Airline Restructuring & Industry Update

Michael B. Cox, *Vice Chairman*
Seabury Aviation Partners

Kelly DiBlasi, *Partner*
Weil, Gotshal & Manges LLP

SEABURY AVIATION PARTNERS

Weil

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The IATA view of the world – largely stable, with minor cracks appearing

Global economy

- World GDP growth is **stable at 3.2% p.a.**
- Labor markets remain tight with low unemployment and **wage growth at 3.5% p.a (US – September 2025)**
- Lower inflation and a more dovish fed has seen more rate cuts recently, but the US dollar remains relatively strong

Airline costs

- Jet-A1 prices peaked in early 2022, but have **reduced significantly since then**
- A relatively strong US dollar (*e.g.* 1 Euro = 1.18 USD) results in **higher USD costs for non-US airlines without USD revenue**
- It continues to be a seller's market: Aircraft and engine OEMs, and MROs are all increasing costs
- Labor costs have increased compared to pre-pandemic levels, especially on the operational side as unions negotiate significantly higher contracts

Airline revenue

- **Traffic is expected to be up 5.8% (RPKs) vs 2024**, with more than 60% of the growth originating in the Asia Pacific region
- **However, continued growth has pressured passenger yields, which continue to decline despite a shift towards premium passengers**
- Airlines profits are expected to be similar in 2025 compared to 2024 **(~$36 Billion vs ~$30 Billion in 2024) or ~$7.2/pax carried**
- **Approximately $24 Billion (67% of the total profit) will be generated in North America and Europe, while Africa and Latin America only generate approximately 3% ($1.3 Billion) of the total global profit**

Aircraft supply

- Supply will remain constrained due to a slow-down (and in some cases lower ramp-up) in OEM deliveries
- At the same time OEMs benefit from record backlogs, which largely protects them from external shocks

Possible conclusion……if fuel prices increase, will strong growth be sustainable in a weakening yield environment?

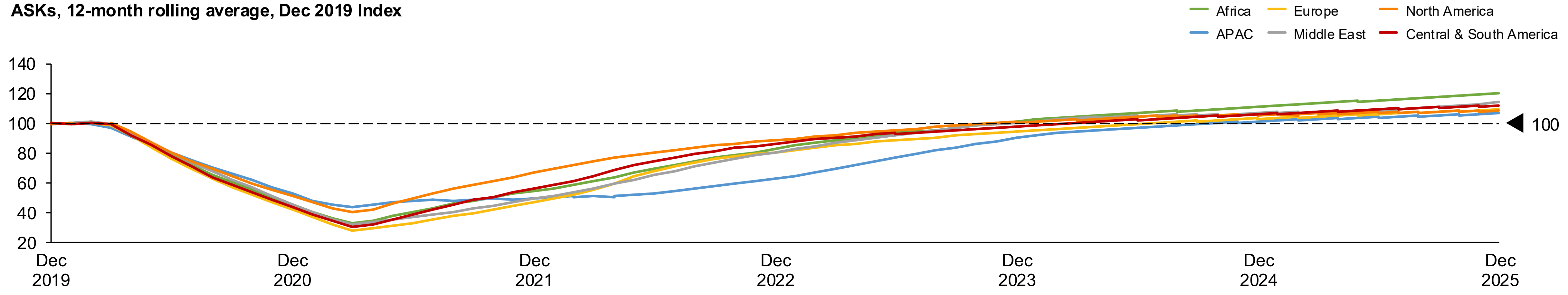
Sources: IATA AGM material – June 2025, IMF, Bureau of Labor Statistics

Revenue continues to grow in the post-pandemic environment

All regions have continued growing beyond pre-pandemic capacity and all regions are extracting better unit revenues

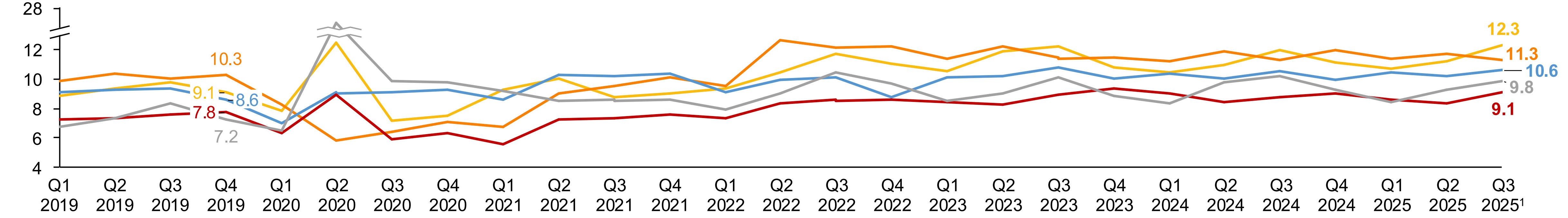
Total Capacity Evolution

ASKs, 12-month rolling average, Dec 2019 Index



TRASK Evolution Globally

USD cents



Note: (1) Airlines without published financial data in Q3 2025 excluded for that period
Sources: Diio, Capital IQ

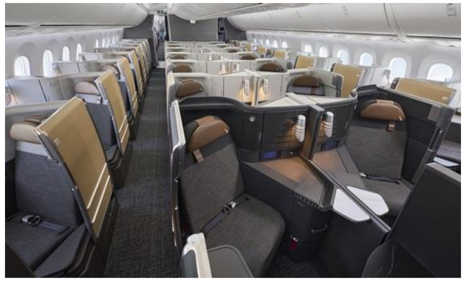
Going premium – necessity to absorb additional costs or natural trajectory?

