
Section 1: 8-K (8-K)

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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): April 26, 2018

SPIRIT AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

001-35186

(Commission File Number)

38-1747023

(IRS Employer Identification Number)

**2800 Executive Way
Miramar, Florida 33025**

(Address of principal executive offices, including Zip Code)

(954) 447-7920

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

The information in this report furnished pursuant to Item 2.02 shall not be deemed “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to liability under that section. It may only be incorporated by reference in another filing under the Exchange Act or the Securities Act of 1933, as amended (the “Securities Act”), if such subsequent filing specifically references the information furnished pursuant to Item 2.02 of this report.

Item 2.02. Results of Operations and Financial Condition.

On April 26, 2018, Spirit Airlines, Inc. (the “Company” or “Spirit”) issued a press release announcing its unaudited financial results for the first quarter 2018. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Non-GAAP financial measures that reflect adjustments from historical financial data prepared under GAAP, including adjustments for special items, are included in the press release as supplemental disclosures because the Company believes they are useful indicators of the Company's operating performance for comparative purposes. These non-GAAP financial measures are well recognized performance measurements in the airline industry that are frequently used by investors, securities analysts and other interested parties in comparing the operating performance of companies in the airline industry. The non-GAAP financial measures provided have limitations as an analytical tool. Because of these limitations, non-GAAP financial measures should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. The Company has also provided in the press release reconciliations of these non-GAAP financial measures to the appropriate GAAP financial measures.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

The following is furnished as an exhibit to this report and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act:

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| 99.1 | Press Release regarding first quarter 2018 financial results. |

SIGNATURES

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

Date: April 26, 2018

SPIRIT AIRLINES, INC.

By: /s/ Thomas Canfield

Name: Thomas Canfield

Title: Senior Vice President and General Counsel

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|----------------------|--|
| 99.1 | Press Release regarding first quarter 2018 financial results |

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Section 2: EX-99.1 (EARNINGS RELEASE 1Q18)



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EXHIBIT 99.1

Spirit Airlines Reports First Quarter 2018 Results

MIRAMAR, Fla., April 26, 2018 - Spirit Airlines, Inc. (NYSE: SAVE) today reported first quarter 2018 financial results.

- For the first quarter 2018, Spirit reported a GAAP net loss of \$44.9 million (loss of \$0.66 per diluted share). Excluding special items, first quarter 2018 net income was \$29.9 million (\$0.44 per diluted share)¹.
- GAAP operating margin for the first quarter 2018 was negative 5.5 percent. Excluding special items, operating margin for the first quarter 2018 was 7.3 percent¹.
- Spirit ended the first quarter 2018 with unrestricted cash, cash equivalents, and short-term investments of \$999.7 million.

"We ran a very good operation in the first quarter 2018, despite numerous winter storms. We achieved a record high March DOT on-time performance of 85.1 percent, an increase of 10.1 percentage points year over year, contributing to a record high first quarter DOT on-time performance of 83.4 percent. I congratulate and thank the Spirit family for delivering this operational excellence. I'm also pleased to say that during the quarter, we finalized a five-year contract with our pilot union. This new

contract provides our pilots increased wage rates and gives the Company the platform to further improve our operational reliability,” said Robert Fornaro, Spirit’s Chief Executive Officer.

Revenue Performance

For the first quarter 2018, Spirit’s total operating revenue was \$704.1 million, an increase of 19.4 percent compared to the first quarter 2017, driven by a 14.4 percent increase in flight volume.

Total revenue per available seat mile (“TRASM”) for the first quarter 2018 decreased 2.4 percent compared to the same period last year, primarily driven by a 1.7 percent decrease in operating yields and a 4.1 percent increase in average stage length. During the first quarter 2018, the Company’s results benefited from the calendar shift of Easter by approximately 200 basis points.

