



REPUBLIC AIRWAYS



Aviation Suppliers Association
Pioneering the Future of the Supply Chain
June 17, 2014



The Supply Base *and* Prospects (*In Action*)



Agenda

I. Introduction to RJET

II. Our industry – The Regional Space

III. The Evolution of the Industry and the Supply Chain

IV. Pioneering the Strategy – a key to OUR future

V. Dashboard and Data Analysis - Examples



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INTRODUCTION TO RJET

Republic Airways Holdings Inc

- Republic operates over 239 aircraft for 3 primary partners
 - Delta
 - United
 - American
- The fleet composition is:
 - ERJ – 41*
 - EJET – 167* (E170/175 and E190)
 - Q400 – 31*



FLEET IS SUPPORTED BY A FIXED FEE MODEL

Fixed-fee model characteristics

Predictable Revenue

- We are paid on our cost drivers (departures, block hours, flight hours, aircraft days)
- Limited exposure to domestic economy

Low Risk

- No fuel exposure, airport costs, insurance, property taxes and in most cases aircraft ownership costs are passed through to Partners

Opportunity to earn incentives (increase margin)

- Our Mainline Partners are placing higher value on seamless customer experience
- 1-2 margin points available for high quality operation

Mainline Partner scope clauses determine regional fleet

- All Partners now have 76 seat scope (larger aircraft = lower unit costs = better economics)
- Significant shift coming from 50 seat to 70+ seat regional aircraft, and RJET is well positioned for this change

Model Cost Drivers

Block hours	Flight Hours	Departures	AC Days	Pass-through costs
Crew wages & benefits	Maintenance wages & benefits	Engine LLP, landing gear, and other maintenance	Back office wages & benefits	Fuel
Crew per diem, hotel, training	Engine overhaul, airframe, and other maintenance		Other expenses and overheads	Landing fees & rents
				AC ownership
				Insurance & taxes

Stable financial performance

Financial Highlights

- Stable cash flows
 - Sale of Frontier ~\$77 million Dec 2013, which is anticipated to be returned to shareholders by the end of 2014

- Margin improvement and stabilization

RJET Financial Overview

Metric	2012 (actual)	2013 (actual)	2014 (midpoint guidance)	'14 vs '13 YOY% change
Block Hours	701,040	749,931	786,613	4.9%
ASMs (millions)	13,437	13,486	14,771	9.5%
Revenue (millions)	\$1,377	\$1,347	\$1,375	2.1%
Pre-tax Income (millions)¹	\$51.1	\$102.5	\$110.0	7.3%
Pre-tax Margin ¹	3.7%	7.6%	8.0%	0.4pp
Diluted EPS, continuing ops^{1,2}	\$0.63	\$1.15	\$1.30	12.8%
Unrestricted cash (millions)²	\$210.8	\$276.7	\$200.0	-27.7%

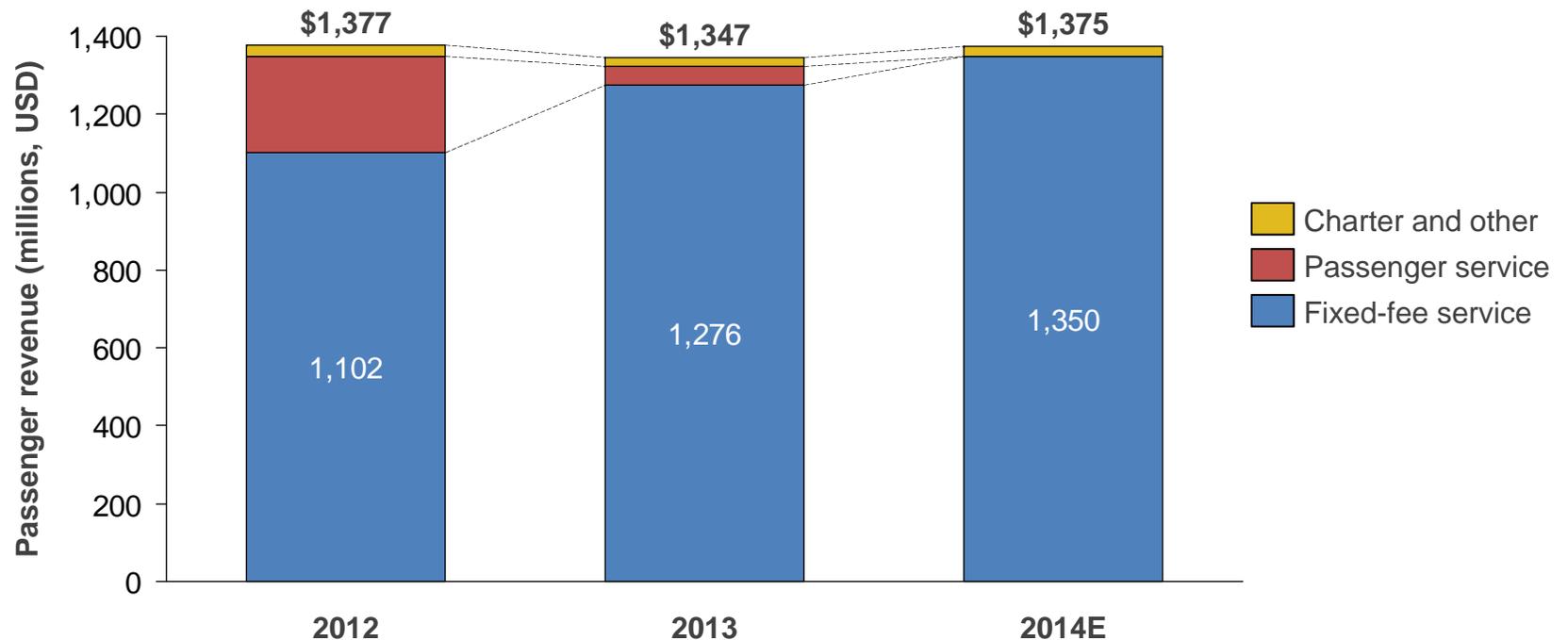
1. For 2013, excludes effect of \$21.2 impairment charge

2. Assumes full use of \$75M share repurchase/convertible debt authorization by 12/31/2014

Improving revenue mix

Overall, our fixed fee revenue is up **22%** since 2012, despite a few important considerations:

