2023, respectively. During the nine months ended September 30, 2024, the Company purchased an aircraft previously classified as a finance lease. The resulting cash outflows were recorded as payments for finance lease obligations. As of September 30, 2024 and 2023, the Company had 15 and 13 aircraft finance leases, respectively.

Common Stock Repurchases. During the nine months ended September 30, 2024, the Company repurchased 755,284 shares of its Common Stock at a total cost of $11,493, or $15.22 per share. During the nine months ended September 30, 2023, the Company repurchased 3,307,541 shares of its Common Stock at $16.64 per share. For more information on the stock repurchase program, see Note 9 of the Condensed Consolidated Financial Statements included in Part I, Item I of this report.

Other. During the nine months ended September 30, 2024 and 2023, the Company made payments of $3,350 and $2,425 to the TRA holders, respectively. For more information on the payment of the TRA, see Note 8 of the Condensed Consolidated Financial Statements included in Part I, Item I of this report.

Off Balance Sheet Arrangements

For a detailed discussion on the nature of the Company's Off Balance Sheet Arrangements, see “Management’s Discussion and Analysis of Operations” in Part II, Item 7 in our 2023 10-K. There have been no material changes to the Company's Off Balance Sheet Arrangements as compared to the 2023 10-K.

Commitments and Contractual Obligations

See Note 10 to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for more information regarding commitments and contractual obligations.

Recently Adopted Accounting Pronouncements

During the nine months ended September 30, 2024, there were no recently adopted accounting standards that had a material impact to the Company.

Critical Accounting Policies and Estimates

Our unaudited Condensed Consolidated Financial Statements and the accompanying notes thereto included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with GAAP. The preparation of the Condensed Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from our estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected. For more information on our critical accounting policies, see “Management’s Discussion and Analysis of Operations” sections within Part II, Item 7, respectively, in our 2023 10-K.

There have been no material changes to our critical accounting policies and estimates as compared to the 2023 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risks in the ordinary course of our business. These risks include commodity price risk, specifically with respect to aircraft fuel, as well as interest rate risk. The adverse effects of changes in these markets could pose a potential loss as discussed below. The sensitivity analysis provided does not consider the effects that such adverse changes may have on overall economic activity, nor does it consider additional actions we may take to mitigate our exposure to such changes. Accordingly, actual results may differ from the information provided below.

Aircraft Fuel. Unexpected pricing changes of aircraft fuel could have a material adverse effect on our business, results of operations and financial condition. For example, based on our forecasted Aircraft Fuel expense for the fourth quarter of 2024, we estimate that a one cent per gallon increase in the average aircraft fuel price would increase Aircraft Fuel expense by approximately $203. Aircraft Fuel expense does not include amounts where we are considered the customer's agent for procuring fuel. We had no fuel option and swap contracts in place to hedge the economic risk associated with volatile fuel prices as of September 30, 2024. We currently do not expect to enter into these types of contracts prospectively, although significant changes in market conditions could affect our decisions.

Interest Rates. We have exposure to market risk associated with changes in interest rates related to the interest expense from our variable-rate debt and our short-term investment securities. A change in market interest rates would impact interest expense under the $119,200 term loan credit facility used to finance the Owned Aircraft Held for Operating Lease. A 100 basis point increase in interest rates on the September 30, 2024 balance of the term loan would result in a corresponding increase in interest expense of approximately $971 annually. As of the date of this filing, the entire term loan credit facility had been drawn. The Company also maintains a $25,000 Revolving Credit Facility with a variable interest rate that is impacted by market conditions. As of September 30, 2024, the Company had $24,743 of financing available through the Revolving Credit Facility, as $257 had been pledged to support letters of credit. As of September 30, 2024, no amounts on the Revolving Credit Facility were outstanding.

Our short-term investment securities are primarily comprised of fixed-rate debt investments. An increase in market interest rates decreases the market value of fixed-rate investments. Conversely, a decrease in market interest rates increases the market value. The fair market value of our short-term investments with exposure to interest rate risk was $83,280 as of September 30, 2024. The Company limits its investments to investment grade quality securities. Given these factors and that a significant portion of our portfolio is held in cash and cash equivalents, we do not anticipate fluctuations in the aggregate fair value of our financial assets to have a material impact on our liquidity or capital position.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures represent controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Form 10-Q, pursuant to Rule 13a-15(b) of the Exchange Act, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2024.

Based on the evaluation of our disclosure controls and procedures as of September 30, 2024, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2024.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to commercial litigation claims and to administrative and regulatory proceedings and reviews that may be asserted or maintained from time to time. We currently believe that the ultimate outcome of such lawsuits, proceedings and reviews will not, individually or in the aggregate, have a material adverse effect on our financial position, liquidity or results of operations.