On a per passenger flight segment basis, total revenue for the first quarter 2018 increased 1.7 percent year over year to \$107.71, driven by non-ticket revenue per passenger flight segment increasing 5.9 percent to \$55.29², partially offset by fare revenue per passenger flight segment decreasing 2.4 percent to \$52.42.

Cost Performance

For the first quarter 2018, total GAAP operating expense, including special items of \$90.0 million³, increased 39.8 percent, or \$211.3 million year over year to \$742.9 million. The year-over-year increase in GAAP operating expense was primarily driven by special charges in connection with the new pilot agreement approved in February 2018; increased flight volume; and higher fuel rates.

Adjusted operating expense for the first quarter 2018 increased 24.2 percent, or \$127.2 million to \$652.9 million⁴. The year-over-year increase in adjusted operating expense was primarily driven by increases in flight volume, salaries, wages and benefits, and fuel rates. In addition, higher rates for crew lodging and ground handling, along with greater deicing expense, drove an increase in other operating expense.

Aircraft fuel expense increased in the first quarter 2018 by 46.4 percent, or \$64.9 million, compared to the same period last year, due to a 21.5 percent increase in the cost of fuel per gallon and a 20.2 percent increase in fuel gallons consumed.

Spirit reported first quarter 2018 cost per available seat mile ("ASM"), excluding special items and fuel ("Adjusted CASM ex-fuel"), of 5.33 cents⁴, a decrease of 5.0 percent compared to the same period last year. The decrease year over year was primarily driven by lower aircraft rent per ASM.

Labor

Spirit and its pilots, represented by the Air Line Pilots Association, announced the ratification of a new five-year working agreement in February 2018.

Fleet

Spirit took delivery of five new A321ceo aircraft and one new A320ceo aircraft during the first quarter 2018, ending the quarter with 118 aircraft in its fleet.

Aircraft Agreement

On March 28, 2018, the Company entered into an agreement with an aircraft lessor to purchase 14 A319 aircraft, which the Company was operating under lease agreements. The purchases of all 14 aircraft are scheduled throughout the second quarter of 2018, for an aggregate gross purchase price of \$285.0 million, which will be reduced by the application of maintenance reserves and security deposits held by the lessor. Effective March 31, 2018, the lease agreements associated with these aircraft will be classified as capital leases on the balance sheet until the closing of each individual sale. All transactions are anticipated to be completed prior to June 30, 2018.

Recent New Routes and Service Announcements

Columbus, Ohio - Fort Lauderdale (02/15/2018)
Columbus, Ohio - Orlando (02/15/2018)
Columbus, Ohio - Las Vegas (02/15/2018)
Columbus, Ohio - Fort Myers (02/15/18)*
Columbus, Ohio - Tampa (02/15/2018)*
Richmond - Fort Lauderdale (03/15/2018)
Richmond - Orlando (03/15/2018)
Fort Lauderdale - Guayaquil, Ecuador (03/22/2018)
Baltimore - Denver (03/22/2018)
Baltimore - Montego Bay (03/22/2018)
Columbus, Ohio - Myrtle Beach (03/22/2018)*
Columbus, Ohio - New Orleans (03/22/2018)*
Atlantic City - New Orleans (04/12/2018)
Fort Lauderdale - St. Croix, U.S. Virgin Islands (05/24/2018)

* Indicates seasonal service

Conference Call/Webcast Detail

Spirit will conduct a conference call to discuss these results today, April 26, 2018, at 9:30 a.m. ET. A live audio webcast of the conference call will be available to the public on a listen-only basis at <http://ir.spirit.com>. An archive of the webcast will be available under Webcasts & Presentations for 60 days.

About Spirit Airlines:

Spirit Airlines (NYSE: SAVE) is committed to offering the lowest total price to the places we fly, on average much lower than other airlines. Our customers start with an unbundled, stripped-down Bare Fare™ and get Frill Control™ which allows them to pay only for the options they choose - like bags, seat assignments and refreshments - the things other airlines bake right into their ticket prices. We help people save money and travel more often, create new jobs and stimulate business growth in the communities we serve. With our Fit Fleet™, the youngest fleet of any major U.S. airline, we operate more than 500 daily flights to 65 destinations in the U.S., Latin America and the Caribbean. Come save with us at www.spirit.com.