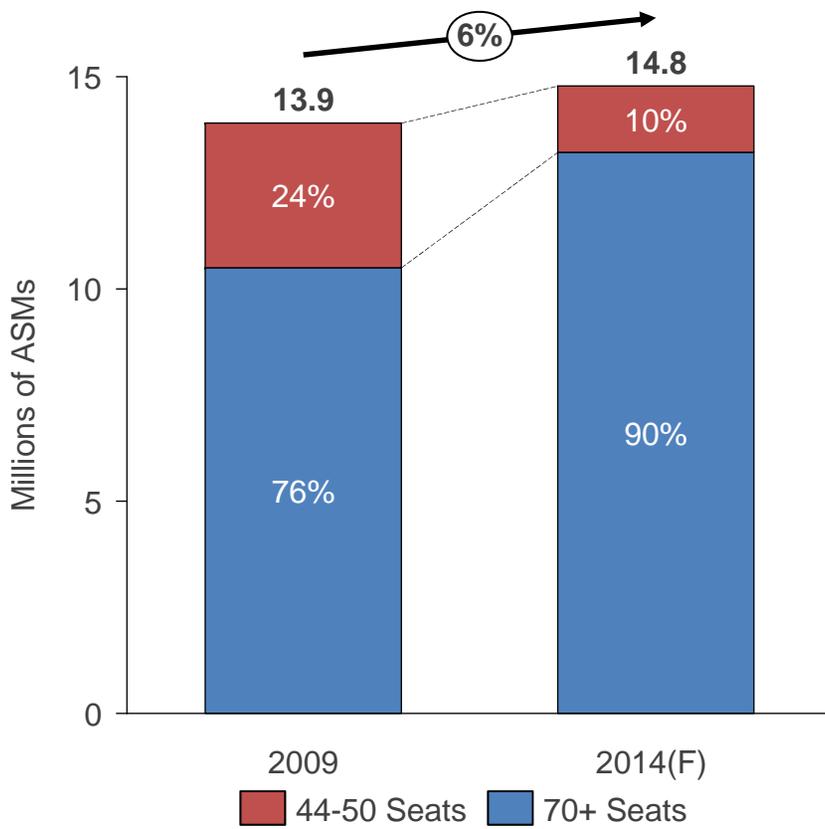
- United began paying for fuel and landing fees in 2012 and 2013, respectively, decreasing pass-through revenues by an estimated \$60 million. (On a pro forma basis, the fixed fee revenue gain is roughly **30%**)
- Following the sale of Frontier, a reduction in aircraft operating under pro-rate agreements resulted in decreased passenger service revenue.