With significant CapEx being spent to upgrade business class offerings in premium carriers, it may be difficult for LCCs to be competitive in an already crowded space

Upgrades, Upgrades, Upgrades

Lufthansa

American Airlines



Emirates

Is more premium really the answer for LCCs?

Where it could work well

- ✓ Limited premium competition
- ✓ Lack of strong loyalty programs
- ✓ Minimal reduction in capacity

Where it could become challenging

- – Needing to rely on leisure travelers to spend extra to travel upfront
- – Significant reduction in capacity, which could increase costs per seat and make the venture unprofitable

LCCs adding a premium cabin
(non exhaustive list)

IndiGo
jetBlue
spirit
FRONTIER

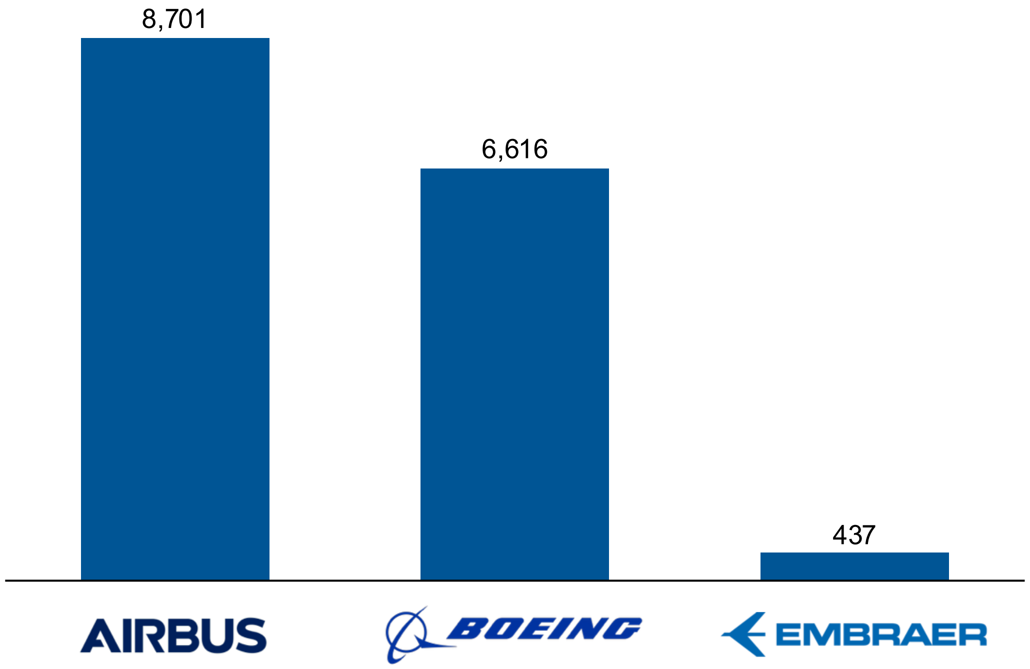
Source: One mile at a time, The points guy, American Airlines, Emirates

OEMs have huge backlogs, but are potential cracks appearing?

Total unfilled orders (ex adjustments)

# of aircraft

OEM backlogs are at historic highs, with Boeing and Airbus largely sold out through the early 2030s



HOWEVER, potential issues may be appearing

1 ***Delivery Delays*** – *OEMs not being able to deliver aircraft on time due to supply chain constraints*

\+ **OEM delivery delays may allow airlines to "manage" growth more effectively**

\- **Despite this, passenger yields continue to decline on a YoY basis**

Will airlines be able to deploy new aircraft profitably?

2 ***Lack of Availability*** – *Airbus and Boeing aircraft are largely sold out through the early 2030s*

\+ **Airlines can continue to take advantage of older, cheaper aircraft while fuel is cheap and the next gen advantage is minimal**

\- **If fuel costs increase, airlines with older, less efficient aircraft may struggle to compete efficiently**

Wait and watch or place an order before its too late?

3 ***Airline deferrals*** – *several airlines have already begun to defer near-term orders in North America and Europe*

\+ **These airlines could potentially avoid having to place more expensive aircraft on lower yielding routes**

\- **Miss the opportunity to be first entrant / take meaningful market share in the medium term when others grow rapidly**