Investors are encouraged to read the Company's periodic and current reports filed with or furnished to the Securities and Exchange Commission, including its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, for additional information regarding the Company.

End Notes

- (1) See "Reconciliation of Adjusted Net Income, Adjusted Pre-tax Income, and Adjusted Operating Income to GAAP Net Income" table below for more details.
- (2) See "Calculation of Total Non-ticket Revenue per Passenger Segment" table below for more details.
- (3) See "Special Items" table for more details.
- (4) See "Reconciliation of Adjusted Operating Expense to GAAP Operating Expense" table below for more details.

Forward-Looking Statements

Statements in this release and certain oral statements made from time to time by representatives of the Company contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. All statements other than statements of historical facts are "forward-looking statements" for purposes of these provisions. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential," and similar expressions intended to identify forward-looking statements. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Furthermore, such forward-looking statements speak only as of the date of this release. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. Risks or uncertainties (i) that are not currently known to us, (ii) that we currently deem to be immaterial, or (iii) that could apply to any company, could also materially adversely affect our business, financial condition, or future results. References in this report to "Spirit," "we," "us," "our," or the "Company" shall mean Spirit Airlines, Inc., unless the context indicates otherwise. Additional information concerning certain factors is contained in the Company's Securities and Exchange Commission filings, including but not limited to the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K.

SPIRIT AIRLINES, INC.
Condensed Statement of Operations
(unaudited, in thousands, except per share data)

| | Three Months Ended | | Percent Change |
|--------------------------------------|--------------------|------------------|-------------------|
| | March 31, | | |
| | 2018 | 2017 | |
| Operating revenues: | | | |
| Passenger | \$ 689,141 | \$ 572,287 | 20.4 |
| Other | 14,997 | 17,670 | (15.1) |
| Total operating revenues | 704,138 | 589,957 | 19.4 |
| Operating expenses: | | | |
| Aircraft fuel | 204,646 | 139,782 | 46.4 |
| Salaries, wages and benefits | 155,096 | 127,138 | 22.0 |
| Aircraft rent | 50,191 | 57,070 | (12.1) |
| Landing fees and other rents | 49,630 | 40,448 | 22.7 |
| Depreciation and amortization | 39,373 | 31,509 | 25.0 |
| Maintenance, materials and repairs | 29,710 | 26,312 | 12.9 |
| Distribution | 30,631 | 25,772 | 18.9 |
| Special charges | 89,168 | 4,776 | nm |
| Loss on disposal of assets | 848 | 1,105 | nm |
| Other operating | 93,642 | 77,703 | 20.5 |
| Total operating expenses | 742,935 | 531,615 | 39.8 |
| Operating income (loss) | (38,797) | 58,342 | (166.5) |
| Other (income) expense: | | | |
| Interest expense | 17,849 | 12,473 | 43.1 |
| Capitalized interest | (2,252) | (3,580) | (37.1) |
| Interest income | (4,066) | (1,313) | 209.7 |
| Other expense | 133 | 3 | nm |
| Special charges, non-operating | 9,201 | — | nm |
| Total other (income) expense | 20,865 | 7,583 | 175.2 |
| Income (loss) before income taxes | (59,662) | 50,759 | (217.5) |
| Provision (benefit) for income taxes | (14,740) | 19,498 | (175.6) |
| Net income (loss) | \$ (44,922) | \$ 31,261 | (243.7) |
| Basic earnings per share | \$ (0.66) | \$ 0.45 | (246.7) |
| Diluted earnings per share | \$ (0.66) | \$ 0.45 | (246.7) |
| Weighted average shares, basic | 68,222 | 69,348 | (1.6) |
| Weighted average shares, diluted | 68,222 | 69,592 | (2.0) |

