



FRONTIER GROUP HOLDINGS
Q4-2025 TRANSCRIPT
FEBRUARY 11, 2026
Management prepared remarks

David Erdman, Senior Director, Investor Relations

Good morning and welcome to our fourth quarter and year-end 2025 earnings call.

On the call with me are Jimmy Dempsey, President and Chief Executive Officer, Bobby Schroeter, Chief Commercial Officer, and Mark Mitchell, Chief Financial Officer.

On today's call, Jimmy will be providing commentary on his strategic priorities and then we'll jump directly to Q&A. A transcript of the prepared remarks which would otherwise be delivered by Bobby and Mark is available for download on our Investor Relations website.

Before yielding, I'll recite the customary Safe Harbor provisions. We will be making forward-looking statements which are subject to risks and uncertainties. Actual results may differ materially from those predicted in these forward-looking statements. Additional information concerning risk factors which could cause such differences are outlined in the announcement we released earlier, along with reports we file with the Securities and Exchange Commission.

Moreover, we will also be discussing non-GAAP financial measures, actual results of which are reconciled to the nearest comparable GAAP measure in the appendix of the earnings announcement. We will also be referencing stage adjusted unit metrics which are based on 1,000 miles.

Jimmy Dempsey, President and Chief Executive Officer

I'd like to start by emphasizing how honored I am to be taking on the role as CEO, particularly at such a pivotal moment for Frontier. When I accepted this role, the Board gave me a clear mandate to enact change at our Company. We know that we need to do better across the business and deliver increased value for all of our stakeholders – employees, customers, and our investors.

With this in mind, I have spent the last two months rolling up my sleeves to build a clear strategic path designed to return Frontier to sustained profitability as the low cost, high value airline of choice. This plan comprises four strategic priorities: rightsizing the fleet, strengthening our cost discipline, reducing cancellations and improving on time performance, and driving customer loyalty.

Today, I will walk you through the actions we are taking on these priorities that I expect will drive meaningful changes and improvement across our organization.

First and foremost, I am focused on resetting and stabilizing the business through a comprehensive rightsizing of our fleet. Returning Frontier to profitability is about going back to our roots as an organization – this means taking action to increase fleet productivity and efficiency.

Just recently, we entered into a non-binding agreement with AerCap, which will enable us to benefit from the early termination of 24 aircraft leases in the second quarter. We plan to take advantage of this by increasing utilization across our remaining fleet to support our planned growth and drive efficiency. AerCap will remain one of our largest lessors and we look forward to expanding our partnership with an additional 10 sale and leasebacks in the future as part of this agreement.

Separately, we reached a non-binding framework agreement with Airbus which revises the delivery profile of our orderbook. It supports a more measured and sustainable long-term growth rate of approximately 10 percent, representing a meaningful moderation versus our prior growth trajectory.

The update to our delivery profile and underlying growth rate helps to minimize the proportion of new market activity while supporting ongoing productivity and operational reliability.

Our plan to right size the fleet directly contributes to my next strategic priority: strengthening our cost discipline. Cost discipline has always been a cornerstone of our business model. We are targeting \$200 million of annual run rate cost savings by 2027 largely from network optimization, productivity enhancements and other efficiencies across the business, which includes approximately \$90 million of expected annual rent savings from the early termination of the 24 aircraft leases.

The next strategic priority throughout 2026 is centered around improving our operational reliability by reducing cancellations and improving our on-time performance. We're simply not satisfied with our past record in these areas. The status quo is not acceptable, and every available option is on the table to improve our performance.

I will give you some examples in a long list of initiatives we are working on across the business.

Turn times: we are working on improvements to optimize our airport operation workflows, strengthening our head start performance and improving day-of-travel communications with our customers. Over 85 percent of our customers use our recently

updated mobile app. By leveraging digital channels, we can push timely alerts, offer clear next steps during delays and ensure customers feel supported and informed throughout their journey.

We are also working on improved operational planning that better integrates scheduled maintenance into the early stage of our network design process to take advantage of our enhanced maintenance footprint.

While we remain firmly committed to cost discipline and operational excellence, our final strategic priority is pairing that discipline with smart, high return upgrades that will accelerate the maturity of our customer loyalty program.

Last year, we launched a series of enhancements to our loyalty ecosystem, including changes that simplify elite benefits, enhance redemption opportunities, and create broader customer engagement. Our simplified award structure and easier elite-status benchmarks have already begun to resonate with customers, and we are expanding on these efforts in 2026.

Furthermore, we'll be modernizing every part of our commercial offering this year and into 2027, from digital tools and distribution to loyalty and onboard experience. These initiatives include:

- The fleet-wide rollout of first-class seating
- Onboard Wi-Fi
- An upgraded website and mobile app, and
- Enhanced digital products and communications

These enhancements will broaden our appeal and effectively address friction points that have historically limited conversion and loyalty. We're building a product that remains incredibly affordable while delivering more value than ever before.

Our loyalty assets represent one of our strongest long-term levers for value creation in the business. We're confident our recent and planned investments in our loyalty program and product offerings will be a significant part of our revenue growth.

Overall, we're pairing our unique ability to provide low fares with an increasingly elevated product and customer experience to deliver unmatched value in-air travel.