ITEM 1A. RISK FACTORS

We have disclosed under the heading "Risk Factors" in our 2023 10-K the risk factors which materially affect our business, financial condition or results of operations. There have been no material changes from the risk factors previously disclosed. You should carefully consider the risk factors set forth in our 2023 10-K. You should be aware that these risk factors and other information may not describe every risk facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

Our directors and executive officers may purchase or sell shares of our common stock in the market from time to time, including pursuant to equity trading plans adopted in accordance with Rule 10b5-1 under the Exchange Act ("Rule 10b5-1") and in compliance with guidelines specified by the Company. In accordance with Rule 10b5-1 and the Company's insider trading policy, directors, officers and certain employees who, at such time, are not in possession of material non-public information about the Company are permitted to enter into written plans that pre-establish amounts, prices and dates (or formula for determining the amounts, prices and dates) of future purchases or sales of the Company's stock, including shares acquired pursuant to the Company's equity plans ("Rule 10b5-1 Trading Plans"). Under a Rule 10b5-1 Trading Plan, a broker executes trades pursuant to parameters established by the director or executive officer when entering into the plan, without further direction from them. The following table describes contracts, instructions or written plans for the sale or purchase of our securities adopted, terminated or modified by our directors and executive officers during the three months ended September 30, 2024, each of which is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c).

Name and Title	Adoption, Termination or Modification	Date of Adoption, Termination or Modification	Duration of Plan (Scheduled Expiration Date of Plan)	Number of Securities to be Purchased (Sold) under the Plan
Dave Davis, President and Chief Financial Officer	Adoption	September 3, 2024	September 5, 2025	(580,033)
John Gyurci, Vice President Finance and Chief Accounting Officer	Termination	September 9, 2024	February 14, 2025	(90,000)
John Gyurci, Vice President Finance and Chief Accounting Officer	Adoption	September 10, 2024	December 31, 2025	(120,000)
Gregory Mays, Executive Vice President and Chief Operating Officer	Termination	August 29, 2024	March 31, 2025	(268,000)
Gregory Mays, Executive Vice President and Chief Operating Officer	Adoption	August 30, 2024	December 31, 2025	(268,000)
Erin Rose Neale, General Counsel and Senior Vice President	Adoption	September 12, 2024	December 30, 2025	(17,983)

ITEM 6. EXHIBITS

(a) Exhibits

31.1*	Certification by Sun Country's Chief Executive Officer with respect to Sun Country's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024
31.2*	Certification by Sun Country's President and Chief Financial Officer with respect to Sun Country's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024
32*	Certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code by Sun Country Airlines Holdings, Inc.'s Chief Executive Officer and President and Chief Financial Officer with respect to Sun Country's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024
101.INS*	Inline XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data Files (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Sun Country Airlines Holdings, Inc.
(Registrant)

/s/ Dave Davis

Dave Davis
President and Chief Financial Officer
(Principal Financial and Accounting Officer)

October 30, 2024

Exhibit 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jude Bricker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sun Country Airlines Holdings, Inc. ("Sun Country") for the nine month period ended September 30, 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Sun Country as of, and for, the periods presented in this report;

4. Sun Country's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Sun Country and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Sun Country, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of Sun Country’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in Sun Country's internal control over financial reporting that occurred during Sun Country's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Sun Country's internal control over financial reporting; and

5. Sun Country's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Sun Country's auditors and the Audit Committee of Sun Country's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Sun Country's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Sun Country's internal control over financial reporting.

October 30, 2024

/s/ Jude Bricker
Jude Bricker
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dave Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sun Country Airlines Holdings, Inc. ("Sun Country") for the nine month period ended September 30, 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Sun Country as of, and for, the periods presented in this report;

4. Sun Country's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Sun Country and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Sun Country, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of Sun Country’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in Sun Country's internal control over financial reporting that occurred during Sun Country's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Sun Country's internal control over financial reporting; and

5. Sun Country's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Sun Country's auditors and the Audit Committee of Sun Country's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Sun Country's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Sun Country's internal control over financial reporting.

October 30, 2024

/s/ Dave Davis
Dave Davis
President and Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

October 30, 2024

The certifications set forth below are hereby submitted to the Securities and Exchange Commission pursuant to, and solely for the purpose of complying with, Section 1350 of Chapter 63 of Title 18 of the United States Code in connection with the filing on the date hereof with the Securities and Exchange Commission of the quarterly report on Form 10-Q of Sun Country Airlines Holdings, Inc. ("Sun Country") for the quarterly period ended September 30, 2024 (the "Report").

Each of the undersigned, the Chief Executive Officer and the President and Chief Financial Officer, respectively, of Sun Country, hereby certifies that, as of the end of the period covered by the Report:

1. such Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Sun Country.

/s/ Jude Bricker
Jude Bricker
Chief Executive Officer

/s/ Dave Davis
Dave Davis
President and Chief Financial Officer