SPIRIT AIRLINES, INC.
Condensed Statements of Comprehensive Income
(unaudited, in thousands)

| | Three Months Ended | |
|--|---------------------------|------------------|
| | March 31, | |
| | 2018 | 2017 |
| Net income (loss) | \$ (44,922) | \$ 31,261 |
| Unrealized gain (loss) on short-term investment securities, net of deferred taxes of (\$8) and (\$8) | (23) | (13) |
| Interest rate derivative loss reclassified into earnings, net of taxes of \$21 and \$31 | 58 | 53 |
| Other comprehensive income (loss) | \$ 35 | \$ 40 |
| Comprehensive income (loss) | \$ (44,887) | \$ 31,301 |

SPIRIT AIRLINES, INC.
Condensed Balance Sheets
(unaudited, in thousands)

| | March 31, 2018 | December 31, 2017 |
|---|---------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 898,457 | \$ 800,849 |
| Short-term investment securities | 101,254 | 100,937 |
| Accounts receivable, net | 52,313 | 49,323 |
| Aircraft maintenance deposits, net | 95,167 | 175,615 |
| Income tax receivable | 69,844 | 69,844 |
| Prepaid expenses and other current assets | 81,806 | 85,542 |
| Total current assets | 1,298,841 | 1,282,110 |
| Property and equipment: | | |
| Flight equipment | 2,853,431 | 2,291,110 |
| Ground property and equipment | 161,398 | 155,166 |
| Less accumulated depreciation | (235,532) | (207,808) |
| | 2,779,297 | 2,238,468 |
| Deposits on flight equipment purchase contracts | 205,040 | 253,687 |
| Long-term aircraft maintenance deposits | 149,751 | 150,617 |
| Deferred heavy maintenance, net | 138,942 | 99,915 |
| Other long-term assets | 82,560 | 121,003 |
| Total assets | \$ 4,654,431 | \$ 4,145,800 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 31,674 | \$ 22,822 |
| Air traffic liability | 357,193 | 263,711 |
| Current maturities of long-term debt and capital leases | 280,281 | 115,430 |
| Other current liabilities | 378,178 | 262,370 |
| Total current liabilities | 1,047,326 | 664,333 |
| Long-term debt, less current maturities | 1,570,926 | 1,387,498 |
| Deferred income taxes | 292,888 | 308,814 |
| Deferred gains and other long-term liabilities | 23,486 | 22,581 |
| Shareholders' equity: | | |
| Common stock | 7 | 7 |
| Additional paid-in-capital | 363,230 | 360,153 |
| Treasury stock, at cost | (66,813) | (65,854) |
| Retained earnings | 1,424,810 | 1,469,732 |
| Accumulated other comprehensive loss | (1,429) | (1,464) |
| Total shareholders' equity | 1,719,805 | 1,762,574 |
| Total liabilities and shareholders' equity | \$ 4,654,431 | \$ 4,145,800 |

SPIRIT AIRLINES, INC.
Condensed Statement of Cash Flows (unaudited, in thousands)