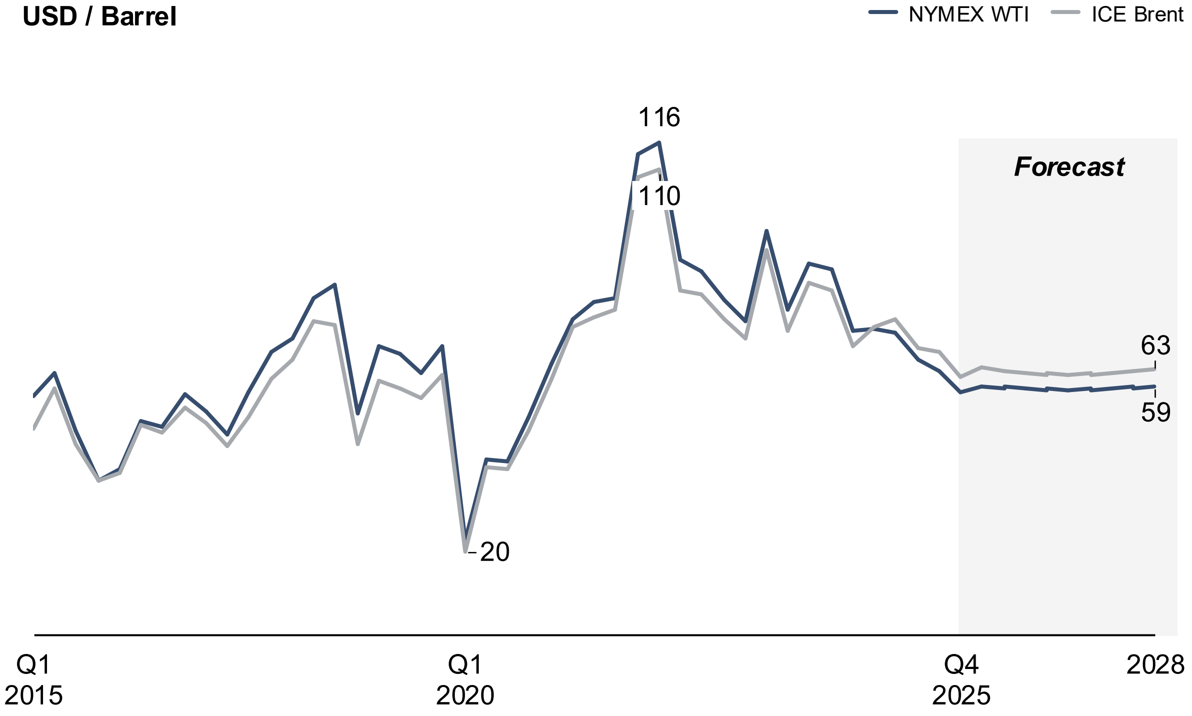
Will the market be too saturated by the time these aircraft enter service?

Source: IATA AGM

Fuel costs and lower interest rates are helping boost profits

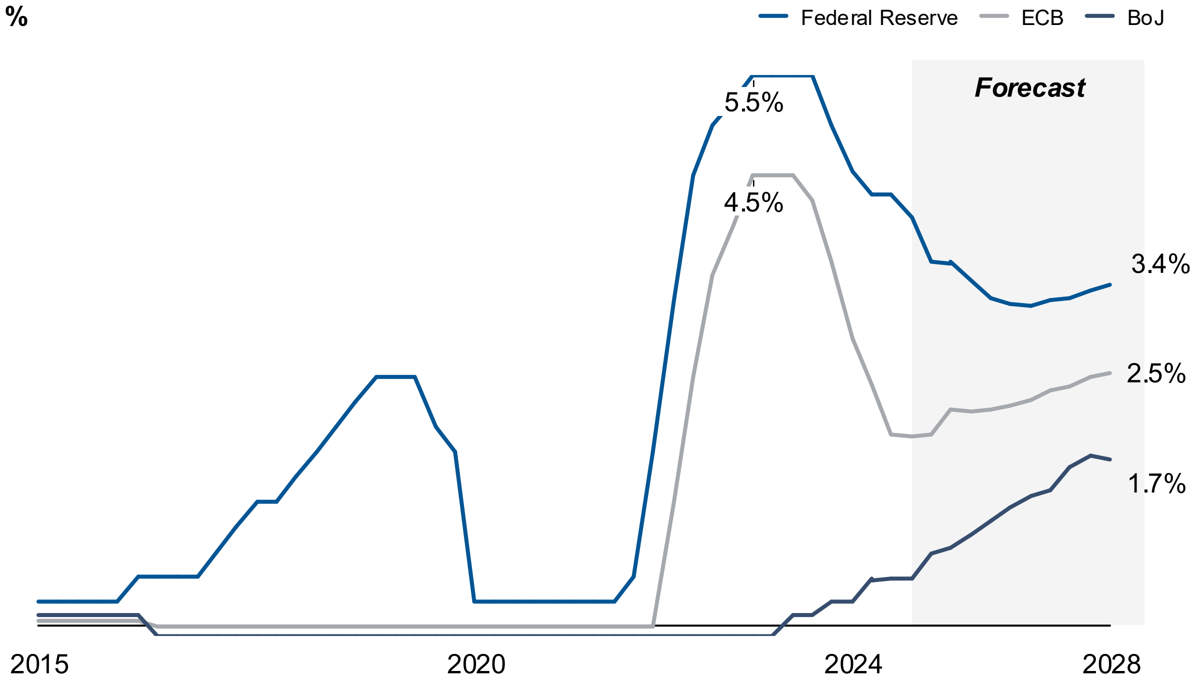
Low oil prices and moderate interest rates are helping some airlines deliver strong profits

Oil price trends



Oil prices are expected to normalize at relatively lower levels in the long run, but geopolitical issues could cause significant volatility

Interest rate trends



Interest rates are projected to steadily and modestly increase over the next 24 months; expected to remain below late 2023 / early 2024 peaks

Sources: Bloomberg, Cirium

However, other airline costs continue to rise rapidly

Engine issues, labor, return costs, and lease rates will continue to drive cost increases

Costs continue to rise on the labor side

Airline	
Air transat	Pilots: 5-year agreement, providing 50% raises over 5 years
Southwest	Pilots: 4-year agreement, providing ~44% raises over 4 years
Alaska Airlines	FAs: 18%+ immediate raise, boarding pay, retro pay
American Airlines	FAs: ~20% immediate raise, boarding pay, retro pay
UNITED	United FA contract in negotiation expected to yield higher costs

New generation engine issues are driving material costs

AviTrader Aviation News Publications: Unimaginable and unpredictable? Nearly new Airbus A321neos being cannibalized for their engines and components