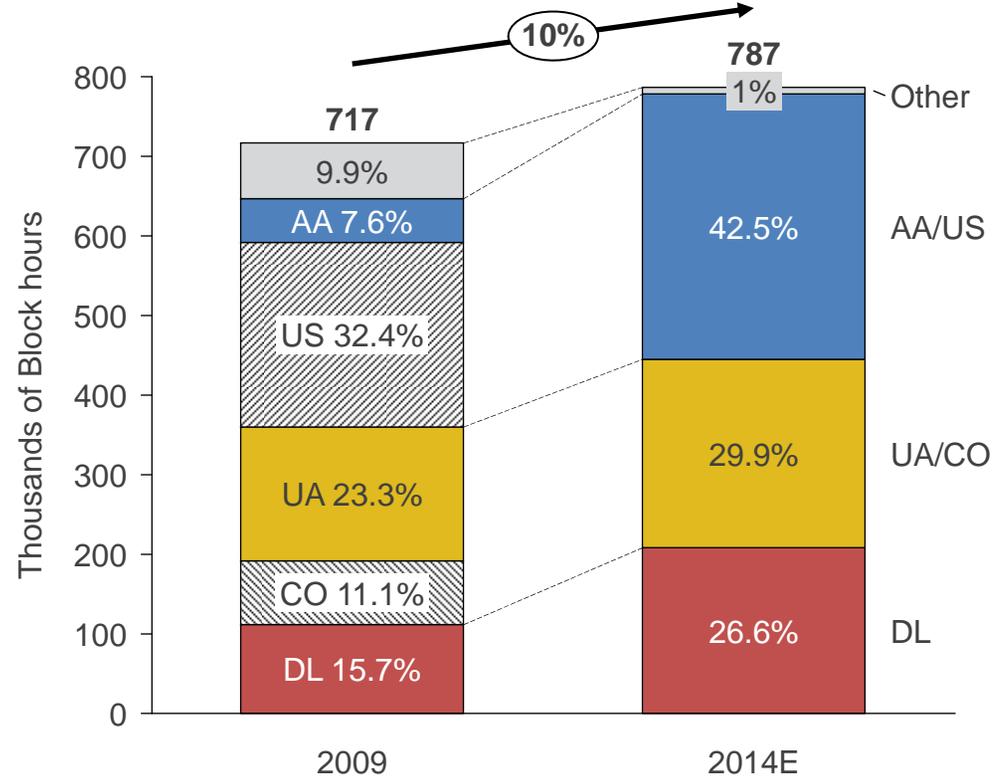
Best in class fleet mix and diversity

60% reduction in 44-50 seat flying

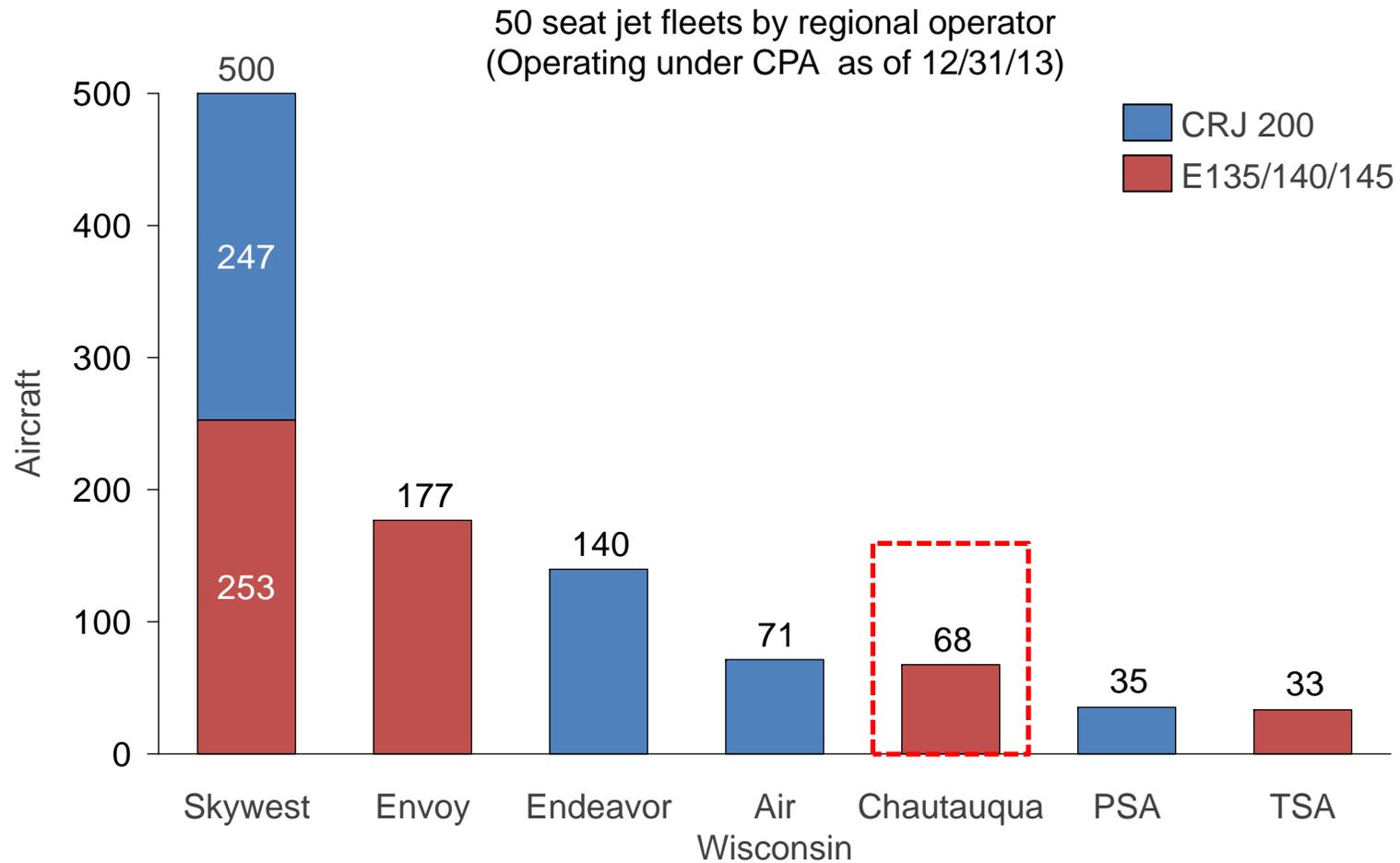
2009 vs 2014 ASMs



2009 vs 2014 Block hours

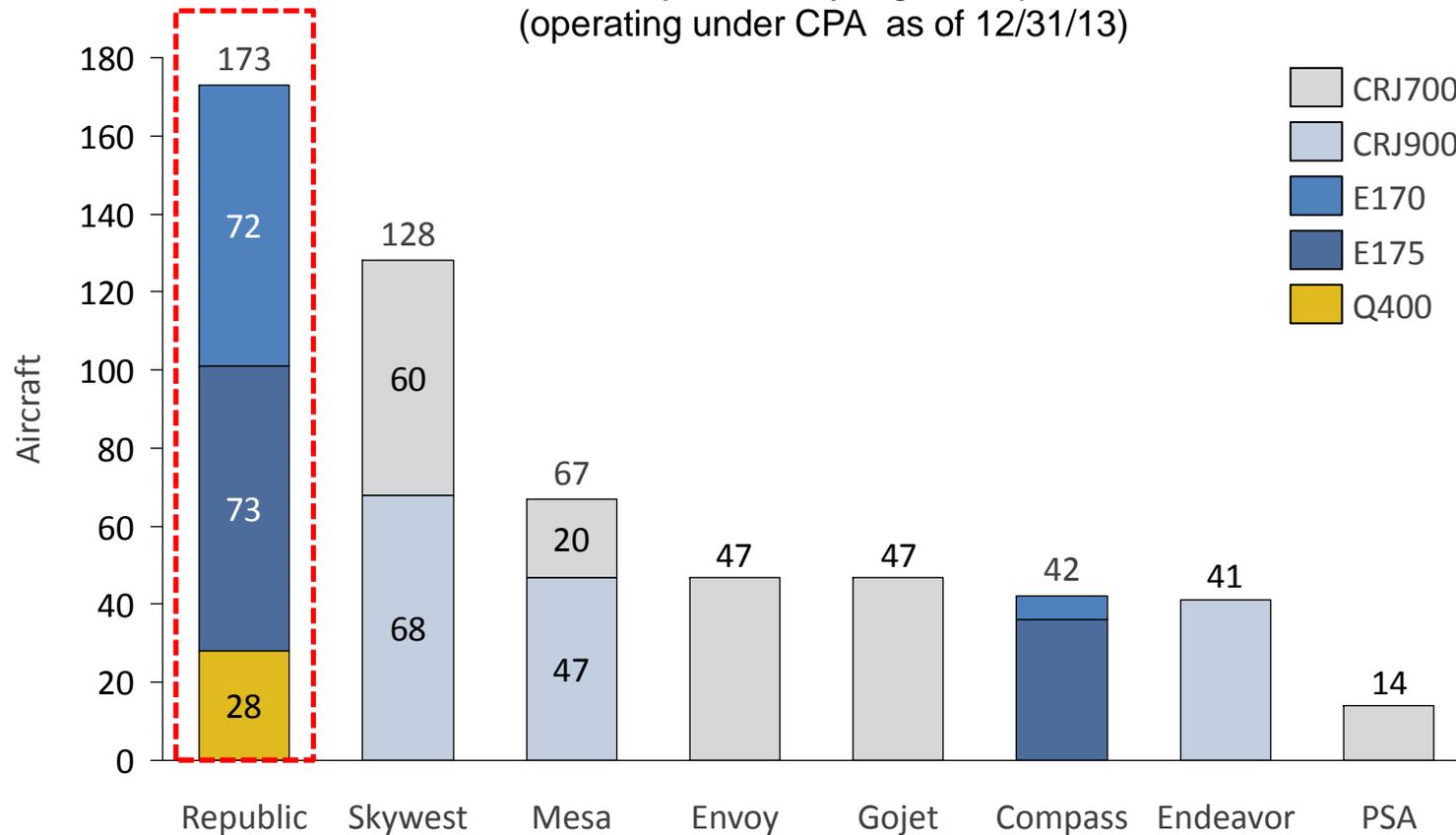


Winding-down our 50-seat fleet



Expanding our 70+ seat fleet

70+ seat jet fleets by regional operator
(operating under CPA as of 12/31/13)