| | Three Months Ended March 31, | |
|---|------------------------------|-------------------|
| | 2018 | 2017 |
| Operating activities: | | |
| Net income | \$ (44,922) | \$ 31,261 |
| Adjustments to reconcile net income to net cash provided by operations: | | |
| Losses reclassified from other comprehensive income | 79 | 84 |
| Stock-based compensation | 3,075 | 2,816 |
| Allowance for doubtful accounts (recoveries) | (7) | (30) |
| Amortization of deferred gains and losses and debt issuance costs | 1,624 | 3,351 |
| Depreciation and amortization | 39,373 | 31,509 |
| Deferred income tax expense (benefit) | (20,266) | 19,474 |
| Loss on disposal of assets | 848 | 1,105 |
| Lease termination costs | — | 4,776 |
| Special charges, non-operating | 9,201 | — |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (2,983) | (7,526) |
| Aircraft maintenance deposits, net | 14,844 | (12,774) |
| Prepaid income taxes | — | (846) |
| Long-term deposits and other assets | 3,512 | (13,559) |
| Deferred heavy maintenance | (50,712) | (9,558) |
| Accounts payable | 6,227 | 18,937 |
| Air traffic liability | 93,483 | 104,285 |
| Other liabilities | 117,779 | (382) |
| Other | (20) | 115 |
| Net cash provided by operating activities | 171,135 | 173,038 |
| Investing activities: | | |
| Purchase of available-for-sale investment securities | (30,853) | (24,490) |
| Proceeds from the maturity of available-for-sale investment securities | 30,504 | 24,219 |
| Pre-delivery deposits for flight equipment, net of refunds | (41,580) | (44,752) |
| Capitalized interest | (1,500) | (1,647) |
| Purchase of property and equipment | (237,221) | (111,141) |
| Net cash used in investing activities | (280,650) | (157,811) |
| Financing activities: | | |
| Proceeds from issuance of long-term debt | 227,128 | 115,526 |
| Proceeds from stock options exercised | 2 | — |
| Payments on debt and capital lease obligations | (18,847) | (10,235) |
| Repurchase of common stock | (959) | (1,034) |
| Debt issuance costs | (201) | (2,274) |
| Net cash provided by financing activities | 207,123 | 101,983 |
| Net (decrease) increase in cash and cash equivalents | 97,608 | 117,210 |
| Cash and cash equivalents at beginning of period | 800,849 | 700,900 |
| Cash and cash equivalents at end of period | \$ 898,457 | \$ 818,110 |
| Supplemental disclosures | | |
| Cash payments for: | | |
| Interest, net of capitalized interest | \$ 8,569 | \$ 3,943 |
| Income taxes paid, net of refunds | \$ 679 | \$ 2,881 |
| Non-cash transactions: | | |
| Capital expenditures funded by capital lease borrowings | \$ (237,042) | \$ (130) |

Certain prior period amounts have been reclassified to conform to the current year's presentation.

SPIRIT AIRLINES, INC.
Selected Operating Statistics (unaudited)

| Operating Statistics | Three Months Ended March 31, | | Change |
|--|------------------------------|-----------|----------|
| | 2018 | 2017 | |
| Available seat miles (ASMs) (thousands) | 8,408,764 | 6,875,899 | 22.3 % |
| Revenue passenger miles (RPMs) (thousands) | 6,813,519 | 5,613,422 | 21.4 % |
| Load factor (%) | 81.0 | 81.6 | (0.6pts) |
| Passenger flight segments (thousands) | 6,537 | 5,570 | 17.4 % |
| Block hours | 122,954 | 104,035 | 18.2 % |
| Departures | 44,982 | 39,330 | 14.4 % |
| Total operating revenue per ASM (TRASM) (cents) | 8.37 | 8.58 | (2.4)% |
| Average yield (cents) | 10.33 | 10.51 | (1.7)% |
| Average fare revenue per passenger flight segment (\$) | 52.42 | 53.69 | (2.4)% |
| Average non-ticket revenue per passenger flight segment (\$) | 55.29 | 52.23 | 5.9 % |
| Total revenue per passenger flight segment (\$) | 107.71 | 105.92 | 1.7 % |
| CASM (cents) | 8.84 | 7.73 | 14.4 % |
| Adjusted CASM (cents) (1) | 7.76 | 7.65 | 1.4 % |
| Adjusted CASM ex-fuel (cents) (2) | 5.33 | 5.61 | (5.0)% |
| Fuel gallons consumed (thousands) | 95,003 | 79,064 | 20.2 % |
| Average economic fuel cost per gallon (\$) | 2.15 | 1.77 | 21.5 % |
| Aircraft at end of period | 118 | 100 | 18.0 % |
| Average daily aircraft utilization (hours) | 12.0 | 11.9 | 0.8 % |
| Average stage length (miles) | 1,025 | 985 | 4.1 % |

(1) Excludes special items.