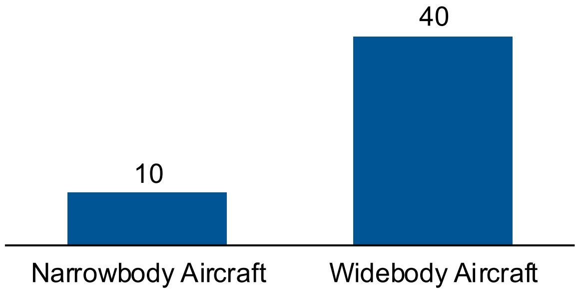
Simple Flying: Swiss Grounds Airbus A220-100 Fleet Amid Ongoing Pratt & Whitney Engine Issues

Engine issues have required airlines to source spare aircraft / engines to make up for the engine issues

Next generation aircraft return costs pose a "new" problem

USD M

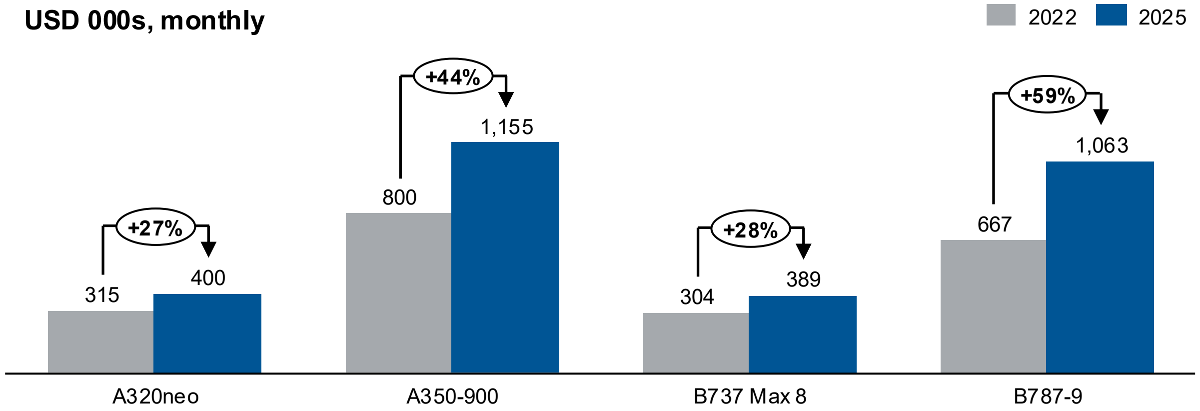
Indicative return cost in 2026, next generation aircraft, 12-year lease



As next generation aircraft leases near their completions, and maintenance event costs continue to rise, airlines can expect to face significant cash costs in the near-term

Generic market lease rates of new build aircraft

USD 000s, monthly



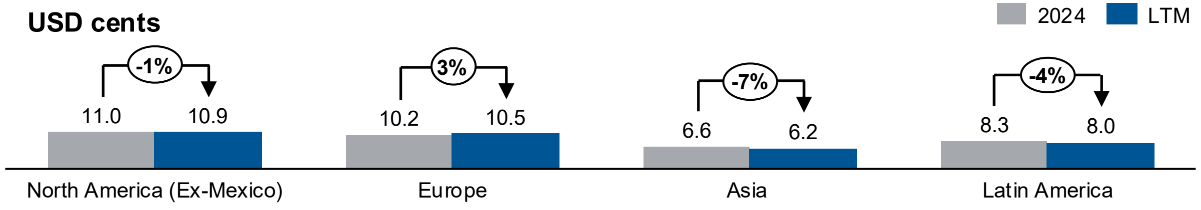
Elevated interest rates and the OEM's inability to deliver aircraft have pushed and kept lease rates high

Sources: Bloomberg, Cirium, Jan 2026

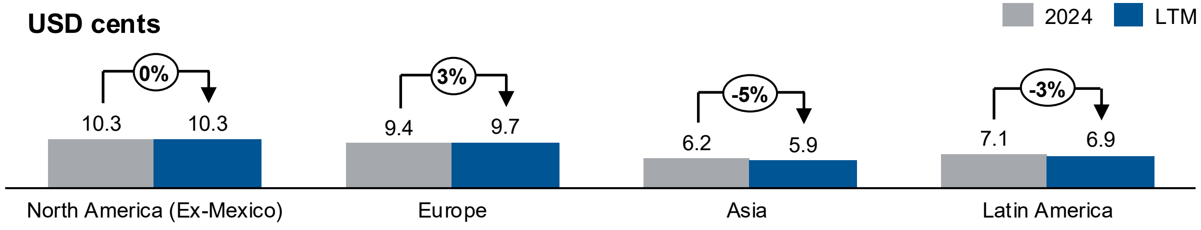
The margin / profit compression is reducing airlines' liquidity in some regions