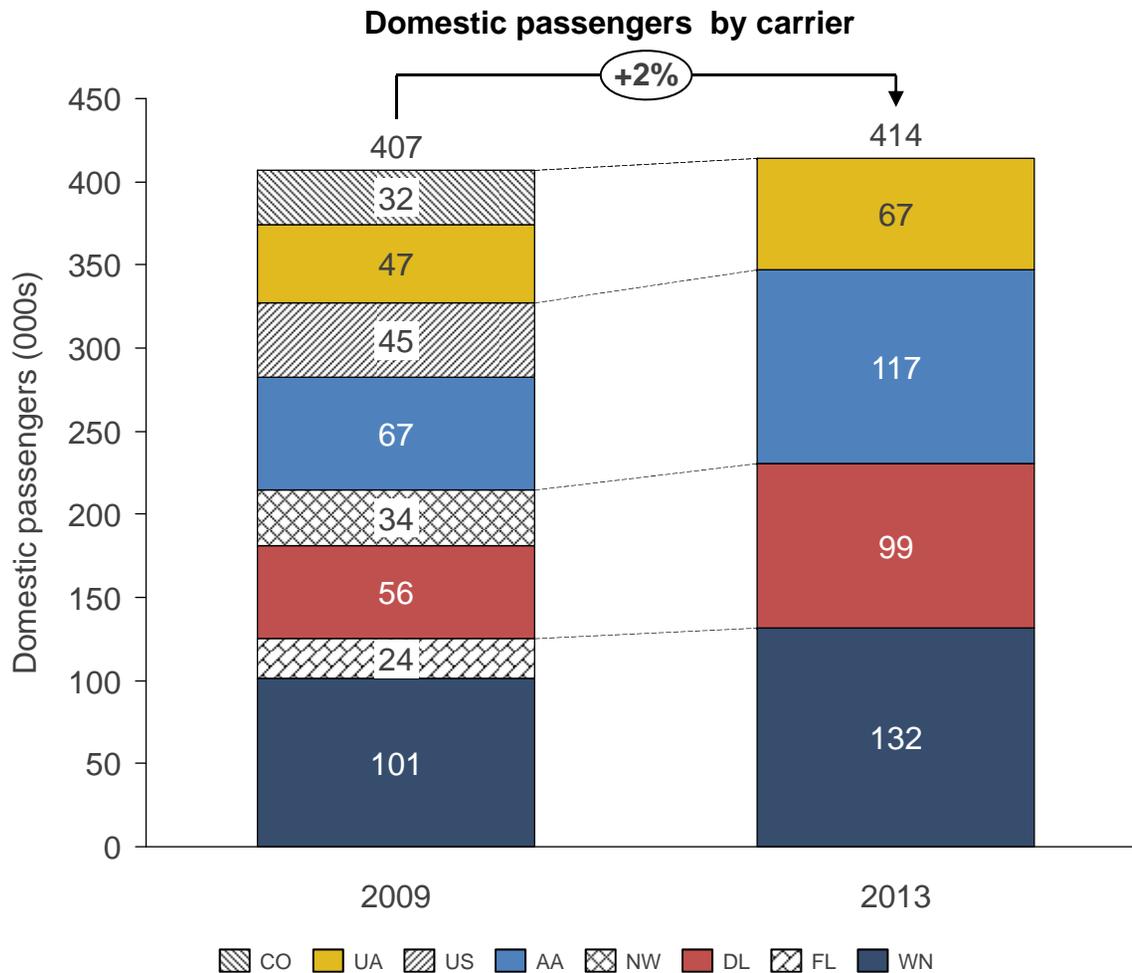




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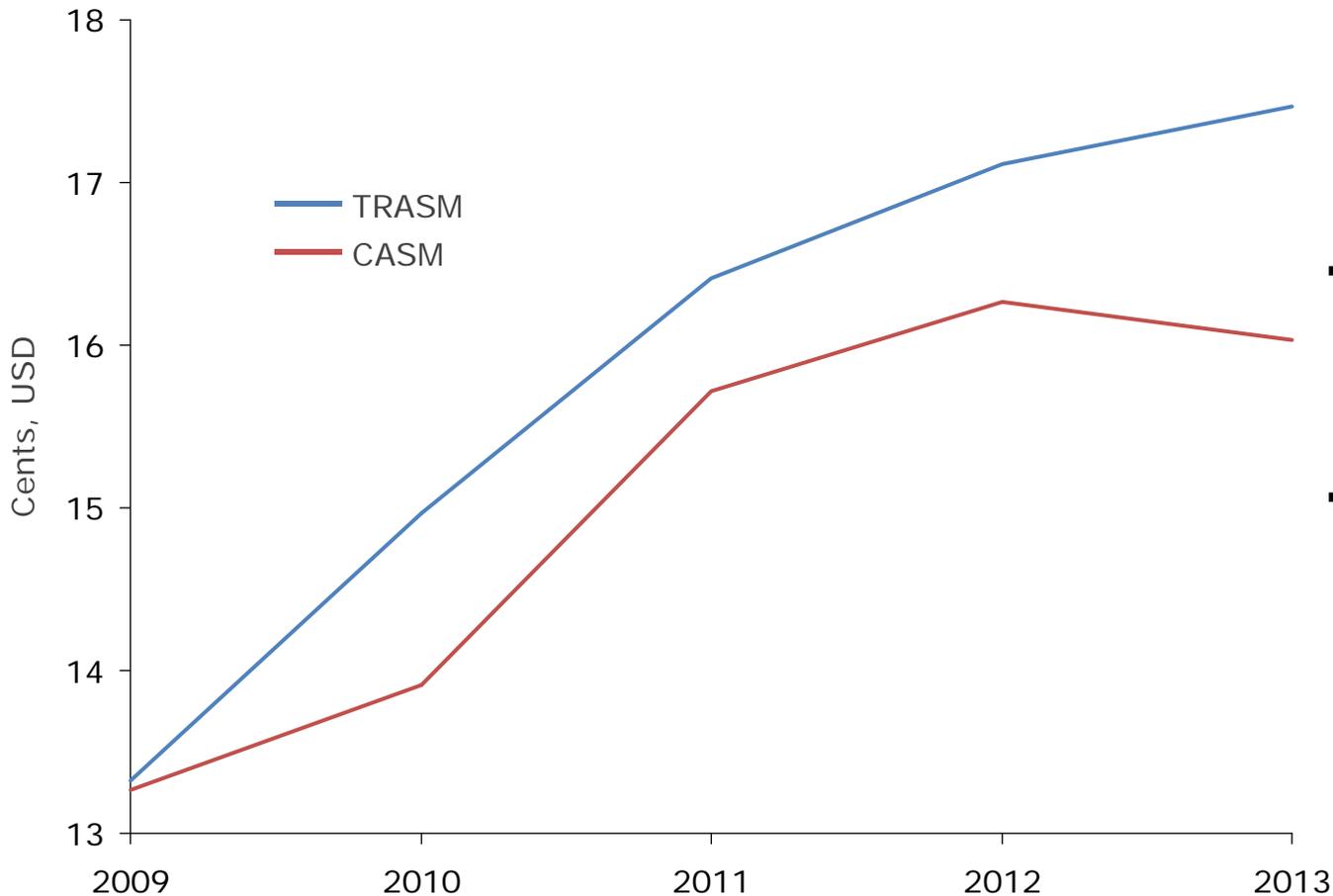
OUR INDUSTRY

Mainline partner consolidation



- Four large industry players remain
 - American, Delta, United and Southwest now make up ~83% of domestic capacity
- The three merged legacy airlines are now focused on capacity rationalization, resulting in some hub closures
 - Hub closures are a headwind to regional carriers and create more white space for Ultra-low cost carriers, or "ULCCs"