(2) Excludes economic fuel expense and special items.

The Company is providing a reconciliation of GAAP financial information to non-GAAP financial information as it believes that non-GAAP financial measures provide management and investors the ability to measure the performance of the Company on a consistent basis. These non-GAAP financial measures have limitations as analytical tools. Because of these limitations, determinations of the Company's operating performance excluding unrealized gains and losses or special items should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP.

Special Items (unaudited)

| (in thousands) | Three Months Ended March 31, | |
|---|---------------------------------|-----------------|
| | 2018 | 2017 |
| Operating special items include the following: | | |
| Loss on disposal of assets | 848 | 1,105 |
| Operating special charges (1) | 89,168 | 4,776 |
| Total operating special items | \$ 90,016 | \$ 5,881 |
| Non-operating special items include the following: | | |
| Non-operating special charges (2) | 9,201 | — |
| Total non-operating special items | \$ 9,201 | \$ — |
| Total special items | \$ 99,217 | \$ 5,881 |

- (1) Operating special charges for the first quarter of 2018 consisted of \$89.2 million recognized in connection with the new pilot agreement approved in February 2018. The total amount includes a one-time \$80.7 million ratification incentive bonus, including payroll taxes, and a \$8.5 million adjustment related to other contractual provisions. Operating special charges for the first quarter of 2017 primarily consisted of lease termination costs.
- (2) Non-operating special charges for the first quarter 2018 are related to the purchase of 14 A319-100 aircraft. The contract was deemed a lease modification which resulted in a change of classification from operating leases to capital leases for the 14 aircraft.

Reconciliation of Adjusted Operating Expense to GAAP Operating Expense (unaudited)

| (in thousands, except CASM data in cents) | Three Months Ended March 31, | |
|--|---------------------------------|-------------------|
| | 2018 | 2017 |
| Total operating expenses, as reported | \$ 742,935 | \$ 531,615 |
| Less operating special items | 90,016 | 5,881 |
| Adjusted operating expenses, non-GAAP (1) | 652,919 | 525,734 |
| Less: Economic fuel expense | 204,646 | 139,782 |
| Adjusted operating expenses excluding fuel, non-GAAP (2) | \$ 448,273 | \$ 385,952 |
| Available seat miles | 8,408,764 | 6,875,899 |
| CASM (cents) | 8.84 | 7.73 |
| Adjusted CASM (cents) (1) | 7.76 | 7.65 |
| Adjusted CASM ex-fuel (cents) (2) | 5.33 | 5.61 |

- (1) Excludes operating special items.
- (2) Excludes operating special items and economic fuel expense.

Reconciliation of Adjusted Net Income, Adjusted Pre-Tax Income, and Adjusted Operating Income to GAAP Net Income (unaudited)

| | Three Months Ended | |
|---|--------------------|-------------------|
| | March 31, | |
| (in thousands, except per share data) | 2018 | 2017 |
| Net income (loss), as reported | \$ (44,922) | \$ 31,261 |
| Add: Provision (benefit) for income taxes | (14,740) | 19,498 |
| Income (loss) before income taxes, as reported | (59,662) | 50,759 |
| <i>Pre-tax margin</i> | (8.5)% | 8.6 % |
| Add special items (1) | \$ 99,217 | \$ 5,881 |
| Adjusted income before income taxes, non-GAAP (2) | 39,555 | 56,640 |
| <i>Adjusted pre-tax margin, non-GAAP (2)</i> | 5.6 % | 9.6 % |
| Add: Total other (income) expense (3) | 11,664 | 7,583 |
| Adjusted operating income, non-GAAP (4) | 51,219 | 64,223 |
| <i>Adjusted operating margin, non-GAAP (4)</i> | 7.3 % | 10.9% |
| Provision for income taxes | 9,612 | 21,757 |
| Adjusted net income, non-GAAP (2) | \$ 29,943 | \$ 34,883 |
| Weighted average shares, diluted | 68,222 | 69,592 |
| Adjusted net income per share, diluted (2) | \$0.44 | \$0.50 |
| Total operating revenues | \$ 704,138 | \$ 589,957 |

(1) See "Special Items" for more details.