Cash positions appear to have stabilized across regions except in North America

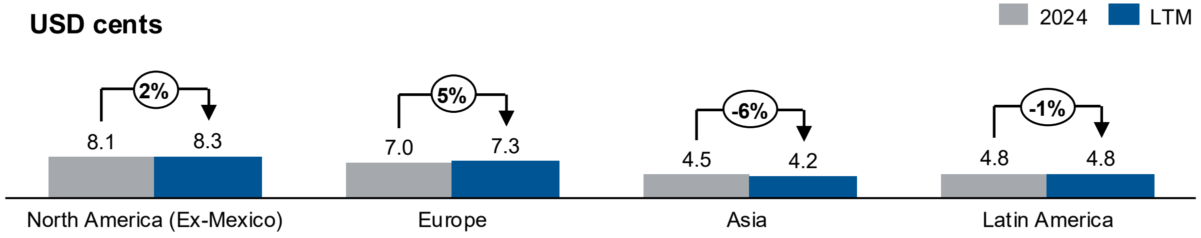
RASK



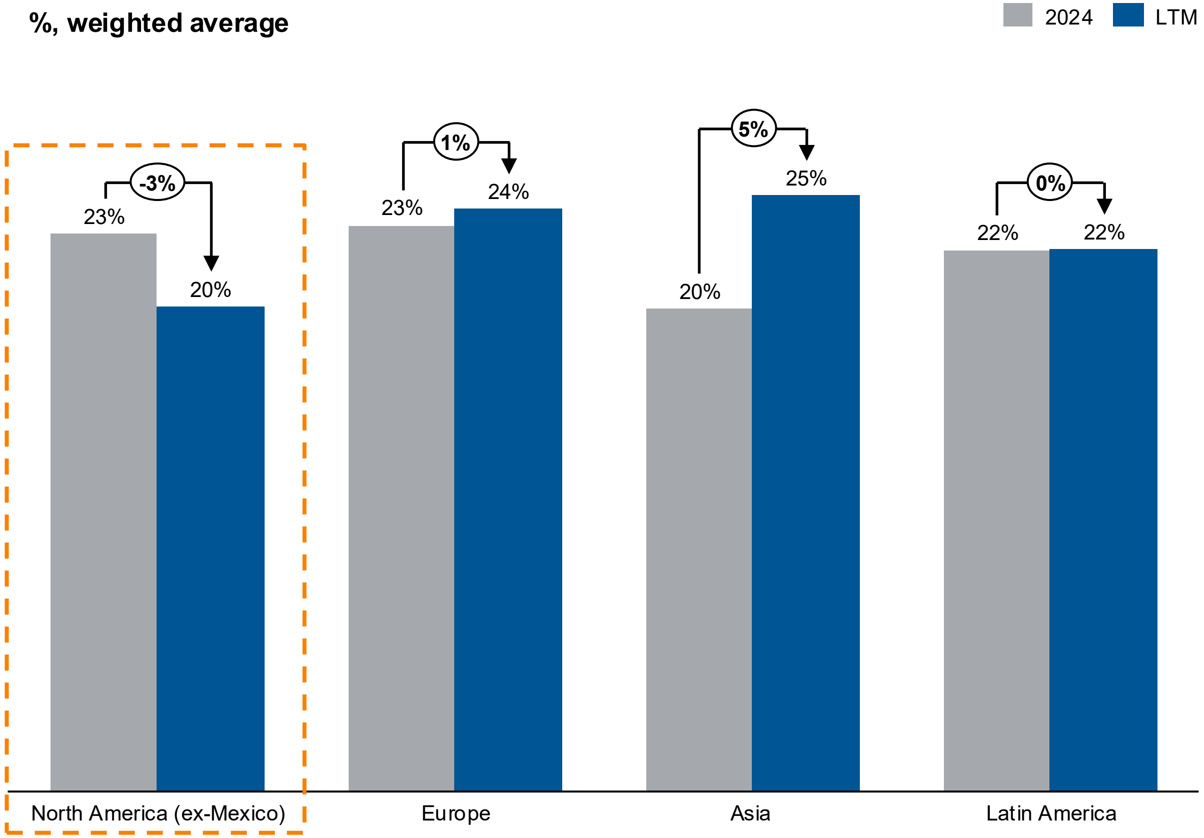
CASK



CASK ex Fuel[2]



Liquidity (as a % of Revenue)[1]



Sources: Seabury estimates, Diio, Bloomberg, quarterly and annual reports

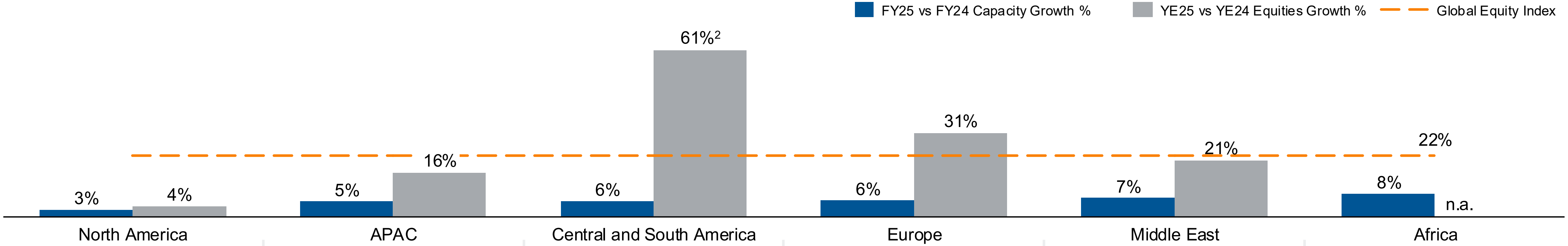
Notes: (1) Includes undrawn lines of credit in addition to cash and cash equivalents; (2) Certain peers excluded based on fuel cost availability