US Carrier TRASM and CASM trends, 2009-2013

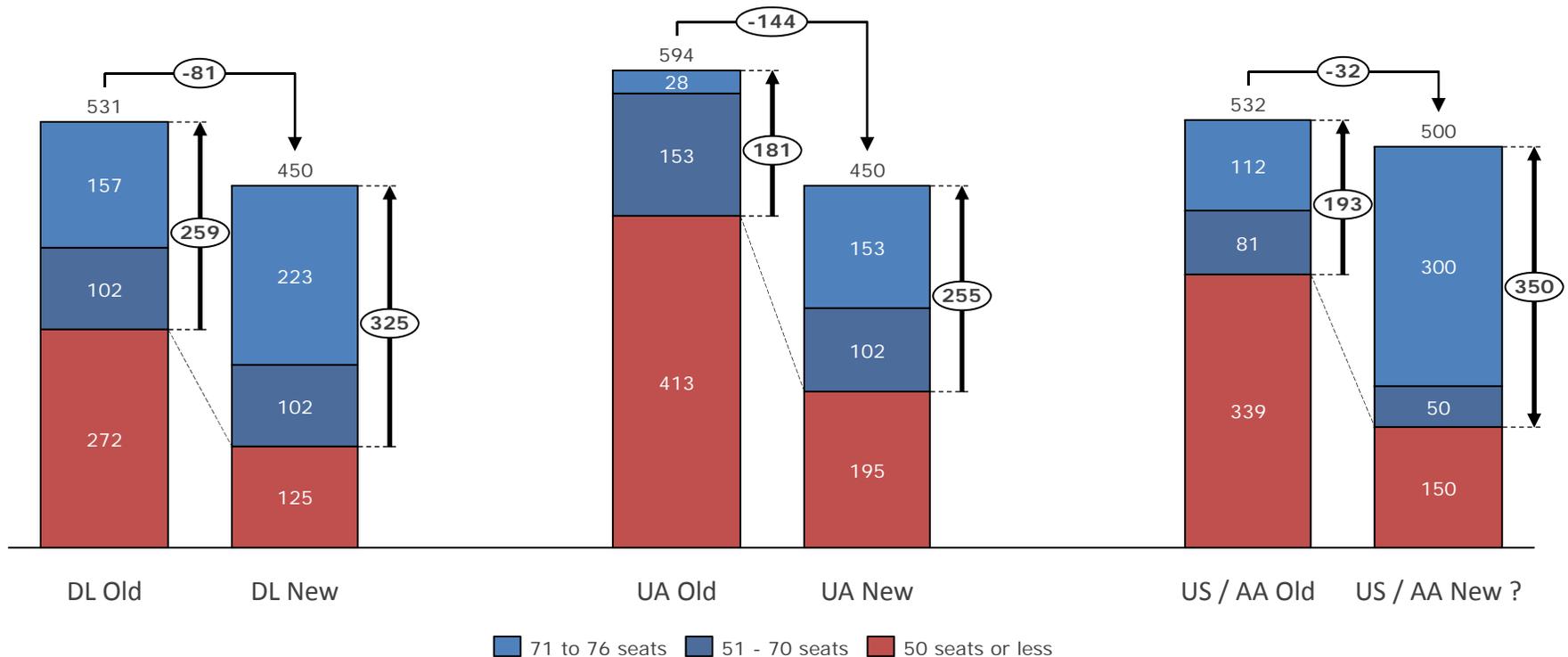


- Capacity rationalization has contributed to significant TRASM gains over the past 5 years
- Stabilizing oil prices and strong cost management by mainline airlines have tempered CASM growth, leading to record profits

Mainline partner scope changes

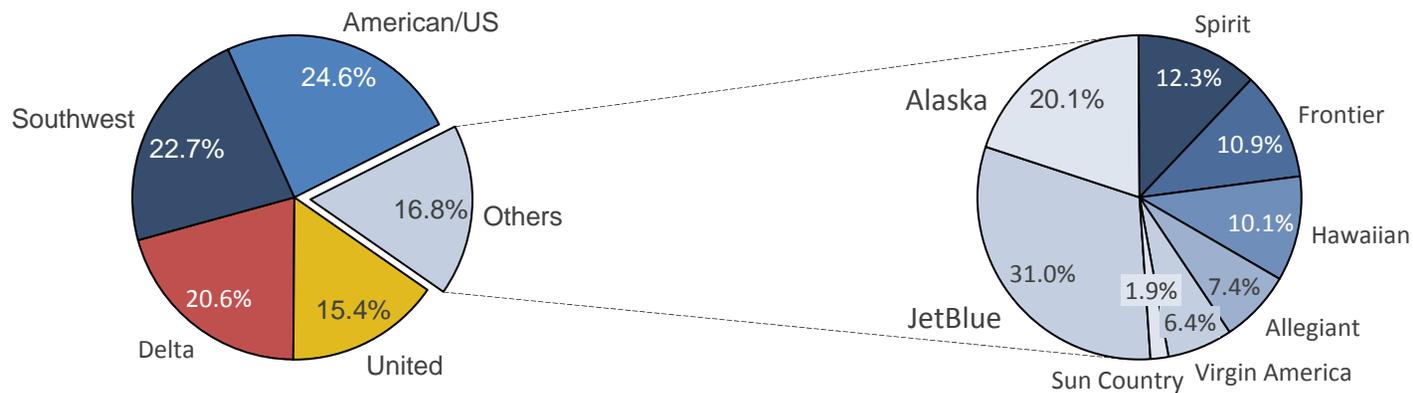
Expected reduction of ~ 250 regional aircraft

- Trading ~ 550 small jet aircraft in favor of ~ 300 larger aircraft (76 seat)
- Why does this make sense?
 - Taking more connections over fewer hubs means revenues are produced more efficiently
 - Economies of scale (spreading the fixed cost of the business over more seats)



LCCs Growing, But...

US carriers domestic passenger share, FY 2013



Source: Form 41. US Majors and LCCs with scheduled operations greater than 0.1% of domestic traffic.

- The non-legacy controlled market remains highly fragmented between LCC, ULCC and hybrid carriers
 - JetBlue and Alaska roughly 50% of remaining market share
 - ULCCs growing at a faster rate (Allegiant, Spirit, Virgin America)
- ULCCs narrow focus on leisure traffic (low unit revenue) allows Mainline Partner carriers focus on premium business travelers creating a win/win scenario with limited competitive interplay
- Barriers to entry remain high, leaving incumbents in competitive position