(2) Excludes operating and non-operating special items.

(3) Excludes non-operating special items.

(4) Excludes operating special items.

**Calculation of Total Non-Ticket Revenue per Passenger Segment
(unaudited)**

| | Three Months Ended March 31, | |
|--|---|-------------------|
| | 2018 | 2017 |
| | (in thousands, except per segment data) | |
| Operating revenue | | |
| Fare | \$ 342,695 | \$ 299,035 |
| Non-fare | 346,446 | 273,252 |
| Total passenger revenue | 689,141 | 572,287 |
| Other revenue | 14,997 | 17,670 |
| Total operating revenue | \$ 704,138 | \$ 589,957 |
| Non-ticket revenue (1) | \$ 361,443 | \$ 290,922 |
| Passenger segments | 6,537 | 5,570 |
| Total non-ticket revenue per passenger segment (\$) | \$ 55.29 | \$ 52.23 |

(1) Non-ticket revenue equals the sum of non-fare passenger revenue and other revenue.

The Company tracks a non-GAAP calculation of Return on Invested Capital ("ROIC"), as a way of measuring our efficiency in delivering returns and in allocating capital. We calculate ROIC as Adjusted Operating Income (non-GAAP), divided by Total Invested Capital (non-GAAP), on a pre-tax and after-tax basis, expressed as a percentage.

Because a substantial portion of our aircraft fleet is held under operating leases, which do not appear on the balance sheet, a GAAP-based calculation of our total capital deployed may be considered understated (which would have the effect of overstating ROIC, if calculated solely using GAAP line items). Accordingly, we adjust our total capital, the denominator of the ROIC measurement, by capitalizing operating leases at a multiple of seven times our aircraft rent expense, a measure used commonly in the airline industry and by analysts.

To calculate Adjusted Operating Income (non-GAAP), we add back aircraft rent to GAAP operating income, consistent with the adjustment to total capital discussed above. In order to remove the effects of non-recurring gains and losses that may affect GAAP operating income, we also exclude special items from Adjusted Operating Income (non-GAAP). We present Adjusted Operating Income (non-GAAP) on a pre-tax basis and present Adjusted Operating Income (non-GAAP) on an after-tax basis, using our effective tax rate for the period.

Calculation of Return on Invested Capital, non-GAAP (unaudited)

| (in thousands) | Twelve Months Ended March 31, 2018 | |
|--|---------------------------------------|------------------|
| Operating income | \$ | 287,686 |
| Add operating special items (1) | | 96,846 |
| Adjustment for aircraft rent | | 203,058 |
| Adjusted operating income, non-GAAP | | 587,590 |
| Tax (35.4%) | | 208,007 |
| Adjusted operating income, after-tax, non-GAAP | \$ | 379,583 |
| Invested capital: | | |
| Adjusted total debt (2) | \$ | 1,707,416 |
| Book equity | | 1,719,805 |
| Less: Unrestricted cash, cash equivalents & short-term investments | | 999,711 |
| Add: Capitalized aircraft operating leases (7x Aircraft Rent) | | 1,421,406 |
| Total invested capital, non-GAAP | \$ | 3,848,916 |
| Return on invested capital (ROIC), pre-tax, non-GAAP | | 15.3% |
| Return on invested capital (ROIC), after-tax, non-GAAP | | 9.9% |

(1) See "Special Items" for more details

(2) Excludes the effect of temporarily capitalizing the leases associated with the purchase of 14 leased A319 aircraft. Aircraft rent associated with these aircraft is included in aircraft rent.

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