Peers (based on available date): North America (Ex-Mexico) – Southwest, JetBlue, Frontier, Sun Country, Delta, United, Allegiant, Air Canada, American Airlines, Alaska Air Group; Europe – Lufthansa Group, Ryanair, Finnair, Aegean, IAG, Norwegian, Air France-KLM, Norse Atlantic, Wizz Air, EasyJet, Croatia Airlines, Icelandair; Asia – China Airlines, PAL, Korean Air, ANA Holdings, Cathay Pacific, Spring Airlines, China Southern, Hainan Airlines, China Eastern, Indigo, Eva Airways, Air China, Vietnam Airlines, Singapore Airlines, Cebu Air, Vietjet, SpiceJet; Latin America – LATAM, Gol, Copa Airlines, Azul, Aeromexico

Overall airline equity performance was strong in 2025

European, APAC, and Middle Eastern carriers showed significant equity growth, while the North American airlines stumbled a bit compared to FY2024 as they waded through geopolitical uncertainty

Airline Capacity Growth vs Airline Market Capitalization Growth vs Global Equity Index[1]



Key themes

North America
- Majors continue to outperform low-cost carriers
- Volume = Success?
- Consolidation continues with JVs or mergers

APAC
- South and Southeast Asia continues to inspire growth in the region
- Geopolitical risk is high
- Some carriers continue benefitting from Russian airspace closure

Central and South America
- High growth is clouded by recent restructurings
- LATAM's significant growth has driven most of the equity growth this year
- Azul & GOL reduce costs with Chapter 11

Europe
- Consolidation continues to be a key theme in the region
- Most LCCs yields remain resilient compared to other regions

Middle East
- (U)LCCs / hybrids remain strong as opposed to the US trend
- Showing increasing signs of potential consolidation in the region
- Benefiting from Russian airspace closure

Africa
- Has largely recovered to pre-COVID levels, with a few carriers leading the charge
- Middle East airlines appear poised to continue holding a strong position in the region

n.a.

Notes: (1) MSCI ACWI covers approximately 85% of investable global equities including large-cap, mid-cap across developed and emerging markets; (2) Returns driven by LATAM stock performance
Source: Capital IQ, Cirium and MSCI

Index

Review of recent restructurings

COVID-related disruptions combined with a lack of government support drove most of the recent restructurings

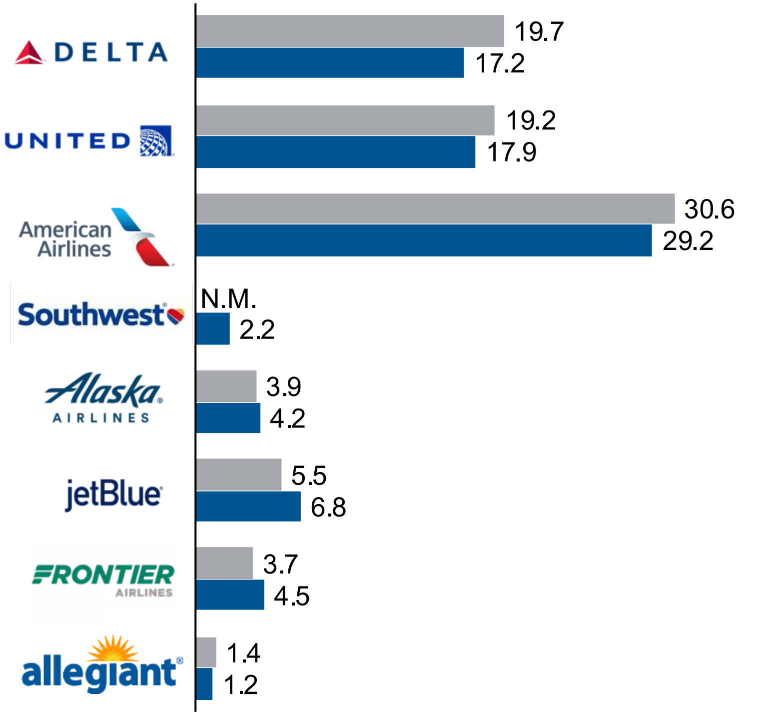
Year	Airline	Govt. Support	Venue	Main Causes
2025	Azul	Minimal	▪ U.S. Chapter 11	▪ Debt levels; lingering COVID recovery; currency
	Silver Airways	Minimal	▪ U.S. Chapter 11/7	▪ Debt levels, business model
	spirit	Minimal	▪ U.S. Chapter 11	▪ Fleet, GTF issues, competitive pressures, liquidity cushion
2024	GOL	Minimal	▪ U.S. Chapter 11	▪ Lingering COVID recovery; deferred maintenance; currency
	spirit	Minimal	▪ U.S. Chapter 11	▪ Debt levels, ULCC Business Model
2023	GO FIRST	Limited	▪ Indian Bankruptcy Tribunal	▪ GTF Grounding
	WGA	No	▪ Pre-negotiated U.S. Chapter 11	▪ Steep decline in air cargo demand; charter business model
	iAero Airways	No	▪ U.S. Chapter 11 / 7	▪ Drop in air cargo demand; charter business model
2022	SAS	Limited	▪ U.S. Chapter 11	▪ COVID; Ukraine war; labor
	VIVA ¡Vuela más!	No	▪ Colombian 560 Process	▪ Fuel price spike; regulatory delay of merger with Avianca
2020	avianca	No	▪ U.S. Chapter 11	▪ COVID; government shutdowns
	LATAM	No	▪ U.S. Chapter 11	▪ COVID; government shutdowns
	AEROMEXICO	No	▪ U.S. Chapter 11	▪ COVID; government shutdowns
	Philippine Airlines	No	▪ U.S. Chapter 11	▪ COVID; government shutdowns
	norwegian	No	▪ Irish Examinership	▪ COVID; challenged business model
	malaysia airlines	No	▪ UK Restructuring Plan	▪ COVID
	virgin atlantic	No	▪ UK Restructuring Plan	▪ COVID