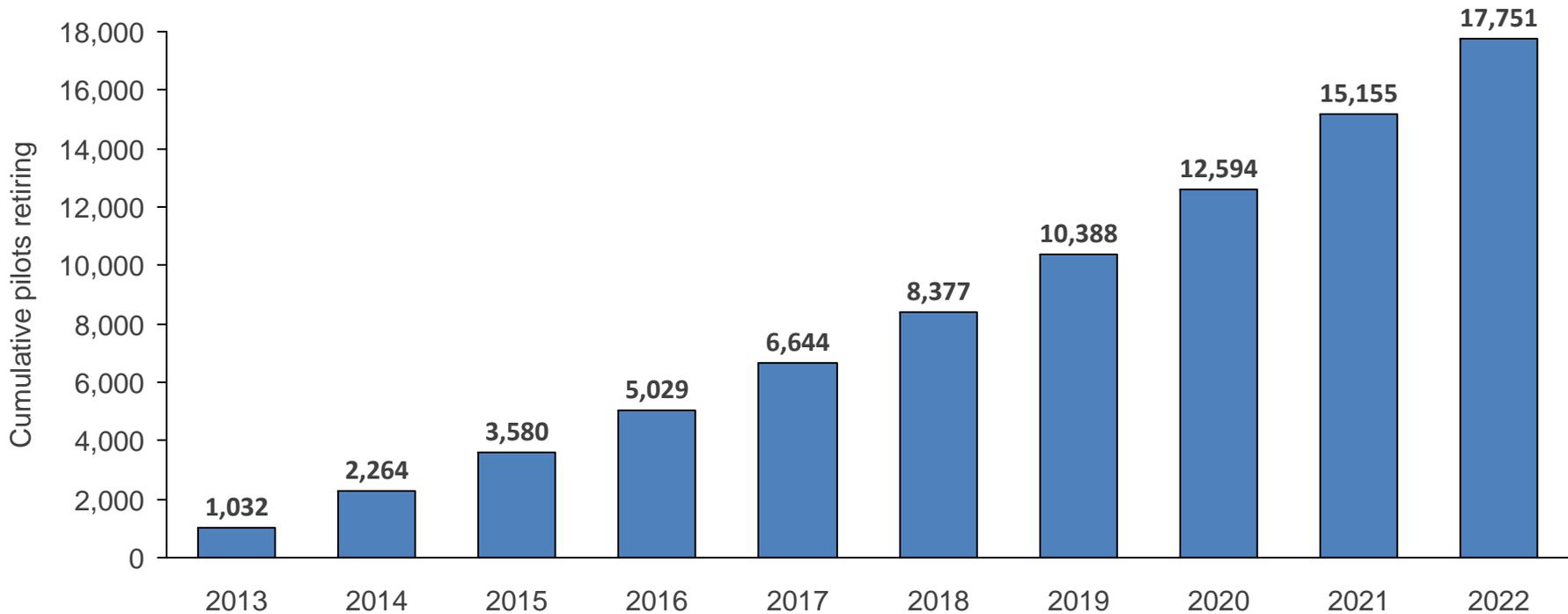


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**THE CURRENT THREAT
TO
OUR INDUSTRY**

Mainline partner expected pilot retirements

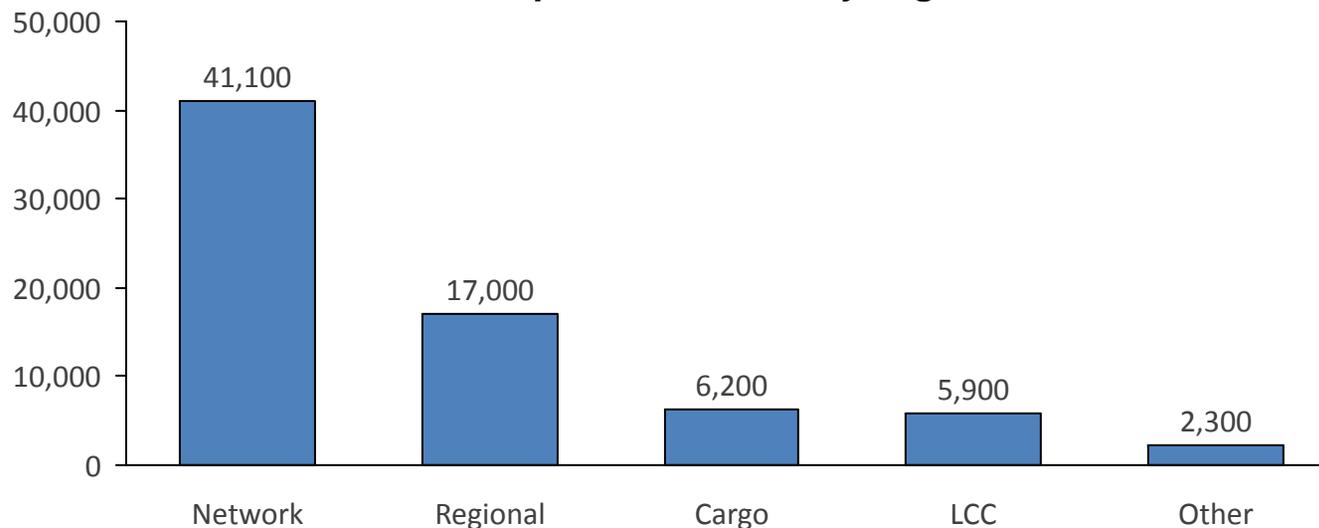
Expected cumulative pilot retirements through 2022



Sources: Flight Path Economics, FAA and DOT

Where do mainline partners' pilots come from?

2012 pilot headcount by segment



FAR 117 pilot demand	
Carrier Type	Estimated additional pilots required
Network	2,000-3,300
Regional	850-1,350
Cargo	300-500
LCC	300-500
Other	100-200

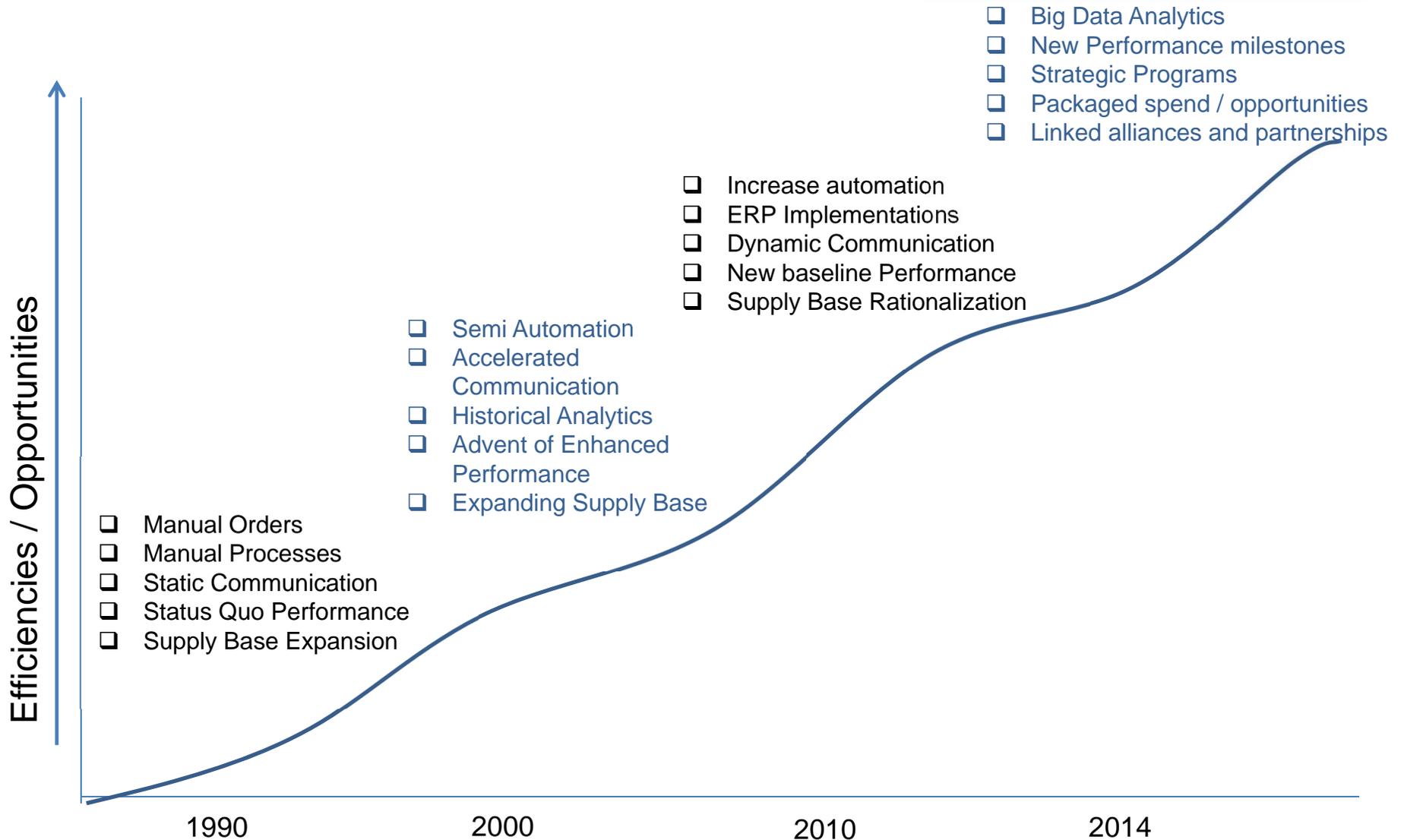
Sources: Flight Path Economics, FAA and DOT