The path ahead requires meaningful change, and we are embracing that reality with clarity and conviction in order to capitalize on the substantial opportunity we see in front

of us. We've adopted a disciplined, actionable set of strategic priorities to transform our company and put Frontier on a path toward sustained profitability. Above all, we are deeply committed to creating long-term value for our shareholders, employees, and customers.

Thank you for your continued support. As David noted, we'll preempt commentary from Bobby and Mark to allow sufficient time for analyst questions. With that, operator, we're ready to begin the Q&A segment.

Bobby Schroeter, Chief Commercial Officer

Briefly recapping our revenue performance in the fourth quarter – investments in our network and revenue initiatives alongside strong demand and moderating competitive overlap capacity helped to overcome the federal government shutdown in November and the resulting FAA flight reduction directive which are estimated to have negatively impacted our fourth quarter revenue by approximately \$30 million.

Total revenue was \$997 million, roughly flat to the prior year quarter on similar capacity. RASM was 10.17 cents, while stage-adjusted RASM was 9.61 cents, slightly higher year-over-year.

Total revenue per passenger was \$117, flat to the prior year quarter, on a 79 percent load factor, slightly higher than the prior year period. Loyalty revenue was up approximately 30 percent to the prior year quarter, our third consecutive quarter of double-digit growth. We continue to realize strong performance metrics with our co-brand credit card as our loyalty enhancements and marketing efforts are proving effective in raising awareness of our total value proposition. For example, we're seeing improvements across several key card metrics, including card spend, card acquisitions and applicant income.

Looking to the first quarter, our guidance largely reflects stage-adjusted RASM currently trending to over 10 percent higher year-over-year, net of impacts related to Winter Storm Fern. Current performance is underpinned by a more constructive supply-demand environment and improvements we implemented to our revenue management strategy. Scheduled average utilization is expected to be the lowest of the year before a meaningful step up beginning in the second quarter.

Accordingly, first quarter capacity is expected to be down 1 to 2 percent year-over-year on an average stage length of approximately 900 miles, while full-year capacity is projected to be approximately 10 percent higher year-over-year. We will continue to be

nimble and closely manage our capacity based on demand trends, the competitive landscape, and the macro environment.

Turning briefly to a network update, we remain focused on being the leading high-value carrier in the top 20 U.S. metros and to expand affordable travel options as industry capacity adjusts. Late last year and earlier this year, we added 57 new routes across Dallas, Houston, Detroit, Baltimore, Charlotte, Atlanta and Fort Lauderdale, and we added flights to warm-weather leisure destinations in Guatemala, Honduras, Mexico, Turks and Caicos, and our return to Lynden Pindling Airport in the Bahamas. Moreover, we recently announced 23 new routes launching next month and into April which will expand affordable access to destinations across the U.S. and Mexico, in time for spring break travel.

Mark Mitchell, Chief Financial Officer

Recapping our cost performance during the fourth quarter...non-fuel operating expenses were \$721 million, resulting in a CASM ex-fuel of 7.36 cents, one percent lower year-over-year driven largely by sale-leaseback gains on higher fleet induction activity during the quarter, offset by the impact from the 10 percent reduction in average daily aircraft utilization and higher station costs.

Fuel expense was \$227 million, down slightly year-over-year due to lower fuel cost per gallon while our industry leading fuel efficiency was essentially equivalent to the prior year quarter.

Fourth quarter pre-tax income was \$52 million and net income was \$53 million, resulting in earnings per share of 23 cents, well above our original guidance, driven by revenue performance that was above expectations as the quarter progressed. The tax expense generated from pre-tax income was offset by the corresponding release of the cumulative valuation allowance from the utilization of a portion of our net operating losses.

We ended the quarter with \$874 million in total liquidity, inclusive of unrestricted cash and cash equivalents of \$654 million, and \$220 million from our revolving credit facility, representing 23 percent of full-year 2025 revenue. Compared to the third quarter, liquidity increased \$183 million, driven largely by outsized sale-leaseback proceeds and the October spare parts financing, partially offset by capital spending and heavy maintenance.

Briefly recapping fleet activity during the fourth quarter...we took delivery of ten aircraft and ten spare Pratt engines, all financed with sale-leaseback transactions. We ended the year with an all-Airbus fleet of 176 aircraft.

As Jimmy covered, the planned rightsizing of our fleet will enable significant productivity gains across a smaller aircraft fleet through higher utilization and drive meaningful cost savings. To recap, we reached a non-binding agreement with AerCap to terminate the leases associated with 24 aircraft currently in operation which were otherwise scheduled to expire in the next two to eight years, all of which are expected to be returned in the second quarter of 2026. We expect to incur certain one-time expenses associated with these early terminations that are anticipated to be adjusted for the presentation of non-GAAP results.

Separately, we reached a non-binding framework agreement with Airbus to defer the induction of 69 A320 family aircraft which were otherwise expected to be contractually delivered between 2027 and 2030 and are now expected to be delivered in 2031 through 2033.

Including the fleet transactions we expect to execute in the first quarter, we anticipate exiting 2026 with 176 aircraft, similar to year-end 2025, as the 24 inductions scheduled for this year are offset by the 24 planned early lease terminations.

Please refer to the announcement we published earlier for details on our first quarter and full-year 2026 guidance.

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