Improving leverage vs declining EBITDA

As yields tighten and exogenous shocks effect the industry, EBITDA has declined for most carriers in the US; however, most carriers have been able to also reduce net debt, showcasing underlying strength in the market

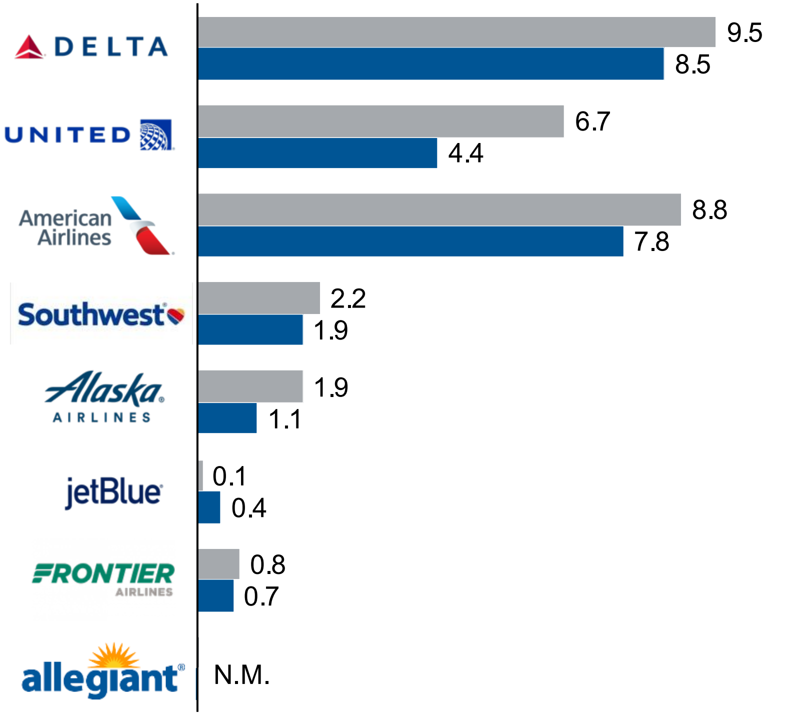
Net Debt[1]

USD B 2024 LTM Q3 2025



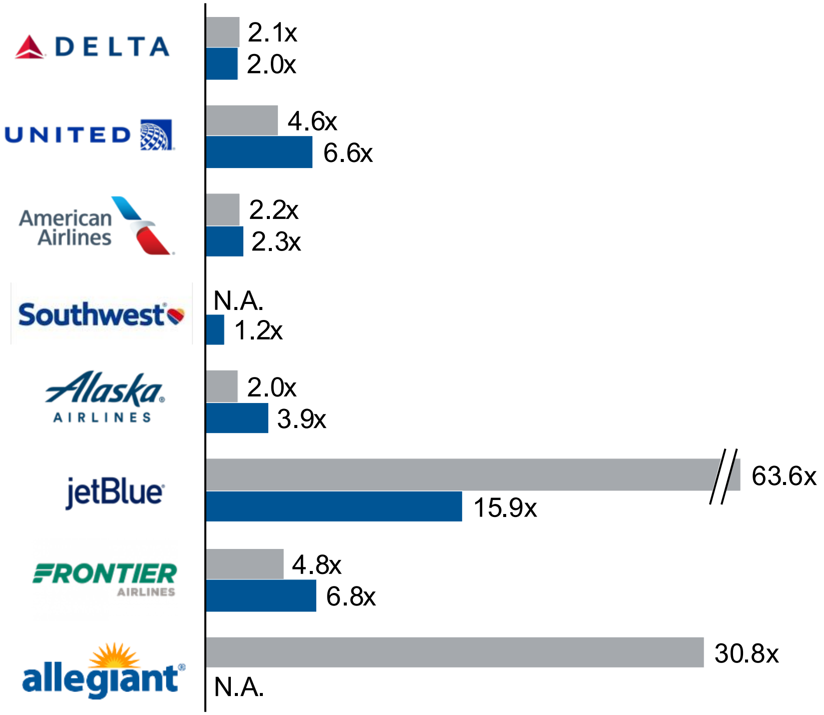
EBITDA[1]

USD B 2024 LTM Q3 2025



Leverage Ratio[1]

Net Debt / EBITDA 2024 LTM Q3 2025



While the market appears to remain strong, a potential economic slowdown could negatively impact most of the airlines in the United States

Notes:
(1) EBITDA and Leverage sourced from Bloomberg Intelligence North America Airline Dashboard; Leverage calculated as Net Debt divided by BBG calculated LTM EBITDA (excluding one-time items as calculated by Bloomberg)

Spirit Airlines Chapter 11 restructurings

After a failed merger with JetBlue in 2024, Spirit was in a precautious position

Chapter 11 – November 2024

- Spirit Airlines filed for bankruptcy protection in November 2024, with the aim of cleaning up its balance sheet and focusing on expanding into the premium market
- The plan contemplated the restructuring of a significant portion of the secured and convertible debt instruments
  - $1.1B of senior secured debt was exchanged for $700M of take back debt
  - $525M of convertible debt was exchanged for $140M of take back debt
- The plan also provided for a $350M equity injection to ensure that the company had enough liquidity to exit bankruptcy and repay the DIP
- **Despite the attempted balance sheet restructuring, the airline’s net debt remained high**
- The restructuring plan was confirmed on Feb 20, 2025, with an effective date of March 12, 2025