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**SUPPLY CHAIN
EVOLUTION AND THE FUTURE**

The Evolution of the Aviation Supply Chain



V⁴ - Key Deliverables for the Future

4

Victory

- ✓ Bilateral performance – measure and deliver!
- ✓ Celebrate all success
- ✓ Understand and align corporate objectives ([ex](#))

Volume

- ✓ Limited market and expand offering
- ✓ Consolidation – still in play
- ✓ Alliances
- ✓ Diversification

Value

- ✓ Established high value electronic links
 - ✓ Demand Indicators ([ex](#))
 - ✓ Supply Indicators
- ✓ Data Integration / Data Accuracy
- ✓ Leverage technology / real time dashboards ([example](#))
- ✓ Value stream – map and remap (flex) for each partner

Velocity

- ✓ Communication – not only instant but proactive – see value
- ✓ TAT – 2014 performance requirements +
- ✓ Lead Time Compression
- ✓ Real time collaboration with all trading partners

Pioneering Strategy

(Summary Checklist)

V⁴

Must deliver:

- Velocity – data, status, product, information
- Value – electronic linkages and partnered automation that drives performance
- Volume – expanded offerings through alliances or consolidation
- Victory – align and flex your objectives with your trading partners (micro and macro)

DIVERSIFICATION

- Program trends – are you aligned?
- Domestic – limited opportunity but monetary business intel / development that matches domestic market – all carriers
- Global – continued growth and must be a player in this realm to grow your business
- Consolidation or Expansion – direct diversification of offering

COST DISCIPLINE

- Manage all trading partners – customers and suppliers
- Generate efficiencies
- Gain share on continuous improvements
- Long term success of our industry depends on continued vigilance of cost and ability to respond to changes

Evolution and Velocity?





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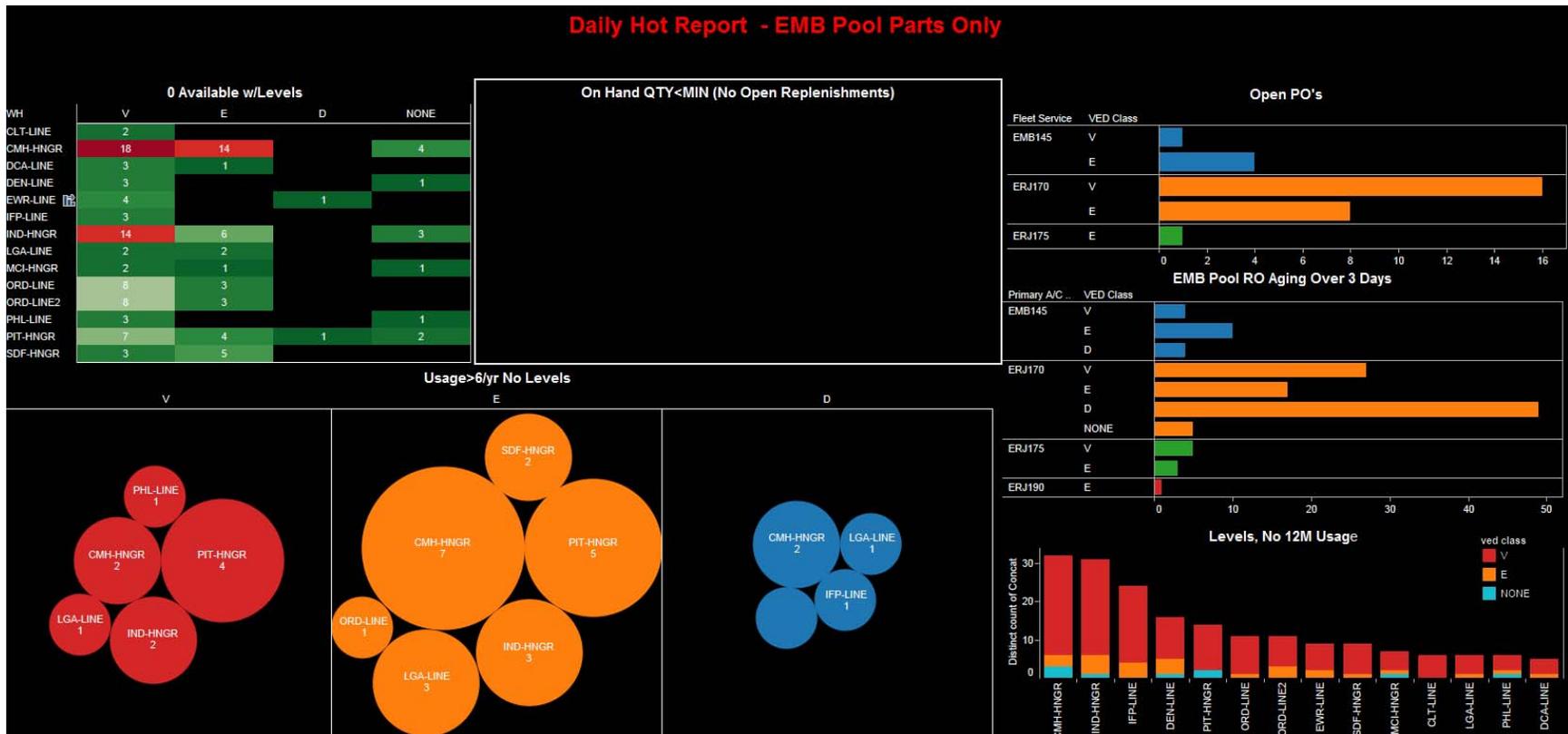
REFERENCE SLIDES
(POWER OF DATA AND ANALYTICS)