Chapter 11 (“22”) – August 2025

- After exiting bankruptcy, Spirit faced significant challenges stemming from the oversized fleet amid a weak macro revenue market
- **Spirit filed a 2nd bankruptcy in August 2025, but this time, with a strategy to comprehensively restructure the company**
- Key steps taken included:

Large rejection of leased aircraft, particularly NEOs

19x A320-200
84x A320neo

11x A321neo

Salary reductions, including management pay cuts

Network optimization with a focus on eliminating unprofitable flying

Examiner appointment and mandates

- Debtors, Creditors' Committee, and United States Trustee (UST) filed a Stipulation on October 17, 2025 consenting to the appointment of an examiner
  - Investigative mandate; no operating control or decision-making authority
- Approved by Bankruptcy Court on October 17, 2025
- After consultation with the Debtors and the Creditors' Committee, the UST filed an Application on October 28, 2025 requesting appointment of Marc Heimowitz
- Bankruptcy Court approved on October 29, 2025
- Mandate: Investigate circumstances surrounding refiling
  - $1.25 million budget, 45-day investigation period
  - Consider feasibility, good faith, and adequate disclosure in Spirit 1, and whether circumstances precipitating Spirit 2 were reasonably foreseeable based on information available at time of Spirit 1 confirmation
  - No opining on merits of business judgment, underlying operational decisions, legal strategy, or possible alternative transactions

Key questions investigated

- Could Spirit have demonstrated at a hypothetical contested confirmation that its balance-sheet only Spirit 1 plan was viable?
- Did Spirit know, or should it have known, at confirmation that the Spirit 1 plan was unlikely to succeed without using chapter 11 to adjust operations?
- Were post-emergence transactions assumed in the financial projections or foreseeable?

Why these questions are relevant

- Examiner focused on whether Spirit 1 satisfied certain core Bankruptcy Code confirmation requirements
- **Feasibility Test** *Bankruptcy Code Section 1129(a)(11)*
  - Must demonstrate confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor – "reasonable expectation of success"
  - Plan must be supported by financial projections prepared in good faith using reasonable assumptions, independent expert analysis, historical operational data, and reliable industry forecasts
  - Core focal point of Examiner; if Spirit 1 plan was advanced despite information suggesting a standalone balance sheet restructuring was not viable, it would raise concerns about the airline's motivations and good faith, and the adequacy and accuracy of disclosures

Why these questions are relevant (cont'd.)

- **Good Faith Plan Proposal** *Bankruptcy Code Section 1129(a)(3)*
  - Plan must be proposed in good faith and not by any means forbidden by law
  - Examiner considered whether it was reasonable to rely on the financial projections and whether the plan was the first stage of an intended (but undisclosed) two-step process, to be followed by an operational restructuring or merger
- **Adequate Disclosure** *Bankruptcy Code Section 1125*
  - Disclosure statement soliciting votes on the plan must contain "adequate information" to enable a creditor to make an informed judgment about the plan
  - Examiner determined if the Spirit 1 plan failed on feasibility or good faith, it likely means there should have been better disclosure

Examiner findings

- **Key Findings**
  - Spirit 1 plan feasible based on information available at confirmation
  - Projections underlying feasibility analysis were reasonable when presented
  - Operational and financial deterioration in 2025 unfolded at a speed and scale that was not reasonably foreseeable
  - No evidence of bad faith
  - No preplanned two-stage restructuring or reliance on assumed merger
- **Drivers of Spirit 2**
  - Rapid revenue collapse early 2025 (lower capacity, weaker unit revenue)
  - Additional liquidity compression (failure to realize projected aircraft sales, costs and lost revenue due to grounded aircraft with engine defects, credit card processor accelerated collateral requirements)
  - Lessor default and termination notices

Market implications

- Shows flexibility and practicality of chapter 11; ability to refile if circumstances change post-emergence
- Airlines filing chapter 11 not obligated to pursue operational restructuring opportunities; Bankruptcy Code does not obligate a debtor to use chapter 11 to extract every possible operational concession or solution
- But not without scrutiny if refiling shortly after emergence and especially if first filing involved a fast exit, without operational restructuring

What we see going forward

The Positives

- **Premium Travel**
  - Premium demand continues to expand, with premium cabin capacity driving meaningful revenue growth and record profitability for full-service carriers
- **Fuel Price – The Good**
  - Low fuel costs are easing cost pressures, with current forecasts indicating that fuel will remain favorable in the near to medium term
- **COVID Overhang**
  - Strong performances have enabled most airlines to substantially reduce the remaining balance sheet overhang of COVID

Potential Future Concerns

- **Return Costs**
  - As the first wave of next generation aircraft near their lease expirations, airlines are likely to face significant cash pressures to manage end of lease costs
- **Geopolitical Volatility**
  - Ongoing geopolitical uncertainty, including potential airspace restrictions, may create operational and financial challenges in the medium term
- **Fuel Price – The Potential Bad**
  - A rebound in oil prices to the US$70–80 per-barrel range could erode margins, especially given softening yields and rising non-fuel costs

For questions, contact:

Michael B. Cox
Vice Chairman, Seabury Aviation Partners
M +1 713 301 9972
E mcox@seaburysecurities.com

Kelly DiBlasi
Partner, Weil, Gotshal & Manges LLP
M +1 212 310 8032
E Kelly.DiBlasi@weil.com