Real Time Dashboard Example (Embraer Program)

Strategic Programs:

- ✓ Real time dashboards analyzing big data and prioritizing partnered actions

V4



Key Objectives

Select Corporate and Supply Chain

Select Corporate Objectives:

- CASM < 8.85
- Controllable Completion Factor:
> 99.10%

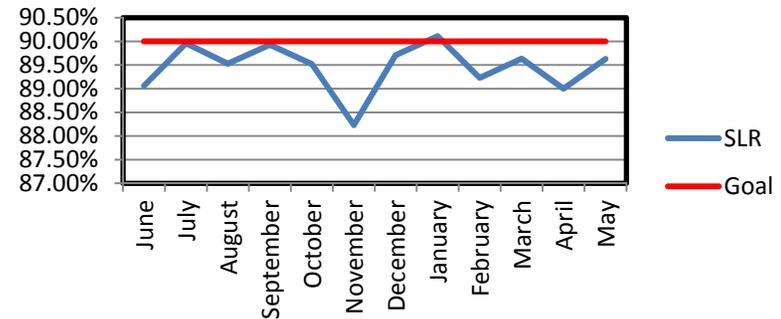
Other:

- D'O - Departures
- Arrivals within 14 minutes
- Pre-Tax Income

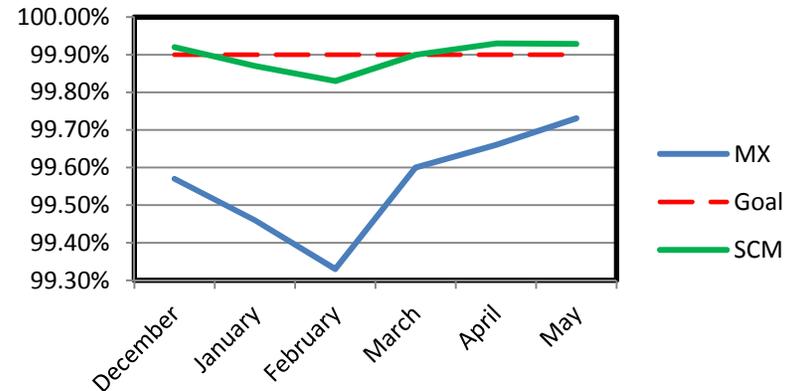
Supply Chain Objectives:

v4

SLR June '13 - May '14



Controllable Completion Factor

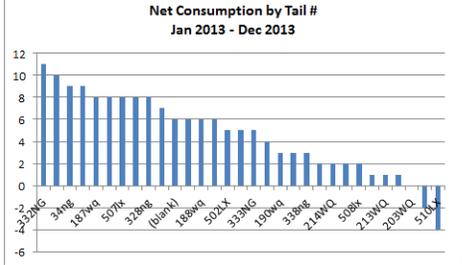
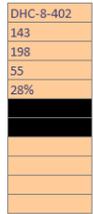


Real Time Big Data Analytics

Go back to Top list | Part Number 3122427-02 | Description FILTER, OIL | Review Status: IN WORK | Target Completion Date: 20-Apr-14 | Review Prioritization: HIGH

GENERAL DETAILS

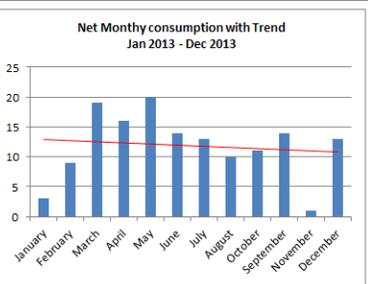
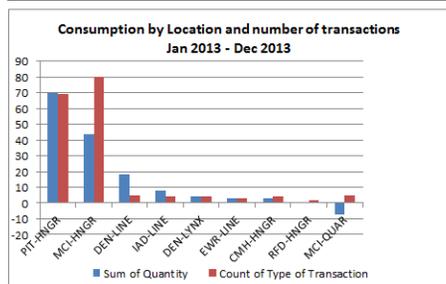
Fleet Type:
 Net Annual Consumption: 143
 Gross Consumption: 198
 Returns: 55
 Consumption / Return Ratio: 28%
 Average Unit Cost
 Annual Spend
 Global Annual Usage
 Average Monthly Usage
 Peak Demand
 Current OH Quantity



Issue vs Return by location
 Part Category EXPENSEABLE
 Prime Part# 3122427-02

Location	Issue	Return	Grand Total
PIT-HNGR	78	-8	70
MCI-HNGR	81	-37	44
DEN-LINE	18		18
IAD-LINE	8		8
DEN-LYNX	4		4
EWR-LINE	3		3
CMH-HNGR	4	-1	3
RFD-HNGR	2	-2	0
MCI-QUAR		-7	-7
Grand Total	198	-55	143

Analytics to accelerate decisions and support:
 + or - demand signals



v4

Consumption by Tail# and month
 Part Category EXPENSEABLE
 Issue or Return? (All)
 Prime Part# 3122427-02

Aircraft Reg #	January	February	March	April	May	June	July	August	October	September	November	December	Grand Total
332NG			4	2	2		1				1	1	11
342ng					7		2	1					10
34ng			3	2	1				1		2		9
336ng		1	6		0	1			1				9
187wq				2	1		1	3			1		8
346ng		1	2						4		1		8
507lx			4	0	-2		0	4		1			8
323ng				4	2			2					8
328ng		2		2		3	1						8
345NG			2	2	1					1			7
(blank)			1									5	6
339NG			1	1	2			1		1			6
188wq			3	2	-1		1				1		6
380NG			2	0	1	1				1	1		6
502LX				3	1		1						5
356NG			1	1		2	-2			1		2	5

Monthly consumption by location vs count of transactions
 Part Category EXPENSEABLE
 Issue or Retn (All)
 Prime Part# 3122427-02

Month	PIT-HNGR		MCI-HNGR		DEN-LINE		IAD-LINE	
	Sum of Q	Count of T	Sum of Q	Count of T	Sum of Q	Count of T	Sum of Q	Count of T
January	2	5						
February	2	1	3		4			
March	10	6	10		24			
April	8	4	4		15	2	1	8
May	15	15	4		10			
June	9	10	5		7			
July	2	5	6		8	4	1	
August	7	6			3	1		
October	4	6	1		1	4	1	
September	6	6	7		7			
November	1	1	2		2			
December	4	4	2		2	5	1	
Grand Total	70	69	44	80	18	5	8	4